MS&AD’s Path toward Realizing Its Vision of Society

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 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×DX×Global growth strategies

Medium-Term Management Plan (2022–25)

Implementation of growth strategies based on CSV

Full-scale development of CSV×DX/global

Stable achievement of 10% or higher

Numerical Management Targets

<table>
<thead>
<tr>
<th>FY2015Result</th>
<th>FY2015Results</th>
<th>FY2016Result</th>
<th>FY2016Results</th>
<th>FY2017Target</th>
<th>FY2017Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group Core Profit*1</td>
<td>14.5</td>
<td>24.8</td>
<td>160.0</td>
<td>110.0</td>
<td></td>
</tr>
<tr>
<td>Domestic non-life insurance</td>
<td>6.5</td>
<td>47.8</td>
<td>100.0</td>
<td>60.0</td>
<td></td>
</tr>
<tr>
<td>Domestic life insurance</td>
<td>4.1</td>
<td>24.4</td>
<td>15.0</td>
<td>15.0</td>
<td></td>
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<tr>
<td>International business</td>
<td>1.8</td>
<td>18.0</td>
<td>30.0</td>
<td>30.0</td>
<td></td>
</tr>
<tr>
<td>Financial services business/Risk-related services business</td>
<td>1.9</td>
<td>4.4</td>
<td>5.0</td>
<td>5.0</td>
<td></td>
</tr>
<tr>
<td>Group ROE*1</td>
<td>0.8%</td>
<td>4.5%</td>
<td>7.0%</td>
<td>7.0%</td>
<td></td>
</tr>
<tr>
<td>Consolidated net premium written</td>
<td>2,541.4</td>
<td>2,880.5</td>
<td>2,700.0</td>
<td>2,700.0</td>
<td></td>
</tr>
<tr>
<td>Combined ratio (domestic non-life insurance)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Annualized premiums of policies in force (life insurance)</td>
<td>278.0</td>
<td>335.3</td>
<td>330.0</td>
<td>330.0</td>
<td></td>
</tr>
<tr>
<td>Increase in ESR of MSI Aioi Life</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
</tbody>
</table>

*1 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.

Issues

In response to major natural disasters such as the Great East Japan Earthquake and severe flooding in Thailand, the targets of the Group core profit and ROE were ultimately not met.

Achievements

We have made progress in the integration of group management, including the construction of a system that will serve as a common basis for the domestic non-life insurance business, and clarified the form of group management through “reorganization by function.”

In response to major natural disasters such as the Great East Japan Earthquake and severe flooding in Thailand, the targets of the Group core profit and ROE were ultimately not met.

Issues

As a result of hurricanes in the United States and other events in FY2017, profits from the international business declined significantly, and the targets the Group set for core profit and ROE were not met.

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

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.

Changes in Market Capitalization (¥ billion)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>1,199.4</td>
<td>1,075.9</td>
<td>1,308.3</td>
<td>1,497.1</td>
<td>2,134.1</td>
<td>1,986.0</td>
<td>2,241.8</td>
<td>1,990.4</td>
<td>1,999.3</td>
<td>1,794.7</td>
<td>1,928.1</td>
<td>2,361.4</td>
<td>2,200.6</td>
<td>2,731.2</td>
</tr>
</tbody>
</table>

(Source: Bloomberg)
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 synergy)" 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

**IFTN** Net income of ¥470 billion–¥500 billion

Stable achievement of 10% or higher in adjusted ROE*

<table>
<thead>
<tr>
<th>FY2025</th>
<th>IFRS Net income of ¥470 billion–¥500 billion</th>
<th>Stable achievement of 10% or higher in adjusted ROE*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*IFRS Net income (Net assets on an IFRS basis) + gains/losses on strategic equity holdings

**Basic Strategies and Foundations Supporting Basic Strategies**

#### Basic strategies

**Value** (value creation)
- Roll out CSV × DX globally to provide value to all stakeholders and enhance corporate value
- Enhance the profitability of our businesses, products, and services to strengthen the revenue base

**Transformation** (business reforms)
- Transform our business structure to adapt to changes in the business environment, including the creation of new businesses
- Transform our businesses, products, and risk portfolio to build a stable revenue base

**Synergy** (pursuit of Group synergy)
- Take advantage of the diversity of the Group and strengthen cooperation to achieve further growth
- Deepen standardization, collaboration, and integration in the Group to improve productivity
- Pursue synergies on a global basis

#### Foundation

**Sustainability**
- Initiatives to address the three priority issues
  - Forests with the global environment in mind
  - Safe and secure society
  - Resilience and diversification

**Quality**
- A corporate group that continues to evolve based on customer feedback
- Highly transparent and effective corporate governance

**Human Resources**
- Building of an optimal portfolio of human resources
- Development of a working environment in which employees can fully demonstrate their abilities, skills, and motivation

**ERM**
- Improvement in earnings power and capital efficiency
- Reduction of strategic equity holdings

### Numerical Management Targets (Financial)

The quantitative targets (financial) of the Medium-Term Management Plan (2022–2025) are to achieve ¥470 billion–¥500 billion in IFRS net income and a stable adjusted ROE of 10% or more, with the aim of achieving global peer-level profitability by FY2025. Due to changes in the business environment after the formulation of the Medium-Term Management Plan, the Group Adjusted Profit forecast for FY2023 is ¥350 billion compared with the target of ¥400 billion at the time of the formulation of the Medium-Term Management Plan. However, efforts to strengthen profitability are steadily progressing, and we are maintaining the targets of the Medium-Term Management Plan as we respond appropriately to changes in the environment. IFRS is scheduled to be applied in FY2025, and the Japanese standard will be applied until FY2024.

#### Structure of the FY2025 Profit Target

Group Adjusted Profit (based on Japanese standards) is expected to increase to ¥267 billion–¥297 billion over the next three years from ¥172.7 billion in FY2022. The growth factors in FY2023–25 is expected to be approximately ¥137 billion due to improved profitability in fire insurance and increased profit in casualty insurance and automobile insurance of the domestic non-life insurance business, approximately ¥20 billion due to the increase in the cross-selling rate of Mitsui Sumitomo Aioi Life Insurance in the domestic life insurance business, and approximately ¥122 billion due to the increase in profit of MS Amlin in the international business and other reasons.

#### Quantitative Targets

<table>
<thead>
<tr>
<th>FY2022 results</th>
<th>FY2025 (Outlook)</th>
<th>FY2025 (Target)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Group Adjusted Profit</td>
<td>IFRS net income</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>Domestic non-life insurance business</td>
</tr>
<tr>
<td></td>
<td>¥172.7</td>
<td>Approx. 118.0</td>
</tr>
<tr>
<td></td>
<td>440.0–470.0</td>
<td>Approx. 255.0</td>
</tr>
<tr>
<td></td>
<td>470.0–500.0</td>
<td></td>
</tr>
</tbody>
</table>

* FY2022 results reflect the Group Adjusted Profit forecast for the FY2022 business year ending March 31, 2023, and are based on the Group's foundational business plan for FY2022. The Group Adjusted Profit forecast includes management's review of the financial results for the FY2022 business year. The Group Adjusted Profit forecast is based on the Group's current business plan and includes management's expectation of the business environment and the Group's business strategy.

**Outlook**

**Group Adjusted Profit**

FY2022

- ¥172.7 billion

Forecast for FY2025

- ¥470.0–500.0 billion

* IFRS net income (Net assets on an IFRS basis) + gains/losses on strategic equity holdings

**Difference between Japan GAAP and IFRS**

- ¥20.0 billion

**Structure of the FY2025 Profit Target**

<table>
<thead>
<tr>
<th>FY2025 (Target)</th>
<th>Growth factors in FY2023–25</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Group Adjusted Profit</td>
</tr>
<tr>
<td></td>
<td>Total</td>
</tr>
<tr>
<td></td>
<td>¥440.0–470.0</td>
</tr>
<tr>
<td></td>
<td>¥470.0–500.0</td>
</tr>
</tbody>
</table>

* Growth factors in FY2023–25 are expected to contribute to the achievement of the Group Adjusted Profit forecast for FY2025.
Progress of numerical management targets (non-financial)

For the four aspects of the foundation (sustainability, quality, human assets, ERM) that supports the three basic strategies of the Medium-Term Management Plan (2022–25), we have set the following numerical management targets (non-financial) for sustainability, quality, and human assets initiatives. By achieving these numerical management targets, we will support the promotion of our basic strategy to become a corporate group that supports a resilient and sustainable society.

### Sustainability KPIs

<table>
<thead>
<tr>
<th>Priority issue</th>
<th>KPI progress</th>
<th>Target</th>
<th>FY2022 Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>GHG emission reduction rate (versus FY2019)</td>
<td>FY2030: -50% FY2025: Not zero</td>
<td>-26.8% (Scope 1 + 2)</td>
<td></td>
</tr>
<tr>
<td>Renewable energy usage rate</td>
<td>FY2030: 60% FY2025: 100%</td>
<td>21.1%</td>
<td></td>
</tr>
<tr>
<td>Premium growth rate for products that contributed to the decarbonization of society and a circular economy</td>
<td>Annual average 18%</td>
<td>17.9%</td>
<td></td>
</tr>
</tbody>
</table>

### Human Assets and Quality KPIs

<table>
<thead>
<tr>
<th>KPI</th>
<th>FY2025 Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of companies supporting human rights-related measures</td>
<td>1,000 instances a year 1,111 cases</td>
</tr>
<tr>
<td>Number of policies in force for asset-building products to support longevity</td>
<td>100,000 50,000 cases</td>
</tr>
<tr>
<td>Number of policies in force for products that help solve health-related social issues</td>
<td>2.6 million 2.17 million cases</td>
</tr>
</tbody>
</table>

Human Assets and Quality KPIs

### Digital human resources

<table>
<thead>
<tr>
<th>KPI</th>
<th>FY2025 Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage of male employees taking childcare leave</td>
<td>100% Duration of leave: 4 weeks (92.5%, 8.1 days)</td>
</tr>
<tr>
<td>Employee awareness survey</td>
<td>&quot;Same level or higher compared with the previous year (10.4 days)&quot;</td>
</tr>
</tbody>
</table>

### Examples of initiatives

- **"Mimamoru" Automobile insurance policy** (Voluntary automobile insurance with dashcam)
- **Accident occurrence risk AI assessment** (Traffic accident occurrence risk visualization tool for local governments)
**Basic Strategy 2**

**Transformation (Business Reforms)**

The 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 diversify the sources of profit by expanding our international business, domestic life insurance business, and new business areas while maintaining the scale of profit in the domestic non-life insurance business. In FY2025, we aim to secure approximately 50% of our profit from businesses other than the domestic non-life insurance business, with the aim of overcoming our dependence on the domestic non-life insurance business. In FY2022, we made investments in our international business, including the acquisition of Transverse Insurance Group, LLC, a holding company in the U.S. MS&AD market, and proceeded to transform our business portfolio.
- In Product Portfolio Reform, we are transforming from the current reliance on automobile insurance, which is expected to gradually decline in the future, for about 70% of its profits, to more diversified profit sources by monetizing fire insurance (making it profitable) and expanding casualty insurance (expanding sales of new products in response to new risks). In FY2022, we promoted the expansion of casualty insurance by responding to new risks and needs, such as cybersecurity, and developing markets for mid-sized and small businesses.
- In Risk Portfolio Reform, the reduction of strategic equity holdings, which account for the largest portion of the Group’s risk volume, continues to be an issue, and we increased the sales target in the Medium-Term Management Plan (FY2022–2025) from ¥400 billion to ¥600 billion to halve the proportion of strategic equity holdings. In FY2022, we sold ¥206.8 billion, more than double the initial sales target of ¥100 billion, and we will accelerate our efforts going forward.

**Transformation of the Three Portfolios**

We worked to create new services and business opportunities using digital data with MS&AD InterRisk Research & Consulting at the core, and sales of non-contract business from Group non-life insurance companies at MS&AD rose 130% year on year.

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**Basic Strategy 3**

**Synergy (Demonstration of Group Synergies)**

Under Basic Strategy 3, “Synergy,” the MS&AD Group will leverage its strength 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, and integrate 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.

**Implementation of the “One Platform Strategy”**

- Further pursue standardization, collaboration, and integration in middle- and back-office operations, achieving further business efficiency and quality improvement.
- There are advantages in not standardizing specific procedures and products, etc., for some major group contracts and specific channels, and integrated operation will be implemented across where separation is suited for strategic purposes.

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**Group-wide synergies**

- **Synergy of life insurance and non-life insurance**
  - Strengthening link-ups of Mitsui Sumitomo Primary Life Insurance (MSP Life) products via the agent network of Mitsui Sumitomo Aioi Life Insurance (MSP Life: the fourth largest financial institution holding MSP Life).

- **Global synergy**
  - Sharing and mutual utilization of the expertise and skills of Group companies in Japan and overseas.
  - Through initiatives to share and utilize products, services, and knowledge in both Japan and overseas, we are developing and expanding information exchange platforms and promoting the mutual expansion of know-how in Japan and overseas.

**Additional reductions in business expenses (excluded amount compared with FY2019)**

- MSP Life: ¥19.0 billion
- Life: ¥64.0 billion
- Non-life: ¥10.0 billion

- **FY2022 results**
  - MSP Life: ¥54.0 billion
  - Life: ¥54.0 billion
  - Non-life: ¥10.0 billion

- **FY2025 results**
  - MSP Life: ¥54.0 billion
  - Life: ¥54.0 billion
  - Non-life: ¥10.0 billion

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**Progress of the Medium-Term Management Plan (2022–25)**
Promotion of business development through DX and development of digital human resources

We are actively promoting business development through DX by utilizing advanced digital technologies through cooperation with start-up companies.

**MS&AD Garage Program**
Employees from Group companies meet and work to solve problems through DX.

- **Multiple business alliance ideas are born each time (PoC)**
  - **65 people from 32 entities**

**MS&AD Innovation Factory**
This base for business development, without being bound by existing frameworks, proposes problems that will be faced in the future and refines future businesses and creates new businesses to address those problems.

- **Enhancing existing businesses**
- **Creating new businesses**

**Digital Innovation Challenge Program**
Soliciting ideas to contribute to the theme set each year

- **FY2022 Theme**
- **Approximately 6,000 applications in total**

**Developing digital human resources**
Focusing on our Group’s unique programs through cooperation with universities and other educational institutions, which have been introduced gradually since FY2018, we are strengthening the development of digital human resources, fostering a digital culture through internal contests, etc., and working to build a digital foundation for the entire Group.

