

## Daiwa Investment Conference Tokyo 2011



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

March 10, 2011

Toshiaki Egashira  
President and CEO

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## Abbreviations of company names used in this presentation.

• MS&AD Holdings	MS&AD Insurance Group Holdings, Inc.
• MS&AD, MS&AD Group	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 MetLife	Mitsui Sumitomo MetLife 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, and (4) changes in tax and other regulatory systems.

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# Why invest in MS&AD ?

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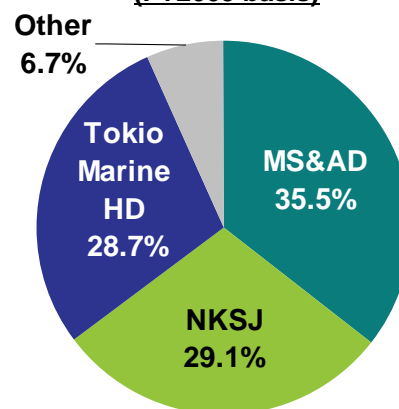
## 1. At a glance

## 1 Segment

- Non-Life Insurance
- Life Insurance
- Individual Annuities

## 2 Domestic Market Share

Based on Net Premiums Written (non-life)<sup>\*1</sup>  
(FY2009 basis)



## 3 Global Position

**Non-Life Insurance Company Rankings  
by Premium Income (FY2009 basis)**

	Insurer	Premiums Revenue
1	Allianz	¥4.76 trillion
2	State Farm	¥4.57 trillion
3	AXA	¥3.31 trillion
4	AIG	¥2.86 trillion
5	Zurich	¥2.72 trillion
6	Liberty Mutual	¥2.64 trillion
7	MS&AD	¥2.52 trillion

Each company's figures for FY2009 were converted to yen at the exchange rate prevailing at end-March 2010.

## 4 MS&AD's Strengths

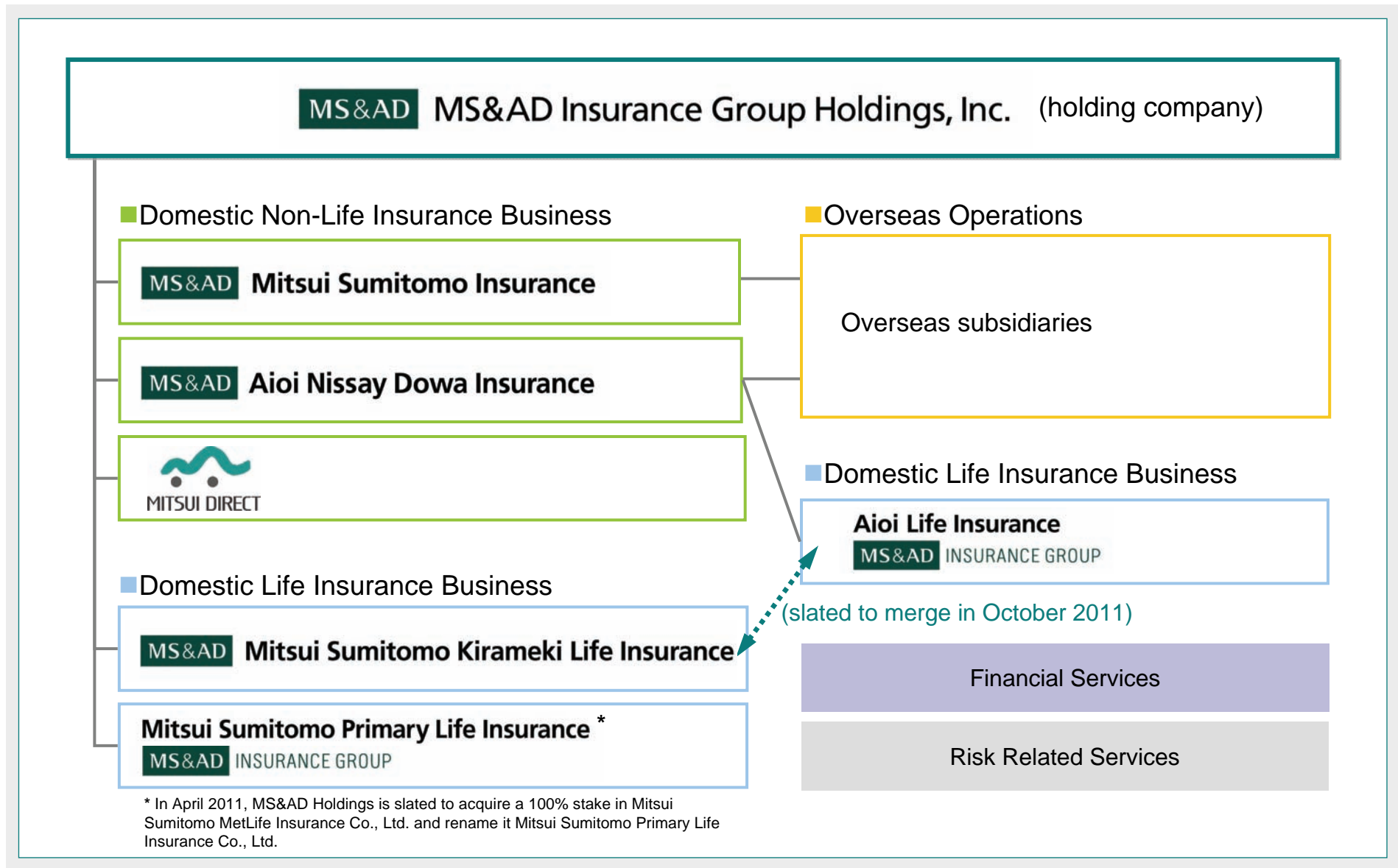
- Customer base encompassing on the underlying Toyota, Nippon Life, Mitsui Group, and Sumitomo Group markets
- Alliances with major life insurers in the non-life insurance business that are driving growth in the domestic non-life insurance market
- Online non-life insurance, health insurance, and annuities businesses well adapted to changes in the market environment
- Strong regional presence in Asian countries

## 5 Ratings

(As of end-February 2011)

Rating Agency	MSI	ADI
S&P	AA-	AA-
Moody's	Aa3	A1
A.M.Best	A+	A

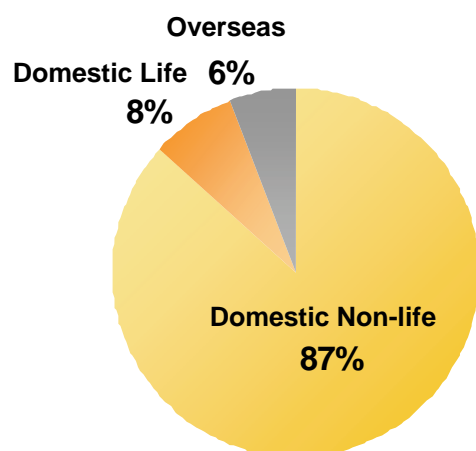
<sup>\*1</sup> Sources: Prepared by MS&AD Holdings based on financial results reported by the top 9 domestic non-life insurers (MS&AD represents the simple sum of figures for MSI, Aioi, and NDI; Tokio Marine Holdings the simple sum for Tokio Marine & Nichido and Nisshin Fire; and NKSJ the simple sum for Sampo Japan and Nipponkoa Insurance)



