

The MS&AD Insurance Group's Mission, Vision & Values

Our Mission

The Group's Raison d'être

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

Our Vision

The Group's aspirations for the medium term

To create a world-leading insurance and financial services group that consistently pursues sustainable growth and enhances corporate value.

Our Values

The credo for all employees aimed at realizing the Group's mission

CUSTOMER FOCUS

Striving to provide security and satisfaction to our customers

INTEGRITY

Being sincere, kind and fair in our dealings with people

TEAMWORK

Growing together as a team by respecting one another's individuality and opinions and sharing knowledge and ideas

INNOVATION

Always improving the way we work while responding to stakeholders' interests

PROFESSIONALISM

Providing high-quality services by constantly enhancing our skills and proficiency

Advancing with you

MS&AD MS&AD Holdings

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MS&AD MS&AD Holdings



MS&AD Integrated Report **Digest**

2018

Three Key Concepts of the MS&AD Integrated Report 2018

Creating shared value with society through the insurance business

The primary role of insurance is to help stabilize people's lives and to support the steady progress of corporate activities through the payment of compensation for damages in cases of emergency. Since ancient times, non-life insurance has helped people overcome challenges. In the future, a succession of developing fields can be expected to emerge as successful efforts are made to address a wide range of risks in such areas as new energy development, AI, robotics and regenerative medicine. The MS&AD Insurance Group is committed to supporting people overcome challenges and realizing a resilient and sustainable society.

Aiming to be a resilient and sustainable group by leveraging diversity

In order to realize a resilient and sustainable society, it is imperative that we as a group first possess these same characteristics. Against the backdrop of an operating environment that continues to fluctuate wildly, it is important that we make the most of diversity and stimulate innovation in order to promptly address risks while overcoming uncertainties. Moving forward, we will counter new risks as they arise as well as existing risks that continue to grow in scale and complexity by leveraging the various histories, cultures, characteristics, expertise and other attributes of Group companies.

Realizing sustainable growth by supporting the development of society

Recently, society has been severely affected by such global-scale issues as climate change and an aging population as well as the incidence of massive natural catastrophes and a decline in regional vitality. Our role is to ensure that people can lead safe and secure lives while helping to revitalize the economy by supporting companies in their efforts to engage in vibrant activities. Since its foundation, the MS&AD Insurance Group has maintained the unwavering goal of becoming a world-leading insurance and financial services group. Moving forward, we will work to realize this goal and secure sustainable growth by contributing to the resolution of social issues throughout the world as well as the development of society.

Learning from our experience and track record of more than 100 years and rapidly responding to challenges stemming from societal changes, we pledge to continue to contribute to society for the next 100 years.



Positioning of Sustainable Development Goals (SDGs) in “Vision 2021”

Realizing our mission

Since the Group’s foundation in April 2010, we have been pursuing our mission “to contribute to the development of a vibrant society and help secure a sound future for the planet by enabling safety and peace of mind through the global insurance and financial services business”. What further embodies our mission is “the MS&AD story of value creation”. This is a common understanding among all staff and helps us appreciate what our jobs mean in society.

We will contribute to realizing “a resilient and sustainable society” through our initiatives to resolve four issues: 1) diversified/large-scale accidents and disasters, 2) the global environment approaching the limit, 3) mounting burden of nursing/medical care associated with aging population, and 4) a decline in social vitality due to widening inequalities. Based on a view that these initiatives will increase the Group’s corporate value, we have been developing our business activities in five business domains. In the ever-changing environment surrounding companies, it is even more essential that we continue creating shared value (CSV) through corporate activities in order to sustain growth.

Such a line of thought squares with ‘sustainable

development goals’, or SDGs, that the United Nations set in 2015 to be achieved by 2030. Therefore, in order to advance value sharing with various stakeholders, we have incorporated SDGs as our milestones with which to align the Group’s business in the new medium-term management plan “Vision 2021” which was launched this year.

To begin with, insurance exists only if there is a sustainable society. For example, among the UN’s SDGs, there is one to “end poverty in all its forms everywhere”. At first glance this appears to have nothing to do with insurance. After all, those who are busy making ends meet on a daily basis and do not have anything they need to protect will not have any strong need for insurance. But, with poverty diminishing and the middle classes increasing, there will be increasing opportunities in which the insurance industry and our Group can offer shared value.

Moreover, what is wonderful about SDGs is the participation by everyone. We feel strong empathy for the SDG message of “Leaving no one behind” and the basic ideas of universality (every country can change), inclusion (eradicate discrimination), impartiality (consideration for the weak), integration (achieve a balance among the economy, environment, and society), and transparency.

Setting SDGs as milestones will be quite meaningful for realizing the society that we should aim for.

Human assets that realize the story of value creation

Promotion of ‘diversity and inclusion’ (D&I)

To realize our mission, vision, and values, creation of shared value (CSV), and the story of value creation, it is necessary to nurture a good environment where employees can play active roles in a resounding fashion. For this purpose, we must seriously think about our management platforms and various systems and mechanisms. In the sense of preparing platforms to establish D&I, what is most important will be ‘work style reforms’. Building a platform by which diversified employees can play active roles in a fair manner will be crucial for enhancing corporate competitiveness. To this end, it is vital to not only reduce working hours but also create a mechanism to raise productivity through utilizing digitalization to the utmost. If the improvement of business processes increases productivity and shifts employees to more value-added work, all employees will be able to feel they are achieving ‘decent work’ goals, namely, more job satisfaction.

Furthermore, we should make better use of different opinions and unique ideas from employees, including those with disabilities, that reflect diversity of age, careers, nationalities and gender, while proactively incorporating wide and more universal ideas in the Group as a whole. For this, we ourselves need to become a flexible organization that can accept diversity, and we need to have a culture that includes diverse human assets, each enhancing the other. To nurture such a corporate culture, from this fiscal year we have assigned an executive officer to be in charge of D&I and who will robustly promote D&I initiatives groupwide.

Image of the Group eyeing the future

Creating shared value (CSV) through insurance business model

In our management plan “Vision 2021”, our target is to have a presence in terms of scale and quality as “a world-leading insurance and financial services group”. The reason we focus on scale and quality is that we need to cover new risks and also current risks that have become enormous and complex.

Unless we ourselves have scale and quality, we cannot respond to such diverse risks. To achieve “a resilient and sustainable society”, we need to always challenge risks using scale and quality comparable to rival companies.

In the course of evolution in the automobile arena, such as automated driving, it is necessary to have insurance that actually corresponds to risks that newly arise. And, in the development of medical technology, such as advanced medical treatment, it is necessary to have insurance to transfer risks. Sensing the emergence of risks beforehand and informing customers and giving advice to prevent or reduce such risks is also, like providing risk cover through insurance, an important role we fulfill. Along with our Group’s value creation story, if we can detect risks and make them known, prevent accidents and losses, develop a system to minimize damage, and utilize digital technologies, we will be able to continue to provide insurance and financial services that contribute to a resilient and sustainable society.

Concluding remarks

Looking globally, the environment surrounding companies has recently been changing every second, such as changes in the global environment, demographics, and industrial structure, the emergence of populism and widening inequalities in society, the evolution of IT, and emergence of new risks. In the business world, we need to promptly sense such changes and convert risks into opportunities. As was implied by Sun Tzu that it is sometimes better to be brisk and slapdash than painstaking but slow, it is important to take the first step ahead of competitors on a global basis. While it is not easy to step into uncharted territory, we have a history of more than 100 years and we will be able to predict the future through experience and track record of those years. We believe our group can contribute to society for the next 100 years centering on a strong sense of values built on past successes and lessons.

President & CEO

Yasuyoshi Karasawa

The MS&AD's Story of Value Creation

Resources Supporting MS&AD

Financial Capital

- Sufficient and sound financial base enabling the underwriting of customers' risks

Consolidated net assets (as of March 31, 2018): **¥2,968.3 billion**

Human Capital

- Global and diverse human assets
- Professional human assets with sophisticated expertise related to insurance, risks, etc.

Consolidated number of employees (as of March 31, 2018): **41,295**

Intellectual Capital

- Expertise and trustworthiness supported by a lengthy business history and experience
- Most abundant risk data in Japan and the ASEAN region

Number of risk surveys conducted (FY2017): **1,189**

Social and Relationship Capital

- No. 1 in the scale of its customer base in Japan

Number of individual customers in Japan^{*1}: **Approx. 42 million**

Number of corporate customers in Japan^{*1}: **Approx. 2.4 million**

- No. 1 in gross premiums written in the ASEAN region

- No. 1 in the size of its agent network in Japan

Number of domestic non-life insurance agents^{*1}: **88,532**

Domestic marketing bases^{*2}: **263 branches/1,036 offices**

Domestic claims handling service centers^{*3}: **431**

- Overseas bases^{*4}: **47 countries/regions**

^{*1} Simple sum of the number of customers and the number of agents at MSI and ADI (as of March 31, 2018)
^{*2} Simple sum of the number of bases at domestic insurance companies (as of April 1, 2018)
^{*3} Simple sum of the number of claims handling service centers at domestic non-life insurance companies (as of April 1, 2018)
^{*4} Includes SLI Cayman Limited (financial services business) in the Cayman Islands (as of April 1, 2018)

- Relationships with leading companies in other sectors, including the Toyota Group, the Nippon Life Group, the Mitsui Group and the Sumitomo Group

Natural Capital

- Stable global climate system
- Preservation of biodiversity in nature
- Sustainable natural resources