<table>
<thead>
<tr>
<th>Number of digital human resources</th>
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</thead>
<tbody>
<tr>
<td>As of April 2023</td>
</tr>
<tr>
<td>About</td>
</tr>
<tr>
<td>3,600 people</td>
</tr>
<tr>
<td>FY2025 target</td>
</tr>
<tr>
<td>7,000 people</td>
</tr>
</tbody>
</table>

**Appendix/Data Section**

**Strategy and Performance**

**Development of the Group data linkage infrastructure**

We have developed the Group data linkage infrastructure to share the non-life and life insurance data held by Group companies in a safe and speedy manner. We will use the data across groups to create new solutions and advance existing solutions.

**Positioning of the Group data linkage infrastructure in our Group**

Since FY2018, in November 2022, we established Aioi R&D Lab-Oxford, a joint research laboratory for research and development of cutting-edge technology and science, with Mind Foundry, an AI venture of the University of Oxford, to research cutting-edge technologies such as AI. These efforts were comprehensively evaluated, and the company was selected as a 2023 Digital Transformation Stock (DX Stock) via a program jointly implemented by the Ministry of Economy, Trade, and Industry; the Tokyo Stock Exchange; and the Information-technology Promotion Agency. As digital innovation advances, the Group will continue to work together to promote DX and contribute to solving local and social issues.

** Provision of CSV × DX Initiatives and new solutions with MS&AD InterRisk Research & Consulting as the core**

Since FY2022, MS&AD InterRisk Research & Consulting has been at the core of our efforts to transform our business model by promoting the development and sales of solutions before and after compensation and protection using digital data.

Specifically, we began providing advanced solutions that help solve social issues, such as the "accident risk AI assessment," which uses AI technology to assess and visualize potential traffic accident risks, and the "LaRC Flood Risk Analysis Service," which uses highly accurate, reliable, and high-resolution hazard maps to identify future flood risks. These are examples of solutions created by making the most of the data skills and knowledge held by MS&AD Group companies and are truly the result of Group synergies.

In April 2023, we began offering solutions through our agents, aiming to solve social issues by providing optimal solutions to more customers.

**DX issue selection**

Our Group has been selected as a 2023 Digital Transformation Stock (DX Stock) in recognition of its concerted efforts to provide new solutions utilizing data and digital technologies and to strengthen its DX infrastructure.

This is the fifth time we have been selected; previous selections were for “DX Brand” and “Notable DX Company” and the DX predecessors, “Active IT Strategy Brand” and “Notable IT Strategy Company.”
FY2022 Financial Results, FY2023 Results Forecast

Despite a decline in profit in FY2022 due to incidental factors effects, we aim to achieve Group Adjusted Profit of ¥350 billion in FY2023.

In FY2022, consolidated net premiums written (non-life insurance) increased 9.0% year on year to ¥3,934.4 billion due to an increase in both domestic non-life insurance and overseas subsidiaries. On the other hand, Group Adjusted Profit was ¥172.7 billion, down 50.2% year on year due to a decline in profit for domestic non-life insurance, domestic life insurance, and overseas subsidiaries. Excluding losses related to Russia and Ukraine; losses related to the COVID-19 fluctuations in the financial markets of MS Amlin, for which assets under management are valued at fair value; and other incidental factors, Group Adjusted Profit was ¥253.7 billion.

Group Adjusted Profit for FY2023 is expected to roughly double to ¥350.0 billion, and Group Adjusted ROE is expected to recover to 10.0%. With the elimination of temporary factors in FY2022 such as losses related to Russia and Ukraine of ¥16.0 billion and losses related to the novel coronavirus of ¥52.0 billion, we expect to improve profitability in FY2023 by ¥60.9 billion in the domestic non-life insurance business, ¥10.2 billion in the domestic life insurance business, ¥10.0 billion in the international business, mainly due to the increase in profit of MS Amlin.

As for overseas catastrophe risk, we are carefully expanding our underwriting profit by taking advantage of opportunities to harden the reinsurance market while reducing the risk of U.S. wind and flood disasters.

In the current Medium-Term Management Plan, we initially planned to reduce strategic equity holdings by ¥400 billion over four years, or ¥100 billion per year, but we have raised the reduction plan target and now intend to reduce strategic equity holdings by ¥600 billion over four years. In FY2022, we achieved a reduction of ¥206.6 billion. We will continue the same level of reduction in the next Medium-Term Management Plan and aim to halve the fair value balance compared with September-end 2022.

In addition, Mitsui Sumitomo Aioi Life Insurance has completed its efforts to reduce interest rate risk by promoting ALM through the expansion of its investment in ultra-long-term bonds and increasing its hedge ratio (interest rate sensitivity of assets/interest rate sensitivity of liabilities) to approximately 100%.

We will continue the same level of reduction in the next Medium-Term Management Plan and aim to halve the fair value balance compared with September-end 2022.

In addition, Mitsui Sumitomo Aioi Life Insurance has completed its efforts to reduce interest rate risk by promoting ALM through the expansion of its investment in ultra-long-term bonds and increasing its hedge ratio (interest rate sensitivity of assets/interest rate sensitivity of liabilities) to approximately 100%.

We will increase ROE and reduction in the capital cost ratio by reducing risk.

As a percentage of the Group's consolidated total assets (target of less than 10%)
Financial Soundness

We will maintain financial soundness equivalent to an AA rating, invest for sustainable growth, and provide stable shareholder returns.

Our Group aims to maintain financial soundness equivalent to an AA rating and has set a target ESR of 180%–250% as a guideline. At the end of March 2023, the ESR was 228%, which is in the middle of the target range even when the stress caused by market fluctuations is applied. We will continue to balance risk taking and shareholder returns for sustainable growth.

Rating of core Group insurance companies

<table>
<thead>
<tr>
<th>S&amp;P</th>
<th>Moody’s</th>
<th>AM Best</th>
<th>RA</th>
<th>JCR</th>
</tr>
</thead>
<tbody>
<tr>
<td>A+</td>
<td>A1</td>
<td>A+</td>
<td>AA</td>
<td>AA+</td>
</tr>
</tbody>
</table>

Timing of core Group insurance companies

Status of ESR

- Consider business investment, additional risk-taking, and expanded shareholder return
- Strive to improve capital efficiency while maintaining the current capital policy
- Identify the path to recovery to appropriate levels and, if necessary, consider measures to restore capital levels and reduce risk
- Work to restore to an appropriate level quickly

Shareholder Return

We will return 50% of profits to shareholders through dividends and share buybacks.

The shareholder return policy of the Medium-Term Management Plan is based on 50% of Group Adjusted Profit as a basic return and 50% of return base profit in FY2025 after the transition to IFRS. In addition, based on the business environment, ESR levels, liquidity, stock price trends, etc., we will provide additional returns flexibly.

Regarding shareholder return for FY2022, we decided to increase the annual shareholder dividend by Y20 from the previous year to Y200 per share and to repurchase Y20 billion of our own shares, resulting in a dividend yield of 4.9% and a shareholder yield of 5.8%. For FY2023, we intend to increase the annual dividend by another Y40 to Y240 per share. We will continue to aim for stable shareholder returns by increasing corporate value through sustainable growth.

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Dividend per share (yen)</th>
<th>Shareholder yield (%)</th>
<th>Return on share through share buybacks (yen)</th>
<th>Dividend yield (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2022</td>
<td>9.8</td>
<td>5.8</td>
<td>180</td>
<td>4.9</td>
</tr>
<tr>
<td>2023</td>
<td>13.8</td>
<td>6.9</td>
<td>200</td>
<td>5.0</td>
</tr>
<tr>
<td>2024</td>
<td>16.8</td>
<td>7.9</td>
<td>237.1</td>
<td>5.8</td>
</tr>
</tbody>
</table>

Notes:
1. Base profit for shareholder return = Net profit on an IFRS basis – Adjustments from net profit on an IFRS basis
2. Gain/loss on sale of intangible assets
3. Gain/loss on disposal of goodwill
4. Adjusted for foreign exchange gains/losses

Medium-Term Management Plan at the end of March 2022, the stock has outperformed TOPIX and is now positioned to exceed 1x PBR.

Addressing items subject to review

- Continue to be unable to generate sufficient returns relative to the cost of capital, with no prospect of improvement
- Not expected to contribute to the Group such as synergies
- Not expected to produce results in the markets in which the business operates

We will return 50% of profits to shareholders through dividends and share buybacks. For FY2022, we decided to increase the annual shareholder dividend by Y20 from the previous year to Y200 per share and to repurchase Y20 billion of our own shares, resulting in a dividend yield of 4.9% and a shareholder yield of 5.8%. For FY2023, we intend to increase the annual dividend by another Y40 to Y240 per share. We will continue to aim for stable shareholder returns by increasing corporate value through sustainable growth.

Investment performance

Acquisition completed in January 2023

Completion of acquisition of the MS&AD market fronting company Transverse Insurance Group, LLC, in the United States, and in June 2023, we transferred our business to Mitsubishi Sumitomo Insurance Care Network.

Stock price and PBR

We have been promoting capital efficiency-oriented management, such as raising the ROE and lowering the cost of capital, and our stock price and PBR have been rising steadily. Since the start of the current

MS&AD stock price versus TOPIX

(from the end of March 2022 to the end of June 2023)
ERM-Based Group Management

The MS&AD Group endeavors to increase its earnings power and capital efficiency while maintaining financial soundness. Toward this end, it practices Group management based on an enterprise risk management (ERM) cycle. It allocates capital to its businesses in accord with its Group Risk Appetite Statement. Its businesses take risks with the allocated capital. The Group exercises appropriate risk control through the monitoring of return on risk (ROR) and other metrics. Under the Medium-Term Management Plan (2022–25), the ERM Committee will work to enhance the evaluation and management of each business in the Group, considering capital, risk, and return, and to improve the Group’s capital efficiency by flexibly allocating capital to more capital-efficient business opportunities, such as investments in growth businesses.

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.

Capital Efficiency

- Group Adjusted RDE 10% level (7%* cost of capital)

Control capital on the assumption that an appropriate level of capital is secured in a stable manner.

Returns

- Make internal and external investments for sustainable profit growth
- Clarify the amount of risk that can be held while verifying the economic rationality

Profitability (return on risk)

- ROE
- ROA

Modelling based on the Capital Asset Pricing Model (CAPM)

Soundness

- Maintain an ESR of 180%–250% (= appropriate level)

ERM Cycle

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

Initiatives to Boost Profitability

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

<table>
<thead>
<tr>
<th>Initiative Area</th>
<th>Initiative Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product development/sales/initiative management</td>
<td>- Strengthening risk/return management according to insurance line attributes and P/L management of new types of insurance, which have a large impact on major accidents and are growth drivers</td>
</tr>
<tr>
<td>Asset management strategy</td>
<td>- Promoting diversified investments in assets with relatively high expected returns coupled with appropriate risk control through comprehensive asset and liability management (ALM)</td>
</tr>
<tr>
<td>Retention/reinsurance policy</td>
<td>- Establishment of a retention and outward reinsurance scheme that maintains financial soundness and stability of periodic profit and loss and contributes to improving profitability. Control the net retained risk amount associated with natural disasters</td>
</tr>
</tbody>
</table>

ROR trends

- Group
- Domestic non-life insurance business
- Domestic life insurance business
- International business

Note: MSI Aioi Life: Mitsui Sumitomo Aioi Life Insurance; MSI Primary Life: Mitsui Sumitomo Primary Life Insurance
CRO Message
Satoru Tamura
Senior Executive Officer
Group CRO

Introduction
Management’s Message
MS&AD’s Value Creation Story
Leadership and Governance
Appendix/Data Section
Strategy and Performance

Identification and Management of 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.

FY2023 Group Material Risks

- Increase in insurance payments due to large-scale natural and food disasters, forest fires, heavy rain, floods, drought, and other natural disasters, in Japan and overseas caused by climate change
- Changes in the environment surrounding human resources
- Changes in the insurance market
- Changes in the financial market
- Pandemic of a new or other such disease
- Occurrence of a major cyberattack or other such cyberincident
- Changes in the financial structures due to the impact of digitalization
- Changes in the business portfolio of large-scale catastrophic events and the progress of digitalization
- Impact on the business portfolio due to changes in capital structure because of the falling birthrate and aging population and the declining population

Our Group formulates a management action plan and periodically monitors the status of each risk.

FY2023 Group Emerging Risks

1. Appearance of emerging new systems or innovative technologies that will significantly change or transform the economy, consumer behavior, and business models
2. Damage to natural capital (depletion of resources, degradation and crises of ecosystems, and man-made pollution and accidents that cause serious damage to the environment)
3. Establishment, revision, or abolition of Japanese or foreign laws, regulations, systems, regimes, etc., which may significantly affect the Group
4. Significant stagnation or delay in the maintenance and renewal of social capital (e.g., bridges, tunnels, river facilities, port facilities, sewerage systems, and significant and ongoing shortfall in the supply of energy)
5. Major disruption, failure, and collapse of national governance and politics, or a national security crisis

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

Official Website Content
- Risk Management Basic Policy
- Risk management in the international business
- Crisis management system (including the business continuity management system)
Information security management system of the Group

- The Group CISO is in charge of information security and regularly discusses reports on the information management system at the Board of Directors, the Group Management Committee, and the Group System Committee.
- The MS&AD Group is aware of threats related to information assets; it is constantly aware of changes in the external environment, including cybersecurity, and is building a system to ensure information security and promptly respond to emergencies. In particular, we established MS&AD-CSIRT for cybersecurity. In addition to responding to incidents, we collect security threat information, share that information among Group companies, and strengthen the information linkage with government agents and information-sharing organizations.

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.

FY2022 initiatives

We are continuing to strengthen our cybersecurity preparedness through our existing security measures. In addition, we have established procedures and measures in case of an emergency assuming damage. We are also working to address ever-changing cybersecurity risks. As a result of these efforts, there were no serious incidents affecting business continuity or incidents involving information leakage in FY2022.

Examples of ongoing efforts

- Collection and analysis of vulnerability and threat information, security training, targeted attack e-mail training, and platform diagnostics for public servers
- Threat intelligence
- Remediation of the system for incident occurrence (system, response flow, reporting party, response procedure) and incident response exercises

Examples of responses to changing cyber risks

- Based on the heightened geopolitical risk, we will analyze possible attacks from the perspective of cyberattackers, and consider and promote countermeasures
- Share the concept and details of Zero Trust with the Group, and plan and promote measures to be taken by the Group as a whole
- Develop governance, rules, and guidance for appropriate use of advanced technologies such as generative AI

Promotion of compliance

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 common to the entire Group, and have developed a compliance promotion system based on the Policy. The Compliance Program, a company-wide implementation plan for compliance, was resolved by the Boards of Directors of Group domestic insurance companies. We have also reviewed and implemented the plans, issues to be addressed, etc., are reported to the compliance committees and Boards of Directors of Group domestic insurance companies. In addition, the Quality Improvement and Compliance Committee has been established to monitor the quality improvement and compliance of the entire Group and outline corporate ethics, etc. Important matters are reported to the Board of Directors.

