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MS&AD Insurance Group Holdings, Inc.
**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

**Domestic Life**
- **MS&AD** Mitsui Sumitomo Aioi Life Insurance
- **MS&AD** Mitsui Sumitomo Primary Life Insurance

**International**
- Overseas subsidiaries
- Financial Services
- Risk-Related Services

**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.
- MS : 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.
## 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
• 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

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

**MS&AD Insurance Group Holdings, Inc.**

### Numerical Management Targets

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

![Graph showing numerical management targets](image)

**MS&AD Insurance Group Holdings, Inc.**
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

<table>
<thead>
<tr>
<th>Theme</th>
<th>Indicators</th>
<th>FY2016 Results</th>
<th>FY2017 Results</th>
<th>Group Targets for FY2018 Onward</th>
</tr>
</thead>
<tbody>
<tr>
<td>Creating Shared Value</td>
<td>Seven Key Issues</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Development and improvement of products for creating shared value with society</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quality that earns the trust of society</td>
<td>Quality improvement</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Customer satisfaction survey about insurance contract procedures</td>
<td>94.8%</td>
<td>95.2%</td>
<td>Equal or greater than the previous year</td>
</tr>
<tr>
<td></td>
<td>Customer satisfaction survey about payment of insurance claims</td>
<td>96.1%</td>
<td>96.3%</td>
<td>Equal or greater than the previous year</td>
</tr>
<tr>
<td>Reducing the environmental burden</td>
<td>CO2 emission reduction rate(^1)</td>
<td>3.6%</td>
<td>- 6.8%(^2)</td>
<td>Reduce CO2 emissions by 30% by 2020 and by 70% by 2050 versus base year (2009)</td>
</tr>
<tr>
<td></td>
<td>Total energy consumption ((^\circ) versus base year (2009))</td>
<td>1,098,008GJ (2.0%)</td>
<td>1,017,853GJ (28.1%)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Paper consumption</td>
<td>13,005</td>
<td>11,085</td>
<td>Equal or greater than the previous year</td>
</tr>
<tr>
<td>Management platforms that enable employees to play active roles</td>
<td>Diversity &amp; Inclusion</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Share of management positions occupied by women domestic () group consolidated</td>
<td>7.1% (12.7%)</td>
<td>9.9% (15.7%)</td>
<td>15.0% (April 2021)</td>
</tr>
<tr>
<td></td>
<td>Employee satisfaction “working vigorously”</td>
<td>4.2 points</td>
<td>4.3 points</td>
<td>Equal or greater than the previous year</td>
</tr>
<tr>
<td></td>
<td>Number and ratio of global employees</td>
<td>8,759 people (21.6%)</td>
<td>9,184 people (22.2%)</td>
<td>Key monitoring indicators other than sustainability KPIs</td>
</tr>
<tr>
<td></td>
<td>Ratio of employees with disabilities</td>
<td>2.52%</td>
<td>2.37%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>The number of annual paid holidays taken</td>
<td>15.7 days</td>
<td>16.0 days</td>
<td>Equal or greater than the previous year</td>
</tr>
<tr>
<td></td>
<td>Ratio of taking fully paid paternity/secondary leave</td>
<td>44.8%</td>
<td>58.0%</td>
<td>Equal or greater than the previous year</td>
</tr>
<tr>
<td></td>
<td>Number of employees participating in social contribution activities</td>
<td>19,861 people</td>
<td>20,022 people</td>
<td>Equal or greater than the previous year</td>
</tr>
</tbody>
</table>

\(^1\) 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.

MS&AD Insurance Group Holdings, Inc.

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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 non-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 (\(^\circ\) year on year

- **Top line\(^a\)** (Net premiums written) ¥1,401.2 billion (- ¥10.5 billion, -0.7%)
- **Bottom line** (Group Adjusted Profit) ¥48.0 billion (- ¥120.6 billion)
- **Investment profit** ¥121.1 billion (¥141.7 billion)

#### Full-year forecasts (\(^\circ\) year on year

- **Top line\(^a\)** (Net premiums written) ¥2,727.0 billion (+ ¥1.0 billion, +0.2%)
- **Bottom line** (Group Adjusted Profit) ¥116.0 billion (+ ¥171.8 billion)
- **Investment profit** ¥210.0 billion (+ ¥29.4 billion)

\(^a\) Simple sum of non-consolidated figures for MSI and ADI

MS&AD Insurance Group Holdings, Inc.

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#### Non-financial Indicators

- Deal with new risks
- Create a safer mobility society
- Drive for resilient community development
- Support "good health and longevity" (contributes to climate change mitigation and adaptation)
- "Work toward realization of " leaving no one behind"

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.
**Impact of Domestic and Overseas Natural Catastrophes**

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

### <Domestic>

<table>
<thead>
<tr>
<th>Domestic natural catastrophes: Total</th>
<th>FY2018 1H</th>
<th>FY2018 Total (Revised)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>MSI</td>
<td>ADI</td>
</tr>
<tr>
<td></td>
<td>86.0</td>
<td>91.0</td>
</tr>
</tbody>
</table>

Difference with initial forecast: 165.0

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*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)>

<table>
<thead>
<tr>
<th></th>
<th>FY2018 1H</th>
<th>FY2018 Total (Revised)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reversal</td>
<td>MSI</td>
<td>ADI</td>
</tr>
<tr>
<td></td>
<td>11.1</td>
<td>9.9</td>
</tr>
</tbody>
</table>

Difference with initial forecast: 157.8

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*Plan for additional provision at the end of FY2018: MSI 35.0 billion yen, ADI 10.0 billion yen

