

MS & AD

INTEGRATED REPORT

Integrated Report 2022



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Explanation of Front Cover



This front cover imagines that the preservation and restoration of natural capital and biodiversity (Planetary Health), achieved by contributing to solving social issues such as climate change, will lead to the well-being of diverse people.

Editorial Policy

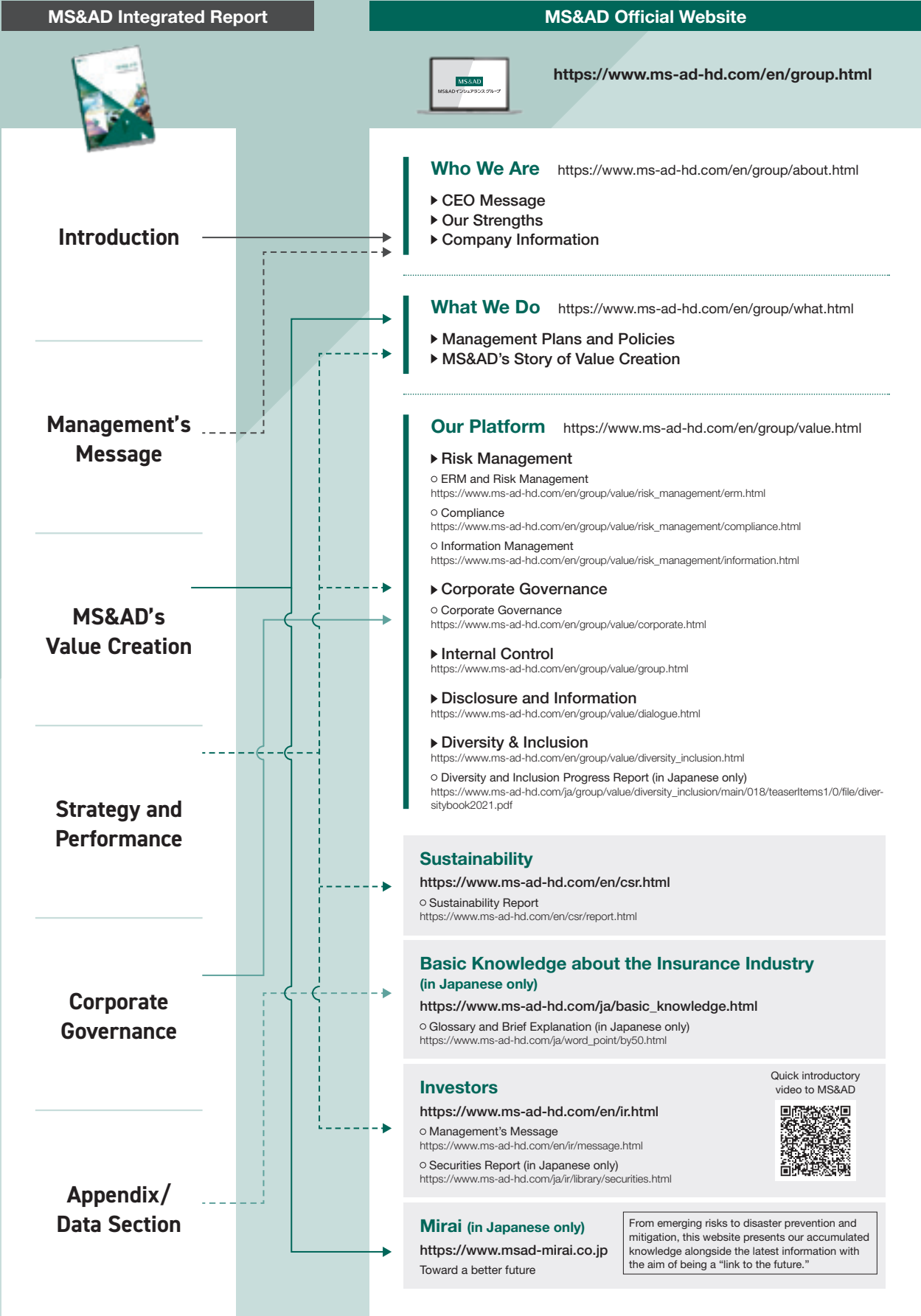
The MS&AD Group publishes an Integrated Report to provide customers, shareholders, investors, and all other stakeholders with a deeper understanding of our initiatives aimed at solving social issues and at increasing corporate value throughout the business. To edit this report, we refer to the "International Integrated Reporting Framework" recommended by the IFRS Foundation and the "Guidance for Collaborative Value Creation" provided by the Ministry of Economy, Trade, and Industry, and explain our business-model-based story of value creation and our creation of shared value with society (CSV initiatives) in an easy-to-understand manner.

In addition to the message of the CEO, MS&AD Integrated Report 2022 explains our aspirations for 2030, the basic strategies of the Medium-Term Management Plan (2022–25) and the foundations that support them. Toward realizing our aspirations, the report also introduces information such as the priority issues identified in the new materiality analysis and CSV initiatives taken with various stakeholders to solve them. For more detailed information, please visit the official corporate 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.



About Us

World-leading insurance and financial services group

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.

MS&AD

8th
in the World

Fortune Global 500—2021 Income Ranking

	Company/Group Name	Income (US\$ million)
1	Berkshire Hathaway	\$245,510
2	People's Insurance Co. of China	\$84,290
3	State Farm Insurance	\$78,898
4	Munich Re Group	\$74,074
5	Zurich Insurance Group	\$59,001
6	Tokio Marine Group	\$51,516
7	Talanx	\$46,788
8	MS&AD Insurance Group	\$46,149
9	Allstate	\$44,791
10	Liberty Mutual Insurance Group	\$43,796

Source: Fortune Global 500 2021 Insurance Property & Casualty (Stock + Mutual)




Note: Ordinary income basis for Japanese insurance companies (sum of non-life insurance premium income, life insurance premium income, investment income, etc.)

Five Business Domains Comprising the Group

Domestic Non-Life Insurance Business

No. 1 share of the domestic market

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

-  Mitsui Sumitomo Insurance
-  Aioi Nissay Dowa Insurance
-  Mitsui Direct General Insurance

Domestic Life Insurance Business

No. 9 in premium income among domestic life insurance companies

Two companies with distinctive features in the domestic life insurance business leverage their strength to develop protection-type and asset-building products

-  Mitsui Sumitomo Aioi Life Insurance
-  Mitsui Sumitomo Primary Life Insurance

International Business

No. 1 in the ASEAN region

An overseas network spanning 48 countries and regions*; No. 1 in terms of (non-life) gross written premiums in the ASEAN region



*Excluding Israel, the location of a global innovation promotion base (as of April 1, 2022)

Financial Base

► Net premiums written (non-life insurance)
¥3,609.0 billion

► Ordinary profit
¥390.4 billion

► Net assets
¥3,302.7 billion

Domestic Customer Base

► No. 1 in Japan for number of customers
44.65 million individual customers

2.6 million corporate customers

► No. 1 in the size of its agent network in Japan
80,754 agents

Foundation Supporting Growth

► No. of employees worldwide
39,962
(including 8,943 global employees)

► Ratio of global employees
22.4%

► Ratio of female managers (domestic)
17.5%

External Evaluation

■ High ratings on the strength of a strong financial base*

Standard & Poor's **A+**

Moody's **A1**

Rating and Investment Information, Inc. (R&I) **AA**

■ Evaluation of ESG initiatives

MSCI ESG Rating **AA**

CDP **A List**

DJSI (World/AP) **Listed in World/AP**


*Standard & Poor's: (Insurer Financial Strength Rating) Mitsui Sumitomo Insurance, Aioi Nissay Dowa Insurance, Mitsui Sumitomo Primary Life Insurance


Moody's: (Insurance Financial Strength Ratings) Mitsui Sumitomo Insurance, Aioi Nissay Dowa Insurance

Rating and Investment Information, Inc. (R&I): (Issuer Rating) Mitsui Sumitomo Insurance, Aioi Nissay Dowa Insurance; (Insurance Claims Paying Ability) Mitsui Sumitomo Aioi Life Insurance, Mitsui Sumitomo Primary Life Insurance

Financial Services Business


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

 MITSUI SUMITOMO INSURANCE Venture Capital Co., Ltd.

 MS&AD Loan Services Co., Ltd.


 Sumitomo Mitsui DS Asset Management

 Leadenhall
Capital Partners

 MSI Guaranteed Weather
a member of MS&AD INSURANCE GROUP

Risk-Related Services Business

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


 InterRisk Research Institute & Consulting, Inc.


MITSUI SUMITOMO INSURANCE Care Network Co., Ltd.

 MS&AD GRAND ASSISTANCE

Fureai Do-Life Services Co., Ltd.


MS&AD Group companies that support the five business domains

 MS&AD Business Support Co., Ltd.

 MS&AD Systems Co., Ltd.

 MS&AD ABILITYWORKS Company, Limited

 MS&AD Staffing Service Co., Ltd.

 MS&AD Business Service Co., Ltd.

 MS&AD VENTURES

Our Mission

Contribute to the development of a vibrant society and help secure a sound future for the planet

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

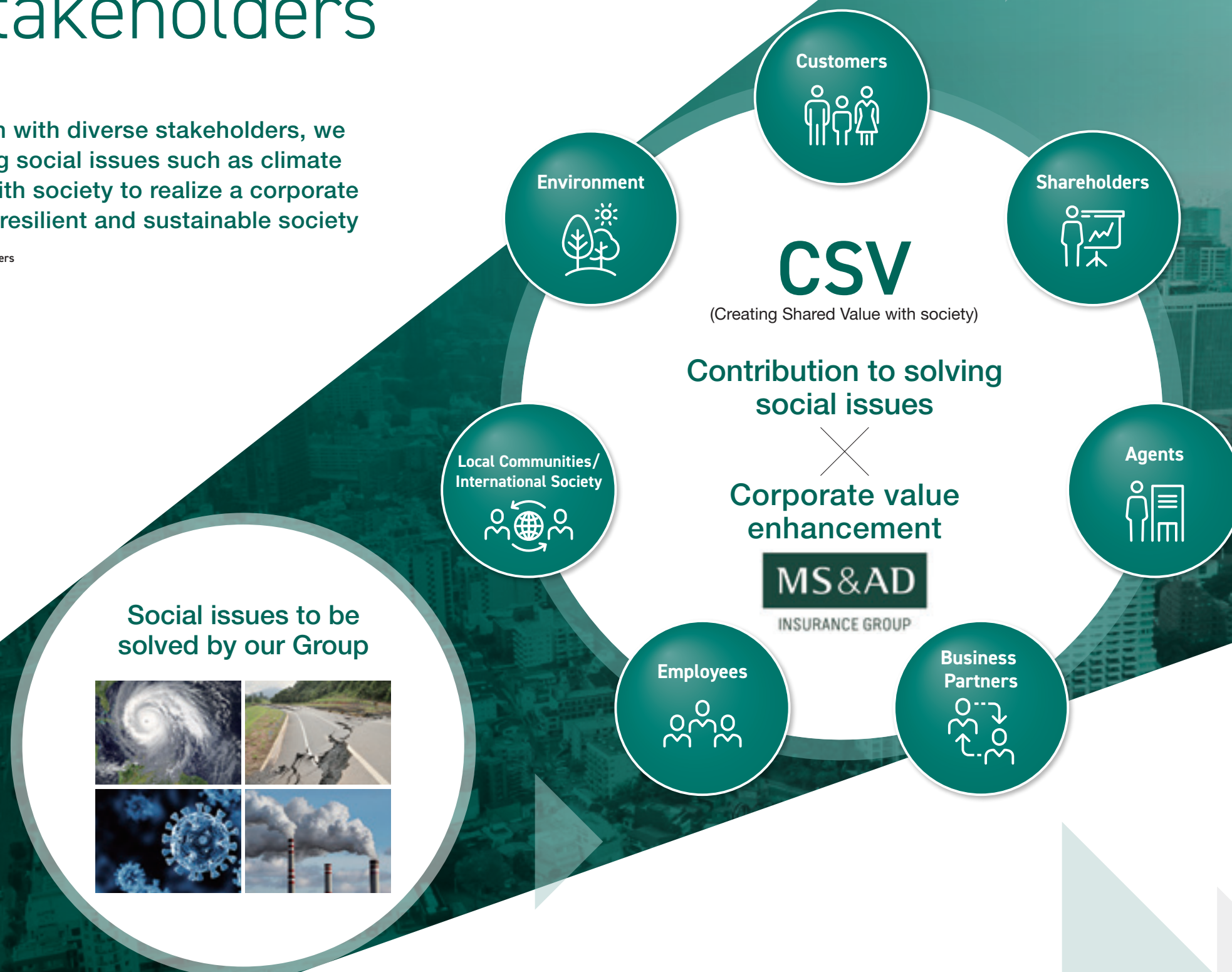
PROFESSIONALISM

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

Future Together with Stakeholders

Through co-creation with diverse stakeholders, we contribute to solving social issues such as climate change and grow with society to realize a corporate group supporting a resilient and sustainable society

PP.29-32 Value Co-creation with Stakeholders



Aspiration for 2030

A corporate group supporting a resilient and sustainable society

Resilient

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

Sustainable

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

Insurance responding to risks and changing with the times.

Now to a New Stage of Growth

Together with our stakeholders, our Group has been creating and developing our story of value creation and making steady progress toward becoming a “corporate group supporting a resilient and sustainable society.”

Based on management founded on CSV that has become widely accepted in the Medium-Term Management Plan “Vision 2021,” we aim for the next stage of growth in the newly launched Medium-Term Management Plan (2022–25).

Medium-Term Management Plan 2022-2025

2030

A corporate group supporting a resilient and sustainable society

Grow Together with Society as a Platform Provider of Risk Solutions

See page 37 and later for details ▶

Vision

2021

FY2018-
FY2021

Develop management based on CSV

Realize sustainable growth by creating shared value through corporate activities

Next Challenge

2017

FY2014-
FY2017

Development of the Value Creation Story

Evolve and develop group integration based on the value creation story that embodies our mission

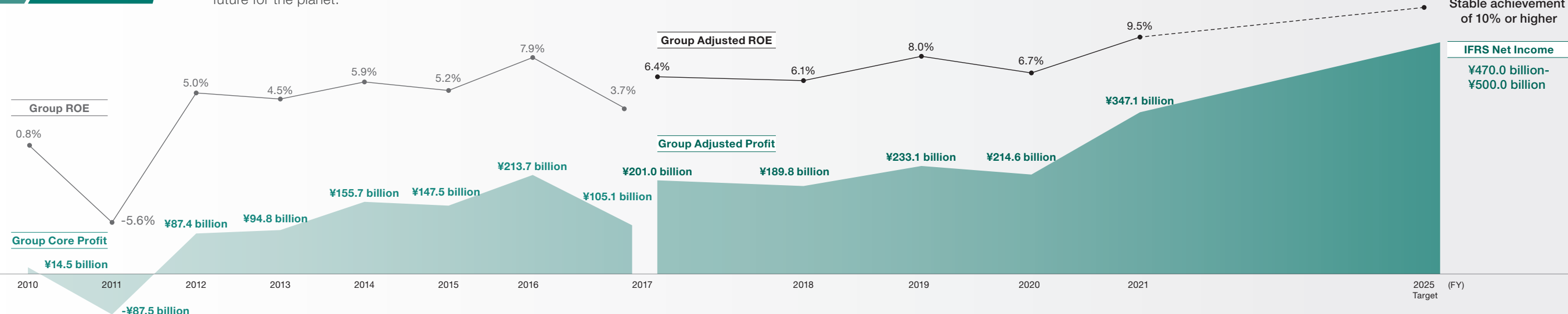
New Frontier

2013

FY2010-
FY2013

Founding of the Group

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



**As a platformer of risk solutions,
we will contribute to addressing
social issues such as climate change
and grow together with society.**

Noriyuki Hara

President & CEO



Introduction

Responses to the pandemic and heightened geopolitical risks and role of insurance companies

Despite the spread of COVID-19 continuing to be a concern, economic activity has gradually been resuming amid the new normal while paying due attention to infection prevention measures including vaccination. On the other hand, turning our eyes to the global situation, due to Russia's military invasion of Ukraine, many people's livelihoods have been destroyed and the global economy has been affected through rapid inflation and a delay in economic recovery. Big waves including the pandemic, geopolitical risks, and greater damage from natural disasters have been sweeping over us and, amid various risks that jeopardize global security and safety surfacing, "the power of insurance" has increasingly been needed.

June 2020, when I became CEO of the MS&AD Group, was just after the WHO declared the novel coronavirus a pandemic. While remote working has now become nothing special in many companies, at that time, Japan as a whole was groping for a way to do business without having staff come to the office. Fortunately, to promote diversity in work styles, our Group had already established a teleworking system and had been equipping each employee with a

thin-client laptop, and thus we were able to shift to remote working relatively smoothly without any effect on our customers in terms of meeting insurance claims, etc. We embarked on remote working with some trepidation as to whether it would be accepted by our customers, but there was a growing preference on their part not to have physical contact and we thus have been required to handle insurance policy applications and payouts without making visits. I again realized that, once such major events occur, things will dramatically advance to promptly realize work-style reform and digitalization. In addition, I felt that it would be difficult for our Group alone to pursue such responses and that it was important to take steps together with many stakeholders while valuing our relationship with society.

Since our Medium-Term Management Plan "Vision 2021" launched in 2018, the MS&AD Group has put the concept of creating shared value (CSV) at the core of its management base and been taking initiatives to contribute to addressing social issues together with our stakeholders, thereby achieving growth of the Group as a whole. I have recently felt that this management stance has become

increasingly important. What demonstrated great strength in response to COVID-19 has been the utilization of digital transfer (DX). From 2020, through multiplying CSV by DX and rolling it out globally, we launched our CSV × DX × Global strategy. Centering on this CSV × DX × Global strategy, the current Medium-Term Management Plan (2022–25), which started this fiscal year, will further robustly develop our CSV strategy and achieve outcomes that will lead to our long-term growth.

Recently, many risk scenarios and events assumed in our risk management, such as Russia's invasion of Ukraine and the lockdown in China due to its zero COVID policy,

have materialized. As risks have become diversified and more serious, we need to further our responses based on risk scenarios and make the Group's corporate structure more resilient to changes. In addition, as a professional in risk response, the role of an insurance company to inform customers of expected risk scenarios and provide support for risk preparation and loss mitigation has become more and more important. Through pursuing the Medium-Term Management Plan (2022–25), we would like to contribute to addressing diversifying social issues and realize robust growth of the MS&AD Group in a sustainable manner.

Review of the Medium-Term Management Plan "Vision 2021" Major outcomes and challenges for the future

In the Medium-Term Management Plan "Vision 2021," for which the last fiscal year was FY2021, the MS&AD Group achieved ¥347.1 billion in Group Adjusted Profit, exceeding the target of ¥300 billion. This was a record high. Since the birth of the Group, the previous two Medium-Term

Management Plans had fallen short of targets because of heavy snowfall in Japan and large-scale natural disasters overseas occurring in the final fiscal years, but we finally met the target in the third Medium-Term Management Plan. In FY2021, while international business experienced



unprecedented floods in Europe, increased profitability of the domestic life/non-life insurance businesses, as well as efforts to control natural disaster risks overseas, bore fruit.

Achievements of three key strategies

In “Vision 2021,” in pursuit of developing resilient systems able to swiftly respond to changes in the environment, we implemented three key strategies: pursuing the Group’s comprehensive strengths; promoting digitalization; and reforming the business portfolio. As a result, the growth rate of domestic insurance premiums at Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance were ranked first and second, respectively, among the four major insurance companies for four consecutive years, realizing the industry’s highest level of growth potential. Concurrently, we vigorously pursued an improvement in profitability through Group synergies and had made ¥54 billion in cost reductions by FY2021 compared with FY2019 and now aim for a further reduction of ¥46 billion by FY2025. In addition, we established a CVC^{*1} company to make start-up investments in Silicon Valley firms, and the Group, among insurance companies worldwide, has made the largest amount of start-up investments. On the human assets front, we created a digital human assets development program and nurtured digital-savvy human assets.

Future challenges

Our remaining challenges are diversifying the business portfolio and improving capital efficiency. Due to large-scale natural disasters and the spread of COVID-19, a recovery in profits from the international business, especially with respect to MS Amlin, was delayed and the proportion of business other than the domestic non-life insurance, such as the international business and the life insurance business, in Group Adjusted Profit did not reach the target of 50%. In addition, as stock markets were buoyant and valuation gains on securities included in net assets increased, the Group Revised ROE was 9.5%, which fell slightly short of our 10% target. As for these two challenges, we will continue to strengthen our initiatives in the Medium-Term Management Plan (2022–25).

PP35-36 Review of the Medium-Term Management Plan “Vision 2021”

^{*1} Acronym for “corporate venture capital.” A fund that invests mainly in start-up firms that can be expected to have synergies with our Group’s business. There have been many cases where utilizing the technology and business model of companies invested in has led to open innovation.

Medium-Term Management Plan (2022–25) As a platformer of risk solutions, we will grow together with society

This fiscal year saw the start of our Medium-Term Management Plan (2022–25) under the banner “as a platformer of risk solutions, we will grow together with society.” The theme reflects our thoughts that through contributing to addressing various social challenges by utilizing data, digital technology, knowledge, and know-how within and outside the Group, we will grow together with society.

On the quantitative front, we aim to realize IFRS net profit of ¥470 billion–¥500 billion and stable Group

Adjusted ROE of 10% or more. With this, we believe we can be a world-leading insurance and financial services group, which indeed the MS&AD Group is striving to become. While there are some uncertainties due to the Russia-Ukraine situation, we will try to meet the target through steadily pursuing profit recovery in the international business, strengthening our asset management structure, and seeing an improvement in profitability centering on our “One Platform Strategy.”

P38 Numerical Management Targets (Financial)

1 Our vision and three basic strategies

— Vision for growth as a world-leading insurance and financial services group

There are three basic strategies in the Medium-Term Management Plan (2022–25): Value (Value creation), Transformation (Business reforms), and Synergy (Demonstration of Group synergy).

In our Value (Value creation) strategy, we will roll out CSV × DX globally and offer new value. Specifically, we will pursue the MS&AD Value strategy in developing and monetizing products and services before and after insurance coverage. Mainly through MS&AD InterRisk Research & Consulting, the core company of the Group’s risk management, we will upgrade risk consulting utilizing data and digital technology and establish a new business area.

The second strategy, Transformation (Business reforms), is necessary to flexibly respond to changes in the business environment and realize sustainable growth. Following the previous Medium-Term Management Plan “Vision 2021,” we will continue to tackle business portfolio reform, product portfolio reform in the domestic non-life insurance business, and risk portfolio reform.

In terms of business portfolio reform, we aim to make the proportion of the domestic non-life insurance business and that of our international plus domestic life insurance businesses to overall Group Adjusted Profit about 50% each. In product portfolio reform, we will maintain and increase profitability of automobile insurance, improve profitability in fire insurance, and aim for a revenue increase in miscellaneous casualty insurance, thereby realizing

sustainable growth. Looking at risk portfolio reform, we will continue to reduce strategic equity holdings by ¥100 billion annually and strengthen the Group’s financial base.

The third basic strategy is Synergy (Demonstration of Group synergy). Here, it is important to enhance the Group’s comprehensive power by bolstering diversity, which is one of our strengths, and synergies. The key to this is our “One Platform Strategy.” To utilize economies of scale from having the largest market share in the domestic non-life insurance industry, we have been boldly promoting sharing, cooperation, and unification within the Group, mainly in the middle and back sections of Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance. Specifically, taking account of both companies’ strengths, we will clarify areas that will remain different and promote sharing, cooperation, and unification in other areas.

As for synergies between life insurance and non-life insurance, we will increase the ratio of the concurrent selling of life insurance products by non-life insurance agents from about 18% currently to 25%. In addition, we will enhance synergies between life insurance companies within the Group, such as enabling products of Mitsui Sumitomo Primary Life Insurance to be handled by Mitsui Sumitomo Aioi Life Insurance.

Next, global synergies. We will pursue synergies between Group companies at home and abroad on all fronts, ranging from products, underwriting, claims services, and

reinsurance, to asset management and risk consulting. For example, we have been selling dashcam-type automobile insurance in Taiwan and introduced data analyzing functions developed in Japan to the Philippines to help sell insurance products. We will utilize an asset management company established by Mitsui Sumitomo Insurance and Swiss LGT*2 as a joint venture in New York in January 2022 as the Group's common investment base. With this, we will pursue an improvement in the profitability of asset management and the sophistication of ESG investment and financing.

Furthermore, amid dramatic changes in the environment surrounding automobiles, such as CASE*3 and MaaS*4, we will have Mitsui Direct General Insurance play a pilot role in the Group's advanced initiatives. Through utilizing its flexible product development capabilities and

rate management, Mitsui Direct General Insurance will, ahead of others, engage in new products and services and sales style and share the know-how obtained with the entire Group.

Based on these basic strategies, we would like to further strengthen our initiatives toward meeting the Group challenges of expanding profits in the international business and improving capital efficiency, thereby steadily achieving the targets of the Medium-Term Management Plan (2022–25).

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Aspirations, Basic Strategies, and Foundations of the Medium-Term Management Plan (2022–25)

P40

Basic Strategy 1: Value (Value Creation)

P41

Basic Strategy 2: Transformation (Business Reforms)

P42

Basic Strategy 3: Synergy (Demonstration of Group Synergy)

2 Key sustainability initiatives — Contribute to addressing social issues such as climate change

Underpinning the three basic strategies in the Medium-Term Management Plan (2022–25) are sustainability, quality, human assets, and enterprise risk management (ERM). While each of these is an essential initiative, here I will explain mainly sustainability and human assets.

As for sustainability, with the aim of addressing highly important social issues both for the Group and stakeholders, we have set three major challenges: living in a global environment (planetary health), realizing a society that feels safe and enjoys peace of mind (resilience), and achieving the happiness of a diverse range of people (well-being).

Regarding living in a global environment (planetary health), as a response to climate change that the Group itself will implement, we have set a target of reducing the amount of greenhouse gases by 50% in FY2030 compared with FY2019 and net zero in FY2050. To meet these targets, we have been reducing the use of gasoline and electricity by promoting business-style reforms to reduce staff mobility and office space. In addition, we have been reducing the use of paper by promoting paperless operations via digitizing insurance policy applications and claims. Together with the response to climate change, we will pursue improvement of the sustainability of natural

capital (nature positive). The MS&AD Group has been working on the conservation of biodiversity. We have also been participating in the TNFD*5 and taking a leading role in this area. Carbon neutral and nature positive are mutually related and, using these as two wheels, we will pursue initiatives for living in a global environment.

Next is realizing a society that feels safe and enjoys peace of mind (resilience). Providing products and services to cover various risks stemming from changes in the social structure and developing new technologies to contribute to the stable development of society are part of our mission as an insurance company. Here, a typical example is cyber risk where we have been giving not only compensation for financial damage but also implementing damage prevention by utilizing antivirus software and providing assistance in the case of information leaks.

We have also been actively working on accident prevention and mitigation. For example, through tying up with a U.S. start-up firm, we have been utilizing AI to display flood risks worldwide on our website and using this to provide climate change consulting. This initiative enables risk visualization and predictions, thereby supporting the avoidance of accidents and disasters and minimizing damage.

In addition, toward realizing a society that feels safe and enjoys peace of mind, we will continue to grapple with regional revitalization. We have concluded comprehensive partnership agreements with many local governments and will continue to resolve their challenges through various solutions reflecting the Group's diversity and thus continue to be the Group most relied on by regional communities.

Finally is happiness of a diverse range of people (well-being). We will pursue initiatives from three viewpoints: addressing a healthy longevity society, respect for human rights, and enhancing employee engagement. Being in the insurance business, addressing healthy longevity is an extremely important initiative for the Group. We will

offer products that support better health, prevent pre-symptomatic/severe disease, and extend human wealth for living life more fully in a 100-year-life span era. Respect for human rights is also an important theme the Group should consider. We will promote due diligence in this area not only within the Group but also including supply chains. In addition, we will put effort into improving and enhancing accessibility to insurance and finance, which is the source of livelihood for many people.

P72

Foundations: Sustainability

PP73-78

Planetary Health

3 Strengthening human assets — Enhancing employee engagement and promoting D&I

Enhancing employee engagement

In realizing strategies, we believe that enhancement of employee engagement will be the base for all initiatives.

In realizing CSV, innovative ideas and initiatives, as well as a steady increase in daily business, are important.

For the Group's sustainable growth, the Company and its employees need to align on the same vector and advance together. To this end, it is crucial that employees empathize with the direction the Company is taking. We will enhance employee understanding of the Company's mission and CSV, leading to greater employee job satisfaction and raison d'être.

In our Group, thanks to permeation of the awareness of CSV, employees understand that the resolution of social issues is linked to the Company's growth. It would be optimal if, through the further pursuit of CSV, employees could wholeheartedly put their efforts into their work and obtain satisfaction, thereby leading to an improvement in their engagement.

As a measure to improve employee engagement, from this fiscal year, we have newly introduced a stock incentive system for all employees of the Group, who number about 40,000. As an opportunity for asset building, we will offer Group shares to employees. This system aligns the direction of achieving the targets of the Medium-Term Management Plan (2022–25) with the direction employees

are aiming at, thereby enhancing awareness toward improving corporate value.

In addition, we will exert the utmost efforts to present an attractive working environment. Through in-house recruitment, as well as allowing second jobs and part-timers, we will support the autonomous career development of employees. So that all employees can exert their capabilities to the fullest, we will make steady efforts to secure their psychological soundness and strive to eradicate workplace harassment.

Promoting D&I

In order to become a Group that supports a resilient and sustainable society, we want to have diversified human assets. We will promote diversity and inclusion (D&I), create diversified decision-making layers, and foster a corporate culture brimming with a wide variety of opinions and ideas. Specifically, we will raise the ratio of female managers and line managers from the current 17.5% and 10.5%, respectively, to 30% and 15% by the end of FY2030 to further increase diversity. We have been actively pursuing mid-career recruitment, and the proportion of mid-career workers at the management level has reached 22.1%. While declining recently due to COVID-19, we have been actively recruiting foreign students studying in Japan.

*2 Asset management company LGT Capital Partners (assets under management about US\$85 billion) in Switzerland, established in 1998, and a leader in ESG investment.

*3 An artificial word that took the capital letters of Connected, Autonomous, Shared & Services, and Electric. Daimler in Germany first used it in its medium- and long-term strategy.

*4 Acronym of Mobility as a Service, which refers to services providing optimal transportation to each user. Based on the idea of bundling transportation, such as private cars, trains, buses, taxis, and bicycles, and providing users with transportation as a total service.

*5 Acronym of Taskforce on Nature-related Financial Disclosures, an international organization established to build a risk management and disclosure framework for corporations regarding nature-related risks. Some of our staff participate on the taskforce.

In addition, we would like our employees to cherish interacting with people from industries other than our own. We think our employees need to be stimulated and widen their outlook by listening to the stories of those from other industries who might have different perspectives.

Required human asset image

To realize the strategies in the Medium-Term Management Plan (2022–25), we are looking for human assets who are data-savvy, characterized by high business-sensitivity, and can skillfully use information to solve problems. We will strengthen the mid-career recruitment of external talent and nurture internal human assets who thoroughly understand the Group’s business.

We will also strengthen specialists such as data scientists, actuaries, asset managers, accountants, and those who are digital-savvy, thereby increasing choices in the various solutions we offer.

Our Group has five workplace values that we cherish: customer-focus, integrity, teamwork, innovation, and professionalism. What is required differs according to the situation. For example, if there is a big disaster, customer-focus and teamwork will be required. What is especially required now is innovation—not conventional frameworks but rather free inspiration and initiatives to take a step forward. It is vital to be innovative while pursuing diversity.

Of note, we must take on challenges not only in conventional businesses but also in creating new businesses, and, even if unsuccessful, the very act of taking on challenges will be applauded. Not only should employees do things because they have been told to but they should also do things from their own initiative, which will lead to employee job satisfaction and *raison d’être*.

PP85-88 Foundations: Human Resource Strategy

Future MS&AD aims

Creating the future together with our stakeholders: What kind of society is the “resilient and sustainable society” we aim for in 2030?

A resilient society refers to one that minimizes damage from unexpected events, adapts to a new environment, and grows again, and a sustainable society refers to one in which the balance between the economy, the environment, and society is maintained with both the environment and social systems being sustained well into the future.

To achieve such a society, the development of technology will be essential.

While some say it is difficult to achieve the target of the Paris Agreement of containing the rise in temperature to 1.5 degrees or less, we believe technological developments such as hydrogen engines, ammonia-based fuels, and renewable energy will make it possible. Insurance has the effect of accelerating technological development through underwriting risks.

We would like to contribute to developing technology and addressing social issues together with our many stakeholders.

In aiming to create a resilient and sustainable society, our Group itself needs to be resilient and sustainable. Recently, various risk events, such as the COVID-19 pandemic and geopolitical risks, have become a reality. Various technologies such as AI, 5G, and 6G have rapidly been advancing. In five or 10 years, society will likely change dramatically and we might even see the debut of flying cars and travel to the moon. In response, our business must also change dramatically.

To this end, we will heighten our foreknowledge and develop new products and services against new risks.

In addition, to flexibly respond to changes in the environment, we will further improve our productivity and strengthen our corporate structure and risk management to create a better-quality business portfolio.

Looking ahead

The MS&AD Group has, since its birth, been voicing its mission “to contribute to the development of a vibrant society and help secure a sound future for the planet, by enabling safety and peace of mind through the global insurance and financial services business.” While recently the number of companies declaring themselves to be purpose driven has been increasing, our Group has already incorporated and implemented this concept. In the Medium-Term Management Plan (2022–25), we address social issues and, based on the value creation story of providing security and peace of mind to our customers, we aim to realize our mission.

To address social issues that have become complicated and diversified, awareness of CSV and high creativity based on diversity will become necessary. Capitalizing on the high awareness of CSV among Group employees, which is one of our strengths, and in pursuit of innovation utilizing the Group’s diversity, we will contribute to addressing many social issues and move forward together with our many stakeholders.

We will continue to strive to meet the expectations of investors and various stakeholders and look forward to your unwavering support.



MS&AD's Value Creation Story

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 business.” To realize this mission, we need to face those social issues that impede this idea and promptly identify various risks stemming from these 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 value creation story.

- Social Issues To Be Solved by Our Group

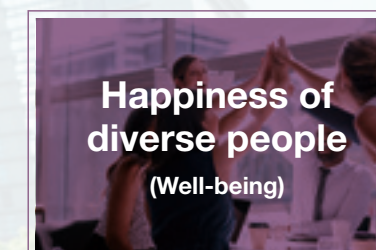
- Global warming
- Damage to natural capital
- Environmental pollution
- Linear economy

- Emergence of new risks
- Spread of infectious diseases
- Major earthquakes
- Decline of regional industry

- Aging population and declining birthrate
- Human rights violations
- Elimination of diversity
- Poverty and widening income disparity

- Identifying Materiality from Social Issues To Be Solved

➡ See page 25 for materiality analysis



Note: The above refer to sustainability-related materiality.

- Creating Shared Value with Society (CSV Initiatives)

We will confront diversifying social issues, create our value creation story, and engage in value co-creation together with our various stakeholders. And with the development of society, we will aim for sustainable growth of the Group and aim to enhance corporate value.



