

# MS&AD Insurance Group Medium-Term Management Plan **Vision 2021**

Towards a resilient and sustainable society

The MS&AD Insurance Group is supported by stakeholders, including customers and shareholders, and many resources. Since the inauguration of the Group in April 2010, it has developed along with the story of value creation.

The Group has experienced adversities such as natural disasters and changes in the economic environment, but as a result of concentrating its group strengths in accordance with its mission, vision and values and making steady endeavors, it has managed to arrive at its current position.

For the Group to sustain growth in the future, with a presence widely supported by stakeholders in society, it is even more essential that it continues creating shared value (CSV) through corporate activities.

The image of the society that the Group is aiming for in 2030 is a “resilient and sustainable society.”

To realize this image, overall Group and each employee must be a resilient and sustainable.

To achieve this, we need to create a business model that can respond swiftly to changes in the social structure and changes in customers’ awareness and lifestyles.

In the new Group's Medium-Term Management Plan “Vision 2021,” to help us set milestones to CSV, we have incorporated the SDGs (sustainable development goals) noting that the governments of developed and developing countries, as well as private-sector companies and NGOs, have started to try to realize them.

We will be conscious of the SDGs and promote initiatives through the various of corporate activities (implementing the story of value creation).

These initiatives will lead to the discovery of growth opportunities and produce opportunities for innovation.

Though the targets for “Vision 2021” are ambitious, we will implement the basic strategies and key strategies with more creativity and ability to execute operations than before.

We will work to consolidate the Group's comprehensive strengths and realize our aspirations, while ensuring that each employee is actively engaged and that we take advantage of diversity which is one of the Group's strengths.

# 1 . Review of Previous Medium-Term Management Plan ①

Based on the basic Group strategy of “increasing corporate value of the Group through commitment to sustainable growth, improving profitability, ensuring soundness, and improving capital efficiency” we promoted the following initiatives.

## Sustainable growth and implement profitability

Owing to an increase in net premiums written and life insurance premiums, ordinary income at the end of FY2017 was ¥5,200bn, an increase of ¥900bn compared to the end of FY2013. Owing to an improvement in profitability, mainly in automobile insurance, and initiatives to reduce expenses, the non-life combined ratio and the expense ratio improved and we realized sustainable growth and improving profitability.

## Ensure soundness

The ESR (Economic Solvency Ratio) at the end of FY2017 was 196%, and the capital buffer (net asset value - integrated risk amount) reached ¥2,870bn, an increase of ¥900bn vs. the end of FY2013. Owing to losses caused by US hurricanes and other events, net income and Group Core Profit for FY2017 fell below target but maintained a sound level.

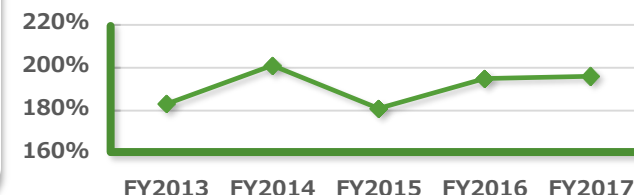
## Improve capital efficiency

Owing to the increase of Group Core Profit, and initiatives such as the reduction in strategic equity holdings and aggressive business investments, Group ROE at the end of FY2016 rose to 7.9%. Soundness improved due to the accumulation of net income and a rise in the value of our assets, but issues regarding capital efficiency still remained.

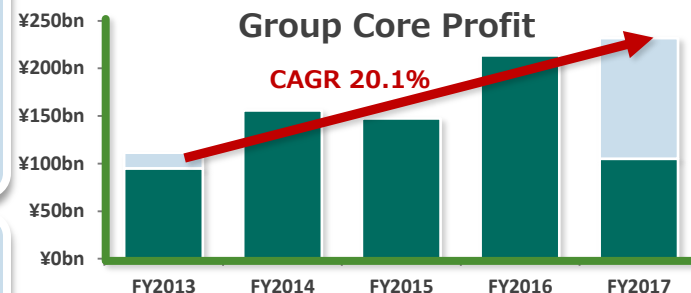
## Increase corporate value

MS&AD's market capitalization at the end of FY2017 reached about ¥2,000bn, which was more than 1.3x times the level at the end of FY2013. However, the PBR (price-to-book ratio) fell below 1.0x.

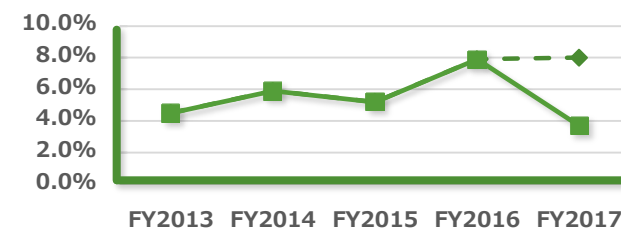
ESR



Group Core Profit



グループROE



For Group Core Profit (outline), CAGR and group ROE (dotted line part), the impact of natural catastrophes has been adjusted based on initial projections

# 1 . Review of Previous Medium-Term Management Plan ②

As the drivers to implement the basic Group strategy, we pursued “reorganization by function,” “strengthening of Group governance,” “promotion of ERM” and “transformation of the business structure.”

## Completion of reorganization by function

- Regarding reorganization by function, which is designed to realize “growth” and “efficiency” in the overall Group and strengthen the Group governance system, we promoted the reorganization of the claims services and standardization of products and operating procedures, in addition to the seven areas initially targeted, and initiatives progressed according to plan.
- ▶ Completed areas 【Marine reorganization】 【Motor channel reorganization】 【Regional reorganization】 【Sharing bases】
- ▶ Ongoing areas 【Transfer of policies in force for long-term third-sector policies in force】 【International business reorganization】 【Head office function reorganization】
- ▶ The effect of cost reductions vs. FY2011 reached the initial target of ¥50bn and achieved the newly established target of ¥60bn.

## Promotion of ERM

- Profitability and soundness improved by creating an ERM cycle utilizing risk appetite and the ORSA process, promoting management and administration based on risk, return and capital, and diversifying risk and revenue sources.
- We achieved the plan’s initial reduction target of ¥300bn (FY2014-2017) for strategic equity holdings and also achieved the ¥500bn target, which was newly established in November 2015.

## Strengthening of Group governance

- Based on the basic policy on corporate governance, we promoted further demonstration of the functions of the Board of Directors through the operations of the “Governance Committee” and the “Outside Directors Council.”
- Under the corporate governance rating service provided by US-based ISS, the world’s largest proxy advisory firm, we were selected as one of the best companies among only six out of about 450 trading brands in Japan.

## Transformation of business structure to respond to future changes in the environment

- We actively invested in growth businesses, including the acquisition of Amlin and First Capital and capital participation in Challenger and ReAssure, thereby promoting business portfolio diversification.
- We promoted initiatives aimed at new risks and markets. In the telematics area, we acquired UK-based BIG and used its knowledge, which led to collaboration with Toyota in the US and the development of Japan’s first driving behavior-based telematics auto insurance.
- To respond to the developing digital society, we adopted new technology, carried out various kinds of demonstration experiments and undertook research based on industry-academia collaboration. We continued to promote initiatives to improve quality and productivity.



