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INSURANCE GROUP

**Fiscal 2019  
Second Information Meeting  
November 27, 2019**

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# MS&AD Group Overview

## Holding company

**MS&AD** MS&AD Insurance Group Holdings, Inc.

### Domestic Non-Life

**MS&AD** Mitsui Sumitomo Insurance 

**MS&AD** Aioi Nissay Dowa Insurance 

**MS&AD** Mitsui Direct General Insurance 

### Domestic Life

**MS&AD** Mitsui Sumitomo Aioi Life Insurance 

**MS&AD** Mitsui Sumitomo Primary Life Insurance 

### International

#### Non-Life Insurance

Regional Business

Asia

Europe

Americas

Telematics and Mobility

Head Office Reinsurance

Life Insurance

### Financial Services

### Risk-Related Services

MS&AD Insurance Group Holdings, Inc.

## Abbreviations of company names used in this presentation.

- MS&AD Holdings, Holding Company : MS&AD Insurance Group Holdings, Inc.
- MS&AD : MS&AD Insurance Group
- MSI : Mitsui Sumitomo Insurance Co., Ltd.
- ADI : Aioi Nissay Dowa Insurance Co., Ltd.
- Mitsui Direct General, MD : Mitsui Direct General Insurance Co., Ltd.
- MSI Aioi Life, MSA Life : Mitsui Sumitomo Aioi Life Insurance Co., Ltd.
- MSI Primary Life, MSP Life : Mitsui Sumitomo Primary Life Insurance Co., Ltd.
- InterRisk, IRRC : MS&AD InterRisk Research & Consulting, Inc.
- MS Amlin : MS Amlin plc and it's subsidiaries
- First Capital, FC : First Capital Insurance Limited
- MS First Capital : MS First Capital Insurance Limited
- Challenger : Challenger Limited
- ReAssure : ReAssure Jersey One Limited
- Aioi : Aioi Insurance Co., Ltd.
- NDI : Nissay Dowa General Insurance Co., Ltd.

## Caution About Forward-Looking Statements

This presentation contains statements about future plans, strategies, and earnings forecasts for MS&AD Insurance Group Holdings and MS&AD Group companies that constitute forward-looking statements. These statements are based on information currently available to the MS&AD Group. Investors are advised that actual results may differ substantially from those expressed or implied by forward-looking statements for various reasons. Actual performance could be adversely affected by (1) economic trends surrounding our business, (2) fierce competition in the insurance sector, (3) exchange-rate fluctuations, (4) changes in tax and other regulatory systems, etc.

MS&AD Insurance Group Holdings, Inc.

# Main Points of Today's Presentation

<b>I. Progress of "Vision 2021"</b> 1. Progress toward Numerical Management Targets	<ul style="list-style-type: none"> <li>The Group Adjusted Profit in FY2019 is expected to be ¥220.0 billion, ¥43.0 billion less than the target, due to the effect of natural catastrophes in Japan. Net income will likely be ¥200.0 billion as initially forecast.</li> </ul>
2. Progress of Key Strategies	<ul style="list-style-type: none"> <li>The Group is laying a foundation for promoting digitalization and is steadily expanding CSV activities to achieve sustainable growth, while responding to changes in the environment.</li> <li>Diversification in the business portfolio and the improvement of capital efficiency remain challenges that the Group needs to address in order to progress toward Stage 2.</li> </ul>
<b>II. Efforts to Progress toward Stage 2</b>	
1. Maintenance and Expansion of Income in Domestic Non-life Insurance Business	<ul style="list-style-type: none"> <li>The Group will revise fire insurance and auto insurance products premium rates to maintain and expand profitability, considering mainly the effects of a number of natural catastrophes and the tax reform.</li> </ul>
2. Control of Natural Catastrophe Risk	<ul style="list-style-type: none"> <li>The Group will enhance risk management and will work to control annual profit fluctuation risk whilst providing adequate insurance cover for the domestic market in Japan, which is one of the Groups' missions.</li> </ul>
3. Response to Protracted Low Interest Rate Environment	<ul style="list-style-type: none"> <li>The Group will reduce the effect of low interest rates under a product strategy emphasizing protection-type products and an asset management strategy that includes diversified investment to assets with profitability.</li> </ul>
4. Growth Strategy in International Business	<ul style="list-style-type: none"> <li>The Group will reorganize its international business and will move the focus of growth in each region to a global basis in order to achieve further growth in the international business.</li> </ul>
5. Improvement of Capital Efficiency	<ul style="list-style-type: none"> <li>The Group will pursue synergies, improve productivity and expand revenue sources to increase profit and diversify risk.</li> <li>The Group will maintain an appropriate level of capital and will enhance capital efficiency on the assumption of ensuring financial soundness.</li> </ul>
6. Establishment of Sustainable Growth Model through CSV Activities	<ul style="list-style-type: none"> <li>The Group will expand CSV activities to realize a resilient and sustainable society and sustainable growth within the Group.</li> </ul>
<b>III. Shareholder Return</b>	<ul style="list-style-type: none"> <li>An interim dividend of 75 yen (a 5 yen year-on-year increase) and share buybacks of maximum ¥20.0 billion are expected.</li> </ul>

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## I . Progress of "Vision 2021"

### 1. Progress Toward Numerical Management Targets

### 2. Progress of Key Strategies

# Progress Toward Numerical Management Targets and Full-Year Forecasts

- The full-year forecast for FY2019 of the Group Adjusted Profit is ¥220.0 billion, decreased by ¥43.0 billion from the initial forecast, due to the impact of natural catastrophes.
- The full-year forecast of net income is ¥200.0 billion, unchanged from its initial forecast.

## Interim Results and Full-Year Forecast

(¥bn)

	Interim results			FY2019 Full-year		
	FY2018 1H	FY2019 1H	YoY	Revised Forecast	YoY	Change from the initial forecast
Group Adjusted Profit	88.2	152.3	64.1	220.0	30.1	-43.0
Domestic non-life insurance business	48.0 (4.4)	93.1 (82.8)	45.0 (78.3)	107.0 (69.0)	-39.9 (3.8)	-79.0 (-81.0)
Domestic life insurance business	16.3	17.7	1.4	29.0	-2.6	—
International business	21.1	38.6	17.4	47.0	41.5	5.0
Financial services business/Risk-related services business	2.6	2.7	0.1	7.0	1.1	1.0
Group Adjusted ROE	—	—	—	7.1%	1.0pp	-1.6pp
Net Income/Losses	46.3	163.5	117.2	200.0	7.2	—
Consolidated net premiums written	1,876.0	1,926.8	50.8	3,525.0	24.5	1.0
Life insurance premiums (gross premiums)	810.5	733.2	-77.2	1,319.0	-280.9	-206.0
EEV of MSI Aioi Life	880.9	869.6	-11.3	902.0	82.6	-25.0
ESR(Economic Solvency Ratio)	212%	185%	-27pp	—	—	—

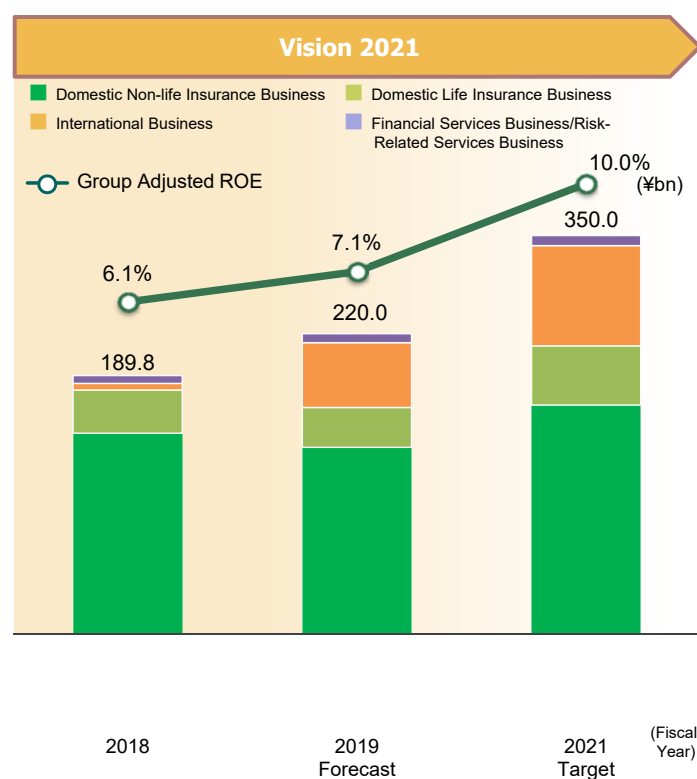
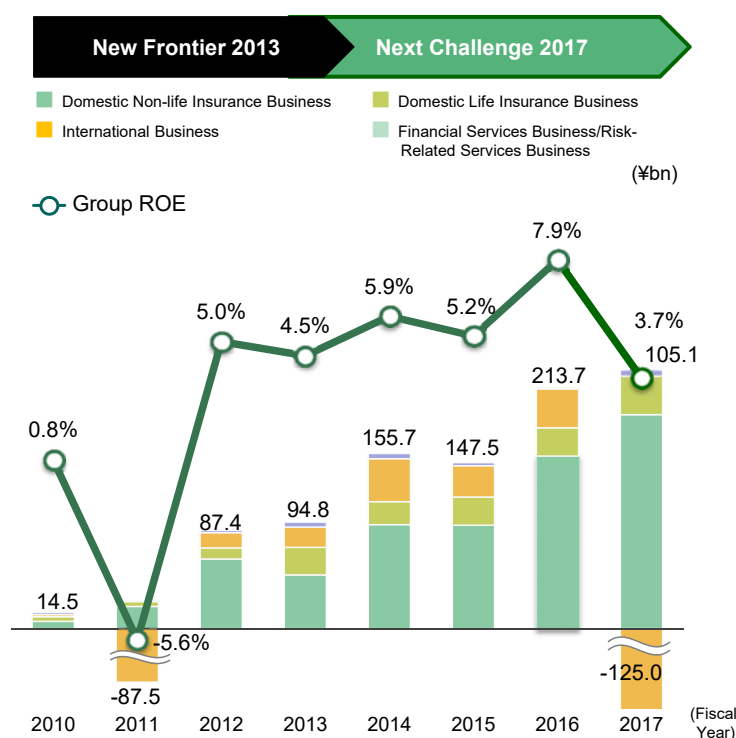
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## Numerical Management Targets

### Group Adjusted Profit and Group Adjusted ROE

<Reference> Group Core Profit and Group ROE






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# Targets and Results of Non-Financial Indicators

• The Group achieved the targets except for one item in FY2018, the first year of the medium-term management plan.

	Theme	Indicators	FY2017 Results	FY2018 Results	Group Targets for FY2019 Onward
<b>Creating Shared Value</b> 	Seven Key Issues	Development and improvement of products for creating shared value with society	<b>Seven Key Issues</b> <ul style="list-style-type: none"> <li>• Deal with new risks</li> <li>• Create a safer mobility society</li> <li>• Strive for resilient community development</li> <li>• Support "good health and longevity"</li> <li>• Contribute to climate change mitigation and adaptation</li> <li>• Strive to improve the sustainability of natural capital</li> <li>• Work toward the realization of "leaving no one behind"</li> </ul>		For the seven key issues, decide on four methods of approach (provision of products and services, investment and finance, research and policy recommendations, and contribution to society) and periodically ascertain progress qualitatively.
<b>Quality that earns the</b> 	Quality improvement	Customer satisfaction survey about insurance contract procedures	95.2%	97.1%	Equal to or greater than the previous year
		Customer satisfaction survey about payment of insurance claims	96.3%	96.6%	Equal to or greater than the previous year
	Reduction of environmental burden	CO <sub>2</sub> emission reduction rate Reduction rates from the base year(FY 2009)	-6.8%	-13.3%	Reduce CO <sub>2</sub> emissions by 30% by 2020 and by 70% by 2050 versus the base year (FY2009)
		Total energy consumption ✓ ( ) versus base year	1,017,853 GJ (-28.1%)	987,452 GJ (-30.3%)	
		Paper consumption	11,085t	10,545t	Improvement compared to the previous year
<b>Management platforms that enable employees to play active roles</b> 	Diversity & inclusion	Percentage of female managers in Japan ✓ ( ) consolidated including overseas	9.9% (15.7%)	12.4% (18.1%)	15.0% (FY2020)
		Employee satisfaction "play active roles"	4.3 points	4.3 points	Equal to or greater than the previous year
		Number and ratio of global employees ✓	9,184 people (22.2%)	8,958 people (21.6%)	Key monitoring indicators other than sustainability KPIs
		Ratio of employees with disabilities ✓	2.37%	2.37%	
	Health management	Employee satisfaction "Pride, job satisfaction"	4.4 points	4.4 points	Equal to or greater than the previous year
		Number of annual paid holidays taken	16.0 days	15.6 days*	Equal to or greater than the previous year
		Ratio of taking fully paid paternity leave	58.0%	63.9%	Equal to or greater than the previous year
		Number of employees participating in social contribution activities	20,022 people	23,601 people	Equal to or greater than the previous year

✓ The FY2018 figures are guaranteed by a third party, KPMG AZSA Sustainability.

\* Impact of responding to large-scale natural catastrophes

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## Status of Each Business Segment

- The full-year forecast for the Domestic Non-life Insurance Business decreased by ¥79.0 billion, mainly due to higher incurred losses from natural catastrophes than the initial forecast.
- For the Domestic Life Insurance Business, a fall in the top line is expected following the market conditions, but the bottom line is expected to be same as the initial forecast.
- In the International Business, NPW declined mainly due to the impact of foreign exchange but increased if excluding the impact of foreign exchange due to an increase in NPW in Europe and Asia. In the full year, Group Adjusted Profit is expected to increase ¥5.0 billion from the initial forecast, mainly due to an increase in profits in Europe and international life insurance.

		FY2019 interim results ( ) year on year	FY2019 full-year forecasts ( ) year on year
Domestic Non-Life Insurance Business	<b>Top line*</b> (Net premiums written)	¥1,460.2 billion (+¥58.9 billion, +4.2%) NPW was strong, mainly due to fire insurance and auto insurance.	¥2,814.0 billion (+¥67.9 billion, +2.5%) In spite of increase of reinsurance cost, NPW is expected to increase by ¥12.0 billion from the initial forecast, mainly due to the strong trend in fire insurance and auto insurance.
	<b>Bottom line</b> (Group Adjusted Profit)	¥93.1 billion (+¥45.0 billion) Domestic natural catastrophes decreased year on year.	¥107.0 billion (-¥39.9 billion) It is estimated to decrease ¥79.0 billion, due to the burden caused by the increase in natural catastrophes.
	<b>Investment profit*</b>	¥73.0 billion (-¥48.0 billion) Investment profit fell due to a decrease in gains on sales of securities.	¥168.0 billion (-¥60.9 billion) +¥14.0 billion from the initial forecasts It is planned to continue the disposal of strategic equity holdings of more than ¥100.0 billion
Domestic Life Insurance Business	<b>MSI Aioi Life</b>	Profit increased ¥1.2 billion due to a rise in policies in force and an improvement in capital gain (loss).	The amount of new policies will decrease by 32.9%, mainly due to a decrease in income guarantee products. EEV: ¥902.0 billion (increased by ¥82.6 billion from the beginning of FY2019) Group Adjusted Profit: ¥14.9 billion (+¥4.0 billion)
	<b>MSI Primary Life</b>	Profit fell ¥0.6 billion due to an increase in the policy reserve burden associated with a revision to products.	Gross premium income: ¥800.0billion (-¥295.6 billion) Group Adjusted Profit: ¥17.0 billion (-¥6.3 billion)
International Business	<b>Top line</b> (Net premiums written)	¥447.8 billion (-¥6.7 billion, -1.5%) NPW decreased, mainly due to the effect of foreign exchange rates.	¥675.0 billion (-¥39.6 billion, -5.5%) Almost as initially forecast
	<b>Bottom line</b> (Group Adjusted Profit)	¥38.6 billion (+¥17.4 billion) Profit increased at MS Amlin and in the International Life Insurance Business.	¥47.0 billion (+¥41.5 billion) Profit will increase by ¥5.0billion, mainly due to an increase in the profits of MS Amlin and international life insurance.

\* Simple sum of non-consolidated figures for MSI and ADI

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# Impact forecast of Domestic and Overseas Natural Catastrophes

- Due to the impact of Typhoon Faxai (No. 15) and Typhoon Hagibis (No. 19) etc., net incurred loss from domestic natural catastrophes was estimated to exceed the initial forecast and increase by ¥68.0 billion year on year to ¥123.0 billion in FY2019.

## <Domestic>

	FY2019 (Initial Forecast)	FY2019(Revised Forecast)	(¥bn)
			Difference with initial forecast
Net incurred loss	55.0	123.0	68.0
MSI	33.0	70.0	37.0
ADI	22.0	53.0	31.0

## (Reference)

	FY2019 Outlook for Ultimate Payment	(¥bn)
Typhoon Faxai (No.15)	135.0	
Typhoon Hagibis (No.19)	230.0	

※As of the present

## <Gross reversal of catastrophe reserves (Fire and allied)>

	End of 2018 Balance	FY2019(Revised Forecast)				(¥bn)
		Reversal	Provision	Balance	Difference with initial forecast	
Total	163.9	77.5	75.1	161.5	-20.0	
MSI	89.0	40.7	50.9	99.1	-0.3	
ADI	74.9	36.8	24.2	62.4	-19.7	

※Plan for additional provision at the end of FY2019: MSI 30.0 billion yen

## <Overseas>

	FY2019 (Initial Forecast)	FY2019(Revised Forecast)	(¥bn)
			Difference with initial forecast
Net incurred loss	41.2	30.5	-10.7
ADI	14.5	13.5	-1.0
MS Amlin	26.7	17.0	-9.7

※ Simple sum of overseas natural catastrophes of the above two companies

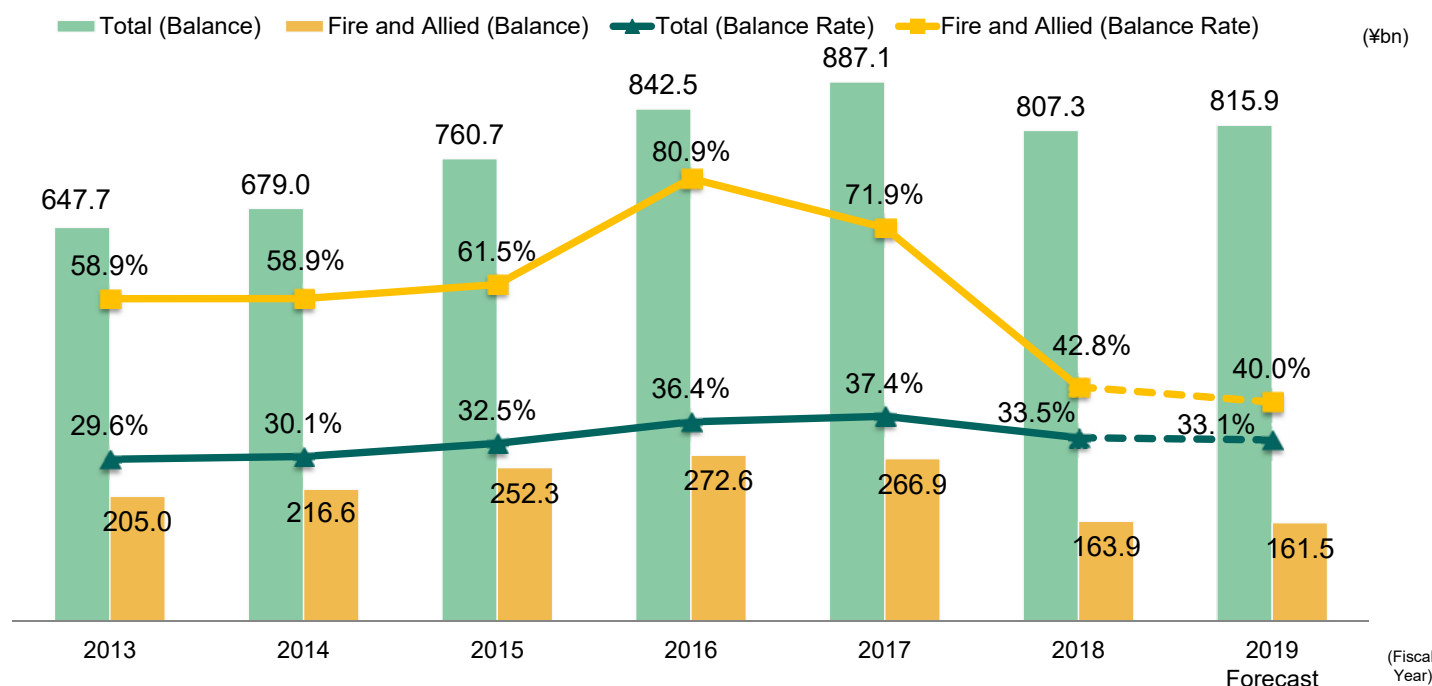
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## Balance of Catastrophe Reserve

- An additional provision of ¥30.0 billion (MSI) is planned for the end of fiscal 2019 in order to secure a certain level of balance for the future.

### Balance of Catastrophe Reserve



\* Simple sum of Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance

\* Balance Rate = Balance of catastrophe reserve / Net premiums written (excluding CALI)

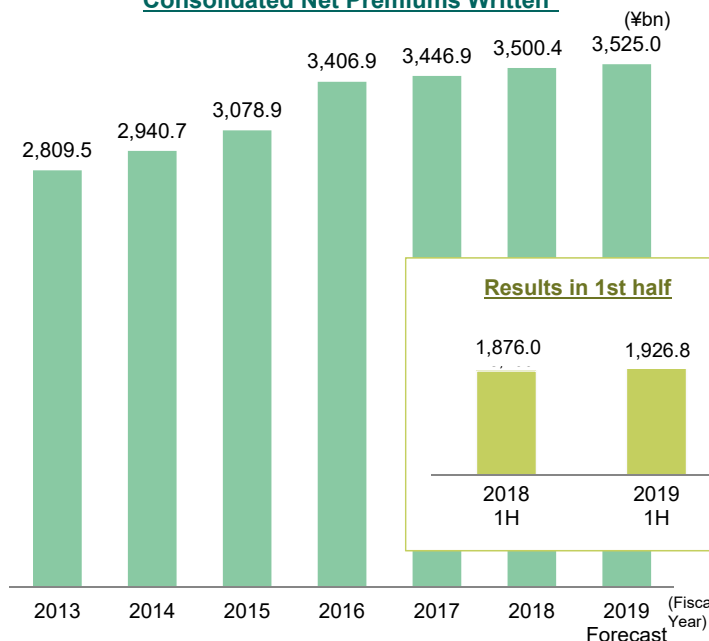
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## Overall Situation: Premium Income

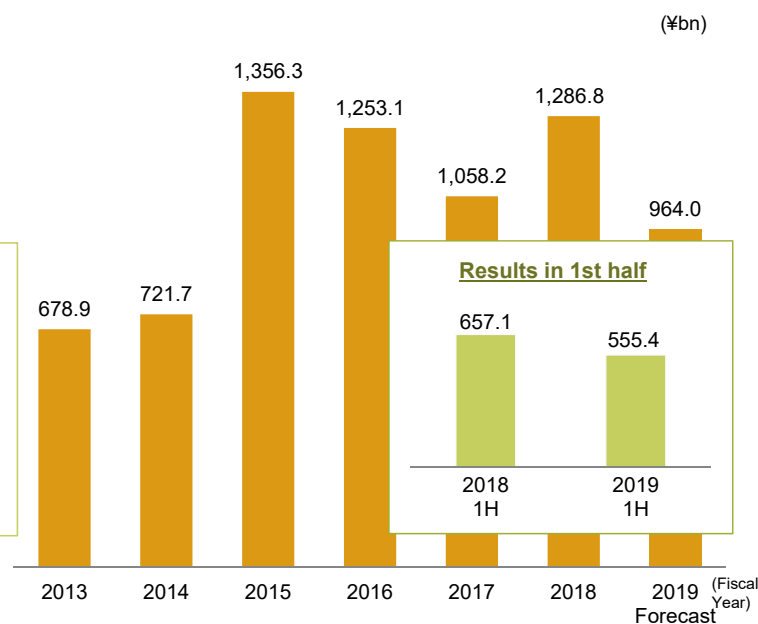
- Consolidated net premiums written in domestic non-life insurance in the first half of FY2019 increased ¥50.8 billion year on year, to ¥1,926.8 billion, mainly reflecting strong performance in fire insurance and voluntary automobile insurance.
- Life insurance premiums at MSI Aioi Life increased ¥10.4 billion year on year, mainly due to the transition of long-term contracts in the third sector insurance from MSI and ADI. Life insurance premiums at MSI Primary Life decreased ¥87.7 billion year on year, mainly due to market contraction caused by low interest rates.

### Non-Life Insurance: Consolidated Net Premiums Written\*



\* Net premiums written exclude the good results return premiums of the ModoRich auto insurance product.

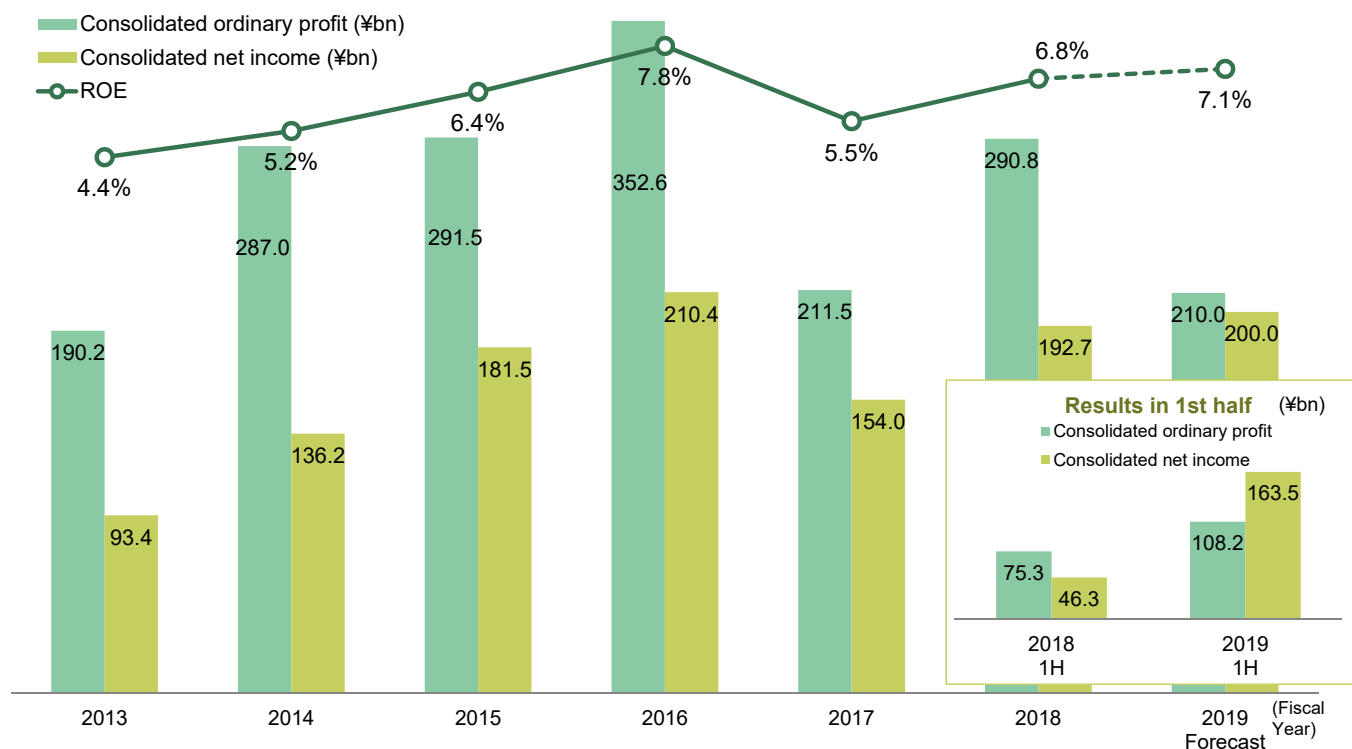
### Life Insurance: Consolidated Life Insurance Premiums



## Overall Situation: Bottom Line and ROE (on a Financial Accounting Basis)

- Net income increased by 117.2 billion yen due to a decrease in losses from natural catastrophes and a rise in profit of overseas subsidiaries.
- The full-year forecast of net income was 200.0 billion yen, unchanged from its initial forecast.

