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**MS&AD**

INSURANCE GROUP

# Fiscal 2021 First Information Meeting

May 28, 2021

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## 【Reference】

# MS&AD Group Overview

## Holding company

**MS&AD** MS&AD Insurance Group Holdings, Inc.

### Domestic Non-Life

**MS&AD** Mitsui Sumitomo Insurance 

**MS&AD** Aioi Nissay Dowa Insurance 

**MS&AD** Mitsui Direct General Insurance 

### Domestic Life

**MS&AD** Mitsui Sumitomo Aioi Life Insurance 

**MS&AD** Mitsui Sumitomo Primary Life Insurance 

### International

#### Non-Life Insurance

Regional Business

Asia

Europe

Americas

Telematics and Mobility

Head Office Reinsurance

Life Insurance

### Financial Services

### Risk-Related Services

## Abbreviations of company names used in this presentation.

- MS&AD Holdings, Holding Company : MS&AD Insurance Group Holdings, Inc.
- MS&AD : MS&AD Insurance Group
- MSI : Mitsui Sumitomo Insurance Co., Ltd.
- ADI : Aioi Nissay Dowa Insurance Co., Ltd.
- Mitsui Direct General, MD : Mitsui Direct General Insurance Co., Ltd.
- MSI Aioi Life, MSA Life : Mitsui Sumitomo Aioi Life Insurance Co., Ltd.
- MSI Primary Life, MSP Life : Mitsui Sumitomo Primary Life Insurance Co., Ltd.
- InterRisk, IRRC : MS&AD InterRisk Research & Consulting, Inc.
- MS Amlin : Sum of business segments including AUL, AAG, AISE and ACS
  - AUL MS Amlin Underwriting Limited
  - AAG MS Amlin AG
  - AISE MS Amlin Insurance SE
  - ACS MS Amlin Corporate Services Limited
- MS First Capital, MSFC : MS First Capital Insurance Limited
- Challenger : Challenger Limited
- Aioi : Aioi Insurance Co., Ltd.
- NDI : Nissay Dowa General Insurance Co., Ltd.

## Caution About Forward-Looking Statements

This presentation contains statements about future plans, strategies, and earnings forecasts for MS&AD Insurance Group Holdings and MS&AD Group companies that constitute forward-looking statements. These statements are based on information currently available to the MS&AD Group. Investors are advised that actual results may differ substantially from those expressed or implied by forward-looking statements for various reasons. Actual performance could be adversely affected by (1) economic trends surrounding our business, (2) fierce competition in the insurance sector, (3) exchange-rate fluctuations, (4) changes in tax and other regulatory systems, etc.

# Introduction: Looking Back on FY2020

## FY2020 Results

### • Initiatives Aimed at Business Style Reforms

- Due to the COVID-19 pandemic, we began FY2020 under an environment of uncertainty over the future outlook, but the MS&AD Insurance Group has been able to maintain the health of its employees and continue operating through the use of digital technologies.
- Although FY2020 was expected to be a difficult year due to the impact of the consumption tax hike, CALI\* rate changes and amendments to the civil code regarding obligations, we worked on business style reforms, revised business processes and promoted the shift to paperless operations, achieving Group-wide cost reductions of approx. ¥34 billion yen as a result.

### • FY2020 Results

- Although premiums at overseas subsidiaries declined due to efforts to improve profitability, the domestic non-life insurance business showed strong performance in voluntary automobile and fire insurance, which resulted in one of the industry's highest topline growth figures.
- In FY2020 there were special factors including the recording of ¥65.8 billion in incurred insurance payouts due to COVID-19, particularly in the international business, and the burden to accumulate policy reserves in the domestic non-life insurance business, but due to additional cost-cutting measures, a record revenue in the domestic life insurance business and strong performance in voluntary automobile insurance, we managed to exceed our forecasts for both Group Adjusted Profit and net income.

## Looking Toward FY2021

- FY2021 is the final year of the current medium-term management plan, Vision 2021, and the Group will make a concerted effort to achieve the plan's target Group Adjusted Profit of ¥300 billion.
- In light of the changes to the business environment and the results of our efforts under Vision 2021, we will realize a medium- to long-term growth based on the CSV x DX x Global concept.

\* CALI: compulsory automobile liability insurance

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# I. Aspirations in 2030

# 1. Business Environment

## Economic Circumstances and Social Conditions

- Slowdown of the domestic economy and sustained growth in developing economies in Asia and elsewhere
- Accelerating changes to life and business styles triggered by COVID-19
- Impact of intensifying conflict between the US and China
- Rising interest in ESG and climate change
- Ongoing low interest rates worldwide
- Decline in domestic vehicle ownership and new housing starts
- Advancement of health and expanded healthcare business

## Future Business Environment

- Rise of digital platform holders
- Widespread adoption of IoT devices due to 5G
- Rising cyber risks
- Advance of automotive technologies (autonomous driving, flying cars)
- Further penetration of digital technologies in our daily life, such as cashless payments (the realization of Society 5.0)

## Evolution of Technology

- ◆ **By solving social issues through technical innovation including digital solutions, we will achieve sustained profit growth.**
- ◆ We will improve corporate value by **achieving growth in Asia and enhancing our presence in the global insurance market** while maintaining our competitive advantage domestically.

## 2. The Vision of the MS&AD Group

### The Vision of the MS&AD Group

A corporate group that supports a **resilient and sustainable society**

- Taking the initiative in responding to climate change and contributing to the realization of a sustainable society.
- Our brand recognition will be gained globally through our world-leading unparalleled products and services to solve social issues on a global scale.
- Our products and services will be incorporated into people's lives and business activities. When risks are about to occur, proactive warnings and risk avoidance advice will be issued, and our services and economical compensation will be provided seamlessly once risks do occur.

# 3. Aspirations in 2030

■ Achieve a growth rate and capital efficiency appropriate for a “world-leading insurance and financial services group.”

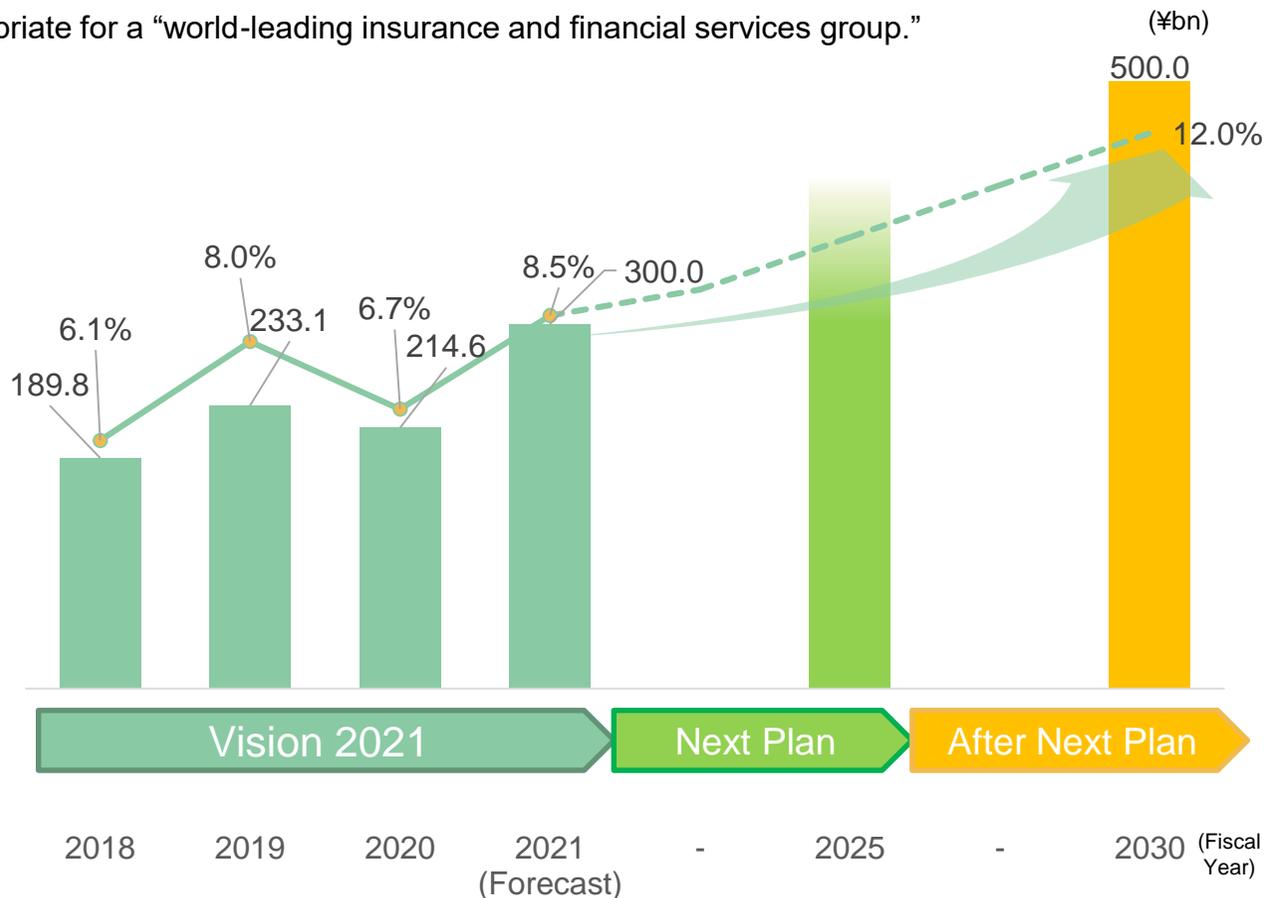
## Finance

Profit Level (IFRS basis)	ROE
¥500.0 billion	12%

Reference: Profit level of global peers\*

	Profit Level	ROE
Company A	¥1 trillion	12.6%
Company B	¥830.0 billion	14.5%
Company C	¥630.0 billion	13.0%
Company D	¥600.0 billion	12.3%
Company E	¥480.0 billion	9.5%
Company F	¥440.0 billion	3.8%

\* Profit is on an FY2019 adjusted basis  
ROE is the average value from 2015-2019



## E

### CO2 emissions

2030	2050
50% reduction (compared with FY2019 levels)	Zero

## S

### D&I (by the end of 2030)

Percentage of female officers* (holding company)	Percentage of female managerial positions (Group target)	Percentage of female line managers (Group target)
30%	30%	15%

■ Group Adjusted Profit

● Group Adjusted ROE

\* Directors + auditors + executive officers

# 4. Growth Vision

Profit Level

$$\text{CSV} \times \text{DX} \times \text{Global}$$

(4) Create and generate revenue from new businesses

(3) Generate revenue in areas before and after insurance coverage (“MS&AD Value Strategy”)

(2) Expand international business foundations and invest in new businesses

(1) Reinforce and improve the existing earnings base

**(3) + (4) Results**  
Aiming for a profit of 10.0 billion yen

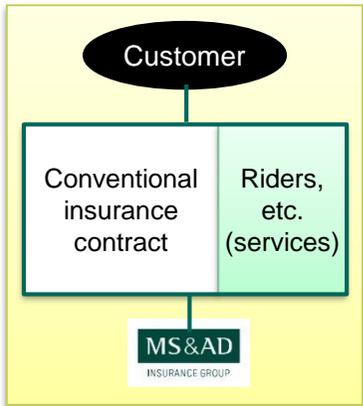


# 5. CSV × DX -based growth (1) Achieving Profitability in the Areas Before and After Insurance Coverage (MS&AD Value Strategy)



## Pattern 1: Riders

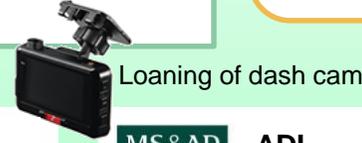
**Example** Safe driving support alerts **Mimamoru Automobile Insurance** Accident emergency call service



- **Driving diagnostic reports**
  - Scores driving status and offers safe driving advice
- **Safe driving support alerts**
  - Issues warnings when crashing ahead, suddenly accelerating, braking heavily or traveling in the wrong direction on an expressway

**Insurance-based coverage**

- Call to confirm safety when a collision occurs
- Ascertaining the circumstances of an accident using dash cam footage
- AI-based video analysis

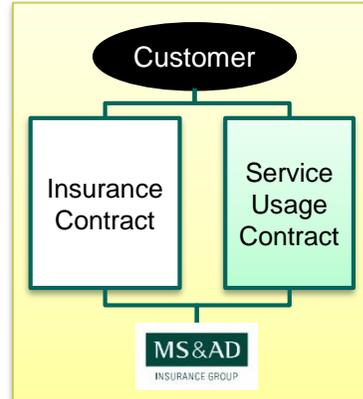


MS&AD MSI

MS&AD ADI

## Pattern 2: Service Usage Contracts

**Example** Detecting and Defending From Cyber Attacks **Mimamoru Cyber Insurance** Support for prompt initial response



**Boken Cyber**  
Security software that prevents incidents and supports early recovery  
Annual fee of ¥12,000 per license

- Discovers a virus attack or unauthorized access through behavioral detection
- Also provides support from detection to defense against unknown threats
- Collects PC logs in real-time to continually visualize the presence of information leaks, extent of impact and other information

**Insurance-based coverage**

Specialist contractor referral service when an incident occurs (free)

MS&AD InterRisk Research & Consulting, Inc.  
MS&AD INSURANCE GROUP

MS&AD MSI

External Partners

# 5. CSV × DX -based growth (2) Creating New Businesses and Achieving Profitability

## RisTech

### 1 Smart Mobility



Providing new safe driving warning solutions

### 2 Smart Cities



Providing solutions to mitigate or minimize accidents involving people

### 3 Social Infrastructure Maintenance



Providing social infrastructure maintenance solutions

### 4 Climate Change Risks

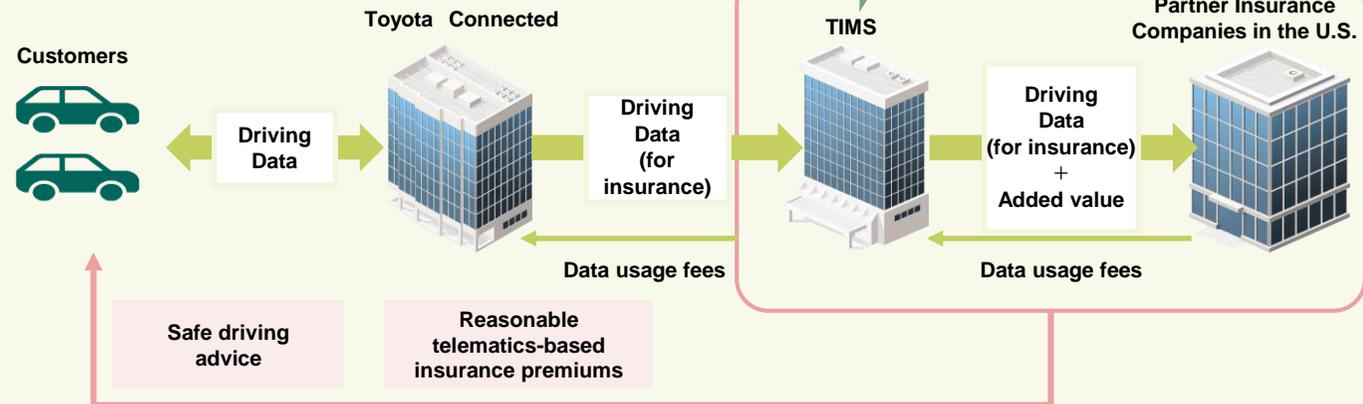


Analyzing the impact on companies including their supply chains and providing risk mitigation measures

## Telematics Data Business in the U.S.

- Storage of all DCM data
- Big data analysis

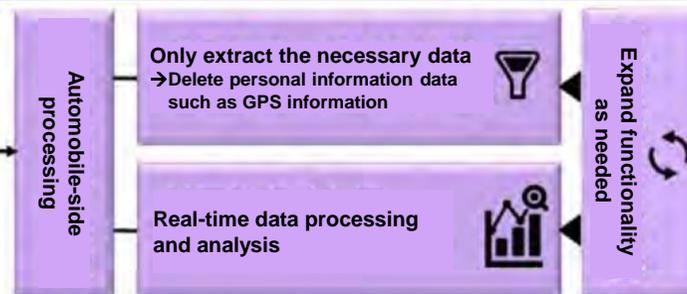
- Examples
- Telematics Data Analysis
  - Distance driven
  - Driving duration and time of day
  - Braking and acceleration actions, etc.



Optimum Telematics-based Automobile Insurance Services

## MOTER Technologies (US-based software development company)

Insurance software that can be installed on OEM in-vehicle equipment and external devices



### Effects

- Reduces data processing costs significantly
- Mitigates the risk of personal information leaks
- Optimum risk calculations possible due to OTA\*

Research into insurance software will lead to the development of specialized next-generation products

\*OTA (Over the Air): technology for data transfer and software updates through wireless network

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## Ⅱ. Progress of “Vision 2021”

# 1. Progress Toward Aspirations

- Our scale, financial soundness, and profitability are maintained at the target level.
- We will continuously strive to achieve the targets in terms of capital efficiency, portfolio diversity, and the share of strategic equity holdings.

## Vision 2021 (FY2018 - FY2021)

### Development of management based on CSV\*

**Image of society in 2030**  
A resilient and sustainable society

Achieving the medium-term aspirations  
Building resilient systems that can respond to changes in the environment

Next Challenge 2017  
(FY2014 - FY2017)

**Construction of the story of value creation**

Enhancing earning power in domestic non-life insurance business  
Improving capital efficiency

**Formulation of Mission, Vision and Values**

Improving profitability in domestic non-life insurance business  
Ensuring financial soundness

	Progress in FY2020	Medium-term aspirations (FY2021 Target) “World-leading insurance and financial services group”
Scale	9th (FORTUNE GLOBAL 500 2020, P&C)	Within the top 10 non-life insurance groups in the world
Capital efficiency	6.7%	Group Adjusted ROE 10%
Financial soundness	235% Ref.: UFR applied 246%	ESR 180% - 220%
Portfolio diversity	32%	50% (profit basis) in other than the domestic non-life insurance business
Share of strategic equity holdings	34.0% of integrated risk amount 11.8% of consolidated total assets	Strategic equity holdings less than 30% of integrated risk amount and below 10% of consolidated total assets
Profitability	EI Combined Ratio ex. natural catastrophes 91.7%	Combined ratio in the domestic non-life insurance business stable at 95% or less

\*CSV: Creating Shared Value

## 2. Progress Toward Numerical Management Targets and Forecasts

- Group Adjusted Profit for FY2021 is forecast to rise by 85.3 billion yen to 300.0 billion yen.
- Net income is expected to rise by 85.6 billion yen to 230.0 billion yen.

(¥bn)

	FY2018	FY2019	FY2020		FY2021 Forecast		
	Results	Results	Results	Vs. Forecast	Forecast	YoY	Vs. Target
Group Adjusted Profit	189.8	233.1	214.6	4.6	300.0	85.3	-
Domestic non-life insurance business (excluding gain/loss from sale of strategic equity holdings)	146.9	119.5	158.5	-10.5	171.0	12.4	-6.0
Domestic life insurance business	65.1	98.4	119.9	-26.1	136.0	16.1	-14.0
International business	31.6	29.7	56.9	25.9	43.0	-13.9	2.0
Financial services business/ Risk-related services business	5.4	49.4	-7.1	-11.1	80.0	87.1	5.0
Group Adjusted ROE	6.1%	8.0%	6.7%	- 0.1pp	8.5%	1.8pp	- 1.5pp
Net Income/Losses	5.8	4.8	6.1	0.1	6.0	-0.1	-1.0
Consolidated net premiums written	192.7	143.0	144.3	4.3	230.0	85.6	-
Life insurance premiums (gross premiums)	3,500.4	3,573.7	3,500.9	40.9	3,613.0	112.0	33.0
EEV of MSI Aioi Life	1,599.9	1,393.4	1,297.3	189.3	1,200.0	-97.3	200.0
ESR (Economic Solvency Ratio)	819.4	890.2	958.3	36.3	1,010.0	51.6	48.0
	199%	186%	235%	-	180% ~ 220%	-	-

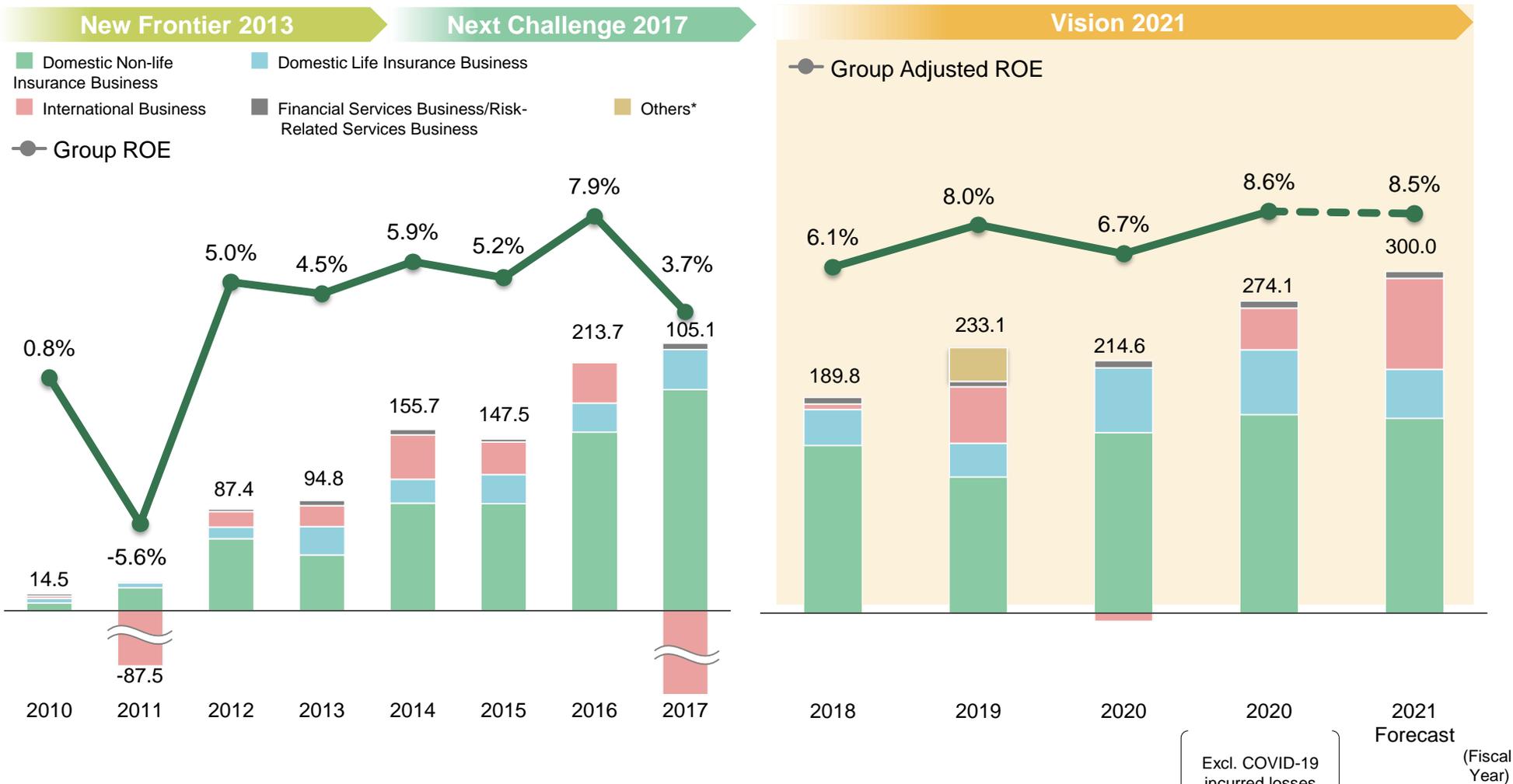
※ Gross premiums income is for domestic life insurance subsidiaries only.

# 2. Progress Toward Numerical Management Targets and Forecasts

## Group Adjusted Profit and Group Adjusted ROE

<Reference> Group Core Profit and Group ROE

(¥bn)



\*Decrease in income taxes paid in FY2019 among the effects of Reorganization of International Regional Business of MSI

# 3. Targets and Results of Non-Financial Indicators

	Theme	Indicators	FY2019 Results	FY2020 Results	Group Targets for FY2020 Onward
<b>Creating Shared Value</b> 	Seven Key Issues	Development and improvement of products for creating shared value with society	<b>Seven Key Issues</b> <ul style="list-style-type: none"> <li>Deal with new risks</li> <li>Create a safer mobility society</li> <li>Strive for resilient community development</li> <li>Support "good health and longevity"</li> <li>Contribute to climate change mitigation and adaptation</li> <li>Strive to improve the sustainability of natural capital</li> <li>Work toward the realization of "leaving no one behind"</li> </ul>		For the seven key issues, decide on four methods of approach (provision of products and services, investment and finance, research and policy recommendations, and contribution to society) and periodically ascertain progress qualitatively.
<b>Quality that earns the trust of society</b> 	Quality improvement	Customer satisfaction survey about insurance contract procedures		97.7%	97.3%
		Customer satisfaction survey about payment of insurance claims	96.6%	96.7%	Equal to or greater than the previous year
	Reduction of environmental burden	CO <sub>2</sub> emission reduction rate Reduction rates from the base year(FY 2009)	-20.7%	To be disclosed in Integrated Report 2021	Reduce CO <sub>2</sub> emissions by 50% by 2030 and by 100% by 2050 versus the base year (FY2019)
		Total energy consumption ✓ ( ) versus base year	943,090GJ (-33.4%)		Improvement compared to the previous year
		Paper consumption	11,080t		
<b>Management platforms that enable employees to play active roles</b> 	Diversity & inclusion	Percentage of female managers in Japan ✓ ( ) consolidated including overseas	14.8% (20.0%)	16.1%	30.0% (FY2030)
		Employee satisfaction "play active roles"	4.5 points	4.5 points	Equal to or greater than the previous year
		Number and ratio of global employees ✓	9,236 people (22.2%)	9,230 people (22.2%)	Key monitoring indicators other than sustainability KPIs
		Ratio of employees with disabilities* ✓	2.42%	2.48%	
	Health management	Employee satisfaction "Pride, job satisfaction"	4.4 points	4.4 points	Equal to or greater than the previous year
		Number of annual paid holidays taken	15.7 days	To be disclosed in Integrated Report 2021	Equal to or greater than the previous year
		Ratio of taking fully paid paternity leave	64.6%		Equal to or greater than the previous year
		Number of employees participating in social contribution activities	27,673 people	26,519 people	Equal to or greater than the previous year

✓ The FY2019 figures are guaranteed by a third party, KPMG AZSA Sustainability.

\* As of April 1, 2021

## 4. Impact of COVID-19

### Impact of COVID-19 (FY2020)

- The impact from incurred losses attributable to COVID-19 was ¥65.8 billion, an increase of ¥17.8 billion over the last earnings forecasts.
- The negative impact on asset management profit of ¥28 billion mostly ended up not occurring due to a recovery of financial markets.

	(¥bn)				
	Results				
	MSI	ADI	Overseas subsidiaries	MS Amlin	
Incurring losses associated with COVID-19	65.8	5.2	16.7	43.8	42.8

- MSI: Overseas travel insurance, event cancellation insurance, business interruption insurance (mainly overseas reinsurance), etc.
- ADI: Head office reinsurance and others
- MS Amlin: Table on the right

MS Amlin		(¥bn)
		Incurred losses
Business Interruption (Direct, UK and other)		15.0
Other (reinsurance, credit and surety insurance, contingency reserve, etc.)		27.7
<b>Total</b>		<b>42.8</b>

### Impact of COVID-19 (FY2021 Forecast)

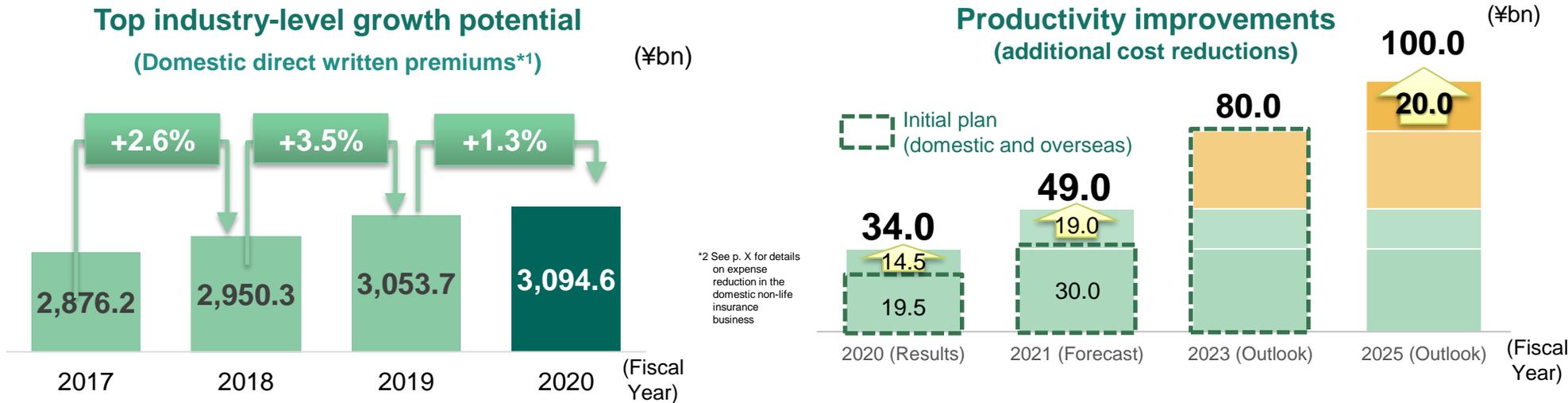
Impact on  
FY2021 will be  
minor

- In January 2021, we withdrew from underwriting business interruption insurance in the UK, which was a factor in large losses during FY2020.
- For insurance types that could be directly impacted by COVID-19 losses, the risk of infectious disease is excluded at each renewal.

# 5. Three Key Strategies: Pursue Group's Comprehensive Strengths

- For domestic direct written premiums, we have achieved a top industry-level growth rate for three consecutive years.
- At the same time, we have realized significant productivity improvements. Through reviews of organizational personnel and office reductions, etc., by the end of FY2025 we expect to have reduced costs by ¥100 billion.

## Effects of Demonstrating the Group's Comprehensive Strengths



\*2 See p. X for details on expense reduction in the domestic non-life insurance business

\*2 See P.28 for details of cost reductions in non-life insurance

\*1 Simple sums of non-consolidated figures for MSI and ADI. Excluding policyholder premium deposits.

