

# Review of the Medium-Term Management Plan and Aspiration for 2030

The MS&AD Insurance Group, together with its customers, shareholders, and other stakeholders, has developed a value creation story and has made steady progress toward the realization of becoming the “world’s leading insurance and financial group,” which it set out to become at its inception, by maintaining its position among the top 20 non-life insurance companies in the world.

To become a corporate group that supports a resilient and sustainable society in 2030, we aim to achieve sustainable growth by creating shared value with society by providing solutions to social issues through the promotion of the CSV×DX strategy.

## New Frontier 2013

### Development of the Mission

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

## Next Challenge 2017

### Building of a value creation story

Evolve and develop Group integration based on the value creation story that embodies our mission

## Vision 2021

### Develop management based on CSV

Set the SDGs as a guidepost, set the social vision for 2030, and promote CSV

## Medium-Term Management Plan (2022–2025)

### Implementation of growth strategies based on CSV

Full-scale development of CSV×DX×Global

### Aspiration for 2030

A corporate group supporting a resilient and sustainable society

**Achievements** We have promoted the integration of Group management, including the construction of a system that will serve as a common foundation for the domestic non-life insurance business, and clarified the form of Group management through “reorganization by function.”

**Issues** The Group ultimately missed its targets for Group core profit and Group ROE owing to the occurrence of large-scale natural disasters, including the Great East Japan Earthquake and floods in Thailand.

**Achievements** We have put in place a stable earnings foundation through Group management integration via “reorganization by function.” We strengthened ERM and promoted sales of strategic equity holdings and international business investment, thereby improving capital efficiency and building a growth base.

**Issues** Owing to the impact of the U.S. hurricanes and other factors in FY2017, profits fell substantially in the international business, and we did not achieve our targets for Group core profit and Group ROE.

**Achievements** While deepening “reorganization by function,” Group adjusted profit of ¥347.1 billion exceeded the target and Group adjusted ROE exceeded expectations at 9.5%. In terms of scale, the Group remained high among global non-life insurance groups.

**Issues** Due to the impact of overseas natural disasters and COVID-19 on stock market conditions, etc., the diversification of risk and business portfolios became an ongoing issue.

Target	
IFRS net income FY2025 <b>¥450 billion</b>	Group adjusted profit FY2025 <b>¥760 billion</b> <small>(excluding the ¥450 billion impact of accelerated sales of strategic equity holdings)</small>
Adjusted ROE <sup>1</sup> FY2025 <b>12%</b>	Group adjusted ROE <sup>2</sup> FY2025 <b>16%</b> <small>(excluding the 10% impact of accelerated sales of strategic equity holdings)</small>

\*1 IFRS net income / (Net assets on an IFRS basis – Net unrealized gains/losses on strategic equity holdings)  
Under IFRS, gains/losses on sale of strategic equity holdings are no longer included in net income. To align the standards for the denominator (net assets) and numerator (net income) of ROE, gains/losses on strategic equity holdings are excluded from net assets.  
\*2 Group adjusted profit / Group adjusted net assets  
Adjusted net assets = Consolidated net assets + Catastrophe reserve and others – Goodwill and other intangible fixed assets

### Numerical Management Targets

	FY2010 Results	FY2013			FY2014 results	FY2017		
		Results	Initial targets	Revised targets		Results	Initial targets	Revised targets <sup>*1</sup>
Group Core Profit <sup>1</sup>	14.5	94.8	150.0	110.0	155.7	105.0	160.0	220.0
Domestic non-life insurance	6.5	47.8	100.0	60.0	92.4	190.1	100.0	135.0
Domestic life insurance	4.1	24.4	15.0	15.0	20.4	34.3	16.0	15.0
International business	1.8	18.0	30.0	30.0	38.2	-125.0	39.0	66.0
Financial services business/ Risk-related services business	1.9	4.4	5.0	5.0	4.6	5.6	6.0	5.0
Group ROE <sup>1</sup>	0.8%	4.5%	7.0%	7.0%	5.9%	3.7%	7.0%	7.5%
Consolidated net premiums written	2,541.4	2,809.5	2,700.0	2,700.0	2,940.7	3,446.9	3,100.0	3,570.0
Combined ratio (domestic non-life insurance)	-	-	-	-	96.0%	92.8%	95% or less	93% range
Annualized premiums of policies in force (life insurance) <sup>2</sup>	278.0	333.5	330.0	330.0	-	-	-	-
Increase in EV <sup>3</sup> of MSI Aioi Life	-	-	-	-	59.7	41.3	more than 45.0	more than 50.0

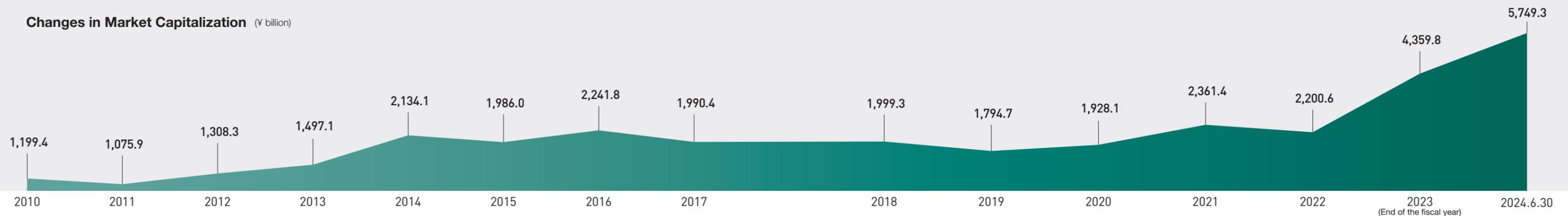
<sup>\*1</sup> The definitions for Adjusted Profit and Adjusted ROE, which have been identified as numerical management targets, are being reviewed under the Medium-Term Management Plan “Vision 2021,” which was initiated in FY2018.  
<sup>\*2</sup> Figures for MSI Aioi Life (excluding group insurance). The figure for FY2010 is the total for MSI Kirameki Life and Aioi Life.  
<sup>\*3</sup> EV: Embedded Value (see “Glossary of Insurance Terminology” on p. 116)

	FY2018 Results	FY2021		
		Results	Initial targets	Revised targets <sup>*3</sup>
Group Adjusted Profit	189.8	347.1	350.0	300.0
Domestic non-life insurance (excluding gains/losses on sales of strategic equity holdings)	146.9 (65.1)	230.7 (173.5)	182.0 (142.0)	177.0 (150.0)
Domestic life insurance	31.6	75.7	45.0	41.0
International business	5.4	34.3	117.0	75.0
Financial services business/ Digital/risk-related services business	5.8	6.3	6.0	7.0
Group Adjusted ROE	6.1%	9.5%	10.0%	10.0%
Consolidated net premiums written	3,500.4	3,609.0	3,710.0	3,580.0
Life insurance premiums (Gross premiums income) <sup>5</sup>	1,599.9	1,314.4	1,600.0	1,000.0
MSI Aioi Life’s EEV	819.4	923.6	1,050.0	962.0
ESR (Economic Solvency Ratio)	199%	228%	180%–220%	180%–220%

<sup>\*4</sup> FY2017 numerical management targets were revised higher from the initial targets in FY2016.  
<sup>\*5</sup> Life insurance premiums (gross premiums income) are those of domestic life insurance subsidiaries only.  
<sup>\*6</sup> FY2021 numerical management targets were revised from their initial values in FY2020 given Stage 1 progress.  
<sup>\*7</sup> Figures after retrospective application of IFRS 17

	FY2022 results <sup>7</sup>	FY2025 target
Group Adjusted Profit	222.2	760.0
Domestic non-life insurance (excluding gains/losses on sales of strategic equity holdings)	118.3	496.0
Domestic life insurance	34.7	54.0
International business	67.0	206.0
Financial services business/ Digital/risk-related services business	2.0	4.0
Group Adjusted ROE	6.1%	16.0%
Consolidated net premiums written	3,933.2	4,890.0
Life insurance premiums (Gross premiums income) <sup>5</sup>	1,707.5	1,670.0
MSI Aioi Life’s EEV	908.0	-
ESR (Economic Solvency Ratio)	228%	180%–250%

### Changes in Market Capitalization (¥ billion)



(Source: Bloomberg)

# Aspirations, Basic Strategies, and Foundations of the Medium-Term Management Plan (2022–2025)

The Medium-Term Management Plan (2022–2025) aims for us to become a “corporate group supporting a resilient and sustainable society” that contributes to solving social issues and grows together with society by implementing a value creation story and acting as a platform provider of risk solutions. To realize our aspirations, we will use “Value (value creation),” “Transformation (business reforms),” and “Synergy (pursuit of Group synergies)” as our basic strategies, and “Sustainability,” “Quality,” “Human Resources,” and “ERM” as the foundation to support our basic strategies.

## Aspirations

**Qualitative Targets** A corporate group supporting a resilient and sustainable society

As a platform provider of risk solutions, we will help solve climate change and other social issues, while growing together with society.

- In addition to covering economic losses, seamlessly provide products and services before and after coverage and protection.
- Offer optimal solutions through marketing, underwriting, payment services, and risk consulting that utilize digital technologies.

**Quantitative Targets**

IFRS net income		Group adjusted profit	
FY2025	<b>¥450 billion</b>	FY2025	<b>¥760 billion</b> <small>(excluding the ¥450 billion impact of accelerated sales of strategic equity holdings)</small>
Adjusted ROE <sup>1</sup>		Group adjusted ROE <sup>2</sup>	
FY2025	<b>12%</b>	FY2025	<b>16%</b> <small>(excluding the 10% impact of accelerated sales of strategic equity holdings)</small>

<sup>1</sup> IFRS net income / (Net assets on an IFRS basis – Net unrealized gains/losses on strategic equity holdings): Under IFRS, gains/losses on sale of strategic equity holdings are no longer included in net income. To align the standards for the denominator (net assets) and numerator (net income) of ROE, gains/losses on strategic equity holdings are excluded from net assets.  
<sup>2</sup> Group adjusted profit / Group adjusted net assets: Adjusted net assets = Consolidated net assets + Catastrophe reserve and others – Goodwill and other intangible fixed assets

## Basic Strategies and Foundations Supporting Basic Strategies

Basic strategies	Value (value creation)	Transformation (business reforms)	Synergy (pursuit of Group synergies)
	<ul style="list-style-type: none"> <li>Enhance the profitability of our businesses, products, and services to strengthen the earnings foundation</li> <li>Roll out CSV×DX globally to provide value to all stakeholders and enhance corporate value</li> </ul>	<ul style="list-style-type: none"> <li>Complete a fundamental review of the business structure and implement reforms aimed at a business structure based on customer-focused operations and compliance with laws and regulations</li> <li>Transform our business structure to adapt to changes in the business environment, including the creation of new businesses</li> <li>Transform our businesses, products, and risk portfolio to build a stable earnings foundation</li> </ul>	<ul style="list-style-type: none"> <li>Take advantage of the diversity of the Group and strengthen cooperation to achieve further growth</li> <li>Deepen standardization, collaboration, and integration in the Group to improve productivity</li> <li>Pursue synergies on a global basis</li> </ul>

Foundation	Sustainability	Quality	Human Assets	ERM
	<ul style="list-style-type: none"> <li>Employ initiatives to address the three priority issues</li> <li>Symbiosis with the global environment (Planetary Health)</li> <li>Safe and secure society (Resilience)</li> <li>Happiness of diverse people (Well-being)</li> </ul>	<ul style="list-style-type: none"> <li>Re-emphasize customer-focused business operations and compliance</li> <li>Be a corporate group that continues to evolve based on customer feedback</li> <li>Engage in highly transparent and effective corporate governance</li> </ul>	<ul style="list-style-type: none"> <li>Build an optimal portfolio of human resources</li> <li>Develop a working environment in which employees can fully demonstrate their abilities, skills, and motivation</li> </ul>	<ul style="list-style-type: none"> <li>Improve earning power and capital efficiency</li> <li>Reduce strategic equity holdings</li> </ul>

## Value Creation

### Basic Strategy 1 Value

In our Basic Strategy 1, “Value,” in addition to increasing the profitability of our businesses, products, and services and strengthening our earnings foundation, we will roll out CSV×DX globally and provide value to all stakeholders, thereby contributing to solving social issues and enhancing corporate value.

In the Value strategy, we will strengthen our earnings foundation and provide new value based on the Group’s strong financial base, steady profit growth, diverse human assets, etc.

### Enhancing the revenue base

- In our efforts to strengthen the earnings foundation, in light of changes in the business environment, such as an increase in natural disasters and continued inflation, we are promoting efforts to improve insurance profitability and enhance productivity.
- In the first stage of the Medium-Term Management Plan (2022–2025), we worked to improve efficiency, including promoting cashless and paperless operations and other revisions to business processes, as well as to reform our business style, including promoting remote work and revising office space. Furthermore, in voluntary automobile and fire insurance, in addition to product and premium rate revisions, we worked to improve profitability through measures such as disciplined underwriting and line size controls.

### MS&AD Value strategy

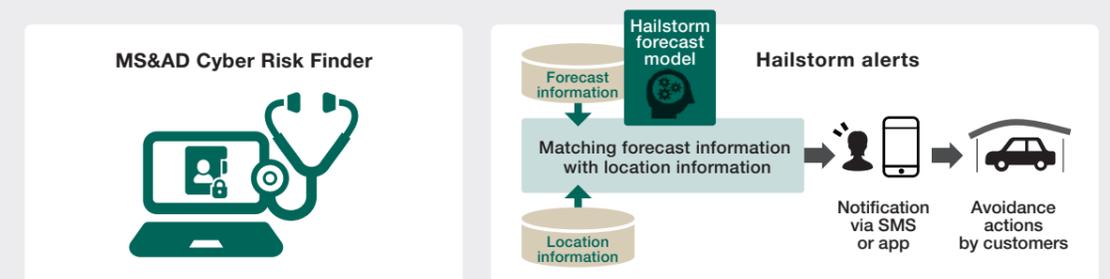
- Under our MS&AD Value strategy, we are utilizing the latest digital technology and data to develop and monetize new products and services.
- In the first stage of the Medium-Term Management Plan (2022–2025), we worked to develop and monetize new products and services for before and after compensation and protection through collaboration with other industries and the utilization of digital technology, in addition to the original function of insurance, which is to compensate for losses. In addition, we focused on utilizing knowledge gained through investment in start-ups by MS&AD Ventures, a corporate venture capital firm based in Silicon Valley, across the Group as a whole.



### CSV×DX

We are developing and expanding products and services that will lead to the resolution of social issues and building a sales system.

#### Examples of initiatives



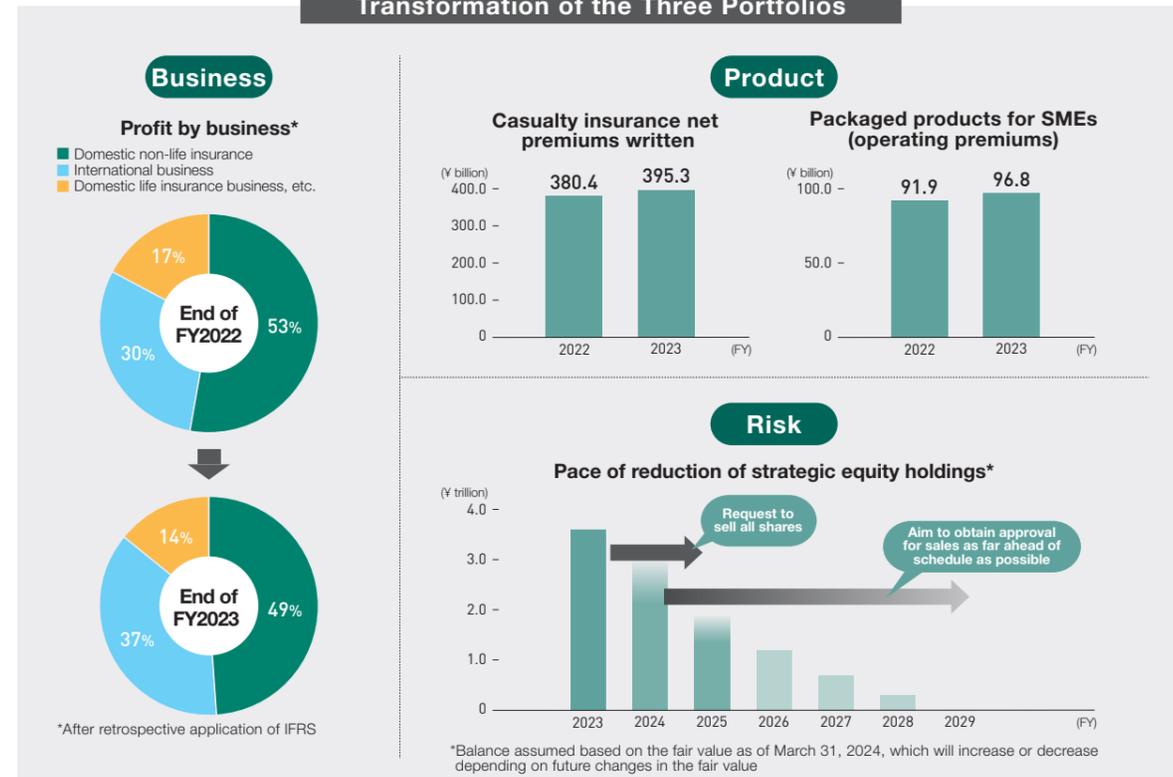
# Business Reforms

## Basic Strategy 2 Transformation

Basic Strategy 2, “Transformation,” aims to build a stable earnings foundation by implementing reforms in three portfolios: business, product, and risk. We will also transform the structure of our business, including the creation of new businesses, and adapt to changes in the business environment.

- In “Business Portfolio Reform,” we aim to secure approximately 50% of our profit from businesses other than the domestic non-life insurance business by FY2025, and we are taking steps to diversify profit sources by expanding the international business, domestic life insurance business, and new business areas. In the first stage of the Medium-Term Management Plan, we increased profits from the international business through measures such as the development of the U.S. market through our investment in MS Transverse, in addition to profitability recovery and expansion at MS Amlin.
- In “Product Portfolio Reform,” we are reforming our product portfolio to a more diversified portfolio by expanding casualty insurance (expanding sales of new products in response to new risks), taking into consideration the slowing growth of voluntary automobile insurance and fire insurance over the medium to long term. In the first stage of the Medium-Term Management Plan, we expanded casualty insurance by expanding sales of products to address new risks and needs, such as cybersecurity, as well as products for mid-sized and small businesses. In the domestic life insurance business, we expanded sales of highly profitable products.
- In “Risk Portfolio Reform,” we reduced strategic equity holdings, which account for the largest portion of the Group’s risk volume. We are further accelerating our efforts to achieve zero strategic equity holdings by the end of FY2029. In the first stage of the Medium-Term Management Plan, we sold ¥450.8 billion worth of strategic equity holdings, more than double our initial sales target of ¥200 billion.

