

## Materials for FY2014 1Q Results Briefing - Conference Call

Aug. 8, 2014 (Fri)

**MS&AD**

INSURANCE GROUP

MS&AD Insurance Group Holdings, Inc.

I am Masataka Kitagawa of MS&AD Holdings.

Thank you for finding the time in your busy schedules to participate in our earnings conference call today.

Today, in addition to the earnings report, we have prepared some materials in slide format titled Materials for FY2014 1Q Results Briefing - Conference Call.

My explanation will follow these materials.

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### Abbreviations of company names used in this presentation.

• MS&AD Holdings	MS&AD Insurance Group Holdings, Inc.
• MSI	Mitsui Sumitomo Insurance Co., Ltd.
• ADI	Aioi Nissay Dowa Insurance Co., Ltd.
• Mitsui Direct General	Mitsui Direct General Insurance Co., Ltd.
• MSI Aioi Life	Mitsui Sumitomo Aioi Life Insurance Co., Ltd.
• MSI Primary Life	Mitsui Sumitomo Primary Life Insurance Co., Ltd.

MS&AD Insurance Group Holdings, Inc.

## Summary of FY 2014 1Q Results

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## 1. Consolidated Earnings for FY 2014 1Q (1) - Overview (i)

- Net premiums written rose by 6.3% due to generally healthy performances by domestic non-life insurance companies combined with strong contributions from overseas subsidiaries
- Life insurance premiums rose substantially due to strong sales by MSI Primary Life, and a reduction in policy cancellations

(¥bn)

	FY2013 1Q	FY2014 1Q	YoY Change	Change Ratio
	Results	Results		
Direct premiums written* (excluding deposit premiums from policyholders)	783.8	<b>822.7</b>	38.9	5.0%
Net premiums written*	690.4	<b>733.8</b>	43.3	6.3%
Mitsui Sumitomo Insurance	337.4	<b>355.1</b>	17.7	5.3%
Aioi Nissay Dowa Insurance	281.4	<b>289.8</b>	8.3	3.0%
Mitsui Direct General Insurance	8.9	<b>8.6</b>	- 0.3	-3.6%
Overseas subsidiaries	61.7	<b>78.9</b>	17.2	28.0%
Life insurance premiums	33.5	<b>245.4</b>	211.8	631.7%

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

<Reference: Gross life insurance premiums>

	FY2013 1Q	FY2014 1Q	YoY Change	Change Ratio
	Results	Results		
MSI Aioi Life	96.2	<b>103.6</b>	7.4	7.7%
MSI Primary Life	121.8	<b>226.7</b>	104.9	86.2%

First, I will provide a summary of consolidated earnings.  
Please take a look at the first page of the slides, Slide No. 1.

This page shows consolidated non-life premiums written and life insurance premiums.

Net premiums written increased by 43.3 billion yen, or 6.3%, year-on-year, due to a strong increase in revenues of domestic non-life insurance companies combined with substantial growth in revenues of overseas insurance subsidiaries.

In addition, life insurance premiums rose substantially by 211.8 billion yen due to strong sales and a reduction in policy cancellations by MSI Primary Life.

## 2. Consolidated Earnings for FY 2014 1Q (1) - Overview (ii)

- Ordinary profit declined by 21.8% to 92.3 billion yen due to factors such as a reduction in investment profit at domestic non-life companies.
- Net income for the first quarter declined by 22.1% to 64.7 billion yen.
- Group core profit declined by 16.1% to 64.7 billion yen

(¥bn)

	FY2013 1Q Results	FY2014 1Q Results	Change	
			YoY Change	Change Ratio
Ordinary profit	118.0	<b>92.3</b>	- 25.7	- 21.8%
Mitsui Sumitomo Insurance	66.6	<b>35.0</b>	- 31.6	- 47.4%
Aioi Nissay Dowa Insurance	37.6	<b>44.7</b>	7.1	19.1%
Mitsui Direct General Insurance	1.1	<b>1.1</b>	- 0.0	- 4.8%
MSI Aioi Life	5.1	<b>4.1</b>	- 0.9	- 18.7%
MSI Primary Life	9.7	<b>0.9</b>	- 8.8	- 90.3%
Overseas subsidiaries	11.4	<b>10.3</b>	- 1.0	- 9.4%
Consolidation adjustments, etc.	- 13.7	<b>- 4.1</b>	9.6	-
Net income* <sup>1</sup>	83.1	<b>64.7</b>	- 18.3	- 22.1%
Mitsui Sumitomo Insurance	48.8	<b>24.4</b>	- 24.3	- 49.9%
Aioi Nissay Dowa Insurance	27.1	<b>39.4</b>	12.2	45.0%
Mitsui Direct General Insurance	0.8	<b>0.8</b>	- 0.0	- 4.3%
MSI Aioi Life	2.1	<b>1.4</b>	- 0.6	- 32.2%
MSI Primary Life	6.2	<b>0.8</b>	- 5.4	- 86.1%
Overseas subsidiaries	9.4	<b>8.2</b>	- 1.2	- 13.1%
Consolidation adjustments, etc.	- 11.6	<b>- 10.4</b>	1.1	-
Group Core Profit* <sup>2</sup>	77.1	<b>64.7</b>	- 12.3	- 16.1%

\*1 Net income of subsidiaries is in equity stake basis, same hereafter. \*2 The definition of Group Core Profit, please refer to the last page.

Next, I will talk about consolidated ordinary profit and quarterly net income. Please turn to Slide 2.

