

MS &AD Insurance Group
Medium-Term Management Plan
Next Challenge 2017

— To create a world-leading insurance and financial group —

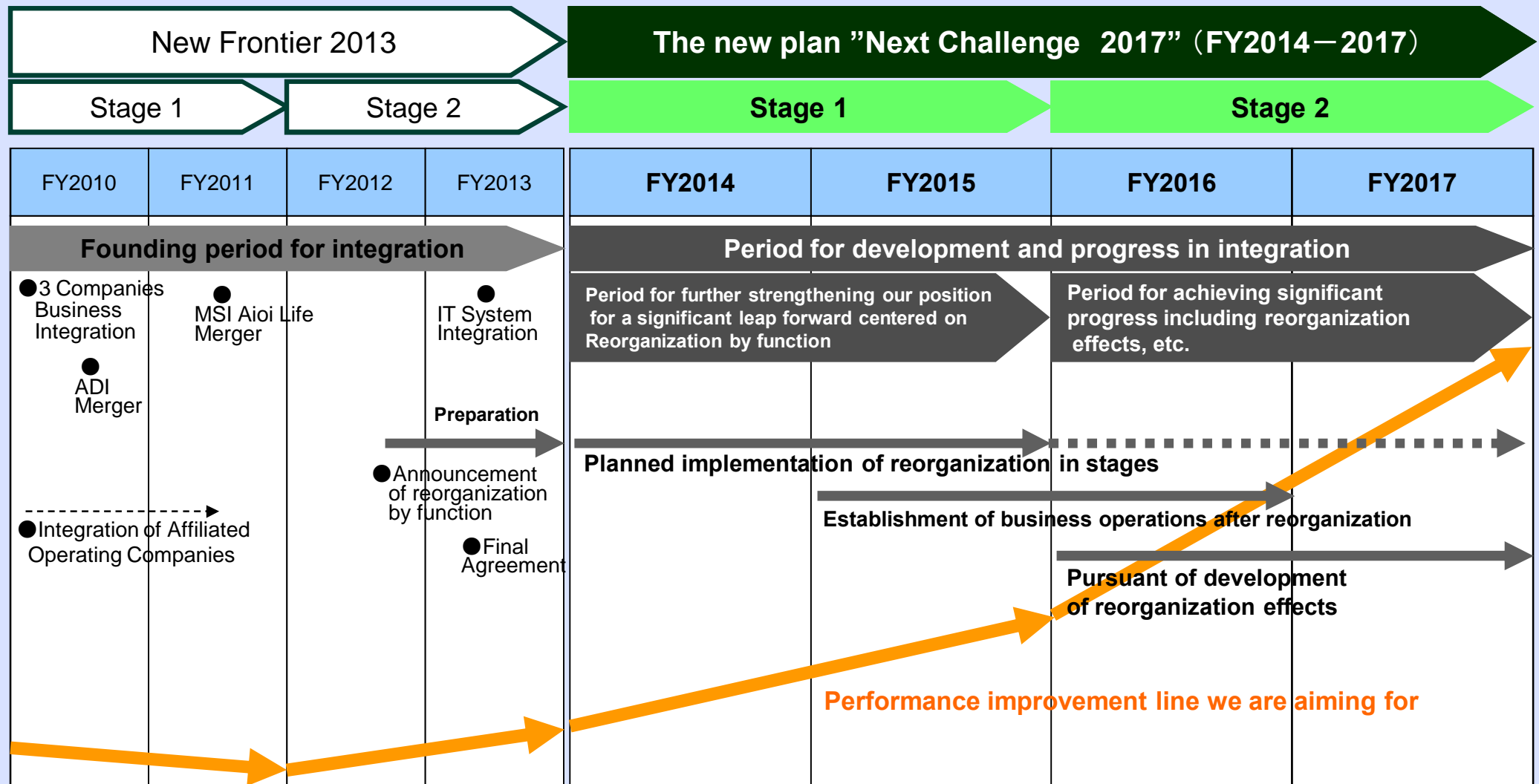
June 3, 2014

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MS&AD MS&AD Insurance Group

The Plan Period

- ◆ The previous medium-term management plan was positioned as the “founding period for MS&AD integration”. The new medium term management plan is positioned as the “period of development and progress in integration.”
- ◆ The plan period is for the four years from 2014 to 2017, with Stage 1 (1st two years) the period for further strengthening our position for a significant leap forward centered on reorganization by function and Stage 2 (latter two years) the period for achieving significant progress including reorganization effects, etc.



