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MS&amp;AD Insurance Group Holdings, Inc.

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Securities Code: 8725

<https://www.ms-ad-hd.com/en/index.html>

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*(Note)*

*"Audit & Supervisory Board Member" in this report is used in the same sense of "Kansayaku" in the reference format provided by Tokyo Stock Exchange.*

The corporate governance of MS&AD Insurance Group Holdings, Inc. (the "Company") is described below.

## I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

### 1. Basic Views

- (1) In line with its Corporate Philosophy (Mission), MS&AD, as a holding company overseeing all group businesses, has established a management framework that ensures transparent, fair, swift and decisive decision-making that takes into account the standpoint of all stakeholders. The Company's objectives are to sustain stability and consistent growth over the long term by using corporate resources efficiently and managing risks properly and ultimately, to further increase enterprise value.
- (2) To this end, the "MS&AD Insurance Group Corporate Philosophy (Mission), Corporate Vision and Values" were formulated as something all officers and employees of the Group should adhere to in all situations. In addition to working to disseminate these principles among all officers and employees of the Company and its Group companies, corporate governance, compliance and risk management are positioned as important management issues in the Medium-term Management Plan, and efforts shall be made to actively promote that Plan.

#### ■ Aspirations of MS&AD Insurance Group

##### <Our Mission>

To contribute to the development of a vibrant society and help secure a sound future for the planet, by enabling safety and peace of mind through the global insurance and financial services business.

##### <Our Vision>

To create a world-leading insurance and financial services group that consistently pursues sustainable growth and enhances corporate value

##### <Our Values>

###### • 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

Please see attached "the MS&AD Insurance Group Basic Policies on Corporate Governance (hereinafter referred to as "Basic Policies on Corporate Governance")" at the end of this report for more-detailed information.

The Group insurance companies in which the Company has a direct investment are notated as follows:

|  |  |
|--|--|
| Mitsui Sumitomo Insurance Co., Ltd.              | Mitsui Sumitomo Insurance, MSI                           |
| Aioi Nissay Dowa Insurance Co., Ltd.             | Aioi Nissay Dowa Insurance, ADI                          |
| Mitsui Direct General Insurance Co., Ltd.        | Mitsui Direct General Insurance, MD                      |
| Mitsui Sumitomo Aioi Life Insurance Co., Ltd.    | Mitsui Sumitomo Aioi Life Insurance, MSI Aioi Life       |
| Mitsui Sumitomo Primary Life Insurance Co., Ltd. | Mitsui Sumitomo Primary Life Insurance, MSI Primary Life |

**[Reasons for Not Implementing the Principles of the Corporate Governance Code]**

Reasons are stated based on the Code revised in June, 2018.

**[Supplementary Principle 4.1.3] Succession plan for the Chief Executive Officer (CEO), etc.**

The Nomination Committee (the majority of whose members and the chairperson are appointed from among Outside Directors) deliberates on the candidates for the successor to the CEO, and the Board of Directors appoints candidates based on advice from the Nomination Committee. However, the Nomination Committee will continue to examine further improvements to the appointment and dismissal process, including the succession plan.

**[Supplementary Principle 4.3.3] Objective, timely, and transparent procedures for the dismissal of a CEO**

Disciplinary regulations stipulate that the Board of Directors will decide disciplinary measures, including dismissal, in the event that an executive officer, including the CEO, is in violation of the laws and regulations or engages in any other prohibited act. The Nomination Committee will continue to examine matters including the necessity for further improvements in conjunction with the succession plan noted above.

**[Supplementary Principle 4.2.1] Management remuneration**

Current composition of remuneration is as stated in "Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods" (2), below. However, the Remuneration Committee (the majority of whose members and the chairperson are appointed from among Outside Directors) is considering revisions to the system in order to enhance the link between officer compensation and the Company's performance, and to ensure appropriate incentives for sustainable growth.

**[Disclosure Based on the Principles of the Corporate Governance Code]**

**(1)[Principle 1.4] Policy for Strategic Equity Holdings**

**a. MS&AD Insurance Group Basic Policy for Reduction of Strategic Equity Holdings**

Strategic equity holdings is shares held under the assumption of long-term holding for the purpose of long-term increase of asset value and maintaining and strengthening comprehensive business relationships with issuers, etc.

We have adopted a policy to reduce the aggregate amount of our strategic equity holdings, aiming to build a solid financial base less affected by fluctuations in stock prices and to improve the capital efficiency (Note).

The economic rationale for holding strategic equities is assessed from the perspective of the equity issuers' growth potential and profitability for each equity and the medium- to long-term business relationship.

If the rationale is not confirmed, we shall proceed with sales of those strategic equity holdings after obtaining the equity issuers' understanding. Otherwise, we may sell our holdings, taking into account the market environment and our business and financial strategies.

(Note) The Group's strategic equity holdings of ¥500 billion are planned to be sold over the 5 years from fiscal 2017

to fiscal 2021. We shall proceed with sales of our holdings based on the planning. The Group sold equity holdings of ¥151.3 billion by the end of fiscal 2017 and is proceeding with the plan after fiscal 2018. The balance of market value of the strategic equity holdings held by the Company as of March 31, 2018 is ¥2,854.3 billion.

**b. Verification of the economic rationale for strategic equity holdings and reduction efforts**

- Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance shall examine the economic rationale of their strategic equity holdings by each equity as to whether the purpose of the holding is appropriate and whether the benefits and risks associated with the holding are commensurate with the capital cost. The results of these examinations shall be reported to MS&AD's Board of Directors.
- Based on the results of the examinations of each equity, constructive dialogue shall take place with regard to equities that do not meet the objective of the rationale and are particularly in need of improvement. The equity will continue to be held in the event that an improvement is anticipated, and sale negotiations will be entered into in the event that an improvement is not anticipated.

**c. Criteria for Ensuring Appropriate Handling of the Exercise of Voting Rights Pertaining to Strategic Equity Holdings**

The basic policy on the exercise of voting rights for strategic equity holdings is as follows.

(a) Basic approach to the exercise of voting rights

The exercise of voting rights is seen to be an important means of influencing the management and improving the enterprise value of investee companies. Decisions are not made uniformly based on formulaic short-term criteria, but rather in terms of enhancement of enterprise value in the medium-to-long term and improvement in shareholder returns, among others.

(b) The process for exercising voting rights

When exercising voting rights, items such as those listed below are verified for each potential investment, with a focus on such aspects as whether the company in question is managed with an emphasis on growth of the company and the interests of shareholders, and whether the company is engaged in any antisocial behavior. Proposals are also judged based on the results of dialogue with the company concerned following a detailed examination of individual issues as required.

- Profit distribution plan (such as low payout ratios in proposals for appropriation of surplus)
- Appointment and dismissal of directors (such as poor performance, the occurrence of scandals, etc., or no outside directors being elected)
- Directors' remuneration, retirement benefits (such as poor performance or the occurrence of scandals, etc.)
- Issuance of subscription rights to shares (recipients being outside corporate auditors, etc.)
- Changes to the articles of incorporation (such as changes that may be significantly detrimental to the rights of shareholders)
- Takeover defense measures (Poison Pills)
- Business restructuring, etc.

(c) Criteria for judging proposals relating to the exercise of voting rights

Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance have established specific evaluation criteria and guidelines for the exercise of voting rights of shares held. In the event that the criteria and guidelines are met, dialogue will take place as necessary with the investee companies, and proposals shall be judged based on the dialogue.

\* Both companies will periodically report on its details on their websites.

**(2)[Principle 1.7] Procedures for related Party Transactions**

- a. With respect to transactions between the Company and a related party, to ensure that they do not harm the common interests of the Company and the Company's shareholders, such transactions as competition transaction by a director, transactions between a corporate officer and the Company, and other transactions with conflict-of-interest characteristics, such transactions will require prior deliberation and approval of a Board of Directors' meeting with the attendance of multiple outside directors, and in the case of similar transactions by executive officers will require a report to the Board of Directors.
- b. Transactions falling under Related Party Transactions as set forth in the Companies Act and the Ordinance on

Financial Statements, etc. are noted in the Securities Report. Note that preparation of the Securities Report is a matter to be reported to the Board of Directors.

**(3)[Principle 2.6] Exercise of functions as an asset owner of a corporate pension plan**

- The Mitsui Sumitomo Insurance Corporate Pension Fund and the Aioi Nissay Dowa Insurance Corporate Pension Fund have been established in order for Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance, which are the main operating companies of the Group, to implement defined-benefit corporate pension plans and manage the pension assets separately from the companies.
- Decisions regarding asset management are made by the Board of Representatives based on deliberations by the Asset Management Committee. Personnel in the asset management, accounting, and human resources departments in each company who possess appropriate qualities shall be appointed to the Asset Management Committee and the Board of Representatives, and labor union executives are appointed as representatives of the beneficiaries.
- Personnel who have extensive experience in asset management shall undertake asset management operations of the corporate pension fund. In addition, both funds accepted the Stewardship Code in April 2018.
- The incorporation of shares and the exercise of voting rights by investees are in accordance with the evaluation criteria of the party to whom asset management has been delegated, and there are no matters that constitute a conflict of interest.

**(4)[Principle 3.1] Full Disclosure**

- a. Aspiration of the Group (Mission etc.) and business strategies and business plans; ([Principle 3.1(i)])
  - (a) Business Objectives, etc.;  
Please see the above I.1 "Aspiration of the MS&AD Insurance Group" .
  - (b) Business strategies and business plans  
Please see our group Medium-Term Management Plan, "Vision 2021" on our company web site as below.  
[https://www.ms-ad-hd.com/en/group/strategy/management\\_plan.html](https://www.ms-ad-hd.com/en/group/strategy/management_plan.html)
- b. Basic policy and guidelines on corporate governance; [Principle 3.1(ii)]  
Please see the above I.1 "Basic Views" and the attached "the Basic Policies on Corporate Governance".
- c. Board policies and procedures in determining the remuneration of the senior management and directors; [Principle 3.1(iii)]  
Please see the below II.1 "Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods <Remuneration Determination Processes>".
- d. Board policies and procedures in the appointment and dismissal of the senior management and the nomination of directors and Audit & Supervisory Board Members candidates; [Principle 3.1(iv)]  
Please see the below II.1 "Committee's Name, Composition, and Attributes of Chairperson" Supplementary Explanation "1. Nomination Committee (Nomination Process)".
- e. Explanations with respect to the individual appointments, dismissals and nominations based on d.[Principle 3.1(v)].  
Please see [Reasons for selection as a candidate] in the "Notice of Convocation of Annual Shareholders Meeting" (page 6-13)  
<https://www.ms-ad-hd.com/en/ir/stock/meeting.html>

**(5)[Supplementary Principle 4.1.1] Scope and content of the matters delegated to the management**

Please see Chapter 3. 2. "Role of the Board of Directors" in the attached "Basic Policies on Corporate Governance".

**(6)[Principle 4.9] Independence Standards and Qualification for Independent (Outside) Directors**

Please see the below II.1 [[Independent Directors/Audit & Supervisory Board Members] "Matters relating to Independent Directors/Audit & Supervisory Board Members" in this report, as well as 1.(1)"Eligibility "and 1.(3)"Independence" of "Criteria for the Selection of Director Candidates and Audit & Supervisory Board Member Candidates", in the Appendix of the attached" Basic Policies on Corporate Governance".

**(7)[Supplementary Principle 4.11.1] A view on the balance, diversity and Board size, and policies and procedures for nominating directors.**

- a. Policies on the Board of Directors' Overall Balance of Expertise, Experience, Capabilities, Diversity, and Scale
  - Five of the twelve Directors (ten men and two women) and two of the four Audit & Supervisory Board Members

(two men and two women) have been appointed from outside the Company to incorporate perspectives independent from management, strengthen monitoring and oversight functions, and conduct highly transparent management. We take into consideration overall balance of the Board of Directors in terms of expertise, experience, and capabilities of Directors and strive to ensure diversity, including that of gender.

- Outside Director candidates must satisfy the eligibility requirements as defined in the Companies Act and the Insurance Business Act. In addition, with the goal of selecting candidates able to accurately and fairly supervise the overall management of insurance companies, candidates are selected based on consideration of specialized expertise such as that stemming from experience working as a general business company corporate officer, government administration officer, lawyer, and academic as well as specialized expertise regarding social, cultural, and consumer issues.
- Director candidates other than Outside Director candidates must meet legal eligibility requirements. In addition, with the goal of selecting candidates able to accurately and fairly supervise the overall management of insurance companies, candidates are selected based on consideration of specialized expertise, such as that stemming from extensive experience working as a manager in an insurance company as well as on consideration of varied experience, highly specialized experience, and the ability to exercise leadership in accordance with the Company's corporate philosophy.
- At least one candidate for Audit & Supervisory Board Member must have sufficient knowledge of accounting or finance.

b. Criteria for the Selection of Director Candidates

Please see "Criteria for the Selection of Director Candidates and Audit & Supervisory Board Member Candidates" in the Appendix of the attached "Basic Policies on Corporate Governance".

c. Overview of the Director Appointment Process

Regarding the appointment of Directors, upon deliberation by the Nomination Committee, the Board of Directors determines its candidate(s), whose appointment is then decided by the Shareholders' Meeting.

Please see the below II.1 "Committee's Name, Composition, and Attributes of Chairperson" Supplementary Explanation "1. Nomination Committee (Nomination Process)".

**(8)[Supplementary Principle 4.11.2] A status for concurrent positions of Outside Directors and Outside Audit & Supervisory Board Members**

a. Outside Directors

Please see the below II.1 [Directors]"Outside Directors' Relationship with the Company(2)Supplementary Explanation of the Relationship".

b. Outside Audit & Supervisory Board Members

Please see the below II.1 [Audit & Supervisory Board Members] "Outside Audit & Supervisory Board Members' Relationship with the Company(2)Supplementary Explanation of the Relationship"

**(9)[Supplementary Principle 4.11.3] Disclosure of summary results of analysis and evaluation of overall effectiveness of the Board of Directors**

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1. Analysis and Evaluation Process

- As noted in Chapter 3.5 of the attached "Basic Policies on Corporate Governance," an analysis and evaluation of the overall effectiveness of the Board of Directors is conducted annually. In fiscal 2017, analysis and evaluation was conducted in accordance with the following process.

