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

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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.

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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.

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Our Values

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

<table>
<thead>
<tr>
<th>CUSTOMER FOCUS</th>
<th>INTEGRITY</th>
<th>TEAMWORK</th>
</tr>
</thead>
<tbody>
<tr>
<td>Striving to provide security and satisfaction to our customers</td>
<td>Being sincere, kind and fair in our dealings with people</td>
<td>Growing together as a team by respecting one another’s individuality and opinions and sharing knowledge and ideas</td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th>INNOVATION</th>
<th>PROFESSIONALISM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Always improving the way we work while responding to stakeholders’ interests</td>
<td>Providing high-quality services by constantly enhancing our skills and proficiency</td>
</tr>
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</table>
Having assumed the position of CEO on the occasion of the Group’s 10th anniversary, there are three focus areas that are of utmost importance to management. In specific terms, I believe that sustainability and innovation are critical to management as MS&AD Insurance Group strives to become a rewarding and professional company.

**Sustainability** — CSV initiatives based on the Story of Value Creation

Under “Vision 2021,” the MS&AD Insurance Group has identified “a resilient and sustainable society” as an image of society to realize and has set seven key initiatives that the Group is working on to create shared value (CSV) with society. To deepen employees’ understanding of the concept, the Group provides various opportunities for employees to engage in CSV such as conducting the Groupwide Sustainability Contest or occasional talks from management. Through this engagement, our approach toward CSV and the Sustainable Development Goals (SDGs) is becoming more prevalent throughout the Group.

Ensuring that the promotion of CSV leads to Group growth is of critical importance here. Without this understanding, CSV will fall short as a sustainable endeavor. For example, the Group has concluded comprehensive cooperation agreements with 369 local government authorities with the aim of resolving issues that are specific to each region. Frankly speaking, many of these agreements have not yet contributed to the Group’s growth. What is important here is “critical information,” great sensitivity,” and “collaboration with other companies.” The ability to resolve regional issues while at the same time securing Group growth rests largely on a comprehensive thought process that tackles such questions as: What are the region’s issues? What solutions are available? What method will serve to both uncover a solution and promote the Group’s growth? Will cooperation with other companies facilitate a result?

**Innovation** — Creation through a diversity and digital strategy

Digital technology is advancing at a rapid pace. The MS&AD Insurance Group launched a corporate venture capital (CVC) initiative in Silicon Valley in the United States in 2018 and has invested in a number of start-ups that are at the vanguard of efforts to generate wide-ranging innovative and global change. At the same time, the Group maintains offices in 50 countries and regions including Japan. With unique and diverse partners and a wide-ranging network, we boast a wealth of knowledge and data accumulated through business over a period of 127 years. Harnessing this diversity, an inherent Group strength, and the cutting-edge expertise including digital technology gained through investments in various projects including start-ups through a multiplier effect, we are able to develop and provide new products and services that are beyond the reach of other companies.

In addition, we established Global Digital Hubs (GDHs) in Tokyo and Singapore as venues for business collaboration. Partnering with a company in Israel, we have worked to put in place a platform for promoting digitalization. The objectives of this partnership include creating an environment in which to acquire the latest knowledge while establishing networks focusing mainly on the cyber domain. We strongly believe that the pursuit of innovation will serve as a springboard for the Group’s growth.

**Employee engagement and professionalism in the workplace** — Promoting women empowerment and global talent

To link CSV and digital strategies to corporate growth, it is important for employees to feel a sense of purpose and satisfaction while carrying out their duties in a professional manner. With this in mind, the MS&AD Insurance Group is promoting diversity and inclusion (D&I) as one key initiative to achieve this end.

Making the most of diverse human assets, including women and global talent, helps to generate a wealth of benefits. When a wide range of opinions clash and converge in a diverse group, it provides the impetus for uncovering new business opportunities and fueling innovation. The experience gained through the Program will open entirely new perspectives and ultimately help resolve a host of issues. I believe that we can continue to grow as a world-leading insurance and financial services group if employees maintain a professional mind-set and carry out their duties to the highest global standards.

**In a new society**

In modern society, the business environment is constantly changing as risks grow larger and more complex and new risks emerge.

Against this backdrop, collaboration with a diverse range of partners is vital to resolving each social issue. We believe that one key to successful collaboration is mutual understanding, respect for each other’s raison d’être and a common vision of the future in which to resonate. In that sense, our Mission and the story of value creation which embodies it will take on even greater significance. By expanding the CSV initiatives that underpin our Story of Value Creation from regions to the entire country, from Japan to overseas, from Group companies to the Group as a whole, while promoting collaboration with partner companies that share the same challenges, we are confident in our ability to help realize a resilient and sustainable society.

We will forge ahead together with our stakeholders and leverage the Group’s strengths of diversity and combined power to create a better society.
Who We Are
Overview of MS&AD

MS&AD’s Story of Value Creation

Contribute to the Development of a Vibrant Society and Help Secure a Sound Future for the Planet

The MS&AD Insurance Group was formed with three groups of insurance companies being integrated with the 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 businesses."

To realize our vision of society, we need to face those social issues that impede this vision and promptly identify various risks stemming from the issues. Then, through a variety of products and services, we need to prevent risks from occurring or minimize the impact of those risks and to reduce the economic burden when those risks materialize. By doing so, we help create an environment where customers can live and conduct business in a secure manner. That is our story of value creation.

Bringing Vision to Reality

Rapid Social Change

Major social issues that the Group can help resolve

1. Diversified/large-scale accidents and disasters
2. The global environment approaching its limit (e.g., climate change and depletion of resources)
3. Mounting burden of nursing/medical care associated with an aging population
4. Decline in social vitality due to widening inequalities

Creating Shared Value (CSV initiatives)

- Deal with new risks
- Create a safer mobility society
- Strive for resilient community development
- Support "good health and longevity"
- Contribute to climate change mitigation and adaptation
- Strive to improve the sustainability of natural capital
- Work toward the realization of "leaving no one behind"

Our Image of Society in 2030

Resilient and Sustainable Society
The MS&AD’s Story of Value Creation

Contributing to the Development of a Vibrant Society and for the Planet

Financial Capital
- Sufficient and sound financial base enabling the underwriting of customers’ risks
  - Consolidated net assets: ¥2,494.0 billion

Human Capital
- Global and diverse human assets
  - Professional human assets with sophisticated expertise related to insurance, RIAs, etc.
  - Consolidated number of employees: 41,582

Intellectual Capital
- Expertise and trustworthiness supported by a lengthy history and experience

Social and Relationship Capital
- No. 1 in the scale of its customer base in Japan
  - Number of individual customers in Japan: Approx. 43 million
  - Number of corporate customers in Japan: Approx. 2.4 million
- No. 1 in gross premiums written in the ASEAN region
  - Number of customers in Japan: 84,676
  - Number of branches/offices: 258/999
- Overseas bases: 50 countries/regions
- Relationships with leading companies in other sectors
  - Includes Toyota Group, the Nippon Life Group, the Mitsui Group and the Sumitomo Group

Natural Capital
- Stable global climate system
- Conservation of biodiversity in nature
- Sustainable natural resources
- Amount of paper used: 11,080 tons

MS&AD’s Business Model

Reducing the economic burden
- Reduce expenses for insuring
- Reduce expenses for servicing
- Reduce expenses for insurance

Identifying and informing on risks
- Diverse risks surrounding us...
- Diverse risks surrounding society
- Diverse risks surrounding service providers

Preventing risks from occurring/Minimizing the impact
- Diversified/large-scale accidents
- Global environment approaching its limit
- Mounting burden of nursing/medical care associated with aging population
- Decline in social viability due to widening inequalities

Global Insurance / Financial Services Business

Five Business Domains
- Domestic Non-Life Insurance Business
- Domestic Life Insurance Business
- Financial Services Business
- Risk-Related Services Business

Stability in people’s lives
Dynamic business activities

Creating Value in Partnership with Stakeholders

Our goals are to create social value together with our stakeholders through the output of our business activities.

Financial Capital
- Increase capital efficiency
  - Increase Group Adjusted Profit
  - Returns to shareholders
    - Total Shareholder Return (TSR) is the ratio calculated by dividing the return (stock dividends and capital gains) on investment in the stock over a period of time 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

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

Social and Relationship Capital
- Provide products and services that protect such social capital as social infrastructure, government services, etc.

