

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-rated 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 (returns), risk, and capital.
- ERM requires the quantitative and qualitative evaluation and appropriate management of risk from a comprehensive perspective.
- ERM requires measuring the net assets 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

$$\text{Group ROE} = \frac{\text{Group Core Profit}}{\text{Consolidated net assets}} = \frac{\text{Group Core Profit}}{\text{Integrated risk amount}^1} \times \frac{\text{Integrated risk amount}}{\text{Net assets value}^2} = \left(\frac{1}{\text{ESR}} \right)$$

ROR (Return on Risk)
ESR (Economic Solvency Ratio)
= Net assets value ÷ 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.

ROR (Return on Risk)

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.

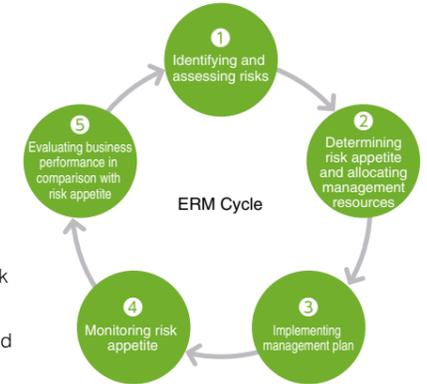
ESR (Economic Solvency Ratio)

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 “Improvement in financial soundness (ESR)” on P14)

ERM Cycle

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

- Plan**
- By identifying and assessing risks, the Group quantitatively and qualitatively measures the risks it bears. (See section ‘A.’ below.)
 - By determining risk appetite and management resource allocation, a management plan is drafted. (See section ‘B.’ below.)
- Do**
- Business is driven based on the management plan.
- Check**
- The actual risk appetite is monitored. In addition, 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 (FY2016)

The Group has specified important risks that should be monitored by management, and to confirm the potential impact of those risks on Group management, we are regularly monitoring the situation with respect to each type of risk.

1	Domestic incidence of large-scale natural disasters (earthquakes)	7	Increases in credit risk and bad debts
2	Domestic incidence of large-scale natural disasters (other than earthquakes)	8	Frequent incidence of violations of laws and regulations – violations on the parts of employees and agents with respect to insurance sales and insurance payments
3	Overseas incidence of large-scale natural disasters	9	Mass leakage of personal information and confidential information and multiple incidences of abuse*
4	Large drop in the domestic stock market	10	Incidence of a new (virulent) influenza pandemic
5	Substantial yen appreciation	11	Frequent incidence of IT system failure and incidence of critical IT system failure
6	Large fluctuations in yen interest rates, continuation of negative interest rates	12	Incidence of business suspension and information leakage due to cyberattacks

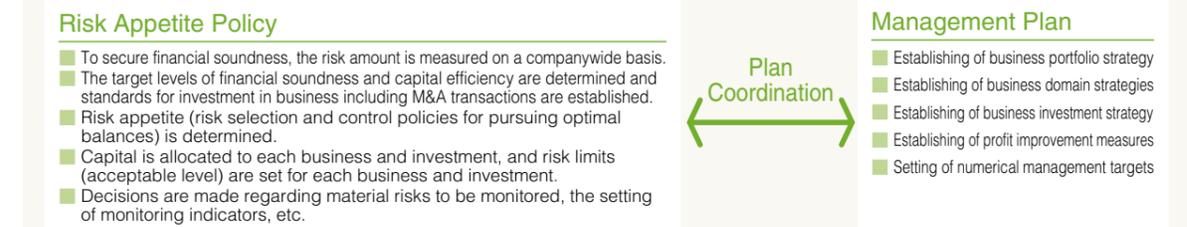
*Excluding information leakage from cyberattacks, etc.

Approach and measures for cybersecurity

So-called “cyberattacks” seek to utilize information and communication networks and information systems to cause information system halts and malfunctions and to carry out unauthorized system access and information theft, tampering, and destruction. To defend against such security threats, as an organizational measure, the Group has established a specialized body (MS&AD-CSIRT*), and we are working to gather information on information system vulnerabilities and to share such information among 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



C. Monitoring Risk Appetite and Business Evaluation

- 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.

Monitoring

- Management using risk-based metrics (ROR, VA*, etc.)
- Elaboration of internal models related to risk measurement and utilization of internal models.
- Consideration and drafting of countermeasures and improvement measures as necessary

* VA (Value Added) = Group Core Profit – risk amount × capital cost ratio

Business Evaluation

- Based on ROR, businesses are evaluated in comparison with risk appetite.
- Evaluation criteria: Profit scale by business domain, profitability by business domain, capital efficiency by business domain, ROR by business domain, etc.

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.

Qualitative Management

The Group divides risks into four categories - insurance underwriting risk, asset management risk, liquidity risk, and operational risk - and confirms and evaluates the condition of the risk management and systems of the Group's domestic insurance companies. In addition, to ensure that the Group's overall soundness is not impacted by such factors as intra-Group risk propagation, uneven risk distributions, and risk concentrations, the Group monitors such factors as the management of investment and financing concentration and the situation regarding transactions among Group companies.

Quantitative Management

With respect to insurance underwriting risk, asset management risk, and operational risk, each risk amount is measured using stochastic methods and regularly confirms that the level of assumed risks is commensurate with the Group's capital resources. In addition, monthly monitoring is implemented to confirm that the risks assumed by the Group's domestic insurance companies do not exceed the stipulated limits, and emphasis is placed on monitoring the risk trends of each company.

Furthermore, daily monitoring is implemented regarding the impact of market fluctuations on the Group, aiming for the early recognition of significant (or incipient) market plunges while also building systems for the flexible implementation of countermeasures.

