

## **MS&AD Holdings Conference Call (held on October 6, 2017)**

### **Investment in ReAssure, a Leading Closed Book Life Consolidator in the UK Summary of Questions and Answers**

The following summarizes the questions and answers exchanged during the IR conference call held on October 6, 2017.

Q1: Regarding the scheme to acquire additional shares, what method will you use to decide the unit price of shares when raising your equity stake to 15% after acquiring 5% of the outstanding shares?

A1: The unit price of shares when subscribing to new shares has been decided in advance and will slide to a certain degree over the passage of time.

Q2: Will the investment amount when your equity stake reaches 15% be roughly GBP 800 million?

A2: The investment amount when our equity stake reaches 15% will not necessarily be GBP 800 million, as it will vary due to the impact of the state of progress of acquisitions by ReAssure going forward and other factors.

Q3: Why did Swiss Re choose MS&AD as a partner?

A3: Swiss Re recognizes that there is still room for this business to grow. To continue the business, it needed to increase capital further. In addition, in terms of the overall group, there were latent needs to rebalance risk weighting and ensure risk capacity. Therefore, instead of an unspecified third party, Swiss Re chose us as a trustworthy partner because it has done business with us for many years and has built up a relationship of trust with us.

Q4: In forecasting dividend income, what kind of factors will have an impact on the amount of dividends?

A4: ReAssure has a clear capital management policy and dividend policy. In the case of its dividend policy, it has stated that it will pay the portion of capital that exceeds the level of 120% of the Solvency Capital Requirement (SCR) under Solvency II as dividends, in principle. In the closed book business, excess capital will be released and paid as dividends as contracts that were acquired in the past and became policies in force run off. Moreover, as a large acquisition was completed in 2016, larger dividends will be paid in 2017 compared to past levels. Accordingly, the amount of dividends will vary greatly depending on the state of progress of acquisitions by ReAssure as well.

Q5: It appears that profit declined in the first half of FY2017 because investment income decreased year-on-year in the first half of FY2017. What were the factors behind this?

A5: The answer will be shown in the Q&A summary at a later date.

< Answer >

Profit declined in the first half of FY2017 because profit expanded in the first half of FY2016 due to the completion of an acquisition and there was recoil from that effect. In addition, the main reason why investment income decreased is that gains/losses on the sale of securities declined sharply compared to the first half of FY2016. However, the result in the first half of FY2017 showed a favorable trend and we understand that it was not largely below our forecast.

Q6: As excess capital will be paid out as dividends, if there are acquisitions going forward, will the capital increase through subscription for new shares definitely be carried out? Also, if there are no acquisitions at all, will the capital increase not be carried out and your equity stake remain below 15% as a result?

A6: If acquisitions are made, we will secure funds through a capital increase and borrowings. On the other hand, if there are no acquisitions, we will not make a capital increase and our equity stake will not reach 15%. Nevertheless, we think it is very unlikely that there will be no acquisitions.

Q7: If you make an investment of GBP 800 million, what kind of impact will this have on your ESR?

A7: We expect our ESR to decline by around four to five points.

Q8: Since August, MS&AD and its group companies have made several investments and acquisitions. Are these part of the strategy in the current medium-term management plan or should they be viewed as part of the strategy of the next medium-term management plan that has been brought forward?

A8: We have not actually clearly set out our view on investments in areas that differ from those we previously invested in, such as our investment in Challenger Ltd. and this investment in ReAssure, but our view on overseas business investment is shown in the current medium-term management plan as well. Therefore, from the perspective of diversifying our business portfolio, we believe it is in line with our existing strategy. Please understand that our basic view on overseas business is unchanged in the next medium-term management plan as well.

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