

Materials for FY2018 2Q Results Briefing – Conference Call

November 19, 2018 (Mon.)

Advancing with you



INSURANCE GROUP

MS&AD Insurance Group Holdings, Inc.

Summary of FY2018 2Q Results

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Please also refer to an Excel data file uploaded on our website.

Summary of FY2018 2Q Results

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Consolidated Earnings for FY2018 2Q (1) - Overview (i) (Top line)

Non-life insurance subsidiaries

(¥bn)

	FY2017 2Q	FY2018 2Q	YoY Change	Growth
	Results	Results		
Direct premiums written [※] (excl. deposit premiums from policyholders)	1,887.4	1,940.9	53.4	2.8%
Net premiums written [※]	1,864.1	1,876.0	11.9	0.6%
Mitsui Sumitomo Insurance	781.6	777.4	- 4.2	- 0.5%
Aioi Nissay Dowa insurance	630.1	623.8	- 6.2	- 1.0%
Mitsui Direct General	18.6	18.2	- 0.4	- 2.3%
Overseas subsidiaries	430.7	454.6	23.8	5.5%

※ Direct premiums written and 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.

Life insurance subsidiaries

(¥bn)

	FY2017 2Q	FY2018 2Q	YoY Change	Growth
	Results	Results		
Gross premiums income [※]	725.3	810.5	85.1	11.7%
MSI Aioi Life	242.7	247.4	4.7	2.0%
MSI Primary Life	482.6	563.0	80.4	16.7%
Life insurance premiums	511.1	657.1	146.0	28.6%

※ Gross premiums income is for domestic life insurance subsidiaries only.

Consolidated Earnings for FY2018 2Q (1) - Overview (i) (Top line)

(Non-life insurance subsidiaries: domestic and overseas)

- Net premiums written increased by 11.9 billion yen or 0.6%.
- Net premiums written decreased by 10.5 billion yen for the two domestic non-life insurance companies combined and rose by 24.0 billion yen if the decrease in compulsory automobile liability insurance (CALI) (down by 18.3 billion yen) and reinstatement premiums of reinsurance (down by 16.1 billion yen) are excluded.
- Net premiums written at overseas subsidiaries increased by 23.8 billion yen due to MS First Capital being newly included in the scope of consolidation (11.1 billion yen) and the impact of foreign exchange rates.

(Life insurance subsidiaries: domestic)

- MSI Aioi Life: Please see Slide 16
- MSI Primary Life: Please see Slide 17

Consolidated Earnings for FY2018 2Q (1) - Overview (ii) (Bottom line)

(¥bn)

	FY2017 2Q	FY2018 2Q		
	Results	Results	YoY Change	Change Ratio
Ordinary profit/loss	131.5	75.3	- 56.2	- 42.7%
Mitsui Sumitomo Insurance	131.3	79.3	- 52.0	- 39.6%
Aioi Nissay Dowa Insurance	22.4	- 27.4	- 49.8	- 222.3%
Mitsui Direct General Insurance	1.2	0.9	- 0.3	- 24.9%
MSI Aioi Life	8.8	7.8	- 0.9	- 11.3%
MSI Primary Life	36.5	21.9	- 14.5	- 39.9%
Overseas subsidiaries	- 43.4	20.9	64.4	-
Consolidation adjustments, others	- 25.4	- 28.2	- 2.8	-
Net income/loss [※]	75.7	46.3	- 29.4	- 38.9%
Mitsui Sumitomo Insurance	98.8	60.6	- 38.1	- 38.6%
Aioi Nissay Dowa Insurance	13.7	- 19.6	- 33.4	- 242.7%
Mitsui Direct General Insurance	1.0	0.8	- 0.2	- 22.5%
MSI Aioi Life	4.1	3.8	- 0.3	- 7.4%
MSI Primary Life	17.7	12.0	- 5.6	- 32.2%
Overseas subsidiaries	- 38.1	15.5	53.6	-
Consolidation adjustments, others	- 21.6	- 26.9	- 5.3	-

※ Consolidated net income represents net income attributable to owners of the parent.

Net income of subsidiaries is on an equity stake basis, same hereafter.

Consolidated Earnings for FY2018 2Q (1) - Overview (ii) (Bottom line)

(Group consolidated)

• Net income declined by ¥29.4 billion mainly due to domestic natural catastrophes. The rate of progress versus the initial forecast for annual net income of 200.0 billion yen was only 23.2%.

(Domestic non-life subsidiaries)

• Although earned premiums and gains on the sale of strategic equity holdings increased, natural catastrophes had a large impact and net income for the two companies combined declined by 71.5 billion yen.

• Underwriting profit was largely in accordance with the plan if the impact of natural catastrophes were at the level of the initial forecast at the beginning of this fiscal year.

(Domestic life insurance subsidiaries)

• Although the result was above the plan, MSI Primary Life recorded a net income decline of 5.6 billion yen mainly due to an increase in the initial policy year burden of the policy reserve and commissions, leading to a decrease by 6.0 billion yen year-on-year in total.

(Overseas subsidiaries)

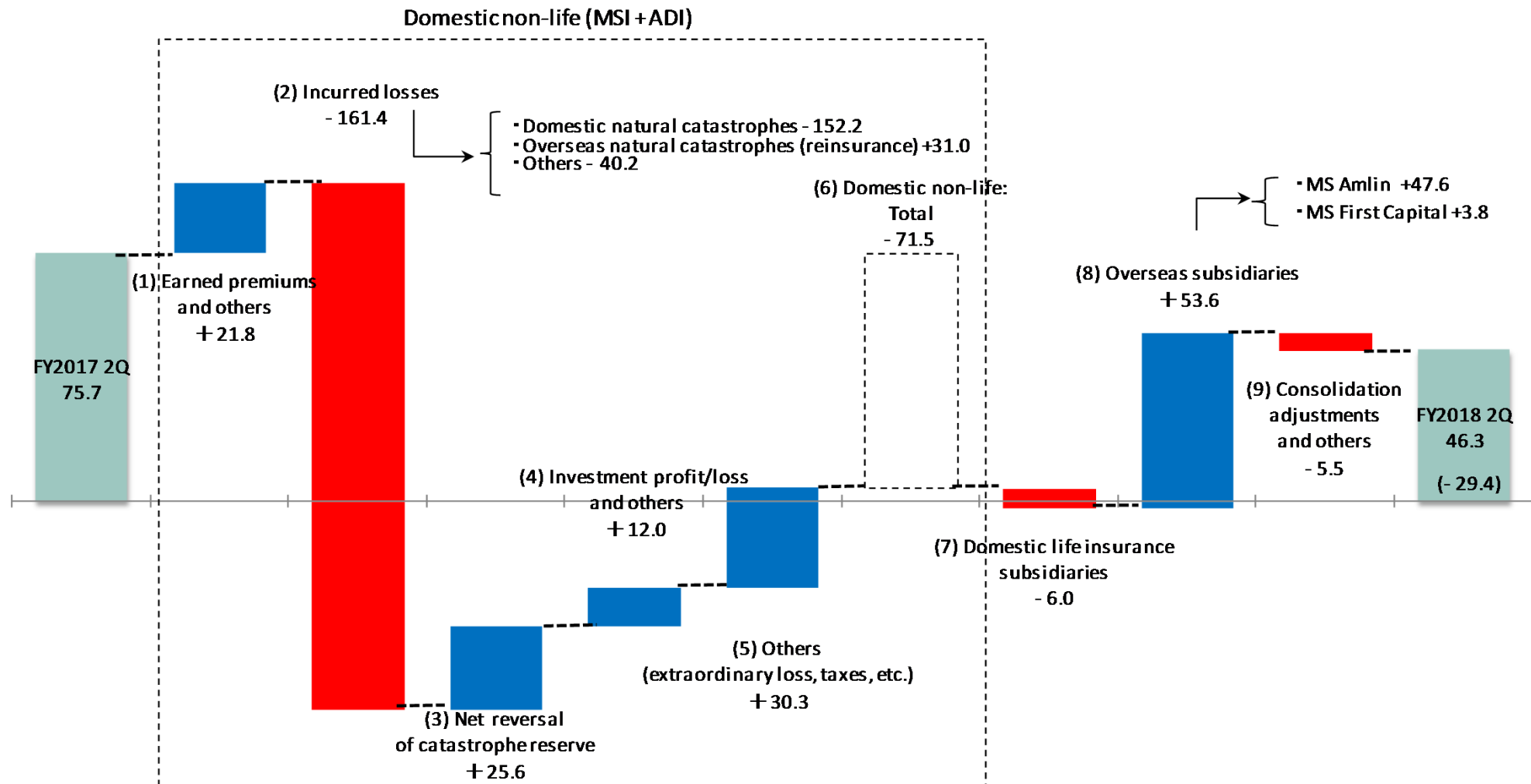
• Net income increased by 53.6 billion yen mainly due to an increase in Asia and MS Amlin's recovery.

