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INSURANCE GROUP

Acquisition of Shares of Box Innovation Group

- Full-fledged Entry into the U.K. Telematics Auto Insurance Market -

December 24, 2014

1. Overview of the BIG acquisition

About the Transaction

- Aioi Nissay Dowa Insurance Company of Europe Limited (hereafter, "ADE" *1) will acquire 75.01% of the outstanding shares of Box Innovation Group Limited*2 for 105 million pounds (approx. 20 billion yen) from existing shareholders.
- Assuming that the transaction is approved by the relevant authorities, we expect to complete the acquisition sometime after February 2015.
- ADE underwrites insurance products sold by Insure The Box (hereafter, together with Box Innovation Group Limited "ITB Group").

*1: ADE is a wholly-owned subsidiary of Aioi Nissay Dowa Insurance Co., Ltd. ADE develops and promotes retail business with Toyota dealers in U.K. and in Europe

*2: Box Innovation Group Limited is the holding company for Insure The Box Group, which deals telematics auto insurance in U.K.

2. Objective of Acquisition of Box Innovation Group Limited and Impact on MS&AD Group Business Results

Transaction objectives

- Through this full-fledged entry into the U.K. telematics auto insurance market, we aim to advance our growth strategy and realize earnings expansion.
- We aim to expand ADE's business operations in Europe, which center mainly on the Toyota retail business.
- We aim to diversify our business portfolio by venturing into areas in which the MS&AD Group is not currently involved.
- Utilizing telematics technology should also help us to achieve our corporate mission.

Impact on MS&AD Group business results

- There will be no impact on MS&AD Group business results in FY2014
- The acquisition will be entirely financed from cash on hand (i.e., we will not be raising capital or borrowing from outside sources).

3. Overview of Telematics Auto Insurance

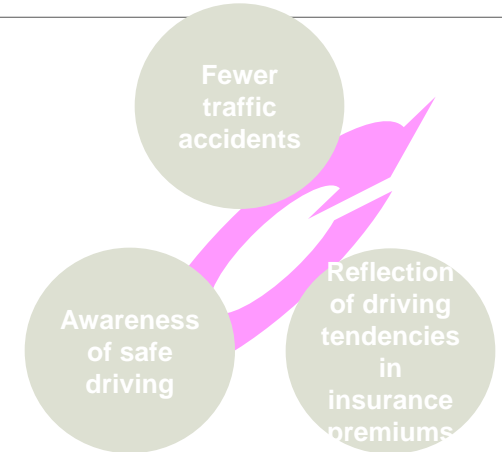
There is growing focus on the use of “Telematics” to collect data on driving tendencies such as driving distance, speed, acceleration and braking operation while driving and on “Telematics Auto Insurance” in which insurance premiums are set based on this.

Because “driving tendencies” is directly reflected in insurance premiums, this increases awareness of “safe driving” ⇒ Fewer accidents

<Reference> Examples of Use in Auto Insurance and Services

- ① Provision of services (automatic emergency reporting services linked to airbags, tracking services in the event of theft, delivery of traffic information and weather information in the area where a car is being driven.) using bidirectional communication systems in cars, etc.
- ② ADI was the first to practically apply PAYD, “Pay As You Drive”, for acquiring the driving distance through “G-BOOK” system in 2004. In April 2015, this undergoes a renewal as a product providing “safety, security and savings” in the form of “Connected Auto Insurance”

* There are examples of overseas auto insurance acquiring various driving tendency data such as speed, driving distance, driving time, and uses of accelerator and brake from car-mounted equipment, and using this data to adjust insurance premiums.



Information acquired through Telematics

✓ Driving distance

✓ Speed ✓ Positional information
✓ Number of instances of sudden acceleration and sudden braking
✓ Steering stability
✓ Driving time, etc.

