

Advancing with you

**MS&AD**

INSURANCE GROUP

**Fiscal 2016  
Second Information Meeting  
November 25, 2016**

MS&AD Insurance Group Holdings, Inc.

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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 

International

Overseas subsidiaries

Domestic Life

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

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

Financial Services

Risk Related Services

MS&AD Insurance Group Holdings, Inc.

### Abbreviations of company names used in this presentation.

- MS&AD Holdings : MS&AD Insurance Group Holdings, Inc.
- MS&AD : MS&AD Insurance Group
- MSIG : Mitsui Sumitomo Insurance Group Holdings, Inc.
- MSI : Mitsui Sumitomo Insurance Co., Ltd.
- Aioi : Aioi Insurance Co., Ltd.
- NDI : Nissay Dowa General Insurance Co., Ltd.
- ADI : Aioi Nissay Dowa Insurance Co., Ltd.
- Mitsui Direct General : Mitsui Direct General Insurance Co., Ltd.
- MSI Kirameki Life : Mitsui Sumitomo Kirameki Life Insurance Co., Ltd.
- Aioi Life : Aioi Life Insurance Co., Ltd.
- MSI Aioi Life : Mitsui Sumitomo Aioi Life Insurance Co., Ltd.
- MSI Primary Life : Mitsui Sumitomo Primary Life 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

Overall progress for Stage 2	<ul style="list-style-type: none"> <li>Steady progress, except for increase in life insurance EV which was affected by negative interest rates</li> </ul>
Status of driver initiatives	<p>(1) <b>ERM</b></p> <ul style="list-style-type: none"> <li>Strengthened Group financial strategies, increased financing options on the holding company basis and established a structure for promoting the allocation of capital to operating companies and new business investment, etc. with a view to optimizing the balance between financial soundness, capital efficiency and shareholder returns.</li> <li>Improved capital efficiency through the promotion of various initiatives to improve ROR and further enhancement through synergy with MS Amlin.</li> </ul> <p>(2) <b>Response to future environmental changes ~ ICT strategy ~</b></p> <ul style="list-style-type: none"> <li>Established a structure for gathering and analyzing the world's most advanced ICT information and business models and a structure for open innovation.</li> <li>Conducted examination of response to opportunities and threats in the medium and long term led by the holding company and promoted development of products and services using ICT at each business company.</li> </ul>
Status of each business domain	<p>(1) <b>Domestic Non-Life Insurance Business</b></p> <ul style="list-style-type: none"> <li>Top-line growth was slow after strong growth last fiscal year, but non-life insurance companies operating in Japan created new markets by penetration of existing products and developing new products focusing on the casualty.</li> </ul> <p>(2) <b>Domestic Life Insurance Business</b></p> <ul style="list-style-type: none"> <li>In light of the negative interest rate environment, life insurance companies operating in Japan diversified asset management and deployed a flexible product strategy.</li> </ul> <p>(3) <b>International Business</b></p> <ul style="list-style-type: none"> <li>Results were slightly lower than planned mainly due to the occurrence of natural catastrophes such as forest fires in Canada and deterioration in the asset management environment.</li> <li>Regarding synergy with MS Amlin, cost synergies will become apparent from next fiscal year, and growth synergies and base-strengthening are also expected to increase steadily.</li> </ul>
Shareholder returns	<ul style="list-style-type: none"> <li>Resolution to buyback shares for ¥30 billion on October 31</li> </ul>

**MS&AD**

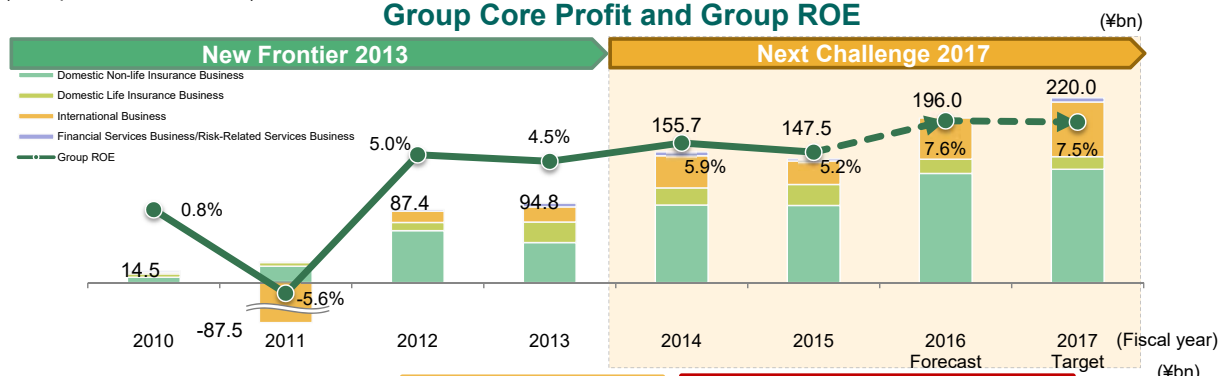
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## I. Progress of “Next Challenge 2017”

## Progress Towards Numerical Management Targets

- Group Core Profit in the interim period of FY2016 was strong, climbing ¥40.3 billion year on year, to ¥ 111.4 billion.
- In FY2016, Group Core Profit is expected to amount to ¥196.0 billion, rising ¥48.4 billion year on year, in line with the initial forecast. (Group ROE will be 7.6%)

### Group Core Profit and Group ROE

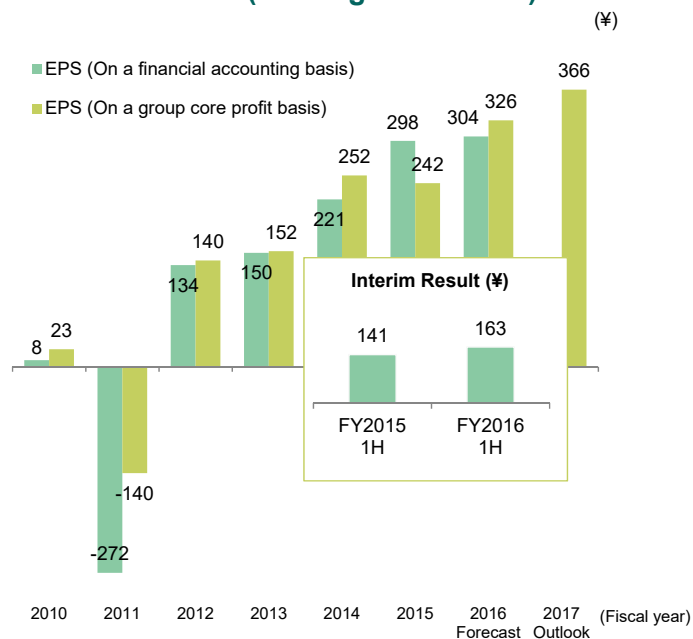


	FY2016 1H		FY2016			FY2017
		YoY	Revised forecast	YoY	Vs. Initial forecast	Target
Domestic Non-life Insurance Business	72.9	42.3	130.0	38.0	9.0	135.0
Domestic Life Insurance Business	15.9	- 10.1	17.0	- 8.0	- 1.0	15.0
International Business	21.3	4.9	49.0	21.0	- 4.0	65.0
Financial Services Business / Risk-Related Services Business	1.1	3.1	0.0	- 2.6	- 4.0	5.0
Group Core Profit	111.4	40.3	196.0	48.4	-	220.0
Group ROE	n/a	n/a	7.6%	2.4pt	0.7pt	7.5%
Increase in EV MSI Aioi Life	- 21.1	- 84.6	3.0	55.0	- 45.0	Over 50.0
Consolidated Net Premiums Written	1,839.3	219.3	3,387.0	308.0	- 68.0	3,570.0
Combined Ratio (Domestic Non-Life)	88.2%	2.7pt	93.9%	2.3pt	-0.5pt	93% range

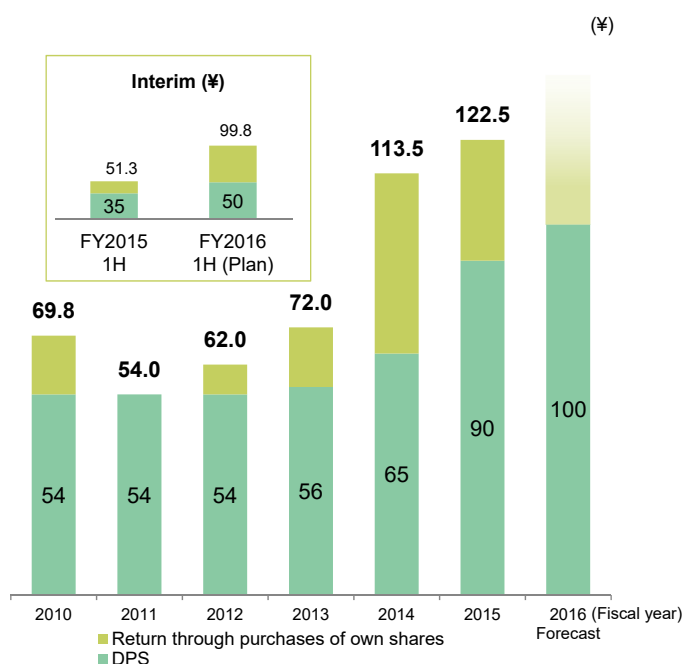
## EPS and Total Shareholder Return Per Share

- Against the backdrop of strong growth in EPS, TSR per share also rose steadily through a combination of dividend increases and purchases of own shares.

### Trends in EPS (Earnings Per Share)



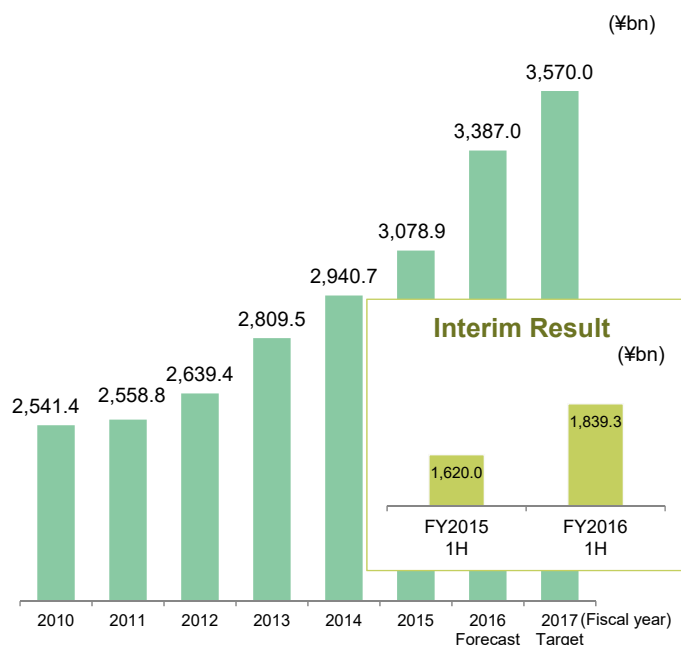
### Trends in Total Shareholder Return Per Share



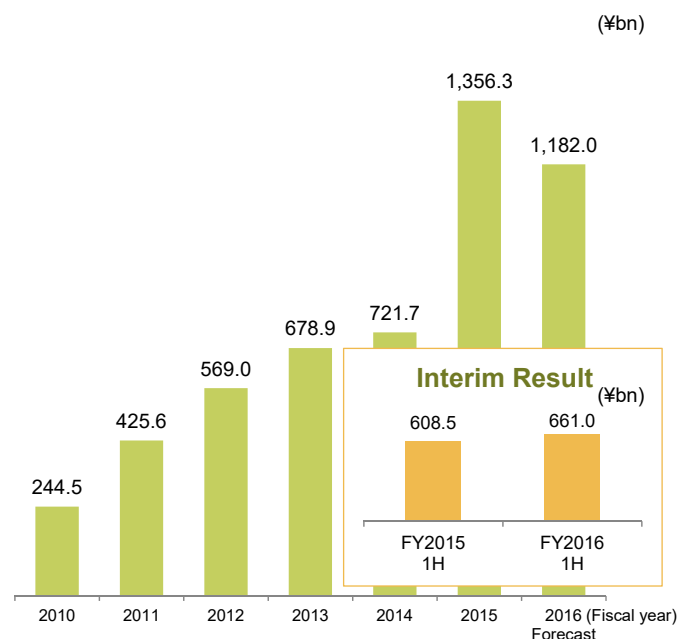
## Trends in Premium Income

- Consolidated net premiums written (non-life insurance) are expected to amount to ¥3,387.0 billion in FY2016, partly due to inclusion of MS Amlin in the scope of consolidation for the first time.
- Life insurance premiums are expected to amount to ¥1,182.0 billion in FY2016, as the effect of new products of MS Primary Life wears off.

### Non-Life Insurance: Consolidated Net Premiums Written\*1



### Life Insurance: Consolidated Life Insurance Premiums



\* 1 Net premiums written exclude the Good Results Return premiums of the "ModoRich" auto insurance product.

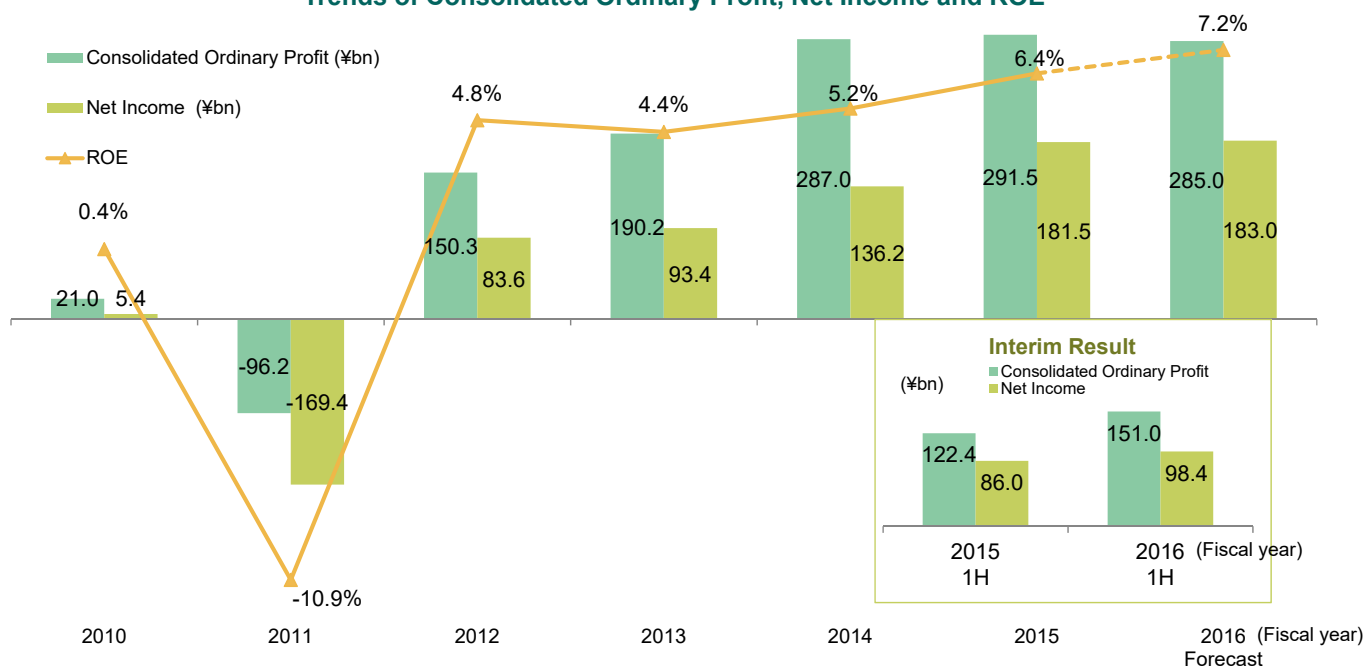
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## Trends in Bottom Line and ROE (on a Financial Accounting Basis)

- Net income is expected to increase for the fifth consecutive year mainly due to expansion in underwriting profit in the domestic non-life insurance business.
- With the expansion in profit, ROE is also showing steady improvement.

### Trends of Consolidated Ordinary Profit, Net Income and ROE



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## II. Situation by Business Segment

### 1. Domestic Non-Life Insurance Business

#### 2. Domestic Life Insurance Business

#### 3. International Business

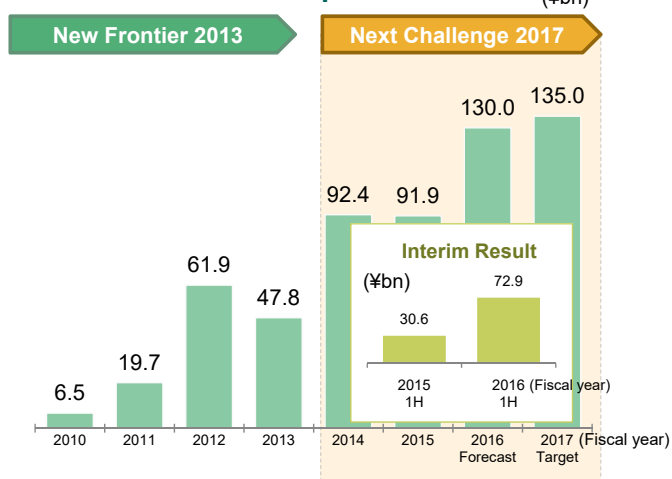
#### 4. Asset Management

## Domestic Non-Life Insurance Business: Trends in Group Core Profit and Underwriting Profit

- In the domestic non-life insurance business, improvement in underwriting profit is driving growth in Group Core Profit.

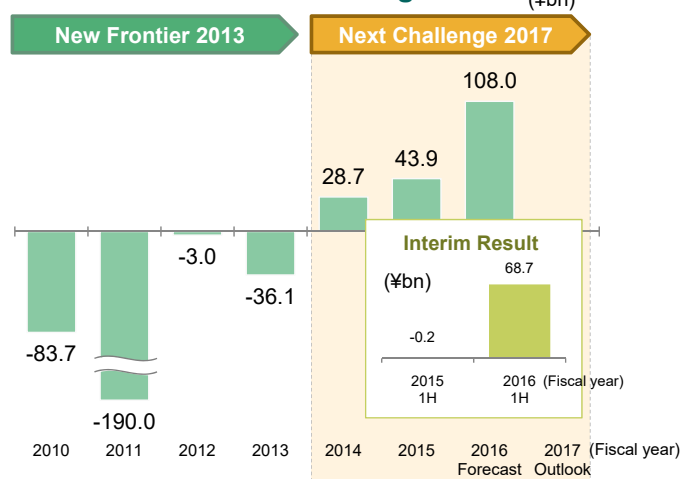
### Trends in Group Core Profit

(¥bn)



### Trends in Underwriting Profit\*

(¥bn)



Item/Fiscal Year	2010	2011	2012	2013	2014	2015 Interim	2015	2016 Interim	2016 (Forecast)
<b>Underwriting Profit</b>	-83.7	-190.0	-3.0	-36.1	28.7	-0.2	43.9	68.7	108.0
Net reversal of catastrophe reserves (impact on profit)	-0.0	139.5	41.9	3.0	-31.3	-56.9	-81.6	-51.7	-72.1
Underwriting profit (before reflecting reserves for catastrophes)	-83.7	-329.5	-44.9	-39.1	60.1	56.6	125.6	120.5	180.1
Catastrophe reserves* <sup>1</sup> (Reference)	-65.9	-311.5	-55.1	-96.3	-27.2	-62.5	-68.1	-45.7	-63.6

\* Simple sums of non-consolidated figures for MSI and ADI. Results for FY2010 are simple sums of non-consolidated figures for MSI, Aioi, and NDI.

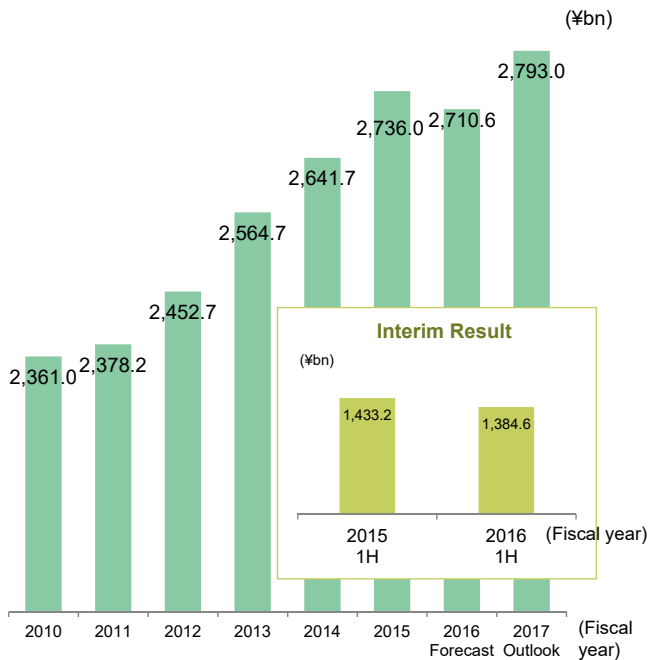
\*<sup>1</sup> Catastrophe reserves include the Great East Japan Earthquake, Thailand floods in 2011, heavy snowfalls in 2014 and other catastrophes.



## Domestic Non-Life Insurance Business: Trends in Net Premiums Written and Combined Ratio

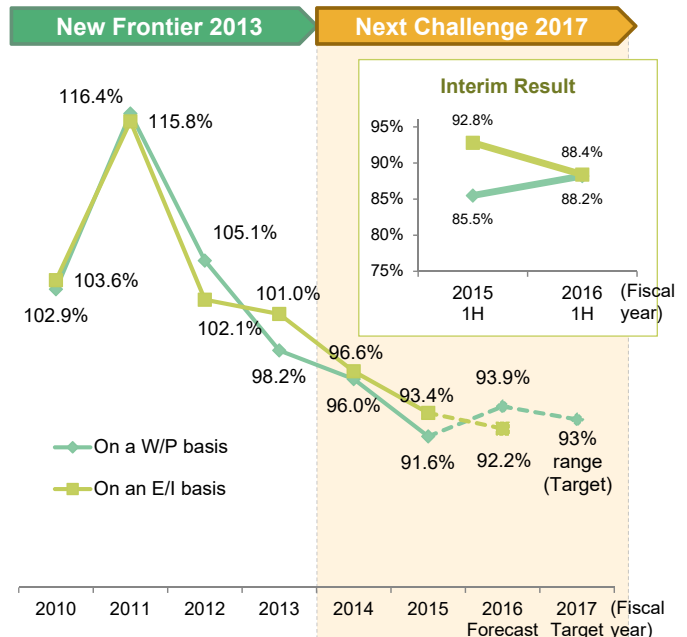
- Income on a net premiums written basis declined 3.4% in the first half of FY2016 due to the effect of fire insurance premium revision last fiscal year (revenue on an earned premiums basis increased 2.8%).
- The combined ratio is steadily progressing toward achievement of 93% range in FY2017.

### Trends of Net Premiums Written of Domestic Non-Life Insurance Business



### Trends of Combined Ratio of Domestic Non-Life Insurance Business

(W/P: all lines, E/I: excludes residential earthquake insurance and compulsory automobile liability insurance)



\* Simple sums of non-consolidated figures for MSI, ADI and Mitsui Direct General. Results for FY2010 are simple sums of non-consolidated figures for MSI, Aioi, NDI and Mitsui Direct General.

## Domestic Non-Life Insurance Business: Initiatives for Market Creation

- Concentrating on the development and cultivation of the SME market.
- Leveraging its strength in the corporate sector, MSI will anticipate changes in the social environment and technological advances and develop new products, especially in casualty\*, and create new markets.

### Drivers of Future Growth

Example 1: Aiming to provide insurance that supports customers' business strategies in addition to strengthening the function of risk management

=> Proposal of products and services that anticipate customers' needs through joint research with corporate customers, etc.

Example 2: Addressing risks arising from changes in the business environment such as technological innovation and globalization

=> Enhancement of product line-up and underwriting capacity through cooperation with MS Amlin

Creation of new opportunities to provide insurance (Addressing new risks)

Higher penetration of existing products

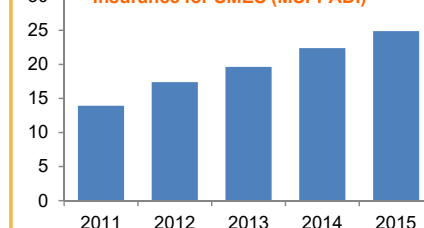
=> Package products covering liability insurance and risk of occupations accidents for SMEs

### Ratio of non-life insurance premiums to GDP

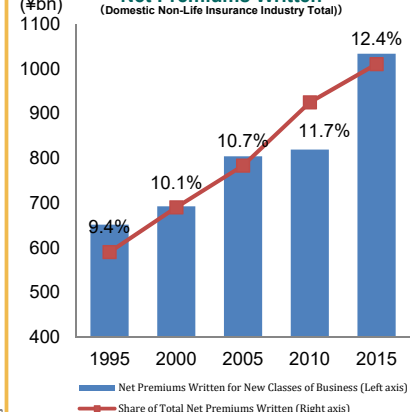
Country	Ratio of GDP
Japan	2.4%
U.S.	4.3%
Switzerland	4.1%
Germany	3.4%

Source: GIAJ Fact Book

### Trends in Premiums of Package Liability Insurance for SMES (MSI+ADI)



### Trends in Net Premiums Written of New Classes of Business and Share of Total Net Premiums Written



Source: Data published on GIAJ website

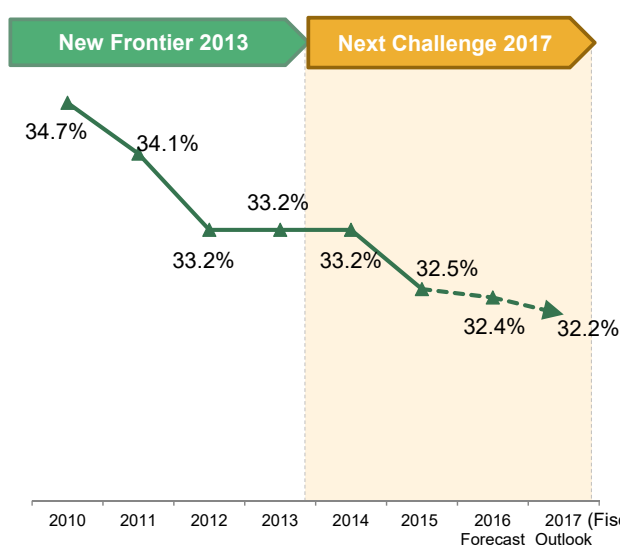
\* Casualty: In this context, refers primarily to miscellaneous products which the Group positions as growth fields, including liability insurance, contingency insurance and specialty insurance.



## Domestic Non-Life Insurance Business: Initiatives for Efficiency

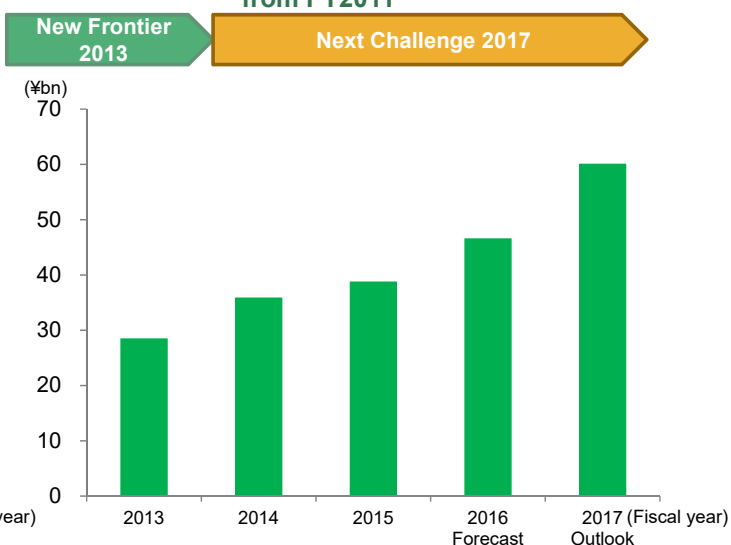
- In FY 2016, system transfer and integration of former 3 companies of ADI were implemented. A reduction of around ¥8.0 billion in business expenses is forecast in FY2016, mainly due to reduction in personnel expenses as a result of improvement in the efficiency of the placement of personnel.
- The sum of the two companies' expense ratio is expected to be 32.2% in FY2017 due to the simultaneous achievement of growth and increased efficiency.

**Trends of Expense Ratio\*1**



\*1 Expense ratio is calculated with the sum of the business expenses of MSI and ADI

**Annual Cost Reductions  
from FY2011\*2**

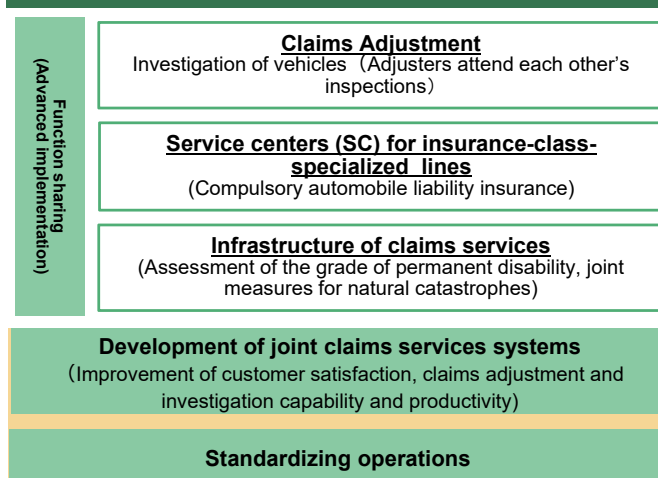


\*2 Sum of the cost reductions of MSI and ADI

## Domestic Non-Life Insurance Business: Evolution of Reorganization by Function

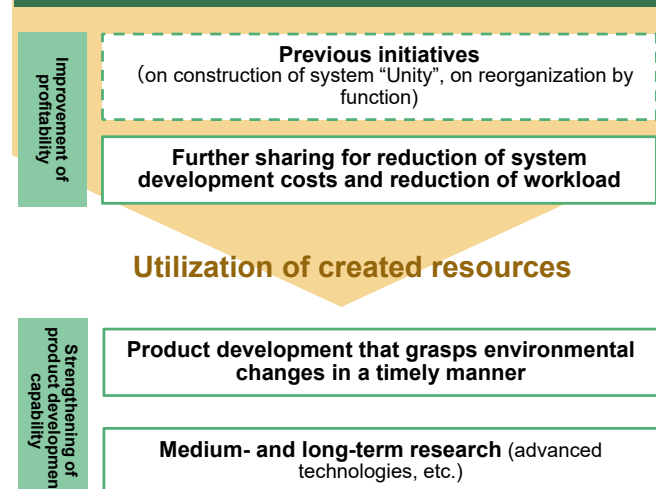
- Focusing on "reorganization of claims services" and carrying out the advanced implementation of the sharing of certain functions, with the goal of further evolution of reorganization by function. Developing joint claims services systems in anticipation of technological advances, to simultaneously achieve improvement in "customer satisfaction," "claims adjustment and investigation capability" and "productivity," and accomplish claims services offering the highest quality and efficiency in the industry.
- Also further promoting product sharing to improve profitability through the reduction of system development costs and reduce the system development workload, and using created resources to strengthen product development capability.

### Reorganization of Claims Services



**Accomplishment of claims services offering the highest quality and efficiency in the industry**  
**Aiming for cost savings eventually exceeding ¥10 billion (results to be produced from FY2018)**

### Further Product Sharing



**Improvement of profitability through reduction of business expenses, and development and provision of high quality appealing products that meet customer needs**

## Domestic Non-Life Insurance Business: Situation of Mitsui Direct General Insurance

- Net premiums written (excluding CALI\*) are solid, rising 2.6% year on year, and earnings are improving due to a decrease in incurred losses.
- Aiming to ensure stable earnings through the continued review of premium rates levels and strengthening of initiatives for improving profitability.

