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MS&AD

INSURANCE GROUP

**Fiscal 2018
Second Information Meeting
November 27, 2018**

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

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Abbreviations of company names used in this presentation.

- MS&AD Holdings, Holding Company : MS&AD Insurance Group Holdings, Inc.
- MS&AD : MS&AD Insurance Group
- MSIG : Mitsui Sumitomo Insurance Group Holdings, Inc.
- MSI : Mitsui Sumitomo Insurance Co., Ltd.
- ADI : Aioi Nissay Dowa Insurance Co., Ltd.
- Mitsui Direct General, MD : Mitsui Direct General Insurance Co., Ltd.
- MSI Aioi Life, MSA Life : Mitsui Sumitomo Aioi Life Insurance Co., Ltd.
- MSI Primary Life, MSP Life : Mitsui Sumitomo Primary Life Insurance Co., Ltd.
- MS Amlin : MS Amlin plc
- First Capital, FC : First Capital Insurance Limited
- MS First Capital : MS First Capital Insurance Limited
- Challenger : Challenger Limited
- ReAssure : ReAssure Jersey One Limited
- BoCommLife : BoCommLife Insurance Company Limited

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

1. FY2018 Interim results and full-year forecasts

FY2018 Interim results were progressing steadily, exclusive of domestic natural catastrophes. Full-year net income is expected to be as forecast at the beginning of the year.
Group Adjusted Profit will be secured at the maximum.

2. Progress of "Vision 2021"

Three key strategies are promoted steadily.

Initiatives for CSV have started in various areas toward the realization of the ideal image of society for 2030.

3. Frequently asked questions

- (1) Growth strategy of the domestic non-life insurance business:
 - Casualty insurance will continue to grow into an important source of profit through the steady growth of the top line.
 - For fire insurance, various initiatives will be strongly prompted for recovery of earnings.
- (2) Policy for actions against the natural catastrophe risks
 - Underwriting policy and risk retention and reinsurance policy will be from the perspective of profitability (ROR).
 - To provide sustainable insurance coverage, rates and conditions shall be reviewed in accordance with the trend of the loss ratio.
- (3) State of sales of strategic equity holdings and stewardship activities
 - Over 50% of 500 billion yen (5-year target) will be achieved in the second fiscal year.
- (4) Capital policy
 - Conduct of business investment for growth and shareholder return with a strict capital discipline
- (5) Shareholder return in FY2018
 - An annual dividend of ¥140 (up ¥10 from the initial forecast, up ¥10 year on year) is forecast.

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I . FY2018 Interim Results and Full-Year Forecasts

Progress Toward Numerical Management Targets and Full-Year Forecasts

- The interim Group Adjusted Profit was ¥88.2 billion, down by ¥42.0 billion year on year mainly due to the impact of domestic natural catastrophes. The full-year forecast is ¥180.0 billion, down by ¥90.0 billion from the initial forecast.

Interim Results and Full-Year Forecast

(¥bn)

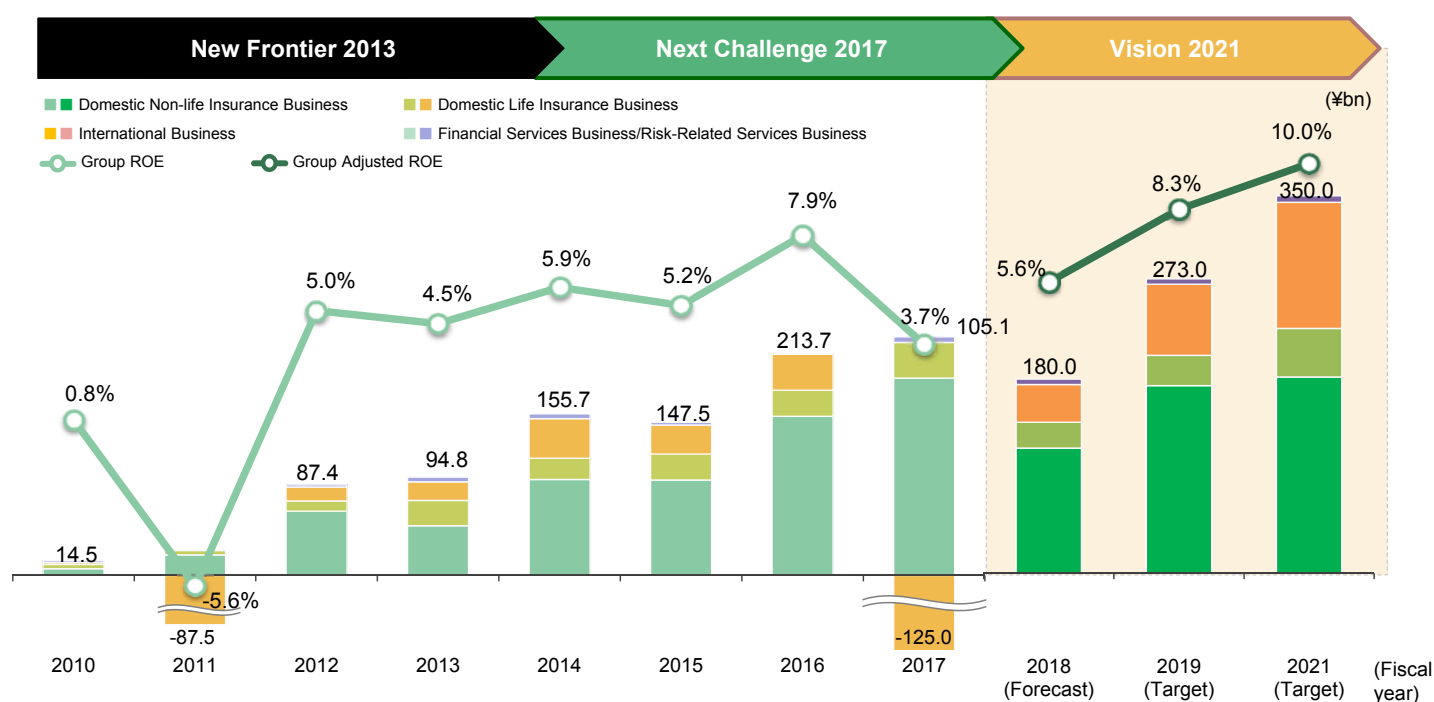
	Interim results			FY2018 Full-year		
	FY2017 1H (Converted to new standards)	FY2018 1H	YoY	Revised Forecast	YoY	Change from the initial forecast
Group Adjusted Profit	130.2	88.2	-42.0	180.0	-21.0	-90.0
Domestic non-life insurance business	168.7	48.0	-120.6	116.0	-171.8	-91.0
Domestic life insurance business	20.4	16.3	-4.1	24.0	-8.6	2.0
International business	-61.1	21.1	82.3	35.0	160.0	-2.0
Financial services business/Risk-related services business	2.2	2.6	0.4	5.0	-0.6	1.0
Group Adjusted ROE	-	-	-	5.6%	-0.8pp	-2.9pp
Consolidated net premiums written	1,864.1	1,876.0	11.9	3,470.0	23.0	-10.0
Life insurance premiums (gross premiums)	725.3	810.5	85.1	1,504.5	-3.6	7.7
EEV of MSI Aioi Life	830.5	880.9	50.4	903.0	67.5	38.0
ESR (Economic Solvency Ratio)	199%	212%	13pp	-	-	-

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Numerical Management Targets

Group Core Profit/Group Adjusted Profit and Group ROE/Group Adjusted ROE







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3

Targets and Results of Non-Financial Indicators

- Setting of the Group targets for non-financial indicators during the period of the Medium-Term Management Plan.
- Monitoring half-yearly, and disclosing results annually.

Non-financial Indicators

	Theme	Indicators	FY2016 Results	FY2017 Results	Group Targets for FY2018 Onward
<div>Creating Shared Value</div> <div></div>	Seven Key Issues	Development and improvement of products for creating shared value with society	<div>Seven Key Issues</div> <div>•Deal with new risks •Create a safer mobility society •Strive for resilient community development •Support “good health and longevity” •Contribute to climate change mitigation and adaption •Strive to improve the sustainability of natural capital •Work toward realization of “leaving no one behind”</div>		For the seven key issues, decide on four methods of approach (provision of products and services, investment and finance, research and policy recommendations, and contribution to society) and periodically ascertain progress qualitatively.
<div>Quality that earns the trust of society</div> <div></div>	Quality improvement	Customer satisfaction survey about insurance contract procedures			94.8%
		Customer satisfaction survey about payment of insurance claims	96.1%	96.3%	Equal or greater than the previous year
<div></div>	Reduction of environmental burden	CO ₂ emission reduction rate*1	3.6%	- 6.8%*2	Reduce CO ₂ emissions by 30% by 2020 and by 70% by 2050 versus base year (2009)
Total energy consumption () versus base year (2009)		1,098,008GJ (2.0%)	1,017,853GJ (- 28.1%)		
Paper consumption		13,005t	11,085t	Equal or greater than the previous year	
<div>Management platforms that enable employees to play active roles</div> <div></div>	Diversity & inclusion	Share of management positions occupied by women domestic () group consolidated	7.1% (12.7%)	9.9% (15.7%)	15.0% (April 2021)
		Employee satisfaction “working vigorously”	4.2 points	4.3 points	Equal or greater than the previous year
		Number and ratio of global employees	8,759 people (21.6%)	9,184 people (22.2%)	Key monitoring indicators other than sustainability KPIs
		Ratio of employees with disabilities	2.52%	2.37%	
	Health management	Employee satisfaction “Pride, job satisfaction”	4.4 points	4.4 points	Equal or greater than the previous year
		The number of annual paid holidays taken	15.7 days	16.0 days	Equal or greater than the previous year
		Ratio of taking fully paid paternity/secondary leave	44.8%	58.0%	Equal or greater than the previous year
<div>*1 Reduction rate versus base year (2009), calculated for Scope 1 and Scope 2 *2 From FY2017, the CO₂ emissions of the Company buildings leased to tenants are excluded and that of base year is also adjusted.</div>		Number of employees participating in social contribution activities	19,861 people	20,022 people	Equal or greater than the previous year

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Status of Each Business Segment

- The forecast of the full-year Group Adjusted Profit for domestic non-life insurance business is revised downward by ¥91.0 billion to ¥116.0 billion, mainly due to an increase in incurred losses from domestic natural catastrophes. That for domestic life insurance business is revised upward by ¥2.0 billion to ¥24.0 billion due to strong sales, while that for international business is revised downward slightly by ¥2.0 billion to ¥35.0 billion.

Interim results () year on year

Full-year forecasts () year on year

Domestic Non-Life Insurance Business	Top line* (Net premiums written)	¥1,401.2 billion (- ¥10.5 billion, -0.7%) Although NPW decreased, mainly due to additional reinstatement premiums for reinsurance, direct premiums written increased mainly in fire and casualty.	¥2,727.0 billion (+¥1.0 billion, +0.2%) Mainly due to increase in casualty
	Bottom line (Group Adjusted Profit)	¥48.0 billion (-¥120.6 billion) Steady progress exclusive of impact from domestic natural catastrophes	¥116.0 billion (-¥171.8 billion) Decreased by ¥91.0 billion from the initial forecast, mainly due to an increase of domestic natural catastrophes
	Investment profit	¥121.1 billion (+¥14.7 billion) Sales of strategic equity holdings: ¥72.6 billion	¥210.0 billion (+¥29.4 billion) Increase by ¥58.0 billion from the initial forecast mainly due to increase in gains on sales of securities
Domestic Life Insurance Business	MSI Aioi Life	Amount of new policies increased steadily (+26.4%) EEV: ¥880.9 billion (+¥45.3 billion change from the beginning of FY), Group Adjusted Profit : ¥5.5 billion (+¥0.6 billion)	Continued trend of increase in new policies (+24.9%) EEV: ¥903.0 billion (+¥67.5 billion from the beginning of FY), Group Adjusted Profit : ¥6.9 billion (-¥0.3 billion)
	MSI Primary Life	The gross premiums income increased steadily by ¥80.4 billion. Group Adjusted Profit decreased by ¥5.6 billion year on year to ¥12.0 billion due to changes in the market environment.	Gross premiums income remain unchanged from the initial: ¥ 1.0 trillion. Group Adjusted Profit plans to increase by ¥ 3.0 billion to ¥20.0 billion mainly due to an increase in profit margin arising from an increase in policies in force.
International Business	Top line (Net premiums written)	¥566.7 billion (+¥24.4 billion, +4.5%) NPW increased mainly in Asia and Europe.	¥925.6 billion (+¥32.8 billion, +3.7%) Continued trend of income increase in the international business, especially in Asia
	Bottom line (Group Adjusted Profit)	¥21.1 billion (+¥82.3 billion) Group Adjusted Profit increased significantly due to a decrease in overseas natural catastrophes.	¥35.0 billion (+¥160.0 billion) Group Adjusted Profit increased significantly year on year due to the new consolidation of MS First Capital and a decrease in overseas natural catastrophes, however it decreased ¥2.0 billion from the initial forecast.

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

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Impact of Domestic and Overseas Natural Catastrophes

Net incurred losses of domestic and overseas natural catastrophes occurred in this fiscal year

<Domestic>

<Domestic>							(¥bn)
	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)			(¥bn) 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		(¥bn) 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>

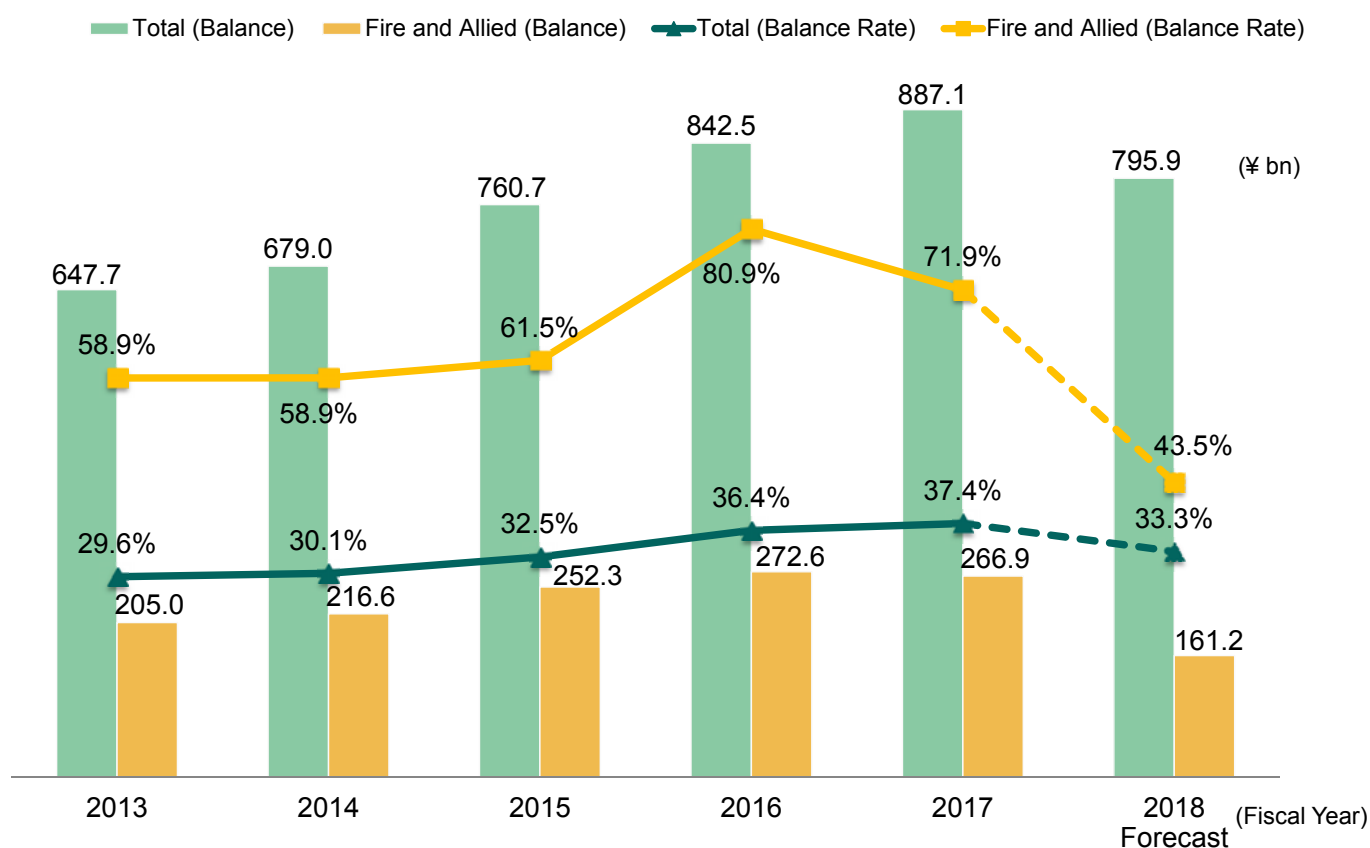
	Estimated final number of claims (thousands)	Estimated final incurred losses* ² (billion yen)
Heavy Rain of July 2018* ¹	Approx. 20	75.0
Typhoon "Jebi" (No.21)	Approx. 250	290.0
Typhoon "Trami" (No.24)	Approx. 120	98.0
Total of the above incurred losses on a direct basis	Approx. 390	463.0
Reinsurance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

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

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Balance of Catastrophe Reserve



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

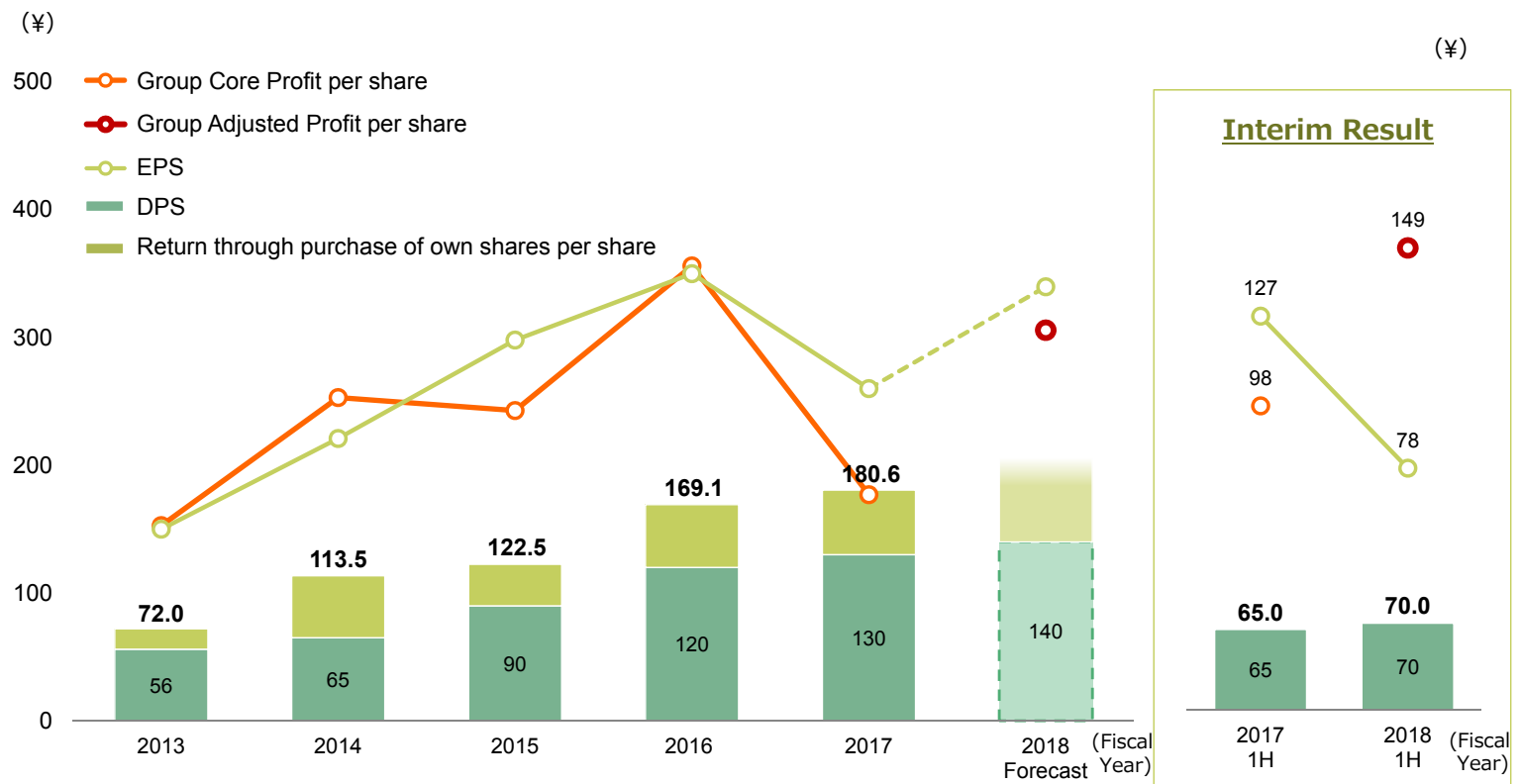
* Balance Rate = Balance of catastrophe reserve / Net premiums written (excluding CALI)

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Overall Situation: EPS and Total Shareholder Return per Share

- Total shareholder return (TSR) per share is steadily increasing.
- Interim EPS decreased to ¥78 (down ¥49 year-on-year) mainly due to the impact of natural catastrophes.