Support for carbon neutrality



Health management app and health management support



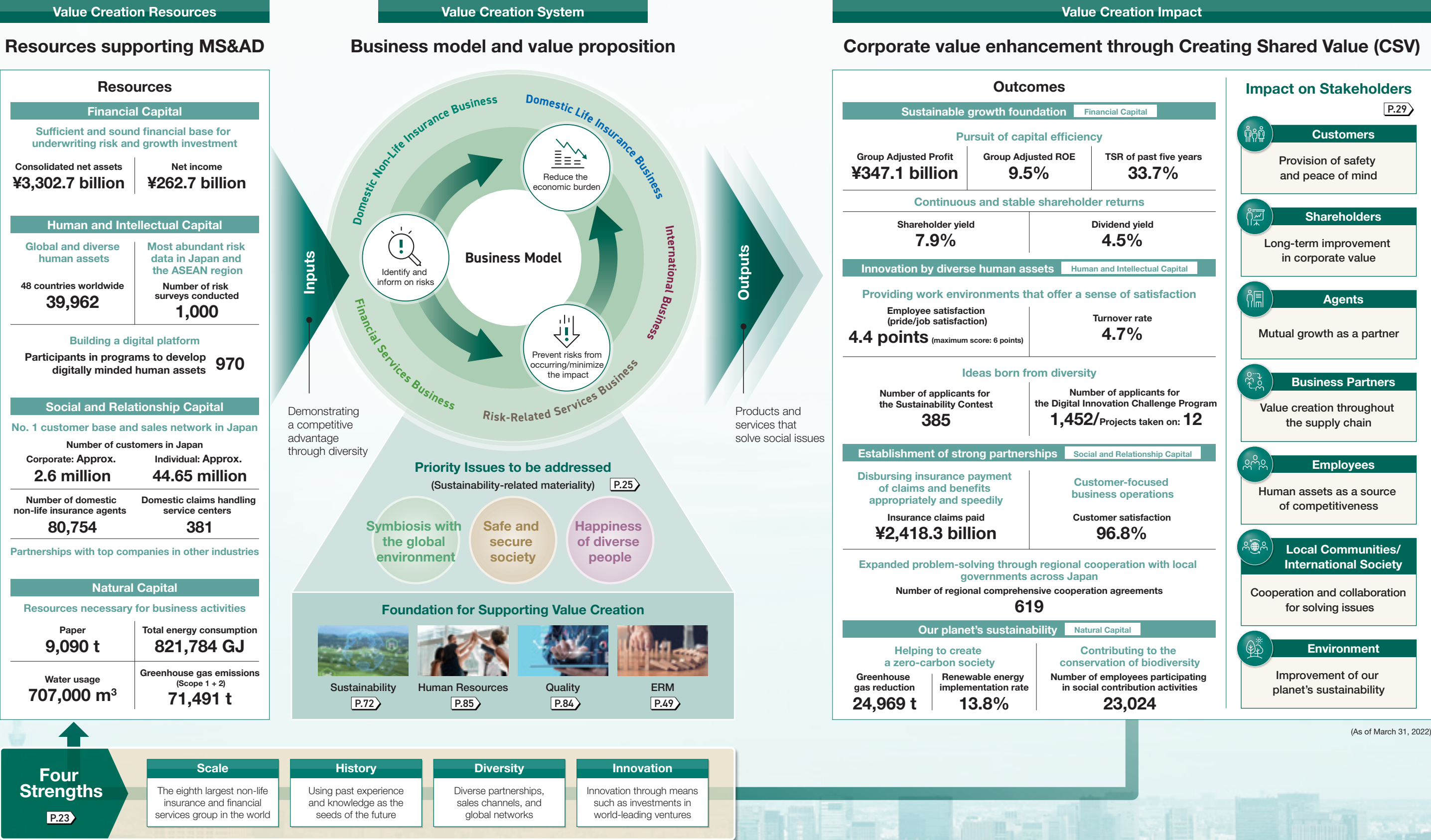
Multidimensional products to address cyber risks

Aspiration for 2030

A corporate group supporting a resilient and sustainable society

MS&AD's Value Creation Story

Here we explain the Group's system for value creation. We are utilizing the diverse resources of the Group's business activities together with our stakeholders as the impetus to create new value. Firmly building a system that can sustainably create value in this way leads to improvement in corporate value over the medium to long term.



MS&AD's Strengths

Scale

The eighth largest non-life insurance and financial services group in the world

We have the capacity of scale to respond to the rapidly changing society and provide a wide range of products and services for individuals and companies through our non-life and life insurance businesses. In our Group, the net premiums written from our core domestic non-life insurance business totals about 33%, which is the largest share in Japan. In the domestic life insurance business, our two distinct operating companies have grown to become the ninth largest in Japan in terms of insurance premiums and others. The international business, which is one of our growth areas, has steadily expanded. As the only non-life insurance group in the 10 ASEAN countries with underwriting operations, we lead the market with the largest share of gross premiums. We will continue to develop a wide range of businesses globally, centering on the business scale of the world's eighth-largest insurance and financial group.

See "About Us" on pages 3 and 4.

History

Using past experience and knowledge as the seeds of the future

Our Group consists of five insurance companies, each with its own features. Using a wealth of experience and knowledge accumulated over more than 100 years of history, and the trust and expectations of customers as our seeds, we are endeavoring to secure sustainable growth for the next 100 years.

See "History of the MS&AD Insurance Group in Japan" on pages 121 and 122.

DNA of the five original companies

Mitsui Marine & Fire (founded in 1918)

1934: Started operations as the first Japanese direct underwriter of non-life insurance in Thailand. Adapted to the age of internationalization by expanding an overseas operations network from early on.

Sumitomo Marine & Fire (founded in 1893)

Rapidly put in place an overseas sales system to respond to the overseas expansion of Japanese companies, starting with trading interests based in the Kansai area.

Dai-Tokyo Fire & Marine (founded in 1918)

Focused on automobile insurance from the 1960s and organized a network of car repair and maintenance shops, establishing a firm reputation as Dai-Tokyo for automobiles.

Chiyoda Fire & Marine (founded in 1897)

By leveraging ties with Toyota Motor Sales Co., Ltd., through its strong ties with the financial industry in the Nagoya region, developed a reputation as a strong player in automobile insurance.

Dowa Fire & Marine (founded in 1897)

Established a strong reputation for aviation and space insurance through commencement of aviation insurance and development of satellite insurance. Industry-leading level of financial soundness.

Reorganization of the insurance industry

Merged in 2001
Mitsui Sumitomo Insurance Co., Ltd.

Merged in 2001
Aioi Insurance Co., Ltd.

Merged in 2001
Nissay Dowa General Insurance Co., Ltd.

Business started in 2000
Mitsui Direct General Insurance Co., Ltd.

Merged in 2001
Mitsui Sumitomo Kirameki Life Insurance Co., Ltd.

Merged in 2001
Aioi Life Insurance Co., Ltd.

Company name changed in 2005
Mitsui Sumitomo MetLife Insurance Co., Ltd.

Establishment of an insurance and financial services group

Formed in 2010

MS&AD

MS&AD Insurance Group

Mitsui Sumitomo Insurance Co., Ltd.

Aioi Nissay Dowa Insurance Co., Ltd.

Mitsui Direct General Insurance Co., Ltd.

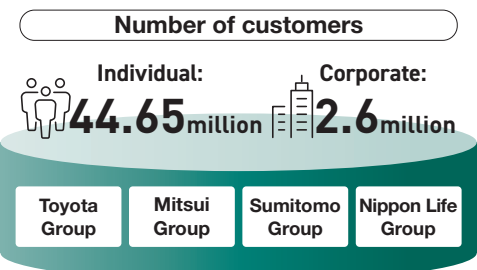
Mitsui Sumitomo Aioi Life Insurance Co., Ltd.

Mitsui Sumitomo Primary Life Insurance Co., Ltd.

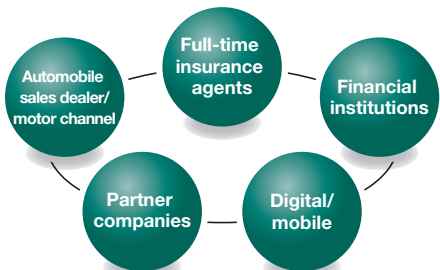
Diversity

Diverse partnerships, sales channels, and global networks

With three domestic non-life insurance companies and two domestic life insurance companies with different strengths, we meet all needs, from working closer with communities to global markets. In Japan, based on our diverse partnerships with Japan's leading corporate groups and financial institutions, we have a strong customer base and the largest agent network in Japan with more than 80,000 agencies, 44.65 million individuals, and 2.6 million corporations. We also have offices in 48 countries and regions around the world and have established partnerships with global insurance companies. The unwavering sales and deployment capabilities of these diverse networks are a major strength of our Group.



Strong customer base through Japan's leading corporate groups and financial institutions and Japan's largest network of agents



The industry's largest number of sales channels that provide access points anytime, anywhere, at any opportunity

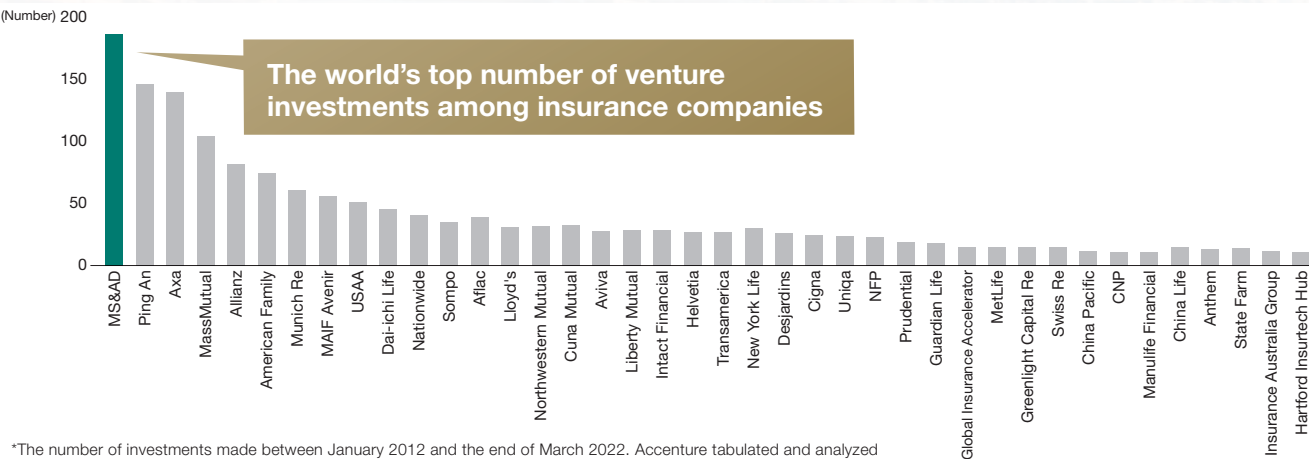
Number of domestic non-life insurance agents
80,754
(As of March 31, 2022)

Innovation

Innovation through means such as investments in world-leading ventures

Linking up with partners that possess leading-edge technologies and ideas is effective for making progress toward a new level of value in the delivery of insurance (see "Linking Up with Overseas Innovation Partners" on page 130). MS&AD Ventures, established in Silicon Valley, now invests in more than 75 start-ups in the areas of InsurTech, FinTech, Mobility, Life and Health, and Cybersecurity. According to data from CB Insights, our Group is the No. 1 company in the insurance industry worldwide.

■Number of venture investments by insurance companies*



*The number of investments made between January 2012 and the end of March 2022. Accenture tabulated and analyzed these investments based on data from CB Insights.

Identifying Materiality

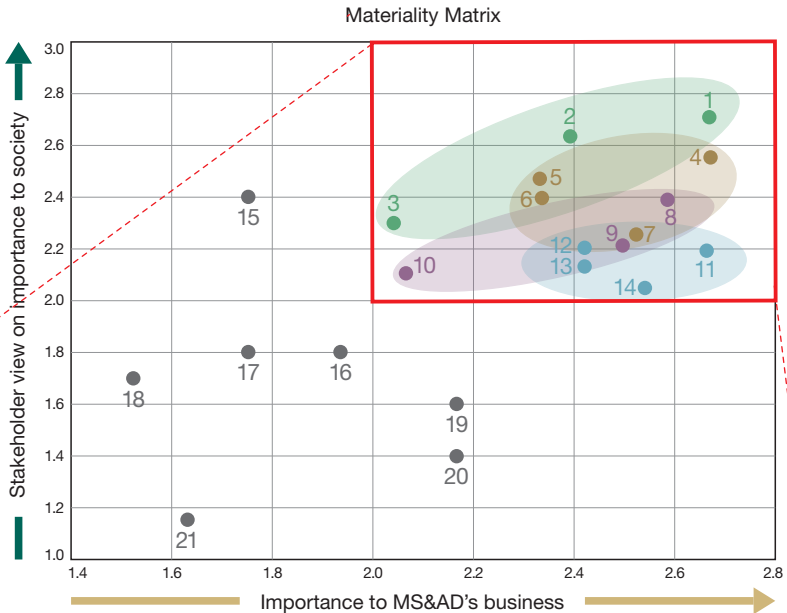
Extracting social issues from the following and selecting 21 items

- Issues that must be addressed internationally (e.g., Global Risk Report, SDGs)
- Issues specified by international guidelines requiring companies to respond to and disclose information (e.g., ISO 26000, GRI Standard, SASB, DJSI, CDP)
- Issues identified in reports published by domestic government agencies and national and international organizations (e.g., relevant ministries, non-life insurance associations, Swiss Re Sigma Report)

1	Acceleration of global warming	8	Aging population and declining birthrate	15	Price instability
2	Damage to natural capital (Ecosystem degradation and crisis)	9	Human rights violations and exclusion of diversity	16	Hunger and food crises
3	Environmental pollution and noncircular economy	10	Increasing poverty and inequality	17	Debt crises
4	Emergence of new risks	11	Customer responsibility	18	Frequent and spreading regional conflicts and terrorism
5	Spread of infection	12	Compliance	19	Disillusionment among young people
6	Large-scale earthquakes	13	Corporate governance	20	Commodity shock
7	Decline of local industry	14	Human resources	21	Immigration problem

Evaluating each issue using a materiality matrix and classifying the items of high importance into four areas

- We have analyzed social issues from two perspectives: (1) the impact of our company on society (stakeholder view on importance to society) and (2) the impact of society on our company (importance to our business).
- We organized issues of greater than 2.0 importance to stakeholders and our company into four areas and identified materiality.



Materiality

		Social Issues				Social Issues	
Sustainability	Planetary Health	1	Acceleration of global warming	Quality Human Resources ERM		11	Customer responsibility
		2	Damage to natural capital (Ecosystem degradation and crisis)			12	Compliance
		3	Environmental pollution and noncircular economy			13	Corporate governance
	Resilience	4	Emergence of new risks			14	Human resources
		5	Spread of infection				
		6	Large-scale earthquakes				
	Well-being	7	Decline of local industry				
		8	Aging population and declining birthrate				
		9	Human rights violations and exclusion of diversity				
		10	Increasing poverty and inequality				

Risks and Opportunities

Based on social issues, we have identified risks and opportunities for our Group as shown in the table below.

		Social issues	Risks	Opportunities
Sustainability	Symbiosis with the global environment (Planetary health)	▶ Acceleration of global warming	<ul style="list-style-type: none">• Reduction of earnings due to the inability to capture a rapid transition to a decarbonized society• Loss of reputation due to insufficient information disclosure and delayed response to climate change• Deterioration of income and expenditure due to intensification of natural catastrophes, etc., and an increase in capital costs due to increased profit volatility	<ul style="list-style-type: none">• Provision of products and services that contribute to reducing greenhouse gas emissions• Provision of products and services that support corporate decarbonization and climate-related information disclosure• Provision of products and services that prepare for natural disasters (storm and flood disasters)
		▶ Damage to natural capital (Ecosystem degradation and crisis) ▶ Environmental pollution and noncircular economy	<ul style="list-style-type: none">• Deterioration of earnings due to business partners' stagnation of economic activities caused by the depletion of natural resources• Decline in earnings caused by the deterioration in business performance of business partners due to tighter regulations on the circular economy, etc.	<ul style="list-style-type: none">• Provision of products and services that support natural capital risk assessments and preservation and sustainable use of biodiversity• Provision of products and services that support a circular economy
	Safe and secure society (Resilience)	▶ Emergence of new risks	<ul style="list-style-type: none">• Increase in social disruption and economic losses due to increased large-scale cyberattacks• Emergence of new risks due to the spread of IoT and in the post-digital era	<ul style="list-style-type: none">• Creation of new markets due to the emergence of new risks such as cyberattacks• Building of new business models through Creating Shared Value and digital transformation (CSV x DX) and social digitalization
		▶ Spread of infectious	<ul style="list-style-type: none">• Increase in persons infected by a new pandemic	<ul style="list-style-type: none">• Provision of countermeasures against infectious diseases and products and services to medical providers
		▶ Large scale earthquakes	<ul style="list-style-type: none">• Increase in disaster risks due to increased probability of huge earthquakes, concentration in urban and other areas	<ul style="list-style-type: none">• Provision of services that meet the needs of companies for BCP measures
	Happiness of diverse people (Well-being)	▶ Decline of local industry	<ul style="list-style-type: none">• Devitalization of regions due to depopulation, lack of access to mobility and financial services, and aging social infrastructure	<ul style="list-style-type: none">• Provision of products and services that support ensuring regional and customer resilience, such as expansion of regional economic circulation and support for next-generation mobility services such as CASE and MaaS
		▶ Aging population and declining birthrate	<ul style="list-style-type: none">• Decrease in earnings caused by a decrease in the total population (labor force) and medium- to long-term contraction of the domestic market due to the ongoing depopulation of local areas• Crisis of sustainability in social security systems and financial systems• Aging population and spread of dementia	<ul style="list-style-type: none">• Promotion of local revitalization initiatives that activate local economies and solve labor shortages• Building of guarantee systems in cooperation with local governments• Provision of services related to nursing care and dementia, as well as products and services that meet the needs for a means of asset formation and asset inheritance in a super-aged society
		▶ Human rights violations and exclusion of diversity	<ul style="list-style-type: none">• Decrease in reputation due to actual or possible human rights violations	<ul style="list-style-type: none">• Provision of products and services that contribute to respecting human rights and promoting D&I
	Quality Human Resources ERM	▶ Increasing poverty and inequality	<ul style="list-style-type: none">• Widening and entrenchment of the gap between the rich and poor due to the escalation of inter-state conflicts, etc., and destabilization of the economic environment from an increase in refugees	<ul style="list-style-type: none">• Enhancement of brand value through support for activities aimed at solving issues (such as participation in initiatives) and dissemination of information
		▶ Customer responsibility	<ul style="list-style-type: none">• Increase in economic losses due to personal information leakage	<ul style="list-style-type: none">• Improvement in quality through customer-focused business operations
		▶ Compliance ▶ Corporate governance	<ul style="list-style-type: none">• Reduction of corporate value due to lack of legal compliance and organizational governance, and poor risk management	<ul style="list-style-type: none">• Enhancement of corporate value through strict compliance with internal controls and laws and regulations and enhanced information disclosure
	Quality Human Resources ERM	▶ Human resources	<ul style="list-style-type: none">• Decrease in competitiveness due to occurrence of discrimination (such as harassment), and lack or insufficiency of human resource development strategies (such as a medium- to long-term perspective)	<ul style="list-style-type: none">• Improvement in innovation sources and competitiveness through diversity & inclusion and capacity building

Materiality and Expansion of CSV

The MS&AD Group has been focusing on CSV since 2018, when the Medium-Term Management Plan “Vision 2021” was launched, and various initiatives have been expanded. In the new Medium-Term Management Plan, based on the materiality identified, we will consider risks and opportunities to contribute to social sustainability and achieve long-term growth for our Group.



Planetary Health

- “Carbon Neutral Support Special Clause” for large corporations (p. 74)
- Corporate support measures for transition to a decarbonized society, and carbon neutral support
- Auto insurance “EV charging equipment damage coverage special clause”
- Discount systems for businesses certified under the Act on Promotion of Resource Circulation for Plastics
- Insurance that supports penetration and promotion of renewable energy
- “Imbalance Risk Coverage Insurance” for aggregation operators
- Free provision of services to calculate and visualize CO₂ emissions to insurance agencies and SMEs (p. 74)
- Consulting on the TCFD recommendations (climate change risk analysis) (p. 75)
- LaRC-Flood®, a prediction map of flooding frequency changes due to climate change (p. 75)
- Simplified evaluation services of water-related risks
- Biodiversity-conscious land-use consulting
- Natural capital risk assessment consultation (p. 76)
- Weather index insurance platform (Australia)
- Insurance to support the stable supply of green power certificates
- Product recall expenses insurance for food service businesses
- Voluntary automobile insurance “Rental Vehicle Special Clause on Rental of Electric Vehicles in Disasters”
- Compensation insurance for neighborhood victims for PPA operators
- Hull Insurance “Special Clause on Coverage for Additional Costs for Marine Pollution” (p. 78)
- Liability insurance for owners (managers) of facilities “Special Coverage Clause on Expansion of Pollution Damage” (p. 78)
- Comprehensive insurance for corporate property “Special Clause on Coverage for Reforestation Cost, etc.” (p. 78)
- Animal caution alert for rare organisms to reduce roadkill (p. 78)

Dedicated fire insurance for indigenous households (Malaysia)

- Microinsurance (Philippines, Malaysia)
- Insurance for people with disabilities (Malaysia)
- Exclusive consultation service for N-NOSE® examinees
- Trial pension calculation and health checks using only a camera function
- Disaster prevention and reduction service for the elderly; Kazoku disaster bulletin board



Resilience

- Streaming event cancellation insurance
- Metaverse project
- “Drive Recorder Road Manager” for supporting road inspections
- Voluntary automobile insurance for volunteer firefighters during engagement in disaster-relief activities
- Diagnosis support service “U-Medical Support” for veterinarians and farmers
- “Water Disaster Digital Survey” using AI drones and chatbots
- Establishment of “UNIVAS SSC,” a safety and security certification system for university sports activities
- Smartphone app: Suma-Ho Disaster Navigator
- Weather information alert service
- “Evacuation Insurance Plan” to support the establishment of evacuation schemes in times of disaster
- Real-time damage forecasting website “cmap”
- **Cyber Insurance**
- Compensation plan for sales operators of the GIGA school concept
- Comprehensive compensation plan for telecommuting
- Comprehensive compensation insurance for drones
- Comprehensive compensation plan for smartphone payment provider
- Support services to help reduce accidents and automobile insurance by utilizing telematics technology
- Compensation service for cattle diagnostic fees
- Participation in overseas public natural disaster compensation systems
- SDGs online platform (p. 32)
- Slope collapse risk diagnostics
- Regional revitalization
- AI-powered voluntary automobile insurance with alerts
- Claims service using state-of-the-art telematics technology
- “Tele-mileage” and “The Brain Trainer Exercise” promotion schemes for safe driving
- Solutions using data analysis to prevent accidents and disasters
- Proposal campaign for natural disaster preparation
- Volcanic eruption countermeasure service
- Support for construction of “BCPs in the New Normal Era”
- Supply chain countermeasure package
- Automatic house damage calculation and early insurance payment by AI
- Service for supporting disaster victims’ certificate issuance procedures (support for rebuilding their lives)
- “Disaster Prevention Dashboard,” a disaster prevention and reduction support system for local governments



Well-being

- Efforts to raise awareness of stroke and cardiovascular diseases
- Coverage for search costs of missing elderly persons
- Financial gerontology training
- Insurance to support health and productivity management • Health management insurance premium rate
- Special policy for applying medical examination rate
- Tontine annuities, nursing care guarantee, etc., to support extension of asset life and healthy life expectancy
- The “Sukoyaka” nursing care support desk
- Seminars on breast cancer, uterine cancer, and colorectal cancer
- “Kokokara Diary” app, “Karada-Care Navi” website, “Advanced Medical Technology” website, “Advanced Medical Care Navi” website
- Community activities to raise awareness about preventing dementia
- The Dementia Kobe Model (initiatives to promote a dementia-friendly community in Kobe, Japan)
- Social contribution special clause
- Foster parent insurance system for accepting someone as a foster child with a sense of security

Importance to Our Company

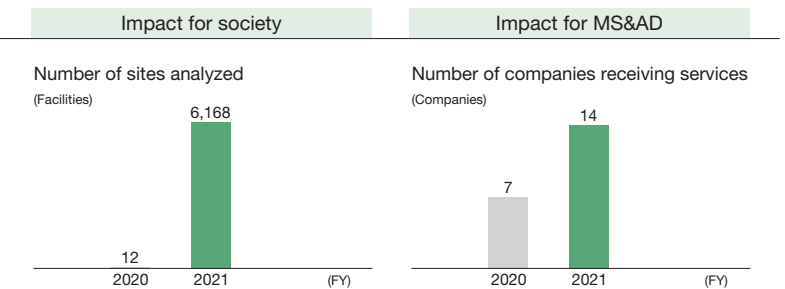
Impact of CSV Initiatives



Planetary Health

Quantitative assessment service on climate change impact for the TCFD

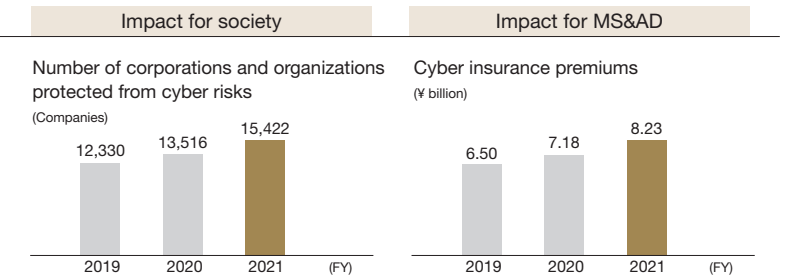
Work with Jupiter, a climate analysis venture, to provide quantitative risk assessments of climate change impacts



Resilience

Products to cover cyber risks

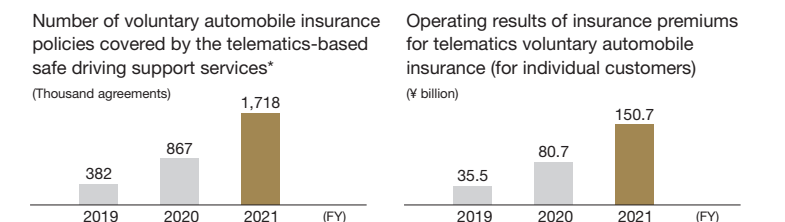
Support cybersecurity countermeasures and provide coverage to hedge damage resulting from the unlikely event of a cyberattack



Telematics-based safety driving support services

Provide services that support safe driving utilizing telematics technologies

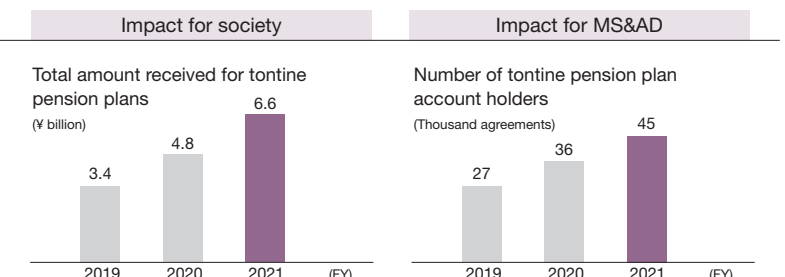
*Mimamoru Car Insurance, Tsunagaru Car Insurance



Well-being

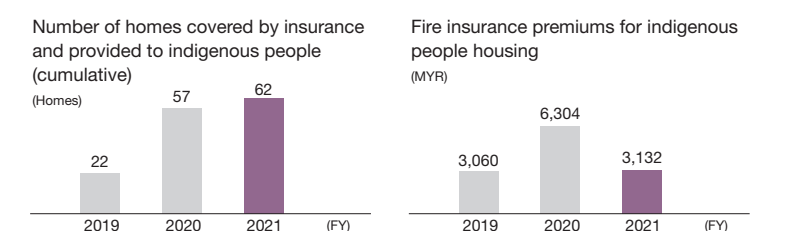
Tontine pension plans that support future asset formation

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



Dedicated fire insurance for indigenous households in Malaysia

Dedicated fire insurance for residential building programs aimed at improving the living environment of indigenous people in Malaysia. We package coverage and participate in the support scheme.



Value Co-creation with Stakeholders



In cooperation with diverse stakeholders, the MS&AD Group will drive sustainable growth and corporate value enhancement by addressing wide-ranging social issues while promoting environmental and social sustainability.

Customers



Quality improvement and product/service provision that reflect customer feedback

All employees implement the “Customer Focus” attitude expressed in the code of conduct (Our Values), listen to customer feedback broadly, and provide high-quality products and services to solve social issues and achieve the “security and satisfaction of our customers.”

Initiative examples

- Weather risk solutions (see page 31)
- Provision of “cmap,” a real-time damage-prediction application
- Provision of “Ubie AI-powered medical consultation,” an application that enables customers to check information and departments related to your current symptoms just by answering questions
- Tontine annuities that support future asset formation

Shareholders



Our Group’s sustainable growth and medium- to long-term improvement in shareholder value

We make highly transparent information disclosure, actively engage in constructive dialogue with shareholders, and reflect outcomes of these activities in managing our Group, thereby striving to create more value and improve corporate value.

FY2021 dialogue results

- Briefings for individual investors: 6 sessions
- Briefings for Japanese institutional investors: 101 sessions
- Briefings for overseas investors: 113 sessions

Agents



Mutual growth as business partners

By communicating smoothly, thinking, and acting together with our agents, we will provide high-quality services and optimal insurance products to customers and mutually pursue the growth of agents and our Group.

Initiative examples

- “MS1 Brain,” an AI-powered agent sales support system
- “zeroboard,” a service for calculating and visualizing greenhouse gas emissions (see page 74)

Business Partners



Value creation across the entire supply chain

We consider compliance, respect for human rights, and the environment, and act as a company together with our supply chain that meets the expectations of society.

Initiative examples

- Support for human rights risk management
- “Lunar Insurance Plan,” a joint initiative with ispace, inc. (see page 30)

Employees



Employees’ job satisfaction and career fulfillment are a driver of the MS&AD Group’s growth

We create a working environment where employees can work with a sense of feeling motivated and job satisfaction and provide opportunities for everyone to play an active role. We foster a corporate culture that respects a diverse sense of values, thereby generating innovation.

- See the “Human Resource Strategy” on pages 85–88.

Local Communities/International Society



Solving social issues through partnering with diverse partners

We work together with diverse partners such as cooperating with domestic and overseas industrial organizations and local governments and collaborating among industries, academia, and government, thereby protecting the Earth’s environment and social sustainability and contributing to developing a vibrant society.

Initiative examples

- SDGs platform (see page 32)

Environment



Improvement to the sustainability of the Earth

Toward achieving net zero by 2050, we will consider sustainability in all business activities. We will demonstrate our initiative in climate change and promote the preservation of biodiversity and improvement in the sustainability of natural capital.

Initiative examples

- See Special Feature 2 “Planetary Health” on pages 73–78.
- Biodiversity-conscious comprehensive consulting



Business Partners

» Joint development of lunar insurance with a business partner

Support for a lunar landing challenge through insurance

Now, businesses go beyond the Earth and are expanding their fields to space. The MS&AD Group and ispace, inc., are working together to realize a new “Lunar Insurance” that covers risks arising in the lunar surface business. By the end of 2022, we aim to provide the world’s first lunar insurance that seamlessly covers areas from launching to lunar landings. By providing solutions to emerging risks, we contribute to creating an environment and industry in which partners involved in the space business can participate more easily.

Kosuke Hamamura

Mitsui Sumitomo Insurance
Commercial Production Dept.
5th Aerospace & Tourism Section



Social issues

- ▶ Previous space insurance programs have been designed to consider factors such as the risks of a failure of rocket launching and the malfunctioning or breakdown of a satellite after launching.
- ▶ On the other hand, there are unknown risks involved in lunar landings and exploration, as no private companies around the world have been able to achieve them. The insurance programs are required to cover not only failed lunar landings but also lunar probe accidents and risks of lunar life after spacecraft landings.

Solutions

- ▶ In February 2019, Mitsui Sumitomo Insurance became a corporate partner of “HAKUTO-R,” a private lunar exploration program run by ispace, inc. From ispace, inc., Mitsui Sumitomo Insurance was provided a variety of information on development, including the schedule, route to the moon, and risks assumed until lunar landings. The company analyzed the risks and developed “Lunar Insurance” dedicated for lunar landers, toward launching ispace’s first spacecraft.
- ▶ Mitsui Sumitomo Insurance is developing a variety of lunar insurance programs that look ahead after lunar landings, such as developing fire insurance that covers legal liability for accidents caused by rovers running on the moon and damage that occurs in lunar bases.

Impact on society

- Supporting new challenges will establish planetary exploration technologies and expand the base of the space business.
- Providing insurance products will enable companies to enter space with a sense of security.
- Expanding the lunar business will increase the participation of private companies and start-ups and vitalize the space business.

Economic impact on the Company

According to research by PwC, the lunar transport market is expected to grow to a maximum of US\$42 billion* over the five years from 2036 to 2040. The Company expects to earn premiums written in the market by providing the best lunar insurance for each operator as various operators conduct activities on the moon.

*PwC “Lunar Surface Market Survey: Market Trends and Challenges for Creating a Lunar Surface Economic Zone” (September 2021)

Creation of business opportunities

The space industry market is expected to expand from ¥43 trillion (\$378 billion) in 2020 to ¥120 trillion (\$1,053 billion) in 2040 (Haver Analytics, Morgan Stanley Research)

- With the expansion of space businesses such as the business of developing or operating satellites and rockets, the use of data generated by satellites, and space travel and entertainment, insurance services will also expand.
- Advancement of insurance payments using satellite data.

Feedback from partners

We are required to take risks more boldly and take on challenges daringly with a sense of speed. With the support of the MS&AD Group, we were able to create new insurance that supports new challenges. Realizing comprehensive insurance covering areas from launching to lunar landing will mark a new step toward making the Cislunar Economic Zone between the Earth and the moon come true.

Takeshi Hakamada

ispace, inc.
Founder & CEO





Customers

» Provision of products that meet customer needs

Contributing to the stability of corporate management through solutions to global weather risks

Against the background of frequent extreme weather events worldwide and changes in customers' business environment, interest in weather risk products is growing. To meet the diverse needs of customers, the MS&AD Group is working to build a sales structure for global weather risk products mainly with MSI GuaranteedWeather (hereinafter, MSIGW), a U.S. subsidiary of Mitsui Sumitomo Insurance, and companies in and outside the Group around the world. Through providing weather risk solutions, we will contribute to stabilizing management and enhancing ESG initiatives for companies that are susceptible to extreme weather and unseasonable weather.

