

Advancing with you

MS&AD MS&AD Holdings



MS&AD

Integrated Report 2021

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

Three Key Concepts of the MS&AD Integrated Report 2021

Enhancing corporate value by solving social issues

In whatever age, supporting a sustainable society is the fundamental role of insurance. Toward the realization of the MS&AD Insurance Group's declared mission, we are committed to addressing a wide range of social issues, offering solutions that take full advantage of digital technology and driving innovation for social change. By establishing a business model where this social progress is linked to our growth, we will continue to increase our corporate value.

Turning diversity into competitive advantage

In an age of uncertainty like the present, the diversity that is a distinctive feature of the MS&AD Insurance Group becomes a true competitive advantage. A diverse business portfolio makes for stable finances while diverse human assets lead to innovation. Quality inspires trust from a diverse customer base, while diverse partnerships drive social change. Leveraging the special advantages of this diversity, we will build a business base that can achieve growth under any conditions.

Creating a better future together with stakeholders

2030 is the final year for the SDGs. It is also the year by which the MS&AD Insurance Group aims to realize a resilient and sustainable society. Toward that goal, we are working to create value with partners who share our vision of the future. Through partnerships with stakeholders, we will address more challenging social issues and respond to the diverse risks resulting from social change so as to support the development of a vibrant society and a sound future for the planet.

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Perception of issues and approach to long-term vision

Long-term vision Value creation activity

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Editorial Policy

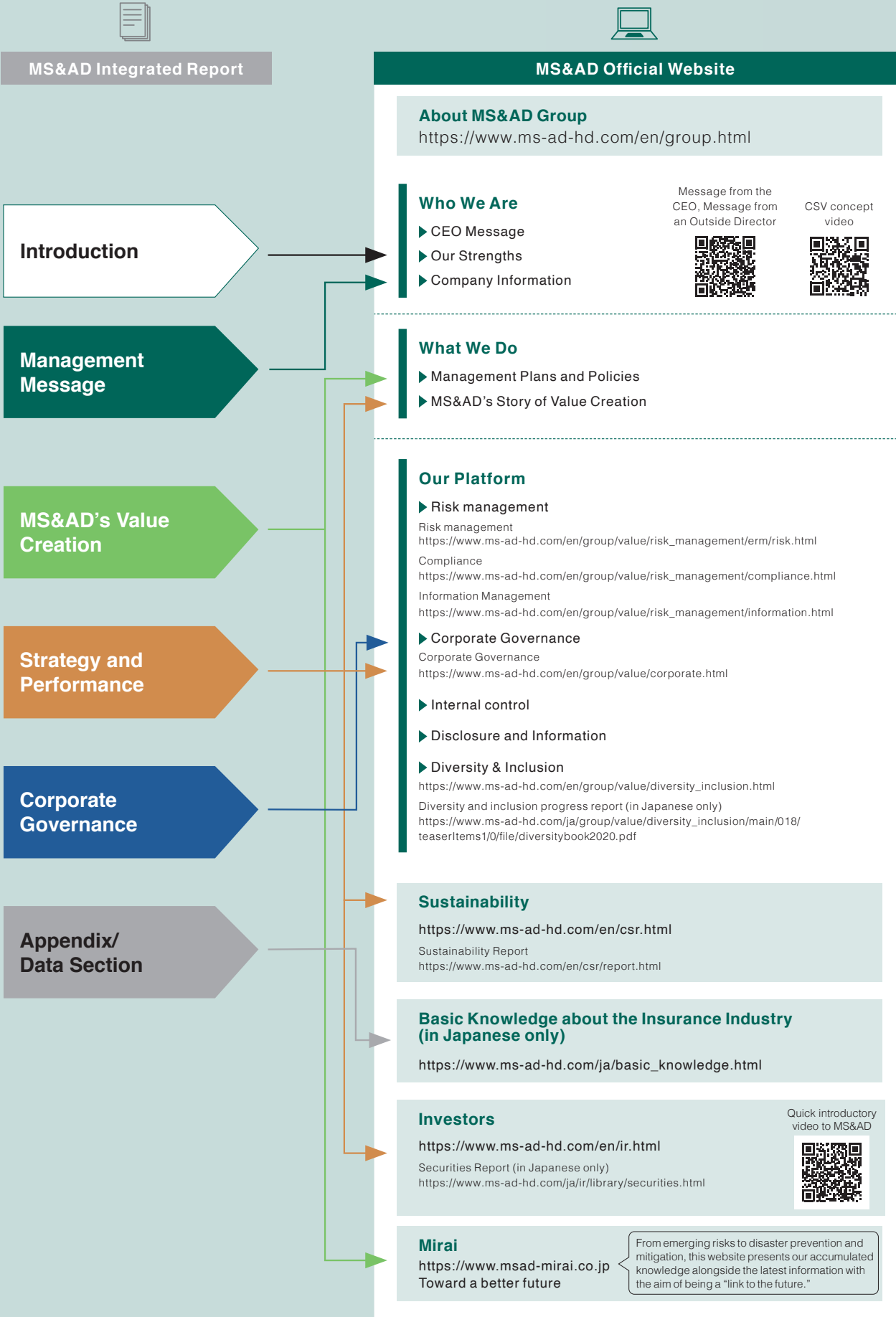
The MS&AD Group publishes an Integrated Report to provide customers, shareholders, investors and all other stakeholders with a deeper understanding of our initiatives aimed at solving the challenges faced by society and at increasing corporate value throughout the business. This Report was edited based on the International Integrated Reporting Framework provided by the International Integrated Reporting Council (IIRC) and the Guidance for Collaborative Value Creation provided by the Ministry of Economy, Trade and Industry in order to explain our business model-based story of value creation and the creation of shared value with society (CSV initiatives) in an easy-to-

understand manner. The MS&AD Integrated Report 2021 clarifies our vision for 2030 and features an explanation of the growth strategy for advancing from the current medium-term management plan to the next stage, as well as the management foundation that underpins them. It also showcases CSV initiatives based on digital technologies that we are undertaking in collaboration with various stakeholders to achieve our aspirations for society. For further detailed information, please visit the MS&AD official website.



MS&AD Disclosure Framework

For further detailed information on the MS&AD Insurance Group, please refer to the information on the Company's official website.



At a Glance

The MS&AD Insurance Group in Figures

Entire Group

World-leading insurance and financial services group

8th in the World

Fortune Global 500 -2021 Income Ranking

International Business

The only non-life insurance group in the world to have a base in each of the 10 ASEAN countries

No.1 in the ASEAN region

FY2019 Gross Written Premiums Ranking in ASEAN Countries

Global business operations extending to 49 countries and regions*

* Not including Israel, the location of a global innovation base (as of April 1, 2021)

World-leading insurance and financial services group

(billions of yen)
Net Premiums Written

3,500.9

Ordinary Profit

306.5

Net Assets

3,126.6

Foundation supporting growth

No. of employees worldwide

41,501

(including 9,230 overseas employees)

Ratio of female managers (domestic)

16.1%

Ratio of global employees

22.2%

Domestic Non-Life Insurance Business

The insurance group most chosen by customers in Japan

No.1 share of domestic market

Share of Net Premiums Written (FY2020)

Sources: Prepared by MS&AD based on publicly announced information from each insurance company and data from the General Insurance Association of Japan.

Domestic Life Insurance Business

In the top rank of Japan's 28 life insurance companies in terms of premium income

9th in Japan

Domestic life insurance companies/groups' premiums and others ranking (FY2020)

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

High ratings on the strength of a strong financial base

S&P Global Ratings Japan Inc.

A+

Moody's Japan K.K.

A1

Rating and Investment Information, Inc. (R&I)

AA

Unrivalled strength in domestic customer base

No.1 in Japan for number of customers

44 million individual customers

2.5 million corporate customers

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

83,073 agents

Evaluation of ESG initiatives

MSCI ESG Rating

AA

CDP

AList

DJSI (World/AP)

Listed in World/AP

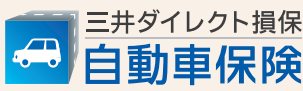
Five Business Domains

Domestic Non-Life Insurance Business

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

MS&AD Mitsui Sumitomo Insurance MS&AD Aioi Nissay Dowa Insurance MS&AD Mitsui Direct General Insurance

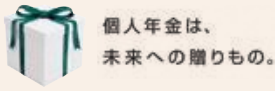


Domestic Life Insurance Business

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

MS&AD Mitsui Sumitomo Aioi Life Insurance MS&AD Mitsui Sumitomo Primary Life Insurance



International Business

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An overseas network covering 49 countries and regions*
No. 1 in terms of non-life gross premiums written in the ASEAN region



*Not including Israel, the location of a global innovation base (as of April 1, 2021)

Financial Services Business

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

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



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



Risk-Related Services Business

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

MS&AD InterRisk Research Institute & Consulting, Inc.

MS&AD MITSUI SUMITOMO INSURANCE Care Network Co., Ltd.

MS&AD

MS&AD GRAND ASSISTANCE

Fureai Do-Life Services Co., Ltd.

MS&AD Group companies that support the five business domains

MS&AD MS&AD Business Support Co., Ltd. MS&AD MS&AD Systems Co., Ltd. MS&AD MS&AD ABILITYWORKS Company, Limited

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

Development of the MS&AD Insurance Group



CEO Message

Leveraging Group diversity and seizing social change as a business opportunity, we will strive to realize a “resilient and sustainable society.”

Introduction

— Lessons learned from the social impact of the COVID-19

One year has passed since I was appointed CEO in June 2020. During this period, social and economic activity has been severely restricted in response to the spread of COVID-19, resulting in negative growth for the world economy in 2020 on a scale greater than during the financial crisis following the collapse of Lehman Brothers in 2008.


The MS&AD Insurance Group also experienced depressed profits in its international business due to the large insurance claims arising from COVID-19, mainly through overseas insurance subsidiaries. We nevertheless maintained regular operations, underwriting insurance policies, paying insurance claims, and operating in other ways to support the everyday lives and businesses of our customers amid the global crisis while safeguarding the health of our employees. At the same time, we stepped up the shift to new business styles such as remote working, which proved an opportunity for the whole Group to realize considerable cost reductions. Business results for fiscal 2020 were buoyed particularly by the favorable performance of the automobile insurance and domestic life insurance businesses. As a result, Group Adjusted Profit and net income were both able to finish above forecast. The restricted economic activity and social changes during the COVID-19 pandemic also had a great impact on operating conditions for business enterprises. The increasing adoption of remote working by many businesses and the growing customer preference for non-contact and remote transactions are feeding into wider lifestyle changes. In line with this trend, the Group moved ahead with digitalization of customer contact points, handling insurance policy applications via smartphone, marketing cancer insurance through convenience store terminals, and responding to automobile accident claims online. A similar change affected our response to natural disasters such as the torrential rainfall and typhoons that hit the Kyushu region. Instead of dealing with the situation as previously by concentrating staff in a disaster response office close to the affected area, we spread the workload across all regions to staff who work remotely. This approach allowed us to answer customer needs while also ensuring employee protection against infection, thus fulfilling our function as an important part of the social infrastructure.

My observations from the last year
— The Group's strengths and challenges

I have two strong convictions to take away from the last year. The first is the importance of business portfolio reform. Insurance claim payouts arising from COVID-19 were mostly incurred in our European operations centered on MS Amlin, but we were able to absorb this impact from the profits of our domestic life insurance and Asian businesses. The other is the importance of implementing digitalization. As we had already made progress with measures such as equipping staff with thin-client models to replace conventional computers and introducing a homeworking system, the switch to remote working proceeded without major disruption and we were able to continue providing prompt response to customer requests.

We also made a wide range of other observations. We have been able to confirm the usefulness of remote working, which has led us to fundamentally review our approach to meetings and events. As a result we have discovered more efficient operating procedures and more effective methods of communication. This reform of our work practices has resulted in the introduction of a job-based personnel system and a review of office space, and created other opportunities to drive increases in operational efficiency Group-wide. Other things I have sensed strongly in this unprecedented operating environment are the strong crisis management ability of the MS&AD Insurance Group, the strength of its teamwork, and its commitment to integrity.

I think that the need to reform our business styles at the same time as achieving Group growth has provided us with a highly valuable opportunity to re-examine our Group's strengths and challenges.

 **P. 35** "Response to the new social patterns emerging from COVID-19"

Noriyuki Hara
President & CEO



Review of the Medium-Term Management Plan, “Vision 2021” — As a world-leading insurance and financial services group

Fiscal 2021 is the final year of the medium-term management plan, “Vision 2021,” launched in 2018.

Under “Vision 2021,” in pursuit of the twin goals of becoming a world-leading insurance and financial services group and developing resilient systems able to swiftly respond to changes in the environment, we have been implementing three key strategies: pursuing the Group’s comprehensive strengths; promoting digitalization; and reforming the business portfolio.

Toward realizing the declared aim of becoming a world-leading insurance and financial services group, we already rank among the world’s top ten non-life insurance groups in terms of business scale. In terms of quality, a strong stock market helped us to exceed our financial soundness target of 180–220% for economic solvency ratio (ESR) with an achievement of 235%. In terms of capital efficiency, on the other hand, we missed our Group Adjusted ROE target of 10% to finish at 6.7%, largely due to the impact of COVID-19. For us, this means that strengthening profitability and increasing capital efficiency is one of the most important challenges going forward. To this end, as Group-wide efforts, we have set our digital-based growth strategy while we strengthen profitability though three initiatives (1) improving profitability in the fire insurance business, (2) strengthening international business profitability (3) redoubling efforts to reduce business expenses.

Enhancing capital efficiency as the first priority — Three initiatives to strengthen profitability

(1) Improving profitability in the fire insurance business: In addition to revision of insurance rates and review of the criteria for accepting high-risk contracts, we will pursue initiatives in accident prevention and mitigation. (2) Strengthening international business profitability: MS Amlin, which had been an area of concern, has seen a steady decrease in the loss ratio of its non-catastrophe insurance business, and achieved a profit of over ¥10 billion in fiscal 2020 after excluding the impact of COVID-19. Going forward, we will steadily implement our growth strategy by expanding high-performing contracts and adapting to the hardening market. Asia is a market that speaks to the Group’s strengths, and, with a retail sector set to expand going forward, makes a promising target. We aim to continuously strengthen collaboration with leading local platformers and other partners. (3) Reducing business expenses: We exceeded the initial target for fiscal

2020 with a ¥34.0 billion* cost reduction. For fiscal 2021, we are targeting a reduction of ¥49.0 billion.* Looking further ahead, we will use online system updates to reform work processes and will roll out remote working and other business style reforms to achieve more efficient staff deployment and savings in office space. By fiscal 2025, these and other cost-cutting measures will achieve a ¥100 billion cost reduction* Groupwide, including domestic and overseas operations.

*Compared to FY2019

Promoting digital-based reform on three fronts — Creating new business beyond the bounds of conventional insurance

Next, to realize our digital-based growth strategy, we will implement reform in three areas: products and services, sales channels and sales techniques, and new business creation.


Reform of products and services: The concept of insurance so far has been to compensate for the financial loss when an accident or disaster occurs. Using digital technology, however, we can visualize risk and take preventive action, or minimize the impact if a loss does occur and ensure rapid recovery. We have been working on initiatives for seamless provision of such services. Two concrete examples of this are telematics automobile insurance and drive recorder type automobile insurance. Customer driving data is collected in real time to detect behaviors such as excess speed and reversing on highways, which trigger an alert. This driving diagnostic reporting offers advice on safer driving and has an accident-reducing effect. If an accident does occur, the sensing of the large impact triggers an immediate voice check on the driver’s condition. Where necessary, an ambulance or tow truck is called. Additionally, the insurance premium is varied in line with customer mileage and safe driving behavior, offering the reward of fairer insurance premiums.


Reform of sales channels and sales techniques: We are working now on systems such as MS1 Brain that digitalize the insurance process end-to-end, from soliciting and product offers to conclusion of policies and processing of accident claims. Through partnership with digital platformers, this will allow us for instance to integrate insurance product offers into online purchasing procedures. In fields such as MaaS, smart city development, and healthcare, we will create partnerships with emerging market players to build new sales channels tailored to customer needs.

Creation of new business: Social issues such as climate change and population aging have given rise to demand for new risk solutions. In response, we are taking on the challenge of creating new businesses in areas such as consultancy services that provide quantitative evaluation of climate change impacts and development of algorithms for early detection of cognitive disorders through voice analysis.

The global rollout of such initiatives will bring further increased opportunities for growth. For instance, MS1 Brain has now been

launched in the Philippines, while drive recorder type insurance is marketed in Taiwan and telematics automobile insurance in Thailand and Taiwan. I believe that high-added-value insurance products and services based on advanced digital technology have a strong chance of widespread adoption in the nations of Asia, which are undergoing rapid digitalization.

 **Pp. 17–18** "Issue 1 : Global Expansion"

 **Pp. 47–52** "Progress of the Vision 2021 Medium-Term Management Plan"

Growth Vision for 2030 — Developing as a corporate group supporting a resilient and sustainable society

In the formulation of our next medium-term management plan, due for launch in fiscal 2022, we looked 10 years ahead to define the Group’s aspiration for the year 2030: to be a corporate group supporting a resilient and sustainable society. The quantitative targets we have set will place us in the same league as our leading global peers: a profit level of ¥500 billion and ROE of 12%. Focusing our minds on this aspiration for 2030 and what we need to do from now to reach it, we are engaged in serial discussions around the formulation of the next medium-term management plan to take us through to 2025.


Establishing a stable earnings base — Balanced business portfolio


We will work to strengthen our earnings base by addressing challenges in our existing businesses. In the domestic non-life insurance business, that will mean improving the profit levels and lowering the expense ratio of the fire insurance business, while in the domestic life insurance business we will need to raise the cross-selling rate between life and non-life insurance and develop more advanced forms of asset management. In overseas subsidiaries, meanwhile, we will work to implement the DX strategy and achieve global synergies.


The international business is a growth driver for the Group, which has particular strength in Asia. Here, we will seek to lock the region’s economic growth into growth for the Group. As a further step toward building a well-balanced business portfolio, we will also look into increased business investment in the United States, which currently occupies a relatively minor position in our portfolio, particularly in specialty fields and in the MGA business* which expertize in specific markets.

CSV x DX x GLOBAL — Basic approach to driving sustainable growth

Another strand in realizing our growth vision is to address social issues through digital and other technological innovations, in other words by rolling out the CSV x DX strategy globally. Since fiscal 2021, when we positioned the CSV x DX strategy as the central pillar of Group growth, we have worked on solutions for social issues through DX. Our aim is to constantly refine our products and services, which not only offer comprehensive compensation, but also aim to provide functions such as prevention or minimization of damage and rapid recovery. To monetize these areas before and after insurance coverage and to create new businesses, we continue to focus on the consulting business in the fields of data business and risk solutions. The data and risk analysis techniques and risk management consultancy expertise accumulated by insurance companies can be deployed in a wide range of fields, from smart mobility and smart city development to maintenance of social infrastructure and solutions to climate change risk. We will be engaged in the effort to generate revenue in areas before and after insurance coverage as well as new businesses we create.

 **Pp. 43–44** "MS&AD's Strategy"

 **Pp. 45–46** "Medium-to Long-Term Growth"

 **Pp. 82–90** "Special Feature: How CSV x DX Will Bring About the Next Stage for MS&AD"

* Managing general agent: an agent authorized by an insurance company to not only solicit for customers but also carry out operations including underwriting, loss adjustment, and authorization of claims.



Building a management base to support sustainable growth

I Addressing social issues from a Group-wide approach

Under “Vision 2021” — the plan launched in 2018 that places the concept of creating shared value (CSV) at the center of the management approach — the MS&AD Insurance Group seeks to address social issues through its business activities with the aim of realizing both the sustainable development of society and corporate growth. I think that the current COVID-19 pandemic has made us appreciate once more the importance of CSV and sustainability. In fact, the awareness of CSV among our employees is very high. In a fiscal 2020 employee awareness survey, 92.9% of employees responded that they had a sense of their work contributing to CSV. These days, there are growing opportunities for individual employees to get involved with external initiatives related to the SDGs or CSV, for instance by acting as speakers at local government-sponsored SDG seminars. Toward the resolution of social issues, we are not only progressing with the Group-wide initiatives such as the dashcam-type automobile insurance and health management support insurance. Many employees also engage in independent initiatives as part of their day-to-day duties.

CSV initiatives at individual level drive Group growth

The Sustainability Contest that we launched in 2018 has so far received a total of 1,189 applications from Group employees around the world. Addressing social issues in specific countries and regions are being connected to our business. A typical example is the winner of the FY2020 Grand Prize, an initiative to resolve longstanding issues in the livestock industry by linking public agricultural cooperatives with state-of-the-art IoT technology. The initiative involves the use of sensors to remotely monitor the health status of cattle 24 hours a day, 365 days a year, coupled with insurance cover, as a way of reducing the risk of livestock death and the associated loss. This is an outstanding example of a project that not only promotes an improved work environment, more stable operations, and other advantages for livestock farmers, but has also enabled the Group to establish itself fully in the livestock market and develop insurance underwriting schemes in partnership with public cooperatives. When employees involve themselves in this kind of project to resolve social issues, it enhances their motivation and job satisfaction, which acts as a powerful driver for the Group's growth strategy.

-  **Pp. 39–40** “Seven Priority Issues and CSV”
-  **P. 91** “A System for Implementing CSV Initiatives”





II Initiatives to realize a net zero society

The MS&AD Insurance Group has declared the realization of a “resilient and sustainable society” as its vision for the year 2030. Toward that vision, it has identified three priority issues for the Group to address as a whole: response to climate change, improvement of the sustainability of natural capital, and respect for human rights. Climate change, specifically, is a universal threat that places the whole world at risk from natural disasters of increasing frequency and scale. For non-life insurance companies, the associated increase in claims payments is a serious issue that threatens the stability of the global insurance system.

Our contribution to realizing a net zero society

In May 2021, we revised our medium- to long-term target for CO₂ emissions reduction and announced new goals: for fiscal 2030, a 50% reduction compared to 2019; and for fiscal 2050, achievement of net zero in Scope 3 emissions, which include the whole of the supply chain. We will work with our stakeholders to contribute progressively to the realization of a zero-carbon society. This means not just reducing our own CO₂ emissions and electric power and gasoline consumption, but also offering insurance products that incentivize renewable energy use and CO₂ emissions reduction and offering climate change consultancy services. In June, we announced our intention to adopt a policy of excluding future planned coal-fired power stations from our insurance underwriting and investment activities. Next, we will set out a roadmap and related KPIs to support the steady implementation of initiatives.

-  **P. 21** “Issue 3 : Response to Climate Change”
-  **Pp. 78–81** “Climate-Related Disclosure”

III Increasing diversity of human assets

The Group's growth strategy relies on human assets to carry it out. I think that part of the reason why the CSV approach was quickly integrated into Group operations is that our employees have an in-depth understanding of mission, vision, and values (MVV). In an employee awareness survey, 95.6% responded that they carried out their duties with a constant awareness of MVV. The Group's declared mission of “contributing to the development of a vibrant society and

helping to secure a sound future for the planet by enabling safety and peace of mind” has a very strong affinity with the thinking behind CSV and the SDGs. I think the high degree of MVV awareness in all Group companies promotes understanding of CSV initiatives across the Group. I also believe that making connections between the realization of our mission, the resolution of social issues, and individual motivation and job satisfaction will result in sustainable growth for the Group.

That will help to ensure that the efforts of individual employees are aligned in the same direction, increasing Group cohesion and synergies. At the same time, the innovation that helps to resolve social issues originates from the free thought patterns and novel ideas of employees, which in turn depend on their individual characters. That explains the significance for us of promoting diversity and inclusion (D&I). When you bring together a team of people with different individual identities in terms of gender, nationality, religion, values, and other characteristics, and who have different ways of thinking, their diverse ideas clash and combine as they seek to resolve issues, and this process leads to innovation that creates new value. We are devoting resources to D&I initiatives in order to create a corporate culture of that kind.

Creating an environment where all can play an active role

Particularly with regard to promoting female workplace participation, we have established a system that promotes diversity and inclusion to create an environment in which a diverse range of employees can maximize their abilities and play an active role. This has led to our selection as a Nadeshiko Brand* company for two consecutive years. Our female manager ratio has reached its original target and we have now set our next-level target toward intensified promotion of our D&I policy. We have set numerical targets for each of the positions of director, executive officer, and line manager with the aim of reaching a female manager ratio of 30% or above by the end of fiscal 2030 for the Group as a whole. To realize this target, we intend to set up a pipeline to promote the appointment of female officers in order to diversify our decision-making ranks.

To recruit non-Japanese personnel, we hire overseas nationals graduating from Japanese universities, who have tended to remain in our employment for a relatively long period. In addition, our Seconded System, under which employees recruited at overseas bases come to work at headquarters, has so far hosted a total of 103 employees seconded from 15 countries and regions. There are also cases where overseas nationals working at overseas bases fulfill concurrent duties at Headquarters. As of the end of March 2021, 18 overseas base employees had concurrent headquarters duties, performing tasks jointly with Japanese employees in the framework of a cross-regional initiative.

We have also seen the strong rise of mid-career recruits, who

* Nadeshiko Brand companies are selected each year by agreement of the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange from among listed companies in each industry that have shown outstanding performance in the promotion of female workplace participation.

occupy 16.6% of all male department and section manager positions at domestic Group companies. Among female section and departmental managers, mid-career recruits account for 40.0% of the total, indicating that these recruits with their wide-ranging career experience and special expertise are a much valued human asset within the Group.

The human assets that are the source of our competitiveness embody our five values

I think one very important thing is that Group employees follow our value code, which sets out five values for them to maintain a constant awareness of in the day-to-day conduct of their work duties. Customer

focus and integrity have a great bearing on the quality of products and services, while uniting in a spirit of teamwork is what brings us through in times of crisis, such as the Great East Japan Earthquake of 2011 or the present COVID-19 pandemic. Maintaining an awareness of professionalism is very important for a world-leading insurance and financial services group, and a passion for innovation will be required to implement the digital strategy. Depending on the social environment, there may sometimes be a strong requirement for a specific set of values, but I believe that nurturing human assets who embody these five values at all times is essential to increasing the Group's corporate value.

Pp. 33–34 "Global and Diverse Human Assets"

Creating the future together with stakeholders
— Partnerships to support a sustainable society

The social changes that have come with COVID-19 have highlighted a wide range of social issues. From climate change and economic disparity to human rights, there are a large number of challenges for business enterprises to address. Resolving social issues across such a wide range requires value creation through partnership with diverse stakeholders. In all industries, the use of digital technology is leading to the creation of innovative products and services. In the insurance industry too, we will need to utilize data to progressively offer society new value in the customer experience and new business models beyond the limitations of conventional insurance services.

we are now marketing a health management support insurance product that seeks to monitor and enhance employee health using an app fitted with an AI-based health risk prediction model. The AI involved was developed by the University of Tokyo Center of Innovation. Elsewhere, joint research with universities in the fields of smart mobility and smart city development gives us access to the strong specialist excellence of university institutions, their rich knowledge and expertise, and their scientific networks. This should allow us to discover new problem-solving strategies and act more widely for the resolution of issues.

Establishing an innovation network
— Seeking new ways to address issues

Looking ahead, it will become increasingly important both in Japan and overseas to incorporate new technologies and business models. The Group therefore takes an open innovation approach, deploying human assets and knowledge in partnership with industry, government, and academia in swift action for the creation of new value and its practical application in society. CVC, which we founded in 2018 in Silicon Valley, has already invested in more than 50 companies, applying cutting-edge technology that will shape the future of the insurance business alongside knowledge and intelligence for the development of new products and services. As an example of collaboration between industry and academia,

Resolving region-specific issues
— Identifying shared issues to apply to multiple regions

We are additionally engaged in initiatives to resolve issues specific to the towns, the people, and the work of particular regions through comprehensive cooperation agreements for regional revitalization with local governments throughout Japan. These various initiatives include the following examples: development of disaster prevention solutions that can be used in everyday situations in local communities to encourage behavioral change in the event of a disaster; application of robot- and AI-based "smart agriculture" to address issues in the agricultural industry, which is experiencing a serious labor shortage; and trial operation of automated driverless mobility services under a joint industry-academia project aimed at the revitalization of regions

affected by social aging and low birth rates. To address the wide theme of regional revitalization, issues need to be approached from multiple angles and a medium- to long-term perspective. To do that, I think that responding through a broad alliance including not only local governments but also local financial institutions, private-sector enterprises, and universities will enable us to develop comprehensive solutions to region-specific issues. Going forward, we will continue to work through full-scale

partnerships with business enterprises, universities, and public research institutions, as well as joint projects with venture enterprises and other channels, to generate innovation that supports social change toward realizing a sustainable society and sustainable growth for the Group.

Pp. 19–20 "Issue 2 : Promoting Innovation"

Looking ahead
— Shaping a sustainable future

2030 is the target year for the SDGs. Toward the realization of a "resilient and sustainable society," there is a complex set of challenges to be addressed, from the response to climate change and preservation of natural capital to respect for human rights and issues relating to food supply. When working to address these social issues, I believe that the Group's diversity is a great strength. It is because the Group has a business base consisting of distinctive and diverse operating companies, diverse human assets, and diverse partnerships that, whichever social issues it tackles, it is able to take account of diverse needs and utilize diverse data to come up with varied responses.

services that help resolve social issues, and thereby realizing ongoing sustainable increase in corporate value.

Pp. 29–30 "MS&AD's Competitive Advantage"

Origin of the Group's distinctive character
— Developing as a new insurance and financial services group

We have a history of anticipating social changes and leading the industry into new business domains. For instance, the risk consultancy business that non-life insurance groups are currently exploring is one where the MS&AD Insurance Group was active from the early days and has now established a domestic market base. Another example is the large-scale overseas M&A that have become a growth driver for domestic non-life insurance groups. Our acquisition of Aviva's Asian operations was a pioneering example of this industry trend. Or take instead the telematics automobile insurance that is expected to expand going forward. We began to develop automobile insurance on a pay-as-you-drive basis (setting the insurance premium in line with mileage) back in 2004 and were offering cutting-edge insurance products in this area at a time when the concept was still completely unfamiliar. Benefiting from this DNA as a pioneer in new business domains, we are committed to developing group diversity and synergies as a strength, working with stakeholders to create distinctive products and



Key Issues

The MS&AD Insurance Group occupies the No.1 position in the domestic non-life insurance market and has built a stable profit base. The keys to the next stage in our growth are global expansion, promoting innovation, and response to climate change. By addressing these three issues, the MS&AD Insurance Group will achieve sustainable growth as a corporate Group supporting a “resilient and sustainable society.”



Issue 1 : Global Expansion

“ How to capture growth in the global market and expand the international business ”

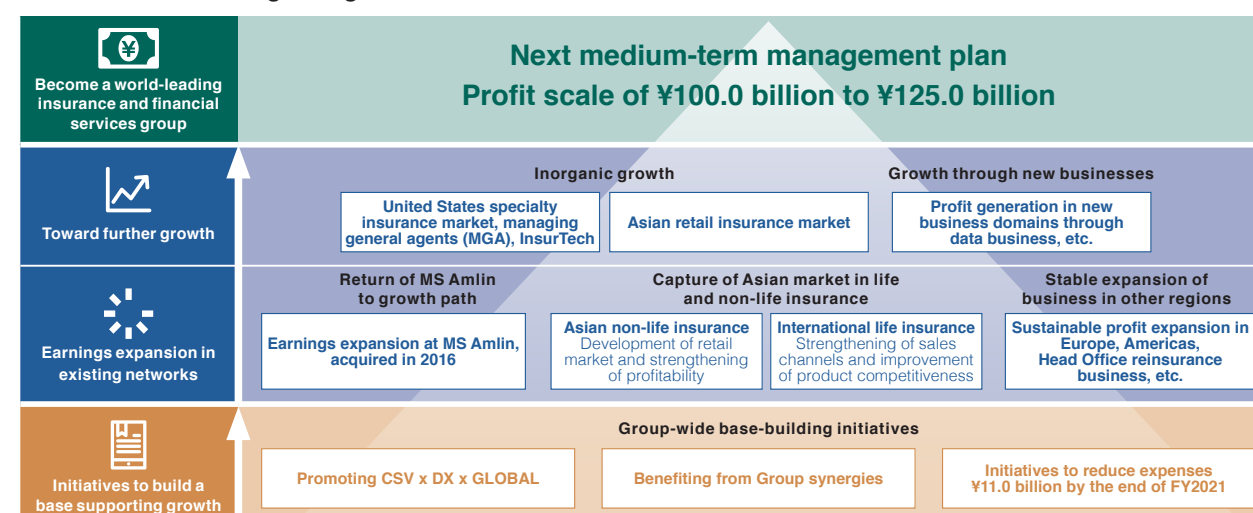
To achieve sustainable growth, the MS&AD Insurance Group needs to shift from a profit structure dependent on the domestic non-life insurance business to a business portfolio balanced in terms of both regional and sectoral distribution.

In the growth pillar that is the international business, we will work first of all for profit growth at MS Amlin, which is steadily implementing measures to restore profitability. At the same time, we will seek to capture the growth of the Asian insurance market, which is expected to expand by around 80% over the next 10 years, in both the non-life and life

insurance sectors. We will also realize synergistic effects in a wide range of fields with overseas Group companies and partner global insurance companies.

The MS&AD Insurance Group is promoting a CSV x DX strategy that uses digital technology to accelerate solutions to social issues. We will roll this out globally, realizing sustainable growth for the Group at the same time as offering solutions to issues specific to individual countries and regions worldwide.

Toward medium- to long-term growth for the international business



Growth strategy for MS Amlin

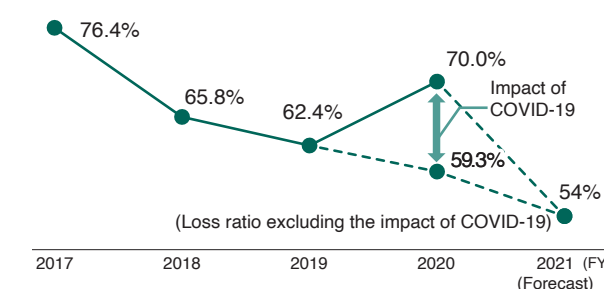
Growth strategy for Lloyd's and reinsurance business

At MS Amlin, as measures to restore profitability are progressing steadily, we aim to return to a growth path and expand earnings. Lloyd's of London acts as an insurance industry hub attracting information, specialist human resources, and risk business from around the world. Combining the brand strengths of Lloyd's and MS Amlin, with the specialist expertise of MS Amlin and the strong financial base of the MS&AD Group, we will achieve optimization of our underwriting portfolio and profit growth. With bases in London, Zürich, Bermuda, and the other main reinsurance markets, we intend to offer reinsurance to high-quality businesses to support insurance industries of countries around the world. In addition, we will use digital technology to make the business more efficient, improve profitability by taking a more sophisticated approach to underwriting operations, and move forward with inorganic growth of the kind achieved through the 2021 acquisition of a U.S. underwriting agent.

Measures for profit restoration at MS Amlin

- | | |
|--|--|
| (1) Business portfolio reform through carefully selective underwriting | (2) Cost reduction through improved operational efficiency |
| (3) Adaptation to market hardening | (4) Implementation of growth strategy |

Improvement of non-catastrophe loss ratio of MS Amlin



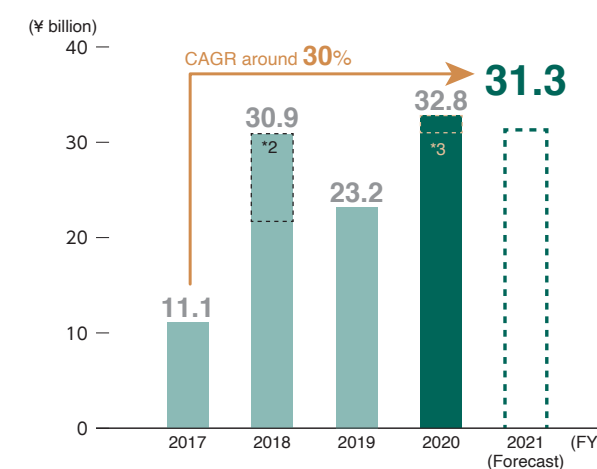
Growth strategy in Asia

Pursuit of profit growth through reform in three areas

Throughout the almost 90 years since its expansion into the Thai market in 1934, the MS&AD Insurance Group has worked to build a solid customer base. We currently boast 650,000 corporate customers and 8.36 million individual customers, as the world's only non-life insurance group with underwriting operations in all 10 ASEAN countries.

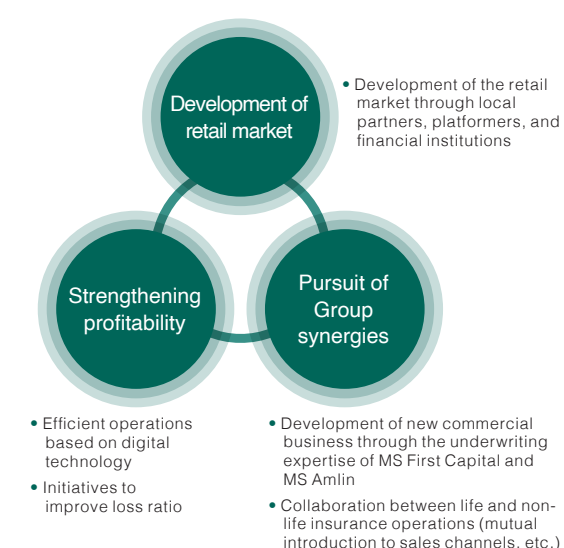
We have established the leading position within the ASEAN region in terms of premium income. In order to build a stable and highly profitable business base toward reaching our medium- to long-term targets, we are turning the recent changes in the business environment to our advantage by implementing reform in three areas.

Group Adjusted Profit^{*1}



^{*1} 2017 figure shows Group Core Profit
^{*2} 2018 figure includes ¥9.2 billion in gain from the sale of Hong Kong real estate
^{*3} 2020 figure includes the temporary impact of restrictions on activity associated with COVID-19, the impact of government grants, etc.

Reform in three areas of our Asian business strategy



Key Issues



Issue 2 :
Promoting Innovation

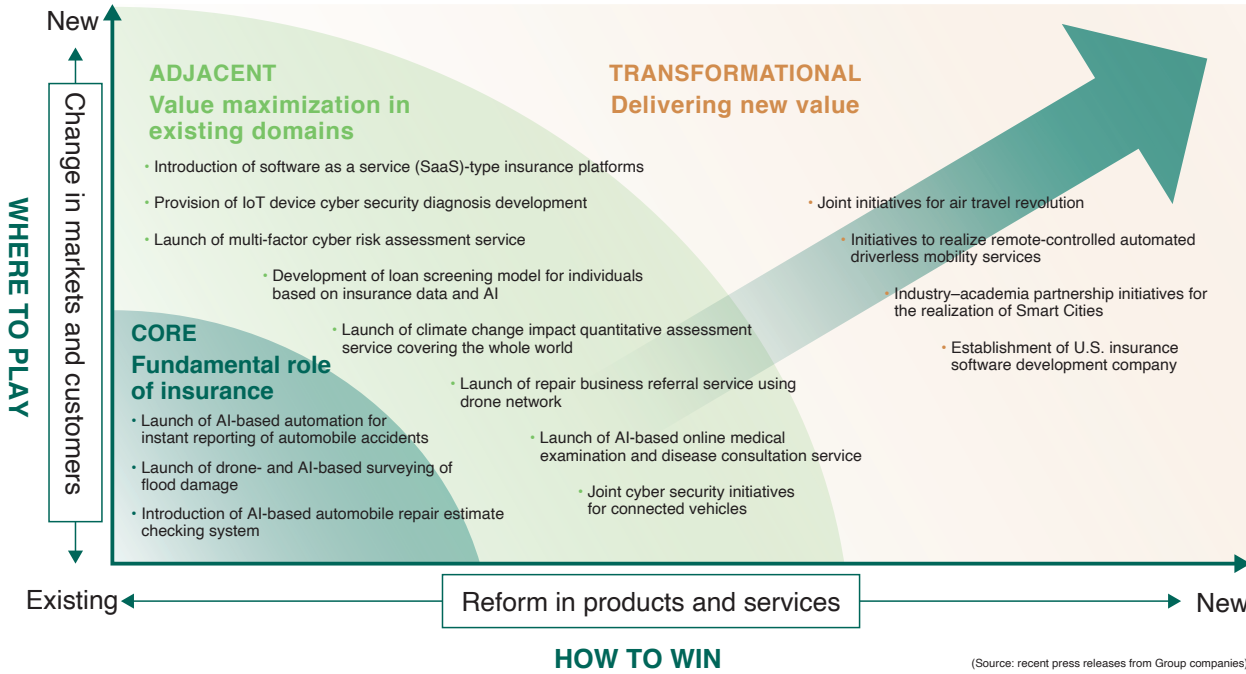
“ How can we redefine the insurance business for the coming age? ”

Throughout history, insurance has always evolved with advances in society. However, the insurance of the future will need to base itself on new concepts beyond the conventional framework.

The MS&AD Insurance Group wants to offer bold and innovative solutions that combine Group strengths with cutting-edge digital technology in a way that embraces not only immediate social issues but also looks ahead to the

social change of the future. To do so, we will seek innovation partners worldwide to join us in a quest for true innovation by exploring together all potential paths to resolving diverse social issues. As we redefine the insurance business of the future and society continues to develop, the MS&AD Insurance Group will keep pace by developing business models that ensure continuous growth.

Toward the creation of sustainable innovation



(Source: recent press releases from Group companies)













Collaboration with venture companies

Shaping the future with innovation partners

Collaboration with diverse partners is essential for progress toward a new level of value in the delivery of insurance services MS&AD Ventures, for example, is a corporate venture capital (CVC) business that we established in 2018 in Silicon Valley. In the intervening two and a half years, it has invested in more than 50 companies in the fields of

InsurTech, Fintech, mobility, healthcare, and cyber security, with 17 business partnership projects already in progress. With an eye to the future, we will seek out innovation partners who can lead the way to change in the insurance industry for further intensification of partnership and collaboration.

Collaboration with innovation partners

 Mobility	 Sustainability
 Digital platforms for automobile insurance	 Air mobility services based on drone technology
 Swift and appropriate response to automobile accidents using AI and other DX technologies	 AI-based climate change risk assessment compliant with TCFD
 Cyber Security	 Insurtech
 IoT device cyber security diagnosis service	 Cyber security assessment service for small and medium enterprises to large corporations
 Provision of value related to insurance cover. Development of cutting-edge services for fire insurance	 Delivery of cloud-based insurance IT platforms

Diverse partnerships

Resolution of social issues through open innovation

The resolution of various social issues requires the formation of ecosystems across the boundaries between different industries. We will pursue innovation that leads to the resolution of social issues in partnership with local governments and university research institutions, local financial institutions, and enterprises in other industries. This

will facilitate practical trials and ongoing development work to ensure its ultimate practical application in society. By additionally realizing Group synergies and combining insights received from around the world, we aim to develop distinctive products and services and create new business models that set us apart from our competitors.

Examples of projects in partnership between industry, government and academia

Phase 1 Project participation	Phase 2 Start of joint research and practical trials	Phase 3 Development of products and services	Phase 4 Resolution of social issues
• Participation in SmartCity X project	• Development of disaster prevention solutions that can be used in everyday situations to encourage behavioral change • Study of new traffic safety measures and congestion avoidance measures for the digital age	• cmap-based app for disaster prevention and mitigation • Traffic safety service using telematics data	• Safe and secure urban design for the future: realization of super cities and smart cities
• Partnership with University of Tokyo Center of Innovation	• Calculation of health risk from health diagnosis data using AI	• Launch of health management support insurance combining prevention, coverage, and consultation	• Support for corporate health management programs contributing to longer healthy lives for employees
• Joint research with the Graduate School of Engineering, The University of Tokyo "Voice Analysis and Measurement of Pathophysiology"	• Development of voice-based algorithm to assess cognitive level	• Voice-based detection of advance signs of dementia and mild cognitive impairment (MCI) and proposal of preventive strategies	• Realization of a sustainable, healthy, longevity society
• Partnership with RobiZy (Robotic Business Institution of Zenith activity)	• Building networks with companies that possess knowledge, expertise, and unique services related to agricultural robot	• Development of specialist insurance products and services related to agricultural robot-related AI, IoT, etc.	• Contribution to regional revitalization through the popularization and promotion of smart agriculture

Key Issues

Issue 3 :
Response
to Climate
Change



“ What kind of social change will make an ongoing contribution to reducing the current high level of climate change risk worldwide? ”

The increasing frequency and severity of natural disasters that has accompanied the advance of climate change presents the whole world with an enormous shared risk and is one of the greatest challenges facing insurance companies, whose business operations are closely involved with this issue. The MS&AD Insurance Group works not only to achieve more advanced management of risk in its own operations, but also takes action to address the risk of damage from natural disasters. Since 2018, we have declared climate change mitigation and adaptation as a priority issue, and have engaged in a range of related activities, from reduction of environmental impact in our

business activities to proposal through insurance and consultancy of response strategies to climate change risk, and participation in international initiatives. We published a document entitled Business Activities with Consideration for Sustainability in 2020, which is subject to continuous updating. We have also announced our decision to exclude new coal-fired power plants from our insurance underwriting and investment activities. Toward achieving net zero in 2050, we will work with our stakeholders to contribute to the realization of a zero-carbon society.


* The MS&AD Insurance Group endorses the Task Force on Climate-Related Financial Disclosures (TCFD) and practices information disclosure in accordance with its guidelines.

P. 78 “Climate-Related Disclosure”

Wide-ranging initiatives toward climate change mitigation and adaptation


Products and services to support the realization of a zero-carbon society

- Providing comprehensive risk cover for business operators in renewable energy and related fields. We also provide business enterprises with renewable energy support services to promote the stable development of the renewable energy business.




CO₂ absorption initiatives using natural capital

- In the 14 years to 2019, approximately 31,700 tons of CO₂ were absorbed in our Indonesian tropical forest restoration project. In Japan, we are engaged in tree-planting activities at Bihoro in Hokkaido.




Support for business continuity plan (BCP) measures designed to prevent and mitigate accidents and disasters

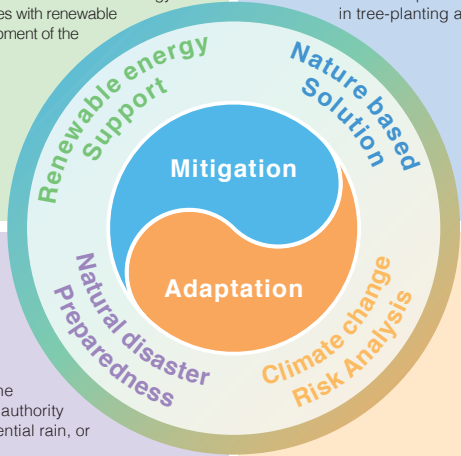
- cmap is a free-to-use public website that shows the predicted damage to buildings in each municipal authority area in real time immediately after a typhoon, torrential rain, or earthquake.



Specialist climate change risk consultancy

- Support for risk analysis, strategy formulation, and information disclosure through “Prediction Map Showing Changes in Flood Frequencies” and “Climate Change Impact Assessment Service.”





Mitigation

- Renewable energy Support
- Nature based Solution

Adaptation

- Natural disaster Preparedness
- Climate change Risk Analysis

Group targets

Setting of new targets toward net zero in 2050

Toward realizing net zero in 2050, we have set a new CO₂ reduction target in line with the 1.5°C target of the Paris Agreement, and a target for the introduction rate of renewable energy. Reform of business styles will improve the efficiency of employee mobility and office utilization and

thereby reduce gasoline and electric power consumption. In parallel, we are progressing with the introduction of renewable energy including by installing solar power generation facilities.

	Scope 1 + 2 ^{*1} CO ₂ emissions reduction target (Base year FY2019)	Scope 3 ^{*2} CO ₂ emissions reduction target (Base year FY2019)	Renewable energy introduction rate target
FY2030	-50%	-50% Applicable categories: 1, 3, 5, 7, 13 ^{*3}	60%
FY2050	Net zero	Net zero Applicable categories: all	100%

^{*1} Scope 1 covers the Group's direct emissions such as gasoline used by its vehicle fleet, while Scope 2 covers indirect emissions, for instance through utilization of electric power, gas, etc.
^{*2} Indirect emissions from Group business activities, other than those covered by Scope 2.
^{*3} Category 1: Purchased products and services (applicable items: paper, mail services); 3: Fuel and energy activity other than Scope 1 and 2; 5: Waste generated by business activities; 7: Employee commuting; 13: Leased assets

Joint initiatives with customers

Toward the practical application of decarbonization technology through the power of risk solutions

From next-generation energy resources such as renewable energy and hydrogen to CCUS* and carbon recycling, we will provide ongoing support for the establishment and practical application of innovative technologies for a zero-carbon society by proposing risk solutions. To move toward a society where the practical application of technology to implement decarbonization will promote local growth, we are also engaged in proactive initiatives to support local revitalization centered around the renewable energy business.

* Carbon capture, utilization and storage



Joint initiatives with investee companies

Supporting the transition to a zero-carbon society through investment and financing

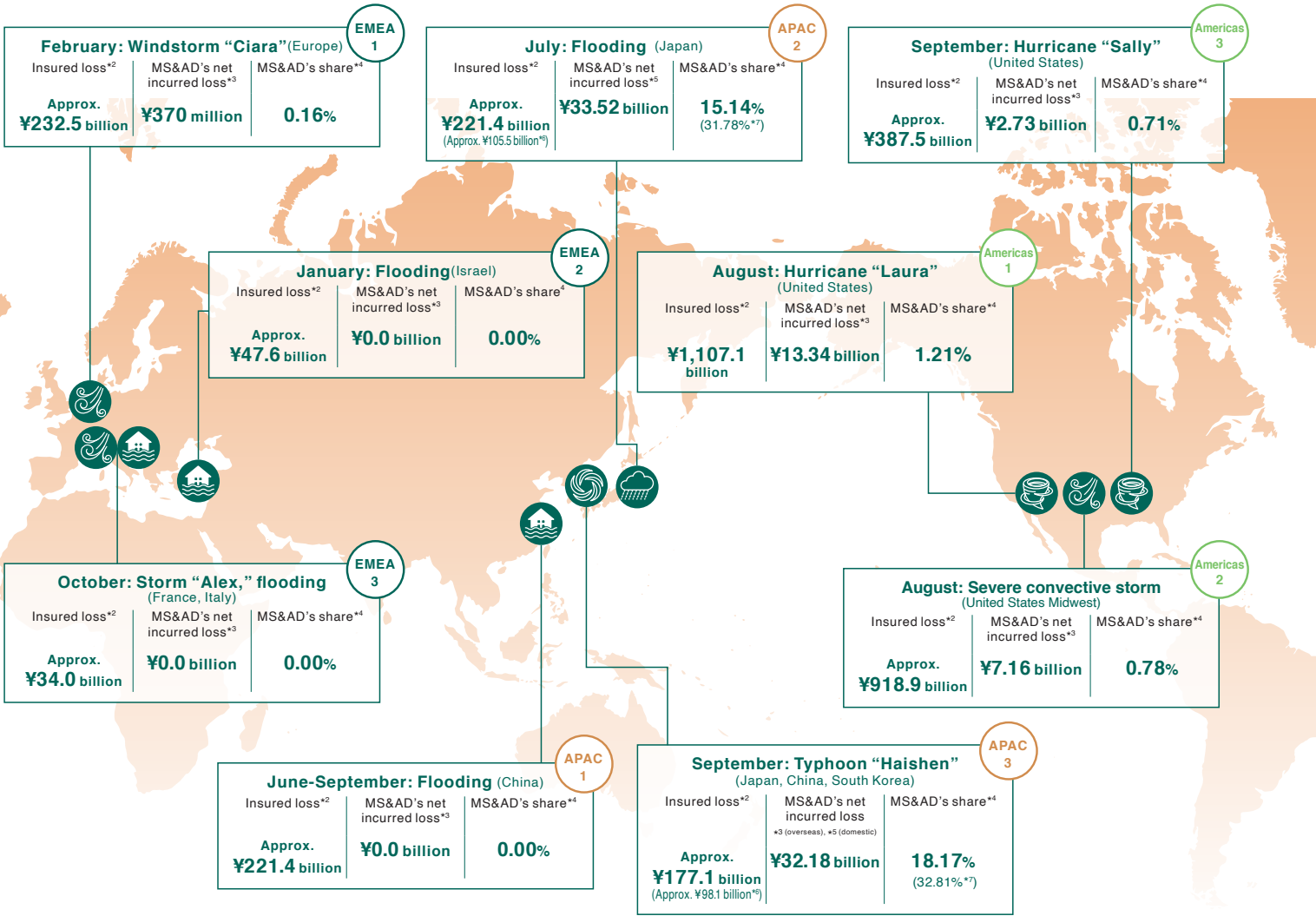
As a financial institution signatory to the PRI, we work to secure medium- to long-term investment return and at the same time to contribute to resolving sustainability-related issues. We engage in constructive dialogue with investee companies from an ESG perspective. Through green investment and other channels, we will support business enterprises that are working on innovations to realize a zero-carbon society.



World Map of Natural Catastrophes in 2020*1

The climate change of recent years has led to frequent natural disasters worldwide caused by powerful typhoons and hurricanes, torrential rain, droughts, heatwaves, and other abnormal weather patterns. The scale of each disaster is also increasing, causing damage in countries around the world that far exceeds previous expectations.

The map below shows the top three natural catastrophes by insured loss in the Americas, Europe, and Asia-Pacific. 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 2020 as listed in Aon's "Weather, Climate & Catastrophe Insight-2020 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- 2020 Annual Report"). Exchange rate: US\$1 = ¥110.71 (used for internal purposes at the end of FY2020)

*3. As of December 31, 2020 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, 2021 Total net incurred loss of Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance.

*6. As of March 31, 2021 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.



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MS&AD's Value Creation Story

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 business.”

To realize this mission, we need to face those social issues that impede this idea 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.

Insurance that Changes with the Times

Insurance has always contributed to the progress of society by supporting the dreams and challenges of companies and individuals through products and services that address risks newly created with the development of society.



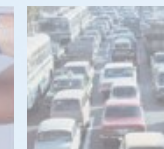
Marine insurance



Fire insurance



Personal accident insurance



Automobile insurance

Identifying Social Issues to be Addressed

The challenges facing modern society are complex, filled with a wide range of hidden risks. The Group identifies the key issues (materiality) it can contribute to, working to resolve them using a variety of approaches.



Climate change



Declining birthrate and aging population



Technological innovation

Creating Shared Value (CSV)

The Group will confront diversifying social issues, create its story of value creation, and engage on value creation together with its various stakeholders. And with the development of society, we will aim for sustainable growth of the Group and aim to enhance corporate value.



Support for renewable energy businesses



Health management app and health management support



Multidimensional products to address cyber risk

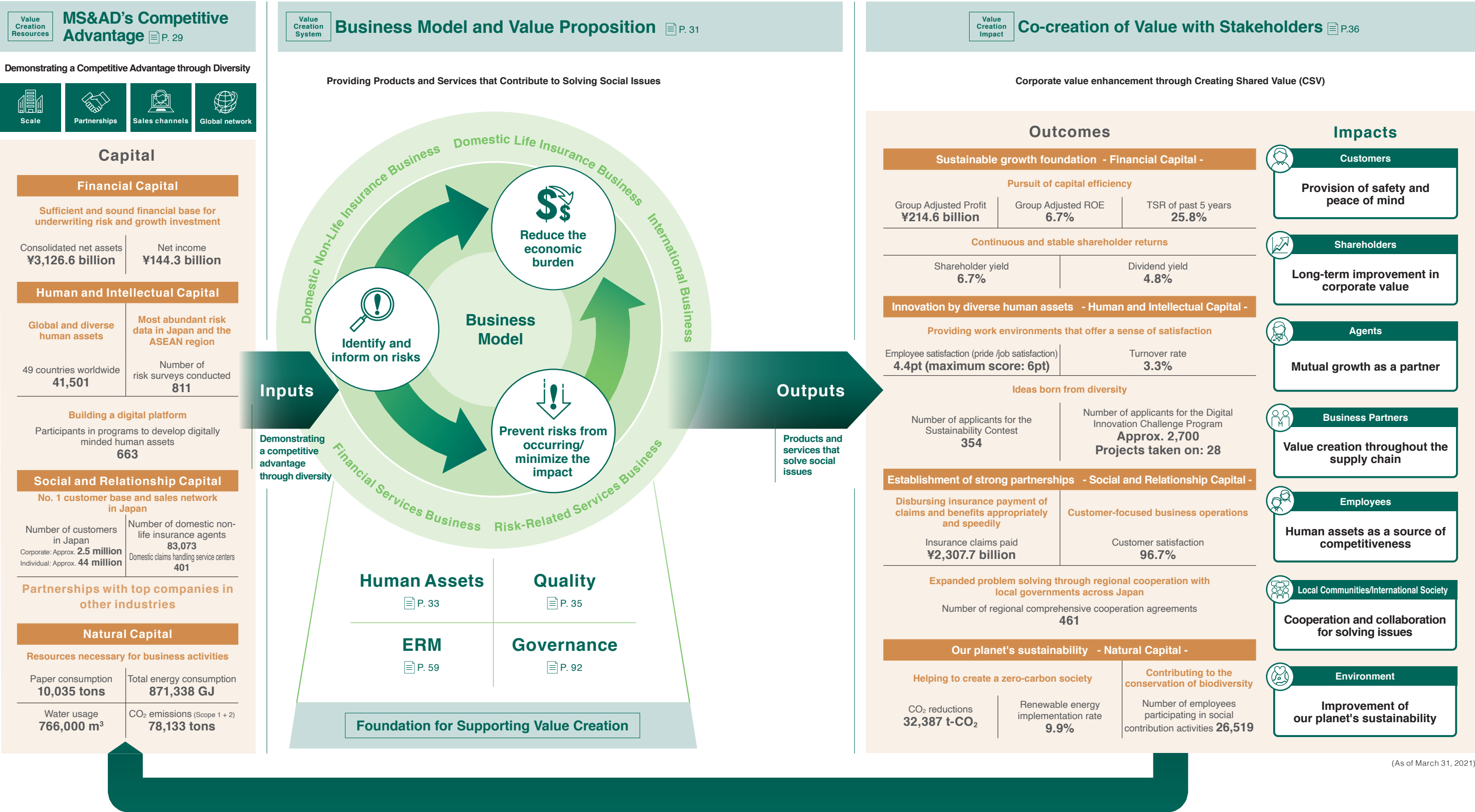
2030

Realize a resilient and sustainable society

Contribute to the development of a vibrant society and help secure a sound future for the planet

MS&AD's Value Creation Process

Here we explain the Group's system for value creation. We are utilizing the diverse resources of the Group's business activities together with our stakeholders as the impetus to create new value. Firmly building a system that can sustainably create value in this way leads to an improvement in corporate value over the medium to long term.



Value Creation Resources

MS&AD's Competitive Advantage

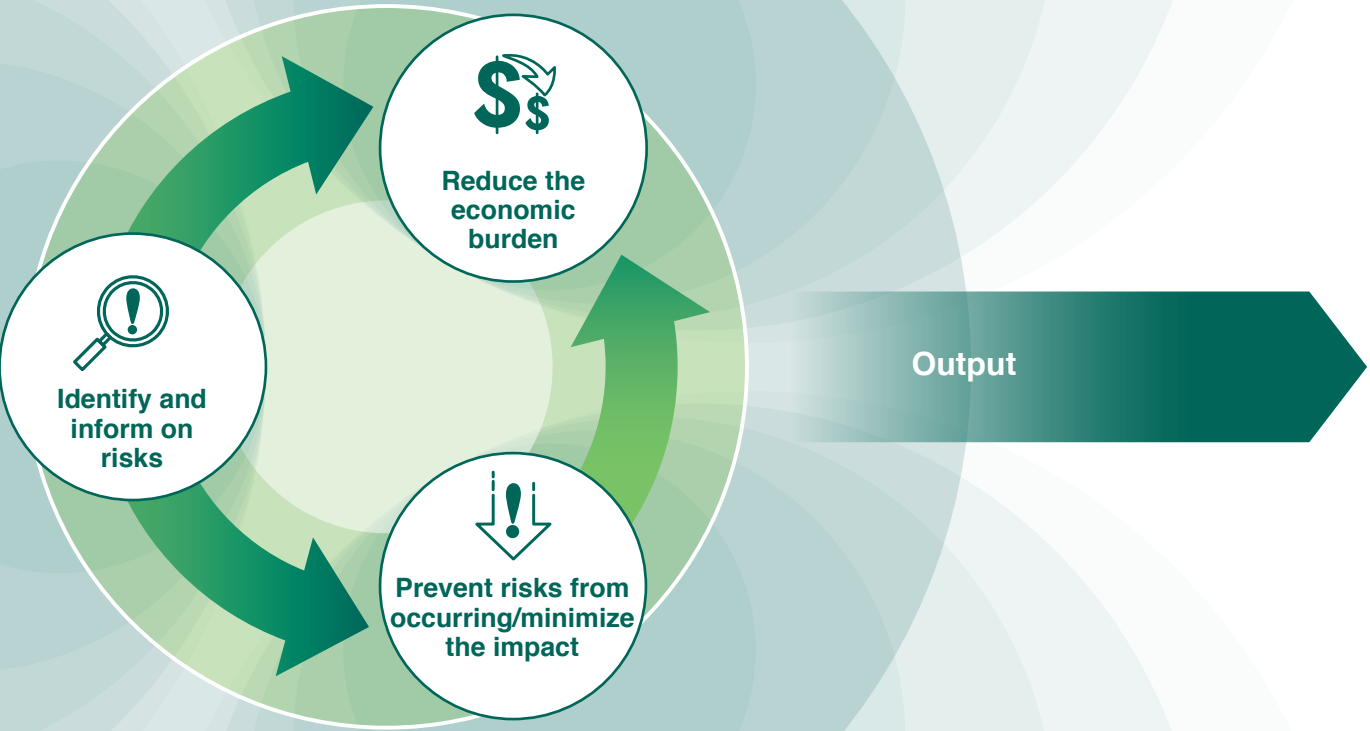
The Group is made up of five insurance companies, each with its own characteristics. The strength of such a diverse Group lies in our foundation to provide products and services that meet the needs of various customers around the world. This foundation gives the Group a competitive advantage which enhances each type of capital, thereby enabling the creation of new value.



Value Creation System

Business Model and Value Proposition

Our business model is to provide risk solutions for social issues. Traditionally, the insurance business has always been about covering financial losses. However, from now on, we will meet the various needs of our customers and provide safety and security by having the mechanisms in place to identify and inform on risks, prevent risks from occurring, minimize impact when risks do occur, and support a swift recovery in a seamless way. Providing risk solutions through these three approaches can contribute to a sustainable society and sustainable growth of the Group at the same time.



A Business Model at the Heart of Value Creation

Identify and inform on risks

Utilizing a wealth of data and the latest analytical algorithms, the Group's professionals with sound knowledge and expertise can identify the risks faced by society, companies and individual customers. By informing clients of the risks before disaster strikes and suggesting proactive measures, we are offering support so that everyone can be fully prepared.

Inform and prevent risks

Reduce the economic burden

Financial compensation after an accident or disaster not only helps people recover in their lives and businesses, but also provides support for people's mental health. The Group develops and provides insurance products and services that apply to a range of issues based on actual cases and specific requests received from its vast customer base. MS&AD meets all insurance needs, from life insurance to non-life insurance.

Provide coverage

Prevent risks from occurring/minimize the impact

Cooperation and collaboration with stakeholders is essential for solving social issues. Taking advantage of the diverse partnerships that are the strength of the Group, we are focusing on initiatives to hedge and manage risks in society as a whole, including solving problems by utilizing the latest digital technologies and building a new social system through industry, government and academia.

Minimize the impact and recover quickly

Providing Products and Services that Solve Social Issues

The Group's vision for its insurance business is to have its products and services embedded into people's lives and businesses. When a risk is likely to occur, the Group will actively issue warnings and advice to avoid the risk, and seamlessly provide a service and financial compensation when the risk materializes. By providing new value that goes beyond the traditional role of insurance, we will expand our lineup of products and services that contribute to solving social issues.

Case 1 Contributing to a safer mobility society with "TOUGH-Tsunagaru" auto insurance

The "TOUGH-Tsunagaru" auto insurance is Japan's first automobile insurance that scores points for safe driving based on driving data obtained from connected cars. As well as offering driving advice, the insurance gives discounts on premiums for those drivers with good scores. In the unlikely event of an accident, speedy recoveries can be made with an automatic notification service and an accident response service based on driving data.

Inform and prevent risks

Provide coverage

Minimize impact and recover quickly

Support for safe driving

Automobile Insurance

Automatic notification service
Accident response using data

- Safe driving diagnosis report
 - Analyzes driving style to provide safe driving score and advice
- AD TeleMileage
 - Points are earned by doing things that lead to safe driving, and rewards can be redeemed with the points

Insurance coverage
In addition, safe driving leads to discounts on insurance premiums that result in a highly convincing insurance proposition

- Phone call to check you are safe when impact detected
- Sophisticated accident response service using driving data obtained from connected cars

Case 2 Health and productivity management support insurance supporting employee health with an app

The health and productivity management support insurance uses a health management app to predict future health risks from the results of health examinations. The app helps to improve the health of each and every employee by offering suggestions for a healthier life based on day-to-day living conditions. In the unlikely event that an employee takes a leave of absence due to injury or illness, the insurance compensates the employee for such things as their income, helping to provide a balance between treatment and work. A consulting service is also provided that comprehensively supports health and productivity management.

Inform and prevent risks

Provide coverage

Minimize impact and recover quickly

Disease prevention with dedicated app

Health & productivity management support insurance

Support for improvement activities

Supporting the promotion of employee health by providing a health management app

- Identifies risks to employee health based on health checkup data.
- Supports health promotion by encouraging changes in behavior.
- Discounts on premiums by up to 5% depending on app usage.

Compensation for income during time off work

- Simple health management diagnostics service
- Health management consulting service including help and advice on health and productivity management

Value Creation Foundation

Global and Diverse Human Assets

Under our medium-term management plan, "Vision 2021," we have committed to building a management foundation that enables all employees to play an active role as a way of supporting our "story of value creation." Human assets are the source of the Group's comprehensive strengths and competitiveness. By enabling diverse human assets to exercise their individual abilities to the full and promoting digital transformation (DX), we will generate innovation that leads to the resolution of social issues and thereby realize sustainable growth for the Group.

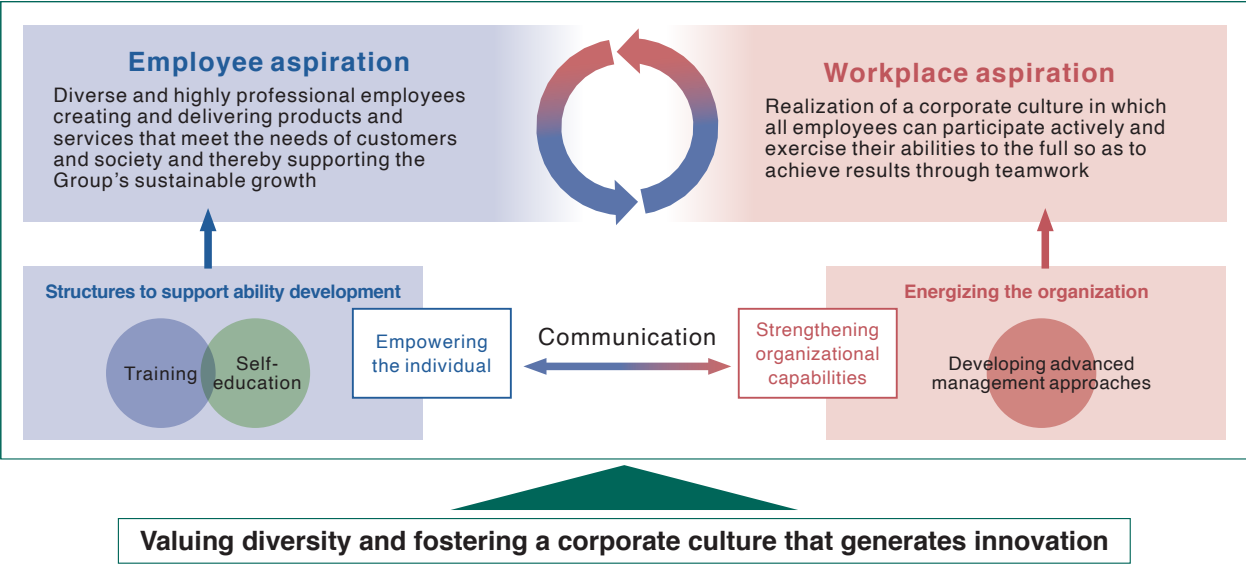
Human Asset Development

Quantitative data	Education and training investment Approx. ¥1.6 billion	Hours of training per employee 9.9 hours	Number of participants in "story of value creation" training 762 (Target group: new recruits)
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To implement the Group growth strategy, we engage in a wide range of human asset development programs in Japan and overseas. We also support independent self-education to empower the individual and enable employees to realize their

particular career vision. The growth of individual employees feeds back into the organization and the organization likewise supports the individual in a process that increases engagement.

Aspirations for human asset development



Digital-savvy human assets

Since fiscal 2019, we have operated a digital human asset development program unique to the MS&AD Insurance Group through partnerships with universities and other educational institutions.

MS&AD Digital Academy (INIAD: Toyo University Faculty of Information Networking for Innovation and Design)	497 people
MS&AD Digital College from Kyoto (KUAS: Kyoto University of Advanced Science)	150 people
System x design cognitive training	16 people

* Cumulative figure in all cases. System + design cognitive training began in fiscal 2020.

Global human assets

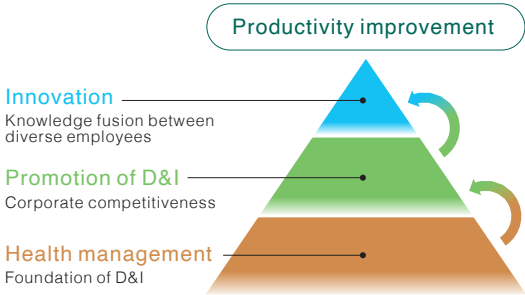
To improve international awareness and global business skills, we have put in place a system for interaction and mutual learning between employees in Japan and the other regions of the world.

Initiatives	Fiscal 2020 Achievements
Overseas training secondment system	Secondment system to obtain an MBA Number of employees who participated in the system in fiscal 2020: 18 people
Global trainee system	Number of employees who participated in the system in fiscal 2020: 48 Japan's headquarters employees and 74 overseas employees
Headquarters postings for overseas-based local employees	A cumulative total of 103 employees have been seconded to duties in Japan.

Diversity & Inclusion

Quantitative data	Ratio of female managers (domestic Group companies) 16.1%	Ratio of global employees 22.2%	Human rights training participation rate 100%
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To address the diverse risks accompanying social change and create shared value through resolution of issues, individual employees need to embrace diversity. To realize sustainable growth at the same time, it is essential to generate innovation, for which the driving force is fusion of knowledge. We will resolve social issues by creating innovation through the encounter between diverse abilities, experiences, and ways of thinking.



Creation of forums for active generation of diverse ideas
We organize "e-business seminars" — small-group online seminars presented by holding company directors and officers. This is an experiment in creating forums for active generation of ideas and creating a structure of supportive processes and methods.

Unconscious bias training
We conduct "Diversity & Inclusion Officers' Training" for Executive Officers and Directors and "Management Training" for managerial positions, in which managers become aware of their unconscious bias and learn how to control it.

Promoting the career development of women
By the end of fiscal 2030, we aim at achieving the targets of 30% for the Group's female manager ratio and 15% for the female line manager ratio.

Human rights training
In February 2017, we formulated a Group Basic Human Rights Policy. To fulfill our corporate responsibility of ensuring respect for human rights, we are conducting workplace training under the common theme of "Let's raise awareness of human rights from familiar workplaces."

Practical Implementation of Health Management

Quantitative data	Health checkup participation rate 100%	Awareness rate of speak-up system 92.3%	Number of annual paid leave days taken 15 days	Parental leave uptake rate (total males and females) 85.9%
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For the MS&AD Insurance Group to achieve global growth, a work environment is needed in which individual employees are empowered to participate actively and maintain high work productivity. Through the practice of health management and work style reforms, we are working to create a workplace that

takes health and safety into consideration and allows employees to maintain and improve their physical and mental health so that they can continue to work with a sense of motivation and satisfaction.

Speak-up system

For matters that are difficult to resolve in the workplace — violations of laws and regulations, violations of internal regulations, or behavior considered inappropriate — we have put in place a system for reports and consultations.

Employee awareness survey*

A Group employee awareness survey is conducted every year as a form of fixed-point observation and is used as feedback for improvement of corporate systems, policy measures, and workplace environments. From fiscal 2019, a similar survey has been rolled out to overseas staff.

Work-style reform

Since fiscal 2016, we have been progressing with the work-style reform, reducing working hours, and working to improve productivity by practicing the management which enables each employee to enhance their expertise and make the most of their diverse abilities.

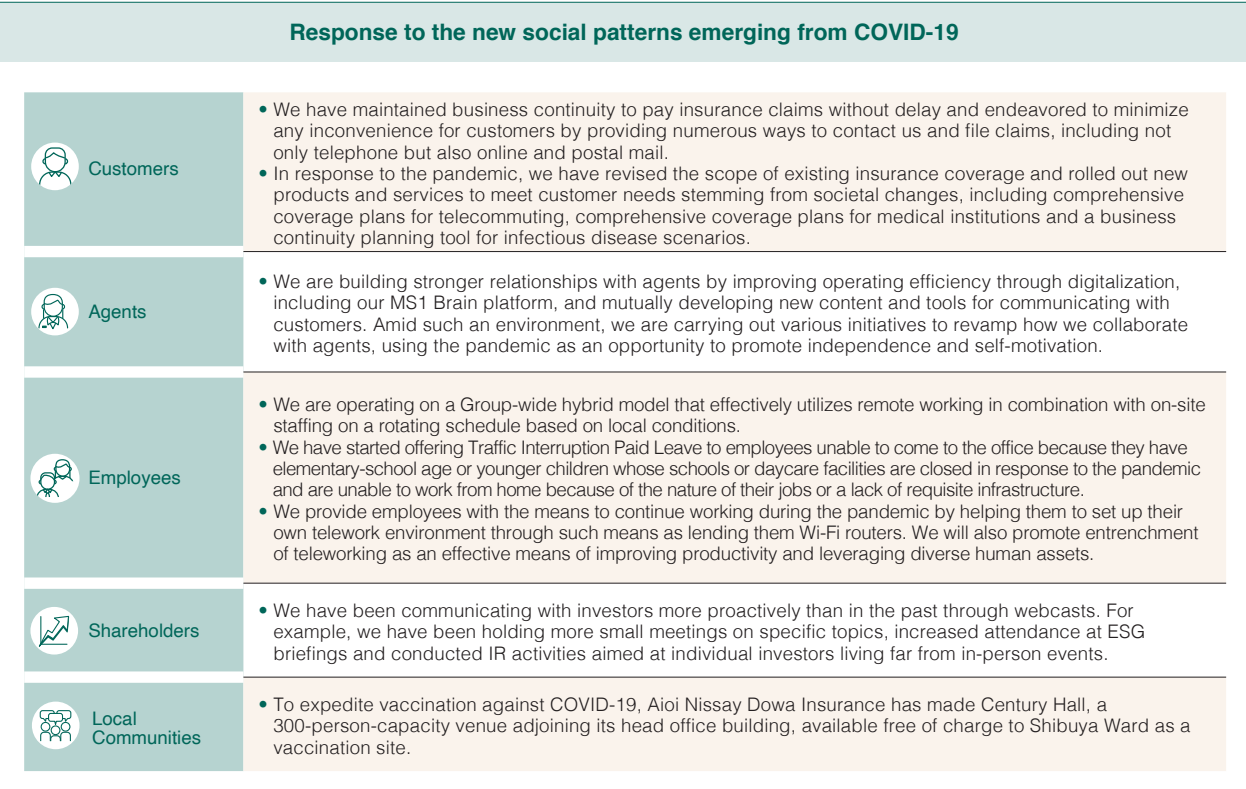
Item	FY2019 achievements	FY2020 targets	FY2020 achievements
Employee satisfaction: "Pride and job satisfaction"	4.4pt	Same or better than previous year	4.4pt
Employee satisfaction "Working vigorously"	4.5pt	Same or better than previous year	4.5pt

*All-employee average on a six-point scale

Value Creation Foundation

Quality

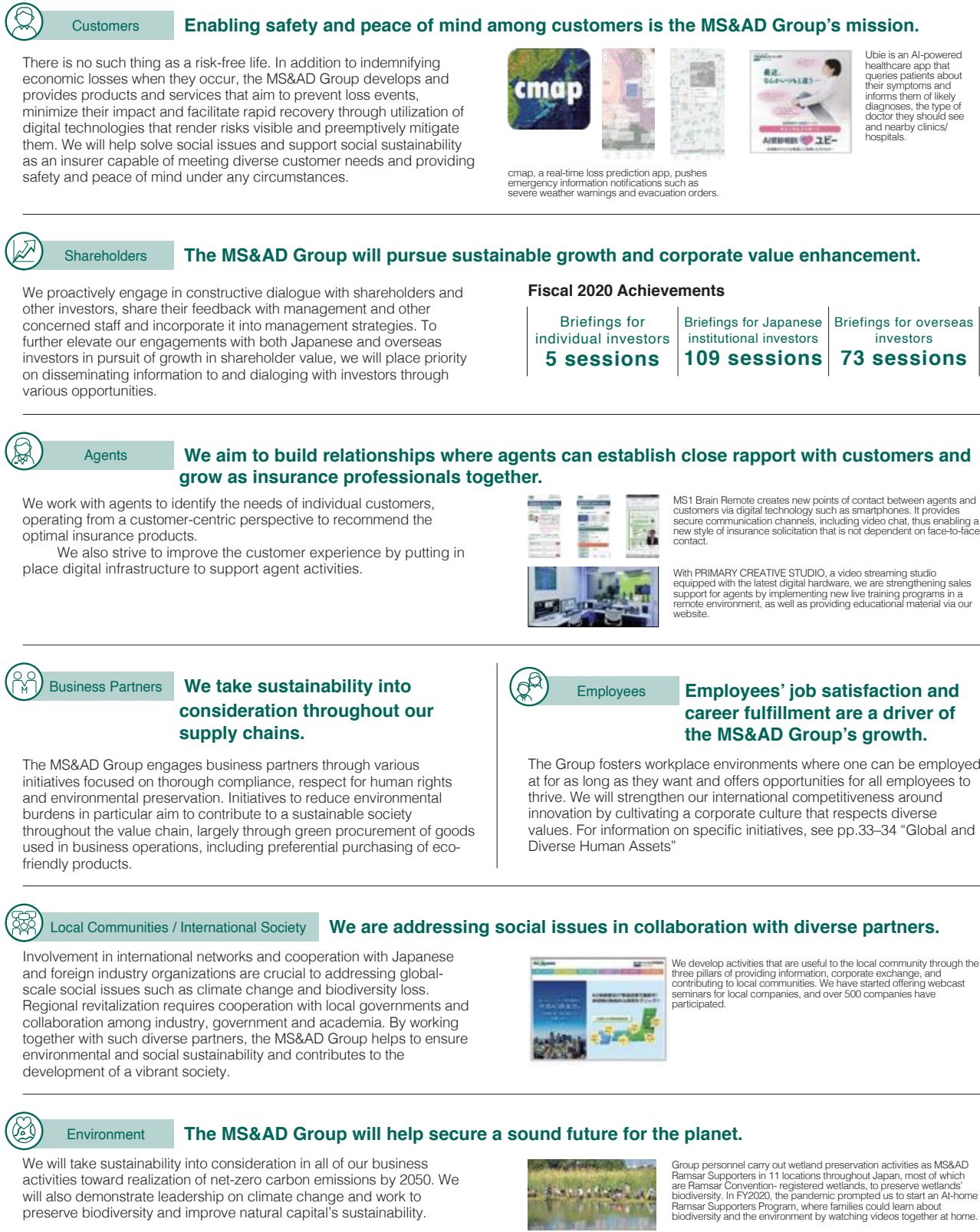
In pursuit of utmost quality that meets societal expectations and earns the public's trust, we engage through various means with stakeholders, starting with our customers, and utilize their input for our initiatives related to product and service quality, compliance, respect for human rights and environmental preservation.



Value Creation Impact

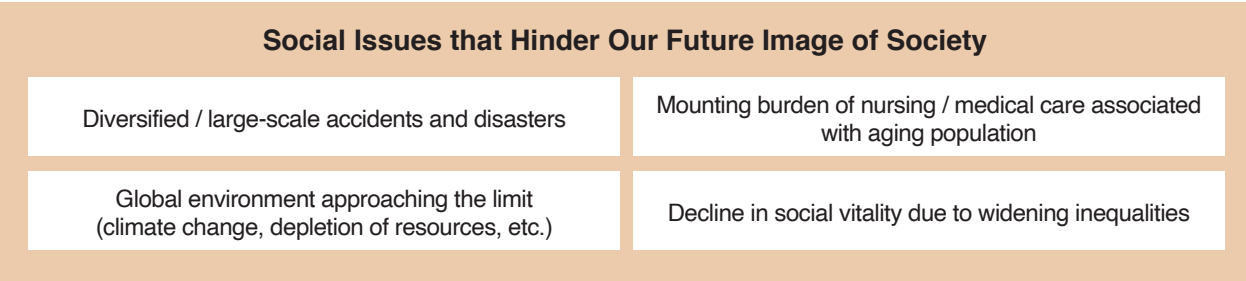
Co-creation of Value with Stakeholders

In cooperation with diverse stakeholders, the MS&AD Group will drive sustainable growth and corporate value enhancement by addressing wide-ranging social issues while promoting environmental and social sustainability.



