

# Materials for FY2018 1Q Results Briefing – Conference Call

Advancing with you



INSURANCE GROUP

August 8, 2018 (Wed.)

MS&AD Insurance Group Holdings, Inc.

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## Summary of FY2018 1Q Results

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Please also refer to Excel data files uploaded on our website.

## Summary of FY2018 1Q Results

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

- Despite a decrease in premiums at domestic non-life subsidiaries mainly due to a decrease in compulsory automobile liability insurance (down 12.0 billion yen), consolidated net premiums written increased by 15.2 billion yen year-on-year to 970.5 billion yen.
- Gross premiums income for domestic life insurance subsidiaries rose by 30.9 billion yen year-on-year mainly due to strong sales at MSI Primary Life.

## Non-life insurance subsidiaries

(¥bn)

	FY2017 1Q Results	FY2018 1Q Results	YoY Change	Growth
Direct premiums written <sup>※</sup> (excl. deposit premiums from policyholders)	982.0	<b>1,019.1</b>	37.1	3.8%
Net premiums written <sup>※</sup>	955.2	<b>970.5</b>	15.2	1.6%
Mitsui Sumitomo Insurance	377.0	<b>376.4</b>	- 0.5	- 0.2%
Aioi Nissay Dowa insurance	312.2	<b>309.7</b>	- 2.4	- 0.8%
Mitsui Direct General	9.4	<b>9.3</b>	- 0.1	- 1.6%
Overseas subsidiaries	255.2	<b>274.2</b>	18.9	7.4%

※ Direct premiums written and net premiums written exclude Good Result Return Premiums of the “ModoRich” auto insurance product, which contains a special clause related to premium adjustment and refund at maturity, same hereafter.

## Life insurance subsidiaries

(¥bn)

	FY2017 1Q Results	FY2018 1Q Results	YoY Change	Growth
Gross premiums income <sup>※</sup>	331.5	<b>362.5</b>	30.9	9.3%
MSI Aioi Life	118.2	<b>116.7</b>	- 1.5	- 1.3%
MSI Primary Life	213.3	<b>245.8</b>	32.5	15.2%
Life insurance premiums	247.2	<b>290.5</b>	43.2	17.5%

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

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

(Non-life insurance subsidiaries: domestic and overseas)

- Net premiums written increased by 15.2 billion yen or 1.6%.
- As for the main causes of the decrease in net premiums written in the two domestic non-life insurance companies, there was a decrease in compulsory automobile liability insurance (CALI) (down by 12.0 billion yen) due to the impact of revision in premiums, and excluding residential earthquake insurance and CALI, there was an increase in net premiums written of 9.0 billion yen mainly attributed to increased revenues from class “Other”.
- Net premiums written at overseas subsidiaries increased by 18.9 billion yen due to MS First Capital being newly included in the scope of consolidation and the impact of foreign exchange.

(Life insurance subsidiaries: domestic)

- Gross premiums income from life insurance increased by 30.9 billion yen.
- Both fixed and variable insurance premiums income at MSI Primary Life increased in total by 32.5 billion yen.
- The amount of new policies and annualized premiums of new policies increased compared to the same period of the previous FY due to strong sales at MSI Aioi Life. (Please see Slide 19)

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

- Ordinary profit increased by 0.8 billion yen year-on-year due to contributions by increased profit at ADI and MSI Primary Life despite a decrease in profit at MSI mainly due to a decrease in gains on sales of strategic equity holdings.
- The 41.9% progress in relation to the projected annual net income of 200.0 billion yen marks a good start ahead of the planned level.

(¥bn)

	FY2017 1Q Results	FY2018 1Q Results	YoY Change	Change Ratio
Ordinary profit/loss	124.5	<b>125.4</b>	0.8	0.7%
Mitsui Sumitomo Insurance	87.8	<b>72.8</b>	- 15.0	- 17.1%
Aioi Nissay Dowa Insurance	30.9	<b>36.4</b>	5.4	17.7%
Mitsui Direct General Insurance	1.3	<b>1.0</b>	- 0.3	- 22.9%
MSI Aioi Life	4.9	<b>5.0</b>	0.0	1.3%
MSI Primary Life	5.3	<b>16.7</b>	11.3	210.3%
Overseas subsidiaries	4.5	<b>7.1</b>	2.5	56.9%
Consolidation adjustments, others	- 10.6	<b>- 13.8</b>	- 3.2	-
Net income/loss※	91.6	<b>83.8</b>	- 7.8	- 8.5%
Mitsui Sumitomo Insurance	66.6	<b>55.1</b>	- 11.4	- 17.2%
Aioi Nissay Dowa Insurance	22.4	<b>26.0</b>	3.6	16.1%
Mitsui Direct General Insurance	1.2	<b>0.9</b>	- 0.2	- 22.4%
MSI Aioi Life	2.4	<b>2.1</b>	- 0.3	- 12.3%
MSI Primary Life	3.4	<b>6.8</b>	3.4	101.6%
Overseas subsidiaries	4.9	<b>4.4</b>	- 0.5	- 10.9%
Consolidation adjustments, others	- 9.5	<b>- 11.7</b>	- 2.2	-

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

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

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

(Group consolidated)

- Ordinary profit increased by 0.8 billion yen year-on-year due to contributions by increased profit in ADI and MSI Primary Life despite a decrease in profit in MSI.
- Net income decreased by 7.8 billion yen mainly due to a decrease of net income of 11.4 billion yen at MSI.
- The 41.9% progress in relation to the projected annual net income of 200.0 billion yen marks a good start ahead of the planned level.