### <Overseas>

| | Net incurred losses | Difference with initial forecast |
|--------------------------------------|-----------------------------|
| FY2018 1H | FY2018 Total (Revised) | (¥bn) |
| Total     | 0.8                   | 28.6  | -12.2 |
| MS Amlin  | -                     | 17.6  | -7.2  |
| ADI       | 0.8                   | 11.0  | -5.0  |

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### <Reference: Estimated incurred losses from major domestic natural catastrophes>

<table>
<thead>
<tr>
<th>Estimated final number of claims (thousands)</th>
<th>Estimated final incurred losses** (billion yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Heavy Rain of July 2018*1</td>
<td>Approx 20</td>
</tr>
<tr>
<td>Typhoon &quot;Jebi&quot; (No.21)</td>
<td>Approx 250</td>
</tr>
<tr>
<td>Typhoon &quot;Trami&quot; (No.24)</td>
<td>Approx 120</td>
</tr>
<tr>
<td>Total of the above incurred losses on a direct basis</td>
<td>Approx 390</td>
</tr>
<tr>
<td>Reinsurance recoveries</td>
<td>-279.0</td>
</tr>
<tr>
<td>Net incurred losses</td>
<td>184.0</td>
</tr>
</tbody>
</table>

*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)
**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.

![Graph showing EPS and Total Shareholder Return per Share](image)

**Interim Result**

- Group Core Profit per share
- Group Adjusted Profit per share
- EPS
- DPS
- Return through purchase of own shares per share

**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.

![Graph showing Premium Income](image)
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.

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**

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

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**

<table>
<thead>
<tr>
<th>Impact on net income and Group Adjusted Profit</th>
<th>up about ¥0.2 billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>✓ Increase in interest for new investment bonds/loans</td>
<td>up about ¥0.2 billion</td>
</tr>
</tbody>
</table>

*Impact on earnings forecast for FY2018*
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

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.

Vision 2021 (FY2018 - FY2021)

A resilient and sustainable society

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

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

Formulation of Mission, Vision and Values

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

* 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.

**Domestic non-life insurance companies**
- Standardization of products and operating procedures
- A joint claims services system, etc.

**Domestic life insurance companies**
- Strengthening of cooperation between MSI Aioi Life and MSI Primary Life
- Sharing of MSI Primary Life’s high quality expertise in education and training, etc.

**Affiliated operating companies**
- Realization of higher quality and efficiency of operations of each company by introducing advanced technologies, etc.

- **Strengthen cooperation, Standardization and sharing**
  - Deepening of cross-selling of life and non-life insurance products
  - Joint development of health and medical products and services, etc.
  - Sharing and enhancement of asset management expertise
  - Expansion of joint investment by the group insurance companies, etc.

- **Review division of roles and strengthen cooperation**
  - Centralization of back-office operations, etc.

- **Efforts to pursue the Group’s comprehensive strengths**

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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

**Silicon Valley Project**
- MS&AD Garage Program
  - NSV (Fund of Funds)
  - Plug and Play, etc.

- MS&AD Ventures
  - CVC (Corporate Venture Capital) founded in Silicon Valley, USA, which a Japanese insurance company group founded for the first time

- Fairfax Innovation Framework

- Start-ups

- Universities, etc.

- **(1) Improvement of quality and business efficiency**
  - Significant reduction of policy administration (reduction of recording/inspection operations by online system reforms, AI’s response to inquiries from agents, etc.) and improvement of efficiency in administrative work by utilizing RPA (robotics process automation)
  - Use of AI at customer center, etc.
  - Support for agents’ activities by utilizing the digital platform (big data and AI), etc.

- **Digital platform**
  - Chatbot
  - RPA
  - Voice analysis
  - Image analysis
  - Data/forecast analysis

- **(2) Digitalization of insurance products/services**
  - Offering of telematics automobile insurance and support services for safe driving by utilizing telematics technology
  - Offering of new mobility services and insurance/services for autonomous driving
  - Service for health promotion utilizing data collected from wearable equipment/smartphones, etc.

- **(3) Adaptation to digital society**
  - Response to new needs of sharing economy, autonomous driving, virtual currency, cyber security, etc. and adaptation to new schemes utilizing blockchain, smart contract and other new technologies

- **Digital platform**
  - Big data
    - (centralization of data both within and outside the company)
  - External data
  - Information held by each company
  - Data to be newly collected
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

<table>
<thead>
<tr>
<th>Agents</th>
<th>Insurance company (Sales)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer service</td>
<td>Policy administration</td>
</tr>
<tr>
<td></td>
<td>• Account recording</td>
</tr>
<tr>
<td></td>
<td>• Inspection of application forms/handling of deficiencies</td>
</tr>
<tr>
<td></td>
<td>• Response to inquiries</td>
</tr>
<tr>
<td></td>
<td>• Receipt of payments/settlement, etc.</td>
</tr>
<tr>
<td>Other operations</td>
<td>• Support for sales strategy of agents</td>
</tr>
<tr>
<td></td>
<td>• Development of new markets, etc.</td>
</tr>
</tbody>
</table>

90% reduction

- Expansion of online systematization: completion of all procedures at agents, in principle => significant increase in productivity
- Digitalized Documentation: thorough paperless management => realization of efficient administration without errors
- Response to inquiries utilizing AI: AI with memory of 20,000 questions and answers to strongly support agents and employees => reduction of inquiries and increase in speed / quality improvement of answers, etc.

MS&AD Insurance Group Holdings, Inc.

