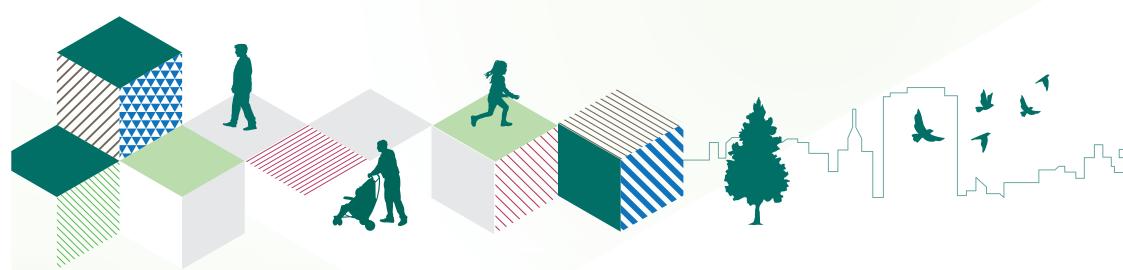
MS&AD MS&AD Holdings

MS&AD Integrated Report





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

Our Mission

The Group's Raison d'être

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

Our Vision

The Group's aspirations for the medium term

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

Our Values

The credo for all employees aimed at realizing the Group's mission

CUSTOMER FOCUS

Striving to provide security and satisfaction to our customers

INTEGRITY

Being sincere, kind and fair in our dealings with people

TEAMWORK

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

INNOVATION

Always improving the way we work while responding to stakeholders' interests

PROFESSIONALISM

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



Three Key Concepts of the MS&AD Integrated Report 2019

1

Creating shared value with society through our corporate activities

The fundamental mission of an insurance company is to support the sustainability of society.

To support stability in people's lives and dynamic business activities, we face the various issues that prevent them and the various risks that lie behind them, and utilize all the resources within the Group to advance initiatives to resolve these issues.

We are making steady progress toward the realization of a "Resilient and sustainable society" in 2030 by sensing the ever-changing needs of the times and creating value together with society.

2

Becoming a world-leading insurance and financial services group

The challenges we face are becoming more severe on a global scale.

We aim to become a world-leading insurance and financial services group that is capable of better serving our customers around the world by confronting emerging risks and the existing risks growing in scale and complexity.

With enhancing productivity by leveraging the Group's synergies and driving innovation via the Group's diversity, we strive for sustainable growth and to further increase corporate value.

3

Developing a resilient system that can swiftly respond to changes in the environment

What is required to be a resilient and sustainable company in a rapidly changing business environment is by having a stable management platform, world-class talents, a corporate culture that embraces diversity and the resiliency to swiftly respond to whatever social changes may come.

Our society is evolving at an unprecedented rate and becoming increasingly complex and unpredictable.

However, no matter how the circumstances change, the MS&AD Insurance Group will transform itself to pursue our mission: "Contribute to the development of a vibrant society and help secure a sound future for the planet" in any period of time.

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Editorial Policy

The MS&AD Group publishes the Integrated Report to provide customers, shareholders, investors and all other stakeholders with a deeper understanding of our initiatives aimed at solving the challenges faced by society and at increasing corporate value throughout the business. This Report was edited based on the International Integrated Reporting Framework provided by the International Integrated Reporting Council (IIRC) and the Guidance for Collaborative Value Creation provided by the Ministry of Economy, Trade and Industry in order to explain our business model-based story of value creation and the creation of shared value with society (CSV initiatives) in an easy-to-understand manner.

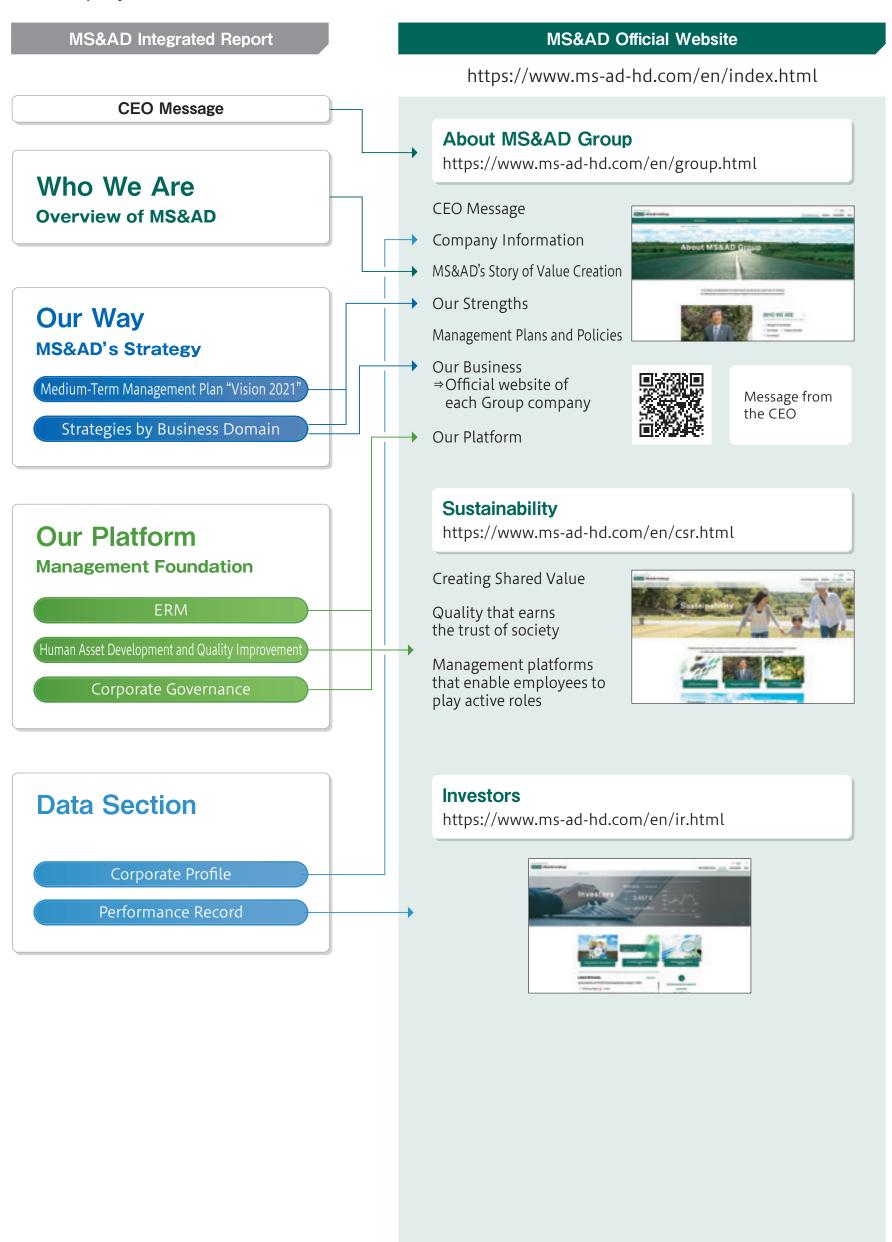
value with society (CSV initiatives) in an easy-to-understand manner.

The MS&AD Integrated Report 2019 takes up the new medium-term management plan "Vision 2021," which was launched in the previous fiscal year, in order to explain our strategies and specific initiatives designed to facilitate sustainable growth toward realizing the image of society for which we are aiming. At the same time, the Report provides an explanation of the management platforms that support these initiatives. For further detailed information, please visit the MS&AD official website. (For a guide to the relationship between this report and our website, please refer to the explanation on the following page.)



MS&AD Disclosure Framework

For further detailed information on the MS&AD Insurance Group, please refer to the information on the Company's official website.



CEO Message



Introduction

The new Reiwa era has dawned in Japan. Entering this new age, we are filled with joyful expectations about the future, but, looking beyond, the global situation has become increasingly unstable and the global economic growth outlook is not bright by any means. Natural disasters have become larger and are occurring more frequently—indeed, historical large-scale losses were seen overseas in fiscal 2017 and in Japan in fiscal 2018.

The number of natural catastrophe claims received from within Japan in fiscal 2018 was about 520,000 for the entire Group, substantially exceeding the figure stemming from the Great East Japan Earthquake. Also, overseas, following fiscal 2017, which was said to be the year with the most natural disasters, fiscal 2018 saw hurricanes in the US, a series of earthquakes in Indonesia and wildfires in California, resulting in the fourth largest losses in history.

In response to these calamities, to support those affected and see their lives return to normality and to restore communities, we put in place Group-wide measures to do our best to pursue prompt insurance payments.

Some wisdom is born out of having to face such a critical situation. When natural disasters frequently hit Japan last year, we employed AI and digital technology, such as the introduction of remote on-site investigation using a smartphone video chat system, damage appraisal utilizing drones and payment operations utilizing robotic

CEO Message

Who We Are

Our Way

Special Feature

Our Platform

Appendix

process automation (RPA), thus realizing efficient operational flow from ascertaining

The frequent occurrence of large natural disasters has an extremely big impact on the non-life insurance business. In addition to the prompt responses to such disasters, the issues of climate change and natural capital, which induce such disasters, are subjects our Group as a whole should address.

RPA

Robotic process automation (RPA) is the use of software robots to perform routine tasks previously performed by humans using computers.

Progress of "Vision 2021" medium-term management plan

(See PP.27-28 for details)

damage to insurance payouts.

Last fiscal year saw the start of the Group's medium-term "Vision 2021" management plan. By holding up "a resilient and sustainable society" as the image of the society we will achieve by 2030, we have clarified what the Group aims for in the medium term.

As for the image the Group aims for in the medium term, the first goal in "Vision 2021" is to become "a world-leading insurance and financial services group," which has been our vision since its birth. Specifically, this means achieving a scale that is ranked among the global top ten non-life insurance groups in terms of size of business, achieving capital efficiency with a Group Adjusted ROE of 10% and securing an economic solvency ratio (ESR), a financial soundness indicator, of 180-220%.

As for scale according to the Fortune Global 500, the Group was ranked 7th and 5th in 2018 and 2019, respectively, in the property & casualty insurance category, maintaining its rank among the top 10. As for financial soundness, the Group consistently secured an appropriate level throughout fiscal 2018. On the other hand, as for capital efficiency, due mainly to the frequent occurrence of natural disasters, Group adjusted ROE was 6.1%, a result which was less than expected at the beginning of the fiscal year and which remains a challenge going forward. Taking account of capital cost and aiming at achieving Group Adjusted ROE that stands comparison with major insurance companies in the US and Europe, the Group will tackle how to increase shareholder value.

The second goal in "Vision 2021" is to create "resilient systems that can swiftly respond to environmental changes." Due to the increasing size and complexity of existing risks, the emergence of new risks and changes in social structure, societal needs change. To respond promptly to environmental flux, we ourselves have to become a resilient and sustainable group. To that end, we have set three key strategies: namely 1) pursuing the Group's comprehensive strengths, 2) promoting digitalization, and 3) reforming our portfolio to develop resilient systems that can respond to environmental changes.

Key Strategy 1

Pursuing the Group's comprehensive strengths

(See PP.30-31 for details)

The reason the Group opted for integration in the form of reorganization by function was to pursue a business model of total optimization which simultaneously realizes growth and efficiency of the Group. To that end, each Group company is required to increase its top line while simultaneously improve productivity of the Group as a whole. At present, the Group is working to enhance the quality of products and business efficiency through a review of role division and cooperation within the Group, and promoting various initiatives to strengthen competitiveness utilizing synergies.

For example, in the domestic non-life insurance business area, as a joint development between Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance, the Group launched Observe and Protect Automobile Insurance, which supports safe driving by utilizing a dashboard camera. This product, the result of prompt and low-cost product development, saw sales of more than 100,000 units during the four months since its start in January 2019.

Last fiscal year, each Group company saw steady top line growth and some initiatives within the Group made progress, while an improvement in productivity remains a big challenge. To overcome this, it is necessary to improve agent business productivity, promote digitalization thereby realizing real-time improvement in productivity, promote sharing and standardization within the Group, and promote diversity and inclusion such as supporting career development for women. Going forward, the Group will accelerate with a sense of urgency cross-cutting initiatives in a broad range of areas, such as products and services, sales activities, the development of human assets, contact centers, and affiliated companies. Through doing so, the Group will be able to utilize the merits of reorganization by function and contribute to further expanding profits.

Key Strategy 2

Promoting digitalization (See PP.32-33 for details)

The recent wave of digitalization, noticeably in populous China and India, has been progressing at an extremely rapid tempo. Centering on digitalization, we have been developing global initiatives that will lead to exercising the Group's comprehensive strengths. We have three objectives in promoting digitalization: enhancement of the value of customer experience, improvement in business productivity and creation of new business models. Toward realizing these objectives, we have been accelerating initiatives from a stance of open innovation.

For example, the holding company started a corporate venture capital business in Silicon Valley in October 2018 and it began to invest in start-up firms that can be expected to bring transformational changes to our business. As a result of rapid decision-making, the venture capital invested in about 20 start-up firms within six months after establishment, which are all unique creating new business models utilizing advanced technologies. In addition, in Israel, where start-up firms with cutting-edge digital technologies are concentrated, we have made arrangements to exploit advanced digital and cyber technologies. Going forward, we will build on these bases to steadily promote, together with our agents, business process reform, greater competitiveness of sales channels and digitalization of products and services.



MS&AD is the first Japanese insurance group to establish a corporate venture capital (CVC) operation in Silicon Valley. CVC plays a vital role in bringing Japan and the world together through innovation.

CEO Message

Key Strategy 3

Reforming our portfolio (See PP.34-35 for details)

To become a resilient and sustainable company, it is essential to build a stable profit base. While a recovery in profits was delayed in the international non-life insurance business, profits from the life insurance business exceeded plan. Due partly to expanding investment in the international life insurance business, we were able to improve the balance between life and non-life insurance businesses and stabilized the profit base.

The domestic non-life insurance business, including Mitsui Direct General Insurance, continued to see high premium growth in fiscal 2018. Profits from automobile insurance increased and those from casualty insurance steadily expanded, thereby promoting conversion of the product portfolio to being more balanced.

In the domestic life insurance business, the development and sale of products which are tuned to the progress of an aging society and changes in people's lifestyle are faring well. At Mitsui Sumitomo Aioi Life Insurance, a medical insurance product called New Medical Insurance Ace Premia, has been steadily winning contracts. Mitsui Sumitomo Primary Life Insurance has been selling pension products featuring an enhanced tontine system and whole life insurance that focuses on living donations, and these products have been adopted by many financial institutions in their product line-up. The Group's domestic life insurance business posted adjusted profit of more than 30 billion yen and has grown to be one of the stable profit pillars of the Group.

In international business, the Group added First Capital in Singapore and, through capturing growing markets such as China and India, firmly established bases in Asia, where we have had considerable strength. Though MS Amlin is on the way to a profit recovery, there has been no change in terms of its strategic importance in our Group due to its leading position in the Lloyd's market (the leading insurance market in the world), pool of talented human assets, and expertise in specialty areas. Furthermore, the Group has been involved in telematics that has been developed in cooperation with Toyota Motor Corporation and also the international life insurance business that has been developed with top-notch local partner companies, thereby diversifying our portfolio.



Mitsui Sumitomo Insurance Co., Ltd., holds regular committee meetings, consisting primarily of executives responsible for international business. The committee members engage in vigorous discussion of topics such as international business strategy, progress on overseas projects across regions, and issues and prospects in each region and market.

Sustainability initiatives

Our Group has been pursuing a particular mission, namely "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." The role of our Group is to confront various risks stemming from social issues which could impair that mission by providing solutions for these issues. Providing various products and services that could lead to resolving social issues and creating an

Sustainable Development Goals

In 2015, the United Nations adopted Sustainable Development Goals (SDGs) as global goals that should be achieved by 2030 with the aim of development balancing social, economic and environmental sustainability. There are 17 goals and 169 targets that the world should prioritize as issues to be tackled, such as eliminating poverty and countering climate change.

ВСР

A business continuity plan (BCP) is a plan for minimizing damage to a company in the event of an emergency, such as an act of terrorism, a natural disaster or a system interruption, so that the company can continue operations or recover as quickly as possible.

environment in which customers can live and conduct business in a secure manner is the "story of value creation" of the MS&AD Insurance Group. The "story of value creation" has become a common vector to illustrate how meaningful one's own work is in society.

"Vision 2021" identifies four social issues we need to focus on: diversified/ large-scale accidents and disasters, the global environment approaching its limit, mounting burden of nursing/medical care associated with an aging population and decline in social vitality due to widening inequalities. To address these four issues, the Group has set seven key initiatives centering on creating shared value (CSV) (see PP.54-62 for details). We have ascertained how each will contribute to the Sustainable Development Goals (SDGs) and clarified the role our Group should play to underpin the sustainability of society. The Group as a whole will promote CSV and aim at raising corporate value as well as realizing a resilient and sustainable society.

To disseminate such initiatives throughout the entire Group, we held a "Sustainability Contest" (see P.63 for details) last August—there were 526 applications including some from overseas entities. Upon judging by 61 Group executives, an initiative of the Hokkaido Branch of Mitsui Sumitomo Insurance was awarded first prize. This branch holds a monthly "Visionary Meeting" in which staff members bring their wisdom to "resolving problems of local society." Through this "Visionary Meeting," an initiative to visit customers and industry insiders to learn about their challenges and needs, they have actually developed problem solving insurance products that led to Expensive medical equipment compensation (insurance for maintenance costs) for hospitals and Beef cattle compensation (accident insurance for beef cattle) for beef cattle ranches. This was a good example where honestly facing challenges unique to the region, such as maintaining medical infrastructure amid an aging population and supporting the livestock industry whose profits fluctuate, resulted in discovering solutions through insurance. Other various CSV initiatives were introduced and shared with the whole Group.

A decline in the vitality of regional society is one of the key issues facing our Group. In CSV initiatives aiming at creating a resilient community, as a regional revitalization program, the Group has been developing problem solving initiatives that are related to the SDGs, such as initiatives to prevent and reduce disasters, business continuity planning (BCP) proposals, utilization of natural capital and industrial promotion through sports. For example, together with Koki Kawauchi, a former public official and marathon runner who signed a contract with Aioi Nissay Dowa Insurance, we have been developing a nationwide "marathon caravan" to invigorate Japan through marathons, linking with contributions to the local community. Such initiatives that put emphasis on the sustainability of a region have been well received and collaboration with various local governments has gradually been expanding within our Group as a whole.

Currently, we are planning to expand our ideas of the "story of value creation" and CSV to our agents. From last year, through our agents, we have been promoting a "water disaster and earthquake preparedness proposal campaign," where agents



In April 2019, marathon runner Yuki Kawauchi concluded an affiliation agreement with Aioi Nissay Dowa Insurance Co., Ltd. Kawauchi and Aioi Nissay Dowa are partnering to present Marathon Caravan, a running tour of Japan. Through this project, we are supporting the realization of dynamic local communities, with the aim of contributing to regional development.

CEO Message

explain to customers the risks associated with water disasters and earthquakes and have customers confirm the content of compensation by themselves, enabling them to be prepared for an emergency. Among Full-Time Agents (see P.91 "Glossary of Insurance Terminology"), there are those who not only introduce insurance products but also make preemptive proposals before disasters occur through showing hazard maps and encouraging customers to secure an evacuation route. We have renewed our recognition that to realize the society our Group is aiming at, the assistance of agents who interface with customers on a daily basis is necessary. This year, for Mitsui Sumitomo Insurance full-time agents, we have prepared an animation entitled "Bond Toward the Future." Get close to the region, guard resident customers' daily lives and continue to guard them even after generations go by—these are the missions of insurance agents. Eying the same future, we will strengthen our partnership with insurance agents nationwide to support customers and the sustainability of regional society.

Employees playing active roles

In the growth model of Japan's economy after World War II, uniformity mattered and everybody moving toward the same direction became a great driving force behind economic growth. It was an era in which a homogenized labor force proved to be successful. However, in an era of uncertainty, in which rapid social changes are seen, diversity and inclusion (see PP.71-72 for details) will be necessary. Besides promoting the career development of women, unless human assets from a variety of career backgrounds and nationalities, with various opinions and different inspirations, can be harnessed and directed to bolstering the comprehensive strengths of the Group, the Company's competitiveness will wane.

As for the career development of women, while it is important to manage each individual's motivation and provide opportunities for management, such would be meaningless unless management is appropriately educated on the subject, including assignment skill. The same can be said with respect to foreigners, the elderly and people with disabilities. It is important to lay the foundation to accept opinions that are different, or sometimes conflicting, with one's own, and debate with one another. Aiming at changing the mindsets of the holding company's executives, I attended a lecture on "unconscious bias" in April this year and was quite stimulated.

In fostering global talents, while it is important to cultivate those who can play an active role overseas and dispatch them, I think each of our companies in Japan should themselves become more global, namely, they should nurture a global mindset in terms of feeling, behavior and attitude even though in Japan. For example, employees with overseas experience have learned various things through experiencing different business customs and sense of values as well as living in a different culture. They have gauged the necessary English communication skills required for holding discussions overseas. I expect such global talent to exercise leadership at home and abroad and to play a significant role in converting our company to being a really globalized one.

As for work-style reform, there are various arguments within our company. While limiting working hours is a subject of debate, it doesn't make sense if there is no understanding of why work-style reform is being pursued. According to the OECD, Japan's labor productivity has always ranked the lowest among advanced economies every year. In my view, to reduce working long hours, it will be necessary not only to tighten regulations and laws but also educate management together with business process reform. This is because work efficiency will not improve without prompt

Uniformity

The state of being uniform, homogenous or identical

Assignment skill

The ability to recognize the skills of each employee accurately and assign the right person to the right job, so that each can leverage his or her distinct capabilities to build a dynamic and effective organization

Unconscious bias

The habit of taking age, sex, whether an employee has small children and similar factors into account when assigning employees to tasks, without realizing it. Examples include assuming that men take leadership roles while women take support roles; that it is unkind to assign heavy responsibilities to women; and that female employees with small children can not undertake business travel.

OECD

The Organisation for Economic Co-operation and Development (OECD) is an international organization created for the purpose of wide-ranging dialogue on matters of international economics. The OECD has been called "the world's biggest think tank."

OECD website https://www.oecd.org

decision-making and proper assignment by managers at the front line. On the other hand, it will also be crucial for individual employees to build up their abilities to design their own way of life and career vision. Unless each employee has his/her own values regarding his/her life, such as motivation for work and a future career plan, work-style reform in a real sense cannot be achieved. Creation of shared values with our customers greatly depends on employee satisfaction toward work at the front line. In promoting the "story of value creation," it is crucial to prepare an environment in which employees, who are the main characters, can work vigorously and with enthusiasm. Diversity and inclusion, as well as work-style reform, are measures to realize such an environment.



Yasuyoshi Karasawa, President & CEO, spoke at a seminar for female executives and executive candidates. Speaking on the theme of "Promoting Diversity and Inclusion: The Age of Designing Work and Life," Karasawa spoke on the four characteristics required of a leader, organizational support for promoting women's activity in the working place and changing mindsets among employees.

Corporate governance (see PP. 75-77 for details)

What is most important in corporate governance is to enhance the transparency of management for stakeholders. The succession plan announced this May was formulated through thorough discussions, mainly by outside directors, and included appointment criteria for the CEO of the MS&AD Insurance Group, appointment process, development planning, and dismissal process. The development plan included content that will enhance recognition as a manager, such as global experience, governance, and external training including MBA study. We also revised directors' remuneration. We have increased the portion of performance-linked remuneration against the portion of fixed remuneration, set short- and medium- to long-term assessment indicators, and introduced non-financial indicators, such as sustainability initiatives in medium-to long-term assessment. Such a remuneration framework will be quite effective if we consider the possibility that executives from overseas might become directors of the holding company.

At present, 25% of members of the Board of Directors are female from a variety of backgrounds. The Board has diverse members with high expertise and wisdom in the area of corporate management experience, economics, law, finance and education. At Board meetings, we secure sufficient time and have active discussion with outside directors on issues ranging from individual business to overall business strategy. While we sometimes receive harsh opinions, through management incorporating outside viewpoints, management transparency is ensured. In that sense, I believe the check and balance function of our outside directors is being thoroughly exercised.

CEO Message

In the age to come

We are entering an era of uncertainty. The global situation is constantly changing as witnessed by the intensification of US-China trade friction, turmoil on the European political stage and spread of uncertainty concerning emerging economies. Moreover, due to the rapid progress of digitalization, the wave of change in industrial structure and the conversion of business models have been surging. Furthermore, the gravity of the global environment problem have been increasing. Frequent occurrences of large-scale natural disasters due to climate change causes enormous damage not only to the lives of civilians and corporate production but also to industry and the economy as a whole.

Against such a backdrop, the role our Group, which aims at realizing a resilient and sustainable society, can play will be extremely meaningful. In particular, we will actively address challenges concerning climate change as such will have a significant impact on the insurance business. For example, we will exhibit leadership in cooperation with the United Nations Environment Programme – Finance Initiative (UNEP FI) and initiatives under the Task Force on Climate-related Financial Disclosures (TCFD) (see P.65 for details) and commence specific actions. On the other hand, for individuals, firms, and local governments, we will apply a full range of measures to prevent and reduce disasters, as well as to promote forecasts and precautions through disaster risk analysis.

In addition, in Society 5.0, it will be required to meet social challenges through utilizing digital innovation as well as imagination and unique creativity via a diverse range of people. What role can automobile insurance play in the next generation mobility society, which is represented by the new areas of MaaS (mobility as a service) and CASE (connected cars, autonomous driving, car/ride sharing, and electric)? As digitalization in its real sense is a business model transformation, our Group should take account of the raison d'être of the insurance business and transform ourselves amid these changing social platforms.

In promoting such forward-looking initiatives by the Group as a whole, I realized the importance of the "story of value creation." This is a common vector for our more than 40,000 Group employees. Each Group company and each employee implementing the "story of value creation" will lead to realizing the mission to "contribute to the development of a vibrant society and help secure a sound future for the planet."