(Domestic non-life subsidiaries)

- Net income at MSI decreased by 11.4 billion yen year-on-year due to a decrease in gains on the sales of strategic equity holdings.
- Net income at ADI increased by 3.6 billion yen mainly due to an increase in underwriting profit and an increase in gains from the sales of securities.

(Domestic life insurance subsidiaries)

- Net income decreased by 0.3 billion yen at MSI Aioi Life. Although core profit surpassed the previous year (up 1.0 billion yen year-on-year) due to factors such as a decrease in the burden of the policy reserve as a result of the revision of products, net income decreased due to a decrease in the gains on sales of securities.
- Net income at MSI Primary Life increased by 3.4 billion yen due to the steady increase in the profit margins resulting from an increase in policies in force for fixed products.

(Overseas subsidiaries)

- Net income in overseas subsidiaries decreased by 0.5 billion yen. Although net income increased in Asia mainly due to MS First Capital being newly included in the scope of consolidation and a decrease of E/I loss ratio, net income in Europe decreased.

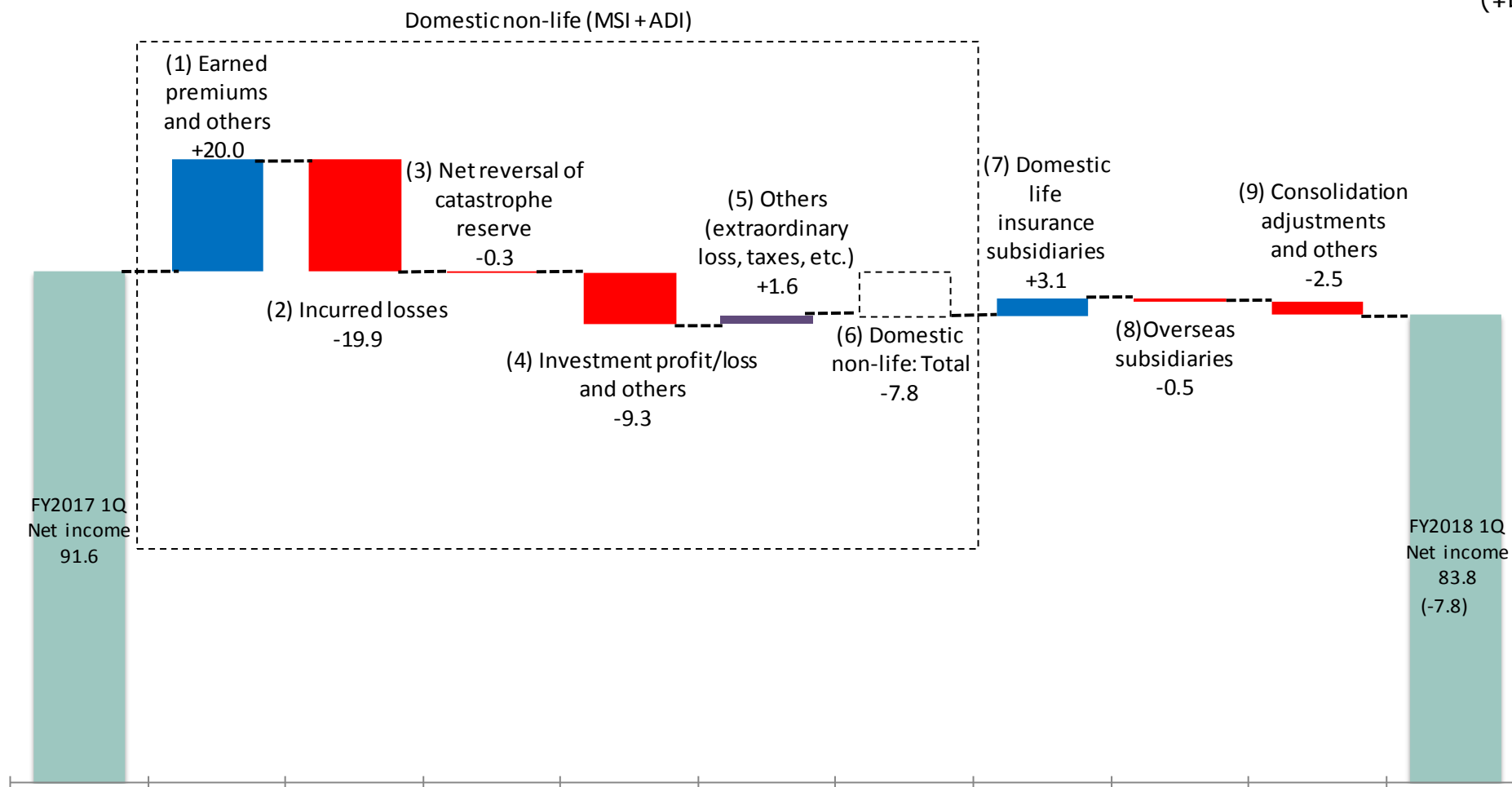


# Consolidated Earnings for FY2018 1Q (2) – YoY Results Comparison (i)

- The increase in incurred losses mainly caused by automobile and fire claims ((2) in the graph) was offset by the increase in earned premiums (1), resulting in a similar level of underwriting profit as in the same period of the previous year.
- The 9.3 billion yen decrease in investment profit and others (4) was mainly due to the decreased gains on sales of securities as a result of the decreased sales amount of strategic equity holdings.