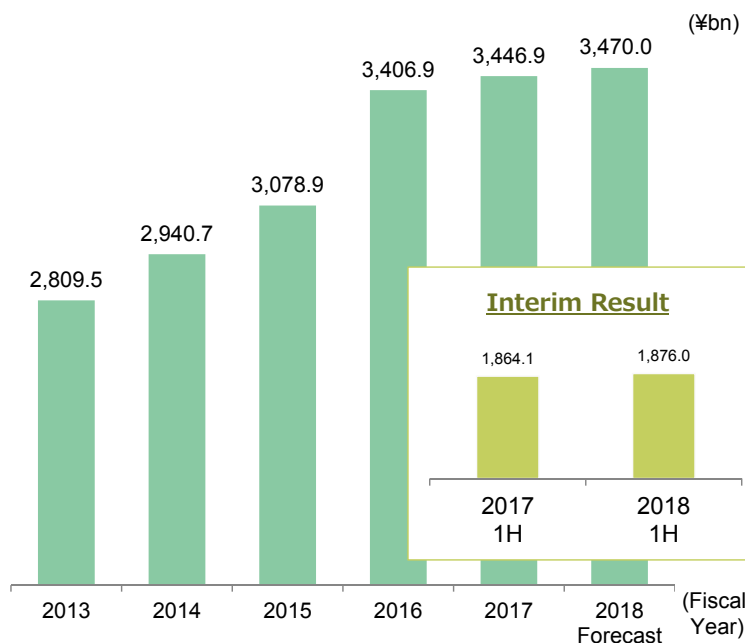
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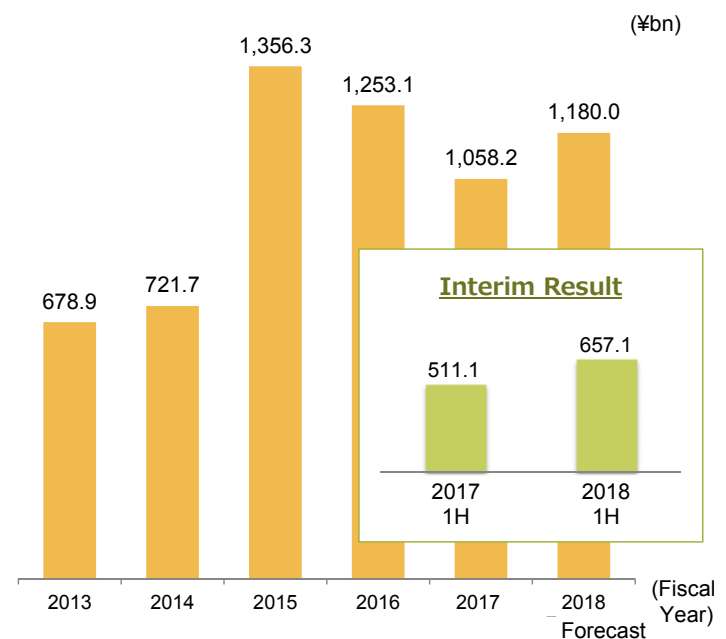
Overall Situation: Premium Income

- Consolidated net premiums written for the 1st half of FY2018 increased ¥11.9 billion year-on-year to ¥1,876.0 billion, due to the increase in overseas subsidiaries despite the decrease in domestic non-life insurance business.
- Consolidated life insurance premiums increased significantly due to the strong sales at MSI Aioi Life and MSI Primary Life.

Non-Life Insurance: Consolidated Net Premiums Written*



Life Insurance: Consolidated Life Insurance Premiums



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

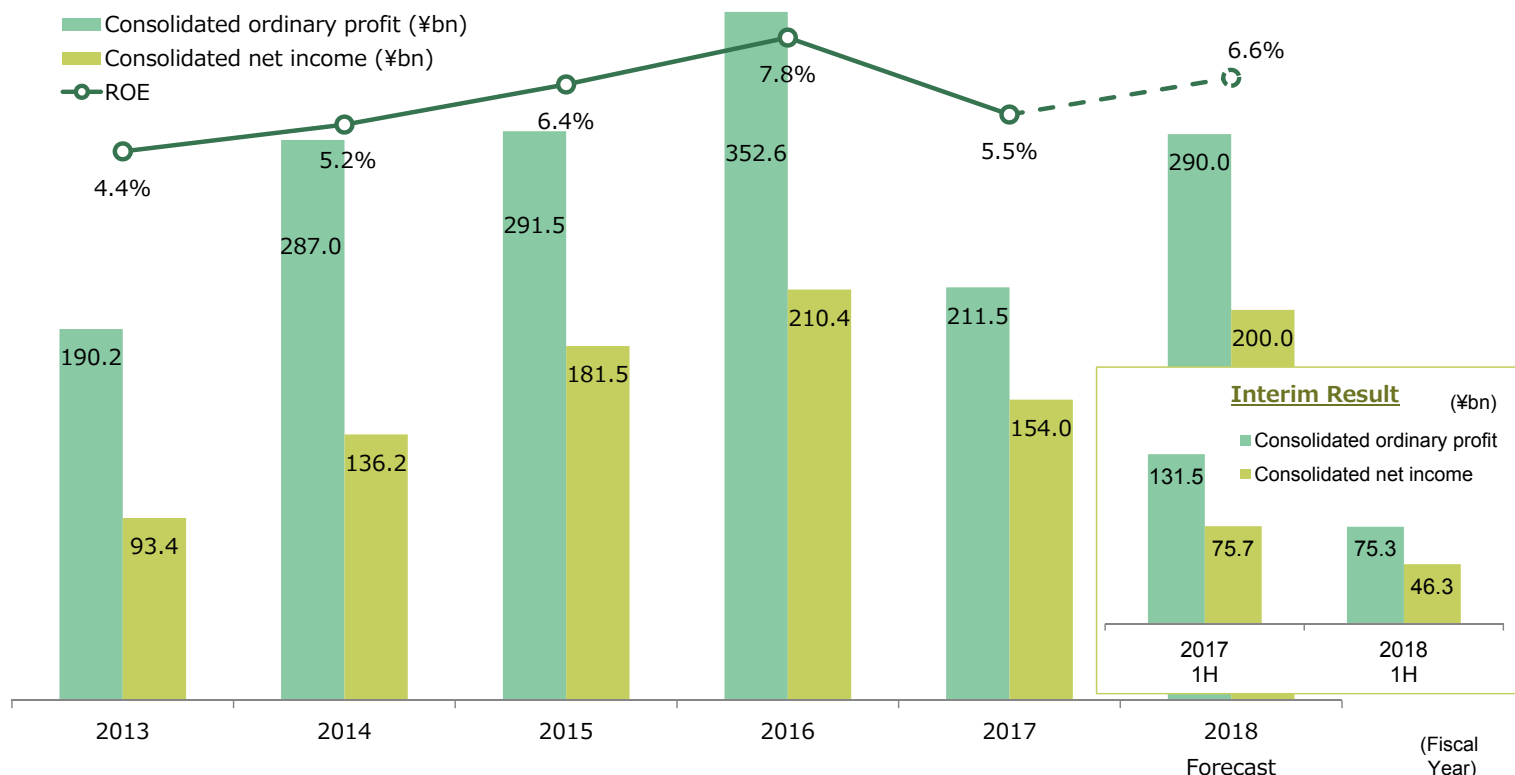
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Overall Situation: Bottom Line and ROE (on a Financial Accounting Basis)

• Net income for the 1st half of FY2018 declined ¥29.4 billion due to the significant impact of natural catastrophes, despite the increase in overseas subsidiaries and an increase in earned premiums and gains on sale of strategic equity holdings in the domestic non-life insurance subsidiaries.

Consolidated Ordinary Profit, Net Income and ROE



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Impact of Foreign Exchange/Interest Rate Fluctuation on Earnings Forecast

- The impact of a 5% JPY appreciation against all currencies is an increase of about ¥0.8 billion in net income and an increase of ¥0.4 billion in Group Adjusted Profit.
- The impact of an increase of 0.1% in JPY interest rate is an increase of about ¥0.2 billion both in net income and Group Adjusted Profit.

◆ Impact of 5% JPY appreciation on profits

Impact on net income	up about ¥0.8 billion
✓ Decrease in profits of overseas subsidiaries	down about ¥0.5 billion
✓ Domestic non-life insurance subsidiaries	up about ¥2.0 billion
Decrease in claims reserve in foreign currency Change in valuation of foreign currency deposits and exchange gain/loss on currency hedge positions, etc.	↑ ↓
✓ Decrease of amortization of goodwill and others in foreign currency	up about ¥0.4 billion
✓ Decrease of profit margin of domestic life insurance subsidiaries, etc.	down about ¥1.0 billion

The impact on Group Adjusted Profit is an increase of about ¥0.4 billion excluding a decrease of amortization of goodwill and others in foreign currency

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

Impact on net income and Group Adjusted Profit	up about ¥0.2 billion
✓ Increase in interest for new investment bonds/loans	up about ¥0.2 billion

* Impact on earnings forecast for FY2018

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II. Progress of "Vision 2021"

1. Three Key Strategies

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

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Aspirations

- Regarding a "resilient and sustainable society" as the image of society that the Group is aiming for in 2030, we will seek to achieve it by developing the story of value creation of MS&AD as a Group-wide initiative.

Image of society
in 2030

A resilient and
sustainable
society

Next Challenge 2017
(FY2014 - FY2017)

Vision 2021
(FY2018 - FY2021)

**Development of management
based on CSV***

Achieving the medium-term
aspirations
Building resilient systems that
can respond to changes in the
environment

**Construction of the story of
value creation**

Enhancing earning power
in domestic non-life
insurance business
Improving capital
efficiency

Formulation of Mission, Vision and Values

Improving profitability in domestic non-life
insurance business
Ensuring financial soundness

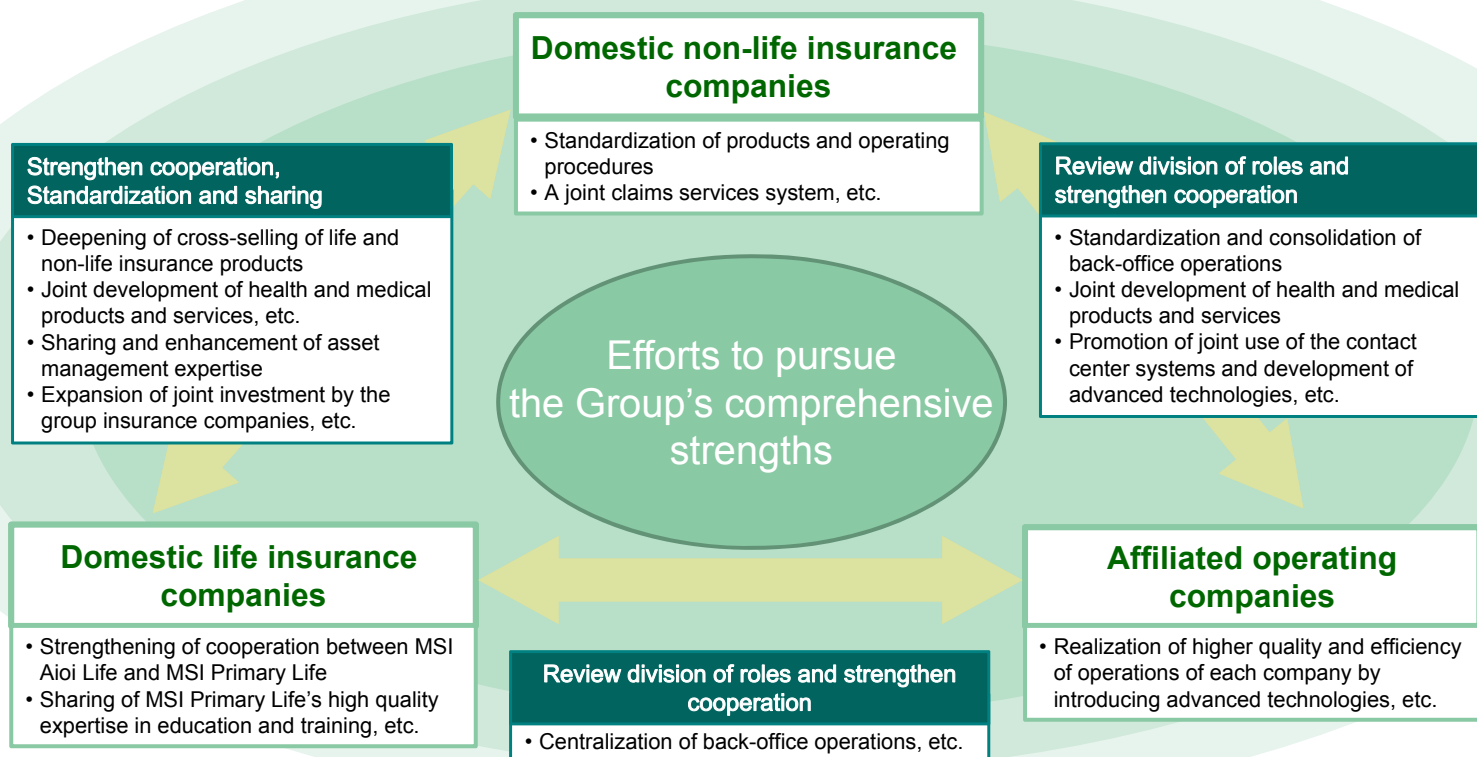
Medium-term aspirations (A world-leading insurance and financial services group)

Scale	Within the top 10 non-life insurance groups in the world
Capital efficiency	Group Adjusted ROE 10%
Financial soundness	ESR 180% - 220%
Portfolio diversity	50% (profit basis) in other than the domestic non-life insurance business
Risk assets	Strategic equity holdings below 30% of integrated risk amount and below 10% of consolidated total assets
Profitability	Combined ratio in the domestic non-life insurance business stable at 95% or less

* CSV: Creating Shared Value

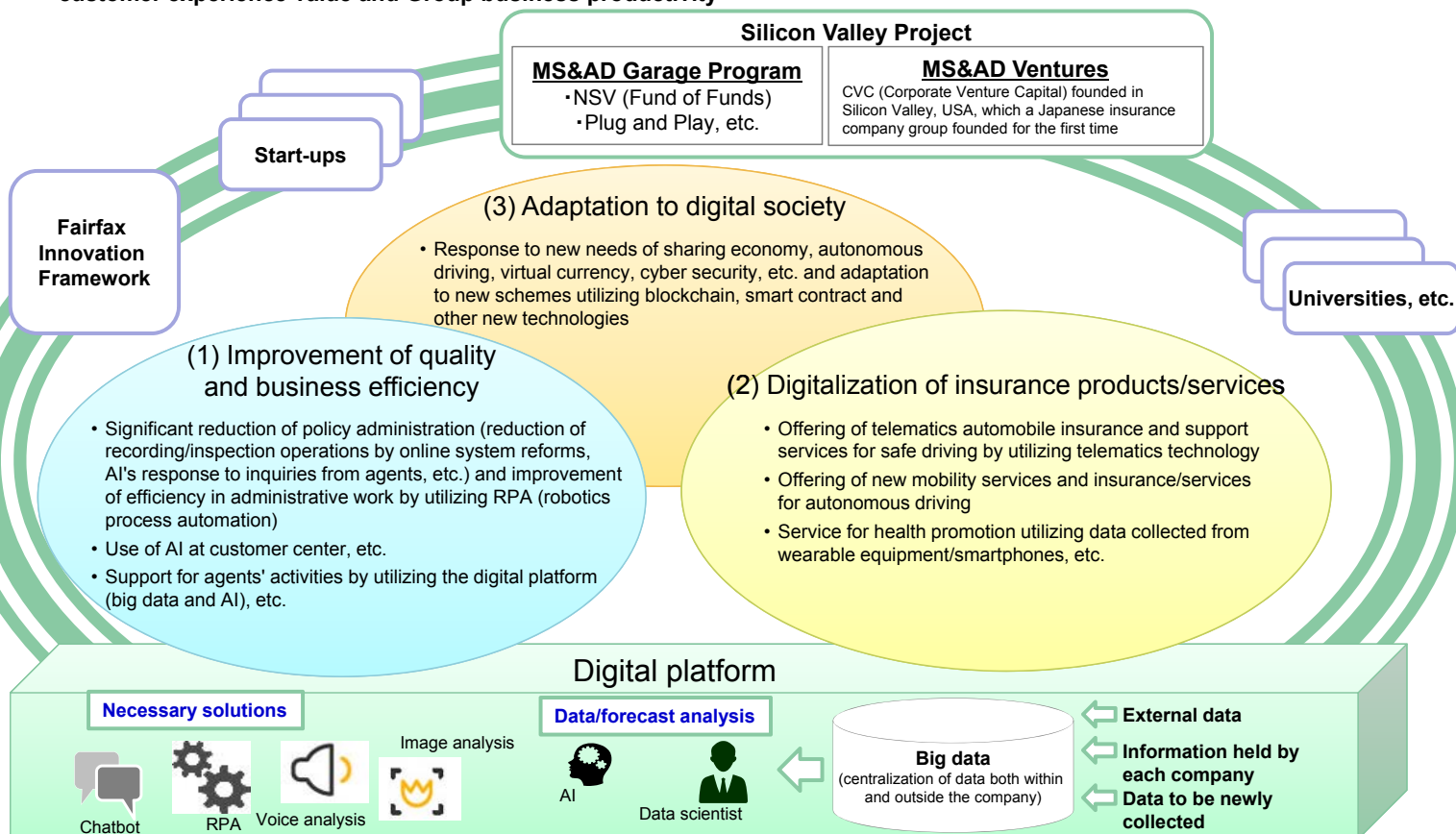
Key Strategy 1: Pursue the Group's Comprehensive Strengths

- The Group is proceeding with the initiatives to enhance competitiveness by taking advantage of diversity, the Group's strength, by improving quality and business efficiency through a review of the division of roles and stronger cooperation within the Group.



Key Strategy 2: Promote Digitalization

- Promotion of the digitalization strategy by ensuring cooperation within and outside the Group globally for improving customer experience value and Group business productivity

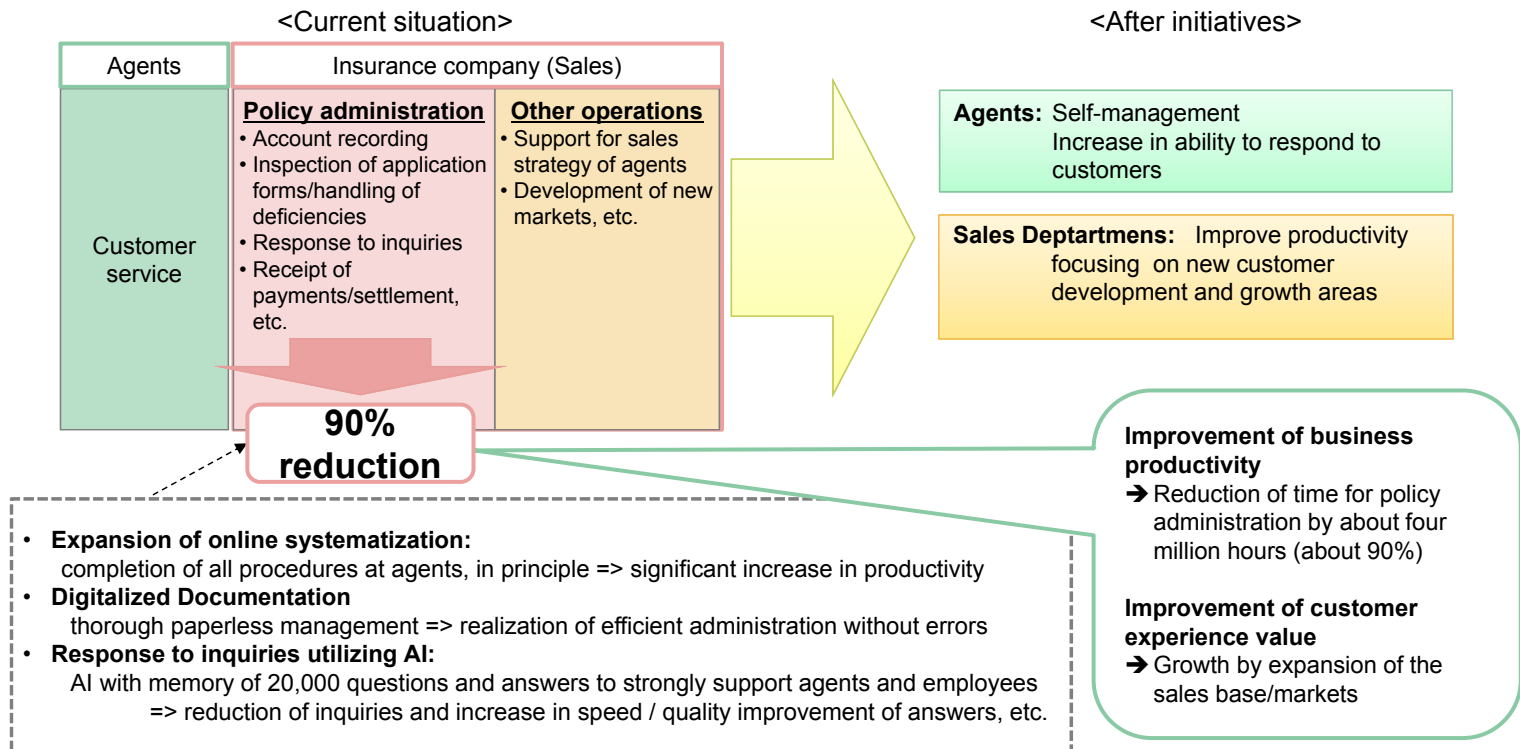


Key Strategy 2: Promote Digitalization

(1) Improvement of quality/business efficiency

- Realization of improvement of business productivity of agents and sales departments and customer experience value through reduction of policy administration (solution of the double structure issue with agents) by further promoting online systematization and response to inquiries utilizing AI, among other actions.