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

Enjoy to drive safely | Save by driving safely | Support for your safety

Driving report

Driving premium (variable amount) - Discount of driving premium subject to safe driving

Monthly driving report

Driving premium

Basic premium (fixed amount)

- Call for check of safety
- Sharing of information with families
- Response at all times

Automobile insurances for individuals other than the above

Offering of new mobility services/products

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

<table>
<thead>
<tr>
<th>Comparison of frequency of accidents*</th>
</tr>
</thead>
<tbody>
<tr>
<td>&quot;Tough&quot; Connected Automobile Insurance</td>
</tr>
<tr>
<td>Automobile insurances for individuals other than the above</td>
</tr>
</tbody>
</table>

* 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

MS&AD Insurance Group Holdings, Inc.
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
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

New Frontier 2013  Next Challenge 2017  Vision 2021

<table>
<thead>
<tr>
<th>Year</th>
<th>Group Core Profit (¥bn)</th>
<th>Group Adjusted Profit (¥bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>47.8</td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>92.4</td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>91.9</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>153.3</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>190.1</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>116.0</td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>174.0</td>
<td></td>
</tr>
<tr>
<td>2021</td>
<td>182.0</td>
<td></td>
</tr>
</tbody>
</table>

*1 2017 1H result is calculated on a Group Adjusted Profit basis

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Premiums Written (¥bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>2,564.7</td>
</tr>
<tr>
<td>2014</td>
<td>2,641.7</td>
</tr>
<tr>
<td>2015</td>
<td>2,736.0</td>
</tr>
<tr>
<td>2016</td>
<td>2,707.6</td>
</tr>
<tr>
<td>2017</td>
<td>2,760.2</td>
</tr>
<tr>
<td>2018</td>
<td>2,764.5</td>
</tr>
</tbody>
</table>

Trends of E/I Combined Ratio *2

<table>
<thead>
<tr>
<th>Year</th>
<th>Combined Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>101.0%</td>
</tr>
<tr>
<td>2014</td>
<td>90.8%</td>
</tr>
<tr>
<td>2015</td>
<td>93.4%</td>
</tr>
<tr>
<td>2016</td>
<td>91.4%</td>
</tr>
<tr>
<td>2017</td>
<td>96.6%</td>
</tr>
<tr>
<td>2018</td>
<td>94.3%</td>
</tr>
</tbody>
</table>

*1 Simple sums of non-consolidated figures for MSI, ADI and Mitsui Direct General.

*2 Simple sums of non-consolidated figures for MSI, ADI and Mitsui Direct General.

*3 Combined ratio after adjustment of the impact of domestic natural catastrophes on the results for the first half and the full-year forecasts to the initial forecasts.
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>

<table>
<thead>
<tr>
<th>Net premiums written (forecast for FY2018)</th>
<th>¥399.7 billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>CAGR of net premiums written</td>
<td>6.9%</td>
</tr>
<tr>
<td>Combined ratio</td>
<td>83%</td>
</tr>
</tbody>
</table>

Initiatives for growth:
- Expansion of the package products for small and medium-sized enterprises
- Response to new risks/new markets
- Strengthening of cross-selling of multiple classes, among others

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

*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

- Digitization of administrative processes by online system reform
- Replacement by robots in operations through realization of RPA
- Promotion of consolidation of administrative operations to the Group’s affiliated companies

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

 MSI/ADI in total: about 5 million hours

Expense ratio for the first half period of FY2018
Operational 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

<table>
<thead>
<tr>
<th>Class of Business</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018 (Forecast)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fire and Allied</td>
<td>2,529.1</td>
<td>2,606.6</td>
<td>2,699.5</td>
<td>2,670.2</td>
<td>2,722.3</td>
<td>2,727.0</td>
</tr>
<tr>
<td>Marine</td>
<td>290.7</td>
<td>307.7</td>
<td>337.4</td>
<td>373.9</td>
<td>379.4</td>
<td>399.7</td>
</tr>
<tr>
<td>Personal Accident</td>
<td>337.7</td>
<td>347.8</td>
<td>357.1</td>
<td>355.6</td>
<td>351.5</td>
<td>334.8</td>
</tr>
<tr>
<td>Voluntary Auto</td>
<td>1,267.2</td>
<td>1,291.4</td>
<td>1,317.4</td>
<td>1,334.6</td>
<td>1,343.2</td>
<td>1,339.7</td>
</tr>
<tr>
<td>CALI</td>
<td>217.3</td>
<td>219.1</td>
<td>204.5</td>
<td>204.9</td>
<td>208.9</td>
<td>213.5</td>
</tr>
<tr>
<td>Others</td>
<td>67.9</td>
<td>72.8</td>
<td>64.1</td>
<td>67.9</td>
<td>68.8</td>
<td>68.8</td>
</tr>
<tr>
<td>Total</td>
<td>2,384.6</td>
<td>2,457.2</td>
<td>2,486.5</td>
<td>2,482.8</td>
<td>2,523.0</td>
<td>2,541.8</td>
</tr>
</tbody>
</table>

*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

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

* 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.
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
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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Group Core Profit</td>
<td>¥18.2</td>
<td>¥20.4</td>
<td>¥25.0</td>
<td>¥25.1</td>
<td>¥24.0</td>
<td>¥28.0</td>
<td>¥23.0</td>
<td></td>
</tr>
<tr>
<td>Group Adjusted Profit*1</td>
<td>¥7.1</td>
<td>¥5.9</td>
<td>¥6.4</td>
<td>¥4.6</td>
<td>¥5.2</td>
<td>¥16.3</td>
<td>¥20.0</td>
<td></td>
</tr>
</tbody>
</table>

*1 Total of life insurance business includes purchase difference adjustment etc.