### Consolidated Ordinary Profit, Net Income and ROE





# Impact of Foreign Exchange/Interest Rate Fluctuation on Earnings Forecast

- The impact of a 5% JPY appreciation against all currencies is a decrease of about ¥2.3 billion in net income and a decrease of ¥2.7 billion in Group Adjusted Profit.
- The impact of an increase of 0.1% in JPY interest rate is an increase of about ¥0.3 billion both in net income and Group Adjusted Profit.

## Impact of 5% JPY appreciation on profits

Impact on net income	decrease by approx. ¥2.3 billion
✓ Decrease in profits of overseas subsidiaries	decrease by approx. ¥1.0 billion
✓ Domestic non-life insurance subsidiaries	decrease by approx. ¥0.2 billion
Decrease in claims reserve in foreign currency	↑
Change in valuation of foreign currency deposits and exchange gain/loss on currency hedge positions, etc.	↓
✓ Decrease of amortization of goodwill and others in foreign currency	increase by approx. ¥0.4 billion
✓ Decrease of profit margin of domestic life insurance subsidiaries, etc.	decrease by approx. ¥1.6 billion

**The impact on Group Adjusted Profit is a decrease of approx. ¥2.7 billion excluding a decrease of amortization of goodwill and others in foreign currency**

## Impact of 0.1% rise in JPY interest rate on profits

Impact on net income and Group Adjusted Profit	increase by approx. ¥0.3 billion
✓ Increase in interest for new investment bonds/loans	increase by approx. ¥0.3 billion

\* Impact on earnings forecast for FY2019

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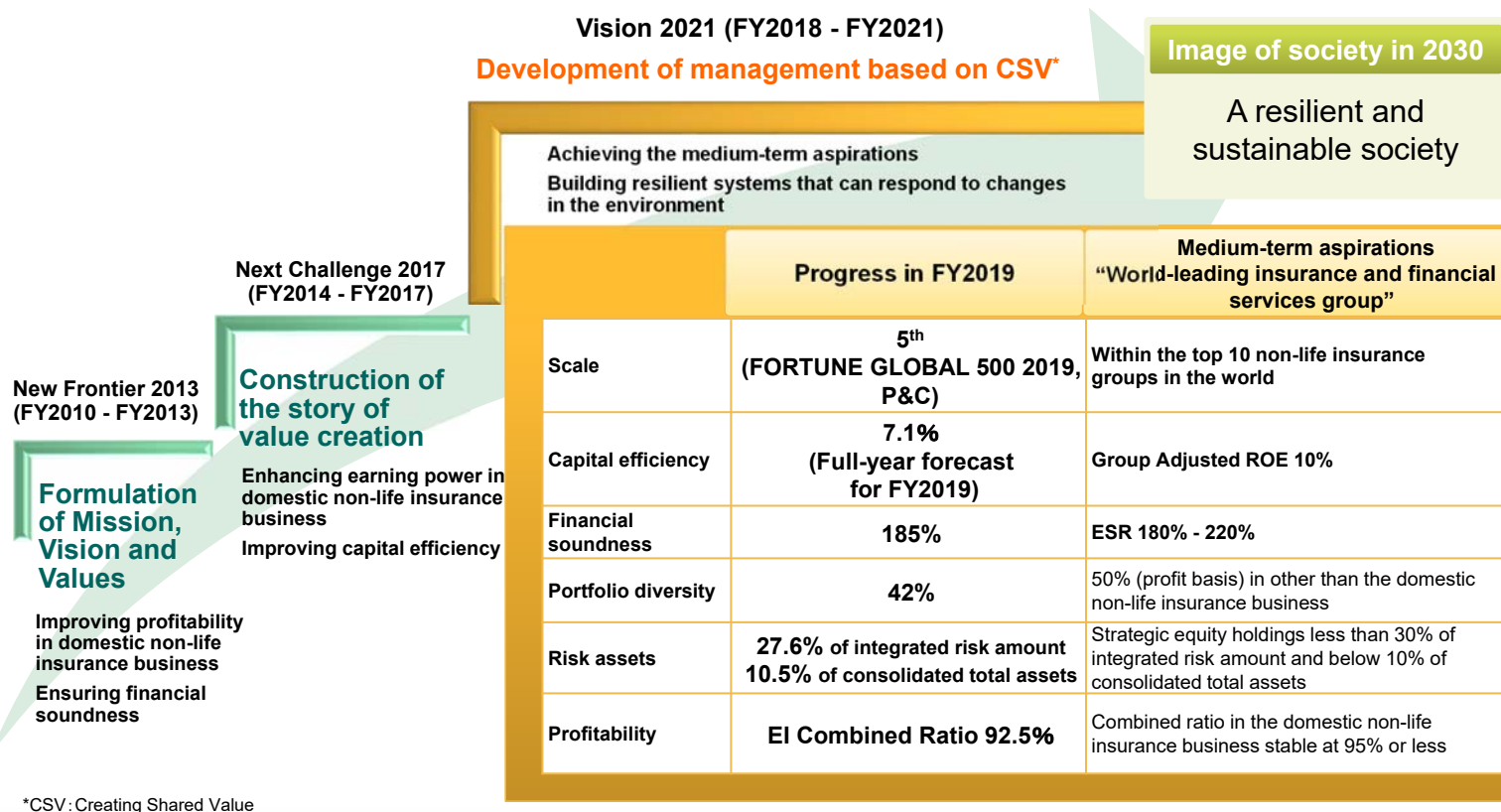
## I . Progress of "Vision 2021"

### 1. Progress Toward Numerical Management Targets

### 2. Progress of Key Strategies

# Progress Toward Aspirations

- Our business scale, financial soundness and profitability maintain at the target level.
- We will continuously strive to achieve the 2021 targets in terms of capital efficiency, portfolio diversity and decreasing risk-assets.



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## Progress of Vision 2021 Stage 1

### Maintenance and expansion of a stable income base

#### Achievement 1

- ✓ The top line of domestic non-life insurance has grown steadily.
- ✓ The combined ratio remains at the target level if the effect of natural catastrophes is excluded.

### The Group's comprehensive strengths for growth and efficiency

#### Achievement 2

- ✓ Steadily pursued a range of initiatives to realize growth and streamlining at the same time through joint efforts on the front line in the sales and claims services departments, the joint development of products, and collaboration in the cyber security field.

### Development of a foundation for promoting digitalization

#### Achievement 3

- ✓ Improved business quality and efficiency, including business process reform through online system renovation and the utilization of RPA.
- ✓ Realized the provision of products and services that contribute to the enhancement of the value of customer experience, such as telematics automobile insurance and health promotion services utilizing wearable devices.
- ✓ Developed foundation that will enable the utilization of advanced digital technology, such as the setup of CVC.

#### Achievement 4

### Initiatives for sustainability to realize a resilient and sustainable society have also made progress.

#### Achievement 5

### Risk portfolio diversification through the reduction of strategic equity holdings has made progress as planned.

#### Ongoing challenge 1

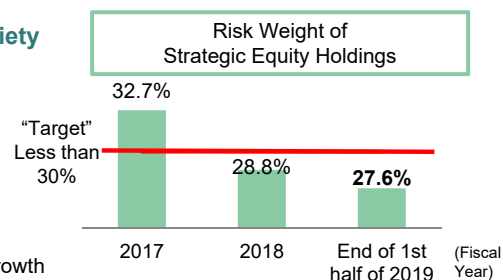
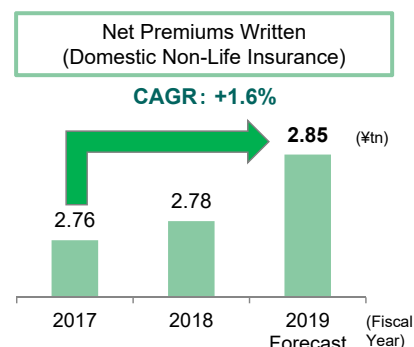
### Portfolio reform (business portfolio diversification)

- ✓ Good progress has been made in the domestic life insurance business. Steady growth in the international business remains a challenge.

#### Ongoing challenge 2

### Capital efficiency

- ✓ Improving capital efficiency in the super-low interest rate environment is a challenge.



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# Key Strategy 1: Pursue Group's Comprehensive Strengths

- Steady progress has been made, including the joint development of products and collaboration on the front line in sales and claims services.

## Standardization of products, joint product development

Step up standardization of products and systems to achieve growth and efficiency at the same time, implement measures to reduce system development costs and strengthen competitiveness. Also, joint product development is carried out through group cooperation.

### <Product standardization schedule>

FY2018	FY2019	FY2020
	January 2019 Automobile	October 2019 Fire Personal accident Casualty
		*Personal accident and Casualty will be released stepwise.

\* Standardization has been carried out for overseas travel insurance, etc.

### <Major joint development products>

#### Observe and Protect Automobile Insurance (dashcam type)

A total of about **approx. 200,000** were sold (as of September 30, 2019)



#### Smartphone Payment Business Comprehensive Coverage Plans

To help promote safe and secure cashless settlement



#### Cyber Risk Security MS&AD Platform

Two domestic non-life insurance companies and InterRisk Research & Consulting are collaborating



## Collaboration in claims services

Promoting the development of a joint claims services system and collaboration in claims services for more prompt payment, the improvement of customer services and business efficiency

- Investigations attended by adjusters of MSI and ADI
- Joint use of customer service centers for specific lines
- Collective response to certain business portfolios at the payment center
- Establishment of a joint claims service base at the time of large-scale disasters

and more



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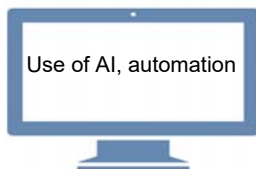
# Key Strategy 2: Promote Digitalization

- Building a foundation for promoting digitalization to enhance quality and the value of the customer experience

## Major initiatives for building a foundation for promoting digitalization

### Business process reform

#### Expanding RPA, Introducing chatbot



Reducing time for administration by about 5 million hours

### Enhancement of channel competitiveness

#### MS1 Brain (MSI)

To be released in February 2020



Enhancement of sales activities using AI

### Digitalization of products and services

#### Telematics claims services system (ADI)



- Sophistication of Automatic detection of accidents (released in Oct. 2019)
- Determination of circumstances of accidents and support for judgement of the proportion of negligence using AI (to be released in FY2020)

Using digital data collected from connected cars

Reforming our online system (MSI and ADI) From October 2019

### Using the advanced technology and expertise of overseas start-up companies

Raised the investment limit of CVC in Silicon Valley to \$120 million (August 2019) Invested in 24 companies (as of October 31, 2019)

#### Cyber security



#### Data analysis, AI



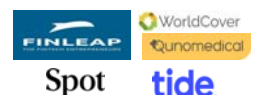
#### Insuretech



#### RPA/Business efficiency



#### New business model



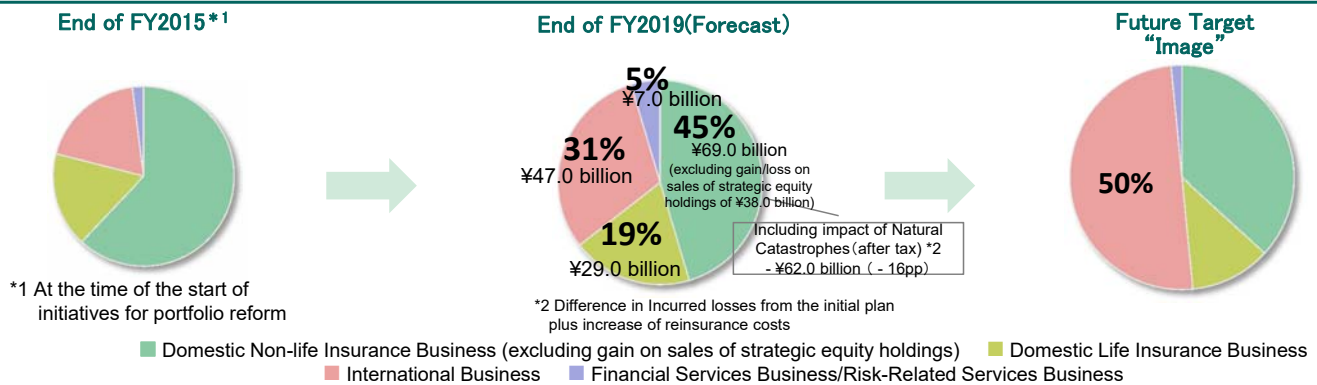
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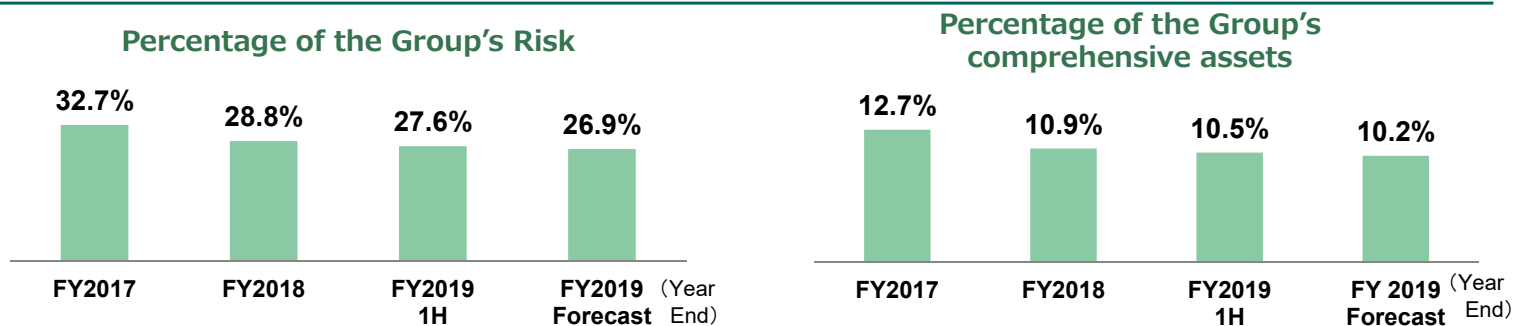
## Key Strategy 3: Reform Portfolio

- Diversification of the business portfolio excluding domestic natural catastrophes progressed as the initial forecast of this fiscal year, but challenges to realize the future vision remain.
- The diversification of the risk portfolio has almost reached the target level, and we will continue to reduce risks in order to achieve targets stably.

### Diversification of Business Portfolio



### Diversification of Risk Portfolio (Reduction of strategic securities)



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## II. Key Points toward Stage 2 of Vision 2021

### Growth Strategies of each business domain

1. Domestic Non-Life Insurance Business
2. Domestic Life Insurance Business
3. International Business
4. Asset Management

### Systems Supporting Value Creation

# Group Adjusted Profit of Domestic Non-life Insurance Business

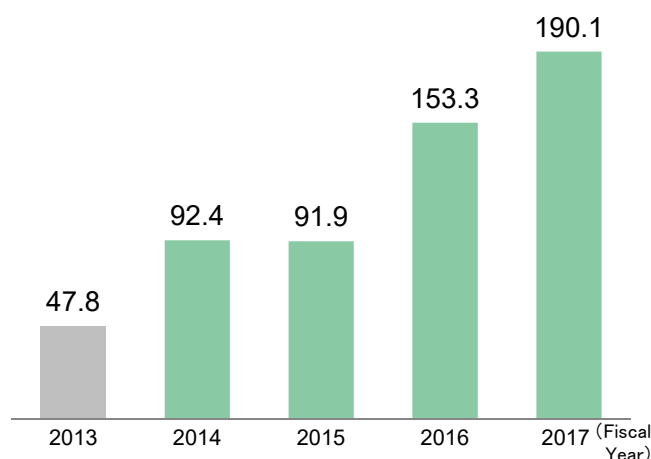
- As losses from domestic natural catastrophe exceeds the initial forecast of this fiscal year, the full-year forecast of Group Adjusted Profit was revised downward by ¥79.0 billion to ¥107.0 billion.

## Group Core Profit / Group Adjusted Profit

(Reference) Group Core Profit

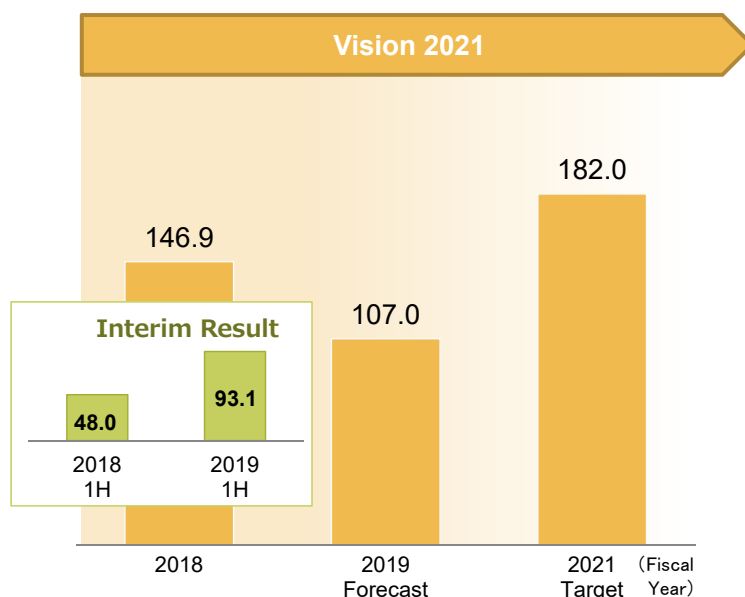
(¥ bn)

New Frontier 2013 → Next Challenge 2017



(¥ bn)

Vision 2021



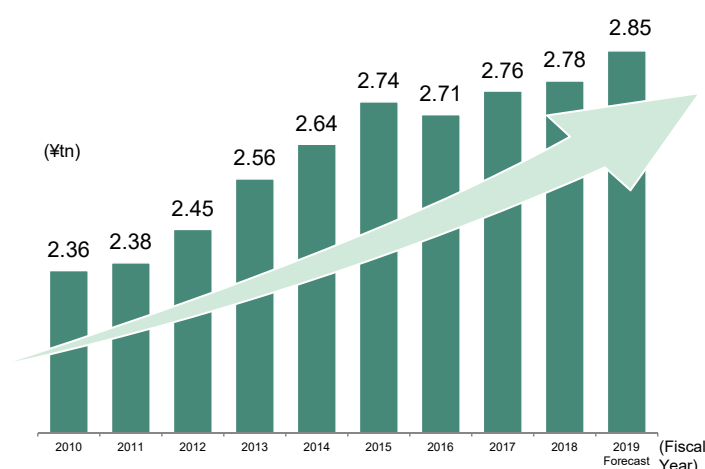
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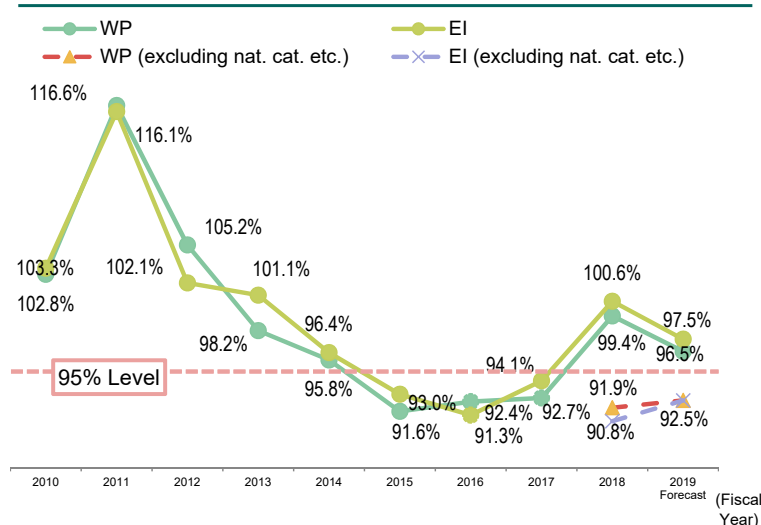
## Maintenance and Expansion of Domestic Non-Life Insurance Business

- The domestic non-life insurance business has grown steadily as a core business since the foundation of the Group.
- The business maintained top-level growth and profitability in the industry in the first half of FY2019.

### Net Premiums Written<sup>\*1</sup>



### Combined Ratio<sup>\*2</sup>



The Group's core business, which has been continuing to grow

- Dashcam type auto insurance performed well.
- Casualty insurance expanded, and the diversification of lines made progress

Continued to achieve high profitability if the effect of increase of natural catastrophes is excluded

- Initiatives to improve profit in fire insurance progressed steadily

<sup>\*1</sup> Simple sums of non-consolidated figures for MSI, ADI and MD (For FY 2010, simple sums of non-consolidated figures for MSI, Aioi, NDI and MD)

<sup>\*2</sup> Simple sums of non-consolidated figures for MSI and ADI (For FY 2010, simple sums of non-consolidated figures MSI, Aioi and NDI)

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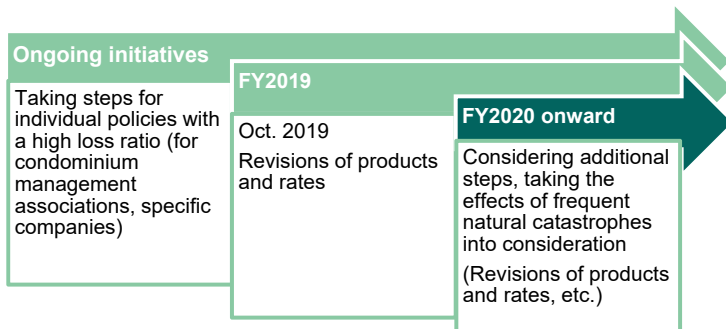
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# Improving Profitability of Fire Insurance

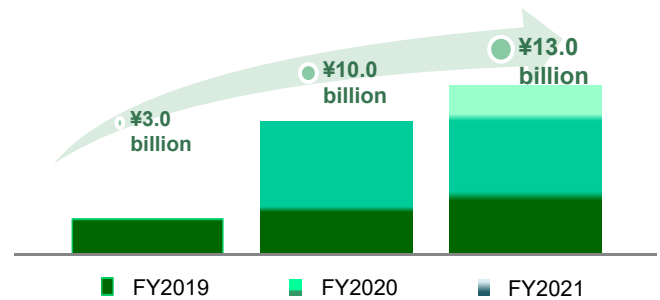
- In addition to ongoing initiatives, next steps have been considered to improve profitability and make a profit, taking the effect of major natural catastrophes into consideration.

## Progress of Initiatives to Improve Profitability



## Effects of revisions of products and rates in Oct. 2019

Profit is expected to increase by approx. ¥13.0 billion in the three years from 2019 to 2021.



\* Simple sum of non-consolidated figures for MSI and ADI.

## Results of ongoing initiatives (1st half of FY2019)



Condominium management associations  
EI loss ratio improved approx. 6.6pp from the end of the previous fiscal year.  
(Profit rose approx. ¥1.0 billion)



Policies for companies  
Conditions and rates for approx. 270 policies were revised, and profitability improved.

## Major changes

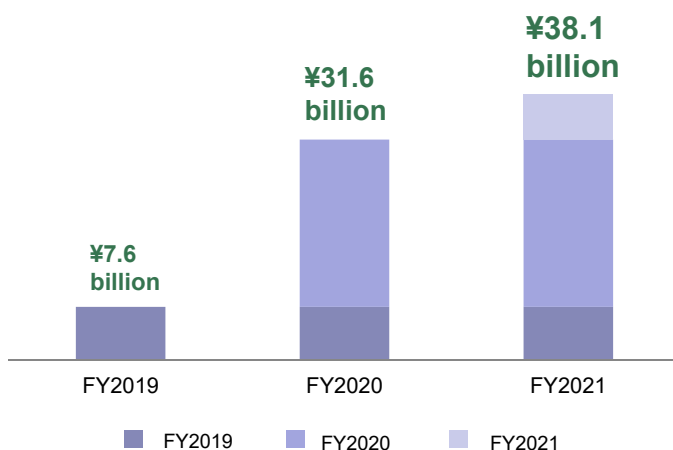
- Rates rose by approx. 7% on average.
- Rates in accordance with building ages were introduced to building insurance premiums (products for individuals).
- A system to adjust premiums according to the circumstances of accidents and a system to discount premiums according to the management conditions (products for condominium management associations) were introduced.

# Initiatives for Automobile Insurance

- In FY 2019 1H, GWP increased by 2.2% resulting in EI Combined Ratio of 89.3%.
- The profitability of voluntary automobile insurance has been steadily improving.
- We plan to review our products and rating in January 2020, affected by the consumption tax hike and the revision of the Civil Code.

## Effects of revision of products and rating (forecast) \*

- Premium rates are planned to be raised by approx. 3%
- Premiums are expected to increase by approx. ¥38.1 billion in FY2021



## Telematics automobile insurance

In order to contribute to the realization of a safe and secure mobile society, the Group is expanding sales of telematics automobile insurance.

- Sales (as of September 30, 2019)



Cumulative number of policies sold

Approx. 20,000



Cumulative number of policies sold (dashcam type)

Approx. 200,000



- "Tough Observe and Protect Automobile Insurance Plus" will be launched in January 2020.



## New type of auto insurance in Japan

- The ability of the driver for safety will be assessed by a dedicated dashcam-type telematics terminal that will be installed will be reflected in the insurance premium.