With respect to the risk and capital situation, medium-term confirmations are implemented based on the management plan (budget plan), and confirmations (stress tests) are implemented regarding the impact that would be exerted in the case of large-scale natural disasters, financial market turmoil, and other exceptional phenomena.

Changes in the Risk Portfolio

By means of risk control based on the risk appetite policy, we are aiming to build the following kinds of risk portfolios. Specifically,

Increasing Advancing Risk Management

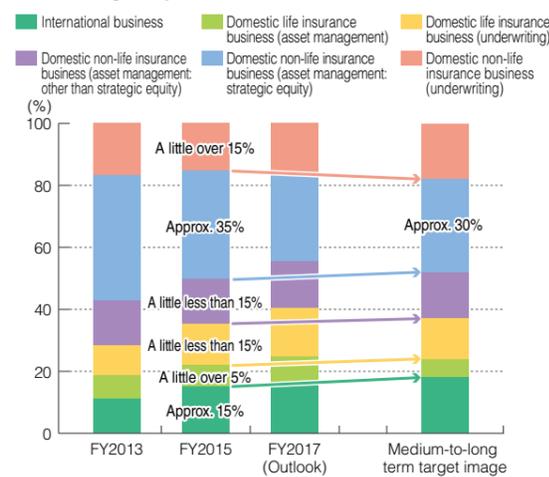
Efforts to Enhance the Methods of Risk Management

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

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%.

we are accelerating sales of strategic equity holdings while moving ahead with the expansion of insurance underwriting risk.

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	Performance at End of FY2015	Progress Rate
¥500.0 billion*	¥272.2 billion	54.4%

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

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

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 businesses Report important International business compliance-related matters to the Board of Directors, etc.

*One of the Board of Directors' task-specific committees. (See P38)

Mechanisms 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, and it also promotes awareness of fundamental compliance issues and holds regular employee and agent training based on the Compliance Program.

* Some Group companies are promoting compliance activities under the name of "compliance action plans."

For more-detailed information, see the Group's official website.

Website content

- Compliance Basic Policy
- Compliance promotion structure
- Detailed activity content (Compliance Program, Compliance Manual, compliance-related training, compliance-related inspections, monitoring Group companies, and internal reporting system)
- Compliance promotion system for International business, etc.

For more-detailed information, see the Group's official website.

Website content

- ERM
- Risk Management Basic Policy
- Risk management structure
- Quantitative management
- Qualitative management
- Insurance business risk
- Risk Management in International Business
- Crisis management system (including Business Continuity Management System)

Corporate Culture and Human Assets Development

Quality Improvement Initiatives

The “Perspective of CSR Approaches of the MS&AD Insurance Group” states that the Group will listen to the voices of its stakeholders and act in a way that takes into account interaction with the environment and society.

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

Leveraging Stakeholders’ Voices to Improve Quality

In order to understand stakeholder needs and expectations and utilize them in the improvement of product and service quality, the Group has created a variety of mechanisms for listening to the voices of stakeholders, and we reflect those voices in products and services improvements implemented based on discussions at the management level.

At the Group’s five domestic insurance companies, we are working to ensure that independent improvement activities (PDCA cycle) spurred by customer voices take root in our organization, and we are operating a complaint-handling management system that conforms to the ISO10002 (Quality management – Customer satisfaction – Guidelines for complaints handling in organization) international standard.

Upgrading Customers’ Ease of Understanding and Convenience

MSI and ADI are promoting appropriate insurance sales to elderly customers and customers with disabilities by instituting fundamental rules, such as the one that requires salespeople to “gain an accurate grasp of customer intentions.”

Conscientiously catering to customer needs as necessary, further actions are taken such as “arranging for customers to be served by multiple salespeople.” Additional “making a memorable impression” rules include speaking in a steady voice, slowly, clearly, with clear enunciation.” We are also working to improve the ease of understanding of important pamphlets and other materials.

With the “Act for Promoting the Elimination of Discrimination for Any Reason of Disabilities” going into effect on April 1, 2016, we have increased our efforts to ensure that customers with disabilities are not subject to discriminatory

handling and to exercise reasonable consideration with respect to persons with disabilities.

Quality Improvement of Contact Centers

In Group company contact centers, which serve as the respective first points of contact for communications from customers, department management personnel hold “strategy meetings” and staff in charge hold “working meetings” and “education and training meetings” on a regular basis, and they take joint initiatives to improve quality and operation efficiency.

In ratings by HDI (Help Desk Institute), the world’s largest membership association for the service and support industry, MSI, ADI, MSI Aioi Life, and Mitsui Direct General were evaluated for customer service and received the highest rating of three stars.

Besides the three-star rating, ADI also received HDI Support Center Certification, becoming the first company in the domestic non-life insurance industry to obtain “Five Star Certification.”

In addition, as a Group, we received the top award in the “Customer Experience & Engagement” category in “Innovation in Insurance Awards 2016,” with the selections being made by Efma*. We received this award for improving customer service and enhancing call center call-connection performance by using Watson (an AI computer developed by IBM) to analyze the customer comments and inquiry content of contact center calls, by making optimum operator assignments based on incoming call forecasts, and by providing response support for customer inquiries.



* Efma is a global non-profit organization with a membership of over 3,300 financial institutions in 130 countries.

Contributing to the Resolution for Social Issues through the Improvement of Products and Services Quality

The environment in which the insurance and financial industries operate continues to go through major changes at a dizzying pace.

To build a resilient and sustainable society and to “contribute to the development of a vibrant society and help secure a sound future for the Earth,” we need to: promptly identify various risks stemming from social issues, prevent those risks from being realized, and provide products and services to reduce the economic burden when risks become real.