## Examples of Collaboration and Standardization Efforts

### Products / Sales

- ✓ Joint development of products based on standard systems
- ✓ Common sales techniques through joint proposals and campaigns

### Asset Management

- ✓ Sharing expertise by having personnel assigned to the same operational departments (MS and MSA Life)
- ✓ Joint investment and research including ESG investment

### Claims Support

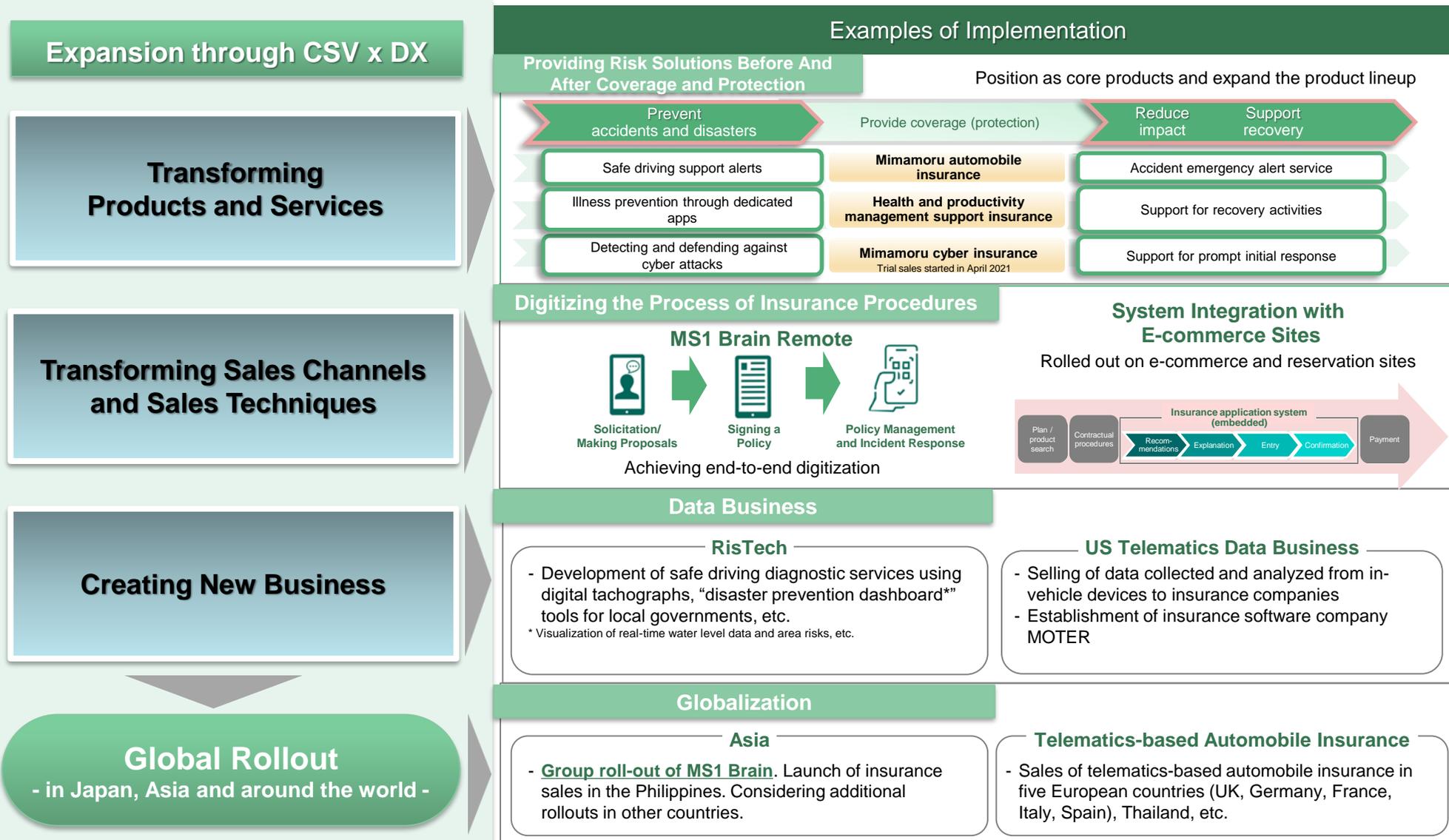
- ✓ Mutual outsourcing between MSI and ADI
- ✓ Partial sharing of claims web system

### Administration / Systems

- ✓ Business process reform through revamping of online systems
- ✓ Reduced system development and operating costs through standardization of products and administrative work

# 5. Three Key Strategies: Promote Digitalization

- We steadily promote digitization and roll out the CSV x DX strategy globally.



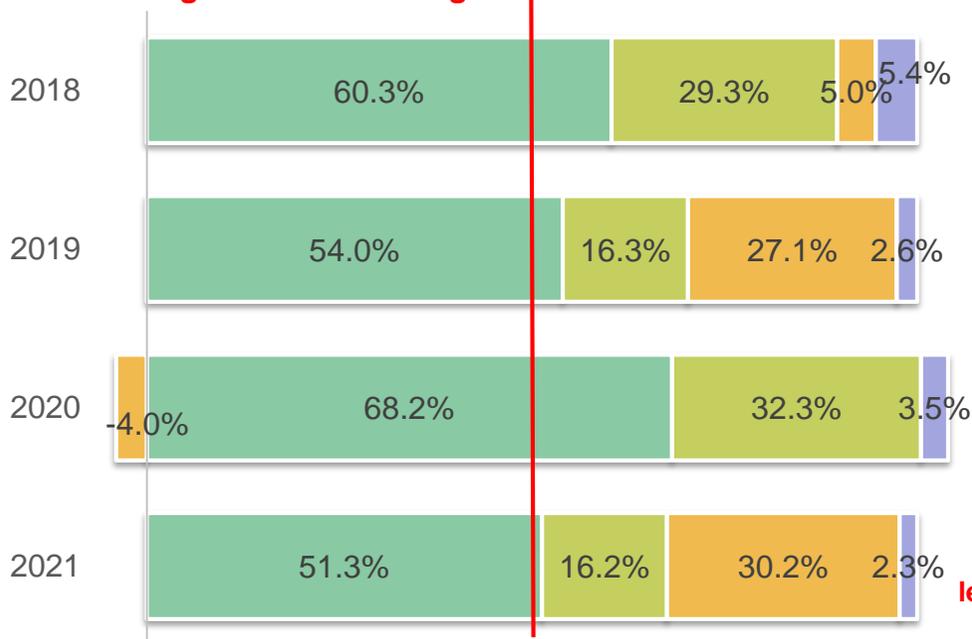
# 5. Three Key Strategies: Reform the Portfolio

- Regarding diversification of the business portfolio, we expect to achieve a level of approximately 50% in FY2021 excluding the domestic non-life business.
- On the reduction of strategic equity holdings, we achieved the target of ¥500.0 billion (FY2017-FY2021) at the end of FY2020. As for the share in the integrated risk amount and consolidated net assets, we did not meet our target due to rising share prices, but will continue to carry out sales valued at around ¥100 billion in FY2021 and will aim to achieve the target level.

## Diversification of Portfolio

Percentage That Each Business Accounts for Group Adjusted Profit

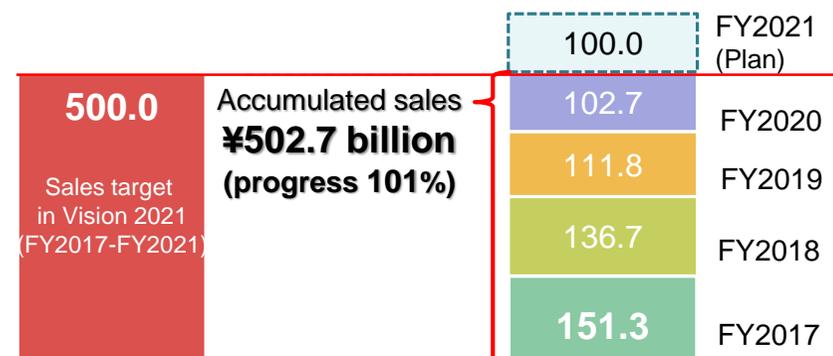
Target: 50% excluding domestic non-life business



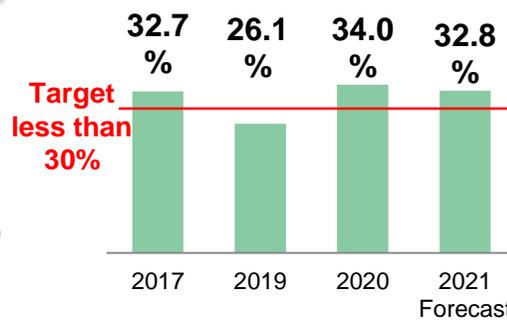
- Domestic Non-life Insurance (excluding gain on sales of strategic equity holdings)
- Domestic Life Insurance
- International
- Financial Services Business/Risk-Related Services Business

## Diversification of Risk Portfolio

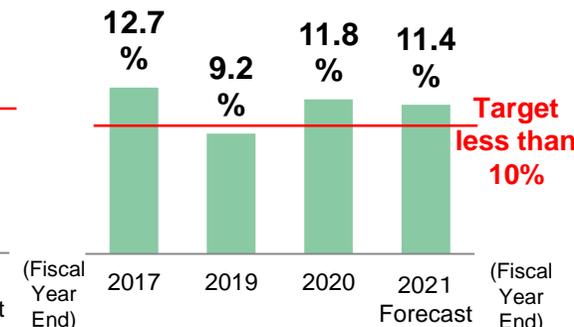
Target and progress of sales of strategic equity holdings (¥bn)



Percentage in integrated risk amount



Percentage in consolidated total assets



### **Ⅲ. Growth Strategy by Business Domain**

- 1. Domestic Non-Life Insurance Business**
- 2. Domestic Life Insurance Business**
- 3. International Business**
- 4. Asset Management**

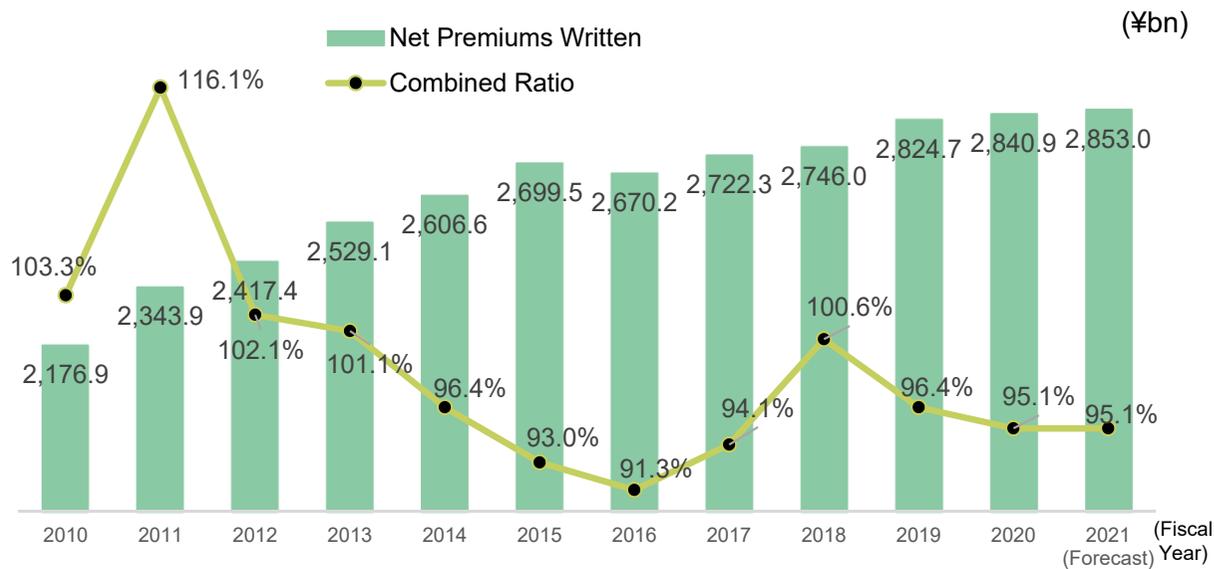
### **III. Growth Strategy by Business Domain**

- 1. Domestic Non-Life Insurance Business**
2. Domestic Life Insurance Business
3. International Business
4. Asset Management

# 1. Domestic Non-Life Insurance Business

## (1) Current Status

### Net Premiums Written\*1 / Combined Ratio\*2



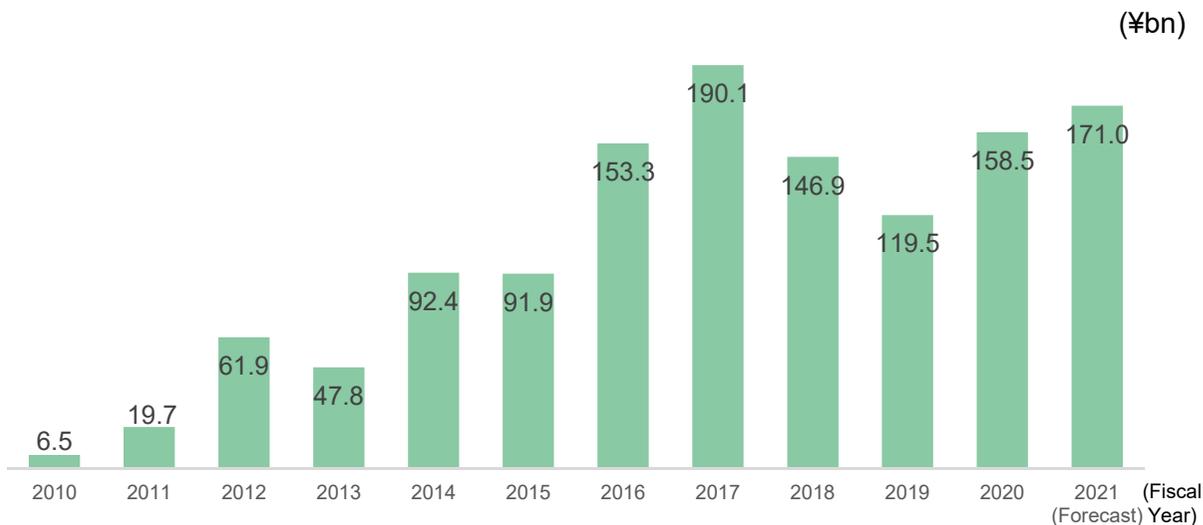
### Premium growth rate continuing at top industry level

- Maintaining a strong top line
- Accelerated growth through the CSV x DX strategy

### Maintaining high profitability

- Offset deteriorating profitability of fire insurance caused by the increase in large claims and small claims associated with lifestyle changes with other lines of business
- Maintaining a good combined ratio through appropriate underwriting
- Achieved steady growth in Group Adjusted Profit

### Group Adjusted Profit\*3



\*1 Simple sums of non-consolidated figures for MSI and ADI  
(For FY2010, simple sums of non-consolidated figures for MSI, Aioi and NDI)

\*2 Natural disasters excluding EI base

\*3 FY 2010 – FY2017 : Group Core Profit

**ROR**  
(Average of FY2018 to  
FY2020)

**11.9%**

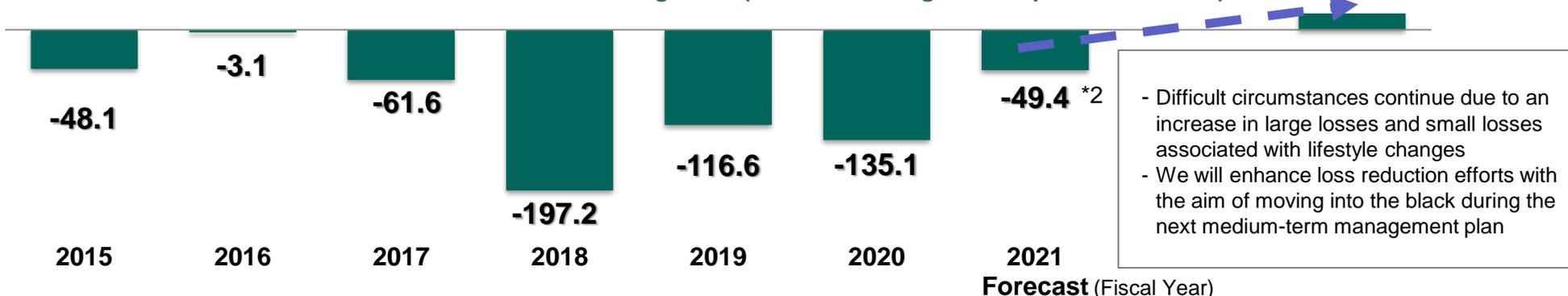
# 1. Domestic Non-Life Insurance Business

## (2) Initiatives to Improve Profitability of Fire Insurance

- We will make steady progress on initiatives to improve the profitability of the fire insurance business and enter into the black during the next medium-term management plan.

### Outlook for Improving Profitability of Fire Insurance

Fire Insurance Underwriting Profit (before reflecting catastrophe loss reserve) <sup>\*1</sup> (¥bn)



<sup>\*1</sup> Simple sum of MSI and ADI <sup>\*2</sup> Domestic fire insurance only

### Effects of Rate Revisions

#### (Total of Revisions in October 2019 and January 2021)

Outlook for increase in underwriting profit (before reflecting catastrophe loss reserve) <sup>\*3</sup> (¥bn)

FY	2021	2022	2023	2025	Final
Cumulative Effects	17.0	20.0	22.0	25.0	36.0

<sup>\*3</sup> Simple sum of MSI and ADI (cumulative basis, rounded down below ¥1 billion)

### Examples of initiatives for reducing losses

#### Corporate

- Improve underwriting conditions and rates for high-risk policies
- Strengthen loss prevention and mitigation proposals: Coordinate with InterRisk Research & Consulting, utilize RisTech, etc.

#### Household

- Detailed rate segmentation based on building age
- Expand rate differential by accident frequency for products aimed at condominium management associations
- Expand policies covering home contents with a stable claim rate as a set plan, consider product and rate revisions ahead of revisions to the reference loss cost rate, etc.

# 1. Domestic Non-Life Insurance Business

## (3) Automobile Insurance

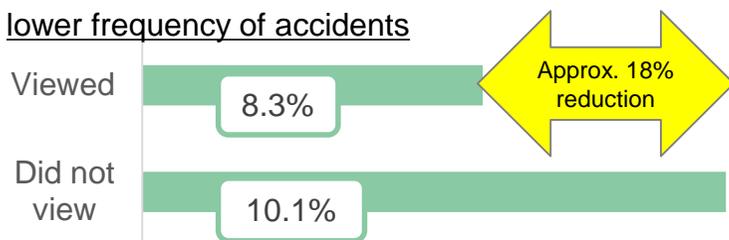
- Promoted safe driving through telematics automobile insurance and services.
- Improved customer satisfaction by expanding the provision of product and services based on the CSV x DX concept.

### Conveying and preventing risks, promoting safe driving

- **Safe driving assistance report**

➔ Objectively assess driving through individual safe driving advice, etc.

Customers who view their driving diagnostic reports have a lower frequency of accidents



- **Improving safe driving scores through Brain Training Driving Skill Improvement Game**

※スマートフォンをご利用いただけます



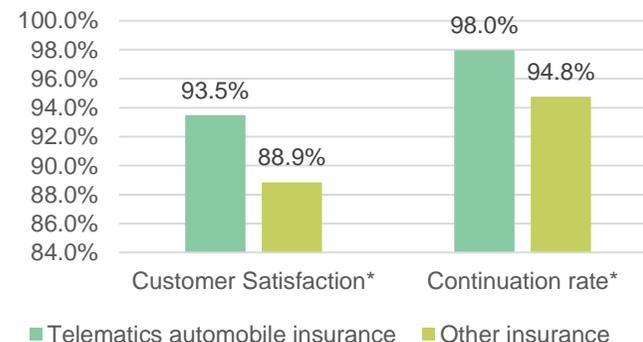
Driving skill improvement training supervised by Professor Kawashima of the Tohoku University Institute of Development, Aging and Cancer, famous for brain training games, is provided to policyholders through a smartphone app

<Average Scores By Number of Times Played>

Access Count	Safe Driving Score	
	TOUGH – Tsunagaru	Mimamoru Plus
Never	84.9	88.6
1-5 times	87.9	91.9
6+ times	88.8	92.4

### Telematics automobile insurance customer satisfaction, continuation rate, state of sales

- **Customer satisfaction for telematics automobile insurance is high and the continuation rate is also high.**



- **Sales**



(Number of policies sold)

Approx. **867,000**

\* **Approx. 53,000 TOUGH Tsunagaru Automobile Insurance policies**

\* As of end of March, 2021

# 1. Domestic Non-Life Insurance Business

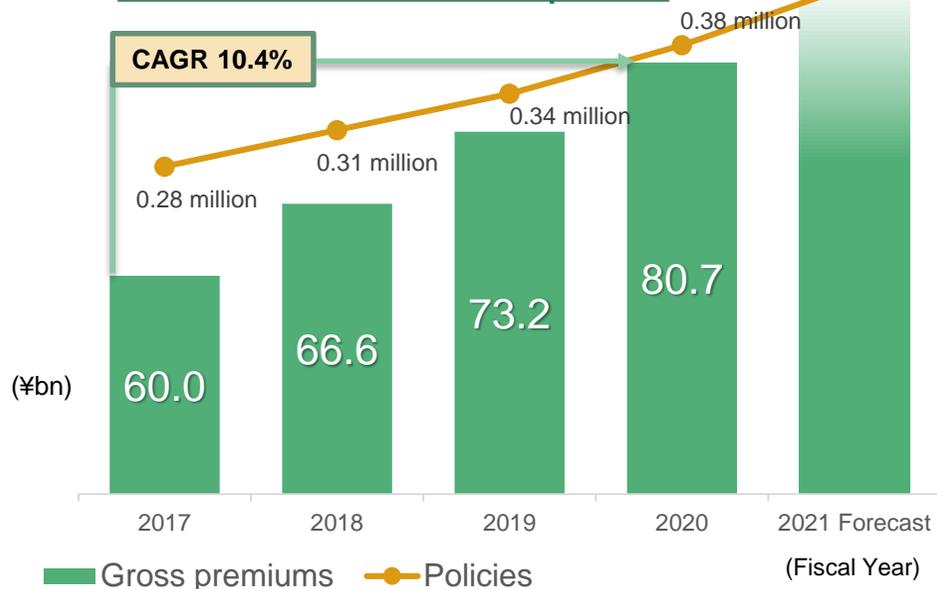
## (4) Expanding Casualty Insurance

- We will promote initiatives that drive the CSV x DX strategy as a pillar of expanding profitability of the domestic non-life insurance business

### Sales of Packaged Products for Small-to-Medium-Sized Companies

Steady expansion in the small-to-medium-size company market where there is room for growth

#### State of Packaged Products for Small-to-Medium-Sized Companies\*1



\*1 Gross premiums basis for MSI's Business Protector and Business J Next, ADI's Tough Biz General Liability Insurance, Tough Biz General Insurance for Construction Industry and Tough Biz Workers' Accident Compensation Insurance

### Responding to New Risks and New Markets

Develop products responsive to lifestyle changes and social needs

#### Development Examples

#### Comprehensive Remote Working Compensation Plan (Launched May 2020)

Comprehensive coverage of the risks surrounding remote working being recommended due to changing business styles

Damage to business PCs

PC Malware Infections

Long Working Hours / Harassment

Policies sold in FY2020: **Approx. 1,451** \*2

#### Compensation Plans for GIGA School Program Sales Businesses (Launched October 2020)

Supporting the operation of warranty systems to repair or exchange broken or malfunctioning products for companies engaging in the sale, etc. of laptop PCs and tablet device to local governments to achieve the GIGA School Program\*3 being promoted by the national government.



\*2 Simple sum of non-consolidated figures for MSI and ADI

\*3 A program promoted by the national government to create an educational ICT environment that fosters qualities and abilities leaving no child behind, by providing one device to each child and developing an integrated high-speed, high-capacity communications network.

# 1. Domestic Non-Life Insurance Business

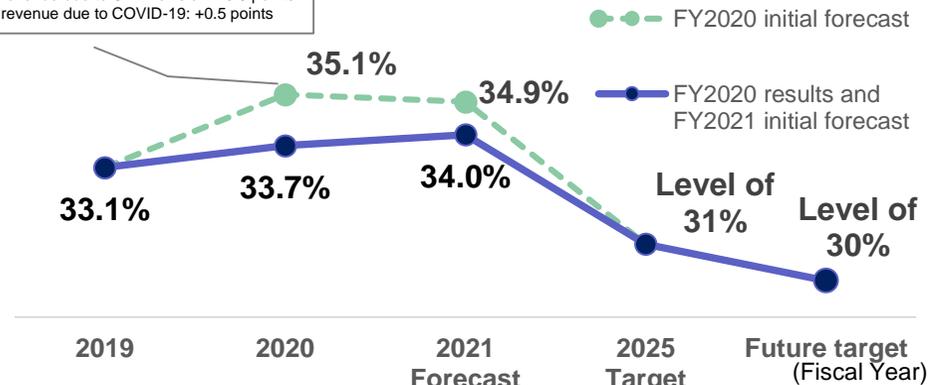
## (5) Improvement of Expense Ratio

- The initial forecast of expense ratio for the non-life insurance business was 35.1% (+2.0 percentage points over the previous fiscal year) due to the impact of system depreciation, increase in consumption tax, declining CALI revenue and revenue decline due to COVID-19 etc. But due to efforts to initiatives for cost reductions, the expense ratio ended up at 33.7%, 1.4 points lower than planned.

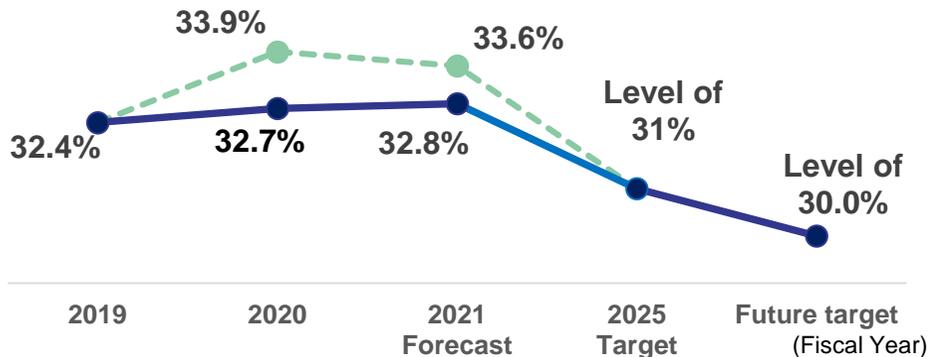
### Progress of Improving Operating Expense Ratio in the Domestic Non-Life Insurance Business

System depreciation, etc.: +0.8 points  
 Impact of consumption tax increase: +0.2 points  
 Decline in revenue due to CALI revision: +0.9 points  
 Decline in revenue due to COVID-19: +0.5 points

Change in expense ratio\*1



Change in expense ratio\*1 (excluding R&D\*2 Expense)

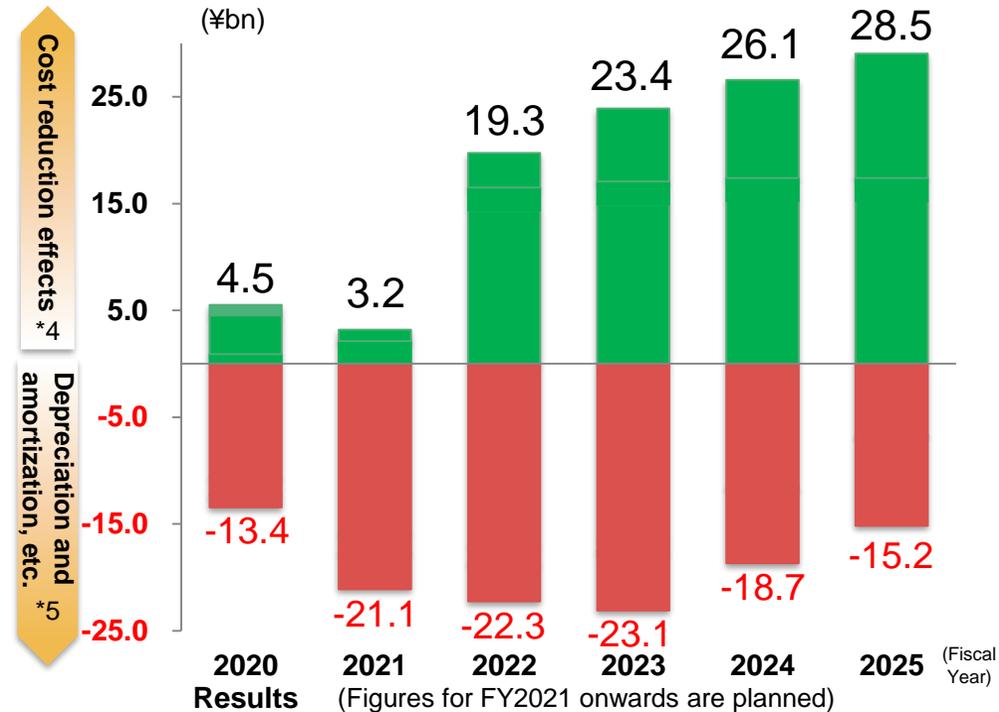


\*1: Simple sum of non-consolidated figures for MSI and ADI

\*2: Investment costs for measures to respond to environmental changes, including infrastructure construction and R&D to improve productivity and quality.

### Stat of Large-Scale R&D Investment

Major Project\*3 Cost Reduction Effects and Depreciation/Amortization Costs



\*3: Sum of Online System Renovation, BRIDGE joint claims services system and standardization of products and operations

\*4: Conversion of expected workload reductions due to business streamlining into expenses

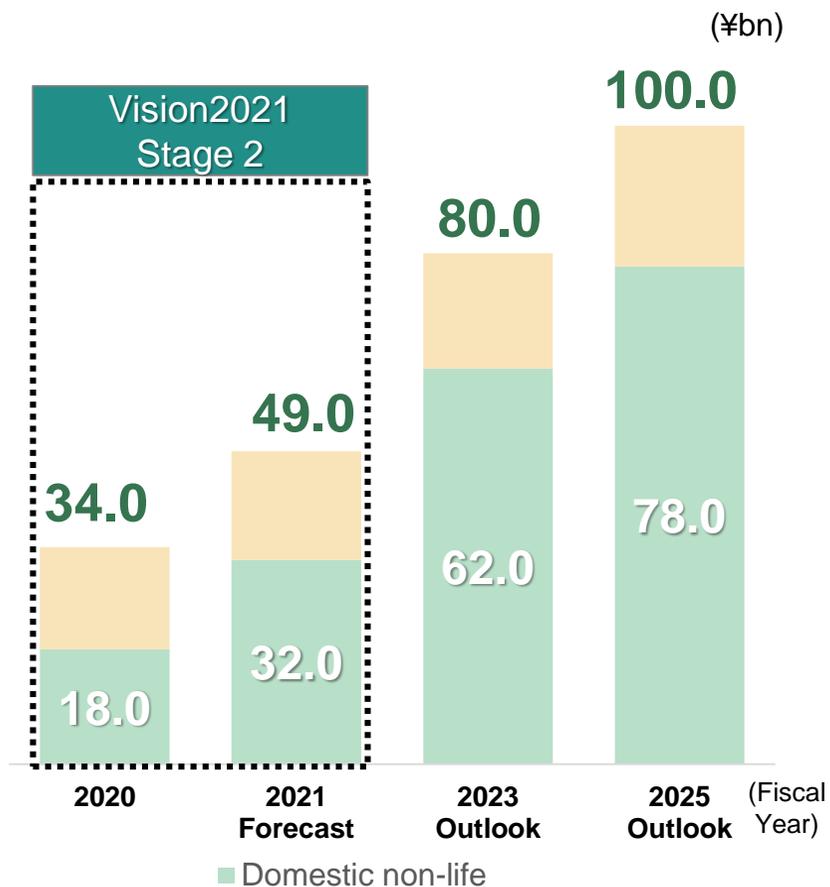
\*5: Including depreciation and amortization + system development costs / operating costs (expense processing amount), costs to deal with aging servers

# 1. Domestic Non-Life Insurance Business

## (6) Business Style Reforms

- Steady progress has been made with cost reductions through business style reforms, and a decrease of ¥34.0 billion was achieved for FY2020.
- Building upon these plans, we will aim to achieve cumulative cost reductions of ¥100 billion by the end of FY2025.