### Transformation of the Three Portfolios



### Utilization of digital technology to pursue optimal solutions

In the first stage of the Medium-Term Management Plan (2022–2025), we accelerated collaboration with platform providers to develop insurance sales using a built-in e-commerce website, and as part of our aim to utilize business operations based on generative AI, we built a usage environment and trained core human resources to promote its utilization.

# Demonstration of Group Synergies

## Basic Strategy 3 Synergy

Under Basic Strategy 3, “Synergy,” the Group will leverage its strengths in diversity to drive growth, while leveraging its scale to improve productivity. We will take advantage of the economies of scale in the domestic non-life insurance business, which boasts the largest market share; boldly promote standardization, collaboration, and integration across the Group by centering on the middle- and back-office divisions of Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance as the “One Platform Strategy”; and achieve greater operational efficiency and quality improvement at the same time. We are also actively working to demonstrate synergies between domestic Group companies and global synergies.

In the “One Platform Strategy,” Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance will continue to operate as one, excluding strategic differences such as some large Group contracts and specialized office work and products for specific channels. We will promote the integrated management of head office functions, expand the use of BPO\* for routine operations, and use shared bases to improve the efficiency of head office functions. As a synergy between the domestic non-life insurance business and the domestic life insurance business, we will increase the ratio of non-life insurance agents who also sell life insurance from about 20% currently to 25%. As a global synergy, we will pursue synergies between Group companies and investee companies in all areas in and outside Japan, including insurance products, non-life insurance services, and DX.

\*BPO: Business Process Outsourcing (the outsourcing of operations)

### Implementation of the “One Platform Strategy”

Category	Initiative	Details
Progress and future initiatives (Excerpt)	1 Platform Standardization, collaboration, and integration	<ul style="list-style-type: none"> <li>• Further pursue standardization, collaboration, and integration in middle- and back-office operations, achieving further business efficiency and quality improvement</li> <li>• There are advantages to not standardizing specific procedures and products, etc., for some major Group contracts and specific channels, and integrated operation will be implemented except where separation is retained for strategic purposes.</li> </ul>
	Products	• After clarifying the operations to be managed in an integrated manner by the two companies, co-location of the relative organizations to be managed in an integrated manner will begin in FY2024
	Frontline claim services	<ul style="list-style-type: none"> <li>• From FY2025, Aioi Nissay Dowa Insurance will join the joint claims service system and standardize the business processes of both companies</li> <li>• We will strengthen joint implementation (outsourcing) of vehicle and medical inspections</li> </ul>
	Contact center	<ul style="list-style-type: none"> <li>• In principle, all staff members will serve in concurrent positions, and functions will be integrated and collaborated on through the integration of administrative divisions, etc.</li> <li>• Start integrated operations in Osaka and gradually expand to other target regions</li> </ul>
	Investment (asset management)	• Utilize a common platform (MSR*), share investment information, share human asset development policies and skills, etc.
Efficiency of head office functions	Accelerate cost reduction through productivity reforms	<ul style="list-style-type: none"> <li>• Establish integrated management of human resources, general affairs, real estate, public relations, compliance, auditing, risk management, international management, systems, etc.</li> <li>• Expand the scope of integrated management of human asset development, communications, etc.</li> </ul>
	Promote business process reform, and further promote the shift to paperless and digital operations	<ul style="list-style-type: none"> <li>• Reduce customization during system development through a “Fit to Standard” approach, in which business processes are aligned with systems, and reduce system assets by utilizing cloud computing and new technologies</li> </ul>

\*MSR Capital Partners, LLC

### Group-wide synergies



### Global synergy





**Special Feature**

As a platform provider of risk solutions

# Taking on the challenge of major reforms of business style

In FY2023, two of the Group's non-life insurance companies received business improvement orders and submitted business improvement plans. We must achieve major reforms of business style, with all employees in the Group returning to our "Mission, Vision, and Values."

As a platform provider of risk solutions, here are messages from eight employees working in the Group who are working on reforms of business style, and value provided, without being bound by precedent or convention.



I work in the claims support department at Mitsui Sumitomo Insurance, focusing on automobile accident resolution and claims payment work. Claims support work is a rewarding job where I can utilize my expertise and experience as a professional to help many people.

In response to the fraudulent claims by repair shops in 2023, we have made significant changes to our previous approach, including our repair shop referral service.

When handling claims, the most important thing is that we resolve them in a sympathetic, prompt, and appropriate manner. To this end, it is necessary for us to continually consider the needs of each customer, but as a result, I feel that we are often unable to refer the right repair shop to each customer.

The company is moving to eliminate any sense of discomfort that frontline employees might have had, and strong progress is being made on efforts to reform the culture and foster an open corporate culture. That might take some time, but I feel that the Company has begun moving in a better direction, and many employees, including myself, are hopeful.

With claims support work, it is difficult to understand the differences in responses between insurance companies until an accident occurs. For that reason, we must ensure that one of the strengths of our company is the fact that employees in claims support departments are professionals in their fields. I intend to become such an employee myself, and at the same time, I intend to train other employees well as we aim to become the insurance company of choice for customers.



## As a professional in claims support work

**Miku Kobayashi**

**Mitsui Sumitomo Insurance**

Tokyo Automobile Claims Dept.



## Delivering new value to customers

**Yoshihiko Asakuma**

**Aioi Nissay Dowa Insurance**

Yokohama Branch

As a manager in a retail sales department at Aioi Nissay Dowa Insurance, I work with our partner agencies to solve regional issues by utilizing our company's products and services.

For example, although we have not yet achieved any results or concrete achievements at this time, we are working with local governments to improve the future of their regions, in areas such as initiatives related to the spread of decarbonization and the circular economy, and efforts to promote ridesharing in regions where there is a shortage of cab drivers.

We have been working under the approach that we can best serve our customers by delivering our products to more customers, thus achieving our sales targets, and by improving the indicators of efficiency in our operations, such as paperless and digital procedure rates in our sales activities. However, a series of scandals in the non-life insurance industry has caused us to revisit the meaning of customer-oriented business operations and the value we provide.

Currently, I am working with agents to face the issues and needs of our customers and to help them make the best choices by providing them with good information concerning a variety of options in terms of insurance products, contract procedures, etc. Furthermore, we utilize our products and services as an insurance company to take on the challenge of creating shared value with local communities, including our customers.

I believe that giving these initiatives a concrete form and spreading related information nationwide will contribute to the development of human assets and lead to us becoming the insurance company of choice for our customers.

I built my career mainly in corporate sales, both in Japan and overseas, and after a stint in the United States, I was assigned to a new business department. Our mission was to establish new businesses related to insurance and to drive transformation.

After considering and failing at numerous new businesses, we finally succeeded in commercializing “MS LifeConnect,” an IoT platform service. When customers use insurance, it means that they have suffered an unfortunate event, and there might be things that cannot be recovered through insurance payouts. To create a world where people can avoid using insurance as much as possible, we have focused on IoT as a means of reducing risk, resulting in the release of the AI Smart Camera as the first of a series of linked devices.

There were some negative opinions about developing an IoT business as an in-house solution as an insurance company. We gathered colleagues from across departments who agreed with us, formed a project team, and continued to take on the challenge of providing new value. We considered ways to achieve solutions to issues and solved the missing elements by partnering with companies in Japan and overseas.

As an insurance company, we feel that we have taken a big step forward by creating a service other than insurance, but there is still work to do to develop “MS LifeConnect.” In the future, we will increase the number of smart locks and other IoT devices that can be linked and strengthen our consideration of service provision models linked to our core business by collaborating with the sales, claims service, and head office departments.

Through this project, we will continue to build momentum for a major transformation of business style, involving the Company as a whole.



## A wave of transformation starts with the actions of each one of us

**Koji Hiraiwa**  
Mitsui Sumitomo Insurance  
Business Design Dept.

As a concierge for direct voluntary automobile insurance policies, which can be contracted only over the Internet and telephone, I support safe and secure car lifestyles by attending to the feelings of all customers, including those who are new to insurance or unfamiliar with the Internet. Communicating directly with customers daily is central to my work.

I have always thought that we were close to our customers, but last year, there were a series of scandals involving Group companies, resulting in many discussions in the workplace about the importance of maintaining a customer-focused attitude. Looking back, I realize that I could have done more.

For example, when assisting a customer with renewal procedures for their policy, I discovered that the scope of drivers had changed during the policy period. I renewed the policy after changing the driver age requirement, but the customer said, “If I had contacted you when the driver range changed, the premiums could have been reduced. It feels a little wasteful.”

I also thought that there was nothing we could do about it because we would not have noticed it without the customer mentioning it, but the moment I used that one word, “impossible,” to explain away this incident, I realized that I was not being customer focused in the true sense. Then, we introduced a management system to check “if there is any change in customers’ car lifestyles” by phone or e-mail when six months had passed after the contract was signed. What can we do ourselves? Beyond the pursuit of this point lies the true value that we can provide.

To meet the expectations of our customers, I would like to maintain a stance of being proactive and working to improve my work, even on trivial matters.



## What does it mean to be truly customer focused?

**Rina Kawano**  
Mitsui Direct General Insurance Co., Ltd.  
Customer Center Dept.



## Transforming into an industry that gives hope to those who come after us

**Shohei Matsuo**  
Aioi Nissay Dowa Insurance  
Digital Business Design Dept.

As a data scientist working on DX at Aioi Nissay Dowa Insurance, I have been focusing on solving various internal and external issues. Most recently, we have proposed a service to local governments to quantitatively assess transportation issues.

I have liked statistics since I was a student, and I find my work as a data scientist at a non-life insurance company rewarding. In the future, I would like to work with more data and engage in activities that create new value to offer.

However, for young people of my generation, the insurance industry does not feel familiar. Work in the insurance industry is also perceived as not very exciting. For the Group to be reborn in a truly meaningful sense, I think we will need to take action to dispel this negative image.

With the formulation of the business improvement plan, there is now more momentum than ever to respect the opinions of each employee in the company. I would like to take this opportunity to actively express myself as an employee and utilize my strength in working with data to develop services that customers truly desire. I hope we will ensure that the company is one that is needed by many people as we utilize data to solve social issues, such as regional development, and work in a concentrated manner on activities that will contribute to CSV. By doing so, I believe that we will be able to show hope to our less experienced colleagues and become a company and human assets that society needs.



## Turning adversity into an opportunity for transformation

**Kaori Anzai**  
Mitsui Sumitomo Aioi Life Insurance  
Digital Innovation Dept.

I spent many years in sales promotion departments. During that time, I was thinking about how to get agents to sell insurance products. Of course, this does not mean that we do not consider the position of the customer, who actually purchases insurance, but I think there were times when we focused on the agent without even being aware of it.

Currently, I am working day by day to deliver “MSA Care,” a healthcare service that provides total support for customers’ health, to as many customers as possible. The major difference from the past is that through MSA Care, I now have more opportunities to listen to feedback from customers, and naturally, I began to think about what it means to be customer focused, which was previously difficult to see. Then, business improvement orders were issued to two non-life insurance companies in the Group, owing to price adjustments in corporate insurance. Both companies are working to transform the value they provide and are trying to become companies that provide valuable products and services that are useful to customers and society. Going forward, insurance companies will be selected based on the quality of their products and services. Accordingly, this has given us an opportunity to think about our customers more than ever before and to be more strongly aware of delivering the value we offer.

I am aware that MSA Care has become one of the most important services that will affect the future of the company. More than 2,500 companies have introduced this service as part of their benefit programs, and I believe that we will be able to deliver our products and services to many customers. I would like to continue to develop this service into one that will be truly appreciated by our customers.

I joined the company in 2012 and have spent more than a decade on the front line of sales, helping agents propose and sell insurance products that support their customers' life planning. This spring, my position changed to the product development side. I take this transfer as a message from the company that they want me to develop products that offer more value to customers, as someone who knows the front line of sales well.

Even though my position within the company has changed, my goal of engaging in customer-focused operations remains unchanged. In our position as an insurance company, we must first check the customer's knowledge of insurance products and the status of their assets, and then appropriately explain the risks and returns and gain their understanding. I also began to think more deeply about the need to design products that address the needs of customers, with a full understanding of the sales methods of the agents who sell the products.

I intend to always be conscious of whether we are meeting the expectations of society and our customers and taking on the challenge of creating products that support our customers' lives with integrity.



## Reconsidering the form of “customer-focused financial products”

**Suguru Sakama**  
Mitsui Sumitomo Primary Life Insurance  
Product Dept.

Today, the risks surrounding companies are becoming increasingly complex. One of these risks is risk related to natural capital, which is my specialty. For example, semiconductor manufacturing requires as much as 200,000 tons of fresh water per day per plant, and the reality is that manufacturers depend on nature to provide a stable supply of large volumes of water. At the same time, the impact of corporate activities on nature cannot be ignored. Modern companies must consider risk in terms of both dependence and impact on nature.

As a consultant in the sustainability domain, I have supported the corporate activities of many of our customers, but I am aware that I am in a special position within the Group. This is because if something happens, I am not in a position to offer compensation. We have focused on addressing the risks faced by customers head-on and creating measures to prepare for those risks.

As the Group transformation the way we conduct our insurance business, I believe that risk management will become even more important when proposing total risk solutions to customers. Accordingly, I would like to work in a manner that is more integrated than before with other Group companies.

I believe that for the Group, which is under pressure to transformation, it has become even more important to address risk head-on. In an age when even a single risk can jeopardize the survival of a company, we can quickly recognize risks that customers are not even aware of and move forward together in the right direction. Through the provision of such consulting services, I hope to continue to increase the value of the Group as a whole.

## Addressing our customers' risks head-on

**Chisa Awagakubo**  
MS&AD InterRisk Research & Consulting  
Risk Management Dept. 5th

# Medium-Term Management Plan (2022–2025)

## Foundations Quality

### Efforts to regain customer trust

The MS&AD Insurance Group has positioned “quality” as one of the foundations supporting the basic strategies of the Medium-Term Management Plan (2022–2025), and we are working to improve quality under the slogans “re-emphasize customer-focused business operations and compliance” and “a corporate group that continues to evolve based on customer feedback.” Considering the premium adjustment case and fraudulent insurance claims by referred repair shops in FY2023, we will further strengthen our efforts from the second stage of the Medium-Term Management Plan (2022–2025) as we endeavor to regain customers' trust.

#### Basic Policy for Responding to Customer Feedback

Based on our mission, the Group has established the Basic Policy for Responding to Customer Feedback, and we are committed to responding to all customer feedback in a prompt, appropriate, and sincere manner.

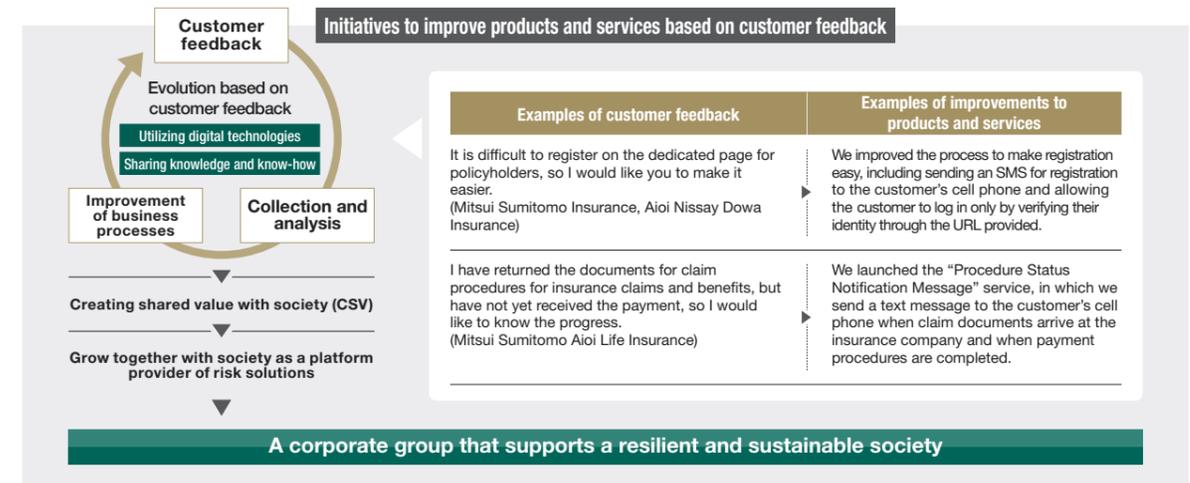
#### Basic stance toward customer feedback

- (1) All officers and employees shall respond promptly, appropriately, and sincerely to all customer feedback received from customers.
- (2) All officers and employees shall recognize that customer feedback is “important information for securing customers' trust, achieving business growth, and achieving further improvements in quality.”
- (3) All officers and employees shall collect and analyze information on customer feedback, strive to reduce complaints, and at the same time utilize customer feedback in various measures to improve quality and enhance customer satisfaction.

#### Initiatives related to customer-focused business operations

- On May 31, the five Group insurance companies announced the status of initiatives for FY2023 based on the “Policy Regarding Customer-Focused Business Operations.” For details, please refer to each company's website.
- The five Group insurance companies have declared that they will comply with ISO 10002 (Quality management – Customer satisfaction – Guidelines for complaints handling in organizations), an international standard related to handling complaints.

#### Initiatives to improve products and services based on customer feedback



### Practice highly transparent and effective corporate governance (see p. 95)

#### Topics

#### Provision of quality that meets customer expectations and examples of evaluations by external organizations

Each Group company has received the highest level of evaluation from HDI-Japan (managed by Think Service Corporation), a customer center evaluation by an external organization, because of quality improvements based on stakeholder feedback.

• Mitsui Sumitomo Insurance, Aioi Nissay Dowa Insurance, and Mitsui Direct received the highest rating of “3 Stars” in the categories of “Contact” and “Web Support” in the open rating survey.





Moving from an insurance company that only provides economic compensation to an insurance company that utilizes digital technology to solve customers' problems

CDO Message

**Tomoyuki Motoyama**  
Group CDO  
(DX Promotion)

Our understanding of current circumstances

In recent years, risks to society have steadily increased, including global outbreaks of infectious diseases, heightened geopolitical risks, cyberterrorism, and increasing natural disasters associated with climate change. On the other hand, changes in the social environment associated with the advancement of technology have expanded what we can do for our customers and the possibilities for our businesses. By analyzing various types of data, it is now possible to forecast the incidence of disasters and accidents with a high degree of accuracy, and technologies are emerging that enable rapid recovery in the event of an accident. As CDO, I believe that we can deliver new value to our customers that goes beyond insurance by utilizing all kinds of data from within and outside the Group and collaborating with many start-ups and other organizations attempting to solve social issues using cutting-edge technology. Although we cannot prevent accidents and disasters 100% of the time, we believe that if we can alleviate some of our customers' problems and help them recover in the event of an emergency, we can make them happy. In addition, as a major change in business style, we will fundamentally review existing approaches to business operations. Through the enhancement of solutions before and after compensation (protection), full digitalization of procedures, investment in digital human resources, and other measures, we will transform ourselves from "an insurance company that only provides economic compensation" to "an insurance company that utilizes digital technology to solve customers' problems, including risk sign detection and prevention, early recovery from accidents, and recurrence prevention, in addition to economic compensation."

