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As a platform provider of risk solutions,
we will grow together
with society.

Introduction

■ Thoughts on Being a Platform Provider of Risk Solutions

The country is now coexisting with COVID-19, its status under the Infectious Diseases Control Law has been moved to Category 5, and economic activity is normalizing and regaining its vitality. On the other hand, in 2022, many events had a profound impact on people’s lives and business activities worldwide, including Russia’s military invasion of Ukraine, the hailstorms in June centered on the Kanto region, Typhoons No. 14 and 15, and Hurricane Ian that hit North America. The market environment also remained unstable, with rising interest rates worldwide and financial instability in Europe and the United States, and the global economy experienced significant turbulence, including concerns about inflation and an economic slowdown.

The pandemic and the intensification of natural catastrophes due to climate change seriously affect people’s lives and business activities. As various risks are materializing, our role should be to compensate for economic

losses and provide solutions to risks, prevent risks from materializing, and reduce the economic burden when risks become real.

The current Medium-Term Management Plan, which started in FY2022, describes this role as a “platform provider of risk solutions.” This reflects our desire to grow together with society by contributing to addressing various social issues through data, digital technology, and knowledge and know-how from within and outside the Group. In times of uncertainty, we will fulfill our mission as an insurance and financial group that supports society by demonstrating our true nature as a platform provider of risk solutions.

Insurance has adapted to risk over time and continues to change. We view the various environmental changes as a major turning point in the Group’s business. We will work with a sense of speed to address social issues, reform our profit structure, and improve our corporate value.

Vision of Medium-Term Management Plan (2022–2025)

The Medium-Term Management Plan has two primary goals.

The first is our goal of becoming a corporate group that supports a resilient and sustainable society. As a platform provider of risk solutions, we will develop and provide optimal solutions and contribute to addressing various social issues, including climate change, toward realizing a “corporate group that supports a resilient and sustainable society.”

The second goal is to secure high profitability with International Financial Reporting Standards (IFRS) net income of ¥470 billion–¥500 billion and an adjusted ROE of 10% or more on a stable basis in FY2025.

To realize the Group’s vision, the Medium-Term Management Plan defines three basic strategies: “Value” (value creation), “Transformation” (business reforms), and “Synergy” (demonstration of Group synergies). With these basic strategies as the pillars of our Medium-Term Management Plan, we will provide products and services that offer new value before and after insurance coverage, enhance the sophistication of our risk consulting services using data and digital technology (Value), create new businesses (Transformation), and further improve operational efficiency and quality (Synergy).

Summary of the first year of the Medium-Term Management Plan (2022–2025)

Three Basic Strategies: Value, Transformation and Synergy

The three basic strategies produced many results in the last fiscal year, the plan’s first year, some of which we would like to introduce.

1 Value (Value creation)

The Group promoted the “MS&AD Value Strategy.” It strengthened the earnings foundation by building a system for developing and selling products and services before and after insurance coverage that leads to addressing social issues through “CSV × DX.”

The “Accident Risk AI Assessment” jointly developed by Mitsui Sumitomo Insurance and MS&AD InterRisk Research & Consulting, which identifies potentially dangerous points and prevents accidents from occurring, is also being sold by Aioi Nissay Dowa Insurance and is being developed as a joint effort of the three companies.

Mitsui Sumitomo Aioi Life Insurance has started developing “MSA Care,” a healthcare service for preventing illness, early detection, and addressing severe disease and recurrence. In the future, we will make this service available to non-life insurance customers as a Group-wide service. Thus, the lineup of products and services before and after insurance coverage is steadily expanding, creating a new source of revenue for the Group.

In addition, MS&AD InterRisk Research & Consulting has been positioned as the Group’s core company for risk management and has provided risk management services utilizing data and digital technology. Today, the company is making steady progress in creating new value for society, with sales from its non-Group businesses exceeding those of its businesses contracted by the Group’s internal operating companies.

2 Transformation (Business reforms)

We are transforming our business, product, and risk portfolios. In addition, we are expanding our international and domestic life insurance businesses to transform our business portfolio from its reliance on domestic non-life insurance.

In the international business, MS Amlin’s profitability, a long-standing concern, has improved and is expected to contribute to the Group’s profits. In the United States, we strengthened our business

structure by investing in companies such as Transverse Insurance Group, LLC, a **fronting company** in the **MGA** market.

In the domestic life insurance business, diversification of sales channels progressed, including developing the corporate market in cooperation with Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance and developing regional banks and shinkin banks for over-the-counter sales.