Aspirations for MS&AD Insurance Group

◆ We will continue our commitment to the mission, vision and values established at the time of the Group's founding and we will continue our unwavering efforts to realize and achieve these.

Aspirations for MS&AD Insurance Group	Our Mission	The significance of MS&AD Insurance Group	To contribute to the development of a vibrant society and help secure a sound future for the earth, by bringing security and safety through the global insurance and financial services business.	
	Our Vision	The aspirations for MS&AD Insurance Group	To create a world-leading insurance and financial services group that continue to seek sustainable growth and to enhance enterprise value	
	Our Values	The values which we respect in our daily business	CUSTOMER FOCUSED	We continuously strive to provide security and achieve customer satisfaction.
			INTEGRITY	We are sincere, kind , fair and just in all our dealings with everyone.
			TEAMWORK	We achieve mutual growth by respecting one another's individuality and opinions, and by sharing knowledge and ideas.
			INNOVATION	We listen to our stakeholders and continuously seek ways to improve our work and business.
			PROFESSIONALISM	We make continuous efforts to improve our skills and proficiency to provide high quality services.

Basic Group Strategy

◆Through our commitment to sustainable growth, ensuring soundness, and improving profitability and capital efficiency, we will increase the enterprise value of the Group as a whole.

Drivers of implementation

- Completion of reorganization by function
- Strengthening of group governance and promotion of ERM
- Transformation of business structure in tune with changes in the environment
- Permeation of a corporate culture and development of human resource that meet challenges as professionals

Completion of reorganization by function

We will achieve the challenge of creating an industry-first business model based on reorganization by function centered on Mitsui Sumitomo Insurance, Aioi Nissay Dowa Insurance, Mitsui Sumitomo Aioi Life Insurance and the holding company to achieve growth and improved efficiency, and achieve our targeted goals.

Group Insurance Companies

- Achieve sustainable growth by increasing customer support and promoting efforts to improve profits through strategic engagement in economic growth, initiatives in unceasing quality improvement and growth strategies that leverage our unique characteristics and strengths.

Affiliated Operating Companies

- Establish a position and platform for enabling each company to play its role at a higher level than at present through full-fledged demonstration of integration synergies.

Holding Company

- Strengthen group governance and lead ERM by expanding the business management position over group companies to demonstrate their functions.

