

ERM

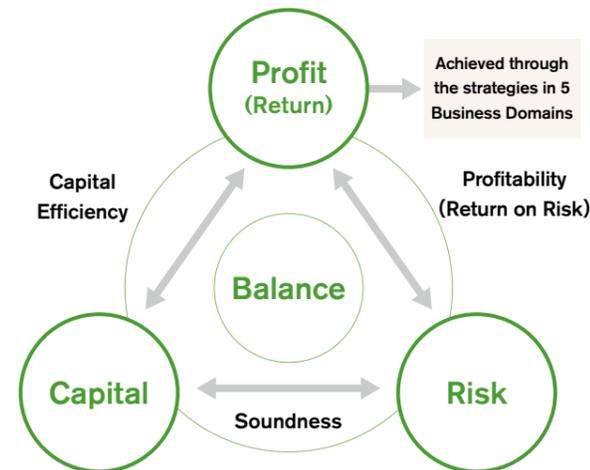
Enterprise Risk Management

Along with the completion of “Reorganization by Function,” promoting “ERM” is positioned as one of the two key drivers of the MS&AD Insurance Group’s “Next Challenge 2017” medium-term management plan. ERM (Enterprise Risk Management) plays an important role in enabling us to raise “Group Core Profit,” a numerical management target of “Next Challenge 2017” and also attain an “AA-level financial base.”

Overall Picture of ERM

Roles and Functions of ERM

- In insurance company management, ERM is an important means of managing the balance among three management indicators – profit (return), risk, and capital.
- ERM requires the quantitative and qualitative evaluation and appropriate management of risk from a comprehensive perspective.
- ERM requires measuring the net asset value (capital) and maintaining a balance between capital and risk. In particular, because fluctuations in financial security markets, etc., cause fluctuations in capital and risk, it is important to maintain soundness based on an understanding of those situations.



Indicators Emphasized in ERM

Capital Efficiency	Group ROE = $\frac{\text{Return (Group Core Profit)}}{\text{Capital (Consolidated net assets)}}$
Profitability (Return on Risk)	ROR = $\frac{\text{Return (Group Core Profit)}}{\text{Risk (Integrated risk amount)*1}}$ VA = $\frac{\text{Return (Group Core Profit)} - \text{Risk (Integrated risk amount)} \times \text{Cost of Capital}}{1}$
Soundness	ESR = $\frac{\text{Capital (Net asset value)*2}}{\text{Risk (Integrated risk amount)}}$

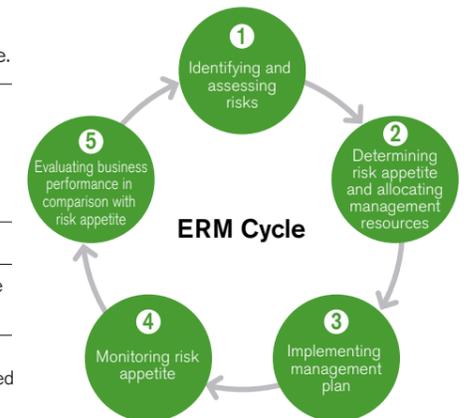
*1 The integrated risk amount represents the maximum amount of losses and total value of associated insurance payments that are likely to be encountered once in 200 years (= probability of 0.5%). It is marked to market value.
*2 Net asset value is an indicator used as a management buffer to enable thorough net asset management. In addition to net assets on the B/S, it includes such items as the catastrophe reserve, life insurance embedded value, other equity liabilities, etc.

<p>ROR (Return on Risk)</p> <p>ROR is an indicator that expresses how much profit can be obtained with respect to the subject risks assumed. In order to assume risk, it is necessary to secure capital that balances that risk. Consequently, in business where ROR is high (in other words, business where profit is large relative to the risk assumed), the profit that can be earned is large relative to the capital necessary.</p>	<p>ESR (Economic Solvency Ratio)</p> <p>ESR is an indicator of capital adequacy with respect to the risk amount. Risk amounts are calculated based on the statistical quantification of risks of losses and price fluctuations associated with businesses and asset portfolios, and the integrated risk amount represents the total amount of risk assumed by the Group as a whole. By employing calculations based on a 99.5% confidence level of the predicted losses likely to occur once in 200 years and setting the Group’s ESR target level at 200%, the Group is intending to prepare twice the amount of capital required to cover losses that statistically have a recurrence interval of 200 years. Even if such losses were to actually occur, the result would simply be that the amount of capital would be halved. (For ESR status, please refer to “Improved Financial Soundness” on P. 16)</p>
<p>VA (Value Added)</p> <p>Value Added (VA) indicates how much value can be generated with respect to the risks assumed. While ROR (Return on Risk) indicates the rate of return that can be obtained with respect to the risks assumed, VA is an indicator of absolute value.</p>	

ERM Cycle

ERM is implemented through a management PDCA (Plan, Do, Check, Act) cycle.

Plan	① By identifying and assessing risks, the Group quantitatively and qualitatively measures the risks it bears. (See section ‘A’ below.) ② By determining risk appetite and management resource allocation, a management plan is drafted. (See section ‘B’ below.)
Do	③ Business is driven based on the management plan.
Check	④ The actual risk appetite is monitored. In addition, ⑤ business performance is evaluated in comparison with risk appetite. (See section ‘C’ below.)
Act	In cases when the check process has discovered problems, response and remediation measures are drafted in the plan process and then implemented in the do process.



A Specifying Risks

Material Risks of the Group (fiscal 2017)

The Group specifies important risks to be controlled by management and formulates a Management Action Plan as well as regularly monitors the situation with respect to each type of risk to maintain a focus on the potential impact of those risks on the Group.

- | | |
|---|--|
| 1 Domestic incidence of large-scale natural disasters (earthquakes) | 7 Increases in credit risk and bad debt |
| 2 Domestic incidence of large-scale natural disasters (other than earthquakes) | 8 Incidence of business suspension due to frequent violation of laws and regulations (inappropriate insurance sales or insurance payments) |
| 3 Overseas incidence of large-scale natural disasters | 9 Incidence of business suspension and information leakage due to cyberattacks, increased frequency of leaks and/or illegal use of personal/confidential information |
| 4 Large drop in the domestic stock market | 10 Frequent incidence of IT system failure and incidence of critical IT system failure* |
| 5 Substantial yen appreciation | 11 Incidence of a new (virulent) influenza pandemic |
| 6 Large fluctuations in yen interest rates, continuation of negative interest rates | 12 Incidence of serious labor issues (excess work, harassment, etc.), loss of social credibility |

* Includes cases in which large-scale system development projects progress slower than expected, fall short of target, are overbudget and/or where the effects fall short of expectations.

Approach and measures related to cybersecurity (No. 9)

The Group has adopted a multilayered approach to information security, including measures aimed at preventing unauthorized access to systems, measures to prevent information from leaving the system, and internal security measures to detect and prevent the spread of viruses or other malware within the Group systems. We are also implementing measures on a personal and organizational scale, including employee education and awareness activities, as well as exercises simulating such an attack.

To defend against such security threats, the Group has established a specialized body (MS&AD-CSIRT*), and we are gathering data on information system vulnerabilities and will be sharing such information among the Group companies.

* Acronym for “Computer Security Incident Response Team.” This team specializes in information security within the Group.

B Establishing Management Plan Based on the Determination of Risk Appetite and Allocation of Management Resources

Risk Appetite Policy

- To secure financial soundness, the risk amount is measured on a companywide basis.
- The target levels of financial soundness and capital efficiency are determined and standards for investment in business including M&A transactions are established.
- Risk appetite (risk selection and control policies for pursuing optimal balances) is determined.
- Capital is allocated to each business and investment, and risk limits (acceptable level) are set for each business and investment.
- Decisions are made regarding material risks to be monitored, the setting of monitoring indicators, etc.

Capital Allocation System

- Optimize capital allocation from the perspective of return on risk.
- At the five domestic Group insurance companies, determine capital allocation amounts consistent with the risk appetite policy.
- Carry out monitoring during the fiscal year, and consider and implement capital allocation amount revisions and other measures as necessary.

C Monitoring Risk Appetite and Business Evaluation

Monitoring

- Management using risk-based metrics (ROR, VA, etc.)
- Consideration and drafting of countermeasures and improvement measures as necessary

Business Evaluation

- Based on the results of monitoring, evaluate projects in line with risk appetite
- Evaluation criteria: Profit scale by business domain, profitability by business domain, capital efficiency by business domain, ROR by business domain, etc.



Management Plan

- Establishing of business portfolio strategy
- Establishing of business domain strategies
- Establishing of business investment strategy
- Establishing of profit improvement measures
- Setting of numerical management targets

Control of Risk

Positioning risk management as a top-priority management task, the MS&AD Group has established the MS&AD Insurance Group Risk Management Basic Policy which underpins common risk management exercised throughout the Group. Specifically, the policy identifies the principal types of risk with impact on the Group's business portfolio, stipulates how risk factors are to be evaluated both quantitatively and qualitatively, and promotes risk management based on those evaluations. More-detailed information on the Group's risk management systems is posted on the Group's official website.

