

# MS&AD

Advancing with you



## MS&AD's Story of Value Creation and Integrated Thinking Management

December 25, 2017

MS&AD Insurance Group Holdings, Inc.

### Today's Agenda

I. MS&AD's Story of Value Creation

II. Integrated Thinking Management

# I . MS&AD's Story of Value Creation

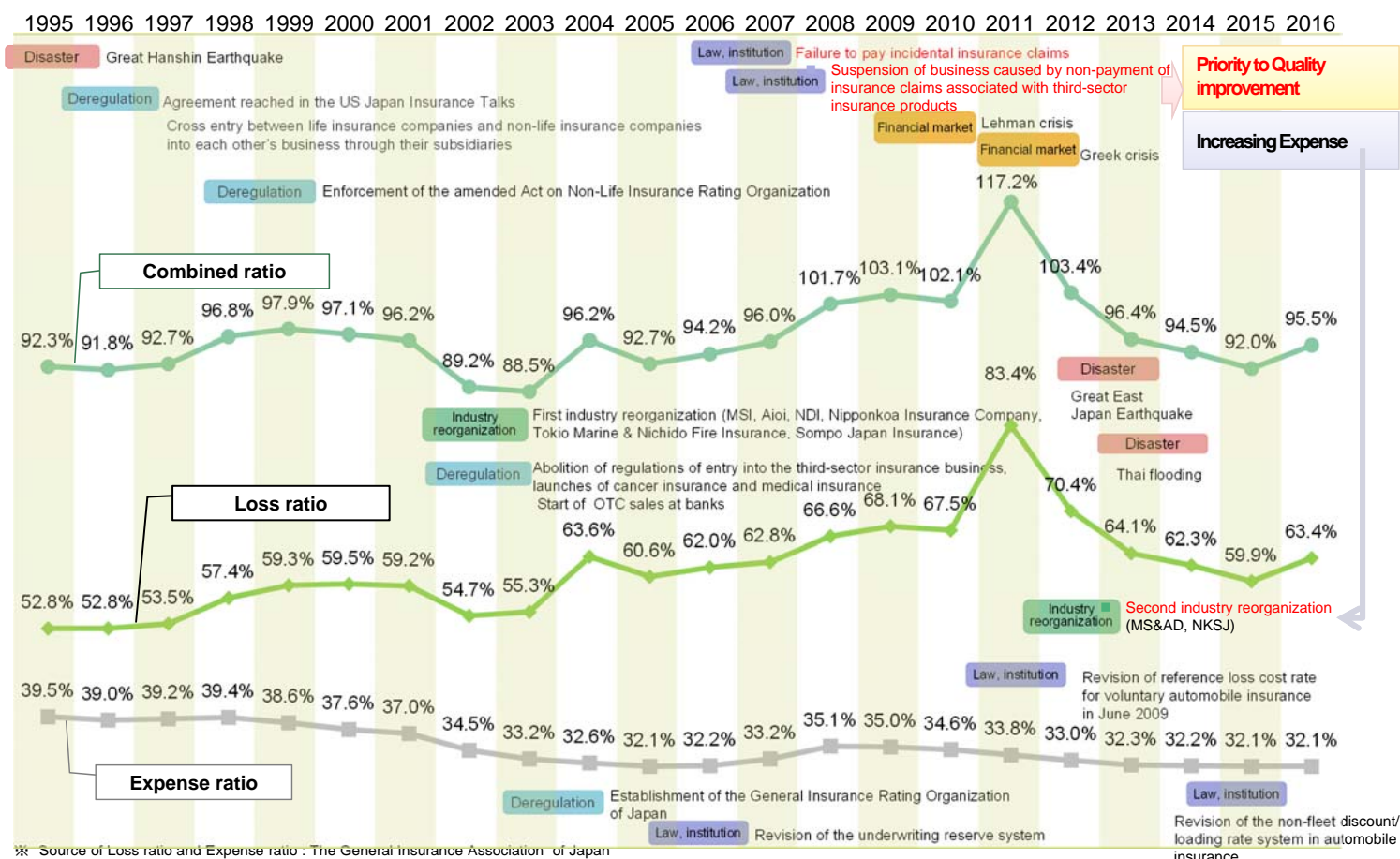
**MS&AD**

INSURANCE GROUP

MS&AD Insurance Group Holdings, Inc.

## Background of MS&AD's Value Creation Story

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



MS&AD Insurance Group Holdings, Inc.

# Background of MS&AD's Value Creation Story

## <History of the MS&AD Group>

**April 1996**

Revision of the Insurance Business Act  
- Mutual entry into life and non-life insurance business  
- Reform of Insurance Rating Organization system  
- Introduction of products and premium rates notification system

**October 1996**

- Mutual entry into life and non-life insurance business by subsidiaries

**February 1997**

Approval of risk-subdivision-type automobile insurance

**July 1998**

Abolition of obligation to use the premium rates calculated by the rating organization

**April 2001**

Ban on insurance sales by banks partially lifted

**2006**

Failure to pay incidental insurance claims

**September 2007**

Implementation of Financial Instruments and Exchange Act

**December 2007**

Insurance sales by banks fully liberalized

**April 2010**

Implementation of the Insurance Act

2014

2010

Industry realignment  
Deregulation

2008

2001

2000

Diversification of insurance products

1999

Deregulation of premium rate

1998

Development of original products

1996

Japan's Big Bang

MS&AD Integrated Report 2017  
P.14 – P.15

(1893) Sumitomo Marine  
(1918~) Mitsui Marine  
  
(1918~) Dai-Tokyo Fire  
(1897~) Chiyoda Fire  
  
(1897~) Dowa Fire  
(1996~) Nissay General Ins.

(2001)

Mitsui Sumitomo Citi Ins. Life

(2001)

Mitsui Sumitomo Insurance

(2001)

Aioi Insurance

(2001)

Nissay Dowa General Insurance

(2001)

Mitsui Sumitomo Kirameki Life

(2001)

Aioi Life

(2005)

Mitsui Sumitomo MetLife Ins.