Group

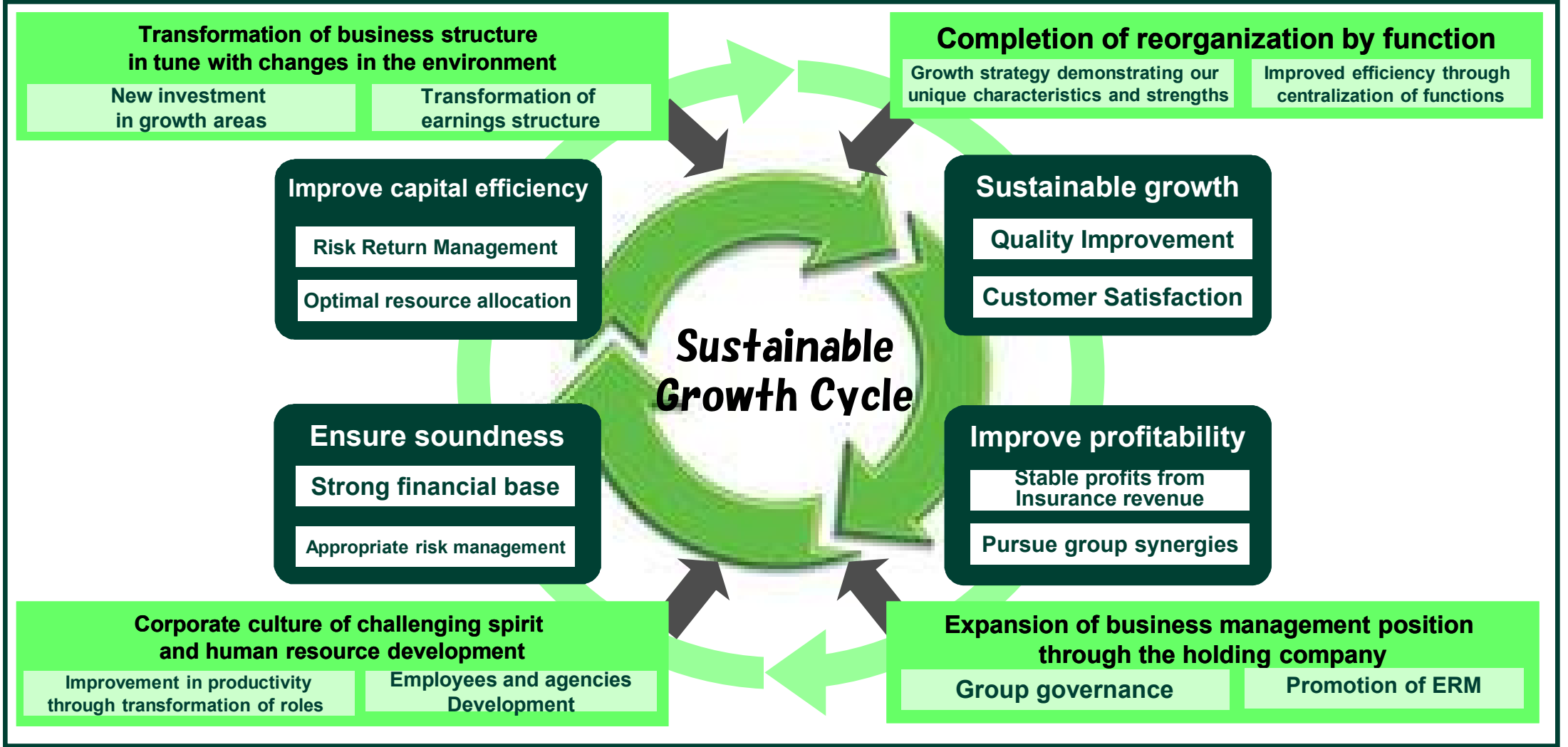
- As a group, implement new investment in business and areas with high capital efficiency and growth potential.
- Promote improvement of organization productivity through human resource development and transformation and upgrading of roles throughout the entire group.
- Earn trust through the improvement of product and service quality based on communication with stakeholders, and contribute to the resolution of social issues.

Promotion of ERM

- Promote forward-looking ERM that based on a balance between risk, return and capital.
- Proceed with business management by establishing an ERM cycle that utilizes a risk appetite framework and ORSA process.
 - Aim to further improve risk management and respond to the strengthening of international capital regulation and supervision.

Realization of Mission • Vision • Value

Increase in Enterprise Value of the Group



◆ We will meet the challenge of group reorganization by adopting an unprecedented approach made possible through revision of the Insurance Business Act and we will further develop as a group with a sense of speed.

Sustainable growth and improvement of enterprise value

Realization of 'growth' and 'efficiency' across the entire Group

- We will operate business with a sense of speed by improving efficiency of group management while limiting temporary costs and load.
- We will improve customer support and satisfaction, and secure our position as the leading non-life insurance group in Japan by pursuing the benefits of having plural, unique non-life insurance companies in the Group.
- By centralizing third sector long-term products in Mitsui Sumitomo Aioi Life insurance, we will concentrate management resources and achieve more efficient operations, and by demonstrating the comprehensive strength of the entire group, we will attain the leading position in non-life insurer life insurance in terms of customer satisfaction, growth potential and profitability.
- Through the mutual use and sharing of our unique know-how and management resources, we will develop and provide a variety of products, services and support measures, demonstrates synergies in sales activities, and further accelerate progress in improvements in productivity and efficiency.

Maximum demonstration of the features of the two non-life insurance companies to respond to customers' diverse needs

- By clarifying the business concept of the two core non-life insurance companies and providing multiple options to customers, we will respond extensively to various markets and customers' diversifying needs.
- The two core non-life insurance companies will concentrate their management resources on their respective strengths and unique business strategies to realize implementation of strategy with higher quality and competitiveness and to accelerate growth.

