

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

MS & AD

Integrated Report 2020

〈 Digest 〉



QR-Code for access to the
MS&AD Integrated Report 2020 Digital Book.



CEO MESSAGE

President & CEO
Noriyuki Hara

► Introduction – The role of insurance in post-COVID society –

The novel coronavirus pandemic (COVID-19), which in effect has become a battle between humanity and the virus, has claimed many lives around the world while changing the way people live and their values. The global economy and financial markets have fluctuated greatly, and issues attributable to widening inequalities such as the spread of infections among the impoverished have become increasingly marked with the burden placed on the medical supply system. As the structure of society undergoes considerable change, we recognize the critical need to fulfill our role as an insurance and financial services group that as a key component of social infrastructure supports the lives of our customers while contributing to the stability of society.

► Looking back on the past 10 years – The next 10 years –

The MS&AD Insurance Group celebrated its 10th anniversary in fiscal 2020. In the past 10 years, we have worked diligently to strengthen our financial soundness, improve the profitability of our domestic non-life insurance business and build a foundation for international business expansion. As a result, the domestic non-life insurance business has become a stable revenue base, while profitability in the domestic life insurance business has continued to evolve, surpassing its industry peers. In expanding our overseas business investments, we have also created a balanced portfolio that encompasses Asia, the Americas and Europe, and taken positive steps to form the foundation of a world-leading insurance and financial services group. Meanwhile, the ESR, an index of financial soundness, has risen from 140% to 200% and consolidated net premiums written have increased by around 1.4 times to approximately ¥3.5 trillion. Taking these factors into account, we have grown to the point where we are now able to project the Group's adjusted profit at ¥300 billion for fiscal 2021, up from around ¥50 billion-¥60 billion before the Group's integration.

Going forward, our vision is to “become a world-leading insurance and financial services group,” a goal that we have continued to advocate since our establishment, and to create “resilient systems that enable us to swiftly respond to changes in the environment” in order to move to the next stage of growth. To achieve that, we set three key strategies in the medium-term management plan “Vision 2021” which started in fiscal 2018. Those key strategies are “Pursue the Group's comprehensive strengths,” “Promote digitalization,” and “Reform our portfolio.” With this in mind, the entire Group is advancing a variety of initiatives.

► Key management focus areas

Having assumed the position of CEO on the occasion of the Group's 10th anniversary, there are three focus areas that are of the 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

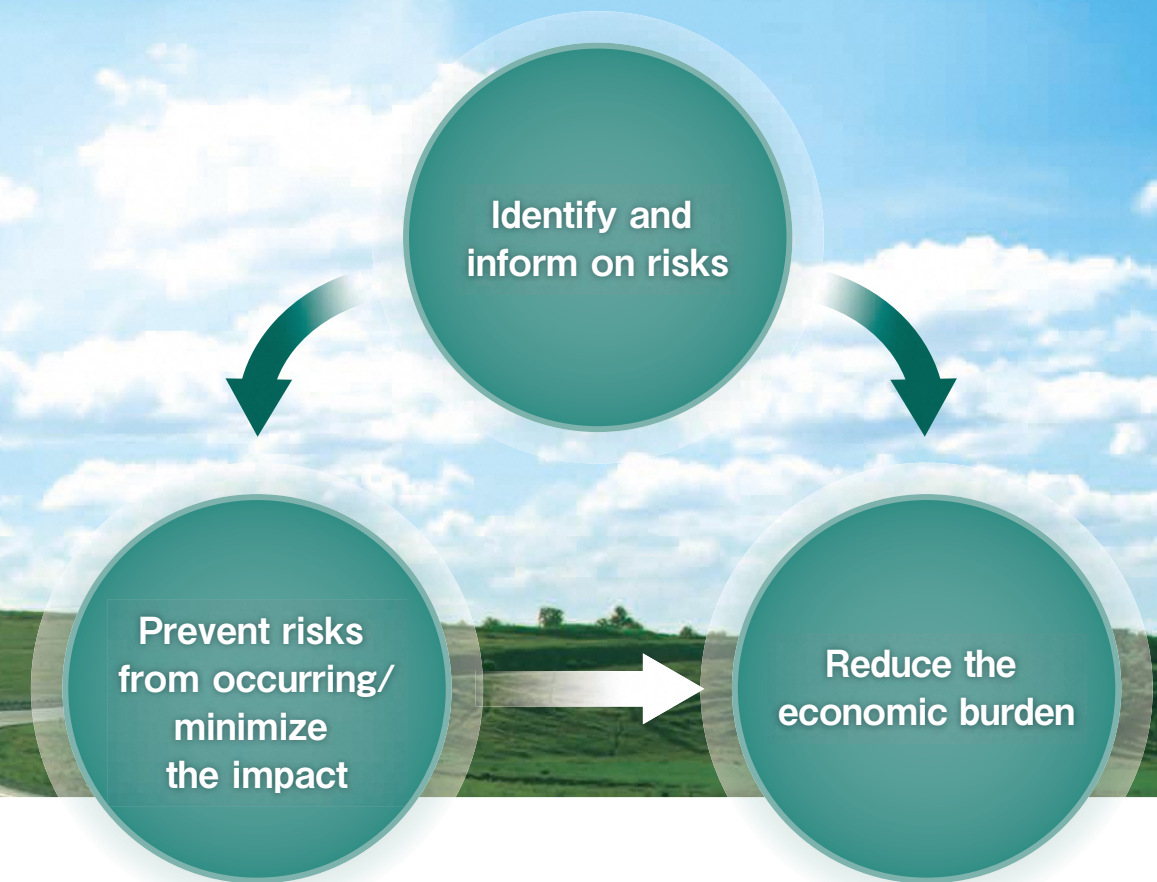
MS&AD's Story of Value Creation

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

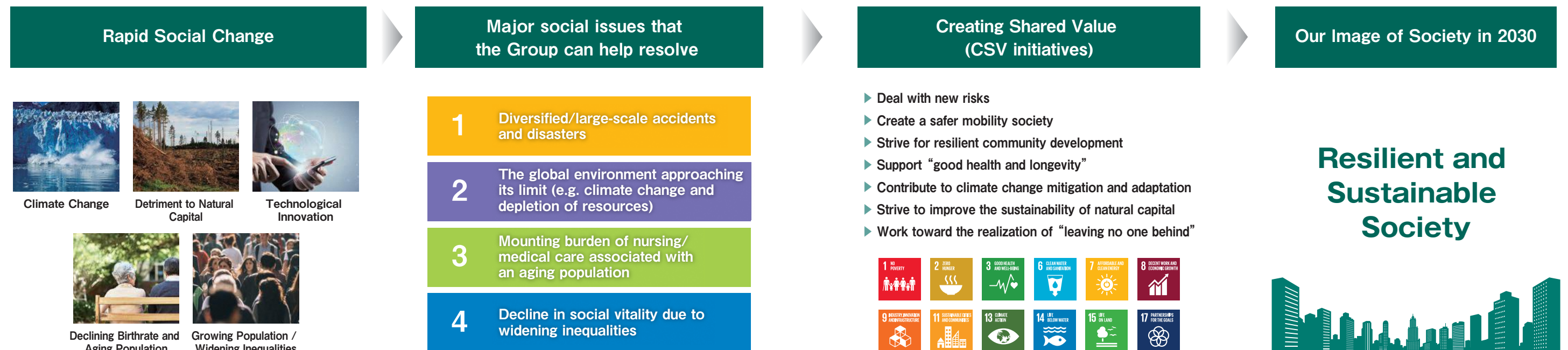
The MS&AD Insurance Group was formed with three groups of insurance companies being integrated with the mission “to contribute to the development of a vibrant society and help secure a sound future for the planet, by enabling safety and peace of mind through the global insurance and financial services 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.

〈 Approach toward resolving social issues 〉



Bringing Vision to Reality



The MS&AD's Story of Value Creation

Resources Supporting MS&AD

We are utilizing the diverse resources of the Group's business activities as the impetus to create new value.

(FY2019)

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, risks, etc.

Consolidated number of employees **41,582**

Intellectual Capital

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

Number of risk surveys conducted **1,312**

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

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

Number of domestic non-life insurance agents **84,676**

Domestic marketing bases¹ **258 branches/999 offices**

Domestic claims handling service centers² **419**

- Overseas bases³ **50 countries/regions**

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

1. Simple sum of the number of bases at domestic insurance companies (as of April 1, 2020)

2. Simple sum of the number of claims handling service centers at domestic non-life insurance companies (as of April 1, 2020)

3. Includes SLI Cayman Limited (financial services business) in the Cayman Islands (as of April 1, 2020)

Natural Capital

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

Amount of paper used **11,080 tons**

Contributing to the Development
Helping Secure a Sound Future

of a Vibrant Society and
for the Planet

Social Issues

Diverse risks surrounding society

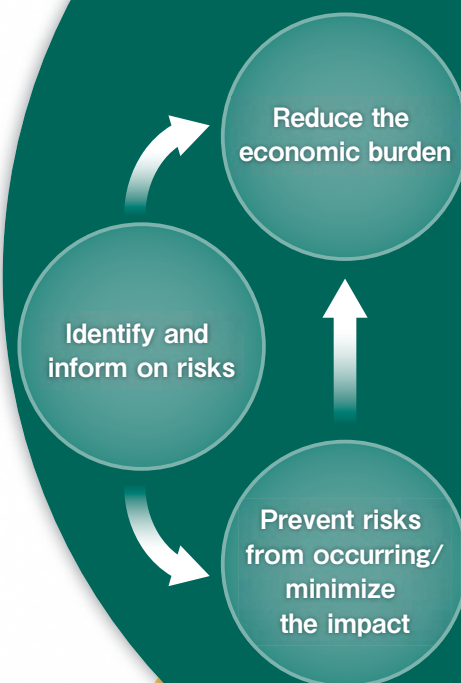
- 1 Diversified/large-scale accidents and disasters
- 2 Global environment approaching its limit (Climate change and depletion of resources, etc.)
- 3 Mounting burden of nursing/medical care associated with aging population
- 4 Decline in social vitality due to widening inequalities