To transform our risk portfolio, we have been reducing strategic equity holdings: In FY2022, we decreased strategic equity holdings by ¥206.6 billion, well above the ¥100 billion planned at the beginning of the year. After reducing strategic equity holdings by ¥600 billion in the current Medium-Term Management Plan, we will further reduce them by ¥600 billion in the next Medium-Term Management Plan, aiming to halve the amount of strategic equity holdings compared with the end of September 2022.

3 Synergy (Demonstration of group synergies)

To maximize Group synergies, we have promoted the “One Platform Strategy.” While retaining each company’s strengths, we standardized, collaborated, and integrated other areas without exception. At the same time, we focused on pursuing synergies in the life and non-life insurance business and globally.

In claims service, we promoted the standardization of business operations. In addition, from FY2023, Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance will start operating together at sites where claims are paid, aiming at standardizing operations toward FY2025 when Aioi Nissay Dowa Insurance will start using the **BRIDGE**.

To improve the efficiency of head office functions, we will promote integrated management, such as holding posts concurrently at Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance and integration of operations into the holding company, expansion of business process outsourcing (BPO), and operating together at the same bases. From FY2023, we will hold posts concurrently to deal with industry and crisis management and consolidate employee training and cybersecurity into the holding company. We will also consider expanding BPO in various areas, including human resources, general affairs, real

estate, accounting, and sales administration. Efforts to cross-sell life and non-life insurance products and to generate synergies among life insurance companies are making steady progress. The cross-selling ratio of non-life insurance agents increased from the previous year to 20.1%. Mitsui Sumitomo Primary Life Insurance product sales by Mitsui Sumitomo Aioi Life Insurance have also progressed steadily. Mitsui Sumitomo Aioi Life Insurance has grown to be fourth overall among

Mitsui Sumitomo Primary Life Insurance sales channels. From April this year, we further strengthened our cooperation by starting sales of Mitsui Sumitomo Primary Life Insurance’s new product for Mitsui Sumitomo Aioi Life Insurance’s commissioned agents.

- ⇒P30 Basic Strategies 1. Value
- ⇒P31 Basic Strategies 2. Transformation
- ⇒P32 Basic Strategies 3. Synergy

Three Materialities of Sustainability (Priority Issues)

In the current Medium-Term Management Plan, we have set forth three materialities for Sustainability, which is the foundation of our basic strategies: Planetary Health (Symbiosis with the Global Environment), Resilience (Safe and secure society), and Well-being (the happiness of a diverse people).

1 Planetary Health (Symbiosis with the global environment)

The major directions of our efforts are Carbon Neutral (decarbonization and a response to climate change) and Nature Positive (improvement of the sustainability of natural capital).

Following the adoption of the Paris Agreement of the United Nations Framework Convention on Climate Change in 2015, governments worldwide have agreed to pursue efforts to limit the global average temperature increase to 1.5°C. To realize the agreement, it is necessary to peak out global greenhouse gas emissions as soon as possible and to achieve a balance between greenhouse gas emissions and absorption by forests and other resources in the second half of the 21st century.

Our Group has set a goal of reducing its greenhouse gas emissions to net zero by FY2050 and implementing initiatives to reduce its environmental impact. As a specific initiative, through the **MS&AD Green Earth Project**, the Group’s unique environmental management system, we are actively promoting initiatives to reduce the environmental impact of our business activities, including efforts to reduce greenhouse gas emissions.

Furthermore, through insurance and consulting services, we will continue to support the development of a sustainable society by providing countermeasures against the impact of extreme weather events caused by climate change on business activities and developing products and services that contribute to the transition to a decarbonized society.

We are also working to improve the sustainability of natural capital in conjunction with climate change responses. A stock of natural capital supports nature’s bounty. The resilient and sustainable society that our Group aims to achieve as a “corporate group supporting a resilient and sustainable society” can only be realized with a sound global environmental foundation and a business model that considers the sustainability of natural capital as supporting the sustainability of society as a whole, including corporations.

The Taskforce on Nature-related Financial Disclosures (TNFD) was established in June 2021 to create an information disclosure framework and guide global financial flows toward positive outcomes for nature. We also lead as the convener of the TNFD Japan Council. By providing solutions and products that help improve the sustainability of natural capital, the Group will build a sustainable relationship between natural capital and business activities and contribute to living in a global environment.

2 Resilience (Safe and secure society)

In addition to accident prevention and mitigation, we are promoting initiatives to address new risks with the aim that our activities will lead to regional revitalization (building resilient and inclusive local communities).