(For the nine months ended December 31, 2010)

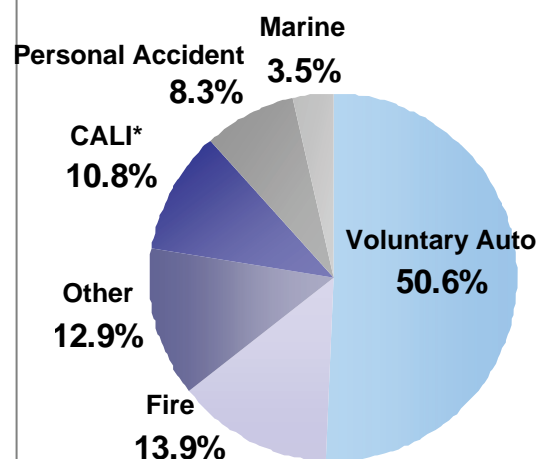
## 1 Segment

### Ordinary income



## 2 Line of Insurance (Non-Life)

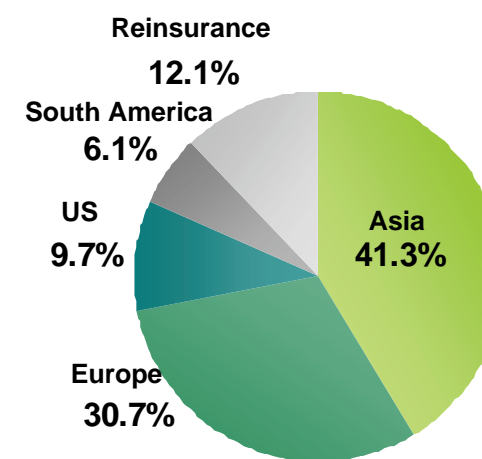
### Net premiums written



\*CALI: Compulsory Automobile Liability Insurance

## 3 Overseas: By Region

### Net premiums written\*



\*Aggregate for overseas insurance subsidiaries only

### ◆ Full-year forecast for FY2010 (ending March 31, 2011)

**Ordinary income** ¥3,360.0 billion

**Ordinary profit** ¥71.0 billion

# Track Record of Shareholder Returns

## Shareholder Return Ratio set out in MS&AD's mid-term management plan: Approx. 50% of GCP <sup>\*5</sup>

\*Figures for FY2004 through FY2007 are actual results for MSI. FY2008 figures are actual results for MSIG.

(¥ bn)

FY in which Group Core Profit was recorded→		2004	2005	2006	2007	2008	2009 <sup>*3</sup>
Group Core Profit <sup>*1</sup>	(a)	28.6	73.9	64.9	66.0	3.1	33.8
Total dividend (annual)	(b)	13.6	18.5	19.8	22.5	22.6	32.9
	(b) / (a)	48%	25%	31%	34%	729%	97%
Share buybacks (buybacks in the FY following recording of GCP)	(c)	12.0	11.5	7.0	4.0	10.0	10.0
Total shareholder returns ((b) + (c))	(d)	25.6	30.0	26.8	26.5	32.6	*4 42.9
Shareholder return ratio ((d) / (a)) <sup>*2</sup>		90%	41%	41%	40%	1,057%	127%

\*1 Until FY2008, "Group Core Profit" was defined as follows:  
(this definition differs slightly from that currently used by MS&AD Holdings)

Group Core Profit

- = Consolidated net income
- Net capital gains/losses on stock portfolio
- Net evaluation gains/losses on credit derivatives
- Consolidated income of life insurance subsidiaries
- + MSI Kirameki Life's net income before provision for standard underwriting reserves
- + MSI MetLife's equity in earnings based on US-GAAP
- + Other

Until FY2008, MSIG aimed to provide shareholder returns equivalent to 40% of Group Core Profit.

\*2 The shareholder return ratio is calculated as follows  
(example based on FY2008):

$\frac{\text{FY2008 dividends (December 2008 and June 2009)} + \text{Value of share buybacks conducted in FY2009}}{\text{FY2008 Group Core Profit}}$
--

\*3 FY2009 "Group Core Profit" and "total dividend" are the aggregate of results for MSIG, Aioi, and NDI.

\*4 Figures current as of end-February 2011

\*5 Definition of MS&AD Holdings' "GCP (Group Core Profit)" is shown on page 5.

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## **Why** invest in MS&AD ?

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1. At a glance

**2.** Significant profit recovery in prospect



## 1 Domestic Non-Life

- Measures to improve profitability, primarily in auto insurance
- Harnessing integration synergies<sup>\*1</sup> to reduce expenses
- Boosting growth potential even further through alliances with life insurers

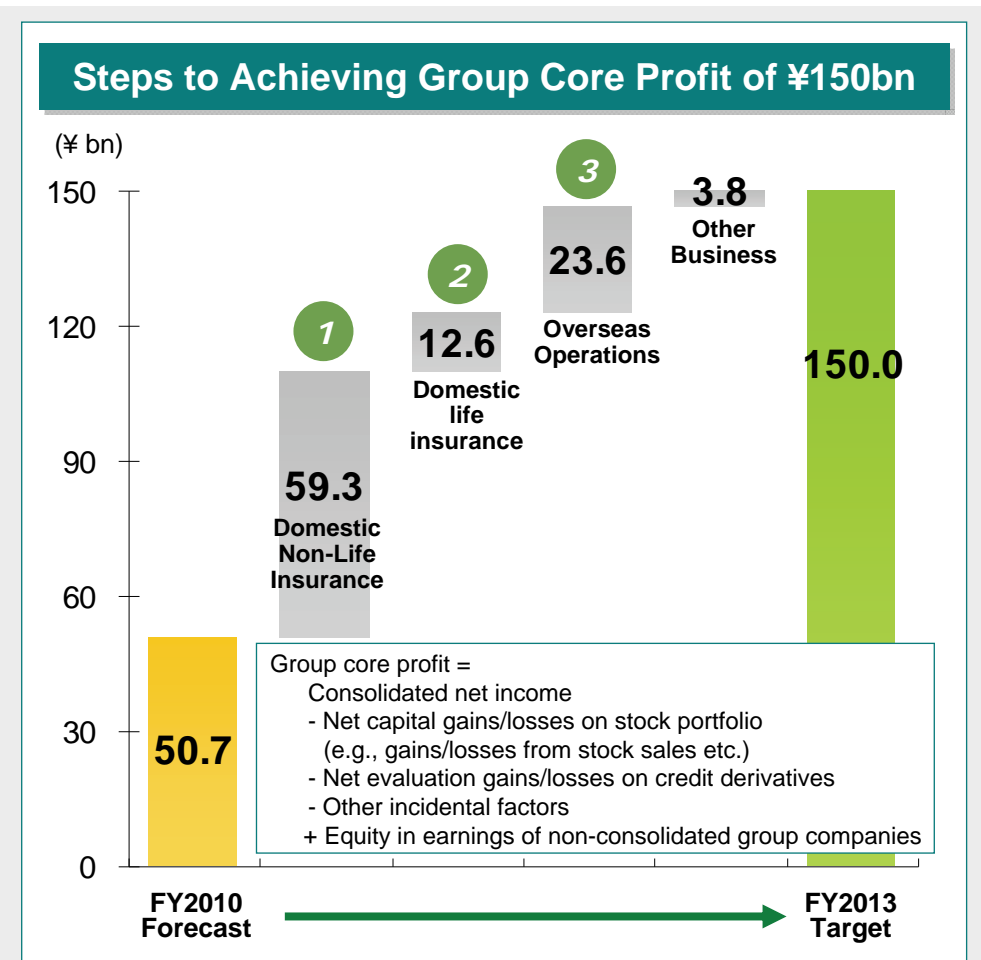
## 2 Domestic Life

- Additional profits from Mitsui Sumitomo Aioi Life Insurance<sup>\*2</sup>
- Additional profits derived from MSI Primary Life as a wholly owned subsidiary