Consolidated Earnings for FY2018 2Q (2) – YoY Results Comparison (i)

- (2) Incurred losses at the two domestic non-life insurance companies increased by 161.4 billion yen mainly due to increased incurred losses associated with domestic natural catastrophes (+152.2 billion yen). (4) Investment profit and others rose by 12.0 billion yen mainly due to increased gains on sale of securities.
- Overseas subsidiaries have recovered after the impact of natural catastrophes in the previous fiscal year, contributing 53.6 billion yen year-on-year.

Consolidated net income

(¥bn)



Consolidated Earnings for FY2018 2Q (2) – YoY Results Comparison (ii)

Factors in YoY changes in consolidated net income

(¥bn)

		FY2017 2Q Results	FY2018 2Q Results	Difference
Consolidated net income/loss		75.7	46.3	- 29.4
Domestic non-life insurance ^{※1} : Underwriting profit/loss (excl. residential earthquake and CALI (compulsory auto liability insurance))		47.2	- 66.7	- 113.9
Earned premiums and others ^{※2}	(1)	788.3	810.2	21.8
Incurred losses (incl. loss adjustment expenses)	(2)	- 690.7	- 852.1	- 161.4
Provision/reversal of catastrophe reserve	(3)	- 50.4	- 24.8	25.6
Investment profit/loss and others	(4)	106.6	118.6	12.0
Others (extraordinary loss, taxes, etc.)	(5)	- 41.2	- 10.8	30.3
Domestic non-life insurance: Total	(6)	112.6	41.0	- 71.5
Domestic life insurance subsidiaries	(7)	21.8	15.8	- 6.0
Overseas subsidiaries	(8)	- 38.1	15.5	53.6
Consolidation adjustments and others	(9)	- 20.5	- 26.1	- 5.5

※1 Figures for domestic non-life insurance are the simple sum of MSI and ADI.

※2 "Earned premiums and others" include expenses.

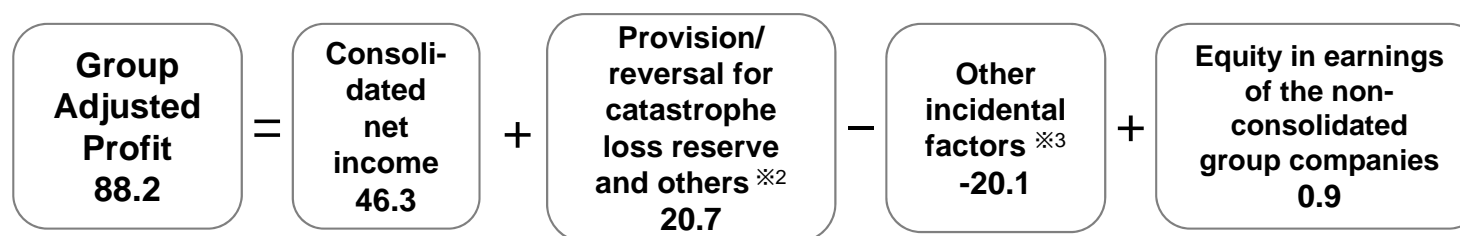
Consolidated Earnings for FY2018 2Q (3) – Group Adjusted Profit

- Group Adjusted Profit was 88.2 billion yen, down by 42.0 billion yen year-on-year, mostly because of a decrease in the domestic non-life insurance business significantly affected by natural catastrophes.

(¥bn)

	FY2017 2Q Results	FY2018 2Q Results	YoY Change
Group Adjusted Profit ^{※1}	130.2	88.2	- 42.0
Domestic non-life insurance business	168.7	48.0	- 120.6
Domestic life insurance business	20.4	16.3	- 4.1
International business	- 61.1	21.1	82.3
Financial services business and risk-related services business	2.2	2.6	0.4

※1 For the definition of Group Adjusted Profit please refer to the last page.



※2 “+” in case of provision, “-” in case of reversal

※3 Amortization of goodwill and others: -17.2 billion yen, extraordinary income/loss excluding reserves for price fluctuation: -2.8 billion yen

Impact of Domestic and Overseas Natural Catastrophes FY2018 2Q

- Incurred losses of domestic natural catastrophes were 177.0 billion yen, a 152.2 billion yen increase year-on-year.
- Incurred losses of overseas natural catastrophes were 0.8 billion yen, a 87.2 billion yen decrease year-on-year.

Impact of domestic natural catastrophes

(¥bn)

	Incurred losses		
	FY2017 2Q	FY2018 2Q	YoY Change
	Results	Results	
Mitsui Sumitomo Insurance	15.4	86.0	70.6
Aioi Nissay Dowa Insurance	9.4	91.0	81.5
Total	24.8	177.0	152.2

※Please see Slide 29 for consolidated earning forecasts for FY2018

※ Total for the earthquakes in Northern Osaka and Hokkaido of 2018 is 2.9 billion yen for the two companies combined (excl. residential EQ, MSI 1.9 billion yen, ADI 1.0 billion yen).

Impact of overseas natural catastrophes ※

(¥bn)

	Incurred losses		
	FY2017 2Q	FY2018 2Q	YoY Change
	Results	Results	
Mitsui Sumitomo Insurance	30.9	0.8	- 30.0
Aioi Nissay Dowa Insurance	57.2	-	- 57.2
Total	88.1	0.8	- 87.2

※ Overseas natural catastrophes for the above two companies only

Domestic Non-Life Insurance Companies (1) – MSI & ADI Results for FY2018 2Q (i)

- Earned premiums increased by 21.7 billion yen mainly due to an increase in fire insurance and “other”. On the other hand, incurred losses increased substantially due to natural catastrophes.

	Simple Sum		MSI (Non-Consolidated)		ADI (Non-Consolidated)	
		YoY Change		YoY Change		YoY Change
Net premiums written ^{※1}	1,401.2	- 10.5	777.4	- 4.2	623.8	- 6.2
Earned premiums ^{※2}	1,209.8	21.7	680.0	14.6	529.8	7.1
Incurred losses (including loss adjustment expenses) ^{※2}	(–) 852.1	161.4	460.7	87.7	391.4	73.6
Underwriting expenses ^{※2}	(–) 407.6	6.7	221.4	5.5	186.2	1.1
Commissions and collection expenses ^{※2}	248.4	2.7	131.8	2.9	116.5	- 0.1
Other underwriting expenses ^{※2}	159.2	3.9	89.6	2.5	69.6	1.3
Underwriting profit/loss prior to reflecting catastrophe reserve	- 41.9	- 139.5	- 0.9	- 77.1	- 40.9	- 62.4
Net catastrophe reserve	- 24.8	25.6	- 15.3	12.0	- 9.4	13.5
Underwriting profit/loss after reflecting catastrophe reserve	- 66.7	- 113.9	- 16.3	- 65.0	- 50.4	- 48.8
EI loss ratio ^{※2}	70.4%	12.3pp	67.8%	11.7pp	73.9%	13.1pp
Net loss ratio ^{※1}	59.7%	5.9pp	59.5%	5.1pp	60.0%	6.8pp
Net expense ratio ^{※1}	31.7%	0.7pp	30.7%	0.9pp	32.9%	0.4pp
Combined ratio ^{※1}	91.4%	6.6pp	90.2%	6.0pp	92.9%	7.2pp

※1 All lines ※2 Excluding residential earthquake and CALI (compulsory auto liability insurance)

※ Excluding Good Result Return Premiums of the “ModoRich” auto insurance product

※ “Earned premiums” are calculated with adjustments including unearned premiums (excl. natural catastrophe policy reserves) and reserve funds.