(1) Questionnaires conducted for Directors' self-evaluation and its summary

- A questionnaire consisting of nine questions concerning the roles and responsibilities of the Board of Directors, its operation, etc. was distributed to each Director in advance and the secretariat conducted an interview with each Director based on the questionnaire.
- In light of implementation of a PDCA cycle, evaluation mainly focused on whether initiatives to enhance effectiveness of the Board of Directors were implemented or not in accordance with the improvement measures (measures for improving capabilities) which had been formulated based on the evaluation of the Board of Directors in fiscal 2016.

(2) Exchange of opinions at the Outside Director Council

- At a meeting of the Outside Director Council (consisting of all the Outside Directors), Outside Directors exchanged opinions about analysis and evaluation based on the results of the questionnaire.

- (3) Analysis and evaluation by the Governance Committee and formulation of measures for improving capabilities
- Following the exchange of opinions in (2) above, the Governance Committee (consisting of all the Outside Directors, the Chairman of the Board of Directors, and the President) conducted analysis and evaluation and formulated measures for improving capabilities by identifying issues to be addressed in fiscal 2018.
- (4) Results of the analysis and evaluation are outlined in 2. below. We will implement the improvement measures (measures for improving capabilities) based on the results.

## 2. Summary of the Results of Analysis and Evaluation

### (1) Content of deliberations at the Board of Directors and fulfilling function

<Improved >

- Toward formulating the new Medium-Term Management Plan (hereinafter “Vision 2021”), the Board of Directors deepened recognition of environment and risk factors, etc., and held a discussion in light of significant technological innovation, among others.
- The Board of Directors has made its best efforts to achieve the Medium-Term Management Plan. One such initiative was the active investments made in new businesses in anticipation of future changes to the business environment.
- As a result of measures such as greater application of package deliberation, in which explanation of some agenda items during the meetings is simplified, number of ordinary agenda items has been decreasing year on year, making it possible to secure more time for deliberations on important agenda items regarding strategic decisions and achieving some other improvements.
- It has become customary practice to promptly provide information on new projects involving significant risks, including overseas investment projects, through exploiting the opportunities of workshop for outside officers.
- “MS&AD’s Story of Value Creation” that shows the linkage of employees’ daily activities to the realization of the Group’s Corporate Philosophy (Mission) has been widely inculcated internally and externally. Our contribution to SDGs (sustainable development goals) through the initiatives under MS&AD’s Story of Value Creation was incorporated into the “Vision 2021.”
- Sustainability (CSR) initiatives can be regarded to have been progressed, as shown in the evaluation by an external ESG assessment body, among others.

<To be improved from now on>

- Toward realizing the “Vision 2021,” in light of the rapidly changing business environment, including technological innovation, it is desirable to deepen careful deliberations responding to changes in the business environment with attention to the trends in relevant business categories.
- In the course of explanation of the “Vision 2021” to all Group employees and having them understand the Vision, it is desirable that all employees deepen their understanding of the significance of contribution to SDGs, the Group’s Corporate Philosophy (Mission), MS&AD’s Story of Value Creation, and sustainability initiatives.
- Although a whistleblowing system and other systems to collect opinions within and outside the Company have been established, extra efforts are required for familiarization and dissemination. Terming the entire system to receive a wide range of employee feedback, including the whistleblowing system, as “Speak Up,” the Company strives to establish an environment where anyone can speak up their concerns and worries in a frank and positive way.

### (2) Operation of the Board of Directors

<Improved >

- As a result of our efforts from fiscal 2015, the operation of the Board of Directors has been improved, with average time spent for deliberation per agenda item at regular meetings of the Board of Directors increasing every year. It operates appropriately, with materials distributed prior to meetings, and sufficient time allowed for deliberations.
- Visualization of agenda items including the use of graphs, as well as an effort to reduce page counts are also progressing.

<To be improved from now on>

- At briefings on agenda items prior to the meetings of the Board of Directors, explanation on such matters as past background should be provided as detailed as possible, especially to newly appointed outside officers.
- Further efforts should be made to simplify the explanation on agenda items at an actual meeting of the Board of Directors by focusing on key points, given that briefings are held prior to the meetings.

### (3) Other

<Improved >

- Regarding education and provision of information to outside officers, we held workshops (four times in fiscal 2017) primarily on the themes in accordance with the requests of outside officers. In addition, work-site study tours were held at operating companies (Sales Divisions, accident report reception call center, etc.). Thus, outside officers now have great opportunities for education and access to information.

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**(10)[Principle 4.14] [Supplementary Principle 4.14.1] [Supplementary Principle 4.14.2] Criteria for Directors and Audit & Supervisory Board Members Training**

Please see Chapter 3.8 "Support Systems for Directors and Audit & Supervisory Board Members" in the attached "Basic Policies on Corporate Governance".

**(11)[Principle 5.1] [Supplementary Principle 5.1.2]Policies concerning the measures and organizational structures aimed at promoting constructive dialogue with shareholders**

**<Policy for Constructive Dialogue with Shareholders>**

**(11)-1. Basic Approach**

The Company will actively engage in constructive dialogue with shareholders for the Company's sustained growth and enhancement of its medium- to long-term enterprise value, and will endeavor to generate further enterprise value by utilizing such dialogue in managing the Company.

In addition, the Company is engaged in establishing internal structure for disclosure of reliable information that can form a foundation for this dialogue, and in creating mechanisms to more effectively provide management and the Board of Directors with feedback regarding the content of such dialogue.

**(11)-2. Control Manager for Constructive Dialogue**

This shall be Director & Senior Executive Officer (responsible for the Corporate Communications and Investor Relations Department).\*

\*Shiro Fujii, Director, Vice President Executive Officer, Chief Financial Officer, is currently in charge of this assignment.

**(11)-3. Specific efforts regarding constructive dialogue with shareholder**

- a. The Corporate Communications and Investor Relations Department, which assists with shareholder dialogue, and various other departments within the Company, and efforts to expand means of dialogue. [Supplementary Principle 5.1.2(ii)(iii)]
  - Holding regular meetings for the Corporate Communications and Investor Relations Department to provide feedback to other relevant departments
  - Holding investor briefings led by the heads of each business unit
  - Holding exchanges of opinion with investors for the purpose of dialogue between senior management and investors
  - Enhancement of the Integrated Report, a tool for constructive dialogue.
- b. Measures for providing senior management and the Board of Directors with feedback regarding shareholder dialogue [Supplementary Principle 5.1.2(iv)]
  - Semiannual IR activity reports and feedback on the equity market's perspective of the Company to the Group Management Committee and the Board of Directors.
  - Quarterly reports to senior management on the status of the Company's share price.
  - Reports to senior management on areas of interest and evaluation of investors regarding overseas IR trips and, financial results announcements.
- c. Measures concerning control of insider information in the course of shareholder dialogue [Supplementary Principle 5.1.2(v)]
  - Timely and fair disclosure of information fully utilizing the Company's website
  - Compliance with rules on the prevention of insider trading, etc., and refraining from dialogue related to earnings in the quiet period established in the IR policy.

**(12)Status of enactment of principles other than the above**

- a. [Principle 1.3] Basic Capital Management Policy; [Principle 5.2] Formulation and Announcement of Management

#### Strategy and Management Plans

- The Group's "Vision 2021" medium-term management plan sets forth policies for financial soundness, capital efficiency and shareholder returns, while also setting out targets for profitability, capital efficiency and so on.  
<https://www.ms-ad-hd.com/en/group/strategy/capital.html>
- We aim to enhance corporate value by pursuing an optimal balance among financial soundness, capital efficiency and shareholder returns.
  - Financial soundness: The Group aims to ensure financial soundness equivalent to an AA rating by enhancing the capital base and controlling risks.
  - Capital efficiency: Aware of the cost of capital, we aim for a Group Adjusted ROE (Note) of 10%, a level that is on a par with that of major insurance companies in Europe and the U.S., and will optimally allocate resources in addition to growth and portfolio diversification. We estimated 7% for the cost of capital based on the capital asset pricing model (CAPM).
  - Shareholder return policy: We will return approximately 40%-60% of Group Adjusted Profit to shareholders through dividends and share buybacks.
- One of our key strategies: Reform Portfolio

The MS&AD Insurance Group's current earnings structure is dependent on the domestic non-life insurance business. We are transforming our earnings structure into one able to steadily generate profits by working to increase geographic and business diversification in the international business and life insurance business.

- Medium-term goals: 50% of profits to come from businesses other than the domestic non-life insurance business
- Future aspiration: 50% of profits to come from international business

Moreover, the Group's risk portfolio currently has a high ratio of risk in strategic equity holdings, which cause high exposure to fluctuations in share prices. We will continue reducing strategic equity holdings in a bid to transform into a more stable risk portfolio.

- Medium- to long-term goals: Strategic equity holdings below 30% of integrated risk amount and below 10% of consolidated total assets at the end of fiscal 2021

#### ■ Reinforce R&D

We will continue to proactively invest in R&D that addresses environmental changes and increases productivity/quality.

Note: Group Adjusted Profit and Group Adjusted ROE are the MS&AD Insurance Group's own profitability indices.

They are calculated by the following formula.

Group Adjusted Profit = consolidated net income + provision<sup>\*2</sup> for catastrophe loss reserve and others<sup>\*1</sup> – other incidental factors (amortization of goodwill and other intangible fixed assets and others)  
+ equity in earnings of the non-consolidated Group companies

Group Adjusted ROE = Group Adjusted Profit ÷ average of beginning and ending amounts on B/S of adjusted net assets (consolidated net assets + catastrophe loss reserve and others<sup>\*1</sup> (remaining balance) – goodwill and other intangible fixed assets (remaining balance))

<sup>\*1</sup> Catastrophe reserves, contingency reserves and reserve for price fluctuation of domestic non-life insurance business and MSA Life

<sup>\*2</sup> Subtraction in case of reversal

#### b. [Principle 4.8] [Supplementary Principle 4.8.1] [Supplementary Principle 4.8.2] Independent(Outside) Directors

The Board of Directors comprises 12 members, and more than one-third of the Directors (5 members) are nominated as Independent Outside Directors.

Aiming to enable Outside Directors to engage freely in constructive discussions and opinion exchanges, we have formed the following committee and meetings.

- Governance Committee
- Outside Directors Council



■ Outside Directors and Outside Auditors Joint Council

(a) Governance Committee

The Governance Committee whose chairperson is elected by mutual vote of the Outside Directors has been established for the purpose of discussion by all Outside Directors, the Chairman and the President regarding matters related to the status of policies regarding and stance on corporate governance. The Governance Committee met four times in fiscal 2017.

(b) Outside Director Council

We have established an Outside Director Council, whose members are only Outside Directors (4 persons). The Governance Committee uses discussions within the Outside Director Council as a basis to discuss matters with the chairman of the board and president, and also make recommendations to the Board of Directors as required. The Outside Director Council met two times in fiscal 2017.

(c) Outside Directors-Audit & Supervisory Board Members Joint Council

We have established the Outside Directors-Audit & Supervisory Board Members Joint Council, whose members are the Outside Directors (5) and Audit & Supervisory Board Members (2 outside, 2 internal), to liaise between the Outside Directors and Audit & Supervisory Board Members. The Outside Directors-Audit & Supervisory Board Members Joint Council met three times in fiscal 2017.

c. [Principle 4.12] [Supplementary Principle 4.12.1] Efforts to encourage active discussion at meetings of the Board of Directors

(a) Operation of the Board of Directors

For the overview, please refer to the attached MS&AD Insurance Group Basic Policies on Corporate Governance, Chapter 3, 4. Operation of the Board of Directors.

The following efforts have been implemented to encourage active discussion at meetings of the Board of Directors.

- Materials for the proceedings are distributed in advance, with supplementary explanations provided during meetings of the Board of Directors. The Corporate Planning Department, which serves as secretariat for the Board of Directors, also provides explanations in advance to Outside Directors and Outside Audit & Supervisory Board Members.
- To encourage attendance, members of the Board are notified of the annual schedule of meetings, which is determined in advance, basically ensuring an attendance rate of 75% or greater.
- Agenda items are set appropriately based on a once-monthly meeting schedule, with additional meetings held as required. Care is taken to ensure sufficient time for discussion based on the number of agenda items.
- For efforts in fiscal 2017 refer to (9) [Supplementary Principle 4.11.3] Disclosure of summary results of analysis and evaluation of overall effectiveness of the Board of Directors, Item 2 (2) Operation of the Board of Directors.

## 2. Capital Structure

|                            |               |
|----------------------------|---------------|
| Foreign Shareholding Ratio | More than 30% |
|----------------------------|---------------|

### 【Status of Major Shareholders】

| Name / Company Name                                  | Number of Shares Owned | Percentage (%) |
|--|------------------------|----------------|
| Toyota Motor Corporation                             | 52,610,933             | 9.01           |
| Nippon Life Insurance Company                        | 36,325,258             | 6.22           |
| The Master Trust Bank of Japan, Ltd. (Trust account) | 35,535,300             | 6.09           |
| Japan Trustee Services Bank, Ltd. (Trust account)    | 26,328,300             | 4.51           |
| Japan Trustee Services Bank, Ltd. (Trust account9)   | 12,677,900             | 2.17           |
| JP MORGAN CHASE BANK 380055                          | 10,325,355             | 1.77           |
| Japan Trustee Services Bank, Ltd. (Trust account5)   | 10,052,600             | 1.72           |
| THE BANK OF NEW YORK MELLON 140044                   | 9,521,428              | 1.63           |
| Japan Trustee Services Bank, Ltd. (Trust account7)   | 8,563,100              | 1.47           |
| Japan Trustee Services Bank, Ltd. (Trust account4)   | 8,349,200              | 1.43           |

|   |      |
|---|------|
| Controlling Shareholder (except for Parent Company) | —    |
| Parent Company                                      | None |

#### Supplementary Explanation

### 3. Corporate Attributes

|   |  |
|---|--|
| Listed Stock Market and Market Section  | Tokyo Stock Exchange and Nagoya Stock Exchange (First Section) |
| Fiscal Year-End   | March  |
| Type of Business  | Insurance  |
| Number of Employees (consolidated) as of the End of the Previous Fiscal Year  | More than 1,000  |
| Sales (consolidated) as of the End of the Previous Fiscal Year                | More than ¥1 trillion  |
| Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year | 100 or more, less than 300                                     |

### 4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

|       |
|-------|
| ----- |
|-------|

### 5. Other Special Circumstances which may have Material Impact on Corporate Governance

|       |
|-------|
| ----- |
|-------|

## II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

### 1. Organizational Composition and Operation

|                   |  |
|-------------------|--|
| Organization Form | Company with Board of Corporate Auditors |
|-------------------|--|