Resilient and Sustainable Society

Stability in people's lives
Dynamic business activities

MS&AD's Business Model

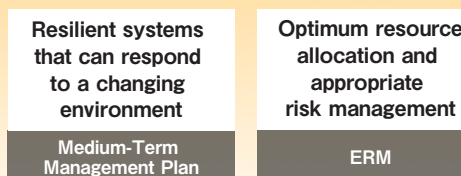
Provision of
safety and
peace of mind



Five Business Domains



Systems Supporting



Corporate Value Creation



Creating Value in Partnership with Stakeholders

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

Customers	Shareholders	Agents	Business Partners
Employees	Local Communities/International Society	Environment	

(results for FY2019)

Financial Capital

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

Group Adjusted Profit **¥233.1 billion**

Group Adjusted ROE **8.0%**

TSR* of past 5 years **8.5%**

* 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 level¹ **4.4 points**

Days of paid vacation used per employee/year² **15.7**

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 issued¹ **85**

Number of actuaries² **111**

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, 2020)

Social and Relationship 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 paid¹ **¥2,403.8 billion**

Customer satisfaction² **96.5%**

1. This represents the sum of net claims paid and life insurance claims.

2. Ratio of customers satisfied with accident response for automobile insurance (MSI and ADI)

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

Employees participating in social contribution activities* **27,673**

* 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

Fortune Global 500: 2019 Income Ranking

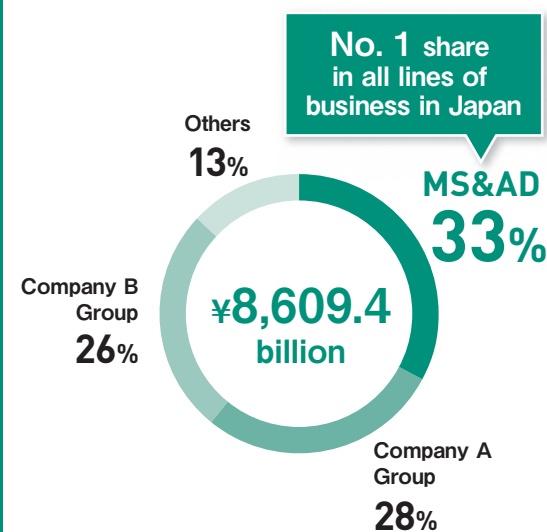
	Company/Group Name	Income (US\$ million)
1	Berkshire Hathaway	\$247,837
2	State Farm Insurance Cos.	\$81,732
3	People's Insurance Co. of China	\$75,377
4	Munich Re Group	\$67,226
5	MS&AD Insurance Group Holdings	\$49,610
6	Tokio Marine Holdings	\$49,396
7	American International Group	\$47,389
8	Zurich Insurance Group	\$47,180
9	Nationwide	\$43,270
10	Liberty Mutual Insurance Group	\$42,685

Note: Ordinary income basis for Japanese insurance groups
Source: Fortune Global 500 2019 Insurance Property & Casualty (Stock + Mutual)

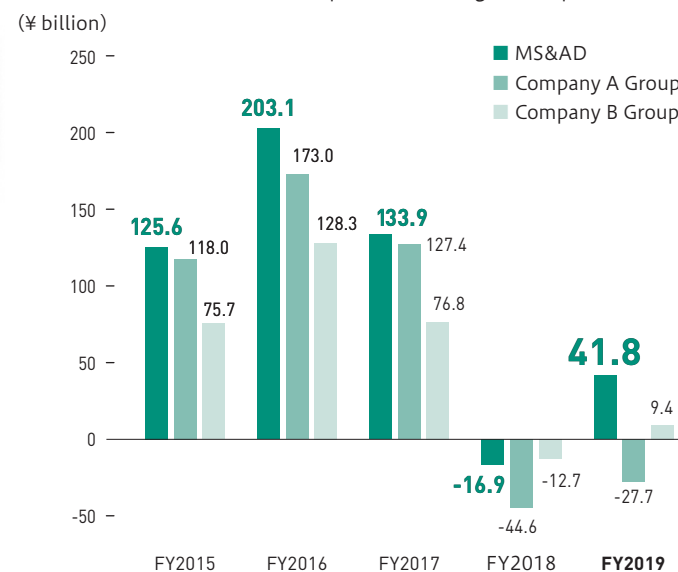
Domestic Non-Life Insurance Business

The insurance group most chosen by customers in Japan

Share of Net Premiums Written* (FY2019)



Underwriting Profit (prior to reflecting catastrophe reserves)*



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 the 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).

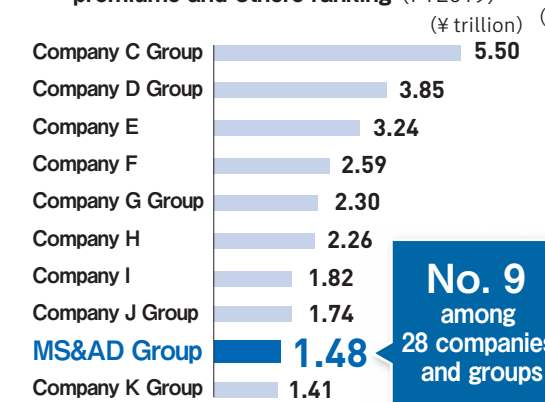
Source: Prepared by MS&AD based on publicly announced information from each insurance company

* Figures for MS&AD are the simple sum of the non-consolidated figures for MSI and ADI; For the others, the simple sum of the non-consolidated group figures excluding the direct insurance companies of each group.

Domestic Life Insurance Business

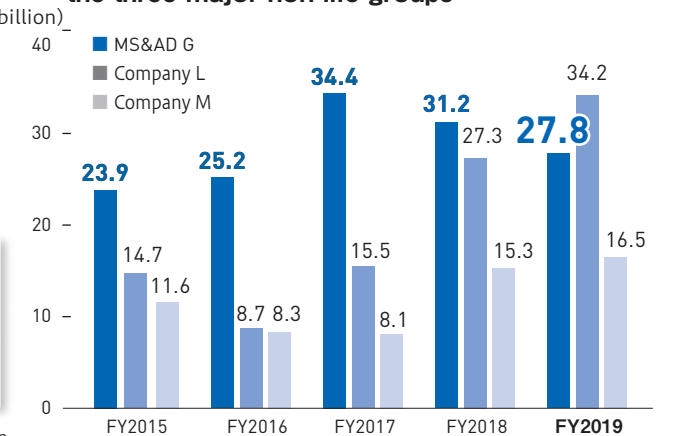
No. 9 in premiums income among domestic life insurance companies/groups

Domestic life insurance companies/groups' premiums and others ranking (FY2019)



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

Net income of life insurance companies under the three major non-life groups



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

International Business

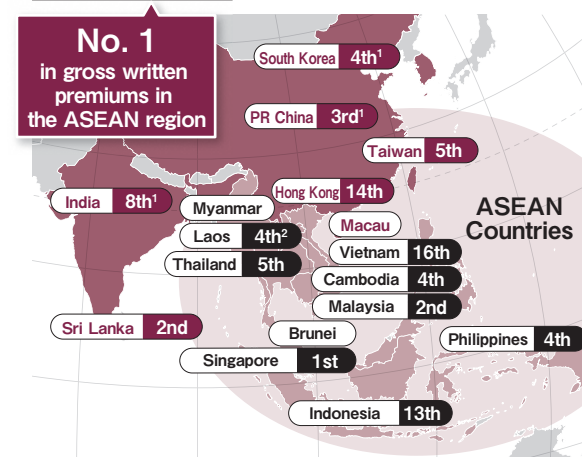
No. 1 in gross written premiums (non-life) in the ASEAN region

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.

Positioning in the non-life insurance market in ASEAN and Asian countries (FY2018)

FY2018 Gross Written Premiums Ranking in ASEAN Countries

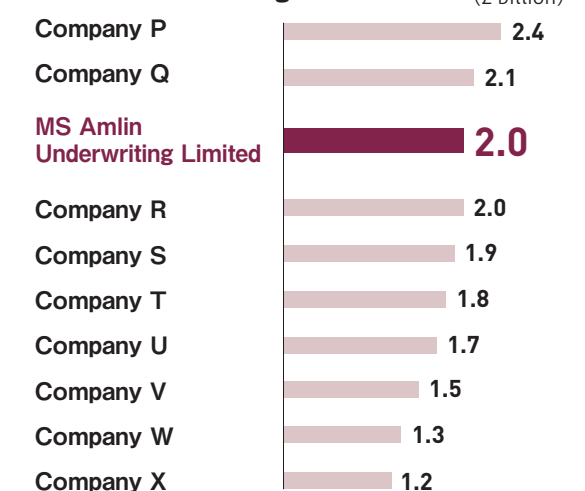
No. 1 MS&AD No. 2 Company N No. 3 Company O



Source: Prepared by MS&AD based on publicly announced corporate information from each country and region (reinsurance companies excluded)
1. Ranking for foreign-based insurance companies
2. Because data for FY2018 was not publicly available, the FY2017 ranking for Laos is shown

MS Amlin, a member of the Group, is a principal player of significant size as a managing agent with Lloyd's of London, the world's most influential insurance market.

Lloyd's syndicate Gross Written Premiums ranking



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).