Domestic Non-Life Insurance Companies (1) – MSI & ADI Results for FY2018 2Q (ii)

- As gains on sale of securities increased by 13.4 billion yen year-on-year, the sum of investment profit and other ordinary profit increased by 12.0 billion yen.
- Interim net income decreased by 71.5 billion yen, despite the increase in investment profit, because of the substantial decline in underwriting profit/loss.

(¥bn)

	Simple Sum		MSI (Non-Consolidated)		ADI (Non-Consolidated)	
		YoY Change		YoY Change		YoY Change
Underwriting profit/loss	- 66.7	- 113.9	- 16.3	- 65.0	- 50.4	- 48.8
Net interest and dividends income	62.2	1.9	41.7	2.1	20.4	- 0.2
Gains/losses on sales of securities	65.1	13.4	58.2	13.2	6.9	0.2
Impairment losses on securities (-)	2.3	1.1	1.9	0.9	0.3	0.1
Investment profit/loss and other ordinary profit/loss	118.6	12.0	95.6	13.0	22.9	- 1.0
Ordinary profit/loss	51.8	- 101.9	79.3	- 52.0	- 27.4	- 49.8
Extraordinary income/loss	- 4.6	3.0	- 1.9	0.1	- 2.6	2.8
Income before taxes	47.2	- 98.8	77.3	- 51.8	- 30.0	- 47.0
Taxes and others	6.2	- 27.3	16.6	- 13.6	- 10.4	- 13.6
Net income/loss	41.0	- 71.5	60.6	- 38.1	- 19.6	- 33.4
	MSI + ADI					
		YoY Change				
<Reference> Sales of strategic equity holdings	72.6	- 7.9				

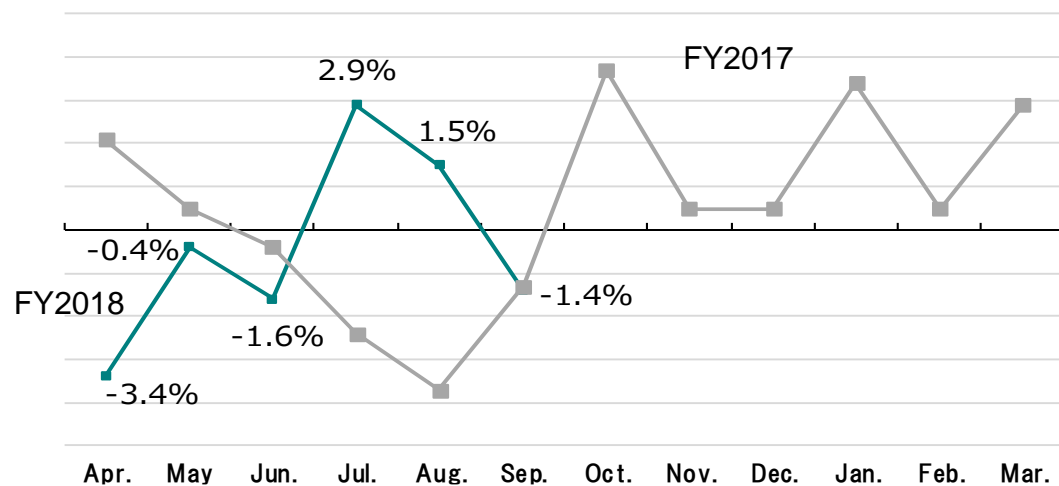
Domestic Non-Life Insurance Companies FY2018 2Q (2) – Voluntary Auto Insurance

- E/I loss ratio rose by 1.6 points year-on-year to 59.2%. If the impact of natural catastrophes is excluded, E/I loss ratio rose by only 0.3 points to 57.5%.
- The cumulative number of accidents at the end of September rose by 0.4% year-on-year.

Number of accidents

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

Simple sum of MSI and ADI (Domestic business only)



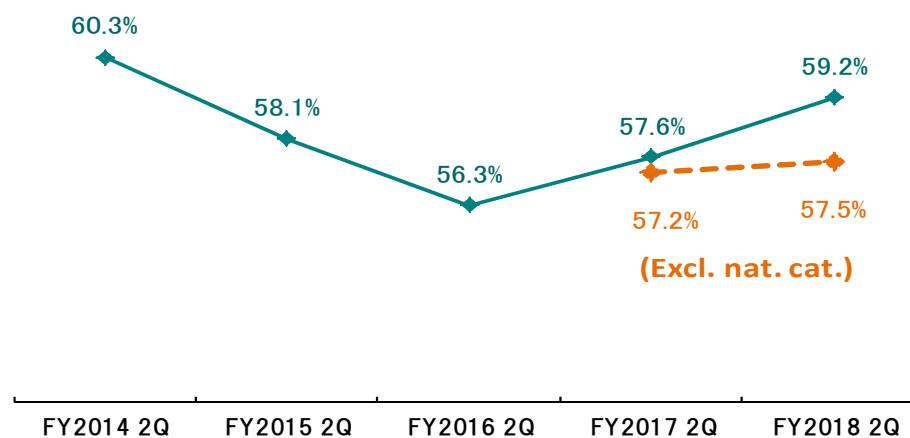
Mitsui Sumitomo Insurance

<Domestic sales basis>	No. of contracts	Insurance premium unit price	Insurance premium
Factors of increase/decrease in insurance premiums	+0.7%	-2.0%	-1.3%
<Domestic>	Property damage liability	Vehicle damage (Excl. natural disasters)	
Changes in average payout per claim	±0.0%	+0.1%	

E/I loss ratio

(incl. loss adjustment expenses)

Simple sum of MSI and ADI



Aioi Nissay Dowa Insurance

<Domestic sales basis>	No. of contracts	Insurance premium unit price	Insurance premium
Factors of increase/decrease in insurance premiums	+0.1%	-1.0%	-0.8%
<Domestic>	Property damage liability	Vehicle damage (Excl. natural disasters)	
Changes in average payout per claim	+1.0%	+1.7%	

※ All figures for factors of increase/decrease in insurance premiums are based on sales results (April to September) year-on-year.

※ Changes in average payout per claim means changes in average payout per claim over one-year period ended September 30, 2018 compared with average payout per claim in one-year period ended Mar. 31, 2018.

※ E/I loss ratio is calculated based on the figures from April to September for each year.

Domestic Life Insurance / MSI Aioi Life - Results for FY2018 2Q

- The amount of new policies increased by 26.4% mainly because of favorable sales of income guarantee insurance, and annualized premiums of new policies (third-sector) also rose by 26.2% due to robust sales performance of new products.
- Interim net income fell by 300 million yen to 3.8 billion yen because of a decrease in gain/loss on sales of securities and other factors.

MSI Aioi Life

(¥bn)

	FY2017 2Q Results		FY2018 2Q Results		
				YoY Change	Change Ratio
Amount of new policies ^{※1}		1,414.4	1,787.2	372.8	26.4%
Annualized premiums of new policies		19.9	25.8	5.9	29.7%
of which, third sector insurance		6.8	8.6	1.7	26.2%
Amount of policies in force ^{※1}	(At the beginning of FY)	23,806.8	24,362.3	(Change from the beginning of FY) 555.4	2.3%
Annualized premiums of policies in force	(At the beginning of FY)	412.3	422.0	(Change from the beginning of FY) 9.6	2.3%
of which, third sector insurance	(At the beginning of FY)	96.7	102.0	(Change from the beginning of FY) 5.3	5.6%
Gross premiums income		242.7	247.4	4.7	2.0%
Ordinary profit/loss		8.8	7.8	- 0.9	-11.3%
Extraordinary income/loss		- 0.4	- 0.6	- 0.2	-
Net income/loss		4.1	3.8	- 0.3	-7.4%
Core profit		7.8	8.7	0.8	11.1%
EEV ^{※2}	(At the beginning of FY)	835.5	880.9	(Change from the beginning of FY) 45.3	

※1 Total sum of personal insurance and personal annuity insurance

※2 EEV for 2Q is a pro forma figure based in part on a simple calculation. It has not been verified by an independent third party.

