The MS&AD Insurance Group’s Mission, Vision & Values

Our Mission
The Group’s Raison d’être
To contribute to the development of a vibrant society and help secure a sound future for the planet, by enabling safety and peace of mind through the global insurance and financial services business.

Our Vision
The Group’s aspirations for the medium term
To create a world-leading insurance and financial services group that consistently pursues sustainable growth and enhances corporate value.

Our Values
The credo for all employees aimed at realizing the Group’s mission

- CUSTOMER FOCUS
  Striving to provide security and satisfaction to our customers

- INTEGRITY
  Being sincere, kind and fair in our dealings with people

- TEAMWORK
  Growing together as a team by respecting one another’s individuality and opinions and sharing knowledge and ideas

- INNOVATION
  Always improving the way we work while responding to stakeholders’ interests

- PROFESSIONALISM
  Providing high-quality services by constantly enhancing our skills and proficiency

Integrated Report Digest 2019

Three Key Concepts of the MS&AD Integrated Report 2019

1. Creating shared value with society through our corporate activities
   The fundamental mission of an insurance company is to support the sustainability of society.
   To support stability in people’s lives and dynamic business activities, we face the various issues that prevent them and the various risks that lie behind them, and utilize all the resources within the Group to advance initiatives to resolve these issues.
   We are making steady progress toward the realization of a “Resilient and sustainable society” in 2030 by sensing the ever-changing needs of the times and creating value together with society.

2. Becoming a world-leading insurance and financial services group
   The challenges we face are becoming more severe on a global scale.
   We aim to become a world-leading insurance and financial services group that is capable of better serving our customers around the world by confronting emerging risks and the existing risks growing in scale and complexity.
   With enhancing productivity by leveraging the Group’s synergies and driving innovation via the Group’s diversity, we strive for sustainable growth and to further increase corporate value.

3. Developing a resilient system that can swiftly respond to changes in the environment
   What is required to be a resilient and sustainable company in a rapidly changing business environment is by having a stable management platform, world-class talents, a corporate culture that embraces diversity and the resiliency to swiftly respond to whatever social changes may come.
   Our society is evolving at an unprecedented rate and becoming increasingly complex and unpredictable.
   However, no matter how the circumstances change, the MS&AD Insurance Group will transform itself to pursue our mission: “Contribute to the development of a vibrant society and help secure a sound future for the planet” in any period of time.
We are entering an era of uncertainty. The global situation is changing continually as witnessed by the intensification of U.S.-China trade friction, turmoil on the European political stage and uncertainty concerning emerging economies. Moreover, due to the rapid progress of digitization, the wave of change in the industrial structure and the conversion of business models have been surging. Furthermore, the gravity of the global environment problem has been increasing. The frequent occurrences of large-scale natural disasters due to climate change causes enormous damage not only to the lives of civilians and corporate production but also to industry and the economy as a whole.

Against such a backdrop, the role our Group, which aims to realize a resilient and sustainable society, can play will be extremely meaningful. To pursue our aim, we have to become a resilient and sustainable group. In the midterm management plan, “Vision 2021,” which started in 2018, we set three key strategies: 1) pursue the Group’s comprehensive strengths, 2) promote digitization and 3) reform our portfolio to develop resilient systems that can respond to environmental changes. In addition, the plan identifies four priority social issues: diversified/large-scale accidents and disasters, the global environment approaching its limit, the mounting burden of nursing/medical care associated with an aging population and the decline in social vitality due to widening inequalities. To address these four issues, the Group has set seven key initiatives centering on creating shared value (CSV) (see pp. 13-22 for details). We have ascertained how each will contribute to the Sustainable Development Goals (SDGs) and clarified the role our Group should play to underpin the sustainability of society. The Group as a whole will promote CSV and spread the initiatives throughout our overseas offices, agents and local communities. In doing so, we can move closer to realizing a resilient and sustainable society.

In Society 5.0, it will be necessary to meet social challenges by utilizing digital innovation as well as imagination and creativity via a diverse range of people. We need to play a leading role in the next-generation mobility society, which is represented by the new areas of MaaS (mobility as a service) and CASE (connected cars, autonomous driving, car/ride sharing and electric). As to the natural catastrophes associated with climate change, we will apply a full range of measures to prevent and reduce disasters as well as promote forecasts and precautions through disaster risk analysis. Our role as an insurance company will be shifted from when an accident/event happens to before it happens. Digitization in its real sense is a business model transformation, and our Group should take account of the raison d’être of the insurance business and transform ourselves amid these changing social platforms.

In promoting such forward-looking initiatives by the Group as a whole, I realized the importance of the “story of value creation.” This is a common vector for our more than 40,000 Group employees. Each Group company and each employee implementing the “story of value creation” will lead to realizing the mission to “contribute to the development of a vibrant society and help secure a sound future for the planet.” Based on the “story of value creation” and using the SDGs as leading marks, we will advance CSV initiatives toward creating shared value with society and make steady steps to realize a “resilient and sustainable society” by 2030.

Transforming Our World: This is the title of the 2030 Agreement for Sustainable Development agenda for the SDGs. To transform our world, a company itself needs to be transformed. Regardless of the generation, we will transform ourselves to be a valued presence in society. By utilizing our Group’s intrinsic advantage, diversity and comprehensive strengths, while painting a “brighter future,” we will forge ahead together with our stakeholders.