## Consolidated net income

(¥bn)



# Consolidated Earnings for FY2018 1Q (2) – YoY Results Comparison (ii)

## Factors in YoY changes in consolidated net income

(¥bn)

		FY2017 1Q Results	FY2018 1Q Results	Difference
Consolidated net income/loss		<b>91.6</b>	<b>83.8</b>	<b>- 7.8</b>
Domestic non-life insurance <sup>※1</sup> : Underwriting profit/loss (excl. residential earthquake and CALI (compulsory auto liability insurance))		47.9	47.7	<b>- 0.2</b>
Earned premiums and others <sup>※2</sup>	(1)	378.8	398.8	<b>20.0</b>
Incurred losses (incl. loss adjustment expenses)	(2)	- 307.0	- 326.9	<b>- 19.9</b>
Provision/reversal of catastrophe reserve	(3)	- 23.8	- 24.1	<b>- 0.3</b>
Investment profit/loss and others	(4)	70.9	61.6	<b>- 9.3</b>
Others (extraordinary loss, taxes, etc.)	(5)	- 29.7	- 28.0	<b>1.6</b>
Domestic non-life insurance: Total	(6)	89.1	81.2	<b>- 7.8</b>
Domestic life insurance subsidiaries	(7)	5.8	8.9	<b>3.1</b>
Overseas subsidiaries	(8)	4.9	4.4	<b>- 0.5</b>
Consolidation adjustments and others	(9)	- 8.2	- 10.8	<b>- 2.5</b>

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

※2 "Earned premiums and others" include expenses.

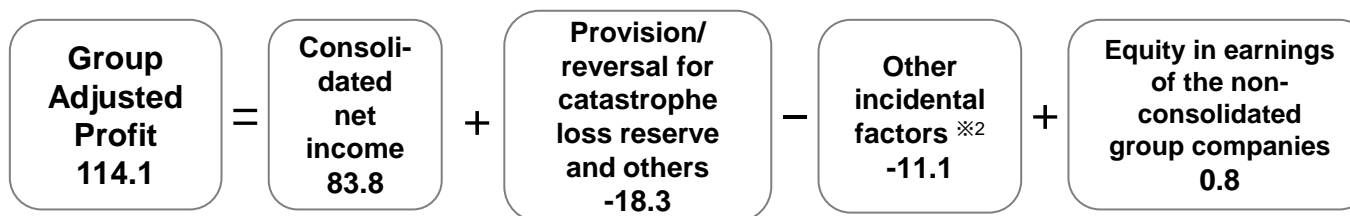
# Consolidated Earnings for FY2018 1Q (3) – Group Adjusted Profit

- Group Adjusted Profit was 114.1 billion yen, down by 3.4 billion yen year-on-year, mostly because of a decrease in the domestic non-life insurance business.

(¥bn)

	FY2017 1Q Results	FY2018 1Q Results	YoY Change
Group Adjusted Profit <sup>※1</sup>	117.5	<b>114.1</b>	<b>- 3.4</b>
Domestic non-life insurance business	106.6	<b>93.6</b>	<b>- 12.9</b>
Domestic life insurance business	5.7	<b>9.2</b>	<b>3.4</b>
International business	4.3	<b>10.2</b>	<b>5.8</b>
Financial services business and risk-related services business	0.7	<b>0.9</b>	<b>0.1</b>

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



※2 Amortization of goodwill and others: -8.4 billion yen; extraordinary income/loss excluding reserves for price fluctuation: -2.7 billion yen

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# Impact of Domestic Natural Catastrophes FY2018 1Q

- Total incurred losses of domestic natural catastrophes were 1.2 billion yen, about the same as in 1Q of the previous year, almost entirely consisting of losses related to the earthquake in northern Osaka (excluding residential EQ).

## Impact of domestic natural catastrophes

(¥bn)

	Incurred Losses	
		YoY Change
Mitsui Sumitomo Insurance	1.0	0.1
Aioi Nissay Dowa Insurance	0.1	- 0.0
Total	1.2	0.1

## <Reference> Incurred losses on a direct basis caused by the Heavy Rain of July 2018 (simple sum of MSI+ADI)

(¥bn)

	Paid and OS claims amount announced by GIAJ on July 27 <sup>*1</sup>	Incurred losses on a direct basis (preliminary estimate as of July 31) <sup>*2</sup>
Voluntary automobile	6.1	13.0
Fire and others (incl. PA)	15.8	50.0
Marine	-	3.0
Total	22.0	66.0

\*1 Total amount of paid and outstanding (OS) claims from direct written policies based on the information available as of July 23. This amount represents paid and OS claims related to policies underwritten solely by MSI and ADI and co-insurance policies which MSI or ADI issued as a lead underwriter, including the amount which shall be paid by shared (following) companies. Paid and OS claims related to co-insurance policies which insurer other than MSI and ADI issued as a lead underwriter are not included.

\*2 Estimated incurred losses on a direct basis after taking into consideration further accumulation of the number of reported claims and progress of claims assessment based on the information available as of July 31. Related co-insurance policies which another insurer other than MSI and ADI issued as a lead underwriter are included except for certain corporate account policies.

## Impact of Domestic Natural Catastrophes FY2018 1Q

(Impact of domestic natural catastrophes occurred in FY2018 1Q)

- 1Q incurred losses from domestic natural catastrophes were about the same as in the previous year at 1.2 billion yen because there were no large-scale catastrophes.
- This included incurred losses caused by the earthquake in northern Osaka that were close to 1.2 billion yen (excluding residential EQ).

<Reference> (The Heavy Rain of July 2018)

Incurred losses on a direct basis caused by the Heavy Rain of July 2018 which will affect our financial results in and after 2Q of FY 2018 is as follows.