Domestic Life Insurance / MSI Primary Life - Results for FY2018 2Q

- Gross premiums income increased by 80.4 billion yen in total due to growth in fixed insurance products, primarily due to strong sales of foreign currency-denominated annuities, as well as growth in variable products.
- Interim net income decreased by 5.6 billion yen to 12.0 billion yen. However, the result was positive versus the plan due to factors such as the increase of the interest margin.

MSI Primary Life

(¥bn)

	FY2017 2Q		FY2018 2Q		Change Ratio
	Results		Results	YoY Change	
Amount of new policies ^{※1}	483.1		573.2	90.0	18.6%
Amount of policies in force ^{※1}	(At the beginning of FY) 6,061.8		6,528.2	(Change from the beginning of FY) 466.3	7.7%
Gross premiums income	482.6		563.0	80.4	16.7%
Ordinary profit/loss	36.5		21.9	- 14.5	- 39.9%
Extraordinary income/loss	- 11.9		- 5.4	6.4	-
Net income/loss	17.7		12.0	- 5.6	- 32.2%

※1 Total sum of personal insurance and personal annuity insurance

Impact of interest rates and foreign exchange rates

(¥bn)

	FY2017 2Q	FY2018 2Q
	Results	Results
Impact of interest rates	4.8	0.5
Impact of foreign exchange rates	5.7	3.2
Total	10.5	3.8

Overseas Subsidiaries - Results for FY2018 2Q

- Net premiums written increased by 23.8 billion yen or 5.5% (2.0% excluding effect of foreign exchange) mainly due to the inclusion of MS First Capital in the scope of consolidation and an increase at MS Amlin by 4.1% impacted by foreign exchange rates (decrease by 0.5% excluding effect of foreign exchange).
- Net income increased by 53.6 billion yen year-on-year due to a decrease in natural catastrophe losses at MS Amlin and a net income increase in Asia as a result of the inclusion of MS First Capital in the scope of consolidation and lower loss ratios in Singapore, China and Australia.

Overseas subsidiaries

(¥bn)

	FY2017 2Q Results	FY2018 2Q Results	Change	
			YoY Change	Change ratio
Net premiums written	430.7	454.6	23.8	5.5%
Asia	81.3	93.9	12.6	15.6%
Europe	323.5	336.2	12.7	3.9%
(of which, MS Amlin)	298.5	310.8	12.3	4.1%
Americas	25.9	24.4	- 1.5	- 5.9%
Net income/loss	- 38.1	15.5	53.6	-
Asia	6.3	11.1	4.7	74.1%
Europe	- 47.7	- 0.8	46.9	-
(of which, MS Amlin)	- 46.5	1.0	47.6	-
Americas	0.7	1.5	0.8	117.1%
International Life Insurance*	2.5	3.7	1.2	47.8%

* New category which includes Asian Life Insurance (from FY2018)

<Reference> Domestic Non-Life Insurance Companies – MSI & ADI Results for FY2018 2Q (1)

Net premiums written

(¥bn)

	Simple Sum		MSI (Non-Consolidated)		ADI (Non-Consolidated)	
	Results	Growth	Results	Growth	Results	Growth
Fire and allied	192.6	-1.8%	101.9	-3.2%	90.7	-0.2%
Marine	36.6	3.0%	32.1	3.8%	4.4	-2.2%
Personal accident	112.8	2.6%	79.4	2.4%	33.3	3.3%
Voluntary automobile	677.7	-0.6%	331.4	-0.9%	346.2	-0.2%
CALI	168.0	-9.8%	88.5	-9.6%	79.5	-10.1%
Other	213.4	5.6%	143.9	6.3%	69.5	4.0%
Total	1,401.2	-0.7%	777.4	-0.5%	623.8	-1.0%
Total excluding residential EQ insurance and CALI	1,232.8	0.6%	688.6	0.8%	544.2	0.5%

<Reference> Domestic Non-Life Insurance Companies – MSI & ADI Results for FY2018 2Q (2)

EI loss ratio (Simple sum)

	EI Loss Ratio			EI Loss Ratio (excl. impact of nat. cat.)		
	FY2017 2Q	FY2018 2Q		FY2017 2Q	FY2018 2Q	
	Results	Results	YoY Change	Results	Results	YoY Change
Fire and allied (excl. residential EQ)	69.6%	131.1%	61.5pp	43.2%	54.9%	11.7pp
Marine	66.8%	56.2%	-10.6pp	66.6%	51.4%	-15.2pp
Personal accident	52.6%	51.4%	-1.2pp	52.6%	51.4%	-1.2pp
Voluntary automobile	57.6%	59.2%	1.6pp	57.2%	57.5%	0.3pp
Other	48.9%	57.7%	8.8pp	48.2%	53.4%	5.2pp
Total (excluding residential EQ insurance and CALI)	58.1%	70.4%	12.3pp	53.4%	55.7%	2.3pp

- ※ Incurred losses = Net loss paid + loss adjustment expenses + movement in outstanding claims
- ※ Earned premiums, a denominator of EI loss ratio, are calculated with adjustments including unearned premiums (excl. natural catastrophe policy reserves) and reserve funds.
- ※ “Impact of nat. cat.” means incurred losses from domestic and overseas natural catastrophes occurred in each year. Figures for FY2017 include incurred losses from domestic natural catastrophes only.

<Reference> Domestic Non-Life Insurance Companies – MSI & ADI Results for FY2018 2Q (3)

EI loss ratio (MSI (Non-consolidated), ADI (Non-consolidated))

	EI Loss Ratio				EI Loss Ratio (excl. impact of nat. cat.)			
	MSI (Non-consolidated)		ADI (Non-consolidated)		MSI (Non-consolidated)		ADI (Non-consolidated)	
	Results	YoY Change	Results	YoY Change	Results	YoY Change	Results	YoY Change
Fire and allied (excl. residential EQ)	118.6%	60.6pp	147.1%	62.9pp	55.6%	10.3pp	54.0%	13.5pp
Marine	54.7%	-11.3pp	69.1%	-5.1pp	49.3%	-16.5pp	69.1%	-5.1pp
Personal accident	51.4%	-2.2pp	51.5%	1.2pp	51.3%	-2.3pp	51.5%	1.2pp
Voluntary automobile	58.7%	0.9pp	59.7%	2.3pp	57.2%	-0.2pp	57.8%	0.8pp
Other	57.7%	9.4pp	57.8%	7.6pp	52.7%	5.1pp	55.0%	5.7pp
Total excluding residential EQ insurance and CALI	67.8%	11.7pp	73.9%	13.1pp	55.1%	1.5pp	56.5%	3.4pp

※ Incurred losses = Net loss paid + loss adjustment expenses + movement in outstanding claims

※ Earned premiums, a denominator of EI loss ratio, are calculated with adjustments including unearned premiums (excl. natural catastrophe policy reserves) and reserve funds.

※ "Impact of nat. cat." means incurred losses from domestic and overseas natural catastrophes occurred in each year.

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<Reference> MS Amlin's Results for FY2018 2Q (Jan. – Jun. 2018) ※1

(£ mn)

	FY2017 2Q※2 Results	FY2018 2Q	
		Results	YoY change
Net premiums written	2,097	2,088	- 10
Net premiums earned	1,401	1,495	93
Incurred losses (including loss adjustment expenses)	1,350	957	- 393
Expense for acquisition and other operating expense	532	539	7
Underwriting profit/loss	- 492	25	517
Investment profit/loss※3	146	57	- 89
Non-operating profit/loss※4	- 38	- 81	- 43
Net income/loss after tax	- 324	7	331
EI claims ratio	96.4%	64.0%	-32.4pp
EI expense ratio※5	38.7%	34.3%	-4.4pp
EI combined ratio※5	135.1%	98.3%	-36.8pp

※1 On a local (UK) reporting basis

※2 Incurred losses of £398 million associated with hurricanes Harvey, Irma and Maria and Mexico EQ occurred in August-September 2017 were recorded in 2Q.