**MS&AD Group (2010)**

Mitsui Sumitomo Insurance

Reorganization by Function

(2013)

Aioi Nissay Dowa Insurance

(2010)

(2000)

Mitsui Direct General Insurance

(2011)

Mitsui Sumitomo Aioi Life

(2011)

Mitsui Sumitomo Primary Life

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4

## Our Mission, Vision, & Value

**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.

**Vision**

To create a world-leading insurance and financial services group that continues to seek sustainable growth and to enhance enterprise value.

**Value**

Customer Focused

Integrity

Teamwork

Innovation

Professionalism

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5

# MS&AD's Story of Value Creation

MS&AD Integrated Report 2017

P. 6 – P. 8

## Development of a Vibrant Society and a Sound Future for the Earth

### Social Issues

Frequent accidents/disasters  
Extensive natural disasters caused by climate change  
Mounting burden of nursing/medical care due to demographic aging  
Decreasing vitality of local communities, etc.

### Stable Lives of People Dynamic Business Activities

Resilient and sustainable society

## MS&AD

Global insurance / financial services business

Input

MS&AD's Strength

Identify risks and provide information on risks

Reduce the economic burden when risks become real

Prevent risks from being realized / Reduce the impact of risks

Domestic Non-Life Insurance Business

Domestic Life Insurance Business

Financial Services Business

Risk-Related Services Business

International Business

Transformation of Business Structure with Eye on Future Changes in Environment

Optimum Resource Allocation and Appropriate Risk Management

Corporate Culture and Human Assets Development for Taking on Challenges

Strengthening of Corporate Governance

Outcome

Creating value together with our stakeholders

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6

# MS&AD's Strengths

MS&AD Integrated Report 2017

P.6, P.9

## DIVERSITY

Strengths and solidarity derived from diversity

## SUSTAINABILITY

Always with society

## SCALE

Adequate capacity derived from scale

## INNOVATION

Realizing growth in tune with the times

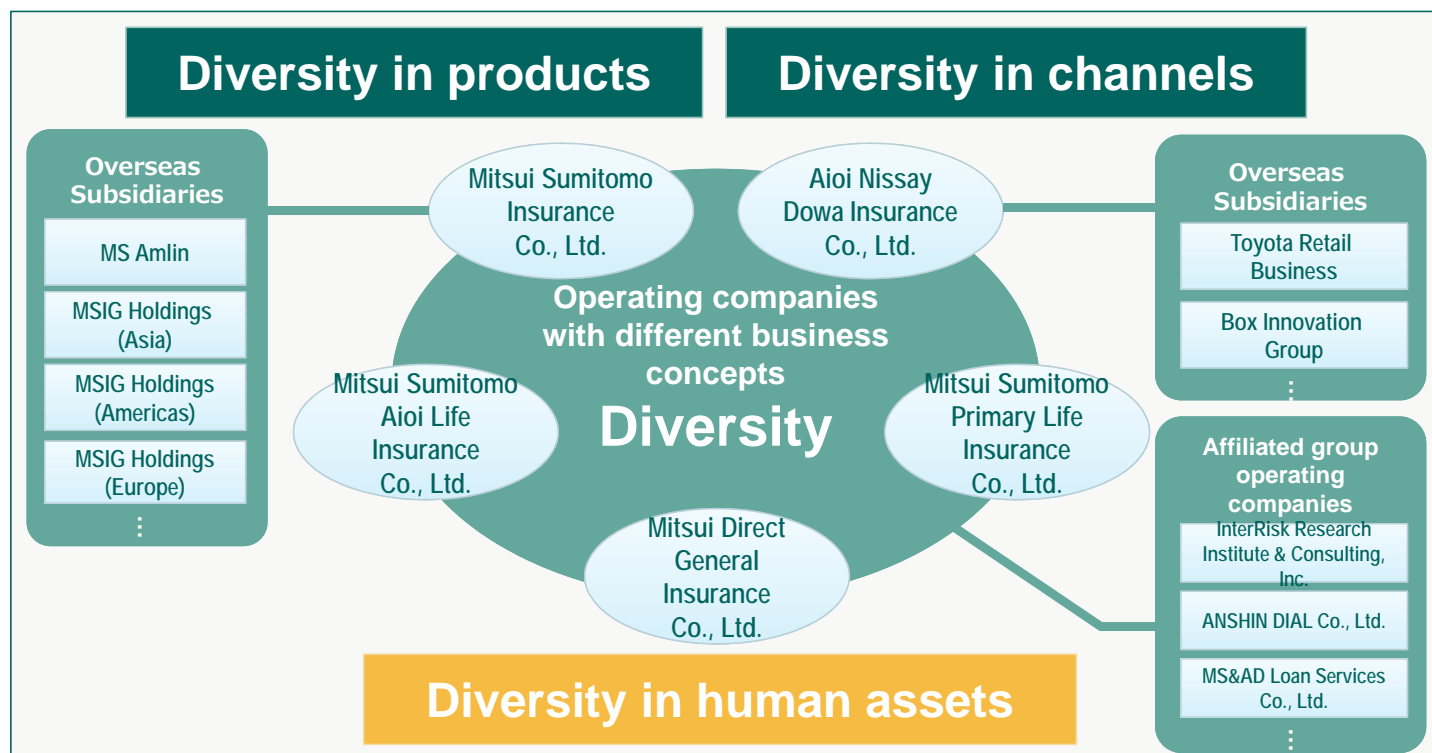
## HISTORY

Past experience and lessons are the seeds of the future

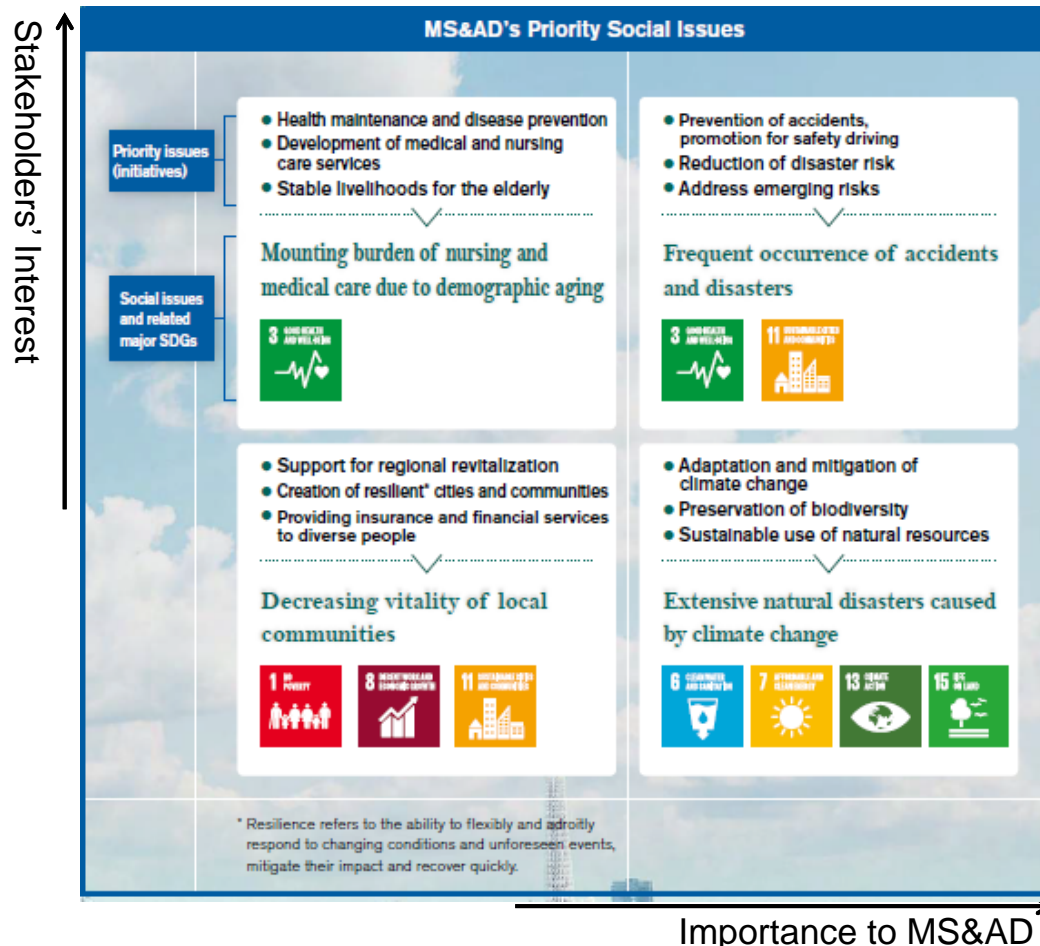