Consolidated ordinary profit declined by 21.8% to 92.3 billion yen, and quarterly net income decreased by 22.1% to 64.7 billion yen.

In addition, group core profit fell by 16.1% to 64.7 billion yen.

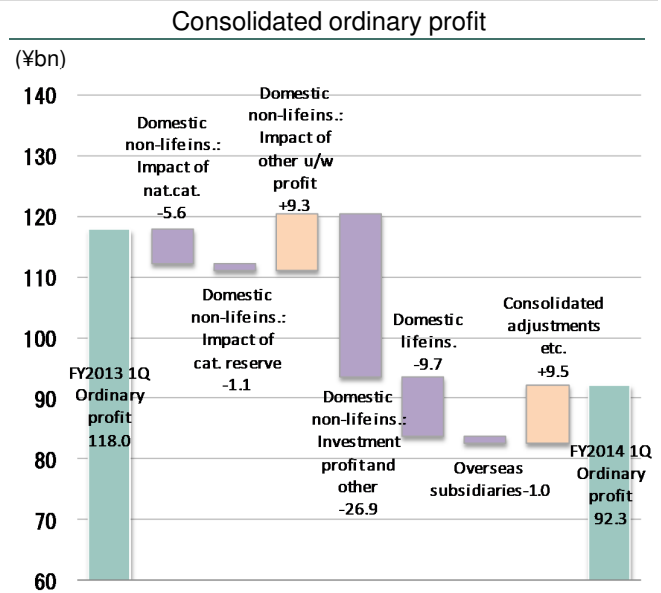
I will explain the situation at each company later.

### 3. Consolidated Earnings for FY 2014 1Q (2) - YoY Results Comparisons

- Consolidated ordinary profit was greatly affected by a 26.9 billion yen year-on-year reduction in net investment income and other at domestic non-life insurance companies.
- In domestic non-life insurance, underwriting income excluding natural disaster and catastrophe reserves boosted profit by 9.3 billion yen
- Domestic life insurance operations reduced profit by 9.7 billion yen

#### Factors in YoY changes in consolidated ordinary profit

	(¥bn)		
	FY2013 1Q (a)	FY2014 1Q (b)	Difference (b)-(a)
Consolidated ordinary profit	118.0	92.3	- 25.7
Domestic non-life insurance companies <sup>*1</sup>	4.5	- 1.1	- 5.6
Impact of natural catastrophe <sup>*2</sup>			
Domestic non-life insurance companies <sup>*1</sup>	19.8	18.6	- 1.1
Impact of cat. reserve			
Domestic non-life insurance companies <sup>*1</sup>	14.5	23.8	9.3
Impact of other underwriting profit			
Domestic non-life insurance companies <sup>*</sup>	65.4	38.4	- 26.9
Investment profit and other			
Domestic life insurance subsidiaries	14.9	5.1	- 9.7
Overseas subsidiaries	11.4	10.3	- 1.0
Consolidation adjustments, etc.	- 12.5	- 3.0	9.5



\*1 The figures for domestic non-life insurance companies are the sum of figures for Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance.

\*2 "Natural Catastrophe Impact" is the total of incurred losses resulting from domestic natural catastrophes occurring in Japan during the period, heavy snowfalls in Feb. 2014 in Japan and the Thailand floods.

Next, please look at Slide No. 3.

The table on the left summarizes the main reasons and effects of year-on-year changes in consolidated ordinary profit, and they are shown in the graph on the right.

As you can see in this graph, investment profit of domestic non-life insurance companies, etc. pushed down ordinary profit by 26.9 billion yen.

On the other hand, domestic non-life insurance underwriting profit excluding the impact of natural catastrophes and the catastrophe reserve increased by 9.3 billion yen, mainly due to an improvement in losses on automobile insurance, and increased its contribution to consolidated ordinary profit.

In contrast, domestic life insurance operations recorded a decrease of 9.7 billion yen, due in part to a reaction to last year's strong performance.

#### 4. Domestic Non-life Insurance Companies (1) - MSI&ADI Results for FY 2014 1Q (i)

- Net premiums written increased by 4.2%, or 26.0 billion yen, for the simple sum of MSI and ADI, mainly due to strong performances in automobile insurance and fire insurance
- Underwriting profit increased by 2.5 billion yen for the simple sum of MSI and ADI, as the effect of an increase in premiums and a reduction in incurred losses offset higher company expenses

	MSI (Non-consolidated)		ADI (Non-consolidated)		(<Reference> Simple Sum)	
		YoY Change		YoY Change		YoY Change
Net premiums written	355.1	17.7	289.8	8.3	644.9	26.0
Growth rate of net premiums written	5.3%	1.2pt	3.0%	0.3pt	4.2%	0.7pt
Net claims paid	(-) 205.1	-3.7	181.3	11.2	386.5	7.5
<Incurred loss> (Excluding loss adjustment expenses)	(-) 200.5	2.6	157.1	-7.8	357.7	-5.1
Commissions and collection expenses	(-) 64.1	3.3	55.8	3.3	119.9	6.7
Operating expenses and general and administrative expenses (underwriting)	(-) 53.4	3.9	48.2	2.7	101.6	6.6
Provision for ordinary underwriting reserves	(-) 8.0	6.6	0.7	2.3	8.8	9.0
Reversal of catastrophe reserve	1.9	-11.3	16.7	10.2	18.6	-1.1
<b>Underwriting profit</b>	<b>9.7</b>	<b>-13.6</b>	<b>31.6</b>	<b>16.1</b>	<b>41.3</b>	<b>2.5</b>
<b>Ratios</b>						
Net loss ratio <sup>*1</sup>	63.9%	-3.5pt	67.1%	2.2pt	65.3%	-0.9pt
Net expenses ratio	33.1%	0.4pt	35.9%	1.1pt	34.4%	0.8pt
<b>Combined ratio</b>	<b>97.0%</b>	<b>-3.1pt</b>	<b>103.0%</b>	<b>3.3pt</b>	<b>99.7%</b>	<b>-0.1pt</b>
<Reference: Business performance excluding residential earthquake insurance and CALI <sup>*2</sup> >						
Net loss ratio	60.7%	-3.0pt	64.4%	3.7pt	62.3%	0.0pt
Net expenses ratio	34.9%	1.0pt	37.7%	1.9pt	36.2%	1.4pt
<b>Combined ratio</b>	<b>95.6%</b>	<b>-2.0pt</b>	<b>102.1%</b>	<b>5.6pt</b>	<b>98.5%</b>	<b>1.4pt</b>