Format of Telematics Auto Insurance

☞ Premiums adjusted according to the driving distance by the automobile

Implemented by ADI

☞ Premiums adjusted according to the driver's driving tendencies

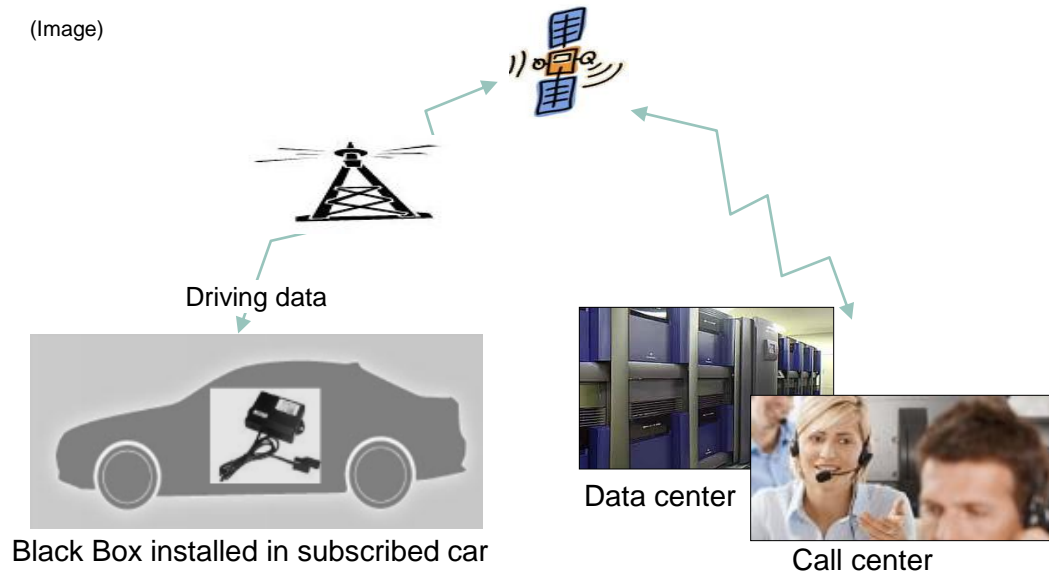
4. Insure The Box Group Overview

Description of the company	<ul style="list-style-type: none">•As a leader and the most advanced company in the field of telematics insurance in the U.K., Insure The Box—the main company under the BIG umbrella—is the U.K.'s biggest telematics insurance company.•Insure The Box is an MGA which is a comprehensive insurance agent with all the functions of an insurance company except underwriting (risk-taking).•The company's insurance risks are underwritten by Catlin (Lloyd's syndicate) and others.
Business track record	<ul style="list-style-type: none">•All customers have devices installed in their vehicles, and in the five years since the business was launched, 300,000 have been sold. It currently has about 130,000 policies in force.•It is estimated to have the top market share in telematics insurance in the U.K. (22% share of U.K. market in 2012)
Telematics technology	<ul style="list-style-type: none">•As an MGA that develops all of its own telematics technology, it is a world-class company (biggest in U.K.).
Shareholders	<ul style="list-style-type: none">•Catlin, Mr. Brockman and other members of the management team
Organization	<ul style="list-style-type: none">•Box Innovation Group Limited, a Gibraltar-based company, and four subsidiaries including ITB under the BIG umbrella, divided by function.

5. Efforts by Insure The Box

Insure The Box was established in 2009 and is the largest and leading company making advanced efforts in the area of U.K. Telematics Auto Insurance

(Image)



[Main information collected]

The in-tele-box sends us the following information:

- The time of day or night you drive
- The speed you drive at on different sorts of road
- If you brake or accelerate sharply
- If you take breaks on long journeys
- Your motorway miles
- Your total mileage
- The total number of journeys you make

- ① A proprietary device called a “Black Box” is installed in each insured car and receives driving data from the vehicle.
- ② The effect of reduced premiums through the use of Telematics is larger for young people with higher premiums, and many of the company's policyholders are young people.
- ③ Annual premiums of the company's new automobile insurance policyholders are reduced by an average of approximately £620 (approx. ¥120,000).

6. Overview of Insure The Box's Product

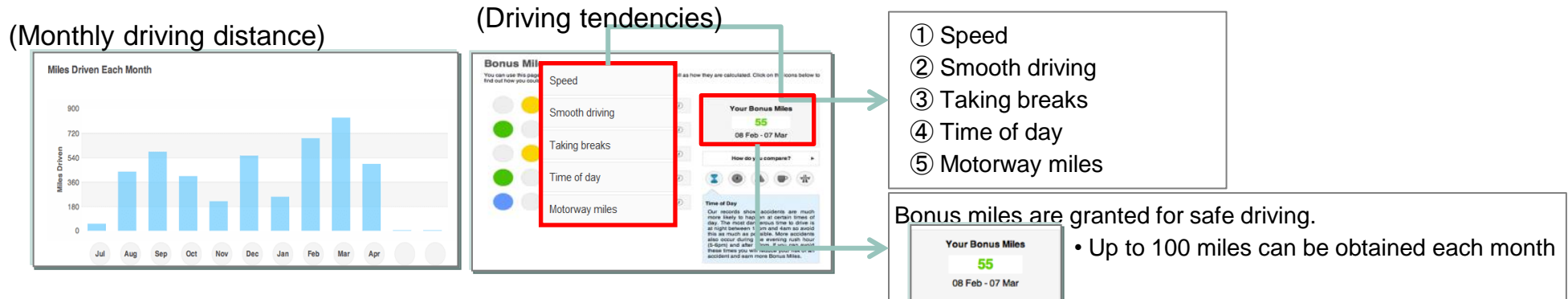
“Prepaid distance” automobile insurance with safe driving bonuses promoting safe driving by policyholders