When listening to advanced global firms, all have extremely clear purposes, namely, a raison d'être. In the age to come, precisely because uncertainty is high, a company's raison d'être will have great significance. In that sense, permeation of the mission of MS&AD Insurance Group and the "story of value creation" which embodies the mission will have important implications more than ever. Based on the "story of value creation" and using SDGs as leading marks, we will advance CSV initiatives toward creating shared value with society and make steady steps to realize a "resilient and sustainable society" by 2030.

Concluding remarks

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

UNEP FI

The UNEP Finance Initiative (UNEP FI) is a wide-ranging yet detailed partnership between the United Nations Environmental Plan (UNEP) and more than 200 banks, insurance companies, securities firms and other financial institutions worldwide. Its aim is to promote financial systems that incorporate careful consideration of both economic development and ESG.

TCFD

The FSB Task Force on Climate-Related Financial Disclosures is a task force established by the Financial Stability Board (FSB). The FSB is a swiss-based international consultative body created in 2015 to assist in the stabilization of financial systems.

Society 5.0

"Society 5.0" is a human-centered society that will drive economic growth and solve social issues by merging cyberspace and the physical space at a sophisticated level. It is said to be the successor to Society 1.0, the hunter-gatherer society; Society 2.0, the agricultural society; Society 3.0, the industrial society; and Society 4.0, the information society.

MaaS

Mobility as a Service (MaaS) is a service that provides each individual with the means of transportation that is optimal for that person. By seamlessly linking forms of transportation ranging from private automobiles to trains, buses, taxis and bicycles, MaaS provides total service in the transportation space.

CASE

This acronym stands for Connected, Autonomous (referring to automated driving), Sharing and Services (car sharing and other services) and Electric (referring to electric vehicles). Advocacy of CASE began as part of a medium- to long-term strategy drafted by German automaker Daimler AG.

Brighter future

We introduce some of the wide range of activities the MS&AD Group is undertaking in the creation of shared value (CSV).

Brighter future website https://www.msad-mirai.co.jp (Japanese language only)

Who We Are

Overview of MS&AD

MS&AD's Story of Value Creation

Contribute to the Development of a Vibrant Society and Help Secure a Sound Future for the Planet

Bringing Vision to Reality

Today, society is experiencing disruptive change. Whether it be from unstable world affairs, increasingly serious environmental problems, and changes in social and industrial structures resulting from the evolution of IT, new risks of accidents and disasters are emerging. In this age of uncertainty, we have identified four social issues that our Group should address from the mid- to long-term perspective.

Rapid Social Change



Four social issues that the Group can help resolve

- Diversified/large-scale accidents and disasters
- The global environment approaching its limit (e.g. climate change and depletion of resources)
- Mounting burden of nursing/ medical care associated with an aging population
- Decline in social vitality due to widening inequalities

Who We Are
Overview of MS&AD

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

To realize our vision of society, we need to face those social issues that impede this vision, and promptly identify various risks stemming from the issues and provide information on these risks.

Then, through a variety of products and services, we need to prevent risks from occurring or minimize the impact of those risks and to reduce the economic burden when those risks materialize. By doing so, we help create an environment where customers can live and conduct business in a secure manner. That is our story of value creation.

To contribute solutions to such social issues, and to attain a "Resilient and Sustainable Society" by 2030, we are working on Creating Shared Value (CSV) initiatives using the Sustainable Development Goals (SDGs) to guide our way. Together with our stakeholders, we pursue the Group's sustainable growth and enhanced corporate value through the CSV initiatives.





Our Image of Society in 2030

- + Deal with new risks
- + Create a safer mobility society
- + Strive for resilient community development
- + Support "good health and longevity"
- + Contribute to climate change mitigation and adaptation
- + Strive to improve the sustainability of natural capital
- → Work toward the realization of "leaving no one behind"



























The MS&AD's Story of Value Creation

Resources Supporting MS&AD

Financial Capital

 Sufficient and sound financial base enabling the underwriting of customers' risks

Consolidated net assets (as of March 31, 2019)

¥2,778.0 billion

Human Capital

- Global and diverse human assets
- Professional human assets with sophisticated expertise related to insurance, risks, etc.

Consolidated number of employees (as of March 31, 2019)

41,467

Intellectual Capital

- Expertise and trustworthiness supported by a lengthy business history and experience
- Most abundant risk data in Japan and the ASEAN region

Number of risk surveys conducted (FY2018) -----1.140

Social and Relationship Capital

- No. 1 in the scale of its customer base in Japan Number of individual Approx. 42 million customers in Japan¹ Approx. 2.4 million Number of corporate
- No. 1 in gross premiums written in the ASEAN region
- No. 1 in the size of its agent network in Japan Number of domestic 86,222 non-life insurance agents¹

customers in Japan¹

Domestic marketing bases² — 261 branches/1,016 offices

Domestic claims handling service centers³ —— 428

- Overseas bases 4 countries/regions
- Relationships with leading companies in other sectors including the Toyota Group, the Nippon Life Group, the Mitsui Group and the Sumitomo Group

Natural Capital

- Stable global climate system
- Preservation of biodiversity in nature
- Sustainable natural resources
- Amount of paper used 10,545 tons
- 1. Simple sum of the number of customers and the number of agents at MSI and ADI (as of March 31, 2019)
- 2. Simple sum of the number of bases at domestic insurance companies (as of April 1, 2019)
- 3. Simple sum of the number of claims handling service centers at domestic non-life insurance companies (as of April 1, 2019)

4. Includes SLI Cayman Limited (financial services business) in the Cayman Islands (as of April 1, 2019)

MS&AD's **Strengths**

Scale

Adequate capacity derived from scale

History

Past experience and lessons are the seeds of the future

Diversity

Creativity and synergies derived from diversity

Innovation

Realizing growth in tune with the times

Sustainability

Always align with society

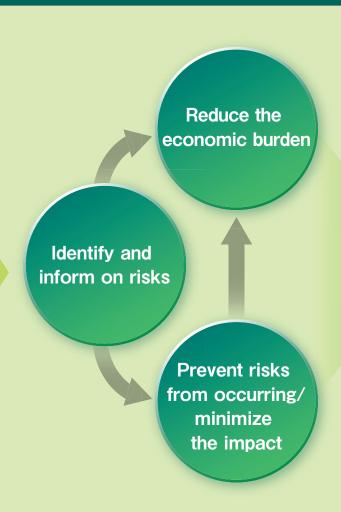
Contributing to the of a Vibrant and Helping Secure for the

Social Issues

Diverse risks surrounding society

- Diversified/large-scale accidents and disasters
- Global environment approaching its limit (Climate change and depletion of resources, etc.)
- Mounting burden of nursing/medical care associated with aging population
- Decline in social vitality due to widening inequalities

MS&AD's Business Model



Systems Supporting

Resilient systems that can respond to a changing environment

Optimum resource allocation and appropriate risk management

Medium-Term Management Plan

ERM

P. 27

▶PP. 36, 66

Overview of MS&AD

Development Society a Sound Future Planet

Resilient and **Sustainable Society**

Stability in people's lives **Dynamic business** activities

> **Provision of safety** and peace of mind

Global insurance / financial services business

Five Business Domains

Domestic Non-Life Insurance Business

P. 46

P. 52

Financial Services Business

Insurance Business

Domestic Life

Risk-Related Services Business P. 50

International Business

P. 48

Corporate Value Creation

Management platforms that enable employees to play active roles and quality improvement

Strengthening corporate governance

Human Asset Development and Quality Improvement

Corporate Governance

P. 70

▶ P. 75

Creating Value in Cooperation with Stakeholders (results of FY2018)

Customers

Shareholders

Agents

Business Partners

Employees

Environment

Local Communities/ International Society

Financial Capital

- Increase capital efficiency
- Increase Group Adjusted Profit
- Returns to shareholders
- * Total Shareholder Return (TSR) is the ratio calculated by dividing the return (dividends and capital gains) on investments in stocks over a specified period by the share price (investment amount).

Group Adjusted ¥189.8 billion

Group Adjusted

TSR* of past 5 years

Human Capital

- Provide working environments that offer greater amenities and support personal growth
- Provide employment that is stable and gives due consideration to work-life balance

Employee satisfaction level1

4.4 points

Days of paid vacation used per employee/year²

- 1. This measures the level of employees' feeling pride or job satisfaction. (The figure is an average for all employees based on a survey of employees–6 points represents perfect satisfaction.)
- 2. Average number of vacation days acquired by all employees with respect to "regular/carryover vacation days" as well as "special vacation days"

Intellectual Capital

- Foster the development of employees with high levels of specialized expertise
- Provide products and services that respond to changing and diverse customer needs
- Provide society with risk-related surveys and research results

Research reports issued¹

Number of actuaries²

- 1. We issued reports on diverse subjects including CSR, corporate risks, BCM, workers' compensation risks, transportation risks, overseas crisis management information and infectious disease information.
- 2. Number of professional actuaries employed by MS&AD Group with specialized skills for making full use of probability, statistical and other mathematical techniques used in product development, risk management, financial soundness confirmation and other processes (as of April 1, 2019)

Social and Relationship Capital

- Disburse insurance payment of claims and benefits appropriately and speedily
- Provide services to prevent accidents and disasters from occurring
- Provide a high-quality and diverse agent network
- Fulfill corporate social responsibility through cooperative relationships with business partners
- Provide products and services that protect such social capital as social infrastructure, government services, etc.

Insurance claims paid1

Customer ¥2,528.1 billion satisfaction²

- 1. This represents the sum of net claims paid and life insurance claims. (FY2018)
- 2. Ratio of customers satisfied with accident response for automobile insurance (MSI and ADI) (FY2018)

Natural Capital

- Reduce CO₂ emissions to slow the pace of climate change
- Contribute to the preservation of biodiversity
- Reduce the Environmental burden to allow sustainable use of natural resources

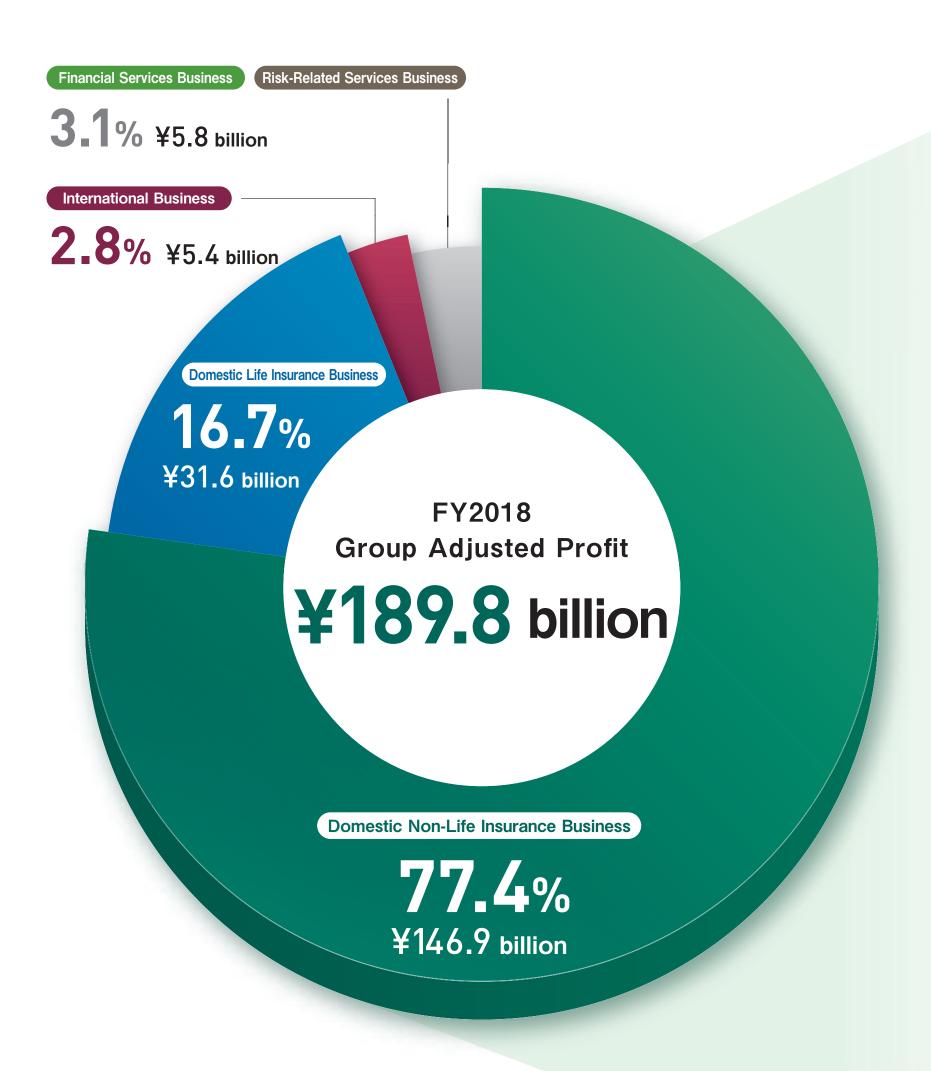
paper reduced

Employees participating in social contribution activities*

23,601

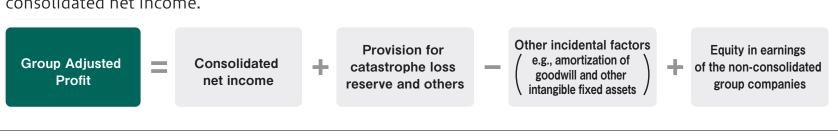
* Number of employees who make donations or participate in volunteer activities as an individual or part of the company. (excluding employees overseas)

Five Business Domains





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



Overview of MS&AD

Domestic Non-Life Insurance Business P. 44

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



MS&AD Aioi Nissay Dowa Insurance

MS&AD Mitsui Direct General Insurance





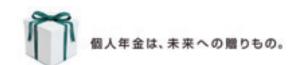


Domestic Life Insurance Business

P. 46

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





MS&AD Mitsui Sumitomo Primary Life Insurance

International Business

MS&AD Mitsui Sumitomo Aioi Life Insurance

P. 48

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









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

Financial Services Business

P. 52

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

MS&AD Mitsui Sumitomo Insurance

MS&AD Aioi Nissay Dowa Insurance

MS&AD MITSUI SUMITOMO INSURANCE Venture Capital Co., Ltd.

MS&AD MS&AD Loan Services Co., Ltd.



Sumitomo Mitsui Asset Management

Risk-Related Services Business

P. 50

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



MS&AD InterRisk Research Institute & Consulting, Inc.





INTEGRATED REPORT 2019

MITSUI SUMITOMO INSURANCE Care Network Co., Ltd.

five business domains

Fureai Do-Life Services Co., Ltd.

MS&AD MS&AD Business Support Co., Ltd. MS&AD Group companies that support the

MS&AD MS&AD Business Service Co., Ltd.

MS&AD Staffing Service Co., Ltd.

MS&AD ABILITYWORKS Company, Limited

MS&AD MS&AD Systems Co., Ltd.

MS&AD WENTURES

Positioning in Each Business Domain



► Fortune Global 500: 2019 Income Ranking

(Ordinary income basis for Japanese insurance groups) (US\$ million)

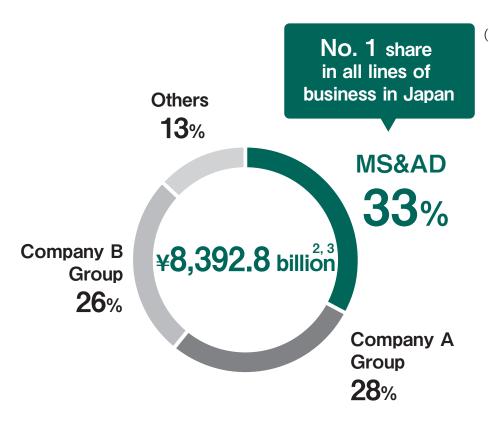
| | Company/Group Name | Income |
|----|---------------------------------|-----------|
| 1 | Berkshire Hathaway | \$247,837 |
| 2 | State Farm Insurance Cos. | \$81,732 |
| 3 | People's Insurance Co. of China | \$75,377 |
| 4 | Munich Re Group | \$67,226 |
| 5 | MS&AD Insurance Group Holdings | \$49,610 |
| 6 | Tokio Marine Holdings | \$49,396 |
| 7 | American International Group | \$47,389 |
| 8 | Zurich Insurance Group | \$47,180 |
| 9 | Nationwide | \$43,270 |
| 10 | Liberty Mutual Insurance Group | \$42,685 |

Source: Fortune Global 500 2019 Insurance Property & Casualty (Stock + Mutual)

Domestic Non-Life Insurance Business

The insurance group most chosen by customers in Japan

Share of Net Premiums Written¹ (FY2018)

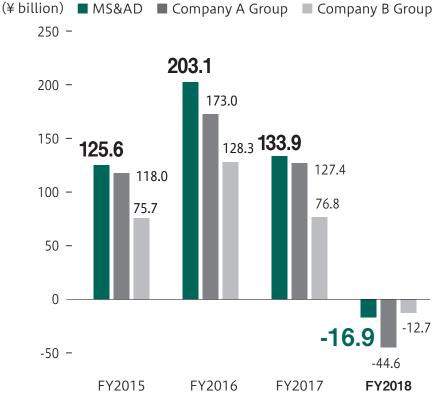


Sources: Prepared by MS&AD based on publicly announced information from each insurance company and data from the General Insurance Association of Japan.

- 1. MS&AD figures are the simple sums of figures for MSI, ADI, Mitsui
- Direct General and au Insurance Company
 2. Figures for other insurance groups are simple sums of non-consolidated figures for domestic companies in each group.
- 3. Figures are presented exclusive of the Good Results Return premiums of Mitsui Sumitomo Insurance's proprietary "ModoRich" automobile insurance product, which contains a special clause for premium adjustment and refund at maturity (same hereinafter)

Underwriting Profit

(prior to reflecting catastrophe reserves)*



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

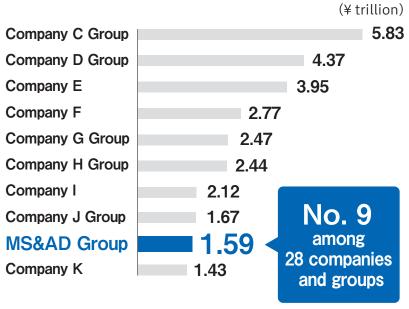
* Figures for MS&AD are the simple sum of the non-consolidated figures for MSI and ADI; For the others, the simple sum of the non-consolidated group figures excluding the direct insurance companies of each group

Overview of MS&AD

Domestic Life Insurance Business

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

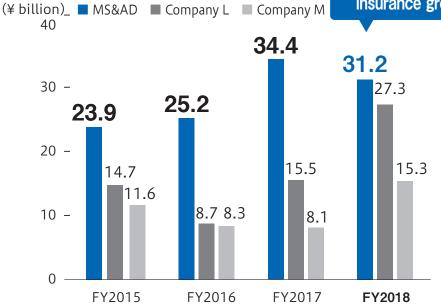
Domestic life insurance companies/groups' premiums and others ranking (FY2018)



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

Net income of life insurance companies under three non-life insurance groups





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

International Business

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

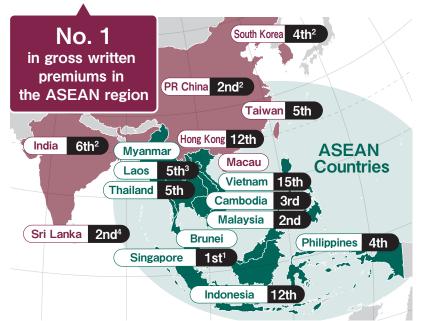
With global business expansion to 48 countries and regions¹, especially in Asia, and as the world's only global non-life insurance group with a presence in all 10 ASEAN countries, the Group maintains the No. 1 presence for gross written premiums in the ASEAN region.

1. Excludes SLI Cayman Limited (financial services business) in the Cayman Islands (as of April 1, 2019)

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

FY2017 Gross Written Premiums Ranking in ASEAN Countries

No. 1 >>> MS&AD No. 2 >>> Company N No. 3 >>> Company O



Source: Prepared by MS&AD based on publicly announced corporate information from each country and region (reinsurance companies excluded)

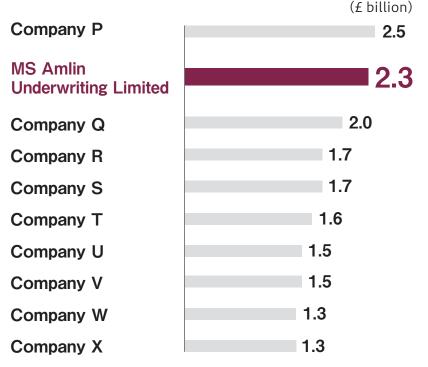
- 1. Simple sum ranking for FY2017 results with First Capital
- 2. Ranking for foreign-based insurance companies
- 3. Because data for FY2017 was not publicly available, the FY2016 ranking for
- 4. Ceylinco Insurance PLC included in the Company's scope of consolidation as an equity-method affiliate in August 2018.

As the Group's U.K.-based insurance holding company, MS Amlin is a principal player as a managing agent² with Lloyd's of London³, the world's most-influential insurance market, where it is ranked second with respect to gross written premiums

2, 3 See Terminology P. 92

Lloyd's syndicate Gross Written Premiums ranking

No. 2 among 57 companies in Lloyd's **Insurance Market**



Source: Lloyd's Annual Report 2018 Based on gross written premiums for FY2018

^{*}Figures for "Group" are calculated based on the non-consolidated sums of each group company

Group History

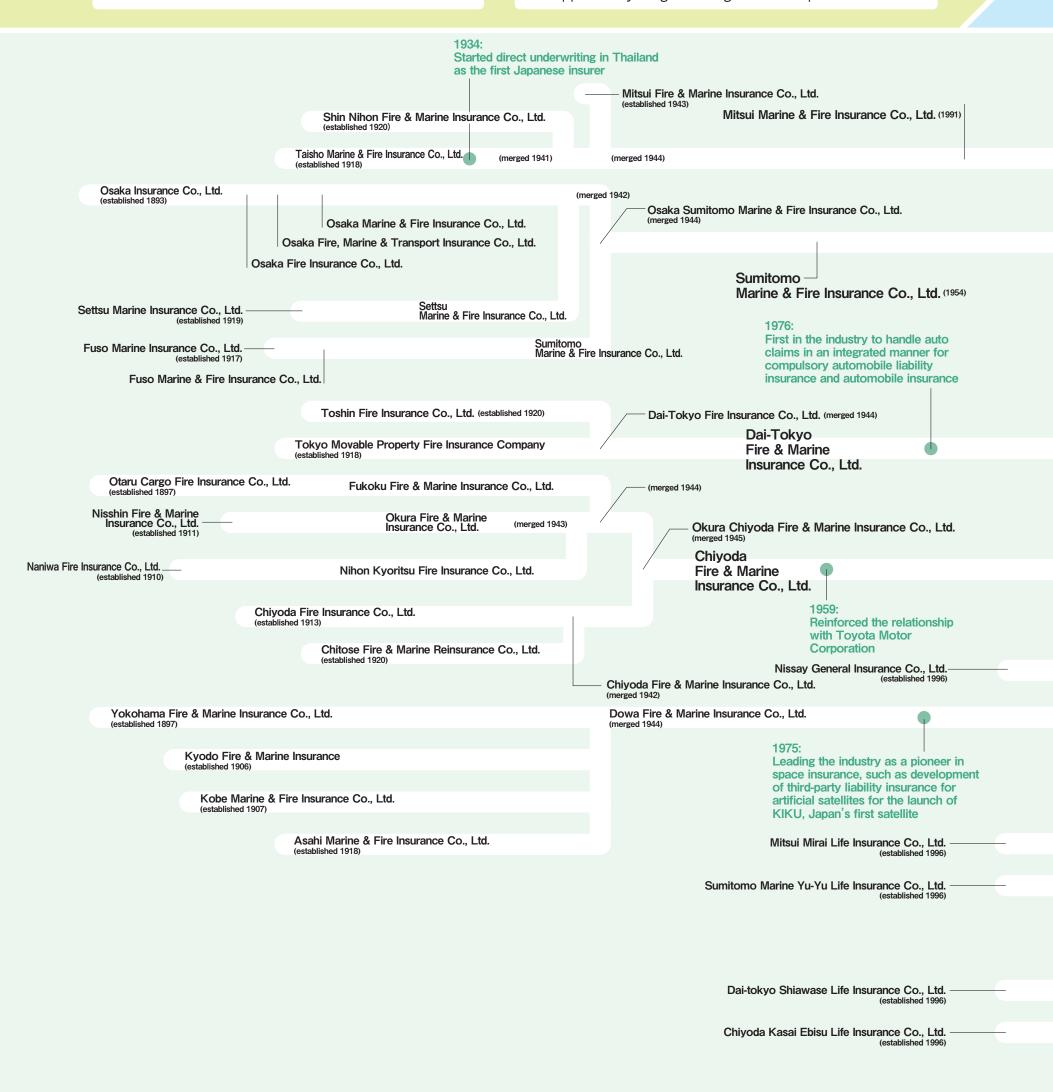
Past experience and lessons are the seeds of the future

Expertise and trustworthiness supported by 126 long years of history and experience

- Greatest accumulation of risk related data in Japan and the ASEAN region
- Expertise and data acquired through experience with the large natural disasters to date

Robust customer and marketing base founded on long-term relationship building

- Partnerships with leading companies in other sectors, including the Toyota Group, the Nippon Life Group, the Mitsui Group and the Sumitomo Group
- Partnerships with insurance agents and insurance brokers supported by long-standing relationships of trust



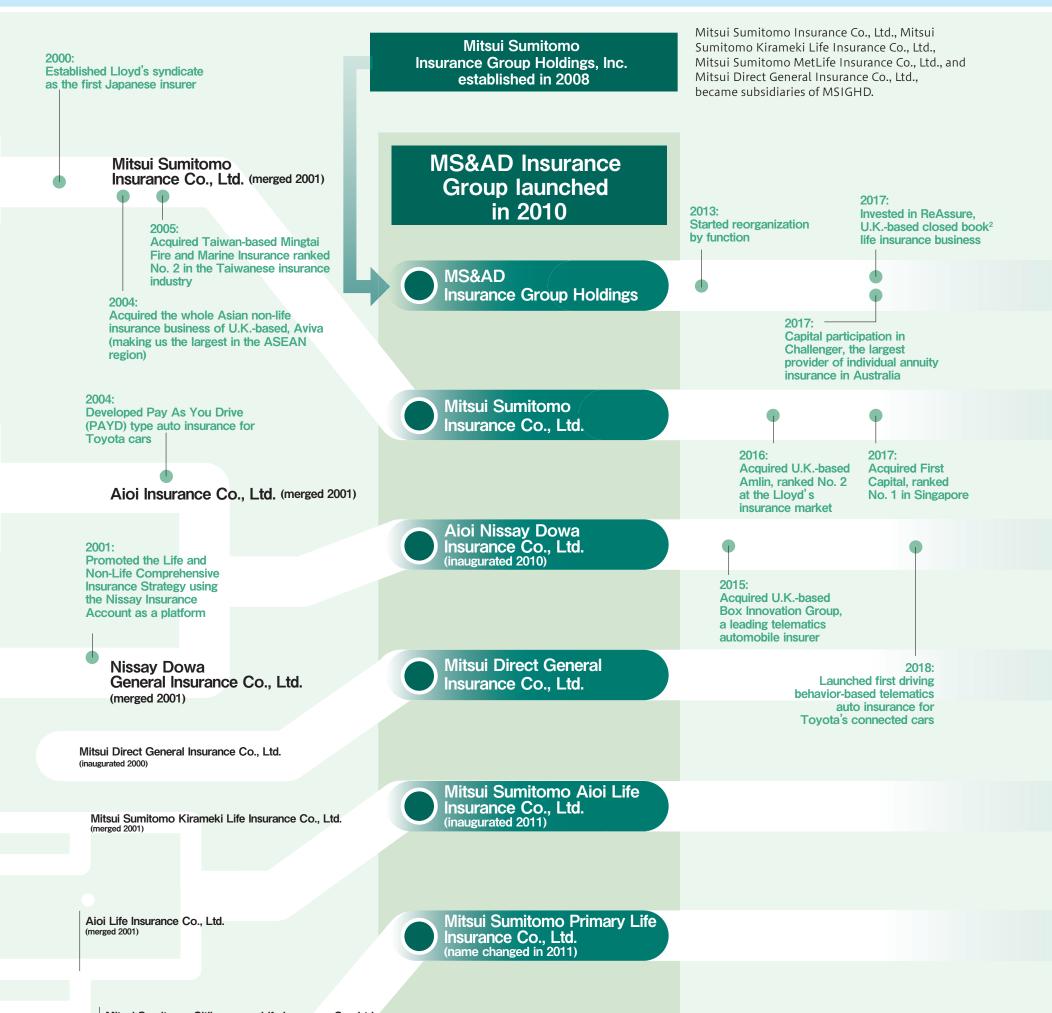
Who We Are
Overview of MS&AD

Network of trust built over a long history in the Asian region

- First Japanese non-life insurance company to start direct underwriting in Thailand, in 1934
- Operations have expanded along with growth in the ASEAN region, ultimately achieving the No. 1 position in the region in terms of scale

110 years of experience and results in the Lloyd's insurance market

- First Japanese non-life insurance company to enter the Lloyd's insurance market in 2000
- Acquisition of Amlin, founded in 1903,¹ at the Lloyd's insurance market in 2016



Mitsui Sumitomo Citilnsurance Life Insurance Co., Ltd. (started 2002)

Mitsui Sumitomo MetLife Insurance Co., Ltd. (2005)

1. See P. 116 for the history of Amlin (currently MS Amlin).

2. The closed book life insurance business is a type of life insurance whereby a company purchases and acquires policies in force held by other life insurance companies instead of acquiring new policies on their own.