Strengthening of group governance stance centered on the holding company

- The holding company will increase its involvement in the formulation and confirmation of management plans of the group companies, and strengthen its position on demonstrating the functions of providing instructions and coordination for promoting reorganization by function and pursuing group synergies.
- The holding company will play an active part in checking internal audit preparedness within group companies and strengthen check-and-balance functions.

Plan for Reorganization by Function (Details, Schedule)

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6

Marine and aviation insurance

■ Transfer of hull, aviation, aerospace, cargo and transportation insurance to MSI

- Through centralization of business in MSI, MSI as an individual company will acquire the leading share in the marine business and establish its leading position by demonstrating further strengths that capitalize on advantages of scale.
- While centralizing the aviation sector in MSI, we will strengthen cooperation and joint initiatives with ADI and improve our market share and presence.

Insurance premiums to be transferred : ¥ 17.5billion

Hull, Aviation, Aerospace
April 2014~
Cargo, Transportation
October 2014~

Motor Channels

■ The insurance contracts handled by MSI motor channel agencies which have ADI as main business partner will be migrated to ADI.

- Through centralization of business in ADI, which boasts the leading share in the motor channel, and mutual utilization of the two companies' know-how, we will establish the Group's leading position in the motor channel.

Number of agents to be Transferred : 1,600

October 2014~

Local Sales networks

■ Consolidation of sales networks and bases

- By eliminating remote responses and consolidating small bases, we will optimize operation of the Group's bases and strengthen our sales force and ability to provide service while also conducting activities

Number of bases to be transferred : 100
Number of agents to be transferred : 3,800

April 2015~
(October 2014~
in certain areas)

Sharing bases

■ If both companies' bases are close to each other, the bases will move to a joint facility to cut costs and improve operational efficiency

- In addition to reducing real estate costs and logistics costs and improving efficiency in joint operations of the two companies, we will strengthen cooperation and communication to cultivate a greater sense of unity.
- We will also examine operations in computer and administrative centers, training centers and company housing.

Consolidation and elimination of bases : 90

October 2013~

Third sector insurance

■ Transfer long-term policies in the third sector to MSI Aioi Life

- In addition to promoting product development capitalizing on the high compatibility with life insurance products, we will enhance product branding and market recognition through the sale of the same products through MSI, ADI and MSI Aioi Life.
- We will improve our ability to provide services and achieve efficient operations by centralizing our maintenance and insurance claims payment operations.

Transfer of new insurance policies : Apr 2014~
Subcontracting in-force Business : January 2015~
Transfer of existing insurance policies: FY2018~

International business

■ MSI will take care of operations for Japanese corporate clients, and ADI will focus on international business primarily for Toyota dealership.

- MSI will comprehensively expand its business including investment in new businesses and M&A.
- ADI will continue to focus on strengthening its Toyota retail business.
- We will improve profitability and efficiency through mutual use of the two companies' facilities and the unification of operation management.

April 2014~

Head office functions

■ The holding company will have part of the head office functions of the two core non-life insurance companies and will enhance the group governance system.