The MS&AD Insurance Group was formed with three groups of insurance companies being integrated with the mission “to contribute to the development of a vibrant society and help secure a sound future for the planet, by enabling safety and peace of mind through the global insurance and financial services businesses.”

To realize our vision of society, we need to face those social issues that impede this vision, and promptly identify various risks stemming from the issues and provide information on these risks. Then, through a variety of products and services, we need to prevent risks from occurring or minimize the impact of those risks and to reduce the economic burden when those risks materialize. By doing so, we help create an environment where customers can live and conduct business in a secure manner. That is our story of value creation.

Yasuyoshi Karasawa

President & CEO
Five Business Domains

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

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

International Business
An overseas network covering 48 countries and regions* — No. 1 in terms of non-life gross premiums written in the ASEAN region

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

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

Risk-Related Services Business

FY2018 Group Adjusted Profit
¥189.8 billion

Group Adjusted Profit Defined
Group Adjusted Profit is the Company’s own index showing the ordinary profitability of the entire Group. It is calculated by adding provision /deducting reversal for catastrophe loss reserve and others to/from consolidated net income.

Group Adjusted Profit
Consolidated net income
Provision for catastrophe loss reserve and others
Other incidental factors e.g., amortization of goodwill and other intangible fixed assets
Equity in earnings of the non-consolidated group companies

Group Adjusted Profit
¥189.8 billion

Consolidated net income
¥146.9 billion

Domestic Non-Life Insurance Business
2.8% ¥5.4 billion

Domestic Life Insurance Business
16.7% ¥31.6 billion

International Business
3.1% ¥5.8 billion

Financial Services Business
77.4% ¥146.9 billion

Risk-Related Services Business

* Excluding the Cayman Islands, where SLI Cayman Limited (financial services business) is located. (As of April 1, 2019)
Positioning in Each Business Domain

**Domestic Non-Life Insurance Business**

The insurance group most chosen by customers in Japan

1. **Share of Net Premiums Written**

   - FY2018

<table>
<thead>
<tr>
<th>Company/Group Name</th>
<th>Income (¥ billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>MS&amp;AD Group</td>
<td>26.6</td>
</tr>
<tr>
<td>Company A Group</td>
<td>13.8</td>
</tr>
<tr>
<td>Company B Group</td>
<td>6.2</td>
</tr>
<tr>
<td>Others</td>
<td>16.4</td>
</tr>
</tbody>
</table>

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

2. **Underwriting Profit**

   - (prior to reflecting catastrophe reserves)

<table>
<thead>
<tr>
<th>Year</th>
<th>MS&amp;AD</th>
<th>Company A Group</th>
<th>Company B Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2015</td>
<td>125.6</td>
<td>118.0</td>
<td>71.7</td>
</tr>
<tr>
<td>FY2016</td>
<td>203.1</td>
<td>173.0</td>
<td>127.4</td>
</tr>
<tr>
<td>FY2017</td>
<td>133.9</td>
<td>133.9</td>
<td>76.8</td>
</tr>
<tr>
<td>FY2018</td>
<td>-16.9</td>
<td>-112.7</td>
<td>58.4</td>
</tr>
</tbody>
</table>

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

**Domestic Life Insurance Business**

No. 9 in premiums income among domestic life insurance companies/groups

<table>
<thead>
<tr>
<th>Company/Group Name</th>
<th>Income (¥ billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company C Group</td>
<td>2.37</td>
</tr>
<tr>
<td>Company D Group</td>
<td>2.37</td>
</tr>
<tr>
<td>Company E</td>
<td>2.34</td>
</tr>
<tr>
<td>Company F</td>
<td>2.37</td>
</tr>
<tr>
<td>Company G Group</td>
<td>2.47</td>
</tr>
<tr>
<td>Company H Group</td>
<td>2.41</td>
</tr>
<tr>
<td>Company I</td>
<td>2.12</td>
</tr>
<tr>
<td>Company J Group</td>
<td>1.67</td>
</tr>
<tr>
<td>MS&amp;AD Group</td>
<td>1.59</td>
</tr>
<tr>
<td>Company K</td>
<td>1.43</td>
</tr>
</tbody>
</table>

No. 9 among 26 companies and groups

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

3. **Net income among life insurance companies and groups (FY2018)**

<table>
<thead>
<tr>
<th>Company/Group Name</th>
<th>Income (¥ billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>MS&amp;AD Group</td>
<td>23.9</td>
</tr>
<tr>
<td>Company L</td>
<td>25.2</td>
</tr>
<tr>
<td>Company M</td>
<td>34.4</td>
</tr>
</tbody>
</table>