- As of July 31, incurred losses on a direct basis<sup>\*1</sup> are anticipated to be approximately 66.0 billion yen based on the estimate of the final number of claims reported.
- The impact on our financial results will be limited as the above figure is before netting the amount recoverable from reinsurance. Also the incurred losses are offset by the reversal of catastrophe reserve in accordance with the prescribed calculation based on the amount of claims paid.
- The Company's incurred losses on a direct basis based on the [July 27 announcement by The General Insurance Association of Japan \(GIAJ\)](#)<sup>\*2</sup> is 22.0 billion yen (approx. 28% of the total for all companies surveyed)

<sup>\*1</sup> This amount includes the amount which shall be paid by shared (following) companies for co-insurance policies except for certain corporate account policies.

<sup>\*2</sup> Incurred losses on a direct basis (paid and outstanding claims) for claims reported by July 23. A lead underwriter reports the amount including the amount which shall be paid by shared (following) companies for co-insurance policies. (total amount of 78.9 billion yen for all companies surveyed by GIAJ)

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

- Earned premiums increased by 16.9 billion yen mainly due to an increase in fire insurance. On the other hand, incurred losses increased by 19.9 billion yen due to an increase in losses in fire and auto insurance.
- Underwriting profit (prior to reflection of catastrophe reserve) for the two companies combined was about the same as in 1Q of the previous FY.

	Simple Sum		MSI (Non-Consolidated)		ADI (Non-Consolidated)	
		YoY Change		YoY Change		YoY Change
<b>Net premiums written<sup>※1</sup></b>	<b>686.1</b>	<b>- 3.0</b>	<b>376.4</b>	<b>- 0.5</b>	<b>309.7</b>	<b>- 2.4</b>
Earned premiums <sup>※2</sup>	600.0	16.9	334.8	8.7	265.1	8.2
Incurred losses (including loss adjustment expenses) <sup>※2</sup> (–)	326.9	19.9	182.5	11.2	144.4	8.7
Underwriting-related expenses <sup>※2</sup> (–)	205.3	1.7	111.4	2.3	93.9	- 0.6
Commissions and collection expenses <sup>※2</sup>	123.6	0.5	64.2	0.7	59.3	- 0.1
Operating expenses and general and administrative expenses <sup>※2</sup>	81.7	1.2	47.1	1.6	34.5	- 0.4
<b>Underwriting profit/loss prior to reflecting catastrophe reserve</b>	<b>71.8</b>	<b>0.0</b>	<b>41.5</b>	<b>- 2.9</b>	<b>30.3</b>	<b>3.0</b>
Net reversal of catastrophe reserve	- 24.1	- 0.3	- 13.3	- 0.9	- 10.7	0.5
<b>Underwriting profit/loss after reflecting catastrophe reserve</b>	<b>47.7</b>	<b>- 0.2</b>	<b>28.1</b>	<b>- 3.8</b>	<b>19.5</b>	<b>3.6</b>
<b>EI loss ratio<sup>※2</sup></b>	<b>54.5%</b>	<b>1.8pp</b>	<b>54.5%</b>	<b>2.0pp</b>	<b>54.5%</b>	<b>1.7pp</b>
Net loss ratio <sup>※1</sup>	57.7%	3.0pp	58.1%	1.6pp	57.3%	4.7pp
Net expense ratio <sup>※1</sup>	32.6%	0.3pp	31.8%	0.6pp	33.6%	0.0pp
<b>Combined ratio<sup>※1</sup></b>	<b>90.3%</b>	<b>3.3pp</b>	<b>89.9%</b>	<b>2.2pp</b>	<b>90.9%</b>	<b>4.7pp</b>

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

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

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

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

- Investment profit and other ordinary profit fell by 9.3 billion yen year-on-year mainly due to the decrease in gains on sales of securities by 9.6 billion yen caused by a decrease in sales of strategic equity holdings by 20.6 billion yen.
- Although underwriting profit was about the same as in 1Q of the previous FY, net income decreased by 7.8 billion yen mainly due to the decreased investment profit.

(¥bn)

	Simple Sum		MSI (Non-Consolidated)		ADI (Non-Consolidated)	
		YoY Change		YoY Change		YoY Change
<b>Underwriting profit/loss</b>	<b>47.7</b>	<b>- 0.2</b>	<b>28.1</b>	<b>- 3.8</b>	<b>19.5</b>	<b>3.6</b>
Net interest and dividends income	46.2	1.7	31.6	2.2	14.6	- 0.4
Gains/losses on sales of securities	19.4	- 9.6	15.3	- 11.8	4.1	2.2
Impairment losses on securities (-)	1.0	0.5	1.0	0.5	0.0	0.0
<b>Investment profit/loss and other ordinary profit/loss</b>	<b>61.6</b>	<b>- 9.3</b>	<b>44.6</b>	<b>- 11.1</b>	<b>16.9</b>	<b>1.8</b>
<b>Ordinary profit/loss</b>	<b>109.3</b>	<b>- 9.5</b>	<b>72.8</b>	<b>- 15.0</b>	<b>36.4</b>	<b>5.4</b>
<b>Extraordinary income/loss</b>	<b>- 3.2</b>	<b>- 0.6</b>	<b>- 1.1</b>	<b>0.0</b>	<b>- 2.0</b>	<b>- 0.6</b>
<b>Income before taxes</b>	<b>106.1</b>	<b>- 10.1</b>	<b>71.7</b>	<b>- 15.0</b>	<b>34.4</b>	<b>4.8</b>
<b>Taxes and others</b>	<b>24.8</b>	<b>- 2.2</b>	<b>16.5</b>	<b>- 3.5</b>	<b>8.3</b>	<b>1.2</b>
<b>Net income/loss</b>	<b>81.2</b>	<b>- 7.8</b>	<b>55.1</b>	<b>- 11.4</b>	<b>26.0</b>	<b>3.6</b>