Bradley S. Davis
MSI GuaranteedWeather, LLC
President & CEO



Local Governments

» Working together toward achieving local government SDGs

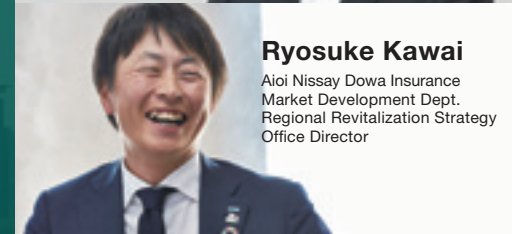
Promoting nationwide SDGs initiatives through the SDGs platform

The SDGs are a great signpost for human society and the economy as it goes through these turbulent times. The three companies of the MS&AD Group support the SDGs initiatives of industry, academia, government, and the public, private, and finance sectors nationwide. Our participation in developing and operating an online SDGs platform "Platform Clover" from 2020 is an important strength. Through creating "places" that realize collaboration and co-creation toward solving social issues, we are vitalizing the SDGs initiatives nationwide.



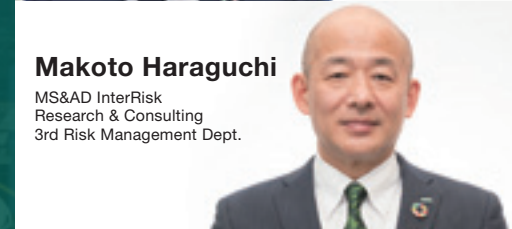
Junya Okada

Mitsui Sumitomo Insurance
Marketing & Sales
Promotion Dept.



Ryosuke Kawai

Aioi Nissay Dowa Insurance
Market Development Dept.
Regional Revitalization Strategy
Office Director



Makoto Haraguchi

MS&AD InterRisk
Research & Consulting
3rd Risk Management Dept.

Social issues

- Companies can suffer from wide impacts such as damage to buildings and facilities due to frequent torrential rains and typhoons and suspended operations due to power or water outages. The impacts go well beyond the affected areas and cause other disruptions such as isolated supply chains. In addition, the impact of weather risks surrounding companies is expanding worldwide due to the shift to overseas production and the globalization of supply chains.
- The impacts of climate change are projected to become increasingly magnified in the future. There is a growing need for risk hedging to mitigate these impacts.

Solutions

- Providing weather derivatives or weather index insurance* will help companies avoid and reduce losses caused by variable weather phenomena such as extreme weather and unseasonable weather, thereby contributing to stabilizing earnings. It will be possible to pay for indirect economic losses such as decreased earnings and additional expenses, for which insurance products compensating for actual losses have taken a longer time to pay for claims.

*A product that makes indexes from weather data such as temperature, precipitation, wind speed, fallen snow, and hours of sunlight, and enables customers to receive money promptly after policy periods end, depending on the difference between the "predetermined index value" and the "index value generated by actual weather."

Social issues

- The SDGs were set as goals for 15 years from 2016 to 2030. More than one-third of the 15-year plan period has already passed.
- From the stage of recognizing and understanding the SDGs, the private sector, in particular, is expected to use its innovation skills to solve social issues and improve its earning power. However, many of its actions remain extensions of social contribution and CSR activities.

Solutions

- Based on the concept of Professor Kawakubo of Hosei University, Kawakubo Laboratory and MS&AD InterRisk Research & Consulting started developing "Platform Clover." It is an online SDGs platform that enables companies, financial institutions, local governments, NGOs, citizen groups, individuals, and others to post their own SDGs goals and activities on a website.
- Our three Group companies, which have supported local governments, companies, and financial institutions across the country for region-revitalizing SDGs initiatives use this platform to encourage their open innovation while providing support for solving social issues and creating new shared value.

MS&AD's Value Creation

Impact on society

- We contribute to stabilizing the earnings of companies such as early-stage companies, which are highly susceptible to weather risks, and contribute to corporate growth.
- For example, an electric power company with hydroelectric power generation facilities can hedge risks of reduced earnings and incurring additional costs in the event of a power shortage due to low rainfall. Thus, we contribute to a stable power supply.

Economic impact on the Company

MSIGW accumulates the weather risk of underwritten weather derivatives/weather index insurance in its global portfolio, implements portfolio management utilizing meteorology-based know-how, and gains earnings.

Creation of business opportunities

- A synergistic effect will be created through combined sales of insurance products compensating for general actual losses and weather risk products by leveraging their respective advantages.
- Customer needs will be captured further using IoT.

Impact on society

- Efforts to make positive impacts on society and reduce negative impacts are increasing.
- This is an opportunity to share information on outstanding examples and expand similar efforts throughout the country.
- It will accelerate the nationwide expansion of a network of stakeholders who share the same vision.
- Local areas and companies that are truly committed to solving social issues will become visible, giving the next generation hope for society.

Economic impact on the Company

- The recognition of our Group brand in local areas has greatly improved. Opportunities to be consulted directly by local governments, local financial institutions, and other local persons have increased rapidly.
- Partnerships with stakeholders who share a sense of crisis about Japan's local economy are expanding rapidly.

Creation of business opportunities

Japan ranked 19th out of 163 countries and regions in the SDG Index ranking and scores in 2022.
("Sustainable Development Report 2022" of the Sustainable Development Solutions Network (SDSN))

- As it is increasingly necessary to accelerate the progress of the SDGs, the significance of utilizing platforms has expanded.
- Analyzing big data that has gathered on the platform enables us to create new business opportunities.

Feedback from partners

We receive testimonials from the customers to which MSIGW provides weather risk solutions, and they express their gratitude, saying, for example, "we deeply appreciated that promptly after our coverage period, we were able to receive the amount of money, and what is more, it was the exact amount we assumed," and "although a golf event we planned to hold was cancelled due to rain, we were paid claims quickly and therefore were able to use the money to pay the cancellation fees. We really want to buy your insurance for the next event."



Feedback from partners

The SDGs were slow to be recognized by Japanese society immediately after the adoption of the 2030 Agenda. However, they have penetrated in the world, as we see or hear something relevant to the SDGs almost every day. Now, we are entering the Decade of Action. From now on, we will need to make efforts to achieve the SDGs and verify their effectiveness. As a scheme for actions such as searching for people who are working on the same goals and publicizing your corporate initiatives toward achieving the SDGs, we do hope you use Platform Clover.

Professor Shun Kawakubo
Hosei University
Department of Architecture,
Faculty of Engineering and Design



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

Together with customers, shareholders, and all other stakeholders, we at the MS&AD Insurance Group have been creating and developing our story of value creation. Under "Vision 2021" until the last fiscal year, for example, our Group was within the top 10 non-life insurance groups in the world. Our Group has been making steady progress toward becoming a "world-leading insurance and financial services group" as a goal that we have pursued since our founding. The Medium-Term Management

Plan (2022–25), which was newly started in FY2022, has a subtitle of "Grow Together with Society as a Platform Provider for Risk Solutions." Toward becoming a "corporate group supporting a resilient and sustainable society," which is our aspiration for 2030, our Group is offering solutions to social issues through initiatives such as promoting the CSV × DX strategy and creating shared value with society and thereby seeking sustainable growth.

New Frontier 2013 (FY2010–FY2013)

Next Challenge 2017 (FY2014–FY2017)

Vision 2021 (FY2018–FY2021)

Medium-Term Management Plan (2022–25)

Management Issues

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

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 Group missed its targets for Group Core Profit and Group ROE.

Management Issues

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

General Overview

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 In FY2017, the plan's final year, the global non-life insurance industry suffered its worst insurance losses on record due to major natural catastrophes (e.g., North American hurricanes). The international business's profits consequently decreased sharply. The Group thus fell short of the plan's Group Core Profit and Group ROE targets.

Our Aspirations

- ▶ Become a world-leading insurance and finance group
- ▶ Build resilient systems that can respond to changes in the environment

General Overview

Achievements We deepened reorganization by function, Group Adjusted Profit was ¥347.1 billion, an amount higher than targeted, and Group Adjusted ROE was 9.5%, a percentage higher than expected. In terms of scale, we stayed within the top 10 non-life insurance groups in the world and achieved our target.

Challenges Due to the impact of overseas natural disasters and COVID-19 on stock market conditions, etc., the diversification of risk and business portfolios became an ongoing issue.

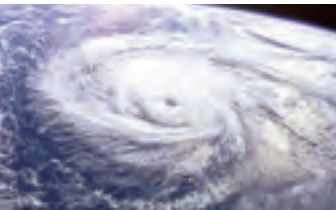
FY2025 Target Net Income (on an IFRS basis)

¥470 billion–¥500 billion

FY2025 Target Adjusted ROE

Stable achievement of 10% or higher

Through Our Group's Business



Taking the initiative in combating climate change, helping to realize a sustainable society



Gaining global corporate recognition in solving social issues by providing distinctive, world-leading products and services



Incorporated into people's lives and business activities; automatically issue alerts and advice to avoid risk when signs of risk develop, and seamlessly provide services and financial compensation when risks arise

Numerical Management Targets	FY2010 Results	FY2013				FY2014 Results	FY2017			
		Results	Initial targets	Revised targets			Results	Initial targets	Revised targets	
Group Core Profit*1	14.5	94.8	150.0	110.0	155.7	105.0	160.0	220.0		
Domestic non-life insurance	6.5	47.8	100.0	60.0	92.4	190.1	100.0	135.0		
Domestic life insurance	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/ 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 Medium-Term Management Plan "Vision 2021," which was initiated in FY2018.
*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: Embedded Value (see "Glossary of Insurance Terminology" on page 109)
*4 FY2017 numerical management targets are revised higher from the initial targets in FY2016.

	FY2018 Results	FY2021		
		Results	Initial targets	Revised targets*6
Group Adjusted Profit	189.8	347.1	350.0	300.0
Domestic non-life insurance (excluding gains/losses on sales of strategic equity holdings)	146.9 (65.1)	230.7 (173.5)	182.0 (142.0)	177.0 (150.0)
Domestic life insurance	31.6	75.7	45.0	41.0
International business	5.4	34.3	117.0	75.0
Financial services business/ Risk-related services business	5.8	6.3	6.0	7.0
Group Adjusted ROE	6.1%	9.5%	10.0%	10.0%
Consolidated net premiums written	3,500.4	3,609.0	3,710.0	3,580.0
Life insurance premiums (Gross premiums income)*5	1,599.9	1,314.4	1,600.0	1,000.0
MSI Aioi Life's EEV	819.4	923.6	1,050.0	962.0
Economic solvency ratio (ESR)	199%	228%	180%– 220%	180%– 220%

*5 Life insurance premiums (gross premiums income) are those of domestic life insurance subsidiaries only.
*6 FY2021 numerical management targets were revised from their initial values in FY2020 in light of Stage 1 progress.

Review of the Medium-Term Management Plan “Vision 2021”

Progress of Aspirations (Scale and Quality)

The progress of each of the indicators as the targets set out in “Vision 2021” is as follows. While we fell just short of achieving an improvement in capital efficiency (Group Adjusted ROE of 10%), through initiatives utilizing our strengths, we were able to maintain our target levels for scale, financial soundness, and profitability throughout the Medium-Term Management Plan period.

“World-leading insurance and financial services group”: Progress

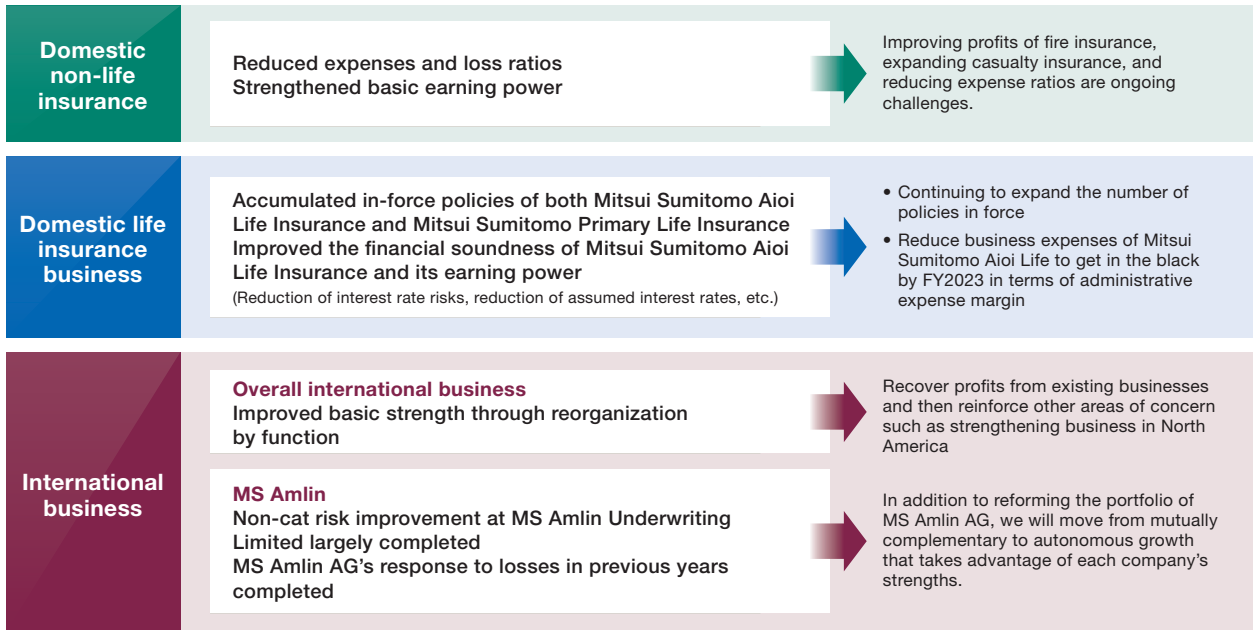
		FY2021 Target	FY2021 Progress	
Scale		Within the top 10 non-life insurance groups in the world	8th (FORTUNE GLOBAL 500 2021, P&C)	Achieved
Capital efficiency	Group Adjusted ROE	10%	9.5%	Ongoing
Financial soundness	ESR	180%–220%	228%	Achieved (excess)
Profitability	EI combined ratio in the domestic non-life insurance business	95% or less	92.9% (excluding natural catastrophes)	Achieved

MS&AD Strengths



General Overview by Business Domain

Through initiatives such as CSV × DX in “Vision 2021,” both the domestic non-life insurance business and the domestic life insurance business are steadily improving their “earning power” and profitability. On the other hand, improving the earnings of our international business, particularly MS Amlin, is our biggest challenge. However, we have diversified our portfolio such as significantly reducing natural catastrophe risks and completed recovering its basic strength. We will work to further enhance our earning power under the Medium-Term Management Plan (2022–25).



Results of Three Key Strategies

By pursuing the Group's comprehensive strengths, we maintained the highest level of growth in the industry and reduced business expenses more than planned. In addition, we promoted digitalization to achieve steady results, including CSV × DX products, the data business, and start-up investment. On the other hand, we will continue to work on the targets of diversifying the business portfolio and reducing the ratio of strategic equity holdings as ongoing issues in the Medium-Term Management Plan (2022–25).

Main Initiatives and Results

Key strategy	Initiatives	Target or Plan	As of March 31, 2022	
Pursue the Group's comprehensive strengths	Growth rate of domestic non-life direct written premiums	CAGR during “Vision 2021” (from the end of FY2017)	—	2.1 %
	Reduction of operating expenses	Reduction in expenses compared with FY2019	¥30.0 billion	¥54.0 billion
Promote digitalization	Promotion of CSV × DX	Sales of CSV × DX main products*1 in FY2021	—	1,740,000
	Data business expansion	Increase in insurance premiums due to the rollout of RisTech*2	—	¥19.0 billion
	Sales channel reform	Introduction ratio*4 of MS1 Brain*3	—	Approx. 70%
	Investment in start-ups	Number of investments by the CVC in U.S.	—	74
Portfolio reform	Business portfolio diversification	Profit share of other than the domestic non-life insurance business*5	50%	40.1%
	Share of strategic equity holdings	Integrated risk amount	Less than 30%	32.5%
		Consolidated total assets	Less than 10%	11.3%

*1 Telematics automobile insurance, health management support insurance, cyber insurance *2 Services that solve problems for companies by utilizing big data and the latest algorithms *3 A new AI-powered agent system *4 Ratio among agents eligible for MS1 Brain installation *5 Excluding gain/loss on sales of strategic equity

Results of Nonfinancial Indicators

Under “Vision 2021,” we have formulated the medium-term sustainability plan and set KPIs to work on the plan. Specifically, we have set new targets for realizing a net-zero society and have been working toward decarbonization. At the same time, we have set targets for diversity and inclusion (D&I) such as achieving 15% in terms of the ratio of female managers (in Japan) and have made steady progress.

Quality that earns the trust of society

Indicators (related pages)	FY2021 Targets	FY2021 Results (FY2020 Results)
Quality improvement		
Customer satisfaction survey about insurance policy procedures	The same level or higher compared with the previous fiscal year	97.6% (97.3%)
Customer satisfaction survey about payment of insurance claims	The same level or higher compared with the previous fiscal year	96.8%*1 (96.7%)
Reduction of the environmental burden (p. 55)		
Reduction rate of greenhouse gas emissions	Reduce greenhouse gas emissions by 50% by FY2030 and 100% by FY2050 from the base year (FY2019)*2	vs. FY2019 -19.2% 821,784 GJ (863,298 GJ)
Total energy consumption	Improvement over the previous fiscal year	9,090 t (10,035 t)

*1 Targets: Mitsui Sumitomo Insurance, Aioi Nissay Dowa Insurance, Mitsui Direct General Insurance, Mitsui Sumitomo Aioi Life Insurance

*2 New targets set from May 2021

✓ A checkmark indicates that FY2021 figures have been assured by KPMG AZSA Sustainability Co., Ltd.

Content posted on the official website

● Sustainability <https://www.ms-ad-hd.com/ja/csr.html> ● MS&AD Insurance Group and Sustainability ● Achieving the SDGs ● Our Sustainability Priorities ● Our Approach for Realizing the Story of Value Creation ● Products and Services That Contribute to the Sustainable Development Goals (SDGs) ● ESG Data/Reference Material

Management platforms that enable employees to play active roles

Indicators (related pages)	FY2021 Targets	FY2021 Results (FY2020 Results)
Diversity & Inclusion (pp. 39 and 56)		
Ratio of female managers (Japan) ✓	15% (FY2020)*2	17.5% (16.1%)
Employee satisfaction “working vigorously”	Same level or higher compared with the previous fiscal year	4.6 points (4.5 points)
Key monitoring indicators other than sustainability KPIs *Number and ratio of global employees (p. 64)		
Health and productivity management (pp. 56–58 and 85–88)		
Employee satisfaction “Pride, feeling motivated”	Same level or higher compared with the previous fiscal year	4.4 points (4.4 points)
Number of annual paid leave days taken	Same level or higher compared with the previous fiscal year	16.3 days (15.0 days)
Uptake rate of paternity leave	Same level or higher compared with the previous fiscal year	86.4% (69.0%)
Number of employees engaged in social contribution activities	Same level or higher compared with the previous fiscal year	23,024 (26,519)

Aspirations, Basic Strategies, and Foundations of the Medium-Term Management Plan (2022–25)

Under the Medium-Term Management Plan (2022–25) newly launched from this fiscal year, we implement our value creation story, and as a platform provider of risk solutions, aim to become a “corporate group supporting a resilient and sustainable society” that contributes to solving social issues and grows together with society. To realize these aspirations, we have adopted “Value (value creation),” “Transformation (business reforms),” and “Synergy (Pursuit of group synergy)” as basic strategies and work on “Sustainability,” “Quality,” “Human Resources,” and “ERM” as foundations that support these strategies.

► Aspirations

► Qualitative Targets

A corporate group supporting a resilient and sustainable society

As a platform provider of risk solutions, we will help solve climate change and other social issues, while growing together with society.

- In addition to covering economic losses, seamlessly provide products and services before and after coverage and protection.
- Offer optimal solutions through marketing, underwriting, payment services, and risk consulting that utilize digital technologies.

► Quantitative Targets

FY2025	IFRS Net income of ¥470 billion–¥500 billion	Stable achievement of 10% or higher in adjusted ROE*
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•IFRS Net income /(net assets on an IFRS basis – net unrealized gains/losses on strategic equity holdings)
(Under IFRS, gains/losses on sale of strategic equity holdings are no longer included in net income. To align the standards for the denominator (net assets) and numerator (net income) of ROE, gains/losses on strategic equity holdings are excluded from net assets.)

► Basic Strategies and Foundations Supporting Basic Strategies

Basic strategies

Value (value creation)

- Roll out CSV × DX globally to provide value to all stakeholders and enhance corporate value
- Enhance the profitability of our business, products, and services to strengthen the revenue base

Transformation (Business reforms)

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

Synergy (Pursuit of group synergy)

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

Foundations

Sustainability

- Initiatives to address three priority issues
 - Symbiosis with the global environment (Planetary Health)
 - Safe and secure society (Resilience)
 - Happiness of diverse people (Well-being)

Quality

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

Human resources

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

ERM

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

Numerical Management Targets (Financial)

As for the quantitative financial targets of the Medium-Term Management Plan (2022–25), we aim to achieve profit scale and profitability at the global-peer level by FY2025. The target for IFRS net income is set at ¥470 billion–¥500 billion. The target for adjusted ROE is set at 10% or higher stably. IFRS standards will be applied from FY2024 onward, and the Japanese accounting standards will be applied for the first two years (Stage 1).

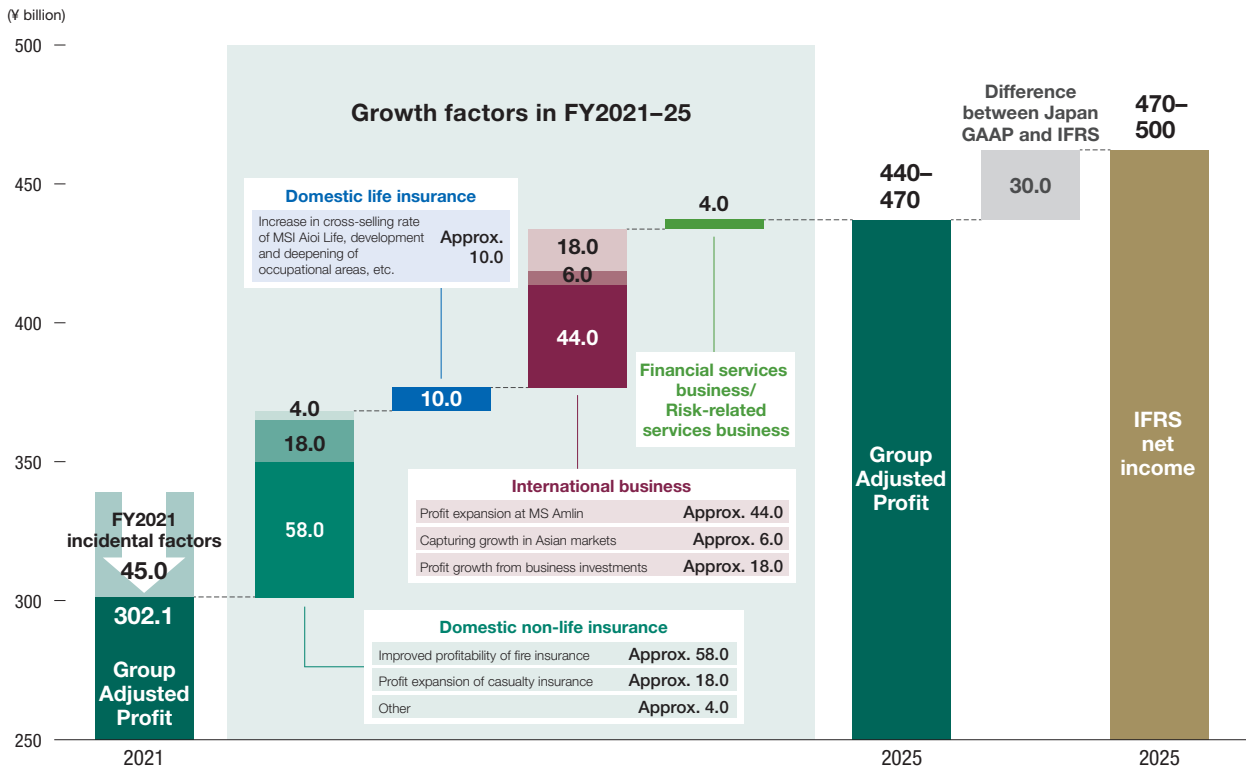
Structure of the FY2025 Profit Target

We aim to increase Group Adjusted Profit (based on Japanese accounting standards) by ¥138 billion–¥168 billion over the next four years, from the actual value in FY2021 of ¥302.1 billion, which excludes ¥45 billion of incidental factors.*

The expected breakdown of the increase in profit is as follows: approximately ¥80 billion mainly due to the improvement in profitability of fire insurance in the domestic non-life insurance business and the expansion of profit in casualty insurance; approximately ¥10 billion mainly due to the increase in the cross-selling ratio of Mitsui Sumitomo Aioi Life in the domestic life insurance business; and approximately ¥68 billion mainly due to the growth of profit of MS Amlin in the international business.

	FY2021 results (excluding incidental factors)	FY2025 (Outlook) Group Adjusted Profit	FY2025 (Target) IFRS net income
Total	302.1	440.0–470.0	470.0–500.0
Domestic non-life insurance business	189.7	Approx. 270.0	
Domestic life insurance business	45.7	Approx. 55.0	
International business	60.3	Approx. 125.0	
Financial services business/ Risk-related services business	6.3	Approx. 10.0	

*The breakdown is as follows: Difference from domestic automobile losses in normal years: +¥25 billion, Reversal of the initial year balance: +¥16 billion, Increased profits at MSI Primary Life due to contracts reaching their targets as a result of yen depreciation: +¥30 billion, Difference from overseas nat. cat. losses in normal years: -¥26 billion



Numerical Management Targets (Nonfinancial)

Of the four foundations (Sustainability, Quality, Human Assets, and ERM) that support the three basic strategies of the Medium-Term Management Plan (2022-25), we have set the following (nonfinancial) numerical management targets for the respective initiatives in Sustainability, Quality, and Human Assets. Through the achievement of these numerical management targets, we will support the promotion of our basic strategies toward becoming a “corporate group supporting a resilient and sustainable society.”

Sustainability KPIs

	GHG emission reduction rate (from FY2019)		Renewable energy usage rate	
	FY2030		FY2050	
Symbiosis with the global environment Planetary Health		-50%		60%
		Net zero		100%
	FY2025	Premium growth rate of products that contribute to decarbonization and a circular economy e.g., mega solar comprehensive compensation plan	Annual average	18%
Safe and secure society Resilience	FY2025	Rate of increase in the number of policies for products that respond to new risks and products and services that use data and AI e.g., cybersecurity insurance	Annual average	20%
		Instances of support for the resolution of issues faced by regional companies e.g., seminars on regional revitalization	10,000 instances a year	
Happiness of diverse people Well-being	FY2025	Instances of support for companies' action on well-being e.g., harassment prevention consulting	1,000 instances a year	
		Number of policies in force for asset-building products to support longevity e.g., tontine annuity insurance	100,000	
		Number of policies in force for products that help solve health-related social issues e.g., medical insurance covering dementia, infertility treatment	2.6 million	

Human Assets and Quality KPIs

		(): FY2021 results					
Human Assets	End of FY2030 (Aiming for early achievement)	Percentage of female managers	30% (17.5%)	Percentage of female line managers	15% (10.5%)		
	FY2025	Digital human resources	Employees for international business	Productivity improvement Percentage of personnel expenses			
		7,000 persons (about 2,000 persons)	1,200 persons (about 1,100 persons)	8.5% (9.9%)			
		Percentage of mid-career employees among managerial staff	Percentage of employees hired locally overseas appointed as executives of overseas subsidiaries	Percentage of employees who exercise regularly			
		Current level (22.1%) or higher	Current level (81.0%) or higher	Current level (25.4%) or higher			
		Male childcare leave	Employee awareness survey				
		Percentage of male employees taking childcare leave: 100% Duration of leave: 4 weeks (86.4%, 6.8 days)	<div><div><ul style="list-style-type: none">• Sense of feeling that our business helped create shared value• Constant awareness of Mission, Vision, and Values• Pride in work, feeling motivated• Playing active roles</div><div>▶</div><div>The same level or higher compared with the previous year</div></div>				
Number of annual paid leave days taken	See P. 56 for employee satisfaction data						
The same level or higher compared with the previous year (16.3 days)							
Quality	FY2025	Customer satisfaction level (On contract procedures and claim payment process)	Equal to or greater than the previous year				

Basic Strategy 1 Value (Value Creation)

In our Basic Strategy 1, “Value (value creation),” we will roll out CSV × DX globally, provide new value to all stakeholders, and further increase our profitability to enhance our corporate value. Specifically, we will implement the MS&AD Value Strategy to develop and monetize products and services before and after coverage and protection. In addition, MS&AD InterRisk Research Institute & Consulting, Inc., will play a central role in working to sophisticate risk consulting using data and digital systems.

In the Value Strategy, based on our Group’s competitive edges such as scale, history, diverse partnerships, sales channels, global networks, and innovation, we will deliver new value and strengthen our revenue base.

Enhancing the revenue base

- Promote improvement of business efficiency through a review of business processes
- Reform the business style including a review of office space based on the promotion of remote working
- Improve the profitability of fire insurance

MS&AD Value Strategy

- Realize the development and monetization of products and services that provide new value before and after coverage and protection
- Utilize Group-wide knowledge gained through investment in start-ups by MS&AD Ventures

Before the accident

At the time of the accident

After the accident

Prevention

Coverage

Recovery

Preventing accidents and disasters in advance

Compensating for economic losses

Supporting the recovery

Risk Solutions

Increasing the sophistication of risk consulting

- Integrated management of the Group’s risk consulting with MS&AD InterRisk Research & Consulting playing a central role

Examples of Advancement Initiatives

Disaster Prevention Dashboard

- Disaster prevention and reduction support system using weather and disaster data and AI

A web service for local governments that supports disaster prevention and reduction in local communities by displaying disaster risk prior prediction, real-time visualization, and post-disaster damage estimation on dashboards

Carbon Neutral (CN) Support Service

A service that supports customers’ CN initiatives, including simplified calculation of CO₂ reductions and support for CN scenario analysis

MS&AD’s Competitive Advantages Supporting Strategy

Scale	History	Diversity	Innovation
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Basic Strategy 2 Transformation (Business reforms)

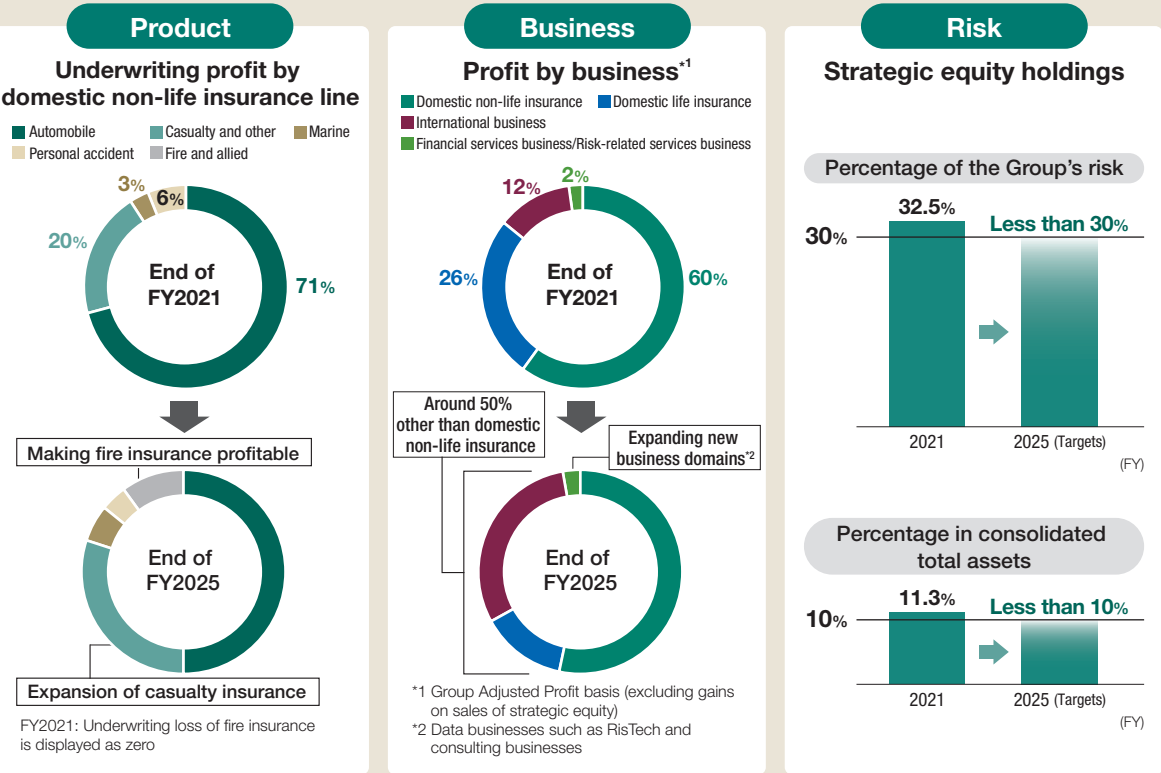
Basic Strategy 3 Synergy (Demonstration of Group synergy)

Basic Strategy 2, “Transformation (Business reforms),” is essential to flexibly respond to changes in the business environment and achieve sustainable growth. In addition to working on the “Three Portfolio Reforms”—“Product Portfolio,” “Business Portfolio,” and “Risk Portfolio”—we will pursue optimal solutions utilizing digital technologies.

Under Basic Strategy 3, “Synergy (Demonstration of Group synergy),” the MS&AD Group will leverage its strengths in diversity to drive growth, while leveraging its scale to improve productivity. We will take advantage of the economies of scale of the domestic non-life insurance business, which boasts the largest market share; boldly promote standardization, collaboration, and integration across the Group by centering on the middle- and back-office divisions of Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance as the “One Platform Strategy”; and achieve greater operational efficiency and quality improvement at the same time. We will also proactively address synergy among domestic Group companies and global synergy.