Natural Capital
- Reduce CO₂ emissions to slow the pace of climate change
- Contribute to the conservation of biodiversity
- Reduce the environmental burden to allow sustainable use of natural resources

Systems Supporting

Resilient systems that can respond to a changing environment

Corporate Value Creation

Optimum resource allocation and appropriate risk management

Management platforms that enable employees to play active roles

Strengthening corporate governance

Employees participating in social contribution activities

*(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 Strengths: Scale
As a world-leading insurance and financial group, we have successfully secured sufficient capacity to meet the needs of customers worldwide.

Group-wide

No. 5 among non-life insurance groups in the world

Domestic Non-Life Insurance Business

The insurance group most chosen by customers in Japan
- Share of Net Premiums Written† (FY2019)
- Underwriting Profit (prior to reflecting catastrophe reserves)*

<table>
<thead>
<tr>
<th>Company/Group Name</th>
<th>Income and profit (¥ billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Berkshire Hathaway</td>
<td>247.807</td>
</tr>
<tr>
<td>2 State Farm Insurance Cos.</td>
<td>81.712</td>
</tr>
<tr>
<td>3 People’s Insurance Co. of China</td>
<td>75.377</td>
</tr>
<tr>
<td>4 Munich Re Group</td>
<td>67.226</td>
</tr>
<tr>
<td>5 MS&amp;AD Insurance Group Holdings</td>
<td>49.610</td>
</tr>
<tr>
<td>6 Tokio Marine Holdings</td>
<td>48.396</td>
</tr>
<tr>
<td>7 American International Group</td>
<td>47.398</td>
</tr>
<tr>
<td>8 Zurich Insurance Group</td>
<td>47.180</td>
</tr>
<tr>
<td>9 Nationwide</td>
<td>43.270</td>
</tr>
<tr>
<td>10 Liberty Mutual Insurance Group</td>
<td>42.685</td>
</tr>
</tbody>
</table>

*Figures for “Group” are calculated based on the non-consolidated results of each group company.
†Ordinary income basis for Japanese insurance groups
Source: Fortune Global 500: 2019 Insurance Property & Casualty (Stock + Mutual)

Domestic Life Insurance Business

No. 9 in premiums income among domestic life insurance companies/groups

| Domestic life insurance companies/groups† in premiums and others ranking (FY2019) |
| Net income of life insurance companies under the three major non-life groups |
| Company C Group | 5.50 |
| Company D Group | 3.85 |
| Company E Group | 3.24 |
| Company F Group | 2.59 |
| Company G Group | 2.30 |
| Company H Group | 2.26 |
| Company I Group | 1.82 |
| Company J Group | 1.74 |
| Company K Group | 1.48 |

Source: Prepared by MS&AD based on publicly announced information from each insurance company.
†Figures for “Group” are calculated based on the non-consolidated results of each group company.

International Business

No. 1 in gross written premiums (non-life) in the ASEAN region

With global business expansion to 49 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.

Lloyd’s syndicate Gross Written Premiums ranking

<table>
<thead>
<tr>
<th>Company</th>
<th>Gross Written Premiums (£ billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company P</td>
<td>2.4</td>
</tr>
<tr>
<td>Company Q</td>
<td>2.1</td>
</tr>
<tr>
<td>MS Amlin Underwriting Limited</td>
<td>2.0</td>
</tr>
<tr>
<td>Company R</td>
<td>2.0</td>
</tr>
<tr>
<td>Company S</td>
<td>1.9</td>
</tr>
<tr>
<td>Company T</td>
<td>1.8</td>
</tr>
<tr>
<td>Company U</td>
<td>1.7</td>
</tr>
<tr>
<td>Company V</td>
<td>1.5</td>
</tr>
<tr>
<td>Company W</td>
<td>1.3</td>
</tr>
<tr>
<td>Company X</td>
<td>1.2</td>
</tr>
</tbody>
</table>

Source: Lloyd’s Annual Report 2019
Based on gross written premiums for FY2019
**MS&AD’s Path to Realizing Our Image of Society**

The MS&AD Insurance Group is on the verge of creating the world-leading insurance and financial services group that we have pursued since our founding through the story of value creation with our customers, shareholders and other stakeholders. As part of the medium-term management plan “Vision 2021” launched in fiscal 2018, the Group set forth a “Resilient and Sustainable Society” as the image of society we aim to achieve in 2030 and has charted sustained growth by managing the Group based on the creation of shared value with society (CSV).

**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.”

**Management Shift**

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

**Achievements**

We steadily undertook initiatives geared toward returning the domestic non-life insurance business to profitability and moved forward in securing financial soundness. In addition, we made progress with Group business integration, including the building of common platform systems for the domestic non-life insurance business, and clarified the shape of Group business integration as a result of reorganization by function in 2013.

**Issues**

Buffeted by large-scale natural catastrophes, including the Great East Japan Earthquake and floods in Thailand in 2011, the Group Core Profit target for the final year was revised downward. Furthermore, due to large-scale insurance payments on account of second-breaking snowfall in the Kanto Koshinetsu region in February 2014, the Company ended up missing its targets for Group Core Profit and Group ROE.

**Numerical Management Targets**

<table>
<thead>
<tr>
<th>FY2010 Results</th>
<th>FY2013 Initial targets</th>
<th>FY2014 Initial targets</th>
<th>FY2015 Initial targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Core Profit</td>
<td>14.3</td>
<td>19.4</td>
<td>19.5</td>
</tr>
<tr>
<td>Domestic Non-Life Business</td>
<td>6.5</td>
<td>7.6</td>
<td>8.6</td>
</tr>
<tr>
<td>Domestic Life Insurance Business</td>
<td>4.5</td>
<td>5.1</td>
<td>5.7</td>
</tr>
<tr>
<td>International Business</td>
<td>1.9</td>
<td>2.5</td>
<td>2.8</td>
</tr>
<tr>
<td>Financial Services Business and Risk-Related Services Business</td>
<td>1.9</td>
<td>2.5</td>
<td>2.8</td>
</tr>
<tr>
<td>Consolidated Net Premiums Written</td>
<td>25,134.4</td>
<td>28,095.2</td>
<td>32,700.0</td>
</tr>
<tr>
<td>Combined Ratio (Domestic Non-Life Insurance)</td>
<td>27.6%</td>
<td>33.7%</td>
<td>30.0%</td>
</tr>
</tbody>
</table>

**Image of society in 2030**

**Resilient and sustainable society**

**Stage 1**

**Implementation of sustainability management based on CSV**

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

**Stage 1 Achievements and Issues**

**Achievements**

- Maintained and expanded a stable earnings foundation
- Advanced growth and efficiency through the Group’s comprehensive strengths
- Achieved reduction targets for strategic equity holdings
- Improved financial management

**Vision 2021**

(FY2018-FY2021)

**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.
Toward Medium-Term Growth

Working toward the realization of a resilient and sustainable society, we will promote initiatives that lead to medium- and long-term growth by accurately identifying the risks and opportunities that arise from the ever-changing business environment.

### CSV Initiatives Promoted by MS&AD

- **Contribute to climate change mitigation and adaptation**
- **Deal with new risks**
- **Create a mobility society without accidents**
- **Strive for resilient community development**
- **Support “good health and longevity”**

### Future image of society by 2030

#### Resilient and sustainable society

- The ability to minimize damage from unforeseen circumstances, adapt to new environments and return to growth

#### Sustainable

- The ability to maintain a balance among the economy, environment and society, and to ensure that the global environment and social systems will retain their place throughout future generations.

### Materiality Analysis

In light of social issues and the Group’s business, we analyzed items based on a framework to identify the risks and opportunities that result from social changes and natural disasters such as wind and flooding, and to identify the influence of technology and economics.

### Social and Economic Impact of CSV Initiatives

For the purpose of promoting CSV initiatives and improving the quality of such initiatives, the Group estimates the value that these initiatives provide to society (social impact) and the economic value that they provide to the Group (economic impact).