Insurance Business Risk

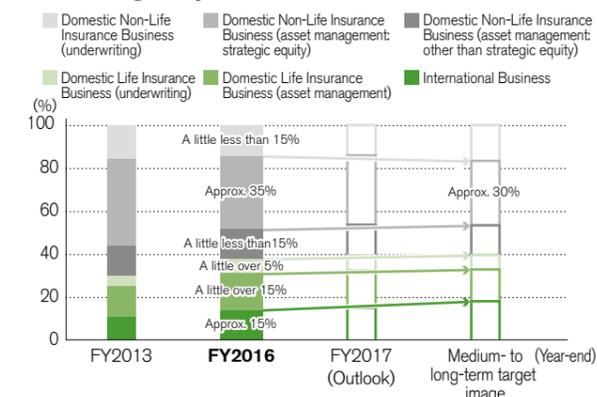
There are a variety of risks inherent in the insurance business, but these can be divided into four basic categories: insurance underwriting risks, asset management risks, liquidity risks and operational risks. The Group remains active in evaluating risk management conditions and the risk management system. We continually measure risk levels and regularly determine if risk levels are consistent with the capital strength of the Group.

Insurance Underwriting Risks	Insurance underwriting risks are risks associated with underwriting losses due to either the frequency of insured events or the amount of damage from accidents and disasters significantly surpassing the projection on which the insurance premiums are calculated.
Asset Management Risks	Asset management risks are risks associated with a reduction in value of assets, including off-balance-sheet assets, or income owing to the fluctuation of interest rates, stock prices, exchange rates, real estate prices, rents and the like, or the financial condition of investee entities, and risks that we cannot hold assets in alignment with the characteristics of liabilities, such as claim payments.
Liquidity Risks	Liquidity risks are risks that cash shortages caused by large cash-outs, such as claims payments due to major disasters, force us to secure financing by selling assets at significantly disadvantageous prices (cash management risk), or risks that market disturbances prevent market transactions or force disadvantageous trades (market liquidity risk).
Operational Risks	Operational risks are risks that cause losses due to the failure of the operational process or business system, misconduct of executives or employees, or external incidents, such as accidents or disasters.

Changes in the Risk Portfolio

By carefully managing risk control based on the risk appetite policy, we aim to build the following kinds of risk portfolios. Specifically, we are accelerating sales of strategic equity holdings while moving ahead with the expansion of insurance underwriting risks.

Risk Weight by Business Domain*



* The weight of each business domain risk in the case that the sum of the planned risk weights is 100%.

Reduction of Equity Risk

MSI and ADI have strategic equity holdings of the stock of transactional partners based on the premise that they will be long-term holdings for the purposes of obtaining stable fund management returns from dispersed investments and of comprehensively maintaining and strengthening transactional relations.

However, for the purpose of maintaining a solid financial position, there is a need to proceed with the shrinkage of risk assets concentrated in strategic equity holdings.

For this reason, the Group is moving forward steadily with risk reduction by defining target levels for the medium- to long-term and by defining sales goals in the medium-term management plan.

Medium- to Long-Term Target Levels

Weight of risk of strategic equity holdings in the Group	Approx. 30%
Weight of market prices to the Group's consolidated total assets	Approx. 10%

Planned Reduction in Strategic Equity Holdings

Plan	FY2014-2016 Performance	Progress Rate
¥500.0 billion*	¥405.3 billion	81.0%

* In November 2015, the plan value was raised from the original ¥300 billion.

Advancing Risk Management

Efforts to Enhance the Methods of Risk Management

Aiming to accurately assess and manage risk, the Group is moving ahead with efforts to enhance the methods of risk management. In fiscal 2014, the Group built a unified systems base for all Group units, including overseas bases and started full-scale application from fiscal 2015. Thereby, the Group enhanced the methods of risk management while also realizing the unification of data management processes for the Group as a whole.

Strengthening Natural Disaster Risk Management

As natural disaster risk is one of the most-important kinds of risk for the Group, we are undertaking the following measures aimed at controlling such risks and augmenting capital efficiency.

- Controlling insurance underwriting risk**
 Revising premium rates and products for property insurance and introducing domestic and overseas underwriting limits based on consideration of risk concentration situations
- Arranging reinsurance to transfer risk**
 Arranging reinsurance to adjust risk amounts while also confirming the soundness of reinsurance companies and avoiding excessive concentration regarding transactions with specified reinsurance companies to reduce reinsurance credit risk

Please see our official website for more detailed information on risk management

Website content

- Risk management**
<http://www.ms-ad-hd.com/en/company/governance/risk.html>
- Risk management basic policy
- Risk management structure
- Insurance business risks
- Risk management in international business
- Crisis management systems (including Business Continuity Management System)



Maintaining a balance among the three management indicators—profit (return), risk and capital—and ensuring sustainable growth

Senior Executive Officer
Chief Risk Officer (CRO)

Namepei Yanagawa

Conditions at the End of Fiscal 2016

Developments in fiscal 2016, including financing ¥150 billion through the issuance of subordinate bonds by the holding company, the ongoing effort to reduce equity risk, and the formulation of revenue and expenditure targets in line with our risk appetite policy, were based on our aim to maintain a balance among profit (return), risk and capital. Based on these efforts, the Group saw an improvement in ROE and ROR in fiscal 2016, mainly due to enhanced earnings in the Domestic Non-Life Insurance Business. ESR recovered from 181% in fiscal 2015 to 195%, with improvements also seen in capital efficiency, profitability and financial soundness.

The Group from fiscal 2016 also designated a CFO and a CRO. As CRO, it is my responsibility from a risk perspective to monitor the CFO.

Improved Risk Management Thanks to Synergies with MS Amlin

MS Amlin was added to the Group in February 2016. This has allowed us to diversify our risk portfolio, which previously was weighted heavily toward Japan and Asia, to include Europe and the Americas, which provides further balance to the risk portfolio itself.

The Group risk management system is led by the holding company's risk management department, which is charged with conducting integrated risk management for the Group to generate synergies. MS Amlin, which earned leading global rating agency Standard and Poor's high ERM rating, became a group member in February 2016 and the incorporation of the company's risk management methods served to further improve risk management for the Group as a whole.

As an example, we note that the internal model used by MS Amlin in measuring risk meets the requirements of EU Solvency II and has been approved by the U.K. financial authorities. Beginning in fiscal 2016, we compared the internal models of MS Amlin and the Group and incorporated MS Amlin's methods into the Group's own model, improving the model validation process. We also have promoted the exchange of actuaries between the holding company's risk management department and MS Amlin, further bolstering the Group's know-how in the field.

The Impact of Negative Interest Rates on the Domestic Life Insurance Business

In line with the January 2016 introduction of negative interest rates in Japan, Mitsui Sumitomo Aioi Life Insurance launched product revisions and restrictions on the sale of savings-type products. With the goal of further bolstering its financial structure, the holding company launched a capital increase for Mitsui Sumitomo Aioi Life Insurance.

Implementing Measures to Entrench ERM

The Group enacted several measures aimed at thoroughly entrenching Enterprise Risk Management (ERM) within the organization.

Moreover, through the monitoring of ROR and VA on a Group basis, MS&AD has been able to spread awareness of ERM throughout the organization.

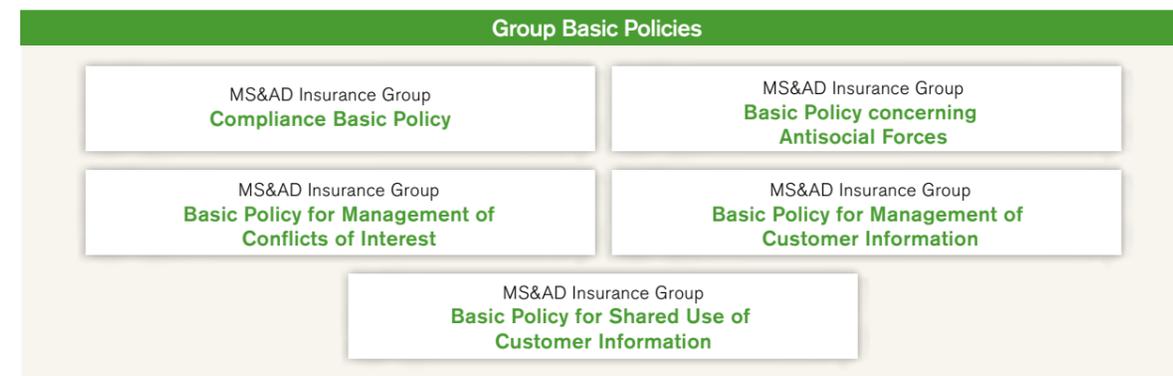
ERM

Compliance

Positioning compliance as a top Group management priority, the MS&AD Insurance Group requires that all its officers and employees rigorously comply with all laws and regulations related to business activities.

▣ Groupwide Basic Policy on Compliance

A basic policy common to the entire Group has been established, and basic philosophy is shared within the Group. Based on this policy, each Group company establishes internal regulations and rules and promotes compliance.



▣ Systems and Organization

MS&AD Holdings has established a specialized unit and organization to comprehensively oversee Group compliance matters. (See the table below.)

In addition, the boards of directors and compliance departments of each domestic and overseas Group company create organizations tailored to each company's actual situation and work to promote and manage compliance measures.