	MSI + ADI	
		YoY Change
<Reference> Sales of strategic equity holdings	<b>26.5</b>	<b>- 20.6</b>

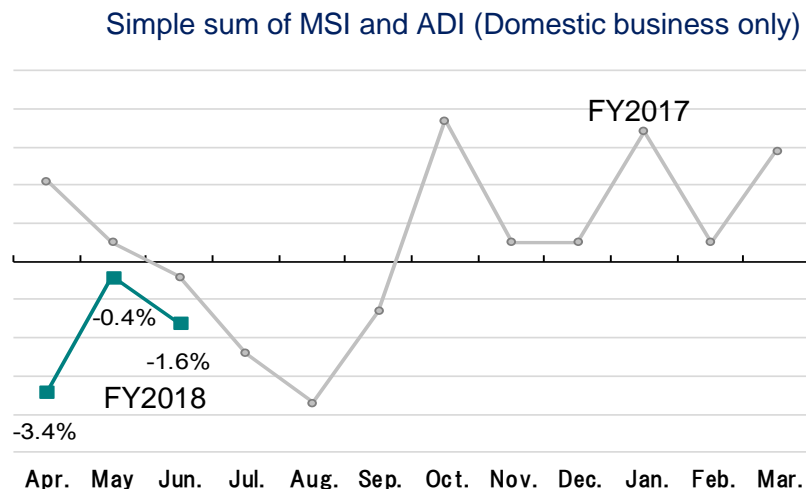


# Domestic Non-Life Insurance Companies FY2018 1Q (2) – Voluntary Auto Insurance

- The cumulative number of accidents at the end of June fell by 1.7% year-on-year. The average payout per claim for both property damage liability and vehicle damage continued to rise with an increase in the cost of repairs.
- E/I loss ratio rose by 2.1 points year-on-year to 56.0%.

## Number of accidents

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

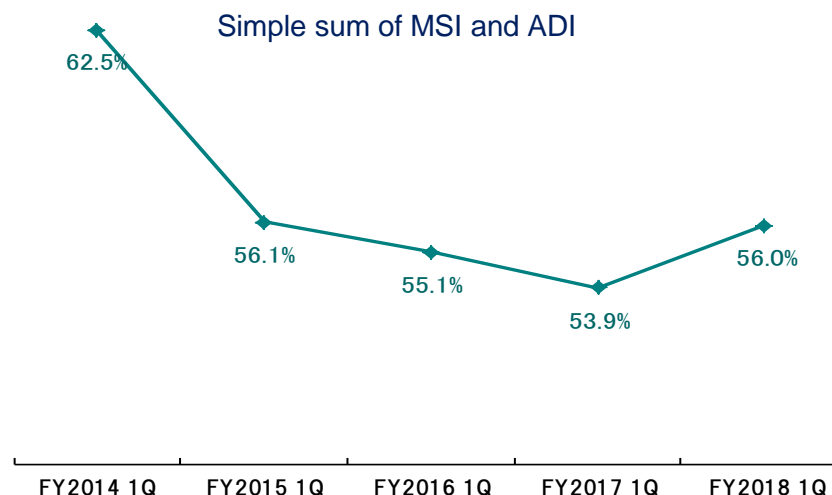


## Mitsui Sumitomo Insurance

<Domestic sales basis>	No. of contracts	Insurance premium unit price	Insurance premium
Factors of increase/decrease in insurance premiums	+1.4%	-2.4%	- 1.0%
<Domestic>	Property damage liability	Vehicle damage (Excl. natural disasters)	
Changes in average payout per claim	+0.2%	+0.4%	

## E/I loss ratio

(incl. loss adjustment expenses)



## Aioi Nissay Dowa Insurance

<Domestic sales basis>	No. of contracts	Insurance premium unit price	Insurance premium
Factors of increase/decrease in insurance premiums	+0.7%	- 1.1%	- 0.4%
<Domestic>	Property damage liability	Vehicle damage (Excl. natural disasters)	
Changes in average payout per claim	+0.7%	+0.5%	

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

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

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

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# Domestic Life Insurance / MSI Aioi Life - Results for FY2018 1Q

- Amount of new policies showed an increase by 45.2% year-on-year mostly because of favorable sales of income guarantee insurance. Annualized premiums of new policies in the third sector posted an increase by 32.7% mostly because of favorable sales of a new product.
- Net income was 2.1 billion yen, a decrease of 0.3 billion yen year-on-year, as a result of such factors as a decrease in gains on sales of securities.