Review of the first stage of the Medium-Term Management Plan (2022–2025)

In the first half of the Medium-Term Management Plan (2022–2025), we promoted initiatives that combine CSV and DX, with MS&AD InterRisk Research & Consulting playing a central role. As a platform provider of risk solutions, we have worked to solve the problems of our customers and society by developing and providing solutions before and after compensation (protection) to a wide range of customers. These solutions include accident prevention, burden mitigation in the event that accidents occur, early recovery after accidents, and recurrence prevention—not just economic compensation for losses through conventional insurance. One example is our solutions related to cybersecurity. In recent years, there has been an increase in sophisticated cyberattacks that even utilize generative AI. We are developing solutions capable of diagnosing and assessing the vulnerability risk of the entire supply chain to prevent cyberattacks, as well as comprehensive solutions for specialized responses to cyber incidents.



Solution name	Description
<b>MS&amp;AD Cyber Risk Finder</b>	Continuous implementation of Attack Surface Management (ASM) <sup>1</sup> , which is also recommended by the Ministry of Economy, Trade and Industry, to enable the detection of devices unidentified by the organization administrator and unintentional configuration errors from an attacker's perspective.
<b>Cyber Incident Guard</b>	Provision of a commander <sup>2</sup> function for a Cyber Security Incident Response Team (CSIRT), a team that responds to cyber incidents (incident response), to solve contingency response issues faced by customers.

<sup>1</sup> A series of processes to discover IT assets accessible from outside the organization (the Internet) and to continuously detect and evaluate vulnerabilities and other risks that exist in those assets.  
<sup>2</sup> Communicate with forensic service providers, attorneys at law, and other external parties, as well as internal parties such as management and contact points with related departments when responding to cyber incidents, and integrate and coordinate to minimize damage, achieve early recovery, etc.

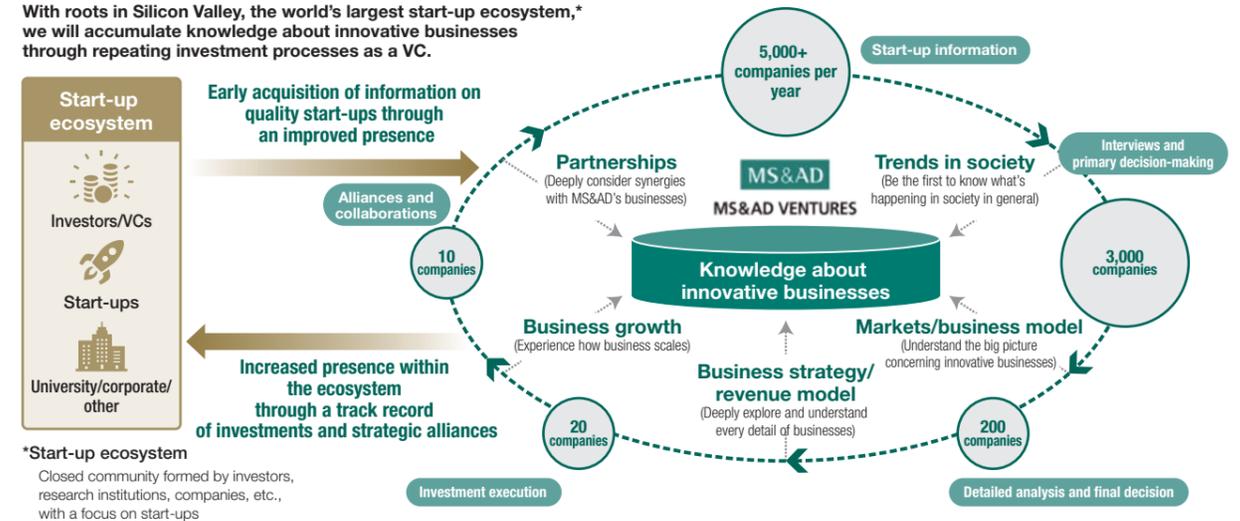
Initiatives related to the latest technologies and business models

In addition, at MS&AD Ventures<sup>1</sup>, Global Digital Hub<sup>2</sup>, and Aioi R&D Lab-Oxford<sup>3</sup>, we are researching cutting-edge technologies, business models, etc., from around the world, and through co-creation with various companies, we aim to develop attractive solutions that meet customer needs and create new businesses.

Regarding generative AI, we have built a secure environment that enables safe usage by approximately 30,000 Group members, and we utilize it in day-to-day operations such as search, translation, summarization, and image generation. We are also promoting operational efficiency by integrating generative AI into actual business processes, for example, by introducing a system that uses generative AI to automatically convert into text and summarize the content of calls with customers and other parties when handling claims.

<sup>1</sup> CVC (Corporate Venture Capital) was established in 2018 as the first such organization by a Japanese insurance group in Silicon Valley.  
<sup>2</sup> Six digital hubs established by Mitsui Sumitomo Insurance in Japan and overseas (Tokyo, United States, London, Israel, Singapore, Shanghai)  
<sup>3</sup> A joint research institute jointly established by Aioi Nissay Dowa Insurance and Mind Foundry Ltd., an AI start-up of the University of Oxford, to conduct research-and-development activities related to cutting-edge technology and science

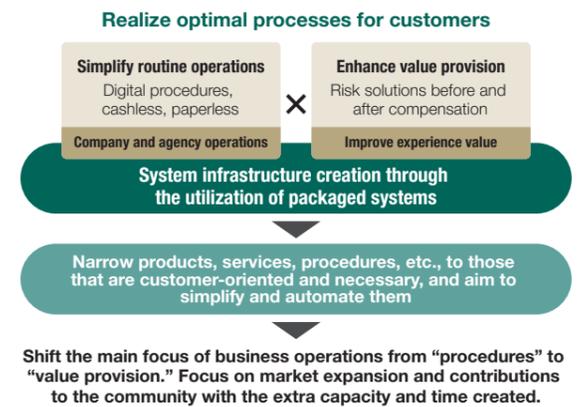
With roots in Silicon Valley, the world's largest start-up ecosystem,\* we will accumulate knowledge about innovative businesses through repeating investment processes as a VC.



\*Start-up ecosystem  
Closed community formed by investors, research institutions, companies, etc., with a focus on start-ups

Business process reform

Furthermore, we will again review our products and business processes to ensure that we are operating in a customer-oriented manner. To date, we have offered various special policy conditions, many premium payment methods, etc., to meet the needs of many customers. However, this has led to increased product complexity and created obstacles to the reduction of processing time for contract and claims payment procedures. As a medium-term initiative, the Company will again consider what the most desirable products and business processes are for customers and agents, and fully utilize digital technology as part of our aim to create products and business processes that are easy to understand and highly convenient.



Developing digital human resources

The most important factor in these efforts is human resources. In collaboration with Toyo University, the Kyoto University of Advanced Science, and other universities, the Group has been focusing on the development of digital and innovative human resources since FY2018, with the target of developing 7,000 human resources in the Group by FY2025 (developed approximately 5,800 people as of April 2024). In addition, we actively appoint data scientists and other specialized human resources from both within and outside the Company and have created an environment where it is easy for people to work in job-type roles.

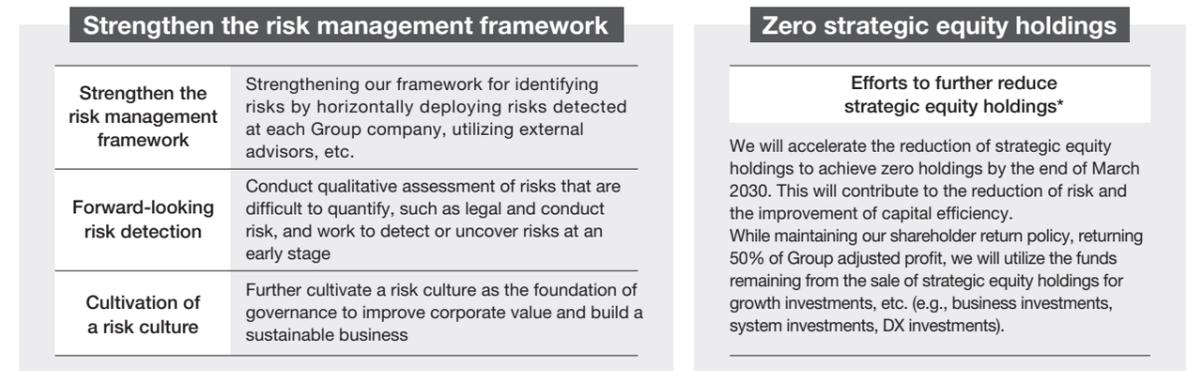
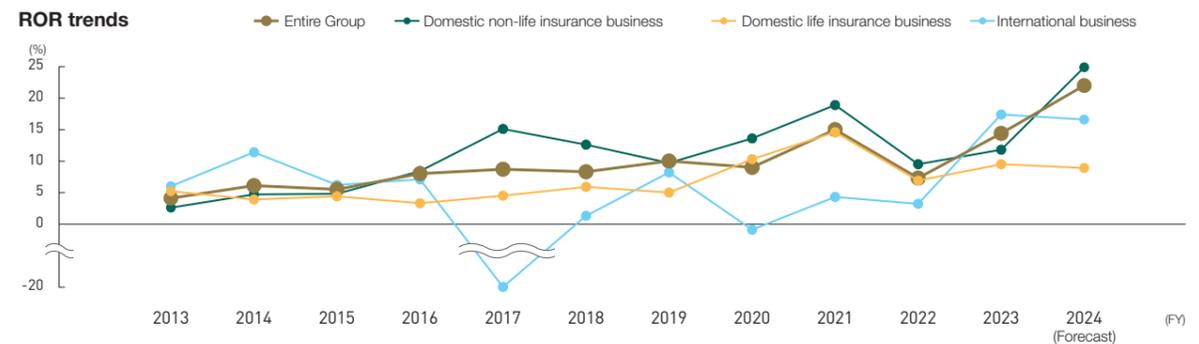
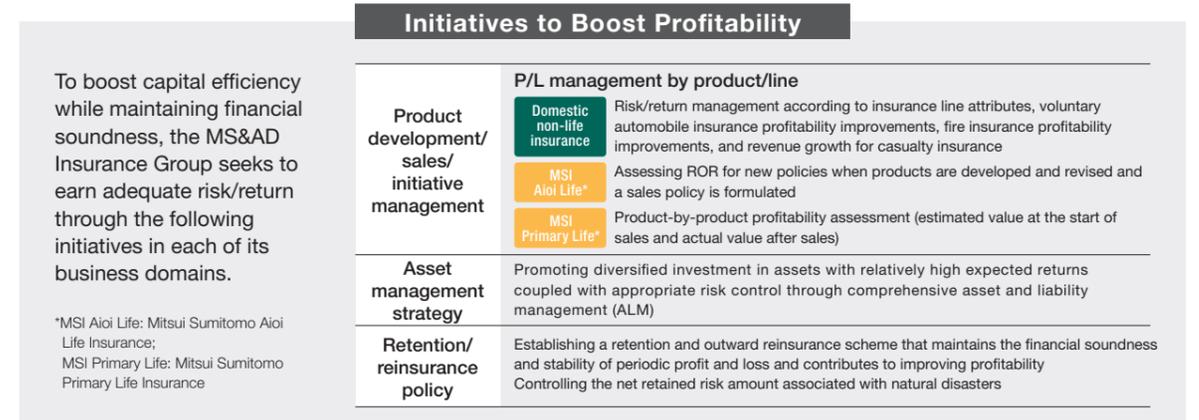
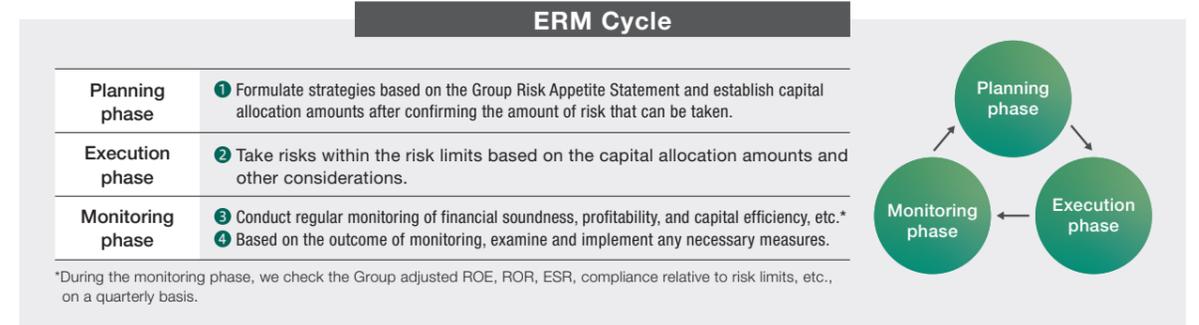
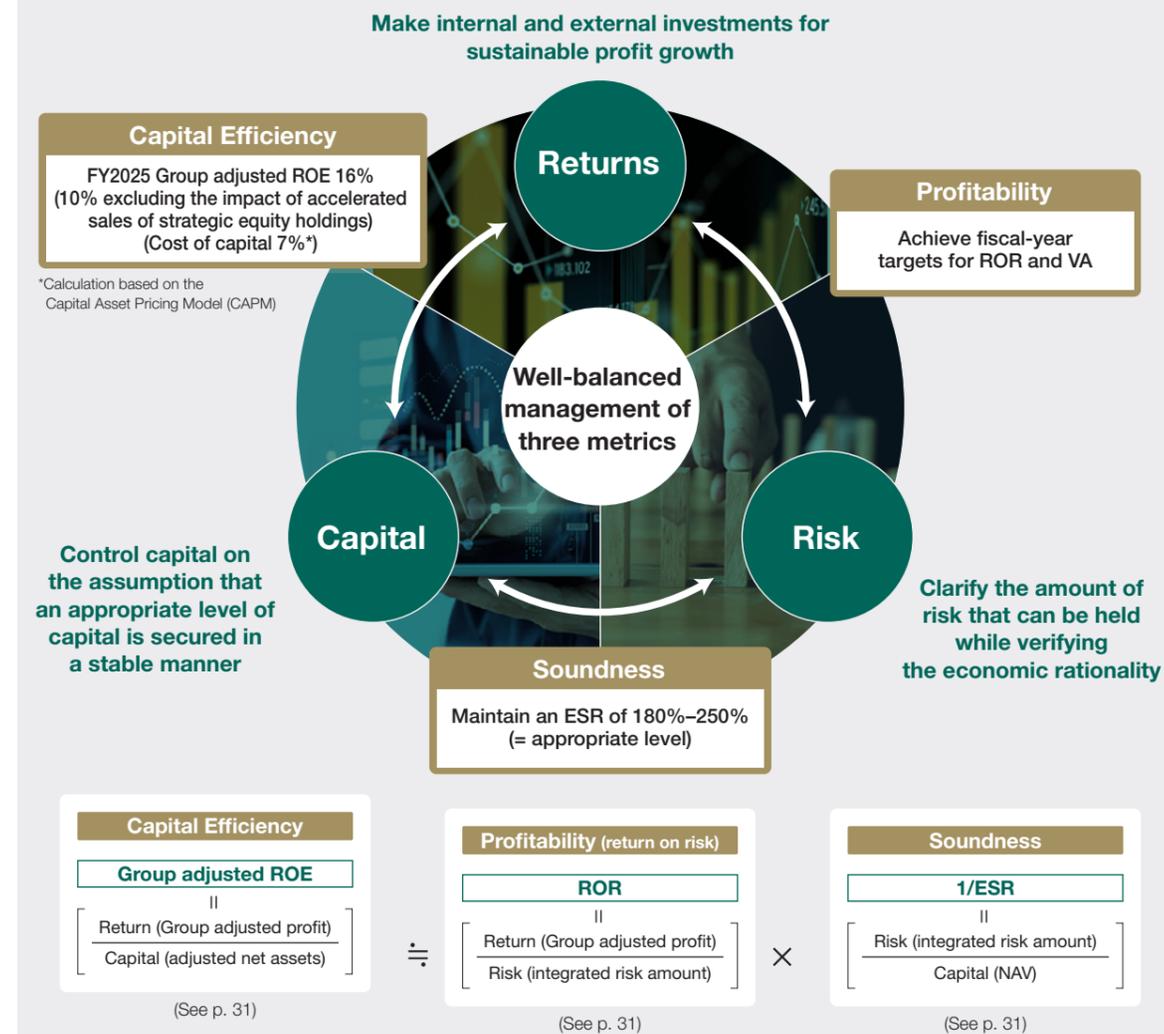
<b>MS&amp;AD Digital Academy</b> Information Networking for Innovation and Design Collaboration with INIAD (Faculty of Information Networking for Innovation and Design, Toyo University)	<b>MS&amp;AD Digital College from Kyoto</b> KUAS 京都先端科学大学 Cooperation with the Kyoto University of Advanced Science (KUAS)	<b>Data Science Training</b> 滋賀大学 Cooperation with Shiga University	<b>Development of data scientists in the field of medicine</b> 東京医科歯科大学 Collaboration with Tokyo Medical and Dental University
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## ERM-Based Group Management

In the Group, we position the Enterprise Risk Management (ERM) cycle as the base of Group management and work to improve profitability and capital efficiency under the precondition of ensuring soundness. We allocate capital to each business based on our Risk Appetite Statement and other factors, and take risks utilizing allocated capital, while appropriately controlling risk through monitoring Return on Risk (ROR) and other measures. Under the Medium-Term Management Plan (2022–2025), the ERM Committee will play a central role in the Group's efforts to improve the assessment and management of each Group business based on capital, risk, and return, while also reducing strategic equity holdings and flexibly allocating capital to business opportunities with higher capital efficiency, including investing in growth businesses, as part of the Group's measures to enhance capital efficiency.

### 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) with the aim of maintaining financial soundness and boosting capital efficiency and risk/return.





## Practice forward-looking risk management and business operations that emphasize quality to meet stakeholder expectations

**CRO Message**  
**Satoru Tamura**  
 Senior Executive Officer  
 Group CRO

As the environment surrounding the MS&AD Insurance Group undergoes significant changes, we will practice forward-looking risk management and continue to operate our businesses in a stable manner, as a corporate group that supports a resilient and sustainable society through our global insurance and financial services businesses.

### Financial Soundness

The Group appropriately controls risk through measures such as strengthening underwriting, adjusting the amount of catastrophe risk through the utilization of reinsurance, reducing strategic equity holdings, and comprehensive asset and liability management (ALM), and we ensure that we have sufficient capital for risks with a probability of occurrence of once in 200 years. In addition, we conduct stress tests, etc., based on the assumption of the occurrence of various events, such as large-scale storms, floods, and earthquakes in Japan and overseas; significant fluctuations in financial markets; increased cyberattacks; pandemics; and the emergence of geopolitical risks, thereby confirming that there are no problems with our financial soundness.

