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**MS&AD**

INSURANCE GROUP

# **Fiscal 2020 First Information Meeting**

**May 26, 2020**

**Presentation Slides**

# Main Points of Today's Presentation

## Impact of the COVID-19

Given the changing situation of COVID-19, although world economic outlook is uncertain, our forecast for 2020 is based on the assumption of a negative economic growth throughout the year (decline until June, then gradual recovery). The forecast will be reviewed at the stage the situation becomes clearer in the future.

The Group will make a united effort to do whatever it can so as to achieve Our Mission; "To contribute to the development of a vibrant society and help secure a sound future for the planet."

## Review for Stage 1 of "Vision 2021"

In the domestic non-life insurance business, we demonstrated growth and earnings power that exceeded our initial expectations. We also made steady progress in the domestic life insurance business.

For the international business, we finished laying the groundwork for future growth in light of the issues that were faced.

We established the foundations for future growth through the promotion of digitalization. CSV initiatives also took root throughout the Group.

## Growth Strategy for Stage 2 of "Vision 2021"

Although the impact of the COVID-19 is uncertain, while its effects are still being felt, we will prioritize efforts to reduce expenses, and work to take advantage of environmental changes, once the crisis is over, to achieve further growth.

The Group Adjusted Profit target for FY2021 has been revised to 300 billion yen on a provisional basis. The Group Adjusted ROE 10% target remains unchanged and we will strive to improve capital efficiency.

Due in part to the effects of the COVID-19 we will push back the achievement of portfolio reforms. But in the international business, we will steadily expand earnings by restoring profitability to MS Amlin and developing growth capabilities in Asia, based on the foundations we have rebuilt.

Medium-to-long-term growth will accelerate with CSV initiatives acting as a growth driver.

## Shareholder Return

Reflecting the FY2019 results, we plan to pay an annual dividend of 150 yen (a 10-yen increase from the previous period) and implement share buybacks of maximum 15 billion yen (total 35 billion yen with 20 billion yen share buybacks announced on November 19<sup>th</sup>, 2019).

# COVID-19 Impact: Effects on Short-Term Business Performance

- While the future is uncertain due to the impact of the COVID-19, an income and expenditure plan has been formulated on a provisional basis on the assumption of negative economic growth up to the first quarter, followed by gradual recovery from the second quarter onwards. When the outlook becomes clearer in the future, earnings forecasts will be appropriately revised as needed.

(¥ bn)

	FY2018	FY2019	FY2020	FY2021
Group Adjusted Profit	189.8	233.1	180.0	300.0
Group Adjusted ROE	6.1%	8.0%	6.1%	10.0%
Net Income/Losses	192.7	143.0	130.0	

## Impact on Financial Results for the FY2019 Full Year

1. Impairment loss of domestic listed stocks: -31.8 billion yen (4Q increase: -27.5 billion yen)
2. One-time amortization of goodwill (Challenger): -36.6 billion yen
3. Reserve for losses on sales of investments in affiliates (ReAssure): -16.9 billion yen

※2,3: No impact on Group Adjusted Profit

## Impact on FY2020 Earnings Forecasts

- Increase in incurred losses, etc. (mainly overseas):  
Approx. -20.0 billion yen
- Decrease in investment profit (domestic and overseas total):  
Approx. -60.0 billion yen

Total after-tax impact: Approx. -64.0 billion yen

## Impact in the event of a prolonged COVID-19 crisis

Domestic non-life insurance business	<ul style="list-style-type: none"> <li>↓ Lower top line in the commercial sector</li> <li>↑ Lower loss ratio for automobile insurance, etc.</li> <li>↓ Pushing back of measures in the medium-term management plan</li> </ul>	International Business	<ul style="list-style-type: none"> <li>↓ Possibility of lower top line and increased incurred losses</li> <li>↓ Slowdown of "growth through global collaboration"</li> </ul>
Domestic life insurance business	<ul style="list-style-type: none"> <li>↓ Significant drop in new policies, blunted growth in economic value (EV)</li> <li>↑ Reduced costs in the first year, positive impact on profit in individual fiscal years</li> <li>↓ Increase in claims payments if there is a sharp increase in infections or deaths</li> </ul>	Asset Management	<ul style="list-style-type: none"> <li>↓ Possibility of capital losses, reduced profit from sales of stocks, lower revenue from interests and dividends</li> <li>↓ Possibility of lower ESR</li> </ul>
		Other	<ul style="list-style-type: none"> <li>↓ Restrictive approach to new business investment</li> </ul>

# COVID-19 Impact: Response to Stakeholders

- As a group whose mission is to “contribute to the development of a vibrant society and help secure a sound future for the planet,” we will make a united Group-wide effort to do whatever we can to protect customers’ lives and business activities from the COVID-19.

## Actions for customers

### Ensuring the insurance claims payments

- ❑ Introduction of a shift-based work attendance system
- ❑ Simplification of claims support and service operations
- ❑ Division of call center operations such as reception of accident reports

and more

### Support for continuation of policies

- ❑ Postponement of policy renewal procedures and premium payments, removing the requirement for stamped or signed documents from customers
- ❑ Extending the term of overseas travel insurance, expanding products that cover COVID-19 infections
- ❑ One-time payment for insurance covering business suspension

## Actions for the local community

- ❑ Participation in pandemic emergency facilities
- ❑ Donations to local governments designated as specific alert areas, UNICEF, etc.

## Actions for employees

### Initiatives placing top priority on health

- ❑ Keeping employees’ jobs
- ❑ Actively utilizing work-at-home schemes and restricting the number of employees coming in to work to fulfill the social responsibility demanded of the Group

#### Developing an environment to support employees working from home

- Increasing the number of internet connections able to make external connections
- Additional allocation of mobile phones for business use / Wi-Fi routers, communications charges paid by the company
- Utilization of thin-client PCs / conversion of home PCs into thin clients



### Current efforts will lead to future changes from the perspective of workstyle reforms

- Management foundations allowing employees to work in a lively fashion and excel in their jobs
- ✓ Developing workplace environments supporting a diverse range of working styles
  - ✓ Implementing health and productivity management



# COVID-19 Impact: Medium-to-Long-Term Impact

- In light of the environmental changes expected to occur after the pandemic, we will further enhance our risk response measures, offer products and services to solve newly emerging social issues, support social stability and achieve sustained growth.

## Environmental changes expected to occur after the pandemic

### Politics

- Expanded influence of China
- Review of self-sufficiency rate for food and healthcare (security)
- Rising momentum for new international cooperation on COVID-19 countermeasures

### Economy

- Revised supply chains (return from global division of business to domestic production)

### Society

- Spread of surveillance society
- Firm establishment of remote workstyles and stay-at-home option
- Widening disparities and growing discrimination
- Increased awareness of infectious disease and pandemics
- Avoidance of high-density urban areas  
⇒ Regional revitalization

### Technology

- Rapid entrenchment of digitization in private and business lifestyles, and growing cyber risks associated with these trends

## Risks

- Possibility of worsening top line due to recession
- Growing asset management risks
- Rise in direct sales over the Internet

## Opportunities

- Expanded domestic investment and employment
- Rising interest in life insurance and third sector coverage
- Rising need to develop BCP incorporating infectious disease / pandemic risks
- Rising needs for insurance offering coverage for business shutdowns and event cancellations due to infectious disease, pandemics and government guidance
- Rising needs for insurance and consulting to deal with cyber risks
- Spread and firm establishment of working styles that utilize digital technologies, leading to improved business efficiency
- Acceleration of innovation in autonomous driving technologies
- Expanded effects of coordination with Grab, etc.
- Diverse customer needs including community-based sales

**Providing Solutions to New Social Issues**

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## **I . Review for Stage 1 of “Vision 2021”**

# Progress Toward Aspirations

- Our business scale, financial soundness, share of strategic equity holdings and profitability maintain at the target level.
- We will continuously strive to achieve the 2021 targets in terms of capital efficiency and portfolio diversity.

