

Advancing with you

MS&AD

INSURANCE GROUP

Fiscal 2021 First Information Meeting

May 28, 2021

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

Evolution of Technology

- 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)

- ◆ **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

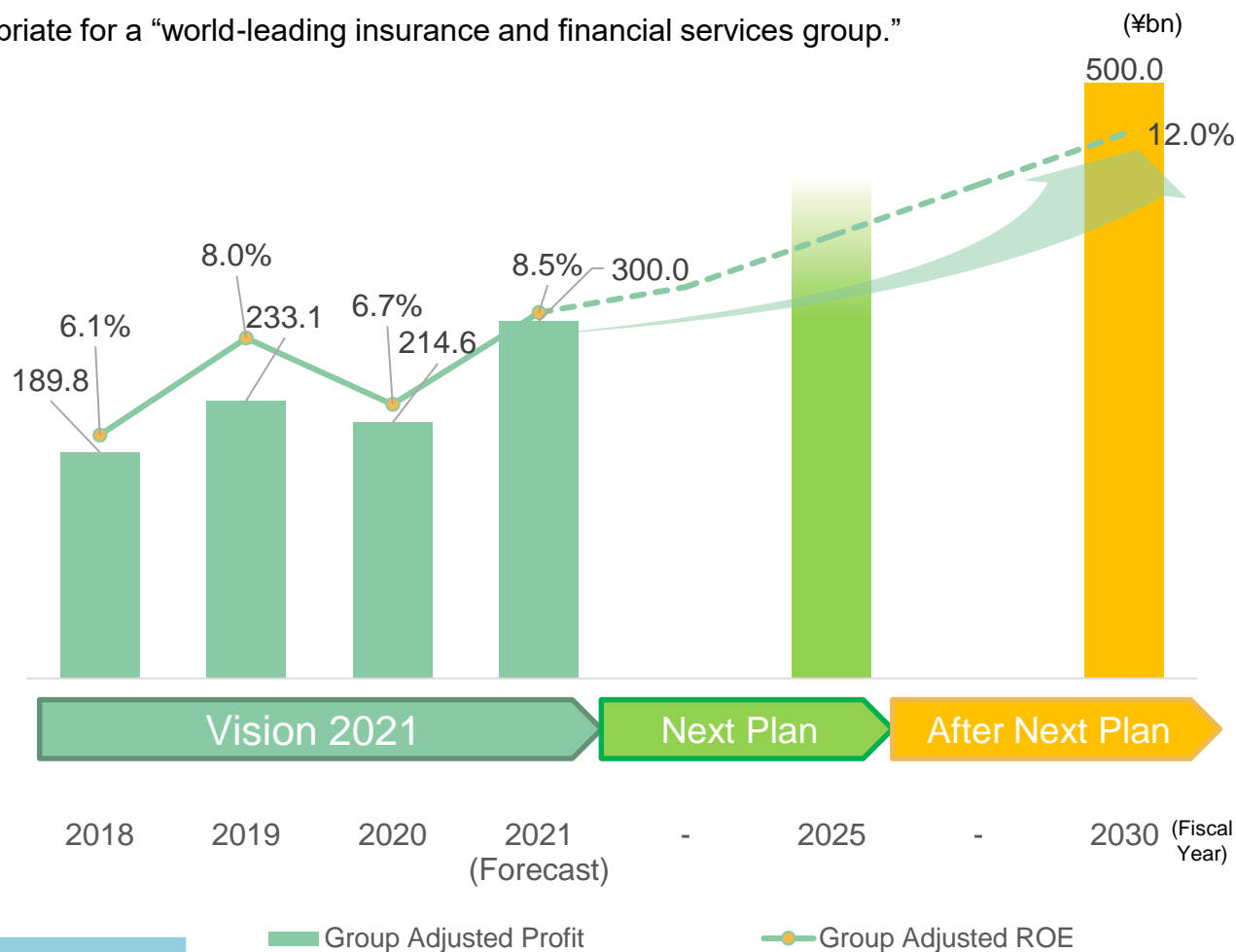
CO2 emissions

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

S

D&I (by the end of 2030)

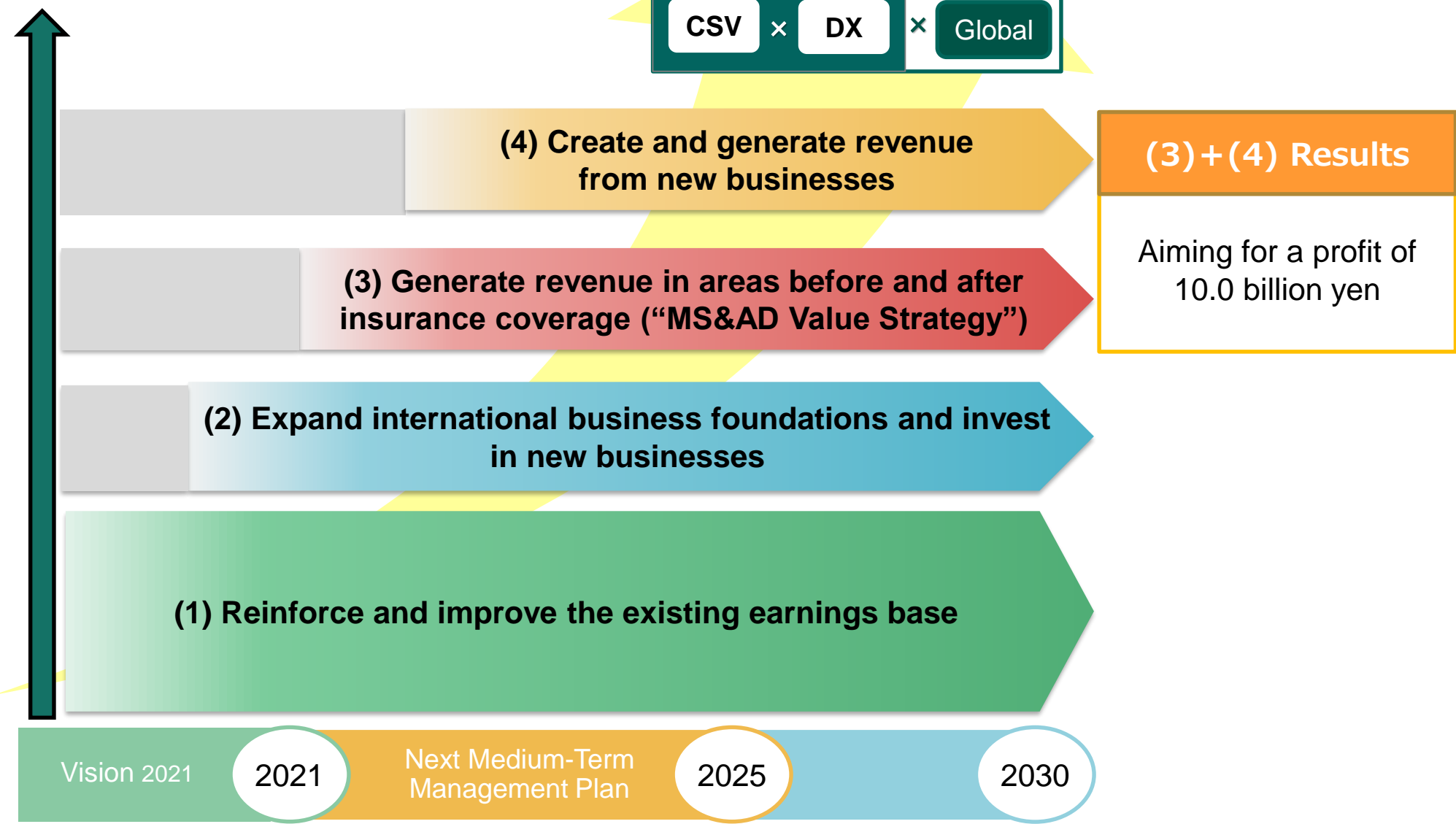
Percentage of female officers* (holding company)	Percentage of female managerial positions (Group target)	Percentage of female line managers (Group target)
30%	30%	15%



* Directors + auditors + executive officers

4. Growth Vision

Profit Level



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



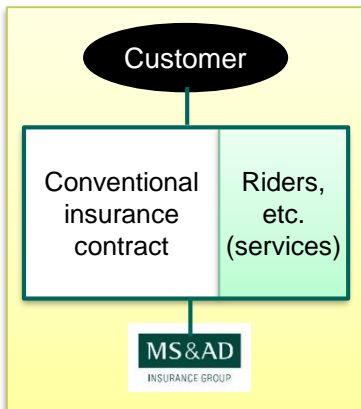
Pattern 1: Riders

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



Loaning of dash cam

MS&AD MSI

MS&AD ADI

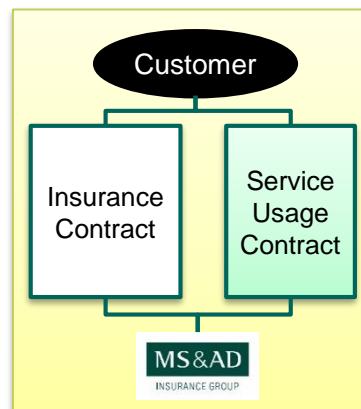
Pattern 2: Service Usage Contracts

Example

Detecting and Defending From Cyber Attacks

Mimamoru Cyber Insurance

Support for prompt initial response



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

MS&AD InterRisk Research & Consulting, Inc.