### Expected Cost Reduction Effects



### Main Cost Reduction Measures

#### Domestic

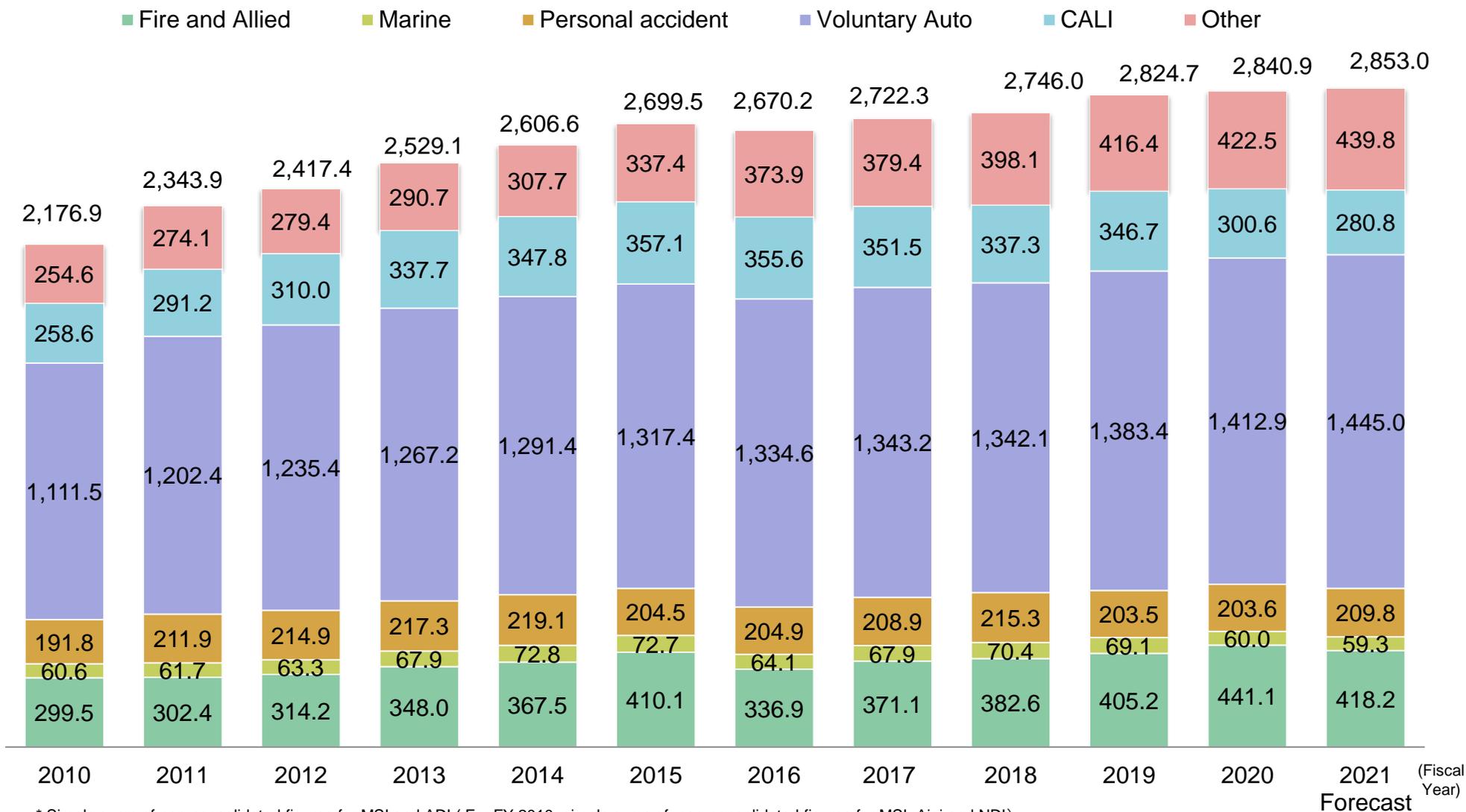
Business Streamlining (Sales and claims services operations)	<ul style="list-style-type: none"> <li>Effects of large-scale R&amp;D investment                             <ul style="list-style-type: none"> <li>Renovation of online systems</li> <li>Standardization of products and operations</li> <li>BRIDGE (joint claims services system)</li> </ul> </li> </ul>
Paperless Solutions	<ul style="list-style-type: none"> <li>Business streamlining through the use of digital technologies ... and more</li> </ul>
Revisions to Office Space	<ul style="list-style-type: none"> <li>Revisions to reduced office space</li> <li>Lower transportation and business travel expenses due to fewer movements</li> <li>From-scratch review of existing operations ... and more</li> </ul>
Remote Work	
Review of Measures, etc.	

#### Overseas

Organizational Streamlining	<ul style="list-style-type: none"> <li>Abolition of overseas holding companies</li> <li>Appropriate allocation of personnel etc.</li> </ul>
Operational Streamlining	<ul style="list-style-type: none"> <li>Revised division of duties between head office and overseas sites</li> <li>Business streamlining through the use of digital technologies ... and more</li> </ul>

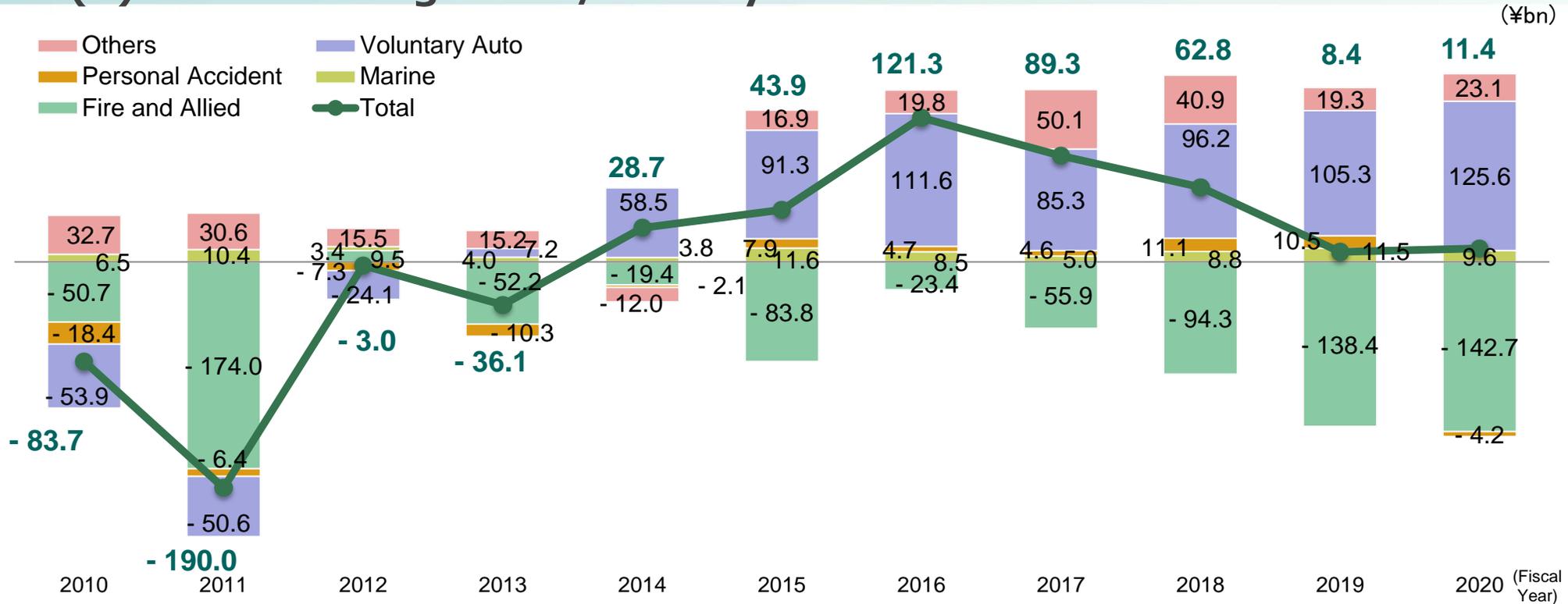
# 1. Domestic Non-Life Insurance Business: (7) Net Premiums Written by Class of Business

(¥bn)



\* Simple sums of non-consolidated figures for MSI and ADI ( For FY 2010, simple sums of non-consolidated figures for MSI, Aioi and NDI).

# 1. Domestic Non-Life Insurance Business: (8) Underwriting Profit/Loss by Class of Business



Item/Fiscal Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021 Forecast
<b>Underwriting Profit</b>	-83.7	-190.0	-3.0	-36.1	28.7	43.9	121.3	89.3	62.8	8.4	11.4	92.0
Net reversal of catastrophe reserve (profit impact)	-0.0	139.5	41.9	3.0	-31.3	-81.6	-81.8	-44.6	79.8	-33.3	-65.3	-44.5
Underwriting profit (before reflecting catastrophe reserves)	-83.7	-329.5	-44.9	-39.1	60.1	125.6	203.1	133.9	-16.9	41.8	76.7	136.5
Impact of natural catastrophes*1 (ref.)	-65.9	-311.5	-55.1	-96.3	-27.2	-68.1	-51.0	-118.8	-235.3	-122.9	-85.0	-82.1

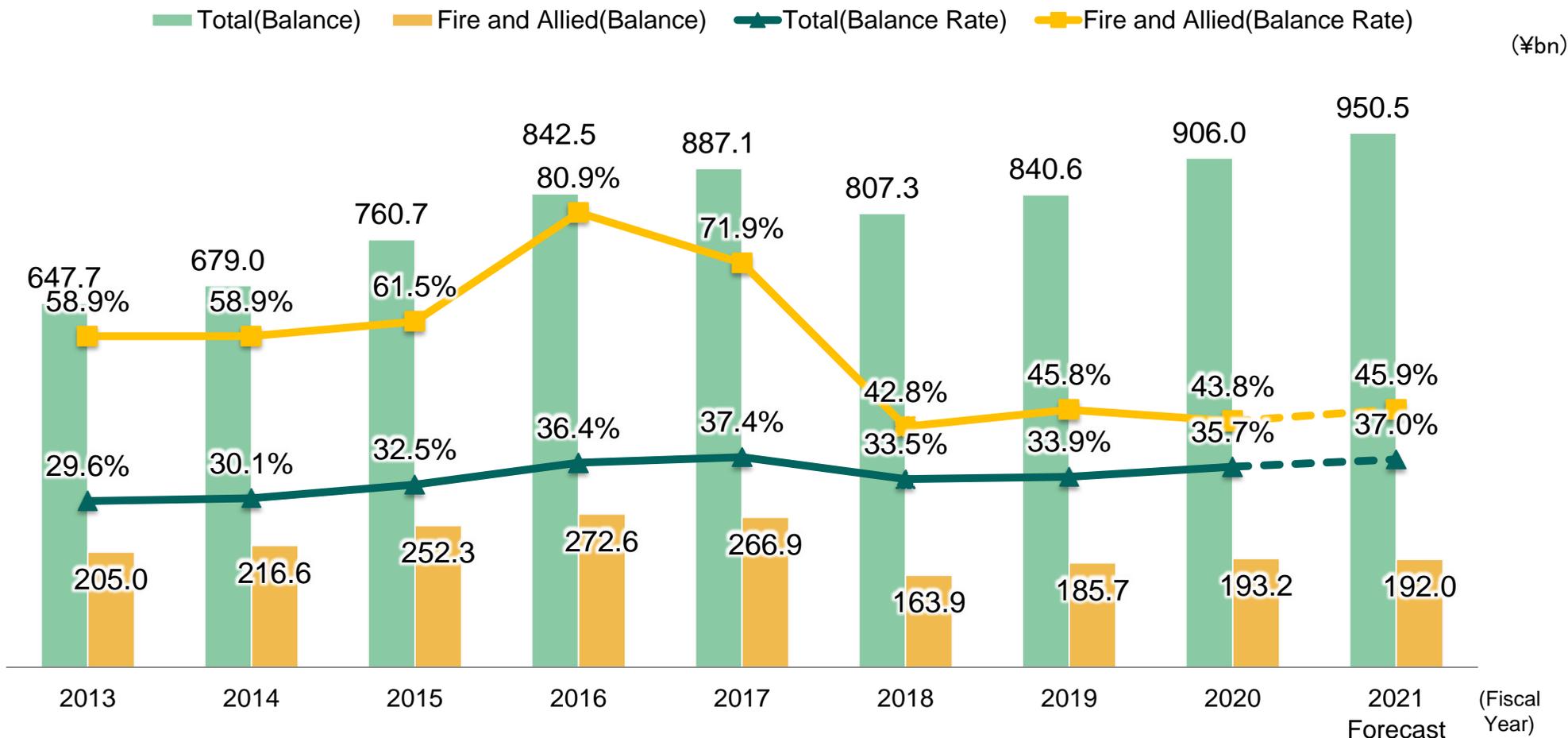
\* Simple sums of non-consolidated figures for MSI and ADI. ( For FY 2010, simple sums of non-consolidated figures for MSI, Aioi and NDI).

\*1 The figures show incurred losses occurred domestic and overseas for MSI and ADI from FY2017. From FY2019, "Impact of natural catastrophes" means incurred loss from domestic and overseas natural catastrophes in the each year deducting the collected amount of Cat Bonds related to natural catastrophes in FY 2018.

# 1. Domestic Non-Life Insurance Business: (9) Balance of Catastrophe Reserve

- The provision ratio of fire insurance in FY2021 is 6% for MSI and 15% for ADI.

## Balance of Catastrophe Reserve



\* Simple sum of MSI and ADI

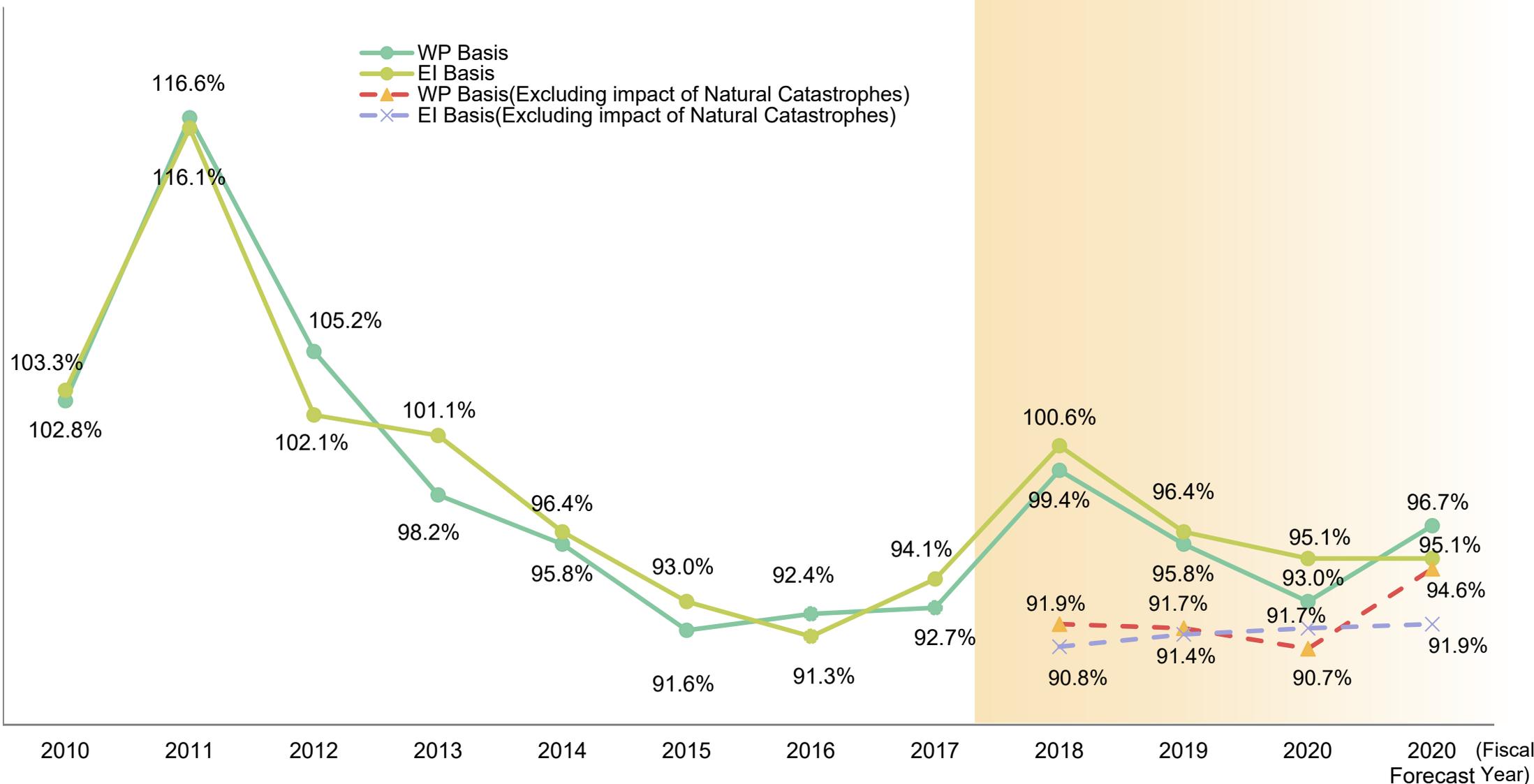
\* Balance Rate = Balance of catastrophe reserve / Net premiums written (excluding CALI)

# 1. Domestic Non-Life Insurance Business: (10) Combined Ratio

New Frontier 2013

Next Challenge 2017

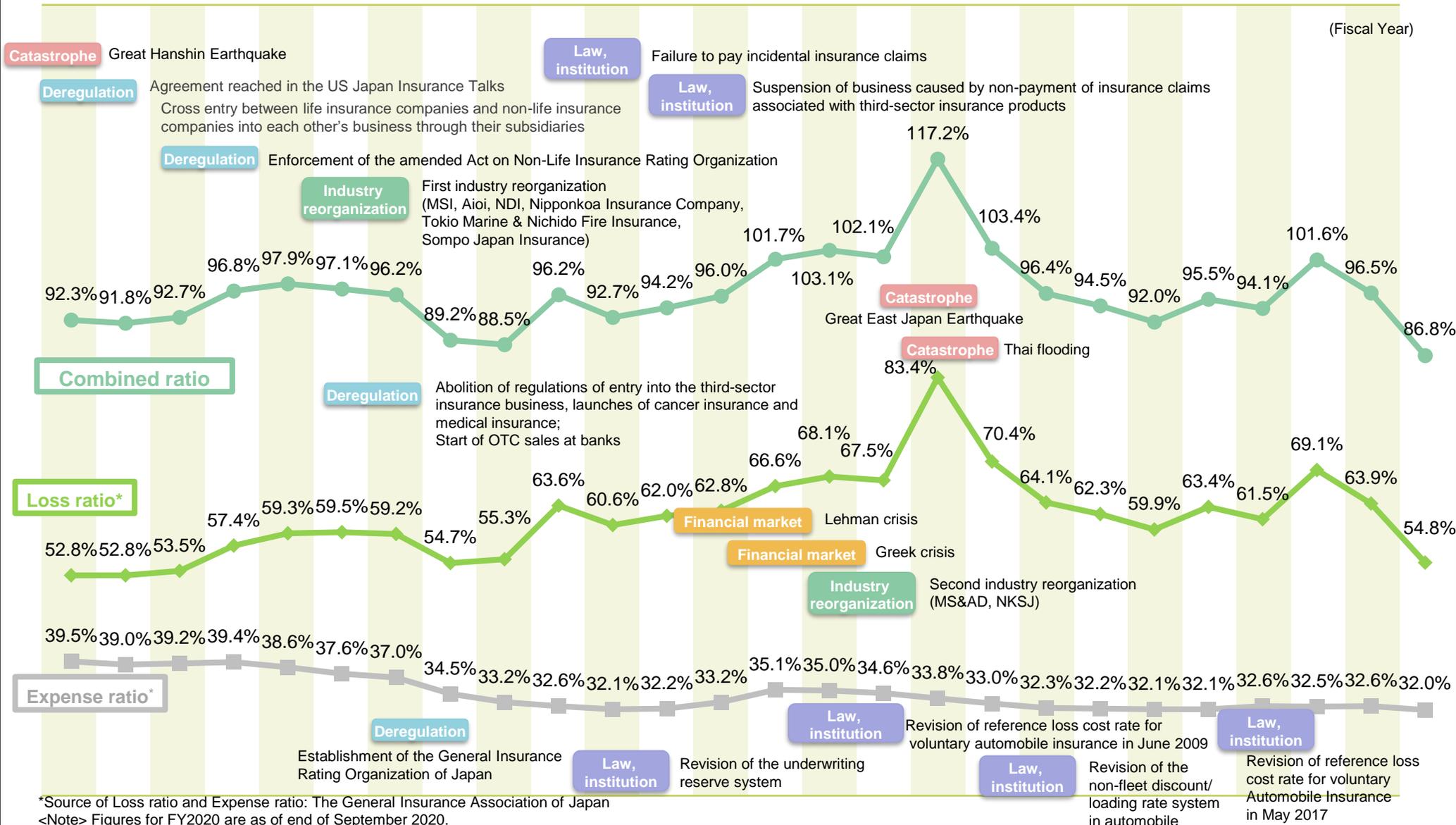
Vision 2021



- Simple sums of non-consolidated figures for MSI and ADI ( For FY 2010, simple sums of non-consolidated figures for MSI, Aioi and NDI).
- W/P: all lines, E/I: excludes residential earthquake insurance and CALI.

# 1. Domestic Non-Life Insurance Business: (11) Combined Ratio (WP) in the Domestic Non-Life Insurance Industry

1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 (Fiscal Year)



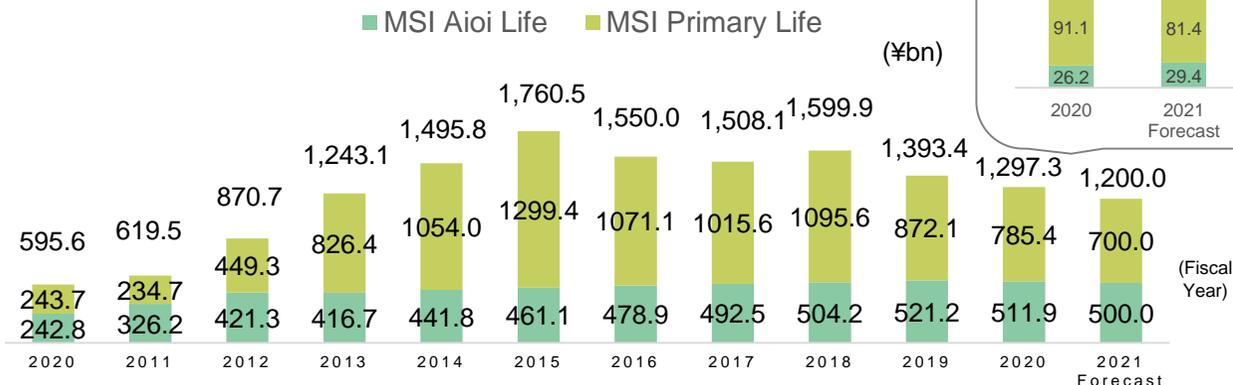
### **Ⅲ. Growth Strategy by Business Domain**

1. Domestic Non-Life Insurance Business
- 2. Domestic Life Insurance Business**
3. International Business
4. Asset Management

# 2. Domestic Life Insurance Business

## (1) Current Status

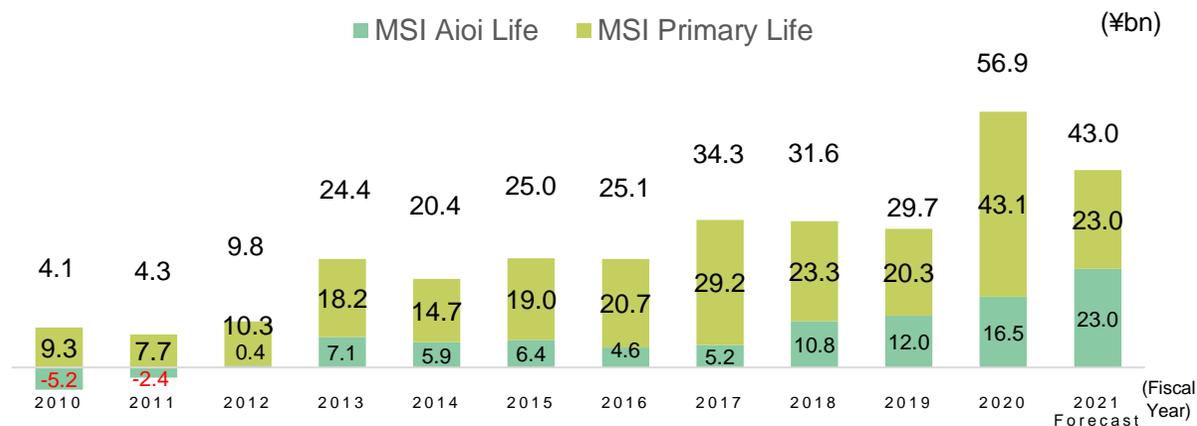
### Gross Premiums Income



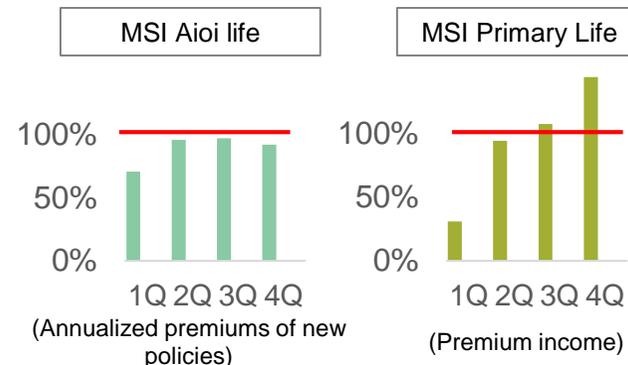
### Maintaining the level at ¥1.0 trillion.

- Although the top line declined due to factors including the impact of low worldwide interest rates, a stable level of ¥1 trillion was maintained.
- In FY2021, we expect gross premium income of ¥1.2 trillion, around the same level as the previous year, based on the assumption of an uncertain end to the COVID-19 and an ongoing low interest rate environment.

### Group Adjusted Profit\*1,\*2



### YoY change (FY2020)



### Profit growth to ¥40.0 billion

- For the bottom line, we achieved a structure that steadily generates around ¥40.0 billion in revenue.
- We expect a bottom line of ¥43.0 billion in FY2021.

\*1 Years 2010 to 2017 show Group Core Profit

\*2 As the Group Adjusted Profit figures for the combined domestic life insurance business (figures at the top of the graph) include purchase difference and other adjustments, they do not match the simple sum of the values for each subsidiary.

**ROR**  
(Average of FY2018 to FY2020) **7.1%**

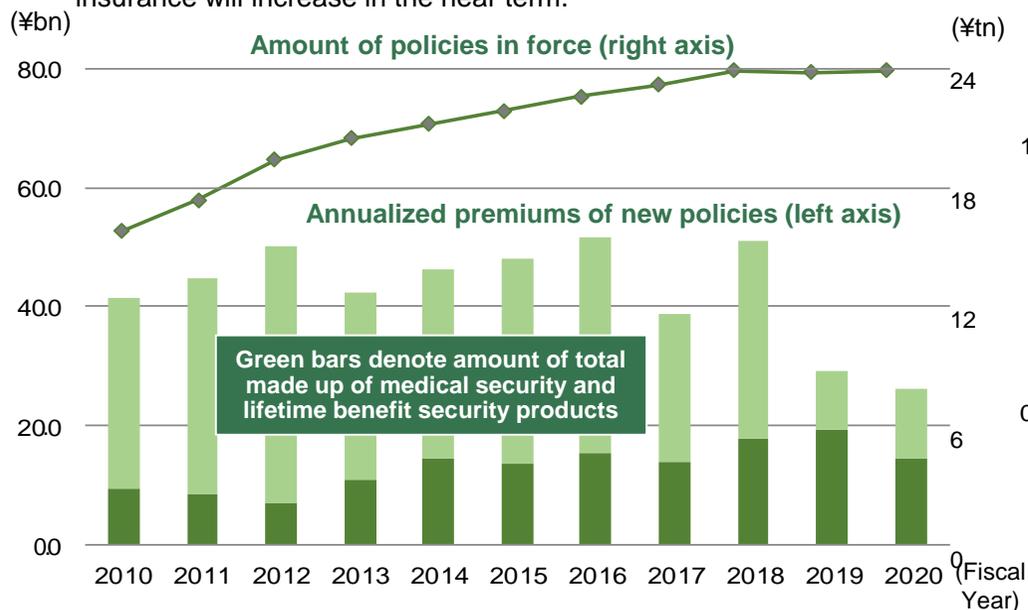
# 2. Domestic Life Insurance Business

## (2) Growth Strategy

● In light of environmental factors including the coming era of people living to 100 years of age, low worldwide interest rates and demands for accountability toward policyholders, we will achieve sustained growth by developing needs-focused products, training highly specialized agents, and implementing ERM-based asset management.

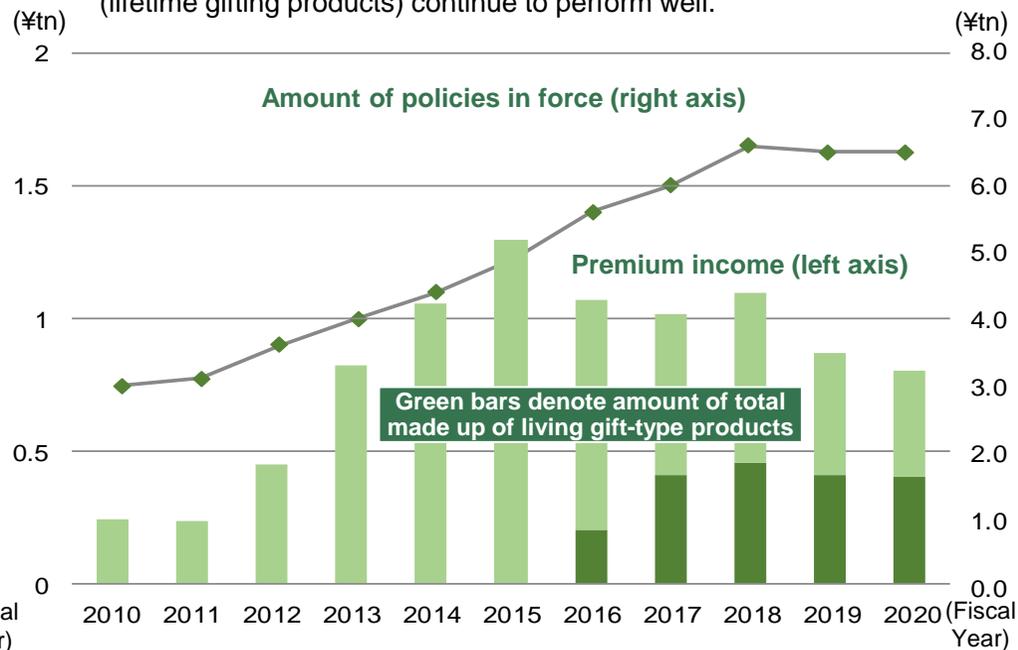
### MSI Aioi Life

• Through detailed proposals attuned to customer lifestyles, the weight of insurance premiums associated with medical and life security-type insurance will increase in the near term.



### MSI Primary Life

• Whole life insurance where life benefits can be used for inheritances (lifetime gifting products) continue to perform well.



Development of profits designed to solve social issues such as the increasing burden on nursing and medical care

**Development of needs-focused products**

Enhance and expand the product portfolio with a focus on consulting-type products that cater to increasingly diverse needs such as for lifetime gifting, inheritance and asset formation

Promote improved sales capabilities through life and non-life cross-selling channels

**Training of highly-specialized agents**

Combine face-to-face and remote interactions in well-balanced ways and provide support for improving the consulting sales capabilities in the field at financial institutions

- Reduce interest risks by extending asset duration  
- Improve investment returns by reviewing the portfolio of assets expected to generate income

**ERM-based asset management**

- Promote ALM operation to enhance management efficiency while diversifying risk  
- Strengthen risk management and monitoring through more sophisticated internal models

# 2. Domestic Life Insurance Business

## (3) MSI Aioi Life Growth Strategy

- Towards solving social issues such as the increasing burden of nursing and medical care, provide products and services that consider progress in medical technology including advanced medical care, as well as the handling of nursing care and dementia.
- Promote cross-selling utilizing the sales base of Japan's largest non-life insurance group.