## 3 Overseas

- Organic profit growth utilizing our operating foundation in the fertile Asian insurance market
- Potential for additional profits derived from business investments (e.g., M&A) primarily in Asia and Europe

<sup>\*2</sup> MSI Kirameki Life Insurance and Aioi Life Insurance are slated to merge and become Mitsui Sumitomo Aioi Life Insurance in October 2011.



#### \*1 Integration synergies (vs. FY2008)

Systems-related expenses (cost reduction)	¥13.0bn
Other personnel and non-personnel expenses (cost reduction)	¥26.0bn
Mutual effects on sales increase ,etc	¥7.0bn
<b>Total</b>	<b>Over ¥45.0bn annually</b>

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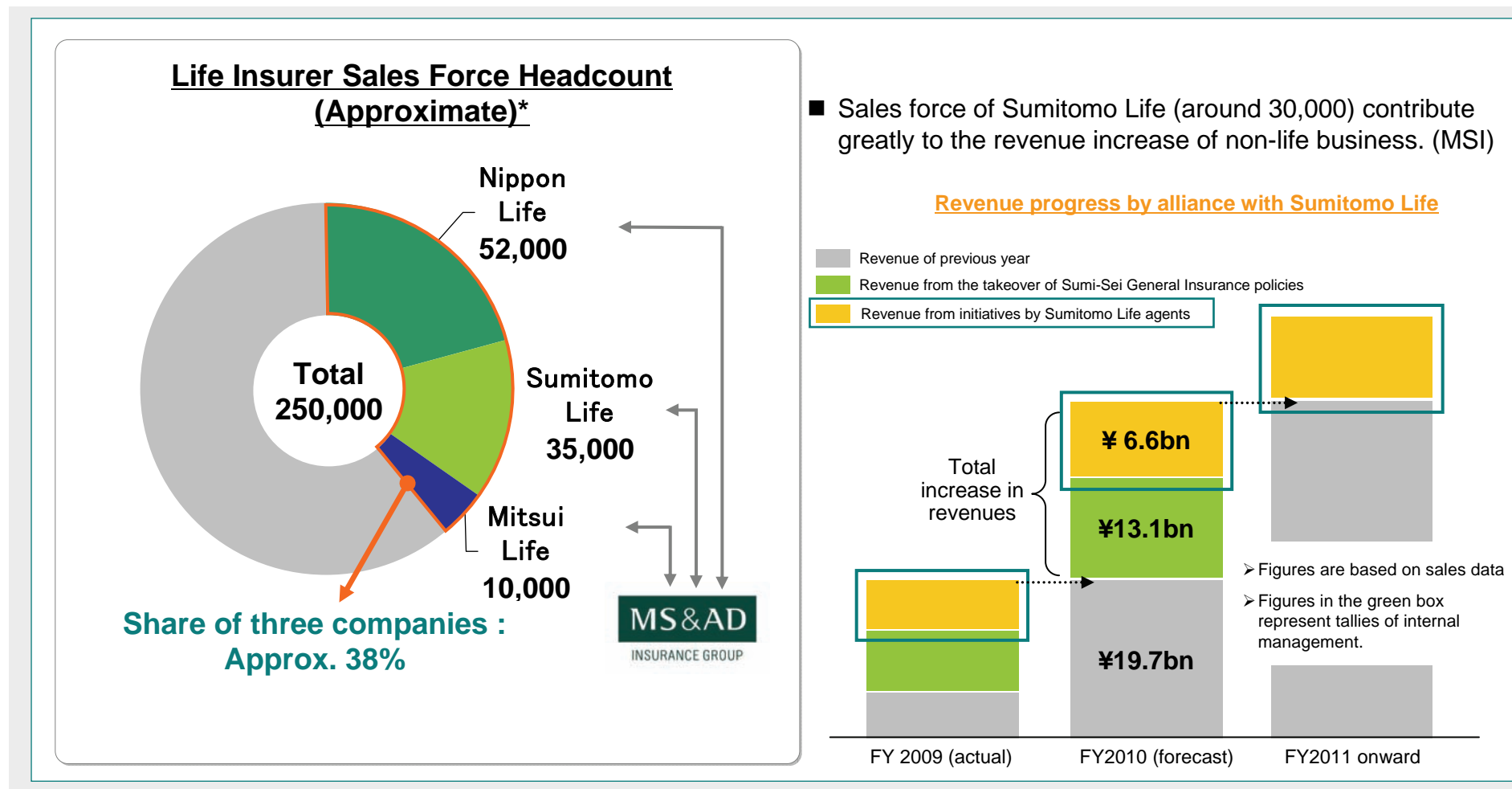
## Why invest in MS&AD ?

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1. At a glance
2. Significant profit recovery in prospect
- 3. Growing business opportunities**

## ■ Business distribution strategy : Life insurers' sales force to sell non-life insurance products

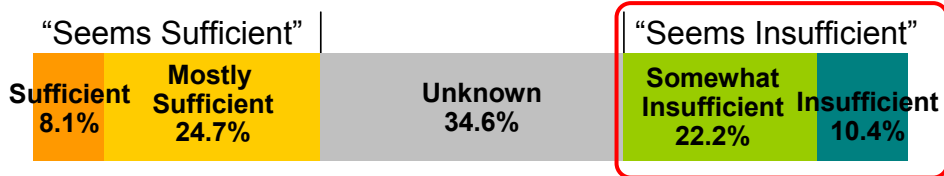
- Benefits to MS&AD : Expanded sales network create opportunities to the increase in revenue
- Benefits to life insurers : Opportunities to increase revenue from fee business



\*Sources: Insurance Research Institutes "Statistics of Life Insurance Business in Japan 2009"