## 2 . Recognition of Business Environment

### Politics (legal trends that regulate business)

#### Worldwide

- Strengthening capital regulations (Risk-based Global Insurance Capital Standard (ICS))
- Brexit / rise of protectionism and populism
- Reinforcement of regulations regarding ESG such as legislation on human rights protection and the reduction of carbon emissions

#### Japan

- Consumption tax hike (8%→10%) (Oct. 2019)
- Enforcement of revised Civil Code (Apr. 2020)
- Emphasis on ROE management and ongoing demands to reduce strategic equity holdings based on Corporate Governance Code, Stewardship Code, etc.

### Economy (economic levels, foreign exchange, interest rates, etc.)

#### Worldwide

- US interest rate hikes and capital outflows from emerging nations
- Progress of ESG investment
- Expansion of infrastructure demand in developing countries

#### Japan

- Continuation of ultra-low interest rate policy based on Bank of Japan's quantitative and qualitative monetary easing
- Decrease in car sales and number of vehicles owned
- Decrease in housing construction
- Increase in foreign visitors to Japan

### Society (demographics, values, trends , etc.)

#### Worldwide

- Increase in natural disasters such as wind and flood damage and major earthquakes
- Expansion of regional conflicts
- Expansion of the "sharing economy"
- Expansion and consolidation of disparities such as that between poverty and wealth
- Increase in momentum of global-scale initiatives aimed at resolving social issues

#### Japan

- Decrease in total population, advancement of regional depopulation
- Further advancement of falling birthrate and aging population
- Economic expansion and its recoil associated with Tokyo Olympics and Paralympics

### Technology (technology trends that impact business)

#### Worldwide

- Progress of advanced digital technology such as AI and increasingly sophisticated cyber attacks
- Advances in new automobile technologies (e.g., automatic braking, autonomous driving)
- Advances in regenerative medicine technologies
- Progress of clean energy technologies
- Threat of Big Data monopoly

#### Japan

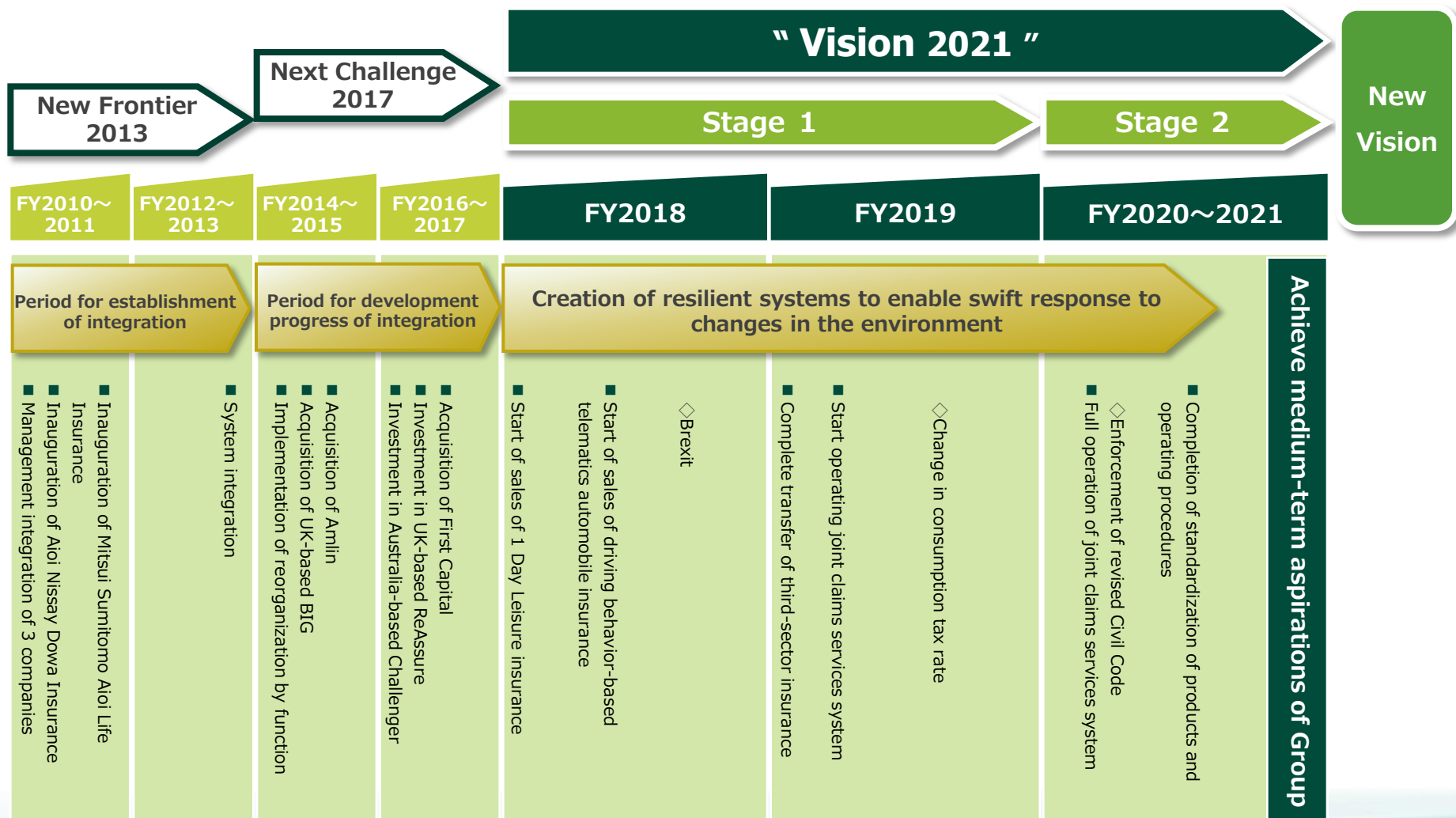
- Advances in welfare and nursing care robots

**Business environment where uncertainty is increasing and forecasting is difficult**

**Need for resilient systems that can respond swiftly to changes in the environment**

### 3 . Positioning of Vision 2021

Positioned as the “period to achieve medium-term aspirations of the Group” and “create resilient systems that can respond swiftly to changes in the environment”



## 4 . Aspirations during the Period of the Medium-Term Plan

**We will achieve business of a substantial scale and quality to be recognized as a world-leading insurance and financial services group by stakeholders.**

### **Scale**

- Within top 10 non-life insurance groups of the world

### **Quality**

- Capital efficiency (Group Adjusted ROE of 10%) and soundness (ESR of 180%~220%)

