MS&AD’s Value Creation Story

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

The MS&AD Insurance Group was formed with three groups of insurance companies being integrated with the mission “to contribute to the development of a vibrant society and help secure a sound future for the planet, by enabling safety and peace of mind through the global insurance and financial services business.” To realize this mission, we need to face those social issues that impede this idea and promptly identify various risks stemming from these issues. Then, through a variety of products and services, we need to prevent risks from occurring or minimize the impact of those risks and to reduce the economic burden when those risks materialize. By doing so, we help create an environment where customers can live and conduct business in a secure manner. That is our value creation story.

Social Issues To Be Solved by Our Group

- Global warming
- Damage to natural capital
- Environmental pollution
- Linear economy
- Emergence of new risks
- Spread of infectious diseases
- Major earthquakes
- Decline of regional industry
- Aging population and declining birthrate
- Human rights violations
- Elimination of diversity
- Poverty and widening income disparity

Identifying Materiality from Social Issues To Be Solved

Symbiosis with the global environment (Planetary Health)

Safe and secure society (Resilience)

Happiness of diverse people (Well-being)

⇒ Please refer to page 21 for details on identifying materiality. Note: The above refer to sustainability-related materiality.

Creating Shared Value with Society (CSV Initiatives)

We will confront diversifying social issues, create our value creation story, and engage in value co-creation together with our various stakeholders. And with the development of society, we will aim for sustainable growth of the Group and aim to enhance corporate value.

- Carbon neutral Support
- Provision of multifaceted cyber risk related products
- Support for corporate human rights–related responses

Aspiration for 2030

A corporate group supporting a resilient and sustainable society
Here we explain the MS&AD Insurance Group’s system for value creation. We are utilizing the diverse resources of the Group’s business activities together with our stakeholders as the impetus to create new value. Firmly building a system that can sustainably create value in this way leads to improvement in corporate value over the medium to long term.

**Value Creation System**

**Strategy and Performance**

**Appendix/Data Section**

**MS&AD’s Value Creation Story**

**Management’s Message**

**Value Creation Resources**

- **Financial Capital**
  - Sufficient and sound financial base for underwriting risk and growth investment
  - Consolidated net assets: ¥3,056.2 billion
  - ESR (Economic Solvency Ratio): 228%

- **Human and Intellectual Capital**
  - Global and diverse human assets
  - 46 countries worldwide
  - Most abundant risk data in Japan and the ASEAN region
  - Number of risk surveys conducted: 1,112
  - Building a digital platform: 1,219 participants in the digital human assets development program

- **Social and Relationship Capital**
  - No.1 customer base and sales network in Japan
  - Major legal partners: 2.65 million companies
  - Domestic customers: 44.95 million individuals
  - Domestic claims handling service centers: 365
  - Partnerships with top companies in other industries

- **Natural Capital**
  - Resources necessary for business activities
  - Paper: 8,301 t
  - Water usage: 682,901 m³
  - Total energy consumption: 784,307 GJ

**Medium-Term Management Plan (2022–25)**

- As a platform of risk solutions

**Sustainability-related materiality**

- **Strong financial base**
  - Steady earnings growth
  - Diverse human assets
  - No. 1 share

- **Sustainable growth foundation**
  - Financial Capital
  - Pursuit of capital efficiency
  - Group Adjusted Profit: ¥127.7 billion
  - Group Adjusted ROE: 8.4%
  - TSR of past five years: 44.5%
  - Continuous and stable shareholder returns
  - Shareholder yield: 5.8%
  - Dividend yield: 4.9%

- **Innovation by diverse human assets**
  - Human and Intellectual Capital
  - Ideas born from diversity
  - Number of applicants for the Sustainability Contest: 276
  - Number of applicants for the Digital Inovation Challenge Program: 442
  - Digital human assets: as of April 2023
  - Overseas human assets: as of April 2023

- **Establishment of strong partnerships**
  - Social and Relationship Capital
  - Recovery of social losses
  - Life insurance claims: ¥531.2 billion
  - Number of auto accident cases received: 2,319,379 cases
  - Number of auto accident cases resolved (domestic, excluding CALI): 2,241.1 billion
  - Customer satisfaction (survey results of life insurance policyholders): 81.1%
  - Customer-focused business operations: 382.5%

- **Our planet’s sustainability**
  - Natural Capital
  - Helping to create a zero-carbon society
  - Renewable energy implementation rate: 21.1%
  - Contribution to the conservation of biodiversity
  - Greenhouse gas emissions (Scope 1 + 2): 64,760 tCO₂e
  - Amount of waste discharged (final disposal): 4,235 t