Key Management Indicators and Total Shareholder Return (TSR)

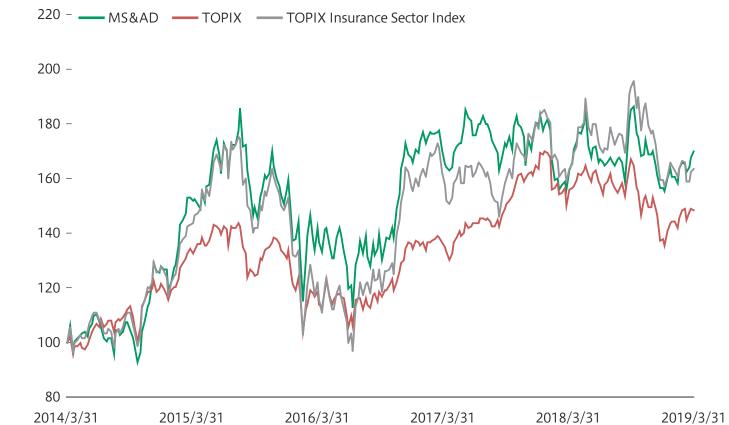
| | FY2010 | FY2011 | FY2012 | FY2013 | FY2014 | FY2015 | FY2016 | FY2017 | |
|--|----------------------|----------------------|----------------------------------|------------------------|-----------------|-----------------|-----------------|-----------------|--|
| Consolidated financial data (¥ million) | | | | | | | | | |
| Ordinary income | 3,404,942 | 3,764,986 | 4,315,787 | 4,362,754 | 4,689,658 | 5,013,038 | 5,335,239 | 5,217,835 | |
| Net premiums written | 2,543,786 | 2,555,551 | 2,639,015 | 2,811,611 | 2,939,113 | 3,078,732 | 3,407,389 | 3,440,976 | |
| [Net premiums written] ¹ | [2,541,400] | [2,558,844] | [2,639,419] | [2,809,581] | [2,940,756] | [3,078,995] | [3,406,966] | [3,446,940] | |
| Insurance claims paid (non-life + life) | 1,646,851 | 2,133,440 | 1,961,399 | 2,025,545 | 1,996,675 | 2,023,599 | 2,162,773 | 2,311,295 | |
| Ordinary profit/(loss) | 21,005 | (96,211) | 150,300 | 190,259 | 287,061 | 291,578 | 352,612 | 211,548 | |
| Net income attributable to owners of the parent ² | 5,420 | (169,469) | 83,625 | 93,451 | 136,247 | 181,516 | 210,447 | 154,057 | |
| Comprehensive income/(loss) | (189,373) | (88,136) | 543,938 | 322,865 | 807,972 | (233,116) | 114,294 | 311,096 | |
| Net assets | 1,663,381 | 1,512,134 | 2,021,625 | 2,285,832 | 3,036,663 | 2,725,274 | 2,734,432 | 2,968,387 | |
| Total assets | 11,445,003 | 14,537,204 | 15,914,663 | 16,878,148 | 18,788,046 | 20,303,649 | 21,234,300 | 22,472,927 | |
| Consolidated solvency margin ratio ³ | _ | 553.8% | 738.8% | 772.5% | 803.9% | 743.3% | 872.6% | 819.3% | |
| Equity ratio | 14.11% | 10.27% | 12.56% | 13.39% | 16.00% | 13.29% | 12.76% | 13.09% | |
| Return on equity (ROE) | 0.37% | (10.91%) | 4.79% | 4.42% | 5.18% | 6.36% | 7.78% | 5.45% | |
| Combined ratio ⁴ (domestic non-life insurance) | 102.9% | 116.4% | 105.1% | 98.2% | 96.0% | 91.6% | 92.6% | 92.8% | |
| Group Core Profit ⁵ /Group Adjusted Profit ⁶ | 14,500 | (87,500) | 87,400 | 94,800 | 155,700 | 147,500 | 213,700 | 105,100 | |
| Group ROE ⁷ /Group Adjusted ROE ⁸ | 0.8% | (5.6%) | 5.0% | 4.5% | 5.9% | 5.2% | 7.9% | 3.7% | |
| Per share data (yen) | | | | | | | | | |
| Net income per share (basic) ⁹ | 8.68 | (272.49) | 134.46 | 150.58 | 221.34 | 298.72 | 350.94 | 260.04 | |
| Net income per share (diluted) ¹⁰ | _ | _ | _ | _ | _ | _ | 350.90 | 259.98 | |
| Group Core Profit/(loss) per share/ Group Adjusted Profit ¹¹ | 23.27 | (140.82) | 140.56 | 152.79 | 252.99 | 242.83 | 356.39 | 177.47 | |
| Dividend per share (DPS) | 54.00 | 54.00 | 54.00 | 56.00 | 65.00 | 90.00 | 120.00 | 130.00 | |
| Net assets per share (BPS) | 2,597.19 | 2,400.48 | 3,215.33 | 3,646.22 | 4,911.40 | 4,469.58 | 4,572.82 | 4,964.64 | |
| Stock price-related data | | | | | | | | | |
| Year-end market price (closing price) (yen) | 1,894 | 1,699 | 2,066 | 2,364 | 3,370 | 3,136 | 3,540 | 3,355 | |
| Price-earnings ratio (PER) ¹² (times) | 218.06 | _ | 15.36 | 15.70 | 15.23 | 10.50 | 10.09 | 12.90 | |
| Price-to-book ratio (PBR) ¹² (times) | 0.73 | 0.71 | 0.64 | 0.65 | 0.69 | 0.70 | 0.77 | 0.68 | |
| Dividend yield ¹² | 2.9% | 3.2% | 2.6% | 2.4% | 1.9% | 2.9% | 3.4% | 3.9% | |
| Annual total shareholder return (TSR) ¹³ | (24.9%) | (7.4%) | 24.8% | 17.1% | 45.3% | (4.9%) | 16.7% | (1.6%) | |
| Stock price volatility (annual rate)14 | 32.3% | 26.6% | 35.8% | 39.0% | 25.3% | 41.0% | 36.9% | 19.7% | |
| Capital management policy data (¥ million) | | | | | | | | | |
| Total dividends | 33,583 | 33,582 | 33,582 | 34,715 | 39,900 | 54,447 | 71,489 | 77,014 | |
| Dividend payout ratio (consolidated) | 622.1% | _ | 40.2% | 37.2% | 29.4% | 30.1% | 34.2% | 50.0% | |
| Aggregate amount of repurchase ¹⁵ | 9,999 | 0 | 4,996 | 9,997 | 29,992 | 19,996 | 29,938 | 29,981 | |
| [Average repurchase price] 16 (yen) | [2,012] | _ | [2,565] | [2,523] | [3,373] | [3,044] | [3,738] | [3,440] | |
| Shareholder return ratio ¹⁷ | 300.2% | _ | 44.1% | 47.2% | 44.9% | 50.4% | 47.7% | 101.8% | |
| Non-financial data | | | | | | | | | |
| Customer satisfaction | | | 89.3% | 89.4% | 89.1% | 95.5% | 95.6% | 96.0% | |
| (accident response for automobile insurance) ¹⁸ | _ | _ | 07.370 | | | | | | |
| (accident response for automobile insurance) ¹⁸ Number of employees | 36,538 | 36,929 | 36,643 | 37,055 | 38,358 | 40,617 | 40,641 | 41,295 | |
| | | | | 37,055 6,228 | 38,358 6,448 | 40,617 8,573 | 40,641 8,759 | 41,295 9,184 | |
| Number of employees | 36,538 | 36,929 | 36,643 | | • | | | | |
| Number of employees (of which consolidated overseas subsidiaries) Number of female managers ¹⁹ (domestic) | 36,538 5,621 | 36,929 5,772 | 36,643 | 6,228 | 6,448 | 8,573 | 8,759 | 9,184 | |
| Number of employees (of which consolidated overseas subsidiaries) Number of female managers ¹⁹ (domestic) Number of employees participating in social contribution activities (domestic) | 36,538 5,621 – | 36,929 5,772 – | 36,643 6,003 245 16,142 | 6,228 296 11,373 | 6,448 | 8,573 449 | 8,759 551 | 9,184 | |

A checkmark **☑** indicates that FY2018 figures have been assured by KPMG AZSA Sustainability Co., Ltd.

Overview of MS&AD

| FY2018 |
|--------------------------|
| |
| 5,500,438 |
| 3,497,572 |
| [3,500,403] |
| 2,528,145 |
| 290,847 |
| 192,705 |
| (79,701) |
| 2,778,047 |
| 23,132,539 |
| 807.3% |
| 11.89% |
| 6.77% |
| 99.4% |
| 189,800 |
| 6.1% |
| |
| 328.72 |
| 328.60 |
| 323.87 |
| 140.00 |
| 4,712.11 |
| |
| 3,370 |
| 10.25 |
| 0.72 |
| 4.2% |
| 4.6% |
| 16.7% |
| 01.720 |
| 81,720 42.6% |
| (upper) 32,000 |
| \ \limit/ 32,000 |
| (plan) 60.0% |
| (ptan) 00.0 % |
| 96.6% |
| 41,467 |
| 8,958 |
| 782 |
| 23,601 |
| 97,405 t-CO ₂ |
| 10,545 t |
| |

TSR for the Last Five Years



| | Past 1 Year | Past 2 | Years | Past 3 | Years | Past 4 | Years | Past 5 | Years |
|---------------------------------|-------------|--------|--------|--------|---------|--------|--------|--------|---------|
| MS&AD | 4.6% | 2.8% | [2.8%] | 19.9% | [6.2%] | 14.2% | [3.4%] | 65.6% | [10.6%] |
| ТОРІХ | (5.0%) | 10.0% | [4.9%] | 25.7% | [7.9%] | 11.8% | [2.8%] | 49.1% | [8.3%] |
| TOPIX Insurance Sector Index | (0.2%) | 3.6% | [1.8%] | 34.5% | [10.4%] | 14.0% | [3.3%] | 64.4% | [10.5%] |

Notes

- 1. The graph above shows the profit margin where an investment is made at the end of March 2014, taking into consideration dividends and share prices as of the end of March 2019. The MS&AD chart indexes the investment results, with dividends added to the share price (assuming no reinvestment of the dividends) with the investment amount at the end of March 2014 set as 100. Similarly, the indices compared use both the TOPIX and the Tokyo Stock Exchange's industry-specific index (insurance industry), with the data incorporating dividends.
- 2. The table above shows the investment return (including dividends) as of the end of March 2019 for investments from one year earlier (end of March 2018) to five years earlier (end of March 2014).
- 3. The values within brackets [] from two years earlier to five years earlier show the average annual return, annualized by taking the geometric mean of the investment return for the relevant period.

Source: Calculated by MS&AD Holdings based on data from Bloomberg

- 1. Figures are presented exclusive of the Good Results Return premiums of Mitsui Sumitomo Insurance's proprietary automobile insurance product "ModoRich," which contains a special clause for premium adjustment and refund at maturity.
- 2. The net income or net loss attributable to the parent company shareholder is disclosed.
- 3. Consolidated solvency margin ratios have been calculated for years beginning from FY2011 reflecting the revision of the Insurance Business Act, etc.
- 4. Combined ratio figures (domestic non-life insurance) are based on the simple sums of the non-consolidated figures for MSI, ADI and Mitsui Direct General. For FY2010, however, combined ratio figures are based on the simple sums of the non-consolidated figures for MSI, Aioi, NDI and Mitsui Direct General. Moreover, for FY2018, combined ratio figures are based on the simple sums of the non-consolidated figures for MSI and ADI.
- 5. Group Core Profit = Consolidated net income Net capital gains/losses on stock portfolio (gains/losses on sales, etc.) Net evaluation gains/losses on credit derivatives Other incidental factors + Equity in earnings of the non-consolidated Group companies (prior to FY2017)
- Group Adjusted Profit = Consolidated net income + provision for catastrophe loss reserve and others other incidental factors (amortization of goodwill and other intangible fixed assets, etc.) + equity in earnings of the non-consolidated group companies (FY2018)
- 7. Group ROE = Group Core Profit ÷ Consolidated total net assets (average of beginning and ending amounts excluding stock acquisition rights and non-controlling interest) (prior to FY2017)
- 8. Group Adjusted ROE = Group Adjusted Profit ÷ average of beginning and ending amounts on the B/S of adjusted net assets (consolidated net assets + catastrophe loss reserve and others goodwill and other intangible fixed assets) (FY2018)
- 9. Net income/(loss) per share (EPS) disclosed.
- 10. Net income per share (EPS) and Diluted EPS disclosed. Diluted net income/(loss) per share data prior to FY2015 is not disclosed because there was no potential dilution during that period.
- 11. Group Core Profit/(Loss) per share (prior to FY2017) or Group Adjusted Profit/(Loss) per share (FY2018)
- 12. Stock price–related indicators are based on the market price of the stock at the end of the fiscal year.
- 13. Total shareholders' return is calculated as follows: (fiscal year-end stock price previous fiscal year-end stock price + annual dividends) ÷ previous fiscal year-end stock price
- 14. Stock price volatility is the annualized standard deviation of returns based on daily closing prices.
- 15. The aggregate amount of repurchase for FY2018 was ¥32.0 billion (upper limit); the acquisition period is from May 21, 2019, to September 20, 2019 (resolved at the Board of Directors' meeting held on May 20, 2019)
- 16. Because share buybacks were not completed, the average repurchase price in FY2018 is not disclosed.
- 17. Shareholder return ratio = (dividends applicable to the fiscal year (paid in December of that year and June of the following year) + value of share repurchases during the period through the time of the general shareholders' meeting in the following fiscal year) ÷ Group Core Profit for the fiscal year (from FY2018: Group Adjusted Profit)
- 18. Ratio of customers satisfied with accident response for automobile insurance (MSI and ADI). From FY2015, the client survey was modified from five stages to four stages.
- 19. Number of female managers in positions of section manager or higher. (Figures are for April 1 of the subsequent fiscal year.)
- 20. During the period from FY2010 to FY2016, CO₂ emissions resulting from tenant use of rental properties were included in Scope 1 + 2. Moreover, emissions for FY2010 to FY2015 were calculated prior to the purchase of MS Amlin, etc., so do not include emissions from these companies.

MS&AD's Strategy

Reviewing the Previous Medium-Term Management Plans since the Group's Founding

New Frontier 2013 (FY2010-FY2013)

The MS&AD Insurance Group, founded with the Mission of "contributing to the development of a vibrant society and helping secure a sound future for the planet"

General Overview Under "New Frontier 2013," we steadily undertook initiatives geared toward returning the domestic non-life insurance business to profitability, which had presented the biggest challenge, and moved forward in securing financial soundness. In addition, we made progress with Group business integration, including the building of common platform systems for the domestic non-life insurance business, and we clarified the shape of Group business integration as a result of reorganization by function in 2013.

Buffeted by large-scale natural catastrophes, including the Great East Japan Earthquake and floods in Thailand in 2011, the Group Core Profit target for the final year was revised downward.

Furthermore, due to large-scale insurance payments on account of record-breaking snowfall in the Kanto Koshinetsu region in February 2014, the Company ended up missing its targets for Group Core Profit and Group ROE.

(¥ billion)

| Numerical Management Targets | | FY2010 | FY2011 | FY2012 | FY2013 | | | |
|------------------------------|--|-----------------|---------|---------|---------|-----------------|-----------------|--|
| | | Results Results | | Results | Results | Initial targets | Revised targets | |
| Gı | roup Core Profit | 14.5 | (87.5) | 87.4 | 94.8 | 150.0 | 110.0 | |
| | Domestic Non-Life Insurance Business | 6.5 | 19.7 | 61.9 | 47.8 | 100.0 | 60.0 | |
| | Domestic Life Insurance Business | 4.1 | 4.3 | 9.8 | 24.4 | 15.0 | 15.0 | |
| | International Business | 1.8 | (112.3) | 13.5 | 18.0 | 30.0 | 30.0 | |
| | Financial Services Business and Risk-Related Services Business | 1.9 | 0.7 | 2.0 | 4.4 | 5.0 | 5.0 | |
| Gı | roup ROE | 0.8% | (5.6%) | 5.0% | 4.5% | 7% | 7% | |
| Co | onsolidated Net Premiums Written | 2,541.4 | 2,558.8 | 2,639.4 | 2,809.5 | 2,700.0 | 2,700.0 | |
| An | nualized Premiums of Policies in Force (life insurance)* | 278.0 | 294.7 | 317.4 | 333.5 | 330.0 | 330.0 | |

^{*}Figures for MSI Aioi Life (excluding group insurance). The figure for FY2010 is the total for MSI Kirameki Life and Aioi Life.

Sales target of strategic equity holdings

| EV2011 EV2012 (three veers) | Plan | Actual | Achievement ratio |
|-----------------------------|----------------|----------------|-------------------|
| FY2011-FY2013 (three years) | ¥300.0 billion | ¥376.4 billion | 125.5% |

Next Challenge 2017 (FY2014-FY2017)

Advance Group integration based on a story of value creation that realizes the Group's Mission

General Overview Under "Next Challenge 2017," we made progress in reorganization by function, while restoring profitability in the domestic non-life insurance business and putting in place a stable earnings foundation. We also realized capital efficiency and diversified the business portfolio by positioning ERM as the foundation of management, promoting the sales of strategic equity holdings and investing in overseas businesses.

In 2017, we missed our Group Core Profit and Group ROE targets on account of a decline in international business profits due to multiple large-scale natural catastrophes that occurred around the world (including hurricanes in North America). In contrast, the domestic non-life insurance business set a profit record and formed the foundation of the Group's stable earnings. In addition, the Group's ESR was maintained at roughly the target level, and the establishment of financial soundness was confirmed. (¥ billion)

| Numerical Management Targets | FY2014 | FY2015 | FY2016 | FY2017 | | | |
|--|---------|---------|---------|---------|-----------------|------------------------------|--|
| | Results | Results | Results | Results | Initial targets | Revised targets ³ | |
| Group Core Profit | 155.7 | 147.5 | 213.7 | 105.0 | 160.0 | 220.0 | |
| Domestic Non-Life Insurance Business | 92.4 | 91.9 | 153.3 | 190.1 | 100.0 | 135.0 | |
| Domestic Life Insurance Business | 20.4 | 25.0 | 25.1 | 34.3 | 16.0 | 15.0 | |
| International Business | 38.2 | 27.9 | 34.6 | (125.0) | 39.0 | 66.0 | |
| Financial Services Business and Risk-Related Services Business | 4.6 | 2.6 | 0.5 | 5.6 | 6.0 | 5.0 | |
| Group ROE ¹ | 5.9% | 5.2% | 7.9% | 3.7% | 7.0% | 7.5% | |
| Consolidated Net Premiums Written | 2,940.7 | 3,078.9 | 3,406.9 | 3,446.9 | 3,100.0 | 3,570.0 | |
| Combined Ratio (Domestic Non-Life Insurance) | 96.0% | 91.6% | 92.6% | 92.8% | 95% or less | 93% range | |
| Increase in EV ² of MSI Aioi Life | 59.7 | (52.0) | 198.4 | 41.3 | more than 4.5 | more than 5.0 | |

^{1.} The definitions for Adjusted Profit and Adjusted ROE identified as numerical management targets have been revised under the new medium-term management plan "Vision 2021." See P. 28 for FY2017 actual data under the new definitions.

Sales target of strategic equity holdings

| Actual sales to FY2016 | Actual sales in FY2017 | Period total | Sales target* | Achievement ratio |
|------------------------|------------------------|----------------|---------------|-------------------|
| ¥405.1 billion | ¥151.3 billion | ¥556.6 billion | ¥500 billion | 111.3% |

^{*}In November 2015, the sales target was raised from ¥300 billion to ¥500 billion.

^{2. &}quot;EV" stands for embedded value. (See the "Glossary of Insurance Terminology" (P. 90) for details.)

^{3.} FY2017 numerical management targets are revised higher from the initial FY2016 targets.

MS&AD's Strategy

By executing New Frontier 2013 and Next Challenge 2017, we reached the point where we could see before us the realization of a "world-leading insurance and financial services group," which we had adopted as an aspiration for the medium term. In formulating Vision 2021, we identified those results and issues to be further strengthened. In FY2018, we continue to maintain those results, and our efforts to address issues are ongoing.

Achievement 1

Establishment of Financial Soundness

We are steadily raising ESR, and even if a large-scale natural catastrophe such as those in FY2017 and FY2018 was to occur, the target level for financial soundness has been secured.

Achievement 2

Solidification of the Earning Power of the Domestic Non-Life Insurance Business

On a basis that excludes the impact of natural catastrophes, we stably achieved a combined ratio of 95% or less.

Achievement 3

Promotion of ERM

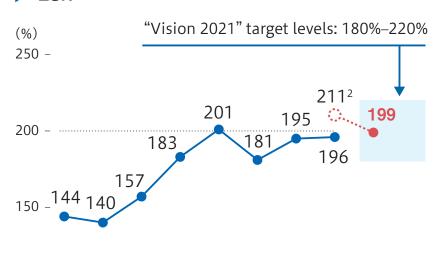
We ensured financial soundness, improved profitability and put in place a Group management foundation that realizes capital efficiency.

Achievement 4

Completion of Reorganization by Function

Domestic non-life insurance companies reduced their business expenses by around ¥60.0 billion, which exceeded the original target, and concurrently achieved growth and improved efficiency.

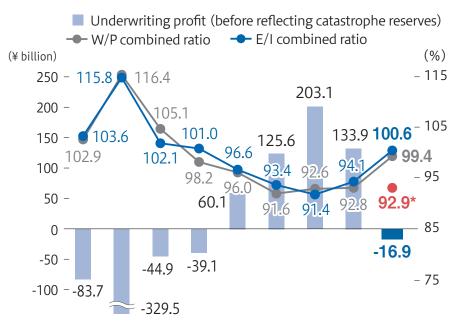
ESR¹



100 _______ 2010 2011 2012 2013 2014 2015 2016 2017 **2018** (Fiscal year-end)

- 1. ESR: Economic Solvency Ratio = Capital (net asset value) ÷ Integrated risk
- 2. We achieved a more sophisticated method for calculating ESR from FY2018.