#### [Directors]

|   |   |
|---|---|
| Maximum Number of Directors Stipulated in Articles of Incorporation | 15  |
| Term of Office Stipulated in Articles of Incorporation              | 1 year  |
| Chairperson of the Board  | Chairman<br>(except holding concurrent post of President) |
| Number of Directors   | 12  |
| Number of Outside Directors   | 5   |
| Number of Independent Directors                                     | 5   |

#### Outside Directors' Relationship with the Company (1)

| Name           | Attribute            | Relationship with the Company* |   |   |   |   |   |   |   |   |   |   |
|----------------|----------------------|--------------------------------|---|---|---|---|---|---|---|---|---|---|
|                |                      | a                              | b | c | d | e | f | g | h | i | j | k |
| Mari Matsunaga | From another company |                                |   |   |   |   |   |   |   |   |   |   |
| Mariko Bando   | From another company |                                |   |   |   |   |   |   |   |   |   |   |
| Akira Arima    | From another company |                                |   |   |   |   |   |   |   |   |   |   |
| Kazuhito Ikeo  | Professor            |                                |   |   |   |   |   |   |   |   |   |   |

|                   |        |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|-------------------|--------|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|
| Junichi Tobimatsu | Lawyer |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|-------------------|--------|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|

- \* Categories for “Relationship with the Company”
  - \* “○” when the director presently falls or has recently fallen under the category;  
“△” when the director fell under the category in the past
  - \* “●” when a close relative of the director presently falls or has recently fallen under the category;  
“▲” when a close relative of the director fell under the category in the past
- a. Executive of the Company or its subsidiaries
  - b. Non-executive director or executive of a parent company of the Company
  - c. Executive of a fellow subsidiary company of the Company
  - d. A party whose major client or supplier is the Company or an executive thereof
  - e. Major client or supplier of the listed company or an executive thereof
  - f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a Director/Audit & Supervisory Board Members
  - g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
  - h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)
  - i. Executive of a company, between which and the Company Outside Directors/Audit & Supervisory Board Members are mutually appointed (the director himself/herself only)
  - j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)
  - k. Others

#### Outside Directors’ Relationship with the Company (2)

| Name           | Designation as Independent Director | Supplementary Explanation of the Relationship   | Reasons of Appointment  |
|----------------|-------------------------------------|---|---|
| Mari Matsunaga | ○                                   | Outside Director, Rohto Pharmaceutical Co., Ltd.<br>Outside Director, Seiko Epson Corporation | Ms. Mari Matsunaga was a chief editor of magazines and was involved in planning and development of new services at NTT DOCOMO, INC. She has been stating opinions at meetings of the Company's Board of Directors and on other occasions based on her broad knowledge and experience concerning society, culture, consumer lifestyles, and other areas. We propose to re-elect her as Outside Director in order to continue to draw on her knowledge and experience in the management of the Company. |
| Mariko Bando   | ○                                   | Chancellor (Rijicho and Socho), Showa Women’s University                                      | Ms. Mariko Bando previously served as Director General of Gender Equality Bureau of the Cabinet Office, the Consul General of Japan in Brisbane, etc. and currently serves as President of Showa Women’s University. She has broad knowledge and a wealth of experience in public administration and education, as well as wide insight into promotion of diversity. We propose to re-elect her as Outside Director in order to draw on her expertise in the management of the Company.               |

|                   |   |  |   |
|-------------------|---|--|---|
| Akira Arima       | ○ | -  | Mr. Akira Arima has been a Director of Nippon Telegraph and Telephone Corporation and President Chief Executive Officer of NTT Communications Corporation. We propose to elect him as Outside Director in order to reflect his experience as a manager in the management of the Company.  |
| Kazuhito Ikeo     | ○ | Professor Emeritus, Keio University<br>Professor, Faculty of Economics, Risho University | Mr. Kazuhito Ikeo has held a number of posts, including university professors and members of the Financial Services Agency's Financial System Council, and have broad knowledge and experience in the economic and fiscal fields as well as financial administration. Therefore, we propose to elect him as Outside Director in order to reflect his knowledge and experience in the management of the Company. |
| Junichi Tobimatsu | ○ | Attorney-at-law, Tobimatsu Law<br>Outside Corporate Auditor of Amana Inc.                | Mr. Junichi Tobimatsu has a wealth of knowledge and experience concerning overall corporate legal affairs including those overseas companies as an attorney-at-law. We propose to elect him as Outside Director in order to reflect his knowledge and experience in the management of the Company.  |

|   |             |
|---|-------------|
| Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee | Established |
|---|-------------|

**Committee's Name, Composition, and Attributes of Chairperson**

|                       | Committee Corresponding to Nomination Committee | Committee Corresponding to Remuneration Committee |
|-----------------------|---|---|
| Committee's Name      | Nomination Committee                            | Remuneration Committee                            |
| All Committee Members | 7   | 7   |
| Full-time Members     | 0   | 0   |
| Inside Directors      | 2   | 2   |
| Outside Directors     | 5   | 5   |
| Outside Experts       | 0   | 0   |
| Other                 | 0   | 0   |
| Chairperson           | Outside Director                                | Outside Director                                  |

**Supplementary Explanation**

For the purpose of maintaining high transparency, the Company has formed the Nomination Committee and Remuneration Committee as internal committees of the Board of Directors. Please note that these two committees comprise seven members each, and the chairpersons and other members are appointed from among members of the Board of Directors. With respect to each of the two committees, a majority of the members and the chairperson have been appointed from among the Outside Directors.

### 1. Nomination Committee (Nomination Process) <At least once a year>

- The Nomination Committee deliberates on major management personnel matters and provides advice on these matters to the Board of Directors. Such matters include the selection of candidates for the positions of Director, Audit & Supervisory Board Member, and Executive Officer of the Company as well as the selection of Directors and Audit & Supervisory Board Members for domestic insurance companies in which the Company has direct investments.
  - Outside directors shall comprise a majority of Committee members and the Committee chairman, who shall be selected by the Board of Directors. In fiscal 2018, the Committee has seven members made up of all five outside directors, the Chairman of the Board and the President.
  - With respect to the evaluation of candidates for Director and candidates for Executive Officer, evaluation items include performance evaluations (corporate performance) and other items.
  - The Board of Directors appoints candidates for Director as well as candidates for Audit & Supervisory Board Member and Executive Officers based on advice from the Nomination Committee. The utmost respect is given to that advice in making selections. The consent of the Audit & Supervisory Board must be obtained for candidates for Audit & Supervisory Board Member.
  - From the perspective of making effective discussions to strengthen corporate governance at the Nomination Committee, policy for selecting candidates for Directors and Audit & Supervisory Board Members is added to the deliberation items. It has been clarified that the Nomination Committee shall meet at least once a year.
  - In fiscal 2017, the Nomination Committee met five times, and held a discussion on the selection of candidates for outside officers.
- Please see “Criteria for the Selection of Director Candidates and Audit & Supervisory Board Member Candidates” in the Appendix of the attached “Basic Policies on Corporate Governance”.

### 2. Remuneration Committee<At least once a year>

- This committee advises the Board of Directors regarding the remuneration of Directors and Executive Officers of the Company as well as the remuneration systems for management of domestic insurance companies in which the Company has direct investments. In fiscal 2018, the Committee has seven members made up of all five outside directors, the Chairman of the Board and the President.
  - From the perspective of making effective discussions to strengthen corporate governance at the Remuneration Committee, policy for remuneration of Directors and Executive Officers is added to the deliberation items. It has been clarified that the Remuneration Committee shall meet at least once a year.
  - In fiscal 2017, the Remuneration Committee met 1 time.
- For an overview of the process of determining remuneration, see the “Disclosure Regarding Policies for Determining Amount of Remuneration and Method of Calculation,” below.

### [Audit & Supervisory Board Member]

|  |             |
|--|-------------|
| Establishment of Board of Auditors   | Established |
| Maximum Number of Audit & Supervisory Board Member Stipulated in Articles of Incorporation | 6           |
| Number of Audit & Supervisory Board Member   | 4           |

### Cooperation among Audit & Supervisory Board Member, Accounting Auditors and Internal Audit Departments

#### 1. Cooperation between Audit & Supervisory Board Member and Accounting Auditor

Audit & Supervisory Board Members shall receive reports and explanations on plans, operations and outcomes of auditing from the Accounting Auditor in regular liaison meetings with the Accounting Auditor, also attended by the Internal Audit Department, and various issues on accounting audit shall be discussed when necessary. Furthermore, Audit & Supervisory Board Members shall make an effort to share information with the Accounting Auditor, such as

providing information obtained in audit activities that is useful for audits by the Accounting Auditor.

**2. Cooperation between Internal Audit Department and Audit & Supervisory Board Members (and Directors)**

Internal Audit Department has been established as an organization to report directly to the Board of Directors. The General Manager of the Internal Audit Department (General Manager of the Audit Department) shall report the results of internal audits at the Board of Directors, share information with Directors and Audit & Supervisory Board Members, conduct regular liaison meetings with Full-time Audit & Supervisory Board Members and discussions with Outside Directors and Outside Audit & Supervisory Board Members, to discuss issues such as internal audit planning and internal audit operations. Furthermore, outcomes of internal audits by the Internal Audit Department shall be reported all matters to Audit & Supervisory Board Members.

**3. Cooperation between Accounting Auditors and the Internal Auditing Department**

When so required, the Accounting Auditors and the Internal Auditing Department share information, and are working to strengthen cooperation between them in order to conduct proper audits.

|   |           |
|---|-----------|
| Appointment of Outside Audit & Supervisory Board Member | Appointed |
| Number of Outside Audit & Supervisory Board Member      | 2         |
| Number of Independent Audit & Supervisory Board Member  | 2         |

Outside Audit & Supervisory Board Member’s Relationship with the Company (1)

| Name          | Attribute                   | Relationship with the Company* |   |   |   |   |   |   |   |   |   |   |   |   |
|---------------|-----------------------------|--------------------------------|---|---|---|---|---|---|---|---|---|---|---|---|
|               |                             | a                              | b | c | d | e | f | g | h | i | j | k | l | m |
| Kunio Chiyoda | Certified public accountant |                                |   |   |   |   |   |   |   |   |   |   |   |   |
| Kyoko Uemura  | Lawyer                      |                                |   |   |   |   |   |   |   |   |   |   |   |   |

\* Categories for “Relationship with the Company”

\* “○” when the director presently falls or has recently fallen under the category;

“△” when the director fell under the category in the past

\* “●” when a close relative of the director presently falls or has recently fallen under the category;

“▲”when a close relative of the director fell under the category in the past

- a.Executive of the Company or its subsidiary
- b.Non-executive director or accounting advisor of the Company or its subsidiaries
- c.Non-executive director or executive of a parent company of the Company
- d.Audit & Supervisory Board Member of a parent company of the Company
- e.Executive of a fellow subsidiary company of the Company
- f. A party whose major client or supplier is the Company or an executive thereof
- g.Major client or supplier of the Company or an executive thereof
- h.Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a Audit & Supervisory Board Member
- i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- j. Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the Audit & Supervisory Board Member himself/herself only)
- k.Executive of a company, between which and the Company outside directors/*kansayaku* are mutually appointed (the Audit & Supervisory Board Member himself/herself only)
- l. Executive of a company or organization that receives a donation from the Company (the Audit & Supervisory Board Member himself/herself only)
- m.Others

Outside Audit & Supervisory Board Member’s Relationship with the Company (2)

| Name | Designation as Independent | Supplementary Explanation of the | Reasons of Appointment |
|------|----------------------------|----------------------------------|------------------------|
|------|----------------------------|----------------------------------|------------------------|

|               | Audit & Supervisory Board Member | Relationship   |  |
|---------------|----------------------------------|--|--|
| Kunio Chiyoda | ○                                | Outside Director (Audit & supervisory committee member), TERASAKI ELECTRIC CO.,LTD | Mr. Kunio Chiyoda is an expert in accounting and auditing and has served as a university professor and a member of a public institution. We appointed him Outside Audit & Supervisory Board Member to reflect his wealth of knowledge and experience in the management of the Company. |
| Kyoko Uemura  | ○                                | Attorney-at-Law, Miyama, Koganemaru & Associates                                   | Ms. Kyoko Uemura is a legal expert. She previously served as a judge and practices law as an attorney-at-law. We appointed her Outside Audit & Supervisory Board Member to reflect her wealth of knowledge and experience in the management of the Company.                            |

### [Independent Directors/Audit & Supervisory Board Members]

|   |   |
|---|---|
| Number of Independent Director/Audit & Supervisory Board Member | 7 |
|---|---|

### Matters relating to Independent Directors/Audit & Supervisory Board Members

#### 1. Outline

Five Directors and two Audit & Supervisory Board Members have been appointed from outside the Company to incorporate perspectives independent from management, strengthen monitoring and oversight functions, and conduct highly transparent management.

Please note that there are no concerns that the interests of these Outside Directors and Outside Audit & Supervisory Board Members of the various companies will be in conflict, in terms of human, capital, transactions, or other relationships, with the interests of shareholders in general. These Directors and Audit & Supervisory Board Members are independent, and their names as independent outside officers have been filed with the Tokyo Stock Exchange Co., Ltd., and Nagoya Stock Exchange Co., Ltd.

#### 2. [Principle 4.9] Independence standards and qualification for independent directors

Outside Directors and Audit & Supervisory Board Members are contributing to the strengthening of oversight and auditing functions to the Board and to ensuring the transparency of management. In addition, by receiving advice from these Outside Directors and Audit & Supervisory Board Members based on their knowledge and experience as professionals in the fields of law and accounting, the Company ensures that this system will enable proper decision making on important matters.

Note that as stated in the attached Appendix to the “Basic Policies on Corporate Governance”, the Company has formulated criteria for appointing candidates for Director and Audit & Supervisory Board Member, and under 1. (1) of those standards has set forth criteria regarding eligibility and qualifications. 1. (3) also sets forth criteria regarding independence from the company when appointing Outside Directors.