**Become a world-leading insurance and financial services group**

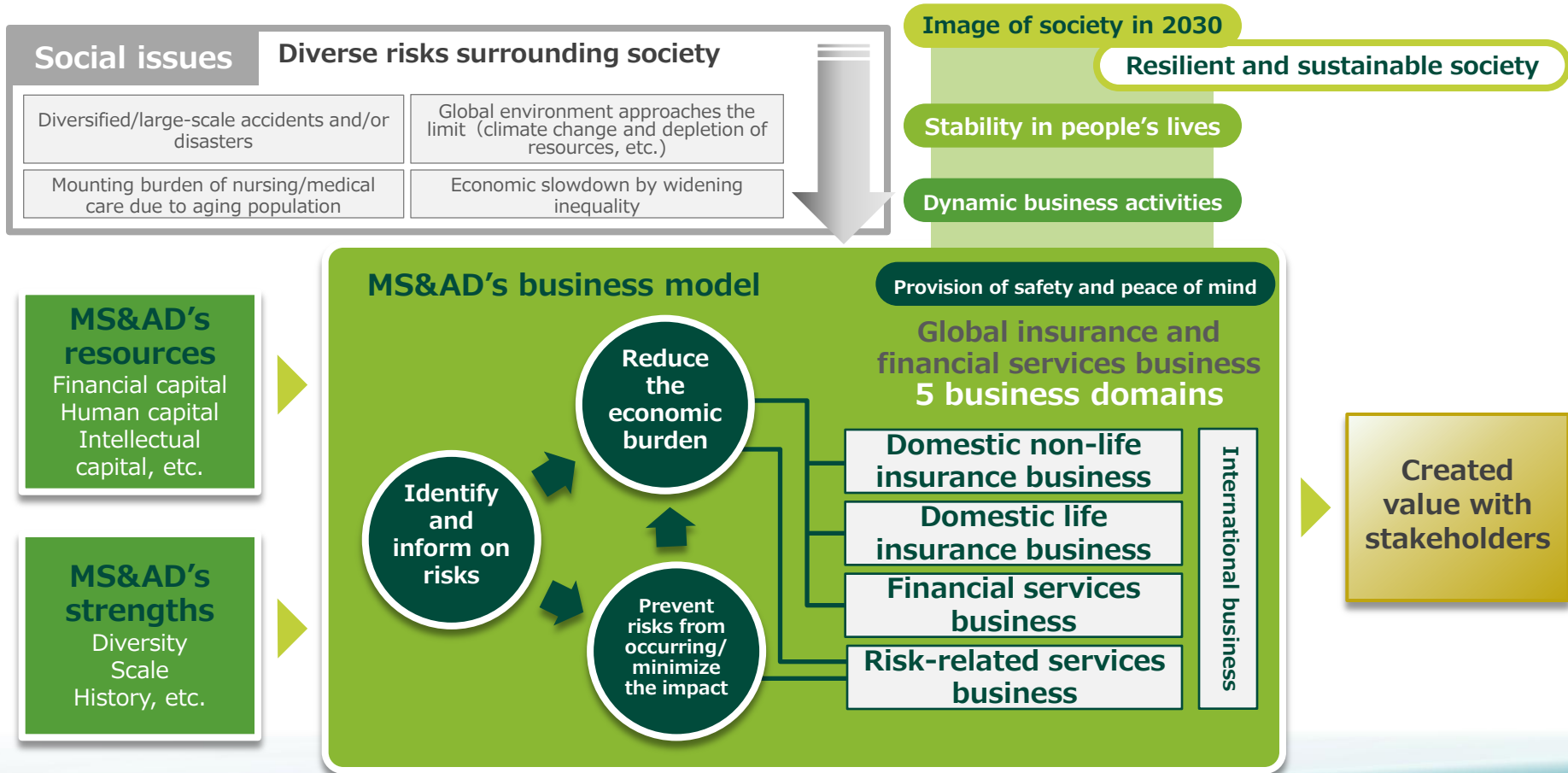
**We will create systems that can rapidly respond to changes in social structures, such as the advancement of digitalization in society, the advent of next-generation mobility including self-driving cars, and emerging risks including cyber risk.**

**Create resilient systems that can swiftly respond to changes in environment**

# 5 . MS&AD's Business Model ~ The Story of Value Creation

Through corporate activities that make use of diversity which is a strength of the Group, we will enable safety and peace of mind, support stability in people's lives and dynamic business activities, and realize a resilient and sustainable society.

**Mission** To contribute to the development of a vibrant society and help secure a sound future for the planet, by enabling safety and peace of mind through the global insurance and financial services business

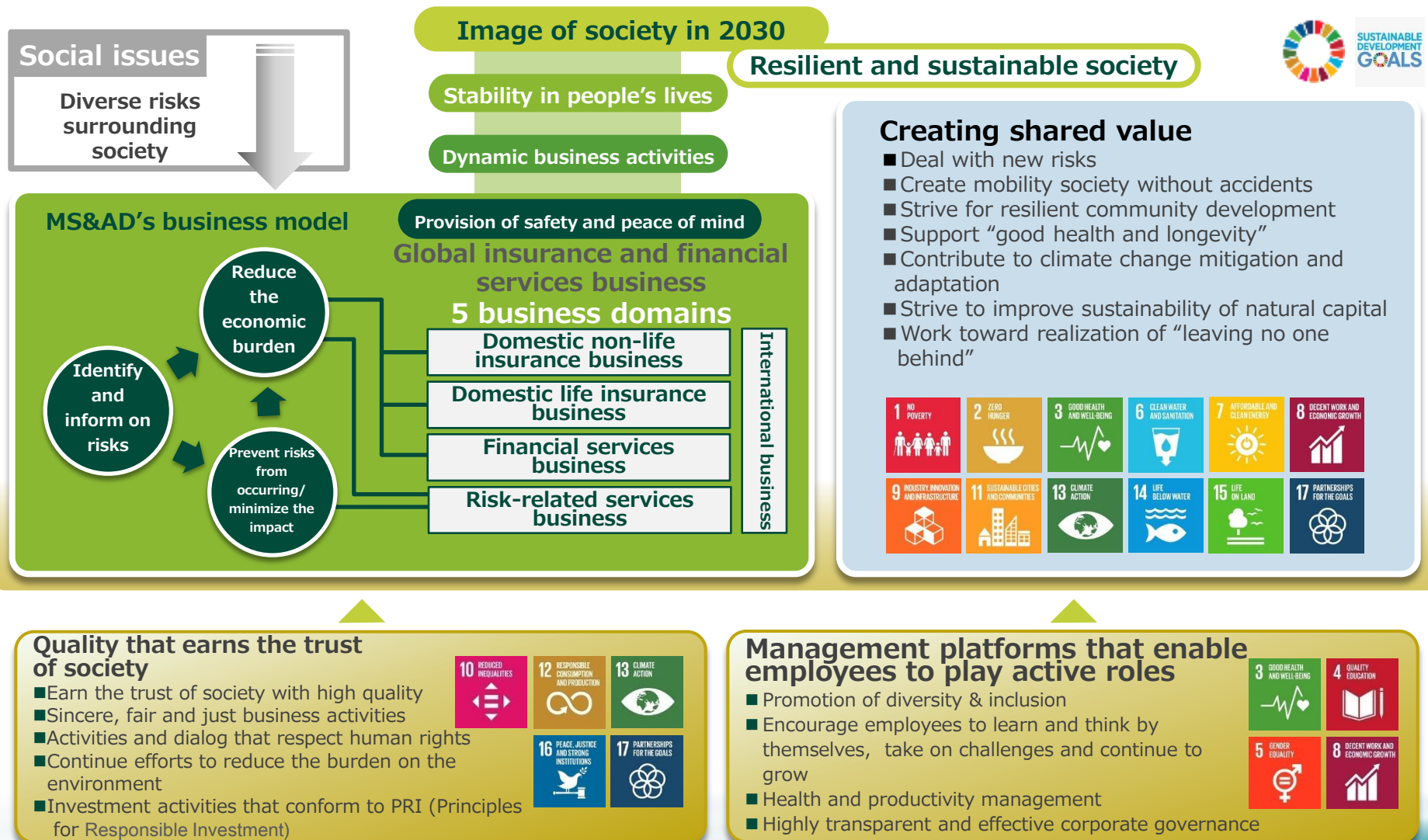




# 5 . MS&AD's Business Model and the SDGs ※①

※ Sustainable Development Goals

Through corporate activities that implement “The Story of Value Creation,” we will continue creating shared value (CSV) to realize the image of society we are aiming for by 2030.