Underwriting Profit and Combined Ratio



2010 2011 2012 2013 2014 2015 2016 2017 **2018** (FY)

*Combined ratio revised in initial forecasts with the full-year forecast for domestic natural disasters

Ongoing Tasks 1

Diversify Portfolio

Geographical diversification from domestic to overseas, investment to diversify business from the non-life insurance business to the life insurance business

Ongoing tasks to achieve the targeted international business profit ratio of 50%

Ongoing Tasks 2

Enhance Our Ability to Respond to Environmental Changes

Adoption of new technologies, the conducting of all kinds of demonstration experiments and research through industry-academia cooperation, etc., to respond to the digital society Ongoing tasks toward further quality and productivity improvements

Ongoing Tasks 3

Improve Capital Efficiency

ROE rose to approximately 8% in FY2016 but suffered a decline in FY2017 and FY2018 due to the occurrence of large-scale natural catastrophes Ongoing tasks toward the targeted 10% level

Issues clarified in the formulation of Vision 2021

- Harmony with society
- Improve capital efficiency vis-à-vis global competitors
- Reform the business portfolio

- Improve responsiveness to changes in the environment
- Harness diversity better as a Group strength
- Maintain and expand the domestic non-life insurance business' advantages in scale and profitability

Risks and Opportunities

In light of the continuously changing business environment, the Group periodically reviews the risks and opportunities that emerge from these changes and reflects these within concrete business developments and initiatives.

Recognition of the Business Environment

Society

- Increase in natural disasters such as wind and flood damage and major earthquakes
- Expansion of international and ethnic conflicts
- Advances in the "sharing economy"
- Expansion and consolidation of disparities such as that between poverty and wealth
- Acceleration of movements toward realizing Society 5.0
- Population growth and expansion of the middle class in emerging countries
- Aging populations around the world
- Transition to a carbon-free economy
- Acceleration of initiatives toward next-generation mobility
- Economic expansion and its recoil associated with the Tokyo Olympics and Paralympics

Politics

- Change in regulatory environments inside and outside Japan (stricter capital regulations, consumption tax hike and revisions to the Civil Code in Japan)
- Rise of protectionism and populism
- Expansion of political conflicts and trade disputes
- Britain's exit from the European Union (Brexit) and economic stagnation in the Eurozone
- Emergence of large numbers of migrants and refugees due to political instability

Economy

- A global economy driven by emerging countries
- Waning of free trade and the rise of protectionism
- Expansion of investments and funding that prioritizes ESG
- Decrease in car sales and the number of vehicles owned and housing construction in Japan due to the shrinking population
- Increase in foreign visitors to Japan and the globalization of regional cities

Technology

- Cybersecurity threats (data leaks and infrastructure failures)
- Advances in new automobile technologies (e.g., automatic braking, autonomous driving)
- Advances in regenerative medical technologies
- Greater use of genetic testing
- Progress of clean energy technologies
- Use of Big Data and advances in AI technology
- Advances in welfare and nursing care robots

Issues: Diversified/large-scale accidents and disasters

Risks

- Changes in the nature of existing businesses (e.g., conventional automobile insurance), possibility of contraction
- Increase in insurance claims due to frequent, large-scale natural catastrophes
- Emergence of new risks due to the greater use of IoT and the post-digital era

Opportunities

- Construction of new business models (e.g., telematics insurance, InsurTech)
- Market developments along new sales channels
- Development of new insurance schemes to compensate for losses caused by large-scale natural catastrophes
- Creation of new markets from the emergence of new risks (e.g., drones, cyber, sharing)
- Risk management and product development stemming from the use of Big Data

Issues: The global environment approaching its limit

Risks

- Erosion of the business environment foundation due to the depletion of natural capital
- Shifts in lifestyles and industrial structures associated with the transition to a carbon-free society

Opportunities

- Growing needs for evaluation and analysis of climate change and natural capital risk
- Flourishing growth in ESG investment and lending, such as Green Bonds
- Needs for new insurance arising from growth in new businesses related to decarbonization and resource efficiency

Issues: Mounting burden of nursing/medical care associated with an aging population

Risks

- Slowing growth coinciding with the maturation of domestic insurance markets
- Increase in automobile accidents caused by elderly drivers
- Reconsideration of solicitation methods as policyholders age
- Emergence of new risks associated with advanced medical care

Opportunities

- Increase in the need for asset-building and asset-inheritance devices for a super-aging society
- Expansion in the demand for services related to nursing care and dementia
- Greater awareness of health promotion and disease prevention
- Greater medical coverage due to changes in the social security system and advances in medical technology

Issues: Decline in social vitality due to widening inequalities

Risks

- Slowing growth and expanding inequality in emerging markets due to geopolitical risks
- Contraction in rural markets due to regional depopulation in Japan
- Greater damage caused by natural catastrophes and delayed recovery efforts

Opportunities

- Stronger demand for insurance due to a growing middle class under the assumption of robust development in emerging economies
- Stronger needs for services that support regional revitalization
- Greater awareness among local governments related to preventing and reducing disasters

MS&AD's Strategy

Overview of the Medium-Term Management Plan "Vision 2021"

Development of management based on CSV*: "Vision 2021" (FY2018-FY2021)

Realizing Our Mission and promoting the sustainable growth of the Group through corporate activities that create shared value with society

"Vision 2021" stipulates the image for society that the Group aims to achieve in 2030 as a "resilient and sustainable society" and focuses on creating shared value (CSV initiatives), which includes seven key issues that the Group is undertaking as a means of realizing such a society. Moreover, "Vision 2021" identifies our aspirations during the Medium-Term Plan and executes the strategies for achieving those.

*CSV: Creating Shared Value

Image of Society in 2030

"Resilient and sustainable society"

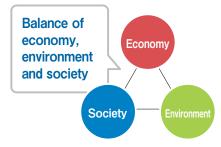
Resilient

Able to respond to unforeseen circumstances within a drastically changing, uncertain society



Sustainable

Win-win-win relationship in which the economy is not in a trade-off relationship with the environment and society



Creating Shared Value (CSV initiatives)

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

Aspirations during the Medium-Term Plan

Build a world-leading insurance and financial services group

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

| | FY2018 Progress Status | Medium-term aspirations (FY2021 Targets) "World-leading insurance and financial services group" |
|---------------------|--|--|
| Scale | 5th (FORTUNE GLOBAL 500 2019, P&C) | Within the top 10 non-life insurance groups in the world |
| Capital efficiency | 6.1% | Group Adjusted ROE 10% |
| Financial soundness | 199% | ESR 180%-220% |
| Portfolio diversity | 40% | 50% (profit basis) in other than the domestic non-life insurance business |
| Risk assets | 28.8% of integrated risk amount 10.9% of consolidated total assets | Strategic equity holdings below 30% of the integrated risk amount and below 10% of consolidated total assets |
| Profitability | 99.4% | Combined ratio in the domestic non-life insurance business stable at 95% or less |

Basic Strategies

By employing the Group's resources to the maximum, we will realize sustainable growth and enhance corporate value.

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

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

Three Key Strategies



| Basic Strategies | | | | |
|---|---|--|--|--|
| ERM P. 36 | | | | |
| Quality that earns the trust of society P. 74 | Management platforms that enable employees to play active roles P. 70 | | | |

Progress in the Medium-Term Management Plan "Vision 2021"

Vision 2021 (FY2018-FY2021)

Numerical Management Targets

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

Fiscal 2018 Group Adjusted Profit fell below the initial forecast by ¥80.2 billion due to the occurrence of numerous natural catastrophes both in Japan and overseas as well as a delayed recovery in international business earnings. In fiscal 2019, we expect Group Adjusted Profit to fall below our initial target by ¥10 billion to ¥263 billion on a group-wide

basis, due to a delay in profit recovery at MS Amlin in the international business caused mainly by changes in the local regulatory environment, although the profit for the domestic non-life insurance and domestic life insurance businesses is expected to exceed the initial target. The entire Group will work to further enhance profitability in order to achieve the final fiscal 2021 target.

(¥ billion)

| Financial Targets | FY2017 Results FY2018 | | FY2 | FY2021 | |
|---|------------------------------|-----------------|------------------|------------------|------------------|
| | (Converted to new standards) | 1 12010 | Forecast | Targets | Targets |
| Group Adjusted Profit | 201.0 | 189.8 | 263.0 | 273.0 | 350.0 |
| Domestic Non-Life Insurance Business (excluding gains/losses on sales of strategic equity holdings) | 287.8 (202.4) | 146.9 (65.1) | 186.0 (150.0) | 174.0 (139.0) | 182.0 (142.0) |
| Domestic Life Insurance Business | 32.6 | 31.6 | 29.0 | 28.0 | 45.0 |
| International Business | (125.0) | 5.4 | 42.0 | 66.0 | 117.0 |
| Financial Services Business/ Risk-Related Services Business | 5.6 | 5.8 | 6.0 | 5.0 | 6.0 |
| Group Adjusted ROE | 6.4% | 6.1% | 8.7% | 8.3% | 10.0% |
| Consolidated net premiums written | 3,446.9 | 3,500.4 | 3,524.0 | 3,530.0 | 3,710.0 |
| Life insurance premiums (Gross premiums) | 1,508.1 | 1,599.9 | 1,525.0 | 1,540.0 | 1,600.0 |
| EEV of MSI Aioi Life | 835.5 | 819.4 | 927.0 | 970.0 | 1,050.0 |
| ESR (Economic Solvency Ratio) | 211% | 199% | - | _ | 180%-220% |

Sales Target of Strategic Equity Holdings

| Total sales target (FY2017-FY2021) | ¥500.0 billion |
|--|----------------|
| Risk weight to integrated risk amount (before the risk diversification effect) | Less than 30% |
| Fair value weight in consolidated total assets | Less than 10% |

Non-Financial Indicators A checkmark 🗹 indicates that FY2018 figures have been assured by KPMG AZSA Sustainability Co., Ltd.

| Creating Shared Value with Society (CSV initiatives) | | | |
|--|--|--|--|
| Indicator | Fiscal 2018 Achievements | Group Targets for Fiscal 2019 Onward | |
| Development and improvement of products for creating shared value with society | Special Feature (PP. 54–63)MS&AD Sustainability Report 2019 | For the seven key issues (P. 54), decide on four methods of approach and periodically ascertain progress qualitatively. Four methods of approach Provision of products and services Investments and financing Research and policy recommendations Contributions to society | |

Key related SDGs

















Indicators

(related pages)







Quality that earns the trust of society

| Indicators (related pages) | Fiscal 2018 Achievements | Group Targets for Fiscal 2019 Onward | |
|--|------------------------------------|---|--|
| Quality in | Quality improvement (P. 43, P. 74) | | |
| Customer satisfaction survey about insurance contract procedures | 97.1% | The same level or higher compared with the previous fiscal year | |
| Customer satisfaction survey about payment of insurance claims | 96.6% | The same level or higher compared with the previous fiscal year | |
| Reduction of the environmental burden (P. 43) | | | |
| CO ₂ emission reduction rate | -13.3% | Reduce CO2 emissions | |

| CO ₂ emission reduction rate | | | Reduce CO2 emissions |
|---|--------------------|------------------------|--|
| Total energy consumption | \rightarrow | 987,452 GJ (-30.3%) | by 30% by 2020 and by 70% by 2050 versus the base year (fiscal 2009) |
| | | | |

| Total energy consumption | 987,452 GJ (-30.3%) | by 30% by 2020 and by 70% by 2050 versus the base year (fiscal 2009) |
|--------------------------|------------------------|--|
| Paper consumption | 10,545 t | Lower than the |

Management platforms

Fiscal 2018

Achievements

Group Targets for Fiscal 2019 Onward

| Diversity & inclusion (P. 43, PP. 71-72) | | |
|--|------------|---|
| Share of management positions occupied by women (domestic) | 12.4% | 15% (FY2020) |
| Employee satisfaction ("working vigorously") | 4.3 points | The same level or higher compared with the previous fiscal year |

Key monitoring indicators other than sustainability KPIs

Number and ratio of global employees (P. 43)

Ratio of employees with disabilities (P. 72)

| Health management (P. 72) | | |
|---|---------------|---|
| Employee satisfaction "Pride, job satisfaction" | 4.4 points | The same level or higher compared with the previous fiscal year |
| The number of annual paid holidays taken | 15.6 days | The same level or higher compared with the previous fiscal year |
| Ratio of taking fully paid paternity leave | 63.9% | The same level or higher compared with the previous fiscal year |
| Number of employees participating in social contribution activities | 23,601 people | The same level or higher compared with the previous fiscal year |

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

We calculated the economic impact on the Company and the impact on society from our CSV initiatives. As we bring our story of value creation to fruition, the impact on society involves cases of both directly providing economic support through insurance payments and mitigating socioeconomic loss, as well as indirectly preserving social value.

(Business Model of Story of Value Creation)

Who We Are

Prevent risks from occurring/ minimize the impact

Reduce the economic burden

Identify and inform on risks **Examples of Initiatives Economic Impact on the Company** Impact on Society Deal with new risks FY2017-FY2018 Companies/organizations protected against cyber risks² Products to address cyber risk policy growth rate [Mitsui Sumitomo Insurance/Aioi Nissay Dowa Insurance] **Approximately** For example, we estimate that the damage from 100,000 cases of personal information leaks would reach up to ¥172,700,000. We offer security +9.0% yoy countermeasures through various risk management services to prevent such losses along with providing compensation if damage from the risk is incurred. Create a safer mobility society Reduction rate of claims paid for No. of said corporate customers³ corporate customers Safe driving support services that use telematics technology [Mitsui Sumitomo Insurance/Aioi Nissay Dowa Insurance] **Approximately** We provide automobile insurance targeting companies that use vehicles for 1,400 business as well as support for safe driving initiatives that use telematics technology. Strive for resilient community development No. of policies in FY2018 Ratio of total policies nationwide in FY20184 Earthquake insurance [Mitsui Sumitomo Insurance/Aioi Nissay Dowa Insurance] **Approximately** Paired with fire insurance, we compensate damage to buildings and family 3,363,000 **36.1**% belongings burned, broken, buried or washed away due to earthquakes, volcanic eruptions or tsunami. Support "good health and longevity" No. of individuals attending No. of new policies in FY2018⁵ seminars that provide information ▶ Insurance responsive to various cancer treatment methods on life/medical treatment (Mitsui Sumitomo Aioi Life Insurance) **Approximately** In addition to providing insurance plans, we proactively hold seminars that 213,000 convey to customers proper awareness and preventive measures for such conditions as cancer, stroke and dementia. Power generation volume under the Contribute to climate change mitigation and adaptation Comprehensive Coverage Plan for Mega-Solar No. of Power Generation (volume equivalent to CO₂ new policies in FY2018 ► Comprehensive Coverage Plan for Mega-Solar Power Generation emitted from thermal power)6 [Mitsui Sumitomo Insurance/Aioi Nissay Dowa Insurance] More than **Approximately** We provide coverage that combines insurance plans with derivatives to 4,600 address the risks faced by megasolar operators that operate large-scale solar power plants. Strive to improve the sustainability of natural capital Ratio of facilities where water No. of evaluated facilities shortage risks are high⁷ Simplified evaluations of water-related risks [MS&AD InterRisk Research & Consulting] We evaluate water-related risks that include flooding and drought in areas surrounding business locations in Japan and abroad for companies that use large amounts of water resources in their business activities. These evaluations are used for management strategy proposals and initiatives.

- Work toward the realization of "leaving no one behind"
- ► Dementia "Kobe Model"

[Mitsui Sumitomo Insurance]

The "Kobe Model" is a three-pronged scheme consisting of (1) accident relief (insurance), (2) program diffusion (encouraging early dementia screening) and (3) accident prevention (GPS services by security company) provided through an accident relief program linked to Kobe City's dementia regulations. Premiums income three-year total (estimate)8

Approximately

No. of Kobe residents who

have applied for dementia

screening9

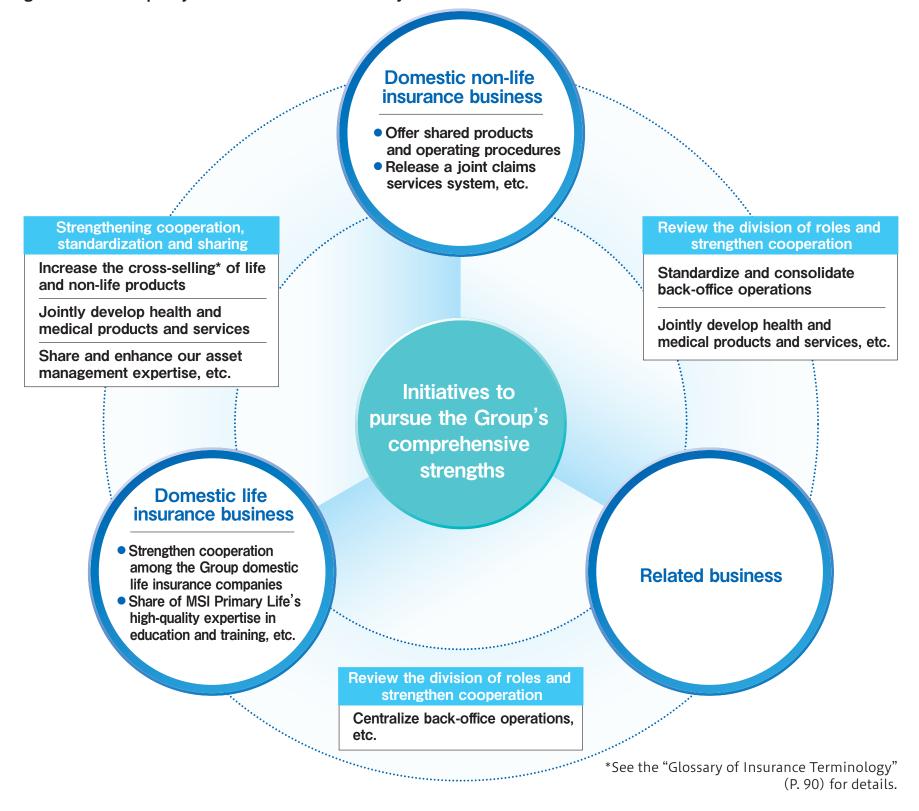
8.598

- 1. This damage amount is result of simple estimates calculated based on assumptions
- 2. Total No. of policies written for Mitsui Sumitomo Insurance "Cyber Protector" and Aioi Nissay Dowa Insurance "Cyber Security Insurance"
- 3. Comparison of claims paid before and after introducing Aioi Nissay Dowa Insurance "Sasaeru NAVI" service
- 4. Source: General Insurance Rating Organization of Japan 5. Total No. of new policies in FY2018 that include Mitsui Sumitomo Aioi Life Insurance's "&LIFE New Medical Insurance A Premier" and "&LIFE Cancer Insurance Smart" 6. Calculation based on national average power generation results from NEDO solar field test and the default value of the CO₂ emission factor of electric power disclosed by the Ministry of Environment's Law Concerning the Promotion of the Measures to Cope with Global Warming
- 7. Ratio of facilities (evaluated 177 of 244 facilities) with a water stress value (ratio of water intake accounted by annual water supply volume) above 40%. In addition to a water stress value, simple evaluation of water risk involves comprehensively analyzing water shortage risks by formulating forecasts based on the preservation status of water sources (other than water stress value), climate change and population growth.
- 8. Approximate cost (FY2019–FY2021) of the "Kobe Model" (accident relief program) at the "Third Meeting of the Kobe Dementia Patient-Friendly Urban Development Promotion Committee" held on January 9, 2019.
- 9. No. of applicants from the start of the "Kobe Model" dementia program (January 28, 2019) until May 31, 2019.

Pursue the Group's Comprehensive Strengths

The MS&AD Insurance Group will enhance its competitiveness while responding to rapid changes in an uncertain environment by making the most of diversity as one of its strengths.

Fiscal 2018 saw steady progress in product developments led by two domestic non-life insurance companies, collaboration in the cyber security field utilizing the experience and capabilities of MS&AD InterRisk Research & Consulting, and other similar initiatives. We will continue to strengthen cooperation within the group to achieve a greater level of quality and administrative efficiency.



| Vision 2021 Progress Status: Steadily Making the Most of Our Comprehensive Strengths in Each Area | |
|---|---|
| Domestic non-life Launch of "Observe and Protect Automobile Insurance (Dashcam Type)," developed jointly by Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance (January 2019) | |
| Domestic life Strengthen the collaboration between Mitsui Sumitomo Aioi Life Insurance and Mitsui Sumitomo Primary Life Insurance | |
| Major Collaborative Initiatives with Affiliated Companies and Their Results | |
| Initiatives for cybersecurity MS&AD InterRisk Research & Consulting and two domestic non-life insurance companies work in tight collaboration to address the group-wide issue of cybersecurity | |
| Improving quality and administrative efficiency Consolidate back-office operations for each group company within MS&AD Business Service Co., Ltd., thereby achieving a higher level of quality and efficiency for administrative tasks and help desk operations. | |
| Cooperating in the IT systems field | MS&AD Systems Co, Ltd., two domestic non-life insurance companies and Mitsui Sumitomo Aioi Life Insurance cooperated to complete the transfer of the third-sector policies in force.* |

^{*}Transfer of the third-sector policies in force: The transfer of long-term third-sector policies owned by Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance to Mitsui Sumitomo Aioi Life Insurance.

MS&AD's Strategy

Expansion of Jointly Developed Products and Cross-Selling

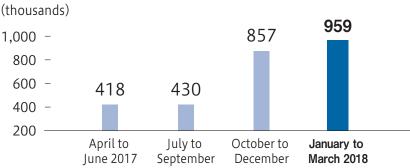
Domestic non-life insurance business

Launch of "Observe and Protect Automobile Insurance (Dashcam Type)" (January 2019)

The number of "Observe and Protect Automobile Insurance (Dashcam Type)¹" policies, jointly developed by Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance, broke through the 100,000 policies mark in May 2019 and continues to progress steadily.

1. An automobile insurance policy that offers services where the insurance company is automatically notified using a transmitter-equipped dashcam when a collision is detected during an accident, for example, and where a dedicated help desk operator provides the customer with advice regarding the initial response after an accident.

Number of dashcams shipped²



2. Total number of commercial- and consumer-use dashcams Source: "Actual Dashcam Shipments During Fiscal 2017" (Japan Electronics and Information Technology Industries Association)

Number of policies now exceeds 100,000 (May 2019)





Motives of those desiring to purchase dashcams (multiple responses)

| In preparation for the unlikely event of an accident | 98.7% |
|--|-------|
| For the safety of drivers in the family, etc. | 24.7% |
| For the enjoyment of watching driving videos | 7.4% |

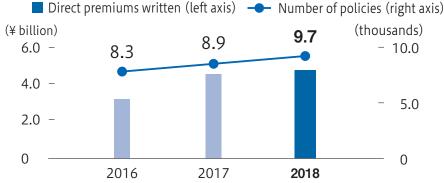
(Based on an MS&AD survey (conducted in March 2018))

"Cyber Risk Security MS&AD Platform" as a Group coordination system

In response to the group-wide issue of cyber risk, two domestic non-life insurance companies and MS&AD InterRisk Research & Consulting cooperate in providing comprehensive services for corporate customers.

In addition, two domestic non-life insurance companies are enhancing sales of jointly developed products that address cyber risk and are steadily expanding policy sales.

Number of policies/direct premiums written*



*Total of Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance

Mitsui Sumitomo Insurance MS&AD InterRisk Research & Consulting Providing risk diagnosis and risk consulting services for both internal and external risks

Domestic life insurance business

Strengthen the collaboration between Mitsui Sumitomo Aioi Life Insurance and Mitsui Sumitomo Primary Life Insurance

Mitsui Sumitomo Aioi Life Insurance, which sells protection-type products through the sales base of one of the largest domestic non-life insurance groups, and Mitsui Sumitomo Primary Life Insurance, which sells asset-building-type products through financial institution-affiliated agencies, are strengthening their collaboration among their strengths in sales capacity and product appeal, respectively. To address the diversifying needs of our customers against the backdrop of a super-aging society, we will work to further enhance the comprehensive strengths of the Group.

Promote Digitalization

Given rapid advances in digital technology, we are now looking toward a period of transition in conventional lifestyles and business models. With the CDO (Chief Digitalization Officer) playing a central role, the entire MS&AD Insurance Group is working to promote "digitalization*" and connecting it to a transformation of our business model. We aim to enhance the value of experience for customers when they contact individual Group companies and improve the business productivity of the MS&AD Group at the same time.

*Promote Digitalization: An initiative to not only improve the efficiency and convenience of processes and services through digital technology but also lead the reform of the Group's overall business.

Vision 2021 Progress

We are steadily moving forward on initiatives to tackle the issues raised in "Vision 2021", our medium-term management plan, including investing in overseas ventures through corporate venture capital (CVC) toward building a foundation to promote digitalization, advancing business process innovation to enhance quality and streamline business tasks, developing automobile insurance that uses telematics technology known as "Connected Automobile Insurance" and other endeavors. We have been

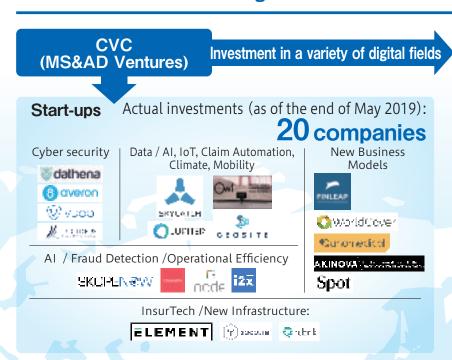
recognized for these efforts and after becoming one of the 2018 Noteworthy IT Strategy Companies, we were selected as a 2019 Competitive IT Strategy Company, an honor that is jointly administered by Japan's Ministry of Economy, Trade and Industry (METI) and the Tokyo Stock Exchange (TSE).



1 Adaptation to the digital society

In line with an evolving business environment, we are offering new products and services that leverage digital technologies and steadily constructing a foundation to promote innovation leading to the creation of a business model that generates social value.