Interim Result

<table>
<thead>
<tr>
<th></th>
<th>2017 1H</th>
<th>2018 1H</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group Core Profit</td>
<td>¥17.7</td>
<td>¥20.7</td>
</tr>
<tr>
<td>Group Adjusted Profit*2</td>
<td>¥12.0</td>
<td>¥16.0</td>
</tr>
</tbody>
</table>

2017 1H result is calculated on a Group Adjusted Profit basis

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

- "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.

<table>
<thead>
<tr>
<th></th>
<th>2017 1H</th>
<th>2018 1H</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income guarantee products (Number of policies sold)</td>
<td>39.5</td>
<td>49.8</td>
</tr>
<tr>
<td>New medical insurance Ace Premier (Number of policies sold)</td>
<td>77.5</td>
<td>94.6</td>
</tr>
</tbody>
</table>

26.1% Increase
22.1% Increase

Steady growth of MSI Aioi Life

- Realization of steady growth of corporate value (EEV)

<table>
<thead>
<tr>
<th></th>
<th>2017 Forecast</th>
<th>2018 Target</th>
<th>2019 Target</th>
<th>2021 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>EEV (¥bn)</td>
<td>835.5</td>
<td>903.0</td>
<td>970.0</td>
<td>1,050.0</td>
</tr>
</tbody>
</table>

(Fiscal Year-End)
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)

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>

<table>
<thead>
<tr>
<th>Sales Channel</th>
<th>2017</th>
<th>2018</th>
<th>2018 Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan Post Group, Securities Companies, etc.</td>
<td>29.2</td>
<td>20.0</td>
<td>23.0</td>
</tr>
<tr>
<td>Mega Banks, Trust banks, etc.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regional Banks, Credit associations</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mega Banks, Trust banks, etc.</td>
<td>10 agents</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regional Banks, Credit associations</td>
<td>117 agents</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Japan Post Group, Securities companies, etc.</td>
<td>15 agents</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Steady growth of MSI Primary Life
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

Changes in FY2017 (¥bn)

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

Changes in FY2017 (¥bn)

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

Factors

Risk-free yield curve
Risk-free yield curve
Equity and real estate values
Maintenance expenses
Surrender and lapse rates
Mortality and morbidity rates for life insurance
Mortality and morbidity rates for annuity
Equity and property implied volatility
Swaption implied volatility
Required capital set at statutory minimum level
Nil illiquidity premium

Change
Up 50bp
Down 50bp
Down 10%
Down 10%
Down 10%
Down 5%
Down 5%
Up 25%
Up 25%
Up 25%

Change
70.5
-101.5
-3.8
25.2
-7.2
39.2
-0.1
0.0
-22.4
5.7

Total
41.3

EEV Sensitivity

Factors

Opening adjustments
New business in reporting year
Expected existing business contribution at the risk free rate
Expected existing business contribution above risk free rate
Operating experience variations
Economic variances and changes to economic assumptions
Net worth

Change
-3.0
47.4
7.7
1.2
-2.7
-11.5
2.2

Total
Nil

Domestic Life Insurance Business:
MSI Primary Life

Value of in-force business
Net worth

Opening adjustments
New business in reporting year
Expected existing business contribution at the risk free rate
Expected existing business contribution above risk free rate
Operating experience variations
Economic variances and changes to economic assumptions
Net worth

Change
-3.2
16.7
3.3
2.8
0.1
2.3
18.6

Total
40.8

Domestic Life Insurance Business:
MSI Aioi Life

Value of in-force business
Net worth

Opening adjustments
New business in reporting year
Expected existing business contribution at the risk free rate
Expected existing business contribution above risk free rate
Operating experience variations
Economic variances and changes to economic assumptions
Net worth

Change
-4.8
2.4
4.4
9.6
-0.9
0.8
-0.1

Total
-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

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.
**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**

<table>
<thead>
<tr>
<th>Year</th>
<th>Group Core Profit</th>
<th>Group Adjusted Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>18.0</td>
<td>-125.0</td>
</tr>
<tr>
<td>2014</td>
<td>38.2</td>
<td>33.0</td>
</tr>
<tr>
<td>2015</td>
<td>27.9</td>
<td>66.0</td>
</tr>
<tr>
<td>2016</td>
<td>34.6</td>
<td>117.0</td>
</tr>
<tr>
<td>2017</td>
<td>-125.0</td>
<td></td>
</tr>
</tbody>
</table>

* Figures for FY2017 and beyond include Head Office reinsurance business. *1 2017 1H result is calculated on a Group Adjusted Profit basis

**New Frontier 2013**

**Next Challenge 2017**

**Vision 2021**

**Interim Result**

<table>
<thead>
<tr>
<th>Year</th>
<th>Group Core Profit</th>
<th>Group Adjusted Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017 1H</td>
<td>-61.1</td>
<td>21.1</td>
</tr>
<tr>
<td>2018 1H</td>
<td>35.0</td>
<td>66.0</td>
</tr>
</tbody>
</table>

**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.

**Summary of results for first half and full-year forecasts**

<table>
<thead>
<tr>
<th></th>
<th>FY2018 1H</th>
<th>FY2018 Full-year</th>
<th>Notes</th>
</tr>
</thead>
</table>
| Results                | 3.7       | 4.9              | +145.2
| YoY                    | +74.2     |                   | Recoil from hurricane losses in North America and others in the previous fiscal year, etc. |
| Underwriting profit    |           |                  |                                                                     |
| Investment income      | 8.4       | 23.1             | -5.3
|                        | -12.3     |                   | Year-on-year decrease due to changes in prices of bonds, etc.         |
| Profit after tax       | 1.0       | 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**

- Net premiums written (left axis)
- Net income (right axis)

**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

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018 (Forecast)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia</td>
<td>5.4</td>
<td>5.7</td>
<td>5.1</td>
<td>6.4</td>
<td>7.0</td>
</tr>
</tbody>
</table>

Interim Result

- 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

India, Indonesia, Malaysia

- 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

Australia, U.K.

