

Advancing with you

MS&AD MS&AD Holdings



MS & AD

Integrated Report 2020

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 2020

Creating shared value with society through our corporate activities

The threat of the COVID-19 pandemic has shaken the global economy and financial markets and has had a huge impact on people's lives as well as business activities.

Our mission as an insurance company that supports the sustainability of society is to confront the various risks associated with social change and to help resolve wide-ranging issues.

As lifestyles and values evolve into some sense of a "New Normal," we will strive to realize a resilient and sustainable society through the creation of shared value (CSV) by remaining finely attuned to the voices of customers.

Corporate change that makes the most of diversity

The MS&AD Insurance Group comprises unique and diverse insurance and financial services companies.

The Group has worked diligently to create synergies while paying the utmost respect to the values that each company has cultivated and utilizing individual strengths and features.

Even in a rapidly changing environment, we are able to visualize new growth strategies by combining the strengths of each company and applying a process of self-transformation.

Through strong solidarity, we will link innovation born of diversity to sustainable growth and increased enterprise value.

Making the most of partnerships with stakeholders

We are entering an era of uncertainty filled with a wide range of hidden risks. Through dialogue and collaboration with various stakeholders, we can bring to fruition our ideal view of the future by addressing social issues that cannot be resolved by conventional thinking alone.

To contribute to the development of a vibrant society and help secure a sound future for the planet, we will support social change through the power of insurance and grow with society through partnerships with a diverse range of stakeholders.

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Explanation of Front Cover



Expressing universality and sustainability as well as high quality and a sense of trust, the stone structures symbolize the corporate image to which the MS&AD Group aspires, while the harmonious appearance of the golden ratio is combined with the Group's strength, and diversity.

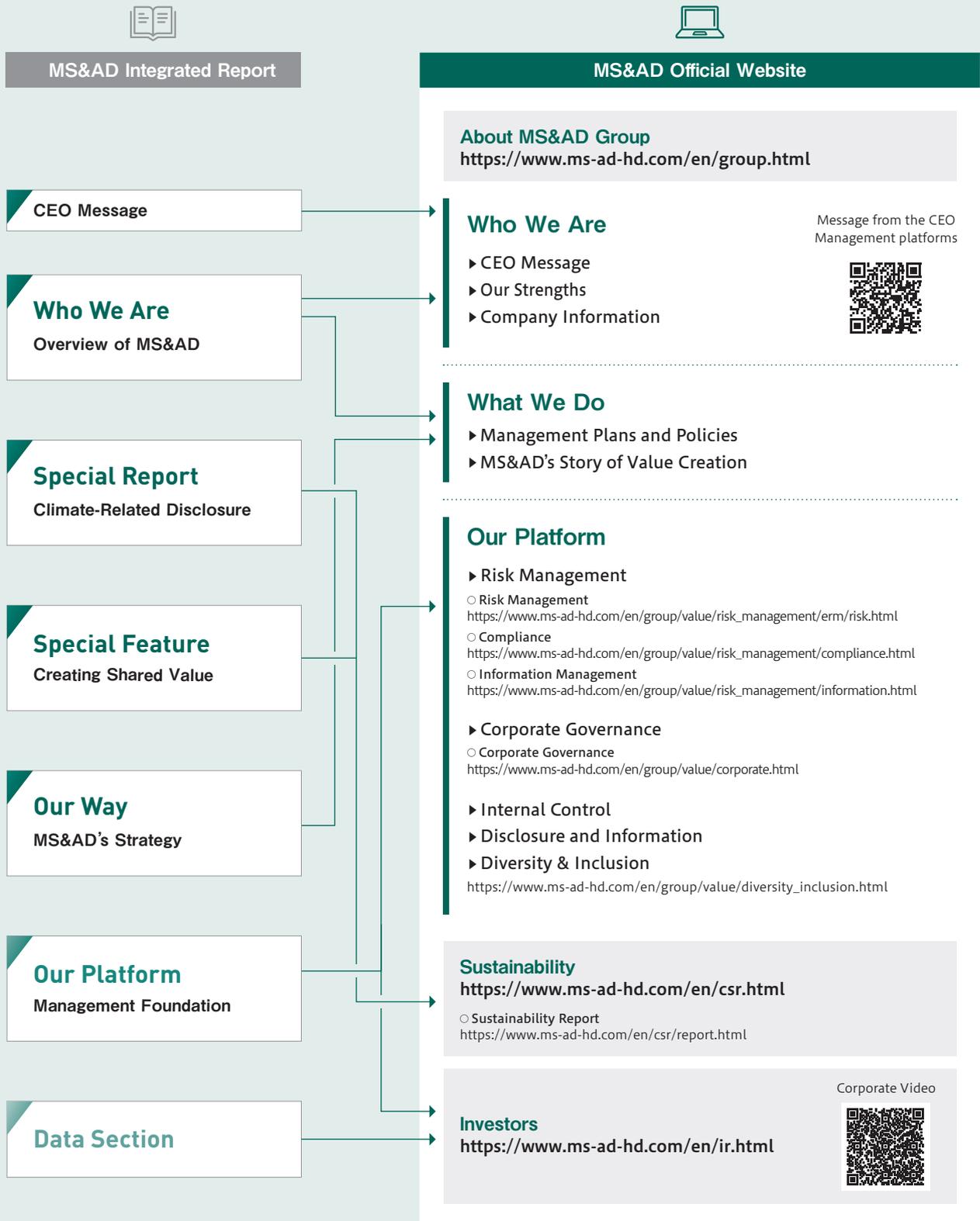
Editorial Policy

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. Featuring a message from the new CEO, the MS&AD Integrated Report 2020 explains the key strategies for advancing to the next growth stage and the management foundation that underpins them. The report also showcases the initiatives that are being undertaken in collaboration with various stakeholders toward the achievement of our image of society. For further detailed information, please visit the MS&AD official website.



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

President & CEO

Noriyuki Hara

▶ Introduction – The role of insurance in post-COVID society –

The novel coronavirus pandemic (COVID-19), which in effect has become a battle between humanity and the virus, has claimed many lives around the world while changing the way people live and their values. The global economy and financial markets have fluctuated greatly, and issues attributable to widening inequalities such as the spread of infections among the impoverished have become increasingly marked with the burden placed on the medical supply system. As the structure of society undergoes considerable change, we recognize the critical need to fulfill our role as an insurance and financial services group that as a key component of social infrastructure supports the lives of our customers while contributing to the stability of society.

With this in mind, and in particular following the Japanese government's declaration of a state of emergency, we have focused on protecting the health of our customers and employees while continuing to carry out insurance operations, including the payment of claims and insurance policy procedures. In specific terms,

we are utilizing digital technology to simplify insurance procedures and strengthen Web-based support, expanding the scope of work that can be undertaken without face-to-face interaction.

Meanwhile, we have initiated steps to provide products and services that meet those needs that have arisen because of prevailing conditions. We have launched a **comprehensive telecommuting compensation plan** that covers a wide range of cybersecurity and related risks, and hosted an online seminar on **“Key Points for Developing a BCP to Address the Risk of Infectious Disease.”** Especially in the case of cybersecurity, the need for risk management is growing rapidly. By providing cyber-related products that cover the full range of risk assessment, defense measures and associated compensation, we are helping customers cope with and reducing the incidence of risks thereby contributing to the Group’s growth.

To prevent the further spread of the virus we have suspended events and business trips while switching to conference calls and online meetings. With employees working remotely from home, we have also uncovered inefficiencies in our traditional operations. Drawing on this experience, we will review our operations from the ground up and transition to a more productive business style. Moreover, we will put in place the systems necessary for employees to engage in high-value-added and creative work.

▶ Looking back on the past 10 years

– Lessons learned from past experience –

The MS&AD Insurance Group celebrated its 10th anniversary in fiscal 2020. At the time the Group was created, the domestic non-life insurance industry was mired in an extremely challenging environment. Buffeted by a succession of major natural disasters including the Great East Japan Earthquake and the flooding in Thailand following the collapse of Lehman Brothers, our combined ratio exceeded 100%, an indication that profitability was negative.

Against this backdrop, and in the 10 years since our business integration, we have worked diligently to strengthen our financial soundness, improve the profitability of our domestic non-life insurance business and build a foundation for international business expansion. As a result, the domestic non-life insurance business has become a stable revenue base, while profitability in the domestic life insurance business has continued to evolve, surpassing its industry peers. In expanding our overseas business investments, we have also created a balanced portfolio that encompasses Asia, the Americas and Europe, and taken positive steps to form the foundation of a world-leading insurance and financial services group. Meanwhile, the **ESR**, an index of financial soundness, has risen from 140% to 200% and consolidated net premiums written have increased by around 1.4 times to approximately ¥3.5 trillion. Taking these factors into account, we have grown to the point where we are now able to project the Group’s adjusted profit at ¥300 billion for fiscal 2021, up from around ¥50 billion–¥60 billion before the Group’s integration.

On the other hand, several large-scale natural disasters have occurred during the period in question. We have also been forced to address a variety of grave and emerging risks, such as the COVID-19 pandemic. In every instance, employees have worked in unison to confront each challenge head-on and taken all necessary steps to uncover the right solution drawing on the Group’s collective wisdom and strengths. The MS&AD Insurance Group has overcome each hurdle through a

Comprehensive Telecommuting Compensation Plan

MSI and ADI began marketing the “Comprehensive Telecommuting Compensation Plan” from May 2020, in response to the growing spread of COVID-19, which triggered the rapid introduction of telecommuting. This plan was designed specifically to comprehensively address the various risks associated with telecommuting. This includes the risk of leaks due to cyberattacks, damage or theft of work-related PCs and labor risks to employees.

“Key Points for Developing a BCP to Address the Risk of Infectious Disease” online seminar

MS&AD InterRisk Research & Consulting, Inc., hosts online seminars that explain the key points for formulating a BCP that focuses on infectious diseases, providing case studies of corporate responses to COVID-19.

ESR

ESR (Economic Solvency Ratio)

A solvency ratio based on economic value, ESR is an indicator of capital adequacy with respect to the risk amount.

⇒ See “ESR (credit level 99.5%)” (P. 47) for details

⇒ See the Special Feature: “Climate-Related Disclosure” (P. 28) for details

process of multifaceted change. Among a wide range of initiatives, we have strengthened our catastrophe-prevention proposals, developed new products and services, improved our risk-management techniques, and used the latest technology to develop fast and efficient claim payment methods. Drawing on our experiences to date, we believe we have grown into an ever more resilient Group.

► Medium-term management plan “Vision 2021”

– Becoming a world-leading insurance and financial services group –

Reviewing Stage 1

The MS&AD Insurance Group embarked on Stage 1 of its medium-term management plan “Vision 2021” in fiscal 2018. During the four years of the plan, our vision is to “become a world-leading insurance and financial services group,” a goal that we have continued to advocate since our establishment, and to create “resilient systems that enable us to swiftly respond to changes in the environment” in order to move to the next stage of growth.

In fiscal 2019, we completed Stage 1, the first half of our medium-term management plan Vision 2021, reaching three of the five indices that measure the degree to which we have become a world-leading insurance and financial services group. In specific terms, and from the perspectives of “scale,” “financial soundness” and “ratio of risk assets,” we are well on the way to realizing our vision. As far as the remaining two indices are concerned, our Group adjusted ROE and profit from businesses other than the domestic non-life insurance business currently stand at 8% and 46%, respectively. This falls short of our 10% and 50% targets. Considering these levels, we have yet to achieve our goals for “capital efficiency” and “portfolio diversification.” Moving forward, we will continue to reinforce efforts with an eye toward fiscal 2021, the final year of the plan.

As the MS&AD Insurance Group’s core business, the domestic non-life insurance business continues to maintain one of the highest premium growth rates in the industry, mainly due to the strong performance of its mainstay automobile and fire insurance businesses. Our combined ratio, which is a key indicator of underwriting profitability, also compares favorably with industry peers. As a result, we have successfully achieved bottom-line growth better than initial plans after excluding the impact of natural catastrophes. We recognize, however, that our expense ratio continues to pose a considerable challenge. Looking ahead, we will endeavor to dramatically improve productivity while streamlining operating expenses through a process of digital transformation.

Turning to the domestic life insurance business, while our top line has declined in part due to the worldwide fall in interest rates, the bottom line has essentially expanded in line with plans owing to the development and provision of products and services that meet customer needs such as healthcare, nursing care, inheritance and gifting, and longevity risks.

From an international business perspective, the recovery of profits has unfortunately been slower than initial plans. Under these circumstances, we took steps to reorganize our international regional business from January 2020 in a bid to strengthen governance through the direct involvement of domestic specialized departments and accelerate the pace of global growth. In the future, we will leverage the strengths of Group companies across regions and work to improve business efficiency while generating Group synergies under this new structure.

⇒ See “Progress of the Medium-Term Management Plan ‘Vision 2021’” (PP. 40–42) for details

⇒ See “‘Vision 2021’ Stage 2 Overview” (P. 43) for details

Toward Stage 2

Under Stage 2 of “Vision 2021,” we have lowered our numerical management target for Group adjusted profit by ¥50 billion to ¥300 billion for fiscal 2021. This reflects such factors as the delay in securing a recovery in international business profit and a rise in reinsurance premiums due to the high rate of natural disasters in Japan for the second year in a row. However, buoyed by the efforts undertaken during Stage 1, as well as the tailwind provided by the hardening of the reinsurance market, we are on track to achieve this new numerical management target, with the improvement in profit in the international business in sight.

In addition, we will create resilient systems that can respond swiftly to changes in the environment by pushing forward our three key strategies under Stage 2 of our plan.

In “pursuing the Group’s comprehensive strengths,” the first key strategy, we will make maximum use of the Group’s diverse human assets, customer base and operating companies, review the division of roles by each Group company and strengthen cooperation, engage in a variety of activities including the joint development and standardization of products, and work to improve quality and productivity. As a result of these efforts, we plan to reduce operating expenses by ¥30 billion in Japan and overseas.

With an eye toward advancing the second key strategy, we will position the three initiatives of digital transformation (DX), digital innovation (DI) and digital globalization (DG) at the heart of efforts to “promote digitalization.” Under the DX initiative, we will review operating processes across all areas and transition to a highly productive business style. Through DI, we will make the most of digital technology and the latest knowledge to build new business models. Driven by DG, we will accelerate the pace of our global endeavors and, for example, roll out those activities undertaken in each country to the rest of the world. Drawing on these three initiatives, we will dramatically enhance the value of customers’ experience and improve business productivity.

Finally, as a part of efforts to reform the portfolio, the third key strategy, we will move away from an earnings structure that is dependent on the domestic non-life insurance business and transform into a more balanced structure that generates stable earnings from the international, life insurance and other businesses. While targeting a 50-50 split of earnings between the domestic non-life insurance business and other activities including the international and life insurance businesses under Vision 2021, we expect to fall slightly behind schedule in achieving this goal due to the effects of COVID-19. We will, however, continue to vigorously pursue the reform of our portfolio. Restoring the profitability of MS Amlin is a top priority for expanding earnings in the international business. In addition to ongoing measures aimed at improving the loss ratio of

⇒ See “Financial and Capital strategies” (P. 44) for details

⇒ See “Growth strategies by Business Segment: International Business” (P. 58) for details



Global partnership with First Capital

Paradigm shift

A revolutionary or dramatic shift in the perceptions, ideas and societal values that were taken as a matter of course at a particular time or in a particular field.

⇒ See the Special Feature: “Solving Social Issues through Business” (P. 66) for details

Kobe Model

Mitsui Sumitomo Insurance has been entrusted with the administration of the accident relief system linked to Kobe's dementia ordinances. In this capacity, the company has developed Japan's first comprehensive three-pronged coverage scheme for dementia: 1) accident relief (insurance), 2) system expansion (encouragement of early dementia testing) and 3) accident prevention (GPS tracking services by security companies).

general insurance risk and reducing costs, we are working to manage volatility due to catastrophe and other risks while targeting a stable earnings structure. In Asia, an area of geographic strength, we are confident in our ability to secure organic growth on the back of established facilities and networks. A key that is critical to our success in this endeavor is MS First Capital, which we acquired in 2017. The company is distinguished by its outstanding underwriting ability and serves as a market leader in large-scale infrastructure projects. Through the effective use of reinsurance, MS First Capital also boasts considerable expertise in low-volatility businesses that generate earnings through reinsurance commissions. Harnessing this know-how, we will work to expand our business by leveraging synergies with other local companies throughout the region. At the same time, the shift toward digitalization in Asia is expected to advance at an increasingly rapid pace. The potential exists for a new business model to trigger an abrupt **paradigm shift**. The MS&AD Insurance Group is already promoting digital initiatives in Asia. Our goal is to seize the opportunity that a paradigm shift affords and to further ramp up the pace of growth.

▶▶ Key management focus areas

Having assumed the position of CEO on the occasion of the Group's 10th anniversary, there are three focus areas that are of the utmost importance to management. In specific terms, I believe that sustainability and innovation are critical to management as MS&AD Insurance Group strives to become a rewarding and professional company.

▶▶ Sustainability – CSV initiatives based on the Story of Value Creation –

Under “Vision 2021,” the MS&AD Insurance Group has identified “a resilient and sustainable society” as an image of society to realize and has set seven key initiatives that the Group is working on to create shared value (CSV) with society. To deepen employees' understanding of the concept, the Group provides various opportunities for employees to engage in CSV such as conducting the Groupwide Sustainability Contest or occasional talks from management. Through this engagement, our approach toward CSV and the Sustainable Development Goals (SDGs) is becoming more prevalent throughout the Group.

Ensuring that the promotion of CSV leads to Group growth is of critical importance here. Without this understanding, CSV will fall short as a sustainable endeavor. For example, the Group has concluded comprehensive cooperation agreements with 369 local government authorities with the aim of resolving issues that are specific to each region. Frankly speaking, many of these agreements have not yet contributed to the Group's growth. What is important here is “critical information,” “great sensitivity” and “collaboration with other companies.” The ability to resolve regional issues while at the same time securing Group growth rests largely on a comprehensive thought process that tackles such questions as: What are the region's issues? What solutions are available? What method will serve to both uncover a solution and promote the Group's growth? Will cooperation with other companies facilitate a result? For instance, the **“Kobe Model,”** which

promotes a dementia patient-friendly urban development, and the **“Toyohashi City Multicultural Society,”** which encourages foreign residents to better understand Japanese traffic rules and automobile insurance, have helped solve community-specific issues and contributed to the development of the local community while also leading to the Group’s growth.

Realizing that their efforts through CSV initiatives are leading directly to the resolution of social issues is also motivating employees. The younger generation, in particular, tends to value social connections. In this sense, SDGs are great as leading marks to move forward.

» Innovation – Creation through a diversity and digital strategy –

Digital technology is advancing at a rapid pace. The MS&AD Insurance Group launched a corporate venture capital (CVC) initiative in Silicon Valley in the United States in 2018 and has invested in a number of start-ups that are at the vanguard of efforts to generate wide-ranging innovative and global change. At the same time, the Group maintains offices in 50 countries and regions including Japan. With unique and diverse partners and a wide-ranging network, we boast a wealth of knowledge and data accumulated through business over a period of 127 years. Harnessing this diversity, an inherent Group strength, and the cutting-edge expertise including digital technology gained through investments in various projects including start-ups through a multiplier effect, we are able to develop and provide new products and services that are beyond the reach of other companies. For example, digitalization continues to progress across every aspect of insurance business operations. From sales by agents through sales administration to the maintenance of contracts as well as loss assessment and the payment of claims, the entire operating process has been transformed by digitalization to improve business productivity. One such unique initiative is the MS1 Brain platform, which utilizes AI to assist agents in their sales activities. Using AI, the MS1 Brain platform serves as a tool to disseminate information and promote communication with customers, which has attracted high praise from agents. The platform provides recommendations of products and services that match individual customer needs with explanations through video and other materials.

Another initiative that only the Company can provide is RisTech, which combines both customers’ and the Company’s data to uncover risks and propose solutions for customers. By analyzing vast amounts of data related to each customer’s business, RisTech helps to visualize risks while, among other things, putting forward proposals that allow for their mitigation from a new perspective. Through this data business, we have established strong ties of trust with customers while creating a virtuous cycle that contributes to the insurance business.

Another distinguishing feature of the Company is its insurance products and services that employ telematics technology. In partnership with the Toyota Group, we market telematics automobile insurance in Japan and overseas. Leveraging our strengths, we also provide innovative products and services including data analysis that employs telematics technology to

Toyohashi City Multicultural Society

Aioi Nissay Dowa Insurance, has teamed up with Toyohashi City, home to numerous foreign residents, to hold training sessions on traffic safety education for the Brazilian community that makes up the city’s largest segment of foreign residents. The company is preparing texts in Portuguese that explain Japan’s traffic rules and expand on the need to sign up for insurance.

⇒ See “The Three Strengths of MS&AD: Innovation” (P. 22) for details



MS1 Brain: A partner, that supports agents through the power of AI

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.

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.

Smart City

Refers to a new urban area that employs advanced IoT technology to efficiently manage and operate basic infrastructure while taking into consideration the environment with the aim of enhancing people's quality of life and ensuring continuous economic development.

Super City

Refers to a city that utilizes AI, big data and other advanced technologies. The Super City concept is designed to create an urban environment that places a premium on comfort. To this end, the concept entails leveraging the synergistic effects generated by combining advanced technologies across every possible sector including logistics, healthcare and education. Under this scenario, we foresee the provision of services across such areas as automated driving, cashless payments, automated drone deliveries and remote healthcare.

⇒ See "Empowerment of Diverse Human Assets" (P.79) for details

overseas insurance companies outside the Group. Arguably, the automotive industry is now facing an era of tremendous change—a once-in-a-century period of profound transformation. Moving forward, we will contribute to the development of mobility service for the next generation by responding to advanced technologies such as **CASE** and **MaaS**. Moreover, we will take up the challenge of creating new value from the perspectives of people's lives and health as well as urban development with a view toward realizing **Smart and Super Cities**. In addition, we established Global Digital Hubs (GDHs) in Tokyo and Singapore as venues for business collaboration. Partnering with a company in Israel, we have worked to put in place a platform for promoting digitalization. The objectives of this partnership include creating an environment in which to acquire the latest knowledge while establishing networks focusing mainly on the cyber domain. We strongly believe that the pursuit of innovation will serve as a springboard for the Group's growth.

» Employee engagement and professionalism in the workplace – Promoting women empowerment and global talent –

To link CSV and digital strategies to corporate growth, it is important for employees to feel a sense of purpose and satisfaction while carrying out their duties in a professional manner. With this in mind, the MS&AD Insurance Group is promoting diversity and inclusion (D&I) as one key initiative to achieve this end.

