

MS&AD Insurance Group Holdings
FY 2023 ESG Meeting (held on January 25, 2024)
MS&AD's Human Asset Management

The following is a summary of the discussion held on January 25, 2024 titled "MS&AD's Human Asset Management."

<Interlocutor>:

Outside Director

Ms. Mariko Bando

Senior Executive Officer, Group CRO

Mr. Satoru Tamura

1. Introduction Summary

(Vision for desirable human assets for 2030 and human asset strategy for realizing Medium-Term Management Strategy 2022-2025)

Mr. Tamura: One of the MS&AD Group's missions is to develop human assets that act autonomously, rise to the challenge of leading innovation, and create new value. As the business environment changes, we need professionals who can adapt and innovate to effectively execute our strategies. Challenges for innovation led by such individuals create new value, promote sustainable growth, and enhance corporate value. Our value creation story, which embodies the mission and vision of our Group, serves as a common vector for working with stakeholders in CSV initiatives to realize a resilient and sustainable society.

Our HR goals align with the basic strategy of our medium-term management plan: Value, Transformation, and Synergy. They were established to secure the human assets required for executing the basic strategies and to eliminate organizational gaps. The main objectives are to build an optimal human assets portfolio and to maximize employees' capabilities, skills, and motivation. We are creating an environment that fully utilizes the individuality of our diverse workforce. This is achieved by investing in a self-directed learning menu, bringing in external specialists, expanding career development opportunities, and embracing flexible work styles, including new employment frameworks and skill enhancement through side jobs.

Secondly, as part of our human asset strategy, we have set KPIs related to digital human assets, overseas human assets, and DE&I to strengthen our initiatives and monitor progress. At this point, we are on the right track, but meeting KPIs is not the end goal in itself. We will balance our efforts with the performance and effectiveness of specific measures.

Finally, in Stage 2 of the Medium-Term Management Plan, we will implement our human asset strategy around four axes based on the successes and challenges of Stage 1. First, skill and career development that allows our employees to feel their own growth. Second, active utilization of our human asset portfolio and diversity. Third, productivity improvement through promotion of well-being. And fourth, addressing the issues from Stage 1 to improve individual measures.

2. Discussion

(1) MS&AD Group's human asset strategy: autonomous career development

Mr. Tamura: Let's talk about MS&AD Group's human asset strategy and autonomous career development. It is important for individuals to identify the skills they need and pursue self-reskilling and recurrent training as they navigate their career paths. Employees' self-directed career development is a key factor in supporting their growth. At our company, we are expanding our investment in human capital to promote skill improvement and self-directed career development of our employees. For example, to develop digital talent, we leverage joint training programs with universities to support both business and data analytics learning. Our target is to have 7,000 digital professionals by 2025, but as of April 2023, we only have 3,600. In the area of overseas human resources, we are currently satisfied in terms of numbers. However, we will continue to make systematic efforts to accommodate generational change and secure individuals with managerial capabilities and specific expertise. Ms. Bando, as a university administrator and educator, could you share your thoughts on MS&AD's reskilling and recurrent training programs, future challenges, and what students expect from companies?

Ms. Bando: In my view, Japanese college education system has significant room for improvement compared to MS&AD's human assets development. In the past human asset development model, colleges focused on enrolling the studious selectively and high-performing high school students, placing less emphasis on college academics. After graduation, companies trained them "on the job". But this kind of business model is no longer effective. To compete with other companies and their human assets on a global scale, we must prioritize learning and lifestyle at the college. It is widely believed that the study habits developed during college have a significant impact on students' future success. It is important to assume responsibility for developing one's own skills, rather than relying solely on the company for career advancement. Having worked as a public servant myself, I have tried to build on my strengths. I appreciate MS&AD's approach to human asset development, which emphasizes self-direction and self-learning to stay ahead of the curve. Colleges, through collaboration with faculty and business personnel, should be transformed into places that provide the knowledge and skills needed in real workplaces. I think it would be helpful for MS&AD's human asset

development.

(2) MS&AD Group's human asset strategy: Construction of optimal human asset portfolio

Mr. Tamura: The traditional Japanese employment model has been to hire a large pool of new graduates and train them over a long period of time. This seems to have been the background of the implicit relationship between corporations and colleges, as you said. However, continuing with this approach may not enable us to effectively respond to social changes and foster innovation. Given the demand for job mobility in today's society, companies and employees need to rethink our relationship as one of mutual choice.

For example, our Group has been actively recruiting alumni, which seems to be a growing business trend. In the future, there will be a demand for open communities and companies that allow members to join and leave flexibly. To promote innovation, I believe it is crucial to transform the relationship between companies and workers into one of mutual learning and choice, rather than the traditional one of long-term retention. What do you think about alumni hiring and employment mobility? I would also like to know if young people's attitudes toward work have changed.

Ms. Bando: Alumni hiring is a very positive practice. In Japan's traditional membership-type employment, the relationship between a company and its employees terminates upon resignation. However, through another experience, they can learn new abilities and once again demonstrate their effectiveness. Initially, I was unsure if it would work, but we have already hired 34 alumni. Similarly, returning to college after obtaining business experience is also recommendable. I believe that these individuals would benefit from gaining new intangible assets by experiencing something outside of their work and business lifestyle. Diversity of experience is more important than factors such as age, education, gender, or nationality. Individuals with diverse experiences, including struggles and failures, who persist in the batter's box are the kind of talent required from now on.