# 5 . MS&AD's Business Model and SDGs ②

## Creating shared value

## Image of society in 2030

## Resilient and sustainable society



### Deal with new risks

- A business model that responds to new risks such as cyber risk and changes emerging risks into opportunities
- Products and services that respond to new lifestyles



### Create mobility society without accidents

- Products and services with mechanisms that help prevent accidents occur
- Products and services that respond to the next-generation mobility society
- Continuation of traffic safety initiatives



### Strive for resilient community development

- Support for regional business to revitalize local communities
- Reinforcement of capability to respond to large-scale natural disasters
- Promotion of green resilience (disaster prevention and mitigation using natural capital)



### Support "good health and longevity"

- Products and services that support a healthy, long life
- Products and services that can contribute to the development of advanced medicine and regenerative medicine treatment



### Contribute to climate change mitigation and adaptation

- Prevention and mitigation of damage from climatic disasters
- Proposal of products and services that assist the penetration of renewable energy



### Strive to improve sustainability of natural capital

- Evaluation of natural capital risks
- Activities to regenerate tropical forests in Indonesia and other countries, MS&AD Ramsar Supporters
- Promotion of environmental conservation activities through "Japan Business Initiative for Biodiversity"



### Work toward realization of "leaving no one behind"※

- R&D of insurance and financial services that help support primary industries and low-income earners in developing countries
- Participation in creation of mechanisms to support developing countries through international organizations, companies, etc.
- Transfer of insurance technology ※Principle of UN's "2030 Agenda for sustainable development" which describes SDGs



## Quality that earns the trust of society

## Management platforms that enable employees to play active roles

## Quality that meets the trust of society



### Meeting the trust of society with high quality

- ▶ Thoroughly implementing business management based on the "Our Customer-First Policy in the Operation of Group's Business"
- ▶ Promoting digitalization to enhance the value of customers' experiences

### Implementing sincere, fair and just business activities

- ▶ Implementation of corporate activities based on Mission, Vision and Values
- ▶ Harnessing customers' voices and the "speak-up" system to ensure sound organizational management

### Implementing activities and dialog that respect human rights

- ▶ Establishment of corporate culture with respect for human rights
- ▶ Development of management system relating to respect human rights

### Continuing efforts to reduce the burden on the environment

- ▶ Promoting "MS&AD Our Earth Project"
- ▶ Initiatives to reduce usage of electricity, gasoline and paper
- ▶ Reduction of CO2 emissions – Long-term target (FY2050:-70% of FY2009)

### Implementing investment activities conforming to PRI (Principles for Responsible Investment)

- ▶ Investment analysis of ESG (Environment, Social, Governance) factors and incorporating them into the decision-making process
- ▶ The promotion of engagement through stewardship activities

## Management platforms that enable employees to play active roles



### Promoting diversity & inclusion

- ▶ Establishment of corporate culture that respects diversity and diverse values
- ▶ Development of the workplace environment and improvement of management capabilities that enable employees, etc. to play active roles without discrimination based on gender, nationality, disability or LGBT identity
- ▶ Development of a workplace environment that enables work styles to suit women's life cycles

### Encouraging employees to learn and think by themselves, take on challenges and continue to grow

- ▶ Provision of an environment where it is easy to work and that gives the opportunity to feel job satisfaction and career development
- ▶ Promotion of "work style reforms" and "reinforcement of specialization through the permeation of professionalism"
- ▶ Expanded development of human assets with the capability to carry out digitalization

### Implementing health and productivity management

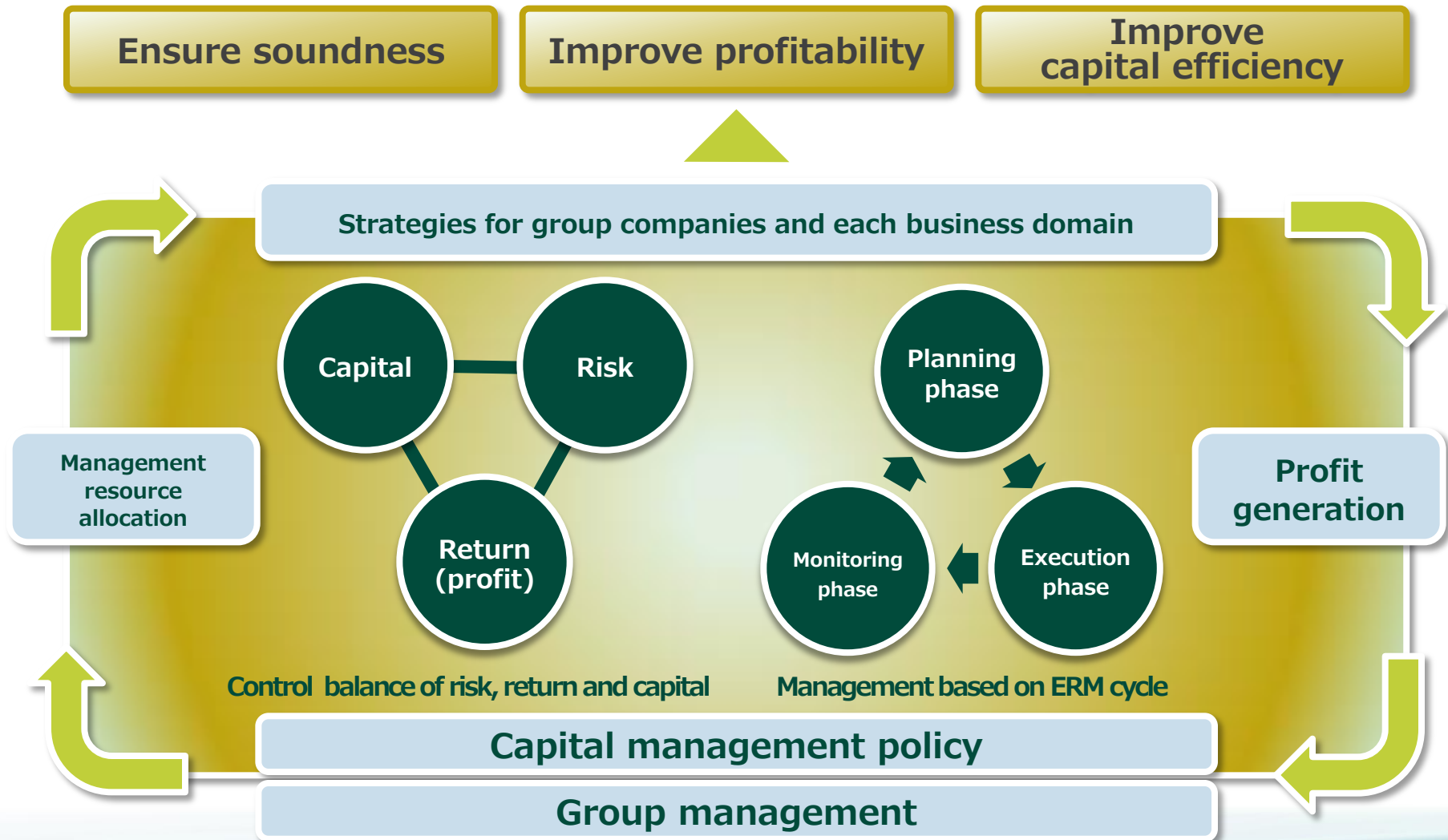
- ▶ Creation of a healthy and safe workplace where each employee can maintain and improve their mental and physical health
- ▶ Improve initiatives to prevent mental and physical disorders

### Implementing highly transparent and effective corporate governance

- ▶ Continued strengthening of supervisory function of Board of Directors and supervisory function of Audit and Supervisory Board Members
- ▶ Implementation of fair, accurate and swift information disclosure

## 6 . Framework of Group Management

On the assumption of ensuring soundness, we will improve profitability and enhance capital efficiency through the allocation of management resources in a manner that ensures the balance of risk, return and capital and through management based on the ERM cycle.