### Products and Services that Respond to Customer Needs

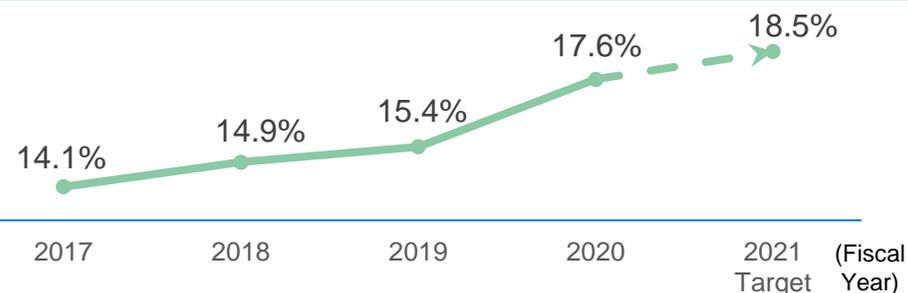
- Risk of no longer being able to work  
&LIFE New Comprehensive Income Protection Wide  
&LIFE Lifestyle Support Insurance
- Risk of Illness or Injury  
&LIFE New Medical Insurance A Premier  
&LIFE Cancer Insurance Smart
- Preparing for Nursing Care  
&LIFE New Comprehensive Income Protection Wide  
&LIFE Lifestyle Support Insurance  
&LIFE New Medical Insurance A Premier  
Nursing Care Sukoyaka Desk-Nursing Care and Dementia Consultation Desk



### Sales Capabilities Though Various Sales Channels

While cross-selling channels (non-life insurance professional, corporate, dealers, etc.) as the base of sales, build and expand various channels (financial institutions, life insurance agents with a nationwide presence, etc.) as business partners.

#### Cross-Selling Ratio\*



\* Number of MSA Life in-force policy holders in cross-selling channels (professional, corporate, automobile, dealers) divided by the number of MS&AD automobile and fire insurance policy holders (From FY2020 onwards, the above number of MSA Life in-force policy holders includes those that come under the transition of long-term policies in the third sector)

### Schemes to Solicit Business While Avoiding Face-to-Face Contact to Respond to Increasingly Diverse Needs

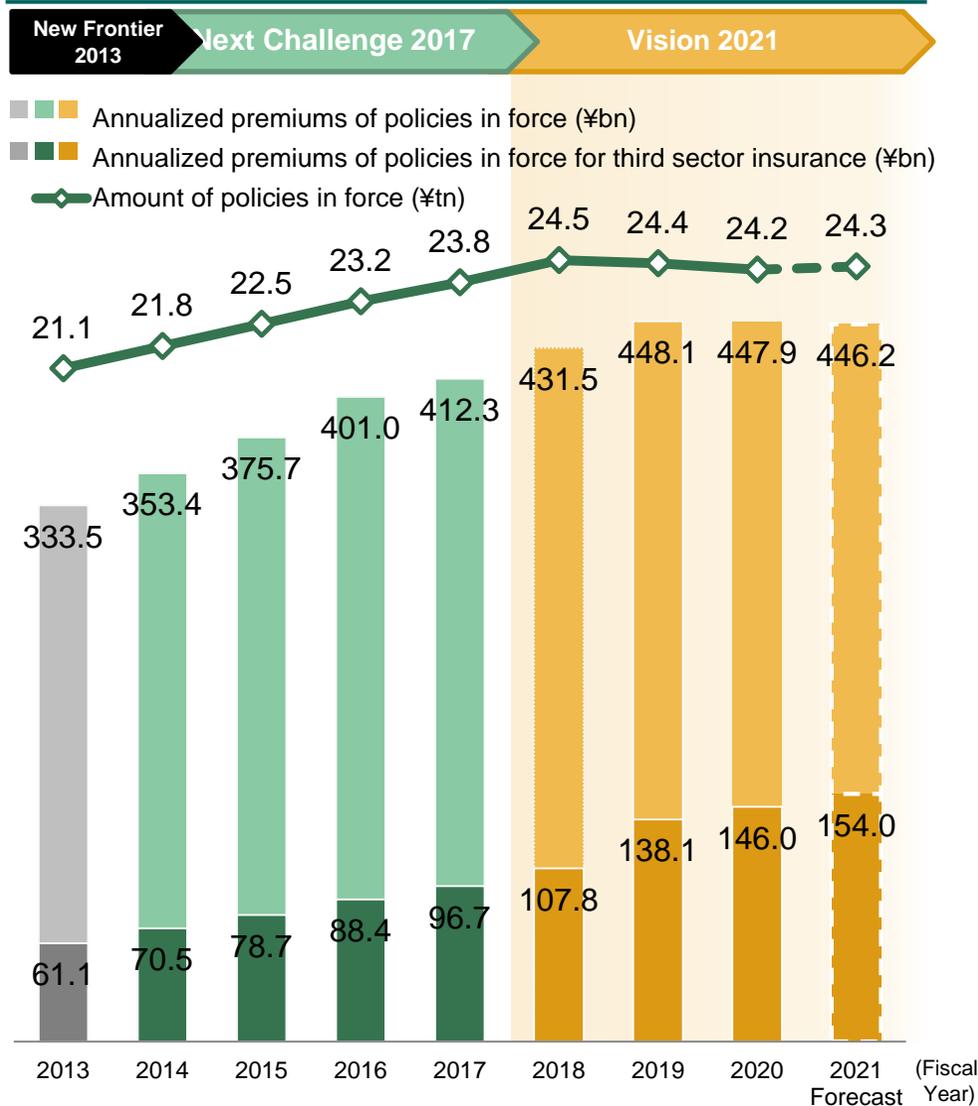
- Convenience store sales June 2020
- Web meeting and mail-order kit July 2020
- Web meeting consultation & solicitation (easy mode) March 2021
- Fully online sales (medical insurance) FY2021 2H



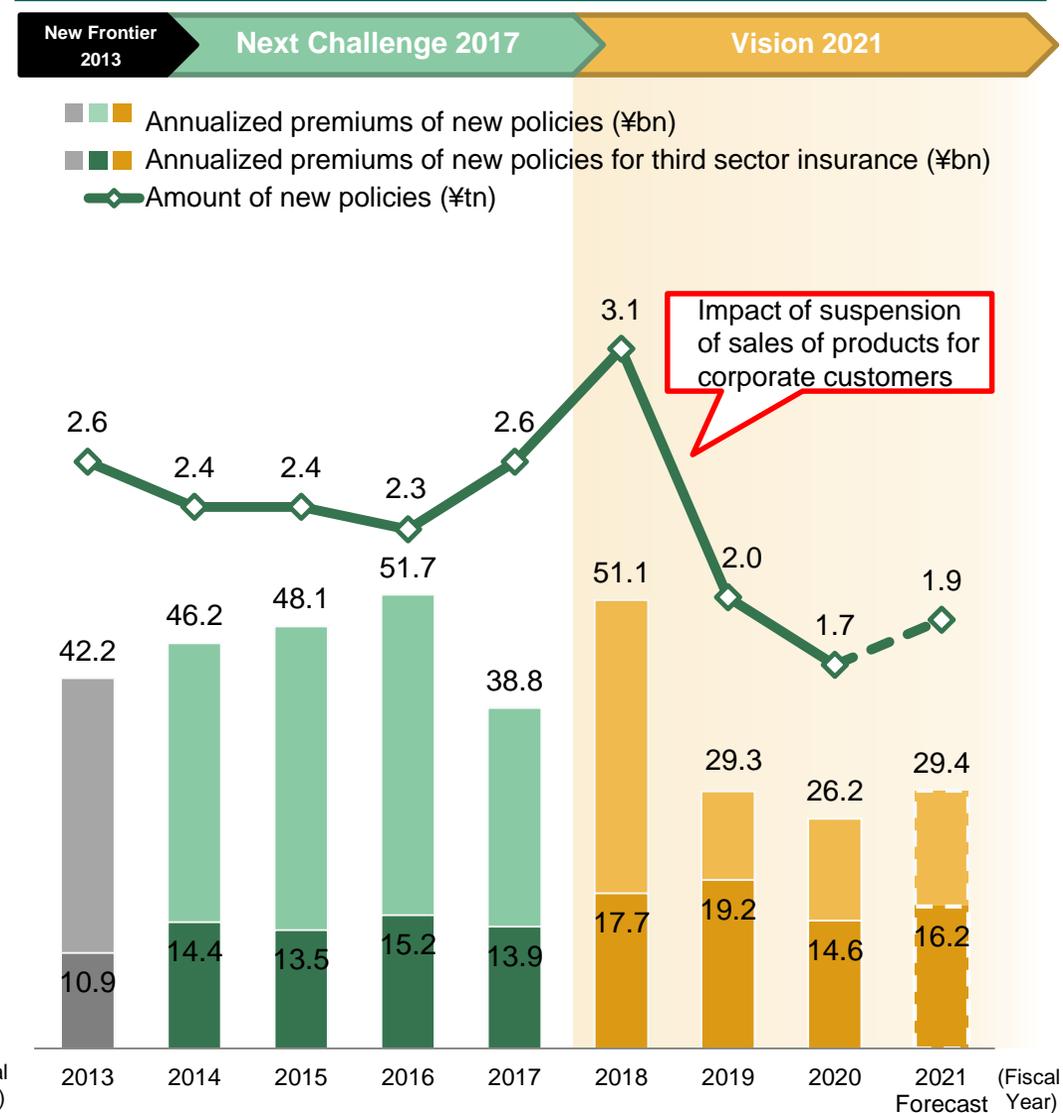
# 2. Domestic Life Insurance Business

## (4) MSI Aioi Life (Amount of Policies and Annualized Premiums)

Amount of Policies in Force and Annualized Premiums of Policies in Force



Amount of New Policies and Annualized Premiums of New Policies



# 2. Domestic Life Insurance Business

## (5) MSI Primary Life Growth Strategy

- Respond quickly and flexibly to environmental changes to develop and provide highly unique products that cater to the diverse needs of customers.
- Improve the sales capabilities of financial institution agents and enhance the management structure and quality of selling insurance by providing sales and training support to agents through a combination of face-to-face and remote instruction, and through stronger after-sales follow-ups.

### Product Lineup That Caters to Diverse Customer Needs

- **Asset inheritance needs**  
With *Yasashisa-Tsunagu 2*, an “Anniversary Function” allowing life benefits to be received on an appointed day was added to lifetime gifting, which allows assets to pass smoothly to family.
- **Asset utilization needs**  
*Ashita-no-Yorokobi 2* offers a tontine pension to prepare for longevity risk
- **Asset formation needs**  
*Shiawase-Zutto 2* is a whole life insurance product to accumulate assets in foreign currency  
*Ashita-mo-Jujitsu* is a level-payment tontine pension that can be used for asset building by a wide range of age groups
- **Death benefit needs**  
*Ohkina-Magokoro* features death benefits that increase from one year after policy establishment and can also be used to prepare for nursing care



### Improving Sales Capabilities and the Management Structure and Quality of Insurance Sales Through Detailed Agency and Agent Support

- Implementing hybrid-type sales that combine face-to-face sales and group-format education and training with remote activities
- Enhanced digital content supporting remote sale
  - New establishment of a video streaming studio equipped with the latest equipment
  - Streaming of video content enabling agents to engage in self-learning remotely
- Enhanced after-sales follow-ups on policyholders in coordination with agents
  - Support for establishing and strengthening after-sales follow-ups at agents
  - Enhanced data linking of policyholder information with agents

#### ◆ Video streaming studio: PRIMARY CREATIVE STUDIO



#### ◆ Agent training conducted remotely

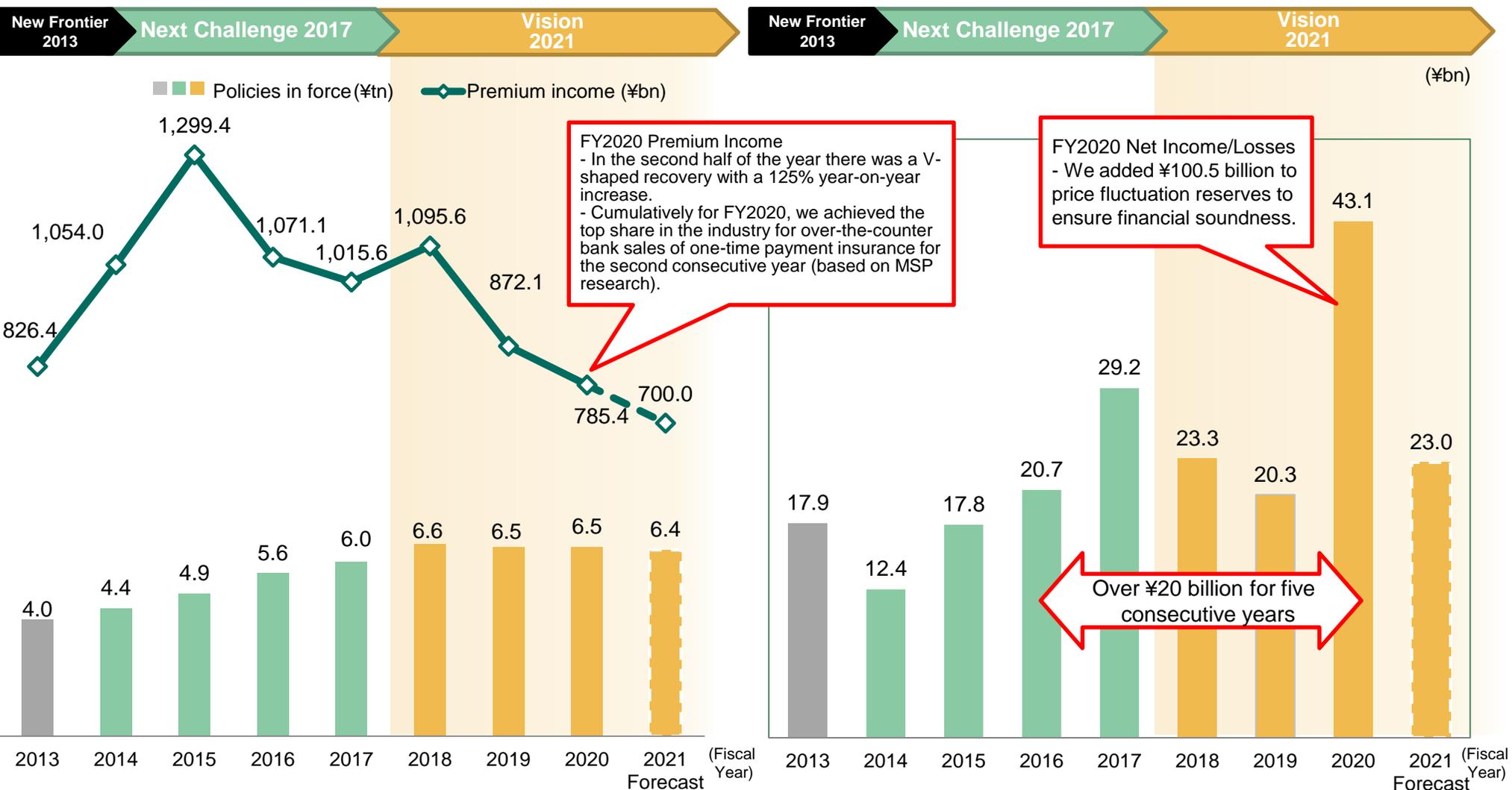


# 2. Domestic Life Insurance Business

## (6) MSI Primary Life (Premium Income, Amount of Policies in Force and Net Income)

### Amount of Policies in Force and Premium Income

### Net Income

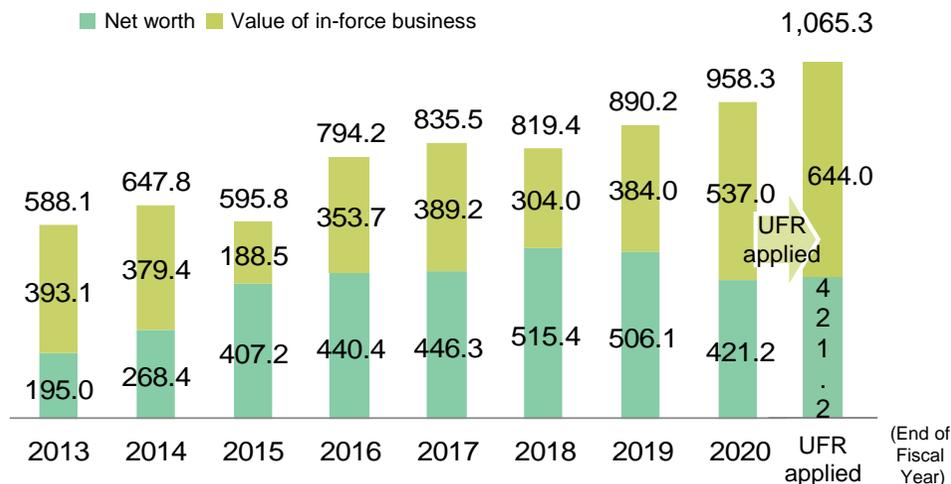


# 2. Domestic Life Insurance Business

## (7) Embedded Value (EEV) from the End of FY2013 to the End of FY2020

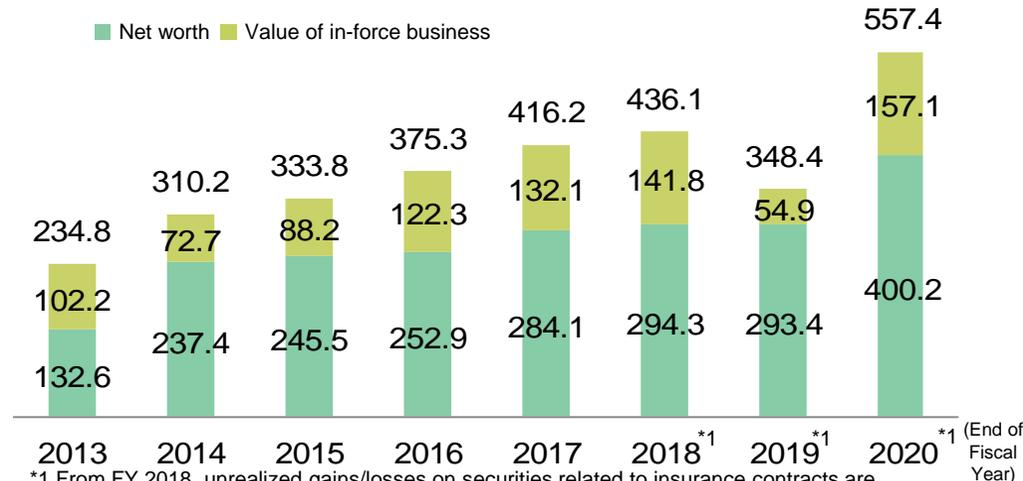
### MSI Aoi Life

(¥bn)



### MSI Primary Life

(¥bn)



#### Changes in FY2020 (¥bn)

Factor	Change
Opening adjustments	-4.9
New business in reporting year	44.7
Expected existing business contribution at the risk free rate	5.9
Expected existing business contribution above risk free rate	4.4
Operating experience variances	-0.4
Changes in operating assumptions	-39.1
Economic variances and changes to economic assumptions	53.0
Other operating movements	4.4
<b>Total</b>	<b>68.1</b>

#### EEV Sensitivity

(at March 31, 2021, ¥bn)

Assumptions	Change
Risk-free yield curve Up 50bp	3.8
Risk-free yield curve Down 50bp	-28.8
Equity and real estate values Down 10%	-3.1
Maintenance expenses Down 10%	29.9
Surrender and lapse rates Down 10%	-16.3
Mortality and morbidity rates for life insurance Down 5%	55.1
Mortality and morbidity rates for annuity Down 5%	-0.1
Equity and property implied volatility Up 25%	0.0
Swaption implied volatility Up 25%	-20.7
Required capital set at statutory minimum level	4.8
Applying an Ultimate Forward Rate (UFR) to extrapolate long term interest rates	107.0

#### Changes in FY2020 (¥bn)

Factor	Change
Opening adjustments	-6.2
New business in reporting year *2	-10.8
Expected existing business contribution at the reference rate	2.1
Expected existing business contribution above reference rate	2.3
Operating experience variances	0.9
Changes in operating assumptions	-5.7
Economic variances and changes to economic assumptions	226.3
<b>Total</b>	<b>208.9</b>

\*2 In the EEV calculation, the value of new business reflects only a portion of the excess spread above the risk-free rate. The substantial value of new business, taking into account the excluded spread, is positive.

#### EEV Sensitivity

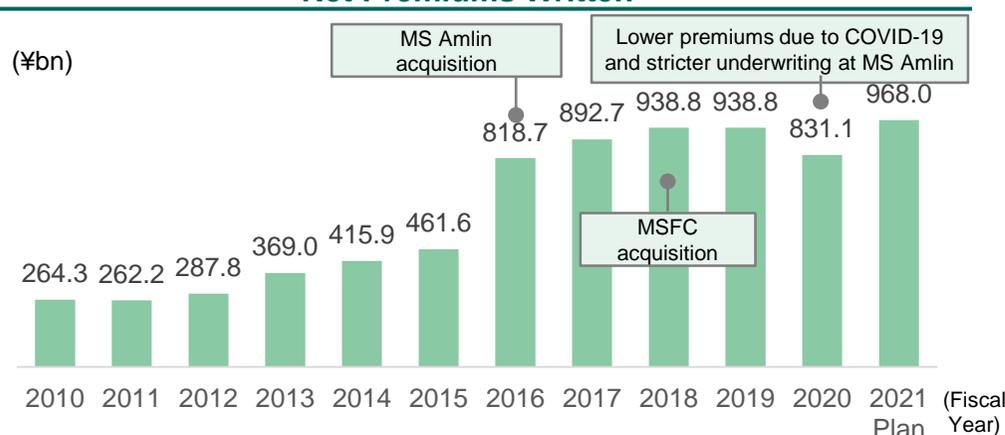
Assumptions	Change
Reference yield curve Up 50bp	-14.1
Reference yield curve Down 50bp	15.1
Equity and real estate values Down 10%	-3.7
Maintenance expenses Down 10%	7.7
Surrender and lapse rates Down 10%	-2.2
Mortality and morbidity rates for life insurance Down 5%	1.0
Mortality and morbidity rates for annuity Down 5%	-0.9
Equity and property implied volatility Up 25%	-2.1
Swaption implied volatility Up 25%	-2.4
Required capital set at statutory minimum level	2.2
Nil illiquidity premium	-13.9

### **Ⅲ. Growth Strategy by Business Domain**

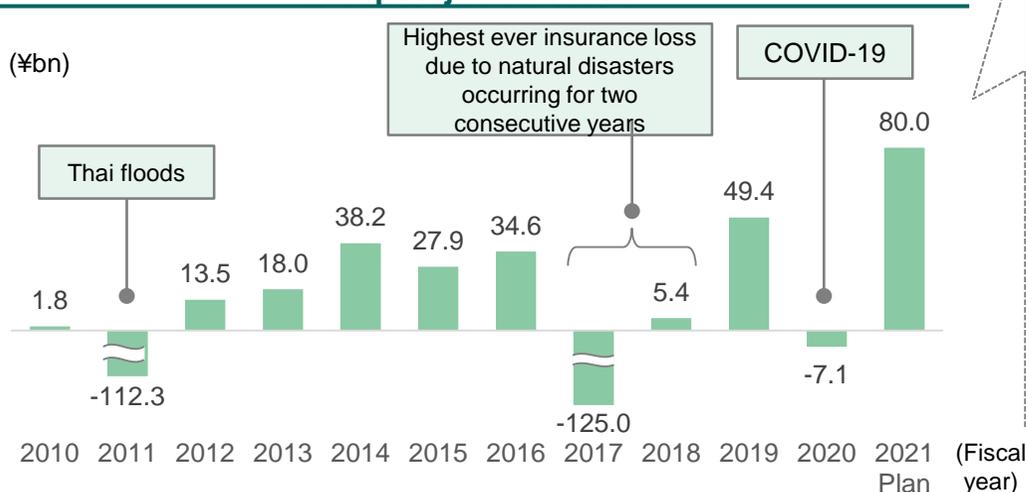
1. Domestic Non-Life Insurance Business
2. Domestic Life Insurance Business
- 3. International Business**
4. Asset Management

# 3. International Business: (1) Current Status

## Net Premiums Written\*1



## Group Adjusted Profit\*1



## Profit expansion phase from FY2021

- Over the past ten years, the top line has been significantly expanded through major acquisitions including MS Amlin and MSFC.
- In 2020, due to the impact of COVID-19 and stricter underwriting at MS Amlin to focus on profitability, net premiums written declined compared with the previous year.
- In 2021, Group Adjusted Profit is expected to be ¥80.0 billion, an ¥87.1 billion increase over the previous year, primarily due to the elimination of special factors due to COVID-19 and increased premiums from the international life insurance business.

Major Factors of Earnings Increase from FY2020 to FY2021		Estimated Increase (¥bn.)	
<b>MS Amlin</b>	- Measures to improve profitability at MS Amlin - Capturing of market hardening	<b>+14.0</b>	<b>+30.0</b>
<b>Asia, Europe and Americas</b>	- Asian retail market development - Specialty market development (incl. MGA) - Impact of losses from North American cold wave		
<b>International Life Insurance</b>	- Recovery of Challenger business performance - Dividend increase from Phoenix - Making BoComm Life an equity-method affiliate, etc.	<b>+16.0</b>	
<b>Special Factors</b>	Recovery from negative factors such as COVID-19 impact	<b>+57.0*2</b>	

\*2 Before tax: ¥62.3 billion (overseas subsidiaries ¥43.8 billion, others ¥18.5 billion) of COVID-19-related incurred losses in international business out of total ¥65.8 billion.

**ROR**

(Average from FY2018 to FY2020)

**2.9%**

(6.0% excl. impact of COVID-19)

\*1 International Business: Business results of overseas consolidated subsidiaries and equity-method affiliates plus the business results of overseas branches of non-life insurance companies, overseas non-consolidated subsidiaries, and non-life insurance companies' head office inward reinsurance. Figures for FY2017 and beyond include Head Office Reinsurance Business. FY2010-FY2017: Group Core Profit).

### 3. International Business: (2) Net Premiums Written and Group Adjusted Profit

#### Net Premiums Written (Non-life insurance)

(¥bn)

	FY2020		FY2021 (Forecast)	
		YoY change		YoY change
<b>International Business Total<sup>*1</sup></b>	<b>831.1</b>	<b>- 107.7</b>	<b>968.0</b>	<b>136.8</b>
<b>Asia</b>	<b>278.9</b>	<b>- 19.9</b>	<b>320.5</b>	<b>41.5</b>
<b>Europe</b>	<b>444.9</b>	<b>- 68.7</b>	<b>536.0</b>	<b>91.0</b>
<b>Americas</b>	<b>56.1</b>	<b>- 2.2</b>	<b>62.1</b>	<b>5.9</b>
<b>Head Office Reinsurance</b>	<b>52.8</b>	<b>- 16.6</b>	<b>51.3</b>	<b>- 1.5</b>

#### Group Adjusted Profit

(¥bn)

	FY2020		FY2021 (Forecast)	
		YoY change		YoY change
<b>International Business Total<sup>*1</sup></b>	<b>- 7.1</b>	<b>- 56.5</b>	<b>80.0</b>	<b>87.1</b>
<b>Asia</b>	<b>32.8</b>	<b>9.5</b>	<b>31.3</b>	<b>- 1.5</b>
<b>Europe</b>	<b>- 43.5</b>	<b>- 52.9</b>	<b>25.0</b>	<b>68.5</b>
<b>Americas</b>	<b>4.2</b>	<b>3.6</b>	<b>5.7</b>	<b>1.4</b>
<b>Head Office Reinsurance</b>	<b>- 0.4</b>	<b>- 9.5</b>	<b>3.9</b>	<b>4.2</b>
<b>International Life Insurance</b>	<b>2.8</b>	<b>- 8.9</b>	<b>19.0</b>	<b>16.1</b>

\* International Business: Business results of overseas consolidated subsidiaries and equity-method affiliates plus the business results of overseas branches of non-life insurance companies, overseas non-consolidated subsidiaries, and non-life insurance companies' head office reinsurance.

\*1 Figures in "International Business Total" include head office adjustments and other factors and are not equal to the sum of figures for each region and each business.

# 3. International Business

## (3) Towards Medium-to-Long-Term Growth

### Next Medium-Term Management Plan

Increase Profit to ¥100-125 Billion

#### Inorganic Growth

##### USA

Specialty insurance market,  
MGA, InsurTech

##### Asia

Stronger Position

#### Creation of New Business Fields

Generate profit in new business fields such as US data business

#### Profit Growth at MS Amlin

Steadily expand profits through top line growth incorporating improved combined ratio and market hardening

#### Capturing Growth in Asian Markets

Achieve high CAGR in both non-life and life insurance

##### Asia Non-Life Insurance

Improved operating efficiency utilizing DX and profit expansion capturing market growth

##### International Life Insurance

Strengthen development in regions where the middle-class population is expected to increase in the future

##### Other

Steady expansion of profits from Europe, Americas and head office reinsurance business

#### Efforts to Reduce Operating Expenses

**¥11 billion** by the end of FY2021

#### Group Synergy

MS FC/MS Amlin, Non-life and life insurance subsidiaries

CSV

×

DX

×

Global

### 3. International Business

#### (4) Efforts and Results Following Reorganization of the International Business

Vision 2021 Stage 2

FY2022 onwards

■ Efforts to improve earnings, enhance operating efficiency and boost organizational strength in light of reorganization of the international business have proceeded according to plan.

Recovery of Amlin Earnings Power and Expansion of Asia Business

Towards Growth on a Global Basis

Improved Earnings

##### <Organic Growth>

Stronger underwriting governance and expanded underwriting of product lines that perform well

Improved loss rate in automobile insurance led by head office

CSV × DX

##### <Inorganic Growth>

- Insurance companies having competitive strength in retail market and platformers
- Strategic investments in insurance companies and MGAs with strong specialty insurance in the US

##### <Group Synergy>

Sharing of corporate insurance underwriting expertise of MSFC/ MS Amlin

Collaboration between life and non-life insurance (India, Malaysia, Indonesia)

Collaboration with MS on AD mobility technologies

Enhancement of asset management through utilization of Asia joint fund / MS Amlin bond fund

Business Streamlining

Reducing Operating Costs

- **Steady progress towards cost reductions of ¥11 billion / year by the end of FY2021**
- Improve efficiency through optimum allocation of personnel, abolition of holding companies and utilization of digital technologies
- Promote further cost cutting efforts by reviewing the division of operations between head office and overseas sites

Improved Organizational Strength

Enhanced Group Governance

Faster Management Decision Making

Utilization of Overseas Human Resources

### 3. International Business (5) Efforts Aimed at Synergy

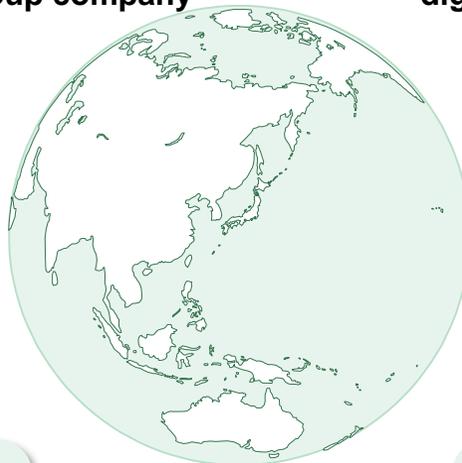
- The Group is producing synergistic efforts across various fields with each overseas Group company and affiliated global insurance companies.