**Value Co-Creation with Stakeholders**

- Provision of safety and peace of mind
- Long-term improvement in corporate value
- Mutual growth as a partner
- Value creation throughout the supply chain
- Human assets as a source of competitiveness
- Cooperation and collaboration for solving issues
- Improvement of our planet’s sustainability

**Consider materiality in relation to the social environment**

**Priority issues to be addressed**

- Symbiosis with the global environment
- Safe and secure society
- Happiness of diverse people

**Way of life**

- Symbiosis with the global environment
- Safe and secure society
- Happiness of diverse people

**Notes:** As of FY2022 when not otherwise stated.
Value Co-Creation with Stakeholders

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

**Customer**

All employees implement the “Customer Focus” attitude expressed in the code of conduct (Our Values), listen to customer feedback broadly, and provide high-quality products and services to solve social issues and achieve the “security and satisfaction of our customers.”

**Communication channel**

- Customer surveys
- Annual report on the status of “Customer Focused” initiatives
- Contact center
- Official websites
- Communication with agents and employees (e.g., inquiries, consultations, requests, complaints)
- Disaster prevention and reduction information is made available to the public, and alerts are notified via an app.

**Examples of initiatives**

- The crop real-time damage forecasting website and app provide information on the number of damaged buildings, disaster-related social media, alert levels, evacuation centers, and related issues.

**Agents**

By communicating smoothly, and thinking and acting together with our agents, we will provide high-quality services and optimal insurance products to customers and mutually pursue the growth of agents and our Group.

**Communication channel**

- Agent meetings
- Agent study sessions
- Provision of "Makusha," a service for calculating and visualizing greenhouse gas emissions

**Examples of initiatives**

- Presenting optimal proposals that meet the needs of each individual customer through data analysis by “MS1 Brain,” an AI-powered agent sales support system

**Environment**

We work together with diverse partners such as cooperating with domestic and overseas industrial organizations and local governments and collaborating among industries, academia, and government, thereby protecting the Earth’s environment and social sustainability and contributing to developing a vibrant society.

**Communication channel**

- Collaborative agreements with local governments
- Collaborative research with universities and other organizations on disaster prevention and mitigation and the local environment
- Dialogues with NGOs and NPOs
- Communication/exchanges with local communities
- Hosting of seminars/symposiums

**Examples of initiatives**

- From fiscal 2023, in collaboration with universities, local NGOs, and natural scientists, the MS&AD Green Earth Project has launched the MS&AD Green Earth Project to support companies’ shift to nature positive in the Kuma River basin (Kumamoto Prefecture), Minamisanriku Town (Miyagi Prefecture), and the Kuma River flood disaster area.
- The MS&AD Group supports the Finance Alliance for Nature Positive Solutions (FANPS) in February 2023 to support companies’ shift to nature positive in their business activities.

**Employees**

We create a working environment where employees can work with a sense of feeling motivated and job satisfaction and provide opportunities for everyone to play an active role. We foster a corporate culture that respects a diverse range of values, thereby generating innovation.

**Communication channel**

- Conducting an employee awareness survey
- Publications and seminars on disasters and mitigating risks and breaches of laws, company rules, and inappropriate behavior

**Examples of initiatives**

- Conducted awareness surveys of employees in Japan and overseas and implemented training for national staff to further disseminate and implement MS&AD’s mission, vision, and values.

**Customers**

We make highly transparent information disclosure, actively engage in constructive dialogue with shareholders, and reflect outcomes of these activities in managing our Group, thereby driving to create more value and improve corporate value.

**Communication channel**

- Strategy briefings for institutional investors and analysts: 2 sessions
- Results briefing conference calls: 4 sessions
- ESG briefings: 1 session
- Thematic meetings: 2 sessions
- Briefings for individual investors: 6 sessions

**Examples of initiatives**

- Provision of “zeroboard,” a service for calculating and visualizing greenhouse gas emissions
- Dialogue with NPOs and NGOs
- Collaborative research with universities on climate change and natural capital
- Participation in initiatives and international conferences
- Employee participation in environmental and social contribution activities (22,553 employees)

**Examples of initiatives**

- Four financial institution groups—MS&AD Group, SMFG, Nomura Bank, and Development Bank of Japan—launched the Finance Alliance for Nature Positive Solutions (FANPS) in February 2023 to support companies’ shift to nature positive in their business activities.
Identifying Materiality

Step 1

Twenty-one social issues to be resolved were selected from among the social issues listed in national and international government reports, ISO 26000, GRI Standard, SASB, and other guidelines.

Step 2

Evaluate the selected social issues using the materiality matrix.

The materiality matrix is analyzed from two perspectives: the impact of us on society (importance to stakeholders) and the impact of society on us (importance to us).

Step 3

Organize social issues of high importance to stakeholders and us and set materiality.