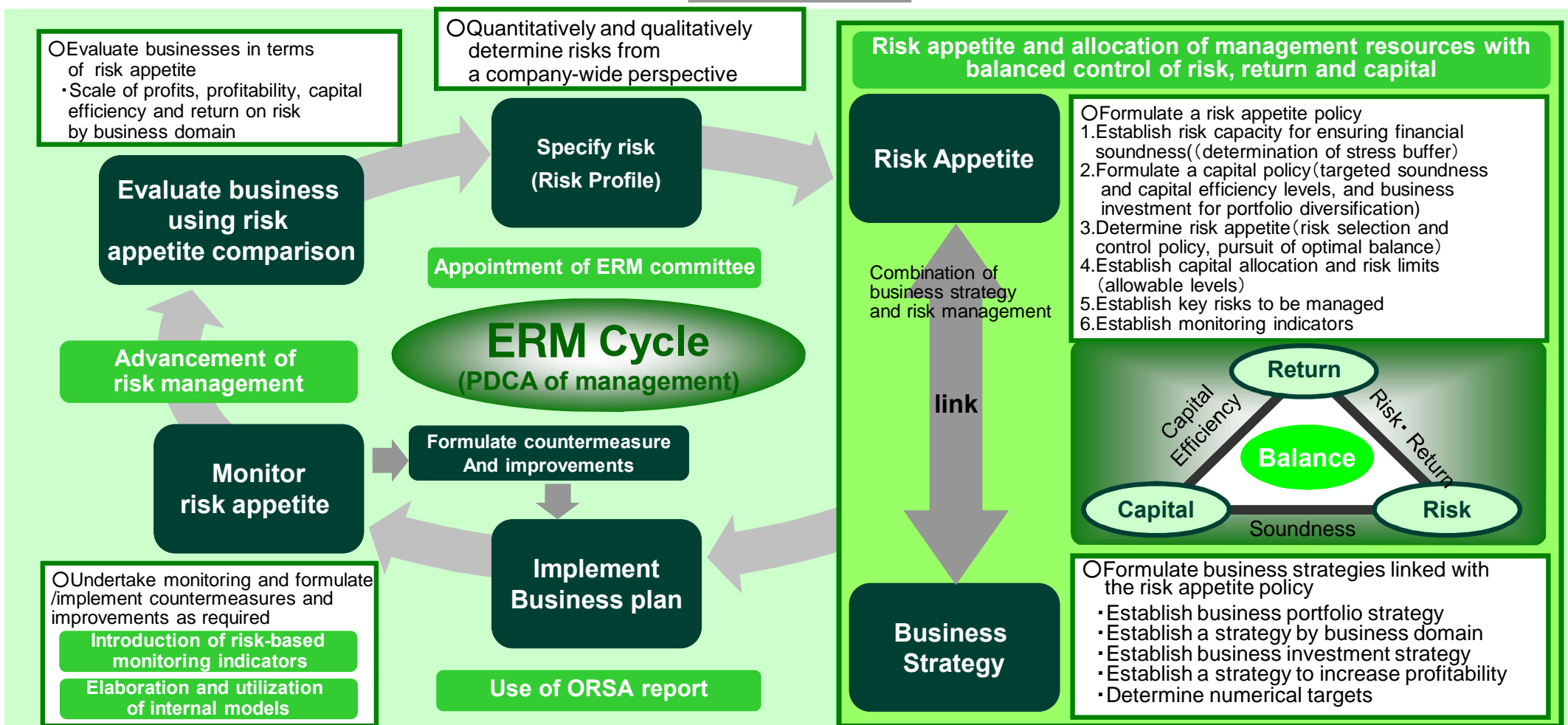
- By centralizing duplicated functions, unifying management schemes, and standardizing and simplifying operations, we will simultaneously improve business management, streamline the headquarters organization and speed up decision making.
- By strengthening the holding company structure, we will demonstrate instruction and coordination functions as well as check functions in internal control preparedness to achieve the Group strategy and pursue synergies.

Oct 2013~

◆We will quantitatively and qualitatively determine the Group's risks from a company-wide perspective and, bearing in mind the characteristics of risks, we will allocate management resources on the basis of risk appetite that provides balanced control of risk, return, and capital. With a foundation of "soundness," we aim to realize "sustainable growth" and "improvement of profitability and capital efficiency" to increase enterprise value.

Enhancement of Enterprise Value

Realization of sustainable growth and improvement of profitability and capital efficiency with a foundation of "soundness"



Strategy by business domain

◆The group aims to achieve its sustainable growth by expanding each business of domestic non-life, domestic life, international, financial services, and risk related services.

Domestic non-life insurance

- MSI and ADI will clarify the business concept and conduct the reorganization by function. In addition, we will strengthen the business base by achieving stable profits in insurance underwriting revenue and implementing business process innovation and measures to improve efficiency in individual companies through system integration, and we will strengthen profitability by leading the industry in Japan.
- Together with Mitsui Direct General, we will ensure the entire group is able to respond to customers' diverse needs, and establish our position as the leading non-life insurance group in Japan.

Domestic life insurance

- We will promote well-balanced business in both coverage-type products and asset-building products and maintain the highest level of growth in the industry.
- We will improve profitability through a sustainable product portfolio, strengthen our financial base and contribute to increasing group profits.