For our specific initiatives, see the “Special Feature: Creating Value by Contributing to the Resolution of Social Issues” pages.

Frequent occurrence of accidents and disasters	P30-
Extensive natural disasters caused by climate change	P31-
Mounting burden of nursing and medical care due to demographic aging	P32-
Decreasing vitality of local communities	P33-

Corporate Culture and Human Assets Development

Development for Taking on Challenges

The development of human assets* is an important issue for the growth of the MS&AD Insurance Group.

Within the Next Challenge 2017 medium-term management plan, one of the growth drivers of the Group’s basic corporate strategy is “creating and instilling a corporate culture that encourages human assets to undertake new challenges as professionals.” Human assets are the key to enhance the Group’s overall enterprise value.

* Human assets: With the idea that each and every member of the MS&AD Insurance Group is valued, we use the term “human assets” instead of “human resources.”

Development of Human Assets

The MS&AD Insurance Group envisions the ideal employees to be “Employees 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”, “OJT*1” and “Self-education” programs.

Specifically, for the employees of the Group as a whole, we provide learning opportunities, such as “MS&AD Open College*2” and “MS&AD Online Business School*3”. For new employees, since fiscal 2015, one-day group training courses have been held jointly by eight companies, including the Group’s domestic insurance companies. This training includes initiatives to deepen understanding of the Group Mission, Vision, and Values and to promote a sense of unity as a group.

*1 On the Job Training (education in the workplace)

*2 Group training for acquisition of business skills, such as problem-solving ability

*3 A learning tool utilizing mobile devices for acquisition of MBA knowledge, etc.



Joint group training for new employees of eight Group companies

Training the Next Generation of Leaders

Domestic Group insurance companies are implementing manager training programs designed to provide comprehensive support for human assets development by strengthening participants’ “management power” and “workplace communication power.”

With the aim of nurturing the next generation of leaders who will have a sense and skills for management and for working in a global corporation, MSI and ADI implement training programs to help the next generation learn about management and prepare specific management proposals.

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 2015, the Group sent 33 Japanese 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	Japanese employees are given work experience at overseas bases and employees of overseas bases can gain work experience in Japan for short periods. In fiscal 2015, 28 Japanese employees and 38 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. There are always roughly eight such employees at the head office, where they work for periods ranging from six months to three years.



Training in progress

Field trip to the MSI “Kendo” club training session

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		FY2014		FY2015	
		Score*	Score*	Score*	Goal
Employee satisfaction “Pride, Job satisfaction”	Level of pride or job satisfaction	4.3 points	4.4 points	4.4 points	Same or higher level compared to previous fiscal year
Employee satisfaction “Working vigorously”	Level of feeling free and lively at workplaces regardless of sex and age	4.2 points	4.3 points	4.3 points	Same or higher level compared to previous fiscal year

* All-employee average on a 6-point scale

TOPICS

MSI’s overseas subsidiary in Malaysia, MSIG Insurance (Malaysia) Bhd., has received the “General Insurance Company of the Year” award in the 19th Asia Insurance Industry Awards 2015. This award was presented to the most-prominent non-life insurance company in its activities in the Asian insurance market in 2014. The award recognized MSIG’s activities for their focus on increasing customer satisfaction. These activities included establishing a sales network in Malaysia, creating a precise claim-handling service system, establishing the industry’s-first online platform in Malaysia, and introducing mobile apps. Also, MSIG was highly evaluated for promoting ERM, demonstrating leadership in the insurance industry in Malaysia, and other initiatives.



Promotion of Diversity

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

Promoting the Career Development of Women

In July 2011, the Group announced its policy of promoting the career development of female employees. The Group's domestic insurance companies organized specialized teams to cooperatively set action targets, and various initiatives were implemented to promote female employees' career development, improve their work-life balances, and foster a workplace culture that would support the attainment of those objectives.

Besides establishing a training program for next-generation female leaders, MSI and ADI have developed personnel systems to allow transfers to different regions and apply for reemployment after voluntary retirements and have prepared various other systems that make work more convenient for female employees.

As a result, the share of females among managers of domestic Group insurance companies has risen to 5.5%, and ADI appointed its first female executive officer in April 2015.

Share of Management Positions Occupied by Females*

	FY2012	FY2013	FY2014	FY2015
Share	3.0%	3.6%	4.6%	5.5%
Number	245	296	377	449

* The number of females in positions of manager or higher at domestic insurance companies

Global Human Assets Utilization

The Group has a network covering 46 countries and regions throughout the world, employs more than 8,500 people* at its overseas subsidiaries and affiliates, and has created systems to promote mutual exchanges between Japan and various locations throughout the world. Aiming to make the most of the abilities of employees with diverse backgrounds, personalities, and ideas so that it can 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.

* At overseas consolidated subsidiaries and equity-method affiliates

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 friendly environments and developing duties performed by people with disabilities. At the end of fiscal 2015, the share of people with disabilities among the workforces of domestic Group insurance companies in total was 2.22%, exceeding the minimum employment rate (2.00%) required by law.

In addition, the Group also hires athletes with disabilities, and it provides support for their activities as athletes, with the basic premise being that they will continue working even after retiring from active competition.

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. Depending on factors such as workplace needs and the person's own work experience, employment renewal is possible up to a maximum age of 65. Several options are offered by job type, number of working days, and work hours so that a variety of working patterns are available to choose.

Achievement of Work-Life Balance

As the Group values the diverse outlooks and values of its employees, the Group is enhancing its working environment and support measures so that employees can work energetically and experience job satisfaction and growth while striking a good balance between work and life.