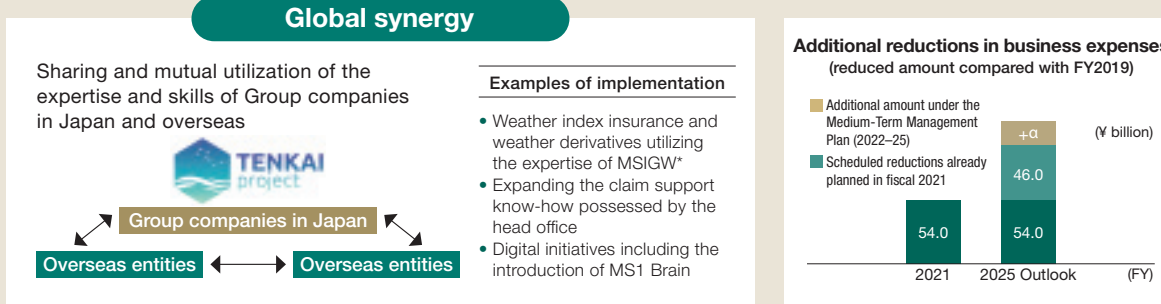
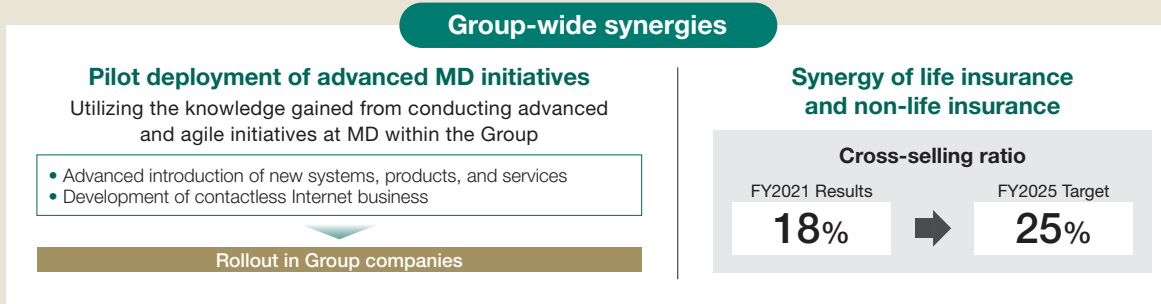
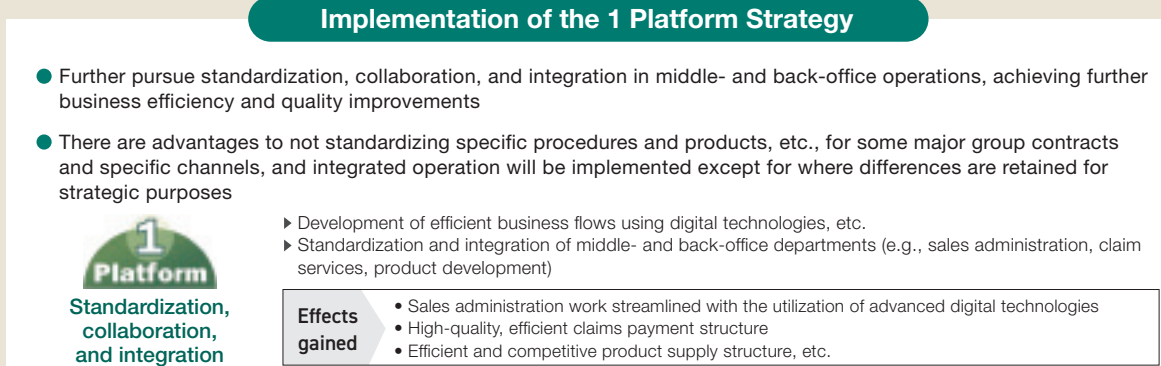
- In the Product Portfolio, we are currently dependent on voluntary automobile insurance, which is expected to see a gradual decline in the market in the future, for approximately 70% of our profits. We will move forward with a transformation to a portfolio with more diversified sources of profits by monetizing fire insurance (entering the black) and expanding casualty insurance by increasing sales of new products that respond to new risks.
- In the Business Portfolio, while maintaining the profit scale of the domestic non-life insurance business, which currently accounts for approximately 60% of profits, we aim to diversify our profit sources by expanding our international business, domestic life insurance business, and new business areas. In FY2025, we aim to secure profit of approximately 50% in businesses other than the domestic non-life insurance business, thereby weaning ourselves from dependence on the domestic non-life insurance business.
- In the Risk Portfolio, the issue is to sell strategic equity holdings, which account for the largest share of the Group’s risk amount. We will continue to sell strategic equity holdings of ¥100 billion annually, totaling ¥400 billion over the four years of the Medium-Term Management Plan (2022–25), to account for less than 30% of the Group’s risk amount and less than 10% of its consolidated total assets.

Three Portfolio Transformations



Pursuit of optimal solutions utilizing digital technologies

- Expand digital-based sales, such as the built-in insurance sales process on EC sites
- Transform business styles through introducing new solutions to a series of business processes
- Improve profitability through more advanced underwriting, expand the market, and use AI to improve the efficiency of underwriting operations



CDO Message

Strengthening our DX foundation, pressing forward with business reforms, and improving Corporate Value.

Masashi Ippongi

CDO
(DX Promotion)

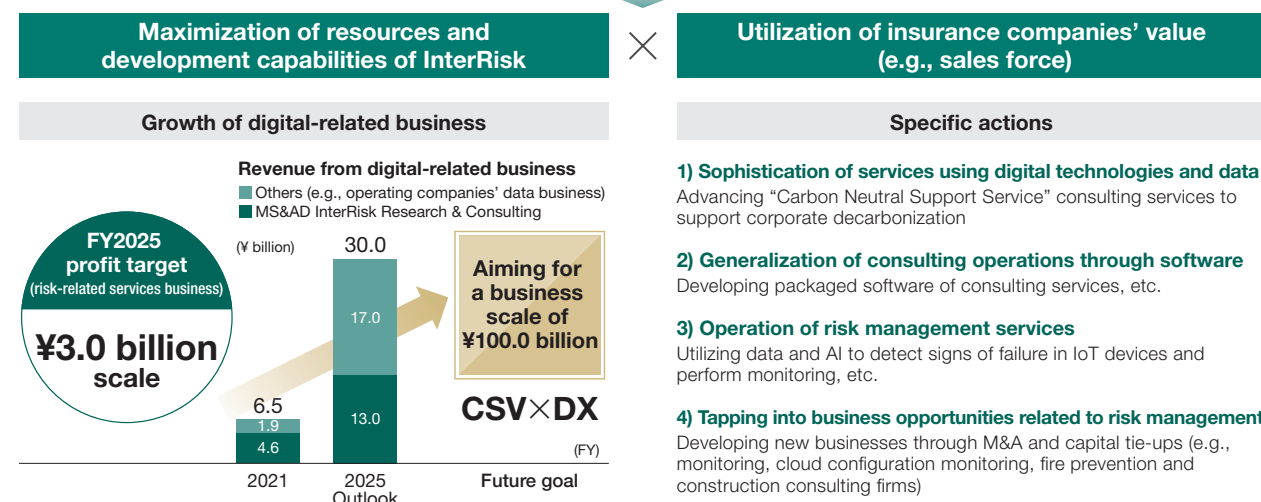
With MS&AD InterRisk Research & Consulting at the core, the Group will work as one to develop new businesses that leverage digital data and grow together with society as a platform provider of risk solutions.

Under “Vision 2021,” we have been working on a CSV × DX strategy to solve social issues through digital transformation (DX). The high awareness of each employee has led to the development of various initiatives utilizing digital technology, which has decidedly driven the Group’s business performance. One of the three basic strategies of the Medium-Term Management Plan (2022–25) launched in FY2022 is Transformation (Business reforms). To respond to the rapidly changing business environment, we will further strengthen the DX foundation we have built and promote

business reforms. Specifically, we will strengthen digital human resources development, which is the cornerstone of our foundation, systems that realize business efficiency, and data management that is the source of new business creation. Through initiatives centered on this DX foundation, MS&AD InterRisk Research & Consulting, the Group as a whole will develop various businesses that provide services and solutions that contribute to solving social issues, aiming to grow together with society as a platform provider of risk solutions.

CSV × DX Initiatives Centered on MS&AD InterRisk Research & Consulting

Transition to integrated management, with MS&AD InterRisk playing a central role in each service development and business development process with each Group company



Pursuit of optimal risk solutions utilizing digital technologies

In our CSV × DX strategy, we are developing services before and after insurance coverage, in addition to compensating financial losses, as a new business area. Specifically, the Company has developed and marketed “Mimamoru” dashcam-based automobile insurance and “TOUGH-Tsunagaru” auto insurance with functions to prevent accidents and losses. Other innovations include “Health management support insurance,” which is linked to a smartphone health management app to support the promotion of employee health. All of these are new product lineups created by digital technology to solve social issues such as traffic accidents and health maintenance.

In the Medium-Term Management Plan (2022–25), we will strive to reform our business model by globally developing products

and services that combine CSV and digital technologies and promote initiatives that contribute to the growth of our international business. Global expansion is already steadily under way, including the marketing of automobile insurance for drivers with dashcams in Taiwan and the horizontal rollout of the “MS1 Brain” AI-powered agent system in the Philippines. We are also marketing automobile insurance and driving-related databases in cooperation with MOTER Technologies, Inc., in the United States and developing a “smart medical insurance” product in Vietnam.

Based on a solid foundation, all the MS&AD Group’s global employees will contribute to the creation of value for stakeholders by providing optimal risk solutions to various social issues through the use of digital technology.

Strengthening our DX foundation

We are actively promoting business development through DX by utilizing advanced digital technologies in collaboration with start-up companies and other means. We are also working to build a digital infrastructure for the entire Group by strengthening our digital human resources development and fostering a digital

culture through internal contests and other measures. These are mainly the Group’s own programs, which have been introduced continuously since FY2018, in collaboration with universities and other educational institutions.

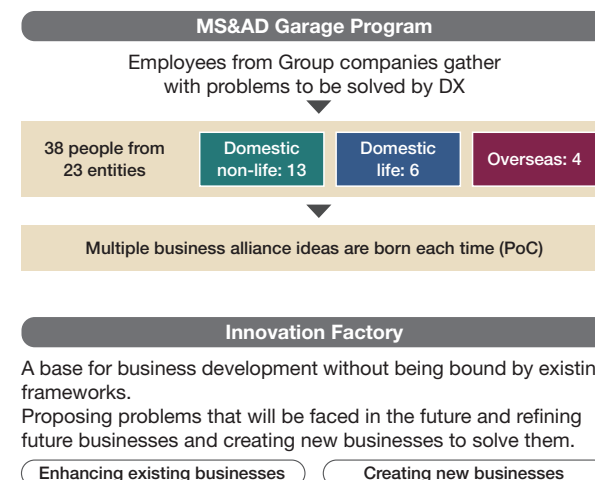
Example of Strengthening the DX Foundation

Promotion of business development through DX

- Based in Silicon Valley, promote advanced business development through collaboration with start-ups and Group companies

MS&AD Ventures Inc. was established in Silicon Valley in 2018. To date, it has invested in more than 75 start-ups and has grown to be ranked in first place* for global insurance company CVC in 2021. It promotes advanced business development through collaboration with start-up companies and Group companies centered on MS&AD Ventures Inc.

*Selected as 16th in venture capital and first in insurance company CVC in the GCV Powerlist Awards 2022

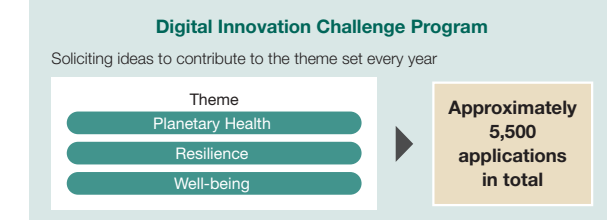


Developing digital human resources

- Fostering in-house data scientists and similar talent through industry-government-academia collaboration



- Fostering the ability to create new business ideas



Financial and Capital Strategies

CFO Message

Tetsuji Higuchi

Representative Director
Executive Vice President, CFO



FY2021 Business Results FY2022 Results Forecast

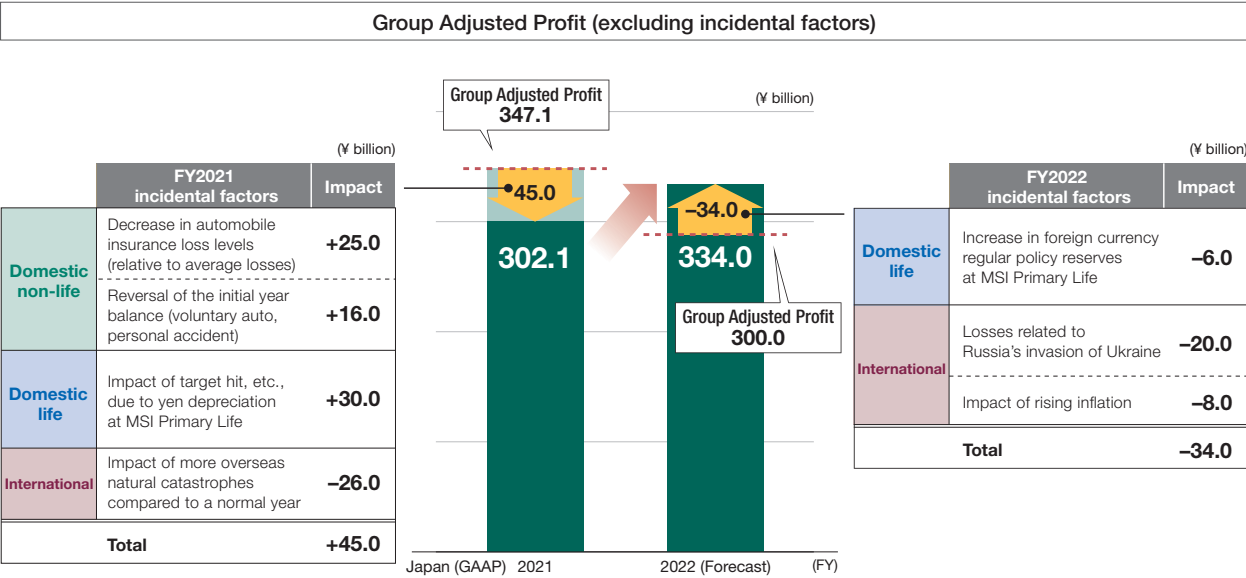
In FY2021, both net premiums written and Group Adjusted Profit reached record highs. We are again aiming for ¥300 billion in Group Adjusted Profit in FY2022.

In FY2021, there were impacts from large-scale natural catastrophes overseas such as Hurricane Ida and flooding in Europe. At the same time, positive factors included recovery from the impact of the pandemic, an increase in investment gains due to a weaker yen and higher stock prices, and a decline in the policy reserve burden for foreign currency denominated insurance.

Net premiums written (non-life) increased ¥108 billion year on year to a record high of ¥3,609 billion, mainly due to an increase in automobile insurance and casualty insurance at domestic non-life subsidiaries, the impact of premium rate increases in overseas markets, and foreign exchange benefits. Group Adjusted Profit increased ¥132.5 billion year on year to a record high of ¥347.1 billion, mainly due to a stable net loss ratio in domestic automobile insurance, strong performance in asset management, and

increased profit in overseas life insurance. Group Adjusted ROE was 9.5%, just short of the 10% target set in the Medium-Term Management Plan, but still 1.0 percentage point above the forecast at the beginning of the fiscal year.

In FY2022, the business environment is expected to be uncertain due to the protracted Russia-Ukraine conflict, inflation concerns, and other factors. Group Adjusted Profit is projected at ¥300 billion, a decrease from the previous year. There were extraordinary factors, such as lower traffic volume due to the pandemic and lower than normal automobile insurance claims paid in FY2021, and the impact of the Russian invasion of Ukraine in FY2022. We expect an increase of approximately ¥32 billion in profit on an actual value basis, excluding extraordinary factors, in FY2021 and FY2022.



Capital Efficiency

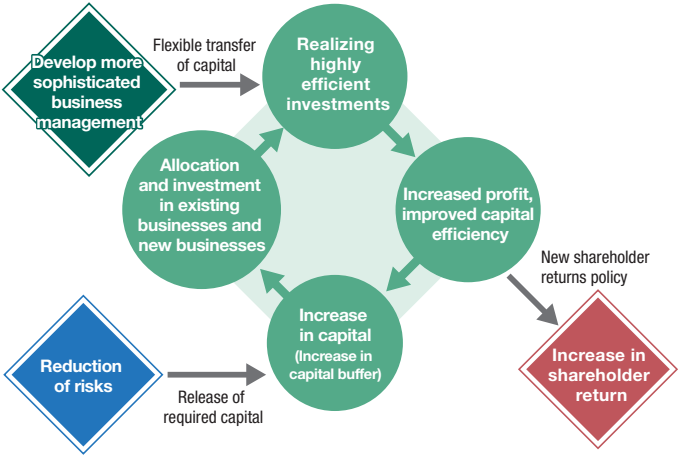
We aim to improve capital efficiency by optimizing group capital allocation through more sophisticated business management and flexible capital transfers.

Improving capital efficiency by optimizing group capital

One of the top priorities of the Medium-Term Management Plan (2022–25) is to improve capital efficiency, and we will promote the optimization of capital allocation to each business in the Group.

First, we will allocate capital to more efficient businesses through more sophisticated business management and flexible capital transfers. This highly efficient investment will increase profits and capital, which will then be used to invest in more efficient businesses, thereby increasing returns to shareholders.

In addition, we will improve corporate value by clarifying issues in each Group company's business and promoting initiatives to resolve these issues.



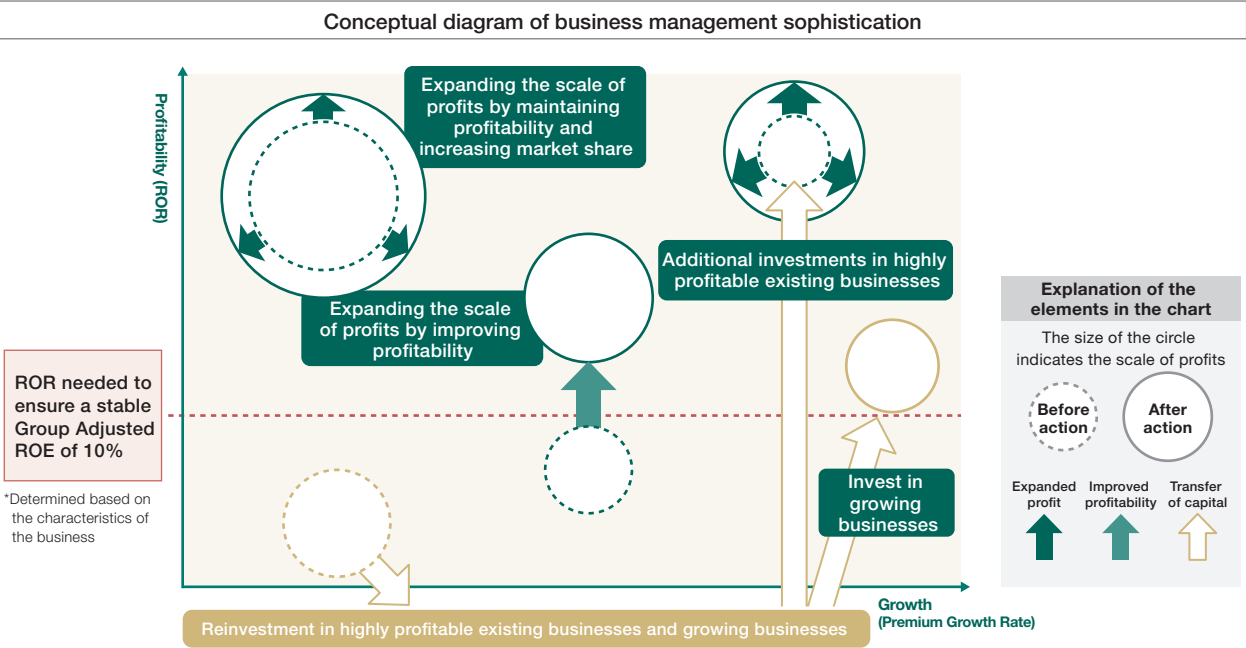
Specific measures for sophisticating business management

Specifically, we will strengthen the monitoring of return on risk (ROR) and value added (VA) for the various businesses of each Group company. For those businesses that do not meet an ROR equivalent to 10% of Group Adjusted ROE, we will clarify the issues and consider and promote measures to improve ROR.

For businesses that cannot be expected to improve and have low growth potential, we will consider the possibility of withdrawing from them, and allocate the capital to more efficient businesses. The review focuses on companies that 1) continue to fail to generate

sufficient earnings relative to their capital costs and are not expected to improve, 2) are not expected to contribute to the Group in terms of synergies and other benefits, and 3) are not expected to grow in the markets where they operate.

The holding company is always aware of the capital that can be transferred by each Group company, and the method of transfer will be envisioned in advance. This will enable us to be poised to flexibly allocate capital to more capital-efficient business opportunities, such as investments in growing businesses.



Policy on Investment in Existing Businesses and New Businesses

Regarding the business investment policy, we will consider investments that lead to the expansion of corporate value, including bolt-on type investments. Specifically, we will efficiently implement three types of business investments to expand corporate value: IT investments and other investments to strengthen competitiveness, M&A and other investments to diversify and expand our business portfolio, and start-up investments and other investments to create new business areas. All investments will be considered with a clear awareness of the capital cost (7%) and with an emphasis on investment returns.

Strengthen

Investment to strengthen the competitiveness of existing businesses

- Investments in systems, investments in digitalization promotion, etc.

Expand

Investment to diversify and expand the business portfolio

- Shared values, sustainable growth model, risk diversification (geographically and balanced portfolio view)

Creation

Investment to create new business territories

- Investment to search for technologies and business models that will be game changers over the next 3–5 years
- During the actual technology implementation phase, carry out investments that demonstrate a strong awareness of financial returns

Investment efficiency

Have a clear awareness of ROI in all investments

Note: The hurdle rate is set based on the cost of capital (7%), the difference between domestic and foreign interest rates, and the risk assessments for each business.

Capital Strategy Risk Reduction

MSI Aioli Life has completed its efforts to reduce interest rate risk by promoting ALM through increased investment in ultra-long-term bonds, with the hedge ratio (interest rate sensitivity of assets* / interest rate sensitivity of liabilities) at a level of approximately 100% as of the end of FY2021.

At the same time, we will continue our efforts to reduce the peak risk of strategic equity holdings by ¥100 billion per year (more than ¥400 billion in total during the Medium-Term Management Plan (2022–25)), aiming for a weighting of less than 10% of consolidated total assets and less than 30% of risk volume.

To mitigate the volatility of profit, we are working to reduce overseas catastrophe risk, aiming to reduce periodic profit/loss impact by 20% in FY2022 compared with the previous year.

*The change in market value when interest rates change 0.5 percentage point

MSI Aioli Life's interest rate risk reduction

MSI Aioli Life's hedge ratio improvement

FY2019-End	FY2020-End	FY2021-End
Approx. 60%	Approx. 80%	Approx. 100%

Reduction in Group-wide ESR volatility

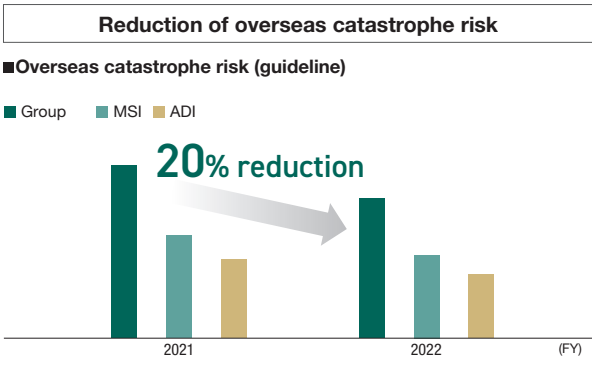
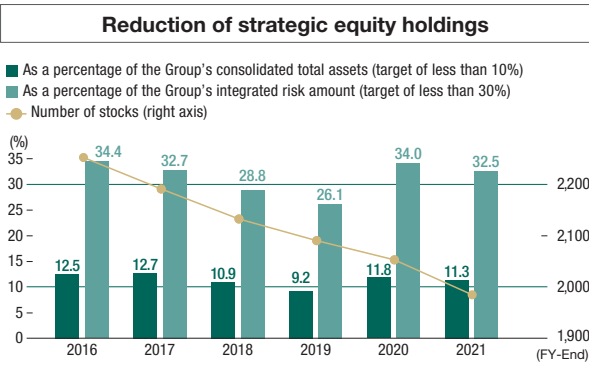
	FY2019-End	FY2020-End	FY2021-End
ESR	186%	235%	228%
Degree of ESR fluctuation when domestic interest rates change ±0.5 percentage point	46pp	27pp	12pp

From "reduction" to "control"

Acquisition of ultra-long-term bonds

Interest rate sensitivity of assets

Interest rate sensitivity of liabilities

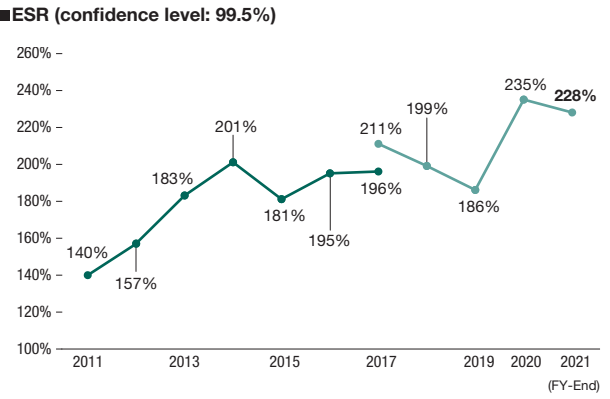


Financial Soundness

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

The Group aims to maintain financial soundness equivalent to an AA rating, and as a guideline, we have set an appropriate level of ESR at 180%–250%. In the Medium-Term Management Plan (2022–25), the upper limit of ESR was raised by 30 percentage points to accumulate capital to support business investments.

The ESR as of March 31, 2022, was 228%, a decrease of 7 percentage points from the previous year, as a result of the redemption of subordinated debt and more advanced measurement of the amount of risk. We will continue to balance risk-taking for sustainable growth and shareholder returns, but we would like to expand shareholder returns if there are no special business investment projects or if the ESR consistently exceeds 250%.



Vision2021 (FY2018–21)

220%

Appropriate level (= Level to ensure financial soundness equivalent to an AA rating)

180%

Medium-Term Management Plan (FY2022–25)

250%

Target range

180%

Consider business investment, additional risk taking, and expanded shareholder return

Strive to improve capital efficiency while maintaining the current capital policy

Identify the path to recovery to appropriate levels and, if necessary, consider measures to restore capital levels and reduce risk

Work to restore to an appropriate level quickly

228% (as of March 31, 2022)

ESR impact of around –14 points due to revised methods for measuring market capitalization and risk amount

Main points of the revision

- Revision of the natural catastrophe model (incorporation of natural catastrophes that have occurred in recent years)
- Recognition of uncertainty about climate change as a risk
- Sophistication and refinement of asset investment risk measurement

Rating of core Group insurance companies

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

Shareholder Return

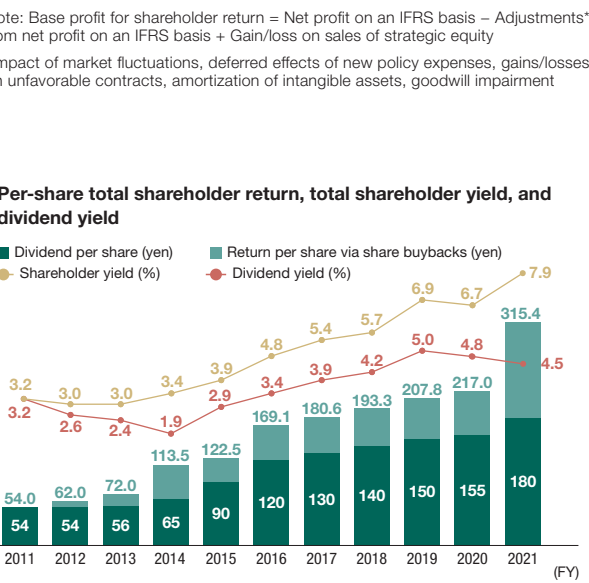
We will return 50% of profits to shareholders through dividends and share buybacks.

In the first stage (FY2022–23) of the Medium-Term Management Plan (2022–25), we will return 50% of Group Adjusted Profit. In the second stage (FY2024–25), we will return 50% of base profit for shareholder return* to shareholders through dividends and share buybacks.

Moreover, we will flexibly and tactically implement additional returns based on market trends, the business environment, capital conditions, and other factors.

Guidelines for considering additional returns include cases where ESR consistently exceeds the upper limit of the target range, where stable returns are maintained when income declines due to large-scale natural catastrophes, etc., and where efficient investment for growth cannot be foreseen.

Regarding shareholder return for FY2021, we decided to increase the annual shareholder dividend by ¥25 from the previous year to ¥180 per share and to repurchase a total of ¥75 billion of our own shares, resulting in a dividend yield of 4.5% and a shareholder yield of 7.9%. For FY2022, we expect to increase the annual dividend by another ¥5 to ¥185 per share. We will continue to aim for stable shareholder returns by increasing corporate value through sustainable growth.



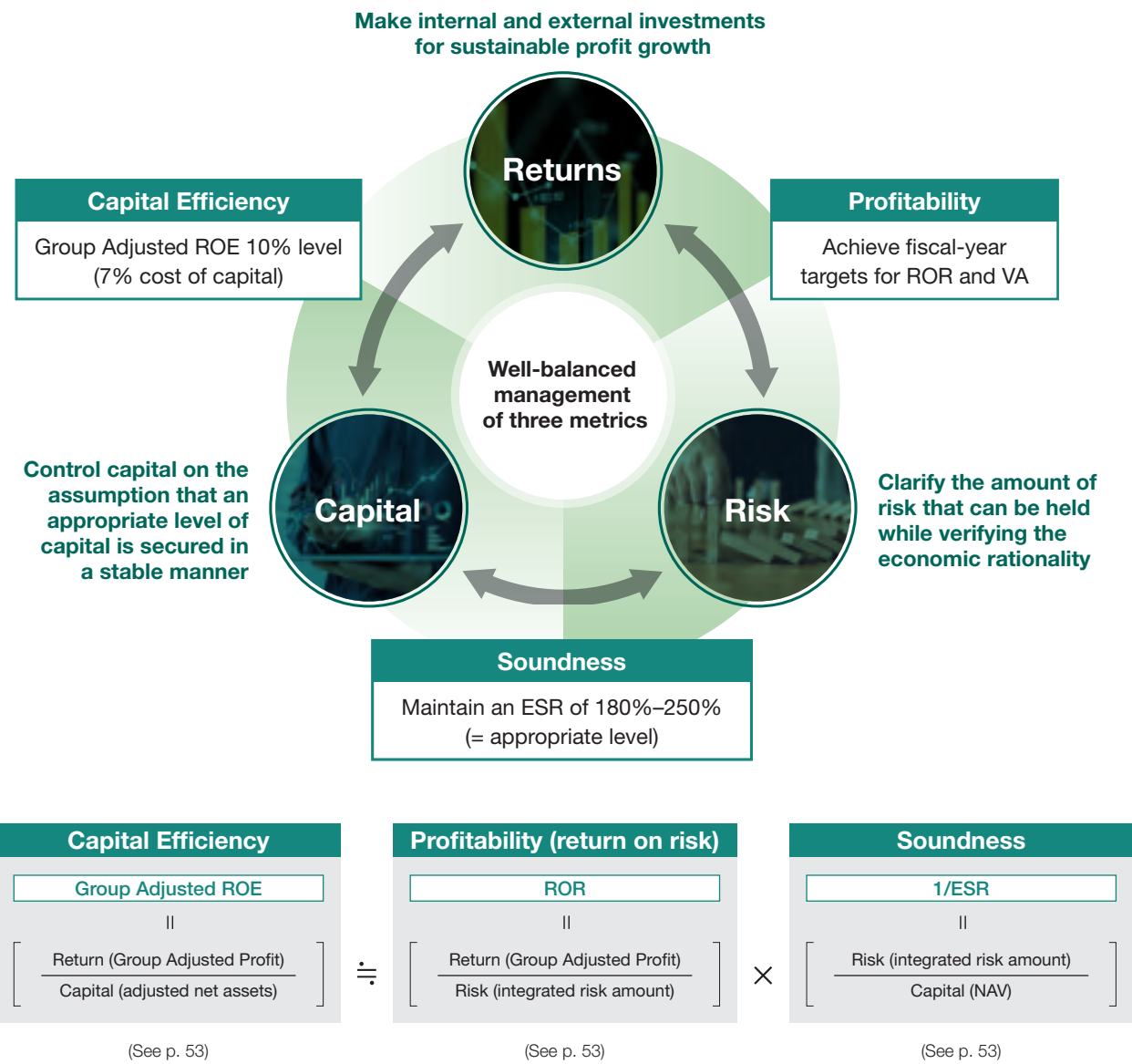


ERM-Based Group Management

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

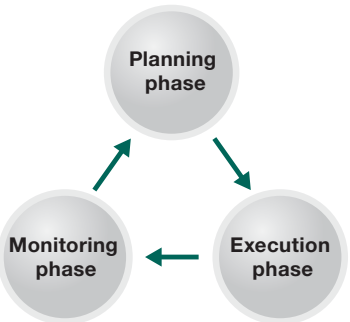
Integrated Management of Risk, Returns, and Capital

To realize its management vision, the Group formulates medium-term management plans in accord with its Group Risk Appetite Statement and holistically manages risk (integrated risk amount), returns (Group Adjusted Profit), and capital (NAV) with the aim of maintaining financial soundness and boosting capital efficiency and risk/return.



ERM Cycle

Planning phase	1) Formulate strategies based on the Group Risk Appetite Statement and establish capital allocation amounts after confirming the amount of risk that can be taken.
Execution phase	2) Take risks within the risk limits based on the capital allocation amounts and others.
Monitoring phase	3) Conduct regular monitoring of financial soundness, profitability, capital efficiency, etc. 4) Based on the outcome of monitoring, examine and implement any necessary measures.



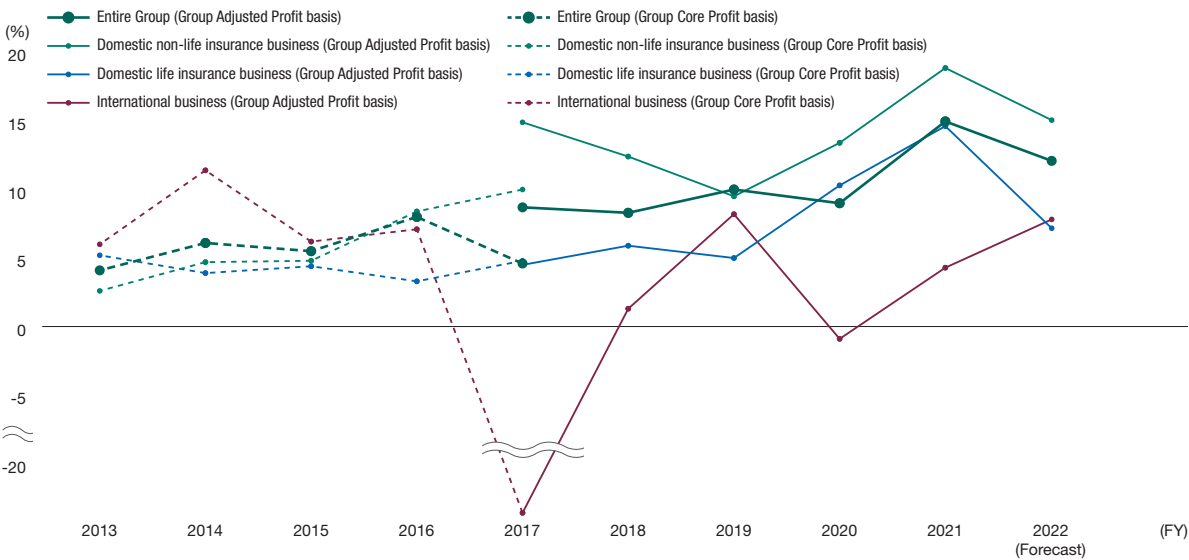
Initiatives to Boost Profitability

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

Product development/sales/initiative management	P/L management by product/line	
	Domestic non-life insurance	Refinement of risk/return management tailored to insurance lines' distinctive attributes Enhancement of income and expenditure management for fire insurance, which is particularly affected by natural catastrophes and major accidents
	MSI Aioi Life*	Assessing ROR for new policies when products are developed and revised and a sales policy is formulated
	MSI Primary Life*	Product-by-product profitability assessment
Asset management strategy	Promoting diversified investment in assets with relatively high expected returns coupled with appropriate risk control	
Retention/reinsurance policy	Establishment of a retention and outward reinsurance scheme that maintains financial soundness and stability of periodic profit and loss and contributes to improving profitability Reduction of a net retained risk amount associated with natural catastrophes	

*MSI Aioi Life: Mitsui Sumitomo Aioi Life Insurance MSI Primary Life: Mitsui Sumitomo Primary Life Insurance

ROR trends



Risk Management

CRO Message

Satoru Tamura

Senior Executive Officer
CRO



To realize our management vision, our Group has formulated a management plan in line with the Group's risk appetite statement and is working to ensure soundness, improve capital efficiency, and improve earnings power based on the ERM cycle. Specifically, based on our risk appetite statement and other factors, we take risks based on allocated capital, and strengthen actions such as risk control and underwriting through monitoring information such as the return on risk.

