Acquisition of First Capital Insurance, Singapore’s Commercial Property and Casualty Insurer

Global Partnership Between Mitsui Sumitomo Insurance and Fairfax

August 24, 2017
MS&AD Group Overview

Holding company

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

Notice relating to Forward-looking Statements etc.

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Rationale for the Acquisition of First Capital

(1) **Enhance profitability and realize further growth in Singapore**
   - Become a No.1 insurer in Singapore
   - Expand underwriting portfolio of local commercial risks in the ASEAN region

(2) **Further strengthen our leading position in the ASEAN region**
   - Secure our No.1 position in the ASEAN region
   - Achieve growth synergies across the ASEAN region

Global Partnership with Fairfax

- Enhance further growth of international business by forming an alliance with Fairfax, a global insurance and financial group with a presence in more than 30 countries, especially with a great presence in North America and the Lloyd’s market.
## 1. Overview of the Transaction

<table>
<thead>
<tr>
<th>Proposed Transaction</th>
<th>MSI to acquire 97.7% of First Capital’s issued share capital in cash from Fairfax Asia Limited*1</th>
</tr>
</thead>
</table>
| Aggregate Acquisition Price | Common shares of First Capital: Approximately USD 1.6billion (¥174.4 billion)*2  
Advisory and other fees: Approximately ¥1.1 billion  
Total consideration: Approximately ¥175.5 billion |
| Acquisition Price per Share | USD 65.5 per First Capital’s common share  
* The Acquisition Price represents 3.3x to First Capital's Net Assets per share |
| Impact on Goodwill (estimate) | Approximately ¥123.0 billion  
(Aggregate Acquisition Price – Net Assets of First Capital (end of FY2016))*2 |
| Source of Funds | Cash on hand  
* No plan for equity financing |
| Expected Timing of Closing | Planned to close in 4Q FY2017 (January – March 2018) subject to customary regulatory approvals |

*1 An intermediate holding company  
*2 1USD=¥109
2. Overview of First Capital  (1) Company Overview

- The largest property and casualty insurer in Singapore
- Has strengths in commercial property and marine hull insurance in Singapore and the ASEAN region

- Founded: 1950
- Headquarters: Singapore
- Representative: CEO/ Ramaswamy Athappan
- Employees*: Approximately 160
- GPW*: SGD 542 million (Approx. ¥43.4 billion*)
- Consolidated Net Profit*: SGD 89 million (Approx. ¥7.2 billion*)
- Consolidated Net Assets*: SGD 664 million (Approx. ¥53.1 billion*)
- Rating*: A, Excellent (A.M. Best)
- Major Shareholders: Fairfax Asia Limited: 97.7% Others: 2.3%

*1 As of the end of FY2016
*2 Actual for FY2016
*3 1SGD=¥80
2. Overview of First Capital (2) First Capital’s Strengths

**Strong Presence in Singaporean Insurance Market**
- Leading player in the Singapore insurance market (The largest property and casual insurer in terms of gross premiums written)
- Strengths in underwriting corporate/commercial risks in the Asian region

**High Profitability**
- Stable and high profitability with 5-year average Net COR\(^*1\): 76%, ROE: 15%
- Diversified revenues and well-balanced portfolio across geographies and lines of business
- Stable profit structure with appropriate line size management and low concentration of natural catastrophe risks

**Strong Business Base**
- Strong and stable relationships with clients, reinsurers and brokers, under a company philosophy that values trusted relationship with business partners

\(^*1\) Combined Ratio
3. Rationale for the Acquisition
(1) Enhance profitability and realize further growth in Singapore

- Having the largest property and casualty insurer in Singapore, First Capital, into our group, we will achieve a top position in Singapore.
- First Capital has a strength in underwriting Asian local commercial risks in the Singaporean market, the insurance hub of the Asian region, which fits well with MSI who has a competitive advantage in retail and SME business.