Name	Principal Responsibilities and Activities
Risk and Compliance Committee*	<ul style="list-style-type: none"> Monitoring the compliance situation for the entire Group as well as related consultation and coordination Reporting on important matters to the Board of Directors
Compliance Department	<ul style="list-style-type: none"> Overseeing and managing compliance-related activities throughout the Group Report each Group company's monitoring results to the Risk and Compliance Committee, the Board of Directors, etc.
International Supervisory Department	<ul style="list-style-type: none"> Overseeing and managing compliance-related activities of International Business Report important International Business compliance-related matters to the Board of Directors, etc.

* One of the Board of Directors' task-specific committees. (See P. 37)

▣ A Mechanism to Ensure the Effectiveness of Rules and Systems

The Board of Directors of each Group company approves a Compliance Program that serves as a company-wide compliance action plan. Reports on the implementation and issues of the program are submitted to the compliance committees and Boards of Directors of each company. In addition, each company prepares its own Compliance Manual specifying laws, regulations and rules to be observed by corporate officers and employees; promotes awareness of fundamental compliance issues; and holds regular employee and agent training based on the Compliance Program.

Please see our official website for more detailed information on compliance.

Website content

- **Compliance**
(<http://www.ms-ad-hd.com/en/company/governance/compliance.html>)
- Compliance Basic Policy
- Compliance promotion structure
- Activities (Compliance Program, Compliance Manual, compliance-related training, compliance-related inspection, monitoring Group companies and internal reporting system)
- Compliance promotion structure in international business operations (prevention of corruption and bribery)
- Tax compliance efforts (compliance with laws, relationships with tax authorities, response to BEPS* Project)

* Base Erosion and Profit Shifting

Corporate Culture and Human Assets Development

Quality Improvement Initiatives

The Group's basic strategy, as stated in our medium-term management plan, is to work to improve the quality of products and services based on communication with stakeholders and thereby earn their trust and contribute to the solving of social issues.

▣ Leveraging the Voices of Our Customers to Improve Quality

We have created a policy for responding to customers to gather a wide range of opinions from them, including their requests for consultations, their hopes and their complaints, so that we can further improve quality within the Group. With this policy as a guide, the domestic insurance companies in the Group can make use of customer feedback to improve operations and provide products and services living up to the needs of our customers.

When making a contract and making an insurance payment, MSI, ADI, Mitsui Direct General and MSI Aioi Life conduct customer surveys and use the information obtained to boost product quality, including through improved services and the development of new products. The customer survey asks customers about their level of satisfaction when making the contract, the level of satisfaction¹ in regard to the company's response to any accident and how willing they would be to recommend¹ MS&AD Insurance to others. Moreover, MSI Primary Life conducts customer surveys for customers making new contracts and customers revising their contracts relative to the understandability of the contracts.

The major items (satisfaction and potential for recommendations) for MSI, ADI and MSI Aioi Life are designated as Key Performance Indicators (KPIs)² for the promotion of CSR efforts.

¹ Please refer to P. 21 (non-financial highlights) for customer satisfaction levels relative to automobile accident responses and customer willingness to recommend.

² Indicators for the quantitative evaluation of company efforts

▣ Contact Center Quality Improvement

We have established the "MS&AD Group CC (contact center) quality standard" governing management and the quality standards for group-wide contact centers. We are implementing self-check and improvement measures at each center based on these standards. We aim to boost quality throughout the group through the sharing of good practices and the common efforts of all group participants. In the 2016 benchmark ratings by HDI-Japan, the world's largest membership-based support services organization, MSI, Mitsui Direct General and MSI Aioi Life earned three stars (the highest rating) for inquiry encounters and three stars for their support portal sites. MSI Aioi Life earned the maximum three stars for monitoring. In addition to being evaluated as three stars, ADI earned the "Five Star Certification," having been assessed as "meeting certain criteria in comparison to international best practices for the operation and management of support centers with business value added as well as leadership in the company and center management."



Please see our official website for more detailed information on CSR.

Website content

- **CSR**
(<http://www.ms-ad-hd.com/en/csr/index.html>)
- **Message from the President**
- **CSR in the MS&AD Insurance Group**
- **Contributing to Resolution of Social Issues through the Business**
 - Respect for Human Rights
 - Human Asset Development and Health Management
 - ESG Data

TOPICS

Our Customer-First Policy in the Operation of the Group's Business

The six domestic insurance companies in the group have formulated and released details regarding the "customer-first policy in the operation of their businesses" as a means of promoting measures aimed at putting the customer first. The MS&AD Insurance Group continues to value each of its customers in line with Mission, Vision and Values. We intend to continue to strive to promote our business on a customer-first basis to continue to grow as a company that customers choose based on trust.

Domestic Group Companies Formulating and Announcing Customer-First Policies*

MSI, ADI, Mitsui Direct General, MSI Aioi Life, MSI Primary Life, au Insurance

* For details on policies and activities, please see the official websites for each company.

Diverse Human Assets Development

The MS&AD Insurance Group aims to develop human assets* with the goal of elevating the level of professionalism of each employee, pursuing betterment as a company as opposed to remaining complacent with the status quo and maximizing power at the organizational level through the aggregation of individual capabilities.

* Human assets: At the MS&AD Insurance Group, in the spirit of valuing the individual, we refer to our employees as "human assets" rather than "human resources."

Human Asset Development

The MS&AD Insurance Group envisions ideal employees as those "who learn and think by themselves, take up challenges and continue to grow." At domestic Group insurance companies, to encourage employees to work as professionals who feel pride and are satisfied with their jobs, we educate and support staff through measures such as training, OJT¹ and self-education programs.

All group employees are provided with learning opportunities such as the MS&AD Open College² and the MS&AD Online Business School,³ and an OJT program has been established to help newly hired employees utilize their work experience while acquiring the knowledge and skills they need.

In fiscal 2017, we held a one-day group training session focused on MS&AD's goals for the next five years and how to achieve them for all new employees of the nine Group companies in an effort to foster a sense of unity among all employees.

1 OJT: On-the-job training
2 Group training program for acquiring business skills such as problem-solving skills
3 Learning tools for acquiring MBA knowledge using mobile devices



Fiscal 2017 training sessions for new employees at the nine group companies

Training the Next Generation of Leaders

Domestic Group insurance companies are implementing manager training programs designed to provide comprehensive support for human asset development by strengthening participants' "management skill" and "workplace communication skill." With the aim of nurturing the next generation of leaders who will have the sensibilities and skill sets for management and for working in a global corporation, MSI and ADI are implementing training programs.

TOPICS

MS&AD Enacts Basic Human Rights Policy for the Group in February 2017

With the understanding that our business, including all parts of the value chain, can be affected by both the actual and potential effects of human rights issues, the group has dedicated itself to dialogue and activities based on respect for human rights.

Please see our official website for more detailed information.
www.ms-ad-hd.com/en/csr/employee/human_rights.html

Developing Global Human Assets

To foster the development of international specialists equipped with an abundance of cosmopolitan sense and expertise in each field, MSI and ADI implement programs for seconding their employees to overseas subsidiaries, bases, universities, and overseas training programs that enable employees to study overseas business operations, international business skills, and languages, as well as programs that enable employees to obtain MBAs. In fiscal 2016, the Group sent 41 employees overseas on such programs.

Moreover, aiming to expand its staff of global human assets while also internationalizing head office departments and promoting greater international exchanges and mutual understanding, MSI has instituted the systems described below.

System	Content
Global Trainee System	Head office employees are given work experience at overseas bases and employees of overseas bases can gain work experience in Japan for short periods. In fiscal 2016, 38 Head office employees and 52 overseas employees participated in the system.
Headquarters postings for overseas local employees	A system for temporarily posting overseas local employees to the head office in Japan. A total of 69 overseas local employees had engaged in business at the Company's headquarters in Japan up to fiscal 2016.



Employees recruited and working at an overseas office participating in the program in Japan.

Employee Satisfaction

Each year, the Group implements an opinion poll asking all Group employees in the Group such questions as those about the degree of diffusion of the Group Mission, Vision, and Values; about whether the Group has a sense of unity; and about whether they feel strong senses of motivation and personal growth.

KPI on CSR Approaches to "Employee Satisfaction"

Indicator	FY2015 Score*	FY2016	
		Goal	Score*
Employee satisfaction "Pride, Job satisfaction"	4.4 points	Same or higher level compared to previous fiscal year	4.4 points
Employee satisfaction "Working vigorously"	4.3 points	Same or higher level compared to previous fiscal year	4.2 points

* All-employee average on a 6-point scale

Promoting Diversity in Human Assets

To promote management of the Group in the face of changes in the global environment, it is important to advance teamwork among individual employees with diverse skills and values. The Group believes that giving all its ambitious employees the opportunity to develop and demonstrate their talents through their work will lead to the augmentation of the Group's competitive strengths.

Promoting the Career Development of Women

The MS&AD Insurance Group considers it important that female employees take on challenges and bigger roles in the workplace by utilizing their own advantages and characteristics. This leads to the growth of both the employees and the company. MSI, ADI and MSI Aioi Life established a professional team to assist in the career development and positive work-life balance of female employees and create workplace environments that can support this. In July 2011, the MS&AD Insurance Group established a joint declaration for the promotion of female employees and has been working to meet targets set by the professional team. Women now occupy 551 managerial positions among the five companies, equating to about 7.1% of all such positions. ADI saw its first female executive officer in April 2015.