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7

## Diversifying risks and the needs of customers



# Four Social Issues We Address





# Special Feature

## Creating Value Helping to Solve Social Issues

MS&AD Integrated Report 2017

P. 52 – P. 61

P. 28 — Global Round Table  
MS&AD's Story of Value Creation and Our Roles

P. 30 — Our Story of Value Creation

P. 30 Protecting people's lives and businesses from accidents and disasters

P. 31 Confronting climate change and the deterioration of the natural capital

P. 31 Ensuring a healthy and affluent lifestyle

P. 31 Supporting the development of local communities

P. 32 — World Map of Major Disasters in 2016

### Employees from around the world talk about the importance of their work and aspirations

- Ms. Diane Macandog (Non-Life Ins., Philippines)
- Mr. Guoliang Luo (Non-Life Ins., Singapore)
- Ms. Kathy Zdravetski (Non-Life Ins., Australia)
- Mr. Jack May (Non-Life Ins., UK)
- Mr. Yoshimitsu So (Life Ins., Japan)
- Mr. Norio Furuhashi (Financial Services, USA)
- Ms. Nannicha Pattara-akarapan (Risk-Related Services, Thailand)

### Introduction of our activities to solve 4 social issues in the world

#### ① Protecting people's lives and businesses from accidents and disasters

- Providing safety and security with the telematics technology
- Helping coastal vessels stay safe with a smartphone
- Comprehensive assistance for dealing with cyber security

#### ② Controlling climate change and the deterioration of the natural capital

- Rapid support through our global network
- Supporting the sustainable use of natural capital

#### ③ Ensuring a healthy and affluent lifestyle

- Helping people live long healthy lives

#### ④ Supporting the development of local communities

- Valuing our interaction with local communities

### MS&AD's contribution against the 8 most costly market insured losses in 2016:

Through the claims payments, helping our customers mitigate losses caused by the disasters enlarged by the climate change

## Special Feature : Our Value Creation Story

### 1. Protecting people's lives and businesses from accidents and disasters

MS&AD Integrated Report 2017

P. 52 – P. 61

Using telematics technology, we will provide advanced services that enhance the safety and security of our customers.