MS&AD INSURANCE GROUP

Insurance-based coverage

MS&AD MSI

Specialist contractor referral service when an incident occurs (free)

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

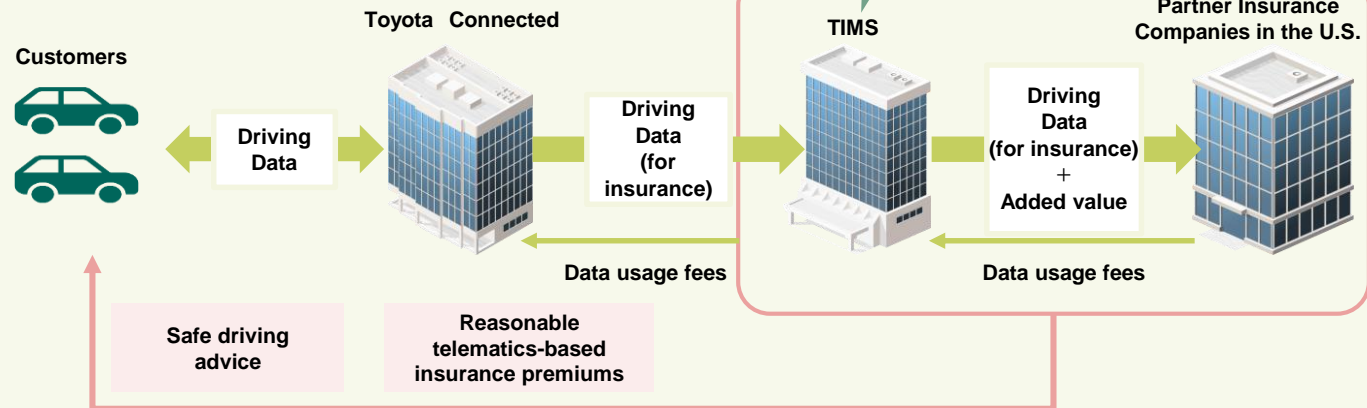


Analyzing the impact on companies including their supply chains and providing risk mitigation measures

Telematics Data Business in the U.S.

- Storage of all DCM data
- Big data analysis

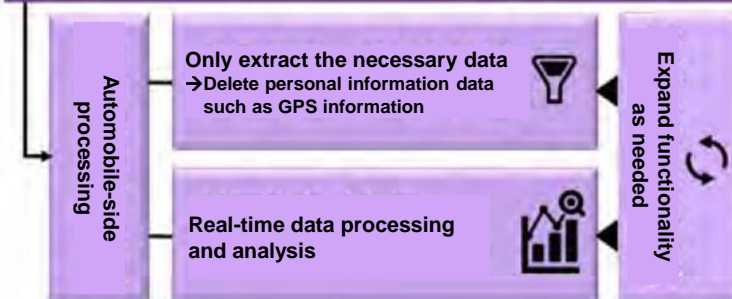
- Examples
- Telematics Data Analysis
 - Distance driven
 - Driving duration and time of day
 - Braking and acceleration actions, etc.



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

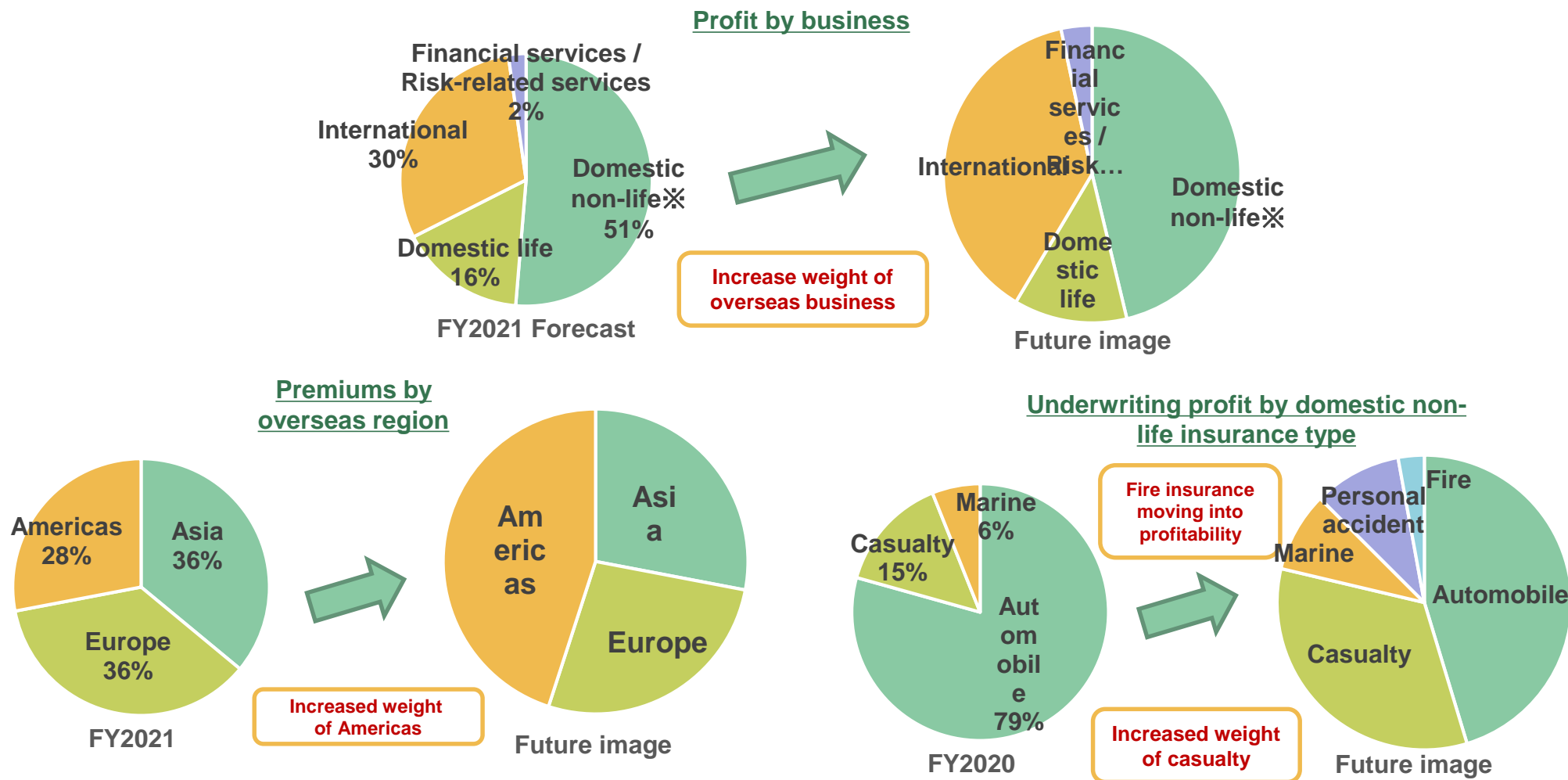
*OTA (Over the Air): technology for data transfer and software updates through wireless network

6. 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.

6. 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

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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
	65.1	98.4	119.9	-26.1	136.0	16.1	-14.0
Domestic life insurance business	31.6	29.7	56.9	25.9	43.0	-13.9	2.0
International business	5.4	49.4	-7.1	-11.1	80.0	87.1	5.0
Financial services business/ Risk-related services business	5.8	4.8	6.1	0.1	6.0	-0.1	-1.0
Group Adjusted ROE	6.1%	8.0%	6.7%	- 0.1pp	8.5%	1.8pp	- 1.5pp
Net Income/Losses	192.7	143.0	144.3	4.3	230.0	85.6	-
Consolidated net premiums written	3,500.4	3,573.7	3,500.9	40.9	3,613.0	112.0	33.0
Life insurance premiums (gross premiums)	1,599.9	1,393.4	1,297.3	189.3	1,200.0	-97.3	200.0
EEV of MSI Aioi Life	819.4	890.2	958.3	36.3	1,010.0	51.6	48.0
ESR (Economic Solvency Ratio)	199%	186%	235%	-	180% ~ 220%	-	-

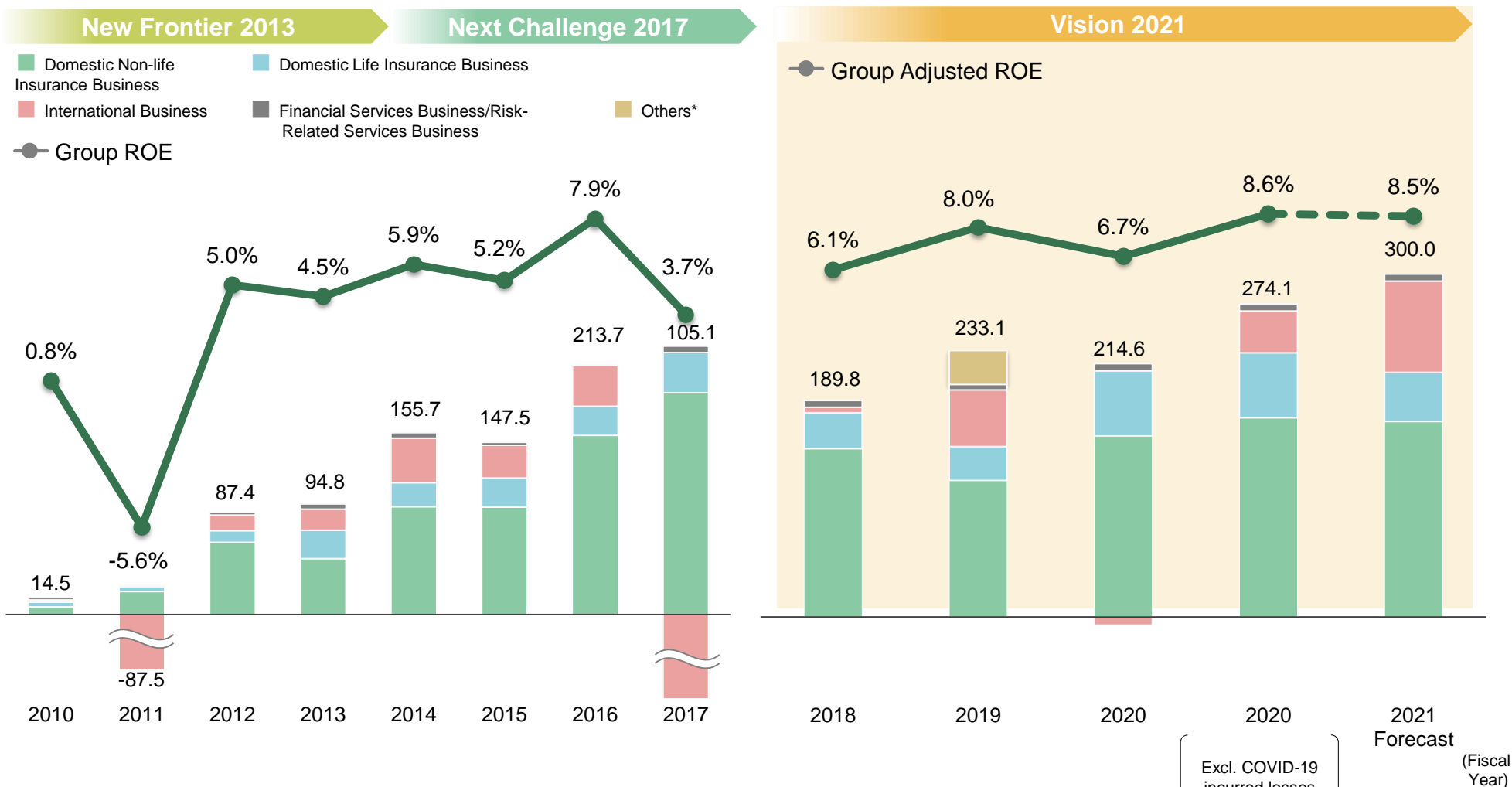
※ Gross premiums income is for domestic life insurance subsidiaries only.