### Trends of Business Results of Mitsui Direct General Insurance

(Excluding CALI\*)

(¥bn)

	2011	2012	2013	2014	2015	2016 Interim	2016 Forecast	2017 Outlook
Net premiums written	339	348	350	345	361	183	37.2	386
Combined ratio (E/I)	99.0%	98.9%	99.6%	112.7%	114.9%	101.7%	101% level	98% level
<b>Net income</b> (per our equity share)	<b>0.3</b>	<b>0.3</b>	<b>0.1</b>	<b>-3.1</b>	<b>-4.3</b>	<b>0.0</b>	<b>-0.7</b>	<b>Return to profitability</b>

### Main Initiatives in the First Half of FY2016 (Factors for Improvement in Earnings)

- Reduction of incurred losses (Vehicle damage -¥100 million, Bodily injury liability -¥300 million, Personal injury protection -¥400 million)

### Challenges and Direction of Initiatives

- Strengthening of claims adjustment and investigation
  - Further promotion of prompt and proper payment
- Achievement of a proper level of premium rates and a portfolio that produces highly profitable contracts
  - Securing a proper level of premium rates by promoting sales of risk subdivision type insurance
  - Expansion and maintenance of contracts that produce high royalties and comprehensive measures to prevent losses in marketing and underwriting

\*CALI stands for Compulsory Automobile Liability Insurance

## II. Situation by Business Segment

1. Domestic Non-Life Insurance Business

**2. Domestic Life Insurance Business**

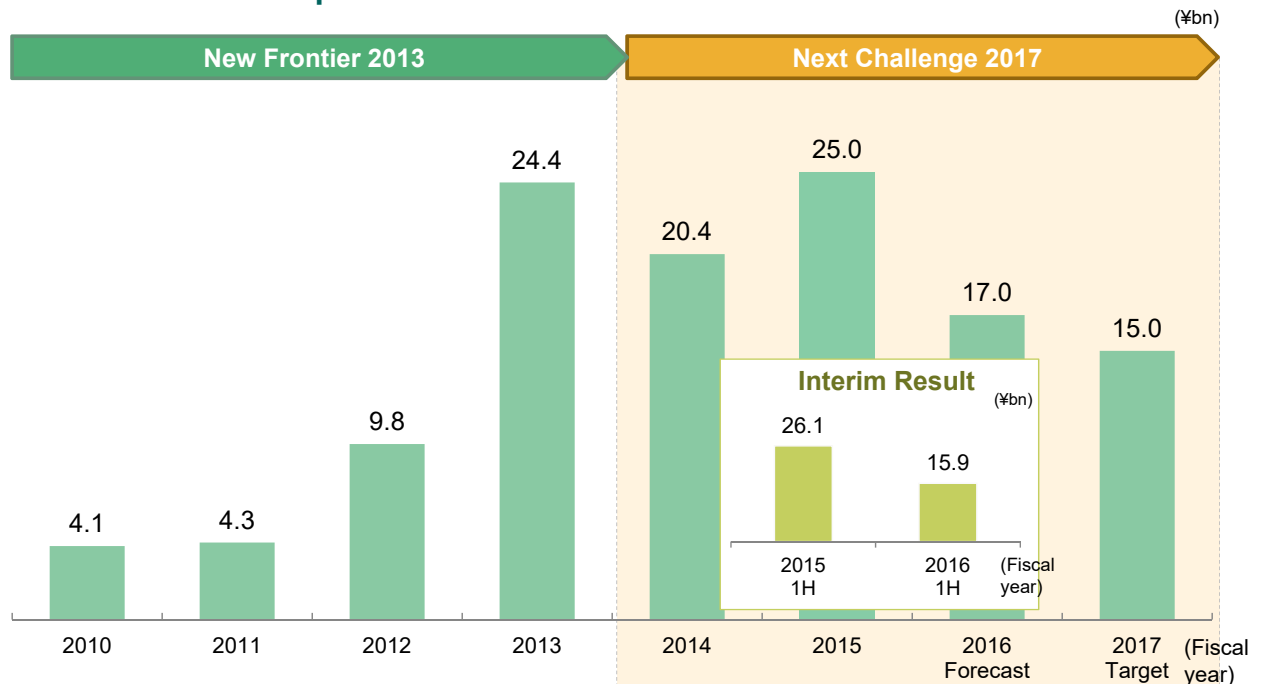
3. International Business

4. Asset Management

## Domestic Life Insurance Business: Trends in Group Core Profit

- Compared with the same period of the previous year, the interest rates and foreign exchange rates were less favorable for products denominated in Australian dollars. However, the Group's strength lies in MSI Primary Life, which generates stable Group Core Profit of more than ¥10 billion every fiscal year.
- Group Core Profit of MSI Aioi Life is expected to be approximately ¥3.0 billion due to a decrease in gains on sales of securities and interest and dividend income affected by a decrease in interest rates.

### Trends in Group Core Profit of Domestic Life Insurance Business



## Domestic Life Insurance Business: Initiatives for Negative Interest Rate Environment

- MSI Aioi Life is implementing measures in response to the negative interest rate environment both on the assets side and the liabilities side.
- The impact of negative interest rates for MSI Primary Life is limited because most of the assets and liabilities are denominated in foreign currencies.

### MSI Aioi Life

#### Diversification of asset management

- Expansion of returns → Expansion of certain risk assets (global equity ETF, etc.)

#### Product strategy

- Main products → Concentrating on income guarantee products in the first sector and medical insurance in the third sector
- Saving type products → Measures to curb sales of products affected significantly by low interest rates, etc.

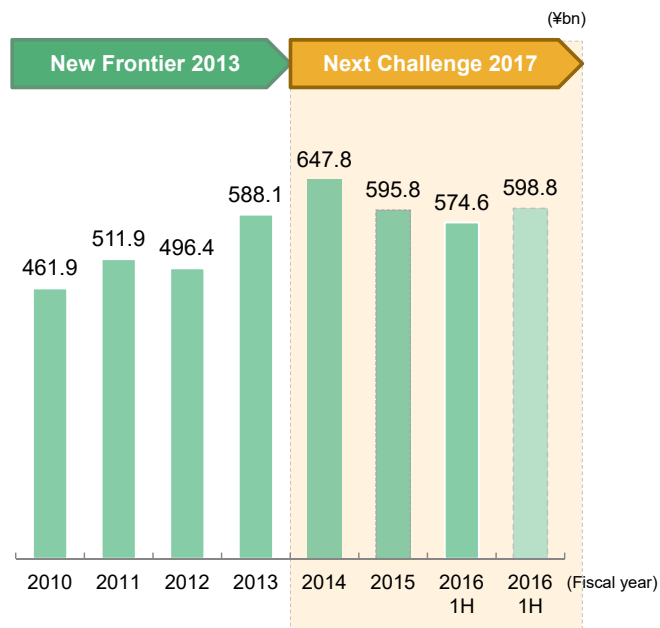
### MSI Primary Life

- Main products → Products denominated in foreign currency that are less susceptible to the impact of negative interest rates

## Domestic Life Insurance Business: MSI Aioi Life

- Annualized premiums of new policies in the third sector increased 13.9% year on year, due to strong sales of New Medical Insurance A Plus launched in May 2016.
- Embedded value declined ¥21.1 billion from the end of the previous year, chiefly due to a decline in domestic interest rates.

### Embedded Value (EEV)

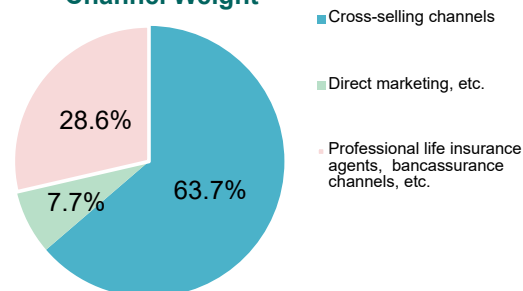


Note) FY2010 figure is a reference value found by calculating the total embedded value of Mitsui Sumitomo Kiremei Life and Aioi Life on an EEV basis.

### Channel Strategies

- Efforts will be made to achieve increased revenues via diverse channels, especially through cross-selling as a life insurance company affiliated with a non-life insurance company.
- Cross-selling will be accelerated, mainly by professional representatives of non-life insurance, supported by the improvement of dialogs and guidance with and for agents, education and training, and follow-up activities

### Channel Weight



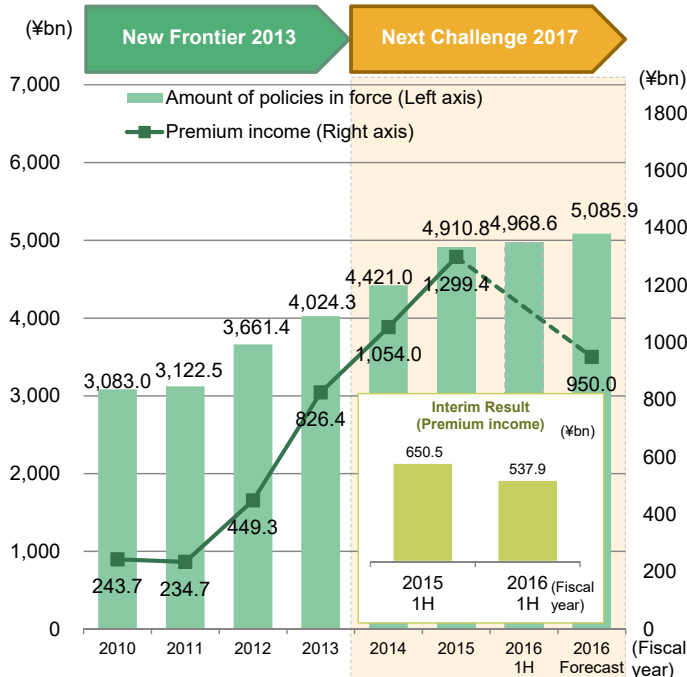
### Product Strategies

- Policy of attaching importance to development and sales of protection-type, instalment payment-type products
- Focus on sales of comprehensive income guarantee insurance and newly developed New Medical Insurance A Plus.

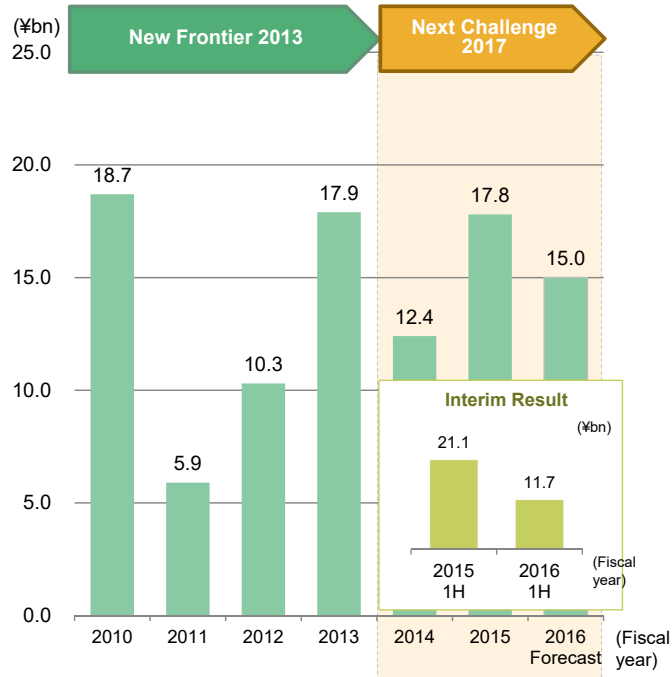
## Domestic Life Insurance Business: MSI Primary Life (Premium Income, Amount of Policies in Force, and Net Income)

- In the first half of FY2016, premium income decreased by ¥112.5 billion, to ¥537.9 billion, as the effect subsided of new variable products that recorded strong sales last fiscal year.
- Net income has constantly exceeded ¥10.0 billion since FY2012 and is expected to be ¥15.0 billion in FY2016.

### Amount of Policies in Force and Premium Income



### Net Income



## Domestic Life Insurance Business: MSI Primary Life (Channels and Sales Strategies)

- Actively introducing products for the development of new markets, focusing on foreign currency-denominated insurance products.
- Achieved growth with a well-balanced portfolio of fixed and variable products.

### Enhancement of Product Line-Up and Its Effect

(Rich product line-up)

	Fixed	Variable
Whole life insurance	Foreign currency-denominated fixed whole life insurance <b>しあわせ、ずっと たのしみ、ずっと</b> Currency option-type fixed special whole life insurance <b>やさしさ、つなぐ</b> <small>New product</small>	Foreign currency denominated variable whole life insurance <b>えがお、ひろがる</b> Variable whole life insurance <b>かがやま、つづく2</b>
	Currency option-type individual fixed annuity pension <b>みらい、そだてる</b>	Individual variable annuity insurance <b>届く しあわせ</b>

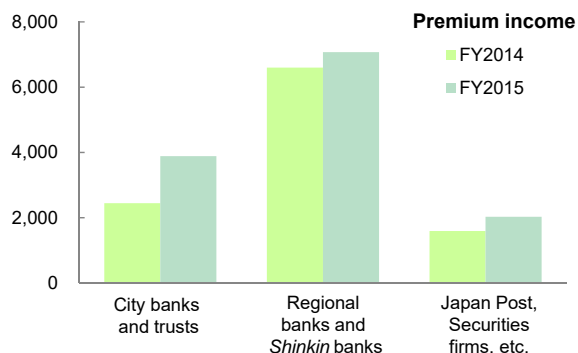
### New Product Developing New Market



#### やさしさ、つなぐ

- Launched in August, 2016
- Currency option-type fixed whole life insurance whereby living benefits can be received immediately after execution of contract. Introduction of product focussed on gift needs will lead to market creation.

### Establishment of sales base in all channels



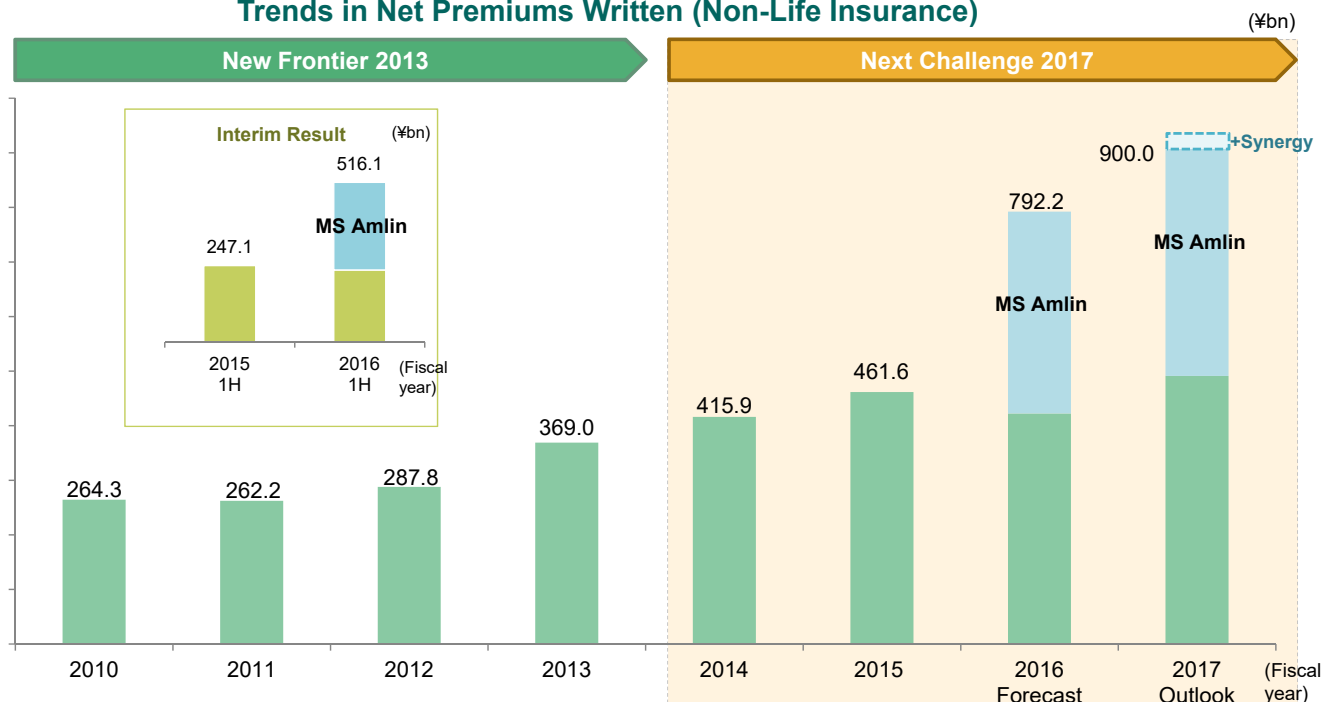
## II. Situation by Business Segment

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

## International Business: Net Premiums Written

- Net premiums written in the 1<sup>st</sup> half of FY2016 increased significantly by ¥269.0 billion compared with the same period of the previous year to ¥516.1 billion due to newly consolidated MS Amlin. Even without MS Amlin net premiums written increased if the effect of exchange rates is excluded.
- Net premiums written for FY2016 are expected to amount to ¥792.2 billion, an increase of ¥330.4 billion year on year.

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

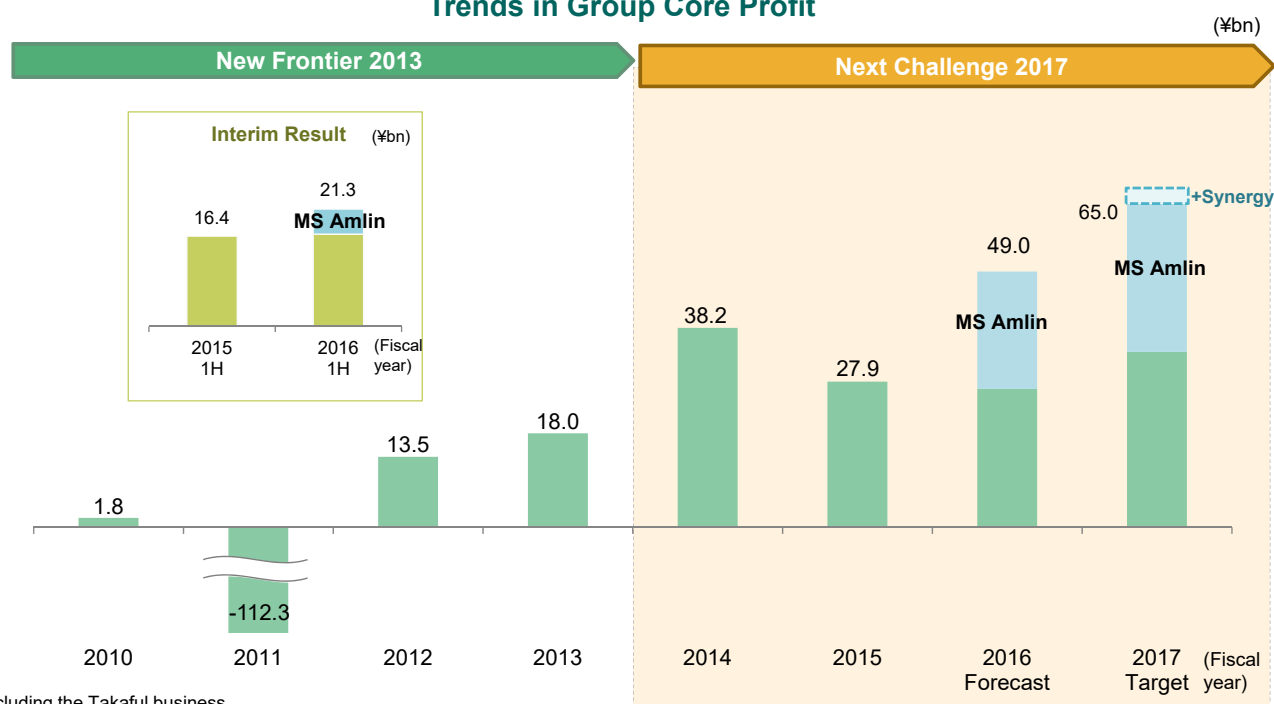


\* International Business: The figures are the aggregate of the results for overseas consolidated subsidiaries, non-life insurance companies' overseas branches and overseas non-consolidated affiliates.

## International Business: Group Core Profit

- Group Core Profit in the first half of FY2016 increased slightly by ¥4.9 billion to ¥21.3 billion compared with the same period of the previous year as the positive effect of newly consolidated MS Amlin was offset by the negative impact of major natural catastrophes, etc.
- Group Core Profit for FY2016 is expected to amount to ¥49.0 billion, an increase of ¥21.0 billion year on year.

### Trends in Group Core Profit

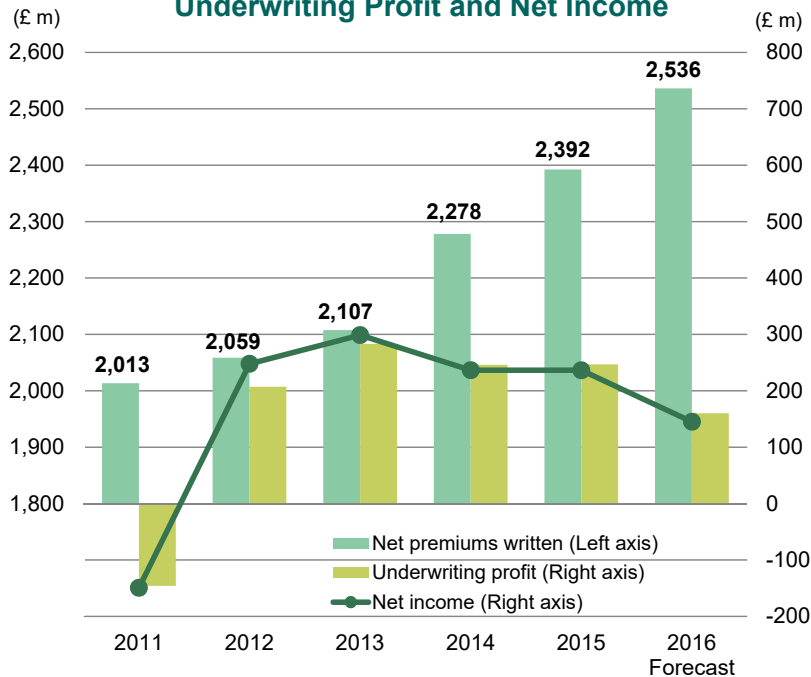


\* Including the Takaful business.

## International Business: Strategies (Amlin Business: Summary of Interim Results)

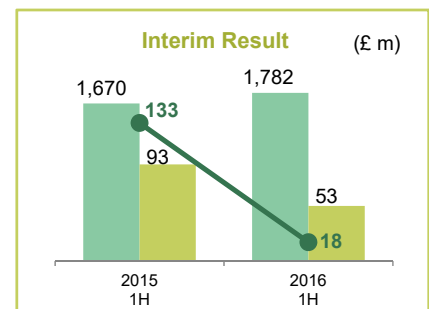
- Net premiums written in the first half of FY2016 increased by £112 million to £1,782 million year on year, and are also expected to show strong growth on a full-year basis.
- Net income for the 1<sup>st</sup> half fell, reflecting factors such as deterioration in underwriting profit due to major natural catastrophes and in assets under management due to the stock market decline, etc. However, a recovery to some extent is expected for the full year.

### Trends in Net Premiums Written, Underwriting Profit and Net Income



### Summary of MS Amlin's 2016 Interim Results

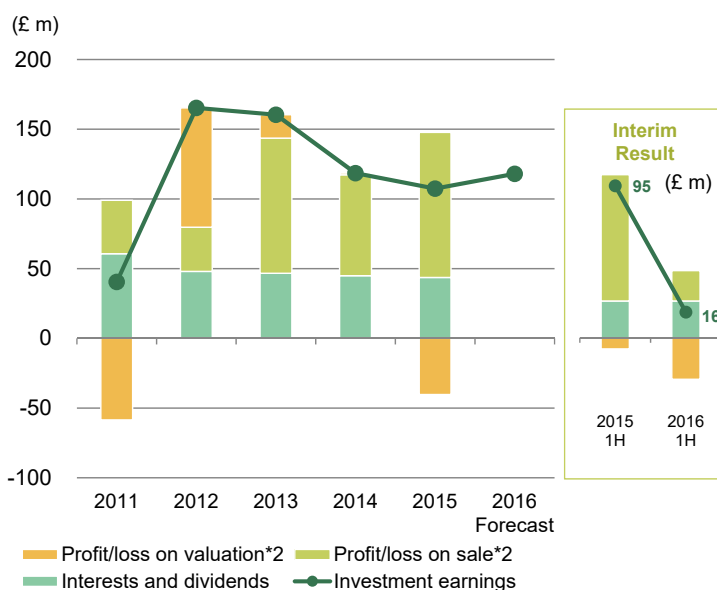
- Compared with the previous year, which saw few large natural catastrophes, underwriting profit fell by £40 million to £53 million year on year due to deterioration in the loss ratio mainly owing to the forest fires in Canada and Taiwan earthquake.
- E/I combined ratio was 95%, which was better than Lloyd's average of 98%.
- Asset management income deteriorated by £64 million to £30 million year on year, mainly due to a decline in stock and bond markets.
- Regarding integration-related costs of around ¥1.7 billion, an allowance was already recorded in the 1<sup>st</sup> half



## International Business: Strategies (Amlin Business: Asset Management Results and Policy)

- Investment earnings are stable in the medium and long term despite a certain degree of fluctuation in a single fiscal year.
- In the 1<sup>st</sup> half of FY2016 investment earnings stayed at a low level at £16 million (£30 million including exchange gains /losses related to investment) due to deterioration of markets, but are expected to recover for FY 2016 full year (forecasting over £100 million).

### Trends in Asset Management Results\*1



### MS Amlin's Asset Management Policy

The Risk Appetite takes factors such as foreseeable risks, the earnings potential of possible investments, the underwriting environment and the financial position of the Group as a whole into consideration.

MS Amlin does not set an absolute amount of investment earnings as a target but instead aims to maximize investment earnings within the limit of tolerable risk.

The asset investment policy based on the Risk Appetite is determined as follows.

- Determine the asset allocation that is likely to optimize return on risk in the medium- and long-term based on risk tolerance and quantitative and qualitative market analysis.
- Strategically review asset allocation according to the market environment.
- Management of each asset class is entrusted to an outside specialist. Select best asset management companies with extensive experience.

\*1 Excluding exchange gains/losses related to investment

\*2 In accordance with the classification in Amlin's released documents until FY2015 (including interim periods)



## International Business: Strategies (Amlin Business: Synergy)

- Cost synergies of around ¥4 billion are expected as a result of the merger of Lloyd's businesses and the Reinsurance business until January next year.
- The results of growth synergies are already started to emerge, especially in Asia and the U.S.

### Cost Synergies

- Cost reduction effect of merger of Lloyd's businesses and the Reinsurance business:  
Around ¥4 billion annually

### Growth Synergies

**<Results So Far> Around ¥3.0 billion** as of the end of October 2016 (based on projected premiums)

- **Aviation insurance:** Cooperation with a leading managing general agent in the U.S. aviation insurance sector
- **Project cargo insurance:** Conclusion of cargo insurance contracts for military equipment using MS Amlin's skills
- **Cargo insurance for special cargo:** Conclusion of cargo insurance contracts for agricultural produce, feed, etc. using MS Amlin's skills and reinsurance
- **Yacht insurance:** Creation of a new insurance scheme and a new alliance with underwriting agents by utilizing MS Amlin's skills in handling insurance for cruisers.
- **Cargo insurance for non-Japanese companies in the U.S.:** Conclusion of contracts by creating new scheme in which MS Amlin underwrites reinsurance

#### <Planned Initiatives>

- Leverage MS Amlin's knowhow of specialty lines to provide products that MS&AD could not provide with our own capability, especially in Asia
- Increase cooperation not only with MSI but also with ADI entities.

## International Business: Strategies (Amlin Business: Strengthening of Business Base and PMI)

- Started strengthening the business base through cooperation in products/services, financial strategy, ERM, etc.
- Progress in PMI has been in line with the plan, including the retention of human assets.

### Strengthening of Business Base

#### Products and services

- Japan: Collaboration in speciality classes of business (D&O, professional indemnity, etc.) in dealings with Japanese global companies
- U.S.: Start of cooperation with a leading managing general agent in aviation insurance

#### Financial strategy

- Collaboration with an investment company (Leadenhall Capital) that invests in insurance-linked bond investment funds

#### Sophistication of ERM

- Deployment of knowhow of MS Amlin, which has received internal model approval from the authorities under EU Solvency II, in Japan

#### Exchange of personnel

- Implementation of exchange through global trainee program, etc. both at senior management level and staff level

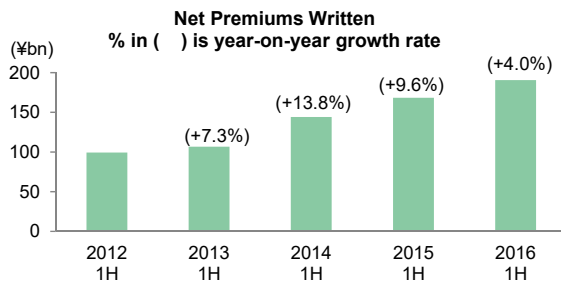
### Progress of PMI

- Integration of operations of Lloyd's managing agents was completed in May 2016. Integration of syndicates is scheduled for January, 2017.
- Merger of reinsurance subsidiaries is planned to be completed by January 2017. Integration plan was already submitted to the Swiss and Bermudan authorities.
- There was no drain of major talent after the announcement of integration.

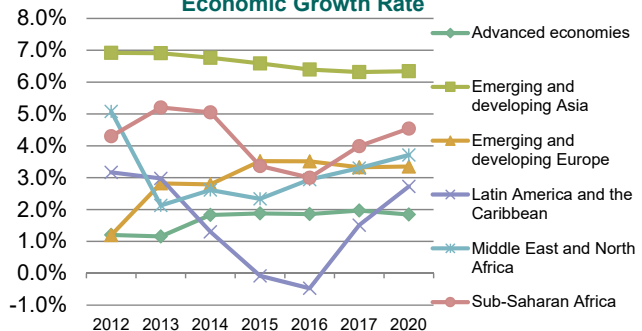
## International Business: Strategies (International Non-Life Insurance Business (Excluding Amlin, Toyota Retail and BIG))

- Tap into economic growth and rising insurance penetration rate, focusing on emerging Asian economies and regions, where Group has a strong position.
- Leverage strength in Asia to realize high quality and efficient global operations through the establishment of complementary relationships with global players.

### Trends in Premiums Written on a Local Currency Basis



### Business Expansion Tapping into Regions in Asia with High Economic Growth Rate

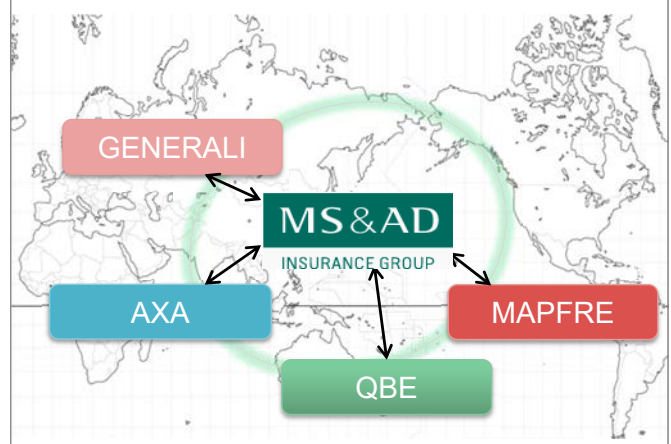


<Figures from 2016 are outlook>

(Source: 2016 IMF World Economic Outlook)

### Global Cooperation Strategy

- Promotions of strong alliances with global players
- Complementary and strategic use of facilities and services



#### <Main results of cooperation>

- Utilization of direct underwriting function of business partners in regions where we do not have a license.
- Our entry to the insurance programs for customers of our business partners
- Providing products of our business partners to our customers, etc.

