

## **MS&AD Insurance Group Holdings Conference Call (February 1, 2013) Summary of Q&A Session of the Reorganization by Function in MS&AD Insurance Group**

Following is a summary of the Q&A session from the IR conference call held on February 1, 2013.

Q. The Company estimates the effect of cost reductions from this reorganization by function will amount to 40 billion to 50 billion yen, but how does this relate to the cost reduction effects projected in the previous plan?

A. In the previous plan, we were projecting synergies of 55 billion yen or more in/after FY2015 in comparison with FY2008, and we estimate that cost reduction from this reorganization will amount to around 40 billion to 50 billion yen compared to FY2011. There is some overlap with the target figures that we were previously projecting due to business integration, but we are conservatively projecting cost reduction effects. As we are currently refining the figures, we would like to refrain from replying in detail at this stage.

Q. Could you please explain the main reason for choosing this reorganization by function?

A. The first point is that it is designed to realize growth with a sense of speed. Compared with a merger which would entail internally oriented energy for creating in-company harmony and mutual understanding of products, for example, such energy will be minimized. Also, owing to the system integration that we are currently promoting, we will reap the benefits of an improvement in system efficiencies that account for a major portion of the effects of a merger.

The second point is that we will be able to provide customers with diverse options within the group. We believe we will be able to respond to customers' diverse needs, as Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance will provide high quality products and services that are tailored to the strategies of respective companies as a result of system integration.

Q. In regard to domestic non-life insurance business, is there a possibility that the Company will reorganize core businesses other than the areas of hull, cargo, aviation and aerospace insurance, as well as the motor channel agencies, which have become the targets of reorganization?

A. Hull and cargo are areas where Mitsui Sumitomo Insurance has strength, and our market share in aviation and aerospace insurance ranks second and third, respectively. Therefore, we believe that by integrating the market share of Aioi Nissay Dowa Insurance with Mitsui Sumitomo Insurance through the reorganization, we will be able to respond to customers' diverse needs by realizing high productivity and the provision of sophisticated services.

We made this decision after carefully examining whether other areas would be subject to reorganization, but if there are business lines where reorganization will similarly result in high productivity and an improvement in customer service and satisfaction, it is quite possible that we will further expand the reorganization. However, in regard to personal products such as the major lines of automobile insurance and fire insurance, our policy is to endeavour to keep diversity of products

while maintaining high quality through common system infrastructure, and do we not think it is likely that we will integrate major business lines at present.

Q. Regarding the reorganization of the overseas business, could you please provide information on the status of Aioi Nissay Dowa Insurance's F&I (Finance & Insurance) business centred on Toyota dealerships and the outlook going forward associated with reorganization?

A. Regarding the status of the F&I business, which is an overseas retail business related to Toyota dealerships, gross premiums written were 4.6 billion yen and underwriting loss was 800 million yen in the first half of FY2012 on a head office reinsurance assumed basis at Aioi Nissay Dowa Insurance. Our full-year FY2012 estimates call for gross written premiums of 7.9 billion yen and underwriting income of 800 million yen.

In FY2013, we expect the business to perform steadily after the reorganization by function, and we are projecting gross written premiums of 8.5 billion yen and underwriting income of 900 million yen.

Q. How do you think the business operations in overseas will be set up after the reorganization by function?

A. We have already completed integration in many regions. There are regions where we will accelerate consultation such as Australia and Vietnam, but there are also regions where the two companies will expand their respective businesses based on regional circumstances.

For example, in Europe, Mitsui Sumitomo Insurance is expanding its business related to Japanese companies and its local business while Aioi Nissay Dowa Insurance is expanding its operations mainly in the retail business related to Toyota dealerships. In Thailand, Mitsui Sumitomo Insurance is conducting business at its branch and local subsidiaries while Aioi Nissay Dowa Insurance is doing the same at its local subsidiaries. In China, as approval for insurance operations is required on a provincial basis, we believe both companies will continue to conduct business accordingly in each province.

Q. We think there were many unrealized cost reduction effects that the Company projected in the previous plan, but do you think the cost reduction effects of 40 billion to 50 billion yen that are projected as a result of this reorganization will occur separately from those effects?

A. In the previous plan, we had already realized many cost reductions out of such events as the merger of Aioi Insurance and Nissay Dowa General Insurance, the merger of Mitsui Sumitomo Kirameki Life Insurance and Aioi Life Insurance, and the integration of shared service companies. However, as we previously mentioned, we would like to refrain from replying at this stage about the relation with cost reduction effects from this reorganization, as we are currently refining the figures.

Q. Has there been any change in the Company's forecast of system integration costs of 45 billion yen, which were projected in the previous plan, as expenses recorded over a period of five years from FY2013?

A. We expect a moderate increase of system integration costs along with this reorganization, but compared to the case of a merger, the cost increase will be small

and there has been no change in our existing forecast regarding the method of booking expenses.

- Q. Is it correct to assume that the schedule for introducing the integrated system has not changed?
- A. Regarding the schedule for system integration, we aim to complete the integration by the end of FY2013 and there has been no change.
- Q. Is there any expenses that could be booked as an extraordinary loss? If there is an expense ratio targeted in FY2015, could you please provide information on this?
- A. Regarding expenses, we do not think there will be any kind of large amount that would be incurred in the case of a merger. As for the expense ratio, we are targeting a level of 95% for the combined ratio with the addition of the loss ratio. This level, which we have set up as a target for some time, will remain unchanged even if we factor in the impact of a rise in the consumption tax rate and the impact of frequent natural disasters.
- Q. When will this reorganization by function be completed and temporary expenses incurred, and when will the cost reduction effects of 40 billion to 50 billion yen emerge?
- A. We will start off by implementing measures that are possible such as the reorganization of headquarters functions from FY2013. The major part of the reorganization will kick off in FY2014, and as it will take time to transfer policies, for example, we presume the reorganization will finally be completed at the end of FY2015. We believe that the occurrence of temporary expenses and the effect of cost reductions will also emerge according to this implementation schedule.
- Q. Are any additional personnel reduction planned due to moves to enhance the efficiency of the headquarters organization?
- A. At present, there is no fixed target, but as previously assumed, we foresee that around 3,000 jobs would be reduced compared to FY2009. We believe that productivity per person will be equivalent to that of other groups.
- Q. I presume that transferring Aioi Nissay Dowa Insurance's hull and cargo insurance, and so forth to Mitsui Sumitomo Insurance based on this reorganization by function will have an impact on the loss ratio of underwriting income.
- A. We think it is unlikely that Mitsui Sumitomo Insurance's loss ratio and underwriting income will change substantially as a result of the reorganization by function. Nevertheless, in the case of Aioi Nissay Dowa Insurance, costs that were previously related to these segments will decrease sharply, as policies in the hull, cargo, aviation and aerospace segments will be migrated to Mitsui Sumitomo Insurance. Furthermore, there will also be a positive effect from the fact that Mitsui Sumitomo Insurance will be able to provide its services to customers of Aioi Nissay Dowa Insurance.

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