## MSI Aioi Life

(¥bn)

	FY2017 1Q Results	FY2018 1Q Results	YoY Change	Change Ratio
Amount of new policies <sup>※1</sup>	629.8	<b>914.6</b>	284.8	45.2%
Annualized premiums of new policies	8.4	<b>9.4</b>	0.9	11.3%
of which, third sector insurance	3.0	<b>4.0</b>	1.0	32.7%
Amount of policies in force <sup>※1</sup>	(At the beginning of FY) 23,806.8	<b>24,114.5</b>	(Change from the beginning of FY) 307.7	3.4%
Annualized premiums of policies in force	(At the beginning of FY) 412.3	<b>413.7</b>	(Change from the beginning of FY) 1.3	2.7%
of which, third sector insurance	(At the beginning of FY) 96.7	<b>99.1</b>	(Change from the beginning of FY) 2.4	9.9%
Gross premiums income	118.2	<b>116.7</b>	- 1.5	-1.3%
Ordinary profit/loss	4.9	<b>5.0</b>	0.0	1.3%
Extraordinary income/loss	- 0.1	<b>- 0.4</b>	- 0.2	—
Net income/loss	2.4	<b>2.1</b>	- 0.3	-12.3%
Core profit	3.8	<b>4.8</b>	1.0	26.9%

※1 Total sum of personal insurance and personal annuity insurance

# Domestic Life Insurance / MSI Primary Life - Results for FY2018 1Q

- Gross premiums income increased by 32.5 billion yen year-on-year as premiums in both variable and fixed products increased.
- Net income increased by 3.4 billion to 6.8 billion yen.
- Provision for price fluctuation reserve (incl. statutory provision amount) was 7.3 billion yen due to the profit generated as a result of changes in the market environment.

## MSI Primary Life

(¥bn)

	FY2017 1Q Results	FY2018 1Q Results	YoY Change	Change Ratio
Amount of new policies <sup>※1</sup>	213.1	<b>248.0</b>	34.9	16.4%
Amount of policies in force <sup>※1</sup>	(At the beginning of FY) 6,061.8	<b>6,228.7</b>	(Change from the beginning of FY) 166.8	2.8%
Gross premiums income	213.3	<b>245.8</b>	32.5	15.2%
Ordinary profit/loss	5.3	<b>16.7</b>	11.3	210.3%
Extraordinary income/loss	- 0.6	<b>- 7.3</b>	- 6.6	—
Net income/loss	3.4	<b>6.8</b>	3.4	101.6%

※1 Total sum of personal insurance and personal annuity insurance

## Impact of interest rates and foreign exchange rates

(¥bn)

	FY2017 1Q Results	FY2018 1Q Results
Impact of interest rates	- 4.3	<b>5.8</b>
Impact of foreign exchange rates	- 2.4	<b>0.6</b>
Total	- 6.7	<b>6.5</b>

# Overseas Subsidiaries - Results for FY2018 1Q

- Net premiums written increased by 1.7% excluding effect of foreign exchange mainly due to the new inclusion of MS First Capital in the consolidated reporting and an increase at MS Amlin impacted by foreign exchange rates.
- Net income decreased by 0.5 billion yen year-on-year mainly due to a decrease in Europe including MS Amlin, although net income in Asia increased.

## Overseas subsidiaries

(¥bn)

	FY2017 1Q Results	FY2018 1Q Results		
			YoY Change	Change ratio
Net premiums written	<b>255.2</b>	<b>274.2</b>	<b>18.9</b>	7.4%
Asia	40.8	46.8	5.9	14.7%
Europe	201.1	215.1	14.0	7.0%
(of which, MS Amlin)	184.9	197.7	12.8	7.0%
Americas	13.3	12.2	- 1.0	- 8.2%
Net income/loss	<b>4.9</b>	<b>4.4</b>	<b>- 0.5</b>	<b>-10.9%</b>
Asia	1.6	4.1	2.5	157.7%
Europe	1.9	- 1.2	- 3.1	-162.3%
(of which, MS Amlin)	2.4	0.0	- 2.3	- 97.8%
Americas	0.1	0.4	0.3	275.8%
International Life Insurance*	1.2	0.9	- 0.3	- 24.4%

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

## Overseas Subsidiaries - Results for FY2018 1Q

### (Top line)

- Net premiums written increased by 7.4%. (Increased by 1.7% excluding effect of foreign exchange.)
- The factor responsible for increased premiums in Asia is the new inclusion of MS First Capital in the consolidated reporting (5.2 billion yen).
- The factor responsible for increased premiums in Europe was an increase of premiums experienced by MS Amlin from favorable foreign exchange movements. Excluding the effect of foreign exchange, Amlin's net premiums written decreased by 0.1 billion yen. (Average GBP rate during the period: previous period @ JPY140.77, current period @JPY150.69)

### (Bottom line)

- Net income declined by 0.5 billion yen year-on-year.
- Income in Asia increased by 2.5 billion yen due to the effect of including MS First Capital in the scope of consolidation (+ 1.0 billion yen), and a decrease in incurred losses in Asia.
- Income decreased by 3.1 billion yen in Europe mainly due to MS Amlin.

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

## Net premiums written

(¥bn)

	Simple Sum	
	Results	Growth
Fire and allied	<b>84.1</b>	0.7%
Marine	<b>18.3</b>	7.9%
Personal accident	<b>58.2</b>	3.0%
Voluntary automobile	<b>346.1</b>	0.0%
CALI	<b>76.0</b>	-13.7%
Other	<b>103.1</b>	5.4%
Total	<b>686.1</b>	-0.4%
Total excluding residential EQ insurance and CALI	<b>609.8</b>	1.5%

MSI (Non-Consolidated)		ADI (Non-Consolidated)	
Results	Growth	Results	Growth
<b>43.5</b>	0.5%	<b>40.6</b>	1.0%
<b>16.4</b>	8.7%	<b>1.9</b>	1.6%
<b>40.8</b>	2.4%	<b>17.3</b>	4.2%
<b>168.5</b>	-0.4%	<b>177.5</b>	0.5%
<b>39.7</b>	-14.0%	<b>36.3</b>	-13.3%
<b>67.2</b>	6.6%	<b>35.8</b>	3.3%
<b>376.4</b>	-0.2%	<b>309.7</b>	-0.8%
<b>336.5</b>	1.8%	<b>273.2</b>	1.2%