Contributing to the Development and Helping Secure a

of a Vibrant Society Sound Future for the Planet

MS&AD's Strengths



Adequate capacity derived from scale



Past experience and lessons are the seeds of the future



Creativity and synergies derived from diversity



Realizing growth in tune with the times



Always align with society

Social Issues

Diverse risks surrounding society

- Diversified/large-scale accidents and disasters
- Global environment approaching the limit (Climate change and depletion of resources, etc.)
- Mounting burden of nursing/medical care associated with aging population
- Decline in social vitality due to widening inequalities

Resilient and sustainable society

- Stability in people's lives
- Dynamic business activities

Initiatives for Seven Key Issues

Deal with new risks

Safer mobility society

Strive for resilient community development

"Good health and longevity"

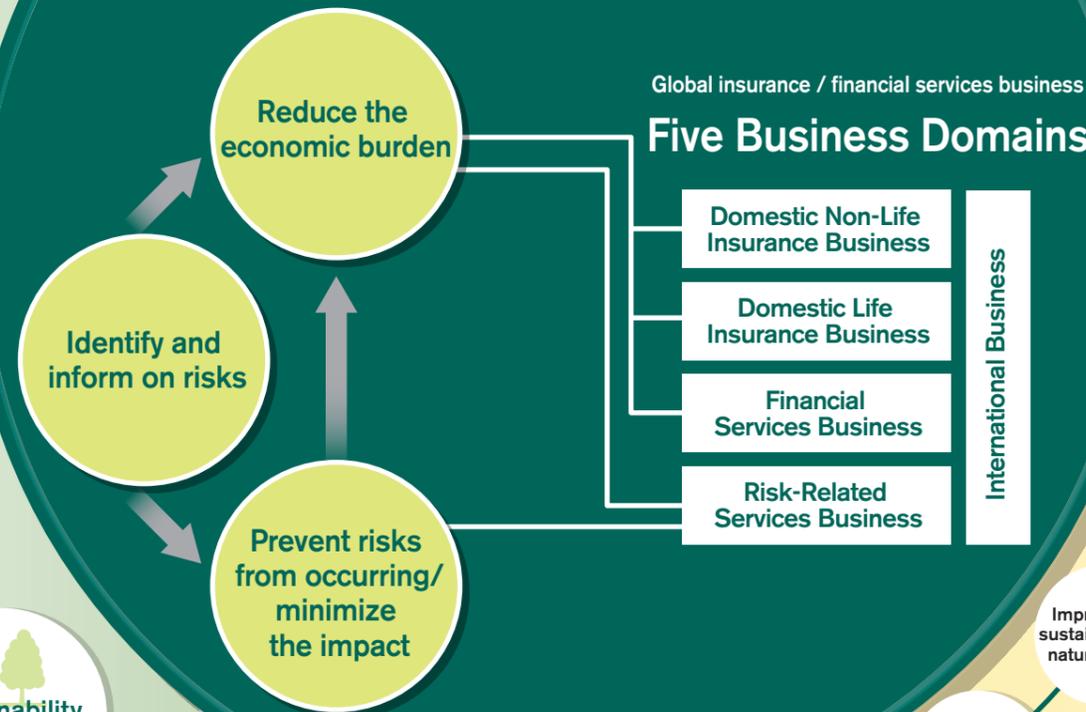
Climate change mitigation and adaptation

Improve the sustainability of natural capital

"Leave no one behind"

MS&AD's Business Model

Provision of safety and peace of mind



Systems Supporting

Corporate Value Creation

Resilient systems that can respond to changing environment
Medium-Term Management Plan

Optimum resource allocation and appropriate risk management
ERM

Management platforms that enable employees to play active roles; and quality improvement
Human Asset Development and Quality Improvement

Strengthening corporate governance
Corporate Governance

Creating Value in Cooperation with Stakeholders (results of FY2017)

Customers Shareholders Agents Business Partners Employees

Local Communities/International Society

Environment

Financial Capital

- Increase capital efficiency
- Increase Group Core Profit
- Returns to shareholders

Group Core Profit: (Group Adjusted Profit) **¥105.1 billion**

Group ROE: (Group Adjusted ROE 6.4%) **3.7%**

TSR* of past 5 years: **84.7%**

* Total Shareholder Return (TSR) is the ratio calculated by dividing the return (dividends and capital gains) on investments in stocks over a specified period by the share price (investment amount).

Human Capital

- Provide working environments that offer greater amenities and support personal growth
- Provide employment that is stable and gives due consideration to work-life balance

Employee satisfaction level:^{*1} **4.4 points**

Days of paid vacation used per employee/year:^{*2} **16.0**

^{*1} This measures the level of employees' feeling pride or job satisfaction. (The figure is an average for all employees based on a survey of employees—6 points represents perfect satisfaction.)
^{*2} Average number of vacation days acquired by all employees with respect to "regular/carryover vacation days" as well as "special vacation days"

Intellectual Capital

- Foster the development of employees with high levels of specialized expertise
- Provide products and services that respond to changing and diverse customer needs
- Provide society with risk-related surveys and research results

Research reports issued:^{*1} **72**

Number of actuaries:^{*2} **100**

^{*1} We issued reports on diverse subjects including CSR, corporate risks, BCM, workers' compensation risks, transportation risks, overseas crisis management information, and infectious disease information.
^{*2} Number of professional actuaries employed by MS&AD Group with specialized skills for making full use of probability, statistical and other mathematical techniques used in product development, risk management, financial soundness confirmation, and other processes (as of April 1, 2018)

Social Capital

- Disburse insurance payment of claims and benefits appropriately and speedily
- Provide services to prevent accidents and disasters from occurring
- Provide a high-quality and diverse agent network
- Fulfill corporate social responsibility through cooperative relationships with business partners
- Provide products and services that protect such social capital as social infrastructure, government services, etc.

Insurance claims paid^{*1}: **¥2,311.2 billion**

Customer satisfaction:^{*2} **96.0%**

^{*1} This represents the sum of net claims paid and life insurance claims. (FY2017)
^{*2} Ratio of customers satisfied with accident response for automobile insurance (MSI and ADI) (FY2017)

Natural Capital

- Reduce CO₂ emissions to slow the pace of climate change
- Contribute to the preservation of biodiversity
- Reduce the burden to allow sustainable use of natural resources

Amount of paper reduced by web policy clauses^{*1} and eco insurance policies: **981,984kg**

Employees participating in social contribution activities^{*2}: **20,022**

^{*1} Policy clauses are made available online instead of using printed material, making them environmentally friendly.
^{*2} Number of employees who make donations or participate in volunteer activities as an individual or part of the company. (excluding employees overseas)

MS&AD's Path to Realizing Our Image of Society

The MS&AD Insurance Group is on the verge of creating a world-leading insurance and financial services group, a medium-term vision that the Group has pursued since it came into existence, through the story of value creation with its customers, shareholders and other stakeholders.

When formulating the new medium-term management plan that began in fiscal 2018, the Group set forth the goal of "a resilient and sustainable society" as its image of society in 2030.

The MS&AD Insurance Group will continue creating shared value through its corporate activities, to sustain development and earn the broad support of stakeholders in society.

New Frontier 2013

(FY2010–FY2013)

Founding of the Group

The MS&AD Insurance Group was founded with the mission of "contributing to the development of a vibrant society and helping secure a sound future for the planet"

- ▶ Improve profitability in the domestic non-life insurance business
- ▶ Ensure financial soundness

Next Challenge 2017

(FY2014–FY2017)

Development of the Story of Value Creation

Advance Group integration based on the story of value creation and realizing our mission

- ▶ Enhance earning power in the domestic non-life insurance business
- ▶ Improve capital efficiency

Restore profitability in the domestic non-life insurance business, the biggest issue since Group business integration, and establish a stable earnings foundation

Reduce strategic equity holdings while investing in the international business to improve capital efficiency and build a platform for growth

Vision 2021

(FY2018–FY2021)

Development of management based on CSV*

Realize sustainable growth creating shared value through corporate activities

*CSV: Creating Shared Value

- ▶ Achieve medium-term aspirations
- ▶ Build resilient systems that can respond to changes in the environment

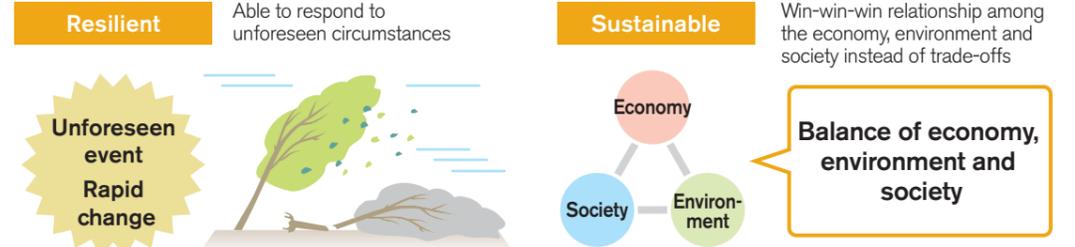
Building a foundation for the next stage and creating a world-leading insurance and financial services group based on our Vision

Medium-term aspirations (A world-leading insurance and financial services group)

Scale	Within the top 10 non-life insurance groups in the world
Capital efficiency	Group Adjusted ROE 10%
Financial soundness	ESR 180% - 220%
Portfolio diversity	50% (profit basis) in other than the domestic non-life insurance business
Risk assets	Strategic equity holdings below 30% of integrated risk amount and below 10% of consolidated total assets
Profitability	Combined ratio in the domestic non-life insurance business stable at 95% or less

Image of Society in 2030

"Resilient and sustainable society"



MS&AD's Role

Examples of Initiatives for Seven Key Issues



New Medium-Term Management Plan: Vision 2021

Vision 2021 (FY2018-FY2021)

Numerical Management Targets

The MS&AD Insurance Group has set numerical management targets for fiscal 2021, namely Group Adjusted Profit of ¥350 billion and Group Adjusted ROE of 10%, as the level necessary to attain its medium-term aspirations.