Our Group has established the Policy on Countermeasures against Money Laundering and Terrorist Financing and is promoting initiatives to prevent the use of the products and services of Group companies for money laundering and terrorist 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). In addition to stipulating the Guidelines for Handling of Money Laundering Regulations and Handling of Those Who Are Subject to Measures Such as Those Whose Assets Are Frozen and implementing measures against money laundering and the financing of terrorism at overseas entities, we have established a section on “Prevention of Bribery” in the Compliance Manual for overseas entities and implemented measures to prevent bribery at overseas entities through appropriate rule development and training.

For more information about compliance, visit our official website.

Our compliance


- 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, Initiatives to prevent corruption and bribery
- Compliance promotion system for the international business
- Initiatives for tax compliance
Enhancing Capital Efficiency and Achieving Sustainable Profit Growth

Group Adjusted ROE

The MS&AD Insurance Group regards Group Adjusted ROE as the most important indicator among the numerical management targets set out in the Medium-Term Management Plan (2022–25). Group Adjusted ROE can be broken down into return on equity (ROE), which shows the balance between the risk the Group faces and return, and ESR, which shows the Group’s financial soundness. These indicators can be further broken down into three elements: Group Adjusted ROE, integrated risk amount, and net asset value. The Group manages to balance these three elements through its ERM. (See “ERM-Based Group Management” on pages 39–40 for details.) Furthermore, in activities in each business domain, we are promoting various initiatives by setting performance indicators for business divisions to expand Group Adjusted ROE.

Capital Efficiency

Group Adjusted ROE (Return on Equity)
An indicator showing how much profit (return) can be made on the risk held by the Group
Periodic Monitoring

Profitability

ROR (Return on Risk)
An indicator showing how much profit (return) can be made on the risks held by the Group

Soundness

1/Economic solvency ratio (ESR)
An indicator showing the balance between the risks held by the Group and net assets

Growth

Net asset value
Integrated risk amount
Group Adjusted Profit

ERM balances these three elements.

(See “ERM-Based Group Management” on pages 39–40 for details.)

Adjusted net assets and Net asset value (NAV)

In ERM, to confirm the status of appropriate capital buffers and solvency based on the Group’s risk characteristics, the economic value-based net assets (= net asset value) are thoroughly managed using the following calculation:

\[
\text{Net asset value} = \text{Adjusted net assets} + \text{Unrealized gains/(losses) from insurance liabilities} + \text{Debt capital} + \text{Other}
\]

<table>
<thead>
<tr>
<th>Adjusted net assets</th>
<th>¥3.5 trillion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrealized gains/(losses) from insurance liabilities</td>
<td>¥1.3 trillion</td>
</tr>
<tr>
<td>Debt capital</td>
<td>¥0.5 trillion</td>
</tr>
<tr>
<td>Other</td>
<td>¥0.1 trillion</td>
</tr>
</tbody>
</table>

1 Group Adjusted ROE = Consolidated net income / Provision for catastrophe loss reserves and others − Other incidental factors (amortization of goodwill and other intangible fixed assets and others) / Equity in earnings of non-consolidated Group companies
2 Adjusted net assets = Consolidated net assets + Catastrophe loss reserves and others − Goodwill and other intangible fixed assets
3 The integrated risk amount represents insurance underwriting risk, asset management risk, and operational risk, etc., quantified through stochastic methods

Initiatives to Achieve the Group Adjusted Profit Target in Each Business Domain

Examples of Specific Initiatives

<table>
<thead>
<tr>
<th>Customer satisfaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Providing products and services that rapidly and flexibly address the increasingly diverse needs of customers, and handling claims that closely reflect customers’ expectations</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>New product development based on an understanding of changing customer needs</td>
</tr>
<tr>
<td>Maintaining a robust sales base, and acquiring and developing diverse sales channels</td>
</tr>
<tr>
<td>Maintaining and expanding existing contracts and efforts to acquire new contracts, etc.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Loss ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appropriate product design</td>
</tr>
<tr>
<td>Elimination of fraud claims, appropriate and prompt payment of claims</td>
</tr>
<tr>
<td>Providing advice designed to prevent accidents and reduce the loss ratio</td>
</tr>
<tr>
<td>Sustainable use of natural resources, etc.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Non-life insurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business operational reforms</td>
</tr>
<tr>
<td>Move to paperless office</td>
</tr>
<tr>
<td>Demonstrating Group synergies, etc.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Life insurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mortality margin*</td>
</tr>
<tr>
<td>Appropriate pricing based on the coverage offered</td>
</tr>
<tr>
<td>Reduction of business expenses through efficient business operations, etc.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Administrative expense margin*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Control of acquisition cost due to increased sales</td>
</tr>
<tr>
<td>Setting reasonable assumed interest rates to ensure profits</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Investment yield margin*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improving returns and diversifying risks by diversifying investment methods, etc.</td>
</tr>
</tbody>
</table>

*1 The Family Regulation Service allows pre-registrant family members, in addition to the policyholder, to receive information about the insurance policy
*2 Number of days to provide assurance is an indicator of how long it takes for the company to complete administrative tasks for customers, such as applications for new insurance contracts, applications to cancel policies, claims for insurance payments, and claims for other benefits. It is broken down into 1) the average number of days to conclude a new insurance contract, applications to cancel policies, claims for insurance payments, and claims for other benefits, 2) the average number of days to provide assurance, and 3) the average number of days required to pay an insurance claim, and 4) the average number of days required to pay a compensation claim. It is broken down into 1) the average number of days to conclude a new insurance contract, applications to cancel policies, claims for insurance payments, and claims for other benefits, 2) the average number of days to provide assurance, and 3) the average number of days required to pay an insurance claim, and 4) the average number of days required to pay a compensation claim. It is broken down into 1) the average number of days to conclude a new insurance contract, applications to cancel policies, claims for insurance payments, and claims for other benefits, 2) the average number of days to provide assurance, and 3) the average number of days required to pay an insurance claim, and 4) the average number of days required to pay a compensation claim. It is broken down into 1) the average number of days to conclude a new insurance contract, applications to cancel policies, claims for insurance payments, and claims for other benefits, 2) the average number of days to provide assurance, and 3) the average number of days required to pay an insurance claim, and 4) the average number of days required to pay a compensation claim. It is broken down into 1) the average number of days to conclude a new insurance contract, applications to cancel policies, claims for insurance payments, and claims for other benefits, 2) the average number of days to provide assurance, and 3) the average number of days required to pay an insurance claim, and 4) the average number of days required to pay a compensation claim.
Financial and Nonfinancial Highlights

**Numerical Management Targets**

- **Group Core Profit/Group Adjusted Profit**
  - Group Core Profit
  - Group Adjusted Profit

- **Group ROE/Group Adjusted ROE**
  - Group ROE
  - Group Adjusted ROE

**Profitability Indicators**

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

- **Investment profit/loss** (domestic non-life insurance business)

- **Paper consumption**

**Combined ratio**

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

**Investment profit/loss**

For non-life insurance companies, this is a major source of earnings, next to insurance underwriting profit, and consists of components such as interest and dividend income and gains/losses on securities.

**Paper consumption**

Paperless meetings, PDF-formatted pamphlets, and portable device and tabloid uses are being actively incorporated to help reduce paper consumption through various measures including increased application of PRIs. FY2016 saw a temporary increase in printed materials due to the change in Japan’s tax name and product names.

**Greenhouse gas emissions and total energy consumption**

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

**Group ROE/Group Adjusted ROE**

This is one of the numerical management targets in the Medium-Term Management Plan and indicates the ratio of Group Core Profit/Group Adjusted Profit, as shown to the left, in respect to consolidated net assets.

**Growth Potential Indicators**

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

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

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

Policies in force is one of the basic indicators of the performance of life insurance companies. It represents the total amount of money guaranteed to policyholders of valid policies all the end of a fiscal year. (See “Basic Knowledge about the Insurance Industry” on page 104.)

**Customer satisfaction**

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

**Number and ratio of female managers**

By promoting diversity in the manager position (section managers and above), we believe that we will allow for strategies, product development, and organizational management that incorporate diverse perspectives and sense of values, leading to higher customer satisfaction and growth potential.

**Number and ratio of global employees**

Increasing the number of employees from different cultures and with a diverse range of values, and deepening mutual understanding among employees, leads to stronger organizational capacity for the Group and a driving force especially in international business development.

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1) This calculation method was revised in FY2018. (See the “Glossary of Insurance Terminology” on page 108 for details.)
2) Simple sum of non-consolidated figures for Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance
3) For FY2013 to FY2016, CO2 emissions resulting from kerosene use of rental properties were included in our own CO2 emissions. Moreover, emissions for FY2013 to FY2015 were calculated before the acquisition of MS&AD Insurance and emissions after the acquisition are not included in these figures. Total energy consumption is calculated based on the energy conversion coefficient from the Law Concerning the Promotion of Measures to Cope with Global Warming. Electric power energy use, however, is 3.6 GJ/MWh.
4) Excludes the Good Results Return premiums of the “MobileFit” voluntary automobile insurance product
5) Customer survey scores were streamlined from five options to four in FY2019 and unified within the Group. This figure indicates the ratio of customers who chose the top two options (Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance). As of April 1 of the subsequent fiscal year for domestic group companies and as of December 31 for overseas Group companies
6) Total amount of policies in force for individual insurance and individual annuity insurance at MS&AD Life and MS&AD Primary Life
1-Year Performance

Key Manager Indicators

Consolidated financial data ($ million)

| Year | Total assets | Paper consumption (domestic) | Greenhouse gas emissions (Scope 1 + 2) | Combined ratio
|------|--------------|-----------------------------|---------------------------------------|----------------
| FY2012 | 20,303,649 | 2,639,419 | 4,349.58 | 105.2%
| FY2013 | 21,234,300 | 2,966,387 | 4,209.08 | 99.0%
| FY2014 | 20,303,649 | 2,966,387 | 4,209.08 | 99.0%
| FY2015 | 21,234,300 | 4,349.58 | 105.2% | 105.2%
| FY2016 | 22,570,159 | 2,966,387 | 4,209.08 | 99.0%
| FY2017 | 23,160,455 | 4,349.58 | 105.2% | 105.2%
| FY2018 | 24,142,582 | 4,209.08 | 99.0% | 99.0%
| FY2019 | 25,033,846 | 4,209.08 | 99.0% | 99.0%
| FY2020 | 25,033,846 | 4,209.08 | 99.0% | 99.0%
| FY2021 | 26,000,433 | 4,209.08 | 99.0% | 99.0%
| FY2022 | 27,067,295 | 4,209.08 | 99.0% | 99.0%

Stock price-related data

- Year-end market price
- Price-earnings ratio
- Price-to-book ratio
- Dividend yield
- Annual total shareholder return
- Stock price volatility

- Nonfinancial data
- Customer satisfaction

- Nonfinancial data
- Number of female employees in positions of manager or higher

TSE for the Last Five Years

- Stock price-related data
- Nonfinancial data
- Customer satisfaction

- Nonfinancial data
- Number of female employees in positions of manager or higher

- Nonfinancial data
- Shareholder return ratio

- Nonfinancial data
- Customer satisfaction

- Nonfinancial data
- Number of female employees in positions of manager or higher

- Nonfinancial data
- Shareholder return ratio

- Nonfinancial data
- Customer satisfaction

- Nonfinancial data
- Number of female employees in positions of manager or higher

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- Nonfinancial data
- Shareholder return ratio

- Nonfinancial data
- Customer satisfaction

- Nonfinancial data
- Number of female employees in positions of manager or higher

- Nonfinancial data
- Shareholder return ratio
Aioi Nissay Dowa Insurance offers telematics automobile insurance utilizing data and digital technology. Telematics automobile insurance provides services that help prevent accidents, such as insurance premiums and safety driving advice based on customers’ driving data obtained using communication technology, in accordance with their safety driving scores.

In the event of an accident, our advanced claims handling services ensure the early resolution of accidents. Furthermore, based on the data and know-how obtained, we are taking on the challenge of creating new value by solving social and regional issues, such as the diffusion of eco-driving and extending the time the elderly can continue to drive.

**Social issues**
While the number of fatalities and injuries in traffic accidents has been declining in recent years, fatalities and injuries still occur. Technological advancements in mobility and communications have created demand for responses to new risks.

**Solutions**
In 2018, the Company launched the first telematics auto insurance policy in Japan to reflect the degree of safety driving in premiums. Based on the driving data obtained, the system provides a score of the driver’s safety driving status and introduces a premium discount system according to this score.

Before the accident
**Identify and inform on risks**
- Preventing accidents
- Diagnosis

At the time of the accident
**Reduce the economic burden**
- Support for rapid first response
- Support for rapid first response

After an accident has occurred
**Minimize the impact**
- Full coverage in case of emergency
- Quick recovery

Global market for connected cars
92.3 million new connected cars sold in 2015 (double the 2012 figure)

Leveraging large amounts of driving data to create new business models using the data

**Impact on reducing accident frequency**

Number of days to resolve accidents:

**Social issues**
- To reduce the frequency of accidents through local traffic safety measures based on big data.

**Solutions**
- By predicting possible changes, we not only compensate for risks that might occur but also prevent the occurrence of risks. In any era, the mission of insurance companies is to support the sustainability of society.

The challenges facing modern society are increasingly complex and diverse, such as the intensification of natural disasters due to climate change, the spread of infectious diseases, and the threat of cyber risks.

What role should the MS&AD Group play in these times of exceptional uncertainty?

By predicting possible changes, we not only compensate for risks that might occur but also prevent the occurrence of risks. In any era, the mission of insurance companies is to support the sustainability of society.

This role is the role of a “Platform Provider of Risk Solutions.”

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In any era, the mission of insurance companies is to support the sustainability of society.

This role is the role of a “Platform Provider of Risk Solutions.”
Mitsui Sumitomo Insurance sells “Mimamoru Cyber Insurance” to protect companies from such risks as cyberattacks, which have been drastically increasing in recent years. In addition to the existing cyber insurance coverage, “Mimamoru Cyber Insurance” provides a one-stop service that combines functions to prevent incidents before they occur and to support early recovery by reducing the impact of incidents. We will protect the safety of companies in the cyber field by promoting the adoption of this product.