Vision for the Society of 2030 and Materiality Analysis

Aiming to realize a resilient and sustainable society and creating shared value (CSV) is the MS&AD Insurance Group's growth vision, which helps us to attain our mission. We share with our stakeholders the image of society that we aim to achieve, discuss areas in which we can contribute, and engaging with them in relation to the results that are expected of the Group. To this end, we are promoting initiatives to implement materiality analyses to identify areas that will lead to growth over the medium term.



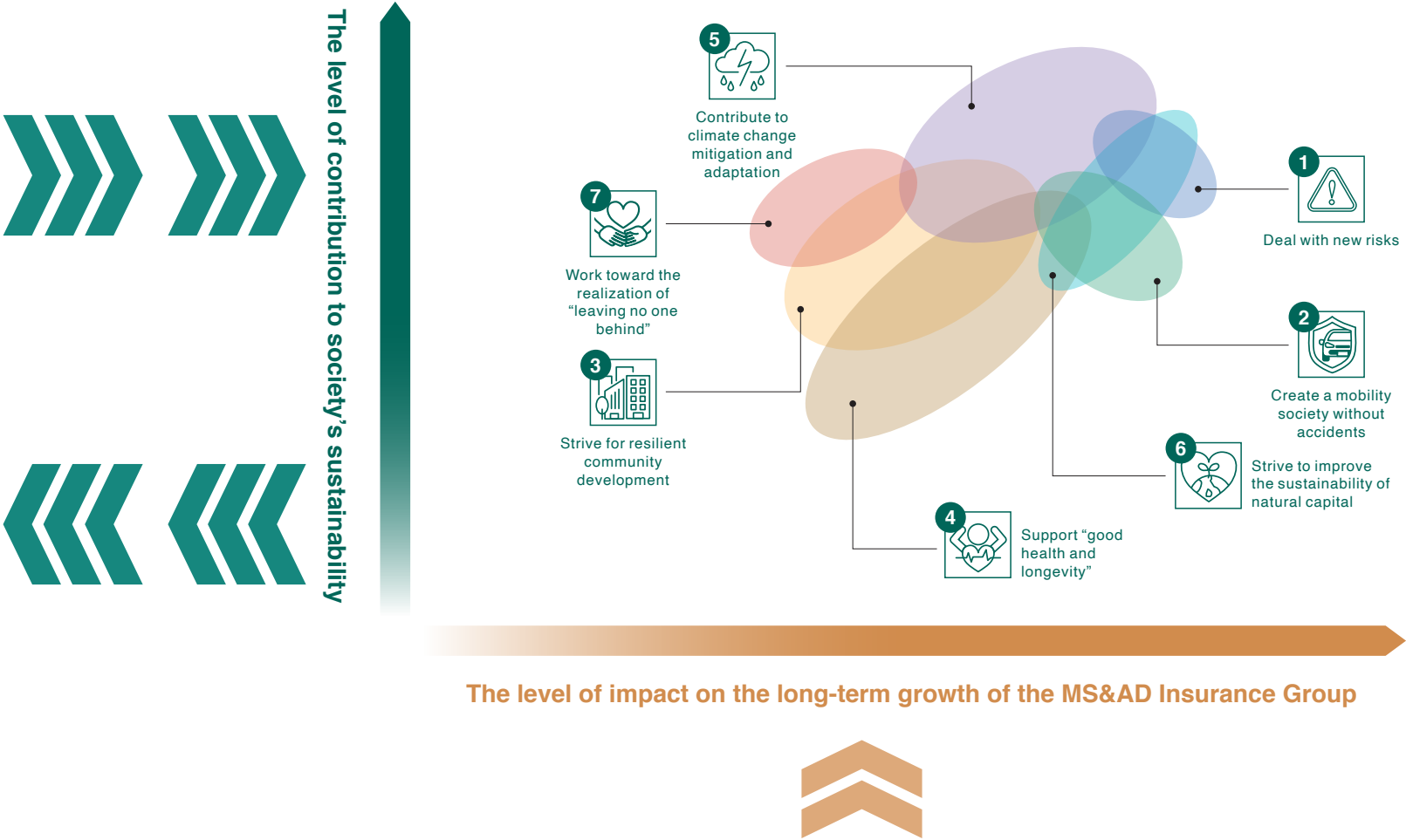
Seven Issues the MS&AD Group should Solve

1	Deal with new risks	By recognizing, preparing for and dealing with new risks that may occur in a highly developed and more complex technological society, we can enjoy, and utilize, technological progress with peace of mind.
2	Create a mobility society without accidents	The risks associated with autonomous driving have been reduced, and a safer, more comfortable mobility society is being realized. Moreover, mobility is sufficiently being secured with an inexpensive transportation system everyone can use.
3	Strive for resilient community development	We are equipped with both hardware and software so that we can recover quickly even when affected by natural disasters. Work styles are being formed to cater to the lives of the next generation and distinctly unique communities that attract people are being developed.
4	Support "good health and longevity"	Quality of life is maintained in old age with access to medical and health care services and proper funding for retirement.
5	Contribute to climate change mitigation and adaptation	Decarbonization in society in line with the Paris Agreement is progressing, while preparations are being made to combat the effects of natural disasters and adverse weather due to the impact of climate change.
6	Strive to improve the sustainability of natural capital	Economic and social institutions are being managed in sustainable ways and biodiversity loss is being significantly reduced, enabling people to enjoy the multifunctional role and value of nature.
7	Work toward the realization of "leaving no one behind"	With economic growth comes increasing access to insurance and financial services. All sorts of people can get involved and play an active role in society.

Assessing Materiality

The level of contribution to society's sustainability
To determine the social issues the Group should tackle, we first conducted a dialogue with our stakeholders to sound out their expectations for us. Based on ISO 26000, the SDGs, and

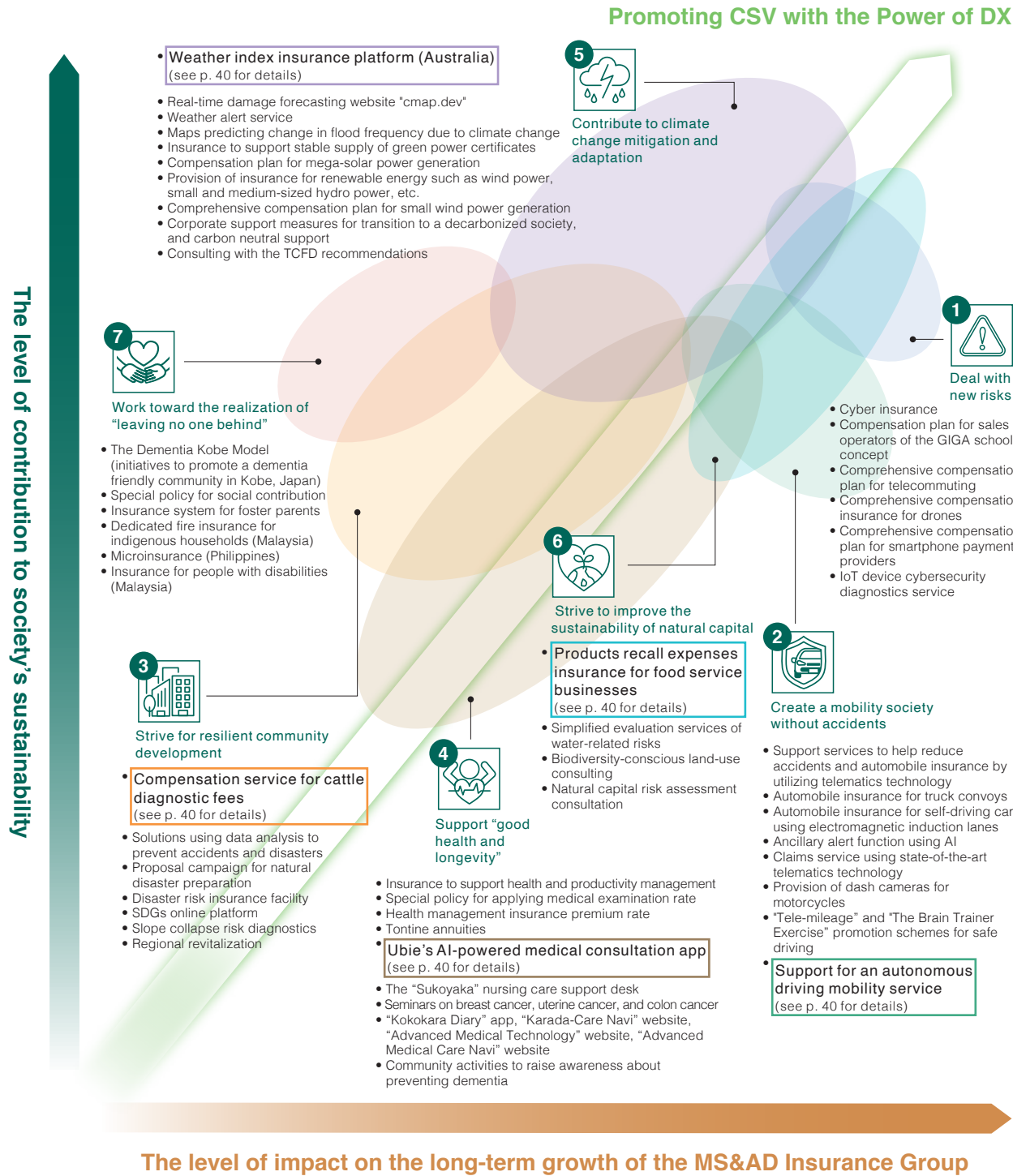
global risks, we have clarified the issues that society wants to solve. We also considered the assessment criteria provided by ESG evaluation organizations as society's benchmark for companies, referring to these criteria to determine materiality.



The level of contribution on the long-term growth of the MS&AD Insurance Group
Looking ahead to 2030, the target year of the SDGs, we examined further the risks and opportunities from among the selected social issues that could affect us in view of our long-term performance and profit-generating opportunities.

Seven Priority Issues and CSV

Since 2018, when the medium-term management plan "Vision 2021" began, we have been engaged in the CSV focusing on seven key issues. Over the past three years, interest in social issues such as climate change and the spread of infectious diseases has rapidly increased, and the Group has also stepped up its CSV initiatives that contribute to solving various social issues. In addition, progress with digital transformation (DX) has made it possible to take on issues that were previously difficult to solve. Going forward, we will continue to engage in CSV to contribute to the sustainability of society and the long-term growth of the Group.



The social issues the Group is tackling are diverse. The role of insurance companies is expanding in a rapidly changing social environment where new risks are constantly emerging, while existing risks are becoming increasingly more serious. Here, we will introduce some advanced initiatives that contribute to solving social issues in response to the growing demands of society due to the coronavirus pandemic.

Ubie's AI-powered medical consultation app

By using AI to answer questions online, the service allows users to check, for free, information highly relevant to current symptoms such as "illness and relevant information," "relevant clinical department," and "medical institutions in the vicinity." The service started in July 2021 for the first time* in domestic life insurance. Provided there is an internet connection, the service enables users to freely consult, even about minor symptoms, at any time. Ubie is expected to encourage patients to seek medical advice sooner and prevent more serious illness.

* In-house research as of June 30, 2021



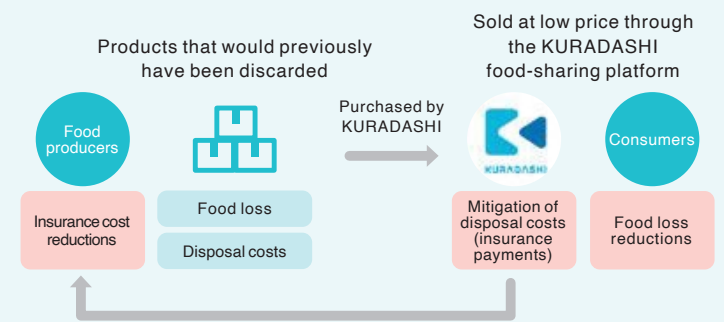
Compensation service for cattle diagnostic fees (with U-motion)

In collaboration with Desamis Co., Ltd., a leading company in livestock IoT, insurance has been developed as an ancillary product for diagnostic fees for sensors attached to cattle. The sensor quickly detects abnormalities in cattle, helping to reduce mortality rates, and also contributes to stabilize farmers' businesses by covering the farmer's copayment of diagnostic fees with public agricultural fraternal insurance. It has also helped solve a wide range of long-standing issues in the livestock industry, such as improving profitability for public agricultural fraternal insurance and improving the working environment for farmers and veterinarians.



Products recall expenses insurance for food service businesses - Shoku-eco

An insurance product is provided in partnership with Kuradashi Co., Ltd., which operates a social contribution food sharing platform. When a food service business recalls food due to misprinting expiry dates, etc., food that is perfectly fine in terms of quality is, rather than being discarded, purchased by Kuradashi. Businesses receive a 10% discount on insurance premiums due to reduced disposal costs. A new means to use food that would otherwise be discarded has been created, leading to reduction of wasted food.



Weather index insurance platform for farmers (Australia)

For weather insurance, which is usually tailor-made and takes time to quote, we have developed a platform with MSI GuaranteedWeather and Australian InsurTech companies, that allows farmers to get quotes in real time. Traditional crop insurance coverage is often limited to wildfires and hailstorms, but this product covers weather conditions such as drought, high and low temperatures, and rainfall just before harvest, helping to stabilize farmers' businesses in countries with frequent natural disasters.



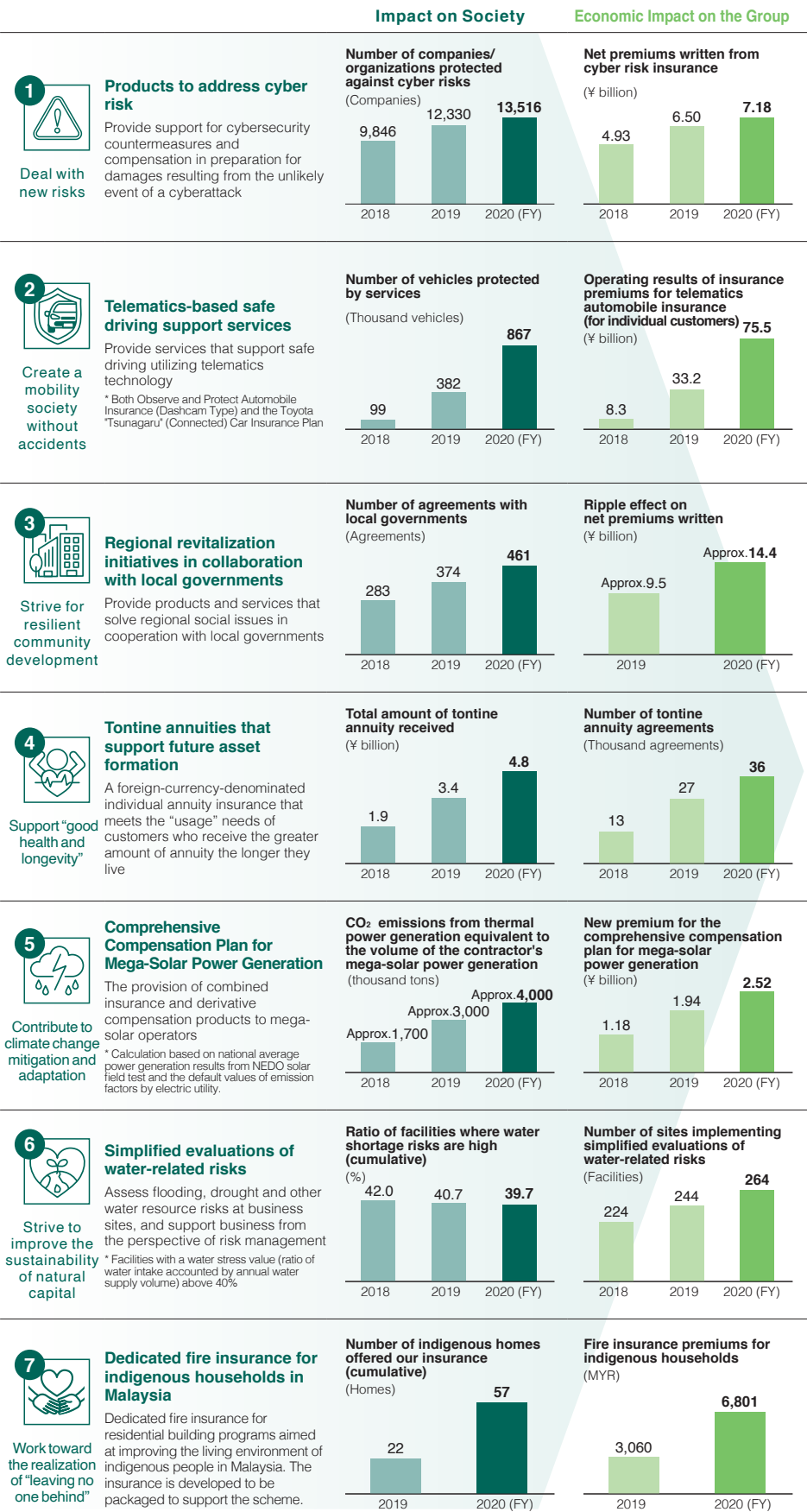
Supporting the implementation of Japan's first level 3 remote unmanned autonomous driving mobility service

The driving of autonomous cars has started to solve local traffic problems in Eihei Town in Fukui Prefecture. To run Japan's first level 3 remote unmanned autonomous driving mobility service, we are utilizing knowledge and expertise accumulated through surveys and research to date to identify risks expected at level 3 and consider appropriate mitigation measures. According to the actual risk situation, we are supporting the smooth operation of the service in terms of both safety and profitability by providing automobile insurance with reasonable insurance premiums.



Image provided by the National Institute of Advanced Industrial Science and Technology

CSV Impact Assessment



Social sustainability

A society where everyone can pursue well-being with the development of dynamic business activities and stable lifestyles in the future

Corporate Group supporting a resilient and sustainable society

A company that grows together with society by solving social issues through the insurance business

Group sustainable growth



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Medium- to Long-term Growth

Recognition of the Business Environment

Politics (legal trends that regulate business)

- World**
- Dealing with climate change, reinforcement of regulations toward a zero-carbon society
 - Movement to strengthen capital regulations (international capital standards / ICS)
 - Increased polarization and the rise of populism and nationalism
 - Reinforcement of regulations such as legislation on human rights protection and personal information protection
 - Impact of the coronavirus (COVID-19) pandemic
- Japan**
- Changes in law (Corporate Governance Code, Stewardship Code, TCFD recommendations), and ongoing demands to reduce strategic equity holdings
 - Strengthening governance in line with supervisory guideline revisions

Society (demographics, values, trends, etc.)

- World**
- Climate change, more intense and frequent natural disasters, and the increased probability of large earthquakes
 - Expansion of regional conflicts, expansion and consolidation of disparities such as that between poverty and wealth, increase of immigrants/refugees
 - Population growth in Asia (especially India) and Africa
 - Greater motivation for initiatives targeted at solving social issues
 - Major change in concept of values/lifestyle
 - Business style reforms (working online and remotely)
- Japan**
- Decrease in total (working) population, depopulation in rural areas and regional revitalization
 - Further declining birthrate and aging population, increase of elderly people with dementia
 - Telemedicine, expansion of online medical care, progress of preventive medical care

Economy (economic standards, foreign currency exchange and interest rates, etc.)

- World**
- Recovery from the effects of the coronavirus (COVID-19) pandemic
 - Concerns about recession, low global interest rates
 - Trade friction and trade agreements
 - Expansion of ESG investment, rise in requests for disclosure about climate change (TCFD)
- Japan**
- The Bank of Japan's continued low interest rate policy, exit strategy, and appreciating yen
 - Decrease in car sales, number of vehicles owned and housing construction
 - Expansion of the sharing economy and subscription businesses
 - Increase in foreign visitors and residents to Japan
 - Health promotion, and expansion of healthcare businesses

Technology (technological trends affecting business)

- World**
- Appearance of new business models via digital platformers
 - Penetration of 5G mobile communication systems, and increase in IoT devices
 - Advances in digital technology and rising cyber risk
 - Development of new automobile technology, penetration of CASE and safety support cars, MaaS, and flying cars
 - Boom in data-related businesses, threat of big data monopoly
 - Advances in renewable energy and hydrogen energy related technologies
- Japan**
- Cashless payments, etc. Further penetration of digital technology into everyday life (realization of Society 5.0)

Risks and Opportunities

Four Social Issues

Diversified/large-scale accidents and disasters

Risks	Opportunities
<ul style="list-style-type: none">Possibility of transformation and downsizing of existing businesses (e.g., conventional automobile insurance)Unknown epidemics and accidents/crimes on an unexpected scaleIncrease in insurance claims due to frequent, large-scale accidentsEmergence of new risks due to the greater use of IoT and the post-digital eraIncrease in large-scale cyber attacksGrowing asset management risks	<ul style="list-style-type: none">Construction of new business models (e.g., telematics insurance, InsurTech)Market developments along new sales channelsCreation of new markets from the emergence of new risks (e.g., drones, cyber, sharing)Risk management and product development stemming from the use of big data

Global environment approaching its limit

Risks	Opportunities
<ul style="list-style-type: none">Shifts in lifestyles and industrial structures associated with the transition to a zero-carbon societyIncrease in insurance claims due to frequent, large-scale natural catastrophesErosion of the business environment foundation due to the depletion of natural capitalIncreased business risks due to climate change	<ul style="list-style-type: none">Growing needs for evaluation and analysis of climate change and natural capital risk, and for support for information disclosureFlourishing growth in ESG investment and lending, such as green bondsNew business growth related to green growth strategy and associated new insurance needsExpectations for integration of biodiversity and businessDevelopment of new insurance schemes to cover losses caused by large-scale natural disasters, and growing needs for disaster prevention and mitigation efforts as well as business continuity planning

Mounting burden of nursing/medical care associated with an aging population

Risks	Opportunities
<ul style="list-style-type: none">Slowing growth coinciding with the maturation of domestic insurance marketsIncrease in accidents caused by the elderlyReconsideration of solicitation methods as policyholders ageEmergence of new risks associated with advanced medical care	<ul style="list-style-type: none">Increase in the need for asset-building and asset-inheritance devices for a super-aging societyExpansion in the demand for services related to nursing care and dementiaGreater awareness of health promotion and disease preventionGreater medical coverage due to changes in the social security system and advances in medical technology

Decline in social vitality due to widening inequalities

Risks	Opportunities
<ul style="list-style-type: none">Slowing growth and expanding inequality in emerging markets due to geopolitical risksContraction in rural markets due to regional depopulation in JapanGreater damage caused by natural catastrophes and delayed recovery efforts	<ul style="list-style-type: none">Stronger demand for insurance due to a growing middle class under the assumption of robust development in emerging economiesGreater awareness among local governments related to preventing and reducing disastersAdvancement in regional revitalization because of the rise in remote workstyles and the associated growth of new insurance needsStronger demand for services that support regional revitalization

Issues for the Management Foundation

Increasing social demands on companies

Risks	Opportunities
<ul style="list-style-type: none">Deviation from various stakeholder expectationsDemands for improved ROE and reduced strategic equity holdingsTightening regulations on information disclosure related to sustainability	<ul style="list-style-type: none">Increasing high-quality dialogue with many different stakeholdersMore collaborative partners engaged on social issuesFostering a management mindset on a medium- to long-term perspective

Growth strategy that sees environmental changes as an opportunity

Solving social issues with digital technology

CSV × DX × GLOBAL

Seven Priority CSV Issues

Dealing with new risks	Mobility society without accidents	Good health and longevity	
Building resilient communities	Climate change mitigation and adaptation	Improving the sustainability of natural capital	Leaving no one behind

Incorporating DX Technologies

Big Data	AI
RPA (Robotics)	BlockChain

Worldwide Expansion: "Japan, Asia, and the Rest of the World"



Business Style Reforms

A Management Foundation Supporting Sustainable Growth

Sustainability	Quality	Human Assets	ERM
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Aspirations for 2030

Corporate Group Supporting a Resilient and Sustainable Society

Through our Group's Business



Taking the initiative in combating climate change, helping to realize a sustainable society



Gaining global corporate recognition in solving social issues by providing distinctive, world-leading products and services



Incorporated into people's lives and business activities; automatically issue alerts and advice to avoid risk when signs of risk develop, and seamlessly provide services and financial compensation when risks arise

Progress of the Vision 2021 Medium-term Management Plan

Vision 2021, the medium-term management plan that was launched in 2018, entered its final year in fiscal 2021. MS&AD has been setting world-class targets in terms of scale and quality in pursuit of the twin goals of becoming a world-leading insurance and financial services group and developing resilient systems able to swiftly respond to changes in the environment. Along with these targets we are promoting three key strategies: pursuing the Group's comprehensive strengths; promoting digitalization; and reforming the portfolio. Through these targets and strategies we are working toward building a system that can swiftly respond to future changes in the environment.

Aims during Plan's Term

Become a world-leading insurance and financial services group

To achieve scale and quality of presence recognized by stakeholders as a world-leading insurance and financial services group.

Build resilient systems that can respond swiftly to changes in the environment

To build a system that can respond swiftly in light of changes to the fabric of society, such as the increasing speed of digitalization, the arrival of a next-generation mobility society, the emergence of new risks, and efforts to address sustainability issues.

Medium-Term Aspirations as a World-Leading Insurance and Financial Services Group

The medium-term management plan, "Vision 2021," which was launched in fiscal 2018, sets out the indicators we are aiming for in the medium term as a world-leading insurance and financial services group. In Stage 1 up to fiscal 2019, we achieved our targets in four areas: scale, financial soundness, profitability, and strategic equity holdings ratio, but in fiscal 2020, the strategic equity holdings ratio was

below the target level. In addition, it has become difficult to achieve the 2021 target for Group Adjusted ROE, an indicator of capital efficiency. The portfolio diversity indicator was not reached in fiscal 2020 due to the huge impact of the pandemic on international business, but in fiscal 2021 we expect to see profits recover in business overseas to levels at or around target.

	FY2021 Targets		FY2020 Progress		
Scale	Within the top 10 non-life insurance groups in the world		8th (FORTUNE GLOBAL 500 2021, P&C)	»»	Achieved
Capital efficiency	Group Adjusted ROE	10%	6.7%	»»	Continuing challenge
Financial soundness	Economic solvency ratio (ESR)	180%–220%	235%	»»	Achieved (well above target)
Portfolio diversity	Percentage of profits from other than domestic non-life insurance business	50%	32%	»»	Expect to achieve by end of FY2021
Strategic equity holdings ratio	Group risk amount	Less than 30%	34.0%	»»	Continuing challenge
	Consolidated total assets	Less than 10%	11.8%		
Profitability	EI combined ratio of domestic non-life insurance business	95% or less	91.7% (excluding natural catastrophes)	»»	Achieved

Financial Targets

In fiscal 2020, Group Adjusted Profit decreased by 18.5 billion yen from the previous fiscal year, mainly due to the recording of incurred loss, primarily in international business, of 65.8 billion yen, caused by the pandemic. While the effects of the pandemic recede, fiscal 2021 will be the year in which the results of business investments made

up to fiscal 2020 will be realized. In addition, we will further reduce operating costs by improving productivity through new work styles such as working from home and promoting paperless offices. Furthermore, we will seize various changes in the social environment as opportunities to steadily achieve our fiscal 2021 target of 300 billion yen in Group Adjusted Profit.

	Fiscal 2018 Results	Fiscal 2019 Results	Fiscal 2020 Results	FY2021 Forecast		
				Forecast	(YoY)	(Compared to Target)
Group Adjusted Profit	189.8	233.1	214.6	300.0	85.3	-
Domestic non-life insurance business (excluding gains/losses on sales of strategic equity holdings)	146.9 (65.1)	119.5 (98.4)	158.5 (119.9)	171.0 (136.0)	12.4 (16.1)	-6.0 (-14.0)
Domestic life insurance business	31.6	29.7	56.9	43.0	-13.9	2.0
International business	5.4	49.4	-7.1	80.0	87.1	5.0
Financial services business/risk-related services business	5.8	4.8	6.1	6.0	-0.1	-1.0
Group Adjusted ROE	6.1%	8.0%	6.7%	8.5%	1.8pt	-1.5pt
Consolidated net premiums written	3,500.4	3,573.7	3,500.9	3,613.0	112.0	33.0
Life insurance premiums (Gross premiums income)*	1,599.9	1,393.4	1,297.3	1,200.0	-97.3	200.0
MSI Aioi Life's EEV	819.4	890.2	958.3	1,010.0	51.6	48.0
Economic solvency ratio (ESR)	199%	186%	235%	180%–220%	-	-

* Life insurance premiums (gross premiums income) are those of domestic life insurance subsidiaries only.

Impact of COVID-19 (FY2020)

	Total	Mitsui Sumitomo Insurance	Aioi Nissay Dowa Insurance	Overseas Subsidiaries	
				MS Amlin	
Net incurred losses arising from COVID-19	65.8	5.2	16.7	43.8	42.8

(¥ billion)

(Main Lines)

- Mitsui Sumitomo Insurance: Overseas travel insurance, event cancellation insurance, business interruption insurance (mainly overseas inward reinsurance), etc.
- Aioi Nissay Dowa Insurance: Head Office reinsurance business, etc.
- MS Amlin: Directly written business interruption insurance 15 billion yen, other (reinsurance, guarantee insurance, additional reserves for uncertainty, etc.) 27.7 billion yen

Progress of the Vision 2021 Medium-term Management Plan

► Non-Financial Indicators

In "Vision 2021," we have formulated a medium-term sustainability plan consisting of CSV and core initiatives for seven priority issues, and we are working toward these issues by establishing KPIs. Along with promoting our CSV initiatives toward the realization of a resilient and sustainable society, in fiscal 2020 we made public our business activities that take sustainability into consideration and started underwriting and

making investments in line with that policy. In addition, we promoted quantitative disclosure of the effects of our CSV initiatives and information disclosure based on TCFD recommendations, receiving high praise from ESG evaluation organizations. Furthermore, we will set new goals and work on decarbonization as a whole Group toward the realization of a zero-carbon society.

Creating Shared Value			
Indicator	Fiscal 2020 Results	Group Targets for Fiscal 2020 Onward	
Development and improvement of products for creating shared value	<ul style="list-style-type: none">• Examples of our initiatives:Seven priority issues and the expanding scope of CSV (see pp. 39–40)• Social and economic impact: CSV impact assessment (see p. 41)• Sustainability Report	For the seven priority issues (p. 38), decide on four methods of approach and ascertain progress qualitatively.	
		Provision of products and services	Investments and financing
		Research and policy recommendations	Contributions to society

Key Related SDGs



✓ A checkmark indicates that fiscal 2020 figures have been assured by KPMG AZSA Sustainability Co., Ltd.

Quality that Earns the Trust of Society		
Indicators (Related Pages)	Fiscal 2020 Results	Group Targets Fiscal 2020 Onward
Quality improvement		
Customer satisfaction survey about insurance contract procedures	97.3%	The same level or higher compared with the previous fiscal year
Customer satisfaction survey about payment of insurance claims	96.7%*1	The same level or higher compared with the previous fiscal year
Reduction of the environmental burden (pp. 63 and 65)		
CO ₂ emission reduction rate	Vs. FY2009: -30.5%	Reduce CO ₂ emissions by 100% by FY2050 and by 50% by FY2030 versus the base year (FY2019)*2
Total energy consumption	871,338 GJ (Vs. FY2009: -38.5%)	
Paper consumption	10,035 t (Vs. FY2019: -23.1%)	Lower than the previous fiscal year

*1 Target: Mitsui Sumitomo Insurance/Aioi Nissay Dowa Insurance/Mitsui Direct General/Mitsui Sumitomo Aioi Life Insurance *2. New goals set from May 2021

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

► Three Key Strategies

(1) Pursue the Group's Comprehensive Strengths

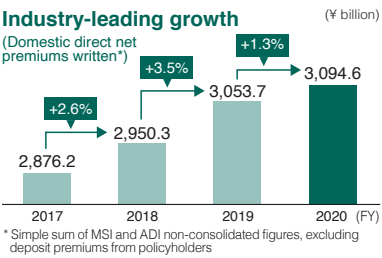
Strategy

- Fully utilize the Group's strengths (diversity, capital, human assets, customer base, etc.)
- Reviewing the division of roles and strengthening cooperation among Group companies
- Promotion of standardization and joint initiatives (standardizing products and operations, joint claims service system, health and medical-oriented products and services, etc.)

Progress

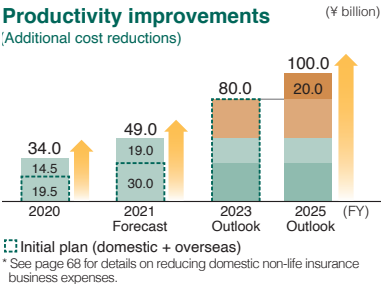
Growth (expanded top line)

Direct net premiums written in the domestic non-life insurance business have grown at the highest level in the industry for the third consecutive year since fiscal 2018. This has been achieved by demonstrating Group synergies through more standardization and joint initiatives in the product, sales, and claims divisions, including joint development of products based on a shared system, sharing of sales methods through joint proposals and campaigns, and reciprocal outsourcing between two core non-life insurance companies.



Strengthening profitability and business streamlining

In addition to improving project cost efficiency to the tune of 30 billion yen (20 billion yen in Japan and 10 billion yen overseas) originally planned in the current medium-term management plan "Vision 2021", cost reductions of 34 billion yen (23.5 billion yen in Japan and 10.5 billion yen overseas) were achieved in fiscal 2020 compared to fiscal 2019 by promoting initiatives in response to changes in the business environment, such as the pandemic. We expect to reduce costs by 100 billion yen by the end of 2025 by reviewing necessary personnel and reducing office space.



TOPIC: New Claims Services System

Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance are beginning a new claims services system jointly developed by the Group. The joint claims services system will seek to provide an industry-leading claims handling (accident response) service for the benefit of customers by, for example, communicating directly with customers through the website and by making the process of paying out insurance claims completely paperless. Moreover, new functions will be standardized across the Group producing synergies and strengthened cooperation to further improve loss survey capabilities and productivity.



Progress of the Vision 2021 Medium-term Management Plan

(2) Promote Digitalization

Strategy

- Promote three digitalization initiatives (DX, DI, DG) among all Group employees
- Achieve sustainable Group growth in response to changes in the business environment

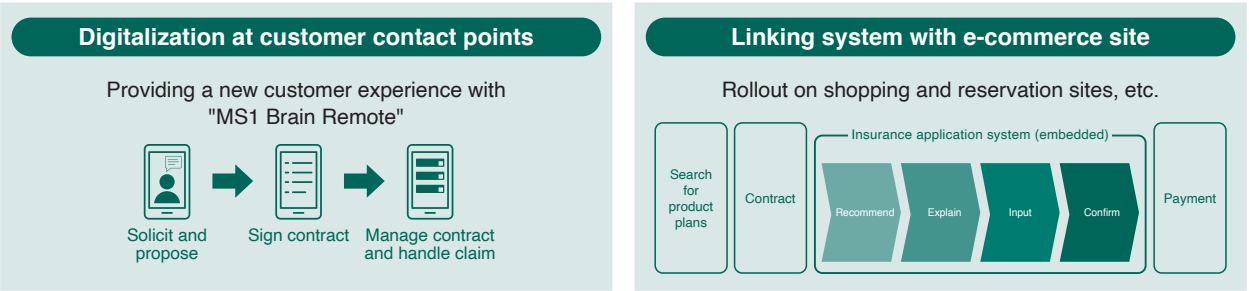
Progress

Digitalization is steadily progressing with the "CSV x DX" strategy being rolled out globally (see Special Feature on page 82 for details).

Transformation of products and services
We are expanding our product lineup by positioning products that provide risk solutions before and after insurance coverage as core products.
(Examples of products developed: "Mimamoru" dashcam-based automobile insurance, health & productivity management support insurance, and the "Mimamoru" cyber insurance, etc.)

Transformation of sales channels and sales methods
We have achieved digitalization of the insurance procedures.

Example of rollout:



Creation of new business
We are developing a new data business.

Example of rollout:

RisTech

- Promote "RisTech" to solve problems by visualizing and optimizing the risks faced by companies by utilizing big data and the latest analytical algorithms
- Provide high-value-added services that utilize various data that can contribute to solving social issues

US Telematics Data Business

- Sell telematics data collected and analyzed from in-vehicle devices to insurance companies to offer an optimal telematics automobile insurance service
- Established insurance software company MOTER to focus on developing next-generation specialized products

Global rollout
We are expanding our efforts in Japan globally.
Example of rollout:

Asia

- Horizontal rollout of MS1 Brain, start insurance sales in the Philippines
- Operating companies in Asian countries also considering the introduction of MS1 Brain

Telematics automobile insurance

- Sell telematics automobile insurance in major European countries (UK, Germany, France, Italy, Spain) and Thailand, etc.

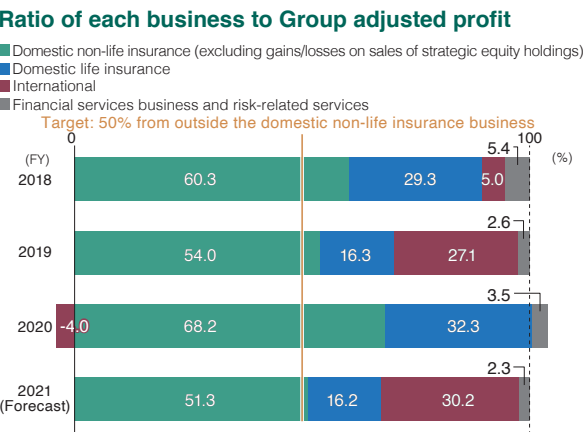
(3) Reform the Portfolio

Strategy

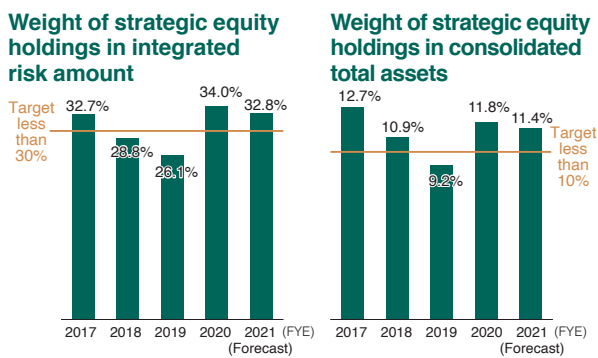
- While maintaining profits in the domestic non-life insurance business, increase profits in international business and domestic life insurance aiming for 50% of profits outside the domestic non-life insurance business, as well as 50% of profits for the international business in the future.
- Appropriately control natural catastrophe risk. Reduce strategic equity holdings to less than 10% of consolidated total assets and less than 30% of integrated risk amount.

Progress

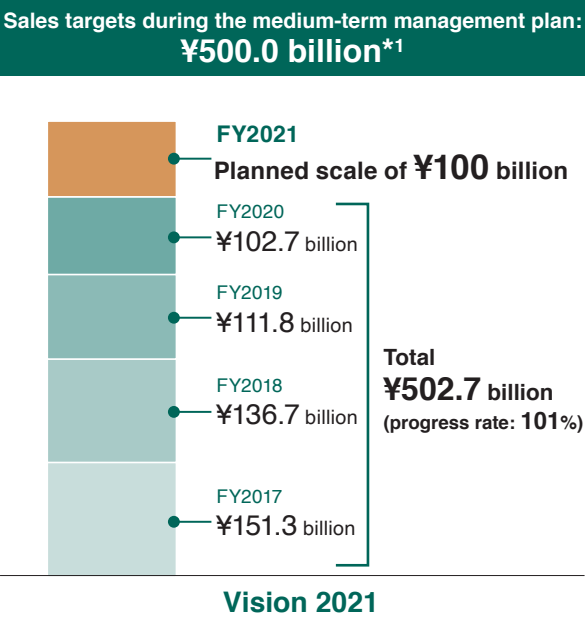
Business portfolio
In terms of diversification of the business portfolio, we can expect to see the domestic non-life insurance business make up about half, with other business making up the other half by the end of 2021.



Risk portfolio
Regarding the reduction of strategic equity holdings, we achieved our five year target (from fiscal 2017 to fiscal 2021) of selling 500 billion yen in the four years up to fiscal 2020, but because of rising stock prices the target level was not reached, making it a goal for the future.



Target and progress of strategic equity holdings sales



Actual sales of strategic equity holdings

Actual sales before business integration (FY2003*2–FY2009)				800.7
MS & AD	New Frontier 2013	FY2010	57.4	57.4
		FY2011	88.7	(Subtotal) 376.4
		FY2012	114.1	
		FY2013	173.5	
	Next Challenge 2017	FY2014	91.0	(Subtotal) 556.6
		FY2015	181.1	
		FY2016	133.0	
		FY2017	151.3	
	Vision 2021	FY2018	136.7	Cumulative total since FY2017 502.7
		FY2019	111.8	
FY2020		102.7		
Total				2,142.4

*2. Simple sum of the results of Mitsui Sumitomo Insurance, Aioi Insurance, and Nissay Dowa Insurance from FY2003 to FY2009 (results from FY2002 and before not disclosed due to difficulties for each company to collect data based on the same standards)

Financial and Capital Strategy



CFO Message
Tetsuji Higuchi
Representative Director
Executive Vice President, CFO

Business Performance

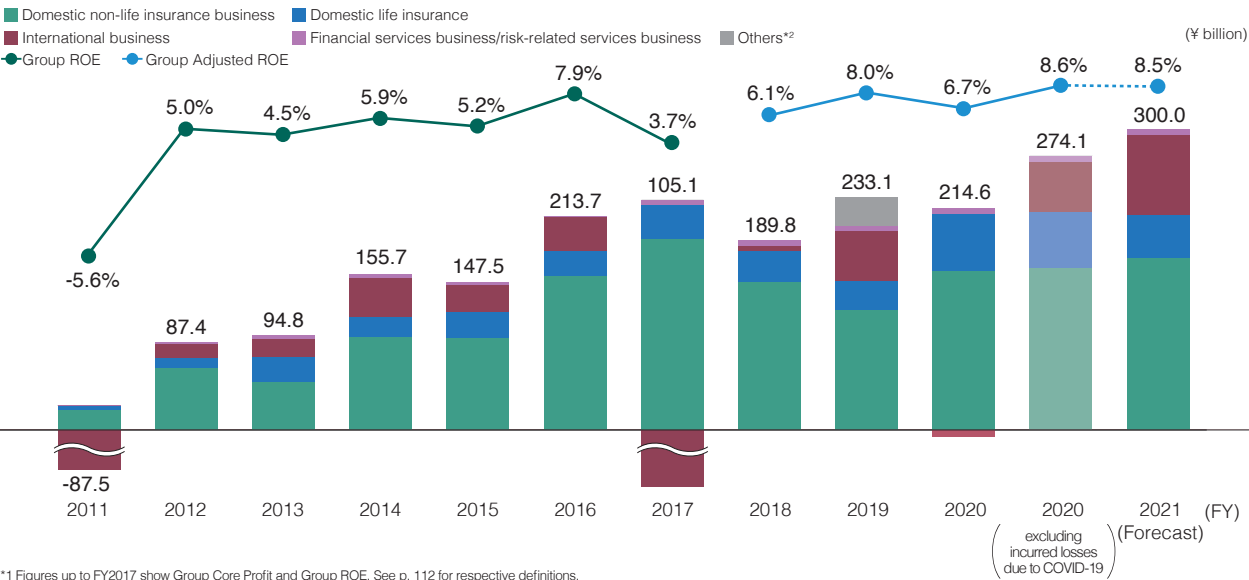
Driven by steady profit growth in our international business, we will work toward our fiscal 2021 target of ¥300 billion in Group Adjusted Profit.

FY2020 business results

Fiscal 2020 saw a major slowdown in socioeconomic activity around the world due to COVID-19. It was also a challenging year within Japan: an increase in consumption tax and a revision of obligations law caused a rise in insurance claims and operating expenses, further compounded by a reduction in the insurance premiums rate for compulsory automobile liability insurance and other factors. Against this background, the MS&AD Insurance Group used digital technology and other approaches to continue its operations, at the same time ensuring the safety of its employees, and achieved one of the

industry's highest levels of premium growth in the domestic non-life insurance business. The impact of COVID-19 resulted in incurred losses of ¥65.8 billion, mainly in our international business, which had a dampening effect on profits. On the other hand, the pandemic presented an opportunity to progress with business style reforms, which allowed the Group as a whole to make cost reductions of approximately ¥34.0 billion. With the added benefit of record profits in the domestic life and non-life insurance business, Group Adjusted Profit for fiscal 2020 exceeded forecasts by ¥4.6 billion, to reach ¥214.6 billion.

Group Adjusted Profit and Group Adjusted ROE*



*1 Figures up to FY2017 show Group Core Profit and Group ROE. See p. 112 for respective definitions.
*2 Decrease in income taxes paid in FY2019 among the effects of reorganization of international business of MSI

FY2021 results forecast and status of progress with medium-term management plan

In fiscal 2021, the final year of the medium-term management plan, "Vision 2021," we will work steadily toward the target of ¥300 billion for Group Adjusted Profit. Emerging from the incurred losses due to COVID-19, we also look forward to reaping increased profits in our international business from the business investments and profit-boosting initiatives so far carried out and to achieving further cost reductions in the domestic non-life insurance business. Given these and other factors, we believe that we have a strong probability of reaching the target.

Under the current medium-term management plan, we are striving to realize what has been our declared Vision since the Group's foundation: to become a world-leading insurance and financial services group. Corresponding targets were set for each of business scale, capital efficiency, financial soundness, portfolio diversity, weight of strategic equity holdings, and profitability. Of these, we have been consistently on target for business scale, financial soundness, and profitability, while for portfolio diversity we expect to reach a level close to target at the end of fiscal 2021. For capital efficiency and weight of strategic equity holdings, however, due to the share price rise, we expect the targets to remain unachieved at the end of fiscal 2021. For these targets, we will continue to seek improvement from fiscal 2022 with intensified initiatives toward their attainment.

Medium-term target profile and progress

	Medium-term target profile (FY2021 targets) World-leading insurance and financial services group	FY2020 progress status
Scale	Within the top 10 non-life insurance groups in the world	8th (FORTUNE GLOBAL 500 2021, P&C)
Capital efficiency	Group Adjusted ROE 10%	6.7%
Financial soundness	ESR 180%~220%	235% (Reference: 246% at the time of UFR application)
Portfolio diversity	50% (profit basis) in other than the domestic non-life insurance business	32%
Weight of strategic equity holding	Strategic equity holdings below 30% of integrated risk amount and below 10% of consolidated total assets	34.0% of integrated risk amount 11.8% of consolidated total assets
Profitability	Combined ratio in the domestic non-life insurance business stable at 95% or less	EI combined ratio excluding natural catastrophes 91.7%

Capital efficiency

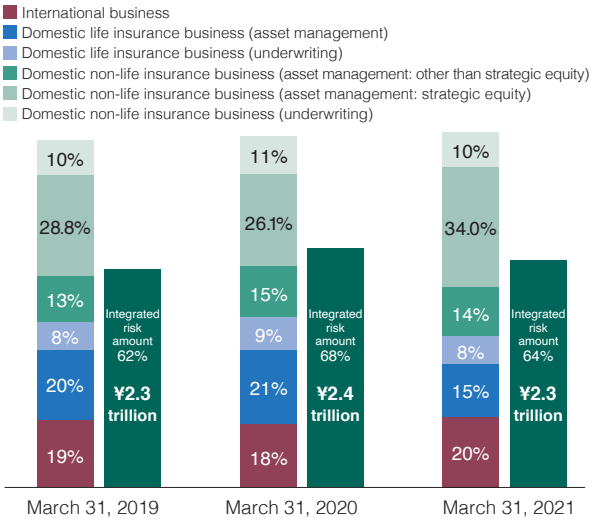
We are addressing improvement of capital efficiency as the top priority on our path to becoming a world-leading insurance and financial services group.

Group Adjusted ROE

The medium-term management plan set a target of 10% for Group Adjusted ROE. This target was set at a level above the 7% capital cost rate estimated from the capital asset pricing model (CAPM) and close to that of major European and U.S. insurers. Of the numerical targets specified in the medium-term management plan, we see capital efficiency as the most important.

Unfortunately, the recent share price rise leaves little prospect of reaching the target by the end of fiscal 2021. We nevertheless retain a strong awareness of the need for further improved capital efficiency in our pursuit of profit growth, portfolio diversity, and optimal resource allocation. Specifically, we will continue to implement our risk policy through steady sale of strategic equity holdings to lower peak risk, combined with strengthened business portfolio management and active risk diversification.

Status of risk portfolio



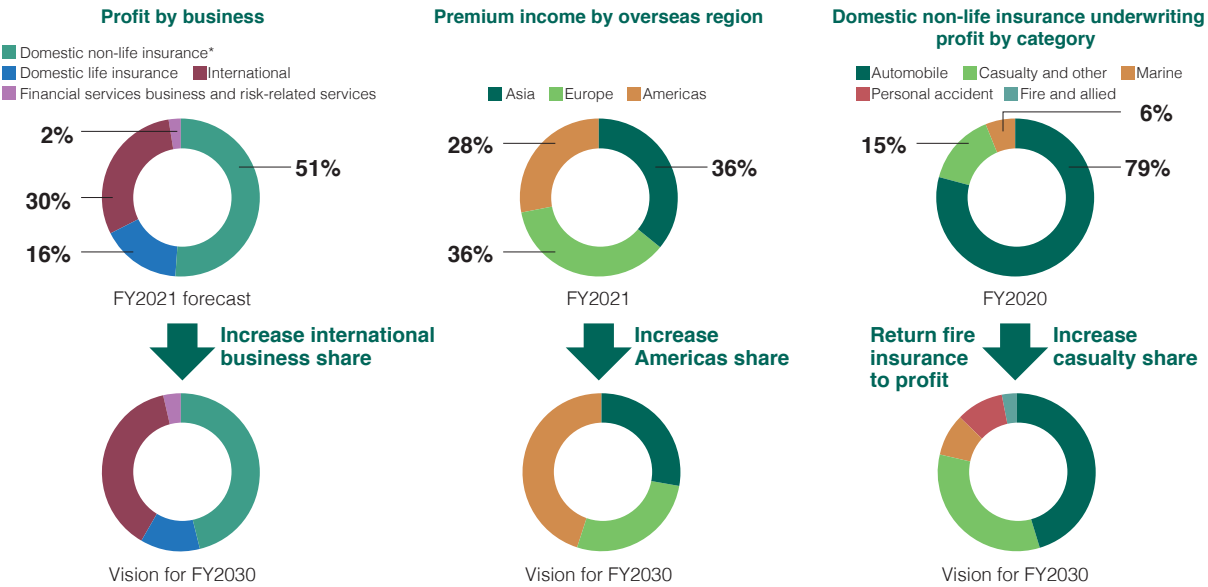
Financial and Capital Strategies

Business portfolio management

We will strengthen business portfolio management with the aim of improved capital efficiency and profit growth. Specifically, we aim to diversify risk away from our current profit structure, which is weighted toward the domestic non-life insurance business and particularly automobile insurance, to realize a

more balanced business portfolio. In addition, to promote capital efficiency, growth potential and manage profit volatility, we will identify the issues in each business and be prepared to withdraw from a business whenever necessary after reviewing the progress made in addressing the identified issues and the strategic significance of the business.

Schematic diagram of business portfolio review



* Figures for domestic non-life insurance exclude gain or loss on sales of strategic equity holdings, etc.

Business investment policy

The MS&AD Insurance Group's growth investment falls broadly into three domains: (1) Investment in systems and other areas to enhance the competitiveness of existing businesses; (2) Overseas M&A and other investment for diversification and expansion of the business portfolio; (3) Startup and other investment to create new business domains.

The priority targets of the investment for diversification and expansion in (2) above are the U.S. specialty and MGA sectors and the Asian retail insurance business. When making a business investment, we select investment targets in line with the Group-wide international business strategy, after which additional consideration is given to shared values, sustainable growth models, and risk diversification. At the same time, given a hurdle rate based on a capital cost of 7%, our policy is to carry out investment after investigating whether adequate investment benefit will be achieved and synergies increased.

Additionally, in April 2021, we established a specialist team within the holding company to drive business investment and strengthen support functions for promoting Group M&A.

Assembling a team with strong business investment experience will sharpen the analysis and selection of acquisition candidates, enhance due diligence during scrutiny of the deal, and enable better monitoring of share prices and other trends across the market and among insurance companies.

Business investment policy

Strengthening: Investment to strengthen the competitiveness of existing businesses	
Investment with a close eye to ROI, particularly in computer systems and other investment to promote digitalization	
Expanding: Investment for business portfolio diversification and expansion	
[Points of Consideration for Investment] <ul style="list-style-type: none">Shared valuesSustainable growth modelRisk dispersion (geographic, line of business)ROI*	[Targets] <ul style="list-style-type: none">U.S.: Specialty, MGAAsia: Retail insurance marketOthers
* Hurdle rate is set with reference to capital cost (7%), domestic and overseas interest rate differentials, and risk assessment for the individual business.	
Creating: Investment to create new business domains	
<ul style="list-style-type: none">Carry out investment to explore game-changing technologies and business models to use 3–5 years from now (As of March 31, 2021, investment in 52 companies through corporate venture capital company)At the time of practical technology application, carry out investment with a close eye to ROI	

Financial Soundness

Maintaining financial soundness corresponding to AA rating, we will invest for sustainable growth and provide stable shareholder return.

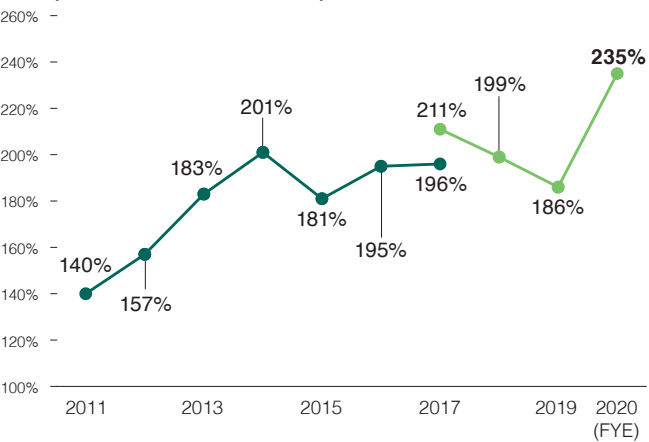
With the aim of maintaining financial soundness corresponding to AA rating, the Group has set 180% to 220% as a guideline appropriate level for ESR. ESR at March 31, 2021, had risen above the appropriate level to 235%, mainly due to a rise in the share price. In response to this situation, we are considering accepting additional risk in the interest of sustainable growth. In a situation where no particular investment project presents itself, the current market environment persists, and ESR is set to remain permanently

above 220%, we will look into enhancing shareholder return.
* ESR: economic solvency ratio (solvency ratio based on economic value)
* We adopted a more sophisticated method for calculating ESR from fiscal 2018.

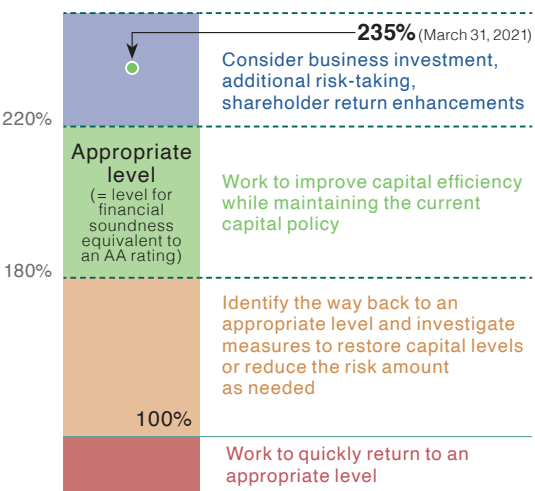
Rating of core Group insurance companies

S&P	Moody's	A.M.Best	R&I	JCR
A+ (Stable)	A+ (Stable)	A+ (Stable)	AA (Stable)	AA+ (Stable)

ESR (confidence level : 99.5%)



Appropriate ESR level



Shareholder Returns

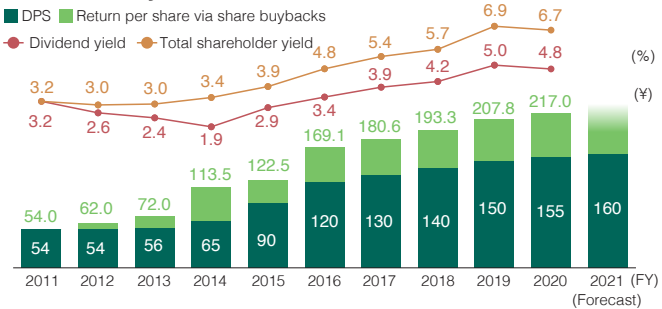
Return 40%–60% of Group Adjusted Profit to shareholders through dividends and share buybacks.

The policy of the MS&AD Insurance Group is to allocate a guideline share of 40% to 60% of Group Adjusted Profit to shareholder return. This approach, which means returning approximately half of yearly profit to shareholders and retaining the other approximate half as internal reserves for growth investment, is based on medium- to long-term increase in shareholder value.

As for shareholder returns in fiscal 2020, we raised dividends per share by ¥5 from the previous year to ¥155 and implemented share buybacks totaling ¥35 billion. For fiscal 2021, we plan to raise the dividend by a further ¥5 for a total annual dividend per share of ¥160.

Calculated from fiscal 2020 total return based on the share price as of March 31, total shareholder return yield per share was 6.7% and dividend yield 4.8%. Going forward, we are committed to increasing corporate value through sustainable growth and providing stable shareholder return.

Per-share total shareholder return, total shareholder yield, and dividend yield



Risk Management

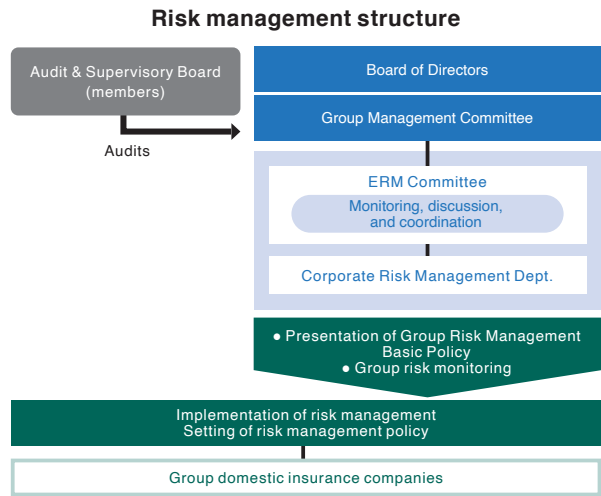


To realize its Vision, the Group formulates management plans in accordance with the Group Risk Appetite Statement with the aim of ensuring soundness, improving profitability and enhancing capital efficiency based on the ERM cycle. Specifically, in line with the Group Risk Appetite Statement and other factors, we take risks based on the allocated capital amounts, while strengthening our risk control and underwriting through monitoring such as return on risk (ROR). In fiscal 2020, under an appropriate risk control regime including use of reinsurance, reduction of strategic equity holding, and reduction of interest rate risk through asset and liability management, the Group continued to maintain financial soundness. This means securing a level of capital sufficient to deal with a once-in-200-year risk. The Group also maintains financial soundness through stress testing based on a wide range of assumptions, from major natural disasters and financial market fluctuations to increases in insurance payouts associated with cyberattacks. Recent years have seen an increase in major natural disasters, the outbreak of the COVID-19 pandemic, the

advance of digital technology, increasing sophistication in cyberattacks, and other developments that have brought great change to the Group's social and economic environment. Amid such changes, in order to continue fulfilling our role as an important part of the infrastructure supporting society and the economy through the global insurance and financial services business, we will work for further strengthening and sophistication of our risk management activities to continue stable business operations. The impact of climate change is not limited to physical effects caused by extreme weather events such as heavy rainfall, or by long-term alterations in climate patterns such as rises in atmospheric temperature. There is also risk from social and economic change and other impacts arising in the process of shifting to a zero-carbon society in the attempt to mitigate climate change. The MS&AD Insurance Group sees climate change as an important risk to be addressed by management and will work for more sophisticated risk management and appropriate information disclosure in order to contribute to a sustainable society.

Control of Risk

The MS&AD Group has established the MS&AD Insurance Group Risk Management Basic Policy, which underpins the common risk management exercised throughout the Group. Specifically, we promote risk management by identifying the principal types of risk with an impact on the Group's business portfolio and evaluating risk factors quantitatively and qualitatively.



Specifying Risks

The MS&AD Insurance Group identifies important risk items to be addressed by management as Group material risks, formulates a relevant management action plan, and periodically monitors each risk.

FY2021 Group Material Risks

○:Association

		FY2021 Group Material Risks			
		A	B	C	D
		Rapid development of digitalization	Climate change	Advance of the aging society with low birthrate	Prolonged impact of COVID-19
1	Occurrence of large-scale natural disasters	Main assumed scenarios	○		
			• Storms, floods and earthquakes in Japan, storms and floods in the United States • Change in the probability, scale, etc., of large-scale natural disasters with climate change as a factor • Group inability to operate businesses and services appropriately due to large-scale natural disaster		
2	Sharp fluctuations in financial markets	Main assumed scenarios	○		○
			• Sharp declines in share prices due to the prolonged impact of COVID-19 and economic stagnation • Fall of asset value inflated by large-scale monetary easing in various countries		
3	Substantial increase in credit risk	Main assumed scenarios	○		○
			• Sharp declines in asset values due to turbulence in credit market • Mass debt default due to the prolonged impact of COVID-19 and deterioration of the real economy • Declines in value of Group assets due to emergence of "transition risk" accompanying corporate response to climate change (tightening of environment-related policies and regulations, advance in decarbonization technology, change in demand for products and services, increase in lawsuits, diminished reputation in the eyes of society and consumers, etc.)		
4	Occurrence of behavior causing marked damage to the Group's corporate value or loss of social credibility	Main assumed scenarios	○	○	○
			* Behavior causing marked damage to the Group's corporate value and loss of social credibility refers to legal or regulatory violation relating to Group business, serious labor issues (long working hours, harassment, etc.), and inadequate data governance, etc., or action arising from the lack of, or insufficient customer-oriented perspective (conduct risk) • Occurrence of any of the acts above marked with* • Reputational damage due to delay in Group response to climate change, discrepancy between announced content and actual activities, etc. • Increase in misconduct due to expansion of remote working		
5	Occurrence of cyberattacks that cause large-scale and serious impediments to operations, information leaks, and the payment of insurance claims	Main assumed scenarios	○		○
			• Stagnation in business operations or occurrence of information leaks due to cyberattacks on the Group • Increase in claims payment due to cyberattacks • Increasing scale of damage due to the increasing sophistication of cyberattacks, expansion of working from home and digitalization, etc.		
6	Frequent occurrence of IT system failures, the occurrence of critical IT system failures and large-scale IT system development delays, shortfalls, budget overruns and expected effects being unrealized	Main assumed scenarios	○	○	○
			• Occurrence of a major system failure exacerbated by the effects of the growth of working from home and digitalization • Delay in system development and overruns of development budget • Stagnation in business operations due to damage to system-related facilities by major natural disasters		
7	Pandemic of diseases such as a new strain of influenza	Main assumed scenarios	○		○
			• Contraction of economic activity due to worldwide spread of infection • Increase in claims and benefit payments • Expansion of areas vulnerable to infection due to global warming and climate change, emergence and pandemic spread of new infectious diseases • Group inability to operate businesses and services appropriately due to pandemic infection		
8	Changes in the Insurance market	Main assumed scenarios	○	○	○
			• Major change in business models due to the rise of digital platformers and other factors, change in the automobile insurance market from reduced incidence of traffic accidents due to the advance of driving support and autonomous driving technology • Significant change in market scale of specific industries due to technology innovation in response to climate change and prolonged impact of COVID-19 • Changes in the insurance market due to advance of the aging population with a low birthrate and depopulation		

Listed below are items with potential for medium- to long-term impact on Group operations and items whose impact and timing are difficult to measure at present but that we need to maintain awareness of. These items are subject to periodic monitoring as Group emerging risks.

FY2021 Group Emerging Risks	
1	Emergence and rise in popularity of new frameworks and innovative technologies that bring significant changes and reforms in the economy, consumer behavior, or business models
2	Resource depletion
3	Environmental disasters (pollution or accident of human causation that causes material damage to the environment)
4	Introduction, amendment, or abolition in Japan or overseas of laws, regulations, or systems that may significantly affect the Group
5	Major changes in domestic labor supply-demand
6	Turmoil, dysfunction, or collapse of national governance and politics, interstate conflict, and security crisis of Japan

Please refer to the Group's official website for more risk management information.

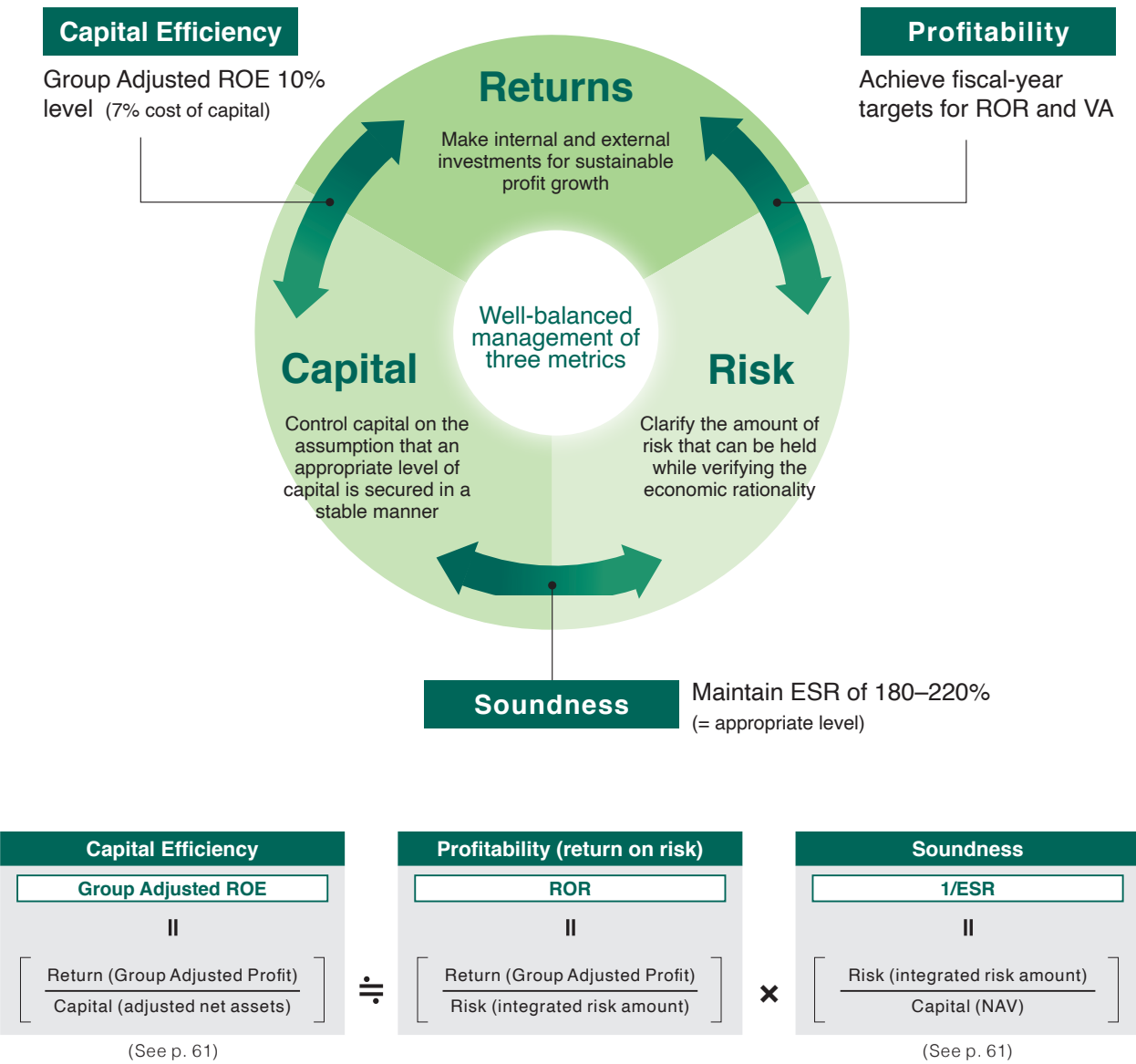
Official Website Content	•Risk management (https://www.ms-ad-hd.com/en/group/value/risk_management/erm.html) •Risk Management Basic Policy •Risk management structure •Insurance business risks •Risk management in the international business •Crisis management system (including the business continuity management system)
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ERM-based Group Management

The MS&AD Group endeavors to increase its earnings power and capital efficiency while maintaining financial soundness. Toward this end, it practices Group management based on an enterprise risk management (ERM) cycle. It allocates capital to its businesses in accord with its Group Risk Appetite Statement. Its businesses take risks with the allocated capital. The Group exercises appropriate risk control, through monitoring of return on risk (ROR) and other metrics. In FY2021, the Group will upgrade its business, product assessment and management processes and further revamp its portfolios to better balance capital, risk and returns. This program will be spearheaded by the ERM Committee.

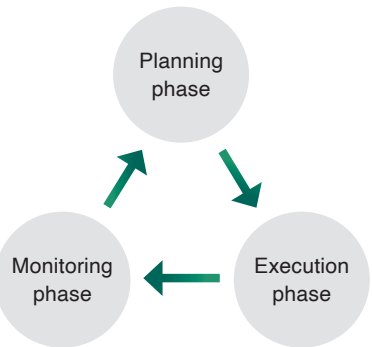
Integrated Management of Risk, Returns and Capital

To realize its management vision, the Group formulates medium-term management plans in accord with its Group Risk Appetite Statement and holistically manages risk (integrated risk amount), returns (Group Adjusted Profit) and capital (NAV) in the aim of maintaining financial soundness and boosting capital efficiency and risk/return.



ERM Cycle

Planning phase	(1) Formulate strategies based on the Group Risk Appetite Statement and establish capital allocation amounts after confirming the amount of risk that can be taken.
Execution phase	(2) Take risks within the risk limits based on the capital allocation amounts and others.
Monitoring phase	(3) Conduct regular monitoring of financial soundness, profitability, capital efficiency, etc. (4) Based on the outcome of monitoring, examine and implement any necessary measures.

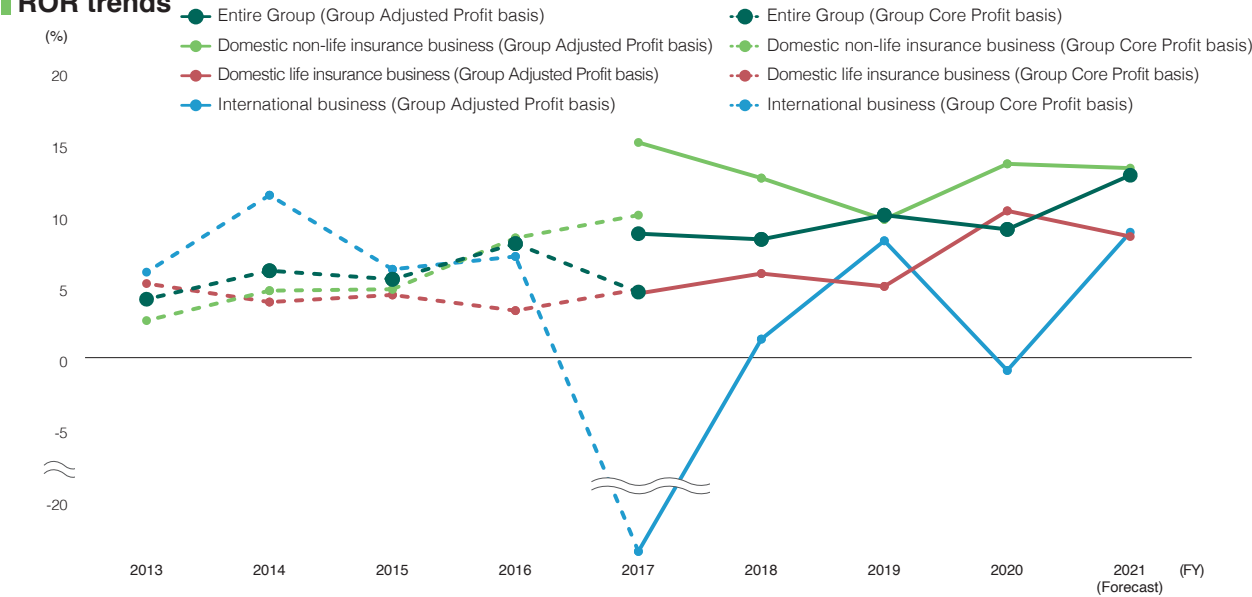


Initiatives to Boost Profitability

To boost capital efficiency while maintaining financial soundness, the MS&AD Insurance Group seeks to earn adequate risk/return through the following initiatives in each of its business domains.

Product development/sales/initiative management	P/L management by product/line Domestic non-life insurance Refinement of risk/return management tailored to insurance lines' distinctive attributes MSI Aioi Life Assessing ROR for new policies when products are developed and revised and a sales policy is formulated MSI Primary Life Product-by-product profitability assessment
Asset management strategy	Promoting diversified investment in assets with relatively high expected returns coupled with appropriate risk control
Retention/reinsurance policy	Refinement of reinsurance scheme from risk/return perspective

ROR trends



Enhancing Capital Efficiency and Achieving Sustainable Profit Growth

Group Adjusted ROE

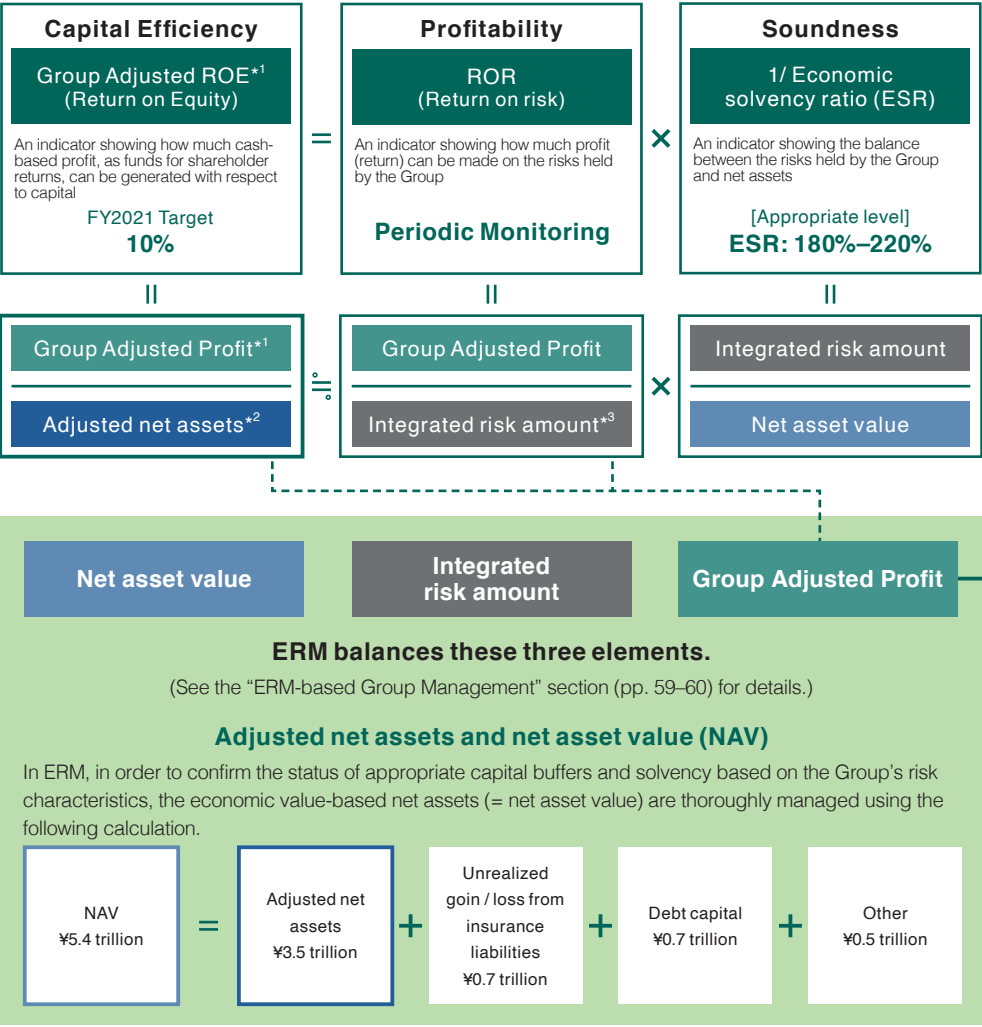
The MS&AD Insurance Group positions Group Adjusted ROE as the most important metric among the numerical management targets set out in the Vision 2021.

Group Adjusted ROE can be broken down into return on risk (ROR), which shows the balance between the risk the Group faces and return (profit), and ESR, which shows the Group's financial soundness. These indicators can also be further broken down into three elements comprising Group Adjusted Profit, integrated risk

amount and net asset value.

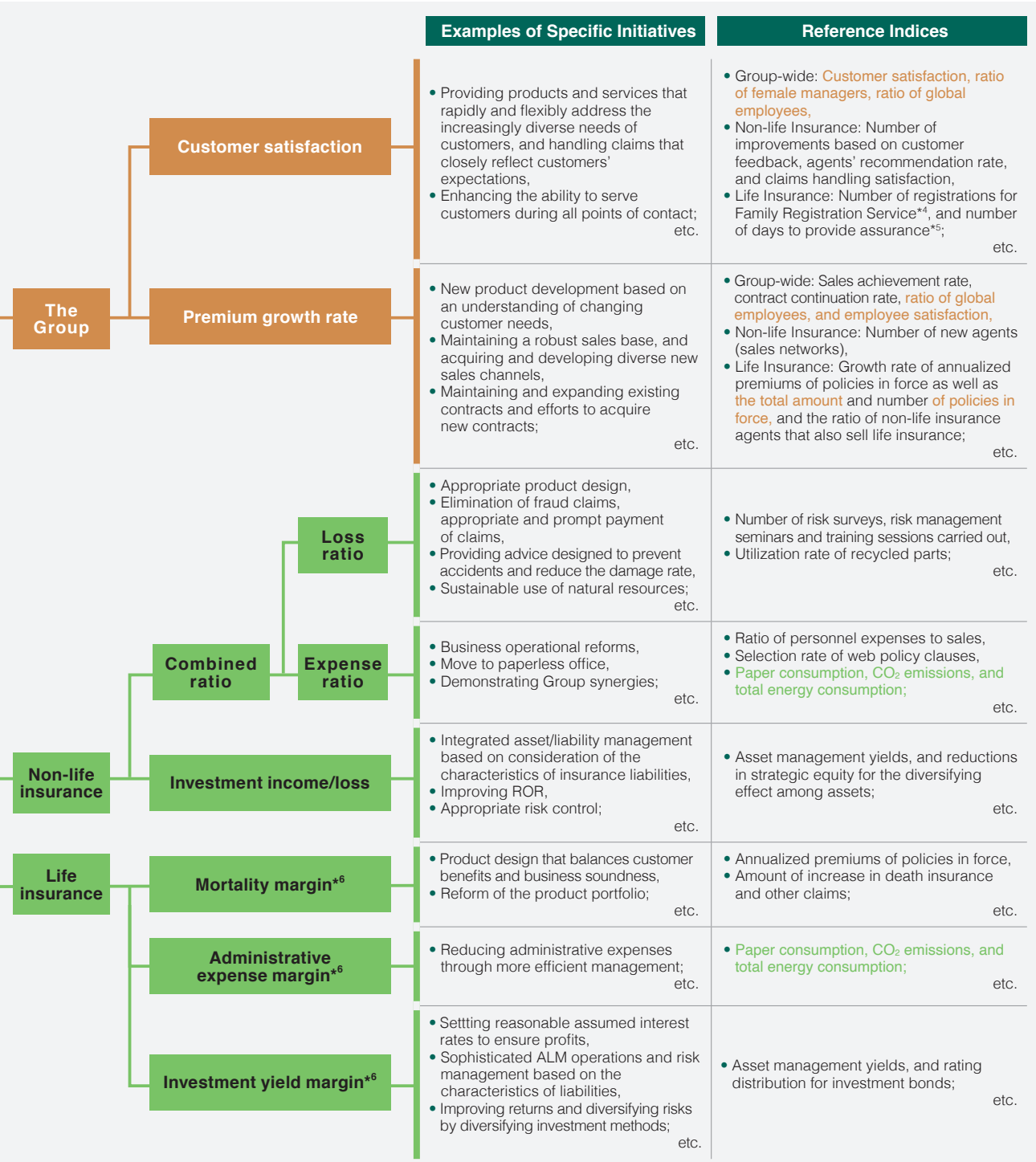
The Group manages to balance these three elements through its ERM. (See the "ERM-based Group Management" section (pp. 59–60) for details.)