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

## EI loss ratio (Simple sum)

	EI Loss Ratio			EI Loss Ratio (excl. impact of nat. cat.)		
	FY2017 1Q Results	FY2018 1Q		FY2017 1Q Results	FY2018 1Q	
		Results	YoY Change		Results	YoY Change
Fire and allied (excl. residential EQ and CALI)	46.8%	<b>51.6%</b>	4.8pp	45.8%	<b>49.6%</b>	3.8pp
Marine	55.2%	<b>55.5%</b>	0.3pp	55.2%	<b>55.5%</b>	0.3pp
Personal accident	52.4%	<b>51.8%</b>	-0.6pp	52.4%	<b>51.8%</b>	-0.6pp
Voluntary automobile	53.9%	<b>56.0%</b>	2.1pp	53.8%	<b>56.0%</b>	2.2pp
Other	53.7%	<b>53.5%</b>	-0.2pp	53.7%	<b>53.4%</b>	-0.3pp
Total (excluding residential EQ insurance and CALI)	52.7%	<b>54.5%</b>	1.8pp	52.5%	<b>54.2%</b>	1.7pp

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

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

※ “Impact of nat. cat.” means incurred losses from domestic and overseas natural catastrophes occurred in each year. Figures for FY2017 include incurred losses from domestic natural catastrophes only.



# <Reference> Domestic Non-Life Insurance Companies – MSI & ADI Results for FY2018 1Q (3)

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

	EI Loss Ratio				EI Loss Ratio (excl. impact of nat. cat.)			
	MSI (Non-consolidated)		ADI (Non-consolidated)		MSI (Non-consolidated)		ADI (Non-consolidated)	
	Results	YoY Change	Results	YoY Change	Results	YoY Change	Results	YoY Change
Fire and allied (excl. residential EQ and CALI)	54.1%	4.5pp	48.7%	5.3pp	52.1%	4.1pp	46.7%	3.5pp
Marine	54.7%	1.5pp	63.8%	-10.9pp	54.6%	1.4pp	63.8%	-10.9pp
Personal accident	53.1%	0.1pp	48.8%	-2.2pp	53.1%	0.1pp	48.8%	-2.2pp
Voluntary automobile	55.0%	2.6pp	57.0%	1.6pp	55.0%	2.6pp	57.0%	1.7pp
Other	54.4%	-0.5pp	51.6%	0.4pp	54.3%	-0.6pp	51.6%	0.4pp
Total excluding residential EQ insurance and CALI	54.5%	2.0pp	54.5%	1.7pp	54.2%	2.0pp	54.1%	1.4pp

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

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

※ "Impact of nat. cat." means incurred losses from domestic and overseas natural catastrophes occurred in each year.  
Figures for FY2017 include incurred losses from domestic natural catastrophes only.

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

(£ mn)

	FY2017 1Q Results	FY2018 1Q	
		Results	YoY change
Net premiums written	1,314	<b>1,313</b>	<b>- 1</b>
Net premiums earned	681	<b>755</b>	<b>74</b>
Incurred losses (including loss adjustment expenses)	439	<b>479</b>	<b>39</b>
Net commission and expense for acquisition, admin expense	268	<b>267</b>	<b>- 0</b>
Underwriting profit/loss	- 40	<b>2</b>	<b>43</b>
Investment profit/loss※2	71	<b>33</b>	<b>- 39</b>
Other expenses※3	- 23	<b>- 40</b>	<b>- 17</b>
Net income/loss after tax	17	<b>0</b>	<b>- 17</b>
EI claims ratio	64.5%	<b>63.4%</b>	<b>-1.1pp</b>
EI expense ratio※4	41.4%	<b>36.3%</b>	<b>-5.1pp</b>
EI combined ratio※4	105.9%	<b>99.7%</b>	<b>-6.2pp</b>

※1 On a local (UK) reporting basis

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

※3 The main item of "Other expenses" is expenses of non-insurance companies. Figure for FY2018 1Q includes lump-sum severance payments following the reduction of personnel at MS Amlin plc and its subsidiaries.

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

## <Reference> MS Amlin's Results for FY2018 1Q (Jan. – Mar. 2018)

- Income after tax was 0 million pounds (40 million yen), and generally in line with the plan.
- Underwriting profit exceeded the planned level, while investment profit fell below the planned level, and lump-sum severance payments associated with the reduction of personnel (Other expenses) were also a negative factor. Severance payments were already factored in the initial forecast.