## Vision 2021 (FY2018 - FY2021)

### Development of management based on CSV\*

## Image of society in 2030

A resilient and sustainable society

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

### Next Challenge 2017 (FY2014 - FY2017)

### Construction of the story of value creation

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

### New Frontier 2013 (FY2010 - FY2013)

### Formulation of Mission, Vision and Values

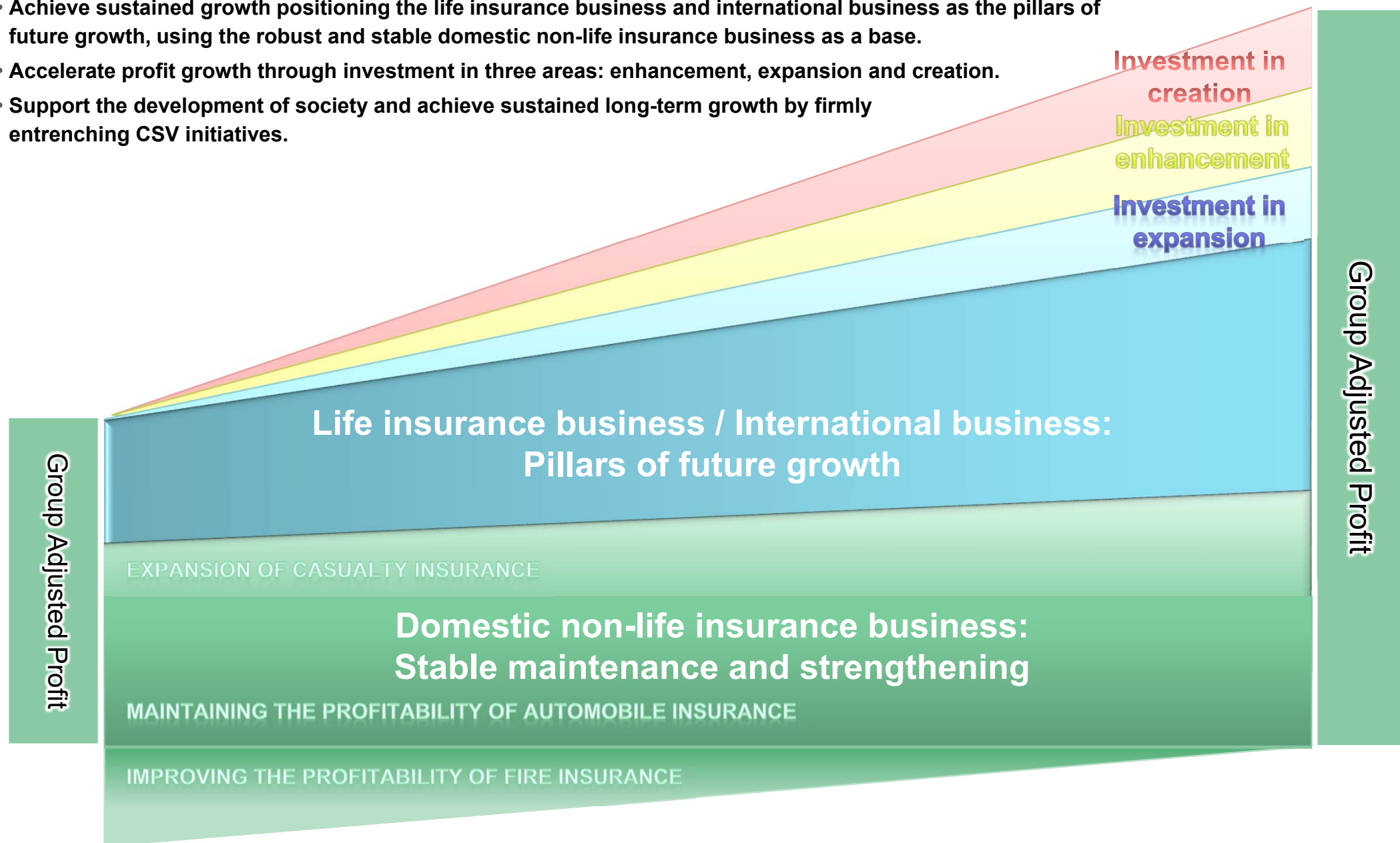
Improving profitability in domestic non-life insurance business  
Ensuring financial soundness

	Progress in FY2019	Medium-term aspirations “World-leading insurance and financial services group”
Scale	5 <sup>th</sup> (FORTUNE GLOBAL 500 2019, P&C)	Within the top 10 non-life insurance groups in the world
Capital efficiency	8.0%	Group Adjusted ROE 10%
Financial soundness	186% Ref.:UFR applied 204%	ESR 180% - 220%
Portfolio diversity	46%	50% (profit basis) in other than the domestic non-life insurance business
Share of strategic equity holdings	26.1% of integrated risk amount 9.2% of consolidated total assets	Strategic equity holdings less than 30% of integrated risk amount and below 10% of consolidated total assets
Profitability	EI Combined Ratio ex. natural catastrophes 91.4%	Combined ratio in the domestic non-life insurance business stable at 95% or less

\*CSV: Creating Shared Value

# The MS&AD Growth Model

- Achieve sustained growth positioning the life insurance business and international business as the pillars of future growth, using the robust and stable domestic non-life insurance business as a base.
- Accelerate profit growth through investment in three areas: enhancement, expansion and creation.
- Support the development of society and achieve sustained long-term growth by firmly entrenching CSV initiatives.





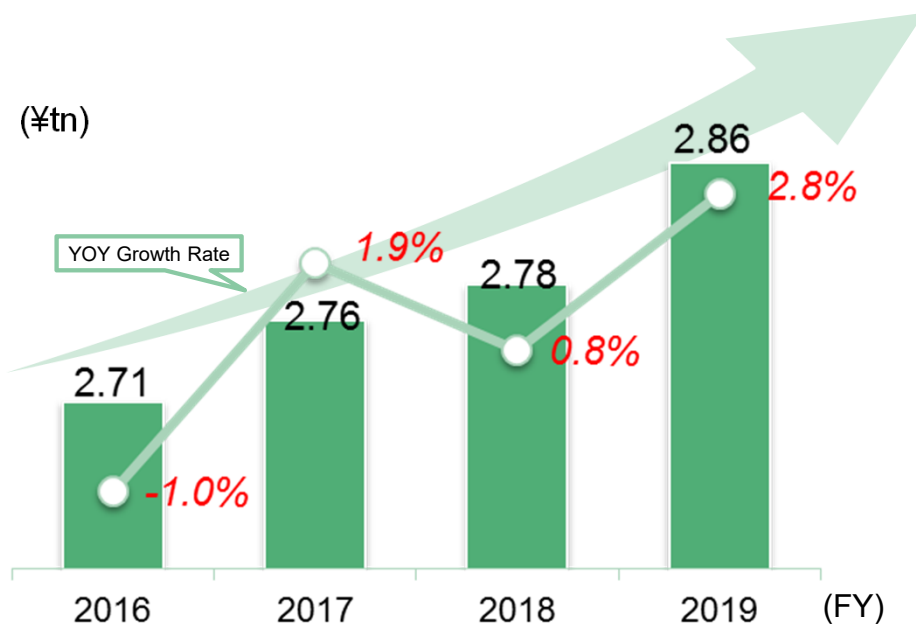
# Review for Stage 1: Domestic Non-Life Insurance Business

- The domestic non-life insurance business was a powerful driver of business performance as the Group's core business. While the response to a series of natural catastrophes had an impact on expense ratio, R&D investment aimed at business streamlining was implemented in a systematic fashion to further expand profitability.

## Top Line (Net Premiums Written\*1)

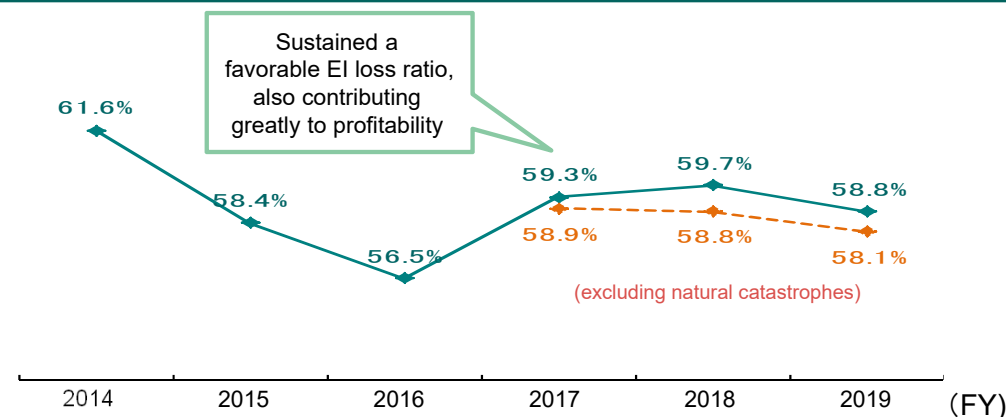
*In Stage 1 we enjoyed powerful growth primarily thanks to positive performance in the flagship automobile insurance and fire insurance businesses*

*Premium growth rate was at a top industry level*



\* Simple sums of non-consolidated figures for Mitsui Sumitomo Insurance, Aioi Nissay Dowa Insurance and Mitsui Direct General Insurance

## Change in Automobile Insurance EI Loss Ratio (including loss adjustment expenses)



## Telematics Automobile Insurance

In order to contribute to the realization of a safe and secure mobile society, the Group is expanding sales of telematics automobile insurance.

- Sales (as of March 31, 2020)



Cumulative number of policies sold

**Approx. 380 thousand**

Sold approximately 80,000 policies for TOUGH Mimamoru Automobile Insurance Plus, a product that went on sale in January 2020 and reflects driver behavior in premiums.

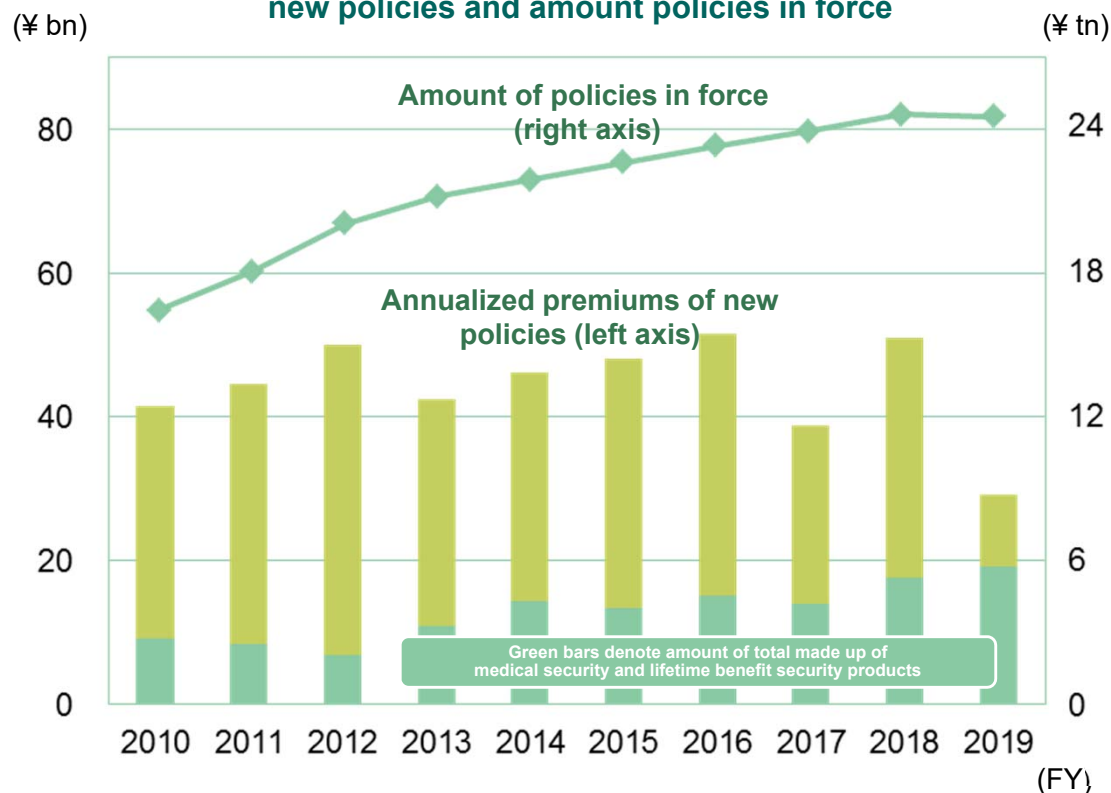
# Review for Stage 1: Domestic Life Insurance Business

- Due in part to the worldwide fall in interest rates, at present, the top line has declined, but we steadily implemented initiatives outlined in Stage 1 of Vision 2021.