No. 1 among 57 companies in Lloyd’s Insurance Market

Source: Lloyd’s Annual Report 2018

4. **Lloyd’s syndicate Gross Written Premiums ranking**

<table>
<thead>
<tr>
<th>Company/Group Name</th>
<th>Income (£ billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>MS Amlin</td>
<td>2.5</td>
</tr>
<tr>
<td>Underwriting Limited</td>
<td>2.3</td>
</tr>
<tr>
<td>Company Q</td>
<td>2.0</td>
</tr>
<tr>
<td>Company R</td>
<td>1.7</td>
</tr>
<tr>
<td>Company S</td>
<td>1.7</td>
</tr>
<tr>
<td>Company T</td>
<td>1.6</td>
</tr>
<tr>
<td>Company U</td>
<td>1.5</td>
</tr>
<tr>
<td>Company V</td>
<td>1.5</td>
</tr>
<tr>
<td>Company W</td>
<td>1.3</td>
</tr>
<tr>
<td>Company X</td>
<td>1.3</td>
</tr>
</tbody>
</table>

Source: Lloyd’s Annual Report 2018

**International Business**

No. 1 in gross written premiums (non-life) in the ASEAN region

With global business expansion to 48 countries and regions, especially in Asia, and as the world’s only global non-life insurance group with a presence in all 10 ASEAN countries, the Group maintains the No. 1 presence for gross written premiums in the ASEAN region.

1. Excludes SU Capital Limited (financial services business) in the Cayman Islands as of April 1, 2010

2. Figures for “Group” are calculated based on the non-consolidated figures of each insurance company

3. Figures for non-life insurance groups are the simple sums of the non-consolidated figures of MSI, ADI, Mitsui Direct General and au Insurance Company

4. Lloyd’s is a principal player as a managing agent and Lloyd’s of London, the world’s most-influential insurance market, where it ranked second with respect to gross written premiums

**No. 1 in gross written premiums in the ASEAN region**

<table>
<thead>
<tr>
<th>Country/Region</th>
<th>FY2017 Gross Written Premiums (% of total)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia</td>
<td>28.4</td>
</tr>
<tr>
<td>Vietnam</td>
<td>15.1</td>
</tr>
<tr>
<td>Malaysia</td>
<td>14.7</td>
</tr>
<tr>
<td>Thailand</td>
<td>14.6</td>
</tr>
<tr>
<td>Singapore</td>
<td>11.6</td>
</tr>
<tr>
<td>Philippines</td>
<td>7.8</td>
</tr>
<tr>
<td>Thailand</td>
<td>7.8</td>
</tr>
<tr>
<td>Indonesia</td>
<td>7.8</td>
</tr>
<tr>
<td>Singapore</td>
<td>3.9</td>
</tr>
</tbody>
</table>

Source: Lloyd’s Annual Report 2018

5. **Positioning in the non-life insurance market in ASEAN and Asian countries (FY2017)**

<table>
<thead>
<tr>
<th>Country/Region</th>
<th>No. 1 in gross written premiums (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia</td>
<td>31.2 (FY2017)</td>
</tr>
<tr>
<td>Vietnam</td>
<td>23.9 (FY2017)</td>
</tr>
<tr>
<td>Malaysia</td>
<td>19.7 (FY2017)</td>
</tr>
<tr>
<td>Thailand</td>
<td>17.1 (FY2017)</td>
</tr>
<tr>
<td>Singapore</td>
<td>15.1 (FY2017)</td>
</tr>
<tr>
<td>Philippines</td>
<td>14.7 (FY2017)</td>
</tr>
<tr>
<td>Thailand</td>
<td>13.6 (FY2017)</td>
</tr>
<tr>
<td>Indonesia</td>
<td>6.3 (FY2017)</td>
</tr>
<tr>
<td>Singapore</td>
<td>1.8 (FY2017)</td>
</tr>
</tbody>
</table>

Source: Lloyd’s Annual Report 2018

6. **Net income in gross written premiums from each country and region (reinsurance companies excluded)**

<table>
<thead>
<tr>
<th>Country/Region</th>
<th>FY2015</th>
<th>FY2016</th>
<th>FY2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia</td>
<td>1.43</td>
<td>1.47</td>
<td>1.59</td>
</tr>
<tr>
<td>Vietnam</td>
<td>1.59</td>
<td>1.64</td>
<td>1.83</td>
</tr>
<tr>
<td>Malaysia</td>
<td>1.67</td>
<td>1.80</td>
<td>2.16</td>
</tr>
<tr>
<td>Thailand</td>
<td>1.59</td>
<td>1.70</td>
<td>2.00</td>
</tr>
<tr>
<td>Singapore</td>
<td>1.58</td>
<td>1.70</td>
<td>2.00</td>
</tr>
<tr>
<td>Philippines</td>
<td>1.44</td>
<td>1.65</td>
<td>1.98</td>
</tr>
<tr>
<td>Thailand</td>
<td>1.43</td>
<td>1.57</td>
<td>1.85</td>
</tr>
<tr>
<td>Indonesia</td>
<td>1.36</td>
<td>1.52</td>
<td>1.80</td>
</tr>
<tr>
<td>Singapore</td>
<td>1.33</td>
<td>1.46</td>
<td>1.71</td>
</tr>
</tbody>
</table>

Source: Lloyd’s Annual Report 2018
Overview of the Medium-Term Management Plan “Vision 2021” (FY2018-FY2021)

Management based on CSV for our mission and the sustainable growth of the Group

"Vision 2021" stipulates the image for society that the Group aims to achieve in 2030 as a "resilient and sustainable society" and focuses on creating shared value (CSV initiatives), which includes seven key issues that the Group is undertaking as a means of realizing such a society. Moreover, "Vision 2021" stipulates the image for society that the Group aims to achieve in 2030 as a “resilient and sustainable society” and focuses on creating shared value (CSV initiatives), which includes seven key issues that the Group is undertaking as a means of realizing such a society.