Support for Employees Raising Children

To enable female employees to pursue their careers smoothly, 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)*

- Assignment of substitute employees to cover for employees taking childcare leave
- Organization of seminars and provision of guide books 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
- Preparation work-life balance-related booklets and e-learning courses for managers
- Creation of child-care facilities within companies
- Creation of special leave system for male employees following the birth of their children

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

In addition, to support active participation in child raising by male employees, the Group has a paid vacation system for child raising and calls upon them to take such vacations.

Support for Nursing Care

With progress in falling birthrate and aging population, an increasing number of employees face the problem of providing nursing care for their parents. We have established a support system that enables employees to continue working while caring for a family member.

MSI, ADI, and MSI Aioi Life have introduced abbreviated work hour systems, temporary leave systems, and temporary suspension from work systems for employees who are nursing relatives. They also offer a system for rehiring employees who have retired for nursing reasons.

In addition, a nursing care support service is provided under which employees can obtain nursing care advice, and consulting services, etc.

TOPICS

MSI received an award for excellence in the "Company Awards for Promoting the Active Service of Part-time Workers," which were sponsored by the Ministry of Health, Labour and Welfare in fiscal 2015. This was the first time that awards were presented under this system, which was established in 2015 to promote improvement of the hiring environment for housewives, who will support Japan's labor force in the future.

MSI applies its personnel systems such as conversion of employee-classification conversions and for pay raises that reflect personnel evaluations to fixed-term employees (staff employees) in the same way as to indefinite-term employees. The award recognized this practice as leading to increases in the work satisfaction and productivity of employees.



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.

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

Website content

- 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 Corporate Auditors)
- Nomination and Remuneration in Detail (Nomination Process, Criteria for the Selection of Director Candidates and Corporate Auditor Candidates, Remuneration Determination Processes)
- Group Management Structure in Detail
- Internal Control Systems

Basic Policies

In line with its Corporate Philosophy (Mission), MS&AD, 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 a Board of Auditors, the Company will endeavor to improve governance by ensuring that independently appointed corporate auditors 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.

Four Outside Directors, more than one-third of the Board of Directors which has eleven members (ten men and one woman), are appointed to incorporate perspectives independent from management, strengthen monitoring and oversight functions, and conduct highly transparent management.

Auditing

Corporate Auditors and Board of Auditors

Each Corporate Auditor 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 Board of Auditors.

The Board of Auditors comprises two full-time Corporate Auditors and three part-time Corporate Auditors (Outside Corporate Auditors), for a total of five members (all men). The Board of Auditors receives reports from Corporate Auditors 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 Corporate Auditors.

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

For the purpose of maintaining high transparency, the Company has formed the Nomination Committee and Remuneration Committee as internal committees of the Board of Directors. Please note that these two committees comprise six members* each, and the chairpersons and other members are appointed from among members of the Board of Directors. With respect to each of the two committees, a majority of the members and the chairperson have been appointed from among the Outside Directors.

* In fiscal 2016, both committees comprised all four Outside Directors, the Chairman of the Board, and the President & CEO.

Nomination Committee (Nomination Process)

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 candidates for the positions of Director, Corporate Auditor, and Executive Officer of the Company as well as the selection of Directors and Corporate Auditors for domestic insurance companies in which the Company has direct investments.

The Board of Directors appoints candidates for Director as well as candidates for Corporate Auditor 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 Board of Auditors must also be obtained for candidates for Corporate Auditor.

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 management of domestic insurance companies in which the Company has direct investments.

Remuneration for each Director is set within overall limits approved by the Shareholders' Meeting. Consideration is given to the function of remuneration as an incentive for improvement in performance, mid- 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.

Performance-based remuneration (linked to corporate performance) is determined by indices including Group Core Profit and consolidated net income.

Directors' and Corporate Auditors' Remuneration (FY2015)

Total Amount of Remuneration by Category, and the Number of Recipients

Category	Number	Total Remuneration
Directors (excluding Outside Directors)	9	¥287 million
Corporate Auditors (excluding Outside Corporate Auditors)	3	¥51 million
Outside Directors/Corporate Auditors	7	¥73 million

Note: The total remuneration figures are the portion of the Company. All remuneration is basic remuneration.

Persons with Consolidated Remuneration

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

Name	Corporate Officer Posts	Company	Total consolidated remuneration, etc.
Yasuyoshi Karasawa	Director	The Company	¥108 million
	Director	MSI	
Toshiaki Egashira*	Director	The Company	¥108 million
	Director	MSI	

*Retired in June 2016

The Company has introduced performance-based remuneration (linked to corporate and personal performance) into its corporate officer remuneration system. Because this system elevates corporate officers' consciousness of performance increases, from fiscal 2014, the share of performance-based remuneration within total corporate officer remuneration has been increased from the previous level of approximately 20% to a new level of approximately 30%.

In addition, 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).

Continuous Strengthening and Improvement of the Management Structure

Measures taken up to now 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 Corporate Auditor 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"> Reduction of total number of directors from 12 (4 Outside Directors) to 11 (4 Outside Directors) Establishment of new titles: Group CFO, Group CRO, etc. Analysis and evaluation of overall effectiveness of the Board of Directors and announcement of a summary of the results

Group Management Structure

Role of the Company (the holding company)

(1) 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.

(2) 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.

(3) The Company establishes Group business strategy, such as the Group's Medium-term Management Plan.

(4) 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.