(¥ billion)

Numerical Management Targets	FY2010 Results	FY2013			FY2014 Results	FY2017		
		Results	Initial targets	Revised targets		Results	Initial targets	Revised targets ⁴
Group Core Profit ¹	14.5	94.8	150.0	110.0	155.7	105.0	160.0	220.0
Domestic Non-Life Insurance Business	6.5	47.8	100.0	60.0	92.4	190.1	100.0	135.0
Domestic Life Insurance Business	4.1	24.4	15.0	15.0	20.4	34.3	16.0	15.0
International Business	1.8	18.0	30.0	30.0	38.2	(125.0)	39.0	66.0
Financial Services Business and Risk-Related Services Business	1.9	4.4	5.0	5.0	4.6	5.6	6.0	5.0
Group ROE ¹	0.8%	4.5%	7.0%	7.0%	5.9%	3.7%	7.0%	7.5%
Consolidated Net Premiums Written	2,541.4	2,809.5	2,700.0	2,700.0	2,940.7	3,446.9	3,100.0	3,570.0
Combined Ratio (Domestic Non-Life Insurance)	—	—	—	—	96.0%	92.8%	95% or less	93% range
Annualized Premiums of Policies in Force (life insurance) ²	278.0	333.5	330.0	330.0	—	—	—	—
Increase in EV ³ of MSI Aioi Life	—	—	—	—	59.7	41.3	more than 45.0	more than 50.0

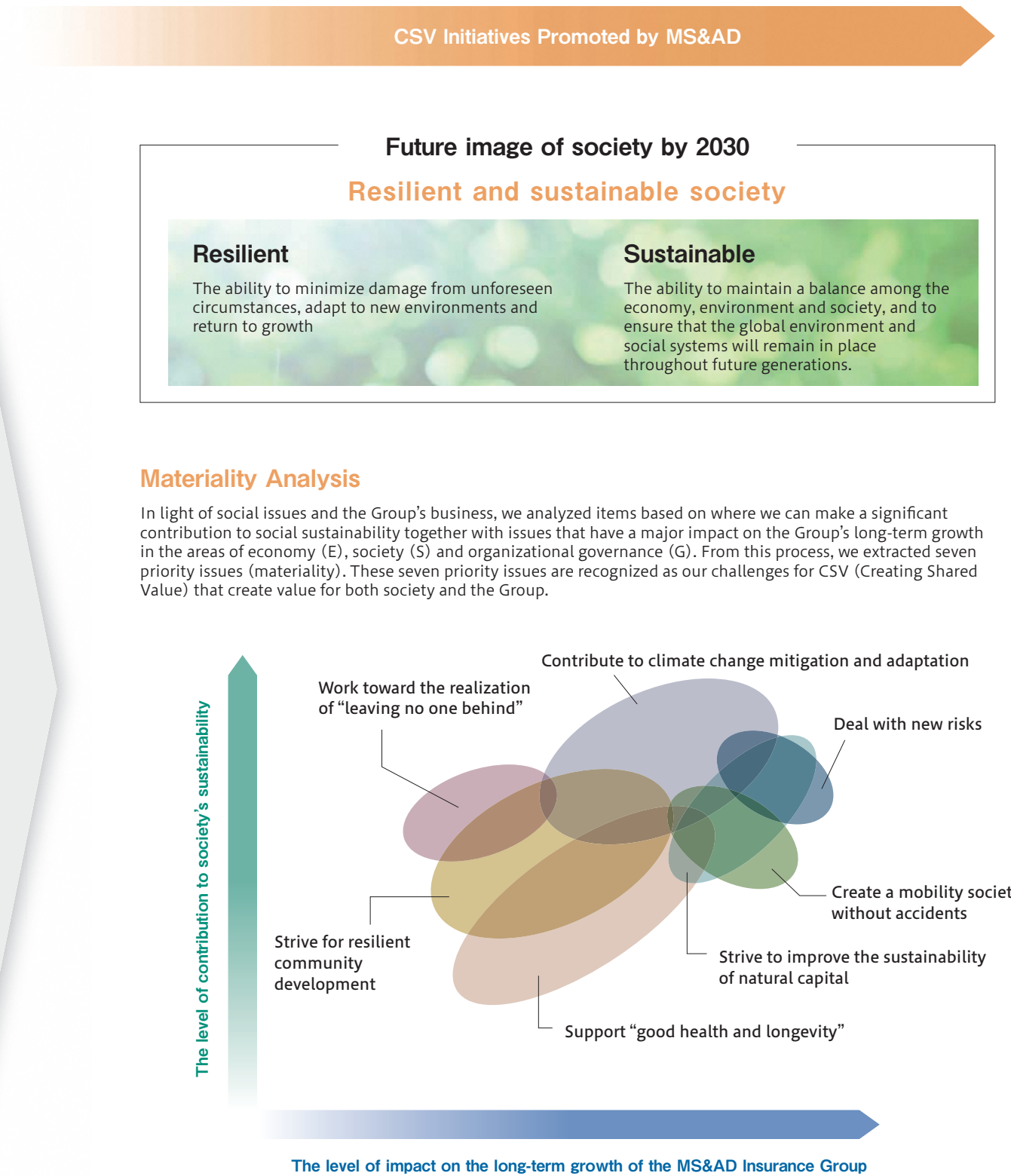
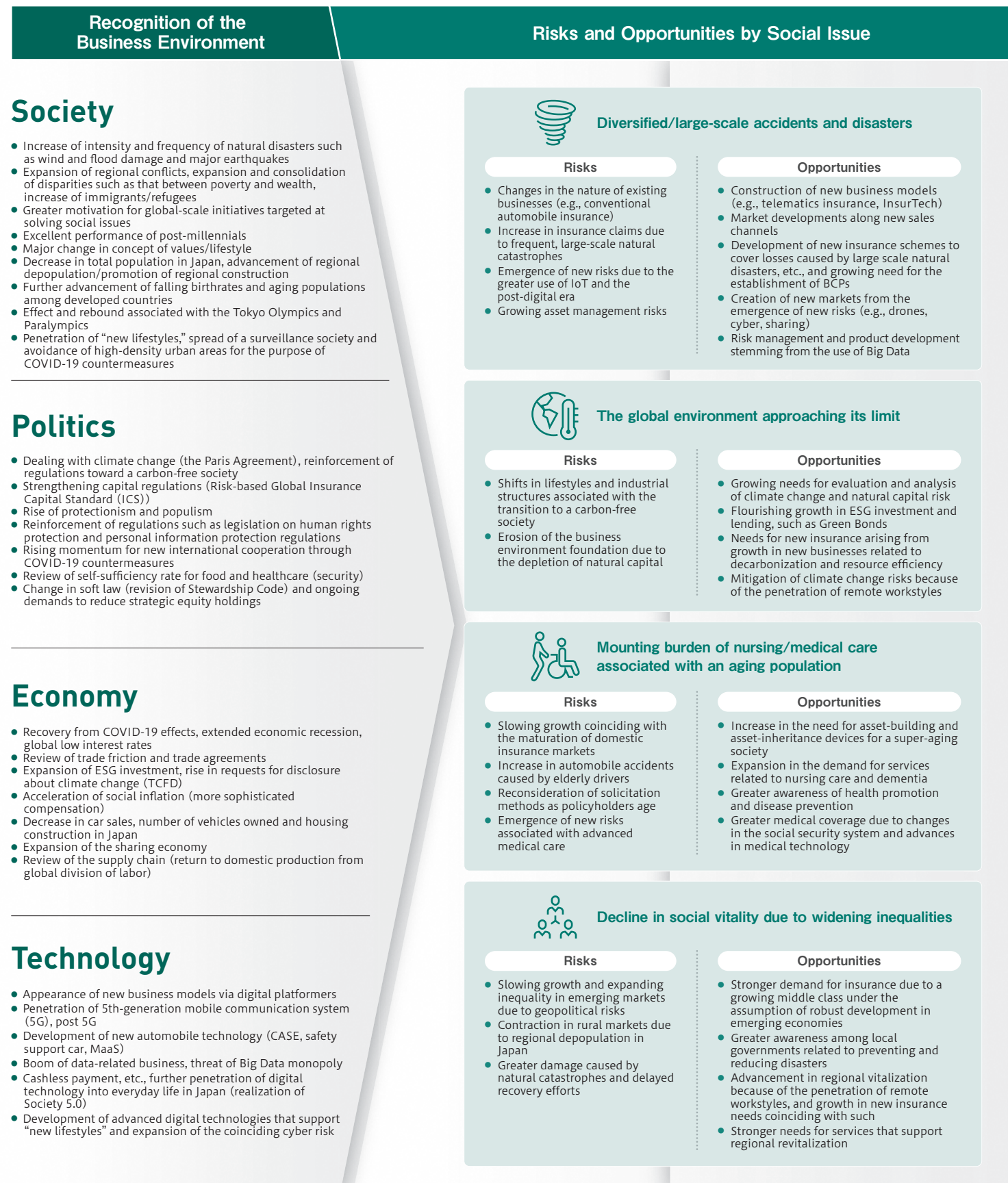
1. The definitions for Adjusted Profit and Adjusted ROE identified as numerical management targets have been revised under the new medium-term management plan “Vision 2021.”
2. Figures for MSI Aioi Life (excluding group insurance). The figure for FY2010 is the total for MSI Kirameki Life and Aioi Life.
3. “EV” stands for embedded value.
4. FY2017 numerical management targets are revised higher from the initial FY2016 targets.

▶ Stage 1 Achievements and Issues

Achievements	Issues
Maintained and expanded a stable earnings foundation	
Advanced growth and efficiency through the Group's comprehensive strengths	Reform the portfolio (business portfolio diversification)
Achieved reduction targets for strategic equity holdings	
Advanced sustainability initiatives	Capital efficiency
Improved the foundation for promoting digitalization	

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.



Social and Economic Impact of CSV Initiatives

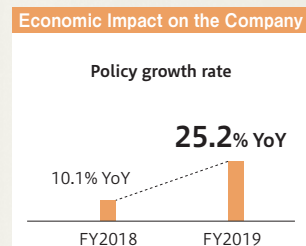
For the purpose of promoting CSV initiatives and improving the quality of such initiatives, the Group estimates the value that these initiatives provide to society (social impact) and the economic value that they provide to the Group (economic impact).