① “Basic Miles” purchased when signing up

- Select from 6,000, 8,000 or 10,000 miles annual driving distances (Different premiums depending on the basic miles)
<1 mile = Approx. 1.6km>

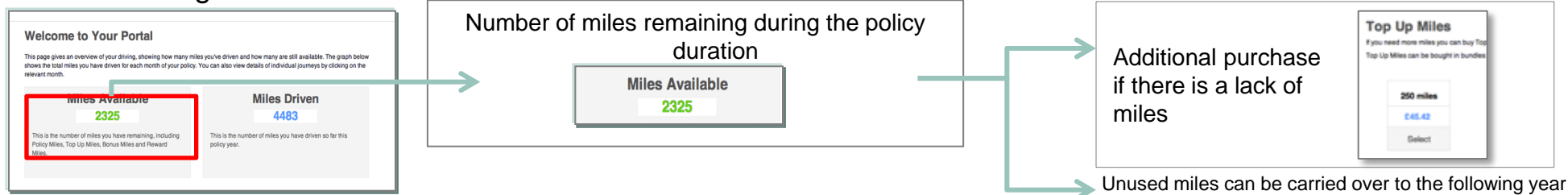
② Bonus miles acquired through safe driving

- Data on driving distance and driving tendencies is aggregated in the Black Box, and bonus miles are granted to good drivers.
- Policyholders can check the driving distance, driving tendencies and bonus miles acquired in the portal site.



③ Additional miles purchased if there is a lack of miles remaining

- Policyholders can check the number of miles remaining and purchase additional miles from the portal site if there are not enough.



7. Unique Accident Service of Insure The Box

- “Emergency Service”: An emergency service responding to data received from the Black Box
- “Stolen Car Tracking”: Tracking and recovery of a stolen car based on information received from the Black Box

[Emergency Service (Accident Alert)]

If a major accident is expected to have occurred based on information from the Black Box, the call center makes an outbound call to the mobile phone of the policyholder.

“If the vehicle is stationary after a strong impact”

- Because it is expected that a major accident preventing driving has occurred, an emergency call is made to the policyholder to check his/her safety, and support such as the arrangement of transportation is provided to the policyholder if required.

“If there is no response from the mobile phone”

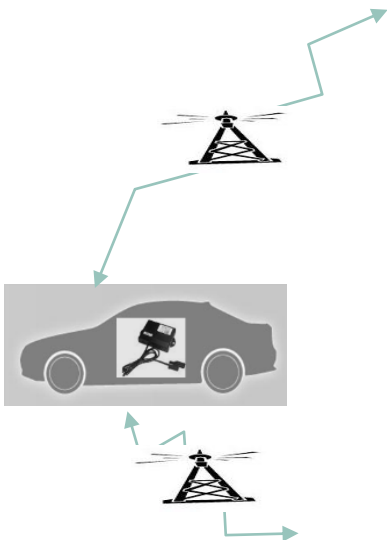
- If there is no response, it is assumed that an injury has been sustained in the accident, and support for rescue activities is provided by placing an emergency call to the police and ambulance service as required

[Stolen Vehicle Tracking Service (Theft Recovery)]

The vehicle is tracked and recovered using positional data from the Black Box based on a theft report from the insured vehicle.

- The vehicle is recovered by using positional and movement information on the insured car while working with the police.

(Note: Insure The Box boasts an extremely high recovery rate of stolen vehicles because the Black Box is installed in a place that cannot be seen from the outside.)