#### CSV Initiatives Promoted by MS&AD

- **Work toward the realization of “leaving no one behind”**
- **Reduce poverty in the most vulnerable countries and peoples**
- **Ensure access to affordable, safe water and sanitation for all**
- **Promote affordable, clean energy for all**
- **Build resilient infrastructure to support economic growth**
- **Ensure availability of clean water and sanitation for all**
- **Promote sustainable agricultural practices**
- **Promote sustainable forest management and combat deforestation**
- **Reduce biodiversity loss**
- **Promote responsible consumption and production practices**
- **Ensure availability of clean energy for all**
- **Build resilient infrastructure to support economic growth**
- **Ensure availability of clean water and sanitation for all**
- **Promote sustainable agricultural practices**
- **Promote sustainable forest management and combat deforestation**
- **Reduce biodiversity loss**
- **Promote responsible consumption and production practices**

#### The level of impact on the long-term growth of the MS&AD Insurance Group

- The level of contribution to society’s sustainability

#### Technology

- **Appearance of new business models via digital platforms**
- **Peretration of 5th generation mobile communication system (5G), post 5G**
- **Development of new automobile technology (CASE: safety support (air bag), maintenance, entertainment)**
- **Use of Big Data for business decisions**
- **Cashless payment, etc.**
- **Development of advanced digital technologies that support “new lifestyles” and expansion of the coinciding cyber risk**

#### Economy

- **Recovery from COVID-19 effects, extended economic recession, global low interest rates**
- **Review of trade friction and trade agreements**
- **Expansion of ESG investment, rise in requests for disclosure on climate change (PCSD)**
- **Ring of new capital related to green investments, green bonds, and carbon taxes**
- **Debt restructuring (private and public)**
- **Increased risk of financial stability from additional debt**

#### Politics

- **Dealing with climate change (the Paris Agreement), reinforcement of regulations to combat a carbon-free society**
- **Strengthening capital regulations, risk-based Global Insurance Capital Assessment (GICA)**
- **Rise of protectionism and populism**
- **Rise of common law and litigation in order to protect human rights, information protection, and personal information protection**
- **Rising momentum for new international cooperation through COVID-19 countermeasures**
- **Increase of self-sufficiency rate for food and healthcare (security)**
- **Rising demand for social investment (Society 5.0) and ongoing demands to reduce strategic equity holdings**

#### Risks and Opportunities by Social Issue

- **Risks**
  - Changes in the nature of existing businesses (e.g., conventional automobile insurance)
  - Increase in insurance claims due to frequent, large-scale natural catastrophes
  - Emergence of new risks due to the greater use of IoT and the post-digital era
  - Growing asset management risks

- **Opportunities**
  - Construction of new business models (e.g., telematics insurance, InsureTech)
  - Market developments along new sales channels
  - Development of new insurance schemes to cover issues caused by large-scale natural disasters, etc., and growing need for the establishment of BEC
  - Creation of new markets from the emergence of new risks (e.g., drones, etc.)
  - Risk management and product development stemming from the use of Big Data

#### Risks and Opportunities by Business Environment

- **Risks**
  - Diversified/large-scale accidents and disasters
  - Shifts in lifestyles and industrial structures associated with the transition to a carbon-free society
  - Expansion of the business environment foundation due to the depletion of natural capital

- **Opportunities**
  - Growing needs for evaluation and analysis of climate change and natural capital risk
  - Fluctuating growth in ESG investment and lending, such as Green Bonds
  - Needs for new insurance arising from growth in new businesses related to decarbonization and resource efficiency
  - Mitigation of climate change risks because of the penetration of remote workstyles

#### Risks and Opportunities by Social Issue

- **Risks**
  - Accelerated growth in the use of telecommunication
  - Increase in automobile accidents caused by elderly drivers
  - Recruitment of solicitation methods as policyholders age
  - Emergence of new risks associated with advanced medical care

- **Opportunities**
  - Increase in the need for asset-building and asset-cumulation services for a super-aged society
  - Expansion in the demand for services related to nursing care and dementia
  - Greater awareness of health promotion and disease prevention
  - Greater medical coverage due to changes in the social security system and advances in medical technology

#### Risks and Opportunities by Business Environment

- **Risks**
  - Slow growth coinciding with the saturation of domestic insurance markets
  - Increase in automobile accidents caused by elderly drivers
  - Recognition of solicitation methods as policyholders age
  - Emergence of new risks associated with advanced medical care

- **Opportunities**
  - Growing demand for insurance due to a growing middle class under the assumption of robust development in emerging economies
  - Greater awareness among local governments related to preventing and controlling accidents
  - Simpler, faster, and more affordable personal insurance (e.g., automobile and property insurance)
  - Multi-level risk management to protect against cyber and natural disasters
  - Stronger needs for services that support regional revitalization
**Solution-driving CSV Initiative Cases**

- **Deal with new risks**
  - **Safer mobility society**
  - **Resilient community development**
  - **Climate change mitigation and adaptation**
  - **Improve the sustainability of natural capital**
  - **Support "good health and longevity"**
  - **Work toward the realization of "leaving no one behind"**

**Products to address cyber risk**
- Reduce support for cybercrime countermeasures and compensation in preparation for possible damages resulting from the unlikely event of a cyberattack.

**Telematics-based safe driving support services**
- Provide services that support safe driving based on telematics technology for corporate customers.
  1. Comparison of claims payments before and after installing telematics devices.
  2. Number of companies that have introduced “Driver Manager” or “Tawansy Navi” (Including Life).

**Regional revitalization initiatives in collaboration with local governments**
- Provide products and services that support regional social issues in cooperation with local governments.

**Comprehensive Coverage Plan for Mega-Solar Power Generation**
- The provision of combined insurance and derivative compensation products to mega-solar operators.
  - Calculation based on national average power generation results from NEDO Solar Field test and the default values of future generation factors by electric utility.

**Simplified classifications of water-related risks**
- Assess flooding, drought and other water-related risks at business locations, and provide information on the risk management.
  - Facilities with a water stress value ratio of 0.1 and above accounted for 30%.

**Tontine annuities that support future asset formation**
- An annuity product linked to dementia regulations.
  - Three-dimensional product linked to dementia, early screening and accident prevention.
  1. Total number of applicants from the start (January 28, 2019) of the program.
  2. Approximate cost (FY2019-FY2021) of the "Kobe Model".

**Dementia "Kobe Model"**
- A value plan program linked to dementia regulations.
  - Three-dimensional product linked to dementia, early screening and accident prevention.
  1. Total number of applicants from the start (January 28, 2019) of the program.
  2. Approximate cost (FY2019-FY2021) of the "Kobe Model".

**Economic Impact in the Final Center**
- **Company/organization protected against cyber risks**
  - Approx. 12,300
  - Approx. 410
- **Policy growth rate**
  - 10.1% YoY
  - 25.2% YoY
- **No. of corporate customers**
  - Approx. 1,400
  - Approx. 2,800

**Creation of Business Opportunities**
- **Toward Further Growth**
- **Future Image of Society**

**Advancement of a digital society**
- The importance of cybersecurity has grown as the digital society is evolved. Methods that defend against cyber risks on multiple levels will unquestionably become important.

**Safe, next-generation mobility**
- It is assumed that the shift to autonomous driving, electrification and other new initiatives will advance the use of connectivity as a core technology.

**Sustainable community development**
- Resident community development requires the pursuit of safety and security, as well as the creation of sustainable employment.

**Realizing a decarbonized society**
- The Group supports the greater use of renewable energy from the outcomes through appropriate preparations for damage loss caused by weather disasters as well as power generation.

**Business management leveraging natural capital**
- Corporate sustainability is linked to the sustainable use of natural capital that is leveraged to produce goods and services, and is therefore recognized as an ESG risk.

**Preparing for the "100-Year Life" society**
- The average life span in Japan has been increasing yearly.

**Next-generation healthcare through collaboration with industry, government and academia**
- Partnerships with various sectors are essential for seeking out solutions to problems in an aging society and for creating a society that can accommodate for everyone by building a healthcare system.

