

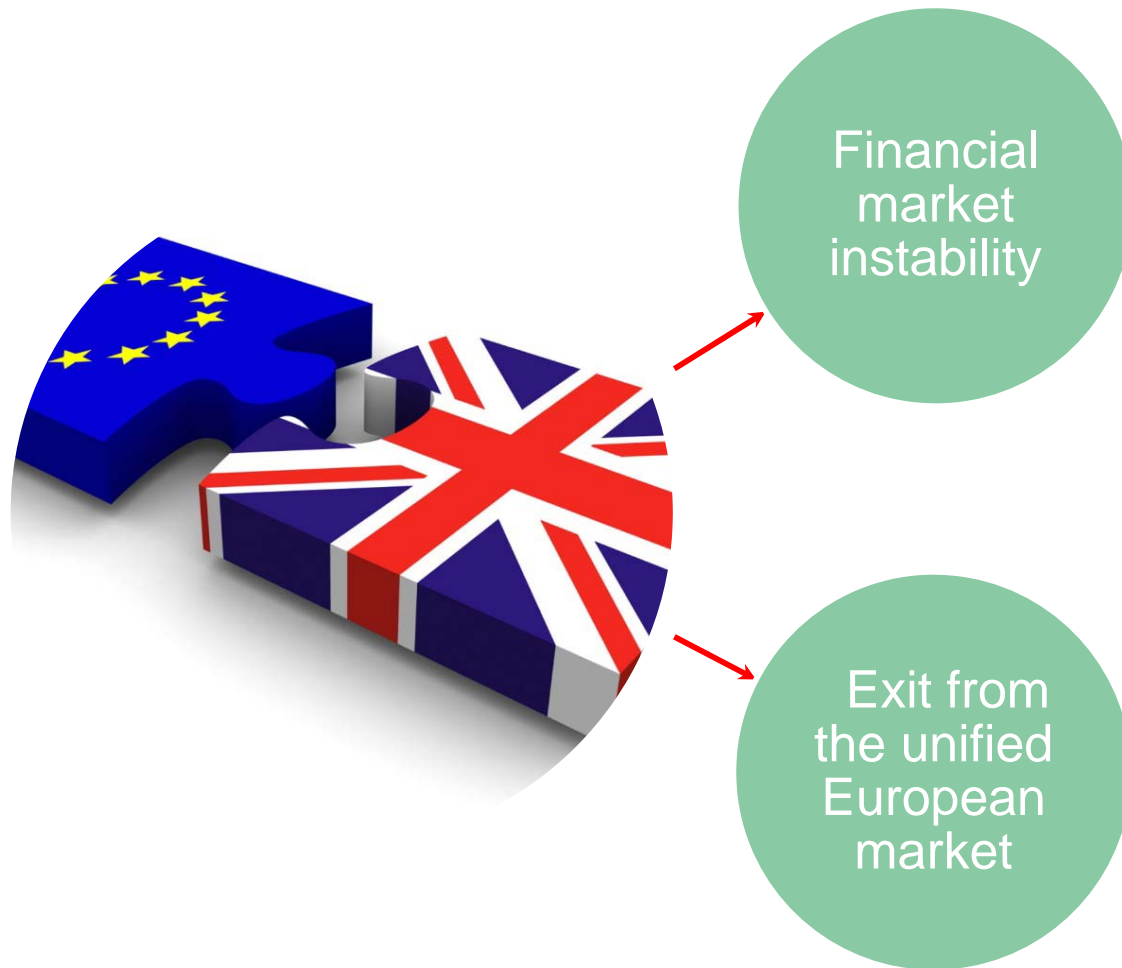
## IR Topics (Brexit Impact)

- We have received inquiries about how Brexit would affect our business.
- The followings are our understanding.