Based on the ERM cycle, we aim to ensure soundness, improve return on risk and capital efficiency.



## Improve capital efficiency

Aim for an ROE level of 10%

- New business investment
- Improve profitability of existing businesses etc.

## Improve return on risk

Aim to achieve targeted values for each fiscal year

- Conduct analysis of ROR and VA, etc. by line and product etc.

Return

## Stabilize fiscal year profit

Monitor the impact on fiscal year profit, to control level of risk taking

## Ensure financial soundness

Secure ESR of 180%~220%

196%※

Net asset value  
Risk amount



Appropriate level

220%

180%

Consider expansion of business investment or shareholder return

Adopt level to "ensure financial soundness equivalent to AA rating" and strive to enhance capital efficiency.

Consider means to restore appropriate level

※ESR at Mar.-end 2018 <before tax>

## ERM cycle

Planning phase

Formulate strategy based on business environment, Group Risk Appetite Statement, etc., and establish capital allocation amounts, etc.

Monitoring phase

Conduct regular monitoring of financial soundness, profitability, capital efficiency, etc.

Execution phase

Perform risk taking based on capital allocation amounts, etc.



On the assumption of ensuring financial soundness, we will realize an improvement in shareholder value through investment aimed at sustainable growth and a continued, stable shareholder return. We will increase corporate value by raising profitability while maintaining an appropriate capital level and by improving capital efficiency.

### Financial soundness

**Ensure financial soundness by expanding capital base**

- We will maintain financial soundness equivalent to an AA rating.

[ESR※ level of 180%~220%]

※ESR:Economic Solvency Ratio(99.5%VaR)

- In asset management, we will pay attention to the safety and liquidity of asset holdings, and we will seek to stabilize returns and maintain financial soundness through ALM based on analysis of the characteristics of liabilities.

### Capital efficiency

**Improve capital efficiency through growth and diversification of business portfolio, optimal resource allocation**

- Actively conduct disciplined business investment aimed at internal growth and external growth in both domestic and overseas.
- Maintain an appropriate level of capital and enhance capital efficiency while expanding profit through productivity improvement and diversification of revenue sources.
- Maintain awareness of capital cost and aim for Group Adjusted ROE level of 10%, which is on par with major European and US insurers.

### Shareholder Return

**Provide shareholder return based on shareholder dividends and repurchase of our own shares by adopting benchmark of 40%~60% of Group Adjusted Profit**

- Adopt basic policy of providing stable dividends.  
(DOE※: Dividend on equity ratio: Aim for level of 2.0%~3.0%)
- Promptly and flexibly conduct repurchases of our own shares, taking into consideration the market environment and capital status.

※DOE = Total annual dividends (interim, year-end, etc.) ÷ capital = dividend payout ratio (total annual dividends ÷ net income) × ROE (accounting basis)  
Indicator that shows what degree of profit distribution is being carried out relative to capital (consolidated net assets - non-controlling interests - stock acquisition rights)

### Vision 2021 Basic strategy

- By employing the Group's resources to the maximum, we will realize sustainable growth and enhance corporate value.
- We will pursue the Group's comprehensive strengths, one of which is diversity, and meet the expectations of customers and other stakeholders.
- We will respond flexibly to changes in the environment and further improve quality and productivity.

#### Key strategies

1

Pursue Group's  
comprehensive strengths

2

Promote digitalization

3

Reform portfolio

# 10. 【Key Strategy ①】 Pursue Group's comprehensive strengths

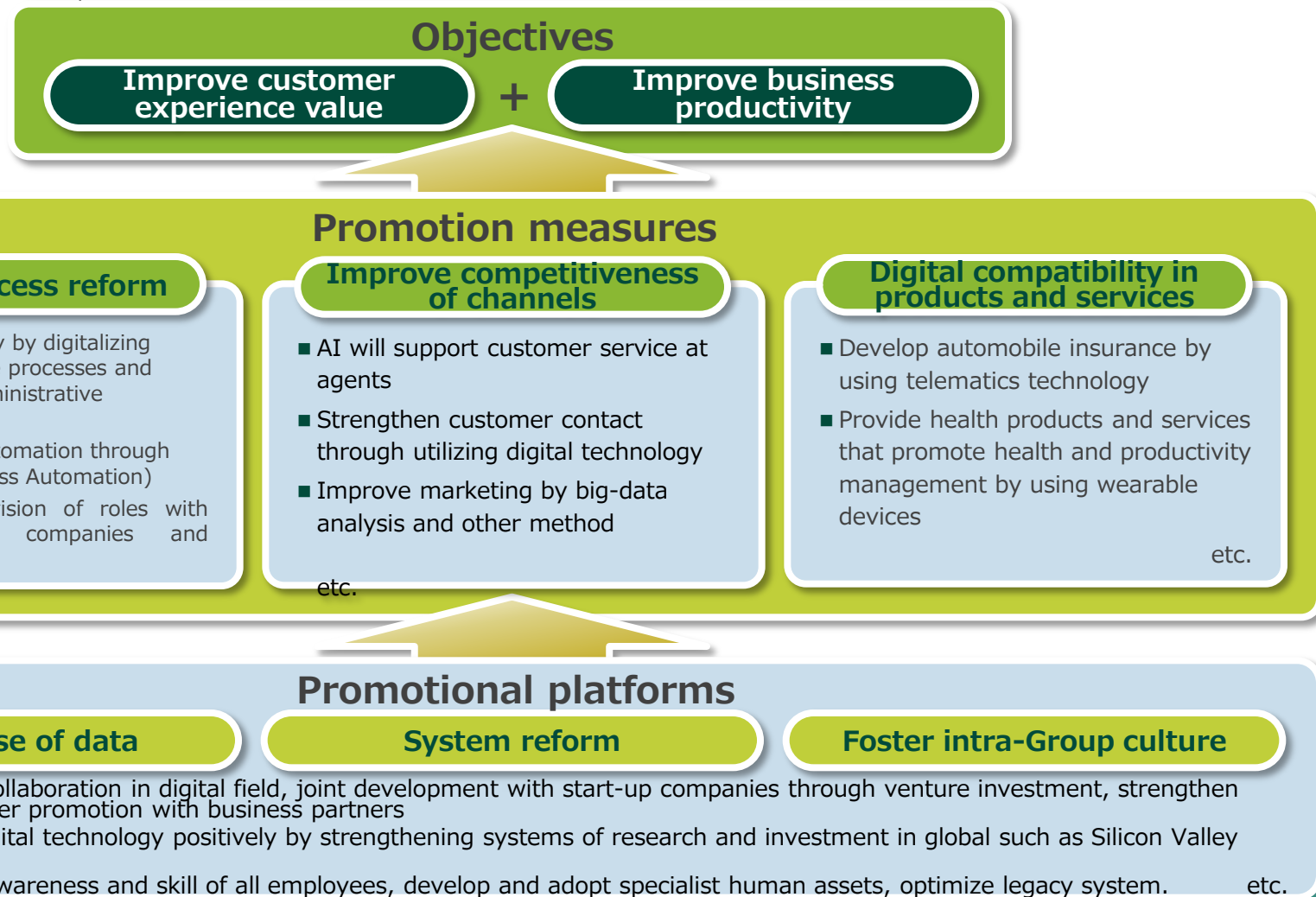
- Make maximum use of Group's strengths (diversity, capital, human assets, customer base, etc.)
- Review division of roles by each Group company and strengthen cooperation
- Promote standardization and sharing (standardization of products and operating procedures, joint claims services system, health and medical products and services, etc.)