\*1 Net loss ratio is on a "written-to-paid" basis, same hereafter. \*2 CALI stands for Compulsory Automobile Liability Insurance, same hereafter.

Next I will provide an overview of the simple-sum performance of the two core domestic non-life insurance companies in the three months ended June 30, 2014. Please look at Slide 4.

First, net premiums written for the simple sum of the two companies increased by 26.0 billion yen, or 4.2%, mainly due to increases in premiums of automobile insurance and compulsory automobile liability insurance, which were affected by premium revisions, at both companies.

Next, net claims paid increased by 7.5 billion yen as payment of claims for damage from the heavy snowfalls in February progressed smoothly, but incurred losses for the simple sum of the two companies decreased by 5.1 billion yen because of a decline in automobile insurance accidents.

On the other hand, commissions and collection expenses grew in tandem with increased premiums, while business expenses increased mainly due to the growth of system-related expenses, but underwriting profit for the simple sum of the two companies increased by 2.5 billion yen to 41.3 billion yen.

Reflecting these factors, the combined ratio declined by 0.1 percentage point to 99.7%, as the net loss ratio improved sharply but the net expense ratio increased.

## 5. Domestic Non-life Insurance Companies (1) - MSI&ADI Results for FY 2014 1Q (ii)

- The net investment profit and other ordinary profit decreased by 26.9 billion yen for the simple sum of MSI and ADI, due to reductions in gains on sales of securities and interest and dividends income
- Net income in the first quarter for the simple sum of MSI and ADI fell by 12.1 billion yen to 63.8 billion yen

(¥bn)

	MSI (Non-consolidated)		ADI (Non-consolidated)		< Reference > Simple Sum	
		YoY Change		YoY Change		YoY Change
<b>Underwriting profit</b>	9.7	-13.6	31.6	16.1	41.3	2.5
Net interest and dividends income	26.1	-3.8	13.0	-5.7	39.1	-9.5
Gains on sales of securities	3.5	-11.4	1.2	-5.2	4.7	-16.6
Impairment losses on securities (-)	3.6	3.0	0.2	-2.2	3.8	0.8
<b>Investment profit and Other ordinary profit</b>	25.3	-17.9	13.0	-9.0	38.4	-26.9
<b>Ordinary profit</b>	35.0	-31.6	44.7	7.1	79.8	-24.4
<b>Extraordinary income</b>	0.6	1.5	9.4	9.9	10.1	11.5
<b>Income before income taxes</b>	35.7	-30.0	54.2	17.1	89.9	-12.9
<b>Net income</b>	24.4	-24.3	39.4	12.2	63.8	-12.1

Next, please look at Slide 5.

This slide explains investment profit, ordinary profit and quarterly net income.

In regard to investment profit, net interest and dividends income for the simple sum of the two companies decreased by 9.5 billion yen, mainly due to a decline in interest and dividends on foreign securities.

In addition, owing partly to the fact that gains on sales of securities also decreased by 16.6 billion yen compared to the same period of the previous year, when large gains on sales of securities were recorded, the sum of investment profit and other ordinary profit declined by 26.9 billion yen to 38.4 billion yen.

However, in the first quarter, the two companies combined sold 21.2 billion yen of strategic equity holdings.

Also, the 3.6 billion yen in impairment losses on securities at MSI includes full impairment based on a conservative standpoint at one Asian life insurance company in which MSI has a minor interest.

As a result, ordinary profit for the two core domestic non-life insurance companies combined fell by 24.4 billion yen to 79.8 billion yen, and net income declined by 12.1 billion yen to 63.8 billion yen.

Moreover, in relation to the reorganization by function of the MS&AD Group, MSI posted 1.0 billion yen in extraordinary income in compensation for the consolidation of long-term third-sector policies at MSI Aioi Life, while Aioi Nissay Dowa Insurance posted a corresponding amount of 10 billion yen, but this portion was eliminated on a consolidated basis due to consolidation adjustments.

## 6. Domestic Non-life Insurance Companies FY 2014 1Q (2)

### - Impact of Natural Catastrophes

- No incurred losses in this quarter due to natural catastrophes in Japan occurring during the current fiscal year
- Claims payment relating to the heavy snowfalls in Japan in this February progressed smoothly at 46.3 billion yen
- Total incurred losses relating to natural disasters in Japan, the heavy snowfalls in this February, and the Thai floods rose to 1.1 billion yen.