Examples of initiatives at MSI



Key Strategy 2: Promote Digitalization

(2) Digitization of products/services ~ Utilization of telematics technology/data ~

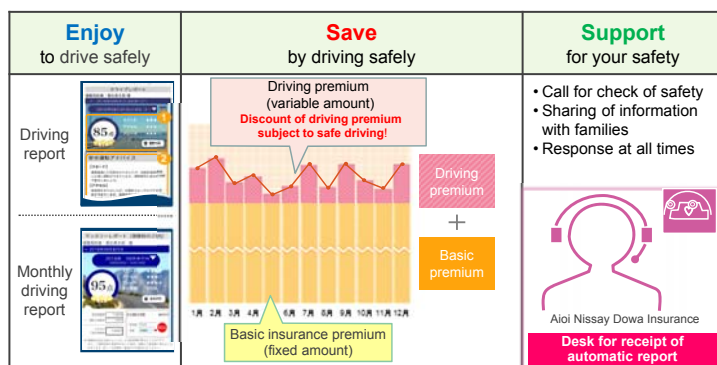
- Contribution to the realization of a safe and secure mobile society by providing safety, benefits and security for the car life of customers through the utilization of cutting-edge telematics technologies in the development of "Tough" Connected Automobile Insurance (Realization of initiatives for CSV).
- Utilization of the data analysis knowhow and the algorithm conducive to safe driving obtained through the telematics automobile insurance for offering new mobility services and insurance products/services for autonomous driving



**GOOD
DESIGN
AWARD
2018**



Product design with the system for the reduction of accidents through cooperation between insurance companies and drivers by data analysis/visualization = reduction of insurance premiums

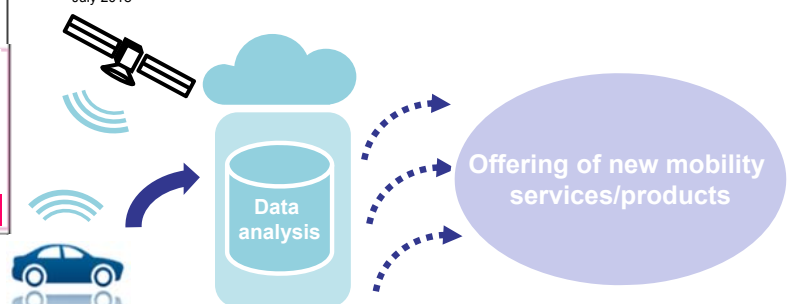


Effect of prevention of accidents (Frequency of accidents decreased by more than 30%)

<Comparison of frequency of accidents*>

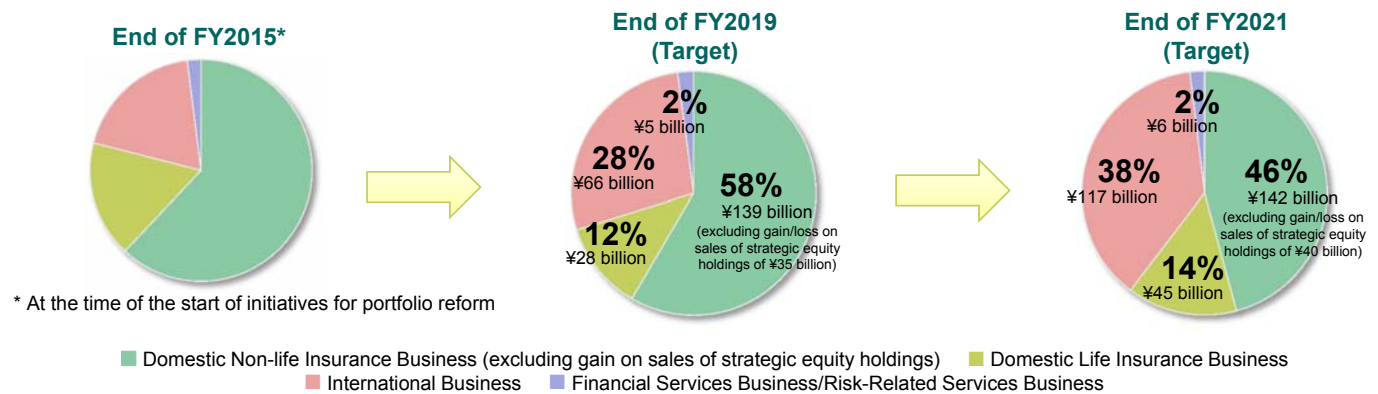
"Tough" Connected Automobile Insurance	8.2%
Automobile insurances for individuals other than the above	12.4%

* Comparison of the frequency of accidents between "Tough" Connected Automobile Insurance of ADI and automobile insurance for individuals other than "Tough" Connected Automobile Insurance of the said company (for the same automobile types covered by "Tough" Connected Automobile Insurance) for April to July 2018



Key Strategy 3: Reform Portfolio

- Promotion of various initiatives for realization of higher capital efficiency and sustainable growth toward change of the business portfolio



Domestic non-life insurance business	Domestic life insurance business	International business
<ul style="list-style-type: none"> Change from the portfolio focusing on automobile to the portfolio with a good balance of business classes by improving profitability of fire insurance and expansion of casualty insurance Change of the risk portfolio through steady sales of strategic equity holdings 	<ul style="list-style-type: none"> Steady expansion by offering products that respond to the demands of society and customer needs (MSI Aioi Life) Offering medical insurance based on advances in medical technology, etc. (MSI Primary Life) Developing new products for lifetime gift market and new longevity needs market to shift the portfolio from focusing on asset-building products, etc. 	<ul style="list-style-type: none"> Promotion of profit recovery and growth strategy of MS Amlin Acceleration of growth in the Asian region, including MS First Capital Steady expansion of international life insurance business, including BoCommLife

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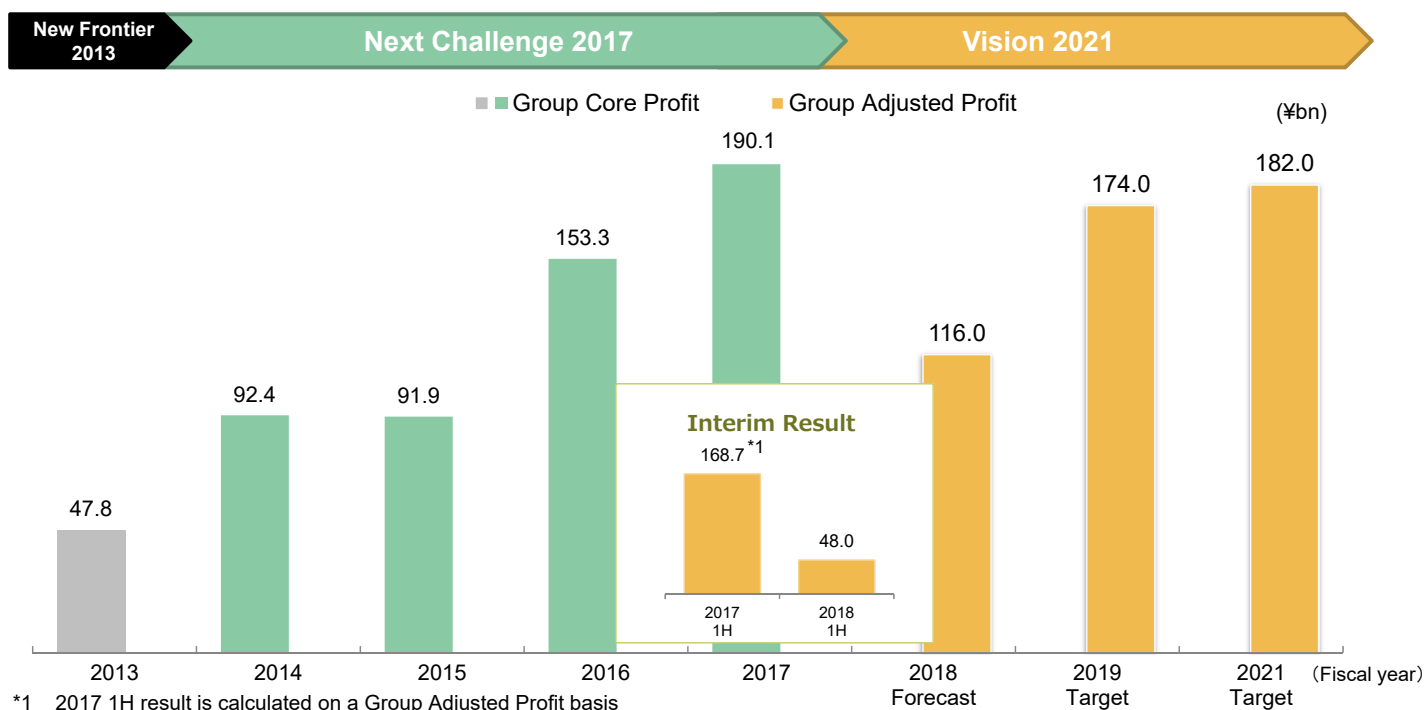
II. Progress of "Vision 2021"

- Three Key Strategies
- Domestic Non-Life Insurance Business**
- Domestic Life Insurance Business
- International Business
- Asset Management

Domestic Non-life Insurance Business : Group Core Profit/Group Adjusted Profit

- Group Adjusted Profit for the 1st half of FY2018 was ¥48.0 billion, mainly due to the impact of domestic natural catastrophes. The full-year forecast was revised downward to ¥116.0 billion. However, excluding the impact of natural catastrophes, it shows steady progress.

Group Core Profit / Group Adjusted Profit



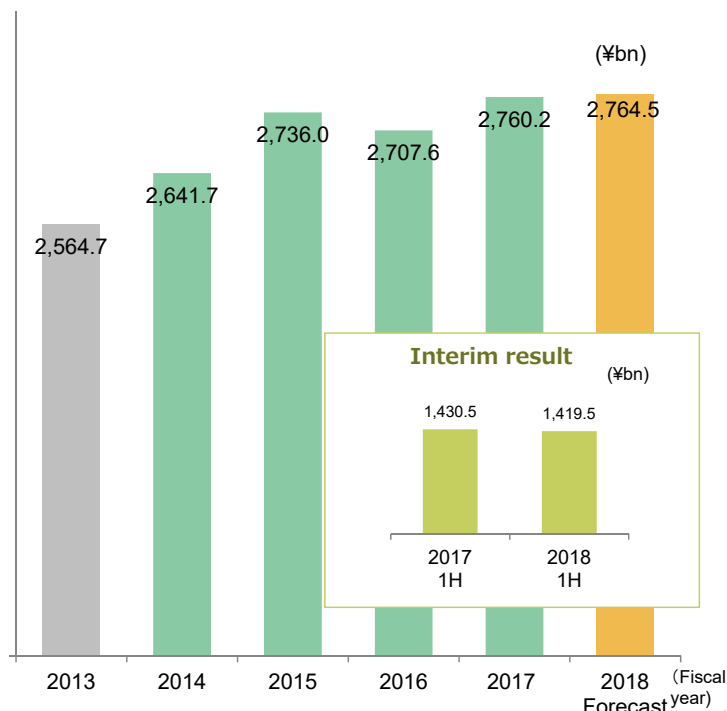
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Domestic Non-life Insurance Business: Net Premiums Written and Combined Ratio

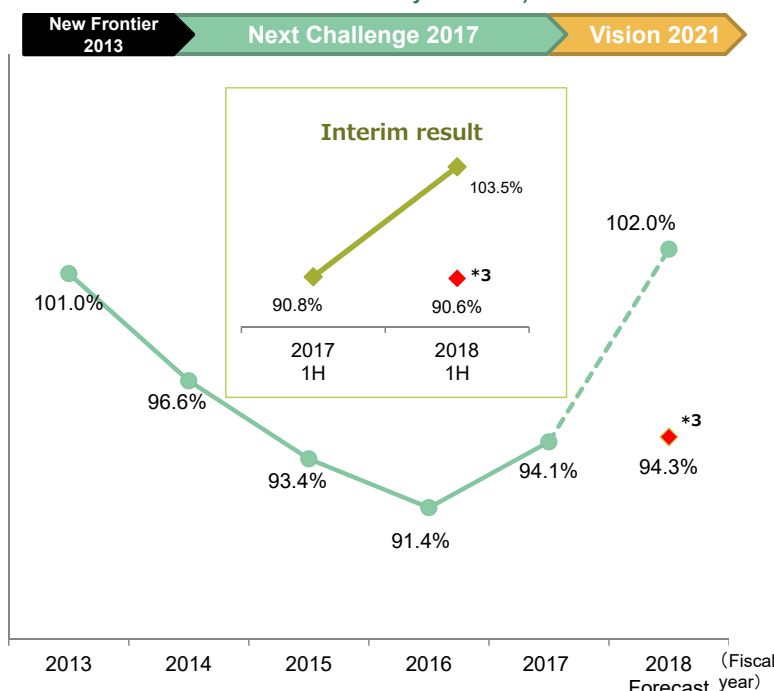
- E/I combined ratio in the 1st half of FY2018 after the adjustment of the impact of domestic natural catastrophes to the initial forecast was 90.6% and is making a good progress toward the full-year forecast of 94.3%.

Trends of Net Premiums Written ^{*1}



Trends of E/I Combined Ratio ^{*2}

(Excl. residential earthquake insurance and compulsory automobile liability insurance)



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Domestic Non-Life Insurance Business: Initiatives for Maintenance and Expansion of Income

- Casualty insurance has grown into an important source of profit after the significant expansion of underwriting profit together with the expansion of the top line.
- The fire insurance business steadily improved excluding the impact of natural catastrophes. There is considerable room for improving profitability. By strengthening initiatives, the fire insurance will be made an income driver of the domestic non-life insurance business.

Growth of casualty insurance

- The top line steadily expanded and the underwriting profit grew to the scale of ¥50 billion (results for FY2017).

<Results for FY2013 to FY2017 and forecasts for FY2018>

Net premiums written (forecast for FY2018)	¥399.7 billion
CAGR of net premiums written	6.9%
Combined ratio	83%

Initiatives for growth:

- Expansion of the package products for small and medium-sized enterprises
- ➡ Full-year forecast for FY2018: about ¥67.0 billion (rate of premium increase: +11%)
- Response to new risks/new markets
- Strengthening of cross-selling of multiple classes, among others

*For the respective actual results relating to the casualty area, refer to "other classes" in the materials for disclosure.

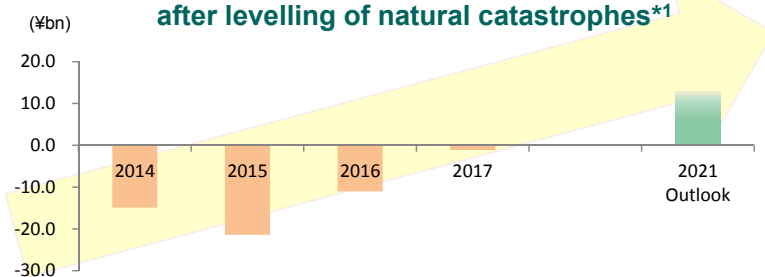
Improvement of profitability of fire insurance

- Steady improvement subject to levelling of natural catastrophes (For FY2015, temporary factors due to revision of products)
- There is considerable room for improvement in profitability. By strengthening initiatives for improvement, a steady increase in profit will be ensured.

Initiatives for improvement of profitability:

- Setting of an appropriate rating based on a revision of the Reference Loss Cost Rate and on the expected rate of return
- Strengthening of the measures for profitability in relation to individual policies (such as specific commercial products and products for condominium management associations)
 - (1) Increase of applied rate and review of underwriting conditions of low-margin contracts
 - (2) Strengthening of proposals for initiatives to prevent and reduce losses

Fire Insurance: underwriting profit after levelling of natural catastrophes*1

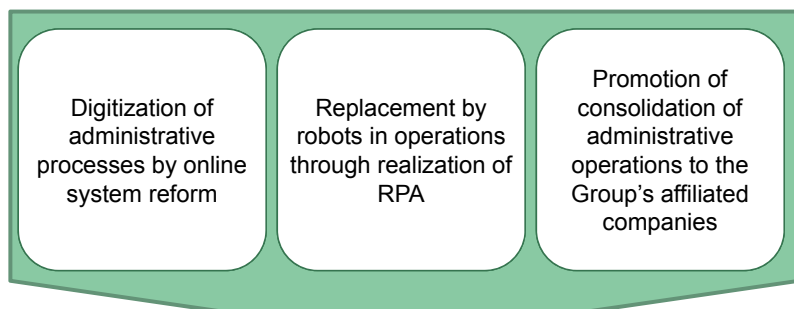


*1 Underwriting profit before reflection of catastrophe losses with adjustment of the loss from natural catastrophes to the forecasted amount at the beginning of the year. The outlook for FY2021 is an image for domestic policies underwritten only.

Domestic Non-Life Insurance Business: Initiatives for Improving Productivity and Strengthening Competitiveness

- Operating expenses will temporarily increase in response to environmental changes and to improve productivity and quality. However, investment will be actively made in the research and development area as R&D expenses.
- With an eye toward a future expense ratio at the level of 30.0%, business process reform through digitalization and other initiatives will be conducted to further strengthen competitiveness.

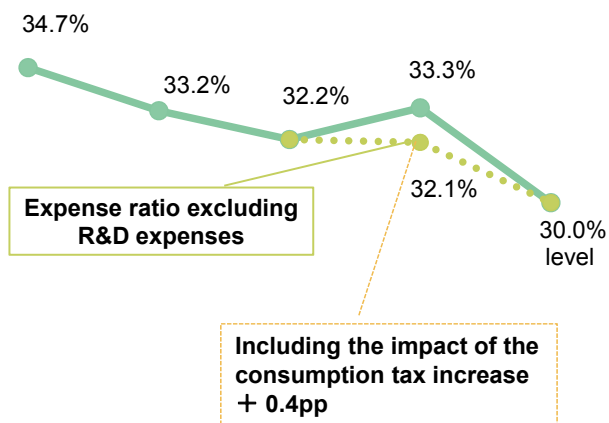
Effects of business process reform



Effect of reduction of workload
(to be realized by FY2021)

MSI/ADI in total: about 5 million hours

Change in and forecast of expense ratio



Expense ratio for the first half period of FY2018

Operating expense ratio: 31.7% (+0.7% year on year,* as planned)

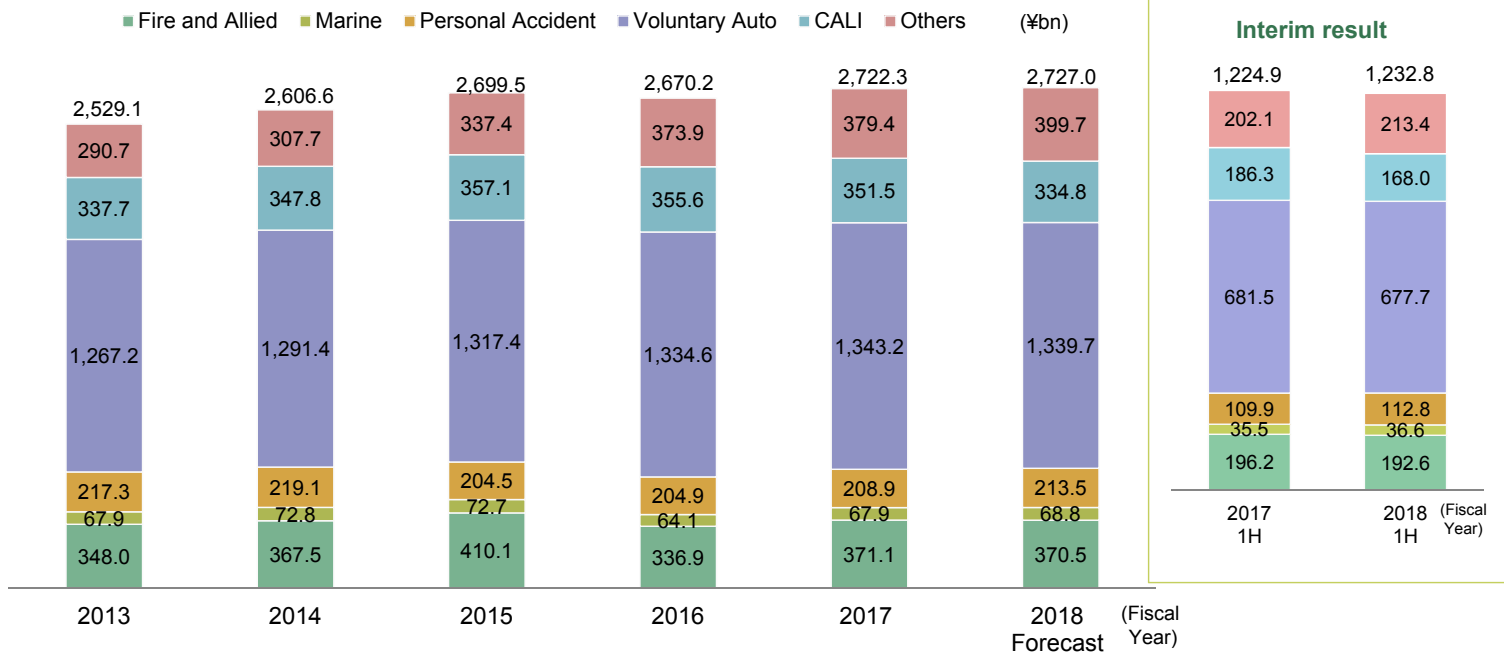
* The ratio remained the same, excluding the R&D expenses.

The effects of the reduction of R&D expenses are input into the growth fields.