International Business

- We will expand international business by enhancing growth strategy enabled by the reorganization by function, keeping advantage of MSI and ADI.
- We will improve profitability through efficient business management, and contribute to increasing profits and also diversification of business risks.

Non-life insurance

We will reduce administrative costs by building a unified management structure for the operations of the overseas subsidiaries of MSI and ADI.

Life insurance

We will strengthen involvement in management as well as the provision of technology and know-how support to improve the profitability of joint ventures and partner life insurers

Financial Services Business

- We will demonstrate our comprehensive strength as an insurance and financial group by developing and providing new financial products and services utilizing the Group's unique characteristics to cater to customers' diversifying needs.

Risk related service Business

- We will create synergies with the insurance business by deploying global risk solution service business.

Strategy by insurance companies

◆Under our overall group strategy, we will implement growth strategies to meet customers' diversifying needs by capitalizing on the characteristics and strengths of the operating companies, and we will demonstrate the comprehensive strength of the Group through efficient business management by leveraging group synergies.

Mitsui Sumitomo Insurance

○We will demonstrate our comprehensive strength by providing products and services that are superior to those of other companies, and we will expand our insurance and financial services business in Japan and globally.

Aioi Nissay Dowa Insurance

○In addition to utilizing our advantage by further strengthening our partnership with the Toyota Group and Nissay, which is our strength, we will provide products and services that are superior to those of other companies, and promote locally-based business.

○Overseas, we will continue to conduct retail business primarily through Toyota dealers

Mitsui Direct General Insurance

○We will further expand our online business model, enhance profitability, and build a foundation capable of responding to changes in the direct business environment.

Mitsui Sumitomo Aioi Life Insurance

○We will increase embedded value by having balanced product portfolio while providing high quality products and services through cross-selling of non-life insurance agents and various channels such as financial institutions, life insurance agents, direct marketing.

○In the third sector, which is solely responsible for provision of all products within the Group, we will further improve our level of customer support. In addition we will realize more efficient operations through the centralization of management resources, and demonstrate the comprehensive strength of the Group as a whole as we aim to become No.1 in non-life insurer life insurance in terms of customer satisfaction, growth and earning power.

Mitsui Sumitomo Primary Life Insurance

○We will provide products that meet customers needs such as variable and fixed annuities in the area of individual annuities.

○We will secure ongoing profits and strengthen our financial base through appropriate risk control.

◆We will enhance enterprise value by taking balance of financial soundness, capital efficiency, and shareholder return.

Financial Soundness

We will retain financial soundness by strengthening capital position and reducing risk.

- We will retain financial soundness equivalent to AA rating.
- We will strengthen solvency by increasing capital reserve on purpose.
- With investment based on ALM management, we will ensure security, liquidity and stable profits.
- We will reduce risk assets and increase funds available for business investment by continually reducing cross-held shares.

Capital Efficiency

We will improve the capital efficiency of the Group by appropriate allocation of management resources, growth, and diversification of business portfolio.

- We actively invest in high-growth and profitable areas in Japan and overseas.
- We will achieve risk distribution and improve capital efficiency by diversification of our business portfolio.

Shareholder Return

We will return approximately 50% of “Group Core Profit” to shareholders in the medium run.

- We aim to maintain stable dividends, and steadily increase dividends by strengthening our earnings power.
- We will repurchase our own shares flexibly and as opportunities arise, with due consideration to market conditions and the state of our capital.

◆ We will contribute to increasing enterprise value by stabilizing the earnings from investment based on ALM while maintaining good conditions and liquidity of assets and by reducing risk assets, mainly the strategic equity holdings.

Stabilizing Investment Return

○ We will aim to stabilize the earnings from investment by conducting ALM based on the feature of insurance liability while we keep good conditions and liquidity of assets we manage.

Improvement of Returns on Risk

○ We will improve our returns on risk in our asset management portfolio by engaging in diversified investment while giving consideration to security.

○ We will maintain the solid financial structure by reducing risk assets, mainly the strategic equity holdings.

Plan of reducing the strategic equity holdings

FY2014-2017 Plan (Group Total)

¥ 300 B

Appropriate Risk Control

○ Amid an ongoing unstable financial market environment, we will appropriately control risks and contribute to the improvement of enterprise value by increasing net asset.