Solution-driving CSV Initiative Cases

Deal with new risks

Products to address cyber risk

Provide support for cybersecurity countermeasures and compensation in preparation for damages resulting from the unlikely event of a cyberattack

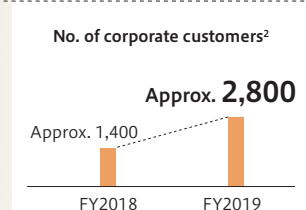
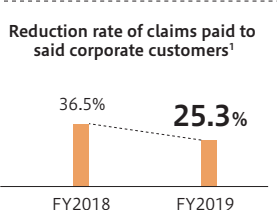


Safer mobility society

Telematics-based safe driving support services

Provide services that support safe driving based on telematics technology for corporate customers

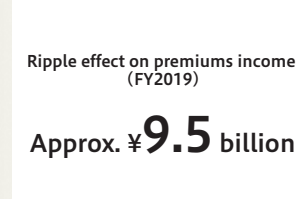
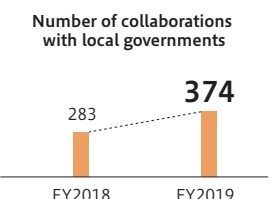
1. Comparison of claims payments before and after introduction of "Sasaeru NAVI"
2. Number of companies that have introduced "Smart Navi," "F-Drive" and "Sasaeru NAVI (including Lite)"



Resilient community development

Regional revitalization initiatives in collaboration with local governments

Provide products and services that solve regional social issues in cooperation with local governments

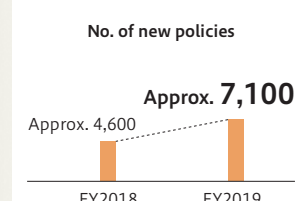
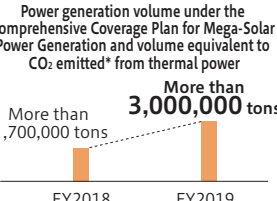


Climate change mitigation and adaptation

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 emission factors by electric utility.

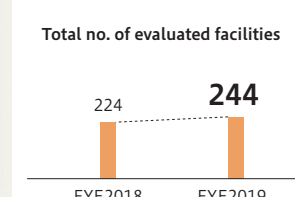
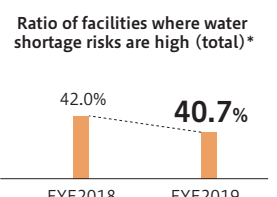


Improve the sustainability of natural capital

Simplified evaluations of water-related risks

Assess flooding, drought and other water resource risks at business locations, and support business from the perspective of risk management

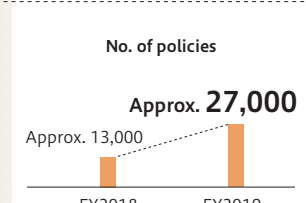
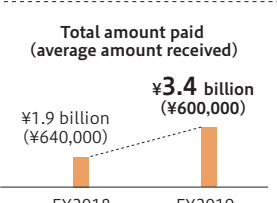
*Facilities with a water stress value (ratio of water intake accounted by annual water supply volume) above 40%



Support "good health and longevity"

Tontine annuities that support future asset formation

A foreign-currency-denominated individual annuity insurance that meets the "usage" needs of customers who receive a greater amount of annuity the longer they live

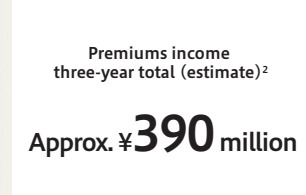
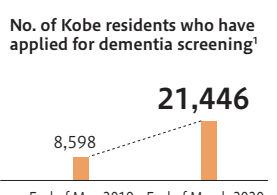


Work toward the realization of "leaving no one behind"

Dementia "Kobe Model"

Accident relief program linked to dementia regulations. Three-pronged scheme consisting of insurance, early screening and accident prevention

1. Total number of applicants from the start (January 28, 2019) of the program (preliminary results as of March 31, 2020)
2. Approximate cost (FY2019-FY2021) of the "Kobe Model"



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 has evolved. Methods that defend against cyber risks on multiple levels will unquestionably become important in responding to increasingly sophisticated, complex cyberattacks. The Group deploys multifaceted services in cooperation with outside partners.

Japan's Cybersecurity Service Market

¥834 billion in 2019

¥999.4 billion in 2024

Source: IDC Japan Press Release "Domestic Information Security Market Forecast Announcement for the Second Half of 2019" (June 24, 2020)

Deal with new risks

- Multifaceted cybersecurity
- Insurance products and services that address new viruses
- Coverage on sharing businesses
- Coverage for telework
- On-demand "1-day Leisure Insurance"

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. However, progress in vehicle connectivity and autonomous driving technology are unquestionably two sides of the same coin with the emergence of new risks. The Group continues to propose forms of support that capture the needs of the times.

New car sales for connected vehicles (global)

31.2 million in 2019

94.2 million in 2035

Source: Fuji Keizai "Future Outlook for Connected Car, V2X and Autonomous Driving Related Markets 2020"

Safer mobility society

- Drive recorder type automobile insurance
- Telematics automobile insurance
- Safe driving support smartphone app
- Automobile insurance for truck convoys operating with unmanned trailing vehicles
- Next-generation automobile insurance research and development

Sustainable community development

Resilient community development requires the pursuit of safety and security, as well as the creation of sustainable employment, based on disaster prevention and mitigation initiatives. The Group provides various forms of support for regional economic revitalization that leverage regional characteristics.

Regional revitalization budget, etc.

¥1,856.8 billion in 2019

¥2,508.9 billion in 2020

Source: Cabinet Secretariat, Cabinet Office Headquarters for Overcoming Population Decline and Vitalizing Local Economy in Japan "Regional Revitalization Budget"

Resilient community development

- SME business SDG support
- Proposals for disaster prevention/mitigation and BCP
- Expertise regarding green infrastructure
- Initiatives for realizing "an inclusive society"

Realizing a decarbonized society

The Group supports the greater use of renewable energy from the sidelines through appropriate preparations for damage/loss caused by weather disasters as well as innovations to bring about a decarbonized society by offering insurance and consulting services.

Electricity accounted for by renewable energy in Japan

16% in 2017

22%-24% in 2030

Source: Agency for Natural Resources and Energy, Ministry of Economy, Trade and Industry "Japan's Energy in 2019"

Climate change mitigation and adaptation

- Climate change risk assessment
- Weather derivatives
- Support for renewable energy businesses
- Pacific Catastrophe Risk Assessment and Financing Initiative

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 now recognized as an ESG risk. The Group has focused on building a sustainable relationship between natural capital and business activities from early on and provides related risk assessment services.

Global ESG investments

\$22,890 billion in 2016

\$30,683 billion in 2018

Source: GSIA "2018 Global Sustainable Investment Review"

Improve the sustainability of natural capital

- Natural capital risk assessment
- Simplified evaluations of water-related risks
- Environmental supply chain consulting
- Biodiversity-conscious land-use consulting

Preparing for the "100-Year Life" society

The average life span in Japan has been increasing yearly. Against a backdrop of intensifying demand for planned asset building based on individual efforts in order to live a more enriching life after retirement, the Group provides products that support asset building for elderly customers in heading toward a "100-year life" society.

Household consumption expenditure estimate among those older than 70 (annual)

¥53,000 billion in 2014

¥62,000 billion in 2025

Source: YOMIKO, R&D Estimates

Support "good health and longevity"

- Smartphone app for maintaining physical and mental fitness
- Health & productivity management support products
- Products for welfare/nursing care providers
- Self-help-style asset building
- Coverage for nursing care and dementia

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 ensuring that no one is left behind. The Group aims to realize a society that is amicable for everyone by building health platforms that suit regional characteristics in cooperation with industry, government and academia.

Japan's healthcare market scale (estimate)

¥25,000 billion in 2016

¥33,000 billion in 2025

Source: Ministry of Economy, Trade and Industry, Next-Generation Healthcare Industrial Council "Future Discussions of the Next-Generation Healthcare Industrial Council"

Work toward the realization of "leaving No one behind"

- Relief system for dementia accidents
- Support for raising public awareness about foster care systems
- Training for foreign residents in Japan
- Microinsurance
- Agricultural insurance

Resilient and sustainable society

Progress of the Medium-Term Management Plan “Vision 2021”

Vision 2021 (FY2018–FY2021)

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 the 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, capture 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.

(¥ billion)

Financial Targets	FY2018	FY2019	FY2020 Forecast	FY2021 Targets
Group Adjusted Profit	189.8	233.1	180.0	300.0
Domestic Non-Life Insurance Business (excluding gains/losses on sales of strategic equity holdings)	146.9 (65.1)	119.5 (98.4)	130.0 (117.0)	177.0 (150.0)
Domestic Life Insurance Business	31.6	29.7	25.0	41.0
International Business	5.4	49.4	20.0	75.0
Financial Services Business/ Risk-Related Services Business	5.8	4.8	5.0	7.0
Group Adjusted ROE	6.1%	8.0%	6.1%	10.0%
Consolidated net premiums written	3,500.4	3,573.7	3,400.0	3,580.0
Life insurance premiums (Gross premiums)	1,599.9	1,393.4	1,004.0	1,000.0
EEV of MSI Aioi Life	819.4	890.2	912.0	962.0
ESR (Economic Solvency Ratio)	199%	186%	—	180%–220%

Sales Target of Strategic Equity Holdings		FY2017	FY2018	FY2019	Total
Total sales target (FY2017–FY2021)	¥500.0 billion	¥151.3 billion	¥136.7 billion	¥111.8 billion	¥399.9 billion
Risk weight to integrated risk amount (before the risk diversification effect)	Less than 30%	32.7%	28.8%	26.1%	—
Fair value weight in consolidated total assets	Less than 10%	12.7%	10.9%	9.2%	—

In line with “Vision 2021,” the Group formulated and is undertaking the Medium-Term Sustainability Plan,* which is composed of the CSV initiatives (seven priority issues) and the core initiatives (“Quality that earns the trust of society” and “Management platforms that enable employees to play active roles”) and defined KPIs.

During Stage 1, particularly in light of changes in the operating environment, such as increasing interest from society and expanded ESG investments, we prioritized “Climate Change Mitigation and Adaptation,” “Improve Sustainability of Natural Capital” and “Respect Human Rights,” based on which we discussed the Group’s stance* and advanced initiatives. Through the Sustainability Contest, seminars, study groups and other activities regarding the challenges for CSV, we deepened the understanding of CSV

and 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 connect 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.