3. 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

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.

	Results (¥bn)				
		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)
Incurring losses	
Business Interruption (Direct, UK and other)	15.0
Other (reinsurance, credit and surety insurance, contingency reserve, etc.)	27.7
Total	42.8

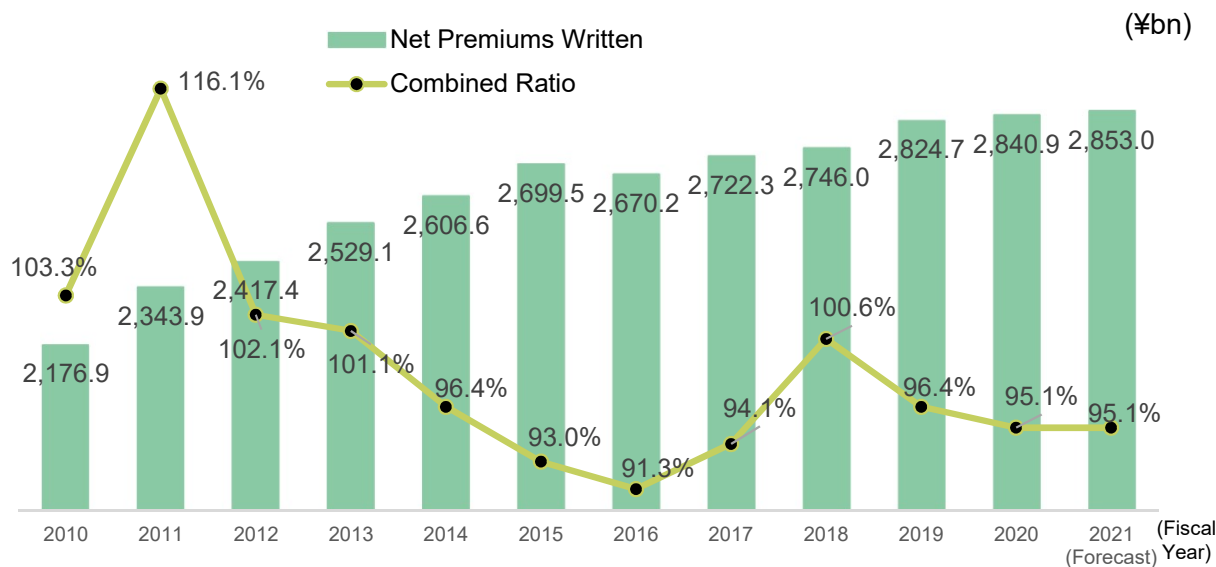
Impact of COVID-19 (FY2021 Forecast)

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. Domestic Non-Life Insurance Business: Current Status

Net Premiums Written*1 / Combined Ratio*2



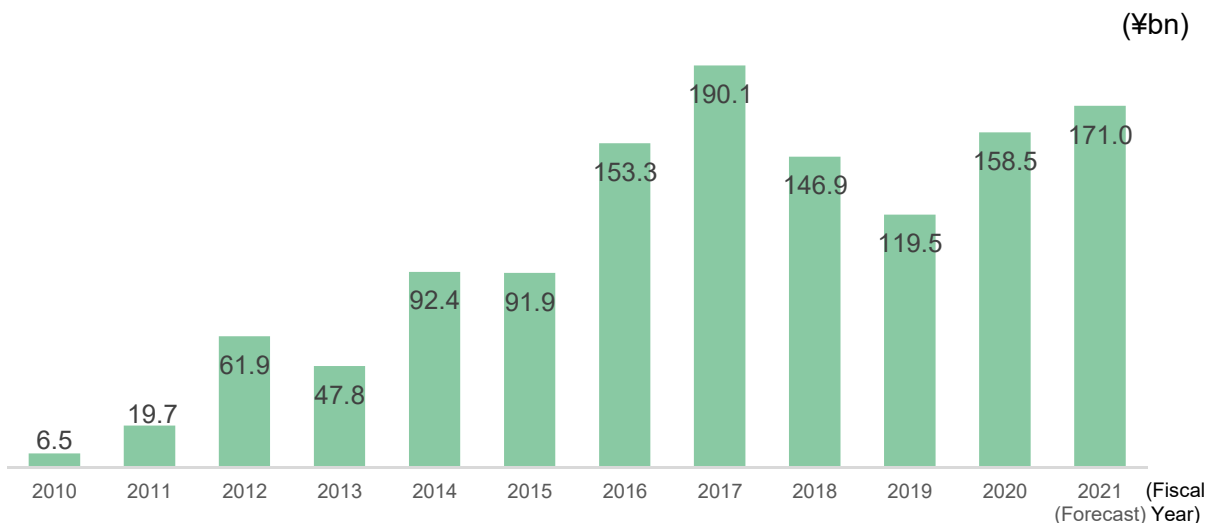
Premium growth rate continuing at top industry level

- 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

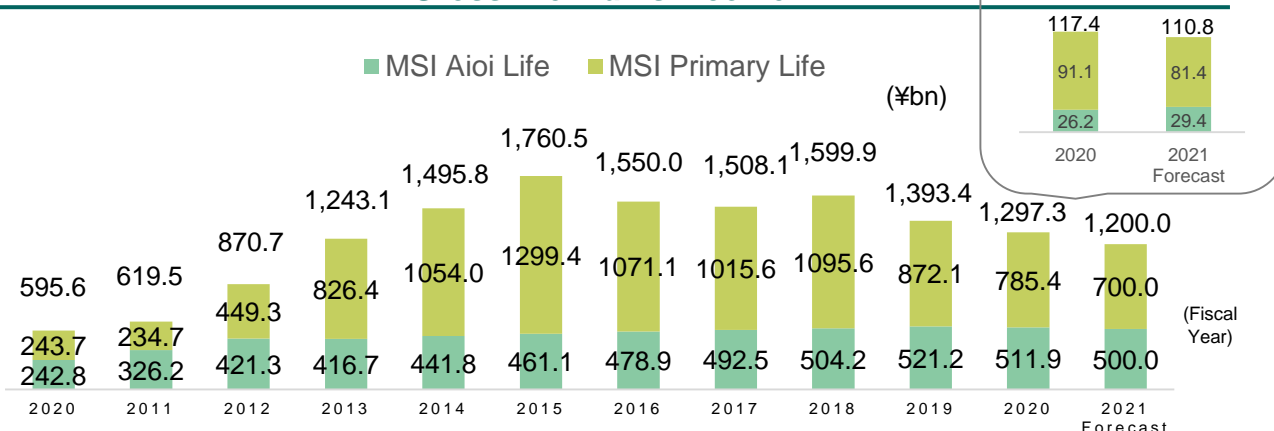
*3 FY 2010 – FY2017 : Group Core Profit

ROR
(Average of FY2018 to
FY2020)

11.9%

6. Domestic Life Insurance Business: Current Status

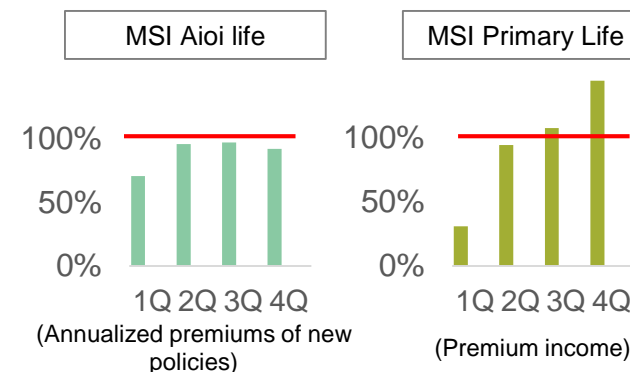
Gross Premiums Income



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.