Global Human Assets Utilization

The Group has a network covering 47 countries and regions throughout the world and employs more than 9,000 people at its overseas subsidiaries and affiliates. The Group also has created systems to promote mutual exchanges between Japan and its various locations throughout the world. Aiming to make the most of the abilities of employees with diverse backgrounds and personalities, as well as their ideas, to augment its own capabilities for responding to dynamically changing markets and elevate its competitiveness, the Group is endeavoring to utilize human assets in a manner that surmounts national borders.

Employment of People with Disabilities

Group companies continue to engage in hiring activities to expand and anchor places of employment for the disabled. They are also adapting workplaces into more accessible environments and developing duties that can be performed by people with disabilities. In addition, the Group hires para-athletes, athletes with disabilities, providing support for their activities as athletes.

Total number and ratio of domestic employees* with disabilities in fiscal 2016

Ratio of domestic employees with disabilities	Number of employees
✓ 2.52%	755

* This applies to employees as of the end of March 2017 at the holding company, MSI, ADI, Mitsui Direct General, MSI Aioi Life and MSI Primary Life.

The ✓ symbol for fiscal 2016 figures indicates a third-party guarantee from KPMG AZSA Sustainability Co., Ltd.

Employment of the Elderly

MSI and ADI have a rehiring program for employees who have reached retirement age. The program allows employees to continue exercising their talents by applying their experience and skills. Employment contracts can be renewed in accordance with such factors as the company's operating needs and the nature of the job, enabling employees to work until the maximum age of 65. Under the program, several work options are offered by job type, number of workdays and work hours so that a variety of work patterns are available to choose from.

Work-Style Reforms

MSI and ADI are committed to work-style reforms. In addition to efforts aimed at correcting long work hours, we are focused on creating an improved work environment as we remain conscious of the diversity of our employees. We are promoting a more time-conscious work style, setting 7 p.m. as the normal time to end the work day, and creating an environment based on a work-life balance, including by supporting a variety of work styles, changing the mind-set of management and individuals, and working to improve productivity while reducing waste and inefficiencies. We will continue to promote an enhanced lifestyle and self-development among our employees by encouraging workers to take allotted time off and helping to create such time. MSI has been using thin-client PCs since October 2016, which allows a variety of work styles, including work from home and work from remote locations. ADI is working to entrench this new environment through the dissemination of easy-to-understand materials (manga) to company employees.

Support for Employees Raising Children

To enable female employees to actively pursue their careers, it is essential to create an environment in which they can harmonize their work with child raising. To this end, the Group has introduced temporary leave and flextime systems, as well as other various support systems.

Institutional and Environmental Enhancement Measures (principal initiatives, excluding legally required measures)¹

- Assignment of substitute employees to cover for employees taking child-care leave
- Organization of seminars and the provision of guidebooks to help employees return to work following child-care leave
- Preparation of e-learning courses for employees to use at home during child-care leave
- Support for enrolling children in nurseries
- Promotion of discounts, use of babysitters, nursery schools through business partnerships
- Preparation of work-life balance-related booklets and e-learning courses for managers
- Promotion of "working mother" meetings among returning employees
- Creation of child-care facilities within companies and promotion of use among group employees
- Creation of a special leave system for male employees following the birth of their children

¹ There is some variation among the characteristics of individual Group companies' systems.

Support for Nursing Care

We have established a support system that enables employees to continue working while caring for a family member. MSI, MSI Aioi Life and Mitsui Direct General have introduced nursing care leave programs to support employees who want to continue working after nursing care has been completed. ADI also allows shortened work shifts and work hours so employees can provide nursing care. It also offers a system for rehiring employees who have retired for nursing reasons.

Corporate Governance

Corporate Governance

Aiming to promote the Group's sustainable growth and an increase in enterprise value, enhancing the corporate governance system is an indispensable important element in implementing transparent, fair, swift, and decisive decision-making processes. The MS&AD Insurance Group is emphasizing the measures for the "strengthening of Group governance," which is one of the four implementation drivers within the Next Challenge 2017 medium-term management plan.

Basic Policies

- In line with its Corporate Philosophy (Mission), the Company, as a holding company overseeing all Group businesses, has established a management framework that ensures transparent, fair, swift, and decisive decision-making that takes into account the standpoint of all stakeholders. The Company's objectives are sustainable growth over the long term by using corporate resources efficiently and managing risks properly and, ultimately, to further increase enterprise value.
- To this end, the "MS&AD Insurance Group Corporate Philosophy (Mission), Corporate Vision, and Values" were formulated as something all officers and employees of the Group should adhere to in all situations. In addition to working to disseminate these principles among all officers and employees of the Company and its Group companies, corporate governance, compliance, and risk management are positioned as important management issues in the medium-term management plan, and efforts shall be made to actively promote that plan.

* The "MS&AD Insurance Group Corporate Philosophy (Mission), Corporate Vision, and Values" is on the back side of the front cover page of this brochure.

Summary of Corporate Governance Stance

- As a company with an Audit & Supervisory Board, the Company will endeavor to improve governance by ensuring that independently appointed Audit & Supervisory Board Members appropriately act in their auditing functions, in addition to ensuring that the Board of Directors appropriately acts in its oversight functions, while strengthening the functions of each and actively disclosing information.
- The Company has introduced an executive officer system and is proceeding to delegate authority over business execution to these executive officers to ensure swift execution.

Supervision (Board of Directors)

- In addition to matters specified by law and the Articles of Incorporation, the Board of Directors discusses and decides upon important matters involving Group management strategy and corporate management, including the Group's management policies, management strategies, and capital policy, and oversees the duties of directors and executive officers.
- Five Outside Directors, more than forty percent of the Board of Directors which has twelve members (ten men and two women), are appointed to incorporate perspectives independent from management, strengthen monitoring and oversight functions, and conduct highly transparent management.

Auditing

Audit & Supervisory Board Members and Audit & Supervisory Board

- Each Audit & Supervisory Board Member shall appropriately exercise his/her legal investigating authority, including the authority to audit operations and assets, and supervises the performance of duties of the Directors by attending meetings of the Board of Directors and other important meetings, viewing important approval documents, investigating departments within the Company, and investigating subsidiaries in accordance with the auditing policies and plans stipulated by the Audit & Supervisory Board.
- The Audit & Supervisory Board comprises two full-time Audit & Supervisory Board Members and two part-time Audit & Supervisory Board Members (Outside Audit & Supervisory Board Members), for a total of four members (two men and two women). The Audit & Supervisory Board receives reports from Audit & Supervisory Board Members on the status of performance of duties and reports from officers and employees on important matters related to auditing, and also makes decisions regarding auditing policies and auditing plans.

Internal Auditing

- The Company has established the "MS&AD Insurance Group Basic Policy for Internal Audits." Under this basic policy, the Company and domestic Group insurance companies have formed the Internal Audit Department that acts as an independent body with auditing functions.

- The Company's Internal Audit Department reports important matters that have been discovered as a result of internal audits of the Company and domestic Group insurance companies to the Board of Directors and the Group Management Committee. In addition, the Internal Audit Department cooperates with auditing conducted by the Audit & Supervisory Board Members.

Accounting Auditors

- The Company has appointed KPMG AZSA LLC as its independent audit corporation. Please note that there are no special interest between this company and MS&AD Holdings.

Nomination and Remuneration

To maintain a high level of transparency, the Company has formed the Nomination Committee and the Remuneration Committee as internal committees of the Board of Directors. Each committee comprises seven members,* and the chairpersons and other members are appointed by the Board of Directors. With respect to each committee, a majority of the members and the chairperson have been appointed from among the Outside Directors.

* In fiscal 2017, both committees comprise all five Outside Directors, the Chairman of the Board and the President & CEO.

Nomination Committee

- The Nomination Committee deliberates on major management personnel matters and provides advice on these matters to the Board of Directors. Such matters include the selection of Director and Audit & Supervisory Board Member candidates and Executive Officers of the Company, as well as the selection of Directors and Audit & Supervisory Board Members for domestic insurance companies in which the Company has direct investments.
- Performance evaluations (corporate performance) may be considered when deliberating Director candidates and Executive Officers.
- The Board of Directors appoints candidates for Director, as well as candidates for Audit & Supervisory Board Member and Executive Officers, based on advice from the Nomination Committee. The utmost respect is given to that advice in making selections. The consent of the Audit & Supervisory Board must also be obtained for candidates for Audit & Supervisory Board Member.
- Based on the need to promote substantive discussions regarding the enhancement of corporate governance on the Nomination Committee, policies regarding the selection of Directors and Audit & Supervisory Board Member candidates shall be added to the items for deliberations, with the further clarification that meetings will be held at least once a year.
- There were five meetings in fiscal 2016 for the discussion of Outside Officer candidates.

Remuneration Committee

- This committee advises the Board of Directors regarding the remuneration of Directors and Executive Officers of the Company as well as the remuneration systems for the management of domestic insurance companies in which the Company has direct investments.
- Based on the need to promote substantive discussions regarding the enhancement of corporate governance on the Remuneration Committee, policies regarding remuneration for Directors and Executive Officers shall be added to the items for deliberations, with the further clarification that meetings will be held at least once a year.
- There were three meetings held in fiscal 2016.