In particular, we have continued to implement a variety of measures aimed at promoting the career development of women. By conducting a broad array of initiatives including level-specific training programs, "unconscious bias" lectures for managers, telecommuting and flexible working hours, progress is being made in the promotion of women to management. Looking ahead, the MS&AD Insurance Group will upgrade and expand environments and programs that allow women to excel, while increasing the share of management positions occupied by women.

In similar fashion, we recognize the critical need to develop global talent. Educating Japanese employees to have a global mindset while at the same time allowing foreign employees overseas to excel are both key to accelerating the pace of international business expansion. With this in mind, we are advancing a variety of initiatives. In addition to helping overseas offices gain a better understanding of the Group's Mission, Vision, Values and Story of Value Creation on the ground, we are conducting interactive training programs that link personnel in Japan to employees overseas. We have also set up the Global Linked Growth Strategy Task Force, a joint initiative between the Company's headquarters and overseas subsidiaries.



Participants in the MS&AD Garage Program

Making the most of diverse human assets, including women and global talent, helps to generate a wealth of benefits. When a wide range of opinions clash and converge in a diverse group, it provides the impetus for uncovering new business opportunities and fueling innovation. In making the most of diversity, the **MS&AD Garage Program** implemented in Silicon Valley is extremely effective. Under this program, an employee of a Group company brings a specific business issue to Silicon Valley and deliberates with start-up companies with a view to finding a solution. Even if a solution cannot be found, the employee will have gained invaluable experience. Start-ups in Silicon Valley are distinguished by the flexibility of their ideas and innovation. They also possess a totally different sense of speed. Start-ups are assertive when presenting their views and extremely clear in what they need to do. Gaining a feel for this Silicon Valley approach is a source of considerable inspiration. The experience gained through the Program will open entirely new perspectives and ultimately help resolve a host of issues. I believe that we can continue to grow as a world-leading insurance and financial services group if employees maintain a professional mind-set and carry out their duties to the highest global standards.

► In a new society

In modern society, the business environment is constantly changing as risks grow larger and more complex and new risks emerge. While the current pandemic caused by COVID-19 is a notable example, both Japan and the world have experienced a series of major natural disasters over three successive years since 2017. This is a clear demonstration of how serious global environmental issues are, issues that are having an extremely big impact on our business.

Against this backdrop, collaboration with a diverse range of partners is vital to resolving each social issue. We believe that one key to successful collaboration is mutual understanding, respect for each other's *raison d'être* and a common vision of the future in which to resonate. When listening to advanced global firms, all have a clearly defined purpose. I believe that when partners who share this belief and have the same challenges come together and share their expertise, they can uncover the clues necessary to resolve difficult problems.

In that sense, our Mission and the story of value creation which embodies it will take on even greater significance in working together with stakeholders. By expanding the CSV initiatives that underpin our Story of Value Creation from regions to the entire country, from Japan to overseas, from Group companies to the Group as a whole, while promoting collaboration with partner companies that share the same challenges, we are confident in our ability to help realize a resilient and sustainable society.

We will forge ahead together with our stakeholders and leverage the Group's strengths of diversity and combined power to create a better society.

MS&AD Garage Program

Under this program, employees from Group companies worldwide travel to Silicon Valley to meet individually with start-up companies and pursue opportunities including the pitching of ideas. Having failed in each home country, the goal is to uncover advanced technologies and new business models that can help resolve outstanding issues.

⇒ See "Stakeholder Engagement" (P. 24) for details

⇒ See "MS&AD's Story of Value Creation" (P. 12) for details

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

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. 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.

Bringing Vision to Reality

Rapid Social Change



Climate Change



Detriment to Natural Capital



Technological Innovation



Declining Birthrate and Aging Population



Growing Population / Widening Inequalities

Major social issues that the Group can help resolve

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

〈 Approach toward resolving social issues 〉



Creating Shared Value (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”

Resilient and Sustainable Society



The MS&AD's Story of Value Creation

Contributing to the Development
Helping Secure a Sound Future

Resources Supporting MS&AD

We are utilizing the diverse resources of the Group's business activities as the impetus to create new value.

(FY2019)

Financial Capital

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

Consolidated net assets **¥2,494.0 billion**

Human Capital

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

Consolidated number of employees **41,582**

Intellectual Capital

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

Number of risk surveys conducted **1,312**

Social and Relationship Capital

- No. 1 in the scale of its customer base in Japan

Number of individual customers in Japan **Approx. 43 million**

Number of corporate customers in Japan **Approx. 2.4 million**

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

- No. 1 in the size of its agent network in Japan

Number of domestic non-life insurance agents **84,676**

Domestic marketing bases¹ **258 branches/999 offices**

Domestic claims handling service centers² **419**

- Overseas bases³ **50 countries/regions**

- Relationships with leading companies in other sectors including the Toyota Group, the Nippon Life Group, the Mitsui Group and the Sumitomo Group

1. Simple sum of the number of bases at domestic insurance companies (as of April 1, 2020)

2. Simple sum of the number of claims handling service centers at domestic non-life insurance companies (as of April 1, 2020)

3. Includes SLI Cayman Limited (financial services business) in the Cayman Islands (as of April 1, 2020)

Natural Capital

- Stable global climate system
- Conservation of biodiversity in nature
- Sustainable natural resources

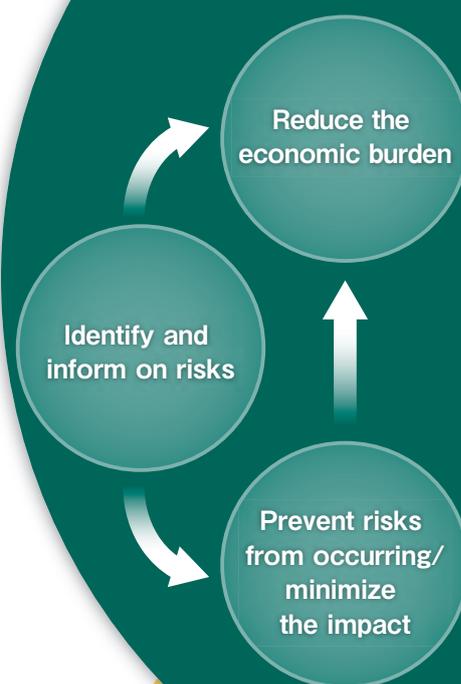
Amount of paper used **11,080 tons**

Social Issues

Diverse risks surrounding society

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

MS&AD's Business Model



Systems Supporting

Resilient systems that can respond to a changing environment

Medium-Term Management Plan

▶ P. 40

Optimum resource allocation and appropriate risk management

ERM

▶ P. 76

of a Vibrant Society and for the 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. 54	International Business
Domestic Life Insurance Business	▶ P. 56	
Financial Services Business	▶ P. 60	
Risk-Related Services Business	▶ P. 62	
	▼ P. 58	

Corporate Value Creation

Management platforms that enable employees to play active roles	Strengthening corporate governance
Human Asset Development	Corporate Governance
▶ P. 79	▶ P. 83

Creating Value in Partnership with Stakeholders

(see P. 24)

Our goals are to create social value together with our stakeholders through the output of our business activities.

- Customers
- Shareholders
- Agents
- Business Partners
- Employees
- Local Communities/International Society
- Environment

(results for FY2019)

Financial Capital

- Increase capital efficiency
 - Increase Group Adjusted Profit
 - Returns to shareholders
- Group Adjusted Profit **¥233.1 billion**
- * 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 ROE **8.0%**
- TSR* of past 5 years **8.5%**

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 **15.7**

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 **85** Number of actuaries² **111**
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, 2020)

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 **¥2,403.8 billion** Customer satisfaction² **96.5%**

1. This represents the sum of net claims paid and life insurance claims.

2. Ratio of customers satisfied with accident response for automobile insurance (MSI and ADI)

Natural Capital

- Reduce CO₂ emissions to slow the pace of climate change
 - Contribute to the conservation of biodiversity
 - Reduce the environmental burden to allow sustainable use of natural resources
- Employees participating in social contribution activities* **27,673**

* 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

Harnessing the distinguishing features of each Group company, every effort is being made to provide a wide range of products and services to address diversifying risks and meet customer needs.

Domestic Non-Life Insurance Business

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

▶ P. 54

MS&AD Mitsui Sumitomo Insurance

Features Comprehensive capabilities and global business development

Products Product development that creates social value in response to customer needs

MS&AD Aioi Nissay Dowa Insurance

Features With a focus on innovation, diversity, close relationships with local communities; striving to become a unique company with its own distinctive character

Products Innovative product development as a pioneer in the field of telematics insurance

MS&AD Mitsui Direct General Insurance

Features Professional claims handling (accident response) based on smartphones

Products Easy-to-understand products and services and reasonable premiums

International Business

An overseas network covering 49 countries and regions*
No. 1 in terms of non-life gross premiums written in the ASEAN region

▶ P. 58



* Excluding the Cayman Islands, where SLI Cayman Limited (financial services business) is located. (As of April 1, 2020)

Financial Services Business

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

▶ P. 60

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

Leadenhall
Capital Partners

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

Sumitomo Mitsui DS Asset Management

MSI GuaranteedWeather
A Member of MS&AD INSURANCE GROUP

Risk-Related Services Business

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

▶ P. 62

MS&AD InterRisk Research Institute & Consulting, Inc.

MITSUI SUMITOMO INSURANCE Care Network Co., Ltd.

ANSHIN DIAL Co., Ltd.

JAC
Japan Assist
International

Fureai Do-Life Services Co., Ltd.

MS&AD Group companies that support the five business domains

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

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

MS&AD MS&AD ABILITYWORKS Company, Limited

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

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

MS&AD MS&AD VENTURES

Domestic Life Insurance Business

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

► P. 56

MS&AD Mitsui Sumitomo Aioi Life Insurance

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

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

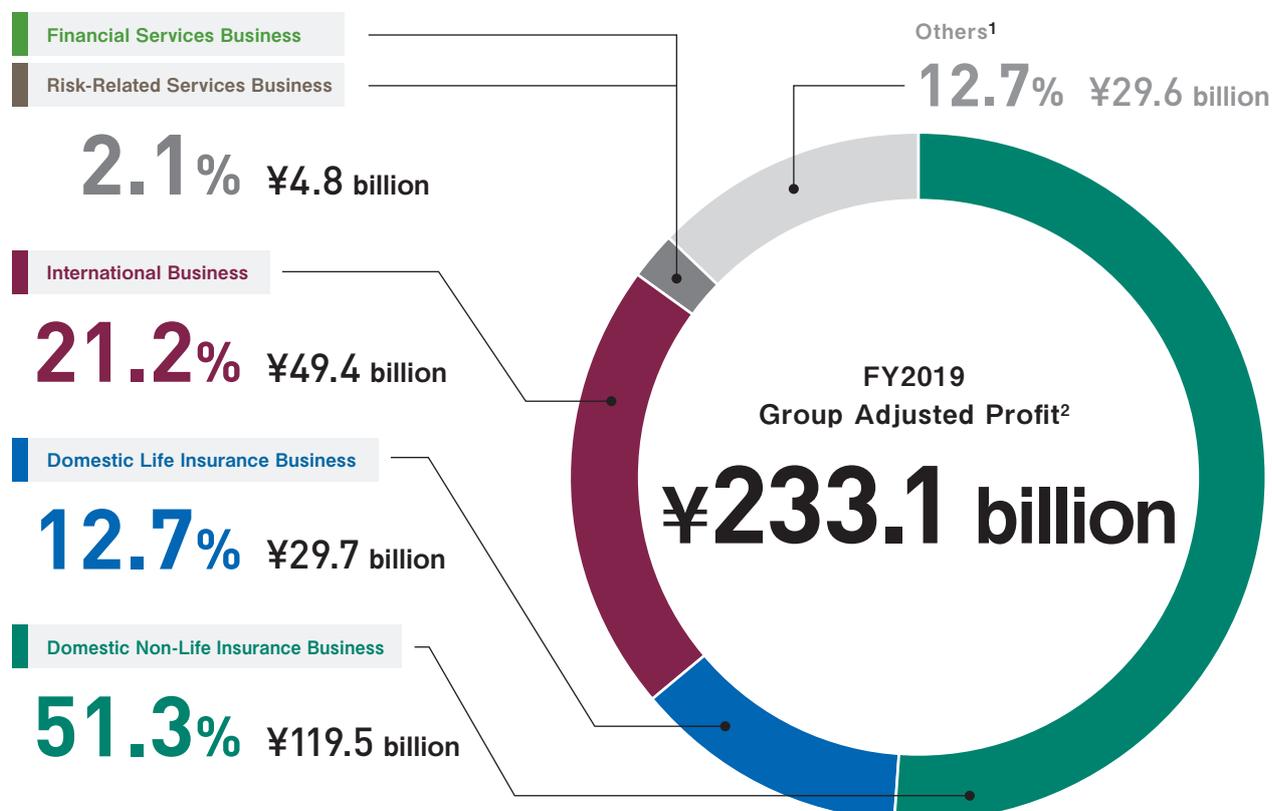
MS&AD Mitsui Sumitomo Primary Life Insurance

Products 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

Sales channels

Over-the-counter sales by financial institutions (e.g., banks, securities companies)



1. Including net decrease in income taxes paid during the fiscal year due to the effects of reorganization of the international business of MSI.
2. See the "Glossary of Insurance Terminology" (P. 99) for details.

MS&AD's Three Strengths: Scale

As a world-leading insurance and financial group, we have successfully secured sufficient capacity to meet the needs of customers worldwide.

Group-wide

No. **5** among
non-life insurance
groups in the world

▶ Fortune Global 500: 2019 Income Ranking

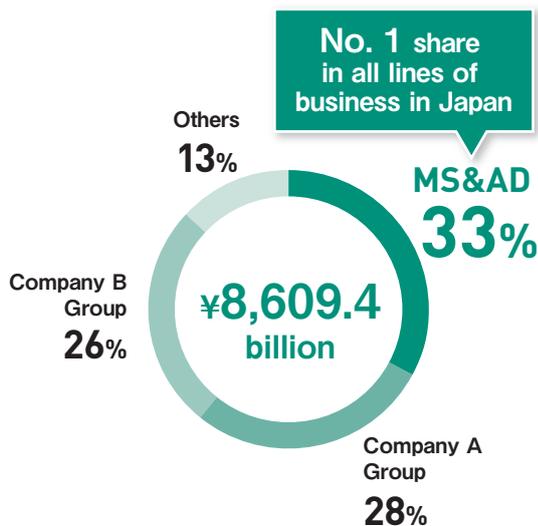
	Company/Group Name	Income (US\$ million)
1	Berkshire Hathaway	\$247,837
2	State Farm Insurance Cos.	\$81,732
3	People's Insurance Co. of China	\$75,377
4	Munich Re Group	\$67,226
5	MS&AD Insurance Group Holdings	\$49,610
6	Tokio Marine Holdings	\$49,396
7	American International Group	\$47,389
8	Zurich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

Note: Ordinary income basis for Japanese insurance groups
Source: Fortune Global 500 2019 Insurance Property & Casualty (Stock + Mutual)

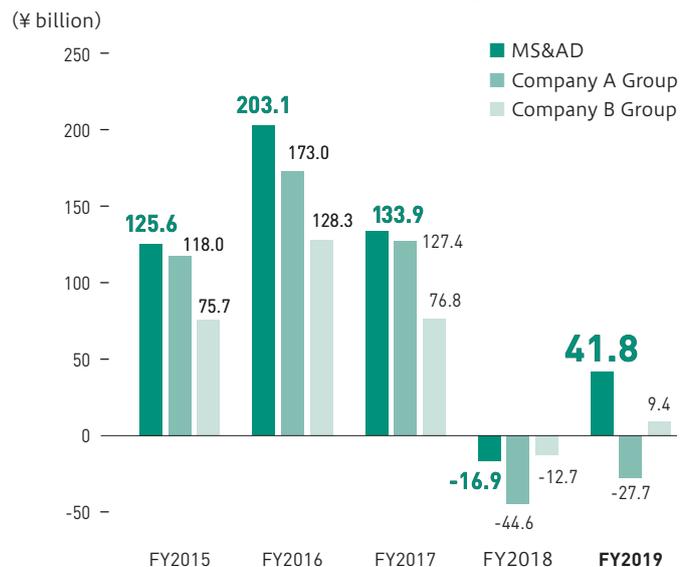
Domestic Non-Life Insurance Business

The insurance group most chosen by customers in Japan

■ Share of Net Premiums Written* (FY2019)



■ Underwriting Profit (prior to reflecting catastrophe reserves)*



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

* MS&AD figures are the simple sums of figures for MSI, ADI, Mitsui Direct General and au Insurance Company

* Figures for other insurance groups are simple sums of non-consolidated figures for domestic companies in each group.

* 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).

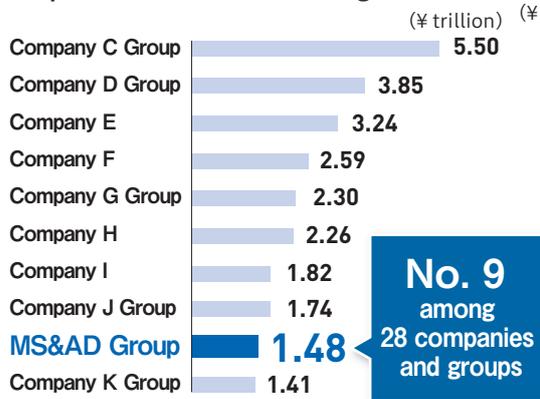
Source: Prepared by MS&AD based on publicly announced information from each insurance company

* 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.

Domestic Life Insurance Business

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

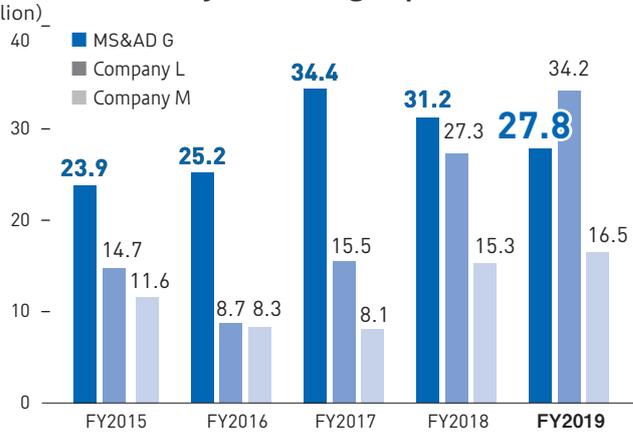
Domestic life insurance companies/groups' premiums and others ranking (FY2019)



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

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

Net income of life insurance companies under the three major non-life 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

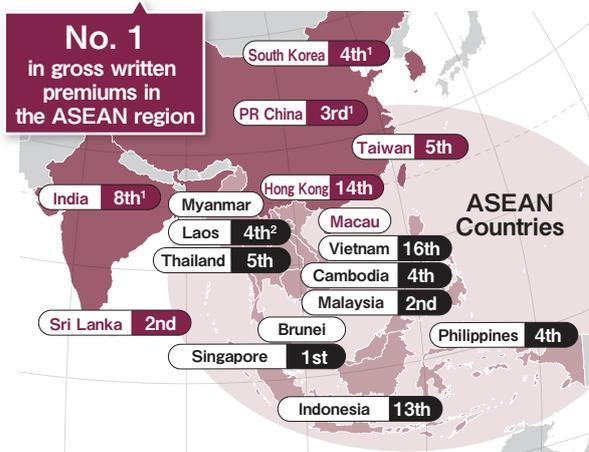
With global business expansion to 49 countries and regions, especially in Asia, and as the world's only global non-life insurance group with a presence in all 10 ASEAN countries, the Group maintains the No. 1 presence for gross written premiums in the ASEAN region.

MS Amlin, a member of the Group, is a principal player of significant size as a managing agent* with Lloyd's of London*, the world's most influential insurance market.

Positioning in the non-life insurance market in ASEAN and Asian countries (FY2018)

FY2018 Gross Written Premiums Ranking in ASEAN Countries

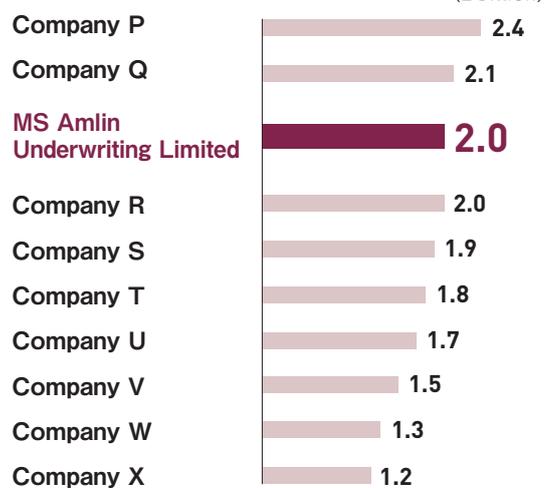
No. 1 MS&AD No. 2 Company N No. 3 Company O



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

1. Ranking for foreign-based insurance companies
2. Because data for FY2018 was not publicly available, the FY2017 ranking for Laos is shown

Lloyd's syndicate Gross Written Premiums ranking



Source: Lloyd's Annual Report 2019
Based on gross written premiums for FY2019

* See the "Glossary of Insurance Terminology" (P.100) for details.

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, at the Lloyd's insurance market in 2016

2000: Established Lloyd's syndicate as the first Japanese insurer

Mitsui Sumitomo Insurance Co., Ltd. (merged 2001)

2005: Acquired Taiwan-based Mingtai Fire and Marine Insurance ranked No. 2 in the Taiwanese insurance industry

2004: Acquired the whole Asian non-life insurance business of U.K.-based, Aviva (making us the largest in the ASEAN region)

2004: Developed Pay As You Drive (PAYD) type auto insurance for Toyota cars

Aioi Insurance Co., Ltd. (merged 2001)

2001: Promoted the Life and Non-Life Comprehensive Insurance Strategy using the Nissay Insurance Account as a platform

Nissay Dowa General Insurance Co., Ltd. (merged 2001)

Mitsui Direct General Insurance Co., Ltd. (inaugurated 2000)

Mitsui Sumitomo Kirameki Life Insurance Co., Ltd. (merged 2001)

Aioi Life Insurance Co., Ltd. (merged 2001)

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

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

Mitsui Sumitomo Insurance Group Holdings, Inc. established in 2008

MS&AD Insurance Group launched in 2010

MS&AD Insurance Group Holdings

Mitsui Sumitomo Insurance Co., Ltd.