Car with a "black box" gets into an accident

Alert sent from the "black box"



Alert from the "black box" is received by ITB's control center, which contacts the police

Insure The Box Limited (ITB)\*

Emma Wall



# Special Feature : Our Value Creation Story

## 2. Controlling Climate Change and the Deterioration of Natural Capital

MS&AD Integrated Report 2017  
P. 52 – P. 61

### Supporting the sustainable use of natural capital

【サイト名】

拠点A

【水使用量】

XXXXXm<sup>3</sup>/年

現状		リスクレベル (5段階)	水バラン分布図（現在）		
水供給	現在	水ストレス	4		
		地下水ストレス	2		
		季節変動	2		
		干ばつ頻度	2		
		水貯留力	3		
将来傾向	2040～2060年の水ストレスの変動傾向	2			
		2040～2060年の季節変動幅の変化	1		
		水源地保護・開発圧	5		
		洪水リスク	3		
		土砂崩壊リスク	1		
水質			水バラン分布図（2040～2060年） ※RCP8.5シナリオに基づく		
水質汚濁に 対する脆弱性	公衆衛生	飲料水へのアクセス	2 (2-5%)		
		水質汚濁	4 (0.35-0.75)		
	生態系	下流10kmまでの保護地域・保護優先地域	3 -		
		淡水域のIUCN絶滅危惧種	4 -		
		全種数：451種			
		I a類（0種）：-			
		I b類（5種）：Laubuca caeruleostigmata, Pangasianodon hypophthalmus, Himantura poeyi, Himantura polylepis, Betta splendens, Epizeuxis, Myxus, Myxus borocouri, Cygaster pointoni, Boreia subgloriosa			
		II 類（6種）：-			
水供給の将来予測 (Baシナリオ/2010年比)			開発圧の分布図		
水ストレスの変動幅	2020年	2030年	2040年		
	1.14倍	1.14倍	1.28倍		
水単価指数 (US\$)	9.23\$/m <sup>3</sup>	9.23\$/m <sup>3</sup>	9.40\$/m <sup>3</sup>		
合計 (US\$)/月あたり	-	-	-		
総合評価					
水供給		水質汚濁への脆弱性		総合評価	
現在	将来傾向	水質	公衆衛生		
B-	B	B+	B-	C+	B-

InterRisk Research Institute & Consulting, Inc.  
Risk Management Department Third  
CSR & Environment Section

Kousuke Terasaki

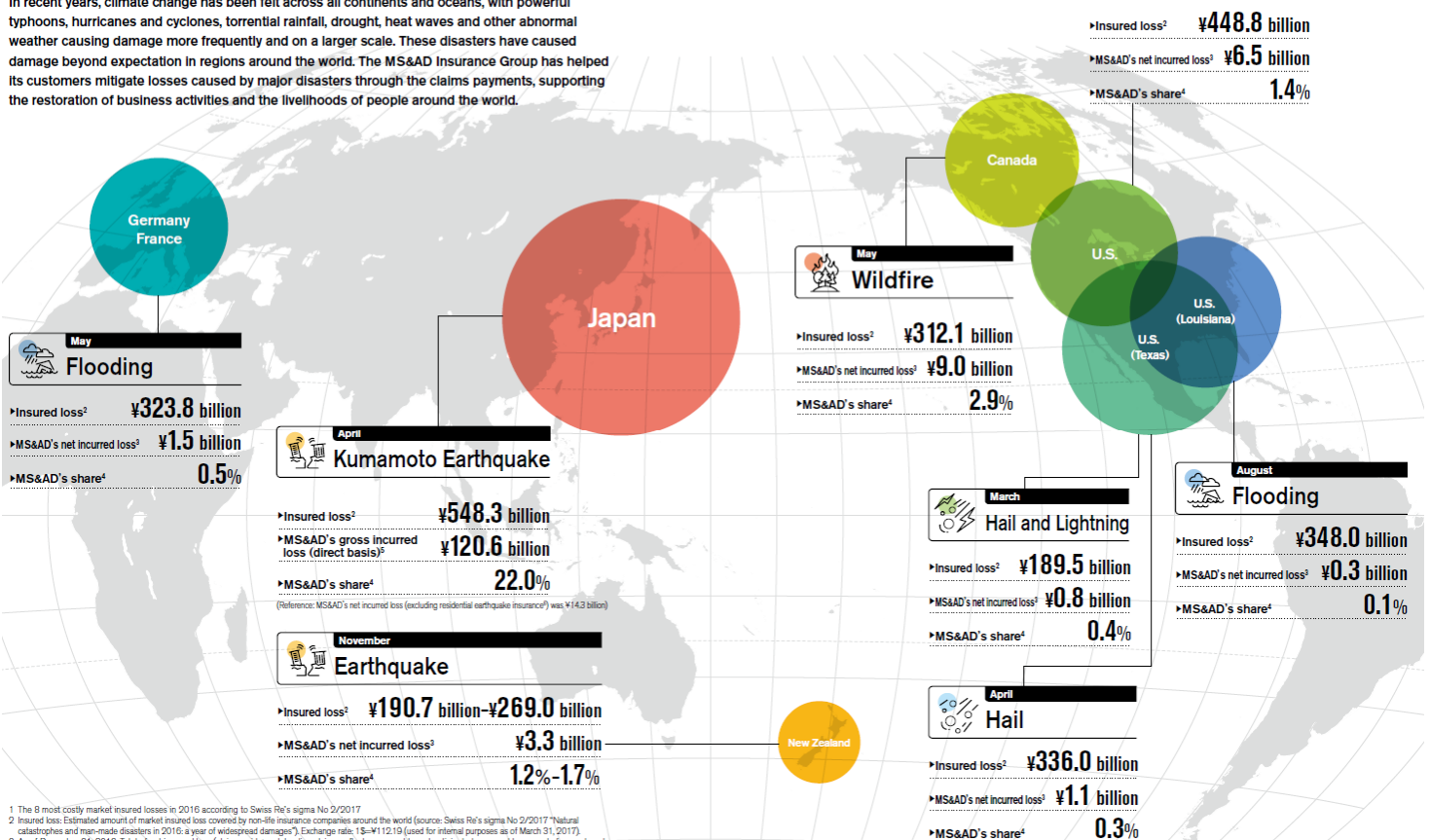


Water Risk Assessment Sheet

# Special Feature : World Map of Major Disasters in 2016

MS&AD Integrated Report 2017  
P. 60 – P. 61

In recent years, climate change has been felt across all continents and oceans, with powerful typhoons, hurricanes and cyclones, torrential rainfall, drought, heat waves and other abnormal weather causing damage more frequently and on a larger scale. These disasters have caused damage beyond expectation in regions around the world. The MS&AD Insurance Group has helped its customers mitigate losses caused by major disasters through the claims payments, supporting the restoration of business activities and the livelihoods of people around the world.