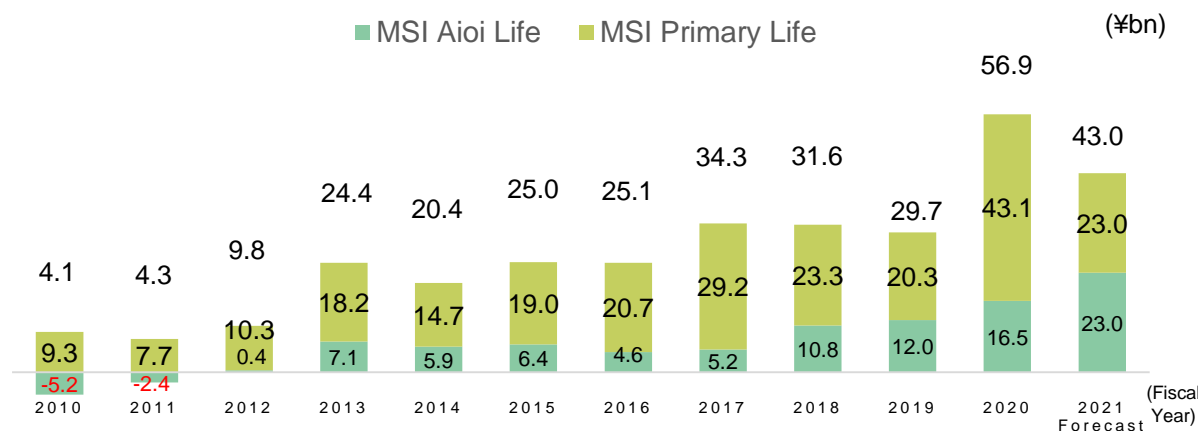
YoY change (FY2020)



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.

Group Adjusted Profit*1,*2



*1 Years 2010 to 2017 show Group Core Profit

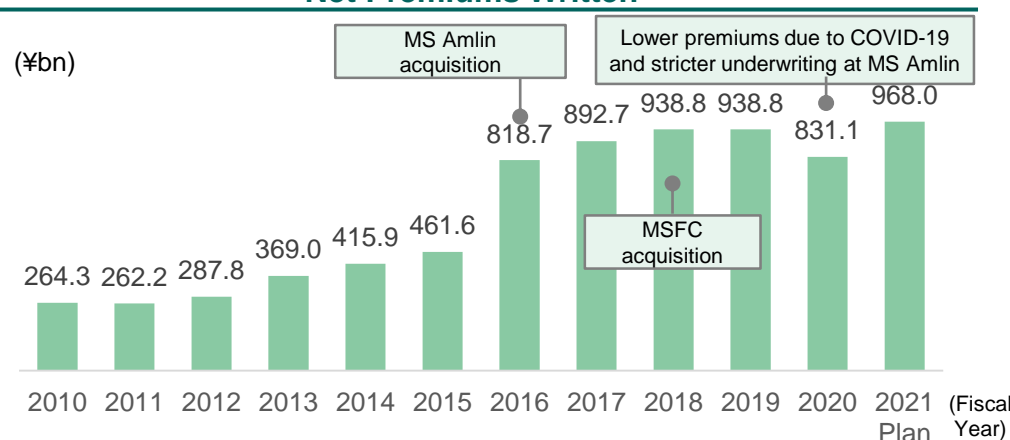
*2 As the Group Adjusted Profit figures for the combined domestic life insurance business (figures at the top of the graph) include purchase difference and other adjustments, they do not match the simple sum of the values for each subsidiary.

ROR
(Average of FY2018 to FY2020)

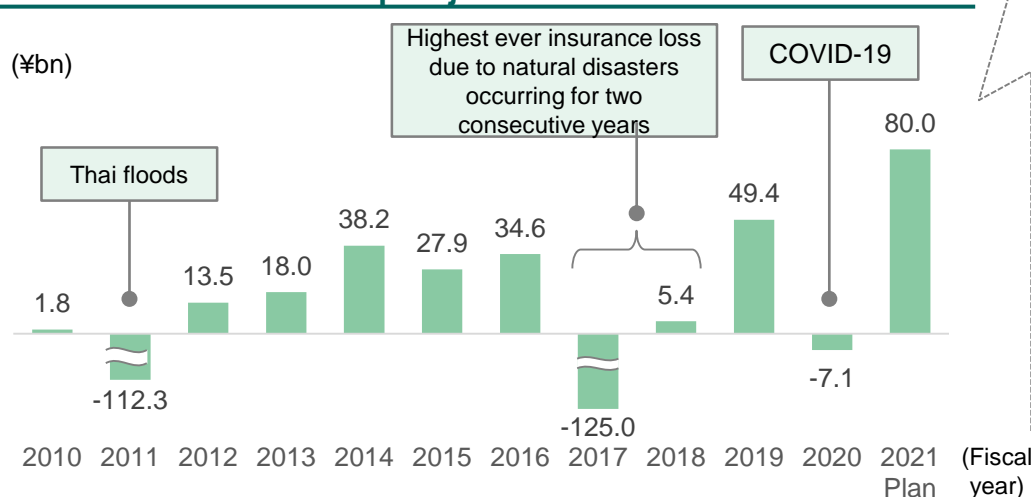
7.1%

7. International Business: 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.)	
MS Amlin	<ul style="list-style-type: none"> - Measures to improve profitability at MS Amlin - Capturing of market hardening 	+14.0	+30.0
Asia, Europe and Americas	<ul style="list-style-type: none"> - Asian retail market development - Specialty market development (incl. MGA) - Impact of losses from North American cold wave 		
International Life Insurance	<ul style="list-style-type: none"> - Recovery of Challenger business performance - Dividend increase from Phoenix - Making BoComm Life an equity-method affiliate, etc. 	+16.0	
Special Factors	Recovery from negative factors such as COVID-19 impact	+57.0*2	

*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%

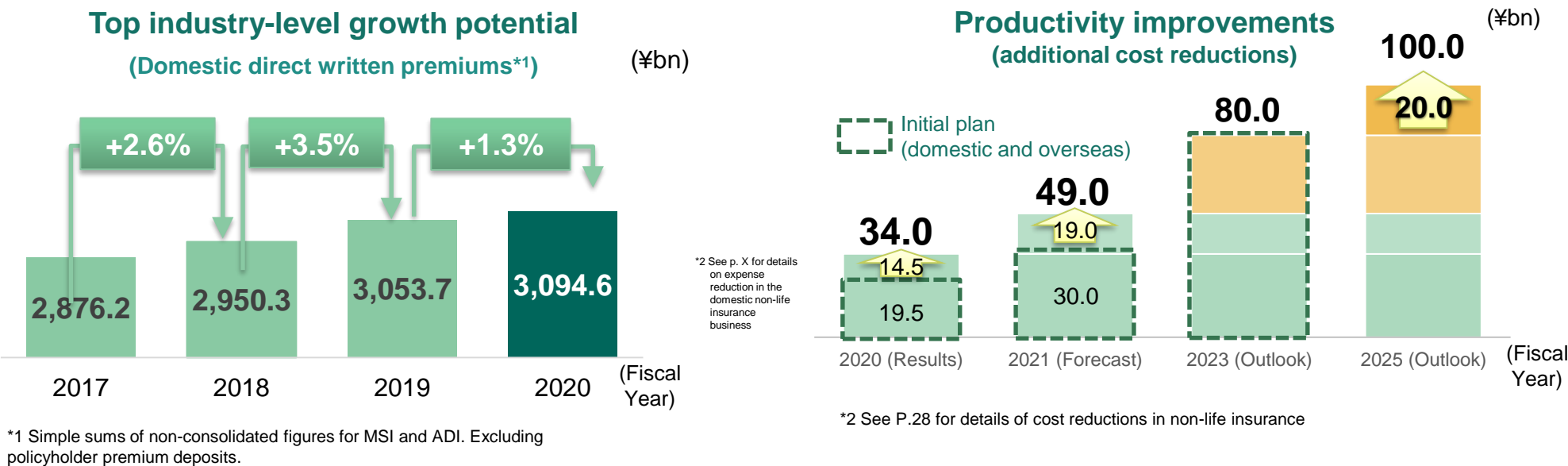
(6.0% excl. impact of COVID-19)

*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).

8. 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



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

8. Three Key Strategies: Promote Digitalization

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

Expansion through CSV x DX

Transforming Products and Services

Transforming Sales Channels and Sales Techniques

Creating New Business

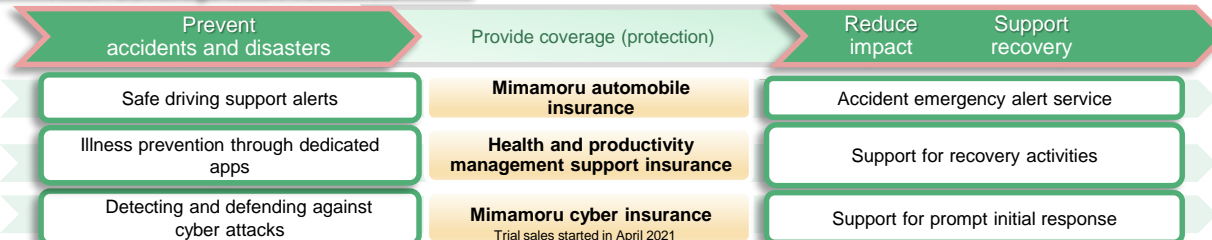
Global Rollout

- in Japan, Asia and around the world -

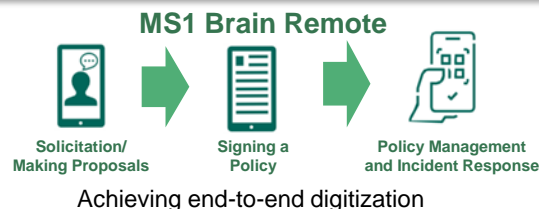
Examples of Implementation

Providing Risk Solutions Before And After Coverage and Protection

Position as core products and expand the product lineup

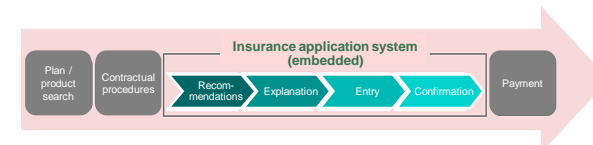


Digitizing the Process of Insurance Procedures



System Integration with E-commerce Sites

Rolled out on e-commerce and reservation sites



Data Business

RisTech

- Development of safe driving diagnostic services using digital tachographs, "disaster prevention dashboard**" tools for local governments, etc.