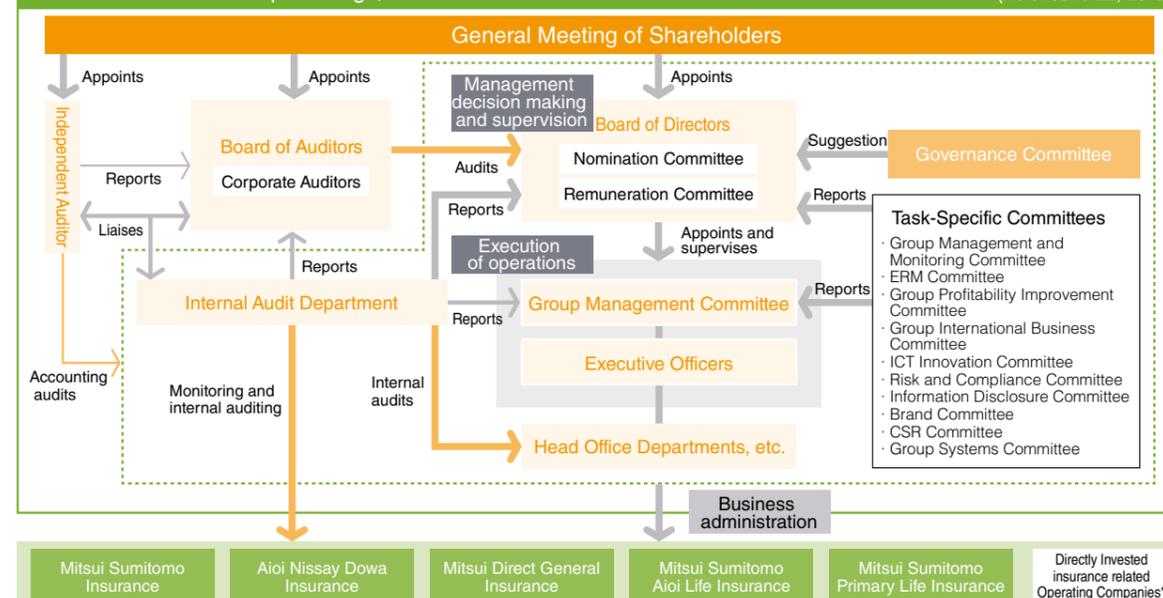
Role of Group Companies

(1) 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.

(2) Directly invested companies also appropriately supervise the management of their subsidiaries under management supervision contracts.

MS&AD Insurance Group Holdings, Inc.

(As of June 22, 2016)



* 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.

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; 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. The Governance Committee uses discussions within the Outside Directors Council with the Chairman of the Board and the President & CEO.	3 times
Outside Directors-Corporate Auditors Joint Council	This council comprises the Outside Directors (4) and the Corporate Auditors (5); it has been put in place to liaise between the Outside Directors and Corporate Auditors.	1 time

Analysis and Evaluation of the Effectiveness of the Board of Directors

Under the Basic Policies on Corporate Governance, an analysis and evaluation of the effectiveness of the Board of Directors as a whole was implemented. A summary of the results was presented in the Corporate Governance Report and also released on the Company's official website. In fiscal 2015, a reexamination was made of agenda items presented to the Board of Directors and the items subject to so-called package deliberation, in which explanation of some agenda items during the Board meetings is simplified, were expanded further. By working to secure more time for deliberations regarding strategic decisions, the Board of Directors has strengthened its supervisory function.

Support Systems for Outside Directors and Outside Corporate Auditors

Support for the activities of the Outside Directors is provided by the Corporate Planning Department, and support for the Outside Corporate Auditors is supplied by the Internal Audit Department. The agenda for the Board of Directors' Meetings is explained to the Outside Directors and Outside Corporate Auditors 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 Corporate Auditors, irrespective of internal or outside.

Strengthening of the Group Management Structure

The Company has adopted an executive officer system, with the executive officers swiftly executing operations as the persons responsible for the respective areas of business entrusted to them by the Board of Directors.

Establishment of New Task-Specific Committees

The task-specific committees have been established to deliberate on various key management issues regarding the execution of operations as well as to coordinate perspectives across related departments. In order to strengthen the business management approach at each Group company, three new committees have been established since April 2016.

Committee Name	Meeting Frequency	Committee Description
(New) ICT Innovation Committee	4 times a year (in principle)	The Committee is responsible for coordinating the key issues and managing progress with Group ICT innovation strategy, related strategic alliances and investments, etc.
(New) Group International Business Committee	4 times a year (in principle)	The Committee confirms and discusses the vision for International Business strategy (International Business investment, etc.) that contributes to sustainable Group growth. It also shares common understanding of issues regarding the role of International Business in strengthening overall Group profitability and demonstrating synergies, and confirms and discusses the direction of measures for handling those issues and their progress.
(New) CSR Committee	Twice a year (in principle)	The Committee discusses policy regarding the Group's CSR initiatives, shares information regarding CSR-related global trends and changes in environment, and works to deepen understanding of those issues.

Outside Director Message



Outside Director (Independent Officer) Mari Matsunaga

Q1: How has the Board of Directors changed with our recent initiatives to strengthen corporate governance?

The operation of the Board of Directors has begun to change considerably. Action has been taken to increase the amount of time allocated to agenda where discussion is needed. This is done by dividing agenda into those that require thorough discussion and those that don't, and then handling the latter with "collective deliberation." The advance explanations to Outside Directors are provided earlier than before, so now we have sufficient time to supplement our knowledge of things we should understand ahead of time and to also think about the issues involved. It leads to the activation of the discussion of the day of the meeting.

In addition, content-rich information is now provided to Outside Directors. For example, when I asked a question about the "future automobile society," a study session on the topic was quickly arranged

for Outside Directors. I think that this kind of timely supplementation of the knowledge of Outside Directors is very important in enabling us to function.