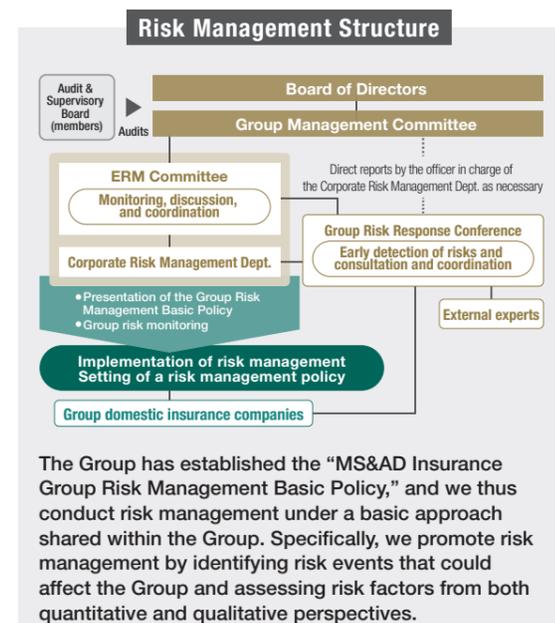
In terms of quality, we will also thoroughly implement customer-focused business operations by enhancing risk detection and management. In this section, we would like to discuss key themes and initiatives related to risk management and business operations that support the execution of strategies for the Group's development together with our stakeholders.

### Strengthening risk detection capabilities ~Forward-looking risk detection and response~

Given the occurrence of premium adjustment activities, etc., the Group strives to ensure not only thorough compliance to avoid violations of the Antimonopoly Act and other laws and regulations but also customer-focused business operations by revisiting the Group's Mission, Vision, and Values.

Furthermore, to enhance sensitivity to risks such as those related to the violation of laws and regulations and conduct, and to detect risks inherent in the Group in a forward-looking manner, manage them horizontally within the Group, and respond to risks in an autonomous manner, we have established the new "Group Risk Response Conference," attended by officers from the Company (holding company) and domestic Group insurance companies, and we are working to strengthen risk detection capabilities. External experts also participate in this conference to provide advice and guidance from a wide range of perspectives.

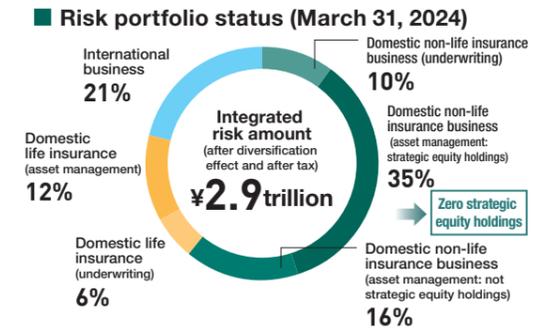
By working together as a group to detect and respond to risks as early as possible, we intend to always meet the expectations of our stakeholders and develop as a group, even as the environment surrounding the Group and societal values change.



### Responding to changes in risk portfolios

The Group formulates management plans and takes risks in accordance with the Group Risk Appetite Statement, while also monitoring returns on risk and other factors through the ERM cycle to control risk, thereby ensuring soundness, improving capital efficiency, and enhancing profitability.

The Group will reduce the amount of strategic equity holdings held by the Group to zero by the end of FY2029, and we will use the proceeds from the sale for business investments, asset management, system and DX-related investments, etc., as well as shareholder returns. Although the Group's risk portfolios will change significantly as a result of these efforts, we will upgrade and strengthen risk management, as we aim to build a risk portfolio that enables us to steadily improve capital efficiency and return on risk (ROR) while maintaining financial soundness.



### Identifying and addressing important risks

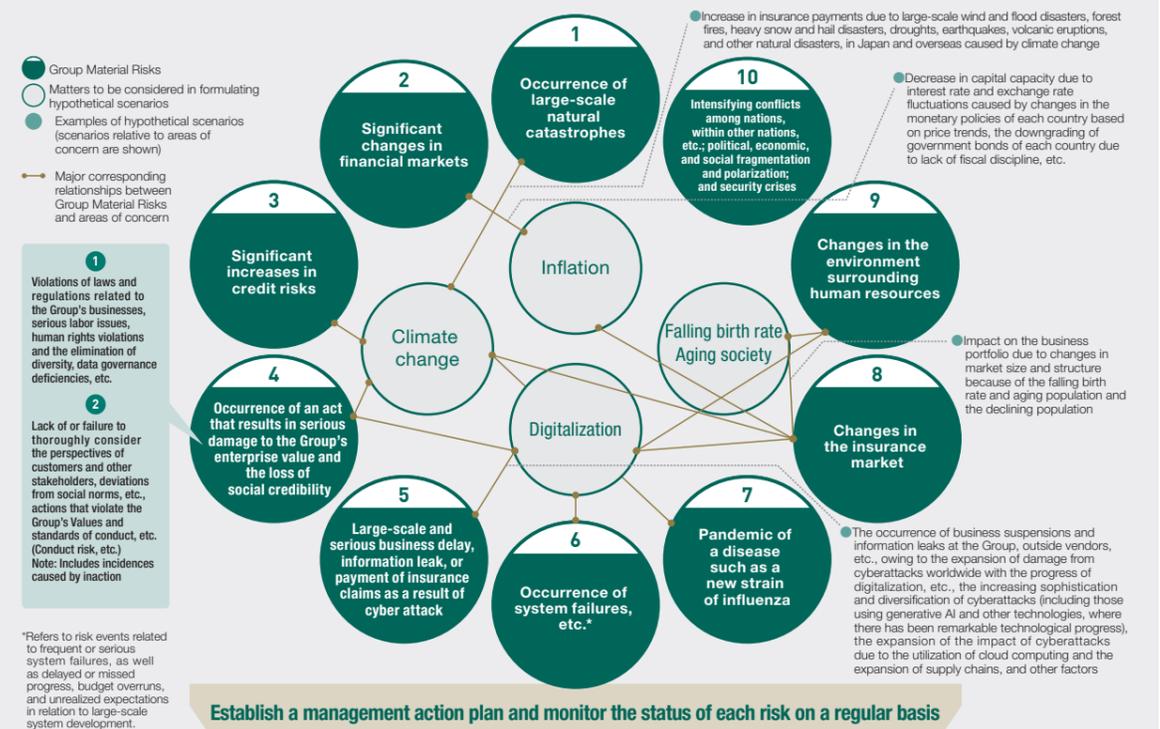
As I mentioned at the outset, the environment surrounding the Group is continually changing. FY2023 saw typhoons and hailstorms, the Noto Peninsula earthquake, heightened geopolitical risks, and fluctuations in financial markets due to inflation, monetary tightening, and other factors.

Recently, geopolitical tensions have been continuing and protectionism is on the rise, and these and other factors could spill over into supply chain and economic instability, as well as risks related to security. Elections will also be held in many countries, including the U.S. presidential election, and there are concerns that this will accelerate political and social divisions and increase international polarization. Based on the above, in FY2024, we added "intensifying conflicts among nations, within other nations, etc.; political, economic, and social fragmentation and polarization; and security crises" to the Group's important risks, and we are strengthening related management and initiatives.

In addition, we will promote measures to address climate change, conserve natural capital, respect human rights, and respond to new risks associated with technological innovations such as self-driving and AI, while also thoroughly engaging in business operations that emphasize quality to ensure perspectives oriented to customers and other stakeholders, to prevent violations of the Group's Values, etc., and to contribute to solving social issues through our business activities.

### FY2024 Group Material Risks

Our Group designates important risk events that should be addressed by management as "Group Material Risks," formulates a management action plan that considers climate change and other risks, and periodically monitors the status of each risk.



For more information, see the Group's official website. ●Risk management ([https://www.ms-ad-hd.com/en/group/value/risk\\_management/erm.html](https://www.ms-ad-hd.com/en/group/value/risk_management/erm.html))

●Risk Management Basic Policy ●Risk Management Structure ●The "three lines of defense" of risk management  
 ●Insurance business risks ●Risk management in the international business ●Crisis management system (including business continuity plans)

# Information Security Management

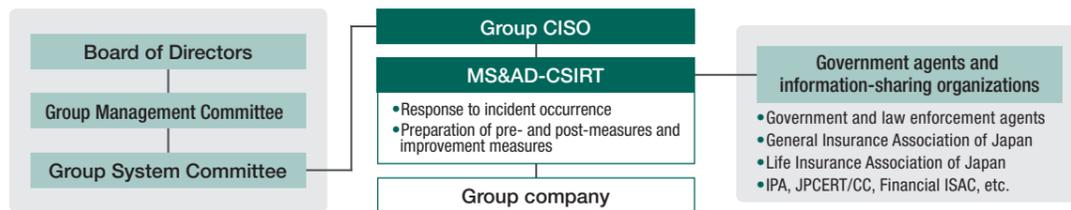
The MS&AD Insurance Group positions the implementation of information security management as one of the most important Group management issues to create a world-class insurance and financial group that continues to pursue sustainable growth and corporate value improvement.

We are also working to strengthen our framework for addressing cyber risks and threats from an economic security perspective.

**Takuya Tsuda** Executive Officer Group CISO

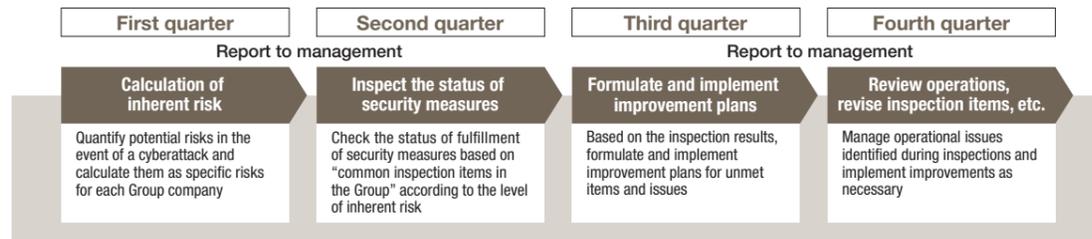
## Information security management system of the Group

- The Board of Directors, the Group Management Committee, and the Group System Committee have established a governance framework for information security across the Group as a whole, including cybersecurity, and they receive regular reports from the Group CISO, who is in charge of information security, and engage in discussions concerning information management systems.
- We are aware of threats to information assets and constantly monitor changes in the external environment, including cybersecurity, as part of efforts to ensure information security and establish a framework for prompt response. In particular, regarding cybersecurity, we have established the MS&AD-CSIRT to respond to incidents when they occur, collect information on security threats, share information among Group companies, and strengthen information linkage with government agencies, information-sharing organizations, etc.



## Monitoring activities of our Group

We regularly check the status of security measures (monitoring activities) for Group companies, including overseas entities, using common Group indicators developed independently based on domestic and overseas standards, guidelines, and frameworks, to continuously improve security levels.

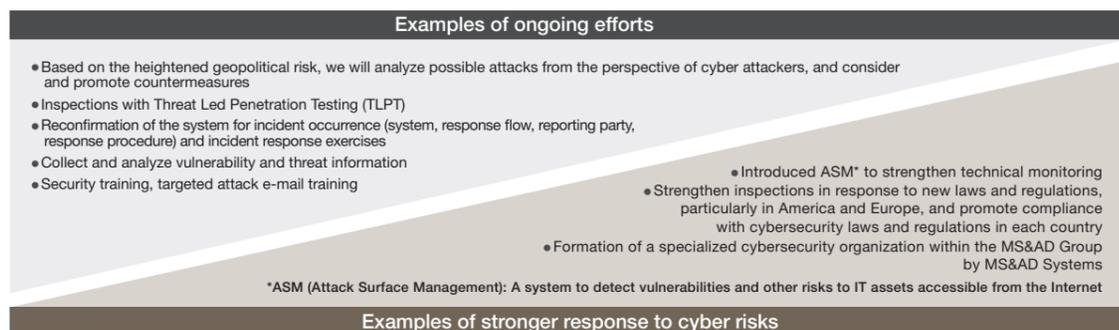


## FY2023 initiatives

We are continuing to strengthen our cybersecurity preparedness through our existing security measures.

In addition, we have established procedures and response methods in case of an emergency, and through exercises we strive to minimize damage in the event of an emergency. As a result of these efforts, no serious incidents affecting business continuity occurred within the Group in FY2023.

To supplement the latest trends in cybersecurity in a timely manner and promptly implement necessary measures, MS&AD Systems has newly established the Cyber Security Promotion Department as a specialized organization. We will aim to advance the Group's centralized cybersecurity framework.



# Promotion of Compliance

The MS&AD Insurance Group regards compliance as one of the most important issues in the management of the Group and requires all officers and employees of the Group to comply with laws, internal regulations, etc., related to business activities.

## Mechanism to ensure the effectiveness of rules and systems

We have established the "Basic Policy on Compliance of the MS&AD Insurance Group," which is shared across the Group as a whole, and we are developing a compliance promotion framework based on this policy. As a company-wide implementation plan for compliance, the Company and our Group companies have each formulated a "Compliance Program," and are promoting specific initiatives. The status of implementation of the plan, issues to be addressed, etc., are reported to the compliance committees, Boards of Directors, etc., of each Group company. In addition, the Quality Improvement and Compliance Committee has been established to monitor the quality improvement and compliance of the entire Group and establish corporate ethics, etc. Important matters are reported to the Board of Directors.

## Speak-up system (whistleblowing system)

In addition to the regular reporting lines, our Group has established the Speak-up system (whistleblowing system), which allows officers and employees, etc., of each Group company to report directly to us when an organization or individual violates laws or regulations, violates internal regulations, acts inappropriately, or conducts any other acts that might lead to any such violations. We have established reception desks inside and outside the Group and make them available 24 hours a day, 365 days a year, to ensure easy access for whistleblowers. We also maintain the confidentiality of whistleblowers and consulters, secure the information provided, and protect whistleblowers and consulters so that they will not be treated unfavorably if they report or consult with us.

For officers and employees working at overseas entities, we have established a global reporting contact in addition to the reception desks at our domestic offices. We respond to reports in 16 languages, and it is possible to report to the Japanese head office from overseas.

## Measures to prevent money laundering, terrorist financing, counter-proliferation financing, and corruption and bribery

Our Group has established the Policy on Countermeasures against Money Laundering, Terrorist Financing, and Counter-Proliferation Financing and is promoting initiatives to prevent the use of the products and services of Group companies for money laundering, terrorist financing, and proliferation financing. In addition, we have established the Policy on Fair Business Practices to ensure fair business practices (e.g., prohibition of corrupt practices such as bribery and compliance with laws and regulations concerning political activities and political funds).

At overseas entities, in addition to establishing a section on "money laundering regulations, terrorist financing, and counter-proliferation financing" as part of our "Compliance Manual" for overseas entities, and taking measures against money laundering, terrorist financing, and counter-proliferation financing accordingly at overseas entities, we have established a section on "Prevention of Bribery" and implemented measures to prevent bribery through appropriate rule development, training, and other measures.

## Initiatives for tax compliance

Our Group believes that the origin and important value of its insurance business is as a company that can be trusted to support stability in people's lives and dynamic business activities in the pursuit of a resilient and sustainable society. In recent years, as the importance of ensuring tax transparency has increased as a corporate social responsibility and as efforts to strengthen the international tax framework have progressed, the tax environment has changed significantly. Our Group believes that it is important to fully recognize the importance of ensuring tax transparency and to demonstrate the Group's approach to tax compliance and its initiatives both internally and externally as responsible corporate actions.

Amount of tax paid in major countries (FY2022, based on national reports)(¥ billion)

Country	Tax amount
Japan	49.2
U.S.A.	4.2
Taiwan	2.5
Malaysia	1.9
Singapore	1.7
Other	5.9
<b>Total</b>	<b>65.6</b>

For more information, see the Group's official website.

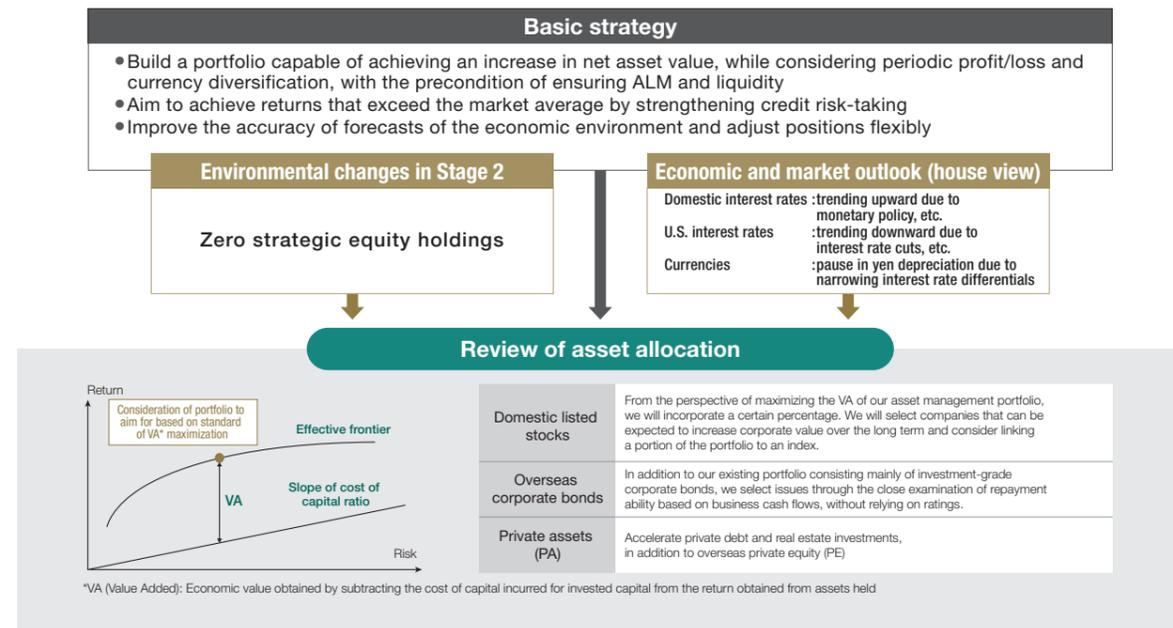
•Our compliance ([https://www.ms-ad-hd.com/en/group/value/risk\\_management/compliance.html](https://www.ms-ad-hd.com/en/group/value/risk_management/compliance.html))

•Basic Policy on Compliance •Compliance promotion system •Specific activities: Compliance program, Compliance manual, Compliance education, Training, Compliance inspection, Monitoring activities, Speak-up system (whistleblowing system), Anti-money laundering and terrorist financing, Counter-proliferation financing, Initiatives to prevent corruption and bribery •Compliance promotion system for the international business •Initiatives for tax compliance

## Asset Management Strategy

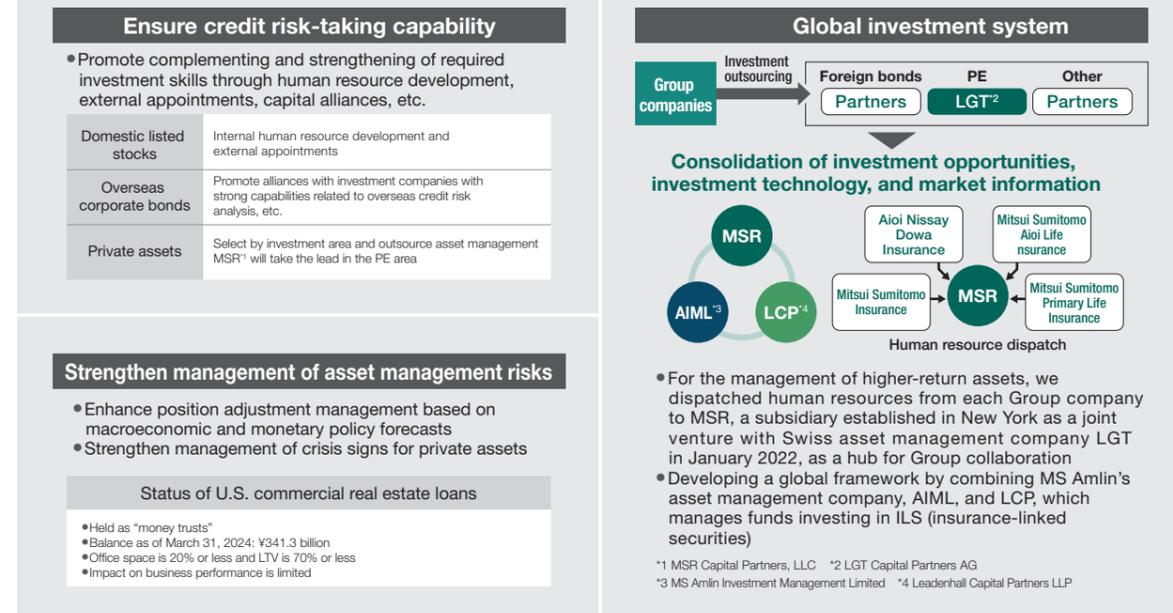
The main theme of our asset management strategy in the Medium-Term Management Plan (2022–2025) has been to improve profitability, and given the major change in the environment of reducing strategic equity holdings to zero, we will review our asset allocation and thus further strengthen profitability.