**Japan’s Cybersafety Service Market**
- $834 million in 2019

**New car sales for connected vehicles**
- $999.4 billion in 2024

**Electricity accounted for by renewable energy in Japan**
- 16% in 2017

**Global ESG investments**
- $30.883 billion in 2018

**Household consumption expenditure estimates among those older than 70 (annual)**
- $15,000 in 2014

**Japan’s healthcare market scale (estimate)**
- $23,000 billion in 2025

**Deal with new risks**
- Multifaceted cybersecurity
  - Insurance products and services that address new risks
  - Coverage on sharing businesses
  - Coverage on third parties
  - "Daycare Insurance"

**Safer mobility society**
- Driver-recognition-type automobile insurance
  - "New Analytics automobile insurance"

**Resilient community development**
- "SMC business BSD support
  - "Preparation for disaster prevention/mitigation and BCP
  - "Expenditure regarding green"

**Climate change mitigation and adaptation**
- "Climate change risk assessment
  - "Support for renewable energy businesses
  - "Government Risk Assessment and Financing Initiative"

**Improve the sustainability of natural capital**
- "Environmental sustainability of natural capital
  - "Natural capital risk assessment
  - "Environmental sustainability of natural capital

**Support "good health and longevity"**
- "Good health and longevity
  - "Physical and mental fitness
  - "Health management support products

**Work toward the realization of “leaving no one behind”**
- "Relief system for dementia accidents
  - "Support system for raising public awareness about abuse of children and/or the elderly foreign residents in Japan
  - "Microfinance
  - "Agricultural insurance"
Progress of the Medium-Term Management Plan “Vision 2021”

Numerical Management Targets

In the medium-term management plan “Vision 2021”, the Group is working toward the goals of becoming a “world-leading insurance and financial services group,” which has served as the “vision” for MS&AD Insurance Group since our founding, and of “developing a resilient system” that will realize sustainable growth. During Stage 1, which lasted through fiscal 2019, of the indicators raised as our medium-term aspirations, we achieved each of the targets for scale, financial soundness, reductions in strategic equity holdings and profitability. Meanwhile, considering the delay in recovery of profits in the international business and the impact on asset management coinciding with changes in the economic environment following the emergence of COVID-19, we corrected the Group Adjusted Profit target for the final year of Vision 2021 from ¥350 billion to ¥300 billion. Against this backdrop, we will leave the Group Adjusted ROE target value unchanged as we continue to advance initiatives to streamline the business. Despite the uncertain outlook due to the impact of COVID-19, we will prioritize expense reductions through productivity improvements, create the changes in the business environment as opportunities and strive to further enhance the earnings strength of the Group as a whole in order to realize the final targets for fiscal 2021.

Financial Targets

<table>
<thead>
<tr>
<th></th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020 Forecast</th>
<th>FY2021 Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group Adjusted Profit</td>
<td>189.8</td>
<td>233.1</td>
<td>180.0</td>
<td>300.0</td>
</tr>
<tr>
<td>Domestic Non-Life Insurance Business (excluding gains/losses on sales of strategic equity holdings)</td>
<td>146.9</td>
<td>119.5</td>
<td>130.0</td>
<td>177.0</td>
</tr>
<tr>
<td>Domestic Life Insurance Business</td>
<td>31.6</td>
<td>29.7</td>
<td>25.0</td>
<td>41.0</td>
</tr>
<tr>
<td>International Business</td>
<td>5.4</td>
<td>49.6</td>
<td>20.0</td>
<td>75.0</td>
</tr>
<tr>
<td>Financial Services Business/ Risk-Related Services Business</td>
<td>5.8</td>
<td>4.8</td>
<td>5.0</td>
<td>7.0</td>
</tr>
<tr>
<td>Group Adjusted ROE</td>
<td>6.1%</td>
<td>8.0%</td>
<td>6.1%</td>
<td>10.0%</td>
</tr>
</tbody>
</table>

Consolidated net premiums written

<table>
<thead>
<tr>
<th></th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020 Forecast</th>
<th>FY2021 Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Life insurance premiums (Gross premiums)</td>
<td>3,500.4</td>
<td>3,573.7</td>
<td>3,400.0</td>
<td>3,580.0</td>
</tr>
<tr>
<td>EEV of MS&amp;AD Aioi Life</td>
<td>1,599.9</td>
<td>1,393.4</td>
<td>1,004.0</td>
<td>1,000.0</td>
</tr>
<tr>
<td>ESR (Economic Solvency Ratio)</td>
<td>199%</td>
<td>186%</td>
<td>–</td>
<td>180%~220%</td>
</tr>
</tbody>
</table>

Sales Target of Strategic Equity Holdings

<table>
<thead>
<tr>
<th></th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total sales target (FY2017~FY2021)</td>
<td>¥500.0 billion</td>
<td>¥513.1 billion</td>
<td>¥136.7 billion</td>
<td>¥111.8 billion</td>
</tr>
<tr>
<td>Risk weight to integrated risk amount (before the risk diversification effect)</td>
<td>Less than 30%</td>
<td>32.7%</td>
<td>28.8%</td>
<td>26.1%</td>
</tr>
<tr>
<td>Fair value weight in consolidated total assets</td>
<td>Less than 10%</td>
<td>12.7%</td>
<td>10.9%</td>
<td>9.2%</td>
</tr>
</tbody>
</table>

Non-Financial Indicators

A checklist indicates that FY2019 figures have been assured by KPMG AZSA Sustainability Co., Ltd.

Creating Shared Value with Society (CSV initiatives)

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Fiscal 2019 Achievements</th>
<th>Group Targets for Fiscal 2019 Onward</th>
</tr>
</thead>
<tbody>
<tr>
<td>Development and improvement of products for creating shared value with society</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| Key related SDGs

<table>
<thead>
<tr>
<th>Quality that earns the trust of society</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indicators (related pages)</td>
</tr>
<tr>
<td>---------------------------</td>
</tr>
<tr>
<td>Customer satisfaction survey about insurance contract procedures</td>
</tr>
<tr>
<td>Customer satisfaction survey about payment of insurance claims</td>
</tr>
</tbody>
</table>

Management platforms that enable employees to play active roles

<table>
<thead>
<tr>
<th>Indicator (related pages)</th>
<th>Fiscal 2019 Achievements</th>
<th>Group Targets for Fiscal 2019 Onward</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduction of the environmental burden (P. 22)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CO2 emission reduction rate</td>
<td>-20.7%</td>
<td></td>
</tr>
<tr>
<td>Total energy consumption</td>
<td>943,000 GJ (31.4%)</td>
<td></td>
</tr>
<tr>
<td>Paper consumption</td>
<td>11,000 t (+5.1%)</td>
<td></td>
</tr>
</tbody>
</table>

SDGs among employees and expanded practical initiatives in the insurance business. One remaining issue, however, is the limited number of initiatives that link the various stakeholders and to the medium- to long-term development and growth of our business.

In Stage 2, we will contribute to the solutions for these problems, including social issues that have arisen in an era of living with COVID-19, and we will further promote initiatives that also connect to the growth of the Group.

Moreover, initiatives designed to reduce the burden on the environment will strive to further reduce CO2 emissions, total energy consumption and paper consumption.

*For details on sustainability initiatives, visit the official website.
**Financial and Capital Strategies**

**CFO Message**

Director, Senior Executive Officer, CFO
Tetsuji Higuchi

**Sustainable Profit Growth**

- **Enhance the Competitiveness of Existing Businesses**
  - Invest in new businesses to diversify our geographic and business portfolios, etc.
  - <Points of Consideration for Investment>
    - Share returns
    - Risk dispersion (geographic, line of business)
    - Sustainable growth model
    - *ROI target: level above the cost of capital (7%)*

- **Business Portfolio Diversification and Expansion**
  - Raise our stake in PT. Asuransi Jiwa Sinarmas MSIG Tbk. (Indonesia)
  - Finance Myanmar private-sector non-life major IKBZ Insurance

**Fiscal 2019 Achievements**
Fiscal 2019 was the final year of Stage 1 of the medium-term management plan “Vision 2021”. However, Group Adjusted Profit fell below the plan’s target by ¥39.9 billion to ¥233.1 billion, as did Group Adjusted ROE by 0.3 percentage point to 8.0%. This reflects expected insurance payments of ¥502 billion on a direct underwriting basis following large-scale natural disasters, just like in fiscal 2018, such as Typhoons 15 (Fayal) and 19 (Hagibis), as well as booking an impairment loss of ¥85.3 billion as the COVID-19 outbreak triggered stock market drops in Japan and abroad through to the end of the fiscal year.