**Ranking of General Insurers in Singapore by Gross Premium**

<table>
<thead>
<tr>
<th>Company</th>
<th>Gross Premium (SGD mil.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company A</td>
<td>484</td>
</tr>
<tr>
<td>Company B</td>
<td>411</td>
</tr>
<tr>
<td>Company C</td>
<td>410</td>
</tr>
<tr>
<td>Company D</td>
<td>311</td>
</tr>
<tr>
<td>Company E</td>
<td>259</td>
</tr>
<tr>
<td>Company F</td>
<td>239</td>
</tr>
<tr>
<td>Company G</td>
<td>226</td>
</tr>
<tr>
<td>Company H</td>
<td>209</td>
</tr>
<tr>
<td>Company J</td>
<td>181</td>
</tr>
<tr>
<td><strong>MSIG SGP</strong></td>
<td><strong>337</strong></td>
</tr>
<tr>
<td><strong>First Capital</strong></td>
<td><strong>542</strong></td>
</tr>
<tr>
<td><strong>MSIG SGP + First Capital</strong></td>
<td><strong>880</strong></td>
</tr>
</tbody>
</table>

**Complementing Each Other’s Strengths**

- **Local Commercial (Corporates)**: First Capital
- **Local Retail (Individual)**: MSIG SGP
- **Local Retail (SME)**: MSIG SGP
- **Japanese Corporates**: MS&AD

Source: Calculated by MS&AD based on the published data by Monetary Authority of Singapore (excluding Lloyd’s scheme and reinsurers)
3. Rationale for the Acquisition
(1) Enhance profitability and realize further growth in Singapore

• Mutually improve growth prospects by capturing First Capital’s profitability as well as complementing each other’s strengths

**Top Line (GPW)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Income (SGD mil.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>496</td>
</tr>
<tr>
<td>2013</td>
<td>499</td>
</tr>
<tr>
<td>2014</td>
<td>532</td>
</tr>
<tr>
<td>2015</td>
<td>548</td>
</tr>
<tr>
<td>2016</td>
<td>542</td>
</tr>
</tbody>
</table>

**Bottom Line (Net Profit)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Profit (SGD mil.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>54</td>
</tr>
<tr>
<td>2013</td>
<td>55</td>
</tr>
<tr>
<td>2014</td>
<td>79</td>
</tr>
<tr>
<td>2015</td>
<td>80</td>
</tr>
<tr>
<td>2016</td>
<td>89</td>
</tr>
</tbody>
</table>

**Historical Combined Ratio**

- **2012:** 85%
- **2013:** 82%
- **2014:** 74%
- **2015:** 71%
- **2016:** 67%

5Y Average: 75.8% (2012 - 2016)

**Historical ROE**

- **2012:** 17%
- **2013:** 14%
- **2014:** 17%
- **2015:** 15%
- **2016:** 14%

5Y Average: 15.6% (2012 - 2016)

Source: First Capital’s Annual Report 2011~ 2016  
*1 CAGR (Compound Average Growth Rate): 5-year average from 2011 to 2016
3. Rationale for the Acquisition
(2) Further Strengthen our leading position in the ASEAN Region

- Secure our leading position in the ASEAN region by welcoming First Capital which is a leading insurance company in the ASEAN region in terms of both GWP and profit.
- Expand new business by utilizing First Capital’s know-how on retail business and digital technologies and our network in the ASEAN region.

**MS&AD Group’s Ranking in ASEAN Markets**
*(Based on 2015 Gross Premiums)*

- Myanmar
- Laos (4th)
- Thailand (5th)
- Cambodia (4th)
- Malaysia (2nd)
- Brunei
- ASEAN
- Singapore (1st)*
- Indonesia (13th)
- Vietnam (13th)
- Philippines (4th)
- Myanmar
- Brunei

(Source) MS&AD compilation based on public data of general insurance companies in each country (FY 2015 gross written premium basis)

*1 Simple sum of FY2015 GWPs of MSIG SGP and First Capital

**Synergies in ASEAN region**

- Network spanning all ASEAN countries
- Know-how on retail business and digital technologies
- Develop new business across all ASEAN countries
4. Enhance further growth through a Strategic Alliance with Fairfax