※3 MS Amlin adopts the accounting method where securities market value fluctuations are reflected in the profit-loss statement.

※4 The main item of "Non-operating profit/loss" is expenses of non-insurance companies. Figure for FY2018 2Q includes lump-sum severance payments following the reduction of personnel at MS Amlin plc and its subsidiaries.

※5 EI expense ratio and EI combined ratio are calculated by taking into account foreign exchange gains/losses included in underwriting profit.

<Reference> MS Amlin's Results for FY2018 2Q (Jan. – Jun. 2018)

(Net income)

- Net income after tax saw a large increase by £331 million year-on-year to £7 million.
- The main reasons were that the losses from North American hurricanes and other natural catastrophes were recorded in the previous fiscal year, but this fiscal year there have been no major losses caused by natural catastrophes, and the loss ratio for non-cat losses improved year-on-year.
- The main reason the result fell short of plans was the lower-than-anticipated investment profit.

(Underwriting profit)

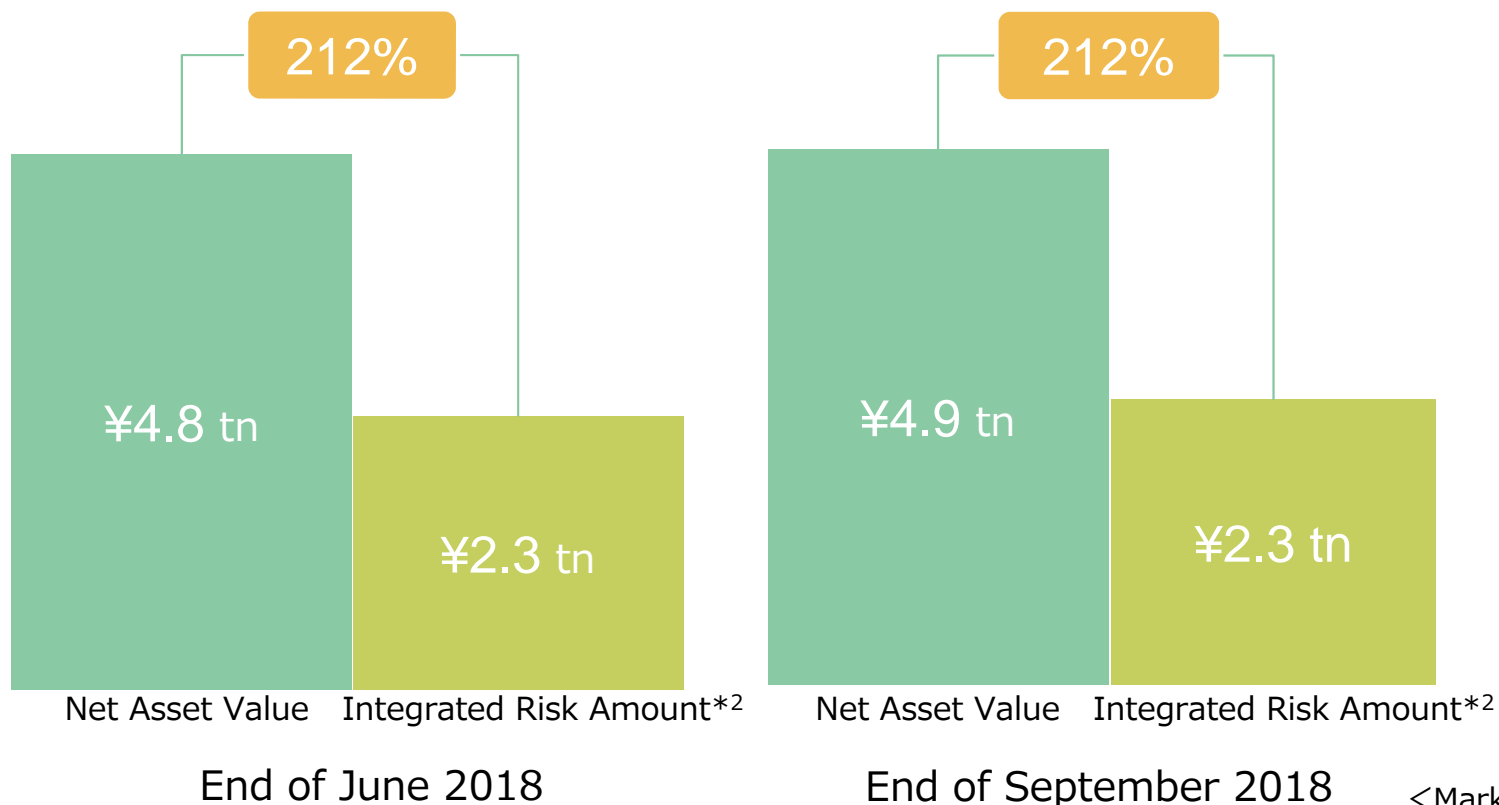
- In addition to a reduction in losses from natural catastrophes in the current fiscal year, the loss ratio for non-cat risks improved year-on-year (- 3.3pp), so the results showed large improvement year-on-year (+ £517 million).

(Investment profit)

- As investment profit declined compared to the previous fiscal year, when US stocks performed well, profit decreased by £89 million year-on-year.

<Reference> ESR

ESR*1



<Factors behind ESR change> (vs. end of June 2018)

ESR remained at the same level due to the following factors:

- ↘ Decrease in the net asset value due to natural catastrophes
- ↗ Increase in the net asset value due to increasing domestic stock prices and domestic interest rates
- ↗ Reduction of equity risk by sales of strategic equity holdings

<Market environment assumptions>

	End of June 2018	End of September 2018	Change
Nikkei stock average	22,305 yen	24,120 yen	+1,816 yen
Exchange rate (US\$1: Yen)	110 yen	113 yen	+3 yen
30-year JGB interest rate	0.71%	0.91%	+0.20 pp

*1 ESR : Economic Solvency Ratio (=NAV ÷ Integrated Risk Amount)

*2 Integrated Risk Amount: risk amount calculated based on Value at Risk with a 99.5% confidence level

Projected Financial Results for FY2018

Consolidated Earnings Forecasts for FY2018 (i) (Top line)

- Forecast for net premiums written in non-life insurance subsidiaries is revised downward by 10.0 billion yen mainly due to a decrease in premiums at MS Amlin as a result of prudent underwriting.
- Gross premiums income in life insurance is revised upward by 7.7 billion yen, reflecting strong sales at MSI Aioi Life in the first half-year.

Non-life insurance subsidiaries

(¥bn)

	FY2017 Results	FY2018 Forecast (Initial)	FY2018 Forecast (Revised)			
				YoY Change	Change Ratio	Change from the Initial
Net premiums written	3,446.9	3,480.0	3,470.0	23.0	0.7%	- 10.0
Mitsui Sumitomo Insurance	1,500.3	1,501.0	1,501.0	0.6	0.0%	-
Aioi Nissay Dowa Insurance	1,222.0	1,225.0	1,226.0	3.9	0.3%	1.0
Mitsui Direct General Insurance	37.8	38.0	37.5	- 0.3	-1.0%	- 0.5
Overseas subsidiaries	682.3	716.0	700.0	17.6	2.6%	- 16.0

Life insurance subsidiaries

(¥bn)

	FY2017 Results	FY2018 Forecast (Initial)	FY2018 Forecast (Revised)			
				YoY Change	Change Ratio	Change from the Initial
Gross premiums income [※]	1,508.1	1,496.8	1,504.5	- 3.6	-0.2%	7.7
MSI Aioi Life	492.5	496.8	504.5	11.9	2.4%	7.7
MSI Primary Life	1,015.6	1,000.0	1,000.0	- 15.6	-1.5%	-
Life insurance premiums	1,058.2	1,170.0	1,180.0	121.7	11.5%	10.0

※ Gross premiums income is for domestic life insurance subsidiaries only.

Consolidated Earnings Forecasts for FY2018 (ii) (Bottom line)

- Forecast for ordinary profit is 290.0 billion yen (down by 5.0 billion yen from the initial forecast).
- Forecast for net income remains at 200.0 billion yen.