### Overall strategy



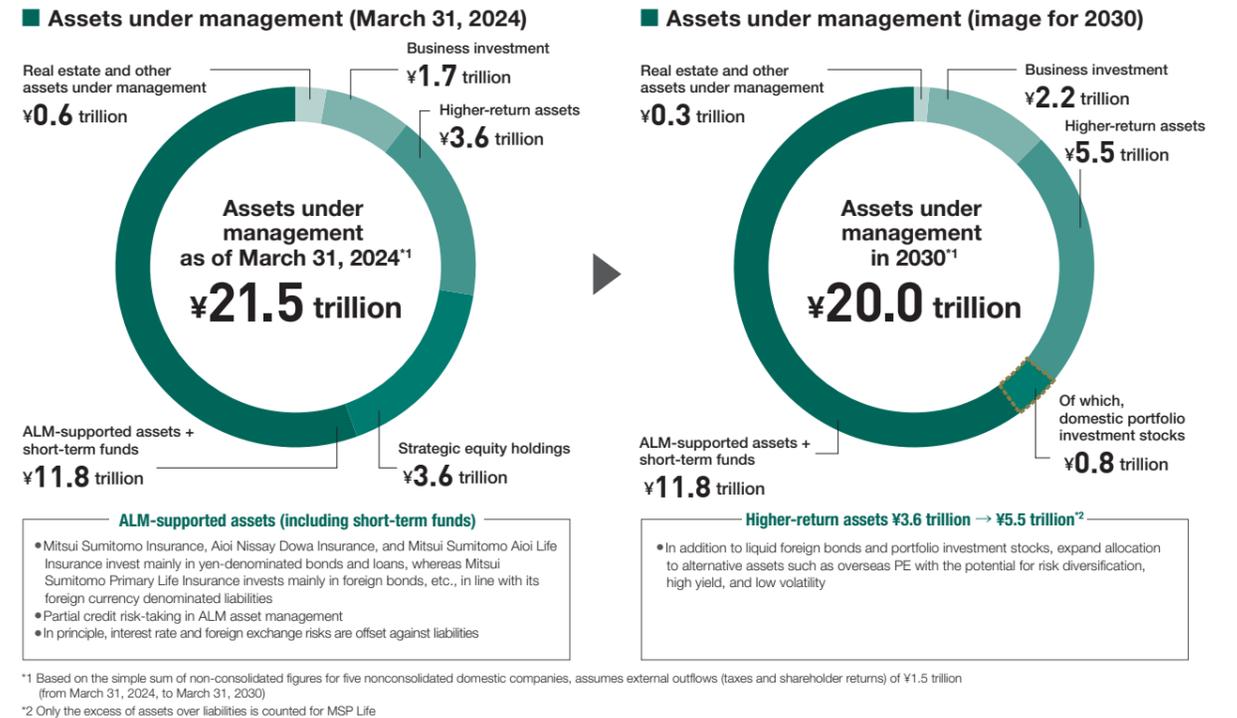
Achieve investment income exceeding interest and dividend income from strategic equity holdings (approximately ¥70 billion per year)

### Develop a framework to promote our strategy



### Initiatives to achieve zero strategic equity holdings

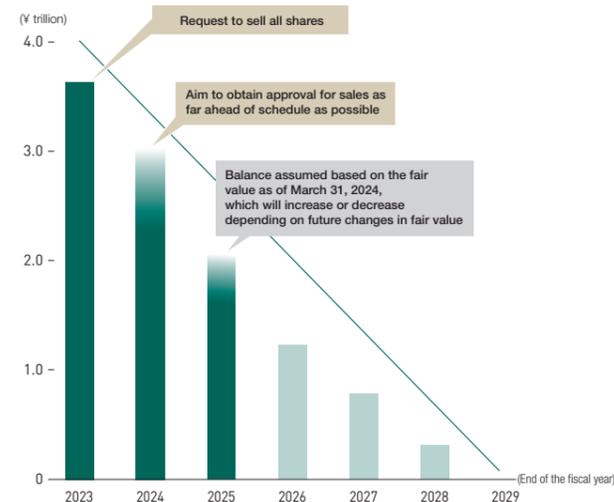
#### Asset management portfolio after the sale of strategic equity holdings



#### Pace and process of strategic equity holdings reduction

- As we aim to achieve zero strategic equity holdings by the end of FY2029, work to reduce the balance as far ahead of schedule as possible
- From the viewpoint of optimizing our asset management portfolio, consider transferring a portion of strategic equity holdings to business investments and portfolio investments
- Stocks held as portfolio investments are bought and sold at the discretion of the investment department
- The status of reductions will be disclosed at future IR meetings as appropriate

#### Trends in strategic equity holdings (outlook)



#### Use of proceeds from the sale of strategic equity holdings

- The funds from the sale of strategic equity holdings will be allocated to business investments, asset management, and system/DX-related investments
- Fifty percent of Group adjusted profit from the sale of strategic equity holdings will be returned to shareholders in accordance with the Shareholder Return Policy

#### Image of distribution



## ESG Investing

### Investments and loans considering ESG issues

As a signatory of the Principles for Responsible Investment (PRI), our Group invests and lends considering ESG issues. Specifically, we collect and evaluate ESG information in accordance with asset characteristics and investment methods and make investment and loan decisions in conjunction with conventional analysis such as financial analysis. We are working on investments and loans with themes that lead to solutions to sustainability-related issues on the premise of securing profits. In addition, we will engage in constructive “purposeful dialogue” with investee companies based on ESG factors to raise awareness of ESG among investee companies and to enhance corporate value over the medium term.

### Our Group’s ESG investment and loan initiatives

ESG investment and loan initiatives	Content	Target assets	Investment and loan balance
<b>Integration</b>			
Reflection of the response to the Group’s “business activities considering sustainability”	Screening specific uses of funds and industries without investments and loans, and making prudent decisions on whether to engage in transactions from the perspectives of responding to climate change, improving the sustainability of natural capital, and respecting human rights	All asset classes	¥17.1 trillion*
Incorporation of the Group’s priority issues into the research	Focusing on “CO <sub>2</sub> emissions,” “deforestation,” “water risk,” and “human rights violations,” evaluations by ESG evaluation companies and international initiatives (such as CDP) are used for investment decisions and monitoring	Corporate bonds, stocks, and loans	¥9.3 trillion
<b>Constructive Engagement</b>			
Engagement	Conduct dialogue centered on stewardship activities	Shares	¥2.9 trillion
<b>Positive Impact</b>			
Sustainable/thematic investing	ESG issues, investments, and loans in themes such as renewable energy (e.g., solar, wind, hydrogen), green transition finance (greenhouse gas reduction), and regional revitalization	Bonds, stocks, loans, and private equity	¥722.9 billion
Impact investing	Investment in themes such as healthcare and education, focusing on climate change	Private equity	

\*The scope of coverage excludes cash and cash equivalents, real estate holdings, and funds that also have funds invested by other investors

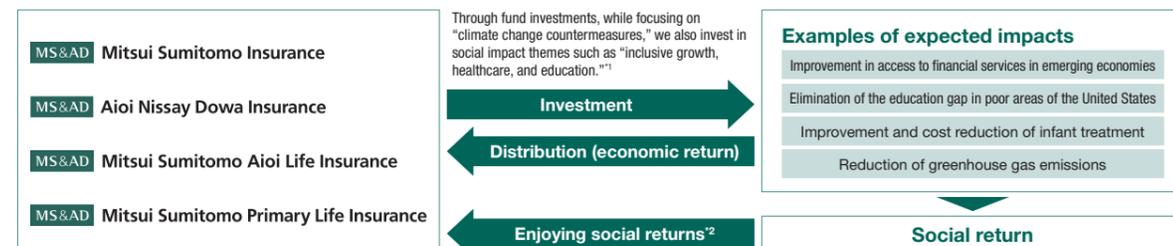
### Breakdown of ESG-themed investments (end of March 2024)

By theme	Investment and loan balance
Investment in ESG-themed funds	¥232.3 billion
<b>Support for efforts to reduce greenhouse gases</b>	
Renewable energy (e.g., solar, wind, hydrogen)	¥73.3 billion
Transition/Sustainability-linked finance	¥28.0 billion
Green finance	¥146.6 billion
<b>Support for sustainable global development</b>	
Social sustainability (including supranational bonds)	¥221.3 billion
Regional revitalization, healthcare, impact investment*, etc.	¥21.5 billion
<b>Total</b>	<b>¥722.9 billion</b>

\*Of the investment amount commitment to the fund, only the invested amount is included

### Started Group joint impact investments

The MS&AD Insurance Group’s management philosophy is “Provision of security and security through global insurance and financial services businesses to support the development of a vibrant society and a healthy future for the planet.” Through this investment, we aim to generate a positive and measurable impact on the environment and society while also achieving economic returns. In addition, we will use this investment as an opportunity to build a network related to impact investments and to contribute to the achievement of the SDGs and the creation of a sustainable society by accumulating knowledge on environmental and social impact assessment and management.



\*1 Investment through a Group-specific investment vehicle. Managed by MSR (investment ratio: MS 85%, LGT 15%), an investment (asset management) JV in New York. LGT, a management company in Switzerland, is one of the global leaders in the ESG field.

\*2 Achievement of the SDGs and the realization of a sustainable society

## Stewardship code support

In 2014, Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance announced their acceptance of Japan’s Stewardship Code. Through constructive dialogue with investee companies and the exercise of voting rights based on an ESG perspective, Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance are promoting the enhancement of corporate value and sustainable growth of investee companies from a medium- to long-term perspective. In dialogue with investee companies, we also check the status of our initiatives focusing on the following themes:

### Results of dialogue (July 2022 to June 2023)

	Mitsui Sumitomo Insurance	Aioi Nissay Dowa Insurance	Total (simple sum)
Number of companies engaged in dialogue	202 companies	159 companies	361 companies

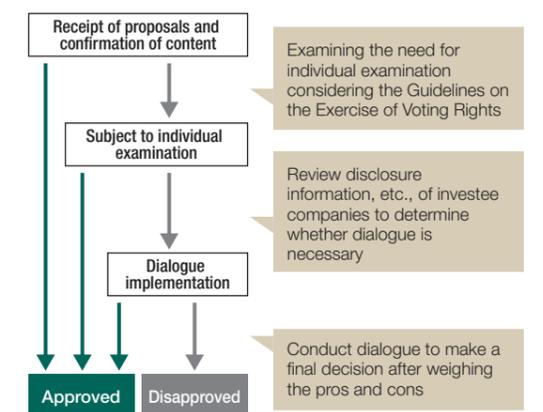
### Results of exercising voting rights (July 2022 to June 2023)

	Mitsui Sumitomo Insurance	Aioi Nissay Dowa Insurance	Total (simple sum)
Proposals for which voting rights were exercised (management proposals)	2,206	1,535	3,741

### Number of disapproved proposals (July 2022 to June 2023)

	Mitsui Sumitomo Insurance	Aioi Nissay Dowa Insurance	Total (simple sum)
Number of disapproved proposals (management proposals)	19	21	40

### Process for exercising voting rights



### Theme of the dialogue

Theme of the dialogue	Specific content
ESG	Impact of climate change on business and countermeasures, relationship between social issues and business, appointment status and expected roles of outside officers, attendance of outside officers at Board of Directors meetings, etc., and compliance with the Corporate Governance Code
Closing status	Results for the current fiscal year, outlook for the next fiscal year and beyond, measures to improve profitability and growth, and short-term risk factors
Management strategy	Expectations and progress of management plans, medium- and long-term investment policies, and sustainability considerations in business strategies
Capital management	Shareholder return and internal reserve policies, views on dividends, and indicators
Business risk	Response to risk factors in business and establishment of a BCP (business continuity plan)

### Interactive cases

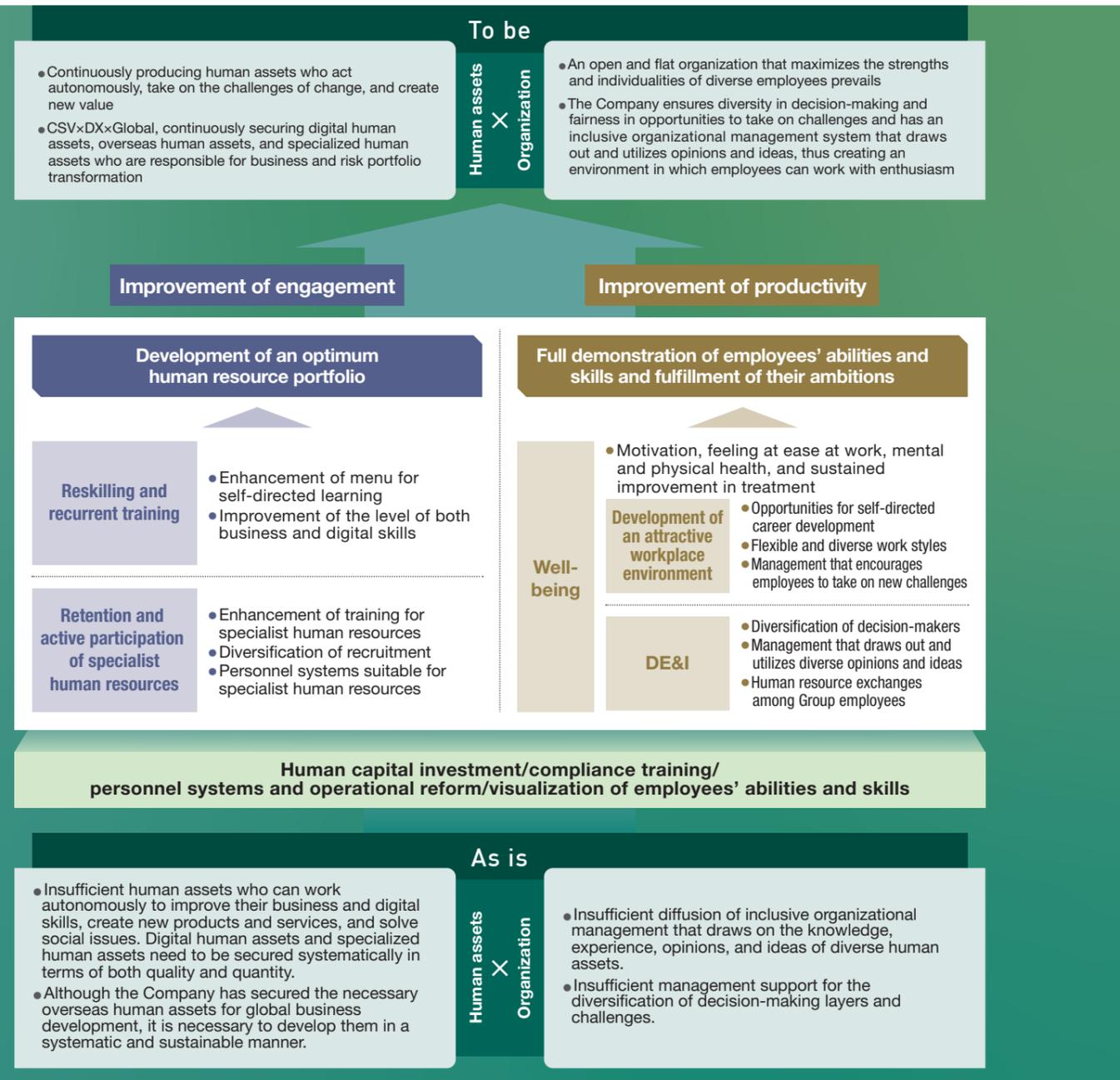
	Examples of dialogue focusing on ESG, capital strategies, etc.
Case 1 (ESG dialogue)	Conducted dialogue on the status of consideration of sustainability perspectives, including the existence of GHG emission reduction targets. We confirmed that companies are accelerating consideration as demands from society have intensified.
Case 2 (Shareholder return)	In the course of dialogue with a company to which we have requested an improvement in the dividend payout ratio in the past two years, we confirmed that the dividend payout ratio has improved to above 10%, and that although it currently does not meet the 20% dividend payout ratio required by our guidelines, the company is aiming for a payout ratio above 20% in the next fiscal year and beyond, thus shifting to a policy of prioritizing shareholder returns, which we have been requesting.

### Cases of disapproval

	Cases of disapproval in exercising voting rights
Case 3 (Election of company auditors and retirement benefits)	Although this company’s business performance was stable, its dividend payout ratio was low, and independent officers had not been appointed as outside company auditors. Despite exchanging opinions through dialogue, we determined that improvement could not be expected at this time and voted against two proposals related to the election of company auditors and retirement benefits.
Case 4 (Appropriation of surplus and election of directors)	This company’s dividend payout ratio for the last three fiscal years was less than 10%, which was below our guideline, and was notably low compared to the company’s financial position and the levels of its industry peers. In addition, a scandal occurred with its employees, and there were concerns about inappropriate expenditures of around ¥1 billion, a high level compared to the company’s profits. Accordingly, we voted against two proposals related to the appropriation of surplus and the election of directors.