► **Non-Financial Indicators** A checkmark ☒ indicates that FY2019 figures have been assured by KPMG AZSA Sustainability Co., Ltd.

Creating Shared Value with Society (CSV initiatives)		
Indicator	Fiscal 2019 Achievements	Group Targets for Fiscal 2019 Onward
Development and improvement of products for creating shared value with society	<ul style="list-style-type: none"> Initiative Cases: Special Feature Social/Economic Impact: “Solution-driving CSV Initiative Cases” (P. 13) Sustainability Report 	<p>For the seven key issues (P. 4), decide on four methods of approach and periodically ascertain progress qualitatively.</p> <p>Four methods of approach</p> <p>Provision of products and services Investments and financing</p> <p>Research and policy recommendations Contributions to society</p>

Key related SDGs



Quality that earns the trust of society		
Indicators (related pages)	Fiscal 2019 Achievements	Group Targets for Fiscal 2019 Onward
Quality improvement		
Customer satisfaction survey about insurance contract procedures	97.7%	The same level or higher compared with the previous fiscal year
Customer satisfaction survey about payment of insurance claims	96.6%*	The same level or higher compared with the previous fiscal year
Reduction of the environmental burden (P. 22)		
CO ₂ emission reduction rate	-20.7%	Reduce CO ₂ emissions by 30% by 2020 and by 70% by 2050 versus the base year (FY2009)
Total energy consumption <input checked="" type="checkbox"/>	943,090 GJ (-33.4%)	
Paper consumption	11,080 t (+5.1%)	Lower than the previous fiscal year
Management platforms that enable employees to play active roles		
Indicators (related pages)	Fiscal 2019 Achievements	Group Targets for Fiscal 2019 Onward
Diversity & inclusion (P. 22)		
Ratio of female managers (domestic) <input checked="" type="checkbox"/>	14.8%	15% (FY2020)
Employee satisfaction (“working vigorously”)	4.5 points	The same level or higher compared with the previous fiscal year
Key monitoring indicators other than sustainability KPIs		
<ul style="list-style-type: none"> Number and ratio of global employees (P. 22) Ratio of employees with disabilities 		
Health management (P. 6)		
Employee satisfaction “Pride, job satisfaction”	4.4 points	The same level or higher compared with the previous fiscal year
Number of annual paid holidays taken	15.7 days	The same level or higher compared with the previous fiscal year
Ratio of taking fully paid paternity leave	64.6%	The same level or higher compared with the previous fiscal year
Number of employees participating in social contribution activities	27,673 people	The same level or higher compared with the previous fiscal year

*Target: Mitsui Sumitomo Insurance/Aioi Nissey Dowa Insurance/Mitsui Direct General/Mitsui Sumitomo Aioi Life Insurance

Website content

- Sustainability <https://www.ms-ad-hd.com/ja/csr.html>
- MS&AD Insurance Group and Sustainability
- Our Sustainability Priorities
- Our Value Creation Approach
- Products and services that contribute to achieving the Sustainable Development Goals (SDGs)
- ESG Data/Reference Material

Financial and Capital Strategies

CFO Message



Director, Senior Executive Officer, CFO

Tetsuji Higuchi

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 (Faxai) 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.

MS&AD 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.

Sustainable Profit Growth

Enhance the Competitiveness of Existing Businesses

- Invest in systems and promote digitalization (DX: digital transformation), etc.
- Implement ROI-based investment

Specific Initiatives

- Upgrade business processes using digital tools (chatbots, RPA)
- Enhance claims service efficiency using telematics technology
- Enhance the competitiveness of agencies (MS1 Brain)



AI support for agents
"MS1 Brain"

Business Portfolio Diversification and Expansion

- Invest in new businesses to diversify our geographic and business portfolios, etc.

<Points of Consideration for Investment>

- Shared values
- Risk dispersion (geographic, line of business)
- Sustainable growth model
- ROI target: level above the cost of capital (7%)

Specific Initiatives

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



M&A

Create New Business

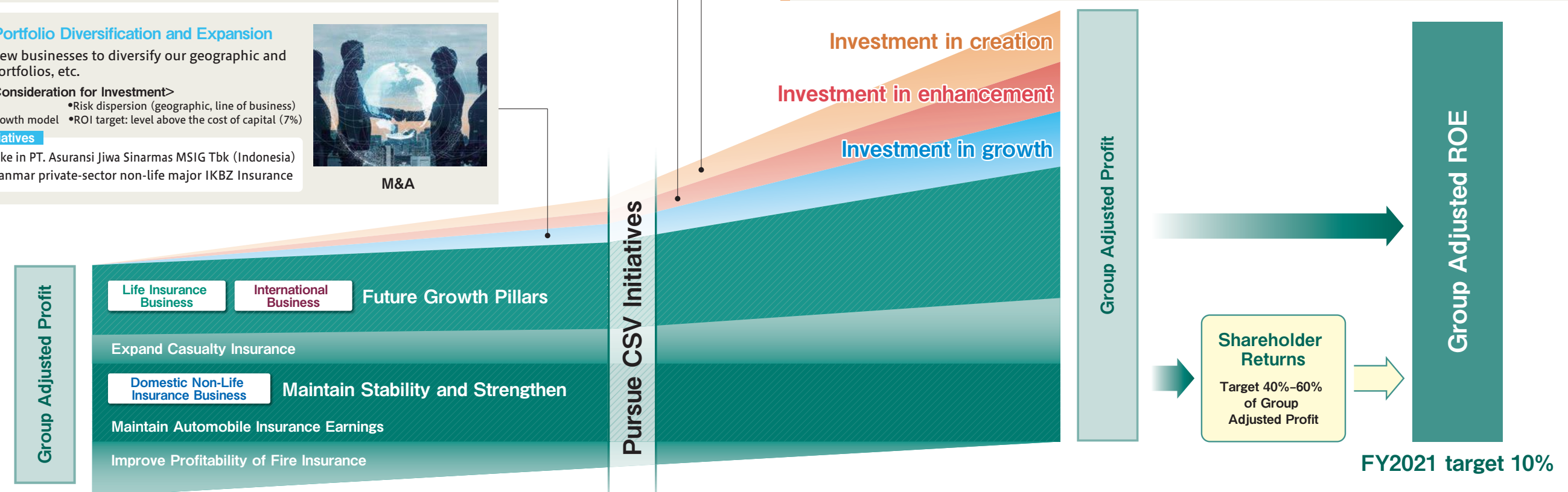
- Implement investment via CVC to seek out game-changing technologies and business models over the next 3-5 years
- Implement initial investment premised on cash flow equilibrium
- Undertake ROI-based investment in the same manner as enhancement-oriented spending during the actual technology mounting phase

Specific Initiatives

- Venture investment based on Silicon Valley CVC (33 companies as of March 31, 2020)
- Collaboration with companies pursuing innovation in Israel
- Alliances with digital platformers (Finatext)



CVC

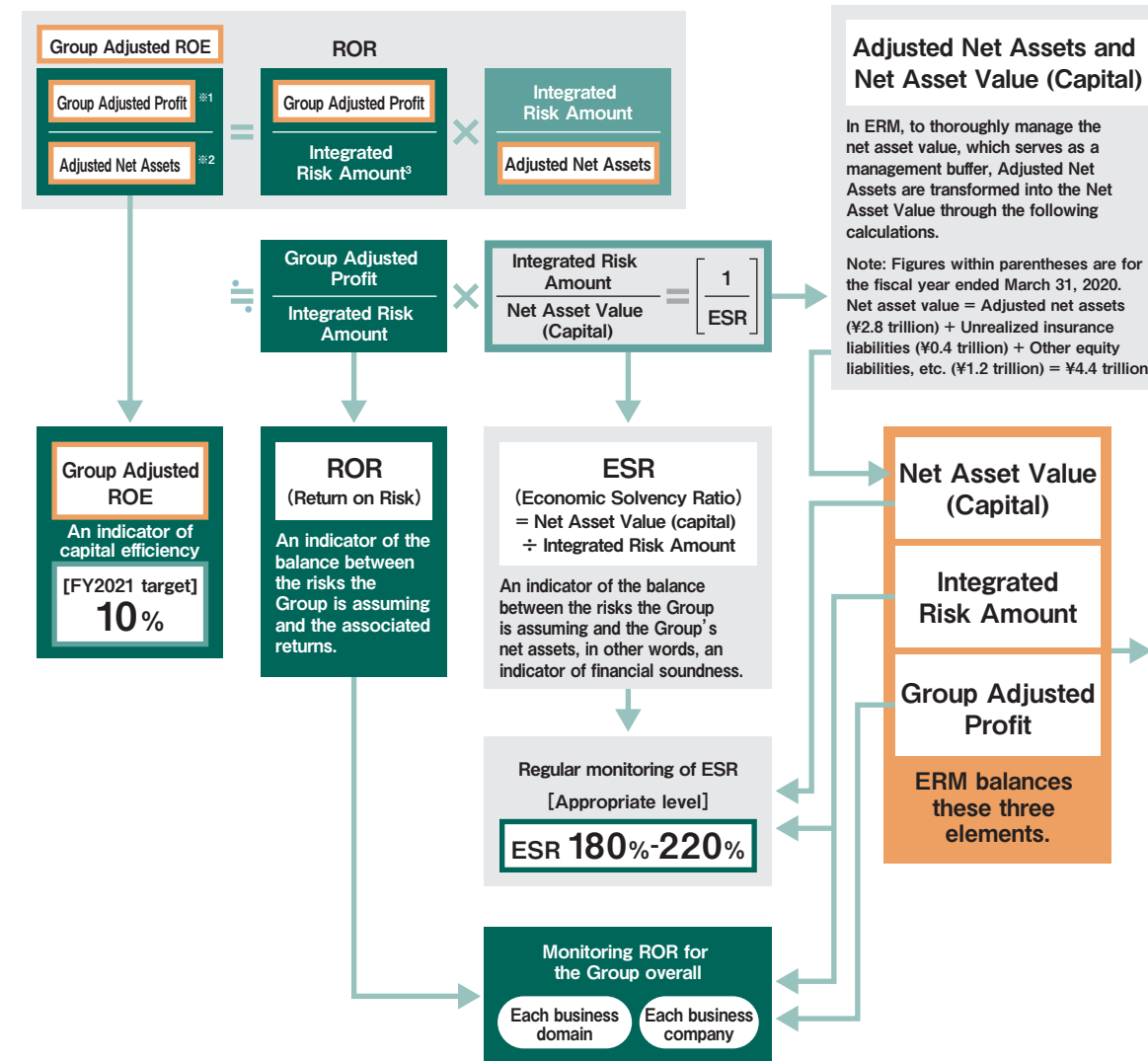


Toward Sustainable Growth and Achieving Targets for Group Adjusted ROE and Group Adjusted Profit