#### Impact of natural catastrophes in Japan, heavy snowfalls in Feb and flooding in Thailand

(¥bn)

	Net Claims Paid		Provision for O/S*		Incurred Losses		Balance of O/S* as of Jun. 30, 2014
		YoY Change		YoY Change		YoY Change	
Nat Cat in Japan (Occurred in FY2014)	-	-1.9	-	-1.1	-	-3.1	-
Mitsui Sumitomo Insurance	-	-0.9	-	-0.7	-	-1.7	-
Aioi Nissay Dowa Insurance	-	-0.9	-	-0.3	-	-1.3	-
Heavy snowfalls in Japan (Occurred in Feb. 2014)	46.3	46.3	-44.7	-44.7	1.6	1.6	19.0
Mitsui Sumitomo Insurance	23.5	23.5	-22.6	-22.6	0.9	0.9	14.1
Aioi Nissay Dowa Insurance	22.7	22.7	-22.0	-22.0	0.7	0.7	4.8
Flooding in Thailand (Occurred in FY2011)	1.1	-14.4	-1.6	21.6	-0.5	7.2	19.8
Mitsui Sumitomo Insurance	0.8	-13.5	-1.2	19.1	-0.4	5.5	17.8
Aioi Nissay Dowa Insurance	0.0	-0.7	-0.1	2.3	-0.0	1.5	0.8
Overseas subsidiaries	0.2	-0.2	-0.3	0.2	-0.0	0.0	1.1
<b>Total</b>	<b>47.5</b>	<b>29.9</b>	<b>-46.4</b>	<b>-24.1</b>	<b>1.1</b>	<b>5.7</b>	<b>38.8</b>

\* "O/S" stands for outstanding claims, same hereafter.

Next, please look at Slide 6. Here, in regard to the impact of natural catastrophes that occurred in the current fiscal year in Japan, the heavy snowfalls that occurred in February 2014 (FY2013) and the flooding in Thailand that occurred in FY2011, we have summarized the impact relating to results in the first quarter.

First, in Japan, natural catastrophes on a scale applicable to aggregation did not occur in the first quarter of FY2014.

Next, claims payment for the two core non-life insurance companies combined relating to the heavy snowfalls in February progressed smoothly in the first quarter and amounted to 46.3 billion yen.

On a cumulative basis from February, when the heavy snowfalls occurred, the two companies paid claims of 64.8 billion yen, completing the payment of just under 80% of the cumulative amount of incurred claims of 83.8 billion yen.

Next, in regard to the flooding in Thailand, the entire group paid claims of 1.1 billion in the first quarter.

Also, incurred losses amounted to negative 0.5 billion yen for the entire group, mainly due to the exchange rate impact and progress in loss adjustments, but compared to the first quarter last year, when there were large negative incurred losses, the impact on contribution to profit decreased by 7.2 billion yen.

If we add up the impact of these natural catastrophes, claims paid increased by 29.9 billion yen year-on-year and incurred losses increased by 5.7 billion yen due to a reaction from last year, as shown in the bottom row of this slide.



## 7. Domestic Non-life Insurance Companies FY 2014 1Q (3) - Catastrophe Reserve

- At Mitsui Sumitomo Insurance, the reversal of the catastrophe reserve fell by 10.8 billion yen due to an improvement in the loss ratio for automobile insurance
- At Aioi Nissay Dowa Insurance, the reversal of the catastrophe reserve increased by 10.3 billion yen due to steady progress in the payment of claims relating to the heavy snowfalls in February
- The change for the two companies combined was an excess reversal of 18.6 billion yen, with their net reversals decreasing by 1.1 billion yen year-on-year overall

### Catastrophe reserve

(¥bn)

	Mitui Sumitomo Insurance				Aioi Nissay Dowa Insurance			
	Reversal	Provision	Change	Balance as of Jun. 30, 2014	Reversal	Provision	Change	Balance as of Jun. 30, 2014
Fire and allied	14.2	4.1	- 10.1	90.3	19.7	2.2	- 17.4	87.0
Marine	-	0.7	0.7	70.0	-	0.1	0.1	13.9
Personal accident	0.1	1.2	1.0	63.2	-	0.5	0.5	59.5
Voluntary automobile	1.4	5.1	3.6	23.1	6.3	5.5	- 0.8	20.3
Other	0.0	2.8	2.8	149.8	0.6	1.5	0.8	51.4
<b>Total</b>	<b>16.0</b>	<b>14.0</b>	<b>- 1.9</b>	<b>396.6</b>	<b>26.7</b>	<b>10.0</b>	<b>- 16.7</b>	<b>232.4</b>
YoY Change	- 10.8	0.5	11.3		10.3	0.1	- 10.2	

Please look at Slide 7. I will now explain the reversals and provisions of the catastrophe reserve at the two core non-life insurance companies.

First, in the case of Mitsui Sumitomo Insurance, claims payment relating to the heavy snowfalls in February progressed smoothly, but as claims payment relating to the Thai floods decreased compared to last year and the loss ratio for automobile insurance improved, the reversals of the catastrophe reserve declined.

At Aioi Nissay Dowa Insurance as well, the loss ratio for automobile insurance improved, but as claims payment relating to the heavy snowfalls in February progressed smoothly, the reversals of the catastrophe reserve increased.