Aioi Nissay Dowa Insurance Co., Ltd. (inaugurated 2010)

Mitsui Direct General Insurance Co., Ltd.

Mitsui Sumitomo Aioi Life Insurance Co., Ltd. (inaugurated 2011)

Mitsui Sumitomo Primary Life Insurance Co., Ltd. (name changed in 2011)

Mitsui Sumitomo Insurance Co., Ltd., Mitsui Sumitomo Kirameki Life Insurance Co., Ltd., Mitsui Sumitomo MetLife Insurance Co., Ltd., and Mitsui Direct General Insurance Co., Ltd., became subsidiaries of MSIGHD.

2013: Started reorganization by function

2018: Invested in ReAssure, U.K.-based closed book* life insurance business

2017: Capital participation in Challenger, the largest provider of individual annuity insurance in Australia

2019: Invested in IKBZ Insurance, a major private non-life insurance company in Myanmar

2016: Acquired U.K.-based Amlin, ranked No. 2 at the Lloyd's insurance market

2017: Acquired First Capital, ranked No. 1 in Singapore

2015: Acquired U.K.-based Box Innovation Group, a leading telematics automobile insurer

2019: Developed a telematics damage service system, an accident response service that uses connected car data with Toyota Motor Corporation

2018: Launched first driving behavior-based telematics auto insurance for Toyota's connected cars

*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.

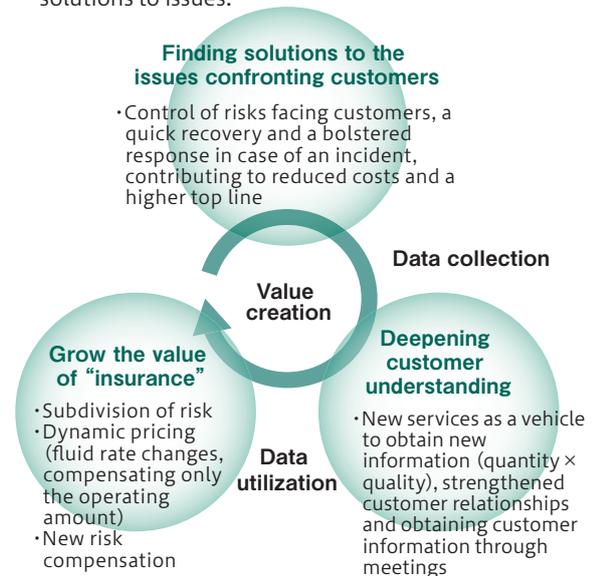
MS&AD's Three Strengths: Innovation

Born of diversity, a Group characteristic, is the power of our ideas and creativity. We use these to generate new solutions that are a step ahead of a society in transition.



RisTech [Risk]×[Technology]

The use of big data and the latest analytical algorithms enables the visualization and optimization of the risks that surround a company and the new services that will facilitate solutions to issues.



Spurred on by the spread of COVID-19, behavioral changes are emerging throughout society, such as companies promoting working from home and a rising number of contactless interactions. The MS&AD Insurance Group also is taking such measures, including telecommuting and having online meetings. We view this response to the crisis as a turning point for a transformation that is creating a new business style based on digitalization. Our aim is to concurrently achieve both greater productivity and higher competitiveness. An example of this is the creation of a system whereby a customer uses a personal smartphone to buy insurance, and then receives service, all without face-to-face contact. This sort of system represents a sea change, going from a personal meeting and visitation type of business to that of a touchless, paperless, cashless style driven by a digital transformation.

In addition to telematics, cybersecurity and other changes to existing businesses, the advance of digital innovation is leading to initiatives that create new businesses. Here we introduce two such businesses on which we are focusing our efforts.

The first is the construction of a digital insurance sales platform, through which we collaborate with EC operators and others to offer customers a one-stop way to sign up for peripheral insurance products while in the process of purchasing products and services. From obtaining insurance policies to their payment, end-to-end digitalization of the process realizes smooth and highly flexible provision of insurance. This represents the new market we are aiming to create.

The second is Risk × Technology = "RisTech." This is a service that provides the risk analysis or reports, as well as the risk models, to aid in finding solutions to the issues that face corporate business partners. In addition to utilizing internally held data such as on policies and accidents, data scientists leverage various external data, including that held by those corporate business partners themselves. Looking ahead, together with offering this service to numerous corporate business partners and having the insights gained through this lead to the development of new insurance products and services, we will endeavor to aid in finding solutions to those problems affecting society, such as preparations for increasingly large-scale natural disasters or contributing to regional transportation.

Overseas experience

Gaining exposure to cutting-edge technology in Silicon Valley

Securing human assets

Bringing together human assets with formidable digital skills and hiring as industry-ready resources

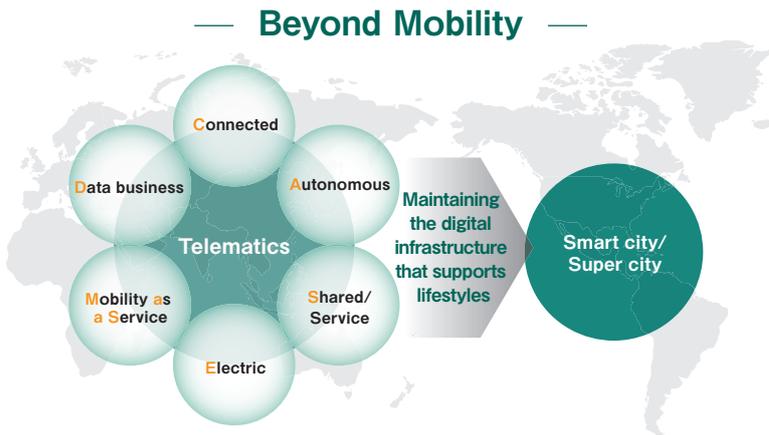
Developing human assets

Developing our proprietary learning programs by collaborating with universities

Group diversity

Telematics

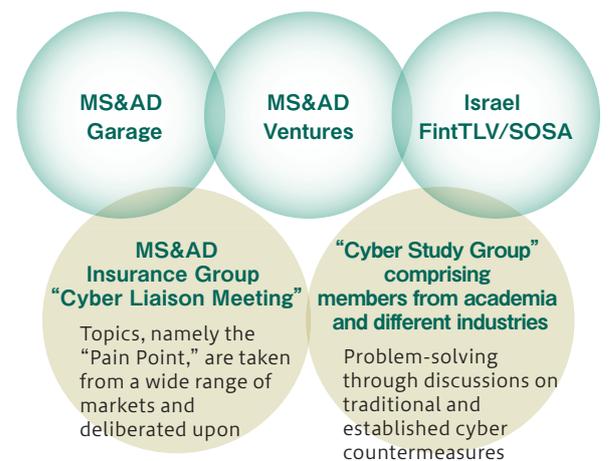
Positioning telematics technology as a linchpin, we will take action to work with CASE, MaaS and other cutting-edge technologies and business models, and staying a step ahead of these, will work to realize a safe and secure mobility society and super cities.



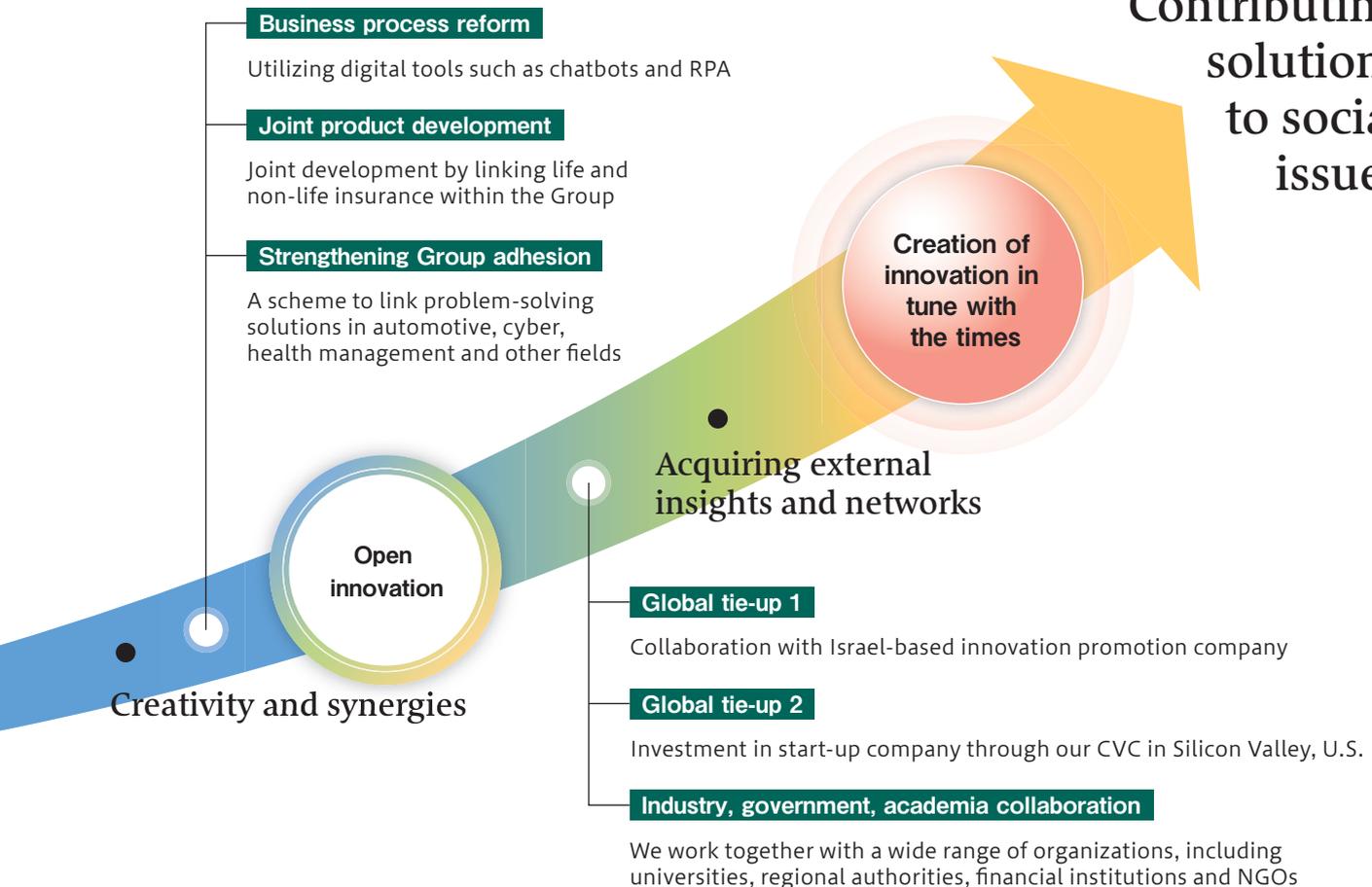
Multidimensional cyber countermeasures

“Risk diagnosis, protection-to-response and, in line with that, compensation” provided coherently and in accordance with needs and the latest technologies based on domestic and international networks—cyber countermeasures that only the Company can provide.

Problem-solving based on unprecedented and innovative services and technology



Contributing solutions to social issues



Stakeholder Engagement

The MS&AD Insurance Group has various systems to facilitate communication with our stakeholders and is working to incorporate stakeholder feedback into the Group's management strategies. By communicating with stakeholders, we work to establish trustworthy quality and management platforms for society. Working together with stakeholders to create shared value for society also will lead to the realization of Our Mission and Our Vision throughout the entire Group.

Our

To contribute to the development of a vibrant society and help secure a sound future for the planet,

Our

To create a world-leading insurance and financial services group that

Attitude toward Stakeholders

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

Our Values



Basic Policies on Corporate Governance

To realize our Corporate Philosophy (Mission), the MS&AD Insurance Group will create shared value and aim toward a resilient and sustainable society through corporate activities that implement the "Story of Value Creation." We will consistently strive for supreme quality that lives up to the trust and expectations upon us. Together with our stakeholders, we continue to contribute to the creation of a society where anyone can pursue a stable life and boldly engage in dynamic business activities, while preserving the sustainability of the global environment and society.

Basic Policy on Compliance

We intend to achieve Our Mission by ensuring compliance in every aspect of our corporate activities and by establishing corporate ethics.

Basic Policy for Responding to Customer Communications

Based on Our Mission, we will respond to all customer communications quickly, appropriately and in good faith while promoting initiatives in accordance with our Values to contribute to the improvement of customer satisfaction.

Basic Policy on the Environment

Based on Our Mission, we regard the environment as a part of its corporate strategy. Having established mitigation of and adaptation to climate change, the sustainable use of resources, the reduction of environmental burden and the conservation of biodiversity as Key Issues, the Group is advancing efforts in these areas including human rights in line with its Standards of Conduct.

Basic Policy on Human Rights

We are committed to enhancing the corporate value and contributing to the creation of a sustainable and resilient society through behavior that takes into account interaction with the environment and society including human rights in all business activities, with the aim of realizing Our Mission.

Strategic Approach for Sustainability

We consider sustainable issues, such as the environmental, social and corporate governance (ESG) factors associated with all of our business transactions, including the development of products and services, underwriting and investment.

Communication with Stakeholders

Trustworthy Quality and Management Platforms



Mission

by enabling safety and peace of mind through the global insurance and financial services business

Vision

consistently pursues sustainable growth and enhances corporate value

Engagement with Stakeholders

Shared Value

Impact on Capital



Customers

Strong relationships with customers



Shareholders

Improvement in medium- to long-term corporate value



Agents

Mutual growth as a business partner



Business Partners

Value creation throughout the supply chain



Employees

Employee pride and achievement of Our Mission



Local Communities
International Society

Cooperation and collaboration through partnerships



The Environment

Improvement of our Planet's sustainability

Financial capital with sustainable growth foundation

Human capital comprising diverse professional skills

Intellectual capital that creates future innovation

Social/relationship capital that aims for collective impact

Protect and nurture natural capital by acting together

Communications with Stakeholders



Customers



Shareholders



Agents



Business Partners



Employees



Local Communities
International Society



The Environment

The Group's Attitude

Basic Policy and Fundamental Activities

<p>To realize "customer security and satisfaction," all employees put into practice the "Customer Focus" stated in Our Values, extensively listen to customer feedback and work to improve quality.</p>	<p>Actions put into practice based on the "Basic Policy for Responding to Customer Communications" and "Customer-First Policy in Business Operations"</p> <ul style="list-style-type: none"> • Respond promptly, appropriately and sincerely to customer feedback, and utilize that feedback in a variety of measures to enhance quality and improve customer satisfaction. • Ensure that each and every employee conducts business operations with a high sense of values that adhere to the "Customer-First Policy." • Provide products and services that address new risks and diversifying customer needs.
<p>We will actively engage in constructive dialogue with shareholders for the Group's sustained growth and enhancement of its medium- to long-term corporate value and will endeavor to generate further corporate value by utilizing such dialogue in managing the Group.</p>	<p>Through highly transparent information disclosure, the MS&AD Insurance Group seeks to reduce information asymmetry with shareholders and investors. The feedback gained from the constructive dialogue with shareholders and investors is shared with management and the relevant departments to be utilized in the formulation of management strategies.</p> <ul style="list-style-type: none"> • The Corporate Communications and Investor Relations Department, which assists with shareholder dialogue, and various other departments within the Group, and efforts to expand means of dialogue • Measures for providing senior management and the Board of Directors with feedback regarding shareholder dialogue • Measures concerning control of insider information during shareholder dialogue
<p>By maintaining effective communication with agents and by thinking and acting together with them, we aim to offer high-quality service and optimal insurance products to our customers. In this way, we also encourage the Group companies and agents to grow together.</p>	<p>Possessing the value of "Customer Focus," underpin The Group's agents' provision of high-quality services that fulfill our accountability to our customers and support the strengthening of the management platforms.</p> <ul style="list-style-type: none"> • Further strengthen communication with agents by providing support to various initiatives aimed at bolstering the agent organizations' growth and contributions to various local and social contribution activities • Dedicated full-time staff members with expertise provide overall management support to agents through training and one-to-one meetings • Promotion of agent quality certification system to motivate agents' quality improvements
<p>While considering compliance, respect for human rights and natural environment, we will act as a company that meets the expectations of society with our supply chain.</p>	<p>Putting into practice actions based on the basic policies of compliance, human rights and the management of outside vendors</p> <ul style="list-style-type: none"> • Comply with all laws and regulations relating to business activities; implement sincere, fair and just business activities that meet the expectations and demands of society • Activities and dialogue that respect human rights, including the value chain • Confirmation and regular inspection of personal information management systems, management soundness, etc. • Procurement in which consideration is given to the use of sustainable resources • Requesting cooperation in consideration for the natural environment as part of the ISO 14001 initiatives
<p>Positioning initiatives that support implementation of the Story of Value Creation, We are working human assets development and on diversity and inclusion as sources of the Group's comprehensive strength.</p>	<p>Establishing a management base that enables employees to play active roles</p> <ul style="list-style-type: none"> • Promoting diversity and inclusion to establish a corporate culture that respects diversity and diverse values • Aiming for our vision of ideal employees, who will continue to develop by learning, thinking by themselves and taking on challenges, providing environments that are conducive to work and opportunities to develop with a sense of enjoyment • Creating workplaces in which consideration is given to health and safety to enable each and every employee to implement health management while maintaining and improving their physical and mental health
<p>Toward the realization of a "resilient and sustainable society," we and our stakeholders will together protect the global environment and the sustainability of society and continue to contribute to a vibrant society.</p>	<p>Actions put into practice based on our "Basic Policy on the Environment" and our "Strategic Approach for Sustainability"</p> <ul style="list-style-type: none"> • Through participation in initiatives, understanding diversifying sustainability issues and implementing actions together <div style="border: 1px dashed black; padding: 5px;"> <ul style="list-style-type: none"> ▶ Paris Pledge for Action ▶ UN Global Compact (UNGC) ▶ United Nations Environment Programme Finance Initiative (UNEPFI) (Principles for Sustainable Insurance [PSI], Natural Capital Finance Alliance [NCFA]) ▶ Principles for Responsible Investment (PRI) ▶ Task Force on Climate-related Financial Disclosures (TCFD) Final Report ▶ Japan Climate Initiative (JCI) ▶ Principles of Financial Action toward the Formation of a Sustainable Society (21st Century Principles of Financial Action) ▶ Japan Business Initiative for Biodiversity (JBIB) </div>
<p>While striving to reduce our own environmental impact, we will promote improvements in the sustainability of our Planet from the perspective of long-term risk through the risk solutions business.</p>	<ul style="list-style-type: none"> • Local revitalization initiatives • Donation matching gift system in the aftermath of a disaster • Promotion of collaborative research with universities on social issues and the global environment • Support for employee participation in environmental protection activities

Shared Interests/
Expectations

Communication Channels

Citing of a Specific Example

Relationships of trust with customers
Trust in products/services
Address customers' diverse needs

- Client surveys
- Annual reports on the status of the "Customer-First Policy in Business Operations" efforts (by each Group company)
- Claims service contact center
- Official Website
- Communication with agents and employees (e.g., inquiries, consultations, requests, complaints)

Utilizing the LINE communication application, we have developed a mechanism that facilitates prompt requests for road service arrangements.

Sustainable enhancement of corporate value
Engagement enhancements through constructive dialogue
Initiatives to improve shareholder value

- For institutional investors/analysts (Meetings to explain management strategy [twice a year], result briefing conference calls [four times], exchange of opinions [once])
- Briefings for individual investors (18 times)
- ESG briefing/exchange of opinions (once)
- Theme-based small meeting (once)
- Meetings for analysts/investors from Japan and overseas (193 times)
- Survey at the Annual Shareholders' Meeting
Note: FY2019

In December 2019, we held an ESG briefing session for institutional investors and analysts at which we showcased the Group's ESG efforts and provided an opportunity for exchanges of opinions with outside directors.

Strengthening of agent system/ quality improvements
Promotion of independence/self-running operation
Productivity improvements
Improvements in sales and market development capabilities

- Study sessions to acquire knowledge about the risks surrounding customers, claims support, products and services
- Regular polite interactions/one-to-one meetings with attention to detail
- MS1 Brain agent sales support system
- Dialogue with agent organizations with the aim of growing together

MS1 Brain is an industry-first, AI-powered agent sales support system that provides optimal proposals to meet the needs of each and every customer through data analysis by means of AI.

Thorough compliance
Respect for human rights
Consideration for the natural environment

- Communications with outside vendors (Procurement in which consideration is given to the use of sustainable resources)
- Regular inspections of outside vendors (approx. 2,800 companies)
- Human rights due diligence

Engaging in green purchasing, we are reducing the environmental burden through our value chain. In collaboration with a cafeteria operator, we are promoting a reduction in the use of plastic straws and the introduction of sustainable seafood.

Corporate culture that respects diverse values
Work environment where people can continue working indefinitely
Providing opportunities to enable everyone to play an active role

- Employee awareness survey (implemented once a year on a global basis)
- Based on suggestions for improvements, a posting system under which each head office department examines the suggestions and feeds back its results
- Speak-up (whistleblowing) system that enables personnel to report or seek a consultation about suspected violations of laws and regulations, violations of company regulations or inappropriate behavior (Number of cases reported: 164)
- Communication with management

To further instill Our Mission, Our Vision and Our Values, an awareness survey targeting domestic and overseas employees was conducted. Overseas, we created and distributed videos focusing on action guidelines.

Climate change mitigation and adaptation
Sustainability of natural capital
Building resilient communities

- Collaboration agreements with local governments (374 agreements)
- Communication with NPOs/NGOs
- Communication/exchanges with local communities
- Holding of seminars/symposiums

As the Chair of the Japan Business Initiative for Biodiversity (JBIB), every year we hold a symposium called Business Talking Biodiversity, at which companies discuss what should be done to improve the sustainability of the natural capital.