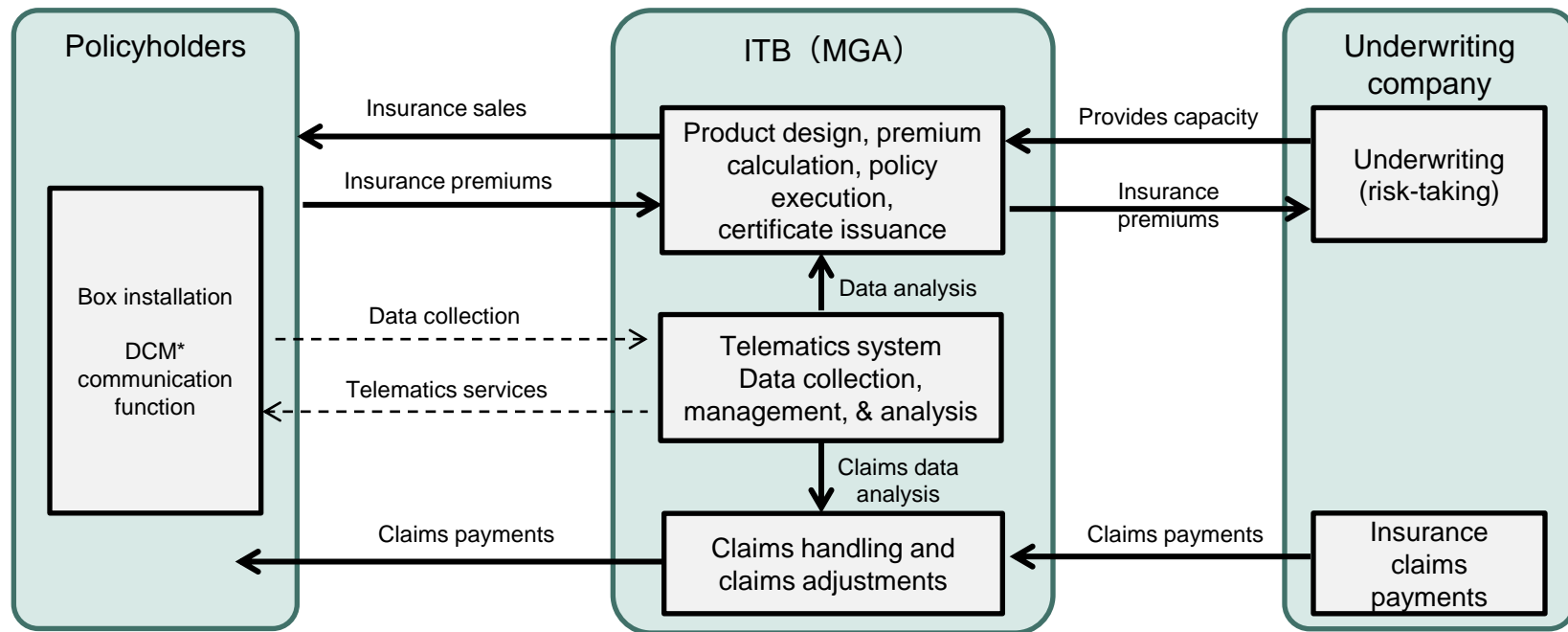
8. Overview of Managing General Agent(MGA)

MGA functions

- An MGA is a comprehensive insurance agent that has all of the functions of an insurance company except underwriting (risk-taking).
- In addition to the typical insurance agency function, MGA provides insurance product design, claims handling, claims adjustments, etc. which are usually provided by insurance companies.

	Customer acquisition	Insurance sales	Claims handling	Customer service	Product design	Telematics system	Underwriting (terms & conditions)	Underwriting (risk-taking)	Claims adjustments	Claims payments
Insurance company	△	○	○	○	○	△	○	○	○	○
Agent	○	○	△	○	×	×	○	×	△	×
MGA(ITB)	○	○	○	○	○	○	○	×	○	△

MGA business scheme



※Data Communication Module

9. Strategic Significance of the Acquisition

- This full-fledged entry into the U.K. telematics auto insurance market will advance our growth strategy and bring about earnings expansion.
 - ⇒ Increases revenue and profit from MGA business handling telematics auto insurance, an area where rapid growth is expected.
 - ⇒ Increases ADE's insurance premiums and earnings, as it underwrites insurance through Insure The Box.