In addition, we have created the Sustainability Medium-Term Plan and will monitor non-financial indicators.

With an eye on the adoption of IFRS, MS&AD has changed the definition of targeted Adjusted Profit and Adjusted ROE as follows.

Financial Targets

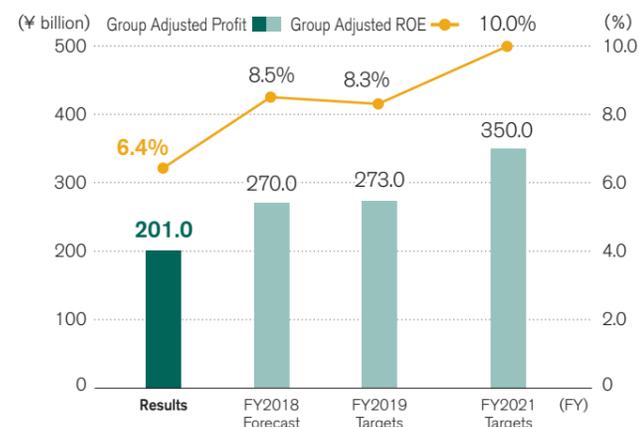
(¥ billion)

	FY2017 Results (Converted to new standards)	FY2018 Forecast	FY2019 Targets	FY2021 Targets
Group Adjusted Profit	201.0	270.0	273.0	350.0
Domestic non-life insurance business (Excluded gains/losses on sale of strategic equity holdings)	287.8 (202.4)	207.0 (166.0)	174.0 (139.0)	182.0 (142.0)
Domestic life insurance business	32.6	22.0	28.0	45.0
International business	(125.0)	37.0	66.0	117.0
Financial services business/ Risk-related services business	5.6	4.0	5.0	6.0
Group Adjusted ROE	6.4%	8.5%	8.3%	10.0%
Consolidated net premiums written	3,446.9	3,480.0	3,530.0	3,710.0
Life insurance premiums (Gross premiums)	1,508.1	1,496.8	1,540.0	1,600.0
EEV of MSI Aoi Life	835.5	865.0	970.0	1,050.0
ESR (Economic Solvency Ratio)	211%	201%	180%~220%	

Sales Target of Strategic Equity Holdings

Total sales target (FY2017-2021)	¥500.0 billion
Risk weight to integrated risk amount (before risk diversification effect)	Less than 30%
Fair value weight in consolidated total assets	Less than 10%

Group Adjusted Profit and Group Adjusted ROE



Definition of Group Adjusted Profits and Group Adjusted ROE

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

KPIs in the Sustainability Medium-Term Plan (Key Non-Financial Indicators)

A Resilient and Sustainable Society

Creating Shared Value with Society (CSV Initiatives)

Indicator	Fiscal 2017 Achievements	Group Targets for Fiscal 2018 Onward
Development and improvement of products for creating shared value with society	<ul style="list-style-type: none"> Special Feature (PP. 15-21) MS&AD Sustainability Report 2018 	For the seven key issues (P. 6), decide on four methods of approach and periodically ascertain progress qualitatively. Four methods of approach <ul style="list-style-type: none"> Provision of products and services Investments and financing Research and policy recommendations Contributions to society

Key related SDGs



Initiatives supporting CSV

Quality that earns the trust of society

Indicators (related pages)	Fiscal 2017 Achievements	Group Targets for Fiscal 2018 Onward
Quality improvement		
Customer satisfaction survey about insurance contract procedures	95.2%	The same level or higher compared to the previous year
Customer satisfaction survey about payment of insurance claims	96.3%	The same level or higher compared to the previous year

Reduction of environmental burden

CO ₂ emission reduction rate	-6.8%	Reduce CO ₂ emissions by 30% by 2020 and by 70% by 2050 versus base year (fiscal 2009)
Total energy consumption	1,017,853 GJ (-28.1%)	
Paper consumption	11,085 t (-14.8%)	Equal or greater than the previous year

Key related SDGs



Management platforms that enable employees to play active roles

Indicators (related pages)	Fiscal 2017 Achievements	Group Targets for Fiscal 2018 Onward
Diversity & inclusion		
Share of management positions occupied by women	9.9%	Plan to create target in FY2018
Employee satisfaction ("working vigorously")	4.3 points	The same level or higher compared to the previous year
Key monitoring indicators other than sustainability KPIs		
<ul style="list-style-type: none"> Number and ratio of global employees Ratio of employees with disabilities 		
Health management		
Employee satisfaction "Pride, job satisfaction"	4.4 points	The same level or higher compared to the previous year
The number of annual paid holidays taken	16.0 days	The same level or higher compared to the previous year
Ratio of taking fully paid paternity/secondary leave	58.0%	The same level or higher compared to the previous year
Number of employees participating in social contribution activities	20,022 people	The same level or higher compared to the previous year

Key related SDGs



Five Business Domains

Providing products and services tailored to match customers' increasingly diverse risks and needs

Domestic Non-Life Insurance Business

No. 1 position in the domestic non-life insurance market, making groupwide efforts to comprehensively meet diverse customer needs

MS&AD Mitsui Sumitomo Insurance



MS&AD Aioi Nissay Dowa Insurance



MS&AD Mitsui Direct General Insurance



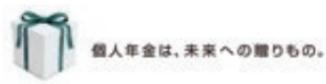
Domestic Life Insurance Business

Leveraging the distinctive strengths of two group companies in protection-type and asset-building products

MS&AD Mitsui Sumitomo Aioi Life Insurance



MS&AD Mitsui Sumitomo Primary Life Insurance



International Business

An overseas network covering 46 countries and regions* - No. 1 in terms of non-life gross premiums written in the ASEAN region

A Member of MS&AD INSURANCE GROUP





* Excluding the Cayman Islands, where SLI Cayman Limited (Financial Services Business) is located. (As of April 1, 2018)

Financial Services Business

Leveraging the full range of its capabilities as an insurance and financial services group to provide new financial products and services

MS&AD Mitsui Sumitomo Insurance

MS&AD Aioi Nissay Dowa Insurance

MS&AD MS&AD Loan Services Co., Ltd.

MS&AD MITSUI SUMITOMO INSURANCE Venture Capital Co., Ltd.



Risk-Related Services Business

Creating synergies with the insurance business by deploying global risk solution services

MS&AD InterRisk Research Institute & Consulting, Inc.



MITSUI SUMITOMO INSURANCE Care Network Co., Ltd.

Fureai Do-Life Services Co., Ltd.

MS&AD Group companies that support the five business domains

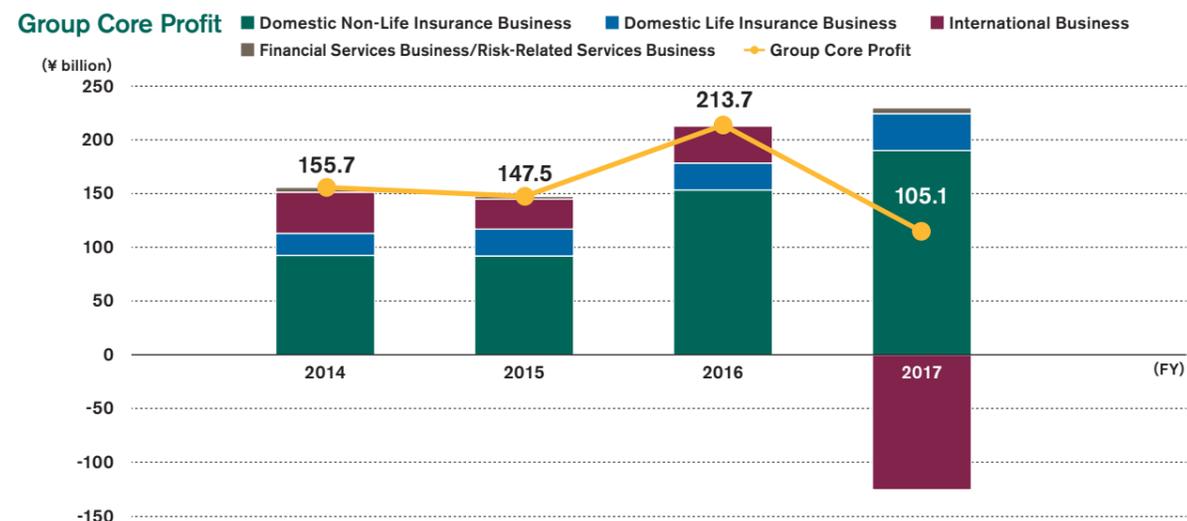
MS&AD MS&AD Business Support Co., Ltd.

MS&AD MS&AD Business Service Co., Ltd.

MS&AD MS&AD Staffing Service Co., Ltd.

MS&AD MS&AD ABILITYWORKS Company, Limited

MS&AD MS&AD Systems Co., Ltd.