#### 3. In the section on “Applicable Supplemental Information,” the minimum criteria set by the company for transactions to be noted as attributes for Outside Directors are summarized as follows:

- (1) If the amount of transactions with the Company is 1% or less of the annual net sales of the Company or the other party;
- (2) A consultant, accounting professional, or legal professional who has received, other than officer compensation, average cash or other financial benefits of at least 10 million yen per year for the past three years from the Company or subsidiaries of the Company;

### [Incentives]

|                                  |   |
|----------------------------------|---|
| Incentive Policies for Directors | Performance-linked Remuneration / Stock Options |
|----------------------------------|---|

## Supplementary Explanation

- The Company has introduced performance-based remuneration (linked to corporate and personal performance) into its corporate officer remuneration system. Please refer to Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods below.
- The Company has introduced stock options as stock-based compensation so that the Company's directors (excluding outside directors) share not only the benefit of a rising share price, but also share the risk of share price fluctuations with our shareholders. The system involves replacing a portion of performance-based monetary remuneration with stock options provided as stock-based compensation (allotment of stock acquisition rights).
- The Company introduced same system as mentioned above and replaced a portion of performance-based monetary remuneration with stock options as stock-based compensation (allotment of stock acquisition rights) for the Company's executive officers and the directors (excluding outside directors) and executive officers of Group domestic insurance companies in which the Company has direct investments.

|                             |                          |
|-----------------------------|--------------------------|
| Recipients of Stock Options | Inside Directors / Other |
|-----------------------------|--------------------------|

## Supplementary Explanation

The recipients of stock options are the Company's directors (excluding outside directors) and executive officers, as well as the directors (excluding outside directors), executive officers, etc. of the directly invested domestic insurance company in MS&AD Group.

### [Director Remuneration]

|  |                    |
|--|--------------------|
| Disclosure of Individual Directors' Remuneration | Selected Directors |
|--|--------------------|

## Supplementary Explanation

We disclose the total amounts of remuneration to all Directors and to all Audit & Supervisory Board Members according to the category (Directors/Audit & Supervisory Board Members) and according to the types of remuneration. We also disclose total amounts of consolidated remuneration to officers amounting to 100 million yen or more.

<Total amounts of remuneration to Directors and Audit & Supervisory Board Members for fiscal 2016>

(Millions of yen)

|  | Total amount of remuneration | Total amount by type of remuneration |              |
|--|------------------------------|--------------------------------------|--------------|
|  |                              | Basic remuneration                   | Stock option |
| Directors (8 persons*)                         | 199                          | 188                                  | 10           |
| Audit & Supervisory Board Members (3 persons*) | 51                           | 51                                   | -            |
| Outside Officers (9 persons)                   | 70                           | 70                                   | -            |

\*Excluding Outside Directors and Outside Audit & Supervisory Board Members

<Total amounts of consolidated remuneration amounting to 100 million yen or more>

(including remuneration for corporate officer posts at main consolidated subsidiaries)

(Millions of yen)

|                             | Total amount of consolidated remuneration | Total amount by type of remuneration |              |
|-----------------------------|---|--------------------------------------|--------------|
|                             |   | Basic remuneration                   | Stock option |
| Director Yasuyoshi Karasawa | 103                                       | 95                                   | 6            |
| Director Noriyuki Hara      | 103                                       | 94                                   | 6            |

|  |             |
|--|-------------|
| Policy on Determining Remuneration Amounts and Calculation Methods | Established |
|--|-------------|

## Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods



## **1. Amount of Directors' Remuneration**

### **(1) Determination Processes**

Remuneration for each Director is set within overall limits approved by the Shareholders' Meeting. Consideration is given to the function of remuneration as an incentive for improvement in performance, long-term contribution to corporate profits and enterprise value, the level of compensation appropriate for competitiveness as a global corporation, and other factors. To ensure transparency, the Remuneration Committee, which is composed of a majority of Outside Directors, considers remuneration amounts, and the final decisions are made by the Board of Directors. The Remuneration Committee deliberates on the policy on remuneration for the Company's Directors and Executive Officers. The Board of Directors respects the advice of the Remuneration Committee to the maximum extent.

- For more about the Remuneration Committee, see the above “*Status of Establishment of Voluntary Committees, Committee Membership, and Attributes of Committee Chair*,” along with the “*Supplemental Explanation*”.

### **(2) Composition of remuneration**

Remuneration for Directors (excluding Outside Directors) consists of fixed compensation and performance-based remuneration.

a. Fixed compensation (monetary compensation): Approx. 70%

b. Performance-based remuneration: Approx. 30%

Performance-based remuneration consists of the following:

(a) Portion linked with the Company's performance

To be determined based on the Group Adjusted Profit (note), consolidated net income and other performance indices

(i) Stock-compensation-type stock options (Please refer to [Incentives] above.)

(ii) Portion of monetary compensation

(b) Portion linked with individual performance

Outside Directors receive fixed compensation (monetary compensation) only because they are independent from business execution.

Note: For Group Adjusted Profit, please refer to (12)a “Disclosure Based on the Principles of the Corporate Governance Code,” above.

### **(3) Maximum Total Compensation**

As a result of decisions made by the Shareholders' Meeting, maximum total annual compensation for Directors (excluding any salaries for work performed by Directors concurrently in employee positions) is set at ¥500 million (including a total allocation of ¥100 million for Outside Directors). With a separate framework, the remuneration of Directors (excluding Outside Directors) includes “stock acquisition rights as stock compensation-type stock options” with a maximum value of ¥60 million per year.

## **2. Amount of Audit & Supervisory Board Members' Remuneration**

### **(1) Determination Processes**

Remuneration for Audit & Supervisory Board Members is set within overall limits approved by the Shareholders' Meeting. Consideration is given to whether Audit & Supervisory Board Members are full-time or part-time, their share of the auditing activities, and the content and level of remuneration of Directors. Decisions on remuneration levels are decided in discussions among the Audit & Supervisory Board Members.

### **(2) Composition of Compensation**

Audit & Supervisory Board Members receive fixed compensation (monetary compensation) only because they are independent from business execution.

### **(3) Maximum Total Compensation**

As a result of decisions made by the Shareholders' Meeting, maximum total compensation for Audit & Supervisory Board Members is set at ¥110 million.

### [Supporting System for Outside Directors and/or Audit & Supervisory Board Members]

Support for the activities of the Outside Directors is provided by the Corporate Planning Department, and support for the Outside Audit & Supervisory Board Members is supplied by the Internal Audit Department. The agenda for the Board of Directors' Meetings is explained to the Outside Directors and Outside Audit & Supervisory Board Members in advance of the meetings by the Corporate Planning Department, which acts as the secretariat for the Board of Directors. In addition, information, such as important risk information, is reported on an ongoing basis to all Directors and Audit & Supervisory Board Members, internal and external.

- For more-detailed information, please see Chapter 3.8 "Support Systems for Directors and Audit & Supervisory Board Members" in the attached "Basic Policies on Corporate Governance".

### [Retired presidents/CEOs holding advisory positions (sodanyaku, komon, etc.)]

| Name              | Job title/<br>position                            | Responsibilities   | Employment terms<br>(Full/part time,<br>with/without<br>compensation, etc.) | Date when<br>former role as<br>president/<br>CEO ended | Term            |
|-------------------|---|--|---|--|-----------------|
| Toshiaki Egashira | Senior Advisor,<br>Mitsui Sumitomo<br>Insurance   | External relations in the business community (not involved in management)      | Full time<br>With compensation  | 2016/6/22  | Yearly contract |
| Yoshiaki Shin     | Senior Advisor,<br>Mitsui Sumitomo<br>Insurance   | External relations in the business community (not involved in management)      | Part time<br>With compensation  | 2010/6/29  | Yearly contract |
| Takeo Inokuchi    | Honorary Advisor,<br>Mitsui Sumitomo<br>Insurance | External relations in the business community (not involved in management)      | Part time<br>Without compensation   | 2006/6/28  | Yearly contract |
| Hiroyuki Uemura   | Honorary Advisor,<br>Mitsui Sumitomo<br>Insurance | External relations in the business community (not involved in management)      | Part time<br>Without compensation   | 2006/6/28  | Yearly contract |
| Yoichiro Ichimaru | Senior Advisor,<br>Aioi Nissay Dowa<br>Insurance  | Important external relations with Group companies (not involved in management) | Part time<br>With compensation  | 2017/6/26  | Yearly contract |
| Masao Okazaki     | Advisor,<br>Aioi Nissay Dowa<br>Insurance         | Important external relations with Group companies (not involved in management) | Part time<br>Without compensation   | 2006/6/29  | Yearly contract |

Number of retired presidents/CEOs holding advisory positions (sodanyaku, komon, etc.) : 6

#### Others

1. Those who have formerly served as Chairman or President of the Company or its core subsidiaries (Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance; including their predecessors prior to the mergers) may be nominated as Advisors, etc. of the core subsidiaries as follows. We do not have a counsel system.

##### (1) Mitsui Sumitomo Insurance

Mitsui Sumitomo Insurance nominates former Chairman or President as "Senior Advisors(Jonin-Komons)" (with a term of office of up to four years). Persons who have retired as Senior Advisors(Jonin-Komons) may then be nominated as "Senior Advisors(Tokubetsu-Komons)." In either case, the term of office is up to the end of the fiscal year in which he/she turns 75 years old. Compensation is paid to those who will be newly nominated as Senior Advisors(Jonin-Komons) in and after fiscal 2018, only for the period they were Senior Advisors(Jonin-Komons). In addition, those who retired as Senior Advisors may be titled "Honorary Advisor" without compensation.

##### (2) Aioi Nissay Dowa Insurance

Aioi Nissay Dowa Insurance may nominate former Chairman, vice Chairman, or former President as KOMONS; "Advisor" without compensation or "Senior Advisor". Their contract term is up to three years.

2. Advisors, etc. do not participate in management meetings, meetings of the Board of Directors and any other internal meetings, and do not engage in management decision making in any form.

\* The dates listed under "Date when former role as president/CEO ended" are the most recent dates they retired as Chairman or president/CEO.

## 2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)

## **(1) Matters on Functions of Business Execution and Oversight**

- For the Outline, please see the Chapter 3 in the attached "Basic Policies on Corporate Governance".

### **(1)-1 Board of Directors**

#### **a. Role of the Board of Directors [Principle 4.1] [Supplementary Principle 4.1.1]**

- (a) In addition to matters specified by law and the Articles of Incorporation, the Board of Directors discusses and decides upon important matters involving Group management strategy and corporate management, including the Group's management policies, management strategies, and capital policy, in addition to overseeing the duties of directors and executive officers.
- (b) The Board of Directors allocates management resources according to risk appetite controlled with a balance of risk, return, and capital, and aims to increase enterprise value in the medium-to-long term by achieving sustainable growth and improvement in earnings and capital efficiency with a foundation of soundness.
- (c) In addition to appointing executive officers, the Board of Directors aims to separate management decision making and oversight by the Board of Directors from business execution by executive officers by clarifying their respective roles.
- (d) Executive officers are responsible for executing business in the respective areas of business entrusted to them by the Board of Directors, and report on the status of business execution to the Board of Directors.

#### **b. Composition of the Board of Directors**

- More than one-third of the Board of Directors which has twelve members (ten men and two women) are nominated as Outside Directors to incorporate perspectives independent from management, strengthen monitoring and oversight functions, and conduct highly transparent management.

#### **c. Important responsibilities of the Board of Directors (determining the Group's strategic direction and the management plan)**

- Under the Group Medium-term Management Plan, the Board of Directors has put forward the Group's Corporate Philosophy (Mission), Corporate Vision and Values (see III 3., Efforts Involving Respect for the Position of Stakeholders), and continues its efforts to realize and achieve them.
- In formulating the Group Medium-term Management Plan, numerous constructive discussions have been carried out by the Group Management Committee and the Board of Directors. Regarding execution of the Group Medium-term Management Plan, timely summarization is provided, a PDCA cycle is being run to achieve that plan based on discussions among the Board of Directors, and constructive discussions will continue to be held in the future. The Board of Directors also checks the progress of medium-term management plans for each of the Group's operating companies. Note that explanations are provided at the Shareholders' Meeting and at Group Information Meetings.

### **(1)-2 Group Management Committee (About twice a year)**

The Governance Committee whose chairperson is elected by mutual vote of the Outside Directors has been established for the purpose of discussion by all Outside Directors, the Chairman and the President regarding matters related to the status of, policies regarding and stance on corporate governance.

### **(1)-3 Group Management Committee**

The role of the Group Management Committee is to discuss management policies, management strategies, and other matters that are key issues to the Company and the other Group companies. Regarding items determined by executive officers, the committee also monitors specific business operations by receiving reports on approved matters under the rules for the Group Management Committee. The Group Management Committee met 12 times in fiscal 2017.

In addition, from fiscal 2017, the presidents of the Group's five domestic insurance companies in which the Company has a direct stake have attended as committee members and discussed key issues related to the Group's domestic insurance companies.

### **(1)-4 Task-Specific Committees**

The task-specific committees have been established to deliberate on various key management issues regarding the execution of operations as well as to coordinate perspectives across various departments. When necessary, the Director(s) and/or Executive Officer(s) in charge summarize the results of discussions in these committees and report them to the Board of Directors and/or the Group Management Committee.

**a. Sustainability Committee (Basically four times a year)**

The committee discusses matters related to the Group's initiatives and plans related to sustainability, promotion of diversity & inclusion, improvement of capability of human assets (Work Style Reforms) and policies and plans related to branding strategy and advertising strategy of the entire Group. It is a new task-specific committee established in fiscal 2018.

**b. Quality Improvement and Compliance Committee (Basically four times a year)**

The committee monitors issues in improving quality such as promotion of business operation on a customer-first basis, and compliance matters in pursuit of establishment of corporate ethics at the Group and each company, and deliberates and coordinates important matters related thereto. It is a new task-specific committee established in fiscal 2018.

**c. Group Management and Monitoring Committee (Prior-monitoring: Basically 18 times a year, Post-monitoring: Basically nine times a year)**

- Upon receiving reports on matters related to the Board of Directors and the Management Committee of directly invested Group insurance companies, the committee meeting confirms matters that include whether the related matters have been approved and/or reported, ensures healthy finance of the Group companies, and ensures appropriate risk management and operations. The Group Management and Monitoring Committee met 12 times in fiscal 2017.

**d. Digitalization Committee (Basically four times a year)**

- The committee deliberates and coordinates such issues as promotion of digitalization of the Group companies, and manages the progress thereof. It is a new task-specific committee established in fiscal 2018.

**e. Group Systems Committee (Basically four times a year)**

- The committee deliberates, coordinates, and manages such issues as IT strategy, system risk management, and the large-scale system development of the Group companies. The Group Systems Committee met 14 times in fiscal 2017.

**f. Group International Business Committee (Basically four times a year)**

- The Committee confirms and discusses the vision for International Business strategy (International Business investment, etc.) that contributes to sustainable Group growth. It also shares common understanding of issues regarding the role of International Business in strengthening overall Group profitability and demonstrating synergies, and confirms and discusses the direction of measures for handling those issues and their progress. The Group International Business Committee met three times in fiscal 2017.