In FY2021, we secured sufficient capital for risks that might occur as often as once every 200 years by appropriately controlling risks through actions such as using reinsurance, reducing strategic equity holdings, and reducing interest rate risks through comprehensive asset and liability management (ALM). At the same time, we have confirmed that there are no problems with our financial soundness through actions such as stress tests that assume various events, including large-scale earthquakes, storm and flood disasters, fluctuations in financial markets, increased insurance payments due to cyberattacks, and soaring inflation.

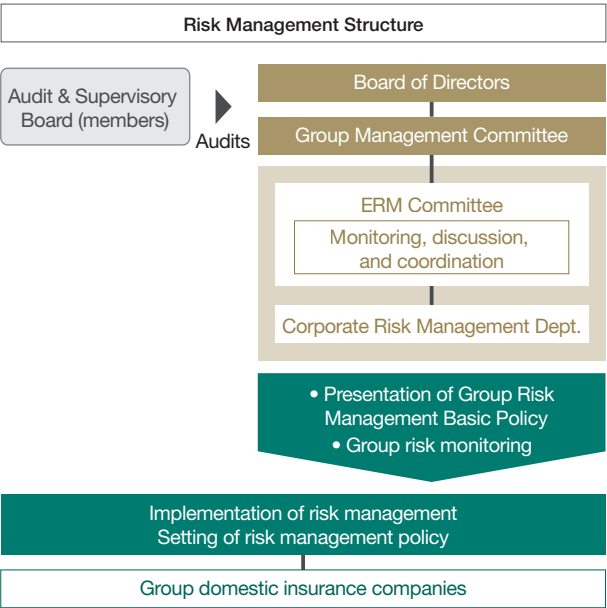
In recent years, the social and economic situation surrounding our Group has undergone significant changes, including the occurrence of large-scale natural catastrophes in and outside Japan, the COVID-19 pandemic, the evolution of digital technologies, the sophistication of cyberattacks, and the rise of geopolitical risks. Amid these environmental changes, through our global insurance and financial services businesses, we will implement forward-looking risk management and continue our business in a stable manner to fulfill our social mission as a corporate group supporting a secure and safe society.

In FY2022, considering changes in the environment, we added "intensification of conflicts among countries and strengthening of economic security" as an important risk (Group Material Risk) that management should address. In addition, "climate change" is an important social issue in coexistence with the global environment and has risks of increasing insurance payments and bringing social and economic changes and others in the process of transitioning to a decarbonized society. Therefore, we continue to manage it as a Group Material Risk and strengthen our efforts for it.

Furthermore, promoting initiatives related to sustainability, such as the conservation of natural capital and respect for human rights, not only contributes to the realization of a sustainable society but also reduces risks in our Group.

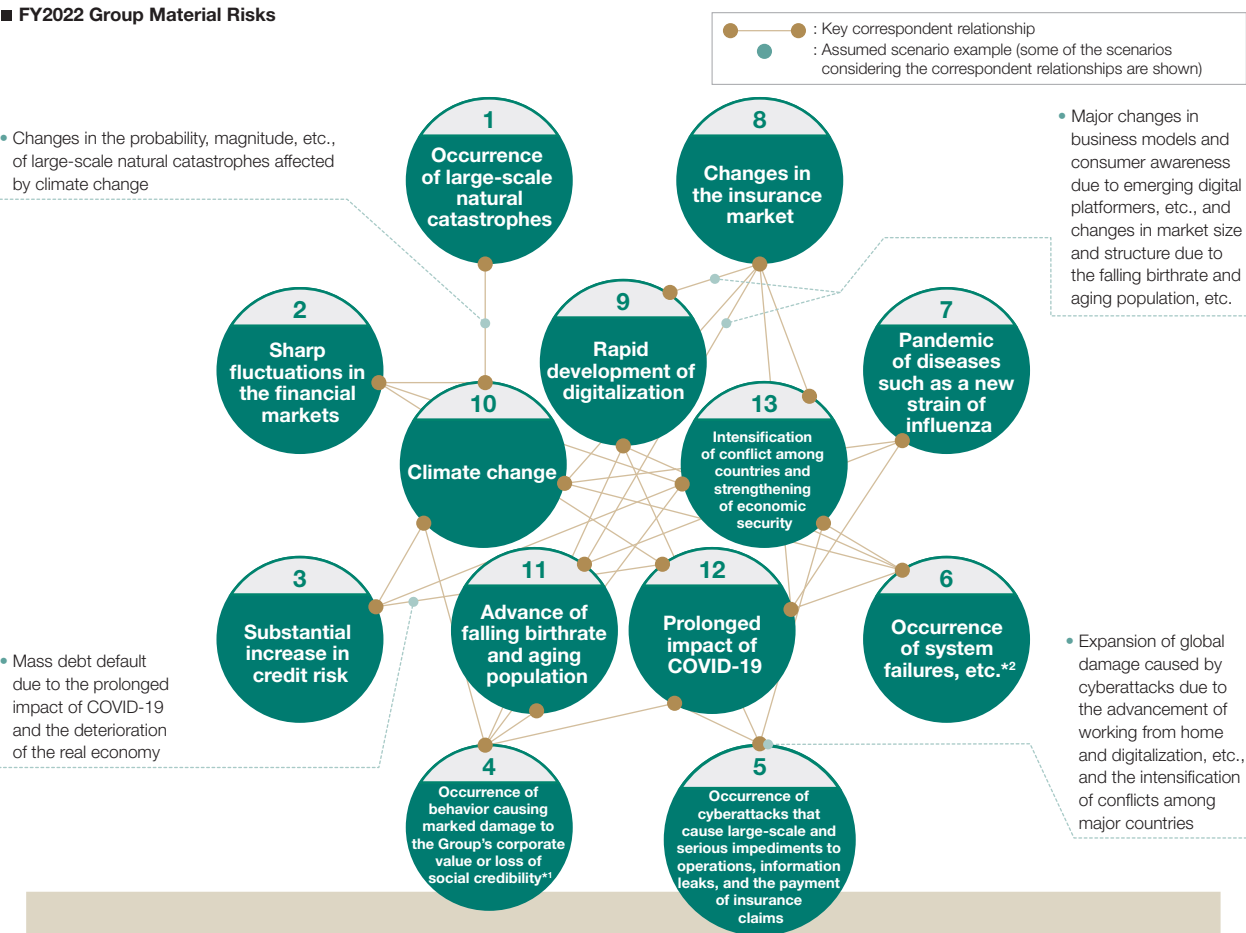
Control of Risks

Our Group has established the "MS&AD Insurance Group Risk Management Basic Policy" and is implementing risk management based on the basic philosophy shared within the Group. Specifically, our Group promotes risk management by identifying major risk events affecting our business portfolio and evaluating their risk factors both quantitatively and qualitatively.



Identification and Management of Risks

Our Group designates important risk events that should be addressed by management as "Group Material Risks," formulates a management action plan, and periodically monitors the status of each risk. In addition to considering the correspondent relationship of each risk event, we are working to control risks based on the scenario of the occurrence of the risk event to be addressed.



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

*1 "Occurrence of behavior causing marked damage to the Group's corporate value or loss of social credibility" refers to violations of laws and regulations relating to Group business, serious labor issues (e.g., long work hours, harassment), human rights violations and elimination of diversity, and inadequate data governance, etc., as well as deviations from social norms, etc. (including those that result from inaction) and actions arising from the lack of, or insufficient, customer-oriented perspective (conduct risk).
*2 "Occurrence of system failures, etc." refers to a risk event related to the frequent occurrence of system failures, the occurrence of serious system failures, and delayed progress, shortfalls, budget overruns, and unrealized expected effects of large-scale system development plans.

Listed below are events with the potential for medium- to long-term impacts on Group management and events for which the impact and timing are difficult to grasp at present but about which we need to maintain awareness. As Group Emerging Risks, our Group periodically monitors these events.

FY2022 Group Emerging Risks	
1	Emergence and rise of new mechanisms and innovative technologies that will bring major changes and transformations in the economy, consumer behavior, and business models
2	Damage to natural capital (depletion of resources, degradation and crises of ecosystems, and man-made pollution and accidents that cause serious damage to the environment)
3	Establishment, revision, or abolition of laws, systems, or regulations, both domestic and foreign, that might have a significant impact on our Group
4	Major changes in labor supply and demand
5	Major turmoil, malfunction, and collapse of national governance and politics, and security crises

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

Official Website Content
• Risk management (https://www.ms-ad-hd.com/en/group/value/risk_management/erm.html)
• Risk Management Basic Policy • Risk management structure • Insurance business risks • Risk management in the international business
• Crisis management system (including the business continuity management system)

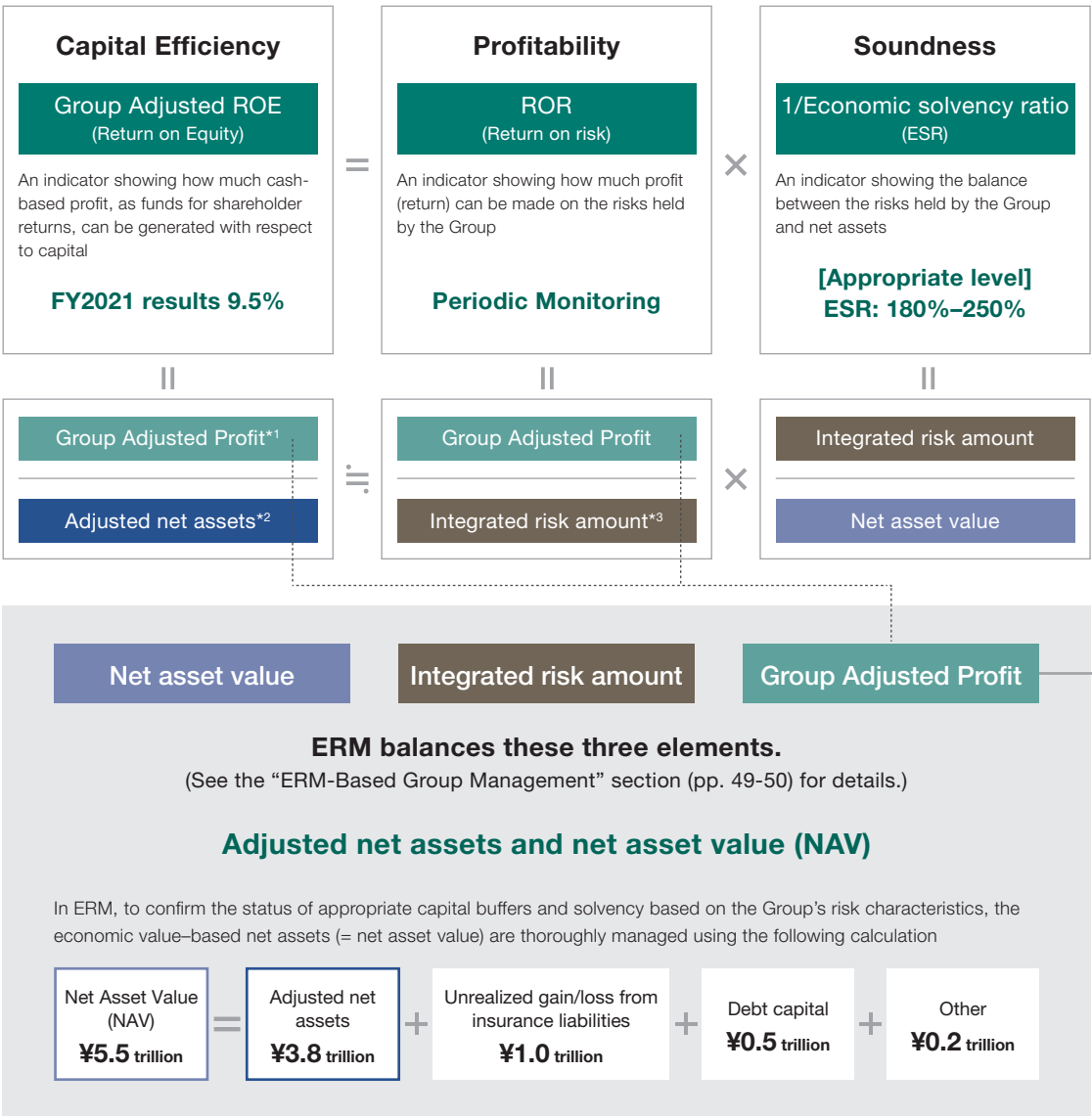
Enhancing Capital Efficiency and Achieving Sustainable Profit Growth

Group Adjusted ROE

The MS&AD Insurance Group regards Group Adjusted ROE as the most important indicator among the numerical management targets set out in the Medium-Term Management Plan (2022–25). Group Adjusted ROE can be broken down into return on risk (ROR), which shows the balance between the risk the Group faces and return (profit), and ESR, which shows the Group's financial soundness. These indicators can also be further broken down

into three elements comprising Group Adjusted Profit, integrated risk amount, and net asset value. The Group manages to balance these three elements through its ERM. (See the “ERM-Based Group Management” section (pp. 49–50) for details.)

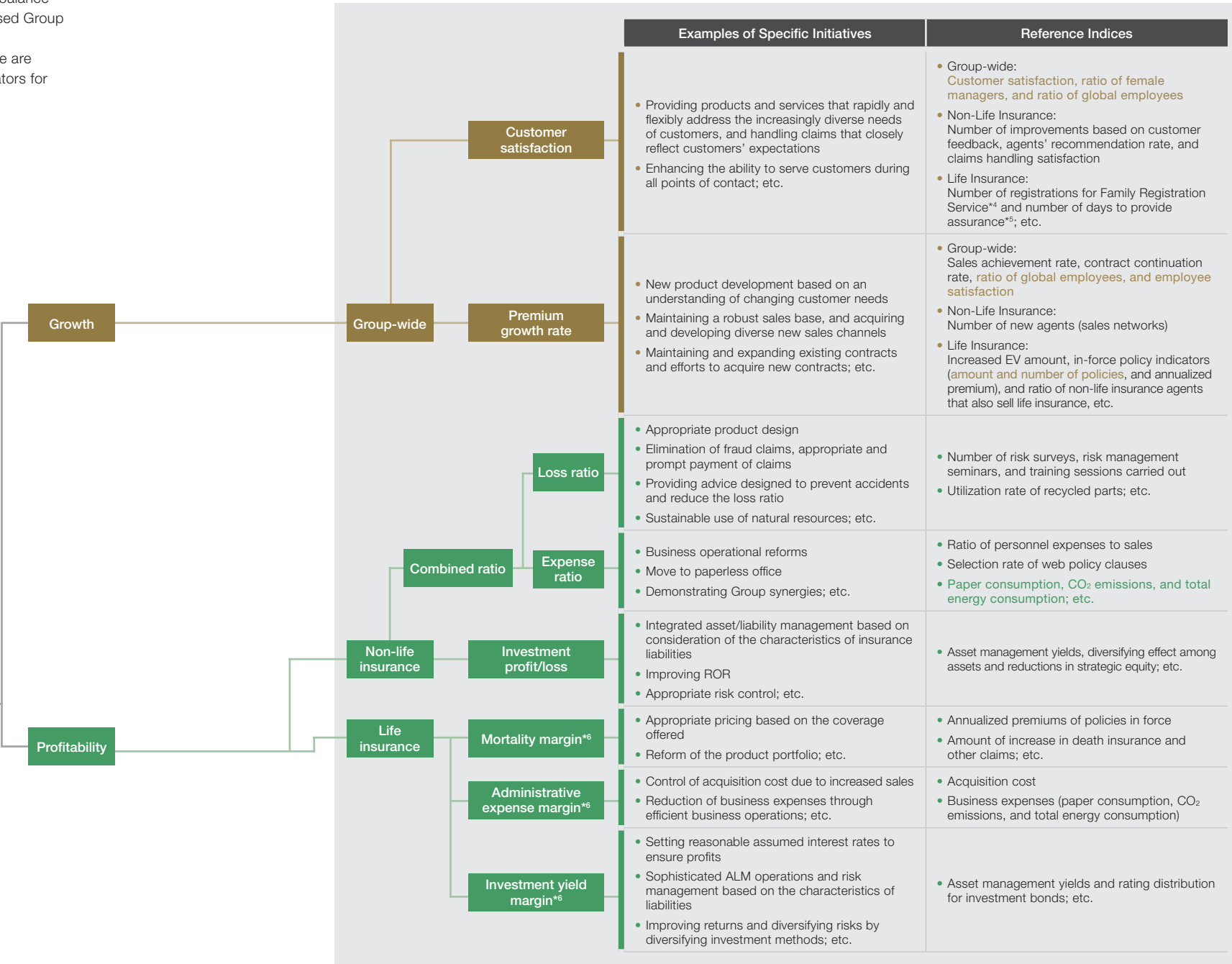
Furthermore, in activities in each business domain, we are promoting various initiatives by setting performance indicators for business divisions to expand Group Adjusted Profit.



*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, and operational risk, etc., quantified through stochastic methods.

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

■ See pp. 55–56 for Financial and Nonfinancial Highlights



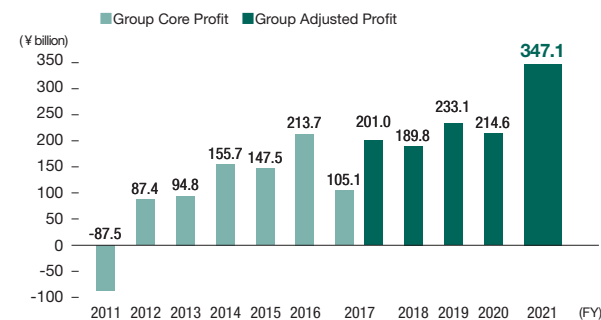
*4 The Family Registration Service is a service that allows pre-registered family members, in addition to the policyholder, to receive information about the insurance policy just like the actual policyholder.
*5 Number of days to provide assurance is an indicator of how long it takes for the company 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.

Financial and Nonfinancial Highlights

✓ A checkmark indicates that FY2021 figures have been assured by KPMG AZSA Sustainability Co., Ltd.

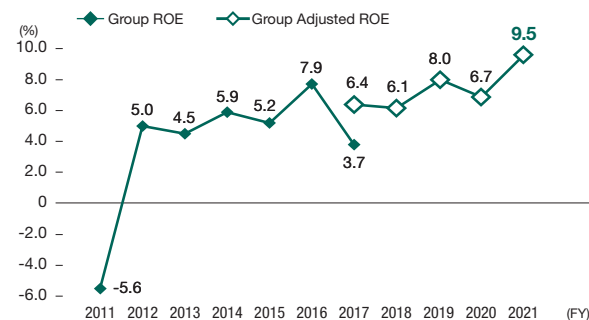
Numerical Management Targets

▶ Group Core Profit/Group Adjusted Profit*1



This is profit that serves as a source of shareholder returns and is the numerical management target in the Medium-Term Management Plan. Given the transition to International Financial Reporting Standards (IFRS) from FY2024, the definition has been changed to "Group Adjusted Profit" in "Vision 2021" (starting in FY2018).

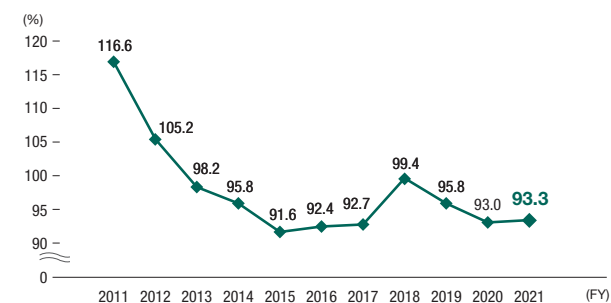
▶ Group ROE/Group Adjusted ROE*1



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.

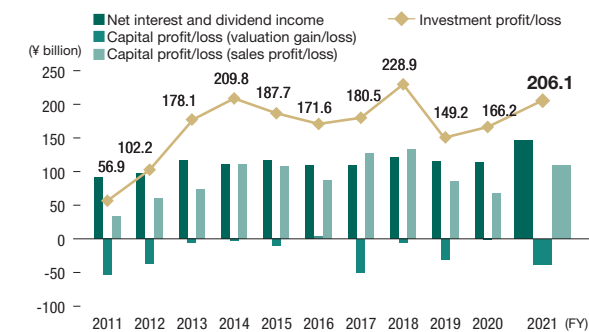
Profitability Indicators

▶ Combined ratio*2 (domestic non-life insurance business)



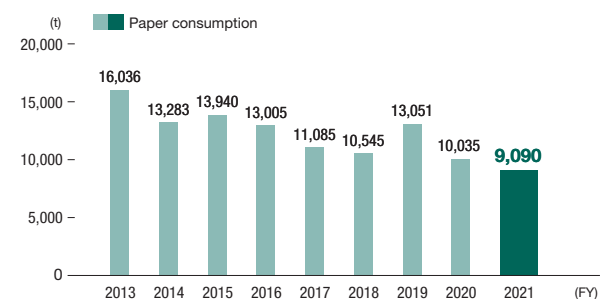
The combined ratio is a key indicator of profitability for underwriting in the non-life insurance business. Profitability is negative when this indicator exceeds 100% and positive when this indicator falls below 100%.

▶ Investment profit/loss*2 (domestic non-life insurance business)



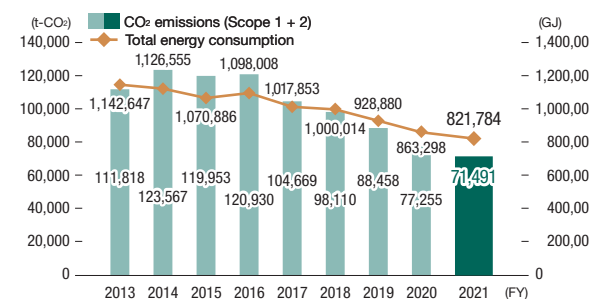
For non-life insurance companies, this is a major source of earnings, next to insurance underwriting profit, and consists of components such as interest and dividend income and gains/losses on sales of securities.

▶ Paper consumption*4



Paperless meetings, PDF-format pamphlets, and portable device and tablet use are being actively incorporated to help reduce paper consumption through various measures including increased application of RPA. FY2019 saw a temporary increase in printed materials due to the change in Japan's era name and product revisions.

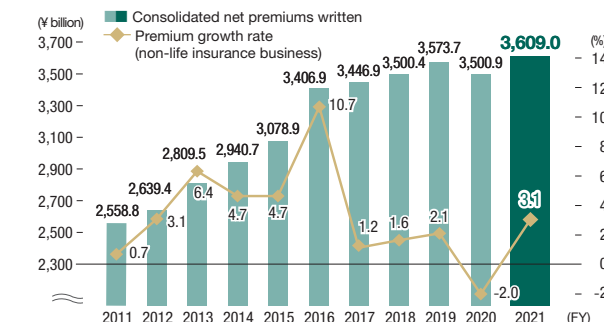
▶ ✓ Greenhouse gas emissions and total energy consumption*3,*4



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

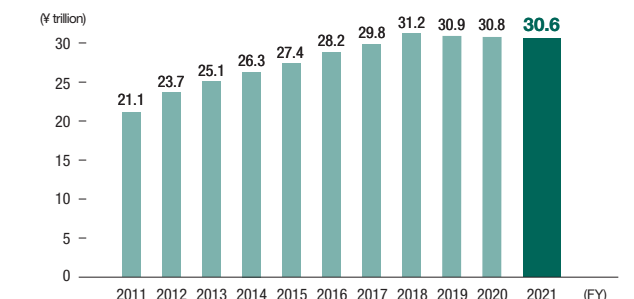
Growth Potential Indicators

▶ Consolidated net premiums written*6 and premium growth rate (non-life insurance business)



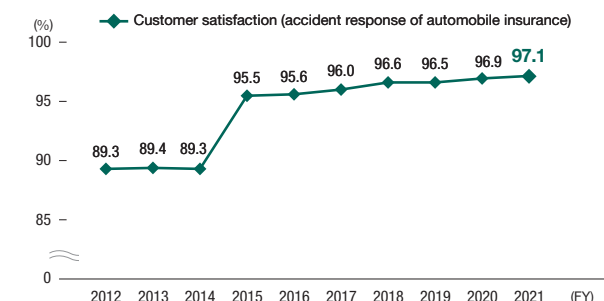
Consolidated net premiums written is one of the numerical management targets in the Medium-Term Management Plan. The premium growth rate indicates growth potential in premium income for the domestic non-life insurance business and international non-life insurance business.

▶ Policies in force*8 (domestic life insurance business)



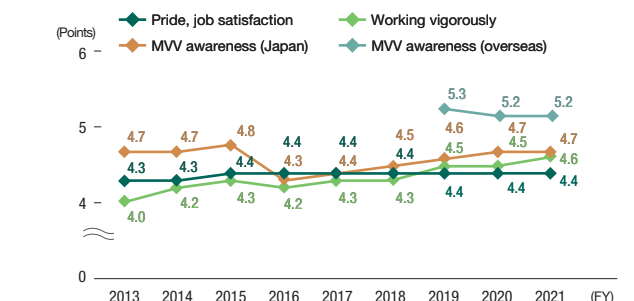
Policies in force is one of the basic indicators of performance of life insurance companies. It represents the total amount of money guaranteed to policyholders of valid policies at the end of a fiscal year (see "Basic Knowledge about the Insurance Industry" on page 105).

▶ Customer satisfaction*5



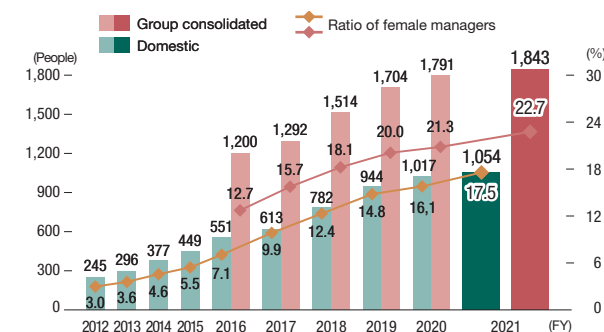
Our growth potential depends on improving customer satisfaction. Along with these indicators, customer opinions are helpful in improving quality.

▶ Employee satisfaction



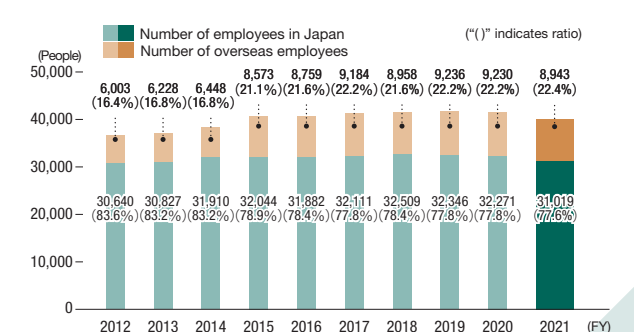
Scope: Domestic Group companies
Note: All-employee average on a six-point scale
We consider "mission/vision/value (MVV) awareness" and "pride, job satisfaction" on the part of Group employees to be important elements in achieving sustainable growth in corporate value and are always aiming to improve these areas.

▶ ✓ Number and ratio of female managers*7



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

▶ ✓ Number and ratio of global employees



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

*1 This calculation method was revised in FY2018. (See the "Glossary of Insurance Terminology" on page 110 for details.)

*2 Simple sum of non-consolidated figures for Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance. (FY2010 is the simple sum of non-consolidated figures for Mitsui Sumitomo Insurance Co., Ltd., Aioi Insurance Co., Ltd., and Nissay Dowa General Insurance Co., Ltd.)

*3 Total energy consumption is calculated based on the energy conversion coefficient from the Law Concerning the Promotion of Measures to Cope with Global Warming. Electric power energy use, however, is 3.6 GJ/MWh.

*4 For FY2013 to FY2016, CO2 emissions resulting from tenant use of rental properties were included in our own CO2 emissions. Moreover, emissions for FY2013 to FY2015 were calculated prior to the acquisition of MS Amlin, etc., and thus its emissions are not included in these figures. FY2019 and FY2020 figures were revised to improve calculation accuracy for the data that are the subject of the calculations.

*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 (Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance).




*6 Excludes the Good Results Return premiums of the "ModoRich" voluntary auto insurance product

*7 As of April 1 of the subsequent fiscal year for domestic Group companies and as of December 31 for overseas Group companies.

*8 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 FY2011 shows a simple sum for the two companies.

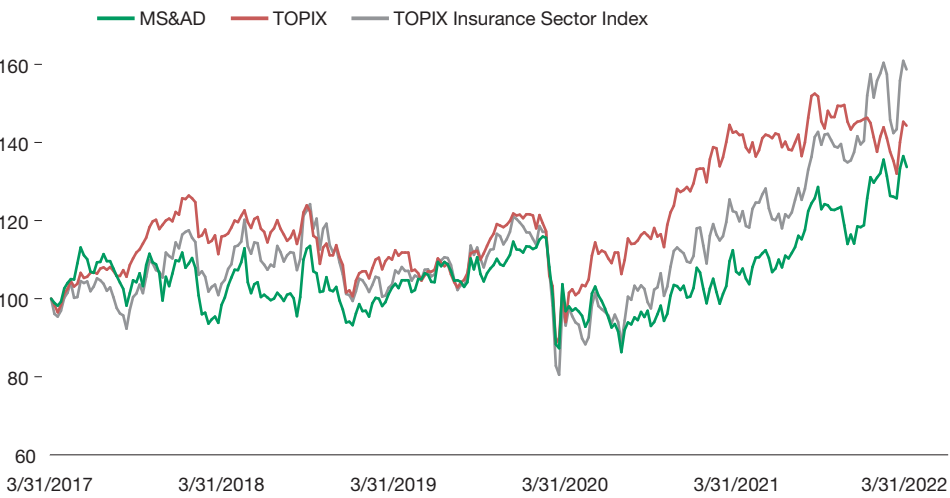
11-Year Performance

Key Management Indicators

	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018		FY2019	FY2020	FY2021
Consolidated financial data (¥ million)												
Ordinary income	3,764,986	4,315,787	4,362,754	4,689,658	5,013,038	5,335,239	5,217,835	5,500,438		5,168,361	4,892,244	5,132,042
Net premiums written	2,555,551	2,639,015	2,811,611	2,939,113	3,078,732	3,407,389	3,440,976	3,497,572		3,573,732	3,500,996	3,609,052
[Net premiums written]* ¹	[2,558,844]	[2,639,419]	[2,809,581]	[2,940,756]	[3,078,995]	[3,406,966]	[3,446,940]	[3,500,403]		[3,573,732]	[3,500,996]	[3,609,052]
Insurance claims paid (non-life + life)	2,133,440	1,961,399	2,025,545	1,996,675	2,023,599	2,162,773	2,311,295	2,528,145		2,403,833	2,307,722	2,418,385
Ordinary profit/(loss)	-96,211	150,300	190,259	287,061	291,578	352,612	211,548	290,847		157,701	306,524	390,499
Net income attributable to owners of the parent* ²	-169,469	83,625	93,451	136,247	181,516	210,447	154,057	192,705		143,030	144,398	262,799
Comprehensive income/(loss)	-88,136	543,938	322,865	807,972	-233,116	114,294	311,096	-79,701		-157,288	753,938	310,470
Net assets	1,512,134	2,021,625	2,285,832	3,036,663	2,725,274	2,734,432	2,968,387	2,778,047		2,494,038	3,126,657	3,302,749
Total assets	14,537,204	15,914,663	16,878,148	18,788,046	20,303,649	21,234,300	22,472,927	23,132,539		23,196,455	24,142,562	25,033,846
Consolidated solvency margin ratio* ³	553.8%	738.8%	772.5%	803.9%	743.3%	872.6%	819.3%	807.3%		781.3%	916.0%	857.9%
Equity ratio	10.27%	12.56%	13.39%	16.00%	13.29%	12.76%	13.09%	11.89%		10.57%	12.78%	13.0%
Return on equity (ROE)	-10.91%	4.79%	4.42%	5.18%	6.36%	7.78%	5.45%	6.77%		5.50%	5.22%	8.3%
Combined ratio* ⁴ (domestic non-life insurance)	116.6%	105.2%	98.2%	95.8%	91.6%	92.4%	92.7%	99.4%		95.8%	93.0%	93.3%
Group Core Profit* ⁵ /Group Adjusted Profit* ⁶	-87,500	87,400	94,800	155,700	147,500	213,700	105,100	189,800		233,100	214,600	347,100
Group ROE* ⁷ /Group Adjusted ROE* ⁸	-5.6%	5.0%	4.5%	5.9%	5.2%	7.9%	3.7%	6.1%		8.0%	6.7%	9.5%
Per share data (yen)												
Net income per share (basic)* ⁹	-272.49	134.46	150.58	221.34	298.72	350.94	260.04	328.72		248.36	255.79	474.52
Net income per share (diluted)* ¹⁰	—	—	—	—	—	350.90	259.98	328.60		248.22	255.65	474.32
Group Core Profit (Loss) per share/ Group Adjusted Profit* ¹¹	-140.82	140.56	152.79	252.99	242.83	356.39	177.47	323.87		404.92	380.21	626.90
Dividend per share (DPS)	54.00	54.00	56.00	65.00	90.00	120.00	130.00	140.00		150.00	155.00	180.00
Book-value per share (BPS)	2,400.48	3,215.33	3,646.22	4,911.40	4,469.58	4,572.82	4,964.64	4,712.11		4,308.37	5,525.42	5,955.21
Stock price-related data												
Year-end market price (closing price) (yen)	1,699	2,066	2,364	3,370	3,136	3,540	3,355	3,370		3,025	3,249	3,978
Price-earnings ratio (PER)* ¹² (times)	—	15.36	15.70	15.23	10.50	10.09	12.90	10.25		12.18	12.70	8.38
Price-to-book ratio (PBR)* ¹² (times)	0.71	0.64	0.65	0.69	0.70	0.77	0.68	0.72		0.70	0.59	0.67
Dividend yield* ¹²	3.2%	2.6%	2.4%	1.9%	2.9%	3.4%	3.9%	4.2%		5.0%	4.8%	4.5%
Annual total shareholder return (TSR)* ¹³	-7.4%	24.8%	17.1%	45.3%	-4.9%	16.7%	-1.6%	4.6%		-5.8%	12.5%	28.0%
Stock price volatility (annual rate)* ¹⁴	26.6%	35.8%	39.0%	25.3%	41.0%	36.9%	19.7%	16.2%		19.4%	23.2%	21.7%
Capital management policy data (¥ million)												
Total dividends	33,582	33,582	34,715	39,900	54,447	71,489	77,014	81,720		85,770	86,995	99,088
Dividend payout ratio (consolidated)	—	40.2%	37.2%	29.4%	30.1%	34.2%	50.0%	42.6%		60.4%	60.6%	37.9%
Aggregate amount of repurchase* ¹⁵	0	4,996	9,997	29,992	19,996	29,938	29,981	31,972		34,999	34,999	(Maximum) 75 billion yen
[Average repurchase price (yen)]* ¹⁶	—	[2,565]	[2,523]	[3,373]	[3,044]	[3,738]	[3,440]	[3,482]		[3,407]	[3,286]	—
Shareholder return ratio* ¹⁷	—	44.1%	47.2%	44.9%	50.4%	47.7%	101.8%	60.0%		52.0%	57.0%	(Plan)50.0%
Nonfinancial data												
Customer satisfaction (accident response for automobile insurance)* ¹⁸	—	89.3%	89.4%	89.1%	95.5%	95.6%	96.0%	96.6%		96.5%	96.9%	97.1%
Number of employees	36,929	36,643	37,055	38,358	40,617	40,641	41,295	41,467		41,582	41,501	39,962
(of which consolidated overseas subsidiaries) 	5,772	6,003	6,228	6,448	8,573	8,759	9,184	8,958		9,236	9,230	8,943
Number of female managers* ¹⁹ (domestic) 	—	245	296	377	449	551	613	782		944	1,017	1,054
Number of employees participating in social contribution activities (domestic)	—	16,142	11,373	15,124	16,507	19,861	20,022	23,601		27,673	26,519	23,024
Greenhouse gas emissions (Scope 1 + 2)* ²⁰ 	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	98,110t-CO ₂		88,458t-CO ₂ ^{*20}	77,255t-CO ₂ ^{*20}	71,491t-CO ₂
Paper consumption (domestic)	16,445t	14,445t	16,036t	13,283t	13,940t	13,005t	11,085t	10,545t		13,051t ^{*20}	10,035t	9,090t

 A checkmark indicates that fiscal 2021 figures have been assured by KPMG AZSA Sustainability Co., Ltd.