Venture investments through CVC



Utilizing digital technologies within the Group

In October 2018, we commenced investment activities through our CVC, MS&AD Ventures Inc., in Silicon Valley in the United States. There are 20 start-up companies that we have invested in, given consideration to future strategy and based on the premise of financial returns, and in pursuit of strategic returns as well. Going forward, we will utilize these investment activities for new products and services to enhance the value of the customer experience, such as raising the quality of claims services and efficiency in administration, among other initiatives.

Establish Global Digital Hubs (GDHs)

Seeking to nurture human assets who are proficient in the use of digital technologies, we established Global Digital Hubs in Tokyo and Singapore.

The main goals of putting these hubs in place are as follows.

To promote a cultural transformation where employees and agents can acquire digital skills.

To facilitate the rollout of digital businesses, primarily in the countries of ASEAN.





Business alliances with the innovative organizations of Israel

In March 2019, we entered into a strategic alliance agreement and began collaboration with FinTLV Ventures and SOSA TLV LTD. The purpose of this partnership is to engage in research in the cybersecurity, health and medical, and other fields, with an eye toward practical application, based on the proof-of-concept trials conducted together with the overseas-based start-ups.

| Collaboration fields | Overview |
|---|--|
| Insurance-related areas, including cybersecurity, health and medical fields, MaaS | Through the discoveries generated by Israel-based cutting-edge start-up companies and the business alliance, we aim to provide state-of-the-art, innovative insurance products, services and expertise. |
| Proof-of-concept trials | We will acquire the expertise needed to find solutions to issues, including environment creation, contract application and legal affairs that arise through the proof-of-concept trials conducted together with the overseas-based start-up companies. |
| NW-200 1000 | |





MS&AD's Strategy

2 Improvement of quality and business efficiency

The advance of digitalization is reducing the volume of business tasks and eliminating structures that overlap with agents. Given this, we are moving forward on efforts to raise business productivity. In addition, by putting digital technologies to use and supporting the operating activities of agents we are working to enhance the value of the customer experience. Through these efforts, it becomes possible to promote the autonomy and independence of agents and to focus on the competitiveness of an insurance company (sales) and growth domains, thereby realizing further growth.

Agents

Customer service

Booking, checking contract documents, dealing with errors Inquiry responses, storage and settlements, others

Insurance companies (sales)

Support for agents' sales strategies Cultivating new markets

| Issues | Status of efforts | |
|---|---|--|
| Expand product lines subject to online support | Product lines supported online are gradually increasing, and we are reducing business task volume regarding the sales operations that take place between agents and insurance companies (sales). | |
| Fully utilize Al for customer inquiries | We have uploaded 26,000 FAQs into our system to respond to customer queries, bolstering our abilities to respond with AI. In this way, we have significantly reduced the administrative burden placed on employees. | |
| Consolidate administrative tasks for sales operations | We are steadily progressing on efforts to consolidate sales activities, from Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance (ADI) to Group-affiliated companies. Centralizing sales activities leads to reductions in administrative costs. | |

3 Digitalization of products and services

The range of products and services that rely on digital technologies, whether they be automobile insurance that uses telematics* technology or health management-type products and services provided over smartphones, are increasingly widespread. We will continue to move forward on the development of products and services that utilize digital technologies.

"Tough" Connected Automobile Insurance

(Japan's first Pay How You Drive-type telematics automobile insurance)

"Tough" Connected Automobile Insurance, launched by Aioi Nissay Dowa Insurance on April 1, 2018, is automobile insurance that utilizes cutting-edge telematics technology.

From post-accident insurance to insurance where accidents do not happen, together with agents and canvassers, we seek to contribute to the realization of a safe and secure car society without accidents.



Sales status
(April 2018-March 2019)

Total 9,292 policies

In offering "incentive for safe driving (discount)" and "safe and secure service," the product concept of preventing traffic accidents has earned high praise and was honored with the 2018 Good Design Award, which is sponsored by the Japan Institute of Design Promotion.



^{*}Telematics: See the "Glossary of Insurance Terminology" (P. 94) for details.

Kokokara Diary

Mitsui Sumitomo Insurance and Mitsui Sumitomo Aioi Life Insurance offer smartphone apps that facilitate corporate "health management" and "health enhancement" for employees. These apps make it possible to record health data such as stress measurements, number of steps taken and weight.

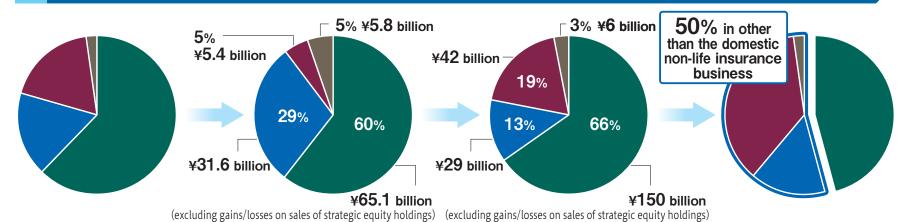


Reform Portfolio

At present, our earnings structure is dependent on the domestic non-life insurance business, but we are working to transform it into one able to achieve stable profit growth through the geographic and business diversification of the international and life insurance businesses.

Moreover, the Group's risk portfolio currently has a high ratio of risk in strategic equity holdings, which causes 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.

Reform our business portfolio (geographic and business diversification)



End of fiscal 2015*

End of fiscal 2018

End of fiscal 2019 (forecast)

End of fiscal 2021 (goal)

- Domestic Non-Life Insurance Business (excluding gains/losses on sales of strategic equity holdings)
- Domestic Life Insurance Business International Business Financial Services Business/Risk-Related Services Business
- *At the starting point of the portfolio reform

| Goals | | Progress in "Vision 2021" Initiatives |
|-----------------------------------|--|--|
| Medium-term goals | 50% of profits to come from businesses other than the domestic non-life insurance business | We are expanding the domestic life insurance business by increasing the cross-selling of life and non-life insurance. While progress is somewhat slower than targeted in the Medium-Term Management Plan, we are promoting the expansion of our business by investing in new businesses, such as the international life insurance business, and striving to increase earnings in the existing international business. |
| Future aspiration | 50% of profits to come from the international business | |
| Domestic non-life insurance | Reform though diversification of our business portfolio, where more than half of profits at present are derived from automobile insurance | We are making progress in diversifying our product portfolio by improving the profitability of fire insurance and expanding operations in casualty insurance. |

Status of FY2018 Initiatives

MS Amlin's measures for profit recovery

Due to the frequent natural catastrophes, FY2018's competitive market environment and tighter local regulations, our core international business, MS Amiln delayed profitability recovery, which resulted in the whole international business falling below the target. However, we are making steady progress in efforts to improve base profitability at MS Amlin.

- Substantially improving the non-cat lines loss ratio (improvement of 10.6pt in FY2018)
- Reducing costs by a cumulative £85million in FY2018-FY2019

Expanding earnings in the international business

Expanding profitability in the international life insurance business

We are expanding globally, including in Malaysia, Indonesia, India, Australia, the United Kingdom and China (where our application has been submitted for approval). We are promoting the expansion of our business with a focus on improving profitability and diversifying our operating portfolio.









Expanding earnings in the domestic life insurance business

Diversifying the earnings structure in the domestic non-life insurance business

Growth strategies for Mitsui Sumitomo Aioi Life Insurance and Mitsui Sumitomo Primary Life Insurance

We are working to bolster profitability by improving the sophistication of asset management and by developing products that meet the increasingly diversified needs of customers with the advent of the super-aging society and changing lifestyles.

Improving earnings in fire insurance and expanding casualty insurance

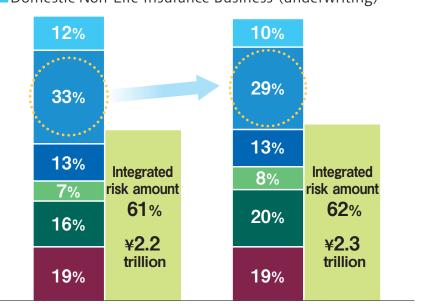
To further strengthen the earnings structure for the domestic non-life insurance business, we are transforming the product portfolio for the business by promoting measures aimed at achieving an expansion in casualty insurance and improving earnings in the fire insurance business, with the goal of having these two businesses serve as earnings pillars exceeded in strength only by the automobile insurance business.

2 Reform risk portfolio

Risk portfolio status

- ■International Business
- Domestic Life Insurance Business (asset management)
- Domestic Life Insurance Business (underwriting)
- Domestic Non-Life Insurance Business
- (asset management: other than strategic equity holdings)
- Domestic Non-Life Insurance Business
- (asset management: strategic equity holdings)

 Domestic Non-Life Insurance Business (underwriting)



End of March 2018

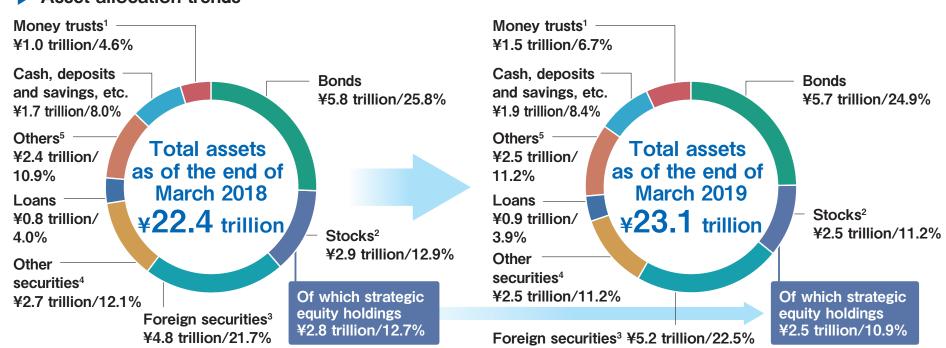
End of March 2019

Ratio of strategic equity holdings (end of March 2018)

| Strategic Equity Holdings | Fair value weighting in consolidated total assets |
|---------------------------|---|
| End of March 2018 | 10.9% |
| End of fiscal 2021 (goal) | Less than 10% |

| Goal | Status of "Vision 2021" Initiatives |
|---|---|
| Reduce strategic equity holdings: -Less than 10% of consolidated total assets-Less than 30% of the risk amount (end of fiscal 2021) | Steady progress in sales of strategic equity holdings, with the reduction target likely to be achieved during the period covered by the Medium-Term Management Plan |
| Strengthen risk control based on the cycle management of natural catastrophe risks | Reduced domestic and overseas natural catastrophe risk and lowered risk of periodic profit fluctuations |

Asset allocation trends



- 1. Mainly assets corresponding to the liabilities of the domestic life insurance companies
- 2. Mainly strategic equity holdings and shares held purely for investment purposes
- 3. Foreign securities held by domestic insurance companies and securities held by foreign insurance subsidiaries
- 4. Mainly special account assets of domestic life insurance companies
- 5. Mainly tangible fixed assets, intangible fixed assets and goodwill

Reducing strategic equity holdings

In FY2018, strategic equity holdings worth of ¥136.7 billion were sold, reaching about 57.6% of the target of ¥500.0 billion (FY2017-FY2021).

- Reduced strategic equity holdings weighting versus consolidated total assets to 10.9%
- Reduced strategic equity holdings to 28.8% of the total risk amount, beating the less-than-30% target

Targeting reduction of more than ¥100 billion is continued in 2019 and after.

Reinforce controls on natural catastrophe risks

The MS&AD Insurance Group is working to reduce natural catastrophe risk both in Japan and overseas. Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance both are expanding reinsurance coverage and recently established joint reinsurance coverage for annual aggregate losses. These efforts contributed to the Group reducing annual losses once every 10 years by about 20% year on year and lowered the risk of annual profit fluctuations at the Group.

Group Management Based on ERM

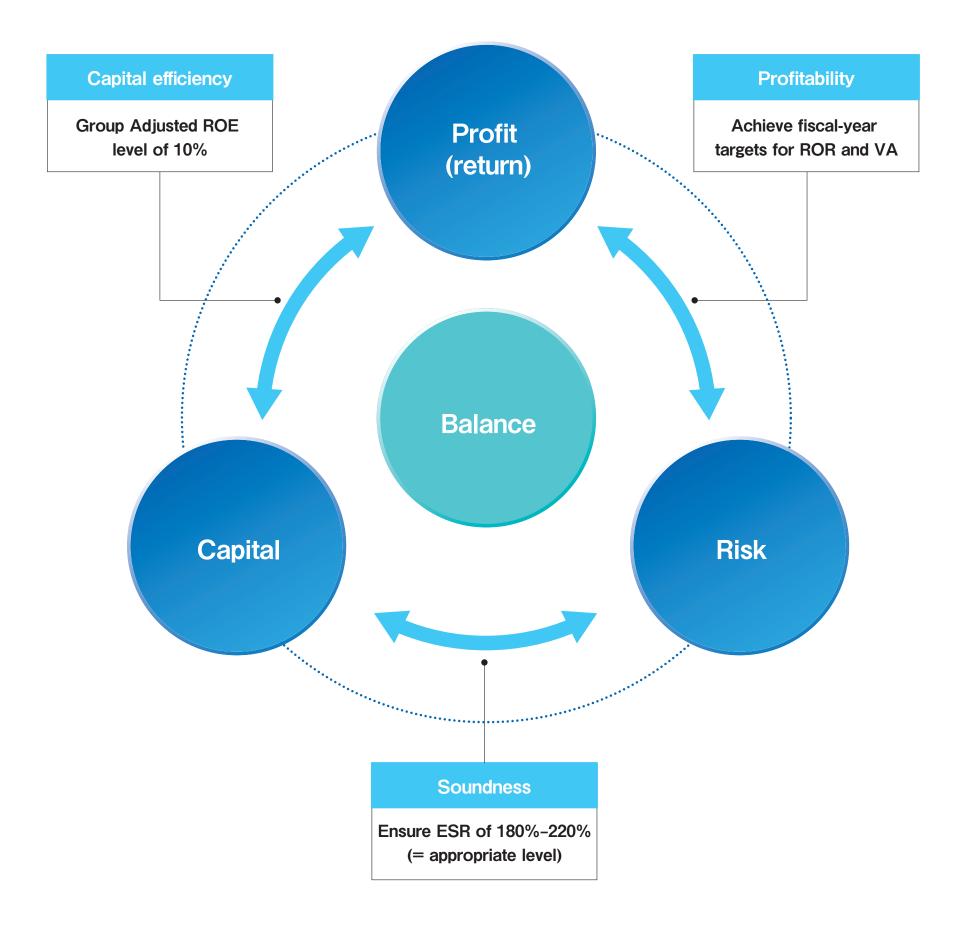
The function of ERM (Enterprise Risk Management) is to control the balance among three key management indicators: profit (return), risk and capital. The MS&AD Insurance Group positioned ERM as a driver in the previous medium-term management plan, "Next Challenge 2017," establishing a platform for Group management.

Under the current medium-term management plan "Vision 2021," MS&AD is pushing forward with initiatives to improve profitability and capital efficiency, while ensuring soundness, and base Group management on the ERM cycle.

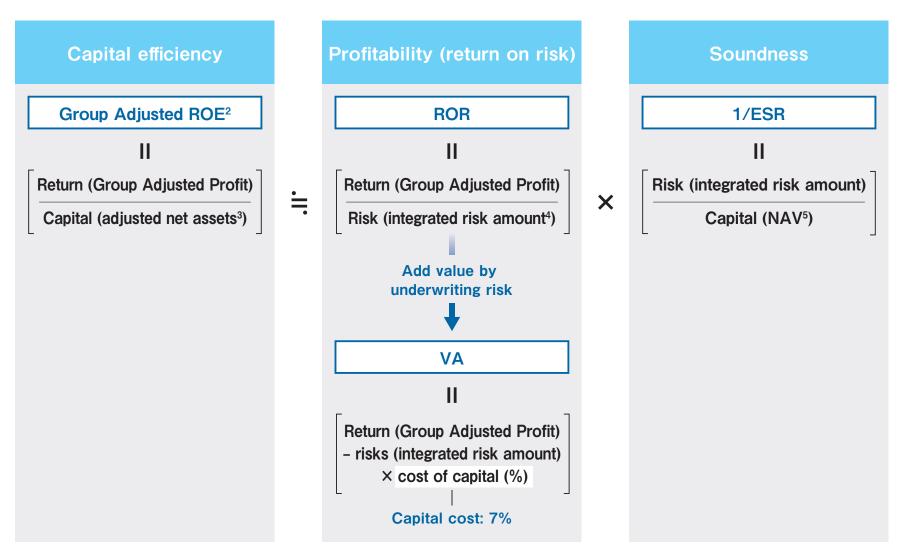
Function and Role of ERM

When pursuing profits through risk-taking, ERM considers opportunities with high ROR (Return on Risk) or means of increasing ROR and seeks to achieve the target return on equity (ROE) while maintaining the soundness of capital (ESR1). The relationship between these three is outlined in the following figure.

1. ESR: Economic Solvency Ratio (economic value-based solvency ratio) = NAV/Integrated risk amount



Indicators Emphasized in ERM



- 2. Group Adjusted ROE = Group Adjusted Profit ÷ Average of adjusted net assets (Consolidated net assets + Catastrophe loss reserves and others Goodwill and other intangible fixed assets) at the start and end of the fiscal year
- 3. The adjusted net assets used to calculate Group Adjusted ROE is the average of consolidated net assets plus catastrophe loss reserves and others minus goodwill and other intangible fixed assets at the start and end of the fiscal year.
- 4. Integrated risk amount represents the maximum amount of losses and total value of associated insurance payments that are likely to be encountered once in 200 years. It is marked to market value.
- 5. Net asset value is an indicator used as a management buffer to enable thorough net asset management. In addition to adjusted net assets, it includes such items as unrealized insurance liabilities, other equity liabilities, etc.

ESR (Economic Solvency Ratio)

ESR is an indicator of capital adequacy with respect to the risk amount.

Risk amount is calculated based on the statistical quantification of risks of losses and price fluctuations associated with businesses and asset portfolios, and the integrated risk amount represents the total amount of risk assumed by the Group as a whole. The Group uses a recurrence interval of 200 years for the maximum foreseeable loss (in other words, losses will not exceed this value for 199 out of 200 years).

| | March 31, 2018 | March 31, 2019 | Change from previous year |
|------------------------|-------------------|-------------------|---------------------------|
| ESR | 211% | 199% | (12 pt) |
| NAV | 4,800.0 | 4,600.0 | (200.0) |
| Integrated risk amount | 2,200.0 | 2,300.0 | +100.0 |

ROR (Return on Risk)

To assume risk, it is necessary to secure the capital that balances that risk. Consequently, in business where ROR is high (in other words, business where profit is large relative to the risk assumed), the profit that can be earned is large relative to the capital necessary.

VA (Value Added)

Value Added (VA) indicates how much value can be generated with respect to the risks assumed.

While ROR (Return on Risk) indicates the rate of return that can be obtained with respect to the risks assumed, VA is an indicator of absolute value.

(¥ billion)

Financial and Capital Strategy

We aim to enhance corporate value by pursuing an optimal balance among financial soundness, capital efficiency and shareholder returns.

Director, Executive Vice President, CFO Shiro Fujii



Financial Position

Despite the frequent occurrence of natural disasters, the MS&AD Insurance Group maintained stable profits and financial soundness.

The MS&AD Insurance Group's basic financial strategy is to create a financial foundation that will sustain growth and improve corporate value. To realize this strategy, the Group has appropriate capital and financial policies in place for improving capital efficiency while ensuring financial soundness, centered on ERM.

Despite the frequent occurrence of natural disasters in Japan and abroad, for the fiscal year ended March 31, 2019, the MS&AD

Insurance Group reported net income attributable to owners of the parent of ¥192.7 billion, which was only 3% less than the initial forecast and a Group Adjusted Profit of ¥189.8 billion. However, with accounting ROE reaching 6.8% and Group Adjusted ROE reaching 6.1%, these results fell below the cost of capital and thus leave issues to be resolved. At 199%, the Group maintained its ESR* at an appropriate level (180%–220%).

*See the "Group Management Based on ERM" section (P. 37) for details.

Financial Soundness

The Group aims to ensure financial soundness equivalent to an AA rating by enhancing the capital base and controlling risks.

The Group has set a goal for financial soundness equivalent to an AA rating as the financial strength that it should strive for as a world-leading insurance and financial services group and views an ESR in the 180%–220% range as appropriate. (See the "ERM" section (P. 66) for details on actual measures.)

Furthermore, a majority of the Group's liabilities are policy liabilities. From the viewpoint of ALM,¹ it is desirable to hold corresponding assets that match the characteristics (e.g., currency, duration) of the liabilities. The Group fully considers risk and return through ERM and makes decisions on actual investments and methods for funding based on the analysis of whether the return is appropriate for the risk (ROR²) and the return is greater than the cost of capital (VA³).

- 1. ALM: Asset Liability Management. (See the "Glossary of Insurance Terminology" (P. 90) for details.)
- 2. ROR: Return on Risk
- 3. VA: Value Added (See the "Group Management Based on ERM" section (P. 37) for details.)

Ratings of Domestic Non-Life Insurance Companies (MSI and ADI)

| S&P | Moody's | A.M. Best | R&I | JCR |
|----------|----------|-----------|----------|----------|
| A+ | A1 | A+ | AA | AA+ |
| (Stable) | (Stable) | (Stable) | (Stable) | (Stable) |

^{*}See the "Credit Ratings" section (P. 110) for details.

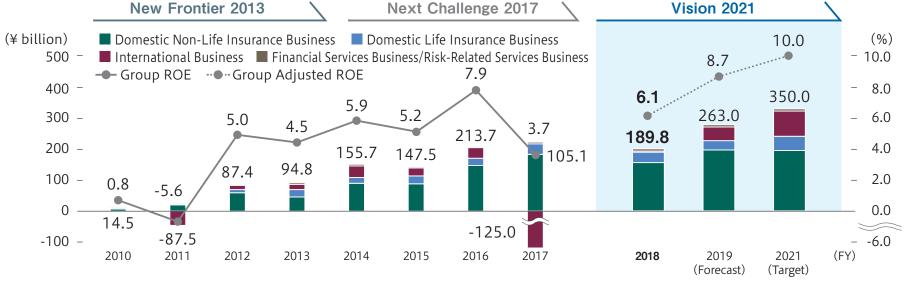
Capital Efficiency

The Group aims to achieve ROE at the 10% level as a world-leading insurance and financial services group.

Under "Vision 2021," since MS&AD plans to transition to IFRS in fiscal 2021, the definition of numerical management targets (Group Adjusted Profit¹ and Group Adjusted ROE¹) has been changed. Aware of the cost of capital, we aim for Group Adjusted ROE of 10%, a level that is on a par with that of major insurance companies in

Europe and the United States, and will optimally allocate resources in addition to growth and portfolio diversification. We estimate 7% for the cost of capital based on the capital asset pricing model (CAPM).²

- For definitions of Group Adjusted Profit and Group Adjusted ROE, see the "Glossary of Insurance Terminology" (P. 91) for details.
 See the "Glossary of Insurance Terminology" (P. 90) for details.
- Group Adjusted Profit and Group Adjusted ROE



Shareholder Return Policy

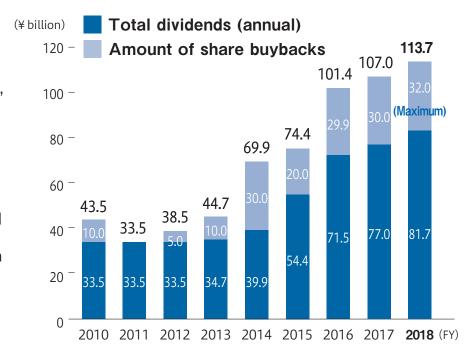
We will return approximately 40%-60% of Group Adjusted Profit to shareholders through dividends and share buybacks.

Under "Vision 2021," the MS&AD Insurance Group has adopted a policy of aiming to return approximately 40%–60% of Group Adjusted Profit to shareholders through dividends and share buybacks. The policy aims to achieve a steady increase in shareholder value by appropriately allocating profit to shareholder returns and internal reserves, while aggressively returning value to shareholders and building internal reserves for future growth investments.

As for dividends, the basic goal is to continue to pay a stable dividend while aiming to increase dividend payments through the strengthening of our earning power. In fiscal 2018, a dividend of ¥140 per share, an increase of ¥10 per share, was distributed. MS&AD plans to distribute a dividend of ¥150 per share again in fiscal 2019.

In May 2019, the MS&AD Insurance Group announced a ¥32 billion (maximum) share buyback, and it was flexibly implemented with due consideration paid to market and capital conditions.

The Group remains focused on returning value to shareholders through a stable dividend that increases in the medium run, while enhancing corporate value through sustainable growth.



Our Approach to Internal Reserves

We will achieve sustainable growth, even in uncertain business environments, by investing to strengthen, expand and create businesses.

Internal reserves after shareholder returns are used for investments that aim to improve the competitiveness of existing businesses, for investments to diversify and expand the business portfolio, and for investments to create new business territories in cooperation with partners, with the ultimate aim of sustaining growth and increasing shareholder value.

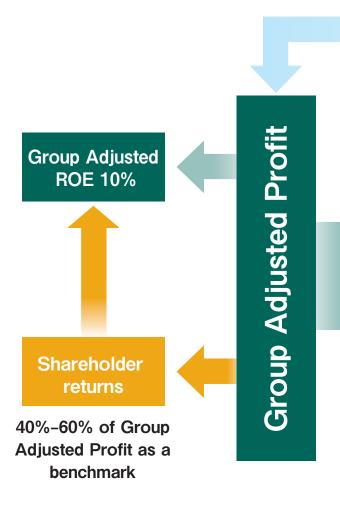
For business investments, acquisition candidates are screened for their affinity with our corporate culture and for operations that can generate synergies with existing

businesses while dispersing risk, in order to contribute to sustained improvement in the Group's capital efficiency.

Through these investments, we aim to accelerate improvements in capital efficiency and secure competitiveness in the future, even in uncertain business environments.

start-up companies in Silicon Valley in the United States and executed investments in 20 companies (including DD²) Formed alliances with Israeli innovation organizations Corporate Venture Capital Due Diligence (See the "Promote Digitalization" section (P. 32) for details.)

new business territories



Strengthen

Investment to strengthen the competitiveness of existing businesses

Investment to promote digitalization

- Expansion of AI systems for customer inquiries
- Expansion of online systematization
 (See the "Promote Digitalization" section (P. 33) for details.)