**g. Risk Management Committee (Basically four times a year)**

- While monitoring overall risk, return and capital, and the status of risks of the entire Group, it also deliberates and coordinates the key issues. The Risk and Compliance Committee, which was the former committee of The Risk Management Committee, met six times in fiscal 2017. The name of the committee was changed in fiscal 2018.

**(2)Matters on Functions of Nomination and Remuneration**

**■ Matters on Functions of Nomination**

Please see the above II.1 “*Supplementary explanation*” 1.Nomination Committee (Nomination Process)

**■ Matters on Functions of Remuneration**

Please see the above II.1 “*Disclosure of Policy on Determining Remuneration Amounts and Calculation <Remuneration Determination Processes>*”.

**(3)Matters on Functions of Auditing and Oversight**

**(3)-1 Audit & Supervisory Board Members and Audit & Supervisory Board**

**a. Roles and Responsibilities of Audit & Supervisory Board Members**

- As an independent entity entrusted with authority by the shareholders, the Audit & Supervisory Board Members are responsible for ensuring the sound and sustainable growth of the Company and the Corporate Group, and establishing good corporate governance in response to the public trust by supervising the performance of duties of the Directors, and work to maintain an independent position and a fair and unbiased attitude, acting in accordance with their own beliefs.
- Each Audit & Supervisory Board Member shall appropriately exercise his/her legal investigating authority, including the authority to audit operations and assets, and supervises the performance of duties of the Directors by attending meetings of the Board of Directors and other important meetings, viewing important approval documents, investigating departments within the Company, and investigating subsidiaries in accordance with the auditing policies and plans stipulated by the Audit & Supervisory Board.

- Audit & Supervisory Board Members participate in joint meetings of Outside Directors and Auditors, etc. and work to share information with Outside Directors.

#### **b. Composition and Roles of the Audit & Supervisory Board**

- The Audit & Supervisory Board comprises a majority of Outside Audit & Supervisory Board Members. As independent officers, Outside Audit & Supervisory Board Members have independence, and a significant degree of expertise and knowledge. Full-time Audit & Supervisory Board Members also have sophisticated information gathering capabilities based on extensive operational experience, and the organic combination of the two serves to enhance audit effectiveness.
- The Audit & Supervisory Board receives reports from Audit & Supervisory Board Members on the status of the performance of their duties and reports from officers and employees, etc. on important matters related to auditing, and also makes decisions regarding auditing policies and auditing plans.

#### **(3)-2 Appointment of Accounting Auditors, etc.**

- The Audit & Supervisory Board makes decisions regarding proposals submitted to the General Shareholders' Meeting on the appointment or dismissal of Accounting Auditors. It also has the right to consent to decisions regarding remuneration of the Accounting Auditors.
- The Audit & Supervisory Board prepares criteria for appropriately selecting and evaluating Accounting Auditor. To promote appropriate accounting by the Accounting Auditors, measures are taken to confirm the independence, specialist capabilities, and other requisite characteristics of the Accounting Auditors.
- The Company has appointed KPMG AZSA LLC as its independent audit corporation. Please note that there are no special conflicts of interest between KPMG AZSA LLC and the Company.

#### **(3)-3 Efforts to Enhance Outside Audits**

- a. Prior to an audit, we works with the Accounting Auditors to confirm schedules and provide information that can contribute to audit efficiency and effectiveness, ensuring sufficient time to conduct the audit.
- b. The Accounting Auditors meet for discussions with the Representative Director & President biannually (at the midterm and at fiscal year end), and with officers in charge of accounting, etc. at fiscal year end.
- c. The Accounting Auditors work to coordinate with both the Audit & Supervisory Board Members and the Internal Audit Department by attending regular liaison meetings, while also exchanging opinions with each individually as needed.
- d. In the event the Accounting Auditors have pointed out deficiencies in internal control audits relating to financial reports, the department in charge promptly formulates measures for improvement, the implementation of which is verified by the internal auditors and the Accounting Auditors. The results of internal control audits and the status of improvement measures are reported to the Risk Management Committee (task-specific committee), and those results are then reported to the Board of Directors. A system is also in place for timely reporting in the event an internal control audit uncovers a deficiency that might be considered an important deficiency that should be disclosed.

#### **(4) Conclusion of Agreements Limiting Liability**

To ensure that Outside Directors and Outside Audit & Supervisory Board Members can fully perform the roles expected of them, the Company has entered into agreements with its Outside Directors (5) and Outside Audit & Supervisory Board Members (2) limiting their liability in the event of damage caused to the Company by the failure to perform the duties of Director or Audit & Supervisory Board Member, and providing that if those duties have been conducted in good faith and without gross negligence, the amount of liability shall be limited to the sum of the amounts stipulated in the items of Article 425, Paragraph 1 of the Companies Act.

### **3. Reasons for Adoption of Current Corporate Governance System**

- As a company with an Audit & Supervisory Board, the Company will endeavor to improve governance by ensuring that independently appointed Audit & Supervisory Board Members appropriately act in their auditing functions, in addition to ensuring that the Board of Directors appropriately acts in its oversight functions, while strengthening the functions of each and actively disclosing information.
- The Company has formed the Governance Committee (made up of all outside directors, the Chairman of the Board and the President) in addition to the Nomination Committee and Remuneration Committee (a majority of the members and a chairperson each have been appointed from among the Outside Directors) as internal committees of the Board of Directors, thus building a highly effective and transparent corporate governance system.
- In addition to appointing executive officers, the Board of Directors aims to separate management decision making and

oversight by the Board of Directors from business execution by executive officers by clarifying their respective roles.

Under the above structure, the Company believes that the Board of Directors is fully capable of carrying out its roles and responsibilities as required under Basic Principle 4 of the Corporate Governance Code.

- For governance structure, please see “Management Structure Diagram” described at the end of this report.

### III. Implementation of Measures for Shareholders and Other Stakeholders

#### 1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights

|   | Supplementary Explanations  |
|---|---|
| Early Notification of General Shareholder Meeting will be sent out on June 1, 2018. | In order to ensure shareholders have adequate time to consider the agenda for the General Shareholders’ Meeting, the Company works to send out notification early. Notification of the 10th Regular General Shareholders’ Meeting was sent out June 1 (Friday). The content of the notices is also published on TDnet and the Company’s website prior to their being sent.  |
| Scheduling AGMs Avoiding the Peak Day   | In the interest of enhancing constructive dialog with shareholders, General Shareholders’ Meetings are scheduled to avoid peak dates.<br>The 10th Regular General Shareholders’ Meeting was held on June 25 (Monday).   |
| Allowing Electronic Exercise of Voting Rights                                       | Allowing electronic exercise of voting rights via the internet.   |
| Participation in Electronic Voting Platform   | Participating in electronic voting platform.  |
| Providing Convocation Notice in English   | Providing Convocation Notice in English on our web site.  |
| Other   | Because the General Shareholders’ Meeting is an opportunity for constructive dialog with shareholders, the Company has put in place a suitable environment, as noted above and below, for the exercise of rights at the General Shareholders’ Meeting from the viewpoint of the shareholders and with the goal of operating the Meeting in a way that is easy to understand. <ul style="list-style-type: none"> <li>• To ensure shareholders are able to make suitable decisions at the General Shareholders’ Meeting, and to provide shareholders with accurate information, representative questions and answers, along with an outline of a new medium-term management plan, have been included in the Notification of the General Shareholders’ Meeting.</li> <li>• In the event institutional investors owning shares in the name of a trust bank, etc. wish to exercise their voting rights at the General Shareholders’ Meeting, the Company shall review whether or not to allow said voting rights to be exercised based on discussion with the trust bank, etc. in whose name they are held.</li> </ul> |

#### 2. IR Activities

|  | Supplementary Explanations  | Briefings conducted by the representative him/herself |
|--|---|---|
| Preparation and Publication of Disclosure Policy | The Company has established "MS&AD Insurance Group Basic Policy for Disclosure of Information" which stipulated basic stance, standards and methods for disclosure of information, and has posted it on the website.<br><a href="https://www.ms-ad-hd.com/en/company/governance/disclosure.html">https://www.ms-ad-hd.com/en/company/governance/disclosure.html</a> |   |

|   |   |     |
|---|---|-----|
| Regular Investor Briefings for Individual Investors                 | In addition to holding annual briefings at securities firms and elsewhere for individual investors, led by the executive officer in charge of the Corporate Communications and Investor Relations Department, briefings are also held several times a year by the General Manager of the Corporate Communication and Investor Relations Department.   | No  |
| Regular Investor Briefings for Analysts and Institutional Investors | Information Meetings to explain management strategy are held twice a year, led by the President.<br>Financial briefings (conference calls) are held quarterly, four times per year, led by the general manager of the Corporate Communications and Investor Relations Department, and the general manager of the Accounting Department.<br>As part of an effort to enhance dialog under a stated Policy for Constructive Dialog with Shareholders, the Company holds “MS&AD IR Day” that contains briefings by the top management of each operating companies regarding particular businesses and exchange of opinions between investors and management including the Chairman and the President, with the goal of engaging investors in a constructive dialog. | Yes |
| Regular Investor Briefings for Overseas Investors                   | The President and the Senior Executive Officer in charge of Corporate Communications and Investor Relations visit North America, Europe and Asia regularly to meet with overseas investors.<br>The Senior Executive Officer in charge of Corporate Communications and Investor Relations also participates in conferences for overseas investors hosted by securities firms.<br>Presentations and Q&A transcripts from the above briefings for analysts and institutional investors are translated into English and posted on the Company website.  | Yes |
| Posting of IR Materials on Website                                  | The following materials are posted on the Company website ( <a href="https://www.ms-ad-hd.com/en/">https://www.ms-ad-hd.com/en/</a> ).<br><ul style="list-style-type: none"> <li>• Timely disclosure information including financial results (News release and topics)</li> <li>• Financial report and quarterly report</li> <li>• Materials for Information Meeting, video and summary of Q&amp;A session</li> <li>• Status of Corporate Governance</li> <li>• Stock and Bonds information including the notice of General Meeting of Shareholders</li> <li>• Disclosure documents, CSR report, Annual report and Shareholders newsletter.</li> </ul> Mail notifications are also sent out when a news release or other information is posted.                 |     |
| Establishment of Department and/or Manager in Charge of IR          | Officer in charge of IR : Shiro Fujii, Director, Executive Vice President, CFO<br>Department in charge of IR : Corporate Communications and Investor Relations Department   |     |
| Preparation and Publication of Disclosure Policy                    | Information for timely disclosure and other IR disclosures are primarily made in Japanese through the website, as well as in English at a level that ensures no significant disparities arise.<br>The Company is also constantly working to improve disclosures in English to ensure no gaps arise with disclosures in Japanese in terms of volume or timing of information disclosed.  |     |

### 3. Measures to Ensure Due Respect for Stakeholders

|                                   | Supplementary Explanations  |
|-----------------------------------|---|
| Stipulation of Internal Rules for | We state in the “Chapter 2: Relationship with Stakeholders in the “Basic Policies on Corporate Governance” that we will fulfill our responsibilities to stakeholders based on the |

|  |  |
|--|--|
| <p>Respecting the Position of Stakeholders</p>                         | <p>position of our stakeholders through active dialogue with our stakeholders.</p> <p>We have also established “MS&amp;AD Insurance Group Basic Policy on Human Rights” (February 2017). We acknowledge that we are held accountable for our business activities and the actual and potential negative impact it may have on human rights, in addition to the value chain. We aim to promote actions and dialogue that will show respect towards human rights.</p> <p>(URL for Policy on Human Rights)<br/> <a href="https://www.ms-ad-hd.com/en/csr/employee/human_rights.html">https://www.ms-ad-hd.com/en/csr/employee/human_rights.html</a></p>  |
| <p>Implementation of Environmental Activities, CSR Activities etc.</p> | <p>To realize its Corporate Philosophy (Mission) of “Contributing to the development of a vibrant society and helping secure a sound future for the earth,” the Company is putting into practice “Story of Value Creation” as its business model, whereby the Company identifies and informs of risks arising from social issues, prevents risks from occurring or minimizes their impact, and reduces the economic burden in the case of a risk occurring.</p> <p>In the new Group’s Medium-Term Management Plan (Vision 2021), we defined the image of the society that we aim for in 2030 as a “resilient and sustainable society.” For our future growth, with a presence widely supported by stakeholders in society, it is even more essential that it continues creating shared value (CSV) through corporate activities. Based on this recognition, we will implement the “Story of Value Creation” and realize a “resilient and sustainable society,” incorporating SDGs (sustainable development goals)* as our milestones.</p> <p>In addition to defining and tackling seven priority issues for “Creating shared value,” the Company is working toward “Quality that earns the trust of society” and “Management platforms that enable employees to play active roles” that support “Creating shared value.”</p> <p><b>【Creating shared value】</b></p> <ul style="list-style-type: none"> <li>• Deal with new risks</li> <li>• Create mobility society without accidents</li> <li>• Strive for resilient community development</li> <li>• Support “good health and longevity”</li> <li>• Contribute to climate change mitigation and adaptation</li> <li>• Strive to improve sustainability of natural capital</li> <li>• Work toward realization of “leaving no one behind”</li> </ul> <p><b>【Quality that earns the trust of society】</b></p> <ul style="list-style-type: none"> <li>• Meeting the trust of society with high quality</li> <li>• Implementing sincere, fair and just business activities</li> <li>• Implementing activities and dialog that respect human rights</li> <li>• Continuing efforts to reduce the burden on the environment</li> <li>• Implementing investment activities that conform to PRI (Principles for Responsible Investment)</li> </ul> <p><b>【Management platforms that enable employees to play active roles】</b></p> <ul style="list-style-type: none"> <li>• Promotion of diversity &amp; inclusion</li> <li>• Encouraging employees to learn and think by themselves, take on challenges and continue to grow</li> <li>• Implementing health and productivity management</li> <li>• Implementing highly transparent and effective corporate governance</li> </ul> <p>For details of the initiatives, please see our website.<br/> <a href="https://www.ms-ad-hd.com/ja/csr.html">https://www.ms-ad-hd.com/ja/csr.html</a></p> |
| <p>Development of Policies on Information Provision to</p>             | <p>The Company adopted "MS&amp;AD Insurance Group Basic Policy for Disclosure of Information" for the purpose of communicating important information with our stakeholders in a manner that is accurate, timely and faire.</p> <p><a href="https://www.ms-ad-hd.com/en/company/governance/disclosure.html">https://www.ms-ad-hd.com/en/company/governance/disclosure.html</a></p>  |