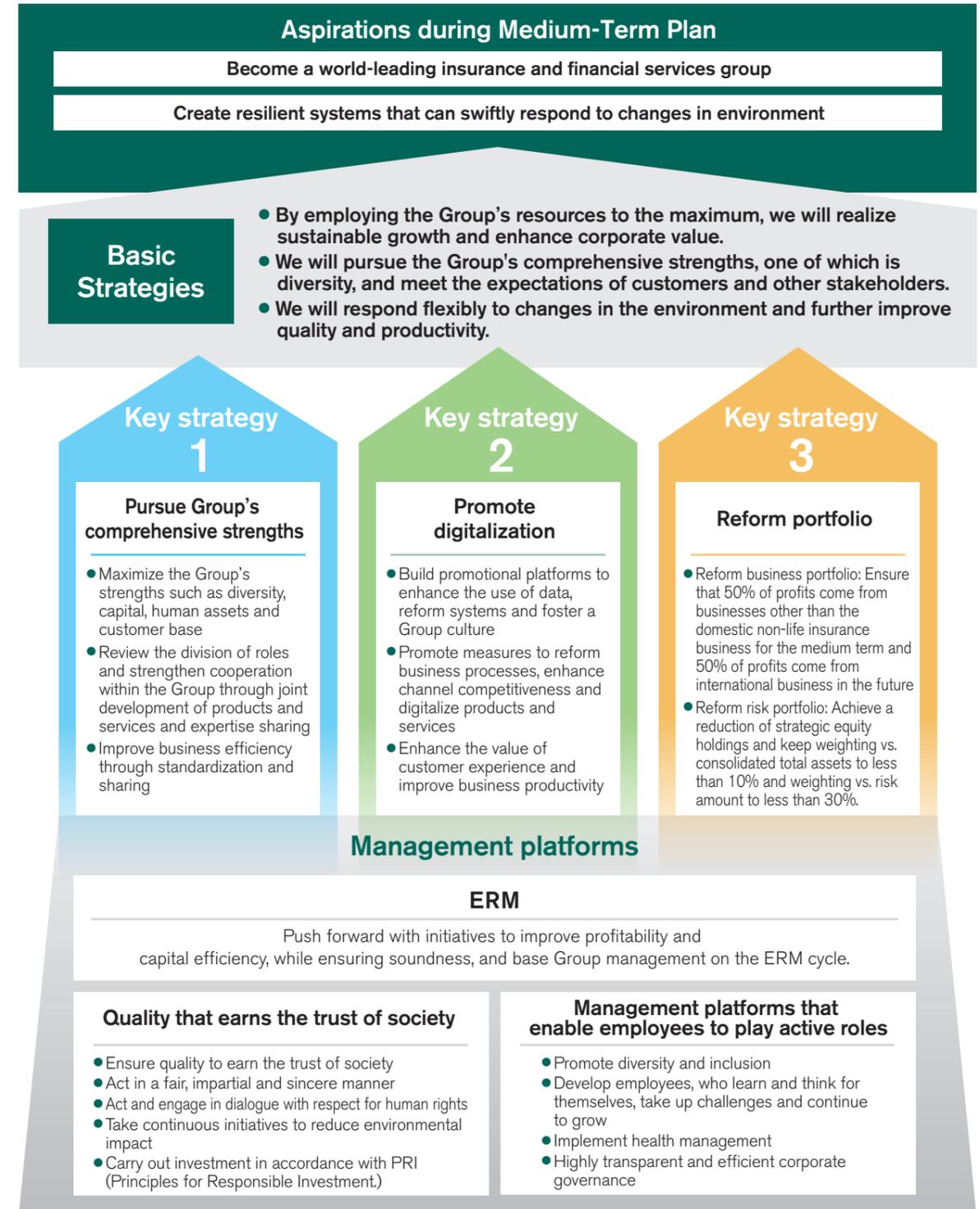
Vision 2021

Basic Strategies and Three Key Strategies

With work environments that enable employees to play active roles, the MS&AD Insurance Group aims to offer quality that earns the trust of its customers while flexibly adapting to changes in the environment and maximizing Group resources.

In addition, we aim to realize sustainable growth and enhance corporate value by working to increase profitability and capital efficiency while ensuring soundness with ERM.

By steadily implementing basic strategies and three key strategies being tied up with basic strategies, we are poised to achieve our medium-term aspirations, which have entered the realization phase.

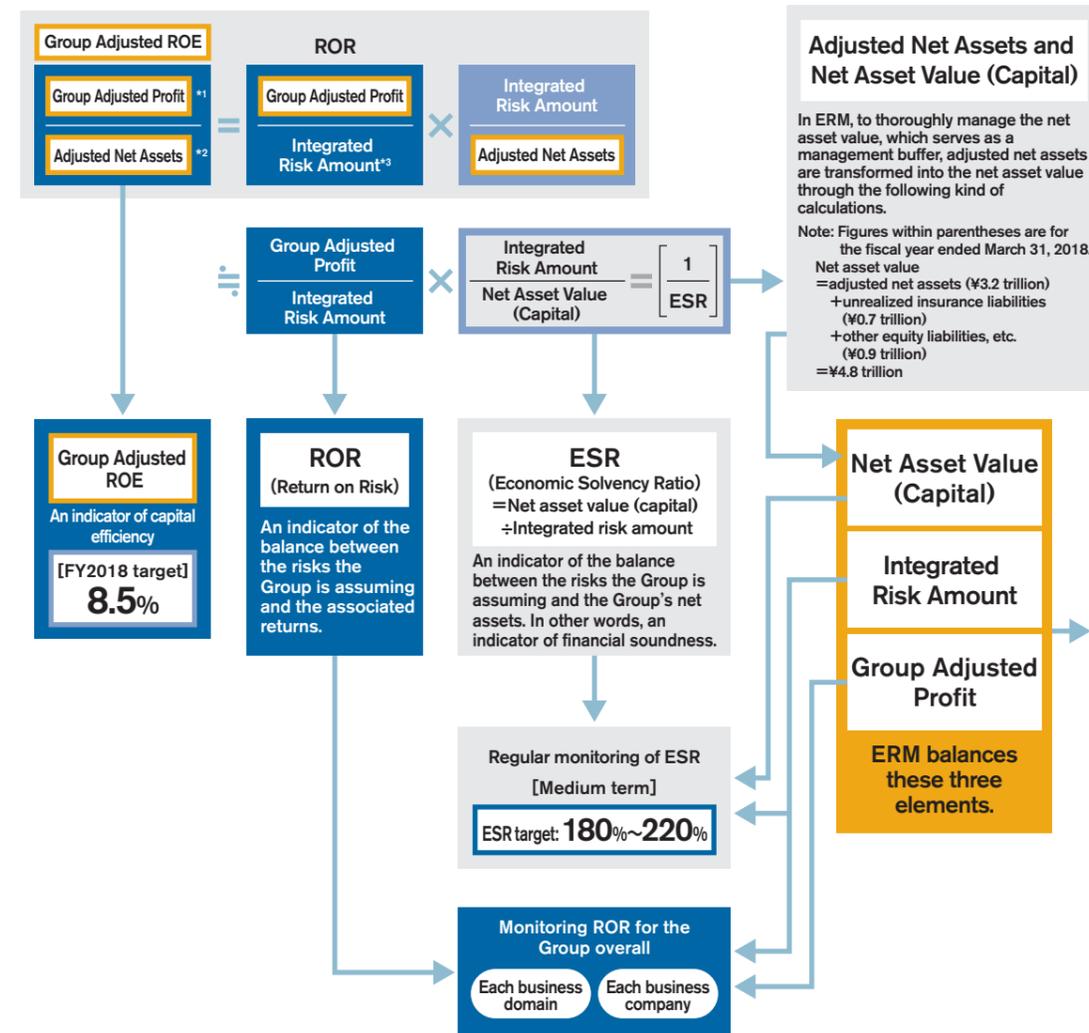


Towards Sustainable Growth and Achieving Targets for Group Adjusted ROE and Group Adjusted Profit