Process for Determining Director Remuneration

- Remuneration for each Director is set within the overall limits approved by the Shareholders' Meeting. Consideration is given to the function of remuneration as an incentive for improvement in performance, the medium- to long-term contribution to enterprise value, the level of compensation appropriate for competitiveness as a global corporation and other factors. To ensure transparency, the Remuneration Committee, which is composed of a majority of Outside Directors, deliberates remuneration amounts, and the final decisions are made by the Board of Directors. The Board of Directors gives the greatest regard to the advice of the Remuneration Committee.

Remuneration Breakdown

Remuneration for Directors (excluding Outside Directors) consists of fixed remuneration and performance-based remuneration.

- Fixed remuneration (monetary remuneration): about 70%
- Performance-based remuneration: about 30%, consisting of the following
 - Portion linked to company performance
 - Based on an index of Group Core Profit, consolidated net income, etc.
 - Stock option as stock-based compensation system
 - Monetary remuneration
 - Portion linked to individual performance

Because the Outside Directors are in a position independent from the execution of business, remuneration is limited to fixed (monetary) remuneration.

Directors' and Audit & Supervisory Board Members' Remuneration (FY2016)

Total Amount of Remuneration by Category and the Number of Recipients

	Total Remuneration	Total Remuneration by Category	
		Basic	Stock Option
Directors (10*)	¥224 million	¥210 million	¥14 million
Audit & Supervisory Board Members (2*)	¥51 million	¥51 million	–
Outside Directors/Audit & Supervisory Board Members (8)	¥73 million	¥73 million	–

* Excluding Outside Directors and Audit & Supervisory Board Members.

Persons with Consolidated Remuneration (including remuneration for corporate officer posts at main subsidiaries, etc.) of ¥100 million or more

	Total Remuneration	Total Remuneration by Category	
		Basic	Stock Option
Director Yasuyoshi Karasawa	¥110 million	¥102 million	¥6 million
Director Noriyuki Hara	¥106 million	¥99 million	¥6 million

- From fiscal 2015, the Company has introduced stock options as stock-based compensation so that the Company's directors (excluding outside directors) share not only the benefit of a rising share price, but also share the risk of share price fluctuations with our shareholders. The system involves replacing a portion of performance-based monetary remuneration with stock options provided as stock-based compensation (allotment of stock acquisition rights).
- The Company introduced same system as mentioned above and replaced a portion of performance-based monetary remuneration with stock options as stock-based compensation (allotment of stock acquisition rights) for the Company's executive officers and the directors (excluding Outside Directors) and executive officers of Group domestic insurance companies in which the Company has direct investments (the timing of the grants varies by company).

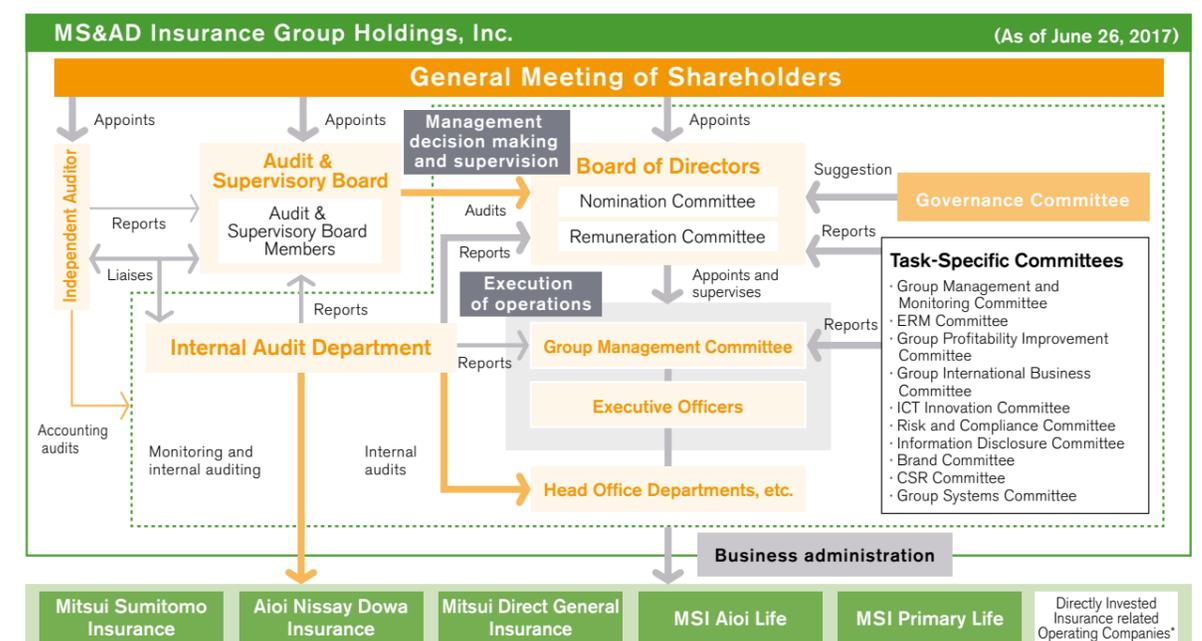
Group Management Structure

Role of the Company (the holding company)

- To realize management strategies, increase the Group's management efficiency, and ensure the soundness of Group finances and appropriateness of Group operations, the Company concludes management supervision contracts with its directly invested subsidiaries and undertakes the management administration of each company.
 - Believing that directly and quickly obtaining business-related information from the Group's domestic insurance companies will contribute to the smoothness of Group management, the Company has established a system in which its own directors concurrently serve as directors of the Group's domestic insurance companies. In addition, directors of the Group's domestic insurance companies sometimes attend the Group Management Committee meetings, depending on the proceedings.
- The Company has established Groupwide basic policies – including the "Basic Policy Pertaining to System for Internal Controls," "Risk Management Basic Policy," "Compliance Basic Policy," "Internal Audit Basic Policy," "Risk Appetite Statement," and "Basic Policy on Information and Technology Governance." In addition to requiring compliance with these policies by Group companies, important matters involving directly invested companies require either the approval of or reporting to the Company in line with management supervision contracts.
- The Company establishes Group business strategy, such as the Group's Medium-term Management Plan.
- The Company provides guidance and supervision through the monitoring of the progress of management plans formulated by Group companies and the status of business execution, with the aim of achieving the goals of the Group.

Role of Group Companies

- Group companies (directly invested companies) formulate their own policies and appropriately establish internal management systems based on the Group's Basic Policies, in addition to formulating management plans in each company based on the Group's Medium-term Management Plan to conduct management as individual companies.
- Directly invested companies also appropriately supervise the management of their subsidiaries under management supervision contracts.



* MS&AD Holdings has eight insurance related operating companies: InterRisk Research Institute & Consulting, Inc., MS&AD Business Support Co., Ltd., MS&AD Staffing Services Co., Ltd., MS&AD Systems Co., Ltd., MS&AD Business Service Co., Ltd., MS&AD Research Institute Co., Ltd., MS&AD Loan Services Co., Ltd. and ANSHIN DIAL Co., Ltd.

Continuous Strengthening and Improvement of the Management Structure

Measures Taken to Strengthen Group Governance

Fiscal 2010 to fiscal 2014	<ul style="list-style-type: none"> Introduction of executive officer system Appointment of multiple Outside Directors Establishment of Nomination Committee and Remuneration Committee Introduction of performance-based remuneration
Fiscal 2015	<ul style="list-style-type: none"> Establishment and announcement of the "MS&AD Insurance Group Basic Policies on Corporate Governance" Establishment of "Governance Committee" mainly composed of Outside Directors Elevation of the ratio of independent Outside Directors to one-third Announcement of criteria for the selection of Director candidates and Audit & Supervisory Board Member Candidates (including criteria for determining independence of Outside Corporate Officers) Introduction of stock options as stock-based compensation system for Directors (excluding Outside Directors) and executive officers
Fiscal 2016	<ul style="list-style-type: none"> Establishment of new titles: CFO, CRO, etc. Analysis and evaluation of overall effectiveness of the Board of Directors and announcement of a summary of the results
Fiscal 2017	<ul style="list-style-type: none"> Increasing the number of Outside Directors from four to five, with the number of Directors overall increasing from 11 to 12. Adding "Policies Related to the Selection of Director and Audit & Supervisory Board Member Candidates" and "Policies Related to Directors and Audit & Supervisory Board Members' Remuneration" to the items for deliberation at the Nomination Committee and Remuneration Committee, respectively. Clarifying that the Internal Audit Department reports directly to the Board of Directors (clarification of the lines of reporting).

Improving the Effectiveness of the Board of Directors

Establishment of Committees Comprised Mainly of Outside Directors and the Providing of Opportunities for Opinion Exchanges

The committees and meetings shown below have been established since fiscal 2015, and Outside Directors have freely engaged in constructive discussions and opinion exchanges.