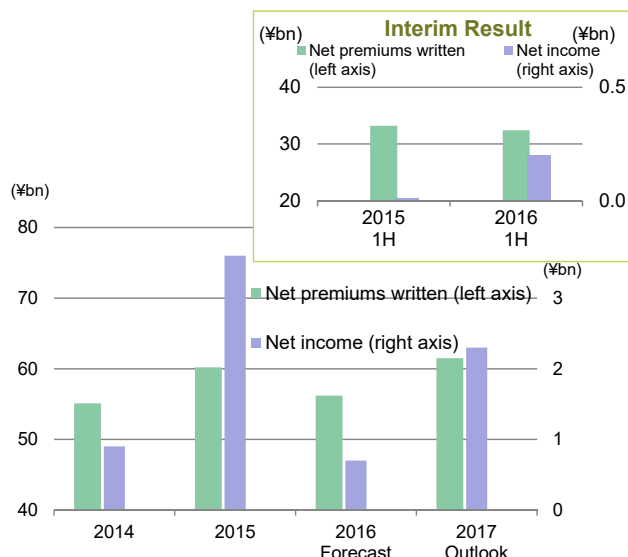
## International Business: Strategies (Toyota Retail and BIG Businesses)

- In the Toyota Retail business (excluding BIG), interim net premiums written declined ¥0.8 billion year on year, to ¥32.4 billion, due primarily to the impact of foreign exchange (increased by ¥3.0 billion without considering the impact of foreign exchange) and net income rose by ¥0.2 billion year on year, to ¥0.2 billion.
- In BIG<sup>\*1</sup> business, as a result of acquisition of telematics knowhow, which was the purpose of the acquisition of BIG, expansion in the U.S. and also on the European continent and synergy with the Toyota Retail business are expected.

### Toyota Retail Business

### BIG Business

### Net Premiums Written and Net Income



- In BIG business, notwithstanding the impact of large losses at the beginning of the fiscal year, the loss ratio improved as a result of various initiatives, and achievement of the full-year plan is expected.
- Continuing measures to improve losses including initiatives to increase the number of new sales at MGA, retention of excellent customers through the use of telematics data in underwriting, and initiatives to eliminate insurance fraud.
- ITB<sup>\*2</sup> received the Combatting Fraud -Technology Initiative of the Year award in the FY2016 Insurance Fraud Awards<sup>\*3</sup>



<sup>\*1</sup> Box Innovation Group Limited <sup>\*2</sup> Insure the Box Limited, a managing general agent (MGA) that is a core company of the BIG Group.

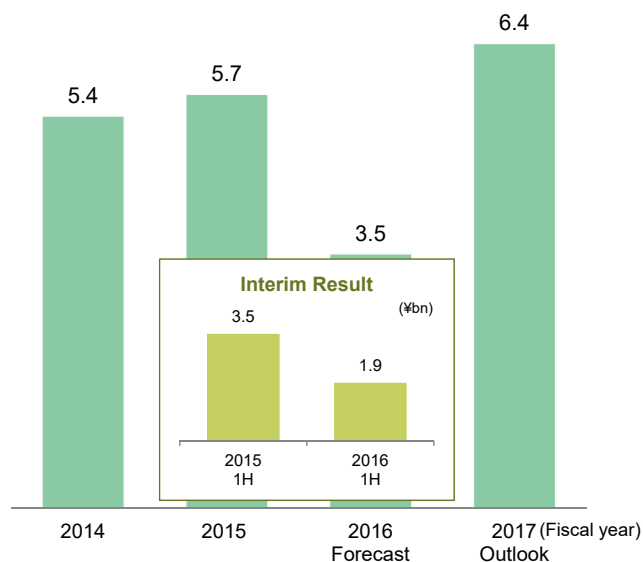
<sup>\*3</sup> Award program for initiatives to eliminate insurance fraud

## International Business: Strategies (Asian Life Insurance Business)

- The Group will aim for a steady increase in earnings in FY2017, while net profit for FY2016 is expected to be lower than the previous year, due in part to weak local currencies and a decline in interest rates.
- The Group aims for steady business expansion through the transfer of knowhow based on capital alliances with trustworthy partners in growth regions and synergy with general insurance business as before.

### Trends in Net Income\*

\*Equities attributable to the Company (¥bn)



### Future Strategy of Asian Life Insurance Business

#### Basic policy

- Stable expansion of existing business
- Strategic business expansion through new investment

#### Medium-to-long-term stance

- Prioritization of investment in Asia where higher growth than other regions can still be expected.
- Effective utilization of the Company's management knowhow, and pursuit of synergy with Asian general insurance business
- Minority investment is the basic rule.

### India: Merger of Max Life

In August 2016, Max Life, which is partly owned by MSI, decided to merge with HDFC Standard Life aiming for further improvement in its corporate value. A new company on the scale of around ¥400 billion on a premiums written basis will be formed. The advantages of the merger are as follows.

- ★ Improvement of competitiveness through strengthening of sales network and product development capability
- ★ Improvement of brand strength and cost reduction through expansion in scale
- ★ Provision of high quality services to Japanese customers by our representatives in India

\* The merger will take place in FY2017.

## II. Situation by Business Segment

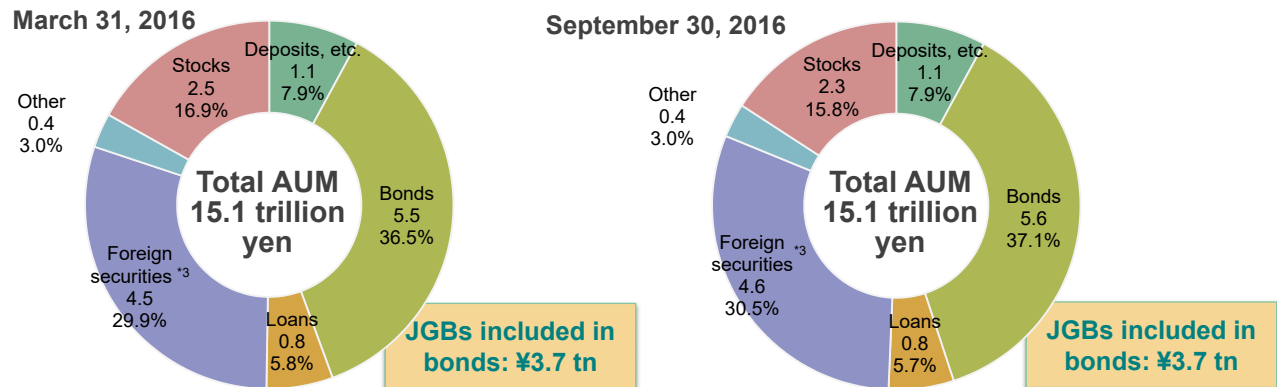
1. Domestic Non-Life Insurance Business
2. Domestic Life Insurance Business
3. International Business

### 4. Asset Management

## Asset Management: Assets Under Management by Asset Class (MS&AD Insurance Group)

- The Group aims to build a portfolio that takes the characteristics of liabilities into consideration to secure stable return on investment.

### Assets Under Management (MS&AD Insurance Group)\*1 (¥tn)



### Interest rate sensitivity (as of September 30, 2016) (¥bn)

	Total of MS&AD Group	Total for domestic non-life insurers	Total for domestic life insurers
Change in difference between asset and liability values (surplus) in the event of a 100 bp rise in yen interest rates	+372.7	+101.5	+271.2
<Reference> as of March 31, 2016	+370.6	+103.4	+267.1

**Total interest-rate assets\*2 as of the end of September 2016: Approx. ¥10.8 tn  
=> or 71.7% of AUM**

\*1 Arithmetic totals of MSI, ADI, Mitsui Direct General, MSI Aioi Life, and MSI Primary Life's (general accounts) asset holdings as based on financial statement categorization  
The monetary trusts of MSI Primary Life are aggregated as foreign securities (foreign bonds).

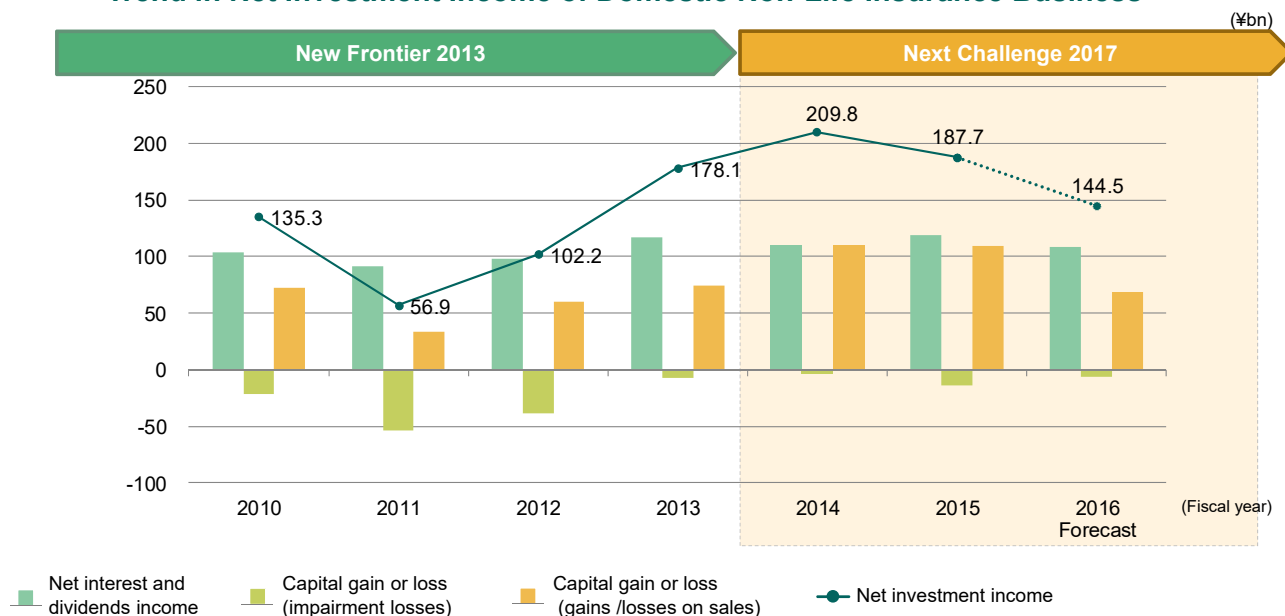
\*2 Total of deposits, bonds, loans and foreign bonds

\*3 Foreign bonds include stocks of subsidiaries and affiliates of ¥1.1 trillion.

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

- In FY2016, the Group expects to record net investment income of ¥144.5 billion on the assumption of the sales of strategic equity holdings of ¥120 billion.

### Trend in Net Investment Income of Domestic Non-Life Insurance Business (¥bn)



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

\* In 2014, capital gain or loss (gains/losses on sales of securities) includes ¥63bn of gains for additional provision for reserve for price fluctuation.

## Asset Management: Measures Against the Impact of BOJ's "NIRP" (Negative Interest Rates Policy)

- The Group is taking concrete action in response to the BOJ's negative interest rate policy.

### Asset Management Policy in Response to "NIRP"

#### ● Basic policy

- The existing asset management policy emphasizing financial soundness and ALM remains unchanged.

#### ● Specific countermeasures

- Avoid investment in bonds and other securities whose yields are negative.
- Maximize profit as possible from asset management by promoting diversified management in assets whose expected returns are relatively high<sup>\*1</sup>, taking risk into consideration.

<sup>\*1</sup> Including corporate bonds, foreign bonds, foreign stocks, and alternative investments

#### ● Continued reduction in strategic equity holdings

- Continue to reduce strategic equity holdings to achieve the target in the medium-term management plan (a reduction of ¥500 billion from FY2014 to FY2017).

### Concrete Actions in the First Half of FY2016

- Investment in assets whose expected returns are relatively high
- Total net investment (after deduction of redemptions and sales) in foreign bonds, foreign stocks and alternative investments of ¥62.5 billion.

Actual investments in the first half of FY2016 (¥bn)

	3 companies total	MSI	ADI	MSA Life
Foreign bonds	+49.0	+22.0	+25.0	+2.0
Foreign corporate bonds	+15.6	+0.0	+15.6	+0.0
Foreign stocks	+4.3	+1.0	+0.1	+3.1
Alternative investments	+9.1	+5.2	+3.9	+0.0
Total	+62.5	+28.2	+29.0	+5.2

\* Investments = Purchases - Redemptions and Sales

\* Foreign bonds excludes hedged foreign bonds

- Total investment in corporate bonds of ¥46.8 billion, comprising ¥18.7 billion in hedged corporate bonds and ¥12.6 billion in yen-denominated bonds in addition to ¥15.6 billion in foreign corporate bonds.

#### ● Status of reduction in strategic equity holdings

- Plan to reduce ¥120.0 billion during FY2016.
- Achieved reduction of ¥70.5 billion in the first half of FY2016.
- Already achieved cumulative reduction since FY2014 of ¥342.7 billion.

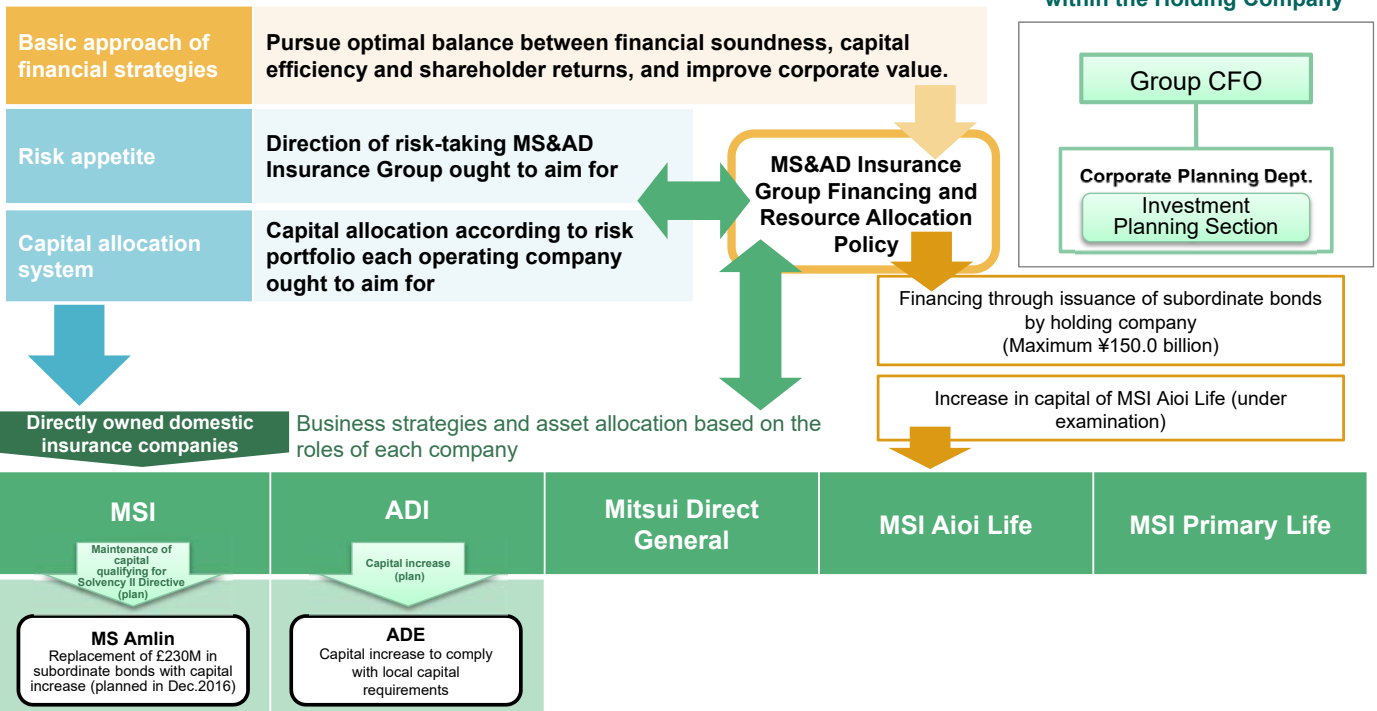
\* See p.31 "Promotion of ERM: Status of Sales of Strategic Equity Holdings" for further details.

## III. Strengthening Systems for Enterprise Value Creation

## Promotion of ERM: Strengthening of Group Financial Strategies

- Strengthening Group financial strategies under the leadership of the Holding Company, and promoting the sophistication of ERM.
- Increased financing options on a group basis and established a structure for promoting the allocation of capital to operating companies and new business investments, etc.

### Strengthening the Structure of Group Financial Strategies



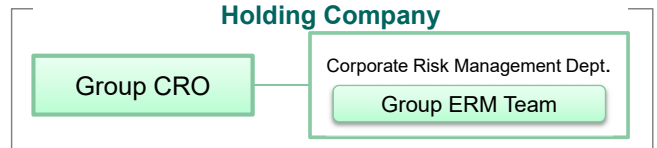
## Promotion of ERM: Sophistication of ERM

- Aiming for ROE at a 10% level in accordance with clarification of Group's vision.
- Aiming for advanced ERM through various initiatives for the improvement of ROR and synergy with MS Amlin.

### Initiatives for Improvement of ROR

Group	Raising of target ROE	<b>Vision:</b> ROE at a 10% level <b>Next Challenge 2017 Target:</b> Group ROE of 7.5%
	Strengthening of Group financial strategies	Utilization of subordinate bonds, etc.
Domestic Non-Life	Management by class of business	Promotion of measures for early improvement in classes of business with low ROR
	Evaluation of profitability on expected value basis	Introduction of evaluation of profitability on expected value basis, starting from commercial fire insurance area => Rationalization of terms and conditions and premium rates
	Improvement in quality of capital	Continued promotion of sales of strategic equity holdings
International Business	Promotion of risk portfolio diversification	Expansion of risk-taking overseas, especially in the Asia region, etc.
		Examination of new business investments that will contribute to improvement in ROR

### Strengthening the Structure within the Holding Company



### Areas in which sophistication is expected as a result of synergy with MS Amlin

<b>ERM framework</b>	Sophistication of capital allocation system and risk limit management
<b>Internal model</b>	Integration of Group model with MS Amlin's internal model through an analysis of the differences between the two models and sophistication of validation
<b>Risk-return management</b>	Examination of framework for setting target return and target loss ratio for each line of business
<b>Development of ERM personnel</b>	Mutual improvement in skills through personnel exchange (acceptance of actuaries and dispatch of personnel to MS Amlin)

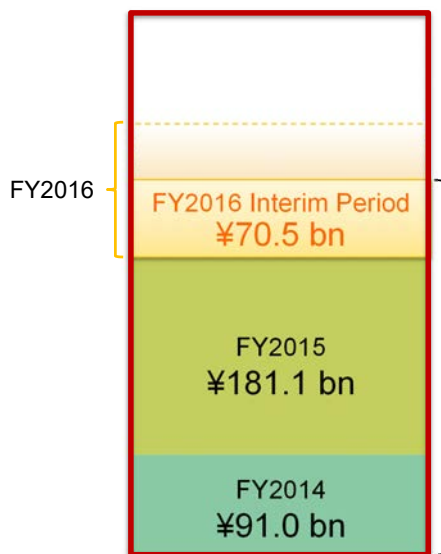


## Promotion of ERM: Status of Sales of Strategic Equity Holdings

- The Group sold 70.5 billion yen's worth of strategic equity holdings in the interim period of FY2016. The Group made good progress in achieving its sales target in Next Challenge 2017, which was raised in November 2015.
- The risk weight of strategic equity holdings in Group risk was around 35%. Their fair value weight\*1 in consolidated total assets was around 12.0% (September 30, 2016).

### Sales in Next Challenge 2017

Sales target in Next Challenge 2017:  
¥500 bn (← ¥300 bn)\*3



Next Challenge 2017

### 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	No target
		FY2011	88.7		
		FY2012	114.1	(Subtotal)	(Target)
		FY2013	173.5	376.4	300.0
	Next Challenge 2017	FY2014	91.0		
		FY2015	181.1	(Subtotal)	(Target)
		Interim period of FY2016	70.5	342.7	500.0
		Total		1,577.2	

\*1 Fair value weight of strategic equity holdings in consolidated total assets  
Previously, the fair value, which is the numerator, was taken as the total amount of other available-for-sale securities (domestic stocks) stated in the financial summary. However, henceforth, in the interests of greater accuracy, the fair value will be the total fair value of all strategic equity holdings, including non-listed stocks.

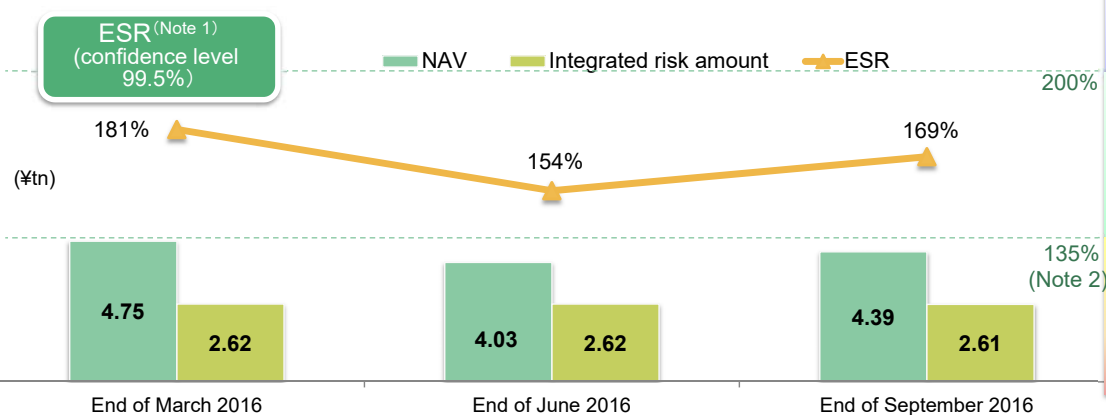
\*2 The figures for FY2003 to FY2009 are simple sum of results for MSI, Aioi, and NDI. (The sales before FY2002 are not disclosed, since it is difficult to collect data in the same criteria from the entities before merger.)

\*3 Sales target was revised from ¥300 bn to ¥500 bn in Nov. 2015.

	March 31, 2016	September 30, 2016
Previously: Based on other available-for-sale securities (domestic stocks) stated in the financial summary	12.2%	11.7%
Henceforth: Based on fair market value of all strategic equity holdings including unlisted stocks	12.6%	12.0%

## Promotion of ERM: Status of ESR

- The ESR fell to 154% at the end of June 2016 due to an increase in the economic value of insurance liabilities (decrease in NAV) as a result of decline in domestic interest rates and a decline in the fair value of assets as a result of a weak stock price and a strong yen, as well as an increase in life insurance underwriting risks and interest rate risks.
- However, the ESR recovered to the 169% level at the end of September after the yen and interest rates regained their composure.

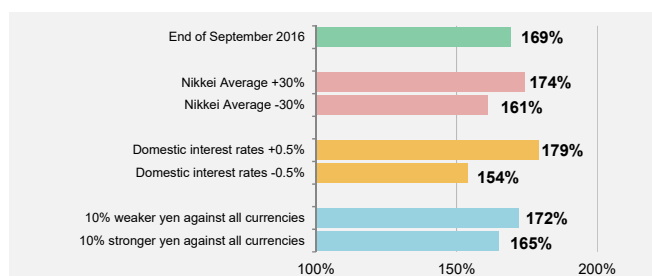


### Re-examination of capital utilization

- Shareholder returns aiming for Group Core Profit of 50%
- Accumulation of internal capital for the establishment of financial base that satisfied requirements for AA rating
- Examination of capital utilization through business investment, etc.

### Examination of reduction in risk amount or capital increase, etc.

### Impact of market price fluctuation on ESR (as of the end of September 2016)



(Note 1) ESR: Economic Solvency Ratio

(Note 2) ESR level that is equivalent to capital buffer of ¥900 billion (135% at the end of September 2016)

### <Market environment assumptions>

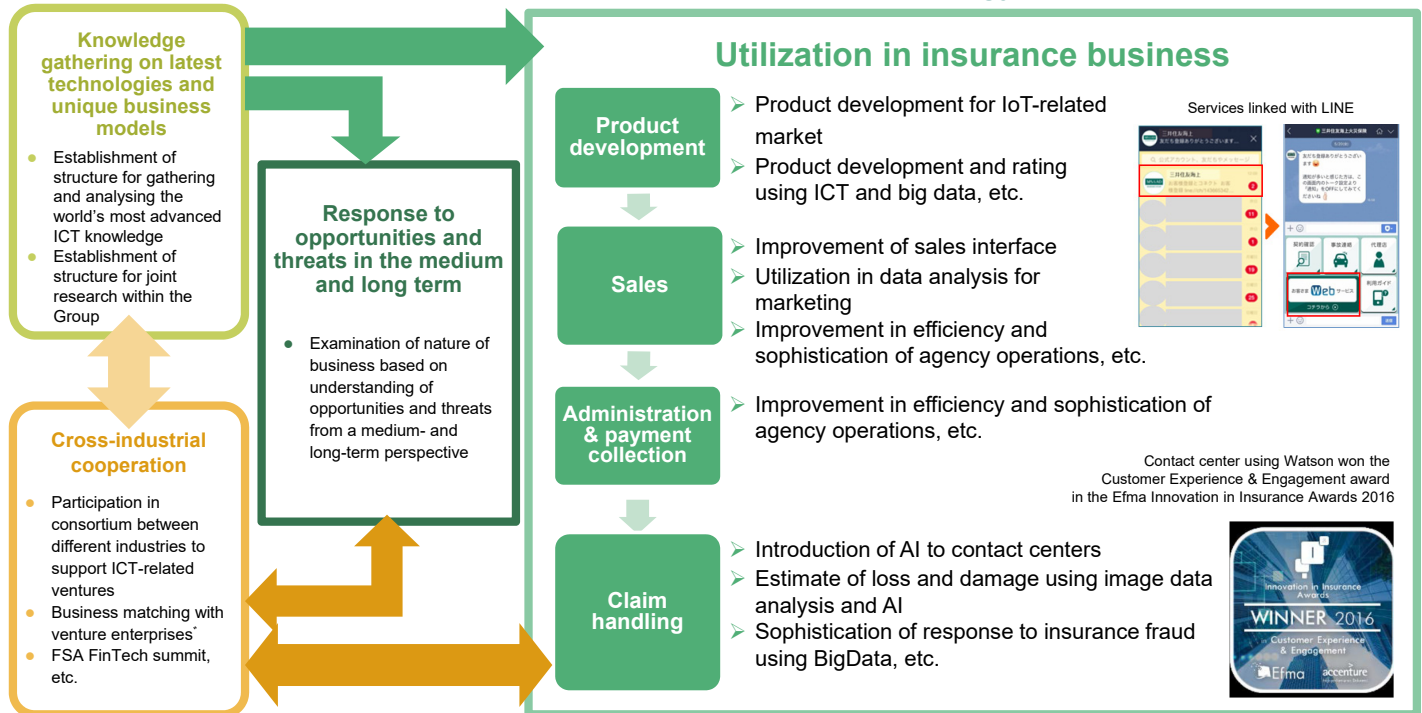
	End of March 2016	End of June 2016	End of September 2016	Vs End of March
Nikkei Stock Average	¥16,759	¥15,576	¥16,450	-¥309
USD/JPY	¥113	¥103	¥101	-¥12
30-year JGB rate	0.54%	0.14%	0.46%	-0.08pt



## Response to Future Environmental Changes: ICT Strategy

- The Group will establish a structure for gathering and analyzing the most advanced ICT knowledge and unique business models, and a structure for open innovation.
- The Group will conduct an examination of its response to opportunities and threats in the medium and long term led by the Holding Company and demonstration experiments of products and services using ICT at each business company.

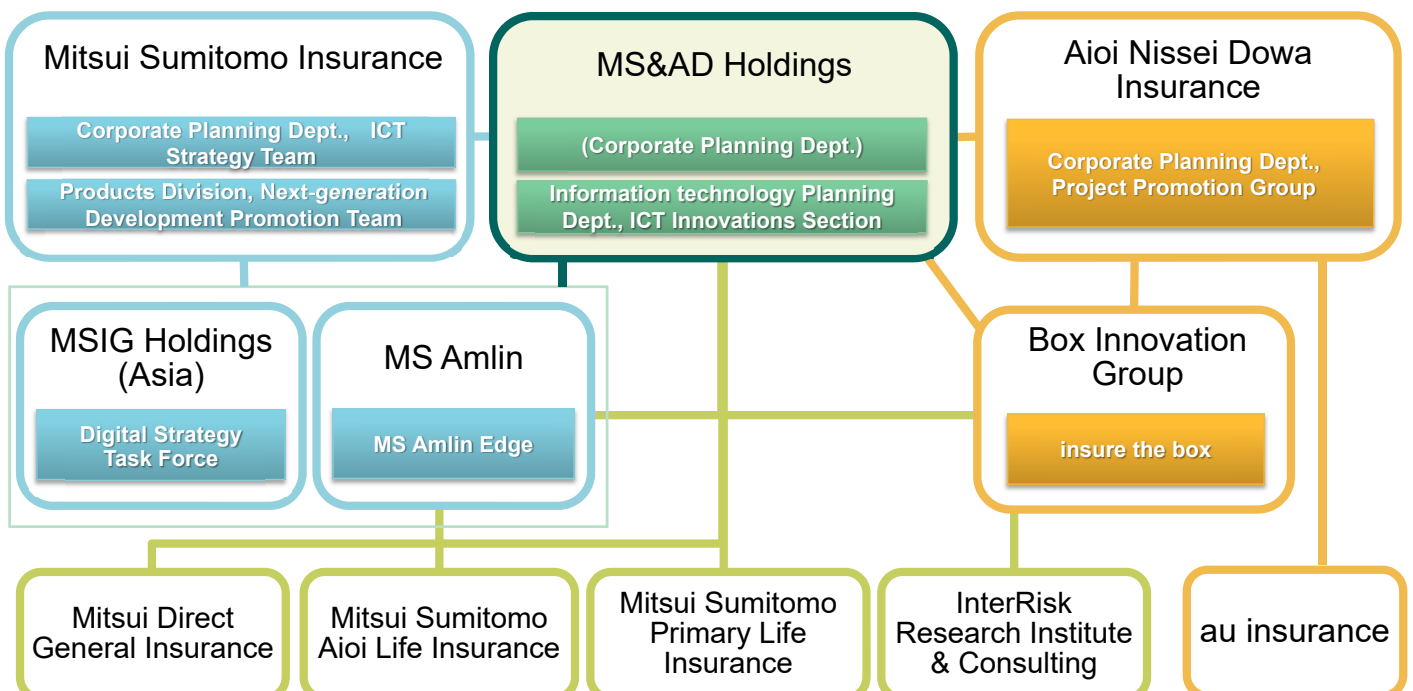
### Response to Impact of Advances in ICT Technology on Business



## Response to Future Environmental Changes: ICT Strategy Development Structure

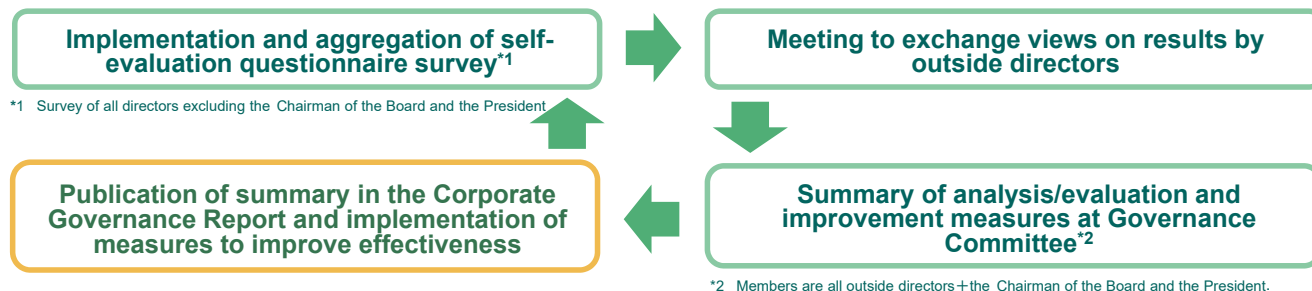
- The Group conducts product and service development that utilizes the characteristics of each Group company while increasing knowledge sharing within the Group.