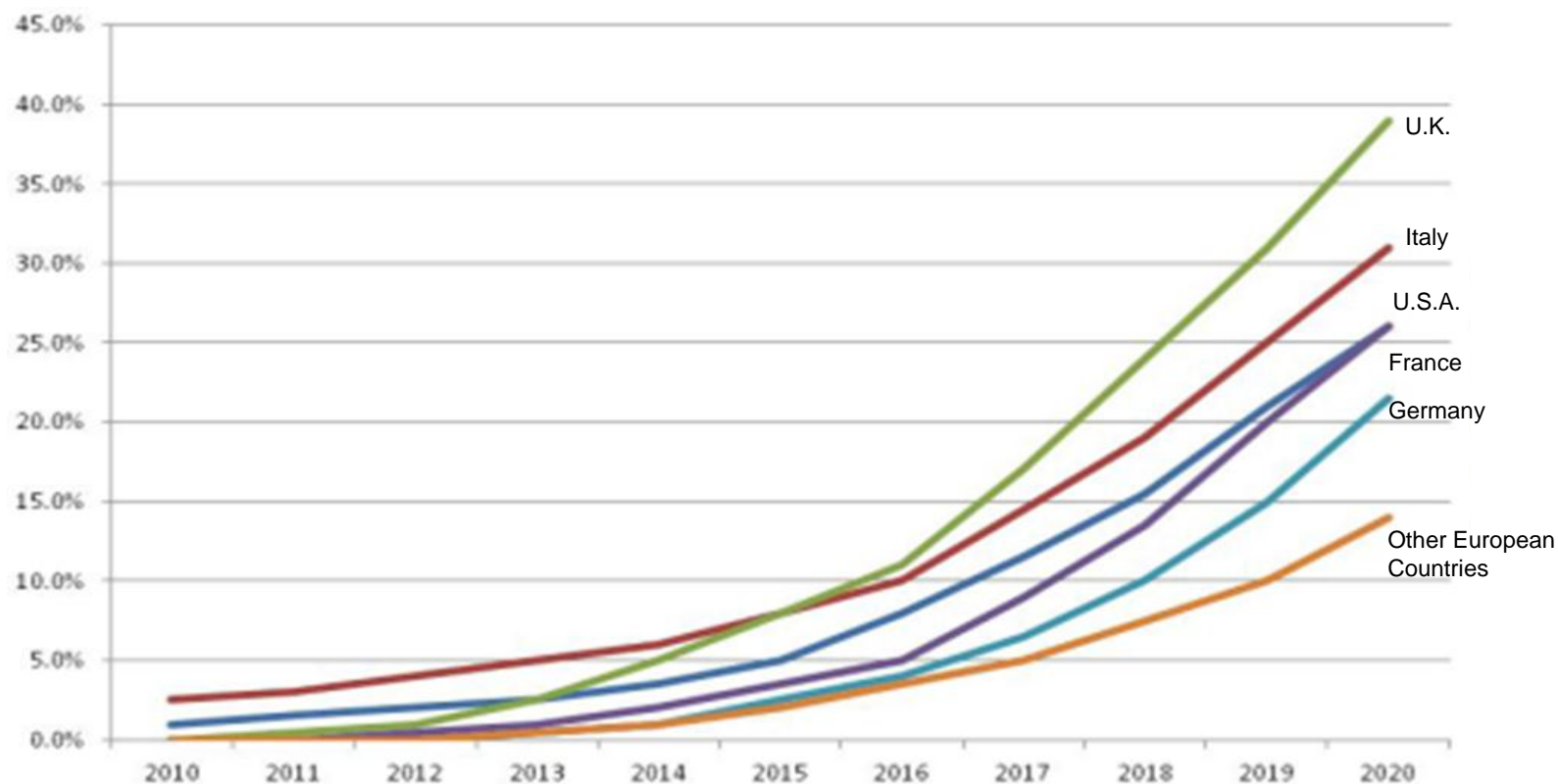
- Advances the foreign growth strategy that was indentified in our reorganization by function.
 - ⇒ Strengthens ADE's European Toyota retail business thanks to telematics technology.
 - ⇒ Acquires the expertise in Telematics technology held by Insure The Box and utilizes it throughout the entire MS&AD Insurance Group.

- Diversifies our business portfolio by venturing into areas in which the MS&AD Group is not currently involved.
 - ⇒ Matches the policy of “Actively investing in high growth and profitable areas in Japan and overseas” mentioned as a capital management policy in the Medium-Term Management Plan.

(For reference) Overview of the market for telematics auto insurance

- The market for telematics auto insurance is expected to grow rapidly, and by 2020, the size of the global market is projected to exceed \$50 billion.
- Currently, Italy has the highest level of penetration for telematics auto insurance.
- Amongst western countries, the U.K. is expected to show the largest growth going forward.
⇒ Telematics auto insurance is projected to account for nearly 40% of automobile insurance by 2020 in U.K.

Telematics auto insurance as a share of automobile insurance (Europe & the U.S.)



Source: MLIT (Ministry of Land, Infrastructure, Transport and Tourism)

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