Climate change mitigation and adaptation
Sustainability of natural capital
Building resilient communities

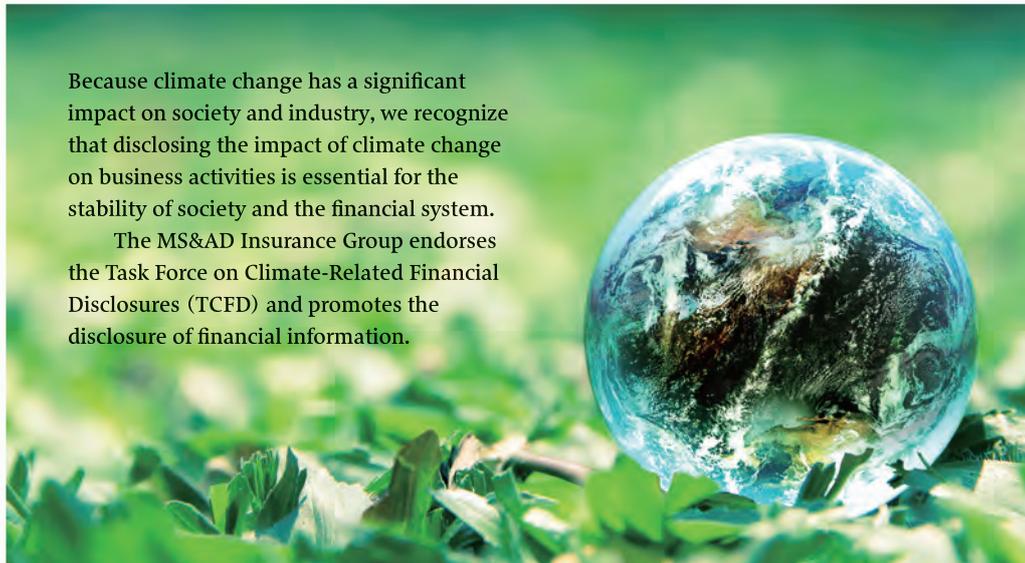
- Communication with experts and NPOs/NGOs
- Exchanges with researchers relating to the global environment and natural disasters
- Participation in initiatives and international conferences
- Employee participation in environmental and social contribution activities (27,673)
- Holding of seminars/symposiums

In cooperation with the Indonesian government, a tropical forest regeneration project has been under way in the Paliyan Wildlife Reserve on the island of Java since 2005. The MS&AD Group is encouraging reforestation and the forming of a sustainable community through the revitalization of the local economy by offering guidance on planting and cultivating trees to local residents and through environmental education.

Special Report

Toward a Resilient and Sustainable Society

Climate-Related Disclosure



Because climate change has a significant impact on society and industry, we recognize that disclosing the impact of climate change on business activities is essential for the stability of society and the financial system.

The MS&AD Insurance Group endorses the Task Force on Climate-Related Financial Disclosures (TCFD) and promotes the disclosure of financial information.

Governance

Climate-Related Internal Control

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

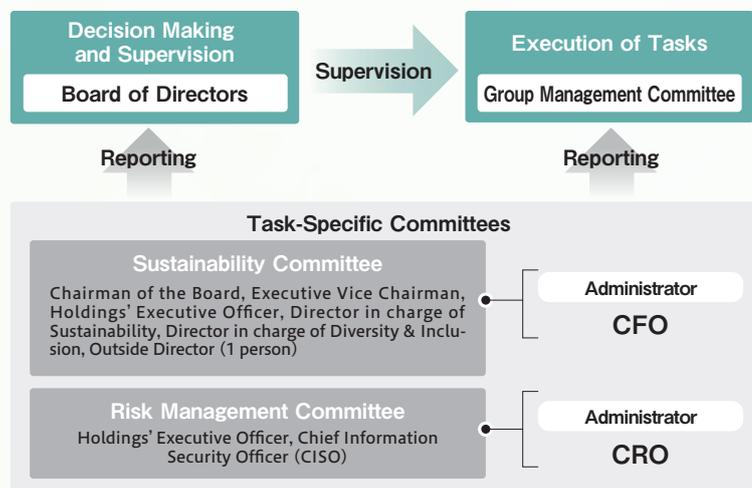
Promotion and monitoring of these initiatives is discussed by the Board of Directors, the Group Management Committee and Task-Specific Committees.

The Board of Directors discusses and determines important matters such as management strategies and capital policies including climate-related matters and supervises the execution of duties by Directors and Executive Officers.

The Group Management Committee discusses important matters such as management policies and strategies that include the recognition of climate-related issues and initiatives, and monitors the execution of tasks by Executive Officers.

Climate-related issues and progress with initiatives are reported to both the Board of Directors and the Group Management Committee after discussions primarily by the Sustainability Committee and Risk Management Committee (respectively four times annually).

The CFO, receiving reports on climate related updates and information from the Corporate Planning Department, operates the Sustainability Committee, which discusses initiatives and plans. The Chief Risk Officer, receiving reports on climate-related risks from risk management departments, operates the Risk Management Committee, which monitors risk, return, capital and the status of risk management, and discusses and coordinates important matters.



Strategy

Strategy: Climate-Related Risks and Opportunities

Climate change poses risks in such areas as rapid social and economic changes resulting from the increasing scale of natural disasters and the transition to a carbon-free society.

While ensuring financial soundness and stable profits, the Group undertakes duties of insurance claims for damage caused by natural disasters such as typhoons and floods in the form of insurance payments. At the same time, we are pursuing initiatives for disaster prevention and mitigation both in Japan and overseas.

In addition, we are contributing to the realization of a resilient and sustainable society by promoting efforts to support the development of new technologies to reduce the risk of climate change and efforts to reduce the environmental impact of our business activities.

Climate-Related Risks

Sometimes damage from natural disasters such as typhoons becomes huge and increases the amount of insurance payouts. If the impact of climate change worsens major natural disasters, there is a risk that insurance payments will be large. The Group prepares for such payments through reinsurance, **catastrophe bond** arrangements and maintaining appropriate catastrophe reserves.

In fiscal 2019, the common reinsurance special contracts newly entered into by Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance worked effectively, and we were able to secure stable profits for the fiscal year.

We will continue to control the retained amount of natural catastrophe risk, considering the effects of climate change, while securing the capital necessary to maintain financial soundness.

We are also promoting reform of our business portfolio by expanding earnings in the international and life insurance businesses. Through the geographic and business diversification of these businesses, we are working to build a more stable earnings base and increase resilience to large-scale natural disasters.

In addition, in preparation for frequent natural disasters, we are utilizing digital technology to build a system that allows customers who have suffered damage to receive insurance payouts as soon as possible. We have also started a new loss survey method using drones and AI.

Akibare Re 2020-1 catastrophe bond

Mitsui Sumitomo Insurance, via Singapore-domiciled special-purpose company Akibare Re Pte. Ltd. in March 2020 issued catastrophe bond Akibare Re 2020-1 (issue amount US\$100 million), which will provide MSI with protection against typhoon risk and flood risk in Japan. The frequency of large-scale natural disasters is raising uncertainty for the reinsurance market. Therefore, it has been decided to issue the bond to secure long-term stable cover by diversifying reinsurance procurement methods while reducing its net retained risk amount.

In addition to the occurrence of natural disasters, the Group recognizes that climate change could have the following medium- to long-term effects.

- Changes in weather such as little rain, drought and reduced water supply
- Tightening environmental regulations and progress of technological innovation to tackle the advance and impact of climate change
- Increase in litigation related to environmental disasters
- Increases in reinsurance premiums due to frequent natural disasters and growth in the scale of such disasters
- Increase in the incidence of heat stroke and infectious diseases due to rising temperatures
- Changes in the industrial structure aimed at realizing a carbon-free society
- Deterioration in investment returns in sectors affected by rising carbon prices and reduced demand for fossil fuels



While recognizing increasing risks in such areas, we are monitoring their impact on the Group's business and utilizing them in our business strategies. We have also started dialogue with investee companies on the impact of climate-related risks on business activities.

Climate-Related Opportunities

Based on the MS&AD Group's Story of Value Creation, we have been promoting Creating Shared Value (CSV) initiatives under our medium-term management plan "Vision 2021" from fiscal 2018. We have positioned "contribute to climate change mitigation and adaptation" as one of our seven key CSV initiatives.

1 Identify and inform on risks

Addressing climate change is an important issue for sustainable business development, and we are analyzing the medium- to long-term risks of climate change. The Group also provides risk consulting services related to climate change and support for the formulation of strategy and information disclosure.

- Free provision of the website "Prediction Map Showing Changes in Flood Frequencies"
- "Climate change risk analysis service" that assesses and analyzes the physical risks related to climate change and the business risks associated with the transition to a decarbonized society. In June 2020, we began offering, in partnership with Jupiter Intelligence of the United States, the "Climate Change Impact Assessment Service for TCFD," a global climate change impact assessment service.
- A service for the analysis and evaluation of future water-related risks (e.g., water depletion, water pollution, floods)

2 Prevent risks from occurring/Minimize the impact

Physical risks such as extreme weather and natural disasters will increase as the average global temperature rises. We are striving to provide information and risk consulting services to prevent or minimize losses when these risks become reality.

- We offer a "Weather Information Alert Service" that provides weather information relating to customers' specified business locations and sends out alert e-mail messages.
- Our smartphone app "Suma-Ho Disaster Navigator" helps users to remain safe and secure during large-scale natural disasters.

Initiatives to use RisTech for disaster prevention/mitigation

Mitsui Sumitomo Insurance, in partnership with Accenture, provides a new service, RisTech, to assist companies' accident and natural disaster prevention and mitigation. With this service, data scientists carry out data analytics utilizing big data and the latest analysis algorithms. The service supports disaster prevention through advanced data analysis. This includes determining optimal evacuation routes by combining meteorological data such as river water levels and data accumulated through insurance underwriting such as rates of damage by building structure and estimated damage in the event of a large-scale disaster.

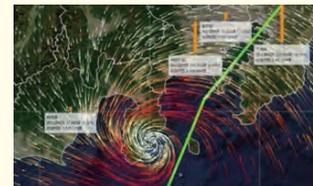
Launch of a real-time loss prediction website "cmap.dev," which predicts the number of buildings damaged due to typhoons, heavy rains and earthquakes

As one of our joint research efforts, Aioi Nissay Dowa Insurance, Aon Group Japan Co., Ltd., and Yokohama National University launched the world's first¹ loss prediction website "cmap.dev" in June 2019. This forecasts the number of damaged buildings and damage ratios in the event of a natural disaster from typhoons, heavy rain or earthquakes in real time for each municipality.

Simulation results of past natural disasters and weather information around the world are also available.² In addition, from June 2020, a function was added that predicts in real time projected damage to buildings before a typhoon makes landfall.

1. Aioi Nissay Dowa Insurance survey, June 2019

2. The service is available to the public for free and can be viewed 24 hours a day, 365 days a year from devices such as PCs or smartphones.



3 Reduce the economic burden when risks materialize

It is the mission of insurance companies to promptly cover customers' financial losses in the event of a natural disaster and to help them restore their lives and resume their businesses. To fulfill that mission, we are working to provide products that meet the needs of our customers.

- We have been promoting flood and earthquake preparedness activities to explain to customers the risks of water disasters and earthquakes and prepare them for natural disasters by encouraging them to reappraise the risks they face.
- We sell weather derivatives to lessen the financial losses due to unseasonable weather.
- We are one of the underwriters for natural disaster risk under a natural disaster insurance facility established to provide reconstruction funds promptly to affected countries/regions in cases when natural disasters of a certain scale occur in Pacific Island and Caribbean countries.
- We provide insurance for renewable energy including mega-solar and small-scale wind power projects.
- We provide accident prevention and maintenance support for efficient power generation by diagnosing the business and maintenance risks of renewable energy.

Scenario Analysis

Strategic resilience in diverse scenarios

The TCFD recommends scenario analysis, which analyzes the impact of climate change on businesses based on future scenarios.

Our initiatives are as follows.



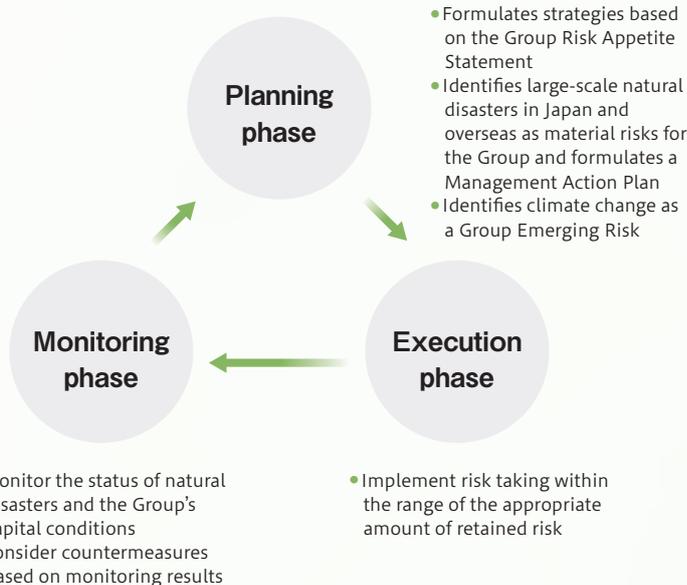
- We have been participating in a project led by the United Nations Environment Program Finance Initiative (UNEP FI), with more than 20 signatory insurance companies of the Principles for Sustainable Insurance (PSI), from its inception. The project is working on the development of scenario analysis methods for insurers. With reference to the latest climate science and looking at future time frames such as 2030 and 2050, development of analysis methods for assessing the impacts of typhoon physical risks are discussed.
- We have also begun calculating our own carbon footprint and carrying out scenario analyses of our asset management portfolio.

Risk Management

Appropriate management of identified risks
(ERM cycle for climate-related risks)

The MS&AD Insurance Group has established the MS&AD Insurance Group Risk Management Basic Policy. The policy identifies the principal types of risk with an impact on the Group's business. Based on the ERM cycle, those risks are managed in light of capital and balance with profitability.

In addition, climate-related risks are reported to and discussed at the Risk Management Committee and then reported to the Board of Directors and the Group Management Committee.



1 Managing natural-disaster-related risks

With respect to risk relating to windstorms and floods in Japan and the United States, we set the upper limit (risk limit) of the amount for Group companies based on the losses that can occur with a probability of once in 200 years. In addition to risk measurement of natural disasters and stress tests of large-scale natural disasters, we are undertaking studies on methods of incorporating the effects of climate change into **stress tests** and methods of quantifying the effects of climate change.



Stress tests

When various stress events occur, we conduct stress tests to confirm the effects of various stress events on capital and risk amounts.

In the stress tests, to complement the limitations of risk measurement by statistical methods, we select scenarios based on information about the Group's portfolio and risk characteristics and on significant changes in the external environment. In this way, we identify the vulnerability of the portfolio and confirm the necessity and urgency of countermeasures.

2 Controlling the retained amount of natural catastrophe risk

We assess the risk amount using statistical methods by region and disaster. Based on this assessment, we maintain decent underwriting, arrange reinsurance, issue catastrophe bonds and provide catastrophe reserve. Through these measures, we are working to improve the financial soundness of the entire Group and to reduce the variable risks of periodic profit/loss.

- Lower natural catastrophe retention on a Group-wide basis
 - Lower natural catastrophe retention including that for windstorms and floods in the United States
 - Strengthen management of the profitability of the reinsurance business

- Reduce the risk of profit fluctuations

In addition to respective reinsurance coverage of Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance for domestic natural catastrophes, we arrange for joint reinsurance treaty coverage shared by the two companies that covers annual aggregate losses. By such means, we are reducing the risk of profit fluctuations. This functioned effectively with respect to the occurrence of domestic natural disasters in fiscal 2019, and we have organized the same level of reinsurance in fiscal 2020.

We are promoting dialogue with investee companies to promote climate-related information disclosure. We are also considering dialogue methods for sustainability issues including climate-related issues.

Metrics and Targets

Establishing metrics and targets for managing risk

As a monitoring indicator for our contribution to climate change mitigation and adaptation, the Group has prioritized Creating shared value (CSV initiatives). The results of these approaches are being reflected in the performance-based compensation of the company's internal directors.

1 Creating shared value (CSV initiatives) metrics

We have set monitoring indicators for development and improvement of products related to our contribution to climate change mitigation and adaptation. We calculate the economic impact on the Company and the impact on society from our CSV initiatives. The results of these approaches are being reflected in the performance-based compensation of the company's internal directors.

2 Metrics and targets for initiatives to reduce the environmental burden through business activities

The Group is working to reduce the environmental impact of its business activities by using reduction rates for total energy consumption and for CO₂ emissions as monitoring indicators.

Our aim is to reduce CO₂ emissions by 30% by 2020 and by 70% by 2050.

In fiscal 2019, the reduction rate for total energy consumption was 33.4% and the reduction rate for CO₂ emissions was 20.7% (versus the base year of fiscal 2009).

We are striving to reduce total paper consumption and contribute to the sustainable use of natural resources.

In addition, we have started measuring the carbon footprint (CO₂ equivalent greenhouse gas emissions from business activities) of investee companies and have begun studying the utilization of this information.

〈 Related Information 〉

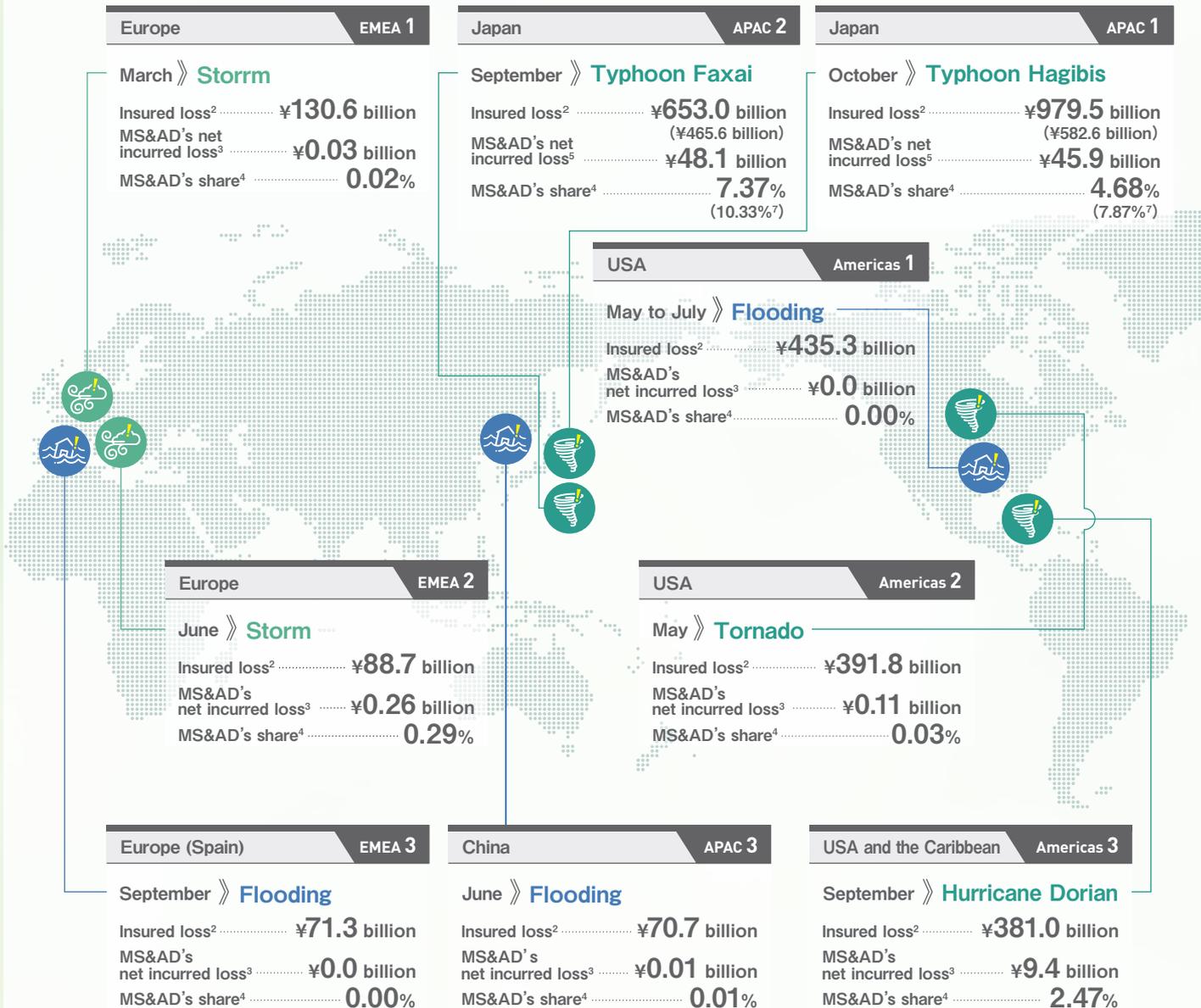
Group Management Based on ERM ERM and Risk Management	⇒	PP. 76–78
Impact of natural catastrophes on underwriting profit	⇒	P. 126
CO ₂ emissions and total energy consumption	⇒	P. 51
Initiatives to strengthen ESG investment	⇒	P. 65
Reduce CO ₂ emissions under the Scope 1, 2 and 3	⇒	Sustainability Report



World Map of Natural Catastrophes in 2019¹

Climate change is said to be affecting recent extreme weather events including powerful typhoons, hurricanes, torrential rainfall, droughts and heat waves throughout many parts of the world. The scale of each disaster is also increasing, causing damage in countries around the world that far exceeds previous expectations.

The MS&AD Insurance Group has helped its customers mitigate economic losses caused by major disasters through the payment of claims, 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 2019 as listed in Aon's "Weather, Climate & Catastrophe Insight—2019 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—2019 Annual Report"). Exchange rate: US\$1 = ¥108.83 (used for internal purposes at the end of FY2019)

3. As of December 31, 2019. 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, 2020. Total net incurred loss of Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance.

6. As of March 31, 2020. 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.

Our Way

MS&AD's Strategy

MS&AD's Path to Realizing Our Image of Society

The MS&AD Insurance Group is on the verge of creating the world-leading insurance and financial services group that we have pursued since our founding through the story of value creation with our customers, shareholders and other stakeholders. As part of the medium-term management plan "Vision 2021" launched in fiscal 2018, the Group set forth a "Resilient and Sustainable Society" as the image of society we aim to achieve in 2030 and has charted sustained growth by managing the Group based on the creation of shared value with society (CSV).

Next Challenge 2017

(FY2014–FY2017)

New Frontier 2013

(FY2010–FY2013)

Development of the Story of Value Creation

Advance Group integration based on the story of value creation and realizing our mission

Founding of the Group

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

Management Issues

- ▶ Improve profitability in the domestic non-life insurance business
- ▶ Ensure financial soundness

- ▶ Enhance earning power in the domestic non-life insurance business
- ▶ Improve capital efficiency

General Overview

[Achievements] We steadily undertook initiatives geared toward returning the domestic non-life insurance business to profitability 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.

[Issues] 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.

[Achievements] 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 improved capital efficiency and built a platform for growth by strengthening ERM and promoting sales of strategic equity holdings and investments in overseas businesses.

[Issues] Due to lower earnings in the international business and failure to make progress in geographical diversification of the business portfolio from domestic to overseas, we did not achieve the targeted international business profit ratio of 50%.