Furthermore, in activities in each business domain, we are promoting various initiatives by setting performance indicators for business divisions in order to expand Group Adjusted Profit.



Initiatives to Achieve Group Adjusted Profit Target in Each Business Domain

See pp. 63–64 for financial and non-financial highlights.



*1. 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

*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, and operational risk, etc., quantified through stochastic methods.

*4. The Family Registration Service is a service that allows pre-registered family members, in addition to the policyholder, to receive information about the insurance policy just like the actual policyholder.

*5. Number of days to provide assurance is an indicator of how long it takes for the company to complete administrative tasks for customers, such as applications for new insurance contracts, applications to cancel policies, claims for insurance payments and claims for other benefits. It is broken down into (1) 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.

*6. Mortality margin, administrative expense margin and investment yield margin are indicators for core profit, which represents the fundamental profitability of life insurance companies. Together, these terms are referred to as the "three surplus factors."

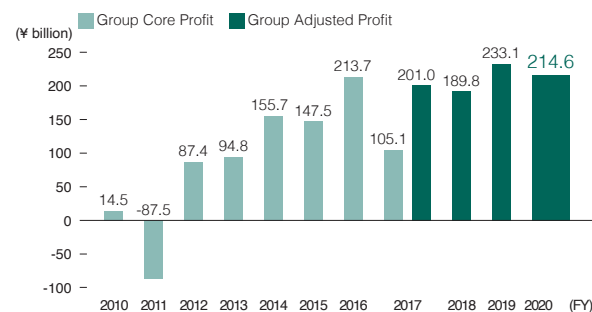
Mortality margin is the profit or loss on the difference between projected insurance benefits payments, based on assumed mortality rates, and actual insurance benefits payments. Administrative expense margin is the gain or loss on the difference between projected business expenditures, based on assumed expense ratios, and actual business expenditures. Investment yield margin is the gain or loss on the difference between projected investment income, based on assumed interest rates, and actual investment income.

Financial and Non-financial Highlights

✓ A checkmark indicates that fiscal 2020 figures have been assured by KPMG AZSA Sustainability Co., Ltd.

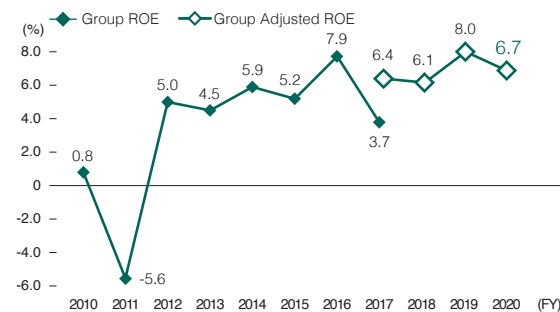
Numerical Management Targets

Group Core Profit / Group Adjusted Profit**1



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 FY2023, the definition was revised to "Group Adjusted Profit" in "Vision 2021" (starting in FY2018).

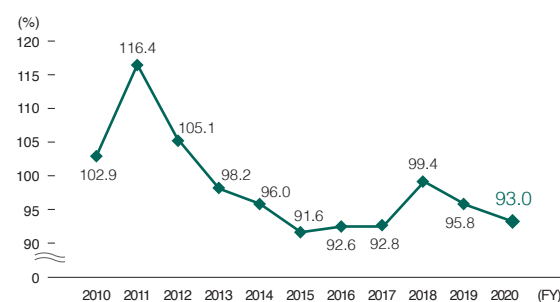
Group ROE / Group Adjusted ROE**1



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.

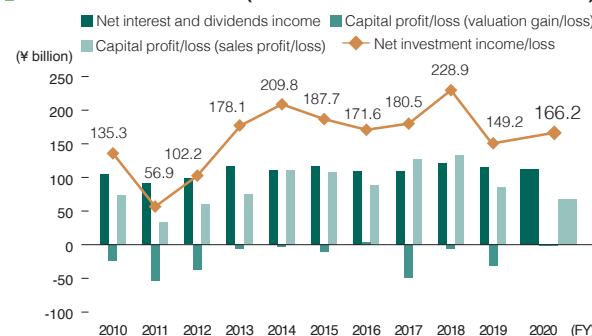
Profitability Indicators

Combined ratio**2 (domestic non-life insurance business)



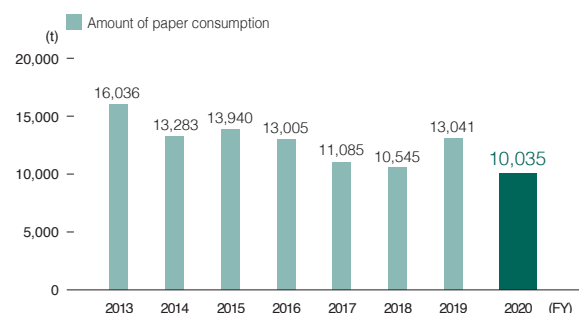
The combined ratio is a key indicator of profitability for underwriting in the non-life insurance business. Profitability is negative when this indicator exceeds 100% and positive when this indicator falls below 100%.

Net investment income**2 (domestic non-life insurance business)



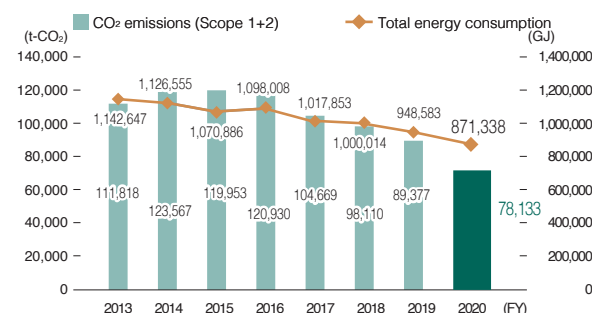
Net investment income is a major source of earnings, next to underwriting profit, for non-life insurance companies, consisting of such components as interest and dividend income and gains/losses on the sale of securities.

Paper consumption



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. FY2019 saw a temporary increase in printed materials due to the change in Japan's era name and product revisions.

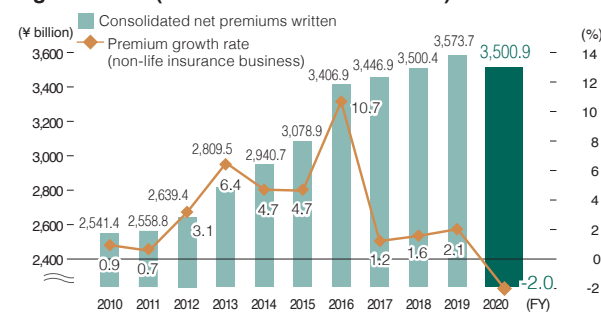
CO₂ emissions and total energy consumption**3, **4



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

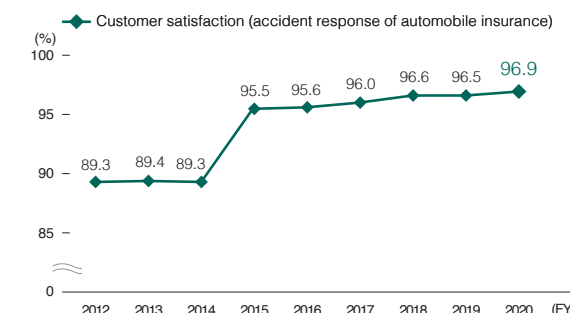
Growth Potential Indicators

Consolidated net premiums written**6 and premium growth rate (non-life insurance business)



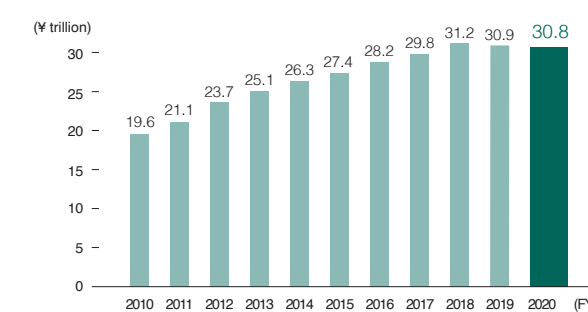
Consolidated net premiums written is one of the numerical management targets in the medium-term management plan. The premium growth rate indicates growth potential in premium income for the domestic non-life insurance business and international non-life insurance business.

Customer satisfaction**5



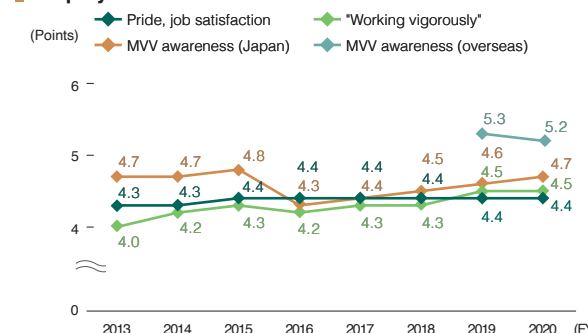
Our growth potential depends on improving customer satisfaction. Along with these indicators, customer opinions are helpful in improving quality.

Policies in force**8 (domestic life insurance business)



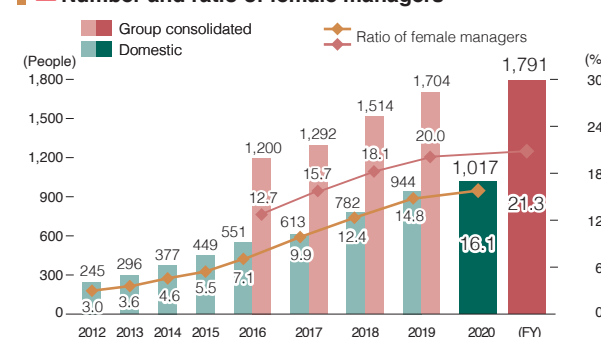
This is one of the basic performance indicators for life insurance companies. This indicator expresses the total amount guaranteed to policyholders of valid insurance policies at the end of the fiscal year. (See the "Glossary of Insurance Terminology" (p. 114) for details.)

Employee satisfaction



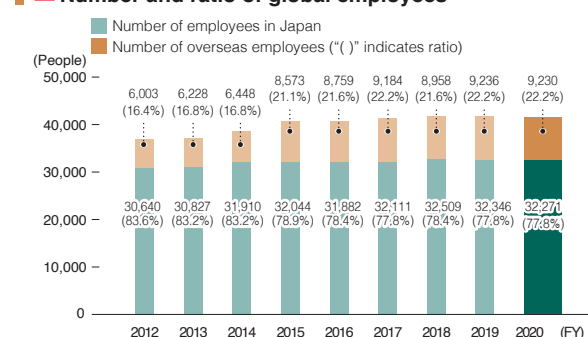
* Scope: Domestic Group companies
* All-employee average on a six-point scale
We consider "mission/vision/value awareness" and "pride and job satisfaction" on the part of Group employees to be important elements in achieving sustainable growth in corporate value, and are always aiming to improve in these areas.

Number and ratio of female managers**7



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. The ratio of female managers (Japan) reached the FY2020 target level of 15%.

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.

*1. This calculation method was revised in FY2018. (See the "Glossary of Insurance Terminology" (P. 112) for details.)

*2. Simple sum of non-consolidated figures for MSI and ADI. (FY2010 is the simple sum of non-consolidated figures for Mitsui Sumitomo Insurance Co., Ltd., Aioi Insurance Co., Ltd. and Nissay Dowa General Insurance Co., Ltd.)

*3. 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.

*4. For fiscal 2013 to fiscal 2016, CO₂ emissions resulting from tenant use of rental properties were included in our own CO₂ emissions. Moreover, emissions for fiscal 2013 to fiscal 2015 were calculated prior to the acquisition of MS Amrin, etc., and thus its emissions are not included in these figures. Fiscal 2019 figures were revised to improve calculation accuracy for the data that is the subject of the calculations.

*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. Excludes the Good Results Return premiums of "ModoRich" voluntary auto insurance products

*7. The total for the domestic Group is for April 1 of the following fiscal year, and for December 31 for the Group overseas.

*8. 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.

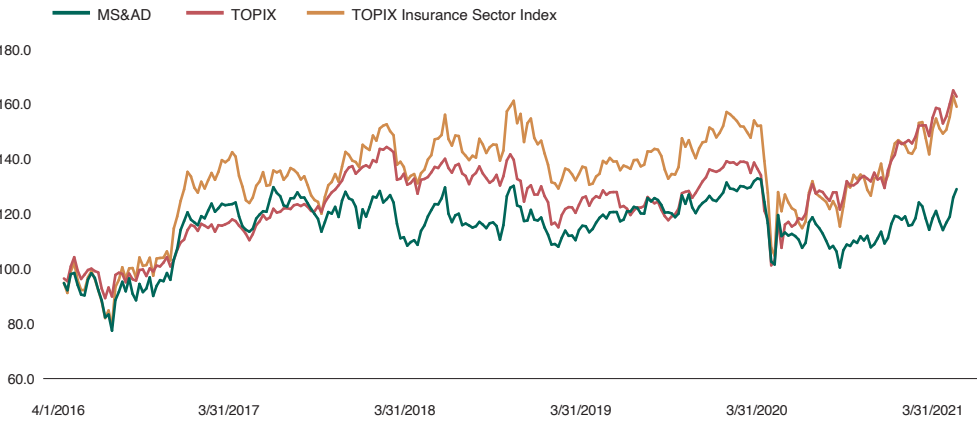
11-Year Performance

Key Management Indicators

	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017		FY2018	FY2019	FY2020
Consolidated financial data (¥ million)												
Ordinary income	3,404,942	3,764,986	4,315,787	4,362,754	4,689,658	5,013,038	5,335,239	5,217,835		5,500,438	5,168,361	4,892,244
Net premiums written	2,543,786	2,555,551	2,639,015	2,811,611	2,939,113	3,078,732	3,407,389	3,440,976		3,497,572	3,573,732	3,500,996
[Net premiums written]* ¹	[2,541,400]	[2,558,844]	[2,639,419]	[2,809,581]	[2,940,756]	[3,078,995]	[3,406,966]	[3,446,940]		[3,500,403]	[3,573,732]	[3,500,996]
Insurance claims paid (non-life + life)	1,646,851	2,133,440	1,961,399	2,025,545	1,996,675	2,023,599	2,162,773	2,311,295		2,528,145	2,403,833	2,307,723
Ordinary profit/(loss)	21,005	(96,211)	150,300	190,259	287,061	291,578	352,612	211,548		290,847	157,701	306,524
Net income attributable to owners of the parent* ²	5,420	(169,469)	83,625	93,451	136,247	181,516	210,447	154,057		192,705	143,030	144,398
Comprehensive income/(loss)	(189,373)	(88,136)	543,938	322,865	807,972	(233,116)	114,294	311,096		(79,701)	(157,288)	753,938
Net assets	1,663,381	1,512,134	2,021,625	2,285,832	3,036,663	2,725,274	2,734,432	2,968,387		2,778,047	2,494,038	3,126,657
Total assets	11,445,003	14,537,204	15,914,663	16,878,148	18,788,046	20,303,649	21,234,300	22,472,927		23,132,539	23,196,455	24,142,562
Consolidated solvency margin ratio* ³	-	553.8%	738.8%	772.5%	803.9%	743.3%	872.6%	819.3%		807.3%	781.3%	916.0%
Equity ratio	14.11%	10.27%	12.56%	13.39%	16.00%	13.29%	12.76%	13.09%		11.89%	10.57%	12.78%
Return on equity (ROE)	0.37%	(10.91%)	4.79%	4.42%	5.18%	6.36%	7.78%	5.45%		6.77%	5.50%	5.22%
Combined ratio* ⁴ (domestic non-life insurance)	102.9%	116.4%	105.1%	98.2%	96.0%	91.6%	92.6%	92.8%		99.4%	95.8%	93.0%
Group Core Profit* ⁵ / Group Adjusted Profit* ⁶	14,500	(87,500)	87,400	94,800	155,700	147,500	213,700	105,100		189,800	233,100	214,600
Group ROE* ⁷ / Group Adjusted ROE* ⁸	0.8%	(5.6%)	5.0%	4.5%	5.9%	5.2%	7.9%	3.7%		6.1%	8.0%	6.7%
Per share data (yen)												
Net income per share (basic)* ⁹	8.68	(272.49)	134.46	150.58	221.34	298.72	350.94	260.04		328.72	248.36	255.79
Net income per share (diluted)* ¹⁰	-	-	-	-	-	-	350.90	259.98		328.60	248.22	255.65
Group Core Profit (Loss) per share / Group Adjusted Profit* ¹¹	23.27	(140.82)	140.56	152.79	252.99	242.83	356.39	177.47		323.87	404.77	380.20
Dividend per share (DPS)	54.00	54.00	54.00	56.00	65.00	90.00	120.00	130.00		140.00	150.00	155.00
Net assets per share (BPS)	2,597.19	2,400.48	3,215.33	3,646.22	4,911.40	4,469.58	4,572.82	4,964.64		4,712.11	4,308.37	5,525.42
Stock price-related data												
Year-end market price (closing price) (yen)	1,894	1,699	2,066	2,364	3,370	3,136	3,540	3,355		3,370	3,025	3,249
Price-earnings ratio (PER)* ¹² (times)	218.06	-	15.36	15.70	15.23	10.50	10.09	12.90		10.25	12.18	12.70
Price-to-book ratio (PBR)* ¹² (times)	0.73	0.71	0.64	0.65	0.69	0.70	0.77	0.68		0.72	0.70	0.59
Dividend yield* ¹²	2.9%	3.2%	2.6%	2.4%	1.9%	2.9%	3.4%	3.9%		4.2%	5.0%	4.8%
Annual total shareholder return (TSR)* ¹³	(24.9%)	(7.4%)	24.8%	17.1%	45.3%	(4.9%)	16.7%	(1.6%)		4.6%	(5.8%)	12.5%
Stock price volatility (annual rate)* ¹⁴	32.3%	26.6%	35.8%	39.0%	25.3%	41.0%	36.9%	19.7%		16.2%	19.4%	23.2%
Capital management policy data (¥ million)												
Total dividends	33,583	33,582	33,582	34,715	39,900	54,447	71,489	77,014		81,720	85,770	86,995
Dividend payout ratio (consolidated)	622.1%	-	40.2%	37.2%	29.4%	30.1%	34.2%	50.0%		42.6%	60.4%	60.6%
Aggregate amount of repurchase* ¹⁵	9,999	0	4,996	9,997	29,992	19,996	29,938	29,981		31,972	34,999	(Maximum) 35 billion yen
[Average repurchase price (yen)]* ¹⁶	[2,012]	-	[2,565]	[2,523]	[3,373]	[3,044]	[3,738]	[3,440]		[3,482]	[3,407]	-
Shareholder return ratio* ¹⁷	300.2%	-	44.1%	47.2%	44.9%	50.4%	47.7%	101.8%		60.0%	52.0%	(Plan) 57.0%
Non-financial data												
Customer satisfaction (accident response for automobile insurance)* ¹⁸	-	-	89.3%	89.4%	89.1%	95.5%	95.6%	96.0%		96.6%	96.5%	96.9%
Number of employees	36,538	36,929	36,643	37,055	38,358	40,617	40,641	41,295		41,467	41,582	41,501
(of which consolidated overseas subsidiaries) <input checked="" type="checkbox"/>	5,621	5,772	6,003	6,228	6,448	8,573	8,759	9,184		8,958	9,236	9,230
Number of female managers* ¹⁹ (domestic) <input checked="" type="checkbox"/>	-	-	245	296	377	449	551	613		782	944	1,017
Number of employees participating in social contribution activities (domestic)	-	-	16,142	11,373	15,124	16,507	19,861	20,022		23,601	27,673	26,519
CO ₂ emissions (Scope 1 + 2)* ²⁰ <input checked="" type="checkbox"/>	106,985t-CO ₂	98,961t-CO ₂	114,246t-CO ₂	111,818t-CO ₂	123,567t-CO ₂	119,953t-CO ₂	120,930t-CO ₂	104,669t-CO ₂		98,110t-CO ₂	89,377t-CO ₂ ^{20b}	78,133t-CO ₂
Paper consumption (domestic)	21,680t	16,445t	14,445t	16,036t	13,283t	13,940t	13,005t	11,085t		10,545t	13,041t ²⁰	10,035t

☒ A checkmark indicates that fiscal 2020 figures have been assured by KPMG AZSA Sustainability Co., Ltd.

TSR for the Last Five Years



	Past 1 Year	Past 2 Years		Past 3 Years		Past 4 Years		Past 5 Years	
MS&AD	12.5%	5.5%	[2.7%]	10.1%	[3.3%]	8.0%	[1.9%]	25.8%	[4.7%]
TOPIX	42.1%	28.6%	[13.4%]	22.1%	[6.9%]	41.5%	[9.1%]	62.3%	[10.2%]
TOPIX Insurance Sector Index	28.0%	16.2%	[7.8%]	16.0%	[5.1%]	20.4%	[4.8%]	58.5%	[9.7%]

Notes:
1. The graph above shows the profit margin where an investment is made at the end of March 2016, taking into consideration dividends and share prices as of the end of March 2021. The MS&AD chart indexes the investment results, with dividends added to the share price (assuming no reinvestment of the dividends) with the investment amount at the end of March 2016 set as 100. Similarly, the indices compared use both the TOPIX and the Tokyo Stock Exchange's industry-specific index (insurance industry), with the data incorporating dividends.
2. The table above shows the investment return (including dividends) as of the end of March 2021 for investments from one year earlier (end of March 2020) to five years earlier (end of March 2016).
3. The values within brackets [] from two years earlier to five years earlier show the average annual return, annualized by taking the geometric mean of the investment return for the relevant period.
Source: Calculated by MS&AD Holdings based on data from Bloomberg

*1. Figures are presented exclusive of the Good Results Return premiums of Mitsui Sumitomo Insurance's proprietary automobile insurance product "ModoRich," which contains a special clause for premium adjustment and refund at maturity.
*2. The net income or net loss attributable to the parent company shareholder is disclosed.
*3. Consolidated solvency margin ratios have been calculated for years beginning from FY2011 reflecting the revision of the Insurance Business Act, etc.
*4. Combined ratio figures (domestic non-life insurance) are based on the simple sums of the non-consolidated figures for MSI, ADI and Mitsui Direct General. For FY2010, however, combined ratio figures are based on the simple sums of the non-consolidated figures for MSI, Aioi, NDI and Mitsui Direct General. Moreover, for FY2018 onward, combined ratio figures are based on the simple sums of the non-consolidated figures for MSI and ADI.
*5. Group Core Profit = consolidated net income - net capital gains/losses on stock portfolio (gains/losses on sales, etc.) - net evaluation gains/losses on credit derivatives - other incidental factors + equity in earnings of the non-consolidated Group companies (prior to FY2017)
*6. Group Adjusted Profit = consolidated net income + provision for catastrophe loss reserve and others - other incidental factors (amortization of goodwill and other intangible fixed assets, etc.) + equity in earnings of the non-consolidated group companies (FY2018 onward)
*7. Group ROE = Group Core Profit ÷ consolidated total net assets (average of beginning and ending amounts excluding stock acquisition rights and non-controlling interest) (prior to FY2017)
*8. Group Adjusted ROE = Group Adjusted Profit ÷ average of beginning and ending amounts on the B/S of adjusted net assets (consolidated net assets + catastrophe loss reserve and others - goodwill and other intangible fixed assets) (FY2018)
*9. Net income/(loss) per share (EPS) disclosed.
*10. Net income per share (EPS) and diluted EPS disclosed. Diluted net income/(loss) per share data prior to FY2015 is not disclosed because there was no potential dilution during that period.
*11. Group Core Profit/(Loss) per share (prior to FY2017) or Group Adjusted Profit/(Loss) per share (FY2018)
*12. Stock price-related indicators are based on the market price of the stock at the end of the fiscal year.
*13. Total shareholders' return is calculated as follows: (fiscal year-end stock price - previous fiscal year-end stock price + annual dividends) ÷ previous fiscal year-end stock price
*14. Stock price volatility is the annualized standard deviation of returns based on daily closing prices.
*15. The aggregate amount of repurchase for FY2020 was ¥35.0 billion (maximum); the period of repurchase applicable to the aggregate amount of repurchase of ¥20.0 billion (maximum) was from Friday, November 20, 2020, to Wednesday, March 24, 2021 (resolved at the Board of Directors' meeting held on Thursday, November 19, 2020); the period of repurchase applicable to the aggregate amount of repurchase of ¥15.0 billion (maximum) was from Friday, May 21, 2021, to Wednesday, September 22, 2021 (resolved at the Board of Directors' meeting held on Thursday, May 20, 2021).
*16. Average repurchase price for FY2020 has not been stated because the repurchase of own shares has not been completed.
*17. Shareholder return ratio = (dividends applicable to the fiscal year (paid in December of that year and June of the following year) + value of share repurchases during the period through the time of the general shareholders' meeting in the following fiscal year) ÷ Group Core Profit for the fiscal year (from FY2018: Group Adjusted Profit)
*18. Ratio of customers satisfied with accident response for automobile insurance (MSI and ADI). From FY2015, the client survey was modified from five stages to four stages.
*19. Number of female employees in positions of manager or higher (as of April 1 of the subsequent fiscal year for domestic Group companies, and as of December 31 for overseas Group companies)
*20. During the period from FY2010 to FY2016, CO₂ emissions resulting from tenant use of rental properties were included in Scope 1 + 2. Moreover, emissions for FY2010 to FY2015 were calculated prior to the purchase of MS Amlin, etc., so do not include emissions from these companies. The figures for FY2019 have been revised in an effort to increase the accuracy of activity data subject to calculation.

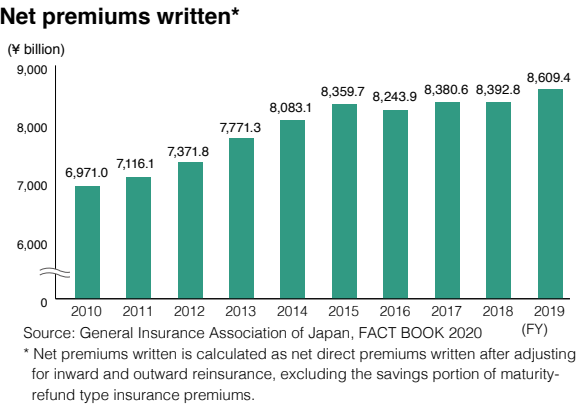
Reports by segment

Domestic Non-Life Insurance Business

Business Environment and Competitive Conditions

The Japanese non-life insurance industry's market scale in terms of net premiums written was ¥8,609.4 billion in fiscal 2019 (based on member companies of the General Insurance Association of Japan). Premiums income from automobile and fire insurance, which accounts for around 50% of all premium income, is on a rising trend due to a revision of insurance rates and other factors. In the casualty insurance sector likewise, income grew in areas such as insurance for construction projects, liability, expense and profit insurance, and cybersecurity. This appears to indicate that new industries have created newly emerging risks and consequently a growth in insurance needs. There are 32 Japanese corporations with non-life insurance licenses, but the domestic non-life insurance market is dominated by a small number of operators, with around 90% of insurance premiums written by the three major non-life insurance groups, MS&AD, Tokio Marine, and Sampo. The MS&AD Insurance Group has a market share of

approximately 33% and holds the leading share of the domestic non-life insurance market in all lines of business.



Business Strategy

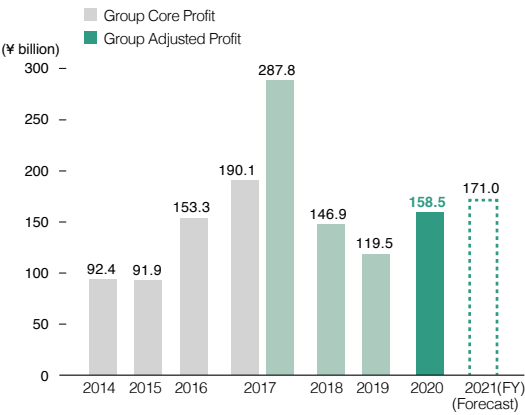
- Pursue the Group's comprehensive strengths
- Promote digitalization (CSV x DX)
- Reform the portfolio

Business Review

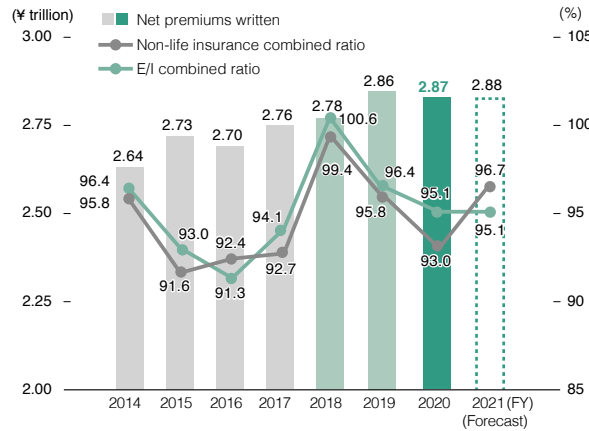
Japan's gross domestic product (GDP) in fiscal 2020 saw an effective negative growth rate of 4.6% due to the impact of COVID-19, down from negative 0.5% in fiscal 2019. However, the two main domestic non-life insurers were buoyed by the healthy state of automobile and fire insurance. Net premiums written increased from the previous fiscal year by 0.6% or ¥16.2 billion to ¥2,840.9 billion, once again one of the

strongest premium growth rates in the industry. Although fire insurance saw reduced profits due to an increase in large losses and lifestyle changes, this was balanced by income from other insurance categories, so that Group Adjusted Profit increased year on year by 32.6% or ¥38.9 billion to ¥158.5 billion.

Group Core Profit / Group Adjusted Profit



Net premiums written and combined ratio



FY2020 Initiatives

Telematics automobile insurance

Our dashcam-based insurance package makes driving safer for the customer. It uses driving data obtained with a dedicated drive recorder developed in-house to produce driving diagnostic reports. It also deploys a safe driving support device to alert drivers to dangers such as risk of collision with the vehicle in front, sharp acceleration or deceleration, and vehicles traveling the wrong way on a highway. This kind of telematics automobile insurance provides a higher degree of customer satisfaction than regular automobile insurance and also has a higher insurance renewal rate. The number of policies sold in FY2020 was 867,000.*

Adapting to new risks and new markets

We have launched sales of a comprehensive telecommuting compensation plan in response to the lifestyle changes and social needs associated with COVID-19. This insurance policy offers comprehensive compensation against risks associated with telecommuting, which has been promoted in line with changing business styles. The number of policies sold in FY2020 was 1,451*. Toward the realization of the GIGA School Program sponsored by the Japanese government, we have also launched sales of a comprehensive plan offering coverage to business operators engaged in sales activities related to the program.

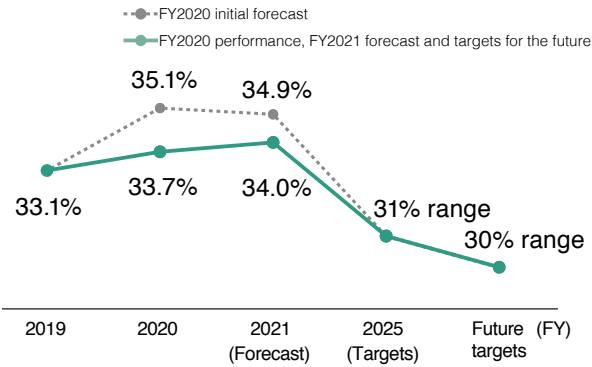
* Simple sum of MSI and ADI

Issues

Improvement of the expense ratio

In FY2020, the expense ratio of the domestic non-life insurance business was initially forecast at 35.1%, particularly in view of the expected fall in income due to COVID-19, the consumption tax increase, and depreciation and amortization of system costs. However, cost-cutting measures allowed a final figure of 33.7% to be achieved. In FY2021, we will continue to drive business style innovations that will also help reduce costs. This will include a review of operating processes based on the application of digital technology, adapting operational and sales practices to the customer preference for non-contact transactions, regularizing remote working, and introducing a free-address system in offices.

Expense ratio of domestic non-life insurance business



Improved profit in the fire insurance business

With the increased frequency and severity of natural disasters in recent years, insurance payouts are increasing. In FY2020, due to an increase in payouts for damage caused by the lifestyle changes associated with COVID-19 and many large losses that occurred, we recorded ¥135.1 billion in underwriting loss before reflecting catastrophe reserves. We are now working on initiatives to reduce this loss, for

instance using digital technology to target customers with advice on accident prevention and mitigation and reviewing the criteria for entering into high-risk contracts. Taking into account the position of the General Insurance Rating Organization of Japan, we will additionally consider revisions to products with the aim of returning to profit at the earliest possible date.

Initiatives Going Forward

In the medium to long term, the domestic market is expected to see the continuation of progressive demographic change through lower birth rates and social aging. This means that automobile and fire insurance can no longer reckon with the growth rates enjoyed hitherto. On the other hand, there is growing demand for insurance products to match new risks and new markets not previously foreseen. For example, the

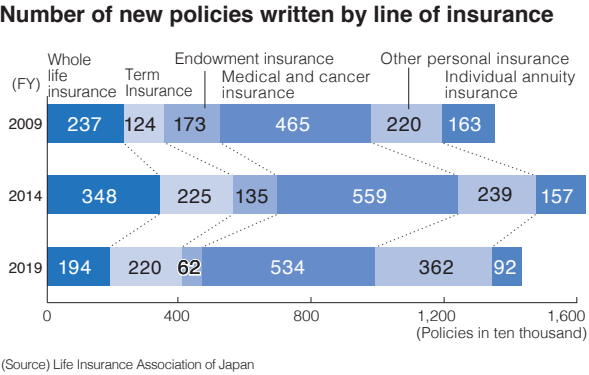
COVID-19 pandemic has led to an increase in working from home and a corresponding rise in cybersecurity risk. Risks relating to the renewable energy business and the regenerative medicine research business have also become the focus of attention in recent years. We aim for growth in the domestic market by continuously developing products and services in response to these new areas of liability risk.

Reports by segment

Domestic Life Insurance Business

Business Environment and Competitive Conditions

Amid the ongoing globally low interest rate environment, protection-type insurance (e.g., medical insurance, cancer insurance) products and products with living benefits that can be gifted during the insured's lifetime account for a growing share of the life insurance industry's sales. Meanwhile, to accommodate new lifestyles that have emerged amid the pandemic, life insurers have to develop new products and services in response to increasingly diverse customer needs and devise new sales models that combine in-person and remote contacts with customers.



Business Strategy

- Mitsui Sumitomo Aioi Life Insurance Co., Ltd.**
Strengthen cross-selling, leveraging the MS&AD Group's sales platform, one of the largest in Japan, and incorporate advances in digital technology to provide products and services that extend healthy life expectancy through the prevention and early detection of disease, in preparation for addressing social issues, most notably nursing care, dementia, and advances in medical technology.
- Mitsui Sumitomo Primary Life Insurance Co., Ltd.**
Develop and offer unique products that can meet diverse customer needs, including products with giftable or inheritable benefits, and sell them exclusively through financial institutions throughout Japan to facilitate conveyance of assets to the next generation and wealth-building that supports a highly aged society.

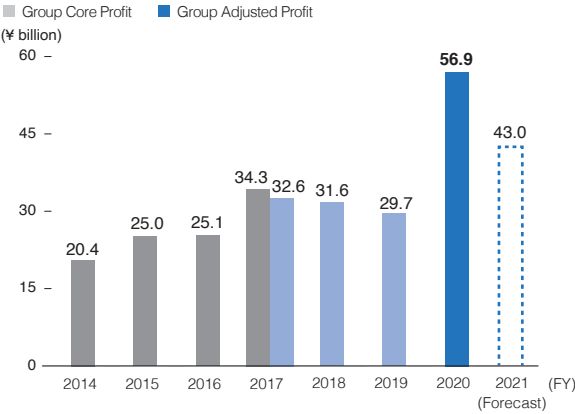
Business Review

FY2020 insurance premiums income decreased ¥96.0 billion year on year to ¥1,297.3 billion, largely as a result of the pandemic. Group Adjusted Profit, by contrast, increased to an all-time record of ¥56.9 billion. Its growth was largely attributable to MSI Primary Life, which benefited from a reduction in provisions to policy reserves and a gain on the sale of foreign-currency bonds held to fund refunds to policyholders. Its refunds to policyholders increased as a

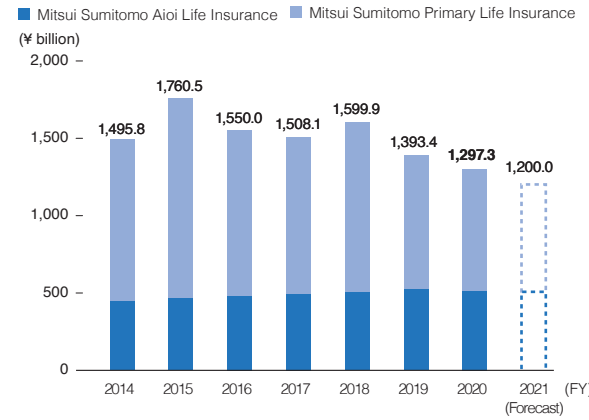
result of insurance policies denominated in foreign currencies reaching the policyholder's investment return target, largely by virtue of Australian dollar appreciation. Additionally, MSI Aioi Life ended FY2020 with an embedded value* of ¥958.3 billion, a ¥68.1 billion year-on-year increase mainly due to an influx of new policies.

* For more information on embedded value including European embedded value (EEV), see p. 111.

Group Core Profit / Group Adjusted Profit



Gross premiums income



FY2020 Initiatives

MSI Aioi Life granted special accommodations to customers in response to the pandemic, including reductions in interest payable on policyholder loans, a premium payment moratorium and payment of hospitalization benefits to policyholders undergoing home treatment. In June 2020, MSI Aioi Life also started selling cancer insurance that customers can apply for in convenience stores as another means of meeting increasingly diverse needs without in-person contact. In July, it became Japan's first life insurer to roll out mail-in application kits and offer online sales consultations to prospective mail-in applicants. In March 2021, it started offering online sales consultations with an almost entirely remote application process, likewise ahead of competitors.

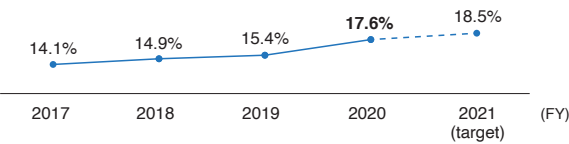
MSI Primary Life launched an indexed tontine annuity in July 2020 to meet diverse customer needs heading into the era of 100-year life expectancy. It also developed a new version (launched in April 2021) of an existing whole-life insurance product by adding an anniversary feature that allows the policyholder to pre-designate the payout date for the policy's living benefits. Additionally, MSI Primary Life adopted a well-balanced hybrid (i.e., in-person/remote) sales model while stepping up remote support for its agents through such means as developing new training programs and content and launching a video streaming studio equipped with state-of-the-art digital hardware in April 2021.

Issues

Faced with a chronically adverse market interest rate environment, MSI Aioi Life and MSI Primary Life must steadily augment their products and services, continue upgrading the quality of their solicitations, appropriately and soundly manage their operations and maintain or improve their financial condition, all while embracing digital transformation (DX). MSI Aioi Life aims to increase its life insurance cross-selling ratio to 18.5% by the end of FY2021 by strengthening its ties with the Group's two domestic non-life insurers and otherwise tapping into the Group's non-life insurance sales network more effectively. It will also continue reducing interest-rate risk, largely by increasing its allocation to super-long-term bonds. MSI Primary Life will refine its customer-first management amid expectations of long-term growth in demand for its personal annuities and whole life insurance while adapting to an

incessantly changing business environment marked by increasingly diverse customer needs, advances in digital technology and a market environment with poor forward visibility.

Life insurance cross-selling ratio* (MSI Aioi Life)



* MSI Aioi Life's in-force policy holders acquired through cross-selling channels (professional, corporate, motor, auto dealership) inclusive of long-term third-sector policies transferred since FY2020 + MSI and ADI's auto and fire insurance policyholders.

Future Plans

To upgrade products and expand services to better meet the needs of a long-healthspan society, MSI Aioi Life has started offering premium discounts on income guarantee insurance based on the insured's state of health, expanded its criteria for payment of nursing care insurance benefits, raised age limits on insurance coverage, launched a second-opinion hotline service and added consultations on medical diagnoses as a new service (July 2021). In the second half of FY2021, MSI Aioi Life plans to commence fully online sales of medical insurance to expand sales in the workplace and remote channels. These initiatives will further round out its service offerings.

MSI Primary Life will strive to better identify changes in customers' needs and circumstances and develop and roll out unique products that provide true customer satisfaction. It will also endeavor to improve its financial institution agents' sales capabilities, sales management and sales quality by strengthening its in-depth sales/training support, including follow-up support, for sales personnel active in both in-person and remote channels. Additionally, MSI Primary Life will upgrade its asset management operations through ALM portfolio management that increases investment efficiency while diversifying risk.

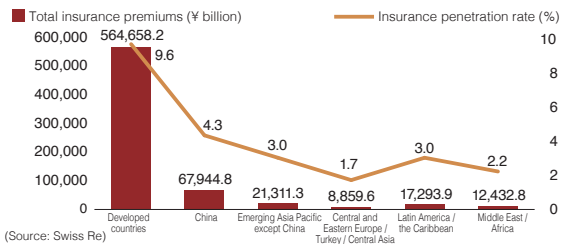
Reports by segment

International Business

Business Environment

While the Japanese economy is slowing with the aging and shrinking of its population, overseas economic growth continues, particularly in emerging markets in other parts of Asia. Our international business's operating environment is marked by incessant change, recently including growing interest in ESG and climate change and accelerated change in lifestyles and business operations affected by the pandemic. Meanwhile, InsurTech companies deploying the latest digital technologies are ascendant in the tech sector. In our international business, we are committed to capitalizing on such changes as business opportunities. We will further strengthen and expand our international business basis while leveraging digital technologies.

Total insurance premiums and insurance penetration rate by country



MS&AD's position Global footprint spans 49 countries and regions; ranked No. 1 in ASEAN non-life insurance market.

No. 8 among non-insurance groups in the world

Fortune Global 500: 2021 Income Ranking (US\$ million)		
	Company/Group Name	Income (US\$ million)
8	MS&AD Insurance Group	46,149

Main Business Strategies

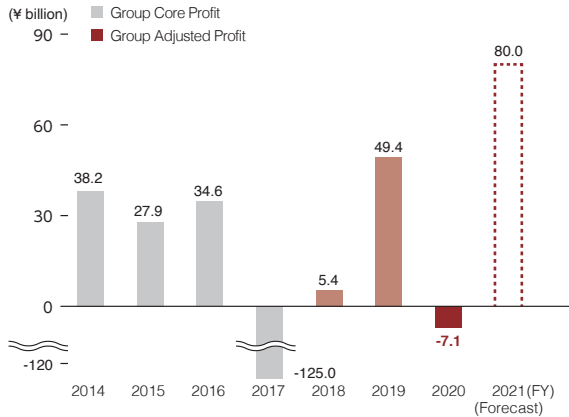
- Return MS Amlin to growth path**
MS Amlin aims to grow its earnings through organic and inorganic growth strategies, including by steadily expanding underwriting in profitable lines of insurance and by benefiting from market hardening.
- Make further inroads in Asian life and non-life insurance markets**
Leveraging our preeminent position in Asia, we will efficiently capture market share in rapidly growing economies. In the life insurance market, we will strengthen sales channels and product competitiveness in collaboration with partners.
- Grow new businesses**
We will generate profits in new business domains, including data businesses.

Group Numerical Management Targets

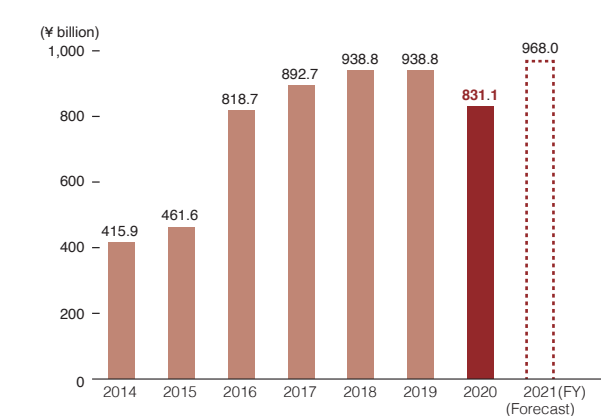
For FY2021, the final year of our medium-term management plan "Vision 2021," we are forecasting the international business's Group Adjusted Profit at ¥80 billion. We expect its

growth to be driven mainly by the international life insurance business and the fading impact of the COVID-19 pandemic.

Group Core Profit / Group Adjusted Profit



Net premiums written



FY2020 Initiatives

- Overseas Group companies are realizing synergies in various areas by partnering with global insurers.

Collaboration among Group companies

- Utilization of the networks of the two core non-life insurance companies, MSI and ADI
- Sharing of underwriting know-how among Group companies
[Examples]
 - Insurance underwriting for geothermal power generation in Indonesia (MSI local subsidiary in Indonesia x MSFC)
 - Underwriting of automobile insurance for corporations in the U.K. (MS Amlin x ADI local subsidiary in the U.K.)

Spreading sales expertise and digitalization

- Sharing of Head Office's sales know-how and digital technologies
[Examples]
 - Rollout of MS1 Brain in Asia
 - Insurance embedded in e-commerce sites
 - Launch of auto insurance for drivers with dash cams (Taiwan)
 - Alliances with online platforms and bank sales channels
 - Alliances with investee startups (e.g., Carro in Singapore)

Global alliances

- Reciprocal geographic/product-line augmentation with global insurers in Europe/North America (Mapfre, AXA, Generali, Fairfax)
- Joint development of corporate customers with Pacific Insurance in China, and collaboration with Ping An Insurance

Telematics, mobility

- Sharing of telematics and mobility service know-how with overseas Group companies
- Utilization of automobile loss reduction know-how

Asset management

- Enhancement of Group-wide asset management through utilization of the Asia joint fund and bond fund operated by MS Amlin
- Intragroup sharing of local market information/analyses gathered by overseas Group companies
- Plans to introduce Group-wide operation and management systems to strengthen governance and risk management

International Business's Operating Performance and Outlook

(¥ billion)		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021 (forecast)
Net Premiums Written	Asia	142.8	173.1	215.7	237.1	257.7	240.6	268.1	296.1	298.8	278.9	320.5
	Europe	60.9	64.4	85.4	99.6	121.1	499.6	498.7	514.9	513.7	444.9	536.0
	Americas	43.7	41.4	56.4	66.2	69.4	66.4	71.1	67.7	58.4	56.1	62.1
	Reinsurance Business	16.8	15.6	16.7	19.1	18.6	16.8	57.9	62.9	69.5	52.8	51.3
	International Business Total	262.2	287.8	369.0	415.9	461.6	818.7	892.7	938.8	938.8	831.1	968.0
Net Income	Asia	-89.6	28.8	16.3	26.0	12.7	16.7	11.1	30.9	23.2	32.8	31.3
	Europe	-16.1	-11.9	1.8	5.7	-3.1	2.2	-116.2	-3.8	9.4	-43.5	25.0
	Americas	0.1	-7.7	-3.3	-7.9	8.1	0.8	4.7	1.1	0.6	4.2	5.7
	Reinsurance Business	-6.3	5.1	8.5	11.0	10.7	12.4	-26.0	-6.7	9.1	-0.4	3.9
	International Life Insurance Business	3.0	1.3	-1.2	5.4	5.7	8.4	6.4	8.9	11.8	2.8	19.0
	International Business Total	-112.3	13.5	18.0	38.2	27.9	34.6	-125.0	5.4	49.4	-7.1	80.0

(Notes) 1 International business figures are aggregates of the results for overseas consolidated subsidiaries and equity-method affiliates, together with non-life insurance companies' overseas branches, overseas-based non-consolidated affiliates and the overseas inward reinsurance business of non-life insurance companies' headquarters, etc.
2 Figures in the "Total" rows include head office adjustments and others and are not equal to the sum of figures for each segment and each region.
3 Net income is on a Group Core Profit basis (Group Adjusted Profit basis since FY2018). The international life insurance business shows equity income.
4 From FY2017, the international life insurance business includes Challenger, ReAssure and Phoenix in addition to the former Asian life insurance business.

Future Plans in International Business

The international business is the MS&AD Group's core growth driver. We aim to increase its profitability and capital efficiency by maintaining strict underwriting discipline, strategically allocating capital to growth markets and making disciplined investments in the business, mainly in North America and Asia. We will also place priority on reducing operating expenses and strengthening our organizational capabilities with the aim of building a more efficient organization while increasing intragroup collaboration and realizing various synergies. We will also work to create new businesses, such as by expanding the telematics data business in the United States.

Reports by segment

Financial Services Business

Main Initiatives and Achievements

ART

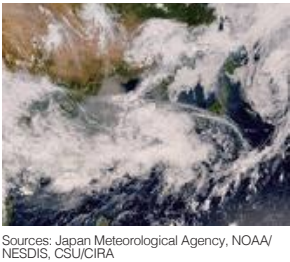
Weather derivatives and insurance-linked securities (ILSs)

Providing weather risk solutions in response to climate change and customer needs

MSI is expanding its product lineup, upgrading its solutions capabilities and meeting diverse needs against a backdrop of climate change and other changes in customers' business environments. In May 2020, MSI started selling "Typhoon Yojin" weather derivatives to hedge against business losses due to typhoons. It also provides weather risk solutions overseas through its U.S. subsidiary MSI GuaranteedWeather, LLC. In Australia, it has recently started selling weather index insurance.

Examples of specific transactions

Industry	Customer's risk (metric)
Solar power generation	Decreased power output due to insufficient sunshine (sunshine duration)
Construction	Decreased snow removal revenue due to insufficient snowfall (amount of snowfall)
Marine shipping	Decreased revenue due to liner sailing cancellations on account of strong winds (wind speed)
Land transport	Decreased revenue due to typhoons (number of typhoon transits)



Sources: Japan Meteorological Agency, NOAA/NESDIS, CSU/CIRA

Upgrading solutions capabilities, expanding product lineup and strengthening ILS* business

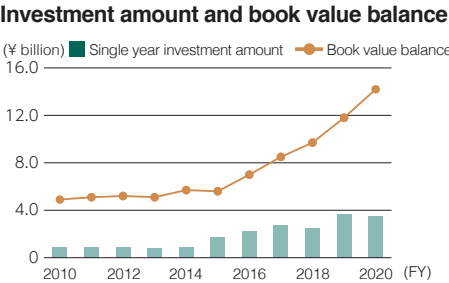
MSI provides investment advice to CAT bond funds managed by equity-method affiliate Sumitomo Mitsui DS Asset Management Company, Limited, and solicits domestic institutional investors to invest in funds managed by U.K. subsidiary Leadenhall Capital Partners LLP. It has strengthened its ILS business through such means as upgrading solutions capabilities and expanding its product lineup.

* Insurance-linked securities (ILS) is a generic term for securitized products that transfer risk covered by insurance, including natural disasters, to the capital markets.

Venture Capital

Expanding and supporting investment in innovative IT startups through VC investment

Through subsidiary Mitsui Sumitomo Insurance Venture Capital, we invest in domestic and foreign startups with promising growth prospects, including AI, healthcare and IT businesses. In doing so, we focus on innovation, uniqueness and foresight. Moreover, through the network of MSI we are actively promoting increased sales support for investees and business matching between investee companies. In FY2020, we invested ¥3.5 billion, mainly in IT services companies that we expect to grow rapidly.



Defined Contribution Pension Business

Promoting asset-building-related business in preparation for 100-year lifespan era

MSI and ADI are strengthening their services for the growing corporate defined contribution (DC) pension plan market and endeavoring to popularize individual-type defined contribution (iDeCo) pension plan, social demand for which is

growing in the wake of demographic aging. In particular, they have been getting ready for market expansion driven by a pending legislative amendment of the DC pension system scheduled to take effect in October 2022.

Asset Management

Utilizing industry-leading investment research and high-quality asset management services

With more than ¥19 trillion in assets under management, Sumitomo Mitsui DS Asset Management is one of Japan's largest asset management companies. We engage in a

variety of businesses related to investment advisory and investment trust management, through Sumitomo Mitsui DS Asset Management.

Reports by segment

Risk-Related Services Business

Main Initiatives and Achievements

Risk management

MS&AD InterRisk Research & Consulting, Inc., the risk-related services business's core company, provides a suite of services capable of meeting customers' diverse expectations, including consulting, research, seminar hosting, lectures and writing related to risk management.

It is helping to bring about a resilient and sustainable society by offering solutions to social issues such as disaster prevention and mitigation and newly emergent risks.

3,406 training sessions/seminars held in FY2020

With the risks faced by corporates and other organizations becoming increasingly complex and sophisticated, we provide practical seminars and training related to risk management in a wide range of fields.

Our FY2020 slate of training sessions/seminars included 2,605 for our non-life insurers' corporate auto insurance policyholders, 219 on business continuity planning, 95 on compliance, 80 on occupational health and safety, 68 on natural disasters, 43 on cybersecurity, 41 on welfare risk management, 30 on SDGs, and 28 on product safety.

	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
Number of risk surveys conducted	1,009 Domestic 526 Overseas 483	1,092 Domestic 500 Overseas 592	1,031 Domestic 468 Overseas 563	1,189 Domestic 506 Overseas 683	1,140 Domestic 528 Overseas 612	1,312 Domestic 623 Overseas 689	811 Domestic 448 Overseas 363
Number of training sessions/seminars arranged	3,873	4,199	3,997	4,720	4,903	4,809	3,406
Number of media appearances	232	306	377	386	347	385	516

Nursing Care

The two group companies that run the nursing care business* help the elderly lead safe, secure, healthy lives while upholding their dignity. Even while heavily impacted by the pandemic, they are driven by a strong sense of mission to deliver high-quality services that satisfy all users.

* MITSUI SUMITOMO INSURANCE Care Network Co., Ltd.: fee-based retirement home business, in-home nursing care business and home care worker business; Fureai Do-Life Services Co., Ltd: geriatric daycare business



Assistance Services

MS&AD GRAND ASSISTANCE Co., Ltd. was established on October 1, 2020. As a leading comprehensive assistance company, it offers a wide range of assistance services, including roadside assistance, home assistance and overseas travel assistance. Its services turn customers' worries into peace of mind. It supports customers' daily lives globally, including by arranging overseas medical care through foreign staff.



Asset Management

Asset Management Strategy

Operating company Initiatives

Maintain financial soundness

Continue to appropriately practice ALM

Continue to practice ALM tailored to Group companies' liability profiles while being mindful of asset holdings' safety and liquidity

Reduce strategic equity holdings

Achieve ¥500 billion reduction over the five years through FY2021*

Targets

• Limit to less than 10% of consolidated total assets

• Limit to less than 30% of risk amount

Boost earnings

Globally diversified investment

Increasing diversification in return-expected assets*, including foreign securities

* Return-expected assets are those held on the expectation of relatively high returns.

Holding company initiatives

Promoting the development and strengthening of asset management systems by putting to best use the Group's comprehensive strengths

Promoting the increased sophistication and expansion of ESG investing and working to ensure the sharing of operational know-how within the Group

Strengthening asset management governance

Promoting compliance with regulations and enhanced asset management monitoring within the Group

Group insurers' basic asset management policy is to earn stable investment returns by holding enough cash and bonds to maintain safety and liquidity to fund insurance claim payouts and conduct ALM in a manner appropriate to insurance liabilities' characteristics.

Additionally, to maintain or increase profitability amid a low interest rate environment, we are diversifying our investment portfolios into assets with higher expected returns, including foreign bonds, foreign equities and alternatives, in stages. Holdings of such assets at FY2020-end totaled ¥7.2 trillion, a ¥1.6 trillion increase from four years earlier.

Investment balance for return-expected assets

Legend: Foreign bonds, Foreign equities, Alternative investments

(FY)	Foreign bonds	Foreign equities	Alternative investments	Total
2016	5.5	0.0	0.0	5.5
2017	6.2	0.0	0.0	6.2
2018	7.1	0.0	0.0	7.1
2019	7.1	0.0	0.0	7.1
2020	7.2	0.0	0.0	7.2
2021 (Forecast)	7.4	0.0	0.0	7.4

Asset allocation (based on consolidated total assets)

Total assets as of the end of March 2021: ¥24.1 trillion

Asset Category	Percentage
Cash, deposits and savings, etc.	8.5%
Money trusts	7.1%
Bonds	25.9%
Equities	12.0%
Other securities	10.3%
Loans	4.0%
Others	10.1%
Foreign securities	22.2%

Of bonds, JGBs: ¥4.4 trillion

ESG Investing

Initiatives to Strengthen ESG Investing

Vision 2021 Stage 2 Action Plan

Incorporation into the investment process

Entrenchment of ESG-informed processes

Improving engagement

ESG-informed engagement

Thematic/impact investing*

Thematic investing that leads to solutions to social issues

Initiatives from FY2020 Onward

Publicly pledged to cease investing in new coal-fired power plants as a climate change mitigation measure and cease investing in cluster munitions manufacturers out of respect for human rights

Practicing ESG-informed engagement as a Stewardship Code compliance policy

Pursuing investments that support sustainable development and mass adoption of renewable energy and investments in green/social/sustainability bonds

The MS&AD Insurance Group incorporates ESG into its investment process as a Principles for Responsible Investment (PRI) signatory. Specifically, the Group gathers and assesses ESG information relevant to the asset attributes and investment methods in question. It makes investment decisions using such ESG information in combination with traditional financial and other analyses. It is pursuing thematic investments that lead to solutions for sustainability-related issues, subject to revenue security.

Additionally, the Group practices constructive, ESG-informed, purpose-driven engagement with investees to elevate their ESG consciousness and help them increase their medium-term corporate value.

* (Social) impact investing is investment intended to have a desired impact on society and the environment while also generating financial returns.

MS&AD Insurance Group's ESG Investing Methods

ESG investing methods	Content
Integration	Systematic incorporation of ESG elements into investment processes
Research initiatives	Systematic incorporation of ESG elements into company analysis/valuation
Negative screening	Development of frameworks that exclude designated sectors/uses of capital from portfolios
Engagement	Engagement activities around ESG issues
Thematic investing	Investments in themes that will lead to solutions to social issues, subject to profitability
Sustainable/thematic investing	Investments in sustainability-related themes, organizations or assets that do not fall under the rubric of impact investing
Impact investing	Investment approach where investment decisions are made with the intent of generating both returns and social impact (e.g., structural changes in society)

FY2020 ESG Investing (¥ billion)		
Investee	As of March 31, 2021	
	Cumulative investments to date	New investments
Green/social/sustainability bonds	81.0	+ 18.8
Renewable (e.g., solar, wind, hydrogen) energy projects	22.3	+5.9
Other (ESG in general, regional revitalization)	19.0	+1.5
International agency bonds	221.0	+ 13.8
Total	343.4	+ 40.0

Note: The above data are actual investments of the Group's domestic life and non-life insurers (excluding overseas investments).

75 MS&AD INSURANCE GROUP HOLDINGS

MS&AD INSURANCE GROUP HOLDINGS 76

Compliance with Japan’s Stewardship Code

Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance declared their acceptance of Japan's Stewardship Code in 2014. They are helping their investees achieve sustainable growth and increase their value from a medium- to long-term perspective by exercising their voting rights and

constructively engaging with investees from an ESG viewpoint. When engaging with investees, they check the investee's practices and performance with respect to the matters in the table below.

Engagement with investees (July 2019–June 2020)

	MSI	ADI	Total (simple sum)
Number of companies engaged in dialogue	194	153	347

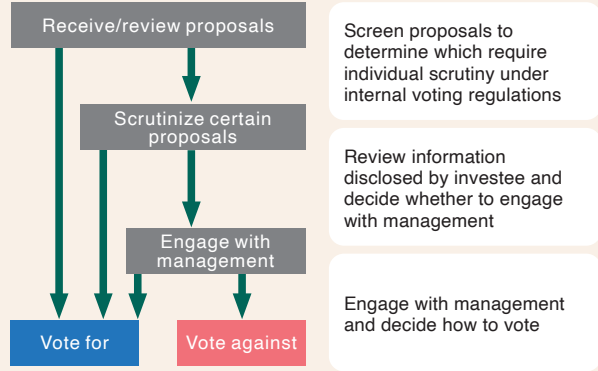
Voting record (July 2019–June 2020)

	MSI	ADI	Total (simple sum)
Proposals voted on (management proposals)	2,510	1,649	4,159

Proposals voted against (July 2019–June 2020)

	MSI	ADI	Total (simple sum)
Proposals voted against (management proposals)	3	2	5

Voting process



Engagement topics

Engagement topics	Specifics
ESG	Operations' environmental impacts and measures to mitigate them; relationship between operations and social issues; percentage of Board seats held by outsiders, Outside Directors' expected roles and attendance records of the Board of Directors; compliance with Japan's Corporate Governance Code
Financial result	Results for the current fiscal year and outlook for the next fiscal year and beyond, initiatives to increase profitability/growth potential, risk factors over the short term
Management strategy	Management plans' progress/outlook of attainment, medium- to long-term investment policies, sustainability considerations in business strategies
Shareholder returns	Earnings distribution/internal reserves policies, stance toward dividends, metrics
Business risks	Preparedness against business risks, state of business continuity planning

Engagement examples

Examples of engagement focused on non-financial (e.g., ESG) information	
Example (1) (ESG engagement)	Confirmed management's strong commitment to the environment and ramp-up of internal environmental initiatives. Management plans contain environmental targets vetted by committees under the supervision of the Board of Directors; investee is pursuing medium- to long-term CO ₂ reduction target. Management is proactive vis-à-vis external disclosure and engagement with shareholders and investors.
Example (2) (ESG engagement)	Engaged with a company committed to preventing spread of infectious diseases in developing countries; discussed its stance toward ESG. Its top priority is contributing to society by supplying products that satisfy customers. It develops anti-viral materials and materials that repel insects that transmit infectious diseases and supplies them to developing countries. We expressed our view that these initiatives are gaining trust in countries around the world and will lead to sustainable growth.

Examples of “nay” votes

Examples of votes cast against management proposals	
Example (3) (shareholder returns)	An investee with robust earnings and ample retained earnings did not meet our dividend payout ratio standard. We voted against its proposal after confirming its shareholder returns policy through engagement, determining it had a weak commitment to shareholder returns and deciding it was unlikely to increase its dividend payout ratio.
Example (4) (retirement benefits for officers)	An investee had consistently incurred losses and paid no dividends for a while. Against such a backdrop, it asked shareholders to approve a proposal granting new retirement benefits to corporate officers. After engaging with management to ascertain their views on management responsibility, we voted against the proposal as inadequately justified.

Climate-Related Disclosure

The MS&AD Insurance Group has set “a resilient and sustainable society” as a goal to be pursued by 2030. The Group, in all its business activities, takes into consideration the sustainability of the environment, society, and governance, and is promoting the creation of shared value (CSV initiatives) that contributes to solving issues such as climate change. The Task Force on Climate-related Financial Disclosures (hereinafter, “TCFD”) recommended that responses to the challenges of climate change be disclosed in accordance with four frameworks: governance, strategy, risk management, and metrics and targets.

The Group endorses this recommendation and promotes climate-related disclosure. We publish the “TCFD Report” covering full contents including scenario analysis that TCFD has proposed.



Governance

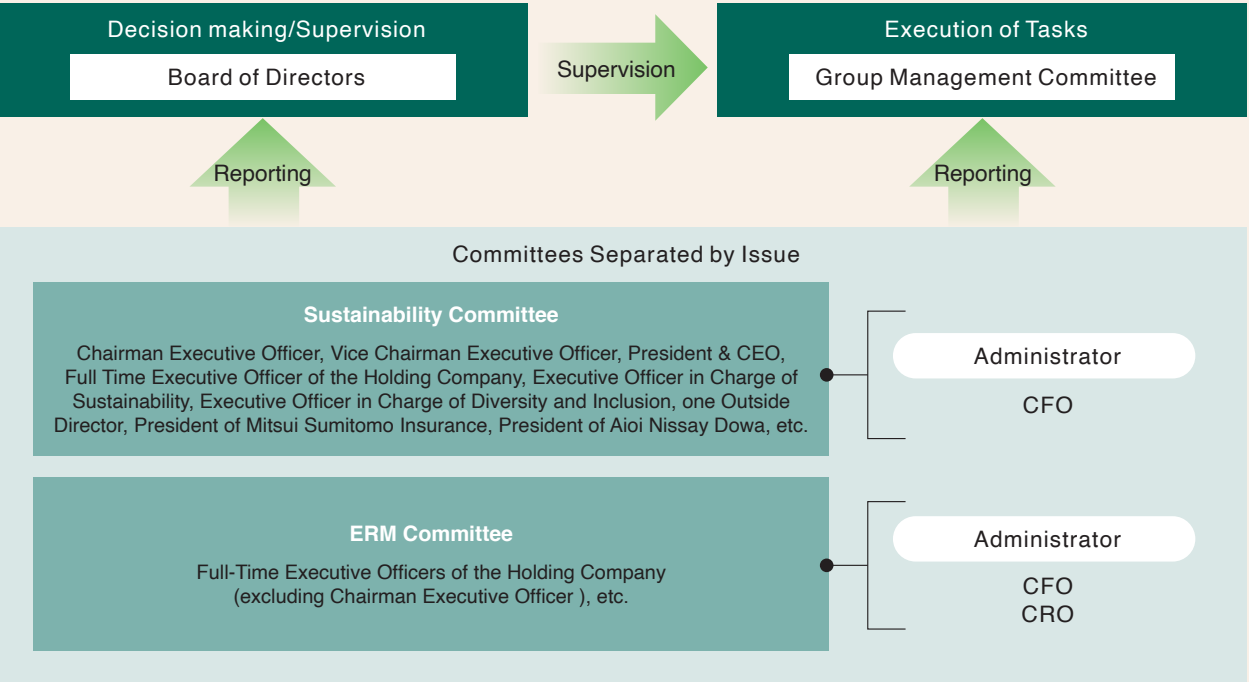
The MS&AD Insurance Group's climate-related governance structure consists of the Board of Directors, the Group Management Committee and Task-Specific Committees.

The Board of Directors discusses and makes decisions on 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, including climate-related matters and initiatives, and monitors the execution.

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

“Business Activities with Consideration for Sustainability” and “Initiatives to Achieve Net Zero by 2050,” which explain our initiatives of climate change mitigation and adaptation and our contribution to transition to net zero after the report by the Sustainability Committee to the Board of Directors and Group Management Committee.



Climate-Related Disclosure

Strategy

Climate change brings about the intensification of natural catastrophes, physical changes in weather conditions, and rapid social and economic changes in the course of transition to a zero-carbon society.

Our Group will contribute to the realization of a resilient and sustainable society by initiatives for supporting the development of new technologies and transition to a zero-carbon society that will mitigate climate change risks, by reducing the environmental impact of the Group's business activities and by paying insurance claims of natural catastrophes such as typhoons and floods, while ensuring financial soundness and earnings stability.

Climate-related risks

We consider the effects of physical changes in weather conditions and the transition to a zero-carbon society to be risks in our business operations, and are working to ensure stable earnings and financial soundness. We will maintain and strengthen a system that enables the prompt payment of insurance claims even in the event of a large-scale natural catastrophe. We will also mitigate risks by promoting disaster prevention and mitigation initiatives.

Climate-related opportunities

Rapid social and economic changes resulting from

transition to a zero-carbon society will bring opportunities for our Group's growth, such as stimulated demand for new insurance products and services, and improved performance of our clients as new industries emerge or technological changes take place.

MS&AD Group's initiatives

According to the World Meteorological Organization (WMO), the global average temperature in 2020 was about 1.2 °C higher than the preindustrial (1850-1900) average. As the global warming progresses, natural catastrophes tend to become more severe. Even in Japan, the number of heavy rain and short-time heavy rain which may cause floods and sediment disasters is increasing. The average temperature in 2100 could rise by more than 4°C compared to the preindustrial days if global warming progresses at the current rate. In that case, there is a possibility that the insurance payments for natural catastrophes may increase significantly.

Therefore, it is essential to mitigate the further global warming and prepare for natural catastrophes. Our Group provides insurance coverage for damages arising out of natural catastrophes, while ensuring financial soundness to provide society with peace of mind and safety. We promote climate change adaptation by providing services to eliminate or reduce damage and loss arising from natural catastrophes.

Classification		Example	Risk Examples in our Business Activities
Physical risks	Acute	Typhoons, floods, storm surges, heavy rains and wildfires	Deterioration in income and expenditure due to the intensification of natural disasters, etc., and an increase in capital costs due to an increase in profit volatility
	Chronic	Rising sea levels and temperatures Changes in weather such as low rainfall and drought Decrease in supply of water and other resources Changes in the habitat of infectious disease vectors Increase in heat stroke	
Transition risks	Policy and Legal	Rise in carbon prices Strengthening environmental regulations and standards Change in energy composition Rising number of climate related litigation cases	Decline in investment returns caused by deterioration in the performance of investee companies due to an increase in carbon costs
	Technology	Progress in decarbonization technology Changes in industrial structure due to a decrease in demand for low carbon efficient products	Reduced earnings due to inability to capture changing markets due to decarbonization
	Market	Changes in supply and demand for goods and services	
	Reputation	Criticism of delayed response to climate change	Decreased reputation due to inadequate information disclosure and/or delayed response to climate change

Climate change could have a variety of impacts on our Group's business in the future. Our Group has developed scenario analyses. One is to analyze the impact on insurance underwriting arising from natural catastrophes (physical risk), and the other is about the impact on investment from the rise of carbon cost (transition risk).

For the analysis of physical risks, we analyzed changes in insurance loss arising from typhoons which are impacted by further warming of the planet, and confirmed that

insurance loss might be increased.

For the analysis of transition risks, we analyzed additional costs allocated to our investee companies in the context of responses to rising global temperatures. We found that the companies developing their measures might lead to reduction of additional costs.

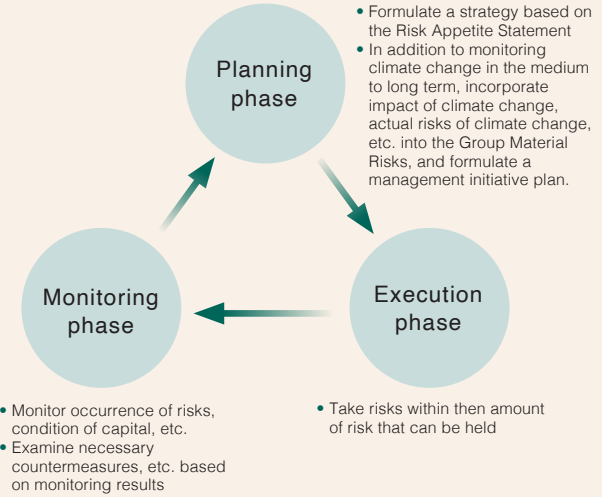
Details of scenario analyses are disclosed in our TCFD report.

Scenario analysis results (excerpt)

	Business Domain	Analysis	Result Examples		Scenario
Physical Risk Analysis	Insurance underwriting	Estimated fluctuation of insured loss of typhoon and storm surge	Typhoon 2050 Changes to "intensity" Approximately +5% to approximately +50% Changes to "frequency" Approximately -30% to approximately +28%		RCP4.5 RCP8.5
Transition Risk Analysis	Investment	Impact on investees by carbon cost	Stocks 2030 Low scenario Medium scenario High scenario	4.66% 9.23% 20.29%	Scenarios developed by Trucost using Nationally Determined Contributions (NDCs), OECD and/or IEA

Risk Management

Based on the MS&AD Insurance Group Risk Appetite Statement, we have determined to clarify the amount of risk that can be held under normal conditions and to take risks based on our capital policy in order to realize our management vision. We develop the Group's medium-term management plan that is in line with our Risk Appetite Statement. Also, we aim to ensure soundness and improve capital efficiency and RoR based on the ERM cycle.



Management of natural catastrophe risks

With respect to domestic wind and flood risk levels and the US wind and flood risk levels, we are managing natural catastrophe risks by setting the maximum risk levels (risk limits) for the Group and for each company, using the levels of risks that occur once every 200 years as a basis. In addition to natural catastrophe risk measurement and large-scale natural catastrophe stress tests, we are working on incorporating the effects of climate change into stress tests and advancing consideration of methods to quantify the effects of climate change.

Control of the retained amount of natural catastrophe risk

We statistically evaluate the level of risk we take on both by geography and by disaster type. Based on this evaluation, we strive to conduct appropriate insurance underwriting, acquire reinsurance, issue catastrophe bonds, and accumulate catastrophe loss reserves. Through these measures, we are working to improve financial soundness and reduce the risk of fluctuations in profit and loss during a given period.

Climate-Related Disclosure

Responsible Investment

The Group has a policy of engaging its investees in constructive discussions that place priority on ascertaining management challenges, shareholder return policies and non-financial, including ESG, information from the standpoint

of helping the investee to grow sustainably and increase corporate value over the medium to long term.
In the course of such engagement, the Group checks the investees' ESG policies. Its main environmental points of inquiry include climate change and decarbonization initiatives.

Metrics and Targets

Metrics Pertaining to Risks and Opportunities

Product development and revisions that contribute to climate change mitigation and adaptation are set as monitoring indicators.

Metrics and Targets for Reduction of Our Environmental Burden

Our Group set medium-to long-term CO₂ emissions reduction targets in FY2010 and has been working to reduce CO₂ emissions from its business activities. We reviewed our medium-and long-term targets, having achieved our FY2020

CO₂ emissions reduction target (30% reduction from the FY2009 level) and set new targets in May 2021 in line with the Paris Agreement.

CO₂ emissions reduction target (Scope 1 + Scope 2)

Base Year	Target Year	Reduction
FY2019	FY2030	-50%
	FY2050	Net Zero

CO₂ emissions reduction target (Scope 3)

Base Year	Target Year	Reduction	Categories
FY2019	FY2030	-50%	1, 3, 5, 7, 13
	FY2050	Net Zero	All Categories

Greenhouse gas (GHG) emissions in the investment portfolio

Greenhouse gas (GHG) emissions in the investment portfolio

(t-CO₂e)

As of the end of March 2020	Stocks	Corporate bonds
Scope 1 + Scope 2	2,717,033	3,518,615

Weighted average carbon intensity (WACI)

(t-CO₂e/1 million U.S. dollars)

As of the end of March 2020	Stocks	Corporate bonds
Scope 1 + Scope 2	121.45	205.06

Special Feature

How CSV × DX Will Bring About the Next Stage for MS&AD

In a time of uncertainty, the use of digital transformation (DX) is indispensable for solving various social issues.

By successfully incorporating rapidly evolving digital technologies, we are providing products and services that help solve social issues around the world, leading to sustainable growth for the Group.

CSV

Seven priority issues for a resilient and sustainable society

- Deal with new risks
- A mobility society without accidents
- Good health and longevity
- Resilient community development
- Climate change mitigation and adaptation
- Improving the sustainability of natural capital
- Leaving no one behind

DX

Incorporate digital technologies



Big Data



Artificial intelligence (AI)



Mobility



RPA (robotic process automation)



Blockchain

GLOBAL

Global rollout in Japan, Asia, and the rest of the world



Business Style Reforms



CDO Message

Helping to further solve social issues with CSV combined with DX

Masashi Ippongi
CDO
(Digitalization Promotion)

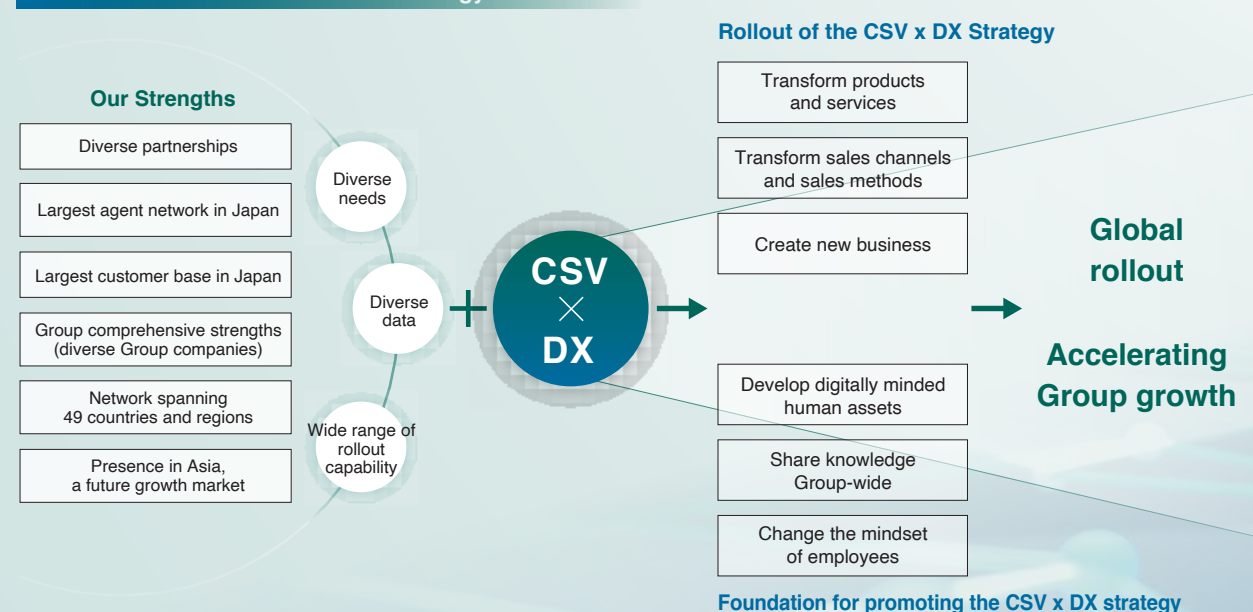
We will create new business that solves social issues by combining the strengths of MS&AD with DX.

A rapidly changing society creates many risks, and creates demand for mitigating these risks. The Group will accurately grasp such demand and provide solutions to turn changes in the business environment into a source of growth. Digital transformation (DX) contributes significantly to solving these social issues. The Group will promote its CSV x DX strategy to solve social issues using DX, thereby achieving sustainable growth.

The Group's diversity is a great strength when it comes to pushing forward with the CSV x DX strategy. By understanding customers' diverse needs and utilizing the

wealth of data collected from inside and outside the Group, we have the power to expand globally into future growth markets. Leveraging these strengths to move ahead with the CSV x DX strategy will transform our products and services as well as our sales channels and sales techniques, ultimately leading to the creation of new business. By sharing our transformation initiatives across the entire Group to further strengthen global cooperation, we will expand our business, not only in Japan, but also from Asia to the rest of the world.

Concrete Rollout of the CSV x DX Strategy



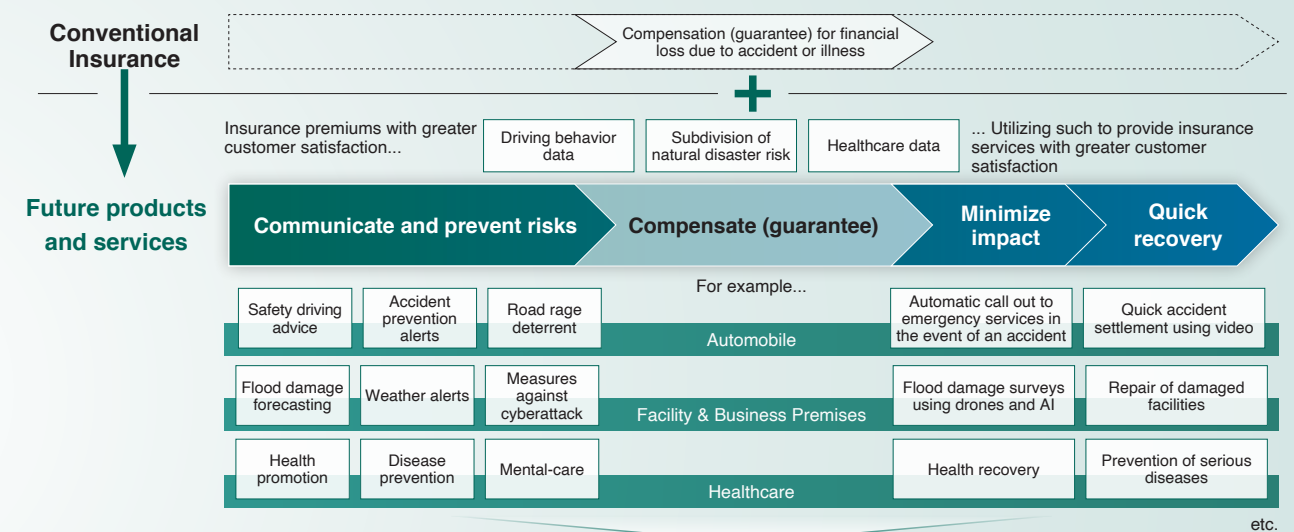
We are encouraging each employee to change their way of thinking so we can provide high-value-added services.

With, for example, transforming our products and services, in the event of an accident and conventional insurance where claims are made and compensation is given for financial loss, the risks are identified in advance and conveyed to the customer to prevent the risks from happening. In the unlikely event the risk manifests, we will transform into high-value-added insurance that reduces the impact, seamlessly assisting for a quick recovery.