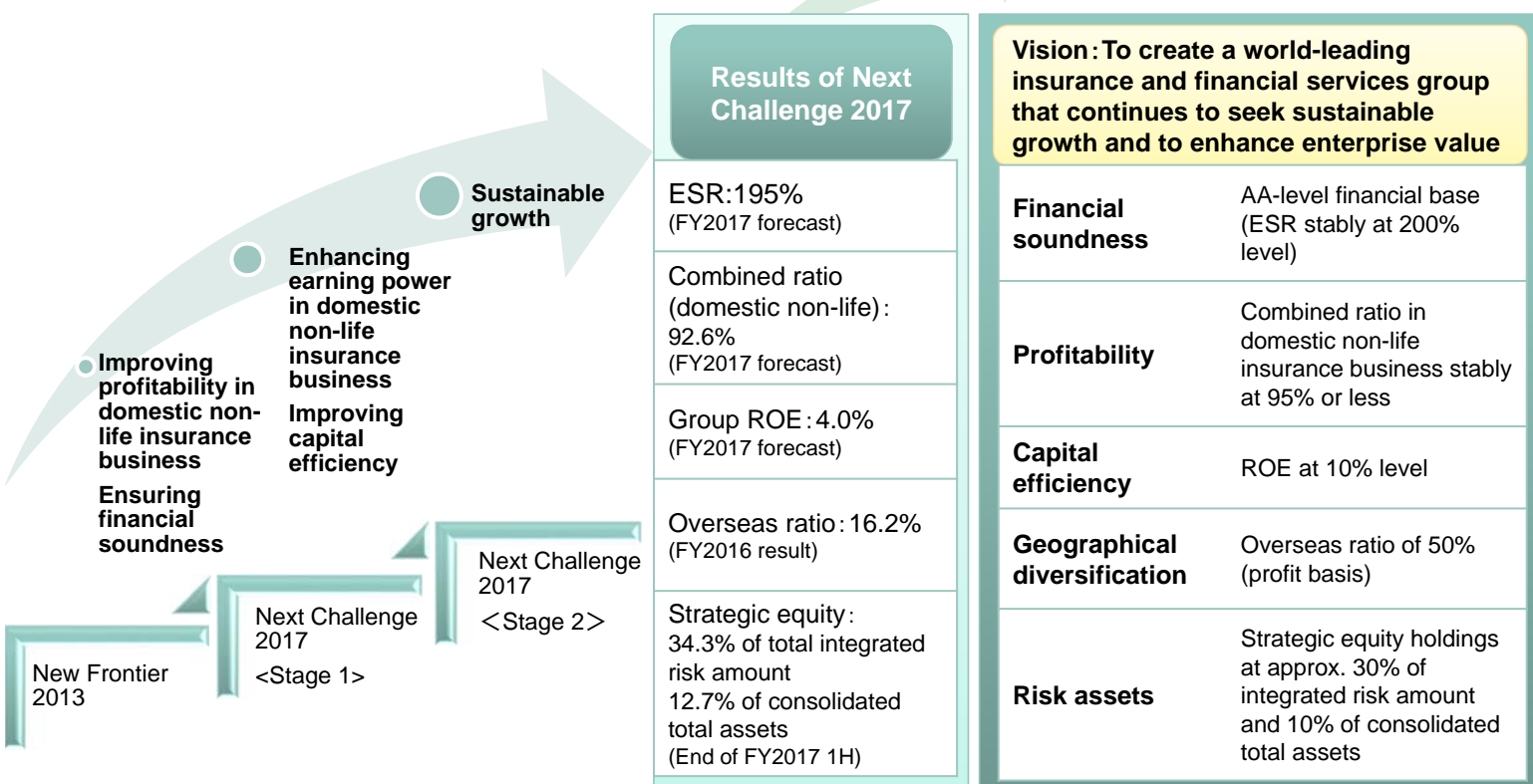
1 The 8 most costly market insured losses in 2016 according to Swiss Re's sigma No 2/2017  
2 Insured loss: Estimated amount of market insured loss covered by non-life insurance companies around the world (source: Swiss Re's sigma No 2/2017 "Natural catastrophes and man-made disasters in 2016: a year of widespread damage") Exchange rate: 1\$=¥112.19 (used for internal purposes as of March 31, 2017)  
3 As of December 31, 2016, Total of net incurred loss (claims paid + outstanding claims, reflects recoverable and anticipated recoverable amounts from overseas reinsurance contracts) by Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance (excluding the Head Office Reinsurance Business) and their overseas subsidiaries. Excludes claims less than ¥50 million at entities outside the affected countries (excluding MS Amfin and MSIG Insurance Europe)  
4 MS&AD's share of net incurred loss (excluding residential earthquake insurance)