## MSI Aioi Life

- By making detailed proposals reflecting customer lifestyles, we strengthened sales of protection-type products such as income guarantee insurance and medical insurance. At present, the weight of insurance premiums related to medical insurance and similar products has increased.
- Mainly by promoting cross-selling utilizing non-life insurance sales networks, the company further strengthened its sales base.

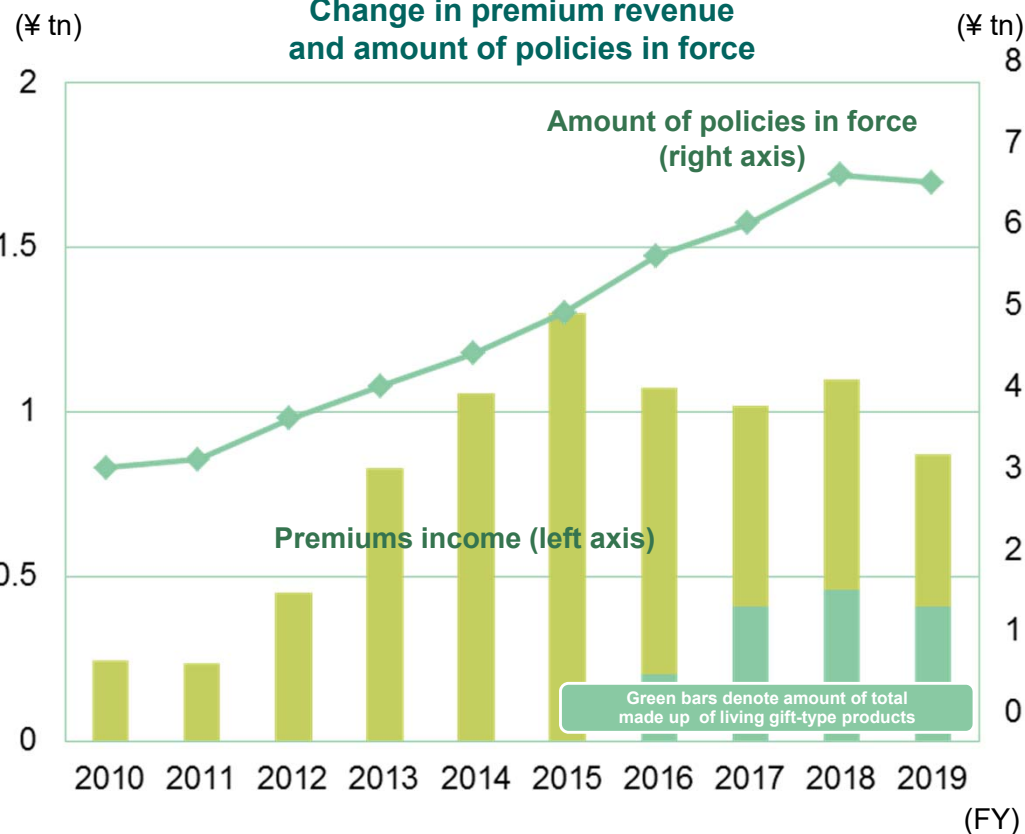
Change in annualized premiums of new policies and amount policies in force



## MSI Primary Life

- Whole life insurance (living gift-type products) where life benefits can be used for inheritances continued to perform well.
- With foreign currency-denominated tontine annuities that prepare for the risks of longevity, special clauses allowing for social contribution and so on, the company led the OCT sales market with the development of highly unique products ahead of the competition.
- The customer base was expanded with the nationwide roll out of level premium payment products.

Change in premium revenue and amount of policies in force



\* The decline in amount of policies in force in FY2019 was primarily due to exchange rate fluctuations (weakening Australian dollar and stronger yen).

# Review for Stage 1: International Business

- In light of changes in the business environment, we conducted reorganization of international regional business in order to leverage the strengths of group companies across regions, accelerate speedier decision-making and realize further global growth.

## Achievements and Issues

### Overall Business

- Built a platform for a world-leading insurance and financial group

#### <Issues>

- (1) Leveraging the strengths (e.g. skills, networks) of each group company across regions
- (2) Speedier decision-making that can respond to rapid changes in the environment

### MS Amlin

- Improved in the loss ratio on non-cat lines by improvement of underwriting terms and conditions

#### <Issues>

The recovery in profitability has been behind plan.

### Asia

- Established No.1 position in ASEAN region with MSFC joining the group
- New investment in Myanmar and additional investment in Sri Lanka

### Telematics and Mobility

- Promoted across a five-region structure of Europe, Americas, Asia, China and Japan
- Advancement of CASE / MaaS fields

### Head Office Reinsurance

- Improved profitability and reduced risk from wind and flooding damage in the United States

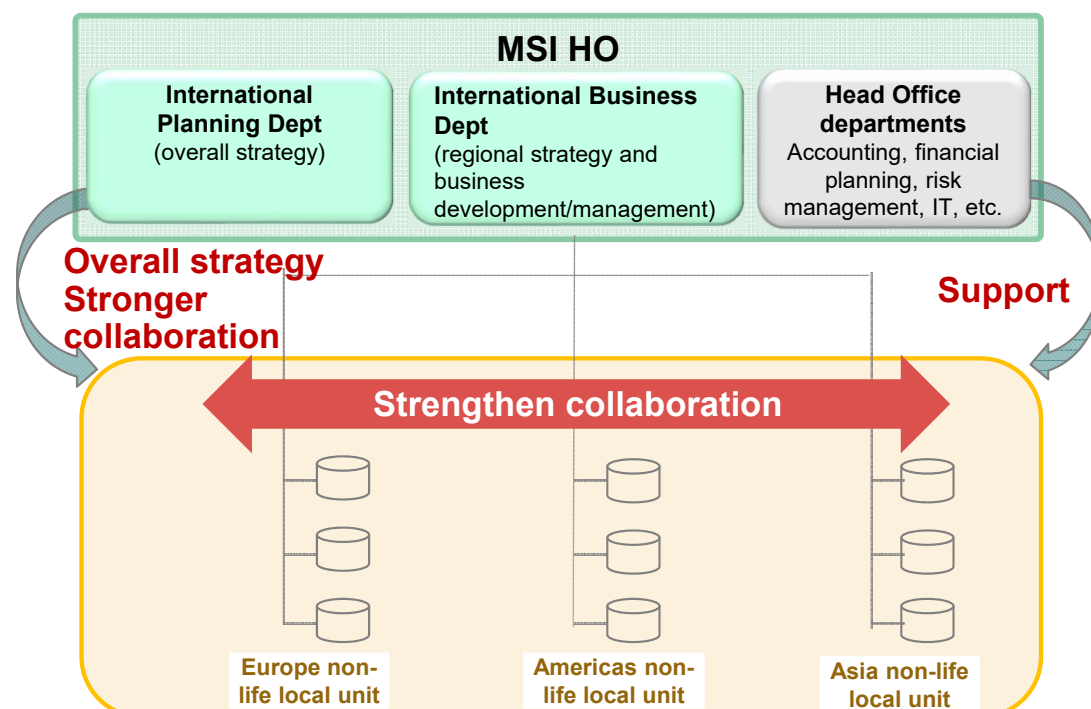
### International Life Insurance

- Equity method affiliation for Challenger
- Integration of ReAssure with Phoenix
- Agreement to invest in BoCommLife Insurance

## Reorganization of International Regional Business

- Change from a three-region holding company overseeing Asia, Americas and Europe to a structure directly controlled by MSI Head Office
- Strengthening of collaboration as a group and governance led by Head Office

➡ Accelerated cost reductions and growth



#### [Temporary impact on FY2019 earnings]

- Goodwill impairment losses: -¥171.9 billion (after tax impact: -¥156.8 billion)
- Reorganization-associated tax expense decrease: +¥166.7 billion

# Review for Stage 1: Promote Digitalization

- We have rolled out business reform-oriented initiatives on a global scale, such as investment in advanced Startups through our Silicon Valley-based CVC.
- By running various promotional measures, developing digitally-minded human assets and coordinating expertise within the Group, we are building a robust foundations to promote digitalization.