| Stakeholders     |   |            |            |             |        |        |     |            |            |            |             |     |            |            |            |             |    |          |          |           |            |               |           |           |           |           |                  |           |           |           |           |             |   |   |   |           |       |   |   |   |            |
|------------------|---|------------|------------|-------------|--------|--------|-----|------------|------------|------------|-------------|-----|------------|------------|------------|-------------|----|----------|----------|-----------|------------|---------------|-----------|-----------|-----------|-----------|------------------|-----------|-----------|-----------|-----------|-------------|---|---|---|-----------|-------|---|---|---|------------|
| Other            | <p><b>1. Diversity &amp; Inclusion</b></p> <p>Respecting each individual, accepting each other and making use of each other's strengths, regardless of the external attributes of individuals such as race, gender or age or internal attributes such as religion, beliefs, background and values in order to demonstrate to the maximum extent diversity and diverse values, which are strengths of the Group. Each employee works enthusiastically, displays their abilities as professionals and demonstrates teamwork.</p> <p><b>(1) Promoting Career Development for Women</b></p> <p>The Company has two female Outside Directors, one female Audit &amp; Supervisory Board Member and one female Outside Audit &amp; Supervisory Board Member. Additionally, in April 2018, one female Executive Officer was newly appointed as the officer responsible for Diversity &amp; Inclusion. In addition, Mitsui Sumitomo Insurance has one female Outside Director, one female Outside Audit &amp; Supervisory Board Member and one female Executive Officer, and Aioi Nissay Dowa Insurance has one female Outside Director and one female Executive Officer.</p> <p>Mitsui Sumitomo Insurance offers an "MSI Female Leaders' School" to develop female employees capable of leading the next generation, as well as "Career Up" seminars for different management levels. It has also greatly expanded opportunities for female employees to develop themselves, through programs including support for study abroad and MBA acquisition, the ability to apply directly for a desired position, a trainee program that offers short-term experience in other workplaces, and provisions for allowing area-specific employees to move and transfer within same division.</p> <p>At Aioi Nissay Dowa Insurance, management seminars for women are held for female management candidates, with the goal of enhancing motivation for pursuing management positions. A mentor program that uses executives and others to support seminar participants and those women interested in moving to management has also been introduced.</p> <p>To expand the role of female employees, the company also offers a variety of seminars by division, further supporting personal growth for women.</p> <p>At MSI Aioi Life, support for the further growth of female employees is offered in the form of an executive mentor program, implemented by executives, women in management positions and management assistants.</p> <p>Also We provide support for career development through "Career Design Training", "Career Leadership School", and the internal site for women.</p> <p><b>[Share of management positions held by women]</b></p> <p>Target for FY2020: 15% (Group Domestic Total)</p> <p>Following is the status of major group companies</p> <table border="1"> <thead> <tr> <th></th> <th>FY2014</th> <th>FY2015</th> <th>FY2016</th> <th>FY2017</th> </tr> </thead> <tbody> <tr> <td>MSI</td> <td>4.0% (163)</td> <td>5.1% (204)</td> <td>6.6% (262)</td> <td>10.1% (259)</td> </tr> <tr> <td>ADI</td> <td>5.3% (191)</td> <td>6.6% (221)</td> <td>7.7% (252)</td> <td>10.4% (256)</td> </tr> <tr> <td>MD</td> <td>1.7% (1)</td> <td>2.9% (1)</td> <td>12.3% (8)</td> <td>11.5% (11)</td> </tr> <tr> <td>MSI Aioi Life</td> <td>3.4% (10)</td> <td>4.3% (12)</td> <td>5.7% (17)</td> <td>8.0% (49)</td> </tr> <tr> <td>MSI Primary Life</td> <td>7.4% (12)</td> <td>6.5% (11)</td> <td>7.1% (12)</td> <td>8.6% (15)</td> </tr> <tr> <td>The Company</td> <td>-</td> <td>-</td> <td>-</td> <td>9.4% (23)</td> </tr> <tr> <td>Total</td> <td>-</td> <td>-</td> <td>-</td> <td>9.9% (613)</td> </tr> </tbody> </table> |            | FY2014     | FY2015      | FY2016 | FY2017 | MSI | 4.0% (163) | 5.1% (204) | 6.6% (262) | 10.1% (259) | ADI | 5.3% (191) | 6.6% (221) | 7.7% (252) | 10.4% (256) | MD | 1.7% (1) | 2.9% (1) | 12.3% (8) | 11.5% (11) | MSI Aioi Life | 3.4% (10) | 4.3% (12) | 5.7% (17) | 8.0% (49) | MSI Primary Life | 7.4% (12) | 6.5% (11) | 7.1% (12) | 8.6% (15) | The Company | - | - | - | 9.4% (23) | Total | - | - | - | 9.9% (613) |
|                  | FY2014  | FY2015     | FY2016     | FY2017      |        |        |     |            |            |            |             |     |            |            |            |             |    |          |          |           |            |               |           |           |           |           |                  |           |           |           |           |             |   |   |   |           |       |   |   |   |            |
| MSI              | 4.0% (163)  | 5.1% (204) | 6.6% (262) | 10.1% (259) |        |        |     |            |            |            |             |     |            |            |            |             |    |          |          |           |            |               |           |           |           |           |                  |           |           |           |           |             |   |   |   |           |       |   |   |   |            |
| ADI              | 5.3% (191)  | 6.6% (221) | 7.7% (252) | 10.4% (256) |        |        |     |            |            |            |             |     |            |            |            |             |    |          |          |           |            |               |           |           |           |           |                  |           |           |           |           |             |   |   |   |           |       |   |   |   |            |
| MD               | 1.7% (1)  | 2.9% (1)   | 12.3% (8)  | 11.5% (11)  |        |        |     |            |            |            |             |     |            |            |            |             |    |          |          |           |            |               |           |           |           |           |                  |           |           |           |           |             |   |   |   |           |       |   |   |   |            |
| MSI Aioi Life    | 3.4% (10)   | 4.3% (12)  | 5.7% (17)  | 8.0% (49)   |        |        |     |            |            |            |             |     |            |            |            |             |    |          |          |           |            |               |           |           |           |           |                  |           |           |           |           |             |   |   |   |           |       |   |   |   |            |
| MSI Primary Life | 7.4% (12)   | 6.5% (11)  | 7.1% (12)  | 8.6% (15)   |        |        |     |            |            |            |             |     |            |            |            |             |    |          |          |           |            |               |           |           |           |           |                  |           |           |           |           |             |   |   |   |           |       |   |   |   |            |
| The Company      | -   | -          | -          | 9.4% (23)   |        |        |     |            |            |            |             |     |            |            |            |             |    |          |          |           |            |               |           |           |           |           |                  |           |           |           |           |             |   |   |   |           |       |   |   |   |            |
| Total            | -   | -          | -          | 9.9% (613)  |        |        |     |            |            |            |             |     |            |            |            |             |    |          |          |           |            |               |           |           |           |           |                  |           |           |           |           |             |   |   |   |           |       |   |   |   |            |

\*As of April 1 following the end of each fiscal year, figures in parentheses indicate number of persons

**[Action Plan Based on the Act Concerning Promotion of Women's Career Activities]  
For the Period of April 1, 2016 through March 31, 2020**

<Mitsui Sumitomo Insurance>

[Objectives]

By putting in place an environment that makes it easier for women to continue working, we aim to produce a steady stream of truly capable female managers, with the goal of more than quadrupling the number of women in management positions, from 120 in fiscal 2014 to 480 by 2020.

[Initiatives]

a. Increasing opportunities to gain greater experience

· Starting April, 2016

Through regular HR rotations, transfers between departments and relocations within blocks, work toward systematic diversification of experience.

· Starting April, 2016

Work to expand our open recruitment systems, enabling employees to lead in designing their own careers through our "Post Challenge" job-posting program, a system for employee classification transfer, and the MS Business University.

b. Expansion of management development training programs

· Starting August, 2016

In addition to continuing to hold the "MSI Female Leaders School," work to encourage a change in behavior so that women can gain the capacity needed to take on managerial positions, and are otherwise expanding our organization for nurturing human resources with the potential for management.

· Starting November, 2016

In addition to expanding eligibility for our "Mind Up School for Women," revise the program to give greater emphasis to cultivating a mindset that encourages aiming for management, and expand the pool of future management candidates nationwide.

c. Expanded support for work-life balance to encourage continued employment.

· Starting April, 2016

Implement a review of the effectiveness of our "Childcare Concierge" program, in an effort to make it even more effective.

· Starting April, 2016

To nurture a culture more receptive to work-life balance, continue encouraging male employees to take childcare leave, and make supervisors in the workplace well known about our various maternity and childcare leave programs.

· Starting October, 2016

Add a program to the curriculum of our support for working mothers program for women on maternity and childcare leave, that will enable them to build networks with senior employees.

<Aioi Nissay Dowa Insurance>

[Objectives]

a. Create a workplace in which every employee's lifestyle is valued.

b. Continually produce women in management positions by raising the proportion of female employees above the assistant manager level to 30% by 2020.

[Initiatives]

a. Support for work-life balance

Starting April, 2016

· Work to establish time management based on individual lifestyles, with the goal of maintaining physical and mental health and enhancing vitality.

· Work to change the awareness of male employees regarding the promoting the career

development of woman (through training for managers, efforts to increase the rate of men taking childcare leave to 100%, etc.)

- To support a balance between work and childcare and/or care for family members, create and enhance a variety of support measures, including support for diverse work styles.
- To encourage greater understanding in the workplace and at home, expand Family Day and other events to create opportunities for mutual interaction.

b. Active support for women's career development

Starting April, 2016

- Centered on on-the-job-training as part of everyday duties, advance the creation of a workplace in which all employees, regardless of gender, can grow and be active.
- By enhancing mentorship programs and continuing to hold management seminars for women, provide proactive support for women to acquire the knowledge and skills needed for management.
- Create and offer challenging opportunities in career development, including the "Post-Challenge" program, limited-time relocations and transfers, and in-house trainee programs.
- Work to introduce role models and build in-house networks, promoting the creation of a structure for developing motivation toward career advancement and where women can consult with one another.
- Work to further expand career development support efforts, including participation in cross-industry exchanges and presentations.

Information on efforts to promote the career development for women and other Diversity-related reports are widely available on the Company's website at:

<https://www.ms-ad-hd.com/en/csr/employee/diversity.html>

**(2) Employment of People with Disabilities**

- Group companies continue to engage in hiring activities to expand and anchor places of employment for the disabled. They are also adapting workplaces into friendly environments and developing duties performed by people with disabilities.

As of April 1, 2018, total employment of people with disabilities at Group companies exceeded the minimum employment rate required by law, with the rate also exceeded for the Group's five directly invested domestic insurance companies as a whole.

- On June 1, 2018, the Company has established "MS&AD ABILITYWORKS Co., Ltd." for the purpose of employing people with disabilities and enabling them to play active roles. In coordination with each Group company, the new company will promote diversity & inclusion by providing an environment where diverse people with disabilities can work actively.

**(3) Employment of the Elderly**

Group companies have a rehiring program for employees who have reached retirement age. This program allows employees to utilize their experience and skills and make full use of their capabilities. Participation can be renewed if required by the work involved and by the individual's job description, with employment available to a maximum of 65 years of age.

The end of March, 2018, the number of re-employed retirees (total of new hires and continuing employees) was 521 at MSI and 432 at ADI, respectively.

## IV. Matters Related to the Internal Control System

### 1. Basic Views on Internal Control System and the Progress of System Development

#### (1) Basic Views on Internal Control System

The Company has established its MS&AD Insurance Group Basic Policy Pertaining to System for Internal Controls, and

in addition to the systems required under Japan's Company Law, the Company regards the “systems for assuring the reliability of financial reporting” to be an important perspective in the context of enhancing related systems.

Please see “MS&AD Insurance Group Basic Policy Pertaining to System for Internal Controls”, adopted by the Board of Directors is on the Company’s website.

<https://www.ms-ad-hd.com/en/company/governance/pdf/basicpolicy.pdf>

## **(2) Establishment of an Internal Control System**

The Company maintains a system in accordance with this Basic Policy, and reports to the Board of Directors regarding the results of an inspection conducted every year about the system building and the appropriate operation.

## **2. Basic Views on Eliminating Anti-Social Forces**

### **(1) Basic Approach to Elimination of Antisocial Forces**

The Company is working to put in place a system for the elimination of antisocial forces, to which it takes a resolute posture, ensuring that all employees aware that the Company refuses to respond to unreasonable, inappropriate demands.

### **(2) Status of Efforts to Eliminate Antisocial Forces**

- a. The Company’s “MS&AD Insurance Group Basic Policy Concerning Antisocial Forces” sets forth a common basic posture shared by all employees and officers and policies for responding to antisocial forces, and is published both inside and outside the Company.
- b. The Company has established an organization responsible for dealing with inappropriate demands from antisocial forces and a manual for dealing with such forces, both of which are published within the Company.
- c. The Company regularly works closely with outside specialist organizations including the police, Centers for Removal of Criminal Organizations and attorneys, etc., building a system for proactive gathering of information and consulting.
- d. The Company regularly conducts internal training regarding antisocial forces.

## **V. Other**

### **1. Adoption of Anti-Takeover Measures**

|                                    |             |
|------------------------------------|-------------|
| Adoption of Anti-Takeover Measures | Not Adopted |
|------------------------------------|-------------|

Supplementary Explanation

## **2. Other Matters Concerning to Corporate Governance System**

[Outline of Timely Disclosure Structure]

### **(1) Basic Approach**

The Company has formulated internal Rules. The objective of these Rules is to establish internal controls aimed at producing documents in a timely and appropriate manner for disclosure, to evaluate the effectiveness of disclosure control, and to establish disclosure controls and procedures for verifying the appropriateness of the contents of disclosure documents, based on the recognition that prompt, accurate and fair disclosure of corporate information is indispensable for MS&AD Group in ensuring compliance and fulfilling its corporate social responsibility in relation to disclosure.

### **(2) Internal Controls**

#### **a. Risk Management Committee**

A Risk Management Committee has been established by resolution of the Board of Directors. The Risk Management Committee comprises officers and general managers in charge of corporate planning, accounting, and other departments related to information disclosure, and conducts deliberations regarding information disclosure and reviews the appropriateness of information to be disclosed.

#### **b. Controls and Procedures Regarding Information Disclosure**

Based on the internal Rules noted in (1) above, the departments listed below fulfill their respective roles, and regularly review the effectiveness of their internal controls and the appropriateness of their procedures.