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

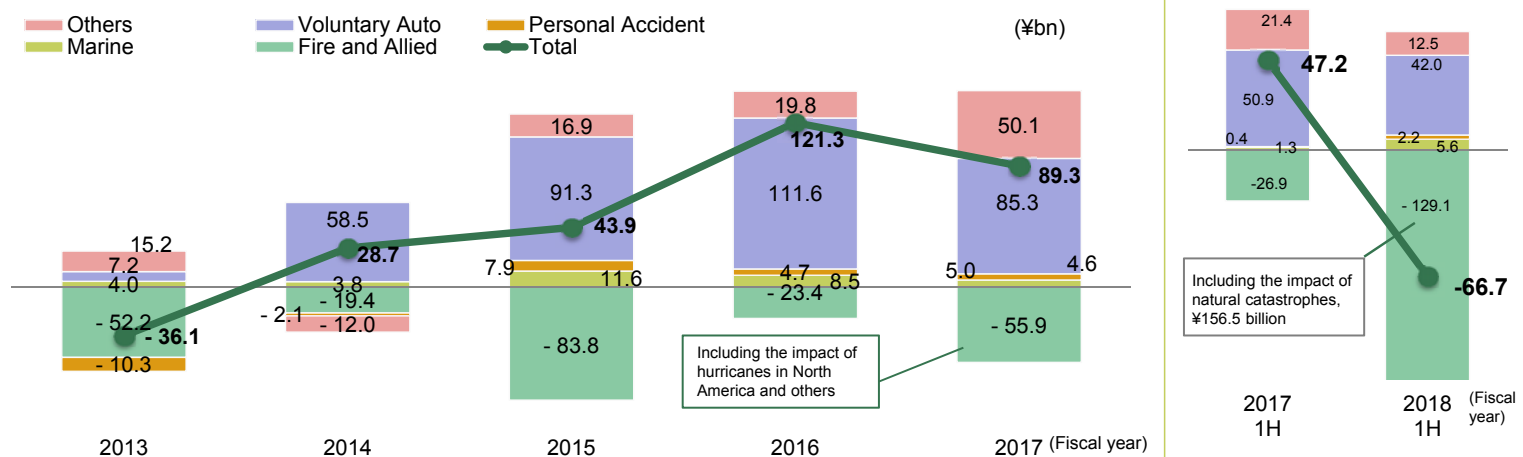
Net Premiums Written* by Class of Business



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

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

Underwriting Profit /Loss by Class of Business

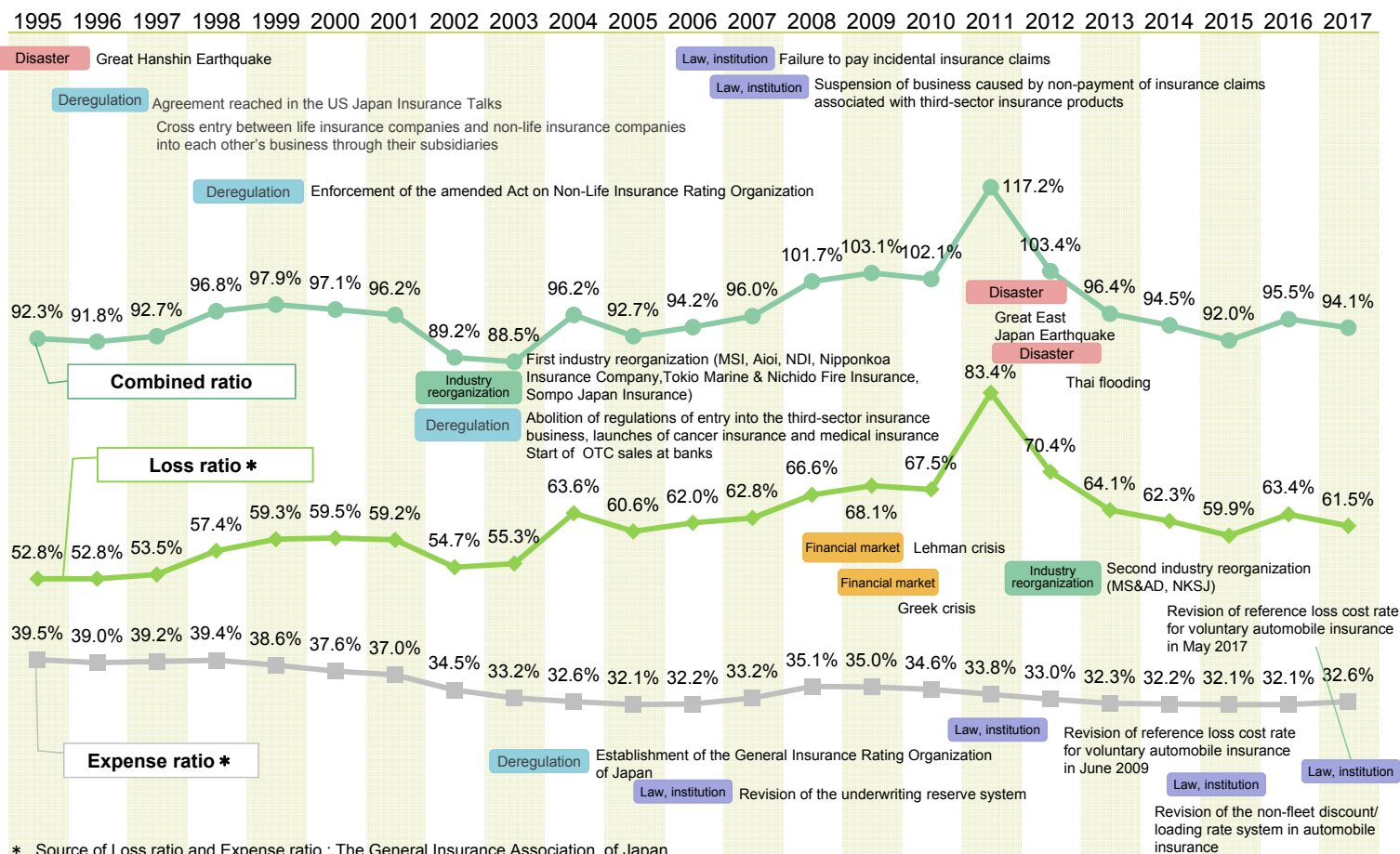


Item/Fiscal Year	2013	2014	2015	2016	2017 1H	2017	2018 1H	2018 (forecast)
Underwriting Profit	-36.1	28.7	43.9	121.3	47.2	89.3	-66.7	52.0
Net reversal of catastrophe reserve (profit impact)	3.0	-31.3	-81.6	-81.8	-50.4	-44.6	-24.8	91.2
Underwriting profit (before reflecting catastrophe reserves)	-39.1	60.1	125.6	203.1	97.6	133.9	-41.9	-39.2
Impact of natural catastrophes*1(ref.)	-96.3	-27.2	-68.1	-51.0	-56.7	-118.8	-177.9	-227.0

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

*1 Impact of natural catastrophes include heavy snowfalls in 2014 and other natural catastrophes. The figures show incurred losses occurred domestic and overseas for MSI and ADI from FY2017.

Domestic Non-Life Insurance business: Combined Ratio (W/P) in the Domestic Non-Life Insurance Industry



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

MS&AD Insurance Group Holdings, Inc.

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Advancing with you

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INSURANCE GROUP

II. Progress of "Vision 2021"

1. Three Key Strategies
2. Domestic Non-Life Insurance Business
- 3. Domestic Life Insurance Business**
4. International Business
5. Asset Management

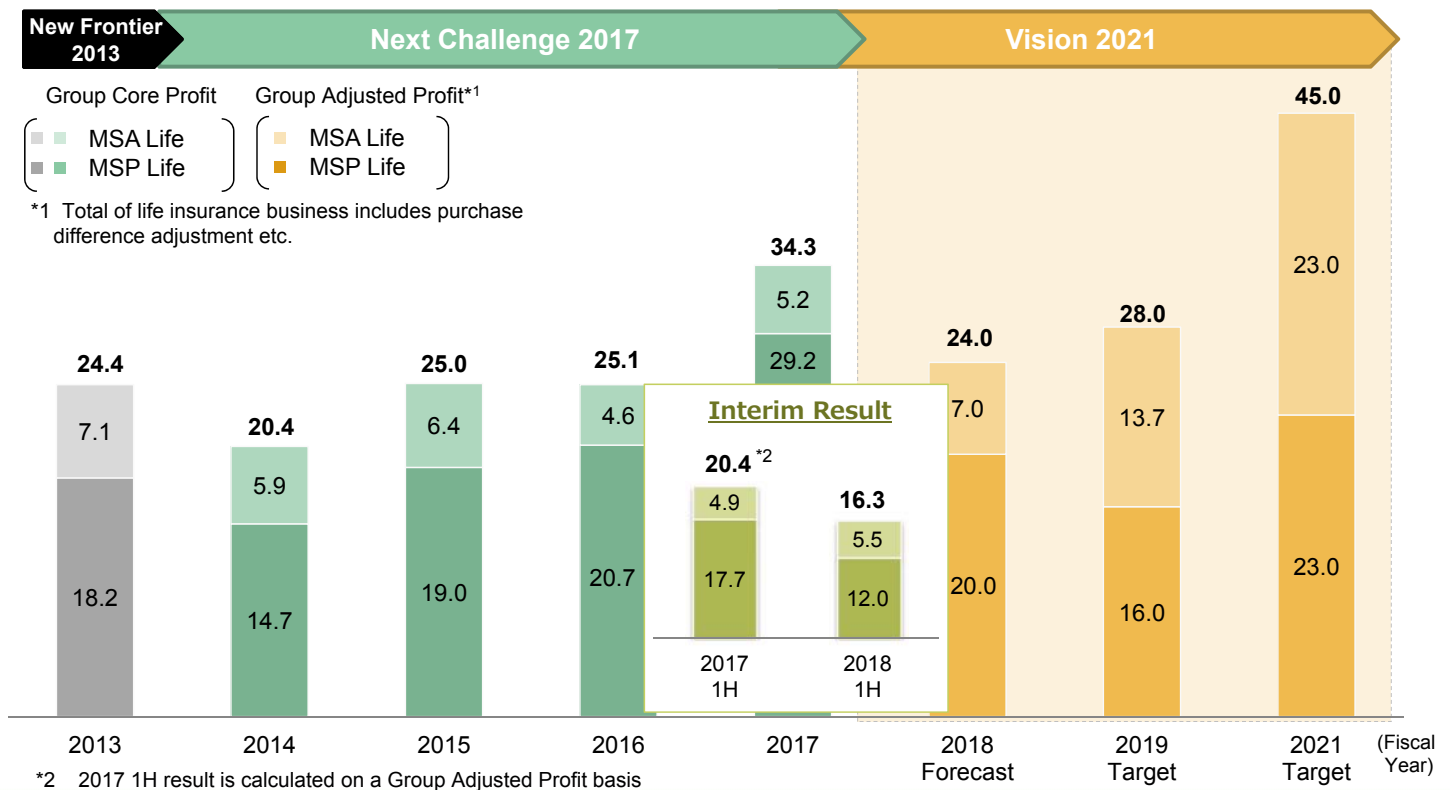
MS&AD Insurance Group Holdings, Inc.

Domestic Life Insurance Business: Group Core Profit / Group Adjusted Profit

- Group Adjusted Profit for the 1st half of FY2018 was ¥16.3 billion, with steady progress toward the full-year plan of ¥24.0 billion.

Group Core Profit / Group Adjusted Profit

(¥bn)



MS&AD Insurance Group Holdings, Inc.

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Domestic Life Insurance Business : MSI Aioi Life (Growth Strategy)

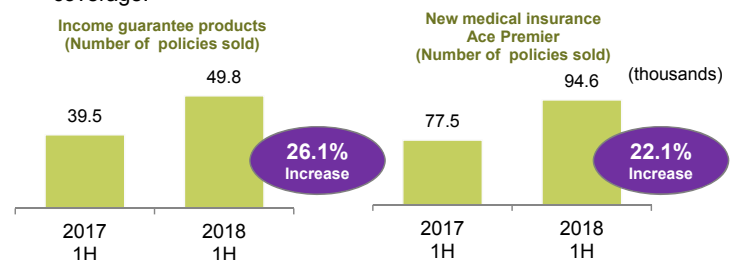
Development of highly competitive products



- “New income guarantee/new comprehensive income guarantee”
Protection against the risk of inability to work
- “New medical insurance Ace Premier”
Protection against dementia, childbirth, fertility treatment and anti-cancer therapy

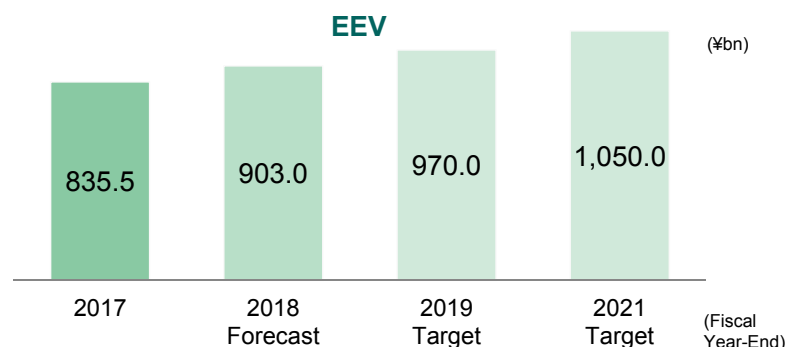
Strong sales

- Sales of income guarantee products increased significantly due to spread among a wide variety of channels.
- For sales of “New medical insurance Ace Premier”, increased significantly due to high recognition of the industry's top-class coverage.



Steady growth of MSI Aioi Life

- Realization of steady growth of corporate value (EEV)



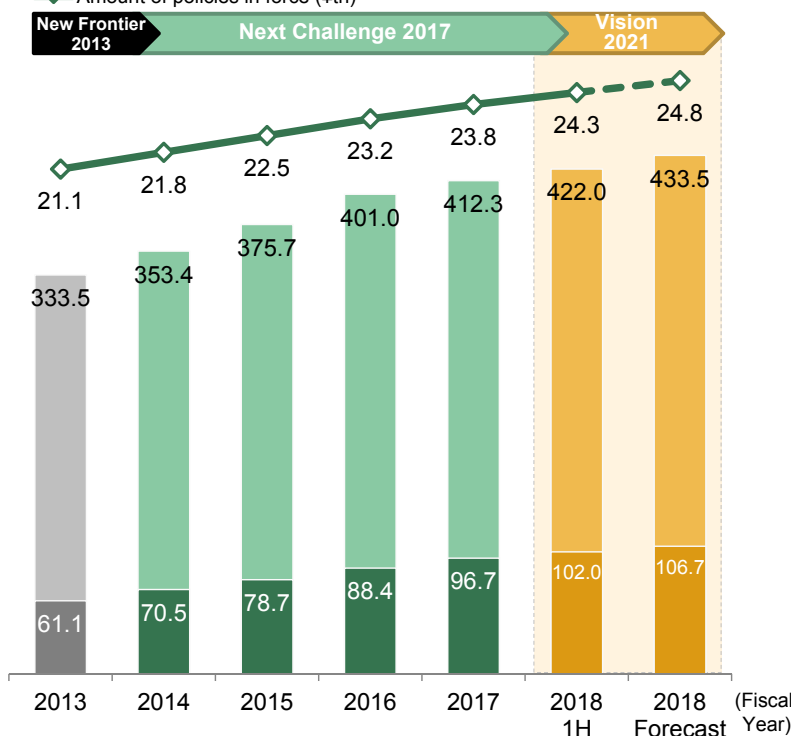
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Domestic Life Insurance Business: MSI Aioi Life (Amount of Policies and Annualized Premiums)

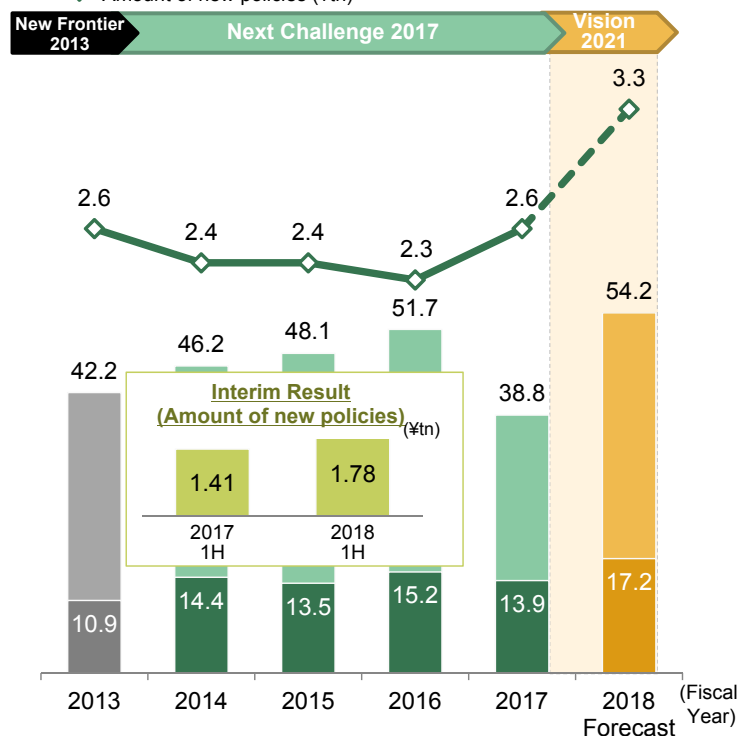
Amount of Policies in Force and Annualized Premiums of Policies in Force

- Annualized premiums of policies in force (¥bn)
- Annualized premiums of policies in force for third sector insurance (¥bn)
- Amount of policies in force (¥tn)



Amount of New Policies and Annualized Premiums of New Policies

- Annualized premiums of new policies (¥bn)
- Annualized premiums of new policies for third sector insurance (¥bn)
- Amount of new policies (¥tn)



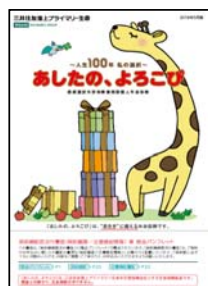
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Domestic Life Insurance Business : MSI Primary Life (Growth Strategy)

Realization of sustainable growth by expanding portfolios

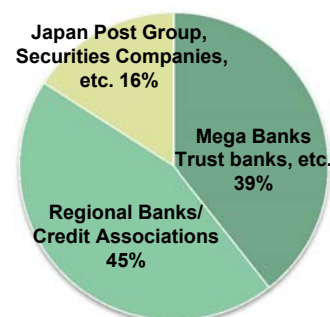
- Development of new products that respond to changes/demands of society
- Release of pension products that feature the tontine system, whole life insurance that highlights advancement and whole life insurance that strengthens death benefits, among other products



Wide range of strong sales channels

- Sales of products at 142 financial institutions (as of the end of September 2018)

<Share by sales result/sales channel for first half of FY2018>

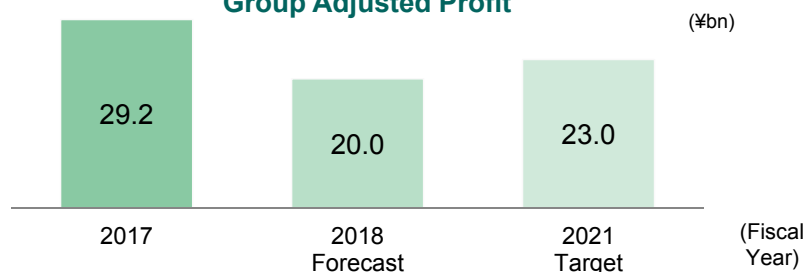


* Aggregate premium income for first half of FY2018: ¥563 billion

Mega Banks, Trust banks, etc.:	10 agents
Regional Banks, Credit associations:	117 agents
Japan Post Group, Securities companies, etc.:	15 agents

Steady growth of
MSI Primary Life

Group Adjusted Profit

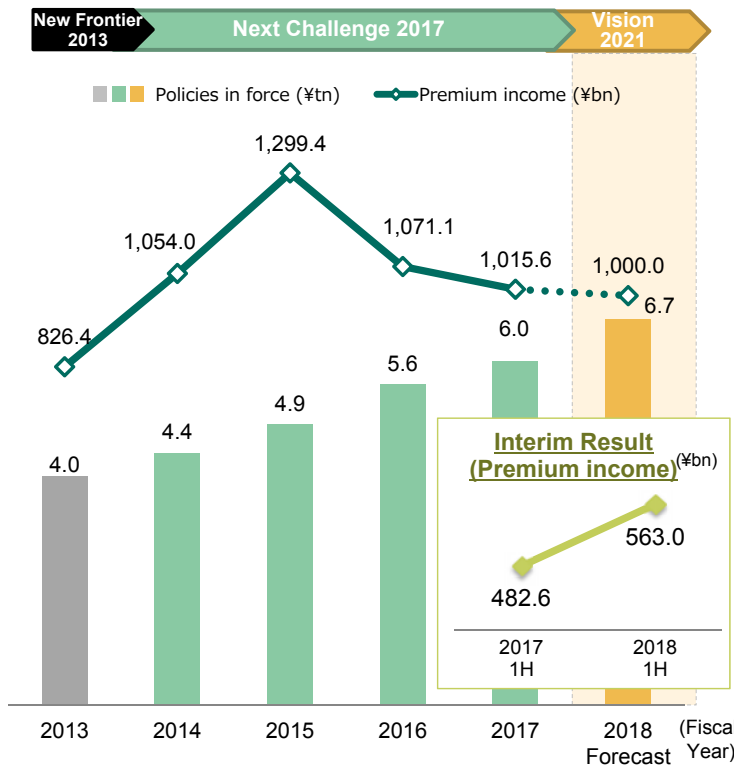


MS&AD Insurance Group Holdings, Inc.