Components of Group Adjusted ROE

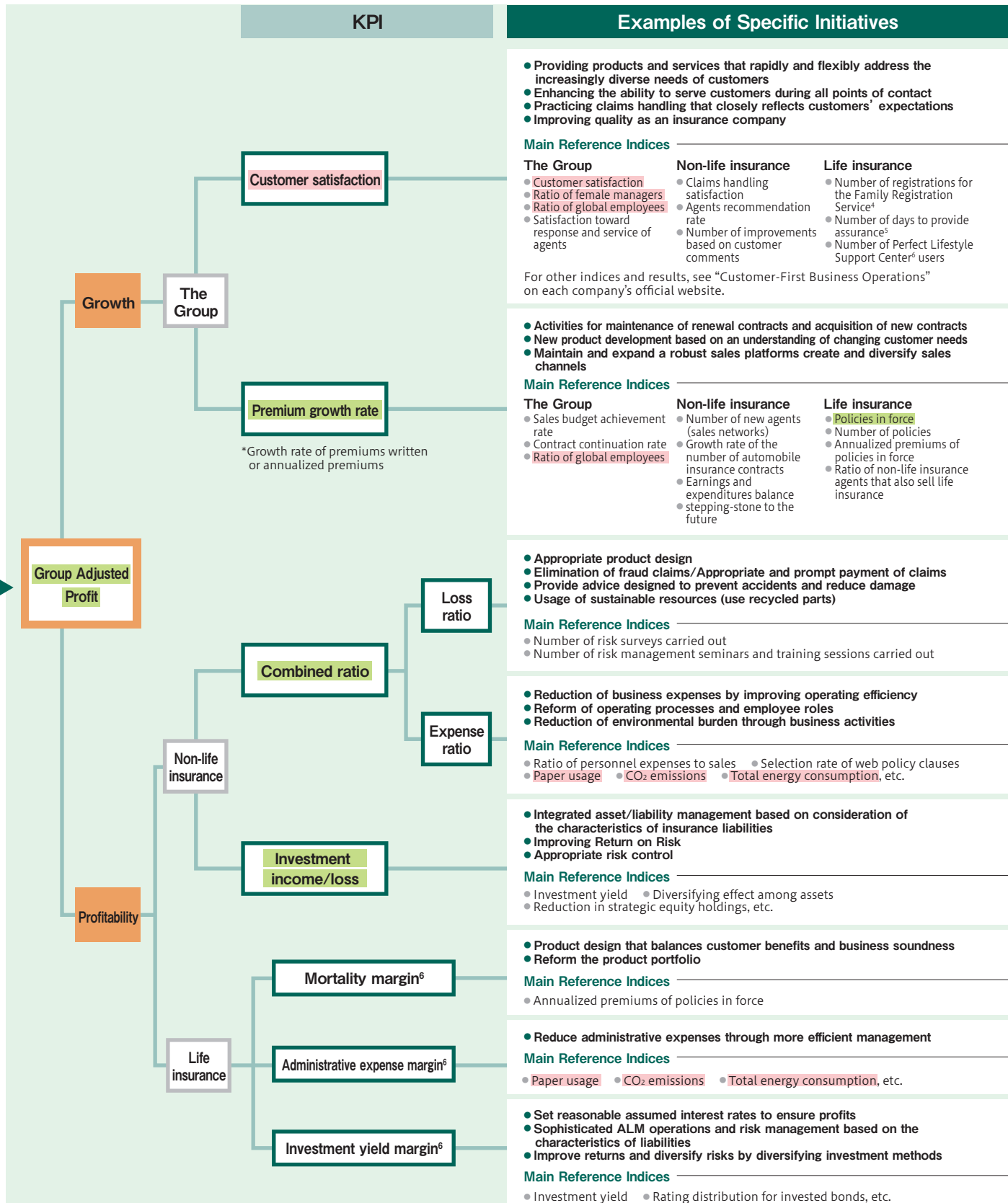
Breakdown of Group Adjusted ROE

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).



- Group Adjusted Profit = Consolidated net income + 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
- Adjusted net assets = Consolidated net assets + Catastrophe loss reserves and others – Goodwill and other intangible fixed assets
- The integrated risk amount represents insurance underwriting risk, asset management risk, operational risk, etc., quantified by means of stochastic methods.
- 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.
- 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) 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.
- 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 the Group Adjusted Profit Target and Sustainable Growth

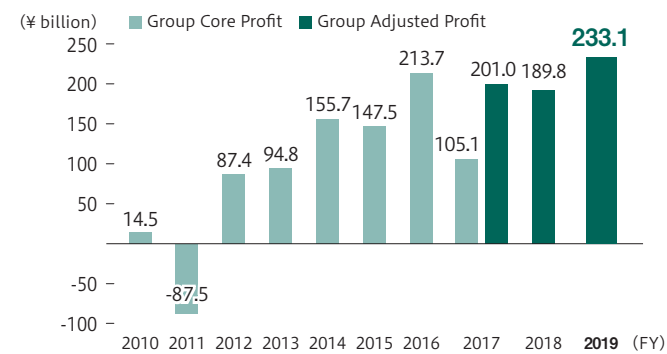


Financial Highlights on P. 21. Non-Financial Highlights on P. 22.

Financial and Non-Financial Highlights

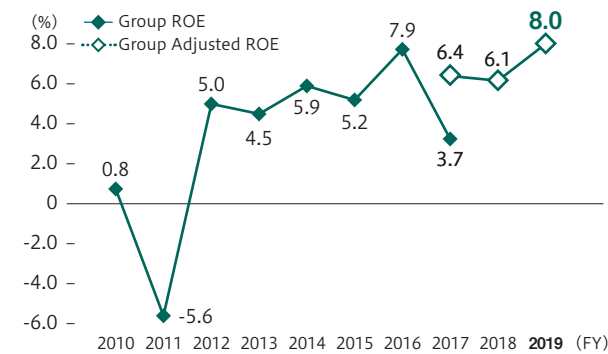
Financial Highlights

Group Core Profit/Group Adjusted Profit¹



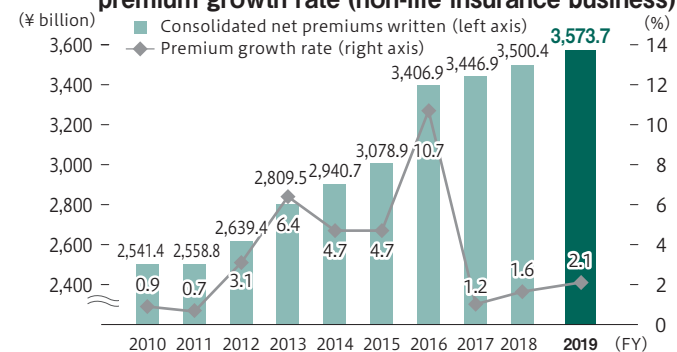
This is the profit that serves as a resource for shareholder returns and is thus included as one of the numerical management targets in the medium-term management plan. In anticipation of transitioning to International Financial Reporting Standards from FY2022, the definition was revised to "Group Adjusted Profit" in "Vision 2021" (starting in FY2018).

Group ROE/Group Adjusted ROE¹



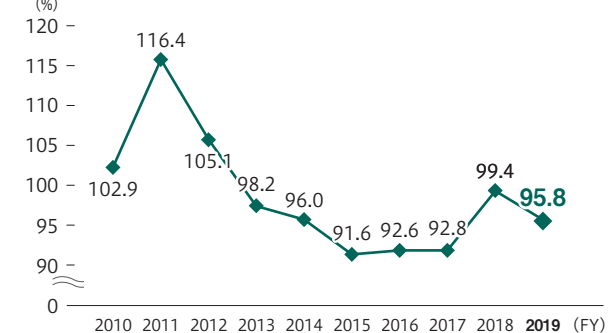
This is one of the numerical management targets in the medium-term management plan and indicates the ratio of Group Core Profit/Group Adjusted Profit, as shown to the left, in respect to consolidated net assets/adjusted net assets.

Consolidated net premiums written² and premium growth rate (non-life insurance business)



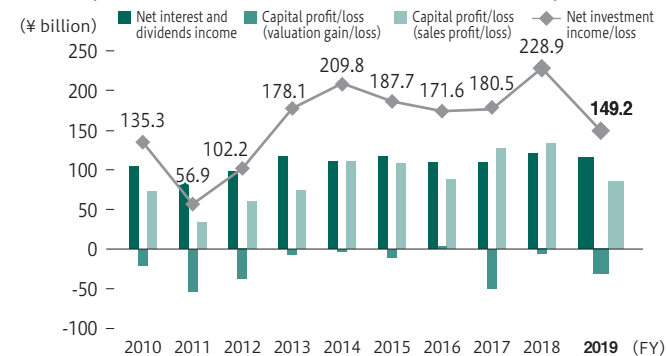
Consolidated net premiums written is one of the numerical management targets in the medium-term management plan. The premium growth rate indicates growth potential in premium income for the domestic non-life insurance business and international non-life insurance business.