Components of Group Adjusted ROE

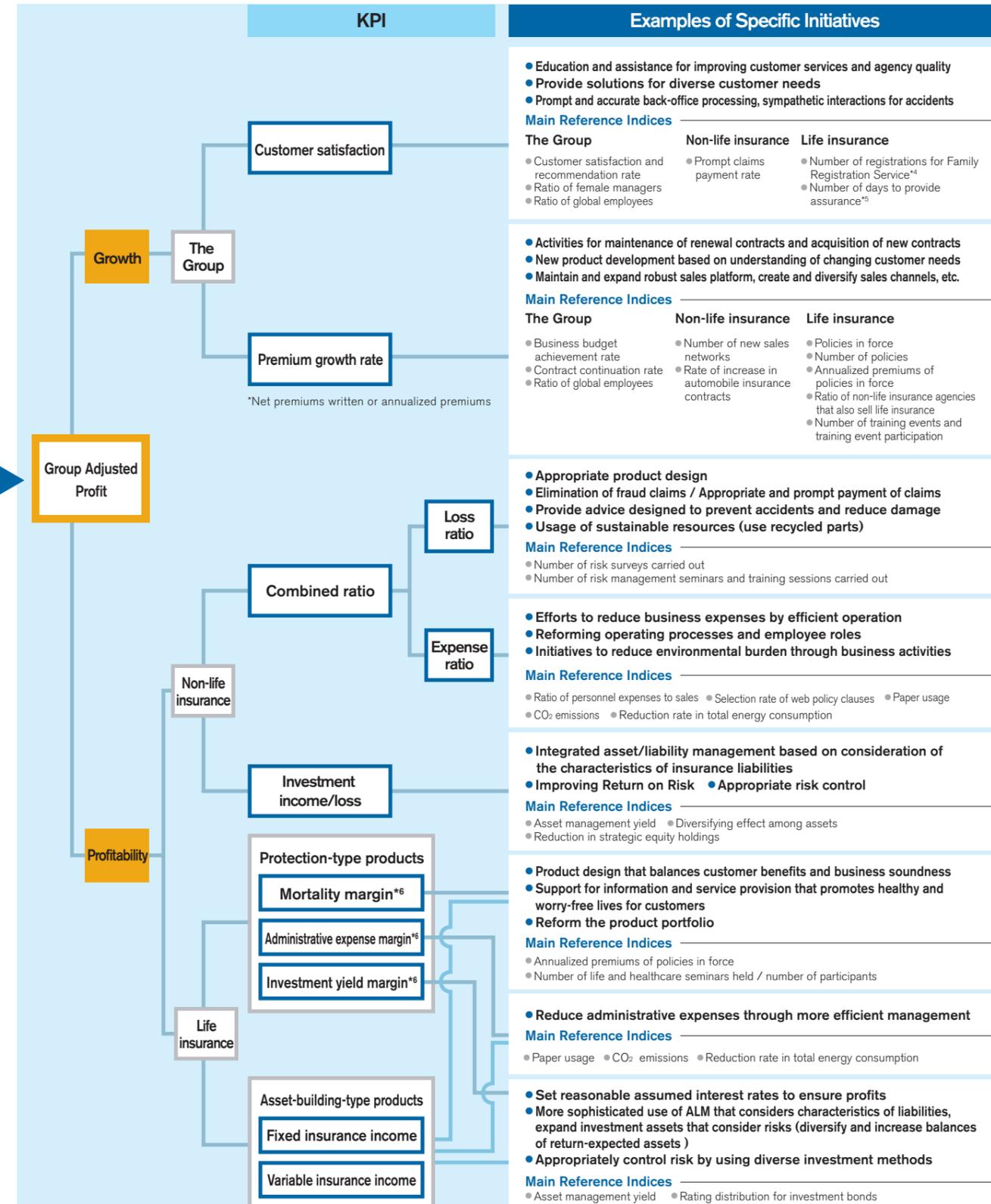
Breakdown of Group Adjusted ROE

Group Adjusted ROE, one of the numerical management targets in "Vision 2021," can be explained in terms of the two indicators shown in the chart below, namely ESR, which represents financial soundness, and ROR (Return on Risk), which expresses the balance between the returns and risks that the MS&AD Insurance Group assumes. These indicators can be further broken down into three elements comprising Group Adjusted Profit, integrated risk amount and net asset value (capital).



*1 Group Adjusted Profit = consolidated net income + net provision for catastrophe loss reserve and others - other incidental factors (amortization of goodwill and other intangible fixed assets and others) + equity in earnings of non-consolidated Group companies
 *2 Adjusted net assets = consolidated net assets + catastrophe loss reserve and others - goodwill and other intangible fixed assets (remaining balance)
 *3 The integrated risk amount represents insurance underwriting risk, asset management risk, operational risk, etc., quantified by means of stochastic methods.
 *4 The Family Registration Service is a service that allows pre-registered family members, in addition to the policyholder, to receive information about the insurance policy just like the actual policyholder.
 *5 Number of days to provide assurance is an indicator of how long it takes for the Company to complete administrative tasks for customers, such as applications for new insurance contracts, applications to cancel policies, claims for insurance payments, and claims for other benefits. It is broken down into (1) number of days to provide assurance (new business), (2) number of days to provide assurance (maintenance) and (3) number of days to provide assurance (insurance payments)
 *6 Mortality margin, administrative expense margin, and investment yield margin are indicators for core profit, which represents the fundamental profitability of life insurance companies. Together, these terms are referred to as the "three surplus factors." Mortality margin is the profit or loss on the difference between projected insurance benefits payments, based on assumed mortality rates, and actual insurance benefits payments. Administrative expense margin is the gain or loss on the difference between projected business expenditures, based on assumed expense ratios, and actual business expenditures. Investment yield margin is the gain or loss on the difference between projected investment income, based on assumed interest rates, and actual investment income.

KPI and Specific Initiatives to Achieve Group Adjusted Profit Target and Sustainable Growth



Positioning in Each Business Domain

Groupwide

No. 8
in the world

No. 8 among non-life insurance groups in the world

▶ Fortune Global 500: 2017 Income Ranking

Company/Group Name		Income	Company/Group Name		Income
1	Berkshire Hathaway	\$223,604	6	People's Insurance Co. of China	\$66,732
2	Allianz	\$122,196	7	AIG	\$52,367
3	State Farm Insurance Cos.	\$76,132	8	MS&AD Insurance Group Holdings	\$49,239
4	Munich Re Group	\$68,700	9	Tokio Marine Holdings	\$48,292
5	Zurich Insurance Group	\$67,245	10	Swiss Re	\$43,786

Source: Fortune Global 500 2017 Insurance Property & Casualty (Stock + Mutual)

Domestic Non-Life Insurance Business

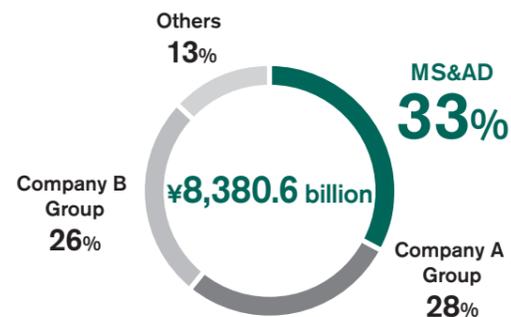
No. 1
Share

No. 1
Underwriting profit

The insurance group most chosen by customers in Japan

No. 1 share in all lines of business in Japan

▶ Share of Net Premiums Written* (FY2017)



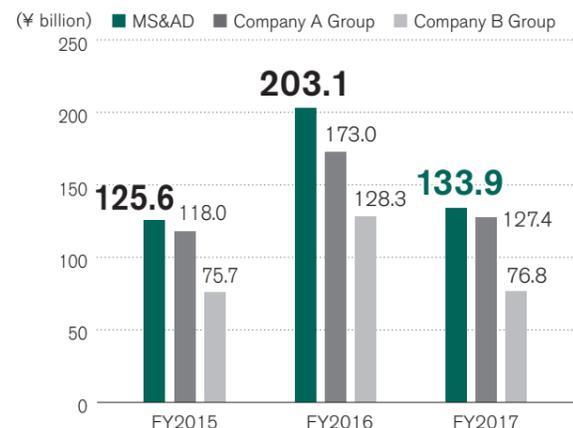
Sources: Prepared by MS&AD based on publicly announced information from each insurance company and data from the General Insurance Association of Japan.
* MS&AD figures are simple sums of figures for MSI, ADI, Mitsui Direct General, and au Insurance Company
* Figures for other insurance groups are simple sums of non-consolidated figures for domestic companies in each group.
* Figures are presented exclusive of the Good Results Return premiums of Mitsui Sumitomo Insurance's proprietary "ModoRich" automobile insurance product, which contains a special clause for premium adjustment and refund at maturity (same hereinafter).

The largest sales / customer base in Japan

We are pursuing competitive advantages of scale based on our powerful non-life insurance sales channels covering multiple market segments and our nationwide sales/claims support (service) network.

▶ Underwriting profit

(prior to reflecting catastrophe reserves)*



*Figures for MS&AD are the simple sum of the non-consolidated figures for MSI and ADI; simple sum of non-consolidated group figures excluding direct insurance companies of each group
Source: Prepared by MS&AD based on the publicly announced information from each company

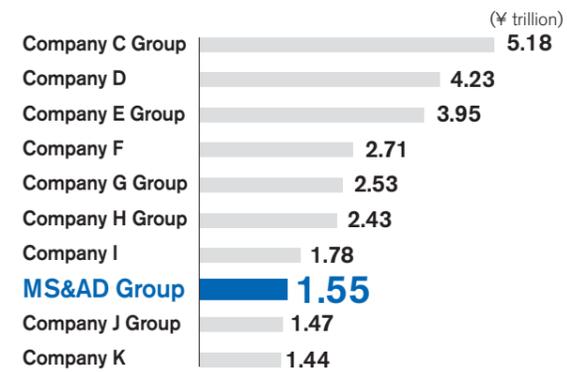
Domestic Life Insurance Business

No. 8
among 29 companies and groups

No. 1
Net income among life insurance companies under non-life insurance groups

No. 8 in premiums income among domestic life insurance companies/groups

▶ Domestic life insurance companies/groups' premiums and others ranking (FY2017)



Source: Prepared by MS&AD based on the publicly announced information from each company

*Values for groups are calculated based on the non-consolidated sums of each group company

International Business

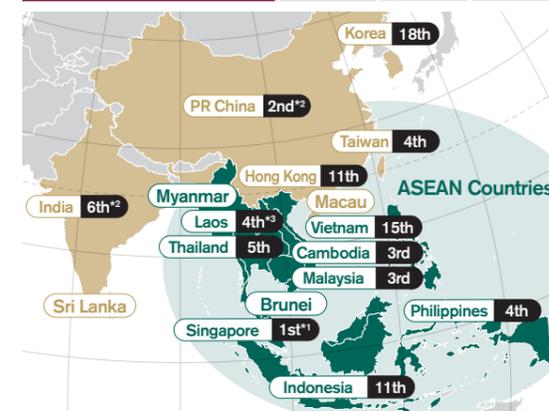
No. 1
in gross written premiums in the ASEAN region

With global business expansion to 46 countries and regions*, especially in Asia, and as the world's only global non-life insurance group with a presence in all 10 ASEAN countries, the Group maintains the No. 1 presence for gross written premiums in the ASEAN region.