# Progress Towards Goals to be Achieved

Next Mid-Term Management Plan

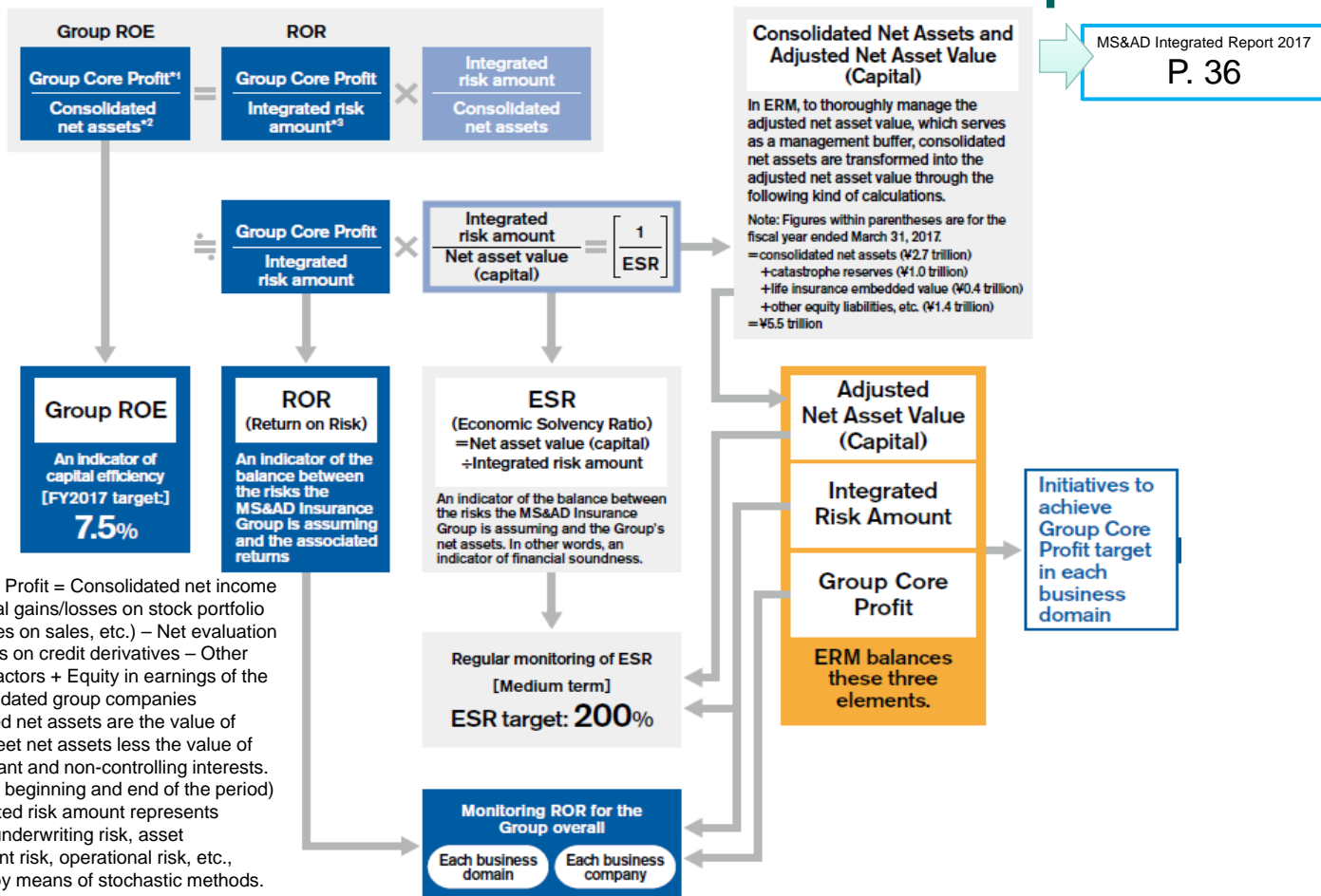
**MS&AD Vision 2021**



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14

## KPIs-Linked Activities of the Whole Group



\*1 Group Core Profit = Consolidated net income – Net capital gains/losses on stock portfolio (gains/losses on sales, etc.) – Net evaluation gains/losses on credit derivatives – Other incidental factors + Equity in earnings of the non-consolidated group companies

\*2 Consolidated net assets are the value of balance sheet net assets less the value of equity warrant and non-controlling interests. (average of beginning and end of the period)

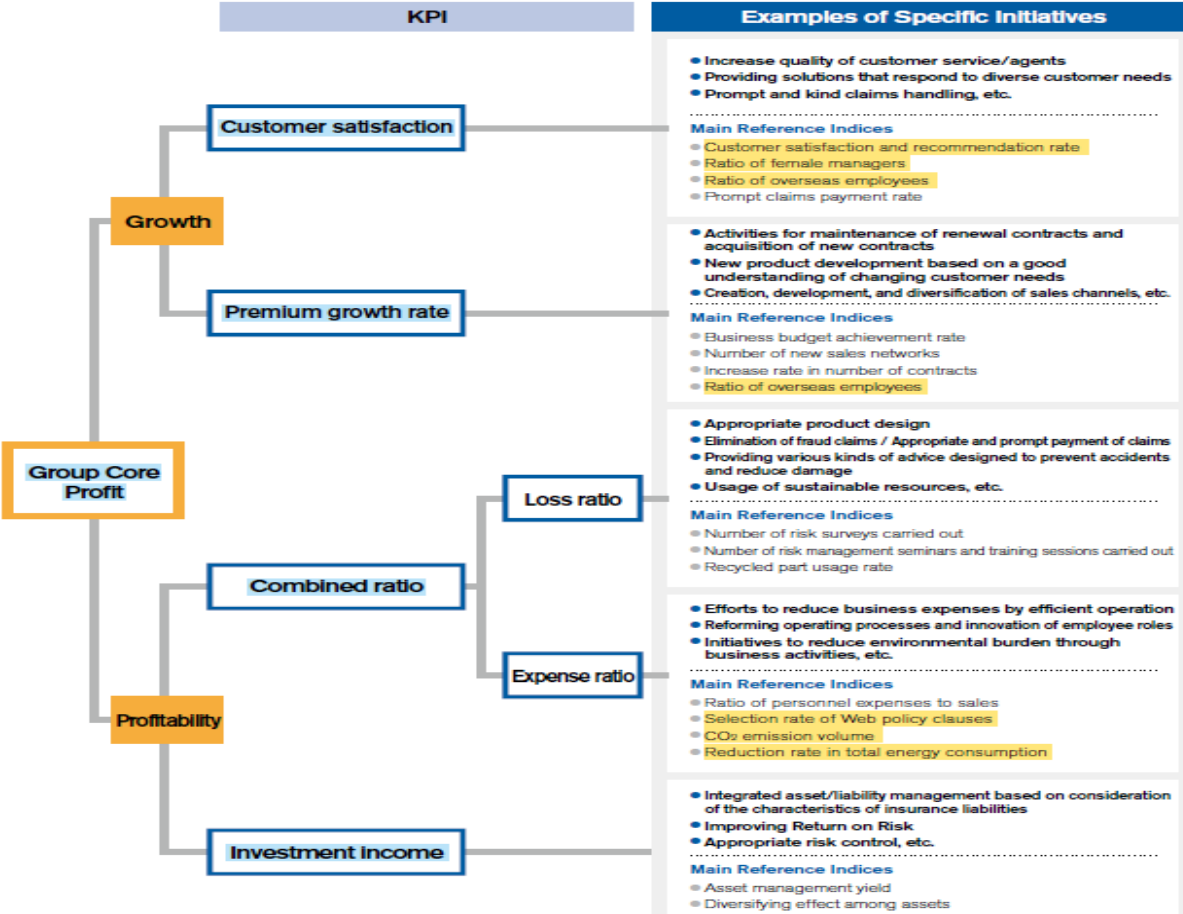
\*3 The integrated risk amount represents insurance underwriting risk, asset management risk, operational risk, etc., quantified by means of stochastic methods.