- 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

Entry into new markets: China

- 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

International Business: Summary

Net premiums written (Non-life insurance)

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

Net income*2

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

* 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

International Non-Life
Domestic Non-Life

FY2015
¥3,078.9 billion

FY2018 (Forecast)
¥3,470.0 billion

International Business
Net Premiums Written by Region*

<table>
<thead>
<tr>
<th>Region</th>
<th>International Non-Life</th>
<th>Domestic Non-Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Americas</td>
<td>17%</td>
<td>56%</td>
</tr>
<tr>
<td>Europe</td>
<td>27%</td>
<td></td>
</tr>
<tr>
<td>Asia</td>
<td>56%</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Region</th>
<th>International Non-Life</th>
<th>Domestic Non-Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Americas</td>
<td>28%</td>
<td>37%</td>
</tr>
<tr>
<td>Europe</td>
<td>34%</td>
<td></td>
</tr>
<tr>
<td>Asia</td>
<td>34%</td>
<td></td>
</tr>
</tbody>
</table>

* 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.

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.

- We will pay attention to the safety and liquidity of asset holdings and enhance risk control based on an analysis of each company’s liability characteristics.
- We will reduce strategic equity holdings by ¥500 bn during the period from FY2017 to FY2021 (Targeted goals) - Less than 10% of consolidated total assets - Less than 30% of the risk amount
- We will expand diversified investment to Return-Expected Assets* such as foreign securities
  * Return-Expected Assets= Assets mainly held to gain relatively high returns

- Promote improvement and strengthening of efficient asset management system
  - Measures to share investment know-how among the Group companies, etc.
- Strengthen asset management governance
  - Strengthen monitoring of investment management including overseas bases and promote Group ESG investment

Holding company initiatives

MS&AD Insurance Group Holdings, Inc.

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) (¥bn)

<table>
<thead>
<tr>
<th>Total for MS&amp;AD Group</th>
<th>Total for Non-Life Insurers*7</th>
<th>Total for Domestic Life Insurers</th>
</tr>
</thead>
<tbody>
<tr>
<td>100 bps rise in yen interest rates</td>
<td>+235.3</td>
<td>+69.6</td>
</tr>
<tr>
<td>100 bps rise in US dollar interest rates</td>
<td>-65.0</td>
<td>-57.1</td>
</tr>
<tr>
<td>10% rise in the yen against all currencies</td>
<td>-212.2</td>
<td>-152.1</td>
</tr>
<tr>
<td>10% rise in the yen against the US dollar</td>
<td>-99.2</td>
<td>-79.6</td>
</tr>
<tr>
<td>10% rise in the yen against the Euro</td>
<td>-20.8</td>
<td>-20.6</td>
</tr>
<tr>
<td>10% rise in the yen against the British Pound</td>
<td>-17.9</td>
<td>-11.1</td>
</tr>
</tbody>
</table>

Countermeasure investment for negative interest rate*8 (2018 1H) (¥bn)

<table>
<thead>
<tr>
<th>Total for MSI, ADI, MSA Life</th>
<th>Foreign bonds (no currency hedge)</th>
<th>Foreign stocks</th>
<th>Alternative assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>+14.7</td>
<td>-13.3</td>
<td>-1.8</td>
<td>+29.9</td>
</tr>
</tbody>
</table>

*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 held by domestic 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

MS&AD Insurance Group Holdings, Inc.
Asset Management:
Net Investment Income (Domestic Non-Life Insurance Business)

Net Investment Income of Domestic Non-Life Insurance Business

- **New Frontier 2013**
- **Next Challenge 2017**
- **Vision 2021**

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Investment Income (FY)</th>
<th>Forecast (Fiscal Year)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>178.1</td>
<td>106.3</td>
</tr>
<tr>
<td>2014</td>
<td>209.8</td>
<td>121.1</td>
</tr>
<tr>
<td>2015</td>
<td>187.7</td>
<td>60.2</td>
</tr>
<tr>
<td>2016</td>
<td>171.6</td>
<td>-1.2</td>
</tr>
<tr>
<td>2017</td>
<td>180.5</td>
<td>-2.3</td>
</tr>
<tr>
<td>2018</td>
<td>210.0</td>
<td></td>
</tr>
</tbody>
</table>

- **Net interest and dividends income**
- **Capital gain or loss (impairment losses)**
- **Capital gain or loss (gains/losses on sales)**
- **Net investment income**

* 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)

<table>
<thead>
<tr>
<th>(¥bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2013</td>
</tr>
<tr>
<td>FY2014</td>
</tr>
<tr>
<td>FY2015</td>
</tr>
<tr>
<td>FY2016</td>
</tr>
<tr>
<td>FY2017</td>
</tr>
<tr>
<td>FY2018 Forecast</td>
</tr>
</tbody>
</table>

- **Bonds**
- **Loans and others*1**
- **Foreign securities**
- **Land and buildings**
- **Stocks**
- **Others**
- **Net interest and dividends income**

* Simple sums of non-consolidated figures for MSI and ADI.
*1 Loans and other includes Land and buildings, and others in FY2018 Forecast, 2017 1H and 2018 1H.
### Asset Management:
#### Total Assets and Asset Allocation (MSI / ADI)