## 1 Life Insurance Market in Japan : A need to review coverage may lead to switch carriers

### ◆ Views on sufficiency of coverage held

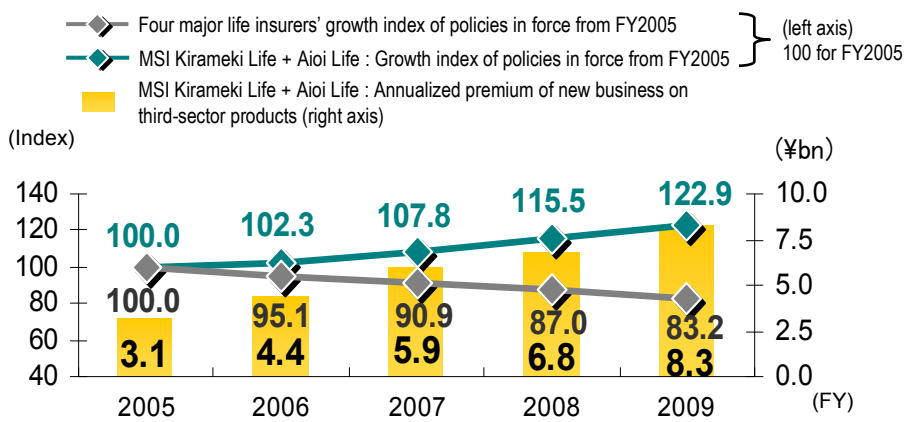


Sources: Japan Institute of Life Insurance \*1: Nation-wide Survey of Life Insurance (2009)  
\*2: Survey of the coverage for living (2010)

- 90.3% of households have life insurance \*1
- However,
- Amid aging population and the uncertainty about the future social insurance, 32.6% of respondents feel that the current insurance coverage "seems insufficient". \*1
- Some 65% of respondents expressed intention to prepare to buy medical insurance in future. \*2

## 2 MS&AD's Life Business: Growth by Meeting Needs

Growth of Policies in Force and New Business through Consulting (coverage revision and cultivating needs for medical insurance)

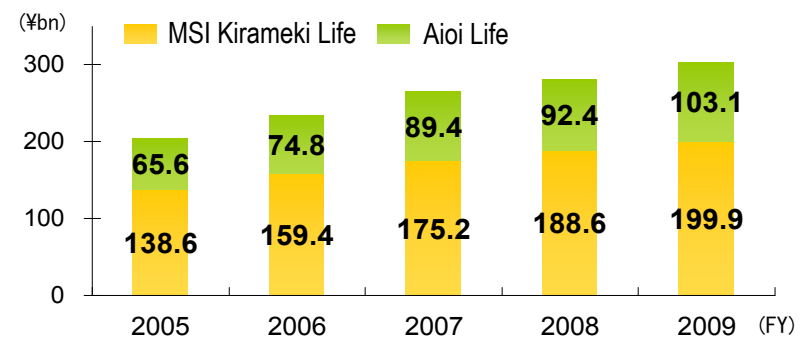


Sources : Prepared by MS&AD Holdings using Insurance Research Institute "Statistics of Life Insurance Business in Japan 2009"  
The amount of policies in force of four major life insurers is the summary of figures of the four companies.  
"Third-sector products" premiums are the sum of disclosed premiums of "medical insurance and insurance with living benefit, etc" of MSI Kirameki Life and Aioi Life.

## 3 MS&AD's Life Business: Steadily Building Earnings

Two Life Insurers of MS&AD are steadily increasing EV

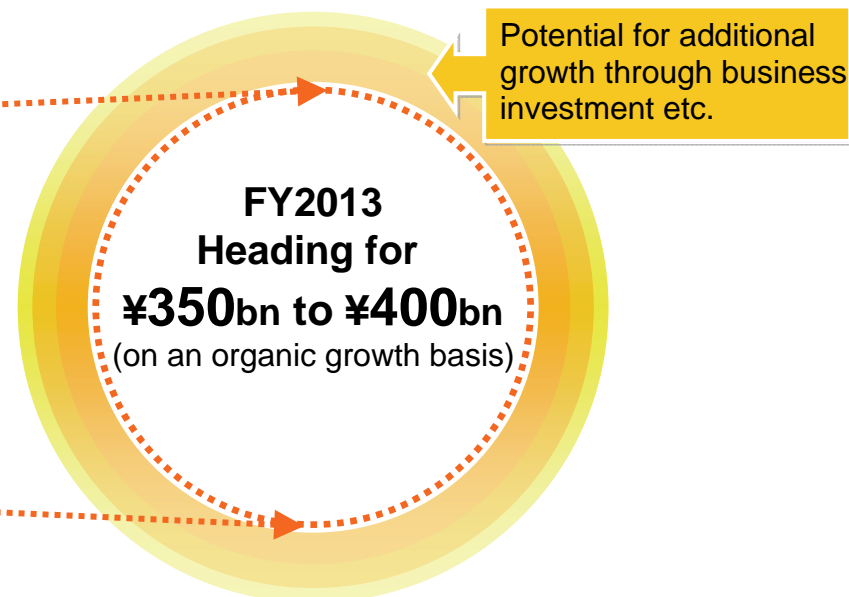
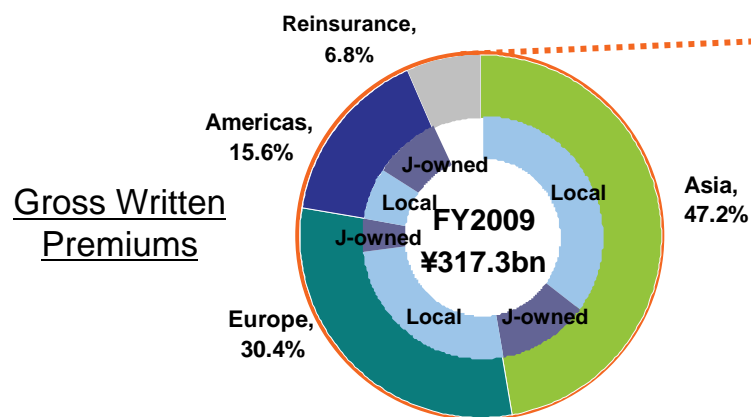
Embedded Value of MSI Kirameki Life and Aioi Life (at fiscal year end) \*3



\*3: Traditional Embedded Value (TEV)

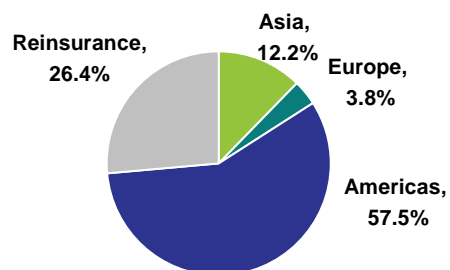
## ■ Expanding through a good balance between business with Japanese-owned companies and local business