(¥ billion)

▶ Numerical Management Targets	FY2010 Results	FY2013			FY2014 Results	FY2017		
		Results	Initial targets	Revised targets		Results	Initial targets	Revised targets ⁴
Group Core Profit¹	14.5	94.8	150.0	110.0	155.7	105.0	160.0	220.0
Domestic Non-Life Insurance Business	6.5	47.8	100.0	60.0	92.4	190.1	100.0	135.0
Domestic Life Insurance Business	4.1	24.4	15.0	15.0	20.4	34.3	16.0	15.0
International Business	1.8	18.0	30.0	30.0	38.2	(125.0)	39.0	66.0
Financial Services Business and Risk-Related Services Business	1.9	4.4	5.0	5.0	4.6	5.6	6.0	5.0
Group ROE ¹	0.8%	4.5%	7.0%	7.0%	5.9%	3.7%	7.0%	7.5%
Consolidated Net Premiums Written	2,541.4	2,809.5	2,700.0	2,700.0	2,940.7	3,446.9	3,100.0	3,570.0
Combined Ratio (Domestic Non-Life Insurance)	–	–	–	–	96.0%	92.8%	95% or less	93% range
Annualized Premiums of Policies in Force (life insurance) ²	278.0	333.5	330.0	330.0	–	–	–	–
Increase in EV ³ of MSI Aioi Life	–	–	–	–	59.7	41.3	more than 45.0	more than 50.0

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."

2. Figures for MSI Aioi Life (excluding group insurance). The figure for FY2010 is the total for MSI Kirameki Life and Aioi Life.

3. "EV" stands for embedded value. (See the "Glossary of Insurance Terminology" (P. 98) for details.)

4. FY2017 numerical management targets are revised higher from the initial FY2016 targets.

Vision 2021

(FY2018-FY2021)

Stage 1

Develop management based on CSV

Realize sustainable growth by creating shared value through corporate activities

- ▶ Achieve medium-term aspirations
- ▶ Build resilient systems that can respond to changes in the environment

[Achievements] The domestic non-life insurance business maintained an industry-leading premium growth rate, while the domestic life insurance business worked to maintain and expand the stable earnings foundation by building a groundwork for profits in the future. Despite the impacts of natural disasters and COVID-19, Group Adjusted ROE achieved a level that generally approached the target.

[Issues] Although diversification to the life insurance business has progressed smoothly, the international business saw a delay in MS Amlin's return to profitability, thereby postponing achievement of business portfolio diversification in some regions. As long as society continues to refrain from economic activity due to the impact of COVID-19, we will prioritize expense reductions through greater productivity. After the situation returns to normal, we will capture the changes in the operating environment as opportunities and work to achieve a greater level of growth.

▶ Stage 1 Achievements and Issues

Achievements

Maintained and expanded a stable earnings foundation

Advanced growth and efficiency through the Group's comprehensive strengths

Achieved reduction targets for strategic equity holdings

Advanced sustainability initiatives

Improved the foundation for promoting digitalization

Issues

Reform the portfolio
(business portfolio diversification)

Capital efficiency

Image of society in 2030

Resilient and sustainable society

Stage 2

	FY2019 Progress Status	Medium-term aspirations (FY2021 targets)
Scale	5th (FORTUNE GLOBAL 500 2019, P&C)	Within the top 10 non-life insurance groups in the world
Capital efficiency	8.0%	Group Adjusted ROE 10%
Financial soundness	186% (Reference: 204% at the time of UFR application)	ESR 180%-220%
Portfolio diversity	46%	50% (profit basis) in other than the domestic non-life insurance business
Strategic equity holdings ratio	26.1% of integrated risk amount 9.2% of consolidated total assets	Strategic equity holdings below 30% of the integrated risk amount and below 10% of consolidated total assets
Profitability	Excluding natural disasters EI combined ratio of 91.4%	Combined ratio in the domestic non-life insurance business stable at 95% or less

Toward Medium-Term Growth

Working toward the realization of a resilient and sustainable society, we will promote initiatives that lead to medium- and long-term growth by accurately identifying the risks and opportunities that arise from the ever-changing business environment.

Recognition of the Business Environment

Risks and Opportunities by Social Issue

Society

- Increase of intensity and frequency of natural disasters such as wind and flood damage and major earthquakes
- Expansion of regional conflicts, expansion and consolidation of disparities such as that between poverty and wealth, increase of immigrants/refugees
- Greater motivation for global-scale initiatives targeted at solving social issues
- Excellent performance of post-millennials
- Major change in concept of values/lifestyle
- Decrease in total population in Japan, advancement of regional depopulation/promotion of regional construction
- Further advancement of falling birthrates and aging populations among developed countries
- Effect and rebound associated with the Tokyo Olympics and Paralympics
- Penetration of "new lifestyles," spread of a surveillance society and avoidance of high-density urban areas for the purpose of COVID-19 countermeasures

Politics

- Dealing with climate change (the Paris Agreement), reinforcement of regulations toward a carbon-free society
- Strengthening capital regulations (Risk-based Global Insurance Capital Standard (ICS))
- Rise of protectionism and populism
- Reinforcement of regulations such as legislation on human rights protection and personal information protection regulations
- Rising momentum for new international cooperation through COVID-19 countermeasures
- Review of self-sufficiency rate for food and healthcare (security)
- Change in soft law (revision of Stewardship Code) and ongoing demands to reduce strategic equity holdings

Economy

- Recovery from COVID-19 effects, extended economic recession, global low interest rates
- Review of trade friction and trade agreements
- Expansion of ESG investment, rise in requests for disclosure about climate change (TCFD)
- Acceleration of social inflation (more sophisticated compensation)
- Decrease in car sales, number of vehicles owned and housing construction in Japan
- Expansion of the sharing economy
- Review of the supply chain (return to domestic production from global division of labor)

Technology

- Appearance of new business models via digital platformers
- Penetration of 5th-generation mobile communication system (5G), post 5G
- Development of new automobile technology (CASE, safety support car, MaaS)
- Boom of data-related business, threat of Big Data monopoly
- Cashless payment, etc., further penetration of digital technology into everyday life in Japan (realization of Society 5.0)
- Development of advanced digital technologies that support "new lifestyles" and expansion of the coinciding cyber risk



Diversified/large-scale accidents and disasters

Risks

- Changes in the nature of existing businesses (e.g., conventional automobile insurance)
- 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
- Growing asset management risks

Opportunities

- Construction of new business models (e.g., telematics insurance, InsurTech)
- Market developments along new sales channels
- Development of new insurance schemes to cover losses caused by large scale natural disasters, etc., and growing need for the establishment of BCPs
- 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



The global environment approaching its limit

Risks

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

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
- Mitigation of climate change risks because of the penetration of remote workstyles



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



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
- Greater awareness among local governments related to preventing and reducing disasters
- Advancement in regional vitalization because of the penetration of remote workstyles, and growth in new insurance needs coinciding with such
- Stronger needs for services that support regional revitalization

Solution-driving CSV Initiative Cases

Deal with new risks

Safer mobility society

Resilient community development

Climate change mitigation and adaptation

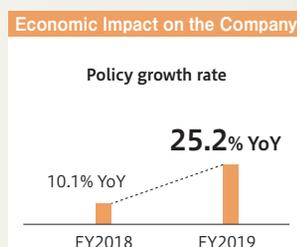
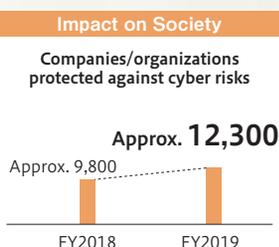
Improve the sustainability of natural capital

Support "good health and longevity"

Work toward the realization of "leaving no one behind"

Products to address cyber risk

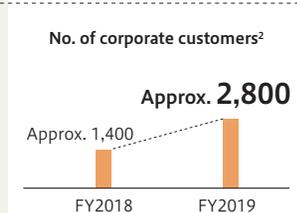
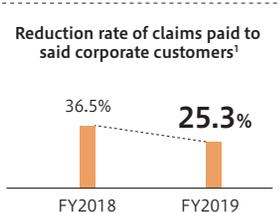
Provide support for cybersecurity countermeasures and compensation in preparation for damages resulting from the unlikely event of a cyberattack



Telematics-based safe driving support services

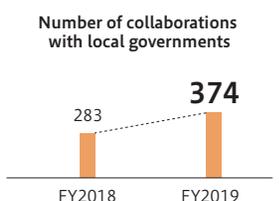
Provide services that support safe driving based on telematics technology for corporate customers

1. Comparison of claims payments before and after introduction of "Sasaeru NAVI"
2. Number of companies that have introduced "Smart Navi," "F-Drive" and "Sasaeru NAVI (including Lite)"



Regional revitalization initiatives in collaboration with local governments

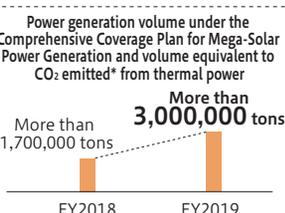
Provide products and services that solve regional social issues in cooperation with local governments



Comprehensive Coverage Plan for Mega-Solar Power Generation

The provision of combined insurance and derivative compensation products to mega-solar operators

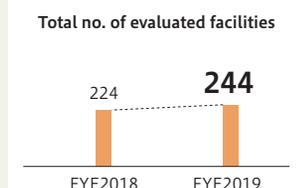
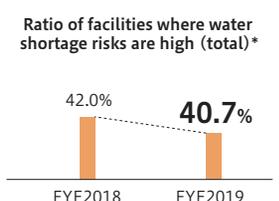
*Calculation based on national average power generation results from NEDO solar field test and the default values of emission factors by electric utility.



Simplified evaluations of water-related risks

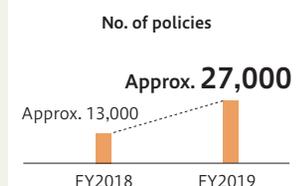
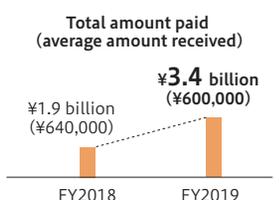
Assess flooding, drought and other water resource risks at business locations, and support business from the perspective of risk management

*Facilities with a water stress value (ratio of water intake accounted by annual water supply volume) above 40%



Tontine annuities that support future asset formation

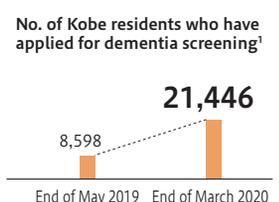
A foreign-currency-denominated individual annuity insurance that meets the "usage" needs of customers who receive a greater amount of annuity the longer they live



Dementia "Kobe Model"

Accident relief program linked to dementia regulations. Three-pronged scheme consisting of insurance, early screening and accident prevention

1. Total number of applicants from the start (January 28, 2019) of the program (preliminary results as of March 31, 2020)
2. Approximate cost (FY2019-FY2021) of the "Kobe Model"



Advancement of a digital society

The importance of cybersecurity has grown as the digital society has evolved. Methods that defend against cyber risks on multiple levels will unquestionably become important in responding to increasingly sophisticated, complex cyberattacks. The Group deploys multifaceted services in cooperation with outside partners.

Japan's Cybersecurity Service Market

¥834 billion in 2019

▼
¥999.4 billion in 2024

Source: IDC Japan Press Release "Domestic Information Security Market Forecast Announcement for the Second Half of 2019" (June 24, 2020)

Deal with new risks

- Multifaceted cybersecurity
- Insurance products and services that address new viruses
- Coverage on sharing businesses
- Coverage for telework
- On-demand "1-day Leisure Insurance"

Safe, next-generation mobility

It is assumed that the shift to autonomous driving, electrification and other new initiatives will advance the use of connectivity as a core technology. However, progress in vehicle connectivity and autonomous driving technology are unquestionably two sides of the same coin with the emergence of new risks. The Group continues to propose forms of support that capture the needs of the times.

New car sales for connected vehicles (global)

31.2 million in 2019

▼
94.2 million in 2035

Source: Fujii Keizai "Future Outlook for Connected Car, V2X and Autonomous Driving Related Markets 2020"

Safer mobility society

- Drive recorder type automobile insurance
- Telematics automobile insurance
- Safe driving support smartphone app
- Automobile insurance for truck convoys operating with unmanned trailing vehicles
- Next-generation automobile insurance research and development

Sustainable community development

Resilient community development requires the pursuit of safety and security, as well as the creation of sustainable employment, based on disaster prevention and mitigation initiatives. The Group provides various forms of support for regional economic revitalization that leverage regional characteristics.

Regional revitalization budget, etc.

¥1,856.8 billion in 2019

▼
¥2,508.9 billion in 2020

Source: Cabinet Secretariat, Cabinet Office Headquarters for Overcoming Population Decline and Vitalizing Local Economy in Japan "Regional Revitalization Budget"

Resilient community development

- SME business SDG support
- Proposals for disaster prevention/mitigation and BCP
- Expertise regarding green infrastructure
- Initiatives for realizing "an inclusive society"

Realizing a decarbonized society

The Group supports the greater use of renewable energy from the sidelines through appropriate preparations for damage/loss caused by weather disasters as well as innovations to bring about a decarbonized society by offering insurance and consulting services.

Electricity accounted for by renewable energy in Japan

16% in 2017

▼
22%-24% in 2030

Source: Agency for Natural Resources and Energy, Ministry of Economy, Trade and Industry "Japan's Energy in 2019"

Climate change mitigation and adaptation

- Climate change risk assessment
- Weather derivatives
- Support for renewable energy businesses
- Pacific Catastrophe Risk Assessment and Financing Initiative

Business management leveraging natural capital

Corporate sustainability is linked to the sustainable use of natural capital that is leveraged to produce goods and services, and is therefore now recognized as an ESG risk. The Group has focused on building a sustainable relationship between natural capital and business activities from early on and provides related risk assessment services.

Global ESG investments

\$22,890 billion in 2016

▼
\$30,683 billion in 2018

Source: GSIA "2018 Global Sustainable Investment Review"

Improve the sustainability of natural capital

- Natural capital risk assessment
- Simplified evaluations of water-related risks
- Environmental supply chain consulting
- Biodiversity-conscious land-use consulting

Preparing for the "100-Year Life" society

The average life span in Japan has been increasing yearly. Against a backdrop of intensifying demand for planned asset building based on individual efforts in order to live a more enriching life after retirement, the Group provides products that support asset building for elderly customers in heading toward a "100-year life" society.

Household consumption expenditure estimate among those older than 70 (annual)

¥53,000 billion in 2014

▼
¥62,000 billion in 2025

Source: YOMIKO, R&D Estimates

Support "good health and longevity"

- Smartphone app for maintaining physical and mental fitness
- Health & productivity management support products
- Products for welfare/nursing care providers
- Self-help-style asset building
- Coverage for nursing care and dementia

Next-generation healthcare through collaboration with industry, government and academia

Partnerships with various sectors are essential for seeking out solutions to problems in an aging society and for ensuring that no one is left behind. The Group aims to realize a society that is amicable for everyone by building health platforms that suit regional characteristics in cooperation with industry, government and academia.

Japan's healthcare market scale (estimate)

¥25,000 billion in 2016

▼
¥33,000 billion in 2025

Source: Ministry of Economy, Trade and Industry, Next-Generation Healthcare Industrial Council "Future Discussions of the Next-Generation Healthcare Industrial Council"

Work toward the realization of "leaving No one behind"

- Relief system for dementia accidents
- Support for raising public awareness about foster care systems
- Training for foreign residents in Japan
- Microinsurance
- Agricultural insurance

CSV Initiatives Promoted by MS&AD

Future image of society by 2030

Resilient and sustainable society

Resilient

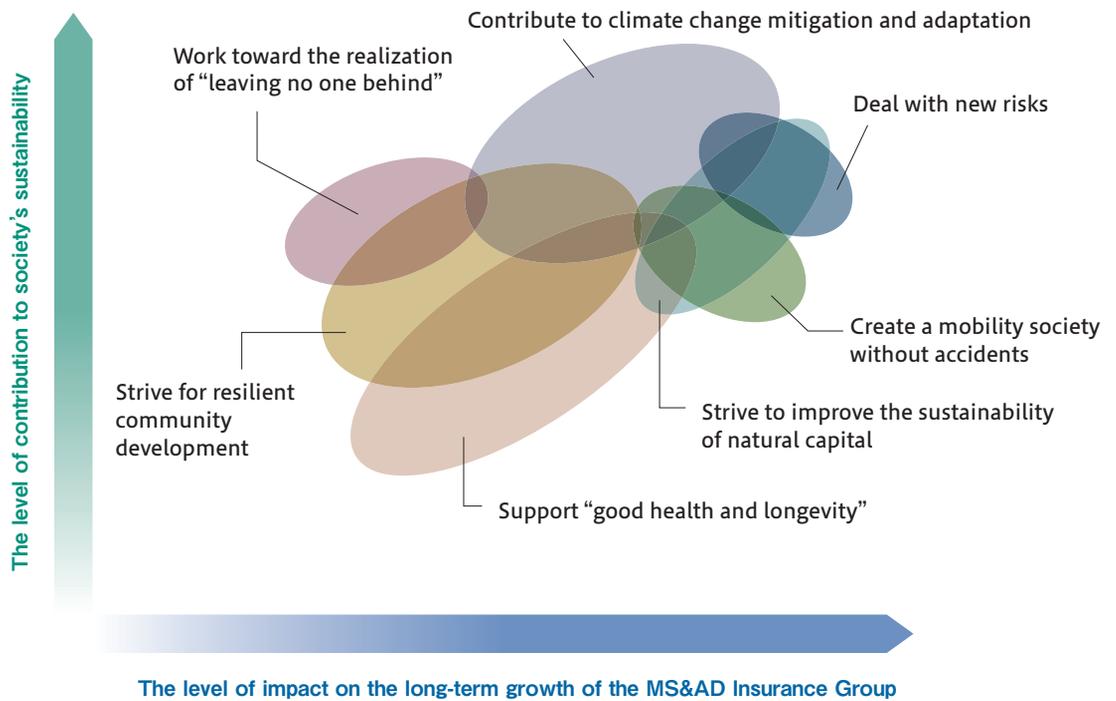
The ability to minimize damage from unforeseen circumstances, adapt to new environments and return to growth

Sustainable

The ability to maintain a balance among the economy, environment and society, and to ensure that the global environment and social systems will remain in place throughout future generations.

Materiality Analysis

In light of social issues and the Group's business, we analyzed items based on where we can make a significant contribution to social sustainability together with issues that have a major impact on the Group's long-term growth in the areas of economy (E), society (S) and organizational governance (G). From this process, we extracted seven priority issues (materiality). These seven priority issues are recognized as our challenges for CSV (Creating Shared Value) that create value for both society and the Group.



Social and Economic Impact of CSV Initiatives

For the purpose of promoting CSV initiatives and improving the quality of such initiatives, the Group estimates the value that these initiatives provide to society (social impact) and the economic value that they provide to the Group (economic impact). See "Solution-driving CSV Initiative Cases" on P. 37 for specific examples.

Progress of the Medium-Term Management Plan

Vision 2021 (FY2018–FY2021)

Numerical Management Targets

In the medium-term management plan “Vision 2021”, the Group is working toward the goals of becoming a “world-leading insurance and financial services group,” which has served as the “vision” for the MS&AD Insurance Group since our founding, and of “developing a resilient system” that will realize sustainable growth. During Stage 1, which lasted through fiscal 2019, of the indicators raised as our medium-term aspirations, we achieved each of the targets for scale, financial soundness, reductions in strategic equity holdings and profitability.

Meanwhile, considering the delay in recovery of profits in the international business and the impact on asset management coinciding with changes in the economic

environment following the emergence of COVID-19, we corrected the Group Adjusted Profit target for the final year of Vision 2021 from ¥350 billion to ¥300 billion.

Against this backdrop, we will leave the Group Adjusted ROE target value unchanged as we continue to advance initiatives to streamline the business. Despite the uncertain outlook due to the impact of COVID-19, we will prioritize expense reductions through productivity improvements, capture the changes in the business environment as opportunities and strive to further enhance the earnings strength of the Group as a whole in order to realize the final targets for fiscal 2021.

	(¥ billion)			
▶ Financial Targets	FY2018	FY2019	FY2020 Forecast	FY2021 Targets
Group Adjusted Profit	189.8	233.1	180.0	300.0
Domestic Non-Life Insurance Business (excluding gains/losses on sales of strategic equity holdings)	146.9 (65.1)	119.5 (98.4)	130.0 (117.0)	177.0 (150.0)
Domestic Life Insurance Business	31.6	29.7	25.0	41.0
International Business	5.4	49.4	20.0	75.0
Financial Services Business/ Risk-Related Services Business	5.8	4.8	5.0	7.0
Group Adjusted ROE	6.1%	8.0%	6.1%	10.0%
Consolidated net premiums written	3,500.4	3,573.7	3,400.0	3,580.0
Life insurance premiums (Gross premiums)	1,599.9	1,393.4	1,004.0	1,000.0
EEV of MSI Aioi Life	819.4	890.2	912.0	962.0
ESR (Economic Solvency Ratio)	199%	186%	–	180%–220%

▶ Sales Target of Strategic Equity Holdings		FY2017	FY2018	FY2019	Total
Total sales target (FY2017–FY2021)	¥500.0 billion	¥151.3 billion	¥136.7 billion	¥111.8 billion	¥399.9 billion
Risk weight to integrated risk amount (before the risk diversification effect)	Less than 30%	32.7%	28.8%	26.1%	–
Fair value weight in consolidated total assets	Less than 10%	12.7%	10.9%	9.2%	–

“Vision 2021”

In line with “Vision 2021,” the Group formulated and is undertaking the Medium-Term Sustainability Plan,* which is composed of the CSV initiatives (seven priority issues) and the core initiatives (“Quality that earns the trust of society” and “Management platforms that enable employees to play active roles”) and defined KPIs.

During Stage 1, particularly in light of changes in the operating environment, such as increasing interest from society and expanded ESG investments, we prioritized “Climate Change Mitigation and Adaptation,” “Improve Sustainability of Natural Capital” and “Respect Human Rights,” based on which we discussed the Group’s stance* and advanced initiatives. Through the Sustainability Contest (P. 74), seminars, study groups and other activities regarding the challenges for CSV, we deepened the understanding of

CSV and SDGs among employees and expanded practical initiatives in the insurance business. One remaining issue, however, is the limited number of initiatives that link the various stakeholders and connect to the medium- to long-term development and growth of our business.

In Stage 2, we will contribute to the solutions for these problems, including social issues that have arisen in an era of living with COVID-19, and we will further promote initiatives that also connect to the growth of the Group.