\* Simple sum of non-consolidated figures of MSI and ADI (based on sales results)

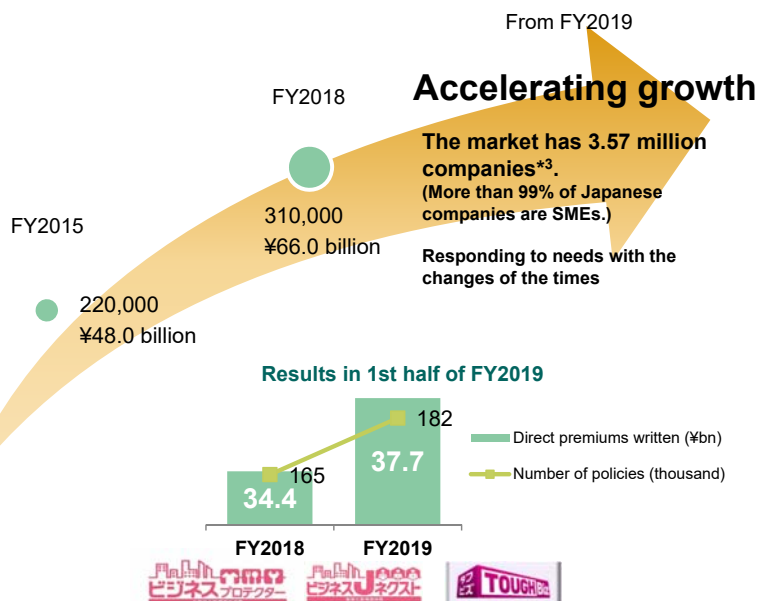


# Growth Strategy of Casualty Insurance

- Casualty insurance is continuing to grow as initiatives for the SME market and new risks are making good progress.

## Sales expansion of packaged products for SMEs<sup>\*1</sup>

Direct premiums written and the number of policies<sup>\*2</sup> have increased steadily.



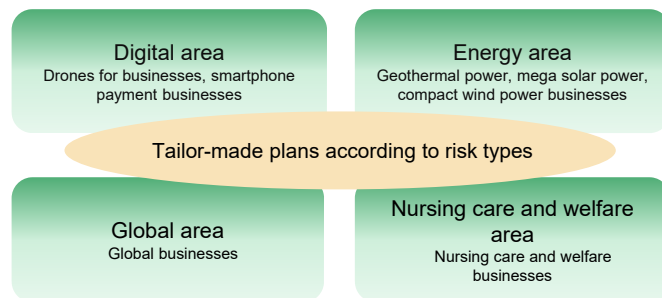
<sup>\*1</sup> MSI's Business Protector and Business J Next, ADI's Tough Biz General Liability Insurance/General Insurance for Construction Industry and Tough Biz Workers' Accident Compensation Insurance

<sup>\*2</sup> Direct premiums written and number of policies for the products specified in <sup>\*1</sup>

<sup>\*3</sup> Source: Number of SMEs and small enterprises, statistics of the Small and Medium Enterprise Agency (as of June 2016)

## Initiatives for new risks/markets

Expanding the lineup of comprehensive coverage plans<sup>\*4</sup>



### Smartphone Payment Business Comprehensive Coverage Plans jointly developed by MSI and ADI Released in September 2019

Providing comprehensive compensation for risks related to smartphone payment



<sup>\*4</sup> Tailor-made insurance plans that provide comprehensive compensation, combining products, for a range of risks in specific types of business or areas (The product lineups of MSI and ADI cover different types of business or areas.)

# Initiatives for Improving Expense Ratio

- Initiatives for improving the expense ratio are progressing steadily through R&D investment, mainly in the digital area.

## Progress of business process reform

Initiatives for reducing the time for administration by about 5 million hours are making progress.

	FY2019	FY2020	FY2021
Expansion of online functions	Cutover of online functions to new ones (October)	Addition and expansion of online functions	
Automation	Introduction of chatbots Development of RPA	Enhancement of the functions of chatbots Expansion of RPA	
Cashless	Promotion of cashless transactions, improvement of efficiency in receipt of payments and settlement	Expansion of cashless transactions	
Standardization, sharing	Consolidation of operations at affiliates, expansion of sharing of products	Consolidation of operations, expansion of shared products	A joint claims services system will start to operate in FY2021.

## Investment in large-scale systems

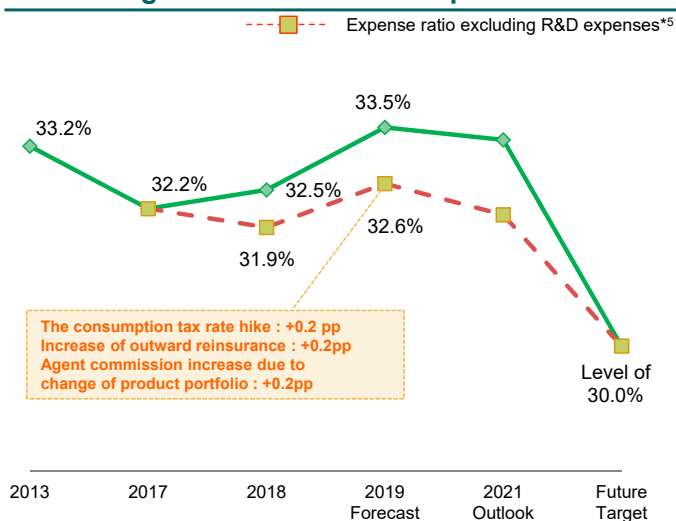
Project	Investment amount	Introduction	Effect (to be realized sequentially)
Renovation of agent and customer online system	Approx. ¥88.0 billion	From 2019	Approx. ¥15.0 billion/year <sup>*1</sup>
Standardization of products and operations	Approx. ¥11.0 billion		Approx. ¥2.0 billion/year
Joint claims services system (BRIDGE)	Approx. ¥62.0 billion <sup>*2</sup>	2021	Approx. ¥12.0 billion/year <sup>*3</sup>

<sup>\*1</sup> Expected effects were decreased (from approx.¥18.0 billion to approx.¥15.0 billion) as the installation of some functions was suspended

<sup>\*2</sup> Investment will be continued during and after FY2022.

<sup>\*3</sup> Including cost reduction by the sharing of claims service function and aggregation/integration of the offices

## Change in and forecast of expense ratio<sup>\*4</sup>



### 1st half of FY2019

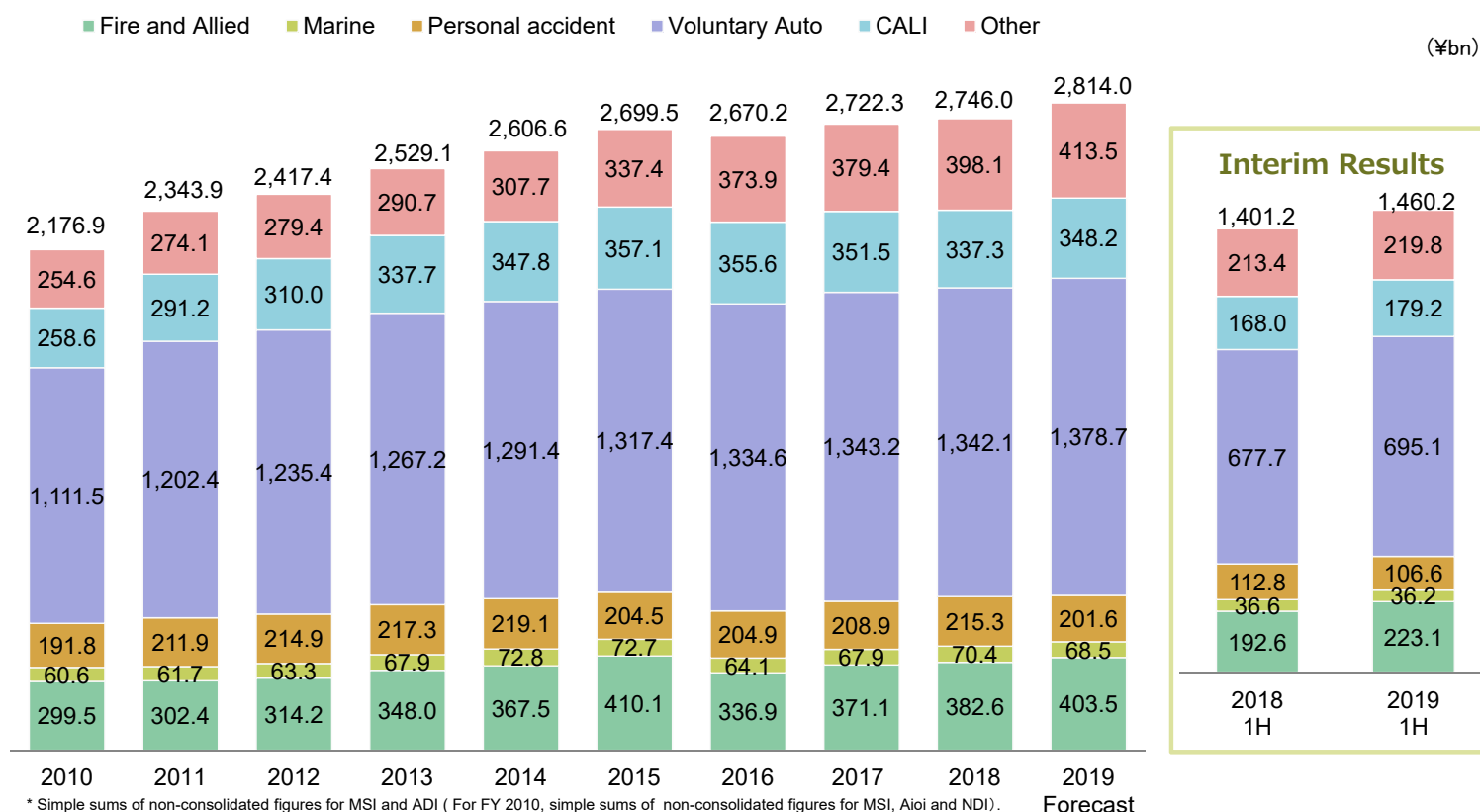
Operating expense ratio: 31.8% (increased 0.1pp year on year)

<sup>\*4</sup> Operating expense ratio based on sums of figures for MSI and ADI

<sup>\*5</sup> Investments in R&D for responses to changes in the environment, including infrastructure building, and for improving productivity and quality. The cost of approximately ¥18 billion for developing MS1 Brain, an agent system using AI that MSI plans to introduce in February 2020, is included.

# Net Premiums Written by Class of Business

## Net Premiums Written\* by Class of Business

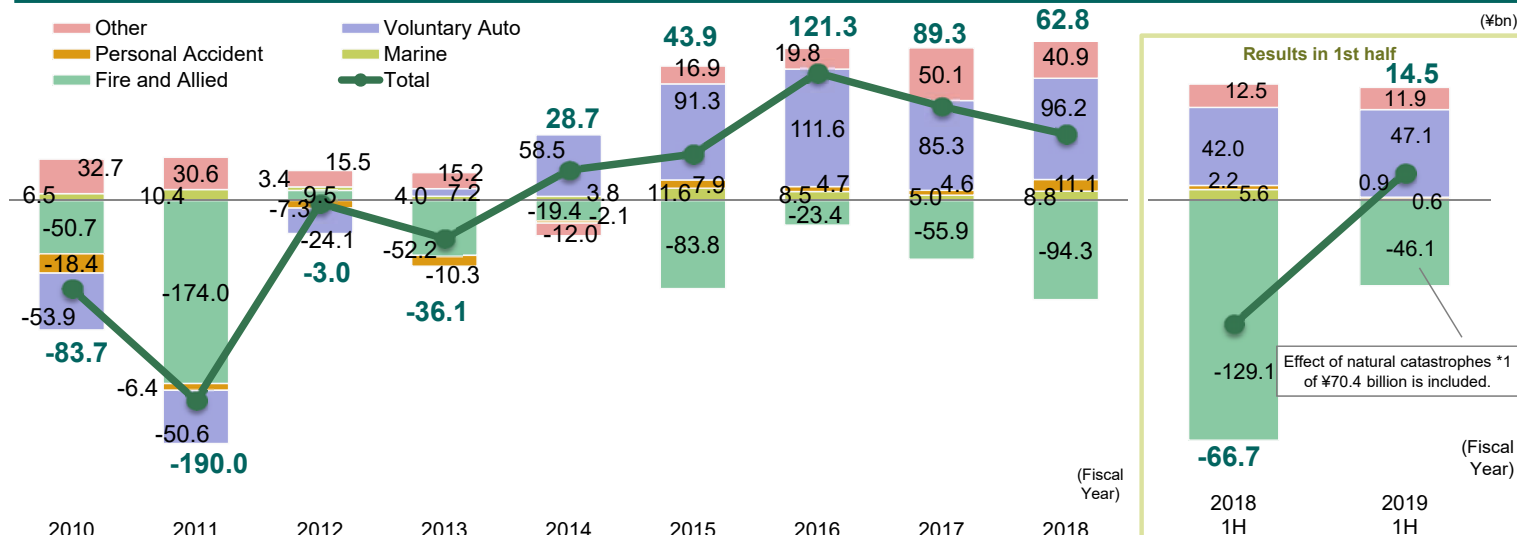


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# Underwriting Profit/Loss by Class of Business

## Underwriting Profit/Loss by Class of Business



Item/Fiscal Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019 Forecast
<b>Underwriting Profit</b>	-83.7	-190.0	-3.0	-36.1	28.7	43.9	121.3	89.3	62.8	5.0
Net reversal of catastrophe reserve (profit impact)	-0.0	139.5	41.9	3.0	-31.3	-81.6	-81.8	-44.6	79.8	-8.6
Underwriting profit (before reflecting catastrophe reserves)	-83.7	-329.5	-44.9	-39.1	60.1	125.6	203.1	133.9	-16.9	13.6
Impact of natural catastrophes*1 (ref.)	-65.9	-311.5	-55.1	-96.3	-27.2	-68.1	-51.0	-118.8	-235.3	-120.5

\* Simple sums of non-consolidated figures for MSI and ADI. ( For FY 2010, simple sums of non-consolidated figures for MSI, Aioi and NDI ).

\*1 Impact of natural catastrophes include heavy snowfalls in 2014 and other natural catastrophes. The figures show incurred losses occurred domestic and overseas for MSI and ADI from FY2017. From FY2019, "Impact of nat. cat." means incurred loss from domestic and overseas natural catastrophes in the each year deducting the collected amount of Cat Bonds related to natural catastrophes in FY 2018.

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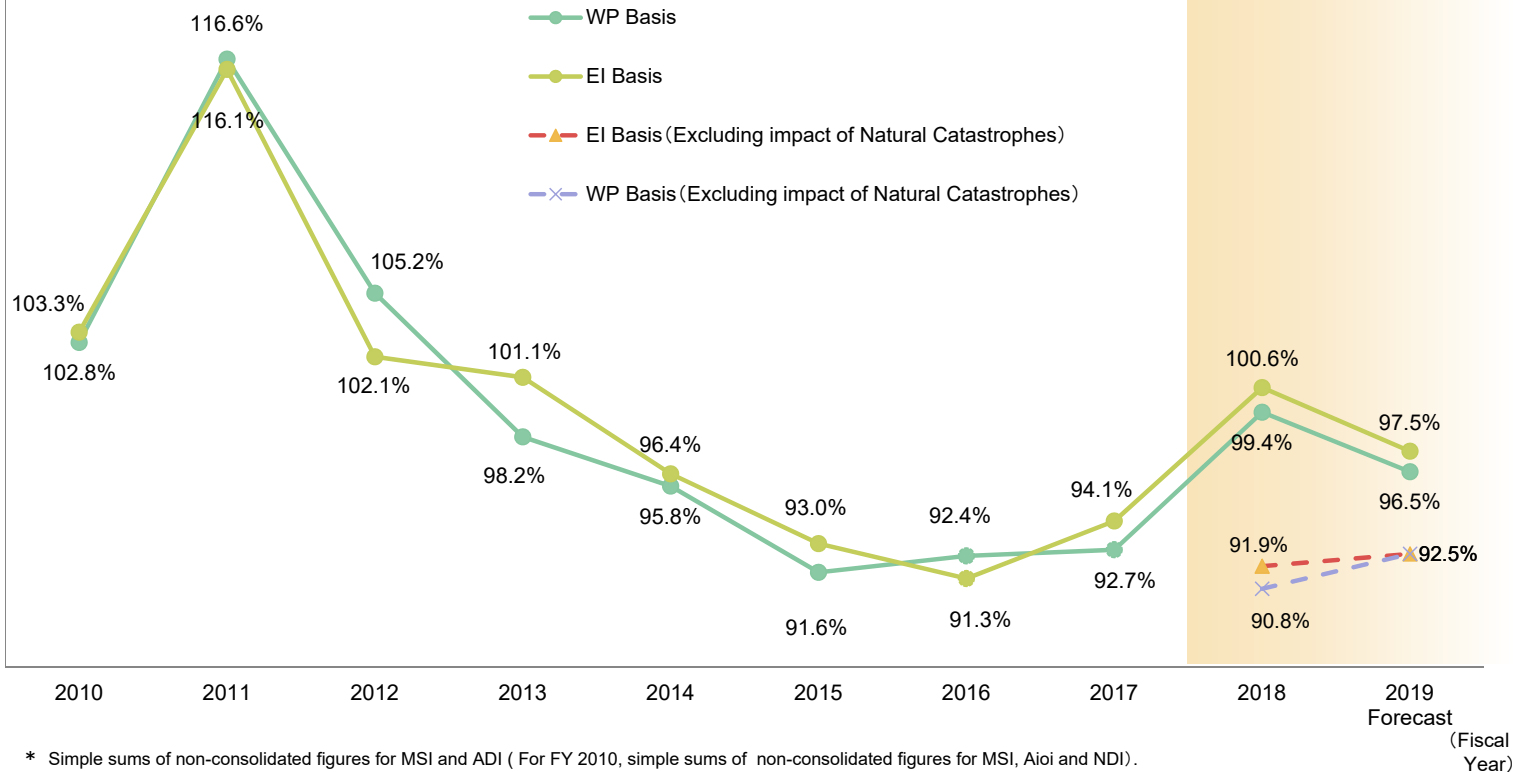
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## Combined Ratio\*

New Frontier 2013

Next Challenge 2017

Vision 2021

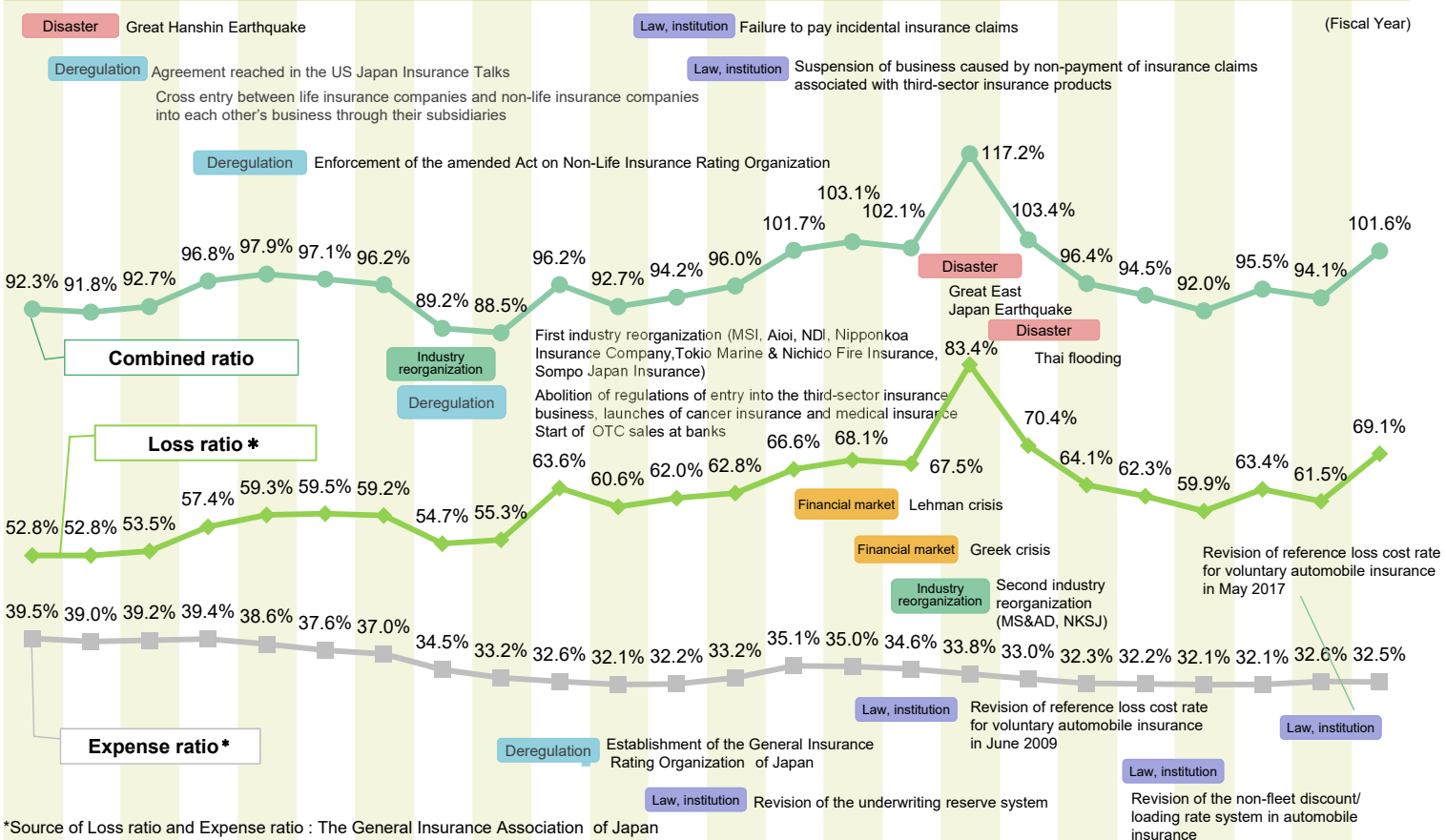


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## Combined Ratio (WP) in the Domestic Non-Life Insurance Industry

1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 (Fiscal Year)



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## II. Key Points toward Stage 2 of Vision 2021

### Growth Strategies of each business domain

1. Domestic Non-Life Insurance Business
2. Domestic Life Insurance Business
3. International Business
4. Asset Management

### Systems Supporting Value Creation

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## Group Adjusted Profit of Domestic Life Insurance Business

- Group Adjusted Profit for the 1st half of FY2019 was ¥17.7 billion, which is expected to be ¥29.0 billion for the full year as planned.

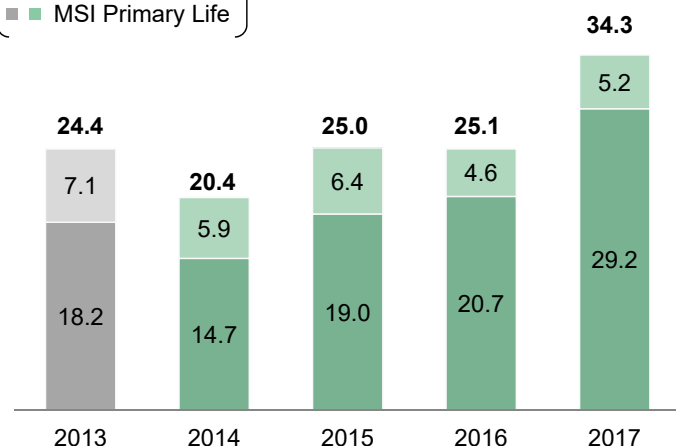
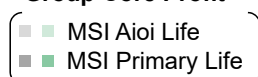
### Group Adjusted Profit

<Reference> Group Core Profit

(¥bn)



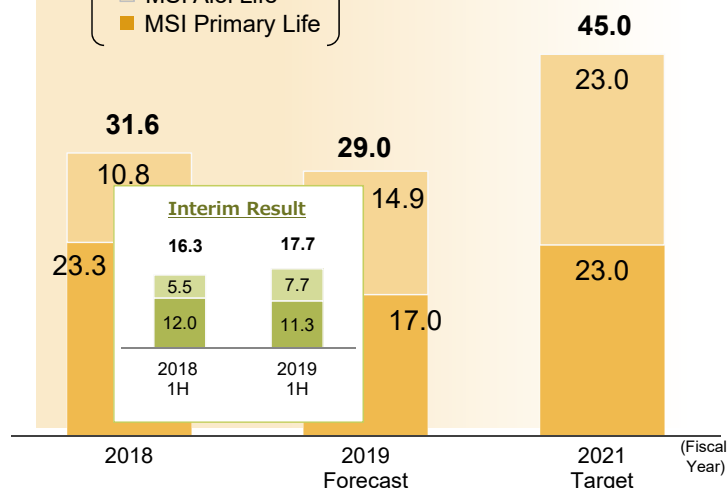
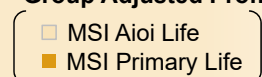
#### Group Core Profit



(¥bn)



#### Group Adjusted Profit\*




\* Total of life insurance business includes purchase difference adjustment etc.

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# Response to Protracted Low Interest Rates

- We mitigate its negative impact on earnings through a lineup of products that are less sensitive to interest rates and through effective asset management.
- We develop and provide products and services to meet the diversifying needs of our customers due to the advent of the super-aging society and changes in lifestyles.

	MSI Aioi Life	MSI Primary Life
Product strategies	<ul style="list-style-type: none"> <li>• Strategy to strengthen sales of protection-type products that are less susceptible to low interest rates (such as income guarantee insurance and medical insurance)</li> <li>• Mainstay protection-type products Life Support Insurance New Medical Insurance Ace Premia Cancer Insurance Smart</li> </ul> 	<ul style="list-style-type: none"> <li>• In addition to savings products, which are easily affected by interest rates and foreign exchange rates, the company expand a lineup of consulting-type products that are useful for living gift, inheritance and longevity.</li> </ul> <p><b>For Inheritance</b> → "Yasashisa, Tsunagu" (Special whole life) → "Ohkina, Magokoro" (Increasing whole life)</p> <p><b>For Asset Utilization</b> → "Ashitano, Yorokobi 2" (Tontine annuity)</p> <p><b>For Asset Formation</b> → "Shiawase, Zutto 2" (Whole life) → "Ashitomo Jujitsu" (Level premium payments tontine annuity)</p>
Asset management strategies	<ul style="list-style-type: none"> <li>• Strengthening of ALM</li> <li>• Expansion of investment in assets with a favorable return</li> <li>• Strengthening of the structure for asset management</li> </ul>	<ul style="list-style-type: none"> <li>• ALM for responding to change the products line-up</li> <li>• Strengthen capabilities for the investment to global assets</li> <li>• Strengthen monitoring risks and positions of investment</li> </ul>

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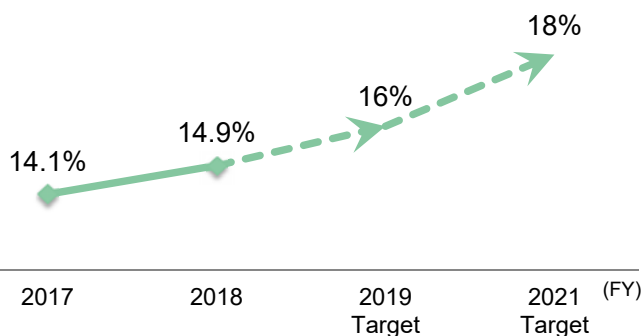
## Growth Strategy of MSI Aioi Life

- We are further strengthening our sales capabilities through a variety of channels centered on cross-selling, which involves selling both life and non-life insurance products.
- The Group will establish a framework for responding to changes in the environment (Infrastructure development and the transformation of profit-making trees).