July, 2016

# Brexit impact (Overview)

- Impact from the instability in the financial markets on profit and loss for the period and financial soundness has been insignificant
- Access to the single European market can be substituted with continental operations even now



## Impact on profit and loss for the period

- ✓ Strong yen (weak pound): Foreign entity profits down when converted to yen
- ✓ Decline in stock price: Reduced value of stock holdings (decline in unrealized profits, impairment losses)
- ✓ Lower yields: Little short-term impact (Ref.: impact of negative interest rates)

## Impact on financial soundness

- ✓ Even if the British pound and Euro depreciate by 30% against the yen, the impact on ESR would be small (preliminary estimate vs end of March)

## Regulatory risk within EU following transition period

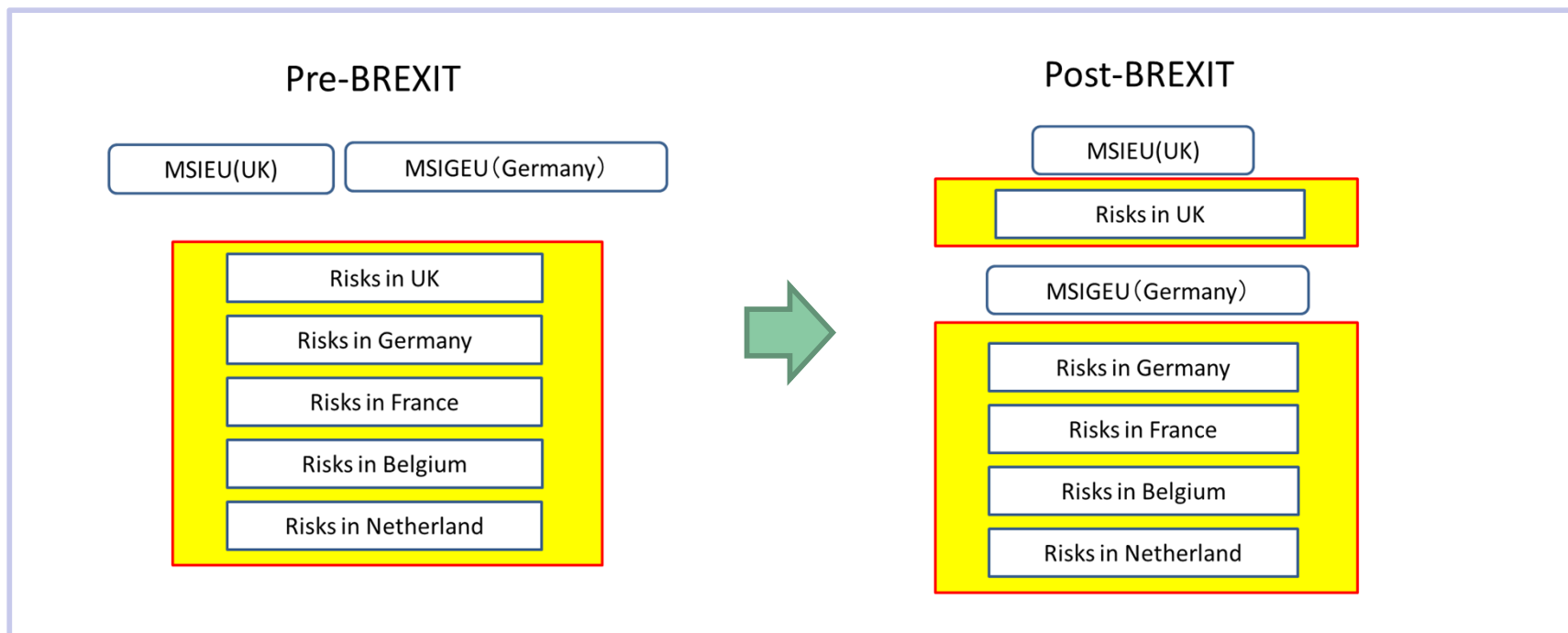
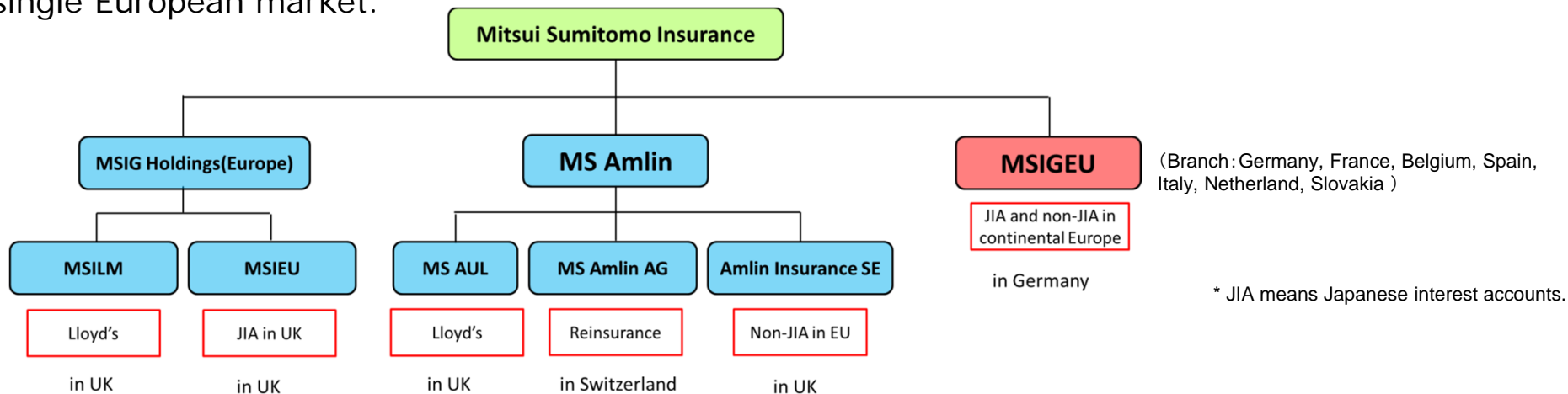
- ✓ Reinsurance, marine and aviation insurance: No impact on insurance regulations.
- ✓ Other insurance: Able to underwrite at the company's operations in continental Europe