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15



# KPIs-Linked Activities of the Whole Group



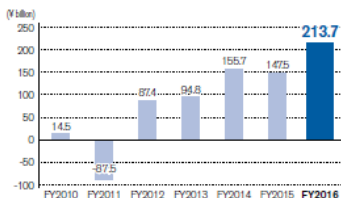
MS&AD Integrated Report 2017  
P. 37

# KPIs-Linked Activities of the Whole Group

MS&AD Integrated Report 2017  
P. 38 - P. 39

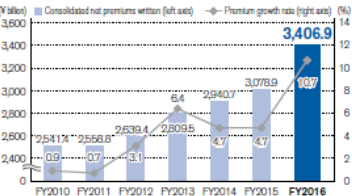
## Financial Highlights

### Group Core Profit



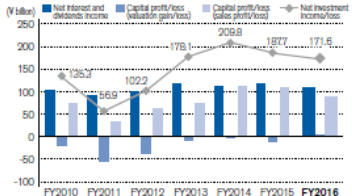
Group Core Profit is a representation of underlying Group profits for external stakeholders, including shareholders and investors. It is included in the numerical management targets in the current medium-term management plan. Group Core Profit is calculated by deducting non-recurring profits (i.e., net capital gains, other incidental factors) from accounting profits. (See the "Glossary of Insurance Terminology" section (P. 52) for details.)

### Consolidated net premiums written<sup>1</sup> and premium growth rate (non-life insurance business)



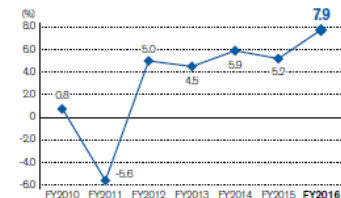
Consolidated net premiums written is a numerical management target in the current medium-term management plan. A premium growth rate indicates growth potential in premium income in Domestic Non-Life Insurance Business and International Non-Life Insurance Business.

### Net investment income (Domestic Non-Life Insurance Business)<sup>2</sup>



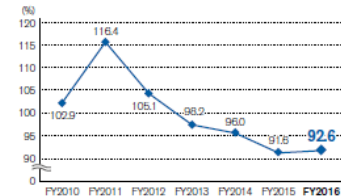
Net investment income is a major source of earnings, next to underwriting income, for non-life insurance companies, consisting of interest and dividend income as well as gains/losses on the sale of securities.

### Group ROE



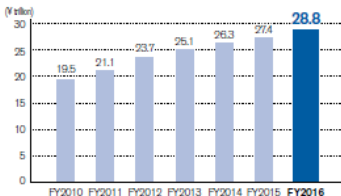
Group ROE is the ratio of Group Core Profit to consolidated net assets. It is a numerical management target in the current medium-term management plan. (See the "Glossary of Insurance Terminology" section (P. 52) for details.)

### Combined ratio (Domestic Non-Life Insurance Business)



The combined ratio is a key indicator of profitability in underwriting in the non-life insurance business. It is a numerical management target in the current medium-term management plan. (See the "Glossary of Insurance Terminology" section (P. 52) for details.)

### Policies in force<sup>3</sup> (Domestic Life Insurance Business)

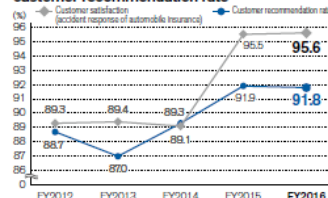


Policies in force is a basic performance indicator for life insurance companies that are a proxy for the total amount of coverage extended to policyholders with in-force policies as of the end of the fiscal year. (See the "Glossary of Insurance Terminology" section (P. 53) for details.)

## Non-Financial Highlights

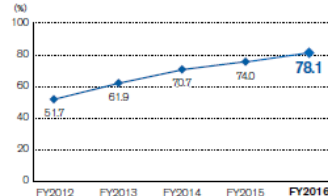
A checkmark (✓) indicates that FY2016 figures have been assured by KPMG AZSA Sustainability Co., Ltd.

### Customer satisfaction and customer recommendation rate<sup>4</sup>



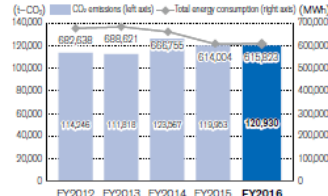
Our growth potential depends on improving customer satisfaction and customer recommendation rates. Along with these indicators, customer opinions are helpful in improving quality.