In the Governance Committee, membership is limited to the Outside Directors, the Chairman of the Board, and the President & CEO.

Compared to the Board of Directors, there is much less of a sense of distance between the Outside Directors and the Chairman and President, and this makes the meetings a place where it is easy for us Outside Directors to speak out and exchange opinions. Through various opportunities such as these, we are able to state our opinions as Outside Directors and frankly speak up and say "I don't understand" when there are things that we are not sure about. I believe that it is this, in particular, which will lead to the strengthening of governance.

Q2: "Guidelines for Constructive Dialogue with Shareholders" have been established, and efforts are being made to provide information. What are your feelings about this?

Up until now, the providing of information has been segregated into somewhat standard categories, such as shareholders newsletter, information meetings for institutional investors and analysts, statutory disclosure reports, and CSR reports, etc.

Last year, however, for the first time, such category boundaries were eliminated with the issuing of the Integrated Report. My own background is that of magazine editor and my personal views reflect that fact, but when I looked at the report, I immediately saw that a strong effort had been made to make it visually clear and easy to read. The Integrated Report reflects a global trend, so I anticipate that efforts will be made to further improve it in the future. I think it is also good that top-level executives and business-division top management have been

engaging in a direct dialogue with investors and shareholders at events such as information meetings and IR Day. It is very important to communicate top management's enthusiasm, sensibility, and other characteristics that don't come across in the written word.

Concerning such things as investor trends and stock price trends, I think that there is now more complete feedback being provided to management from the IR Department. With respect to important information that management should be aware of, proper feedback is provided via semiannual reports to the Board of Directors, quarterly reports to committee members, and timely reports of matters of interest of investors, etc.

Q3: Please tell us what you consider important as an Outside Director and what you aspire to accomplish in the future.

In these days, the way that shareholders view companies is clearly changing. Shareholders have become very interested in and very focused on management, the Board of Directors, and the Outside Directors. We Outside Directors, in particular, need to diligently study from day to day in order to satisfy the expectations of shareholders. I think that we are, first of all, expected to give opinions that make use of our personal work experience, but, as we accept a variety of important roles, such as being Nomination Committee and Governance Committee members, it is also, I believe, important for us to broaden our perception as directors and properly study and understand the industry and the company. The roots of the Group are in companies with long

histories, and I am also getting a direct feel for the Group's history by visiting the respective birthplaces of those companies.

I personally want to participate in management for the benefit of the shareholders, of course, but also for all the other stakeholders. Put simply, a "Will all stakeholders accept this measure?" viewpoint is necessary. Consequently, I want to work to build "governance with an open and positive atmosphere" rather than the kind of governance that has a more rigid image. In addition, recognizing my own limitations, I want to work together with the all officers and employees so that the MS&AD Group will become "a guidepost showing the way with respect to social anxieties" and "a strong presence in preventing risks from being realized."

Corporate Governance
Introduction to Directors

(As of June 22, 2016)

Directors



Hisahito Suzuki

Representative Director
Chairman of the Board

<Number of Company shares owned>
36,270

<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>
15,900

<Important concurrent positions>
Director, President & CEO, MSI

<Biography>

April 1979 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>
19,208

<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>
25,915

<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



Mitsuhiro Tsuchiya

Director
Executive Officer

<Number of Company shares owned>
15,890

<Important concurrent positions>
Director, Vice President
Executive Officer, ADI

<Biography>

April 1980 Entered Dai-Tokyo Fire and Marine Insurance Co., Ltd.
Has business experience in sales, sales planning, corporate planning, etc.

Present position since June 2011



Masaaki Nishikata

Director
Executive Officer

<Number of Company shares owned>
22,600

<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



Akira Watanabe

Outside Director
(Independent Director)

<Meeting attendance (FY2015)>
15 of 15 Board of Directors' meetings

<Number of Company shares owned>
1,200

<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 Pile 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 (Part-time) 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 (FY2015)>
15 of 15 Board of Directors' meetings

<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	Corporate Auditor, the Company
Apr. 2010	Director, the Company (present)



《Meeting attendance (FY2015)》 《Number of Company shares owned》
13 of 15 Board of Directors' meetings 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》

Tadashi Ogawa

Outside Director
(Independent Director)

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

Auditors



《Number of Company shares owned》
17,300

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	Corporate Auditor, the Company (present)

Hiroshi Miura

Corporate Auditor (Full time)



《Meeting attendance (FY2015)》
13 of 15 Board of Directors' meetings, 10 of 12 Board of Auditors' meetings

《Number of Company shares owned》
8,300

《Reason for appointment》

Utilize his knowledge and experience as a legal professional within the Company's auditing

《Important concurrent positions》

Attorney-at-Law, Nomura Law Offices, Director of Sumitomo Mitsui Financial Group, Inc. (Outside Director), Corporate Auditor of Dai Nippon Printing Co., Ltd. (Outside Corporate Auditor)

Kuniaki Nomura

Corporate Auditor
(Independent Auditor)

Apr. 1970	Registered as Attorney-at-Law, Attorney-at-Law, Yanagida Law Office (currently, Yanagida & Partners)
June 2006	Corporate Auditor, Mitsui Sumitomo Insurance Co., Ltd.
June 2009	Attorney-at-Law, Nomura Law Offices (present)
Apr. 2010	Corporate Auditor, the Company (present)



《Meeting attendance (FY2015)》
No record due to new appointment

《Number of Company shares owned》
0

《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》

Kunio Chiyoda

Outside Corporate Auditor
(Independent Auditor)

Apr. 1971	Registered Certified Public Accountant
Apr. 2013	Chairperson, Certified Public Accountants and Auditing Oversight Board
June 2016	Corporate Auditor, the Company (present)



《Meeting attendance (FY2015)》 《Number of Company shares owned》
14 of 15 Board of Directors' meetings 0

《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 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.