* 1 Excludes SLI Cayman Limited (financial services business) in the Cayman Islands

▶ Positioning in non-life insurance market in ASEAN and Asian countries (FY2016)

FY2016 Gross Written Premiums Ranking in ASEAN Countries	No.1 MS&AD	No.2 Company N	No.3 Company O
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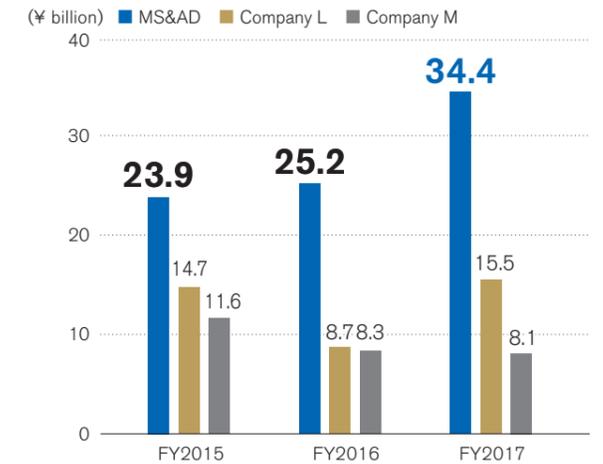
Source: Prepared by MS&AD based on the publicly announced corporate information from each country and region (reinsurance companies excluded)

*1 Simple sum ranking for FY2016 results with First Capital

*2 Ranking for foreign-based insurance companies

*3 Because data for FY2016 was not publicly available, the FY2015 ranking for Laos is shown

▶ Net income of life insurance companies under three non-life insurance groups

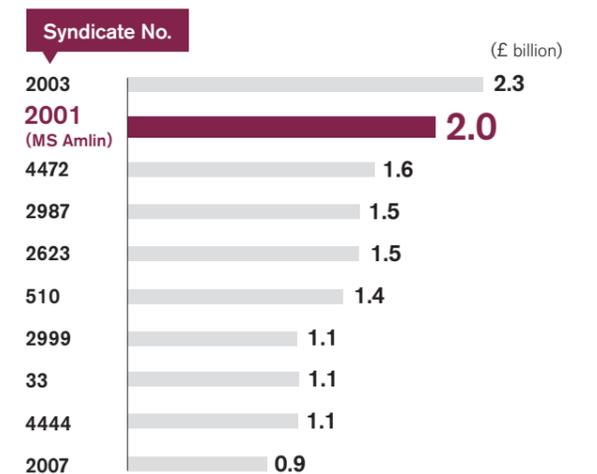


Source: Prepared by MS&AD based on the publicly announced information from each company

No. 2
in Lloyd's Insurance Market

As the Group's U.K.-based insurance holding company, MS Amlin is a principal player as a syndicate with Lloyd's of London, the world's most-influential insurance market, where it is ranked second (among 95 syndicates) with respect to gross written premiums

▶ Lloyd's syndicate Gross Written Premiums ranking



Source: Lloyd's Annual Report 2017
Based on gross written premiums for FY2017

Aiming for a Resilient and Sustainable Society

Remarkable advances in the fields of science technology and medicine have enriched our lives, starting the era of a 100-year life span.

Meanwhile, new social issues have emerged, such as human impact on the global environment dramatically increasing and disasters and accidents growing in scale and severity.

Through the insurance and financial services business, the MS&AD Insurance Group aims to realize a resilient and sustainable society by solving these social issues while supporting our customers around the world who face various challenges.

» Story of Our CSV

1 Creating Shared Value (CSV) through the MS&AD Business Model

1 Deal with new risks
→ P. 17

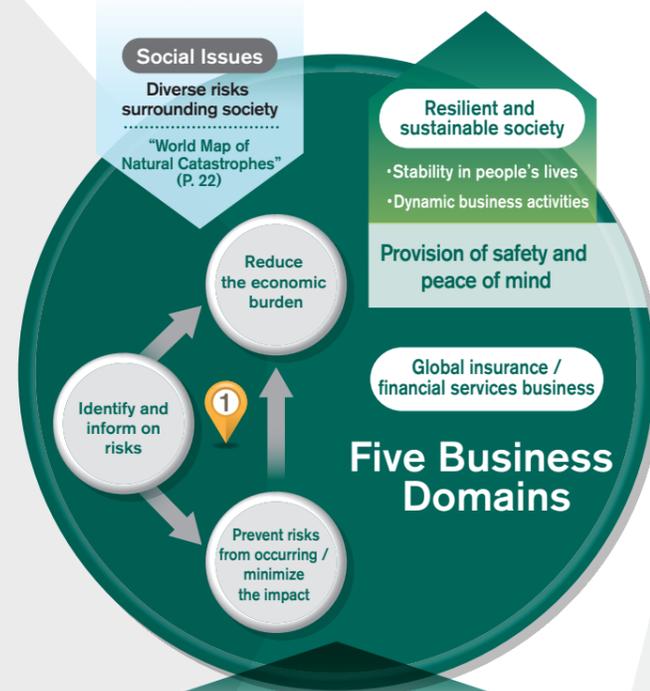
2 Support "good health and longevity"
→ P. 18

3 Contribute to climate change mitigation and adaptation
→ P. 19

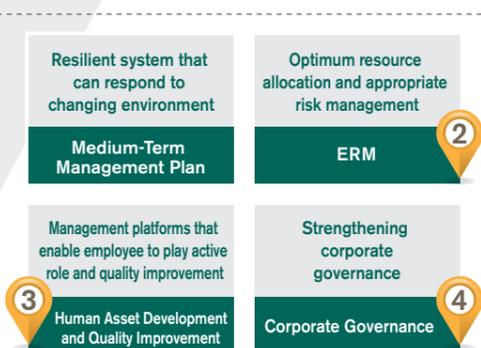
4 Work toward realization of "leaving no one behind"
→ P. 21

* See P. 6 for Initiatives for Seven Key Issues (Creating Shared Value).

Contributing to the Development of a Vibrant Society and Helping Secure a Sound Future for the Planet



Systems Supporting Corporate Value Creation



» Voices of Our Colleagues



2 Julianna Shing Risk Management, MS Amlin

My main task is to support the continued enhancement of ERM (Enterprise Risk Management), specifically to support the enhancement of the governance around the Internal Model (which is a key element of the ERM framework in MS&AD). This involves the exchange of opinions and information on ERM with Japanese colleagues in Tokyo, and together we are enhancing the design and implementation of the governance framework around the Internal Model.

By ensuring that the Company has an appropriate amount of capital in relation to the risks that it takes underwriting insurance policies and managing assets, we are providing the policy holders with the assurance that the Company is sufficiently financially sound to pay claims as they fall due.

3 Wanda Irawan Anwarsyah Human Resources & Learning Development, MSIG Indonesia

I am in charge of the Company's Learning & Development Program, which includes training management, employee skill development plans, talent management, and the performance management system. The main objective of my job is to make sure everyone in the Company creates their own development plan and participates in at least one development program every year, which as a result enables every employee to contribute to the Company's performance.

I believe that perhaps someday my efforts to nurture many insurance experts in our Company will help raise awareness of the importance of insurance among people in Indonesia. Beyond generating profits for the Company, I think these actions will also realize a society able to provide people with the financial security that allows them to live worry free.



3 Pasquale Carlucci Social Media and Communications, Aioi Nissay Dowa Europe

One of my roles is supporting internal communications such as engaging all employees across Europe around key issues that are important to the business, and increasing interaction and dialogue between our colleagues and senior management. This is because we believe that an engaged workforce strengthens the brand and our services offered, which in turn improves the resilient and sustainable development of society. In fact, we have worked on internal communication around special projects and campaigns including Diversity & Inclusion in the workplace, Wellbeing week for employees' health and productivity management; and GDPR as a key regulatory development in Europe.

4 Karnkitti Patanasuthikul Corporate Planning, MSI Thailand Branch

My responsibilities include corporate functions such as corporate planning, supporting governance and internal control processes, overseeing internal and external communication, as well as company activities such as human resource development, quality management, and CSR activities. My work at the Thailand Branch specifically revolves around corporate governance improvement along with compliance and risk.

I am proud that my daily work contributes to the Company's transparency and its sound decision making. An insurance company should create trust among the people, and I believe we work every day to fulfill our roles and responsibilities.



Deal with new risks



According to a survey by the National Institute of Information and Communications Technology (NICT), cyberattack-related communications targeting networks in Japan have escalated annually, reaching 150.4 billion incidents in 2017, a level that is 2.7 times higher than in 2015. Moreover, it has become essential for companies that conduct business globally to design sophisticated countermeasures on a global scale that can address the surge in diversity and complexity of these cyber risks.

150.4 billion incidents

Addressing the new needs of our customers

Our customers' needs have changed and diversified along with the emergence of new risks resulting from changes in the social environment. The MS&AD Insurance Group has worked to rapidly incorporate these changes in society by investing in industry-academia collaborations and start-up companies in Silicon Valley. In this way, the Group has been advancing initiatives that can deliver optimal risk solutions to our customers.

Story of my CSV

MSI and ADI provide jointly developed cyber insurance in preparation for cyber risks, but it has become necessary for us to go beyond insurance-based economic compensation in response to the more advanced and sophisticated cyberattacks of today. We must now provide support in terms of services, including preventing cyberattacks. Therefore, we have joined forces with a cyber-security firm that offers the latest expertise in this field to deliver services designed to evaluate cyber risks from a multitude of angles, as well as to provide support when cyber-attacks occur for the initial response and for minimizing and mitigating damage.

Aioi Nissay Dowa Insurance
Commercial Product
Underwriting Department
Cyber Insurance Underwriting
Division

Nozomi Kanematsu



Challenging the Future of Insurance from Silicon Valley

1 MS&AD Garage Program

This program dispatches employees directly to Silicon Valley from the individual operating companies in Japan and overseas, and provides support for introducing and collaborating with venture companies that hold the latest technologies and business models with the potential to solve the pain points of the individual companies.