### Pursue Group's Comprehensive Strengths

- Strengthen cross-selling channels via the integration of operation for life insurance and non-life insurance.
- Collaboration with MSI Primary Life
- Strengthen intra-group cooperation within the Group for product development and services in the health and medical area
- Increase efficiency by reviewing the division of roles within the Group such as sales administration

### Life Insurance Cross-Selling Ratio\*



\* Cross-selling channels (professional, corporate, automobile sales dealers): The number of Mitsui Sumitomo Aioi Life Insurance in-force policy holders divided by the number of Mitsui Sumitomo Insurance/Aioi Nissay Dowa Insurance automobile and fire insurance policy holders

### Promote Digitalization

- Strengthen customer service utilizing digital tools and supporting agent activities
- Sophistication of product development and underwriting using digital technologies including big-data analysis
- Optimization of administrative work (increase productivity by using RPA)
- Making sophistication and efficiency for claims handling

### Reform Portfolio

- Product development to respond to the future development of the medical technology such as advanced medication and nursing care/dementia-related needs

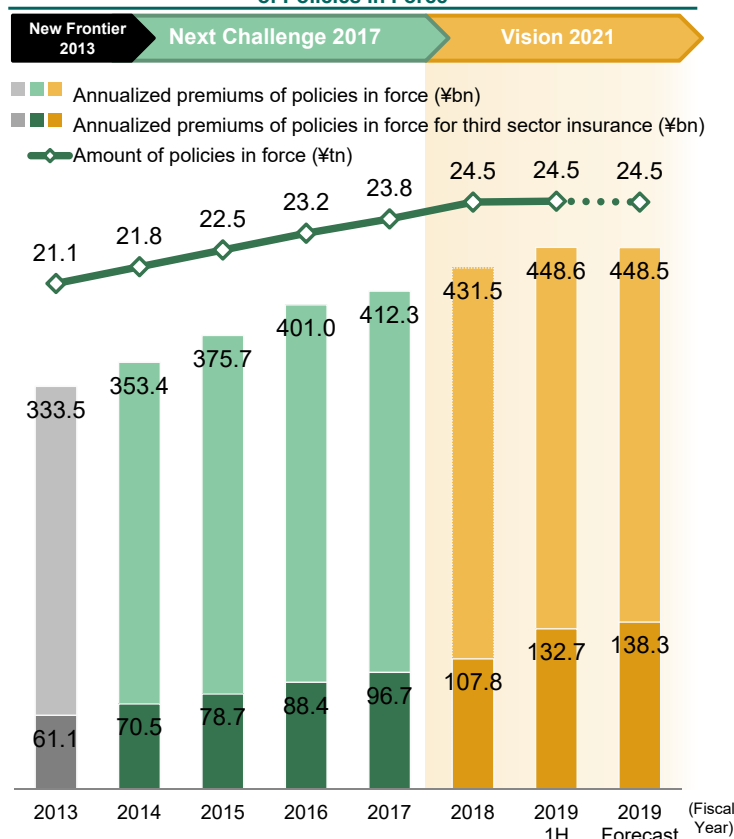
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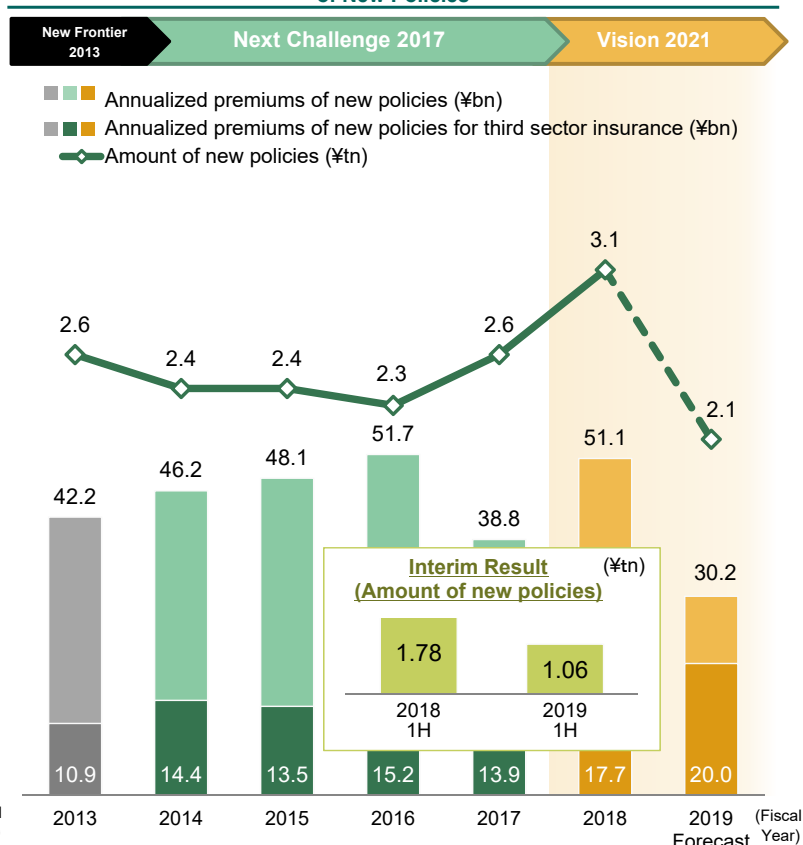


# MSI Aioi Life (Amount of Policies and Annualized Premiums)

Amount of Policies in Force and Annualized Premiums of Policies in Force



Amount of New Policies and Annualized Premiums of New Policies



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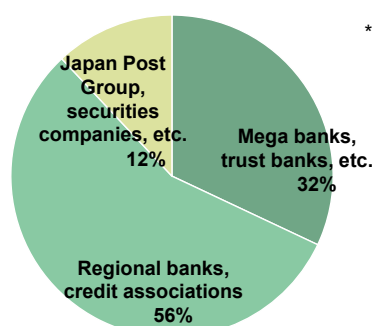
## Growth Strategy of MSI Primary Life

- Expand products and services to meet the diversifying needs of customers as we move to an era in which the average life span could reach 100 years.
- Proactively promote customer focused operations based on the customer-first policy.

### Sales Development to Meet the Needs of Agencies/Markets

- Development of meticulous sales activities and strengthening of marketing base
- Expanding agency training to improve consultation capabilities
- Improvement of efficiency of the process to acquire new insurance policy holders, such as linkage with paperless operation in agencies

<Strengthening marketing base: Composition ratio of premiums written by sales channel in FY2019 1H>



\* Aggregated premium income in FY2019 1H : ¥475.3 billion

Mega banks, trust banks, etc.:	10 agents
Regional banks, credit associations:	117 agents
Japan Post Group, securities companies, etc.:	17 agents

### Initiatives that Contribute to the Group's "Three Key Strategies"

#### Pursue Group's Comprehensive Strengths

- Cooperation between life and non-life insurance companies in business with individual financial institutions
- Strengthening cooperation with Challenger through reinsurance
- Share the sophisticated methods of education and training for marketing within the Group

#### Promote Digitalization

- Sales activities and training for sales agents with the use of digital technology
- Development, analysis, and utilization of asset and liability data to enhance ALM
- Expanding customer services and improving operational efficiency by using digital technology and RPA

#### Reform Portfolio

- Appropriate response to currency diversification in foreign assets
- Response to the needs of young people and expanding our customer base by promoting the level premium payments products.

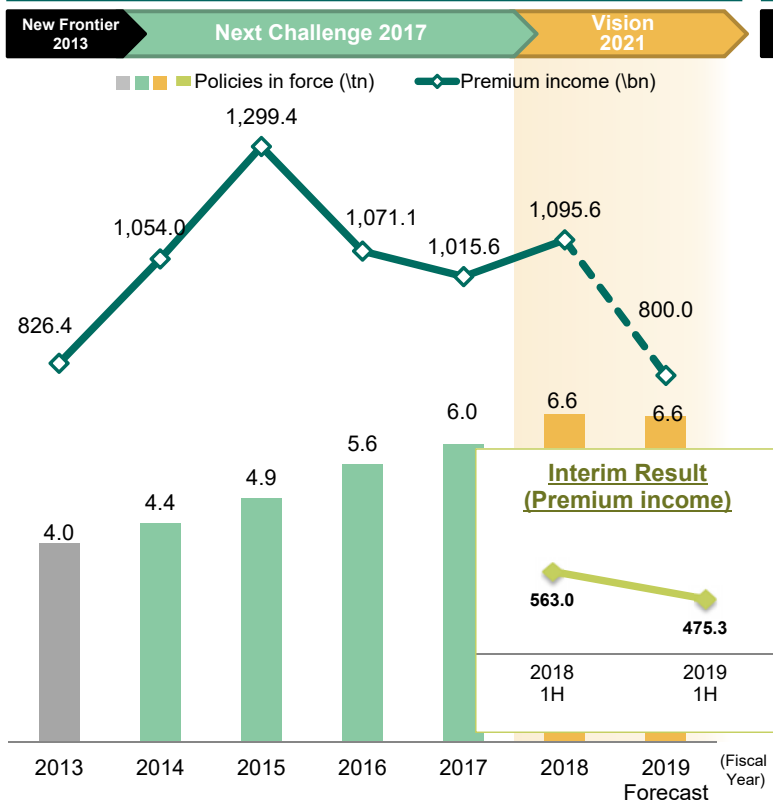
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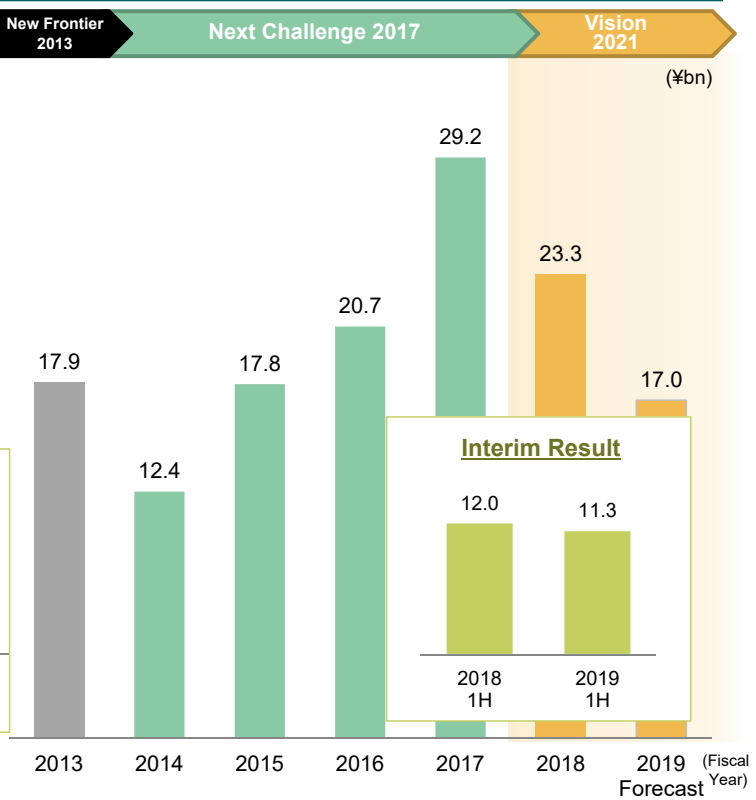


# MSI Primary Life (Premium Income, Amount of Policies in Force and Net Income)

## Amount of Policies in Force and Premium Income

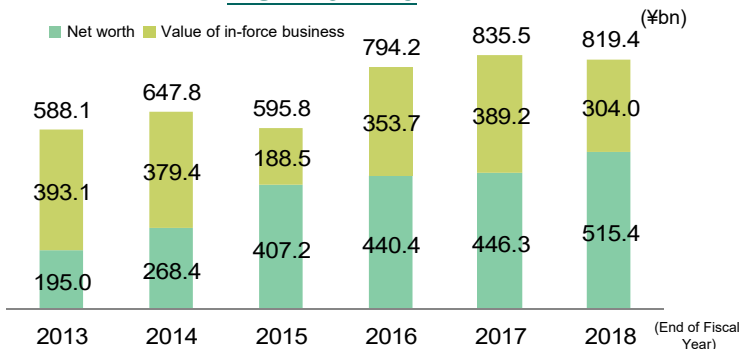


## Net Income

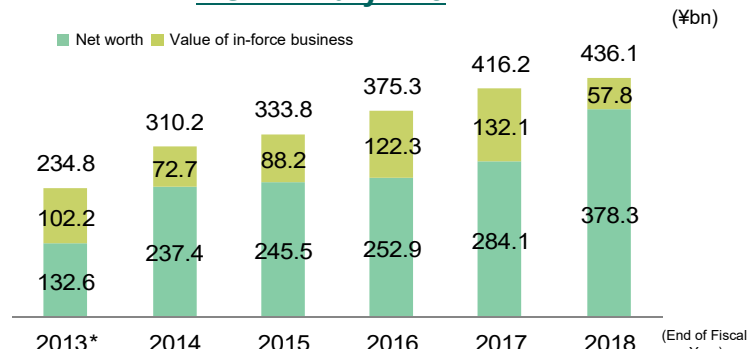


## Embedded Value (EEV) from the End of FY2013 to the End of FY2018

### MSI Aoi Life



### MSI Primary Life



\*The EEV at the end of FY2013 is the value following a reassessment reflecting the illiquidity premium

#### Changes in FY2018 (¥bn)

Factor	Change
Opening adjustments	-0.5
New business in reporting year	65.7
Expected existing business contribution at the risk free rate	6.5
Expected existing business contribution above risk free rate	4.3
Operating experience variances	-7.5
Changes in operating assumptions	-5.6
Economic variances and changes to economic assumptions	-78.8
Other operating movements	-0.1
<b>Total</b>	<b>-16.0</b>

#### EEV Sensitivity (at March 31, 2019, ¥bn)

Assumptions	Change
Risk-free yield curve Up 50bp	84.3
Risk-free yield curve Down 50bp	-113.0
Equity and real estate values Down 10%	-6.2
Maintenance expenses Down 10%	28.1
Surrender and lapse rates Down 10%	-22.6
Mortality and morbidity rates for life insurance Down 5%	44.9
Mortality and morbidity rates for annuity Down 5%	-0.1
Equity and property implied volatility Up 25%	0.0
Swaption implied volatility Up 25%	-32.5
Required capital set at statutory minimum level	4.2

#### Changes in FY2018 (¥bn)

Factor	Change
Opening adjustments	-9.2
New business in reporting year	7.8
Expected existing business contribution at the reference rate	2.6
Expected existing business contribution above reference rate	2.6
Operating experience variances	1.3
Changes in operating assumptions	0.7
Economic variances and changes to economic assumptions	13.9
<b>Total</b>	<b>19.9</b>

#### EEV Sensitivity (at March 31, 2019, ¥bn)

Assumptions	Change
Reference yield curve Up 50bp	1.7
Reference yield curve Down 50bp	-1.4
Equity and real estate values Down 10%	-4.6
Maintenance expenses Down 10%	10.5
Surrender and lapse rates Down 10%	-2.0
Mortality and morbidity rates for life insurance Down 5%	0.7
Mortality and morbidity rates for annuity Down 5%	-0.5
Equity and property implied volatility Up 25%	-1.8
Swaption implied volatility Up 25%	-5.8
Required capital set at statutory minimum level	3.6
Nil illiquidity premium	-18.7

## II. Key Points toward Stage 2 of Vision 2021

### Growth Strategies of each business domain

1. Domestic Non-Life Insurance Business
2. Domestic Life Insurance Business
- 3. International Business**
4. Asset Management

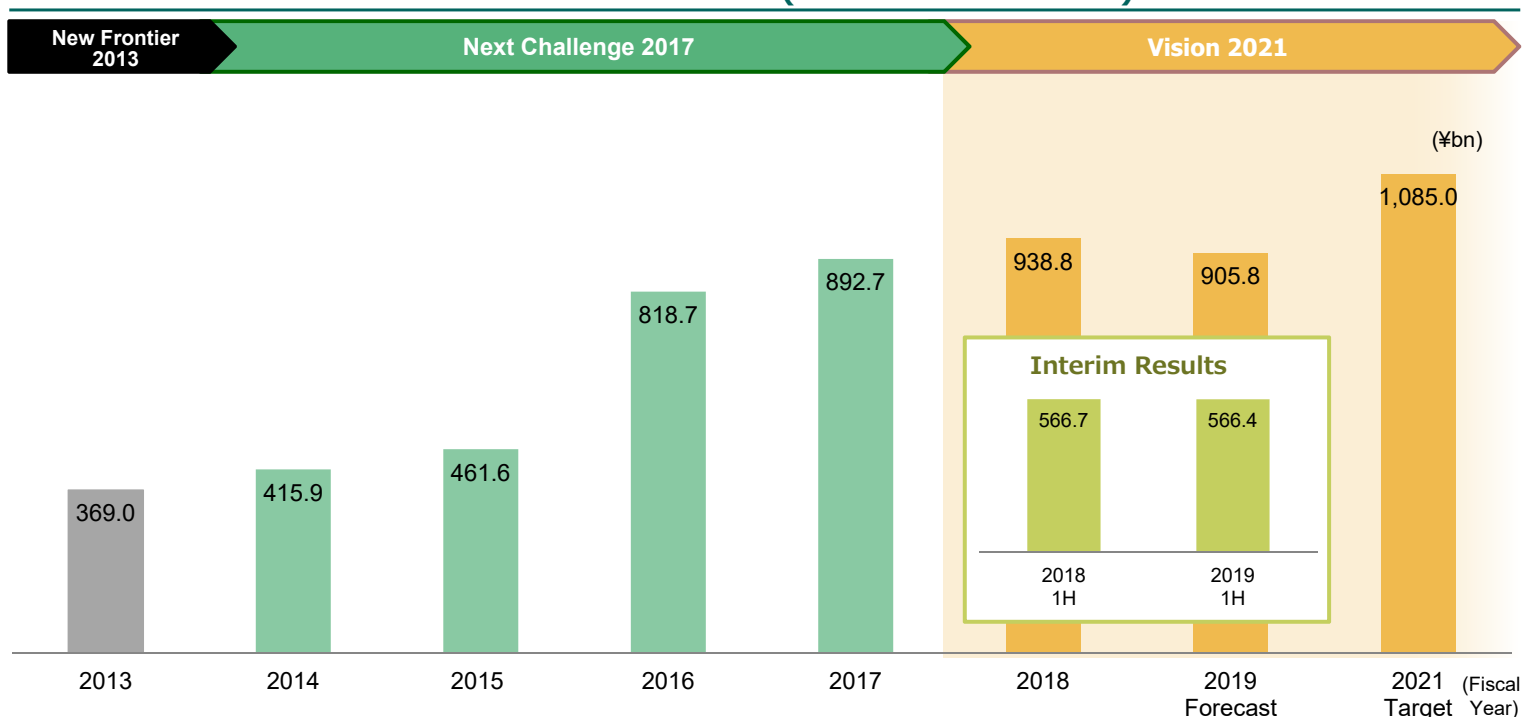
Systems Supporting Creating Shared Value

MS&AD Insurance Group Holdings, Inc.

## Net Premiums Written of International Business

- Despite fluctuations due to foreign exchange effects, we aim to steadily increase Net Premiums Written on a local currency basis.

### Net Premiums Written (Non-Life Insurance)



\* International Business: Business results of overseas consolidated subsidiaries and equity-method affiliates plus the business results of overseas branches of non-life insurance companies, overseas non-consolidated subsidiaries, and non-life insurance companies' head office inward reinsurance.

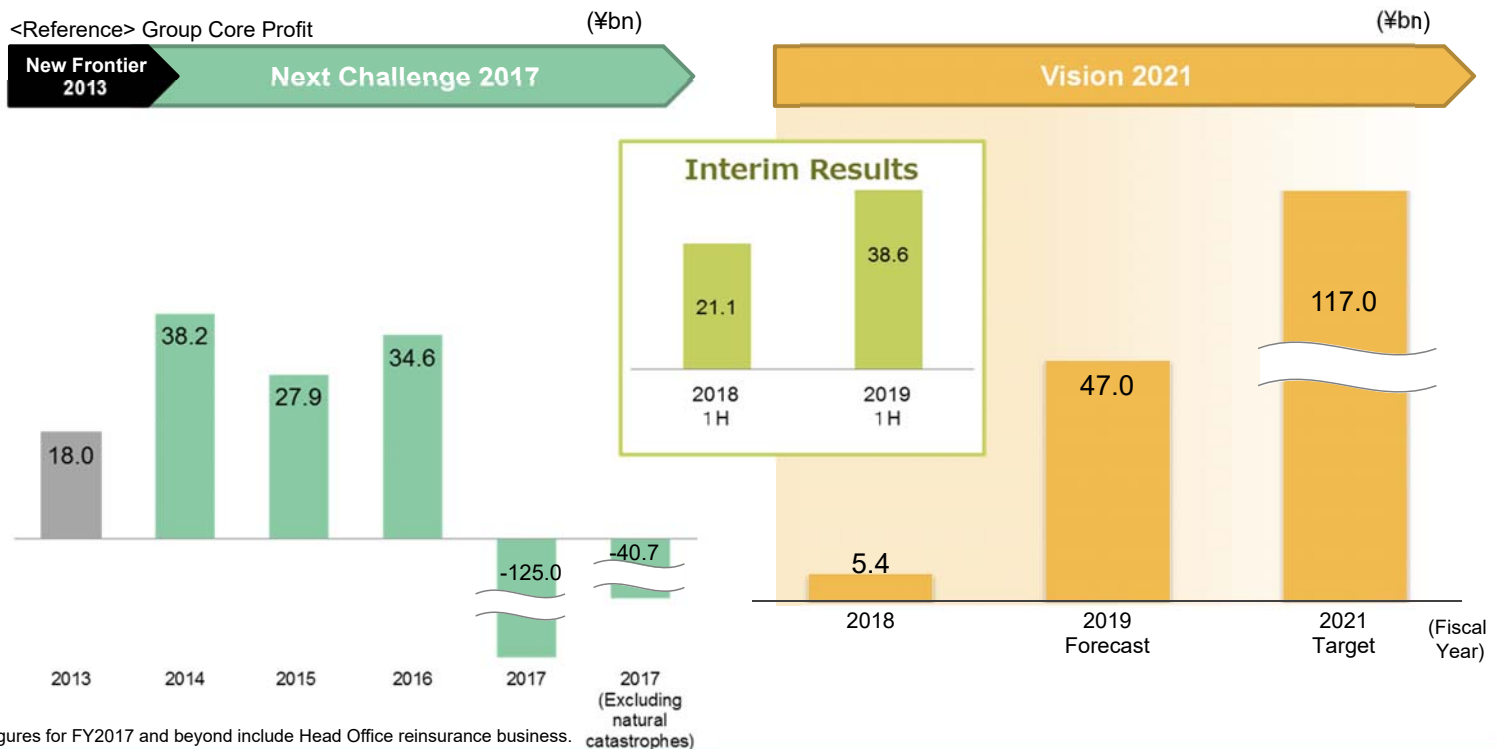
\* Figures for FY2017 and beyond include Head Office Reinsurance Business.

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# Group Adjusted Profit of International Business

- Forecast for Group Adjusted Profit in FY2019 is revised upward ¥5 billion to ¥47 billion, which increased by ¥41.5 billion, mainly due to the increase of profit at MS Amlin and International Life Insurance Business.

## Group Adjusted Profit



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## Reorganization of International Regional Business

### (1) Purpose & Background

- Since 2000, through capital investments and M&A deals in local markets we have steadily expanded our presence in various regions and business areas, building a platform for a world-leading insurance and financial group.
- In order to respond to changes in the business environment, we are transitioning to a new organizational structure in order to leverage the strengths of group companies across regions, accelerate swift decision making and realize further growth.

Environmental changes



Increase in natural disasters



Tightening of capital regulation and supervision



March toward digitalization



Growth and intensifying competition in emerging countries



Sustained low-interest-rate environment



Changing business model

Expanded to locations in various countries along with Japanese-affiliated companies

Growing in various regions/business areas according to market characteristics

Further growth through collaboration among all global locations

Era of growth to support Japanese companies (1924 onwards)

Era of growth by region/business area (2000 onwards)

Results

Built a platform for a world-leading insurance and financial group

Issues

- (1) Leveraging the strengths (e.g. skills, networks) of each group company across regions
- (2) Speedier decision-making that can respond to rapid changes in the environment

Era of global collaboration (2020 onwards)

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## Reorganization of International Regional Business

### (2) Expected Benefits & Initiatives to Achieve Them

- Eliminate the negative effects of a siloed, multilayer structure organization, and while seeking to strengthen collaboration as a group under the leadership of MSI Head Office, strengthen group governance and make the business operate more efficiently.
- Leverage our people with a wealth of experience and knowledge across regions, and examine new growth strategies that factor in environmental changes.

#### Increase productivity

##### Efficient business operation

Business selection and focus  
Review operations and staffing

**Reduction of annual costs by 10 billion yen or more**  
(To be achieved by FY2021)

#### Accelerate growth

##### Strengthen intra-group collaboration

MS FirstCapital



Expand major project insurance & business insurance domains

MS Amlin



Group companies

Expand specialty insurance & reinsurance domains

Asia life insurance companies



Asia non-life insurance companies

Ability to offer products tailored to customer needs

##### Cross-regional strategy



Digital



Asset Management



Reinsurance

#### Strengthen organizational capabilities

##### Strengthen group governance

Business development/management under MSI HO leadership

##### Accelerate swift business decisions



Optimize business investments for the group



Accommodate new business models

##### Leverage our global talent

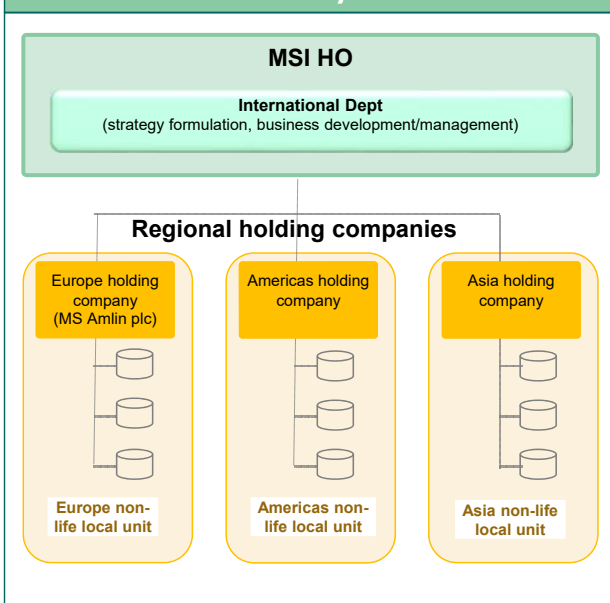
Assign global talent with a wealth of experience and knowledge to MSI HO to make the most of the group's human expertise

## Reorganization of International Regional Business

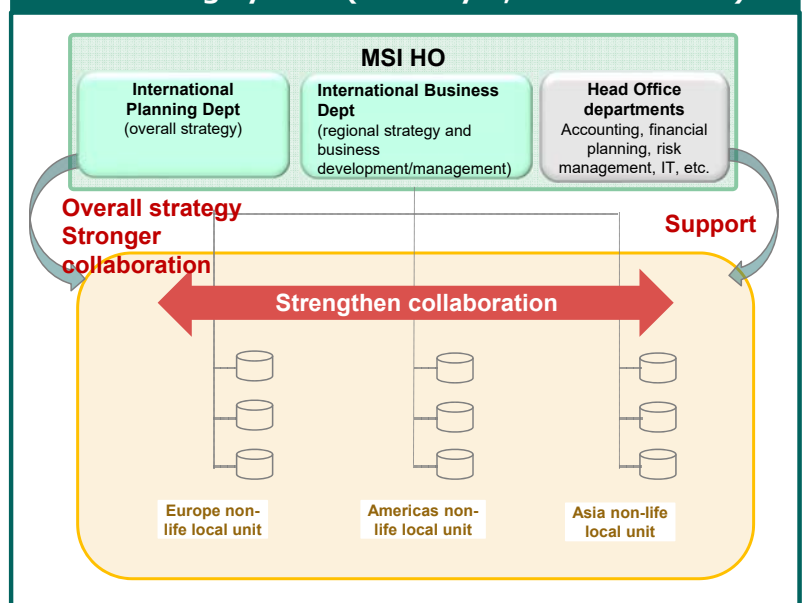
### (3) Overview

- The new operating structure will be reorganized into an International Planning Dept which is responsible for planning the overall strategy of International Business, and International Business Dept which is responsible for regional strategies and business promotion and management. Accounting Dept, Investment Planning Dept, Corporate Risk Management Dept, and Information Technology Planning Department, will expand support for international business.
- The Regional Holding companies will be terminated, international subsidiaries under each Regional Holding company will become direct subsidiaries of MSI Head Office. The current functions and authorities pertaining to the strategies at the regional holding companies will be consolidated to Head Office.