### Structure for Development of Products and Services Using ICT



## Strengthening Corporate Governance (Evaluation of Effectiveness of the Board of Directors)

- The Group periodically verifies the performance of duties by each director and whether the Board of Directors as a whole is functioning properly by conducting a self-evaluation of the Board of Directors from the viewpoint of the roles, responsibilities, operations, etc. of the Board of Directors to help improve the Board's effectiveness.
- The Group published a summary of these results in the Corporate Governance Report in June this year. The Group will continue to verify the Board's effectiveness on a regular basis and strive for further improvement.



### Summary of the description in the Corporate Governance Report

#### 1. Roles and responsibilities of the Board of Directors

The Board of Directors has grown capable of deep deliberations, holding multiple deliberations regarding matters such as the formulation of a medium-term management plan and large-scale business investments. It has also enhanced its framework for regularly examining the progress of its Group insurance companies with their own medium-term management plans, and has a stronger monitoring approach in place. Given the rapid pace of technological innovation and other changes in environment, the Board of Directors needs to deepen its strategic deliberations from a mid- to long-term viewpoint.

Fixed-point observation of the dissemination and practice of the Group's Corporate Philosophy (Mission), Corporate Vision and Values was conducted, and it has been reported to the Board of Directors that these are steadily being disseminated and practiced. The Board of Directors has also formulated and made public the MS&AD's story of Value Creation that presents the connection between social issues and the Group's business activities and realization of Corporate Mission. Efforts will continue to strengthen the dissemination of information both inside and outside the Group and to encourage the understanding of its officers and employees.

#### 2. Operations of the Board of Directors

The Board of Directors operates appropriately, with materials distributed prior to meetings, information provided to Directors as needed, and sufficient time allowed for deliberations.

In fiscal 2015, a reexamination was made of agenda items presented to the Board of Directors, and the items subject to so-called package deliberation, in which explanation of some agenda items during Board meetings is simplified, were expanded further. By working to secure more time for deliberations regarding strategic decisions, the Board of Directors has strengthened its supervisory function. It is important that the Board of Directors strengthens its deliberations regarding the direction of management strategy, management plans and other important themes, in particular incorporating the viewpoints of the outside directors.

## IV. Shareholder Return Policy

## Shareholder Return Policy

- The Group has been increasing shareholder returns steadily by growing Group Core Profit.

### Shareholder Return Policy

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

#### <Dividends>

The basic policy is to maintain stability. We aim to increase our earnings power and dividends in the medium run.

#### <Share buybacks>

We will repurchase our own shares flexibly, and as opportunities arise, with due consideration to market conditions and the state of our capital.

### Shareholder Returns and Shareholder Return Plan

#### <Dividends>

FY2016: The annual dividend is planned **to rise ¥10 from the previous year to ¥100.**

This includes an interim dividend of ¥50 yen resolved at a meeting of the Board of Directors on November 18.

FY2015: An annual dividend of ¥90 was paid, an increase of ¥25 from the previous year.

#### <Share buybacks>

FY2016: The Group resolved **to buy back ¥30 bn (maximum) of its own shares at a meeting of the Board of Directors on October 31.**

(Buyback period: November 1, 2016 – March 17, 2017)

FY2015: Buybacks of around ¥20 bn

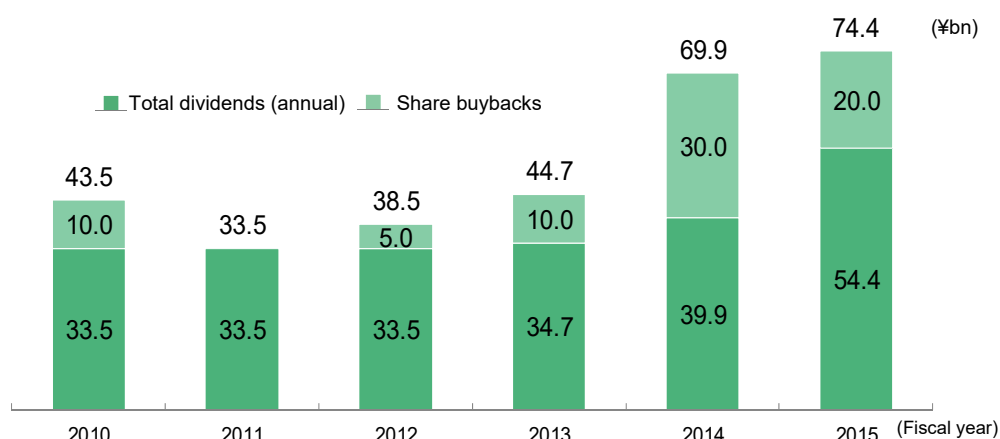
\* Please refer to the Appendix Data (p.38) for the method of calculating Group Core Profit and the shareholder return ratio

## Shareholder Return Policy: Past Shareholder Returns

Trends in total shareholder returns (as of November 18, 2016)

(¥bn)

	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	Total
Group Core Profit	14.5	-87.5	87.4	94.8	155.7	147.5	412.3
Total returns	43.5	33.5	38.5	44.7	69.9	74.4	304.7
Shareholder return ratio	300%	-	44%	47%	45%	50%	74%
Returns per share (yen)	69.8	54.0	62.0	72.0	113.5	122.5	-



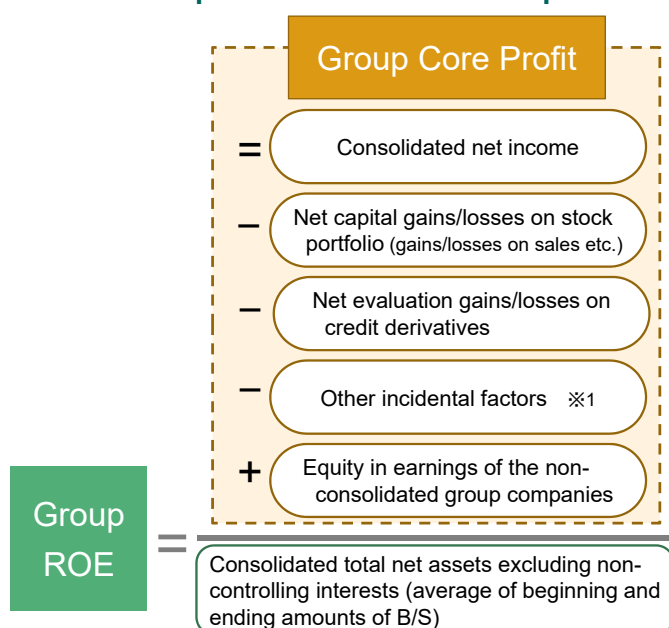
\* Please refer to the Appendix Data (p.38) for the method of calculating Group Core Profit and the single-year shareholder return ratio.

## Appendix Data

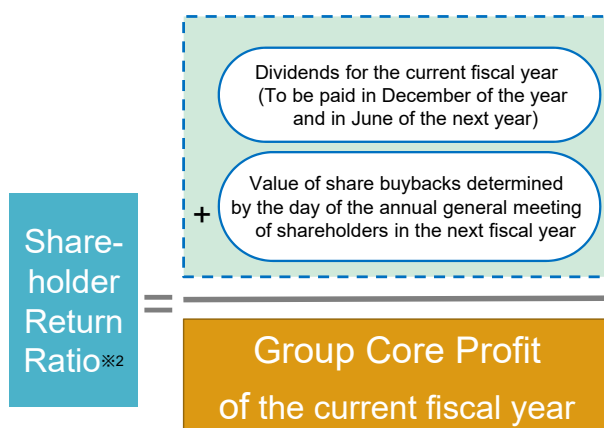
MS&amp;AD Insurance Group Holdings, Inc.

## Calculation Methods of “Group Core Profit”, “Group ROE” and “Shareholder Return Ratio”

## “Group Core Profit” and “Group ROE”



## “Single-Year Shareholder Return Ratio”



- ※1 Extraordinary income/loss after-tax (excluding provision for/reversal of reserve for price fluctuation), amortization of goodwill and other
- ※2 We will return approximately 50% of Group Core Profit to shareholders in the medium run.

## Group Core Profit for FY2016 1H

<b>Group Core Profit</b> 111.4	=	<b>Consolidated Net Income</b> 98.4	-	<b>Net Capital Gains/Losses on Stock portfolio</b> 22.0	-	<b>Net Evaluation Gains/Losses on Credit Derivatives</b> -0.0	-	<b>Other Incidental Factors</b> ※3 -35.0	+	<b>Equity in Earnings of the non-consolidated Group Companies</b> -0.0
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¥bn

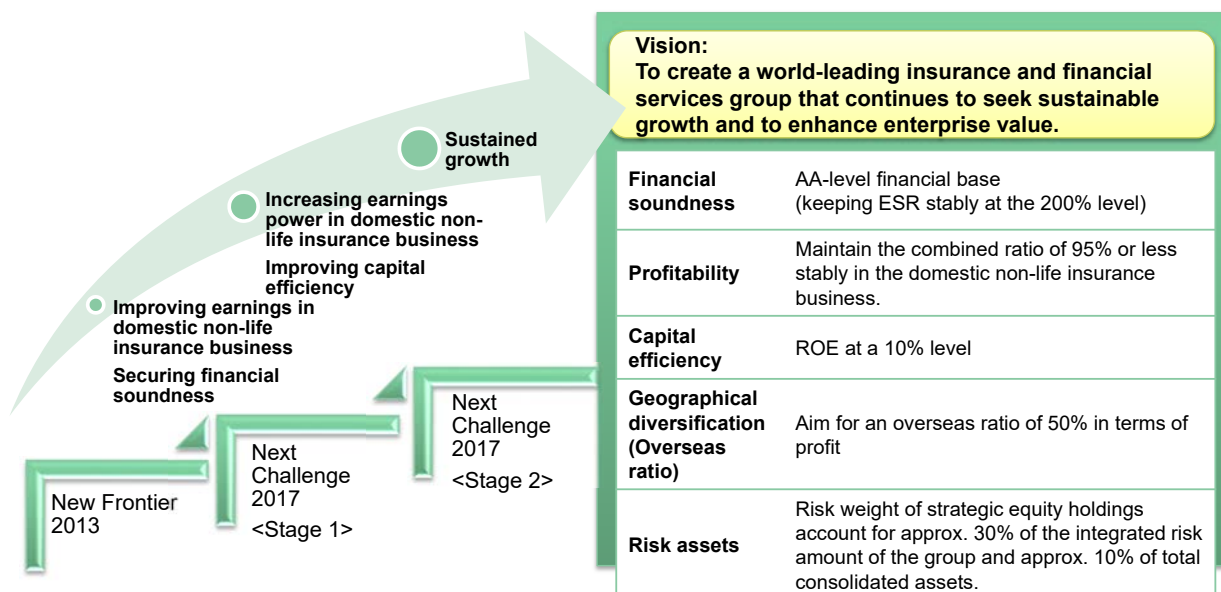
※3 Extraordinary income/loss (excl. reserve for price fluctuation) (-20.4) (System expenses for transfer of third sector policies (-14.3) + costs of integration of Lloyd's and reinsurance business with MS Amlin (-3.5), etc.) Amortization of goodwill, etc. (-14.6)

MS&amp;AD Insurance Group Holdings, Inc.

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## Goals to be Achieved

**Mission:** To contribute to the development of a vibrant society and help secure a sound future for the earth, by bringing security and safety through the global insurance and financial services business.



## Business Environment and Recognition of Issues from a Mid- to Long-Term Perspective

### Business Environment and Recognition of Issues from a Mid- to Long-Term Perspective

Slowdown in the growth of the domestic insurance market due to such factors as the progress of the aging population and low birthrate and a decline in potential growth rates.

Increase in claims payments, reflecting the occurrence of many large-scale natural disasters due to climate change and many accidents due to decaying social infrastructure.

Impact of advanced safety vehicles (ASV) and self-driving cars on the automobile insurance market.

Transformation of social structures due to IoT/ICT technologies and artificial intelligence.

Changes in lifestyles associated with increases in the number of digital natives and single elderly households, as well as products and sales channel needs.

Increase in medical expenses due to the advancement of medical technologies.

Decline in investment income due to a prolonged environment of monetary easing.

### Main Initiatives

#### Domestic non-life insurance business

**Product strategy:**  
Strengthening of product development capabilities to adapt to changes in social environments.  
Improvement of profitability and soundness by enhancing ERM.  
**Channel strategies:**  
Structural reform of sales network. Review of sales organizations.  
Improvement of operation efficiency:  
Evolution of reorganization by function and further improvement of productivity

#### Domestic life insurance business

**Product strategy:**  
Development of products in response to factors such as changes in customer needs and the advancement of medical technologies.  
Product and asset management based on the assumption that the low interest environment will continue.  
**Channel strategy:**  
Establishment of a new agency structure (MSI Aioi Life)  
Pursuing the possibility of building a new sales channel (MSI Primary Life)

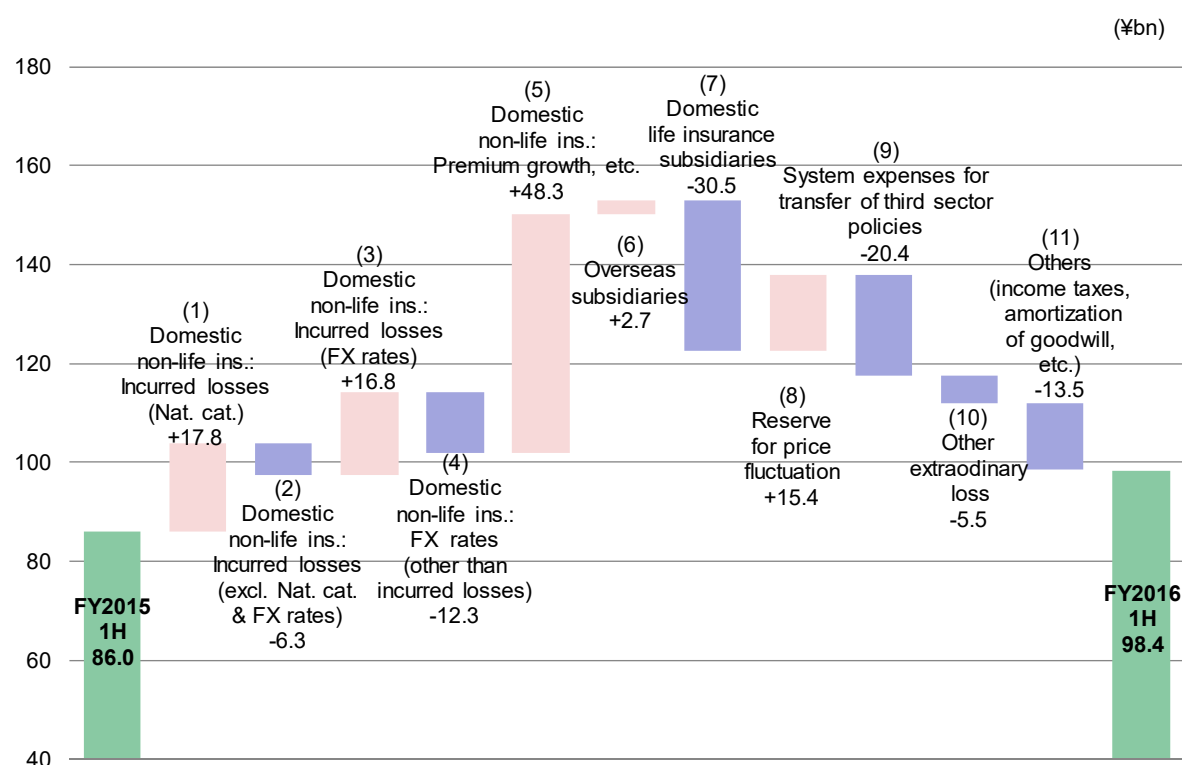
#### International business

**Existing business:**  
Growth strategy to leverage the strengths of the respective business areas and geographical areas  
**New investments:**  
Cultivation of investment projects that serve to achieve sustainable growth

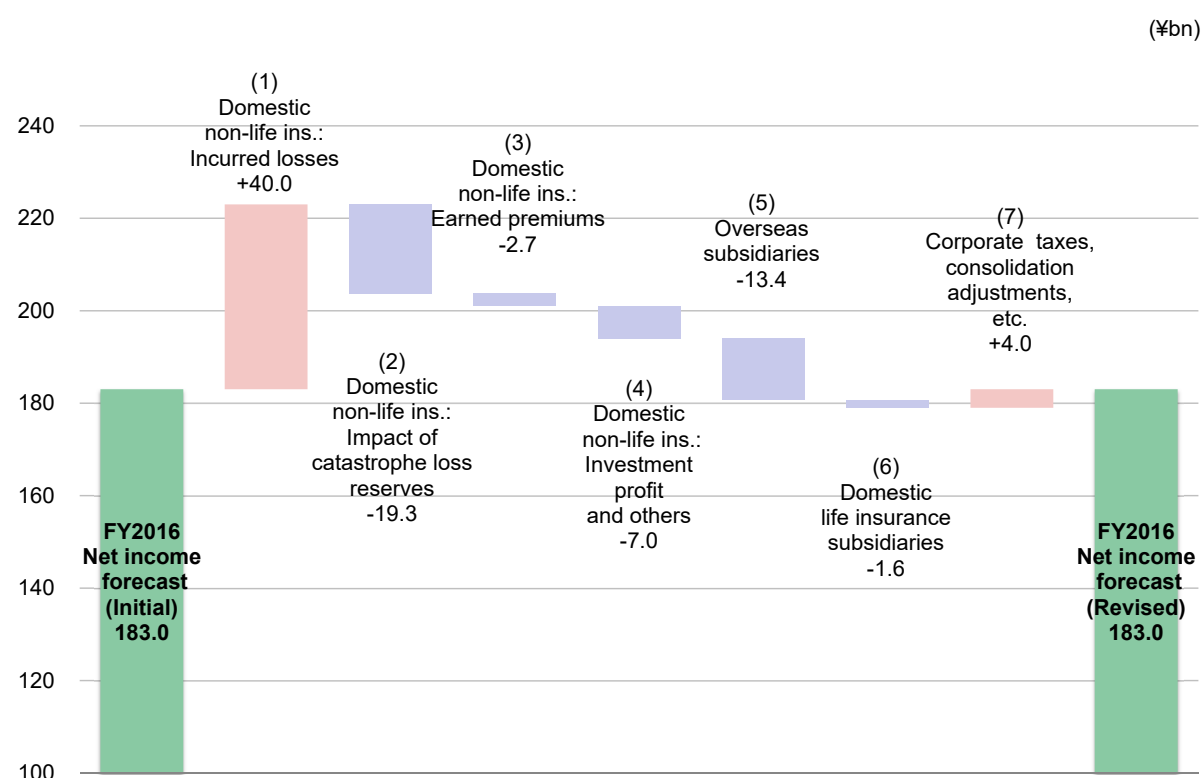
#### Financial strategies/asset management

**Financial strategy:**  
Strengthening of the structure to review financial strategies on a group basis.  
**Asset management:**  
Full-scale implementation of ALM and diversified investments in assets whose return on risk is expected to improve.

## Factors in YoY Changes in Consolidated Net Income FY 2016 1H



## Factors in Revision of Consolidated Net Income Forecast for FY2016



※ Figures for domestic non-life insurance are the simple sum of figures for Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance.

## Major Assumptions for Earnings Forecasts for FY2016

### Major Assumptions for Earnings Forecasts

(¥bn)

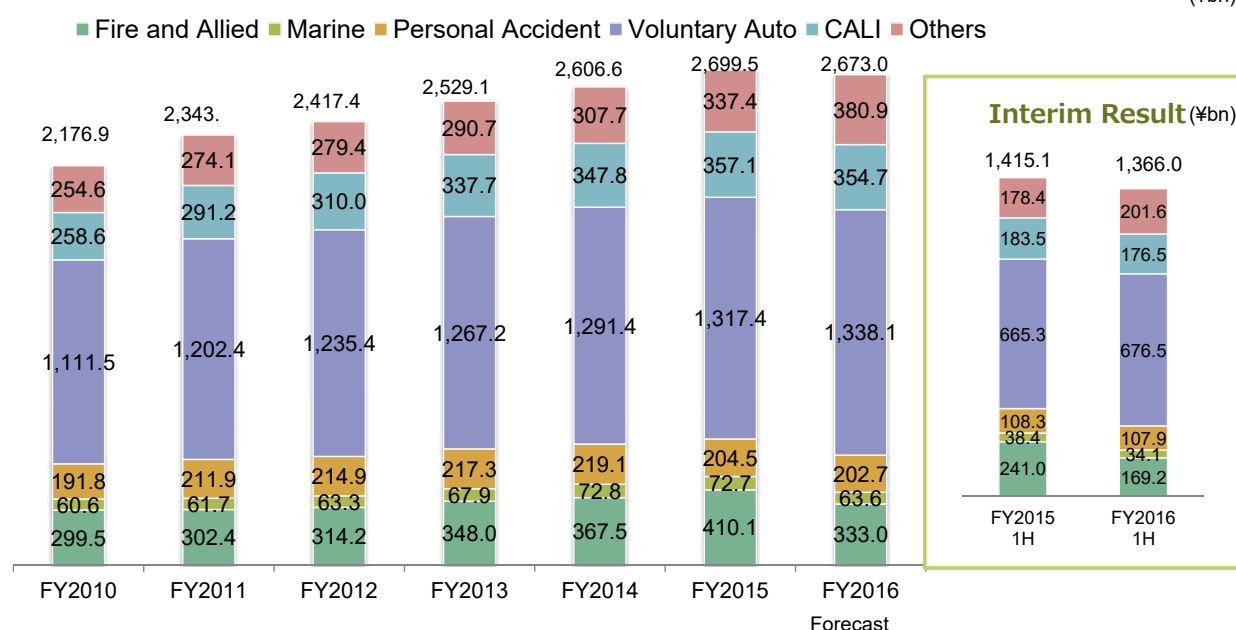
	Mitsui Sumitomo Insurance		Aioi Nissay Dowa Insurance	
Assumptions concerning the asset management environment	Assumes the level at the end of Sep. 2016 <Reference: Sep. 2016> Nikkei average : ￥16,450    USD\$1 = ￥101    EUR€1 = ￥113    GBP£ 1= ￥131			
Nat. cat. In Japan (occurred in FY 2016) (Excl. residential EQ insurance)	40.0	(-)	23.6	(+1.1)
of which, Kumamoto earthquake (Excl. residential EQ insurance)	10.0	(-)	3.6	(+1.1)
Catastrophe reserves    Provision	27.0*	(-0.9)	12.1	(-0.8)
(For fire insurance)    Reversal	21.3	(-0.8)	6.3	(-7.6)
Change	5.7	(-0.0)	5.8	(+6.8)
Catastrophe reserves    Provision	21.0	(-0.0)	21.9	(+0.1)
(For voluntary automobile insurance)    Reversal	-	(-6.0)	8.4	(-6.3)
Change	21.0	(+6.0)	13.5	(+6.4)
Corporate tax rate (Effective tax rate)	28.2%			

\*Including additional provision (¥10.0 billion)

Figures in parentheses show changes from the initial assumptions.

## Domestic Non-Life Insurance Business: Net Premiums Written by Class of Business

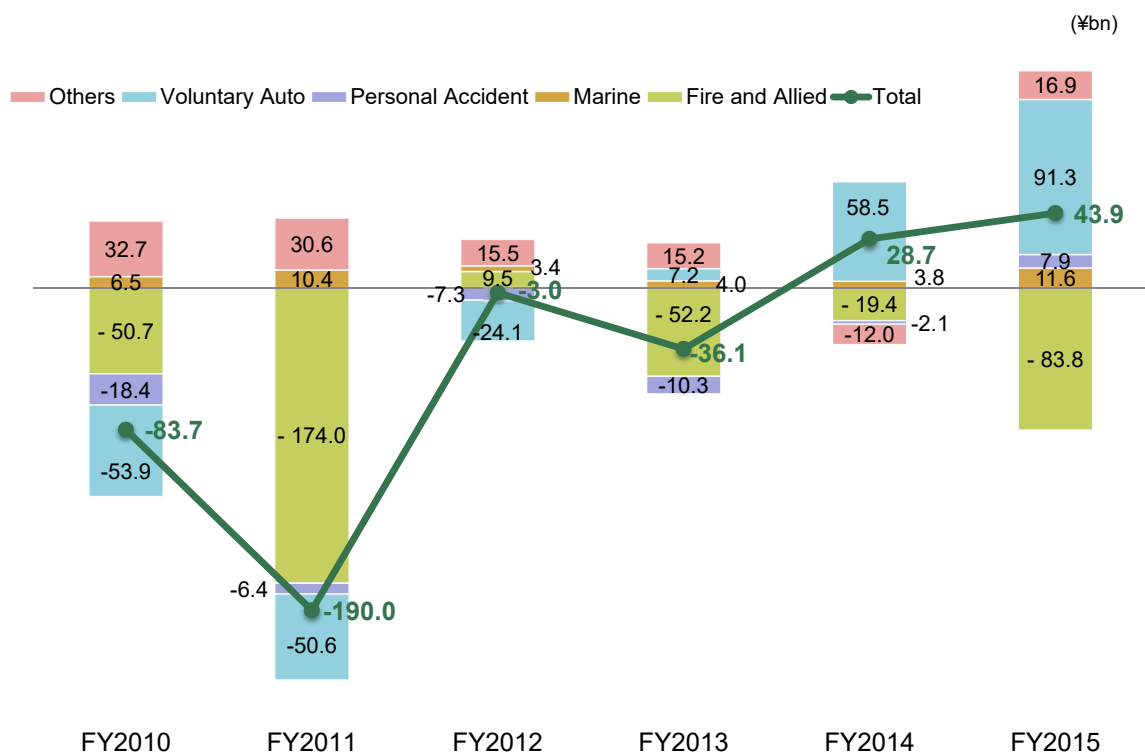
(¥bn)



※ The figures in the graph are the simple sum of non-consolidated figures for MSI and ADI, but only the figures for 2010 are a simple sum of non-consolidated figures for MSI, Aioi and NDI.



## Domestic Non-Life Insurance Business: Underwriting Profit/Loss by Class of Business



※ The figures in the graph are the simple sum of non-consolidated figures for MSI and ADI, but only the figures for 2010 are a simple sum of non-consolidated figures for MSI, Aioi and NDI.

## Domestic Non-Life Insurance Business: Impact of Natural Catastrophes for FY2016 1H

### Impact of Natural Catastrophes in Japan

(¥bn)

	Incurred Losses		Net Claims Paid		Provision for O/S <sup>※1</sup>	
		YoY Change		YoY Change		YoY Change
Nat. Cat. in Japan (occurred in FY2016) <sup>※2</sup>	45.7	-17.6	11.8	1.0	33.9	-18.6
Mitsui Sumitomo Insurance	30.0	-5.1	6.9	1.2	23.0	-6.3
Aioi Nissay Dowa Insurance	15.7	-12.4	4.8	-0.1	10.9	-12.3
(of which, Kumamoto Earthquake) <sup>※2</sup>	13.3	13.3	2.2	2.2	11.1	11.1
Mitsui Sumitomo Insurance	9.6	9.6	1.7	1.7	7.9	7.9
Aioi Nissay Dowa Insurance	3.6	3.6	0.5	0.5	3.1	3.1
(Excluding Kumamoto Earthquake)	32.4	-30.9	9.6	-1.1	22.8	-29.7
Mitsui Sumitomo Insurance	20.3	-14.8	5.2	-0.5	15.0	-14.3
Aioi Nissay Dowa Insurance	12.1	-16.0	4.3	-0.6	7.7	-15.4
Heavy Snowfalls (occurred in Feb. 2014) <sup>※3</sup>	-	-0.1	-	-1.0	-	0.8
Total	45.7	-17.8	11.8	0.0	33.9	-17.8

※1 "O/S" stands for outstanding claims, same hereafter.

※2 Excluding residential EQ insurance.

※3 The figures for FY2016 1H do not include the impact of heavy snowfalls as it was limited.

## Domestic Non-Life Insurance Business: Catastrophe Reserves for FY2016 1H

### Catastrophe Reserves

(¥bn)

		Reversal	Provision	Change		Balance as of Sep. 30, 2016
					YoY	
Mitsui Sumitomo Insurance	Fire and allied	-	8.5	8.5	-5.3	148.7
	Marine	-	1.4	1.4	-0.1	76.8
	Personal accident	-	2.3	2.3	0.0	65.5
	Voluntary auto	-	10.6	10.6	0.1	48.6
	Other	0.1	7.3	7.1	0.5	172.8
	<b>Total</b>	<b>0.1</b>	<b>30.2</b>	<b>30.1</b>	<b>-4.8</b>	<b>512.6</b>
Aioi Nissay Dowa Insurance	Fire and allied	-	6.1	6.1	-1.0	118.2
	Marine	-	0.0	0.0	-0.0	13.8
	Personal accident	-	1.0	1.0	-0.0	64.2
	Voluntary auto	-	11.0	11.0	0.1	40.9
	Other	0.0	3.3	3.3	0.6	62.5
	<b>Total</b>	<b>0.0</b>	<b>21.6</b>	<b>21.6</b>	<b>-0.3</b>	<b>299.8</b>
Simple Sum of MSI and ADI	Fire and allied	-	14.6	14.6	-6.4	267.0
	Marine	-	1.4	1.4	-0.1	90.6
	Personal accident	-	3.4	3.4	-0.0	129.7
	Voluntary auto	-	21.6	21.6	0.3	89.6
	Other	0.1	10.7	10.5	1.1	235.4
	<b>Total</b>	<b>0.1</b>	<b>51.9</b>	<b>51.7</b>	<b>-5.1</b>	<b>812.5</b>

## Domestic Non-Life Insurance Business: Catastrophe Reserves (Forecast for FY2016)

### Catastrophe Reserves

(¥bn)

		Reversal	Provision	Change		Balance as of Mar. 31, 2017
					YoY Change	
Mitsui Sumitomo Insurance	Fire and allied	21.3	27.0	5.7	-16.3	145.9
	Marine	0.0	2.7	2.6	-0.4	78.0
	Personal accident	-	4.5	4.5	3.6	67.7
	Voluntary auto	-	21.0	21.0	4.8	59.1
	Other	1.1	13.3	12.2	1.9	177.9
	<b>Total</b>	<b>22.4</b>	<b>68.5</b>	<b>46.1</b>	<b>-6.4</b>	<b>528.6</b>
Aioi Nissay Dowa Insurance	Fire and allied	6.3	12.1	5.8	-7.8	117.9
	Marine	0.3	0.1	-0.2	-0.2	13.6
	Personal accident	-	1.9	1.9	-0.1	65.1
	Voluntary auto	8.4	21.9	13.5	4.9	43.4
	Other	1.4	6.4	5.0	0.1	64.2
	<b>Total</b>	<b>16.4</b>	<b>42.4</b>	<b>26.0</b>	<b>-3.1</b>	<b>304.2</b>
Simple Sum of MSI and ADI	Fire and allied	27.6	39.1	11.5	-24.1	263.8
	Marine	0.3	2.8	2.4	-0.6	91.7
	Personal accident	-	6.4	6.4	3.5	132.8
	Voluntary auto	8.4	42.9	34.5	9.7	102.5
	Other	2.5	19.7	17.2	2.0	242.1
	<b>Total</b>	<b>38.8</b>	<b>110.9</b>	<b>72.1</b>	<b>-9.5</b>	<b>832.9</b>

## Domestic Non-Life Insurance Business: Incurred Losses E/I Loss Ratio (MSI): Results for FY2016 1H

### Incurred Losses\*<sup>1</sup> and E/I Loss Ratio (including loss adjustment expenses)

(¥bn)

	FY2015 1H					FY2016 1H					
	Incurred Losses* <sup>1</sup> (a)	E/I Loss Ratio* <sup>2</sup>	Nat Cat Impact* <sup>3</sup> (b)	(a)-(b)	E/I Loss Ratio (Excluding Nat Cat Impact)	Incurred Losses* <sup>1</sup> (c)	E/I Loss Ratio* <sup>2</sup>	Nat Cat Impact* <sup>3</sup> (d)	(c)-(d)	E/I Loss Ratio (Excluding Nat Cat Impact)	YoY Change
Fire and allied (Excluding residential earthquake insurance)	69.7	66.3%	31.4	38.3	36.4%	71.3	<b>66.2%</b>	27.2	44.0	<b>40.9%</b>	4.5pt
Marine	23.6	69.2%	0.1	23.5	68.9%	16.6	<b>53.5%</b>	0.1	16.4	<b>52.9%</b>	-16.0pt
Personal accident	38.9	55.5%	0.0	38.9	55.5%	37.2	<b>54.9%</b>	0.0	37.2	<b>54.8%</b>	-0.7pt
Voluntary automobile	192.8	60.1%	2.2	190.5	59.4%	187.1	<b>57.1%</b>	1.1	186.0	<b>56.8%</b>	-2.6pt
Other	52.9	52.4%	1.4	51.4	50.9%	53.4	<b>45.6%</b>	1.3	52.0	<b>44.5%</b>	-6.4pt
Total (A)* <sup>4</sup>	378.1	59.9%	35.2	342.8	54.3%	365.9	<b>56.2%</b>	30.0	335.9	<b>51.5%</b>	-2.8pt
Residential earthquake insurance (B)	—		—	—		5.9		5.9	—		
CALI (C)	73.9		—	73.9		73.4		—	73.4		
Total (A)+(B)+(C)	452.1		35.2	416.8		445.3		35.9	409.3		

\*1 Incurred losses = net claims paid + loss adjustment expenses + movement in outstanding claims

\*2 Earned premium, the denominator of the E/I loss ratio, is calculated by adjusting unearned premium (excluding natural catastrophe reserves) and premium reserve.