**Fiscal 2020 Achievements and Fiscal 2021 Targets**

It is unclear how far the impact of COVID-19 will extend. Nevertheless, we see a need to present fiscal 2020 earnings forecasts in some form and assume economic contraction throughout the year based on market conditions as of March-end 2020. Accordingly, we forecast fiscal 2020 Group Adjusted Profit of ¥180 billion due to an expected decline in investment gains of around ¥60 billion in Japan and abroad, and a rise in net incurred losses mainly for overseas insurance subsidiaries of around ¥20 billion. In fiscal 2021, the final year of Vision 2021, we aim to reach Group Adjusted Profit of ¥300 billion and Group Adjusted ROE of 10% mainly based on a recovery from COVID-19 negatives and a rebound in international business earnings.

**M&S&D Growth Model**
The Group’s capital policy is rooted in increasing shareholder value by pursuing investment to realize sustainable growth and maintaining stable shareholder returns, while ensuring financial soundness. The Group’s greatest strength is its highly competitive and stable Domestic Non-Life Insurance Business, and during Stage 1 of Vision 2021 we managed to further enhance this strength. Based on this solid earnings foundation, the Group’s core growth strategy is to diversify its portfolio via expansion in the life insurance and international businesses.

In addition, our capital strategy involves allocating around half of annual profits for investments that aim to improve the competitiveness of existing businesses, for investments to diversify and expand the business portfolio, and for investments to create new business territories, all of which should enable us to accelerate profit growth. Furthermore, we spread CSV initiatives Group-wide to realize sustainable growth underpinned by the development of society, which is undergoing various changes.

**Investment in creation**
- Venture investment based on Silicon Valley CVC (33 companies as of March 31, 2020)
- Collaboration with companies pursuing innovation in Israel
- Alliances with digital platforms (Finaltext)

**Investment in enhancement**
- Jointly develop financial services with Tencent (China)
- Initiate cross-selling of group insurance (RMG, India)

**Investment in growth**
- Expand vehicle products
- Pursue the development of new auto insurance
- Expand commercial vehicle insurance
- Strengthen and maintain existing businesses

**Pursue CSV Initiatives**
- Group Adjusted Profit
- Group Adjusted ROE
- Shareholder Returns
- Target 40%-60% of Group Adjusted Profit

**FY2021 target 10%**
Toward Sustainable Growth and Achieving Targets for Group Adjusted ROE and Group Adjusted Profit

Components 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).

Enabling Balance by ERM Management

While striving to increase Group Adjusted Profit through activities in each of the Group’s business domains, we employ ERM to manage the Group in a way that balances Group Adjusted Profit, Integrated Risk Amount and Net Asset Value (capital).

Adjusted Net Assets and Net Asset Value (Capital)

In ERM, to thoroughly manage the net asset value, which serves as a management buffer. Adjusted Net Assets are transformed into the Net Asset Value through the following calculations:

Note: Figures within parentheses are for the fiscal year ended March 31, 2020.
Net asset value = Adjusted net assets ($2.8 trillion) - Unrealized insurance liabilities ($2.4 trillion) - Other equity liabilities, etc. ($1.2 billion) - $6.4 trillion.

Initiatives to achieve Group Adjusted Profit target in each business domain.

Adjusted Net Assets

Group Adjusted Profit

Integrated Risk Amount

Net Asset Value (Capital)

ERM balances these three elements.

Group Adjusted ROE

0.5% Adjusted Net Assets

Group Adjusted Profit

Integrated Risk Amount

Net Asset Value (Capital)

ROE

Return on Risk

ESR

(Economic Solvency Ratio)

Net Asset Value (Capital) + Integrated Risk Amount

An indicator of the balance between the risks the Group is assuming and the Group’s net assets, in other words, an indicator of financial soundness.

Monitoring of ESR [Appropriate level]

ESR 180%-220%

1. Group Adjusted Profit = Consolidated net income + Provision for catastrophe loss reserve and others – Other incidental factors (amortisation of goodwill) and other Intangible fixed assets
2. Adjusted net assets = Consolidated net assets + Catastrophe loss reserves and others - Goodwill and other Intangible fixed assets
3. The integrated risk amount represents insurance underwriting risk, asset management risk, operational risk, etc. - quantified by means of stochastic methods.
4. The family living income service is insurance for families that allow the family to continue living if the breadwinner is unable to work, in addition to providing income for the family, in response to the current epidemic situation.
5. While it is not possible to estimate the number of days by which the company can complete administrative tasks for customers, 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) the average number of days to conclude a new policy, (2) the average number of days required to pay an insurance claim and (3) the average number of days required to pay a cancellation refund.

1. 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 claim payments (based on mortality rates, and actual insurance benefits payments. Administrative expense margin is the gain or loss on the difference between actual administrative expenses, and estimated administrative expenses. Investment yield margin is the gain or loss on the difference between projected investment income, based on assumed interest rates, and actual investment income.

MS&AD INSURANCE GROUP HOLDINGS

INTEGRATED REPORT 2020

Financial and Non-Financial Highlights

Financial Highlights

<table>
<thead>
<tr>
<th>Group Core Profit/Group Adjusted Profit¹</th>
<th>Group ROE/Group Adjusted ROE¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>($ billions)</td>
<td>(%)</td>
</tr>
<tr>
<td>Group Core Profit</td>
<td>8.0</td>
</tr>
<tr>
<td>Group Adjusted Profit</td>
<td>8.0</td>
</tr>
</tbody>
</table>

This is the profit that serves as a resource for shareholder returns and is thus included as one of the numerical management targets in the medium-term management plan. In anticipation of transitioning to International Financial Reporting Standards from FY2022, the definition was revised to “Group Adjusted Profit” in “Vision 2021” (starting in FY2021).

<table>
<thead>
<tr>
<th>Consolidated net premiums² and premium growth rate (non-life insurance business)</th>
<th>Combined ratio² (domestic non-life insurance business)</th>
</tr>
</thead>
<tbody>
<tr>
<td>($ billions)</td>
<td>(%)</td>
</tr>
<tr>
<td>Consolidated net premiums written (left axis)</td>
<td>134.4</td>
</tr>
<tr>
<td>Premium growth rate (right axis)</td>
<td>14</td>
</tr>
</tbody>
</table>

Consolidated net premiums written is one of the numerical management targets in the medium-term management plan. The premium growth rate indicates growth potential in premium income for the domestic non-life insurance business and international non-life insurance business.

<table>
<thead>
<tr>
<th>Net investment income³ (domestic non-life insurance business)</th>
<th>Policies in force⁴ (domestic life insurance business)</th>
</tr>
</thead>
<tbody>
<tr>
<td>($ billions)</td>
<td>(Median)</td>
</tr>
<tr>
<td>Net interest and dividend income</td>
<td>14.5</td>
</tr>
<tr>
<td>Capital profit/loss</td>
<td>102.9</td>
</tr>
<tr>
<td>Net investment income</td>
<td>135.3</td>
</tr>
<tr>
<td>Capital profit/loss</td>
<td>26.3</td>
</tr>
<tr>
<td>Capital profit/loss</td>
<td>31.3</td>
</tr>
<tr>
<td>Net investment income</td>
<td>178</td>
</tr>
<tr>
<td>Capital profit/loss</td>
<td>28.6</td>
</tr>
<tr>
<td>Capital profit/loss</td>
<td>32.8</td>
</tr>
<tr>
<td>Net investment income</td>
<td>209.8</td>
</tr>
<tr>
<td>Capital profit/loss</td>
<td>29.5</td>
</tr>
<tr>
<td>Capital profit/loss</td>
<td>31.2</td>
</tr>
<tr>
<td>Net investment income</td>
<td>187.7</td>
</tr>
<tr>
<td>Capital profit/loss</td>
<td>29.9</td>
</tr>
<tr>
<td>Capital profit/loss</td>
<td>32.9</td>
</tr>
<tr>
<td>Net investment income</td>
<td>171.6</td>
</tr>
<tr>
<td>Capital profit/loss</td>
<td>31.7</td>
</tr>
<tr>
<td>Capital profit/loss</td>
<td>35.9</td>
</tr>
<tr>
<td>Net investment income</td>
<td>180.5</td>
</tr>
<tr>
<td>Capital profit/loss</td>
<td>32.6</td>
</tr>
<tr>
<td>Capital profit/loss</td>
<td>37.0</td>
</tr>
</tbody>
</table>

Net investment income is a major source of earnings, next to underwriting profit, for non-life insurance companies, consisting of such components as interest and dividend income and gains/losses on the sale of securities.