Expand

Investment to diversify and expand the business portfolio

New business investment for business portfolio diversification and expansion

Investments to create new businesses

in cooperation with partners

• Established a CVC¹ to invest in

- Made Challenger, the largest provider of individual annuity insurance in Australia, into an equity-method affiliate
- Made additional investments in ReAssure, our U.K.-based closed book life insurance business
 (See the "International Business" section (P. 49)

Toward Sustainable Growth and Achieving Targets for Group Adjusted ROE and Group Adjusted Profit

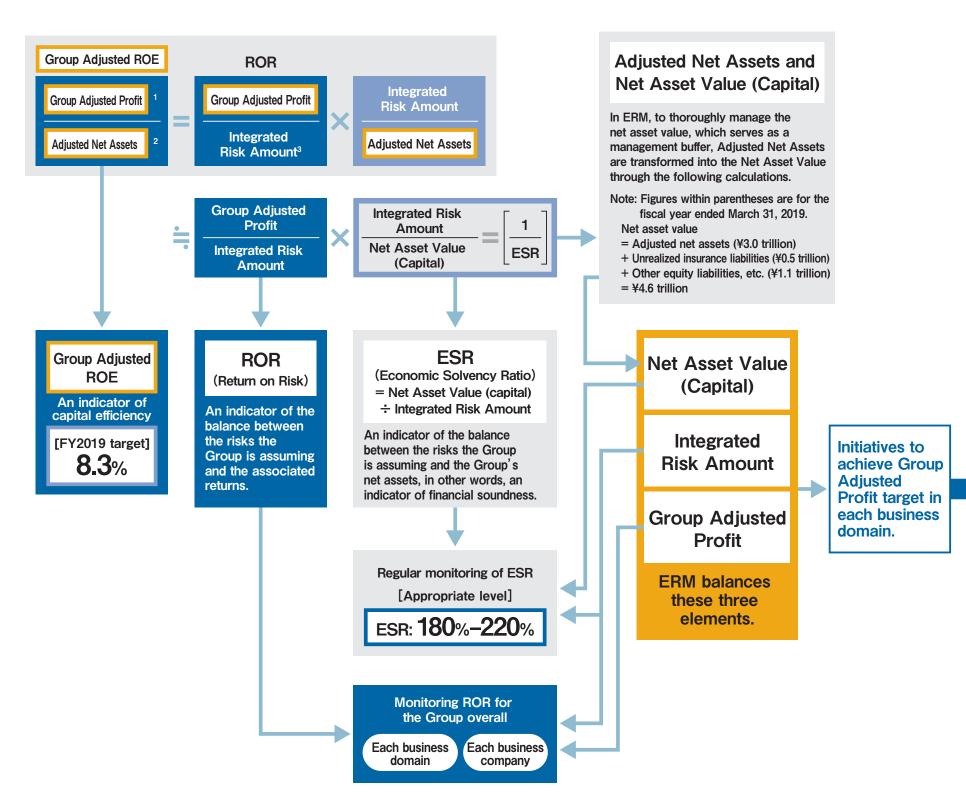
Components of Group Adjusted ROE

Breakdown of Group Adjusted ROE

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

Ensuring Balance by ERM Management

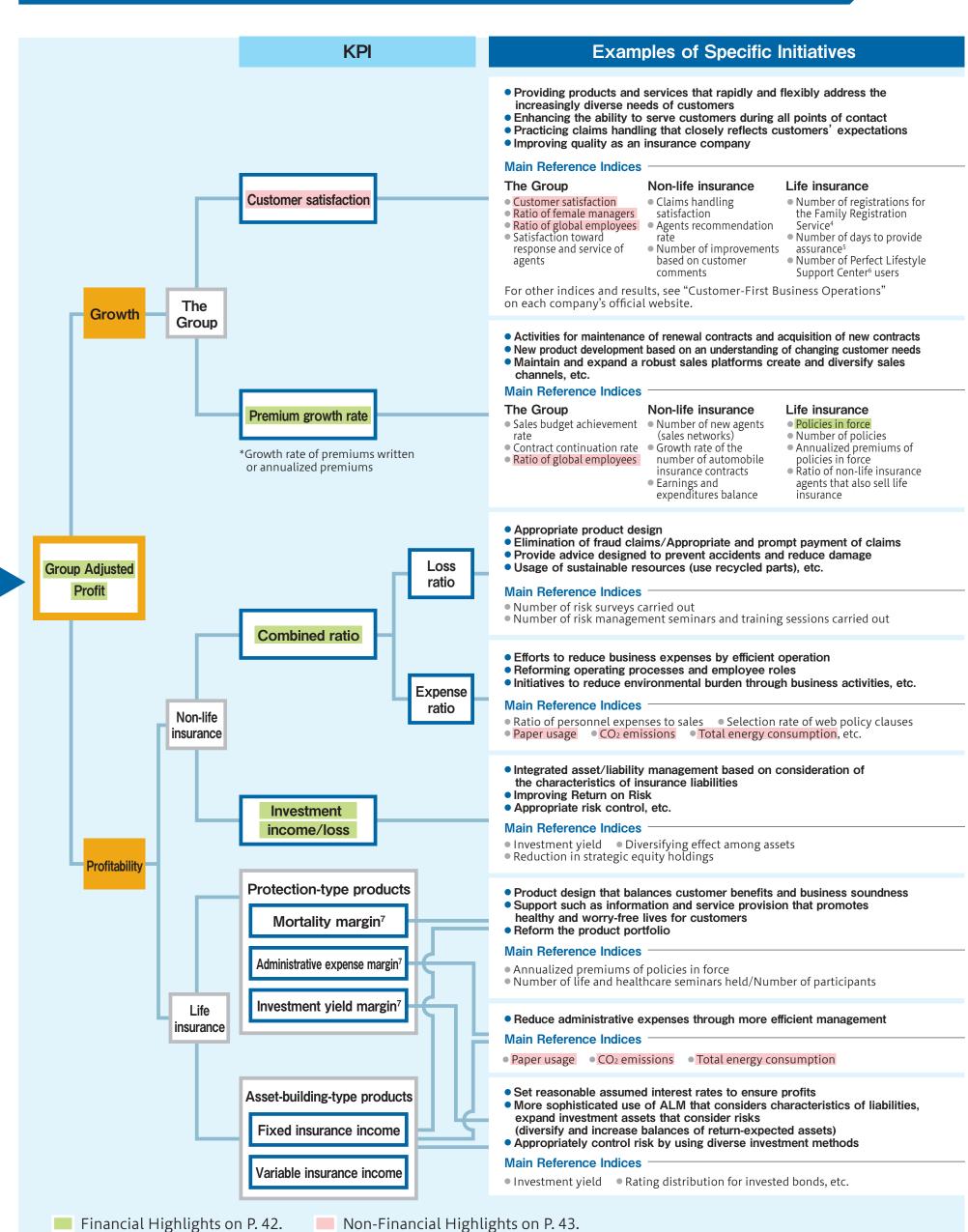
While striving to increase Group Adjusted Profit through activities in each of the Group's business domains, we employ ERM to manage the Group in a way that balances Group Adjusted Profit, Integrated Risk Amount and Net Asset Value (capital). (See the "Group Management Based on ERM" section (P. 36) for details.)



- 1. Group Adjusted Profit = Consolidated net income + Provision for catastrophe loss reserve and others Other incidental factors (amortization of goodwill and other intangible fixed assets and others) + Equity in earnings of non-consolidated Group companies
- Adjusted net assets = Consolidated net assets + Catastrophe loss reserves and others Goodwill and other intangible fixed assets
 The integrated risk amount represents insurance underwriting risk, asset management risk, operational risk, etc., quantified by means of stochastic methods.
- 4. The Family Registration Service is a service that allows pre-registered family members, in addition to the policyholder, to receive information about the insurance policy just like the actual policyholder.
- 5. Number of days to provide assurance is an indicator of how long it takes for the company to complete administrative tasks for customers, such as applications for new insurance contracts, applications to cancel policies, claims for insurance payments and claims for other benefits. It is broken down into (1) number of days to provide assurance (new policies), (2) number of days to provide assurance (maintenance) and (3) number of days to provide assurance (claims payments).
- The "Perfect Lifestyle Support Center" is a dedicated telephone hotline for policyholders that addresses concerns over health, medicine, lifestyles and nursing care.
 Mortality margin, administrative expense margin and investment yield margin are indicators for core profit, which represents the fundamental profitability of life insurance companies. Together, these terms are referred to as the "three surplus factors." Mortality margin is the profit or loss on the difference between projected insurance benefits payments. Administrative expense margin is the gain or loss on the difference between projected business expenditures, based on assumed expense ratios, and actual business expenditures. Investment yield margin is the gain or loss on the difference between projected investment income, based on assumed interest rates, and actual investment income. (See the "Glossary of Insurance Terminology" (P. 94).)

Who We Are

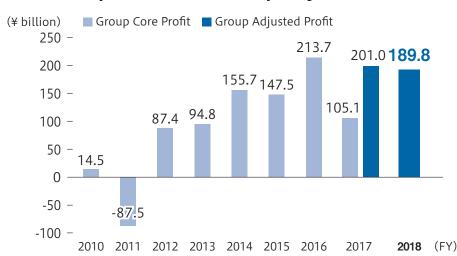
KPI and Specific Initiatives to Achieve the Group Adjusted Profit Target and Sustainable Growth



Financial and Non-Financial Highlights

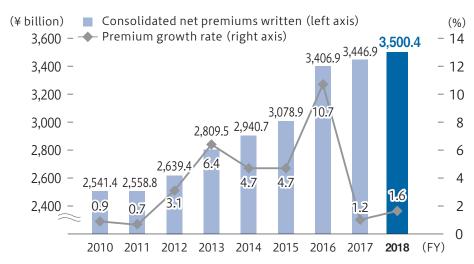
Financial Highlights

► Group Core Profit/Group Adjusted Profit¹



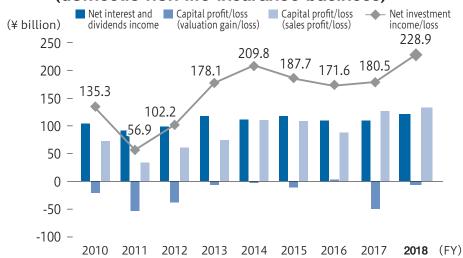
This is the profit that serves as a resource for shareholder returns and is thus included as one of the numerical management targets in the medium-term management plan. In anticipation of transitioning to International Financial Reporting Standards from FY2022, the definition was revised to "Group Adjusted Profit" in "Vision 2021" (starting in FY2018).

Consolidated net premiums written² and premium growth rate (non-life insurance business)



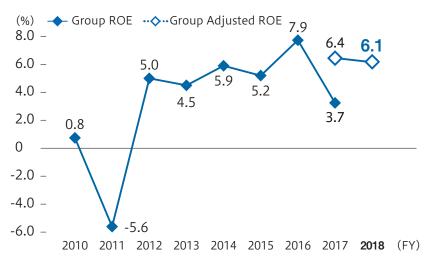
Consolidated net premiums written is one of the numerical management targets in the medium-term management plan. The premium growth rate indicates growth potential in premium income for the domestic non-life insurance business and international non-life insurance business.

Net investment income⁴ (domestic non-life insurance business)



Net investment income is a major source of earnings, next to underwriting profit, for non-life insurance companies, consisting of such components as interest and dividend income and gains/losses on the sale of securities.

Group ROE/Group Adjusted ROE¹



This is one of the numerical management targets in the medium-term management plan and indicates the ratio of Group Core Profit/Group Adjusted Profit, as shown to the left, in respect to consolidated net assets/adjusted net assets.

Combined ratio³ (domestic non-life insurance business)



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

Policies in force⁵ (domestic life insurance business)



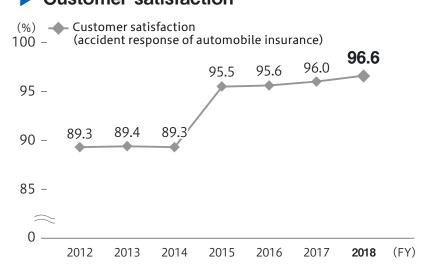
This is one of the basic performance indicators for life insurance companies. This indicator expresses the total amount guaranteed to policyholders of valid insurance policies at the end of the fiscal year. (See the "Glossary of Insurance Terminology" (P. 93) for details.)

- 1. This calculation method was revised in FY2018. (See the "Glossary of Insurance Terminology" (P. 91) for details.)
- 2. Excludes the Good Results Return premiums of "ModoRich" voluntary auto insurance products
- 3. Total for MSI and ADI in FY2018
- 4. Simple sum of non-consolidated figures for MSI and ADI $\,$
- 5. Total amount of policies in force for individual insurance and individual annuity insurance at MSI Aioi Life and MSI Primary Life. MSI Aioi Life was formed from the merger of MSI Kirameki Life and Aioi Life on October 1, 2011, so FY2010 and FY2011 show a simple sum for the two companies.

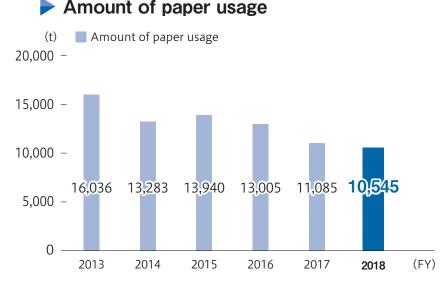
Non-Financial Highlights

A checkmark (☑) indicates that FY2018 figures have been assured by KPMG AZSA Sustainability Co., Ltd.

► Customer satisfaction⁶

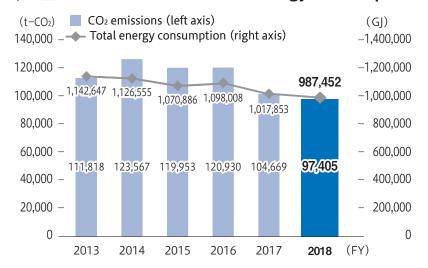


Our growth potential depends on improving customer satisfaction. Along with these indicators, customer opinions are helpful in improving quality.



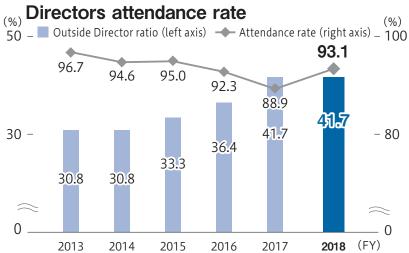
Paperless meetings, PDF-format pamphlets, proper printed matter ordering and inventory management, and portable device and tablet use are being actively incorporated to help reduce paper use.

► ✓ CO₂ emissions and total energy consumption⁸



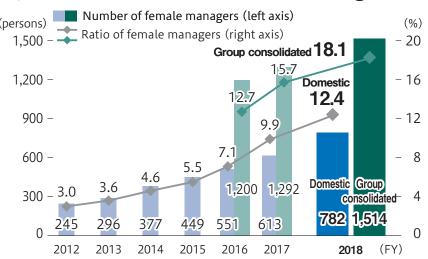
Reducing CO₂ emissions helps mitigate climate change, a risk for the non-life insurance business. It also reduces energy-related business expenses.

Outside Director ratio and the Board of Directors attendance rate



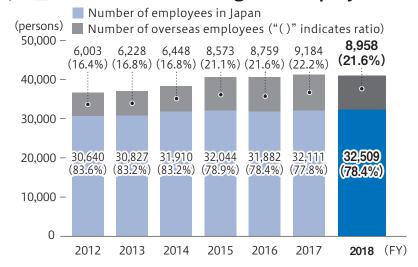
More than one-third of the full Board of Directors consists of independent Outside Directors to ensure highly transparent management. Monitoring and oversight functions are thus enhanced by incorporating perspectives that are independent from management.

► ✓ Number and ratio of female managers⁷



We believe diversity in the manager position and above leads to greater customer satisfaction and growth potential by enabling strategies, product development and organizational management from diverse viewpoints and sense of value. We began tallying such data on a Group consolidated basis, including overseas, in FY2016.

► ✓ Number and ratio of global employees



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

- 6. Customer survey choices were streamlined from five options to four in FY2015 and unified within the Group. This figure indicates the ratio of customers who chose the top two options.
- 7. Results as of April 1 of the subsequent fiscal year.
- 8. Total energy consumption is calculated based on the energy conversion coefficient from the Law Concerning the Promotion of Measures to Cope with Global Warming. Electric power energy use, however, is 3.6 GJ/MWh. Also, from FY2017, the energy for the parts of Group buildings leased to tenants is excluded.

Domestic Non-Life Insurance Business

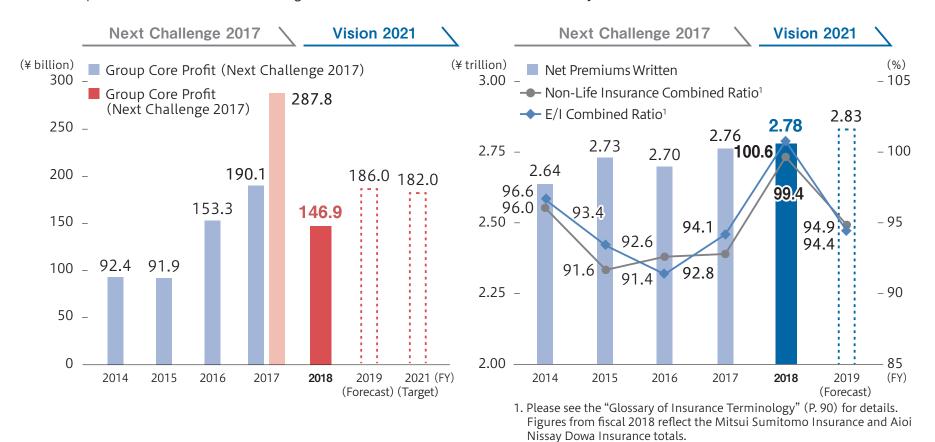
The Domestic Non-Life Insurance Business is the MS&AD Group's core business and boasts the largest scale in Japan.

The Group's three unique non-life insurance companies leverage a variety of sales channels, address the new kinds of risks arising from changes in the social environment and progress in technological innovation, and provide safety and peace of mind.



Group Numerical Management Targets

(Simple sum of the non-consolidated figures for Mitsui Sumitomo Insurance, Aioi Nissay Dowa Insurance and Mitsui Direct General Insurance)



Business Strategies

1 Leveraging Diversity

The Group leverages diversity, which is one of its strengths, to quickly respond to changes in the social environment and technological innovation.

Diversifying Customers' Risks and Needs with Changes in the Social Environment Mitsui Sumitomo Insurance Aioi Nissay Dowa Insurance Mitsui Direct General Insurance クルマの保険 Leveraging comprehensive Direct sales to individual clients Unique company with its via the Internet and phone calls strengths own distinctive character **Business** concepts Seeking a close relationship Pursuing high-quality, Global business development with local communities low-cost operations Broad partnership centered Partnerships centered on the **Diverse** on the Mitsui Group and the Toyota Group and the Nissay partnerships Sumitomo Group Group Development of innovative New product development **Product** products that leverage ties with Simple and based on a wide range of development easy-to-understand products partners business-to-business Example: Internet contract leveraging Example: Connected Automobile transactions Insurance (telematics automobile discount Example: H.I.S. Cancel Support special strengths insurance for Toyota vehicles)

2 Vision 2021 Domestic Non-Life Insurance Business Strategy

Pursue the Group's Comprehensive Strengths

Maximize further synergies by leveraging the Group's comprehensive strengths along with utilizing the distinct characteristics of each Group company

- Standardize products/operations, launch the "BRIDGE" jointly developed non-life insurance claims services system (from 2021)
- Enhance life/non-life insurance product cross-selling, jointly develop health-/medical-related products/services
- Standardize/consolidate back-office operations

Promote Digitalization

Accelerate the digitalization of business processes through R&D² investment and work to improve the value of the customer experience and business productivity

- Digitalize the policy and claims payment administrative processes
- Accelerate initiatives for automobile insurance using telematics technology
- Use AI to support agent operations, etc.

Reform the Product Portfolio

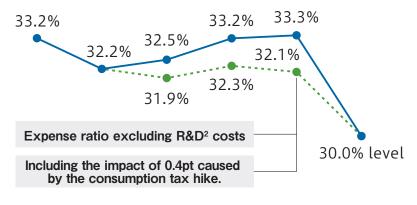
Reform the product portfolio by improving fire insurance underwriting profit and expanding casualty insurance while maintaining automobile insurance earnings

- In October 2019, promote product standardization; implement rate revisions that appropriately reflect risk for fire insurance, based on loss ratio trends by property structure and industry type
- Strengthen initiatives for expanding casualty insurance (coverage for cyber and other new risks) and cultivate the small and medium-sized enterprise market
- Develop products to address the sharing business and on-demand needs (release individual liability insurance for business operators), etc.

Status of initiatives to reform business processes

- Favorable progress in large projects, including the "online" system renovation" and "standardization of products and operating procedures"
- The timing of the introduction of "BRIDGE," a joint claims services system, changed from 2019 to 2021 in order to strengthen the ability to respond to large-scale disasters and introduce advanced digital technologies.

Expense ratio⁶ trend and outlook



| (FY) |
|------|
| |

- 2. Investments in R&D to address changes in the environment, including infrastructure building, and to improve productivity and quality
- 3. Including forms/printing and distribution
- 4. Investment will continue in FY2022 and after.
- 5. Including cost reductions from consolidation and the integration of offices, sharing of the claims service function
- 6. Simple sum for Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance on a non-consolidated basis

System investment amount and cost-reduction effect

| Project | Investment amount | Introduction | Effect (to be realized sequentially) | |
|--|------------------------|--------------|--|--|
| Renovation of agent and customer online system | about ¥88.0 billion | FY2019 | About ¥18.0 billion/year³ | |
| Standardization of products/operations | about ¥11.0 billion | 112019 | About ¥2.0 billion/year | |
| Joint claims services system "BRIDGE" about \$\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\ | | FY2021 | About ¥12.0 billion/year ⁵ | |

3 Vision 2021 Core Strategies by the Operating Company

Mitsui Sumitomo Insurance Aioi Nissay Dowa Insurance

- Promote development and sales of products with strong customer demand, realize faster product development and lower costs (joint development of "observe and protect automobile insurance")
- Establish a Group-wide collaboration system in the cyber risk field; bolster cooperation among MS&AD InterRisk Research Institute & Consulting, Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance to provide comprehensive corporate services
- Ensure favorable progress in improving administration efficiency through the advancement of digitalization
- Pursue growth strategies, address environmental changes
- Proactively respond to new risks facing companies, etc.
- Leverage product/services development and the ample underwriting expertise of overseas partners
- Establish brand value through telematics strategies and ICT technologies
- Accelerate partnerships in different industries beginning with Toyota, Nippon Life Insurance and closely affiliated companies
- Strengthen contributions to local communities by leveraging strengths in the retail market

Mitsui Direct General Insurance

- Deepen marketing activities using digitalization
- Gain new customers through increasingly sophisticated mass marketing/online advertising
- Undertake measures to expand direct markets, which the other two companies being focused on agent channels have been unable to penetrate

Domestic Life Insurance Business

The Domestic Life Insurance Business is a key growth business.

Industry-leading growth and earnings potential will be realized by Mitsui Sumitomo Aioi Life Insurance, which offers medical/nursing care products as well as death benefit and other protection-type life insurance products, and Mitsui Sumitomo Primary Life Insurance, which offers asset-building-type products designed to support retirement lifestyles and asset inheritance products that can be used for inheritances as well as for living donations.

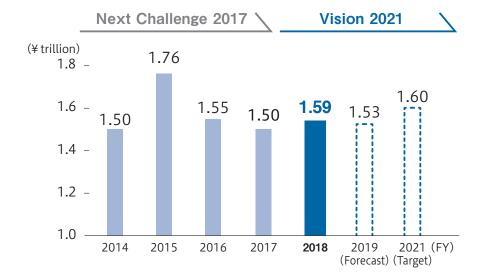


Group Numerical Management Targets

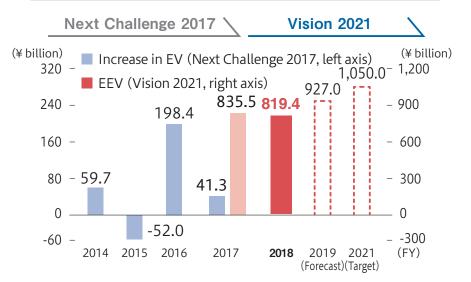
Group Core Profit, Group Adjusted Profit



Life Insurance Premiums (Gross Premiums)



Increase in EV¹, EEV² (Mitsui Sumitomo Aioi Life Insurance)



- 1. Mitsui Sumitomo Aioi Life Insurance, which provides protection-type life insurance products, designated an increase in EV (Embedded Value) as one of its numerical management targets along with Group Core Profit. Current statutory accounting is in some respects difficult to use for performance evaluation, partly because costs are concentrated at the time of sale but also because the corresponding profit is realized in later years. However, EV is employed as a useful indicator for evaluating achievements and corporate value as it evaluates future profits generated by in-force business at the present and provides complementary financial information in statutory accounting. In addition, Mitsui Sumitomo Aioi Life Insurance's EV, in principle, conforms to the European Embedded Value (EEV).
- Note: See the "Glossary of Insurance Terminology" (P. 90) for details. 2. Next Challenge 2017 used an increase in EV as a numerical management target, but Vision 2021 has switched to EEV.