Social issues While the digitization of society, such as teleworking and web conferencing, is growing, many industries have been hit by increased damage from cyberattacks across national borders. Strengthening cybersecurity is an urgent social issue. It is difficult to completely prevent cyberattacks, and it is imperative to prepare for cyberattacks in the same way as in an attack (post-attack measures) in addition to conventional countermeasures focusing on defense (preventive measures).

Solutions Providing “Mimamoru Cyber Insurance”, which comprises Cyber Protector cyber insurance and Biken Cyber/Mimamoru Cyber Mode (EDR), a service handling both preventive and post-attack countermeasures.

“Mimamoru Cyber Insurance” which comprises Cyber Protector cyber insurance and Biken Cyber/Mimamoru Cyber Mode (EDR), a service handling both preventive and post-attack countermeasures.

Impact for society • Prompt recovery from cyberattack damage can minimize financial damage due to business interruption, leading to the stabilization of corporate management.
• Business partners and customers will recognize the company’s commitment to security measures and improving its reputation.

Economic impact on the Company • This will prevent the spread of damage to customers while reducing relevant costs.
• Providing various services auxiliary to cybersecurity will enhance our presence and create new sources of revenue other than cyber insurance.

Before the accident
Identify and inform on risks Reduce the economic burden

At the time of the accident
Minimize the impact Quick recovery

After an accident has occurred (post-accident measures)

Security market scale in Japan 2020: ¥932.6 billion (up 7.1% year on year)
2021–2026 Average annual growth rate: 7.1% Global security market scale 2020: ¥287.0 billion (up 12.1% year on year) (Source: IDC Japan)

Cyber and Business Risk Team

Cybereffects can also be assessed using the digital risk index, etc.

Cybersecurity measures are needed to address the growing security risks associated with the digital shift in this era.

Cybersecurity measures are needed to address the growing security risks associated with the digital shift in this era.

This will lead to expanded sales to overseas companies and the development of new markets.

Case 2 “Mimamoru Cyber Insurance” that keeps companies safe

Three years after the accident

Economic impact on the Company

In the cybersecurity field, we recognized that the conventional style of only providing cyber insurance was not providing sufficient value to our customers. We believe we can contribute to solving the social issue of improving cybersecurity by providing not only monetary compensation through insurance but also value in reducing cyber risk itself. We believe it has become an effective product, especially for small and medium-sized enterprises that cannot invest in human assets and costs to the same extent as large companies.

Takashi Suda
Mitsui Sumitomo Insurance Casualty Underwriting Dept., Cyber and Business Risk Team

Kensuke Maki
MS&AD InterRisk Research & Consulting 3rd Risk Management Dept., Cyber Risk Group Manager/Senior Consultant

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Mitsui Sumitomo Insurance Casualty Underwriting Dept., Cyber and Business Risk Team

Kensuke Maki
MS&AD InterRisk Research & Consulting 3rd Risk Management Dept., Cyber Risk Group Manager/Senior Consultant

MS&AD’s Value Creation Story

Leadership and Governance

Strategy and Performance

Case 3 “MSA Care” provides total support for customers’ health

Mitsui Sumitomo Aioi Life Insurance has started to provide advanced healthcare services that lead to early detection of illness, early treatment, and prevention of serious illness and recurrence of illness as a new value provided by the insurance. By providing services tailored to the health status of each individual, we will support our customers to live longer with a smile and help them create a healthy future. At the same time, we will contribute to solving social issues such as extending health life expectancy, increasing the uptake of health and cancer screenings, and addressing the rising cost of medical benefits.

Social issues

Medical and nursing care costs will increase if the gap between average life expectancy and healthy life expectancy widens as its expectancy increases. Moreover, the cancer screening uptake rate is approximately 50% for men and 40% for women, which tends to be low compared to other countries. As the population ages further, initiatives will be required for early detection of diseases, early treatment, and prevention of serious illnesses.

Solutions

“MSA Care” which offers a full range of healthcare services from early detection to prevention of serious illness and recurrence, has been offered from October 2022.

In June 2023, the Company released “MSA Care Web Service” - a system exclusively to MSA Care, taking it to a wide range of customers, including non-insurance customers.

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Before becoming ill
Identify and inform on risks Reduce the economic burden

When illness is detected
Minimize the impact Quick recovery

After becoming ill

Impact for society
• The importance of early detection of diseases such as cancer, lifestyle-related diseases, and dementia will be recognized, leading to behavioral changes such as health checkups.
• MSA Care can lead to educational activities for early detection and treatment of diseases, prevention of serious illness and recurrence, etc., and contribute to reducing the cost of medical benefits.
• This will lead to the accumulation of financial resources for healthcare start-ups.

Economic impact on the Company

Creating new value in healthcare services by integrating healthcare services and life insurance, and increasing premium income from medical, long-term care insurance, etc.

A new market can be created by offering “MSA Care” to corporate business partners and for raising the level of commitment to security measures and improving its reputation.

Hiroki Kobayashi
Mitsui Sumitomo Aioi Life Insurance President and CEO, Representative Director

Partner Comments

There is no end to the social issues related to health, such as the increase in national healthcare costs, increasing health gaps, and nursing care personnel deficit. The visualization of healthcare data will become indispensable as the population becomes increasingly aware of the need to improve their health. We hope that the health checks using only a camera functions developed for and provided to Mitsui Sumitomo Aioi Life Insurance will help users gain awareness of their lifestyles and health and help them to stay healthy with a smile on their faces. We believe that MSA Care will lead to new changes that will contribute to the promotion of health.

Ryo Noguchi
JSCD President and CEO, Representative Director

Example of services

- “MSA Care” provides total support for customers’ health

Healthcare industry market scale Approx. ¥33 trillion in 2025
Source: Ministry of Economy, Trade and Industry Next Generation Healthcare Industry Strategic Study Group

Increased demand for healthcare services and the expansion of the health care industry have created business opportunities, including the capture of non-premium revenue generated from “MSA Care” users.

In addition to the data on life insurance underwriting and claims payment that have been obtained to date, data on continuous health conditions can be collected and analyzed on data obtained from healthcare services. This makes it possible to use insurance underwriting and provide new products and services.
Domestic Non-Life Insurance Business

Business Environment

To meet diversifying customer needs brought on by changes in social structure and lifestyles, our Group provides products and services through three non-life insurance companies with different business models (such as products and sales channels). Mitsui Sumitomo Insurance conducts businesses globally mainly based on the broad networks of the Mitsui Group and the Sumitomo Group, Aioi Nissay Dowa Insurance centers on foundations with the Toyota Group and the Nippon Life Insurance Group and conducts locally rooted businesses, Mitsui Direct General Insurance specializes in direct sales to individual customers. We leverage their respective strengths to maintain scale and superiority in Japan.

In the domestic non-life insurance market, the environment surrounding traditional insurance lines such as fire insurance and voluntary automobile insurance has become increasingly severe. In recent years, insurance payments have increased due to frequent and severe natural disasters, and the burden on business expenses has increased because of rising inflation and wage increases. There are also concerns about the future contraction of the insurance market due to the falling birthrate and aging population in Japan. Under such circumstances, our Group will continue to work toward sustainable growth by steadily incorporating insurance needs for new risks and taking as a business opportunity the solutions of social issues that emerge in the wake of various changes in the environment, such as the advancement of digitalization.

Policies of the Medium-Term Management Plan (2022-25)

- In the domestic non-life insurance business, we will leverage our strengths in "three distinctive insurance companies," the "largest sales network in Japan," and a "strong network" to maintain profits in voluntary automobile insurance; enter the black in fire insurance; and accelerate the expansion of casualty insurance through the utilization of data and digital technologies.
- We will accelerate our Group-wide efforts to reduce business expenses from the previous Medium-Term Management Plan and further strengthen our earning power.
- We will boldly promote the "One Platform Strategy" to reduce business expenses and improve productivity.

Maintaining the profitability of automobile insurance

- Continuously expand the top line as a pillar of revenue and maintain profitability
- Develop initiatives that reflect changes in the automotive industry such as an expansion of ITS and connected cars, advancement in CASE and MaaS
- Strengthen the sales capabilities of professional agents and other channels using digital technology

Improving the profitability of fire insurance

- Revise products and premium rates (October 2022) and strengthen measures to deal with uninsured individual policies
- Develop initiatives to prevent and mitigate risks through consulting and the utilization of data and digital technologies
- Develop initiatives to improve profitability such as reinforcing responses to specific contractors and promoting the use of specialized disaster recovery companies

Expanding profits from casualty insurance

- Strengthen sales of products for SMEs
- Use digital technologies and business-style transformations to reduce business expenses

Expanding new markets through data services such as RisTech

- In FY2022, the first year of the Medium-Term Management Plan, net premiums written in the domestic non-life insurance business increased by ¥94.7 billion (3.3%) from the previous year to ¥2,985.3 billion, whereas insurance underwriting income declined by ¥18.2 billion. We will implement the following initiatives to achieve the targets in our Medium-Term Management Plan.

Maintaining the profitability of automobile insurance

- In FY2022, profits decreased due to an increase in the frequency of accidents caused by an increase in traffic volume after the COVID-19 pandemic and an increase in the average payment per claim due to inflation.
- We intend to reduce the loss ratio and achieve our target for FY2025 by implementing measures such as reducing the frequency of accidents through the expansion of telematics insurance and contributing to the spread of vehicles equipped with safety devices through insurance.

Improving the profitability of fire insurance

- Profits decreased in FY2022 due to large-lot losses in the United States, etc.
- We aim to achieve the FY2025 target by strengthening the profitability of fire insurance, reducing business expenses in the Medium-Term Management Plan, and further promoting the "One Platform Strategy" to maximize efficiency and improve operational quality and aim to achieve the FY2025 target.

Reducing expenses

- Despite the impact of a wage increase, the business expenses ratio decreased steadily with a reduction of ¥18 billion in FY2022, which is 9% toward the target of ¥46 billion for reducing business expenses in the Medium-Term Management Plan. We will continue to promote the "One Platform Strategy" to maximize efficiency and improve operational quality and aim to achieve the FY2025 target.

“One Platform Strategy” (standardization, collaboration, and integration of middle- and back-office operations)

Further promote standardization, collaboration, and integration within the Group focusing on the middle- and back-office operations of Mitsui Sumitomo Insurance (hereinafter "MS&AD") and Aioi Nissay Dowa Insurance (hereinafter "Aioi Nissay Dowa Insurance") and to fully utilize the economies of scale achieved by having the largest share of domestic non-life insurance. Seek to improve the efficiency and quality of business processes and invest the generated resources in strategic growth areas to strengthen Group competitiveness and achieve sustainable growth.

<table>
<thead>
<tr>
<th>Administration</th>
<th>Claim services</th>
<th>Products</th>
</tr>
</thead>
<tbody>
<tr>
<td>M/S</td>
<td>AZN</td>
<td>M/S</td>
</tr>
<tr>
<td>Sales administration</td>
<td>Claims operations</td>
<td>Product operations</td>
</tr>
<tr>
<td>Standardization and collaboration: operating across MS&amp;AD and bring all business processes into MS&amp;AD administrative services</td>
<td>Promotion of standardization, collaboration, and integration: business processes and operations</td>
<td>Further promote product standardization and its expansion to the United States and Europe: integration to related business processes</td>
</tr>
<tr>
<td>Establish an integrated service systems</td>
<td>Alignment of claims services systems</td>
<td>Realization of high-quality, efficient claims payment structure</td>
</tr>
<tr>
<td>Generate an integrated administrative system</td>
<td>Realization of increased efficiency through the active utilization of advanced digital technologies</td>
<td>Realization of increased efficiency through the active utilization of advanced digital technologies</td>
</tr>
</tbody>
</table>
Domestic Life Insurance Business

Business Environment

Led by two unique life insurance companies—Mitsui Sumitomo Aioi Life Insurance providing protection-type products and Mitsui Sumitomo Primary Life Insurance offering asset-building products—our Group’s domestic life insurance business is growing in response to the needs of customers in the age of a 100-year life span. Our domestic life insurance business ranks ninth in terms of premium revenue. Last year, COVID-19 became more severe, but life insurance companies in our Group worked closely with customers whose lives were affected by the virus to fulfill their social mission as a life insurance company by paying hospitalization benefits. In addition, given the emergence of social issues such as an increase in the burden of nursing care and medical expenses associated with the falling birthrate and aging population and the extension of assets and healthy life expectancy, and the advent of an era of considerable inheritance, we are expanding sales of protection-type products such as medical insurance and cancer insurance, as well as whole life insurance for smooth asset inheritance and pension insurance for asset formation. In addition, we are working to establish a new sales style that combines remote and face-to-face contact and develop new products, services, and schemes in line with advances in digital technologies as business activities to respond to these new lifestyles.

Policy in the Medium-Term Management Plan (2022–25)

In FY2022, the first year of the Medium-Term Management Plan, gross income premiums for the domestic life insurance business increased by ¥398.0 billion (29.9%) to ¥1,707.5 billion, whereas Group Adjusted Profit decreased by ¥41.0 billion to ¥141.7 billion. We will implement the following initiatives to achieve the targets in our Medium-Term Management Plan.

Strengthening of customer approach through channels

Mitsui Sumitomo Aioi Life Insurance took advantage of the Group non-life insurance companies’ customer and agent base to “strengthen the agent sales force” and “cultivate and develop the Group and occupational market.” The company also proposed a new service, “MSA Care,” and other products, as well as comprehensive proposals for life and non-life insurance. In addition, we released an online recruitment system for the business areas of our clients and worked to provide an environment where applications can be completed digitally (e.g., via a smartphone), without the need for interviews. Through a combination of remote and face-to-face sales activities, Mitsui Sumitomo Primary Life Insurance worked to strengthen sales support for solicitors and further expand its sales base. In addition, to enable agents to practice “customer-focused business operations,” we held a seminar on the prevention of complaints about foreign currency-denominated insurance for financial institutions nationwide and developed a financial gerontology training program to facilitate conversations with elderly customers.

Improvement in profitability through expansion of investment income

Mitsui Sumitomo Aioi Life Insurance aims to increase its investment income by, for example, further increasing the size of its expected income-generating assets. In FY2022, we increased the amount of bonds, mainly yen bonds and open foreign bonds.

Even in an environment of rapid depreciation of the yen and rising overseas interest rates, Mitsui Sumitomo Primary Life Insurance has secured investment income by strengthening ALM operations considering changes in the characteristics of its liabilities, and further strengthened its management system, including increasing the number of personnel in the investment department.