#### Current system



#### Post-reorg system (January 1, 2020 onwards)



# Reorganization of International Regional Business

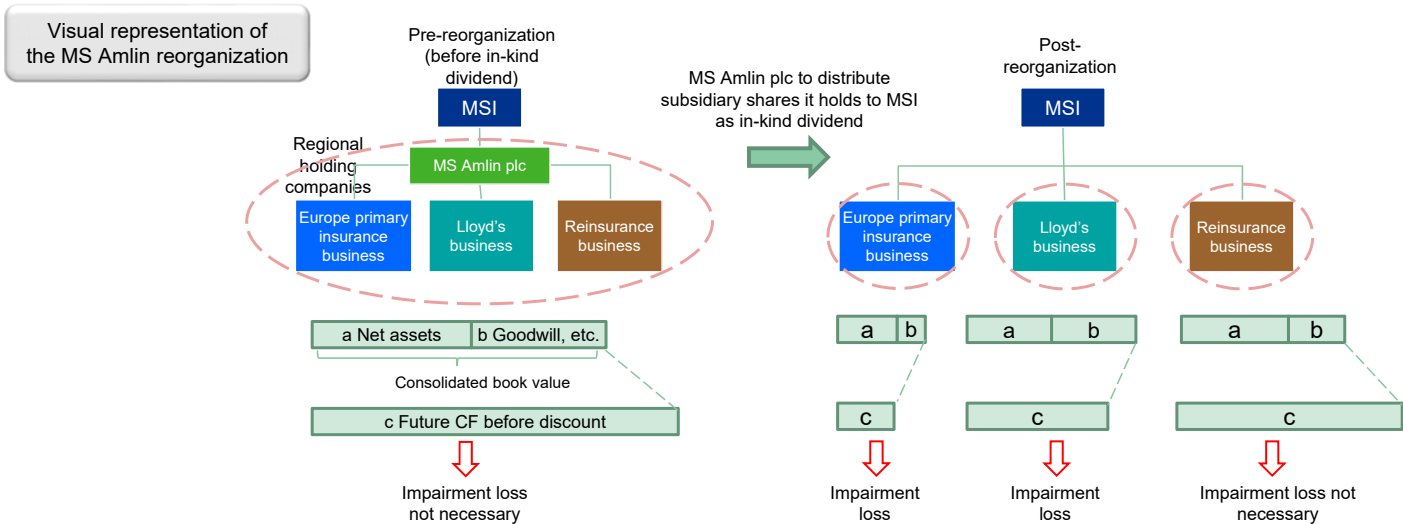
## (4) Temporary impact on earnings from reorganization

### 1. Goodwill impairment loss: -175.4 billion yen (after tax impact -160.0 billion yen)

- Along with the removal of the regional holding companies and the transition to a structure under MSI's direct management, the business classification for the purposes of determining MS Amlin goodwill impairment will be reexamined, and the Europe primary insurance business, the Lloyd's business, and the reinsurance business which had been seen as one group under MS Amlin will be treated as 3 groups.
- Of the 3 groups, the profitability of the Lloyd's business and Europe primary insurance business fell short of the original business plan made at the time of acquisition, so impairment losses will be booked.

### 2. Reorganization-associated tax expense decrease: +170.5 billion yen

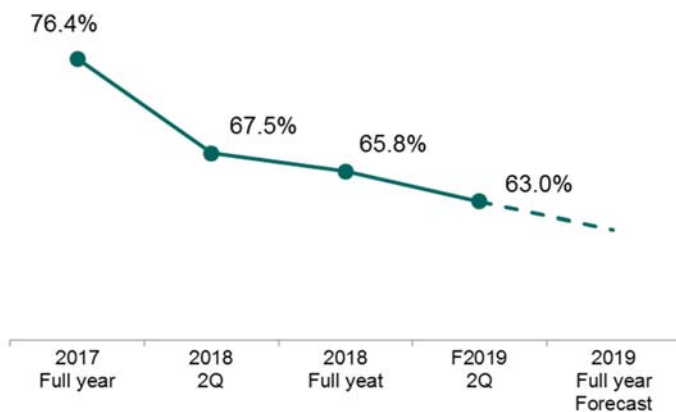
- Because the subsidiary shares held by the regional holding companies will be transferred to MSI as an in-kind dividend in association with the reorganization into the International Business, there will be a loss for tax purposes.



## International Non-Life Insurance Business: MS Amlin (Measures for Profit Recovery)

- The portfolio has been improved by a series of measures including enhanced underwriting and increases in the premium rate. These measures will continue into 2020.
- Selective underwriting and proper retention control of natural catastrophe risks will continue.
- The structural reform to improve profitability is in progress from a medium- to long-term perspective.

### Improvement of non-cat lines loss ratio



### Structural reform

#### Core Business

- Reinsurance
- Specialty (Lloyd's)
- European Commercial & Industry

#### Non-core markets

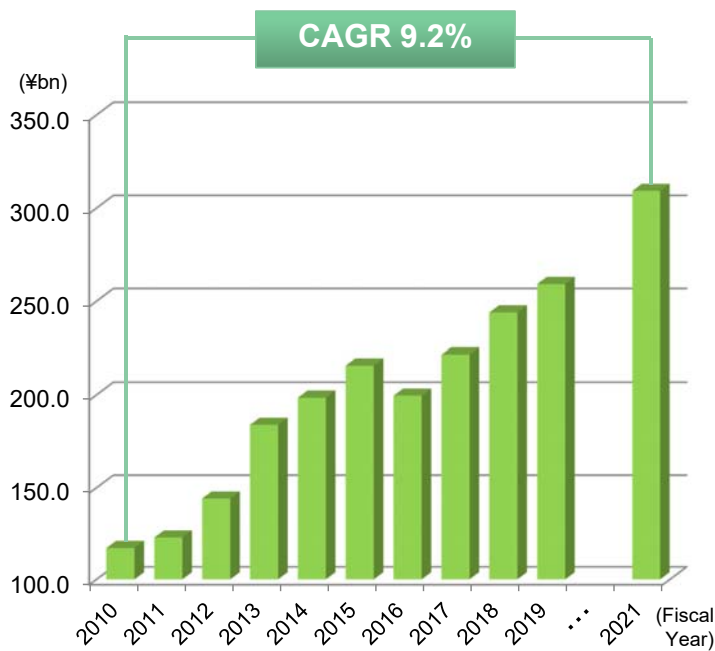
- Underperforming business: P&C UK Insurance, Aviation
- Non-Strategic business: Bloodstock, UK Yacht



# International Non-Life Insurance Business Growth Strategies of Asian Business

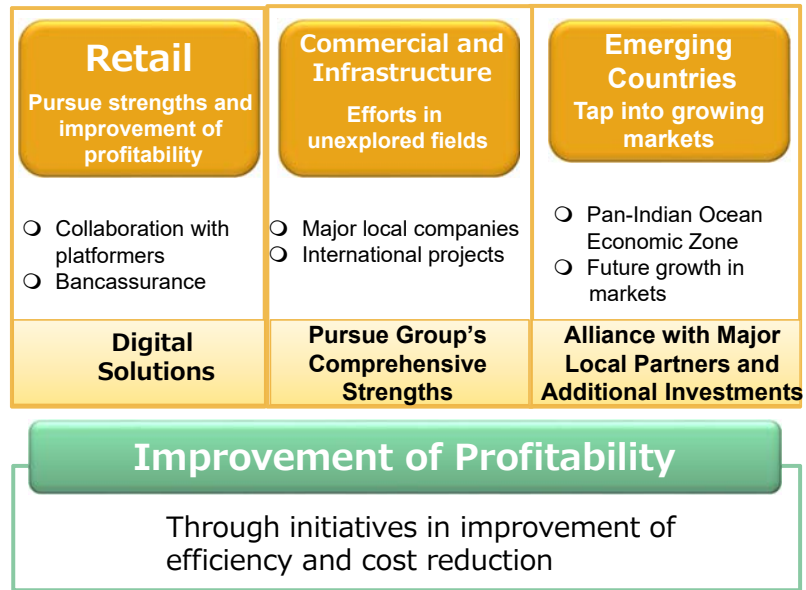
- Utilizing MSIG's brand power and will ensure that we tap into growth opportunities, including population growth and economic development.
- The Group aims to establish its position as a leading company in Asia under growth strategies that take rapid changes in the environment, including digitalization, into consideration in advance.

Change in net premium written\*



\* Figures of equity-method affiliates are included on 100% basis.

Growth strategies



## International Non-Life Insurance Business: Growth and Profitability in major countries and regions in Asia

Progress in Growth Rate and Combined Ratio of major countries and regions in Asia<sup>\*1</sup>

	FY2016				FY2017				FY2018			
	Net Written Premiums (¥bl)	Growth Rate		Combined Ratio	Net Written Premiums (¥bl)	Growth Rate		Combined Ratio	Net Written Premiums (¥bl)	Growth Rate		Combined Ratio
		Yen basis	(ref.) Local-Currency Basis <sup>*2</sup>			Yen basis	(ref.) Local-Currency Basis <sup>*2</sup>			Yen basis	(ref.) Local-Currency Basis <sup>*2</sup>	
Singapore <sup>*3</sup>	21.8	-10.8%	-0.8%	88.6%	22.0	1.1%	-2.0%	101.9%	38.7	75.5%	75.0%	86.2%
Malaysia	33.6	-14.8%	0.0%	82.8%	33.9	0.7%	1.5%	86.3%	35.5	4.7%	0.3%	90.3%
China	28.7	-13.5%	1.3%	105.1%	33.1	15.2%	13.9%	96.8%	34.8	5.0%	4.8%	95.9%
Taiwan	29.3	-7.8%	3.9%	96.0%	31.6	7.9%	-1.1%	94.7%	31.5	-0.2%	0.8%	97.2%
Thailand	25.9	-7.4%	5.1%	78.5%	27.8	7.2%	0.1%	86.2%	31.0	11.4%	8.5%	84.1%
Hong Kong	14.6	-11.4%	-1.9%	94.4%	14.7	0.8%	-1.1%	93.5%	13.2	-9.8%	-7.9%	108.4%
Indonesia	5.0	-12.3%	-2.7%	53.2%	5.3	5.3%	2.8%	87.5%	5.6	5.5%	13.6%	67.9%
Vietnam	2.2	-7.2%	4.2%	91.7%	2.2	0.3%	0.3%	140.6%	2.3	3.5%	5.7%	80.0%
Equity-Method Affiliates												
India	42.6	12.4%	26.9%	102.6%	55.9	31.2%	22.9%	104.8%	54.1	-3.2%	5.2%	105.0%
Philippines	8.2	-6.5%	8.6%	76.9%	8.6	4.7%	8.0%	115.2%	8.3	-3.0%	2.5%	84.6%

\*1 Simple sum of overseas basis of MSI and ADI (consolidated subsidiaries, overseas branches and overseas affiliates)

\*2 Company internal rates are used to the above calculate growth-rate on local currency-basis (reference) (see right side)

\*3 FY 2018 figures include MS First Capital

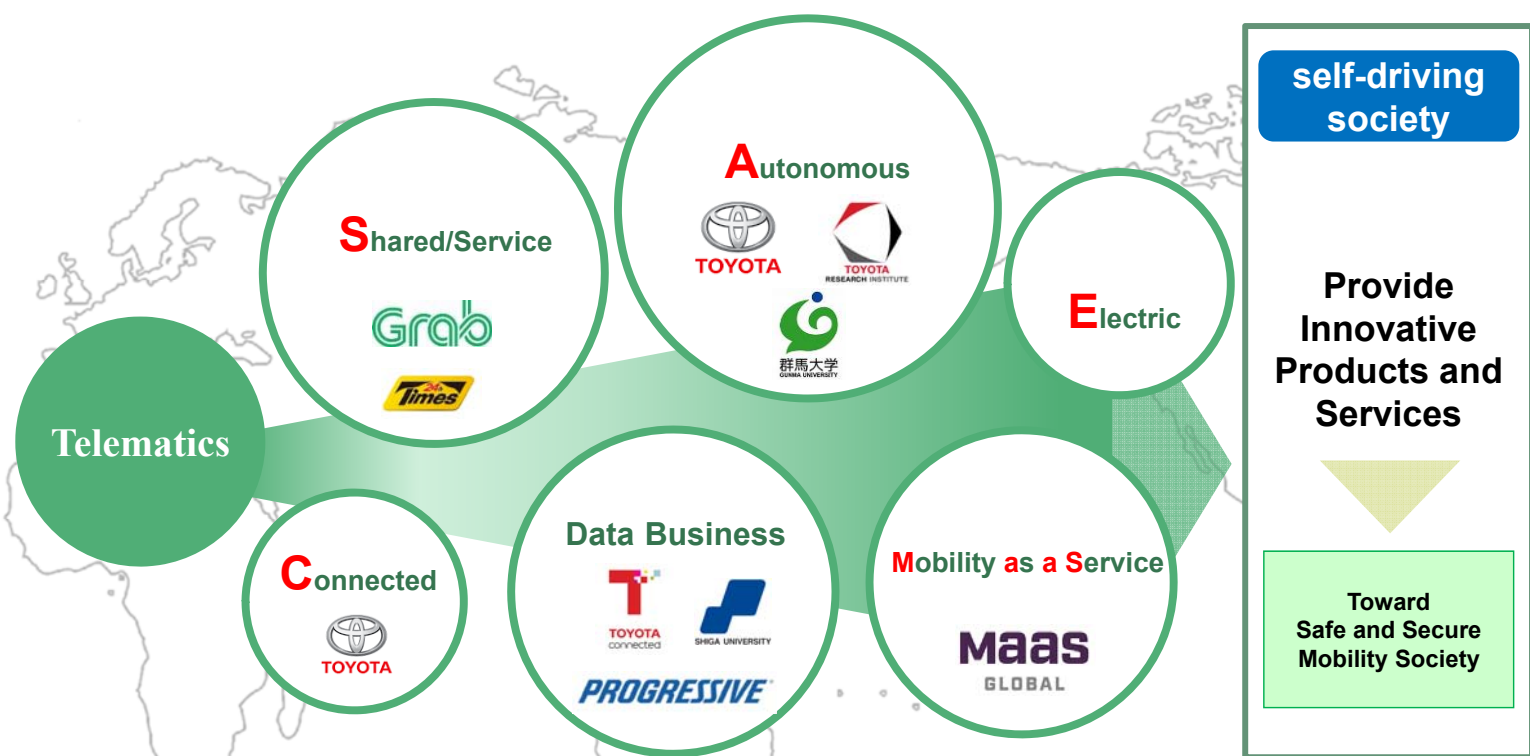
Rate of Local Currency

Countries/Regions	Local Currency	2015	2016	2017	2018
Singapore	SGD	87.89	79.07	81.50	81.73
Malaysia	MYR	30.95	26.39	26.18	27.33
China	CNY	19.24	16.43	16.61	16.65
Taiwan	TWD	3.82	3.39	3.70	3.66
Thailand	THB	3.52	3.10	3.32	3.41
Hong Kong	HKD	15.61	14.10	14.37	14.08
Indonesia	IDR	0.0091	0.0082	0.0084	0.0078
Vietnam	VND	0.0055	0.0049	0.0049	0.0048
India	INR	1.84	1.63	1.74	1.60
Philippines	PHP	2.67	2.30	2.23	2.11



# International Non-Life Insurance Business: Mobility Service Business

- We are developing a mobility service business that takes advantage of our partnership with Toyota.
- We will respond to new businesses using connected services in advance and contribute to the creation of a safe and secure society.



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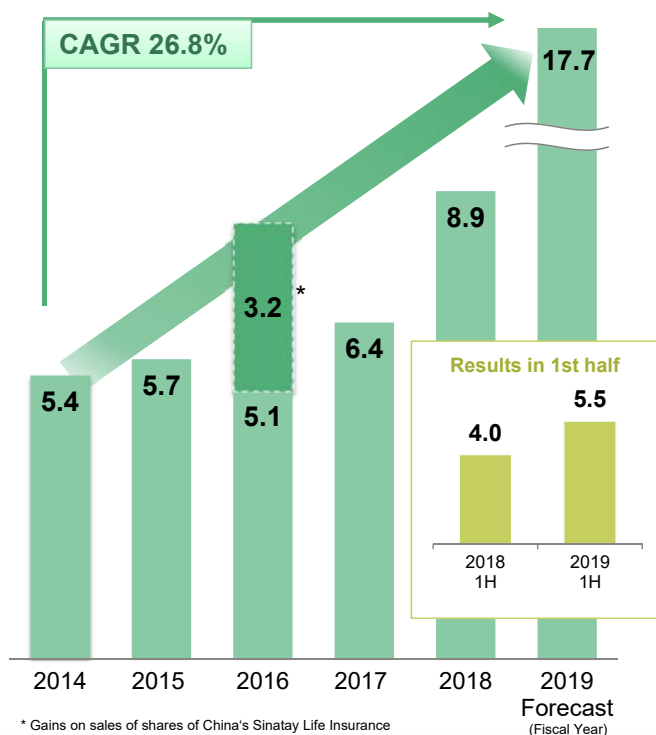
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## International Life Insurance Business

- Operations using the characteristics of partners in different countries are expanding steadily at bases worldwide.

### Group Adjusted Profit

(Company's equity basis, ¥bn)



### State of operations in different countries

<b>UK</b>  ReAssure Won a new closed book project (announced in August 2019).	<b>Malaysia</b>  HongLeong Assurance Berhad Creating synergies mainly in bancassurance in cooperation with the Hong Leong Group.
<b>China</b>  BoComm Life Continuing efforts to acquire a stake (37.5%) (approval application is in progress).	<b>Indonesia</b>  sinarmas MSIG life Increased the stake in Sinarmas Life Insurance to 80% (July 2019).
<b>Australia</b>  challenger Raised the stake to more than 15%. Challenger became an equity method affiliate (August 2019).	<b>India</b>  MAX LIFE Strengthening sales channels, particularly bancassurance channels and sales agents.

Initiatives to expand Group Adjusted Profit are making steady progress.

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# Forecast Summary of International Business

## Net Premiums Written (Non-life insurance)

(¥bn)

	FY2018 1H	FY2019 1H		FY2019 Full Year (Forecast)		
			YoY Change		YoY Change	Change from the initial
International Business Total* <sup>1</sup>	566.7	566.4	-0.3	905.8	-33.0	-16.3
Asia	147.2	154.4	7.2	302.9	6.7	-7.7
Europe	353.1	346.7	-6.3	477.1	-37.8	-3.6
(of which, MS Amlin)	311.0	306.1	-4.9	415.3	-32.7	2.7
Americas	34.9	28.7	-6.1	58.8	-8.9	-5.8
Head Office Reinsurance	32.7	37.5	4.7	68.5	5.5	-0.2

## Net Income\*<sup>2</sup>

(¥bn)

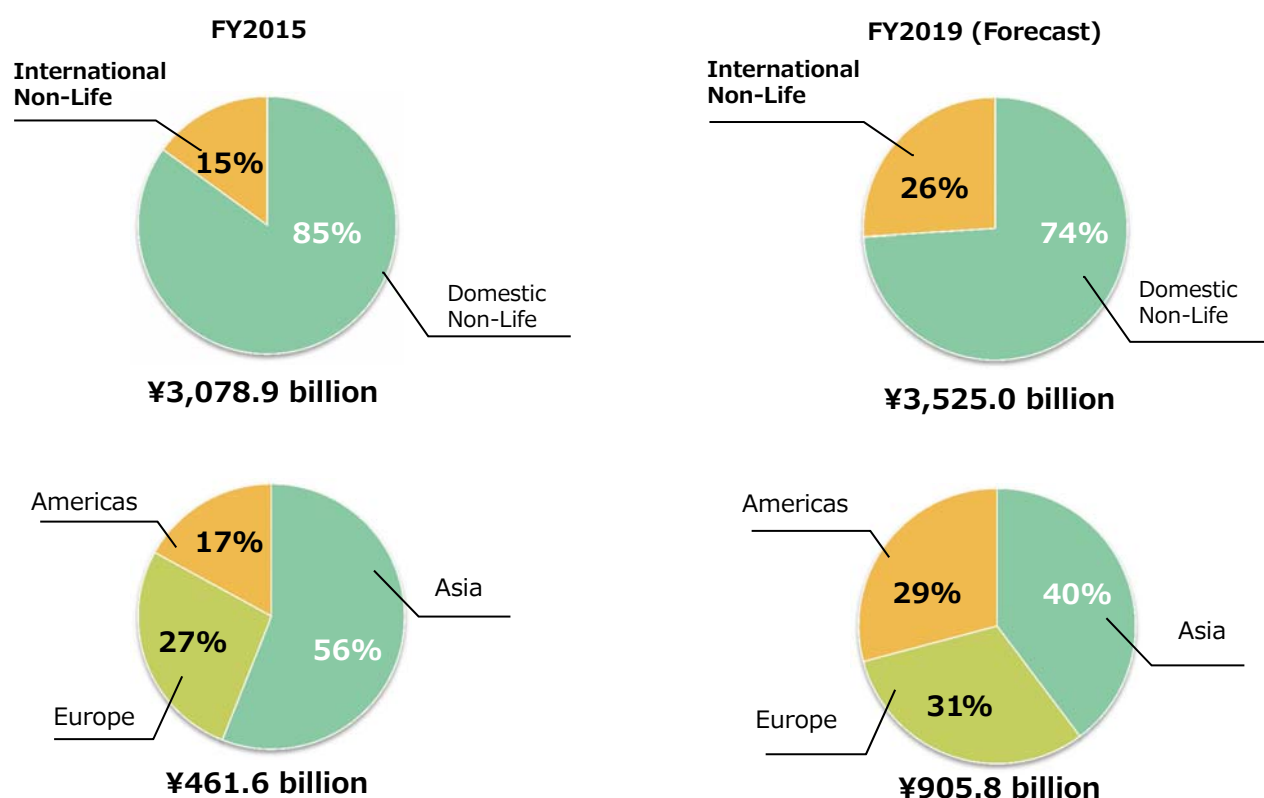
	FY2018 1H	FY2019 1H		FY2019 Full Year (Forecast)		
			YoY Change		YoY Change	Change from the initial
International Business Total* <sup>1</sup>	21.1	38.6	17.4	47.0	41.5	5.0
Asia	14.2	12.6	-1.6	20.5	-10.4	0.3
Europe	0.6	17.2	16.6	7.3	11.1	3.5
(of which, MS Amlin)	3.2	15.6	12.4	7.3	9.3	1.0
Americas	-0.5	0.5	1.1	2.0	0.8	-0.4
Head Office Reinsurance	4.2	5.2	1.0	4.8	11.5	1.0
International Life Insurance	4.0	5.5	1.4	17.7	8.8	1.9

\* International Business: Business results of overseas consolidated subsidiaries and equity-method affiliates plus the business results of overseas branches of non-life insurance companies, overseas non-consolidated subsidiaries, and non-life insurance companies' head office reinsurance.

\*<sup>1</sup> Figures in "International Business Total" include head office adjustments and other factors and are not equal to the sum of figures for each region and each business.

\*<sup>2</sup> Group Adjusted Profit basis

## Weight of International Business and Geographical Diversification



\* MS Amlin's figures for FY2019(Forecast): "Other" is categorized into Asia. Figures for reinsurance business other than MS Amlin's are also categorized into regions.

## II. Key Points toward Stage 2 of Vision 2021

### Growth Strategies of each business domain

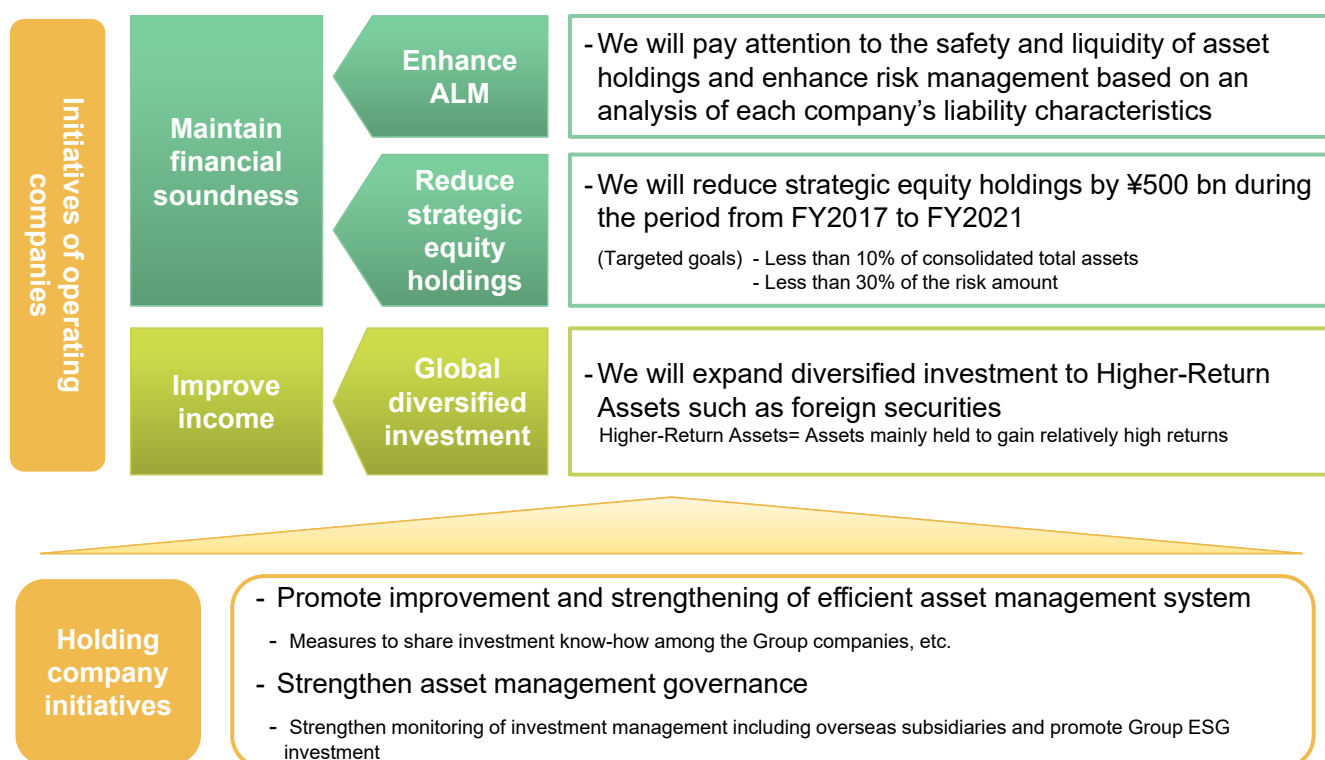
1. Domestic Non-Life Insurance Business
2. Domestic Life Insurance Business
3. International Business
4. **Asset Management**

### Systems Supporting Value Creation

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## Asset Management Strategy

- By enhancing ALM and reducing strategic equity holdings, we will seek to stabilize Group investment earnings and will maintain financial soundness.
- We aim to improve earnings by expanding diversified investments globally, while also considering environment.