Committee/Meeting Name	Committee/Meeting Description	Times Held
Governance Committee	The chairman is elected from among the Outside Directors (5); all Outside Directors, the Chairman of the Board, and the President & CEO discuss matters related to corporate governance status, policies, and stance.	3 times
Outside Directors Council	This council comprises only the Outside Directors (5). The Governance Committee uses discussions within the Outside Directors Council with the Chairman of the Board and the President & CEO.	4 times
Outside Directors-Audit & Supervisory Board Members Joint Council	This council comprises the Outside Directors (5) and the Audit & Supervisory Board Members (4); it has been put in place to liaise between the Outside Directors and Audit & Supervisory Board Members	3 times

Support Systems for Outside Directors and Outside Audit & Supervisory Board Members

- Support for the activities of the Outside Directors is provided by the Corporate Planning Department, and support for the Outside Audit & Supervisory Board Members is supplied by the Internal Audit Department. The agenda for the Board of Directors' Meetings is explained to the Outside Directors and Outside Audit & Supervisory Board Members in advance of the meetings by the Corporate Planning Department, which acts as the secretariat for the Board of Directors. In addition, information, such as important risk information, is reported on an ongoing basis to all Directors and Audit & Supervisory Board Members, irrespective of internal or outside.

Corporate Governance-Related Measures

Process for the Analysis and Evaluation of the Effectiveness of the Board of Directors (FY2016)

The Company complies with the Corporate Governance Code in its entirety. Please see our official website (<http://www.ms-ad-hd.com/en/company/governance/status.html>) for the status on the 11 principles for which disclosure is required. The status of efforts aimed at evaluating the effectiveness of the Board of Directors, which is of particular interest to all stakeholders, is outlined below.

Executing and Compiling the Results of the Director Self-Evaluation Survey

- A questionnaire with eight items was distributed in advance, with the interview conducted by the secretariat.
- With an eye toward the PDCA cycle, the survey focused on whether measures for functional improvement in the 2015 Directors' evaluation were implemented.

Exchange of Opinions at the Outside Directors Council

- The exchange of opinions at the Outside Directors Council addressed an analysis and assessment based on the survey results.

Compilation at the Governance Committee

- Following the exchange of opinions, the Governance Committee analyzed and evaluated the results and compiled a functional improvement plan aimed at further strengthening governance in fiscal 2017.

Implementing Functional Improvement Measures Based on the Results

Outline of the Analysis and Evaluation

Discussion Content and Function at the Board of Directors

Points of improvement	<ul style="list-style-type: none"> In regard to Board of Directors' discussions on business plans and strategies, steady progress has been made since the previous fiscal year, including the discussion of medium- to long-term issues facing the Group. Positive steps to entrench operations based on multiple deliberations regarding large-scale investment projects, including investment projects overseas and risk-taking projects.
Points requiring further reinforcement moving forward	<ul style="list-style-type: none"> When discussing management strategies and management plans at Board of Directors meetings, there needs to be a deeper discussion of changes in the operating environment, including the impact of technological innovations.

Board of Directors Management

Points of improvement	<ul style="list-style-type: none"> Promoting the visualization of target programs. Expanding time for consideration of important matters relating to strategic decisions by reviewing matters to be discussed by the Board of Directors and expanding items subject to so-called package deliberation, in which the explanation of some agenda items during the Board meetings is simplified.
Points requiring further reinforcement moving forward	<ul style="list-style-type: none"> Continue developing measures that contribute to the Outside Directors understanding technical terms in each target program or item.

Other (information and training for Outside Directors)

Points of improvement	<ul style="list-style-type: none"> Expanded opportunities to provide training or disperse information in areas requested by the Outside Directors (e.g., three fiscal 2016 workshops).
-----------------------	---

Corporate Governance

Introduction to Directors (As of June 26, 2017)

Directors



Hisahito Suzuki

Representative Director
Chairman of the Board

Number of Company shares owned
36,670

Important concurrent positions
Director & Vice Chairman, ADI

Biography

April 1973 Entered Dai-Tokyo Fire and Marine Insurance Co., Ltd.
Has business experience in sales, corporate planning, merger preparation, life insurance business, etc.
Present position since June 2014



Yasuyoshi Karasawa

Representative Director
President & CEO

Number of Company shares owned
25,200

Important concurrent positions
Director, Chairman of the Board, MSI

Biography

April 1975 Entered The Sumitomo Marine and Fire Insurance Co., Ltd.
Has business experience in corporate planning, sales, corporate communications, financial planning, etc.
Present position since June 2014



Noriyuki Hara

Representative Director
Executive Officer

Number of Company shares owned
17,400

Important concurrent positions
Director, President & CEO, MSI

Biography

April 1978 Entered Taisho Marine and Fire Insurance Co., Ltd.
Has business experience in market development, sales, product operations, corporate planning, etc.
Present position since June 2016



Yasuzo Kanasugi

Representative Director
Executive Officer

Number of Company shares owned
22,408

Important concurrent positions
Director & President, ADI

Biography

April 1979 Entered Dai-Tokyo Fire and Marine Insurance Co., Ltd.
Has business experience in human resources planning, sales, corporate planning, merger preparation, etc.
Present position since June 2016



Shiro Fujii

Director
Executive Vice President,
CFO

Number of Company shares owned
27,315

Important concurrent positions
—

Biography

April 1979 Entered Taisho Marine and Fire Insurance Co., Ltd.
Has business experience in corporate planning, product operations, handling claims, sales, systems and administrations, etc.
Present position since April 2016



Masaaki Nishikata

Director
Executive Officer

Number of Company shares owned
23,700

Important concurrent positions
Director, Vice President Executive Officer, MSI

Biography

April 1977 Entered The Sumitomo Marine and Fire Insurance Co., Ltd.
Has business experience in sales, product operations, sales promotion, etc.
Present position since June 2016



Fumiaki Ohkawabata

Director
Executive Officer

Number of Company shares owned
3,800

Important concurrent positions
Director, Senior Executive Officer, ADI

Biography

April 1981 Entered Chiyoda Fire & Marine Insurance Co., Ltd.
Has business experience in sales and product operations, etc.
Present position since June 2017



Akira Watanabe

Outside Director
(Independent Director)

Meeting attendance (FY2016)
12 of 13 Board of Directors' meetings (92.3%)

Number of Company shares owned
1,400

Reason for appointment

As a lawyer, he is well versed in the field of the Companies Act, and he has a wealth of experience gained through his service as a trustee of companies subject to reorganization proceedings. He has been stating opinions at meetings of the Company's Board of Directors and on other occasions based on his knowledge and experience. We elected him to continue reflecting his knowledge and experience in the management of the Company.

Important concurrent positions

Attorney-at-Law, Seiwa Meitetsu Law Office, Director of Asia File Holdings Corporation, Outside Director of Dunlop Sports Co., Ltd., Outside Director of Maeda Corporation, Outside Corporate Auditor of Fast Retailing Co., Ltd., Audit and Supervisory Board Member of Kadokawa Corporation.

Apr. 1973	Admitted as Attorney-at-Law, Attorney-at-Law, Ginza Law Office (currently, Abe, Ikubo & Katayama)
Apr. 1982	Attorney-at-Law, Akira Watanabe Law Office
Apr. 1989	Attorney-at-Law, Seiwa Kyodo Law Office (currently, Seiwa Meitetsu Law Office) (present)
Apr. 2010	Director, the Company (present)



Daiken Tsunoda

Outside Director
(Independent Director)**Meeting attendance (FY2016)**
12 of 13 Board of Directors' meetings (92.3%)**Number of Company shares owned**
0**Reason for appointment**

As a lawyer, he has a wealth of knowledge and experience concerning overall corporate legal affairs. He has been stating opinions at meetings of the Company's Board of Directors and on other occasions based on his knowledge and experience. We elected him to continue reflecting his knowledge and experience in the management of the Company.

Important concurrent positions

Attorney-at-Law, Nakamura, Tsunoda & Matsumoto
Outside Director of Eisai Co., Ltd.

Apr. 1994	Admitted as Attorney-at-Law, Attorney-at-Law, Mori Sogo (currently, Mori, Hamada & Matsumoto)
Mar. 2003	Attorney-at-Law, Nakamura & Tsunoda (currently, Nakamura, Tsunoda & Matsumoto) (present)
Apr. 2008	Audit & Supervisory Board Member, the Company
Apr. 2010	Director, the Company (present)



Mari Matsunaga

Outside Director
(Independent Director)**Meeting attendance (FY2016)**
12 of 13 Board of Directors' meetings (92.3%)**Number of Company shares owned**
400**Reason for appointment**

She was a chief editor of magazines and was involved in planning and development of new services at NTT DOCOMO, INC. She has been stating opinions at meetings of the Company's Board of Directors and on other occasions based on her broad knowledge and experience concerning society, culture, consumer lifestyles, and other areas. We elected her to continue reflecting her knowledge and experience in the management of the Company.