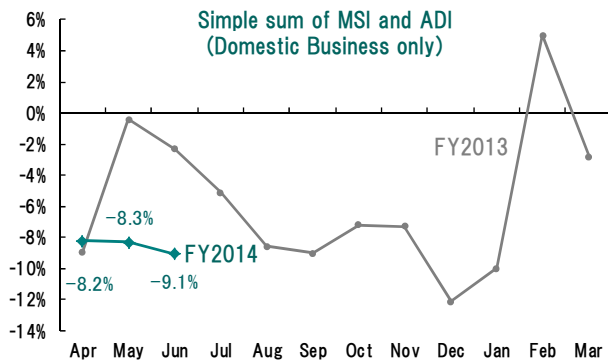
As a result, as you can see in the column showing the amount of net year-on-year changes, the reserve increased by 11.3 billion at Mitsui Sumitomo Insurance and decreased by 10.2 billion at Aioi Nissay Dowa Insurance. Changes at the two companies differed but for the simple sum of the two companies, the reserve increased by 1.1 billion yen.

## 8. Domestic Non-life Insurance Companies (FY 2014 1Q) - (4) Voluntary Auto Insurance

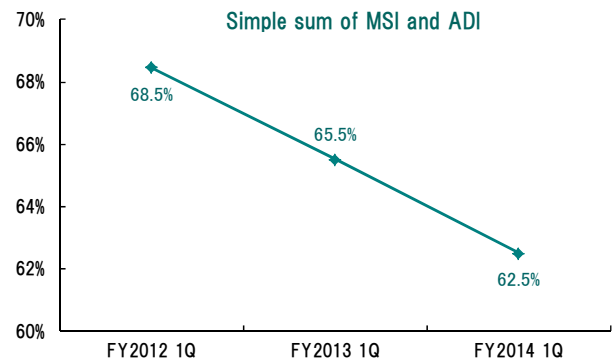
- The number of accidents remained at a low level, and the Earned to Incurred loss ratio continued to improve. However, the average payout per claim continued to increase
- Insurance premium revenue grew, mainly due to an increase in insurance premium unit price resulting from rate revisions

\*\*Natural disasters\* quoted in this page does not include heavy snowfalls occurred in Feb. 2014.

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



Earned to Loss Ratio (excl. loss adjustment expenses)



### Insurance Premiums and Claims

#### Mitsui Sumitomo Insurance

<Domestic, Sales Basis>	No. of Contracts	Insurance Premium Unit Price	Insurance Premiums
Factors increasing/decreasing insurance premiums	- 0.1%	+2.6%	+2.5%
<Domestic>	Property damage liability	Vehicle damage (Excl. natural disasters)	
Changes in average payout per claim	+1.0%	+2.7%	

#### Aioi Nissay Dowa Insurance

<Domestic, Sales Basis>	No. of Contracts	Insurance Premium Unit Price	Insurance Premiums
Factors increasing/decreasing insurance premiums	- 1.5%	+2.4%	+0.9%
<Domestic>	Property damage liability	Vehicle damage (Excl. natural disasters)	
Changes in average payout per claim	+1.8%	+2.3%	

\* "Changes in average payout per claim" means change in average payout per claim over one-year period ended Jun 30, 2014 compared with average payout per claim in one-year period ended Mar. 31, 2014.  
 \* All figures for factors of increase/decrease in insurance premiums are based on sales results (Apr.- Jun.), %YoY

Next, I would like to talk about the improvement in underwriting profit for automobile insurance. Please look at Slide 8.

The graph at the upper left is a line graph showing changes in the number of accidents compared to the same period last year.

Starting on this occasion, the graph shows a simple sum basis for MSI and ADI.

In the first quarter of FY2014, the number of accidents trended at a low level of roughly 8% to 9% in relation to the same month last year, as you can see, but we attribute this to the impact of a decrease in traffic volume caused by a rise in fuel prices and a reduction in ETC (Electronic Toll Collection System) discounts.

Next, please take a look at the change in the Insurance Premiums and Claims shown in the table in the lower section of the slide.

Both companies have seen a continuing rise in payout per claim for vehicle damage, but this includes the impact of increased repair costs for some time past and a decrease in small claims as well as the impact of the increase in the consumption tax rate.

On the other hand, if we look at insurance premiums, insurance premium unit prices increased by 2.6% at MSI and 2.4% at ADI, indicating the continued effect of product revisions, including rate revisions previously implemented.

Finally, please look at the graph in the upper right section, which shows the trend in the earned-incurred loss ratio.

This graph shows the trend in the EI loss ratio in the first quarter from FY2012.

The loss ratio has steadily improved, but if we take into account the rise in the average payout per claim including the impact of the consumption tax rate, we recognize that it has not yet reached a sufficient level in terms of the balance of auto insurance.

In this connection, as previously announced, both MSI and ADI plan to raise their auto insurance premium rates by an average of approximately 1.9% in October 2014.

## 9. Domestic Life Insurance/ MSI Aioi Life - Results for FY 2014 1Q

- The amount of new policies decreased by 2.0%, due to factors such as a reduction in individual annuities
- Annualized premiums of new policies increased by 22.3% due to strong third-sector sales
- Net income for the quarter decreased by 0.6 billion yen to 1.4 billion yen due to factors such as a reduction in gains on sales of securities and an increase in company expenses

### MSI Aioi Life

(¥bn)

	FY 2013 1Q Results	FY 2014 1Q		
		Results	Change	Change Ratio
Amount of new policies*	625.1	<b>612.6</b>	- 12.4	-2.0%
Amount of policies in force*	21,105.0	<b>21,295.8</b>	190.8	0.9%
Annualized premiums of new policies*	8.9	<b>10.9</b>	1.9	22.3%
of which, third sector insurance	1.7	<b>3.4</b>	1.7	100.6%
Annualized premiums of policies in force*	335.8	<b>339.8</b>	3.9	1.2%
of which, third sector insurance	61.1	<b>63.3</b>	2.1	3.5%
Gross premiums income	96.2	<b>103.6</b>	7.4	7.7%
Ordinary profit	5.1	<b>4.1</b>	- 0.9	-18.7%
Net Income	2.1	<b>1.4</b>	- 0.6	-32.2%
Core profit	3.8	<b>4.4</b>	0.5	15.4%

\* Total sum of personal insurance and personal annuity insurance.