\*3 "Nat Cat (Natural Catastrophe) Impact" is the total of incurred losses resulting from domestic natural catastrophes occurring during the period. The figures for FY2015 1H include the incurred loss from heavy snowfalls (Feb. 2014) of 0.0 billion yen.

\*4 Total (A) excludes residential earthquake insurance and CALI.

## Domestic Non-Life Insurance Business: Incurred Losses E/I Loss Ratio (ADI) : Results for FY2016 1H

### Incurred Losses\*<sup>1</sup> and E/I Loss Ratio (including loss adjustment expenses)

(¥bn)

	FY2015 1H					FY2016 1H					
	Incurred Losses* <sup>1</sup> (a)	E/I Loss Ratio* <sup>2</sup>	Nat Cat Impact* <sup>3</sup> (b)	(a)-(b)	E/I Loss Ratio (Excluding Nat Cat Impact)	Incurred Losses* <sup>1</sup> (c)	E/I Loss Ratio* <sup>2</sup>	Nat Cat Impact* <sup>3</sup> (d)	(c)-(d)	E/I Loss Ratio (Excluding Nat Cat Impact)	YoY Change
Fire and allied (Excluding residential earthquake insurance)	54.9	70.8%	24.8	30.1	38.8%	43.1	<b>53.4%</b>	13.9	29.2	<b>36.2%</b>	-2.6pt
Marine	1.3	53.1%	—	1.3	53.1%	1.0	<b>36.0%</b>	—	1.0	<b>36.0%</b>	-17.1pt
Personal accident	15.7	47.4%	0.0	15.7	47.4%	14.3	<b>47.7%</b>	0.0	14.3	<b>47.7%</b>	0.3pt
Voluntary automobile	189.6	56.2%	2.5	187.1	55.5%	187.8	<b>55.4%</b>	1.1	186.7	<b>55.1%</b>	-0.4pt
Other	32.7	60.4%	0.9	31.8	58.6%	31.9	<b>50.3%</b>	0.6	31.2	<b>49.3%</b>	-9.3pt
Total (A)* <sup>4</sup>	294.4	58.3%	28.3	266.1	52.7%	278.4	<b>53.9%</b>	15.7	262.6	<b>50.9%</b>	-1.8pt
Residential earthquake insurance (B)	—		—	—		4.3		4.3	—		
CALI (C)	66.4		—	66.4		64.1		—	64.1		
Total (A)+(B)+(C)	360.9		28.3	332.6		346.8		20.0	326.7		

\*1 Incurred losses = net claims paid + loss adjustment expenses + movement in outstanding claims

\*2 Earned premium, the denominator of the E/I loss ratio, is calculated by adjusting unearned premium and premium reserve.

\*3 "Nat Cat (Natural Catastrophe) Impact" is the total of incurred losses resulting from domestic natural catastrophes occurring during the period. The figures for FY2015 2Q include the incurred loss from heavy snowfalls (Feb. 2014) of 0.0 billion yen.

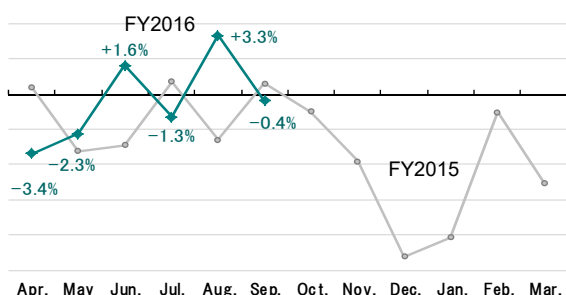
\*4 Total (A) excludes residential earthquake insurance and CALI.

# Domestic Non-Life Insurance Business: Voluntary Automobile Insurance: Results for FY2016 1H

## Trend in the Number of Accidents

(per day, %YOY, excl. the number of accidents caused by natural disasters)

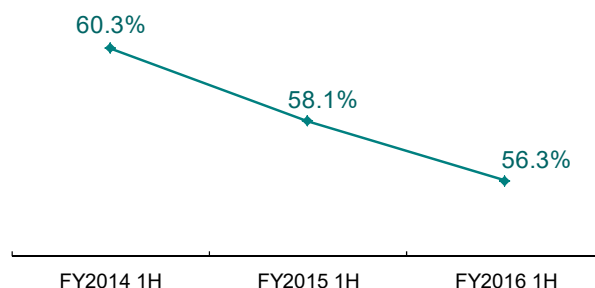
Simple sum of MSI and ADI (Domestic Business only)



## E/I Loss Ratio

(incl. loss adjustment expenses)

Simple sum of MSI and ADI



## Insurance Premiums and Claims Payment

### Mitsui Sumitomo Insurance

<Domestic Sales Basis>	No. of Contracts	Insurance Premium Unit Price	Insurance Premium
Factors increasing/decreasing insurance premium	+0.7%	+0.8%	+1.6%
<Domestic>	Property damage liability	Vehicle damage (Excl. natural disasters)	
Changes in average payout per claim	+0.6%	+1.8%	

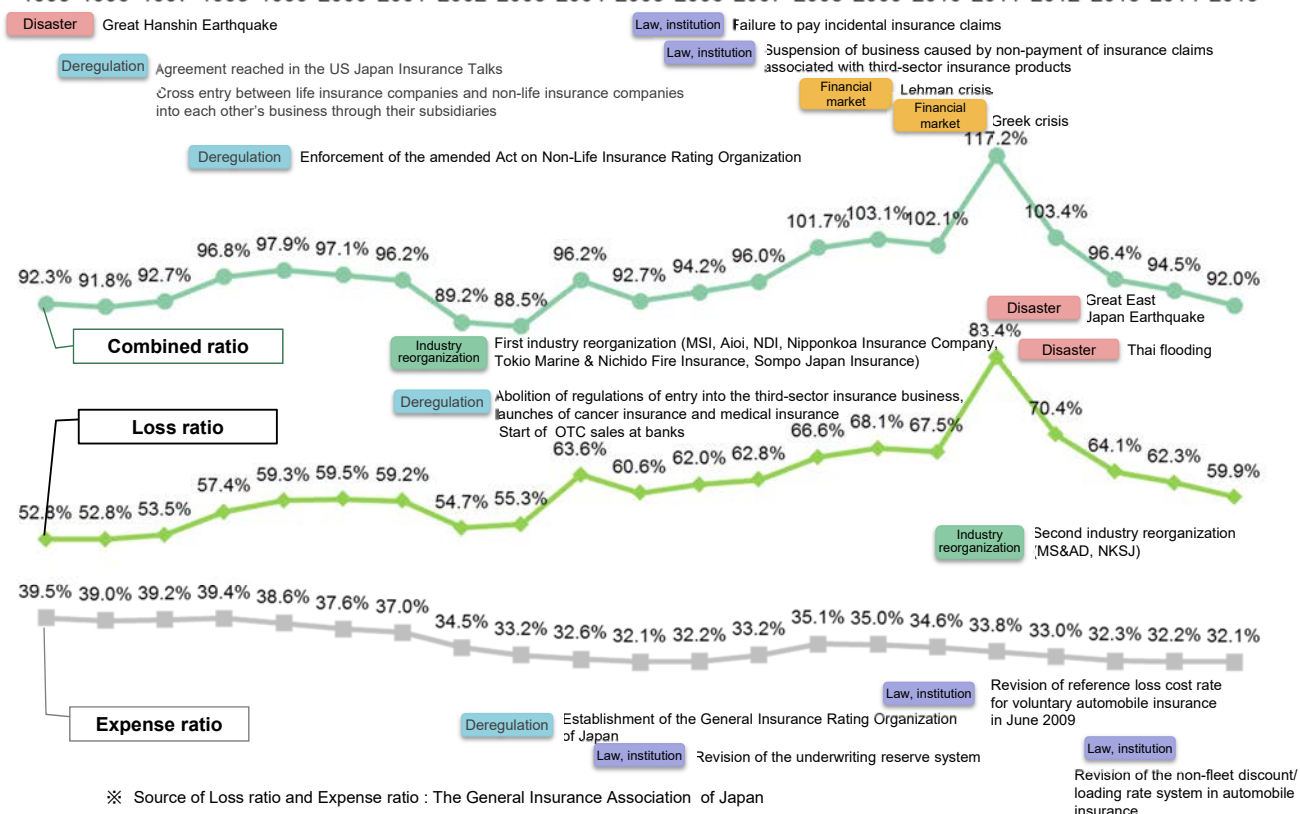
### Aioi Nissay Dowa Insurance

<Domestic Sales Basis>	No. of Contracts	Insurance Premium Unit Price	Insurance Premium
Factors increasing/decreasing insurance premium	-0.9%	+1.5%	+0.6%
<Domestic>	Property damage liability	Vehicle damage (Excl. natural disasters)	
Changes in average payout per claim	-0.3%	+1.0%	

\* All figures for factors of increase/decrease in insurance premiums are based on sales results (Apr.- Sep.) year on year.  
 \* Changes in average payout per claim means changes in average payout per claim over one-year period ended Sep. 30, 2016 compared with average payout per claim in one-year period ended Mar. 31, 2016.  
 \* E/I loss ratio is calculated based on the figures during April-September for each year.

## Trends in Combined Ratio (W/P) in the Domestic Non-Life Insurance Industry

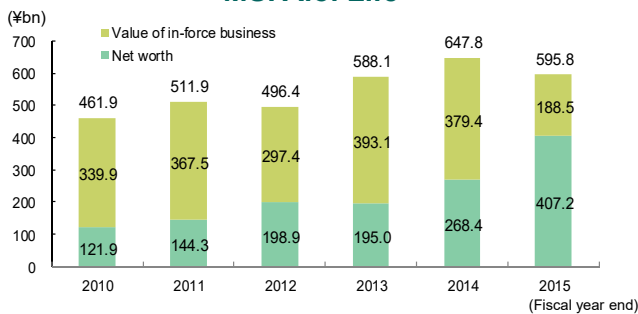
1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015



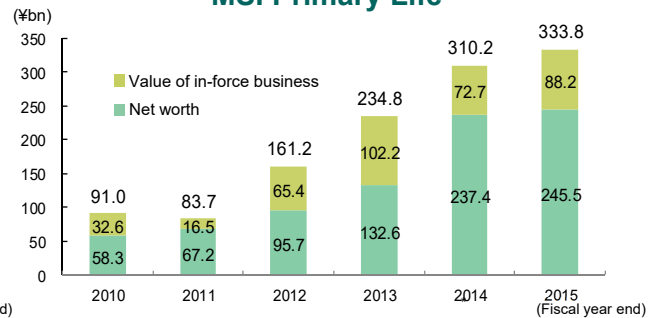
※ Source of Loss ratio and Expense ratio : The General Insurance Association of Japan

## Domestic Life Insurance Business: Trends in Embedded Value (EEV)

### MSI Aioi Life



### MSI Primary Life



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

#### Changes in FY2015 (¥bn)

Factor	Change
Value of new business	40.8
Projected earnings (risk-free rate)	8.4
Projected earnings (extra earnings)	1.5
Difference between assumptions (non-economic) and results	-6.0
Changes in assumptions (non-economic)	38.5
Difference between assumptions (economic) and results	-135.4
Other changes relating to business	-4.7
Other changes not relating to business	4.9
Total	-52.0

\* Figures prior to FY2011 is the simple sum of those for MSI Kirameki Life and Aioi Life.

#### EEV Sensitivity at End of FY2015 (¥bn)

Assumption	Change
Risk-free rate Up 50 bp	91.5
Risk-free rate Down 50 bp	-84.6
Value of stocks and real estate Down 10%	-0.3
Expense rate (maintenance cost) Down 10%	20.2
Termination and lapse ratio Down 10%	-20.4
Frequency of insured events (death insurance) Down 5%	30.4
Frequency of insured events (annuity insurance) Down 5%	-0.1
Implied volatility of stocks and real estate Up 25%	0.0
Implied volatility of interest rate swaptions Up 25%	-22.0
Capital requirement changed to the legal minimum level	3.3

#### Changes in FY2015 (¥bn)

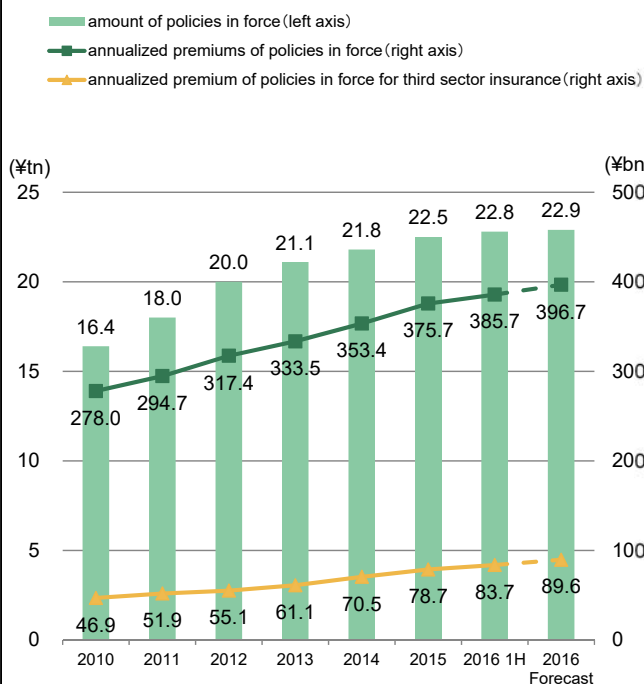
Factor	Change
Adjustment for EEV as of end of FY2014	-2.0
Value of new business	33.7
Projected earnings (reference rate)	3.6
Projected earnings (extra earnings)	2.7
Difference between assumptions (non-economic) and results	-1.0
Changes in assumptions (non-economic)	1.9
Difference between assumptions (economic) and results	-16.7
Other changes relating to business	0.0
Other changes not relating to business	1.2
Total	23.6

#### EEV Sensitivity at End of FY2015 (¥bn)

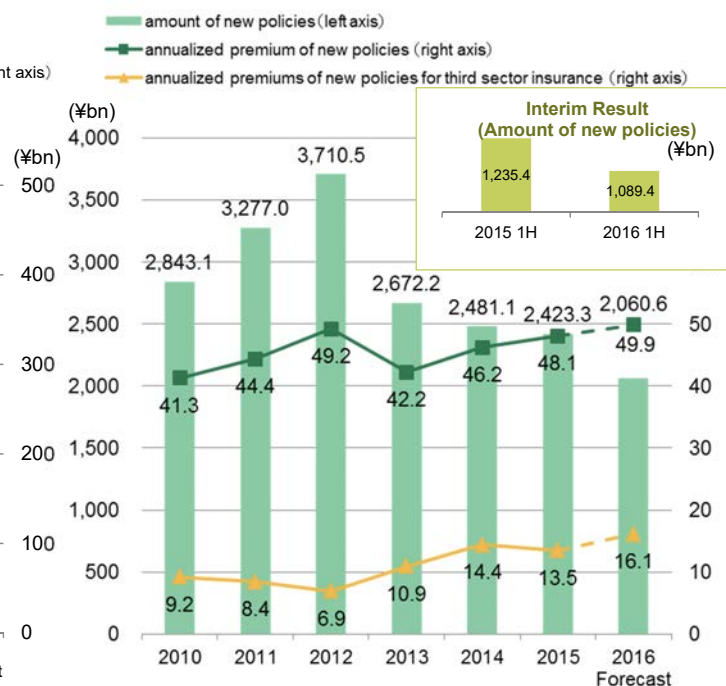
Assumption	Change
Reference rate Up 50 bp	-2.7
Reference rate Down 50 bp	-0.4
Value of stocks and real estate Down 10%	-6.4
Expense rate (maintenance cost) Down 10%	7.5
Termination and lapse ratio Down 10%	-0.8
Frequency of insured events (death insurance) Down 5%	0.3
Frequency of insured events (annuity insurance) Down 5%	0.0
Implied volatility of stocks and real estate Up 25%	-3.3
Implied volatility of interest rate swaptions Up 25%	-4.6
Capital requirement changed to the legal minimum level	2.8
The illiquidity premium is not reflected	-12.3

## Domestic Life Insurance Business: Trends in Amount of Policies and Annualized Premiums (MSI Aioi Life)

### Amount of Policies in Force and Annualized Premium in Force



### Amount of New Policies and Annualized Premiums of New Policies



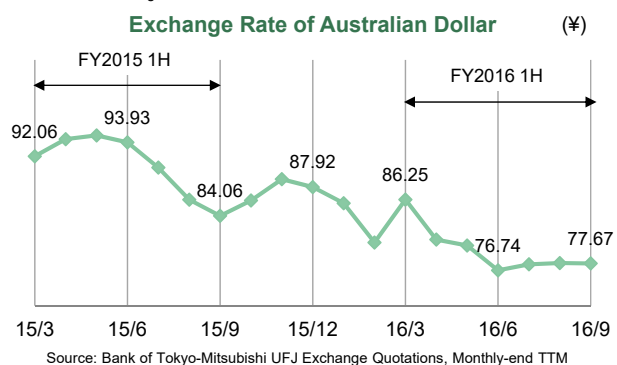
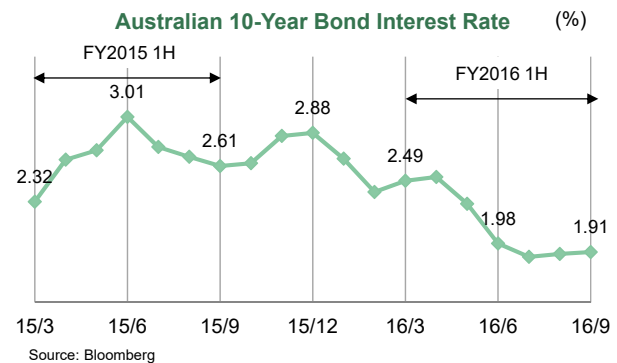
**Interim Result**  
(Amount of new policies) (¥bn)

2015 1H	1,235.4
2016 1H	1,089.4

## Domestic Life Insurance Business: Impact of Interest Rates and Foreign Exchange Rates (MSI Primary Life)

- Revenues from MSI Primary Life's foreign-currency-denominated fixed products fluctuate according to fluctuations in interest rates and foreign exchange rates.
- As to the impact of interest rates in FY2016 1H, a loss was incurred mainly due to increased policy reserves as a result of decline in interest rates in Australia.
- The appreciation of the yen against the Australian dollar caused a loss mainly due to impairment loss on the assets.

	(¥bn)		
	FY2015 1H	FY2016 1H	YoY
Impact of interest rates	22.4	-12.8	-35.2
Cost of underwriting reserves (Impact on profit and loss)	22.9	-31.6	-54.6
Impairment gain/loss on securities	-0.5	18.8	19.4
Impact of foreign exchange rates	-16.3	-11.5	4.8
Cost of underwriting reserves (Impact on profit and loss)	-7.0	0.9	8.0
Impairment gain/loss on securities	-9.3	-12.5	-3.2
Total	6.1	-24.3	-30.4
Cost of underwriting reserves (Impact on profit and loss)	15.9	-30.7	-46.6
Impairment gain/loss on securities	-9.8	6.3	16.1



## Summary of International Business

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

	(¥bn)		
	FY2015 1H	FY2016 1H	FY2016 Full Year (Forecast)
		YoY change	Change Change from initial
International Business Total <sup>※1</sup>	247.1	516.1 269.0	792.2 330.4 -48.6
Asia	133.6	124.3 -9.3	236.8 -20.9 -17.9
Europe	65.6	63.7 -1.9	109.6 -11.5 -10.9
Americas	36.2	34.4 -1.8	64.4 -5.0 -4.6
Reinsurance	14.3	13.0 -1.2	16.4 -2.3 -2.6
MS Amlin	-	283.2 283.2	369.9 369.8 -12.4

### Net Income/Loss<sup>※2</sup>

	(¥bn)		
	FY 2015 1H	FY 2016 1H	FY 2016 Full Year (Forecast)
		YoY change	Change Change from initial
International Business Total <sup>※1</sup>	16.4	21.3 4.9	49.0 21.0 -4.0
Asia	7.9	11.8 3.9	15.7 2.9 0.0
Europe	-4.9	-2.0 2.9	2.2 4.6 3.2
Americas	7.0	3.8 -3.2	3.7 -4.4 0.1
Reinsurance	5.7	6.2 0.5	8.7 -2.0 2.1
MS Amlin	-	4.6 4.6	22.8 22.8 -6.0
Asian Life Insurance Business <sup>※3</sup>	3.5	1.9 -1.5	3.5 -2.2 -1.9

※ International Business: The figures are aggregates of the results for overseas consolidated subsidiaries, non-life insurance companies' overseas branches and overseas non-consolidated affiliates.

※1 Figures in the "total" rows include head office adjustments etc. and are not equal to the sum of figures for each segment and each region.

※2 Group Core Profit basis ※3 Including Takaful business

## International Business: Growth and Profitability at Major Bases in Asia

(%)

	FY2012			FY2013			FY2014			FY2015			Net premium written (¥bn)
	Growth rate	Combined ratio	ROE	Growth rate	Combined ratio	ROE	Growth rate	Combined ratio	ROE	Growth rate	Combined ratio	ROE	
Malaysia	3.4	86.2	21.8	7.9	82.7	20.4	7.5	80.9	19.3	2.5	84.1	16.6	39.6
India	34.3	106.9	15.8	15.0	109.7	13.8	1.2	105.5	21.1	31.0	101.6	18.8	37.9
Taiwan	5.1	93.9	5.3	1.6	95.6	8.1	3.7	90.9	10.2	4.8	83.2	7.5	34.1
Thailand	35.6	-17.9	139.8	18.7	15.1	66.5	-10.3	91.7	20.2	1.8	78.5	12.9	33.6
China	18.2	115.2	-2.4	9.1	114.5	-4.9	80.0	100.5	0.8	83.2	103.9	-11.7	33.3
Singapore	2.3	88.9	18.2	4.9	85.8	13.4	1.8	81.8	13.3	-2.2	84.9	13.7	24.6
Hong Kong	6.6	107.4	-8.7	3.8	97.9	10.9	5.1	93.3	12.1	5.3	94.1	13.2	16.6
Philippines	7.3	77.8	25.0	9.2	91.1	26.5	11.6	71.0	21.7	10.7	79.0	17.7	8.9
Indonesia	-0.0	76.4	31.7	13.8	106.2	31.7	20.1	68.9	27.1	-16.4	77.2	30.0	6.0
Vietnam	10.6	125.4	4.8	3.5	383.1	10.8	22.2	101.2	6.9	33.7	86.9	17.5	2.4

\* International Business: The figures are aggregates of the results for overseas consolidated subsidiaries, non-life insurance companies' overseas branches and overseas non-consolidated affiliates.

\* Growth rates are calculated in local currencies.

\* Growth rate, combined ratio, and ROE for each region are calculated using the sum of figures for the bases of MSI and overseas consolidated subsidiaries and affiliates of ADI.

\* The effect of reinstatement premiums of reinsurance due to the flooding is excluded in the calculation of the growth rate and net premiums written for Thailand.

## International Business: Outline of MS Amlin's Results (P/L)

	2016 £m	1H 2015 £m	2015 £m	2014 £m	2013 £m	2012 £m	2011 £m
Gross written premium	2,090.2	2,007.6	2,743.5	2,564.0	2,467.4	2,405.6	2,304.1
Net written premium	1,782.4	1,670.2	2,392.4	2,278.9	2,107.4	2,058.6	2,013.2
Net earned premium	1,118.1	1,031.3	2,172.8	2,183.4	2,077.4	1,970.5	1,927.4
Result attributable to underwriting	53.2	93.9	246.8	246.0	283.1	207.1	-146.0
Investment contribution * <sup>1</sup>	30.3	94.7	107.4	118.5	160.4	165.3	40.5
Other costs	-43.2	-45.3	-101.9	-105.8	-117.8	-108.2	-88.3
Result before tax	26.5	143.3	252.3	258.7	325.7	264.2	-193.8
Return on equity	-	-	13.2%	14.1%	19.8%	17.4%	-8.6%
Net assets	-	-	1,846.1	1,782.8	1,678.6	1,497.7	1,420.4
Net tangible assets	-	-	1,581.7	1,519.2	1,439.5	1,286.3	1,201.5
<b>Operating ratios</b>							
E/I claims ratio	60%	55%	54%	56%	52%	57%	78%
E/I expense ratio * <sup>2</sup>	35%	36%	35%	33%	34%	32%	30%
E/I combined ratio * <sup>2</sup>	95%	91%	89%	89%	86%	89%	108%

\*<sup>1</sup> Investment contribution for FY2015 1H and FY2016 1H including exchange gains/losses etc. on the consolidated accounts into MS&AD holdings

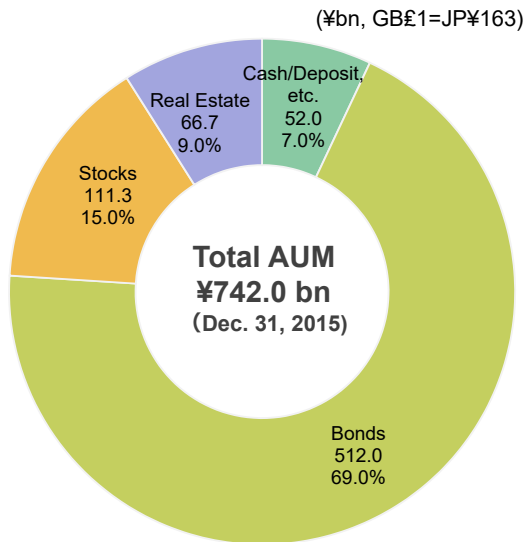
\*<sup>2</sup> E/I expense ratio and E/I combined ratio are calculated by taking into account foreign exchange gains/losses (included in Result attributable to underwriting).



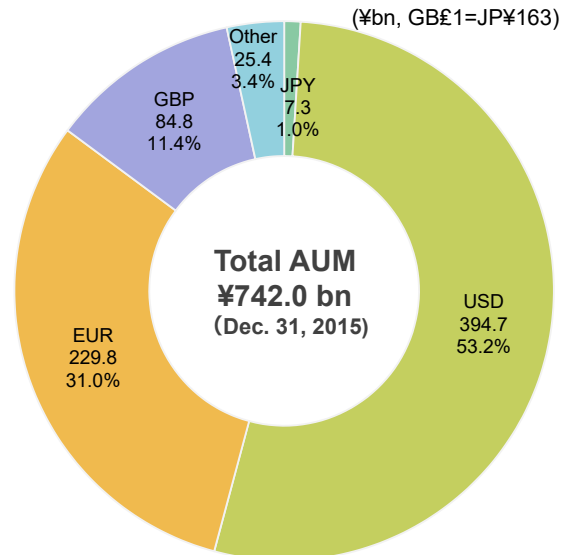
## International Business: MS Amlin's Asset Allocation and Breakdown by Currency

- Diversified investment in bonds etc. as assets corresponding to insurance liabilities and other liabilities, while in stocks and real estate as assets corresponding to capital.
- Each operating subsidiary holds the assets in currencies corresponding to the respective insurance liabilities and capital.