Symbiosis with the global environment (Planetary Health)
Safe and secure society (Resilience)
Happiness of diverse people (Well-being)

Three Key Sustainability Issues

<table>
<thead>
<tr>
<th>Social issues</th>
<th>Risks and opportunities</th>
<th>Time axis</th>
<th>Examples of Major Measures and Initiatives</th>
<th>KPI</th>
<th>FY2022 Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Acceleration of global warming</td>
<td>Reduction of earnings due to the inability to achieve a rapid transition to a net zero society</td>
<td>Short</td>
<td>- Promotion of information disclosure and initiatives in line with the TCFD recommendations</td>
<td>Greenhouse gas emission reduction rate</td>
<td>2030: -50% (2050 Net zero)</td>
</tr>
<tr>
<td></td>
<td>Deterioration of income and expenditure due to intensification of natural catastrophes, etc., and an increase in capital costs due to increased profit volatility</td>
<td>Mid</td>
<td>- Overcapitalization of the business portfolio</td>
<td>Renewable energy consumption rate</td>
<td>2030: 60% (2050 100%)</td>
</tr>
<tr>
<td></td>
<td>Prohibition of products and services that contribute to reducing greenhouse gas emissions</td>
<td>Long</td>
<td>- Promotion of products and services to support companies in decarbonization and disclosing climate-related information</td>
<td>Insurance premium growth rate for products that contribute to the Net-Zero society and a circular economy</td>
<td>FY2025 Annual average 18%</td>
</tr>
<tr>
<td>2. Damage to national capital (ecosystem degradation and crisis)</td>
<td>Deterioration of earnings due to business partners’ integration of economic activities caused by the depletion of natural resources</td>
<td>Short</td>
<td>- Promotion of initiatives on the themes of preservation of the natural environment and reduction of environmental impact (also corresponding to MS&amp;AD Green Earth Project)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Decline in earnings caused by the deterioration in business performance of business partners due to tighter regulations on the circular economy, etc.</td>
<td>Mid</td>
<td>- Efforts to develop and disseminate the TFD disclosure framework</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Increased need for risk assessment of natural capital and preservation of biodiversity and its sustainable use</td>
<td>Long</td>
<td>- Provision of goods and services to support natural capital, preservation of biodiversity, and sustainable use</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Decline in earnings due to an inability to achieve the transition to a circular economy</td>
<td></td>
<td>- Provision of products and services that support a circular economy</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Launching of a financial alliance to promote nature positivity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Environmental pollution and noncircular economy</td>
<td>Impact of an increase in large-scale cyberattacks on the Group</td>
<td>Short</td>
<td>- Building an information security management system</td>
<td>Growth rate of the number of policy for products that contribute to improving social resilience</td>
<td>FY2025 Annual average 20%</td>
</tr>
<tr>
<td></td>
<td>Emergence of new risks due to the spread of IoT and in the post-digital era</td>
<td>Mid</td>
<td>- Prohibition of goods and services for new risks manifested by changes in society and customer behavior</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Creation of new markets due to the emergence of new risks such as cyberattacks</td>
<td>Mid</td>
<td>- Product and services that address cyber risks</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Building of new business models through Sharing Value and digital transformation (CV+DX) and social digitalization</td>
<td>Long</td>
<td>- Voluntary automobile insurance and accident reduction services using telematics technology</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Spread of infections</td>
<td>Impact of a new pandemic on operations</td>
<td>Short</td>
<td>- Provision of products and services to infectious disease control and healthcare providers</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Business opportunities related to infectious disease control and healthcare providers</td>
<td>Mid</td>
<td>- Ensuring effectiveness through periodic review of risk management manuals and business continuity plans (also corresponding to MS&amp;AD’s Business Continuity management)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>In an increase in disaster risks due to the increased probability of massive earthquakes, particularly those concentrated in urban areas</td>
<td>Long</td>
<td>- Provision of products and services to prepare for massive earthquakes</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Increased need for earthquake countermeasures</td>
<td></td>
<td>- Provision of services that meet the needs of companies for BCP measures</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Large-scale earthquakes</td>
<td>Declining regional vitality due to depopulation, lack of access to mobility and financial services, and aging social infrastructure</td>
<td>Short</td>
<td>- Provision of insurance and services in response to local revitalization and regional issues (also corresponding to Provision of insurance and services in response to local revitalization and regional issues (also corresponding to</td>
<td>Number of issues solved by local companies</td>
<td>FY2025 10,000 cases</td>
</tr>
</tbody>
</table>
### Impact of CSV Initiatives

Based on the three priority issues identified, we are promoting CSV initiatives based on risks and opportunities. Our group’s products and services solve social problems and support a resilient and sustainable society. We are creating a positive impact both in improving corporate value and solving social issues.

Note: Figures are estimates for FY2022.