Moreover, initiatives designed to reduce the burden on the environment will strive to further reduce CO₂ emissions, total energy consumption and paper consumption.

*For details on sustainability initiatives, visit the official website.

► **Non-Financial Indicators** A checkmark indicates that FY2019 figures have been assured by KPMG AZSA Sustainability Co., Ltd.

Creating Shared Value with Society (CSV initiatives)		
Indicator	Fiscal 2019 Achievements	Group Targets for Fiscal 2019 Onward
Development and improvement of products for creating shared value with society	<ul style="list-style-type: none"> Initiative Cases: Special Feature (PP. 66-75) Social/Economic Impact: “Solution-driving CSV Initiative Cases” (P. 37) Sustainability Report 	For the seven key issues (P. 13), 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



Quality that earns the trust of society		
Indicators (related pages)	Fiscal 2019 Achievements	Group Targets for Fiscal 2019 Onward
Quality improvement		
Customer satisfaction survey about insurance contract procedures	97.7%	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. 51)		
CO ₂ emission reduction rate	-20.7%	Reduce CO ₂ emissions by 30% by 2020 and by 70% by 2050 versus the base year (FY2009)
Total energy consumption <input checked="" type="checkbox"/>	943,090 GJ (-33.4%)	
Paper consumption	11,080 t (+5.1%)	

Management platforms that enable employees to play active roles		
Indicators (related pages)	Fiscal 2019 Achievements	Group Targets for Fiscal 2019 Onward
Diversity & inclusion (P. 51, PP. 79-82)		
Ratio of female managers (domestic) <input checked="" type="checkbox"/>	14.8%	15% (FY2020)
Employee satisfaction (“working vigorously”)	4.5 points	The same level or higher compared with the previous fiscal year
Key monitoring indicators other than sustainability KPIs <ul style="list-style-type: none"> Number and ratio of global employees (P. 51) Ratio of employees with disabilities (P. 80) 		
Health management (P. 15, P. 82)		
Employee satisfaction “Pride, job satisfaction”	4.4 points	The same level or higher compared with the previous fiscal year
Number of annual paid holidays taken	15.7 days	The same level or higher compared with the previous fiscal year
Ratio of taking fully paid paternity leave	64.6%	The same level or higher compared with the previous fiscal year
Number of employees participating in social contribution activities	27,673 people	The same level or higher compared with the previous fiscal year

*Target: Mitsui Sumitomo Insurance/Aioi Nissei Dowa Insurance/Mitsui Direct General/Mitsui Sumitomo Aioi Life Insurance

Website content

- Sustainability <https://www.ms-ad-hd.com/ja/csr.html>
- MS&AD Insurance Group and Sustainability ●Our Sustainability Priorities
- Our Value Creation Approach
- Products and services that contribute to achieving the Sustainable Development Goals (SDGs)
- ESG Data/Reference Material

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.

“Vision 2021” Stage 1 General Overview

Key Strategy 1 Pursuing the Group's Comprehensive Strengths

Realize improvements in growth and productivity by enhancing our presence in the market through joint initiatives between Group companies

- Each and every measure toward productivity improvement/quality improvement, such as joint development of products, and joint efforts at the sales department/the claims services department made progress.
 - Dashcam-based automobile insurance (Mimamoru)
 - Cyber risk and cybersecurity platform
 - Joint efforts at branch offices countrywide
 - Setting up of joint bases at the occurrence of natural disasters, etc.
- Established Group-wide working groups for each issue and promoted the review of operations.
 - Projects to “utilize/extend/increase” founded on a core of human asset exchanges and joint initiatives at the front line
 - Projects to “stop/eliminate/reduce” founded on a core of reduced work volume as well as of standardized logistics for printing and head office functions

Joint Initiative for Two Domestic Non-Life Insurance Companies

Communication Meeting (Okinawa Branch)



- “Proposals for Preparedness against Flood and Earthquakes” jointly developed with agents of both companies
- Leveraging the strengths of both companies to develop new businesses
- Increase operational efficiency by sharing and eliminating overlapping administrative operations and sharing administrative know-how
- Joint human assets development training
- Group presence-up through regional revitalization initiatives such as activities to eradicate drunk driving

Key Strategy 2 Promote Digitalization Build a global platform as the foundation for promoting digitalization.

Establishment of CVC and investment in start-ups

- In October 2018, we established a corporate venture capital (CVC) in Silicon Valley
- Aiming to acquire technologies with a medium-term perspective, venture investments (in 33 companies as of end March 2020) were made and business tie-ups with Group companies have seen progress

Developing digitally minded human assets

- Developed a program (MS&AD Garage) in Silicon Valley to allow practitioners in Japan and overseas to uncover advanced technologies that help resolve issues
- Digitally minded human resources are being developed in collaboration with Toyo University (INIAD), Shiga University, Kyoto University of Advanced Science and other institutions
- Idea contests such as the Challenge Program have been organized

Global Platform

Running various promotional measures

- Digital tools such as chatbots and RPA are utilized to reform business processes
- Introduction of agent sales support systems equipped with AI (February 2020)
- Launch of telematics and dashcam-based automobile insurance (Mimamoru·Tsunagaru) and claims service

Global coordination of expertise

- Global digital hubs (GDHs) were established in Singapore and Tokyo as places to consider organic business coordination at the global level
- Partnerships were formed with an Israel-based firm promoting innovation (FinTLV, SOSA)
- Rolling out expertise and technologies of start-up companies to overseas entities and launched collaborative efforts

Key Strategy 3 Reform Our Portfolio Reformed the Group's business portfolio and risk portfolio to create a stable earnings base.

▶ Initiatives for Expanding International Business

Overall Business	<ul style="list-style-type: none"> ● Built a platform for a world-leading insurance and financial services group <Issues> ① Leveraging the strengths (e.g., skills, networks) of each Group company across regions ② Speedier decision-making that can respond to rapid changes in the environment
MS Amlin	<ul style="list-style-type: none"> ● Improved the loss ratio on non-cat lines by improving underwriting terms and conditions <Issues> The recovery in profitability has been behind plan
Asia	<ul style="list-style-type: none"> ● Achieved the No. 1 position in the ASEAN region with MS First Capital joining the group ● New investment in Myanmar and additional investment in Sri Lanka
Telematics and Mobility	<ul style="list-style-type: none"> ● Promoted across a five-region structure of Europe, Americas, Asia, China and Japan ● Advancement of the CASE/MaaS fields
Head Office Reinsurance	<ul style="list-style-type: none"> ● Improved profitability and reduced risk from wind and flooding damage in the United States
International Life Insurance	<ul style="list-style-type: none"> ● Equity-method affiliation for Challenger ● Integration of ReAssure with Phoenix ● Agreement to invest in BoCommLife Insurance in China

▶ Diversification of Risk Portfolio (Reduction of strategic equity holdings)

Risk weight of strategic equity holdings in integrated risk amount



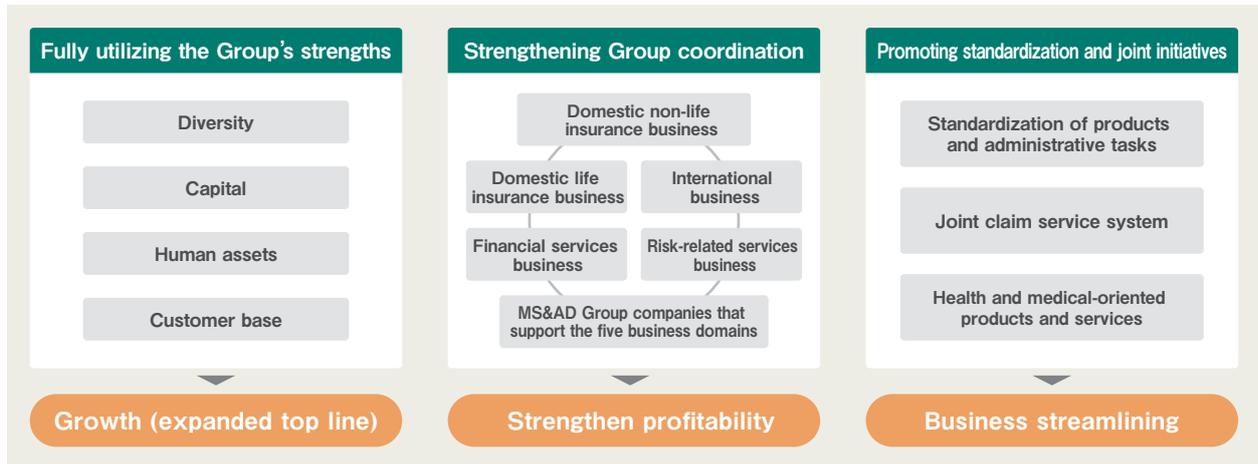
Fair value weight of strategic equity holdings in consolidated total assets



“Vision 2021” Stage 2 Overview

Key Strategy 1 Pursuing the Group's Comprehensive Strengths

- We will further promote initiatives aimed at improving Group quality and productivity to strengthen our competitiveness.
- In Stage 2, the effect of business rationalization (total for Japan and overseas) is targeted at ¥30 billion.



Key Strategy 2 Promote Digitalization

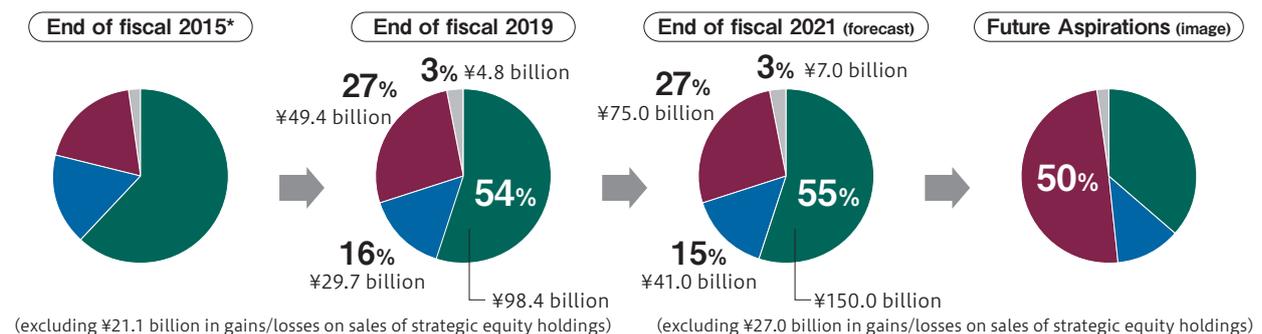
- We will promote three major initiatives that help improve the value of customer experiences and boost business productivity (DX, DI and DG), and promote sustained growth across the Group.



Key Strategy 3 Reform Our Portfolio

- While goal attainment regarding diversification of the business portfolio will be pushed back as we seek to minimize the expansion of new business risks in part due to COVID-19, we will steadily continue with initiatives based on a starting point of organic growth as we strive to realize our future vision.
- We mostly attained target levels in the reduction of risks from strategic equity holdings, but given heightened market volatility, we will continue with efforts to reduce peak risks.

Group Adjusted Profit by Business Portfolio



■ 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

Financial and Capital Strategies

CFO Message



Director, Senior Executive Officer, CFO

Masahiro Higuchi

Sustainable Profit Growth

Enhance the Competitiveness of Existing Businesses

- Invest in systems and promote digitalization (DX: digital transformation), etc.
- Implement ROI-based investment

Specific Initiatives

- Upgrade business processes using digital tools (chatbots, RPA)
- Enhance claims service efficiency using telematics technology
- Enhance the competitiveness of agencies (MS1 Brain)



AI support for agents
"MS1 Brain"

Business Portfolio Diversification and Expansion

- Invest in new businesses to diversify our geographic and business portfolios, etc.

<Points of Consideration for Investment>

- Shared values
- Risk dispersion (geographic, line of business)
- Sustainable growth model
- ROI target: level above the cost of capital (7%)

Specific Initiatives

- Raise our stake in PT. Asuransi Jiwa Sinarmas MSIG Tbk (Indonesia)
- Finance Myanmar private-sector non-life major IKBZ Insurance



M&A

Group Adjusted Profit

Life Insurance Business

International Business

Future Growth Pillars

Expand Casualty Insurance

Domestic Non-Life Insurance Business

Maintain Stability and Strengthen

Maintain Automobile Insurance Earnings

Improve Profitability of Fire Insurance

Pursue CSV Initiatives

Fiscal 2019 Achievements

Fiscal 2019 was the final year of Stage 1 of the medium-term management plan "Vision 2021". However, Group Adjusted Profit fell below the plan's target by ¥39.9 billion to ¥233.1 billion, as did Group Adjusted ROE by 0.3 percentage point to 8.0%. This reflects expected insurance payments of ¥502 billion on a direct underwriting basis following large-scale natural disasters, just like in fiscal 2018, such as Typhoons 15 (Faxai) and 19 (Hagibis), as well as booking an impairment loss of ¥85.3 billion as the COVID-19 outbreak triggered stock market drops in Japan and abroad through to the end of the fiscal year.

Fiscal 2020 Achievements and Fiscal 2021 Targets

It is unclear how far the impact of COVID-19 will extend. Nevertheless, we see a need to present fiscal 2020 earnings forecasts in some form and assume economic contraction throughout the year based on market conditions as of March-end 2020. Accordingly, we forecast fiscal 2020 Group Adjusted Profit of ¥180 billion due to an expected decline in investment gains of around ¥60 billion in Japan and abroad, and a rise in net incurred losses mainly for overseas insurance subsidiaries of around ¥20 billion. In fiscal 2021, the final year of Vision 2021, we aim to reach Group Adjusted Profit of ¥300 billion and Group Adjusted ROE of 10% mainly based on a recovery from COVID-19 negatives and a rebound in International Business earnings.

MS&AD Growth Model

The Group's capital policy is rooted in increasing shareholder value by pursuing investment to realize sustainable growth and maintaining stable shareholder returns, while ensuring financial soundness. The Group's greatest strength is its highly competitive and stable Domestic Non-Life Insurance Business, and during Stage 1 of Vision 2021 we managed to further enhance this strength. Based on this solid earnings foundation, the Group's core growth strategy is to diversify its portfolio via expansion in the Life Insurance and International businesses.

In addition, our capital strategy involves allocating around half of annual profits 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, all of which should enable us to accelerate profit growth. Furthermore, we spread CSV initiatives Group-wide to realize sustainable growth underpinned by the development of society, which is undergoing various changes.

See the "Glossary of Insurance Terminology" (P. 99) for definitions of Group Adjusted Profit and Group Adjusted ROE.

Create New Business

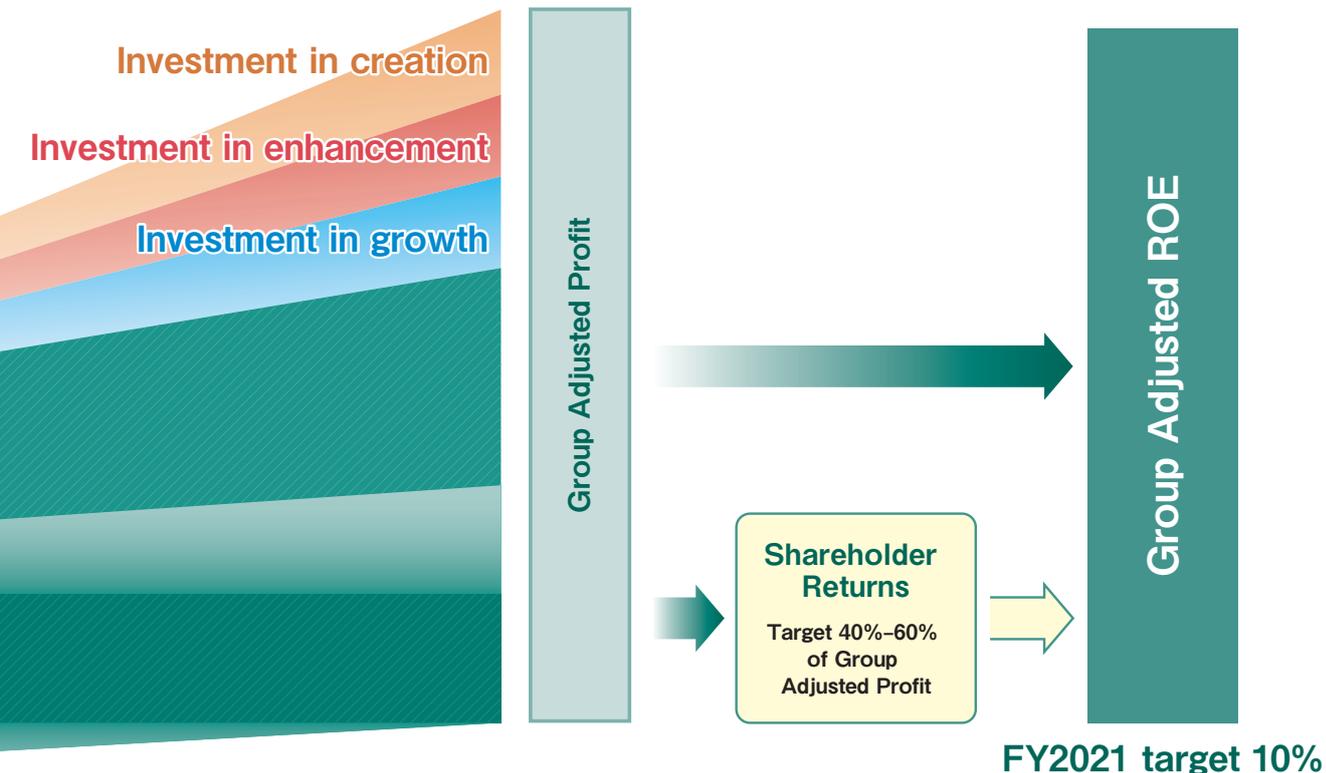
- Implement investment via CVC to seek out game-changing technologies and business models over the next 3-5 years
- Implement initial investment premised on cash flow equilibrium
- Undertake ROI-based investment in the same manner as enhancement-oriented spending during the actual technology mounting phase

Specific Initiatives

- Venture investment based on Silicon Valley CVC (33 companies as of March 31, 2020)
- Collaboration with companies pursuing innovation in Israel
- Alliances with digital platformers (Finatext)



CVC



Capital Efficiency

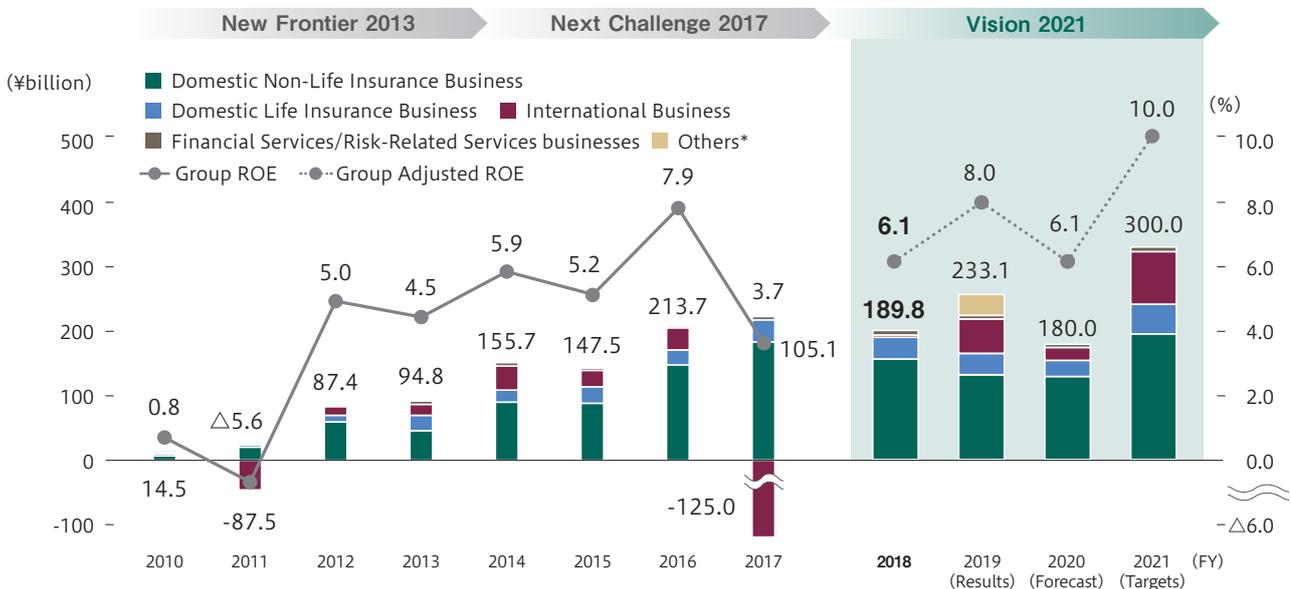
Target ROE of 10% as a “world-leading insurance and financial services group”

Of the fiscal 2021 numerical management targets for Vision 2021 (Stage 2), we lowered initial Group Adjusted Profit by ¥50 billion to ¥300 billion but maintained Group Adjusted ROE at 10%. Taking capital costs into account, we will pursue growth, portfolio diversification and optimal resource allocation aimed at an ROE level on par with major European and U.S. insurers. We will work to lower peak risks by selling strategic equity holdings and diversify risks by implementing growth investment strategies and taking insurance risks and asset

management risks not related to strategic equity holdings. In addition, we will take catastrophe risks Group-wide on a reduced basis while enhancing risk return management based on the characteristics of each product type. We estimate 7% for the cost of capital based on the capital asset pricing model (CAPM).*

*See the “Glossary of Insurance Terminology” (P. 98) for details.

► Group Adjusted Profit and Group Adjusted ROE

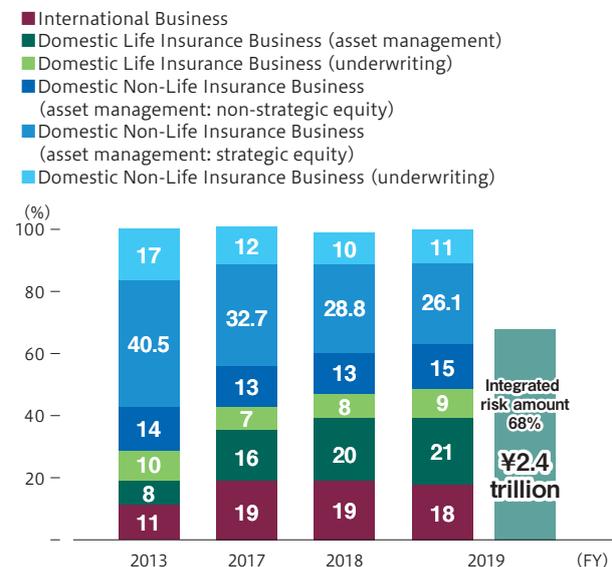


*Including the decrease in income taxes paid in FY2019 among the effects of reorganization of MSI's international business

► Risk-Taking Trends

Business domains	Sub-domains		Risk weight (March-end 2020)	Risk-taking trends
Domestic non-life insurance business	Underwriting		11%	↑
	Asset management	Strategic equity holdings	26.1%	↓
		Non-strategic equity	15%	↑
Domestic life insurance business	Underwriting		9%	↑
	Asset management		21%	↑
International Business			18%	↑

► Risk Portfolio Status



Financial Soundness

Ensure financial soundness equivalent to an AA rating by enhancing capital and controlling risk.