### Asset Allocation



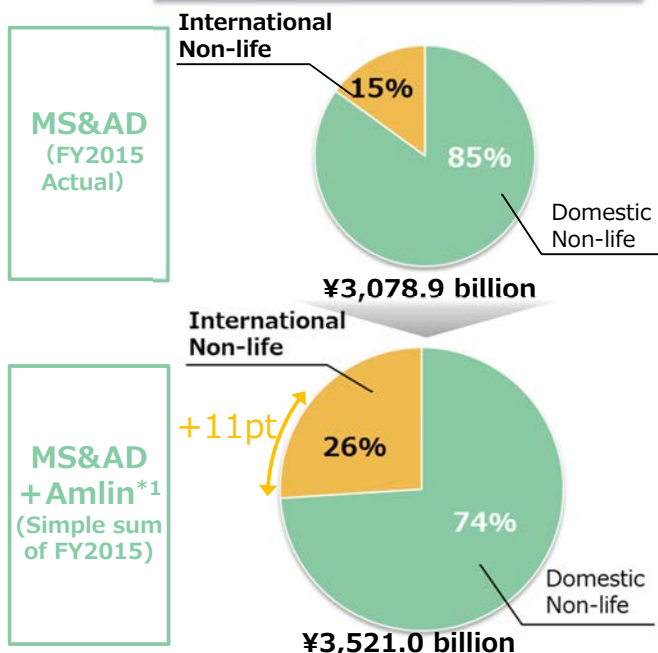
### Breakdown by Currency



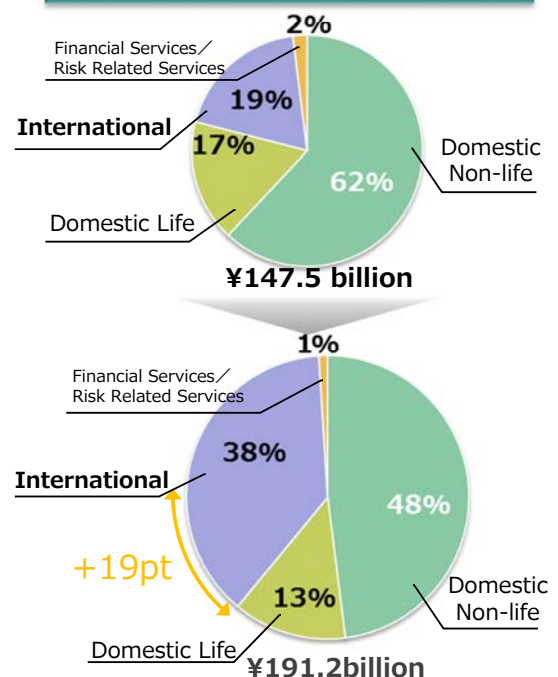
## International Business: Well Balanced Portfolio after Acquisition of Amlin (1) Expansion of International Business

- Shift from a business portfolio dependent on domestic P&C on both the top and bottom line to a well-balanced business portfolio across domestic P&C insurance, domestic life insurance and international business

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



### Group Core Profit<sup>\*1</sup>



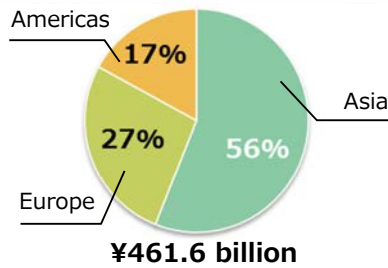
<sup>\*1</sup> Simple sum of FY 2015 figures of MS&AD and MS Amlin  
The figures of MS&AD international P&C are aggregates of overseas consolidated subsidiaries, non-life insurance companies, overseas branches and overseas non-consolidated affiliates.  
(Figures of Amlin are converted into yen 1£=¥184.78, average rate of FY 2015 )

## International Business: Well Balanced Portfolio after Acquisition of Amlin (2) Geographical Dispersion

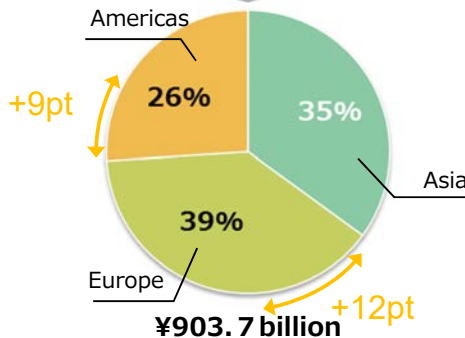
- Shift from an Asia-focused portfolio to a well balanced portfolio across Asia, Europe and the Americas
- Strengthen the balance between direct insurance and reinsurance through expansion of reinsurance business

Net Written Premium By Region \*2

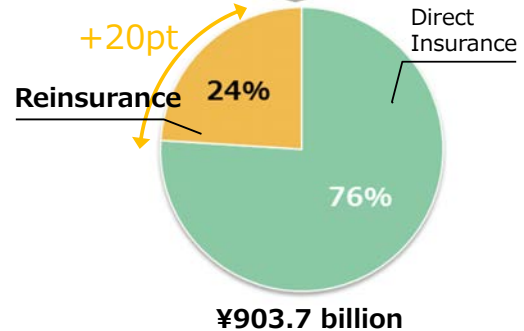
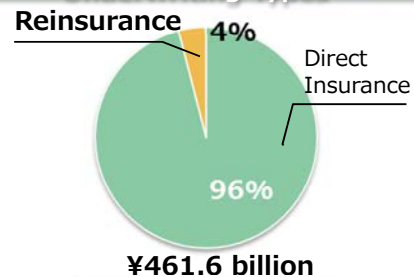
MS&AD  
(FY2015  
Actual)



MS&AD  
+ Amlin \*1  
(Simple sum  
of FY2015)



Net Written Premium By Underwriting Types\*3

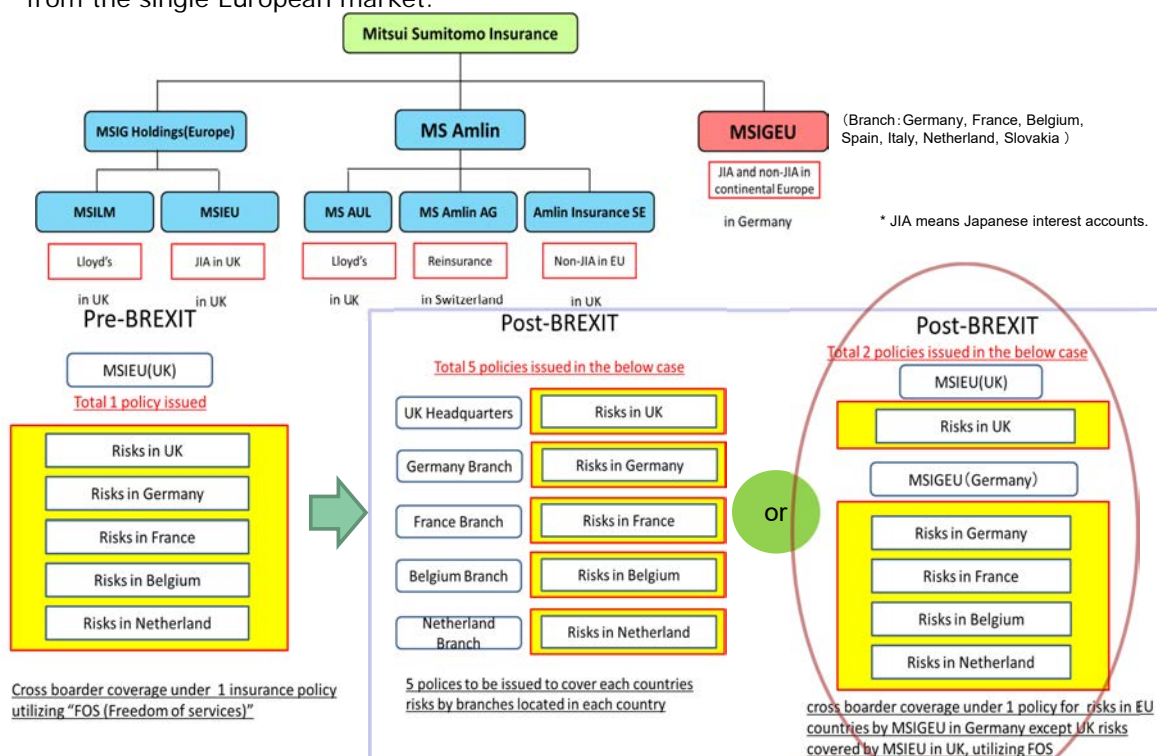


\*1 Simple sum of MS&AD and Amlin (Amlin's figures are converted at the average rate of FY2015 GBP£1=JPY¥184.78)

\*2 Amlin's figures are net premiums written pro-rated by gross written premiums by region (other region is categorized into Asia). The figures of MS&AD reinsurance are also categorized into region (other region is categorized into Americas). \*3 Amlin's figures are for Reinsurance SBU

## International Business: Impact of Brexit (Regulatory Environment)

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



## International Business: Impact of Brexit (MS Amlin's Underwriting Portfolio)

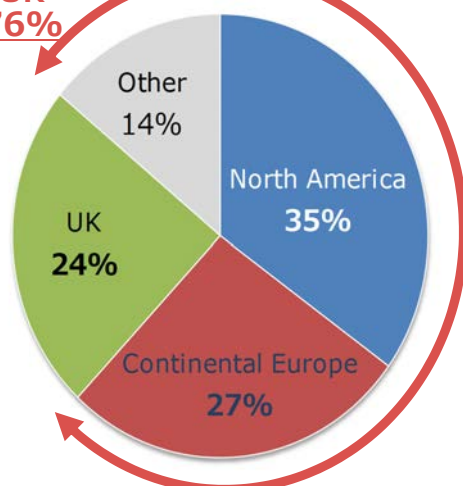
- Since the underwriting of risk outside the UK reaches 76%, the impact from the devalued British pound is limited.
- Even in case of withdrawal from the single European market, the number of lines of business impacted by the local insurance regulation will be limited.

### Devaluation Risk for the British Pound

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

#### Business outside UK

UK  
76%

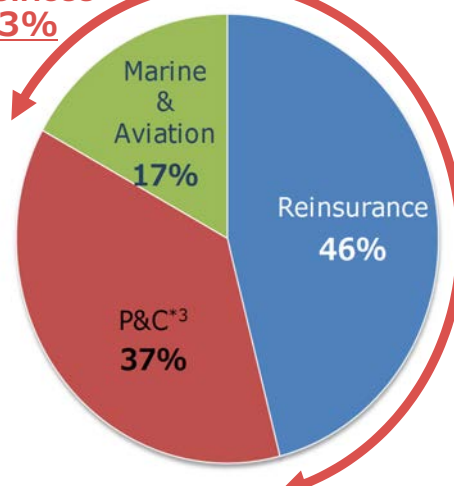


### Insurance Regulation Risk

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

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

63%



Source: MS Amlin plc 2015 Annual Report

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

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

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

## Asset Management: Assets Under Management (MSI / ADI) as of End of Sep. 2016

(¥bn)

	Mitsui Sumitomo Insurance				Aioi Nissay Dowa Insurance			
	As of Mar. 2016		As of Sep. 2016		As of Mar. 2016		As of Sep. 2016	
	Balance	Proportion	Balance	Proportion	Balance	Proportion	Balance	Proportion
Total AUM	6,340.1	100.0%	6,130.7	100.0%	3,039.8	100.0%	3,022.2	100.0%
Deposits, etc.	512.7	8.1%	466.0	7.6%	149.5	4.9%	190.0	6.3%
Bonds	1,865.3	29.4%	1,857.4	30.3%	985.5	32.4%	992.9	32.9%
JGB	1,278.8	20.2%	1,281.5	20.9%	693.6	22.8%	697.8	23.1%
Foreign securities	1,525.9	24.1%	1,503.7	24.5%	675.7	22.2%	673.4	22.3%
Foreign bonds	278.4	4.4%	289.3	4.7%	484.0	15.9%	476.2	15.8%
Foreign securities	1,076.9	17.0%	1,077.5	17.6%	95.2	3.1%	95.0	3.1%
Foreign investment trusts, etc.	170.5	2.7%	136.8	2.2%	96.4	3.2%	102.1	3.4%
Stocks	1,756.5	27.7%	1,651.8	26.9%	792.7	26.1%	744.6	24.6%
Other securities	25.8	0.4%	31.9	0.5%	43.5	1.4%	40.4	1.3%
Loans	448.6	7.1%	417.8	6.8%	221.8	7.3%	215.2	7.1%
Land & buildings	204.9	3.2%	201.8	3.3%	170.9	5.6%	165.5	5.5%

\* Based on financial statement categorization

## Asset Management: Assets Under Management (MSI Aioi Life / MSI Primary Life) as of End of Sep. 2016

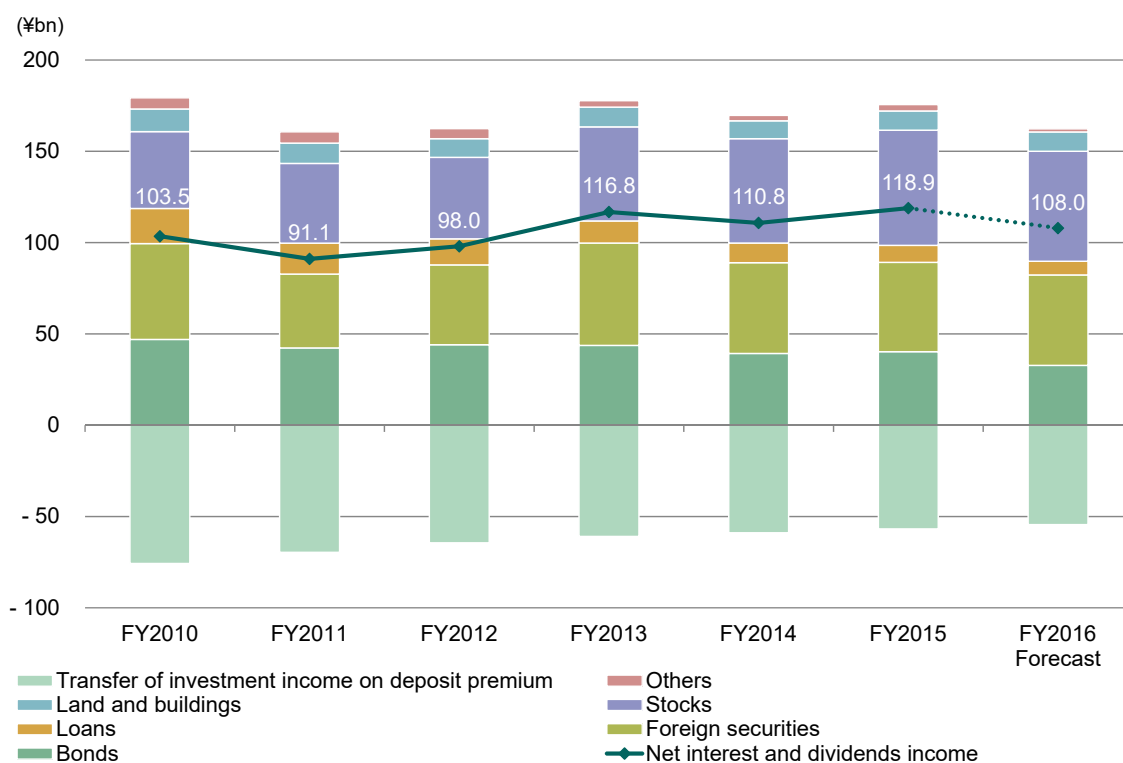
(¥bn)

	MSI Aioi Life				MSI Primary Life (General account)			
	As of Mar. 2016		As of Sep. 2016		As of Mar. 2016		As of Sep. 2016	
	Balance	Proportion	Balance	Proportion	Balance	Proportion	Balance	Proportion
Total AUM	3,167.1	100.0%	3,283.3	100.0%	2,536.3	100.0%	2,658.7	100.0%
Deposits etc.	348.4	11.0%	399.6	12.2%	181.3	7.2%	125.9	4.7%
Bonds	2,514.3	79.4%	2,593.7	79.0%	116.5	4.6%	131.9	5.0%
JGB	1,680.7	53.1%	1,724.2	52.5%	59.9	2.4%	64.6	2.4%
Foreign Securities	246.2	7.8%	230.1	7.0%	2,069.6	81.6%	※ <sup>1</sup> 2,212.8	83.2%
Stocks	1.3	0.0%	1.1	0.0%	-	-	-	-
Other securities	3.5	0.1%	4.1	0.1%	8.0	0.3%	8.0	0.3%
Loans	52.6	1.7%	53.8	1.6%	160.6	6.3%	179.7	6.8%
Land & buildings	0.6	0.0%	0.6	0.0%	0.2	0.0%	0.2	0.0%

\* Based on financial statement categorization

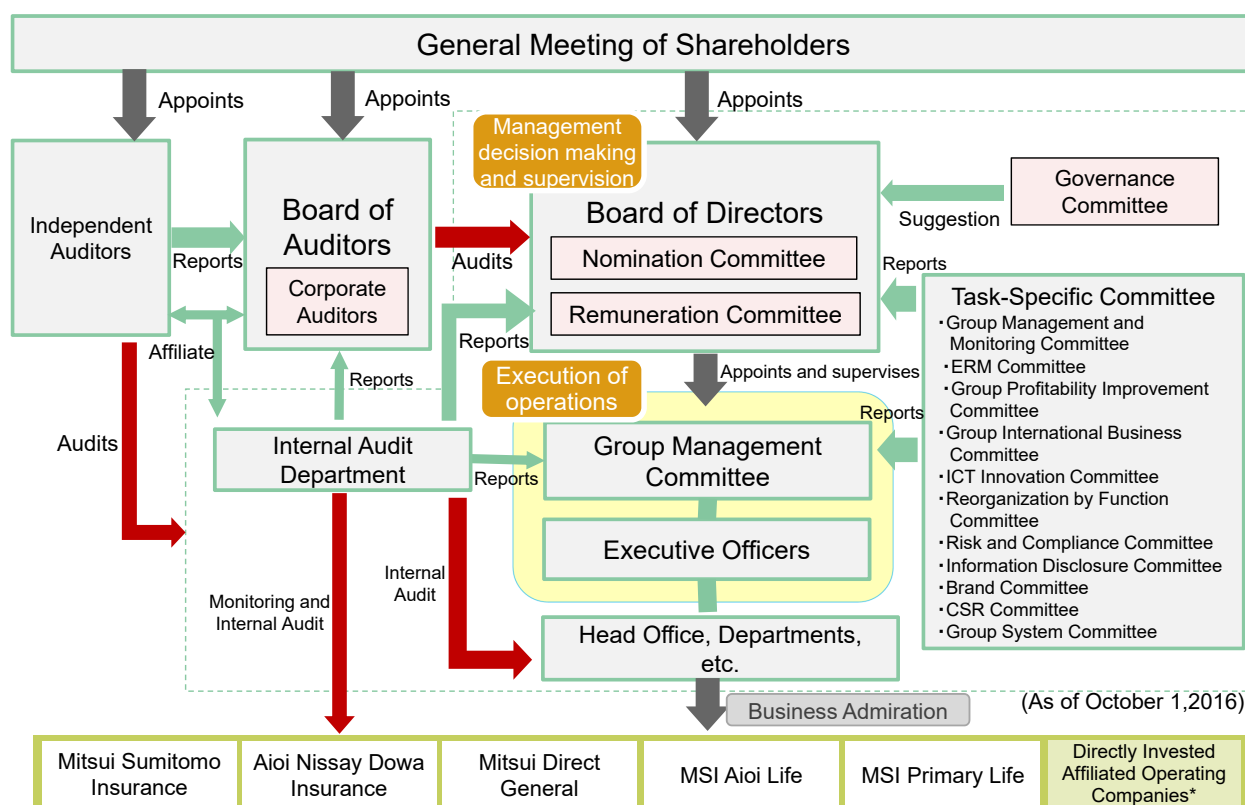
※<sup>1</sup> Foreign securities of ¥2,212.8 billion includes Money Trusts ¥810.4 billion.

## Asset Management: Breakdown of Interest and Dividends Income (MSI & ADI)



※ Simple sum of non consolidated figures for MSI and ADI, only for FY2010 simple sum of non consolidated figures for MSI, Aioi and NDI

## Chart of Corporate Governance System



\*MS&AD Holdings has eight affiliated operating companies: InterRisk Research Institute & Consulting, Inc., MS&AD Business Support Co., Ltd., MS&AD Staffing Service Co., Ltd., MS&AD Systems Co., Ltd., MS&AD Research Institute Co., Ltd., MS&AD Loan Services Co., Ltd., and ANSHIN DIAL Co., Ltd.,

MS&AD Insurance Group Holdings, Inc.

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## Stewardship Activities

### Dialogue with Investee Companies

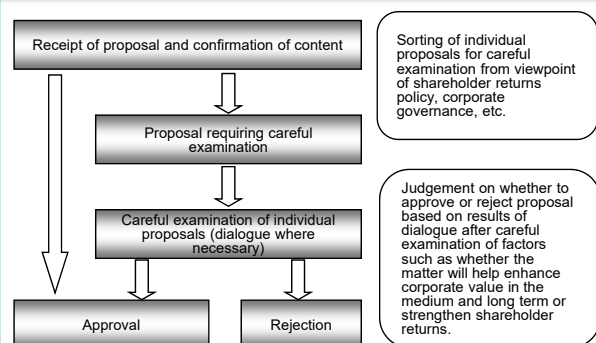
- Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance held constructive dialogue with investee companies on management issues, shareholder return policy, etc. from the viewpoint of encouraging the enhancement of corporate value and sustainable growth of investee companies from a medium- and long-term perspective, and sought a shared understanding and where necessary conveyed their opinion from a shareholder's perspective.
- In dialogue with investee companies, the Group sought to achieve a shared understanding mainly on the following matters through confirmation and the exchange of views.

### Details of dialogue with investee companies

Financial results	<ul style="list-style-type: none"> <li>Most recent business results and factors behind them, and outlook on and after the next fiscal year</li> <li>Measures to improve profitability and growth potential, etc.</li> </ul>
Management strategies	<ul style="list-style-type: none"> <li>Medium- and long-term management strategies, progress on management plan</li> <li>Issues to be addressed, etc.</li> </ul>
Shareholder return policy	<ul style="list-style-type: none"> <li>Policy on profit distribution and internal reserves</li> <li>Measures to improve payout ratio, etc.</li> </ul>
Business risks	<ul style="list-style-type: none"> <li>Status of risk measures and insurance arrangements</li> <li>Status of formulation of BCP</li> <li>Structure for ESG initiatives, status of initiatives, etc.</li> </ul>
Corporate governance response	<ul style="list-style-type: none"> <li>Status of response to Corporate Governance Code</li> <li>Status of election of outside directors and role expected of them, etc.</li> </ul>

### Exercise of Voting Rights

#### Process of exercise of voting rights

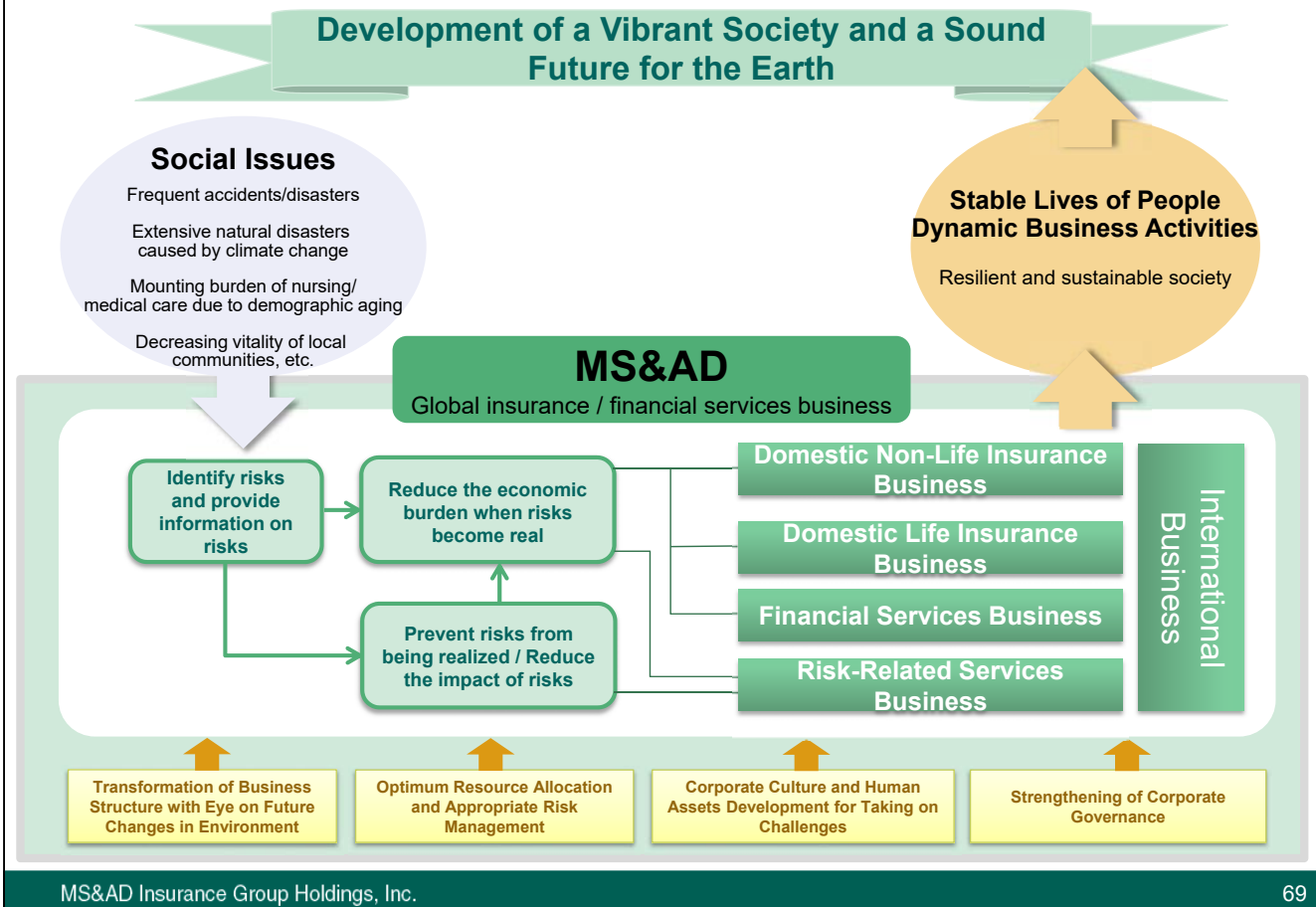


#### Examples of proposals rejected through exercise of voting rights

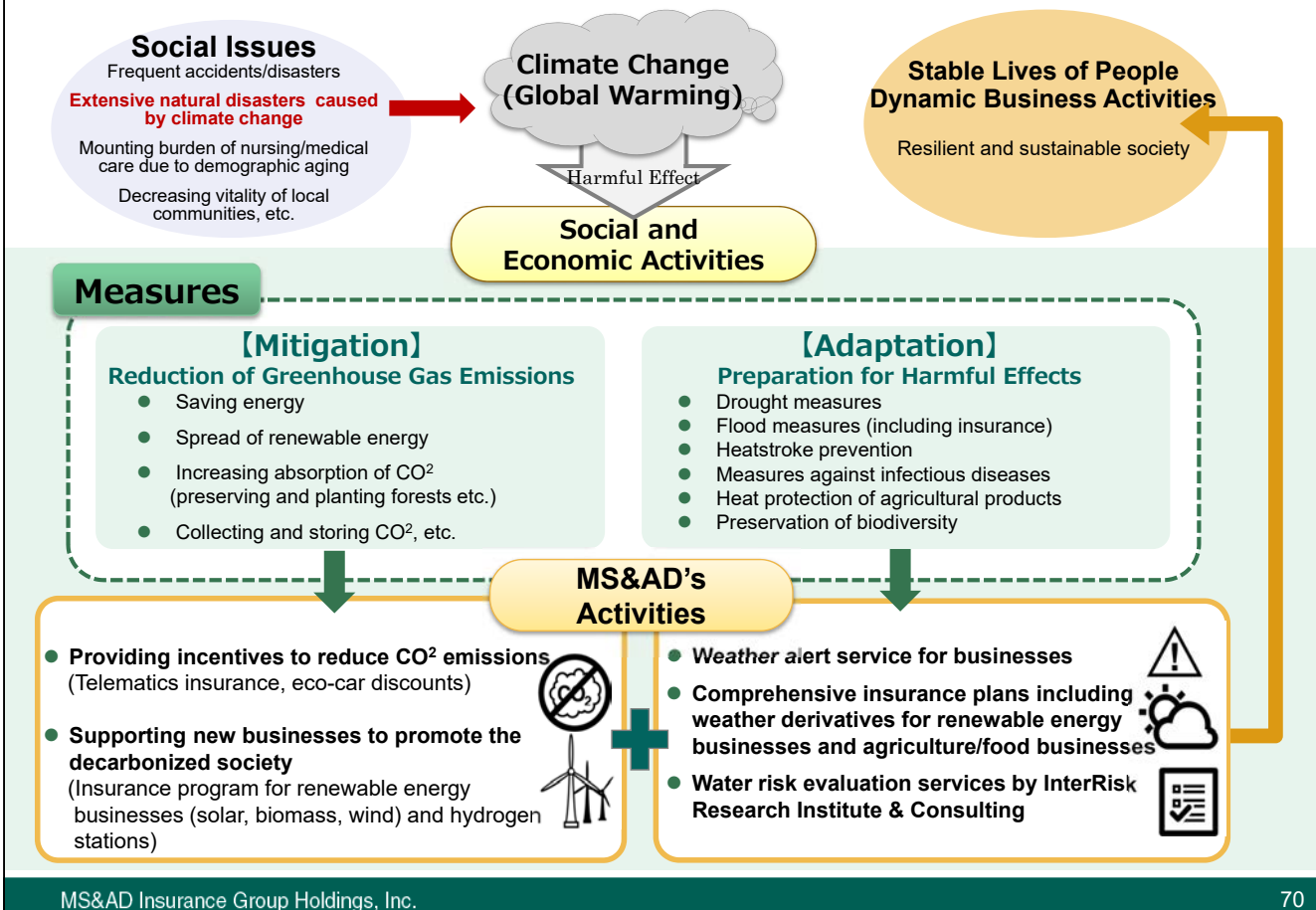
Proposal examples	Cases in which proposal was rejected and details of exercise of voting rights
Proposal on appropriation of surplus	The payout ratio remained at a low level even though business results were comparatively stable and we raised the issue this time as it did last year, but did not receive a reasonable explanation this time again. (Rejected)
Proposal for election of director	We had exchanged views on the importance of an outside director and had previously requested the election of an outside director but an outside director was not elected. (Rejected)
Capital increase through third-party allocation of shares	Although we engaged in dialogue regarding the background, relationship with the allottee, and the basis for the issue price, with respect to a capital increase via private placement, where the capital increase might involve "favourable issuance", sufficient explanation was not obtained. (Rejected)



## MS&AD's Story of Value Creation



## Activities to Solve Social Issues: Addressing Climate Change



# Corporate Culture and Human Assets Development for Taking on Challenges

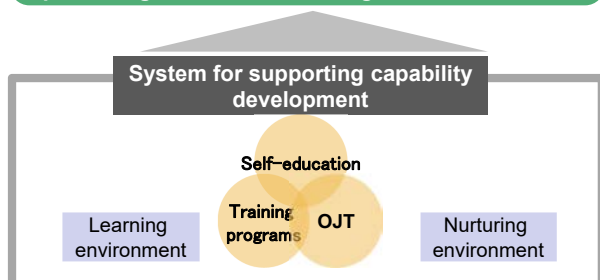
Global insurance / financial services business

## Corporate Culture and Human Assets Development for Taking on Challenges

### Conceptual Image of the Human Assets Development Structure

#### Vision of the Ideal Employees

Employees who learn and think by themselves, take up challenges, and continue to grow



Training program in Japan for overseas employees



Joint training for new employees from 10 group companies

### MS&AD's Initiatives

#### <Human Assets Development Activities>

- Strengthening education and training of employees
- Developing global human assets
- Training the next generation of leaders, introduction of a manager training program

#### <Promotion of Diversity>

- Promoting career development of female employees
- Promoting employment of people with disabilities
- Introducing a rehiring system for employees who have reached retirement age

#### <Achievement of Work-Life Balance>

- Support for employees raising children
- Support for nursing care



Please see our Integrated Report for more details:

<http://www.ms-ad-hd.com/en/ir/library/annual.html>



## Trends in 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 2Q
Group Core Profit (¥bn)	14.5	-87.5	87.4	94.8	155.7	147.5	196.0 <sup>*1</sup>
Net Income (¥bn)	5.4	-169.4	83.6	93.4	136.2	181.5	183.0 <sup>*1</sup>
Earnings per share (EPS) (¥)	8.68	-272.49	134.46	150.58	221.34	298.72	304.49
Stock price (closing price) (¥)	1,894	1,699	2,066	2,364	3,370	3,136	2,789.50
Rate of change <sup>*2</sup>	-27.0%	-10.3%	21.6%	14.4%	42.6%	-6.9%	-11.0%
(For reference) TOPIX Rate of change <sup>*2</sup>	-11.2%	-1.7%	21.2%	16.3%	28.3%	-12.7%	-1.8%
Book-value per share (BPS) (¥)	2,597.19	2,400.48	3,215.33	3,646.22	4,911.40	4,469.58	4,067.35
Price book-value ratio (PBR)	0.73	0.71	0.64	0.65	0.69	0.70	0.69
Price earnings ratio (PER)	218.20	—	15.36	15.70	15.23	10.50	9.16

\*1 Group Core Profit and Net Income are estimates.

\*2 Rate of change is a percentage change from the end of the previous fiscal year.



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**MS&AD**

INSURANCE GROUP

INVESTMENT MANAGEMENT

## 【Reference Materials】

MS&AD Insurance Group Holdings, Inc.

## Summary of First Half FY2016 Financial Results and Projected Financial Results for FY2016



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Summary of First Half FY2016 Financial Results (MS&AD Holdings (Consolidated))

Appendix 1

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Projected Financial Results for FY 2016 (MS&AD Holdings (Consolidated))

Appendix 2

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## Summary of First Half FY2016 Financial Results (MS&AD Holdings (Consolidated))

### Key financial data

(¥bn)

	FY2015 1H	FY2016 1H		
			YoY Change	Change Ratio
Net premiums written	1,620.0	1,839.3	219.3	13.5%
Ordinary profit/loss	122.4	151.0	28.5	23.3%
Net income	86.0	98.4	12.3	14.4%

\* Net premiums written exclude Good Result Return premiums of the "ModoRich" auto insurance product, which contains a special clause related to premium adjustment and refund at maturity; same hereafter.

\* Consolidated net income for FY2016 1H represents net income attributable to owners of the parent, same hereafter.

