<u>Acquisition of additional shareholdings on</u> <u>Sri Lanka's largest insurance group: Ceylinco Insurance PLC</u>

Mitsui Sumitomo Insurance Co., Ltd. (Noriyuki Hara, President, "MSI"), a member of MS&AD Insurance Group, has acquired 9% of common stock with voting rights of Ceylinco Insurance PLC ("Ceylinco Group"), the largest insurance group in Sri Lanka listed on the Colombo Stock Exchange, for approximately 3 billion rupees (approx. 2.3 billion yen*) to increase its shareholdings to 15%. After giving effect to the additional acquisition, MSI has dispatched a director to Ceylinco Group and will contribute to enhance the corporate value of Ceylinco Group through participation in its business. MSI will continue to further strengthen its operation in Asia, aiming for sustainable development of its international business.

* Conversion rate:1 rupee= 0.74 yen

1. Overview of the acquisition of the shareholdings

- (1) Invested in: Ceylinco Insurance PLC
- (2) Additional shareholdings: 9% (approx. 2.3 billion yen, cumulative investment amount approx. 4billion yen)
- (3) Completion: August 2018

2. Background and purpose

Sri Lanka's economy grows steadily with its real GDP growth rate of 3.1% in FY2017 (according to data released by the Sri Lanka government). The county is part of an important sea lane from ASEAN countries through the Middle East to East Africa, increasing its presence as one of the major logistics hub in the region. Historically, Sri Lanka and Japan have maintained a good relationship. With circa 130 Japanese companies already operating in Sri Lanka, with the perspective to further increase going forward, the country's economy is expected to show solid growth.

The Sri Lanka insurance market has achieved double-digit growth for the last three years. Given the improvement of the living standard, urbanization and changes in lifestyle, Sri Lanka is a promising market where the demand for insurance is expected to grow further.

Ceylinco Group, the largest insurance company in the country, is an excellent and profitable company with profit after tax of approximately 8.7 billion yen in FY2017. In July 2015, MSI invested in Ceylinco Group, which had business alliance for many years, and entered the Sri Lanka's market as the first Japanese insurance company. Following the initial investment in Ceylinco group, MSI has now increased its share to 15% by the additional acquisition of 9%. By this acquisition, MSI will not only continue to provide high quality services for Japanese corporate clients, will aim to further contribute to the penetration of insurance and economic development in Sri Lanka.

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1. Outline of the Ceylinco Insurance PLC

Name	Ceylinco Insurance PLC	
Established in	1987	
Corporate headquarters	Colombo	
Total asset(Consolidated basis)	144.5 billion rupees (106.9 billion	yen, at the end of FY2017)
Profit After Tax (Consolidated basis)	11.7 billion rupees (8.7 billion yen, at the end of FY2017)	
	Non-life insurance	Life insurance
Premium income (FY2017)	18.0 billion rupees(13.3 Billion yen)	15.8 billion rupees(11.7 billion yen)
Market Share (FY2017)	20.2% (No.1 of 17 companies)	22.1% (No.1 of 15 companies)
Product	Motor , fire , cargo , and health insurance	Endowment and wholelife insurance
Channel	Own sales staff	Exclusive agencies
Other	Subsidiary in the Maldives, affiliate in Nepal	

2. Insurance market in Sri Lanka (2017)

Non-life insurance gross premium (year-on-year)	88.9 billion rupees (65.8 billion yen,+11.9%)
Life insurance gross premium (year-on-year)	71.5 billion rupees (52.9 billion yen,+12.6%)
Non-life insurance penetration rate*	0.7%
Life insurance penetration rate	0.5%

*Premium income as a share of GDP

3. Society and economy in Sri Lanka

Population	21.20 million(2016)	
Ethics group	Sinhalese(73%),Tamil(18%),Sri Lankan Moors(8%)(data excludes	
	some geographic regions)	
Language	Official language (Sinhala, Tamil)	
Religious	Buddhist(70%),Hindu(10%),Muslim(9%),Catholic(11%))(data	
	excludes some geographic regions)	
System of government	Republic, unicameral	
GDP	87.6billion USD	
Real GDP growth rate	3.1%	
GDP per capita	4,085 USD	
Number of Japanese affiliated companies	Approximately 130	

* All yen value converted at the rate of 1 rupee = 0.74