Foundations **Human Resource Strategy**

The Group's greatest asset is its human resources, and every employee of the Group is the driving force behind the improvement of corporate value. Under our human asset strategy linked to the basic strategy of the Medium-Term Management Plan (2022–2025), we are working on "building an optimal portfolio of human resources" and the "full demonstration of employees' abilities and skills and fulfillment of their ambitions," and we are focusing on "Value (value creation)," "Transformation (business reforms)," and "Synergy (pursuit of Group synergies)." In addition, to improve employee engagement, we are developing a working environment that includes opportunities for self-directed career development; flexible, efficient, and effective work styles; and a corporate culture that encourages a spirit of taking on new challenges. (See "Employee satisfaction" on p. 82)



The Group as a whole is focusing on human asset development, which is the cornerstone of the MS&AD Insurance Group's human asset strategy, having formed a "Human Asset Development Team" consisting of members from Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance, the Group's core non-life insurance companies, within the holding company. For this report, we spoke with the line managers in charge of human asset development at both companies who are responsible for "human asset development" to talk about the present and future of human asset development.

► **Human asset development measures at Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance**

**Takada** In human capital management, human asset development is the cornerstone of management strategy. If each employee takes on the challenge of autonomous growth, it will lead to the sustainable growth of the company. At Aioi Nissay Dowa Insurance, we have three priority initiatives related to human asset development. The first is to "strengthen the management layer," under which we will reclarify its role as the cornerstone of organizational management, and systematically acquire the required management skills. The second point is the "training of young employees." By their third year in the company, we expect new graduate employees to have acquired product knowledge, problem-solving skills, and digital literacy as basic skills. The third point is "CSV×DX experts," under which we will focus on developing human assets who possess advanced digital knowledge and skills, and who will lead all employees in implementing CSV×DX.

**Sugawara** At Mitsui Sumitomo Insurance, we are planning "personnel reforms" in FY2025 that will significantly overhaul our existing personnel management, and we will review our management of human asset development with a focus on skills. Specifically, we have defined the "common skills" required of all employees and the "job skills" to achieve expected results in departments and jobs, and we are considering a system in which employees work on the skills they wish to acquire and are evaluated according to the degree to which they demonstrate these skills. As the number of skills needed by employees is more than 900, we have



Dialogue

**Human asset development now and in the future**

prepared a "Skill Training Navi" that contains more than 1,500 training options to support employees in acquiring skills.

► **Strengths of the Group's common human asset development measures**

**Takada** We have training programs operated jointly by the two companies in areas such as follow-up measures for young employees and opportunities to think about their future careers, and we have been able to achieve more efficient and higher-quality operations compared to our own stand-alone programs. It also makes employees feel that they are employees of the Group, and they are stimulated by Mitsui Sumitomo Insurance employees who are undergoing training with them. Training with employees of other Group companies away from the workplace has benefits for employees, such as the opportunity to learn by being exposed to characteristics that are not available in their own companies.

**Sugawara** Because economies of scale are effective in human asset development measures, increasing the amount of content available for selection through standardization is a major advantage for employees. As we can expect efficiency gains, including in terms of costs, we intend to expand the shared use of this system to other Group companies in the future, which will contribute to the active exchange of human resources.

► **Investment in human asset development**

**Takada** We should expand investment in human asset development itself, but I believe that we cannot measure such efforts only by the amount of money

invested. For example, we are accumulating external expertise and bringing it in-house, with employees taking on the role of instructors. In such ways, we are becoming more independent, and it is important to devise ways to invest in human asset development, including our use of time. **Sugawara** As part of the selection and concentration of strategies, we must also determine "which areas to invest in." Looking at the Group as a whole, I believe that we should focus more on areas of human asset development, such as management human assets and specialist human assets, particularly in the digital and overseas fields.

► **Toward the sustainable growth of the Group**

**Takada** As the world becomes increasingly diverse, we will be left behind if there is no variation in our thinking and approaches. Diverse employees at each Group company will utilize their own individuality and characteristics to excel in their respective fields of expertise, and management will combine these diverse areas of expertise to enhance team strength. As a result, we intend to create a group in which diverse human assets can play an active role. **Sugawara** We intend to develop human assets who can respond to change and take on challenges. As we live in an era of VUCA,\* where we do not know what will happen in five to 10 years, we will continue to develop human assets who can flexibly respond to changes in the social and business environment.

\*VUCA: Volatility, Uncertainty, Complexity, and Ambiguity. "A state of uncertainty and difficulty in predicting the future."

## Human asset strategic domain

We aim to be a company that continues to produce human assets who are not bound by the existing framework of the insurance business, but who act autonomously and take on the challenge of reform utilizing advanced knowledge and cutting-edge technology



### Skill enhancement and self-directed career development

#### Expansion of training opportunities

By expanding our investment in human resources, we provide a variety of learning opportunities both within and outside the Group, which contributes to maximizing the skills of each employee.

#### New personnel system and management

We will continue revising conventional personnel systems and operations to respond to increasingly diverse perspectives on employment, achieve DE&I, and enhance the skills of our employees, thereby strengthening our human capital.

#### Taking on challenges across boundaries

By participating in the operations of local companies, start-ups, etc., and through collaboration with diverse members, we acquire new knowledge that cannot be obtained within the Company or the Group, which contributes to self-directed career development.

#### Open recruitment and post challenge

By allowing employees to determine transfers to departments and posts of their choice for themselves, we further enhance their attitude toward their work, enabling them to exercise their skills more quickly and produce high-level results.

#### Clarification of skills

By clarifying the skills required for jobs and motivating employees to acquire them, we encourage the self-directed career development of each individual.



### Specialist human resources

#### Digital human resources

The use of digital technology will be essential to improve the efficiency and sophistication of operations and to resolve risks and issues for customers and society. Through a variety of internal and external opportunities, we are working to enhance the skills of our employees to enable them to apply their business abilities to digital technology.

#### Raising the level of basic knowledge

- Provision of a practical program on fundamental knowledge related to utilizing digital data.
- Appointment of a driving force for digital promotion in each organization and promotion of self-directed enhancement of digital literacy.

- Utilizing digital technology to improve the efficiency and sophistication of operations, etc.
- Utilizing our expertise to create new value (e.g., products, services) that has never existed before.

#### Advanced expertise

- Development of partnerships with universities and other external institutions\* to train employees who are expected to play advanced roles.

\*INIAD (Toyo University Faculty of Information Networking for Innovation and Design), KUAS (Kyoto University of Advanced Sciences, Faculty of Engineering), Shiga University Graduate School, AIOI R&D Lab-Oxford, etc.



#### Human resources for the international business

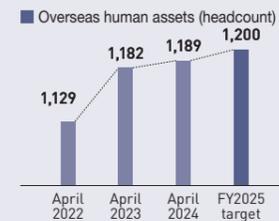
Employees capable of promoting business in a global environment will be essential for the development of the international business. We are developing human resources in a multifaceted and systematic manner, while promoting a generational shift in the "management human resources" and "specialist human resources" required for the international business.

#### Overseas dispatch training

- Based on open recruitment, employees are posted overseas for one year, in principle, contributing to the development of human resources that will support management strategies and operations in various specialized areas (e.g., accounting, systems, asset management, risk management) in the international business from a medium- to long-term perspective.

- We have built good relationships with domestic and international business partners with a diverse sense of values, contributing to results.

Note: In addition to the above, we have systems aimed at the acquisition of skills and elements required of international human resources through the simulated experience of global business with overseas entities from within Japan, etc.



#### Specialist human resources as a whole

In addition to digital human resources and international human resources, we are developing systems and environments to stably and flexibly secure and develop human resources who can be expected to play highly active roles utilizing their expertise in areas such as accounting, actuarial operations, and legal affairs.

#### Development of a job-based system suitable for specialist human resources

We have developed a compensation system for specialist human resources, and we are promoting people based on their abilities and strengthening the hiring of experienced personnel through open recruitment.

#### Incentives to encourage increased expertise

We have established compensation benefits for employees who possess advanced qualifications and demonstrate expertise, as part of our efforts to secure specialist human resources.

#### Group standardization

In addition to efforts at each company, we will expand opportunities for the development of human resources through collaboration among specialized departments across the Group and promote allocation of such resources to growth areas.

We aim to be a company that accepts the strengths and individualities of each member of a diverse workforce, and where an open and flat organization that enables employees to exercise their capabilities to the maximum possible extent has permeated



### Well-being

#### Well-being

For each and every employee to work energetically and exercise their abilities to the maximum possible extent, we are working to maintain and improve employee "motivation," "feeling at ease at work," and "mental and physical health."

#### Motivation

We implement a cycle in which we improve employee engagement by continuously surveying various factors that contribute to feeling motivated, such as a sense of growth, demonstration of initiative, and trust.

#### Ease of working

- To create flexible work styles suited to employees' life stages, we have introduced a personnel system that allows employees to choose whether to relocate.
- We are fostering a culture in which all employees work to deepen their understanding and mutual appreciation of housework, childcare, nursing care, and other factors.

#### Mental and physical health

We aim to achieve work styles that allow employees to leave the office on time. Accordingly, we will create an environment in which each employee can work healthily and energetically, ensuring that they have time for exercise and sleep, by reducing working hours through work-style reform.

### DE&I Diversity, Equity & Inclusion

#### Diversity

We are promoting efforts to incorporate the knowledge of our diverse human assets and utilize this knowledge in decision-making, including expanding the promotion of women to officers and management roles.

#### Appointment of women as "non-executive directors" of affiliated operating companies

By appointing female General Managers as non-executive directors of affiliated operating companies, we provide them with opportunities to practice management-level decision-making at an early stage and encourage them to raise their awareness of further advancement and desire for self-education.

Note: Appointment of women as non-executive directors of affiliated operating companies directly invested in by the Company: 32 women in total since FY2019



#### Assignment of women to deputy general manager and assistant branch manager posts

By appointing female employees as deputy managers of departments and branches and providing them with opportunities to gain work experience with an eye toward a higher level, we are developing women who can look forward to becoming General Managers of lines, meaning the heads of departments and branches.

Note: 44 people as of April 2024



#### Equity

We promote initiatives with a strong awareness of equity, and by eliminating differences and inequalities based on gender, employee classification, and other attributes, we create an environment in which everyone can exercise their abilities, skills, and motivation to the maximum possible extent.

#### Change in mindset through unification of employee categories

Previously, employee classifications were mainly centered on the approach that male employees = "all-area type" and female employees = "regional type," which might have resulted in differences between men and women in terms of job descriptions and opportunities to play an active role.

By abolishing the "all-area type" and "regional type" employee classifications, and by eliminating gender-based and classification-based perceptions of employees' roles, we have made it possible to fairly provide opportunities and set evaluation criteria, and created an environment that allows each employee to exercise their abilities and skills to the maximum possible extent.

#### Inclusion

To leverage diversity, inclusive organizational management is essential for drawing out opinions and ideas based on the knowledge, experiences, and values of diverse human assets and utilizing them in organizational decision-making. We are working to ensure psychological safety and foster and instill a corporate culture that embraces and leverages diversity.

#### Ensuring psychological safety

We are working to foster an open and flat corporate culture by thoroughly training management on the background of the need for psychological safety and its effects, and by reforming the conventional top-down management style.

#### Inclusive organizational management

Through opportunities such as the "e-Business Seminar," in which officers and employees of Group companies interact across the Group, transcending the boundaries of individual companies, we create opportunities to experience the sense of values of diverse employees and utilize them in inclusive organizational management.

# Special Feature Green Resilience Report

(Excerpt)

The following is an excerpt from the MS&AD Green Resilience™ Report 2024 (TCFD and TNFD Report), which is scheduled to be released in October, mainly from the “Strategy” section.

The average global temperature in 2023 was 1.45°C above pre-industrial levels, making it the hottest year in recorded history. Average temperatures have been rising steadily because of climate change, while large-scale floods, forest fires, and other natural disasters have occurred frequently and caused serious damage in many parts of the world. MS&AD Insurance Group is making integrated efforts to address climate change and preserve and restore natural capital.

Climate and nature are closely interrelated. Forests are an important CO<sub>2</sub> sink, and at the same time, they prevent downstream flooding and landslides by storing large amounts of rainwater and slowly discharging it into rivers. Rising temperatures and droughts, however, have increased the risk of forest fires, and there is an increased risk of landslides when forests are left densely packed. Accordingly, to limit the damage caused by extreme weather events, we believe it is important to take the climate-nature nexus approach.

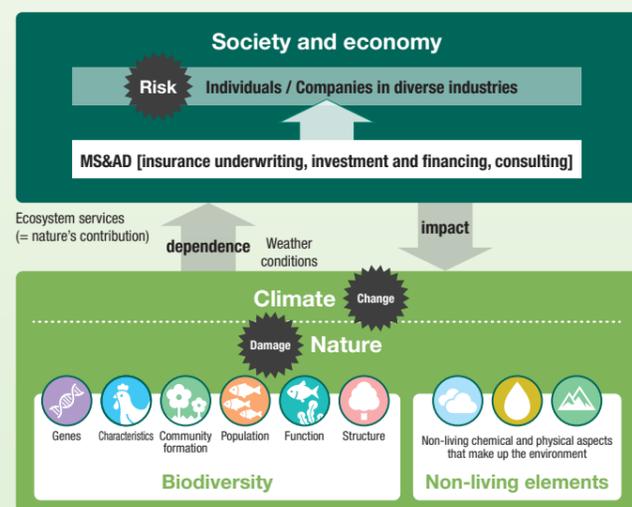
Natural capital acts as a foundation of society that provides us with diverse blessings, and it is essential for the development of a vibrant society and a healthy future. The Group has been focusing on an approach that aims for a safe and secure society and the well-being of diverse people by protecting nature and using its power to mitigate and adapt to climate change, which we call “Green Resilience.”

Based on this belief, the Group has been taking a multifaceted and integrated view of climate/nature-related risks and opportunities, and we will disclose information based on the disclosure recommendations of the Task Force on Climate-related Financial Disclosure (“TCFD”) and disclosure recommendations of the Taskforce on Nature-related Financial Disclosures (“TNFD”), as the “MS&AD Green Resilience™ Report” starting from this fiscal year.

## Strategy Strategies for climate/nature-related risks and opportunities

# STRATEGY

## Dependence and Impact on Climate and Nature



Our society and economy depend on various contributions from nature (ecosystem services). According to the World Economic Forum, half or more of the world's GDP is dependent on nature.

On the other hand, we place a heavy burden on nature through our daily lives and business activities. Damage to natural capital and changes in climate systems cause various negative social and economic impacts.

The Group supports the business activities of customers in all industries through the provision of insurance products and services, as well as investment and financing, and other services. Therefore, we believe it is important to understand on a medium- to long-term time frame how our business partners' activities depend on and impact the climate and nature, and how they will affect society and the economy in the future, leading to risks to our customers' business activities.

Source: Modified by the Company from Dasgupta, P. (2021), *The Economics of Biodiversity: The Dasgupta Review* (London: HM Treasury) (2021.2)

## Risk at the MS&AD Insurance Group

~ Capturing changes in climate, nature, and society in underwriting/investment and financing ~

Climate/nature-related risks include the direct impact of climate change and damage to nature (physical risk), as well as the impact of rapid social change toward net zero or nature positive (transition risk). As an insurance and financial group focused on the non-life insurance business, the Group must assess physical and transition risks from both underwriting/investment and financing (asset management) perspectives to analyze climate/nature-related risks and opportunities.

## Climate/nature-related physical risks

Within the Group, our underwriting has already been financially impacted by increased catastrophe risk related to climate change, including forest fires and hailstorms, as well as wind and flood disasters caused by typhoons and torrential rains. In addition to climate change, the impact of the depletion of water resources and various other risks on society and business activities is expected to increase over the medium to long term.

H+: Very High H: High M: Medium L: Low

Classification	Event	Examples of main impacts on policyholders and investment and financing recipients	Examples of main impacts on the Group and degree of impact ◆ Underwriting ○ Investment and financing	Period of manifestation		
				Short term	Medium term	Long term
Acute risks	Typhoons, hurricanes, storm surges	Stronger tropical cyclones cause significant damage to homes and businesses. Depending on their course, such cyclones could cause damage over a wide area. Storm surges also cause significant damage to coastal areas	◆ Insurance claims payouts occur, particularly concerning many homes, businesses, vehicles, and other property ○ Asset management returns deteriorate owing to large-scale damage affecting important business sites at the recipients of investment and financing	H+	●	●
	Torrential rain, flooding	Increased temperatures increase the amount of water vapor in the atmosphere, causing torrential rainfall. Extensive flooding caused by improper land use or flood control conditions cause significant damage. Lack of soil stability due to deforestation and vegetation removal, or cutting and reclamation of slopes, causes landslides triggered by torrential rainfall	◆ Insurance claims payouts occur for damage to vehicles and facilities ○ Not likely to lead to a significant deterioration in asset management returns	H	●	●
	Hail and snow damage	Hailstorms are caused by active convective activity due to warm, moist air currents in the updrafts generated by strong solar radiation and cold air inflows into the sky. Falling hail damages vehicles and buildings. Many facilities of non-heavy snowfall areas are not strong enough to withstand, and heavy snowfall damages facilities	◆ Insurance claims payouts occur for forests, as well as homes and businesses in the event of fires spreading ○ Asset management returns deteriorate owing to large-scale damage affecting important business sites at the recipients of investment and financing	H	●	●
	Forest fires	Heat waves and extreme heat cause forest fires. Insufficient tending to forests, such as the neglect of dead trees and underbrush, increases the risk of fire. Fire spreading to surrounding urban areas, etc., will lead to significant damage	◆ Not likely to result in large insurance claims payouts ○ Not likely to lead to a significant deterioration in asset management returns	M	●	●
	Heat wave, cold wave	Severe heat and cold waves cause human suffering, sudden strains on energy and water resources, and logistical disruptions such as traffic paralysis	◆ Not likely to result in large insurance claims payouts ○ Asset management returns deteriorate as performance worsens at companies dependent on water resources	M	●	●
Chronic risks	Dry spells and droughts	Agriculture, food, and water-intensive businesses experience increased costs and losses owing to difficulties in procuring materials and interruptions in manufacturing. In addition, the interruption of water transportation and the shortage of cooling water could affect a wide variety of industries	◆ Not likely to result in large insurance claims payouts ○ Asset management returns deteriorate as performance worsens at companies for which high temperatures can be a risk	L	●	●
	High temperatures (heat)	Disruptions due to rapid increases in energy demand could occur. Data centers, power plants, and other facilities face an increased burden for cooling. Labor efficiency falls as outdoor activities, such as construction sites are restricted, and there is an impact on health, such as increased stress due to heat and the spread of infectious diseases	◆ Not likely to result in large insurance claims payouts ○ Asset management returns deteriorate as performance worsens at companies dependent on water resources	L	●	●
	Depletion of water resources	The depletion of water resources, such as excessive groundwater pumping and development in groundwater recharge areas, significantly impacts the business activities of companies that use a lot of water for raw materials and manufacturing processes	◆ Not likely to result in large insurance claims payouts ○ Asset management returns deteriorate as performance worsens at companies overly dependent on ecosystem services where natural capital is severely damaged	L	●	●
	Degradation of other ecosystem services	Serious losses might occur when ecosystem services on which livelihoods and business activities depend, such as pollination for agriculture, are degraded or destroyed owing to damage to natural capital		L	●	●

## Physical risk analysis in underwriting

The Group believes that our social mission is to continue to provide compensation, even in a society where natural disasters are increasing because of climate change. We have formulated a basic policy on net exposure to catastrophe risk as a Group, and each Group company procures reinsurance (ceding and receiving reinsurance) based on this policy, as part of our efforts to control catastrophe risk across the Group as a whole. In addition, we conduct scenario analysis to identify changes in catastrophe risk caused by the progression of climate change, and we endeavor to refine future risk assessments. (See “Risk Management” on pp. 59–60)

### Analysis of impact of typhoons based on temperature rise scenarios

With respect to the impact on underwriting of damage caused by typhoons in Japan (physical risk), the Group analyzed changes in insurance claim payments due to typhoons for which the force and frequency have changed by global warming, based on the RCP8.5 scenario. We confirmed that insurance claim payments might increase, as shown in the table on the right.