### ◆ MS&AD's Overseas Business



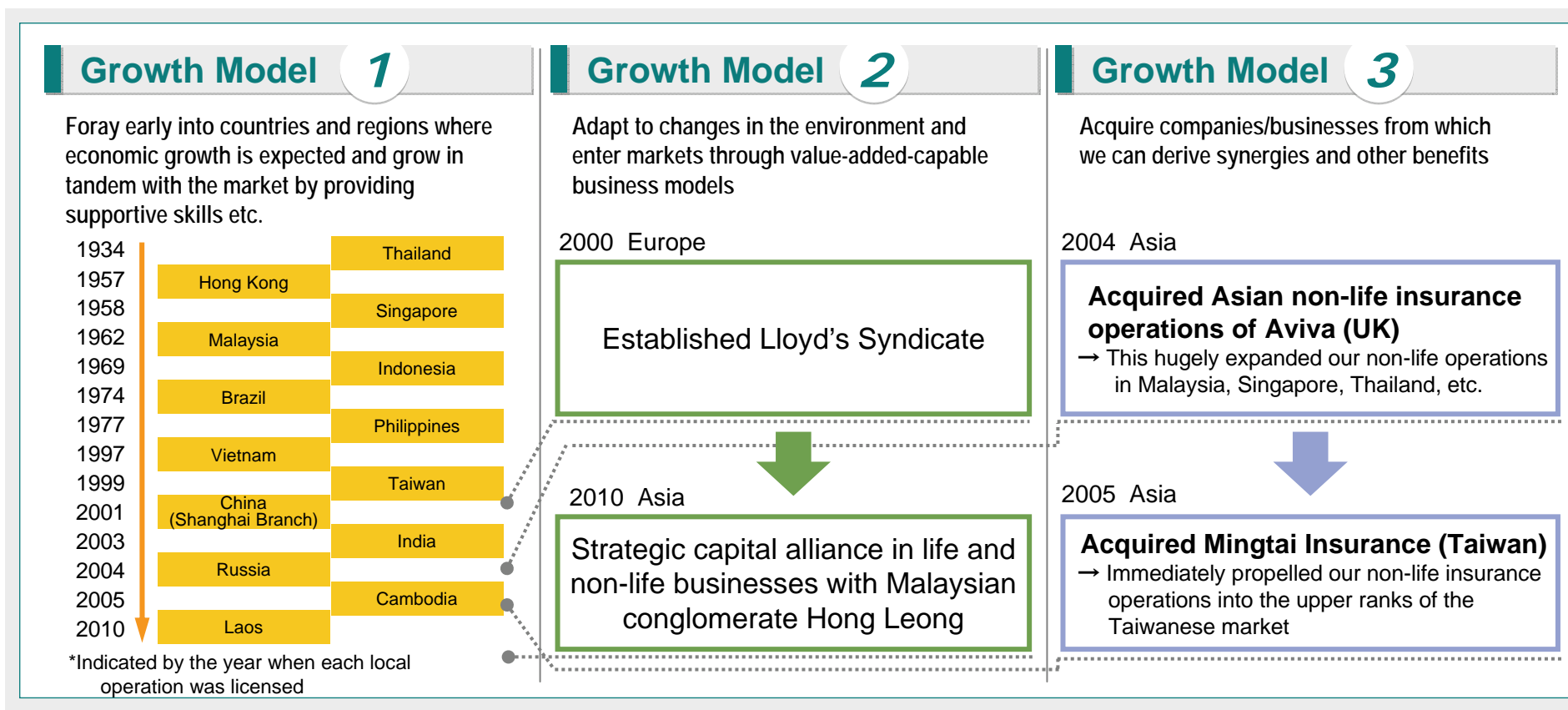
### ■ Reference

Overseas insurance portfolio (non-life component only) of domestic Competitor A (based on net premiums written in FY2009)



Source: Prepared by MS&AD Holdings based on Competitor A's investor relations materials (June 2010)

- 1 Japanese-owned companies: Expanded customer base in Japan due to business integration**
  - Strong overseas network that fills the insurance needs of Japanese companies' overseas operations
- 2 Local business:**
  - Expanding earnings foundation in promising overseas markets (life and non-life insurance) through such means as M&A deals and strategic capital alliances with local companies



**We will continue to deploy these growth models in other regions**

■ **Our priority regions are Asia and Europe**  
■ **Particularly in Asia, we intend to expand life and non-life operations in tandem**

**Capital investment decisions based on comprehensive assessment of the following to determine underlying value**

- Market growth potential
- Foreign capital restrictions (including prospective deregulation)
- Compatibility with Group strategy
- ROI
- Prospective synergies
- Risk

**Strong regional presence in Asian countries, particularly in the ASEAN region**

MS&AD's Ranking (FY2009)  
by Gross Direct Premiums Written (Non-Life)

- Singapore: 2nd
- Philippines: 3rd
- Thailand: 5th
- Malaysia: 4th\*
- Taiwan: 4th

\*We expect our capital alliance with Hong Leong to push our FY2011 ranking to 2nd

Source: Prepared by MS&AD Holdings based on data (e.g., direct non-life premium revenues) released by local insurance authorities

Largest foreign insurer in the ASEAN region, exceeding European non-life, US non-life, and other Japanese insurers

**Strong profitability of the Asian non-life insurance market**

Combined ratio in Asia

FY2005	FY2006	FY2007	FY2008	FY2009
93.2%	90.6%	89.7%	93.1%	90.0%

\*Figures based on MSI's overseas business

\*Combined ratio: The sum of the net loss ratio and net expense ratio, a measure of an insurer's profitability based on revenues and expenses.

**Key Point!**

Building capital alliances with local companies in Asia, in addition to using M&A deals

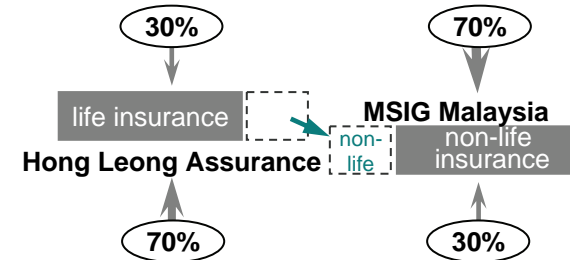
→ Strategic alliance that harnesses both companies' scale advantages and knowhow

**Example: Strategic capital alliance with Malaysian conglomerate Hong Leong (announced in June 2010)**

■ **MSI:**

Became a 30% stake-holder in Hong Leong Assurance (part of the Hong Leong Group) (1 director & 4 employees seconded)

Enter the Malaysian life insurance business



■ **Hong Leong Group:**

Became a 30% stake-holder in MSIG Malaysia, an affiliate of MSI

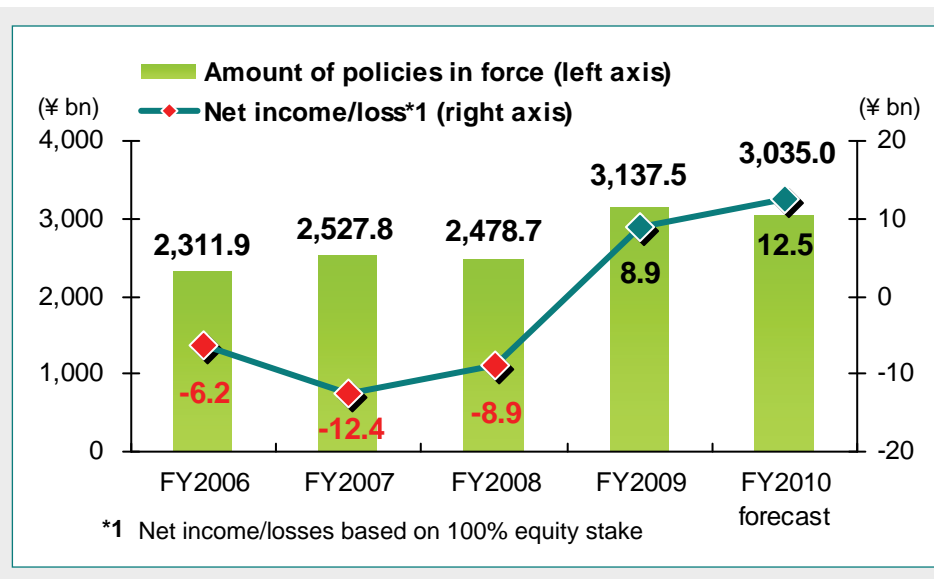
MSI is slated to invest also in the Hong Leong Group's operational company for Takaful, an Islamic insurance concept (announced in March 2011)