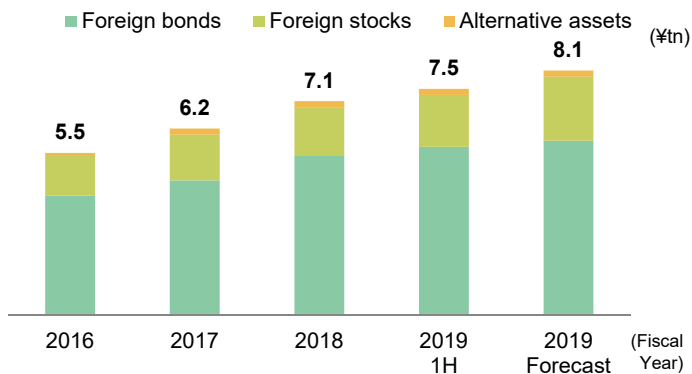
# Response to Protracted Low Interest Rates

- The Group is diversifying its investments and is investing in assets from which it expects to gain relatively high returns (Higher-Return Assets) in stages.
- The Group is strengthening the asset management system in the life insurance business.

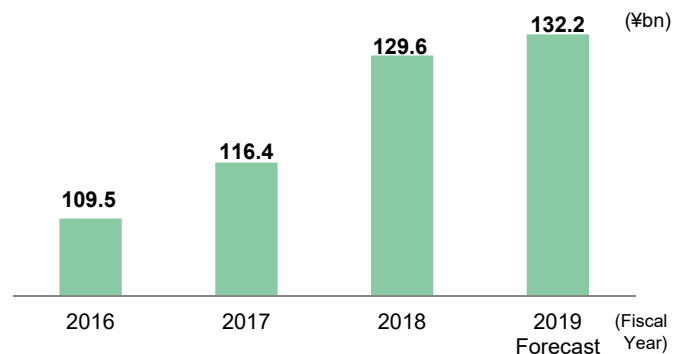
## Major initiatives in FY2019

- Investing in Higher-Return Assets: ¥0.9 trillion (a total of ¥2.5 trillion from 2017)
- Promoting ALM, holding yen bonds at MSI Aioi Life longer
- Strengthening the asset management system of the life insurance business, a growth area

### Higher-Return Assets investment balance



### Interest and dividend income from Higher-Return Assets

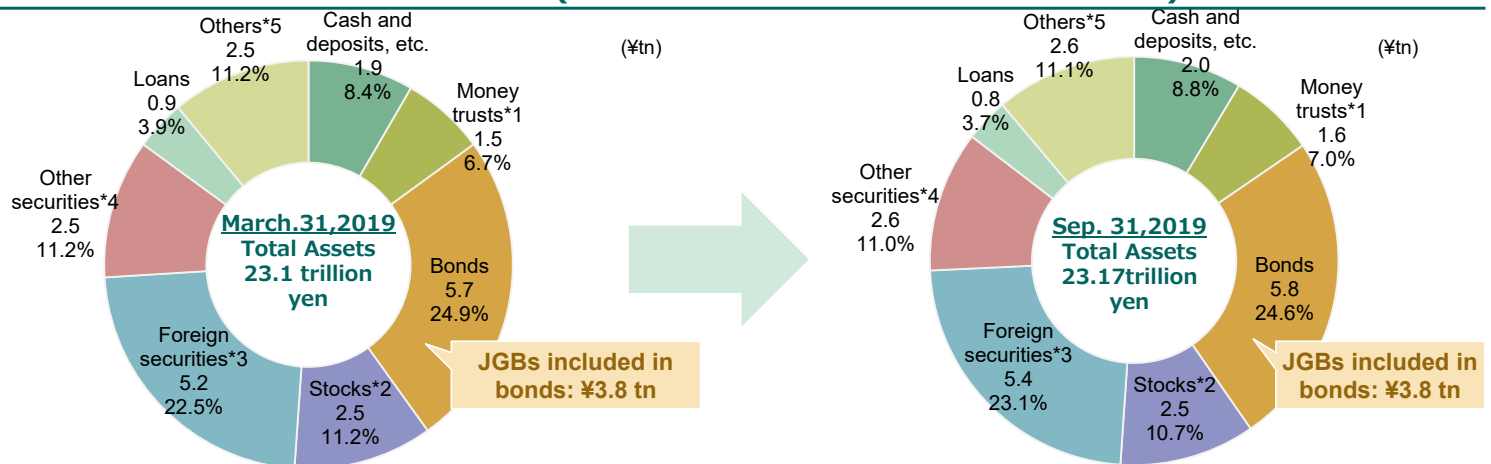


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## Consolidated Total Assets and Asset Allocation (MS&AD Insurance Group)

### Asset allocation (on a consolidated total assets basis)



### Interest rate and foreign exchange rate sensitivity\*6 (as of Sep. 30, 2019)

	Total for MS&AD Group	Total for Non-Life Insurers*7	Total for Domestic Life Insurers
100 bps rise in yen interest rates	+429.5	+73.4	+337.8
100 bps rise in US dollar interest rates	-64.9	-56.7	-8.1
10% rise in the yen against all currencies	-226.0	-152.8	-59.9
10% rise in the yen against the US dollar	-109.7	-80.0	-29.5
10% rise in the yen against the Euro	-22.4	-21.8	-0.6
10% rise in the yen against the British Pound	-21.8	-8.7	—

### Countermeasure investment for negative interest rate\*8 (1st Half of FY2019)

Total for MSI, ADI, MSA Life, MSP Life	Foreign bonds (no currency hedge)	Foreign stocks	Alternative assets
+356.4	+327.4	+30.4	-1.5

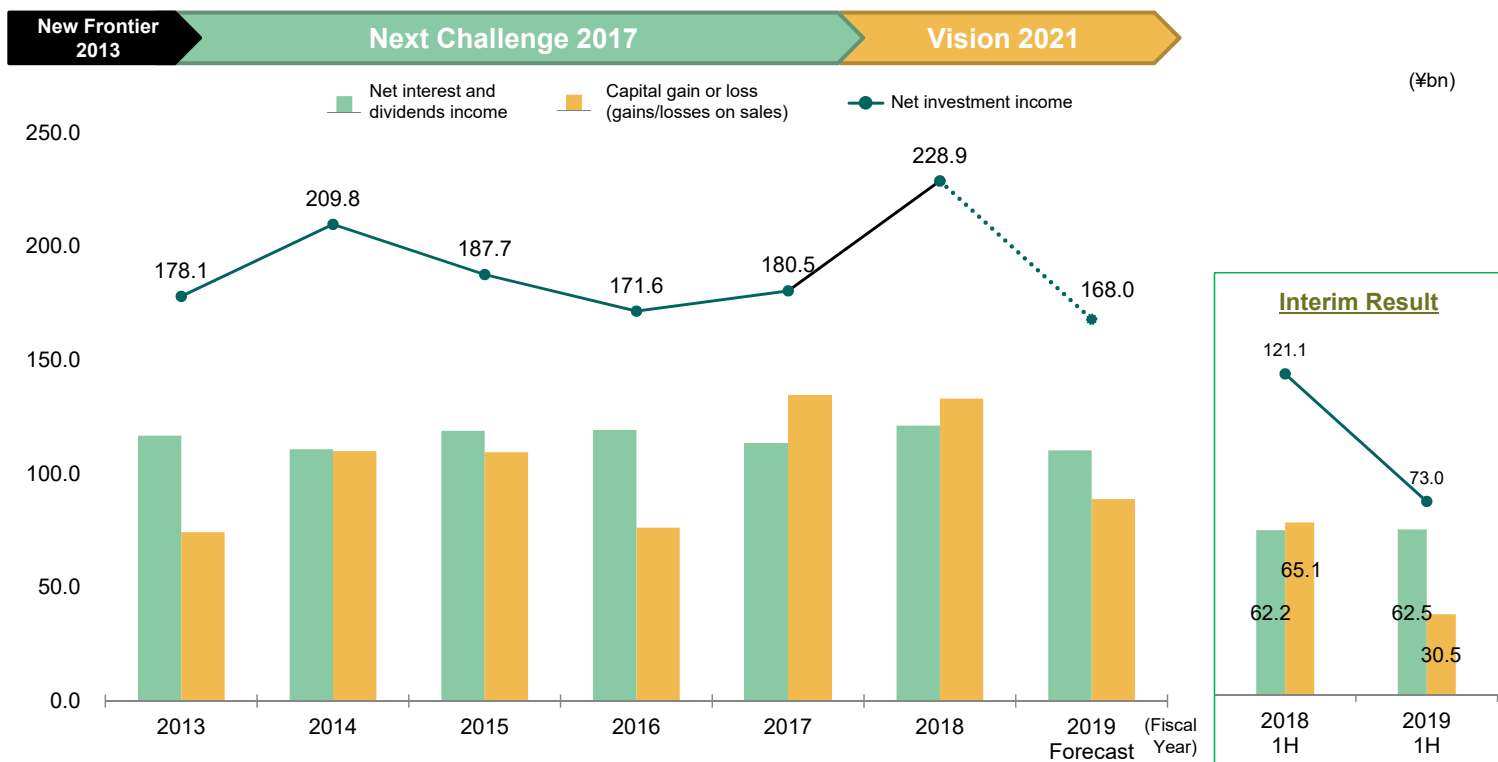
- \*1 Mainly assets corresponding to liabilities of domestic life insurance companies
- \*2 Strategic equity holdings and shares held purely for investment purpose. See p.59 for details of the ratio of strategic equity holdings.
- \*3 Foreign securities held by domestic insurance companies and securities held by foreign insurance subsidiaries
- \*4 Mainly special account assets of domestic life insurance companies
- \*5 Mainly tangible fixed assets, intangible fixed assets and goodwill
- \*6 Impact on difference between assets and liabilities (surplus)
- \*7 Including overseas subsidiaries
- \*8 Net Investment amount (purchase – sales/redemption) for assets having higher expected return, Total for MSI, ADI, MSI Aioi Life and MSP Life

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# Net Investment Income (Domestic Non-Life Insurance Business)

## Net Investment Income



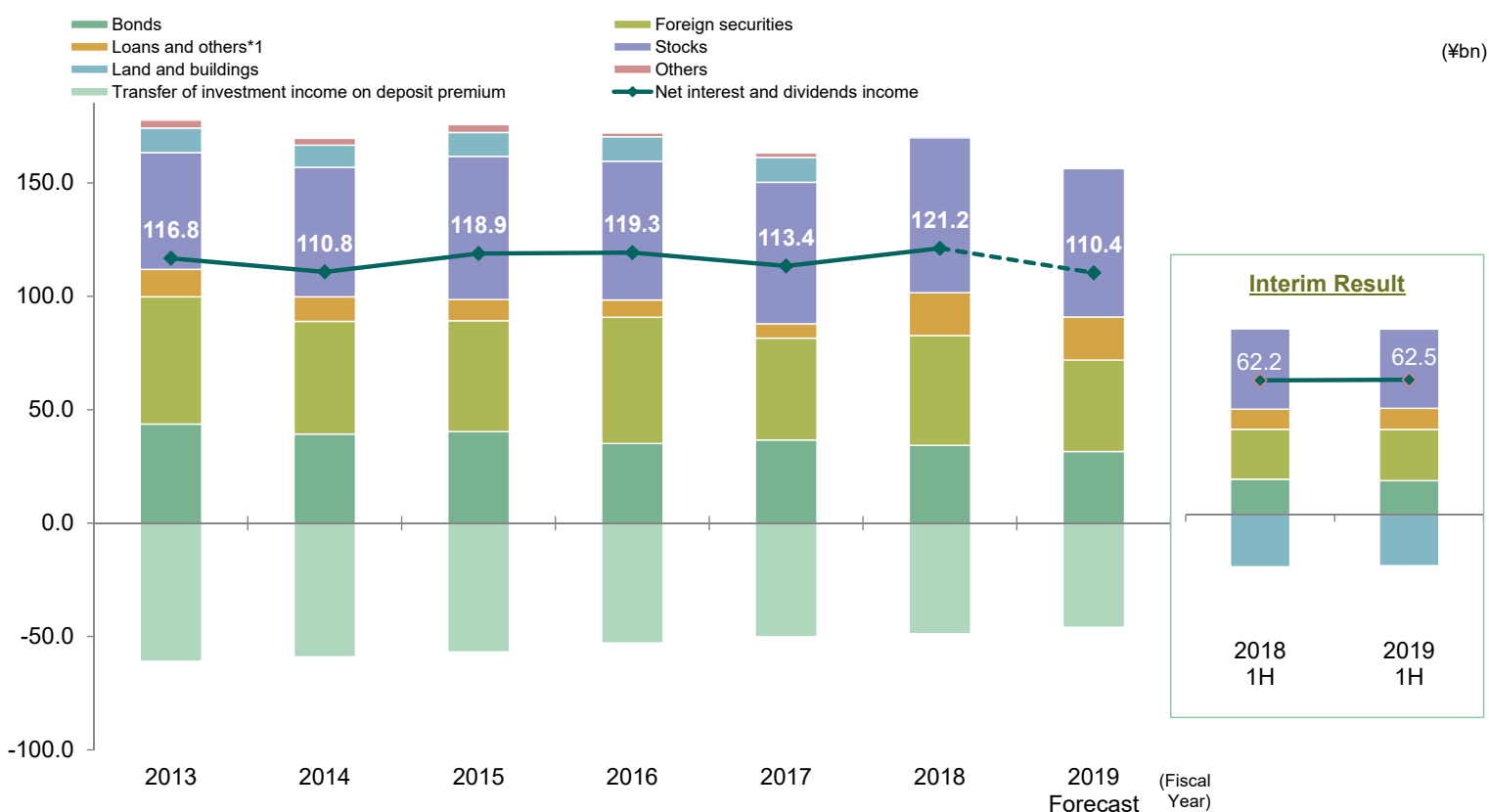
\* Simple sum of MSI (non-consolidated) and ADI (non-consolidated)

\* In FY2014, capital gain or loss (gains/losses on sales of securities) includes ¥63.0 bn of gains for additional provision for reserve for price fluctuation.

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## Net Investment Income (Breakdown of Interest and Dividends Income, MSI & ADI)



\* Simple sums of non-consolidated figures for MSI and ADI.

\*1 Loans and others include Land and buildings, and others in FY2018 and FY2019 Forecast.

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## Total Assets and Asset Allocation (MSI / ADI)

(¥bn)

	Mitsui Sumitomo Insurance				Aioi Nissay Dowa Insurance			
	As of Mar. 2019		As of Sep. 2019		As of Mar. 2019		As of Sep. 2019	
	Balance	Proportion	Balance	Proportion	Balance	Proportion	Balance	Proportion
Total AUM	6,465.9	100.0%	6,371.4	100.0%	2,955.5	100.0%	2,994.8	100.0%
Deposits, etc.	475.9	7.4%	532.8	8.4%	183.9	6.2%	216.5	7.2%
Bonds	1,623.0	25.1%	1,620.3	25.4%	840.8	28.4%	838.3	28.0%
of which, JGBs	979.8	15.2%	975.4	15.3%	562.0	19.0%	512.0	17.1%
Foreign securities	2,003.4	31.0%	1,883.7	29.6%	677.1	22.9%	705.0	23.5%
Foreign bonds	319.3	4.9%	312.3	4.9%	466.8	15.8%	481.5	16.1%
Foreign stocks	1,391.3	21.5%	1,260.7	19.8%	90.9	3.1%	90.9	3.0%
Foreign investment trusts, etc.	292.7	4.5%	310.6	4.9%	119.3	4.0%	132.6	4.4%
Stocks	1,728.8	26.7%	1,698.3	26.7%	823.4	27.9%	804.3	26.9%
Other securities	44.4	0.6%	56.2	0.9%	69.8	2.4%	69.8	2.3%
Loans	396.2	6.1%	387.9	6.1%	201.0	6.8%	203.0	6.8%
Land & buildings	193.7	3.0%	192.0	3.0%	159.2	5.4%	157.6	5.3%

\* Based on financial statement categorization

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## Total Assets and Asset Allocation (MSI Aioi Life / MSI Primary Life)

(¥bn)

	MSI Aioi Life				MSI Primary Life (General account)			
	As of Mar. 2019		As of Sep. 2019		As of Mar. 2019		As of Sep. 2019	
	Balance	Proportion	Balance	Proportion	Balance	Proportion	Balance	Proportion
Total AUM	4,146.9	100.0%	4,386.6	100.0%	4,499.9	100.0%	4,701.7	100.0%
Deposits etc.	538.4	13.0%	548.4	12.5%	325.6	7.2%	389.2	8.3%
Bonds	3,280.1	79.1%	3,437.7	78.4%	103.0	2.3%	87.8	1.9%
of which, JGBs	2,213.3	53.4%	2,341.9	53.4%	14.6	0.3%	14.9	0.3%
Foreign securities	195.1	4.7%	241.9	5.5%	3,818.3	84.9%	*1 3,982.3	84.7%
Stocks	0.7	0.0%	0.7	0.0%	-	-	-	-
Other securities	72.4	1.7%	96.4	2.2%	8.0	0.2%	8.0	0.2%
Loans	59.5	1.4%	60.7	1.4%	244.6	5.4%	233.9	5.0%
Land & buildings	0.5	0.0%	0.5	0.0%	0.2	0.0%	0.3	0.0%

\*Based on financial statement categorization

\*1Foreign securities of ¥3,982.3 billion includes money trusts of ¥1,662.6 billion.

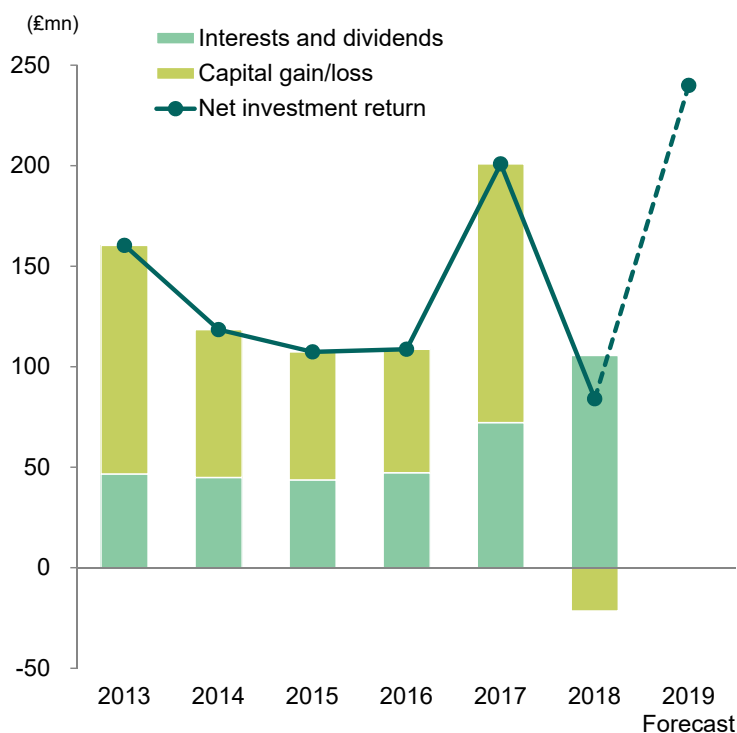
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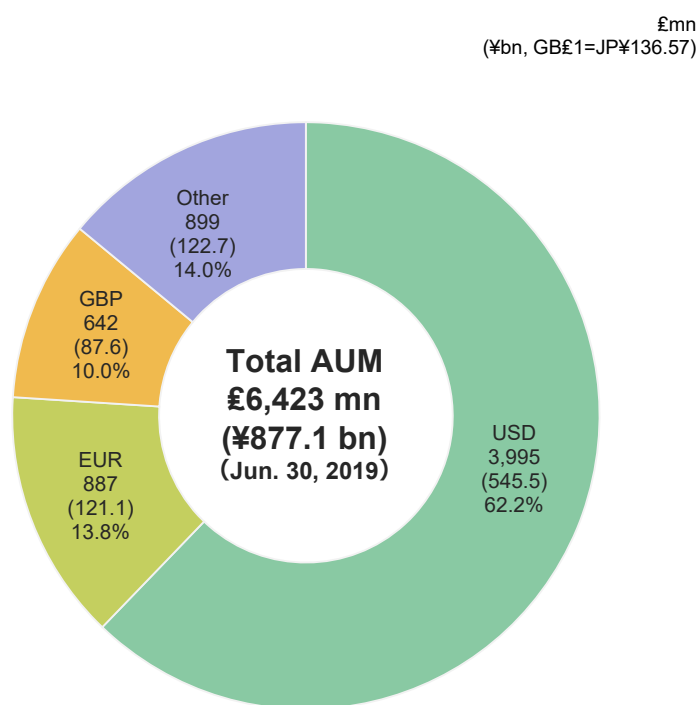


# MS Amlin's Net Investment Return and Asset Breakdown by Currency

Net Investment Return



Investment Assets Breakdown by Currency



\* MS Amlin's local basis, before deduction of asset management fee

## II. Key Points toward Stage 2 of Vision 2021

### Growth Strategies of each business domain

1. Domestic Non-Life Insurance Business
2. Domestic Life Insurance Business
3. International Business
4. Asset Management

### Systems Supporting Value Creation

# ERM: Actions against Natural Catastrophe Risks and Retention and Reinsurance Policy

- As large-scale natural catastrophes have occurred in Japan in FY2019, the Group will protect people and support society based on resilient systems.

## Occurrences of natural catastrophes and the Group's actions

### Occurrences of natural catastrophes in FY2019

A number of natural catastrophes, which were among the largest ones, occurred and caused serious damage.

#### Major natural catastrophes in Japan in FY2019



### The Group's actions against large-scale catastrophes

#### Enhancing the capability to respond to catastrophes by strengthening mobility and digital capabilities

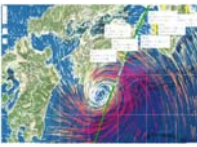
Investigating the damage situation using drones



Responding to the accident using video chat



Real-time damage prediction system



## Group's policy on actions and retention and reinsurance

### Policy on actions against natural catastrophes

- Protecting the lives of people and supporting business activities from the increasing risks of natural catastrophe is one of the Group's missions.
- The Group promotes and provides sufficient coverage in the domestic market.