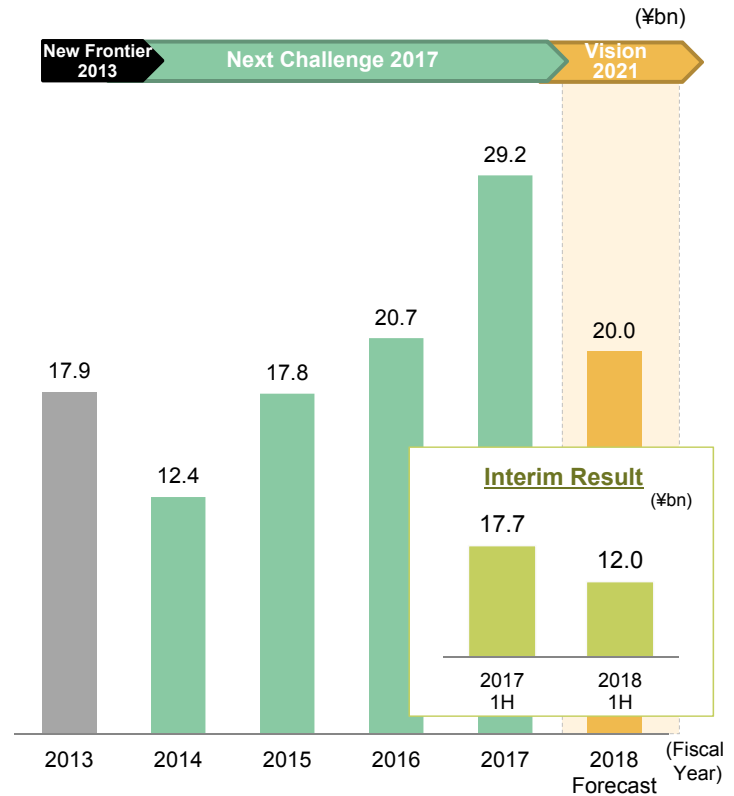
28

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

Amount of Policies in Force and Premium Income

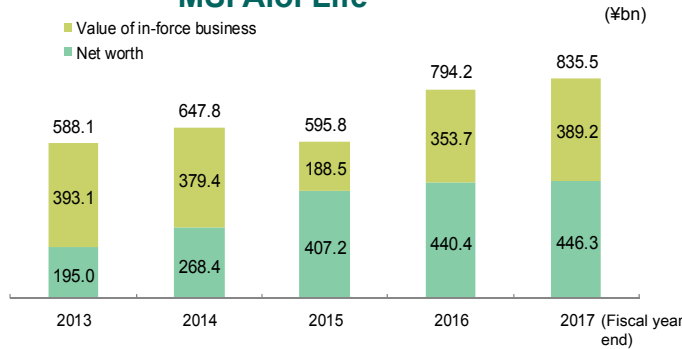


Net Income

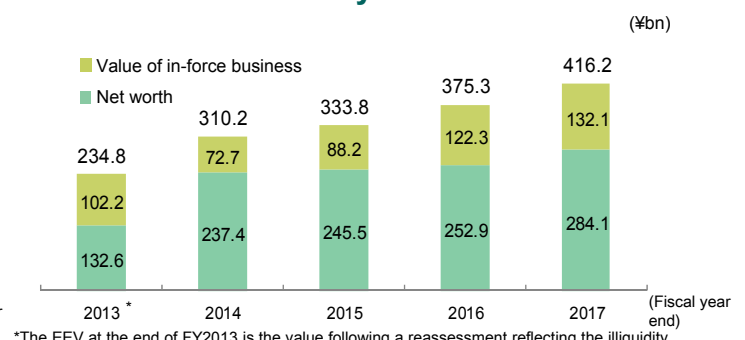


Domestic Life Insurance Business: Embedded Value (EEV) from the End of FY2013 to the End of FY2017

MSI Aoi Life



MSI Primary Life



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

Changes in FY2017 (¥bn)

Factor	Change
Opening adjustments	-3.0
New business in reporting year	47.4
Expected existing business contribution at the risk free rate	7.7
Expected existing business contribution above risk free rate	1.2
Operating experience variances	-2.7
Changes in operating assumptions	-11.5
Economic variances and changes to economic assumptions	2.2
Total	41.3

EEV Sensitivity (at March 31, 2018, ¥bn)

Assumptions	Change
Risk-free yield curve Up 50bp	70.5
Risk-free yield curve Down 50bp	-101.5
Equity and real estate values Down 10%	-3.8
Maintenance expenses Down 10%	25.2
Surrender and lapse rates Down 10%	-7.2
Mortality and morbidity rates for life insurance Down 5%	39.2
Mortality and morbidity rates for annuity Down 5%	-0.1
Equity and property implied volatility Up 25%	0.0
Swaption implied volatility Up 25%	-22.4
Required capital set at statutory minimum level	5.7

Changes in FY2017 (¥bn)

Factor	Change
Opening adjustments	-3.2
New business in reporting year	16.7
Expected existing business contribution at the reference rate	3.3
Expected existing business contribution above reference rate	2.8
Operating experience variances	0.1
Changes in operating assumptions	2.3
Economic variances and changes to economic assumptions	18.6
Total	40.8

EEV Sensitivity (at March 31, 2018, ¥bn)

Assumptions	Change
Reference yield curve Up 50bp	-4.8
Reference yield curve Down 50bp	2.4
Equity and real estate values Down 10%	-4.4
Maintenance expenses Down 10%	9.6
Surrender and lapse rates Down 10%	-0.9
Mortality and morbidity rates for life insurance Down 5%	0.8
Mortality and morbidity rates for annuity Down 5%	-0.1
Equity and property implied volatility Up 25%	-2.1
Swaption implied volatility Up 25%	-4.6
Required capital set at statutory minimum level	5.0
Nil illiquidity premium	-13.4

II. Progress of "Vision 2021"

1. Three Key Strategies
2. Domestic Non-Life Insurance Business
3. Domestic Life Insurance Business
- 4. International Business**
5. Asset Management

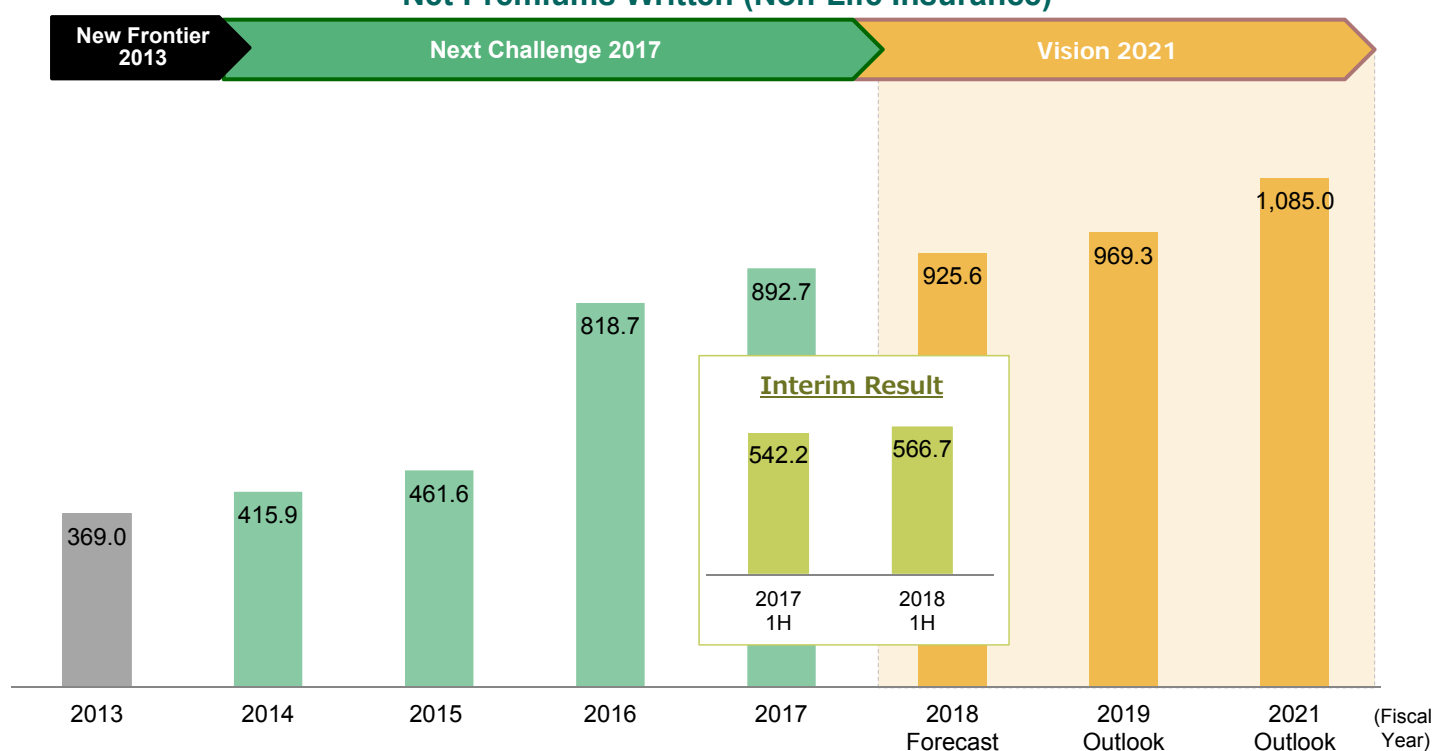
MS&AD Insurance Group Holdings, Inc.

International Business: Net Premiums Written

- Net premiums written for the 1st half of FY2018 increased by ¥24.4 billion year-on-year to ¥566.7 billion due to MS First Capital being newly included in the scope of consolidation and the impact of foreign exchange rates.

Net Premiums Written (Non-Life Insurance)

(¥bn)



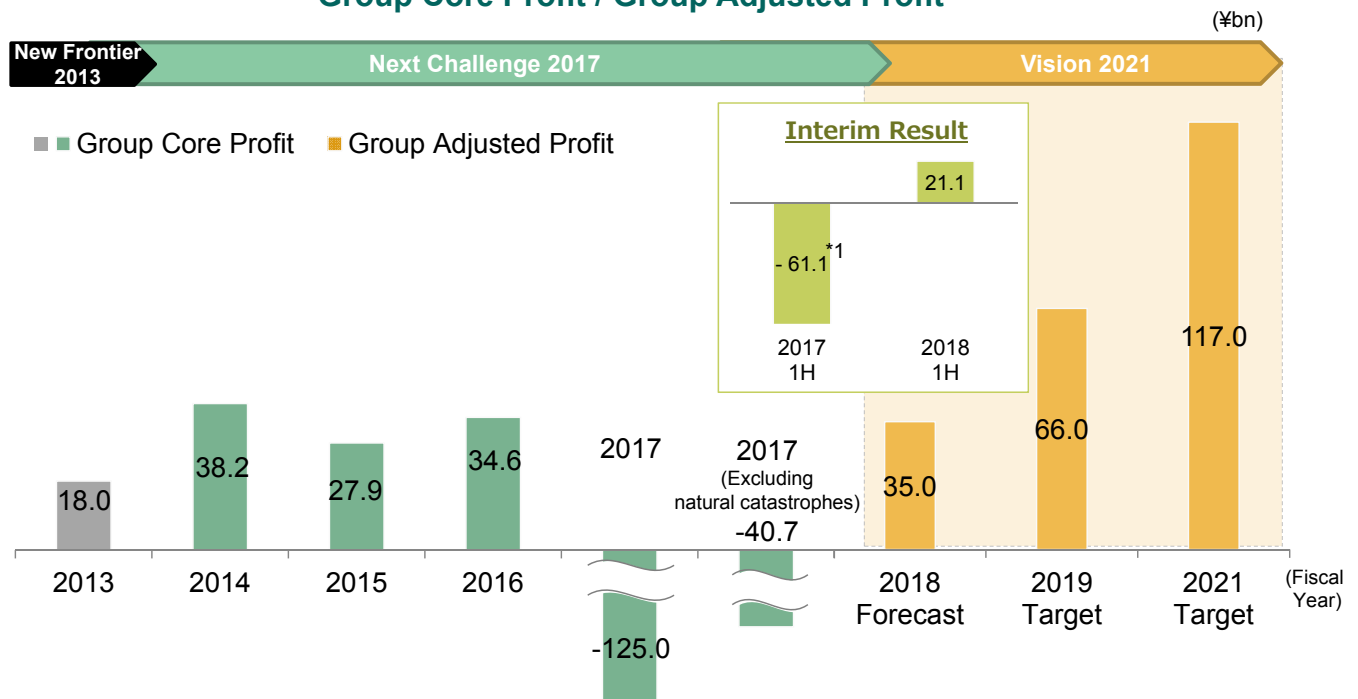
* International Business: Business results of overseas consolidated subsidiaries and equity-method affiliates plus the business results of overseas branches of non-life insurance companies, overseas non-consolidated subsidiaries, and non-life insurance companies' head office inward reinsurance.

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

International Business: Group Core Profit/Group Adjusted Profit

- Group Adjusted Profit for the 1st half of FY2018 increased ¥82.3 billion mainly due to an improvement in the loss ratios in Asia and the recovery of MS Amlin and Head Office reinsurance business, in addition to the new consolidation of MS First Capital.

Group Core Profit / Group Adjusted Profit



International Business: International Non-Life Insurance Business (MS Amlin)

- Profit for FY2018 is expected to recover significantly from the previous year's level, but to fall below the initial plan, mainly due to the decreased investment profit.

Initiatives for improvement of profitability

● Natural catastrophes:

- Realization of expansion of fee business and control of risks through utilizing insurance-linked securities and sidecars* in addition to the reinsurance arrangement (reduction of natural catastrophe risk amount by 10% to 15%)

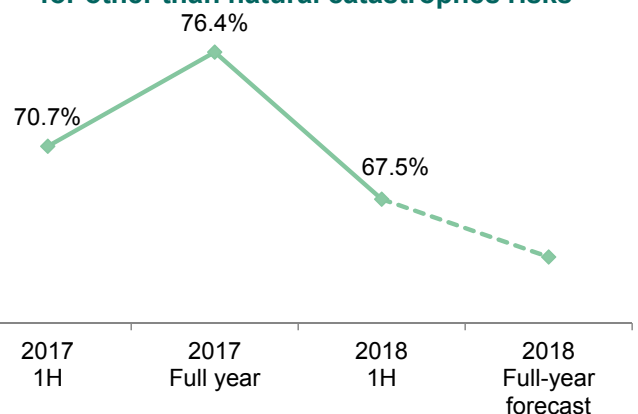
*structure of ceding a certain portfolio proportionally to the reinsurance company, such as SPC, in which institutional investors and others invest

- The rate increase is expected to be +5.2% for the full year (7.2% for natural catastrophe risks in North America), with the level exceeding the overall market level.

● Other than natural catastrophes:

- The loss ratio has been improving.
- In light of Lloyds' tighter supervision under the more severe market environment, among other factors, the ultimate loss ratios are being held at a level higher than the initial plan. The portfolio improved, including underwriting for the past fiscal years, but profit recovery is delayed behind the plan.

Status of improvement of loss ratio for other than natural catastrophes risks



Summary of results for first half and full-year forecasts

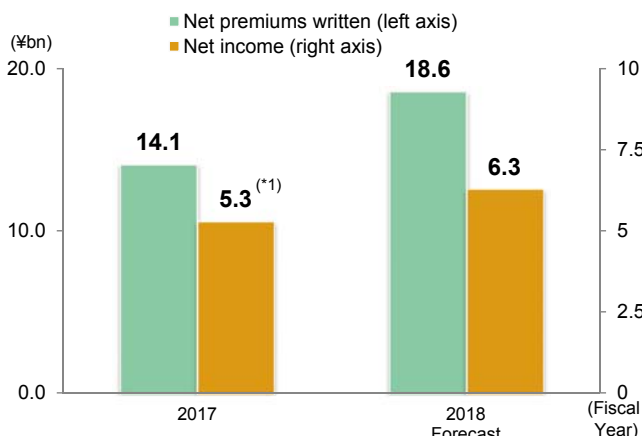
(¥bn)

	FY2018 1H		FY2018 Full-year		Notes
	Results	YoY	Forecast	YoY	
Underwriting profit	3.7	+74.2	4.9	+145.2	Recoil from hurricane losses in North America and others in the previous fiscal year, etc.
Investment income	8.4	-12.3	23.1	-5.3	Year-on-year decrease due to changes in prices of bonds, etc.
Profit after tax	1.0	+47.6	10.5	+120.9	

International Business: International Non-Life Insurance Business (Asia)

- For MS First Capital, both premiums and profit are expected to increase year on year under the severe market environment with the early realization of synergy effects.
- Our business has also been expanding in China and India, the largest markets among the emerging countries.

MS First Capital full-year forecast for FY2018



*1 Excluding special factors related to the acquisition (such as realized gain on divestment equities in line with MSI investment policy (SGD 42.4 million, JPY 3.4 billion))

Synergy with MS First Capital

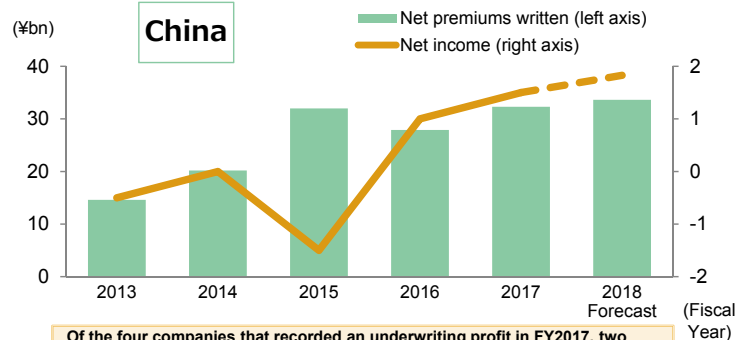
Advice on insurance conditions and provision of underwriting capacity

→ Number of collaborations: 219

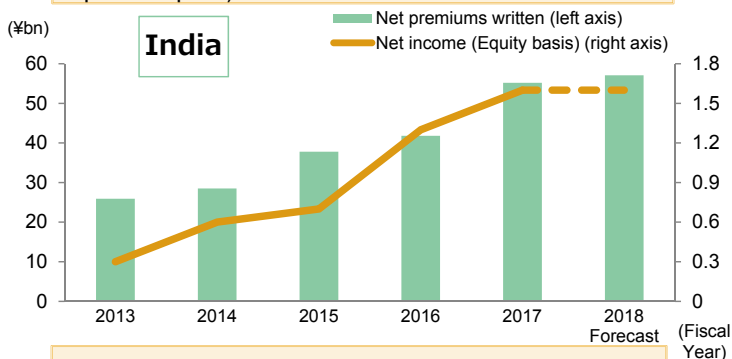
Contract amount (reinsurance premiums of MS First Capital):
¥360 million (as of September)

→ Further future expansion

Growth in emerging markets



Of the four companies that recorded an underwriting profit in FY2017, two companies are local subsidiaries of the Group (No.1 and No.2 among Japanese companies).



Premiums increased by 30% for FY2017. In terms of net premiums written, the scale follows that of MS Amlin within the Group.

International Business : International Non-Life Insurance Business (Toyota Retail and Head Office Reinsurance Business)

- In the Toyota Retail business, the top priority will be placed on income expansion and enhancing initiatives for improving the income of major local subsidiaries to secure stable profits.
- In the Head Office Reinsurance business, we are aiming to expand the risks with low correlation to the risk of overseas natural catastrophes.

Toyota Retail Business

Initiatives during the period of the medium-term management plan

- Top priority will be placed on the expansion of income, and initiatives for improving profitability at local subsidiaries of the existing businesses will be further strengthened to stably secure profits.
- For FY2018, deficits will be recorded due to the temporary expenses (response to Brexit, GDPR, etc.) in Europe; however, for FY2019, profits will be secured by all the five major local subsidiaries to secure profits of ¥0.5 billion (in terms of equity in earnings).
- In Europe, telematics products in collaboration with Toyota will be expanded. In Southeast Asia, expansion into emerging countries will be considered, and together, the utilization of facilities of MSI will also be considered.

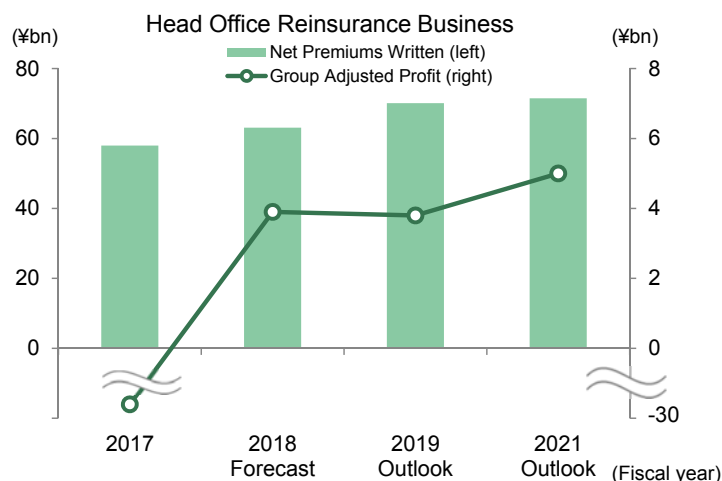
Head Office Reinsurance Business

First half of 2018

Group Adjusted Profit for the first half of FY2018 increased ¥26.2 billion year on year, to ¥4.2 billion, exceeding the plan, due to the loss of overseas natural catastrophes being below the estimate and the impact of foreign exchange.

Direction toward renewal in FY2019

- Effects of the improvement of profitability of ceding companies in response to M&A and other market reforms will be captured to increase the ROR of the entire business.
- Risk with low correlation to the risk of overseas natural catastrophes will be relatively expanded, and the current risk amount level of wind and flood in North America will be less than status quo.

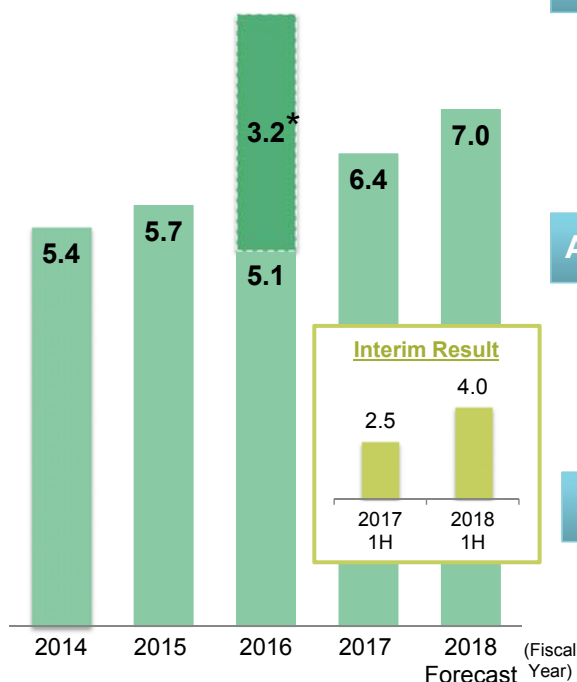


International Business: International Life Insurance Business

• For FY2018, the estimated profit of the international life insurance business is ¥7 billion. The aim in each region is to stably secure and expand profits.

Group Adjusted Profit

(Company's equity basis, ¥bn)



* Gains on sales of shares of China's Sinatay Life Insurance

Strategies

India, Indonesia, Malaysia

- ◆ Strengthening of core channels such as bancassurance and sales agents
- ◆ Developing products that capture customer needs
- ◆ Profit expansion through the improvement of governance, among other means, and pursuit of synergy between life insurance and non-life insurance

Australia, U.K.