Provision of products and services that contribute to solving social issues

Mitsui Sumitomo Aioi Life Insurance began providing “MSA Care,” a healthcare service, in October 2022. As a result, in addition to the provision of “feasible security” through life insurance, it is now also possible to provide support before and after illness with a “single connection.” In November 2022, we launched “SLIFE Medical Insurance A (Ace) Select” and “LIFE Cancer Insurance S (Smart) Select” to provide products based on the current medical environment and customer requests, such as shorter hospital stays, the evolution of early cancer detection technology, and the diversification of cancer treatments.

Mitsui Sumitomo Primary Life Insurance has created a new course that emphasizes security in its indexed-linked product, “Mito 10,” which protects pension resources while providing the enjoyment of increasing income. In addition, the company has lowered the minimum monthly premium for its individual annuity insurance, “Ashita Mo Muju,” to make it easier to start building assets. We have also developed “AHARA,” a variable annuity insurance that allows all procedures to be completed by smartphone. In terms of customer service, we introduced a call support system that enables elderly customers to clearly hear the voice of the call center operator and completely revised the “Primary Life My Page” Web service for customers to enhance security and improve customer convenience.

In an alliance between Mitsui Sumitomo Aioi Life Insurance and Mitsui Sumitomo Primary Life Insurance, the two companies are working together to plan and develop the variable product (fixed-term type) “Shiawasetsumitate” and to propose a new service, “MSA Care,” and other products, as well as comprehensive proposals for life and non-life insurance.

Step up customer approaches utilizing distribution channels

Mitsui Sumitomo Aioi Life Insurance

Robust sales network, for example, the distribution channels of Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance, the largest in Japan, and close ties with leading corporate groups in Japan

Mitsui Sumitomo Primary Life Insurance

Close relationships with financial institutions tied to product development capability and education and training capability

Improving profitability by expanding investment income, etc.

Mitsui Sumitomo Aioi Life Insurance

• Expand the scale of higher return assets from ¥750 billion to ¥7.0 trillion

Mitsui Sumitomo Primary Life Insurance

• The large number of foreign currency–denominated contracts makes it possible to take advantage of the characteristics of stable foreign currency investments, accurately perceive changes in the market environment, diversify investment targets based on appropriate investment risk management, and strengthen profitability

Providing products and services that help solve social issues.

Mitsui Sumitomo Aioi Life Insurance

• Develop products and services that help solve social issues such as long-term nursing care and dementia

Mitsui Sumitomo Primary Life Insurance

• Provision of products of level premium payments and other products aimed at developing new markets for asset builders that contribute to solving social issues such as extending asset life

Group Management Figures

Gross premiums income

<table>
<thead>
<tr>
<th>Year</th>
<th>Mitsui Sumitomo Aioi Life Insurance</th>
<th>Mitsui Sumitomo Primary Life Insurance</th>
<th>About VSS Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>1,550.0</td>
<td>1,508.1</td>
<td>1,530.0</td>
</tr>
<tr>
<td>2016</td>
<td>1,550.0</td>
<td>1,508.1</td>
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</tr>
<tr>
<td>2017</td>
<td>1,599.9</td>
<td>1,599.9</td>
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</tr>
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<td>2018</td>
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<td>1,699.8</td>
<td>1,799.7</td>
</tr>
<tr>
<td>2019</td>
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<td>1,799.7</td>
</tr>
<tr>
<td>2020</td>
<td>1,760.5</td>
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Group Adjusted Profit

<table>
<thead>
<tr>
<th>Year</th>
<th>Group Core Profit</th>
<th>Group Adjusted Profit</th>
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</thead>
<tbody>
<tr>
<td>2015</td>
<td>58.9</td>
<td>75.3</td>
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<td>36.7</td>
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<td>2019</td>
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<td>1,699.8</td>
</tr>
<tr>
<td>2020</td>
<td>1,760.5</td>
<td>1,760.5</td>
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</table>

(All values in ¥ billion)
Business Environment

Growth in the domestic non-life insurance business is expected to slow over the medium to long term due to a falling birthrate and aging population, therefore increasing revenue in the growth area of the international business is increasingly important. On the other hand, due to various changes in the environment, including changes in lifestyle due to technological innovations (such as being remote and online), new risks and associated insurance needs are emerging globally. In this business environment, we are transforming our business portfolio to achieve sustainable growth. Specifically, we will build a more diversified and profitable portfolio globally by expanding the scale of our international business and enhancing our earning power. In addition, we will utilize digital technologies; share and mutually utilize the know-how, skills, and other strengths gained through the effort of each group company in and outside Japan, such as market channels and customer needs; and demonstrate global synergies and achieve growth.

Policy in the Medium-Term Management Plan (2022-25)

At MS Amlin, we will continue to undertake with a focus on profitability and expand our top and bottom lines by taking advantage of market hardening. In Asia, where we have strengths, we will work with leading platforms and promote DX to capture growth in the retail market and achieve steady growth. In the United States, where we have changed to a new business structure, we will pursue flexible market development and synergies among Group companies.

In addition, we will diversify our portfolio through business investments in the United States, where our company has a lot of potential to cultivate the market, and in emerging markets, such as Asian countries where growth is highly anticipated, and work to further improve capital efficiency. We will also strengthen efforts to achieve synergies among domestic and overseas Group companies and drive growth on a Group basis.

International Business

Group Management Data

Group Core Profit/Group Adjusted Profit

<table>
<thead>
<tr>
<th>Year (FY)</th>
<th>Group Core Profit</th>
<th>Group Adjusted Profit</th>
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</thead>
<tbody>
<tr>
<td>2015</td>
<td>82.0</td>
<td>102.0</td>
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<tr>
<td>2016</td>
<td>94.0</td>
<td>120.0</td>
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<tr>
<td>2017</td>
<td>109.0</td>
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<tr>
<td>2018</td>
<td>120.0</td>
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<tr>
<td>2019</td>
<td>130.0</td>
<td>150.0</td>
</tr>
<tr>
<td>2020</td>
<td>140.0</td>
<td>170.0</td>
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<tr>
<td>2021</td>
<td>150.0</td>
<td>190.0</td>
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<tr>
<td>2022</td>
<td>160.0</td>
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Net premiums written

<table>
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<tr>
<th>Year (FY)</th>
<th>(¥ billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
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</tr>
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<td>2016</td>
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<tr>
<td>2017</td>
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<td>2018</td>
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<td>2019</td>
<td>985.6</td>
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<tr>
<td>2020</td>
<td>1,121.6</td>
</tr>
<tr>
<td>2021</td>
<td>1,257.6</td>
</tr>
<tr>
<td>2022</td>
<td>Forecast</td>
</tr>
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</table>

Notes:

1. International business net premiums written include all Group companies (as defined in the Financial Statements).

2. Figures in the "Total" rows include head office adjustments and others and are not equal to the sum of figures for each segment and each region.

3. Net income is on a Group Core Profit basis (Group Adjusted Profit basis since FY2018). The international life insurance business shows equity income.

4. From FY2020, the international life insurance business includes Challenger, ReAssure, and Phoenix in addition to the former Asian life insurance business.

1) MS Amlin profit expansion, Asia business expansion, U.S. business restructuring

MS Amlin has made steady progress in its efforts to improve profitability. In 2022, despite major natural disasters such as Hurricane Ian and matters related to Russia and Ukraine and the impact of losses and other factors such as global inflation, insurance underwriting profits were in the black for all local insurance companies. MS Amlin Underwriting Limited, which operates the Lloyd’s business, has steadily improved its earnings structure by reducing the increase in catastrophe risks, improving its portfolio through selective underwriting, and increasing rates. While continuing to maintain our underwriting discipline, we will continue to increase our underwriting, particularly in specialty lines where we have a high level of expertise, and expand our overall portfolio revenues. MS Amlin AG (brand name: MS Reinsurance), which runs the reinsurance business, is also making steady progress in reducing revenue volatility and portfolio reform by reducing catastrophe risks. We will continue to expand in a balanced manner the number of lines in which rates and profits are expected to increase by diversifying and strengthening our business foundation for future growth. In the Asia business, we have steadily achieved our targets in terms of both premiums written and profits, thereby firmly establishing ourselves as the No. 1 non-life insurance company in the ASEAN region. We will continue to steadily capture market growth and expand our business, including business investments. In the U.S. business, the acquisition of Transverse Insurance Group, LLC, was completed in January 2023. In addition, we strengthened our business base for local business by restructuring our U.S. business.

2) International life insurance business

With the completed our investment in BoCommLife Insurance Company Limited in China and the reorganization of Max Life Insurance Co., Ltd., in India, we have laid a solid foundation for capturing the growth of those life insurance markets through major banks in countries with a third of the world’s population. We will continue to focus on increasing our corporate value mainly in Asia, where we expect high growth, and to secure stable cash flow via Phoenix Group in Europe and Challenger in Australia. We will also continue to examine new business investment opportunities to expand corporate value and profits.

3) Pursuit of the Group’s comprehensive strengths

We launched the “TENKAI Project,” which aims to accelerate the improvement of our Group’s corporate value and sustainable growth by realizing Group synergies via sharing and implementing the knowledge and know-how of each of our domestic and overseas businesses throughout the Group in a quick and cross-sectoral manner. Each of our domestic and overseas businesses has a head of Group synergy promotion, and we have strengthened our systems to achieve concrete effects from sharing advanced digital technologies, expanding reinsurance within the Group, and realizing joint procurement of IT infrastructure. To further expand the scope and deepen the content of the TENKAI Project, we will strengthen cooperation and initiatives at our domestic and overseas bases.
Initiatives by major international business

European business
- In Europe, each company in the MS Amlin Group, consisting of three insurance companies; a major Lloyd’s syndicate (MS Amlin Underwriting Limited, hereinafter “AUL”), a reinsurance company based in Bermuda and Switzerland (MS Amlin AG “brand name: MS Reinsurance, hereinafter “MS Re”), and a European primary insurance company headquartered in Belgium (MS Amlin Insurance SE, hereinafter “AISE”) and a service company (MS Amlin Corporate Services Limited), is developing growth strategies that take advantage of the unique characteristics of each company.
- AUL, a Lloyd’s Managing General Agent (MGA) in the U.K., is expanding its business by utilizing MS Reinsurance’s brand name recognition, network, expertise, and know-how, and will increase its underwriting and revenue by focusing on specialty lines with high expertise.

AUL MS Re Zurich MS Re Bermuda

Americas business
- We have bases in major reinsurance markets around the world and will utilize our global business base to develop markets with a different approach from the direct insurance business, such as building medium- to long-term relationships of trust with our customers, namely direct insurance companies.
- We aim to stabilize and expand earnings by building a portfolio with a balanced expansion of general lines that can be expected to provide diversification benefits.

MS First Capital performance overview
- We will continue to strengthen sales channels using digital technologies, such as collaboration with major e-commerce companies, small financial institutions, and major electronic money operators.

International life insurance business
- We will capture growth in the Asian life insurance market and increase corporate value through cooperation with partners that have strong sales channels, such as leading banks, mainly in China and India, both of which have sizable populations.
- In Australia and the United Kingdom, we will leverage our advantage as a market leader to secure stable corporate value expansion and cash flow accumulation.
- We will continue to explore the investment opportunities with high growth and profitability, including those in areas we have not yet penetrated.

Toyota retail business and international telematics business
- As new car sales of Toyota recover, net premiums written of the Toyota retail business are increasing.
- Group Adjusted Profit is expected to recover in the future through rate increases and measures against losses such as strengthening Lexus anti-theft measures.

Voluntary automobile insurance led by telematics is growing significantly in the global business

Asia business
- It operates as the world’s only non-life insurance group with offices in all parts of ASEAN (with the highest total revenue premiums in the region).
- While maintaining a diversified, high-quality portfolio and stable combined ratio, we will promote growth initiatives in the retail sector with high profitability throughout Asia, and further promote growth strategies including inorganic investments to achieve significant growth.

Alliances with leading partners and financial institutions
- We will promote further growth in both life and non-life insurance by strengthening synergies in cooperation with life and non-life insurance companies.
- Based on our Group’s position in Asian countries and market potential, we will consider inorganic business investments to capture further Asian growth.

In Europe, each company in the MS Amlin Group, consisting of three insurance companies; a major Lloyd’s syndicate (MS Amlin Underwriting Limited, hereinafter “AUL”), a reinsurance company based in Bermuda and Switzerland (MS Amlin AG “brand name: MS Reinsurance, hereinafter “MS Re”), and a European primary insurance company headquartered in Belgium (MS Amlin Insurance SE, hereinafter “AISE”) and a service company (MS Amlin Corporate Services Limited), is developing growth strategies that take advantage of the unique characteristics of each company.
- AUL, a Lloyd’s Managing General Agent (MGA) in the U.K., is expanding its business by utilizing MS Reinsurance’s brand name recognition, network, expertise, and know-how, and will increase its underwriting and revenue by focusing on specialty lines with high expertise.
- MS Reinsurance has bases in major reinsurance markets around the world and will utilize our global business base to develop markets with a different approach from the direct insurance business, such as building medium- to long-term relationships of trust with our customers, namely direct insurance companies.
- We aim to stabilize and expand earnings by building a portfolio with a balanced expansion of general lines that can be expected to provide diversification benefits.

AUL MS Re Zurich MS Re Bermuda
Reports by Segment

Financial Services Business

Policy in the Medium-Term Management Plan (2022–25)

Based on social issues, changes in the environment, and customer needs, we aim to provide a variety of products and services that are independent of insurance and contribute to profits in a stable manner by utilizing the Group's comprehensive capabilities, including domestic sales and overseas entities.

Areas to focus on

1. Asset building–related business
2. Provision of risk solutions contributing to ESG
3. Response to changes in the social environment

Examples of initiatives

Venture capital
Through Mitsui Sumitomo Insurance Venture Capital, we invest in start-ups in Japan and overseas, including AI, healthcare, and IT businesses that are expected to grow rapidly from the perspective of innovation, uniqueness, and forward-looking policy. In addition, we actively promote initiatives such as sales expansion support for investee companies and business matching between investee companies utilizing the Mitsui Sumitomo Insurance network. We are also strengthening synergies with Group companies such as Mitsui Sumitomo Aioi Life Insurance and MS&AD InterRisk Research & Consulting. In FY2022, we invested approximately ¥5 billion, mainly in IT services, food tech, and healthcare companies in Japan and overseas.