Important concurrent positions

Outside Director of Terumo Corporation*
Outside Director of Rohto Pharmaceutical Co.
Outside Director of Seiko Epson Corporation
* Retired as of June 27, 2017

Apr. 1977	Entered Japan Recruit Center (currently, Recruit Holdings Co., Ltd. ["RECRUIT"])
July 1986	Chief editor of SHUSHOKU JOURNAL, published by RECRUIT
July 1988	Chief editor of TRAVAILLE, published by RECRUIT
July 1997	General Manager of Planning Div., Gateway Business Dept., NTT Mobile Communications Network Inc. (currently, NTT DOCOMO, INC.)
Apr. 2000	President & Director, Mari Matsunaga Office
June 2012	Director, the Company (present)



Tadashi Ogawa

Outside Director
(Independent Director)**Meeting attendance (FY2016)**
12 of 13 Board of Directors' meetings (92.3%)**Number of Company shares owned**
5,000**Reason for appointment**

He previously served as Administrative Vice Minister of Finance and Director-Chairman of Japan Tobacco Inc., etc. He has been stating opinions at meetings of the Company's Board of Directors and on other occasions based on his knowledge and experience. We elected him to continue reflecting his wide range of financial and monetary affairs knowledge and corporate management experience in the management of the Company.

Important concurrent positions

—

Apr. 1962	Entered the Ministry of Finance
May 1995	Commissioner, National Tax Agency
Jan. 1996	Administrative Vice Minister of Finance
June 2001	Director-Chairman of Japan Tobacco Inc.
June 2005	President, The Bank of Yokohama, Ltd.
June 2011	Director-Chairman of The Bank of Yokohama, Ltd.
June 2012	Director, the Company (present)
June 2013	Senior Advisor of The Bank of Yokohama, Ltd. (present)



Mariko Bando

Outside Director
(Independent Director)**Meeting attendance**
No record due to new appointment**Number of Company shares owned**
0**Reason for appointment**

She previously served as Director General of Gender Equality Bureau of the Cabinet Office and currently serves as President of Showa Women's University. Utilize her broad knowledge and experience in public administration and education, as well as wide insight into promotion of diversity.

Important concurrent positions

Chancellor (Rijicho and Socho), Showa Women's University
Director (Outside Director), Asahi Group Holdings, Ltd.

July 1969	Entered the Prime Minister's Office
Oct. 1985	Counsellor of Cabinet Secretariat, Councillor of Cabinet Secretariat
July 1989	Director of Consumer Statistics Division, Statistics Bureau, Management and Coordination Agency
July 1994	Director of Gender Equality Bureau, Cabinet Secretariat
Apr. 1995	Vice-Governor of Saitama Prefecture
June 1998	Consul General of Japan in Brisbane, Australia
Jan. 2001	Director General of Gender Equality Bureau, Cabinet Office
Oct. 2003	Director, Showa Women's University
Apr. 2007	President, Showa Women's University
Apr. 2014	Chancellor (Rijicho), Showa Women's University (present)
July 2016	Chancellor (Socho), Showa Women's University (present)
June 2017	Director, the Company (present)

Audit & Supervisory Board Members



Hiroshi Miura

Audit & Supervisory Board Member (Full time)

Number of Company shares owned
19,000

Apr. 1979	Entered Taisho Marine and Fire Insurance Co., Ltd.
Apr. 2010	Executive Officer, General Manager of Investment Planning Dept., Mitsui Sumitomo Insurance Co., Ltd. ("MSI")
Apr. 2013	Managing Executive Officer, General Manager of Financial Services Div., MSI Executive Officer, the Company
Apr. 2014	Director, Managing Executive Officer, General Manager of Financial Services Div., MSI
June 2015	Audit & Supervisory Board Member, the Company (present)



Kunio Chiyoda

Outside Audit & Supervisory Board Member
(Independent Auditor)**Meeting attendance (FY2016)**
11 of 11 Board of Directors' meetings
11 of 11 Audit & Supervisory Board meetings**Number of Company shares owned**
400**Reason for appointment**

As an accounting and auditing professional, he has served as a university professor and public-institution committee member, etc., and that extensive knowledge and experience will be reflected in the Company's audits.

Important concurrent positions

May 1971	Registered Certified Public Accountant
Apr. 2013	Chairperson, Certified Public Accountants and Auditing Oversight Board
June 2016	Audit & Supervisory Board Member, the Company (present)



Tomoko Kondo

Audit & Supervisory Board Member (Full time)

Number of Company shares owned
3,479

Apr. 1983	Entered Chiyoda Fire & Marine Insurance Co., Ltd.
Apr. 2015	Executive Officer, Aioi Nissay Dowa Insurance Co., Ltd. ("ADI")
Apr. 2017	Advisor, ADI
June 2017	Audit & Supervisory Board Member, the Company (present)



Kyoko Uemura

Outside Audit & Supervisory Board Member
(Independent Auditor)**Meeting attendance**
No record due to new appointment**Number of Company shares owned**
0**Reason for appointment**

As a legal expert, she previously served as a judge and practices law as an attorney-at-law, etc. and that wealth of knowledge and experience will be reflected in the management of the Company.

Important concurrent positions

Attorney-at-Law, LM Law Offices	
Apr. 1994	Assistant Judge, Osaka District Court
Apr. 2004	Judge, Numazu Branch, Shizuoka Family Court
Apr. 2005	Judge, Yokohama District Court
Apr. 2008	Admitted as Attorney-at-Law Attorney-at-Law, LM Law Offices (present)
June 2017	Audit & Supervisory Board Member, the Company (present)

* To prepare for a contingency in which the Company falls short of the number of incumbent Audit & Supervisory Board Members required by laws and regulations, one substitute Outside Audit & Supervisory Board Member was elected.

Takuya Nakazato

Substitute Audit & Supervisory Board Member
(Independent Auditor)

Aug. 1992	Entered TAC Co., Ltd.
Sept. 1996	Registered as Certified Public Accountant Entered Yasuda Sosuke Zeirishi Jimusho (currently, GYOSEI & CO.) and Tokyo Akasaka Audit Corporation (currently GYOSEI & CO.)
Sept. 2000	Representative CPA, Nakazato CPA Office, (present)

Executive Officers

Chairman of the Board

Hisahito Suzuki

President & CEO

Yasuyoshi Karasawa

Executive Officers

Noriyuki Hara

Yasuzo Kanasugi

Executive Vice President

Shiro Fujii

Corporate Planning Dept.
Corporate Communications and Investor Relations Dept.
Business Development Dept.
Information Technology Planning Dept.
International Supervisory Dept.
Internal Audit Dept.
Chief Financial Officer

Senior Executive Officer

Nampeï Yanagawa

Human Resources and General Administration Dept.
Accounting Dept.
Compliance Dept.
Corporate Risk Management Dept.
Internal Audit Dept.*
Chief Risk Officer

Executive Officers

Masaaki Nishikata

Marketing & Sales

Masahiro Matsumoto

International Business

Teruhiko Ito

Financial Services Business

Fumiaki Ohkawabata

Products・Reinsurance

Hidema Jinno

General Manager of
Corporate Risk Management Dept.

Sumitaka Taira

Claims Services

Masahiro Higuchi

Assist Management

Shinichiro Funabiki

Administration and
Information Systems
Chief Information Officer
Chief Information Security Officer

Tetsuji Higuchi

Assist Management

* Executive Vice President Shiro Fujii is responsible for internal auditing of the departments which Senior Executive Officer Nampeï Yanagawa oversees.

For more details on information related to corporate governance, see the Group's official website.

Website content

●Corporate Governance

(<http://www.ms-ad-hd.com/en/company/governance/corporate.html>)

- Basic Policies on Corporate Governance
- Supervision System in Detail (Role of the Board of Directors, Composition of the Board of Directors, Expected Roles of Outside Directors, Support Systems for Outside Directors and Outside Audit & Supervisory Board Members)
- Nomination and Remuneration in Detail (Nomination Process, Criteria for the Selection of Director Candidates and Audit & Supervisory Board Member Candidates, Remuneration Determination Processes)
- Responses to 11 principles of the Corporate Governance Code
- Group Management Structure in Detail
- Internal Control Systems

Outside Director Message

Outside Director (Independent Director)

Daiken Tsunoda



Q.1

What are your thoughts on the MS&AD Insurance Group, having served for so many years as an outside director?

I became an outside audit & supervisory board member at Mitsui Sumitomo Insurance Group Holdings in 2008, so this is my 10th year here. I have served as an outside director since 2010, when MS&AD Insurance Group Holdings was born. Japanese companies notably have been increasing the number of independent outside directors on their boards, owing in part to the introduction of the Corporate Governance Code in 2015. The Group had a fair number of independent outside directors and audit & supervisory board members before the Corporate Governance Code was introduced, so we already had taken steps to strengthen corporate governance. We have examined the best way forward to comply with the Corporate Governance Code since its introduction, with outside directors taking the initiative on a series of studies for how to evaluate the effectiveness of the Board of Directors, for example, while compiling a summary of the Company's approaches and policies.

The basic role of an outside director is to promote fair and impartial corporate management from the viewpoint of a common shareholder, a role that has not changed much since before the introduction of the Corporate

Governance Code. After the introduction of the Corporate Governance Code, I believe the mind-set of the Company's employees and directors has changed. Taking my role and responsibilities as an example, I tended to think within the context of legality and soundness due to my background as an attorney but did not pay much attention to capital efficiency. With the Corporate Governance Code, I have begun to think more in terms of improving shareholder interests from the perspective of capital efficiency. However, I feel I still have much to learn.

Q.2

What interests you the most about recent moves to strengthen corporate governance?