## Stage 1 Initiatives and Achievements

### Establishment of CVC and Investment in Startups

- In October 2018, we established a **corporate venture capital (CVC)** in Silicon Valley
- Aiming to acquire technologies with a medium-term perspective, venture investments (in 33 companies as of end March 2020) were made and business tie-ups with Group companies have seen progress



### Developing digitally-minded human assets

- The **MS&AD Garage Program** was launched to pursue innovation activities in Silicon Valley involving practical implementors from Japan and overseas
- Digitally-minded human resources are developed in collaboration with Toyo University (INIAD), Shiga University and other institutions
- **Idea contests such as the Challenge Program have been organized**

### Running various promotional measures

- Digital tools such as chat bots and RPA are utilized to reform business processes
- **Introduction of agent sales support systems equipped with AI (February 2020)**
- Launch of telematics and dashcam-based **automobile insurance (Mimamoru-Tsunagaru)** and claims service

### Global Platform

### Global coordination of expertise

- The **Global Digital Hubs (GDH)** were established in Singapore and Tokyo as places to consider organic business coordination at the global level.
- Partnerships were formed with an Israel-based firm promoting innovation (FinTLV, SOSA)
- Rolling out expertise and technologies of startup companies to overseas sites and launched collaborative efforts

**Finished building the foundations to promote digitalization**  
**Established a framework to respond to rapid changes in the business environment**



# Review for Stage 1: CSV Initiatives

• CSV initiatives have taken root within the Group. These efforts will form the basis for linking solutions to social issues with our growth.

## Creating Shared Value with Society (CSV)

- 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 adaptation
- Strive to improve the sustainability of natural capital
- Work toward the realization of “leaving no one behind”



## Examples of Initiatives

### Cyber security-related products

Offering risk management services and supporting security measures to protect from cyber risks



### Impact on Society

Companies and organizations protected from cyber risks - FY2018: 9,846, FY2019: 12,280

### Impact on the MS&AD Insurance Group

Revenue increase of approx. 1.7 billion yen (37.6% year on year)

### Solving regional issues through coordination with local governments

- (1) Support for SDG initiatives (No. of partnered municipalities: 369)
- (2) Support for reducing traffic accidents involving foreign residents
- (3) Support for widespread adoption of measures to prevent dementia
- (4) Support for the widespread adoption of foster parent systems, etc.

### Impact on Society

Widespread adoption of SDG initiatives by local companies, reduction in traffic accidents involving foreign residents, reduction in number of people developing dementia, fewer children unable to live with parents, etc.

### Impact on the MS&AD Insurance Group

Increased revenues of around 10 billion yen

## Taking Root Within the Group: Raising Awareness Among Each Employee

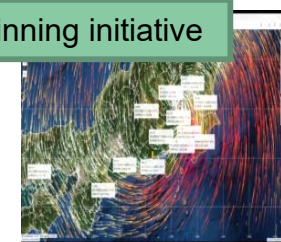
### Sustainability Contest

- Cumulative contest entries (2018 – 2019): 835
- Noticing social issues in the course of implementing value creation stories and proposing new products and services

### Example of grand prize-winning initiative

#### Website for real-time damage prediction **cmap.dev**

Winner of Global Environment Award in February 2020





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## **II. Growth Strategies for Stage 2 of “Vision 2021”**

# Progress Toward Numerical Management Targets and Forecasts

- Although we cannot predict the extent of the COVID-19 impact, while its effects are still being felt we will prioritize efforts to reduce expenses, and work to take advantage of environmental changes once the crisis is over to achieve further growth.
- The Group Adjusted Profit target for FY2021 has been revised to ¥300 billion on a provisional basis, the Group Adjusted ROE 10% target remains unchanged and we will strive to improve capital efficiency.

(¥bn)

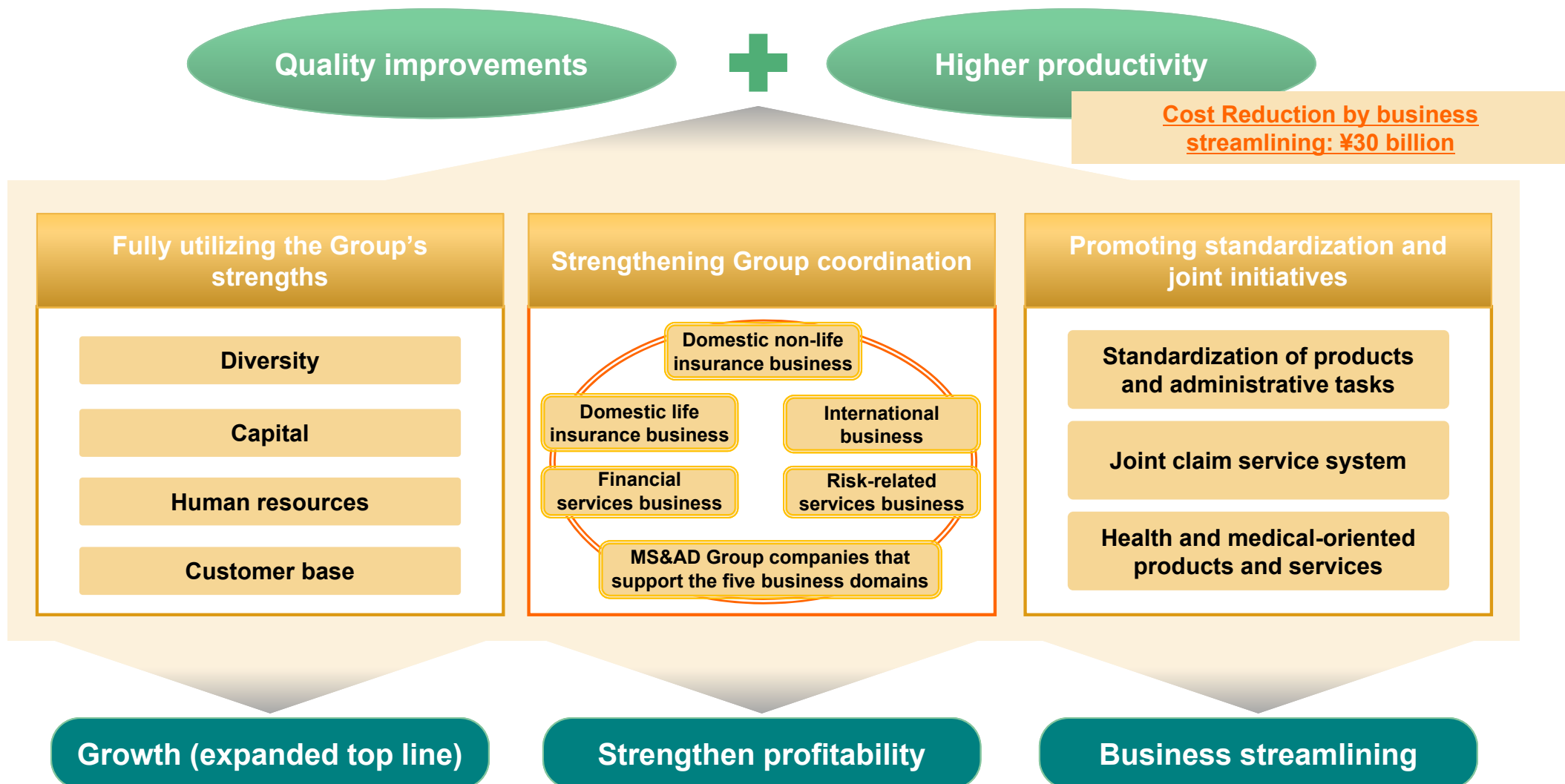
	FY2019				FY2020		FY2021	
	Results	YoY	Vs. Forecast	Vs. Initial Plan	Forecast	YoY	Target	Vs. Initial Plan
<b>Group Adjusted Profit</b>	<b>233.1</b> ※1	<b>43.3</b>	<b>13.1</b>	<b>-39.9</b>	<b>180.0</b>	<b>-53.1</b>	<b>300.0</b>	<b>-50.0</b>
Domestic non-life insurance business	119.5	-27.3	12.5	-54.5	130.0	10.4	177.0	-5.0
(excluding gain/loss from sale of strategic equity holdings)	98.4	33.3	29.4	-40.6	117.0	18.5	150.0	8.0
Domestic life insurance business	29.7	-1.9	0.7	1.7	25.0	-4.7	41.0	-4.0
International business	49.4	44.0	2.4	-16.6	20.0	-29.4	75.0	-42.0
Financial services business/ Risk-related services business	4.8	-1.0	-2.2	-0.2	5.0	0.1	7.0	1.0
<b>Group Adjusted ROE</b>	<b>8.0%</b>	<b>1.9pp</b>	<b>0.9pp</b>	<b>-0.3pp</b>	<b>6.1%</b>	<b>-1.9pp</b>	<b>10.0%</b>	<b>—</b>
Net Income/Losses	143.0	-49.6	-57.0	—	130.0	-13.0	—	—
Consolidated net premiums written	3,573.7	73.3	48.7	43.7	3,400.0	-173.7	3,580.0	-130.0
Life insurance premiums (gross premiums) ※2	1,393.4	-206.5	74.4	-146.6	1,004.0	-389.4	1,000.0	-600.0
EEV of MSI Aioi Life	890.2	70.7	-11.8	-79.8	912.0	21.7	962.0	-88.0
<b>ESR</b> (Economic Solvency Ratio)	<b>186%</b>	<b>-13pp</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>180%~220%</b>	

※1 Including the decrease in income taxes paid in FY2019, which is ¥29.6 billion among the effects of Reorganization of International Regional Business of MSI

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

# Key Strategy 1: Pursue Group's Comprehensive Strengths

- We will further promote initiatives aimed at improving Group quality and productivity to strengthen our competitiveness.
- In Stage 2, the effect of business rationalization (Total in Japan and overseas) will be ¥30 billion.