Targeting financial soundness equivalent to an AA rating, we have set an ESR of 180%–220% as an appropriate level to secure. ESR¹ as of March 31, 2020, was 186%, and this is being maintained as an appropriate level under the current capital policy.

A majority of the Group's liabilities are policy liabilities. In principle, the policy is to hold corresponding assets that match the characteristics (e.g., currency, duration) of the liabilities. In addition, the Group works to improve earnings stability and financial soundness by determining investments and financing methods based on ROR² and VA.³

1. ESR: Economic Solvency Ratio

2. ROR: Return on Risk

3. VA: Value Added

(See the "Group Management Based on ERM" section (P. 76) for details.)

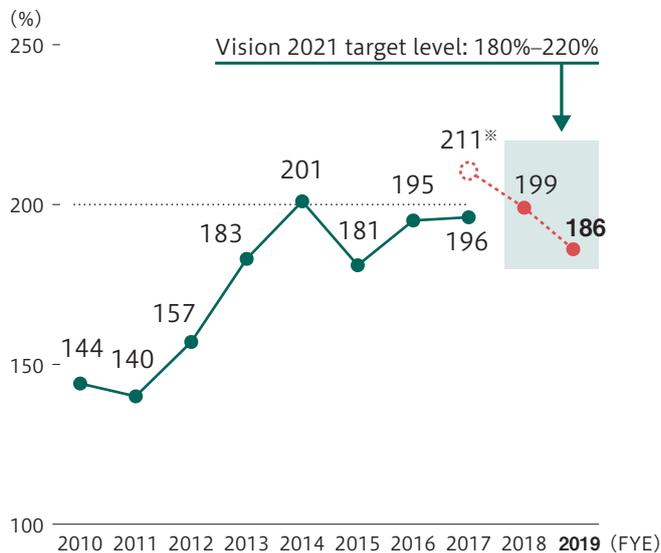
Domestic Non-Life Insurance Company Ratings

(Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance)

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

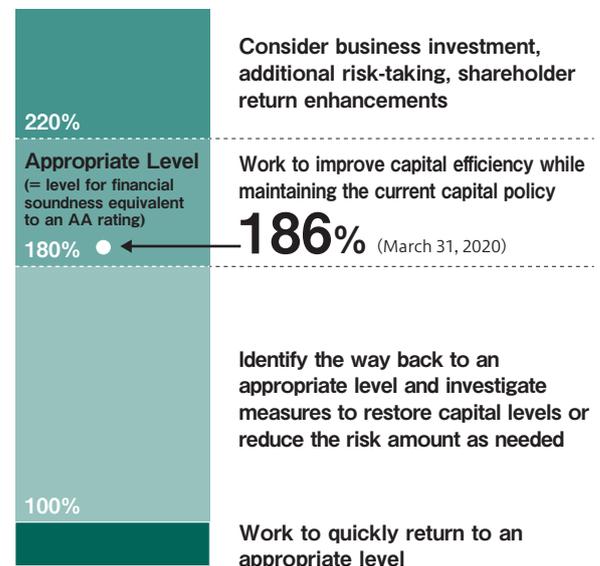
(See the "Credit Ratings" section (P. 118) for details.)

ESR* (credit level 99.5%)



*We achieved a more sophisticated method for calculating ESR from fiscal 2018.

Appropriate ESR Level

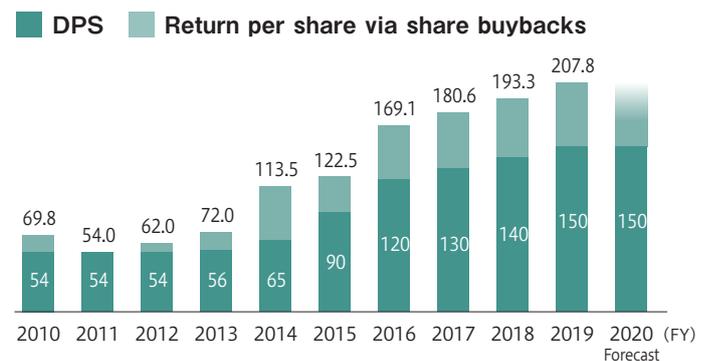


Shareholder Return Policy

Return 40%–60% of Group Adjusted Profit to shareholders through dividends and share buybacks.

As for shareholder returns in fiscal 2019, we raised dividends by ¥10 from the previous year to ¥150 and implemented share buybacks totaling ¥35 billion. For fiscal 2020, we are keeping our annual dividend estimate unchanged from last year at ¥150 based on current uncertain conditions and out of consideration for our various stakeholders. Under Vision 2021 Stage 2, we still plan to provide shareholder returns targeting Group Adjusted Profit of 40%–60%, while intending to raise shareholder value over the medium to long term by appropriately distributing profit to shareholders and internal reserves, aggressively returning profits to shareholders and accumulating internal reserves for investments in future growth. We will continue aiming to increase corporate value through sustainable growth as well as stable shareholder returns.

Total Return per Share



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

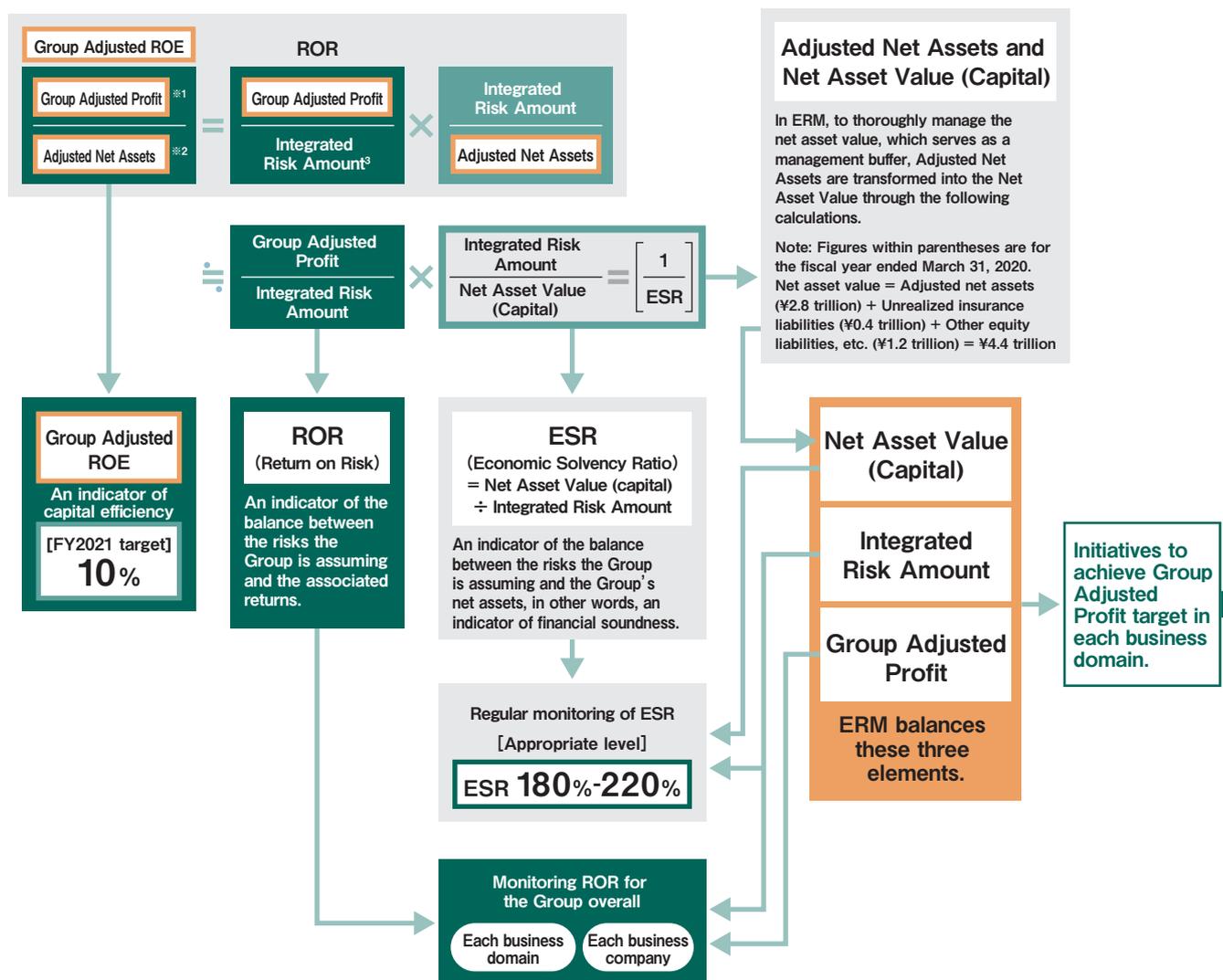
Components of Group Adjusted ROE

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).

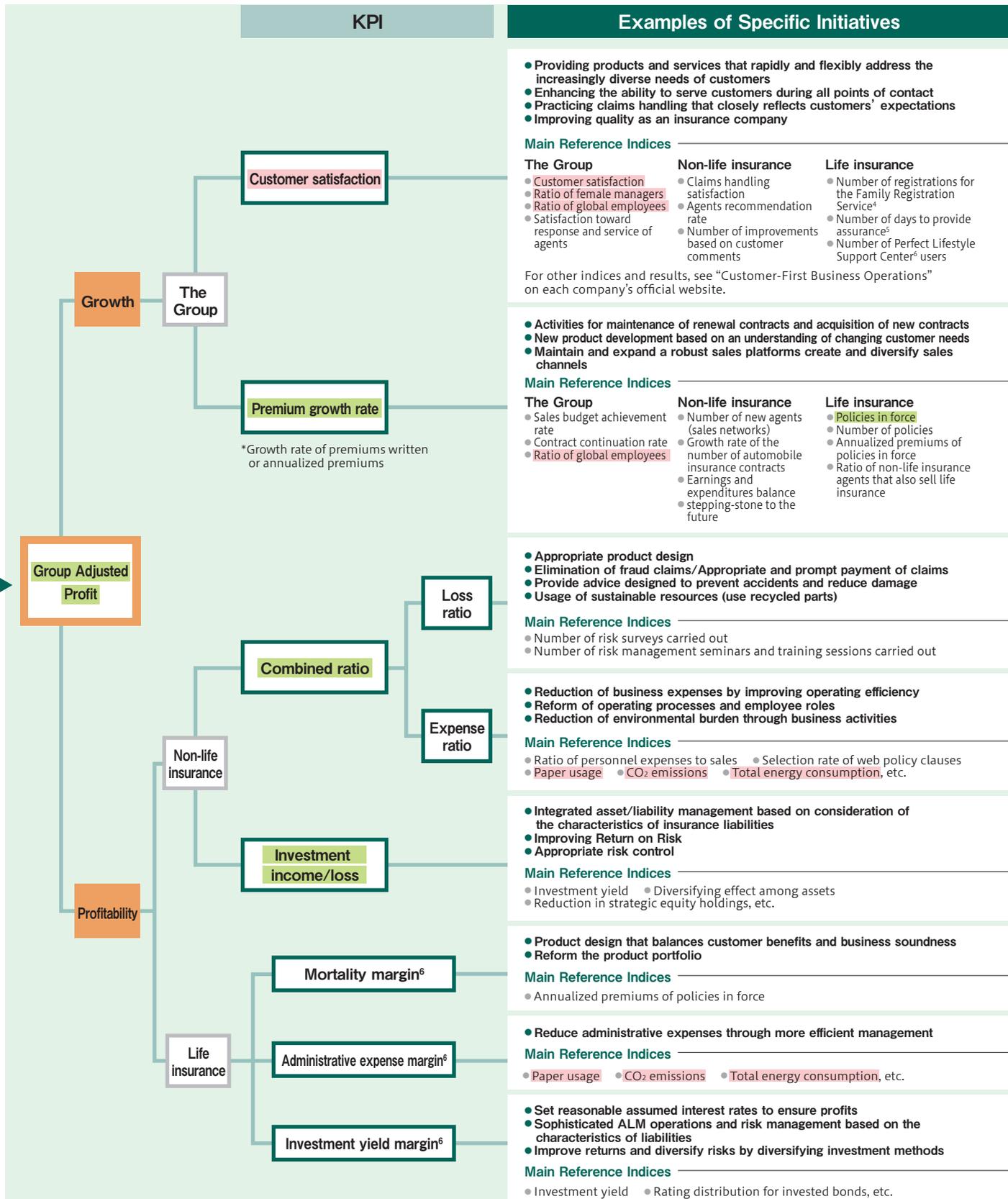
Ensuring Balance by ERM Management

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. 76) 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
2. Adjusted net assets = Consolidated net assets + Catastrophe loss reserves and others – Goodwill and other intangible fixed assets
3. The integrated risk amount represents insurance underwriting risk, asset management risk, 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) the average number of days to conclude a new policy, (2) the average number of days required to pay an insurance claim and (3) the average number of days required to pay a cancellation refund.
6. 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, based on assumed mortality rates, and actual insurance benefits payments. Administrative expense margin is the gain or loss on the difference between projected business expenditures, based on assumed expense ratios, and actual business expenditures. Investment yield margin is the gain or loss on the difference between projected investment income, based on assumed interest rates, and actual investment income.

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

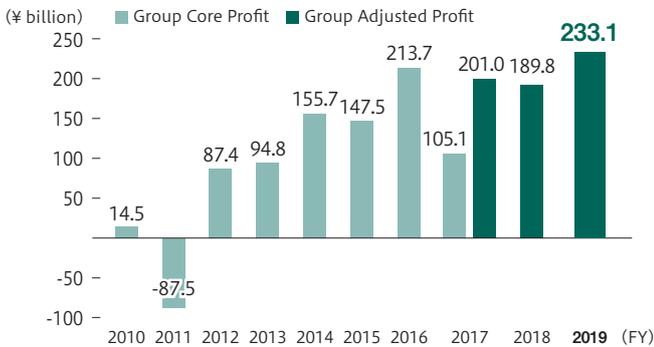


■ Financial Highlights on P. 50. ■ Non-Financial Highlights on P. 51.

Financial and Non-Financial Highlights

Financial Highlights

▶ Group Core Profit/Group Adjusted Profit¹



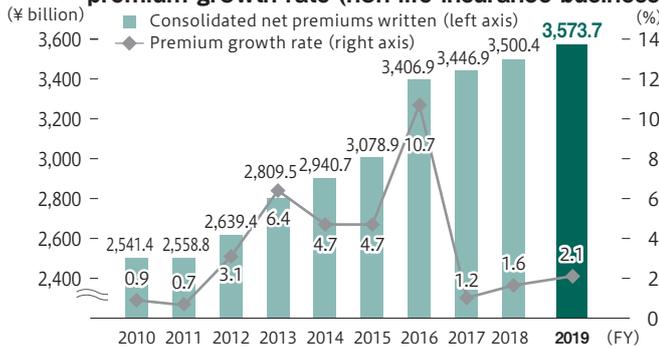
This is the profit that serves as a resource for shareholder returns and is thus included as one of the numerical management targets in the medium-term management plan. In anticipation of transitioning to International Financial Reporting Standards from FY2022, the definition was revised to "Group Adjusted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

▶ Group ROE/Group Adjusted ROE¹



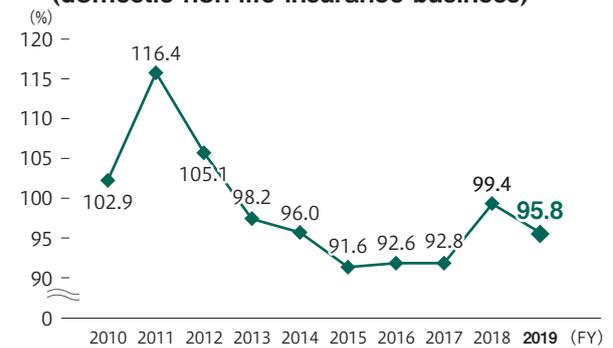
This is one of the numerical management targets in the medium-term management plan and indicates the ratio of Group Core Profit/Group Adjusted Profit, as shown to the left, in respect to consolidated net assets/adjusted net assets.

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



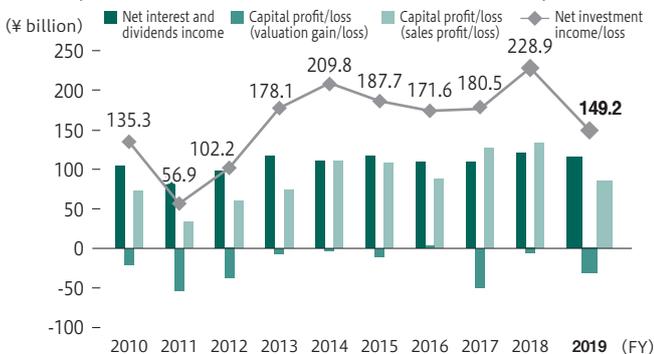
Consolidated net premiums written is one of the numerical management targets in the medium-term management plan. The premium growth rate indicates growth potential in premium income for the domestic non-life insurance business and international non-life insurance business.

▶ Combined ratio³ (domestic non-life insurance business)



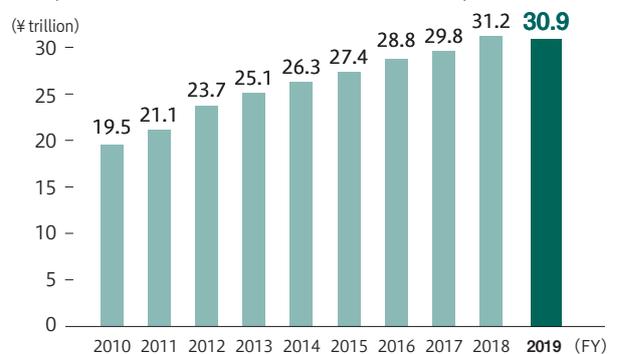
The combined ratio is a key indicator of profitability for underwriting in the non-life insurance business. Profitability is negative when this indicator exceeds 100% and positive when this indicator falls below 100%.

▶ Net investment income³ (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.

▶ Policies in force⁴ (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. 101) for details.)

1. This calculation method was revised in FY2018. (See the "Glossary of Insurance Terminology" (P. 99) for details.)

2. Excludes the Good Results Return premiums of "ModoRich" voluntary auto insurance products

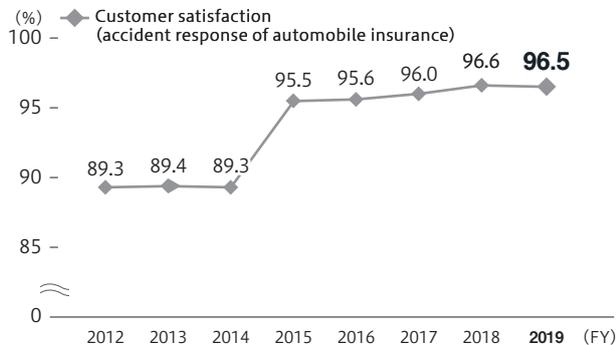
3. Simple sum of non-consolidated figures for MSI and ADI. (FY2010 is the simple sum of non-consolidated figures for MSI, Aioi Insurance Co., Ltd. and Nissay Dowa General Insurance Co., Ltd.)

4. 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

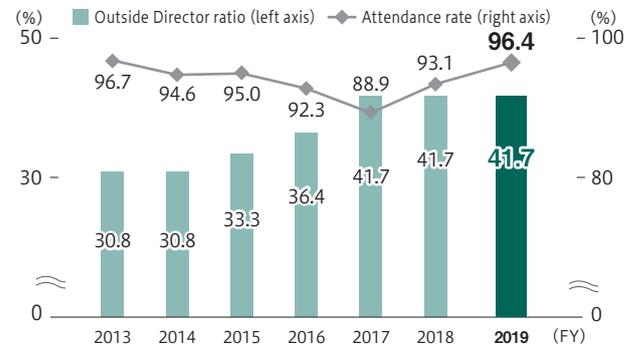
A checkmark (✓) indicates that FY2019 figures have been assured by KPMG AZSA Sustainability Co., Ltd.

▶ Customer satisfaction⁵



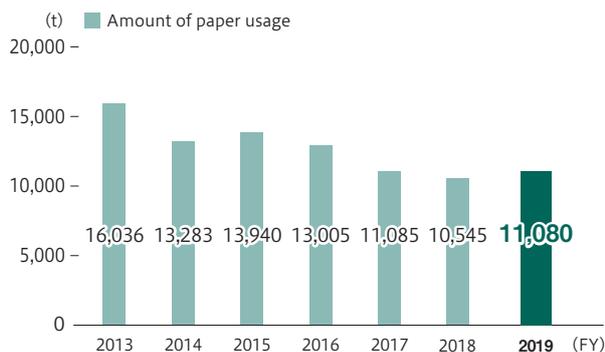
Our growth potential depends on improving customer satisfaction. Along with these indicators, customer opinions are helpful in improving quality.

▶ Outside Director ratio and the Board of Directors attendance rate



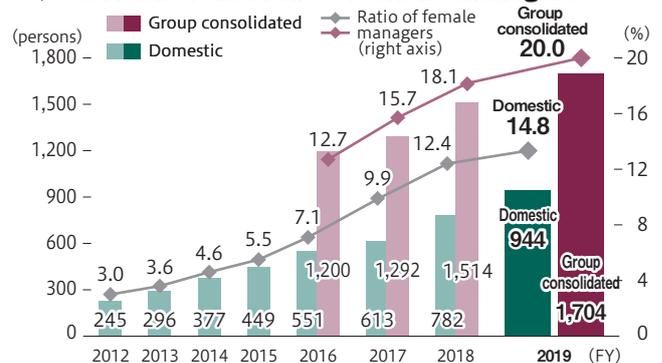
More than one-third of the full Board of Directors consists of independent Outside Directors to ensure highly transparent management. Monitoring and oversight functions are thus enhanced by incorporating perspectives that are independent from management.