Mari Matsunaga

Outside Director
(Independent Director)

Apr. 1977	Entered Japan Recruit Center (currently, Recruit Holdings Co., Ltd. ["RECRUIT"])
July 1986	Chief editor of <i>SHUSHOKU JOURNAL</i> , published by RECRUIT
July 1988	Chief editor of <i>TRAVAILLE</i> , 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)



《Number of Company shares owned》
8,890

Apr. 1978	Entered The Dai-Tokyo Fire and Marine Insurance Co., Ltd.
Apr. 2011	Executive Officer, General Manager of Chiba Div., Aioi Nissay Dowa Insurance Co., Ltd. ("ADI")
Apr. 2012	Managing Executive Officer, General Manager of Regional Business Promotion Div., ADI Executive Officer, the Company
Apr. 2013	Managing Executive Officer, ADI
June 2013	Corporate Auditor, the Company (present)

Jiro Yoshino

Corporate Auditor (Full time)



《Meeting attendance (FY2015)》
13 of 15 Board of Directors' meetings, 11 of 12 Board of Auditors' meetings

《Number of Company shares owned》
0

《Reason for appointment》

Utilize his knowledge and experience as a legal professional within the Company's auditing

《Important concurrent positions》

Attorney-at-Law and Partner, Nishimura & Asahi Corporate Auditor of Showa Denko K. K. (Outside Corporate Auditor)

Hiroyuki Tezuka

Corporate Auditor
(Independent Auditor)

Apr. 1986	Registered as Attorney-at-Law, Partner, Nishimura & Sanada (currently, Nishimura & Asahi) (present)
June 2007	Corporate Auditor, Nissay Dowa General Insurance Co., Ltd.
Apr. 2010	Corporate Auditor, the Company (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

Nampei Yanagawa

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

Executive Officers

Mitsuhiro Tsuchiya

Assist Management

Masaaki Nishikata

Marketing & Sales

Tetsuya Yoshikawa

Administration and Information Systems
Chief Information Officer, Chief Information Security Officer

Masahiro Matsumoto

International Business

Teruhiko Ito

Financial Services Business

Fumiaki Ohkawabata
Products

Yoshinao Yoshihara
Claims Services

Takaaki Endo

General Manager of Corporate Planning Dept.

Hidema Jinno

General Manager of Corporate Risk Management Dept.

Hiroyuki Hata

General Manager of Accounting Dept.

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

Reference Responses to 11 Principles of the Corporate Governance Code

The Company complies with all of the Corporate Governance Code, and the response situations and disclosure scope are as follows. For details, see the relevant pages of this report or the Company's official website (hereinafter, the Company website) and Corporate Governance Report.

1. Principle 1.4 Policy for Strategic Equity Holdings and Criteria for Ensuring Appropriate Handling of the Exercise of Voting Rights Pertaining to Strategic Equity Holdings

<MS&AD Insurance Group Basic Policy for Strategic Equity Holdings>

We have adopted a policy to reduce the aggregate amount of our strategic equity holdings, aiming to build a solid financial base less affected by fluctuations in stock prices and to improve the capital efficiency.

<Criteria for Ensuring Appropriate Handling of the Exercise of Voting Rights Pertaining to Strategic Equity Holdings>

The exercise of voting rights is seen to be an important means of influencing the management and improving the enterprise value of investee companies, and decisions are not made uniformly based solely on formulaic short-term criteria, but rather in terms of enhancement of enterprise value in the medium-to-long term and improvement in shareholder returns, among others. For details, see the Company website.

2. Principle 1.7 Procedures for Related Party Transactions

With respect to transactions between the Company and a related party, to ensure that they do not harm the common interests of the Company and the Company's shareholders, such transactions as competition transaction by a director, transactions between a corporate officer and the Company, and other transactions with conflict-of-interest characteristics, such transactions will require prior deliberation and approval of a Board of Directors' meeting with the attendance of multiple outside directors, and in the case of similar transactions by executive officers will require a report to the Board of Directors.

3. Principle 3.1 Full Disclosure

- Corporate Philosophy (Mission), business strategies, etc.: See the back page of the cover page and "Top Message," etc. on P10.
- Basic policy and guidelines on corporate governance: See "Basic Policies" on P37. For the "Basic Policies", see the Company website, etc.
- Policies and process for determining the remuneration and iv) Policies and process for the selection of the senior management and the nomination of Directors and Corporate Auditor candidates: See "Nomination and Remuneration" on P37. For details, see the Company website.
- Explanations with respect to the individual selection and appointment: See "Notice of Convocation of the Annual Shareholders' Meeting" posted on the Company website.

4. Supplementary Principle 4.1 (1) Scope and content of the matters delegated to the management

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, in addition to overseeing the duties of directors and executive officers. For details, see the Company website (the Role of the Board of Directors).

5. Principle 4.8 A roadmap if a company believes it needs to appoint at least one-third of directors as independent directors

The Board of Directors comprises 11 members (ten men and one woman), and more than one-third of the Directors (four Directors) are nominated as Outside Directors.

6. Principle 4.9 Independence Standard and Qualification for Independent Directors

See "Criteria for the Selection of Director Candidates and Corporate Auditor Candidates and Criteria for Determining the Independence of Outside Corporate Officers" on the Company website.