Non-Financial Highlights

<table>
<thead>
<tr>
<th>Customer satisfaction (accident response of automobile insurance)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(%)</td>
</tr>
<tr>
<td>2012</td>
</tr>
<tr>
<td>2013</td>
</tr>
<tr>
<td>2014</td>
</tr>
<tr>
<td>2015</td>
</tr>
<tr>
<td>2016</td>
</tr>
<tr>
<td>2018</td>
</tr>
</tbody>
</table>

A checkmark () indicates that FY2019 figures have been assured by KPMG AZSA Sustainability Co., Ltd.

<table>
<thead>
<tr>
<th>Outside Director ratio and the Board of Directors attendance rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>(%)</td>
</tr>
<tr>
<td>2012</td>
</tr>
<tr>
<td>2013</td>
</tr>
<tr>
<td>2014</td>
</tr>
<tr>
<td>2015</td>
</tr>
<tr>
<td>2016</td>
</tr>
<tr>
<td>2018</td>
</tr>
</tbody>
</table>

Our growth potential depends on improving customer satisfaction. Along with these indicators, customer opinions are helpful in improving quality.

<table>
<thead>
<tr>
<th>Amount of paper usage (persons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount of paper usage (persons)</td>
</tr>
<tr>
<td>2013</td>
</tr>
<tr>
<td>2014</td>
</tr>
<tr>
<td>2015</td>
</tr>
<tr>
<td>2016</td>
</tr>
<tr>
<td>2018</td>
</tr>
</tbody>
</table>

We believe diversity in the manager position and above lead to greater customer satisfaction and growth potential by enabling strategies, product development and organizational management from diverse viewpoints and sense of value. We began tailoring such data on a Group consolidated basis, including overseas, in FY2016.

<table>
<thead>
<tr>
<th>Outside Director ratio and the Board of Directors attendance rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>(%)</td>
</tr>
<tr>
<td>2012</td>
</tr>
<tr>
<td>2013</td>
</tr>
<tr>
<td>2014</td>
</tr>
<tr>
<td>2015</td>
</tr>
<tr>
<td>2016</td>
</tr>
<tr>
<td>2018</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Number and ratio of female managers⁵</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number and ratio of female managers⁵</td>
</tr>
<tr>
<td>2013</td>
</tr>
<tr>
<td>2014</td>
</tr>
<tr>
<td>2015</td>
</tr>
<tr>
<td>2016</td>
</tr>
<tr>
<td>2018</td>
</tr>
</tbody>
</table>

This is one of the basic performance indicators for life insurance companies. This indicator expresses the total amount guaranteed to policyholders of valid insurance policies at the end of the fiscal year.

<table>
<thead>
<tr>
<th>Policies in force⁴ (domestic life insurance business)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Median)</td>
</tr>
<tr>
<td>19.5</td>
</tr>
<tr>
<td>21.0</td>
</tr>
<tr>
<td>22.0</td>
</tr>
<tr>
<td>23.1</td>
</tr>
<tr>
<td>24.0</td>
</tr>
<tr>
<td>25.0</td>
</tr>
</tbody>
</table>

Reducing CO₂ emissions helps mitigate climate change, a risk for the non-life insurance business. It also reduces energy-related business expenses.

<table>
<thead>
<tr>
<th>CO₂ emissions and total energy consumption⁶</th>
</tr>
</thead>
<tbody>
<tr>
<td>(t CO₂)</td>
</tr>
<tr>
<td>Total energy consumption (right axis)</td>
</tr>
<tr>
<td>2013</td>
</tr>
<tr>
<td>2014</td>
</tr>
<tr>
<td>2015</td>
</tr>
<tr>
<td>2016</td>
</tr>
<tr>
<td>2018</td>
</tr>
</tbody>
</table>

Increasing the number of employees from different cultures and with a diverse sense of values, and deepening mutual understanding among employees, leads to a stronger organizational capacity for the Group and is a driving force in international business development in particular.

<table>
<thead>
<tr>
<th>Number and ratio of global employees⁷</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of employees in Japan</td>
</tr>
<tr>
<td>Number of overseas employees(%)</td>
</tr>
<tr>
<td>2013</td>
</tr>
<tr>
<td>2014</td>
</tr>
<tr>
<td>2015</td>
</tr>
<tr>
<td>2016</td>
</tr>
<tr>
<td>2018</td>
</tr>
</tbody>
</table>

Customer survey choices were streamlined from five options to four in FY2015 and unified within the Group. This figure indicates the ratio of customers who chose the top two options (M1 and A2).

1. This calculation method was revised in FY2018.
2. Excludes the Good Results Return premiums of “ModelClo” voluntary auto-insurance products
3. Simple sum of non-consolidated figures for MS1 and A2. (FY2010 is the simple sum of non-consolidated figures for MS1, Aioi Insurance Co., Ltd. and Nisshiny Dowu General Insurance Co., Ltd.)
4. Total amount of policies in force for Individual Insurance and Individual annuity Insurance at MS1 Aioi Life and MS1 Primary Life. MS1 Aioi Life was formed from the merger of MS1 Kawakami Life and MS1 Primary Life on October 1, 2011, as FY2010 and FY2011 show a simple sum for the two companies.
5. Customer survey choices were streamlined from five options to four in FY2015 and unified within the Group. This figure indicates the ratio of customers who chose the top two options (M1 and A2).
7. Results as of April 1 of the subsequent fiscal year.
8. Total energy consumption is calculated based on the energy conversion coefficient from the Law Concerning the Promotion of Measures to Cope with Global Warming. Electric power energy use, however, is kwh/kwh. Also, from FY2017, the energy consumption of Group holdings leased to tenants is excluded.
9. FY2018 data reviewed in an effort to increase the accuracy of activity amount data subject to calculation.
Stakeholder Engagement

The MS&AD Insurance Group has various systems to facilitate communication with our stakeholders and is working to incorporate stakeholder feedback into the Group’s management strategies. By communicating with stakeholders, we work to establish trustworthy quality and management platforms for society. Working together with stakeholders to create shared value for society also will lead to the realization of Our Mission and Our Vision throughout the entire Group.

Our Mission
To contribute to the development of a vibrant society and help secure a sound future for the planet,

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

Basic Policies on Corporate Governance
To realize our Corporate Philosophy (Mission), the MS&AD Insurance Group will create shared value and aim toward a resilient and sustainable society through corporate activities that implement the "Story of Value Creation." We will consistently strive for supreme quality that lives up to the trust and expectations upon us. Together with our stakeholders, we continue to proactively define a responsible role and boldly engage in dynamic business activities, while preserving the sustainability of the global environment and society.

Basic Policy on Compliance
We intend to achieve Our Mission by ensuring compliance in every aspect of our corporate activities and by establishing corporate ethics.

Basic Policies on Corporate Governance

Basic Policy on Responding to Customer Communications
Based on Our Mission, we will respond to all customer communications quickly, appropriately and in good faith while promoting initiatives in accordance with our Values to contribute to the improvement of customer satisfaction.

Basic Policy on the Environment
Based on Our Mission, we regard the environment as a part of its corporate strategy. Having established mitigation of and adaptation to climate change, the sustainable use of resources, the reduction of environmental burden and the conservation of biodiversity as Key Issues, the Group is advancing efforts in these areas including human rights in line with its Standards of Conduct.

Basic Policy on Human Rights
We are committed to enhancing the corporate value and contributing to the creation of a sustainable and resilient society through behavior that takes into consideration human rights in all business activities, with the aim of realizing Our Mission.