TSR for the Last Five Years



	Past 1 Year	Past 2 Years		Past 3 Years		Past 4 Years		Past 5 Years	
MS&AD	28.0%	42.6%	[19.4%]	32.4%	[9.8%]	37.2%	[8.2%]	33.7%	[6.0%]
TOPIX	2.0%	45.0%	[20.4%]	31.2%	[9.5%]	24.6%	[5.6%]	44.3%	[7.6%]
TOPIX Insurance Sector Index	31.7%	68.6%	[29.9%]	53.1%	[15.3%]	52.9%	[11.2%]	58.7%	[9.7%]

Notes:

1. The graph above shows the profit margin where an investment is made at the end of March 2017, taking into consideration dividends and share prices as of the end of March 2022. 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 2017 set as 100. Similarly, the indices compared use both the TOPIX and the Tokyo Stock Exchange's industry-specific index (insurance industry), with the data incorporating dividends.

2. The table above shows the investment return (including dividends) as of the end of March 2022 for investments from one year earlier (end of March 2021) to five years earlier (end of March 2017).

3. The values within brackets [] from two years earlier to five years earlier show the average annual return, annualized by taking the geometric mean of the investment return for the relevant period.

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

*1 Figures are presented exclusive of the Good Results Return premiums of Mitsui Sumitomo Insurance's proprietary automobile insurance product "ModoRich," which contains a special clause for premium adjustment and refund at maturity.

*2 The net income or net loss attributable to the parent company shareholder is disclosed.

*3 Consolidated solvency margin ratios have been calculated for years beginning from FY2011 reflecting the revision of the Insurance Business Act, etc.

*4 Simple sum of non-consolidated figures of Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance

*5 Group Core Profit = consolidated net income – net capital gains/losses on stock (e.g., gains/losses on sales) – net evaluation gains/losses on credit derivatives – other incidental factors + equity in earnings of the non-consolidated Group companies (prior to FY2017)

*6 Group Adjusted Profit = consolidated net income + provision for catastrophe loss reserve and others – other incidental factors (e.g., amortization of goodwill and other intangible fixed assets) + equity in earnings of the non-consolidated Group companies (FY2018 onward)

*7 Group ROE = Group Core Profit ÷ consolidated net assets (average of beginning and ending amounts excluding stock acquisition rights and non-controlling interest) (prior to FY2017)

*8 Group Adjusted ROE = Group Adjusted Profit ÷ average of beginning and ending amounts on the B/S of adjusted net assets (consolidated net assets + catastrophe loss reserve and others – goodwill and other intangible fixed assets) (FY2018 onward)

*9 Net income/(loss) per share (EPS) disclosed

*10 Net income per share (EPS) and diluted EPS disclosed. Diluted net income/(loss) per share data prior to FY2015 are not disclosed because there was no potential dilution during that period.

*11 Group Core Profit/(Loss) per share (prior to FY2017) or Group Adjusted Profit/(Loss) per share (FY2018 onward)

*12 Stock price-related indicators are based on the market price of the stock at the end of the fiscal year.

*13 Total shareholders' return is calculated as follows: (fiscal year-end stock price – previous fiscal year-end stock price + annual dividends) ÷ previous fiscal year-end stock price

*14 Stock price volatility is the annualized standard deviation of returns based on daily closing prices.

*15 The aggregate amount of repurchase price in FY2021 was ¥75 billion (maximum). The periods of repurchase are ¥25 billion (maximum) from November 22, 2021, to March 24, 2022 (resolved at the meeting of the Board of Directors held on November 19, 2021), and ¥50 billion (maximum) from June 13, 2022, to September 22, 2022 (resolved at the meeting of the Board of Directors held on May 20, 2022).

*16 Average repurchase price for FY2021 has not been stated because the repurchase of own shares has not been completed

*17 Shareholder return ratio = (dividends applicable to the fiscal year (paid in December of that year and June of the following year) + value of share repurchases during the period through the time of the general shareholders' meeting in the following fiscal year) ÷ Group Core Profit for the fiscal year (from FY2018: Group Adjusted Profit)

*18 Ratio of customers satisfied with accident response for automobile insurance (Mitsui Sumitomo Insurance and Aioi Nissay Dowa insurance). From FY2015, the client survey was modified from five stages to four stages.

*19 Number of female employees in positions of manager or higher (as of April 1 of the subsequent fiscal year for domestic Group companies and as of December 31 for overseas Group companies)

*20 From FY2011 to FY2016, greenhouse gas emissions resulting from the tenant use of rental real estate are reported as in-house emissions. The figures from FY2011 to FY2015 were those before the acquisition of MS Amlin and others, and do not include emissions from that company. The figures for FY2019 and FY2020 were revised to improve the accuracy of activity data subject to calculation.

Domestic Non-Life Insurance Business

Business Environment

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

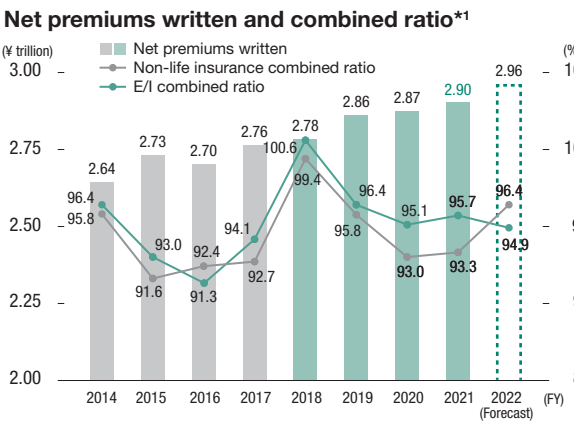
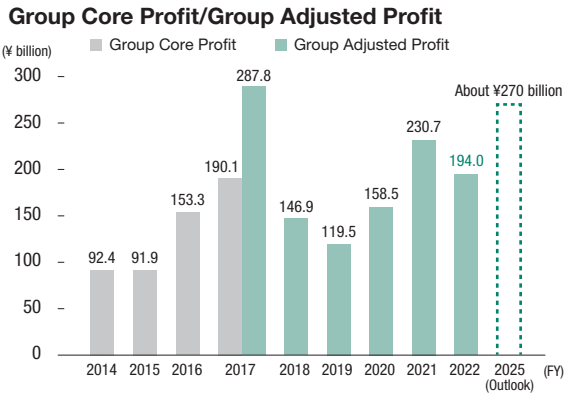
The domestic non-life insurance market is steadily growing. However, traditional markets such as voluntary automobile insurance and fire insurance are expected to shrink in the medium to long term due to factors such as the population decline, the progression of the falling birthrate and aging population, and the decrease in traffic accidents caused by the penetration of advanced safety devices.

On the other hand, due to the increased interest in social issues such as climate change and the extension of healthy life expectancy, and changes in the social environment such as the progress of digitization, new risks and their associated new insurance needs are emerging.

Our Group will continuously improve its corporate value by responding to social and environmental changes, creating new value, and transforming its business as a group.

Group Management Figures

(Non-consolidated simple sum of Mitsui Sumitomo Insurance, Aioi Nissay Dowa Insurance, and Mitsui Direct General Insurance)



*1 Non-consolidated simple sum of Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance

Initiatives, Results, and Issues of the Medium-Term Management Plan “Vision 2021”

1) Efforts to promote sales of voluntary automobile insurance

We are rolling out products and services based on the concepts of CSV (creating shared value) × DX (digital transformation). Using driving data obtained through an original dedicated drive recorder, telematics voluntary automobile insurance “Mimamoru Car Insurance” offers the “Driving Diagnosis Report” and the “Safety Driving Support Alert” alerting customers to actions such as forward collisions, sudden acceleration and deceleration, and reverse driving on expressways to encourage customers to drive safely. The number of sales*1 of telematics voluntary automobile insurance, mainly for “Mimamoru Car Insurance,” steadily increased from 867,000 in FY2020 to 1,748,000 in FY2021.

2) Efforts to improve the earnings of fire insurance

In recent years, in addition to the increased severity and frequency of natural disasters, large losses have occurred, resulting in an increase in fire insurance payments. During the “Vision 2021” period, we powerfully worked on initiatives to improve these losses and enhance earning power foundations. For example, in addition to raising rate levels through revising product and rates twice, we took activities for recommending disaster prevention and reduction using digital technologies

and reviewing the underwriting conditions for high-risk policies. However, in FY2021, underwriting profit before reflecting catastrophe reserves was negative ¥66.7 billion, seeing a continued difficult situation.

3) Expansion of casualty insurance markets

There is growing demand for insurance to match new risks that were not assumed in the past. Considering this environment, we have strengthened the supply of products such as package insurance for middle-scale enterprises and small and medium-sized companies, cyber insurance, and insurance for mega solar operators, and expanded the market.

4) Initiatives to reduce business expenses

We began transforming our business style such as improving operational efficiency through large-scale system development projects (those already in operation), utilizing digital technologies, working remotely, and using free addresses in offices. As a result, as of the end of FY2021, we had achieved a cost reduction of ¥54 billion (compared with FY2019), significantly exceeding our target of ¥30 billion.

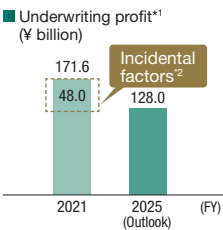
*1 Simple sum of Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance

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

- ▶ In the domestic non-life insurance business, we will leverage our strengths in “three distinctive insurance companies,” the “largest sales network in Japan,” and a “strong network” to maintain profits in voluntary automobile insurance; enter the black earlier in fire insurance; and accelerate the expansion of casualty insurance to expand profits and continue to achieve strong growth.
- ▶ We will accelerate our Group-wide efforts to reduce business expenses from the Medium-Term Management Plan “Vision 2021” and further strengthen our earning power.
- ▶ We will boldly promote the “One Platform Strategy” to reduce business expenses and improve productivity.

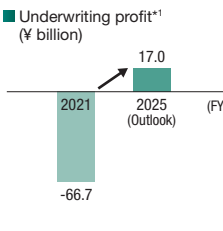
Maintaining the profitability of auto insurance

- Continue to expand the top line as a pillar of revenue and maintain profitability
- Initiatives reflecting changes in the automotive industry (e.g., spread of EVs and connected cars, advances in CASE and MaaS)
- Strengthen the sales capabilities of professional agents and other channels using digital technology



Improving the profitability of fire insurance

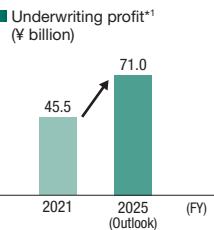
- Revisions to products and premium rates (scheduled for October 2022) and strengthening of measures to deal with unprofitable individual policies
- Initiatives to prevent and mitigate loss through risk consulting and the utilization of data and digital technologies
- Initiatives to improve profitability, such as strengthening response to specific contractors and promoting the use of specialized disaster recovery companies



*1 Simple sum of non-consolidated figures for Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance.
*2 Domestic auto losses versus the average year: +¥35.0 billion; reversal of the initial year balance: +¥13.0 billion
*3 Sum of Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance

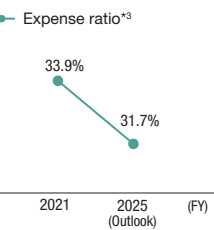
Expanding profits from casualty insurance

- Strengthen sales of products for SMEs
- Expand earnings as a growth driver by improving the ability to deal with new risks
- Develop new markets through data services such as RisTech and develop new sales channels such as embedded insurance on e-commerce sites



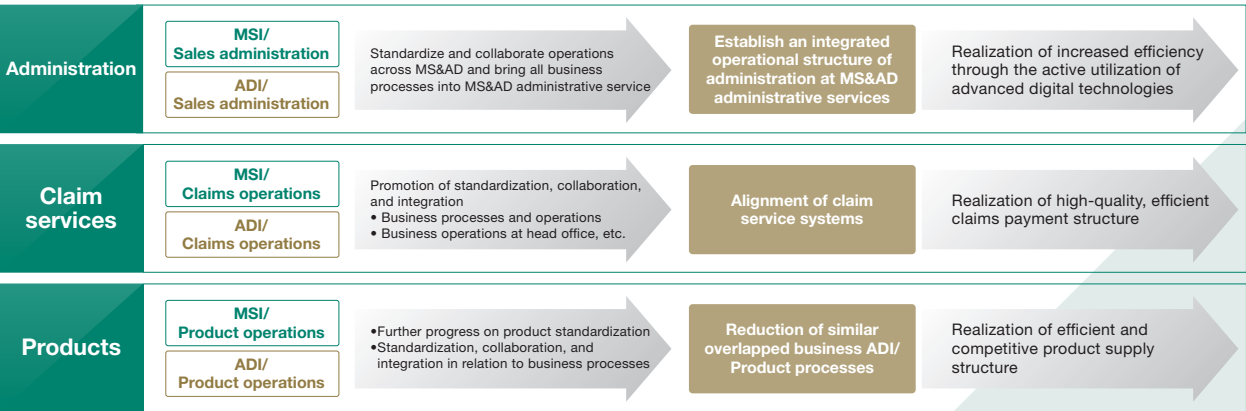
Reducing expenses

- In addition to incorporating the effects of large-scale system development projects, further integrate the middle- and back-office divisions under the “One Platform Strategy” to accelerate productivity improvement
- Use digital technologies and business style transformations to reduce business expenses



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

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



Note: Includes details of initiatives from FY2026

Domestic Life Insurance Business

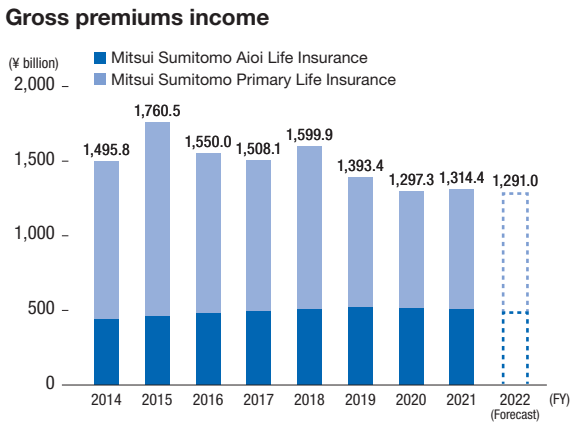
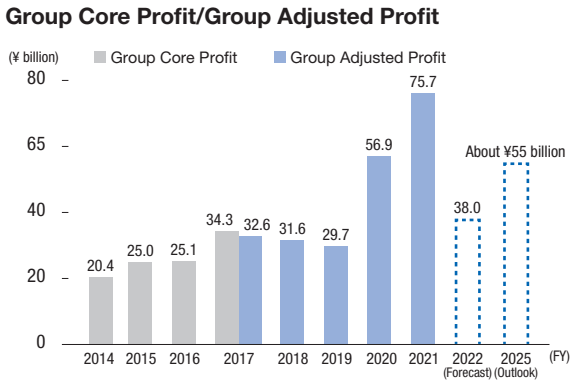
Business Environment

Led by two unique life insurance companies—Mitsui Sumitomo Aioi Life Insurance providing protection-type products and Mitsui Sumitomo Primary Life Insurance offering asset-building products—our Group's domestic life insurance business is growing in response to the needs of customers in an age of a 100-year life span. The scale of insurance premiums and others from the domestic life insurance business ranks ninth in Japan. In response to the increasing burden of nursing care and medical expenses associated with the falling birthrate and aging population, the emergence of social issues such as the extension of assets and healthy life expectancy, and changes in social structures such as the advent of the era of grand inheritance and gifting before death, the life insurance industry is seeing an increased ratio of sales of protection-type products such as medical insurance and cancer insurance, and products that enable living benefits to be used for gifting before death. In addition, as business activities in line with the new normal associated with the spread of COVID-19, the industry is tasked with taking actions such as building a new business style that combines remote and face-to-face contact and developing new products and services due to the advancement of digital technologies. Under the Medium-Term Management Plan (2022–25), our Group will work to expand its domestic life insurance business in the same manner as in “Vision 2021” and aim to build a more diversified business portfolio. We will also persistently enhance our corporate value by responding to social and environmental changes and working together as a group to create new value and transform our business.

Initiatives, Results, and Issues of the Medium-Term Management Plan “Vision 2021”

Mitsui Sumitomo Aioi Life Insurance has developed products and services that meet the needs of a healthy and long-lived society. “New Medical Insurance A Premier” covers a wide range of social issues such as lifestyle-related diseases, nursing care, and dementia. The cumulative number of policies sold in the series exceeds 1.4 million. The product has also been highly praised in various media outlets. Beyond insurance products, Mitsui Sumitomo Aioi Life Insurance focuses on healthcare services. The company provides services that contribute to the early detection and prevention of severe disease. For example, the latest cancer test “N-NOSE[®]” can inspect the risk of cancer with just a drop of urine. “Sukoyaka Nursing Care Desk” is a consultation service for customers and their families who suffer from the burden of nursing care and dementia. The company has also been improving customer convenience by promoting digitalization, such as introducing automatic insurance claim assessment and an “automated voice response service” that accepts insurance claims using AI. The company will continue to strengthen its profitability by actions such as continuously expanding the number of in-force policies, reducing business expenses, and increasing investment income. Mitsui Sumitomo Primary Life Insurance has been providing “N-NOSE[®]” is a registered trademark of HIROTSU BIO SCIENCE INC.

Group Management Figures



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

The domestic life insurance business will strengthen its customer approach by leveraging channels, the strengths of Mitsui Sumitomo Aioi Life Insurance and Mitsui Sumitomo Primary Life Insurance. It will also aim to improve their profitability by actions such as expanding investment income, improving business efficiency, and enhancing productivity. The business will work on offering value to stakeholders by providing products and services that help solve the social issues of “extending healthy life expectancy” and “extending asset life expectancy” in an age of a 100-year life span.

Step up customer approaches utilizing distribution channels

Strengths of Mitsui Sumitomo Aioi Life Insurance

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

Strengths of Mitsui Sumitomo Primary Life Insurance

Close relationships with financial institutions backed by product development capability and education and training capability

Mitsui Sumitomo Aioi Life Insurance

Target net income on an IFRS basis: **¥80 billion** (FY2025)

- Step up cross-selling of life insurance and non-life insurance by non-life insurance agencies
- Propose and sell life insurance products to Japan's largest customer base, focusing on the professional and corporate distribution channels (target life insurance cross-selling rate: 25%)
- Develop and cultivate the workplace insurance market
- Invest resources in the workplace insurance market, where Group non-life insurance companies are strong, to accelerate growth (Target: increase premiums from the workplace insurance market to double the FY2021 level by FY2025)

Mitsui Sumitomo Primary Life Insurance

Target net income on an IFRS basis: **¥27 billion** (FY2025)

- Strengthen our leading position in over-the-counter sales by financial institutions
- Further strengthen our leading position in over-the-counter sales by financial institutions through improvement of ability to develop unique products and education and training capability and strong relationships with financial institutions

Improving profitability by expanding investment income, etc.

Mitsui Sumitomo Aioi Life Insurance

- Expand investment income
- Expand investment income by demonstrating the Group's collective strength while pursuing basic asset management policies according to the respective product characteristics of the two companies

Mitsui Sumitomo Primary Life Insurance

- Expand the scale of higher return assets from ¥500 billion to ¥800 billion

Mitsui Sumitomo Aioi Life Insurance

- Expand the scale of higher return assets from ¥500 billion to ¥800 billion

Mitsui Sumitomo Primary Life Insurance

- Improve return on risk through appropriate risk-taking in line with more sophisticated risk management based on rigorous ALM operations

Providing products and services that help solve social issues.

Mitsui Sumitomo Aioi Life Insurance

- Develop products and services that help solve social issues such as long-term nursing care and dementia
- Aim for more sophisticated underwriting based on cancer screening promotion activities and big data analysis

Mitsui Sumitomo Primary Life Insurance

- Develop major products to follow lifetime gifting-oriented products
- Expand the market for asset-building generation

Cultivate an asset-building market by leveraging the product development capabilities of Mitsui Sumitomo Aioi Life Insurance and the sales networks of Mitsui Sumitomo Primary Life Insurance

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graph LR; A[Mitsui Sumitomo Primary Life Insurance  
Product development capabilities] -- Products --> B[Mitsui Sumitomo Aioi Life Insurance  
Agency network]; B -- Sales --> C[Asset-building market]
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International Business

Business Environment

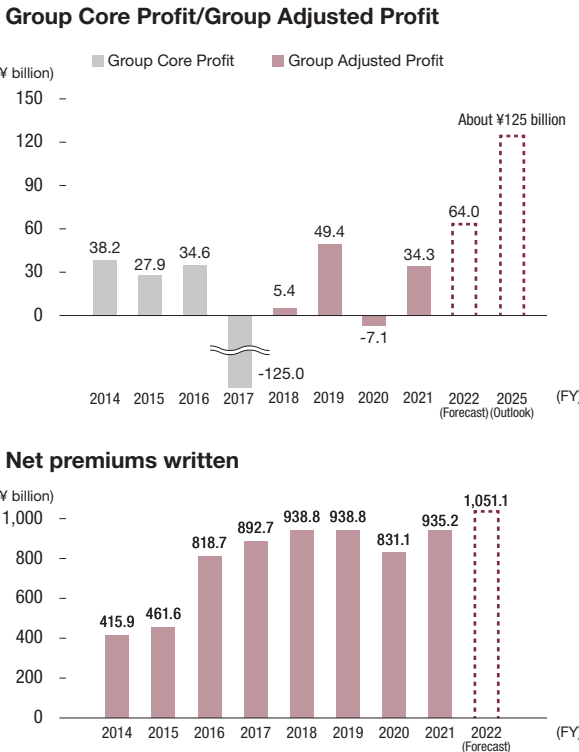
While the domestic non-life insurance business is expected to grow slower over the medium to long term due to the declining population and falling birthrate and aging population, new risks and their associated insurance needs are emerging globally due to various environmental changes such as the progress of digitization and lifestyle changes (increased penetration of remote and online). Emerging countries mainly in Asia are expected to continue seeing economic growth. To achieve sustainable growth of our company, it is important to expand earnings in international businesses, which are growth areas. In the international business, we are transforming our business portfolio through actions such as using digital technologies, while making use of the global network we have built to date. Through actions such as expanding the scale of our international business and enhancing our earning power, on a global basis, we will build a more diversified and profitable portfolio; utilize digital technologies; share and mutually utilize the know-how, skills, and others gained through the efforts of each Group company in and outside Japan, such as market channels and customer needs; and demonstrate global synergy and achieve growth.

Initiatives, Results, and Issues of the Medium-Term Management Plan “Vision 2021”

1) Restructuring of the international business, recovery of MS Amlin's earning power, and expansion of business in Asia
In January 2020, our international business dismantled the “regional holding companies structure” and transferred the management control function to the head office, thereby “strengthening the head office governance” and “establishing a foundation for growth in international business.” We increased direct communication between the head office and overseas entities to improve the transparency of business operations at each entity and to speed up communication and decision-making. We also pursued total optimization of our Group and achieved cost reductions by measures such as reviewing staffing. MS Amlin is making steady progress in its efforts to restore its earning power. MS Amlin Underwriting Limited, which operates the Lloyd's business, is steadily improving the earnings structure through portfolio improvement via the careful selection of underwriting including withdrawing from unprofitable businesses. MS Amlin AG, which is engaged in the reinsurance business, reviewed the reserve levels for underwriting in previous fiscal years and responded to the expected impact of inflation in the future, in addition to efforts to improve profitability. In Asia, through “Vision 2021,” we have steadily achieved the target in terms of both premiums written and profits and have firmly established our position as No. 1 in terms of gross premiums written in the ASEAN region. We will continue to steadily capture market growth and expand our business, including business investment.

2) Telematics mobility services business
We have leveraged our partnership with the Toyota Group to further drive our business overseas. For example, in 2019, we started a

Group Management Data



data business collaboration with Progressive Casualty Insurance Company, the largest telematics insurance company in the United States. In Southeast Asia, we conduct businesses centered on telematics voluntary automobile insurance and serve as a base for planning functions linked to Toyota's strategies. We will continue to expand our business in new countries and regions.

3) International life insurance business
With the aim of increasing profits stably, we have completed the investment in BoCommLife Insurance Company Limited in China and the reorganization of Max Life Insurance Co., Ltd., in India, laying a solid foundation for capturing the growth of the life insurance markets through major banks in the large-population countries accounting for one-third of the world's population. We will continue to focus on organic growth, particularly in Asia with its high growth potential.

4) Pursuit of the Group's comprehensive strengths
With the aim of increasing earnings and improving quality throughout the Group, we launched the “TENKAI Project,” an initiative to share superior products, tools, and know-how between our head office and overseas entities. Know-how and tools are shared in areas such as digital (e.g., AI-enabled repair cost estimation and sharing of pricing tools within the Group), products (e.g., sales expansion of weather derivatives within the Group), and claim services (e.g., sharing of good practices to optimize automobile repair costs). Toward further expanding the scope and deepening the content of the TENKAI Project, we will realize global synergy by strengthening cooperation and initiatives at each department of the head office and overseas entities.

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

With the growth foundation built in the Medium-Term Management Plan “Vision 2021” at the core, we will strive to expand the earnings of MS Amlin, which is an issue, and capture market growth in the Asian region, where we have strengths, to achieve steady growth. Furthermore, we will diversify our portfolio through business investments in the United States where our company has a lot of potential to cultivate the market, and emerging countries such as Asian countries where growth is highly anticipated, and work to further improve capital efficiency. We will also strengthen efforts to demonstrate synergy among overseas Group companies and drive growth on a Group basis.

Expand profit of MS Amlin

- Reduce volatility of natural catastrophe risks by reducing the risk amount of catastrophe risks and reviewing underwriting conditions and rates
- Expand underwriting of risks that are less correlated with natural catastrophe risks to build a highly profitable portfolio
- Take actions such as reviewing organizations, staffing, business processes, systems, and brokers to improve business efficiency

* -¥5.0 billion when excluding incidental factors for FY2021 (effect of natural catastrophe losses exceeding the initial forecast)

International business Group Adjusted Profit (MS Amlin)*

Fiscal Year	Profit (¥ billion)
2021	-5.0*
2025 (Outlook)	39.0

Business investment

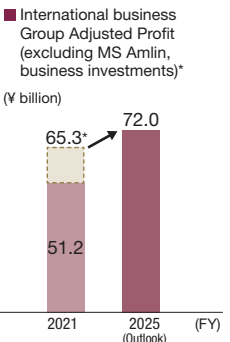
- Consider and implement business investments, mainly in the United States where our company has a lot of potential to cultivate the market, as well as in Asia and emerging countries where continued market growth is expected, to expand earnings, diversify risks, improve capital efficiency, and enhance corporate value

FY2025 profit contribution (Target)

+ ¥18.0 billion

Leveraging strengths in each region and domain to promote initiatives

- Strengthen the retail business in Asia (alliances and cooperation with joint venture partners, financial institutions, and platforms; strengthening of sales channels)
 - Strengthen competitiveness through utilization of digital technologies
 - At the Toyota retail business, sell telematics insurance and other products in conjunction with new vehicle sales in each country and the Connected Strategy. Expand the products handled, take measures for underwriting and rates, and expand business to new countries and regions
 - For overseas life insurance, expect high organic growth mainly in the Asian life insurance market
 - Strengthen the earning power of head office reinsurance
- *¥65.3 billion when excluding incidental factors for FY2021 (effect of natural catastrophe losses exceeding the initial forecast)



Demonstrating global synergy

- Conduct sales in overseas markets based on cooperation between Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance including collaboration in Southeast Asia
- Strengthen coordination in reinsurance and investment, etc.

International Business Operating Performance and Outlook

(¥ billion)		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022 (Outlook)
Net premiums written	Asia	142.8	173.1	215.7	237.1	257.7	240.6	268.1	296.1	298.8	278.9	302.3	353.0
	Europe	60.9	64.4	85.4	99.6	121.1	499.6	498.7	514.9	513.7	444.9	520.0	571.7
	Americas	43.7	41.4	56.4	66.2	69.4	66.4	71.1	67.7	58.4	56.1	62.2	78.6
	Reinsurance Business	16.8	15.6	16.7	19.1	18.6	16.8	57.9	62.9	69.5	52.8	52.8	50.0
	International Business Total	262.2	287.8	369.0	415.9	461.6	818.7	892.7	938.8	938.8	831.1	935.2	1,051.1
Net income	Asia	-89.6	28.8	16.3	26.0	12.7	16.7	11.1	30.9	23.2	32.8	33.5	32.7
	Europe	-16.1	-11.9	1.8	5.7	-3.1	2.2	-116.2	-3.8	9.4	-43.5	-14.2	5.3
	Americas	0.1	-7.7	-3.3	-7.9	8.1	0.8	4.7	1.1	0.6	4.2	-3.4	0.9
	Reinsurance Business	-6.3	5.1	8.5	11.0	10.7	12.4	-26.0	-6.7	9.1	-0.4	-3.6	3.4
	International Life Insurance Business	3.0	1.3	-1.2	5.4	5.7	8.4	6.4	8.9	11.8	2.8	24.8	24.9
International Business Total		-112.3	13.5	18.0	38.2	27.9	34.6	-125.0	5.4	49.4	-7.1	34.3	64.0

Notes:
1. International business figures are aggregates of the results for overseas consolidated subsidiaries and equity-method affiliates, together with non-life insurance companies' overseas branches, overseas-based non-consolidated affiliates, and the overseas inward reinsurance business of non-life insurance companies' headquarters, etc.
2. Figures in the "Total" rows include head office adjustments and others and are not equal to the sum of figures for each segment and each region.
3. Net income is on a Group Core Profit basis (Group Adjusted Profit basis since FY2018). The international life insurance business shows equity income.
4. From FY2017, the international life insurance business includes Challenger, ReAssure, and Phoenix in addition to the former Asian life insurance business.

International Business Strategy Discussion by Global Leaders

Growth driver of the MS&AD Group

The international business of the MS&AD Group was affected by natural catastrophes and the spread of COVID-19, but steadily achieved results during the previous medium-term management plan, including making efforts to improve the earnings of MS Amlin and cultivating retail and corporate markets in Asia and the MGA business in North America.

Under the Medium-Term Management Plan (2022–25) starting in this fiscal year, our Group will enhance the earning power of the Lloyd's reinsurance business, capture growth in Asian markets, and achieve sustainable growth in the Toyota retail business. At the same time, it will expand business in North America, the world's largest insurance market, thereby expanding the earnings foundation, diversifying risks, and making a further leap forward.

To achieve these, it is important to share the functions and know-how of each entity within the MS&AD Group and increase the earnings and business efficiency of the entire Group. We will strongly drive initiatives to promote Group synergy throughout the company. To make the international business become the growth driver of the MS&AD Group while aiming to become an “innovative company that will continue to demonstrate leadership in solving global risks and issues over the future,” companies in and outside Japan will work together.



Tamaki Kawate

MS&AD Holdings
Executive Officer (International Business)

Building a leadership position mainly in the ASEAN region

Under the Medium-Term Management Plan (2022–25), we will further strengthen both the quantity and quality of our businesses and build firm leadership positions in key regions, particularly in the ASEAN region.

There are various risks around the world such as pandemics, and market trends are uncertain. However, the ASEAN region is showing signs of an economic recovery and is expected to achieve high future growth. We see the retail market, which is expected to see an increase in the number of middle-income earners, as a major business opportunity.

Under the Medium-Term Management Plan (2022–2025), we will refine our underwriting and claim support, which are the basis of our services, and aim for quantitative expansion centered on synergy generation and advanced initiatives utilizing digital technologies at the MS&AD Group level. Based on promoting CSV and ESG management, making governance and ERM more sophisticated, and strengthening quality through human resource development, we will also provide products and services and expand our business toward solving social issues.

We have steadily grown in various market environments and have grown to become the core of the international business of the MS&AD Group. Without getting stuck in the past, we will take on a variety of challenges and make a further leap forward.



Clemens Philippi

MSIG Asia
CEO



Johan Slabbert

MS Amlin Underwriting Limited
CEO

Toward sustainable profit generation

We made substantial progress in efforts to recover the earning power of MS Amlin Underwriting Limited (hereinafter “AUL”) in 2021. We believe that we have been able to establish an earnings foundation for growth in 2022 and beyond. The situation surrounding the insurance market has been changing significantly due to macroeconomic factors and the influence of policies in each country. It is important to conduct business in the future while taking into account situations such as economic sanctions resulting from the Russian invasion of Ukraine, soaring inflation, and the increased risk of climate change.

Under these circumstances, AUL is working to improve operational efficiency and reduce operating expenses, while ensuring stable profits through appropriate risk appetite, aiming for an ROE of 10% by FY2024.

The MS&AD Group believes that it is possible for each company to work together to pursue various synergistic initiatives. AUL also wants to cooperate with Group companies, take on challenges to gain new markets and businesses, and further contribute to the Group's growth opportunities.

With the support of all stakeholders (such as employees, authorities, and MS&AD Group companies), AUL is committed to actively taking on a variety of challenges and develop new businesses.