* Visualization of real-time water level data and area risks, etc.

US Telematics Data Business

- Selling of data collected and analyzed from in-vehicle devices to insurance companies
- Establishment of insurance software company MOTER

Globalization

Asia

- **Group roll-out of MS1 Brain.** Launch of insurance sales in the Philippines. Considering additional rollouts in other countries.

Telematics-based Automobile Insurance

- Sales of telematics-based automobile insurance in five European countries (UK, Germany, France, Italy, Spain), Thailand, etc.

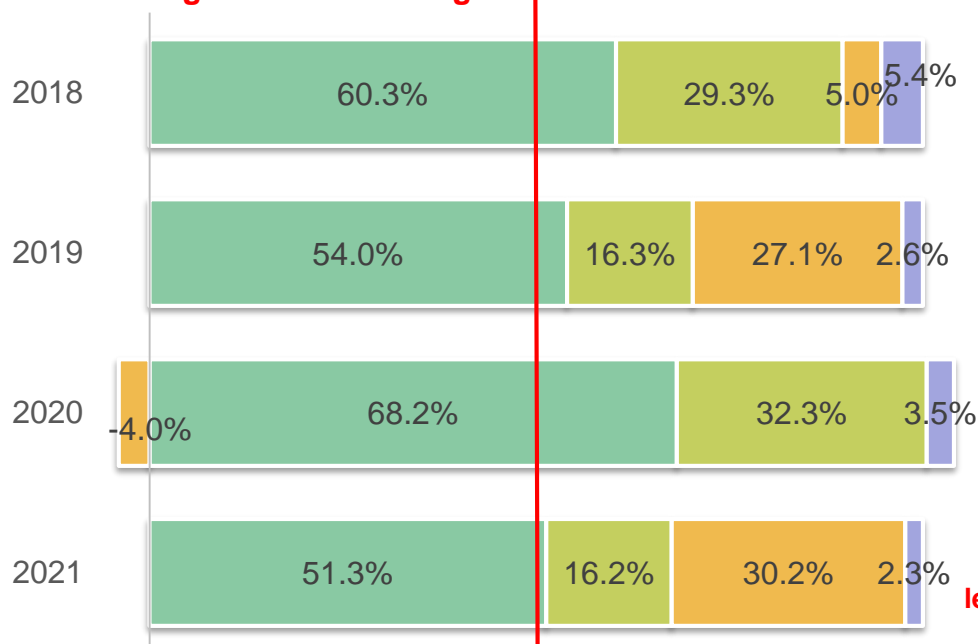
8. Three Key Strategies: Reform the Portfolio

- 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

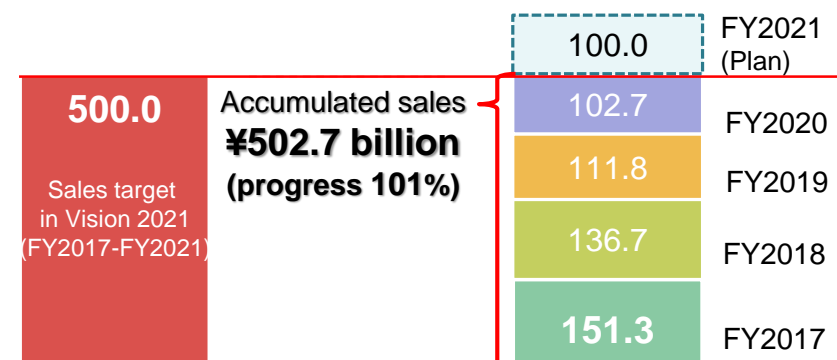
Target: 50% excluding domestic non-life business



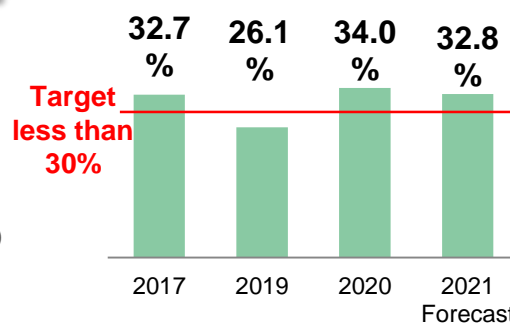
- Domestic Non-life Insurance (excluding gain on sales of strategic equity holdings)
- Domestic Life Insurance
- International
- Financial Services Business/Risk-Related Services Business

Diversification of Risk Portfolio

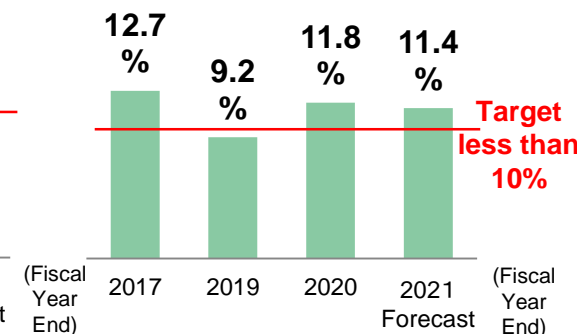
Target and progress of sales of strategic equity holdings (¥bn)



Percentage in integrated risk amount



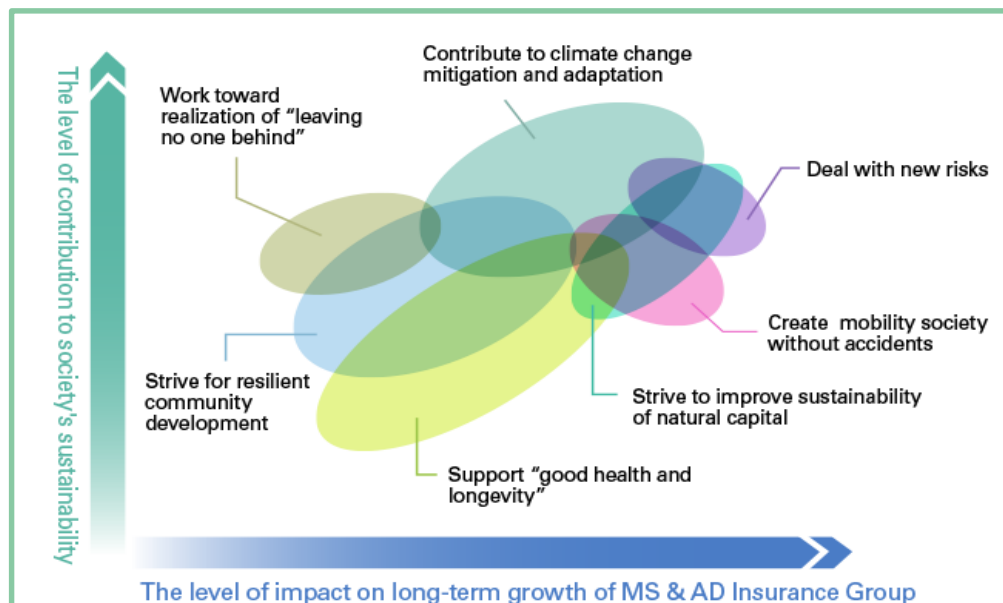
Percentage in consolidated total assets



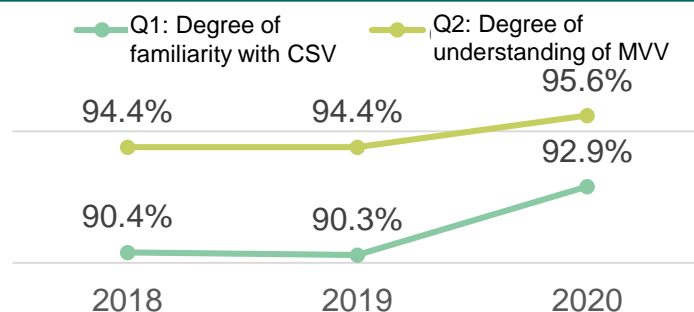
9. CSV Initiatives ①

- 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



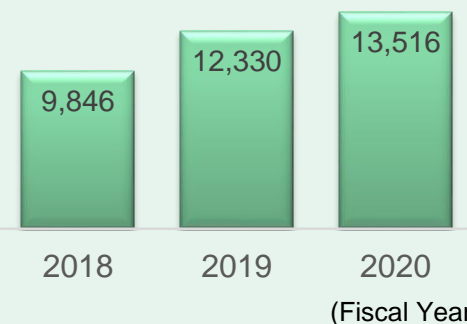
Examples of CSV Initiatives

Dealing with New Risks

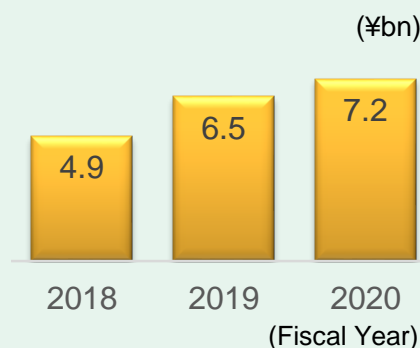
Developing and Providing Products That Address New Risks

- 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



RisTech-based Accident Prevention and Disaster Prevention Service

Number of service contracts: **44**

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

9. CSV Initiatives ②

Create mobility society without accidents

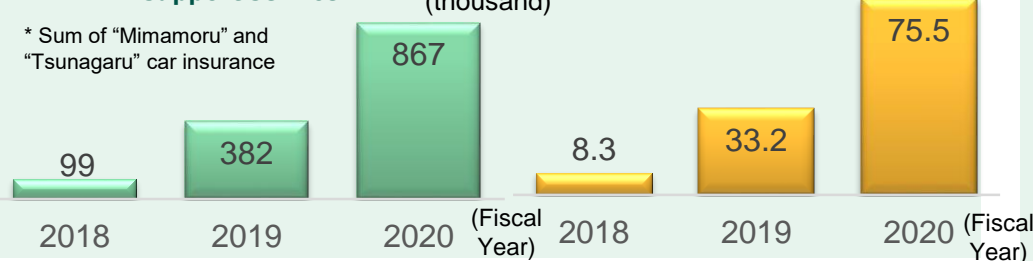
Providing Products and Services that Lead to Solutions