2 MS&AD Ventures (Newly established)

By investing in start-up companies that have taken leadership roles in advanced technologies and business models, and by pursuing strategic successes while collaborating with operating companies in Japan and overseas, this program contributes to the sustainable growth and earnings of the Group on a global basis.

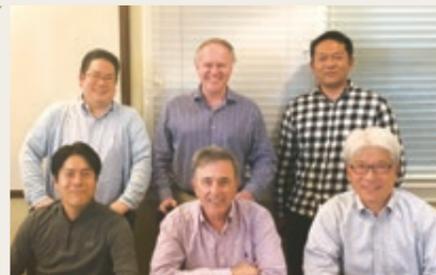
Naoya Osugi, Product Department, Mitsui Sumitomo Aioi Life Insurance

In order to unearth advanced technologies and new services that deliver solutions for business-related challenges, MSI Aioi Life participated in the MS&AD Garage Program. Upon meeting directly with multiple venture companies from Silicon Valley and participating in seminars primarily related to Insurtech, we were able to link the latest valuable information to the Head Office. In this way, we are also tackling ways to change the mind-set within the organization as a breath of fresh air for the Head Office that will instill the sense of speed, innovative conception, and other aspects of how Silicon Valley conducts business.



Takashi Sato, Corporate Planning Department (Silicon Valley overseas representative), Holding Company

"Silicon Valley is not a place one comes to find the right answers; it is a place for taking action under one's own initiative to create the right answers." Following my appointment as the first overseas representative in Silicon Valley in May 2017, this is the most common piece of advice I have received here. We are not searching for the future of insurance; rather, the 47 countries and regions in which the Group operates are striving together as one to create the future of insurance on our own.



Support "good health and longevity"

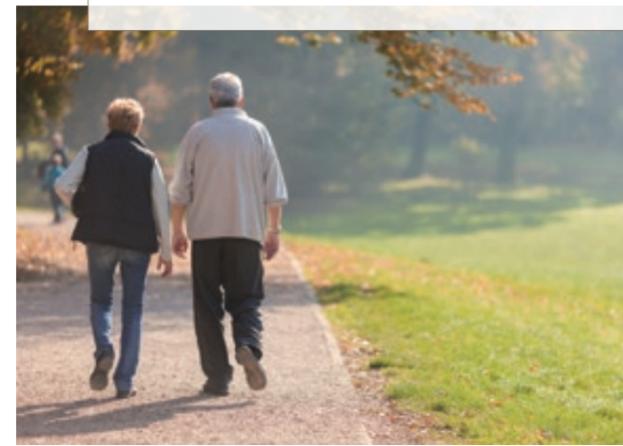


The average life span in Japan has continued to rise steadily, and is expected to reach 84.02 years for males and 90.40 years for females in 2050. The peak age of death is approaching 87 for males and 93 for females, however, indicating that we have entered an era where it is no longer rare for people to live past the average lifespan.

As Japan approaches this super-aging society, there has been a growing demand for asset building schemes that supplement public pensions, as well as for gifting and inheritance schemes that transfer assets seamlessly to the next generation.

Source: National Institute of Population and Social Security Research "Population Projection for Japan (2017 estimates)" / Ministry of Health Labour and Welfare "Abridged Life Table for Japan 2016"

100 Years



Supporting the "100-year life" society

Mitsui Sumitomo Primary Life Insurance is working to enhance its lineup of products and services so that it can address the various needs required for our customers to live a more enriching life after retirement.

In February 2018, they began selling a new tontine-type* annuity insurance product, the first of its kind in the industry, as a lump-sum payment foreign currency denominated annuity insurance product aimed at supporting enjoyable lifestyles in the "100-year life" society. Since operations began in 2002, they have acquired know-how through our continuous support for asset building among our customers via over-the-counter sales at financial institutions. By utilizing this know-how to manage good yield foreign currency assets and improve the tontine-type aspect, they have made this the first such product in the industry that enables annuities to be received "immediately" starting one month after signing and "throughout" the policy holder's entire life. As such, it has received the support of our customers.



*Tontine refers to a system for transferring annuities whereby protections for the deceased parties are curbed and the difference is transferred to the surviving parties, thereby enabling those living longer lives to receive a greater annuity. The name of this system originates from the insurance scheme proposed by Lorenzo de Tonti of Italy.

Preparing for dementia and nursing care

The number of persons certified for support and long-term care under the public nursing care insurance system as publicized by the Ministry of Health, Labour and Welfare has increased annually ever since the system was launched in 2000. In fact, by 2015 this number reached a level that was approximately 2.5 times higher than that of the year the system began. In consideration of this situation and in order to further enhance preparations for the economic burden related to nursing care, MSI Aioi Life renewed its "Whole Life Care Protection Policy." Specifically, we added protection for dementia care, which imparts the greatest burden of all types of nursing care, thereby enabling more generous preparations for uncertainty regarding the growing social problem of nursing care.

Story of my CSV

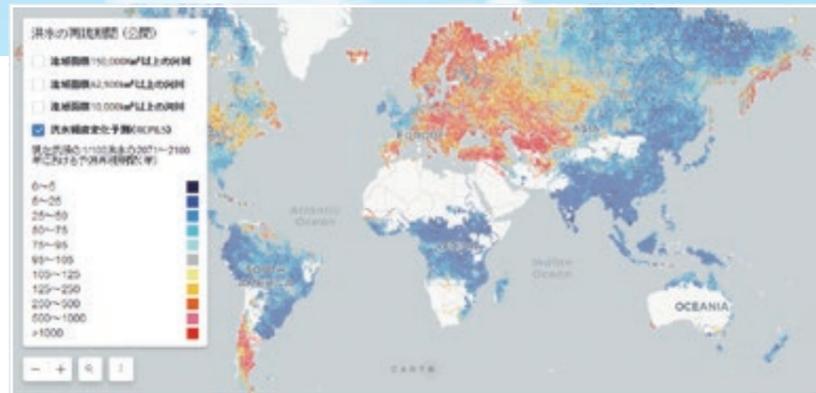
My job is to make product pamphlets and explanatory materials. It is important for us to utilize the expertise that is unique to the Group and deliver helpful information of which our customers are unaware, such as that our customers themselves are increasingly likely to live longer and information regarding what they should do to prepare for living a long, enriching life. Because many of our customers are elderly, we prepare materials that explain the product features in easy-to-understand terms and that also consider visual aspects. We also work together with financial institution-affiliated agencies to provide information that is easy to understand from the perspective of our customers.



Mitsui Sumitomo Primary Life Insurance
Product and Marketing Department
Marketing Group

Makiko Watanabe

Contribute to climate change mitigation and adaptation



Prediction Map Showing Changes in Flood Frequencies

Predicting the impact of climate change

As climate change progresses, the risk of physical damage and profit loss, such as that from floods and drought, is expected to increase in the future. With the adoption of Paris Agreement in 2015, risks that emerge during the process of shifting to a carbon-free society (stricter regulation of existing products and services, and reputation risks, such as the loss of support from customers for business models that emit high volumes of CO₂, etc.) may also have a major impact on business activities. Understanding the management risks related to climate change is essential to formulating corporate management strategies and is, at the same time, important information for investors when making long-term investments. As such, it is now of utmost importance for companies to analyze the impact that climate change will have on their own business activities.

As an initiative to "identify and inform on risks," the MS&AD Insurance Group launched a platform in May 2018 that enables users to view the results of long-term forecasts regarding changes in flood frequencies that will coincide with climate change on a free web-based geographic information (web-GIS) system. This "Large-Scale Risk Assessment of

Climate Change for Flood (LaRC-Flood(TM)) Project" has received the cooperation of Professor Hirabayashi of Shibaura Institute of Technology, and Associate Professor Yamazaki of the Institute of Industrial Science, at the University of Tokyo, and is based on the research results of "Global Flood Risk under Climate Change."* This research was also mentioned in the UN Intergovernmental Panel on Climate Change (IPCC) Fifth Assessment Report.

Companies with operational bases throughout the world can utilize this map to generally grasp the impact of long-term flood damage that they might incur.

Scientific analysis of the impact to weather disaster that will be brought about by these climate change is still in the on-going research phase. Together with these two universities, MS&AD InterRisk Research & Consulting is also advancing research to elucidate the causal relationship between climate change and flood risk. The MS&AD Group is pouring its energy into solving social issues by tackling the risk of climate change continuously through collaborations of industry, government and academia.

*Hirabayashi Y, Mahendran R, Koirala S, Konoshima L, Yamazaki D, Watanabe S, Kim H and Kanae S (2013) Global flood risk under climate change. Nat Clim Chang, 3(9), 816-821. doi:10.1038/nclimate1911

Story of my CSV

Over the past year through the consulting work for our customers, I have recognized that many companies have defined climate change as a major management risk. (Mr. Echizenya)

As a member of the environment section, I was able to help launch this project by working with Mr. Echizenya and other members from the section on natural disasters. I hope that we can continue working together on this challenge. (Mr. Terasaki)



MS&AD InterRisk Research & Consulting
Risk Management Third Department
CSR & Environment Section
Senior Consultant

Kousuke Terasaki

MS&AD InterRisk Research & Consulting
Corporate Planning Department
Risk Measurement and Assessment Section
Consultant

Wataru Echizenya

Story of my CSV

Even for areas where reliable ground-based observation data cannot be acquired, we can still provide weather risk products by utilizing satellite observation data. In recognition of the increased interest of our customers in the weather risks that will result from climate change, we are utilizing our weather-related expertise to deliver optimal weather risk solutions to our customers.