Mitsuru Yamaguchi

Aioi Nissay Dowa Insurance
Senior Managing Executive Officer

Global rollout of insurance products and services that help solve social and regional issues under CSV × DX

As the progress of CASE and MaaS and the movement toward carbon neutrality are said to drastically change industrial structures, non-life insurance companies also recognize the need to change their business models.

With an eye to these changes, under the concept of CSV × DX, which uses data and digital technologies to provide new value such as loss prevention, we have developed distinctive products and services that help solve social issues and rolled them out globally by utilizing the Toyota-brand insurance deployed in 38 countries including Japan and the telematics know-how obtained through the acquisition of Insure The Box in the United Kingdom.

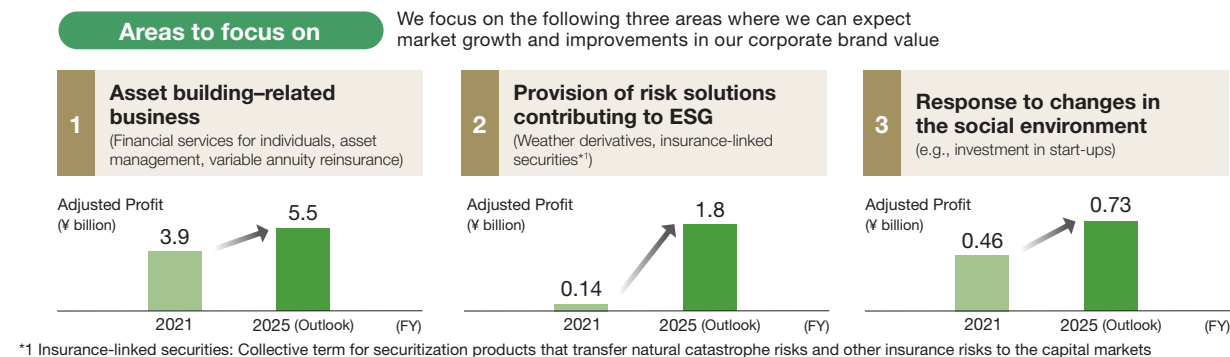
Since 2020, in Thailand where many traffic accidents occur due to traffic jams, we have reduced traffic accidents by developing TOYOTA Care PHYD telematics insurance. In Europe, to contribute to reducing CO2 emissions, we developed Full Hybrid Insurance for hybrid vehicles, which offers a discount on insurance premiums when driving in EV mode.

We will accelerate our “Global Convergence,” which aggregates and fuses advanced products and services that are refined in each country and region. We will also take on the challenge of developing new mobility products and services such as self-driving cars and flying cars.

Financial Services Business

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

Provide diverse products and services that go beyond insurance and make a stable contribution to revenue by leveraging the Group's comprehensive strength in terms of domestic sales and overseas business units to expand business in light of social issues, environmental changes, and customer needs.



Examples of initiatives

Financial services for individuals

Workplace comprehensive financial services Launch of selling a new service “100-year Life Lounge”

As interest in social welfare and funds for the post-retirement years grows with an eye toward an age of the 100-year life span, Mitsui Sumitomo Insurance visualized the situations and needs of customers and developed a new service, “100-year Life Lounge,” as products and services that match the life or money plan of each person. The company will start selling the service in FY2022.



ART*2

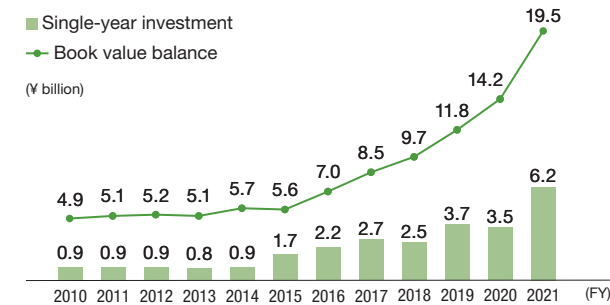
Mitsui Sumitomo Insurance is expanding its product lineup and enhancing its proposal capabilities to meet the diverse needs against a backdrop of climate change and customers' business environment changes. In May 2020, the company launched “Typhoon Yojin” weather derivatives to hedge business losses caused by typhoons. Through its U.S. subsidiary MSI GuaranteedWeather, LLC, it is also working to provide weather risk solutions overseas. In Australia, it started selling new weather index insurance. Mitsui Sumitomo Insurance is conducting business such as providing investment advisory services for CAT bond funds managed by an equity-method affiliate Sumitomo Mitsui DS Asset Management Company, Limited, and soliciting domestic institutional investors for funds managed by a U.K. subsidiary Leadenhall Capital Partners LLP. It worked to strengthen the insurance-linked securities business through expanding its product lineup.

*2 ART: Alternative Risk Transfer. Among risk-handling methods, a method that uses financial technologies other than insurance.

Venture capital

Through MITSUI SUMITOMO INSURANCE Venture Capital, we are investing in domestic and foreign start-ups that have promising growth prospects at a wide range of investment stages, including AI, healthcare, and IT businesses from the perspectives of “innovation,” “uniqueness,” and “foresight.” Moreover, through utilizing the network of Mitsui Sumitomo Insurance, we are actively promoting support for increased sales of investee companies and business matching between investee companies. We have invested approximately ¥10 billion over two years.

Changes in book value balance and single-year investment



Defined Contribution Pension

Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance are strengthening services related to the system introduction of corporate defined contribution pension plans for which the market is growing and are working to popularize individual-type defined contribution pension plans (iDeCo), which are facing increasing social demands due to the falling birthrate and aging population. For corporate defined contribution pension plans, we strengthened our ability to offer proposals to SMEs. For individual-type defined contribution pension plans, we expanded our sales channels and improved operational efficiency such as cost reductions.

Risk-Related Services Business

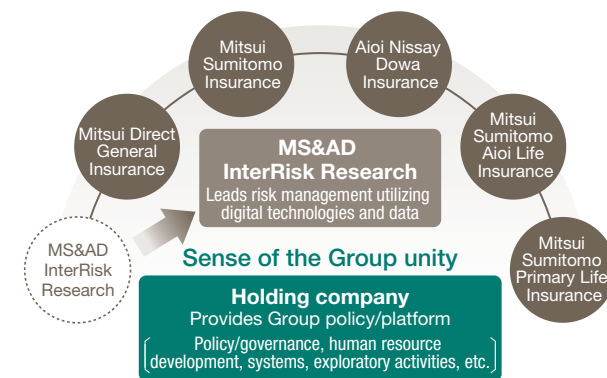
Policy in the Medium-Term Management Plan (2022–25)

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

Framework for promoting the risk management business leveraging digital technologies and data

Step up the development of services before and after coverage and protection through integrated operations led by MS&AD InterRisk Research and provide seamless risk management services as a Group.

Ability to move forward with a sense of urgency



- Establish a Group data integration platform for the rapid and secure sharing of data inside and outside the Group, aimed at creating new services and business opportunities through the utilization of digital data

Examples of initiatives

Risk management

MS&AD InterRisk Research & Consulting, Inc., plays a core role in the risk-related services business. It has started providing services to support companies' carbon neutrality initiatives. The company expanded its sustainability-related risk assessment services, etc., and provided a wide range of services to help solve social issues. For example, it held various online seminars and provided news summarizing the latest trends in various types of risk management.



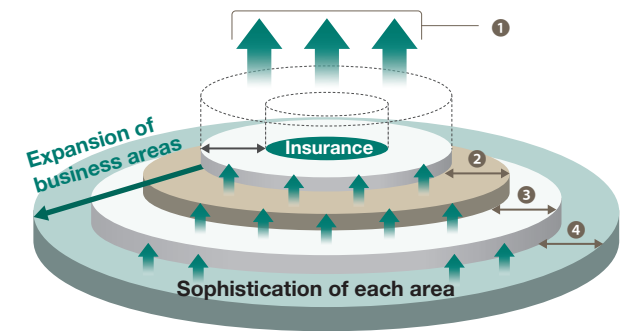
Nursing care business (such as paid nursing homes and day care)

To continue to fulfill the social mission of supporting the lives of elderly people who need assistance and their families, the two Group companies* that run the nursing care business have strived to provide high-quality services that satisfy customers while

Conceptual diagram of the risk management business expansion

Significantly expand revenue and grow into a new source of revenue for the Group by generalizing the consulting menu through software, offering predictive maintenance services (managed services) based on risk and loss forecasting using digital data, and other innovations.

- Sophistication of services using digital data
- Generalization of consulting operations through software
- Operation of risk management services
- Tapping into business opportunities surrounding risk management



Quantitative targets in the risk-related services business

Scale of profit*	¥0 billion (FY2021) ➔ ¥3 billion (FY2025)
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*Japanese GAAP

paying close attention to the prevention and spread of infection even amid the prolonged COVID-19 catastrophe.

The two companies have decided to work quickly on the “scientific nursing care” promoted by the national government for the purpose of maintaining and restoring physical functions. The companies are actively promoting the registration of nursing care service data in the information system “LIFE,” which is a key to realizing scientific nursing care and the utilization of feedback data.



Assistance services

MS&AD GRAND ASSISTANCE Co., Ltd., has an industry-leading reception system and network of operators. It supports the Group's risk-related services business by providing high-quality services in a wide range of areas, including road assistance, house support, overseas travel assistance, and emergency alarm response.

*Mitsui Sumitomo Insurance Care Network Co., Ltd., and Fureai Do-Life Services Co., Ltd.

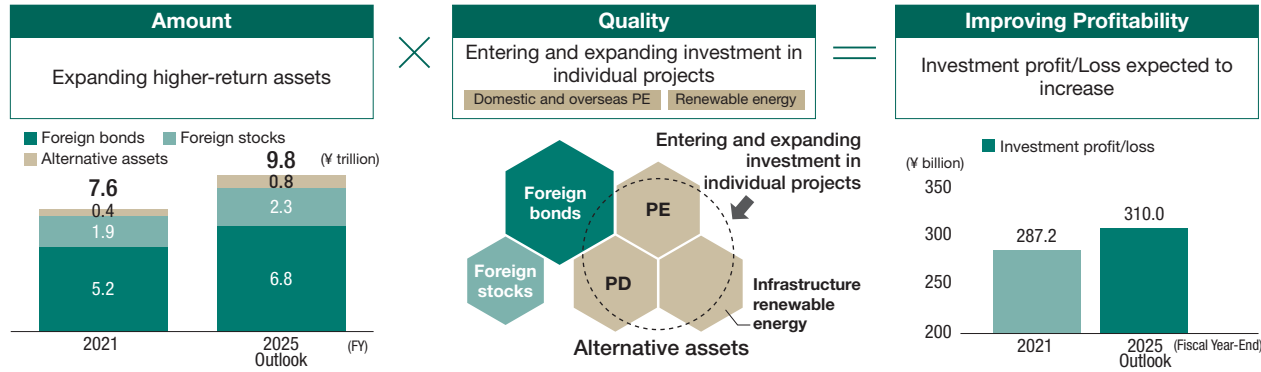
Asset Management Strategy

The asset management strategy under the Medium-Term Management Plan (2022–25) is to increase the amount allocated to higher-return assets*1 to improve our earnings power, diversify investments through funds, and enter and expand into investments in individual projects in the areas of private equity (PE) and renewable energy investments and loans in and outside Japan. To further strengthen initiatives that share investment opportunities, information, and technologies and demonstrate Group synergy, we will use MSR*2 in the United States as a hub for the expansion of higher-return assets and will develop professional human resources with a discerning ability to manage foreign assets.

*1 Assets held in anticipation of relatively high returns, such as foreign bonds, foreign stocks, and alternatives
*2 MSR Capital Partners, LLC, is an asset management subsidiary established by Mitsui Sumitomo Insurance in New York in January 2022 as a joint investment with asset management company LGT Capital Partners in Switzerland.

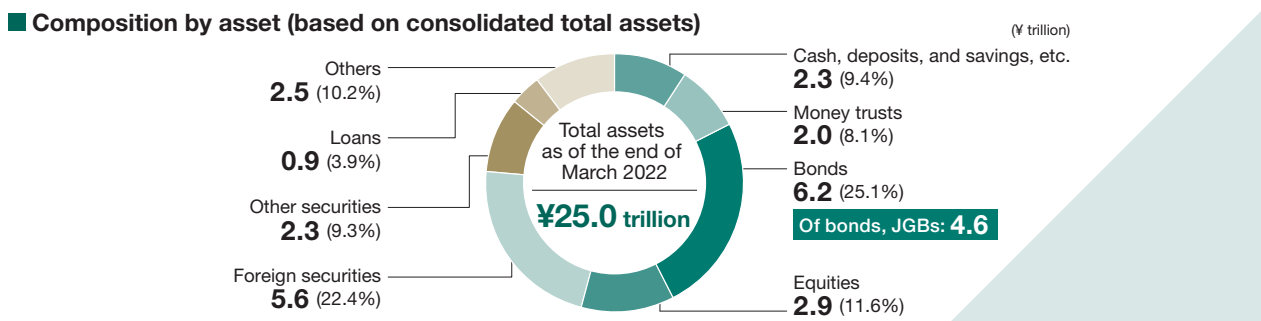
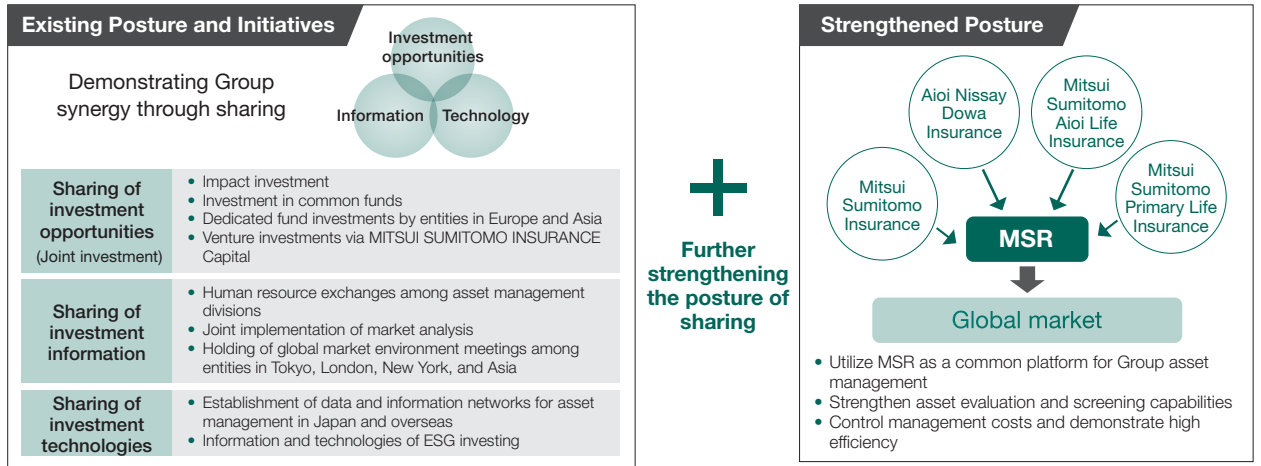
Improving Profitability

In terms of expanding higher-return assets, namely the “volume” aspect, we will increase the balance by increasing allocations from the proceeds of sales of strategic equity holdings and from life insurance assets under management. In terms of the “quality” aspect, through entering and expanding into individual project investments we will further accumulate the discerning ability by investing in domestic and foreign individual projects using professional human resources with at least 10 years of investment experience. (At the end of FY2025, the projected balance of return-expected assets is ¥9.8 trillion and the projected investment profit/loss on asset management is ¥310 billion.)



Strengthening the Foundation for Improving Profitability

For initiatives to demonstrate Group synergy, we will continue our joint investment efforts, such as impact investment and dedicated fund investments in European and Asian entities, to share investment opportunities. To share investment information and investment technologies, we will take actions such as promoting human resource exchanges among asset management divisions, conducting joint market analysis, and sharing information and technologies for ESG investing.

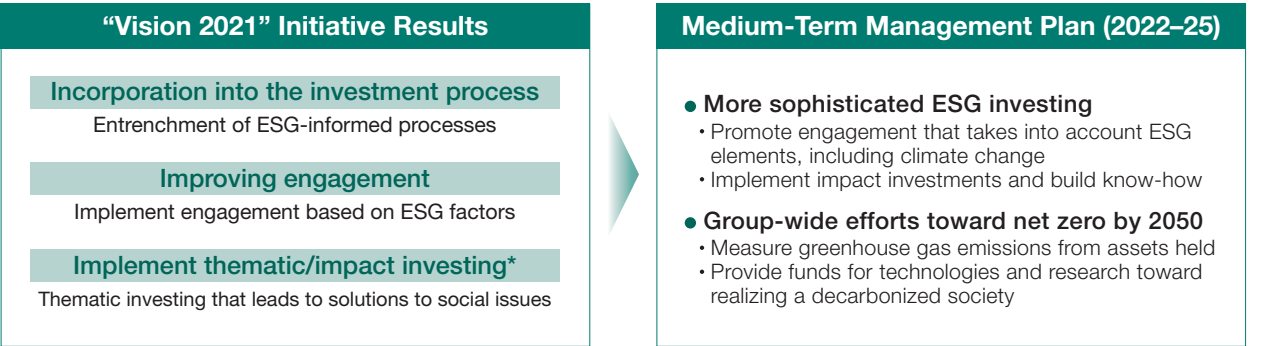


ESG Investing

Initiatives to Strengthen ESG Investing

The MS&AD Insurance Group incorporates ESG into its investment process as a Principles for Responsible Investment (PRI) signatory. Specifically, the Group gathers and assesses ESG information relevant to the asset attributes and investment methods in question. It makes investment decisions using such ESG information in combination with traditional financial and other analyses. It is pursuing thematic investments that lead to solutions for sustainability-related issues, subject to revenue security.

In addition, the Group practices constructive, ESG-informed, purpose-driven engagement with investees to elevate their ESG consciousness and help them increase their medium-term corporate value.



*Social impact investing is investment intended to have a desired impact on society and the environment while also generating financial returns

MS&AD Insurance Group’s ESG Investing Methods

Integration	
Negative screening	Development of frameworks that exclude designated sectors/uses of capital from portfolios
Research initiatives	Systematic incorporation of ESG elements into company analysis/valuation
Constructive Engagement	
Engagement	Conducting engagement with a focus on stewardship activities
Positive Impact	
Sustainable/thematic investing	Approach to invest in sustainability themes, organizations, assets, etc.
Impact investing	Investment approach where investment decisions are made with the intent of generating both returns and social impact (e.g., structural changes in society)

ESG Thematic Investing in FY2021

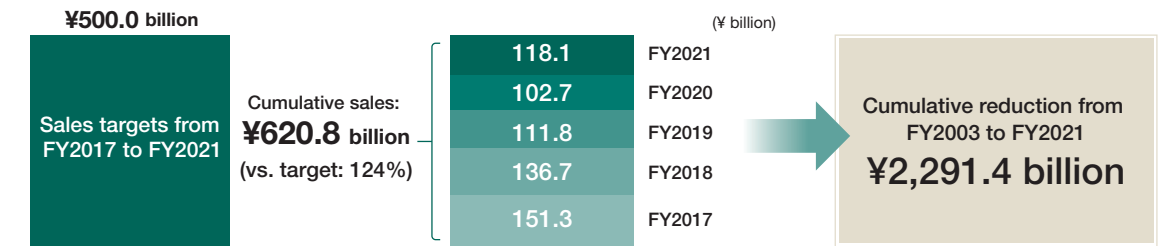
Investee	Cumulative investments to date (As of March 31, 2022)	New investments (April 2021–March 2022)
Green/social/sustainability bonds	104.3	+37.3
Renewable (e.g., solar, wind, hydrogen) energy projects	26.3	+6.9
Impact investment, ESG in general, regional revitalization	15.1	+8.7
International agency bonds	37.4	+6.3
Total	183.2	+59.3

Note: The above data are actual investments of the Group’s domestic life and non-life insurers (excluding overseas investments).

Initiatives to Reduce Strategic Equity Holdings

In terms of building a strong financial base that is less susceptible to stock price fluctuations and improving capital efficiency, Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance are continuing efforts to reduce strategic equity holdings. From FY2003 to FY2021, the companies sold a cumulative amount of strategic equity holdings of ¥2,291.4 billion (on an actual sales basis). We will continue to aim to achieve a weighting of less than 10% of consolidated total assets and a weighting of less than 30% of the risk amount. Regarding strategic equity holdings, we verify the appropriateness of holdings for each individual stock in terms of whether the benefits, etc., to holding are consistent with the capital costs, and confirm the verification results at Board of Directors meetings.

Target and Achievement of Selling Strategic Equity Holdings from FY2017 to FY2021

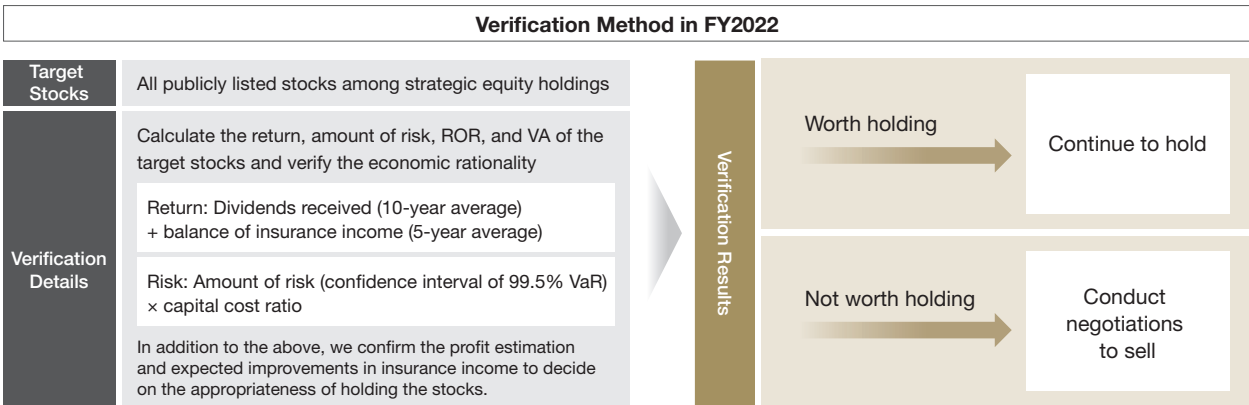


Ratio of Strategic Equity Holdings in Consolidated Total Assets and Group Risk Amount

	March-end 2021	March-end 2022	Target of the Medium-Term Management Plan
Fair value weighting of strategic equity holdings in consolidated total assets	11.8%	11.3%	Less than 10%
Risk weighting of strategic equity holdings in the risk amount	34.0%	32.5%	Less than 30%

Verifying the Appropriateness of Strategic Equity Holdings

Regarding strategic equity holdings, we verify the appropriateness of holdings for each individual stock in terms of whether the benefits, etc., to holding are consistent with the capital costs, and confirm the verification results at Board of Directors meetings. The verification results for FY2021 show that 85% of investee companies on a stock basis and 86% on a fair value basis exceeded the rationality target.



Compliance with Japan’s Stewardship Code

Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance declared their acceptance of “Japan’s Stewardship Code” in May 2014. The companies have been constructively engaged with investee companies from an ESG perspective and have encouraged them to enhance their corporate value and grow sustainably from a medium- to long-term perspective.

Engagement with investees and Results of Exercising Voting Rights

Engagement result (July 2020 to June 2021)

	Mitsui Sumitomo Insurance	Aioi Nissay Dowa Insurance	Total (simple sum)
Number of companies engaged in dialogue	179	135	314

Results of exercising voting rights (July 2020 to June 2021)

	Mitsui Sumitomo Insurance	Aioi Nissay Dowa Insurance	Total (simple sum)
Number of disagreements on management proposals (Number of management proposals)	4 (2,412)	3 (1,642)	7 (4,054)

Medium-Term Management Plan (2022–25)

Foundations

Sustainability

To become a “corporate group that supports a resilient and sustainable society,” sustainability is one of the foundations that support the basic strategies of the Medium-Term Management Plan (2022–2025). We will drive initiatives aimed at solving the following social issues of high importance to both stakeholders and our company. **P.25 Identifying Materiality**



- Priority issues
- Global warming
Damage to natural capital
Environmental pollution
Linear economy

Action on climate change —Aiming for net zero carbon emissions by 2050

- Reduction of greenhouse gas emissions created by the Group and its supply chains
- Provision of products and services that support technological innovation and social implementation toward the transition to a circular economy that leads to a decarbonized society and environmental pollution control measures, and investments and loans
- Provision of solutions for adapting to the effects of climate change

Improvement of the sustainability of natural capital

- Implementation of initiatives that will help improve the sustainability of natural capital while addressing climate change, such as nature-based loss prevention/mitigation (green resilience)
- Support for the transition to business based on the restoration and protection of biodiversity and the utilization of sustainable resources
- Participation in the Taskforce on Nature-related Financial Disclosures (TNFD) and promotion of visualization of the impact of corporate activities on nature



- Priority issues
- Emergence of new risks
Spread of infectious diseases
Major earthquakes
Decline of regional industry

Measures to address new risks that emerge with the transformation of society

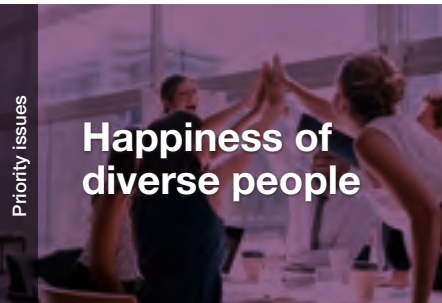
- Provision of products and services which address new risks associated with innovation and changes in the industrial structure such as cyber risks

Loss prevention/mitigation through the utilization of data and AI

- Support to prepare for accidents, natural disasters, and major earthquakes, including risk visualization and the provision of solutions based on data analysis

Regional revitalization —Creation of a resilient and inclusive society

- Striving to solve social issues in cooperation with local governments, commercial and industrial organizations, and other stakeholders surrounding local communities
- Promotion of regional revitalization through initiatives such as the transition to a sustainable infrastructure, the activation of regional industries, and the realization of diverse mobility services



- Priority issues
- Aging population and declining birthrate
Human rights violations
Elimination of diversity
Poverty and widening income disparity

Adaptation to a society of healthy longevity

- Support for companies’ health & productivity management
- Provision of products and services which help advance people’s health and prevent disease
- Provision of products and services which support the extension of the human wealth span in the era of the 100-year life span

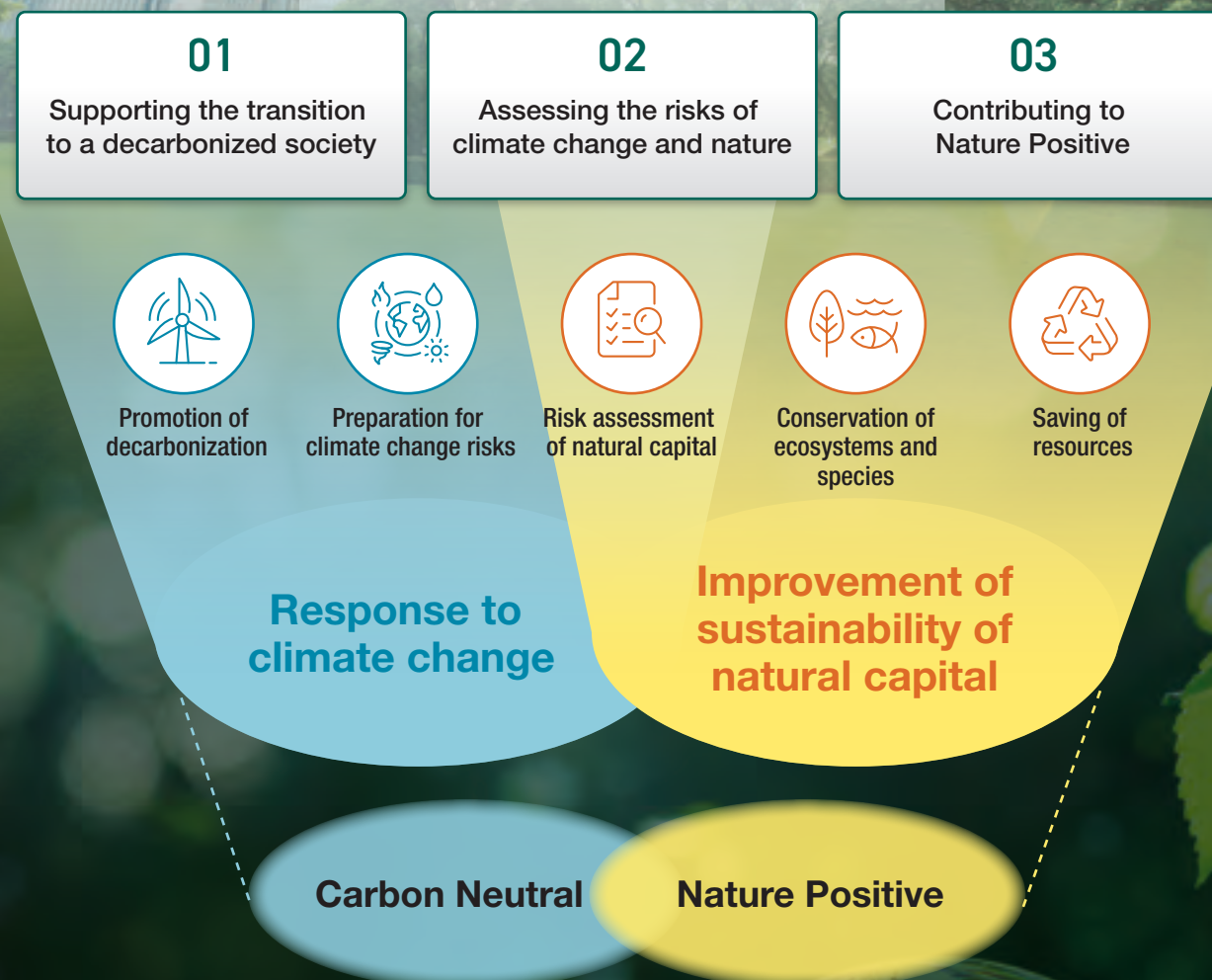
Respect for human rights

- Assessment of the impact of the Company’s business activities on human rights and the implementation of preventive measures (human rights due diligence)
- Improvement of access to insurance and financial services

Improvement of employee engagement

See **Foundations** / Human Resource Strategy **P.85**

Realizing a “resilient and sustainable society”



Planetary Health

“Climate change” and “Improvement of sustainability of natural capital” are interrelated. As a two-axis approach, we will promote symbiosis with the global environment through these two initiatives.

Climate change brings about the intensification of natural disasters, physical changes in weather conditions, and rapid social and economic changes during the transition to a decarbonized society. Reducing these social losses as much as possible is important for our Company's sustainable growth. As with climate change, natural capital and biodiversity can cause significant business losses. On the other hand, the multifaceted functions of nature have the power to contribute to both decarbonization and climate change adaptation. These new innovations will lead to the growth of society as well as the Company.

Supporting the transition to a decarbonized society

Based on the goals of the Paris Agreement, the MS&AD Group set the target of “net zero emissions by 2050” last year and is working to reduce greenhouse gas emissions. In addition, to achieve the Paris Agreement, the whole of society must reduce its greenhouse gas emissions. In addition to reducing our own emissions, our Group will work with customers, insurance agents, and other stakeholders to reduce emissions throughout the value chain and support the transition to a decarbonized society.

Supporting the decarbonization efforts of companies



The Carbon Neutral Support Clause

In fire insurance for large companies, Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance cover extra costs in adopting new installations that will reduce CO₂ emissions when restoring damaged buildings, etc. Conventional fire insurance coverage allows for expense only for restoration to the original state. Based on the concept of building back better, this special clause pays an additional expense for the purpose of contributing to realizing a decarbonized society. Given the “CO₂ emissions/reductions simplified calculation” service provided by MS&AD InterRisk Research & Consulting, we cover the costs required for decarbonization measures approved by the Group. Listed below are examples.

- Converting fuels for boiler facilities that are expected to reduce CO₂ emissions
- Installing a new solar power generation system on a rooftop during roof restoration
- Making windows and exterior walls super-insulated
- Adding automatic shutoff devices when not in use for lighting and power equipment



Supporting decarbonization management of insurance agents



Providing services for calculating and visualizing greenhouse gas emissions



Mitsui Sumitomo Insurance purchased “zeroboard*1,” a cloud service that calculates and visualizes greenhouse gas emissions, as a package and began providing it free of charge to insurance agent organizations (MSA*2 and Advance Club*3) in 2022. By inputting the usage amounts of gasoline and electricity, this cloud service calculates and visualizes the CO₂ emissions of insurance agents and raises awareness of the need for decarbonization management. In the future, the respective effects of CO₂ reduction (achieved using paperless measures and tools at MSA and using recycled automobile parts at Advance Club) will be visualized numerically. We support the decarbonization management of insurance agents as business partners and work to reduce greenhouse gas emissions throughout the value chain.

*1 A cloud service for calculating and visualizing CO₂ emissions provided by Zeroboard Inc. It can calculate CO₂ emissions based on an internationally recommended standard called the “GHG Protocol.”

*2 MSA: Mitsui Sumitomo Agencies. Insurance agent organization.

*3 Insurance agency organization for the automobile maintenance business, supported by Mitsui Sumitomo Insurance

02 Assessing the risks of climate change and nature

Risks related to climate change, natural capital, and biodiversity are ones that could have a significant impact on business activities over the medium to long term. Appropriate risk assessments are essential for a resilient management strategy based on these risks. Disclosing such information is increasingly important for companies. The MS&AD Group participated early in academic research on climate change impact assessments and has conducted risk assessments. The Group has also been providing risk assessment services in the areas of natural capital and biodiversity since 2011.

Assisting companies in information disclosure by quantitatively assessing the impact of catastrophe risks associated with climate change

Quantitative assessment service for natural disasters

The information disclosure recommended by the Task Force on Climate-related Financial Disclosures (TCFD) is expanding socially. For example, it is now mandatory for companies listed on the Prime Market in Japan. Companies are required to anticipate multiple climate change scenarios and explain the "degree of resilience" of their strategies. In July 2020, MS&AD InterRisk Research & Consulting, in partnership with Jupiter Intelligence in the United States, an investee of MS&AD Ventures, announced a service to analyze and assess the impact of intensified climate change on companies based on future scenarios. Since then, the company has been supporting information disclosure for many companies. This service has the strengths outlined below. It can calculate indicators such as expected inundation depth and the Standardized Precipitation-Evapotranspiration Index for natural disasters such as floods, storm surges, storm disasters, and heat waves (it can roughly estimate the financial impact of floods and storm surges based on the results). It can also conduct analysis in five-year increments from 2020 to 2100, in addition to ultra-long-term forecasts such as a hundred years from now.



Supporting research on global flood risk analysis due to climate change impacts and contributing to improvement in social resilience

LaRC-Flood® Research Project



In 2018, MS&AD Insurance Group Holdings and MS&AD InterRisk Research & Consulting started a research project on LaRC-Flood® with the University of Tokyo and the Shibaura Institute of Technology, published the "Prediction Map Showing Changes in Flood Frequencies" as part of this project, and contributed to the risk assessments of companies conducting businesses globally and financial institutions making investments and loans worldwide. Since FY2021, with the support of the New Energy and Industrial Technology Development Organization (NEDO), the project has been mapping high-precision, wide-area flood risk information and accelerating research toward its practical application.