▶ Amount of paper usage



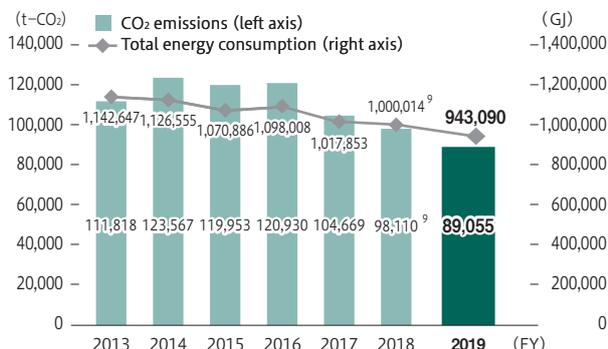
Paperless meetings, PDF-format pamphlets and portable device and tablet use are being actively incorporated to help reduce paper use through various measures including increased application of RPA*6. In FY2019, while the volume of OA paper decreased, printed materials temporarily increased owing to the change in era name in Japan and product revisions.

▶ ✓ Number and ratio of female managers⁷



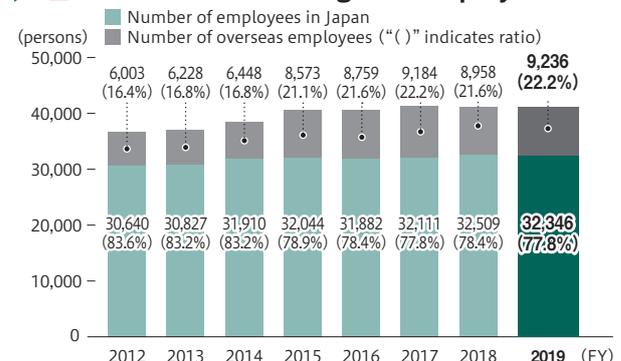
We believe diversity in the manager position and above leads to greater customer satisfaction and growth potential by enabling strategies, product development and organizational management from diverse viewpoints and sense of value. We began tallying such data on a Group consolidated basis, including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

▶ ✓ 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.

▶ ✓ 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.

5. 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 (MSI and ADI).

6. Acronym for Robotic Process Automation: Increased efficiency and automation of office operations using AI and other cognitive technologies.

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.

9. FY2018 data reviewed in an effort to increase the accuracy of activity amount data subject to calculation.

10-Year Performance

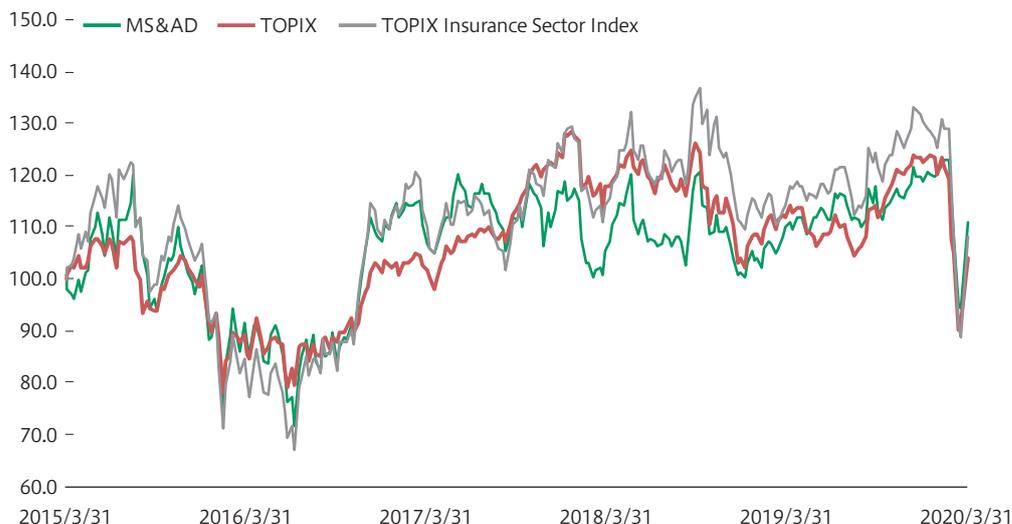
Key Management Indicators

	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] (yen)	[2,012]	–	[2,565]	[2,523]	[3,373]	[3,044]	[3,738]	[3,440]
Shareholder return ratio ¹⁶	300.2%	–	44.1%	47.2%	44.9%	50.4%	47.7%	101.8%
Non-financial data								
Customer satisfaction (accident response for automobile insurance) ¹⁷	–	–	89.3%	89.4%	89.1%	95.5%	95.6%	96.0%
Number of employees	36,538	36,929	36,643	37,055	38,358	40,617	40,641	41,295
(of which consolidated overseas subsidiaries)	<input checked="" type="checkbox"/> 5,621	5,772	6,003	6,228	6,448	8,573	8,759	9,184
Number of female managers ¹⁸ (domestic)	<input checked="" type="checkbox"/> –	–	245	296	377	449	551	613
Number of employees participating in social contribution activities (domestic)	–	–	16,142	11,373	15,124	16,507	19,861	20,022
CO ₂ emissions (Scope 1 + 2) ¹⁹	<input checked="" type="checkbox"/> 106,985t-CO ₂	98,961t-CO ₂	114,246t-CO ₂	111,818t-CO ₂	123,567t-CO ₂	119,953t-CO ₂	120,930t-CO ₂	104,669t-CO ₂
Paper consumption (domestic)	21,680t	16,445t	14,445t	16,036t	13,283t	13,940t	13,005t	11,085t

A checkmark indicates that FY2019 figures have been assured by KPMG AZSA Sustainability Co., Ltd.

TSR for the Last Five Years

	FY2018	FY2019
	5,500,438	5,168,361
	3,497,572	3,573,732
	[3,500,403]	[3,573,732]
	2,528,145	2,403,833
	290,847	157,701
	192,705	143,030
	(79,701)	(157,288)
	2,778,047	2,494,038
	23,132,539	23,196,455
	807.3%	781.3%
	11.89%	10.57%
	6.77%	5.50%
	99.4%	95.8%
	189,800	233,100
	6.1%	8.0%
	328.72	248.36
	328.60	248.22
	323.87	404.77
	140.00	150.00
	4,712.11	4,308.37
	3,370	3,025
	10.25	12.18
	0.72	0.70
	4.2%	5.0%
	4.6%	(5.8%)
	16.2%	19.4%
	81,720	85,770
	42.6%	60.4%
	31,972	34,999
	[3,482]	[3,407]
	60.0%	52.0%
	96.6%	96.5%
	41,467	41,582
	8,958	9,236
	782	944
	23,601	27,673
	98,110t-CO ₂ *20	89,055t-CO ₂
	10,545t	11,080t



	Past 1 Year	Past 2 Years	Past 3 Years	Past 4 Years	Past 5 Years
MS&AD	(5.8%)	(1.2%)	[-0.6%]	(2.7%)	[-0.9%]
TOPIX	(9.5%)	(14.1%)	[-7.3%]	(0.4%)	[-0.1%]
TOPIX Insurance Sector Index	(9.2%)	(9.3%)	[-4.8%]	(5.9%)	[-2.0%]

Notes:

- The graph above shows the profit margin where an investment is made at the end of March 2015, taking into consideration dividends and share prices as of the end of March 2020. 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 2015 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.
- The table above shows the investment return (including dividends) as of the end of March 2020 for investments from one year earlier (end of March 2019) to five years earlier (end of March 2015).
- 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

- 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.
- The net income or net loss attributable to the parent company shareholder is disclosed.
- Consolidated solvency margin ratios have been calculated for years beginning from FY2011 reflecting the revision of the Insurance Business Act, etc.
- 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 onward, combined ratio figures are based on the simple sums of the non-consolidated figures for MSI and ADI.
- 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 onward)
- 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)
- 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)
- Net income/(loss) per share (EPS) disclosed.
- 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.
- Group Core Profit/(Loss) per share (prior to FY2017) or Group Adjusted Profit/(Loss) per share (FY2018)
- Stock price-related indicators are based on the market price of the stock at the end of the fiscal year.
- 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
- Stock price volatility is the annualized standard deviation of returns based on daily closing prices.
- The aggregate amount of repurchase for FY2019 was ¥35.0 billion (maximum); the period of repurchase applicable to the aggregate amount of repurchase of ¥20.0 billion (maximum) was from November 20, 2019, to March 24, 2020 (resolved at the Board of Directors' meeting held on November 19, 2019); the period of repurchase applicable to the aggregate amount of repurchase of ¥15.0 billion (maximum) was from May 21, 2020, to September 18, 2020 (resolved at the Board of Directors' meeting held on May 20, 2020).
- 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)
- 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.
- Number of female managers in positions of section manager or higher. (Figures are for April 1 of the subsequent fiscal year.)
- 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.
- FY2018 data reviewed in an effort to increase the accuracy of activity amount data subject to calculation.

Growth Strategies by Business Segment

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 risks arising from changes in the social environment and progress in technological innovation, and provide safety and peace of mind.

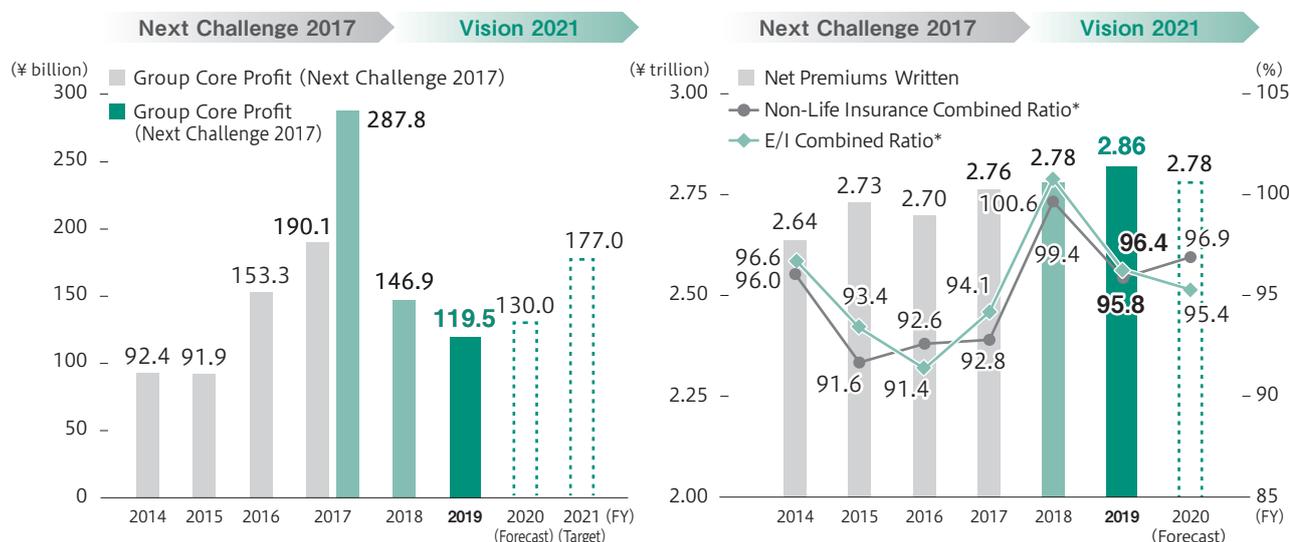
Business Environment and Competitive Conditions

In an environment characterized by a diversification in customer needs brought on by changes in the structure of society and people's lifestyles, the MS&AD Insurance Group provides products and services through three non-life insurance companies with business models based on different products and sales channels. We have been able to maintain our business scale and competitive advantages by leveraging the strengths of Mitsui Sumitomo Insurance, which is developing its global business based on an expansive network centered on Mitsui Group and Sumitomo Group, and Aioi Nissay Dowa Insurance, which is developing a local community based business centered on Toyota Group and Nippon Life Insurance Group, and Mitsui Direct General Insurance, which specializes in direct sales to individual customers.



Group Numerical Management Targets

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



*Please see the "Glossary of Insurance Terminology" (P. 98) for details. Figures from FY2018 reflect the Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance totals.

Initiatives Aimed at Creating Shared Value with Society

The Mitsui Direct General Insurance Smile Fund is a donation fund based on participant activity that was launched in 2014 in line with the 15th anniversary of the start of the business. Under this program, policy holders vote for NPOs working in "traffic accident prevention," "environmental conservation" or "assistance for disaster recovery" programs that are aimed at achieving the SDGs. Donations at a fixed amount are determined based on the number of votes received. The program aims to contribute to society through these donations while strengthening contact with policyholders. To date, about 200,000 policyholders have participated in the program, with contributions reaching about ¥21 million as of the end of February 2020.

Progress in the Implementation of Key Strategies of "Vision 2021"

Pursue the Group's Comprehensive Strengths

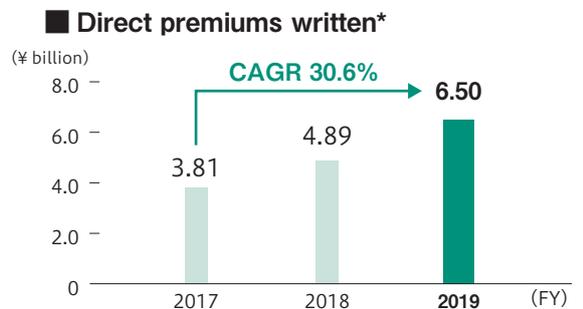
Expansion in Jointly Developed Products

Number of policies of "Observe and Protect Automobile Insurance (Dashcam Type) policies*" topped 400,000 at the end of May 2020.

*This automobile insurance program uses a specialized dashcam with a communication function that when it detects an accident automatically sends a report to the insurance company and enables a dedicated operator to advise policyholders on initial response options to the accident.



Favorable Sales of Jointly Developed Cyber Risk Products



Group coordination to provide comprehensive cyber risk services to companies

Promote Digitalization

■ We are utilizing digital technologies, including through large-scale system investment to update online systems, to build a foundation that steadily advances business process reforms and reduces future business-related expenses.

■ We released "MS1 Brain", an AI-based agent support system, and a telematics claims services system that uses digital data from connected cars and devices to assist in accident response efforts.

代理店の皆さまを支えるAIパートナー



MS1 Brain

Reform the Portfolio

■ We are working to bolster profitability by diversifying the product portfolio that forms the source of earnings by enacting measures aimed at expanding casualty insurance and bringing fire insurance to profitability

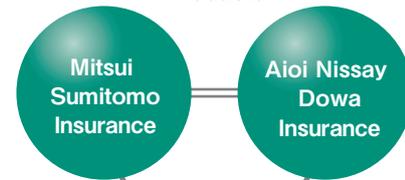
[Examples of our efforts]

- Disaster prevention and mitigation proposals using RisTech* and the functionality of MS&AD InterRisk Research Institute & Consulting.
- Initiatives to improve profitability in fire insurance policies for condominium management associations.
- Increasing sales of packaged products in casualty products for small to medium-sized companies.

*RisTech is a new service developed by Mitsui Sumitomo Insurance in partnership with Accenture that offers big data and analysis algorithm-based disaster prevention and mitigation proposals.

Promote a Group Coordination System

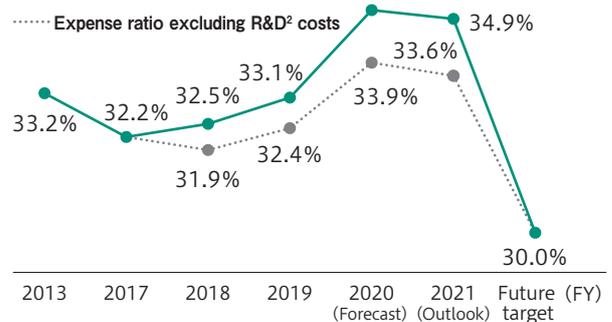
Expansion in Jointly Developed Products



InterRisk Research & Consulting

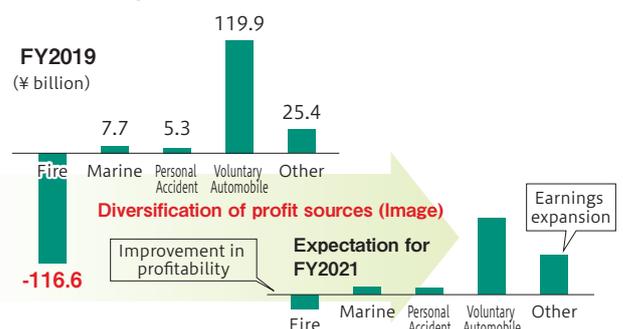
Providing risk diagnosis and risk consulting services for both internal and external risks

Expense ratio¹ trend



1. Simple sum for Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance on a non-consolidated basis
2. Investments in R&D to address changes in the environment, including infrastructure building, and to improve productivity and quality

Underwriting profit/(loss) before reflecting catastrophe reserves*



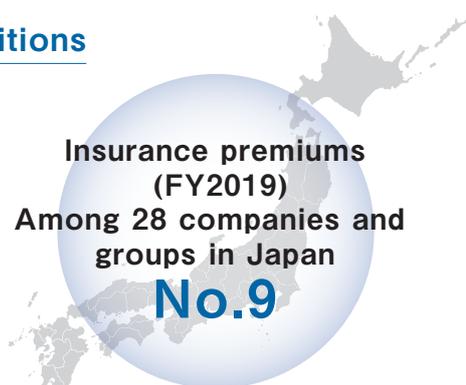
*Simple sum for Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance on a non-consolidated basis (the graph for FY2021 reflects current plan targets)

Domestic Life Insurance Business

The Domestic Life Insurance Business is a key growth business within the MS&AD Insurance Group. Comprising two companies with different business models, the business is showing world-class growth and profitability by offering not only medical/nursing care products, as well as death benefit and other protection-type life insurance products, but also asset-building products designed to support retirement lifestyles and asset inheritance products that can be used for inheritances and living gifts.

Business Environment and Competitive Conditions

In a business environment characterized by interest rates remaining at ultra-low levels, growing interest in society in customer-first operations, and the arrival of an age in which living 100 years is not uncommon, the two domestic life insurance companies through their distinctive and powerful business partners, including financial institution channels and the largest non-life insurance agency network in Japan owned by the two core non-life insurance companies, develop and provide to their customers products and services that align closely to diversifying consumer needs, including those focused on medical and nursing care, inheritance and living gifts, and longevity-related risks.



Source: MS&AD based on published figures for each company

Group Numerical Management Targets

Group Core Profit, Group Adjusted Profit



EEV (Mitsui Sumitomo Aioi Life Insurance)



Life Insurance Premiums (Gross Premiums)



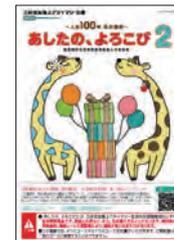
Initiatives for Creating Shared Value with Society

Mitsui Sumitomo Aioi Life Insurance is engaged in a variety of activities, including the distribution of free booklets explaining advanced medical technologies, the sponsorship of seminars on breast cancer and uterine cancer, participation in local monitoring activities and (orange ring) dementia support training courses for employees and agents as part of its effort to address social issues such as the increased burden on nursing and medical care. Moreover, in addition to the consultation service for medical and health-related issues, the company in April 2020 launched initiatives aimed at supporting the long and healthy lives of its customers, including through the creation of a consultation service focused on nursing care and dementia.

Mitsui Sumitomo Primary Life Insurance is focused on the coming age in which living to 100 years is not uncommon and is accordingly creating support mechanisms for a super-aged society. The longer one lives, the more pension one receives, so in addition to term-based insurance that focuses on longevity risk, the company is developing specialized nursing care annuity policies, and social contribution policies that allow the designation of public interest organizations as beneficiaries. The company is also providing products and services that respond to the diversification of social needs and changes in society, including original business games that promote investment education and offer college students and teachers a glimpse of life in an age in which living to 100 years is not uncommon.



An Orange Ring for Those Providing Support for Dementia Sufferers



Original Business Card Game: Life 100

Progress in “Vision 2021” Strategies

Mitsui Sumitomo Aioi Life Insurance



In addition to death benefit products, the company is working to achieve sustainable growth and enhanced corporate value by developing products to meet the needs of its customers, including medical and nursing care insurance products, and leveraging its ability to offer solutions through a variety of sales channels, with an emphasis in particular on the agent networks of the two core non-life insurance companies in the Group.

- ▶ **Pursue the Group's Comprehensive Strengths**
 - Strengthen cross-selling through the integration of life and non-life insurance management
- ▶ **Promote Digitalization**
 - Strengthen customer contact points and support agent activity through the promotion of digital marketing
- ▶ **Reform the Portfolio**
 - Develop products based on progress in medical technologies and developments in nursing care and dementia care
 - Expand sales in highly profitable insurance products that are resistant to interest-rate fluctuations

Mitsui Sumitomo Primary Life Insurance



個人年金は、
未来への贈り物。

With the goal of accommodating the varied needs of our customers, including in regard to asset inheritance, asset utilization and asset building, the company is not only promoting detailed sales activities to boost its sales capabilities on financial institution sales floors but also taking the lead in financial institution over-the-counter sales by providing a variety of training and education for those charged with attracting customers.

- ▶ **Pursue the Group's Comprehensive Strengths**
 - Promote joint efforts within the Group to improve quality and productivity
- ▶ **Promote Digitalization**
 - Strengthen competitiveness by promoting paperless solicitation activities
 - Bolster support for agents and their staff through the use of the newest technologies
- ▶ **Reform the Portfolio**
 - Promote long-term asset-building support, including through an expansion of flat-rate payment products
 - Expand the portfolio of products catering to customer needs

Topics

We have a management target for the life insurance cross-selling ratio (the ratio of agents selling both life and non-life insurance) as part of our effort to promote cross-selling. About 370,000 third-party long-term policies held by the two core non-life insurance companies were transferred to the company in April 2019, and targets including those transferred policies were established for fiscal 2020 and following years.

Life insurance cross-selling ratio*



*The number of policies in force acquired through cross-selling channels (professional, corporate, automobile sales dealers) divided by the number of Mitsui Sumitomo Insurance/Aioi Nissay Dowa Insurance automobile and fire insurance policyholders. (From fiscal 2020, the number of policyholders (the numerator) includes transferred long-term third-party policyholders.)

Topics

With the goal of fostering a better understanding of the risks of foreign currency denominated insurance, we are working to improve the readability of our brochures and supplementary information, while simultaneously strengthening training for agents at financial institutions handling sales. In May 2019, we developed an easy explanation guide to help prevent complaints about foreign currency denominated insurance sales. In April 2020, we equipped the Tokyo Success Training Center with the latest digital devices as part of our effort to further improve agent training.