- 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



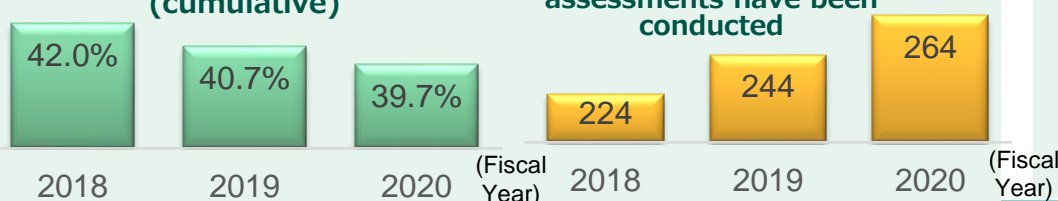
Strive to improve sustainability of natural capital

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

9. 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)



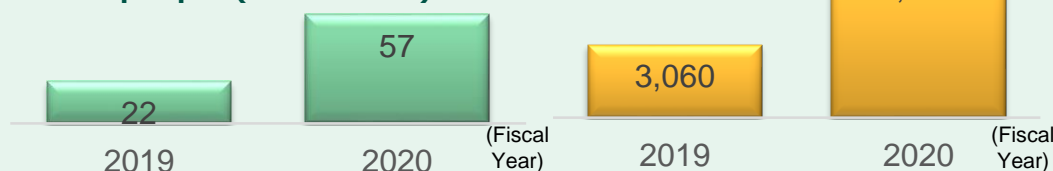
Work toward realization of “leaving no one behind”

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

Ⅲ. Topics

- 1. Cost reductions**
- 2. Profitability Improvement in Fire Insurance**
- 3. Profit Recovery in International Business**
- 4. Global Governance**
- 5. Business Investment Policy**
- 6. Reducing Interest Rate Risks at MSI Aioi Life**
- 7. Responding to Climate Change**

Ⅲ. Topics

1. Cost reductions

2. Profitability Improvement in Fire Insurance

3. Profit Recovery in International Business

4. Global Governance

5. Business Investment Policy

6. Reducing Interest Rate Risks at MSI Aioi Life

7. Responding to Climate Change

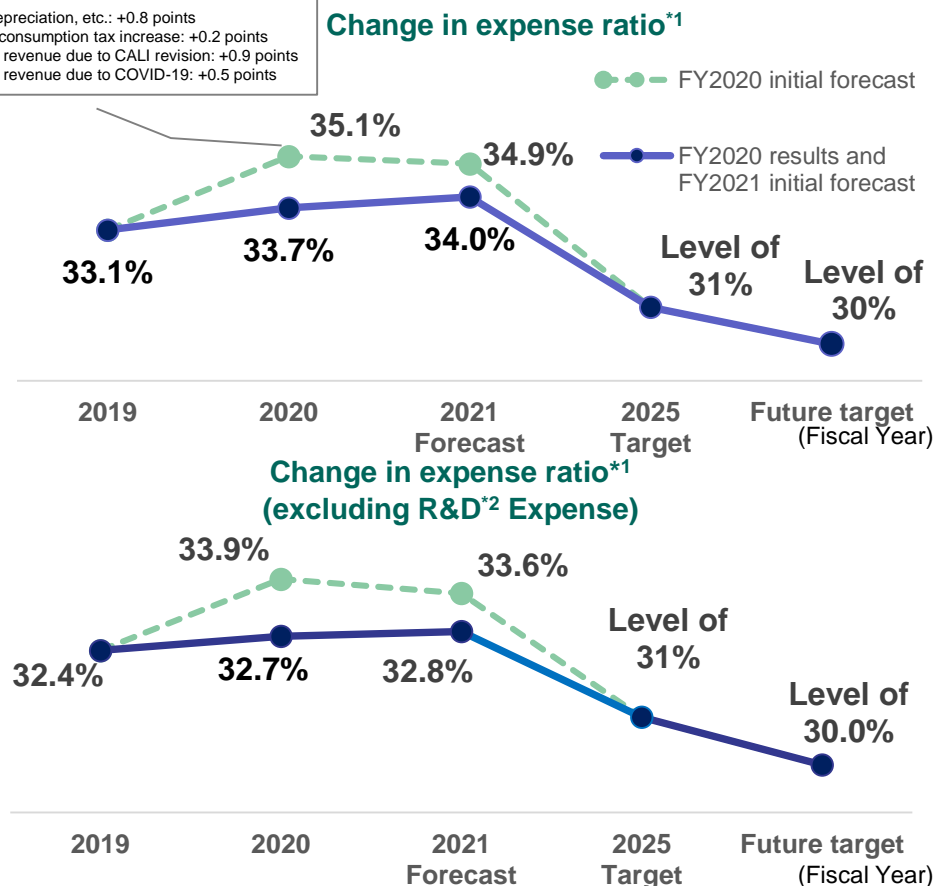
1. Cost reductions

(1) 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

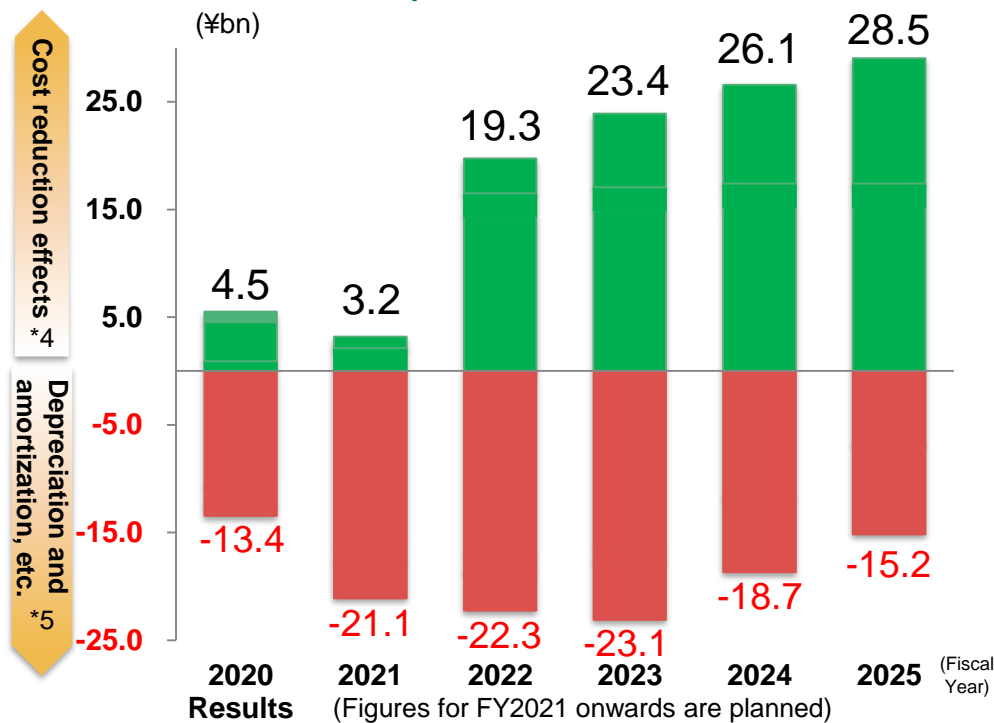


*1: Simple sum of non-consolidated figures for MSI and ADI

*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

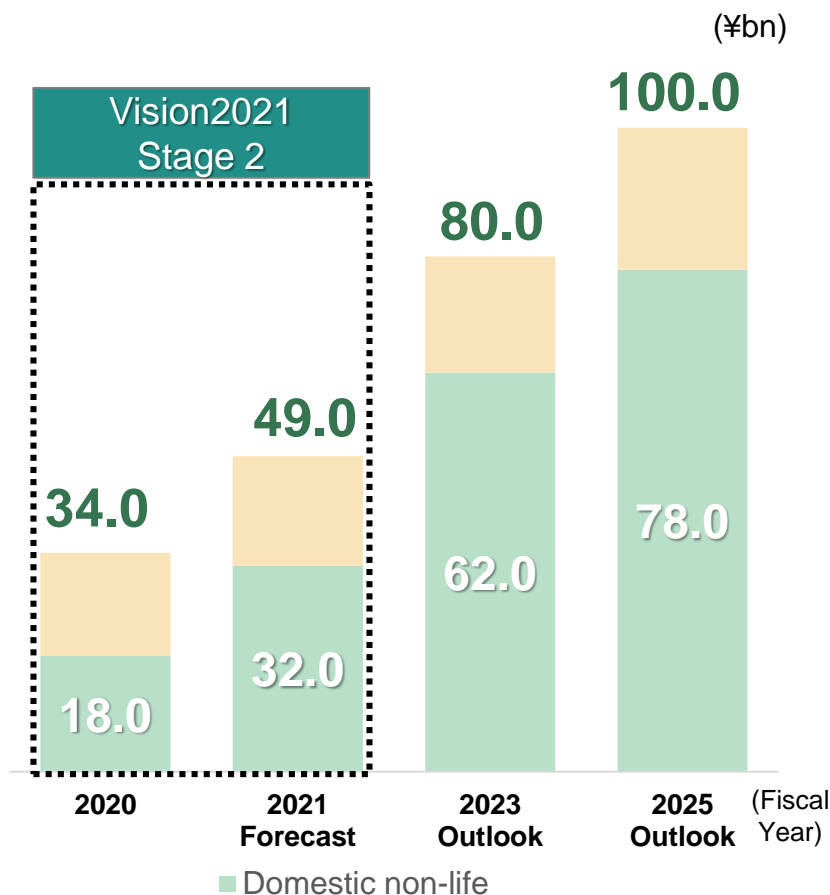
*5: Including depreciation and amortization + system development costs / operating costs (expense processing amount), costs to deal with aging servers