Progress in the Medium-Term Management Plan “Vision 2021”

Numerical Management Targets

Numerical management targets involve formulating both numerical financial targets and non-financial indicators.

Fiscal 2019 Group Adjusted Profit fell below the initial forecast by ¥832.0 billion due to the occurrence of numerous natural catastrophes. Both in Japan and overseas as well as a delayed recovery in international business earnings. In fiscal 2019, we expect Group Adjusted Profit to fall below our initial target by ¥10 billion to ¥263 billion on a group-wide basis, due to a delay in profit recovery at MS Amlin in the international business caused mainly by changes in the local regulatory environment, although the profit for the domestic non-life insurance and domestic life insurance businesses is expected to exceed the initial target. The entire Group will work to further enhance profitability in order to achieve the final fiscal 2021 target.

Aspirations during the Medium-Term Plan

Build a world-leading insurance and financial services group

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

We will pursue the Group’s comprehensive strengths, one of which is diversity, and meet the expectations of customers and other stakeholders.

We will respond flexibly to changes in the environment and further improve quality and productivity.

Three Key Strategies

Pursue the Group’s comprehensive strengths

Promote digitalization

Reform portfolio

Basic Strategies

Quality that earns the trust of society

Management platforms that enable employees to play active roles

Three Key Strategies

1. Deal with new risks
2. Create a safer mobility society
3. Strive for resilient community development
4. Support "good health and longevity"
5. Contribute to climate change mitigation and adaptation
6. Strive to improve the sustainability of natural capital
7. Work toward the realization of "leaving no one behind"

Creating Shared Value (CSV initiatives)

1. Resilient
2. Sustainable
3. Win-win relationship in which the economy is not in a trade-off relationship with the environment and society
4. Cross-sectional value (CSV initiatives), which includes seven key issues that the Group is undertaking as a means of realizing such a society. Moreover, “Vision 2021” stipulates the image for society that the Group aims to achieve in 2030 as a “resilient and sustainable society” and focuses on creating shared value (CSV initiatives), which includes seven key issues that the Group is undertaking as a means of realizing such a society.

Progress Status

FY2018 Progress Status

Medium-term aspirations (FY2020 targets) “World-leading Insurance and Financial Services Group”

Within the top 10 non-life insurance groups in the world

5th (FORTUNE GLOBAL 500 2019, PAC)

Capital efficiency

6.1%

Group Adjusted ROE 10%

Financial soundness

199%

ESR 180%-220%

Portfolio diversity

40%

50% (profit basis) in other than the domestic non-life insurance business

Risk assets

28.8% of integrated total assets

Strategic equity holdings below 30% of the integrated risk amount and below 10% of consolidated total assets

Profitability

99.4%

Combined ratio in the domestic non-life insurance business stable at 95% or less

Key related SDGs

Key monitoring indicators other than sustainability KPIs

Quality that earns the trust of society

Management platforms that enable employees to play active roles

Diversity & Inclusion

Management platforms that enable employees to play active roles

Key related SDGs

Life insurance premiums (Gross premiums)

1,508.1 1,599.9 1,525.0 1,540.0 1,600.0

ECoV of MS A Life

835.5 819.4 927.0 970.0 1,050.0

E&SR (Economic Solvency Ratio)

211% 199% 209% 213% 215%

Create Resilient Value (CSV initiatives)

Various initiatives and actions will be conducted on the basis of the “Strategy for Creating Resilient Value (CSV initiatives)” to address seven key issues that the Group is undertaking as a means of realizing such a society.

Advancing the Group’s Medium-Term Management Plan

Three Key Strategies

1. Deal with new risks
2. Create a safer mobility society
3. Strive for resilient community development
4. Support “good health and longevity”
5. Contribute to climate change mitigation and adaptation
6. Strive to improve the sustainability of natural capital
7. Work toward the realization of “leaving no one behind”

Basic Strategies

Quality that earns the trust of society

Management platforms that enable employees to play active roles

Diversity & Inclusion

Management platforms that enable employees to play active roles

Key related SDGs

Key monitoring indicators other than sustainability KPIs

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Key related SDGs

Key monitoring indicators other than sustainability KPIs
## Toward Sustainable Growth and Achieving Targets for Group Adjusted ROE and Group Adjusted Profit

### Components of Group Adjusted ROE

- **Adjusted Net Assets** = Consolidated net assets + Catastrophe loss reserves and others - Goodwill and other intangible fixed assets
- **Net Asset Value (Capital)**
- **Integrated Risk Amount**
- **Board of Directors**
- **Group Adjusted Profit**
- **Group Adjusted ROE**
- **Group Adjusted Risk**
- **ESR (Economic Solvency Ratio)**
- **Net Asset Value (Capital)**
- **Integrated Risk Amount**
- **ERF balances these three elements.**