#### Coordination with Group Companies

- Utilizing the respective networks of MSI and ADI
- Linking the underwriting expertise of each Group company

##### Examples of Implementation

- Insurance underwriting for geothermal power generation in Indonesia (MSI local subsidiary in Indonesia × MSFC)
- Insurance underwriting for offshore wind power generation in Taiwan (MSI local subsidiary in Taiwan × MS local subsidiary for continental Europe)
- Release of weather index insurance in Australia (MSI Oceania Branch × MSI Guaranteed Weather)
- Underwriting automobile insurance for corporations in the UK (MS Amlin × ADI local subsidiary in the UK)



#### Spreading Sales Expertise and Digitalization

- Spreading Head Office sales expertise and digital technologies

##### Examples of Implementation

- Asia expansion of MS1 Brain
- Insurance embedded in e-commerce sites
- Release of dash cam-based automobile insurance (Taiwan)
- Development of end users by multiple sites in cooperation
- Extended warranty program for smartphones (Taiwan)
- Insurance bundled with cards / electronic devices (Hong Kong, Singapore)
- Coordination with platform holders and bank channels
- Release of telematics-based insurance (Taiwan, Thailand)
- Coordination with investee startups (Carro in Singapore, etc.)

#### Global Alliances

- Reciprocal support between global insurance companies in Europe and North America, in regions and products (Mapfre, AXA, Generali, Fairfax)
- Joint development of corporate customers with Pacific Insurance in China, and collaboration with Ping An Insurance

#### Mobility and Telematics

- Introduce ADI's telematics and mobility service-related expertise to overseas sites
- Utilizing expertise regarding automobile loss improvements

#### Asset Management

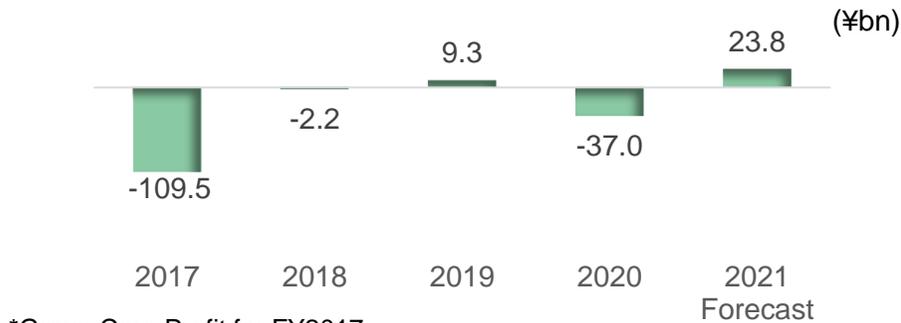
- Enhance Group-wide asset management by utilizing the Asia joint fund and bond fund operated by MS Amlin
- Sharing the local market information and analyses collected by overseas sites within the Group
- Plans to introduce operation and management systems that span the Group to strengthen governance and risk management

# 3. International Business

## (6) MS Amlin (Measures for profit recovery)

- The positive effects of efforts to recover profitability, such as withdrawal of unprofitable products, rate increases, and improved terms have steadily emerged.
- The Non Cat risk loss rate at the end of 2020 improved year-on-year excluding the impact of COVID-19. In addition, the combined ratio improved 3 points year-on-year from 101.7% to 98.7%.
- We will continue to implement profit recovery measures, while expanding underwriting of profitable lines and taking advantage of hardening market conditions, and promote both organic and inorganic growth strategies to expand earnings. (Net written premiums for 2021 are planned to increase by ¥77.9 billion over the previous year)

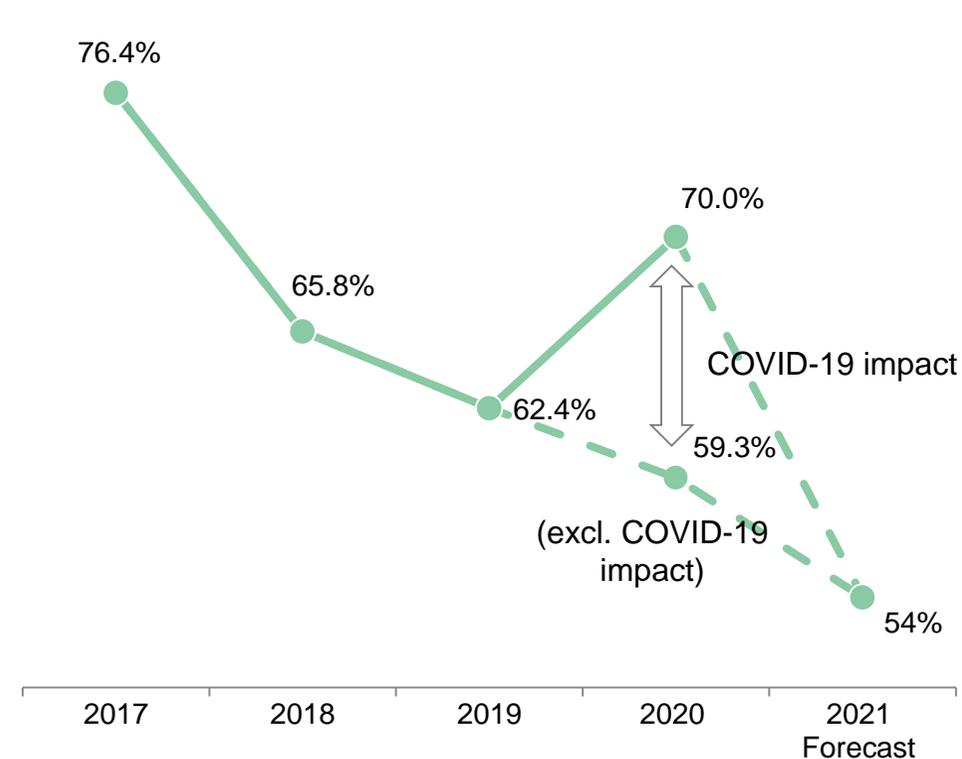
### Group Adjusted Profit\*



### Initiatives Aimed at Expanding Profit

- 1 Portfolio reform through stricter underwriting**
- 2 Ongoing cost reductions through business streamlining**  
FY2021: ¥9 billion compared with 2019
- 3 Taking advantage of hardening market conditions**
- 4 Continued momentum for growth strategies**

### Improvement of Loss Ratio in Non-cat Lines



# 3. International Business

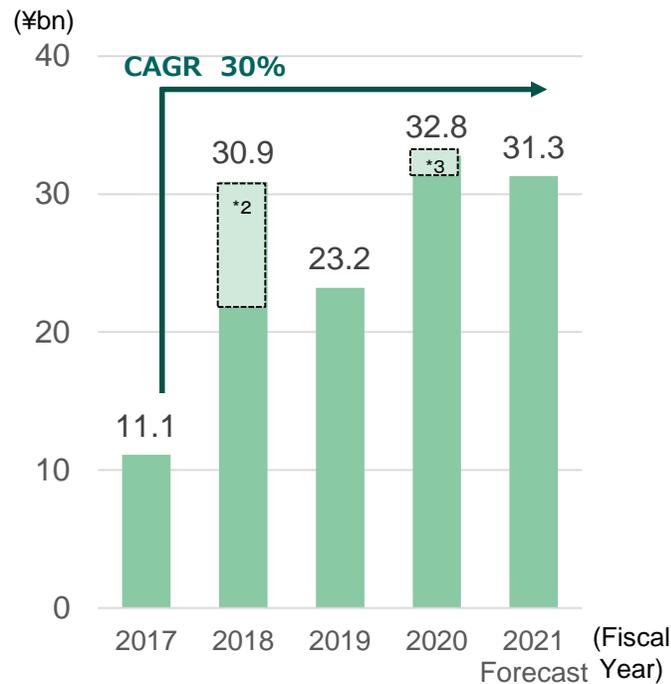
## (7) Asian Business

- We will steadily grow profits in the Asian business and drive development of the international business as a whole.
- From 2022 onwards, we will capture market growth, boost earnings power, develop the retail market and pursue Group synergy to achieve continued growth.

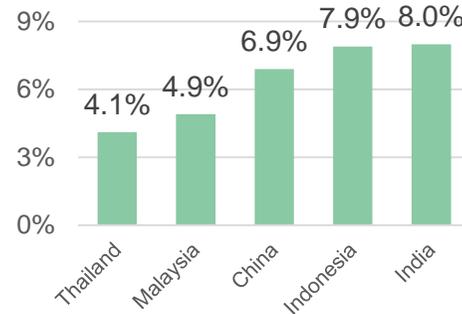
### Steadily increase profits in step with market growth, driving development of the international business

### Strategy to Capture Asian Growth

#### Group Adjusted Profit\*1



#### Expected CAGR in Non-Life Insurance Premiums Written for Major Asian Countries (2019-2030)



Source: Munich Re, Insurance Market Outlook

#### Combined Ratio of the Asia Business\*4



\*4 Simple sum of consolidated subsidiaries and equity-method affiliates in Asia (excl. Oceania)

#### Retail Market Development

- Retail development through local partners, platform holders and financial institutions

#### Improved Earnings Power

- Efficient operations utilizing digital technologies
- Efforts to improve loss ratio

#### Pursuit of Group Synergy

- Corporate development utilizing the underwriting expertise of MS First Capital and MS Amlin
- Coordination between life and non-life insurance (reciprocal sales channel referrals, etc.)
- Strengthening of asset management by utilizing Asia joint fund

\*1 Group Core Profit for FY2017

\*2 FY2018 includes ¥9.2 billion gain on real estate sale in Hong Kong

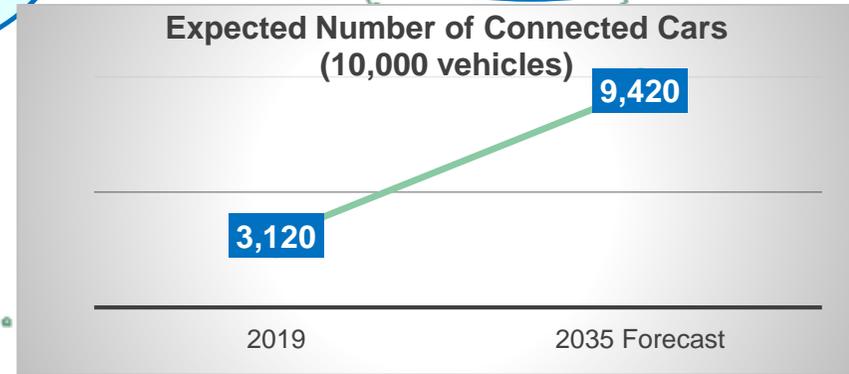
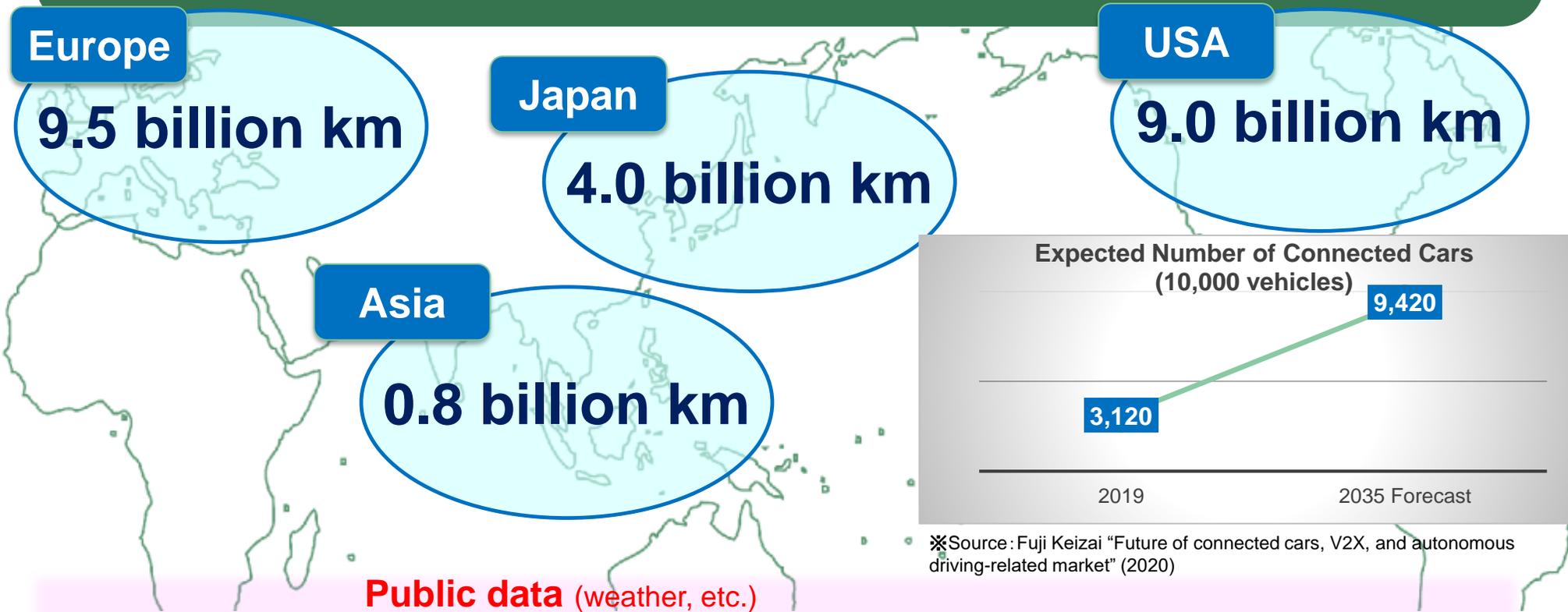
\*3 FY2020 includes temporary impact associated with restrictions on activities due to COVID-19, impact of subsidies, etc.

# 3. International Business

## (8) Telematics Insurance

- Accumulation of digital driving data for 4 billion km in Japan and 23.3 billion km globally (the equivalent of driving 600,000 times around the world; as of March 31, 2021)
- With sales of new connected cars expected to reach 94 million by 2035 (approx. 31 million in 2019), data accumulation will accelerate further.
- Driving data is being utilized to achieve a safe and secure mobility society.

Data equivalent to around 600,000 circuits around the earth



※Source: Fuji Keizai "Future of connected cars, V2X, and autonomous driving-related market" (2020)

**Driving Data** × **Public data** (weather, etc.)  
 × **Partner data** (payments, etc.)  
 × **Lifestyle data** = **Aim to provide new added value**

# 3. International Business

## (9) Growth of International Life Insurance Business

- In FY2020, some of our investments recorded losses due to a decline in the price of their assets from the impact of COVID-19, but in FY2021 that impact will be lessened, and we expect profit levels to improve.

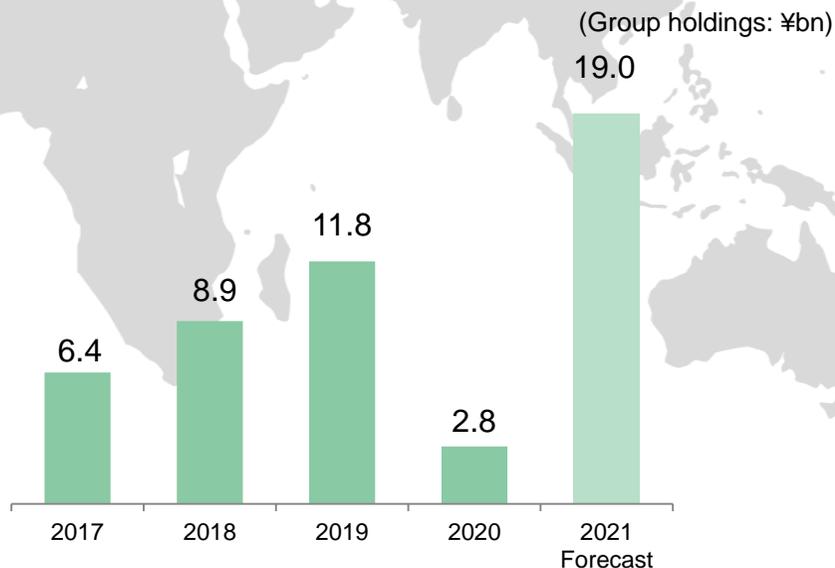
### Medium-to-Long-Term Strategy

**Existing businesses :** Strengthen main channels such as over-the-counter sales at banks and maintain a product mix that is resilient against interest rate fluctuations to achieve profit growth and stability.

**New businesses :** Uncover projects with high investment efficiency primarily in Asia, which is expected to grow due to population increases, in an effort to improve returns and diversify the portfolio.

### Profit Growth Outlook

#### Group Adjusted Profit



#### Main Factor of Profit Decline in FY2020

- Decline in value of assets for some of our investments due to COVID-19

#### Main Factor of Profit Increase in FY2021 (Approx. +¥16 billion)

 PHOENIX GROUP	UK	Expected to receive two dividends of the same size as FY2020
 challenger	Australia	Expected to return to profitability due to declining impact from COVID-19
 交银人寿 BOCOM MSIG Life	China	Investment completed in December 2020. Full-year profit contribution from FY2021 onwards.
 MAX LIFE INSURANCE		
 sinarma MSIG life		
 HongLeong Assurance Berhad		

### **Ⅲ. Growth Strategy by Business Domain**

1. Domestic Non-Life Insurance Business
2. Domestic Life Insurance Business
3. International Business
- 4. Asset Management**

## 4. Asset Management: (1) 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 diversified investments globally, while also considering environment.



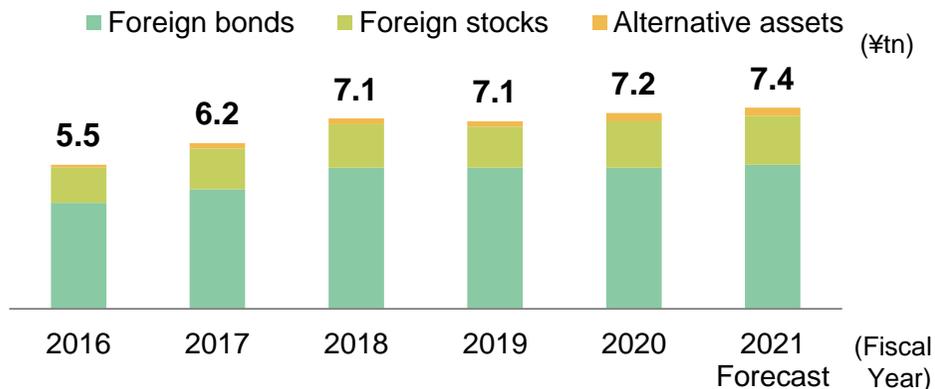
## 4. Asset Management (2) Initiatives for Profitability Improvement

- The Group is diversifying its investments and is investing in assets from which it expects to gain relatively high returns (Higher-Return Assets) in stages.
- The Group is strengthening the asset management system in the domestic life insurance business.
- We will respond to the rise in the domestic stock market by hedging futures on or moving up the sale of some of the strategic stockholdings we plan to sell,

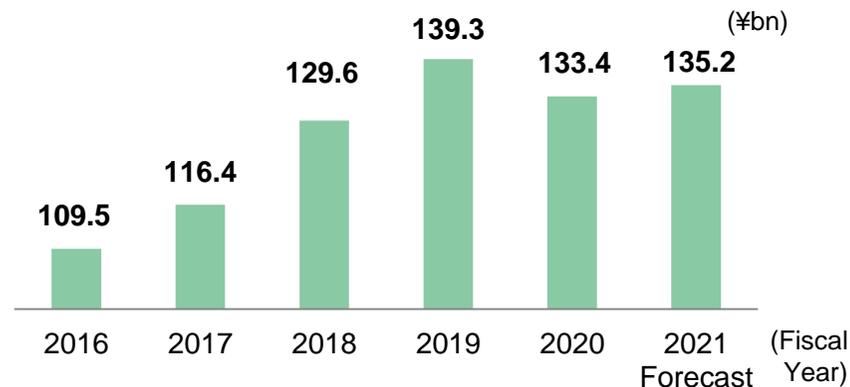
### Major Initiatives in FY2020 and Future Initiatives

- Expanded diversification of investment in higher-return assets ⇒ expected to increase balance of assets by 1.9 trillion yen from FY2016  
Promoting ALM, holding yen bonds at MSI Aioi Life longer
- Strengthening the asset management system of the life insurance business, a growth area
- We will continue the expanded diversification of investment in higher-return assets while keeping close watch on the market environment

### Higher-Return Assets investment balance



### Interest and dividend income from Higher-Return Assets

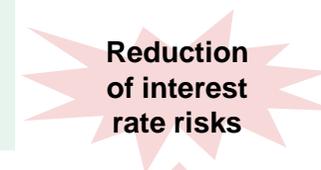


# 4. Asset Management

## (3) Reducing Interest Rate Risks at MSI Aioi Life

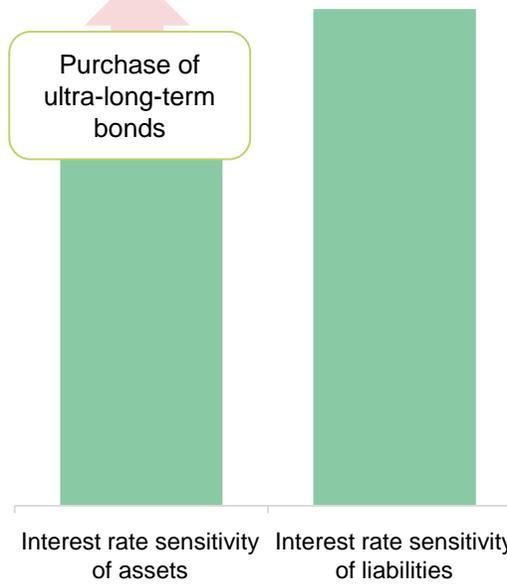
● **By expanding investment in ultra-long-term bonds, we will promote comprehensive asset and liability management (ALM) and aim to establish a stable portfolio that is not affected by interest rate fluctuations.**

- There is a difference in the interest rate sensitivity\*<sup>1</sup> of our held bonds (assets) and ultra-long-term policies such as whole life insurance (liabilities), where the sensitivity of the liabilities is greater than the assets, posing a significant interest rate risk.
- We will work to align the interest rate sensitivity of assets and liabilities and improve the hedge ratio\*<sup>2</sup>.



- Anticipating the introduction of economy value-based systems including the new solvency regulations and international financial reporting standards (IFRS), we will accelerate efforts to reduce interest rate risks.
- In addition to investing in ultra-long-term bonds with new funds, we will replace bonds that have shorter maturities with ultra-long-term bonds. These efforts will continue in FY2021 and beyond.

Purchase of ultra-long-term bonds



### Expected Improvements in Hedge Ratio\*<sup>2</sup>

FY2019	FY2020	FY2021 onwards
Approx. 60%	Approx. 80%	Target of 90-100%

### Reduction in Group-Wide ESR Volatility

	FY2019	FY2020
ESR	186%	235%
Degree of ESR fluctuation when domestic interest rates change ±0.5%	46pp	27pp

Volatility will be further reduced from FY2021 due to the reduction of interest rate risks

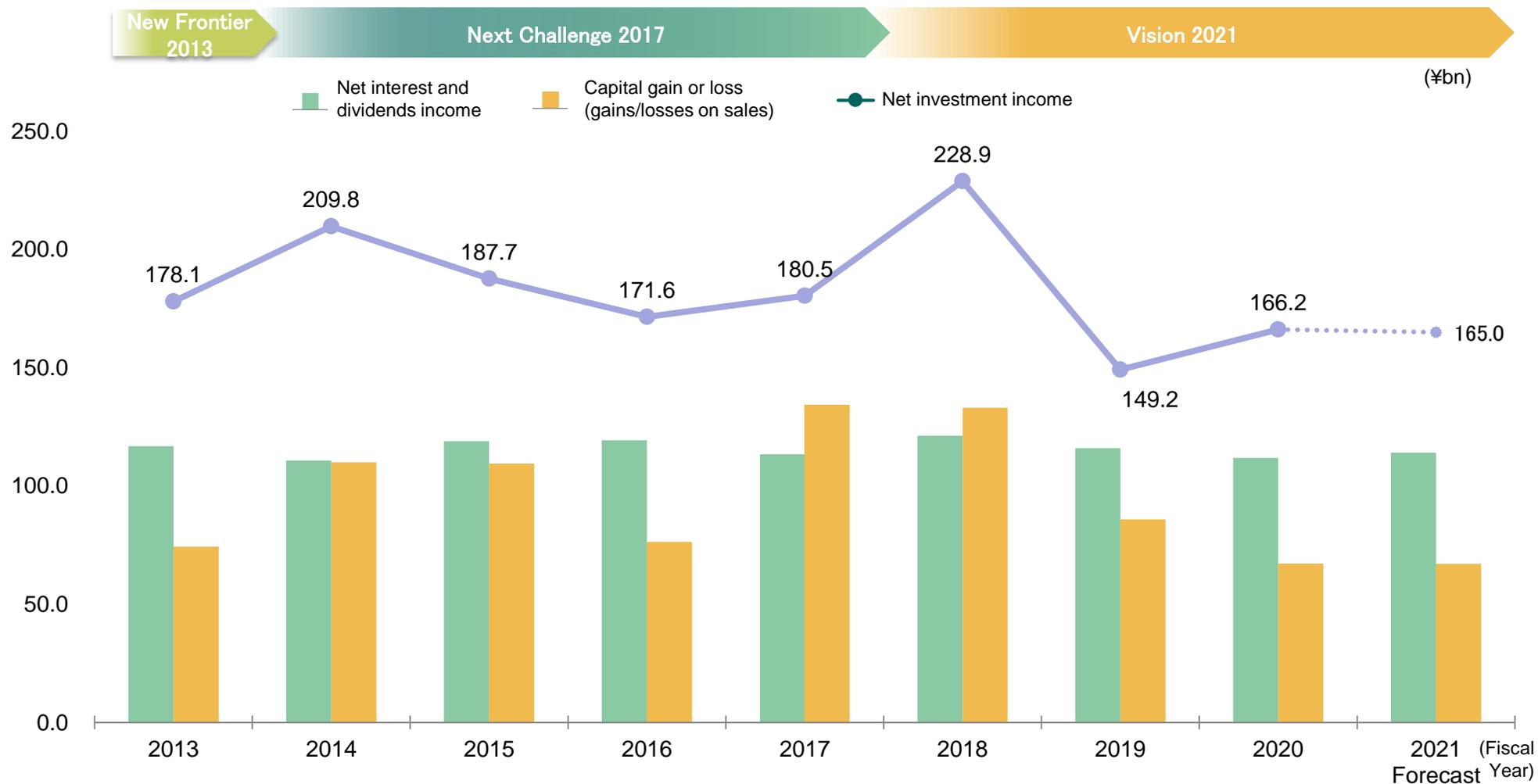
\*1 Interest rate sensitivity: The change in market value when interest rates change 0.5%

\*2 Hedge ratio: Calculated by dividing the interest rate sensitivity of assets by the interest rate sensitivity of liabilities. At 100%, interest rate fluctuations in assets and liabilities are hedged.

# 4. Asset Management :

## (4) Net Investment Income (Domestic Non-Life Insurance Business)

### Net Investment Income

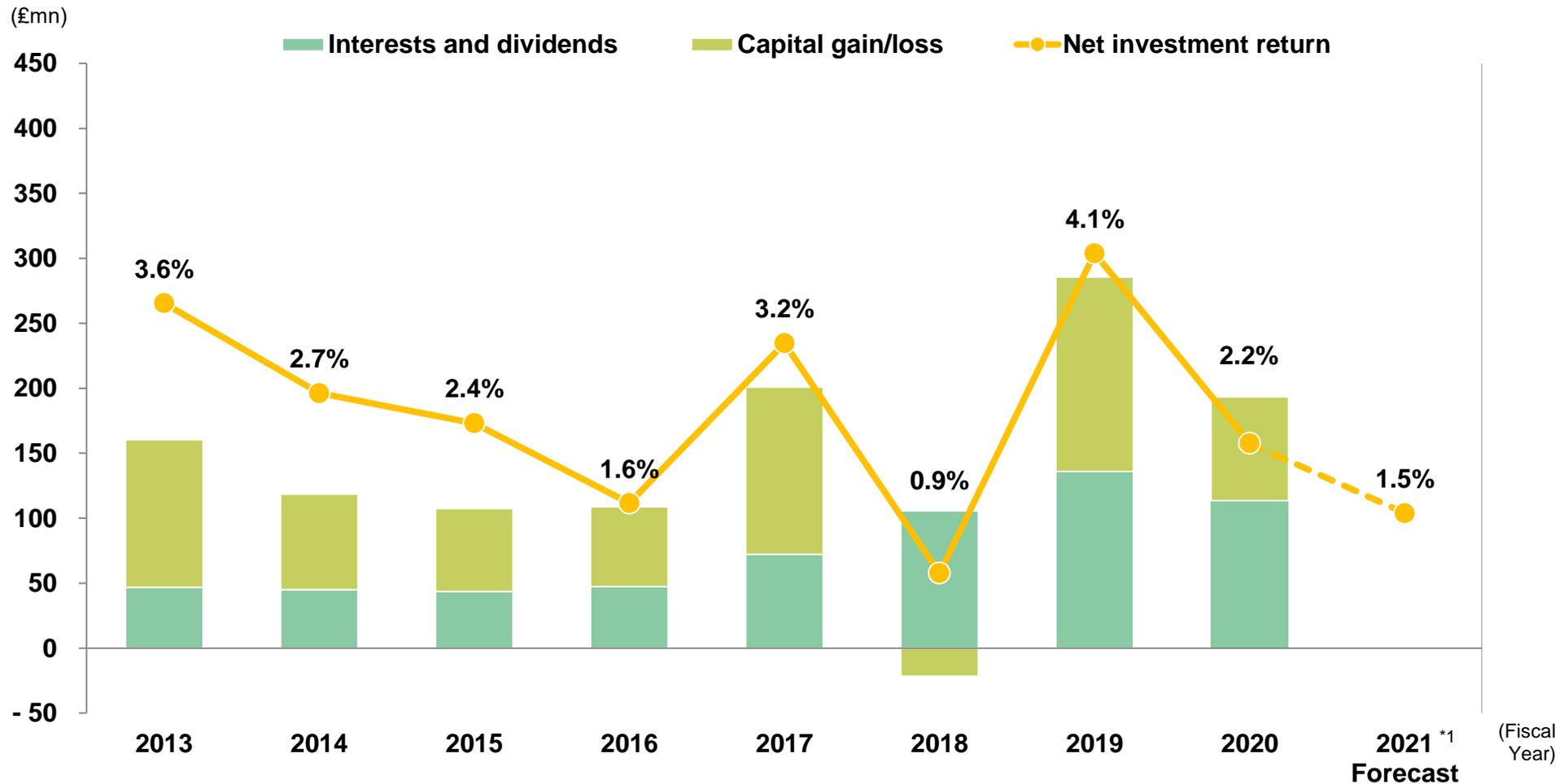


\* Simple sum of MSI (non-consolidated) and ADI (non-consolidated)

\* In FY2014, capital gain or loss (gains/losses on sales of securities) includes ¥63.0 bn of gains for additional provision for reserve for price fluctuation.