Industry and society are rapidly digitizing, and the platforms that facilitate these changes, such as interacting online, e-commerce, online education, and the shift to remote work, have increased and transformed our society. Preparing for the new normal, including improved digital safety, is becoming increasingly important. The Group believes that anticipating, preventing, and appropriately managing new risks associated with progress in innovation and changes in industrial structure are important for people’s stable lives and active business activities. By providing products and services that address new

***MGA**
An abbreviation for managing general agent. Entrusted with the authority of an insurance company, it is responsible for performing various business activities, including underwriting, policy management, reinsurance arrangement, and insurance claims assessment.

***Fronting Company**
A form of underwriting in which a fronting insurance company issues policies at the request of another insurance company and cedes most or all of the underwritten risk to the other insurance company.

***BRIDGE**
An insurance payment system common to both Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance.

***MS&AD Green Earth Project**
An initiative through which the MS&AD Group is working together with others to promote the conservation and restoration of the natural environment, which contributes to the reduction of environmental impact, accident prevention and mitigation, and regional revitalization. Through this initiative, we will work together with local communities to contribute to solving issues.

risks, we will contribute to realizing a safe and secure society.

Risks are diversifying in response to changes in the environment, such as technological advances, the effects of climate change, and the aging of the population. To prepare for new risks, it is essential to evaluate risks using reliable risk models and control risks based on them. The Group provides solutions to prepare for risks through consulting by MS&AD InterRisk Research & Consulting, which has advanced research and study functions and practical consulting capabilities. In addition, to support preparing for automobile accidents, natural catastrophes, large-scale earthquakes, and infectious diseases, such as the novel coronavirus, we will visualize risks through data analysis and AI and provide problem-solving tools, thereby contributing to realizing a safe and secure society.

Furthermore, to build such a society, we will conduct joint research with government agencies and universities on accident prevention and mitigation, and provide new services as a result of our research.

3 Well-being (Happiness of diverse people)

As we move forward to address a healthy and longevity society in which people live in a 100-year life span era and promote respect for human rights, we will focus on ensuring all people involved, including employees, realize solutions to social issues while feeling motivated, rewarding, and happy.

The total population is declining in Japan due to the falling birthrate and aging population. With the increase in the elderly population, there is a need for an environment where older people can feel comfortable living their lives. An urban structure that allows easy mobility, access to

health and preventive medicine information, and a residential environment that considers physical functions that decline with age and nursing care are necessary. At the same time, to mitigate population decline, it is important to have an environment in which expectant mothers, children, and those with children feel safe and enjoy peace of mind to live.

The Group will offer products that support better health to realize a lifetime of working, provide asset-building measures to keep a fulfilling second life, and help the development of business activities that support a super-aging society, thereby addressing a healthy and longevity society.

The basic human rights policy covers the Group's value chain, including agents and other business partners. The Group encourages these parties to prevent or mitigate adverse human rights impacts on their business activities. Based on the UN Guiding Principles on Business and Human Rights, we aim to enhance corporate value by developing value chains and internal environments free from human rights violations by establishing and implementing a human rights due diligence system, a management system of respect for human rights.

We believe that the Group's management vision of becoming a "world-leading insurance and financial services group" can be achieved by working together as a unified group to address social issues outlined in the Medium-Term Management Plan. At the same time, all Group employees will work together to complete the Medium-Term Management Plan and realize our mission "to contribute to the development of a vibrant society and help secure a sound future for the planet by enabling safety and peace of mind through the global insurance and financial services business."

⇒ P21 Identifying Materiality



Human Resource Strategy

The primary fundamental initiatives of the Medium-Term Management Plan also include a human resource strategy. To simultaneously increase employee engagement and productivity, we are building an optimal human resource portfolio and creating an environment that allows employees to maximize their abilities.

We also believe that providing all employees with opportunities to grow and demonstrate their abilities through their work will enhance corporate competitiveness.

The current Medium-Term Management Plan calls for securing human assets to support the execution of strategies and creating an environment where these assets can play an active role. We will create an environment where employees can work in a rewarding, proactive, and motivated manner and foster a culture that encourages them to take on the challenge of creating new values. In addition, we will further diversify the decision-making layer and promote inclusive organizational management that draws on the knowledge, experience, and values of diverse human assets and utilizes them in corporate decision-making.

We will also fill in the gaps in human resources necessary for implementing the basic strategies of the Medium-Term Management Plan and increase employee engagement to achieve sustainable improvement in corporate value. We are expanding our training menu to enable autonomous learning to build an optimal human assets portfolio.

We are also focusing on reskilling, recurrent training,

and retaining and promoting active roles of specialized human resources. For example, we are pursuing initiatives on a digital human resources development program to develop human resources to lead our CSV × DX strategy. For employees in high-level roles, we implement the Group's unique digital human resources development program in collaboration with universities and other institutions to improve their skills.