Investment amount and investment book value balance (¥ billion)

<table>
<thead>
<tr>
<th>Investment amount</th>
<th>Investment book value</th>
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<tbody>
<tr>
<td>2022</td>
<td>2023</td>
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</table>

R&D
Mitsui Sumitomo Insurance is expanding its product lineup and strengthening its proposition capabilities, focusing on the sale of weather derivatives to reduce economic losses caused by natural disasters and extreme weather events, thereby meeting the diverse needs of customers. We are focusing on the development and sales of new products such as “Typhoon Nijn,” a weather derivative to hedge business losses caused by typhoons. We are recently beginning selling weather index insurance in Australia. Mitsui Sumitomo Insurance provides investment advisory services for the COT bond funds managed by Sumitomo Mitsui DS Asset Management Company, an equity method affiliate, and solicits domestic institutional investors for the funds managed by Leadenhall Capital Partners LLP, a U.K. subsidiary. We have worked to strengthen our insurance-linked securities business by improving our proposal capabilities and expanding our product lineup.

Financial services for individuals
In FY2022, Mitsui Sumitomo Insurance began selling a new service called “100-Year Life Lounge,” which simulates the lifetime earnings and expenditures of employees and supports asset building to supplement corporate pensions and social security. We are constantly adding options within these services, including asset building robot advisors and family trusts, with an eye on the 100-year life span era. We also developed an app for smartphones to improve customer convenience, which we released in FY2023. (Reference: https://www.ms-ins.com/press/2023/p2023_4_1.pdf)

Reports by Segment

Digital/risk-related services business

Policy in the Medium-Term Management Plan (2022–25)

Create new services and business opportunities using digital technologies and data before and after coverage and protection, with MS&AD Inter Risk Research & Consulting (hereinafter “MS&AD Inter Risk Research”) leading the Group, as a “Platform Provider of Risk Solutions.”

MS&AD InterRisk Research & Consulting will expand its business opportunities by making consulting services more sophisticated and generalizing them through software. We will also create new business areas such as a software-based monitoring and database sales.

 Expansion of business areas

- Leverage digital data
- Case studies
- TCFD-related services
- TNFD-related services
- Enable revenue growth not limited by the number of consultants
- Deploy monitoring services using development tools
- Cyber surveillance service

Case studies

Services using digital data
(Development example) Accurate occurrence risk AI assessment
MS&AD InterRisk Research & Consulting has developed a service to prevent traffic accidents by visualizing the potential risk of traffic accidents that might occur in the future and implementing measures that address locations where accidents occurred in the past. In addition to the locations of past traffic accidents, the service combines data on factors highly correlated with accidents, such as road structure, people flow, and drive recorder event data such as rapid acceleration and deceleration. Such big data are used by AI to evaluate and visualize the risk of traffic accidents using a unique risk assessment and analysis model (patent pending).

Expansion of business areas

Other businesses

Nursing care business (day service)
To continue fulfilling our social mission of supporting the lives of the elderly and their families who need assistance, Fureai Do-Life Services Co., Ltd., has been working to provide high-quality services that satisfy the needs of the elderly, while paying close attention to the prevention and spread of infection even during the coronavirus pandemic. We focus on functional training by specialized staff, such as physical therapists and occupational therapists, and work to maintain and improve the physical functions of users through rehabilitation programs based on individual programs.

Assistance services
MS&AD GRAND ASSISTANCE Co., Ltd., provides high-quality services in a wide range of areas, including road assistance, house support, international travel assistance, and emergency alarm response.
**Improving Profitability**

In addition to increasing the amount allocated to higher-return assets**1** and diversifying investments through private equity (PE) funds, we will expand into individual investment projects in the areas of domestic and overseas PE and renewable energy investment and financing.

### Strengthening the Foundation for Improving Profitability

To further strengthen our efforts to share investment opportunities, information, and technology and demonstrate Group synergies, we will utilize MSIP® as a common platform for the expansion of higher-return assets and Group investment (asset management), and will nurture professional human resources with discerning abilities in foreign asset management.

**Composition by asset (based on consolidated total assets)**

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
<th>Quality</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets</td>
<td>25.0 trn</td>
<td>Investment profit/loss expected to increase</td>
</tr>
<tr>
<td>Loans</td>
<td>7.0%</td>
<td>Entering and expanding investment in individual projects</td>
</tr>
<tr>
<td>Other securities</td>
<td>5.7%</td>
<td>Utilizing professional human resources with more than 10 years of investment experience</td>
</tr>
<tr>
<td>Foreign securities</td>
<td>5.7%</td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>9.0%</td>
<td></td>
</tr>
<tr>
<td>Cash, deposits, and savings, etc.</td>
<td>2.7% (11.1%)</td>
<td></td>
</tr>
<tr>
<td>Bonds</td>
<td>5.8%</td>
<td></td>
</tr>
<tr>
<td>Equities</td>
<td>2.6%</td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>2.8% (11.6%)</td>
<td></td>
</tr>
</tbody>
</table>

**Reduction initiatives of strategic equity holdings**

- **Target of the Medium-Term Management Plan (2022-25)**
  - Continued reduction of ¥100 billion per year.
  - The cumulative total is ¥400 billion for the period of the Medium-Term Management Plan.
  - Aim for a weighing of less than 10% of total consolidated assets and a weighing of less than 30% of risks.

**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 2021 to June 2022)**

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

**Number of proposals (July 2021 to June 2022)**

<table>
<thead>
<tr>
<th>Type</th>
<th>MS</th>
<th>AD</th>
<th>Total (approved)</th>
</tr>
</thead>
<tbody>
<tr>
<td>MS</td>
<td>173</td>
<td>146</td>
<td>319 companies</td>
</tr>
<tr>
<td>AD</td>
<td>1,161</td>
<td>4,718</td>
<td></td>
</tr>
</tbody>
</table>

**Cases of disapproval in exercising voting rights**

**Case 4 (Outside directors)**

The company does not have an outside director who has been reported to the financial instruments exchange as an independent officer, which violates our standards. Through dialogue, it was confirmed that there are outside directors, but they have not submitted the notification due to compensation issues. Consequently, they have not been able to attend the meetings for the past year, and we have decided that the role of outside directors might have become a mere formality. Through dialogue, it was confirmed that there are outside directors, but they have not submitted the notification due to compensation issues. Consequently, they have not been able to attend the meetings for the past year, and we have decided that the role of outside directors might have become a mere formality.

**Process for exercising voting rights**

1. **Examining the need for individual examination**
   - Review disclosure information, etc., of investee companies to determine whether dialogue is necessary.
2. **Dialogue implementation**
   - Conduct dialogue to make a final decision after weighing the pros and cons.
3. **Closing status**
   - Results for the current fiscal year, outlook for the next fiscal year and beyond, measures to improve profitability and growth, and the protection of small and mid-size shareholders.
## 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.

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

- **Incorporation into the investment process**
  - Embrace ESG-informed processes
- **Improving engagement**
  - Implement engagement based on ESG factors
- **Implementing thematic/impact investing**
  - Emphasize investing that leads to solutions to social issues

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

<table>
<thead>
<tr>
<th>ESG theme</th>
<th>Investment and loan initiatives</th>
<th>Content</th>
<th>Target assets</th>
<th>Investment and loan balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reflection of the response to the Group’s business activities considering sustainability</td>
<td>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</td>
<td>All assets under management</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>Incorporation of the Group’s priority issues into the research</td>
<td>Focusing on “CO₂ emissions,” “water stress,” “water risk,” and “human rights violations,” evaluations by ESG evaluation companies and international initiatives (such as CDP) are used for investment decisions and monitoring</td>
<td>Corporate bonds, stocks, and loans</td>
<td>¥7.5 trillion</td>
<td></td>
</tr>
</tbody>
</table>

### Implement constructive measures as a responsible institutional investor

Our Group encourages the reduction of greenhouse gas emissions and the disclosure of information based on the TCFD recommendations to realize a decarbonized society through constructive dialogue (engagement) with investee companies. Specific items to be confirmed include the organizational structure to respond to climate change, efforts to achieve the greenhouse gas emission reduction target, technological innovation plans, and grasping of issues.

### Examples of efforts for constructive dialogue (engagement) on climate change

<table>
<thead>
<tr>
<th>Case study (1)</th>
<th>Case study (2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Engaged in dialogue with companies that face technical challenges in reducing CO₂ emissions and exchanged opinions on the feasibility of the transition plan for the companies’ reduction targets for 2030.</td>
<td>We held dialogues and exchanged opinions with logistics companies dealing with issues related to climate change.</td>
</tr>
<tr>
<td>At the same time, we are conducting frank dialogues on issues related to fuel supply and costs, while confirming specific schedules for the conversion of the company’s fossil power generation equipment to biomass fuel, co-combustion, and the use of ammonia. We plan to continue our dialogue with these companies.</td>
<td>As the company had just expressed its support for the TCFD recommendations and was planning to conduct scenario analysis in the future, the company convened the importance of scenario analysis and the fact that some of the preceding companies had discovered strengths and weaknesses in their own business strategies, thereby contributing to the company’s deeper understanding of the significance of analysis.</td>
</tr>
</tbody>
</table>

### Breakdown of ESG-themed investments (end of March 2023)

<table>
<thead>
<tr>
<th>By theme</th>
<th>Investment and loan balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment in ESG-themed funds</td>
<td>81.2</td>
</tr>
<tr>
<td>Support for efforts to reduce greenhouse gases</td>
<td>60.0</td>
</tr>
<tr>
<td>Transition/Sustainability-linked finance</td>
<td>15.1</td>
</tr>
<tr>
<td>Green finance</td>
<td>87.8</td>
</tr>
<tr>
<td>Support for sustainable global development</td>
<td>118.5</td>
</tr>
<tr>
<td>Social sustainability (including supranational bonds)</td>
<td>11.4</td>
</tr>
<tr>
<td>Regional revitalization, healthcare, impact investment*, etc.</td>
<td>374.0</td>
</tr>
</tbody>
</table>

*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.

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

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>More sophisticated ESG investing</td>
<td>Promote engagement that takes into account ESG elements, including climate change.</td>
</tr>
<tr>
<td>Implement impact investments and build/know-how</td>
<td></td>
</tr>
<tr>
<td>Group-wide efforts toward net zero by 2050</td>
<td></td>
</tr>
</tbody>
</table>
Increasingly diverse and complex social issues

In recent years, various risks have clearly emerged to disrupt society’s safety and security, such as the spread of infectious diseases, geopolitical risks, intensifying natural disasters, and advances in digital technology. In addition, the COVID-19 pandemic triggered changes in people’s sense of values and lifestyles, and the expectations and needs of customers and other stakeholders have become more diverse. Furthermore, global issues such as climate change and political and geopolitical factors are involved, whereas social issues are becoming increasingly complex.

MS&AD provides products and services to solve social issues through three approaches, starting with identifying such risks before anyone else and informing customers and society and adding functions to prevent risks and to reduce the impact of risks.

MS&AD’s important social issues and partnerships

MS&AD has identified three social issues that are important to both our stakeholders and the Company: symbiosis with the global environment (Planetary Health), a safe and secure society (Resilience), and happiness of diverse people (Well-Being).

Although the three might appear to be separate, they are deeply interconnected and need to be approached holistically.

The SDGs is a model that illustrates how the 17 SDGs are made up of three layers, which are closely related to each other. At the top of the cake sits “Let’s achieve our goals through partnerships,” which indicates that partnerships are essential to solving increasingly complex social issues.

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

For example, MS&AD is working with local governments, researchers, and local NPOs on the MS&AD Green Earth Project to restore and preserve the natural environment, in which employees and their families participate. By restoring natural capital and increasing biodiversity, the project aims to reduce damage from floods, which are becoming more frequent and severe, and to contribute to regional development by creating a safe and secure society. It is a nature-based solution put into practice, which solves problems by utilizing the blessings of nature.

Achieving CSV in employees’ daily work

MS&AD has continually made sustainability and CSV (Creating Shared Value with society) the pillars of its strategy since fiscal 2016, incorporating CSV into the organization’s annual plans, promoting initiatives, and reviewing the results. The cycle has been shared throughout the Group and is now deeply woven into the sense of values of all Group employees. In the annual Sustainability Contest held as a part of the review process, approximately 2,000 initiatives have been reported to date, making tangible contributions to solving social issues.

We believe steadily running this cycle and advancing it through partnerships with stakeholders is the only path to the resilient and sustainable society that the Group aims for and will bring about the well-being of every employee.

Activities in the Kuma River basin, Kumamoto Prefecture. Learning from the damage caused by the torrential rains in 2020, this project will work to reduce flood damage by conserving wetlands upstream to improve biodiversity while enhancing rainwater storage.
In 2015, countries around the world agreed to halt the acceleration of global warming by adopting the Paris Agreement. National governments, local governments, and companies are tackling to make progress toward a net-zero society. Meanwhile, the Kunming-Montreal Global Biodiversity Framework set targets for biodiversity at the 15th meeting of the Conference of the Parties to the Convention on Biological Diversity held in December 2022. This framework sets out a so-called “nature-positive” direction to “halt and reverse biodiversity loss and put nature and ecosystems on a path to recovery by 2030” and a vision of “a world in harmony with nature” as the goal for 2050. National and local governments, as well corporations, are playing an important role in biodiversity.

The MS&AD Insurance Group has set “Symposia with the Global Environment —Planetary Health” as one of its key sustainability issues and is undertaking various initiatives to address climate change and natural capital.

The Task Force on Climate-related Financial Disclosure (TCFD) recommends that responses to climate change issues be disclosed according to the four pillars of “Governance,” “Strategy,” “Risk Management,” and “Metrics and Targets.” The Group endorses this concept and is promoting the disclosure of climate-related financial information. The Taskforce on Nature-related Financial Disclosure (TNFD) is examining disclosure methods for issues related to sustainability of natural capital and biodiversity, which are also issues that have a significant impact on society and the economy. The recommendations of these two task forces have been used as a basis for this report on our initiatives toward achieving “Symposia with the Global Environment.” Further details will be published in the “Climate and Nature-related Financial Disclosures —TCFD and TNFD Reports.”
Climate-related opportunities

We believe the rapid social and economic changes resulting from the transition to net zero society will bring opportunities for the Group’s growth, including demand for new insurance products and services, and improved corporate earnings due to technological change and the emergence of new industries.

Climate-related scenario analysis

The Group conducts scenario analysis for the impact on insurance underwriting of natural disaster damage (physical risk) and the impact on investment due to the introduction of global warming countermeasures (transition risk). In the analysis of physical risk, for example, we analyzed fluctuation in insured losses due to typhoons, for which the force and other factors have changed as a result of global warming, and confirmed the potential increase in insured losses. In the analysis of transition risk, we analyze the additional costs that might be borne by portfolio companies in response to the progress of global warming countermeasures and confirm that the portfolio companies might be able to cover the additional costs by advancing such countermeasures.