Combined ratio³ (domestic non-life insurance business)



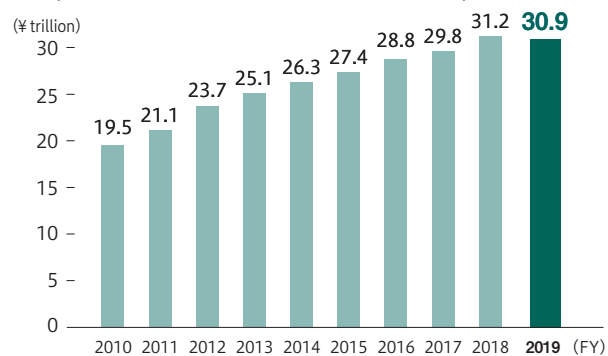
The combined ratio is a key indicator of profitability for underwriting in the non-life insurance business. Profitability is negative when this indicator exceeds 100% and positive when this indicator falls below 100%.

Net investment income³ (domestic non-life insurance business)



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.

Policies in force⁴ (domestic life insurance business)



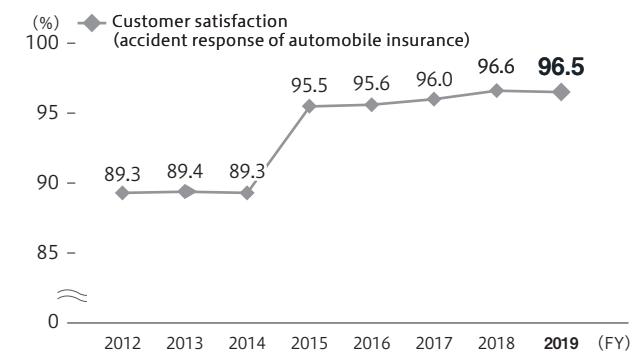
This is one of the basic performance indicators for life insurance companies. This indicator expresses the total amount guaranteed to policyholders of valid insurance policies at the end of the fiscal year.

1. This calculation method was revised in FY2018.
2. Excludes the Good Results Return premiums of "ModoRich" voluntary auto insurance products
3. Simple sum of non-consolidated figures for MSI and ADI. (FY2010 is the simple sum of non-consolidated figures for MSI, Aioi Insurance Co., Ltd. and Nissay Dowa General Insurance Co., Ltd.)
4. Total amount of policies in force for individual insurance and individual annuity insurance at MSI Aioi Life and MSI Primary Life. MSI Aioi Life was formed from the merger of MSI Kirameki Life and Aioi Life on October 1, 2011, so FY2010 and FY2011 show a simple sum for the two companies.

Non-Financial Highlights

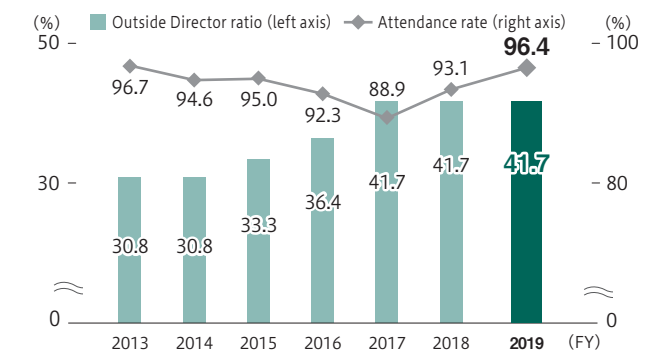
A checkmark (✓) indicates that FY2019 figures have been assured by KPMG AZSA Sustainability Co., Ltd.

Customer satisfaction⁵



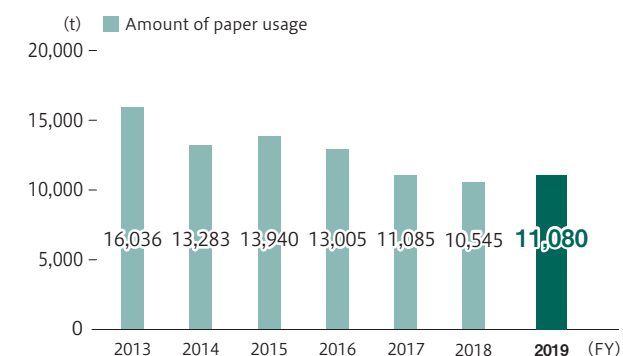
Our growth potential depends on improving customer satisfaction. Along with these indicators, customer opinions are helpful in improving quality.

Outside Director ratio and the Board of Directors attendance rate



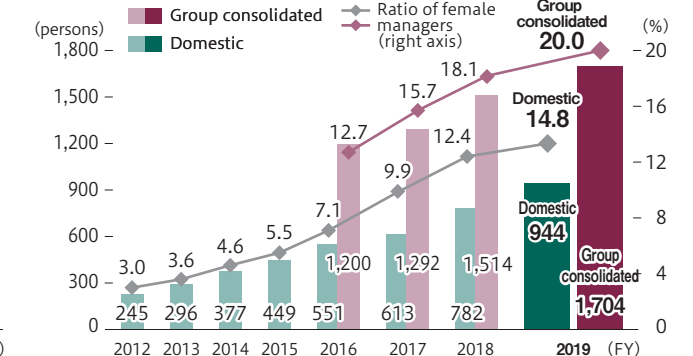
More than one-third of the full Board of Directors consists of independent Outside Directors to ensure highly transparent management. Monitoring and oversight functions are thus enhanced by incorporating perspectives that are independent from management.

Amount of paper usage



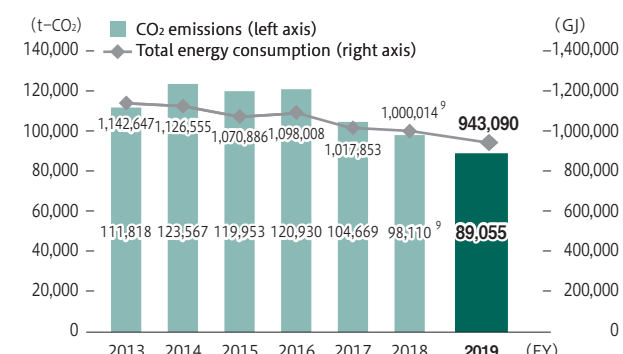
Paperless meetings, PDF-format pamphlets and portable device and tablet use are being actively incorporated to help reduce paper use through various measures including increased application of RPA*6. In FY2019, while the volume of OA paper decreased, printed materials temporarily increased owing to the change in era name in Japan and product revisions.

Number and ratio of female managers⁷



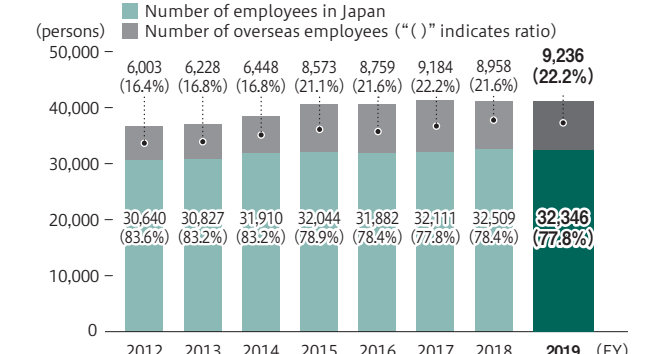
We believe diversity in the manager position and above leads to greater customer satisfaction and growth potential by enabling strategies, product development and organizational management from diverse viewpoints and sense of value. We began tallying such data on a Group consolidated basis, including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

CO₂ emissions and total energy consumption⁸



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

Number and ratio of global employees



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.

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 (MSI and ADI).
6. Acronym for Robotic Process Automation: Increased efficiency and automation of office operations using AI and other cognitive technologies.
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 3.6 GJ/MWh. Also, from FY2017, the energy for the parts of Group buildings 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

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

Our

To create a world-leading insurance and financial services group that

Mission

by enabling safety and peace of mind through the global insurance and financial services business

Vision

consistently pursues sustainable growth and enhances corporate value

Attitude toward Stakeholders

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

Our Values

CUSTOMER FOCUS

INTEGRITY

TEAMWORK

INNOVATION

PROFESSIONALISM

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 contribute to the creation of a society where anyone can pursue a stable life 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 Policy for 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 account interaction with the environment and society including 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.

Communication with Stakeholders

Trustworthy Quality and Management Platforms

Quality Improvement

Sound Organizational Management

Respect for Human Rights

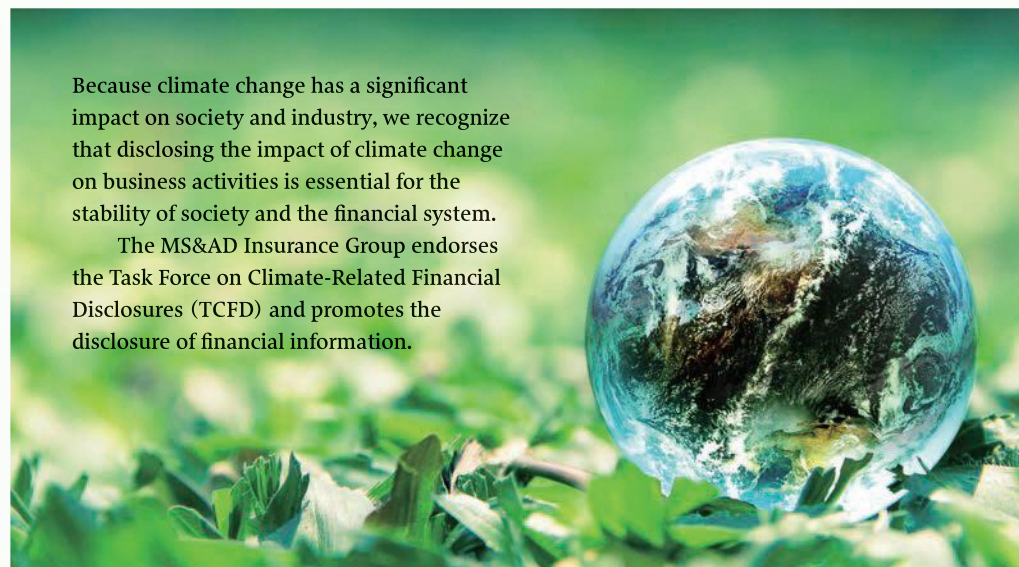
Improvements
(Products/Services/Business Processes)

Understanding, Analysis and Examination of Content

Engagement with Stakeholders

	Shared Value	Impact on Capital
Customers	Strong relationships with customers	<div>Financial capital with sustainable growth foundation</div> <div>Human capital comprising diverse professional skills</div> <div>Intellectual capital that creates future innovation</div> <div>Social/relationship capital that aims for collective impact</div> <div>Protect and nurture natural capital by acting together</div>
Shareholders	Improvement in medium- to long-term corporate value	
Agents	Mutual growth as a business partner	
Business Partners	Value creation throughout the supply chain	
Employees	Employee pride and achievement of Our Mission	
Local Communities International Society	Cooperation and collaboration through partnerships	
The Environment	Improvement of our Planet’s sustainability	

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.