## Business environment for Lloyd's market following transition period

- ✓ Lloyd's stock prices have been stable even after the referendum
- ✓ Lloyd's Chairman John Nelson, said: "For the next two years our business is unchanged. Lloyd's has a well prepared contingency plan in place and Lloyd's will be fully equipped to operate in the new environment."

# Brexit impact (regulatory environment)

- The Eurozone is covered in parallel by the UK Head Office and the continental Europe Head Office (HQ in Germany).
- Therefore, we do not anticipate a major impact on the business front even if the UK withdraws from the single European market.



# Brexit impact (MS Amlin)

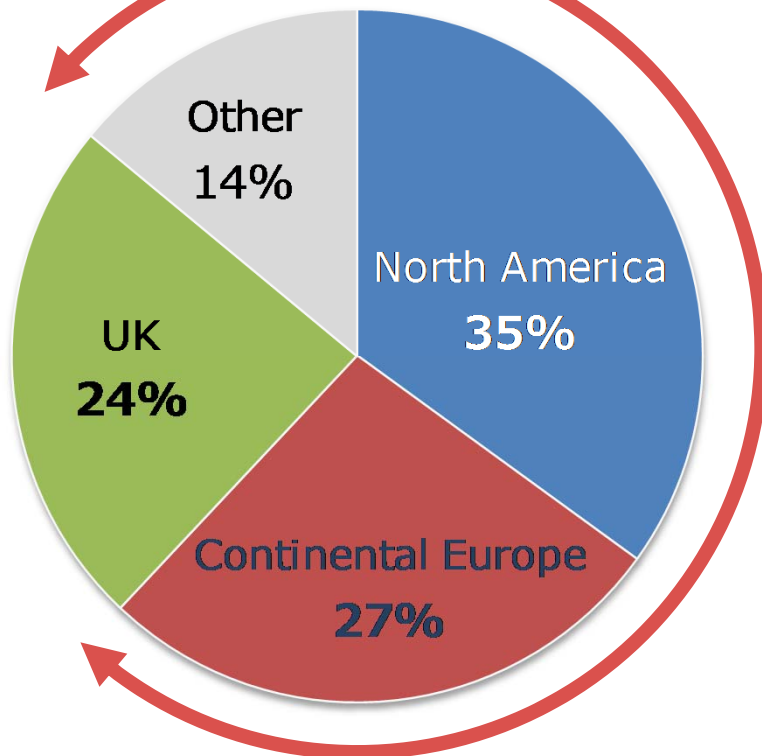
- Since the underwriting of risk outside the UK reaches 76%, the impact from the devalued British pound is limited
- Even if withdrawing from the single European market, impacted lines of business will be limited