Nature-related opportunities

Our daily lives and business activities depend on nature in a myriad of ways and place a burden on nature. This changes the state of natural capital, which in turn affects business activities, livelihoods, and society. If natural capital is deteriorated, the benefits to people's livelihoods and business activities will be reduced, and the costs borne by companies and society could increase. Conversely, if natural capital is restored, benefits may improve and costs could be saved. These are nature-related risks and opportunities for business activities, and in turn, risks and opportunities for the financial institutions that support business activities and society. The TNCF recommends analyzing nature-related dependencies and impacts in identifying nature-related risks and opportunities. The Group analyzed dependencies and impacts related to insurance products and policyholders and investees as a means of identifying nature-related risks and opportunities.

Analysis of dependence and impact on nature related to insurance products (excerpt)

Nature-related risks

We believe that the decline in the disaster prevention and mitigation functions of nature could lead to greater damage from natural disasters, and this is a phenomenon that should be taken into consideration. We carefully assess the advisability of transactions based on the environmental considerations of our underwriters and investees in industries that have a significant impact on nature through development on land or water (e.g., hydroelectric power generation, development associated with large-scale agriculture, forestry, and fisheries), or projects in areas rich in biodiversity (e.g., UNESCO World Heritage sites, Ramsar Convention-listed wetlands).

The Group’s approach to climate- and nature-related risks and opportunities

We have set a net zero target in 2050 in line with the Paris Agreement’s 1.5°C target and declared that we will work with our stakeholders to contribute to this transition. To encourage the transition, we support the establishment and social implementation of next-generation energy, such as renewable energy, hydrogen and innovative technologies for net zero society. Meanwhile, we are accelerating the provision of services to mitigate damage and loss in response to increasingly severe natural disasters. Furthermore, we are working on disaster prevention and mitigation through environmental restoration and conservation and adapting to climate change.

- Toward a nature-positive society, we are providing new products and services that contribute to the preservation and restoration of nature and biodiversity. The “Marine Pollutant Response Additional Expense Compensation Clause” covers the cost of preservation and restoration services for damage to the natural environment in the event of a ship accident. The “Extensive Pollution Damage Compensation Clause” provides broad coverage for liability for damages and pollution cleanup costs arising from unforeseen and sudden pollution from factories and other facilities. These products will mitigate negative impacts on nature, such as oceans, forests, soil, and wildlife, which will also be important in addressing climate change.

- In addition, it is important for society overall to make progress toward the realization of nature positivity, the Group has been involved through the establishment and operation of the TNFD Japan Council and activities of the Japan Business Initiative for Biodiversity (JBIB) in promoting awareness and research as well as encouraging companies to take action. In February 2023, the Finance Alliance for Nature Positive Solutions (FANPS) was established to promote the development of solutions and other activities for nature positivity needed by companies through collaboration among financial institutions.

1 Established in 2008 with the aim of learning from each other and taking action to promote the preservation of biodiversity conservation in business, the JBIB had 59 member companies as of June 30, 2023.

2 A financial alliance launched in February 2023 by a group of four financial institutions (MS&AD Group, Sumitomo Mitsui Trust Bank, and Development Bank of Japan) to support companies’ shift to nature positivity in their business activities.
 Introduction
Management’s Message
Leadership and Governance
Strategy and Performance

Natural capital/TNFD-related consulting

To realize a nature-positive society, companies must broadly and accurately recognize their dependence and impact on nature through their business activities, and develop strategies based on their risks and opportunities. Group company MS&AD InterRisk Research Institute provides corporate clients with services such as nature-related dependence and impact, risk, and opportunity assessment in line with the TNFD recommendations.

To develop and provide services that contribute to nature positivity and enhance them, we are participating in biodiversity-related initiatives and promoting joint research through industry-government-academia collaboration. In FY2022, we signed a co-creation agreement with Think Nature Inc., a start-up that originated at the University of the Ryukyus. The Group will provide comprehensive nature-related consulting services ranging from individual themes such as corporate procurement, products, land use, and social contribution to overall business operations.

Risk Management

Based on the “MS&AD Insurance Group Risk Appetite Statement,” we have clarified the amount of risk that can be held under normal conditions and will take risks based on our capital policy. The Group’s Medium-Term Management Plan has been developed in line with our Risk Appetite Statement. Also, we aim to ensure soundness, enhance capital efficiency, and improve NDR based on the ERM cycle.

Management of natural catastrophe risks

We manage natural catastrophe risks by measuring and grasping risk amounts, using modeling that incorporates engineering knowledge.

In addition to conducting stress tests for large-scale natural catastrophes, regarding the risks of storm and flood in Japan and the United States, both of which involve a large amount of risk, we set maximum levels of risk amounts (risk limits) for the Group and for each company, using the amount of damage that occurs once every 200 years as a basis, to maintain financial soundness. We are also working on actions such as incorporating climate change impacts into stress tests and reflecting climate change uncertainty in the risk amounts of the entire Group.

Control of the retained risk amount of natural catastrophes

Based on the amounts of risk by region and category, we strive to conduct appropriate underwriting, acquire reinsurace, issue catastrophe bonds, and accumulate catastrophe reserves. Through these measures, we are improving the financial soundness of the entire Group and reduce the risk of fluctuations in periodic profit or loss.

Responsible investment

The Group has a policy of engaging its investees in “constructive discussions” that place priority on ascertaining management challenges, shareholder return policies, and nonfinancial information, including ESG, from the standpoint of helping the investee to grow sustainably and increase corporate value over the medium to long term.

During such engagement, the Group checks the investees’ ESG policies. Its main environmental points of inquiry include climate change and decarbonization initiatives.

Metrics and Targets

The MS&AD Group is setting metrics and targets to reduce GHG emissions through the Group and its supply chain, and transitioning to a circular economy that leads to net zero society and environmental pollution measures.

Metrics and Targets for Reduction of Our Environmental Burden

The Group is committed to reducing GHG emissions from its business activities. Based on the achievement of the FY2020 GHG emission reduction target (30% reduction from the FY2009 baseline), we reviewed our medium- and long-term targets and set new targets in May 2021.

GHG emission reduction results

<table>
<thead>
<tr>
<th>Targets</th>
<th>FY2022 Results</th>
<th>FY2030</th>
<th>FY2050</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scope 1 + Scope 2*</td>
<td>26.8% reduction</td>
<td>50% reduction from the base year (FY2019)</td>
<td>Net zero</td>
</tr>
<tr>
<td>Scope 3**</td>
<td>26.9% reduction</td>
<td>50% reduction from the base year (FY2017)</td>
<td>Net zero (all categories)</td>
</tr>
</tbody>
</table>

1 Direct emissions from our Group such as gasoline for company-owned vehicles
2 Indirect emissions from the use of purchased electricity and heat, etc.
3 Indirect emissions through our Group’s operations other than those in Scope 1 and 2

Renewable energy consumption rate

<table>
<thead>
<tr>
<th>Metrics and targets</th>
<th>FY2020: 60%; FY2050: 100%</th>
<th>State of progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>Products that contribute to net zero society and the circular economy</td>
<td>FY2022: 21.1%</td>
<td></td>
</tr>
</tbody>
</table>

GHG emissions of the investees

<table>
<thead>
<tr>
<th>GHG emissions of the investee companies</th>
<th>Stocks</th>
<th>Corporate bonds</th>
<th>Corporate loans</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stocks Corporate bonds Corporate loans</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Scope 1 + Scope 2 of the investee companies</td>
<td>2,302,000</td>
<td>2,400,000</td>
<td>288,000</td>
</tr>
</tbody>
</table>

Weighted average carbon intensity (WACI) of the investee companies

<table>
<thead>
<tr>
<th>Weighted average carbon intensity (WACI) of the investee companies</th>
<th>Stocks</th>
<th>Corporate bonds</th>
<th>Corporate loans</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scope 1 + Scope 2 of the investee companies</td>
<td>114.5</td>
<td>221.5</td>
<td>273.2</td>
</tr>
</tbody>
</table>

Pilot implementation of the LEAP approach

The TNFD has proposed an integrated assessment process (LEAP approach) for the management of nature-related risks and opportunities, focusing on the location and biome where the business takes place. The United Nations Environment Programme Finance Initiative (UNEP FI) hosted a pilot program for the LEAP approach, and the Group conducted the pilot on the “Natural Rubber Industry in Indonesia” in collaboration with MS&AD InterRisk Research Institute and Think Nature Inc., a start-up originated at University of the Ryukyus.

Biodiversity high-risk areas of rubber plantations in Indonesia
World Map of Natural Catastrophes in 2022*1

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

The MS&AD Insurance Group has helped its customers mitigate economic losses caused by major catastrophes through the payment of claims, supporting the restoration of business activities and the livelihoods of people around the world.

<table>
<thead>
<tr>
<th>Region</th>
<th>Event</th>
<th>Insured Loss</th>
<th>MS&amp;AD's Net Incurred Loss</th>
<th>MS&amp;AD's Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Americas 1</td>
<td>Hurricane</td>
<td>¥34,6 billion</td>
<td>¥29.7 billion</td>
<td>0.4%</td>
</tr>
<tr>
<td>Americas 2</td>
<td>Drought</td>
<td>¥240.4 billion</td>
<td>¥0.01 billion</td>
<td>0.02%</td>
</tr>
<tr>
<td>Americas 3</td>
<td>Rainstorm</td>
<td>¥360.5 billion</td>
<td>¥0.91 billion</td>
<td>0.3%</td>
</tr>
<tr>
<td>APAC 1</td>
<td>Flood</td>
<td>¥340.6 billion</td>
<td>¥0.01 billion</td>
<td>0.02%</td>
</tr>
<tr>
<td>APAC 2</td>
<td>Earthquake</td>
<td>¥43.6 billion</td>
<td>¥4.27 billion</td>
<td>1.1%</td>
</tr>
<tr>
<td>APAC 3</td>
<td>Flood</td>
<td>¥34.8 billion</td>
<td>¥0.01 billion</td>
<td>0.02%</td>
</tr>
<tr>
<td>EMEA 1</td>
<td>Drought</td>
<td>¥240.6 billion</td>
<td>¥0.01 billion</td>
<td>0.02%</td>
</tr>
<tr>
<td>EMEA 2</td>
<td>Flood</td>
<td>¥34.6 billion</td>
<td>¥0.01 billion</td>
<td>0.02%</td>
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<td>¥340.6 billion</td>
<td>¥0.01 billion</td>
<td>0.02%</td>
</tr>
</tbody>
</table>

*1 The top three natural disasters with the highest insured loss in AMERICAS, EMEA (Europe, Middle East, and Africa), and APAC in 2022 listed in the “Weather, Climate and Catastrophe Insight 2022 Annual Report” of Aon. As of March 2023, the internal exchange rate ($1 = ¥133.53) was used.


*3 As of the end of March 2023. Total net incurred loss includes reinsurance recoverables and anticipated reinsurance recoverables, which are excluded from the reinsurance contracts of Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance and their overseas subsidiaries. Includes claims less than ¥10 million at entities outside the affected countries.

*4 Ratio of the total net insurance loss of Mitsui Sumitomo Insurance, Aioi Nissay Dowa Insurance, and their overseas subsidiaries to the insured loss.
Medium-Term Management Plan (2022–25)

**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. We will expand opportunities for employees to grow in a self-directed manner by clarifying the skills needed to achieve the basic strategies of the Medium-Term Management Plan. We will also improve engagement and productivity by creating an environment that maximizes the abilities, skills, and ambitions of our diverse human assets, thereby realizing a corporate group supporting a resilient and sustainable society.

** Creation of innovation**

By implementing our human assets strategy, we will continuously seek talent that acts autonomously, takes on the challenges of change, and create new value and innovation by instilling an open and flat organization where diverse human assets can maximize their strengths and individualities.

** To be**

- Continuously producing human assets who act autonomously, take on the challenges of change, and create new value
- CSV + DX + Global, continuously securing digital human assets, overseeing human assets, and specialized human assets who are responsible for the management of international business
- The Company ensures diversity in decision-making and fairness in treatment and decision-making and has an inclusive organizational management system that draws out and utilizes options and ideas, thus creating an environment in which employees can work with enthusiasm

** As is**

- Insufficient human assets who can work autonomously to improve their knowledge, experience, and skills. Insufficient management that draws out and utilizes digital technologies
- Insufficient diffusion of diverse human assets
- Insufficient management support for the diversification of decision-making layers and challenges.

**Human resource strategy linked to the basic strategies**

- Quantitative understanding of the “As is-To be” gap
- Building an optimal human assets portfolio through human asset development by expanding investment in self-directed learning menus such as reading and recurrent learning, as well as by securing and promoting the activities of specialized human assets, including recruiting external talent
- Full demonstration of employees’ abilities and skills and fulfillment of their ambitions

** Setting KPIs**

KPIs are set for particularly important elements of the human assets strategy to reinforce efforts and confirm progress.

**Digital human resources**

In addition to ensuring that all employees acquire basic digital skills, we are promoting the development of digital human assets from both the business and data analysis sides by utilizing training programs.

**Human resources for the international business**

In order to secure sufficient human resources, both in terms of quantity and number, for overseas operations, we are working to continuously develop and secure human resources while promoting a generational shift.

**Fostering and penetration of a corporate culture**

To increase corporate value through the implementation of a human asset strategy, we must foster and establish a corporate culture that leads to higher employee engagement and productivity. We will develop a fairness of opportunity to take on challenges and an environment in which employees feel motivated and can work independently and enthusiastically.
We have established a job-type employment system for specialized human assets and are promoting an environment that encourages their active participation. To secure specialized human assets, in addition to strengthening mid-career recruitment of external talent, it is necessary to develop internal human assets who fully understand the Group’s business. We are working to hone their skills not only through in-house training but also through personnel changes among Group companies.

- **Group-wide commodization of recruitment, assignment, and education related to specialized human assets**
  - Given intensifying competition for hiring digital human resources and other specialized human assets, we will introduce a job-type system suitable for specialized personnel at each Group company. At the same time, we aim to raise the level of hiring competitiveness and invest human resources in growth areas by hiring, allocating, and reskilling training related to specialized personnel.

- **Human asset development linked to personnel transfers**
  - We will conduct human asset development in coordination with personnel transfers considering the systematic development of human assets who will be responsible for the management of overseas offices, as well as the development and expansion of digital human assets.

- **Frameworks to encourage specialized development and new skill development**
  - We will develop and expand human asset systems and operations that encourage employees’ self-development and reskilling, such as compensation incentives, encouragement to acquire qualifications, and leave programs for self-development, to improve their expertise and acquire new skills.