- ◆ Securing of stable profits and acquisition of business know-how of Australia's Challenger (annuity insurance business) and the U.K.'s ReAssure (closed book life business)
- ◆ Reinsurance transactions and joint development of products by MSI Primary Life and Challenger

Entry into new markets: China

- ◆ Purchase of the 37.5% shares in China's BoCommLife Insurance (approval application in the process)
 - Acquisition of growth opportunities by entry into the huge life insurance market of China, which has a population of around 1.4 billion people, risk diversification of business portfolios, and securing of bancassurance channels at the leading Chinese bank

International Business: Summary

Net premiums written (Non-life insurance)

(¥bn)

	FY2017 1H	FY2018 1H		FY2018 Full Year (Forecast)		
			YoY Change		YoY Change	Change from the initial
International Business Total* ¹	542.2	566.7	24.4	925.6	32.8	-14.4
Asia	136.4	147.2	10.7	295.0	26.8	7.1
Europe	339.4	353.1	13.7	503.5	4.7	-19.1
(of which, MS Amlin)	298.9	311.0	12.1	435.1	4.7	-15.1
Americas	35.9	34.9	-1.0	66.9	-4.2	-1.3
Head Office Reinsurance	31.8	32.7	0.9	63.1	5.1	-1.3

Net income*²

(¥bn)

	FY2017 1H	FY2018 1H		FY2018 Full Year (Forecast)		
			YoY Change		YoY Change	Change from the initial
International Business Total* ¹	-61.1	21.1	82.3	35.0	160.0	-2.0
Asia	8.7	14.2	5.5	20.8	9.6	2.9
Europe	-49.7	0.6	50.4	6.0	122.2	-5.0
(of which, MS Amlin)	-46.5	3.2	49.7	11.9	121.3	-6.5
Americas	0.1	-0.5	-0.7	1.9	-2.8	-1.2
Head Office Reinsurance	-21.9	4.2	26.2	3.9	29.9	1.3
International Life Insurance Business* ³	2.5	4.0	1.4	7.0	0.4	-0.4

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

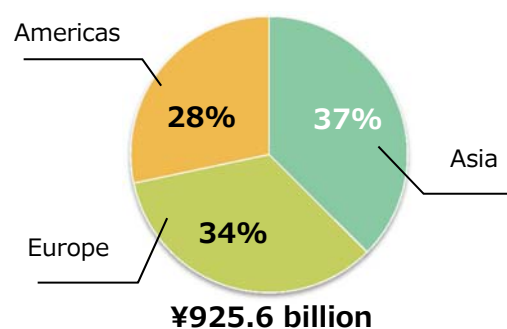
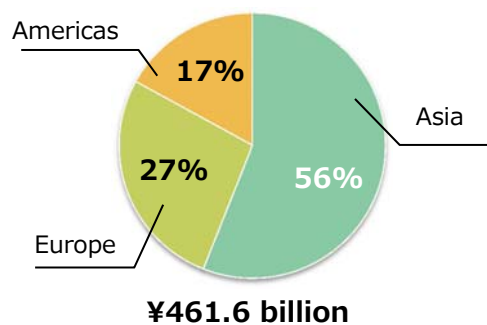
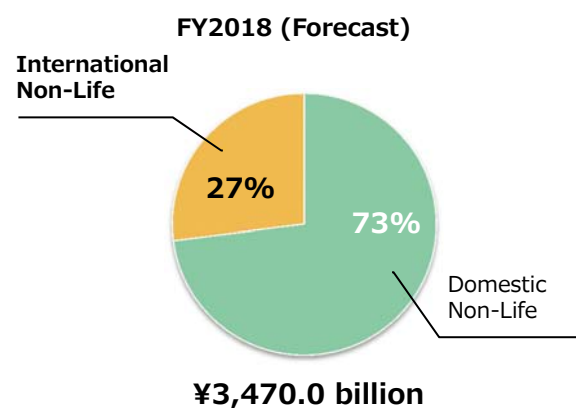
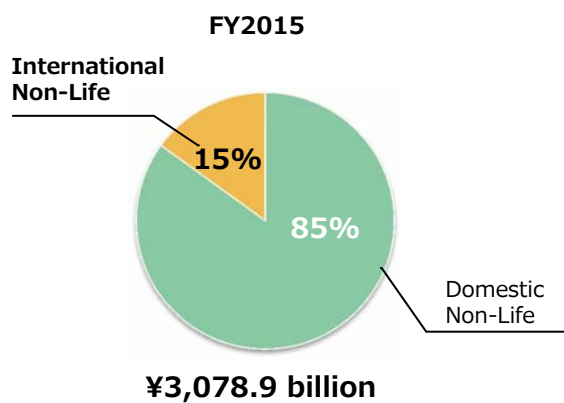
*¹ Figures in "International Business Total" include head office adjustments and other factors and are not equal to the sum of figures for each region and each business.

*² Group Adjusted Profit basis

*³ Asian Life Insurance Business plus Challenger and ReAssure

International Business: Weight of International Business and Geographical Diversification

Net Premiums Written



* MS Amlin's figures for FY2018: "Other" is categorized into Asia. Figures for reinsurance business other than MS Amlin's are also categorized into regions.

MS&AD Insurance Group Holdings, Inc.

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II. Progress of "Vision 2021"

1. Three Key Strategies
2. Domestic Non-Life Insurance Business
3. Domestic Life Insurance Business
4. International Business
- 5. Asset Management**

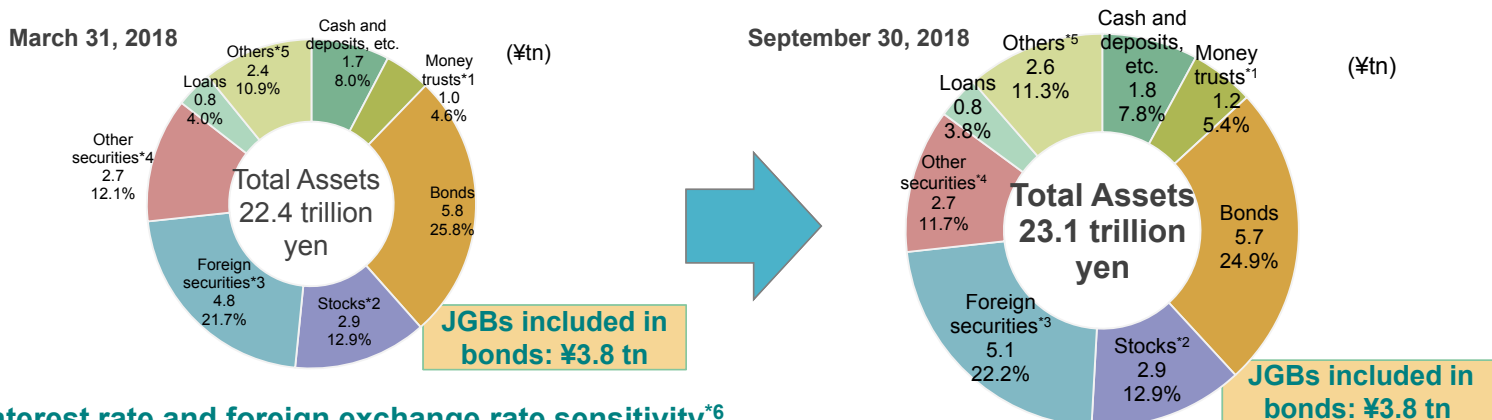
Asset Management: Asset Management Strategy

- By enhancing ALM and reducing strategic equity holdings, we will seek to stabilize Group investment earnings and will maintain financial soundness.
- We aim to improve earnings by expanding risk-taking through global diversified investment, while also taking the environment into account.



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

Asset allocation (on a consolidated total assets basis)



Interest rate and foreign exchange rate sensitivity^{*6} (as of September 30, 2018)

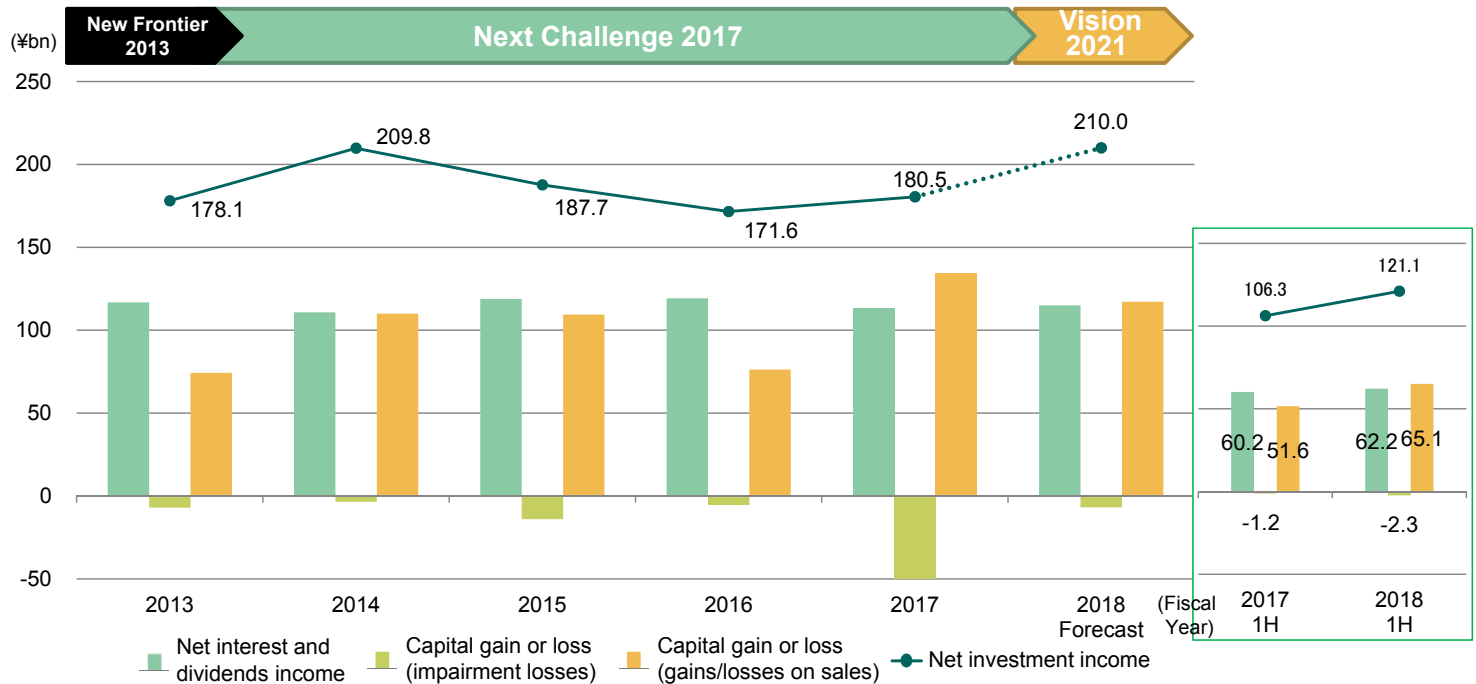
	Total for MS&AD Group	Total for Non-Life Insurers ^{*7}	Total for Domestic Life Insurers
100 bps rise in yen interest rates	+235.3	+69.6	+161.6
100 bps rise in US dollar interest rates	-65.0	-57.1	-7.9
10% rise in the yen against all currencies	-212.2	-152.1	-47.5
10% rise in the yen against the US dollar	-99.2	-79.6	-19.5
10% rise in the yen against the Euro	-20.8	-20.6	-0.2
10% rise in the yen against the British Pound	-17.9	-11.1	—

Countermeasure investment for negative interest rate^{*8} (2018 1H)

Total for MSI, ADI, MSA Life	Foreign bonds (no currency hedge)	Foreign stocks	Alternative assets
+14.7	-13.3	-1.8	+29.9

- *1 Mainly assets corresponding to liabilities of domestic life insurance companies
- *2 Strategic equity holdings and shares held purely for investment purpose. See P.49 for details of the ratio of strategic equity holdings.
- *3 Foreign securities held by domestic insurance companies and securities held by foreign insurance subsidiaries
- *4 Mainly special account assets of domestic life insurance companies
- *5 Mainly tangible fixed assets, intangible fixed assets and goodwill
- *6 Impact on difference between assets and liabilities (surplus)
- *7 Including foreign subsidiaries
- *8 Net Investment amount (purchase – sales/redemption) for assets having higher expected return, Total for MSI, ADI and MSI Aioi Life

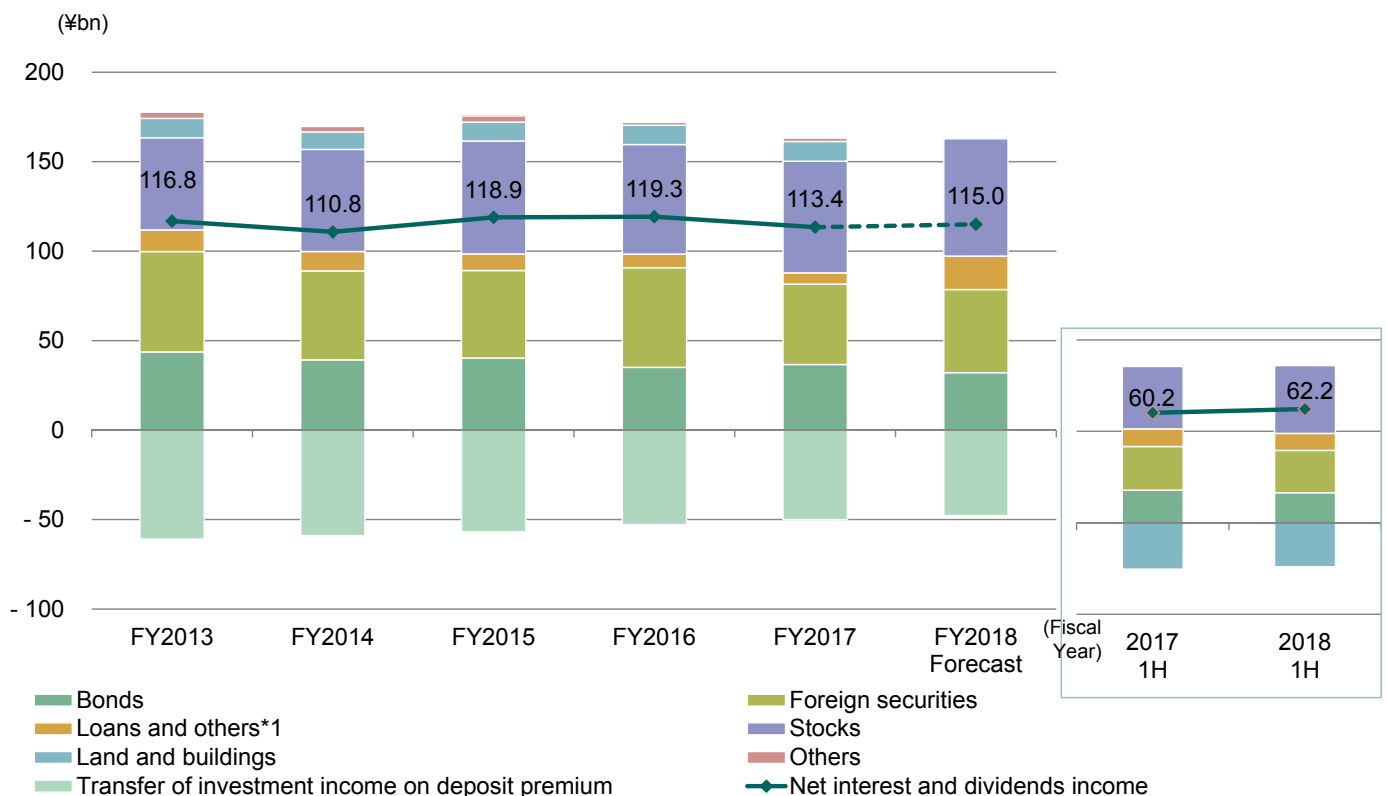
Net Investment Income of Domestic Non-Life Insurance Business



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

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

Asset Management: Net Investment Income (Breakdown of Interest and Dividends Income, MSI & ADI)



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

*1 Loans and others include Land and buildings, and others in FY2018 Forecast, 2017 1H and 2018 1H.

Asset Management: Total Assets and Asset Allocation (MSI / ADI)

(¥bn)

	Mitsui Sumitomo Insurance				Aioi Nissay Dowa Insurance			
	As of Mar. 2018		As of Sep. 2018		As of Mar. 2018		As of Sep. 2018	
	Balance	Proportion	Balance	Proportion	Balance	Proportion	Balance	Proportion
Total AUM	6,669.1	100.0%	6,753.0	100.0%	3,124.0	100.0%	3,163.5	100.0%
Deposits, etc.	445.9	6.7%	491.1	7.3%	167.4	5.4%	184.2	5.8%
Bonds	1,805.8	27.1%	1,687.4	25.0%	925.3	29.6%	886.9	28.0%
of which, JGBs	1,192.8	17.9%	1,062.3	15.7%	640.9	20.5%	599.7	19.0%
Foreign securities	1,854.8	27.8%	1,953.0	28.9%	684.0	21.9%	714.6	22.6%
Foreign bonds	327.5	4.9%	302.9	4.5%	496.5	15.9%	481.3	15.2%
Foreign stocks	1,301.3	19.5%	1,368.4	20.3%	59.1	1.9%	91.1	2.9%
Foreign investment trusts, etc.	225.9	3.4%	281.6	4.2%	128.4	4.1%	142.1	4.5%
Stocks	1,937.1	29.0%	1,991.1	29.5%	922.7	29.5%	956.5	30.2%
Other securities	37.7	0.6%	40.8	0.6%	64.9	2.1%	70.7	2.2%
Loans	393.3	5.9%	395.6	5.9%	200.0	6.4%	193.1	6.1%
Land & buildings	194.2	2.9%	193.6	2.9%	159.4	5.1%	157.2	5.0%

* Based on financial statement categorization

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

(¥bn)

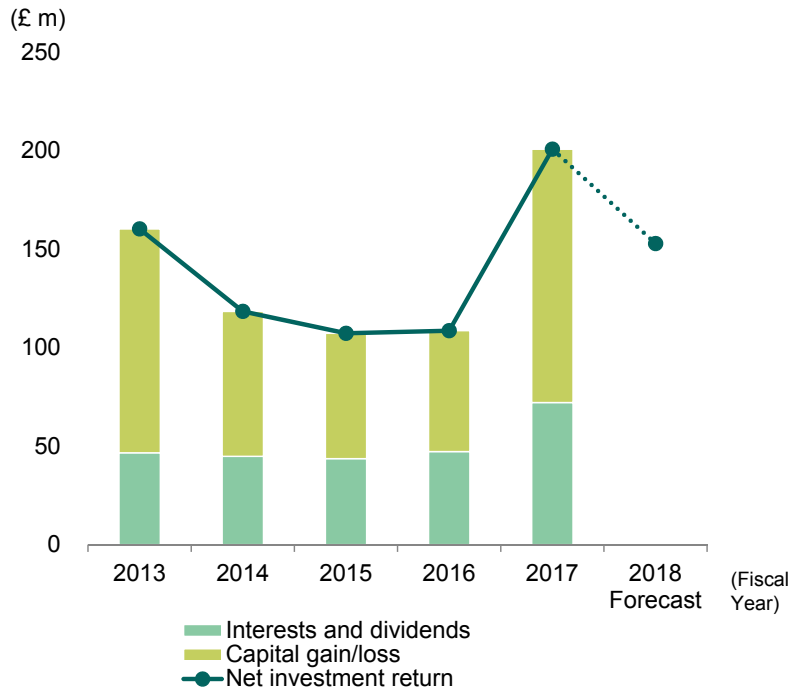
	MSI Aioi Life				MSI Primary Life (General account)			
	As of Mar. 2018		As of Sep. 2018		As of Mar. 2018		As of Sep. 2018	
	Balance	Proportion	Balance	Proportion	Balance	Proportion	Balance	Proportion
Total AUM	3,792.2	100.0%	3,904.4	100.0%	3,688.9	100.0%	4,134.1	100.0%
Deposits etc.	474.4	12.5%	442.1	11.3%	212.0	5.7%	233.0	5.6%
Bonds	2,994.2	79.0%	3,129.2	80.1%	148.2	4.0%	147.2	3.6%
of which, JGBs	1,968.5	51.9%	2,072.8	53.1%	67.1	1.8%	65.1	1.6%
Foreign Stocks	219.6	5.8%	222.9	5.7%	3,080.6	83.5%	*1 3,503.6	84.7%
Stocks	1.3	0.0%	0.8	0.0%	-	-	-	-
Other securities	44.8	1.2%	51.0	1.3%	8.0	0.2%	8.0	0.2%
Loans	57.0	1.5%	57.7	1.5%	239.7	6.5%	241.9	5.9%
Land & buildings	0.5	0.0%	0.5	0.0%	0.2	0.0%	0.2	0.0%

* Based on financial statement categorization

*1 Foreign securities of ¥3,503.6 billion includes money trusts of ¥1,250.6 billion.

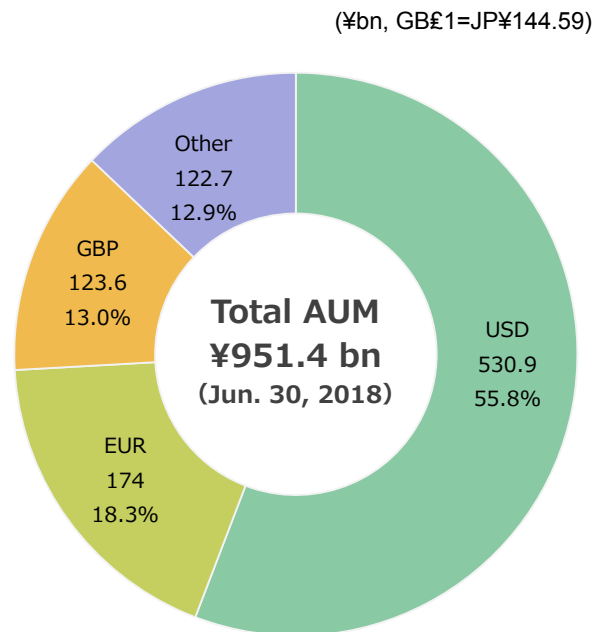
Asset Management: MS Amlin's Net Investment Return and Asset Breakdown by Currency

Net Investment Return



*MS Amlin's local basis

Investment Assets Breakdown by Currency



Advancing with you

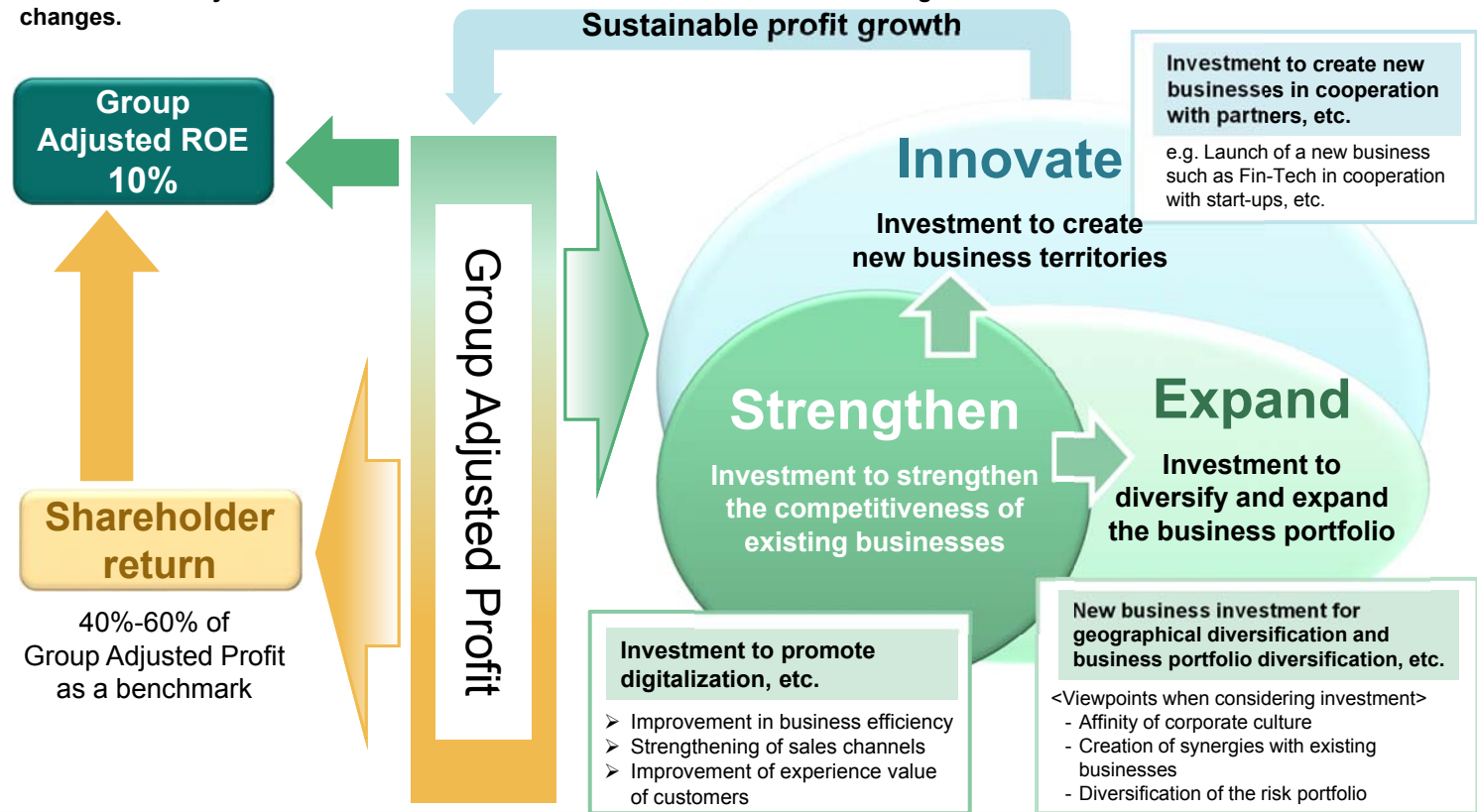
MS&AD

INSURANCE GROUP

III. Systems Supporting Value Creation

Capital Policy

- We will achieve an improved shareholder value through a stable shareholder return and investment aimed at a sustainable profit growth.
- We will achieve a sustainable growth by enhancing the competitive strength of the existing businesses, and through investment mainly in the creation of new business territories based on technological innovation and other environmental changes.