Strategic Approach for Sustainability
We consider sustainable issues, such as the environmental, social and corporate governance (ESG) factors associated with all of our business transactions, including the development of products and services, underwriting and investment.

Engagement with Stakeholders

<table>
<thead>
<tr>
<th>Stakeholders</th>
<th>Impact on Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customers</td>
<td>Financial capital</td>
</tr>
<tr>
<td></td>
<td>with sustainable growth</td>
</tr>
<tr>
<td>Shareholders</td>
<td>Human capital</td>
</tr>
<tr>
<td></td>
<td>comprising diverse</td>
</tr>
<tr>
<td></td>
<td>professional skills</td>
</tr>
<tr>
<td>Agents</td>
<td>Intellectual capital</td>
</tr>
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Climate-related Disclosure

Because climate change has a significant impact on society and industry, we recognize that disclosing the impact of climate change on business activities is essential for the stability of society and the financial system. The MS&AD Insurance Group endorses the Task Force on Climate-related Financial Disclosures (TCFD) and promotes the disclosure of financial information.

Governance

Climate-Related Internal Control

To achieve a “Resilient and Sustainable Society,” the MS&AD Insurance Group is tackling climate change mitigation and adaptation through Creating Shared Value (CSV) initiatives. Promotion and monitoring of these initiatives is discussed by the Board of Directors, the Group Management Committee and Task-Specific Committees.

The Board of Directors discusses and determines important matters such as management strategies and capital policies including climate-related matters and supervises the execution of duties by Directors and Executive Officers.

The Group Management Committee discusses important matters such as management policies and strategies that include the recognition of climate-related issues and initiatives, and monitors the execution of tasks by Executive Officers.

Climate-related issues and progress with initiatives are reported to both the Board of Directors and the Group Management Committee after discussions primarily by the Sustainability Committee and Risk Management Committee (respectively four times annually).

The CFO, receiving reports on climate-related updates and information from the Corporate Planning Department, operates the Sustainability Committee, which discusses initiatives and plans. The Chief Risk Officer, receiving reports on climate-related risks from risk management departments, operates the Risk Management Committee, which monitors risk, returns, capital and the status of risk management, and discusses and coordinates important matters.

Strategy

Strategy: Climate-Related Risks and Opportunities

Climate change poses risks in such areas as rapid social and economic changes resulting from the increasing scale of natural disasters and the transition to a carbon-free society.

While ensuring financial soundness and stable profits, the Group undertakes duties of insurance claims for damage caused by natural disasters such as typhoons and floods in the form of insurance payments. At the same time, we are pursuing initiatives for disaster prevention and mitigation both in Japan and overseas.

In addition, we are contributing to the realization of a resilient and sustainable society by promoting efforts to support the development of new technologies to reduce the risk of climate change and efforts to reduce the environmental impact of our business activities.

Climate-Related Risks

Sometimes damage from natural disasters such as typhoons becomes huge and increases the amount of insurance payouts. If the impact of climate change worsens major natural disasters, there is a risk that insurance payments will be large. The Group prepares for such payments through reinsurance, catastrophe bond arrangements and maintaining appropriate catastrophe reserves.

In fiscal 2019, the common reinsurance special contracts newly entered into by Mitsui Sumitomo Insurance and Aon Nippon Dowa Insurance worked effectively, and we were able to secure stable profits for the fiscal year.

We will continue to control the retained amount of natural catastrophe risk, considering the effects of climate change, while securing the capital necessary to maintain financial soundness.

We are also promoting reform of our business portfolio by expanding earnings in the international and life insurance businesses. Through the geographic and business diversification of these businesses, we are working to build a more stable earnings base and increase resilience to large-scale natural disasters.

In addition, in preparation for frequent natural disasters, we are utilizing digital technology to build a system that allows customers who have suffered damage to receive insurance payouts as soon as possible. We have also started a new loss survey method using drones and AI.

Akibare Re 2020-1 catastrophe bond

Mitsui Sumitomo Insurance, via Singapore-domiciled special-purpose company Akibare Re Pte. Ltd. in March 2020 issued catastrophe bond Akibare Re 2020-1 (issue amount US$100 million), which will provide MHI with protection against typhoon risk and flood risk in Japan.

The frequency of large-scale natural disasters is raising uncertainty for the reinsurance market. Therefore, it has been decided to issue the bond to secure long-term stable cover by diversifying reinsurance procurement methods while reducing its net retained risk amount.

In addition to the occurrence of natural disasters, the Group recognizes that climate change could have the following medium- to long-term effects.

- Changes in weather such as little rain, drought and reduced water supply
- Tightening environmental regulations and progress of technological innovation to tackle the advance and impact of climate change
- Increase in litigation related to environmental disasters
- Increases in reinsurance premiums due to frequent natural disasters and growth in the scale of such disasters
- Increase in the incidence of heat stroke and infectious diseases due to rising temperatures
- Changes in the industrial structure aimed at realizing a carbon-free society
- Deterioration in investment returns in sectors affected by rising carbon prices and reduced demand for fossil fuels

While recognizing increasing risks in such areas, we are monitoring their impact on the Group’s business and utilizing them in our business strategies. We have also started dialogue with investee companies on the impact of climate-related risks on business activities.
Climate-Related Opportunities

Based on the MS&AD Group’s Story of Value Creation, we have been promoting Creating Shared Value (CSV) initiatives under our medium-term management plan “Vision 2021” from fiscal 2018. We have positioned “contribute to climate change mitigation and adaptation” as one of our seven key CSV initiatives.

1. Identify and inform on risks

Addressing climate change is an important issue for sustainable business development, and we are analyzing the medium- to long-term risks of climate change. The Group also provides risk consulting services related to climate change and support for the formulation of strategy and information disclosure.

- Free provision of the website “Prediction Map Showing Changes in Flood Frequencies”
- “Climate change risk analysis service” that assesses and analyzes the physical risks related to climate change and the business risks associated with the transition to a decarbonized society. In June 2020, we began offering, in partnership with Jupiter Intelligence of the United States, the “Climate Change Impact Assessment Service for TCFD”, a global climate change impact assessment service.
- A service for the analysis and evaluation of future water-related risks (e.g., water depletion, water pollution, floods)

2. Prevent risks from occurring/Minimize the impact

Physical risks such as extreme weather and natural disasters will increase as the average global temperature rises. We are striving to provide information and risk consulting services to prevent or minimize losses when these risks become reality.

- We offer a “Weather Information Alert Service” that provides weather information relating to customers’ specified business locations and sends out alert e-mail messages.
- Our smartphone app “Suma-Ho Disaster Navigator” helps users to remain safe and secure during large-scale natural disasters.

Initiatives to use RisTech for disaster prevention/mitigation

Mitsui Sumitomo Insurance, in partnership with Accenture, provides a new service, RisTech, to assist companies’ accident and natural disaster prevention and mitigation. With this service, data scientists carry out data analytics utilizing big data and the latest analysis algorithms. The service supports disaster prevention through advanced data analysis. This includes determining optimal evacuation routes by combining meteorological data such as river water levels and data accumulated through insurance underwriting such as rates of damage by building structure and estimated damage in the event of a large-scale disaster.

Launch of a real-time loss prediction website “omap.dev”, which predicts the number of buildings damaged due to typhoons, heavy rains and earthquakes

As one of our joint research efforts, Aioi Nissay Dowa Insurance, Aon Group Japan Co., Ltd., and Yokohama National University launched the world’s first loss prediction website “omap.dev” in June 2019. This forecasts the number of damaged buildings and damage ratios in the event of a natural disaster from typhoons, heavy rain or earthquakes in real time for each municipality.

1. Aioi Nissay Dowa Insurance survey, June 2019
2. The service is available to the public for free and can be viewed 24 hours a day, 365 days a year from devices such as PCs or smartphones

3. Reduce the economic burden when risks materialize

It is the mission of insurance companies to promptly cover customers’ financial losses in the event of a natural disaster and to help them restore their lives and resume their businesses. To fulfill that mission, we are working to provide products that meet the needs of our customers.