1. Cost reductions

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

Overseas

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

Ⅲ. Topics

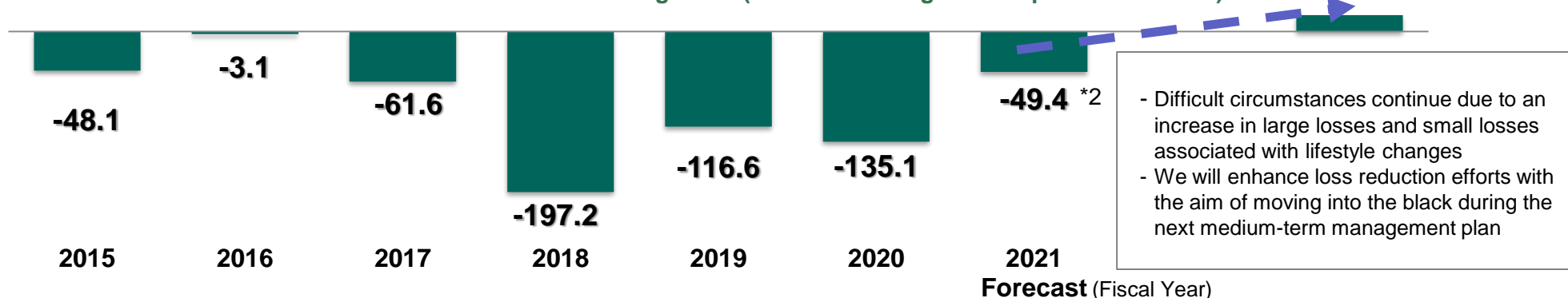
1. Cost reductions
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2. Profitability Improvement in Fire Insurance

- 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) ^{*1} (¥bn)



^{*1} Simple sum of MSI and ADI ^{*2} 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) ^{*3} (¥bn)

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

^{*3} 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.

Ⅲ. Topics

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3. International Business

(1) 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

×

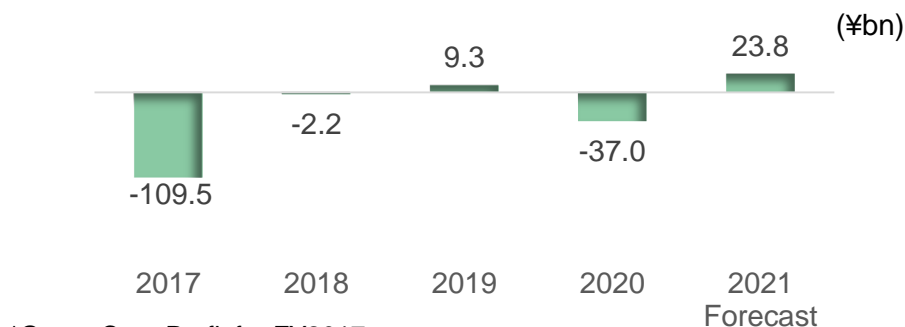
Global

3. International Business

(2) 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)

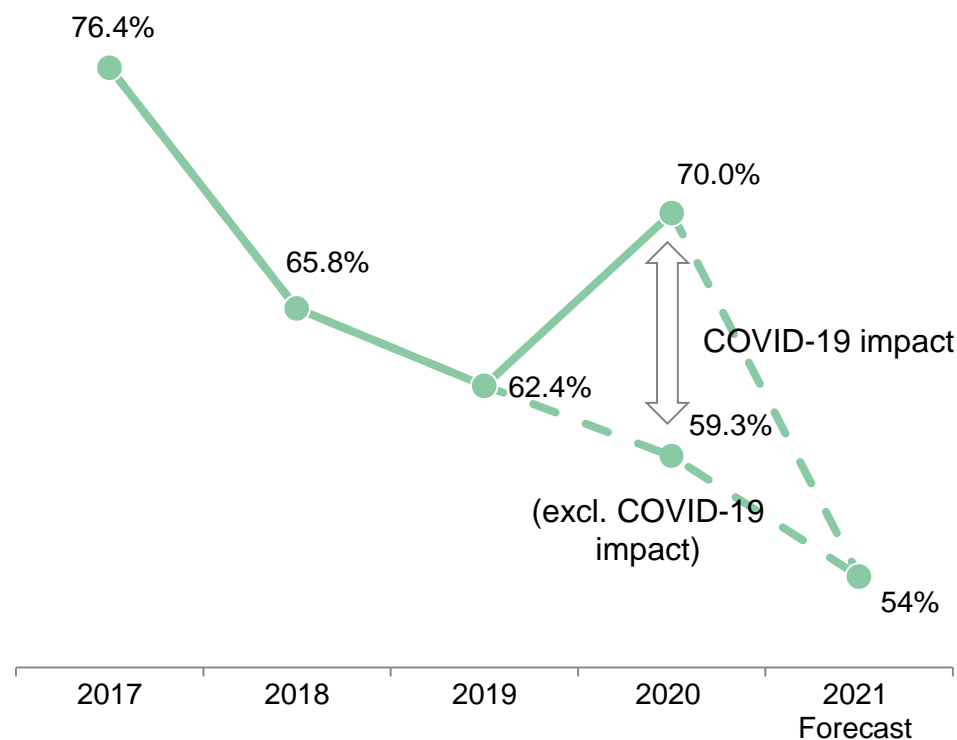
Group Adjusted Profit*



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

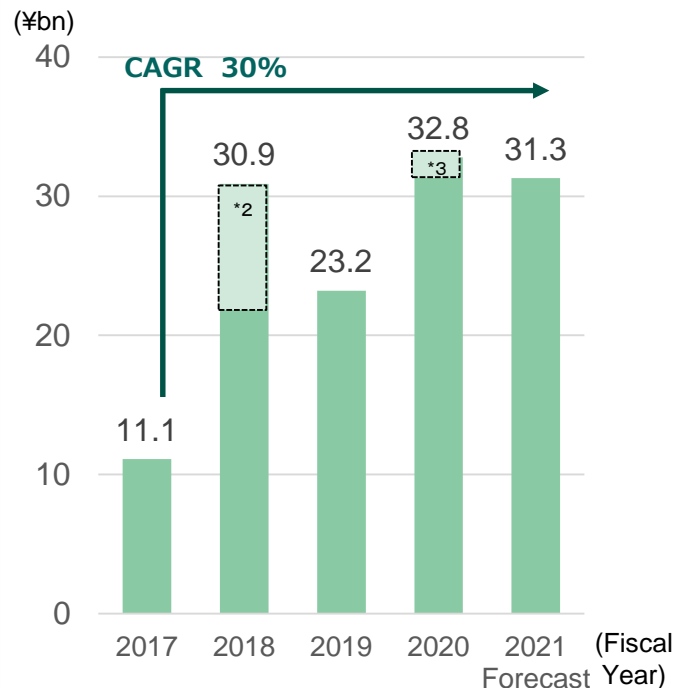
(3) Asian Business

- 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.

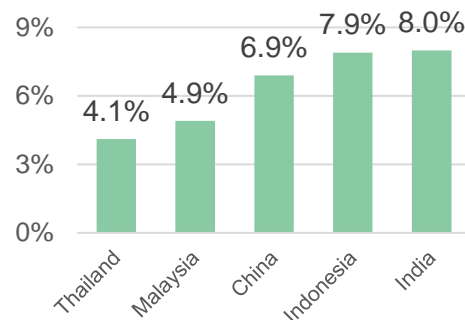
Steadily increase profits in step with market growth, driving development of the international business

Strategy to Capture Asian Growth

Group Adjusted Profit*1

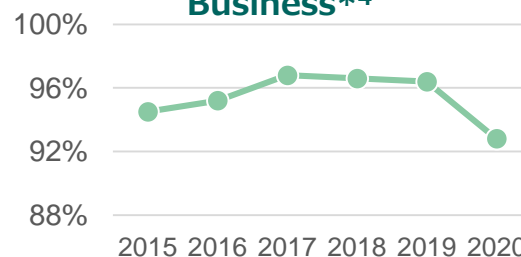


Expected CAGR in Non-Life Insurance Premiums Written for Major Asian Countries (2019-2030)



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

(4) 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.

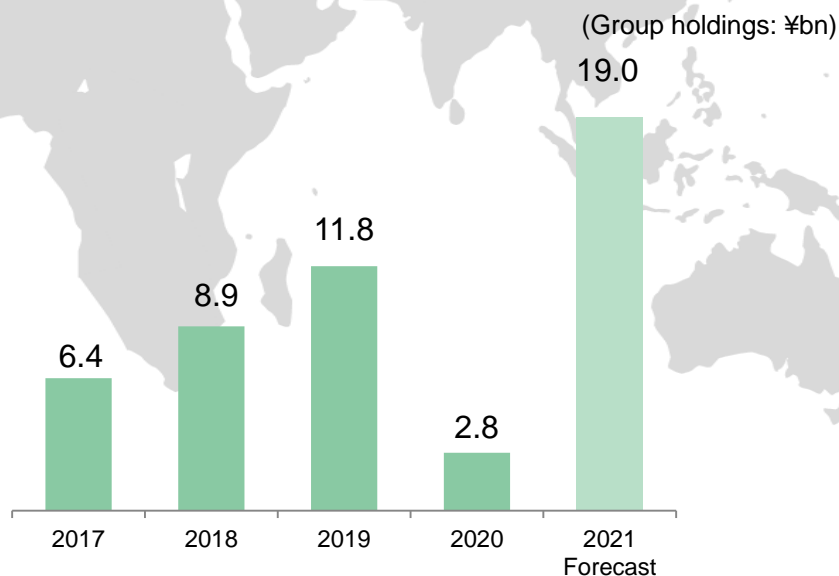
Medium-to-Long-Term Strategy

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		
	sinar mas MSIG life		
	HongLeong Assurance Berhad		

3. International Business

(5) 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.