### Group's risk retention/reinsurance policy

Ensure Financial Soundness

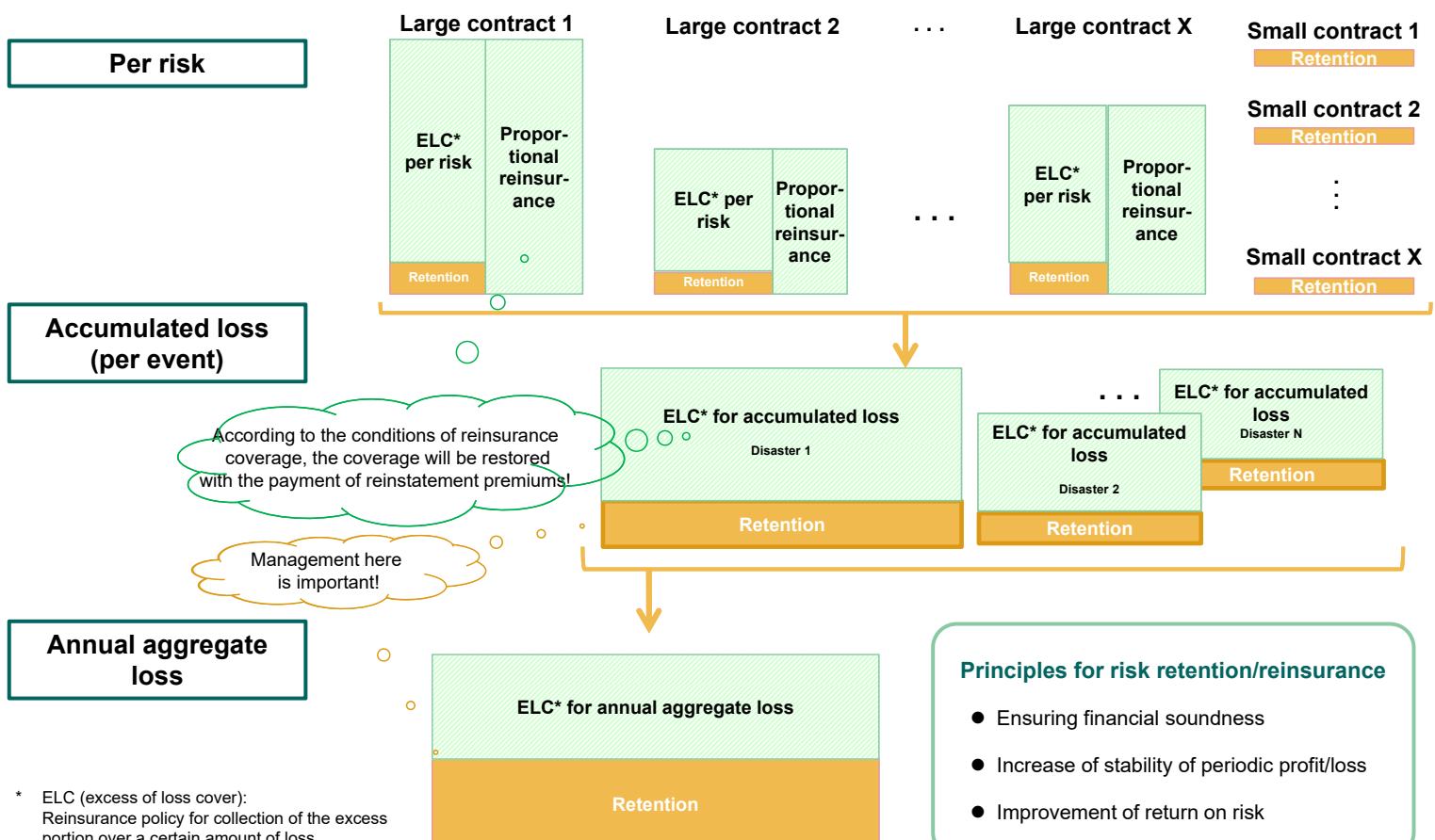
Ensure stability of Periodic Profit/Loss

Improve Return on Risk

- Lower the natural catastrophe retention on a group-wide basis
- Controlling the risk of profit fluctuation

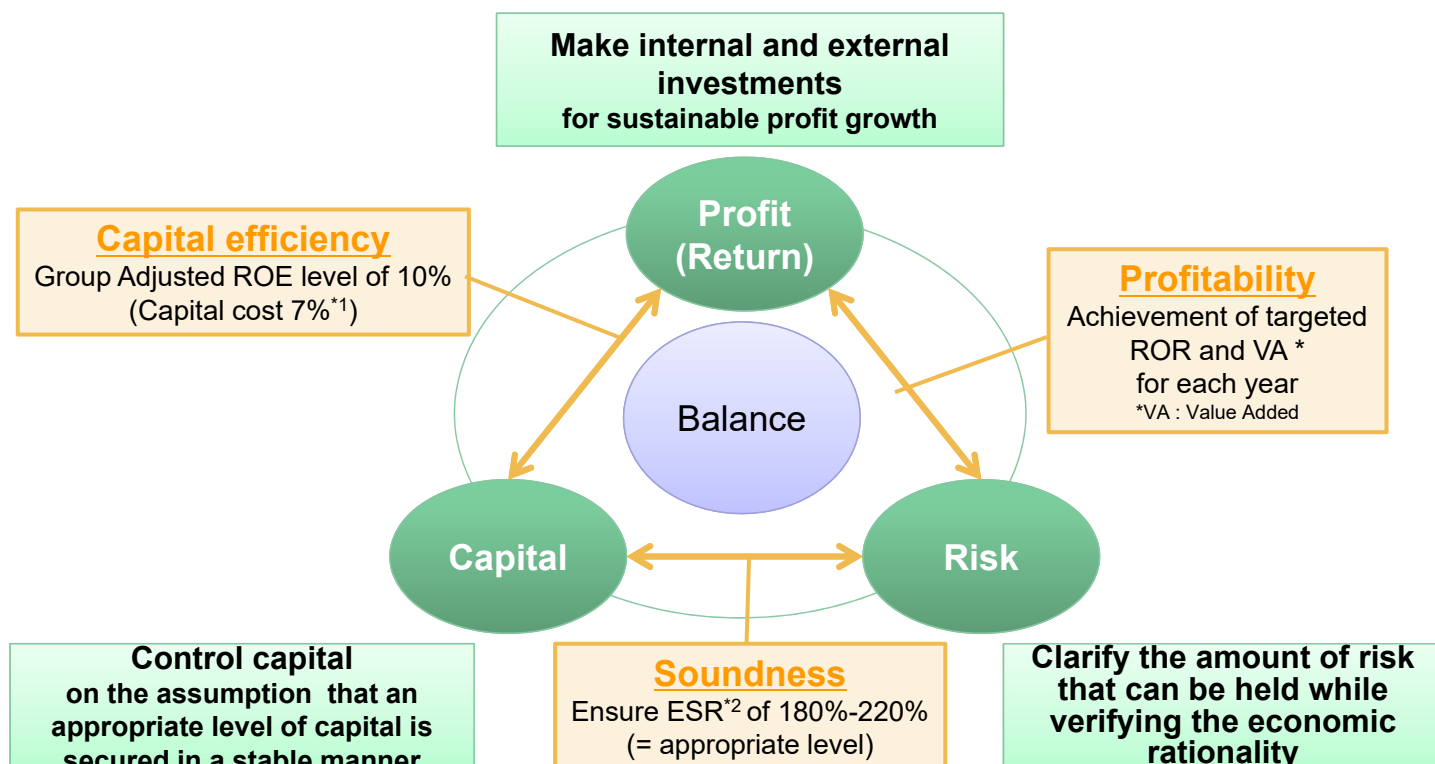
## <Reference>

## Image of Risk Retention/Reinsurance for Natural Catastrophe Risks



## ERM: Improvement of Capital Efficiency

- Return on Risk, ROR will be improved and capital control will be considered toward the achievement of the Group Adjusted ROE of 10% for FY2021.



\*1: Estimate based on the Capital Asset Pricing Model

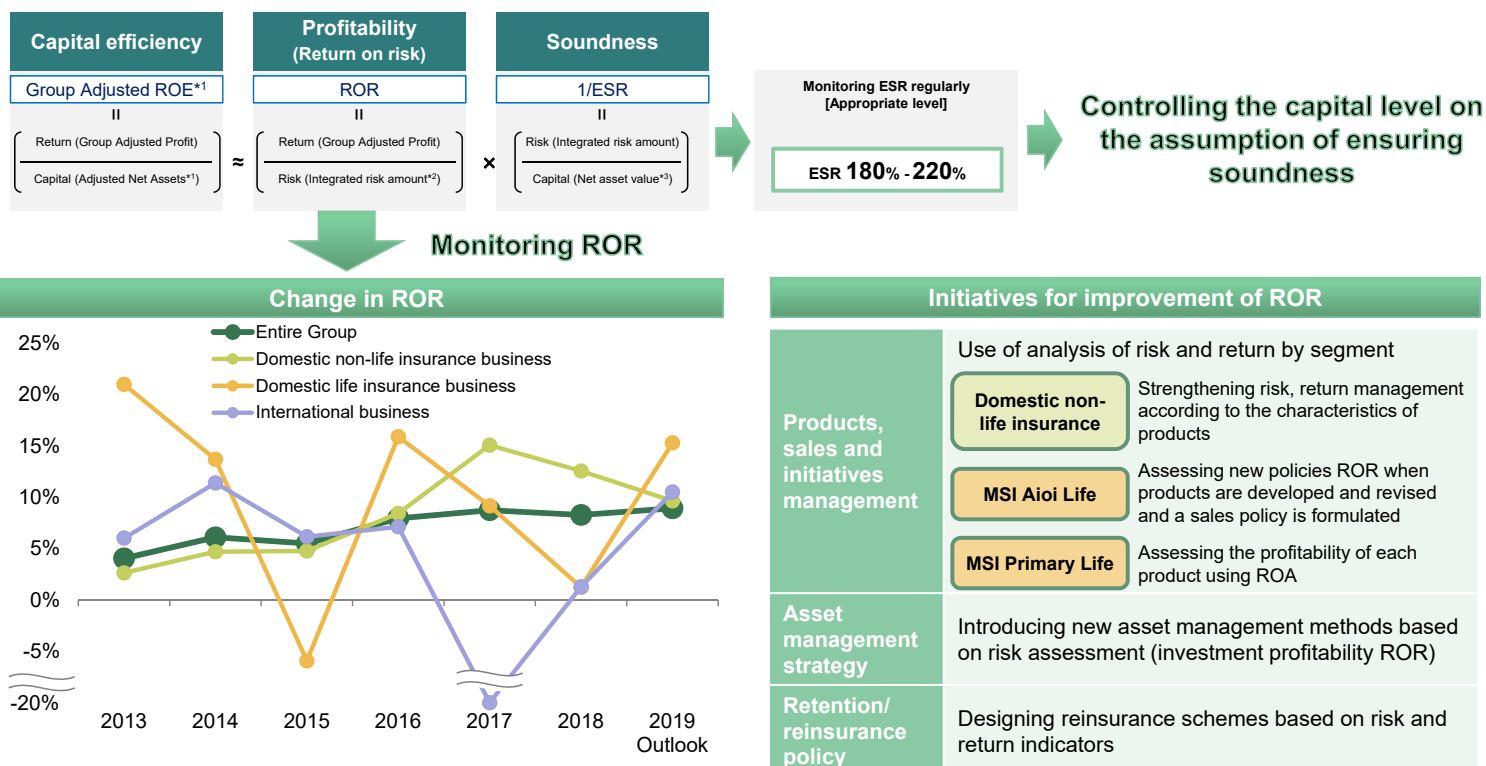
\*2: ESR: Economic Solvency Ratio (Economic Value-Based Solvency Ratio) = NAV/ Integrated risk amount

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## ERM: Improvement of Capital Efficiency (Initiatives for Improvement of ROR)

- The Group will monitor ROR at each business and each company and will promote initiatives for improving ROR.
- The Group will enhance the sophistication of initiatives to achieve a Group Adjusted ROE of 10% for FY2021.



\*1 How to calculate Group Adjusted ROE, Group Adjusted Profit and Adjusted Net Assets, See p.74.

\*2 Integrated risk amount represents the maximum amount of losses that are likely to be encountered once in 200 years. It is marked to market value.

\*3 Net asset value: Adjusted Net Assets + unrealized insurance liabilities + other equity liabilities, etc.

\*4 For MSI Aioi Life, an increase in EEV is deemed return. In the calculation of the entire Group's ROR, Group Adjusted Profit (Group Core Profit before 2017) includes MSI Aioi Life.

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# ERM: Improvement of Capital Efficiency (Risk appetite and Growth strategies of Business Investment)

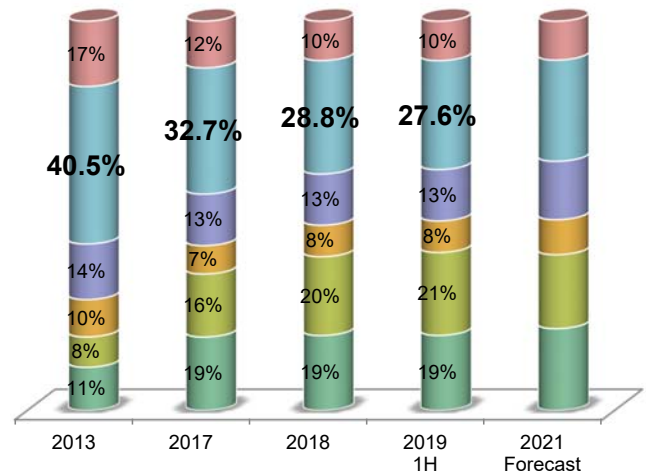
- By selling strategic equity holdings, reduce peak risk and diversify risk into insurance risk and asset management risk other than strategic equity holdings, thereby improving ROR.

## Group's Risk Appetite

Business Domain			Percentage of Total Risk Amount End of Sep. 2019	Risk Appetite
	Sub-Domain			
Domestic Non-Lie	Underwriting		10%	⬆
	Asset Management	Strategic Equity Holdings	27.6%	⬇
		Pure Investment	13%	⬆
Domestic Life	Underwriting		8%	⬆
	Asset Management		21%	⬆
International			19%	⬆

## Risk Portfolio

- Domestic non-life(insurance underwriting)
- Domestic non-life(asset management: strategic equity holdings)
- Domestic non-life (asset management: other than strategic equity holdings)
- Domestic life(insurance underwriting)
- Domestic life(asset management)
- International business



## Growth Strategies of Business Investment

We will further diversify the Group's business portfolio to improve capital efficiency and secure stable earnings.

### < Achievements in Fiscal 2019 >

#### ○ Applied equity method to Challenger

- Increased stake to 16.5%
- Incorporating Growth in profits and dividends into the group's consolidated Financial Results
- Strengthen existing alliance with MSI Primary Life



# ERM: Sales of Strategic Equity Holdings

- In the first half of FY2019, ¥50.1 billion was sold. For the full year, more than ¥100.0 billion sales is predicted as planned.
- 67.6% of the target of ¥500.0 billion (total for FY2017-FY2021) was achieved.

## Sales in Vision 2021

Sales target in Vision 2021: ¥500.0 bn<sup>\*1</sup>



Vision 2021

## Actual Sales

(¥bn)

Actual sales before business integration (FY2003 <sup>*2</sup> ~FY2009)				800.7
M S & A D	New Frontier 2013	FY2010	57.4	57.4
		FY2011	88.7	
		FY2012	114.1	(Sub-total)
		FY2013	173.5	376.4
	Next Challenge 2017	FY2014	91.0	
		FY2015	181.1	
		FY2016	133.0	(Sub-total)
		FY2017	151.3	556.6
	Vision 2021	FY2018	136.7	Total from FY2017 to
		1H FY2019	50.1	1H FY2019 338.2
Total				1,977.9

<sup>\*2</sup> The figures for FY2003 to FY2009 are the simple sum of results for MSI, Aioi, and NDI. (Sales before FY2002 are not disclosed, since it is difficult to collect data in the same criteria from the entities before merger.)

## Ratio of Strategic Equity Holdings in Consolidated Total Assets and Integrated Risk Amount

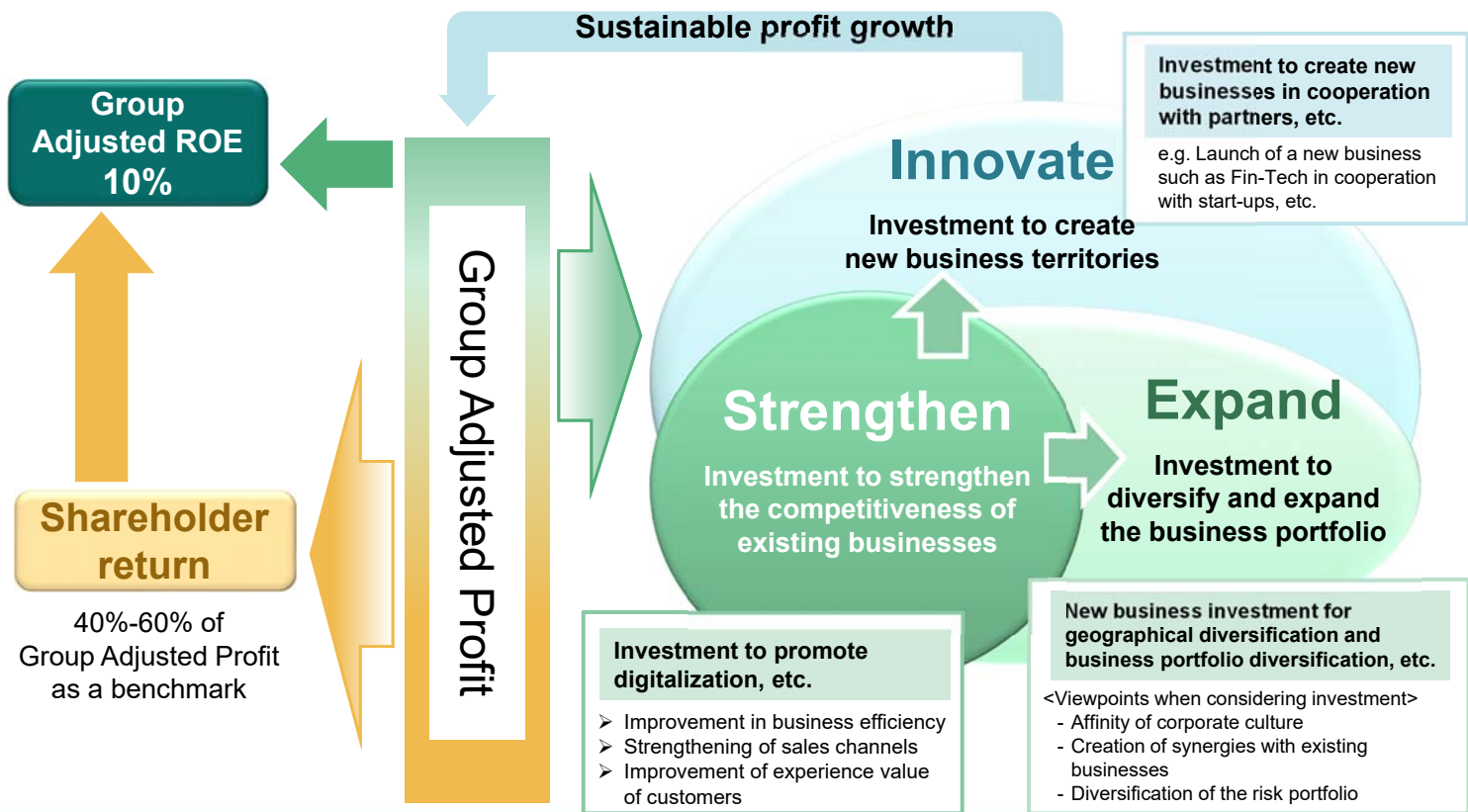
	Mar. 2019	Sep. 2019	Target
Fair value weight <sup>*3</sup> of strategic equity holdings in consolidated total assets	10.9%	10.5%	Less than 10%
Risk weight <sup>*3</sup> of strategic equity holdings in integrated risk amount	28.8%	27.6%	Less than 30%

<sup>\*1</sup> Including FY2017

<sup>\*3</sup> Weight of all strategic equity holdings including unlisted stocks

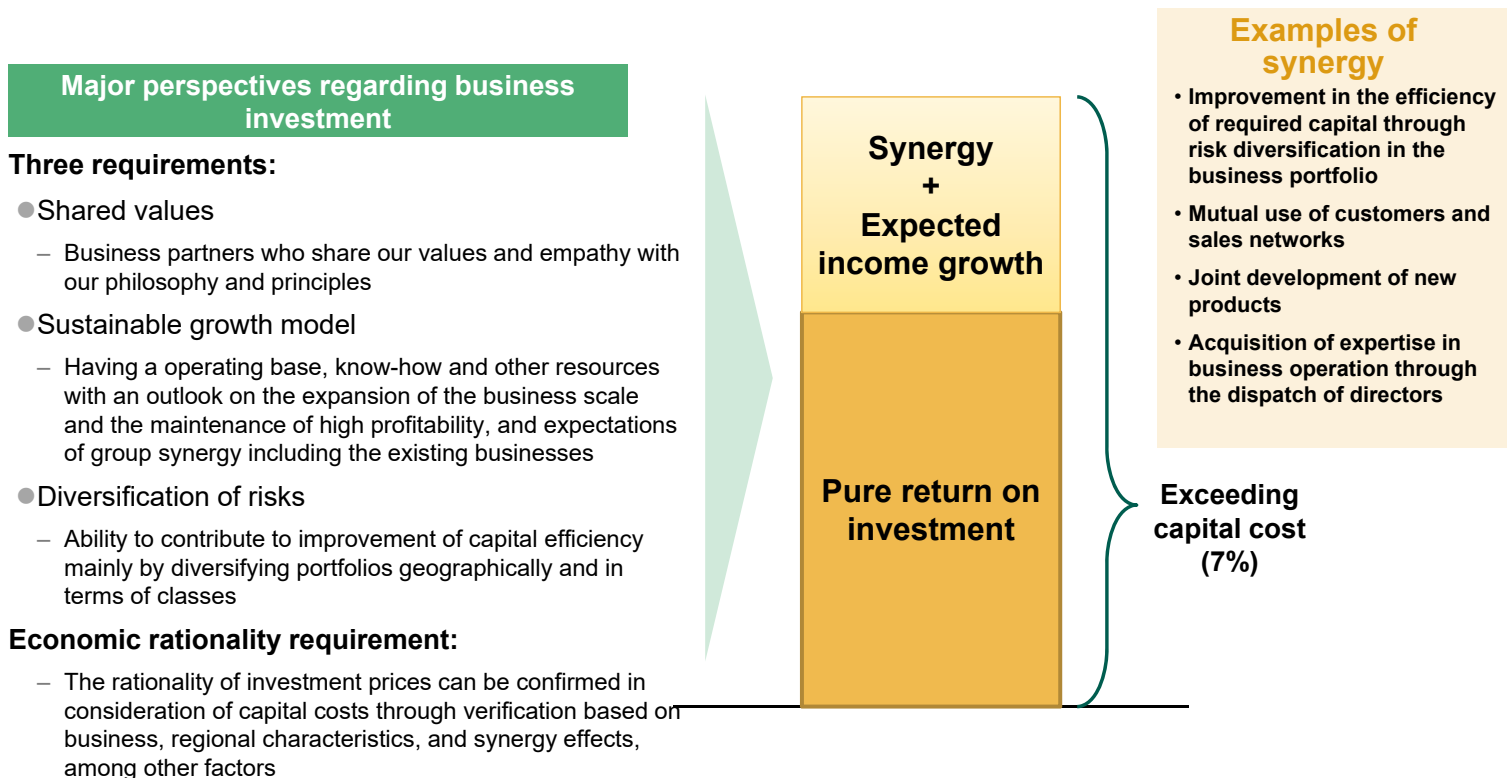
## ERM: Capital Policy

- We will achieve an improved shareholder value through a stable shareholder return and investment aimed at a sustainable profit growth.



## ERM: Capital Policy (Business Investment Policy)

- Pursuing higher corporate value through capital efficiency-conscious growth investment.

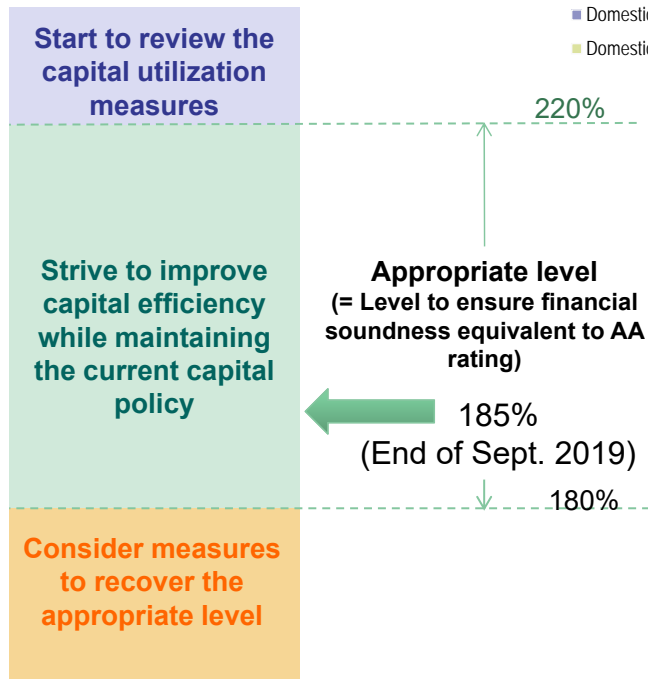




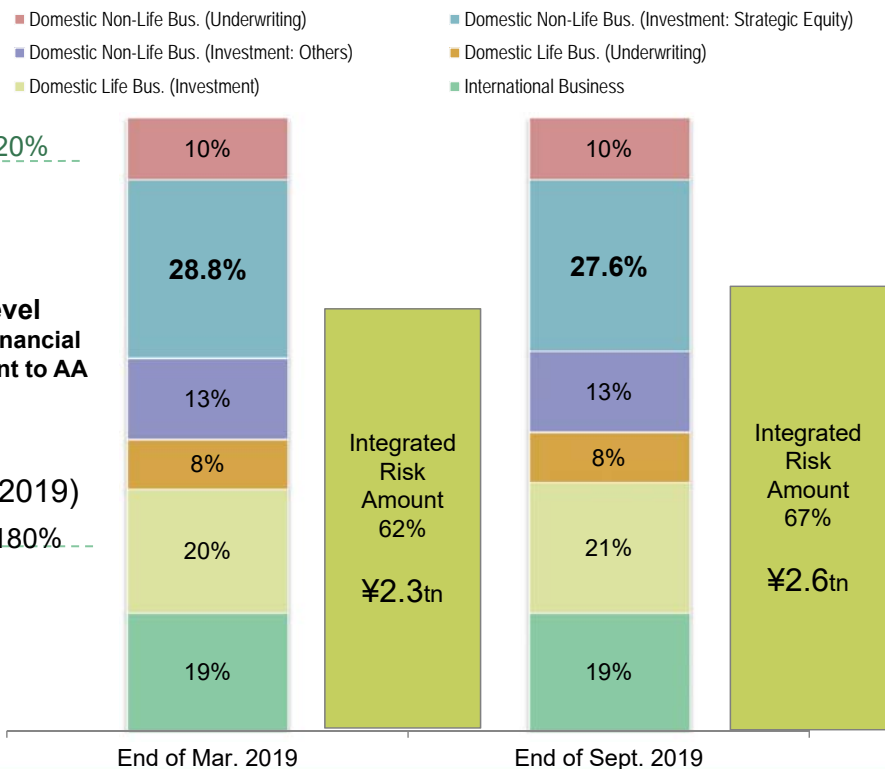
# ERM: Ensuring Financial Soundness (ESR and Risk Portfolio)

• ESR at the end of September 2019 is 185%, which is in the appropriate level to maintain the current capital policy.

## ESR\* (Confidence level 99.5%)



## Risk Portfolio



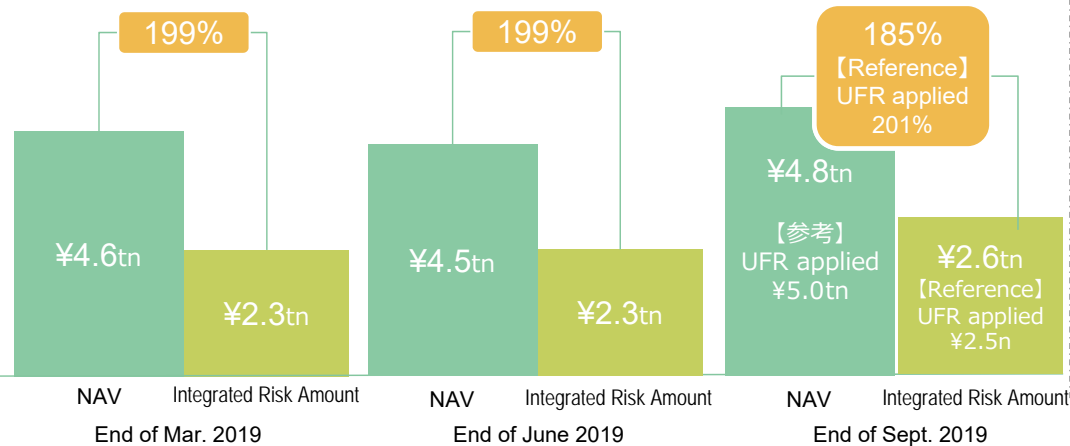
\* ESR: Economic Solvency Ratio (Economic Value-based Solvency Ratio)

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# ERM: Ensuring Financial Soundness (ESR)

## ESR\* (Confidence level 99.5%)

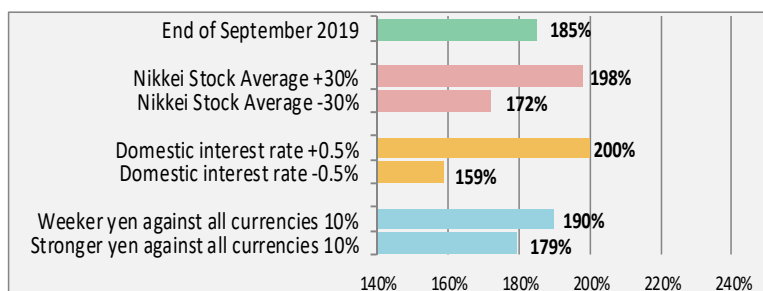


### <Major factors for changes in ESR> (Compared with the end of June 2019)

ESR declined 14pp as both Net Asset Value and Integrated Risk Amount increased almost the same amount.