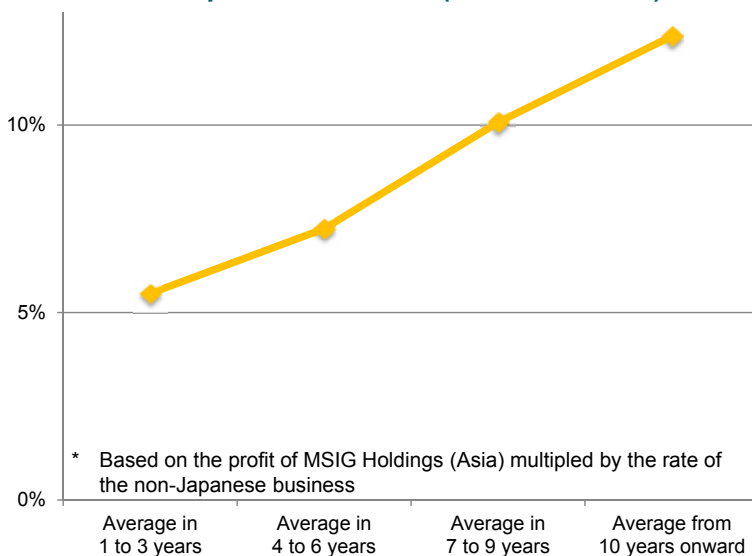
MS&AD Insurance Group Holdings, Inc.

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Capital Policy: Business Investment Policy

- Business investment conducive to the improvement of corporate value will be made according to the three requirements under a strict capital discipline.

ROI of the acquisition of AVIVA (Asian business)



Major perspectives regarding business investment

Three requirements:

- Sharing of values
 - Business partners who share our values and have sympathy with our philosophy and principles
- Sustainable growth model
 - To have a business base, know-how and other resources with an outlook for the expansion of business scale and the maintenance of high profitability, and expectations of group synergy including the existing businesses
- Diversification of risks
 - Ability to diversify portfolios geographically and in terms of classes

Economic rationality requirement:

- Ability to check the appropriateness of investment prices by verification based on business, regional and other characteristics

International non-life insurance business: 100% or major capital contribution

		Platform acquisition type	Bolt-on type
Asia	2004	AVIVA (Asian business)	2005 Mingtai
			2017 First Capital
Global	2016	Amlin	

International life insurance business: minor capital contribution

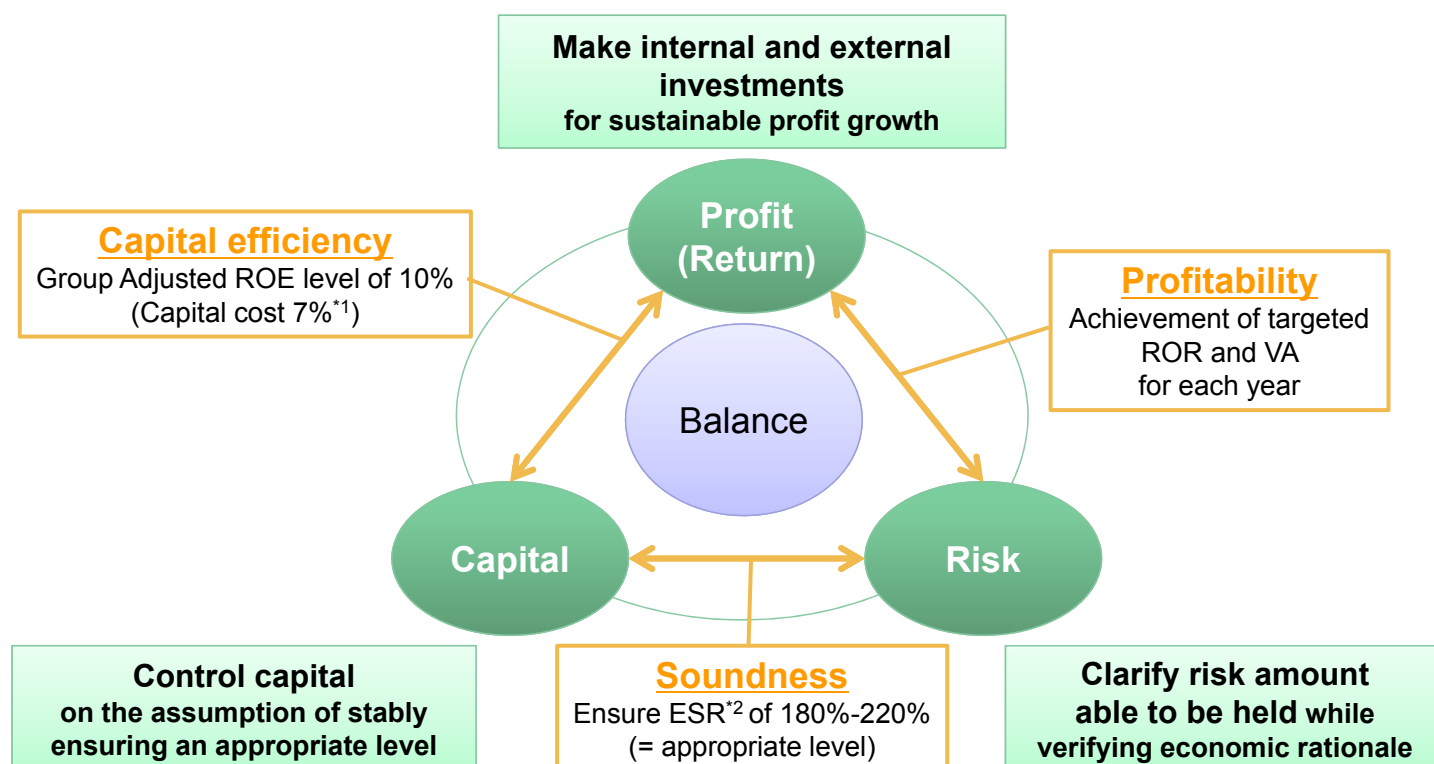
2010	Hong Leong Insurance (Malaysia)	2017	Challenger (Australia)
2011	Sinarmas MSIG Life (Indonesia)		ReAssure (U.K.)
2012	Max Life (India)	(Under Application)	BoCommLife (China)

MS&AD Insurance Group Holdings, Inc.

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ERM: Improvement of Capital Efficiency

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



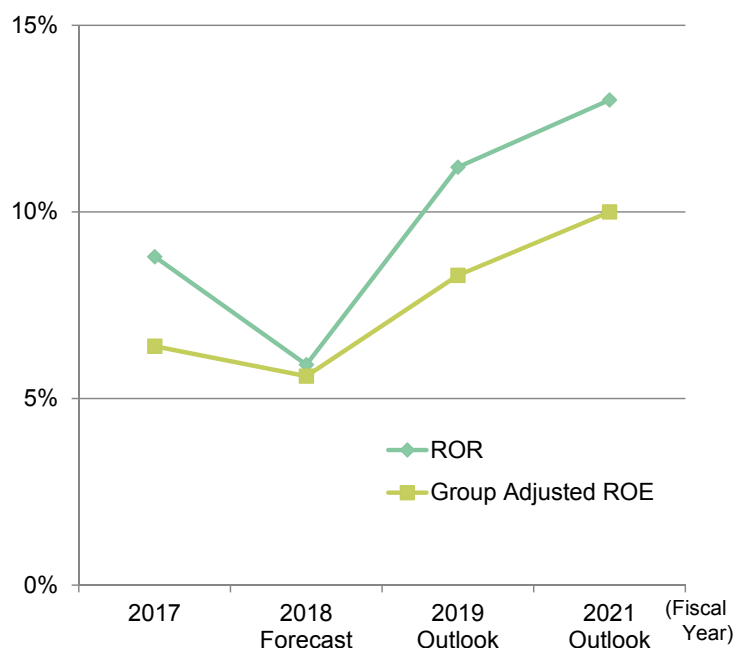
*1: Estimate based on the Capital Asset Pricing Model

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

ERM: Initiatives for Improvement of ROR

- Initiatives for the improvement of return on risk based on the ERM cycle will be implemented toward the achievement of the Group Adjusted ROE of 10% for FY2021.

Forecast of change in ROR*



Initiatives for improvement of ROR*

Domestic Non-life Insurance Business	Those that are monitored are subdivided, and it will be aimed to secure a return in accordance with the capital costs.
Domestic Life Insurance Business	Products considering the domestic low interest rate environment and other conditions will be offered.
International Business	The existing businesses will be strengthened, especially MS Amlin. The business portfolios will be diversified geographically and in terms of classes.
Asset Management (excluding strategic equity holdings)	Investment assets will be expanded and diversified to improve return.

Trend of ROR*

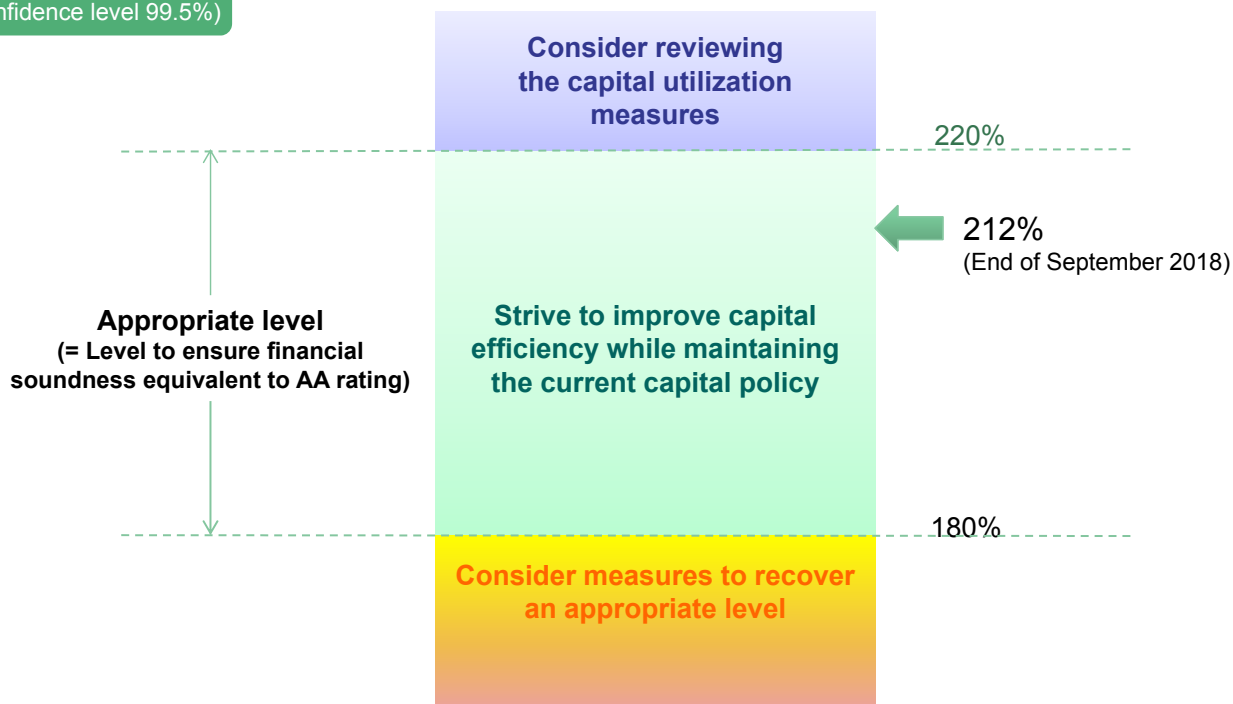
An increase in the risk amount of each domain, excluding strategic equity holdings, in accordance with the direction of risk appetite and an increase in the Group's ROR are expected.

* ROR (return on risk) = Group Adjusted Profit / integrated risk amount

ERM: Ensuring Financial Soundness (Appropriate ESR Level)

- The ESR level at the end of September 2018 was 212%, maintaining an appropriate level for continuing the current capital policy.

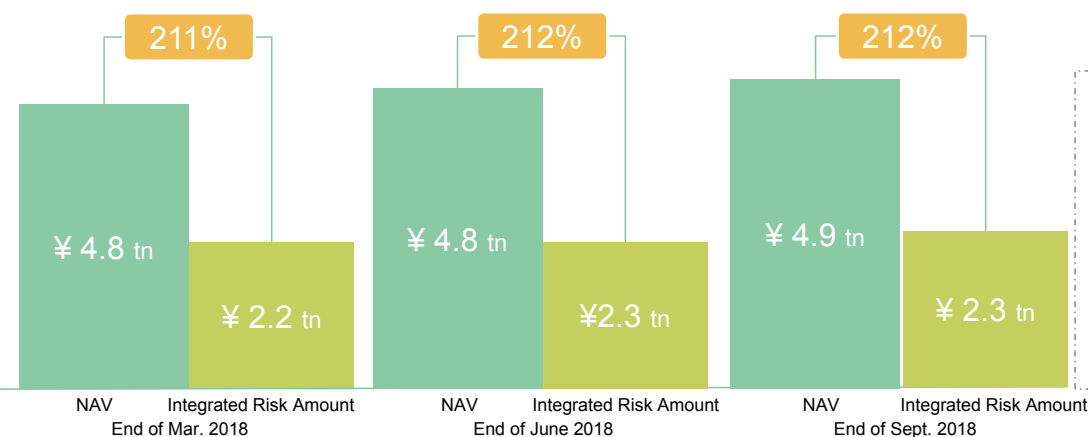
ESR*
(Confidence level 99.5%)



* ESR: Economic Solvency Ratio (Economic Value-Based Solvency Ratio)

ERM: Ensuring Financial Soundness (ESR)

ESR*
(Confidence level 99.5%)

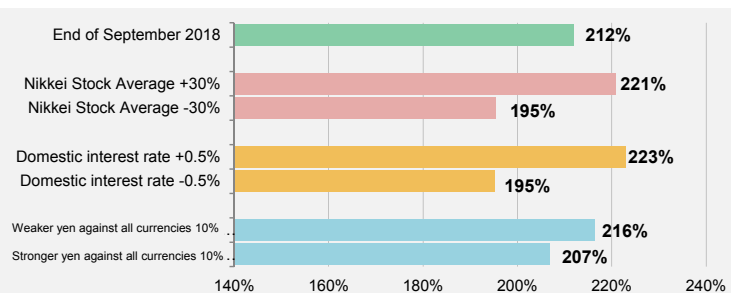


<Main Factors of ESR Changes>
(comparison with end of June 2018)

- 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

* ESR: Economic Solvency Ratio (Economic Value-Based Solvency Ratio)

Impact of market price fluctuation on ESR (as of end of Sept. 2018)



Market environment assumptions

	End of Mar. 2018	End of June 2018	End of Sept. 2018	Change from June
Nikkei Stock Average	¥21,454	¥22,305	¥24,120	+¥1,816
USD/JPY	¥106	¥110	¥113	+¥3
30-year JGB rate	0.74%	0.71%	0.91%	+0.20pp

ERM: Actions against Natural Catastrophe Risks

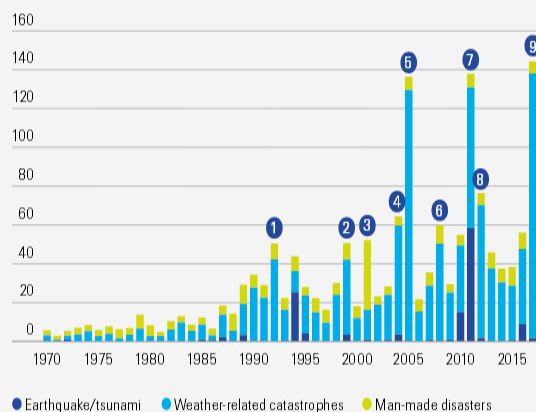
- Consideration of review of underwriting control and the retention/reinsurance policy from the perspective of profitability (ROR).
- Setting of appropriate rating/conditions for the direct insurance policy based on the status of the loss ratio to provide sustainable coverage.

Market recognition

- Tendency of frequent occurrence of natural catastrophes and increase of risk
- Although there is a certain level of concern about the impact of losses from typhoons, etc. in this fiscal year upon the renewal of reinsurance in the following fiscal year, capital in the reinsurance market is healthy and abundant, and sufficient capacity is expected to be continuously maintained.

Figure 3
Insured catastrophe losses
1970–2017 in USD billion,
at 2017 prices

- 1992: Hurricane Andrew
- 1999: Winter Storm Lothar
- 2001: World Trade Center
- 2004: Hurricanes Ivan, Charley, Frances
- 2005: Hurricanes Katrina, Rita, Wilma
- 2008: Hurricanes Ike, Gustav
- 2011: Japan, NZ earthquakes, Thailand flood
- 2012: Hurricane Sandy
- 2017: Hurricane Harvey, Irma, Maria



Source: Swiss Re Institute

Source: Swiss Re sigma No 1/2018

Direction of actions

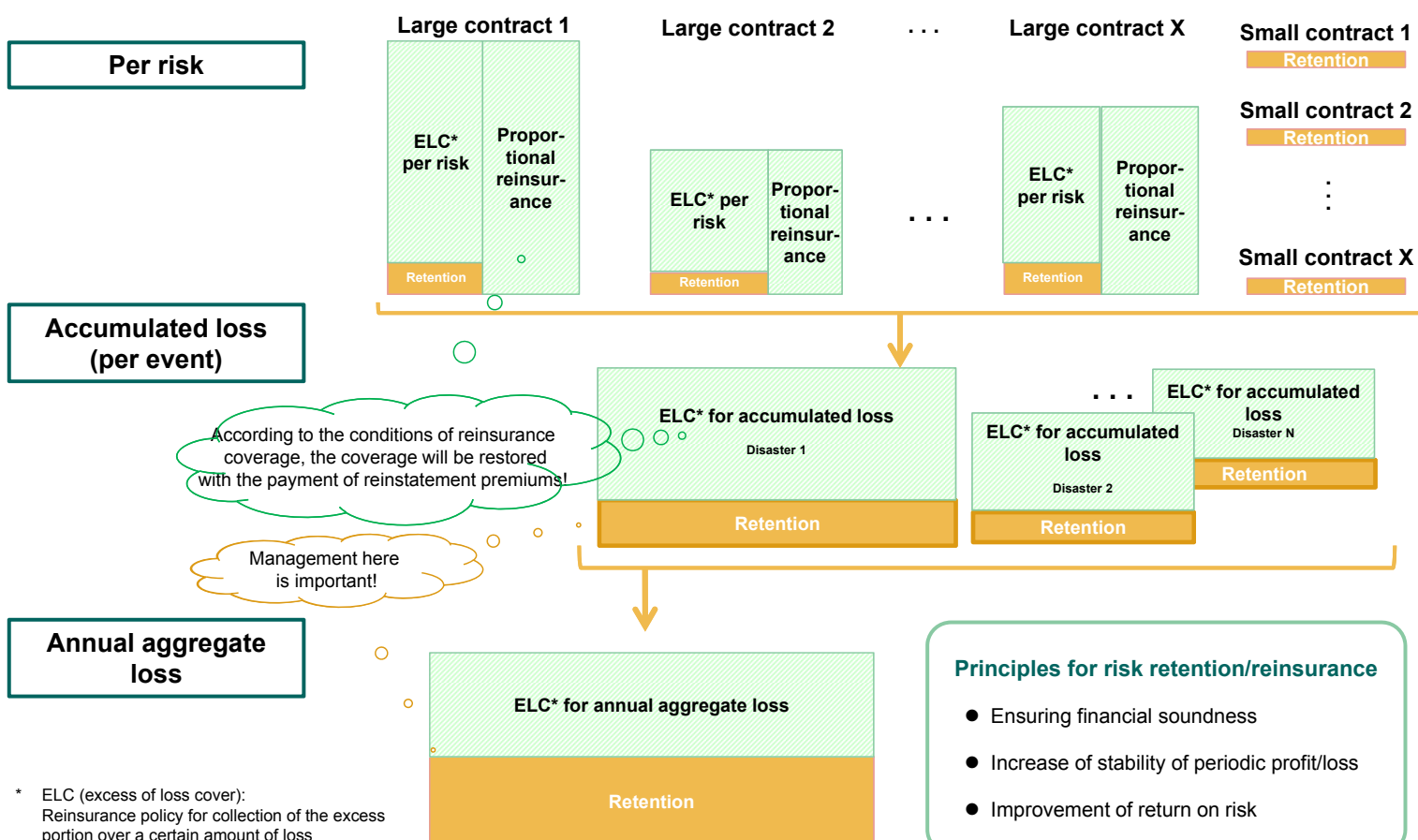
One of the Group's missions is to protect the lives of people from the increasing natural catastrophe risks and support business activities.