# Key Strategy 2: Promote Digitalization

- We will promote three major initiatives that help improve the value of customer experiences and boost business productivity (DX, DI and DG), and promote sustained growth across the Group.

## DX Digital Transformation

Reform

**Transform existing businesses and enhance competitiveness while streamlining and optimizing business**

- The digital strategy departments of our two core non-line insurance companies (MSI: Digital Strategy Department, ADI: Business Process Reform Department [newly established]) will promote business streamlining in powerful ways.
- Improving agent competitiveness through AI utilization (Example: MS1 Brain)
- Improving efficiency and increasing sophistication in claims services utilizing telematics technologies (Example: Telematics claims service system)

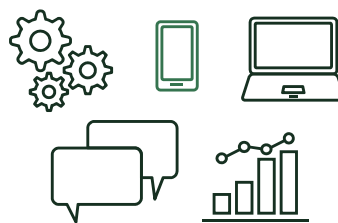


## DI Digital Innovation

Creation

**Create new business models by utilizing data and digital technologies**

- Solving the risks and issues faced by society and companies through advanced data analysis (RisTech)
- Creating new markets through collaboration with digital platformers (Example: Finatext)
- Offering products and services that meet customer needs by utilizing small and short-term companies



## DG Digital Globalization

Expansion

**Spread expertise in a reciprocal basis in Japan and overseas to promote DX and DI on a global scale**

- Utilize cutting-edge Startups in Japan and overseas
- Leverage internal and external solution know-how to increase customer experience and improve operational efficiency (Example: MS1 Brain)
- Accelerate CASE and MaaS initiatives across the five global regions (Europe, United States, Japan, Asia and China)

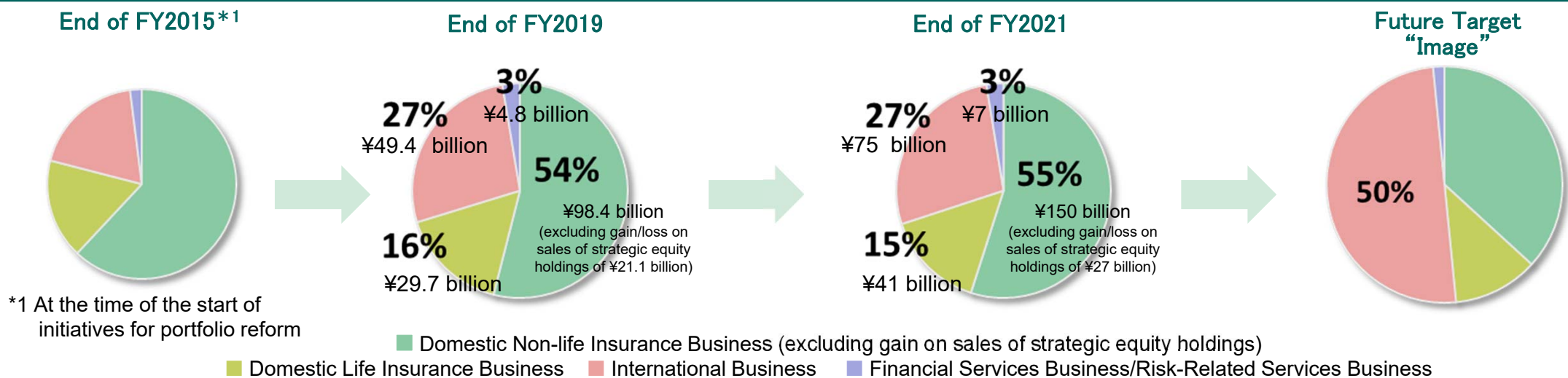


**The engines to enhance competitiveness and realize sustained growth in a changing business environment**

# Key Strategy 3: Reform Portfolio

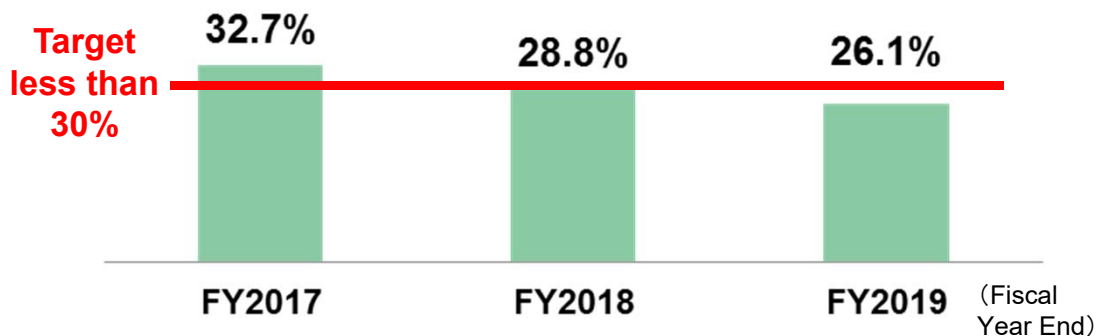
- While goal attainment regarding diversification of the business portfolio will be pushed back as we seek to minimize the expansion of new business risks is in part due to COVID-19, we will steadily continue with initiatives based on a starting point of organic growth as we strive to realize our future vision.
- We mostly attained target levels in the reduction of risks from strategic equity holdings, but in light of heightened market volatility, we will continue with efforts to reduce peak risks.

## Diversification of Business Portfolio

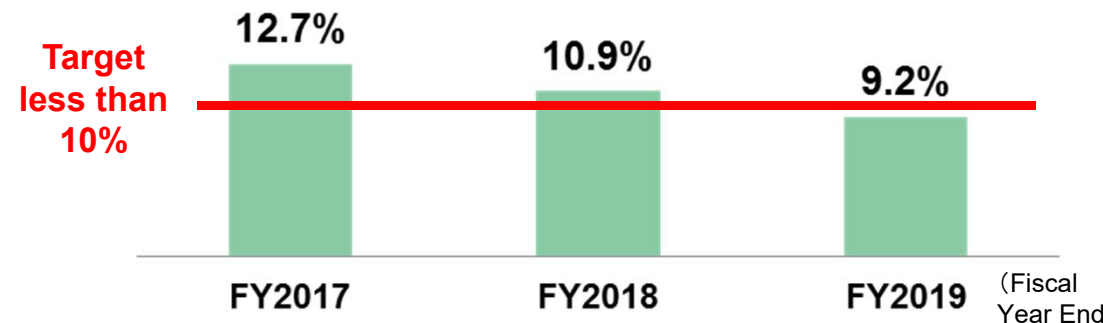


## Diversification of Risk Portfolio (Reduction of strategic securities)

### Percentage of the Group's Risk



### Percentage of the Group's comprehensive assets





# Domestic Non-Life Insurance Business: Growth Strategy

- We promote initiatives aimed at further expansion of earnings power as core businesses of the Group that are among the largest and most profitable in Japan.

## Vision 2021 Stage 2: Strategies for the Domestic Non-life Insurance Business

### Top line

#### Maintain and expand our competitive advantage

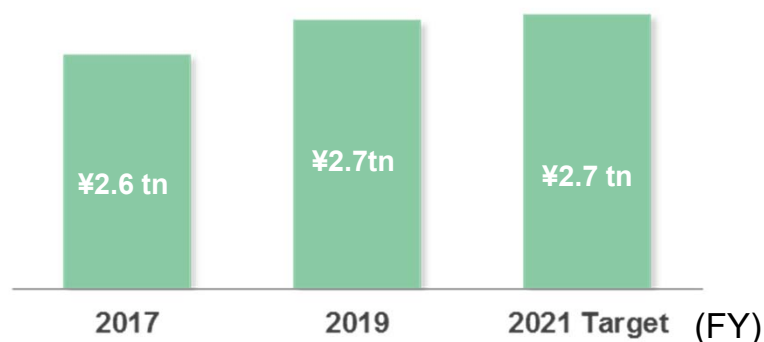
- Maintain and expand market share in automobile insurance
- Strengthen efforts in new risk fields with a focus on casualty insurance products
- Transform business models by promoting digitalization

### Bottom line

#### Accelerating expense reductions and boosting earnings power

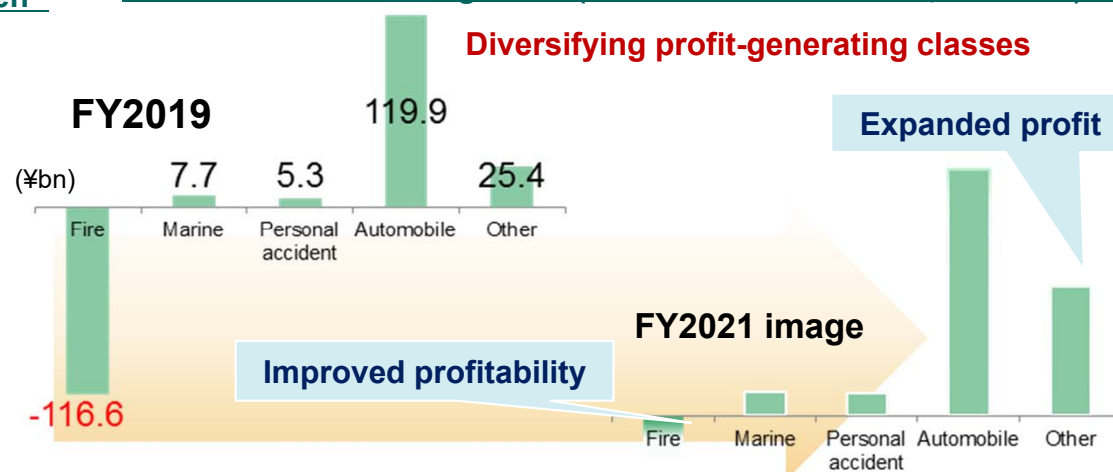
- Maintain and expand the earnings power of automobile insurance
- Diversify the portfolio for revenue-generating coverage types (improving the profitability of fire insurance and expanding types of casualty insurance)
- Business streamlining and improving the sophistication of natural catastrophe response

#### Domestic non-life insurance business net premiums written\*1



\*1 Excluding overseas reinsurance, etc. underwritten by domestic non-life insurance companies

#### Insurance Underwriting Profit (before reflection of catastrophe reserve) \*2



\*2 Simple sums of non-consolidated figures for MSI and ADI  
(Graph for FY2021 is a conceptual image based on current planned figures)

# Domestic Non-Life Insurance Business: Initiatives for Expense Reduction

- In addition to realizing steady R&D investment effects, promote measures to further reduce expenses.