## Devaluation risk for the British pound

(Based on FY2015 GWP) <sup>\*1</sup>

### Business outside UK

76%

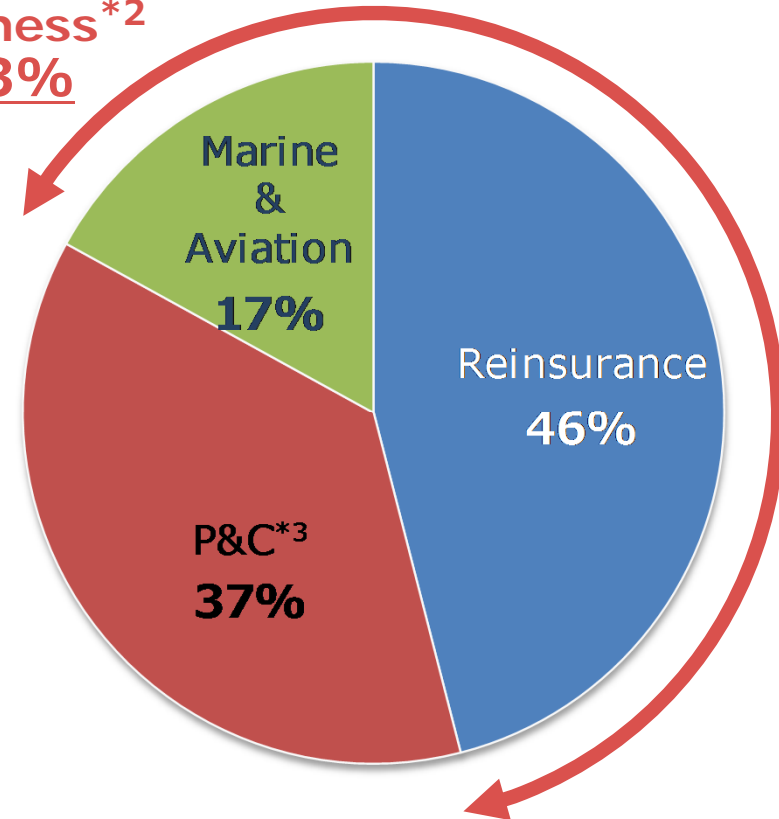


## Insurance regulation risk

(Based on FY2015 GWP) <sup>\*1</sup>

### Borderless lines of business <sup>\*2</sup>

63%



Source: MS Amlin plc 2015 Annual Report

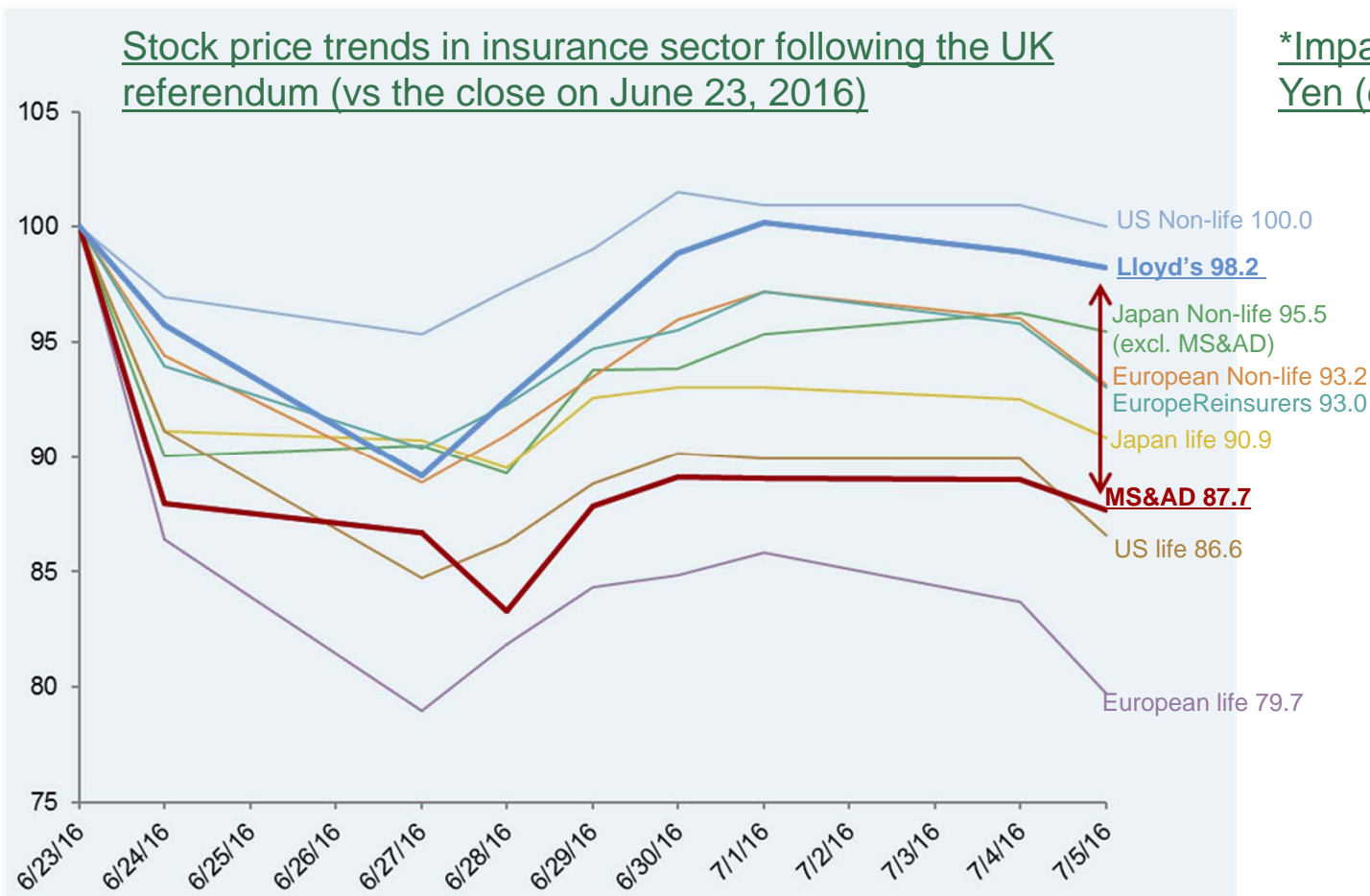
<sup>\*1</sup> Gross Written Premium

<sup>\*2</sup> Lines of business that are in principle not subject to local insurance regulations

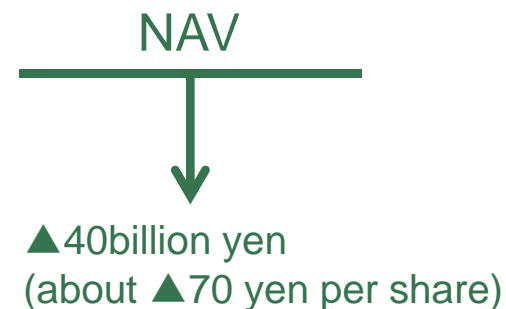
<sup>\*3</sup> P&C includes some reinsurance underwriting

# Brexit impact (impact on stock prices)

- Lloyd's stock price only moved -1.8%, showing stable price movement within the insurance sector.
- \*The impact of decline in currency value (British pound / Euro vs Yen) on our Company's NAV is about -70 yen per stock (end of June vs. end of March)



\*Impact of British pound & Euro decline vs Yen (end of June vs. end of March)



	End of March	End of June
British Pound	162 yen	137yen (▲ 15%)
Euro	128 yen	114yen (▲ 11%)

\*Figures are on our internal model basis.

Source: FactSet

Note: The prices are indexed to the price of 6/23/2016. "Lloyd's" is the average price of Hiscox, Beazley and Lancashire. "Japan Non-life (excl. MS&AD)" is the average price of Tokio Marine and SOMPO. "Japan life" is the average price of Dai-ichi, Japan Post, T&D and SFH. "European life" is the average price of AXA, Prudential, Aviva, Generali, Legal & General, Aegon, NN, Standard Life, Ageas, St James and Delta Lloyd. "European Non-life" is the average price of Allianz, Zurich, Sampo, Admiral, Direct Line, Mapfre, RSA, Saga, Hastings and esure. "European Reinsurers" is the average price of Swiss Re, Munich Re, Hannover Re and Scor. "US Life" is the average price of MetLife, Prudential, Aflac, Ameriprise, Principal, Lincoln, Unum, Torchmark, Voya and Genworth. "US Non-life" is the average price of Travelers, Allstate, Progressive, Hartford, Arch, Alleghany, W.R. Berkley, American Financial Group, Allied World, RLI, Navigators, James River and OneBeacon



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