Improved Earnings

Recovery of Amlin Earnings Power and Expansion of Asia Business

Towards Growth on a Global Basis

<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

(6) Efforts Aimed at Synergy

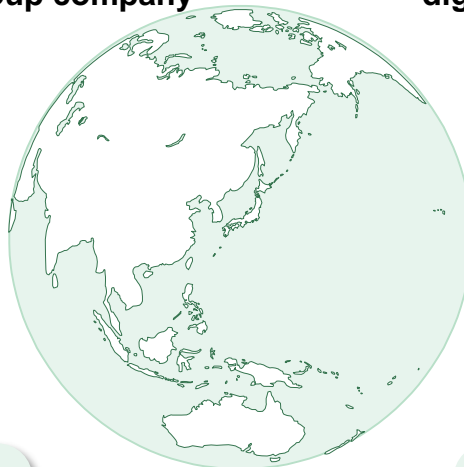
- The Group is producing synergistic efforts across various fields with each overseas Group company and affiliated global insurance companies.

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

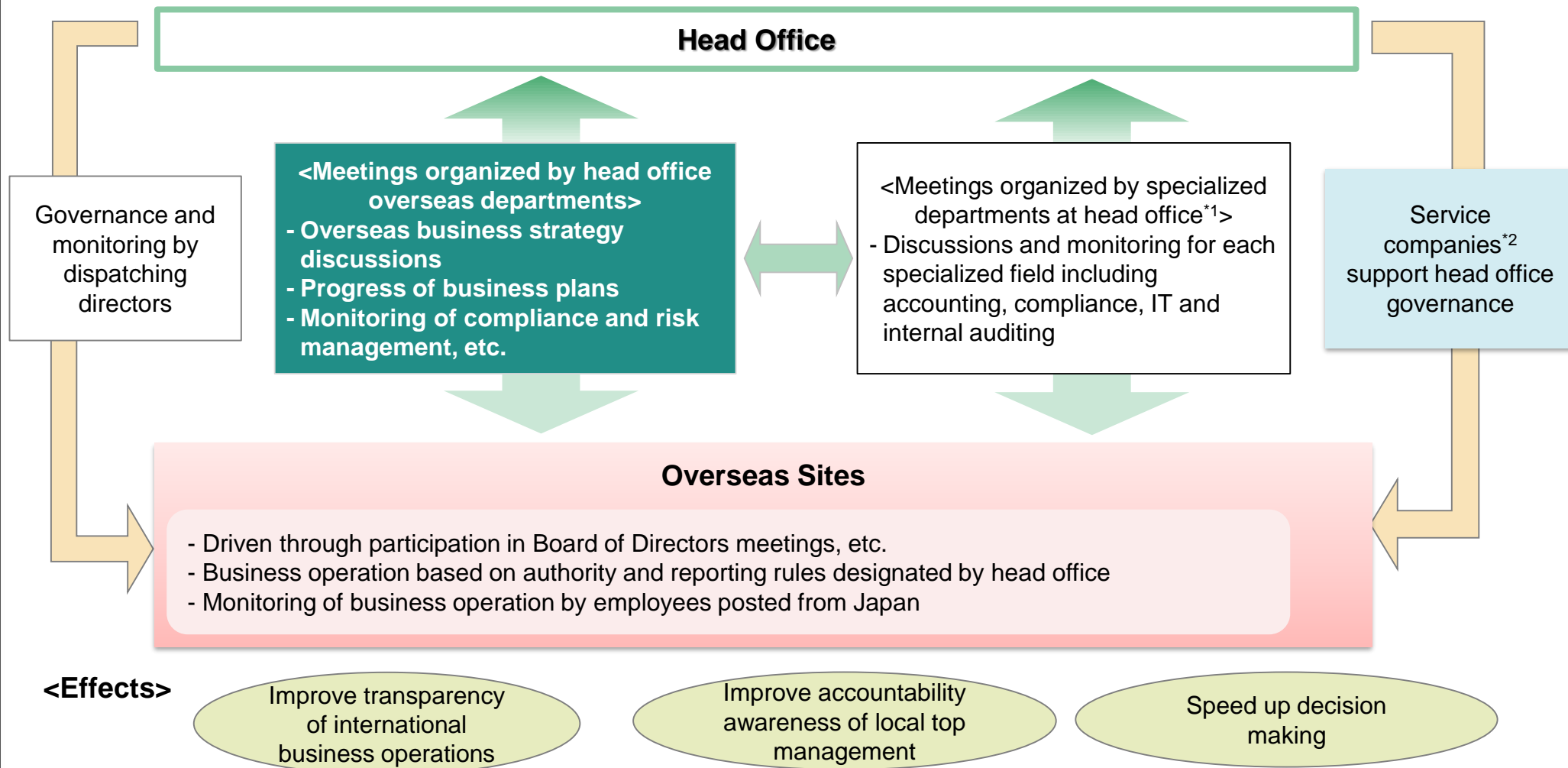
- Enhance Group-wide asset management by utilizing the Asia joint fund and bond fund operated by MS Amlin
- Sharing the local market information and analyses collected by overseas sites within the Group
- Plans to introduce operation and management systems that span the Group to strengthen governance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

Ⅲ. Topics

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4. 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.)

Ⅲ. Topics

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5. Business Investment Policy

- 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>

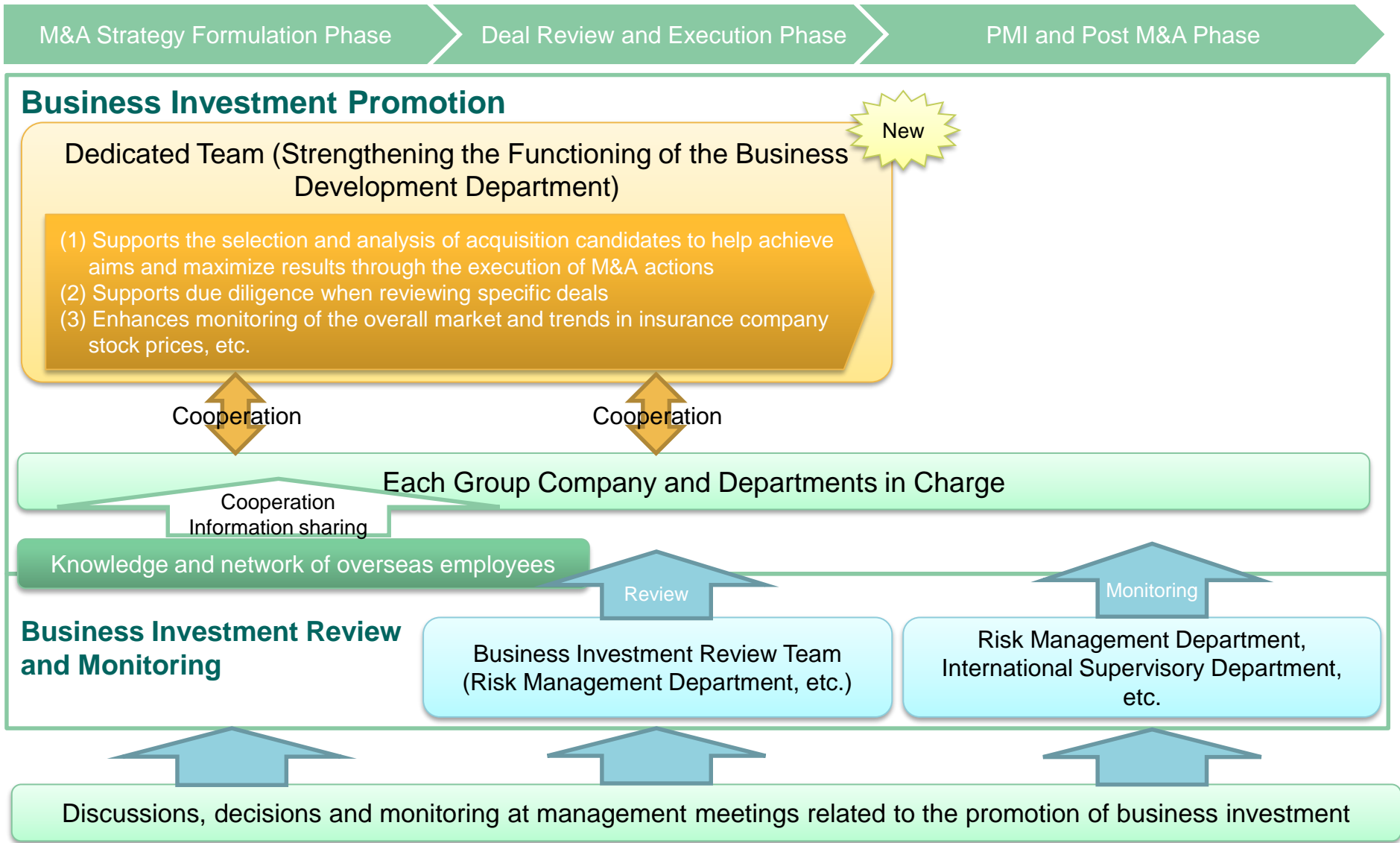
US: Specialty, MGA, InsurTech
Asia: Retail insurance market
Other

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

5. Business Investment Policy

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



Ⅲ. Topics

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6. 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*¹ 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*².



- 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.



Expected Improvements in Hedge Ratio*²

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 $\pm 0.5\%$	46pp	27pp

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

Reduction of interest rate risks

Purchase of ultra-long-term bonds

Interest rate sensitivity of assets

Interest rate sensitivity of liabilities

*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.

Ⅲ. Topics

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7. Responding to Climate Change

- In FY2021, we will revise the MS&AD Group's CO₂ emission reduction targets and promote TCFD disclosures.

Achieving Net Zero by 2050

- The Group's current reduction targets of CO₂ 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 CO₂ emission reduction target for Scope 3^{*1} 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 ^{*2}	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 CO₂ 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	

立ちどまらない保険。

MS&AD

INSURANCE GROUP

IV. Shareholder Return

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

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

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

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