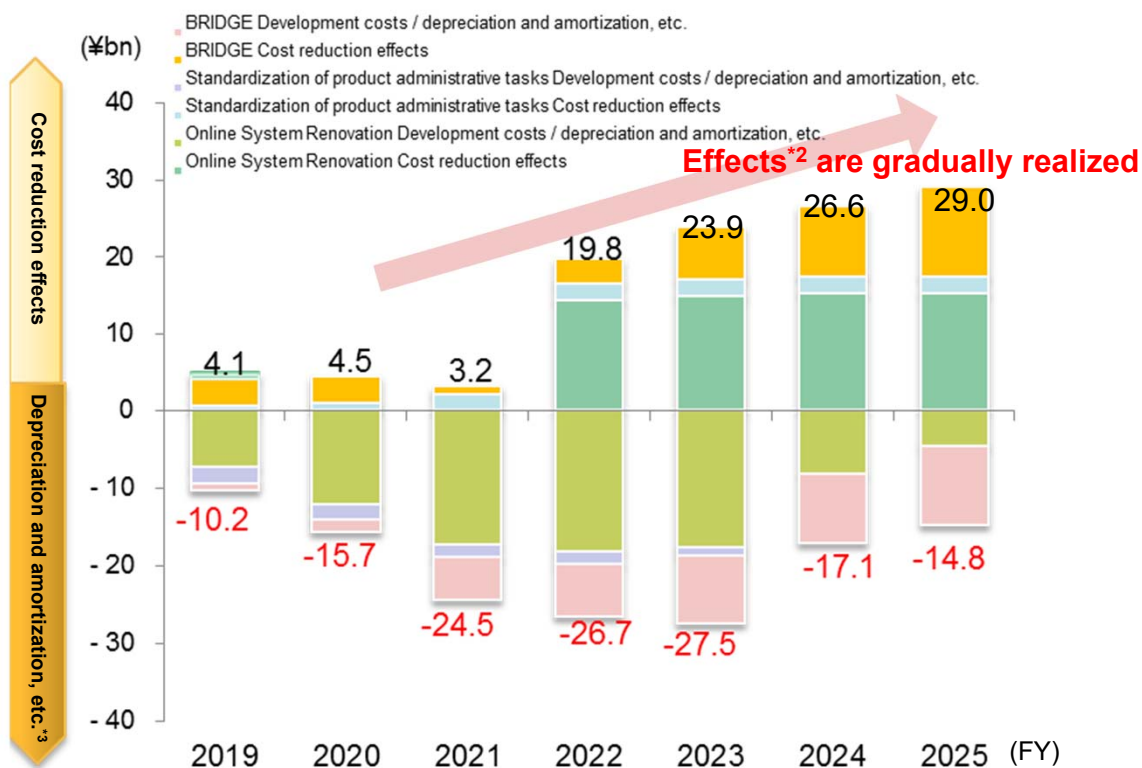
## Effects of large-scale system investments and initiatives to reduce expenses

### Forecast of the effects of expense reductions due to R&D investment

- Making progress with large-scale system development and gradually achieving expense reducing effects

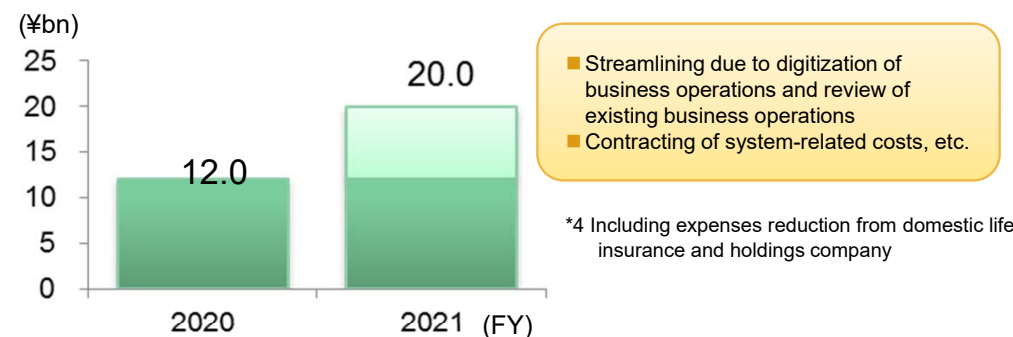
Project	Investment amount	Introduction
Renovation of online system	Approx. ¥88.0 billion	From FY2019
Standardization of products and operations	Approx. ¥11.0 billion	
Joint claims services system (BRIDGE)	Approx. ¥70.0 billion <sup>*1</sup>	FY2021

<sup>\*1</sup> The 62 billion yen listed in the previous materials represents the amount of investment up to FY2021



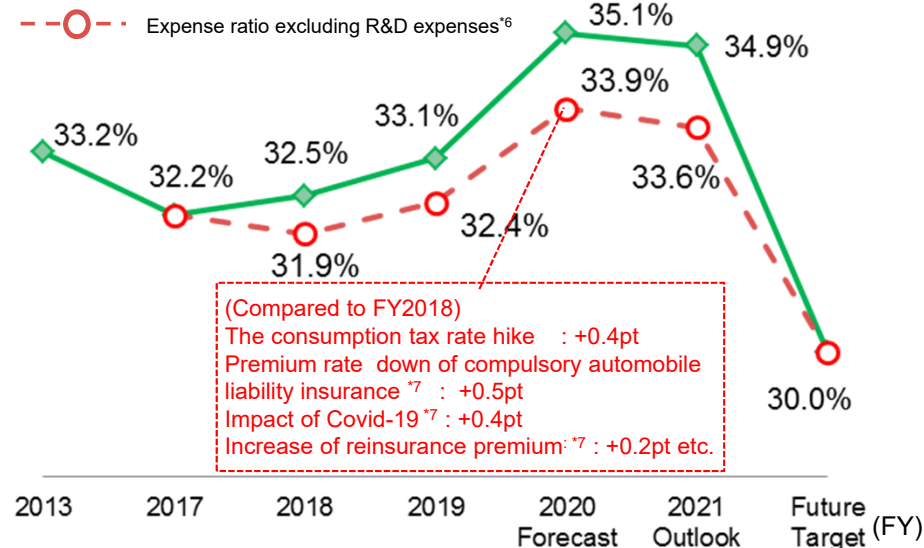
### Promoting additional measures to reduce expenses

- Promote additional measures worth 20 billion yen <sup>\*4</sup> to strengthen earnings power



<sup>\*4</sup> Including expenses reduction from domestic life insurance and holdings company

### Change in expense ratio<sup>\*5</sup>



<sup>\*5</sup> Simple sum of non-consolidated figures for MS and AD

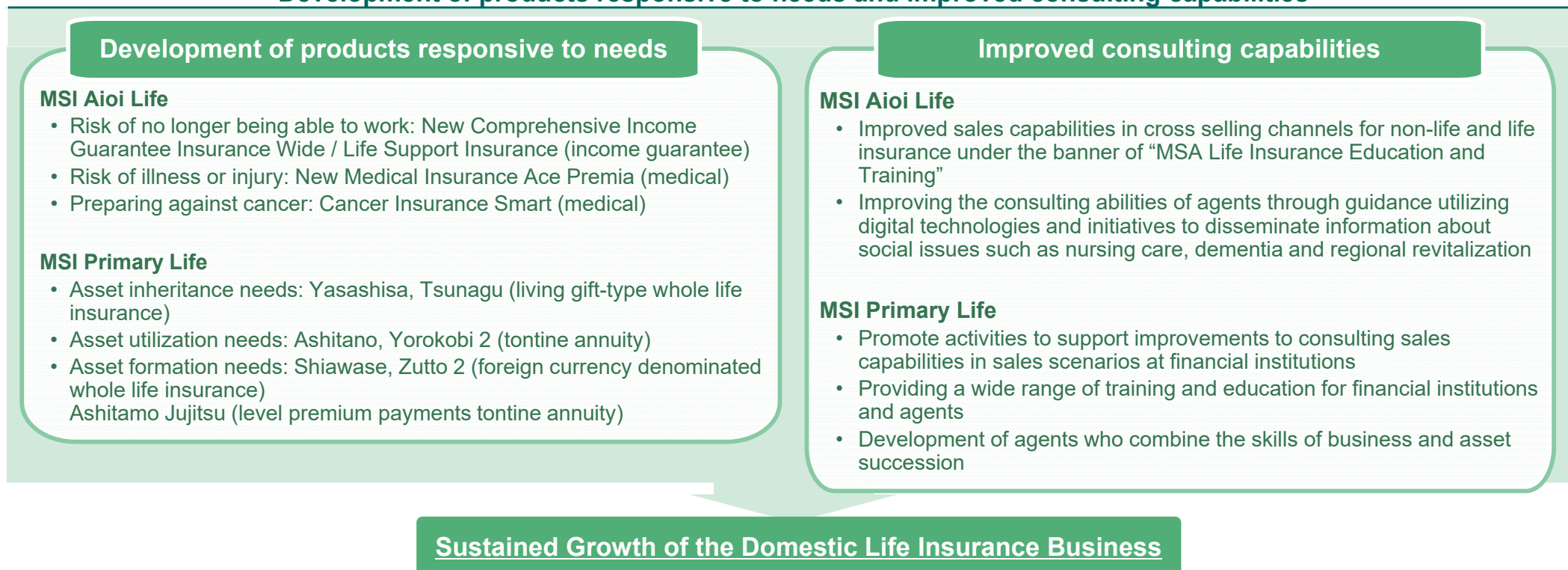
<sup>\*6</sup> Investments in R&D for responses to changes in the environment, including infrastructure building, and for improving productivity and quality.