## 10. 【Key Strategy ②】 Promote Digitalization

- Work on “digitalization”※ across entire Group and connect it to transformation of entire business.
- Improve value of experiences when customers contact individual Group companies and improve business productivity of MS&AD Group at the same time.

※“Digitalization”: An initiative to not only improve the efficiency and convenience of processes and services, etc. through digital technology but also to lead to reform of the Group’s overall business



# 10. 【Key Strategy ③】 Reform Portfolio

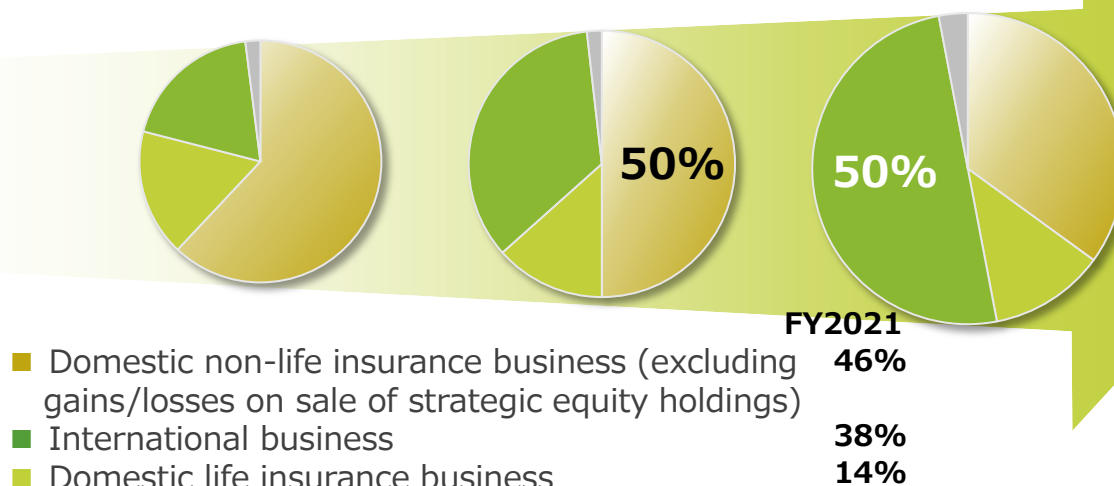
We will reform the Group's business portfolio and risk portfolio, etc., to create a stable earnings base.

## Business portfolio

While maintaining earnings in the domestic non-life insurance business, we will expand earnings in the International business and domestic life insurance business; initially achieving 50% of profit from businesses other than the domestic non-life insurance business.

In the future, we will take steps to raise the profit of our International business to 50% of Group profit.

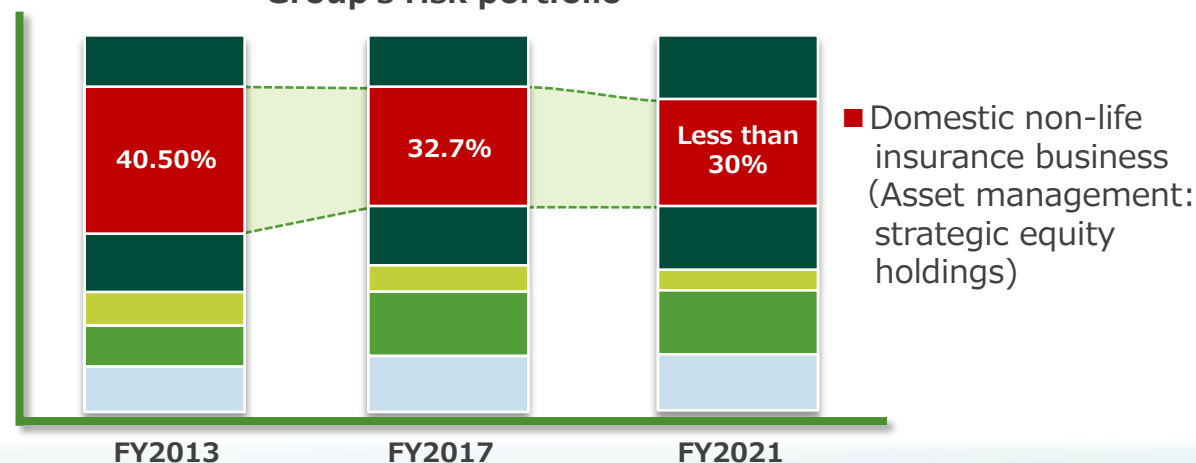
## Medium-term aspirations



## Risk portfolio

- Appropriate risk control based on cycle management of natural catastrophe risks
- Continue reduction of strategic equity holdings (2017~2021 reduction target: total of ¥500bn) and keep weighting vs. consolidated total assets to less than 10% and weighting vs. risk amount to less than 30%

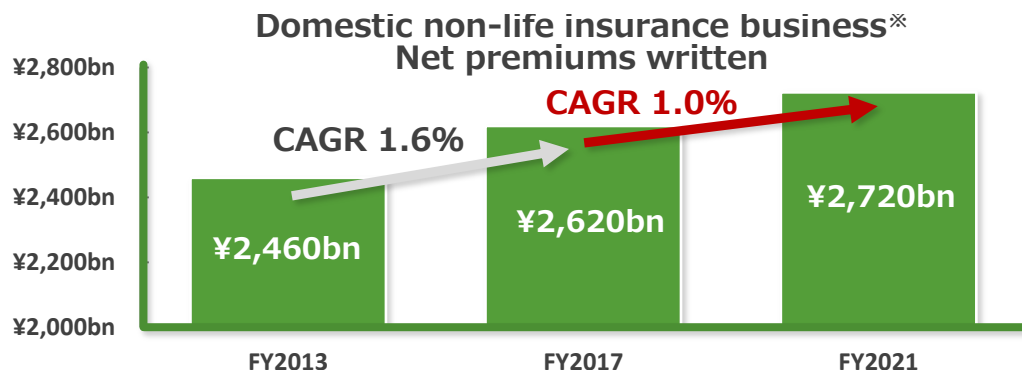
## Group's risk portfolio





# 11. Strategy by Each Business Domain ① ~ Domestic Non-Life Insurance Business

- Maintain and expand dominance as a core business boasting the largest scale of operations in Japan.
- Pursue further synergies by demonstrating the Group's comprehensive strengths while leveraging the individuality of each company.
- Reform portfolio by expanding casualty insurance, etc. while maintaining market share in automobile insurance and fire insurance.
- Seek to reform entire business model by promoting digitalization.