### Examples of typhoons in 2050

Scenario used	Changes in typhoon “force”	Changes in typhoon “frequency”
RCP8.5 (4°C scenario)	Approx. +5% to +50%	Approx. -30% to +28%

## Analysis of physical risk, etc., in insurance and financing

As an institutional investor, the Group invests in and lends to many companies, and we believe that an increase in flood damage at key sites of investment and financing entities because of climate change could lead to a deterioration in our return. Therefore, we analyze the physical risk of our major investee assets to identify climate change risks in our asset management. We also analyze the relationship between the business sites of our investment and financing entities and nature-related sensitive locations.

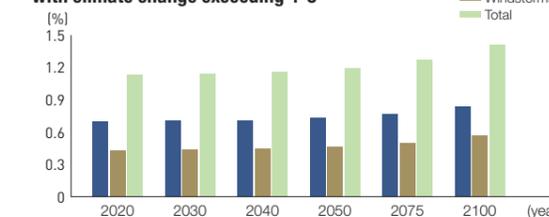
## Climate change physical risk assessment at investment and financing entities and nature-related sensitive locations

We used data of direct operating sites (108,600 sites) from the top 500 companies in our investment and loan portfolio to quantitatively assess the financial impact of climate change and analyze sensitive locations, which is one of the TNFD's sector disclosure metrics for financial institutions.

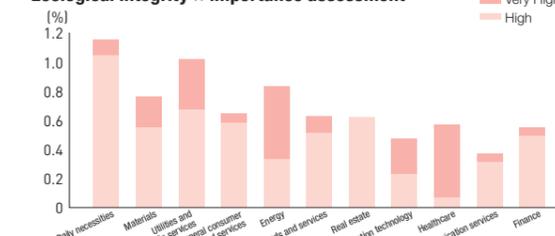
We analyzed the impact of flooding and windstorm risks attributable to climate change on the sales of the relevant entities and found that the impact of lost sales (flooding and windstorms combined) could increase by 5.2% by 2050 compared with 2020 under the 4°C scenario.

Our analysis of sensitive location was based on the criteria presented in the TNFD's LEAP approach, conducting the assessment from four perspectives: importance of biodiversity, ecological integrity, importance of ecosystem services (including indigenous peoples, etc.), and water-related physical risk. We rated all sites on a 5-point scale and calculated the ratio of sites rated 4 (High) or 5 (Very High) for each entity, then calculated the total ratio for all entities. We then calculated the total ratio for each industry sector, confirming the level of sites in sensitive locations for each sector. For details of these analyses, please refer to the MS&AD Green Resilience Report 2024.

### Sales impact under scenario with climate change exceeding 4°C



### Ecological integrity × importance assessment



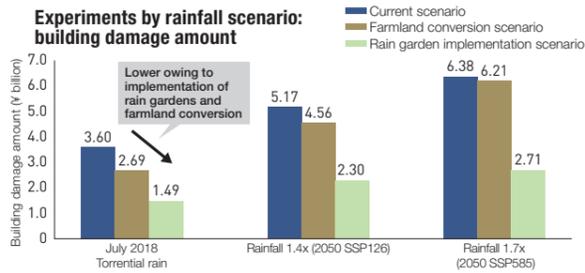
◇ Analysis of the effectiveness of “rain gardens” for reducing damage from flooding

In Japan, the frequency of torrential rain (50 mm or more of rainfall per hour) increased approximately 1.5 times<sup>1</sup> in 2014–2023 compared with 1976–1985, and flood disasters have become more frequent in this regard. In recent years, the damage caused by inland flooding in urban areas has accounted for approximately 40% of all disasters, and in Tokyo, it amounts to approximately 70%.<sup>2</sup> In addition to the increased frequency of torrential rainfall, the increase in paved surfaces due to urbanization is preventing rainwater infiltration, resulting in an increase in inland flooding as rainwater that exceeds the capacity of drainage flows out into rivers and sewers at once, which has created a need for urban planning adapted to climate change.

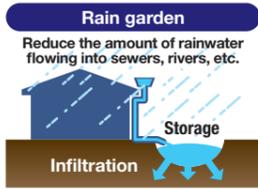
To prevent natural disasters and mitigate damage, the Group is committed to “Green Resilience,” which means protecting nature and using its function to mitigate disasters. As one measure, we are focusing on “rain gardens,” which reduce the rapid runoff of rainwater into rivers, etc. “Rain gardens” provide multifaceted value to the community, including improving biodiversity and preserving water resources while mitigating the risks caused by flood disaster, and we consider them a typical example of an integrated approach to addressing climate change and restoring natural capital. To clarify the effect of a “rain garden” in reducing the damage caused by flooding, the Group conducted a quantitative analysis using actual locations and confirmed its effect. In the future, we will accelerate efforts to spread awareness in cooperation with local governments and research institutions, thereby supporting the creation of safe and secure communities.

Quantitative analysis of the effect of “rain gardens” on flood disaster risk reduction in urban river basins

In northern Kyushu, the annual frequency of extreme heavy rainfall of 50 mm or more per hour is trending upward, and there has been much flood damage. We set scenarios where “rain gardens” and “park water storage” were implemented for rainwater retention infiltration within the basins (7.8 km<sup>2</sup>) of small rivers in cities that have been affected by continuous flooding in recent years (see table below for details), and analyzed the effect on reducing the amount of damage to buildings. As a result, the amount of damage was reduced by nearly 60% in torrential rain in July 2018, and we confirmed that the reduction effect would be further enhanced in scenarios where temperatures rise in the future.



Regarding the amount of building damage, we calculated asset values by multiplying the total floor area (3D urban model data) by the house asset table value per unit area for 2018, and then applied the house damage function from the Manual for Economic Evaluation of Flood Control Investment (2020) of the Ministry of Land, Infrastructure, Transport and Tourism



Target	Case setting
Public facilities, commercial facilities, residential	<ul style="list-style-type: none"> <li>Rainwater is collected from the roof in a rain garden (20 cm deep) with a base area 1/5 that of the roof area</li> <li>Infiltration capacity from base layer: 100 mm/hr</li> </ul>
Park	<ul style="list-style-type: none"> <li>Storage facility with the area of the base of the park (20 cm depth)</li> <li>No infiltration is expected from the park</li> </ul>

This calculation result is a partial modification of the Rainfall-Runoff-Inundation (RRI) model program of the Public Works Research Institute.

<sup>1</sup> Japan Meteorological Agency website, “Past Changes in Heavy Rainfall and Extreme Heat Days (Extreme Phenomena)”  
<sup>2</sup> Ministry of Land, Infrastructure, Transport and Tourism, “Status of Recent Rainfall and Inland Water Damage, and Current Status of Sewerage System Development”

Climate/nature-related transition risks

As we transition to a net zero and nature-positive society, rapid changes in various areas, such as laws and regulations, technology, and markets, pose a risk (transition risk) to business activities. The Group believes that these risks could lead to a deterioration in underwriting and investment returns. We believe, however, that the impact will be limited because, except for a few products, we have few directly underwritten products that provide compensation for transition risk. Technological innovation and the introduction of new laws and regulations will provide new opportunities for insurance provision but also pose risks if we are unable to address these needs.

H+: Very High H: High M: Medium

Classification	Event	Examples of main impacts on policyholders and investment and financing entities	Examples of main impacts on the Group and degree of impact	Period of manifestation
			Insurance underwriting Investment and financing	Short term Medium term Long term
Technology	Advances in net zero and nature-positive technologies and changes in industrial structure	As technologies that contribute to net zero and nature positive, such as decarbonization, recycling, and pollution removal technologies, spread rapidly, could render existing technologies and infrastructure obsolete and result in loss of our share of the traditional market	Insurance underwriting	M ● ●
Market	Changes in demand for products and services that contribute to net zero and nature positivity	Increased demand to net zero and nature positivity among consumers and clients could reduce demand for products and services that lead to global warming and excessive impacts on nature	Investment and financing	M ● ●
Policies, laws, and regulations	Rising carbon prices, emission regulations, and changes in the energy mix	Additional carbon price-related costs incurred by businesses that emit large amounts of GHGs, like the imposition of carbon prices by governments, and responses to requests from customers to introduce renewable energy could lead to a loss of earnings and a decline in competitiveness	Loss of opportunities to offer insurance Decline in investment returns	M ● ●
	Strengthening of environment-related regulations and standards	The strengthening of laws and regulations, etc., as part of efforts to achieve net zero and nature positivity might not only increase regulatory compliance costs but also lead to business downsizing and suspensions, and difficulties in procuring raw materials, resulting in a loss in profitability. In addition, the burden of disclosure could increase costs, and inadequate disclosure might have a negative impact on management		M ● ● ●
	Increase in climate/nature-related litigation	Errors in climate/nature-related measures have resulted in significant business losses, and there is a risk that such errors in management strategy could lead to high costs, including officer lawsuits and compensation, as well as a decline in corporate value due to brand damage	Possibility of high insurance claims payments in D&O insurance <sup>1</sup> Decline in investment returns	M ● ● ●
Reputation	Criticism due to errors or delays in climate/nature-related measures	Risk that the discovery of involvement in businesses that have significant adverse effects on global warming and nature could lead to consumer boycotts and suspension of business with clients, resulting in reduced sales, brand damage, a decline in corporate value, and worsening financing costs	Possibility of insurance claims payments for brand image insurance <sup>2</sup> Decline in investment returns	H+ ● ● ●

<sup>1</sup> D&O: Directors & Officers' liability insurance. Compensation for damages, litigation expenses, etc., incurred by corporate officers because of damages arising from acts (including omissions) committed by corporate officers in their capacity as officers  
<sup>2</sup> Compensation for expenses incurred for measures necessary to restore brand image in the event of an accident requiring compensation, etc.

◇ Analysis of transition risk in insurance and financing

The Group conducts scenario analysis of the impact of transition risk on investments and loans. We have checked the impact of the mounting burden of carbon prices on the investment portfolio if carbon pricing is implemented. This analysis is based on the current greenhouse gas emissions of investee companies. As investee companies move forward with decarbonization efforts, the carbon costs they will bear in the future will decrease, and the impact on their management will be reduced. We will continue taking steps to mitigate the impact on our investment portfolio through engagement with investee companies.

Analysis of impact of carbon cost on investments

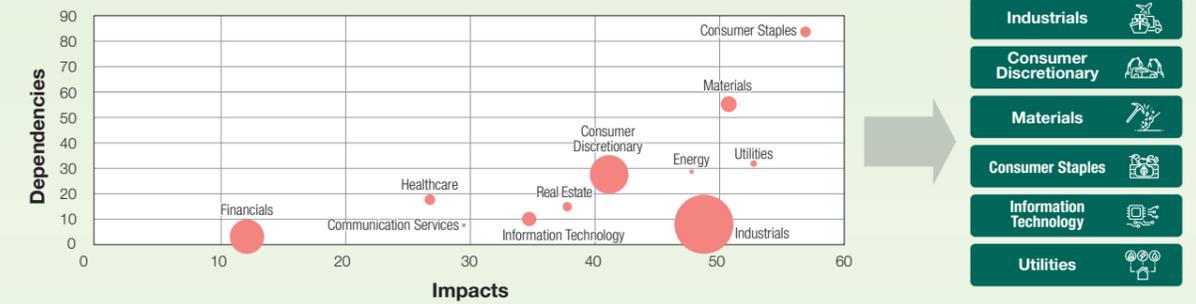
Using analysis tools from S&P Global Trucost, we calculated the current ability of investee companies to pay for future carbon costs they will incur (Carbon Earnings at Risk).

Impact of carbon costs on the Group's investee companies	Example of stocks: 2030 Low scenario: 4.5% Medium scenario: 13.2% High scenario: 18.2%	Trucost's high, medium, and low scenarios based on Nationally Determined Contributions (NDCs) and the OECD and IEA scenarios
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Identification of key industry sector relating to climate- and nature

The impact of climate/nature-related physical risks, such as heat waves and depletion of water resources, varies greatly from industry to industry. Regarding transition risks, there are many industry-specific changes in the social environment, such as technological innovation and changes in policies, laws, and regulations, and industry-specific considerations are important for properly analyzing climate/nature-related risks. To this end, we have identified six key industries based on the extent of the dependencies and impacts of our client companies on climate and nature, as well as our Group's ownership ratio of underwriting and investments and loans, and analyzed associated risks and opportunities. In this section, we analyze risks and opportunities in the “automotive and parts industry” and the “transportation industry,” two of the six key industries.

Dependencies, impacts, and exposure by industry



Explanation of table

- We identified business activities that depend on ecosystem services and those that have a large impact on natural capital, and arranged them in a table by adding up the ratings for each item of dependence and impact (within the impact, greenhouse gas emissions are calculated with double the weighting).
- The size of the bubble shows the total percentage of insurance (coverage for 10% of premiums income as of March 31, 2024) and investments and loans for both domestic and foreign listed stocks, corporate bonds, and corporate loans as of March 31, 2023.

Climate/nature-related risks in key industries

	Automotive and parts industry	MS&AD Group
	Risks: ◆ Upstream ■ Own operation ◇ Downstream Opportunities: ◆ Upstream ■ Own operation ◇ Downstream	Risks: ● Underwriting ○ Investment and financing ◎ Consulting services, etc. Opportunities: ● Underwriting ○ Investment and financing ◎ Consulting services, etc.
Physical Risks	<ul style="list-style-type: none"> <li>◆ Disruptions in the supply chain, such as damage to suppliers and contract manufacturers and suspension of logistics functions due to natural disasters</li> <li>◆ Increased raw material costs due to lower yields and deteriorating quality of raw material caused by rising temperatures, drought, and ecosystem degradation</li> <li>■ Damage to facilities and equipment due to natural disasters, losses incurred because of manufacturing stoppages, and sales declines</li> <li>■ Deterioration in quality and operating rates due to temperature increases, increased energy costs, and employee health risks due to the deteriorating efficiency of air-conditioning and reduced productivity</li> <li>◇ Damage to suppliers and delivery destinations, suspension of operations, disruption of store operations, and customer outflow because of natural disasters</li> <li>■ Strengthen BCP measures for large-scale disasters caused by extreme weather conditions to win customer trust and increase orders</li> <li>■ Increase added value by enhancing product durability in response to rising temperatures, precipitation, and changing weather patterns</li> </ul>	<ul style="list-style-type: none"> <li>● Increase in insurance payments due to natural disasters</li> <li>● Decline in premiums income due to business downturn of client companies</li> <li>○ Decrease in asset value and business downturn at investee companies due to damage from natural disasters</li> <li>◎ Support for the development of business continuity plans to prepare for natural disasters, extreme temperature increases, water shortages, etc.</li> <li>◎ Increased income from the provision of services related to adaptation measures, disaster prevention and reduction, and nature conservation</li> </ul>
Transition Risks	<ul style="list-style-type: none"> <li>◆ Increased costs due to the introduction of a carbon tax</li> <li>■ Decrease in demand for ICE cars due to growing awareness among consumers</li> <li>◆ Increased costs due to stricter regulations, such as emission regulations, fuel efficiency GHG emissions, water resources and waste management, and investment for energy efficiency and renewable energy</li> <li>■ Loss of revenue due to negative reputation from air pollution, water pollution, plastic pollution, and waste from business operations</li> <li>■ Decrease in reputation among stakeholders and investors and decline in sales due to delays in climate change measures and response to ESG disclosure</li> <li>■ Increased sales due to growing demand for EVs and FCVs</li> <li>■ Gain market share through the successful introduction of environmentally friendly technologies, such as the use of renewable energy, and the reduction of water and plastics usage</li> <li>■ Reduce costs by using recycled materials or resources and increase sales by promoting associated value</li> <li>◇ Reduce costs and GHG emissions by efficient logistics (joint transportation, modal shift)</li> </ul>	<ul style="list-style-type: none"> <li>● Decline in premiums due to business downturn in companies and markets concerned</li> <li>● Decrease in premiums due to stricter underwriting standards and conditions resulting from stricter environmental regulations</li> <li>○ Lower investment returns due to business downturn in companies and markets with insufficient responses to climate/nature-related issues</li> <li>● Negative reputation due to involvement in businesses that lead to global warming and the destruction of nature</li> <li>● Increase sales by providing insurance that support new technologies such as EVs and FCVs, establish related value chains, introduce business models such as recycling</li> <li>○ Business leap of such companies and markets which make progress in responding to climate/nature-related issues</li> <li>◎ Increased income from credit intermediation to offset GHG emissions</li> <li>◎ Develop and provide new services to mitigate negative impacts on nature related raw material procurement, etc.</li> <li>◎ Increased income from services supporting disclosure and business strategies considering climate/nature-related risks</li> </ul>

	Transportation industry	MS&AD Group
	Risks: ◆ Upstream ■ Own operation ◇ Downstream Opportunities: ◆ Upstream ■ Own operation ◇ Downstream	Risks: ● Underwriting ○ Investment and financing ◎ Consulting services Opportunities: ● Underwriting ○ Investment and financing ◎ Consulting services
Physical Risks	<ul style="list-style-type: none"> <li>◆ Severe impact on transportation infrastructure or flight schedules and increased risk of accidents due to natural disasters and weather changes</li> <li>◆ Decline in labor productivity under high temperatures, and an increase in costs due to a shortage of laborers</li> <li>■ Reduced durability of vehicles and infrastructure, increased maintenance, and energy costs due to a deterioration in efficiency of air-conditioning because of extreme temperatures</li> <li>■ Increased transportation costs due to the depletion of fossil fuels and other natural resources</li> <li>■ Increased risk of accidents due to collisions with cetaceans, deer, bears, and other large animals</li> <li>◇ Increased costs for alternative logistics and lost business opportunities due to damage and suspension of business partners caused by natural disasters</li> <li>◇ Decrease in passengers due to degradation of natural tourism resources</li> <li>■ Increase in income associated with services to meet increased transportation demand for responding rapidly to natural disasters</li> </ul>	<ul style="list-style-type: none"> <li>● Increase in insurance payments due to natural disasters</li> <li>● Decline in premiums income due to business downturn of client companies</li> <li>○ Decrease in asset value and business downturn at investee companies due to damage from natural disasters</li> <li>◎ Increased income from provision of services related to adaptation measures, disaster prevention and reduction, and nature conservation</li> </ul>
Transition Risks	<ul style="list-style-type: none"> <li>■ Increase in operating and technological costs due to stricter emission regulations and fuel efficiency</li> <li>■ Decrease in demand for conventional means of transportation due to a rise in environmental awareness</li> <li>■ Increase in costs with the introduction of a carbon tax, credits, and the shift to biomass and SAF fuels</li> <li>■ Loss of market share due to the failure to introduce environmentally friendly technologies, such as the use of renewable energy and the reduction of GHG emissions</li> <li>■ Negative reputation from air pollution, water pollution, and waste from business operations</li> <li>■ Accidents during transportation resulting in fines, compensation, pollution removal and habitat restoration expenses, etc., and reputation damage</li> <li>■ Decrease in reputation among stakeholders and investors and decline in sales due to delays in climate change measures and response to ESG disclosure</li> <li>■ Increase in sales due to introduction of EVs, FCVs, and other decarbonized energy-based transportation</li> <li>■ Reduction in costs and creation of a new market for environmentally and nature-friendly transportation services or joint transportation</li> <li>■ Reduce costs by using recycled materials and resources, and increase sales by promoting associated value</li> <li>■ Reduce transportation costs and GHG by efficient logistics (joint transportation, modal shift)</li> </ul>	<ul style="list-style-type: none"> <li>● Decline in premiums income due to business downturn in the companies and markets concerned</li> <li>● Decrease in premiums due to stricter underwriting standards and conditions resulting from stricter environmental regulations</li> <li>○ Lower investment returns due to business downturn in companies and markets with insufficient responses to climate/nature-related issues</li> <li>◎ Negative reputation due to involvement in businesses that lead to global warming and the destruction of nature</li> <li>● Increased demand for new compensation due to support for innovation in areas such as new energy and transportation means</li> <li>○ Dramatic business progress of companies and markets that successfully respond to climate/nature-related issues</li> <li>◎ Increased income from mediation in areas such as credits to offset GHG emissions</li> <li>◎ Increase in income from the provision of services related to information disclosure and business strategies considering climate/nature-related risks</li> </ul>

### Opportunities within the MS&AD Insurance Group

The Group aims to contribute to solving social issues and grow together with society to realize a resilient and sustainable society. Our business model, "Value Creation Story," is centered on the highly public nature of the insurance business, where we provide value to society by solving social issues, and at the same time, we achieve value in terms of sales and profits.