Next, I would like to talk about the domestic life insurance companies. Please look at Slide 9.

First, I will explain the situation of MSI Aioi Life.

In the first quarter of FY2014, the amount of new policies declined by 2.0% due to factors such as a decrease in individual annuities, but annualized premiums of new policies increased by 22.3% due to strong sales of a third-sector product, New Medical Insurance A (Ace) .

In addition, the amount of policies in force increased by 0.9%, and annualized premiums of policies in force rose by 1.2%, marking steady growth.

Net income for the quarter decreased by 0.6 billion yen to 1.4 billion yen due to factors such as a reduction in gains on sales of securities and an increase in company expenses.

## 10. Domestic Life Insurance Companies - Results for FY 2014 1Q - MSI Primary Life

- Insurance premiums increased by 86.2% to 226.7 billion yen, due to steady growth in sales of fixed and variable whole life insurance
- Net income for the quarter decreased by 5.4 billion yen to 0.8 billion yen due to an increase in the burden of the policy reserve for insurance in foreign currencies, reflecting a drop in foreign currency interest rates
- On the other hand, unrealized gains increased in regard to bonds held as policy reserves

### MSI Primary Life

(¥bn)

	FY 2013 1Q Results	FY 2014 1Q		
		Results	YoY Change	Change Ratio
Amount of new policies*	115.5	<b>218.7</b>	103.2	89.3%
Amount of policies in force*	(At the beginning of the FY) 4,024.3	<b>4,177.2</b>	(Change from the beginning of the FY) 152.8	3.8%
Gross premiums income	121.8	<b>226.7</b>	104.9	86.2%
Ordinary profit	9.7	<b>0.9</b>	- 8.8	- 90.3%
Net Income	6.2	<b>0.8</b>	- 5.4	- 86.1%
Core profit	16.8	<b>- 1.1</b>	- 18.0	- 107.0%

\* Total sum of personal insurance and personal annuity insurance..

Next, I will talk about earnings at MSI Primary Life. Please look at Slide 10.

At MSI Primary Life, as sales of foreign currency-denominated fixed whole life insurance remained strong, and sales of variable whole life insurance launched last year were also favorable, the amount of new policies increased by 89.3% to 218.7 billion yen and gross premiums income grew by 86.2% to 226.7 billion yen. The amount of policies in force rose by 3.8% from the beginning of the fiscal year to 4,177.2 billion yen, reflecting strong sales and a generally favorable market environment.

Owing to an increase in the provision of the policy reserve for foreign currency-denominated products, reflecting a drop in Australian dollar interest rates, and a rise in company expenses caused by strong sales, net income for the quarter declined by 5.4 billion yen to 0.8 billion yen.

In contrast, management based on ALM functioned reliably, and unrealized gains on bonds held grew due to a drop in Australian dollar interest rates.

## 11. Overseas Subsidiaries - Results for FY 2014 1Q

- Net premiums written increased in all regions on a local currency basis. Owing partly to the effects of new consolidations and exchange rates, net premiums written increased by 28.0%
- In spite of the improvement in underwriting income, net income for the quarter decreased by 1.2 billion yen to 8.2 billion yen due to a reduction in the investment income balance, which was subject to foreign exchange gains in the previous term

### Overseas Subsidiaries

(¥bn)

	FY2013 1Q Results	FY2014 1Q Results	Change	
			YoY Change	Change ratio
Net premiums written	<b>61.7</b>	<b>78.9</b>	<b>17.2</b>	<b>28.0%</b>
Asia*	28.8	36.7	7.9	27.4%
Europe	16.5	23.6	7.1	43.4%
Americas	9.2	10.5	1.3	14.5%
Reinsurance	7.0	7.9	0.8	11.9%
Net income	<b>9.4</b>	<b>8.2</b>	<b>-1.2</b>	<b>-13.1%</b>
Asia*	4.5	3.7	-0.8	-18.1%
Europe	1.8	2.2	0.3	18.0%
Americas	0.3	0.2	-0.1	-33.5%
Reinsurance	2.6	2.0	-0.6	-24.0%

\*ADI's Australian subsidiary has been included in "Asia" as a consolidated subsidiary from FY2014.

Next, I will talk about overseas subsidiaries. Please look at Slide 11.

Net premiums written increased by 28% to 78.9 billion yen overall.

The main factors behind this increase were growth in all regions on a local currency basis, as well as the effect of newly consolidating an Australian subsidiary and the exchange rate impact.

Net income for the quarter declined by 1.2 billion yen to 8.2 billion yen due to such factors as company expenses and the policy reserve burden at the Australian subsidiary at the start of the first year.

## FY 2014 1Q Results Data

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Non-consolidated Results for FY 2014 1Q - Mitsui Sumitomo Insurance	Page 12-14
Non-consolidated Results for FY 2014 1Q -Aioi Nissay Dowa Insurance	Page 15-17

In the following pages from Slide 12 to Slide 17, you will find the earnings of both Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance for the first quarter of FY2014. Please have a look later.

This concludes my presentation.