MSI GuaranteedWeather, LLC

Bradley Davis



The IPCC Fifth Assessment Report predicts that under the worst-case scenario where no effective measures are taken, average global temperatures will rise by a maximum of 4.8°C by the end of this century as compared with the present. Given the understanding that there is a close relationship that exists between climate change and abnormal extreme weather, weather disasters are also expected to become more severe and frequent.

+4.8°C

Hedging against management risks resulting from extreme weather

In addition to weather disasters such as floods and typhoons, other unseasonable weather, such as long rainfall and unusually high and low temperatures, hold the potential to bring about significant losses to business activities. Upon clearly defining the risks that coincide with this type of abnormal weather, the Group has sophisticated methods for "reducing the economic burden caused when risks occur". One of these methods is weather derivatives. Weather derivatives are effective in avoiding and mitigating losses caused to businesses and stabilizing earnings by automatically transferring the right to receive compensation if certain conditions exceed (or fall below) the baseline temperature, precipitation, wind speed, snow fall, hours of sunlight, or some other predefined weather indicator.

MSI works with MSI GuaranteedWeather, LLC, a wholly owned MSI subsidiary and global weather risk management company located in Kansas, USA, to sell weather derivatives in Japan and overseas. Since December 2016, MSI GuaranteedWeather has operated a system that utilizes satellite observation data from NASA and other sources to design products that suit the actual risks to the individual business locations of our customers. This move has enabled us to offer weather derivatives even in regions where detailed ground-based observation data are not available and where underwriting has typically been difficult.

Transaction Examples

Industries	Climate Risk	Purpose of Weather Derivatives
Agriculture	Drought	Risk of reduced crop yields caused by droughts
Solar Power Generation	Insufficient sunlight	Risk of reduced power generation caused by insufficient sunlight
Power Company	Mild winter	Risk of profit loss caused by decreased power demand

Work toward realization of “leaving no one behind”



10%

As of 2015, 10% of the global labor force and their families lived on less than US\$1.90 per day, which is defined as the extreme poverty line. Along with breaking the cycle of poverty and providing solutions that lead to economic independence, there is a need for initiatives that improve accessibility to financial services.

Microinsurance for the poor

Expanding social security has been a major challenge in India. In 2016, the government set out to expand systems for protecting the lives and incomes of farmers during times of poor yield caused by natural catastrophes and droughts, and started a new agricultural insurance scheme with a low premium burden on farmers (PMFBY). Cholamandalam MS General Insurance Company Limited (hereafter, Chola MS), a local MSI subsidiary in India, has participated in this scheme since its start. Currently, Chola MS also sells livestock insurance for low-income groups in addition to the PMFBY.



Increasing accessibility to financial services: Deployment of the Smart Office

Within the vast land of India, penetration of insurance in rural areas is also a challenge. Since October 2015, Chola MS has established small-scale offices (“Smart Offices”) equipped with insurance policy certificate issuing machines in small and medium-sized cities, as well as towns and villages, where the penetration of insurance has been slow compared to large metropolitan areas (390 offices are established as of March 31, 2018). When a customer visits an office, a policy certificate can be issued on the spot. The fact that actual offices are located in familiar locations, such as local marketplaces, garners trust, has led to a steady increase in the number of insurance policies issued. This move has contributed to the penetration of insurance in regions where access to insurance has been inconvenient in the past.



Creating employment opportunities in rural areas of India

In 2013, Chola MS began contracting out its insurance policy issuing services to an association that tackles job creation in rural areas. This was made for the purpose of creating jobs among women living in rural areas for whom there are few job opportunities other than agriculture. Having undergone continuous training that provides an understanding of insurance products and terminology, approximately 80 staff members are now involved in insurance policy issuing services for automobile and personal medical insurance. This staff has issued approximately 810,000 insurance policies per year.

By advancing initiatives that increase motivation, such as presenting gifts to staff who have improved quality to a significant degree, the project has also contributed greatly to improving the skills of women in the workforce.

Comments from employees at a rural policy issuing contractor

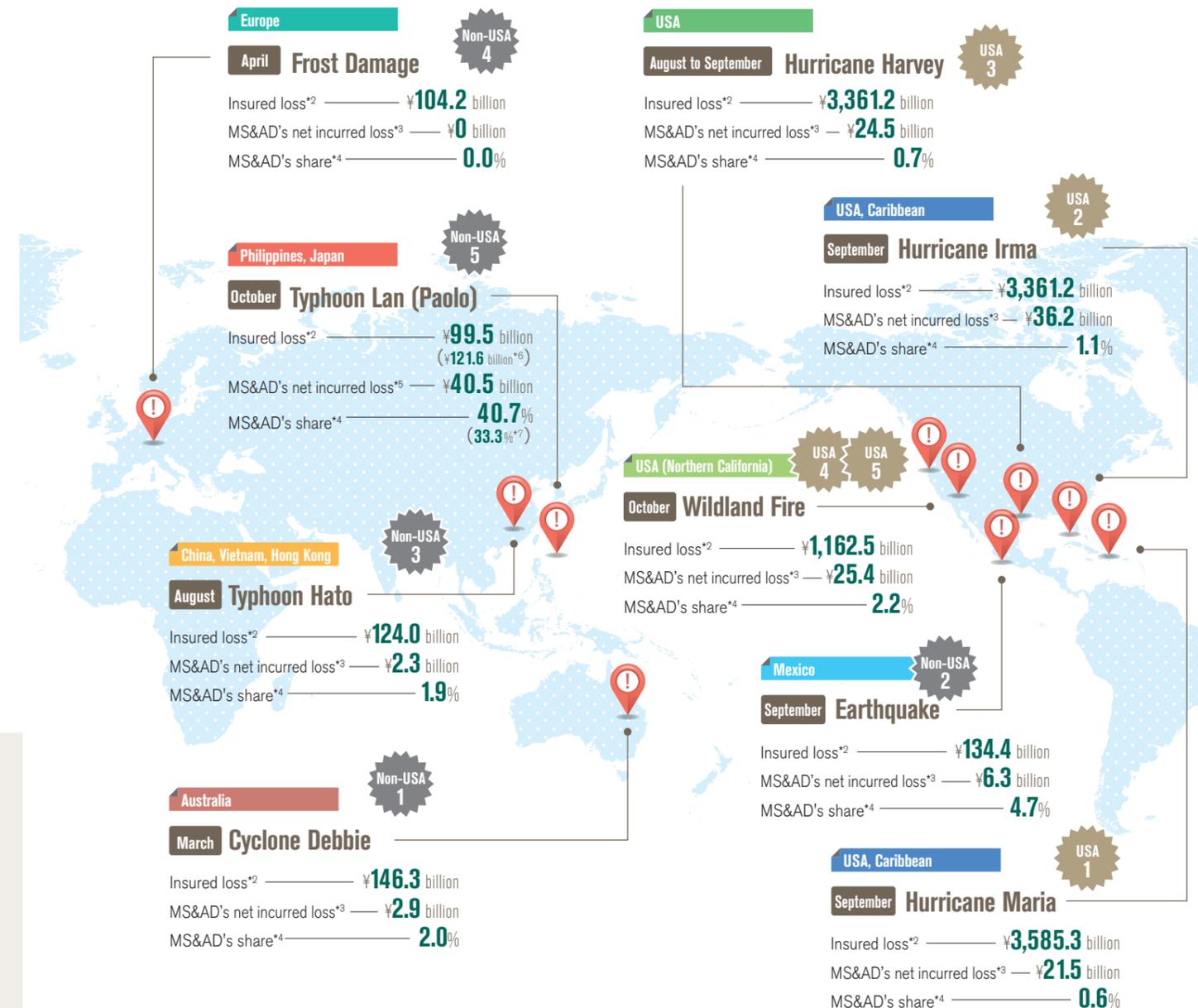
- I would like say thanks for giving this opportunity for part of the employees in Chola MS.
- Good learning experience and helps us achieve better career growth.



World Map of Natural Catastrophes in 2017*1

In recent years, the effects of climate change have been felt around the world, with powerful typhoons, hurricanes and cyclones, torrential rainfall, drought, heat waves, and other abnormal weather causing damage more frequently and on a larger scale. Last year particularly, three hurricanes in North America and the Caribbean Sea, as well as forest fires in the State of California in the US, caused insured losses exceeding ¥15 trillion, making this the most devastating year in history in terms of natural catastrophes.

The MS&AD Insurance Group has helped its customers mitigate economic losses caused by major disasters through the claims payments, supporting the restoration of business activities and the livelihoods of people around the world.



*1 The five most costly insurance market losses in 2017 for the USA (some losses include those from countries along the Caribbean Sea coast) and the five most costly insurance market losses outside of the USA (Non-USA) from natural catastrophes according to Swiss Re's sigma No 1/2018 "Natural catastrophes and man-made disasters in 2017: a year of record-breaking losses"
 *2 Insured Loss: Estimated amount of insurance market loss covered by non-life insurance companies around the world (source: Swiss Re's sigma No 1/2018). Exchange rate: US1\$=¥112.04 (used for internal purposes in FY2018).
 *3 As of December 31, 2017. Total net incurred loss (claims paid + outstanding claims, reflects recoverable and anticipated recoverable amounts from outward reinsurance contracts) by Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance and their overseas subsidiaries. Excludes claims less than ¥50 million at entities outside the affected countries.
 *4 Ratio of total net incurred loss of Mitsui Sumitomo Insurance, Aioi Nissay Dowa Insurance and their overseas subsidiaries to the insured loss.
 *5 As of March 31, 2018. Total net incurred loss of Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance.
 *6 As of March 31, 2018. Insurance claims paid in Japan (includes estimates) (Source: The General Insurance Association of Japan).
 *7 Ratio of total incurred losses by Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance to *6 above.