Based on the "Perspective of Sustainability of the MS&AD Insurance Group," the MS&AD Insurance Group, as an operator of insurance and financial service businesses, underwrites various risks including accidents and disasters, and provides compensation in case of emergency. In addition to reducing the occurrence of risks, we focus on solving social issues that cause risks. Through our efforts to "identify and inform on risks," "prevent risks from occurring/minimize the impact," and "reduce the economic burden," we are creating shared value with society through our activities.

#### ◆ Initiatives to "identify and inform on risks" ~ Business Activities with Consideration for Sustainability ~

Based on our "Perspective of Sustainability," the Group practices business activities with consideration for sustainability, aiming to solve social issues together with our stakeholders. When underwriting and making investments and loans, we evaluate and analyze risks that could pose a negative impact on the environment and society and work with our business partners to reduce these risks. In addition to climate/nature-related physical and transition risks, assessments also cover risks related to the impact on nature and local communities, as well as risks related to indigenous peoples' rights; associated with renewable energy projects, which are rapidly spreading as part of efforts to achieve decarbonization; and new agriculture, forestry, and fisheries projects that involve large-scale development in unexplored areas. We support net zero and nature positive through the provision of products and risk consulting services that contribute to the prevention and reduction of discovered risks and the resolution of issues.

"Perspective of Sustainability" (<https://www.ms-ad-hd.com/en/csr/summary/materiality.html>)

#### Expand efforts for before and after compensation and protection for natural disasters

In response to the frequent occurrence of natural disasters, the Group supports local disaster prevention and reduction activities through services such as the "Cmap Real-Time Damage Forecasting Website and App" and the "Disaster Prevention Dashboard" disaster prevention and reduction system." Japan's first alert service that notifies users of information on hailstorm forecasts helps to avoid and mitigate damage by delivering push alerts to users in areas where the probability is increasing. In addition, our "Inland Flooding Forecast System," which is currently undergoing verification experiments, predicts inland flooding, which is frequent in urban areas, thus fulfilling a useful purpose in helping residents evacuate and take countermeasures, with the aim of mitigating damage.

In addition, to help disaster victims rebuild their lives as quickly as possible, we support the prompt issuance of disaster damage certificates as a post-compensation service, as well as more efficient administrative work for their delivery.

To implement these various services and local disaster prevention and reduction activities, we have launched the "Disaster Prevention Partner" system in cooperation with agents and other organizations. With the Group playing a central role, we will work together to conduct disaster prevention activities suited to local characteristics and build frameworks for cooperation with local governments and disaster relief organizations. In this way, we will improve local disaster preparedness while also creating business opportunities by strengthening our points of contact with customers.



#### Development and provision of products and services that contribute to climate change adaptation

"Flood compensation," which is attached to fire insurance for homes and businesses, covers damage to buildings, household goods, and equipment caused by floods. Prompt compensation for damages is extremely important for supporting disaster victims in rebuilding their lives. "Weather derivatives" are designed to stabilize earnings by avoiding or mitigating losses, such as reduced sales or increased costs, caused by extreme or unfavorable weather conditions. Their effect is particularly noticeable in industries that depend heavily on the weather, such as agriculture and tourism. In Australia, the "Weather Index Insurance Platform for Farmers" enables online, real-time insurance quotes. We leverage insurtech technology to provide this service, making it possible to obtain coverage quickly and conveniently. In addition, in countries where insurance markets are not fully developed, recovery and reconstruction can be extremely difficult if natural disasters of a certain scale occur, which could lead to further poverty and political instability. Accordingly, we work with the World Bank and other international institutions to endeavor to promptly provide funds to such countries, through participation in public natural disaster compensation programs.



#### Support for net zero and nature positivity through insurance products and services

The Group provides insurance and services to support businesses as they transition to net zero and nature positivity, including analysis of risks associated with renewable energy projects and compensation for such risks. We provide insurance for reduced earnings if equipment expected to generate J-Credits is affected by natural disaster. "RoofPlus" is a scheme to support the introduction of solar power generation for in-house consumption by SMEs through a leasing system in cooperation with solar O&M companies. The installation of power generation on rooftops was previously mainly performed by large companies, but this scheme makes it easy for SMEs to do so.

To support decarbonization, we have also developed a special policy to compensate for additional costs. With a conventional insurance policy, we could only pay insurance claims to restore a property to its original condition, but based on the concept of "Build Back Better," we are supporting the transition to a net-zero society. The "Carbon Neutral Support Agreement" provides compensation associated with the installation to reduce CO<sub>2</sub> emissions when restoring damaged buildings, and the "EV Replacement Expense Clause" provides compensation to replace an ICE vehicle with an EV after major damage due to an accident.

Reducing resource use is a key element in the transition to nature positivity, and the promotion of a circular economy is thus essential. In response to the social issue of mass disposal in the apparel industry, "Clothing Recycling Expense Compensation (No-burn Insurance)" supports the recycling of clothing by providing compensation associated with recycling when apparel manufacturers and retailers suffer damage. In addition, we are working with customers to utilize recycled parts in automobile repairs, thus contributing to a circular economy.

In terms of products and services that contribute to the preservation and restoration of natural capital and biodiversity, the "Marine Pollution Response Additional Expense Compensation Clause" covers the cost of preservation and restoration activities for damage to nature to complement the social responsibilities of ship operators, which were previously not subject to compensation. The "Reforestation Expense Compensation Clause (Forest Keeper)" covers the cost of reforestation of damaged forests. We also offer an insurance program that provides compensation for the risk of fire spread from "noyaki (open burning)," which is essential for maintaining grasslands in the Aso region of Kumamoto Prefecture. In some cases, noyaki had to be suspended owing to lack of allowance for the risk of fire spread, but thanks to the provision of "noyaki insurance" by the Group, traditions closely tied to the nature and history of Aso have been maintained, contributing to the nurturing of agricultural and livestock products, as well as preserving abundant water resources, among other ecosystem services.



\*A concept advocated in the field of disaster prevention, based on the idea of achieving community development with more resilient measures, in addition to restoring communities to their original state during the reconstruction phase after a disaster occurs.

#### Support for analysis, assessment, and disclosure of climate/nature-related risks and opportunities

MS&AD InterRisk Research & Consulting provides services to analyze and assess climate/nature-related physical and transition risks and support disclosure. We have focused on quantitative assessment of physical risks related to climate change in collaboration with external organizations with advanced knowledge. In 2020, we collaborated with U.S. start-up Jupiter Intelligence to launch a service that quantitatively assesses various forms of catastrophe risk in the future to within 90 m<sup>2</sup> accuracy for the entire world, leveraging AI-based climate change impact assessments. In our "Large-scale risk assessment of Climate change for Flood (LaRC-Flood9)" project in collaboration with the University of Tokyo and Shibaura Institute of Technology, launched in 2018, we estimate changes in future flood frequency and inundation depth distribution with a high degree of accuracy worldwide, and we utilize the results in consulting. In addition, in FY2023, we began offering "Flood Risk Finder," a SaaS-type platform that enables global flood risk assessment, as a new business.

For nature-related risks, the entire value chain, including raw material procurement, as well as direct business activities, should be subject to assessment. It is important to conduct scientific analysis and assessment on a regional basis, as risks differ depending on the state of nature and ecosystems in each region that businesses have contact with and the details of the business. With the evolution of AI and DX technologies, "naturetech" start-ups, which understand and analyze complex nature, are emerging in Japan and abroad. The Group has performed a series of demonstrations with companies with groundbreaking technologies, including a partnership with Think Nature Inc., which possesses big data related to natural capital, in 2022. While engaging in these demonstrations, we provide support focused on industries with particularly strong connections to nature, such as TNFD disclosure support focused on the urban real estate industry and freshwater resources, in addition to general support.



Flood Risk Finder screen image

#### Collective action to encourage the transition to nature positive

Unlike net zero, the transition to nature positive requires different initiatives depending on the state of the local nature and ecosystem. It is important to share clear targets for nature positive based on the details and degree of dependence on nature and the impact of land use change, as we work to solve local social issues. Then, we must formulate effective measures and promote collective action by various stakeholders. In the MS&AD Green Earth Project, we engage in collective action to encourage a shift to nature positive through activities to preserve and restore nature in three locations across Japan, in collaboration with research institutions and involving local businesses, NPOs, etc. As part of our efforts to achieve Green Resilience in local communities, we aim to build safe, secure, and vibrant regional models, such as mitigating flood damage through preservation and restoration of wetlands across entire basins, and the formation of alliances for groundwater preservation and use.



"Green Basin Flood Control Project" for the Kuma River in Kumamoto Prefecture: In the Kuma River basin, which suffered serious flood damage in July 2020, we are focusing on disaster prevention and reduction and local regeneration by protecting and utilizing nature, including the preservation of wetlands. We are also focusing on developing "rain garden partnerships" within the prefecture, in which both citizens and businesses participate.

Foundations Sustainability

Sustainability initiatives and dissemination among employees

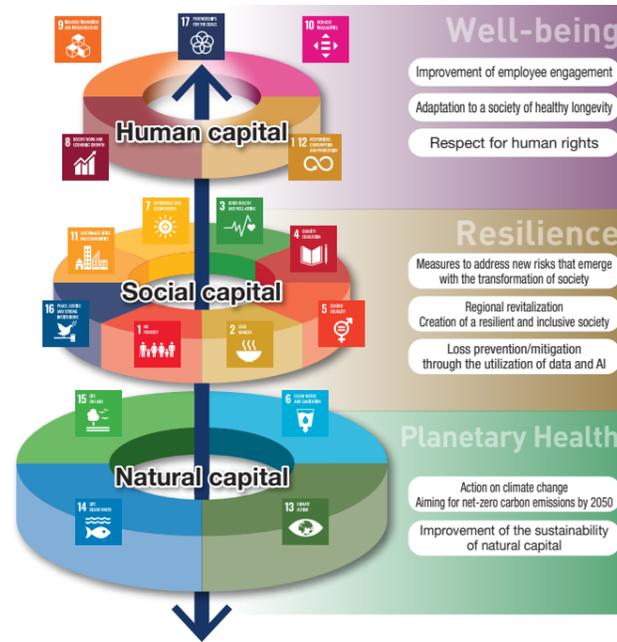
The MS&AD Insurance Group has identified “Symbiosis with the global environment (Planetary Health),” “Safe and secure society (Resilience),” and “Happiness of diverse people (Well-being)” as three key issues from among various social issues, and we are focused on finding solutions to these issues.

Although the three might appear to be separate issues, they are deeply interrelated and require integrated efforts to address them.

The SDGs Wedding Cake model proposed by the Stockholm Resilience Centre is a model that illustrates how the 17 SDGs are made up of three layers, which are closely related to each other.

Translated into key social issues for the Group, the happiness of diverse people is made possible by a safe and secure society, which in turn has symbiosis with the global environment, or the natural environment necessary for people to live in.

Source: Prepared by the Company based on the SDGs Wedding Cake model by the Stockholm Resilience Centre



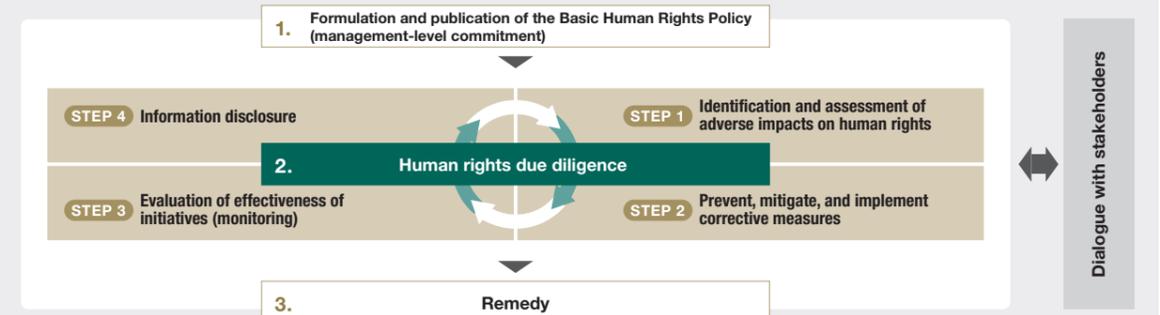
Happiness of diverse people (Well-being): Respect for human rights

The MS&AD Insurance Group will fulfill its corporate responsibility to respect human rights in the way required of corporations and contribute to the realization of a sustainable society, in accordance with the UN Guiding Principles on Business and Human Rights.

To realize the Group’s 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,” it is important that we consider the mutual impact of all our business activities on society, including the environment and human rights, when acting. The MS&AD Insurance Group Basic Human Rights Policy, which applies to all officers and employees of the Group, agents, and other business partners, etc., and a wide range of other parties involved with the Group, clarifies that the Group has a responsibility to respect and protect human rights. Based on this Basic Human Rights Policy, we identify and assess potential negative impacts on human rights that might occur in our business activities and work with a wide range of stakeholders to promote efforts to respect human rights (human rights due diligence) to prevent or mitigate such impacts.

Management system of respect for human rights

We promote efforts in accordance with a management system of respect for human rights, including the formulation of human rights policies, the implementation of human rights due diligence, and the provide of remedies.



Prepared with reference to the “Reference Material on Practical Approaches for Business Enterprises to Respect Human Rights in Responsible Supply Chains” by the Ministry of Economy, Trade and Industry

Activities and dialogue that respect human rights

Establishment of the Basic Human Rights Policy

Since February 2017, we have established the “MS&AD Insurance Group Basic Human Rights Policy” and have been fulfilling our corporate responsibility to respect human rights.

Identification and assessment of adverse human rights impacts

We have organized the points of contact where human rights risks occur from the Group’s value chain and stakeholders, created a risk map, and identified three priority issues in our efforts to respect human rights.

- 1) Fair and impartial customer service
- 2) Consideration of human rights measures by underwriters, investors, and external contractors
- 3) Consideration for the health of employees and a working environment free of discrimination

In response to the April 2023 release of METI’s “Reference Material on Practical Approaches for Business Enterprises to Respect Human Rights in Responsible Supply Chains” and reflecting the overall efforts to respect human rights at our overseas entities, we conducted a reassessment of the FY2021 assessment in FY2023.

Implementation of prevention, mitigation, and corrective measures, and monitoring

Examples of prevention and mitigation measures

Fair and impartial customer service

We listen to a wide range of customer opinions through the implementation of initiatives in line with our “customer-first policy in business operations” and are working on continuous improvements to our quality and operations

Consideration of human rights measures by underwriters, investors, and external contractors

We have formulated the Group policy on “business activities with sustainability in mind” and implemented business activities with ESG factors in mind. We consider these factors, including respect for human rights, in underwriting and investment and financing

Consideration for the health of employees and a working environment free of discrimination

We implement initiatives to prevent harassment in workplace training, position-based training, and e-learning training, etc., for all employees (including contract employees and dispatch employees)

Through various types of monitoring, including inspections of outside vendors, we confirm the efficiency and effectiveness of prevention and reduction measures, and implement dialogue and corrective actions.

Remedy

We have established a reporting and consultation system for employees and others, a harassment hotline, and a human rights issues consulting desk mainly for outside vendors, so that in the event of a violation of laws and regulations or internal regulations, or inappropriate behavior, we can promptly recognize that fact and take the necessary measures as a company.

Topics

Sustainability Contest

Approximately 40,000 Group employees in Japan and overseas working on sustainability issues

The Group believes that it is important for every employee to feel that their day-to-day work is connected to the sustainability of society and to work together with customers to resolve sustainability issues.



At the 2nd Sustainability Contest held at Aioi Nissay Dowa Insurance Century Hall (Ebisu) in 2019

Since 2018, we have held the Sustainability Contest with the aim of instilling an understanding of our story of value creation and CSV (Creating Shared Value with society) in our daily operations. To date, we have received approximately 2,200 applications from Group companies in Japan and overseas, and the contest has contributed to solving sustainability issues while also sharing excellent initiatives within the Group.



We held Sustainability Contests from 2020 to 2022 (3rd to 5th contests) online without cancellation despite the COVID-19 pandemic. A local subsidiary in India was awarded the Grand Prize in 2022.

Future Sustainability Contests

For the FY2024 Sustainability Contest, we plan to establish awards by theme to recognize a variety of initiatives, such as initiatives by young employees and senior employees, collaboration with external parties, and inter-group cooperation, to enable many employees to apply to the contest as a forum for reflecting on the cycle of sustainability initiatives. We will encourage our employees to take on the challenge of solving social issues and foster the “earning power” of the Group.