# 4. Asset Management : (5) Net Investment Return (MS Amlin)

## Net Investment Return



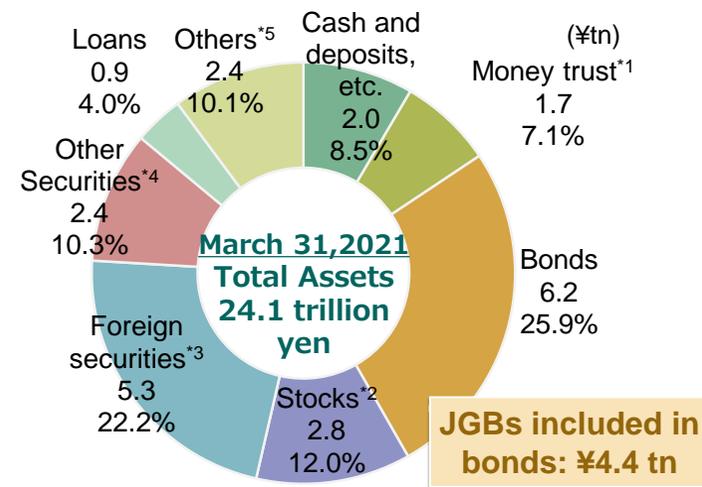
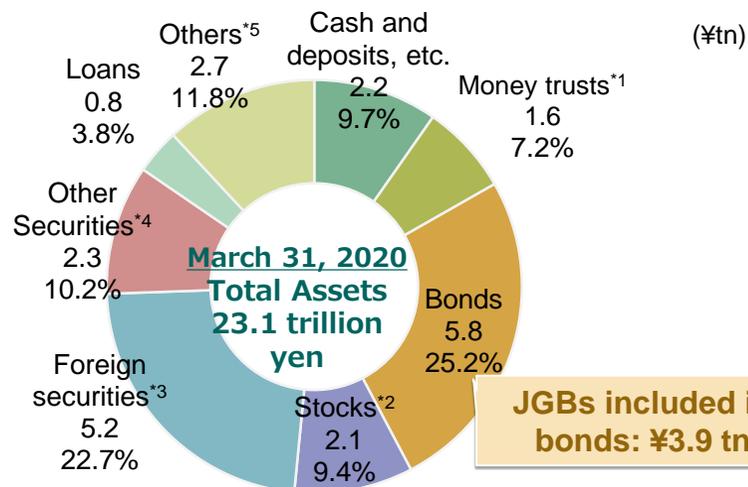
\* MS Amlin's local basis, before deduction of asset management fee.

\*1 FY2021 Forecast: Sum of interests and dividends and capital gain/loss

# 4. Asset Management :

## (6) Consolidated Total Assets and Asset Allocation (MS&AD Insurance Group)

### Asset allocation (on a consolidated total assets basis)



### Interest rate and foreign exchange rate sensitivity<sup>\*6</sup> (as of Mar. 31, 2021)

	Total for MS&AD Group	Total for Non-Life Insurers <sup>*7</sup>	Total for Domestic Life Insurers
100 bps rise in yen interest rates	+254.0	+61.7	+171.9
100 bps rise in US dollar interest rates	-99.0	-64.5	-34.5
10% rise in the yen against all currencies	-266.2	-162.5	-80.2
10% rise in the yen against the US dollar	-132.2	-92.3	-40.2
10% rise in the yen against the Euro	-20.3	-20.3	-0.0
10% rise in the yen against the British Pound	-24.1	-7.9	+0.0

### Percent distribution by rating<sup>\*9</sup> (as of Mar. 31, 2021)

AAA ~ BBB	Less than BBB, no rating
97.4%	2.6%

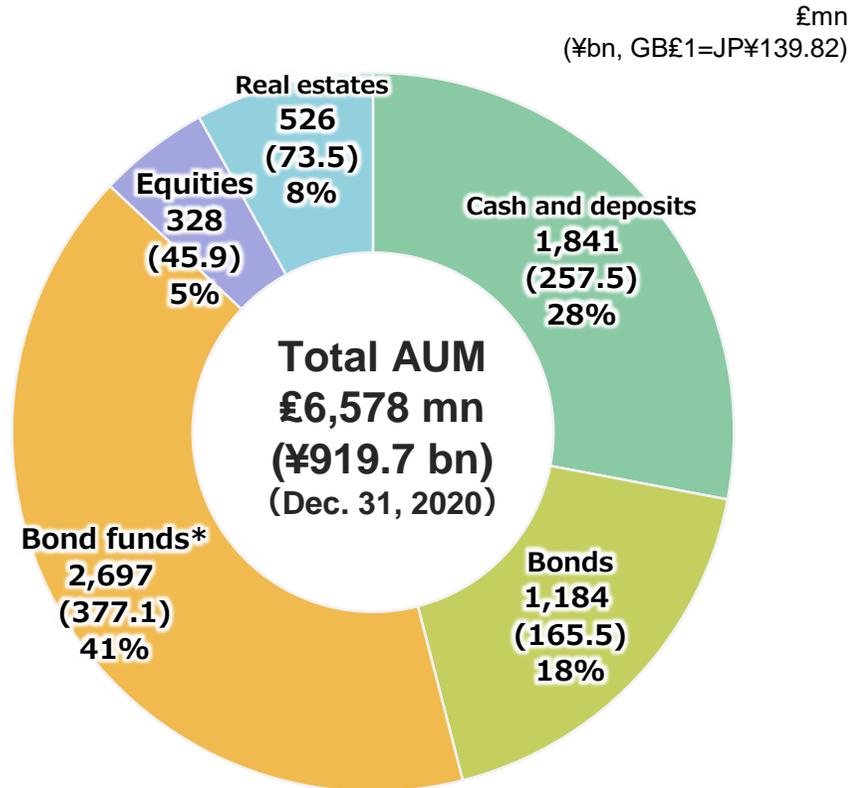
### Net investment for Higher-Return Assets<sup>\*8</sup> (FY2020)

Total for MSI, ADI, MSA Life, MSP Life	Foreign bonds (no currency hedge)	Foreign stocks	Alternative assets
-376.0	-404.1	+8.5	+19.6

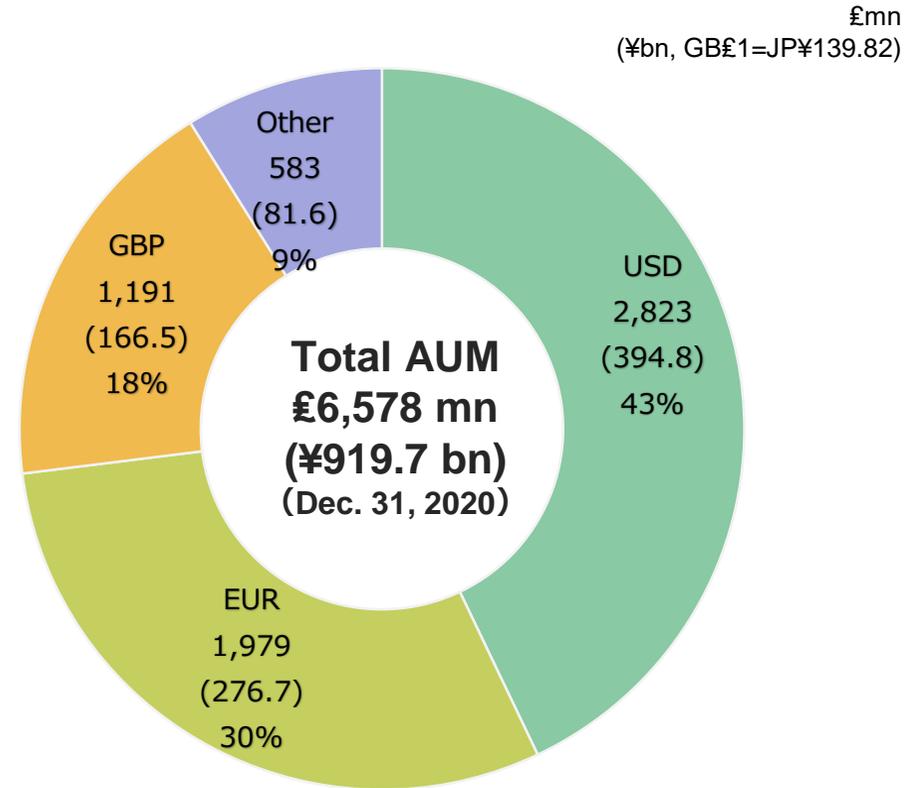
- \*1 Mainly assets corresponding to liabilities of domestic life insurance companies
- \*2 Strategic equity holdings and shares held purely for investment purpose. See p.67 for details of the ratio of strategic equity holdings.
- \*3 Foreign securities held by domestic insurance companies and securities held by foreign insurance subsidiaries
- \*4 Mainly special account assets of domestic life insurance companies
- \*5 Mainly tangible fixed assets, intangible fixed assets and goodwill
- \*6 Impact on difference between assets and liabilities (surplus)
- \*7 Including overseas subsidiaries
- \*8 Net Investment amount (purchase – sales/redemption) for assets having higher expected return, Total for MSI, ADI, MSI Aioi Life and MSP Life
- \*9 Aggregated figures for credit by internal rating for total credit management by individual issuers (market value, consolidated). Excluding loans to our group, reinsurance, and guarantee credits.

# 4. Asset Management : (7) Asset Breakdown by Assets and Currency (MS Amlin) (Dec.31,2020)

## Investment Assets Breakdown by Assets



## Investment Assets Breakdown by Currency



## Credit Ratings

AAA - BBB	Less than BBB
91%	9%

\* Bond funds are funds whose basic strategy is to sell high-priced bonds and purchase low-priced bonds. We will take credit risks while controlling losses caused by overall rises in interest rates.

※Above breakdown includes derivative transactions.

## 4. Asset Management :

### (8) Total Assets and Asset Allocation (MSI / ADI)

(¥bn)

	Mitsui Sumitomo Insurance				Aioi Nissay Dowa Insurance			
	As of Mar 31, 2020		As of Mar 31, 2021		As of Mar 31, 2020		As of Mar 31, 2021	
	Balance	Proportion	Balance	Proportion	Balance	Proportion	Balance	Proportion
Total AUM	6,017.1	100.0%	6,595.2	100.0%	2,872.1	100.0%	3,250.4	100.0%
Deposits, etc.	500.9	8.3%	490.4	7.4%	176.5	6.1%	203.7	6.3%
Bonds	1,534.2	25.5%	1,507.8	22.9%	829.0	28.9%	787.3	24.2%
of which, JGBs	874.4	14.5%	843.6	12.8%	487.0	17.0%	449.1	13.8%
Foreign securities	1,894.8	31.5%	2,014.7	30.5%	715.8	24.9%	801.8	24.7%
Foreign bonds	262.0	4.4%	298.1	4.5%	482.3	16.8%	523.6	16.1%
Foreign stocks	1,350.2	22.4%	1,364.3	20.7%	83.7	2.9%	85.3	2.6%
Foreign investment trusts, etc.	282.5	4.7%	352.3	5.3%	149.7	5.2%	192.8	5.9%
Stocks	1,433.9	23.8%	1,893.6	28.7%	696.9	24.3%	952.1	29.3%
Other securities	62.4	1.0%	78.1	1.2%	75.7	2.6%	102.0	3.1%
Loans	400.6	6.7%	423.3	6.4%	218.1	7.6%	232.9	7.2%
Land & buildings	190.0	3.2%	187.0	2.8%	159.8	5.6%	170.3	5.2%

\* Based on financial statement categorization

## 4. Asset Management :

### (9) Total Assets and Asset Allocation (MSI Aioi Life / MSI Primary Life)

(¥bn)

	MSI Aioi Life				MSI Primary Life (General account)			
	As of Mar 31, 2020		As of Mar 31, 2021		As of Mar 31, 2020		As of Mar 31, 2021	
	Balance	Proportion	Balance	Proportion	Balance	Proportion	Balance	Proportion
Total AUM	4,425.3	100.0%	4,448.0	100.0%	4,696.0	100.0%	4,863.2	100.0%
Deposits etc.	604.1	13.7%	74.8	1.7%	493.9	10.5%	900.4	18.5%
Bonds	3,550.7	80.2%	4,006.0	90.1%	81.7	1.7%	79.9	1.6%
of which, JGBs	2,529.7	57.2%	3,077.2	69.2%	14.5	0.3%	14.4	0.3%
Foreign securities	166.2	3.8%	253.5	5.7%	3,896.8	83.0%	*1 3,612.2	74.3%
Stocks	0.6	0.0%	0.7	0.0%	-	-	-	-
Other securities	39.9	0.9%	53.4	1.2%	8.0	0.2%	6.0	0.1%
Loans	63.1	1.4%	58.8	1.3%	215.2	4.6%	264.1	5.4%
Land & buildings	0.4	0.0%	0.4	0.0%	0.3	0.0%	0.3	0.0%

\*Based on financial statement categorization

\*1 Foreign securities of ¥3,612.2 billion includes money trusts of ¥1,710.4 billion.

立ちどまらない保険。

**MS&AD**

INSURANCE GROUP

## **IV. Systems Supporting Value Creation**

1. ERM

2. Sustainability Initiatives

# 1. ERM (1) Actions against Natural Catastrophe Risks

- To deal with natural catastrophe risks, we develop a resilient system based on appropriate retention/reinsurance policies, and provide stable insurance coverage in the domestic market.

## Group's Risk Retention/Reinsurance Policy

- Ensure the effective functioning of the special reinsurance clause adopted by both MSI and ADI\*1, to help ensure the stability of period profit/loss  
\*1 Coverage applied to the total losses of the two companies
- Continue to control Group-wide natural catastrophe risk amount and volatility of periodic profit/loss



## Strengthening of Risk Management Initiatives

Conduct stress scenarios based on severe natural catastrophes such as a series of major typhoons and simultaneous flooding of multiple rivers, and verify that the health of the MS&AD Group is maintained.

Continue to explore ways to analyze the impact that climate change has on MS&AD Group loss paid and natural catastrophe risk amount

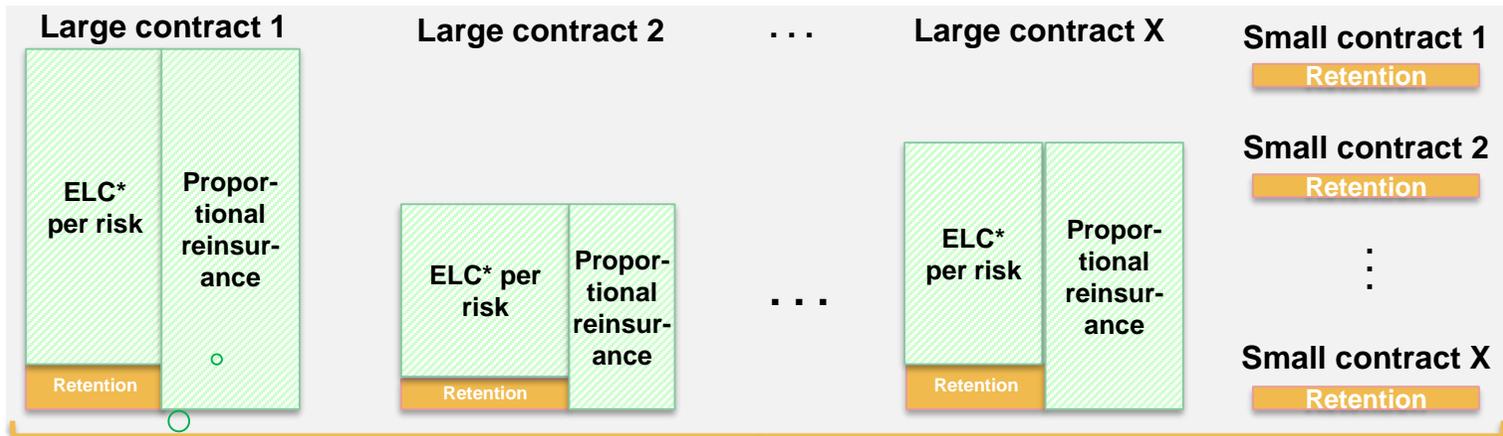
Took part in a project led by UNEP FI\*2 (involving more than 20 insurance companies from around the world, including MS&AD Insurance Group Holdings) to consider methods for analyzing wind and water-related disasters in Japan.

\*2 United Nations Environment Programme Finance Initiative

# <Reference>

## Image of Risk Retention/Reinsurance for Natural Catastrophe Risk

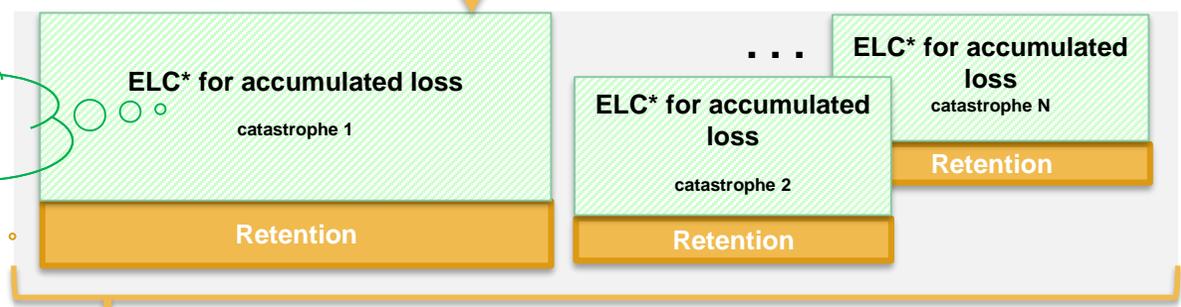
### Per risk



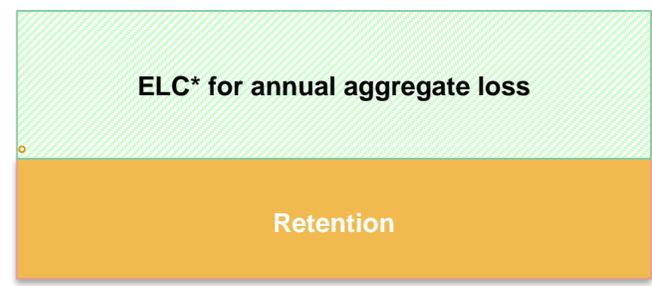
### Accumulated loss (per event)

According to the conditions of reinsurance coverage, the coverage will be restored with the payment of reinstatement premiums!

Management here is important!



### Annual aggregate loss



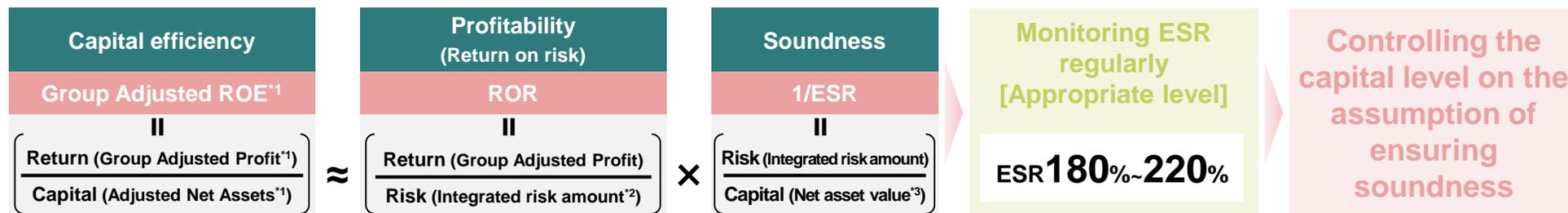
### Principles for risk retention/reinsurance

- Ensuring financial soundness
- Increase of stability of periodic profit/loss
- Improvement of return on risk

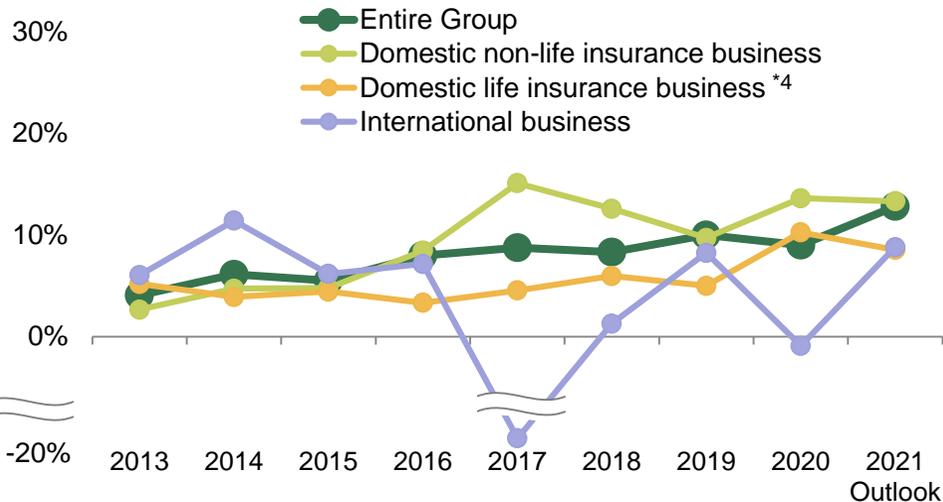
\* ELC (excess of loss cover): Reinsurance policy for collection of the excess portion over a certain amount of loss

# 1. ERM: (2) Improvement of Capital Efficiency (Initiatives for Improvement of ROR)

- The Group will monitor ROR at each business and each company and will promote initiatives for improving ROR.
- The Group will enhance the sophistication of initiatives to achieve a Group Adjusted ROE of 10% for FY2021.



## Monitoring ROR



## Initiatives for improvement of ROR

Products, sales and initiatives management	Revenue Management by Product and Type	
	Domestic non-life insurance	More sophisticated risk and return management according to the characteristics of products
	MSI Aioi Life	Assessing new policies ROR when products are developed and revised and a sales policy is formulated
	MSI Primary Life	Assessing the profitability of each product using ROA
Asset management strategy	When new asset management methods are introduced, reflect them in various measures after examining soundness, conducting a risk/profit assessment (return on risk, "ROR") and verifying the risk management readiness.	
Retention/reinsurance policy	Designing reinsurance schemes based on risk and return indicators	

\*1: How to calculate Group Adjusted ROE, Group Adjusted Profit and Adjusted Net Assets, See p.92.

\*2: Integrated risk amount represents the maximum amount of losses that are likely to be encountered once in 200 years. It is marked to market value.

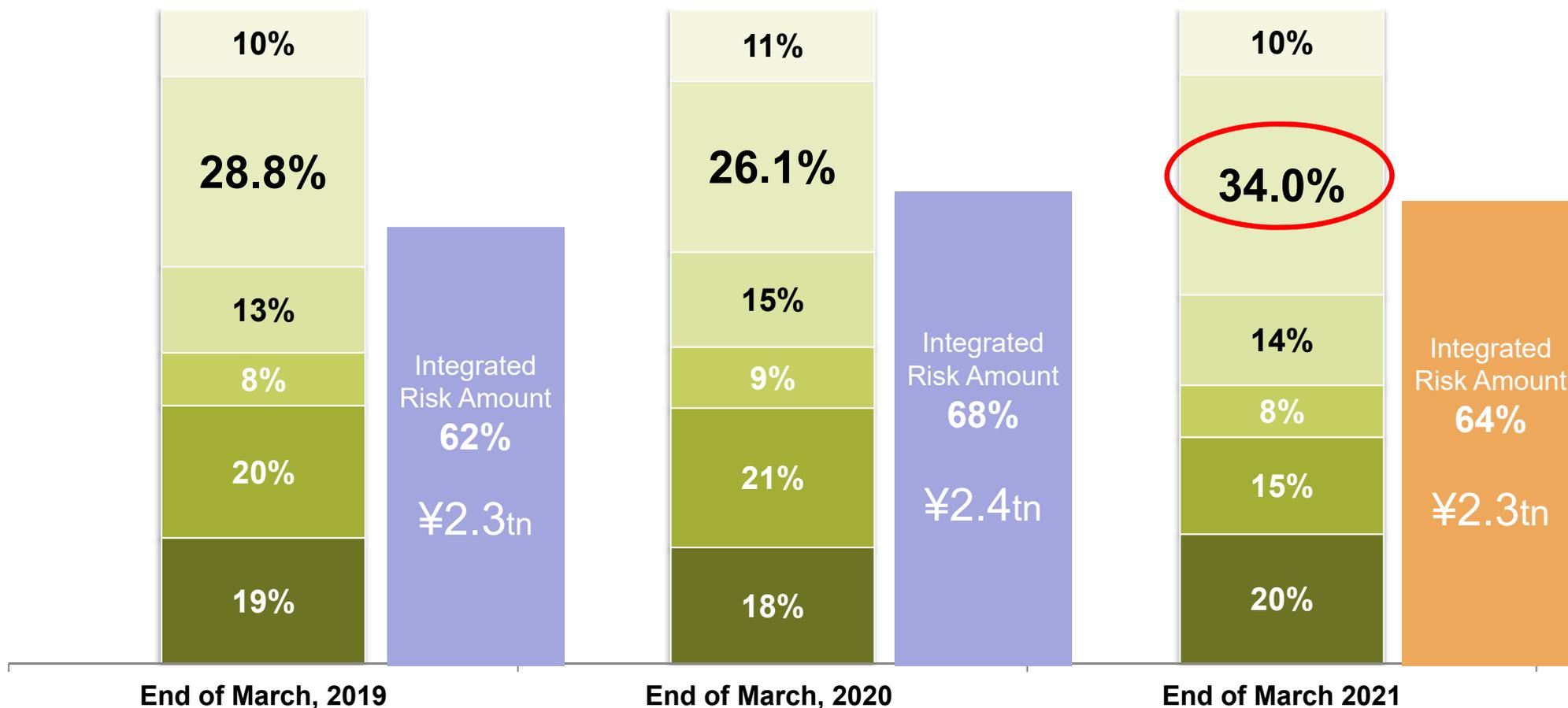
\*3: Net asset value: Adjusted Net Assets + unrealized insurance liabilities + other equity liabilities, etc. .

# 1. ERM: (3) Ensuring Financial Soundness (Risk Portfolio)

- Although we reduced over 100.0 billion yen of strategic equity holdings, the share in risk amount has increased by 8 points to 34% (target: less than 30%) due to uprising stock prices.

## Risk Portfolio

- International Business
- Domestic Life (Investment)
- Domestic Life (Underwriting)
- Domestic Non-Life (Investment: Others)
- Domestic Non-Life (Investment: Strategic Equity)
- Domestic Non-Life (Underwriting)

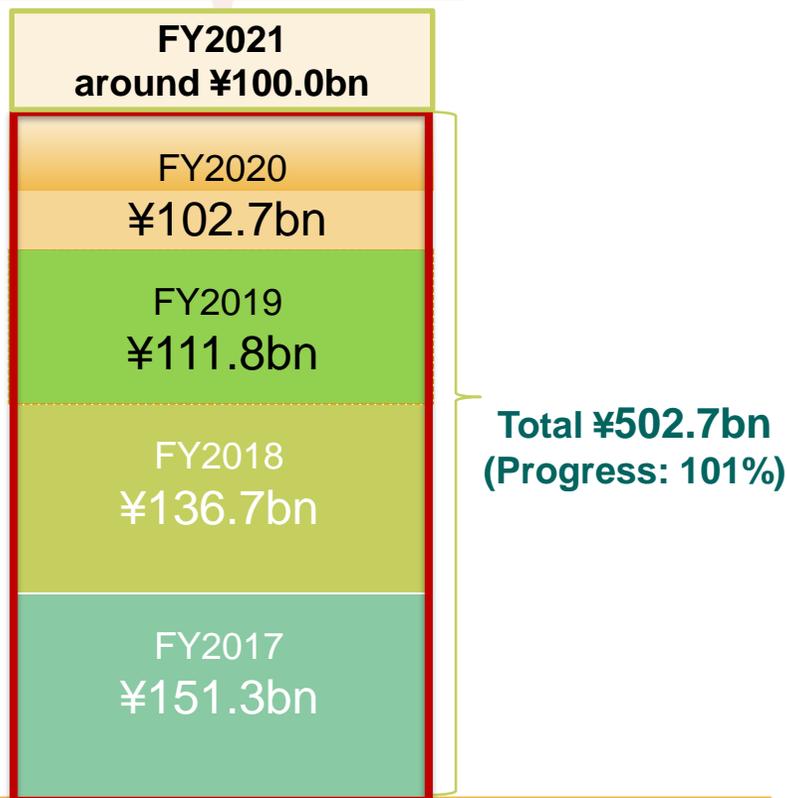


# 1. ERM (4) Sales of Strategic Equity Holdings

- In FY2020, ¥102.7 billion was sold and achieved 101% of the target of ¥500.0 billion (FY2017 to FY2021).

## Sales in Vision 2021

Sales target in Vision 2021:  
¥500.0 bn\*1



Total ¥502.7bn  
(Progress: 101%)

Vision 2021

\*1 Including FY2017

## Actual Sales

				(¥bn)	
Actual sales before business integration (FY2003*2~FY2009)				800.7	
MS & AD	New Frontier 2013	FY2010	57.4	57.4	
		FY2011	88.7	(Sub-total)	
		FY2012	114.1		
			FY2013	173.5	376.4
	Next Challenge 2017	FY2014	91.0	(Sub-total)	
		FY2015	181.1		
		FY2016	133.0		
		FY2017	151.3		556.6
	Vision 2021	FY2018	136.7	Total from FY2017	
		FY2019	111.8		
		FY2020	102.7		502.7
	<b>Total</b>				<b>2,142.4</b>

\*2 The figures for FY2003 to FY2009 are the simple sum of results for MSI, Aioi, and NDI. (Sales before FY2002 are not disclosed, since it is difficult to collect data in the same criteria from the entities before merger.)

### Ratio of Strategic Equity Holdings in Consolidated Total Assets and Risk Amount

	Mar, 2020	Mar, 2021	Target
Fair value weight <sup>*3</sup> of strategic equity holdings in consolidated total assets	9.2%	11.8%	Less than 10%
Risk weight <sup>*3</sup> of strategic equity holdings in risk amount	26.1%	34.0%	Less than 30%

\*3 Weight of all strategic equity holdings including unlisted stocks

## 2. Sustainability Initiatives

### (1) Responding to Climate Change

- In FY2021, we will revise the MS&AD Group's CO<sub>2</sub> emission reduction targets and promote TCFD disclosures.

#### Achieving Net Zero by 2050

- The Group's current reduction targets of CO<sub>2</sub> emission were revised with the aim of achieving net zero by 2050.
- We will work with stakeholders to help realize a decarbonized society, such as by expanding the categories covered by the CO<sub>2</sub> emission reduction target for Scope 3<sup>\*1</sup> emissions.

\*1 indirect emissions through our group's business activities except Scope 2

#### 【Current Targets】 (Scope1+2)

Base Year	Target Year	Reduction Rate
FY2009	FY2020	-30% (expected to be achieved)
	FY2050	-70%



#### 【New Targets】 (Scope1+2,3)

Base Year	Target Year	Reduction Rate	Reduction Compared with FY2009 Levels (Scope1+2)	Categories covered by Scope <sup>*2</sup>	Renewable Energy Adoption Rate
FY2019	FY2030	-50%	-60.3%	1,3,5,7,13	60%
	FY2050	Net Zero	-	All categories	100%

\*2 Category No.1: purchased goods and services, No.3: Fuel- and energy-related activities other than Scope 1 and 2, No.5: Waste generated in operations, No.7: Employee commuting, No.13: Downstream leased assets

#### Responding to Disclosure Frameworks of TCFD

We will analyze the impact that climate change has on the Group's businesses and continually promote disclosures consistent with the details of the TCFD recommendations.

#### 【Details of the discussion of Climate-Related Disclosures in FY2021】

- Strategy in light of climate-related risks and opportunities
- Implementation of scenario analyses to measure the financial impact due to the advance of climate change
- Indicators and targets related to CO<sub>2</sub> emission reductions

#### 【Scenario Analyses Under Consideration】

Insurance Underwriting	- Physical risk scenario analysis [Expected fluctuation in loss paid due to a typhoon]
	Effects of changing forces +5 to +50% (approx.)
	Impact due to changing frequency of occurrence -30 to +28% (approx.)
Investment	- Transition risk scenario analysis Analysis and disclosure of how much impact carbon costs have on the management of MS&AD Group investee companies

## 2. Sustainability Initiatives (2) ESG Investments and Loans

- Enhance the system for expanding ESG investments and loans, and develop asset management-based CSV activities

### Initiatives in Stage 2

#### Integration into investment processes

- Building processes considering ESG factors.