### Breakdown of net premiums written

(¥bn)

	FY2015 1H	FY2016 1H		
			YoY Change	Growth
MSI (Non-consolidated)	801.5	756.6	-44.9	-5.6%
ADI (Non-consolidated)	613.5	609.4	-4.0	-0.7%
Mitsui Direct General	18.1	18.6	0.4	2.4%
Overseas subsidiaries	183.3	451.4	268.0	146.2%

### Breakdown of net income

(¥bn)

	FY2015 1H	FY2016 1H	
			YoY Change
MSI (Non-consolidated)	44.8	69.3	24.4
ADI (Non-consolidated)	14.4	33.5	19.0
Mitsui Direct General	-1.2	0.0	1.3
MSI Aioi Life	5.1	4.2	-0.8
MSI Primary Life	21.1	11.7	-9.3
Overseas subsidiaries	14.3	13.0	-1.2
Consolidation adjustments and others	-12.5	-33.6	-21.0

\* Net income of subsidiaries is on an equity stake basis.

MS&AD Insurance Group Holdings, Inc.

#### <Net premiums written>

- Group's net premiums written was ¥1,839.3 billion, a substantial increase in revenue of ¥219.3 billion, +13.5% year-on-year.
- Breakdown of net premiums written
  - MSI had a reduction in revenue of ¥44.9 billion (-5.6%) year-on-year and ADI was ¥4.0 billion (-0.7%) year-on-year. Mitsui Direct General had a reduction in revenue of ¥0.4 billion (+2.4%) year on year.
  - Overseas subsidiaries had a substantial increase in revenue of ¥268.0 billion (+146.2%) year-on-year due to the effects of new consolidation with MS Amlin.

#### <Interim Net Income>

- Interim net income was ¥98.4 billion, an increase in profit of ¥12.3 billion year-on-year
- Breakdown by company
  - Net income for MSI was ¥69.3 billion, an increase in profit of ¥24.4 billion year-on-year, as a result of increased earned premiums reflecting the underlying increase in revenue and an increase in underwriting profit from a reduction in incurred losses from natural catastrophes.
  - ADI's net income was ¥33.5 billion, an increase in profit of ¥19.0 billion year-on-year, as a result of an increase in underwriting profit in a similar manner to MSI.
  - Mitsui Direct General's net income was ¥0.0 billion, an increase in profit of ¥1.3 billion year-on-year due to the decrease in incurred losses.
  - MSI Aioi Life's net income was ¥4.2 billion, a decrease in profit of ¥0.8 billion year-on-year, due to a reduction in profit from the sale of securities etc.
  - MSI Primary Life's net income fell by ¥9.3 billion year-on-year to ¥11.7 billion, due to an absence of the reduction in burden of policy reserves following the interest rate rise in Australia in the period last year.
  - Overseas insurance subsidiaries' net income decreased by ¥1.2 billion to ¥13.0 billion year-on-year.

## Projected Financial Results for FY2016 (MS&AD Holdings (Consolidated))

### Key financial data

(¥bn)

	FY2015	FY2016 (Forecast)		
			YoY Change	Change Ratio
Net premiums written	3,078.9	3,387.0	308.0	10.0%
Ordinary profit/loss	291.5	285.0	- 6.5	-2.3%
Net income *	181.5	183.0	1.4	0.8%

### Breakdown of net premiums written

(¥bn)

	FY2015	FY2016 (Forecast)		
			YoY Change	Growth
MSI (Non-consolidated)	1,507.4	1,477.0	- 30.4	- 2.0%
ADI (Non-consolidated)	1,192.0	1,196.0	3.9	0.3%
Mitsui Direct General	36.5	37.6	1.0	2.8%
Overseas subsidiaries	336.8	670.0	333.1	98.9%

### Breakdown of net income

(¥bn)

	FY2015	FY2016 (Forecast)	
			YoY Change
MSI (Non-consolidated)	113.9	138.0	24.0
ADI (Non-consolidated)	31.0	44.0	12.9
Mitsui Direct General	- 4.3	- 0.7	3.6
MSI Aioi Life	6.0	3.0	- 3.0
MSI Primary Life	17.8	15.0	- 2.8
Overseas subsidiaries	28.5	44.0	15.4
Consolidation adjustments and others	- 11.7	- 60.3	- 48.6

\* Net income of subsidiaries is on an equity stake basis.

MS&AD Insurance Group Holdings, Inc.

#### <Net premiums written>

- Group's net premiums written are forecast to grow ¥3,387.0 billion. It represented an increase in revenue of ¥308.0 billion, +10.0% year-on-year.
- Breakdown of net premiums written
  - MSI's net premiums written are expected to decrease ¥20.4 billion year-on-year to ¥1,477.0 billion.
  - ADI's net premiums written are expected to increase ¥3.9 billion year-on-year to ¥1,196.0 billion.
  - Mitsui Direct General's net premiums written are expected to increase ¥1.0 billion year-on-year to ¥37.6 billion.
  - Net premiums written at overseas subsidiaries are expected to grow ¥333.1 billion year-on-year to ¥670.0 billion.

#### <Ordinary profit>

- Ordinary profit is expected to decrease ¥6.5 billion year-on-year to ¥285.0 billion.

#### <Net income>

- The group expects net income to increase ¥1.4 billion year-on-year to ¥183.0 billion.
- Breakdown of net income
  - MSI expects net income to increase by ¥24.0 billion year-on-year to ¥138.0 billion.
  - ADI forecasts an increase ¥12.9 billion year-on-year to ¥44.0 billion.
  - Mitsui Direct General expects net income to increase ¥3.6 billion year-on-year to negative ¥0.7 billion.
  - MSI Aioi Life expects net income to decrease ¥3.0 billion year-on-year to ¥3.0 billion.
  - MSI Primary Life expects net income to decrease ¥2.8 billion year-on-year to ¥15.0 billion.
  - Net income at overseas subsidiaries is expected to increase ¥15.4 billion year-on-year to ¥44.0 billion, mainly due to the effects of new consolidation with MS Amlin.
  - Consolidated adjustments and others are expected to decrease ¥48.6 billion year-on-year to negative ¥60.3 billion, due to system development expenses for transfer of third sector policies in force, amortization costs for MS Amlin acquisition and elimination of dividend from MS Amlin, etc.

## Summary of First half FY2016 Financial Results



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## MSI (Non-consolidated)

### Key financial data

(¥bn)

	FY2015 1H	FY2016 1H	
			YoY Change
Net premiums written	801.5	756.6	- 44.9
Growth rate of net premiums written	9.9%	-5.6%	-15.5pt
Net loss ratio	52.7%	56.8%	4.1pt
Net expense ratio	29.8%	30.0%	0.2pt
Combined ratio	82.5%	86.8%	4.3pt
Incurred losses (including loss adjustment expenses)	452.1	445.3	- 6.8
Underwriting profit/loss	- 2.5	41.9	44.4
Net investment income/loss	61.9	52.8	- 9.1
Ordinary profit/loss	57.2	93.3	36.1
Extraordinary income/loss	- 1.8	- 2.6	- 0.8
Net income/loss	44.8	69.3	24.4
(Excluding residential earthquake insurance and CALI)			
Growth rate of net premiums written	10.6%	-6.0%	-16.6pt
Net loss ratio	49.4%	52.5%	3.1pt
Net expense ratio	31.6%	31.8%	0.2pt
Combined ratio	81.0%	84.3%	3.3pt
Incurred losses (including loss adjustment expenses)	378.1	365.9	- 12.2

• Net loss ratio is on a "written-to-paid" basis, same hereafter.

• CALI stands for Compulsory Automobile Liability Insurance, same hereafter.

MS&AD Insurance Group Holdings, Inc.

- Net premiums written decreased by 5.6% year-on-year.
  - Net premiums written for fire insurance decreased due to the absence of the rush demand before the revision of fire insurance occurred in the previous year.
- Net loss ratio increased by 4.1 points year-on-year.
- Net expense ratio increased by 0.2 points year-on-year.
- Combined ratio increased to 86.8%, an increase of 4.3 points year-on-year.
- Incurred losses decreased by ¥6.8 billion despite a occurrence of Kumamoto Earthquake in the current period, due to fewer incurred losses from natural catastrophes compared to the previous year, and the impact of exchange rate (appreciation of), etc.
- Underwriting profit increased by ¥44.4 billion year-on-year to ¥41.9 billion.
- Net investment profit was ¥52.8 billion, a decrease of ¥9.1 billion year-on-year.
- As a result of the above, ordinary profit was ¥93.3 billion, an increase of ¥36.1 billion year-on-year.
- Extraordinary income decreased by ¥0.8 billion year-on-year.
- Interim net income increased to ¥69.3 billion, an increase of ¥24.4 billion year-on-year.

### [Reference : Non-consolidated solvency margin ratio]

	End of FY2015	End of FY 2016 1H	
			Change
Non-consolidated solvency margin ratio	585.9%	626.0%	40.1pt



## MSI (Non-consolidated): Premiums and Loss Ratios by Product Line

### Net premiums written

(¥bn)

	FY2015 1H	FY2016 1H	
			YoY Change
Fire and allied	151.8	94.2	-37.9%
Marine	35.4	31.2	-11.9%
Personal accident	74.2	75.2	1.4%
Voluntary automobile	325.6	330.9	1.6%
CALI	95.6	92.6	-3.2%
Other	118.7	132.2	11.4%
Total	801.5	756.6	-5.6%
Excluding residential earthquake insurance and CALI	705.5	663.5	-6.0%

### Net loss ratio

	FY2015 1H	FY2016 1H	
			YoY Change
Fire and allied	39.7%	67.1%	27.4pt
Marine	49.6%	54.6%	5.0pt
Personal accident	54.5%	51.6%	-2.9pt
Voluntary automobile	56.1%	54.8%	-1.3pt
CALI	77.6%	81.3%	3.7pt
Other	40.0%	40.9%	0.9pt
Total	52.7%	56.8%	4.1pt
Excluding residential earthquake insurance and CALI	49.4%	52.5%	3.1pt

### Incurred losses (excluding residential earthquake insurance and CALI)

(¥bn)

	FY2015 1H	FY2016 1H	
			YoY Change
Incurred losses (including loss adjustment expenses)*1	378.1	365.9	- 12.2
Natural catastrophes *2	35.2	30.0	- 5.2
Other than natural catastrophes	342.8	335.9	- 6.9

\*1: Incurred losses = net claims paid + loss adjustment expenses + provision for outstanding claims

\*2: "Natural catastrophes" represent domestic natural disasters occurring in the fiscal year. However the figure of FY2015 1H includes 0.1 billion, incurred losses resulting from heavy snowfalls in Feb 2014.

MS&AD Insurance Group Holdings, Inc.

#### <Net premiums written>

- Net premiums written for fire insurance fell by 37.9% due to the absence of an increase in revenue due to the rush demand before the revision of fire insurance during the same period last year.
- Net premiums written for marine insurance fell by 11.9 % as a result of reduction in resource prices and reduction in flow of goods which led to reduction in revenue from cargo insurance.
- For voluntary automobile insurance net premiums written rose by 1.6% due to the rise in unit price for insurance premiums implemented by initiatives for better overage and also due to the increase in a number of vehicles under fleet contracts etc.
- For "others" rose by 11.4% due to strong sales of new products (Employment Injury Compensation Insurance\*) and increase in revenue from expense insurance.

\* Successor product to a personal accident insurance product that is no longer being sold. Net premiums written for personal accident insurance decreased as a result.

#### <Net loss ratio>

- Net loss ratio for fire insurance rose by 27.4 points year-on-year, mainly due to the decrease in net premiums written because of the absence from the rush demand before the fire insurance product's revision during the same period last year.
- Net loss ratio for marine insurance rose by 5.0 points year-on-year, mainly due to the decrease in net premiums written.
- Net loss ratio for voluntary auto insurance improved by 1.3 points year-on-year, mainly due to the increase in net premiums written.

#### <Incurred losses (excluding residential earthquake insurance and CALI)>

- Despite the occurrence of Kumamoto Earthquake, there were fewer incurred losses from natural catastrophes compared to the previous year, and there were also effects of exchange rates due to strong yen etc., resulting in a decrease in incurred losses of ¥12.2 billion year-on-year.

### 【Reference: Breakdown of impact of natural catastrophes by product line】

(¥bn)

	FY2015 1H			FY2016 1H		
	Net Claims Paid	Provisions for O/S	Total	Net Claims Paid	Provisions for O/S	Total
Fire and allied excluding residential EQ	5.3	26.0	31.4	5.9	21.2	27.2
Marine	0.0	0.1	0.1	0.0	0.1	0.1
Personal accident	0.0	0.0	0.0	-	0.0	0.0
Voluntary automobile	0.8	1.4	2.2	0.7	0.3	1.1
Other	0.0	1.4	1.4	0.1	1.2	1.3
Total	6.2	29.0	35.2	6.9	23.0	30.0



## MSI (Non-consolidated): Company Expenses and Expense Ratios

### Company expenses / Commission

(¥bn)

	FY2015 1H	FY2016 1H	
			YoY Change
Underwriting company expenses	97.4	98.1	0.6
Loss adjustment expenses	42.4	43.5	1.1
Other	5.2	5.2	0.0
Total company expenses	145.1	146.9	1.8
Personnel expenses	84.0	85.5	1.4
Non-personnel expenses	54.4	55.0	0.6
Taxes and contributions	6.6	6.4	- 0.1
Commission and collection expenses	141.2	128.6	- 12.6

### Expense ratios

	FY2015 1H	FY2016 1H	
			YoY Change
Net commission ratio	17.6%	17.0%	-0.6 pt
Net company expense ratio	12.2%	13.0%	0.8 pt
Net expense ratio	29.8%	30.0%	0.2 pt
Net expense ratio (excluding residential earthquake insurance and CALI)	31.6%	31.8%	0.2 pt

MS&AD Insurance Group Holdings, Inc.

- Total company expenses rose by ¥1.8 billion year-on-year, mainly due to the increased costs of retirement benefit expenses.
- Commissions and collection expenses reduced by ¥12.6 billion year-on-year due to the reduction in net premiums written.
- Net expense ratio (excluding residential earthquake insurance and CALI) was 31.8%, an increase of 0.2 points year-on-year.  
(Breakdown below)
  - Net commission ratio: 18.8% (down 0.7 points year-on-year)
  - Net company expense ratio: 13.0% (up 0.9 points year-on-year)

## MSI (Non-consolidated): Investment Performance

### Net investment income

(¥bn)

	FY2015 1H	FY2016 1H	
			YoY Change
Interest and dividends income	53.8	53.6	- 0.2
Transfer of investment income on deposit premiums	- 18.3	- 18.5	- 0.2
Net interest and dividends income	35.5	35.0	- 0.4
Gains/losses on sales of securities	35.3	29.6	- 5.6
Impairment losses on securities	- 3.4	- 0.1	3.2
Gains/losses on redemption of securities	0.2	- 0.3	- 0.5
Gains/losses on derivative transactions	3.9	- 0.9	- 4.8
Other	- 9.6	- 10.4	- 0.7
Net investment income/loss	61.9	52.8	- 9.1

### Sources of interest and dividends received

(¥bn)

	FY2015 1H	FY2016 1H	
			YoY Change
Bonds	10.6	9.8	- 0.8
Stocks	24.9	23.9	- 1.0
Foreign securities	9.1	12.2	3.0
Other securities	1.7	1.2	- 0.5
Loans	3.2	2.6	- 0.5
Land and buildings	3.0	3.1	0.1
Other	1.0	0.6	- 0.4
Total	53.8	53.6	- 0.2

MS&AD Insurance Group Holdings, Inc.

- Interest and dividends income reduced by ¥0.2 billion year-on-year due to the reduction in dividends from domestic stocks, although dividends for foreign securities increased. Net interest and dividends income reduced by ¥0.4 billion year-on-year.
- Gains on sales of securities reduced by ¥5.6 billion year-on-year due partially to the reduction in gains on sales of domestic stocks.
- Impairment losses on securities reduced by ¥3.2 billion year-on-year (breakdown below):

(¥bn)

	FY2015 1H	FY2016 1H	
			YoY Change
Bonds	-	-	-
Stocks	3.4	0.0	- 3.3
Foreign securities	-	0.0	0.0
Other securities	-	-	-
Total	3.4	0.1	- 3.2

- Gains on derivative transactions reduced by ¥4.8 billion year-on-year.
- As a result of the above, net investment profit was ¥52.8 billion, a decrease of ¥9.1 billion year-on-year.

### 【Reference: Breakdown of investment assets】

(¥bn)

	End of FY2015	End of FY2016 1H	
			YoY Change
Deposits and savings, etc.	512.7	466.0	- 46.7
Securities	5,173.7	5,045.0	- 128.7
Bonds	1,865.3	1,857.4	- 7.8
Stocks	1,756.5	1,651.8	- 104.7
Foreign securities	1,525.9	1,503.7	- 22.1
Other securities	25.8	31.9	6.1
Loans	448.6	417.8	- 30.8
Land and buildings	204.9	201.8	- 3.1
Total	6,340.1	6,130.7	- 209.4

## ADI (Non-consolidated)

### Key financial data

(¥bn)

	FY2015 1H	FY2016 1H	
			YoY Change
Net premiums written	613.5	609.4	- 4.0
Growth rate of net premiums written	5.1%	-0.7%	-5.8 pt
Net loss ratio	55.3%	56.7%	1.4 pt
Net expense ratio	33.7%	33.0%	-0.7 pt
Combined ratio	89.0%	89.7%	0.7 pt
Incurred losses (including loss adjustment expenses)	360.9	346.8	- 14.0
Underwriting profit/loss	2.2	26.8	24.5
Net investment income/loss	18.6	19.6	1.0
Ordinary profit/loss	21.4	49.5	28.1
Extraordinary income/loss	- 3.3	- 6.2	- 2.9
Net income/loss	14.4	33.5	19.0
(Excluding residential earthquake insurance and CALI)			
Growth rate of net premiums written	5.4%	-0.0%	-5.4 pt
Net loss ratio	51.8%	52.3%	0.5 pt
Net expense ratio	35.8%	34.6%	-1.2pt
Combined ratio	87.6%	86.9%	-0.7 pt
Incurred losses (including loss adjustment expenses)	294.4	278.4	- 16.0

MS&AD Insurance Group Holdings, Inc.

- Net premiums written increased for voluntary automobile insurance and inwards reinsurance, however, fire insurance had a substantial reduction in revenue due to the absence of rush demand before the product revision in the period of last year, resulting in a reduction in revenue of 0.7% year-on-year.
- Net loss ratio reduced in voluntary automobile insurance, but increased in inwards reinsurance, as well as payouts for residential earthquake (Kumamoto earthquake), resulting in an increase of 1.4 points year-on-year.
- Net expense ratio decreased by 0.7 points year-on-year, mainly due to the reduction in the cost of non-personnel expenses such as reduction in system costs.
- Combined ratio was 89.7%, an increase of 0.7 points year-on-year.
- Underwriting profit increased to ¥26.8 billion, a increase of ¥24.5 billion year-on-year, mainly due to the reduction in incurred losses.
- Net investment profit increased to ¥19.6 billion, an increase of ¥1.0 billion year-on-year due to increase in gains on sales of securities etc.
- As a result of the above, ordinary profit increased to ¥49.5 billion, an increase of ¥28.1 billion year-on-year.
- Extraordinary loss was ¥6.2 billion, a reduction of ¥2.9 billion year-on-year as a result of posting of costs related to reorganization by function to extraordinary loss as well as due to impairment losses.
- Net income was ¥33.5 billion, an increase of ¥19.0 billion year-on-year.

### 【Reference: Non-consolidated solvency margin ratio】

	End of FY2015	End of FY2016 1H	
			Change
Non-consolidated solvency margin ratio	829.3%	856.0%	26.7pt

## ADI (Non-consolidated) : Premiums and Loss Ratios by Product Line

Net premiums written (¥bn)				Net loss ratio			
	FY2015 1H	FY2016 1H			FY2015 1H	FY2016 1H	
			Growth				YoY Change
Fire and allied	89.2	75.0	-15.9%	Fire and allied	41.4%	55.1%	13.7 pt
Marine	2.9	2.8	-2.5%	Marine	48.4%	52.0%	3.6 pt
Personal accident	34.0	32.6	-4.3%	Personal accident	48.5%	46.2%	-2.3 pt
Voluntary automobile	339.6	345.6	1.8%	Voluntary automobile	55.7%	53.7%	-2.0 pt
CALI	87.8	83.9	-4.5%	CALI	76.3%	78.8%	2.5 pt
Other	59.7	69.3	16.1%	Other	47.4%	51.2%	3.8 pt
Total	613.5	609.4	-0.7%	Total	55.3%	56.7%	1.4 pt
Excluding residential earthquake insurance and CALI	525.3	525.2	-0.0%	Excluding residential earthquake insurance and CALI	51.8%	52.3%	0.5 pt

Incurred losses (excluding residential earthquake insurance and CALI) (¥bn)			
	FY2015 1H	FY2016 1H	
			YoY Change
Incurred losses (including loss adjustment expenses)*1	294.4	278.4	- 16.0
Natural catastrophes*2	28.3	15.7	- 12.5
Other than natural catastrophes	266.1	262.6	- 3.5

\*1: Incurred losses = net claims paid + loss adjustment expenses + provision for outstanding claims

\*2: "Natural catastrophes" represent domestic natural disasters occurring in the fiscal year. However the figure of FY2015 1H includes 0.0 billion, incurred losses resulting from heavy snowfalls in Feb. 2014.

MS&AD Insurance Group Holdings, Inc.

### <Net premiums written>

- Net premiums written for fire insurance reduced due to the absence of rush demand before the product revision during last year etc., resulting in a reduction in revenue of by 15.9% year-on-year.
- Net premiums written for voluntary automobile insurance increased by 1.8% year-on-year due to increased revenue from direct premiums in Japan and increased revenue from inwards reinsurance, etc.
- Changes in net premiums written for personal accident insurance and "other" insurance mainly resulted from the revision where we transitioned policies that were previously sold as personal accident insurance to "other" (workers' compensation insurance).
- In addition, "other" had an increase in revenue from inwards reinsurance, resulting in an increase in revenue by 16.1% year-on-year.

### <Net Loss Ratio>

- Net loss ratio for fire insurance rose by 13.7 points year-on-year, mainly due to claims payment for the Kumamoto earthquake.
- Net loss ratio for voluntary automobile insurance reduced by 2.0 points year-on-year due to reduction in the number of accidents reported, etc.

### <Incurred losses (excluding residential earthquake insurance and CALI)>

- Incurred losses decreased by ¥16.0 billion year-on-year, mainly due to the reduction in incurred losses for natural catastrophes.

### 【Reference: Breakdown of impact of natural catastrophes by product line】

(¥bn)

	FY2015 1H			FY2016 1H		
	Net Claims Paid	Provisions for O/S	Total	Net Claims Paid	Provisions for O/S	Total
Fire and allied excluding residential EQ	4.2	20.5	24.8	3.8	10.0	13.9
Marine	—	—	—	—	—	—
Personal accident	0.0	- 0.0	0.0	0.0	0.0	0.0
Voluntary automobile	1.2	1.2	2.5	0.8	0.3	1.1
Other	0.0	0.9	0.9	0.1	0.5	0.6
Total	5.5	22.7	28.3	4.8	10.9	15.7

## ADI (Non-consolidated) : Company Expenses and Expense Ratios

### Company expenses / Commission

(¥bn)

	FY2015 1H	FY2016 1H	
			YoY Change
Underwriting company expenses	92.3	87.1	- 5.1
Loss adjustment expenses	30.3	29.5	- 0.7
Other	3.7	4.1	0.3
Total company expenses	126.4	120.9	- 5.4
Personnel expenses	63.3	61.8	- 1.4
Non-personnel expenses	57.4	53.5	- 3.9
Taxes and contributions	5.6	5.5	- 0.0
Commission and collection expenses	114.5	113.6	- 0.8

### Expense ratios

	FY2015 1H	FY2016 1H	
			YoY Change
Net commission ratio	18.7%	18.6%	-0.1 pt
Net company expense ratio	15.0%	14.3%	-0.7 pt
Net expense ratio	33.7%	33.0%	-0.7 pt
Net expense ratio (excluding residential earthquake insurance and CALI)	35.8%	34.6%	-1.2 pt

MS&AD Insurance Group Holdings, Inc.

- Total company expenses decreased to ¥120.9 billion, a reduction of ¥5.4 billion year-on-year due to reduction in system costs etc.
- Personnel expenses decreased to ¥61.8 billion, a reduction of ¥1.4 billion year-on-year.
- Non-personnel expenses decreased to ¥53.5 billion, a reduction of ¥3.9 billion year-on-year.
- Commissions and collection expenses decreased to ¥113.6 billion, a reduction of ¥0.8 billion year-on-year.
- Net expense ratio decreased to 33.0%, a reduction of 0.7 points year-on-year.
- Net expense ratio excluding residential earthquake insurance and CALI decreased to 34.6%, a reduction of 1.2 points year-on-year.

(Breakdown below)

- Net commission ratio: 20.8% (down 0.1 points year-on-year)
- Net company expense ratio: 13.7% (down 1.1 points year-on-year)



## ADI (Non-consolidated) : Investment Performance

### Net investment income

(¥bn)

	FY2015 1H	FY2016 1H	
			YoY Change
Interest and dividends income	30.0	26.9	- 3.0
Transfer of investment income on deposit premiums	- 9.2	- 9.3	- 0.1
Net interest and dividends income	20.7	17.5	- 3.2
Gains/losses on sales of securities	1.7	7.4	5.6
Impairment losses on securities	- 1.0	- 0.7	0.2
Gains/losses on redemption of securities	1.2	- 0.1	- 1.3
Gains/losses on derivative transactions	- 0.5	- 0.5	- 0.0
Other	- 3.6	- 3.8	- 0.2
Net investment income/loss	18.6	19.6	1.0

### Sources of interest and dividends received

(¥bn)

	FY2015 1H	FY2016 1H	
			YoY Change
Bonds	4.9	4.9	- 0.0
Stocks	9.7	9.7	0.0
Foreign securities	8.8	6.8	- 1.9
Other securities	2.1	1.5	- 0.5
Loans	1.5	1.3	- 0.1
Land and buildings	2.1	2.2	0.0
Other	0.6	0.1	- 0.4
Total	30.0	26.9	- 3.0

MS&AD Insurance Group Holdings, Inc.

- Interests and dividends income decreased by ¥3.0 billion year-on-year.
- Gains on sales of securities increased by ¥5.6 billion year-on-year.
- Impairment losses on securities decreased by ¥0.2 billion year-on-year (breakdown below):

(¥bn)

	FY2015 1H	FY2016 1H	
			YoY Change
Bonds	—	—	—
Stocks	1.0	0.7	- 0.2
Foreign securities	—	—	—
Other securities	—	—	—
Total	1.0	0.7	- 0.2

- As a result of the above, net investment income increased by ¥1.0 billion year-on-year.

### 【Reference: Breakdown of investment assets】

(¥bn)

	End of FY2015	End of FY2016 1H	
			YoY Change
Deposits and savings, etc.	149.5	190.0	40.4
Securities	2,497.5	2,451.5	- 46.0
Bonds	985.5	992.9	7.4
Stocks	792.7	744.6	- 48.0
Foreign securities	675.7	673.4	- 2.3
Other securities	43.5	40.4	- 3.1
Loans	221.8	215.1	- 6.6
Land and buildings	170.9	165.5	- 5.4
Total	3,039.8	3,022.2	- 17.6

## Mitsui Direct General

### Key financial data

(¥bn)

	FY2015 1H	FY2016 1H	
			YoY Change
Net premiums written	18.1	18.6	0.4
Growth rate of net premiums written	5.9%	2.4%	-3.5pt
Net loss ratio	73.2%	74.7%	1.5pt
Net expense ratio	22.5%	23.1%	0.6pt
Combined ratio	95.7%	97.8%	2.1pt
Incurred losses (including loss adjustment expenses)	15.7	14.4	- 1.3
Underwriting profit/loss	- 1.5	0.1	1.7
Net investment income/loss	0.0	0.0	- 0.0
Ordinary profit/loss	- 1.4	0.1	1.6
Extraordinary income/loss	- 0.0	- 0.0	- 0.0
Net income/loss per our share	- 1.2	0.0	1.3

### Incurred losses (excluding residential earthquake insurance and CALI )

(¥bn)

	FY2015 1H	FY2016 1H	
			YoY Change
Incurred losses (including loss adjustment expenses) <sup>*1</sup>	15.5	14.2	- 1.2
Natural catastrophes <sup>*2</sup>	0.0	0.0	- 0.0
Other than natural catastrophes	15.4	14.1	- 1.2

\*1: Incurred losses = net claims paid + loss adjustment expenses + provision for outstanding claims

\*2: "Natural catastrophes" represent domestic natural disasters occurring in the fiscal year.

MS&AD Insurance Group Holdings, Inc.

- Net premiums written increased by 2.4% year-on-year to ¥18.6 billion.
- Net loss ratio was 74.7%, an increase of 1.5 points year-on-year.
- Net expense ratio was 23.1%, an increase of 0.6 points year-on-year.
- Combined ratio was 97.8%, an increase of 2.1 points year-on-year.
- Underwriting profit was ¥0.1 billion, an improvement by ¥1.7 billion year-on-year.
- Net profit (per our equity share) was ¥0.0 billion, an increase of ¥1.3 billion year-on-year.

### 【Reference:Non-consolidated solvency margin ratio】

	End of FY2015	End of FY2016 1H	
			Change
Non-consolidated solvency margin ratio	230.4%	457.4%	227.0pt



**Key financial data**

(¥bn)

	FY2015 1H		FY2016 1H		
				YoY Chanage	Change Ratio
Amount of new policies*		1,235.4	1,089.4	- 145.9	-11.8%
Amount of policies in force*	At the beginning of the FY	22,576.0	22,807.3	Change from the beginning of the FY 231.3	1.0%
Annualized premiums of new policies*		24.5	23.1	- 1.4	-5.8%
of which, third sector insurance		6.7	7.7	0.9	13.9%
Annualized premiums of policies in force*	At the beginning of the FY	375.7	385.7	Change from the beginning of the FY 9.9	2.7%
of which, third sector insurance	At the beginning of the FY	78.7	83.7	Change from the beginning of the FY 4.9	6.3%
Gross premiums income		227.1	235.7	8.5	3.8%
Ordinary profit		10.2	8.7	- 1.5	-15.0%
Net Income		5.1	4.2	- 0.8	-16.1%

\* Amount of new policies, amount of policies in force, annualized premiums of new policies and annualized premiums of policies in force are total sum of personal insurance and personal annuity insurance.

MS&amp;AD Insurance Group Holdings, Inc.

- The amount of new policies decreased by 11.8% year-on-year, amount of policies in force increased by 1.0% from the beginning of the period.
- Annualized premiums of new policies decreased by 5.8% year-on-year, however, annualized premiums of policies in force increased by 2.7% from the beginning of the period.
- In the third sector, annualized premiums of new policies increased by 13.9% year-on-year, annualized premiums of policies in force increased by 6.3% from the beginning of the period.
- Gross premiums income increased to ¥235.7 billion, an increase of ¥8.5 billion year-on-year.
- Net income decreased to ¥4.2 billion, a decrease of ¥0.8 billion year-on-year.

**【Reference: Non-consolidated solvency margin ratio】**

	End of FY2015	End of FY2016 1H	
			Change
Non-consolidated solvency margin ratio	1,598.4%	1,539.4%	-59.0pt

## MSI Primary Life

### Key financial data

(¥bn)

	FY2015 1H	FY2016 1H		
			YoY Change	Change Ratio
Amount of new policies	624.9	520.8	- 104.0	- 16.7%
Amount of policies in force	At the beginning of the FY 4,910.8	4,968.6	Change from the beginning of the FY 57.8	1.2%
Gross premiums income	650.5	537.9	- 112.5	-17.3%
Ordinary profit/loss	30.4	1.4	- 28.9	-95.1%
Net income/loss	21.1	11.7	- 9.3	-44.3%

MS&AD Insurance Group Holdings, Inc.