Business Strategies

1

Leveraging Diversity

Meeting increasingly diversified customer needs amid ongoing changes in the structure of society and customer lifestyles through these two life insurance companies that feature different business models (e.g., products, sales channels)

| | Mitsui Sumitomo Aioi Life Insurance | Mitsui Sumitomo Primary Life Insurance | | | |
|-------------------|---|--|--|--|--|
| | 人生の「もしも」を「安堵」にかえる。 LIFE アンドライフ | 個人年金は、 未来への贈り物。 | | | |
| Products | Protection-type products As Japan increasingly becomes a super-aged society, there is a growing need for medical/nursing care products as well as death benefit and other protection-type products (e.g., term life insurance, income guarantee insurance, medical insurance). | Asset-building and asset-inheritance products Suitable to the diversification of customer needs as Japan increasingly becomes a super-aged society, asset-inheritance products that can be used for inheritances or living donations and asset-building-type insurance products (variable/fixed annuity insurance, variable/fixed whole life insurance) are being marketed. | | | |
| Sales channels | The Group has developed diverse sales channels centered on cross-selling through the agents of the Group's two core non-life insurance companies, financial institutions, professional life insurance agents and direct sales personnel. | Over-the-counter sales by financial institutions (e.g., banks, securities companies) | | | |

2 Vision 2021 Domestic Life Insurance Business Strategies

Develop/provide products and services that meet diversifying customer needs in line with changing lifestyles and the dawn of a super-aged society.

Further strengthen marketing capabilities to maintain leadership in OTC sales via financial institutions and our sales base as the largest non-life insurance group in Japan.

Build systems that can respond flexibly to changes in the environment such as the advance of the falling birthrate and aging population, the continuation of ultra-low interest-rate policies and the advance of digitalization.

Extensively promote a customer-first policy in operations to improve quality and customer satisfaction.

Mitsui Sumitomo Aioi Life Insurance

- Complete the consolidation of third-sector long-term policies held by MSI and ADI
- Provide protection-type products and services that help resolve social issues, such as the increasing burden of nursing care and medical care, and support health promotion
- Further strengthen marketing capabilities through diverse channels, with a focus on cross-selling based on integrated life/non-life operations
- Build a system to respond to changes in the environment (infrastructure development and reform of the earnings structure)

Life insurance cross-selling ratio* (%) (Mitsui Sumitomo Aioi Life Insurance) 20 18 15 - 14.1

*Cross-selling channels (professional, corporate, automobile sales dealers):
The number of Mitsui Sumitomo Aioi Life Insurance in-force policy holders
divided by the number of Mitsui Sumitomo Insurance/Aioi Nissay Dowa
Insurance automobile and fire insurance policy holders

2019

(Target)

2021 (FY)

(Target)

2018

10

2017

Mitsui Sumitomo Primary Life Insurance

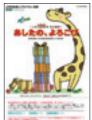
- Expand products and services to meet the diversifying needs of customers as we move to an era in which the average life span could reach 100 years
- Pursue agent and customer convenience and reform business processes through the promotion of digitalization
- Enhance ALM that captures changes in investment markets and liability structures

Products and services that meet the needs of society and customers

(Mitsui Sumitomo Primary Life Insurance)

- Expand the lineup of products to be used for inheritance and living donation purposes and products focusing on longevity risk
- Proactively promote customer-first operations with an eye toward avoiding complaints and providing easy-to-understand information when selling foreign-currency-denominated insurance







Product brochures

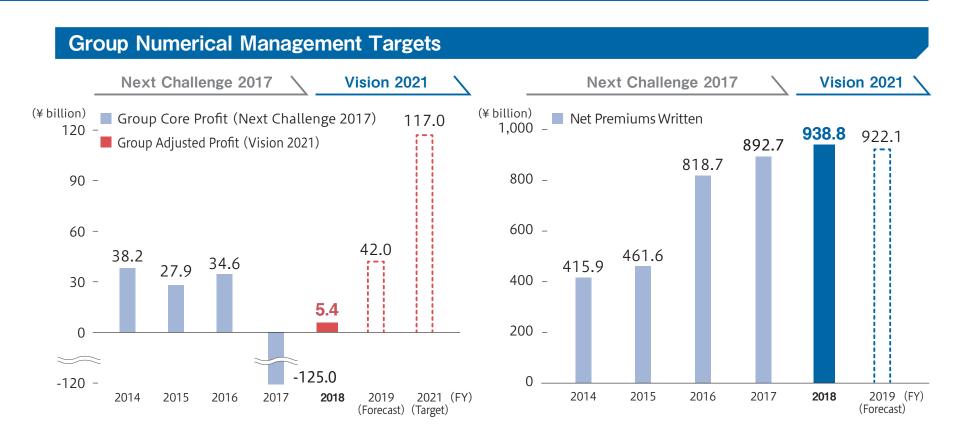
Training materials for agencies

| 3 Key Strategy | | | | | |
|----------------------------------|--|---|--|--|--|
| | Mitsui Sumitomo Aioi Life Insurance | Mitsui Sumitomo Primary Life Insurance | | | |
| | Further enhance cross-selling channels via the integration of life and non-life operations | Share high-quality know-how of education and training for sales and marketing within the Group | | | |
| Pursue the Group's Comprehensive | Strengthen the collaboration between Mitsui Sumitomo Ai | oi Life Insurance and Mitsui Sumitomo Primary Life Insurance | | | |
| Strengths | Strengthen internal Group collaboration for product d | evelopment and services in the health and medical fields | | | |
| | Increase efficiency by reviewing the division of roles within the Group such as sales administration | | | | |
| | Strengthen customer contacts by promoting digitalization and supporting agent activities | Improve contact center operations mainly by using voice-recognition technologies | | | |
| Promote Digitalization | Increase the sophistication and efficiency of product development and underwriting operations by using digital technologies that include big data analysis | Further enhance the ease of understanding and convenience for customers by improving paperles operations in cooperation with agents | | | |
| | Optimize administrative processes (increase productivity by using RPA (Robotic Process Automation) for routine tasks) | | | | |
| | Increase sophistication and efficiency for the insurance claims and benefits payment processes | | | | |
| Reform the Product Portfolio | technology such as advanced medicine and lives as lapan moves toward | | | | |

International Business

Leveraging the expertise and trust it has accumulated during its history of more than 90 years of international operations, the MS&AD Insurance Group has established a global network that today spans 48 countries and regions* to provide insurance products and services that meet diverse customer needs.

*Excluding the Cayman Islands, where SLI Cayman Limited (financial services business) is domiciled. (As of April 1, 2019)



Characteristics of the International Business

The MS&AD Insurance Group's international business operations encompass two businesses, the international non-life insurance business and the international life insurance business. Since commencing underwriting operations in Thailand in 1934, we have established businesses in 48 countries or regions around the world, and presently we are the largest insurance company in the

ASEAN region with a robust network. In 2016, we welcomed Amlin to the Group to put into place a balanced portfolio spread across Asia, Europe and the Americas. In addition, First Capital Insurance Limited, the largest non-life insurance company in Singapore, joined the Group in 2017 solidifying its leading position in the ASEAN region.

1 International Non-Life Insurance Business

To make decisions and manage operations in accordance with local customs while rigorously complying with the laws, regulations and business conventions of each country and region, regional holding companies have been established in Singapore, the United Kingdom and the United States as the linchpins for business development.

| Asia Business | The Group has established the MSIG brand penetrated in the high-growth-potential Asia region. We have achieved particular growth in ASEAN, becoming the sole insurance group with underwriting operations in all 10 countries of this region. Through a variety of efforts including support for government policy on insurance and the sharing of insurance technologies, the Group is contributing to economic growth in each country throughout the region while also undertaking activities to realize growth in its own business operations. |
|--|---|
| MS Amlin Business | MS Amlin, an insurance holding company, with the three core business segments of Lloyd's, Reinsurance and Continental Europe Primary Insurance, is the core company in the international non-life insurance business. Growth synergies with the existing local subsidiaries in Asia and the Americas have materialized, thanks in part to joint efforts to create new insurance underwriting schemes, and the exchange of human assets has led to more sophisticated risk management on a Group level. |
| Toyota Retail Business Telematics and Mobility Services Business | Aioi Nissay Dowa Insurance leverages its strong partnership with the Toyota Group to develop the business via the Toyota network throughout the countries of Europe, as well as Oceania, China, Thailand and numerous other countries and regions. In addition, utilizing the telematics know-how of Insure The Box Limited, which we acquired in 2015, we are developing a global telematics and mobility services business. We expect synergies to emerge in the Toyota retail business as well through the provision of new added value. |
| Head Office Reinsurance Business | The Head Office at Aioi Nissay Dowa Insurance has engaged in the overseas inward reinsurance business as a means of effectively utilizing capital. While managing Group-wide risks, we will advance business by engaging in profit-focused underwriting for business partners with which we can maintain medium- and long-term relationships in both outward and inward reinsurance. |

2 International Life Insurance Business

We are investing in life insurance companies in countries where life insurance markets are projected to expand—such as Indonesia, India and Malaysia—with the aim of expanding sustainable profits.

In 2017, the MS&AD Insurance Group invested in Challenger Limited in Australia (annuity insurance business) and, in 2018, invested in ReAssure Jersey One Limited in the United Kingdom (closed book life insurance business*) to secure stable profits and acquire business know-how.

*See the notes on P. 21.

3 Net Premiums Written and Net Income by Region and Business

(¥ billion)

| | | FY2011 | FY2012 | FY2013 | FY2014 | FY2015 | FY2016 | FY2017 | FY2018 | FY2019 (Forecast) |
|---------|---------------------------------------|---------|--------|--------|--------|--------|--------|---------|--------|----------------------|
| e | Asia | 142.8 | 173.1 | 215.7 | 237.1 | 257.7 | 240.6 | 268.1 | 296.1 | 310.6 |
| Written | Europe | 60.9 | 64.4 | 85.4 | 99.6 | 121.1 | 499.6 | 498.7 | 514.9 | 480.7 |
| | (of which: MS Amlin) | _ | _ | _ | | _ | 391.1 | 430.2 | 448.0 | 412.6 |
| remiums | Americas | 43.7 | 41.4 | 56.4 | 66.2 | 69.4 | 66.4 | 71.1 | 67.7 | 64.6 |
| | Reinsurance Business | 16.8 | 15.6 | 16.7 | 19.1 | 18.6 | 16.8 | _ | _ | |
| Net P | Head Office Reinsurance Business | _ | _ | _ | _ | _ | _ | 57.9 | 62.9 | 68.7 |
| ž | International Business Total | 262.2 | 287.8 | 369.0 | 415.9 | 461.6 | 818.7 | 892.7 | 938.8 | 922.1 |
| | Asia | (89.6) | 28.8 | 16.3 | 26.0 | 12.7 | 16.7 | 11.1 | 30.9 | 20.2 |
| | Europe | (16.1) | (11.9) | 1.8 | 5.7 | (3.1) | 2.2 | (116.2) | (3.8) | 3.8 |
| me | (of which: MS Amlin) | _ | _ | _ | - | _ | 6.1 | (109.3) | (1.9) | 6.3 |
| 8 | Americas | 0.1 | (7.7) | (3.3) | (7.9) | 8.1 | 0.8 | 4.7 | 1.1 | 2.4 |
| et In | Reinsurance Business | (6.3) | 5.1 | 8.5 | 11.0 | 10.7 | 12.4 | - | 1 | |
| Se | Head Office Reinsurance Business | _ | _ | _ | _ | _ | _ | (26.0) | (6.7) | 3.8 |
| | International Life Insurance Business | 3.0 | 1.3 | (1.2) | 5.4 | 5.7 | 8.4 | 6.4 | 8.9 | 15.9 |
| | International Business Total | (112.3) | 13.5 | 18.0 | 38.2 | 27.9 | 34.6 | (125.0) | 5.4 | 42.0 |

^{*}International Business figures are aggregates of the results for overseas consolidated subsidiaries and equity-method affiliates, together with non-life insurance companies' overseas branches, overseas-based non-consolidated affiliates and the overseas inward reinsurance business of non-life insurance companies' headquarters, etc.

Growth Strategy

In expectation of the various changes in the environment that surrounds insurance—increasingly common natural catastrophes, intensifying competition in emerging markets, the advance of digitalization, ever-more stringent capital regulations and supervision, and others—we seek to leverage the strengths of the Group to achieve growth that is resilient and sustainable.



Growth and intensifying competition in emerging markets



Increase in natural catastrophes



Continuing low-interest rate environment



Tightening of capital regulations and supervision

Solidifying our global platform

Strong foundation in the Asian region

- Bases in all 10 ASEAN countries, No. 1 in gross premiums written
- Seizing synergies with MS First Capital
- Tapping into growth markets, including India and China

MS Amlin's advantages in the Lloyd's market

- Strength as a market leader
- Underwriting expertise in specialty classes
- Ongoing efforts to recover profitability

Expansion of telematics and mobility services business

- Collaboration with Toyota as a strength
- Tie-in with Toyota's mobility strategy

Growth of the international life insurance business

- Promotion of business with exceptional local partners
- Capturing the effect of portfolio diversification



Development of digitalization



Expansion of the "sharing economy"



Changing business models



New entrants from outside the insurance sector

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

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

*The Reinsurance business is included in figures for MS Amlin since FY2017 because it was integrated into MS Amlin together with MSI

Lloyd's business in December 2016.

^{*}Since FY2017, the international life insurance business has included Challenger and ReAssure in addition to the former Asian life insurance business.

Risk-Related Services Business

Risk-Related Services Business is responsible for important roles within the MS&AD Insurance Group's value creation processes.

Risk-Related Services Business units provide diverse solutions globally in cooperation with Group units engaged in the insurance and financial services businesses, and thereby make an important contribution to realizing the Group's mission.

Overview of Risk-Related Services Business

The MS&AD Insurance Group provides various non-insurance services to meet customers' needs for risk solutions, such as the risk management, nursing care and assistance businesses.

Overview of Risk Management Business

The Group's risk management business is developing its operations based on a business model that emphasizes three concepts: "(1) early risk discovery, (2) risk magnitude and incidence frequency reduction and (3) eventuated risk impact minimization." Insurance and other financial products are employed with respect to the third of those concepts, having the role of "alleviating"

economic impacts." The operational scope of the risk management business units encompasses all three of the concepts.

Working in close cooperation with the insurance business units, the risk management business units provide customers with the following types of risk-related services.

1

Provision of risk research and simple diagnoses along with loss prevention advice

2

Consulting services related to the formulating of a business continuity plan and a crisis management plan of companies and other organizations

3

Implementation of surveys and studies of the latest risk-related information and dissemination of that information via seminars and newsletters

The Group unit responsible for these operations is MS&AD InterRisk Research & Consulting, Inc., which is the largest risk consulting company in Japan. Utilizing its bases in Singapore, Thailand and China, MS&AD InterRisk Research Institute & Consulting is globally developing its risk solution services business.

MS&AD InterRisk Research & Consulting's Global Network



Vision 2021 Progress Status

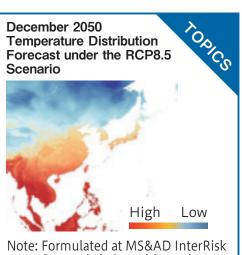
Mainly providing high-quality solutions, strengthening global preparedness, demonstrating group synergies and developing new solutions, we have been developing our business activities with a sense of mission while remaining aware of our social responsibility for risk consulting and information provision.

In fiscal 2018, natural catastrophes such as the earthquake in northern Osaka Prefecture and the heavy

rainfall in western Japan caused a rapid increase in demand for services relating to business continuity plans (BCPs) and flood risks. In April 2018, InterRisk Research Institute & Consulting, Inc., merged with MS&AD Research Institute Co., Ltd., and further strengthened the research function of the Group as MS&AD InterRisk Research & Consulting, Inc.

■ Supporting the Risk Analysis in Climate Change for Companies

Against the backdrop of the adoption of the Paris Agreement and the expansion of ESG investment, investors are demanding that companies identify and disclose the financial risks associated with climate change. For this purpose, the Financial Stability Board (FSB) established the Task Force on Climate-Related Financial Disclosures (TCFD) in June 2017. Under these circumstances, MS&AD InterRisk Research & Consulting developed a service to analyze climate change risk in addition to the property risks caused by floods or droughts. The service can also address the risks that will emerge from the social economy shifting to a carbon-free society, which includes the transformation of the energy structure.



Note: Formulated at MS&AD InterRisl Research & Consulting using NASA GISS, GISS-E2-R data.

Business Performance

| | FY2014 | FY2015 | FY2016 | FY2017 | FY2018 |
|---|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| Number of risk surveys conducted | 1,009 Domestic 526 Overseas 483 | 1,092 Domestic 500 Overseas 592 | 1,031 Domestic 468 Overseas 563 | 1,189 Domestic 506 Overseas 683 | 1,140 Domestic 528 Overseas 612 |
| Number of risk-related reports issued | 75 | 68 | 84 | 72 | 78 |
| Number of trainings/ seminars arranged | 3,873 | 4,199 | 3,997 | 4,720 | 4,903 |
| Number of media appearances | 232 | 306 | 377 | 386 | 347 |

Other Risk-Related Services Business

Nursing Care Business

The MS&AD Insurance Group inaugurated its nursing care business in 1989.

Currently, two Group companies are supplying high-quality nursing care services that provide seniors with comfort and peace of mind. MITSUI SUMITOMO INSURANCE Care Network operates fee-based retirement

homes (operating two such facilities as of March 31, 2019), whereas Fureai Do-Life Services moved in 2000 to become the first Japanese insurance industry unit to operate elderly daycare centers (operating four such facilities as of March 31, 2019).

Assistance Business

Through ANSHIN DIAL, we are developing the comprehensive assistance call center business related to automobiles (road assistance services) and homes (house support services). By responding to requests for assistance from people throughout Japan, we are cooperating with our partners in this field to relieve customers' worries and

concerns and provide peace of mind.

In January 2019, ANSHIN DIAL launched the Emergency Automatic Notification Service that, in the event of an automobile accident, connects the drive recorder with the receiver system.

Major Operating Companies

MS&AD InterRisk Research & Consulting, Inc.

MS&AD InterRisk Research & Consulting, is one of the largest risk consulting companies in Japan. It provides companies and government entities with consulting, risk surveys, research and investigation, information provision and other services related to diverse kinds of risks.

With overseas bases in Singapore, Thailand and China, the company is seeking to provide risk solutions throughout the world.

Date established: January 1993 Number of employees: 245 (as of April 1, 2019) MS&AD Insurance Group shareholding: 100%

URL: https://www.irric.co.jp/en/corporate/

ANSHIN DIAL Co., Ltd.

ANSHIN DIAL is a company that engages in comprehensive assistance call center operations through two call centers in Tokorozawa and Naha, boasting an affiliate network of more than 5,000 companies nationwide. ANSHIN DIAL provides its customers with services that alleviate their worries, such as roadside assistance and support fixing problems at home 24 hours a day, 365 days a year.

Date established: November 1989 Number of employees: 1,026 (as of April 1, 2019) MS&AD Insurance Group shareholding: 58.87%

URL: https://www.anshin-dial.jp (Japanese language only)

MITSUI SUMITOMO INSURANCE Care Network Co., Ltd.

MITSUI SUMITOMO INSURANCE Care Network operates a fee-based retirement home business offering nursing services, a business that provides support for in-home nursing care (creating care plans) and a home care worker (home helper dispatch) business. By providing high-quality elderly care services, the company strives to create a society in which seniors can enjoy pleasant and cheerful lives.

Date established: October 1990 Number of employees: 112* (as of April 1, 2019) MS&AD Insurance Group shareholding: 100%

URL: http://www.msk-carenet.com (Japanese language only)
*Excluding registered care workers

Fureai Do-Life Services Co., Ltd.

Fureai Do-Life Services operates elderly daycare centers.
All centers employ physical therapists and other staff to implement functional training programs and other programs associated with preventive and rehabilitative care. They also provide services that are deeply rooted in local communities, based on cooperation with NPOs and schools.

Date established: March 2000 Number of employees: 66 (as of April 1, 2019) MS&AD Insurance Group shareholding: 100%

URL: http://www.fureai-do.co.jp (Japanese language only)

Financial Services Business

In the Financial Services Business, the MS&AD Insurance Group offers various financial solutions and services that make use of its strengths.

The Group is developing and providing various new financial products and services to address increasingly diverse customer needs, leveraging the full range of its capabilities as an insurance and financial services group.

Overview of the Financial Services Business

The MS&AD Insurance Group offers the following kinds of financial products and services.

ART Business

Alternative risk transfer (ART) refers to techniques other than traditional insurance policies to transfer risks. ART entails the use of financial technologies and capital markets to provide risk solutions. ART products include derivatives and securitized risk products, with typical products including weather derivatives, insurance-linked securities* and earthquake derivatives. We are strengthening the client base and our product development capabilities while monitoring changes in the social environment and market conditions.

Defined Contribution Pension Business

We encourage the spread of individual defined contribution pension plans (iDeCo), the demand for which has been increasing across society with the declining birthrate and the aging population. We also offer meticulous consulting services for introducing corporate defined contribution pension systems. We aim to grow this business as the market continues to expand.

Asset Management Business

We work through jointly owned company Sumitomo Mitsui DS Asset Management in the investment advisory business, the investment trust management business and other kinds of business. With more than ¥16 trillion in assets under management, Sumitomo Mitsui DS Asset Management is one of Japan's largest asset management companies.

Venture Capital Business

Working through MITSUI SUMITOMO INSURANCE Venture Capital, we make investments in promising venture businesses and provide support for the growth and development of investee companies. In fiscal 2018, we invested a total of ¥2.5 billion in 27 companies, largely venture firms in the IT services sector, where strong growth moving forward appears likely.

ART: Outline of Weather Derivatives

Weather derivative Mitsui Sumitomo contract Insurance Premium payment Customer **Aioi Nissay Dowa** Funds are received when Insurance a contractually predetermined index value is reached.

ART: Strengthening the Insurance-Linked

Capital Partners LLP (LCP), which specializes in insurance-linked

securities. The Company thereafter reorganized LCP into a direct

maintaining the independence of LCP and further strengthen

Securities Business

The Group's Financial Services Business is being developed

Major Operating Companies

principally by MSI, ADI and the following operating companies.

Sumitomo Mitsui DS Asset Management Company, Limited

Assets under management:

investment advisory ¥7,414.1 billion

investment trusts ¥9,516.2 billion (based on the combined assets of Sumitomo Mitsui Asset Management and Daiwa SB Investments as of December 31, 2018)

Date established: December 2002

Number of employees:

1,108 (based on the combined headcount at Sumitomo Mitsui Asset Management and Daiwa SB Investments as of January 1, 2019) MS&AD Insurance Group shareholding: 15% (As of April 1, 2019)

https://www.smd-am.co.jp/english/

Mitsui Sumitomo Insurance acquired 80% of the limited partnership equity in fund management company Leadenhall

Note: Sumitomo Mitsui Asset Management and Daiwa SB Investment merged to form Sumitomo Mitsui DS Asset Management in April 2019. The new company is an equity-method affiliate of the MS&AD Insurance Group.

The Company will work to realize synergies while

Date established: December 1990

MITSUI SUMITOMO INSURANCE Venture Capital Co., Ltd

Number of employees: 13 (as of April 1, 2019) MS&AD Insurance Group shareholding: 100%

URL: https://www.msivc.co.jp/ (Japanese language only)

Group Adjusted Profit

Bolstering product strength in the

insurance-linked securities business

Enhancing LCP's presence in Japan

the ILS business going forward.

subsidiary.

(¥ billion)

17 PARTNERSHIPS FOR THE GOALS

| | (. 5 |
|--------|-------------------|
| FY2018 | FY2019 (Forecast) |
| 5.7 | 6.0 |

MS&AD Loan Services Co., Ltd.

Scope of operations: Entrusted administration services for customers within and outside the Group, credit guarantee services and loan services for individuals

Date established: October 1976

Number of employees: 145 (as of April 1, 2019) MS&AD Insurance Group shareholding: 100%

URL: https://www.ms-ad-ls.co.jp/site/index (Japanese language only)

^{*}Insurance-linked securities (ILS) is a generic term for securitized products that transfer risk covered by insurance, including natural disasters, to the capital markets.

Asset Management Strategy

Asset management at the MS&AD Insurance Group is undertaken with an emphasis on stability and liquidity to prepare for the payment of insurance claims and benefits, and with the objective of ensuring stable returns on investments using ALM* based on the characteristics of insurance liabilities.

The MS&AD Insurance Group aims to improve return on risk by dispersing investments in diverse and sophisticated investment assets while considering stability and reducing risk assets by accelerating the reduction of strategic equity holdings.

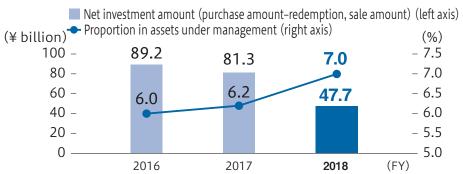
*ALM: Asset Liability Management. See the "Glossary of Insurance Terminology" (P.90) for details.

Asset Management Conditions

Investment in Diversified Portfolio

Amid the ongoing low interest rate environment following the Bank of Japan's Negative Interest Rate Policy, we are avoiding investments in domestic bonds with negative yields. While giving due consideration to the risks involved, we are expanding our investments in assets with relatively high expected returns (e.g., foreign bonds, foreign stocks, alternative investments). As a result, the percentage accounted for by the latter in assets under management is increasing and contributing to the expansion of investment income.

Investment in Response to Negative Interest Rates*



*The amount of investment in assets (total of foreign bonds [with no foreign currency hedges], foreign stocks and alternative investments) for which relatively high returns are expected. Total of Mitsui Sumitomo Insurance, Aioi Nissay Dowa Insurance and Mitsui Sumitomo Aioi Life Insurance

Practicing Responsible Investment

On June 1, 2015, the MS&AD Insurance Group became a signatory to the Principles for Responsible Investment. In accordance with these principles, we engage in investment activities that take into consideration ESG (environmental, social, governance) during the decision-making process.