(¥bn)

	FY2017 Results	FY2018 Forecast (Initial)	FY2018 Forecast (Revised)		
				YoY Change	Change from the Initial
Ordinary profit	211.5	295.0	290.0	78.4	- 5.0
Mitsui Sumitomo Insurance	262.5	188.0	193.0	- 69.5	5.0
Aioi Nissay Dowa Insurance	5.6	67.0	65.0	59.3	- 2.0
Net income	154.0	200.0	200.0	45.9	0.0
Mitsui Sumitomo Insurance	198.2	141.0	144.0	- 54.2	3.0
Aioi Nissay Dowa Insurance	15.6	36.0	35.0	19.3	- 1.0
Mitsui Direct General Insurance	0.2	0.2	0.1	- 0.2	- 0.1
MSI Aioi Life	5.2	5.0	4.0	- 1.2	- 1.0
MSI Primary Life	29.2	17.0	20.0	- 9.2	3.0
Overseas subsidiaries	- 104.6	40.0	38.0	142.6	- 2.0
Consolidation adjustments, other	10.0	- 39.2	- 41.1	- 51.1	- 1.9
ROE (financial accounting basis)	5.5%	6.8%	6.6%	1.1pp	- 0.2pp

※ Consolidated net income represents net income attributable to owners of the parent.
Net income of subsidiaries is on an equity stake basis, same hereafter.

Consolidated Earnings Forecasts for FY2018 (ii) – Natural Catastrophes

<Domestic>

	Net incurred losses						Difference with initial forecast
	FY2018 1H			FY2018 Total (Revised)			
	MSI	ADI	Total	MSI	ADI	Total*	
Domestic natural catastrophes: Total	86.0	91.0	177.0	115.0	101.0	216.0	165.0

※Total of the first-half-year results and incurred losses from Typhoon Trami (No.24) in the second half-year is 201.0 billion yen.

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

	FY2018 1H			FY2018 Total (Revised)			Difference with initial forecast
	MSI	ADI	Total	MSI	ADI	Total	
Reversal	11.1	9.9	21.1	85.0	89.9	174.9	157.8

※Plan for additional provision at the end of FY2018: MSI 35.0 billion yen, ADI 10.0 billion yen

<Overseas>

	Net incurred losses		Difference with initial forecast
	FY2018 1H	FY2018 Total (Revised)	
Total	0.8	28.6	- 12.2
MS Amlin	-	17.6	- 7.2
ADI	0.8	11.0	- 5.0

<Reference: Estimated incurred losses from major domestic natural catastrophes>

	Estimated final number of claims (thousands)	Estimated final incurred losses* ² (billion yen)
Heavy Rain of July 2018* ¹	Approx. 20	75.0
Typhoon "Jebi" (No.21)	Approx. 250	290.0
Typhoon "Trami" (No.24)	Approx. 120	98.0
Total of the above incurred losses on a direct basis	Approx. 390	463.0
Reinsurance recoveries		- 279.0
Net incurred losses		184.0

*¹ Including Typhoon "Prapiroon" (No.7) *² As of the present

Consolidated Earnings Forecasts for FY2018 (ii) – Natural Catastrophes

(Domestic natural catastrophes)

- The projected amount of gross insurance claims is 463.0 billion yen on a combined basis for the Heavy Rain of July 2018 (including Typhoon Prapiroon) and Typhoons Jebi and Trami. However, as we are expecting to recover 279.0 billion yen from reinsurance, we forecast the net incurred loss to be 184.0 billion yen (share covered by reinsurance: approx. 60%).
- The below graph shows that while we have been retaining a certain amount, our reinsurance arrangement has functioned effectively to restrain net incurred losses in case of a large catastrophe.
- After factoring in losses from multiple domestic natural catastrophes, we have raised our forecast for net incurred losses to 216.0 billion yen (+165.0 billion yen versus the initial forecast).

• Catastrophe reserves

The gross reversal amount has increased by 157.8 billion yen from the initial forecast.

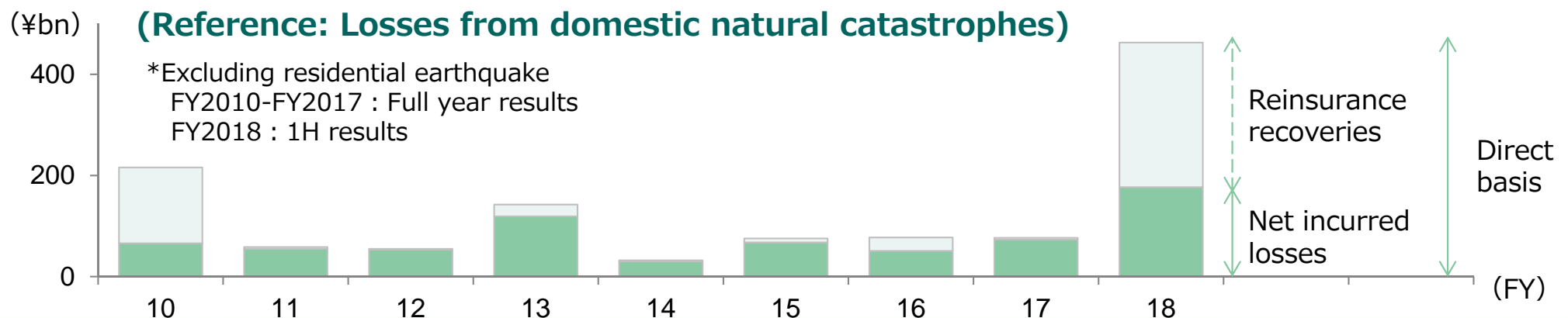
An additional provision of 35.0 billion yen at MSI and 10.0 billion yen at ADI, which is expected at the end of the fiscal year, is taken into account in the revised forecast.

The balance of catastrophe reserves (fire and allied) at the fiscal year-end is projected to be 161.2 billion yen (89.2 billion yen at MSI, 72.0 billion yen at ADI).

Note that we will determine the additional provisions after taking into account any increase/decrease in losses incurred among other factors.

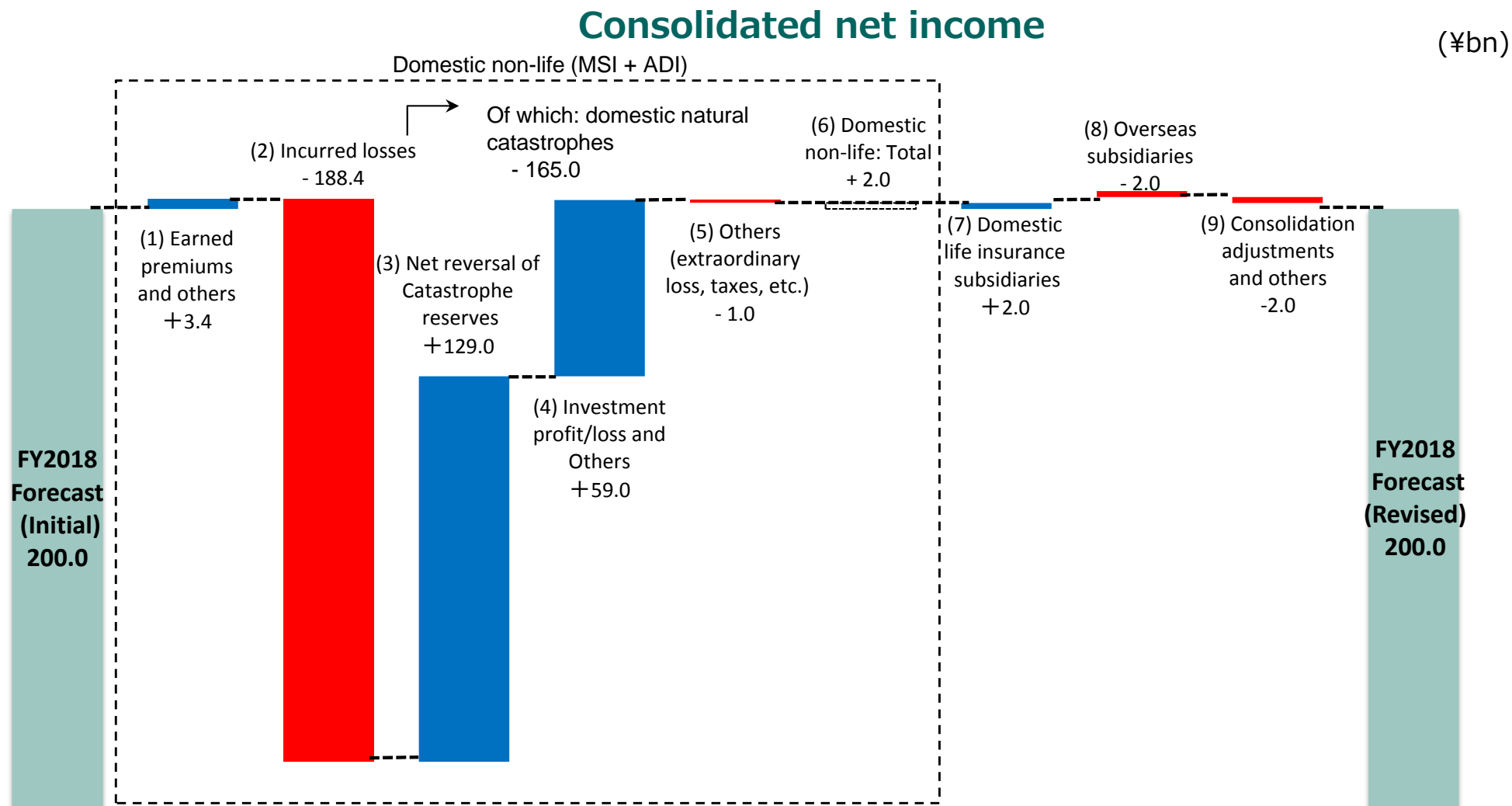
(Overseas natural catastrophes)