## 1 Expanding Market for Individual Annuities

### Mitsui Sumitomo Primary Life Insurance

MS&AD INSURANCE GROUP

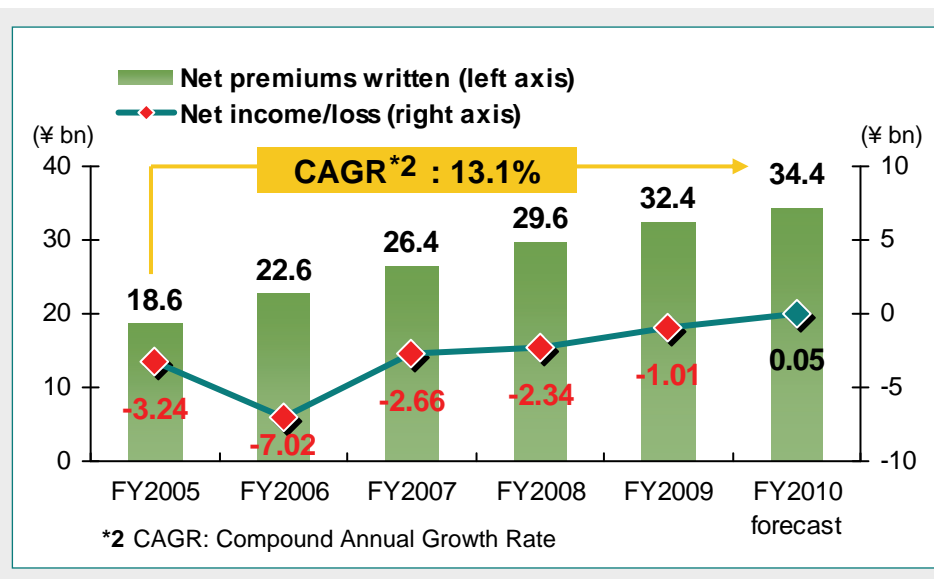
- Specializing in individual annuities as a leader in the individual annuities market, selling primarily through financial institutions
- While using reinsurance to control minimum guarantee risk, the company is growing revenues and profits by expanding policies in force
- Contribution to Group profits will increase after it becomes a wholly owned subsidiary in April 2011



## 2 Adapting to the Rise of Online Commerce



- Launched in 2000. Established presence as a pioneer of the online direct insurance sales model.
- FY2009 net direct premiums (voluntary auto) Ranked 2nd among domestic non-life insurers engaged in direct marketing
- Expect first positive profit this fiscal year





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## **Why** invest in MS&AD ?

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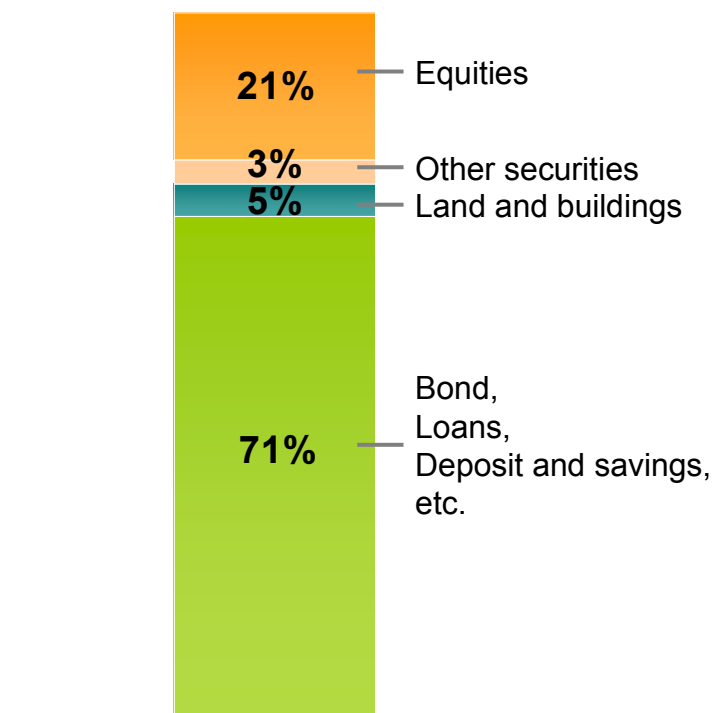
1. At a glance
2. Significant profit recovery in prospect
3. Growing business opportunities
- 4. Solid investment portfolio and capital base**

(As of end-September 2010)

## Assets allocations emphasize diversification and stability

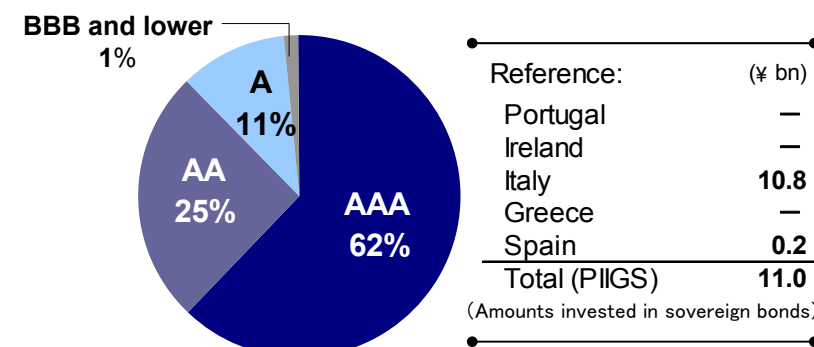
Total assets under management  
(consolidated basis)

**¥ 10.1 trillion**



## High-Quality Bond Portfolio

### Bond portfolio\* composition by rating



\* Sum of 6 insurance companies' portfolios of MS&AD Insurance Group.  
(MSI, IOI, NDI, Mitsui Direct General, MSI Kirameki Life, Aioi Life)

## Interest Rate Risk Management

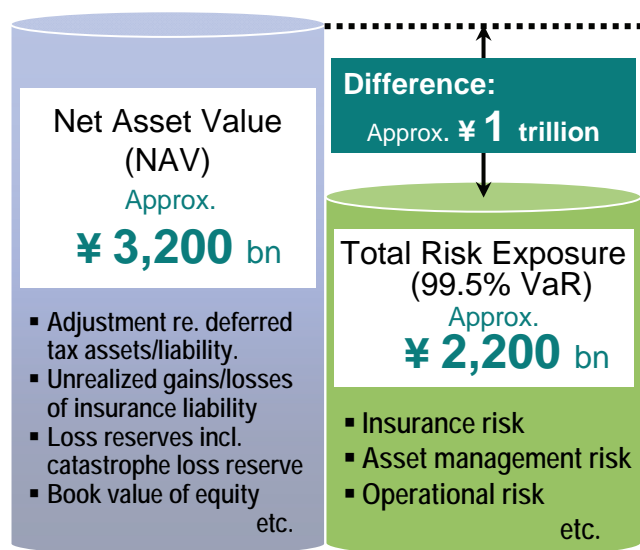
- Appropriate control of risks using disciplined ALM
- Sensitivity test

Calculation of change in value (assets net of liabilities) resulting from a 100bp increase in the yen interest rate

For MSI  
**Negative ¥10 billion**  
**(close to neutral)**

- Using internal models, we regularly assess and monitor the Group’s net asset value and total risk exposure.
- We will continue to refine and improve the effectiveness of our monitoring framework in light of regulatory and other trends.