## Reinforcement R&D

Actively continue to invest in R&D that helps us respond to changes in the environment and improve productivity and quality, etc.  
Reduce expense ratio excluding R&D-related expenses to 32.1% in FY2021 and the 30% range in the future.

### Mitsui Sumitomo Insurance

- Promote growth strategy, respond to changes in environment and actively respond to new risks surrounding companies, etc.
- Use know-how of overseas partners regarding development of products and services and underwriting

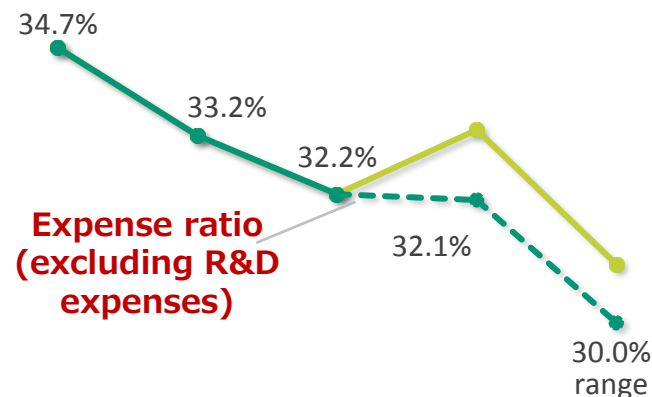
### Aioi Nissay Dowa Insurance

- Establish base to increase revenue and profit through innovation of activities at sales offices
- Create new markets centered on telematics, regional revitalization, etc
- Pursue diversification of revenue sources by promoting cooperation with Toyota, Nissay, etc.

### Mitsui Direct General Insurance

- Extend digital marketing by using various kinds of data
- Expand new customers through sophistication of mass advertisements and web advertisements

## Changes in Expense Ratio\*

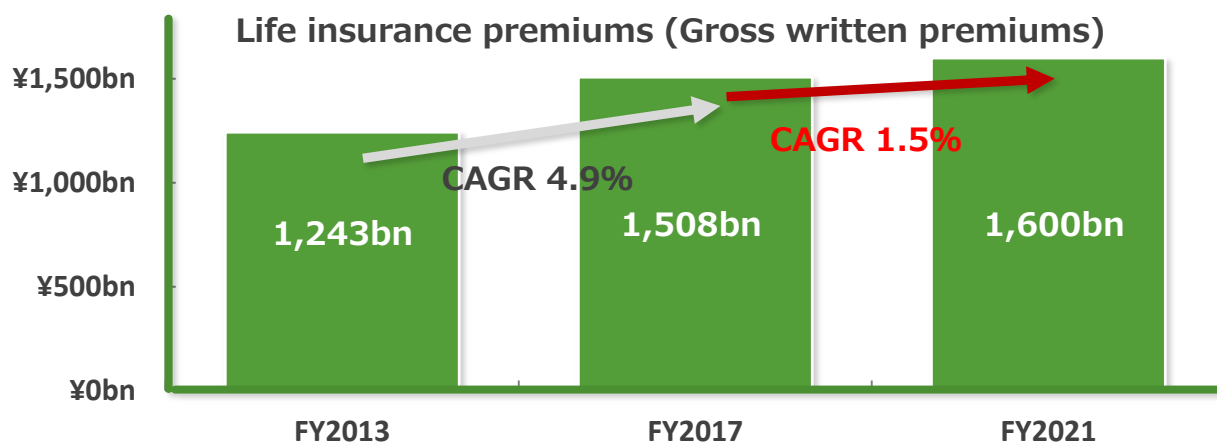


※ Combined expense ratio of Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance

※Excluding overseas reinsurance premiums assumed by domestic non-life insurance companies and others

# 11. Strategy by Each Business Domain ② ~ Domestic Life Insurance Business

- Develop and provide products and services that meet customer needs through an accurate understanding of the progress of medical treatment and changes in the social structure, etc.
- Further strengthen marketing capability through our sales base as the largest non-life insurance group in Japan and our OTC channel, which holds the leading position in the industry.
- Build systems that can respond flexibly to changes in the environment such as the advance of the falling birthrate and aging population, the continuation of ultra-low interest-rate policies, and the advance of digitalization.
- Extensively promote customer-first business operation and improve quality and customer satisfaction.



## Mitsui Sumitomo Aioi Life

- Provide protection-type products and services that help resolve social issues, such as the increasing burden of nursing care and medical care, and support health promotion
- Further strengthen marketing capability through diverse channels, with the focus on cross-selling based on integrated life/non-life operations
- Create systems to respond to changes in the environment (infrastructure development and reform of earnings structure)

## Mitsui Sumitomo Primary Life

- Expand asset-building-type products and services that meet the requirements of society, such as responding to longevity risks
- Strengthen the support system for financial institution OTC sales by promoting digitalization, etc.
- Enhance ALM that captures changes in investment markets and liability structures

# 11. Strategy by Each Business Domain ③ ~ International Business

- Continue to position the International business as the Group's growth driver.
- Diversify the business portfolio along geographical and business lines.
- Actively invest management resources (capital, human assets, etc.), strengthen existing businesses and carry out business investment (M&A and additional investment in existing businesses).

## International non-life insurance business

### Mitsui Sumitomo Insurance

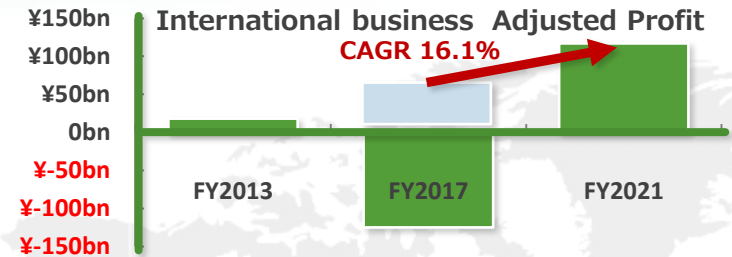
- **【Asia】** Further strengthen our position as ASEAN No. 1; capture growth markets including India and China (promote digitalization, expand sales channels, strengthen cooperation with partners, etc.); and demonstrate steady growth and synergies at MS First Capital
- **【Europe】** Underwriting focused on soundness and profitability in line with market cycles centering on MS Amlin and steadily expanding earnings
- **【Americas】** Continue prudent underwriting policy according to business environment and further diversify business portfolio

### Aioi Nissay Dowa Insurance

- **【Toyota retail business】** Stable business management, expansion of mobility business and creation of synergies through cooperation with MSI
- **【Telematics business】** Stable business management in BIG business and development of new businesses centered on data business (US, Asia)

## International life insurance business

- **【Asian life insurance】** Stable profit expansion and pursuit of life/non-life synergies
- Secure stable profits and acquire business know-how from Challenger (Australia) and ReAssure (UK).