### Ensuring Balance by ERM Management

- **Adjusted Net Assets and Net Asset Value (Capital)** in ERM, to thoroughly manage the net asset value, which serves as a management buffer. Adjusted Net Assets are transformed into the Net Asset Value through the following calculations:
  - Note: Figures within parentheses are for the fiscal year ended March 31, 2019.
  - Net asset value = Adjusted net assets (¥3.2 trillion) + Unearned insurance liabilities (¥3.5 trillion) + Other equity liabilities, etc. (¥1.1 trillion) = ¥6.8 trillion

### Breakdown of Group Adjusted ROE

- **Group Adjusted ROE**, one of the numerical management targets in “Vision 2021,” can be explained in terms of the two indicators shown in the chart below, namely ESR, which represents financial soundness, and ROR on Risk, which expresses the balance between the returns and risks that the MS&AD Insurance Group assumes. These indicators can be further broken down into three elements comprising Group Adjusted Profit, Integrated Risk Amount and Net Asset Value (capital).

### KPI and Specific Initiatives to Achieve the Group Adjusted Profit Target and Sustainable Growth

#### Examples of Specific Initiatives

- **Customer satisfaction**
- **Premium growth rate**
- **Growth rate of premiums written or annualized premiums**

#### Main Reference Indices

- **ESR**
- **Net Asset Value (capital)**
- **Integrated Risk Amount**
- **Group Adjusted Profit**
- **Group Adjusted ROE**
- **Group Adjusted Risk**
- **Adjusted Net Assets**
- **Net Asset Value (Capital)**

#### Initiatives to achieve Group Adjusted Profit target in each business domain.

1. **Group Adjusted Profit** = Consolidated net income + Provision for catastrophe loss reserve and others - Other incidental factors (amortization of goodwill and other intangible fixed assets and others) + Equity in earnings of non-consolidated Group companies
2. **Adjusted net assets** = Consolidated net assets + Catastrophe loss reserves and others - Goodwill and other intangible fixed assets
3. **Integrated risk amount** represents insurance underwriting risk, asset management risk, operational risk, etc., quantified by means of stochastic methods.
4. The ERM or Economic Risk Management is a system that allows the Group to review information about the insurance business and the associated risks.
5. **Number of days to provide assurance** is an indicator of how long it takes for the company to complete administrative tasks for customers, such as applications for insurance benefits payments, based on assumed mortality rates, and actual insurance benefits payments. Administrative expense margin is the gain or loss on the difference between projected business expenditures, based on assumed expense ratios, and actual business expenditures. Investment yield margin is the gain or loss on the difference between projected investment income, based on assumed interest rates, and actual investment income.

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**Breakdown of Group Adjusted ROE**

- Adjusted Net Assets and Net Asset Value (Capital)
- Integrated Risk Amount
- Group Adjusted ROE
- ROR (Return on Risk)
- ESR (Economic Solvency Ratio)
- Net Asset Value (Capital)
- Integrated Risk Amount

**Ensuring Balance by ERM Management**

- Adjusted Net Assets
- Net Asset Value (Capital)
- Integrated Risk Amount
- ESR (Economic Solvency Ratio)
- Net Asset Value (Capital)
- Integrated Risk Amount

**Initiatives to achieve Group Adjusted Profit target in each business domain.**

1. **Group Adjusted Profit** + Consolidated net income + Provision for catastrophe loss reserve and others + Other incidental factors (amortization of goodwill and other intangible fixed assets and others) + Equity in earnings of non-consolidated Group companies
2. **Adjusted net assets** + Consolidated net assets + Catastrophe loss reserves and others - Goodwill and other intangible fixed assets
3. **Integrated risk amount** represents insurance underwriting risk, asset management risk, operational risk, etc., quantified by means of stochastic methods.
4. **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 insurance benefits payments, based on assumed mortality rates, and actual insurance benefits payments.
5. **Administrative expense margin** is the gain or loss on the difference between projected business expenditures, based on assumed expense ratios, and actual business expenditures. Investment yield margin is the gain or loss on the difference between projected investment income, based on assumed interest rates, and actual investment income.
Aiming for a Resilient and Sustainable Society

With the goal of achieving a “Resilient and Sustainable Society” by 2030, the MS&AD Insurance Group is focused on creating shared value with society, incorporating the UN Sustainable Development Goals (SDGs) as leading marks. The insurance business has always been a highly social and public business. However, in a rapidly changing society, it is important that each of our employees is aware of how our daily business activities contribute to solving society’s issues if they are to work toward achieving a shared vision for the future. At the core of this is MS&AD’s “Story of Value Creation,” the basic concept of which is spreading within and outside the Group.

The Special Feature section of this report introduces a variety of initiatives aimed at creating shared value (CSV initiatives) with society through the implementation of our “Story of Value Creation.”

Creating Shared Value (CSV Initiatives)

1. Deal with new risks
2. Create a safer mobility society
3. Strive for resilient community development
4. Support “good health and longevity”
5. Contribute to climate change mitigation and adaptation
6. Strive to improve the sustainability of natural capital
7. Work toward the realization of “leaving no one behind”
Dealing with cyber risks

We provide compensation for damages sustained due to data theft or inhibition of third-party operations caused by cyberattacks, cover the costs for various measures needed to respond to incidents, and, as an option, offer compensation for lost profit in the event of terminated or interrupted networks. In addition, we provide a specialist vendor introduction service in case an incident occurs. Together with this, we seek to prevent cyberattacks before they occur by offering an information security diagnostic service, a targeted e-mail attack training service and other risk management services.