- Fairfax is a global insurance and financial group with insurance subsidiaries in more than 30 countries
- The global partnership with Fairfax in areas including reinsurance and digital technologies will enable further growth in our international business

**MS&AD (MSI)**

Insurance and financial services group with a presence in 42 countries and regions

- Strong presence in Japan, ASEAN and Lloyd’s
- Global underwriting network
- Strong retail business network in Asia

**FAIRFAX**

Global insurance and financial group with insurance subsidiaries in more than 30 countries

- Strong presence in the U.S. and Lloyd’s
- Organization in the group that researches and develops innovative digital technologies.
### Impact on Group Core Profit and Group ROE (based on FY2016 results)

<table>
<thead>
<tr>
<th></th>
<th>MS&amp;AD (a)</th>
<th>Net Impact (b)</th>
<th>MS&amp;AD + First Capital Total (a)+(b)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Group Core Profit</strong></td>
<td>¥213.7 billion</td>
<td>+ ¥7.0 billion$^1$</td>
<td>¥220.7 billion</td>
</tr>
<tr>
<td><strong>Group ROE</strong></td>
<td>7.9%</td>
<td>+0.3pt$^2$</td>
<td>8.2%</td>
</tr>
</tbody>
</table>

$^1$ Net Impact on Group Core Profit = Net Income (First Capital FY2016) (1SGD=¥80) x 97.7%

$^2$ Net Impact on Group ROE
= Net Income (First Capital FY2016) x 97.7% / MS&AD Group’s consolidated total net assets excluding equity warrant and non-controlling interests (average of beginning and ending amounts of B/S) in FY2016) (1SGD=¥80)
【Appendix】Overview of Fairfax Group

- A global insurance and financial group with insurance subsidiaries in over 30 countries
- Has a strong presence in the U.S. and Lloyd’s and an organization that conducts research and development of innovative digital technologies

*:
Organization Chart as of the end of FY2016

¥1.1 Trillion*1

- Canada P&C ¥120.0B*1
- U.S. P&C ¥220.0B*1
- Specialty ¥90.0B*1
- Work comp ¥260.0B*1
- Reinsurance ¥210.0B*1
- Lloyd’s ¥80.0B*1
- Asia ¥140.0B*1
- New markets

Allied World

- U.S. P&C, Specialty, Reinsurance (¥335.0B*1)
- Acquired by Fairfax in July, 2017

Source: Calculated by MS&AD based on presentation documents of Fairfax Annual Meeting 2017 (April 20, 2017)

*1 2016 GWP (gross written premiums) Ex. rate USD1=¥109
【Appendix】 Impact on Group Core Profit

**Group Core Profit of International Business**

- **MS&AD (FY2016 Actual)**:
  - Domestic Non-Life: 71.8%
  - Domestic Life: 11.8%
  - International: 16.2%
  - Financial Services/Risk-Related Services: 0.2%
  - Total: ¥213.7 billion

- **MS&AD + First Capital (FY2016 Actual Combined Basis)**:
  - Domestic Non-Life: 69.4%
  - Domestic Life: 11.4%
  - International: 19.0%
  - Financial Services/Risk-Related Services: 0.2%
  - Total: ¥220.9 billion

Group Core Profit of International Business:

- **MS&AD (FY2016 Actual)**: ¥34.6 billion
- **MS&AD + First Capital (FY2016 Actual Combined Basis)**: ¥41.7 billion
【Appendix】 Calculation Methods of “Group Core Profit” and “Group ROE”

Group Core Profit:

\[ \text{Group Core Profit} = \text{Consolidated net income} - \text{Net capital gains/losses on stock portfolio} \] (gains/losses on sales etc.) - \text{Net evaluation gains/losses on credit derivatives} - \text{Other incidental factors} \ *1 + \text{Equity in earnings of the non-consolidated group companies} \]

Group ROE:

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

*1 Extraordinary income/loss after-tax (excluding provision for/reversal of reserve for price fluctuation, amortization of goodwill and other...