<table>
<thead>
<tr>
<th></th>
<th>Mitsui Sumitomo Insurance</th>
<th>Aioi Nissay Dowa Insurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total AUM</td>
<td>6,669.1</td>
<td>6,753.0</td>
</tr>
<tr>
<td>Deposits, etc.</td>
<td>445.9</td>
<td>491.1</td>
</tr>
<tr>
<td>Bonds</td>
<td>1,805.8</td>
<td>1,687.4</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign securities</td>
<td>1,854.8</td>
<td>1,953.0</td>
</tr>
<tr>
<td>Foreign bonds</td>
<td>327.5</td>
<td>302.9</td>
</tr>
<tr>
<td>Foreign stocks</td>
<td>1,301.3</td>
<td>1,368.4</td>
</tr>
<tr>
<td>Foreign investment</td>
<td>225.9</td>
<td>221.6</td>
</tr>
<tr>
<td>Stocks</td>
<td>1,937.1</td>
<td>1,991.1</td>
</tr>
<tr>
<td>Other securities</td>
<td>37.7</td>
<td>40.8</td>
</tr>
<tr>
<td>Loans</td>
<td>393.3</td>
<td>395.6</td>
</tr>
<tr>
<td>Land &amp; buildings</td>
<td>194.2</td>
<td>193.6</td>
</tr>
</tbody>
</table>

* Based on financial statement categorization

---

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

<table>
<thead>
<tr>
<th></th>
<th>MSI Aioi Life</th>
<th>Balance</th>
<th>Proportion</th>
<th>MSI Primary Life (General account)</th>
<th>Balance</th>
<th>Proportion</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>As of Mar. 2018</td>
<td></td>
<td></td>
<td>As of Sep. 2018</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>As of Sep. 2018</td>
<td></td>
<td></td>
<td>As of Sep. 2018</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total AUM</td>
<td>3,792.2</td>
<td>3,904.4</td>
<td>100.0%</td>
<td>3,688.9</td>
<td>4,134.1</td>
<td>100.0%</td>
</tr>
<tr>
<td>Deposits etc.</td>
<td>474.4</td>
<td>442.1</td>
<td>11.3%</td>
<td>212.0</td>
<td>233.0</td>
<td>5.6%</td>
</tr>
<tr>
<td>Bonds</td>
<td>2,994.2</td>
<td>3,129.2</td>
<td>80.1%</td>
<td>148.2</td>
<td>147.2</td>
<td>3.6%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2,072.8</td>
<td>53.1%</td>
<td>67.1</td>
<td>65.1</td>
<td>1.6%</td>
</tr>
<tr>
<td>Foreign Stocks</td>
<td>219.6</td>
<td>222.9</td>
<td>5.7%</td>
<td>3,080.6</td>
<td>3,503.6</td>
<td>84.7%</td>
</tr>
<tr>
<td>Stocks</td>
<td>1.3</td>
<td>0.8</td>
<td>0.0%</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other securities</td>
<td>44.8</td>
<td>51.0</td>
<td>1.3%</td>
<td>8.0</td>
<td>8.0</td>
<td>0.2%</td>
</tr>
<tr>
<td>Loans</td>
<td>57.0</td>
<td>57.7</td>
<td>1.5%</td>
<td>239.7</td>
<td>241.9</td>
<td>5.9%</td>
</tr>
<tr>
<td>Land &amp; buildings</td>
<td>0.5</td>
<td>0.5</td>
<td>0.0%</td>
<td>0.2</td>
<td>0.2</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

* Based on financial statement categorization
*1 Foreign securities of ¥3,503.6 billion includes money trusts of ¥1,250.6 billion.
**Net Investment Return**

<table>
<thead>
<tr>
<th>Year</th>
<th>Interests and dividends</th>
<th>Capital gain/loss</th>
<th>Net investment return</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>(£ m)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>150</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>200</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>250</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Investment Assets Breakdown by Currency**

- **USD**: 530.9
- **EUR**: 174
- **GBP**: 123.6
- **Other**: 122.7

**Total AUM**: ¥951.4 bn (Jun. 30, 2018)

- **USD**: 530.9 (55.8%)
- **EUR**: 174 (18.3%)
- **GBP**: 123.6 (13.0%)
- **Other**: 122.7 (12.9%)

*MS Amlin’s local basis

**Advancing with you**

**MS&AD INSURANCE GROUP**

**III. Systems Supporting Value Creation**
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.

**Capital Policy**

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

**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:**

<table>
<thead>
<tr>
<th>Platform acquisition type</th>
<th>Bolt-on type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia</td>
<td>2004 AVIVA (Asian business) 2005 Mingtai 2017 First Capital</td>
</tr>
<tr>
<td>Global</td>
<td>2016 Amlin</td>
</tr>
</tbody>
</table>

**International life insurance business:**

<table>
<thead>
<tr>
<th>Year</th>
<th>Business Name</th>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>Hong Leong Insurance (Malaysia)</td>
<td>2017 Challenger (Australia)</td>
</tr>
<tr>
<td>2011</td>
<td>Sinarmas MSIG Life (Indonesia)</td>
<td>2017 ReAssure (U.K.)</td>
</tr>
<tr>
<td>2012</td>
<td>Max Life (India)</td>
<td>2017 BoCommLife (China)</td>
</tr>
</tbody>
</table>

---

* Based on the profit of MSIG Holdings (Asia) multiplied by the rate of the non-Japanese business
ROR will be improved and capital control will be considered toward the achievement of the Group Adjusted ROE of 10% for FY2021.