Background

Responding to new risks, an important issue in corporate governance

Cyber risks tend to evolve with technological development. As such, information gathering, research and the adoption of the latest technology in a timely manner are essential. Cyberattacks, such as targeted e-mail attacks carried out on companies and organizations, are on the rise and becoming more sophisticated. If there was a data breach where 100,000 personal data leaked, the result could be calculated at damage amounting to ¥172.7 million,* and damage from such attacks is escalating. Consequently, the implementation of measures to prevent these risks is becoming an important issue in corporate management.

*This estimated amount of damage is the result of a simplified trial calculation worked out based on assumptions.

Strengthening and promoting preventive measures against cyber risks

Noboru Ishizu, Cyber Security Team, Casualty Underwriting Department, Mitsui Sumitomo Insurance (MSI)

The constant generation of innovation is essential to achieving a sustainable society. However, the risk that arises from this also includes a host of new variables, making it ever more important to precisely analyze, prevent and prepare for such risks. To conduct multidimensional and refined assessment of cyber risks that every day are increasing in complexity and sophistication, we have commenced a risk assessment service in collaboration with VeRizon Japan and Brisklight Technologies, companies that offer a wealth of cutting-edge expertise concerning cybersecurity.

Furthermore, MS&AD InterRisk Research & Consulting has collaborated with IntSights Cyber Intelligence, Inc., which possesses technology to aggregate and analyze threat information, on the dark web of cyberspace where attackers exchange information that is difficult for the average person to access. In this way, it has become possible to offer customers critical threat information gained from the massive volumes of information circulating throughout the dark web and the deep web, and provide them with relevant analytical results. There is no end in responding to risks, though, and we intend to provide a greater number of measures to deal with new and upcoming risks.

Automobile insurance and services that utilize telematics technology

We have launched “Observe and Protect Automobile Insurance (Dashcam Type),” an insurance product that employs telematics technology,* and “Tough Connected Automobile Insurance,” the first automobile insurance in Japan based on driving data to reflect the extent of safe driving in monthly insurance premiums for cars that utilize specified on-board communications devices that enable the acquisition of vehicle driving data. Moreover, we offer smartphone apps to provide customers with services such as safe driving diagnosis and a swift response to accidents.

*A word that combines “telecommunication” and “informatics.” Telematics enables new real-time, two-way communications services that can be provided by equipping automobiles and other mobile platforms with communications technology.

Our thoughts with an eye toward autonomous driving and a new mobility society

Takahiro Miki, Visiting Professor, Gunma University (seconded from Aioi Nissay Dowa Insurance)

When the effect of reducing the frequency of accidents was confirmed, I truly felt that these insurance products and services would contribute to traffic safety. Moving forward, as autonomous vehicles become more prevalent, we anticipate solutions to many social issues. On the other hand, the response to accidents or trouble will also undergo big changes, so we will continue to tackle these challenges.

Looking ahead to when there is legislation on “autonomous driving with conditions” to make autonomous vehicles a practical reality, Mitsui Sumitomo Insurance (MSI) and Aioi Nissay Dowa Insurance (ADI) will offer compensation, from the perspective of victim relief, in instances of hacking during autonomous driving, defects or other problems with driving systems, and for accidents where the driver is not responsible. We will continue to consider products and have a practical vision given ongoing trends in government opinions and considerations.

In the future, as autonomous vehicles lead the way into an academia-industry alliance and are now moving forward on joint research based on field trials. Every day we strive to move forward with the belief that building a future mobility society which is safe and secure is up to us.

Social issues

Cyber risks tend to evolve in complexity and sophistication in line with the advance of information technology, challenges that arise from cyberattacks are escalating.

Solutions

- Offer preventive services based on the latest expertise
- Provide coverage for cyber risks

Impact on society

- Prevention of cyber risks
- Swift recovery from damage caused by cyberattacks
- Stabilization of corporate management through loss compensation

Economic Impact on the Group

- Expansion of new product development and services in the cybersecurity field
- Growth in the insurance market associated with the development of an advanced information society

Social issues

In line with the technological innovation associated with mobility and communications, we are expected to deal with new risks.

Solutions

- Offer new insurance and services that utilize the latest information technology
- Develop insurance and services based on research into cutting-edge mobility technology

Impact on society

- Prevention of traffic accidents
- Contribution to the shift toward an autonomous driving society that can put people at ease

Economic impact on the Group

- Increasingly high-value-added automobile insurance
- New insurance needs arise in the autonomous driving society
Special Feature Creating Shared Value

Regional Revitalization Project
ADI seeks to further deepen its close relationships with local communities, as set forth in its action guidelines, and has launched a regional revitalization project. This project starts with the conclusion of partnership agreements with local public authorities and works to support the efforts made to revitalize local regions through contributory activities for local communities, providing a menu of beneficial solutions for issues relating to “communities, people and jobs” in local regions. These efforts have received high praise with regard to a variety of aspects and have been certified as “signature initiative examples” by financial institutions contributing to regional revitalization. For a second consecutive year, the initiative has received a Cabinet Office Minister's Award.