We are making various efforts to promote this CSV x DX strategy globally, including building a database that shares knowledge and expertise across the Group and building a

digital human asset development program in collaboration with universities, as well as a problem-solving program to discover start-up companies in Silicon Valley in the United States. In tandem with building such a foundation, we are also focusing on changing the behavior and mindset of our employees. One initiative is the Digital Innovation Challenge Program which helps to foster digitally minded employees. We will contribute to the sustainable growth of the Group by having each and every employee square up to the issues in society and seek solutions using digital technology with the aim of putting these solutions into practice in society.

Transform Products and Services



Seamlessly providing safety and peace of mind to customers

Building a Foundation for Promotion

Digital Innovation Challenge Program

Looking for paid and free data business ideas			Entrants
Data owned by each Group company x Third-party data	Nine areas in which the government and the Keidanren (Japan Business Federation) are expected to analyze and utilize data		
	Healthcare	Finance	Living
	Mobility	Infrastructure, disaster prevention and mitigation	Tourism
	Manufacturing	Agriculture, forestry and fisheries	e-Administration
			Approx. 2,800 Group-wide

Human Asset Development Program

MS&AD Digital Academy Information Networking for Innovation and Design Collaboration with INIAD (the faculty of Information Networking for Innovation and Design at Toyo University)	MS&AD Digital College from Kyoto 京都先端科学大学 Joint development with KUAS (Kyoto University of Advanced Science)	Data Science Training 滋賀大学 Collaboration with Shiga University
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Building a Database to Share Knowledge and Expertise Group-wide^{*1}

Use Examples	MS&AD INSURANCE GROUP	Use Examples
•Creation of collaborative projects with startups •Solving issues in business partner companies	Aggregate information on start-up companies that have relationship with MS&AD Insurance Group ^{*2} Domestic and overseas Group companies	•Development of digitally minded human assets within the Group •Share ideas across the Group to create new business

^{*1}. Collaboration with Amazon Web Services (AWS) Japan and Scalar

^{*2}. Develop database for Group companies to share startup information and business ideas



Upholding company safety with a one-stop service from cybersecurity measures to compensation in case of incident

While the spread of information technology (IT) has dramatically improved convenience and productivity, there are many cases where confidential corporate information is leaked due to cyberattacks or unauthorized access, and cases where business is interrupted. According to results from a survey conducted by MS&AD InterRisk Research & Consulting, the level of priority in terms of mitigating against cyber risk is lower than other management issues, regardless of the size of the company. However, as the risk of cyberattack is expected to increase in the future, security measures will doubtless be positioned as an even more important management issue in the future. The MS&AD Insurance Group seamlessly provides, alongside cyber insurance, a series of risk identification, defense, detection, response, and recovery services as measures to increase protection against cyberattack.

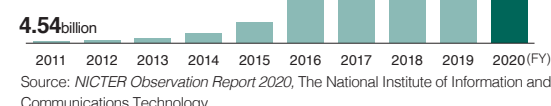
Social Issues

Rapidly increasing cyberattacks

- Along with an increasing number of cyberattacks year on year, more wide-ranging damage is taking place, from data theft to obstruction of business. Moreover, cyberattacks are becoming ever more sophisticated and complex with not only direct attacks on an organization but also attacks via business partners, etc.
- The level of priority in terms of mitigating against cyber risk is lower than other management issues, regardless of the size of the company.
- There is an urgent need for companies and organizations to take measures regardless of industry or scale.

Increased searching by attackers

The number of communications thought to be "preliminary actions," where criminals attempt a cyberattack online by searching for devices with weak security, has rapidly increased to about 500.1 billion per year in 2020.



Solutions

Seamlessly developing services starting from specifying risks using digital technology

- Seamless rollout of a series of services



Specifying risks using digital technology

- In partnership with Verizon Japan: Conduct internal risk assessment service based on questionnaires.
- In partnership with BitSight Technologies: Measure and evaluate the security situation based on externally observable information.
- Package the "Bouken Cyber" 24/365 service, which aims to enable small and medium-sized enterprises to respond to increasingly ingenious cyber-attacks not only through defensive measures, but also by rapidly detecting intrusion threats and initiating the response in emergencies. In April 2021, this was registered as a Cyber Security Support Service with the Information-technology Promotion Agency.
- In collaboration with Vdoo: Identify and evaluate cybersecurity risks in IoT devices developed and manufactured by customers and those used in factories.
- In collaboration with BitSight Technologies and Kovrr: Combine basic input data provided (sales, profit, number of employees, etc.) with external assessment of customers used by BitSight, to calculate probable maximum loss (PML) (Kovrr model) and publish results in a report.



Social Impact

Companies and organizations protected against cyber risks

Just over 20,000 (FY2020)

* Number of MS&AD Insurance Group policies for cyber insurance, etc.

- Countermeasures against cyber risk protect not only the company but also stakeholders, such as customers and business partners, from damage caused by information leakage and business interruption, helping to improve the company's reputation.
- By quickly recovering from damage caused by cyberattacks, financial damage resulting from business interruption and indemnity liability can be minimized, leading to more stabilized company management.
- Expanding telework to safe environments enables flexible work styles unconstrained by time or place. As well as helping to create a good work-life balance, it also leads to regional revitalization and securing a labor force in a time of declining population.

Economic Impact on the Company

(year on year)

Policy growth rate

Approx. 150% (FY2020)

* Growth rate in number of MS&AD Insurance Group policies for cyber insurance, etc.

- Prevention of serious cyber incidents and support for quick recovery in the event of damage avoids extensive harm to customers and at the same time leads to reduced insurance claim payments.
- By providing various services related to cybersecurity for SMEs, presence in the SME market as a whole will be improved, leading to proposals for other insurance policies.
- In business environment terms, revisions to the Act on the Protection of Personal Information scheduled to come into effect in April 2022, will most likely increase the need for cyber insurance as it will become mandatory to report to the Personal Information Protection Commission and notify those affected in the event of an information leak due to unauthorized access.

Creation of Business Opportunities

In the age of the IoT where all things are connected, importance of cybersecurity measures is expanding

Japan's Cybersecurity Market

¥1,023 billion by 2025

Source: IDC Japan

Global Cybersecurity Market

\$534.5 billion by 2030

From 2020 to 2030

11.8% annual growth

Source: Report Ocean 2021

- Expansion of cybersecurity measures in an IoT society where all things are connected
- Expansion of cybersecurity measures for automobiles in preparation for connected cars and autonomous driving
- Expansion of cybersecurity measures due to increased use of e-commerce
- Expansion of cybersecurity measures in telework, expected to be in active use for business continuity in the event of new threats such as infectious diseases and frequent natural disasters
- Possible to approach overseas companies with expertise acquired, leading to sales expansion and new market development

Expanding Services through Collaboration

Cyber-attacks are becoming more sophisticated every day. To companies that are active at the global level, the MS&AD Group is quick to propose cutting-edge technology and services, while providing simple and easily understood technologies to the small and medium-sized enterprises that prop up the Japanese economy. In addition, its business partnership with an Israeli start-up company enables the Group to incorporate the latest knowledge, and it is also raising investment limits for the corporate venture capital fund it set up in Silicon Valley to focus on creating innovation.

Going forward, the MS&AD Group will continue to provide a variety of cyber insurance and services. In addition to helping resolve the social issue of cyber risks that threaten the foundation of industry, we will also use them to open the way to further growth for the Group.

Takeshi Doi
Market Development Dept., MS&AD InterRisk Research & Consulting, Inc.





Supporting solutions to social issues to help realize a safe and secure society through new services that utilize data

With the progress of digital technology, more and more data is being collected from our lives and businesses as we are told that the analysis and utilization of data is essential for strengthening company competitiveness. The MS&AD Insurance Group aims to create new business to develop and expand a data business that goes beyond the current framework of insurance by collecting and utilizing such data.

For example, by utilizing big data and the latest analytical algorithms, we can visualize and optimize the risks faced by companies to provide high-value-added services that contribute to solving social issues. These services utilize all sorts of data such as Smart Mobility Telematics that exhaustively detects dangerous behavior that leads to accidents, and scoring points for safe driving, from a large amount of driving data obtained using telematics technology and RisTech*, designed to solve problems.

Social Issues

Diversifying, Complex Challenges and Needs



Smart Mobility and Telematics

- New risks need to be addressed with technological innovations related to mobility and telecommunications.

Regional Revitalization and Smart Cities

- The concept of smart cities and regional revitalization are being promoted in response to population decline and urban concentration.

Climate Change

- Global warming and climate change need to be addressed.

Solutions

Initiatives on Various Themes and Areas That Can Reach the Issues for Society and Industry as a Whole

Smart Mobility and Telematics

- In Japan, in collaboration with a manufacturer of on-board equipment (digital tachographs), build an accident forecasting model, helping to reduce the number of accidents, by combining automobile data (acceleration, deceleration and driving time, etc.) with our own accident data.
- Global rollout of new products and services that utilize telematics technology, such as with establishing the insurance software development company MOTER Technologies in the United States.

Regional Revitalization and Smart Cities

- Make efforts to support local governments with aging infrastructure by installing image analysis AI that detects damaged parts of the road on a dashcam specifically for the "Mimamoru" dashcam-based automobile insurance.
- To promote DX in local public organizations, research and develop solutions from the perspective of consumers together with partner companies, local public organizations, and start-up companies that help solve social issues.

Climate Change

- Climate change impact analysis utilizing technologies of investee startups.

Social Impact

Number of companies collaborating on RisTech

Collaborative efforts **64**

Considering **262**

(Year-to-date as of the end of fiscal 2020)

- Contributing to solve corporate issues in various fields, such as disaster prevention and mitigation, mobility, healthcare, and smart cities, by utilizing and analyzing data owned by business partners and other statistical data, in addition to policy and accident data.
- Enabling the effective use of various data not utilized to date due to lack of specialist analytical staff and inability to process large quantities, leading to improved business operations for companies.

Economic Impact on the Company

Increased insurance premiums thanks to RisTech **Approx. ¥17.5 billion**

(Year-to-date as of the end of fiscal 2020)

- By presenting data analysis results of value, we can improve our presence, increase our top line, and improve our profitability.
- By collaborating with business partners through the use of data, it is possible to create shared value with society beyond the company framework.

Creation of Business Opportunities

Unlimited possibilities created by connecting all kinds of data

Data trading market scale forecast (worldwide)*1

\$500 billion in 2022

\$708 billion in 2025

Connected car market scale forecast (worldwide)*2

\$373.4 billion in 2030

*1 Source: Data Monetization Market, Transparency Market Research
*2 Source: Report Ocean

- Increase in data that can be obtained from connected cars, expanding the scope of utilization globally
- Increase in expertise for solving problems in local communities using data, leading to wider ranging comprehensive agreements with local governments
- Working to realize smart cities, helping to maintain and create vibrant cities
- Using collected data to expand the range of products and services beneficial for health promotion, pre-symptomatic illnesses and preventing disease, to realize a society of health and longevity
- Expand the climate change impact analysis service due to an increase in natural disasters caused by climate change

Utilizing Data as a Source of Value Creation

Centered on CSV x DX x GLOBAL, the data business is one of the key pillars of the Group's growth strategy. RisTech and the US data business are initiatives unique to the Group. We will globally rollout strongly linked initiatives while taking advantage of the characteristics of each company.

In addition, we will solve social and regional issues and grow together by seeing the risks arising from changes in the social environment and industrial structure as growth opportunities, collaborating with various companies to create new business that utilize digital technologies and data.



Kensuke Onuma
Data Solution Section
Corporate Planning Department
Aioi Nissay Dowa Insurance Co., Ltd.



Yutaka Matsui
Digital Strategy Department
Mitsui Sumitomo Insurance Co., Ltd.

* This service is provided by Mitsui Sumitomo Insurance in collaboration with Accenture to visualize and optimize the risks faced by companies by utilizing big data and the latest analytical algorithms to facilitate solutions to issues.
We aim to contribute to the realization of a safe and secure society by solving various social issues, such as support with measures against earthquakes and floods, by combining Mitsui Sumitomo Insurance's expertise on accident and disaster data, etc. with the diverse industry knowledge that Accenture has cultivated through consulting in the global digital technology sphere.

CSV x DX: Case 3

TCFD Support



Providing services that assess impacts of natural disaster risk associated with climate change to support corporate information disclosure

In recent years, natural disasters, such as droughts and large-scale floods, have occurred frequently all over the world, greatly impacting corporate activities. Under these circumstances, the Task Force on Climate-Related Financial Disclosures (TCFD) established by the Financial Stability Board (FSB) recommends that companies disclose climate-related risks as part of their financial information.

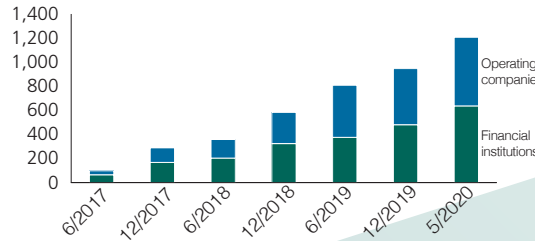
Companies are expected to assume a number of different climate change scenarios and explain how resilient their businesses, strategies and financial plans are. As such, MS&AD InterRisk Research Institute & Consulting has partnered with Jupiter Intelligence of the United States, a company in which MS&AD Ventures invests, to develop a service that analyzes and assesses the impact of intensifying climate change on companies based on future scenarios.

Social Issues

Actualization and Further Intensification of Climate Change Risks

- There are concerns about the actualization of climate change risk and its further intensification.
- The TCFD Recommendations, which require companies and financial institutions assess, manage, and disclose future climate change risks, are rapidly becoming mainstream. In scenario analysis, it is necessary to consider the physical risks, such as natural disasters that will likely be exacerbated by the impact of climate change, as well as various implications to business due to the transition to a zero-carbon society (transition risks).
- Recently, an increasing number of companies are conducting quantitative impact assessments using carbon pricing assumed for each scenario, but for physical risks, with the exception of some financial institutions, there are only a limited number of detailed quantitative assessment cases based on climate change models.

Number of institutions (worldwide) supporting TCFD recommendations






Solutions

Climate-Related Information Disclosure Support in Collaboration with Startups

- Collaboration between MS&AD InterRisk Research Institute & Consulting and Jupiter Intelligence, an expert in climate models.
- Jupiter Intelligence's system analyzes the risk of natural disasters, such as floods and storm damage, with a high level of accuracy (90m x 90m) all over the world.
- According to future temperature rise scenarios, AI simulations are conducted from 2020 to 2100 in five-year increments to predict maximum wind speeds in storms and flood depths.
- Estimated economic damage caused by flooding is also calculated using information held by MS&AD InterRisk Research Institute & Consulting. This supports corporate information disclosures in line with TCFD recommendations.

Climate Change Impact Assessment Service for TCFD

Customer Data	<ul style="list-style-type: none">• Latitude and longitude of the site to be assessed• Asset value and number of floors in assessing the financial impact of flooding
River floods and coastal floods	 Assesses flood depth and financial impact
Storm	 Assesses maximum wind speeds or probability of exceeding a certain wind speed
Heat wave	 Assesses the average number of days per year when the maximum temperature exceeds 35 degrees Celsius
Assessment report	<ul style="list-style-type: none">• Risk trends, overall and by site• Financial impact of flood disasters, etc.

Social Impact

Number of sites analyzed by Jupiter Intelligence

6,110 sites

(Between July 2020 and end of June 2021)

- Companies can understand in advance potential damage caused by natural disasters to their factories and offices.
- Strengthening capability to respond to huge accumulated risk from natural disasters.
- Risks of investment and loan portfolios can be understood at financial institutions.
- Sophisticated business decisions (location and supplier selection, portfolio review, disaster prevention measures, etc.) can be made based on climate change factors, leading to improved resilience for society as a whole.

Economic Impact on the Group

Growth rate of contracted consultations in the field of climate change

Year-on-year increase of approximately 70% (FY2020)

- By providing support related to key management issues, medium- to long-term relationships with client companies are strengthened, helping to further dealings such as with insurance, services, and consulting.
- Expanding insurance market owing to synergies with insurance sales.
- Increased number of underwriting/product development and services in light of climate change risks, and more sophisticated natural disaster risk management in the MS&AD Insurance Group.
- Through our impressive track record, enhancing the reputation of the Group and resulting in growth in consulting-related outsourcing

Creation of Business Opportunities

Rollout of one-stop services including support for natural disaster countermeasures in Asia, where the risk of flooding is high

Total global GDP impacted by river flood damage at a frequency of once-in-10 years in 2030

\$17 trillion

Estimated that half of this will occur in Asia, especially China and India

(World Resource Institute 2020 Report)

- The needs of companies with assets, manufacturing bases, and supply chains in Asia, where the risk of flooding due to climate change is highest, will expand.
- Offering services other companies cannot by providing a one-stop service up to support for on-site natural disaster countermeasures.
- By expanding from analysis of business sites to assessments of value chains, it will be possible to provide new services.
- The scope of assessment indicators will increase due to improved model accuracy in Jupiter Intelligence's technology and the formation of a loan portfolio valuation scheme for financial institutions that utilize technology.
- Through the Group's services, Sumitomo Mitsui Banking Corporation discloses information in line with TCFD recommendations with sophisticated climate change scenario analysis. Climate change scenario analysis methods using AI technology may spread widely to Japanese companies as the basis for future information disclosure.

Global Assessment of the Impact of Climate Change on Natural Disaster Risk

Our climate risk forecasting tool, Global Climate Score, is the most comprehensive and scientifically accurate service. It incorporates all of the world's best scientific climate models to forecast impacts for the requirements of customers around the world.

Most companies in the world continue to operate without an accurate picture of the climate change risks that affect them. Using this service is a huge step forward in terms of changing the management process. We have already heard from our customers that they are now able to predict risks more accurately.



Richard Sorkin, CEO
Jupiter Intelligence

FOCUS

▶ A System for Implementing CSV Initiatives

Under the banner of “a resilient and sustainable society” as our vision for society in 2030, the Group is promoting various efforts toward creating shared value (CSV) with society using the SDGs as leading marks. In order to solve social issues through our

business, it is essential for each Group employee to deepen their understanding of CSV and the SDGs. As such, the MS&AD Insurance Group is implementing various initiatives with the aim of raising awareness among each and every employee.

40,000 Group Employees Engaged in CSV The Sustainability Contest 2020

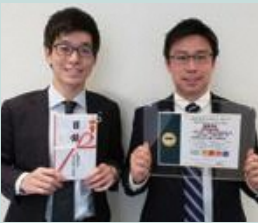
The Sustainability Contest, held for the third time, commends examples of efforts that lead to the sustainability of society and the Group, as well as to CSV, through the tasks and business activities employees engage in every day. A total of 354 applications were submitted, an increase in number from 2019. Examples included initiatives and proposals for social issues that have emerged since the pandemic, such as the increasing need for a contactless customer environment and a rise in remote work.

- Selection criteria**
- Social impact
 - Communication
 - Group synergy
 - Approach
 - Potential for expansion

Winners Solving Long-Standing Issues in the Livestock Industry with IoT and Insurance

In cooperation with Japan’s public agricultural insurance scheme, we have developed an insurance product that compensates farmers for livestock veterinary fees not otherwise covered by insurance. By incorporating insurance into a behavior monitoring system for cattle that incorporates IoT sensors, cattle mortality rates have been reduced,

helping to stabilize the management of livestock farming and at the same time preventing losses for public agricultural insurance. In addition, by improving the working environment for veterinarians, such as by dramatically reducing unnecessary visits, it is contributing to the resolution of issues that have concerned the livestock industry for many years.



The world of agriculture, especially that of livestock, is far removed from the non-life insurance industry, and although it is recognized as a huge market, there is by no means enough expertise. This initiative did not work with the resources of the Group alone. It was not until we formed an alliance with a livestock IoT venture company that we were able to build a system to solve long-standing problems for our customers. With the spread of COVID-19 we are in the

Takaya Murao
Section 1
Commercial Production Dept.
2nd, Mitsui Sumitomo
Insurance Co., Ltd.

Hirokazu Miyagishi
Financial & Governmental Institutions
Business Promotion Division
Mitsui Sumitomo Insurance Co., Ltd.

midst of a different dimension for environmental change, but we feel that the most important measure to make this change a growth opportunity for the Group is discovering and resolving social issues.

Creating New Business by Utilizing Data and Digital Technologies The Digital Innovation Challenge Program

We have been holding the Digital Innovation Challenge Program since fiscal 2019 in order to promote digitalization. This is an initiative in which employees of 14 Group companies come up with ideas and use those ideas to solve social issues through open innovation.

In fiscal 2020, we called for business ideas that utilize third-party data and data owned by each Group company, receiving more than 2,700 applications. After rigorous screening by data scientists and outside experts, 28 were taken up as innovation projects.



The idea of the dashcam data-sharing proposal is to enable accurate on-scene verification by utilizing dashcam data so that more appropriate insurance claims can be settled. This idea came about from the desire to improve quality and operational efficiency in claims services and to create a better society with fewer disputes. What you feel through your work and the ideas that come from it are different. I think this Challenge Program has great significance in that it gives all Group employees the opportunity to participate, regardless of their position.

Tatsuya Ogawa
Akashi Service Center
Hyogo Claims Department
Mitsui Sumitomo Insurance Co., Ltd.

Demonstration Experiments Underway based on Dashcam Data Sharing

We are considering selling data, detected and collated by artificial intelligence from actual dashcam footage, to local governments to help inspect vital infrastructure. In collaboration with UrbanX Technologies, 10 local

governments are conducting demonstration experiments to support the maintenance of social infrastructure using dedicated dashcams.



Corporate Governance

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Chairman's Message



The last year has seen great changes in our society. COVID-19 has altered not only people's values and behavior patterns but has also had wide-ranging impacts in areas from economic activity and the structure of industry to international society and the natural environment. Business enterprises now need to demonstrate flexibility and speed in responding to the demands of this new society. The response of the MS&AD Insurance Group has been a drive to transform our business activities, adapting our way of doing business through the application of digital technology and offering products and services adapted to the new environment.

Looking to the society of the future, I believe that there are three important issues that we need to address.

The first is the sustainability of our society. To take an example, the slowdown in economic activity brought about by the pandemic has actually had a positive effect on the natural environment. This has underlined the extent of the burden human activity has been placing on the planet and on society. In the post-COVID society, we will need to explore ways to make sustainable growth possible for the planet, for society and for business enterprises. With the SDGs as our leading marks, the MS&AD Insurance Group has put the concept of creating shared value at the core of the business strategy. In particular, climate change is our top priority issue. In addition to our own activities, we aim to join together with customers and business partners in a Group-wide approach to realizing a carbon-free society.

The second issue is partnership with stakeholders. With the social changes that have come about, the forms of value that diverse stakeholders seek in a business enterprise are also becoming more diverse and complex. A resilient and sustainable

society as our image of future society can only be realized through cooperation and collaboration with a wide range of stakeholders. By reflecting diverse stakeholder perspectives in our business activities and working together to resolve social issues, we will eventually enhance our corporate value.

The third issue is the promotion of diversity. The COVID-19 vaccines were developed at unprecedented speed through diverse partnerships across the boundaries of nationality and gender, involving for instance the mRNA research of a Hungarian female scientist and a venture business established by German doctors of Turkish heritage. Amid the rapid changes in society, diversity is the key driver for innovation and sustainable growth. We turn the diversity of the Group into strength and create an organizational culture and a workplace in which each and every employee from around the world can demonstrate their potential to the fullest.

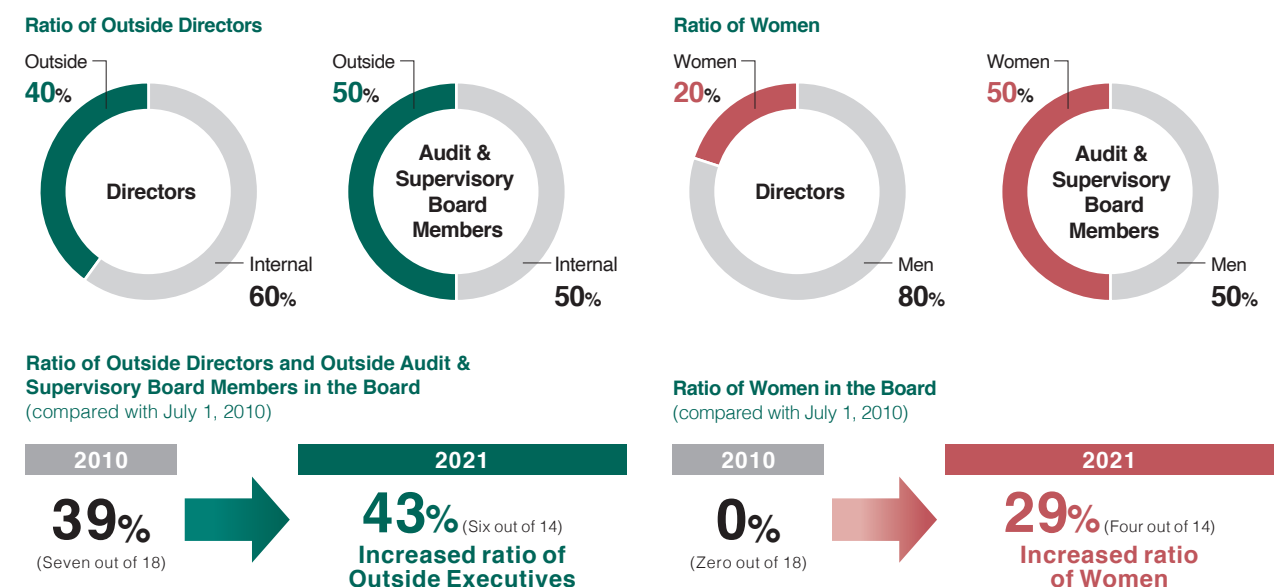
The Board of Directors of the MS&AD Insurance Group is made up of a diverse range of individuals from differing backgrounds. By making full use of the experience and expertise of each individual and discussing matters from a completely different perspective, the accuracy of important management decisions will be improved and the quality of management will be improved. In that respect I think we have a very well-balanced Board of Directors. The Board of Directors recognizes that the role of the insurance company will become still more important in the age of great uncertainty that we are now entering. Based on this understanding, we will strive to pursue for the Group's sustainable growth and enhancement of corporate value by meeting the expectations of valued stakeholders through our story of value creation.

Corporate Governance System and Initiatives

Corporate Governance Evolution

Medium-Term Management Plan	2010–2013	2014–2017	2018–2021
	New Frontier 2013	Next Challenge 2017	Vision 2021
	Establishing a Group governance system	Strengthening Group governance	Improving the corporate governance system
Governance Evolution	<ul style="list-style-type: none"> • Institution design: Became a company with a board of auditors • Introduced an executive officer system 	<ul style="list-style-type: none"> • Implemented analysis and evaluation of the Board of Directors effectiveness and published the evaluation results • Introduced performance-based compensation • Introduced stock option as stock-based compensation system for Directors (Inside Directors only) and Executive Officers • Published selection criteria for Directors and Audit & Supervisory Board Members (including criteria for independence) • Newly established Governance Committee mainly composed of Outside Directors • Newly installed titles such as CFO and CRO • Enacted and released Basic Policy for Corporate Governance 	<ul style="list-style-type: none"> • Introduced CEO Succession Plan • Revised executive remuneration system (Company business performance linkage and medium- to long-term performance (non-financial indicators) evaluation) • Promoted diversity among Board members • Reorganized task-specific committees (launched Sustainability Committee and ERM Committee) • Newly established the titles CDO and Executive Officer in charge of promotion of D&I

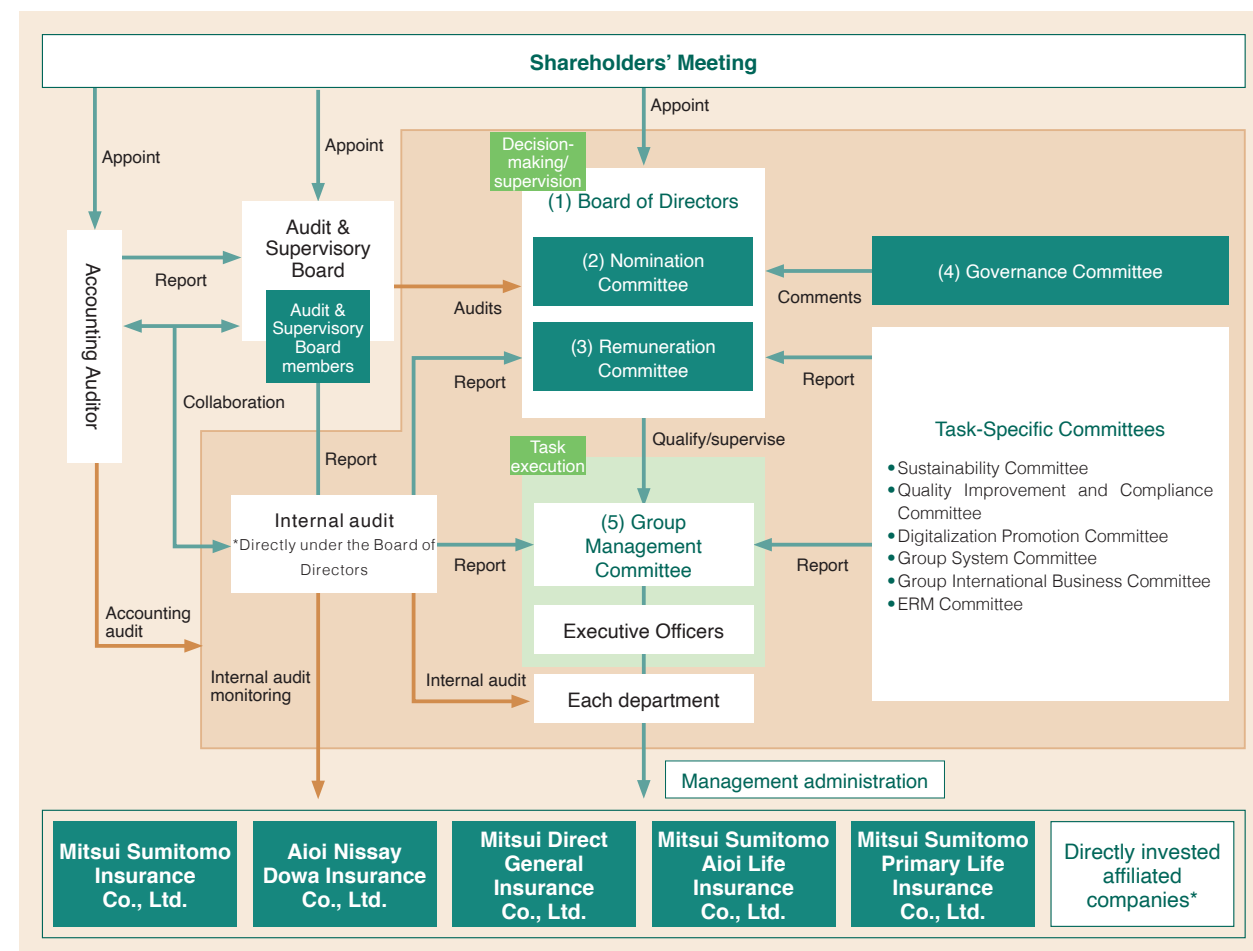
Director/Audit & Supervisory Board Member Composition (as of July 1, 2021)



Corporate Governance System

The Company has established the Nomination Committee and Remuneration Committee (more than half the members, as well as the committee chairperson, are Outside Directors) within the Board of Directors and the Governance Committee (comprising all Outside Directors, together with the Chairman, Vice Chairman of the Board and Representative Director). We are fortifying our stance on corporate governance that is highly effective and transparent.

(As of June 28, 2021)



As the ultimate decision-making authority for Group management, the Board of Directors deliberates and decides upon matters of importance for Group management and supervises the execution of duties performed by directors, executive officers and others.

Chairman: Yasuyoshi Karasawa
Internal: Eight members Outside: Six members / FY2020 meetings held 12 times
Director attendance rate 98.6%, Audit & Supervisory Board Member attendance rate 97.9%

Upon the delegation of the Board of Directors, the committee offers advice to the Board of Directors concerning the nomination policy for candidates for Directors and Audit & Supervisory Board Members, the nomination, promotions, dismissals, and disciplinary actions pertaining to Executive Officers, as well as the nomination, dismissals, etc., of Directors and Audit & Supervisory Board Members of the Group's domestic insurance companies.

Chairperson: Akira Arima (Outside Director)

Internal: Three members Outside: Four members / FY2020 meetings held four times

Attendance rate 100%

The Group Management Committee discusses important matters pertaining to management policy and strategy, and management of the Company and the Group.
It also deliberates on important matters of the Group's domestic insurance companies.
Chairperson: Noriyuki Hara
15 Executive Officers, President of Mitsui Direct General, President of Mitsui Sumitomo Aioi Life Insurance, and President of Mitsui Sumitomo Primary Life Insurance
Two Audit & Supervisory Board Members / FY 2020 meetings held 12 times
Attendance rate 100%

In the Governance Committee, Outside Directors consult with the Chairman, Vice Chairman and President on matters pertaining to the status of corporate governance, as well as policies and positions, and make comments to the Board of Directors on an as-needed basis.

departments into mutual alignment. The results of the committees' discussions are on an as-needed basis summarized by the officer in charge and reported to the Group Management Committee, the Board of Directors and others.

Committee	Administrator	Participation of Directors and Audit & Supervisory Board Members							Number of Times Held (FY2020)	Main Agenda Items (FY2020)
		Chairman	Vice Chairman	President	Vice President	Holdings' Executive Officers	Outside Directors	Audit & Supervisory Board Members		
Sustainability Committee	Vice President Higuchi	●	●	●	●	●	●	●	3 times	<ul style="list-style-type: none"> Release of policies for approaching sustainability issues Development of products and services driven by CSV initiatives and their revision progress Issues in promoting women empowerment in D&I initiatives, and future actions
Quality Improvement and Compliance Committee	CRO Ohkawabata				●	●	●	●	5 times	<ul style="list-style-type: none"> Speak-up system operation status and improvements for the future Cybersecurity readiness assessment and enhancement "Customer-focused" business operation status Assessment of compliance system
Digitalization Promotion Committee	CDO, CIO, and CISO Ippongi	●	●	●	●	●		●	4 times	<ul style="list-style-type: none"> Adjusting to environmental changes brought about by the COVID-19 pandemic Trends in data business and actions oriented toward future deployment
Group System Committee	CDO, CIO, and CISO Ippongi				●			●	18 times	<ul style="list-style-type: none"> Large- scale system development project status Next-generation IT development and system expense reduction actions System failure occurrence status and quality assurance status
Group International Business Committee	Vice President Higuchi	●	●	●	●			●	3 times	<ul style="list-style-type: none"> Foreign business positioning and medium- to long- term strategy direction Monitoring on Group governance related monitoring Overseas business investments
Group Management and Monitoring Committee*1	Vice President Higuchi				●	●		●	Preliminary meetings: 12 times Follow-up meetings: 6 times	<ul style="list-style-type: none"> Receives reports regarding agenda items for the Board of Directors and Management Committees of Group domestic insurance companies and assesses financial soundness, risk management, business appropriateness, etc.
ERM Committee*2	Vice President Higuchi CRO Ohkawabata				●	●		●	9 times	<ul style="list-style-type: none"> Handled issues regarding natural disaster risk management Stress test results and follow-up scenario selection Group company asset management and asset management risk status

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Corporate Governance System and Initiatives

Skills Matrix of Directors, Audit & Supervisory Board Members, and Executive Officers

In order to promote debate from diverse viewpoints in our efforts to reach the goal of achieving growth strategy for the MS&AD Group, the Group deliberated regarding skills necessary to assure the effectiveness of the Board of Directors (knowledge, experience, and capability), and from the standpoint of supervising the decisions made and execution of duties on matters required for management strategy, we set forth the following.

(1) Base skills that are generally required
“Corporate management,” “human resources and human asset development,” “legal affairs and compliance,” “risk management,” and “finance and accounting”

(2) Skills complementing the fact that the core business of the MS&AD Group is insurance, and that we engage in business globally
“Insurance business” and “internationality”

(3) Skills that take into account our current business environment and that are necessary to address business reform and issues considered important by the market
“IT and digital” and “sustainability”

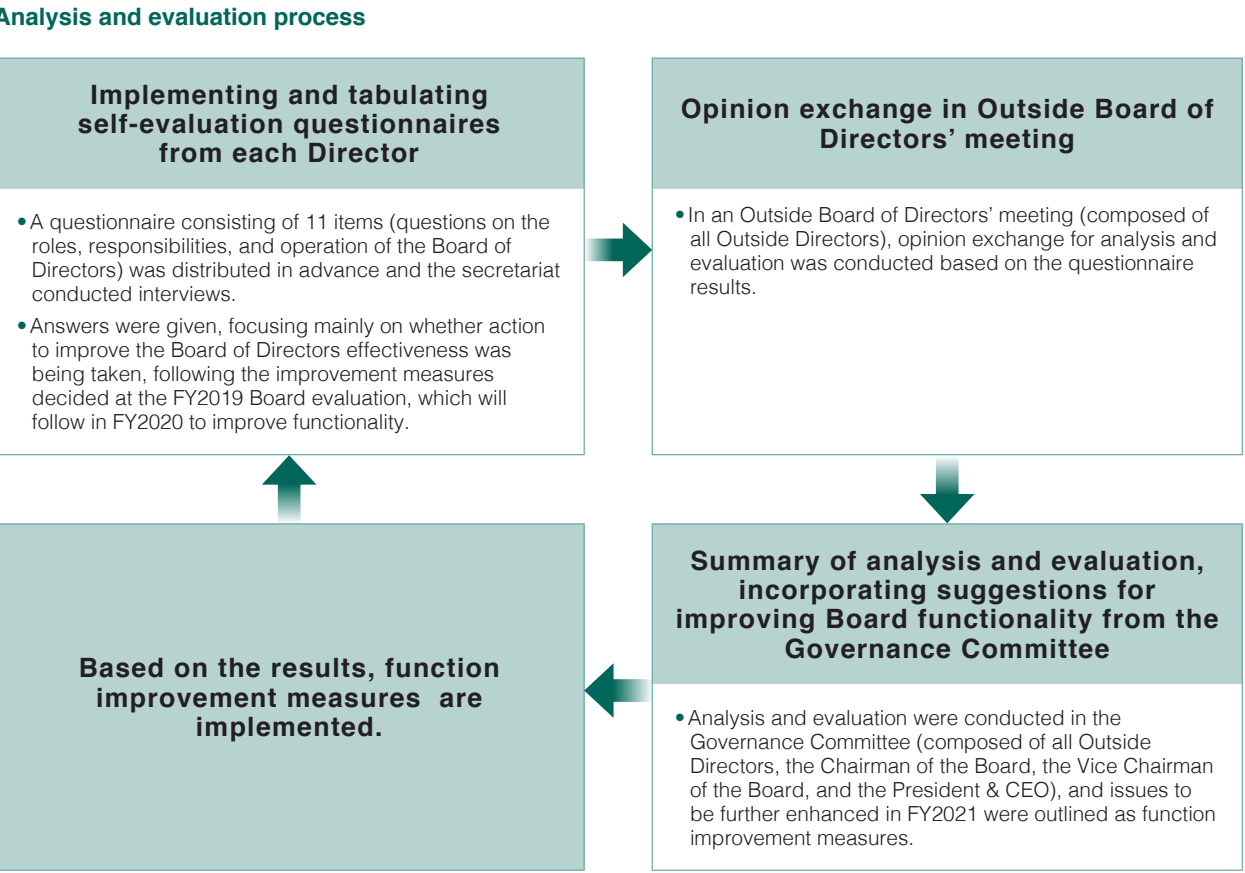
Furthermore, regarding Audit & Supervisory Board Members, we also consider “finance and accounting” to be important skills.

Corporate Officer	Skill								
	Corporate Management	Internationality	IT and Digital	Sustainability	Human Resources and Human Asset Development	Legal Affairs and Compliance	Risk Management	Finance and Accounting	Insurance Business
Director Karasawa	●	●		●	●	●	●	●	●
Director Kanasugi	●	●		●	●	●			●
Director Hara	●	●		●	●		●		●
Director Higuchi	●	●	●	●	●	●	●	●	●
Director Fukuda					●	●			●
Director Endo	●		●	●	●	●	●	●	●
Outside Director Bando	●	●		●	●	●			
Outside Director Arima	●	●	●	●	●				
Outside Director Tobimatsu		●				●			
Outside Director Kopp	●	●		●	●				
Auditor Jinno						●	●	●	●
Auditor Suto							●	●	●
Outside Auditor Chiyoda		●						●	
Outside Auditor Uemura						●			

Additionally, we have installed an executive officer system. The skills for Executive Officers who are not Directors are as follows.

Executive Officer Ohkawabata	●				●	●	●	●	●
Executive Officer Funabiki	●	●	●	●	●				●
Executive Officer Motojima	●			●	●				●
Executive Officer Goto		●				●	●	●	●
Executive Officer Ippongi	●		●	●					●
Executive Officer Niiro		●		●	●				●
Executive Officer Hitotsuyanagi					●	●			●
Executive Officer Kawate	●	●					●		●
Executive Officer Shimazu		●	●	●	●	●	●		●

Evaluation of Board of Directors Effectiveness and the Analysis Process



Analysis and assessment of the Board of Directors' effectiveness

Evaluation results	<ul style="list-style-type: none">• Concerning management strategy, opportunities and time for discussion are sufficiently secured, and constructive discussions are being held to improve corporate value over the medium to long term.• Employee awareness survey results are periodically reported to the Board of Directors, and the status of the permeation of the Group's Mission, Vision, and Values is being appropriately supervised.• In contests that award superior initiatives undertaken by employees aimed at resolving sustainability issues, the range of employee applications is broadening and the number of applicants is also increasing, showing that we are effectively increasing sustainability awareness among employees.• The Board of Directors' meetings are operated in such a way as to ensure that discussions at the meetings are conducted efficiently and effectively by distributing materials prior to the meetings, going paperless, and providing explanations in advance.• Opportunities for training among Outside Directors are fully provided, and understanding among them is deepening.
Points requiring further reinforcement	<ul style="list-style-type: none">• In preparation for drafting the next medium-term management plan, strategic discussions will be held using opportunities other than Board of Directors' meetings.• We will communicate the specific details and results of initiatives to address sustainability issues in an easy-to-understand manner, both internally and externally, with a focus on the top priority issue of climate change risk.• We will continue to work on improving the sophistication of agenda management, with efforts such as simplifying and compacting materials to clarify the issues on the agenda.

Corporate Governance System and Initiatives

Efforts Aimed at Improving the Operation of the Board of Directors

Number of agenda items

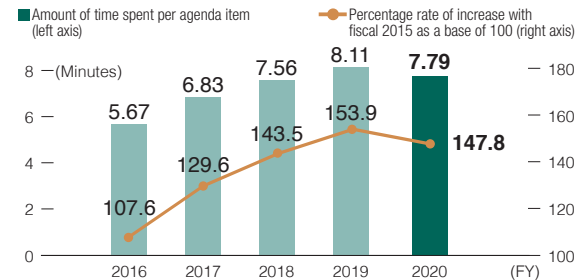
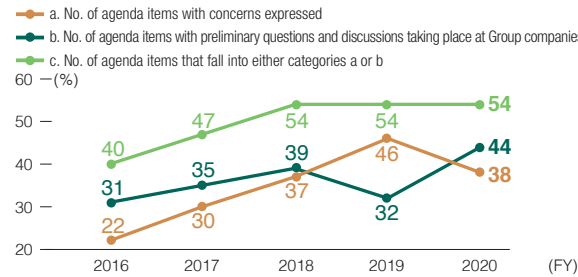
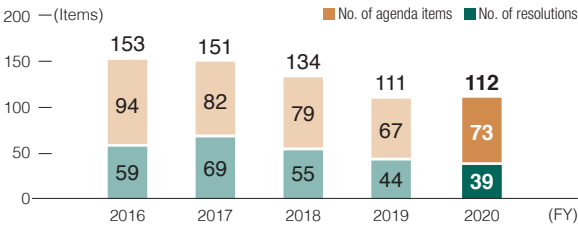
- Thanks to the introduction of the package deliberation system simplifying the explanation for some of the items up for discussion, the number of agenda items, excluding package agenda items, continues to follow a declining trend.
- Furthermore, the revision of item selection standards for the Board of Directors enables us to ensure sufficient time for important matters.

Assessing the presence of preliminary questions

- We are implementing initiatives to present at the Board of Directors' meetings the opinions and questions raised in advance by Outside Directors and the discussion content from the Group Management Committee and management meetings at operating companies.
- In FY2020, to prevent the spread of COVID-19, all Board of Directors' meetings were held in an online meeting format. Efforts were made to operate the meetings more effectively by collecting questions in advance whenever possible, which was reflected in the increase of agenda items regarding preliminary questions.

Average amount of time per agenda item

- The average amount of time spent per each agenda item is in an increase trend. However, we believe this is due to the high quality of debates, achieved by narrowing down the agenda.
- In FY2020, it decreased slightly compared to the previous year, but we believe that this reflects our efforts to operate more efficiently, such as by increasing the number of questions asked in advance through the online meeting format.



Remuneration Plan Targeting Strengthened Governance

Basic Policy

- Our aim is to enhance Group governance and medium- to long-term corporate value
- The remuneration plan for Directors and Audit & Supervisory Board Members is now linked to the business performance of the Company to serve as an appropriate incentive for sustainable growth.
- The remuneration standard set allows us to be competitive as a global company.

The Process for Determining Remuneration

Remuneration for Directors

- Upon deliberation by the Remuneration Committee, which comprises a majority of Outside Directors so as to achieve transparency, a resolution is made at the Board of Directors and an amount that does not exceed that determined by the Shareholders' Meeting is decided upon.
- The Remuneration Committee advises the Board of Directors regarding policies and other matters pertaining to determining the amount of Directors' remuneration and Executives' remuneration.
- The Board of Directors will to the maximum extent possible adhere to the advice provided by the Remuneration Committee. Furthermore, the amount of remuneration will be determined after assessing whether it is in line with the remuneration system decided through a Board of Directors resolution.

Remuneration for Audit & Supervisory Board Members

- Without exceeding the amount determined by resolution at Shareholders' Meetings, remuneration for Audit & Supervisory Board Members is determined with consideration to the differences of being either full time or part time, their burden with regard to auditing tasks, and reference to details and levels of compensation made to Directors, as well as consultations provided by Audit & Supervisory Board Members.

Composition of remuneration

- Fixed remuneration is set separately for each role, and performance-linked remuneration is determined considering company business performance.

	Fixed remuneration	Performance-linked remuneration	
		Monetary remuneration	Stock-based remuneration
Directors (excluding Outside Directors)	●	●	●
Outside Directors	●	-	-
Audit & Supervisory Board Members	●	-	-

- The standard structure ratio for executive remuneration is as follows, based on role.

President and CEO:

The ratio of performance-linked remuneration is set to be higher than other roles.



Performance index, etc. related to performance-linked remuneration

- Performance-linked remuneration is linked to business performance, and is determined based on both financial and non-financial indicators.
- Financial and non-financial indicators are selected corresponding to the Group's medium-term management plan, "Vision 2021." The indicators and reasons for selection are as follows.

Evaluation items		Selection reasons
Financial indicators (single fiscal year performance)	<ul style="list-style-type: none">● Group Adjusted Profit● Consolidated net income● Group Adjusted ROE	These indicators were selected considering that the Group's medium-term management plan, "Vision 2021," sets numerical targets for Group Adjusted Profit and Group Adjusted ROE, and that consolidated net income is an important performance index for the Group.
Non-financial indicators (medium to long term)	Sustainability <ul style="list-style-type: none">● Key sustainability issues<ul style="list-style-type: none">● 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"● Quality that earns the trust of society● Management platforms that enable employees to play active roles	In "Vision 2021," we identified the key sustainability issues and selected non-financial indicators as evaluation items for CSV (creating shared value), in addition to "quality that earns the trust of society" and "management platforms that enable employees to play active roles."
	Key strategy <ul style="list-style-type: none">● Pursue the Group's comprehensive strengths● Promote digitalization● Reform the portfolio	Since the three items on the left are designated as key strategies in Vision 2021, they were selected as evaluation items for non-financial indicators.

- In the calculation of performance-linked remuneration, the standard ratio of financial indicators to non-financial indicators is 50:50.
- Regarding the application coefficient, financial indicators vary in a range of 0–3.0 and non-financial indicators vary in a range of 0.5–1.5 for a standard of 1.0.
- For performance-linked remuneration, monetary remuneration and stock-based remuneration are each calculated as specified below, based on the base amount for each role.
Monetary remuneration: Base amount for each role x company business performance coefficient (financial indicators x 80% + non-financial indicators x 20%)
Stock-based remuneration: Base amount for each role x company business performance coefficient (financial indicators x 20% + non-financial indicators x 80%)
- Monetary remuneration is set to more accurately reflect the performance of a single fiscal year by placing a higher percentage of financial indicators than non-financial indicators.
- By increasing the ratio of non-financial indicators to financial indicators, stock-based compensation is set to more accurately reflect the evaluation of initiatives that contribute to the enhancement of corporate value over the medium to long term.

Financial Indicators (Fiscal 2020)

	Results	Plan	Difference
Group Adjusted Profit	¥214.6 billion	¥204.4 billion	104.9%
Consolidated net income	¥144.3 billion	¥136.1 billion	106.0%
Group Adjusted ROE	6.7%	6.8%	−0.1 points

Non-Financial Indicators (Fiscal 2020)

Evaluation items	Evaluation results
Sustainability	As a result of the evaluation based on the following perspectives and other factors, the evaluation was on par with the standard. <ul style="list-style-type: none">● Development and supply of products and services tailored to new risks and business● Development and supply of products and services that contribute to accident prevention and safe driving● Customer satisfaction etc.
Key strategies	As a result of the evaluation based on the following perspectives and other factors, the evaluation was on par with the standard. <ul style="list-style-type: none">● Promotion of synergistic actions utilizing the know-how companies within the Group (products, claim services, etc.)● Progress in digitalization efforts● Portfolio reform etc.

Corporate Governance System and Initiatives

Total amount of remuneration (FY2020)

Total remuneration by category, total amount by type of remuneration and number of applicable corporate officers (¥ million)

Corporate officer category	No. of corporate officers	Total remuneration	Total amount of remuneration by category		
			Fixed remuneration	Performance-linked remuneration	
				Monetary remuneration	Stock-based remuneration
Directors (Excluding Outside Directors)	10	237	148	50	38
Audit & Supervisory Board Members (Excluding Outside Audit & Supervisory Board Members)	2	56	56	–	–
Outside Directors/Audit & Supervisory Board Members	8	94	94	–	–

Total amount of consolidated remuneration, etc., of those whose total amount of consolidated remuneration, etc., is ¥100 million or more (¥ million)

Name	Corporate officer category	Company category	Total remuneration	Total amount of remuneration by category		
				Fixed remuneration	Monetary remuneration	Stock-based remuneration
Yasuyoshi Karasawa	Director	Submitting company	132	27	13	13
	Director	Mitsui Sumitomo Insurance Co., Ltd.		39	18	19
Yasuzo Kanasugi	Director	Submitting company	126	21	8	8
	Director	Aioi Nissay Dowa Insurance Co., Ltd.		42	22	22
Noriyuki Hara	Director	Submitting company	132	24	10	10
	Director	Mitsui Sumitomo Insurance Co., Ltd.		42	21	22

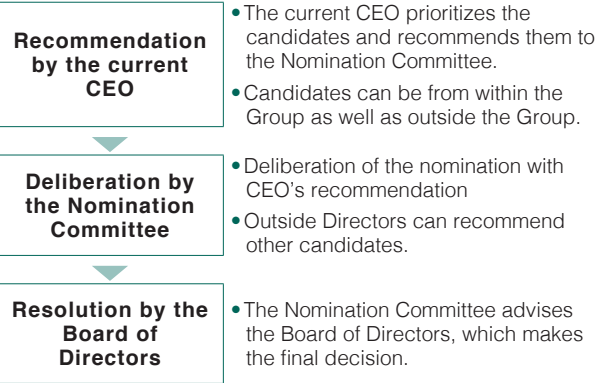
CEO Succession Plan

- A succession plan was formulated upon having defined one of the key management issues as the selection and dismissal of the CEO, as well as the fostering of successors, with the aim of achieving sustainable growth and enhancing the corporate value of the Group.

Criteria for CEO selection

- Ability to embody the Group's Mission, Vision and Values and having the concept of CSV (Creating Shared Value) in his/her own system of values
- Ability to plan and build future visions
- Fairness and impartiality
- Ability to develop human assets
- Ability to demonstrate leadership
- Global response capability
- Acting in the Group's best interest

CEO selection process



Development plan for CEO candidates

- The CEO plays an important role and is able to mentor numerous candidates. The candidates (from within the Group) should have the following experience:
 - Experience across departments (administration, operations, international, sales, claims services, systems and others)
 - Management at a domestic company and/or an overseas subsidiary


CEO dismissal process

- When an Outside Director deems it necessary to discuss dismissal, such as when the CEO is subject to the prohibitions stipulated in the Executive Officers Rules (violating obligations set forth in the Companies Act and other laws and regulations or company regulations, etc.) or when it is determined that it is difficult for the CEO to properly continue his/her duties due to health reasons or other reasons, the Outside Director shall deliberate on his/her own initiative with members of the Nomination Committee excluding the CEO. Based on the results of the deliberation, necessary procedures are carried out in accordance with the Companies Act and internal regulations.
- Directors who are not Outside Directors may request a meeting of the Board of Directors to be convened in accordance with the Rules of the Board of Directors and submit proposals for dismissal of Directors at the Shareholders Meeting.

Our Management Team

(As of June 28, 2021, except for the number of Company shares owned, which is as of the end of March 2021)

Directors



Yasuyoshi Karasawa
Chairman & Director,
Chairman Executive Officer

Number of Company shares owned
35,940

Important concurrent positions
Advisor, Mitsui Sumitomo Insurance Co., Ltd. (MSI)

Biography
April 1975 Entered Sumitomo Marine and Fire Insurance Co., Ltd.
Has business experience in corporate planning, sales, corporate communications, financial planning, etc.
Present position since June 2020




Yasuzo Kanasugi
Representative Director
Vice Chairman & Director,
Vice Chairman Executive Officer

Number of Company shares owned
43,504

Important concurrent positions
Director and President, Aioi Nissay Dowa Insurance Co., Ltd. (ADI)

Biography
April 1979 Entered Dai-Tokyo Fire and Marine Insurance Co., Ltd.
Has business experience in human resources, sales, corporate planning, merger preparation, etc.
Present position since June 2020




Noriyuki Hara
Representative Director
President & CEO

Number of Company shares owned
33,740

Important concurrent positions
Director, Chairman of the Board, MSI

Biography
April 1978 Entered Taisho Marine and Fire Insurance Co., Ltd.
Has business experience in market development, sales, product operations, corporate planning, etc.
Present position since June 2020




Tetsuji Higuchi
Representative Director
Executive Vice President

Number of Company shares owned
15,663

Important concurrent positions
–

Biography
April 1984 Sumitomo Marine and Fire Insurance Co., Ltd.
Has business experience in sales, product operations, human resources, corporate planning, etc.
Present position since April 2021




Masahito Fukuda
Director
Executive Officer

Number of Company shares owned
18,463

Important concurrent positions
Director, and Executive Vice President, Mitsui Sumitomo Insurance Co., Ltd.

Biography
April 1981 Taisho Marine and Fire Insurance Co., Ltd.
Has business experience in sales, human resources planning, compliance, corporate quality control, etc.
Present position since June 2020



Takaoki Endo
Director
Executive Officer

Number of Company shares owned
8,007

Important concurrent positions
Director, Senior Executive Officer, ADI

Biography
April 1983 Entered Chiyoda Fire & Marine Insurance Co., Ltd.
Has business experience in corporate planning, sales, etc.
Present position since June 2021



Mariko Bando
Outside Director
Chairperson of
Remuneration Committee

Attendance record
12/12 (100%)

Number of Company shares owned
4,700

Reasons for appointment and expected role
She previously served in such positions as Director General of the Gender Equality Bureau of the Cabinet Office and President of Showa Women's University. We nominated her for her broad knowledge and experience in public administration, education, and diversity, and to provide advice and supervise the execution of duties by Directors in the area of the promotion of diversity.

Important concurrent positions
Chancellor and Chairperson of the board, Showa Women's University
Outside Director, Mitsubishi Research Institute, Inc.

Jul. 1969	Entered the Prime Minister's Office
Oct. 1985	Counsellor of Cabinet Secretariat, Councllor of Cabinet Secretariat
Jul. 1989	Director of Consumer Statistics Division, Statistics Bureau, Management and Coordination Agency
Jul. 1994	Director of Gender Equality Bureau, Cabinet Secretariat
Apr. 1995	Vice-Governor of Saitama Prefecture
Jun. 1998	Consul General of Japan in Brisbane, Australia
Jan. 2001	Director General of Gender Equality Bureau, Cabinet Office
Oct. 2003	Director, Incorporated Educational Institution, Showa Women's University
Apr. 2007	President, Showa Women's University
Apr. 2014	Chancellor, Incorporated Educational Institution, Showa Women's University (present)
Jul. 2016	Chairperson of the board, Showa Women's University (present)
Jun. 2017	Director, the Company (present)



Akira Arima
Outside Director
Chairperson of Nomination Committee

Attendance record
12/12 (100%)

Number of Company shares owned
900

Reasons for appointment and expected role
He previously served in such positions as Director of Nippon Telegraph and Telephone Corporation and President, Chief Executive Officer, Representative Director, of NTT Communications Corporation. We nominated him for his broad knowledge and administrative experience in the information and communication business, and to provide advice and supervise the execution of duties by Directors in the areas of promoting digitalization and global management.

Important concurrent positions
–

Apr. 1973	Entered Nippon Telegraph and Telephone Public Corporation
Jun. 2002	Director and General Manager of Planning Dept., Nippon Telegraph and Telephone East Corporation
Apr. 2003	Director and General Manager of Corporate Planning Dept., Nippon Telegraph and Telephone East Corporation
Jun. 2005	Director, Nippon Telegraph and Telephone Corporation
Jun. 2007	Executive Vice President and Head of the Internet Business Division, NTT Communications Corporation
Jun. 2010	President, Chief Executive Officer, Representative Director, NTT Communications Corporation
Jun. 2015	Director and Advisor, NTT Communications Corporation
Jun. 2017	Advisor, NTT Communications Corporation (present)
Jun. 2018	Director, the Company (present)

Our Management Team



Junichi Tobimatsu

Outside Director
Chairperson of
Governance Committee

Attendance record
12/12 (100%)
Number of Company shares owned
0
Reasons for appointment and expected role
He has a wealth of knowledge and experience concerning overall corporate legal affairs including those of overseas companies as an attorney-at-law. We nominated him to provide advice and supervise the execution of duties by Directors in relation to ensuring the soundness of the Group's management.
Important concurrent positions
Partner, Gaien Partners
Outside Director of amana inc.
Outside Director of AI, Inc. (Audit Committee)
Outside Auditor of CANDEAL Co., Ltd

Apr. 1998	Registered as Attorney-at-Law, Mori Sogo (currently, Mori Hamada & Matsumoto)
Jun. 2004	Registered as Attorney-at-law in New York.
Apr. 2010	Associate Professor, Graduate School of Law and Political Science, the University of Tokyo
Jul. 2016	Attorney-at-law, Tobimatsu Law (currently, GAIEN PARTNERS) (present)
Jun. 2018	Director, the Company (present)



Rochelle Kopp

Outside Director

Attendance record
10/10 Board of Directors' meetings (100%)
Number of Company shares owned
0
Reasons for appointment and expected role
Ms. Rochelle Kopp has a wealth of knowledge and experience as a management consultant in the field of cross-cultural communication. We propose to appoint her Outside Director to provide advice and supervise the execution of duties by Directors in relation to the global expansion of the Group.
Important concurrent positions
Managing Principal, Japan Intercultural Consulting

Jun. 1986	Business analyst, ZS Associates International, Inc.
Jun. 1987	Senior business analyst, ZS Associates International, Inc.
Aug. 1988	International Public Relations Specialist, The Yasuda Trust & Banking Co., Ltd. (currently, Mizuho Trust & Banking Co., Ltd.)
Oct. 1992	Consultant, IPC Group, Inc.
Jul. 1994	Managing Principal, Japan Intercultural Consulting (present)
Jan. 2015	Professor of Global Leadership Course, Business BreakThrough University
Apr. 2019	Professor of Faculty of Foreign Studies, The University of Kitakyushu
Jun. 2020	Director, the Company (present)



Kunio Chiyoda

Outside Audit &
Supervisory Board
Member

Attendance record
Board of Directors' meetings 11/12 (91.7%)
Audit & Supervisory Board meetings 10/11 (90.9%)
Number of Company shares owned
4,200
Reasons for appointment
As an accounting and auditing professional, he has served as a university professor and public-institution committee member, etc., and we expect him to draw mainly on his background as an accountant to express his views and provide advice on accounting and auditing on the Board of Directors and elsewhere.
Important concurrent positions
Director, Terasaki Electric Co., Ltd.
(Outside Director, Audit and Supervisory Committee Member)
Director, Seiwa Electric MFG Co., Ltd.
(Outside Director, Audit and Supervisory Committee Member)

May. 1971	Registered as Certified Public Accountant
Apr. 1976	Assistant Professor, College of Business Administration, Ritsumeikan University
Apr. 1984	Professor, College of Business Administration, Ritsumeikan University
Apr. 1999	Dean of College of Business Administration, Member of the Board, Ritsumeikan University
Apr. 2009	Professor, Graduate School of Accountancy, Kumamoto Gakuen University
Apr. 2012	Professor of Graduate School of Accountancy, Waseda University
Apr. 2013	Chairperson, Certified Public Accountants and Auditing Oversight Board
Jun. 2016	Audit & Supervisory Board Member, the Company (present)



Kyoko Uemura

Outside Audit &
Supervisory Board
Member

Attendance record
Board of Directors' meetings 12/12 (100%)
Audit & Supervisory Board meetings 11/11 (100%)
Number of Company shares owned
500
Reasons for appointment
As a legal expert, she previously served as a judge and practices law as an attorney-at-law, etc., and we expect her to utilize that wealth of knowledge and experience to express her views on the Board of Directors and elsewhere.
Important concurrent positions
Attorney-at-Law, Miyama, Koganemaru & Associates
Outside Director of SoftBank Corp.
Director, Mabuchi Motor Co., Ltd.
(Outside Director, Audit and Supervisory Committee Member)

Apr. 1994	Assistant Judge, Osaka District Court
Apr. 2004	Judge, Numazu Branch, Shizuoka Family Court
Apr. 2005	Judge, Yokohama District Court
Apr. 2008	Admitted as Attorney-at-Law, LM Law Offices
Jun. 2017	Audit & Supervisory Board Member, the Company (present)
Oct. 2018	Attorney-at-Law, Miyama, Koganemaru & Associates (present)

Audit & Supervisory Board Members



Hidema Jinno

Audit & Supervisory Board
Member (Full time)

Number of Company shares owned
13,332
Important concurrent positions
-

April 1985	Entered Sumitomo Marine and Fire Insurance Co., Ltd.
Apr. 2015	Executive Officer, General Manager of Corporate Risk Management Dept., the Company
Apr. 2019	Executive Officer, the Company
Jun. 2019	Audit & Supervisory Board Member, the Company (present)



Atsuko Suto

Audit & Supervisory Board
Member (Full time)

Number of Company shares owned
179
Reasons for appointment
In addition to possessing certification for actuaries, she has a wealth of business experience in areas involved in risk management and accounting, and we would like her to reflect this background in auditing of the Company.
Important concurrent positions
-

April 1990	Entered Dai-Tokyo Fire and Marine Insurance Co., Ltd.
April 2020	Administrative Director, General Manager of Accounting Dept., ADI
April 2021	Advisor, ADI
Jun. 2021	Audit & Supervisory Board Member, the Company (present)

Executive Officers

Chairman of the Board

Yasuyoshi Karasawa

Vice Chairman of the Board

Yasuzo Kanasugi

President & CEO

Noriyuki Hara

Executive Vice President, CFO

Tetsuji Higuchi

Corporate Planning Dept., Information Technology Planning Dept., Business Development Dept., Corporate Communications and Investor Relations Dept., International Supervisory Dept., International Life Insurance Business Dept., Data Management Dept., Internal Audit Dept.,*
Capital Policy, Sustainability

Senior Executive Officer, CRO

Fumiaki Ohkawabata

Human Resources and General Administration Dept., Accounting Dept., Compliance Dept., Corporate Risk Management Dept., Internal Audit Dept.,

Executive Officers

Shinichiro Funabiki

Assist Management

Naomi Motojima

Diversity & Inclusion

Masahito Fukuda

Sales

Hitoshi Goto

Asset Management, Financial Services Business

Takaoki Endo

Assist Management

Masashi Ippongi

Administration and Information Systems, CDO, CIO, and CISO

Keisuke Niiro

Underwriting & Reinsurance

Wakana Hitotsuyanagi

Claims Services

Tamaki Kawate

International Business

Tomoyuki Shimazu

Assist Management

* Executive Vice President Tetsuji Higuchi heads internal audits for the departments under Senior Executive Officer Fumiaki Ohkawabata.

For more information related to corporate governance, see the Group's official website.

- Corporate Governance (<https://www.ms-ad-hd.com/en/group/value/corporate.html>)
- Basic Policies on Corporate Governance • Corporate Governance Stance • Supervision System (Board of Directors)
- Support Systems for Outside Directors and Outside Audit & Supervisory Board Members
- Auditing • Nomination and Remuneration • Remuneration Committee
- Criteria for the Selection of Board Members and for the Independence of Outside Directors and Outside Audit & Supervisory Board Members
- Appointment of Outside Directors and Outside Audit & Supervisory Board Members and Related Matters

Message from an Outside Director



Junichi Tobimatsu
Outside Director
(Independent Director)

Q1 | How would you evaluate the Company's Board of Directors?

Since MS&AD is a holding company with two non-life insurance companies at its core, before my appointment I expected that the Board of Directors would probably operate with the emphasis on striking a good balance between the two companies. However, I was pleasantly surprised to find that, in actual fact, discussions focused on strategy for the Group as a whole with no particular distinction being drawn between the individual companies. When I listen to the discussion at Board of Directors meetings, I never get a sense of the internal director's particular background in terms of which of the two non-life insurance companies they came from, so my impression is that integration within the Group is well advanced. Partly thanks to the Chairman's presiding style, discussions at the Board meetings progress in an informal atmosphere that allows everyone to speak their mind openly. Among the Outside Directors, I think Ms. Kopp's presence on the Board has brought us contributions from a more global perspective, while Mr. Arima is able to give accurate advice on promoting digitalization, and Ms. Bando provides insights into how to promote initiatives of CSV and D&I. In this way, the Board meetings have had discussions from a variety of perspectives by the richly diverse membership. The revision of the Corporate Governance Code means that a skills matrix of the directors is now required, and I think that the composition of the Board of Directors of MS&AD Holdings represents a good balance. Thanks to the careful advance briefings we receive from the secretariat, everyone can join in the lively exchange of opinions based on an understanding of the agenda items. There are really no taboos when it comes to important management issues such as

improving the profitability of MS Amlin or the delay in core systems development, which we have been discussing. I also sense that at the Board meetings, there are multifaceted discussions on the mid-term management plan "Vision 2021" such as the specific targets and the framework for the Directors' remuneration plan after sharing the Group's aspirations.

Q2 | How do you evaluate the Group's response to the spread of COVID-19?

We have had countless discussions at Board meetings on how the MS&AD Group should confront COVID-19 given its aim of realizing a resilient and sustainable society. In the end, the impact on business performance was successfully minimized in fiscal 2020, but I think a true evaluation of the response to COVID-19 may only just be beginning. On the Board of Directors, we, of course, discussed the risk of negative impacts on business performance, for instance from a rise in insurance claims payments or a decline in the number of new policies. However, we also frequently took a positive approach, for instance when we discussed initiatives to anticipate social change, such as offering insurance products in response to the new risks arising from the spread of teleworking.

It is said that risks have become more diverse over the last ten years. As we have seen with COVID-19, but also with the advances made in autonomous driving and the development of information technology, risks other than those previously envisaged can emerge suddenly. I think that insurance companies must be able to adapt to such eventualities.

Q3 | This is the final year of the medium-term management plan, "Vision 2021." How do you evaluate its progress?

Looking at the progress of "Vision 2021," although we have had to deal with the unforeseen impact of COVID-19, I would say overall that we are now in a position to meet many of its targets. However, I am aware that improvement of ROE remains an issue, and it is important that we make solid progress toward meeting the fiscal 2021 target of ¥300 billion for Group Adjusted Profit. On the other hand, I think that placing the concept of creating shared value at the core of business activities has enabled us to intensify initiatives for transformation of the insurance business. Essentially, insurance is a business that creates social value by identifying a potential market demand in the risks people face and then offering solutions. In that sense, there is a strong affinity between the CSV concept and the insurance business. The CSV x DX strategy seeks to resolve social issues through the power of digital technology. I think that the timing of rolling out this strategy is great, but it is more important how to make it concrete.

Q4 | What is your opinion of the MS&AD growth strategy?

When MS&AD is compared with other non-life insurance groups in Japan, the focus is always on how business integration should be. We have had countless discussions on the Board of Directors about the reorganization by function. My personal opinion is that there is still at present great benefit to having two companies with different characters and different markets coexisting as a non-life insurance business. On the other hand, the low level of ROE is an issue to be dealt with, and there is also the view that if we continue to pursue further growth and efficiency while retaining the structure based on the two core non-life insurance companies, there will still be room for further cost reduction and sustained growth. Whatever about the future, I think that retaining the two-company structure is not a negative at the present time. On another point, instead of just comparing with other Japanese non-life insurance groups, it is important to make rapid progress toward an organization that will place us in the same league as major overseas insurance groups. There is a wide range of possible paths for expansion into overseas markets, and M&A is one of them. My impression as an attorney speaking from a general viewpoint is that when a Japanese business enterprise acquires an overseas company, rather than pushing for integration, it tends to show enormous respect for the autonomy of the local operation. Although this approach offers many advantages, there are a growing number of cases where giving too much free rein to the acquired company has led to unforeseen risks emerging later on. Assessing the value of the company prior to acquisition is a key process, but it is also very important to focus on integration after the acquisition so that the group unity is maintained at the same time as strategic business

development is implemented. With that in mind, headquarters and the acquired company should raise the quantity and quality of communication and engage in mutual contacts between staff and at other levels. That way, they will foster a corporate culture that emphasizes working together as a unified group, whether the member company is in Japan or overseas. Promoting female career development is naturally important, but I think that we should also promote diversity from a global perspective. I think that achieving worldwide recognition not as a Japanese business enterprise but as a global business enterprise will make MS&AD more attractive as an investment target.

Q5 | What are your expectations for MS&AD going forward?

Society is changing very rapidly. As a consequence, I think that the business portfolio needs to be reformed at a faster pace than was envisaged at the time when "Vision 2021" was formulated. Having a stable basis in the domestic market, I believe that we need to shift the focus of growth to the overseas market and introduce bold changes to create an earnings structure no longer reliant on automobile and fire insurance alone. To do that, we need to consider what strategy MS&AD should take while taking into account trends in global peers. By increasing its presence in the global market, MS&AD will increase its value as an investment. In addition to restoring the profitability of MS Amlin and benefiting from a growth bonus in the Asian market, where MS&AD is strong, going forward I want to see the Group looking to the U.S. market and developing initiatives to raise its international business to the next level. Looking at the insurance business going forward, we will see classic products such as automobile and fire insurance being marketed through digital platforms that offer greater convenience. At the same time, new types of business risk will present the opportunity to respond to more specific customer needs with an insurance business of high added value integrated with consultancy services. MS&AD needs to map out its Group growth strategy based on identifying the specific characteristics and needs of different regions and customers and keeping a close watch on trends in the global insurance business. In the future, I look forward to seeing MS&AD establish a firm position as a truly global business enterprise.

Appendix Supplementary Information

Basic Knowledge about the Insurance Industry

We have prepared this section as reference material to help readers gain a better understanding of the insurance industry and the Company's business operations and business strategies. We are striving to provide accurate and fair information, but we cannot guarantee the content of this section.

▶ Non-Life Insurance Industry

■ Market Overview

About ¥8.6 Trillion

The Japanese non-life insurance industry's market scale in terms of net premiums written was ¥8,609.4 billion in fiscal 2019 (based on member companies of the General Insurance Association of Japan).

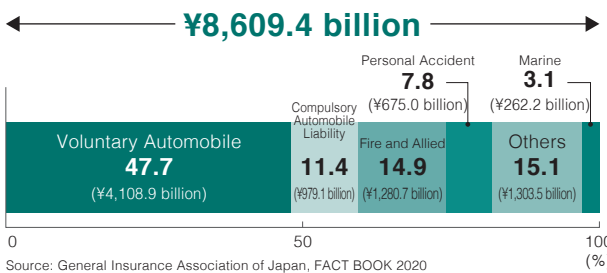
Automobile-Related Insurance Accounts for 60%

Together, voluntary automobile insurance (47.7%) and compulsory automobile liability (11.4%) account for about 60% of the market.

Market share of MS&AD Insurance Group

As of July 2020, there were 53 companies engaged in the non-life insurance business in the Japanese domestic market (including 21 overseas non-life insurance companies). In terms of net premiums written, the MS&AD Insurance Group held a market share of approximately 33%.

Net Premiums Written by Class of Insurance (FY2019)



■ Types of Insurance and Related Trends

Covering Diverse Risks

We face diverse risks in our daily lives. Non-life insurance products can compensate for economic damages and human losses e.g., (the cost of treating injuries, etc.) caused by natural disasters and accidents.

Changing with the Times

Until the 1960s, the non-life insurance market was centered on fire and marine insurance products. With the subsequent rise in the number of automobiles in use, such automobile-related products as Voluntary Automobile Insurance and Compulsory Automobile Liability Insurance have become the main products in the market. In recent years, "others" insurance, such as Liability Insurance, has been growing strongly.

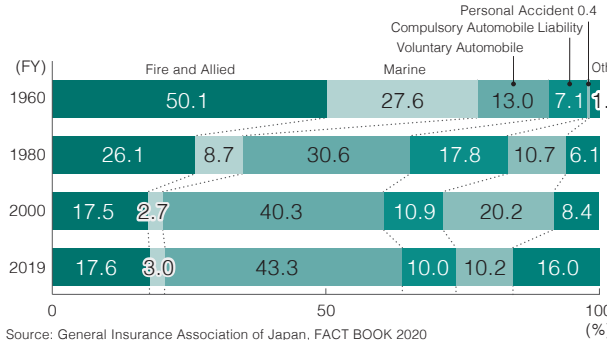
Trend of Increase in Earthquake Insurance

Residential earthquake insurance was developed in 1966, in response to the major earthquake that struck Niigata in Japan in 1964. The number of people obtaining residential earthquake insurance has been trending upward, and the penetration ratio of earthquake insurance in residential fire insurance policies has risen to 66.7% (at the end of FY2019).

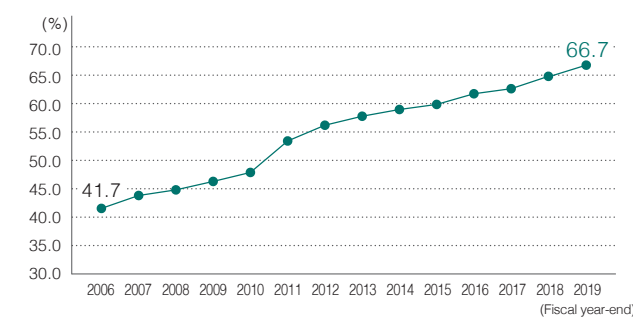
Residential Earthquake Insurance Operated in Collaboration with Government

It is difficult to forecast the damage that will occur in the event of an earthquake, so fire insurance by itself does not cover building fires and damage caused by earthquakes. To provide coverage for earthquake damage, the government and insurance companies collaborate to operate residential earthquake insurance, and there are no variations among insurance companies with respect to coverage of compensation and insurance premiums.

Composition of Net Direct Premiums Written by Class of Insurance



Trends in the Penetration Rate of Residential Earthquake Insurance



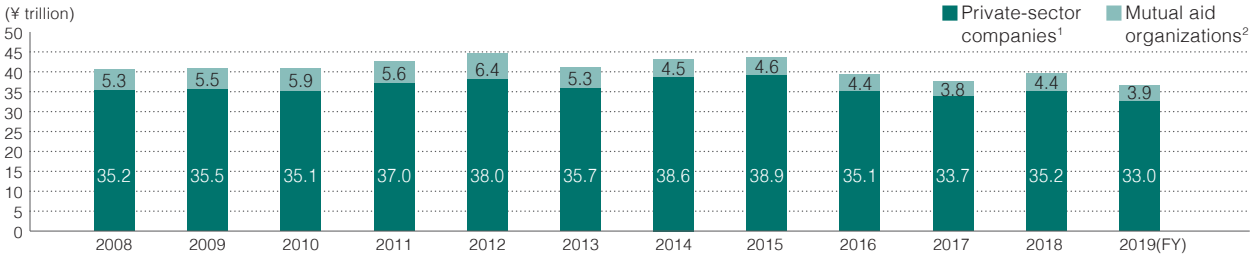
▶ Life Insurance Industry

■ Market Scale

Approximately ¥37 Trillion

The scale of the Japanese life insurance industry's market in terms of life insurance premiums and others in total is approximately ¥37 trillion, making it the world's second largest market, after that of the United States.

Scale of Japan's Life Insurance Market (Trends in Life Insurance Premiums)



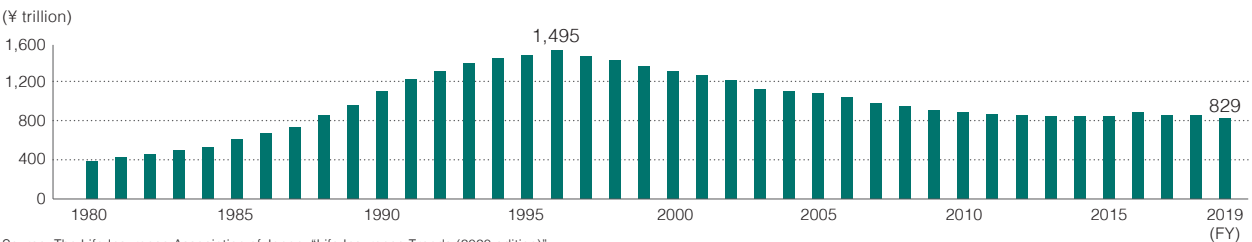
Sources: Prepared by MS&AD Holdings based on materials from the Life Insurance Association of Japan "Life Insurance Trends (2020edition)" and Japan Cooperative Insurance Association Incorporated "COOPERATIVE INSURANCE IN JAPAN FACT BOOK 2020."
1. Private-sector companies: Each corporate member of the Life Insurance Association of Japan. Figures represent premiums and others.
2. Mutual aid organizations: Each organization member of the Japan Cooperative Insurance Association Incorporated. Figures represent premiums and other insurance income received (total for life insurance and annuity insurance).

■ Trends in Types of Insurance

Decline in Big-Ticket Death Benefit Needs

The amount of policies in force for individual insurance has been trending downward since peaking in fiscal 1996. Behind this trend is a decline in big-ticket death benefit needs and a shift to third-sector products (medical and cancer insurance) needs.

Trends in Policies in Force (Individual Insurance)

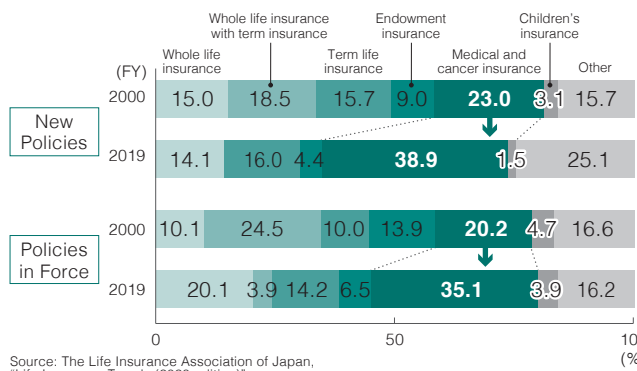


Third-Sector Products Become the Major Products

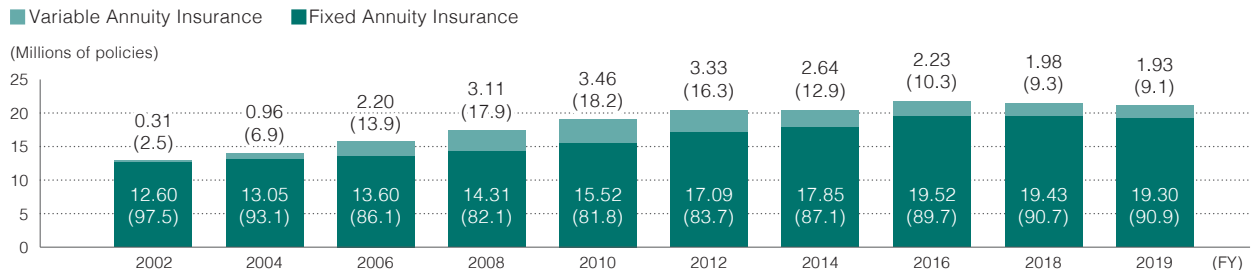
The share of medical and cancer insurance policies (third-sector policies) among the total number of new policies written for individuals has risen—from 23.0% in FY2000 to 38.9% in FY2019—and become the major life insurance product. In particular, the advent of a full-blown aging society in Japan will be accompanied by a rise in needs for nursing care insurance. In recent years, each life insurance company has been launching new nursing care insurance products that supplement public nursing care insurance system, which is not able to completely cover the expenses entailed by nursing care. Sales of individual annuity insurance began in earnest following the October 2002 lifting of the ban on marketing such products via banks. Growth in individual annuity insurance policies in force is now robust. Most recently, the number of policies written for "Tontine-type annuity" as insurance for longevity risk is also increasing.