### Selection rate of web policy clauses<sup>5</sup>



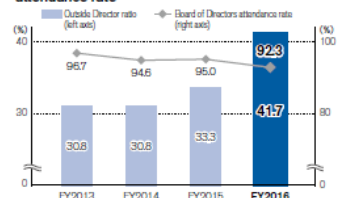
We actively recommend to select web policy clauses because such access is easier than with policy booklets, is more convenient for customers and promotes a decrease in the environmental load related to the use of paper and postal mail.

### CO<sub>2</sub> emissions<sup>6</sup> and total energy consumption



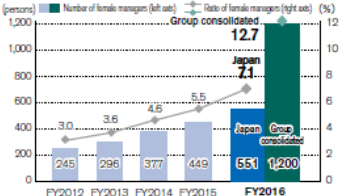
Reducing CO<sub>2</sub> emissions helps mitigate climate change, a risk for non-life insurance business. It also reduces energy-related business expenses.

### Outside Director ratio and the Board of Directors attendance rate



Outside directors independent from management strengthen monitoring and oversight functions for highly transparent management. More than one-third of the Board of Directors are independent Outside Directors.

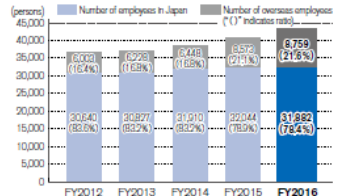
### Number and ratio of female managers<sup>7</sup>



We believe diversity in the manager position and above leads to greater customer satisfaction and growth potential by enabling strategies, product development and organizational management from diverse viewpoints and sense of value.

We began tallying this data on a Group consolidated basis, including overseas, in FY2016.

### Number and ratio of global employees



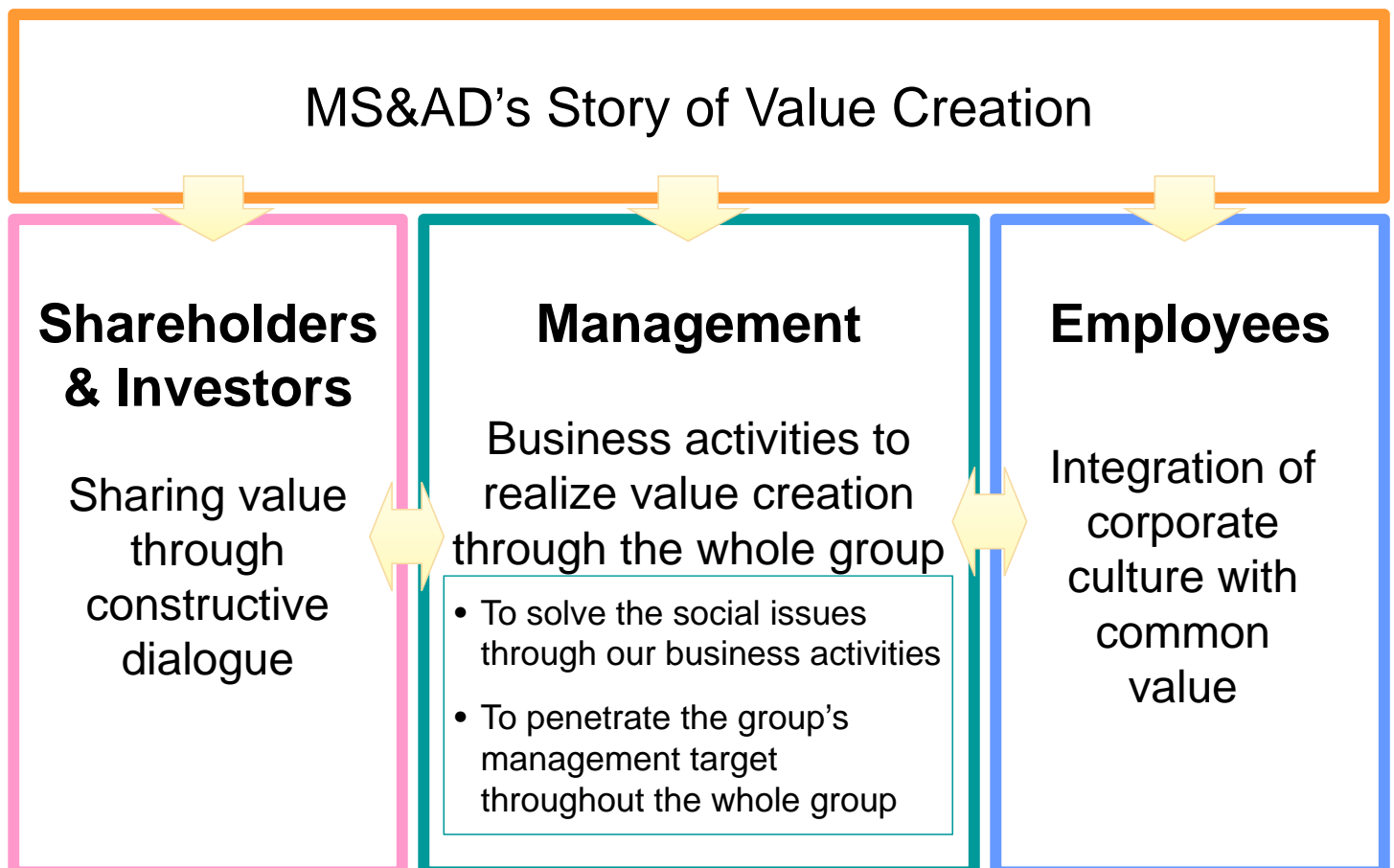
Increasing the number of employees from different cultures and with diverse sense of value, and deepening mutual understanding among employees, leads to a stronger organizational capacity for the Group and a driving force in international business development in particular.

## II. Integrated Thinking Management



MS&AD Insurance Group Holdings, Inc.

### Group Integration by Integrated Thinking Management



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# For Corporate Culture Based on the Same Values

## Digest & Group's Communication Paper "Unity" in Japanese and English