#### Symbiosis with the global environment (Planetary Health)

<table>
<thead>
<tr>
<th>Risks and opportunities</th>
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<th>Examples of Major Measures and Initiatives</th>
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<tbody>
<tr>
<td>Decrease in earnings caused by a decline in the total population (labour force) and medium- to long-term contraction of the domestic market due to the ongoing depopulation of local areas</td>
<td>Short</td>
<td>Prediction of risk development due to market changes through monitoring</td>
<td>Number of policies in force of aged-build products for longevity</td>
</tr>
<tr>
<td>Crisis of sustainability in social security systems and financial systems</td>
<td>Medium</td>
<td>Provision of products and services in line with the needs of an aging society</td>
<td>Number of policies in force that help solve health-related social issues</td>
</tr>
<tr>
<td>Loss of earnings due to inability to address needs in an aging society</td>
<td>Long</td>
<td>Financial gerontology training</td>
<td></td>
</tr>
<tr>
<td>Increased interest in local revitalization initiatives that can revitalize local economies and solve labor shortages</td>
<td>Short</td>
<td>Provision of products and services that help solve social issues</td>
<td></td>
</tr>
<tr>
<td>Increased need for security systems in cooperation with local governments</td>
<td>Medium</td>
<td>Health management support insurance and services</td>
<td></td>
</tr>
<tr>
<td>Services related to nursing care and dementia, increasing the need for asset formation and asset inheritance measures in the super-aged society</td>
<td>Long</td>
<td>Breast, uterine, and colorectal cancer seminars</td>
<td></td>
</tr>
<tr>
<td>Increase in the number of births</td>
<td>Short</td>
<td>Provision of products and services in line with the needs of an aging society</td>
<td>Number of companies supporting human rights–related measures</td>
</tr>
<tr>
<td>Increased awareness of respect for human rights and the increased need for corporate responses</td>
<td>Medium</td>
<td>Prevention of human rights–related measures</td>
<td></td>
</tr>
<tr>
<td>Prevention of products and services that contribute to respecting human rights and promoting DE&amp;I</td>
<td>Long</td>
<td>Support cybersecurity countermeasures and provide coverage to hedge damage resulting from the unlikely event of a cyberattack</td>
<td></td>
</tr>
<tr>
<td>Widening and entrenchment of the gap between the rich and poor due to the escalation of intra-state conflicts, etc., and destabilization of the socioeconomic environment from an increase in refugees</td>
<td>Short</td>
<td>Provision of products and services that help solve health-related social issues</td>
<td></td>
</tr>
<tr>
<td>Activities and active disclosure of information related to social contribution and collaborative value</td>
<td>Medium</td>
<td>Provision of human rights–related measures</td>
<td></td>
</tr>
<tr>
<td>Grasping of new markets through financial inclusion</td>
<td>Long</td>
<td>Provision of microinsurance</td>
<td></td>
</tr>
</tbody>
</table>

#### Safe and secure society (Resilience)

<table>
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<tr>
<td>Products to cover cyber risks</td>
<td>Short</td>
<td>Number of companies that provided quantitative assessment service on the climate change impact of the TCFD recommendations</td>
<td>6,640 bases</td>
</tr>
<tr>
<td>Real-time damage prediction website cmap.dev (cmap)</td>
<td>Medium</td>
<td>Number of companies that provided quantitative assessment service on the climate change impact of the TCFD recommendations</td>
<td>2.73 million accesses</td>
</tr>
<tr>
<td>Telematics-based safety driving support services</td>
<td>Long</td>
<td>Number of automobile insurance policies for monitoring and automobile insurance for connected cars</td>
<td>2.2 million cases</td>
</tr>
</tbody>
</table>

#### Happiness of diverse people (Well-being)

<table>
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</tr>
</thead>
<tbody>
<tr>
<td>Aging population and declining birthrate</td>
<td>Short</td>
<td>Prevention of risk development due to market changes through monitoring</td>
<td>Number of policies in force of aged-build products for longevity</td>
</tr>
<tr>
<td>Human rights violations and exclusion of diversity</td>
<td>Medium</td>
<td>Provision of products and services in line with the needs of an aging society</td>
<td></td>
</tr>
<tr>
<td>Increased poverty and inequality</td>
<td>Long</td>
<td>Financial gerontology training</td>
<td></td>
</tr>
</tbody>
</table>

#### Impact of CSV Initiatives

- **Quantitative assessment service on the climate change impact of the TCFD recommendations**: 6,640 bases
- **Real-time damage prediction website cmap.dev (cmap)**: 2.73 million accesses
- **Products to cover cyber risks**: 20,165 companies
- **Telematics-based safety driving support services**: 2.2 million cases
- **Tontine pension plans**: 50,000 cases
- **Support for companies that address human rights issues**: 1,111 cases