- (a) The Company’s individual departments and subsidiaries determine whether information disclosed in matters submitted to the Board of Directors and Group management meetings falls under matters for timely disclosure as stipulated by the stock exchanges.

- (b) In the event the information is deemed to fall under matters for timely disclosure as noted in (a), above, the Company's individual departments and subsidiaries then report that information to the general managers of the Human Resources and General Administration Department.
- (c) Upon receipt of the report noted in (b), above, the general managers of the Human Resources and General Administration Department will make the final determination of whether timely disclosure is required, and in the event the information falls under matters for timely disclosure, the information will be disclosed following the prescribed procedure.
- (d) The Risk Management Committee receives reports regarding the content of timely disclosures, and reviews the appropriateness of those disclosures. Note that, when required, the Risk Management Committee may deliberate those matters in advance.

**c. Audits of Controls Regarding Information Disclosure**

The Audit Department regularly conducts internal audits targeting information disclosure controls and procedures, and reports the results of those audits to the Board of Directors.

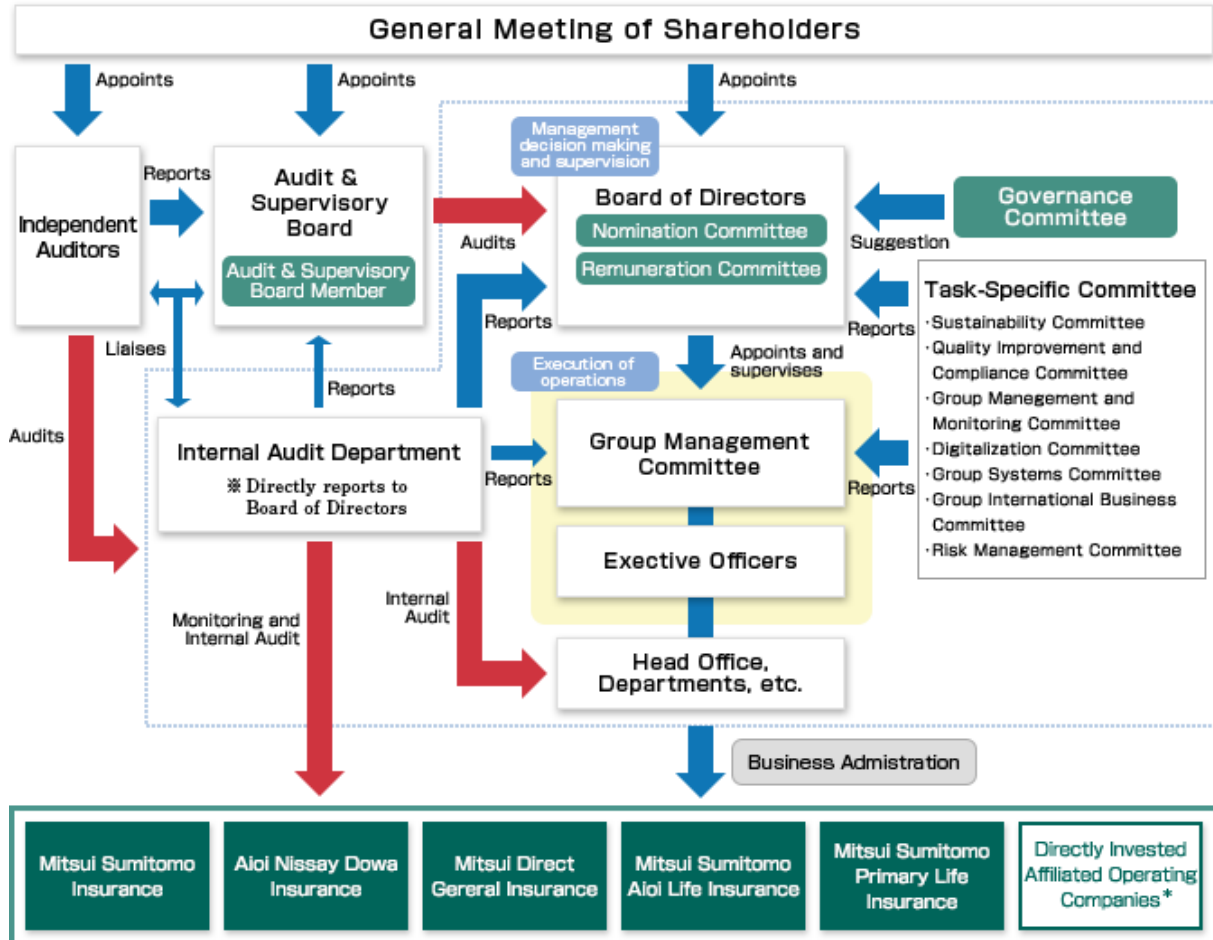
**<Attachments>**

**[Management Structure Diagram (the Company's management structure)]**

**[Overview of Timely Disclosure Structure]**

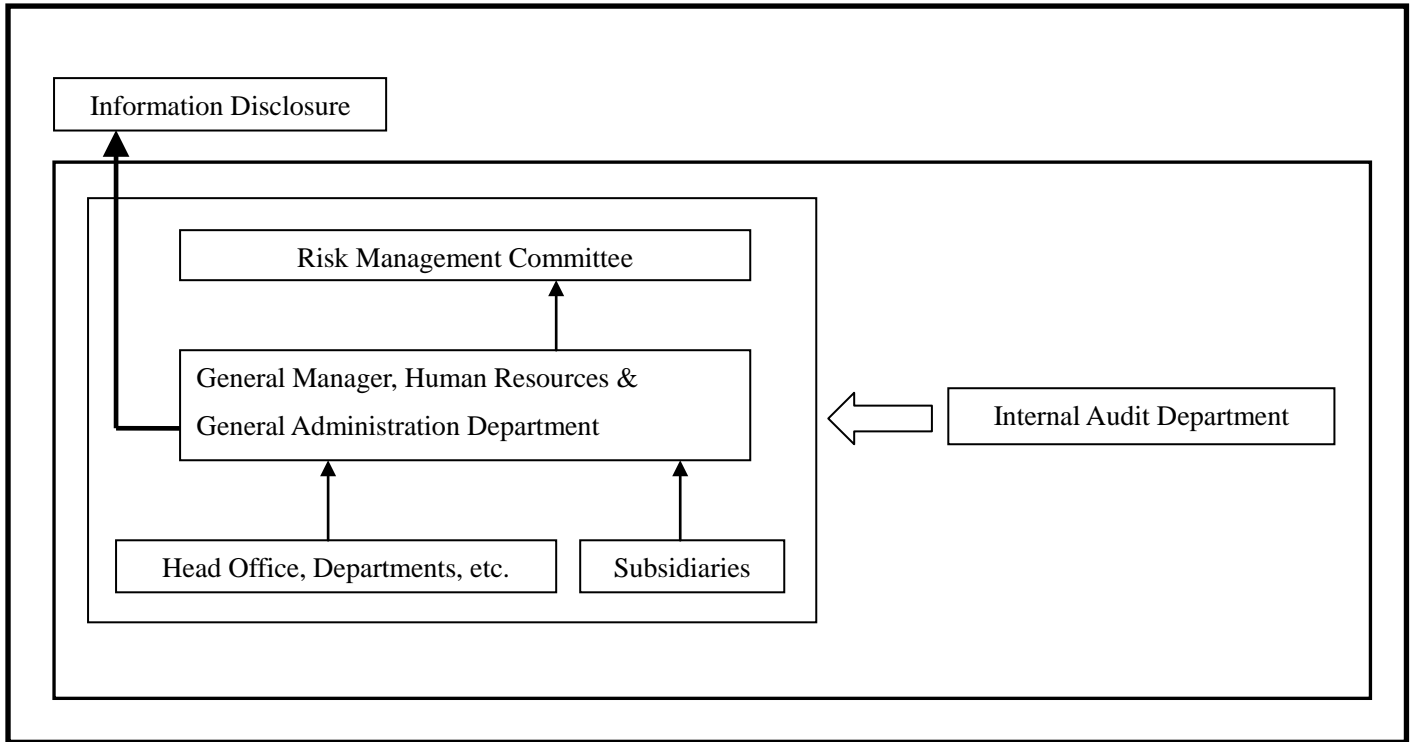
**[MS&AD Insurance Group Basic Policies on Corporate Governance]**

- End -



\* MS&AD Holdings has eight affiliated operating companies: MS&AD InterRisk Reserch Institute & Consulting, Inc., MS&AD Business Support Co., Ltd., MS&AD Staffing Service Co., Ltd., MS&AD Systems Co., Ltd., MS&AD Reserch Institute Co., Ltd., MS&AD Loan Services Co., Ltd., ANSHIN DIAL Co., Ltd., and MS&AD ABILITYWORKS Co., Ltd.

## Overview of Timely Disclosure Structure



## MS&AD Insurance Group Basic Policies on Corporate Governance

MS&AD Insurance Group Holdings, Inc. (hereinafter referred to as “MS&AD” or “the Company”) has established the MS&AD Insurance Group Basic Policies on Corporate Governance for the purpose of indicating the basic approach to and framework for corporate governance.

### **Chapter 1: The Company's Basic Approach to Corporate Governance**

1. In line with its Corporate Philosophy (Mission), MS&AD, as a holding company overseeing all group businesses, has established a management framework that ensures transparent, fair, swift and decisive decision-making that takes into account the standpoint of all stakeholders. The Company's objectives are to sustain stability and consistent growth over the long term by using corporate resources efficiently and managing risks properly and ultimately, to further increase corporate value

2. To this end, the “MS&AD Insurance Group Corporate Philosophy (Mission), Corporate Vision and Values” were formulated as something all officers and employees of the Group should adhere to in all situations. In addition to working to disseminate these principles among all officers and employees of the Company and its Group companies, corporate governance, compliance and risk management are positioned as important management issues in the Medium-term Management Plan, and efforts shall be made to actively promote that Plan.

### **Chapter 2: Relationship with Stakeholders**

1. In order to realize our Corporate Philosophy (Mission), the Company aims toward the sustainability of society and sustained enhancement of corporate value by fulfilling our responsibilities to seven types of stakeholders (customers, shareholders, agents, business partners, employees, local communities, global society and the environment) based on the “Perspective of Sustainability of the MS&AD Insurance Group.”

#### **2. Perspective of Sustainability of the MS&AD Insurance Group**

The MS&AD Insurance Group will create shared value and aim toward a resilient and sustainable society through corporate activities that implement “Story of Value Creation,” in order to realize our Corporate Philosophy (Mission).

We will consistently strive for supreme quality that lives up to the trust and expectations upon us, and together with our stakeholders, continue to contribute to the creation of society where anyone can pursue a stable life and take on dynamic business activities, while preserving the sustainability of the global environment and society.

#### **3. Efforts to engage stakeholders**

We will fulfill our responsibilities to stakeholders and create shared value by working with them through the following efforts.

| Stakeholder                       | Efforts  |
|-----------------------------------|--|
| Customers                         | Provide products and services that meet customer trust and expectations for quality.   |
| Shareholders                      | Provide appropriate disclosure of information and appropriate return to shareholders. Strive to raise corporate value (See Chapter 5: Relationship with Shareholders). |
| Agents                            | Grow together as partners.   |
| Business partners                 | Maintain sound relationships and cooperate to fulfill corporate responsibilities.  |
| Employees                         | Provide a comfortable working environment, a sense of purpose and opportunities to grow.   |
| Local communities /Global Society | As a member of society, take steps to create a resilient and sustainable society.  |
| The environment                   | Secure sustainability of the Planet.   |

#### **4. Schemes for Receiving Feedback from Customers**

The MS&AD Insurance Group has formulated a “Basic Policy for Responding to Customer Communications” in order to receive all customer feedback (in the form of inquiries, consultations, requests, complaints, disputes, compliments and gratitude, etc.). This feedback is used to make quality improvements.

#### **5. Speak Up**

The MS&AD Insurance Group has established an environment where anyone can speak up their concerns and worries in a frank and positive way. One such initiative is a whistleblowing system enabling all employees of the Company and its subsidiaries to directly report illegal or improper behavior. All these efforts aim to receive a wide range of employee feedback and enable early detection and resolution of problems.

#### **6. Promotion of Diversity and Inclusion**

In order to conduct Group management with an awareness of changes in the global environment, the MS&AD Insurance Group establishes a working environment that enables employees to demonstrate their full potential regardless of gender, nationality or disability, and aims to establish a corporate culture that respects diversity and diverse values.

### **Chapter 3: The Company's Corporate Governance Stance**

#### **1. The Company's Organizational Structure**

- As a Company with an Audit & Supervisory Board, the Company will endeavor to improve governance by ensuring that independently appointed Audit & Supervisory Board Members appropriately act in their auditing functions, in addition to ensuring that the Board of Directors appropriately acts in its oversight functions, while strengthening the functions of each and actively disclosing information.
- The Company has formed the Governance Committee (made up of all Outside Directors, the Chairman of the Board and the President) in addition to the Nomination Committee and Remuneration Committee (a majority of the members and a chairperson each have been appointed from among the Outside Directors) as internal committees of the Board of Directors, thus building a highly effective and transparent corporate governance system.
- The Company has introduced an executive officer system and is proceeding to delegate authority over business execution to these executive officers to ensure rapid execution.



## **2. Role of the Board of Directors**

- (1) In addition to matters specified by law and the Articles of Incorporation, the Board of Directors discusses and decides upon important matters involving Group management strategy and corporate management, including the Group's management policies, management strategies and capital policy, in addition to overseeing the duties of directors and executive officers.
- (2) The Board of Directors allocates management resources according to risk appetite controlled with a balance of risk, return and capital, and aims to increase corporate value in the medium-to-long term by achieving sustainable growth and improvement in earnings and capital efficiency with a foundation of soundness.
- (3) In addition to appointing executive officers, the Board of Directors aims to separate management decision making and oversight by the Board of Directors from business execution by executive officers by clarifying their respective roles.
- (4) Executive officers are responsible for executing business in the respective areas of business entrusted to them by the Board of Directors, and report on the status of business execution to the Board of Directors.

## **3. Composition of the Board of Directors and Roles of Outside Directors**

- (1) The Board of Directors defined in the Articles of Incorporation has having up to 15 members, with a balanced composition that includes diverse knowledge and expertise. Candidates for director are nominated by the Board of Directors based on the "Criteria for the Selection of Director Candidates and Audit & Supervisory Board Member Candidates" (Appendix) (see 10. Nomination Process below).