Background

Toward sustainable local communities
Confronted with issues such as a declining population, a falling birthrate and an aging population, an intense concentration of population and businesses in Tokyo, and the contraction of regional economies, Japan is pushing policies for regional revitalization based on the “Act on Overcoming Population Decline and Vitalizing the Local Economy in Japan.” To achieve regional revitalization, it is critical to solve on the overall strengths of regions through collaboration with the full range of participants in society, and it is expected that insurance companies, which are financial institutions, will do their part in contributing to regional revitalization.

As populations in urban areas, are accelerating the contraction of regional economies, companies, which are financial institutions, will do their part in contributing to regional revitalization.

An “inclusive society” is the key to a resilient society
Hidenich Kurita, Management Planning Division, ADI

Recently, there has been an increasing number of local public authorities tackling the issue of realizing an inclusive society to revitalize local communities. Given this, we are applying our abilities to provide assistance by utilizing the expertise we already have in activities to support sports for the disabled.

From fiscal 2019, we have signed an affiliation contract with the professional runner, Yuki Kawauchi, with the same thoughts of supporting local community by utilizing sports. Currently, ADI has affiliated with 14 disabled athletes (as of July 1, 2019), and in addition to spreading sports for the disabled and related educational activities, we are working with Mr. Kawauchi on a marathon caravan that is contributing to the promotion of sports, the vitality of local communities and inclusive society.

As society and social issues become more diverse, we believe that when people accept their diverse individuality and can play an active role that will lead to regional revitalization and the creation of a resilient society. We will continue to make vigorous efforts to reach these goals.

Support for health management in companies

This initiative seeks to attain sustainable growth in a super-aging society, offering value-added-type insurance products that contribute to enhanced health, especially targeting those companies that are making efforts at health management. Regarding employees’ working to enhance health, much interest is paid to the utilization of results data from health checkups. Building on this, while using a health management app equipped with an AI-powered predictive health risk model, we offer insurance that provides coverage for reduced income on account of any unfortunate decline in health. Taking this a step further, we can support corporate health management by developing and offering products in combination with the consulting provided by MS&AD InterRisk Research & Consulting.

The “health management app” enables visualization of future risk of lifestyle diseases as a “degree of health,” based on the input health checkup results. It also offers personalization with the display of the user’s face, providing an image of what one’s face would look like in the future if risks are neglected. In addition, offering advice that supports daily “health activity goals” and how to accomplish them by AI, it provides behavior modification support that leads to improved health.
Moreover, insurance that provides coverage for reduced income on account of lost worktime enables employees to dedicate themselves to medical treatment with an easy mind as a result, employees can facilitate a balance between work and treatment. We will continue to further accelerate initiatives together with the University of Tokyo COI and extend this throughout the Group.

Development of “health management support-type products”

MS&AD Insurance Group Holdings, MSI, ADI and MSI Aioi Life are collaborating with the University of Tokyo Center of Innovation (COI), the hub for a “Self-Managing Healthy Society,” and have launched initiatives aimed at improving the health of citizens. As a first initiative, MSI and ADI are working to develop insurance that supports “health management” businesses by utilizing the “Health Management” app equipped with a health risk predictive model powered by AI developed at the University of Tokyo COI.

Social issues

A falling birthrate and an aging population, as well as the concentration of populations in urban areas, are accelerating the contraction of regional economies.

Solutions

Support regional revitalization that meets the needs of communities.

Impact on society

Realization of resilient community development

Economic Impact on the Group

- Reinforcement of customer base relating to regional revitalization
- Expansion of the sales market in line with the creation of inter-regional networks

Social issues

In consideration of rising medical care expenses in a super-aging society, there is a demand for health management and enhancement for each and every citizen.

Solutions

Offer products and services that support the health management efforts made by companies.

Impact on society

- Creation of a workplace environment where employees can enhance their health and maintain their employment
- Heightened corporate productivity
- Reduced future of medical expenses burden

Economic Impact on the Group

- Expansion of sales market to companies making efforts at health management
- Development of new insurance services in a super-aging society
Assessing climate change impact on flood risk at a global scale: "LaRC-Flood™ Project"

For returning the outcomes of climate change impact assessment research to the society, the MS&AD Insurance Group began joint research with The University of Tokyo and the Shibaura Institute of Technology in 2018. Last year, we launched a website that enables users to view the estimated flood risk evolving worldwide through the Web-based geographic information (web-GIS) system. Currently, we are undertaking a research that will lead to more precise predictions and assessments of flood risk.

*Introducted as the research results of "Global Flood Risk under Climate Change" in the UN Intergovernmental Panel on Climate Change Fifth Report (IPCC-AR5).

Contribute to climate change mitigation and adaptation

Growing flood risks associated with rising temperatures

In recent years, the global mean land surface temperature has been rising and it has reached a level of roughly 1-degree Celsius higher than that of the pre-industrial revolution. If climate change continues, the flood risk will rise worldwide and it could have a huge impact on the business activities of corporations. In order to minimize the risks of climate change and to propose a reasonable adaptation measure for a society, collaboration with scientists is needed.