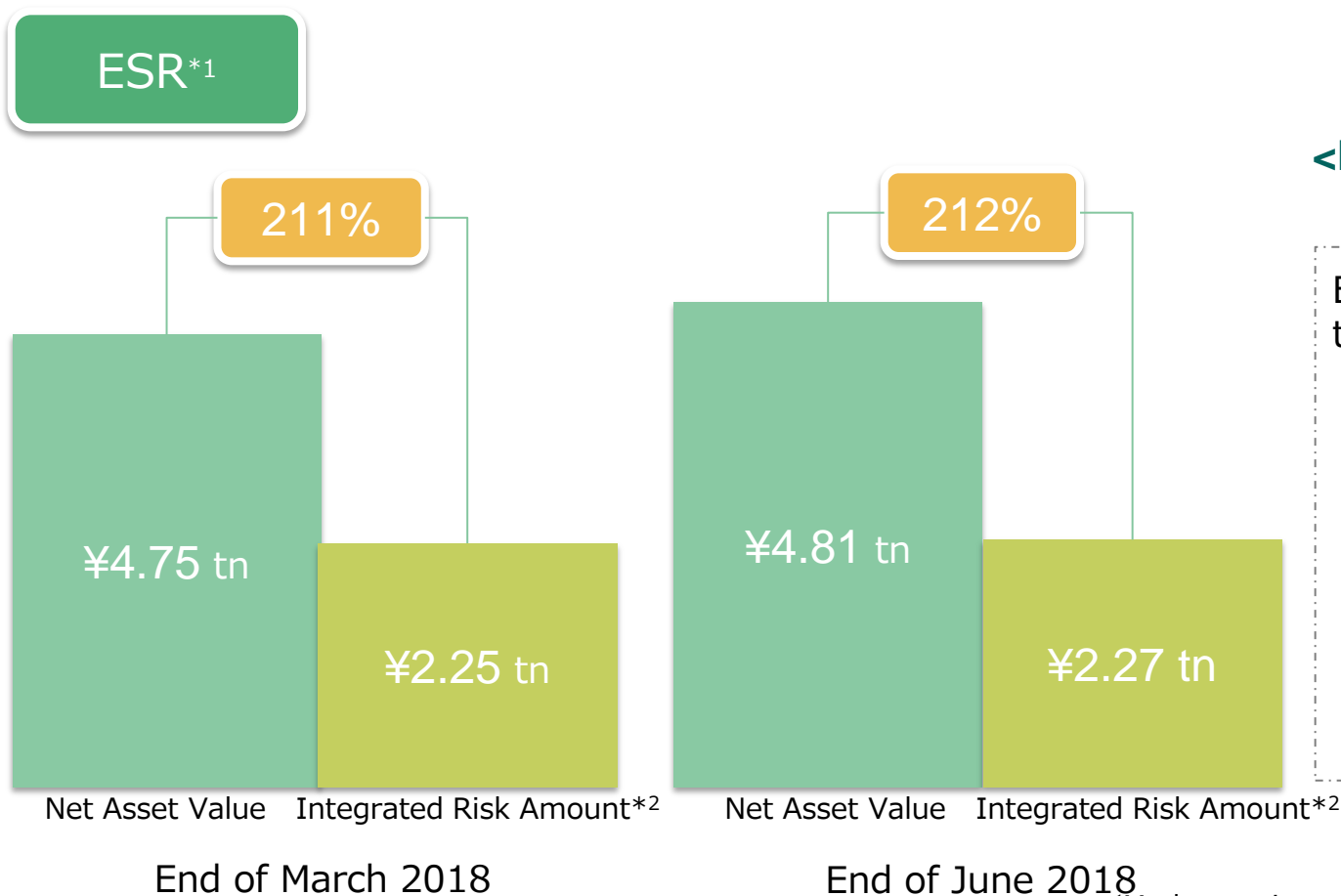
### (Underwriting profit)

- Earned premiums increased by 74 million pounds following the revision of estimated premium income based on the actual premium development.
- Incurred losses increased by 39 million pounds compared to the same period of the previous fiscal year mainly due to the increase in the loss for the current year associated with the increase in earned premiums
- With regard to the state of losses at lines other than natural catastrophes, although some adjustments were made to the IBNR reserve for the past year in several lines, efforts to restore profitability for risks other than natural catastrophes, such as raising premium rates and halting underwriting of policies with a poor history, are generally proceeding according to plan.

### (Investment profit)

- Investment income declined by 39 million pounds compared to the same period of the previous year when market conditions, primarily in the United States, were favorable.

# <Reference> ESR



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

ESR increased by 1pp due to the following factors:

- ↗ Increase in NAV due to retained earnings
- ↗ Increase in the market value of assets due to increasing stock prices (increase in NAV)
- ↘ Increase of equity risk due to increasing stock prices
- ↗ Reduction of equity risk by sales of strategic equity holdings

### <Market environment assumptions>

	End of March 2018	End of June 2018	Change
Nikkei stock average	21,454 yen	22,305 yen	+850 yen
Exchange rate (US\$1: Yen)	106 yen	111 yen	+4 yen
30-year JGB interest rate	0.74%	0.75%	+ 0.01pp

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

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

## Abbreviations of company names used in this presentation

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

## Definition of “Group Core Profit” and “Group ROE”

Group Core Profit = Consolidated net income

- Net capital gains/losses on stock portfolio (gains/losses on sales etc.)
- Net evaluation gains/losses on credit derivatives
- Other incidental factors
- + Equity in earnings of the non-consolidated group companies

Group ROE =  $\text{Group Core Profit} \div \text{Consolidated total net assets excluding stock acquisition rights and non-controlling interests (average of beginning and ending amounts of B/S)}$

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

Group Adjusted Profit = Consolidated net income

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

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

Group Adjusted ROE =  $\text{Group Adjusted Profit} \div \text{Adjusted net assets (average of beginning and ending amounts of B/S)}$

## Caution About Forward-Looking Statements

This presentation contains statements about future plans, strategies, and earnings forecasts for MS&AD Insurance Group Holdings and MS&AD Group companies that constitute forward-looking statements. These statements are based on information currently available to the MS&AD Group. Investors are advised that actual results may differ substantially from those expressed or implied by forward-looking statements for various reasons. Actual performance could be adversely affected by (1) economic trends surrounding our business, (2) fierce competition in the insurance sector, (3) exchange-rate fluctuations, and (4) changes in tax and other regulatory systems.

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