<sup>\*7</sup> Due to decrease in Net Premiums Written

# Domestic Life Insurance Business: Growth Strategy

- In anticipation of the era of people living to 100 years of age, the development and provision of products and services that meet increasingly diverse customer needs such as healthcare, nursing care, inheritance, gifting and longevity risks, combined with improved consulting sales capabilities will lead to the sustained growth of the domestic life insurance business.
- We will engage in appropriate risk-taking and expand returns through more sophisticated asset management that responds to environmental changes.

## Development of products responsive to needs and improved consulting capabilities

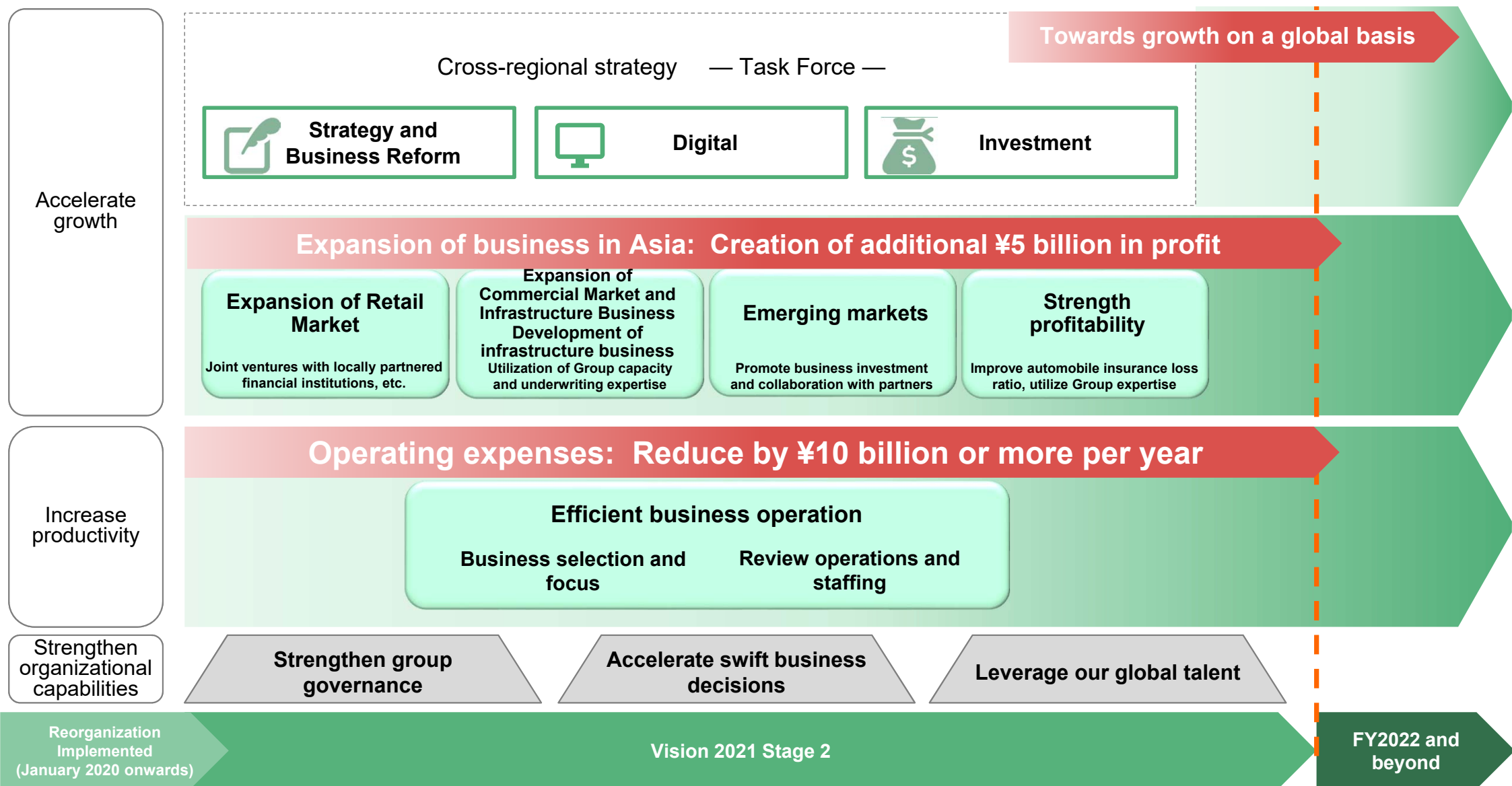


## Increased sophistication of asset management based on ERM management

MSI Aioi Life	MSI Primary Life
<ul style="list-style-type: none"> <li>• Reducing interest risks by lengthening asset duration</li> <li>• Improved management returns by reviewing the portfolio of higher-return assets</li> <li>• Expanded sales of highly profitable protection-type products</li> </ul>	<ul style="list-style-type: none"> <li>• Promoting ALM operations that increase management efficiency while diversifying risks</li> <li>• Strengthening risk management and monitoring by developing more sophisticated internal models</li> </ul>

# International Business: Cost Reductions and Growth Synergy due to Reorganization

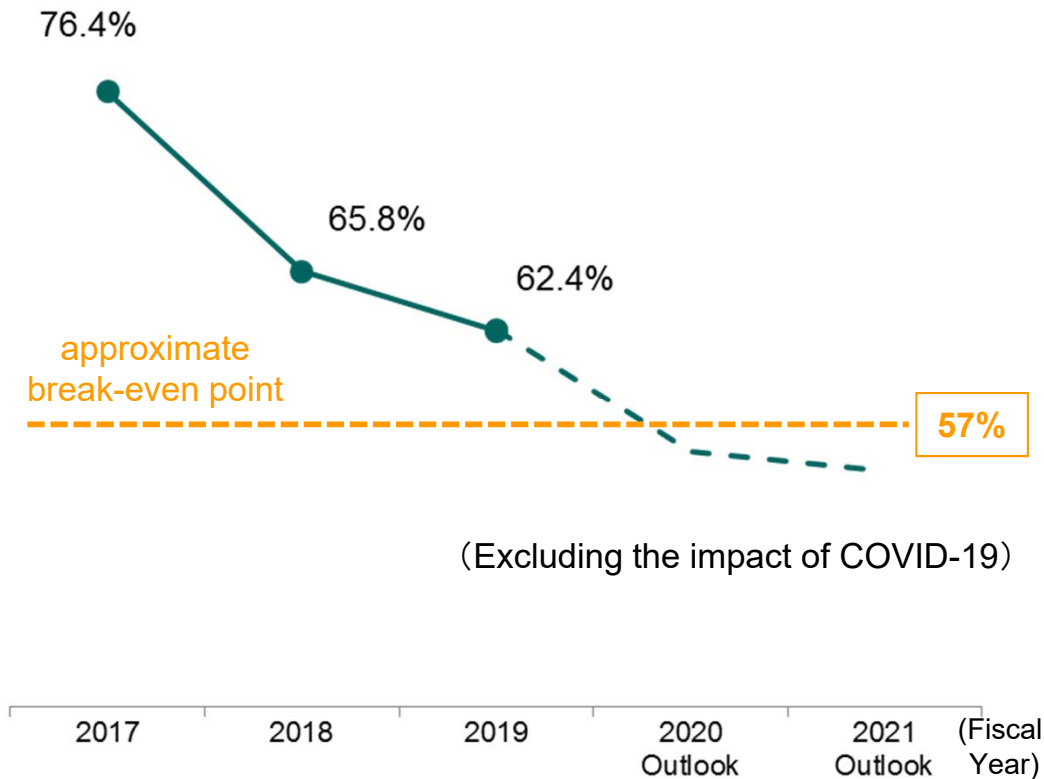
- In the short term, the main results will be cost reductions and business expansion in Asia.
- In the medium to long term, we will develop and implement strategies across regions to achieve global growth.



# International Business: MS Amlin (Measures for Profit Recovery)

- Although the recovery in profitability has been behind plan, the loss ratio on non-cat lines has been improving.
- Withdrawal from unprofitable and non-core business areas, accelerate efforts to improve the loss ratio of non-cat lines, and shift to a business portfolio that generates stable profits.