- Forecast for net incurred losses is 28.6 billion yen, a 12.2 billion yen decrease from the initial forecast.



Consolidated Earnings Forecasts for FY2018 (iii) - YoY Comparison

- Forecast for net income remains the same due to (3) net reversal of catastrophe reserves following claims payments for natural catastrophes (+129.0 billion yen) and (4) an increase in investment profit due to the accelerated sale of strategic equity holdings (+59.0 billion yen).



Consolidated Earnings Forecasts for FY2018 (iv)

- Although the forecast for Group Adjusted Profit is revised upward for the domestic life insurance and financial services / risk-related services, the total Group Adjusted Profit is revised downward by 90.0 billion yen to 180.0 billion yen because of the large decrease in the domestic non-life insurance.

* Group Adjusted Profit deducts the net reversal of catastrophe reserves, which leads to a gap between the net income and Group Adjusted Profit.

(¥bn)

	FY2017 Results	FY2018 Forecast (Initial)	FY2018 Forecast (Revised)		
				YoY Change	Change from the Initial
Group Adjusted Profit	201.0	270.0	180.0	- 21.0	- 90.0
Domestic non-life insurance	287.8	207.0	116.0	- 171.8	- 91.0
Domestic life insurance	32.6	22.0	24.0	- 8.6	2.0
International business	- 125.0	37.0	35.0	160.0	- 2.0
Financial services/Risk related services	5.6	4.0	5.0	- 0.6	1.0
Other numerical management targets					
Increase in EEV of MSI Aioi Life	835.5	865.0	903.0	67.5	38.0
Group Adjusted ROE	6.4%	8.5%	5.6%	- 0.8pp	- 2.9pp

Major Assumptions for Earnings Forecasts for FY2018

(¥bn)

	Mitsui Sumitomo Insurance	Aioi Nissay Dowa Insurance
Assumptions concerning the financial market environment	Assumes the level at the end of September 2018 Nikkei average : ¥ 24,120 USD\$1 = JPY¥ 114 EUR€1 = JPY¥ 132 GBP £ 1 = JPY¥ 149	
Domestic natural catastrophes occurred in FY2018	115.0 (+84.0)	101.0 (+81.0)
Catastrophe reserves Provision	44.8 (+34.8)	24.5 (+10.1)
(For fire insurance) Reversal	85.0 (+77.6)	89.9 (+80.2)
Net provision	- 40.2 (-42.7)	- 65.4 (-70.1)
Catastrophe reserves Provision	21.0 (-0.0)	22.0 (-0.1)
(For voluntary automobile insurance) Reversal	14.2 (+1.9)	29.6 (+2.7)
Net provision	6.7 (-2.0)	- 7.6 (-2.8)
Effective corporate tax rate	27.9%	

※Overseas natural catastrophes: MS Amlin 17.6 billion yen (large loss fund including nat. cat.); ADI 11.0 billion yen.

※Additional provision for the catastrophe reserve (fire insurance) is planned at MSI (35.0 billion yen) and ADI (10.0 billion yen).

※Additional provision for the price fluctuation reserve of 15.0 billion is planned at ADI.

※Figures in parentheses show change from the initial forecast.

Earnings Forecasts for FY2018–Domestic Non-Life Insurance Companies (MSI&ADI) (i)

(¥bn)

	Simple Sum			MSI (Non-Consolidated)			ADI (Non-Consolidated)			
		YoY Change	Change from the initial		YoY Change	Change from the Initial		YoY Change	Change from the Initial	
Net premiums written ^{※1}	2,727.0	4.6	1.0	1,501.0	0.6	-	1,226.0	3.9	1.0	
Earned premiums ^{※2}	2,380.9	19.3	- 7.2	1,319.3	6.4	- 5.0	1,061.6	12.8	- 2.2	
Incurring losses (including loss adjustment expenses) ^{※2}	(-)	1,597.9	178.5	188.5	878.1	102.8	104.8	719.8	75.7	83.7
Underwriting expenses ^{※2}	(-)	834.4	29.5	- 0.2	447.3	10.4	1.4	387.1	19.0	- 1.6
Commissions and collection expenses ^{※2}		485.3	7.5	2.0	255.7	4.2	1.6	229.6	3.2	0.4
Other underwriting expenses ^{※2}		349.1	21.9	- 2.2	191.6	6.1	- 0.2	157.5	15.7	- 2.0
Underwriting profit/loss prior to reflecting catastrophe reserve	- 39.2	- 173.1	- 185.0	0.0	- 100.3	- 106.8	- 39.2	- 72.8	- 78.2	
Net catastrophe reserve	91.2	135.8	129.0	24.0	39.8	53.8	67.2	95.9	75.2	
Underwriting profit/loss after reflecting catastrophe reserve	52.0	- 37.3	- 56.0	24.0	- 60.4	- 53.0	28.0	23.1	- 3.0	
EI loss ratio ^{※2}	67.1%	7.0pp	8.1pp	66.6%	7.5pp	8.2pp	67.8%	6.4pp	8.0pp	
Net loss ratio ^{※1}	67.8%	7.3pp	6.1pp	67.3%	5.7pp	6.1pp	68.5%	9.3pp	6.1pp	
Net expense ratio ^{※1}	33.3%	1.1pp	0.0pp	32.0%	0.7pp	0.0pp	34.8%	1.4pp	- 0.1pp	
Combined ratio ^{※1}	101.1%	8.4pp	6.1pp	99.3%	6.4pp	6.1pp	103.3%	10.7pp	6.0pp	

※1 All lines ※ 2 Excludes residential earthquake and CALI (compulsory auto liability insurance)

※ "Earned premiums" are calculated with adjustments including unearned premiums (excl. natural catastrophe policy reserves) and reserve funds.