## 12. Non-consolidated Results for FY 2014 1Q - Mitsui Sumitomo Insurance (i)

(¥bn)

	FY2013 1Q Results	FY2014 1Q Results	
			YoY Change
Net premiums written	337.4	355.1	17.7
Growth rate of net premiums written	4.1%	5.3%	1.2 pt
Net loss ratio	67.4%	63.9%	-3.5 pt
Net expense ratio	32.7%	33.1%	0.4 pt
Combined ratio	100.1%	97.0%	-3.1 pt
Incurred losses (Excl. loss adjustment expenses)	197.8	200.5	2.6
Underwriting profit	23.3	9.7	-13.6
Net interest and dividends income	29.9	26.1	-3.8
Gains on sales of securities	15.0	3.5	-11.4
Impairment losses on securities	-0.5	-3.6	-3.0
Investment profit	46.7	26.0	-20.7
Ordinary profit	66.6	35.0	-31.6
Extraordinary income	-0.8	0.6	1.5
Net income	48.8	24.4	-24.3
(Excl. residential earthquake insurance and CALI)			
Growth rate of net premiums written	4.8%	4.0%	-0.8 pt
Net loss ratio	63.7%	60.7%	-3.0 pt
Net expense ratio	33.9%	34.9%	1.0 pt
Combined ratio	97.6%	95.6%	-2.0 pt

## 13. Non-consolidated Results for FY 2014 1Q - Mitsui Sumitomo Insurance (ii)

### Net premiums written

(¥bn)

	FY2013 1Q Results	FY2014 1Q	
		Results	Growth
Fire and allied	41.7	<b>46.1</b>	10.6%
Marine	14.8	<b>16.1</b>	8.9%
Personal accident	38.2	<b>39.4</b>	3.3%
Voluntary automobile	154.7	<b>159.0</b>	2.8%
CALI	35.3	<b>41.0</b>	16.0%
Other	52.5	<b>53.2</b>	1.3%
Total	337.4	<b>355.1</b>	5.3%
Excluding residential earthquake insurance and CALI	301.8	<b>313.9</b>	4.0%

### Net loss ratio

	FY2013 1Q Results	FY2014 1Q	
		Results	Change
Fire and allied	101.4%	<b>96.9%</b>	-4.5pt
Marine	48.7%	<b>47.1%</b>	-1.6pt
Personal accident	58.0%	<b>56.1%</b>	-1.9pt
Voluntary automobile	62.7%	<b>59.1%</b>	-3.6pt
CALI	99.7%	<b>88.6%</b>	-11.1pt
Other	44.6%	<b>41.4%</b>	-3.2pt
Total	67.4%	<b>63.9%</b>	-3.5pt
Excluding residential earthquake insurance and CALI	63.7%	<b>60.7%</b>	-3.0pt

## 14. Non-consolidated Results for FY 2014 1Q - Mitsui Sumitomo Insurance (iii)

### Incurred losses\*<sup>1</sup> and EI loss ratio (including loss adjustment expenses)

(¥bn)

	FY 2013 1Q					FY 2014 1Q					
	Incurred Losses* <sup>1</sup> (a)	EI Loss Ratio	Nat Cat Impact* <sup>2</sup> (b)	(a)-(b)	EI Loss Ratio (Excluding Nat Cat Impact)	Incurred Losses* <sup>1</sup> (c)	EI Loss Ratio	Nat Cat Impact* <sup>2</sup> (d)	(c)-(d)	EI Loss Ratio (Excluding Nat Cat Impact)	YoY Change
Fire and allied (Excluding residential earthquake insurance)	21.6	46.9%	-4.6	26.2	56.9%	27.2	<b>55.8%</b>	0.7	26.5	<b>54.2%</b>	-2.7pt
Marine	10.3	71.3%	0.0	10.3	71.2%	8.6	<b>56.3%</b>	0.0	8.6	<b>56.2%</b>	-15.0pt
Personal accident	20.6	61.5%	-0.0	20.6	61.5%	21.4	<b>61.6%</b>	0.0	21.4	<b>61.4%</b>	-0.1pt
Voluntary automobile	103.8	68.8%	0.1	103.7	68.7%	103.1	<b>66.3%</b>	-0.2	103.4	<b>66.5%</b>	-2.2pt
Other	24.5	55.0%	0.2	24.3	54.5%	25.4	<b>53.7%</b>	-0.0	25.4	<b>53.8%</b>	-0.7pt
Total (A)* <sup>3</sup>	181.1	62.4%	-4.2	185.3	63.9%	185.9	<b>61.6%</b>	0.5	185.4	<b>61.4%</b>	-2.5pt
Residential earthquake insurance (B)	—	/	—	—	/	—	/	—	—	/	/
CALI (C)	35.2	/	—	35.2	/	36.3	/	—	36.3	/	/
Total (A)+(B)+(C)	216.3	/	-4.2	220.6	/	222.2	/	0.5	221.7	/	/

\*1 Incurred losses = net claims paid + loss adjustment expenses + provision for outstanding claims

\*2 "Nat Cat (Natural Catastrophe) Impact" is the total of incurred losses resulting from domestic natural catastrophes occurring in Japan during the period, heavy snowfalls in Feb. 2014 in Japan and the Thailand floods.

\*3 Total (A) excludes residential earthquake insurance and CALI.

\* Earned premium, the denominator of the EI loss ratio, is calculated by adjusting unearned premium (excluding natural catastrophe reserves) and premium reserve.