## Improvement of non-cat lines loss ratio



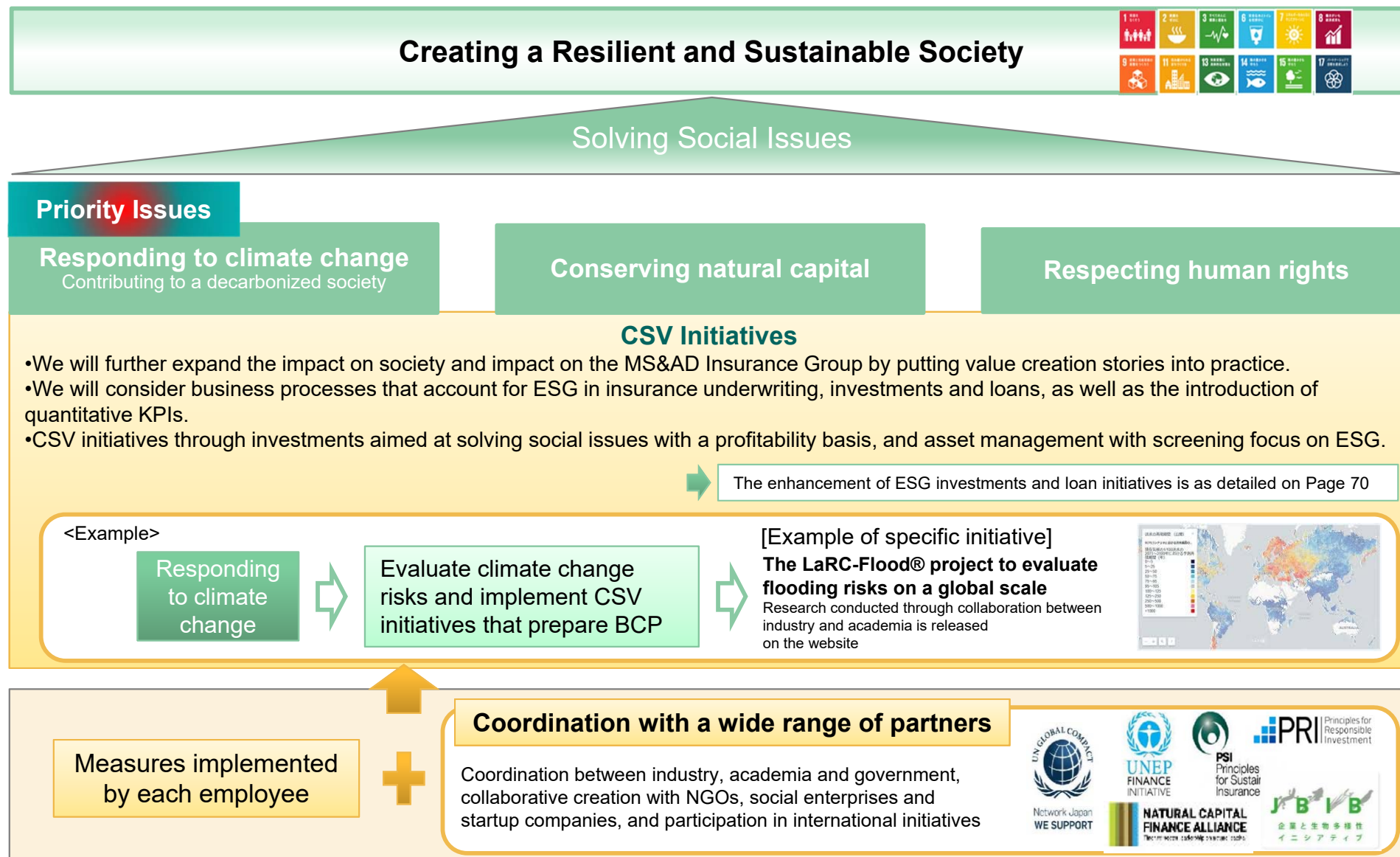
## Measures

1. Withdrawal from unprofitable lines  
(Property Insurance and SME business in UK, Aviation)
2. Continued increase in premium rates
3. Improvement of underwriting terms and conditions for priority categories



# CSV Initiatives

- We will collaborate with a wide range of partners and solve a range of social issues to drive the medium-to-long-term growth of the Group.
- We will promote initiatives that offer a strong value proposition to society and contribute to the medium-to-long-term development and growth of our businesses.



# Capital Policy

- We will make investments to ensure stable shareholder return and sustained profit creation, and in doing so realize enhanced shareholder value.

## Growth investments

Group Adjusted Profit

## Shareholder return

40%-60% of  
Group Adjusted Profit  
as a benchmark

### Strengthen: Investment to strengthen the competitiveness of existing businesses

- We will carry out investments that demonstrate a strong awareness of ROI, including investments aimed at promoting digitalization (digital transformation or “DX”), such as investments in information systems.



### Expand: Investment to diversify and expand the business portfolio

- <Perspectives for investment considerations>
- Sharing values
- Sustainable growth models
- Risk diversification (geographically and contextually)
- ROI target: achieve a level that exceeds capital costs (7%)



### Innovate: Investment to create new business territories

- Conduct investment activities through the CVC to search for technologies and business models that will be game changers over the next 3 to 5 years
- Undertaken initial investments predicated on cash flow balance
- During the actual technology implementation phase, carry out investments that demonstrate a strong awareness of ROI in keeping with investments in the above “Strengthen” section



CVC

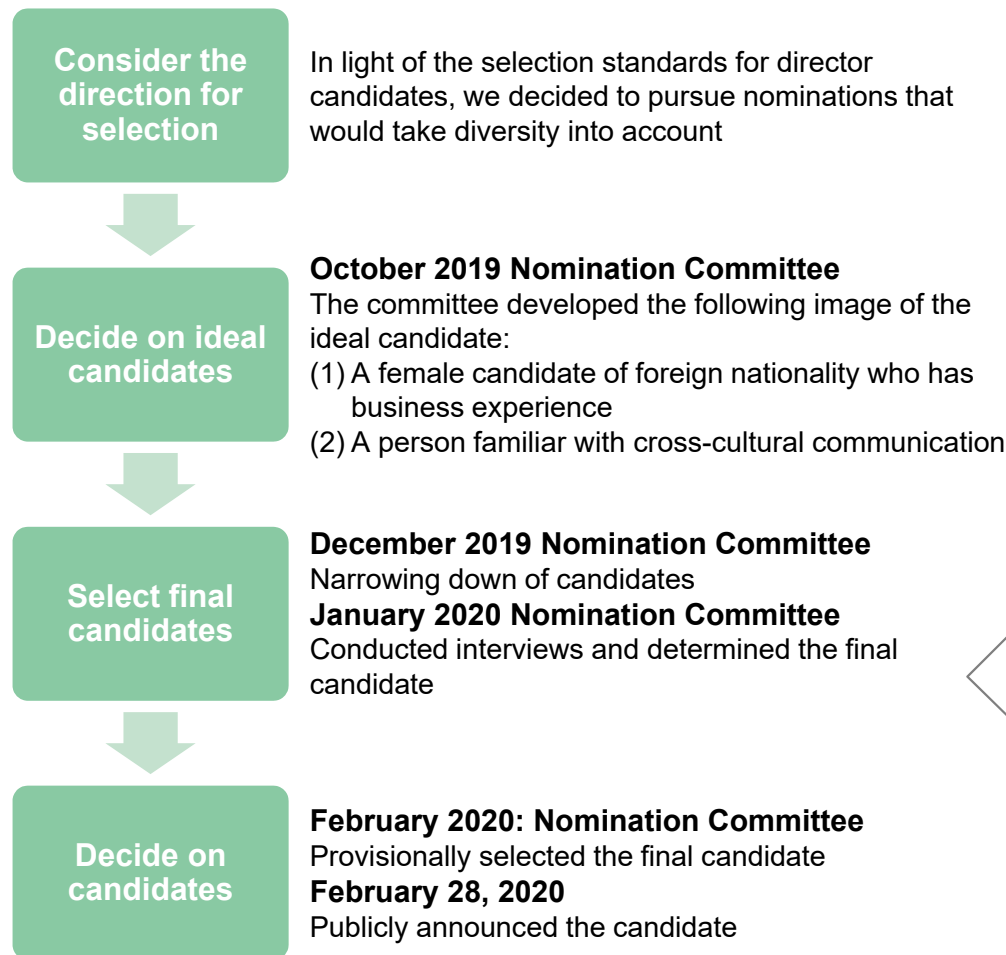
Group Adjusted ROE

10%

# Corporate Governance

- In order to become a world-leading insurance and financial services group, we plan to appoint the first foreign female director of MS&AD Insurance Group Holdings.

## Selection Process of a Candidate for Newly Appointed Outside Director



### Candidate for Newly Appointed Outside Director **Rochelle Kopp**

- Professor at the University of Kitakyushu (Management Strategy, Personnel Management, etc.)
- Experience working at Japanese banks
- Extensive knowledge and experience in Japan and the United States as a management consultant
- Extensive knowledge of cross-cultural communication



**Prof. Kopp possesses a skillset that the Group has lacked to date, including the communication skills needed for the Group further to develop as a global company**

Note: Rochelle Kopp is a candidate for outside director who will appear on the agenda of the 12th Annual Shareholders Meeting (to be held on June 25, 2020)

Advancing with you

**MS&AD**

INSURANCE GROUP

## **V. Shareholder Return**

# Shareholder Return Policy

- For FY2019, the annual dividend is planned to rise by ¥10 to ¥150. In addition, share buybacks of up to ¥15 billion are planned.
- For FY2020, the annual dividend is forecast not to change ¥150 in order to provide stable dividends despite the uncertain business environment.

## 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.<br>(DOE: Dividend on equity ratio: Aim for level of 2.0%-3.0%)                       |
| <Share buybacks> | Repurchase own shares flexibly, and as opportunities arise, with due consideration paid to market conditions and the state of capital. |

## Shareholder Return Forecast for FY2019

<Dividends>

FY2019: The annual dividend is planned at **¥150 (up ¥10 from the previous year)**

FY2020: The annual dividend is forecast at **¥150**

<Share buybacks>

FY2019: Following the ¥20.0 billion share buyback determined on November 19 2019,

**Share buybacks of ¥15.0 billion maximum will be implemented (determined on May 20, 2020).**

\* Please see p. 84 for the calculation method of Group Adjusted Profit.