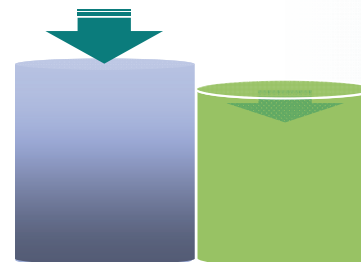
## 1. Measuring net asset value – total risk exposure As of end-September 2010 (Entire Group Basis)



## 2. Net asset value– total risk exposure measured under various stress scenarios

We conduct stress tests based on assumptions such as declines in **stock prices** or **interest rates**, **yen appreciation**, and the event of **natural disasters**.

Based on historical data, we factor in maximum rates of decline and worst-case levels



Confidence interval used for the various types of risk: 99.5% VaR (same as that slated for adoption under the Solvency II criteria)

**Alarm management**

### Issues to be factored in for capital management

- Whether each of the components of net asset value may be counted as capital
- Medium-term trends in Japanese and overseas solvency requirements
- Rating agencies’ stance toward asset/capital soundness
- Financial results forecast / progress of business plan ...and so on

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# Why invest in MS&AD ?

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1. At a glance
2. Significant profit recovery in prospect
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4. Solid investment portfolio and capital base
- 5. Our challenges**

## Short-Term Factors

### Increase in Number of Accidents 1

- Increase in traffic volume  
(reduction of expressway tolls, economic upturn, etc.)

### Increase in Average Claim Amount 2

- Increase in prices of automobile component materials

## Medium-Term Factors

### Decline in Average Insurance Premiums 3

- Aging drivers and decline in automobile use among younger generations  
(drivers advancing up the non-fleet class rating and age scales)
- Shift toward small cars

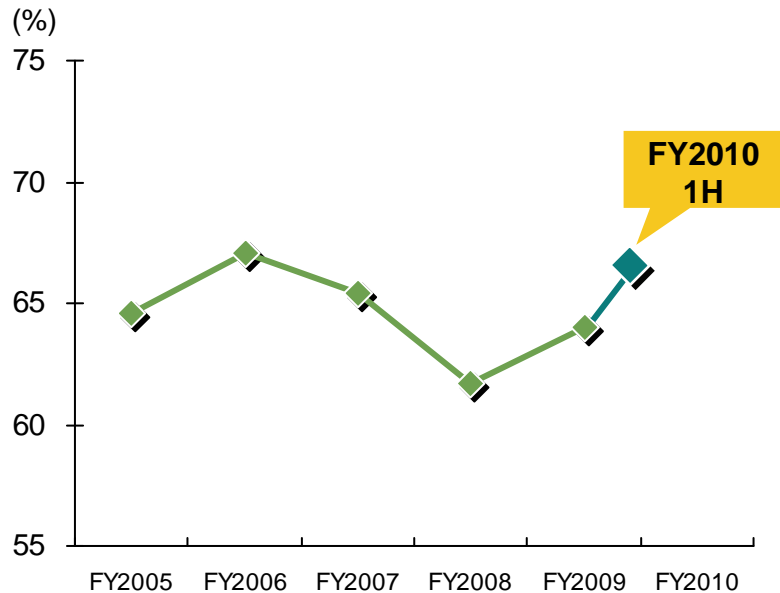
### Increase in Number of Accidents 1

- Increase in accidents involving elderly drivers
- Increased risk of stationary accidents (small claims)

### Analysis of Factors that Increase the Loss Ratio

$$\text{Loss Ratio} \uparrow = \frac{\text{Claim Amount Incurred}}{\text{Earned Premiums}} = \frac{\text{1 Number of Accidents} \uparrow \times \text{2 Average Claim Amount} \uparrow}{\text{Number of Vehicles Insured} \times \text{3 Average Premium} \downarrow}$$

## ◆ “Incurred to Earned” Loss Ratio (MSI) (excluding loss adjustment expenses)



## Efforts to Improve Profitability

### 1 Premium Rate Increases

- We increased premium rates in October 2010
- We will continue to monitor our loss ratio and consider revising rates accordingly

### 2 Disciplined Underwriting

- Disciplined underwriting standards for vehicle damage coverage and fleet contracts, for which accident frequency is increasing

### 3 Swift and Strictly Appropriate Claims Payouts

- Ensure that claims are paid swiftly and in the appropriate amount by continually reviewing the assessment process

## Efforts to Improve Profitability and its Effect



$$\text{Loss Ratio} = \frac{\text{Claim Amount Incurred}}{\text{Earned Premiums}} = \frac{\text{Number of Accidents} \times \text{Average Claim Amount}}{\text{Number of Vehicles Insured} \times \text{Average Premium}}$$