*See the "Glossary of Insurance Terminology" (p. 115) for details.

Trends in Personal Life Insurance



Trends in Policies in Force for Individual Annuity Insurance by Type



► The Insurance Industry Trends and Changes in Japan

■ Environment of the Insurance Industry in Japan

Changes in the Macro Environment

As is the case with respect to other industries in Japan, the biggest change in the insurance industry's operating environment is the advent of aging and the population decline in Japanese society.

Natural Disasters

While natural disasters are a major risk factor in the insurance business, the existence of such disasters is also a factor that increases demand for insurance.

■ The Insurance Industry Following Financial Regulatory Liberalization

Regulatory Liberalization of the Non-Life Insurance Industry

The 1996 revision of the Insurance Business Act brought a shift away from the "convoy system" within the industry and toward liberalization offering a scope for new initiatives. In addition, in response to changes taking place in the insurance industry's operating environment (insurance product diversification, solicitation channel diversification and increasing agent size), the Insurance Business Act revision, which went into full effect in May 2016, included as its main points "the establishment of basic rules for insurance soliciting" and "the introduction of an obligation to put in place a system with respect to insurance solicitors (agents)."

Birth of the Three Mega Insurance Groups

Following the regulatory liberalization of 1996, a progression of mergers and business integrations among non-life insurance companies led to the emergence of the so-called three mega insurance groups – the MS&AD Insurance Group, the Tokio Marine Group and the Sampo Japan Nipponkoa Group (currently the Sampo Group).

Major Events Following Regulatory Liberalization

1996	April	Revision of the Insurance Business Act ■ Mutual entry into life and non-life insurance business ■ Reform of the rating organization system ■ Introduction of products and premium rates notification system, etc.
	October	Mutual entry into life and non-life insurance business by subsidiaries
1997	September	Approval of risk-subdivision-type automobile insurance
1998	July	Abolition of the obligation for members to use the premium rates calculated by the rating organization
2001	April	Ban on insurance sales by banks partially lifted
2007	September	Implementation of Financial Instruments and Exchange Act
	December	Insurance sales by banks fully liberalized
2010	April	Implementation of the Insurance Act
2014	May	Passing of law revising the Insurance Business Act
2016	May	Full implementation of Insurance Business Act revision (implementation of a comparison-recommendation rule and an obligation to grasp customer intentions)

► The Insurance Industry Going Forward

■ Initiatives Regarding Overseas Insurance Markets

Accelerating Overseas Expansion

In light of the maturation of Japan's insurance market, major Japanese insurance companies have been working to expand their business base overseas.

Potential of Emerging Markets

Emerging regions such as Asia, Latin America, the Middle East and Africa have the potential for significant growth as overseas insurance markets. Among developed countries, the insurance penetration rate (total insurance premiums as a percentage of GDP) averages 9.6%. On the other hand, the insurance penetration rates of emerging markets are relatively low, at 3.3% on average, so those markets can be considered to have growth potential.

Development of Principal Insurance Markets (2019 Total Life And Non-Life Insurance Premiums by Region)

Name of Market or Region	Total Insurance Premiums		Market Share	Insurance Penetration Rate	Per Capita Premiums (¥)
	(¥ billion)	YoY change			
Americas	302,684.4	2.2%	43.7%	9.7%	299,666
United States/Canada	285,390.5	2.1%	41.2%	11.2%	780,255
Latin America / the Caribbean	17,293.9	4.4%	2.5%	3.0%	26,852
Europe/Middle East/Africa (EMEA)	197,734.6	2.4%	28.6%	5.7%	64,819
Developed countries in EMEA	176,442.3	2.4%	25.5%	7.7%	357,332
Central and Eastern Europe/Turkey/Central Asia	8,859.6	1.6%	1.3%	1.7%	17,938
Middle East / Africa	12,432.8	3.0%	1.8%	2.2%	6,933
Asia Pacific	192,081.6	4.4%	27.7%	5.7%	45,891
Developed countries in Asia Pacific	102,825.5	1.3%	14.9%	9.6%	397,611
China	67,944.8	9.0%	9.8%	4.3%	47,322
Emerging Asia Pacific except China	21,311.3	5.1%	3.1%	3.0%	8,584
World	692,500.6	2.9%	100%	7.2%	90,021
(Developed countries)	564,658.2	2.1%	81.5%	9.6%	513,273
(Emerging markets)	127,842.3	6.6%	18.5%	3.3%	19,259

Source: Prepared based on data in "sigma No. 4/2020" of Swiss Re.
Note: Figures are real figures adjusted for inflation Insurance penetration rate = insurance premiums as a share of GDP Figures were converted into Japanese yen at the average exchange rate for 2019 (US\$1=¥110.05).

■ Increasing Diversity of Insurance Companies and Sales Channels

There are increasingly diverse sales channels—such as direct sales channels, OTC sales by banks and customer-visit-based insurance shops—and some insurance companies are now specializing in sales via the Internet. Even in conventional sales channels, there is an increasing incidence of cross-selling (see the "Glossary of Insurance Terminology" [p. 111] for details and other new approaches.

■ Expanding the Breadth of Products and Services

“Longevity Risk”

Economic risks related to longevity, such as securing living expenses and spending on medical expenses, are increasing.

New Products and Services Related to Medical and Long-Term Nursing Care

The importance of people's self-help efforts is expected to continue increasing, and the associated role of private-sector insurance companies is becoming large.

► Japan's Insurance Market Viewed from a Global Perspective

■ Non-Life Insurance

Japan has the World's Fourth Largest Market Scale

According to the "sigma" newsletter of Swiss Re, the scale of the non-life insurance market in 147 countries and regions around the world was approximately ¥371 trillion in 2019. The largest market is that of the United States (approximately ¥201 trillion), and Japan's market is the fourth largest (approximately ¥12 trillion).

Japanese Market Smaller in a Share of GDP

Japan's insurance premiums as a share of GDP are only 2.3% compared to the global average of 3.9%.

Non-life Insurance Premiums Top 20 Countries (2019)

Ranking	Country/Region	Premium Income			Per Capita Premiums (¥)	As a Share of GDP
		(¥ billion)	YoY change	Market Share		
1	United States	201,567.7	4.1%	54.2%	614,079	8.5%
2	China	31,690.8	10.1%	8.5%	22,120	2.0%
3	Germany	15,660.2	-2.5%	4.2%	188,406	3.7%
4	Japan	12,988.0	6.5%	3.5%	102,347	2.3%
5	United Kingdom	11,227.5	-3.9%	3.0%	107,629	2.3%
6	France	10,421.1	-0.8%	2.8%	143,725	3.2%
7	South Korea	8,808.1	-1.0%	2.4%	169,917	5.0%
8	Canada	8,786.4	6.2%	2.4%	234,186	4.6%
9	Netherlands	7,617.7	-3.0%	2.1%	439,100	7.6%
10	Australia	5,245.8	-2.0%	1.4%	206,344	3.4%
11	Italy	4,809.7	-2.7%	1.3%	79,786	2.2%
12	Spain	4,423.2	-2.0%	1.2%	93,983	2.9%
13	Brazil	3,610.0	-3.1%	1.0%	17,058	1.8%
14	Switzerland	3,163.2	0.1%	0.9%	366,687	4.1%
15	India	2,931.4	8.0%	0.8%	2,091	0.9%
16	Taiwan	2,245.1	2.7%	0.6%	95,193	3.5%
17	Belgium	1,985.2	-1.9%	0.5%	127,438	2.5%
18	Russia	1,819.5	1.0%	0.5%	12,436	1.0%
19	Mexico	1,794.0	7.0%	0.5%	14,086	1.3%
20	Luxembourg	1,530.2	178.7%	0.4%	212,397	1.7%
-	Other countries (regions)	29,240.7	0.8%	7.9%	-	-
	Total/Average	371,565.4	3.4%	100.0%	48,312	3.9%

Source: Prepared based on data in "sigma No. 4/2020" of Swiss Re.
Note: 1. The "Total/Average" figures are totals of figures for 147 countries and regions within the scope of the survey in 2019.
2. Exchange rates are the same as those used in the "Development of Principal Insurance Markets" table above.

■ Life Insurance

Japan has the World's Second Largest Market Scale

According to the No. 4/2020 edition of Swiss Re Institute's "sigma," global life insurance premium income amounted to approximately ¥320 trillion in 2019. The figure for Japan was approximately ¥37 trillion, corresponding to 11.7% of the global figure.

Life Insurance Premiums Top 10 Countries (2019)

Ranking	Country/Region	Premium Income		Market Share
		(¥ billion)	YoY change	
1	United States	69,168.8	3.2%	21.6%
2	Japan	37,563.1	4.2%	11.7%
3	China	36,254.0	5.1%	11.3%
4	United Kingdom	29,077.5	-3.8%	9.1%
5	France	18,443.1	-1.9%	5.7%
6	Italy	13,660.8	-1.0%	4.3%
7	Germany	11,175.6	2.7%	3.5%
8	Taiwan	10,721.4	-4.5%	3.3%
9	South Korea	10,397.9	-5.1%	3.2%
10	India	8,767.8	9.6%	2.7%
-	Other countries/regions	75,705.2	-0.1%	23.6%
-	Total/Average	320,935.2	1.2%	100.0%

Source: Prepared based on data in "sigma No. 4/2020" of Swiss Re.
Note: 1. The "Total/Average" figures are totals of figures for 147 countries and regions within the scope of the survey in 2019.
2. Exchange rates are the same as those used in the "Development of Principal Insurance Markets" table above.

Glossary of Insurance Terminology

A

Alternative Risk Transfer (ART) Business

A general term referring to the use of techniques other than traditional insurance policies to transfer risks, meaning to provide risk-bearing entities with coverage or protection. ART entails the use of financial technologies and capital markets to provide risk solutions. ART products include derivatives and securitized products, and the typical products include “weather derivatives” and “earthquake derivatives.”

Annualized Premiums

The insurance premium payment method differs depending on the insurance contract. An annualized premium is calculated by adjusting for these differences in payment methods and computing the yearly average paid in premiums. It indicates how much income an insurance company makes from insurance premiums in one year.

Asset Liability Management (ALM)

A general term for the comprehensive management of risks related to assets and liabilities. The value of most of the assets held by insurance companies and other financial institutions is affected by market prices (or market interest rates), in other words, they are at risk. A proper evaluation of risks and returns cannot focus on assets or liabilities alone—the ALM business management methodology seeks to maximize profit, while managing in a way that pays comprehensive attention to the risk and return of both assets and liabilities.

Assumed Interest Rate

Insurance companies anticipate a certain level of profits from asset management and offer discounts on insurance premiums based on this. This discount rate is called the assumed interest rate.

C

CAPM (Capital Asset Pricing Model)

An initialism for “capital asset pricing model,” which is used to calculate the rate of return expected by shareholders in the capital market. The correlation of the target company's stock with the market is determined by the β value (more precisely, the slope estimated by the linear regression equation that explains the fluctuations in the stock prices of the target companies in terms of market price fluctuations). The estimated cost of capital is calculated by adding the risk-free interest rate to the individual equity risk premium, which is the β value multiplied by the equity market risk premium (market return - risk-free interest rate).

Catastrophe Reserves

Most non-life insurance premium rates are set using the “law of large numbers,” but, in a given fiscal year, it is always possible that there will be a major typhoon or other large disaster causing damages on a scale that cannot be absorbed using premium income for that year alone. The catastrophe reserve is provided to prepare to respond to the temporary surge in claims associated with such disasters. For more details, see p. 116.

CAT Bond (Catastrophe Bond)

Securities sold by non-life insurance companies to investors to enable the insurance companies to avoid major losses owing to claims paid in connection with major disasters. If there is no occurrence of a disaster on a scale surpassing previously stipulated criterion, then the CAT bonds' interest and principal will be paid to the investors, but, in the case of such a disaster, the principal will be partially or entirely reduced.

Combined Ratio

An indicator that is the sum of the net loss ratio and the net expense ratio, and subtracting this ratio from 1 gives the underwriting balance ratio. Although the indicator is not adjusted to reflect outstanding claims and underwriting reserve, it reflects profitability for the fiscal period. Used only in the insurance industry, its concept is similar to that of the ratio of operating profit on sales of ordinary companies.

Commissions and Collection Expense

The total of agent commissions, insurance broker commissions, sales expense, collection expense, reinsurance commissions and ceded premium commissions. (Note that ceded premium commissions, which are commission incomes pertaining to ceded reinsurance and retrocession premiums, are deductions.)

Compulsory Automobile Liability Insurance (CALI)

In order to provide relief to victims of automobile accidents, this is compulsory insurance that all motor vehicles must be enrolled in under law. Motorized bicycles are also subject to this requirement. Compulsory automobile liability insurance provides compensation in cases where other persons are killed or injured in traffic accidents, etc. Insurance claims are paid for loss compensation of the other persons.

Core Profit (Fundamental Profit)

Ordinary profit after adjustments for capital profits/(losses) and extraordinary income and losses, which represent profits and losses not stemming from the principal business of life insurance companies; so, Core Profit is an indicator of the profitability of the Company's principal business operations during a fiscal year. The concept of Core Profit is close to those of ordinary companies' “operating income” and banks' “business income.”

Cross-Selling

Concurrent selling of life insurance and non-life insurance products, such as in the case of a non-life insurance agent that sells life insurance products.

D

Direct Insurance

A term used in contrast with reinsurance. When an insurance contract is reinsured, the original insurance that has been reinsured is called direct insurance. It can also be used to refer to all the insurance contracts directly entered into with policyholders by the insurance company. → Reinsurance

E

Earned-Incurred Loss Ratio (EI Loss Ratio)

After adjusting for provisions and reversals of loss reserves and ordinary policy liability reserves, the EI loss ratio is an indicator of the loss ratio on a current-period-occurrence basis. It is calculated as follows. → Net Loss Ratio

- EI loss ratio = claims incurred ÷ premiums earned
- Claims incurred = period-end net claims paid + (periodend loss reserve – previous period-end loss reserve)
- Premiums earned = previous period-end unearned premiums + net premiums written for the period – period-end unearned premiums

EEV

See “Embedded Value” below.

Embedded Value (EV)

The current value of net assets plus the current value of future profit expected from policies in force (policies in force value). Under current statutory accounting practices, the recognition of costs is concentrated at the time of sales, while the related profits are recognized in subsequent years; so, using those accounting practices to accurately evaluate corporate performance is difficult in some ways. As EV encompasses an evaluation of the current value of future profit expected from policies inforce, it is

a useful indicator that can be used to supplement statutory accounting practices for the purpose of evaluating companies' performance and enterprise values.

While the Company has disclosed its EV for some time, since fiscal 2011, it has disclosed its EV calculated on the basis of the European Embedded Value principles (EEV principles*), and this type of EV is referred to as EEV. In addition, the Company's calculations of EEV employ a market-consistent approach to evaluating liability- and asset-related cash flows that is consistent with the financial products traded in markets.

* The EEV principles were instituted by a CFO Forum (composed of the chief financial officers (CFOs) of major European insurance companies) in May 2004 with the goal of promoting a consistent EV calculation and disclosure method and thereby promoting an increase in transparency.

Enterprise Risk Management (ERM)

A process for determining and evaluating the risks associated with the execution of business operations by an enterprise in an integrated, comprehensive and strategic manner. It is an integrated risk management method used for maximizing enterprise value. For more details, see p. 59.

Equity Ratio

The proportion of equity divided by total assets. Owing to the application of accounting standards concerning financial products and the inclusion of unrealized gains on securities within the balance sheet figures, the equity ratio is also stated based on market value.

ESG

Three concepts of environmental, social and governance (ESG). In ESG investing, the investor does not focus exclusively on the profit that can be earned from an investment but goes on to consider the impact of the investment on the environment as well as on shareholders, customers, employees, local communities and other stakeholders. ESG investing essentially entails carrying out CSR when making investment decisions.

Expected Mortality

Based on past statistics, gender-wise and age-wise mortality (or the number of those alive) is predicted, and this information is used for calculating the required amount of insurance premium for future insurance payments. The mortality rate used in these calculations is called the expected mortality.

Expected Operating Expense Ratio

Life insurance companies anticipate all the expenses required for business operation such as concluding contracts, receiving premiums, maintaining and managing policies, and so on in advance. The sum of these expenses is divided by expected premium income to calculate the expected operating expense ratio.

F

Foreign Currency–Denominated Life Insurance

Foreign currency–denominated life insurance calls for the use of a foreign currency (e.g., U.S. dollars, Euros, Australian dollars) to pay insurance premiums and the use of a foreign currency to pay insurance benefits and reimbursements upon policy cancellations. A portion of such life insurance products as whole life insurance, endowment insurance and fixed/variable individual annuities are sold as foreign currency–denominated products. When the foreign-currency benefits from such products are converted into yen, they will be affected by foreign exchange rate fluctuations; so, there is a possibility that the yen-denominated benefits could end up being lower than the yen-denominated value of the premiums paid. The impact of foreign exchange rate fluctuations is referred to as “foreign exchange risk (foreign exchange rate fluctuation risk),” and policyholders and beneficiaries of foreign currency–denominated policies are exposed to those risks.

Full-Time Agents

Agents specializing in the sale of insurance. In the field of non-life insurance, in addition to specialized agents (professional agents), there are automobile sales dealers, automobile repair shops, real estate agents, travel agents and other sideline agents that sell insurance alongside their main line of business.

G

General Insurance Rating Organization of Japan

An insurance rating organization formed by the merger in July 2002 of the Property and Casualty Insurance Rating Organization of Japan (established 1948) and the Automobile Insurance Rating Organization of Japan (established 1964), which were established in accordance with the Act of Non-Life Insurance Rating Organizations. It collects data from member insurance companies and calculates the Reference Loss Cost Rates for automobile insurance, fire insurance, personal accident insurance and nursing care expense insurance, as well as Standard Rates for compulsory automobile liability insurance and earthquake insurance. It also handles loss adjustment work for compulsory automobile liability, collects insurance data, and conducts research and analysis.

Gross Written Premiums

Premiums written that were received from direct insurance contracts and reinsurance contracts during one fiscal year; they are the premiums written prior to the deduction of reinsurance premiums ceded via reinsurance contracts.

Group Adjusted Profit

Group Adjusted Profit, which is a numerical management target within the Vision 2021 medium-term management plan, is calculated as follows.

Group Adjusted Profit = Consolidated net income + provision for catastrophe loss reserve and others – other incidental factors (amortization of goodwill and other intangible fixed assets, etc.) + equity in earnings of the non-consolidated group companies

Group Adjusted ROE

Group Adjusted ROE, which is a numerical management target within the Vision 2021 medium-term management plan, is calculated as follows.

Group Adjusted ROE = Group Adjusted Profit ÷ average of beginning and ending amounts on B/S of adjusted net assets (consolidated net assets + catastrophe loss reserve and others – goodwill and other intangible fixed assets)

Group Core Profit

Group Core Profit, which is a numerical management target within the Next Challenge 2017 medium-term management plan, is calculated as follows.

Group Core Profit = Consolidated net income – net capital gains/losses on stock portfolio (gains/losses on sales, etc.) – net evaluation gains/losses on credit derivatives – other incidental factors + equity in earnings of the non consolidated Group companies

Group Return on Equity (Group ROE)

Group ROE, which is a numerical management target within the Next Challenge 2017 medium-term management plan, is calculated as follows.

Group ROE = Group Core Profit ÷ consolidated total net assets excluding non-controlling interests (average of beginning and ending amounts of B/S)

I

Income Guarantee Insurance

A type of insurance under which a pension can be claimed after the policyholder's death for the full term of the insurance as decided at the time of entering the contract. The number of times a pension can be claimed depends on the time of death of the policyholder. The minimum number of times a pension can be claimed is guaranteed. If the number of times the pension has been claimed before maturity is less than the guaranteed minimum, the remaining number of times can be claimed.

Incurred but Not Reported Loss (IBNR)

The portion of underwriting reserves corresponding to claims that have been incurred but had not been reported to the company at the end of the period. The IBNR is estimated using statistical methods.

→ Ordinary Outstanding Claims Reserve

Individual Annuity Insurance

Annuity insurance is a financial product used to save premiums and thereby fund the payment of future annuities, and individual annuity insurance is an annuity insurance product provided by private-sector life insurance companies. The annuities are received after the beneficiary reaches an age specified in the policy contract. There are several kinds of individual annuity insurance products defined based on the annuity receipt period, such as whole life annuity with a guarantee period, annuity certain, fixed-term annuity with a guarantee period, and a husband-and-wife annuity.

Insurance Business Act

A law that was enacted to promote the protection of policyholders through ensuring sound and appropriate business operations of insurance companies and fair solicitation of insurance policies. The act lays down organizational and operational rules for insurance businesses, as well as defining the criteria for the administration and supervision of insurance companies, and determining the supervision standards and authorities of government units overseeing insurance business operations.

Insurance Claim (Benefit)

In the case of non-life insurance, the sum of money paid by an insurance company to the insured based on the amount of damage incurred as a result of an insured event. (In the case of life insurance) the sum of money decided beforehand in the insurance contract paid by the insurance company upon the maturity of the contract to the designated beneficiary, in the event of illness or death of the insured person.

L

Law of Large Numbers

If you roll a die (1 dice), a "one" might appear by chance, but if you continue to increase the number of times the die is rolled, the ratio of times that "one" appears will approach one time out of six. As in this case, when the number of trials is increased, the law of large numbers indicates that the results will approach a fixed value. When calculating the probability of accident occurrence, the probability can be forecast by analyzing large volumes of accident data rather than just looking at the accident percentages of a few cases.

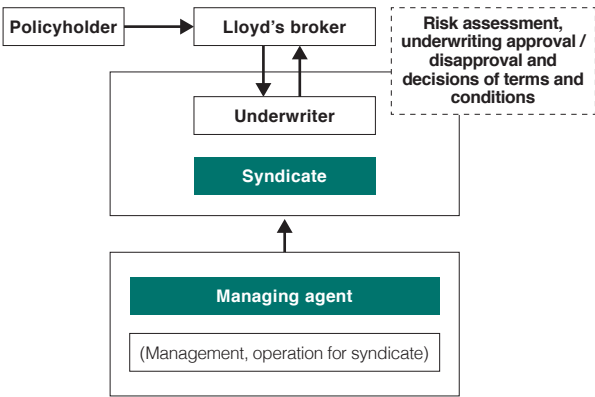
Life Insurance Professional

An agent specializing in life insurance or selling life insurance as its main business.

Lloyd's (Insurance Market)

The generic name for an insurance market established in London in the 17th century, having more than a 300-year history. On a day-to-day basis, huge and complex risks are brought to Lloyd's, where that risk is assessed, premiums decided and insurance underwritten by underwriters who have a high level of specialized expertise and who belong to individual syndicates (the risk underwriting bodies at Lloyd's). authorities, as well as the rigorous management and supervisory system of Lloyd's itself, and it is not easy to become a Lloyd's member (syndicate fund contributor) or establish a syndicate as many strict requirements must be satisfied.

As of the end of December 2020, it was underwritten by 90 Lloyd's syndicates, and the gross written premium in fiscal 2020 for the whole of the Lloyd's market amounted to approximately £35.5 billion.



Long-Term Care Insurance (Nursing Care Insurance)

A kind of insurance that can provide benefits for the purpose of providing long-term nursing care. In Japan, there exists both public long-term care insurance and private long-term care insurance products. Among the latter type of products, there are products that will provide a lump-sum benefit and/or annuities in cases where the beneficiary requires nursing due to being bedridden or suffering dementia for a specified period of time. There are also products that will provide a lump-sum benefit and/or annuities based on the public long-term care insurance system's primary nursing care requirement authorization.

Loss Adjustment Expense

Personnel expenses and non-personnel expenses (including depreciation costs) as well as various taxes related to the loss adjustment and insurance claim payment operations.

M

Medical Insurance

Medical insurance provides benefits to policyholders when they are hospitalized due to illness or injury or undergo specified types of surgical operations. Some medical insurance policies also provide death benefits on the decease of the beneficiary, but the amount of such benefits is generally small.

Motor Channel Agent

Sideline agents that sell insurance as a side business but are mainly automobile repair shops, used car sales dealers or automobile-related service providers or motorbike shops. Automobile dealerships that also sell insurance are excluded from this category.

N

Net Claims Paid

Net claims paid is obtained by totaling (adding or subtracting as indicated) items ❶ to ❹ listed to the right, and plainly shows the amount of insurance claims paid. The payment of insurance claims is the main expenditure involved in the non-life insurance business.

- ❶ Direct claims paid
-) ❷ Reinsurance claims ceded
- +) ❸ Reinsurance claims paid
-) ❹ Retrocession claims ceded
- ❺ Net claims paid (Income statement item)

Net Expense Ratio

The net expense ratio is obtained by adding the commissions and collection expense to operating expenses and general administrative expenses incurred in the insurance underwriting business, and dividing this by net premiums written. It is an indicator of the operational efficiency of an insurance company. The net expense ratio can also be called simply "expense ratio."

Net Loss Ratio

The net loss ratio is obtained by adding net claims paid and loss adjustment expenses, and dividing this by net premiums written, and it indicates the company's insurance underwriting business performance. It can also be called "published loss ratio" or "loss ratio."

The net loss ratio is what is called a "written paid basis" indicator, as it can be calculated based simply on written premium and paid claims during the accounting period in question.

→ Earned-Incurred Loss Ratio (EI Loss Ratio)

Net Premiums Written

Net premiums written is obtained by totaling (adding or subtracting as indicated) items ❶ to ❹ listed to the right, and plainly shows the income earned from the non-life insurance business (excluding deposit premiums from policyholders).

- ❶ Direct premiums written
-) ❷ Reinsurance premiums ceded
- +) ❸ Reinsurance premiums written
-) ❹ Retrocession premiums ceded
- ❺ Net premiums written (Income statement item)

Non-Fleet Grade System (Automobile Insurance)

A system of insurance premium discounts and surcharges based on the accident history applied to non-fleet contracts. The term non-fleet contracts refers to contracts where the total number of contract automobiles owned and used by the policyholder (the number of contracts with other insurance companies included) is nine or less. (Cases where the number of automobiles is 10 or more are referred to as "fleet contracts.") The grades are divided into 20 levels (Grade 1 to Grade 20), and the grade is maintained even if the insurance company changes. For more details, see p. 116.

O

Ordinary Outstanding Claims Reserve

A type of outstanding claims reserve set aside based on an estimation of future liability of individual claims that have occurred and been reported but not yet settled.

→ Incurred but Not Reported Loss (IBNR)

Ordinary Underwriting Reserves

The amount of unearned premiums (premium reserve) or the initial year balance, whichever is greater, is set aside as a liability reserve and called "ordinary underwriting reserve."

- Unearned premiums (premium reserve): Insurance premiums corresponding to the time period remaining on an insurance policy, collected beforehand.
- Initial year balance: Premiums received during the fiscal year less claims paid, reserves for outstanding claims and other expenses incurred under those contracts.

Outstanding Claims

When an accident has occurred prior to the balance sheet date and the related claim has not been paid, provisions are made to the outstanding claims to fund the claim payment.

P

Policies in Force

The outstanding amount of valid insurance policies owned by an insurance company at the end of the fiscal year. It is an indication of the grand total amount (of insurance, etc.) guaranteed to policyholders.

Policy Clauses

The policy clauses define the details of the insurance contract, including the policyholder's obligation to pay the insurance premium and duty of disclosure, as well as the payment amount and terms and conditions of payment by the insurance company. There are two kinds of policy clauses—common policy clauses, which are common to all insurance contracts of the same type, and special policy clauses (clauses containing special policy conditions), which are customized for individual contracts by adding to or changing/limiting some of the provisions in the common policy clauses.

Policyholder

The party applying to an insurance company for an insurance contract is called the policyholder. The policyholder is obliged to pay the insurance premium once the contract is concluded.

Policy Reserve

The reserve set aside by the insurance company at the period-end closing of accounts so that it can fulfill its obligation to pay insurance claims based on insurance contracts. It includes outstanding claims and underwriting reserves, and policyholder dividend reserves.

R

Reinsurance

Reinsurance is a form of insurance, that a insurance company purchase to share the risks of its insurance policies to another insurance company.

→ Direct Insurance

Reinsurance Premium

An insurance premium received from another insurance company via a reinsurance contract in return for underwriting a part of the risk.

Reinsurance Premium Ceded

An insurance premium paid to another insurance company via a reinsurance contract in return for covering a part of the risk of the original insurance contract, for purposes such as risk diversification.

Reorganization by Function

An unprecedented business model made possible by the 2013 revision of Japan's Insurance Business Act, Reorganization by Function calls for making the most of the strengths of each group insurance company while undertaking business reorganization. While enabling the bypassing of the negative aspects of simple corporate mergers—including temporary costs and the business impediments, time losses and various other problematic factors that often arise at the time of mergers— Reorganization by Function is designed to realize smooth business integration without slowing the speed of business growth, and it concurrently enables the leveraging of individual companies' strengths and the realization of efficiency in the pursuit of business scale and profitability.

Reserve for Price Fluctuation

In accordance with the Insurance Business Act revised in 1996, this reserve is provided to cover losses incurred from future decreases in prices of assets such as stocks and bonds for which the value is likely to fluctuate.

Retrocession Premium

When a reinsurance company reinsures a certain portion of the accepted reinsurance risks to other reinsurers, a reinsurance company pays a retrocession premium to other reinsurers based on the retrocession contracts.

S

Solvency Margin Ratio

The solvency margin of an insurance company, including its capital and reserves, seen as a percentage of a risk amount greater than what can be ordinarily expected, which might include catastrophic disasters or a massive drop in the price of owned assets. It is an indicator of the soundness of the company's management.

Solvency margin ratio = solvency margin ÷ half of total risk amount greater than what can be ordinarily expected

Strategic Equity

Investments in stocks with the intention of holding the stock over a long period to maintain and strengthen general business relationships with the issuer, while also securing a stable stream of investment income and improving asset value over the long run.

T

Telematics

A combination of "telecommunication" and "informatics," telematics refers to information services provided by equipping automobiles and other mobile objects with communications systems. Telematics automobile insurance refers to automobile insurance with the premium rates calculated based on the collected data that relate to the driver's driving tendency such as miles driven and drivers' use of accelerator and brake functions.

Term Insurance

A type of insurance where the term of the insurance is fixed and the insurance benefits can be claimed only if the policyholder dies during the term. There are no maturity proceeds. This is ordinarily a fixed-amount insurance, where the insurance amount is fixed and remains unchanged throughout the term of insurance, but it could also be a decreasing term insurance, where the insurance premium is fixed and the insurance amount progressively decreases over the insurance term, and increasing term insurance, where the insurance amount increases over the duration of the insurance term.

→ [Whole Life Insurance](#)

Third Sector

The third "sector" of insurance, positioned somewhere between the first sector (life insurance) and second sector (non-life insurance), includes many different types of insurance, such as medical insurance, cancer insurance, nursing care insurance and accident insurance.

Three Surplus Factors (Life Insurance)

The "three surplus factors" refer to three margins: the "administrative expense margin," which is the difference between the planned administrative expense based on the planned expense ratio and the actual administrative expenses; the "risk margin (mortality margin)," which is the difference between the planned payment amounts from insurance, benefits, etc., based on the planned mortality rate and the actual payment amounts from insurance, benefits, etc.; and the "investment yield margin," which is the difference between the planned investment income based on the planned interest rate and the actual investment income. (If the investment yield margin is negative, it will be in a "negative spread" state.) The three surplus factors are a breakdown of "core profit," which is an indicator of the periodical profit and loss situation of a life insurance company.

Tontine-Type Annuity

A tontine-type annuity is a pension arrangement whereby payments to deceased members are terminated and their portion redistributed to surviving members, thus paying more to those who live longer. It originates in a pension system devised by the Italian Lorenzo Tont.

U

Underwriting Profit (Loss)

Claims payment and loss adjustment expenses, maturity refunds and other underwriting expenses, and operating expenses and other general administrative expenses required for insurance underwriting are subtracted from net premiums written and other underwriting profit, and this is then adjusted to reflect other income and expenditure (such as expenses associated with compulsory automobile liability insurance, etc., corresponding to corporate taxes) to calculate underwriting profit (loss).

As for non-life insurance companies, the principal revenue sources are underwriting income and investment income, and underwriting profit indicates the profitability level of underwriting operations.

Underwriting Reserves

The general term for reserve funds set aside by insurance companies based on the legal requirement, for use toward insurance claims payments and other insurance-related obligations that could arise in the future. Underwriting reserves are broadly classified into five types:

(1) ordinary underwriting reserves, (2) catastrophe reserves, (3) contingency reserves, (4) refund reserves and (5) policyholder dividend reserves.

V

Variable Insurance

An insurance product where the premium is invested in stocks, bonds and other assets, and the insurance payment or payout upon cancellation varies depending on the performance of the investment. The investment risk (the risk fluctuation in pension or cancellation payout) is borne by the individual policyholder. When the policyholder dies, the beneficiary can claim the basic insurance + variable insurance. The basic insurance is a minimum amount guaranteed to the policyholder irrespective of the investment fund's performance. Even when the variable insurance is negative, the basic insurance can be claimed.

W

Whole Life Insurance

Of the types of insurance providing for the receipt of death benefits on death, this is a type that is not for a fixed period but continues for a lifetime and does not have benefits on maturity.

→ [Term Insurance](#)

Accounting Line Item Terminology

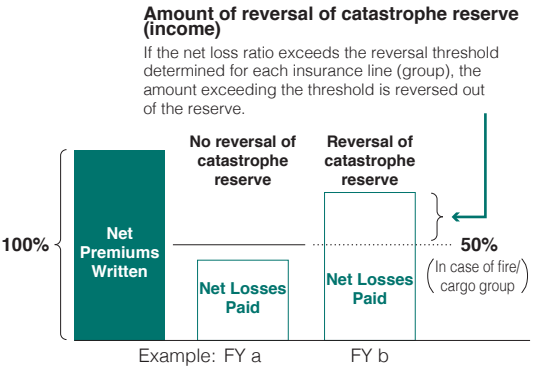
Please refer to the Guide Book for the Understanding of Disclosure Materials of Non-Life Insurance Companies 1 (prepared by the General Insurance Association of Japan) and the Life Insurance Company Disclosure Notes Glossary 2 (prepared by the Life Insurance Association of Japan) for details of accounting line items and other pertinent information.

1. http://www.sonpo.or.jp/archive/publish/sonpo/pdf/0004/book_kantanguide.pdf (Japanese only)

2. http://www.seiho.or.jp/data/publication/tora/pdf/tora_yougo.pdf (Japanese only)

Catastrophe Reserves

- These are reserves that insurance companies set aside to prepare for major disasters (e.g., typhoons, earthquakes) for which the "law of large numbers" does not function.
- The funds are accumulated as reserves (expense posted) at a certain percentage of each fiscal year's net premiums written.
- If a fiscal year's loss ratio (ratio of net losses paid to net premiums written) exceeds a certain threshold, reserves are reversed and posted as income.
- This is one of the mechanisms used to mitigate the impact on an insurance company's fiscal year profit and to guarantee it has a suitable capacity to pay insurance claims.

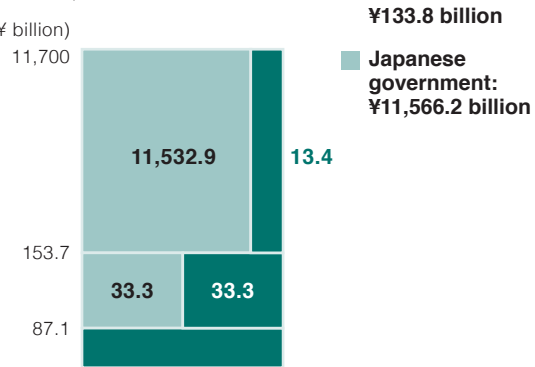


About Residential Earthquake Insurance

Based on Japan's Law Concerning Earthquake Insurance (the Earthquake Insurance Act), residential earthquake insurance is operated jointly by the government and non-life insurance companies. Reflecting the significant impact that earthquakes can have on society, residential earthquake insurance is a prerequisite for and incidental to fire insurance. Recognizing the substantial damage that is likely to occur in the event of a large-scale earthquake, residential earthquake insurance involves a government reinsurance underwriting mechanism in preparation for the payment of massive insurance amounts. For their part, non-life insurance companies forego the accumulation of profits in similar fashion to compulsory automobile liability insurance. Premiums are set aside as a reserve to cover insurance payments in the event of an earthquake in the future.

Government and Private-Sector Burdens

As of April 2019



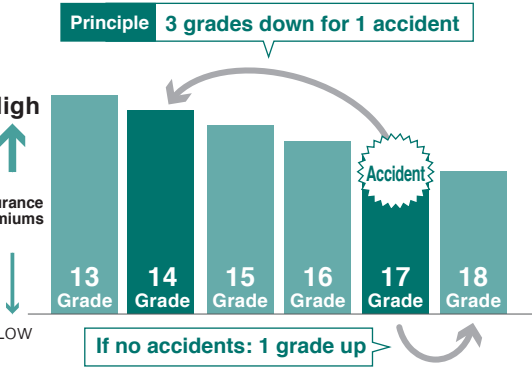
Non-Fleet Grade System (Automobile Insurance)

- This system applies discount percentages to grades defined from Grade 1 to Grade 20.

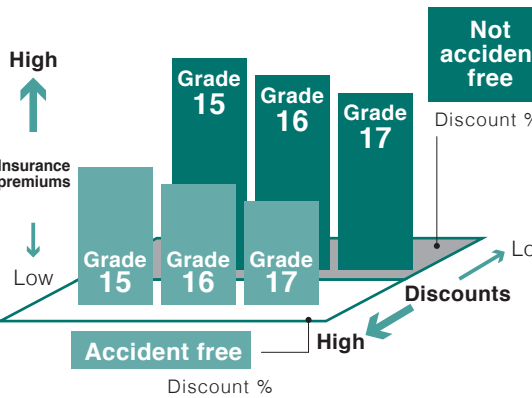


- When the contract is first concluded, the customer starts at Grade 6 (or Grade 7) and then rises by a one-grade increment if there are no accidents.
- If there is an accident, the grade drops by three-grade increments and, at renewal time, the grade, in principle, drops by three-grade increments per accident.*

* Depending on the accident type and the type of claim received, there are cases where the grade drops by only a one-grade increment and cases where the matter is not counted as an accident.



- Even at the same grade, discount percentages differ, depending on whether there have been accidents in the past. When "accidents exist," insurance premiums are set higher than when "no accidents exist."



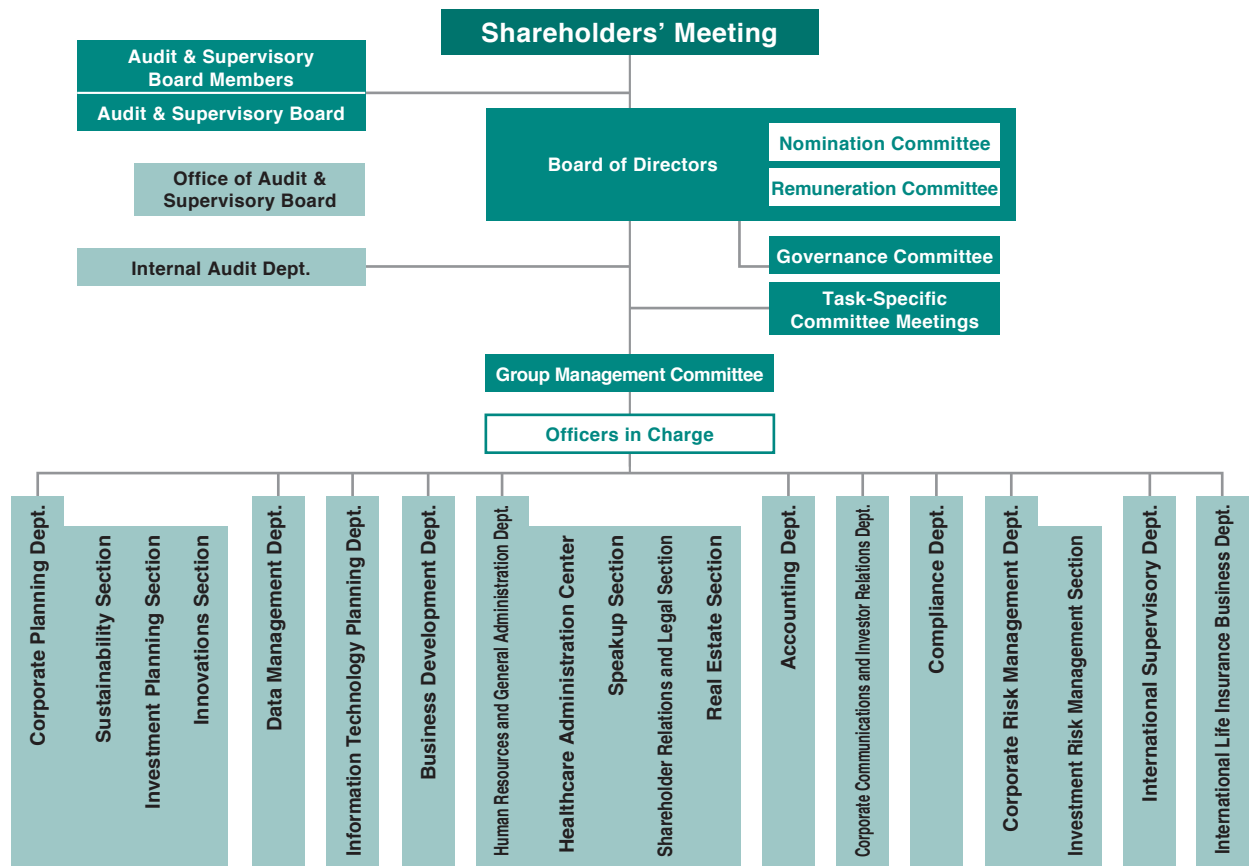
Corporate Profile

MS&AD Insurance Group Holdings is an insurance holding company. The Company controls the entire MS&AD Insurance Group, planning strategies and allocating management resources across the Group, as well as monitoring and overseeing Group companies. The Company has thus established a system for Group corporate governance.

The Company will be the force to maximize the total potential of the Group, forming the center of efforts to raise the level of management control, pursue Group synergies, accelerate decision making and develop human assets through various business frameworks and personnel systems.

Corporate Name	MS&AD Insurance Group Holdings, Inc.
Date Established	April 1, 2008 (Name changed on April 1, 2010)
Headquarters	27-2, Shinkawa 2-chome, Chuo-ku, Tokyo, Japan
Representative	Noriyuki Hara, Representative Director, President & CEO
Paid-in Capital	¥100,276 million (As of March 31, 2021)
Number of Employees	423 (41,501 on a consolidated basis) (As of March 31, 2021)
Business Description	Our activities as an insurance holding company are as follows: 1. Management of non-life and life insurance companies and companies qualified to become subsidiaries under the Insurance Business Act. 2. Any business associated with the above.
Stock Listings	Tokyo Stock Exchange (First Section) Nagoya Stock Exchange (First Section)
Independent Auditor	KPMG AZSA LLC

MS&AD Insurance Group Holdings, Inc. Organizational Chart (As of April 1, 2021)



Stock and Shareholders (As of March 31, 2021)

1 Summary of Issued Shares

Class of Stock	Common stock	Total Number of Authorized Shares	900,000,000
Total Number of Issued Shares	593,473,207	Number of Shareholders	72,003

2 Shareholding Profile

Breakdown by Sector

Item	Japanese Financial Institutions	Japanese Securities Companies	Other Japanese Companies	Foreign Companies and Individuals	Japanese Individuals and Others	Total
Number of Shareholders	175	55	1,556	903	69,314	72,003
Number of Shares Held (Millions)	213.69	30.82	94.56	161.44	92.95	593.47
Percentage of Shares Issued	36.0%	5.2%	15.9%	27.2%	15.7%	100%

Breakdown by Number of Shares Held

Item	1–99	100–999	1,000–9,999	10,000–99,999	100,000 and Above	Total
Number of Shareholders	19,701	38,586	12,334	1,034	348	72,003
Percentage of All Shareholders	27.4%	53.6%	17.1%	1.4%	0.5%	100%

Breakdown by Region

Item	Hokkaido	Tohoku	Kanto	Chubu	Kinki	Chugoku	Shikoku	Kyushu	Overseas	Total
Number of Shares (Millions)	1.08	2.89	337.68	66.80	16.95	2.17	2.16	2.28	161.42	593.47
Percentage of Shares Issued	0.2%	0.5%	56.9%	11.3%	2.9%	0.4%	0.4%	0.4%	27.2%	100%

3 Major Shareholders

Shareholder Name	Address	Number of Shares Held (Thousands)	Percentage of Shares Issued (%)
Toyota Motor Corporation	1, Toyota-cho, Toyota City, Aichi Prefecture	52,610	9.42
The Master Trust Bank of Japan, Ltd. (Trust account)	2-11-3, Hamamatsu-cho, Minato-ku, Tokyo	49,540	8.87
Nippon Life Insurance Company	1-6-6, Marunouchi, Chiyoda-ku, Tokyo c/o Nippon Life Securities Operations Department	36,325	6.51
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12, Harumi, Chuo-ku, Tokyo	27,942	5.01
Custody Bank of Japan, Ltd. (Trust Account 7)	1-8-12, Harumi, Chuo-ku, Tokyo	14,847	2.66
STATE STREET BANK WEST CLIENT - TREATY5052344 (Standing agent: Settlement & Clearing Services Dept. Mizuho Bank, Ltd.)	1776 HERITAGE DRIVE, NORTH QUINCY, MA 02171, U. S. A. (2-15-1 Konan, Minato-ku, Tokyo)	8,742	1.57
JP MORGAN CHASE BANK 380055 (Standing agent: Settlement & Clearing Services Dept. Mizuho Bank, Ltd.)	270 PARK AVENUE, NEW YORK, NY 10017, U. S. A. (2-15-1, Konan, Minato-ku, Tokyo)	8,525	1.53
Custody Bank of Japan, Ltd. (Trust Account 4)	1-8-12, Harumi, Chuo-ku, Tokyo	7,455	1.34
SMBC Nikko Securities Inc.	3-3-1, Marunouchi, Chiyoda-ku, Tokyo	7,438	1.33
Custody Bank of Japan, Ltd. (Trust Account 5)	1-8-12, Harumi, Chuo-ku, Tokyo	7,344	1.32
Total		220,772	39.55

Note: Number of shares held is rounded down; percentage of shares issued is shown as rounded to the nearest basis point. The Company owns 35,263 thousand treasury shares, but these are omitted from the table above.

4 Changes in Total Number of Issued Shares, Paid-in Capital and Capital Reserves

Date	Issued Shares		Paid-in Capital		Capital Reserves	
	Increase/Decrease	Balance	Increase/Decrease	Balance	Increase/Decrease	Balance
June 30, 2017 (Note 1)	(40,000) thousand	593,291 thousand	-	¥100,000 million	-	¥729,255 million
July 22, 2020 (Note 2)	181 thousand	593,473 thousand	¥276 million	¥100,276 million	¥276 million	¥729,532 million

Note 1: The decrease in the total number of issued shares was due to the retirement of treasury shares.
Note 2: The increase is due to new share issue to provide restricted stock as stock-based remuneration

5 Basic Information

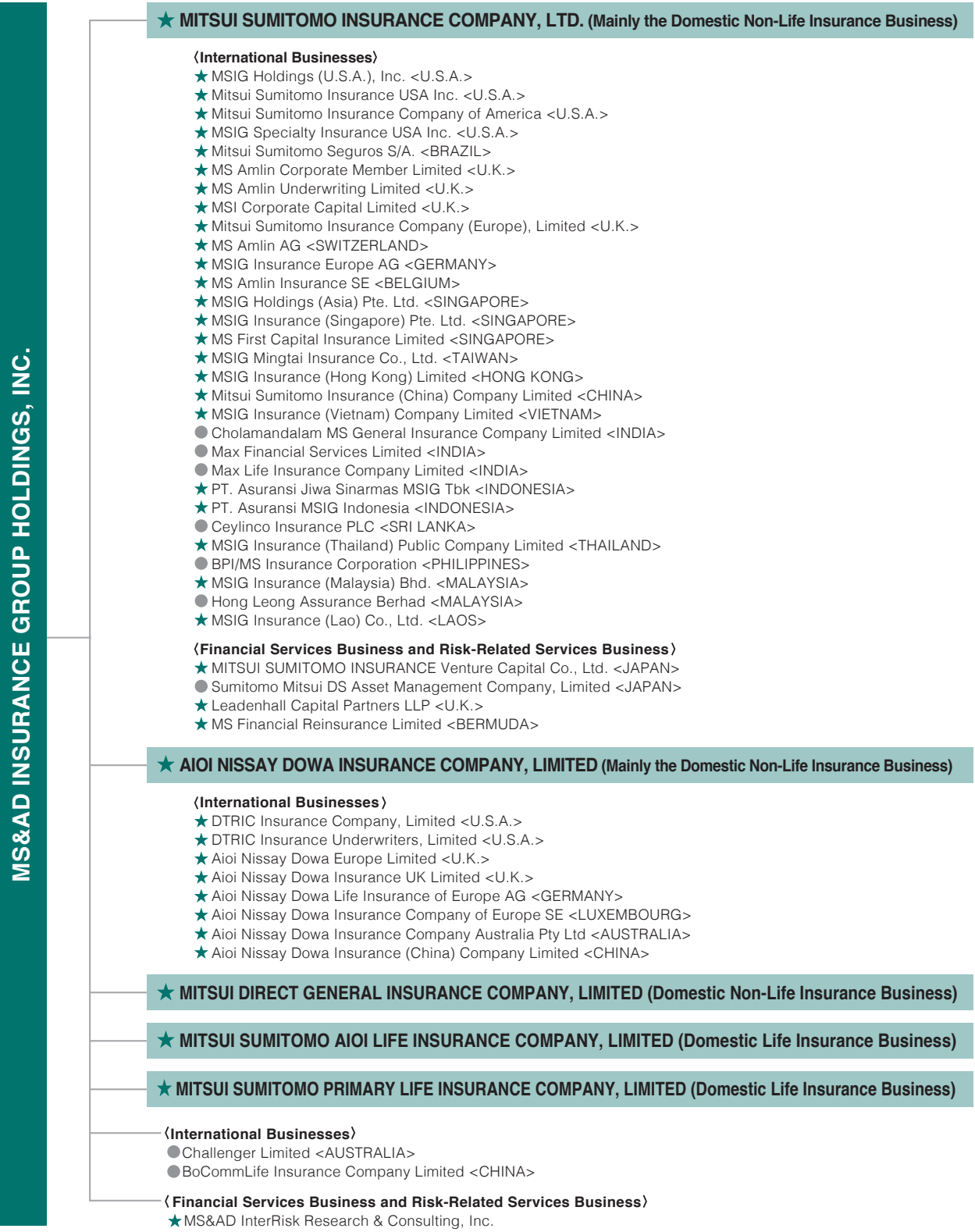
Fiscal Year	April 1 to March 31 of the following year
Annual Shareholders' Meeting	Within three months from the end of each fiscal year
Record Date	Ordinary General Meeting of Shareholders: March 31, every year Year-end dividends: March 31, every year Interim dividends: September 30, every year
Method of Public Notification	Electronic reporting can be found online at https://www.ms-ad-hd.com/ja/ir/notification.html (Japanese only) In the event of an incident or other event that prevents electronic reporting, the Company will publish its notifications in the <i>Nikkei</i> newspaper.
Stock Exchange Listings	Tokyo Stock Exchange and Nagoya Stock Exchange (First Section)
Administrator of Shareholders' Registry	Sumitomo Mitsui Trust Bank, Limited
Place of Business of Administrator of Shareholders' Registry:	Sumitomo Mitsui Trust Bank, Limited, Stock Transfer Agency Dept. (1-4-1, Marunouchi, Chiyoda-ku, Tokyo, Japan)
Special Account Management Institution:	Sumitomo Mitsui Trust Bank, Limited*
(Postal Address)	Sumitomo Mitsui Trust Bank, Limited, Stock Transfer Agency Dept. (2-8-4, Izumi, Suginami-ku, Tokyo 168-0063, Japan)
Telephone Inquiry	☎ 0120-782-031

* Following a share exchange effective April 1, 2010, the Company inherited the responsibility for a special account that was established on the same day for the shareholders of Aioi and NDI. As a result, the special account management institution for prior shareholders of these two companies will continue to be Mitsubishi UFJ Trust and Banking Corporation (1-4-5, Marunouchi, Chiyoda-ku, Tokyo).

Group Business Schematic (As of March 31, 2021)

The primary businesses undertaken by MS&AD Holdings and its Group companies (subsidiaries and affiliates), and the main Group companies undertaking each business, are listed below.

Business Overview



Note: The above shows the primary consolidated subsidiaries and other entities in each business.
The ★ and ● symbols indicate the following: ★: Consolidated subsidiary ●: Equity-method affiliate

Main Subsidiaries

1. CONSOLIDATED SUBSIDIARIES

Name of Company	Location	Date of Incorporation	Principal Business	Paid-in Capital	Voting Rights of MS&AD Holdings (%)	Voting Rights of Subsidiaries (%)
Mitsui Sumitomo Insurance Co., Ltd.	Chiyoda-ku, Tokyo	Oct. 21, 1918	Domestic Non-Life Insurance	¥139,595 million	100.0%	-
Aioi Nissay Dowa Insurance Co., Ltd.	Shibuya-ku,Tokyo	June 30, 1918	Domestic Non-Life Insurance	¥100,005 million	100.0	-
Mitsui Direct General Insurance Co., Ltd.	Bunkyo-ku,Tokyo	June 3, 1999	Domestic Non-Life Insurance	¥39,106 million	89.7	-
Mitsui Sumitomo Aioi Life Insurance Co., Ltd.	Chuo-ku,Tokyo	Aug. 8, 1996	Domestic Life Insurance	¥85,500 million	100.0	-
Mitsui Sumitomo Primary Life Insurance Co., Ltd.	Chuo-ku,Tokyo	Sept. 7, 2001	Domestic Life Insurance	¥41,060 million	100.0	-
MITSUI SUMITOMO INSURANCE Venture Capital Co., Ltd.	Chuo-ku,Tokyo	Dec. 6, 1990	Financial Services	¥1,000 million	-	100.0%
MS&AD InterRisk Research Institute & Consulting, Inc.	Chiyoda-ku,Tokyo	Jan. 4, 1993	Risk-Related Services	¥330 million	100.0	-
MSIG Holdings (U.S.A.), Inc.	New York, U.S.A.	Oct. 21, 1988	International	US\$920,440 thousand	-	100.0
Mitsui Sumitomo Insurance USA Inc.	New York, U.S.A.	Jan. 28, 1988	International	US\$5,000 thousand	-	100.0
Mitsui Sumitomo Insurance Company of America	New York, U.S.A.	Mar. 29, 2001	International	US\$5,000 thousand	-	100.0
MSIG Specialty Insurance USA Inc.	New York, U.S.A.	Jan. 11, 1994	International	US\$5,000 thousand	-	100.0
DTRIC Insurance Company, Limited	Honolulu, U.S.A.	Dec. 12, 1978	International	US\$4,500 thousand	-	100.0
DTRIC Insurance Underwriters, Limited	Honolulu, U.S.A.	Feb. 2, 2007	International	US\$2,500 thousand	-	100.0
Mitsui Sumitomo Seguros S/A.	São Paulo, Brazil	Dec. 15, 1965	International	BRL619,756 thousand	-	100.0
Aioi Nissay Dowa Europe Limited	London, U.K.	Nov. 8, 2017	International	UK£350,010 thousand	-	100.0
Aioi Nissay Dowa Insurance UK Limited	London, U.K.	Dec. 11, 2017	International	UK£75,100 thousand	-	100.0
MS Amlin Corporate Member Limited	London, U.K.	Sept. 19, 1994	International	UK£1,700 thousand	-	100.0
MS Amlin Underwriting Limited	London, U.K.	Nov. 29, 1988	International	UK£400 thousand	-	100.0
MSI Corporate Capital Limited	London, U.K.	Jan. 7, 2000	International	UK£5,200 thousand	-	100.0
Mitsui Sumitomo Insurance Company (Europe), Limited	London, U.K.	July 28, 1972	International	UK£80,700 thousand	-	100.0
Leadenhall Capital Partners LLP	London, U.K.	Apr. 30, 2008	Financial Services	US\$2,848 thousand	-	80.0
MS Amlin AG	Zurich, Switzerland	Aug. 19, 2010	International	CHF10,000 thousand	-	100.0
MSIG Insurance Europe AG	Cologne, Germany	Apr. 20, 2012	International	€84,000 thousand	-	100.0
Aioi Nissay Dowa Life Insurance of Europe AG	Ismaning, Germany	Dec. 8, 2005	International	€5,000 thousand	-	100.0

Name of Company	Location	Date of Incorporation	Principal Business	Paid-in Capital	Voting Rights of MS&AD Holdings (%)	Voting Rights of Subsidiaries (%)
MS Financial Reinsurance Limited	Hamilton, Bermuda	Nov. 21, 2011	Financial Services	¥46 million	-	100.0%
MS Amlin Insurance SE	Brussels, Belgium	Jan. 4, 2016	International	€30,000 thousand	-	100.0
Aioi Nissay Dowa Insurance Company of Europe SE	Senningerberg, Luxembourg	Nov. 12, 2004	International	€41,875 thousand	-	100.0
MSIG Holdings (Asia) Pte. Ltd.	Singapore, Singapore	Sept. 23, 2004	International	S\$63,195 thousand	-	100.0
MSIG Insurance (Singapore) Pte. Ltd.	Singapore, Singapore	Sept. 23, 2004	International	S\$333,442 thousand	-	100.0
MS First Capital Insurance Limited	Singapore, Singapore	Dec. 9, 1950	International	S\$26,500 thousand	-	97.7
Aioi Nissay Dowa Insurance Company Australia Pty Ltd	Melbourne, Australia	Aug. 1, 2008	International	A\$87,800 thousand	-	100.0
MSIG Mingtai Insurance Co., Ltd.	Taipei, Taiwan	Sept. 22, 1961	International	NT\$2,535 million	-	100.0
MSIG Insurance (Hong Kong) Limited	Hong Kong, P.R.C.	Sept. 8, 2004	International	HK\$1,625 million	-	100.0
Aioi Nissay Dowa Insurance (China) Company Limited	Tianjin, P.R.C.	Jan. 23, 2009	International	RMB625,000 thousand	-	100.0
Mitsui Sumitomo Insurance (China) Company Limited	Shanghai, P.R.C.	Sept. 6, 2007	International	RMB500,000 thousand	-	100.0
MSIG Insurance (Vietnam) Company Limited	Hanoi, Vietnam	Feb. 2, 2009	International	VND300,000 million	-	100.0
PT. Asuransi Jiwa Sinarmas MSIG Tbk	Jakarta, Indonesia	July 17, 1984	International	IDR210,000 million	-	80.0
PT. Asuransi MSIG Indonesia	Jakarta, Indonesia	Dec. 17, 1975	International	IDR100,000 million	-	80.0
MSIG Insurance (Thailand) Public Company Limited	Bangkok, Thailand	Apr. 14, 1983	International	THB142,666 thousand	-	86.4
MSIG Insurance (Malaysia) Bhd.	Kuala Lumpur, Malaysia	Apr. 28, 1979	International	MYR1,511 million	-	65.4 [1.4]
MSIG Insurance (Lao) Co., Ltd.	Vientiane, Laos	Sept. 18, 2009	International	US\$2,000 thousand	-	51.0
43 other companies						

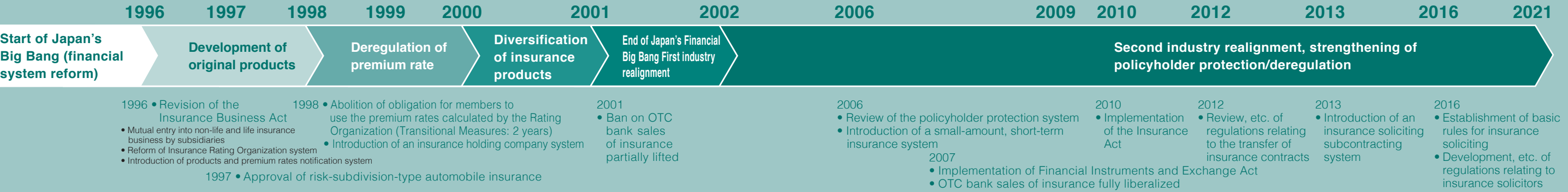
2. EQUITY-METHOD AFFILIATES

Name of Company	Location	Date of Incorporation	Principal Business	Paid-in Capital	Voting Rights of MS&AD Holdings (%)	Voting Rights of Subsidiaries (%)
au Insurance Company, Limited	Minato-ku,Tokyo	Feb. 23, 2010	Domestic Non-Life Insurance	¥3,150 million	-	49.0%
Sumitomo Mitsui DS Asset Management Company, Limited	Minato-ku,Tokyo	July 15, 1985	Financial Services	¥2,000 million	-	15.0
Challenger Limited	Sydney, Australia	Sept. 13, 1985	International	A\$2,425 million	15.0	-
BoCommLife Insurance Company Limited	Shanghai, P.R.C.	July 4, 2000	International	RMB5,100 million	37.5	-
Cholamandalam MS General Insurance Company Limited	Chennai, India	Nov. 2, 2001	International	INR2,988 million	-	40.0
Max Financial Services Limited	Nawanshahr, India	February 24, 1988	International	INR690,065 thousand	-	21.9
Max Life Insurance Company Limited	Chandigarh, India	July 11, 2000	International	INR19,188 million	-	5.2 [90.8]
Ceylinco Insurance PLC	Colombo, Sri Lanka	Feb. 11, 1987	International	LKR1,324 million	-	15.0
BPI/MS Insurance Corporation	Makati, Philippines	Oct. 1, 1965	International	PHP350,000 thousand	-	48.5
Hong Leong Assurance Berhad	Kuala Lumpur, Malaysia	Dec. 20, 1982	International	MYR200,000 thousand	-	30.0
Four other companies						

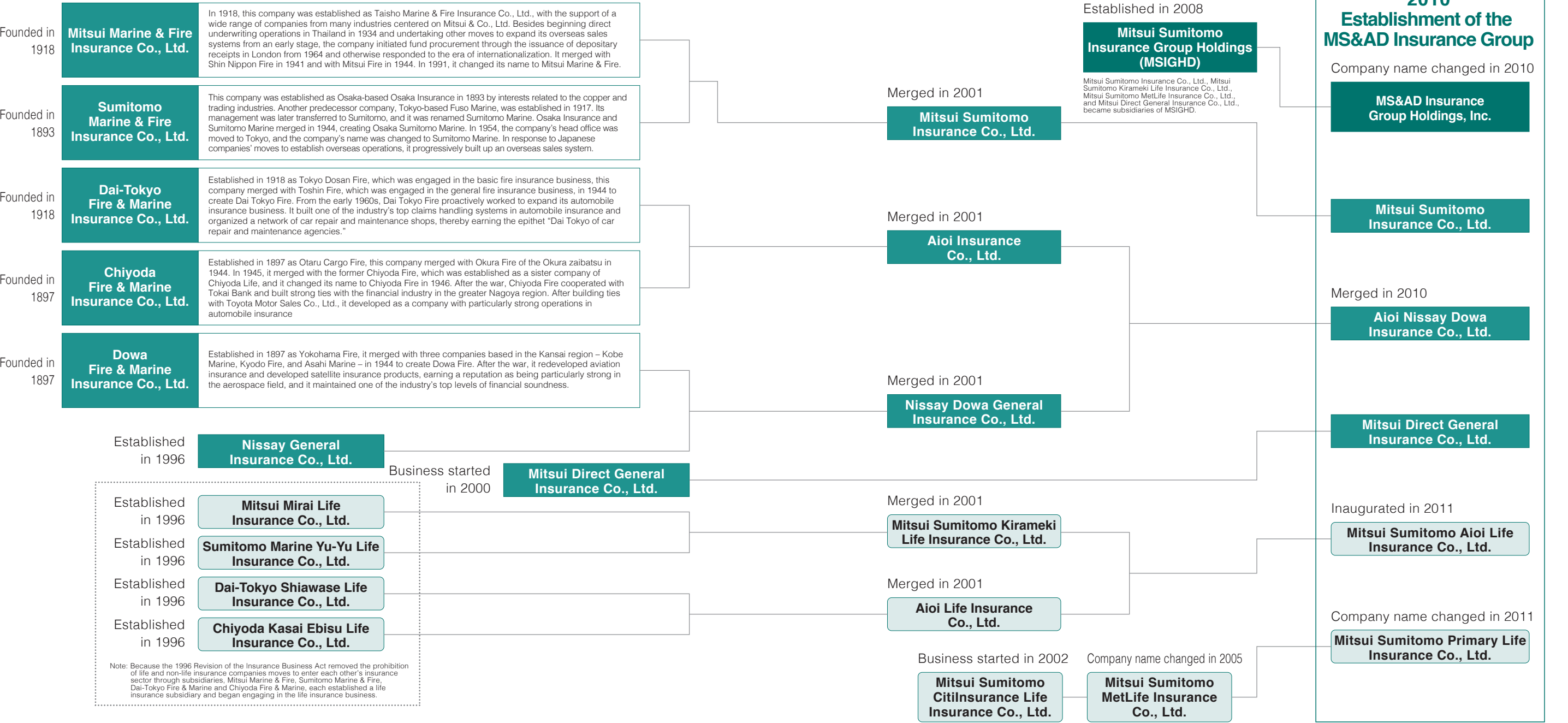
Notes: Figures in square brackets [] represent the percentage of voting rights belonging to closely allied entities or entities that are in agreement with MS&AD on voting issues.

History of the MS&AD Insurance Group in Japan

Major events in the insurance industry



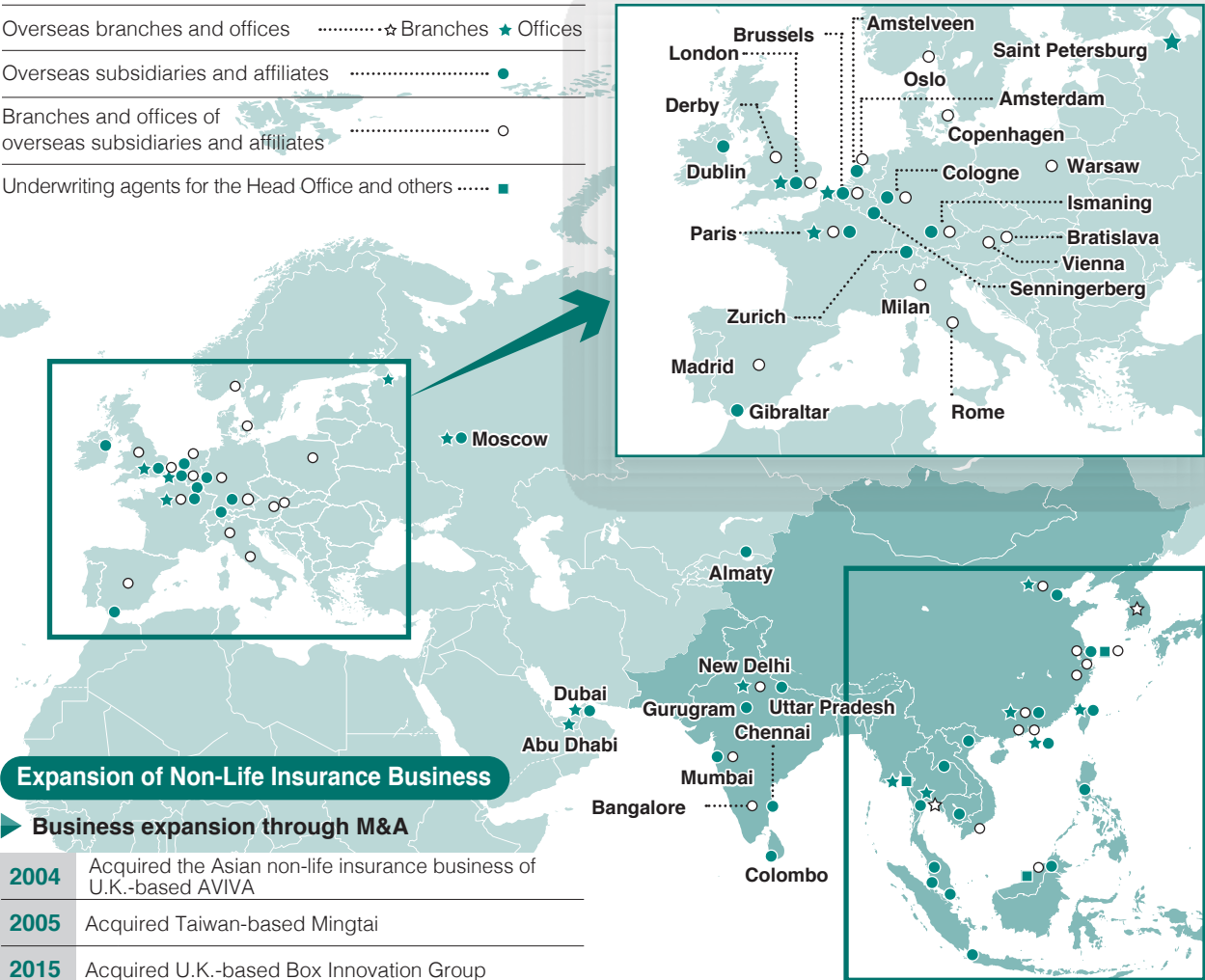
History of the MS&AD Insurance Group



Group Network and History of International Business

(As of July 1, 2021)

- Overseas branches and offices
- Overseas subsidiaries and affiliates
- Branches and offices of overseas subsidiaries and affiliates
- Underwriting agents for the Head Office and others

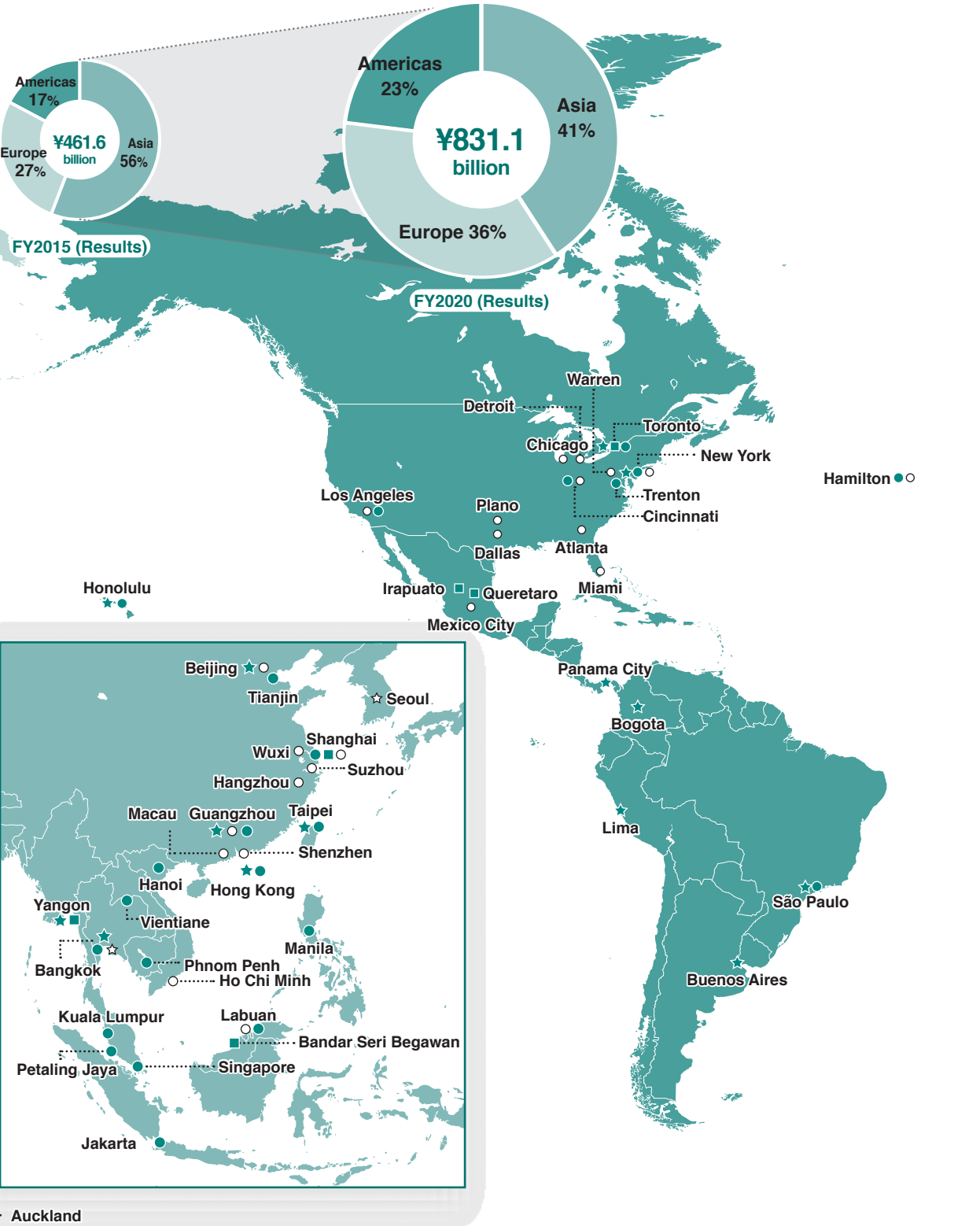


Expansion of Life Insurance Business

Expansion and diversification of international life insurance business

2010	Invested in Hong Leong Assurance Berhad (Malaysia)
2011	Invested in Hong Leong MSIG Takaful Berhad (Malaysia)
2011	Invested in PT. Asuransi Jiwa Sinarmas MSIG (Indonesia)
2012	Invested in Max Life Insurance Company Limited (India)
2017	Invested in Challenger Limited (Australia)
2018	Invested in ReAssure (U.K.)
2020	Invested in BoCommLife (China)

Net Premiums Written and Geographical Dispersion



Developing Business in Major Countries/Regions

1924	1934	1956	1957	1958	1962	1966	1969	1970	1974	1977	1978	1997	1999	2001	2003	2005	2010	2015
U.K. (Office)*	Thailand	U.K.	U.S./ Hong Kong	Singapore/ Germany	Malaysia	Australia	Indonesia	New Zealand	Brazil	Philippines	France	Vietnam	Taiwan	China (Shanghai)	India	Cambodia	Laos	Myanmar/ South Africa (Office)*

Items not marked with * indicate the year in which a direct insurance license was acquired.