- We have been promoting flood and earthquake preparedness activities to explain to customers the risks of water disasters and earthquakes and prepare them for natural disasters by encouraging them to reappraise the risks they face.
- We sell weather derivatives to lessen the financial losses due to unreasonable weather.
- We are one of the underwriters for natural disaster risk under a natural disaster insurance facility established to provide reconstruction funds promptly to affected countries/regions in cases when natural disasters of a certain scale occur in Pacific Island and Caribbean countries.
- We provide insurance for renewable energy including mega-solar and small-scale wind power projects.
- We provide accident prevention and maintenance support for efficient power generation by diagnosing the business and maintenance risks of renewable energy.

Scenario Analysis

Strategic resilience in diverse scenarios

The TCFD recommends scenario analysis, which analyzes the impact of climate change on businesses based on future scenarios. Our initiatives are as follows.

- We have been participating in a project led by the United Nations Environment Program Finance Initiative (UNEP FI), with more than 20 signatory insurance companies of the Principles for Sustainable Insurance (PSI), from its inception.
- The project is working on the development of scenario analysis methods for insurers. With reference to the latest climate science and looking at future time frames such as 2030 and 2050, development of analysis methods for assessing the impacts of typhoon physical risks are discussed.
- We have also begun calculating our own carbon footprint and carrying out scenario analyses of our asset management portfolio.

Risk Management

Appropriate management of identified risks (ERM cycle for climate-related risks)

The MS&AD Insurance Group has established the MS&AD Insurance Group Risk Management Basic Policy. The policy identifies the principal types of risk with an impact on the Group’s business. Based on the ERM cycle, those risks are managed in light of capital and balance with profitability.

In addition, climate-related risks are reported to and discussed at the Risk Management Committee and then reported to the Board of Directors and the Group Management Committee.

- Formulates strategies based on the Group Risk Appetite Statement
- Identifies large-scale natural disasters in Japan and overseas as material risks for the Group and formulates a Management Action Plan
- Identifies climate change as a Group Emerging Risk
- Monitors the status of natural disasters and the Group’s capital conditions
- Considers countermeasures based on monitoring results
- Implements risk taking within the range of the appropriate amount of retained risk
1 Managing natural-disaster-related risks

With respect to risk relating to windstorms and floods in Japan and the United States, we set the upper limit (Risk Limit) of the amount for Group companies based on the losses that can occur with a probability of once in 200 years. In addition to risk measurement of natural disasters and stress tests of large-scale natural disasters, we are undertaking studies on methods of incorporating the effects of climate change into stress tests and methods of quantifying the effects of climate change.

2 Controlling the retained amount of natural catastrophe risk

We assess the risk amount using statistical methods by region and disaster. Based on this assessment, we maintain decent underwriting, arrange reinsurance, issue catastrophe bonds and provide catastrophe reserve. Through these measures, we are working to improve the financial soundness of the entire Group and to reduce the variable risks of periodic profit/loss.

● Lower natural catastrophe retention on a Group-wide basis
  • Lower natural catastrophe retention including that for windstorms and floods in the United States
  • Strengthens management of the profitability of the reinsurance business

● Reduce the risk of profit fluctuations

In addition to respective reinsurance coverage of Mitsui Sumitomo Insurance and Aoki Nippon Dowa Insurance for domestic natural catastrophes, we arrange for joint reinsurance treaty coverage shared by the two companies to cover annual aggregate losses. By such means, we are reducing the risk of profit fluctuations. This functioned effectively with respect to the occurrence of domestic natural disasters in fiscal 2019, and we have organized the same level of reinsurance in fiscal 2020. We are promoting dialogue with investee companies to promote climate-related information disclosure. We are also considering dialogue methods for sustainability issues including climate-related issues.

Metrics and Targets

Establishing metrics and targets for managing risk

As a monitoring indicator for our contribution to climate change mitigation and adaptation, the Group has prioritized Creating shared value (CSV initiatives). The results of these approaches are being reflected in the performance-based compensation of the company’s internal directors.

1 Creating shared value (CSV initiatives) metrics

We have set monitoring indicators for development and improvement of products related to our contribution to climate change mitigation and adaptation. We calculate the economic impact on the Company and the impact on society from our CSV initiatives. The results of these approaches are being reflected in the performance-based compensation of the company’s internal directors.

2 Metrics and targets for initiatives to reduce the environmental burden through business activities

The Group is working to reduce the environmental impact of its business activities by using reduction rates for total energy consumption and for CO₂ emissions as monitoring indicators.

Our aim is to reduce CO₂ emissions by 10% by 2020 and by 70% by 2050. In fiscal 2019, the reduction rate for total energy consumption was 33.6% and the reduction rate for CO₂ emissions was 20.7% (versus the base year of fiscal 2009). We are striving to reduce total paper consumption and contribute to the sustainable use of natural resources.

In addition, we have started measuring the carbon footprint (CO₂ equivalent greenhouse gas emissions from business activities) of investee companies and have begun studying the utilization of this information.

World Map of Natural Catastrophes in 2019

Climate change is said to be affecting recent extreme weather events including powerful typhoons, hurricanes, torrential rainfall, droughts and heat waves throughout many parts of the world. The scale of each disaster is also increasing, causing damage in countries around the world that far exceeds previous expectations.

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

Europe

- March: Storm
  - Insured loss: ¥130.6 billion
  - MS&AD’s net incurred loss: ¥0.03 billion
  - MS&AD’s share: 0.02%

Europe

- June: Storm
  - Insured loss: ¥88.7 billion
  - MS&AD’s net incurred loss: ¥0.26 billion
  - MS&AD’s share: 0.29%

Europe

- September: Flooding
  - Insured loss: ¥71.3 billion
  - MS&AD’s net incurred loss: ¥0.0 billion
  - MS&AD’s share: 0.00%

Europe

- October: Typhoon Hagibis
  - Insured loss: ¥979.5 billion
  - MS&AD’s net incurred loss: ¥45.9 billion
  - MS&AD’s share: 4.68%

Japan

- September: Typhoon Faxai
  - Insured loss: ¥653.0 billion
  - MS&AD’s net incurred loss: ¥48.1 billion
  - MS&AD’s share: 7.37% (10.33%)

China

- June: Flooding
  - Insured loss: ¥70.7 billion
  - MS&AD’s net incurred loss: ¥0.01 billion
  - MS&AD’s share: 0.01%

USA

- May to July: Flooding
  - Insured loss: ¥435.3 billion
  - MS&AD’s net incurred loss: ¥0.0 billion
  - MS&AD’s share: 0.00%

USA

- May: Tornado
  - Insured loss: ¥391.8 billion
  - MS&AD’s net incurred loss: ¥0.11 billion
  - MS&AD’s share: 0.03%

USA and the Caribbean

- September: Hurricane Dorian
  - Insured loss: ¥381.0 billion
  - MS&AD’s net incurred loss: ¥9.4 billion
  - MS&AD’s share: 2.47%

1. The three most costly insurance market losses from natural catastrophes for the Americas, EMEA (Europe, Middle East and Africa) and APAC (Asia and Oceania) during 2019 as listed in Aon’s “Weather, Climate & Catastrophe Insight—2019 Annual Report”

2. Insured loss: Estimated amount of insurance market loss covered by the insurance companies around the world (Source: Aon’s “Weather, Climate & Catastrophe Insight—2019 Annual Report”). Exchange rate: 1 USD = ¥109.8 (used for internal purposes at the end of FY2019)

3. As of December 31, 2019: Total net incurred loss (claimed paid + outstanding claims, reflects receivable and anticipated receivable amounts from outstanding reinsurance contracts) by Mitsui Sumitomo Insurance and Aoki Nippon Dowa Insurance and their overseas subsidiaries. Excludes claims in excess of $5 million at policies outside the affected countries.

4. Ratio of total net incurred loss of Mitsui Sumitomo Insurance, Aoki Nippon Dowa Insurance and their overseas subsidiaries to the insured loss.

5. As of March 31, 2020: Total net incurred loss of Mitsui Sumitomo Insurance and Aoki Nippon Dowa Insurance.

6. As of March 31, 2020: Insurance claims paid in Japan (Includes estimated claims) (Source: The General Insurance Association of Japan)

7. Ratio of total incurred losses by Mitsui Sumitomo Insurance and Aoki Nippon Dowa Insurance to Note 6 above.