First, we changed the way the Board of Directors is run. To have enough time for debate, we discuss formal agendas in block and ensure there is sufficient time to discuss important matters. In fiscal 2016, the Company clarified the position of the Internal Audit Department, an entity that supports the Board of Directors, as an organization with a direct line to the Board of Directors. From long before the Corporate Governance Code was introduced, the MS&AD Insurance Group had viewed the Internal Audit Department as an entity affiliated with the Board of Directors, but

we have now clarified this relationship. Some companies put their internal audit departments under the direct control of the president, but as the president is the theoretical endpoint of an audit, we believe it is better to not have our Internal Audit Department under the direct control of the President from the standpoint of the true meaning of corporate governance. The Corporate Governance Code recommends collaboration between the Internal Audit Department, directors and Audit & Supervisory Board Members, and the Basel Committee on Banking Supervision's Corporate Governance Principles for Banks states that the Internal Audit Department should have a direct reporting line to the Board of Directors. As an attorney specializing in corporate law, I am satisfied with the MS&AD Insurance Group's organizational structure.

Issues that should be considered going forward include a succession plan for the CEO and a more substantive examination of director compensation and other systems. The MS&AD Insurance Group has a Nomination Committee and a Remuneration Committee, but currently the checks and balances function plays a central role, and outside directors are not really involved in the entire decision-making process. The Company has created new rules, giving more shape to the system, but there is still work to be done filling out the details, in my opinion. Moreover, I believe formulating succession plans for outside directors will become more important. We should be thinking about the composition of the Board of Directors and the

kind of people we need, such as whether they are foreign nationals or women, and their fields of expertise. Most companies currently do not have a diversity of outside directors on their boards. I believe we should consider succession plans for outside directors based on an ideal composition for the Board of Directors in the future.

Q.3

Can you give us your thoughts on the governance of the MS&AD Insurance Group?

Our state of governance, including each group company, is a complex issue in my opinion. For example, the Remuneration Committee at the holding company decides the compensation of directors and audit & supervisory board members at the holding company, but how involved should it be in deciding director compensation at group companies? In a similar vein, to what extent should the Nomination Committee at the holding company be involved in matters related to the appointment of directors and audit & supervisory board members at group companies? These are complex issues. As long as the listed company is a holding company, however, group governance will be a key tool for the holding company to keep a firm grip on management, including decisions related to director nominations and remuneration. In this context, I believe the

MS&AD Insurance Group has made substantial progress over the past few years.

Looking ahead, cooperation among the outside directors of group companies may become more important. As the Group gets larger, it becomes more difficult to exchange information and collaborate between each group company and the holding company, as well as among group companies. Audit & Supervisory Board Members have an opportunity to interact at the Group Audit & Supervisory Board. Directors, however, should have more events and opportunities to exchange information among outside directors within the Group in my view.

Q.4

What expectations do you have for the future of the Group?

The MS&AD Insurance Group aims to be a world-leading insurance and financial services group, and I would definitely like to see it become one. The pace of technological change has been rapid in recent years. I believe there is still room for growth if the Group focuses first on protecting our security and safety. More than just insurance, the Group provides security and safety. For example, I would like the MS&AD Insurance Group to become a leading company from the standpoint of risk management, including the prediction of natural disasters, including earthquakes, and providing security and safety.

I hope the future for our children will be secure and safe all around the world, not just in Japan. What can we do for all of the world's children? There are many risks that should be addressed, including climate change and food shortages.

As an attorney specializing in corporate law, I had been keen on corporate behavior centered on shareholders' equity, but I have changed a little lately and now understand its importance for companies within the context of our society.

For example, when we had a major snowstorm in Japan a few years ago, the Group was subject to a major shock on the earnings front, but we really helped people who had taken out insurance policies. While shareholders might be disappointed that earnings took a hit from heavy snowfall, the MS&AD Insurance Group contributed to society by paying out insurance benefits. An analysis of the damage caused by the heavy snowfall has increased the Group's know-how for dealing with similar events in the future, and from a long-term perspective, I believe the experience will likely lead to positive outcomes for society, the company and even shareholders.

Corporate management will probably become more internationally minded as the Group reaches world-leading levels. First, what about foreign languages? How can we learn to respect each other's cultures? I hope that everyone will make their best effort to help the Group realize its mission, vision and values.

Corporate Governance

Dialogue with Shareholders and Investors (Information Disclosure and IR Activities)

The MS&AD Insurance Group proactively engages in highly transparent information disclosure and constructive dialogue with shareholders and investors in an effort to achieve sustainable growth and increase enterprise value.

Specifically, by providing highly transparent information disclosure, MS&AD Holdings seeks to reduce information asymmetries with shareholders and investors. Also, by obtaining feedback from constructive dialogue with shareholders and investors, MS&AD Holdings is able to share this feedback with its management and the relevant departments and utilize it in formulating its management strategies.

▣ Main Initiatives

- Announcement of the “Policy for Constructive Dialogue with Shareholders”
- Holding of “MS&AD IR Day” with the objectives being to have the top management of each business division explain business details and to carry on a constructive dialogue between management executives and investors
- As measures to strengthen information sharing with management and relevant departments, implementation of regular reporting on IR activities, feedback on how the stock markets view the Company, and quarterly reports on the Company’s share price to the Group Management Committee and the Board of Directors
- Creation of a program for feedback meetings to the Group’s relevant departments

▣ Activities Undertaken in Fiscal 2016

The Group organized Information Meetings at which the President explained management strategies and performance, as well as MS&AD IR Day, which aimed to have a constructive dialogue between management executives and investors.

Opportunities also were created for the President and the officer in charge of the Corporate Communications and Investor Relations Department to speak directly to major shareholders and investors in Japan and abroad.

The opinions of shareholders and investors gleaned from these conversations are being reflected in management strategies with the aim of improving enterprise value.

Specific examples include ideas for enhancing profitability (improving the loss ratio, reducing costs), reducing strategic equity holdings, and using surplus capital to bolster shareholder returns and invest in growth.

For individual investors, MS&AD Holdings held corporate briefings around Japan and participated for the first time in the Nikkei IR and Investment Fair.

Strategy explanation meetings for institutional investors and analysts (Information Meeting)	Twice
Telephone conferences (earning results) for institutional investors and analysts	4 times
Sessions for an exchange of opinions with institutional investors and analysts (MS&AD IR Day)	Once
Conferences organized by securities companies	6 times
Individual meetings (except conferences)	232 times
Information sessions for individual investors	7 times



Information Meeting (for institutional investors and analysts)



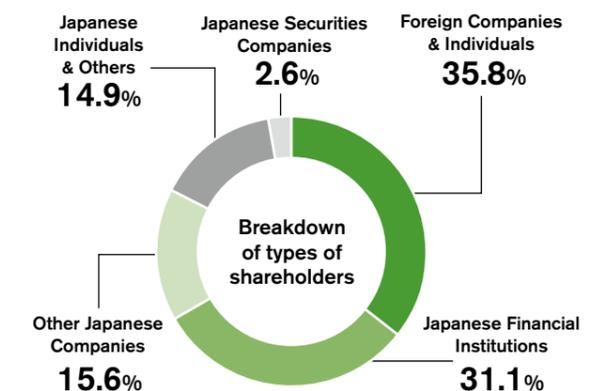
MS&AD IR Day 2016 (Presentation by MS Amlin's CFO)

▣ IR Activities for Overseas Investors

With foreign investors and foreign corporate investors making up almost 40% of all its investors, MS&AD Holdings has been stepping up efforts for the disclosure and dissemination of information while engaging in a dialogue with overseas investors.

The President and the officer in charge of the Corporate Communications and Investor Relations Department take trips overseas to visit with investors and proactively participate in conferences sponsored by securities firms for foreign investors as a part of our constructive dialogue initiatives.

From the viewpoint of disclosing information in a timely and fair manner, MS&AD Holdings is enhancing information disclosure through the English version of its Web site, making concerted efforts to augment information for foreign investors.



▣ Information Disclosure as the Basis for Dialogue

Website (Japanese/English)

The Group makes prompt and fair information disclosure in both English and Japanese.



Daiwa Investor Relations
“Internet IR Excellence
Award 2016”

Integrated Report (Japanese/English)

The MS&AD Integrated Report 2016, published in 2016, received the Award for Excellence and the Special Award, respectively, from the Fourth WICI Japan Integrated Report Awards and the Nikkei Annual Report Awards.



Japanese version



English version

▣ General Shareholders' Meeting

	FY2016	FY2017
Held	June 22 (Wednesday)	June 26 (Monday)
Shareholders attending	654	633
Ratio of the exercise of voting rights	85.8%	85.8%
Notice of convocation issue date	May 30 (Monday)	June 2 (Friday)
Notice of convocation notice website announcement date (Japanese/English)	May 24 (Tuesday)	May 23 (Tuesday) (Japanese) May 26 (Friday) (English)



For more detailed shareholder and investor information, see the Company's official website.
www.ms-ad-hd.com/en/ir/index.html

Website content

- “Policy for Constructive Dialogue with Shareholders”
- Financial and non-financial reports (timely disclosure information, materials for results briefing – conference call, Corporate Governance Reports, materials for Information Meeting and CSR Reports)
- Streaming videos of presentations by the President (including a summary of the Q&A session)
- Notice of convocation of General Shareholders' Meeting