ERM: Improvement of Capital Efficiency

- **Profitability**
  - Achievement of targeted ROR and VA for each year

- **Capital efficiency**
  - Group Adjusted ROE level of 10%
    - (Capital cost 7%\(^*)\)

- **Soundness**
  - Ensure ESR\(^2) of 180%-220%
    - (= appropriate level)

- **Control capital**
  - on the assumption of stably ensuring an appropriate level

*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**

<table>
<thead>
<tr>
<th>Year</th>
<th>Forecast</th>
<th>Outlook</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>5%</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>15%</td>
<td></td>
</tr>
<tr>
<td>2021 (Fiscal Year)</td>
<td>20%</td>
<td></td>
</tr>
</tbody>
</table>

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

**Appropriate level**

(= Level to ensure financial soundness equivalent to AA rating)

- Strive to improve capital efficiency while maintaining the current capital policy
- Consider reviewing the capital utilization measures
- Consider measures to recover an appropriate level

**Consider reviewing the capital utilization measures**

- 220%

**Consider measures to recover an appropriate level**

- 180%

**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

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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Nikkei Stock Average</td>
<td>¥21,454</td>
<td>¥22,305</td>
<td>¥24,120</td>
<td>+¥1,816</td>
</tr>
<tr>
<td>USD/JPY</td>
<td>¥106</td>
<td>¥110</td>
<td>¥113</td>
<td>+¥3</td>
</tr>
<tr>
<td>30-year JGB rate</td>
<td>0.74%</td>
<td>0.71%</td>
<td>0.91%</td>
<td>+0.20pp</td>
</tr>
</tbody>
</table>
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.

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.

Source: Swiss Re sigma No 1/2018

<Reference>
Image of Risk Retention/Reinsurance for Natural Catastrophe Risks

Per risk

Large contract 1
- ELC* per risk
- Proportional reinsurance
- Retention

Large contract 2
- ELC* per risk
- Proportional reinsurance
- Retention

Large contract X
- ELC* per risk
- Proportional reinsurance
- Retention

Small contract 1
- ELC* for accumulated loss
- Disaster 1
- Retention

Small contract 2
- ELC* for accumulated loss
- Disaster 2
- Retention

Small contract X
- ELC* for accumulated loss
- Disaster N
- Retention

Accumulated loss (per event)

Annual aggregate loss

Management here is important!

* ELC (excess of loss cover): Reinsurance policy for collection of the excess portion over a certain amount of loss

Principles for risk retention/reinsurance

- Ensuring financial soundness
- Increase of stability of periodic profit/loss
- Improvement of return on risk
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**

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Target (¥bn)</th>
<th>1H FY2018</th>
<th>Revised target 500.0</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2017</td>
<td>151.3</td>
<td>¥72.6</td>
<td>1H FY2017 500.0</td>
</tr>
<tr>
<td>FY2016</td>
<td>133.0</td>
<td></td>
<td>FY2017 151.3</td>
</tr>
<tr>
<td>FY2015</td>
<td>181.1</td>
<td></td>
<td>FY2016 133.0</td>
</tr>
<tr>
<td>FY2014</td>
<td>91.0</td>
<td></td>
<td>FY2015 181.1</td>
</tr>
</tbody>
</table>

**Vision 2021**

(FY2017-FY2021)

**Next Challenge 2017**

(FY2014-FY2017)

---

**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)

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Number of companies</th>
<th>Total (simple sum)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2017</td>
<td>252</td>
<td>481</td>
</tr>
<tr>
<td>FY2016</td>
<td>229</td>
<td></td>
</tr>
</tbody>
</table>

- **Examples of improvements made through dialogues with investee companies**
  - Shareholder return policy
  - Governance effectiveness
  - Management conditions
  - ESG initiatives

- **Exercise of Voting Rights**
  - Receipt of proposals/confirmation of contents
  - Examination of individual proposals
  - Have dialogues if necessary and make a final decision as to whether we agree or disagree.

- **Examples of proposals rejected through exercising voting rights**
  - Surplus appropriation plan (low payout ratio of the last dividend)
  - Proposed appointment of directors (absence of Outside Director)
  - Proposed appointment of directors (low attendance rate at the Board of Directors’ meetings)

- **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

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Medium- to long-term target</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>40.5%</td>
</tr>
<tr>
<td>2017</td>
<td>32.7%</td>
</tr>
<tr>
<td>2021 (End of FY)</td>
<td>Less than 10%</td>
</tr>
</tbody>
</table>

*Weight of all strategic equity holdings including unlisted stocks*
**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”!

**Before**

- Minds are filled with large contracts only.

⇒ No results ...

**After**

- Re-hearing of needs of customers/industries

⇒ With support from experts within the Group, realization of the solution for regional issues, such as hospital management and beef cattle ranch management

Let’s solve social issues!

What is the “Visionary Meeting”?
The meeting commenced under the slogan “producing one idea after another” for the purpose of creating the growth engine. The meeting is held as the initiative for all participants to bring their ideas, form projects and realize the ideas once a month, in principle. In FY2017, 27 projects were formed from 277 ideas.