- Offering and promotion of spread of appropriate insurance coverage, mainly in the mother market Japan.
- Proper control of the natural catastrophe risk amount held by enhancement of the retention/reinsurance scheme, etc.

- Setting of appropriate rating/conditions for the direct insurance policy based on the status of the loss ratio to provide sustainable coverage.
- Control of retention from the perspective of profitability (ROR), including MS Amlin and ADI Head Office reinsurance.
- Comprehensive review of retention/reinsurance, including joint reinsurance coverage, for the Group's best results.

<Reference>

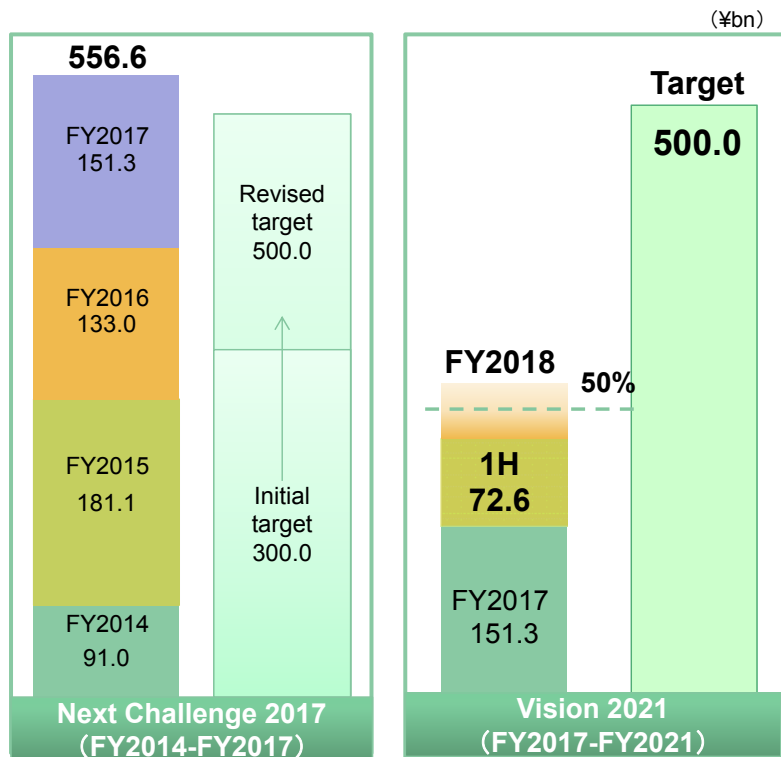
Image of Risk Retention/Reinsurance for Natural Catastrophe Risks



ERM: Sales of Strategic Equity Holdings

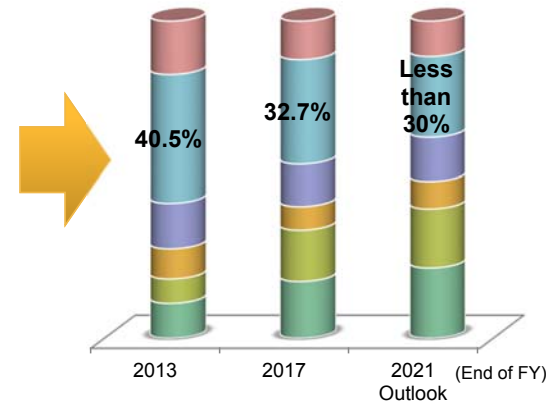
- ¥72.6 billion were sold in the 1st half of FY2018. 50% of the five-year target of ¥500 billion is expected to be achieved in the second year.

Actual Sales and Sales Target of Strategic Equity Holdings



Risk Portfolio

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



Fair value weight of strategic equity holdings in consolidated total assets*

End of Mar. 2014	End of Mar. 2018	End of Sep. 2018	Medium- to long-term target
14.9%	12.7%	12.7%	Less than 10%

* Weight of all strategic equity holdings including unlisted stocks

Stewardship Activities

Dialogues with Investee Companies

- From the perspective of enhancing the corporate value of investee companies and promoting their sustainable growth over the medium to long term, Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance had constructive dialogues with them on their management issues and shareholder return policy to share recognition and conveyed thoughts to them as needed from the viewpoint of shareholders.

- Dialogues held (July 2017 to June 2018)

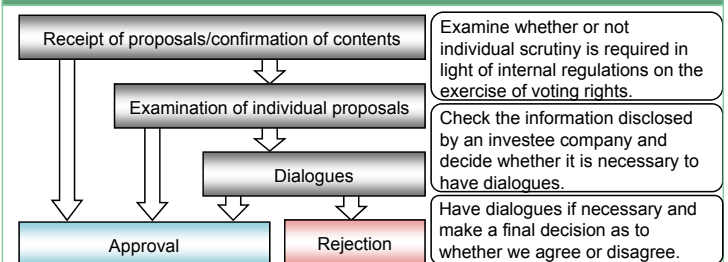
	MSI	ADI	Total (simple sum)
Number of companies	252	229	481

Examples of improvements made through dialogues with investee companies

Shareholder return policy	We requested the improvement of the dividend payout ratio, which was low, as it is against the internal criteria. This year the dividend has been increased, and the dividend payout ratio has improved to the level exceeding the internal criteria.
Governance effectiveness	Outside director's attendance rate at the Board of Directors' meetings was low, so we checked the reasons and requested improvement. We discovered that the absences were caused by unexpected events and checked the details of actions for improvement. This year, this outside director's attendance rate at the Board of Directors' meetings improved to a level exceeding the internal criteria.
Management conditions	We held dialogues with companies whose business performance remained poor and exchanged opinions about the management issues and future course of actions. We checked that fixed costs were reduced, sales of high-price products were expanded, and new opportunities for earnings were developed, among other initiatives, to change the stable profit structure.
ESG initiatives	We held dialogues with companies who were said to have emitted large quantities of CO2 and exchanged opinions about the current situation of efforts. We checked that solar power generation was actively utilized to reduce CO2 emissions, and that various issues regarding overall ESG were evaluated and actions for improvement were steadily implemented.

Exercise of Voting Rights

Process of exercising voting rights



- Results of exercising our voting rights (July 2017 to June 2018)

	MSI	ADI	Total (simple sum)
Number of disagreements (Number of bills)	5 (2,620)	3 (1,777)	8 (4,397)

Examples of proposals rejected through exercising voting rights

Examples of proposals	Cases of rejected proposals and details of exercising voting rights
Surplus appropriation plan (low payout ratio of the last dividend)	The payout ratio fell below our criteria for the two consecutive year. We held a dialogue and requested improvement, but judged that the possibility of improvement for the time being was low. (Disagreed)
Proposed appointment of directors (absence of Outside Director)	We explained the importance of outside directors and requested the appointment of candidates through past dialogues, but a candidate for outside director was not selected this year either. (Disagreed)
Proposed appointment of directors (low attendance rate at the Board of Directors' meetings)	The outside director's low attendance rate at the Board of Directors' meetings continued from the past. We continuously requested the improvement of the attendance rate from the previous year, but did not find any improvement. (Disagreed)

Initiatives for CSV

- Realization of initiatives for CSV in each area within the Group by spreading the story of value creation

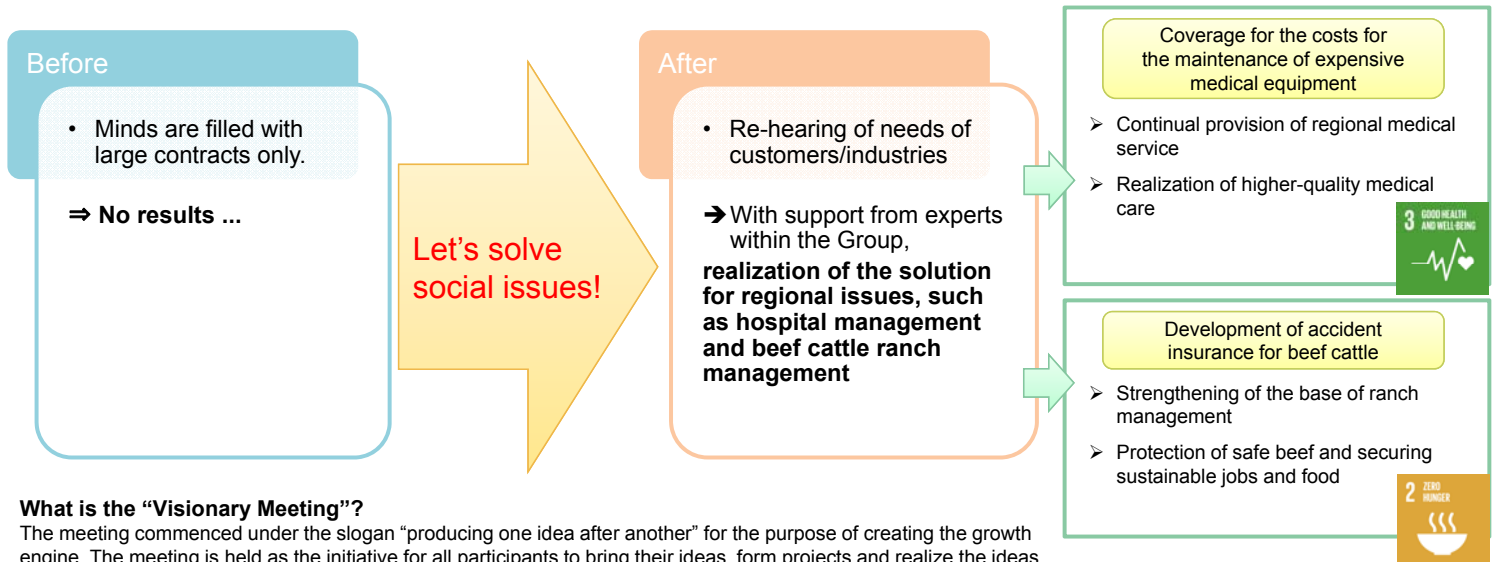
Example of promotion of CSV: from the awarded cases in “Sustainability Contest 2018”

Sustainability Contest

- Collecting initiatives that are related to the SDGs and lead to sustainability of the Group and society and awarding good examples.
- There were **526** applications in total from the group companies in Japan and overseas. The evaluation meeting selected the 10 prize-winning cases. The Grand Prize and Excellence Awards were selected and granted by vote of the examiners.

Grand Prize

Mitsui Sumitomo Insurance, Hokkaido Branch: Realization of SDGs by “Visionary Meeting”!



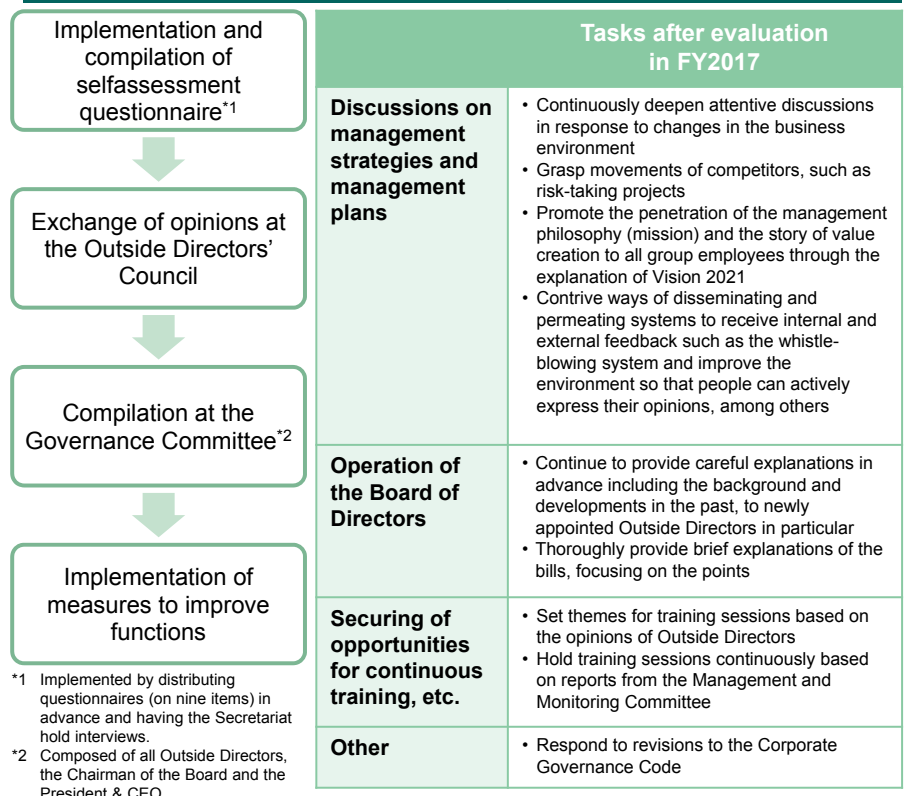
Corporate Governance

- To strengthen corporate governance, which is an important system to support value creation, we will work to further improve the functions of the Board of Directors.

Process for selection of newly appointed outside directors



Evaluation of Board of Directors



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

^{*2} Composed of all Outside Directors, the Chairman of the Board and the President & CEO

IV. Shareholder Returns

MS&AD Insurance Group Holdings, Inc.

Shareholder Return Policy

- The annual dividend is forecast to increase by ¥10, despite a downward revision of Group Adjusted Profit mainly due to a large number of natural catastrophes.

Shareholder Return Policy

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

- | | |
|------------------|---|
| <Dividends> | Adopt basic policy of providing stable dividends.
(DOE: Dividend on equity ratio: Aim for level of 2.0%~3.0%) |
| <Share buybacks> | Promptly and flexibly conduct repurchases of our own shares, taking into consideration the market environment and capital status. |

Shareholder Return Plan

<Dividends>

FY2018: The annual dividend is expected to **rise ¥10 from the initial forecast and the previous year to ¥140**. (Payment of interim dividend of ¥70 resolved at the meeting of the Board of Directors on November 19th)

FY2017: The annual dividend rose by ¥10 from the previous year to ¥130.

<Share buybacks>

FY2017: Share buybacks totaling about ¥30 billion have been implemented.

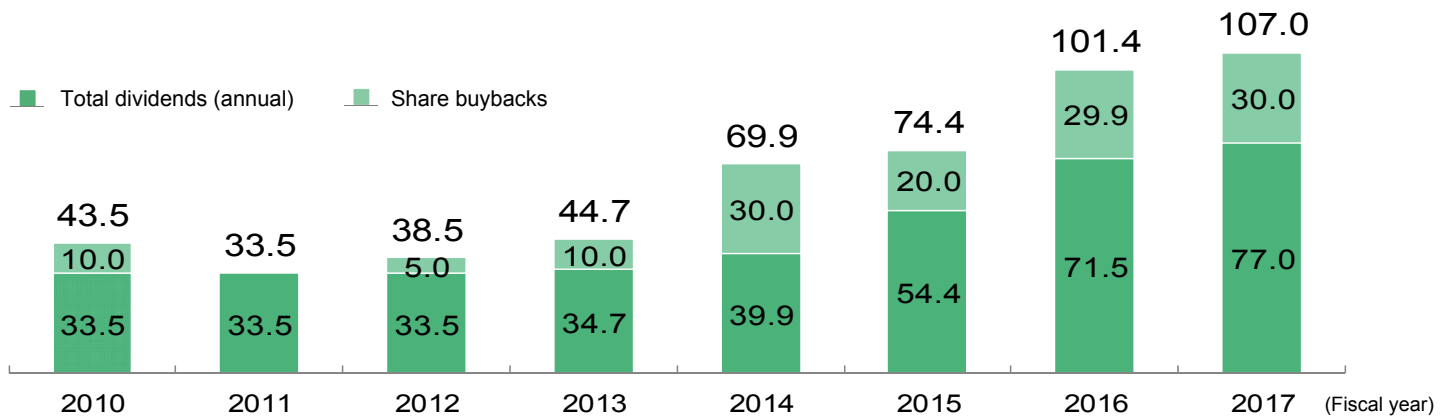
* Please see p. 61 for the calculation method of Group Adjusted Profit.

Past Shareholder Returns

● Total shareholder returns (as of November 19, 2018)

(¥bn)

	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	Total
Group Core Profit	14.5	-87.5	87.4	94.8	155.7	147.5	213.7	105.1	731.3
Total returns	43.5	33.5	38.5	44.7	69.9	74.4	101.4	107.0	513.2
Shareholder return ratio	300%	—	44%	47%	45%	50%	47%	102%	70%
Returns per share (yen)	69.8	54.0	62.0	72.0	113.5	122.5	169.1	180.6	—



* Please refer to p.62 for the method of calculating Group Core Profit and the single-year shareholder return ratio.

Stock Price Related Indices

	End of FY2013	End of FY2014	End of FY2015	End of FY2016	End of FY2017	End of Sep. 2018
Group Core Profit (~FY2017)						88.2
Group Adjusted Profit (FY2018~) (¥bn)	94.8	155.7	147.5	213.7	105.1	annual forecast 180.0
Net Income (¥bn)	93.4	136.2	181.5	210.4	154.0	46.3 annual forecast 200.0
Earnings per share (EPS) (¥)	150.58	221.34	298.72	350.94	260.04	78.64 annual forecast 341.17
Stock price (closing price) (¥)	2,364	3,370	3,136	3,540	3,355	3,794
Rate of change*1	14.4%	42.6%	-6.9%	12.9%	-5.2%	13.1%
(For reference) TOPIX Rate of change*1	16.3%	28.3%	-12.7%	12.3%	13.5%	5.9%
Book-value per share (BPS) (¥)	3,646.22	4,911.40	4,469.58	4,572.82	4,964.64	4,984.67
Price book-value ratio (PBR)	0.65	0.69	0.70	0.77	0.68	0.76
Price earnings ratio (PER)*2	15.70	15.23	10.50	10.08	12.90	11.12

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

*2 PER for FY2018 1H is annual forecast basis.

Calculation Methods of “Group Adjusted Profit”, “Group Adjusted ROE”, “Shareholder Return Ratio” and “Adjusted Net Assets” in “Vision 2021”

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

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

Group Adjusted Profit

$$\begin{aligned}
 &= \text{Consolidated Net Income} \\
 &+ \text{Provision}^{*1} \text{ for Catastrophe Loss Reserve and Others}^2 \\
 &- \text{Other Incidental Factors} \\
 &\quad (\text{amortization of goodwill and other intangible fixed assets and others}) \\
 &+ \text{Equity in Earnings of the non-consolidated Group Companies}
 \end{aligned}$$

Group Adjusted ROE

Adjusted Net Assets (Average of beginning and ending amounts of B/S)

“Single-Year Shareholder Return Ratio”

Shareholder Return Ratio

$$\begin{aligned}
 &+ \text{Dividends for the current fiscal year} \\
 &\quad (\text{To be paid in December of the year and in June of the next year}) \\
 &+ \text{Value of share buybacks determined by the day of the annual general meeting of shareholders in the next fiscal year}
 \end{aligned}$$

Group Adjusted Profit of the current fiscal year

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

$$\begin{aligned}
 &= \text{Consolidated Net Assets}^{*3} + \text{Catastrophe Loss Reserve and Others}^{*2} - \text{Goodwill and Other Intangible Fixed Assets}
 \end{aligned}$$

Group Adjusted Profit for FY2018 1H

$$\begin{aligned}
 \text{Group Adjusted Profit } 88.2 &= \text{Consolidated Net Income } 46.3 + \text{Provision for Catastrophe loss reserve and others } 20.7 \\
 &- \text{Other Incidental Factors } (-20.1) + \text{Equity in Earnings of the non-consolidated Group Companies } 0.9
 \end{aligned}$$

¥bn

Calculation Methods of “Group Core Profit”, “Group ROE” and “Shareholder Return Ratio” in “Next Challenge 2017”

“Group Core Profit” and “Group ROE”

Group Core Profit

$$\begin{aligned}
 &= \text{Consolidated net income} \\
 &- \text{Net capital gains/losses on stock portfolio (gains/losses on sales etc.)} \\
 &- \text{Net evaluation gains/losses on credit derivatives} \\
 &- \text{Other incidental factors }^{*1} \\
 &+ \text{Equity in earnings of the non-consolidated group companies}
 \end{aligned}$$

Group ROE

$$\begin{aligned}
 &= \text{Consolidated total net assets excluding equity warrant and non-controlling interests (average of beginning and ending amounts of B/S)}
 \end{aligned}$$

“Single-Year Shareholder Return Ratio”

Shareholder Return Ratio

$$\begin{aligned}
 &+ \text{Dividends for the current fiscal year} \\
 &\quad (\text{To be paid in December of the year and in June of the next year}) \\
 &+ \text{Value of share buybacks determined by the day of the annual general meeting of shareholders in the next fiscal year}
 \end{aligned}$$

Group Core Profit of the current fiscal year

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

*1 Extraordinary income/loss after-tax (excluding provision for/reversal of reserve for price fluctuation), amortization of goodwill and other

Group Core Profit for FY2017

$$\begin{aligned}
 \text{Group Core Profit } 105.1 &= \text{Consolidated Net Income } 154.0 - \text{Net Capital Gains/Losses on Stock portfolio } 85.3 \\
 &- \text{Net Evaluation Gains/Losses on Credit Derivatives } -0.1 - \text{Other Incidental Factors }^{*2} -36.2 + \text{Equity in Earnings of the non-consolidated Group Companies } 0.0
 \end{aligned}$$

¥bn

*2 Amortization of goodwill and others: -36.9 billion yen, extraordinary income/losses excluding reserves for price fluctuation: 0.7 billion yen

[illegible]

Advancing with you

MS&AD

INSURANCE GROUP

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<https://www.ms-ad-hd.com/en/ir/contact.html>