Bring the outcomes of flood risk assessment research to society

Associate Professor Dai Yamazaki, Institute of Industrial Science, The University of Tokyo

Given the globalization of the economy in recent years, a quantitative global-scale estimation of natural disaster risk is desired. Our research group has developed a flood inundation model that can be applied to a global scale, and we have set our goal to reduce flood damage through flood risk assessments under climate change as well as real-time flood simulations based on climate projections and weather forecast data. Precise risk calculation requires both flood inundation models and accurate terrain data; however, the baseline topography information such as elevation data is usually not available in developing countries. We are currently combining satellite observations and big data analysis to develop highly accurate information. Currently, we are undertaking a research that will lead to more precise predictions and assessments of flood risk.

MS&AD Insurance Group Holdings

Social issues

Weather-related damage caused by climate change raises the risk of impairing business continuity

Solutions

Support management strategy and business investments that utilize forecasts of future weather damage occurrence

Impact on society

- Business activities that respond to climate change risks

Economic Impact on the Group

- Strengthened relationships with customer companies as well as the continuation of stable relationships
- Aggregation of expertise in the climate change risk field leading to industry-academia collaboration

Social issues

The number of rare animals is decreasing as a result of traffic accidents, with the possibility of exerting an impact on the regional eco-system

Solutions

Support the prevention of traffic accidents with a safe driving app that includes animal habits data

Impact on society

- Prevention of traffic accidents while securing safe and smooth driving conditions
- Biodiversity in regions and conservation of tourism resources

Economic Impact on the Group

- Lower number of payments as a result of traffic accidents
- Building of relationships with local authorities and the tourism industry, and cultivation of new markets

“GK Observe and Protect Automobile Insurance (Dashcam Type)”, and “GK Observe and Protect Automobile Insurance (Dashcam Type)” along with the smartphone app “GK Observe and Protect Automobile Insurance (Dashcam Type)” a service that provides audio alerts that facilitate caution with driven when they approach areas where it is common to have traffic accidents involving wild animals. The service was launched in 2016 in Okinawa Prefecture to prevent accidents involving the Japanese rail, a rare bird known locally as “yambaru kuina.” Currently, the service is available in a number of areas.

When a driver approaches a location or area where there are often accidents involving animals, based on data held by national or local authorities, an audio alert will warn drivers to be cautious. The content of the alert changes depending on the animal's habits, the time of day they are active and if the weather affects their activity.
We calculated the economic impact on the Company and the impact on society from our CSV initiatives. As we bring our story of value creation to fruition, the impact on society involves cases of both directly providing economic support through insurance payments and mitigating socioeconomic loss, as well as indirectly preserving social value.

### Specific Examples of Creating Shared Value with Society (CSV initiatives)

#### [Business Model of Story of Value Creation]

<table>
<thead>
<tr>
<th>Examples of Initiatives</th>
<th>Economic Impact on the Company</th>
<th>Impact on Society</th>
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<tbody>
<tr>
<td><strong>Deal with new risks</strong></td>
<td>FY2017-FY2018 policy growth rate</td>
<td>Companies/organizations protected against cyber risks²</td>
</tr>
<tr>
<td>Products to address cyber risk</td>
<td></td>
<td>Approximately +9.0% YoY</td>
</tr>
<tr>
<td><strong>Create a safer mobility</strong></td>
<td>No. of corporate customers</td>
<td>Reduction rate of claims paid for said corporate customers</td>
</tr>
<tr>
<td>Safe driving support services that use telematics technology</td>
<td>Approximately 1,400</td>
<td>36.5%</td>
</tr>
<tr>
<td><strong>Strive for resilient community development</strong></td>
<td>No. of policies in FY2018</td>
<td>Ratio of total policies nationwide in FY2018</td>
</tr>
<tr>
<td>Earthquake insurance</td>
<td>Approximately 3,363,000</td>
<td>36.1%</td>
</tr>
<tr>
<td><strong>Support “good health and longevity”</strong></td>
<td>No. of new policies in FY2018</td>
<td>No. of individuals attending seminars that provide information on medical treatment</td>
</tr>
<tr>
<td>Insurance responsive to various cancer treatment methods</td>
<td>Approximately 213,000</td>
<td>More than 14,147</td>
</tr>
<tr>
<td><strong>Contribute to climate change mitigation and adaptation</strong></td>
<td>No. of new policies in FY2018</td>
<td>Ratio of facilities where water shortage risks are high</td>
</tr>
<tr>
<td>Comprehensive Coverage Plan for Mega-Solar Power Generation</td>
<td>Approximately 4,600</td>
<td>More than 1,690,000</td>
</tr>
<tr>
<td><strong>Strive to improve the sustainability of natural capital</strong></td>
<td>No. of evaluated facilities</td>
<td>Premiums income (three-year total)³</td>
</tr>
<tr>
<td>Simplified evaluations of water-related risks</td>
<td>244</td>
<td>Approximately ¥390 million</td>
</tr>
<tr>
<td><strong>Work toward the realization of “leaving no one behind”</strong></td>
<td>No. of Kobe residents who have applied for dementia screening³</td>
<td></td>
</tr>
</tbody>
</table>