7. Supplementary Principle 4.11 (1) A view on the balance on diversity and appropriate Board size, and policies and procedures for nominating Directors

Four of the eleven Directors (ten men and one woman) and three of the five Corporate Auditors (five men) have been appointed from outside the Company to incorporate perspectives independent from management, strengthen monitoring and oversight functions, and conduct highly transparent management.

Outside Directors and Corporate Auditors are contributing to the strengthening of oversight and auditing functions to the Board and to ensuring the transparency of management. In addition, by receiving advice from these Outside Directors and Corporate Auditors based on their knowledge and experience as professionals in the fields of law and accounting, the Company ensures that this system will enable proper decision making on important matters.

8. Supplementary Principle 4.11 (2) A status for concurrent positions of outside corporate officers

See "Introduction to Directors" on P39, 40.

9. Supplementary Principle 4.11 (3) Disclosure of summary results of analysis and evaluation of overall effectiveness of the Board of Directors

This has been implemented through discussion in Governance Committee meetings, etc., even this was not implemented in fiscal 2015.

Please see Analysis and Evaluation of the Effectiveness of the Board of Directors on P38, as for overview of results please see the Company website or Corporate Governance Report updated on June 22, 2016.

10. Supplementary Principle 4.14 (2) Criteria for Directors and Corporate Auditors Training

- The Company has assigned a person in the secretariat of the Board of Directors to each of the Outside Directors and Outside Corporate Auditors (hereinafter referred to as "Outside Officers") to provide support in areas such as providing briefings in advance.
- The Company has established a system for ongoing provision of information and training at the time of appointment and during the term of Directors and Corporate Auditors.
- The Company provides appropriate opportunities for Outside Officers to share information and exchange opinions with management and senior employees.
- The Company bears the expenses required to enable Outside Officers to fulfill their roles.

11. Principle 5.1 Policies concerning the measures and organizational structures aimed at promoting constructive dialogue with shareholders

See "Dialogue with Shareholders and Investors" on P41. For details, see the Company website.

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

Main Initiatives in Fiscal 2015

- 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 (once a year)
- 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 prices to Group Management Committee and the Board of Directors
- Creation of a program for feedback meetings to the Group’s relevant departments (8 times a year)

Activities Undertaken (Fiscal 2015)

The Group organized Information Meetings, at which the President explained management strategies and performance, as well as MS&AD IR Day, sessions for the constructive exchange of opinions between management executives and investors. It also organized Company information sessions aimed at individual investors and broadcast a message from top management in the “The Leaders” corner of the Nikkei CNBC economic news channel.

Strategy explanation meetings for institutional investors and analysts (Information Meeting)	Twice
Telephone conferences (earning results) for institutional investors and analysts	5 times
Sessions for an exchange of opinions with institutional investors and analysts (MS&AD IR Day)	Once
Conferences organized by securities companies	5 times
Individual meetings (except conferences)	245 times
Information sessions for individual investors and securities company sales personnel	6 times



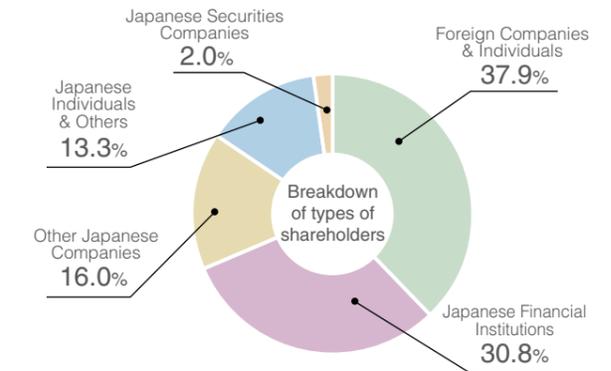
Information Meeting (for institutional investors and analysts)



MS&AD IR Day 2015 (panel discussion by management executives)

IR Activities Aimed at Foreign Investors

With foreign individual and corporate investors representing almost 40% of the total, the Group has been strengthening information disclosure and communication for the benefit of foreign investors and actively promoting dialogue with them. In fiscal 2015, a strong effort was made to engage in constructive dialogue, with a total of 95 interactions that included active participation in conferences organized by securities companies for foreign investors as well as overseas travel by the President and the officer in charge of the Corporate Communications and Investor Relations Department to visit investors individually. From the perspective of providing swift and fair information disclosure, efforts were made to strengthen English information disclosure on the website and improve the disclosure of information for foreign investors.



Information Disclosure as the Basis for Dialogue

Website (Japanese/English)	Integrated Report (Japanese/English)
<p>The Group makes prompt and fair information disclosure in both English and Japanese.</p>   <p>Daiwa Investor Relations “Internet IR Excellence Award 2015”</p>	<p>In the third WICI Japan Awards for Excellence in Integrated Reporting, “MS&AD Integrated Report 2015” received one of the “Awards for Excellence” presented to four of the 200 companies listed in the first section of the Tokyo Stock Exchange.</p>   <p>Japanese version English version</p>

General Shareholders’ Meeting

	FY2015	FY2016
Held	June 22 (Monday)	June 22 (Wednesday)
Shareholders attending	615	654
Ratio of the exercise of voting rights	84.3%	85.8%
Notice of convocation issue date	May 29 (Friday)	May 30 (Monday)
Notice of convocation notice website announcement date (Japanese/English)	May 25 (Monday)	May 24 (Tuesday)



In fiscal 2016, with the goal of holding a general shareholders’ meeting with an active question and answer session with many shareholders, an effort was made to improve the content of information provided in the general shareholders’ meeting convocation notice. For the resolution results, please see EDINET.

URL <http://disclosure.edinet-fsa.go.jp/EKW0EZ1001.html>

For more-detailed shareholder and investor information, see the Group’s official website.

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