2 Disciplined underwriting
1 Premium rate increases

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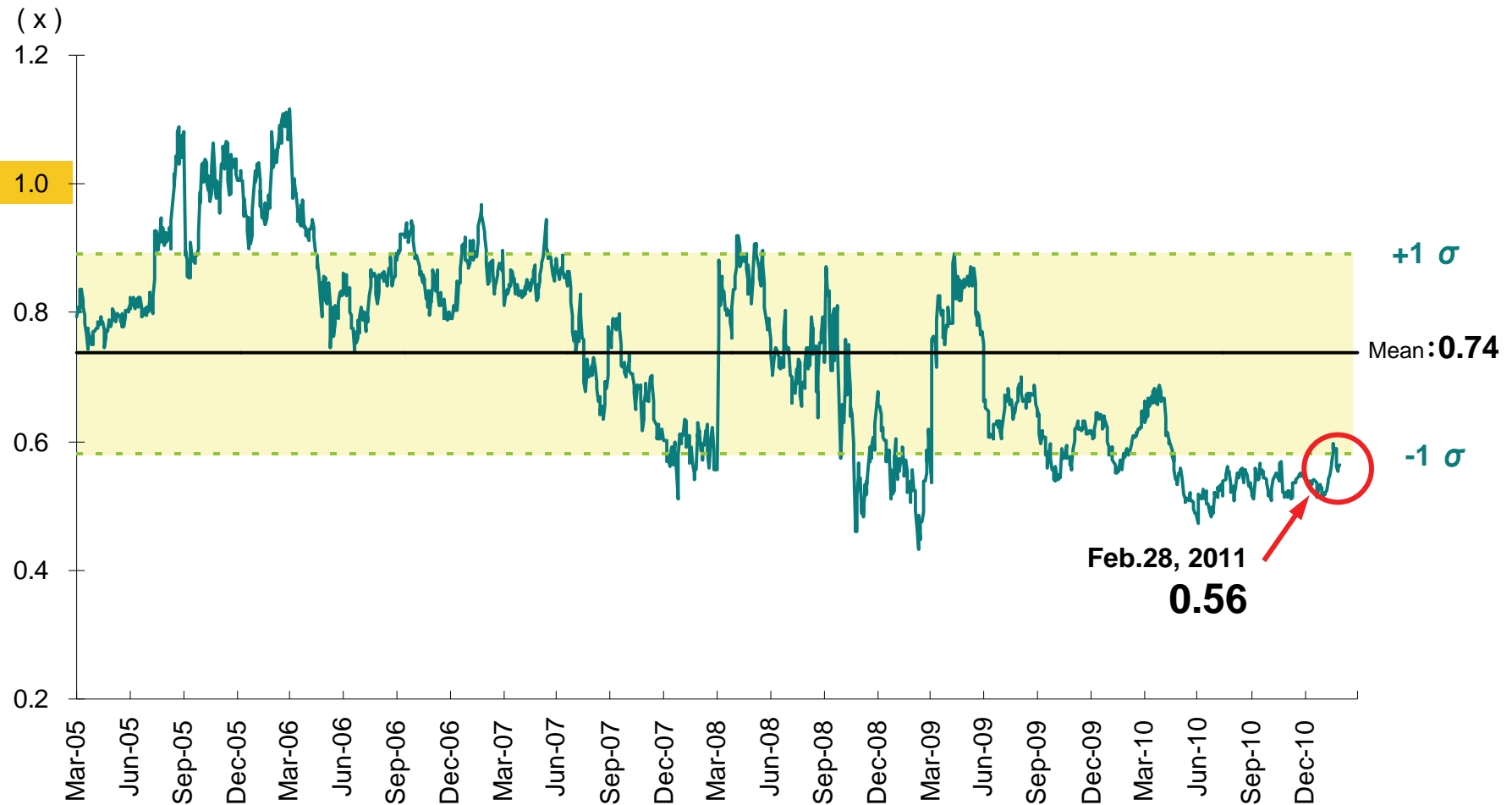
# Why invest in MS&AD ?

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4. Solid investment portfolio and capital base
5. Our challenges
- 6. MS&AD / An attractive investment**

## Adjusted Price / Book Multiple

( On an adjusted net asset basis (net assets plus after-tax catastrophe reserves and price fluctuation reserves) )





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# Appendix

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# Financial Results for the Third Quarter of FY2010 (MS&AD Holdings, Consolidated)

## ◆ Key financial data

(¥ bn)

	FY2009 Q3 (9 months)	FY2010 Q3 (9 months)		
			Change	Growth
Net premiums written	1,895.9	<b>1,916.8</b>	<b>20.9</b>	<b>1.1%</b>
Ordinary profit/loss	133.7	<b>96.0</b>	<b>-37.7</b>	<b>-28.2%</b>
Net income	87.3	<b>58.3</b>	<b>-29.0</b>	<b>-33.2%</b>

\*Simple aggregate results of MSIG (consolidated), Aioi (consolidated), and NDI (non-consolidated) for FY2009 Q3 (the nine months ended December 31).  
Figures here and below are presented exclusive of "good-result-return" (GRR) premiums of the automobile insurance, ModoRich, an MSI product that contains a special clause for premium adjustment and refund at maturity.

## ◆ Breakdown of net premiums written (¥ bn)

	FY2009 Q3 (9 months)	FY2010 Q3 (9 months)		
			Change	Growth
MSI (non-consolidated)	904.6	<b>922.7</b>	<b>18.0</b>	<b>2.0%</b>
ADI (non-consolidated)	831.4	<b>829.2</b>	<b>-2.1</b>	<b>-0.3%</b>
Mitsui Direct General	23.5	<b>24.1</b>	<b>0.5</b>	<b>2.5%</b>
Overseas subsidiaries	136.3	<b>140.9</b>	<b>4.6</b>	<b>3.4%</b>

\*Before consolidation adjustment

## ◆ Breakdown of net income (¥ bn)

	FY2009 Q3 (9 months)	FY2010 Q3 (9 months)	
			Change
MSI (non-consolidated)	48.2	<b>42.5</b>	<b>-5.7</b>
ADI (non-consolidated)	26.3	<b>15.6</b>	<b>-10.6</b>
Mitsui Direct General	-0.7	<b>0.1</b>	<b>0.9</b>
MSI Kirameki Life	0.0	<b>-5.3</b>	<b>-5.3</b>
Aioi Life	1.3	<b>0.2</b>	<b>-1.1</b>
MSI MetLife	8.2	<b>7.2</b>	<b>-1.0</b>
Overseas subsidiaries	14.2	<b>4.9</b>	<b>-9.3</b>
Other	0.5	<b>-0.1</b>	<b>-0.7</b>
Consolidation adjustment, etc.	-11.0	<b>-6.9</b>	<b>4.0</b>

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

# Projected Financial Results for FY2010 (Full Year) (MS&AD Holdings, Consolidated)

## ◆ Key financial data

(¥ bn)

	FY2009	FY2010(forecast)		
			Change	Growth
Net premiums written	2,519.0	<b>2,580.0</b>	<b>61.0</b>	<b>2.4%</b>
Ordinary profit/loss	99.1	<b>71.0</b>	<b>-28.1</b>	<b>-28.4%</b>
Net income	57.3	<b>40.0</b>	<b>-17.3</b>	<b>-30.2%</b>

## ◆ Breakdown of net premiums written (¥ bn)

	FY2009	FY2010(forecast)		
			Change	Growth
MSI (non-consolidated)	1,203.7	<b>1,231.0</b>	<b>27.3</b>	<b>2.3%</b>
ADI (non-consolidated)	1,106.7	<b>1,131.0</b>	<b>24.3</b>	<b>2.2%</b>
Mitsui Direct General	32.4	<b>34.5</b>	<b>2.1</b>	<b>6.4%</b>
Overseas subsidiaries	176.1	<b>183.5</b>	<b>7.4</b>	<b>4.2%</b>

\*Before consolidation adjustment

\*FY2009 figures for ADI are a simple aggregate of the results (non-consolidated) for Aioi and NDI.

## ◆ Breakdown of net income (¥ bn)

(¥ bn)

	FY2009	FY2010(forecast)	
			Change
MSI (non-consolidated)	25.4	<b>33.0</b>	<b>7.5</b>
ADI (non-consolidated)	21.2	<b>2.0</b>	<b>-19.2</b>
Mitsui Direct General	-0.6	<b>0.0</b>	<b>0.7</b>
MSI Kirameki Life	0.0	<b>-5.1</b>	<b>-5.1</b>
Aioi Life	1.3	<b>-1.0</b>	<b>-2.3</b>
MSI MetLife	4.4	<b>6.2</b>	<b>1.8</b>
Overseas subsidiaries	17.2	<b>7.4</b>	<b>-9.8</b>
Other	0.6	<b>0.3</b>	<b>-0.3</b>
Consolidation adjustment, etc.	-12.3	<b>-2.9</b>	<b>9.4</b>

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

## Inquiries

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