Mr. Tamura

(3) MS&AD Group's human asset strategy: Hiring alumni

Mr. Tamura: The MS&AD Group has a track record of hiring alumni. Taking the example of a data scientist, our Group works with data related to auto insurance and driving behavior. If you are concerned about how to develop your skills for your future career, you may want to gain experience working with different types of data at another company, then come back to our Group. Some people may choose to leave our Group temporarily to acquire skills needed to develop specific products and then return to us. At the same time, we consider the recruitment of new graduates to be an important part of our mission, and we actively offer internships to students with special skills and abilities. Our Group has relatively strong hiring power when it comes to digital talent. However,

some insurance companies and affiliates may have difficulty hiring them. We intend to enhance the recruitment, development, and retention of specialized talent throughout the Group while encouraging the mutual use of human assets. Initiatives to contribute to society through the use of driving data from our auto insurance business are also important. As young people are particularly interested in solving social issues, it is important to promote our Group's mission and social sustainability. In order to become a company of choice, could you share with us your recommendations for future initiatives for our Group and your expectations of us?

Ms. Bando: The current population structure in Japan is leading to a low birth rate and a declining population, and the young labor force is also declining. The job market has greatly improved since the employment Ice Age, and it has become a seller's market. This is pretty good. On the other hand, students say they don't want to go to "Easy job, but not conducive to grow" workplace. In the past, it was considered attractive to have an easy job, work-life balance, and a decent lifestyle, but when they joined a company where they couldn't grow themselves, they started to feel "Easy job, but not conducive to grow". they want to work for a company that assists them to take on challenges, even if they are a little tough. There are many young people who are interested in tackling social issues, and we need to actively promote our company's mission and social contribution. To do this, we need to make sure that students know how attractive opportunities we offer them. However, there is a situation where it is harder for students to convey the appeal of the company than you might think. For this reason, it is important to actively provide internships and other opportunities so that students can experience the appeal of working in our company.

In Japan, internships are still a prelude to hiring, and often involve a short tour of the company, but in other countries, it is common to have students work in earnest within a period of several months to six months. We also believe that it is important to deepen cooperation with students through such long-term internships, and to develop and broaden the human assets connection with society as a whole.

The use of data is also a very important issue. Currently, many universities are trying to establish data science departments, but it is essential to collaborate with the business community and companies on how to actually utilize the data. In this sense, I hope that the collaboration between us and universities will further progress.

Mr. Tamura: Our Group also offers internship programs, but not like the one you mentioned. It is something to think about in the future. One of our goals is to become a company where employees can fully engage in social issues and take ownership of their growth, rather than to operate in the "Easy job, but not conducive to grow" you mentioned.

At the same time, knowing the benefits of having experts, we must also consider the advantages of the membership-type employment model.

(3) MS&AD Group's human asset strategy: DE&I

Mr. Tamura: I believe that diversity in human resources is critical to innovation and to securing future growth potential. We must make a concerted effort to embrace diverse values and actively listen to each other's opinions. We will continue to raise awareness of these issues at all levels of managers, including our own, as we are doing now.

Our Group is working to educate managers on different types of inclusiveness from a diversity perspective. In the past, you have provided us with valuable advice for which we are always grateful. Please take another objective look at our Group's efforts to date from a DE&I perspective and let us know if there are any issues that need to be addressed.

Ms. Bando: I have advocated for women's empowerment for a long time. In 2003, we set a target of having women in 30% of leadership positions in all areas by 2020. After failing to achieve it by 2020, we have renewed our target to accomplish it by 2030 at the latest. The MS&AD Group has set a similar goal, which has already been achieved up to 19.5%. It is commendable that our Group has promoted women at a higher rate than in other large companies, especially in the line managers.

My request to the company is to establish an internal pipeline. A typical challenge companies face is having a few prominent women leaders in senior positions, but no successors. It is important to have a pipeline so that as one person moves up, another follows and then another. Also in that regard, the MS&AD Group has been successful. I think our Group is progressive in the sense that its focus is not only on numerical growth, but also on promoting inclusion. We are committed to ensuring equity and fair work practices, going beyond eliminating discrimination and offering equality.

For example, it is quite common for companies to fail to fairly evaluate women's efforts to contribute to the company. In other instances, women may lose motivation because they do not see the career prospects they deserve. To prevent this from happening, our Group not only avoid discrimination, but also prioritize equity.

In addition to women, we protect, or rather we support employees with disabilities. Instead of treating them differently from able-bodied employees when they perform challenging tasks, we should give them the care and attention they need to use their abilities to the full. Although disability and gender cannot be discussed in the same way, we should empower both groups. Instead of protecting women by telling them they don't have to push themselves or take on difficult tasks, we should encourage them by saying, 'This may be a time when you need to take it slow in your career, but let's get you back on track once this is over.' Expect our workers to fully realize their potential and abilities. Motivate them by saying, 'You can do it,' and provide them with opportunities. Our commitment shouldn't stop there; we should also train them. They

will never grow if you give them easy goals because you think you shouldn't push them too hard and let them fail. I want our Group to train women, in same manner as people with disabilities, and in many cases, foreigners in such a way. I'm pleased to see, and hope to continue to see our company's efforts to develop its human assets by establishing high expectations and providing diverse opportunities.

Mr. Tamura: I understand that an environment of "Easy job, but not conducive to grow workplace" is not acceptable for any employee. Your suggestions have reinforced my belief in the significance of empowering our people by giving them the right goals and opportunities which enable them to take ownership of their own development.

The purpose of our human capital management is to increase our corporate value. Disclosing information can clarify the gap between what we have achieved and what we have not, and highlight our challenges. This demonstrates our corporate commitment both internally and externally. To enhance our corporate value and effectively communicate our vision, we will continue to actively disclose information in a narrative manner. We will present improvement plans for areas with issues and analyze data to understand the meaning of the numbers, rather than looking at them superficially.

We will continue to hold various discussions with our investors and look forward to your cooperation.

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