Signatory of:



Actual Examples of ESG Investments

Each Group company continued to expand its ESG investments in fiscal 2017.

| Mitsui Sumitomo Insurance Co., Ltd., Aioi Nissay Dowa Insurance Co., Ltd. | Investment in Green Bonds ¹ (total of both companies' investments approx. ¥4.0 billion) |
|--|--|
| Mitsui Sumitomo Insurance Co., Ltd. | Investments in Japanese ESG stock funds (¥5.5 billion) Renewable energy-related investments (¥5.0 billion) |
| Mitsui Sumitomo Aioi Life Insurance Co., Ltd. | Investments in social bonds issued by Japan International Cooperation Agency (JICA) ² (¥1.0 billion) Investments in Industrialize Africa Bond issued by the African Development Bank (approx. ¥2.6 billion) |

1. Bonds issued by companies and local governments to raise funds for green projects (businesses that show consideration for the environment) in Japan and overseas 2. Loans supporting economic and social development in developing countries, and for the sound development of Japan and the international economic community

Implementation of Japan's Stewardship Code

In May 2014, Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance declared their acceptance of Japan's Stewardship Code and have since engaged in constructive dialogue about ESG with the companies in which they have invested. The corporate pension funds of both companies announced their acceptance of the Stewardship Code from fiscal 2018.

Number of companies in which we have invested and engaged in dialogue (July 2017–June 2018)

| | MS | AD | Total (simple sum) |
|---|-----|-----|--------------------|
| Number of companies engaged in dialogue | 252 | 229 | 481 |

Examples of ESG-Related Dialogue

- Having specified ESG and the SDGs in the company's mission, efforts are made to raise employee awareness, such as by holding study groups for employees working in factories.
- In place of the CSR report, there is a plan to add ESG and perspectives on creating value for the future and to publish that as part of an integrated report.
- Actively accepting industrial waste, the company recycles it as fuel for manufacturing and strives to expand the types of waste that can be used currently.
- With regard to ESG and the SDGs, the CSR Promotion Committee, chaired by the holding company president, has been established to discuss policies and specific initiatives.
- Having set materiality (important issues) to realize a sustainable society, the company formulated specific measures and structures to achieve the goals for each individual business.
- Future issues will be how to explain to investors the relationship between ESG and the SDGs and individual businesses, and their relationship for improvements in corporate value.

053

Special Feature

Creating Shared Value

Aiming for a Resilient and Sustainable Society

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

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

Creating Shared Value (CSV Initiatives)

Deal with new risks



- 2 Create a safer mobility society
- 3 Strive for resilient community development











3 GOOD HEALTH AND WELL-BEING

-⁄√****



4 Support "good health and longevity"











8

Strive to improve the sustainability of natural capital





















Creating Shared Value



Story of Value Creation

Development at overseas entities

Chief Marketing Officer, MSIG Holdings (Asia)

Rebecca Ang Lee

MSIG Holdings (Asia) set up the Regional Sustainability Taskforce in January 2019 with members from 10 local business units.

Aiming to achieve a "Resilient and Sustainable Society" outlined in the Group's "Vision 2021" Medium-Term Management Plan, the Taskforce is focused on the promotion of sustainability-related initiatives with a close connection to the Group's business and the building of a competitive brand in Asia. Among the various sustainability-related issues, the Taskforce is focusing its attention on the preservation of the environment, especially in regard to biodiversity, and is taking on new challenges in this area.



Regional Brand Conference in Asia: Visiting the Reforestation Project in Indonesia

President and Representative Director, Shintoshin Agency

Mr. Akimasa Adachi

Since the company's founding in 1995, we have focused on insurance covering a variety of business risks faced by corporations, with the goal of using insurance to support corporate business activity and contribute to the advancement of the Japanese economy. Enhancing a sense of crisis regarding the potential impact of climate change on business at a relatively early stage, we have been working to advance the use of insurance for operating renewable energy business, including in wind power and biomass power generation. We have recently come to understand the importance of addressing social issues from a long-term perspective, which leads to the potential for our growth.

We are in full agreement with the MS&AD Group's CSV approach toward building a "Resilient and Sustainable Society" and intend to continue contributing to a brighter future while pursuing sustainable growth as we support our customers.



Our exhibition booth at the 4th International Biomass Expo

Working with agencies

Chief Inspector,

Toyohashi City Hall Multicultural Society & International Affairs Division

Mr. Takashi Miwata

The city of Toyohashi in Aichi Prefecture is home to many foreigners, including about 8,000 Brazilians. One of the focal points of the Toyohashi City Multicultural Society & International Affairs Division is the prevention of traffic accidents by foreigners living in the city. One solution involved holding seminars on traffic safety for foreign residents in cooperation with Aioi Nissay Dowa Insurance. The seminar included text written in Portuguese as well as an explanation of Japanese traffic laws and the role of auto insurance in case of an accident. With the focus on creating an environment where all can live in peace of mind, we believe these activities contribute to a reduction in traffic accidents and revitalization of the community.

By relying not only on the promotion of government but also collaboration with private companies, we believe we have created a win-win scenario benefitting both society and company's interests.



Workshop at a Catholic Church

Cooperation with local communities



Special Feature Creating Shared Value



Dealing with cyber risks

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

Background ·····

Responding to new risks, an important issue in corporate governance

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



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

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>>> Strengthening and promoting preventive measures against cyber risks

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

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

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



Social issues

Cyber risks tend to evolve in complexity and sophistication in line with the advance of information technology.

Damages that arise from cyberattacks are escalating.

Solutions

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

Impact on society

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

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

Creating Shared Value



Automobile insurance and services that utilize telematics technology

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

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

Background ·····

Telematics technology can contribute to traffic safety

In today's motorized society, the advance of automobile technology is working to curtail collision-type accidents. On the other hand, driving mistakes by elderly drivers and apparently malicious tailgating-type driving behavior are increasing the number of automobile accidents. Given advances in information and communication technology, and more sophisticated data analysis functions, we are taking action to develop a variety of automobile insurance that enhances safety and security for solutions to such issues.

Telematics automobile insurance characteristics

1 ▶ Data collection

Driving behavior data collected by equipping vehicles with devices that have a mobile telecommunications function

2 ▶ Data analytics

The data collected from the devices equipped in automobiles are analyzed by insurance companies and used to set insurance premium rates or to develop products and services.

3 ▶ Feedback

Policyholders are provided with services such as safe driving diagnosis reports, alerts for dangerous driving and appropriate accident response at an early stage.

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

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

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

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

ADI and Gunma University, a national university, have entered into an academia-industry alliance and are now moving forward on joint research based on field trials. Every day we strive to move forward with the belief that building a future mobility society which is safe and secure is up to us.



Social issues

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

Solutions

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

Impact on society

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

- Increasingly high-value-added automobile insurance
- New insurance needs arise in the autonomous driving society

Special Feature Creating Shared Value



Regional Revitalization Project

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

Background ·····

Toward sustainable local communities

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

*Participants in society include industry, local public authorities and national-affiliated organizations, universities and higher education institutions, financial institutions, labor organizations, media, and lawyers and others in the legal profession.



ADI: Aioi Nissay Dowa Insurance

An "inclusive society" is the key to a resilient society Hidemichi Kurata, Management Planning Division, ADI

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

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

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



A wheelchair basketball experience event

| Regional issues | Proposal menu | |
|--|--|--|
| Realizing an inclusive society* | Support activities of sports for the disabled, universal manner seminars, traffic safety seminars for foreigners | |
| Business support, industrial development | Tourism business operator seminars, seminars for SME businesses (labor risk countermeasures, cyber risk countermeasures) | |
| Reducing and preventing disasters | Business continuity plan (BCP) seminars, earthquake resistance seminars | |

^{*}A society where everyone has mutual respect for character and individuality, while supporting one another

Social issues

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

Solutions

Support regional revitalization that meets the needs of communities

Impact on society

Realization of resilient community development

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

CEO Message Who We Are Our Way Special Feature Our Platform Appendix Data Section

Creating Shared Value



Development of "health management support-type products"

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

Background ·····

Extending a healthy life expectancy

Japan is already in an era of a super-aging society and is under pressure to deal with a range of social issues, such as alleviating the burden of medical expenses. Extending healthy life expectancy is a critical area in the government's Future Investment Strategy. Health management is garnering attention as an initiative to support this, and we have taken up the health management of employees as a management issue. The goals are not limited to health maintenance and improvement, as well as heightened productivity, but also, we believe, this is linked to enhancing corporate value. For this reason, interest is rising in acquiring certification that cites companies for practicing excellent health management.

>>> Support for health management in companies

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

The "health management app" enables visualization of future risk of lifestyle diseases as a "degree of health," based on the input health checkup

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







The health management app

Group-wide study meeting in session

Social issues

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

Solutions

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

Impact on society

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

- Expansion of sales market to companies making efforts at health management
- Development of new insurance services in a super-aging society

Special Feature Creating Shared Value



Assessing climate change impact on flood risk at a global scale: "LaRC-Flood™ Project"

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

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

Background

Growing flood risks associated with rising temperatures

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

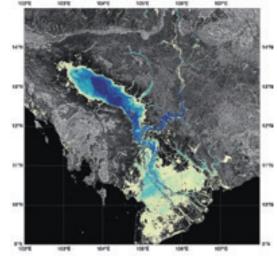


Meeting with Professor Hirabayashi (right) of the Shibaura Institute of Technology and Associate Professor Yamazaki (left) of The University of Tokyo

>>> Bring the outcomes of flood risk assessment research to society

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

Given the globalization of the economy in recent years, a quantitative global-scale estimation of natural disaster risk is desired. Our research group has developed a flood inundation model that can be applied to a global scale, and we have set our goal to reduce flood damage through flood risk assessments under climate change as well as real-time flood simulations based on climate projections and weather forecast data. Precise risk calculation requires both flood inundation models and accurate terrain data, however, the baseline topography information such as elevation data is usually not available in developing countries. We are currently combining satellite observations and big data analysis to develop highly accurate terrain data for the whole world. As the flood simulations in data-sparse areas have improved, we started the collaborative work with the MS&AD Insurance Group to develop and implement a large-area flood hazard map that covers the entire Asia region. Researchers like us are truly excited when research outcomes are used to solve the actual problems of society. Working together with an insurance company is one step toward the implementation of measures to reduce the climate change risk to society, and it makes me even more motivated to conduct this research.



A Mekong River Delta flooding simulation based on the global river model CaMa-Flood

Social issues

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

Solutions

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

Impact on society

Business activities that respond to climate change risks

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

Creating Shared Value

Our Way



"GK Observe and Protect Automobile Insurance (Dashcam Type)", and "Suma-Ho (Smartphone) 'Driving Ability' Diagnosis" Animal Alert App

We provide "GK Observe and Protect Automobile Insurance (Dashcam Type)" along with the smartphone app "Suma-Ho (Smartphone) 'Driving Ability' Diagnosis," a service that provides audio alerts that facilitate caution with drivers when they approach areas where it is common to have traffic accidents involving wild animals. The service was launched in 2016 in Okinawa Prefecture to prevent accidents involving the Japanese rail, a rare bird known locally as "yanbaru kuina." Currently, the service is available in a number of areas.

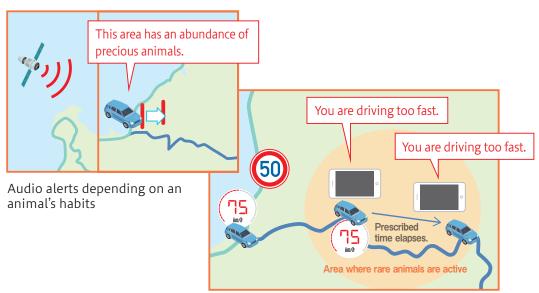
When a driver approaches a location or area where there are often accidents involving animals, based on data held by national or local authorities, an audio alert will warn drivers to be cautious. The content of the alert changes depending on the animals' habits, the time of day they are active and if the weather affects their activity.

Background

Rare animals are in danger of automobile accidents

Every year, traffic accidents involving wild animals occur throughout the country, causing damage to vehicles and harm to humans. In addition, these "road-kill" accidents are the top cause of rare animal deaths, such as with the bird yanbaru kuina, a Japanese rail. Depending on the area, such traffic accidents also lead to a loss of regional biodiversity.

Recently, due to an increase in the numbers of large mammals, such as deer, and the numbers of tourists which lack information of the conditions involving wild animals, certain areas, such as Hokkaido and Okinawa, are experiencing a serious problem with an increase in accidents with these wild animals.



Audio alerts when speed is far too fast for an area where accidents involving animals are common

>>> Protecting regional eco-system by supporting safe driving

Misato Shirai, Planning & Development Team, Automobile Underwriting Department, MSI

Supporting safe driving is a critical mission for a non-life insurance company. Recently, the top cause of rare animal deaths has been traffic accidents, and this is becoming a serious problem. Putting MSI's technology to use works to prevent accidents before they occur, and it is a meaningful feeling to help provide a solution to this problem. In recent years, there have been an increasing number of tourists from abroad, and with an increasing number of opportunities to drive in areas of abundant nature, this gives me an even greater sense of mission to support safe driving. The result is the protection of rare animals indigenous to an area and the country's regional eco-system. The creation of this kind of socially shared value leads to the building of a new ideal society.



Social issues

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

Solutions

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

Impact on society

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

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

Special Feature Creating Shared Value



Offering fire insurance specifically for the housing of indigenous inhabitants

EPIC Homes, which partners with MSIG Malaysia, is a social enterprise that engages in support schemes with the goal of improving the living environment of indigenous people. Recruiting corporate and individual sponsors and developing programs whereby homes are constructed by volunteers and these people themselves, the enterprise works to help raise living standards. Until now, there have been 136 homes constructed. MSIG Malaysia has developed fire insurance specific to these dwellings and has packaged compensation associated with the support scheme. Now, they are offering fire insurance to these constructed homes. Preparing compensation for homes allows these indigenous inhabitants to continue their residence with peace of mind. At the same time, it eliminates the worry that along with the fire, the value of the donation will also be lost. This makes it easy for sponsors to participate in the support scheme.

Background ·····

The indigenous people who have been left behind by economic development

In Malaysia, economic development, primarily in urban areas, has proceeded at a dizzying pace. On the other hand, the poverty and living environments of indigenous tribes have become a major social problem. The indigenous people known as the "Orang Asli" live and work mainly in forested areas. Among them, 35% live in conditions of extreme poverty and 82% are said to require aid and support for residences. Meanwhile, the efforts of social enterprises that tackle such issues have been drawing attention. (Source: EPIC Homes website)



>> A new way to solve social issues and the value arising from partnerships

[Epic Homes CEO Mr.John-son Oei]

We are very happy to be working with MSIG Malaysia who share our vision of developing community-based housing solutions for the Orang Asli communities. All our partners bring something different and valuable to the table and so has MSIG Malaysia. This bespoke fire insurance product, will make our projects more sustainable and assuring to our sponsors, which ultimately benefits the Orang Asli residents too.

[MSIG Malaysia CEO Chua Seck Guan]

We are delighted to be working with Epic Homes on this very meaningful project and have learned a lot from it. The experience from this project has allowed us to create this unique fire insurance product for marginalised communities. We are open to extend this fire insurance product to any other Social Enterprise / NGO who may work on similar models in providing houses, schools, or any buildings that serve the under-served.



Social issues

While economic development continues in Malaysia, solutions to the problem of poverty among indigenous inhabitants and improving their residential environment are lagging.

Solutions

Build homes covered by compensation in collaboration with NGOs, companies and the indigenous community

Impact on society

- Improved habitation environment for indigenous inhabitants
- Heightened community sustainability

Economic impact on the Group

 Acquisition of expertise regarding the development of insurance products and services that contribute to social issue solutions **Creating Shared Value**

The Sustainability Contest 2018 Let's talk about our Story of Value Creation

The Group-wide Sustainability Contest 2018 was held with the goal of supporting our employees understand the significance of our "Creating Shared Value" (CSV) and sustainability efforts so that they can incorporate them into their daily work in order to realize the medium-term management plan "Vision 2021."







Award presentation

Presentation

Award winners

The contest had 526 entries, with participants from Japan and abroad. The top six winners each gave a presentation before a review board, with 61 group officers determining the Grand Prize winner.

| Initiative themes | Outline of the various initiatives | | |
|--|--|--|--|
| Grand Prize Mitsui Sumitomo Insurance | Brainstorming sessions called "Visionary Meetings" are held once a month so that participants can voice their various ideas for solving customer issues with insurance and contribute toward achieving these goals. Products generated as a result of these sessions include beef cattle insurance for cattle ranchers and insurance coverage for expensive medical equipment. | | |
| "Achievement of the SDGs through Visionary Meetings": Solving hospital management and beef cattle ranch management issues through brainstorming sessions | | | |
| Mitsui Sumitomo Insurance System proposals in line with dementia-related ordinances in Kobe City | The design of a mechanism that allows coverage in areas not covered by personal liability insurance when an accident is caused by a person with dementia contributes to Kobe City's effort to become a city more friendly to those suffering from dementia. | | |
| Aioi Nissay Dowa Insurance | The population of Yamagata Prefecture is undergoing a marked decline. This | | |
| Regional revitalization efforts using regional (industry, government and academic) networks | initiative focuses on regional revitalization though collaboration between industry, government and academia, including using Visual Drive, which utilizes telematics technology, to solve delay issues in the Yamagata City community bus timetable. | | |
| Mitsui Sumitomo Aioi Life Insurance | With a sharp increase in the number of women suffering from breast cancer | | |
| Regional revitalization efforts and the promotion of MSA Heart Ribbon PT breast cancer and uterine cancer seminars | and uterine cancer, this initiative involves a national seminar to promote understanding of women-specific cancers and the need for checkups. This initiative focuses on supporting the long and prosperous lives of our customers. | | |
| Mitsui Sumitomo Primary Life Insurance | This initiative focuses on the development of training using a card | | |
| Primary education and training to support happiness in the era of 100-year life spans | game that illustrates changes in time, money and health in an era of 100-year life spans. This supports customer-centric sales approach. | | |
| MSIG Holdings (Asia) | By deepening our understanding on biodiversity and actively engaging in conservation and awareness-related activities, we not only help to reduce the occurrence of natural disasters but also promote a sustainable level of prosperity in society and improve our planet's biodiversity. | | |
| Activities supporting the conservation of biodiversity: Protecting the diversity of life on Earth that cannot be protected by insurance | | | |

Message from an award winner

Grand Prize Winner MSI Hokkaido Branch



Ideas created through "Visionary Meetings" contributed to the creation of products providing compensation for beef-related risks and coverage for maintenance and repair costs for expensive medical equipment. What these two projects had in common was the goal of providing solutions to local challenges, including support for a declining livestock industry and support in maintaining medical infrastructure in areas where the aging of the population is apparent.

Assessment from a director who took part in the review

Outside Director Mariko Bando



Until now, CSV and the SDGs might have been seen as distant concepts. However, it was fantastic to see 526 groups coming together with the goal of applying these ideas to their work and in the process forming an even tighter working relationship. I really hope that these presentations can lift the awareness of all Group employees.

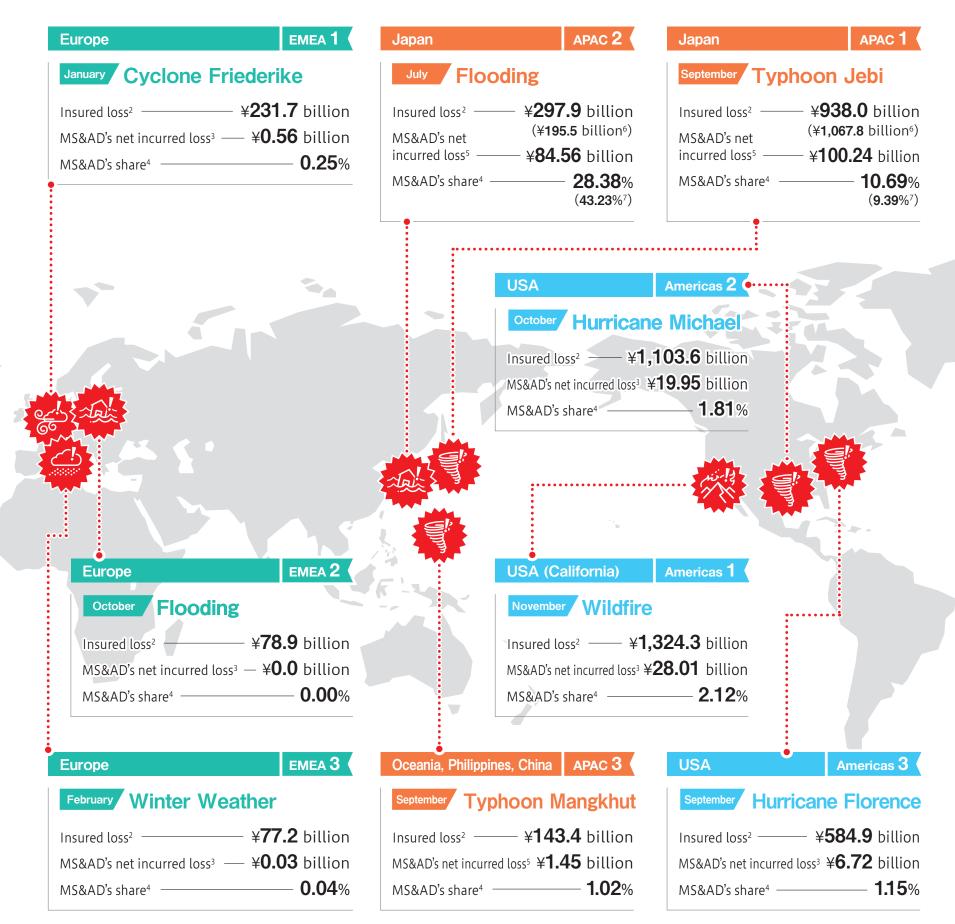
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Special Feature Creating Shared Value

World Map of Natural Catastrophes in 2018¹

In recent years, the effects of climate change have been felt around the world, with powerful typhoons, hurricanes and cyclones, torrential rainfall, drought, heat waves and other abnormal weather causing damage more frequently. Moreover, the scale of these events has grown, leading to damage that greatly exceeds existing assumptions throughout the world.

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



- 1. The three most costly insurance market losses from natural catastrophes for the Americas, EMEA (Europe, Middle East and Africa) and APAC (Asia and Oceania) during 2018 as listed in Aon's "Weather, Climate & Catastrophe Insight-2018 Annual Report"
- 2. Insured loss: Estimated amount of insurance market loss covered by non-life insurance companies around the world (Source: Aon's "Weather, Climate & Catastrophe Insight-2018 Annual Report"). Exchange rate: US1\$ = ¥110.36 (used for internal purposes at the end of FY2018)
- 3. As of December 31, 2018. Total net incurred loss (claims paid + outstanding claims, reflects recoverable and anticipated recoverable amounts from outward reinsurance contracts) by Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance and their overseas subsidiaries. Excludes claims less than ¥50 million at entities outside the affected countries.
- 4. Ratio of total net incurred loss of Mitsui Sumitomo Insurance, Aioi Nissay Dowa Insurance and their overseas subsidiaries to the insured loss.
- 5. As of March 31, 2019. Total net incurred loss of Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance.
- 6. As of March 31, 2019. Insurance claims paid in Japan (includes estimates) (Source: The General Insurance Association of Japan)
- 7. Ratio of total incurred losses by Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance to Note 6 above.

Creating Shared Value

Climate-Related Financial Disclosure

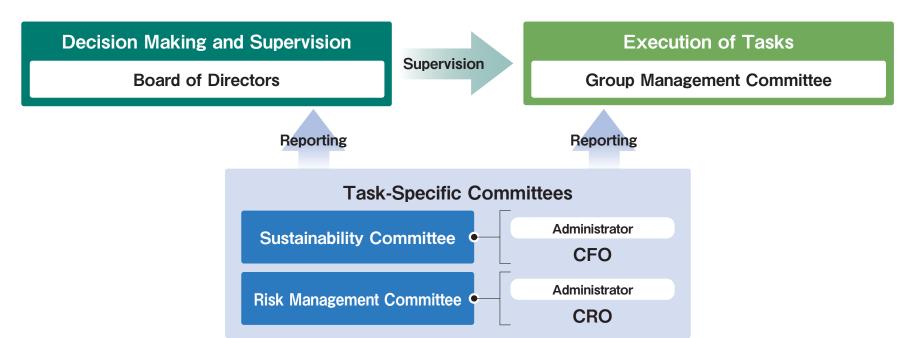
To achieve a "Resilient and Sustainable Society", the MS&AD Insurance Group is tackling climate changes mitigation and adaptation through Creating Shared Value (CSV initiatives).

In consideration of climate-related influences on society and industry, it is becoming increasingly important for companies to disclose information.

The Group endorses the Task Force on Climate-Related Financial Disclosure (TCFD) and promotes the disclosure of financial information. See the 2019 Sustainability Report (scheduled for release in September) for details.

Governance: Climate-Related Internal Controls

The CFO, CRO, Sustainability Committee, Risk Management Committee and others report on climate-related matters to the Board of Directors, which then discusses and determines the major strategies of the Group.



Strategy: Climate-Related Risks and Opportunities

The MS&AD Insurance Group recognizes the increased frequency and severity of disasters caused by climate change as a risk. We ensure financial soundness and stable profits through reinsurance and catastrophe bond arrangements while maintaining appropriate underwriting with quantitative assessments for natural disaster risks with those influences taken into consideration.

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In addition, technological innovation aimed at carbon-free society, changes in industrial structures and markets, strict environmental regulations and other such transitions in society hold the potential to affect corporate business activities. We ascertain the impacts of these changes and conduct dialogues with investee companies to improve corporate value and encourage sustainable growth.

On the other hand, providing consulting and insurance services in preparation for industrial and economic shifts caused by climate change is an opportunity for the Group. We develop products and services via research including collaborations with industry, government and academia.

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Risk Management

In terms of the risk involved with growing natural-disaster-related claims payments and climate change, the MS&AD Insurance Group controls the retained amount and the impact on profitability for the entire Group based on assessments of the management condition of each Group company and reports such to the Risk Management Committee. To improve the natural disaster risk assessment, we are increasing the sophistication of risk management by incorporating climate change factors into stress tests.

Metrics and Targets

The MS&AD Insurance Group manages progress in initiatives designed to contribute to the mitigation and adaptation of climate change and to create shared value with society as non-financial indicators. We also have established CO₂ emission reduction targets by 2050 for the entire Group.

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