#### Advancement of dialogue

- Incorporating ESG considerations into our dialogue with investment destinations and contractors.

#### Expanding impact investment\*

- Considering Group-wide efforts

### Initiatives in FY2020

- We declared that in principle we will not make loans or investments for new coal-fired power plants as part of action on climate change, and that we will not make loans or investments for companies manufacturing cluster munitions in the interest of human rights.
- We declared our intention to hold dialogues that take ESG elements into account as part of our Stewardship Code response policy.
- We worked to provide support for sustainable development and the widespread adoption of natural energy, and engage in loans and investments in green, social and sustainability bonds, etc.

New investments and loans in FY2020: 40.0 billion yen  
Balance of investments and loans: 343.4 billion yen

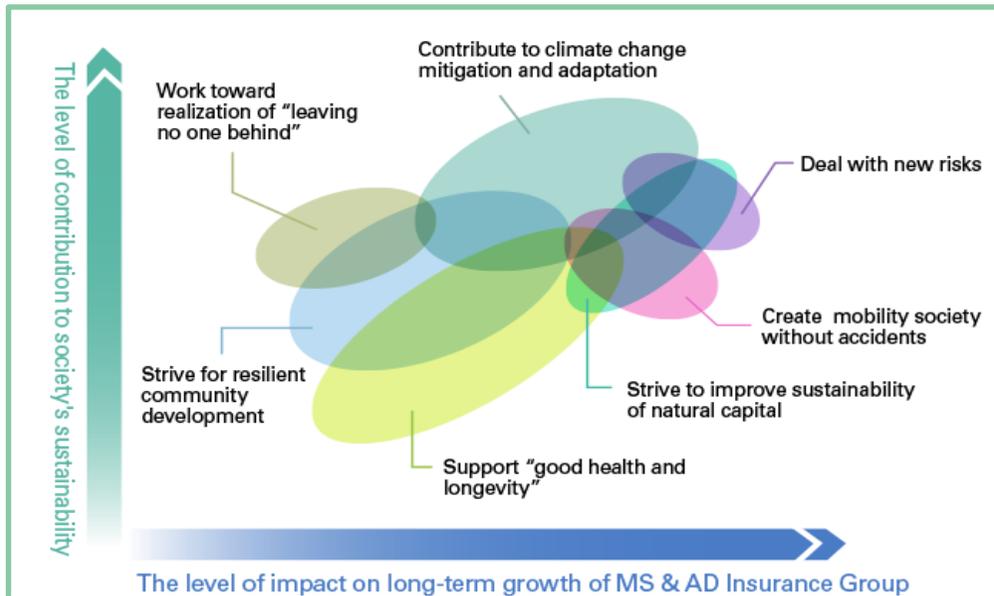
\* (Social) impact investment is an investment intended to impact society and the environment as well as monetary returns.

Source: GSG National Advisory Board

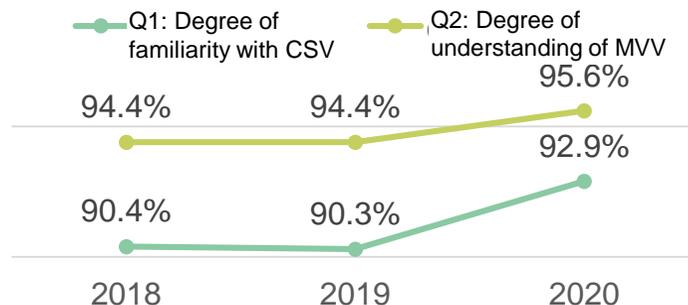
## 2. Sustainability Initiatives (3) CSV Initiatives ①

- We will spread CSV initiatives throughout the Group.
- We will also achieve Group-wide growth by providing products and services that solve the seven key issues.

### Seven Key Issues for CSV



### Employee Awareness Survey



### Examples of CSV Initiatives

#### Dealing with New Risks

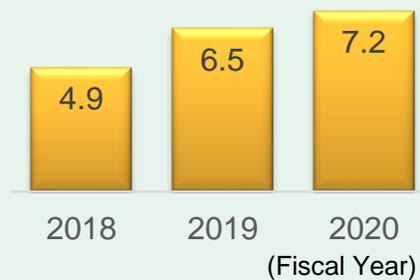
##### Developing and Providing Products That Address New Risks

- Comprehensive telecommuting compensation plan
- Compensation plan for GIGA school program sales businesses
- Comprehensive drone compensation insurance
- Comprehensive compensation plan for smartphone payment service providers
- IoT device cyber security diagnostic service ... and more

#### Number of corporations and organizations protected from cyber risks



#### Net premiums written for cyber risk insurance (¥bn)



#### RisTech-based Accident Prevention and Disaster Prevention Service

Number of service contracts: **44**

Increase in revenue: **approx. ¥1.7 billion**

## 2. Sustainability Initiatives (3) CSV Initiatives ②

### Create mobility society without accidents

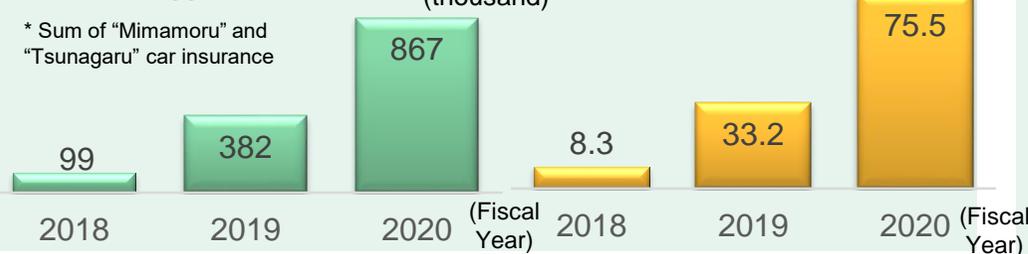
#### Providing Products and Services that Lead to Solutions

- Telematics automobile insurance
- Inclusion of alert functions utilizing AI, telematics technologies, and prompt and appropriate claims services utilizing AI, etc.
- Collection of tips for safe driving that help prevent or mitigate accidents
- Dash cam-based insurance for motorcycles, etc.

Number of policyholders protected with telematics-based safe driving support service\* (thousand)

Sales premiums for telematics automobile insurance (for individual customers) (¥bn)

\* Sum of "Mimamoru" and "Tsunagaru" car insurance



### Strive to improve sustainability of natural capital

#### Providing Products and Services that Lead to Solutions

- Natural capital risk assessment service
- Environmental supply chain consulting
- Biodiversity land utilization consulting...and more

Percentage of sites with high risk of water shortages (cumulative)

Number of sites where simple water risk assessments have been conducted



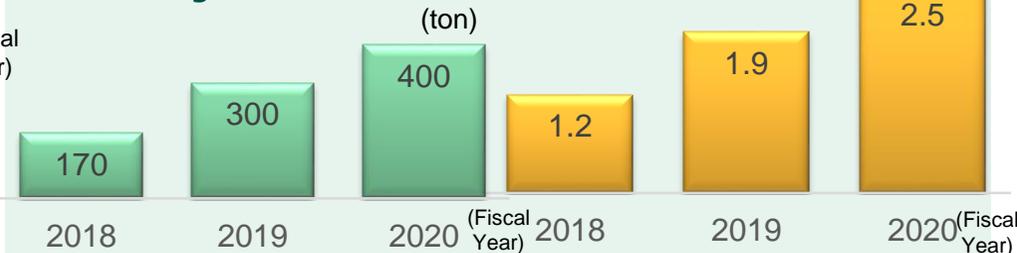
### Contribute to climate change mitigation and adaptation

#### Providing Products and Services that Lead to Solutions

- Comprehensive compensation plans for renewable energy providers (Geothermal power generation businesses, mega solar, small-scale wind power generation, etc.)
- "Shoku-eco": Produce recall insurance for food producers
- Quantitative Climate Change Impact Assessment Service for TCFD offered through alliance with Jupiter
- LaRC-Flood Project Prediction Map of Flooding Frequency Changes Due to Climate Change
- Provision of cmap.dev real-time damage forecast

CO2 emissions when a policyholder's mega solar-based power generation is covered with thermal power generation (ton)

New premiums for Mega Solar Comprehensive Compensation Plan (¥bn)



#### Release of the cmap Damage Prediction Smartphone App



- Provides notifications of emergency information such as weather alerts and evacuation instructions
- Able to receive prefectural emergency information from up to three sources based on the user's current location and information on registered points

## 2. Sustainability Initiatives (3) CSV Initiatives ③

### Strive for resilient community development

#### Providing Products and Services that Lead to Solutions

- Support for events such as local government-run seminars aimed at the widespread adoption of smart agriculture
- Logistics services for remote islands through drone networks

#### Number of agreements with local governments



#### Ripple effect on net premiums written (¥bn)

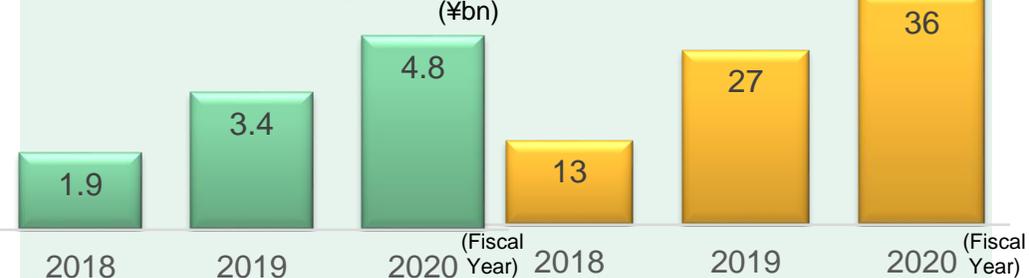


### Support “good health and longevity”

#### Providing Products and Services that Lead to Solutions

- Health and Productivity Management Support Insurance
- Cancer Insurance customers can sign up for at 7-Eleven convenience stores
- Tontine pension plans supporting future asset building

#### Total amount received for tontine pension plans (¥bn)



#### Number of tontine pension plan account holders (Thousand)

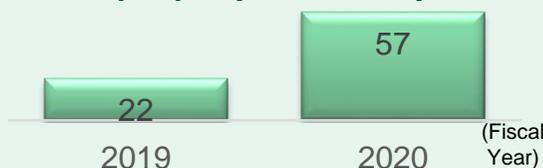


### Work toward realization of “leaving no one behind”

#### Providing Products and Services that Lead to Solutions

- Dementia Kobe Model
- Automobile insurance for "autonomous vehicles using electromagnetic induction lines" supporting the resolution of regional transportation issues
- Providing residential fire insurance to indigenous people in Malaysia

#### Number of homes covered by our insurance and provided to indigenous people (cumulative)



#### Fire insurance premiums for indigenous people housing (MYR)



Volunteer participation in the construction program promoted by the affiliated EPIC Home

# Response to Stewardship and the Corporate Governance Code

## 1. Response to Stewardship (Dialogues Held, Results of Exercising Voting Rights)

### Dialogues held (July 2019 to June 2020)

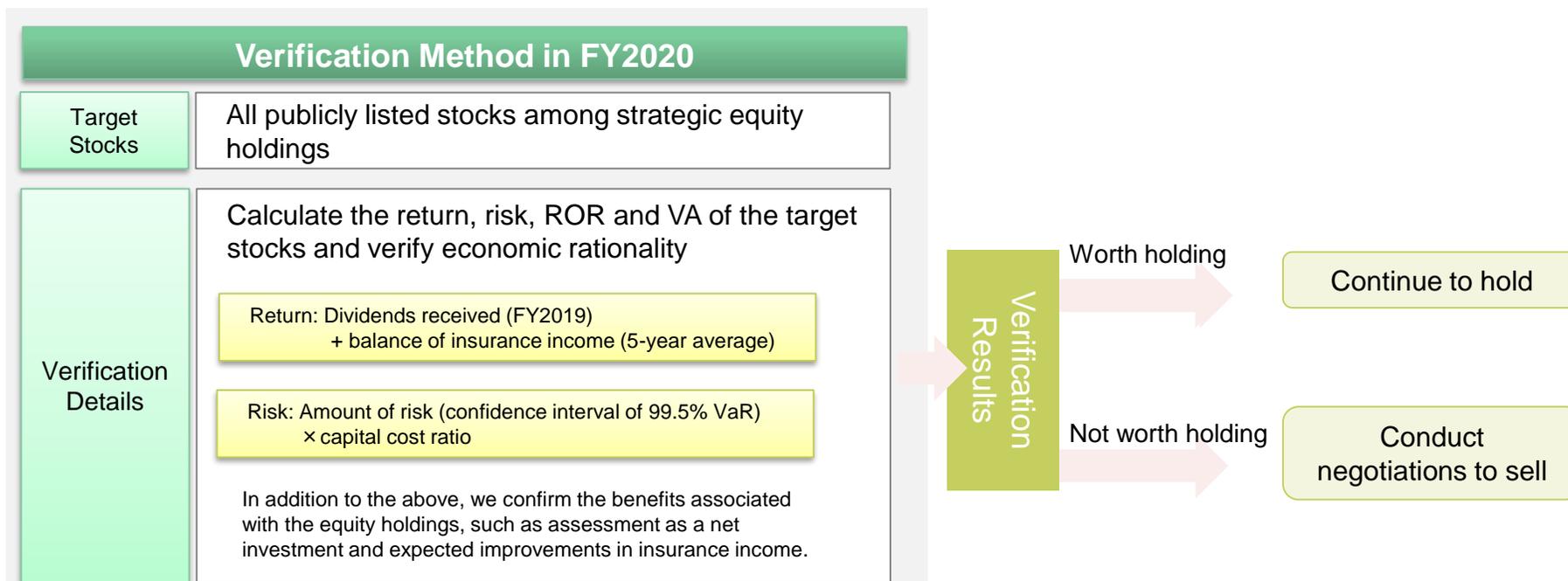
	MSI	ADI	Total (simple sum)
<b>Number of companies</b>	194	153	<b>347</b>

### Results of exercising our voting rights (July 2019 to June 2020)

	MSI	ADI	Total (simple sum)
<b>Number of disagreements (Number of bills)</b>	3 (2,510)	2 (1,649)	<b>5 (4,159)</b>

## 2. Response to Corporate Governance (Verifying the Appropriateness of Strategic Equity Holdings)

With regard to strategic equity holdings, we verify the appropriateness of holdings for each individual stock in terms of whether the benefits to holding are consistent with the capital costs, and confirm the verification results at Board of Directors meetings.



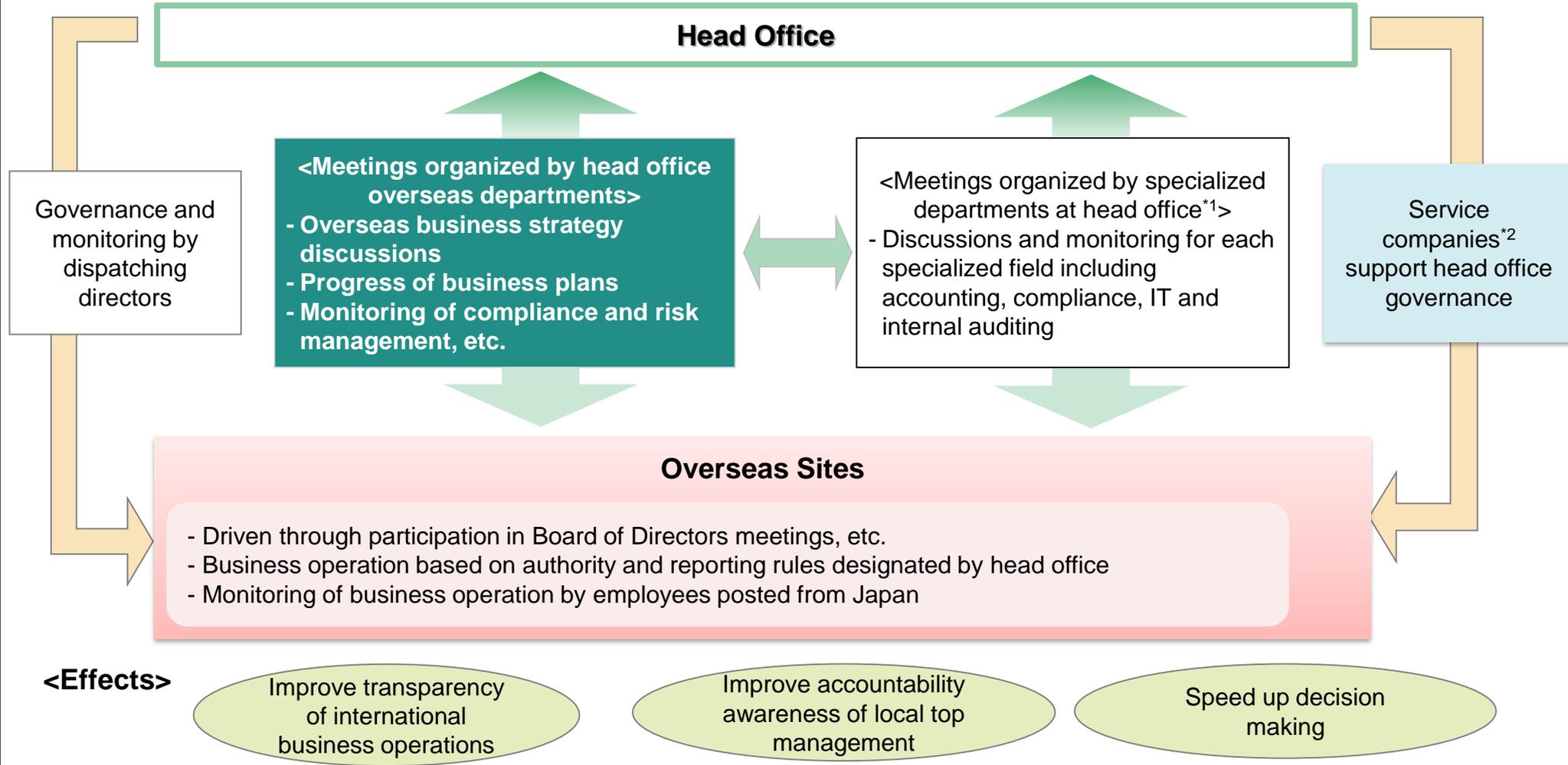
# Responding to Revisions to the Corporate Governance Code of FY2021 (Scheduled in June)

- We have mostly responded to the FY2021 revisions to the Corporate Governance Code
- Going forward we will strive to enhance disclosures regarding Board of Directors skillsets and sustainability-related issues

1. Demonstrating Functioning of the Board of Directors	Response Status
<ul style="list-style-type: none"> <li>• Appointing at least one-third of directors as independent directors for Prime Market listed companies [Principle 4-8]</li> </ul>	Four of the 11 directors (36.4%) are independent directors
<ul style="list-style-type: none"> <li>• Establish a nomination committee and remuneration committee (where independent directors form a majority on each committee for Prime Market listed companies) [Supplementary Principle 4-10 (1)]</li> </ul>	Independent directors make up majorities in the Personnel Committee and Remuneration Committee
<ul style="list-style-type: none"> <li>• Publish the skills the Board of Directors is expected to maintain conforming to its management strategy (knowledge, experience, capabilities) and the corresponding skill sets of each director [Supplementary Principle 4-11(1)]</li> </ul>	To be disclosed in the MS&AD Integrated Report 2021
<ul style="list-style-type: none"> <li>• Appoint independent directors having material experiences at other companies [Supplementary Principle 4-11 (1)]</li> </ul>	Complete
2. Ensuring Diversity Among Core Corporate Personnel	Response Status
<ul style="list-style-type: none"> <li>• Set policy and measurable voluntary targets with respect to ensuring diversity in senior management (appointing women, non-Japanese and mid-career professionals) [Supplementary Principle 2-4 (1)]</li> </ul>	Regarding the appointment of females to management, targets have been set and are disclosed in the MS&AD Integrated Report 2020.
<ul style="list-style-type: none"> <li>• Disclose human resource development policies and internal environment development policies ensuring diversity together with the status of policy implementation [Supplementary Principle 2-4 (1)]</li> </ul>	
3. Tackling Sustainability-Related Issues	Response Status
<ul style="list-style-type: none"> <li>• Develop a basic policy on sustainability and disclose the company's initiatives [Supplementary Principle 3-1 (3)]</li> </ul>	The Board recognizes sustainability-related issues such as climate change and respect for human rights as important management issues and discloses initiatives aimed at solving these issues.
<ul style="list-style-type: none"> <li>• The Board of Directors should recognize responding to sustainability-related issues such as respect to human rights as important management issues and deepen consideration to proactively and actively respond [Supplementary Principle 2-3 (1)]</li> </ul>	
<ul style="list-style-type: none"> <li>• Enhance the quality and quantity of climate-related disclosures based on TCFD recommendations or equivalent international frameworks at Prime Market listed companies [Supplementary Principle 3-1 (3)]</li> </ul>	Efforts will be made to enhance disclosures of climate-related information based on the TCFD recommendations.

# Global Governance

- Strengthen governance framework of overseas businesses through their restructuring
- Strengthen governance by having specialized departments at head office take part in meetings organized by head office overseas departments and by dispatching head office officers and employees to board meetings



\*1 Departments in charge of specialized areas such as accounting, compliance, IT and internal auditing

\*2 Affiliated companies providing support nearby sites for internal management structure and quality improvements (actuarial, internal audit, IT, etc.)

# Human Asset Development

- To achieve CSV×DX, we will develop the human resources able to demonstrate the knowledge and skills needed to accelerate digitalization.
- We will enhance the development of human resources who can grasp social and economic trends from a global perspective and support the development of overseas businesses under different environments and cultures.

## Digital Area

### MS&AD Digital Academy

Cooperation with Information Networking for Innovation and Design (INIAD), Toyo University

### Development of data scientists in the field of medicine

Collaboration with Tokyo Medical and Dental University

### MS&AD Digital College from Kyoto

Cooperation with Kyoto University of Advanced Science (KUAS)

### Data Science Training

Cooperation with Shiga University

## Digital Innovation Challenge Program

18 advanced digital technologies building the future  
× Promising growth markets in 2025 (6 areas)



### Encouraging Ideas

- (1) New business models, products and services
- (2) Operational reforms

Approx. 2,700 ideas submitted in FY2020

### Desired Outcome

- (1) Development and discovery of digital-savvy human assets
- (2) Collaborative creation with start-up companies
- (3) Promotion of open innovation

## Global Area

Global Trainee System

Global Boot Camp

Overseas Career Challenge Training

Global Leaders Training Program

Global Experts Training Program

MBA, Overseas Training

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## **V. Capital Policy**

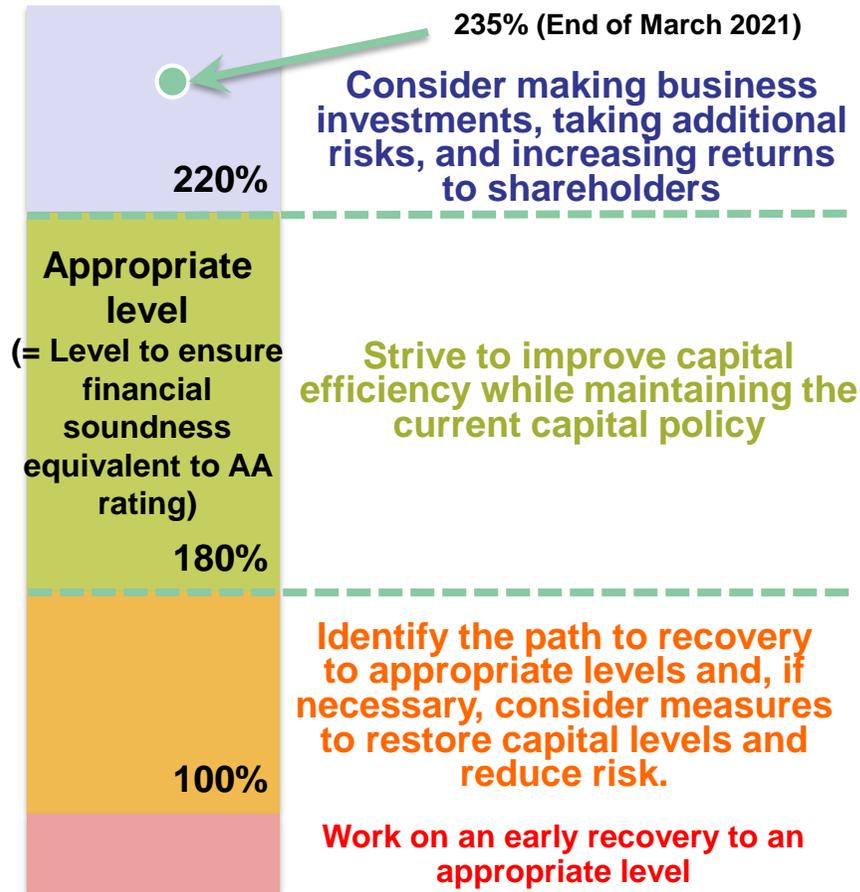
1. ESR
2. Business Investment Policy
3. Shareholder Returns

# 1. ESR

- ESR at the end of March 2021 was 235% (up by 49 points year-on-year), which is slightly above the appropriate level to ensure financial soundness.

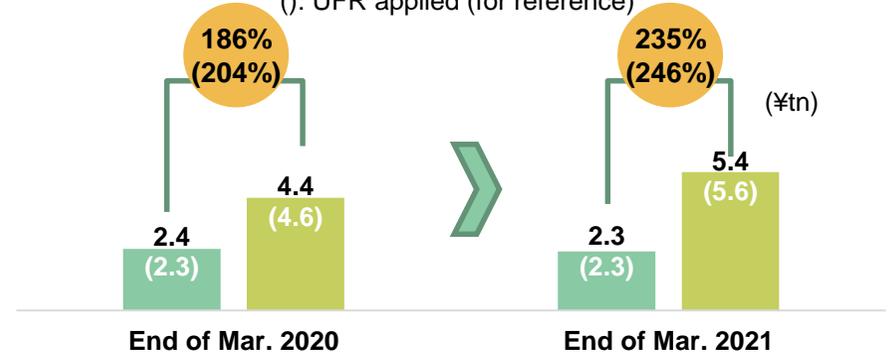
## ESR\* (Confidence level 99.5%)

■ The policy below is based on the medium- to long-term ESR outlook.



■ Integrated Risk Amount ■ Net Asset Value

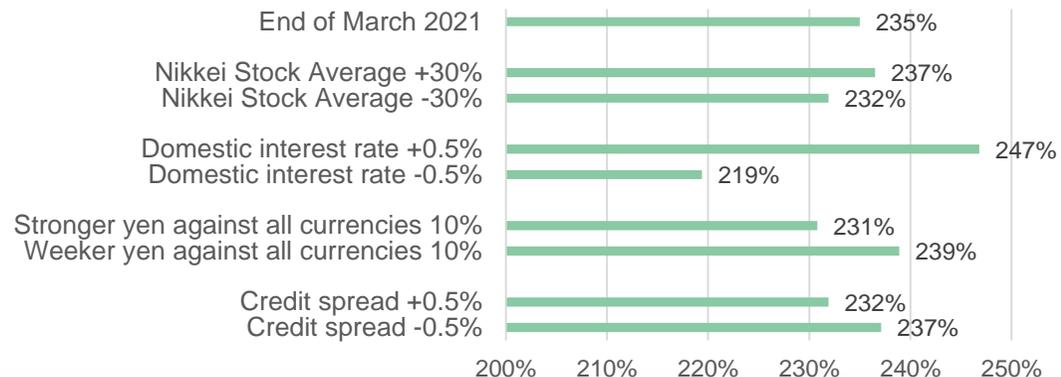
( ): UFR applied (for reference)



Nikkei Stock Average	¥18,917
30-year JGB rate	0.43%
USD/JPY	¥109

Nikkei Stock Average	¥29,179
30-year JGB rate	0.67%
USD/JPY	¥111

## Impact of market price fluctuation on ESR (as of end of Mar. 2021)



\* ESR: Economic Solvency Ratio (Economic Value-based Solvency Ratio)

## 2. Business Investment Policy

### (1) Perspectives for Investment Considerations

- We will make disciplined business investments to improve capital efficiency.

#### Growth investments

#### Strengthen: Investment to strengthen the competitiveness of existing businesses

- We will carry out investments that demonstrate a strong awareness of ROI, including investments aimed at promoting digitalization, such as investments in information systems.

#### Expand: Investment to diversify and expand the business portfolio

##### <Perspectives for investment considerations>

- Sharing values
- Sustainable growth models
- Risk diversification (geographically and contextually)
- ROI\*

\* The hurdle rate is set based on the cost of capital (7%), the difference between domestic and foreign interest rates, and the risk assessments for each business

##### <Targets>

US: Specialty, MGA, InsurTech  
Asia: Retail insurance market  
Other

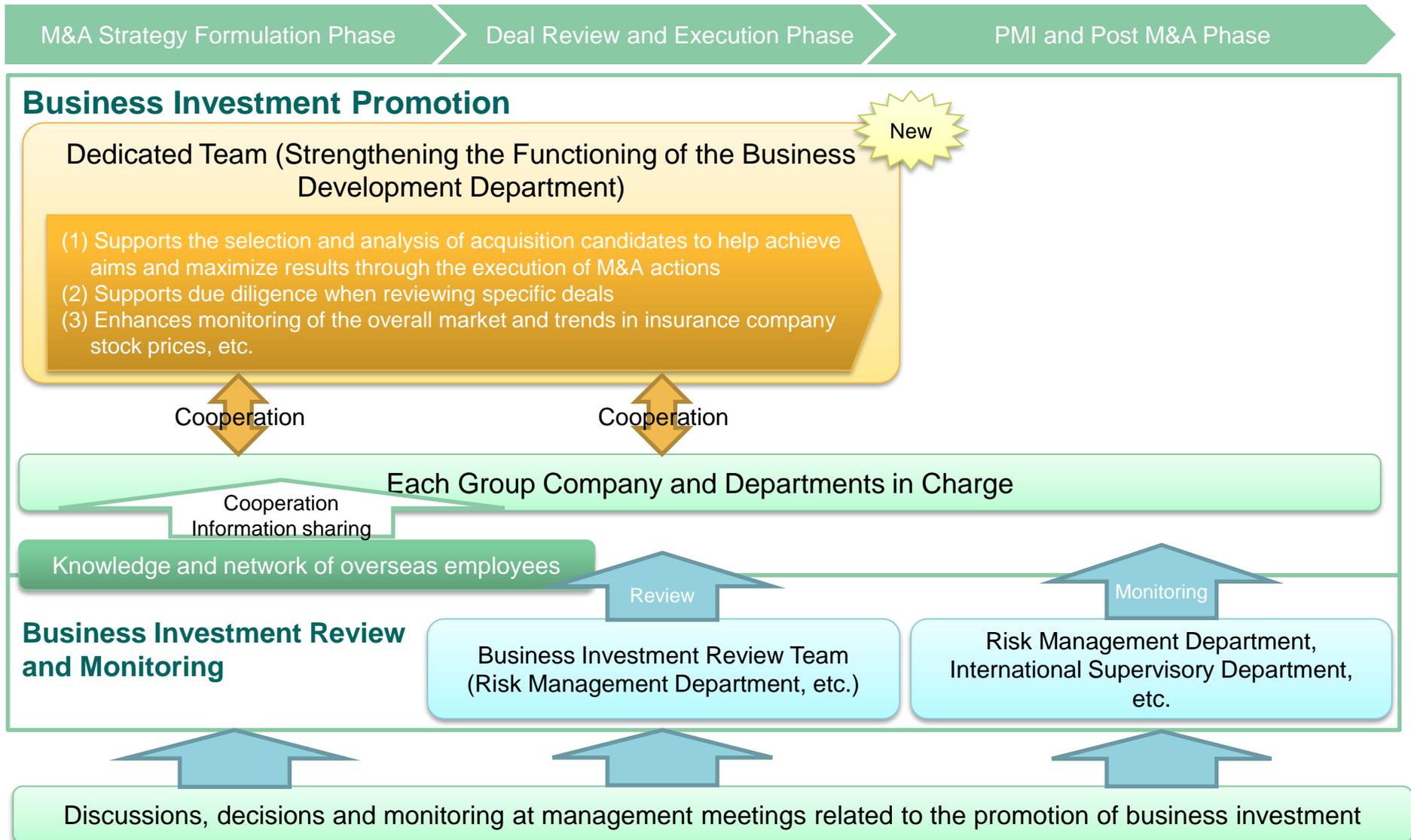
#### Innovate: Investment to create new business territories

- Investment to search for technologies and business models that will be game changers over the next 3 to 5 years  
(As of March 31, 2021, investment through CVC applies to 52 companies.)
- During the actual technology implementation phase, carry out investments that demonstrate a strong awareness of ROI

# 2. Business Investment Policy

## (2) Strengthening the Review Structure

- In April 2021, a dedicated team was established within the holding company to strengthen support functions for reviewing and promoting Group M&A activities.