- The amount of new policies was ¥520.8 billion, a reduction of 16.7% year-on-year, mainly due to the reduction in sales of foreign currency-denominated variable whole life insurance, etc.
- While new policies increased progressively, policies in force were ¥4,968.6 billion, an increase of 1.2% compared to the beginning of the period, partially due to the effects of strong yen.
- Premiums were ¥537.9 billion, a decrease of ¥112.5 billion year-on-year.
- Ordinary profit was ¥1.4 billion, a decrease of ¥28.9 billion year-on-year, mainly due to increase in policy reserve burden following the interest rate decrease in Australia.
- ¥15.7 billion of price fluctuation reserve was used against the accounting loss that arose due to strong yen and reduction in interests. As a result, interim net income was ¥11.7 billion, a reduction of ¥9.3 billion year-on-year.

### 【Reference:Non-consolidated solvency margin ratio】

	End of FY2015	End of FY2016 1H	
			Change
Non-consolidated solvency margin ratio	985.5%	939.4%	-46.1pt

## Overseas Subsidiaries

### Net premiums written

(¥bn)

	FY2015 1H	FY2106 1H		
			YoY Change	Growth
Overseas subsidiaries total	183.3	451.4	268.0	146.2%
Asia	89.0	81.2	- 7.8	-8.8%
Europe (excluding MS Amlin)	55.2	50.0	- 5.2	-9.4%
Americas	24.7	23.8	- 0.8	-3.5%
Reinsurance	14.3	13.0	- 1.2	-9.0%
MS Amlin	—	283.2	283.2	—

### Net income

(¥bn)

	FY2015 1H	FY2016 1H	
			YoY Change
Overseas subsidiaries total	14.3	13.0	- 1.2
Asia	9.5	8.3	- 1.1
Europe (excluding MS Amlin)	- 2.3	- 5.0	- 2.6
Americas	1.3	1.0	- 0.3
Reinsurance	5.7	5.7	0.0
MS Amlin	—	2.9	2.9

MS&AD Insurance Group Holdings, Inc.

- Net premiums written for overseas subsidiaries increased to ¥451.4 billion due to new consolidation of MS Amlin. Overseas subsidiaries other than MS Amlin had a reduction in revenue of ¥15.2 billion year-on-year including the exchange rate effects of negative ¥22.4 billion. However, premiums increased on a local currency basis by ¥7.2 billion (+4.0%).
- Although MS Amlin was newly consolidated, interim net income for overseas subsidiaries was ¥13.0 billion, down ¥1.2 billion year-on-year, mainly due to the ¥4.2 billion (¥3.5 billion after tax) cost of integration of Lloyd's business and Reinsurance business into MS Amlin.

## MSI (Consolidated)

### Key financial data

(¥bn)

	FY2015 1H	FY2016 1H		
			YoY Change	Growth
Net premiums written	953.0	1,175.6	222.6	23.4%
Ordinary profit/loss	71.6	100.1	28.4	39.7%
Net income/loss	53.8	67.7	13.9	25.9%

### Breakdown of net premiums written

(¥bn)

	FY2015 1H	FY2016 1H		
			YoY Change	Growth
MSI (Non-consolidated)	801.5	756.6	- 44.9	- 5.6%
Overseas subsidiaries	151.4	419.0	267.6	176.8%

### Breakdown of net income

(¥bn)

	FY2015 1H	FY2016 1H	
			YoY Change
MSI (Non-consolidated)	44.8	69.3	24.4
Overseas subsidiaries	19.2	14.6	- 4.6
Consolidation adjustments and others	- 10.2	- 16.1	- 5.9

\* Net income of subsidiaries is on an equity stake basis.

## Projected Financial Results for FY2016



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## MSI (Non-consolidated)

### Key financial data

(¥bn)

	FY2015	FY2016 (Forecast)	
			YoY Change
Net premiums written	1,507.4	1,477.0	- 30.4
Growth rate of net premiums written	4.3%	-2.0%	-6.3 pt
Net loss ratio	58.9%	62.1%	3.2 pt
Net expense ratio	31.0%	31.3%	0.3 pt
Combined ratio	89.9%	93.4%	3.5 pt
Incurred losses (including loss adjustment expenses)	897.1	900.9	3.7
Underwriting profit/loss	19.1	69.0	49.8
Net investment income/loss	152.8	118.4	- 34.4
Ordinary profit/loss	167.8	183.0	15.1
Extraordinary income/loss	- 11.7	- 6.1	5.6
Net income/loss	113.9	138.0	24.0
(Excluding residential earthquake insurance and CALI)			
Growth rate of net premiums written	4.4%	-2.2%	-6.6 pt
Net loss ratio	56.0%	58.9%	2.9 pt
Net expense ratio	33.1%	33.4%	0.3 pt
Combined ratio	89.1%	92.3%	3.2 pt
Incurred losses (including loss adjustment expenses)	748.1	744.4	- 3.6

MS&AD Insurance Group Holdings, Inc.

- Net premiums written are forecast to decrease by ¥30.4 billion or -2.0% year-on-year to ¥1,477.0 billion.
- Net loss ratio is forecast to rise by 3.2 points year-on-year to 62.1%, or 58.9% excluding residential earthquake insurance and CALI.
- Net expense ratio is forecast to rise by 0.3 points year-on-year to 31.3%, or 33.4% excluding residential earthquake insurance and CALI.
- Combined ratio is forecast to rise by 3.5 points year-on-year to 93.4%, or 92.3% excluding residential earthquake insurance and CALI.
- Underwriting profit is expected to increase by ¥49.8 billion year-on-year to ¥69.0 billion resulting from an increase in earned premiums and reduction in commissions paid etc.
- Net investment income is expected to decrease by ¥34.4 billion year-on-year to ¥118.4 billion, mainly due to decrease in gains on sales of securities.
- As a result of the above, ordinary profit is forecast to increase by ¥15.1 billion year-on-year to ¥183.0 billion.
- Net income is forecast to increase by ¥24.0 billion year-on-year to ¥138.0 billion, partially due to increase in extraordinary income year-on-year.



## MSI (Non-consolidated) : Premiums and Loss Ratios by Product Line

### Net premiums written

(¥bn)

	FY2015	FY2016 (Forecast)	
			Growth
Fire and allied	242.4	186.4	-23.1%
Marine	66.9	58.2	-13.1%
Personal accident	140.9	142.4	1.0%
Voluntary automobile	645.6	656.5	1.7%
CALI	186.5	185.8	-0.4%
Other	224.8	247.7	10.2%
Total	1,507.4	1,477.0	-2.0%
Excluding residential earthquake insurance and CALI	1,320.0	1,290.5	-2.2%

### Net loss ratio

	FY2015	FY2016 (Forecast)	
			YoY Change
Fire and allied	55.2%	74.2%	19.0pt
Marine	53.9%	59.5%	5.6pt
Personal accident	57.7%	54.7%	-3.0pt
Voluntary automobile	59.2%	58.1%	-1.1pt
CALI	79.8%	81.3%	1.5pt
Other	47.2%	53.8%	6.6pt
Total	58.9%	62.1%	3.2pt
Excluding residential earthquake insurance and CALI	56.0%	58.9%	2.9pt

### Incurred losses (excluding residential earthquake insurance and CALI)

(¥bn)

	FY2015	FY2016 (Forecast)	
			YoY Change
Incurred losses (including loss adjustment expenses) *1	748.1	744.4	- 3.6
Natural catastrophes *2	38.1	40.0	1.8
Other than natural catastrophes	709.9	704.4	- 5.5

\*1: Incurred losses = net claims paid + loss adjustment expenses + provision for outstanding claims

\*2: "Natural catastrophes" represent domestic natural disasters occurring in the fiscal year. However the figure of FY2015 includes 0.1 billion, the impact of heavy snowfalls occurred in Feb. 2014.

MS&AD Insurance Group Holdings, Inc.

- Net premiums written are expected to decrease by 2.0%, mainly due to decline in fire insurance due to recoil of the rush demand before the product revision during the previous year.
- Net loss ratio is expected to increase by 3.2 points year-on-year to 62.1%, partially due to the reduction in net premiums written.
- Excluding natural catastrophes, net loss ratios (excluding residential earthquake insurance and CALI) are forecast as follows:

	FY2015	FY2016 (Forecast)	
			YoY Change
Fire and allied excluding residential EQ	41.9%	55.4%	13.5pt
Marine	53.8%	58.7%	4.9pt
Personal accident	57.7%	54.7%	-3.0pt
Voluntary automobile	58.9%	57.7%	-1.2pt
Other	46.4%	53.0%	6.6pt
Total	53.2%	56.2%	3.0pt

- Forecast of ¥40.0 billion for domestic natural catastrophes occurring during the current fiscal year includes below.  
Fire: ¥34.5 billion, Voluntary auto: ¥3.0 billion, Others: ¥2.5 billion
- Incurred losses (excluding residential earthquake insurance and CALI) other than natural catastrophes is expected to decrease by ¥5.5 billion year-on-year.



## MSI (Non-consolidated) : Company Expenses and Expense Ratios

### Company expenses / Commission

(¥bn)

	FY2015	FY2016 (Forecast)	
			YoY Change
Underwriting company expenses	204.6	209.2	4.5
Loss adjustment expenses	87.4	88.0	0.5
Other	10.5	11.0	0.4
Total company expenses	302.5	308.2	5.6
Personnel expenses	165.4	168.2	2.7
Non-personnel expenses	121.3	127.5	6.1
Taxes and contributions	15.8	12.5	- 3.3
Commission and collection expenses	263.1	253.5	- 9.6

### Expense ratios

	FY2015	FY2016 (Forecast)	
			YoY Change
Net commission ratio	17.5%	17.2%	-0.3 pt
Net company expense ratio	13.6%	14.2%	0.6 pt
Net expense ratio	31.0%	31.3%	0.3 pt
Net expense ratio (excluding residential earthquake insurance and CALI)	33.1%	33.4%	0.3 pt

MS&AD Insurance Group Holdings, Inc.

- Total company expenses are forecasted ¥308.2 billion, an increase of ¥5.6 billion year-on-year with breakdown as below.
  - ¥168.2 billion in personnel expenses, an increase of ¥2.7 billion year-on-year
  - ¥127.5 billion in non-personal expenses, an increase of ¥6.1 billion year-on-year
- Net expense ratio is forecast to increase to 31.3%, an increase of 0.3 points year-on-year, partially due to the reduction in net premiums written.
- Net expense ratio excluding residential earthquake insurance and CALI is expected to increase to 33.4%, an increase of 0.3 points year-on-year with breakdown as below.
  - Net commission ratio: 19.1% (-0.3 points year-on-year)
  - Net company expense ratio: 14.3% (+0.6 points year-on-year)

## MSI (Non-consolidated) : Investment Performance

### Net investment income

(¥bn)

	FY2015	FY2016 (Forecast)	
			YoY Change
Interest and dividends income	116.9	112.0	- 5.0
Transfer of investment income on deposit premiums	- 37.5	- 36.0	1.5
Net interest and dividends income	79.4	76.0	- 3.4
Gains/(losses) on sales of securities	99.1	61.5	- 37.6
Impairment losses on securities	- 7.2	- 3.0	4.2
Gains/(losses) on redemption of securities	0.1	- 0.6	- 0.7
Gains/(losses) on derivative transactions	3.4	1.3	- 2.1
Other	- 22.0	- 16.8	5.2
Net investment income/(loss)	152.8	118.4	- 34.4

### Sources of interest and dividends received

(¥bn)

	FY2015	FY2016 (Forecast)	
			YoY Change
Bonds	20.9	19.4	- 1.4
Stocks	45.7	43.3	- 2.5
Foreign securities	30.3	34.7	4.3
Other securities	5.2	1.9	- 3.3
Loans	6.2	4.9	- 1.2
Land and buildings	6.1	6.3	0.1
Other	2.4	1.4	- 0.9
Total	116.9	112.0	- 5.0

MS&AD Insurance Group Holdings, Inc.

- Interests and dividends income are expected to decrease to ¥112.0 billion, a reduction of ¥5.0 billion year-on-year, due to reduction in dividends from Japanese stocks etc. Net interests and dividends income are expected to decrease to ¥76.0 billion, a reduction of ¥3.4 billion year-on-year.
- Gains on sales of securities are forecast to be ¥61.5 billion, a reduction of ¥37.6 billion year-on-year, mainly due to the reduction in gains from the sale of Japanese stocks.
- Impairment losses on securities are forecast to be ¥3.0 billion, a reduction of ¥4.2 billion year-on-year
- Other is forecast to be negative ¥16.8 billion, an increase of ¥5.2 billion year-on-year, mainly due to reduction in exchange loss.

## ADI (Non-consolidated)

### Key financial data

(¥bn)

	FY2015	FY2016 (Forecast)	
			YoY Change
Net premiums written	1,192.0	1,196.0	3.9
Growth rate of net premiums written	2.7%	0.3%	-2.4 pt
Net loss ratio	59.2%	60.5%	1.3 pt
Net expense ratio	34.3%	33.8%	-0.5 pt
Combined ratio	93.5%	94.3%	0.8 pt
Incurred losses (including loss adjustment expenses)	706.4	728.3	21.8
Underwriting profit/loss	24.8	39.0	14.1
Net investment income/loss	34.9	26.1	- 8.8
Ordinary profit/loss	61.7	68.0	6.2
Extraordinary income/loss	- 20.2	- 10.0	10.2
Net income/loss	31.0	44.0	12.9
(Excluding residential earthquake insurance and CALI)			
Growth rate of net premiums written	2.9%	0.6%	-2.3 pt
Net loss ratio	56.1%	57.0%	0.9 pt
Net expense ratio	36.5%	35.7%	-0.8 pt
Combined ratio	92.6%	92.7%	0.1 pt
Incurred losses (including loss adjustment expenses)	573.7	590.1	16.3

MS&AD Insurance Group Holdings, Inc.

- Net premiums written are forecast to increase to ¥1,196.0 billion, an increase of ¥3.9 billion or 0.3 points year-on-year.
- Net loss ratio is expected to be 60.5%, an increase of 1.3 points year-on-year, or 57.0% excluding residential earthquake insurance and CALI.
- Net expense ratio is expected to be 33.8%, a decrease of 0.5 points year-on-year, or 35.7% excluding residential earthquake insurance and CALI.
- Combined ratio is forecast to increase to 94.3%, an increase of 0.8 points year-on-year, or 92.7% excluding residential earthquake insurance and CALI, with an increase of 0.1 points year-on-year.
- Underwriting profit is forecast to improve to ¥39.0 billion, an increase of ¥14.1 billion year-on-year, due to an increase in earned premiums etc. despite an increase of incurred losses.
- Net investment income is forecast to decrease to ¥26.1 billion, a decrease of ¥8.8 billion year-on-year due to reduction in interests and dividends income.
- As a result of the above, ordinary profit is forecast to increase to ¥68.0 billion, an increase of ¥6.2 billion year-on-year.
- Extraordinary income /loss is forecast to be negative ¥10.0 billion, an increase of ¥10.2 billion year-on-year, due to posting of expenses involved in career assist plan in the previous fiscal year.
- Net income is forecast to increase to ¥44.0 billion, an increase of ¥12.9 billion year-on-year.

## ADI (Non-consolidated) : Premiums and Loss Ratios by Product Line

### Net premiums written

(¥bn)

	FY2015	FY2016 (Forecast)	
			Growth
Fire and allied	167.6	146.6	-12.6%
Marine	5.7	5.4	-6.4%
Personal accident	63.5	60.3	-5.1%
Voluntary automobile	671.8	681.6	1.4%
CALI	170.6	168.9	-1.0%
Other	112.6	133.2	18.3%
Total	1,192.0	1,196.0	0.3%
Excluding residential earthquake insurance and CALI	1,020.9	1,026.6	0.6%

### Net loss ratio

	FY2015	FY2016 (Forecast)	
			YoY Change
Fire and allied	51.9%	63.6%	11.7 pt
Marine	43.4%	55.6%	12.2 pt
Personal accident	52.0%	48.9%	-3.1 pt
Voluntary automobile	58.1%	56.9%	-1.2 pt
CALI	78.1%	79.3%	1.2 pt
Other	53.0%	57.1%	4.1 pt
Total	59.2%	60.5%	1.3 pt
Excluding residential earthquake insurance and CALI	56.1%	57.0%	0.9 pt

### Incurred losses (excluding residential earthquake insurance and CALI )

(¥bn)

	FY2015	FY2016 (Forecast)	
			YoY Change
Incurred losses (including loss adjustment expenses) <sup>*1</sup>	573.7	590.1	16.3
Natural catastrophes <sup>*2</sup>	29.9	23.6	- 6.3
Other than natural catastrophes	543.8	566.5	22.6

\*1: Incurred losses = net claims paid + loss adjustment expenses + provision for outstanding claims

\*2: "Natural catastrophes" represent domestic natural disasters occurring in the fiscal year. However the figure of FY2015 includes 0.1 billion, the impact of heavy snowfalls occurred in Feb. 2014.

MS&AD Insurance Group Holdings, Inc.

- Net premiums written are forecast to increase by 0.3% across all lines due to an increase in voluntary automobile insurance and other.
- Net loss ratio is expected to increase by 1.3 points mainly due to decrease in fire insurance premium as well as increase in net claims paid for fire insurance and other.
- Net loss ratios excluding natural catastrophes (excluding residential earthquake insurance and CALI) are forecast as follows:

	FY2015	FY2016 (Forecast)	
			YoY Change
Fire and allied excluding residential EQ	37.9%	48.4%	10.5pt
Marine	43.4%	55.6%	12.2pt
Personal accident	52.0%	48.9%	-3.1pt
Voluntary automobile	57.6%	56.4%	-1.2pt
Other	52.2%	56.3%	4.1pt
Total	53.4%	54.8%	1.4pt

- ¥23.6 billion Incurred losses relating to domestic natural catastrophes occurring during current fiscal year (excluding residential earthquake insurance and CALI) has been included.  
Fire: ¥19.6 billion, Voluntary automobile: ¥3.0 billion, Other: ¥1.0 billion
- Incurred losses other than natural catastrophes (excluding residential earthquake insurance and CALI) are expected to increase by ¥22.6 billion due to increase in fire insurance and other.

## ADI (Non-consolidated) : Company Expenses and Expense Ratios

### Company expenses / Commission

(¥bn)

	FY2015	FY2016 (Forecast)	
			YoY Change
Underwriting company expenses	185.3	181.5	- 3.8
Loss adjustment expenses	61.0	60.2	- 0.8
Other	8.2	8.4	0.1
Total company expenses	254.7	250.1	- 4.6
Personnel expenses	126.4	124.8	- 1.6
Non-personnel expenses	117.1	114.1	- 3.0
Taxes and contributions	11.0	11.2	0.1
Commission and collection expenses	223.1	222.8	- 0.3

### Expense ratios

	FY2015	FY2016 (Forecast)	
			YoY Change
Net commission ratio	18.7%	18.6%	-0.1 pt
Net company expense ratio	15.6%	15.2%	-0.4 pt
Net expense ratio	34.3%	33.8%	-0.5 pt
Net expense ratio (excluding residential earthquake insurance and CALI)	36.5%	35.7%	-0.8 pt

MS&AD Insurance Group Holdings, Inc.

- Total company expenses are forecast to be ¥250.1 billion, a decrease of ¥4.6 billion year-on-year.
- Non personnel expenses are forecast to be ¥114.1 billion, a decrease of ¥3.0 billion year-on-year.
- Net expense ratio is forecast to improve to 33.8%, a reduction of 0.5 points year-on-year.
- Net expense ratio excluding residential earthquake insurance and CALI is expected to improve to 35.7%, a reduction of 0.8 points year-on-year with breakdown as below.
  - Net commission ratio: 20.8% (-0.2 points year-on-year)
  - Net company expense ratio: 14.8% (-0.6 points year-on-year)



## ADI (Non-consolidated) : Investment Performance

### Net investment income

(¥bn)

	FY2015	FY2016 (Forecast)	
			YpY Change
Interest and dividends income	58.7	50.4	- 8.3
Transfer of investment income on deposit premiums	- 19.1	- 18.4	0.7
Net interest and dividends income	39.5	32.0	- 7.5
Gains/losses on sales of securities	10.4	7.2	- 3.2
Impairment losses on securities	-6.6	- 3.0	3.6
Gains/losses on redemption of securities	0.7	- 0.1	- 0.8
Gains/losses on derivative transactions	-1.7	- 3.1	- 1.3
Other	-7.4	- 6.9	0.5
Net investment income/loss	34.9	26.1	- 8.8

### Sources of interest and dividends received

(¥bn)

	FY2015	FY2016 (Forecast)	
			YoY Change
Bonds	9.8	9.5	- 0.3
Stocks	17.3	16.9	- 0.4
Foreign securities	18.5	14.8	- 3.7
Other securities	4.3	2.0	- 2.3
Loans	3.1	2.6	- 0.5
Land and buildings	4.3	4.3	- 0.0
Other	1.0	0.3	- 0.7
Total	58.7	50.4	- 8.3

MS&AD Insurance Group Holdings, Inc.

- Interests and dividends income are forecast to decrease by ¥8.3 billion year-on-year.
- Gains on sales of securities are forecast to decrease by ¥3.2 billion year on year.
- Impairment losses on securities are forecast to decrease by ¥3.6 billion year-on-year.

As a result of the above, net investment profit is forecast to decrease by ¥8.8 billion year-on-year.



## Mitsui Direct General

### Key financial data

(¥bn)

	FY2015	FY2016 (Forecast)	
			YoY Change
Net premiums written	36.5	37.6	1.0
Growth rate of net premiums written	4.3%	2.8%	-1.5 pt
Ordinary profit/loss	- 5.3	- 0.6	4.7
Net income/loss per our share	- 4.3	- 0.7	3.6

MS&AD Insurance Group Holdings, Inc.

- Net premiums written is forecast to increase to ¥37.6 billion, an increase of 2.8% year-on-year.
- Ordinary loss is expected improve to ¥0.6 billion, an improvement of ¥4.7 billion year-on-year.
- Net income/loss (per our equity share) is expected to be a loss of ¥0.7 billion.

## Key financial data

(¥bn)

	FY2015	FY2016 (Forecast)	
			YoY Change
Amount of new policies*	2,423.3	2,060.6	-14.9%
Annualized premiums of new policies*	48.1	49.9	3.7%
Amount of policies in force*	22,576.0	22,928.7	1.6%
Annualized premiums of policies in force*	375.7	396.7	5.6%
Gross premiums income	461.1	479.5	18.4
Ordinary profit/loss	18.6	12.8	- 5.8
Net income/loss	6.0	3.0	- 3.0

\* Amount of new policies, Amount of policies in force, annualized premiums of new policies and annualized premiums of policies in force are total sum of personal insurance and personal annuity insurance.

MS&AD Insurance Group Holdings, Inc.

- Amount of new policies is forecast to decrease to ¥2,060.6 billion, a reduction of 14.9% year-on-year, and annualized premiums of new policies is forecast to increase to ¥49.9 billion, an increase of 3.7% year-on-year.
- Amount of policies in force is forecast to increase to ¥22,928.7 billion, an increase of 1.6% compared to the end of the previous fiscal year, and annualized premiums of policies in force are forecast to increase to ¥396.7 billion, an increase of 5.6% year-on-year.
- Gross premiums income are forecast to increase to ¥479.5 billion, an increase of ¥18.4 billion year-on-year.
- Net income is forecast to decrease to ¥3.0 billion, a decrease of ¥3.0 billion year-on-year, due to a reduction in gains on the sales of securities etc..

## MSI Primary Life

### Key financial data

(¥bn)

	FY2015	FY2016 (Forecast)	
			YoY Change
Amount of new policies	1,262.6	920.4	-27.1%
Amount of policies in force	4,910.8	5,085.9	3.6%
Gross premiums income	1,299.4	950.0	- 349.4
Ordinary profit/loss	39.9	16.7	- 23.2
Net income/loss	17.8	15.0	- 2.8

MS&AD Insurance Group Holdings, Inc.

- Amount of new policies is forecast to decrease to ¥920.4 billion, a decrease of 27.1% year-on-year.
- Amount of policies in force is forecast to increase to ¥5,085.9 billion, an increase of 3.6% compared to the end of the previous period.
- Gross premiums income are forecast to decrease to ¥950.0 billion, a decrease in revenue of ¥349.4 billion year-on-year.
- Ordinary profit is forecast to be ¥16.7 billion, a decrease of ¥23.2 billion year-on-year.
- Net income is forecast to decrease to ¥15.0 billion, a decrease of ¥2.8 billion year-on-year.

## Overseas subsidiaries

### Net premiums written

(¥bn)

	FY2015	FY2016 (Forecast)		
			YoY Change	Growth
Overseas subsidiaries total	336.8	670.0	333.1	98.9%
Asia	170.3	153.3	- 17.0	-10.0%
Europe (excluding MS Amlin)	102.0	86.8	- 15.2	-14.9%
Americas	45.8	43.7	- 2.0	-4.6%
Reinsurance	18.6	16.4	- 2.3	-12.4%
MS Amlin	—	369.9	369.9	—

### Net income

(¥bn)

	FY2015	FY2016 (Forecast)	
			YoY Change
Overseas subsidiaries total	28.5	44.0	15.4
Asia	16.6	14.2	- 2.4
Europe (excluding MS Amlin)	- 2.0	- 2.3	- 0.1
Americas	3.2	2.6	- 0.6
Reinsurance	10.7	8.2	- 2.5
MS Amlin	—	21.2	21.2

MS&AD Insurance Group Holdings, Inc.

- Net premiums written are forecast to increase to ¥670.0 billion, an increase of ¥333.1 billion year-on-year, mainly due to the effects of new consolidation with MS Amlin (¥369.9 billion).
- Net income is forecast to increase ¥44.0 billion, an increase of ¥15.4 billion year-on-year, mainly due to the effects of new consolidation with MS Amlin (¥21.2 billion).

## MSI + ADI (Simple sum of Non-consolidated)

### Key financial data

(¥bn)

	FY2016 1H		FY2016 (Forecast)	
		YoY Change		YoY Change
Net premiums written	1,366.0	- 49.0	2,673.0	- 26.5
Growth rate of net premiums written	-3.5%	-11.3 pt	-1.0%	-4.6pt
Net loss ratio	56.7%	2.9 pt	61.3%	2.2pt
Net expense ratio	31.3%	-0.2 pt	32.4%	-0.1pt
Combined ratio	88.0%	2.7 pt	93.7%	2.1pt
Incurred losses (including loss adjustment expenses)	792.1	- 20.8	1,629.1	25.6
Underwriting profit/loss	68.7	69.0	108.0	64.0
Net investment income/loss	72.5	- 8.0	144.5	- 43.2
Ordinary profit/loss	142.8	64.2	251.0	21.3
Extraordinary income/loss	- 8.9	- 3.7	- 16.1	15.8
Net income/loss	102.8	43.5	182.0	36.9
(Excluding residential earthquake insurance and CALI)				
Growth rate of net premiums written	-3.4%	-11.7 pt	-1.0%	-4.7pt
Net loss ratio	52.4%	2.0 pt	58.0%	1.9pt
Net expense ratio	33.0%	-0.4 pt	34.4%	-0.1pt
Combined ratio	85.4%	1.6 pt	92.4%	1.8pt
Incurred losses (including loss adjustment expenses)	644.3	- 28.2	1,334.5	12.6

MS&AD Insurance Group Holdings, Inc.

## MSI + ADI (Simple sum of Non-consolidated)

### Net premiums written

(¥bn)

	FY2016 1H		FY2016 (Forecast)	
		Growth		Growth
Fire and allied	169.2	-29.8%	333.0	-18.8%
Marine	34.1	-11.2%	63.6	-12.5%
Personal accident	107.9	-0.4%	202.7	-0.9%
Voluntary automobile	676.5	1.7%	1,338.1	1.6%
CALI	176.5	-3.8%	354.7	-0.7%
Other	201.6	13.0%	380.9	12.9%
Total	1,366.0	-3.5%	2,673.0	-1.0%
Excluding residential earthquake insurance and CALI	1,188.8	-3.4%	2,317.1	-1.0%

### Net loss ratio

	FY2016 1H		FY2016 (Forecast)	
		YoY Change		YoY Change
Fire and allied	61.8%	21.5 pt	69.5%	15.7 pt
Marine	54.3%	4.8 pt	59.2%	6.1 pt
Personal accident	49.9%	-2.7 pt	53.0%	-3.0 pt
Voluntary automobile	54.3%	-1.6 pt	57.5%	-1.1 pt
CALI	80.1%	3.1 pt	80.3%	1.3 pt
Other	44.4%	1.9 pt	54.9%	5.8 pt
Total	56.7%	2.9 pt	61.3%	2.2 pt
Excluding residential earthquake insurance and CALI	52.4%	2.0 pt	58.0%	1.9 pt

### Incurred losses (excluding residential earthquake insurance and CALI )

(¥bn)

	FY2016 1H		FY2016 (Forecast)	
		YoY Change		YoY Change
Incurred losses (including loss adjustment expenses) <sup>*1</sup>	644.3	- 28.2	1,334.5	12.6
Natural catastrophes <sup>*2</sup>	45.7	- 17.8	63.6	- 4.5
Other than natural catastrophes	598.5	- 10.4	1,270.9	17.1

\*1: Incurred losses = net claims paid + loss adjustment expenses + provision for outstanding claims

\*2: "Natural catastrophes" represent domestic natural disasters occurring in the fiscal year. However the figures of FY2015 and FY2015 1H include the impact of heavy snowfalls occurred in Feb. 2014.

MS&AD Insurance Group Holdings, Inc.

## MSI + ADI (Simple sum of Non-consolidated)

### Company expenses / Commission

(¥bn)

	FY2016 1H		FY2016 (Forecast)	
		YoY Change		YoY Change
Underwriting company expenses	185.3	- 4.4	390.7	0.7
Loss adjustment expenses	73.1	0.4	148.2	- 0.2
Other	9.4	0.4	19.3	0.6
Total company expenses	267.8	- 3.6	558.3	1.0
Personnel expenses	147.3	0.0	293.0	1.0
Non-personnel expenses	108.5	- 3.3	241.5	3.1
Taxes and contributions	11.9	- 0.2	23.7	- 3.2
Commission and collection expenses	242.2	- 13.4	476.2	- 9.9

### Expense ratios

	FY2016 1H		FY2016 (Forecast)	
		YoY Change		YoY Change
Net commission ratio	17.7%	-0.4 pt	17.8%	-0.2 pt
Net company expense ratio	13.6%	0.2 pt	14.6%	0.2 pt
Net expense ratio	31.3%	-0.2 pt	32.4%	-0.1 pt
Net expense ratio (excluding residential earthquake insurance and CALI)	33.0%	-0.4 pt	34.4%	-0.1 pt

MS&AD Insurance Group Holdings, Inc.

## MSI + ADI (Simple sum of Non-consolidated)

### Net investment income/loss

(¥bn)

	FY2016 1H		FY2016 (Forecast)	
		YoY Change		YoY Change
Interest and dividends income	80.6	- 3.2	162.3	- 13.3
Transfer of investment income on deposit premiums	- 27.9	- 0.3	- 54.3	2.3
Net interest and dividends income	52.6	- 3.6	108.0	- 10.9
Gains/losses on sales of securities	37.0	0.0	68.6	- 40.9
Impairment losses on securities	- 0.8	3.5	- 6.0	7.9
Gains/losses on redemption of securities	- 0.4	- 1.9	- 0.6	- 1.6
Gains/losses on derivative transactions	- 1.5	- 4.9	- 1.8	- 3.5
Other	- 14.2	- 1.0	- 23.6	5.8
Net investment income/loss	72.5	- 8.0	144.5	- 43.2

### Sources of interest and dividends received

(¥bn)

	FY2016 1H		FY2016 (Forecast)	
		YoY Change		YoY Change
Bonds	14.7	- 0.9	28.9	- 1.8
Stocks	33.7	- 0.9	60.1	- 2.9
Foreign securities	19.0	1.0	49.5	0.6
Other securities	2.8	- 1.0	3.9	- 5.6
Loans	4.0	- 0.7	7.5	- 1.7
Land and buildings	5.4	0.2	10.5	0.0
Other	0.8	- 0.8	1.7	- 1.7
Total	80.6	- 3.2	162.3	- 13.3

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