Global Network

(As of July 1, 2021)

☆ : Overseas Branches ★ : Overseas Offices ● : Major Overseas Subsidiaries and Affiliates
△ : Major Branches or Offices of Overseas Subsidiaries and Affiliates ■ : Underwriting Agents for the Head Office

ASIA AND OCEANIA

SINGAPORE	MS&AD Holdings	● Interisk Asia Pte Ltd
	MSI	● MSIG Holdings (Asia) Pte. Ltd. ● MSIG Insurance (Singapore) Pte. Ltd. ● MS First Capital Insurance Limited
	ADI	● Aioi Nissay Dowa Services Asia Pte. Ltd.
THAILAND	MS&AD Holdings	● InterRisk Asia (Thailand) Co., Ltd.
	MSI	☆ Thailand Branch ● MSIG Insurance (Thailand) Public Company Limited ● MSI Holding (Thailand) Company Limited ● MSIG Service and Adjusting (Thailand) Company Limited ● Calm Sea Service Company Limited ● MBTS Broking Services Company Limited ● Ueang Mai Co., Ltd. ● Yardhimar Company Limited
	ADI	★ Bangkok Representative Office ● Aioi Bangkok Insurance Public Company Limited ● Bangkok Chayoratin Company, Limited ● Bangkok Chayolife Company, Limited
MALAYSIA	MSI	● MSIG Insurance (Malaysia) Bhd. ● MSIG Berhad ● Hong Leong Assurance Berhad ● Hong Leong MSIG Takaful Berhad
PHILIPPINES	MSI	● BPI/MS Insurance Corporation
INDONESIA	MSI	● PT. Asuransi MSIG Indonesia ● PT. Asuransi Jiwa Sinarmas MSIG Tbk.
REPUBLIC OF KOREA	MSI	☆ Korea Branch
PEOPLE'S REPUBLIC OF CHINA	MS&AD Holdings	● InterRisk Consulting (Shanghai) Co., Ltd. ● BOCOM MSIG Life Insurance Company Limited
	MSI	● Mitsui Sumitomo Insurance (China) Company Limited △ Guangdong Branch Shenzhen Marketing Service Department △ Beijing Branch △ Jiangsu Branch Suzhou Marketing Service Department △ Shanghai Marketing Division ★ Beijing Representative Office ● MSIG Management (Shanghai) Co. Ltd
	ADI	★ China General Representative Office ★ Guangzhou Representative Office ● Aioi Nissay Dowa Insurance (China) Company Limited △ Aioi Nissay Dowa Insurance (China) Company Limited Zhejiang Branch ● Guang Ai Insurance Brokers Ltd.
HONG KONG	MSI	● MSIG Insurance (Hong Kong) Limited
	ADI	★ Hong Kong Representative Office
MACAU	MSI	△ MSIG Insurance (Hong Kong) Limited Macau Branch

TAIWAN	MSI	● MSIG Mingtai Insurance Co., Ltd.
	ADI	★ Taipei Representative Office
VIETNAM	MSI	● MSIG Insurance (Vietnam) Company Limited △ MSIG Insurance (Vietnam) Company Limited, Ho Chi Minh City Branch
INDIA	MSI	● Cholamandalam MS General Insurance Company Limited ● Cholamandalam MS Risk Services Limited ★ New Delhi Representative Office ● Max Financial Services Limited ● Max Life Insurance Company Limited ● Cholamandalam MS General Insurance Company Limited Regional Office, Bangalore ● Cholamandalam MS General Insurance Company Limited J & K Office, Gurugram
MYANMAR	MSI	★ Yangon Representative Office
CAMBODIA	MSI	● Asia Insurance (Cambodia) Plc.
LAO PEOPLE'S DEMOCRATIC REPUBLIC	MSI	● MSIG Insurance (Lao) Co., Ltd.
AUSTRALIA	MS&AD Holdings	● Challenger Limited
	MSI	☆ Oceania Branch ★ Oceania Branch Melbourne Office
	ADI	☆ Australian Branch ★ Sydney Representative Office ★ Melbourne Representative Office ● Aioi Nissay Dowa Insurance Company Australia Pty Ltd
NEW ZEALAND	MSI	★ Oceania Branch New Zealand Office
	ADI	☆ New Zealand Branch ● Aioi Nissay Dowa Management New Zealand Limited
SRI LANKA	MSI	● Ceylinco Insurance PLC

THE AMERICAS

U.S.A.	MSI	★ New York Representative Office ● MSIG Holdings (U.S.A.), Inc. ● Mitsui Sumitomo Insurance Company of America ● Mitsui Sumitomo Insurance USA Inc. ● Mitsui Sumitomo Marine Management (U.S.A.), Inc. △ New York Office △ Warren Office △ Los Angeles Office △ Cincinnati Office △ Atlanta Office △ Chicago Office △ Detroit Office △ Dallas Office ● Seven Hills Insurance Agency, LLC ● MSIG Specialty Insurance USA Inc. ● MSI GuaranteedWeather, LLC ● Vortex Insurance Agency, LLC
	ADI	★ New York Representative Office ★ Honolulu Representative Office ● Aioi Nissay Dowa Insurance Services USA Corporation ● MOTER Technologies, Inc. ● Toyota Insurance Management Solutions USA, LLC ● Advanced Connectivity, LLC ● Connected Analytic Services, LLC ● DTRIC Insurance Company, Limited ● DTRIC Insurance Underwriters, Limited ● DTRIC Management Company, Limited

GUAM (U.S.A.)	ADI	● Takagi & Associates, Inc.
SAIPAN (U.S.A.)	ADI	● Takagi & Associates, Inc.
CANADA	MSI	★ Toronto Representative Office c/o Chubb Insurance Company of Canada ■ Chubb Insurance Company of Canada
BERMUDA	MSI	● SPAC Insurance (Bermuda) Limited ● MSI GuaranteedWeather Trading Limited ● MS Financial Reinsurance Limited
MEXICO	MSI	△ MSIG Holdings (U.S.A.), Inc. Mexican Representative Office c/o Mapfre Tepeyac, S.A.
PANAMA	MSI	★ Panama Representative Office
BRAZIL	MSI	● Mitsui Sumitomo Seguros S/A. ● Mitsui Sumitomo Insurance Company Limited-Escritório de Representação no Brasil Ltda. ★ São Paulo Representative Office
COLOMBIA	MSI	★ Bogotá Representative Office
PERU	MSI	★ Lima Representative Office
ARGENTINA	MSI	★ Buenos Aires Representative Office

■ EUROPE, THE MIDDLE EAST AND AFRICA

UNITED KINGDOM	MSI	★ London Representative Office ● MS Amlin Corporate Services Limited ● MS Amlin Underwriting Limited ● MS Amlin Corporate Member Limited ● Mitsui Sumitomo Insurance Company (Europe), Limited △ Mitsui Sumitomo Insurance Company (Europe), Limited Derby Office ● MSIG Corporate Services (Europe) Limited ● Leadenhall Capital Partners LLP
	ADI	★ London Representative Office ● Aioi Nissay Dowa Europe Limited ● Aioi Nissay Dowa Insurance UK Limited ● Aioi Nissay Dowa Insurance Management Limited ● Box Innovation Group Limited ● Insure The Box Limited △ Insure The Box Limited UK Branch ● ITB Services Limited ● ITB Web Limited ● ITB Telematics Solutions LLP ● ITB Premium Finance Limited
GERMANY	MSI	● MSIG Insurance Europe AG △ MSIG Insurance Europe AG Region Germany
	ADI	● Toyota Insurance Management SE ● Aioi Nissay Dowa Life Insurance of Europe AG ● AD Information and Data Services (Europe) GmbH △ Aioi Nissay Dowa Insurance Company of Europe SE German Branch

AUSTRIA	ADI	△ Toyota Insurance Management SE Austrian Branch
NETHERLANDS	MSI	△ MSIG Insurance Europe AG The Netherlands Branch
FRANCE	MSI	△ MSIG Insurance Europe AG France Branch
	ADI	★ Paris Representative Office △ Aioi Nissay Dowa Insurance Company of Europe SE French Branch △ Toyota Insurance Management SE French Branch
BELGIUM	MSI	● MS Amlin Insurance SE △ MSIG Insurance Europe AG Belgium Branch △ MSIG Corporate Services (Europe) Limited Belgium Branch
	ADI	★ Brussels Representative Office △ Aioi Nissay Dowa Insurance Company of Europe SE Belgian Branch △ Toyota Insurance Management SE Belgian Branch
LUXEMBOURG	ADI	● Aioi Nissay Dowa Insurance Company of Europe SE
SWITZERLAND	MSI	● MS Amlin AG
SPAIN	MSI	△ MSIG Insurance Europe AG Spain Branch
	ADI	△ Aioi Nissay Dowa Insurance Company of Europe SE Spanish Branch △ Toyota Insurance Management SE Spanish Branch
ITALY	MSI	△ MSIG Insurance Europe AG Italy Branch
	ADI	△ Aioi Nissay Dowa Insurance Company of Europe SE Italian Branch △ Toyota Insurance Management SE Italian Branch
SLOVAKIA	MSI	△ MSIG Insurance Europe AG Slovakia Branch
RUSSIA	MSI	★ Moscow Representative Office ★ St. Petersburg Representative Office
	ADI	★ Moscow Representative Office ● LLC Toyota Insurance Management Limited (Insurance Brokers) ● LLC Toyota Insurance Management Limited (Insurance Agency)
NORWAY	ADI	△ Aioi Nissay Dowa Insurance Company of Europe SE Norwegian Branch
UNITED ARAB EMIRATES	MSI	★ Dubai Representative Office ★ Abu Dhabi Representative Office
REPUBLIC OF SOUTH AFRICA	MSI	△ Mitsui Sumitomo Insurance Company (Europe), Limited Johannesburg Representative Office
	ADI	● Toyota Insurance Management South Africa Proprietary Limited
KAZAKHSTAN	ADI	● Toyota Insurance Management (Insurance Broker) LLP
DENMARK	ADI	△ Toyota Insurance Management SE Nordic Branch
POLAND	ADI	△ Toyota Insurance Management SE Polish Branch

Credit Ratings

Credit Ratings for Domestic Insurance Companies

This section contains information about credit ratings assigned to the following companies in the Group. (As of August 1, 2021)

Rating Agency	Rating Assigned	MS&AD Holdings	Mitsui Sumitomo Insurance Co., Ltd.	Aioi Nissay Dowa Insurance Co., Ltd.	Mitsui Sumitomo Aioi Life Insurance Co., Ltd.	Mitsui Sumitomo Primary Life Insurance Co., Ltd.
Standard & Poor's	Financial Strength Rating	-	A+ (Stable)	A+ (Stable)	-	A+ (Stable)
	Long-Term Issuer Credit Rating	-	A+ (Stable)	A+ (Stable)	-	A+ (Stable)
	Short-Term Issuer Credit Rating	-	A-1	A-1	-	-
Moody's	Insurance Financial Strength Rating	-	A1 (Stable)	A1 (Stable)	-	-
	Long-Term Issuer Rating	-	A1 (Stable)	-	-	-
Rating and Investment Information, Inc. (R&I)	Issuer Rating	-	AA (Stable)	AA (Stable)	-	-
	Insurance Claims Paying Ability	-	-	-	AA (Stable)	AA (Stable)
Japan Credit Rating Agency, Ltd. (JCR)	Ability to Pay Insurance Claims	-	-	AA+ (Stable)	-	-
	Long-Term Issuer Rating	AA (Stable)	AA+ (Stable)	AA+ (Stable)	-	-
	Short-Term Rating (Commercial Paper)	-	J-1+	J-1+	-	-
A.M. Best	Financial Strength Rating	-	A+ (Stable)	A+ (Stable)	-	-
	Issuer Credit Rating	-	aa (Stable)	aa (Stable)	-	-

Credit Ratings for Overseas Insurance Companies

The table below indicates information about credit ratings of overseas subsidiaries. (As of August 1, 2021)

Rating Agency	Overseas Subsidiaries	Credit Rating
Standard & Poor's	Mitsui Sumitomo Insurance Co. (Europe), Ltd. MSIG Insurance (Hong Kong) Ltd. MSIG Insurance (Singapore) Pte. Ltd. MSIG Insurance Europe AG	Financial Strength Rating A+ (Stable)*1
	Aioi Nissay Dowa Insurance Company of Europe SE Aioi Nissay Dowa Insurance UK Ltd.	Financial Strength Rating A+ (Stable)*2
	Mitsui Sumitomo Insurance Company of America Mitsui Sumitomo Insurance USA, Inc. MSIG Specialty Insurance USA Inc.	Financial Strength Rating A+ (Stable)
	Mitsui Sumitomo Insurance (China) Co., Ltd. MSIG Mingtai Insurance Co., Ltd. MS Amlin AG MS Amlin Insurance SE	Financial Strength Rating A (Stable)
Moody's	Syndicate 2001 MS Amlin AG	Insurance Financial Strength Rating A1 (Stable)
A.M. Best	Mitsui Sumitomo Insurance Company of America Mitsui Sumitomo Insurance USA, Inc. MSIG Specialty Insurance USA Inc.	Financial Strength Rating A+ (Stable) Issuer Credit Rating aa (Stable)
	Syndicate 2001 MS Amlin AG	Financial Strength Rating A (Stable) Issuer Credit Rating a+ (Stable)
	DTRIC Insurance Company Ltd. DTRIC Insurance Underwriters, Ltd. Aioi Nissay Dowa Insurance (China) Co., Ltd.	Financial Strength Rating A- (Stable) Issuer Credit Rating a- (Stable)
	MS First Capital Insurance Limited	Financial Strength Rating A (Stable) Issuer Credit Rating a+ (Stable)

*1. Applicable to the same ratings of Mitsui Sumitomo Insurance with the guarantee on insurance/reinsurance policies, issued by Mitsui Sumitomo Insurance (the issuer of the guarantee, the "Guarantor"). The obligations of the Guarantor under the guarantee rank pari passu with all other unsecured indebtedness of the Guarantor. The guarantee is unconditional and covers the subsidiaries' obligations of payment and not collection.
*2. Applicable to the same rating of Aioi Nissay Dowa Insurance with the guarantee on insurance/reinsurance policies, issued by Aioi Nissay Dowa Insurance (the issuer of the guarantee, the "Guarantor"). The obligations of the Guarantor under the guarantee rank pari passu with all other unsecured indebtedness of the Guarantor. The guarantee is unconditional and covers the subsidiaries' obligations of payment and not collection.

Domestic Non-Life Insurance Business

Mitsui Sumitomo Insurance Co., Ltd. (MSI)

Responsible for the non-life insurance business, which is a core business of the MS&AD Insurance Group. Drawing on its wide range of partnerships centering mainly on the Mitsui and Sumitomo groups, MSI is leveraging the full range of its capabilities to develop and rollout global insurance and financial services that meet every conceivable need of customers around the world.

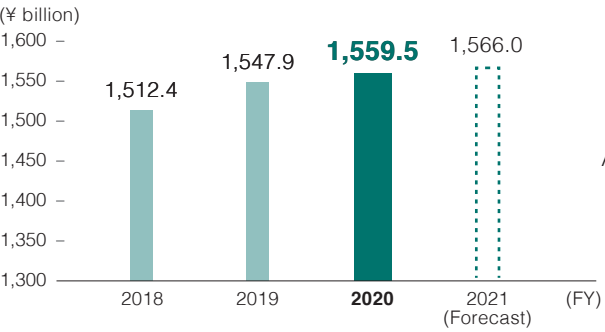
Principal Indicators (Non-Consolidated)

Item	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021 (Forecast)
Net premiums written	1,469.6	1,500.3	1,512.4	1,547.9	1,559.5	1,566.0
Growth rate of net premiums written	(2.5%)	2.1%	0.8%	2.3%	0.8%	0.4%
Net loss ratio	61.2%	61.6%	66.2%	63.3%	59.8%	62.0%
Net expense ratio	31.2%	31.3%	31.5%	32.0%	32.7%	33.2%
Combined ratio	92.4%	92.9%	97.7%	95.3%	92.5%	95.2%
Underwriting income	81.7	84.4	47.3	7.3	23.9	62.0
Investment income	139.4	182.5	185.9	93.9	117.8	125.0
Ordinary profit	215.5	262.5	226.4	89.1	131.6	175.0
Net income	164.5	198.2	171.1	94.0	92.2	131.0
Net assets	1,645.0	1,877.0	1,832.6	1,640.0	1,925.2	-
Total assets	6,777.0	7,098.2	6,977.1	6,686.0	7,098.1	-
Net unrealized gains/(losses) on investments in securities (before tax effects)	1,294.0	1,419.7	1,226.7	947.8	1,455.0	-
Solvency margin ratio (non-consolidated)	657.9%	701.1%	723.2%	701.3%	746.5%	-
Number of employees	14,650	14,572	14,577	14,371	14,168	-

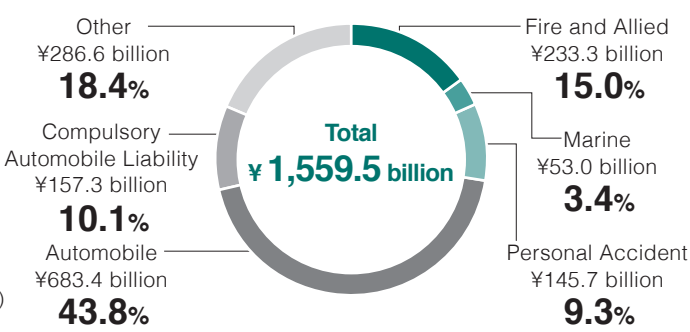
Notes: 1. Net premiums written, net loss ratio, net expense ratio and combined ratio figures are presented exclusive of Good Result Return premiums of propriety automobile insurance product "ModoRich," which contains a special clause related to premium adjustment and refund at maturity.
2. Net loss ratio = (net claims paid + loss adjustment expenses) ÷ net premiums written × 100
3. Net expense ratio = (commissions and collection expenses + operating expenses and general and administrative expenses for underwriting) ÷ net premiums written × 100
4. Combined ratio = net loss ratio + net expense ratio
5. Net unrealized gains/(losses) on investments in securities (before tax effects) represents the difference before tax effects between the fair value and the acquisition cost (including the amortized cost) of available for-sale securities with practically determinable fair value. It includes monetary claims bought, money trusts and others that are accounted for as investment in securities.

Principal Management Indicators

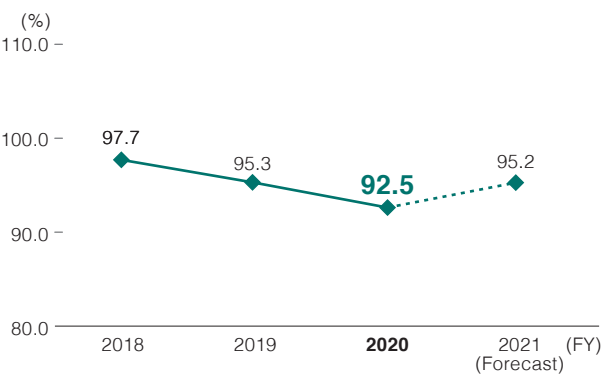
Net Premiums Written



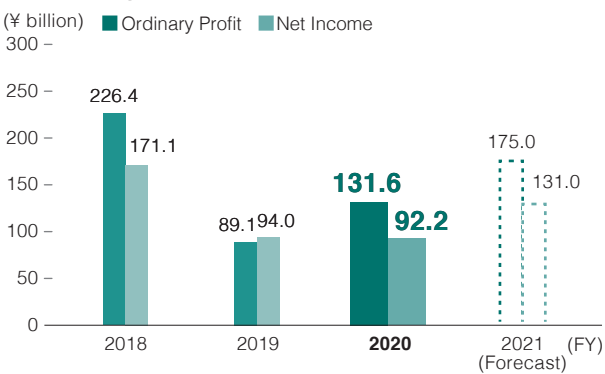
Composition by Class of Insurance (FY2020)



Combined Ratio



Ordinary Profit / Net Income



Domestic Non-Life Insurance Business

Aioi Nissay Dowa Insurance Co., Ltd. (ADI)

Responsible for the non-life insurance business, which is a core business of the MS&AD Insurance Group. Harnessing the networks of the Toyota and Nippon Life groups as well as the strength of its community-based retail market development capabilities, ADI is working diligently to further develop its business.

Corporate Profile

President: **Yasuzo Kanasugi**
(concurrently serving as
Vice Chairman Executive Officer of
MS&AD Holdings)

Date Established: **June 1918**
Number of Employees: **13,933 (As of
March 31, 2021)**

Head Office: **28-1, Ebisu 1-chome,
Shibuya-ku, Tokyo**
URL [https://www.aioinissaydowa.co.jp
/english/](https://www.aioinissaydowa.co.jp/english/)

Principal Indicators (Non-Consolidated)

(¥ billion)

Item	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021 (Forecast)
Net premiums written	1,200.5	1,222.0	1,233.5	1,276.7	1,281.4	1,287.0
Growth rate of net premiums written	0.7%	1.8%	0.9%	3.5%	0.4%	0.4%
Net loss ratio	59.1%	59.2%	67.8%	62.0%	58.6%	63.5%
Net expense ratio	33.5%	33.4%	33.8%	34.5%	34.9%	35.0%
Combined ratio	92.6%	92.6%	101.6%	96.5%	93.5%	98.5%
Underwriting income	39.5	4.8	15.5	1.1	(12.4)	30.0
Investment income	32.2	(1.9)	43.0	55.3	48.3	40.0
Ordinary profit	75.1	5.6	61.3	58.6	32.4	65.0
Net income	50.3	15.6	37.3	44.7	21.6	43.0
Net assets	793.0	781.0	735.5	638.0	838.6	-
Total assets	3,498.2	3,486.6	3,410.9	3,420.7	3,745.2	-
Net unrealized gains/(losses) on investments in securities (before tax effects)	505.3	578.7	506.3	375.3	664.8	-
Solvency margin ratio (non-consolidated)	851.6%	784.0%	688.2%	702.3%	790.9%	-
Number of employees	13,052	13,287	13,657	13,775	13,933	-

Notes: 1. Net loss ratio = (net claims paid + loss adjustment expenses) ÷ net premiums written × 100

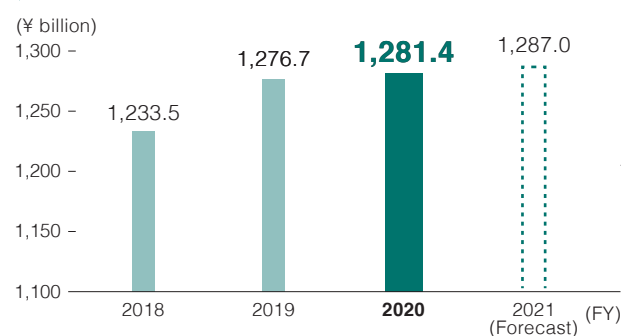
2. Net expense ratio = (commissions and collection expenses + operating expenses and general and administrative expenses for underwriting) ÷ net premiums written × 100

3. Combined ratio = net loss ratio + net expense ratio

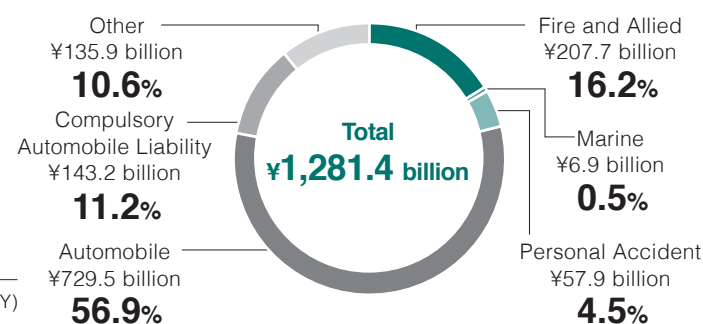
4. Net unrealized gains/(losses) on investments in securities (before tax effects) represents the difference before tax effects between the fair value and the acquisition cost (including the amortized cost) of available-for-sale securities with practically determinable fair value. It includes monetary claims bought, money trusts and others that are accounted for as investment in securities.

Principal Management Indicators

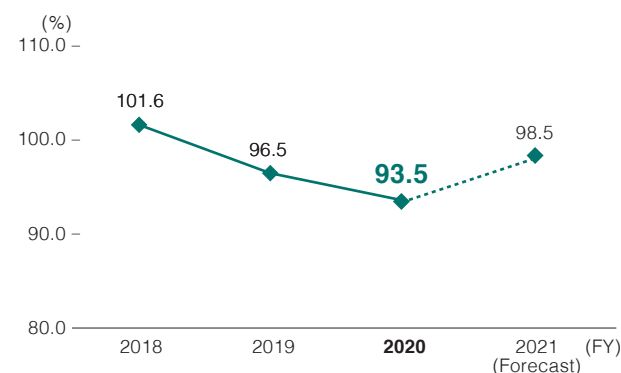
Net Premiums Written



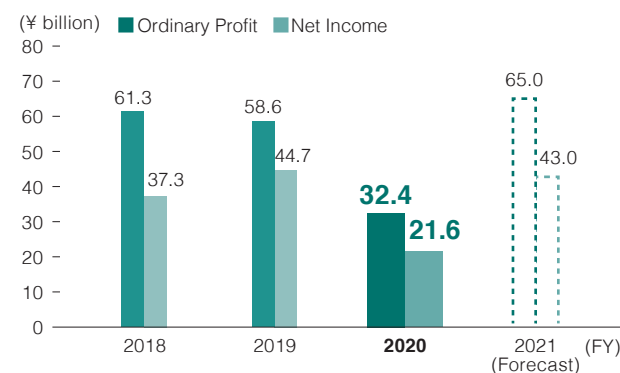
Composition by Class of Insurance (FY2020)



Combined Ratio



Ordinary Profit / Net Income



Domestic Non-Life Insurance Business

Mitsui Direct General Insurance Co., Ltd. (Mitsui Direct General)

Mitsui Direct General is a non-life insurance company that engages in the direct sale of individual voluntary automobile insurance via the Internet and smartphones.

Corporate Profile

President: **Akio Miyamoto**
Date Established: **June 1999**

Number of Employees: **559**
(As of March 31, 2021)

Head Office: **5-1, Kouraku 2-chome,
Bunkyo-ku, Tokyo**

URL <https://www.mitsui-direct.co.jp>
(Japanese language only)

Principal Indicators (Non-Consolidated)

(¥ billion)

Item	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021 (Forecast)
Net premiums written	37.6	37.8	36.6	36.3	36.4	36.4
Growth rate of net premiums written	3.0%	0.6%	(3.2%)	(0.8%)	0.3%	0.0%
Net loss ratio	75.9%	73.0%	76.2%	74.9%	64.2%	69.2%
Net expense ratio	22.0%	23.3%	25.3%	28.3%	31.3%	30.4%
Combined ratio	97.9%	96.3%	101.5%	103.2%	95.5%	99.6%
Underwriting income	(1.00)	0.38	0.33	0.13	1.37	0.15
Ordinary profit	(0.95)	0.45	0.38	0.17	1.41	0.19
Net income	(1.00)	0.32	0.24	0.15	0.97	0.10
Net assets	13.3	13.6	13.9	14.0	14.9	-
Total assets	59.9	61.4	60.9	59.7	61.8	-
Solvency margin ratio (non-consolidated)	431.4%	457.5%	497.6%	526.9%	595.8%	-
Number of employees	572	571	545	552	559	-

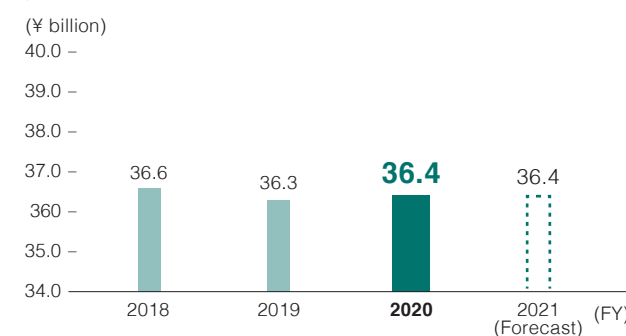
Notes: 1. Net loss ratio = (net claims paid + loss adjustment expenses) ÷ net premiums written × 100

2. Net expense ratio = (commissions and collection expenses + operating expenses and general and administrative expenses for underwriting) ÷ net premiums written × 100

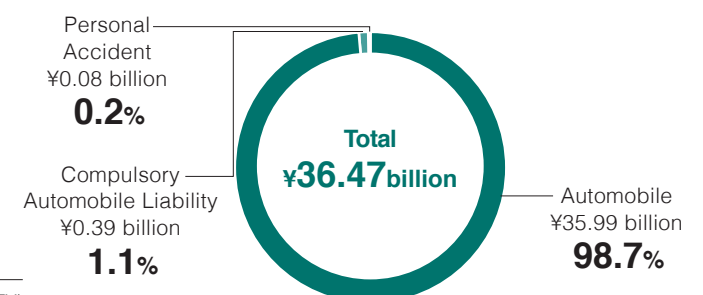
3. Combined ratio = net loss ratio + net expense ratio

Principal Management Indicators

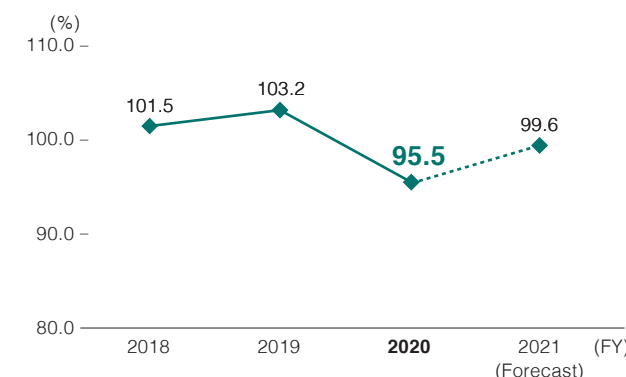
Net Premiums Written



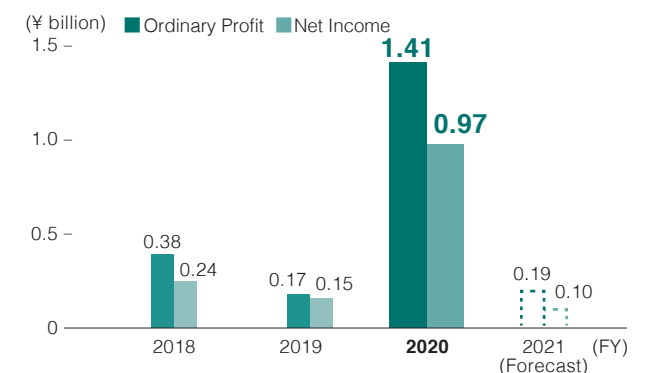
Composition by Class of Insurance (FY2020)



Combined Ratio



Ordinary Profit / Net Income



Domestic Life Insurance Business

Mitsui Sumitomo Aioi Life Insurance Co., Ltd.
(MSI Aioi Life)

MSI Aioi Life is a life insurance company that offers protection-type life insurance products, while leveraging the Group's marketing network and customer base. The company is realizing a growth model that involves a combination of strategies to utilize unique marketing channels.

Corporate Profile
President: **Shiro Kaji**
Date Established: **August 1996**
Number of Employees: **2,529 (As of March 31, 2020)**
Head Office: **27-2, Shinkawa 2-chome, Chuo-ku, Tokyo**
URL <https://www.msa-life.co.jp>
(Japanese language only)

Principal Indicators (Non-Consolidated)

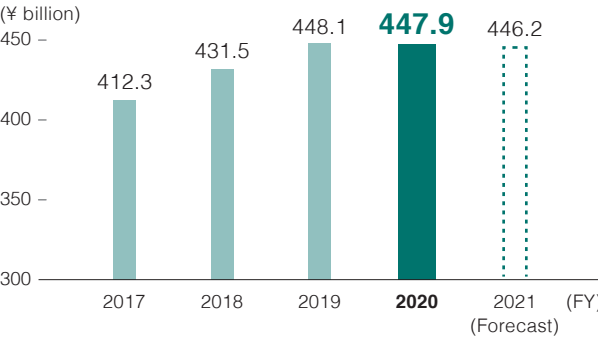
(¥ billion)

Item	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021 (Forecast)
Amount of new policies	2,377.1	2,639.5	3,114.5	2,068.4	1,769.0	1,897.7
Amount of policies in force	23,214.2	23,806.8	24,533.1	24,458.0	24,266.9	24,332.2
Annualized premiums of policies in force	401.0	412.3	431.5	448.1	447.9	446.2
Ordinary profit	16.1	16.9	19.5	18.6	25.6	35.2
Core profit	18.6	12.8	15.5	13.6	24.8	-
Risk differential gains/(losses)	55.8	59.9	62.7	62.6	69.4	-
Expenses differential gains/(losses)	(14.6)	(15.3)	(13.0)	(10.8)	(5.6)	-
Investment income differential gains/(losses)	(0.2)	(2.2)	(4.3)	(7.9)	(6.7)	-
Net income	4.5	5.2	7.9	7.5	11.9	18.0
Net assets	276.2	264.5	275.9	260.7	257.4	-
Total assets	3,619.1	3,869.7	4,229.6	4,510.4	4,534.3	-
Net unrealized gains/(losses) on investments in securities (before tax effects)	126.3	107.5	114.0	86.9	73.7	-
Embedded value (EEV)	794.2	835.5	819.4	890.2	958.3	1,010.0
Solvency margin ratio	1,893.2%	1,726.7%	1,681.8%	1,549.3%	1,439.5%	-
Number of employees	2,595	2,609	2,602	2,588	2,529	-

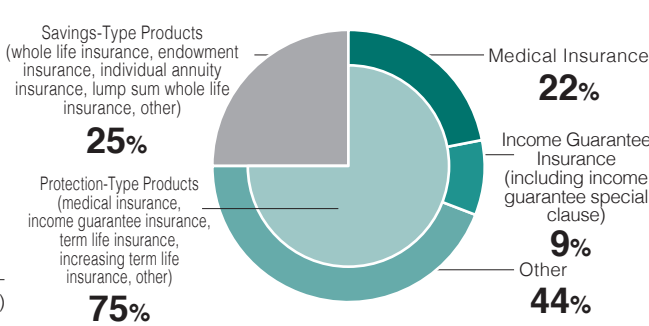
Notes: 1. Amount of new policies, amount of policies in force and annualized premiums of policies in force are the total of individual insurance and individual annuity insurance.
2. Core profit is an insurance business profitability indicator that is calculated by deducting capital gains/(losses) and non-recurring income and losses from ordinary profit. In this business, the sum of core profit and capital gains (losses) provides a more appropriate indicator of actual profit for the period. As for MSI Primary Life, the sum of core profit and capital gains/(losses) provides a more appropriate indicator of actual profit for the period instead of core profit(loss). Meanwhile, the method for disclosing the breakdown of ordinary profit was revised effective from FY2017. As a result of retroactive adjustments to FY2016 data, core profit (fundamental profit) for FY2016 has been revised.
3. Net unrealized gains/(losses) on investments in securities (before tax effects) represents the difference before tax effects between the fair value and the acquisition cost (including the amortized cost) of available-for-sale securities with practically determinable fair value. It includes monetary claims bought, money trusts and others that are accounted for as investment in securities.

Principal Management Indicators

Annualized Premiums of Policies in Force

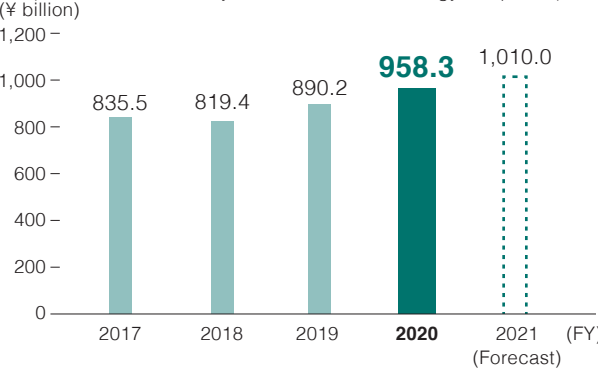


Weight by Type of Product (FY2020)

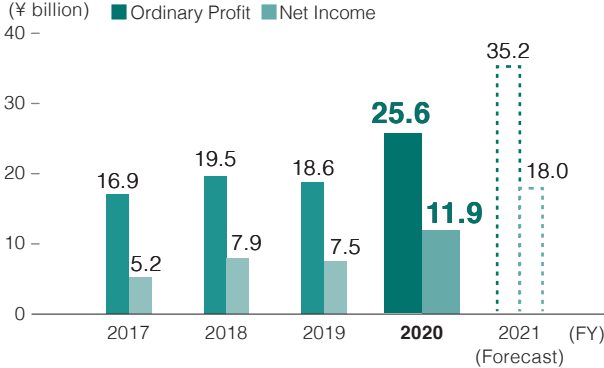


Embedded Value (EEV)

(Refer to the "Glossary of Insurance Terminology" on p. 111)



Ordinary Profit / Net Income



Domestic Life Insurance Business

Mitsui Sumitomo Primary Life Insurance Co., Ltd.
(MSI Primary Life)

Specializing in over-the-counter sales via financial institutions, MSI Primary Life is a life insurance company that offers asset-building-type and asset-inheritance-type products centered on individual annuity insurance and whole life insurance.

Corporate Profile
President: **Yasuhiro Nagai**
Date Established: **September 2001**
Number of Employees: **390 (As of March 31, 2021)**
Head Office: **Yaesu First Financial Building, 3-7, Yaesu 1-chome, Chuo-ku, Tokyo**
URL <https://www.ms-primary.com>
(Japanese language only)

Principal Indicators (Non-Consolidated)

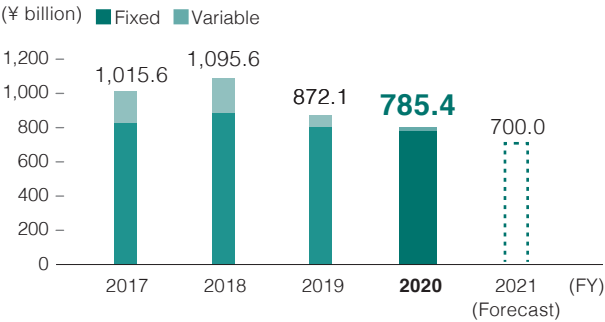
(¥ billion)

Item	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021 (Forecast)
Premiums income	1,071.1	1,015.6	1,095.6	872.1	785.4	700.0
Amount of new policies	1,032.2	1,015.6	1,118.2	882.7	788.2	703.4
Amount of policies in force	5,680.7	6,061.8	6,678.5	6,514.0	6,595.8	6,399.0
Ordinary profit	57.6	28.9	35.5	31.4	160.0	35.4
Core profit/(loss)	52.7	8.8	(12.3)	(27.9)	40.8	-
Core profit + Capital gains	58.9	30.0	44.2	27.6	160.8	-
Net income	20.7	29.2	23.3	20.3	43.1	23.0
Net assets	137.7	164.0	195.3	194.8	260.5	-
Total assets	5,838.0	6,201.7	6,885.3	6,814.9	7,024.7	-
Net unrealized gains/(losses) on investments in securities (before tax effects)	10.4	11.3	27.3	(7.4)	51.3	-
Embedded value (EEV)	375.3	416.2	436.1	348.4	557.4	-
Solvency margin ratio	1,030.5%	992.9%	825.4%	746.0%	1,054.8%	-
Number of employees	384	394	400	396	390	-

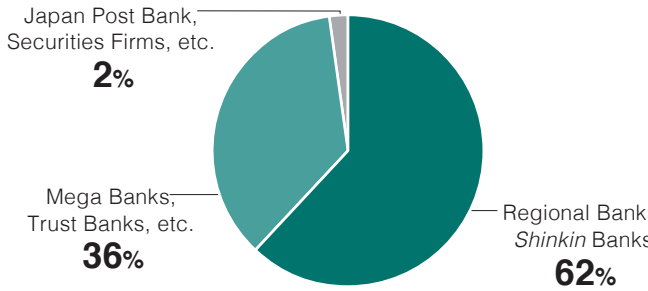
Notes: 1. The amount of new policies and amount of policies in force are the totals of individual insurance and individual annuity insurance.
2. Core profit is an insurance business profitability indicator that is calculated by deducting capital gains/(losses) and non-recurring income and losses from ordinary profit. In this business, the sum of core profit and capital gains (losses) provides a more appropriate indicator of actual profit for the period. As for MSI Primary Life, the sum of core profit and capital gains/(losses) provides a more appropriate indicator of actual profit for the period instead of core profit(loss). Meanwhile, the method for disclosing the breakdown of ordinary profit was revised effective from FY2017. As a result of retroactive adjustments to FY2016 data, core profit (fundamental profit) for FY2016 has been revised.
3. Net unrealized gains/(losses) on investments in securities (before tax effects) represent the difference before tax effects between the fair value and the acquisition cost (including the amortized cost) of available-for-sale securities with practically determinable fair value. It includes monetary claims bought, money trusts and others that are accounted for as investment in securities.

Principal Management Indicators

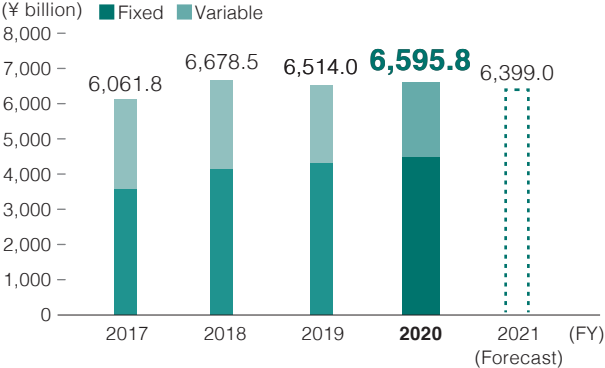
Premiums Income



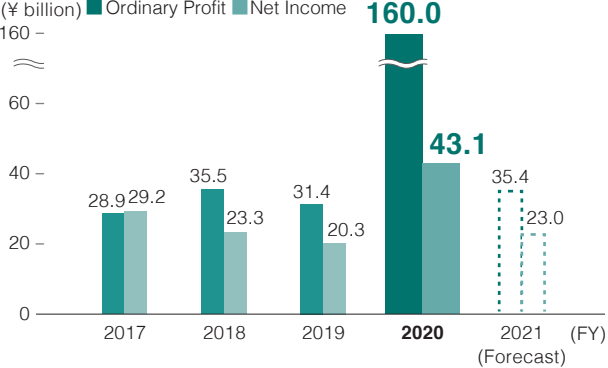
Weight by Type of Sales Channel (FY2020)



Amount of Policies in Force



Ordinary Profit / Net Income



International Business

MS Amlin

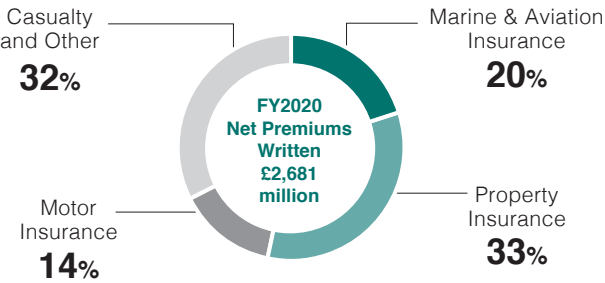
Centered on three operating companies—Lloyd’s, Reinsurance and Continental Europe Primary Insurance—MS Amlin is a leading insurer that provides both insurance and reinsurance services around the world.

Principal Indicators

Item	FY2017	FY2018	FY2019	FY2020	FY2021 (Forecast)
Net premiums written	2,955	3,050	3,220	2,681	2,923
Growth rate of net premiums written	(4.5%)	3.2%	5.6%	(16.7%)	9.0%
EI claims ratio	97%	71%	67%	75%	-
EI expense ratio	36%	35%	34%	35%	-
Combined ratio	133%	106%	102%	109%	-
Underwriting income/(loss)	(964)	(174)	(55)	(277)	-
Investment income	181	54	263	144	-
Net income	(759)	(94)	55	(222)	79

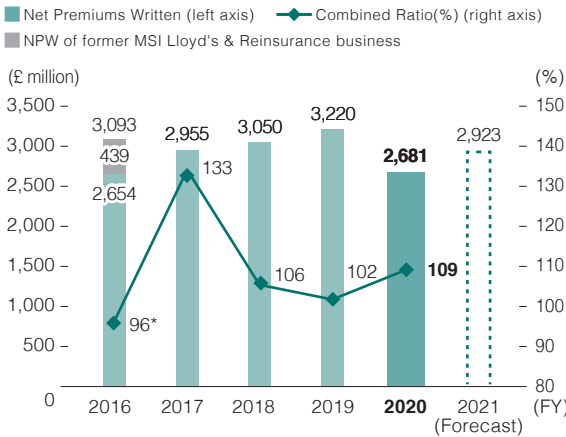
Notes: 1. On a local reporting basis. The accounting method where securities market fluctuations are reflected in the profit-loss statement has been adopted for investment profit.
The EI expense ratio and combined ratio are calculated by taking into account foreign exchange gains/losses included in underwriting profit.
2. Figures for FY2016 include results of MSI's Lloyd's and Reinsurance subsidiaries that were consolidated into MS Amlin at the end of FY2016.
3. Figures for FY2020 onward are the sum of MS Amlin Underwriting Limited, MS Amlin AG, MS Amlin Insurance SE, and other services companies.
4. Net income (forecast) for fiscal 2021 reflects the loss associated with the North American cold wave of February 2021 on a local reporting basis.

Net Premiums Written by Product Line



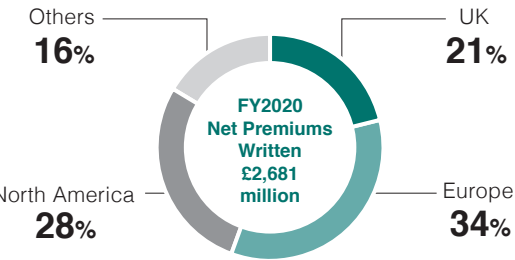
Principal Indicators

Net Premiums Written and Combined Ratio



*After consolidation of MSI's Lloyd's and Reinsurance businesses into MS Amlin

Net Premiums Written by Geography



Overview of the Insurance Business of the Three MS Amlin Companies (As of March 31, 2021)

Company Name	MS Amlin Underwriting Limited	MS Amlin AG	MS Amlin Insurance SE
Headquarters	London, UK	Zurich, Switzerland	Brussels, Belgium
CEO	Johan Slabbert	Chris Beazley	Ludovic Senecaut
Number of Employees*	Approx. 540	Approx. 160	Approx. 570
FY2020 Net Premiums Written (£ million)	976	1,092	607
Business Description	Lloyd's business	Reinsurance business in Switzerland, Bermuda, the United States, etc.	Continental Europe Primary Insurance business with a focus on Belgium, the Netherlands and France, etc.

* In addition to the aforementioned, the company has approximately 400 employees in service and other companies.

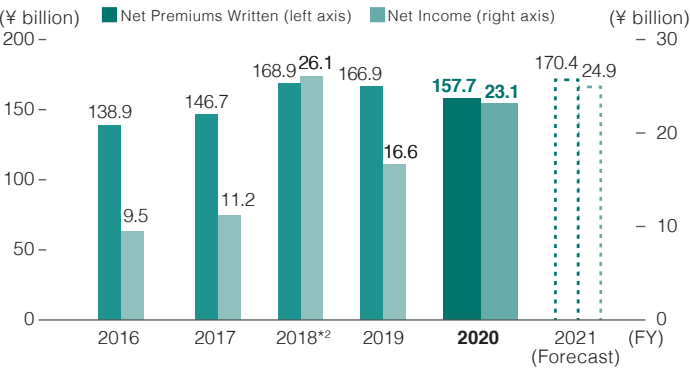
International Business

Asian Region

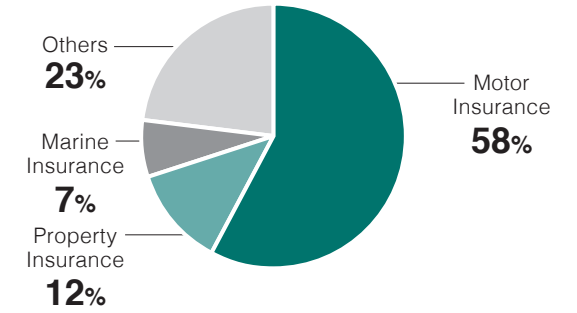
As the sole insurance group with underwriting operations in all 10 ASEAN countries in the Asian region, we are leveraging our solid business base to create further growth and expand locally rooted businesses.

Principal Indicators*

Net Premiums Written and Net income



Net Written Premiums by Product Line (FY2020)



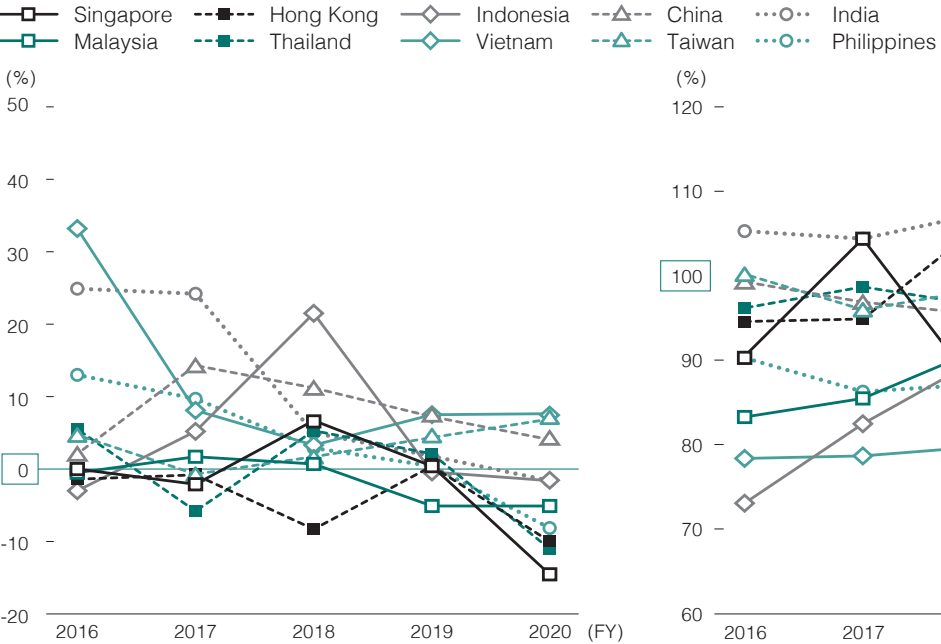
Conditions by Major Country and Region (FY2020)

Country / Region	Net premiums written	Net income
Singapore	30.8	9.6
Malaysia	28.6	4.7
Hong Kong	11.1	1.2
Thailand	10.3	0.5
Indonesia	3.9	0.5

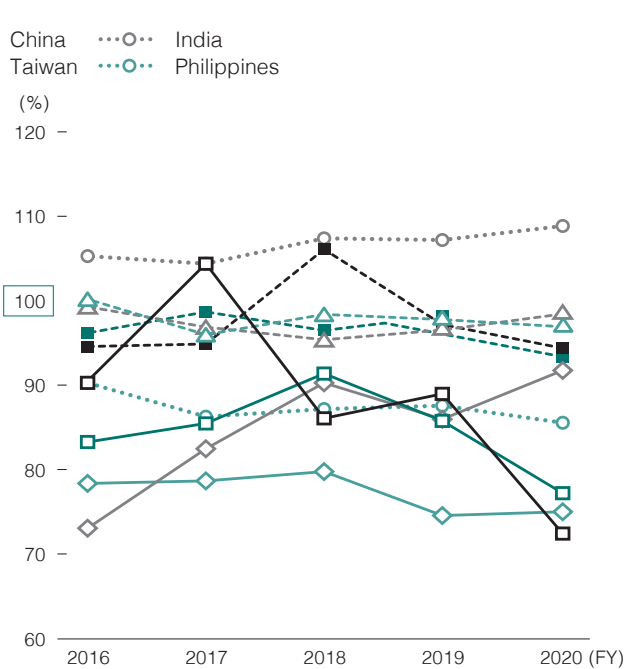
Conditions by Major Country and Region (FY2020)

Country / Region	Net premiums written	Net income
Vietnam	1.6	0.6
China	37.4	1.4
Taiwan	33.6	2.1
India*3	48.3	1.6
Philippines*3	6.1	0.5

Trends in Premium Growth Rates (FY2016–FY2020)*4*5



Trends in Combined Ratios (FY2016–FY2020)



*1. Figures are calculated and presented using data for subsidiaries and equity-method affiliates in Asia (excluding countries in Oceania). Figures for overseas offices are not included.

*2. Data reflects consolidated figures for MS First Capital Limited of Singapore from FY2018.

*3. Equity-method affiliates. Net premiums written are shown on a 100% basis, regardless of equity ownership. Net income is presented on an equity ownership basis.

*4. The premium growth rate is the percentage increase in net premiums written (on a local currency basis) from the previous fiscal year.

*5. Singapore's FY2018 premium growth rate has been calculated after taking into account a comparison with MS First Capital Limited's net premiums written in FY2017 following that company's inclusion in the scope of consolidation in FY2018.

Short Commentary: Group Financial Statements

Commentary 1: Balance Sheet (B/S)

On its consolidated balance sheet, the Group has total assets of ¥24.1 trillion, and the majority liabilities, ¥18.1 trillion, are policy liabilities—that is, reserves for paying future insurance claims. On the other hand, the largest asset item is investments in securities, which have a total market value of ¥16.7 trillion. Unrealized gains (after tax-effect deduction) in excess of the market value of investments in securities at acquisition costs are recorded in unrealized gains/losses on investments in securities (¥1.6 trillion). This means that policy liabilities, which account for the majority of the Group's balance sheet liabilities, are invested in securities. In addition, unrealized gains on investments in securities (after tax-effect accounting) accounted for approximately 50% of net assets (¥3.1 trillion) as of the end of FY2020.

(¥ billion)

(Main) assets		(Main) liabilities	
Cash, deposits and savings	2,057.7	Policy liabilities	18,107.0
Money trusts	1,717.8	Bonds issued	809.0
Investments in securities	16,793.5	Other liabilities	1,602.3
(of which: stocks)	2,892.7	Deferred tax liabilities	34.6
Loans	960.1	Total liabilities	21,015.9
Tangible fixed assets	494.8		
Intangible fixed assets	431.9	(Main) Net assets	
Other assets	1,436.4	Shareholders' equity	1,613.2
		Net unrealized gains/losses on investments in securities	1,630.3
		Total net assets	3,126.6
Total assets	24,142.5	Total liabilities and net assets	24,142.5

Commentary 2: Statements of Income (P/L)

(1) Main components of the statements of income

A summary of the Group's consolidated statements of income (p. 155) is provided below. It consists primarily of underwriting income and expenses and investment income and expenses.

FY2020	Income (+): underwriting income, ¥3,425.3 billion; investment income, ¥1,450.7 billion; other ordinary income, ¥16.0 billion
	Expenses (-): underwriting expenses, ¥3,800.4 billion (of which ¥208.9 billion is provision for underwriting reserves)
	Investment expenses, ¥69.6 billion; operating expenses and general and administrative expenses, ¥688.5 billion; other ordinary expenses, ¥27.0 billion
	Ordinary profit: ¥306.5 billion
FY2019	Income (+): underwriting income, ¥4,640.5 billion; investment income, ¥511.5 billion; other ordinary income, ¥16.2 billion
	Expenses (-): underwriting expenses, ¥3,749.8 billion (of which ¥196.1 billion is provision for underwriting reserves)
	Investment expenses, ¥512.9 billion; operating expenses and general and administrative expenses, ¥694.6 billion; other ordinary expenses, ¥53.2 billion
	Ordinary profit: ¥157.7 billion

(2) Underwriting profit for domestic non-life insurance companies and catastrophe reserves

Underwriting profit can be dramatically affected by events such as natural catastrophes. Non-life insurance companies are legally required to build up catastrophe reserves to mitigate that impact. When companies have to pay extremely large insurance claims, they can reverse the catastrophe reserves, which mitigates the impact to a certain degree. The following table indicates past underwriting profit, incurred losses related to natural catastrophes and changes in catastrophe reserves (net provision). (See p. 111 of the "Glossary of Insurance Terminology" for details on catastrophe reserves and p. 115 for underwriting profit.)

Impact of natural catastrophes on underwriting profit

(¥ billion)

	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
Underwriting profit/(loss)	(83.7)	(1,90.0)	(3.0)	(36.1)	28.7	43.9	121.3	89.3	62.8	8.4	11.4
Impact on underwriting profit -(A+B)	(65.9)	(172.0)	(13.2)	(93.3)	(58.5)	(149.7)	(132.9)	(159.0)	(160.8)	(172.3)	(155.1)
Incurred losses due to natural catastrophes (A)	65.9	311.5	55.1	96.3	27.2	68.1	51.0	114.3	240.7	139.0	89.7
Great East Japan Earthquake	62.7	(7.7)	1.3	-	-	-	-	-	-	-	-
2011 Thailand floods	-	264.3	0.6	(23.0)	(5.1)	-	-	-	-	-	-
2014 massive snowfalls	-	-	-	82.1	2.2	0.3	-	-	-	-	-
Large-scale natural catastrophes incl. 2017 hurricanes in North America	-	-	-	-	-	-	-	41.3	-	-	-
July heavy rain, Typhoon No. 21, No. 24 in 2018	-	-	-	-	-	-	-	-	183.7	-	-
Typhoon No.15, No.19 in 2019	-	-	-	-	-	-	-	-	-	93.0	-
Other natural catastrophes	3.2	54.9	53.2	37.1	30.1	67.7	51.0	73.0	56.9	46.0	89.7
Net provision for catastrophe reserves (B)	0	(139.5)	(41.9)	(3.0)	31.3	81.6	81.8	44.6	(79.8)	33.3	65.3

* Simple sum of MSI and ADI
Example: The impact of loss of ¥311.5 billion from natural catastrophes for FY2011 was mitigated by the reversal of catastrophe reserves of ¥139.5 billion and resulted in an underwriting loss of ¥190.0 billion.

Performance Record

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Five-Year Summary (Unaudited)

	Yen in millions					US\$ in millions
	FY2016	FY2017	FY2018	FY2019	FY2020	FY2020
Ordinary income:	¥ 5,335,239	¥ 5,217,835	¥ 5,500,438	¥ 5,168,361	¥ 4,892,244	\$ 44,074
Net premiums written	3,407,389	3,440,976	3,497,572	3,573,732	3,500,996	31,541
Ordinary profit/(loss)	352,612	211,548	290,847	157,701	306,524	2,761
Net income/(loss) attributable to owners of the parent	210,447	154,057	192,705	143,030	144,398	1,301
Comprehensive income/(loss)	114,294	311,096	(79,701)	(157,288)	753,938	6,792
Net assets	2,734,432	2,968,387	2,778,047	2,494,038	3,126,657	28,168
Total assets	21,234,300	22,472,927	23,132,539	23,196,455	24,142,562	217,501

	Yen					US\$
Net income/(loss) attributable to owners of the parent per share - Basic	¥ 350.94	¥ 260.04	¥ 328.72	¥ 248.36	¥ 255.79	\$ 2.30
Net income/(loss) attributable to owners of the parent per share - Diluted	350.90	259.98	328.60	248.22	255.65	2.30
Net assets per share	4,572.82	4,964.64	4,712.11	4,308.37	5,525.42	49.78
Equity ratio	12.76%	13.09%	11.89%	10.57%	12.78%	–
Return on equity	7.78%	5.45%	6.77%	5.50%	5.22%	–
Price earnings ratio	10.09	12.90	10.25	12.18	12.70	–

	Yen in millions					US\$ in millions
Cash flows						
Cash flows from operating activities	¥ 1,086,948	¥ 822,640	¥ 776,724	¥ 667,896	¥ (323,912)	\$ (2,918)
Cash flows from investing activities	(614,899)	(963,105)	(252,417)	(330,363)	43,925	396
Cash flows from financing activities	(100,198)	42,329	(33,337)	65,321	79,278	714
Cash and cash equivalents at the end of year	1,415,903	1,323,506	1,798,526	2,198,680	1,994,434	17,968
Number of employees	40,641	41,295	41,467	41,582	41,501	–

Note: U.S. dollar amounts in this report have been translated from yen, for convenience only, at the rate of ¥111=US\$1. For details, see Note 1 of Significant Accounting Policies (p. 161).

Management’s Discussion and Analysis

1. OVERVIEW

This Management’s Discussion and Analysis (MD&A) provides information on the nature of the businesses conducted by MS&AD Holdings and its affiliates (154 subsidiaries and 34 associates as of March 31, 2021), and the positioning of the principal affiliates within these businesses.

MS&AD is a specified listed company pursuant to the provisions stipulated in the Japanese Cabinet Order 49-2 and is regulated under this Order with respect to securities transactions and other matters. As a result, investors should make decisions based on the Group’s consolidated financial statements as provided for under the minimal standards criteria of material facts set forth in restrictions on insider trading.

Description of Businesses

1) Domestic Non-Life Insurance Business

MS&AD’s domestic non-life insurance business is operated by the following three subsidiaries and others in Japan:

- Mitsui Sumitomo Insurance Company, Limited (“MSI”)
- Aioi Nissay Dowa Insurance Company, Limited (“ADI”)
- Mitsui Direct General Insurance Company, Limited (“Mitsui Direct General”)

2) Domestic Life Insurance Business

MS&AD’s domestic life insurance business is operated by the following two subsidiaries and others in Japan:

- Mitsui Sumitomo Aioi Life Insurance Company, Limited (“MSI Aioi Life”)
- Mitsui Sumitomo Primary Life Insurance Company, Limited (“MSI Primary Life”)

3) International Business

MS&AD’s international business is operated by international divisions of domestic non-life insurance subsidiaries in Japan, and overseas subsidiaries, and overseas branches of domestic non-life insurance subsidiaries in overseas countries.

4) Financial Services Business / Risk-Related Services Business

a) Financial Services Business

MS&AD’s financial services business, including asset management, financial guarantees, 401k, ART (alternative risk transfer), personal finance, and venture capital finance, is operated by domestic non-life insurance subsidiaries, Sumitomo Mitsui DS Asset Management Company, Limited, MITSUI SUMITOMO INSURANCE Venture Capital Co., Ltd, Leadenhall Capital Partners LLP and others.

b) Risk-Related Services Business

MS&AD’s risk-related services business, including risk management and the nursing care business, is operated by MS&AD InterRisk Research Institute & Consulting, Inc., Mitsui Sumitomo Insurance Care Network Company, Limited, and others.

2. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

MS&AD Holdings’ consolidated financial statements are prepared in accordance with accounting principles generally accepted in Japan (Japan GAAP). The preparation of these financial statements requires MS&AD Holdings’ management to select and apply accounting policies as well as to make a number of estimates regarding the impact on disclosure of assets and liabilities as well as revenues and expenses. The management bases their estimates on historical experience and other assumptions that they consider reasonable. Nevertheless, these estimates contain inherent uncertainties and thus could differ from actual results.

Significant accounting policies used in the preparation of MS&AD Holdings’ consolidated financial statements are presented in “SIGNIFICANT ACCOUNTING POLICIES” of the “Notes to Consolidated Financial Statements.”

The following items are considered important accounting estimates.

1) Method for Determination of Fair Value

Certain assets and liabilities are recorded on the Company’s balance sheet at their fair values. These fair values are determined based on market prices. For certain derivatives for which market prices are not available, reasonable estimates of fair value are made based on the present value of future cash flows, the price of the underlying assets, the contract period, and other factors.

2) Impairment of Securities

Since securities held by the Group companies are subject to the risk of price fluctuations in securities markets, MS&AD applies impairment accounting for securities based on reasonable criteria. If securities markets decline, an impairment loss could be incurred.

3) Impairment of Fixed Assets

When the profitability of fixed assets declines and investments in these assets are unlikely to be recovered, MS&AD recognizes impairment losses to reflect recoverable amounts under certain circumstances.

The recoverable amount for an asset or asset group is the higher of the net sales value (the value computed by deducting expected disposal expenses from the fair value of an asset or asset group) and the value in use (the present value of expected future cash flows resulting from the continual usage and subsequent disposal of an asset or asset group).

Accordingly, the amount of the impairment loss for fixed assets depends on estimated future cash flows based on the assumption and forecasts that MS&AD considers reasonable. Consequently, an additional impairment loss could be incurred in the event of changes in the related business environment, in the event of a change in the usage of fixed assets or in the event of changes in real estate or leasing market prices.

4) Deferred Tax Assets

In determining recoverable deferred tax assets, future taxable income is estimated based on the assumptions and forecasts that MS&AD considers reasonable. Since the recoverable amount of deferred tax assets depends on estimates of future taxable income, the amount of deferred tax assets could fluctuate in the event of a subsequent change in estimates of future taxable income.

5) Allowance for Credit Losses

In preparation for losses on bad debts, MS&AD records estimated amounts deemed to be unrecoverable as an allowance for credit losses. Unrecoverable amounts and recorded allowances for credit losses could change from their initial estimates due to changes in the financial condition of debtors.

6) Outstanding Claims

MS&AD estimates and sets aside reserves as outstanding claims for any unpaid amounts of its payment obligations as determined or recognized by insurance contracts. Claim payments and recorded outstanding claims could change from their initial estimates due to such factors as the progress of loss adjustment, the results of legal judgments and exchange rate fluctuations.

7) Underwriting Reserves

To meet future obligations in accordance with insurance contracts, MS&AD sets aside underwriting reserves. It could, therefore, become necessary to increase underwriting reserves in the event of unforeseen losses due to significant changes in the business environment, operating conditions and other factors.

8) Retirement Benefit Expenses and Retirement Benefit Obligations

Retirement benefit expenses and retirement benefit obligations are calculated based on certain assumptions that include discount rates, future retirement rates, and mortality rates. However, future retirement benefit expenses and obligations could change in the event that actual results differ from the assumptions used, or in the event that it becomes necessary to change the assumptions.

3. SUMMARY OF BUSINESS RESULTS

During the fiscal year under review, the global and Japanese economies continued to be in a difficult situation due to the impact of COVID-19 that has been spreading globally. However, we have seen a trend of recovery since the middle of the year as economic activities have gradually returned.

The MS&AD Insurance Group (“the Group”) also faced the impact of the pandemic such as increasing insurance payment in overseas countries and decreasing life insurance premiums in Japan. However, while carrying out initiatives to construct business styles in response to customers’ growing preference for contactless services, the Group took measures to increase productivity further by using teleworking, promoting paperless operations and utilizing office space effectively.

In the fiscal year under review, the Group has been making efforts for the three key strategies of “Pursue Group’s comprehensive strengths,” “Promote digitalization,” and “Reform portfolio,” in order to achieve sustainable growth and enhance corporate value by maximizing the utilization of the Group’s resources, based on the Group’s Medium-Term Management Plan “Vision 2021” (from FY2018 to FY2021).

Pursue Group’s comprehensive strengths	We strengthened competitiveness by promoting measures to improve quality and productivity, including joint initiatives of the marketing & sales divisions such as sales promotion of jointly developed products, standardization and sharing of products, services, administration, systems, etc. and an increase in efficiency of printing and logistics.
Promote digitalization	We promoted measures to build up the foundation across the entire Group, such as three initiatives contributing to enhancing the value of customers’ actual experiences (digital transformation, digital innovation and digital globalization) and development of human resources for digitalization.
Reform portfolio	We promoted reform of our risk portfolio by continuing a reduction in strategic equity holdings and natural disaster risk management utilizing reinsurance and made efforts to reform our business portfolio by dispersing and diversifying our revenue source including new investment in international businesses.

As a result of these efforts, earnings for the current consolidated fiscal year to date are as follows.

Ordinary income was ¥4,892.2 billion, due to underwriting income of ¥3,425.3 billion, investment income of ¥1,450.7 billion and other ordinary income of ¥16.0 billion. At the same time, ordinary expenses amounted to ¥4,585.7 billion, including ¥3,800.4 billion in underwriting expenses, ¥69.6 billion in investment expenses, ¥688.5 billion in operating expenses and general and administrative expenses, and other ordinary expenses amounting to ¥27.0 billion.

As a result, ordinary profit for the current fiscal year was ¥306.5 billion, reflecting a year-on-year increase of ¥148.8 billion. After adjustments to ordinary profit mainly for extraordinary income and losses and income taxes, net income attributable to owners of the parent for the current fiscal year was ¥144.3 billion, reflecting a year-on-year increase of ¥1.3 billion.

[Key Consolidated Financial Indicators]

(Yen in millions)				
	FY2019	FY2020	Change	Change (%)
Net premiums written	¥3,573,732	¥3,500,996	¥ (72,735)	(2.0)
Life insurance premiums	943,721	(202,321)	(1,146,042)	(121.4)
Ordinary profit	157,701	306,524	148,823	94.4
Net income attributable to owners of the parent	143,030	144,398	1,368	1.0

Net premiums written for the domestic non-life insurance business increased, but net premiums written for the international business decreased mainly due to withdrawals from unprofitable lines of business to improve earnings in Europe and the impact of the higher yen. As a result, net premiums written declined ¥72.7 billion from the previous fiscal year, to ¥3,500.9 billion.

Life insurance premiums decreased ¥1,146.0 billion from the previous fiscal year, to ¥(202.3) billion, reflecting an increase in foreign currency insurance returns with the achievement of investment targets, influenced by developments such the Australian dollar’s appreciation and the weakening of the yen, in addition to a decrease in income from insurance premiums that primarily resulted from the effects of the COVID-19 pandemic.

Ordinary profit increased ¥148.8 billion from the previous fiscal year, to ¥306.5 billion, mainly attributable to a fall in impairment losses on securities posted for the domestic non-life insurance business and a rise in gains on sales of securities posted for the domestic life insurance business, which more than offset lower revenues in Europe and the life insurance business posted for the international business.

After adjustments to ordinary profit mainly for extraordinary income and losses and income taxes, net income attributable to owners of the parent rose ¥1.3 billion from the previous fiscal year, to ¥144.3 billion, mainly reflecting provision for reserve for price fluctuations and an increase in income taxes, which more than offset a fall in impairment losses as a reaction to the effects produced by the international business reorganization at Mitsui Sumitomo Insurance Company, Limited in the previous fiscal year.

In addition to the profits and losses stated the above, incurred losses (the sum of net claims paid and provision for outstanding claims), including profit insurance for compensating for losses from the shutdowns of stores and factories, emerged for the international business in the fiscal year under review under the effects of COVID-19. Meanwhile, incurred losses for automobile insurance decreased in the domestic non-life insurance business as a result of a fall in the number of traffic accidents.

Direct Premiums Written (including Deposit Premiums from Policyholders)

(Yen in millions)						
Lines of Insurance	FY2019			FY2020		
	Amount	Share (%)	Change (%)	Amount	Share (%)	Change (%)
Fire and Allied	¥ 734,573	19.2	8.4	¥ 757,785	20.0	3.2
Marine	185,068	4.8	0.3	190,705	5.0	3.0
Personal Accident	311,984	8.2	(3.0)	293,409	7.7	(6.0)
Voluntary Automobile	1,570,344	41.0	1.3	1,592,952	42.0	1.4
Compulsory Automobile Liability	347,736	9.1	0.4	296,911	7.8	(14.6)
Other	677,583	17.7	(0.6)	664,078	17.5	(2.0)
Total	¥3,827,289	100.0	1.7	¥ 3,795,842	100.0	(0.8)
Deposit premiums from policyholders	75,553	2.0	(5.8)	72,635	1.9	(3.9)

Notes:

- The figures represent amounts after the elimination of internal transactions between segments.
- Direct premiums written (including deposit premiums from policyholders) are the premiums from policyholders minus the surrender benefits and other refunds to policyholders. (Includes deposit premiums from policyholders for savings-type insurance.)

Net Premiums Written

(Yen in millions)						
Lines of Insurance	FY2019			FY2020		
	Amount	Share (%)	Change (%)	Amount	Share (%)	Change (%)
Fire and Allied	¥ 589,897	16.5	5.6	¥ 592,798	16.9	0.5
Marine	147,814	4.1	(3.0)	150,662	4.3	1.9
Personal Accident	246,806	6.9	(5.5)	226,349	6.5	(8.3)
Voluntary Automobile	1,632,423	45.7	2.4	1,639,651	46.8	0.4
Compulsory Automobile Liability	347,214	9.7	2.8	300,996	8.6	(13.3)
Other	609,575	17.1	2.6	590,537	16.9	(3.1)
Total	¥3,573,732	100.0	2.2	¥3,500,996	100.0	(2.0)

Note: The figures represent amounts after the elimination of internal transactions between segments.

Net Claims Paid

(Yen in millions)						
Lines of Insurance	FY2019			FY2020		
	Amount	Share (%)	Change (%)	Amount	Share (%)	Change (%)
Fire and Allied	¥ 405,830	20.0	(22.9)	¥ 376,673	19.8	(7.2)
Marine	81,804	4.1	(2.0)	75,439	4.0	(7.8)
Personal Accident	114,146	5.6	2.9	113,025	5.9	(1.0)
Voluntary Automobile	880,237	43.4	0.9	806,808	42.4	(8.3)
Compulsory Automobile Liability	233,215	11.5	(5.9)	215,043	11.3	(7.8)
Other	311,978	15.4	7.1	315,258	16.6	1.1
Total	¥2,027,212	100.0	(4.9)	¥1,902,248	100.0	(6.2)

Note: The figures represent amounts after the elimination of internal transactions between segments.

Recognition, analysis, and reviewed contents for financial performance and operating results by segment are as follows.

Domestic Non-Life Insurance Business

Efforts to expand product sales focused on the GK series at Mitsui Sumitomo Insurance Company, Limited and the TOUGH series at Aioi

Nissay Dowa Insurance Co., Ltd., respectively. Mitsui Sumitomo Insurance Company and Aioi Nissay Dowa Insurance Co., Ltd. joined forces in aggressive sales of dashcam-based automobile insurance (Mimamoru), an automobile insurance product to support safe driving with the use of the latest telematics technologies (Note) and a dashboard camera. They also sold products that contributed to solving social issues, including products for compensating for temporary disability with coverage expanded to COVID-19, and health and productivity management support insurance to help companies with their health and productivity management and employees with improving their health. To offer new value to customers, Mitsui Sumitomo Insurance Company, Limited enabled its MS1 Brain AI-powered agency sales support system to provide the optimal products and services at the optimal time, while Aioi Nissay Dowa Insurance Co., Ltd. added the function of using AI-analyzed images to its telematics claims service. Those changes enabled the two companies to offer accident response services more speedily and appropriately.

Note: Telematics technologies

"Telematics" is a word coined by combining telecommunication with informatics. Telematics means providing information services by combining mobile units such as automobiles with telecommunication systems.

1) Domestic Non-Life Insurance Business (MSI)

Net premiums written increased ¥11.6 billion from the previous fiscal year, to ¥1,559.5 billion, mainly attributable to growth in premiums written for fire insurance, although premiums written for compulsory automobile liability insurance decreased under the effects of reductions in premium rates. Meanwhile, net claims paid decreased ¥53.2 billion from the previous fiscal year, to ¥835.3 billion, mainly reflecting declines in claims paid for automobile and fire insurance. As a result, the net loss ratio dropped 3.5 percentage points from the previous fiscal year, to 59.8%. The net expense ratio rose 0.7 percentage points from the previous fiscal year, to 32.7%, as a result of an increase in commissions and collection expenses.

After taking into account movements in other items, including deposit premiums from policyholders, maturity refunds to policyholders, the provision for outstanding claims, and the reversal of underwriting reserves, underwriting profit rose ¥16.5 billion from the previous fiscal year, to ¥23.9 billion.

Investment income, after deducting income allocated to maturity refunds to saving-type policyholders, etc., decreased ¥3.1 billion from the previous fiscal year, to ¥132.6 billion, as gains on sales of securities fell ¥7.1 billion, to ¥51.1 billion. Meanwhile, investment expenses declined ¥26.6 billion from the previous fiscal year, to ¥6.4 billion, mainly due to a decrease in impairment losses on securities of ¥19.9 billion.

As a result, ordinary profit grew ¥42.4 billion from the previous fiscal year, to ¥131.6 billion. Net income decreased ¥1.8 billion from the previous fiscal year, to ¥92.2 billion, mainly reflecting a fall in losses on the valuation of shares of subsidiaries and associates in reaction to the effects of the international business reorganization in the previous fiscal year, which more than offset the provision for reserve for price fluctuations and a rise in income taxes.

2) Domestic Non-Life Insurance Business (ADI)

Net premiums written rose ¥4.6 billion from the previous fiscal year, to ¥1,281.4 billion, mainly due to increases in premiums written for automobile and fire insurance, even though premiums written for compulsory automobile liability insurance decreased with the effects of reductions in premium rates. Meanwhile, net claims paid decreased ¥44.6 billion from the previous fiscal year, to ¥679.9 billion, chiefly reflecting declines in claims paid for automobile and fire insurance. As a result, the net loss ratio declined 3.4 percentage points from the previous fiscal year, to 58.6%. The net expense ratio climbed 0.4 percentage points from the previous fiscal year, to 34.9%, due to an increase in commissions and collection expenses.

After taking into account other items, including deposit premiums from policyholders, maturity refunds to policyholders, the provision for outstanding claims, and the provision for underwriting reserves, underwriting profit fell ¥13.6 billion from the previous fiscal year, resulting in a loss of ¥12.4 billion, mainly reflecting growth in the provision for underwriting reserves.

Investment income, after deducting income allocated to maturity refunds to saving-type policyholders, etc., decreased ¥19.1 billion from the previous fiscal year, to ¥62.1 billion, as interest and dividends income declined ¥4.4 billion, to ¥54.9 billion and gains on sales of securities fell ¥15.2 billion, to ¥19.8 billion. Meanwhile, investment expenses declined ¥12.8 billion from the previous fiscal year, to ¥7.9 billion, mainly due to a fall of ¥10.0 billion in impairment losses on securities.

As a result, ordinary profit decreased ¥26.1 billion from the previous fiscal year, to ¥32.4 billion. Net income dropped ¥23.1 billion from the previous fiscal year, to ¥21.6 billion, reflecting a rise in income taxes, even though extraordinary losses shrank with a fall in the provision for reserve for price fluctuations.

3) Domestic Non-Life Insurance Business (Mitsui Direct General)

Mitsui Direct General took initiatives to mark the 20th anniversary of its business launch, such as promoting the use of its smartphone app, in addition to renewing its TV commercials with clarity as a basic concept for expressing its commitment to staying closer to customers.

Net premiums written increased ¥0.1 billion from the previous fiscal year, to ¥36.4 billion. Meanwhile, net claims paid decreased ¥3.9 billion from the previous fiscal year, to ¥20.5 billion. The net loss ratio fell 10.7 percentage points from the previous fiscal year, to 64.2%. Commissions and collection expenses, and underwriting-related operating expenses and general and administrative expenses grew ¥1.1 billion from the previous fiscal year, to ¥11.4 billion. The net expense ratio increased 3.0 percentage points from the previous fiscal year, to 31.3%.

Underwriting profit rose ¥1.2 billion from the previous fiscal year, to ¥1.3 billion, mainly due to a decrease in incurred losses (the sum of net claims paid and provision for outstanding claims). Net income expanded ¥0.8 billion from the previous fiscal year, to ¥0.9 billion.

As a result, net income after taking ownership interest into account (net income by segment) increased ¥0.7 billion from the previous fiscal year, to ¥0.8 billion.

4) Domestic Life Insurance Business (MSI Aioi Life)

MSI Aioi Life took special measures, including allowing a grace period for premiums payments and deemed hospitalization (note), in addition to offering web interviews and building a recruitment scheme using a mail-order sales kit ahead of its competitors, as the spread of COVID-19 required a switch to new lifestyles. In addition, MSI Aioi Life won the 2020 Nikkei MJ Award in the superior products and services category, with the sales of cancer insurance by way of multi-purpose copying machines installed at convenience stores, which the company launched in June 2020. Moreover, MSI Aioi Life introduced the first AI system in the industry to offer automated voice responses to claims for hospitalization and surgical operation benefits made over the telephone in March 2021.

Note: Deemed hospitalization

Deemed hospitalization is the act of deeming medical care in places like private residences and hotels to be hospitalization under the scope of hospitalization benefits payment, in cases where such places are used for medical treatment that essentially requires hospitalization for reasons such as full bed occupancy at medical institutions.

Insurance premiums and others decreased ¥22.7 billion from the previous fiscal year, to ¥513.1 billion, primarily reflecting a fall in individual insurance premiums.

Ordinary profit increased ¥6.9 billion from the previous fiscal year, to ¥25.6 billion, chiefly attributable to a decrease in provision for underwriting reserves. Net income grew ¥4.4 billion from the previous fiscal year, to ¥11.9 billion.

5) Domestic Life Insurance Business (MSI Primary Life)

MSI Primary Life sold products that help customers realize their post-retirement lifestyles with a sense of security and abundance, such as Yasashisa, Tsunagu, whole life insurance usable for living gifts, and Ashita No, Yorokobi 2, tontine annuity insurance (note) to prepare for longevity risks. Further, MSI Primary Life advanced initiatives in accordance with diversifying customer values regarding asset inheritance, including the provision of a Social Contribution Clause that permits policyholders to designate public interest organizations as beneficiaries.

Note: Tontine annuity insurance

Annuity insurance, in which the longer a person lives, the greater the pension he or she can receive in his or her lifetime due to the “Mechanism to reduce compensation for a deceased person and to transfer the compensation to a living person’s pension.”

Insurance premiums and others declined ¥58.7 billion from the previous fiscal year, to ¥892.1 billion, mainly due to the effects produced by the COVID-19 pandemic.

Ordinary profit expanded ¥128.6 billion from the previous fiscal year, to ¥160.0 billion, mainly reflecting a rise in gains on sales of securities from the sale of foreign currency bonds owned to prepare for returns which MSI Primary Life executed in response to an increase in foreign currency insurance contract returns with the achievement of investment targets.

Extraordinary losses of ¥100.5 billion emerged as a result of a decrease of ¥97.0 billion in extraordinary income from the previous fiscal year, attributable to the provision for reserve for price fluctuations.

Net income grew ¥22.8 billion from the previous fiscal year, to ¥43.1 billion.

6) International Business (Overseas Insurance Subsidiaries)

The Group worked to strengthen risk management in insurance underwriting, asset management, and the execution of business operations of the international business, while closely monitoring the effects of the COVID-19 pandemic. It also continued to reinforce business investment and corporate governance with an eye on the sustained growth of the business, a growth driver of the Group, and the diversification of risks.

To secure a solid business foundation in the life insurance market in China where future growth is expected, the Company carried out procedures for the acquisition of equity interest (37.5%) in BoCommLife Insurance, a subsidiary of Bank of Communications Limited, one of the top five banking groups in China.

Under the new structure following the international business reorganization, Mitsui Sumitomo Insurance Company, Limited moved ahead with the building new sales channels to capture market growth through the promotion of partnerships with companies in the digital sector in Asia. It also took steps to bolster profitability through initiatives to improve the loss ratio of automobile insurance, etc. Operational frameworks to ensure stable income earning were developed at MS Amlin entities. In particular, improvements in the profitability of general insurance risk, which had been a field of concern, were pursued through a withdrawal from unprofitable lines of business and a reduction of business expenses, while efforts were made to reinforce management structures by unearthing human assets who can drive growth in the future.

Aioi Nissay Dowa Insurance Co., Ltd. promoted the telematics and mobility services business, mainly in nine countries in the five geographical zones comprising Japan, the United States, Europe, China and Southeast Asia, with the addition of Thailand, France and Spain in its sales networks for driving behavior-based telematics auto insurance.

Net premiums written decreased by ¥88.3 billion over the previous fiscal year, to ¥623.5 billion, mainly due to the withdrawal from unprofitable lines of business with the aim of improving earnings in Europe, with the impact of the stronger yen also a factor.

Ordinary profit fell by ¥37.9 billion over the previous fiscal year to ¥12.8 billion, mainly due to incurred losses (the sum of net claims paid and provision for outstanding claims) from profit insurance, etc. caused by the COVID-19 pandemic and the fall in profits in the international life insurance business.

Net profit/loss (segment profit/loss), after taking into account equity ownership, decreased by ¥39.3 billion over the previous fiscal year, to a loss of ¥3.1 billion.

4. CASH FLOW ANALYSIS

With regard to cash flows in the fiscal year under review, net cash flows provided by operating activities decreased by ¥991.8 billion over the previous fiscal year to ¥(323.9) billion, due in part to an increase in foreign currency insurance contracts returns of Mitsui Sumitomo Primary Life Insurance Co. Net cash flows from investing activities increased by ¥374.2 billion over the previous fiscal year to ¥43.9 billion, due in part to an increase in income due to a decrease in money trusts and proceeds from sales and redemption of securities. In addition, cash flows provided by financial activities increased by ¥13.9 billion over the previous fiscal year to ¥79.2 billion, due in part to an increase in income from sales under repurchase agreements, despite an increase in expenditure from redemption of corporate bonds. As a result, cash and cash equivalents at the end of the fiscal year under review have decreased by ¥204.2 billion from the end of the previous fiscal year to ¥1,994.4 billion.

5. BUSINESS ENVIRONMENT AND ISSUES TO BE ADDRESSED FROM THE BUSINESS AND FINANCIAL PERSPECTIVES

The global economy including Japan is expected to head toward a recovery, supported by the broad use of COVID-19 vaccines and government policies around the world. On the other hand, there are concerns about downside risks on the economy with the resurgence of COVID-19.

In the insurance industry, the business outlook remains uncertain with expanding COVID-19 infections and the occurrence of major natural disasters caused by the changing climate. Under these circumstances, we are expected to continuously play our role as part of the social infrastructure that supports the lives of our customers while contributing to the stability of society.

The Group will work to prevent infections among its officers and employees while promoting remote working, continue to carry out the payment of claims, insurance contracting procedures and other insurance activities, and offer products and services that meet new needs by expanding non-face-to-face business domains using digital technologies.

Fiscal 2021 will be the final year of “Vision 2021,” the Group’s medium-term management plan that started in fiscal 2018. We will continue to press forward on three key strategies, namely to “pursue the Group’s comprehensive strengths,” “promote digitalization” and “reform the portfolio.” We will strive to achieve numerical targets in the medium-term management plan and establish a solid presence in business scale and quality to “become a world-leading insurance and financial services group.” Moreover, we will “create resilient systems that can swiftly respond to changes in the environment” toward the next stage of growth.

The domestic non-life insurance business is the Group’s core business and boasts the largest scale in Japan. The Group’s three unique non-life insurance companies leverage a variety of sales channels, address

the new risks arising from changes in the social structure/environment and progress in technological innovation, and provide safety and peace of mind to our customers. We will also demonstrate the Group’s comprehensive strengths to pursue further synergies, quality enhancement and productivity improvement, work to maintain and strengthen our market share in automotive insurance and profitability, improve the profitability of fire insurance, and reform our portfolio by expanding casualty insurance product lines.

Domestic life insurance is a growth business within the Group. Comprising two companies with different business models, it has the goal of achieving the highest level of growth and profitability in the industry by offering not only medical/nursing care products, as well as death benefit and other protection-type life insurance products, but also asset-building products designed to support retirement lifestyles and asset inheritance products that can be used for inheritances and living gifts.

The international business is positioned as a growth business within the Group. Capital, human resources and other management resources will be proactively invested to reinforce the existing business and develop new ones with an eye on achieving a diversification of the portfolio both geographically and by business line.