For Adjusted Profit (light blue) and CAGR, the impact of natural catastrophes has been adjusted based on initial projections

Promotion of digitalization

Sophistication of risk management

Developing and securing international human assets

# 11. Strategy by Each Business Domain ④ ~ Financial Services and Risk-Related Services Businesses

## Financial services business

- Promote business in light of the Group's business expansion and changes in the environment and steadily contribute to earnings.
  - Strengthening major businesses※, review business composition from the viewpoint of growth and efficiency and promote the shifting of resources to businesses that are expected to grow.
- ※Variable annuity reinsurance business, asset management business, defined contribution pension business and ART business  
(Alternative Risk Transfer - a risk handling method used financial technology excluding insurance)

## Risk-related services business

- Strengthen cooperation with each Group company and realize synergies based on division of roles.
- Further strengthen the business platform through alliances with other industries and M&A.

### MS&AD's Inter Risk Research Institute & Consulting

- Reinforcement of business platform (development of new service options, expansion of cooperation with outside institutions)
- Generation of synergies based on merger with MS&AD Research Institute (allocation of resources to specialist areas such as environmental evaluation and expansion of new fields utilizing highly specialized human assets)

### ANSHIN DIAL

- Strengthen call center operation (steadily secure human assets and implement work style reforms)
- Pursuit of high quality (human assets development and continuously review operations)
- Taking on the challenges of next-generation business (post-road assistance business)

# 11. Strategy by Business Domain ⑤ ~ Asset Management Strategy

- By enhancing ALM and reducing strategic equity holdings, we will seek to stabilize Group investment earnings and will maintain financial soundness.
- We aim to improve earnings by expanding risk-taking through global diversified investment, while also taking the environment into account.

## Enhance ALM

**We will pay attention to the safety and liquidity of asset holdings and enhance ALM based on an analysis of each company's liability characteristics.**

- Strengthen the risk control function through ALM, which takes into account product structure and its changes.

## Reduce strategic equity holdings

**Through planned reduction efforts, we will strengthen our financial base. During FY2017~2021, we will reduce strategic equity holdings by ¥500bn.**

- Aim to keep the weighting vs. consolidated total assets to less than 10% and the weighting vs. risk amount to less than 30%  
【Reference】 End of Mar. 2018: weighting vs. total assets of 12.7%, weighting vs. risk amount of 32.7%

## Improve income

**We will increase Return-Expected Assets※ such as foreign securities after diversifying investment asset classes and methods based on the assumption of appropriate risk management.** ※Return-Expected Assets = Assets mainly held for expecting relatively high returns

- In addition to developing and securing human assets, develop and strengthen investment systems efficiently by making use of investment outsourcing.

**Through expansion of the International business, we will incorporate an increase in investment income based on foreign currency assets into the Group.**

## Holding company initiatives

- **Promote reinforcement of governance of Group asset management.**
  - ▶ Strengthen monitoring function related to Group's asset management status.
  - ▶ Promote initiatives involving the entire Group such as ESG investment and the handling of initial margin requirement for OTC derivatives
- **Promote strengthening of asset management systems and risk management systems in an efficient way by demonstrating the Group's comprehensive strengths.**
  - ▶ Promote initiatives to share resources such as investment know-how and investment funds and initiatives that connect to the needs of each company.



## 12. Group Numerical Management Targets (Quantitative Targets)

Numerical Targets	FY2019 Target	FY2021 Target
<b>Group Adjusted Profit</b> ※ 1 (Excluded gains/losses on sale of strategic equity holdings)	¥ 2 7 3 b n (¥238bn)	¥ 3 5 0 b n (¥310bn)
Domestic non-life insurance business (Excluded gains/losses on sale of strategic equity holdings)	¥ 1 7 4 b n (¥139bn)	¥ 1 8 2 b n (¥142bn)
Domestic life insurance business	¥ 2 8 b n	¥ 4 5 b n
International business	¥ 6 6 b n	¥ 1 1 7 b n
Financial services business	¥ 5 b n	¥ 6 b n
Risk-related services business		
Group Adjusted ROE※ 2	8. 3 %	1 0. 0 %
Net premiums written	¥ 3, 5 3 0 b n	¥ 3, 7 1 0 b n
Life insurance premiums (Gross premiums written)	¥ 1, 5 4 0 b n	¥ 1, 6 0 0 b n
MSA Life EEV	¥ 9 7 0 b n	¥ 1, 0 5 0 b n
ESR (Economic Solvency Ratio)	1 8 0 % ~ 2 2 0 %	1 8 0 % ~ 2 2 0 %

※1 Group Adjusted Profit = Consolidated net income + provision for catastrophe loss reserve and others – other incidental factors (amortization of goodwill and other intangible fixed assets, etc.) + equity in earnings of the non-consolidated group companies

※2 Group Adjusted ROE = Group Adjusted Profit ÷ average of beginning and ending amounts on BS of adjusted net assets (consolidated net assets + balance of catastrophe reserves, etc. – balance of goodwill and other intangible fixed assets)

# Appendix : Table Showing Replacement of Group Adjusted Profit and Adjusted Net Assets

## Changes to Group Adjusted Profit and Group Adjusted ROE (shaded parts show changes)

Until FY2017

$$\text{Group ROE} = \frac{\text{Group Core Profit}}{\text{Consolidated net assets}^{\ast 1}} = \text{Consolidated net income} - \text{Net capital gains/losses on stock portfolio (gains/losses on sale and others)} - \text{Net evaluation gains/losses on credit derivatives} - \text{Other incidental factors}^{\ast 4} + \text{Equity in earnings of the non-consolidated Group companies}$$

From FY2018

$$\text{Group Adjusted ROE} = \frac{\text{Group Adjusted Profit}}{\text{Adjusted net assets}} = \frac{\text{Consolidated net income} + \text{Provision}^{\ast 3} \text{ for Catastrophe loss reserve and others}^{\ast 2}}{\text{Consolidated net assets}^{\ast 1} + \text{Catastrophe loss reserve and others}^{\ast 2} - \text{Goodwill and other intangible fixed assets}} - \text{Other incidental factors (amortization of goodwill and other intangible fixed assets and others)} + \text{Equity in earnings of the non-consolidated Group companies}$$

※ Each adjustment amount is on an after-tax basis ※ 1 Excluding non-controlling interests and stock acquisition rights ※ 2 Catastrophe reserves, contingency reserves and reserve for price fluctuation of domestic non-life insurance business and MSA Life ※ 3 Subtraction in case of reversal ※ 4 Includes amount of amortization of goodwill and other intangible fixed assets (⇒ After revision, specified to that effect)

### Table showing replacement at end of FY2017

Group Core Profit		Group Adjusted Profit	Group Core Profit
↓ Revised to Group Adjusted Profit	Consolidated net income	¥154bn	¥154bn
	+ provision/reversal to catastrophe reserves, etc.	¥10bn	—
	— Net capital gains/losses on stock portfolio (gains/losses on sale and others)	—	¥85bn
	— Net evaluation gains/losses on credit derivatives	—	¥-0.1bn
	— Other incidental factors (amortization of goodwill and other intangible fixed assets, etc.)	¥-36bn	¥-36bn
	計	¥201bn	¥105bn
Consolidated net assets		Adjusted net assets	Consolidated net assets
↓ Revised to adjusted net assets	Consolidated net assets (capital)	¥2,941bn	¥2,941bn
	+Catastrophe loss reserves and others (balance)	¥720bn	—
	— Goodwill and other intangible fixed assets(balance)	¥462bn	—
	計	¥3,199bn	¥2,941bn