**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**

- Consideration of the direction for selection
- Decision on ideal candidates
- Selection of final candidates
- Decision on candidates

**Evaluation of Board of Directors**

<table>
<thead>
<tr>
<th>Implementation and compilation of selfassessment questionnaire*1</th>
<th>Exchange of opinions at the Outside Directors’ Council</th>
<th>Implementation of measures to improve functions</th>
</tr>
</thead>
</table>

**Tasks after evaluation in FY2017**

- Discussions on management strategies and management plans
  - Continuously deepen attentive discussions in response to changes in the business environment
  - Grasp movements of competitors, such as risk-taking projects
  - Promote the penetration of the management philosophy (mission) and the story of value creation to all group employees through the explanation of Vision 2021
  - Contribute ways of disseminating and permeating systems to receive internal and external feedback such as the whistle-blowing system and improve the environment so that people can actively express their opinions, among others

- Operation of the Board of Directors
  - Continue to provide careful explanations in advance including the background and developments in the past, to newly appointed Outside Directors in particular
  - Thoroughly provide brief explanations of the bills, focusing on the points

- Securing of opportunities for continuous training, etc.
  - Set themes for training sessions based on the opinions of Outside Directors
  - Hold training sessions continuously based on reports from the Management and Monitoring Committee

- Other
  - Respond to revisions to the Corporate Governance Code
IV. Shareholder Returns

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.
(Transferred dividend on equity ratios: 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)

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

- Total dividends (annual) Share buybacks

<table>
<thead>
<tr>
<th>Year</th>
<th>Total dividends (annual)</th>
<th>Share buybacks</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>43.5</td>
<td>10.0</td>
</tr>
<tr>
<td>2011</td>
<td>33.5</td>
<td>33.5</td>
</tr>
<tr>
<td>2012</td>
<td>38.5</td>
<td>35.0</td>
</tr>
<tr>
<td>2013</td>
<td>44.7</td>
<td>20.0</td>
</tr>
<tr>
<td>2014</td>
<td>69.9</td>
<td>30.0</td>
</tr>
<tr>
<td>2015</td>
<td>74.4</td>
<td>20.0</td>
</tr>
<tr>
<td>2016</td>
<td>101.4</td>
<td>29.9</td>
</tr>
<tr>
<td>2017</td>
<td>107.0</td>
<td>30.0</td>
</tr>
</tbody>
</table>

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

Stock Price Related Indices

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

*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**

\[
\text{Group Adjusted Profit} = \frac{\text{Consolidated Net Income}}{\text{Consolidated Net Income}} + \frac{\text{Provision for Catastrophe Loss Reserve and Others}}{\text{Provision for Catastrophe Loss Reserve and Others}} - \frac{\text{Other Incidental Factors}}{\text{Other Incidental Factors}} + \frac{\text{Equity in Earnings of the non-consolidated Group Companies}}{\text{Equity in Earnings of the non-consolidated Group Companies}}
\]

**Adjusted Net Assets**

\[
\text{Adjusted Net Assets} = \frac{\text{Consolidated Net Assets}}{\text{Consolidated Net Assets}} + \frac{\text{Catastrophe Loss Reserve and Others}}{\text{Catastrophe Loss Reserve and Others}} - \frac{\text{Goodwill and Other Intangible Fixed Assets}}{\text{Goodwill and Other Intangible Fixed Assets}}
\]

**Group Adjusted Profit for FY2018 1H**

<table>
<thead>
<tr>
<th>¥bn</th>
<th>Group Adjusted Profit</th>
<th>Consolidated Net Income</th>
<th>Provision for Catastrophe Loss Reserve and Others</th>
<th>Other Incidental Factors</th>
<th>Equity in Earnings of the non-consolidated Group Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>108.2</td>
<td>46.3</td>
<td>20.7</td>
<td>-20.1</td>
<td>0.9</td>
<td></td>
</tr>
</tbody>
</table>

MS&AD Insurance Group Holdings, Inc.

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

**“Group Core Profit” and “Group ROE”**

\[
\text{Group Core Profit} = \frac{\text{Consolidated Net Income}}{\text{Consolidated Net Income}} - \frac{\text{Net capital gains/losses on stock portfolio (gains/losses on sales etc.)}}{\text{Net capital gains/losses on stock portfolio (gains/losses on sales etc.)}} - \frac{\text{Net evaluation gains/losses on credit derivatives}}{\text{Net evaluation gains/losses on credit derivatives}} - \frac{\text{Other incidental factors}}{\text{Other incidental factors}} + \frac{\text{Equity in earnings of the non-consolidated group companies}}{\text{Equity in earnings of the non-consolidated group companies}}
\]

**Group ROE**

\[
\text{Group ROE} = \frac{\text{Consolidated total net assets excluding equity warrant and non-controlling interests (average of beginning and ending amounts of B/S)}}{\text{Consolidated total net assets excluding equity warrant and non-controlling interests (average of beginning and ending amounts of B/S)}}
\]

**Group Core Profit for FY2017**

<table>
<thead>
<tr>
<th>¥bn</th>
<th>Group Core Profit</th>
<th>Consolidated Net Income</th>
<th>Net Capital Gains/Losses on Stock portfolio</th>
<th>Net Evaluation Gains/Losses on Credit Derivatives</th>
<th>Other Incidental Factors</th>
<th>Equity in Earnings of the non-consolidated Group Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>105.1</td>
<td>154.0</td>
<td>85.3</td>
<td>-0.1</td>
<td>-0.1</td>
<td>-36.2</td>
<td>0.0</td>
</tr>
</tbody>
</table>

MS&AD Insurance Group Holdings, Inc.

* *1 Extraordinary income/loss after-tax (excluding provision for/reversal of reserve for price fluctuation), amortization of goodwill and other
* *2 Amortization of goodwill and others: -36.9 billion yen, extraordinary income/losses excluding reserves for price fluctuation: 0.7 billion yen

**“Single-Year Shareholder Return Ratio”**

\[
\text{Shareholder Return Ratio} = \frac{\text{Dividends for the current fiscal year}}{\text{Value of share buybacks determined by the day of the annual general meeting of shareholders in the next fiscal year}} + \frac{\text{Group Adjusted Profit of the current fiscal year}}{\text{Group Core Profit of the current fiscal year}}
\]

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

Corporate Communications and Investor Relations Dept.

MS&AD Insurance Group Holdings, Inc.

Phone: +81-3-5117-0311  FAX: +81-3-5117-0605

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