At the same time, we will strive to realize a “resilient and sustainable society,” our vision of society for 2030, through the creation of shared value (CSV). Specifically, we will collaborate with diverse stakeholders and seek to make a contribution to addressing social issues of recent worldwide concern, such as global environmental problems, as well as to overcoming new challenges to life caused by the coronavirus.

6. RISK ANALYSIS

The MS&AD Insurance Group specifies material risks that have the potential to significantly affect its financial position, operating results, and cash flows as follows.

(1) Group material risks

Viewing material risk events to be controlled by management based on the list of major risk events identified by Group companies as “Group material risks,” the Group develops a Management Action Plan and regularly monitors the status with respect to individual risk.

After a careful evaluation of the current situation, the following risk events were added to Group material risks in fiscal 2021 to strengthen control by management and the initiatives of the relevant divisions.

- Rapid development of digitalization⁷
- Climate change⁷
- Advance of the aging society with low birthrate⁷
- Prolonged impact of COVID-19

As the impact of each of these risk events extends over many Group material risks, they are incorporated as specific risk events in “major assumed scenarios” for each Group material risk, as shown in the table below.

⁷In the integrated report for the previous business year, they were described as “Group emerging risks”.

Group material risks
Major assumed scenarios

- 1 Occurrence of a large-scale natural catastrophe
 - Occurrence of storm or flood damage and earthquakes in Japan, and storm or flood damage in the United States
 - Changes in the probability rate, scale and other aspects of the occurrence of large-scale natural disasters that reflect the impact of climate change
 - Situations in which the Group cannot properly conduct its businesses and services due to the occurrence of large-scale natural disasters
- 2 Sharp fluctuations in financial markets in Japan or overseas
 - Sharp declines in share prices due to the prolonged impact of COVID-19 and concerns about a stagnation in economic activity
 - Diminished asset value that had increased as a result of large-scale monetary easing around the world
- 3 Substantial increase in credit risk
 - Sharp declines in asset value due to confusion in credit markets
 - Multiple events of default due to the prolonged impact of COVID-19 and the deterioration of the real economy
 - Declines in the value of assets held by the Group due to the materialization of transition risks associated with businesses' response to climate change (tightening of environmental policies and regulations, advance of post-carbon technologies, changes in demand for goods and services, increase in lawsuits, lower evaluation by society and consumers, etc.)
- 4 Occurrence of behavior that is detrimental to the corporate value of the Group, loss of social credibility

Note: Acts leading to significant damage to corporate value or loss of public trust include illegal activities in relation to the Group's businesses, material labor issues (long working hours, harassment, etc.), inadequate data governance, etc. as well as acts caused by the lack of, or insufficient, customer-oriented perspective (conduct risk).

 - Occurrence of any of the acts described in above (Note)
 - Delay in responding to climate change within the Group, reputational damage due to discrepancies between announced content and actual activities, etc.
 - Increases in misconduct associated with the expansion of remote working
- 5 Occurrence of cyberattacks that cause large-scale and serious impediments to operations, information leaks, and the payment of insurance
 - Stagnation in business operations or occurrence of information leaks due to cyberattacks on the Group
 - Increases in claims payment caused by cyberattacks
 - Expansion of damage associated with sophisticated cyberattacks, telework, advanced digitalization, etc.
- 6 Frequent occurrence of IT system failures, the occurrence of critical IT system failures and large-scale IT system development plan-related progress delays, shortfalls, budget overruns, and expected effects being unrealized
 - Occurrence of a major system failure exacerbated by the effects of expansion in telework and advanced digitalization
 - Delay in system development and overruns of development cost
 - Stagnation in business operations due to damage to system-related facilities caused by large-scale natural disasters, etc.
- 7 Pandemic of such diseases as a new strain of influenza (including the novel coronavirus)
 - Contraction of economic activity associated with the spread of the pandemic
 - Increases in payout of claims and benefit money
 - Expansion in districts affected by infections caused by global warming and changing climate, occurrence or outbreak of new infectious diseases
 - Situations in which the Group cannot properly conduct its businesses and services due to the outbreak of infectious diseases
- 8 Changes in the insurance market
 - Significant changes in business models due to the rise of digital platform operators, changes in the automobile insurance market due to declines in the number of traffic accidents, which is supported by progress in driving assist functions and automatic driving systems
 - Significant change in market size for certain industries due to technological innovations in response to climate change and prolonged impact of COVID-19
 - Changes in the insurance market associated with advance of the aging society with a low birthrate and depopulation

(2) Group emerging risks

Group emerging risks are defined as events that could affect the Group's business from a medium- to longer-term perspective and events that management should be aware of but are difficult to measure in terms of scale and timing. We regularly monitor Group emerging risks, certain examples of which are presented as follows.

Group emerging risks

- 1 Emergence and rise of new frameworks and innovative technologies that bring significant changes and innovations in the economy, consumer behavior and business models
- 2 Resource depletion
- 3 Environmental disasters (artificial pollution and accidents that cause material damage to the environment)
- 4 Introduction or amendment in Japan or overseas of laws and regulations and systems that may significantly affect the Group
- 5 Major changes to domestic labor supply-demand
- 6 National governance/political turmoil, dysfunction, collapse, interstate conflict, and Japanese security crisis

7. SOLVENCY MARGIN RATIO

Insurance companies build reserves to cover payments of insurance claims.

Moreover, they must secure adequate ability to cover payments even in the event of a crisis beyond the scale of what is ordinarily forecast, such as a major disaster or a significant decline in asset prices. An insurance company's payment capability, including capital and reserves, is known as the solvency margin total amount, "(A)" in the tables below, and its risk amount, "(B)" in the tables below, reflects such a risk exceeding ordinary forecasts. The ratio of (A) to (B) is an index called the solvency margin ratio, "(C)" in the tables below, which is calculated based on the Insurance Business Act.

The solvency margin ratio is an objective decision-making index used by government agencies for monitoring insurance companies and insurance holding companies. A solvency margin ratio of 200% or higher is taken to indicate that an insurance company has sufficient capability to pay insurance claims and other obligations.

The status of MS&AD and its domestic insurance subsidiaries as of the end of the fiscal year under review is as follows.

MS&AD

Consolidated Solvency Margin Ratio

(Yen in millions)		
	FY2019	FY2020
(A) Solvency margin total amount	¥4,727,430	¥5,827,727
(B) Risk amount	1,210,003	1,272,348
(C) Solvency margin ratio (A/(B × 1/2)) × 100	781.3%	916.0%
Note: The consolidated solvency margin ratio is calculated based on the provisions in Article 210-11, 3 and Article 210-11, 4 of the Ordinance for Enforcement of the Insurance Business Act and in the Financial Services Agency (FSA) Public Ministerial Announcement No. 23 of 2011.		

The solvency margin ratio rose 134.7 percentage points from the end of the previous consolidated fiscal year, to 916.0%, mainly due to an increase of ¥1,100.2 billion in the total solvency margin from the end of said fiscal year. The increase in the total solvency margin primarily reflected an increase in the net unrealized gains/(losses) on investments in securities (before tax effects) associated with the rise in the fair value of shares held.

MSI

Non-Consolidated Solvency Margin Ratio

(Yen in millions)		
	FY2019	FY2020
(A) Solvency margin total amount	¥3,076,392	¥3,490,583
(B) Risk amount	877,260	935,111
(C) Solvency margin ratio (A/(B × 1/2)) × 100	701.3%	746.5%

Note: The non-consolidated solvency margin ratio is calculated based on the provisions in Articles 86 and 87 of the Ordinance for Enforcement of the Insurance Business Act and Article 50 of the Notification of the Ministry of Finance 1996.

The solvency margin ratio rose 45.2 percentage points from the end of the previous fiscal year, to 746.5%, mainly due to an increase of ¥414.1 billion in the total solvency margin from the end of that fiscal year. The increase in the total solvency margin primarily reflected an increase in the net unrealized gains/(losses) on investments in securities (before tax effects) associated with the rise in the fair value of shares held.

ADI

Non-Consolidated Solvency Margin Ratio

(Yen in millions)		
	FY2019	FY2020
(A) Solvency margin total amount	¥1,148,081	¥1,438,465
(B) Risk amount	326,916	363,749
(C) Solvency margin ratio (A/(B × 1/2)) × 100	702.3%	790.9%

Note: See the note for MSI "a. Non-Consolidated Solvency Margin Ratio" regarding the non-consolidated solvency margin ratio calculation method.

The solvency margin ratio rose 88.6 percentage points from the end of the previous fiscal year, to 790.9%, mainly due to an increase of ¥290.3 billion in the total solvency margin from the end of that fiscal year. The increase in the total solvency margin primarily reflected an increase in the net unrealized gains/(losses) on investments in securities (before tax effects) associated with the rise in the fair value of shares held and an increase in catastrophe reserves.

Mitsui Direct General

Non-Consolidated Solvency Margin Ratio

(Yen in millions)		
	FY2019	FY2020
(A) Solvency margin total amount	¥15,305	¥16,291
(B) Risk amount	5,809	5,468
(C) Solvency margin ratio (A/(B × 1/2)) × 100	526.9%	595.8%

Note: See the note for MSI "a. Non-Consolidated Solvency Margin Ratio" regarding the non-consolidated solvency margin ratio calculation method.

The solvency margin ratio rose 68.9 percentage points from the end of the previous fiscal year, to 595.8%, mainly due to an increase of ¥0.9 billion in the total solvency margin from the end of that fiscal year. The increase in the total solvency margin primarily reflected an increase in shareholders' equity attributable to accumulation of net income.

MSA Life

Non-Consolidated Solvency Margin Ratio

(Yen in millions)		
	FY2019	FY2020
(A) Solvency margin total amount	¥492,307	¥490,784
(B) Risk amount	63,551	68,186
(C) Solvency margin ratio (A/(B × 1/2)) × 100	1,549.3%	1,439.5%

Note: See the note for MSI "a. Non-Consolidated Solvency Margin Ratio" regarding the non-consolidated solvency margin ratio calculation method.

The solvency margin ratio declined 109.8 percentage points from the end of the previous fiscal year, to 1,439.5%, mainly due to an increase of ¥4.6 billion in the total amount of risk from the end of that fiscal year. The increase in the total amount of risk primarily reflected an increase in the amount corresponding to investment risk.

MSP Life

Non-Consolidated Solvency Margin Ratio

(Yen in millions)		
	FY2019	FY2020
(A) Solvency margin total amount	¥546,005	¥711,185
(B) Risk amount	146,376	134,845
(C) Solvency margin ratio (A/(B × 1/2)) × 100	746.0%	1,054.8%

Note: See the note for MSI "a. Non-Consolidated Solvency Margin Ratio" regarding the non-consolidated solvency margin ratio calculation method.

The solvency margin ratio rose 308.8 percentage points from the end of the previous fiscal year, to 1,054.8%, mainly due to an increase of ¥165.1 billion in the total solvency margin from the end of that fiscal year. The increase in the total solvency margin primarily reflected an increase in shareholders' equity attributable to an accumulation of net income and an increase in the net unrealized gains/(losses) on investments in securities (before tax effects) as a result of the tightening of credit spreads.

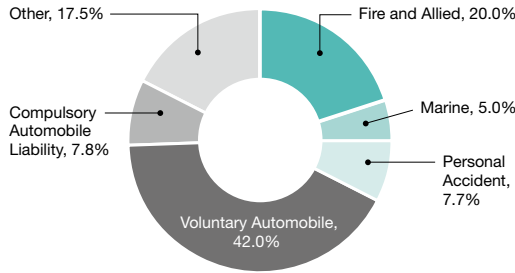
Premiums Written and Net Claims Paid – Non-Life Insurance (Unaudited)

(a) Direct Premiums Written (including deposit premiums from policyholders)

Lines of Insurance	(Yen in millions)															(US\$ in millions)
	FY2016			FY2017			FY2018			FY2019			FY2020			FY2020
	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount
Fire and Allied	¥ 602,521	(8.3)	16.7	¥ 627,029	4.1	17.2	¥ 677,543	8.1	18.0	¥ 734,573	8.4	19.2	¥ 757,785	3.2	20.0	\$ 6,827
Marine	168,715	27.5	4.7	168,602	(0.1)	4.6	184,578	9.5	4.9	185,068	0.3	4.8	190,705	3.0	5.0	1,718
Personal Accident	321,055	0.3	8.9	320,764	(0.1)	8.8	321,651	0.3	8.6	311,984	(3.0)	8.2	293,409	(6.0)	7.7	2,643
Voluntary Automobile	1,524,096	3.3	42.1	1,546,108	1.4	42.4	1,550,037	0.3	41.2	1,570,344	1.3	41.0	1,592,952	1.4	42.0	14,351
Compulsory Automobile Liability	366,523	2.8	10.1	343,370	(6.3)	9.4	346,258	0.8	9.2	347,736	0.4	9.1	296,911	(14.6)	7.8	2,675
Other	632,874	20.0	17.5	643,233	1.6	17.6	681,779	6.0	18.1	677,583	(0.6)	17.7	664,078	(2.0)	17.5	5,983
Total	¥3,615,785	4.2	100.0	¥3,649,108	0.9	100.0	¥3,761,848	3.1	100.0	¥3,827,289	1.7	100.0	¥3,795,842	(0.8)	100.0	\$34,197
Deposit premiums from policyholders	¥ 98,546	(15.2)	2.7	¥ 86,371	(12.4)	2.4	¥ 80,235	(7.1)	2.1	¥ 75,553	(5.8)	2.0	¥ 72,635	(3.9)	1.9	\$ 654

DIRECT PREMIUMS WRITTEN (FY2020)

Total ¥3,795.8 Billion

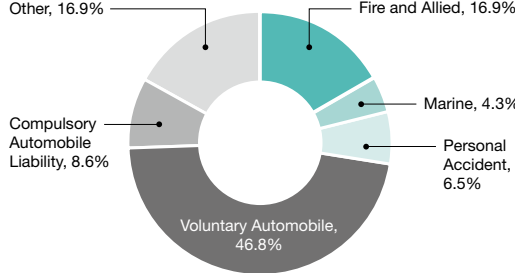


(b) Net Premiums Written

Lines of Insurance	(Yen in millions)															(US\$ in millions)
	FY2016			FY2017			FY2018			FY2019			FY2020			FY2020
	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount
Fire and Allied	¥ 540,715	14.7	15.9	¥ 553,183	2.3	16.1	¥ 558,427	0.9	16.0	¥ 589,897	5.6	16.5	¥ 592,798	0.5	16.9	\$ 5,341
Marine	145,697	37.3	4.3	142,339	(2.3)	4.1	152,333	7.0	4.3	147,814	(3.0)	4.1	150,662	1.9	4.3	1,357
Personal Accident	237,918	8.9	7.0	240,450	1.1	7.0	261,273	8.7	7.5	246,806	(5.5)	6.9	226,349	(8.3)	6.5	2,039
Voluntary Automobile	1,559,958	4.3	45.8	1,587,008	1.7	46.1	1,593,578	0.4	45.6	1,632,423	2.4	45.7	1,639,651	0.4	46.8	14,772
Compulsory Automobile Liability	356,088	(0.4)	10.4	352,063	(1.1)	10.2	337,844	(4.0)	9.6	347,214	2.8	9.7	300,996	(13.3)	8.6	2,712
Other	567,010	32.0	16.6	565,931	(0.2)	16.5	594,114	5.0	17.0	609,575	2.6	17.1	590,537	(3.1)	16.9	5,320
Total	¥3,407,389	10.7	100.0	¥3,440,976	1.0	100.0	¥3,497,572	1.6	100.0	¥3,573,732	2.2	100.0	¥3,500,996	(2.0)	100.0	\$31,541

NET PREMIUMS WRITTEN (FY2020)

Total ¥3,500.9 Billion

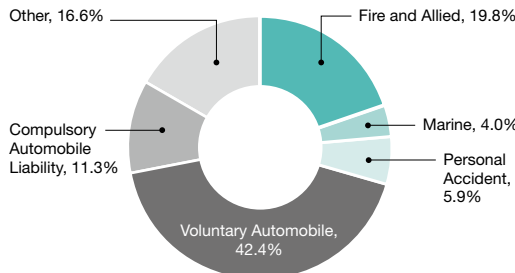


(c) Net Claims Paid

	(Yen in millions)															(US\$ in millions)
	FY2016			FY2017			FY2018			FY2019			FY2020			FY2020
	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount
Lines of Insurance																
Fire and Allied	¥ 297,850	26.6	16.3	¥ 378,241	27.0	19.5	¥ 526,294	39.1	24.7	¥ 405,830	(22.9)	20.0	¥ 376,673	(7.2)	19.8	\$ 3,393
Marine	96,981	102.0	5.3	82,302	(15.1)	4.3	83,445	1.4	3.9	81,804	(2.0)	4.1	75,439	(7.8)	4.0	680
Personal Accident	107,937	(1.3)	5.9	106,233	(1.6)	5.5	110,904	4.4	5.2	114,146	2.9	5.6	113,025	(1.0)	5.9	1,018
Voluntary Automobile	798,736	2.8	43.6	841,807	5.4	43.5	872,529	3.6	40.9	880,237	0.9	43.4	806,808	(8.3)	42.4	7,269
Compulsory Automobile Liability	258,465	(0.2)	14.1	252,990	(2.1)	13.1	247,757	(2.1)	11.6	233,215	(5.9)	11.5	215,043	(7.8)	11.3	1,937
Other	271,905	36.6	14.8	273,589	0.6	14.1	291,224	6.4	13.7	311,978	7.1	15.4	315,258	1.1	16.6	2,840
Total	¥1,831,876	12.6	100.0	¥1,935,165	5.6	100.0	¥2,132,155	10.2	100.0	¥2,027,212	(4.9)	100.0	¥1,902,248	(6.2)	100.0	\$17,137

NET CLAIMS PAID (FY2020)

Total ¥1,902.2 Billion



Policies in Force and New Policies – Domestic Life Insurance (Unaudited)

(a) Policies in Force

	(Yen in millions)										(US\$ in millions)
	FY2016		FY2017		FY2018		FY2019		FY2020		FY2020
	Amount	Change (%)	Amount	Change (%)	Amount	Change (%)	Amount	Change (%)	Amount	Change (%)	Amount
Individual insurance	¥25,813,254	6.3	¥26,882,564	4.1	¥28,117,507	4.6	¥28,056,161	(0.2)	¥27,851,835	(0.7)	\$250,917
Individual annuities	3,081,777	(4.0)	2,986,168	(3.1)	3,094,163	3.6	2,915,890	(5.8)	3,010,961	3.3	27,126
Group insurance	7,074,353	8.5	7,859,834	11.1	8,554,605	8.8	8,888,416	3.9	9,356,277	5.3	84,291
Group annuities	325	(7.4)	302	(7.1)	305	1.0	294	(3.4)	297	0.7	3

Notes: 1. The amounts of individual annuities represent the total sum of (a) the funds to be held at the time annuity payments are to commence for the policies for which annuity payments have not yet commenced and (b) the underwriting reserves for the policies for which annuity payments have commenced.
2. The amounts of group annuities represent the underwriting reserves.

(b) New Policies

	(Yen in millions)					(US\$ in millions)
	FY2016	FY2017	FY2018	FY2019	FY2020	FY2020
	Amount	Amount	Amount	Amount	Amount	Amount
Individual insurance	¥3,249,483	¥3,438,585	¥3,847,186	¥2,773,532	¥2,434,298	\$21,931
Individual annuities	159,925	216,635	385,662	177,730	123,035	1,108
Group insurance	61,074	144,570	92,813	96,406	114,945	1,036
Group annuities	–	–	–	–	–	–

Note: The amounts of individual annuities represent the funds to be held at the time annuity payments are to commence.

Investment Assets and Investments in Securities (Unaudited)

(a) Investment Assets

	(Yen in millions)				(US\$ in millions)
	FY2019		FY2020		FY2020
	Amount	Share	Amount	Share	Amount
Deposits and savings	¥ 1,837,978	7.9%	¥ 2,055,710	8.5%	\$ 18,520
Receivables under resale agreements	407,722	1.8	1,999	0.0	18
Monetary claims bought	160,091	0.7	175,740	0.7	1,583
Money trusts	1,666,494	7.2	1,717,804	7.1	15,476
Investments in securities	15,494,580	66.8	16,793,584	69.6	151,294
Loans	892,335	3.8	960,174	4.0	8,650
Land and buildings	416,301	1.8	424,056	1.8	3,820
Total investment assets	¥20,875,505	90.0%	¥22,129,071	91.7%	\$199,361
Total assets	¥23,196,455	100.0%	¥24,142,562	100.0%	\$217,501

(b) Investments in Securities

	(Yen in millions)				(US\$ in millions)
	FY2019		FY2020		FY2020
	Amount	Share	Amount	Share	Amount
Government bonds	¥ 3,922,433	25.3%	¥ 4,425,106	26.3%	\$ 39,866
Municipal bonds	312,237	2.0	281,155	1.7	2,533
Corporate bonds	1,599,490	10.3	1,540,300	9.2	13,877
Stock	2,180,458	14.1	2,892,746	17.2	26,061
Foreign securities	5,268,252	34.0	5,354,450	31.9	48,238
Other securities	2,211,707	14.3	2,299,824	13.7	20,719
Total	¥15,494,580	100.0%	¥16,793,584	100.0%	\$151,294

Note: "Other securities" consists mainly of investment trusts managed in separate accounts.

Consolidated Balance Sheets

MS&AD Insurance Group Holdings, Inc. and Its Consolidated Subsidiaries
As of March 31, 2020 and March 31, 2021

Assets	Yen in millions		US\$ in millions
	2020	2021	2021
Cash, deposits and savings	¥ 1,846,225	¥ 2,057,789	\$ 18,539
Receivables under resale agreements	407,722	1,999	18
Monetary claims bought	160,091	175,740	1,583
Money trusts	1,666,494	1,717,804	15,476
Securities	15,494,580	16,793,584	151,294
Loans	892,335	960,174	8,650
Tangible fixed assets:	488,331	494,818	4,458
Land	231,122	228,230	2,056
Buildings	185,178	195,825	1,764
Lease assets	24,722	27,531	248
Construction in progress	12,463	6,598	59
Other tangible fixed assets	34,843	36,631	330
Intangible fixed assets:	442,695	431,929	3,891
Software	108,892	127,921	1,152
Goodwill	138,584	122,617	1,105
Lease assets	346	217	2
Other intangible fixed assets	194,873	181,172	1,632
Other assets	1,535,400	1,436,401	12,941
Assets for retirement benefits	24,113	26,768	241
Deferred tax assets	219,385	30,549	275
Customers' liabilities under acceptances and guarantees	31,500	28,500	257
Bad debt reserve	(12,421)	(13,498)	(122)
Total assets	¥23,196,455	¥24,142,562	\$217,501

See accompanying notes to consolidated financial statements.

Liabilities and Net Assets	Yen in millions		US\$ in millions
	2020	2021	2021
Liabilities			
Policy liabilities:	¥17,809,540	¥18,107,028	\$163,126
Outstanding claims	2,149,921	2,256,900	20,332
Underwriting reserves	15,659,619	15,850,128	142,794
Bonds issued	809,093	809,093	7,289
Other liabilities	1,672,264	1,602,349	14,436
Liabilities for pension and retirement benefits	179,686	160,828	1,449
Reserve for retirement benefits for officers	325	241	2
Accrued bonuses for employees	28,392	28,256	255
Reserve for losses on sales of shares of associates	16,957	–	–
Reserves under the special laws:	137,400	244,975	2,207
Reserve for price fluctuation	137,400	244,975	2,207
Deferred tax liabilities	17,254	34,630	312
Acceptances and guarantees	31,500	28,500	257
Total liabilities	20,702,416	21,015,905	189,332
Net Assets			
Shareholders' equity:			
Common stock	100,000	100,276	903
Capital surplus	553,163	553,428	4,986
Retained earnings	1,019,468	1,078,850	9,719
Treasury stock	(84,432)	(119,267)	(1,074)
Total shareholders' equity	1,588,199	1,613,287	14,534
Accumulated other comprehensive income/(loss):			
Net unrealized gains/(losses) on securities	982,042	1,630,325	14,688
Net deferred gains/(losses) on hedges	30,916	14,997	135
Foreign currency translation adjustments	(140,106)	(178,080)	(1,604)
Accumulated actuarial gains/(losses) on retirement benefits	(9,381)	3,819	34
Total accumulated other comprehensive income/(loss)	863,470	1,471,062	13,253
Stock acquisition rights	1,206	1,019	9
Non-controlling interests	41,161	41,288	372
Total net assets	2,494,038	3,126,657	28,168
Total liabilities and net assets	¥23,196,455	¥24,142,562	\$217,501

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

MS&AD Insurance Group Holdings, Inc. and Its Consolidated Subsidiaries

For the years ended March 31, 2020 and March 31, 2021

	Yen in millions		US\$ in millions
	2020	2021	2021
Ordinary income and expenses			
Ordinary income:	¥5,168,361	¥4,892,244	\$ 44,074
Underwriting income:	4,640,584	3,425,364	30,859
Net premiums written	3,573,732	3,500,996	31,541
Deposit premiums from policyholders	75,553	72,635	654
Investment income on deposit premiums from policyholders	39,177	36,384	328
Life insurance premiums	943,721	(202,321)	(1,823)
Other underwriting income	8,400	17,669	159
Investment income:	511,529	1,450,793	13,070
Interest and dividends income	304,514	293,587	2,645
Investment gains on money trusts	64,627	212,824	1,917
Investment gains on trading securities	55,652	35,605	321
Gains on sales of securities	118,845	233,371	2,102
Gains on redemption of securities	4,387	2,567	23
Investment gains on separate accounts	–	311,765	2,809
Other investment income	2,679	397,456	3,581
Transfer of investment income on deposit premiums from policyholders	(39,177)	(36,384)	(328)
Other ordinary income:	16,247	16,085	145
Other ordinary income	16,247	16,085	145
Ordinary expenses:	5,010,660	4,585,719	41,313
Underwriting expenses:	3,749,818	3,800,437	34,238
Net claims paid	2,027,212	1,902,248	17,137
Loss adjustment expenses	177,354	188,784	1,701
Commissions and collection expenses	727,409	735,307	6,624
Maturity refunds to policyholders	220,697	221,162	1,992
Dividends to policyholders	103	73	1
Life insurance claims	376,620	405,474	3,653
Provision for outstanding claims	19,962	133,130	1,199
Provision for underwriting reserves	196,179	208,901	1,882
Other underwriting expenses	4,278	5,353	48
Investment expenses:	512,978	69,695	628
Investment losses on money trusts	47,310	9	0
Losses on sales of securities	18,021	8,096	73
Impairment losses on securities	39,685	7,100	64
Losses on redemption of securities	310	738	7
Losses on derivative transactions	18,547	46,838	422
Investment losses on separate accounts	57,457	–	–
Other investment expenses	331,646	6,911	62
Operating expenses and general and administrative expenses	694,618	688,576	6,203
Other ordinary expenses:	53,244	27,010	243
Interest expense	13,363	14,599	132
Provision for bad debt reserve	4,456	1,474	13
Losses on bad debts	163	137	1
Losses on equity method investments	30,878	6,601	59
Other ordinary expenses	4,383	4,197	38
Ordinary profit/(loss)	157,701	306,524	2,761
Extraordinary income and losses			
Extraordinary income:	51,426	15,920	143
Gains on sales of fixed assets	4,809	7,717	70
Reversal of reserves under the special laws:	35,848	–	–
Reversal of reserve for price fluctuation	35,848	–	–
Gains on step acquisitions	6,587	–	–
Gains on change in equity interests	2,804	89	1
Reversal of reserve for losses on sales of shares of associates	–	8,113	73
Other extraordinary income	1,377	–	–

	Yen in millions		US\$ in millions
	2020	2021	2021
Extraordinary losses:	¥ 196,622	¥ 120,717	\$ 1,088
Losses on sales of fixed assets	2,973	6,071	55
Impairment losses on fixed assets	173,611	1,949	18
Provision for reserves under the special laws:	–	107,575	969
Provision for reserve for price fluctuation	–	107,575	969
Losses on accelerated depreciation of tangible fixed assets	–	3	0
Losses on change in equity interests	–	1,685	15
Provision for reserve for losses on sales of shares of associates	16,957	–	–
Other extraordinary losses	3,080	3,432	31
Income/(loss) before income taxes	12,505	201,727	1,817
Income taxes - current	34,420	93,223	840
Income taxes - deferred	(167,482)	(39,167)	(353)
Total income taxes	(133,061)	54,056	487
Net income/(loss)	145,567	147,670	1,330
Net income/(loss) attributable to non-controlling interests	2,536	3,272	29
Net income/(loss) attributable to owners of the parent	¥ 143,030	¥ 144,398	\$ 1,301

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

MS&AD Insurance Group Holdings, Inc. and Its Consolidated Subsidiaries

For the years ended March 31, 2020 and March 31, 2021

	Yen in millions		US\$ in millions
	2020	2021	2021
Net income/(loss)	¥ 145,567	¥147,670	\$ 1,330
Other comprehensive income/(loss):			
Net unrealized gains/(losses) on securities	(298,942)	641,845	5,782
Net deferred gains/(losses) on hedges	6,101	(16,184)	(146)
Foreign currency translation adjustments	3,001	(47,613)	(429)
Actuarial gains/(losses) on retirement benefits	(13,737)	13,220	119
Share of other comprehensive income/(loss) of equity method investments	721	14,998	135
Total other comprehensive income/(loss)	(302,855)	606,267	5,462
Total comprehensive income/(loss)	¥ (157,288)	¥753,938	\$ 6,792
Allocation:			
Comprehensive income/(loss) attributable to owners of the parent	¥ (161,004)	¥751,990	\$ 6,775
Comprehensive income/(loss) attributable to non-controlling interests	3,716	1,947	18

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

MS&AD Insurance Group Holdings, Inc. and Its Consolidated Subsidiaries
For the years ended March 31, 2020 and 2021

2020

(Yen in millions)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Beginning balance	¥100,000	¥553,168	¥ 962,385	¥ (32,539)	¥1,583,013
Cumulative effects of changes in accounting policies			(942)		(942)
Beginning balance (Restated)	100,000	553,168	961,442	(32,539)	1,582,070
Changes for the year:					
Dividends paid			(83,951)		(83,951)
Net income/(loss) attributable to owners of the parent			143,030		143,030
Repurchase of treasury stock				(52,019)	(52,019)
Disposal of treasury stock		(5)		127	121
Other			(1,052)		(1,052)
Net changes of items other than shareholders' equity					
Total changes for the year	–	(5)	58,026	(51,892)	6,128
Ending balance	¥100,000	¥553,163	¥1,019,468	¥ (84,432)	¥1,588,199

2021

(Yen in millions)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Beginning balance	¥100,000	¥553,163	¥1,019,468	¥ (84,432)	¥1,588,199
Cumulative effects of changes in accounting policies					–
Beginning balance (Restated)	100,000	553,163	1,019,468	(84,432)	1,588,199
Changes for the year:					
Issuance of new stock	276	276			552
Dividends paid			(85,017)		(85,017)
Net income/(loss) attributable to owners of the parent			144,398		144,398
Repurchase of treasury stock				(35,036)	(35,036)
Disposal of treasury stock		(11)		201	189
Other					–
Net changes of items other than shareholders' equity					
Total changes for the year	276	264	59,381	(34,835)	25,087
Ending balance	¥100,276	¥553,428	¥1,078,850	¥ (119,267)	¥1,613,287

	Accumulated other comprehensive income/(loss)					Stock acquisition rights	Non-controlling interests	Total net assets
	Net unrealized gains/(losses) on securities	Net deferred gains/(losses) on hedges	Foreign currency translation adjustments	Accumulated actuarial gains/(losses) on retirement benefits	Total accumulated other comprehensive income/(loss)			
Beginning balance	¥1,273,881	¥25,168	¥ (135,992)	¥ 4,448	¥1,167,505	¥ 785	¥26,743	¥2,778,047
Cumulative effects of changes in accounting policies					–			(942)
Beginning balance (Restated)	1,273,881	25,168	(135,992)	4,448	1,167,505	785	26,743	2,777,104
Changes for the year:								
Dividends paid								(83,951)
Net income/(loss) attributable to owners of the parent								143,030
Repurchase of treasury stock								(52,019)
Disposal of treasury stock								121
Other								(1,052)
Net changes of items other than shareholders' equity	(291,838)	5,747	(4,113)	(13,829)	(304,034)	421	14,418	(289,194)
Total changes for the year	(291,838)	5,747	(4,113)	(13,829)	(304,034)	421	14,418	(283,065)
Ending balance	¥ 982,042	¥30,916	¥ (140,106)	¥ (9,381)	¥ 863,470	¥1,206	¥41,161	¥2,494,038

See accompanying notes to consolidated financial statements.

	Accumulated other comprehensive income/(loss)					Stock acquisition rights	Non-controlling interests	Total net assets
	Net unrealized gains/(losses) on securities	Net deferred gains/(losses) on hedges	Foreign currency translation adjustments	Accumulated actuarial gains/(losses) on retirement benefits	Total accumulated other comprehensive income/(loss)			
Beginning balance	¥ 982,042	¥ 30,916	¥ (140,106)	¥ (9,381)	¥ 863,470	¥1,206	¥41,161	¥2,494,038
Cumulative effects of changes in accounting policies					–			–
Beginning balance (Restated)	982,042	30,916	(140,106)	(9,381)	863,470	1,206	41,161	2,494,038
Changes for the year:								
Issuance of new stock								552
Dividends paid								(85,017)
Net income/(loss) attributable to owners of the parent								144,398
Repurchase of treasury stock								(35,036)
Disposal of treasury stock								189
Other								–
Net changes of items other than shareholders' equity	648,283	(15,918)	(37,974)	13,201	607,591	(187)	126	607,530
Total changes for the year	648,283	(15,918)	(37,974)	13,201	607,591	(187)	126	632,618
Ending balance	¥1,630,325	¥ 14,997	¥ (178,080)	¥ 3,819	¥1,471,062	¥1,019	¥41,288	¥3,126,657

See accompanying notes to consolidated financial statements.

2021 (US\$ in millions)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Totalshareholders' equity
Beginning balance	\$901	\$4,983	\$9,184	\$ (761)	\$14,308
Cumulative effects of changes in accounting policies					–
Beginning balance (Restated)	901	4,983	9,184	(761)	14,308
Changes for the year:					
Issuance of new stock	2	2			5
Dividends paid			(766)		(766)
Net income/(loss) attributable to owners of the parent			1,301		1,301
Repurchase of treasury stock				(316)	(316)
Disposal of treasury stock		(0)		2	2
Other					–
Net changes of items other than shareholders' equity					
Total changes for the year	2	2	535	(314)	226
Ending balance	\$903	\$4,986	\$9,719	\$ (1,074)	\$14,534

	Accumulated other comprehensive income/(loss)					Stock acquisition rights	Non-controlling interests	Total net assets
	Net unrealized gains/(losses) on securities	Net deferred gains/(losses) on hedges	Foreign currency translation adjustments	Accumulated actuarial gains/(losses) on retirement benefits	Total accumulated other comprehensive income/(loss)			
Beginning balance	\$ 8,847	\$ 279	\$ (1,262)	\$ (85)	\$ 7,779	\$11	\$371	\$22,469
Cumulative effects of changes in accounting policies					–			–
Beginning balance (Restated)	8,847	279	(1,262)	(85)	7,779	11	371	22,469
Changes for the year:								
Issuance of new stock								5
Dividends paid								(766)
Net income/(loss) attributable to owners of the parent								1,301
Repurchase of treasury stock								(316)
Disposal of treasury stock								2
Other								–
Net changes of items other than shareholders' equity	5,840	(143)	(342)	119	5,474	(2)	1	5,473
Total changes for the year	5,840	(143)	(342)	119	5,474	(2)	1	5,699
Ending balance	\$14,688	\$ 135	\$ (1,604)	\$ 34	\$13,253	\$ 9	\$372	\$28,168

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

MS&AD Insurance Group Holdings, Inc. and Its Consolidated Subsidiaries
For the years ended March 31, 2020 and March 31, 2021

	Yen in millions		US\$ in millions
	2020	2021	
I. Cash flows from operating activities:			
Income/(loss) before income taxes	¥ 12,505	¥ 201,727	\$ 1,817
Adjustments for:			
Depreciation	65,613	72,348	652
Impairment losses on fixed assets	173,611	1,949	18
Amortization of goodwill	12,737	11,712	106
Increase/(decrease) in outstanding claims	(67,233)	123,275	1,111
Increase/(decrease) in underwriting reserves	186,053	201,047	1,811
Increase/(decrease) in bad debt reserve	3,145	1,202	11
Increase/(decrease) in reserve for retirement benefits for officers	(88)	(84)	(1)
Increase/(decrease) in accrued bonuses for employees	461	115	1
Increase/(decrease) in reserve for losses on sales of shares of associates	13,143	(13,143)	(118)
Increase/(decrease) in reserve for reorganization by function	(6,498)	–	–
Increase/(decrease) in liabilities for pension and retirement benefits	(10,352)	(3,475)	(31)
Increase/(decrease) in reserve for price fluctuation	(35,848)	107,575	969
Interest and dividends income	(304,514)	(293,587)	(2,645)
Losses/(gains) on money trusts	(17,299)	(212,815)	(1,917)
Losses/(gains) on securities	(120,868)	(255,609)	(2,303)
Losses/(gains) on derivative transactions	18,547	46,838	422
Investment losses/(gains) on separate accounts	57,457	(311,765)	(2,809)
Interest expense	13,363	14,599	132
Foreign exchange losses/(gains)	319,557	(393,298)	(3,543)
Losses/(gains) on disposal of tangible fixed assets	(2,319)	(3,949)	(36)
Losses /(gains) on equity method investments	30,878	6,601	59
Losses /(gains) on step acquisitions	(6,587)	–	–
Losses/(gains) on change in equity interests	(2,804)	1,595	14
Decrease/(increase) in other assets	(30,875)	52,791	476
Increase/(decrease) in other liabilities	76,050	(6,415)	(58)
Other, net	(22,530)	(22,378)	(202)
Subtotal	355,302	(673,140)	(6,064)
Interest and dividends received	401,686	394,404	3,553
Interest paid	(13,259)	(14,566)	(131)
Income taxes refunded/(paid)	(75,833)	(30,609)	(276)
Net cash provided by/(used in) operating activities (a)	667,896	(323,912)	(2,918)
II. Cash flows from investing activities:			
Net decrease/(increase) in deposits and savings	20,391	(4,198)	(38)
Purchase of monetary claims bought	(18,809)	(19,828)	(179)
Proceeds from sales and redemption of monetary claims bought	15,982	2,127	19
Purchase of money trusts	(232,980)	(380,662)	(3,429)
Proceeds from sales of money trusts	116,399	553,405	4,986
Purchase of securities	(4,537,656)	(4,423,413)	(39,851)
Proceeds from sales and redemption of securities	4,434,208	4,759,491	42,878
Investment in loans	(226,329)	(213,370)	(1,922)
Collection of loans	200,104	197,834	1,782
Net increase/(decrease) in payables under repurchase agreements	(55,816)	(412,965)	(3,720)
Net increase/(decrease) in payables under securities lending transactions	62,989	76,465	689
Other, net	11,452	(8,842)	(80)
Subtotal (b)	(210,064)	126,042	1,136
(a + b)	457,831	(197,869)	(1,783)
Acquisition of tangible fixed assets	(32,021)	(33,696)	(304)
Proceeds from sales of tangible fixed assets	7,439	10,954	99
Acquisition of intangible fixed assets	(78,519)	(57,407)	(517)
Acquisition of shares of subsidiaries resulting in changes in scope of consolidation	(9,715)	–	–
Payments for sales of shares of subsidiaries resulting in changes in scope of consolidation	(6,327)	–	–
Other, net	(1,152)	(1,967)	(18)
Net cash provided by/(used in) investing activities	(330,363)	43,925	396
III. Cash flows from financing activities:			
Proceeds from borrowings	149,381	–	–
Repayments of borrowings	(167,648)	–	–
Issuance of bonds	149,427	99,321	895
Redemption of bonds	–	(100,000)	(901)
Net increase/(decrease) in payables under repurchase agreements	–	110,343	994
Net increase/(decrease) in payables under securities lending transactions	79,080	103,510	933
Repurchase of treasury stock	(52,019)	(35,036)	(316)
Dividends paid to shareholders	(83,861)	(84,928)	(765)
Dividends paid to non-controlling interests	(1,233)	(1,829)	(16)
Other, net	(7,805)	(12,102)	(109)
Net cash provided by/(used in) financing activities	65,321	79,278	714
IV. Effect of exchange rate changes on cash and cash equivalents	(2,701)	(3,537)	(32)
V. Net increase/(decrease) in cash and cash equivalents	400,153	(204,245)	(1,840)
VI. Cash and cash equivalents at beginning of year	1,798,526	2,198,680	19,808
VII. Cash and cash equivalents at end of year	¥2,198,680	¥1,994,434	\$17,968

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

MS&AD Insurance Group Holdings, Inc. and its Consolidated Subsidiaries
As of and for the years ended March 31, 2020 and March 31, 2021

SIGNIFICANT ACCOUNTING POLICIES

1. Basis of presentation

The accompanying consolidated financial statements have been translated from the consolidated financial statements of MS&AD Insurance Group Holdings, Inc. ("the Company") prepared in accordance with the provisions set forth in the Rules of Corporate Accounting, the Enforcement Regulations of the Japanese Insurance Business Act and related rules, and regulations applicable to the non-life insurance industry in general, and in conformity with accounting principles and practices generally accepted in Japan, which may differ in certain respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan. In preparing the accompanying consolidated financial statements, certain additional information has been provided for the consolidated financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan.

The accompanying consolidated financial statements are expressed in Japanese yen. As permitted by the regulations under the Rules of Corporate Accounting, amounts are rounded down to the nearest million of Japanese yen, except for those stated otherwise. As a result, the total amounts in Japanese yen shown in the accompanying consolidated financial statements do not necessarily agree with the sums of the individual amounts.

Solely for the convenience of readers, the accompanying consolidated financial statements as of and for the year ended March 31, 2021 have been translated into US dollar at the rate of ¥111=US\$1, the approximate exchange rate on the Tokyo foreign exchange market on the last business day of March 2021. Such translation should not be construed as presentations that the Japanese yen amounts have been, should have been, or could in the future be, converted into US dollar at that or any other rate.

"Subsidiary" and "Associate" appearing in the accompanying consolidated financial statements and notes thereto refer to those defined in Article 2 of the Rules of Corporate Accounting.

2. Scope of consolidation

(1) Number of consolidated subsidiaries

84 companies

Major consolidated subsidiaries are as follows:
Mitsui Sumitomo Insurance Company, Limited ("MSI")
Aioi Nissay Dowa Insurance Company, Limited ("ADI")
Mitsui Sumitomo Aioi Life Insurance Company, Limited ("MSAL")
Mitsui Sumitomo Primary Life Insurance Company, Limited ("MSPL")
MSIG Holdings (U.S.A.), Inc.
MS Amlin Corporate Member Limited
MS Amlin Underwriting Limited
MS Amlin AG
MS Amlin Insurance SE
MSIG Insurance (Malaysia) Bhd.

Changes in scope of consolidation

Leadenhall Capital Partners GP Limited has been included in the scope of consolidation since the year ended March 31, 2021 as they have become the Company's subsidiaries due to the acquisition of shares.

AUA Insolvency Risk Services Limited and three other companies ceased to be subsidiaries due to the sale of shares and other reasons. As a result, these companies have been excluded from the scope of consolidation during the year ended March 31, 2021.

(2) Unconsolidated subsidiaries

Major unconsolidated subsidiaries are as follows:

MS&AD Grand Assistance Co., Ltd.
MS&AD Systems Company, Limited

Certain subsidiaries including the above subsidiaries are not consolidated, as they are not considered to have any impact on, in all material aspects, the consolidated financial conditions and business performance, in view of the size of their total assets, ordinary income, net income and retained earnings attributable to the Company.

3. Application of equity method

(1) Number of associates accounted for under the equity method

14 companies

Major associates accounted for under the equity method are as follows:

Sumitomo Mitsui DS Asset Management Company, Limited
Challenger Limited

Changes in scope of application of equity method

As Max Financial Services Limited, BoCommLife Insurance Company Limited and one other company became associates due to the acquisition of shares and other reasons, these companies have been included in the scope of application of the equity method during the year ended March 31, 2021.

As ReAssure Group Plc and one other company ceased to be associates due to the sale of shares and other reasons, these companies have been excluded from the scope of application of the equity method during the year ended March 31, 2021.

(2) Other affiliates, including unconsolidated subsidiaries and associates (e.g. MS&AD Grand Assistance Co., Ltd. and Zenkankyo Small Amount and Short Term Insurance Holdings, Ltd.), are stated at cost as their effects on the consolidated net income and retained earnings are not considered material, individually and in aggregate.

(3) The Company holds 29.9% voting rights of Japan Earthquake Reinsurance Company, Limited ("Japan Earthquake Re") through MSI and ADI. However, Japan Earthquake Re is not included as an affiliate since the Company does not have the ability to exercise significant influence over the operating and financial decisions of Japan Earthquake Re in view of its public nature.

4. Fiscal year of consolidated subsidiaries

The fiscal year end of 77 overseas consolidated subsidiaries is December 31, which is different from that of the Company. The Company uses the financial statements as of their latest fiscal year end for consolidation purposes since the intervening period does not exceed three months from its fiscal year end.

The Company makes adjustments to incorporate significant transactions occurred during the intervening period that materially affect the consolidated financial statements.

5. Accounting policies

- (1) Valuation policies and methods of securities (including those included in Cash, deposits and savings, and Monetary claims bought as set forth in the Enforcement Regulations of the Japanese Insurance Business Act)
- (i) Trading securities are valued at their year-end market prices. Cost of sales is calculated using the moving average method. For certain overseas consolidated subsidiaries, cost of sales is calculated using the first-in, first-out method.

(ii) Held-to-maturity securities are valued at amortized cost.

(iii) Investments in unconsolidated subsidiaries and associates that are not accounted for under the equity method are valued at cost determined by the moving average method.

(iv) Debt securities and money trusts earmarked for underwriting reserves are valued at amortized cost determined by the moving average method in accordance with Industry Audit Committee Report No. 21 “Temporary Treatment of Accounting and Auditing Concerning Debt Securities Earmarked for Underwriting Reserve in the Insurance Industry” (issued by the Japanese Institute of Certified Public Accountants on November 16, 2000).
- A summary of the risk management policy for debt securities and money trusts earmarked for underwriting reserves is as follows:
- To effectively manage risks of variability in interest rates related to assets and liabilities, MSAL establishes subgroups of “individual insurance” that meet certain criteria for each type of insurance and investment policy, as well as applies the investment policy and cash allocation policy reflecting their characteristics. In addition, MSAL periodically assesses whether the durations of the debt securities earmarked for underwriting reserves fall within a certain range from those of the underwriting reserves in each subgroup.

To effectively manage risks of variability in interest rates related to assets and liabilities, MSPL establishes subgroups of “individual insurance and individual annuities” that meet certain criteria for each currency, as well as applies the investment policy and cash allocation policy reflecting their characteristics. In addition, MSPL periodically assesses whether the durations of the debt securities earmarked for underwriting reserves fall within a certain range from those of the underwriting reserves in each subgroup.
- (v) Available-for-sale securities (except for those without practically determinable fair value) are valued at their year-end market prices.

Net unrealized gains and losses are reported as a separate line item of net assets. For foreign currency bonds held by certain consolidated subsidiaries, changes in fair values due to fluctuations in foreign exchange rates are reported in net unrealized gains and losses in net assets, while the remaining changes are reported as foreign exchange gains and losses in the consolidated financial statements of income. Cost of sales is calculated by the moving average method.

(vi) Available-for-sale securities without practically determinable fair value are valued at cost using the moving average method.

(vii) Money trusts specifically managed for the Company and its domestic consolidated subsidiaries for trading purposes are valued at fair value.

Money trusts specifically managed for the Company and its domestic consolidated subsidiaries, other than those held for trading purposes, held to maturity or earmarked for underwriting reserves, are valued on the same basis as available-for-sale securities.
- (2) Valuation policies and methods of derivative financial instruments
- Derivative financial instruments are valued at fair value.
- (3) Depreciation methods of significant depreciable assets
- (i) Depreciation of tangible fixed assets is computed using the straight-line method.

(ii) Intangible fixed assets are amortized by the straight-line method. Capitalized software for internal use is amortized by the straight-line method over its estimated useful life.

(4) Accounting policies for significant reserves

(i) Bad debt reserve

For domestic consolidated insurance subsidiaries, bad debt reserve is established under the internal standards for self-assessment of assets and the policy for write-off and provision.

Bad debt reserve for loans to debtors who are legally deemed to be insolvent due to bankruptcy or special liquidation, or whose notes are under suspension at clearing houses, and loans to debtors who are deemed to be substantially insolvent is provided based on the outstanding balance remaining after deducting the resale value of collateral and the amount collectible through guarantees.

Bad debt reserve for loans to debtors who are likely to become insolvent in the future is provided based on the outstanding balance remaining after deducting the resale value of collateral, the amount collectible through guarantees and the amount expected to be repaid by the debtors considering their overall ability to pay.

For loans other than those described above, bad debt reserve is calculated by multiplying the outstanding balances by the historical bad debt ratios.

Bad debt reserve for all loans and receivables is provided based on the assessment under the internal standards for self-assessment of assets. The assessment is performed by the departments responsible for the respective assets and the results are reviewed by independent internal audit departments.

For other domestic consolidated subsidiaries, bad debt reserve is established under their internal standards for self-assessment of assets and policies for provision similar to those of the domestic consolidated insurance subsidiaries.

For overseas consolidated subsidiaries, bad debt reserve is established based on the assessment of collectability of individual receivables.

(ii) Reserve for retirement benefits for officers

Reserve for retirement benefits that covers the cost of services rendered by officers and operating officers of MSI and MSAL up to the year ended March 31, 2005, the date on which the retirement benefit plans for officers were terminated, is established to provide for their future retirement benefits (including pension).

(iii) Accrued bonuses for employees

Accrued bonuses for employees are determined based on the estimated amounts to be paid at the year-end to provide for future bonuses for employees and operating officers.

(iv) Reserve for losses on sales of shares of associates

Reserve for losses on sales of shares of associates is established to provide for possible losses to be incurred due to the changes in the market value of listed shares which will be received as a consideration for the sale of shares of associates based on the sales contract. The amount of reserve is determined as a difference between expected amount of consideration and the carrying amount at the current year end.

(v) Reserve for price fluctuation

For the domestic consolidated insurance subsidiaries, the reserve for price fluctuation is recognized under Article 115 of the Japanese Insurance Business Act to provide for possible losses arising from price fluctuation of investment assets such as equity securities.

(5) Accounting for retirement benefits

(i) Attribution method of retirement benefits over the service period

In computing retirement benefit obligations, the estimated retirement benefits are attributed to the periods up to the current year using the plan's benefit formula.

(ii) Accounting for actuarial gains and losses

Actuarial gains and losses are amortized, commencing from the following year, using the straight-line method over a certain number of years (primarily 10 - 11 years) that do not exceed the expected average remaining service period of employees at the time of occurrence.

(6) Translation of foreign currency assets and liabilities

Foreign currency monetary assets and liabilities of the Company are translated into Japanese yen using the spot exchange rate prevailing at the year end. The foreign exchange gains and losses resulting from the translation are recognized in earnings. Foreign currency assets and liabilities of overseas consolidated subsidiaries are translated into Japanese yen using the spot exchange rate prevailing at their respective year ends, while shareholders' equity is translated at the historical rates. Income and expenses of overseas consolidated subsidiaries are translated into Japanese yen using the average exchange rate for the year. Differences arising from such translations are included in Foreign currency translation adjustments and Non-controlling interests in Net Assets.

(7) Accounting for consumption taxes

Consumption taxes received or paid by the Company and its major domestic consolidated subsidiaries are not included in income or expenses, except for those related to Loss adjustment expenses and Operating expenses and general and administrative expenses incurred by the domestic consolidated non-life insurance subsidiaries. Consumption taxes excluded from income and expenses are recorded at the net amount on the balance sheet.

Non-deductible consumption taxes are recognized as expenses for the period, except for those related to the purchase of depreciable fixed assets that are not charged to expenses but deferred as Other assets and amortized over a period of 5 years on a straight-line basis.

(8) Hedge accounting

Under Japanese GAAP, several methodologies are allowed for hedge accounting. Two fundamental approaches are the deferred hedge method and the fair value hedge method. Under the deferred hedge method, gains and losses on changes in fair value of derivative financial instruments are deferred and accounted for as a separate line item of net assets. Under the fair value hedge method, which is allowed only with respect to available-for-sale securities being the hedged items, gains and losses on changes in fair value of the hedging instruments are recognized in earnings together with the corresponding gains and losses of the hedged items attributable to the risks being hedged.

In addition, for certain derivative financial instruments, alternative treatments are permitted under Japanese GAAP. Assets and liabilities denominated in foreign currencies and hedged by foreign exchange forward contracts or currency swaps can be accounted for by the allocation method. Under this method, the foreign exchange forward contracts and currency swaps used as hedging instruments are not measured at fair value since gains and losses on the derivatives are assumed to be offset with changes in fair value of the corresponding hedged items, and hedged items are translated at the foreign exchange rates that are stipulated in the foreign exchange forward contracts or currency swaps (hedging instruments). Interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at fair value, but the differentials paid or received under the swap agreements are recognized and included in interest expense or income of the hedged items (the exceptional method).

For certain domestic consolidated insurance subsidiaries, gains and losses on equity forward contracts used for hedging risks of variability in the fair value of investments in equity securities are accounted for under the fair value hedge method. Gains and losses on currency swap contracts and certain foreign exchange forward contracts used for hedging risks of variability in foreign exchange rates on foreign currency assets are accounted for under the deferred hedge method, the fair value hedge method or the allocation method. Gains and losses on currency swap contracts used for hedging risks of variability in foreign exchange rates on foreign currency bonds issued by MSI are accounted for under the allocation method.

Gains and losses on interest rate swap contracts used for hedging risks of variability in interest rates of loans, bonds and borrowings are accounted for under the deferred hedge method or the exceptional method when they meet certain criteria.

Gains and losses on interest rate and currency swap contracts used for hedging risks of variability in foreign exchange rates and interest rates on foreign currency borrowings are accounted for under the integrated method when they meet certain criteria. The integrated method is to hedge foreign currency risks and interest rate risks using the allocation method and the exceptional method, respectively.

Hedge effectiveness is assessed quarterly by comparing cumulative fluctuations in fair value or cash flows of the hedged items and hedging instruments for the periods from the respective start dates of the hedges to the assessment dates. When the hedged items and the hedging instruments are highly and clearly interrelated, when the interest rate swap transactions meet the criteria for the application of the exceptional method, or when the interest rate and currency swap contracts meet the criteria for the application of the integrated method, hedge effectiveness is not assessed.

(9) Accounting for insurance contracts

Domestic consolidated insurance subsidiaries account for insurance contracts related items including insurance premiums, outstanding claims and underwriting reserves in accordance with the Japanese Insurance Business Act and related rules. Overseas consolidated insurance subsidiaries apply either International Financial Reporting Standards (IFRS) or US generally accepted accounting principles for the items in accordance with Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries, etc. for the Consolidated Financial Statements (ASBJ Practical Issues Task Force ("PITF") No. 18 revised on June 28, 2019).

6. Goodwill

Goodwill is amortized using the straight-line method over a period of 15 to 20 years. Insignificant amounts of goodwill are charged to expenses as incurred.

7. Accounting estimates

(1) Impairment losses on goodwill

- (i) Amounts recorded in the consolidated financial statements for the year ended March 31, 2021

In the consolidated balance sheet of the Company for the current year, goodwill of ¥122,617 million was recognized. In addition, goodwill related to equity-method affiliates of ¥43,303 million was included in securities therein.

- (ii) Details of accounting estimates

(a) Measurement approach

For goodwill whose invested amount is not recoverable due to decline of profitability, an impairment loss should be recognized by reflecting its recoverability under certain conditions. In accordance with "Accounting Standard for Impairment of Fixed Assets" (ASBJ Statement, August 9, 2002), if there is any indication of impairment such as consecutive net losses and/or deterioration of business environment, the Company and its consolidated subsidiaries (Collectively "the Group") determine whether an impairment loss should be recognized by comparing total undiscounted future cash flows with the carrying amount for the business concerned. When it is determined that an impairment loss should be recognized, the carrying amount of goodwill is reduced to its recoverable amount and an impairment loss is recognized for the amount by which goodwill is reduced.

The recoverable amount represents present value of future cash flows expected to be derived from continuing use of the asset and from its disposal thereafter and the amount of an impairment loss relies on estimated future cash flows based on reasonable assumptions and projections.

- (b) Effects on the consolidated financial statements for the next year

An impairment loss may be incurred if the profitability of a business declines and estimated future cash flows are significantly decreased as a result of changes in business environment of the business concerned.

(2) Outstanding claims

- (i) Amounts recorded in the consolidated financial statements for the year ended March 31, 2021

In the consolidated balance sheet of the Company for the current year, outstanding claims of ¥2,256,900 million were recognized. Of this amount, outstanding claims of non-life insurance business accounted for a substantial portion.

- (ii) Details of accounting estimates

In accordance with the provisions set forth in Article 117 of the Japanese Insurance Business Act as well as Articles 72 and 73 of the Enforcement Regulations of the Japanese Insurance Business Act, domestic consolidated subsidiaries recognize outstanding claims which represent the estimated amount of unpaid claims for the losses that have incurred or deemed to have incurred under insurance contracts. Overseas consolidated subsidiaries apply similar methods for recording outstanding claims.

(a) Measurement approach

The Group individually recognized expected claims payments for reported claims based on the details of reported loss events, insurance contract terms and claim investigations. For incurred but not reported claims, the Group recognized expected claims payments based on the estimated ultimate losses determined in consideration of the past experience of claims payments in the previous years.

- (b) Effects on the consolidated financial statements for the next year

The amounts of insurance claim payments and outstanding claims may differ from their current estimates due to the development of claim investigations, outcome of litigations and changes in foreign exchange rates.

Specifically, uncertainty over the estimate of outstanding claims has been increasing, as natural disasters has become more severe and frequent both within and outside Japan in the recent years, and payment obligations have been growing overseas for certain business interruption claims due to the spread of COVID-19.

8. Change in accounting policy

From the year ended March 31, 2020, International Financial Reporting Standard ("IFRS") 16 "Leases" has been adopted by overseas consolidated subsidiaries that apply IFRS. As a result, lessees generally recognize right-of-use assets and lease liabilities for all leases at the lease commencement date.

In accordance with the transitional measures of IFRS 16, the Company has adjusted retained earnings for cumulative effects of the adoption at the beginning of the year ended March 31, 2020.

The effects of this adjustment on ordinary income and income before income taxes for the year ended March 31, 2020 were immaterial. The effects of the changes on the beginning balance of the year ended March 31, 2020 were an increase in lease assets of ¥23,875 million and a decrease in other tangible fixed assets of ¥653 million among tangible fixed assets, increases in lease assets of ¥7 million among intangible fixed assets, other liabilities of ¥24,172 million and a decrease in retained earnings of ¥942 million. As for the items of Consolidated Statements of Cash Flows for the year ended March 31, 2020, net cash used in operating activities decreased by ¥4,334 million and net cash used in financing activities increased by ¥4,334 million.

9. Change in presentation

(Application of "Accounting Standard for Disclosure of Accounting Estimates")

The Group has applied "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020) from the year ended March 31, 2021 and notes related to significant accounting estimates are included in the consolidated financial statements. The note does not include information for the prior consolidated fiscal year in accordance with the transitional provision set out in paragraph 11 of the Accounting Standard.

10. Cash and cash equivalents on the consolidated statements of cash flows

In preparing the consolidated statements of cash flows, cash and cash equivalents constitute cash on hand, readily available deposits and short-term highly liquid investments with original maturities not exceeding three months.

11. Additional information

(Accounting treatments related to the adoption of the consolidated tax return filing system)

The Company and certain domestic consolidated subsidiaries have decided to adopt the consolidated tax return filing system from the year ending March 31, 2022. Accordingly, from the year ended March 31, 2021, the Company and certain domestic consolidated subsidiaries applied an accounting treatment based on the adoption of a consolidated tax filing system in accordance with "Practical Solution on Tentative Treatment of Tax Effect Accounting under the Consolidated Taxation System (Part 1)" (ASBJ PITF No. 5, January 16, 2015) and "Practical Solution on Tentative Treatment of Tax Effect Accounting under the Consolidated Taxation System (Part 2)" (ASBJ PITF No. 7, January 16, 2015).

As a result, Income taxes - deferred for the year ended March 31, 2021 decreased by ¥20,282 million.

(Application of tax effect accounting for the transition from the consolidated tax return filing system to the group tax sharing system)

With regard to the items subject to the transition to the group tax sharing system established under the "Act on Partial Revision of the Income Tax Act, etc." (Act No. 8 of 2020) and a review of the non-consolidated tax return filing system in line with the transition to the group tax sharing system, the Company and certain domestic consolidated subsidiaries have not applied the provisions of Paragraph 44 of the "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018) and have recorded the amounts of deferred tax assets and deferred tax liabilities based on the provisions of the tax laws before the revision, as allowed by the treatment in Paragraph 3 of the "Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (ASBJ PITF No. 39, March 31, 2020).

NOTES TO CONSOLIDATED BALANCE SHEETS

1. The amounts of accumulated depreciation and accelerated depreciation of tangible fixed assets are as follows:

	Yen in millions	
	March 31, 2020	March 31, 2021
Accumulated depreciation	399,393	399,742
Accelerated depreciation	13,610	13,431

Note: As permitted under Japanese tax legislation for the purpose of deferral in recognizing taxable income, the acquisition cost of certain qualifying properties is reduced to offset the taxable income that resulted from the sales of assets to be replaced by the acquired assets or receipts of governmental subsidies provided for the acquisition of the new assets. The total amounts deducted from the original acquisition cost of the qualifying properties as of March 31, 2020 and March 31, 2021 were ¥13,610 million and ¥13,431 million, respectively.

Accelerated depreciation deducted from the original acquisition cost due to receipts of governmental subsidies during the years ended March 31, 2020 and March 31, 2021 were nil and ¥3 million, respectively.

2. The carrying amounts of equity investments in unconsolidated subsidiaries and associates are as follows:

	Yen in millions	
	March 31, 2020	March 31, 2021
Securities (Domestic stocks)	30,138	27,995
Securities (Foreign securities)	293,110	237,290
Securities (Other securities)	17,212	19,426
Total	340,461	284,712

3. The amounts of loans to borrowers in bankruptcy, overdue loans, loans overdue for three months or more, and restructured loans are as follows:

	Yen in millions	
	March 31, 2020	March 31, 2021
Loans to borrowers in bankruptcy	43	—
Overdue loans	177	201
Loans overdue for three months or more	299	277
Restructured loans	1,165	1,088
Total	1,685	1,567

Note: Loans to borrowers in bankruptcy represent those, excluding any part of bad debts that have been written off, on which accrued interest receivables are not recognized because repayments of the principal or interest have been overdue for considerable periods and regarded uncollectible (hereinafter, this category is referred to as "Loans not accruing interest") and which meet the conditions prescribed in Article 96, Section 1-3 or 1-4 of the Corporation Tax Act Enforcement Ordinance (Cabinet Order No. 97, 1965).

Overdue loans represent loans not accruing interest excluding (a) loans to borrowers in bankruptcy and (b) loans that have been granted a grace period for interest payments in order to assist the debtors' operational restructuring or financial recovery.

Loans overdue for three months or more represent those of which the principal or interest has been past due for three months or more after the contractual due date for repayments of the principal or interest. The loans to borrowers in bankruptcy and overdue loans are excluded from this category.

Restructured loans represent those that have been granted favorable terms for the benefit of the debtors, such as interest exemption or reduction, a grace period for interest payments, a grace period for principal repayments or forgiveness of debts for the purpose of the restructuring of, or support to the debtors in financial difficulty. The loans to borrowers in bankruptcy, overdue loans and loans overdue for three months or more are excluded from this category.

4. The amounts of pledged assets are as follows:

	Yen in millions	
	March 31, 2020	March 31, 2021
Pledged assets:		
Cash, deposits and savings	3,638	4,361
Money trusts	2,241	2,280
Securities	846,152	562,337
Total	852,032	568,979

Note: The amounts in the above table primarily consist of collateral assets required for payables under repurchase agreements included in Other liabilities, for international operations and for Real Time Gross Settlement of the current account with the Bank of Japan. The amounts of those repurchase agreements included in Other liabilities are as follows:

	Yen in millions	
	March 31, 2020	March 31, 2021
	412,965	110,343

5. The amounts of securities loaned under securities lending agreements are as follows:

	Yen in millions	
	March 31, 2020	March 31, 2021
	573,550	737,523

6. The amounts of assets received as collateral under loan agreements, etc. which the Company has the right to sell or repledge are as follows:

	Yen in millions	
	March 31, 2020	March 31, 2021
Securities	144,617	41,934
Commercial papers	—	1,999

Note: All securities and commercial papers in the above table have not been resold or repledged, and are held by the Company and its subsidiaries.

7. The amounts of assets and liabilities in separate accounts under Article 118 of the Japanese Insurance Business Act are as follows:

	Yen in millions	
	March 31, 2020	March 31, 2021
	2,024,281	2,060,062

8. Guarantees on transactions conducted by a limited partnership entity are as follows:

MSI provides guarantees on transactions conducted by a limited partnership entity. Aggregate net present value of these transactions was ¥112,259 million and ¥65,565 million, respectively in a negative liability position as of March 31, 2020 and March 31, 2021. These amounts were not included in Customers' liabilities under acceptances and guarantees or Acceptances and guarantees since there was no substantial exposure.

9. The unutilized balances of commitment lines to third parties are as follows:

	Yen in millions	
	March 31, 2020	March 31, 2021
	12,655	16,362

10. Information on financial instruments

(1) Qualitative information on financial instruments

(i) Policy on financial instruments

The Group applies Asset and Liability Management policies to maintain stability of investment returns, safety of assets and sufficient liquidity under an appropriate risk management framework to attain sustainable growth of the net asset value. In addition, the Group is exposed to investment risks such as market risks and credit risks and manages those risks in accordance with the risk management policies of the Group and each group company.

The Group's cash inflows which mainly arise from insurance operations and investment activities are affected by changes in external environment such as occurrences of natural disasters and changes in financial market conditions. To enhance efficiency of funds operations and strengthen financial capacity under such changing conditions, the Group undertakes to raise funds through the issuance of long-term or short-term corporate bonds or other financing methods as the needs arise.

(ii) Details of financial instruments and associated risks

The Group's financial assets mainly consist of securities including domestic bonds, domestic stocks and foreign securities, loans and other financial instruments. Risks pertaining to investments include market risks, credit risks, market liquidity risks and other risks. Market risks arise from fluctuations in interest rates, stock prices, foreign exchange rates and other market indicators. Credit risks arise from the deterioration in the financial condition of security issuers and counterparties of loans. Market liquidity risks represent the risks that investment assets are forced to be sold at extremely unfavorable prices under turmoil in the financial markets.

The Group utilizes derivative transactions represented by interest rate swaps, interest rate options, bond future contracts, equity index options, equity index future contracts, equity forward contracts, foreign exchange forward contracts, currency swaps, currency options, and interest rate and currency swaps for the purpose of hedging risks such as fluctuations in interest rates, stock prices and foreign exchange rates. In addition, the Group utilizes credit derivatives, weather derivatives and catastrophe derivatives to generate investment returns with consideration given to the associated risks.

For details of derivative transactions to which hedge accounting is applied, please refer to "Significant Accounting Policies, 5. Accounting policies, (8) Hedge accounting".

Derivative transactions involve risks associated with fluctuations in fair value of derivative financial instruments, risks of non-performance resulting from insolvency of counterparties and market liquidity risks. Derivative transactions utilized by the Group are also exposed to these risks. However, market risks associated with derivative transactions utilized for the purpose of hedging are mitigated, as changes in the fair value of hedged items and hedging instruments offset each other. To mitigate credit risks arising from the non-performance of counterparties, most of the Group's derivative transactions are executed only with select counterparties of high credit quality and diversified among various counterparties. Furthermore, under Credit Support Annex ("CSA"), the Group obtains collateral from counterparties.

(iii) Risk management structure related to financial instruments

The Group manages risks in accordance with the basic policy for risk management and internal policies for asset management risks, which stipulate the definition of risks and management method established by the Board of Directors. At major domestic consolidated insurance subsidiaries, the trading department is segregated from the backoffice and risk management departments, and maintains a structure that enables to exercise organizational checks and balances on a daily basis. The risk management department assesses, analyzes and manages risks related to financial instruments by quantifying market and credit risks using the Value-at-Risk ("VaR") method and risk limit management based on asset and liability position, and regularly reports the results to the Board of Directors.

(a) Market risk management

The Group maintains and operates a risk management structure taking into account the characteristics of each financial instrument in accordance with its internal policies for market risk management. In addition to monitoring of risk amount by quantifying risks using the VaR method as described above, major domestic consolidated insurance subsidiaries manage market risks through the assessment of potential risks that cannot be identified using the VaR method, analysis of sensitivity of existing assets to changes in interest rates, stock prices and foreign exchange rates and analysis of concentration and weakness of portfolio.

(b) Credit risk management

The Group maintains and operates a risk management structure in accordance with its internal policies for credit risk management. For securities and derivative transactions at major domestic consolidated insurance subsidiaries, the trading and risk management departments manage credit risks of security issuers and derivative counterparties by regularly monitoring the credit information and fair values associated with the investment assets. For loans at MSI, ADI and MSPL, the trading and risk management departments maintain a credit risk management structure through credit screening, setting internal credit ratings and credit limits, managing credit information, requiring collaterals and guarantees where necessary, and resolving delinquent loans on an individual loan basis.

(c) Liquidity risk management

The Group maintains and operates a funding and market liquidity risk management structure in accordance with internal policies for liquidity risk management. The Group's treasury management classifies funding needs into "ordinary" and "emergency" depending on the urgency level and oversees operation and management for the liquidity in each level, which gives the foremost consideration to the liquidity risk. The treasury management also ensures the diversification of fundraising activities to secure and maintain liquidity in various environments. The Group manages funding liquidity risks by holding a sufficient amount of cash, savings and deposits, and highly liquid securities such as government bonds, and regularly monitoring their aggregate amounts in case of unexpected events like catastrophes and the deterioration of funding liquidity arising from turmoil in the financial markets.

(iv) Supplementary explanation of matters related to the fair value of financial instruments and other information

The fair value of financial instruments is determined based on market prices and, when market prices are not available, based on reasonable estimates. In determining fair value, certain assumptions and methods are used, thus the fair value may differ if alternative assumptions are applied.

(2) Supplementary information on fair value of financial instruments

The following tables summarize the carrying amounts on the consolidated balance sheets and the fair values of financial instruments as of March 31, 2020 and March 31, 2021 together with their differences. The following tables exclude financial instruments in which the fair values are not practically determinable (see Note 2).

		Yen in millions		
March 31, 2020		Carrying amount	Fair value	Difference
(i)	Cash, deposits and savings	1,846,225	1,846,892	666
(ii)	Receivables under resale agreements	407,722	407,722	–
(iii)	Monetary claims bought	160,091	160,091	–
(iv)	Money trusts	1,666,494	1,666,494	–
(v)	Securities:			
	Trading securities	2,889,688	2,889,688	–
	Held-to-maturity securities	1,099,432	1,315,739	216,307
	Debt securities earmarked for underwriting reserves	2,402,920	2,613,059	210,138
	Investments in associates	51,732	29,796	(21,935)
	Available-for-sale securities	8,560,362	8,560,362	–
(vi)	Loans	892,335		
	Bad debt reserve ^{(*)1}	(104)		
		892,231	923,010	30,778
Total assets		19,976,903	20,412,858	435,954
Bonds issued		809,093	802,081	(7,011)
Total liabilities		809,093	802,081	(7,011)
Derivative transactions ^{(*)2} :				
	Hedge accounting not applied	26,945	26,945	–
	Hedge accounting applied	4,592	4,592	–
Total derivative transactions		31,538	31,538	–

(*)1 Bad debt reserve for loans is deducted from the carrying amount.
(*)2 Derivative assets and liabilities included in Other assets and Other liabilities, are presented on a net basis. Debits and credits arising from derivative transactions are netted.

		Yen in millions		
March 31, 2021		Carrying amount	Fair value	Difference
(i)	Cash, deposits and savings	2,057,789	2,058,555	765
(ii)	Receivables under resale agreements	1,999	1,999	–
(iii)	Monetary claims bought	175,740	175,740	–
(iv)	Money trusts	1,717,804	1,717,804	–
(v)	Securities:			
	Trading securities	2,900,644	2,900,644	–
	Held-to-maturity securities	1,218,781	1,400,491	181,710
	Debt securities earmarked for underwriting reserves	2,295,541	2,367,903	72,362
	Investments in associates	78,742	156,628	77,886
	Available-for-sale securities	9,828,797	9,828,797	–
(vi)	Loans	960,174		
	Bad debt reserve ^{(*)1}	(73)		
		960,101	987,893	27,792
Total assets		21,235,942	21,596,460	360,517
Bonds issued		809,093	818,950	9,857
Total liabilities		809,093	818,950	9,857
Derivative transactions ^{(*)2} :				
	Hedge accounting not applied	12,705	12,705	–
	Hedge accounting applied	(25,330)	(25,330)	–
Total derivative transactions		(12,624)	(12,624)	–

(*)1 Bad debt reserve for loans is deducted from the carrying amount.
(*)2 Derivative assets and liabilities included in Other assets and Other liabilities, are presented on a net basis. Debits and credits arising from derivative transactions are netted, and a net debt in total is presented in parentheses.

(Note 1) Determination of fair value of financial instruments

Assets

(i) Cash, deposits and savings

With regard to deposits and savings, the fair value is measured at the present value of the estimated future cash flows discounted at interest rates applicable to the same type of new deposits and savings based on duration. With regard to deposits and savings without fixed maturities and short-term deposits and savings, the book value is deemed as the fair value due to their demand feature or short term duration.

(ii) Receivables under resale agreements

With regard to Receivables under resale agreements, the book value approximates the fair value since they are scheduled to be settled within a short period.

(iii) Monetary claims bought

With regard to commercial papers (“CP”), the price quoted by counterparty financial institutions is deemed as the fair value. With regard to certain CP, the book value approximates the fair value since they are scheduled to be settled within a short period. With regard to Monetary claims bought other than CP, the price quoted by counterparty financial institutions is deemed as the fair value.

(iv) Money trusts

With regard to Money trusts, the price quoted by trustees is deemed as the fair value.

(v) Securities

The fair value of equity securities is determined based on the quoted market price, while the fair value of bonds is determined based on the price quoted by exchanges, independent price venders or counterparty financial institutions.

(vi) Loans

With regard to floating rate loans, the book value approximates the fair value contingent on no significant changes in the credit conditions of the debtor, because the floating rates on the loans reflect market interest rates. With regard to fixed rate loans, for loans sorted by type, term and credit rating, the fair value is based on the present value of the estimated future cash flows discounted at market interest rates, such as yields on government bonds, plus a credit spread. The fair value of certain personal loans is determined at the net present value of the estimated future cash flows discounted at interest rates applicable to the same type of new loans.

With regard to policy loans that do not have contractual maturities, as the loan amount is limited to the surrender value, the carrying amount approximates the fair value, considering their estimated repayment periods and interest rates.

With regard to loans to debtors that are legally or substantially bankrupt and loans to doubtful debtors, the carrying amount less bad debt reserve is deemed as the fair value, because the bad debt reserve is determined based on the present value of the estimated future cash flows or the value of the collateral and the amount collectible through guarantees.

Liabilities

Bonds issued

With regard to Bonds issued, the fair value is determined based on “Reference Statistical Prices for OTC Bond Transactions” published by the Japan Securities Dealers Association or prices quoted by counterparty financial institutions.

Derivative transactions

With regard to derivative transactions, the fair value is determined based on published forward exchange rates, closing prices at major exchanges, prices quoted by counterparty financial institutions, etc.

(Note 2) The carrying amounts of financial instruments in which the fair values are not practically determinable, which are not included in “(v) Securities” above, are as follows:

	Yen in millions	
	March 31, 2020	March 31, 2021
Unlisted stocks and other assets invested in unconsolidated subsidiaries and associates	288,728	205,970
Other unlisted stocks	90,625	91,576
Unlisted investment trusts	72,750	88,791
Unlisted convertible bonds	—	39,608
Partnership investments comprising unlisted stocks	38,338	45,130
Total	490,442	471,077
The fair value of the financial instruments in the above table is not disclosed because their fair value is not practically determinable due to lack of marketability and difficulties in reasonably estimating future cash flows.		

(Note 3) Maturity analysis of monetary assets and securities with fixed maturities

March 31, 2020	Yen in millions			
	Within 1 year	Over 1 to 5 years	Over 5 to 10 years	Over 10 years
Cash, deposits and savings	1,814,338	22,942	—	700
Receivables under resale agreements	407,722	—	—	—
Monetary claims bought	142,299	—	1,350	15,958
Securities:				
Held-to-maturity securities:				
Government bonds	—	28,100	121,400	805,300
Corporate bonds	2,300	23,502	9,600	81,300
Foreign securities	—	1,145	750	2,093
Debt securities earmarked for underwriting reserves:				
Government bonds	—	—	—	862,500
Municipal bonds	—	400	—	6,600
Corporate bonds	400	9,421	1,750	110,100
Foreign securities	6,182	493,344	792,960	74,099
Available-for-sale securities with fixed maturities:				
Government bonds	91,590	480,290	316,490	891,214
Municipal bonds	12,443	45,878	117,962	101,541
Corporate bonds	168,308	719,422	328,660	107,144
Foreign securities	134,510	738,015	663,334	242,649
Loans ^(*)	102,182	353,035	264,950	100,410
Total	2,882,278	2,915,498	2,619,209	3,401,612

(*) The amounts in the above table do not include ¥297 million of loans in which repayments cannot be expected since the debtors are legally bankrupt, substantially bankrupt or likely to go bankrupt, and ¥71,721 million of loans without fixed maturities.

March 31, 2021	Yen in millions			
	Within 1 year	Over 1 to 5 years	Over 5 to 10 years	Over 10 years
Cash, deposits and savings	2,026,524	28,335	—	850
Receivables under resale agreements	1,999	—	—	—
Monetary claims bought	159,509	—	1,287	14,121
Securities:				
Held-to-maturity securities:				
Government bonds	—	59,400	109,600	900,200
Corporate bonds	—	23,502	9,600	81,300
Foreign securities	—	1,073	703	1,961
Debt securities earmarked for underwriting reserves:				
Government bonds	—	—	—	1,308,000
Municipal bonds	400	—	—	6,200
Corporate bonds	3,900	4,200	5,250	102,900
Foreign securities	10,026	398,953	363,368	62,280
Available-for-sale securities with fixed maturities:				
Government bonds	56,750	463,220	283,750	940,584
Municipal bonds	7,388	50,945	106,907	84,648
Corporate bonds	138,328	659,319	340,765	137,973
Foreign securities	145,823	869,584	848,274	298,601
Loans ^(*)	101,379	509,835	185,220	97,674
Total	2,652,030	3,068,368	2,254,726	4,037,294

(*) The amounts in the above table do not include ¥202 million of loans in which repayments cannot be expected since the debtors are legally bankrupt, substantially bankrupt or likely to go bankrupt, and ¥66,054 million of loans without fixed maturities.

(Note 4) Maturity analysis of bonds issued

March 31, 2020	Yen in millions					
	Within 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Over 5 years
Bonds issued ^(*)	—	—	22,000	—	100,000	586,191
Total	—	—	22,000	—	100,000	586,191

March 31, 2021	Yen in millions					
	Within 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Over 5 years
Bonds issued ^(*)	—	22,000	—	100,000	—	586,191
Total	—	22,000	—	100,000	—	586,191

(*) The amounts in the above table do not include ¥100,902 million of bond issued without fixed maturities.

11. Certain consolidated subsidiaries own investment properties in Tokyo and other areas. The carrying amounts and fair value of the investment properties are as follows:

	Yen in millions	
	March 31, 2020	March 31, 2021
Carrying amount	74,981	77,113
Fair value	138,674	141,853

Notes:
1. Carrying amount represents the acquisition cost less accumulated depreciation.
2. Fair value is primarily determined based on the appraisal values provided by qualified external appraisers. With respect to the properties with no substantial changes in their appraisal values or indices that were considered to appropriately reflect market prices since most recent appraisal dates, the fair value is determined based on these appraisal values or the values adjusted by the relevant indices.

12. Business combination

For the year ended March 31, 2020

- (1) Transaction under common control
(Transfer of third sector long-term contracts)

Based on the Agreement on Reorganization by Function concluded on September 27, 2013 between the Company and its consolidated subsidiaries, Mitsui Sumitomo Insurance Company, Limited ("MSI"), Aioi Nissay Dowa Insurance Company, Limited ("ADI") and Mitsui Sumitomo Aioi Life Insurance Company, Limited ("MSAL"), MSI and MSAL as well as ADI and MSAL concluded the Absorption-type Company Split Agreement on June 28, 2018 and completed the Simple Absorption-type Company Split on April 1, 2019. The purpose of the agreement is to transfer the long-term contracts of the third sector insurance market held by MSI and ADI to MSAL.