Earnings Forecasts for FY2018–Domestic Non-Life Insurance Companies (MSI&ADI) (ii)

(¥bn)

	Simple Sum			MSI (Non-Consolidated)			ADI (Non-Consolidated)		
		YoY Change	Change from the Initial		YoY Change	Change from the Initial		YoY Change	Change from the Initial
Underwriting profit/loss	52.0	- 37.3	- 56.0	24.0	- 60.4	- 53.0	28.0	23.1	- 3.0
Net interest and dividends income	115.0	1.5	7.0	78.0	6.3	6.0	37.0	- 4.7	1.0
Gains/losses on sales of securities	117.2	- 17.1	50.9	105.2	- 13.6	49.3	12.0	- 3.5	1.6
Impairment losses on securities (-)	6.8	- 43.2	0.3	3.8	2.7	0.3	3.0	- 46.0	-
Investment profit/loss and other ordinary profit/loss	206.0	27.1	59.0	169.0	- 9.0	58.0	37.0	36.2	1.0
Ordinary profit/loss	258.0	- 10.1	3.0	193.0	- 69.5	5.0	65.0	59.3	- 2.0
Extraordinary income/loss	- 22.4	- 55.1	0.5	- 3.7	- 5.3	- 0.6	- 18.7	- 49.8	1.1
Net income/loss	179.0	- 34.8	2.0	144.0	- 54.2	3.0	35.0	19.3	- 1.0

Earnings Forecasts for FY2018–Domestic Non-Life Insurance Companies (MSI&ADI)(iii)

Net premiums written

(¥bn)

	Simple Sum	
		Growth
Fire and allied	370.5	-0.2%
Marine	68.8	1.3%
Personal accident	213.5	2.2%
Voluntary automobile	1,339.7	-0.3%
CALI	334.8	-4.8%
Other	399.7	5.3%
Total	2,727.0	0.2%
Total excluding residential EQ insurance and CALI	2,391.2	0.9%

MSI (Non-Consolidated)		ADI (Non-Consolidated)	
	Growth		Growth
194.6	-1.1%	175.9	0.8%
60.6	0.3%	8.2	9.5%
149.8	1.4%	63.7	3.9%
653.9	-0.8%	685.8	0.3%
176.4	-4.4%	158.4	-5.2%
265.7	5.5%	134.0	5.0%
1,501.0	0.0%	1,226.0	0.3%
1,324.0	0.7%	1,067.2	1.2%

Earnings Forecasts for FY2018–Domestic Non-Life Insurance Companies (MSI&ADI)(iv)

EI loss ratio

	EI Loss Ratio	
	Simple Sum	
		YoY Change
Fire and allied	106.5%	29.8pp
Marine	58.9%	-1.2pp
Personal accident	52.7%	0.1pp
Voluntary automobile	61.8%	2.5pp
Other	56.3%	6.2pp
Total (excluding residential EQ insurance and CALI)	67.1%	7.0pp
(Excl. impact of nat. cat.)	57.6%	2.5pp

EI Loss Ratio			
MSI (Non-consolidated)		ADI (Non-consolidated)	
	YoY Change		YoY Change
108.8%	37.0pp	104.0%	21.7pp
58.8%	-0.3pp	60.3%	-8.6pp
53.5%	0.6pp	50.7%	-1.3pp
61.3%	2.0pp	62.3%	3.0pp
56.6%	5.3pp	55.8%	8.0pp
66.6%	7.5pp	67.8%	6.4pp
57.8%	2.1pp	57.3%	3.0pp

※ Incurred losses = Net loss paid + loss adjustment expenses + movement in outstanding claims

※ Earned premiums, a denominator of EI loss ratio, are calculated with adjustments including unearned premiums (excl. natural catastrophe policy reserves) and reserve funds.

※ "Impact of nat. cat." means incurred losses from domestic and overseas natural catastrophes occurred in each year.

Key financial data

(¥bn)

	FY2017 Results	FY2018 Forecast (Initial)	FY2018 Forecast (Revised)		
				YoY Change	Change from the Initial
Amount of new policies [※]	2,639.5	2,250.0	3,296.9	24.9%	1,046.9
Annualized premiums of new policies [※]	38.8	45.9	54.2	39.5%	8.3
Amount of policies in force [※]	23,806.8	23,880.0	24,813.5	4.2%	933.5
Annualized premiums of policies in force [※]	412.3	428.7	435.5	5.6%	6.8
Gross premiums income	492.5	496.8	504.5	11.9	7.7
Ordinary profit/loss	16.9	16.0	14.2	- 2.7	- 1.8
Net income/loss	5.2	5.0	4.0	- 1.2	- 1.0

※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.

Key financial data

(¥bn)

	FY2017 Results	FY2018 Forecast (Initial)	FY2018 Forecast (Revised)		
				YoY Change	Change from the Initial
Amount of new policies	1,015.6	1,013.6	1,031.1	1.5%	17.5
Amount of policies in force	6,061.8	6,570.0	6,742.0	11.2%	172.0
Gross premiums income	1,015.6	1,000.0	1,000.0	- 15.5	0.0
Ordinary profit/loss	28.9	27.4	35.3	6.4	7.9
Net income/loss	29.2	17.0	20.0	- 9.2	3.0

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Earnings Forecasts for FY2018 – Overseas Subsidiaries

Overseas subsidiaries

(¥bn)

	FY2017 Results	FY2018 Forecast (Initial)	FY2018 Forecast (Revised)		
				YoY Change	Change from the Initial
Net premiums written	682.3	716.0	700.0	17.6	- 16.0
Asia	162.5	175.7	178.8	16.2	3.1
Europe	470.4	491.9	474.6	4.0	- 17.3
(of which, MS Amlin)	429.6	449.8	434.7	5.0	- 15.1
Americas	49.3	48.4	46.7	- 2.6	- 1.8
Net income/loss	- 104.6	40.0	38.0	142.6	- 2.0
Asia	10.7	17.3	23.7	12.9	6.3
Europe	- 124.7	11.9	4.8	129.5	- 7.1
(of which, MS Amlin)	- 110.4	18.5	10.5	120.9	- 7.9
Americas	3.5	3.0	3.2	- 0.3	0.2
International life insurance	5.8	7.8	6.3	0.5	- 1.4

Earnings Forecasts for FY2018 – Overseas Subsidiaries

(Top line)

- Forecast for net premiums written is revised downward by 16.0 billion yen to 700.0 billion.
- The main factor is the decrease by 15.1 billion (£94 million) at MS Amlin as a result of the prudent underwriting policy.

(Bottom line)

- Forecast for net income is revised downward by 2.0 billion yen to 38.0 billion yen.
- At MS Amlin, although the net income forecast is down by 7.9 billion yen (£53 million) on the initial forecast to 10.5 billion yen (£71 million), it has shown a large improvement from the previous fiscal year. Favorable auto and fire insurance loss ratios in China and Singapore, the new application of the equity method to Ceylinco Insurance and gains on the sale of real estate in Asia also made positive contributions.

(MS Amlin)

- Although the net income is forecast to fall short of the plan because of the lower forecast for the investment profit and slower-than-planned pace of profit recovery in non-cat risks, the recovery has been steadily progressing.
- In light of the severe market environment and the reinforcement of the supervisory policy of Lloyd's head office, we set conservative loss ratios, which affected the pace of recovery in non-cat risks. Although we expect the pace of profit recovery to be slower than planned, the portfolio including the policies underwritten in the previous years has improved.

Abbreviations of company names used in this presentation

- MS&AD Holdings : MS&AD Insurance Group Holdings, Inc.
- MS&AD : MS&AD Insurance Group
- Mitsui Sumitomo Insurance, MSI : Mitsui Sumitomo Insurance Co., Ltd.
- Aioi Nissay Dowa Insurance, ADI : Aioi Nissay Dowa Insurance Co., Ltd.
- Mitsui Direct General : Mitsui Direct General Insurance Co., Ltd.
- MSI Aioi Life : Mitsui Sumitomo Aioi Life Insurance Co., Ltd.
- MSI Primary Life : Mitsui Sumitomo Primary Life Insurance Co., Ltd.
- MS Amlin : MS Amlin plc
- MS First Capital : MS First Capital Insurance Limited
- Ceylinco Insurance : Ceylinco Insurance PLC

Definition of “Group Adjusted Profit” and “Group Adjusted ROE”

Group Adjusted Profit = Consolidated net income
+ Provision for catastrophe loss reserve and others
- Other incidental factors (amortization of goodwill and other intangible fixed assets and others)
+ Equity in earnings of the non-consolidated group companies

Adjusted Net Assets = Consolidated net assets + Catastrophe reserve and others - Goodwill and other intangible fixed assets

Group Adjusted ROE = Group Adjusted Profit ÷ Adjusted net assets (average of beginning and ending amounts of B/S)

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, and (4) changes in tax and other regulatory systems.

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