## 15. Non-consolidated Results for FY 2014 1Q - Aioi Nissay Dowa Insurance(i)

(¥bn)

	FY2013 1Q Results	FY2014 1Q Results	
			YoY Change
Net premiums written	281.4	289.8	8.3
Growth rate of net premiums written	2.7%	3.0%	0.3 pt
Net loss ratio	64.9%	67.1%	2.2 pt
Net expense ratio	34.8%	35.9%	1.1 pt
Combined ratio	99.7%	103.0%	3.3 pt
Incurred losses (Excl. loss adjustment expenses)	165.0	157.1	-7.8
Underwriting profit	15.4	31.6	16.1
Net interest and dividends income	18.7	13.0	-5.7
Gains on sales of securities	6.4	1.2	-5.2
Impairment losses on securities	-2.4	-0.2	2.2
Investment profit	21.1	12.1	-8.9
Ordinary profit	37.6	44.7	7.1
Extraordinary income	-0.4	9.4	9.9
Net income	27.1	39.4	12.2
(Excl. residential earthquake insurance and CALI)			
Growth rate of net premiums written	3.7%	1.4%	-2.3 pt
Net loss ratio	60.7%	64.4%	3.7 pt
Net expense ratio	35.8%	37.7%	1.9 pt
Combined ratio	96.5%	102.1%	5.6 pt



## 16. Non-consolidated Results for FY 2014 1Q - Aioi Nissay Dowa Insurance (ii)

### Net premiums written

	(¥bn)		
	FY2013 1Q Results	FY2014 1Q	
		Results	Growth
Fire and allied	28.8	<b>28.5</b>	-1.1%
Marine	2.8	<b>2.5</b>	-9.7%
Personal accident	18.9	<b>18.7</b>	-1.5%
Voluntary automobile	168.5	<b>171.2</b>	1.6%
CALI	34.0	<b>38.9</b>	14.4%
Other	28.2	<b>29.8</b>	5.7%
<b>Total</b>	<b>281.4</b>	<b>289.8</b>	<b>3.0%</b>
Excluding residential earthquake insurance and CALI	247.2	<b>250.7</b>	1.4%

### Net loss ratio

	FY2013 1Q Results	FY2014 1Q	
		Results	Change
Fire and allied	75.2%	<b>129.3%</b>	54.1pt
Marine	63.4%	<b>52.8%</b>	-10.6pt
Personal accident	48.4%	<b>46.6%</b>	-1.8pt
Voluntary automobile	60.8%	<b>58.5%</b>	-2.3pt
CALI	95.6%	<b>84.9%</b>	-10.7pt
Other	52.6%	<b>48.1%</b>	-4.5pt
<b>Total</b>	<b>64.9%</b>	<b>67.1%</b>	<b>2.2pt</b>
Excluding residential earthquake insurance and CALI	60.7%	<b>64.4%</b>	3.7pt

## 17. Non-consolidated Results for FY 2014 1Q - Aioi Nissay Dowa Insurance (iii)

### Incurred losses\*<sup>1</sup> and EI loss ratio (including loss adjustment expenses)

	FY 2013 1Q					FY 2014 1Q					
	Incurred Losses* <sup>1</sup> (a)	EI Loss Ratio	Nat Cat Impact* <sup>2</sup> (b)	(a)-(b)	EI Loss Ratio (Excluding Nat Cat Impact)	Incurred Losses* <sup>1</sup> (c)	EI Loss Ratio	Nat Cat Impact* <sup>2</sup> (d)	(c)-(d)	EI Loss Ratio (Excluding Nat Cat Impact)	YoY Change
Fire and allied (Excluding residential earthquake insurance)	15.4	44.3%	-0.5	16.0	45.9%	16.9	<b>46.9%</b>	0.4	16.4	<b>45.7%</b>	-0.2pt
Marine	1.7	69.2%	—	1.7	69.2%	1.7	<b>57.1%</b>	—	1.7	<b>57.1%</b>	-12.1pt
Personal accident	9.4	56.0%	0.0	9.4	56.0%	8.2	<b>49.0%</b>	0.0	8.2	<b>48.9%</b>	-7.1pt
Voluntary automobile	100.9	62.5%	0.1	100.7	62.3%	97.4	<b>58.9%</b>	0.3	97.1	<b>58.7%</b>	-3.6pt
Other	17.3	70.9%	0.0	17.2	70.5%	12.9	<b>49.7%</b>	-0.1	13.1	<b>50.3%</b>	-20.2pt
<b>Total (A)<sup>3</sup></b>	<b>144.9</b>	<b>60.3%</b>	<b>-0.2</b>	<b>145.2</b>	<b>60.4%</b>	<b>137.3</b>	<b>55.5%</b>	<b>0.6</b>	<b>136.7</b>	<b>55.2%</b>	<b>-5.2pt</b>
Residential earthquake insurance (B)	—	/	—	—	/	—	/	—	—	/	/
CALI (C)	32.5	/	—	32.5	/	33.0	/	—	33.0	/	/
<b>Total (A)+(B)+(C)</b>	<b>177.5</b>	/	<b>-0.2</b>	<b>177.7</b>	/	<b>170.4</b>	/	<b>0.6</b>	<b>169.7</b>	/	/

\*1 Incurred losses = net claims paid + loss adjustment expenses + provision for outstanding claims

\*2 "Nat Cat (Natural Catastrophe) Impact" is the total of incurred losses resulting from domestic natural catastrophes occurring in Japan during the period, heavy snowfalls in Feb. 2014 in Japan and the Thailand floods.

\*3 Total (A) excludes residential earthquake insurance and CALI.

\* Earned premium, the denominator of the EI loss ratio, is calculated by adjusting unearned premium and premium reserve.

## Definition of "Group Core Profit"

Group Core Profit = Consolidated net income

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

## Caution About Forward-looking Statements

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