To develop human resources for international business, we are implementing global human resources development programs, aiming to develop human resources capable of managing overseas entities suitable for one of the world's leading insurance and financial groups. To improve our employees' international awareness and global business skills, we have established a system in which employees in Japan and other regions interact with each other and work hard to hone their skills.

In addition, we will expand our open recruitment system (post-challenge program), which allows employees to transfer to posts or departments of their choice and expand the scope of their activities for their career development. We are providing more opportunities for autonomous career development, such as the use of a system (free agency) that enables employees to apply the abilities and skills they have developed so far in departments they designate as an immediate asset and a scheme that will allow employees to participate in corporate initiatives autonomously beyond the boundaries of existing organizations.

DE&I, Promoting Diverse Working Styles

In our human resource strategy, to create an environment in which diverse employees can genuinely demonstrate their abilities and to create innovations and enhance corporate value, we have incorporated the perspective of "equity" into "Diversity & Inclusion (D&I)," and we are promoting it as "DE&I." For the career development of women, we will expand opportunities for women to play an active role and develop the pipeline to achieve the Group's target by the end of FY2030.

Our employees' health is essential for improving their quality of life (QOL) and realizing the Group's management philosophy. The Group promotes "working style reform" to provide a place where diverse human resources with various values can work and increase productivity while feeling at ease and rewarded in their work, as well as working to

create a health- and safety-conscious workplace to maintain and improve the physical and mental health of every employee.

To promote diverse and flexible working styles, we use working from home as a routine form of work. We conduct business operations that efficiently combine working from home with working at offices and business operations, such as remote work, that enable employees to work anywhere. We will also expand opportunities to improve and utilize skills by relaxing restrictions on side and second jobs. We are also working to achieve a 100% acquisition rate and four-week duration for male employees taking paternity childcare leave.

⇒ P79 Human Resource Strategy

The Future MS&AD Aims for

~ To be a corporate group that supports a resilient and sustainable society ~

■ What we need to do now for future growth

The environment surrounding the Group is expected to remain uncertain. Environmental changes, such as rising inflation, increasing natural catastrophes, a hardening reinsurance market, labor shortages, and uncertainty in the financial markets, have significantly affected the Group's performance and strategies compared to when the current Medium-Term Management Plan was formulated.

To achieve sustainable growth of the Group amid a changing external environment, we believe it is necessary to make a Group-wide effort to "transform our profit structure" while adapting to the changes.

In particular, the critical point is to improve the profitability of the non-life insurance business, which is affected by natural catastrophes, frequent large losses, inflation, and other factors.

The domestic non-life insurance business is the Group's core business, and the profits generated by this business are the primary source of funds for business investments and DX investments. A wide range of things need to be done to improve the profitability of the domestic non-life insurance business. More than before, we will work to

optimize underwriting and further improve productivity.

Strategic system investments will be made as planned, and we will respond to rising non-personnel and personnel expenses due to inflation by steadily and boldly advancing our "One Platform Strategy."

A perspective of risk diversification to the international and life insurance businesses is also indispensable. We will expand our international business by increasing underwriting of good-performing policies in MS Amlin, for which profitability is recovering, and by disciplined business investment. In the domestic life insurance business, we will further promote life and non-life insurance cross-selling and increase profits by capturing asset formation needs.

We will strengthen our ability to generate profits from our international and domestic life insurance businesses so that 50% of the Group's profits will be generated from businesses other than the domestic non-life insurance business by FY2025. The Group's goal is to achieve stable profits for the Group as a whole, even if individual businesses experience factors that reduce profits.

Looking Ahead

The "resilient and sustainable society" that we aim to realize in 2030 refers to a society that minimizes damage from unexpected events, adapts to a new environment, and grows again, and one in which the balance between the economy, the environment, and society is maintained with both the global environment and social systems being sustained well into the future.

Based on the creating shared value (CSV) management that has been widely spread since the previous Medium-Term Management Plan, the Group will further robustly promote "CSV × DX × Global" to contribute to addressing various social issues, including climate change, and continue to grow together with society.

To realize the Group's aspiration of becoming "a corporate group supporting a resilient and sustainable society," all officers and employees of

the Group will work together and fully demonstrate the Group's strengths to achieve the goals of the Medium-Term Management Plan.

We hope our stakeholders will continue to have high expectations for the Group, which will continue to "contribute to addressing social issues and grow together with society as a platform provider of risk solutions." We look forward to your continued support.