Furthermore, at least one third of the Directors are nominated as Outside Directors to incorporate perspectives independent from management, strengthen monitoring and oversight functions, and conduct highly transparent management.

- (2) Outside Directors are expected to perform the following roles.

- Provision of advice from a broad perspective on management policies and management improvement based on their knowledge and experience, with the aim of promoting sustainable corporate growth and increasing corporate value over the medium- to long-term.
- Supervising of management through important decision-making at the board level.
- Monitoring of conflicts of interest between the company and related parties such as management (Note) and/or major shareholders.
- Realizing supervising function from a standpoint independent of management by fulfilling accountability for stakeholders, including shareholders.

(Note) Collectively refers to the directors, Audit & Supervisory Board Members and executive officers of the Company and domestic insurance companies in the Group in which the Company has a direct investment (same applies hereinafter)

## **4. Operation of the Board of Directors**

- (1) Resolutions of the Board of Directors

- Except in cases otherwise stipulated by law, resolutions of the Board of Directors are made by a majority of the directors attending the meeting, where a majority of directors are in attendance.

- (2) Operation of the Board of Directors

- The agenda, length of deliberation and frequency of meetings of the Board of Directors are defined to allow for required, adequate discussion of important decisions regarding business execution and oversight of the performance of duties.
- An effort is made to send out and explain proposals to the Board of Directors, giving adequate consideration to the time required for preparation by attendees to enable meaningful views, comments and questions to be presented in meetings of the Board of Directors.
- The annual schedule of the Board of Directors and anticipated agenda items are determined in advance.

## **5. Evaluation of the Board of Directors**

The Board of Directors periodically analyzes and evaluates its own overall effectiveness, and publishes an overview of the results.

## **6. Audit & Supervisory Board Members and Audit & Supervisory Board**

- (1) Responsibilities of Audit & Supervisory Board Members

As an independent entity entrusted with authority by the shareholders, the Audit & Supervisory Board Members are responsible for ensuring the sound and sustainable growth of the Company, and establishing a good corporate governance stance in response to the public trust by supervising the performance of duties of the Directors

- (2) Authority and Roles of Audit & Supervisory Board Members

Each Audit & Supervisory Board Member shall appropriately exercise his/her legal investigating authority, including the authority to audit operations and assets, and supervises the performance of duties of the Directors by attending meetings of the Board of Directors and other important meetings, viewing important approval documents, investigating departments within the Company, and investigating subsidiaries in accordance with the auditing policies and plans stipulated by the Audit & Supervisory Board.

- (3) Composition and Roles of the Audit & Supervisory Board

- The Audit & Supervisory Board is defined in the Articles of Incorporation has having up to 6 members, a majority of which shall be Outside Audit & Supervisory Board Members in accordance with the law. Candidates for Audit & Supervisory Board Member are nominated by the Board of Directors with the approval of the Audit & Supervisory Board, based on the "Criteria for the Selection of Director Candidates and Audit & Supervisory Board Member Candidates" (Appendix) (see 10. Nomination Process below).
- The Audit & Supervisory Board receives reports from Audit & Supervisory Board Members on the status of performance of duties, and reports from officers and employees on important matters related to auditing, and also makes decisions regarding auditing policies and auditing plans.
- The Audit & Supervisory Board makes decisions regarding proposals submitted to the General Shareholders' Meeting on the appointment or dismissal of Accounting Auditors, and the non-reappointment of Accounting Auditors. It also has the right to consent to decisions regarding remuneration of the Accounting Auditors.

## **7. Accounting Auditors**

The Board of Directors and the Audit & Supervisory Board endeavor to take appropriate action to ensure adequate auditing

by the Accounting Auditors.

#### **8. Support Systems for Directors and Audit & Supervisory Board Members / Training Policy**

The Company has the following systems in place as required for Directors and Audit & Supervisory Board Members to effectively fulfill their roles and responsibilities.

- (1) The Company has assigned a person in the secretariat of the Board of Directors to each of the Outside Directors and Outside Audit & Supervisory Board Members (hereinafter referred to as "Outside Officers") to provide support in areas such as providing briefings in advance.
- (2) The Company has established a system for ongoing provision of information and training at the time of appointment and during the term of Directors and Audit & Supervisory Board Members.
- (3) The Company provides appropriate opportunities for Outside Officers to share information and exchange opinions with management and senior employees.
- (4) The Company bears the expenses required to enable Outside Officers to fulfill their roles.

#### **9. Group Management Committee**

The role of the Group Management Committee is to discuss management policies, management strategies and other matters that are key issues for the Company and its Group companies. It also monitors specific business operations by receiving reports on matters decided upon by Executive Officers.

#### **10. Nomination Process**

- The Board of Directors appoints candidates for Director, candidates for Audit & Supervisory Board Member and Executive Officers based on advice from the Nomination Committee. The consent of the Audit & Supervisory Board needs to be obtained for candidates for Audit & Supervisory Board Member.
- The Nomination Committee deliberates on important management personnel matters and provides advice on these matters to the Board of Directors. Such matters include the selection of candidates for the positions of Director, Audit & Supervisory Board Member, and Executive Officer of the Company as well as the selection of Directors and Audit & Supervisory Board Members for domestic insurance companies in which the Company has direct investments.
- The Nomination Committee is made up of 3 or more members.
- A majority of members and the chairperson shall be appointed from among the Outside Directors by the Board of Directors.

#### **11. Process of Determining Remuneration**

##### **(1) Remuneration of Directors**

- The amount of remuneration for each Director is determined by the Board of Directors within the amount specified by resolution of the General Shareholders' Meeting, after deliberation by the Remuneration Committee.
- The Remuneration Committee provides advice to the Board of Directors on matters such as performance evaluations and remuneration for the Company's Directors and Executive Officers.
- The Remuneration Committee is made up of 3 or more members.
- A majority of members and the chairperson have been appointed from among the Outside Directors by the Board of Directors.

##### **(2) Remuneration of Audit & Supervisory Board Members**

- The amount of remuneration of each Audit & Supervisory Board Member is determined by discussion by Audit & Supervisory Board Members, within the amount specified by resolution of the General Shareholders' Meeting.

#### **12. Governance Committee**

The Governance Committee whose chairperson is elected by mutual vote of the Outside Directors has been established for the purpose of discussion by all Outside Directors, the Chairman and the President regarding matters related to the status of, policies regarding and stance on corporate governance.

#### **13. Task-Specific Committees**

The Company has established The Sustainability Committee, Quality Improvement and Compliance Committee, Group Management and Monitoring Committee, Digitalization Committee, Group Systems Committee, Group International Business Committee and Risk Management Committee with the aim of deliberating important management issues involving business execution, as well as to coordinate perspectives across various departments.

### **Chapter 4: Group Management Structure**

#### **1. Roles of the Company (Holding Company)**

- The Company has executed into management supervision contracts with the domestic Group insurance companies in which it has direct investments (hereinafter referred to as "directly invested companies"), and supervises management of Group companies in order to realize management strategies, improve management efficiency and ensure financial soundness and appropriate operations within the Group.
- The Company has established "Basic Policy Pertaining to System for Internal Controls", "Risk Management Basic Policy", "Compliance Basic Policy", "Internal Audit Basic Policy", "Risk Appetite Statement", and "Basic Policy on Information and Technology Governance". In addition to requiring compliance with these policies by Group companies, important matters involving directly invested companies require either the approval of or reporting to the Company in line with management supervision contracts.
- The Company establishes group business strategy such as the Group's Medium-term Management Plan.
- The Company provides guidance and supervision through monitoring of the progress of management plans formulated by Group companies and the status of business execution, with the aim of achieving the goals of the Group.

#### **2. Role of Directly Invested Companies**

- Directly invested companies formulate their own policies and appropriately establish internal management systems based on the Group's Basic Policies, in addition to formulating management plans in each company based on the Group's Medium-term Management Plan to conduct management as individual companies.
- Directly invested companies also appropriately supervise the management of their subsidiaries under management supervision contracts.

## **Chapter 5: Relationship with Shareholders**

### **1. Constructive Dialogue with Shareholders**

The Company has disclosed the Policy on Constructive Dialogue with Shareholders and has established the system for promoting constructive dialogue with shareholders from the perspective of enabling deeper dialogue in the medium- to long-term and enhancing corporate value.

### **2. Ensuring Shareholder Rights and Equality**

The Company acts appropriately to effectively ensure the rights of shareholders, and endeavors to enable shareholders to appropriately exercise those rights as follows.

- The Company will take appropriate action to enable shareholders to effectively exercise their voting rights in the General Shareholders' Meeting.
- The Company will provide accurate information to contribute to appropriate decision-making in the exercise of voting rights by shareholders.
- The Company provides adequate explanation of capital policies, etc., that have a material impact on the interests of shareholders.
- In the event a proposal by the Company is approved in the General Shareholders' Meeting but with considerable votes in opposition, the Company analyzes the reason and volume of opposing votes, and responds appropriately.

### **3. Prevention of Transactions that Conflict with the Interests of Shareholders**

When the Company does business with a related party such as a director or a major shareholder, prior approval of the Board of Directors is required for important or non-standard transactions to ensure they do not harm the joint interests of the Company and the Company's shareholders.

### **4. Strategic Equity Holdings**

The Company has disclosed the "Basic Policy for Reduction of Strategic Equity Holdings" and the Criteria for Ensuring Appropriate Handling of the Exercise of Voting Rights Pertaining to Strategic Equity Holdings from the perspective of contributing to the increase in the Company's corporate value and that of companies in which shares are held by the Company in the medium-to long-term.

## **Chapter 6: Appropriate Disclosure**

- The Company and the Group's domestic insurance companies conduct disclosure based on the "Basic Policy for Disclosure of Information", to ensure that they act in accordance with disclosure rules stipulated by law and financial instrument exchange in line with this Basic Policy, and that their stakeholders are able to fairly, correctly and promptly understand important information.
- In addition to disclosure required by law, the Company also discloses non-financial information of significant interest to shareholders, including ESG (environment, society, governance) along with financial information, in an easily viewable "Integrated Report" format, intended to contribute to a constructive dialogue with stakeholders, including shareholders.
- In addition, this information is also disclosed in easily-accessible format on the Company's website, and other efforts, including the use of video, will be made to provide stakeholders with a better understanding on the website.

### **Supplementary Provision**

Revision and abolition of this policy shall be by resolution of the Board of Directors.

END

Established, June 22, 2015

Amended, June 26 2017

Amended, April 1, 2018

Last Amended, November 19, 2018

**Criteria for the Selection of Director Candidates and Audit & Supervisory Board Member Candidates**

**1. Outside director candidates and outside Audit & Supervisory Board Member candidates**

Candidates must meet the following requirements.

- Must not be disqualified from serving as a director or Audit & Supervisory Board Member pursuant to the Companies Act.
- Must not be disqualified from serving as a director or Audit & Supervisory Board Member of an insurance holding company pursuant to the Insurance Business Act.
- Must have a sufficient level of public credibility.
- An outside Audit & Supervisory Board Member must satisfy the eligibility requirements for a Audit & Supervisory Board Member pursuant to the Insurance Business Act.

Additionally, candidates must satisfy the following three requirements

**(1) Eligibility**

A candidate must have the qualities listed below that are necessary to monitor the overall management of the company and provide advice, based on a general knowledge of company management and a basic understanding of the roles of the directors and board of directors.

- Ability to discern facts from materials and reports
- Capability to detect problems and risks and apply own knowledge to solve them
- Capacity to appropriately monitor business strategy and provide advice
- Mental independence to openly question, debate, re-examine, continuously deliberate, and propose ideas in opposition to a resolution

**(2) Expertise**

Must have knowledge in a specialized field such as management, accounting, finance, law, administration, or social/cultural affairs, and have a record of achievement in that field.

**(3) Independence**

The following persons are ineligible.

- ① An executing person of the Company or a subsidiary of the Company.
- ② A director or Audit & Supervisory Board Member of a subsidiary of the Company.
- ③ A person for whom the Company is a major business partner (i.e. a person who received payments from the Company or subsidiaries of the Company that represent 2% or more of annual consolidated sales for the most recent fiscal year), or an executing person thereof (in the case of a consulting firm, auditing firm or law firm, a consultant, accounting professional, or legal professional who belongs to said corporation, partnership, etc.).
- ④ A major business partner of the Company (i.e. a person who made payments to subsidiaries of the Company representing 2% or more of the Company consolidated direct premiums written excluding deposit premium from policy holders for the most recent fiscal year), or an executing person thereof.
- ⑤ Any of the Company's top 10 largest shareholders (or, if the shareholder is a corporation, an executing person thereof).
- ⑥ An executing person of a company to which the Company or a subsidiary of the Company has appointed a director.
- ⑦ A consultant, accounting professional, or legal professional who has received, other than officer compensation, average cash or other financial benefits of at least 10 million yen per year for the past three years from the Company or subsidiaries of the Company.
- ⑧ A person falling under any of the items ② through ⑦ during the past five years.  
(Note) "During the past five years" means five years from the time the content of a proposal to the General Shareholders Meeting to elect the outside director or outside Audit & Supervisory Board Member was resolved by the Board of Directors.
- ⑨ An individual who was an executing person of the Company or subsidiaries of the Company in the past (in the case of an outside Audit & Supervisory Board Member, including an individual who has been a director of the Company or a subsidiary of the Company.)
- ⑩ A spouse or second-degree or closer relative of a person listed in items ① through ⑨ above (an executing person means an executive director, executive officer or an employee in a position of general manager or higher.)

**(4) Term limits**

The total terms of office for newly elected outside directors and outside Audit & Supervisory Board Members from April 1, 2015 onwards are as listed below.

- ① For outside directors, the expectation is 4 terms, 4 years, renewable for a maximum of 8 terms, 8 years.
- ② For outside Audit & Supervisory Board Members, in principle the total term is 1 term, 4 years, but this is renewable for a maximum of 2 terms, 8 years.

**2. Candidates for director other than outside director and candidates for Audit & Supervisory Board Member other than outside Audit & Supervisory Board Member**

Candidates must meet the following requirements.

- Must not be disqualified from serving as a director or Audit & Supervisory Board Member pursuant to the Companies Act.
- Must not be disqualified from serving as a director or Audit & Supervisory Board Member of an insurance holding company pursuant to the Insurance Business Act.
- Must satisfy the eligibility requirements for a director or Audit & Supervisory Board Member who engages in daily business at an insurance company pursuant to the Insurance Business Act.

Additionally, a candidate must have varied experience as well as highly specialized experience and must embody our corporate philosophy in the exercise of leadership.

END