- ✓ With respect to Net Asset value, the increase was due to issuance of subordinated bonds, rising domestic stock market and the reorganization of MSI's international business.
- ✓ As for Integrated Risk Amount, the increase was due to rising domestic stock market and the reorganization of MSI's international business.

## Impact of market price fluctuation on ESR (as of end of Sept. 2019)



\* ESR: Economic Solvency Ratio (Economic Value-based Solvency Ratio)

## Actual Market Data

	End of Mar. 2019	End of Jun. 2019	End of Sept. 2019	Change from June
Nikkei Stock Average	¥21,206	¥21,276	¥21,756	+¥480
30-year rate JGB	0.51%	0.36%	0.37%	+0.01pp
USD/JPY	¥111	¥108	¥108	+¥0

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## CSV Activities for Sustainable Growth (1)

Creating Shared Value with Society (CSV Initiatives)		Economic Impact on the Company	Impact on Society
Examples of Initiatives			
Deal with new risks	Products to address cyber risk MSI ADI	FY2017-FY2018 Policy growth rate <b>+9.0% YoY</b>	Companies/organizations protected against cyber risks <b>Approx. 9,700</b>
Create a safer mobility society	Support safer driving with telematics MSI ADI	No. of corporate customers <b>Approx. 1,400</b>	Reduction rate of claims paid for said corporate customers <b>36.5%</b>
Strive for resilient community development	Earthquake insurance MSI ADI	No. of policies in FY2018 <b>Approx. 3,363K</b>	Our share of new policies in FY2018 <b>36.1%</b>
Support "good health and longevity"	Coverage for various cancer treatments MSI Aioi Life	No. of new policies in FY2018 <b>Approx. 213K</b>	No. of attendants of our life/medical information seminars <b>14,147</b>
Contribute to climate change mitigation and adaptation	Coverage for Mega-Solar Power Generation MSI ADI	No. of new policies in FY2018 <b>Approx. 4,600</b>	Reduced CO2 emissions by our Mega-Solar clients <b>More than 1,690K tons</b>
Strive to improve the sustainability of natural capital	Simplified evaluations of water-related risks InterRisk	No. of evaluated facilities <b>244</b>	Ratio of facilities where water shortage risks are high <b>40.7%</b>
Work toward the realization of "leaving no one behind"	Dementia "Kobe Model" MSI	Premium income three-year total (estimate) <b>Approx. ¥390mn</b>	No. of Kobe residents applied for dementia screening <b>8,598</b>

Image of society in 2030

Resilient and sustainable society

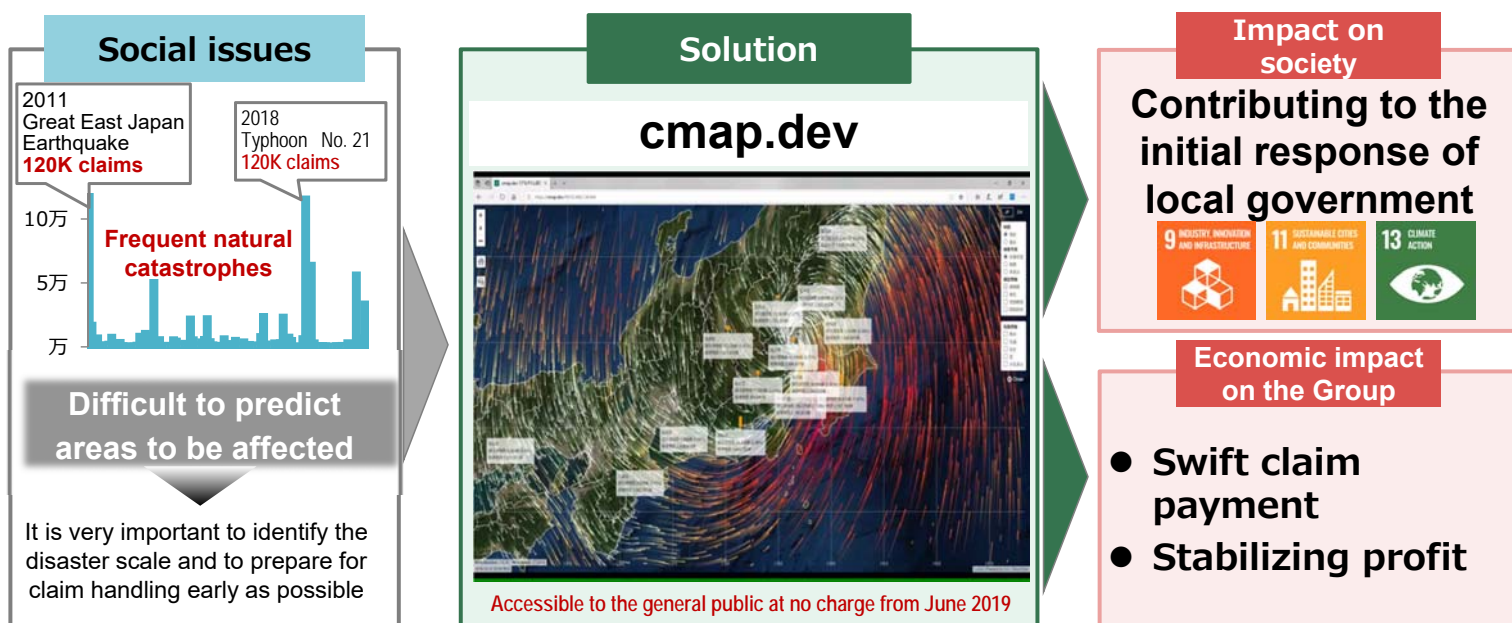
## CSV Activities for Sustainable Growth (2)

### Example of CSV activities: Sustainability Contest 2019 Grand Prize (1)

#### Sustainability Contest

- Deepen understanding of the Value Creation Story and CSV and SDGs, and promote their penetration into daily operations.
- A total of 309 teams from Group companies entered the contest. Nine teams were awarded prizes. The jury members voted, and the grand prizes were awarded.

#### ADI Claims Administration Division: Launching a real-time damage prediction website (cmap.dev)



## CSV Activities for Sustainable Growth (2)

### Example of CSV activities: Sustainability Contest 2019 Grand Prize (2)

#### MSIG Malaysia: Providing dedicated fire insurance for housing for indigenous people



## Promotion of ESG Investments and Loans

- Enhance the system for expanding ESG investments and loans, and develop CSV activities through asset management.

Initiatives in FY2018 and the 1st half of FY2019				
<b>FY2018</b>				
Investment in green bonds	Approx. ¥4.0 bn	MSI	ADI	
Investment in ESG Japanese equity funds	¥5.5 bn		MSI	
Investments and loans related to renewable energy	¥5.0 bn			
Investment in social bonds	¥1.0 bn			MSA
Investment in Industrialize Africa Bonds	Approx. ¥2.6 bn			
<b>FY2019</b>				
Investment in green bonds	Approx. ¥6.0 bn	MSI	ADI	MSA
Investments and loans related to solar power, biomass power and wind power, etc. generation	¥2.2 bn		MSI	
Investment in sustainability bonds	¥0.8 bn			MSA

#### Future initiatives

##### Change in the investments and loans process

- ESG elements will be included.

##### Advancement of communication

- ESG elements are included in communication with investment destinations and contractors.

##### Expanding impact investment\*

- Considering Group-wide efforts

\* (Social) impact investment is an investment intended to impact society and the environment as well as monetary returns.  
Source: GSG National Advisory Board

## Stewardship Activities

### Dialogues held (July 2018 to June 2019)

	MSI	ADI	Total (simple sum)
Number of companies	281	205	486
<b>Examples of improvements made through dialogues with investee companies</b>			
Shareholder return policy	In the previous year, an investee said that they prioritized the repayment of interest-bearing debt so the dividends were low, and that they would increase the dividends if the financial position improved. This year, the results improved significantly, and a dividend increase was announced when the results were announced. The dividend payout ratio exceeded our standard.		
Governance effectiveness	Last year, the attendance rate of outside directors living overseas was low, and actions for improvement, including video conferences, were confirmed. This year, the shareholders' meeting convocation notice confirmed an improvement in the attendance rate of the outside directors (attendance rate of 100%).		
Medium-term management strategies	We held dialogues with companies in industries where growth in the domestic market is expected to slow in the medium term and exchanged opinions on future management strategies. We confirmed policies, including improving the profit margin by promoting sales of high-value-added products in Japan and accelerating the attainment of new customers by improving the visibility of products and brands overseas.		
ESG initiatives	We held dialogues with companies that are promoting ESG initiatives and exchanged opinions. We confirmed that they are implementing many different initiatives. A company has appointed experienced human resources from different fields as outside directors and increased the ratio of outside directors to one third. Another company has created a good work environment for women, actively incorporating the perspectives of women.		

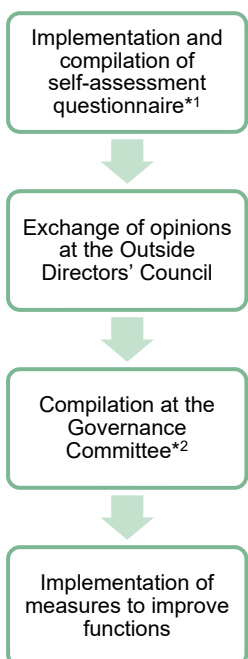
### Results of exercising our voting rights (July 2018 to June 2019)

	MSI	ADI	Total (simple sum)
Number of disagreements (Number of bills)	6 (2,777)	3 (1,764)	9 (4,541)
<b>Examples of proposals rejected through exercising voting rights</b>			
Surplus appropriation plan (low payout ratio of the last dividend)	Results were strong and retained earnings were sufficient. The payout ratio, however, was below the Company's standard. We confirmed the shareholder return policy through dialogues. The awareness of shareholder returns was weak, and we determined that the possibility of improving the payout ratio was low. (Disagreed)		
Proposed appointment of directors (absence of outside director)	We explained the importance of outside directors and requested the appointment of candidates through past dialogues, but a candidate for outside director was not selected, the same as in the previous year. (Disagreed)		
Proposed appointment of directors (concern over governance)	We decided that there is concern over governance in certain unprofitable operations and checked the effectiveness of the management's business strategies and governance reform through dialogues and other means. We did not find sufficient reasonableness. (Disagreed)		

## Corporate Governance - Assessment of Effectiveness of the Board of Directors -

- We have confirmed the effectiveness of the actions for enhancing functions in FY2018.
- Based on the assessment, we will strive to enhance functions in FY2019.

### Assessment process



\*1 Implemented by distributing questionnaires (on nine items) in advance and having the Secretariat hold interviews.

\*2 Composed of all Outside Directors, the Chairman of the Board and the President & CEO

### Outline of evaluation

	Improvement	Points to be improved
<b>Discussions at Board of Directors' meetings and exercise of functions</b>	<ul style="list-style-type: none"> <li>• Projects involving risk-taking, including overseas investments, are now subject to achieve discussion with an in-depth examination of each individual project.</li> <li>• Deepened the understanding within the Group of "MS&amp;AD's Story of Value Creation," which is the Group's business model, CSV and the SDGs.</li> <li>• MS&amp;AD Integrated Report 2018 disseminated "MS&amp;AD's Story of Value Creation," which further embodies our Corporate Philosophy (Mission). This move led to a deeper understanding within the Group and improved evaluation from outside the Group.</li> <li>• The name of our whistleblowing system was changed to the "Speak-up System," and the acceptance of anonymous reports was expanded. As a results, the number of reports increased and efficiency has improved.</li> </ul>	<ul style="list-style-type: none"> <li>• Deepen the understanding of and further accelerate thorough debate among the outside directors regarding the important themes (Sustainability, Digitalization, Promotion of Diversity &amp; Inclusion) and the business strategies in "Vision 2021," etc.</li> <li>• Work to further increase awareness among employees through various methods to deepen the understanding among all Group employees the initiatives for putting the Story of Value Creation into practice to CSV and the SDGs.</li> <li>• Strengthen information dissemination to further increase awareness and enhance the effectiveness of the Speak-up System, mainly through the "Speak-up Section".</li> </ul>
<b>Operation of the Board of Directors</b>	<ul style="list-style-type: none"> <li>• Reduced the number of agenda items and established an approach that provides more time for discussions about important matters to determine strategies.</li> <li>• Efficient meeting operation has increased the average amount of time spent each year discussing each agenda item at regularly scheduled meeting.</li> </ul>	<ul style="list-style-type: none"> <li>• Expand opportunities for deliberation and the exchange of opinions at every meeting of the Board of Directors, etc. Therefore, the length of meetings will be extended beyond that of those held in FY2018.</li> </ul>
<b>Other</b>	<ul style="list-style-type: none"> <li>• Operating company study tours were continued from FY 2017, including an inspection of the Disaster Countermeasures Headquarters, which focuses on payments of insurance claims for natural disasters.</li> </ul>	—

## III. Shareholder Return

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### Shareholder Return Policy

- The interim dividend is planned ¥75, up ¥5 year on year, and the annual dividend is expected to be ¥150, up ¥10 year on year.
- Share buybacks totaling a maximum of ¥20.0 billion will be implemented.

#### Shareholder Return Policy

Provide shareholder return based on shareholder dividends and repurchase of our own shares by adopting a benchmark of 40%-60% of Group Adjusted Profit\*1.

- <Dividends> Adopt basic policy of providing stable dividends.  
(DOE: Dividend on equity ratio: Aim for level of 2.0%-3.0%)
- <Share buybacks> Repurchase own shares flexibly, and as opportunities arise, with due consideration paid to market conditions and the state of capital.

#### Shareholder Return Forecast for FY2019

<Dividends>

**The annual dividend is forecast to be ¥150 (as initially forecast, increase by ¥10 year on year).  
An interim dividend of ¥75 (increase by ¥5 year on year) was resolved at a meeting of the Board of Directors on November 19.**

<Share buybacks>

**Share buybacks of ¥ 20.0 billion maximum will be implemented (determined on November 19, 2019).**

#### Group Adjusted Profit forecast for FY2019

Adjusted Profit forecast for FY2019 (¥bn)

Group Adjusted Profit	=	Consolidated Net Income	+	Provision for Catastrophe Loss Reserve and Others	-	Other Incidental Factors*2 (amortization of goodwill and other intangible fixed assets and others)	+	Equity in Earnings of the Non-consolidated Group Companies*2
220.0		200.0		-17.0		-37.0		-

\*1 Please see p. 74 for the calculation method of Group Adjusted Profit.

\*2 Amortization of goodwill and others: -¥ 187.0 billion, extraordinary income/loss excluding reserves for price fluctuation: -¥150.0 billion  
[Decrease in tax expenses due to reorganization of international business of MSI: -¥140.5 billion]

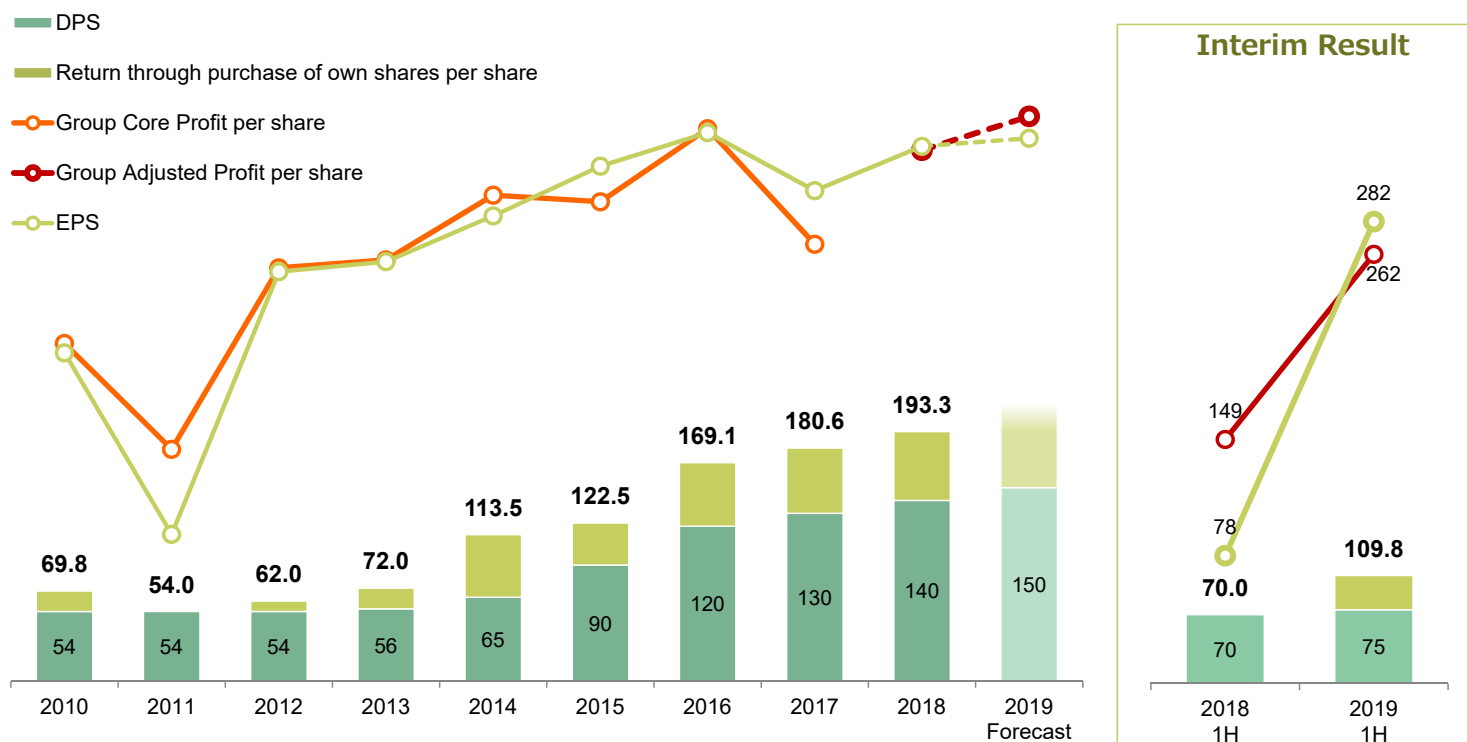


## EPS and Total Shareholder Return per Share

• Total shareholder return (TSR) per share is steadily increasing.

### Changes in Total Shareholder Return per share, Group Core Profit/Group Adjusted Profit and EPS

(¥)



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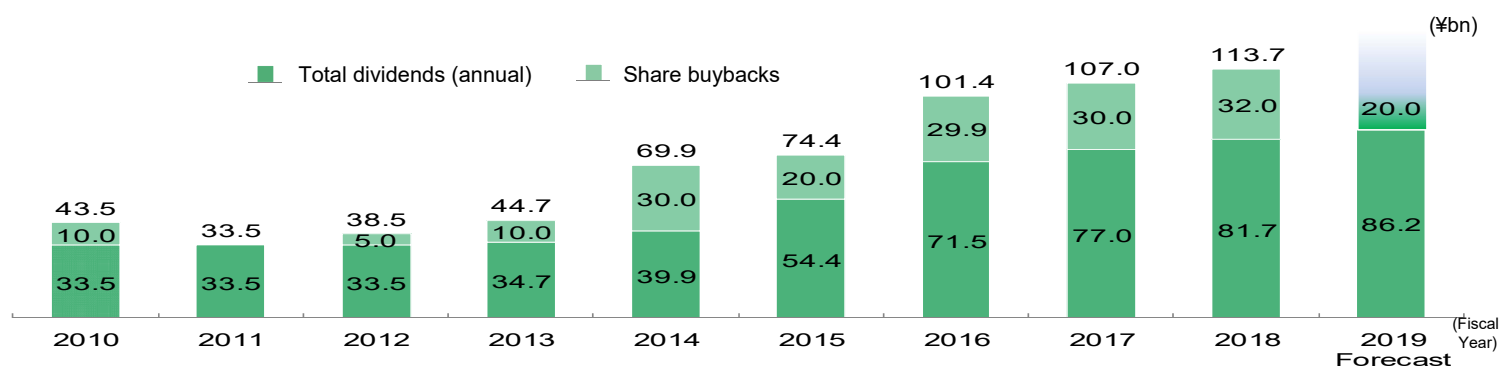
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## Past Shareholder Returns

### Total shareholder returns (as of Nov. 19, 2019)

(¥bn)

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	Total	FY 2018	FY2019 (Forecast)
Group Adjusted Profit*1	14.5	-87.5	87.4	94.8	155.7	147.5	213.7	105.1	731.3	189.8	220.0
Total returns	43.5	33.5	38.5	44.7	69.9	74.4	101.4	107.0	513.2	113.7	—
Shareholder return ratio*1	300%	-	44%	47%	45%	50%	47%	102%	70%	60%	—
DOE*2										2.9%	—
Returns per share (yen)	69.8	54.0	62.0	72.0	113.5	122.5	169.1	180.6	—	193.3	—



\*1 Figures until FY2017 are Group Core Profit. Please refer to p.74 for the method of calculating the single-year shareholder return ratio.

\*2 DOE: Dividend on equity = Annual dividend (interim dividend, year-end dividend, etc.) ÷ Net assets

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## Stock Price Related Indices

	End of FY2010	End of FY2011	End of FY2012	End of FY2013	End of FY2014	End of FY2015	End of FY2016	End of FY2017	End of FY2018	End of Sep. 2019
Net Income (¥bn)	5.4	-169.4	83.6	93.4	136.2	181.5	210.4	154.0	192.7	163.5 annual forecast 200.0
Earnings per share (EPS) (¥)	8.68	-272.49	134.46	150.58	221.34	298.72	350.94	260.04	328.72	281.90 annual forecast 346.47
Stock price (closing price) (¥)	1,894	1,699	2,066	2,364	3,370	3,136	3,540	3,355	3,370	3,500
Rate of change*1	-27.0%	-10.3%	21.6%	14.4%	42.6%	-6.9%	12.9%	-5.2%	0.4%	3.9%
(For reference) TOPIX Rate of change*1	-11.2%	-1.7%	21.1%	16.3%	28.3%	-12.7%	12.3%	13.5%	-7.3%	-0.2%
Book-value per share (BPS) (¥)	2,597.19	2,400.48	3,215.33	3,646.22	4,911.40	4,469.58	4,572.82	4,964.64	4,712.11	5,060.75
Price book-value ratio (PBR)	0.73	0.71	0.64	0.65	0.69	0.70	0.77	0.68	0.72	0.69
Price earnings ratio (PER)*2	218.20	—	15.36	15.70	15.23	10.50	10.08	12.90	10.25	10.10

\*1 Rate of change is a percentage change from the end of the previous fiscal year.

\*2 PER for 1st half of FY2019 was on track to meet the full-year forecast.

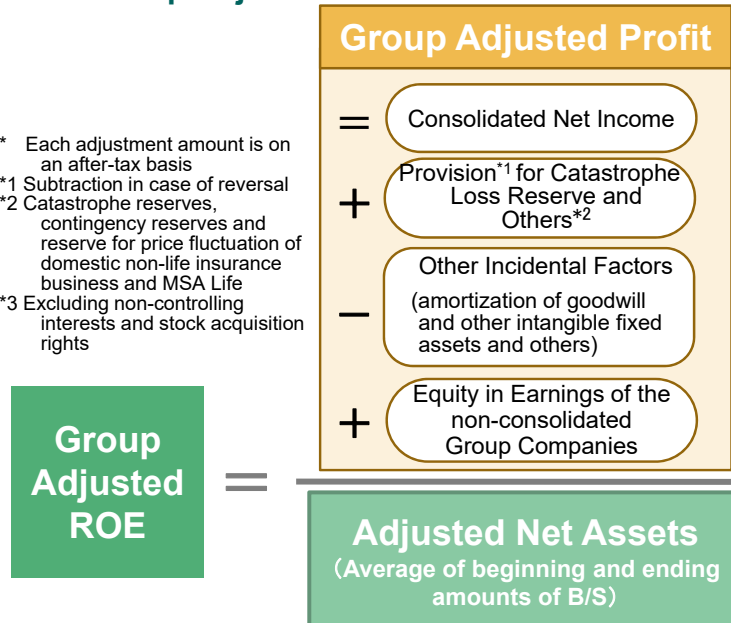
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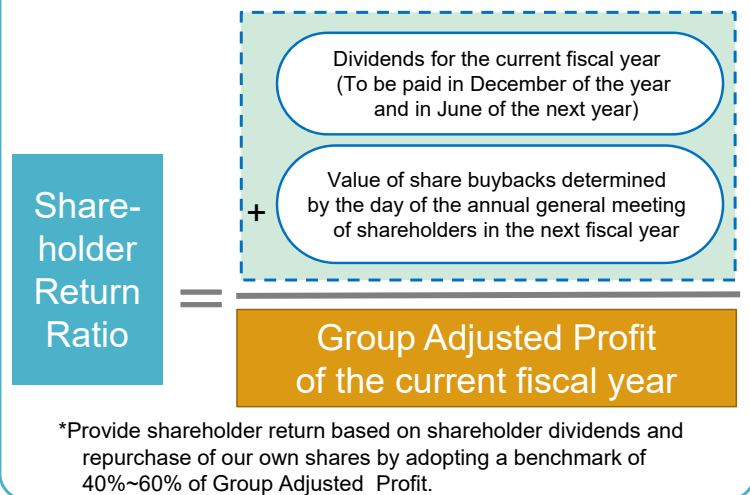
## Calculation Methods of “Group Adjusted Profit”, “Group Adjusted ROE”, “Shareholder Return Ratio” and “Adjusted Net Assets”

### “Group Adjusted Profit”, “Adjusted Net Assets” and “Group Adjusted ROE”

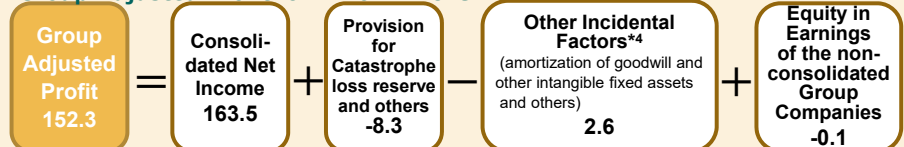
- \* Each adjustment amount is on an after-tax basis
- \*1 Subtraction in case of reversal
- \*2 Catastrophe reserves, contingency reserves and reserve for price fluctuation of domestic non-life insurance business and MSA Life
- \*3 Excluding non-controlling interests and stock acquisition rights



### “Single-Year Shareholder Return Ratio”



### Group Adjusted Profit for 1H of FY2019



\*4 Amortization of goodwill and others: ¥176.7 billion, extraordinary income/loss excluding reserves for price fluctuation, etc.: ¥179.4 billion [Decrease in tax expenses due to reorganization of international business of MSI : - ¥170.5 billion]

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