### Retention and active participation of specialized human resources

**Human resources for the international business**

<table>
<thead>
<tr>
<th>Human resources (people)</th>
<th>FY2020 target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic human assets (headcount)</td>
<td>1,129</td>
</tr>
<tr>
<td>Overseas human assets (headcount)</td>
<td>3,601</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Investment in human asset development (¥)</th>
</tr>
</thead>
<tbody>
<tr>
<td>311 hours</td>
</tr>
<tr>
<td>68.3 hours</td>
</tr>
</tbody>
</table>

### Development of overseas human assets

We must secure sufficient human assets, both in terms of quality and number, for our posts who will be responsible for international business. Currently, we have the necessary number of employees and are working on a program to sustainably develop and secure human assets while promoting generational change. Specifically, we are implementing the following initiatives to ensure the managerial human assets and specialist human assets (e.g., accounting and finance, IT, risk management) necessary for international business and are developing human assets in a multifaceted and systematic manner.

#### Business-side initiatives

- We are working on training through collaborative courses with universities* and a certification system for advanced skills in data science.

- **Initiatives on the data analysis side:** We are working on training through collaborative courses with universities* and other institutions.

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#### Implementation of by-nomination training programs

<table>
<thead>
<tr>
<th>Training program</th>
<th>Cumulative participants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global Leader Development Program</td>
<td>74 persons (FY2013-FY2022)</td>
</tr>
<tr>
<td>Global Expert Development Program</td>
<td>88 persons (FY2014-FY2022)</td>
</tr>
<tr>
<td>Global Management Training</td>
<td>54 persons (FY2021-FY2022)</td>
</tr>
</tbody>
</table>

### Investment in human asset development

- Investment in education and training: 311 hours
- Training lasting per person (hours): 68.3 hours

### Digital human assets

<table>
<thead>
<tr>
<th>Digital human resources (people)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,129</td>
</tr>
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</table>

### Business-side initiatives

- We are working to ensure that as many employees as possible acquire and improve their skills by systematically promoting the expansion of online educational tools related to digital skills, the digital human assets certification system at each Group company, and lectures offered in collaboration with universities* and other institutions.

- **Initiatives on the data analysis side:** We are working on training through collaborative courses with universities* and a certification system for advanced skills in data science.

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**Examples of digital human asset development**

**MS&AD Digital College from Kyoto (KUAS: Kyoto University of Advanced Science)**

This is an original online training program of the MS&AD Group developed by the Faculty of Engineering at Kyoto University of Advanced Science (KUAS), which was established in April 2020. In this program, lecturers specializing in such areas as IoT and data science will provide practical training that will help them become immediately competitive. Trainees will experience technologies such as drones and IoT sensors through online training, and acquire knowledge from data acquisition to data utilization, which will lead to the creation of business models suited to the times and the development of innovative products and services.

**Interview**

Sasko Kawai
Mitsui Sumitomo Insurance Co., Ltd.

I did not have any special knowledge about AI, and I feel that I have learned the basic concepts through this training. In Society 5.0, where digital technology and everywhere we are integrated, we learned that information asymmetry is eliminated and all kinds of accidents are prevented, and we were able to gain a realistic understanding of the importance of data utilization for the company. I also felt that the fully online training was more effective than the group training, as I was able to freely express my opinions and questions without hesitation, and the VR and drone experience was not much different from the group training in terms of a realistic format. Following the training, I now examine the business operations and technologies of the corporation I work for, both at work and in my daily life, and make it a habit to think about how we can solve the world’s problems by combining them with our company data.
Full demonstration of employees’ abilities and skills and fulfillment of their ambitions

Development of an attractive workplace environment

To improve employee engagement, it is important to create a working environment that provides opportunities for autonomous career development; flexible, efficient, and effective work styles; and a corporate culture that encourages taking challenges. Each of the following initiatives is under way.

- Development of an attractive workplace environment

We will expand the use of the post-challenge system, which allows employees to transfer to a post or a department of their choice and expand the scope of their activities. We will also stimulate personal transfers, human asset development, and career development initiatives among Group companies. We are expanding opportunities for self-directed career development, such as the use of a framework (free agent) that allows employees to promote the abilities and skills they have developed so far to a department of their choice as an immediate asset. We also provide a framework that allows employees to participate in Company programs beyond the boundaries of existing organizations.

- Post-challenge applications: 376 persons in FY2022

- Promoting diverse and flexible work styles

We are promoting business operations that utilize work from home by effectively combining working remotely and coming to work. In addition, opportunities to improve and utilize skills will be expanded through the introduction of job-type employment and the relaxation of side and dual employment. We will flexibly allow employees to choose whether to relocate in accordance with their career vision and life events.

Diversity, Equity, and Inclusion

- Diversification of decision-making layers

Regarding the promotion of women, we are strengthening efforts to develop a pipeline for the promotion of women to executive and managerial positions. In addition, as a KPI by the end of FY2030, we have set the ratio of female managers at 30% and the ratio of female line managers, who are the heads of the organization, at half of that number to promote diversity among decision-makers. The following are examples of pipeline development efforts at each Group company.

<table>
<thead>
<tr>
<th>Examples of pipeline improvement initiatives</th>
<th>As of April 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appointment of women as non-executive directors of directly held affiliated operating companies</td>
<td>Cumulative total from FY2019 onward: 28 persons</td>
</tr>
<tr>
<td>Assignment of women to deputy general manager and assistant branch manager posts</td>
<td>44 persons</td>
</tr>
</tbody>
</table>

Furthermore, we are promoting the use of diverse experience in decision-making by, for example, increasing the ratio of external hires in managerial positions and of those with experience in the culture of other companies.

Percentage of female and mid-career employees among managerial staff

<table>
<thead>
<tr>
<th>Percentage of female and mid-career employees</th>
<th>Percentage of female line managers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage of female employees</td>
<td>Percentage of mid-career employees</td>
</tr>
<tr>
<td>30.3%</td>
<td>15.0%</td>
</tr>
</tbody>
</table>

Examples of pipeline improvement initiatives

<table>
<thead>
<tr>
<th>Topics</th>
</tr>
</thead>
<tbody>
<tr>
<td>* Grand Prize Support for initiatives that lead to solutions for social issues.</td>
</tr>
<tr>
<td>* White 500 Corporations with outstanding health and productivity management: Mitsui Direct General Insurance, Mitsui Sumitomo Aioi Life Insurance</td>
</tr>
<tr>
<td>* Fostering a sense of Group unity</td>
</tr>
</tbody>
</table>

With the sharing of the Group’s Mission, Vision, and Values (MVV) at the core, we are working to foster a sense of Group unity by harmonizing human asset development and expanding opportunities for Group employees to interact with each other. Furthermore, we will accelerate our initiatives across the Group by utilizing concurrent positions within the Group and side jobs. In addition, to ensure that our MVV permeates and resonates with employees, we will strengthen our communications and improve the communication skills of managerial staff.

- Male childcare leave

Promoting the use of male parental leave is not only a corporate social responsibility and contribution to society but also an opportunity for men to deepen their understanding of childcare and parental leave. The Company is promoting initiatives to create a working environment that embraces a sense of values. The latest acquisition rate is close to 100%. The number of days taken off was 6.1 days compared to the target of 4 weeks (20 business days), so we will continue to promote the expansion of the number of days taken off.

- Development of management know-how that actively draws out opinions and ideas

To take advantage of the diversity that is the hallmark of the Group, it is essential to operate an inclusive organization that draws on the knowledge, experience, and values of various human assets and brings them into organizational decision-making. We are working to practice and spread inclusive leadership in order to achieve this purpose.

- Providing opportunities for Group employees to interact and exchange opinions

We offer opportunities for diversity and inclusive experiences by holding exchanges and opinion sharing meetings in which Group-wide employees participate to provide opportunities for diverse human assets to gather, share knowledge and experience, and create new insights and values.

Workplace management that draws out and utilizes diverse opinions and ideas

The “e-Business Seminar,” a forum for practicing inclusive leadership and for diverse employees of the Group to exchange opinions with executives, was launched in FY2021 with five officers and 31 participating employees of the Company. This expanded to 13 officers and 158 participating employees of the Group’s five domestic insurance companies in FY2022. In addition, we are rolling out inclusive leadership training to all Group companies.

- Health and productivity management

Maintaining and improving the health of employees is essential for them to work energetically and maximize their abilities. We will promote well-being by creating healthy and safe workplaces where employees can maintain and improve their physical and mental health through thorough management of working hours, taking leave, and other time management. We are also strengthening measures against mental illness and supporting employees’ return to work after leaves of absence.

- Certificated as “White 500” companies under the 2023 Certified Health & Productivity Management Outstanding Organization Recognition Program, administered by the Ministry of Economy, Trade, and Industry.

- White 500

- MS&AD Group Sustainability Contest held to promote CSV across the Group

Since 2018, we have held a Sustainability Contest for all employees in Japan and overseas to foster a sense of Group unity and to recognize outstanding CSV initiatives, such as proposals that lead to solutions for social issues. In FY2022, we received 276 applications, including from abroad. The four criteria (value creation, communication, commitment, and development potential) were used as the basis for selection. After online screening and voting by the top management of each Group company, one Grand Prize winner, three thematic winners, two Excellence Award winners, and 10 price winners were selected.

Examples of Group-wide initiatives

- MS&AD Group Sustainability Contest held to promote CSV across the Group

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Engagement with shareholders and investors

The MS&AD Insurance Group is actively engaged in transparent information disclosure and constructive dialogue with shareholders and investors to achieve sustainable growth and improve corporate value. Specifically, we reduce information asymmetry with shareholders and investors by providing highly transparent information disclosure, and we share feedback obtained from constructive dialogue with shareholders and investors with management and related departments and utilize that in our management strategies.

Results of FY2022 activities

We held “information meetings” for shareholders and investors at which the President explained management strategies and business results, an “IR DAY” for constructive dialogue between top management and investors, and “ESG briefings” to introduce the Group’s ESG initiatives. We also held company briefings for individual investors and provided opportunities for the President and Group CFO to individually engage in dialogue with shareholders and investors in Japan and overseas.

<table>
<thead>
<tr>
<th>Event</th>
<th>Contents</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conference call to explain financial results</td>
<td>Quarterly and full-year results</td>
<td>4 times</td>
</tr>
<tr>
<td>Information meeting</td>
<td>Group’s overall management strategy and performance</td>
<td>Twice</td>
</tr>
<tr>
<td>MS&amp;AD IR DAY 2022</td>
<td>Strategies and performance of business domains of high interest to investors and analysts</td>
<td>Once</td>
</tr>
<tr>
<td>MS&amp;AD thematic meetings</td>
<td>Specific topics of interest to investors and analysts</td>
<td>Twice</td>
</tr>
<tr>
<td>MS&amp;AD ESG briefing 2022</td>
<td>Group’s ESG initiatives</td>
<td>Once</td>
</tr>
<tr>
<td>Briefing session for individual investors</td>
<td>Group’s overall management strategy and performance</td>
<td>6 times</td>
</tr>
<tr>
<td>Individual meetings with domestic and overseas shareholders and investors</td>
<td>Group’s overall management strategy and performance</td>
<td>237 times</td>
</tr>
</tbody>
</table>

Key dialogue themes and concerns

Through regular reports to the Group Management Committee and the Board of Directors, we share information with top management and related departments on the opinions of shareholders and investors, their views on us, and stock market evaluation and utilize this information to formulate and implement management strategies, thereby enhancing corporate value. In addition, based on dialogue with shareholders and investors, we are accelerating efforts to improve capital efficiency, such as improving ROE and reducing strategic equity holdings.

<table>
<thead>
<tr>
<th>Theme</th>
<th>Concerns</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Environment</td>
<td>• The impact of changes in the business environment, such as a rise in global inflation, a rise in personnel expenses, the frequent and severe occurrence of natural disasters, and the hardening of the reinsurance market, and countermeasures against them</td>
</tr>
</tbody>
</table>
| Shareholder returns policy | • Concept on basic and additional returns  
• Stable shareholder returns |
| Capital management | • Future M&A policies and targets  
• Progress and future policy of sales of strategic equity holdings  
• Specific initiatives to increase ROE and reduce the capital cost ratio |
| Domestic non-life insurance | • Improvement in profitability and revision in the premium rate of fire insurance  
• Outlook of post-coronavirus voluntary automobile insurance earnings  
• Details and progress of business cost reduction initiatives |
| Domestic life insurance | • Outlook of future occurrence of COVID-19-related insurance proceeds and benefits |
| International business | • MS Amlin’s earnings outlook given the hardening of the reinsurance market |

Overview of shareholders and IR activities for investors

Shareholder composition: 35.0% financial institutions; 31.3% foreign corporations, etc.; 16.5% other corporations; and 10.8% individuals and others. We hold regular meetings with shareholders and investors in Japan and overseas and actively engage in “constructive dialogue.” In addition, from the viewpoint of immediate and fair information disclosure, the information meeting was broadcast live in Japanese and English, and we are working to distribute information through English disclosure on our website.

Information disclosure as a basis for dialogue

Website (Japanese/English)

- To ensure fair information disclosure, we promptly disclose IR event disclosure materials in both Japan and the United Kingdom.
- In P:2022, we explained the basic strategy of the Medium-Term Management Plan (2022–25) and the foundation to support that. To realize our targets, we introduced new priority issues through materiality analysis and CSR initiatives with stakeholders to resolve these issues.
- Received Gold at the KCI Japan Integrated Report Awards 2022, Gold at the 8th Asian Integrated Report Awards 2022 (Large Enterprise Category), and the Award of Excellence at the Nikkei Integrated Report Awards.

Consolidated reports (Japanese/English)

- In P:2022, we explained the basic strategy of the Medium-Term Management Plan (2022–25) and the foundation to support that. To realize our targets, we introduced new priority issues through materiality analysis and CSR initiatives with stakeholders to resolve these issues.
- Received Gold at the KCI Japan Integrated Report Awards 2022, Gold at the 8th Asian Integrated Report Awards 2022 (Large Enterprise Category), and the Award of Excellence at the Nikkei Integrated Report Awards.

Shareholders’ Meeting

Date (host time) | FY2020 | FY2021 | FY2022
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>June 28, 2021 (Monday)</td>
<td>June 27, 2022 (Monday)</td>
<td>June 26, 2023 (Monday)</td>
<td></td>
</tr>
<tr>
<td>Number of shareholders in attendance including shareholders exercising voting rights (including via the Internet)</td>
<td>19,314 persons</td>
<td>19,305 persons</td>
<td>21,995 persons</td>
</tr>
<tr>
<td>Ratio of the exercise of voting rights</td>
<td>86.1%</td>
<td>86.9%</td>
<td>84.1%</td>
</tr>
</tbody>
</table>

For more “investor information,” visit our official website. https://www.ms-ad-hd.com/en/ir.html