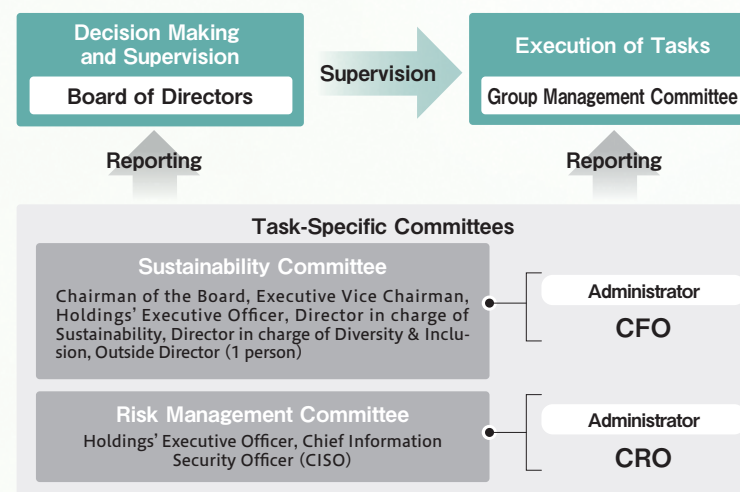
Promotion and monitoring of these initiatives is discussed by the Board of Directors, the Group Management Committee and Task-Specific Committees.

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, return, 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 Aioi Nissay 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 MSI 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

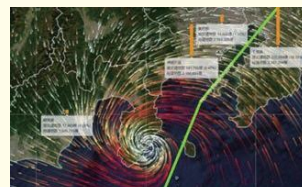
Mitsui Sumitomo Insurance, in partnership with Accenture, provides a new service, RisTech, to assist companies' accident and natural disaster prevention and mitigation. With this service, data scientists carry out data analytics utilizing big data and the latest analysis algorithms. The service supports 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 "cmap.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 first¹ loss prediction website "cmap.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.

Simulation results of past natural disasters and weather information around the world are also available.² In addition, from June 2020, a function was added that predicts in real time projected damage to buildings before a typhoon makes landfall.

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 unseasonable 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.



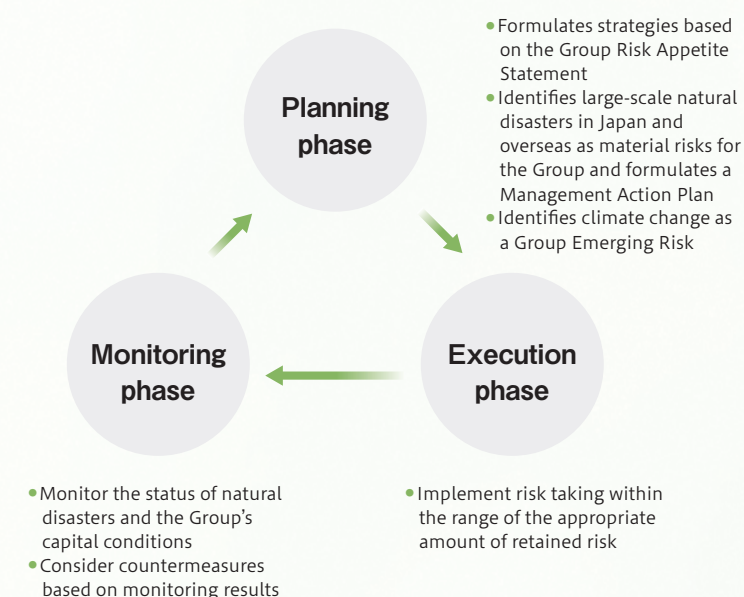
- We have been participating in a project led by the United Nations Environment Program Finance Initiative (UNEP FI), with more than 20 signatory insurance companies of the Principles for Sustainable Insurance (PSI), from its inception. The project is working on the development of scenario analysis methods 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.



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.

Stress tests

When various stress events occur, we conduct stress tests to confirm the effects of various stress events on capital and risk amounts.

In the stress tests, to complement the limitations of risk measurement by statistical methods, we select scenarios based on information about the Group's portfolio and risk characteristics and on significant changes in the external environment. In this way, we identify the vulnerability of the portfolio and confirm the necessity and urgency of countermeasures.

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
 - Strengthen 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 Aioi Nissay Dowa Insurance for domestic natural catastrophes, we arrange for joint reinsurance treaty coverage shared by the two companies that covers 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 30% by 2020 and by 70% by 2050.

In fiscal 2019, the reduction rate for total energy consumption was 33.4% 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.

〈 Related Information 〉

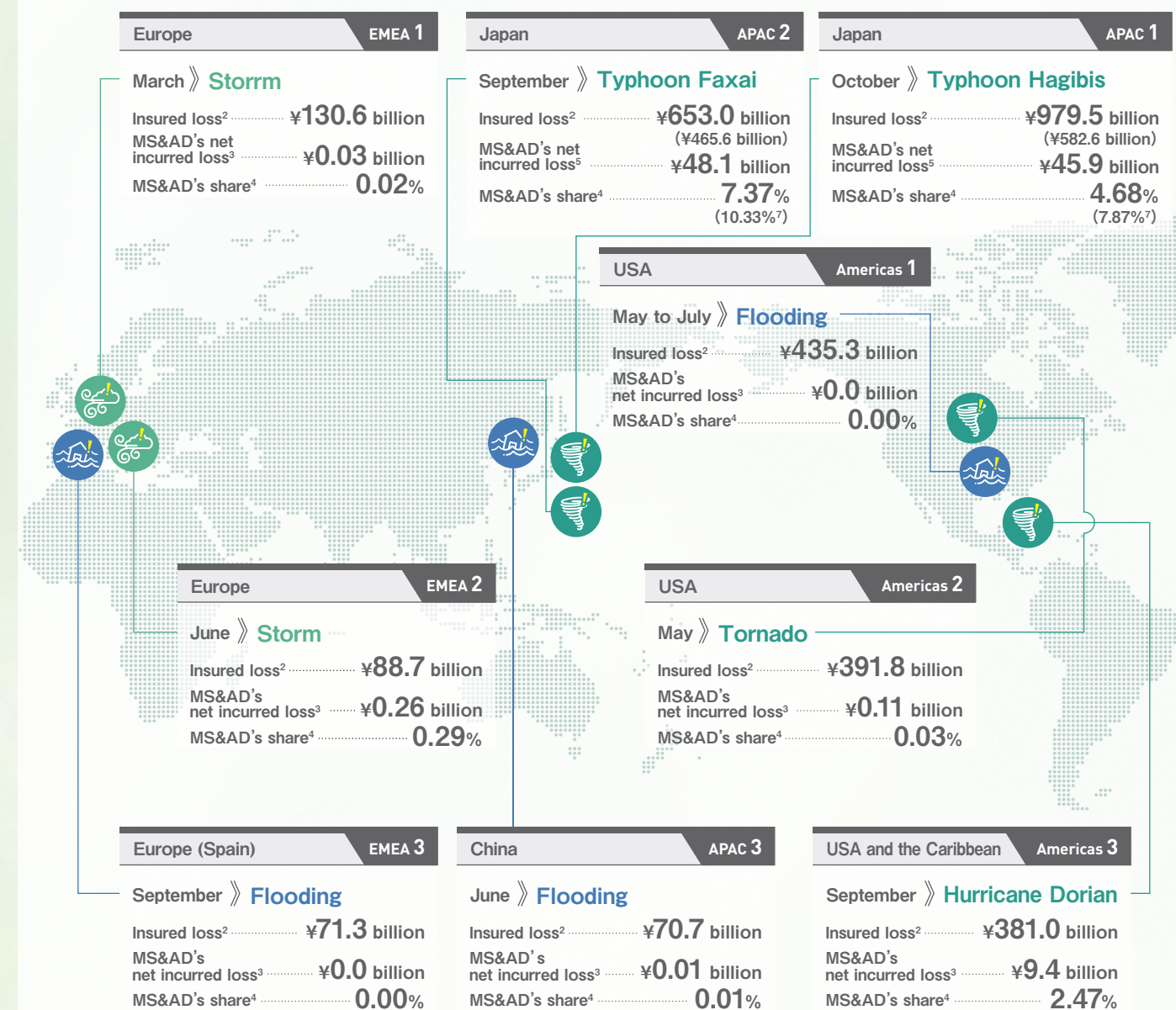
CO ₂ emissions and total energy consumption	⇒	P. 22
Reduce CO ₂ emissions under the Scope 1, 2 and 3	⇒	Sustainability Report



World Map of Natural Catastrophes in 2019¹

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.



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 non-life insurance companies around the world (Source: Aon's "Weather, Climate & Catastrophe Insight—2019 Annual Report"). Exchange rate: US\$1 = ¥108.83 (used for internal purposes at the end of FY2019)
3. As of December 31, 2019. 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, 2020. Total net incurred loss of Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance.
6. As of March 31, 2020. 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 Note 6 above.