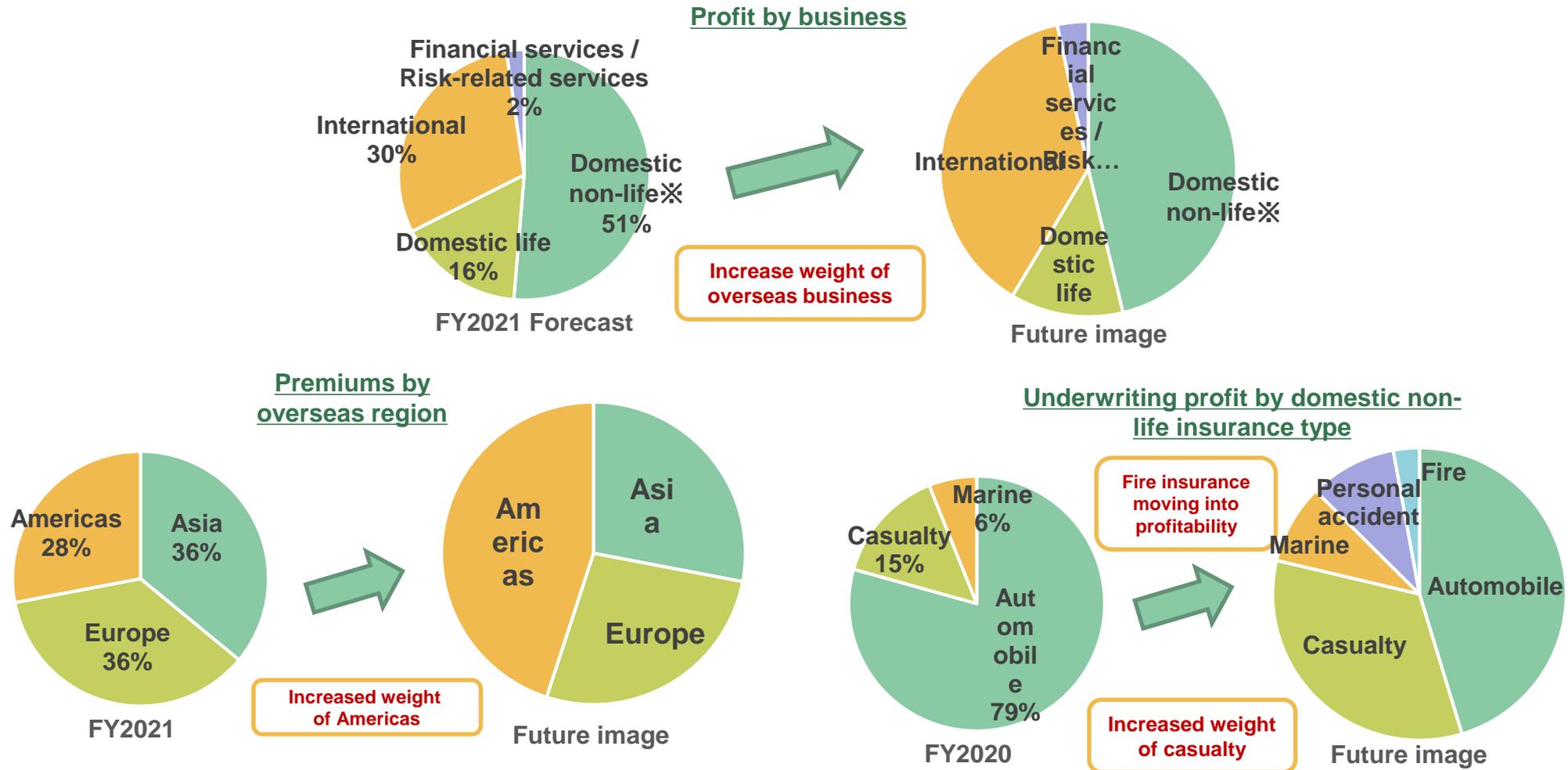


# 3. Strengthening of Business Portfolio Management

## (1) Revision of Business Portfolio

- Revise the business portfolio to enhance capital efficiency

### Image of Revisions to the Business Portfolio



\* Domestic non-life excludes gain/loss from sale of strategic equity holdings.

### 3. Strengthening of Business Portfolio Management (2) Action Steps and Portfolio Management Perspectives

#### Action Steps

Clarify issues for each business



Manage the status of solutions to the issues



Portfolio replacement based on the results

#### Portfolio Management Perspectives

Carry out improvement initiatives and the replacement of businesses in the interests of capital efficiency, growth potential and profit volatility

##### Quantitative Perspectives

Capital Efficiency

Growth Potential

Volatility

##### Qualitative Perspective

Strategic Significance

## 4. Shareholder Return Policy and Shareholder Return for FY2020

- For FY2020, the annual dividend is planned at ¥155. In addition, share buybacks of up to ¥15 billion will be implemented.
- For FY2021, the annual dividend is forecast at ¥160.

### Shareholder Return Policy

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

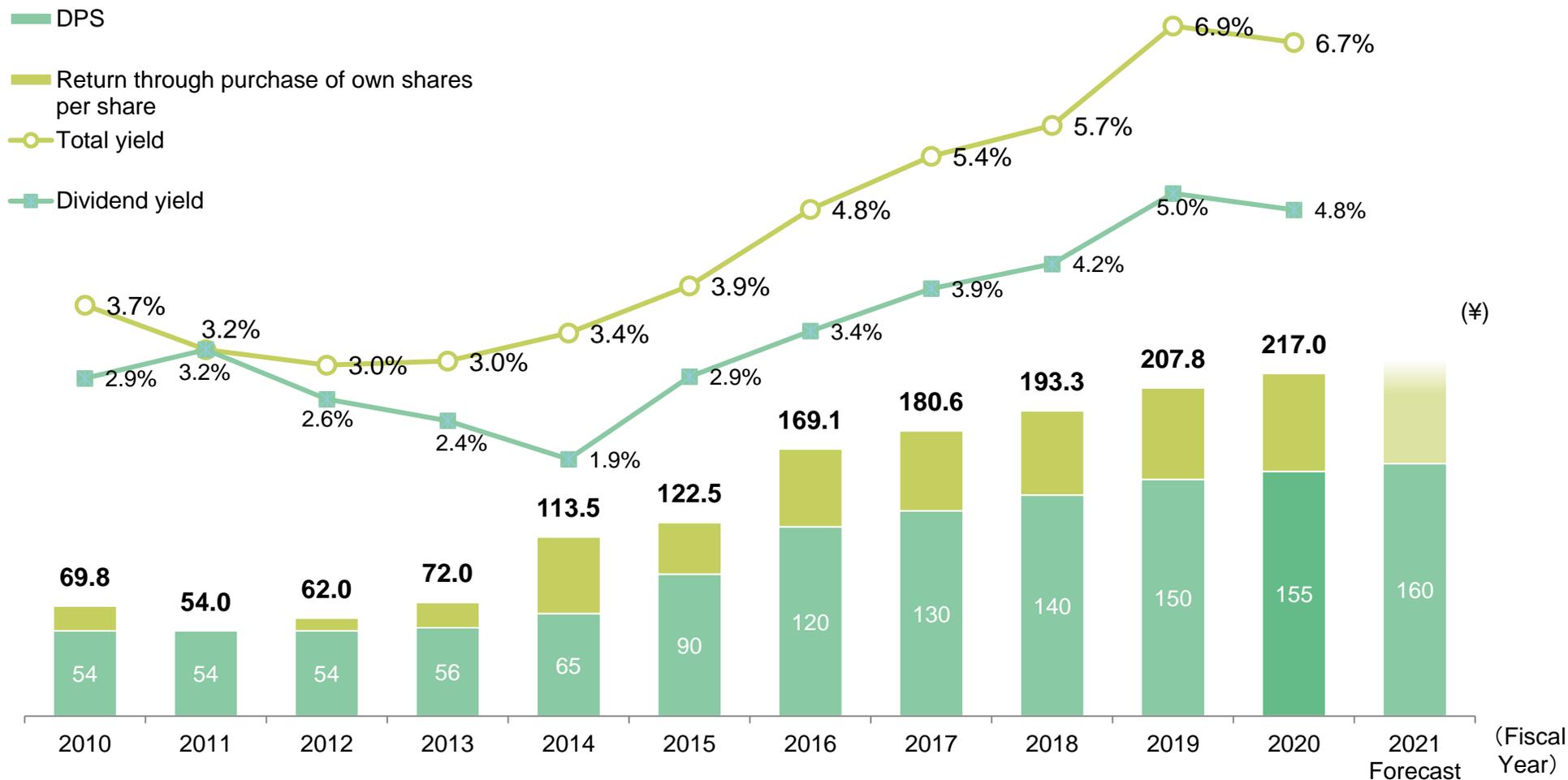
### Shareholder Return Forecast for FY2020

Dividend	FY2020	The annual dividend is planned at <b>¥155 (up ¥5 from the previous year)</b>
	FY2021	The annual dividend is forecast at <b>¥160 (up ¥5 from the previous year)</b>
Share buybacks	FY2020	Following the ¥20.0 billion share buyback determined on November 19 2020, <b>share buybacks of ¥15.0 billion maximum will be implemented (determined on May 20, 2021).</b>

\* Please see p. 92 for the calculation method of Group Adjusted Profit.

### 3. Total Shareholder Return per share, Total Yield, and Dividend Yield

#### Total Shareholder Return per share, Total Yield, and Dividend Yield

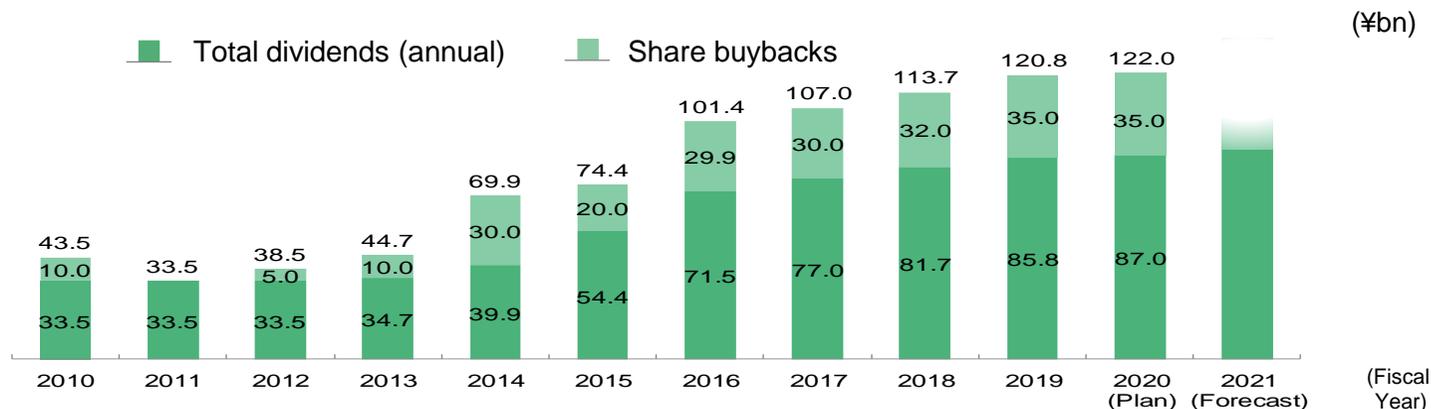


### 3. Past Shareholder Returns; Supplementation for Return Policy

#### Total shareholder returns (as of May 20, 2021)

(¥bn)

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	Total	FY2020 (Plan)	FY2021 (Forecast)
Group Adjusted Profit*1	14.5	-87.5	87.4	94.8	155.7	147.5	213.7	105.1	189.8	233.1	1,154.1	214.6	300.0
Total returns	43.5	33.5	38.5	44.7	69.9	74.4	101.4	107.0	113.7	120.8	747.4	122.0	—
Shareholder return ratio*1	300%	-	44%	47%	45%	50%	47%	102%	60%	52%	65%	57%	—
DOE*2									2.9%	3.3%	—	3.1%	—
Returns per share (yen)	69.8	54.0	62.0	72.0	113.5	122.5	169.1	180.6	193.3	207.8	—	217.0	—



#### Supplementation for Return Policy

- <Dividends> Stable dividends as a basic policy. (DOE: Dividend on equity ratio: Aim for level of 3.0% +/-1.0%\*3)
- <Share buybacks> Repurchase own shares flexibly, and as opportunities arise, with due consideration paid to market conditions and the state of capital.

\*1 Figures until FY2017 are Group Core Profit. Please refer to p.85 for the method of calculating the single-year shareholder return ratio.

\*2 DOE: Dividend on equity = Annual dividend (interim dividend, year-end dividend, etc.) ÷ Net assets

\*3 The target was revised in November 2020 from “2.0%~3.0%” to “3.0% +/- 1.0%”, as the DOE outlook is higher than expected.

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## VI. Reference

# Impact of Domestic and Overseas Natural Catastrophes

- Incurred losses of domestic natural catastrophes decreased by 59.3 billion yen year-on-year to 71.1 billion.
- Incurred losses of overseas natural catastrophes were 53.7 billion yen. Insured losses from all disaster events around the world in 2020 were the fifth highest on records\*1.

## Impact of domestic natural catastrophes

(¥bn)

	Incurred Loss		
	FY2019	FY2020	YoY Change
	Results	Result	
Mitsui Sumitomo Insurance	71.1	<b>42.7</b>	- 28.3
Aioi Nissay Dowa Insurance	59.4	<b>28.3</b>	- 31.0
Total	130.5	<b>71.1</b>	- 59.3

## Impact of overseas natural catastrophes

(¥bn)

	Incurred Loss		
	FY2019	FY2020	YoY Change
	Results	Result	
Aioi Nissay Dowa Insurance	8.4	<b>16.5</b>	8.0
MS Amlin	11.2	<b>23.0</b>	11.8
Others (Mitsui Sumitomo Insurance)	-	<b>2.1</b>	2.1
Consolidation adjustments	-	<b>12.0</b>	12.0
Total	19.7	<b>53.7</b>	34.0

\* Consolidation adjustments is the additionally recorded loss from the North American cold wave that occurred in February 2021. This loss was recorded in 1Q of FY2021 at overseas subsidiaries (FY: January – December).

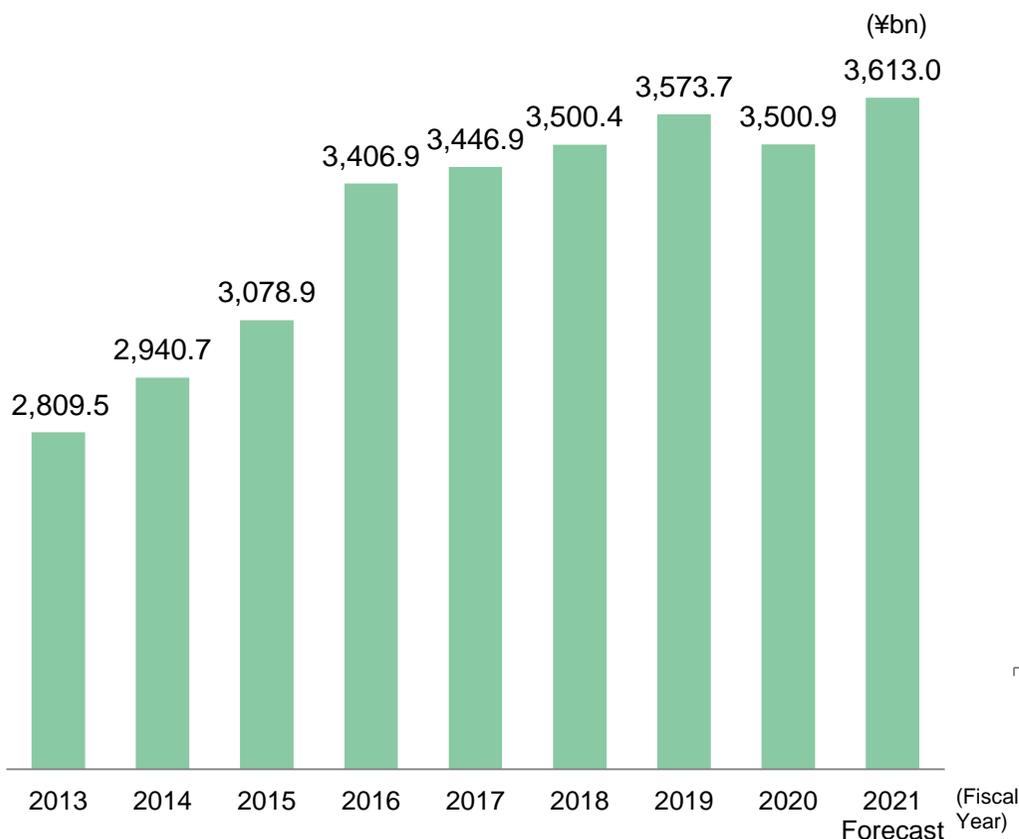
\* Calculation for overseas natural catastrophes is done internally. The figure for MSI is limited to the estimated loss from the North American cold wave.

\*1 Source: Swiss Re

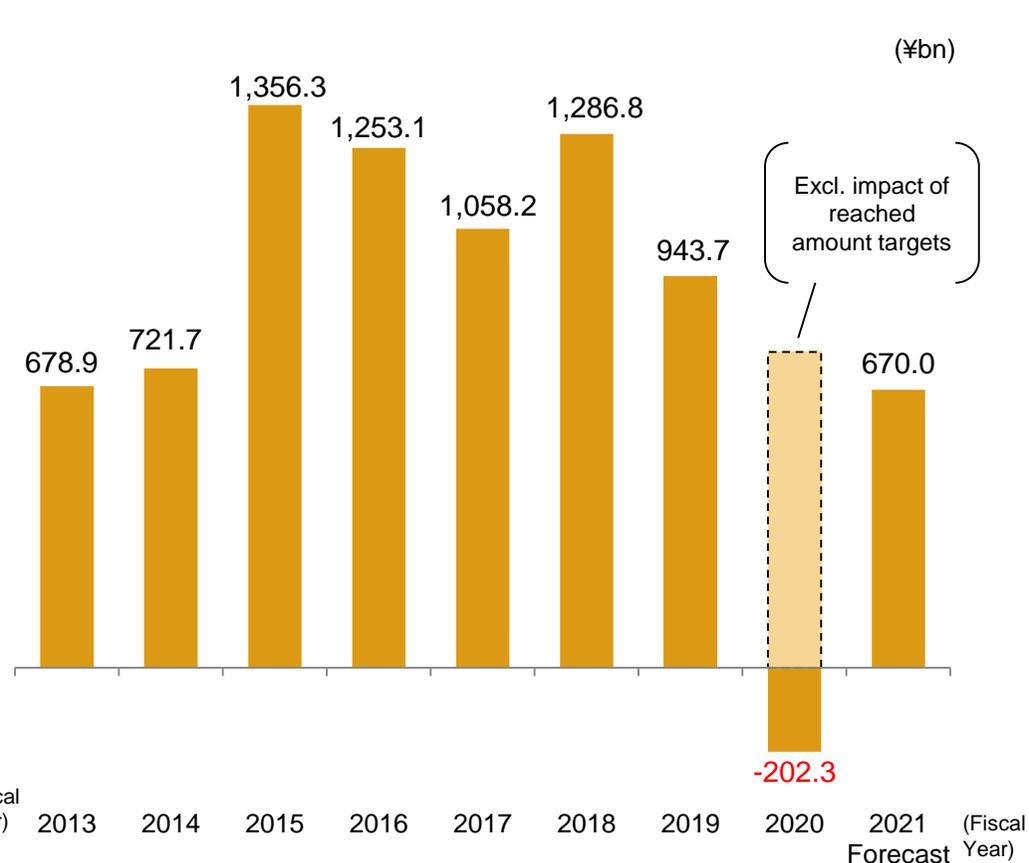
# Overall Situation: (1) Premium Income

- Consolidated net premiums written decreased by ¥72.7 billion year-on-year to ¥3,500.9 billion in FY2020 mainly due to a decrease at overseas subsidiaries.
- Life insurance premiums decreased by ¥1,146.0 billion to a negative ¥202.3 billion mainly due to the yen depreciation causing cancellation of policies that reached certain yen-based amounts set as a target by policyholders at MSI Primary Life.

**Non-Life Insurance:**  
**Consolidated Net Premiums Written\***



**Life Insurance:**  
**Consolidated Life Insurance Premiums**

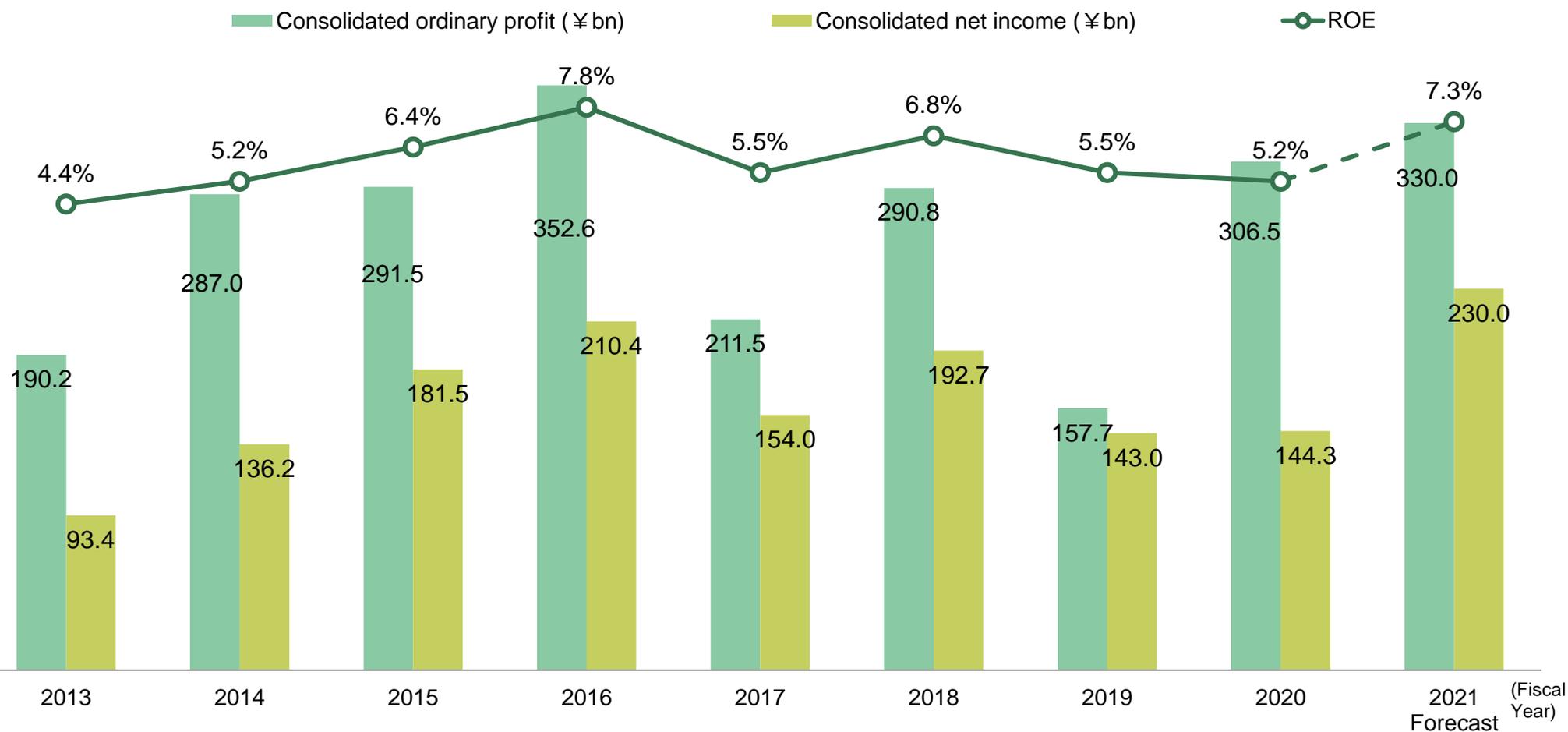


\* Net premiums written exclude the good results return premiums of the ModoRich auto insurance product.

# Overall Situation: (2) Bottom Line and ROE (on a Financial Accounting Basis)

- Net income for FY2020 increased by ¥1.3 billion year-on-year to ¥144.3 billion. While the domestic non-life insurance subsidiaries and overseas subsidiaries saw a decrease in net income, the domestic life insurance subsidiaries, both MSI Aioi Life and MSI Primary Life, had the highest income on records.

## Consolidated Ordinary Profit, Net Income and ROE



# Impact of Foreign Exchange/Interest Rate Fluctuation on Earnings Forecast

- The impact of a 5% JPY appreciation against all currencies is a decrease of about ¥3.0 billion in net income and a decrease of ¥4.0 billion in Group Adjusted Profit.
- The impact of an increase of 0.1% in JPY interest rate is an increase of about ¥0.7 billion both in net income and Group Adjusted Profit.

## Impact of 5% JPY appreciation on profits

<b>Impact on net income</b>	<b>decrease by approx. ¥3.0 billion</b>
● <b>Decrease in profits of overseas subsidiaries</b>	decrease by approx. ¥3.0 billion
● <b>Domestic non-life insurance subsidiaries</b>	increase by approx. ¥1.0 billion
<b>Decrease in claims reserve in foreign currency Change in valuation of foreign currency deposits and exchange gain/loss on currency hedge positions, etc.</b>	
● <b>Decrease of amortization of goodwill and others in foreign currency</b>	increase by approx. ¥1.0 billion
● <b>Decrease of profit margin of domestic life insurance subsidiaries, etc.</b>	decrease by approx. ¥2.0 billion
<b>The impact on Group Adjusted Profit excluding a decrease of amortization of goodwill and others in foreign currency</b>	<b>decrease by approx. ¥4.0 billion</b>

## Impact of 0.1% rise in JPY interest rate on profits

<b>Impact on net income and Group Adjusted Profit</b>	<b>increase by approx. ¥0.7 billion</b>
● <b>Increase in interest for new investment bonds/loans</b>	increase by approx. ¥0.7 billion

\* Impact on earnings forecast for FY2021

# Stock Price-Related Indices

	End of FY2010	End of FY2011	End of FY2012	End of FY2013	End of FY2014	End of FY2015	End of FY2016	End of FY2017	End of FY2018	End of FY2019	End of FY2020
Net Income (¥bn)	5.4	-169.4	83.6	93.4	136.2	181.5	210.4	154.0	192.7	143.0	144.3
Earnings per share (EPS) (¥)	8.68	-272.49	134.46	150.58	221.34	298.72	350.94	260.04	328.72	248.36	255.79
Stock price (closing price) (¥)	1,894	1,699	2,066	2,364	3,370	3,136	3,540	3,355	3,370	3,025	3,249
Rate of change*	-27.0%	-10.3%	21.6%	14.4%	42.6%	-6.9%	12.9%	-5.2%	0.4%	-10.2%	7.4%
(For reference) TOPIX Rate of change* <sup>1</sup>	-11.2%	-1.7%	21.1%	16.3%	28.3%	-12.7%	12.3%	13.5%	-7.3%	-11.8%	39.3%
Book-value per share (BPS) (¥)	2,597.19	2,400.48	3,215.33	3,646.22	4,911.40	4,469.58	4,572.82	4,964.64	4,712.11	4,308.37	5,525.42
Price book-value ratio (PBR)	0.73	0.71	0.64	0.65	0.69	0.70	0.77	0.68	0.72	0.70	0.59
Price earnings ratio	218.20	—	15.36	15.70	15.23	10.50	10.08	12.90	10.25	12.18	12.70

\* Rate of change is a percentage change from the end of the previous fiscal year.

# Calculation Methods of “Group Adjusted Profit”, “Group Adjusted ROE”, “Shareholder Return Ratio” and “Adjusted Net Assets”

## “Group Adjusted Profit”, “Adjusted Net Assets” and “Group Adjusted ROE”

### Group Adjusted Profit

$$\begin{aligned}
 &= \text{Consolidated Net Income} \\
 &+ \text{Provision}^{*1} \text{ for Catastrophe Loss Reserve and Others}^{*2} \\
 &- \text{Other Incidental Factors (amortization of goodwill and other intangible fixed assets and others)} \\
 &+ \text{Equity in Earnings of the non-consolidated Group Companies}
 \end{aligned}$$

### Adjusted Net Assets (Average of beginning and ending amounts of B/S)

$$\begin{aligned}
 &= \text{Consolidated Net Assets}^{*3} + \text{Catastrophe Loss Reserve and Others}^{*2} - \text{Goodwill and Other Intangible Fixed Assets}
 \end{aligned}$$

### Group Adjusted ROE

=

## “Single-Year Shareholder Return Ratio”

### Shareholder Return Ratio

$$\begin{aligned}
 &= \frac{\begin{aligned} &+ \text{Dividends for the current fiscal year (To be paid in December of the year and in June of the next year)} \\ &+ \text{Value of share buybacks determined by the day of the annual general meeting of shareholders in the next fiscal year} \end{aligned}}{\text{Group Adjusted Profit of the current fiscal year}}
 \end{aligned}$$

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

### Group Adjusted Profit for FY2020

$$\begin{aligned}
 \text{Group Adjusted Profit } 214.6 &= \text{Consolidated Net Income } 144.3 + \text{Provision for Catastrophe loss reserve and others } 52.9 - \text{Other Incidental Factors}^{*4} \text{ (amortization of goodwill and other intangible fixed assets and others) } -17.1 + \text{Equity in Earnings of the non-consolidated Group Companies } 0.1
 \end{aligned}$$

(¥bn)

### Adjusted Net Assets as of the end of FY2020 (¥bn)

$$\begin{aligned}
 \text{Adjusted Net Assets } 3,541.7 &= \text{Consolidated Net Assets } 3,084.3 + \text{Catastrophe Loss Reserve and Others } 730.4 - \text{Goodwill and other Intangible Fixed Assets } 273.0
 \end{aligned}$$

\*4 Amortization of goodwill and others: ¥-26.9 billion, Extraordinary income/loss excluding reserves for price fluctuation, etc.: ¥9.7 (including the ¥19.4 billion yen impact of the introduction of consolidated taxation system and the ¥-11.5 billion yen tax burden associated with the exchange of shares of affiliates).