- (i) Overview of the transaction
- (a) Name and description of the subject business
- Business related to the long-term contracts of the third sector insurance market held by MSI and ADI
- (b) Date of business combination
- April 1, 2019
- (c) Legal form of business combination
- Simple absorption-type company split where MSI and ADI are designated as the splitting companies and MSAL as the successor company
- (d) Acquiring company name after the business combination
- Mitsui Sumitomo Aioi Life Insurance Company, Limited
- (e) Other items regarding overview of the transaction
- By centralizing the product supply function in MSAL, the Group aims to realize efficient operations through further improvement of level of customer support and concentration of management resources, demonstrate the Group's comprehensive strength, and enhance customer satisfaction, its ability to grow and generate profits.
- (ii) Overview of the accounting treatment applied
- The Company applied "Accounting Standard for Business Combination" (ASBJ Statement No. 21, January 16, 2019) and "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10, January 16, 2019) for the treatment of transaction under common control.

- (2) Business combination through acquisition

Mitsui Sumitomo Insurance Company, Limited ("MSI"), a consolidated subsidiary of the Company, acquired additional shares of PT. Asuransi Jiwa Sinarmas MSIG Tbk ("Sinarmas"), an equity method affiliate of the Company. As a result of this transaction, Sinarmas became a consolidated subsidiary.

- (i) Overview of the transaction
- (a) Name and description of business of the acquired company
- Name: PT. Asuransi Jiwa Sinarmas MSIG Tbk
Description of business: Life insurance business
- (b) Main reasons for business combination
- Indonesia's life insurance market is expected to grow further in the future therefore the Company acknowledges Sinarmas as a strategic business base and intends to expand its business in cooperation with the Sinarmas Group, a strategic partner as well as a shareholder of Sinarmas.
- (c) Date of business combination
- July 8, 2019 (deemed acquisition date: July 1, 2019)

- (d) Legal form of business combination

Acquisition of shares

- (e) Company name after the business combination

PT. Asuransi Jiwa Sinarmas MSIG Tbk

- (f) Ratio of acquired voting rights

Ratio of voting rights owned by MSI immediately before the acquisition: 50%
Ratio of voting rights acquired additionally by MSI on the date of business combination: 30%
Ratio of voting rights after the acquisition: 80%

- (g) Grounds for deciding on the acquiring company

As a result of the acquisition of additional shares, MSI has gained substantial control of the acquired company.

- (ii) Period of the acquired company's financial result included in the consolidated financial statements of the Company

The fiscal year end of the acquired company is December 31, which is different from that of the Company. The Company uses the financial statements as of the acquired company's latest fiscal year end for consolidation purposes since the intervening period does not exceed three months from its fiscal year end. Financial results from January 1, 2019 to June 30, 2019 were recorded as gains on equity method investments.

- (iii) Acquisition cost and consideration of the acquired company

Fair value on the date of business combination of shares held by MSI immediately before the business combination	6.3 trillion rupiah
Consideration (Cash) for shares additionally acquired by MSI	3.8 trillion rupiah
Acquisition cost	10.1 trillion rupiah

- (iv) Difference between acquisition cost and aggregate acquisition cost of transactions

Gains on step acquisitions ¥6,587 million

- (v) Amount of goodwill, reason for recognizing goodwill, amortization method and the period

- (a) Amount of goodwill

3.2 trillion rupiah

- (b) Reason for recognizing goodwill

The amount of investments under the Share Acquisition Agreement exceeded the net amount of assets acquired and liabilities assumed.

- (c) Amortization method and the period

Amortized on a straight-line basis over 15 years

- (vi) Amount of assets acquired and liabilities assumed, together with major components, on the date of the business combination

	unit:trillion rupiah
Total assets	17.3
(Securities	11.8)
(Intangible fixed assets	2.1)
Total liabilities	8.7
(Policy liabilities	7.2)

- (vii)

Approximate impact on the consolidated statements of income and its calculation method, assuming that the business combination had been completed on the commencement date of the year
- (Yen in millions)
- Life insurance premiums

2,922
- Ordinary profit

210
- Net income attributable to owners of the parent

(104)
- (Calculation method for approximate impact)

These amounts of approximate impact on the Company's consolidated statements of income represent the difference between the life insurance premiums, ordinary profit and net income attributable to owners of the parent calculated assuming that the business combination had been completed on the commencement date of the year, and their corresponding amounts in the consolidated statements of income of the acquired company. The amortization of intangible fixed assets including goodwill is calculated assuming that intangible fixed assets were recognized at the time on the commencement date of the year. These notes have not been audited.
- (3)

Transaction under common control
- (Reorganization of international business)

On January 1, 2020, Mitsui Sumitomo Insurance Company, Limited ("MSI"), a consolidated subsidiary of the Company, reorganized its international business ("international business reorganization") and transformed to a structure whereby international subsidiaries are placed under MSI's direct management, along with the termination of the regional holding company framework.
- (i)

Overview of international business reorganization
- MSI designates 15 overseas subsidiaries as directly owned subsidiaries by acquiring subsidiaries' shares held by the regional holding companies through in-kind dividends. MSI completed the acquisition of shares of 9 companies for the year ended March 31, 2020 and plans to acquire shares of remaining 6 companies in the following years, subject to approval by relevant authorities.

Major subsidiaries for which MSI completed the acquisition are as follows:

Name of company acquired	Description of business	Date of acquisition
MS Amlin Corporate Member Limited	Non-life insurance business	January 1, 2020
MS Amlin AG	Non-life insurance business	January 1, 2020
MS Amlin Insurance SE	Non-life insurance business	January 1, 2020
MSIG Insurance (Singapore) Pte. Ltd.	Non-life insurance business	February 28, 2020
- (ii)

Purpose of international business reorganization
- The purpose of the reorganization is to establish a system to further utilize skills and networks each group company has across regions and to accelerate decision-making speed for speedy business operations so that the Company can build future growth base and robust governance system as called for in the Medium-term Business Plan "Vision 2021" in light of environmental changes and challenges surrounding the international business.
- (iii)

Overview of the accounting treatment applied
- The Company applied "Accounting Standard for Business Combination" (ASBJ Statement No. 21, January 16, 2019) and "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10, January 16, 2019) for the treatment of transaction under common control.

NOTES TO CONSOLIDATED STATEMENTS OF INCOME

1. The presentation of Life insurance premiums

Life insurance premiums are presented at an amount of insurance premiums revenue less cash surrender value or withdrawals (hereinafter referred to as "surrender benefits") and ceding reinsurance premiums paid.
For the year ended March 31, 2021, the total of surrender benefits and ceding reinsurance premiums paid exceeded insurance premiums revenue and this account was presented in a negative amount.

2. The amounts of gains/(losses) on derivative transactions to reduce the currency risks of foreign currency reinsurance transactions, included in other underwriting income/(expenses), are as follows:

Yen in millions		
	For the year ended March 31, 2020	For the year ended March 31, 2021
	(56)	800

3. The amounts of foreign exchange gains/(losses) included in other investment income/(expenses) are as follows:

Yen in millions		
	For the year ended March 31, 2020	For the year ended March 31, 2021
	(320,697)	395,788

4. Major components of business expenses are as follows:

Yen in millions		
	For the year ended March 31, 2020	For the year ended March 31, 2021
Commission expenses	699,841	697,860
Salaries	306,163	302,091

Note: Business expenses represent the aggregate amount of Loss adjustment expenses, Operating expenses and general and administrative expenses, and Commissions and collection expenses presented in the consolidated statements of income.

5. Losses on equity method investments

For the year ended March 31, 2020

Losses on equity method investments includes ¥36,629 million of accelerated amortization of goodwill associated with Challenger Limited which was recorded in accordance with the provisions set forth in Paragraph 9 of "Practical Guidelines on Accounting Standards for Equity Method" (JICPA Accounting Practice Committee Statement No. 9) and Paragraph 32 of "Practical Guidelines on Accounting Standards for Capital Consolidation Procedures in Preparing Consolidated Financial Statements" (JICPA Accounting Practice Committee Statement No. 7).

13. The amounts of net assets per share are as follows:

	March 31, 2020	March 31, 2021
Net assets per share (in ¥)	4,308.37	5,525.42
Stock acquisition rights deducted from net assets (in ¥ million)	1,206	1,019
Non-controlling interests deducted from net assets (in ¥ million)	41,161	41,288
Outstanding common shares (in thousands)	569,047	558,210

6. Impairment losses recognized on fixed assets are as follows:

For the year ended March 31, 2020

Use	Category	Description	Yen in millions	
			Impairment losses on fixed assets	
			Breakdown	
Investment properties	Buildings	2 properties, including a building for rent in Ibaraki	0	Buildings 0
Idle real estate and real estate for sale and others	Land and buildings	16 properties, including an office building in Kagawa	598	Land 66 Buildings 531
Others	Software	Software related to the insurance business held by overseas consolidated subsidiaries	1,059	Software 1,059
—	Goodwill, other intangible fixed assets, etc.	Lloyd’s business conducted by MS Amlin plc through the affiliated company	159,233	Buildings 1,249
				Lease assets 2,273
				Other tangible fixed assets 2,593
				Software 8,096
				Goodwill 75,320
				Other intangible fixed assets 69,699
—	Goodwill, other intangible fixed assets, etc.	European direct insurance business conducted by MS Amlin plc through the affiliated company	12,720	Other tangible fixed assets 136
				Software 862
				Goodwill 2,202
				Other intangible fixed assets 9,517

Fixed assets used for the insurance business operations are grouped as a single asset group by each insurance company. Other assets such as investment properties, idle real estate and assets for sale are grouped on an individual basis.

As the investment properties, idle real estate and assets for sale in the above table were to be disposed in the near future or their demolition has been determined, the carrying amounts of the assets were reduced to recoverable amounts, and the aggregate difference between them was recognized as impairment losses on fixed assets under Extraordinary losses.

The recoverable amounts of assets to be disposed represent their net sales value or value in use. The net sales value is determined based on the appraisal value provided by qualified appraisers or the assessment of inheritance tax using roadside land prices while value in use is determined as zero.

For software related to the insurance business held by overseas consolidated subsidiaries, impairment loss is recognized for the portion where the effects of decrease in expense in future are no longer assured due to the revision of software development plans and other reasons.

Non-life insurance business conducted by MS Amlin plc through affiliated companies had been treated as one asset group, however along with the elimination of regional holding company and the transformation to a structure under MSI's direct management, the Lloyd’s business, the European direct insurance business, and the reinsurance business were treated as individual asset groups.

As the Lloyd's business and the European direct insurance business were less profitable than expected when acquired, carrying amounts of goodwill and other intangible fixed assets were reduced to their recoverable amounts and the reduced amounts were recognized as impairment losses on fixed assets under Extraordinary losses. The recoverable amounts were measured at net sales value for buildings and lease assets, and measured at value in use of zero for other assets. The net asset value was determined based on the appraisal value provided by qualified appraisers.

MS Amlin plc changed its trade name to MS Amlin Limited as at December 3, 2019.

For the year ended March 31, 2021

Use	Category	Description	Yen in millions	
			Impairment losses on fixed assets	
			Breakdown	
Investment properties	Buildings	3 properties, including a building for rent in Ibaraki	121	Buildings 121
Idle real estate and real estate for sale and others	Land and buildings	14 properties, including a training center in Kanagawa	1,828	Land 1,263 Buildings 565

Fixed assets used for the insurance business operations are grouped as a single asset group by each insurance company. Other assets such as investment properties, idle real estate and assets for sale are grouped on an individual basis.

Due to the disposal in the near future and other reasons, the carrying amounts of the assets in the above table were reduced to recoverable amounts, and the aggregate difference between them was recognized as impairment losses on fixed assets under Extraordinary losses.

The recoverable amounts of assets to be disposed represent their net sales value, which are determined based on the appraisal value provided by qualified appraisers.

7. Details of Other extraordinary income are as follows:

For the year ended March 31, 2020

Other extraordinary income represents reversal of reserve for reorganization by function.

8. Details of Other extraordinary losses are as follows:

For the year ended March 31, 2020

Other extraordinary losses represent expenses related to reorganization of international business.

For the year ended March 31, 2021

Other extraordinary losses represent expenses related to additional retirement benefits due to the personnel reduction at overseas consolidated subsidiaries.

9. Total Income taxes

For the year ended March 31, 2020

MSI has decided to dispose of shares in MS Amlin plc after acquiring subsidiaries' shares held by MS Amlin plc and MSIG Holdings(Asia) Pte. Ltd. through in-kind dividends, and a part of the acquisitions has been completed.

As a result, income taxes decreased by ¥166,737 million due to the decrease in taxable income and recognition of deferred tax assets for deductible temporary differences arising on investments in subsidiaries.

10. The amounts of net income/(loss) attributable to owners of the parent per share are as follows:

	For the year ended March 31, 2020	For the year ended March 31, 2021
Basic net income/(loss) attributable to owners of the parent per share (in ¥)	248.36	255.79
Diluted net income/(loss) attributable to owners of the parent per share (in ¥)	248.22	255.65

Note: The basis of calculation is as follows:

	For the year ended March 31, 2020	For the year ended March 31, 2021
Net income/(loss) attributable to owners of the parent (in ¥ million)	143,030	144,398
Average outstanding common stock during the year (in thousands of shares)	575,887	564,504
Increase in number of common stock used for calculation of diluted net income/(loss) attributable to owners of the parent (in thousands of shares)	313	313

NOTES TO CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

1. Reclassification adjustments and income tax effects of other comprehensive income/(loss)

	Yen in millions	
	2020	2021
Net unrealized gains/(losses) on securities:		
Gains/(losses) arising during the period	(358,657)	986,229
Reclassification adjustments	(63,100)	(97,555)
Before income tax effect adjustments	(421,757)	888,674
Income tax effects	122,815	(246,828)
Net unrealized gains/(losses) on securities	(298,942)	641,845
Net deferred gains/(losses) on hedges:		
Gains/(losses) arising during the period	18,271	(12,354)
Reclassification adjustments	(9,688)	(10,238)
Before income tax effect adjustments	8,582	(22,593)
Income tax effects	(2,481)	6,408
Net deferred gains/(losses) on hedges	6,101	(16,184)
Foreign currency translation adjustments:		
Gains/(losses) arising during the period	3,001	(47,613)
Actuarial gains/(losses) on retirement benefits:		
Gains/(losses) arising during the period	(17,792)	17,684
Reclassification adjustments	(1,389)	910
Before income tax effect adjustments	(19,182)	18,594
Income tax effects	5,444	(5,374)
Actuarial gains/(losses) on retirement benefits	(13,737)	13,220
Share of other comprehensive income/(loss) of equity method investments:		
Gains/(losses) arising during the period	(3,530)	17,118
Reclassification adjustments	4,252	(2,119)
Share of other comprehensive income/(loss) of equity method investments	721	14,998
Total other comprehensive income/(loss)	(302,855)	606,267

NOTES TO CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

For the year ended March 31, 2020

1. Type and number of issued stock and treasury stock

	in thousands of shares			
	Beginning balance	Increase	Decrease	Ending balance
Issued stock:				
Common stock	593,291	–	–	593,291
Total	593,291	–	–	593,291
Treasury stock:				
Common stock	9,580	14,701	37	24,244
Total	9,580	14,701	37	24,244

Notes:
1. The increase in the number of treasury common stock during the year was 14,701 thousand shares, as a result of open market repurchases of 14,688 thousand shares and repurchases of 13 thousand fractional shares.
2. The decrease in the number of treasury common stock during the year was 37 thousand shares, which is due to exercise of stock acquisition rights of 36 thousand shares and sales of 0 thousand fractional shares.

2. Stock acquisition rights

Category	Breakdown	Yen in millions
		Ending balance
Filer	Stock acquisition rights as stock options	1,206
Total		1,206

3. Dividends

(1) Dividends paid

Resolution	Type of shares	Aggregate amount of dividends (Yen in millions)	Dividends per share (in Yen)	Date of record	Effective date
General shareholders' meeting held on June 24, 2019	Common stock	40,859	70	March 31, 2019	June 25, 2019
Board meeting held on November 19, 2019	Common stock	43,092	75	September 30, 2019	December 4, 2019

Note: Date of record is the date to determine shareholders who are entitled to receive dividends.

(2) Dividends declared effective after March 31, 2020 for which the date of record is in the year ended March 31, 2020

Resolution	Type of shares	Aggregate amount of dividends (Yen in millions)	Source of dividends	Dividends per share (in Yen)	Date of record	Effective date
General shareholders' meeting held on June 25, 2020	Common stock	42,678	Retained earnings	75	March 31, 2020	June 26, 2020

Note: Date of record is the date to determine shareholders who are entitled to receive dividends.

For the year ended March 31, 2021

1. Type and number of issued stock and treasury stock

	in thousands of shares			
	Beginning balance	Increase	Decrease	Ending balance
Issued stock:				
Common stock	593,291	181	—	593,473
Total	593,291	181	—	593,473
Treasury stock:				
Common stock	24,244	11,076	58	35,263
Total	24,244	11,076	58	35,263

Notes:
1. The increase in the total number of common stock issued and outstanding during the year was 181 thousand shares, as a result of the issuance of stocks with restrictions on transfer.
2. The increase in the number of treasury common stock during the year was 11,076 thousand shares, as a result of open market repurchases of 11,064 thousand shares and repurchases of 12 thousand fractional shares.
3. The decrease in the number of treasury common stock during the year was 58 thousand shares, which is due to exercise of stock acquisition rights of 57 thousand shares and sales of 0 thousand fractional shares.

2. Stock acquisition rights

Category	Breakdown	Yen in millions
		Ending balance
Filer	Stock acquisition rights as stock options	1,019
Total		1,019

3. Dividends

(1) Dividends paid

Resolution	Type of shares	Aggregate amount of dividends (Yen in millions)	Dividends per share (in Yen)	Date of record	Effective date
General shareholders' meeting held on June 25, 2020	Common stock	42,678	75	March 31, 2020	June 26, 2020
Board meeting held on November 19, 2020	Common stock	42,338	75	September 30, 2020	December 7, 2020

Note: Date of record is the date to determine shareholders who are entitled to receive dividends.

(2) Dividends declared effective after March 31, 2021 for which the date of record is in the year ended March 31, 2021

Resolution	Type of shares	Aggregate amount of dividends (Yen in millions)	Source of dividends	Dividends per share (in Yen)	Date of record	Effective date
General shareholders' meeting to be held on June 28, 2021	Common stock	44,656	Retained earnings	80	March 31, 2021	June 29, 2021

Note: Date of record is the date to determine shareholders who are entitled to receive dividends.

NOTES TO CONSOLIDATED STATEMENTS OF CASH FLOWS

1. Reconciliation of balance sheet items to cash and cash equivalents

	Yen in millions	
	2020	2021
Cash, deposits and savings	1,846,225	2,057,789
Receivables under resale agreements	407,722	1,999
Monetary claims bought	160,091	175,740
Securities	15,494,580	16,793,584
Time deposits exceeding three months and deposits pledged as collateral	(202,120)	(206,668)
Monetary claims bought other than cash equivalents	(52,132)	(68,790)
Securities other than cash equivalents	(15,455,687)	(16,759,220)
Cash and cash equivalents	2,198,680	1,994,434

2. Major components of assets and liabilities of newly consolidated subsidiaries due to acquisition of shares

For the year ended March 31, 2020

Mitsui Sumitomo Insurance Company, Limited, a consolidated subsidiary of the Company, acquired additional shares of PT. Asuransi Jiwa Sinarmas MSIG Tbk (“Sinarmas”), an equity method affiliate of the Company. As a result of this transaction, Sinarmas became a consolidated subsidiary of the Company. The following summarizes the recognized amount of assets acquired and liabilities assumed, and the relationship between the acquisition cost of shares and the expenditure for the acquisition (net) at the acquisition date:

	Yen in millions
Securities	91,036
Intangible fixed assets	16,623
Other assets	25,657
	133,316
Goodwill	25,370
Policy liabilities	(55,916)
Other liabilities	(11,285)
Total liabilities	(67,201)
Foreign currency translation adjustments	(962)
Non-controlling interests	(13,222)
Investments accounted for using the equity method prior to the acquisition of shares	(41,725)
Gains on step acquisitions	(6,587)
Acquisition cost of Sinarmas' shares	28,987
Less: Cash and cash equivalents held at Sinarmas	19,272
Net consideration paid for acquisition of Sinarmas	9,715

3. Cash flows from investing activities include those from investments made as part of the insurance business.

Independent Auditor's Report



Independent Auditor's Report

To the Board of Directors of MS&AD Insurance Group Holdings, Inc.:

Opinion

We have audited the accompanying consolidated financial statements of MS&AD Insurance Group Holdings, Inc. and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheets as of March 31, 2020 and 2021, the consolidated statements of income, comprehensive income, changes in net assets and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2020 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Reasonableness of the estimate of outstanding claims related to non-life insurance contracts

The key audit matter	How the matter was addressed in our audit
In the consolidated balance sheet of the Group as of March 31, 2021, outstanding claims of ¥2,256,900 million were recognized. Of this amount, a substantial portion was attributable to the non-life insurance contracts under the domestic non-life insurance business operated by its consolidated subsidiaries, Mitsui Sumitomo Insurance Company, Limited (hereinafter, "MSI") and Aioi Nissay Dowa Insurance Company, Limited (hereinafter, "ADI"), under the Lloyd's business operated by MS Amlin Underwriting Limited (hereinafter, "AUL"), and under the reinsurance business operated by MS Amlin AG (hereinafter, "AAG").	The primary procedures we performed to assess the reasonableness of the Group's estimate of the outstanding claims related to non-life insurance contracts are set forth below. We requested the component auditors of AUL and AAG to perform audit procedures for the outstanding claims of AUL and AAG and we evaluated the results of those procedures reported.
As described in Note 7, "Accounting estimates (2) Outstanding claims," to the consolidated financial statements, outstanding claims represent the estimated amount of unpaid claims for losses that have incurred or are deemed to have incurred under insurance contracts. The Group recognizes outstanding claims for expected payments arising from reported losses as well as losses	<p>(1) Internal control assessment</p> We assessed the design and operating effectiveness of certain of the Group's internal controls relevant to recognizing the outstanding claims at MSI, ADI, AUL and AAG. In this assessment, we focused our testing on controls to assess the reasonableness of the selection of estimation methods and the calibration of data used for the estimate. <p>(2) Assessment of the reasonableness of the estimated ultimate losses</p> The primary procedures we performed with the assistance of actuarial specialists within our firm and network firms to assess the reasonableness of the estimated ultimate losses

that are deemed to have incurred but not reported as of the end of each reporting period, based on its estimate of ultimate losses.

The result of the estimate is dependent upon the selection of actuarial estimation methods and data used for estimate. In selecting the estimation methods, the risk characteristics of insurance contracts, including the frequency of loss events and the length of time from the occurrence of an event to its settlement, are required to be considered. In addition, the historical data used for the estimate needs to be calibrated as appropriate in consideration of environmental changes that could affect future insurance claim payments and losses larger in scale than those normally expected, among others. Therefore, the selection of estimation methods, as well as the consideration of whether calibration of the historical data used were necessary, and the selection of methods to apply calibrations all required a high degree of professional judgement by management.

Furthermore, uncertainty over the estimate of outstanding claims has been increasing, as natural disasters have become more severe and frequent both within and outside Japan in recent years, and as payment obligations have been growing overseas for certain business interruption claims due to the spread of COVID-19.

We, therefore, determined that our assessment of the reasonableness of the estimate of outstanding claims related to non-life insurance contracts was of most significance in our audit of the consolidated financial statements of the current period, and accordingly, a key audit matter.

In the consolidated balance sheet of the Group as of March 31,2021, goodwill of ¥122,617 million was recognized. In addition, the amount representing goodwill related to equity-method affiliates of ¥43,303 million was included in securities.

As described in Note 7, "Accounting estimates (1) Impairment losses on goodwill," to the consolidated financial statements, a test needs to be performed to determine whether an impairment loss should be recognized whenever there is an indication that goodwill may be impaired.

The Group determines whether there is any indication

included the following:

- We assessed the reasonableness of the actuarial estimation methods selected by management by inspecting relevant materials documenting the basis for selecting those methods, examining consistency with the risk characteristics of insurance contracts, comparing the methods with established actuarial practice, comparing the estimates in the prior years with actual results, and performing a trend analysis on the historical results.
- We assessed the reasonableness of management's judgment as to whether the data should be calibrated, as well as the selection of methods to apply calibrations, by inquiring of management about reasons for calibrating data used for the estimate, and examining the consistency with available information, including external information.
- For MSI, ADI, AUL, and AAG, in particular, we assessed the reasonableness of the estimated ultimate losses from natural disasters, which they have underwritten, considering the nature and scale of disasters, the historical experiences up to the time of estimate, as well as a trend of actual claims from similar natural disasters occurred in the previous years.
- For AUL and AAG, in particular, we assessed the reasonableness of the estimated ultimate losses due to COVID-19 considering the historical experiences up to the time of estimate, insurance contract terms and conditions, and legal judgments on their responsibility for claim payments. The primary procedures we performed to assess the appropriateness of management's judgment as to whether there was an indication that goodwill may be impaired included the following:

(1) Internal control assessment

We assessed the design and operating effectiveness of certain of the Group's internal controls relevant to the process of determining whether there is an indication that goodwill may be impaired. In this assessment, we focused our testing on controls to prevent and/or detect determinations on whether there is any impairment indicator, which are not made on reasonable grounds.

(2) Assessment of the appropriateness of the judgment concerning the identification of an impairment indicator

The primary procedures we performed to assess the appropriateness of management's judgment concerning

of impairment by comprehensively considering, among others, whether the businesses, to which goodwill has been allocated, have reported a net loss for two consecutive years and/or their business environments have significantly deteriorated. Especially when a business incurred a loss or underperformed compared to the business plan used as the basis for its valuation at the time of acquisition, significant management judgment is involved in determining whether such a decline in performance or failure to achieve that business plan is considered a significant deterioration of its business environment.

We, therefore, determined that our assessment of the appropriateness of management's judgment as to whether there was an indication that goodwill may be impaired was of most significance in our audit of the consolidated financial statements of the current period, and accordingly, a key audit matter.

Responsibilities of Management and Corporate Auditors and the Board of Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit

the identification of an impairment indicator, particularly with respect to the judgment as to whether the business environment of the business, to which goodwill has been allocated, has deteriorated, included the following:

- We inspected the materials of management meetings and inquired of management to understand the business environment for each business, and assessed the appropriateness of management's judgment as to whether there was any business whose results have deteriorated or failed to achieve its business plan; and
- For businesses with a significant amount of goodwill, if they underperformed compared to the business plans used as the basis for their valuation at the time of acquisition, we analyzed the causes of variances, and assessed the appropriateness of management's judgment as to whether the failure to achieve those business plans was considered a significant deterioration of their business environment.

evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with corporate auditors and the board of corporate auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2021 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Significant Accounting Policies in the notes to the consolidated financial statements.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Hiroyuki Yamada
Designated Engagement Partner
Certified Public Accountant

Ikuo Hirakuri
Designated Engagement Partner
Certified Public Accountant

Fumito Hirose
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Tokyo Office, Japan
June 28, 2021

Summary of Business Results of Main Consolidated Subsidiaries

MITSUI SUMITOMO INSURANCE CO., LTD. (NON-CONSOLIDATED)
Non-Consolidated Balance Sheets

Items	Yen in millions	
	March 31, 2020	March 31, 2021
(Assets)		
Cash, deposits and savings:	¥ 489,791	¥ 477,788
Cash on hand	31	16
Deposits in banks	489,760	477,772
Receivables under resale agreements	–	1,999
Monetary claims bought	8,217	5,927
Money trusts	2,961	4,787
Investments in securities:	4,925,543	5,494,362
Government bonds	874,430	843,657
Municipal bonds	92,416	86,404
Corporate bonds	567,429	577,741
Domestic stocks	1,433,930	1,893,640
Foreign securities	1,894,855	2,014,773
Other securities	62,481	78,144
Loans:	400,609	423,367
Policy loans	6,000	5,065
General loans	394,609	418,302
Tangible fixed assets:	209,951	210,553
Land	77,417	76,725
Buildings	112,617	110,321
Construction in progress	2,208	5,633
Other tangible fixed assets	17,707	17,872
Intangible fixed assets:	98,478	103,162
Software	49,756	57,219
Other intangible fixed assets	48,722	45,943
Other assets:	419,666	363,016
Premiums receivable	7,604	5,729
Due from agencies	125,333	122,016
Co-insurance accounts receivable	9,435	8,912
Reinsurance accounts receivable	63,139	58,195
Foreign reinsurance accounts receivable	92,577	64,980
Agency business accounts receivable	805	759
Other receivables	56,711	37,081
Accrued income	4,917	5,051
Guarantee deposits	10,597	10,757
Deposits with the Japan Earthquake Reinsurance Company	4,365	4,525
Suspense payments	39,716	38,760
Initial margins for future transactions	711	905
Derivative financial instruments	2,241	1,647
Cash collateral pledged under derivative transactions	941	3,224
Other assets	565	469
Deferred tax assets	111,516	–
Customers' liabilities under acceptances and guarantees	25,987	19,864
Bad debt reserve	(6,635)	(6,714)
Total assets	¥6,686,089	¥7,098,116

Items	Yen in millions	
	March 31, 2020	March 31, 2021
(Liabilities)		
Policy liabilities:	¥3,715,273	¥3,732,644
Outstanding claims	629,241	668,752
Underwriting reserves	3,086,032	3,063,891
Bonds issued	587,093	587,093
Other liabilities:	566,927	618,743
Co-insurance accounts payable	12,977	11,689
Reinsurance accounts payable	62,131	55,713
Foreign reinsurance accounts payable	35,347	35,598
Agency business accounts payable	630	571
Payables under securities lending transactions	61,603	139,551
Borrowings	198,381	198,381
Income taxes payable	3,744	3,873
Deposits received	60,177	58,320
Unearned income	24	21
Other payables	45,225	34,981
Suspense receipts	21,088	21,617
Derivative financial instruments	2,770	9,850
Cash collateral received under derivative transactions	56,402	43,319
Lease obligations	1,297	1,213
Asset retirement obligations	3,913	3,946
Other liabilities	1,212	95
Reserve for pension and retirement benefits	120,827	113,202
Reserve for retirement benefits for officers	316	234
Accrued bonuses for employees	10,633	10,359
Reserves under the special laws:	19,007	23,138
Reserve for price fluctuation	19,007	23,138
Deferred tax liabilities	–	67,609
Acceptances and guarantees	25,987	19,864
Total liabilities	5,046,067	5,172,889
(Net assets)		
Common stock	139,595	139,595
Capital surplus:	93,107	93,107
Additional paid-in capital	93,107	93,107
Retained earnings:	698,675	618,376
Legal earned reserve	46,487	46,487
Other retained earnings:	652,187	571,889
Tax-exempted reserve for accelerated depreciation	15,561	15,126
Retained earnings brought forward	636,626	556,762
Total shareholders' equity	931,378	851,080
Net unrealized gains/(losses) on investments in securities	683,030	1,052,131
Net deferred gains/(losses) on hedges	25,613	22,014
Total valuation and translation adjustments	708,643	1,074,146
Total net assets	1,640,022	1,925,226
Total liabilities and net assets	¥6,686,089	¥7,098,116

MITSUI SUMITOMO INSURANCE CO., LTD. (NON-CONSOLIDATED)
 Non-Consolidated Statements of Income

Items	Yen in millions	
	Year ended March 31, 2020	Year ended March 31, 2021
Ordinary income:	¥1,784,456	¥1,802,134
Underwriting income:	1,644,049	1,664,693
Net premiums written	1,547,930	1,559,567
Deposit premiums from policyholders	52,386	52,851
Investment income on deposit premiums from policyholders	30,105	28,033
Reversal of outstanding claims	13,585	–
Reversal of underwriting reserves	–	23,260
Foreign exchange gains	–	744
Other underwriting income	42	236
Investment income:	135,749	132,644
Interest and dividends income	101,912	98,834
Investment gains on money trusts	–	1,839
Gains on sales of securities	58,254	51,115
Gains on redemption of securities	862	404
Gains on derivative transactions	3,419	1,653
Foreign exchange gains	–	6,685
Other investment income	1,405	144
Transfer of investment income on deposit premiums from policyholders	(30,105)	(28,033)
Other ordinary income	4,657	4,797
Ordinary expenses:	1,695,343	1,670,530
Underwriting expenses:	1,419,697	1,420,935
Net claims paid	888,652	835,374
Loss adjustment expenses	90,679	96,995
Commissions and collection expenses	278,348	291,995
Maturity refunds to policyholders	157,089	160,980
Dividends to policyholders	84	61
Provision for outstanding claims	–	33,744
Provision for underwriting reserves	3,337	–
Foreign exchange losses	985	–
Other underwriting expenses	520	1,784
Investment expenses:	33,085	6,463
Investment losses on money trusts	566	–
Losses on sales of securities	4,387	1,355
Impairment losses on securities	20,878	904
Losses on redemption of securities	162	450
Foreign exchange losses	4,313	–
Other investment expenses	2,776	3,753
Operating expenses and general and administrative expenses	229,308	232,278
Other ordinary expenses:	13,251	10,852
Interest expense	9,353	9,900
Provision for bad debts	3,427	132
Losses on bad debts	27	3
Other ordinary expenses	442	816
Ordinary profit	89,113	131,604
Extraordinary income:	61,429	6,572
Gains on sales of fixed assets	4,432	6,572
Reversal of reserves under the special laws:	56,996	–
Reversal of reserve for price fluctuation	56,996	–
Extraordinary losses:	189,539	5,931
Losses on sales of fixed assets	1,307	1,569
Impairment losses on fixed assets	499	230
Provision for reserves under the special laws:	–	4,131
Provision for reserve for price fluctuation	–	4,131
Losses on valuation of shares of subsidiaries and associates	186,325	–
Other extraordinary losses	1,407	–
Income/(loss) before income taxes	(38,997)	132,245
Income taxes – current	485	2,339
Income taxes – deferred	(133,562)	37,690
Total income taxes	(133,076)	40,029
Net income	¥ 94,079	¥ 92,215

Non-Consolidated Solvency Margin Ratio

Insurance companies running their business in Japan calculate the non-consolidated solvency margin ratio pursuant to the provisions of Articles 86 and 87 of the Insurance Business Act Enforcement Regulations and Public Notice No. 50 issued by the Ministry of Finance in 1996.

While insurance companies set aside reserves to provide for payments of insurance claims should an insured event occur, they are also required to maintain sufficient funds to pay out in an event outside the normal range of estimates such as a major catastrophe and a significant drop in the value of their assets.

The non-consolidated solvency margin ratio, or item (C) in each of the tables below, which is calculated in accordance with the Insurance Business Act, is the ratio of “solvency margin of insurance companies calculated based on their capital and other reserves”, or (A) the total amount of solvency margin, to “risks exceeding the normal range of estimates”, or (B) the total amount of risks.

The non-consolidated solvency margin ratio is one of the objective indicators used by the insurance regulatory authorities to supervise insurance companies. A non-consolidated solvency margin ratio of 200% or over indicates adequate ability to satisfy insurance claims and other payment requirements.

	Yen in millions	
	March 31, 2020	March 31, 2021
(A) Total amount of solvency margin	¥3,076,392	¥3,490,583
Total net assets	879,578	815,511
Reserve for price fluctuation	19,007	23,138
Contingency reserve	–	–
Catastrophe reserve	550,227	580,436
General bad debt reserve	86	87
Net unrealized gains/(losses) on investments in securities and net deferred gains/(losses) on hedges (prior to tax effect deductions)	852,586	1,313,294
Net unrealized gains/(losses) on land	54,618	62,327
Excess of policyholders' contract deposits (a)	–	–
Subordinated debts, etc. (b)	487,093	487,093
Amount excluded from the margin, out of (a) and (b)	–	–
Deductions	3,642	3,642
Others	236,835	212,335
(B) Total amount of risks $\sqrt{(R_1+R_2)^2+(R_3+R_4)^2}+R_5+R_6$	877,260	935,111
General insurance risk (R ₁)	136,088	140,053
Insurance risk of third sector insurance contracts (R ₂)	–	–
Assumed interest rate risk (R ₃)	13,475	12,408
Asset management risk (R ₄)	700,269	789,158
Business administration risk (R ₅)	19,617	20,843
Catastrophe risk (R ₆)	131,040	100,557
(C) Solvency margin ratio [(A) / {(B) × 1/2}] × 100	701.3%	746.5 %

AIOI NISSAY DOWA INSURANCE CO., LTD. (NON-CONSOLIDATED)

Non-Consolidated Balance Sheets

Items	Yen in millions	
	March 31, 2020	March 31, 2021
(Assets)		
Cash, deposits and savings:	¥ 174,108	¥ 201,284
Cash on hand	18	18
Deposits in banks	174,090	201,266
Money trusts	2,441	2,480
Investments in securities:	2,317,658	2,643,427
Government bonds	487,098	449,175
Municipal bonds	36,695	40,145
Corporate bonds	305,287	298,053
Domestic stocks	696,983	952,172
Foreign securities	715,866	801,844
Other securities	75,728	102,035
Loans:	218,147	232,949
Policy loans	2,258	1,830
General loans	215,889	231,118
Tangible fixed assets:	182,184	185,009
Land	74,281	72,784
Buildings	85,562	97,519
Lease assets	2	1
Construction in progress	10,048	959
Other tangible fixed assets	12,288	13,743
Intangible fixed assets:	55,884	63,707
Software	24,166	29,632
Other intangible fixed assets	31,718	34,075
Other assets:	381,021	378,704
Premiums receivable	2,222	2,183
Due from agencies	83,351	83,387
Due from foreign agencies	834	1,135
Co-insurance accounts receivable	5,635	3,216
Reinsurance accounts receivable	49,147	59,753
Foreign reinsurance accounts receivable	143,958	145,837
Agency business accounts receivable	325	302
Other receivables	43,965	39,625
Accrued income	6,353	6,581
Guarantee deposits	6,612	6,650
Deposits with the Japan Earthquake Reinsurance Company	2,591	2,624
Suspense payments	28,023	25,423
Derivative financial instruments	7,998	1,983
Prepaid pension expenses	19,427	20,005
Deferred tax assets	63,162	8,450
Customers' liabilities under acceptances and guarantees	7,500	10,500
Bad debt reserve	(804)	(1,240)
Total assets	¥3,420,733	¥3,745,278

Items	Yen in millions	
	March 31, 2020	March 31, 2021
(Liabilities)		
Policy liabilities:	¥2,366,879	¥2,443,083
Outstanding claims	564,436	587,631
Underwriting reserves	1,802,443	1,855,451
Bonds issued	72,000	72,000
Other liabilities:	265,188	304,742
Co-insurance accounts payable	3,721	3,082
Reinsurance accounts payable	49,778	45,199
Foreign reinsurance accounts payable	60,815	69,346
Agency business accounts payable	2,285	2,174
Payables under securities lending transactions	79,080	80,079
Income taxes payable	10,090	25,770
Deposits received	3,545	3,681
Unearned income	26	12
Other payables	33,642	38,555
Suspense receipts	17,678	18,882
Derivative financial instruments	3,629	17,120
Lease obligations	2	1
Asset retirement obligations	891	835
Other liabilities	0	0
Reserve for pension and retirement benefits	34,378	36,879
Accrued bonuses for employees	6,619	7,479
Reserves under the special laws:	30,088	31,896
Reserve for price fluctuation	30,088	31,896
Acceptances and guarantees	7,500	10,500
Total liabilities	2,782,654	2,906,581
(Net assets)		
Common stock	100,005	100,005
Capital surplus:	81,207	81,207
Additional paid-in capital	52,593	52,593
Other capital surplus	28,614	28,614
Retained earnings:	185,491	176,474
Legal earned reserve	47,411	47,411
Other retained earnings:	138,079	129,062
Retained earnings brought forward	138,079	129,062
Total shareholders' equity	366,703	357,687
Net unrealized gains/(losses) on investments in securities	271,374	481,009
Total valuation and translation adjustments	271,374	481,009
Total net assets	638,078	838,696
Total liabilities and net assets	¥3,420,733	¥3,745,278

AIOI NISSAY DOWA INSURANCE CO., LTD. (NON-CONSOLIDATED)
 Non-Consolidated Statements of Income

Items	Yen in millions	
	Year ended March 31, 2020	Year ended March 31, 2021
Ordinary income:	¥1,414,439	¥1,389,884
Underwriting income:	1,324,161	1,322,104
Net premiums written	1,276,770	1,281,426
Deposit premiums from policyholders	23,167	19,784
Investment income on deposit premiums from policyholders	15,130	13,750
Reversal of outstanding claims	8,847	–
Foreign exchange gains	–	5,602
Other underwriting income	244	1,539
Investment income:	81,322	62,163
Interest and dividends income	59,396	54,910
Investment gains on money trusts	2	0
Gains on sales of securities	35,125	19,857
Gains on redemption of securities	1,868	276
Foreign exchange gains	–	777
Other investment income	60	91
Transfer of investment income on deposit premiums from policyholders	(15,130)	(13,750)
Other ordinary income	8,956	5,616
Ordinary expenses:	1,355,823	1,357,407
Underwriting expenses:	1,133,794	1,149,834
Net claims paid	724,662	679,990
Loss adjustment expenses	66,686	71,258
Commissions and collection expenses	251,774	261,202
Maturity refunds to policyholders	63,608	60,182
Dividends to policyholders	18	11
Provision for outstanding claims	–	23,195
Provision for underwriting reserves	22,641	53,008
Foreign exchange losses	3,139	–
Other underwriting expenses	1,263	985
Investment expenses:	20,788	7,946
Losses on sales of securities	3,039	2,371
Impairment losses on securities	11,023	956
Losses on redemption of securities	0	249
Losses on derivative transactions	3,953	2,451
Foreign exchange losses	620	–
Other investment expenses	2,150	1,918
Operating expenses and general and administrative expenses	198,919	197,089
Other ordinary expenses:	2,321	2,536
Interest expense	617	787
Provision for bad debts	–	438
Losses on bad debts	1	0
Other ordinary expenses	1,702	1,310
Ordinary profit	58,615	32,476
Extraordinary income:	168	651
Gains on sales of fixed assets	168	651
Extraordinary losses:	18,420	8,295
Losses on sales of fixed assets	1,444	4,120
Impairment losses on fixed assets	261	2,362
Provision for reserves under the special laws:	16,714	1,808
Provision for reserve for price fluctuation	16,714	1,808
Losses on reduction of tangible fixed assets	–	3
Income before income taxes	40,363	24,832
Income taxes – current	13,559	29,463
Income taxes – deferred	(17,980)	(26,240)
Total income taxes	(4,420)	3,222
Net income	¥ 44,784	¥ 21,610

Non-Consolidated Solvency Margin Ratio

	Yen in millions	
	March 31, 2020	March 31, 2021
(A) Total amount of solvency margin	¥1,148,081	¥1,438,465
Total net assets	348,002	341,763
Reserve for price fluctuation	30,088	31,896
Contingency reserve	906	992
Catastrophe reserve	299,132	331,141
General bad debt reserve	123	252
Net unrealized gains/(losses) on investments in securities and net deferred gains/(losses) on hedges (prior to tax effect deductions)	338,684	600,213
Net unrealized gains/(losses) on land	27,385	35,864
Excess of policyholders' contract deposits (a)	–	–
Subordinated debts, etc. (b)	58,800	54,400
Amount excluded from the margin, out of (a) and (b)	–	–
Deductions	4,269	4,579
Others	49,228	46,521
(B) Total amount of risks $\sqrt{(R_1+R_2)^2+(R_3+R_4)^2}+R_5+R_6$	326,916	363,749
General insurance risk (R ₁)	114,413	117,505
Insurance risk of third sector insurance contracts (R ₂)	–	–
Assumed interest rate risk (R ₃)	6,634	6,083
Asset management risk (R ₄)	194,535	251,845
Business administration risk (R ₅)	8,060	8,936
Catastrophe risk (R ₆)	87,425	71,379
(C) Solvency margin ratio [(A) / {(B) × 1/2}] × 100	702.3%	790.9%

MITSUI DIRECT GENERAL INSURANCE CO., LTD. (NON-CONSOLIDATED)

Non-Consolidated Balance Sheets

Items	Yen in millions	
	March 31, 2020	March 31, 2021
(Assets)		
Cash, deposits and savings:	¥ 12,133	¥ 12,842
Deposits in banks	12,133	12,842
Investments in securities:	35,972	38,314
Municipal bonds	17,072	20,400
Corporate bonds	12,459	11,428
Other securities	6,441	6,485
Tangible fixed assets:	447	876
Buildings	40	254
Other tangible fixed assets	407	622
Intangible fixed assets:	5,880	4,650
Software	5,880	4,650
Other intangible fixed assets	0	0
Other assets:	5,339	5,171
Premiums receivable	0	0
Reinsurance accounts receivable	13	0
Other receivables	3,350	3,250
Accrued income	35	34
Income taxes receivable	40	–
Guarantee deposits	350	440
Suspense payments	1,547	1,444
Other assets	0	0
Bad debt reserve	(4)	(4)
Total assets	¥ 59,768	¥ 61,850
(Liabilities)		
Policy liabilities:	43,705	43,980
Outstanding claims	22,946	23,068
Underwriting reserves	20,759	20,912
Other liabilities:	1,405	2,106
Reinsurance accounts payable	1	1
Income taxes payable	95	390
Unearned income	49	37
Other payables	1,218	1,468
Suspense receipts	22	10
Asset retirement obligations	18	197
Reserve for pension and retirement benefits	219	303
Accrued bonuses for employees	288	299
Reserves under the special laws:	79	86
Reserve for price fluctuation	79	86
Deferred tax liabilities	50	85
Total liabilities	45,750	46,862
(Net assets)		
Common stock	39,106	39,106
Capital surplus:	9,006	9,006
Additional paid-in capital	9,006	9,006
Retained earnings:	(34,083)	(33,104)
Other retained earnings:	(34,083)	(33,104)
Retained earnings brought forward	(34,083)	(33,104)
Total shareholders' equity	14,028	15,007
Net unrealized gains/(losses) on investments in securities	(10)	(18)
Total valuation and translation adjustments	(10)	(18)
Total net assets	14,017	14,988
Total liabilities and net assets	¥ 59,768	¥ 61,850

Non-Consolidated Statements of Income

Items	Yen in millions	
	Year ended March 31, 2020	Year ended March 31, 2021
Ordinary income:	¥37,933	¥36,554
Underwriting income:	37,883	36,497
Net premiums written	36,374	36,477
Investment income on deposit premiums from policyholders	21	20
Reversal of outstanding claims	1,486	–
Investment income:	28	31
Interest and dividends income	50	51
Transfer of investment income on deposit premiums from policyholders	(21)	(20)
Other ordinary income	21	25
Ordinary expenses:	37,755	35,135
Underwriting expenses:	27,793	24,030
Net claims paid	24,469	20,547
Loss adjustment expenses	2,789	2,870
Commissions and collection expenses	337	338
Provision for outstanding claims	–	122
Provision for underwriting reserves	196	152
Investment expenses:	–	–
Operating expenses and general and administrative expenses	9,957	11,096
Other ordinary expenses:	4	7
Provision for bad debts	1	–
Other ordinary expenses	2	7
Ordinary profit	178	1,419
Extraordinary income	–	–
Extraordinary losses:	31	111
Losses on sales of fixed assets	24	54
Provision for reserves under the special laws:	7	7
Provision for reserve for price fluctuation	7	7
Other extraordinary losses	–	49
Income before taxes	146	1,307
Income taxes – current	(0)	294
Income taxes – deferred	(12)	34
Total income taxes	(12)	328
Net income	¥ 159	¥ 978

Non-Consolidated Solvency Margin Ratio

	Yen in millions	
	March 31, 2020	March 31, 2021
(A) Total amount of solvency margin	¥15,305	¥16,291
Total net assets	14,028	15,007
Reserve for price fluctuation	79	86
Contingency reserve	0	0
Catastrophe reserve	1,205	1,214
General bad debt reserve	2	1
Net unrealized gains/(losses) on investments in securities and net deferred gains/(losses) on hedges (prior to tax effect deductions)	(10)	(18)
Net unrealized gains/(losses) on land	–	–
Excess of policyholders' contract deposits (a)	–	–
Subordinated debts, etc. (b)	–	–
Amount excluded from the margin, out of (a) and (b)	–	–
Deductions	–	–
Others	–	–
(B) Total amount of risks $\sqrt{(R_1+R_2)^2+(R_3+R_4)^2}+R_5+R_6$	5,809	5,468
General insurance risk (R ₁)	5,227	4,879
Insurance risk of third sector insurance contracts (R ₂)	–	–
Assumed interest rate risk (R ₃)	0	0
Asset management risk (R ₄)	955	1,009
Business administration risk (R ₅)	194	185
Catastrophe risk (R ₆)	300	300
(C) Solvency margin ratio $[(A) / \{(B) \times 1/2\}] \times 100$	526.9%	595.8%

MITSUI SUMITOMO AIOI LIFE INSURANCE CO., LTD. (NON-CONSOLIDATED)

Non-Consolidated Balance Sheets

Items	Yen in millions	
	March 31, 2020	March 31, 2021
(Assets)		
Cash, deposits and savings:	¥ 196,400	¥ 74,851
Cash on hand	0	0
Deposits in banks	196,400	74,851
Receivables under resale agreements	407,722	–
Investments in securities:	3,757,612	4,313,867
Government bonds	2,529,779	3,077,284
Municipal bonds	163,827	132,491
Corporate bonds	857,138	796,309
Domestic stocks	682	785
Foreign securities	166,282	253,557
Other securities	39,900	53,438
Loans:	63,130	58,858
Policy loans	63,130	58,858
Tangible fixed assets:	4,345	8,010
Buildings	476	431
Lease assets	2,472	6,073
Other tangible fixed assets	1,396	1,506
Intangible fixed assets:	32,841	32,164
Software	22,321	23,356
Other intangible fixed assets	10,519	8,807
Due from agencies	1,996	1,518
Reinsurance accounts receivable	868	994
Other assets:	45,651	43,538
Other receivables	33,184	32,227
Prepaid expenses	2,551	3,126
Accrued income	7,103	7,405
Guarantee deposits	391	367
Derivative financial instruments	151	2
Suspense payments	494	397
Other assets	1,774	11
Deferred tax assets	–	676
Bad debt reserve	(97)	(89)
Total assets	¥4,510,472	¥4,534,390

Items	Yen in millions	
	March 31, 2020	March 31, 2021
(Liabilities)		
Policy liabilities:	¥3,779,645	¥4,007,521
Outstanding claims	31,886	33,569
Underwriting reserves	3,737,682	3,964,029
Reserve for dividends to policyholders	10,077	9,923
Due to agencies	3,623	3,063
Reinsurance accounts payable	291	302
Other liabilities:	449,640	251,978
Payables under repurchase agreements	412,965	110,343
Payables under securities lending transactions	25,072	126,101
Income taxes payable	532	3,538
Other payables	777	345
Accrued expenses	7,480	6,828
Unearned income	0	0
Deposits received	110	115
Derivative financial instruments	–	2,253
Lease obligations	1,296	333
Asset retirement obligations	437	429
Suspense receipts	475	521
Other liabilities	491	1,168
Reserve for pension and retirement benefits	3,856	4,234
Reserve for retirement benefits for officers	9	7
Reserves under the special laws:	8,725	9,853
Reserve for price fluctuation	8,725	9,853
Deferred tax liabilities	3,891	–
Total liabilities	4,249,683	4,276,962
(Net assets)		
Common stock	85,500	85,500
Capital surplus:	93,688	93,688
Additional paid-in capital	63,214	63,214
Other capital surplus	30,473	30,473
Retained earnings:	19,000	25,115
Legal earned reserve	1,365	2,524
Other retained earnings:	17,635	22,590
Retained earnings brought forward	17,635	22,590
Total shareholders' equity	198,188	204,303
Net unrealized gains/(losses) on investments in securities	62,599	53,124
Total valuation and translation adjustments	62,599	53,124
Total net assets	260,788	257,428
Total liabilities and net assets	¥4,510,472	¥4,534,390

MITSUI SUMITOMO AIOI LIFE INSURANCE CO., LTD. (NON-CONSOLIDATED)
Non-Consolidated Statements of Income

Items	Yen in millions	
	Year ended March 31, 2020	Year ended March 31, 2021
Ordinary income:	¥604,202	¥ 568,421
Insurance premiums and others:	535,885	513,183
Insurance premiums	521,297	511,986
Reinsurance income	14,588	1,196
Investment income:	65,682	51,023
Interest and dividends income:	48,920	48,701
Interest on deposits	0	0
Interest and dividends on securities	47,078	46,985
Interest on loans	1,728	1,598
Other interest and dividends	113	118
Gains on sales of securities	15,396	2,258
Gains on redemption of securities	1,346	56
Reversal of bad debts	19	7
Other ordinary income:	2,633	4,214
Receipts of annuities with special conditions	1,251	2,672
Receipts of deferred insurance claims	1,250	1,411
Other ordinary income	131	130
Ordinary expenses:	585,542	542,796
Insurance claims and others:	239,304	218,116
Insurance claims	44,867	48,323
Annuity payments	19,046	19,302
Benefits	30,996	31,943
Surrender benefits	122,671	113,104
Other refunds	4,237	3,845
Reinsurance premiums	17,484	1,596
Provision for underwriting reserves and others:	232,193	228,029
Provision for outstanding claims	483	1,682
Provision for underwriting reserves	231,709	226,346
Provision for interest portion of reserve for dividends to policyholders	0	0
Investment expenses:	13,999	708
Losses on sales of securities	7,790	389
Losses on derivative transactions	1,241	176
Foreign exchange losses	2	1
Other investment expenses	4,965	140
Operating expenses	82,423	77,298
Other ordinary expenses:	17,620	18,643
Payments of deferred insurance claims	1,280	1,330
Taxes	7,526	7,798
Depreciation	8,419	9,109
Provision for reserve for pension and retirement benefits	381	377
Other ordinary expenses	12	28
Ordinary profit	18,659	25,624
Extraordinary income:	0	0
Gains on sales of fixed assets	0	0
Extraordinary losses:	939	1,438
Losses on sales of fixed assets	13	309
Provision for reserves under the special laws:	926	1,128
Provision for reserve for price fluctuation	926	1,128
Provision for reserve for dividends to policyholders	8,638	8,151
Income before income taxes	9,081	16,036
Income taxes – current	2,962	5,007
Income taxes – deferred	(1,381)	(883)
Total income taxes	1,580	4,124
Net income	¥ 7,500	¥ 11,911

Business Results

Amount of Policies in Force and New Policies

(1) Policies in force

	Yen in 100 millions			
	March 31, 2020		March 31, 2021	
	Number of policies (in thousands)	Amount	Number of policies (in thousands)	Amount
Individual insurance	3,726	¥237,974	3,815	¥236,240
Individual annuities	171	6,605	166	6,428
Group insurance	–	88,884	–	93,562
Group annuities	–	2	–	2

Notes: 1. The amounts of individual annuities represent the total sum of (a) the funds to be held at the time annuity payments are to commence for the policies for which annuity payments have not yet commenced and (b) the underwriting reserves for the policies for which annuity payments have commenced.
2. The amounts of group annuities represent the underwriting reserves.

(2) New policies

	Yen in 100 millions							
	Year ended March 31, 2020				Year ended March 31, 2021			
	Number of policies (in thousands)	Amount	New policies	Net increase by conversion	Number of policies (in thousands)	Amount	New policies	Net increase by conversion
Individual insurance	319	¥20,623	¥20,623	–	254	¥17,634	¥17,634	–
Individual annuities	1	60	60	–	1	56	56	–
Group insurance	–	964	964	–	–	1,149	1,149	–
Group annuities	–	–	–	–	–	–	–	–

Note: The amounts of individual annuities represent the funds to be held at the time annuity payments are to commence.

Annualized Premiums

(1) Policies in force

	Yen in 100 millions	
	March 31, 2020	March 31, 2021
Individual insurance	¥4,075	¥4,069
Individual annuities	406	409
Total:	4,481	4,479
Medical coverage, living benefits, etc.	1,381	1,460

(2) New policies

	Yen in 100 millions	
	Year ended March 31, 2020	Year ended March 31, 2021
Individual insurance	¥290	¥259
Individual annuities	2	2
Total:	293	262
Medical coverage, living benefits, etc.	192	146

Notes: 1. An annualized premium is the annual total of premiums that is obtained by multiplying the amount of a single payment with the number of payments per year in accordance with the premium payment method. An annualized premium for a lump-sum payment policy is the premium divided by the number of years of coverage.
2. "Medical coverage, living benefits, etc." represents the portion of annualized premiums that corresponds to medical coverage benefits (for hospitalization, surgeries, etc.), living benefits (for specified diseases, nursing care, etc.) and premium waiver benefits (excluding those for disability, but including those for specified diseases, nursing care, etc.).

MITSUI SUMITOMO AIOI LIFE INSURANCE CO., LTD. (NON-CONSOLIDATED)
Non-Consolidated Business Performance

	Yen in millions		
	Year ended March 31, 2020	Year ended March 31, 2021	Change
Fundamental revenues:	¥588,805	¥566,155	¥ (22,649)
Insurance premiums and others	535,885	513,183	(22,702)
Fundamental expenses	575,198	541,343	(33,854)
Fundamental profit	13,607	24,811	11,204
Capital gains/(losses)	6,366	1,691	(4,674)
Non-recurring gains/(losses)	(1,313)	(878)	434
Ordinary profit	18,659	25,624	6,965
Extraordinary income	0	0	0
Extraordinary losses	939	1,438	498
Provision for reserve for dividends to policyholders	8,638	8,151	(487)
Income taxes	1,580	4,124	2,543
Net income	7,500	11,911	4,410

Non-Consolidated Solvency Margin Ratio

	Yen in millions	
	March 31, 2020	March 31, 2021
(A) Total amount of solvency margin	¥492,307	¥490,784
Total capital	193,323	199,693
Reserve for price fluctuation	8,725	9,853
Contingency reserve	38,888	39,775
General bad debt reserve	3	3
Net unrealized gains/(losses) on investments in securities and net deferred gains/(losses) on hedges (prior to tax effect deductions) × 90%	78,249	66,405
Net unrealized gains/(losses) on land × 85%	—	—
Excess of continued Zillmerized reserve (a)	168,067	167,964
Subordinated debts, etc. (b)	—	—
Amount excluded from the margin, out of (a) and (b)	—	—
Brought in capital	—	—
Deductions	—	—
Others	5,048	7,087
(B) Total amount of risks $\sqrt{(R_1+R_6)^2+(R_2+R_3+R_7)^2}+R_4$	63,551	68,186
Insurance risk (R ₁)	18,352	18,468
Insurance risk of third sector insurance contracts (R ₆)	16,532	17,227
Assumed interest rate risk (R ₂)	3,210	3,242
Minimum guarantee risk (R ₇)	—	—
Asset management risk (R ₃)	47,841	52,692
Business administration risk (R ₄)	1,718	1,832
(C) Solvency margin ratio [(A) / {(B) × 1/2}] × 100	1,549.3%	1,439.5%

MITSUI SUMITOMO PRIMARY LIFE INSURANCE CO., LTD. (NON-CONSOLIDATED)

Non-Consolidated Balance Sheets

Items	Yen in millions	
	March 31, 2020	March 31, 2021
(Assets)		
Cash, deposits and savings:	¥ 399,783	¥ 807,492
Deposits in banks	399,783	807,492
Monetary claims bought	100,995	100,993
Money trusts	1,660,997	1,710,444
Investments in securities:	4,342,621	4,039,282
Government bonds	14,566	14,496
Municipal bonds	2,225	1,713
Corporate bonds	64,909	63,776
Foreign securities	2,235,824	1,901,831
Other securities	2,025,095	2,057,463
Loans:	215,294	264,182
Policy loans	311	280
General loans	214,983	263,901
Tangible fixed assets:	1,046	901
Buildings	322	322
Lease assets	632	513
Other tangible fixed assets	90	65
Intangible fixed assets:	12,565	13,510
Software	12,398	13,371
Lease assets	167	139
Reinsurance accounts receivable	8,971	5,497
Other assets:	29,497	23,735
Other receivables	9,691	3,893
Prepaid expenses	1,310	1,436
Accrued income	17,618	13,358
Guarantee deposits	579	4,818
Derivative financial instruments	6	–
Suspense payments	290	229
Deferred tax assets	43,132	58,712
Total assets	¥6,814,907	¥7,024,753
(Liabilities)		
Policy liabilities:	6,463,416	6,482,031
Outstanding claims	19,394	24,209
Underwriting reserves	6,444,021	6,457,822
Due to agencies	3,581	4,808
Reinsurance accounts payable	4,997	4,238
Other liabilities:	68,587	93,090
Income taxes payable	1,396	30,405
Other payables	6,156	5,182
Accrued expenses	4,986	4,940
Deposits received	54,136	49,651
Derivative financial instruments	3	920
Lease obligations	881	725
Asset retirement obligations	177	179
Suspense receipts	849	1,084
Reserves under the special laws:	79,500	180,000
Reserve for price fluctuation	79,500	180,000
Total liabilities	6,620,083	6,764,169
(Net assets)		
Common stock	41,060	41,060
Capital surplus:	24,735	24,735
Additional paid-in capital	24,735	24,735
Retained earnings:	117,883	154,113
Legal earned reserve	5,726	7,104
Other retained earnings:	112,157	147,009
Retained earnings brought forward	112,157	147,009
Total shareholders' equity	183,678	219,908
Net unrealized gains/(losses) on investments in securities	(5,340)	36,961
Net deferred gains/(losses) on hedges	16,486	3,713
Total valuation and translation adjustments	11,145	40,675
Total net assets	194,823	260,584
Total liabilities and net assets	¥6,814,907	¥7,024,753

Non-Consolidated Statements of Income

Items	Yen in millions	
	Year ended March 31, 2020	Year ended March 31, 2021
Ordinary income:	¥1,161,038	¥2,039,152
Insurance premiums and others:	950,922	892,179
Insurance premiums	872,119	785,407
Reinsurance income	78,803	106,771
Investment income:	113,966	1,142,890
Interest and dividends income:	87,232	81,570
Interest on deposits	46	9
Interest and dividends on securities	78,900	72,121
Interest on loans	8,056	9,018
Other interest and dividends	228	420
Investment gains on money trusts	17,881	210,974
Gains on sales of securities	8,542	152,133
Gains on redemption of securities	310	1,812
Foreign exchange gains	–	384,614
Other investment income	–	19
Investment gains on separate accounts	–	311,765
Other ordinary income:	96,149	4,082
Receipts of annuities with special conditions	3,354	3,749
Reversal of outstanding claims	1,284	–
Reversal of underwriting reserves	90,891	–
Other ordinary income	618	333
Ordinary expenses:	1,129,577	1,879,055
Insurance claims and others:	696,196	1,805,686
Insurance claims	97,940	110,180
Annuity payments	87,549	84,870
Benefits	184,780	214,550
Surrender benefits	175,752	1,209,445
Other refunds	4,118	3,844
Reinsurance premiums	146,055	182,794
Provision for underwriting reserves and others:	–	18,614
Provision for outstanding claims	–	4,814
Provision for underwriting reserves	–	13,800
Investment expenses:	373,891	784
Interest expense	15	11
Investment losses on trading securities	–	1
Losses on sales of securities	528	738
Impairment losses on securities	2,256	–
Losses on redemption of securities	15	0
Foreign exchange losses	313,543	–
Other investment expenses	74	32
Investment losses on separate accounts	57,457	–
Operating expenses	50,304	44,258
Other ordinary expenses:	9,184	9,711
Taxes	5,811	6,016
Depreciation	3,366	3,690
Other ordinary expenses	6	4
Ordinary profit	31,461	160,097
Extraordinary income:	–	–
Extraordinary losses:	3,500	100,500
Provision for reserves under the special laws:	3,500	100,500
Provision for reserve for price fluctuation	3,500	100,500
Income before income taxes	27,961	59,597
Income taxes – current	7,963	43,543
Income taxes – deferred	(312)	(27,064)
Total income taxes	7,650	16,479
Net income	¥ 20,310	¥ 43,117

MITSUI SUMITOMO PRIMARY LIFE INSURANCE CO., LTD. (NON-CONSOLIDATED)
Business Results

Amount of Policies in Force and New Policies

(1) Policies in force

Yen in 100 millions				
March 31, 2020		March 31, 2021		
	Number of policies (in thousands)	Amount	Number of policies (in thousands)	Amount
Individual insurance	825	¥42,587	663	¥42,277
Individual annuities	386	22,553	377	23,680
Group insurance	—	—	—	—
Group annuities	—	—	—	—

Note: The amounts of individual annuities represent the total sum of (a) the funds to be held at the time annuity payments are to commence (the premium reserves in the case of individual variable annuities) for the policies for which annuity payments have not yet commenced and (b) the underwriting reserves for the policies for which annuity payments have commenced.

(2) New policies

Yen in 100 millions							
Year ended March 31, 2020				Year ended March 31, 2021			
	Number of policies (in thousands)	Amount		Number of policies (in thousands)	Amount		
			New policies Net increase by conversion			New policies Net increase by conversion	
Individual insurance	95	¥7,111	¥7,111	—	84	¥6,708	¥6,708
Individual annuities	26	1,716	1,716	—	18	1,174	1,174
Group insurance	—	—	—	—	—	—	—
Group annuities	—	—	—	—	—	—	—

Note: The amounts of individual annuities represent the funds to be held at the time annuity payments are to commence (the premium reserves at the time of enrollment in the case of individual variable annuities).

Annualized Premiums

(1) Policies in force

Yen in 100 millions		
	March 31, 2020	March 31, 2021
Individual insurance	¥3,318	¥3,661
Individual annuities	2,660	2,674
Total:	5,979	6,335
Medical coverage, living benefits, etc.	0	4

(2) New policies

Yen in 100 millions		
	Year ended March 31, 2020	Year ended March 31, 2021
Individual insurance	¥ 668	¥ 674
Individual annuities	310	236
Total:	979	911
Medical coverage, living benefits, etc.	—	3

Notes: 1. An annualized premium is the annual total of premiums that is obtained by multiplying the amount of a single payment with the number of payments per year in accordance with the premium payment method. An annualized premium for a lump-sum payment policy is the premium divided by the number of years of coverage.
2. "Medical coverage, living benefits, etc." represents the portion of annualized premiums that corresponds to medical coverage benefits (for hospitalization, surgeries, etc.), living benefits (for specified diseases, nursing care, etc.) and premium waiver benefits (excluding those for disability, but including those for specified diseases, nursing care, etc.).

Non-Consolidated Business Performance

Yen in millions			
	Year ended March 31, 2020	Year ended March 31, 2021	Change
Fundamental revenues:	¥1,229,009	¥1,918,471	¥ 689,461
Insurance premiums and others	950,922	892,179	(58,742)
Fundamental expenses	1,256,981	1,877,608	620,627
Fundamental profit/(loss)	(27,972)	40,862	68,834
Capital gains/(losses)	55,671	119,941	64,270
Non-recurring gains/(losses)	3,762	(707)	(4,469)
Ordinary profit	31,461	160,097	128,636
Extraordinary income	—	—	—
Extraordinary losses	3,500	100,500	97,000
Provision for reserve for dividends to policyholders	—	—	—
Income taxes	7,650	16,479	8,829
Net income	20,310	43,117	22,806

Non-Consolidated Solvency Margin Ratio






Yen in millions		
	March 31, 2020	March 31, 2021
(A) Total amount of solvency margin	¥546,005	¥711,185
Total capital	179,481	198,130
Reserve for price fluctuation	79,500	180,000
Contingency reserve	80,497	81,204
General bad debt reserve	—	—
Net unrealized gains/(losses) on investments in securities and net deferred gains/(losses) on hedges (prior to tax effect deductions) x 90% (100% in case of negative value)	(7,417)	44,019
Net unrealized gains/(losses) on land x 85%	—	—
Excess of continued Zillmerized reserve (a)	172,286	160,823
Subordinated debts, etc. (b)	—	—
Amount excluded from the margin, out of (a) and (b)	—	—
Brought in capital	—	—
Deductions	—	—
Others	41,657	47,007
(B) Total amount of risks $\sqrt{(R_1+R_3)^2+(R_2+R_5+R_7)^2}+R_4$	146,376	134,845
Insurance risk (R ₁)	996	1,140
Insurance risk of third sector insurance contracts (R ₃)	2	2
Assumed interest rate risk (R ₂)	53,345	36,904
Minimum guarantee risk (R ₇)	1,656	1,328
Asset management risk (R ₅)	88,480	93,941
Business administration risk (R ₄)	2,889	2,666
(C) Solvency margin ratio $\frac{[(A) / \{(B) \times 1/2\}]}{100} \times 100$	746.0%	1,054.8%

In this report, the following abbreviations appear for company names.

MS&AD, The Group	MS&AD Insurance Group
MS&AD Holdings, The holding company, or the Company	MS&AD Insurance Group Holdings, Inc.
MSI, Mitsui Sumitomo Insurance	Mitsui Sumitomo Insurance Co., Ltd.
ADI, Aioi Nissay Dowa Insurance	Aioi Nissay Dowa Insurance Co., Ltd.
Mitsui Direct General, Mitsui Direct General Insurance	Mitsui Direct General Insurance Co., Ltd.
MSI Aioi Life	Mitsui Sumitomo Aioi Life Insurance Co., Ltd.
MSI Primary Life	Mitsui Sumitomo Primary Life Insurance Co., Ltd.
MSIG	Mitsui Sumitomo Insurance Group Holdings, Inc.
Aioi, Aioi Insurance	Aioi Insurance Co., Ltd.
NDI, Nissay Dowa General Insurance	Nissay Dowa General Insurance Co., Ltd.
MSI Kirameki Life	Mitsui Sumitomo Kirameki Life Insurance Co., Ltd.
Aioi Life	Aioi Life Insurance Co., Ltd.
MS Amlin	MS Amlin plc
MS First Capital	MS First Capital Insurance Limited
ReAssure	ReAssure Group Plc
Challenger	Challenger Limited
BoCommLife	BoCommLife Insurance Company Limited

ESG Evaluation








The MS&AD Insurance Group utilizes the assessments provided by global ESG evaluation organizations to improve its sustainability initiatives. As of July 1, 2021, the MS&AD Insurance Group was included in the following ESG-related indices.

<p>CDP's Climate A List</p> 	<p>Dow Jones Sustainability Indices (World / Asia Pacific)</p> <p>Member of Dow Jones Sustainability Indices Powered by the S&P Global CSA</p>	<p>FTSE Blossom Japan Index</p> 
<p>FTSE4Good Index Series</p> 	<p>MSCI Japan ESG Select Leaders Index*</p> <p>2021 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX</p>	<p>MSCI Japan Empowering Women Index (WIN)*</p> <p>2021 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)</p>
<p>S&P/JPX Carbon Efficient Index</p> 	<p>ISS ESG Corporate Rating Prime</p> 	

* The inclusion of MS&AD Insurance Group Holdings, Inc., in any MSCI Index and the use of MSCI logos, trademarks, service marks or index names herein do not constitute a sponsorship, endorsement or promotion of MS&AD Insurance Group Holdings, Inc., by MSCI or any of its affiliates. The MSCI Indexes are the exclusive property of MSCI. MSCI and the MSCI Index names and logos are trademarks or service marks of MSCI or its affiliates.

Participation in Initiatives

We participate in global initiatives and are working to create shared value with society.

<p>The UN Global Compact</p> 	<p>United Nations Environment Programme Finance Initiative (UNEPFI) Principles for Sustainable Insurance</p> 	<p>Principles for Responsible Investment</p> <p>Signatory of:</p> 
<p>CDP</p> 	<p>Natural Capital Declaration</p> 	<p>Climate Change Initiative</p> 
<p>The Japan Business Initiative for Biodiversity (JBIB)</p> 	<ul style="list-style-type: none"> • Paris Pledge for Action • Task Force on Climate-Related Financial Disclosure (TCFD) • Financial Principles towards the Formation of a Sustainable Society (21st Century Financial Principles) 	

Third-Party Assurance

To improve the objectiveness and accuracy of the MS&AD Integrated Report 2021, the MS&AD Insurance Group has engaged KPMG AZSA Sustainability Co., Ltd., to perform third-party assurance on the following information included in this report.

The third-party assurance process

STEP 1	STEP 2	STEP 3	STEP 4
<p>Planning</p> <ul style="list-style-type: none"> • Examination of the calculation method for the data subject to assurance and the company's outline of business • Formulation of assurance engagement plan based on risk assessment 	<p>Implementation of assurance procedures</p> <ul style="list-style-type: none"> • Implementation of a site visit and analysis of compiled data, etc. 	<p>Review of draft report</p> <ul style="list-style-type: none"> • Confirmation that required corrections have been completed • Reviewing the draft report to determine whether the assured information is presented appropriately 	<p>Submitting the assurance report</p> <ul style="list-style-type: none"> • Review by a reviewer not directly involved in the assurance engagement • Submission of the assurance report

Items subject to the assurance engagement

- CO₂ emissions (P. 63, p. 65)
- Total energy consumption (P. 49, p. 63)
- Number and ratio of female managers (P. 34, p. 49, p. 64, p. 65)
- Number and ratio of global employees (P. 34, p. 64, p. 65)

* Details regarding the method for calculating data can be found on our official website.
www.ms-ad-hd.com/en/csr/data.html

 <p>Independent Assurance Report</p> <p>To the President and CEO of MS&AD Insurance Group Holdings, Inc.</p> <p>We were engaged by MS&AD Insurance Group Holdings, Inc. (the "Company") to undertake a limited assurance engagement of the environmental and social performance indicators marked with [] for the period from April 1, 2020 to March 31, 2021 (the "Indicators") disclosed in the Company's MS&AD Integrated Report 2021 (the "Report") for the fiscal year ended March 31, 2021.</p> <p>The Company's Responsibility The Company is responsible for the preparation of the Indicators in accordance with its own reporting criteria (the "Company's reporting criteria"), as described in the Company's website.</p> <p>Our Responsibility Our responsibility is to express a limited assurance conclusion on the Indicators based on the procedures we have performed. We conducted our engagement in accordance with the 'International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information' and the 'ISAE 3410, Assurance Engagements on Greenhouse Gas Statements' issued by the International Auditing and Assurance Standards Board. The limited assurance engagement consisted of making inquiries, primarily of persons responsible for the preparation of information presented in the Report, and applying analytical and other procedures, and the procedures performed vary in nature from, and are less in extent than for, a reasonable assurance engagement. The level of assurance provided is thus not as high as that provided by a reasonable assurance engagement. Our assurance procedures included:</p> <ul style="list-style-type: none"> • Interviewing the Company's responsible personnel to obtain an understanding of its policy for preparing the Report and reviewing the Company's reporting criteria. • Inquiring about the design of the systems and methods used to collect and process the Indicators. • Performing analytical procedures on the Indicators. • Examining, on a test basis, evidence supporting the generation, aggregation and reporting of the Indicators in conformity with the Company's reporting criteria, and recalculating the Indicators. • Visiting the Company's Mitsui Sumitomo Insurance Chiba Newtown Center selected on the basis of a risk analysis. • Evaluating the overall presentation of the Indicators. <p>Conclusion Based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that the Indicators in the Report are not prepared, in all material respects, in accordance with the Company's reporting criteria as described in the Company's website.</p> <p>Our Independence and Quality Control We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. In accordance with International Standard on Quality Control 1, we maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.</p> <p>KPMG AZSA Sustainability Co., Ltd. KPMG AZSA Sustainability Co., Ltd. Tokyo, Japan October 28, 2021</p>

On the Issuance of the MS&AD Integrated Report 2021

Since fiscal 2015, the MS&AD Insurance Group has published the Integrated Report to provide readers with a deeper understanding of the Group's commitment to medium- to long-term value creation. We believe the issuance of the Integrated Report offers the opportunity for constructive dialogue with many stakeholders, including customers, shareholders, investors and employees, regarding the Group's "story of value creation."

In the medium-term management plan, "Vision 2021," launched in fiscal 2018, the Group has developed management based on its CSV under its aspiration to be a corporate group that helps realize a resilient and sustainable society by 2030. In the next medium-term management plan due to begin in fiscal 2022, we intend to refine this initiative, draw up a growth vision that combines "CSV," "DX" and "GLOBAL," promote more specific strategies and build a solid management foundation. The MS&AD Integrated Report 2021 explains our aspirations for 2030, the status of our growth strategies combined with CSV, DX and GLOBAL, and the status of how we are building a management foundation that supports those strategies. We also clarify the system of value creation that makes use of the Group's strength of "diversity," and introduce a number of initiatives to solve social issues through collaboration with various stakeholders.

With the goal of improving the objectivity and accuracy of the Integrated Report, we have engaged the services of a

third-party assurance firm to independently verify the key non-financial data indicated since fiscal 2017. For the results of the third-party verification included in the MS&AD Integrated Report 2021, please see page 212. Moreover, as a representative of the management team, the CEO has included a signed message at the beginning of the Report. As CFO, I am responsible for the editing process and, accordingly, reiterate the importance of ensuring that the assembly process for the Integrated Report is carried out responsibly and that the content in the report is indeed accurate.

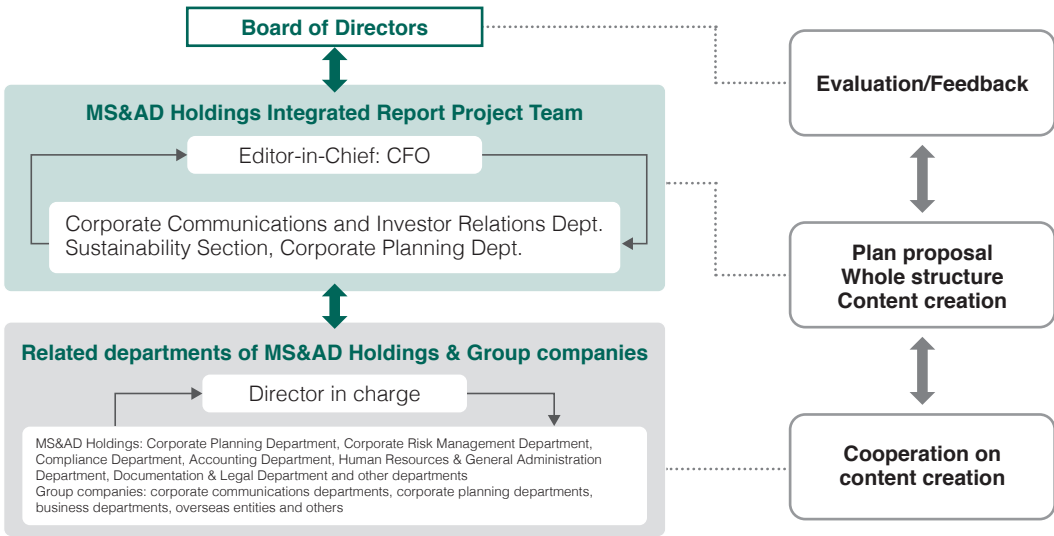
With this year's Integrated Report, we hope to promote amicable feelings for the Group by creating an even greater understanding of it among stakeholders such as customers, shareholders, investors and employees. We continue to value dialogue with all our stakeholders, and with the aim of further improving disclosure and enhancing transparency we invite our stakeholders to share with us their frank opinions.

November 2021

Tetsuji Higuchi

Representative Director, Executive Vice President, CFO

The MS&AD Integrated Report 2021 Editorial System



Production: Under the direction of the CFO, who is editor-in-chief, two people, other than those in charge of writing, confirm editorial content on every page based on supporting materials and by checking with all relevant departments to the content. In addition, the accuracy and reliability of the report is assured by an independent third-party, KPMG AZSA Sustainability Co., Ltd.

Group Slogan

Advancing with you



INSURANCE GROUP

What do we mean by "Advancing with you?"

The MS&AD Insurance Group is determined to be the most vigorous company in the insurance industry. Our new corporate slogan, "Advancing with you," expresses that determination.

The phrase invokes the challenges of achieving corporate change, new insurance products, and global competitiveness; challenges which the MS&AD Insurance Group continues to pursue.

The challenge of corporate change

The Group companies and each staff member will continue to pursue rapid and dynamic change in response to shifts in social and business trends.

The challenge of providing new insurance products

Providing products and services in anticipation of new risks, the Group will consistently seek to provide maximum security to its customers.

The challenge of competing globally

To develop the strength to compete in the highly competitive international arena, the Group will continue to grow, aspiring to become a world-leading insurance and financial services group.

Aspiring to become a world-leading insurance and financial services group, the MS&AD Insurance Group will continue to take on these challenges.

Contact Information

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< Forward-Looking Statements >

These materials contain future plans, strategies and earnings forecasts for MS&AD Insurance Group Holdings, Inc., and Group companies. They are based on information available to MS&AD Insurance Group Holdings, Inc., at the present time. Investors are advised that actual results might differ substantially from our forecasts, for various reasons. Actual performance could be adversely affected by 1) economic trends surrounding our business, 2) fierce competition within the insurance sector, 3) exchange rate fluctuations and 4) changes in tax and other regulatory systems.

This report was prepared pursuant to Article 271-25 of the Insurance Business Act and Article 210-10-2 of the Insurance Business Act Enforcement Regulations.

MS&AD MS&AD Insurance Group Holdings, Inc.

www.ms-ad-hd.com