Numerical Targets	FY2015 Target	FY2017 Target
Group Core Profit	¥ 120 B	¥ 160 B
Domestic non-life insurance	¥ 76 B	¥ 100 B
Domestic life insurance	¥ 13 B	¥ 16 B
International business	¥ 27 B	¥ 39 B
Financial Services Business	¥ 4 B	¥ 5 B
Risk related Services Business		
Consolidated net premiums written	¥ 3,000 B	¥ 3,100 B
Combined Ratio for Non-life insurance	Approx. 95%	95% or less
The amount increased of EEV for MSI Aioi Life	Above ¥ 40 B	Above ¥ 45 B
Group ROE	5.4%	7.0%

We will add the amount of increased of EEV for MSI Aioi life+to group numerical target as a indicator of economic value including future profit.

※Group Core Profit = consolidated net income - net capital gains/losses on stock portfolio (gains/losses from sale) - net evaluation gains/losses on credit derivatives
- other incidental factors + equity in earnings of the non-consolidated group companies

※Group ROE = Group Core Profit ÷ consolidated total net assets excluding minority interests (average of beginning and ending amounts of B/S)

[Plan for improving the operation efficiency]

◆ In addition to fully reaping the benefits of system integration and reorganization by function, we will realize cost reductions in company expenses of over 50 billion yen per year in FY2017 compared to FY 2011 through the accumulated effects of initiatives to improve efficiency in individual companies.

Improved efficiency of non-personnel expenses and personnel through reorganization by function

- ¥ 10 B

Improved efficiency in system operation costs through integration of the three hosts in ADI

- ¥ 5 B

Improvement in efficiency in system development and operation costs through unity operations

- ¥ 10.5 B

Initiatives to improve efficiency in individual Companies based on reorganization by function

- ¥ 24.5 B

We will realize cost reduction in company expense of

**More than ¥50 B
per annum**

**In FY2017
(compared with FY2011)**

Non-recurring costs relating to the reorganization by function is ¥ 8 B (FY2013-2017)

- ◆ In our core business of domestic non-life insurance operations, we will seek to achieve and maintain a combined ratio of approx. 95% by FY2015, and to achieve stable profits in underwriting income.
- ◆ In addition to accelerating efforts to improve our loss ratio, we will achieve cost efficiency synergies through system integration and reorganization by function, and improve productivity through transformation of roles.

Acceleration of efforts to improve the loss ratio

[Common items]

- Underwriting and loss prevention activities through appropriate rate design and cooperation between sales and claims

[The largest item : automobile insurance]

- Guidance and support for efforts to improve high-loss agencies and high-loss fleet policyholders
- Appropriate payments — elimination of fraudulent claims
- Appropriate pricing — promotion of use of partner repair shops and increased utilization of recycled parts

Demonstration of cost efficiency synergies

- Reduction in development and maintenance costs through integration of system infrastructure
- Efficient business management through reorganization by function

Improvement in productivity

- Establishment of an efficient administrative and operating framework through innovation in business processes, and optimal allocation of personnel
- Transformation of the roles of individual employees, acceleration of female personnel participation

FY2015

**We will achieve
and maintain
combined ratio of**

Approx. 95%

◆We will contribute to the group growth strategy by strengthening IT governance, promoting the system reform, and introducing convenient system.

Contributing to Group growth strategy

We will invest in system particularly in the important areas toward the group growth strategy.

- We will introduce systems that are convenient for customers, agents and employees by adopting mobile and new technology.
- We will make time for agents and employees by making operations more efficient using IT.

System Reform

We will increase productivity by system reform and re-examination of business process.

- We will streamline the hosts and system within the group to create synergies.
- We will simplify system structure and re-examine business process.
- We will cut fixed costs relating system operation and expand strategic system investments without increasing total system costs.

Strengthening IT governance

We will strengthen IT governance and increase in quality of the group system.

- We will centralize management of big projects at the holding company.
- Based on system risk analysis for the entire group, we will strengthen risk and disaster management and overseas system management process.
- Based on MS&AD group IT Action Principles and IT professionals policy, we will strengthen development capability by internalizing and upgrading system development and increasing our organizational power.