*Website of MS&AD InterRisk Research & Consulting "Prediction Map Showing Changes in Flood Frequencies": <https://www.irric.co.jp/LaRC-Flood>

Utilizing data accumulated through assessments for prompt payments and disaster reduction after flood

At the end of 2021, the MS&AD Group formed a business alliance with GEOSITE Inc. to provide disaster prevention and reduction solutions utilizing geospatial data, mainly aerial photographs; make claim payments earlier; and realize new risk segmentation underwriting. GEOSITE Inc. finds insight from data of its client companies and a wide variety of geospatial data and develops solutions that provide new added value to its client businesses. Recent meteorological disasters have caused tremendous damage and many insurance claims at once. Therefore, it is important to establish a prompt payment scheme by upgrading the claim payment process to a more sophisticated one. Via the alliance with this company, we aim to sophisticate and speed up the claim payment process in a flood using satellite images, aerial photographs, sensors, etc. To prepare for meteorological disasters that are expected to intensify due to climate change, we combine geospatial data, weather data, and claim/policy data to derive insight from risk correlations among the data. We are also developing new services and businesses that help in disaster prevention and reduction.



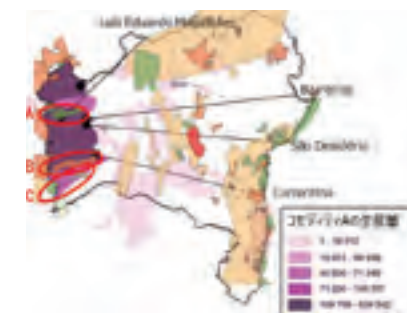
Assessing risks related to natural capital and biodiversity in business activities

Service to assess natural capital risk

The TNFD disclosure framework for nature-related risks and strategies is being discussed toward releasing its final recommendations in September 2023. Companies will be required to analyze and assess their dependence on and impact of nature on their business sites and supply chains.

In 2011, MS&AD InterRisk Research & Consulting released the "Biodiversity Risk Simplified Assessment Service" and has been analyzing information such as important biodiversity areas and endangered species surrounding customer sites in and outside Japan.

In 2016, MS&AD InterRisk Research & Consulting began offering the Natural Capital Risk Assessment Service to companies for which natural capital is an important management resource. In particular, a simplified water risk assessment service has been assessing medium- and long-term risks such as depletion of water resources, water pollution, and possible water-related regulations at more than 250 sites. Based on factors such as the LEAP approach currently presented by the TNFD (see the figure below), we will continue to develop new assessment services and provide further support.



We gather biodiversity information around raw material production sites/factories based on the biodiversity database

Legally protected areas

• IUCN protected and managed areas / • UNESCO World Heritage sites / • Ramsar Convention Wetlands, etc.

Important areas of biodiversity designated by NGOs, etc.

• Important Bird Areas (IBA) / • Key Biodiversity Areas (KBA) / • Alliance for Zero Extinction (AZE)...and others

Habitat status of the IUCN Red List of Threatened Species in each region

Taskforce on Nature-related Financial Disclosures (TNFD)

The TNFD was inspired by the 2019 World Economic Forum (Davos Conference). The G7 leaders called for the launch of a taskforce the same year. After preparatory meetings by four organizations, including the United Nations Environment Programme Finance Initiative (UNEP FI) and the World Wildlife Fund, the taskforce was formally launched in 2021. To properly analyze nature-related risks and opportunities and disclose information and thereby support a shift in global financial flows from nature-negative to nature-positive outcomes, the TNFD aims to create an information disclosure framework similar to that of the TCFD. The TNFD is characterized by global market-driven initiatives. Based on discussions among taskforce members from each country, the TNFD will issue beta versions sequentially. After an open innovation process, the TNFD will release its final recommendations in September 2023. In beta version 0.1 published at the end of March 2022, the TNFD released the LEAP approach. It is an integrated assessment process for analyzing nature-related risks and opportunities.



Makoto Haraguchi, Sustainability Section, MS&AD Insurance Group Holdings, Inc., has been selected as a Taskforce member.

■ LEAP approach → Location factors are important for analyzing nature-related risks and opportunities

Locate

Identify each location at which a company's business interfaces with nature and how the business interfaces with nature at that location

Evaluate

Evaluate what dependencies/impacts a company's business has on nature at the location

Assess

Assess the key risks and opportunities that interfacing with nature at the location presents to a company's business

Prepare

Prepare the strategies and indicators a company should pursue to mitigate the risks and realize the opportunities and the company's guidelines for disclosure of that information

03 Contributing to Nature Positive

Global movement

1992
Adopted the Convention on Biological Diversity (CBD)

Became one of the two major themes of the global environment

2010
Held Aichi-Nagoya COP 10

Increased recognition in Japan

2010
Released a report on TEEB (The Economics of Ecosystems and Biodiversity)

Visualized economic value

2021
Released the Dasgupta Review (The Economics of Biodiversity)

Affected politics and the economy

2021
Agreed to a Nature Compact at the G7 summit

Advocated for Nature Positive

2021
Launched the TNFD (see page 76)

Movement to change fund flows

COLLECTIVE ACTION

We took note of biodiversity issues from early on. To promote initiatives in business, we have expanded the circle of actions such as implementing public awareness programs and creating networks and have focused on building social momentum and taking concrete actions toward solving issues.

2008 Launched the Japan Business Initiative for Biodiversity (JBIB)

For the purposes of learning from each other and acting to drive biodiversity conservation initiatives in businesses, the initiative was launched mainly by the companies that participated in the "Business Talking Biodiversity" symposium in 2007.

▶ A total of 54 regular members and associate members as of June 7, 2022



2013 Participated in Association for Business Innovation in harmony with Nature and Community (ABINC)

The association was established to promote businesses such as certifying corporate green spaces (ABINC certification) for a society in harmony with nature and community. MS&AD InterRisk Research & Consulting serves as an administrative office.

▶ As of June 2022, the number of ABINC-certified green spaces was 118.

2016 Signed the Natural Capital Finance Alliance (formerly the Natural Capital Declaration)

This is a commitment to incorporate the concept of "natural capital" into financial products and services. Following that, we developed and launched the "Natural Capital Assessment Service" (see page 76).

2020 Endorsed the Call to Action of Business for Nature

We endorsed the Call to Action of Business for Nature that calls on governments to adopt ambitious natural environment policies.

2022 Endorsed the 30 by 30 Alliance for Biodiversity established by the Ministry of the Environment

We will apply for the Ministry's projects and participate in a trial certification program for human-natural symbiosis sites (tentative name) to register the Mitsui Sumitomo Insurance Surugadai Building.



2022 Established the TNFD Consultation Group of Japan

As a company that sent an employee as a Taskforce Member, we established a council in June. The Consultation Group facilitates understanding and feedback toward framework development for the forum members expressing their agreement with the TNFD in Japan.



2022 Participated in a TNFD pilot by the UNEP FI

We participated in a pilot program led by the United Nations Environment Programme Finance Initiative in collaboration with the TNFD to develop a disclosure framework. We will conduct a trial risk assessment on the assumptions for specific industries and areas, and consider what the disclosures should be.

CREATING SHARED VALUE



We have deepened our knowledge in this field by seriously engaging in biodiversity preservation activities. While solving social issues, we are working to create new business opportunities for our Group and will continuously aim to further realize CSV.

2005

Started a tropical rainforest recovery project in Indonesia (Yogyakarta Special Province Wildlife Reserve Forest, Java Island)

As a company using a lot of paper, we started the project by considering the concept of "returning trees to the earth." For the prime purpose of restoring ecosystems in the area by planting trees in 350 hectares of illegally logged forests, we worked on "reforesting and forming sustainable local communities."

[Biome] Tropical forest (humid tropical deciduous forest) extending over stony sown land

[Initiatives for Nature Positive] Planting about 300,000 trees of 43 native species. In some areas, we introduced agroforestry (a method of combining tree planting with the cultivation of agricultural products to gain short-term income).

[Threats (risks) to local nature]

- As local residents have little farmland and low income, they are likely to cut down trees to survive
 - ▶ In addition to tree planting, we provided agricultural guidance to improve the income of local farmers
- Local people lack knowledge about the basic functions and roles of forests and do not have a good understanding of forest protection
 - ▶ We developed programs and conducted environmental education for students and teachers at local elementary schools with the aim of promoting awareness among parents through children

[Impact of initiatives]

- Recovery of biodiversity birds: 21 species → 44 species; butterflies: 4 species → 13 species; ants: 6 species → 8 species
- Improvement in livelihood (sales of agricultural corporations): 24,504,000 rupiah (FY2017–FY2018)/27,079,000 rupiah (FY2019–FY2020)
- Environmental education: A cumulative total of 574 persons including elementary school teachers and students



Toward developing and providing insurance products

2022

Released insurance series for helping preservation and restoration of natural capital and biodiversity

We offer insurance covering economic loss caused by unexpected and sudden damage to nature and contribute to the preservation of biodiversity.

1 **Support for roadkill reduction, etc.:** We have upgraded the "animal caution alert function" for dashcam-type voluntary automobile insurance. Moreover, we support activities such as donations to organizations engaged in protecting rare animals and reducing roadkill.

2 **Additional Expense Coverage for Marine Pollution Clause:** We cover the expenses that are incurred by ship operators to prevent spreading damage to the natural environment or take restoration activities beyond the scope of compensation liability, in the event of damage to the natural environment due to a ship accident.

3 **Special Clause for loss/or damage of contamination:** We cover damage of liability and extra expenses including clean-up costs, etc., caused by unforeseen and sudden contamination from factories and other facilities broadly.

4 **Special Clause for Extra Expense including Reforestation:** Covering the expenses required for reforestation, etc., which were not covered by conventional forest fire insurance.

Full-scale provision of consulting and risk assessments

2009 Began providing simplified diagnostic tools for biodiversity green spaces

MS&AD InterRisk Research & Consulting was an early provider of biodiversity consulting services. In response to growing interest from society, it developed a tool to assess how much the status of corporate green spaces contributes to the preservation of biodiversity. At the same time, the company expanded its consulting to address the planning and support of regional cooperation activities to improve biodiversity.

2016 Incorporated the animal caution alert function into the "Driving Capability" diagnosis on our smartphone application "Sumaho"

To prevent car accidents (roadkill), one of the leading causes of death for rare species such as the Iriomote wildcat, we have incorporated an alert function in our smartphone driving analysis application.

2022

Insurance premium discount systems for companies engaged in plastic resource recycling

We began offering discounts on insurance premiums to companies engaged in plastic resource recycling. We support the transition to a circular economy.



Climate-Related Disclosure

The MS&AD Insurance Group has designated “Symbiosis with the Global Environment: Planetary Health” as a priority issue (materiality) for sustainability and is promoting various initiatives against climate change.

For example, we are promoting the provision of products and services that help disaster prevention and reduction, as a supportive effort to improve society’s abilities to recover damage from natural catastrophes and adapt to climate change. Through providing insurance and investments and loans, we are encouraging the research and development and penetration of new technologies to reduce the risks of climate change and contributing to the transition to a decarbonized society.

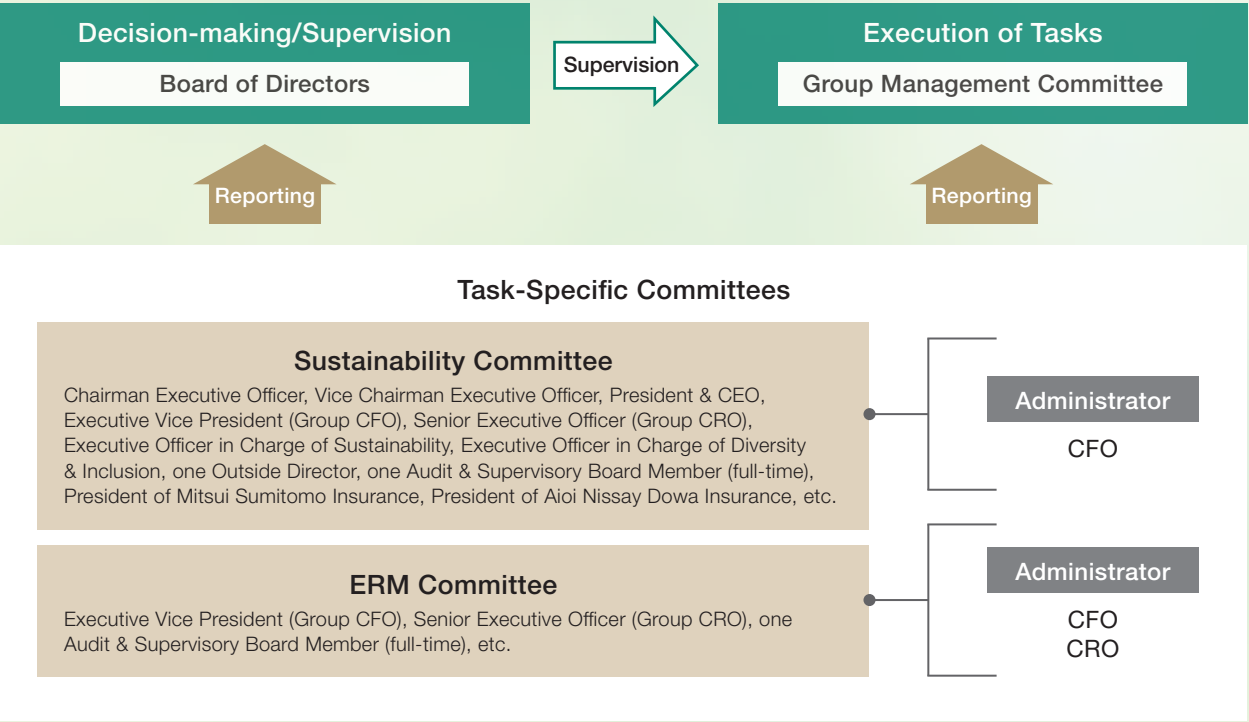
The Task Force on Climate-related Financial Disclosures (TCFD) recommends that the response to climate change issues be disclosed in accordance with four frameworks: “Governance,” “Strategy,” “Risk Management,” and “Metrics and Targets.” Our Group endorses this recommendation, prepares the “Climate-Related Financial Disclosure: TCFD Report,” and promotes detailed disclosure.

Governance

The MS&AD Insurance Group’s climate-related governance structure consists of the Board of Directors, the Group Management Committee, and the Task-Specific Committees. The Board of Directors discusses and makes decisions on 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, including climate-related matters and initiatives, and monitors the execution.

Climate-related issues and progress with initiatives are reported to both the Board of Directors and the Group Management Committee and decided after discussions primarily by the Sustainability Committee and the ERM Committee. Our declarations titled “Business Activities with Consideration for Sustainability” and “Initiatives to Achieve Net Zero by 2050,” which explain our initiatives for climate change mitigation and adaptation and our contribution to transition to net zero, were determined by the Sustainability Committee after being reported to the Board of Directors and Group Management Committee.



Strategies

Strategies for climate-related risks and opportunities

Climate change brings about the intensification of natural catastrophes, physical changes in weather conditions, and rapid social and economic changes during the transition to a decarbonized society.

Our Group pays insurance claims for damage resulting from natural catastrophes such as typhoons and floods, while

ensuring financial soundness and stable earnings. With the target of net zero emissions by 2050, we are working on supportive initiatives to evolve new technologies to reduce climate change risks, facilitate the transition to a decarbonized society, and reduce the environmental burdens of our business activities, thereby supporting a resilient and sustainable society.

Risks

We consider the effects of physical changes in weather conditions and the transition to a zero-carbon society to be risks in our business operations and are working to ensure stable earnings and financial soundness. We will maintain and strengthen a system that enables the prompt payment of insurance claims even in the event of a large-scale natural catastrophe. We will also mitigate risks by promoting disaster prevention and mitigation initiatives.

Opportunities

Rapid social and economic changes resulting from the transition to a zero-carbon society will bring opportunities for our Group’s growth, such as stimulated demand for new insurance products and services, and improved performance of our clients as new industries emerge or technological changes take place.

MS&AD Group’s initiatives

In May 2021, we set a decarbonization target of “net zero by 2050” for greenhouse gases emitted through our business activities and declared that we would contribute to the transition to a decarbonized society in cooperation with our stakeholders. The Medium-Term Management Plan for the four years from FY2022 designates “Symbiosis with the Global Environment: Planetary Health” as a priority issue for sustainability and further prioritizes the response to climate change. To support the transition to decarbonization in society, we support next-generation energy such as renewable energy and hydrogen and the establishment and social implementation of innovative technologies toward a decarbonized society. We are also adapting to climate change by providing services that eliminate or mitigate damage and losses from natural catastrophes.

Classification of risks in climate change based on the TCFD		Example	Risk Examples in our Business Activities
Physical Risks	Acute	Typhoons, floods, storm surges, heavy rains, and wildfires	Deterioration in income and expenditures due to the intensification of natural catastrophes, etc., and an increase in capital costs due to an increase in profit volatility
	Chronic	Rising sea levels and temperatures Changes in weather such as low rainfall and drought Decrease in the supply of water and other resources Changes in the habitat of infectious disease vectors Increase in heat stroke	
Transition Risks	Policy and Legal	Rise in carbon prices Strengthening environmental regulations and standards Change in energy composition Rising number of climate-related litigation cases	Decline in investment returns caused by deterioration in the performance of investee companies due to an increase in carbon costs
	Technology	Progress in decarbonization technology Changes in industrial structure due to a decrease in demand for low-carbon-efficient products	Reduced earnings due to the inability to capture changing markets due to decarbonization
	Market	Changes in supply and demand for goods and services	
	Reputation	Criticism of a delayed response to climate change	Decreased reputation due to inadequate information disclosure and/or delayed response to climate change

Climate change could have a variety of impacts on our Group's business in the future. We have therefore developed scenario analyses. One is to analyze the impact on insurance underwriting arising from natural catastrophes (physical risk), and the other is about the impact on investment from the rise of carbon costs (transition risk).

For the analysis of physical risks, we analyzed changes in insurance loss arising from typhoons, which are affected by further warming of the planet, and confirmed that insurance loss might be increased.

For the analysis of transition risks, we analyzed additional costs allocated to our investee companies in the context of responses to rising global temperatures. We found that the companies might be able to reduce additional costs by promoting global warming countermeasures.

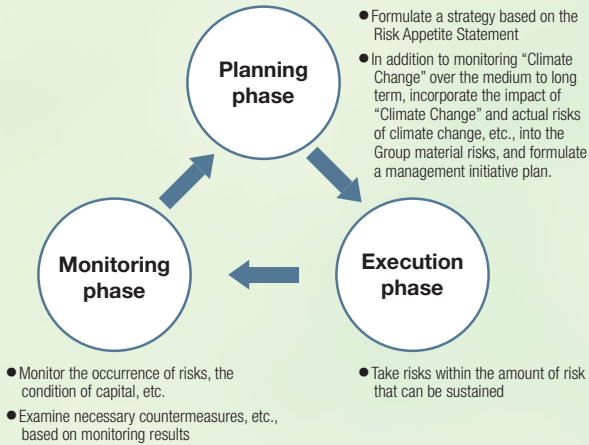
Details of our scenario analysis are disclosed in "Climate-Related Financial Disclosure: TCFD Report."

Scenario analysis results (excerpt)

	Business domain	Analysis	Examples of results	Scenario used
Physical Risk	Insurance underwriting	Estimated fluctuation of insured losses due to typhoons and storm surges	Examples of Typhoons in 2050 Changes in intensity Approximately +5% to approximately +50% Changes in frequency Approximately -30% to approximately +28%	RCP4.5 RCP8.5
Transition Risk	Investment	Impact on the management of investees for our Group by carbon cost	Examples of Stocks in 2030 Low scenario 4.0% Medium scenario 8.1% High scenario 17.5%	Trucost's high, medium, and low scenarios referencing the nationally determined contributions (NDCs), OECD, and IEA scenarios

Risk Management

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



Management of natural catastrophe risks

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

In addition to conducting stress tests for large-scale natural catastrophes, regarding the risks of storm and flood in Japan and the United States, both of which involve a large amount of risk, we set maximum levels of risk amounts (risk limits) for the Group and for each company, using the amount of damage that occurs once every 200 years as a basis, to maintain financial soundness.

We are also working on actions such as incorporating climate change impacts into stress tests and reflecting climate change uncertainty in the risk amounts of the entire Group.

Control of the retained risk amount of natural catastrophes

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

Responsible investment

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

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

Metrics and Targets

Metrics Pertaining to Risks and Opportunities

As the KPI, we set 18% as an annual average rate of increasing insurance premiums for products that help bring about a decarbonized society and a circular economy.

Metrics and Targets for Reduction of Our Environmental Burden

Our Group set medium- to long-term greenhouse gas (GHG) emissions reduction targets in FY2010 and has been working to reduce GHG emissions from its business activities. We reviewed our medium- and long-term targets, having achieved our FY2020 GHG emissions reduction target (30% reduction from the FY2009 level), and set new targets in May 2021 in line with the Paris Agreement.

Greenhouse gas (GHG) emissions reduction targets (Scope 1 + Scope 2)

Targets	FY2030	FY2050
Scope 1 ^{*1} + Scope 2 ^{*2}	50% reduction from the base year (FY2019)	Net zero
Scope 3 ^{*3}	50% reduction from the base year (FY2019) (Category 1, 3, 5, 7, and 13)	Net zero (all categories)

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

Greenhouse gas (GHG) emissions in the investment portfolio

Greenhouse gas (GHG) emissions in the investment portfolio (t-CO ₂ e)		
As of the end of March 2021	Stocks	Corporate bonds
Scope 1 + Scope 2	2,453,000	2,410,000

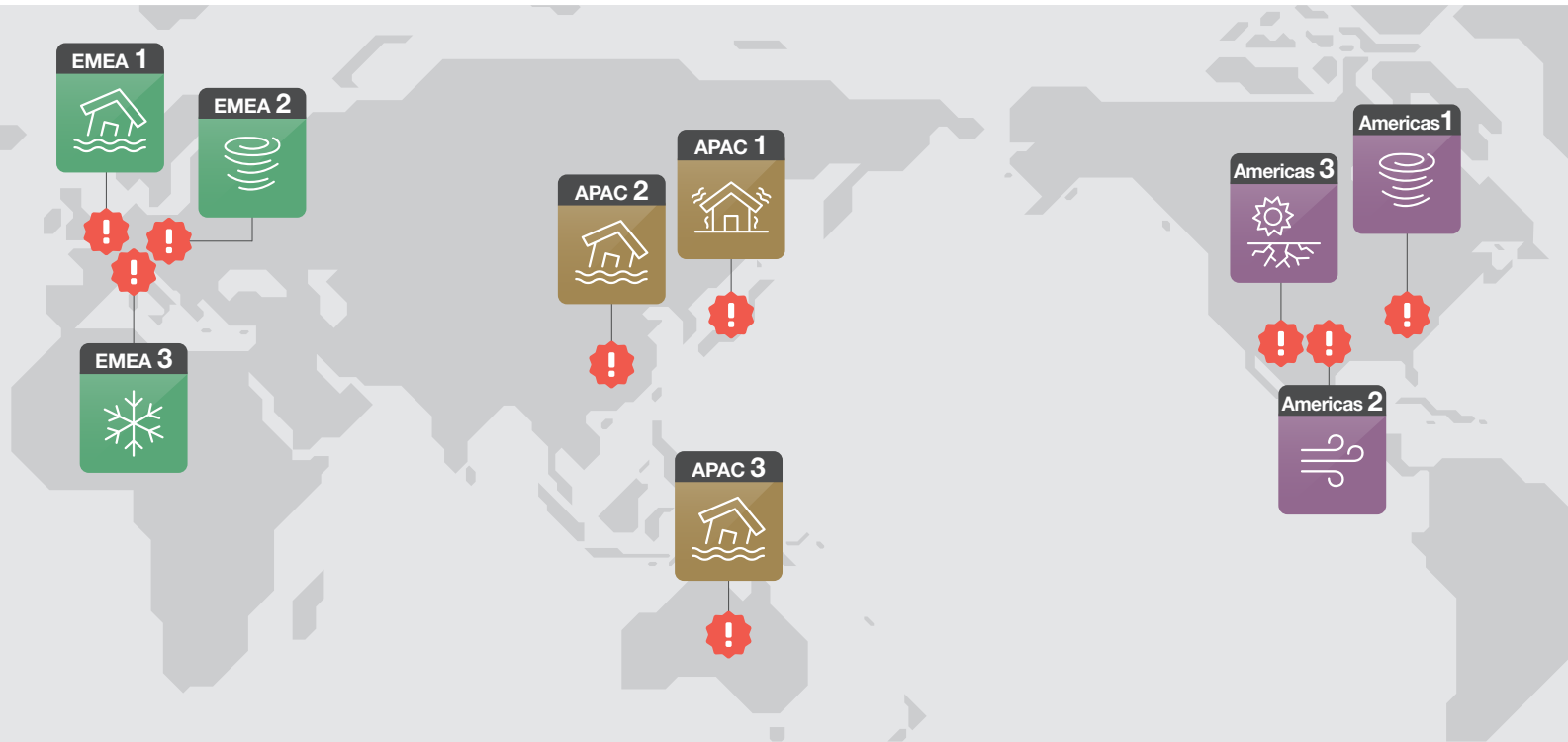
Weighted average carbon intensity (WACI) of investee companies

Weighted average carbon intensity (WACI) of investee companies (t-CO ₂ e/1 million U.S. dollars)		
As of the end of March 2021	Stocks	Corporate bonds
Scope 1 + Scope 2 of the investee companies	129.5	139.5

World Map of Natural Catastrophes in 2021*1

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

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



Europe EMEA 1
July » **Flood**
Insured loss*2 **Approx. ¥1,591.1 billion**
MS&AD's net incurred loss*3 **¥26.8 billion**
MS&AD's share*4 **1.68%**

Europe EMEA 2
June » **Cyclone**
Insured loss*2 **Approx. ¥428.4 billion**
MS&AD's net incurred loss*3 **¥3.16 billion**
MS&AD's share*4 **0.74%**

Europe EMEA 3
April » **Frost damage**
Insured loss*2 **Approx. ¥49.0 billion**
MS&AD's net incurred loss*3 **¥0.0 billion**
MS&AD's share*4 **0.00%**

Japan APAC 1
February » **Earthquake**
Insured loss*2 **Approx. ¥306.0 billion**
MS&AD's gross incurred loss (direct basis)*5 **¥14.9 billion**
MS&AD's share*4 **4.87%**

China APAC 2
June–September » **Flood**
Insured loss*2 **Approx. ¥257.0 billion**
MS&AD's net incurred loss*3 **¥0.01 billion**
MS&AD's share*4 **0.00%**

Australia APAC 3
March » **Flood**
Insured loss*2 **Approx. ¥85.7 billion**
MS&AD's net incurred loss*3 **¥0.01 billion**
MS&AD's share*4 **0.02%**

United States of America Americas 1
August–September » **Hurricane “Ida”**
Insured loss*2 **Approx. ¥4,406.0 billion**
MS&AD's net incurred loss*3 **¥34.31 billion**
MS&AD's share*4 **0.78%**

United States of America Americas 2
February » **Cold wave**
Insured loss*2 **Approx. ¥1,835.9 billion**
MS&AD's net incurred loss*3 **¥26.24 billion**
MS&AD's share*4 **1.43%**

United States of America Americas 3
January–December » **Drought**
Insured loss*2 **Approx. ¥526.3 billion**
MS&AD's net incurred loss*3 **¥0.00 billion**
MS&AD's share*4 **0.00%**

*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 2021 as listed in Aon's "Weather, Climate and Catastrophe Insight—2021 Annual Report"
*2 Insured loss: Estimated amount of insurance market loss covered by non-life insurance companies in the world (Source: Aon's "Weather, Climate and Catastrophe Insight—2021 Annual Report"). Exchange rate: US\$1 = ¥122.39 (used for internal purposes at the end of FY2022)
*3 As of March 31, 2022. Total net incurred loss (claims paid + outstanding claims, reflecting 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, 2022. Gross incurred loss on a direct basis (claims paid + outstanding claims, without reflecting recoverable and anticipated recoverable amounts from outward reinsurance contracts) by Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance.

Medium-Term Management Plan (2022–25)

Foundations **Quality**

Corporate group which continues to evolve based on customer feedback

Toward realizing a “corporate group that supports a resilient and sustainable society,” we are making efforts through various communications with customers and all other stakeholders. We are committed to providing quality that meets expectations from stakeholders by improving operations on a customer-feedback basis and practicing highly transparent and effective corporate governance.

Communication with Stakeholders

 Customers	<ul style="list-style-type: none">Customer surveysCommunication with agents and employees (e.g., inquiries, consultations, requests, complaints)	<ul style="list-style-type: none">Contact centerMS&AD website
 Shareholders	<ul style="list-style-type: none">IR meetingsIndividual meetings	<ul style="list-style-type: none">Briefings for investorsSurvey at the Annual Shareholders' Meeting
 Agents	<ul style="list-style-type: none">Meetings between agents and MS&AD salesPosting system	<ul style="list-style-type: none">Agent meetings
 Business Partners	<ul style="list-style-type: none">Communication with outside vendors	
 Employees	<ul style="list-style-type: none">Employee surveysCommunication with management	<ul style="list-style-type: none">Posting systemSpeak-up system
 Local Communities International Society	<ul style="list-style-type: none">Collaboration agreements with local governmentsCommunication with NPOs/NGOsCommunication/exchanges with local communitiesHolding of seminars/symposiums	
 Environment	<ul style="list-style-type: none">Communication with experts and NPOs/NGOsResearch on the global environment and natural disastersParticipation in initiatives and international conferences	



Practice highly transparent and effective corporate governance (see page 93)

- Continuous enhancement of the oversight function of the Board of Directors and the audit function of the Audit & Supervisory Board Members
- Implementation of fair, accurate, and prompt information disclosure

Topics

Promotion of tax compliance that responds to the trust of international society

The environment surrounding taxation has changed significantly in recent years, with the increasing focus on securing transparency in taxation as corporate responsibility and strengthening the international tax framework. Our Group believes it is important as a responsible insurer to fully recognize the importance of fair and transparent taxation and to disclose the Group's approach to and initiatives for tax compliance both throughout the Group and to the outside.

Current income tax by country (FY2021)

Country	Number of employees (persons)	Main revenue	Income before tax	Corporate tax, resident tax, etc.	
					Share
Japan	31,019	42,205	3,586	585	81.2%
U.S.A.	565	338	90	28	4.0%
U.K.	1,635	1,865	11	23	3.3%
Singapore	725	269	132	18	2.5%
Malaysia	1,034	301	115	17	2.4%
Belgium	471	1,026	64	8	1.2%
Switzerland	156	1,804	-335	-0	-0.1%
Others	4,357	1,846	169	39	5.5%
Consolidation adjustments	—	—	-134	—	—
Total	39,962	49,658	3,700	720	100.0%

* Country by country data is aggregated by country where the headquarters of Group companies are located.
* "Main revenue" represents the total of net premiums written for the non-life insurance business and premium income for the life insurance business.



To become a “corporate group supporting a resilient and sustainable society,” the Medium-Term Management Plan (2022–25) sets the following basic strategies: “Value (Value Creation),” “Transformation (Business Reforms),” and “Synergy (Demonstration of Group Synergy).” Every employee of the Group will help realize these strategies. In conjunction with the basic strategies, we will close the gaps necessary to execute them and increase employee engagement, thereby achieving sustainable improvement in corporate value.

Human resource strategy linked to basic strategies

“Building an optimum human resource portfolio” that can respond swiftly and flexibly to changes in the business environment in conjunction with the basic strategies

We will take actions such as clarifying the skills required to execute the basic strategies, expanding human resource investments such as reskilling and recurrent training, and securing professional human resources and promoting their active roles including the recruitment of external human resources, thereby building an optimum human resource portfolio. Regarding digital human resources and human resources for the international business who are responsible for strategies such as the rollout of CSV × DX × GLOBAL and “business and risk portfolio reforms,” we set KPIs to nurture and enhance them. In addition, we will foster a sense of unity among the Group and demonstrate synergy by collaborating in human resource development and more active transfers among Group companies.

Full demonstration of employees’ abilities and skills and fulfillment of their ambitions

To execute the basic strategies, we will strive to create an attractive working environment where employees can show their abilities, skills, and motivation to the fullest. We support employees’ self-directed career development such as post-challenge programs and side and second jobs. We also strive for flexible and diverse work styles that enable employees to work anywhere. Moreover, we promote D&I and practice management that draws out diverse opinions and ideas. We have set KPIs and will promote initiatives to achieve these goals.

Three Basic Strategies of the Medium-Term Management Plan

Human Resource Strategy and KPIs

Our Aspirations

1

Value

CSV × DX × GLOBAL

2

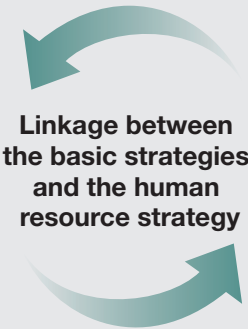
Transformation

- Business and Risk Portfolio Reforms
- Pursuit of optimal solutions utilizing digital technologies

3

Synergy

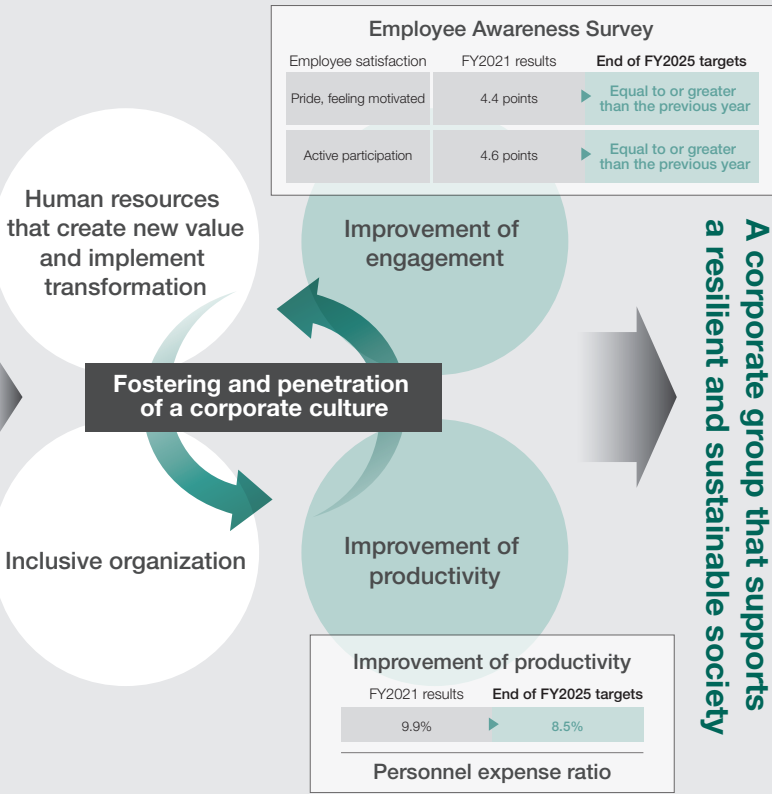
- Demonstration of Group Synergy



Achieving the Group’s aspirations by developing and securing human resources responsible for executing the basic strategies

Development of an optimum human resource portfolio		KPIs	
Reskilling and recurrent training	<ul style="list-style-type: none">Enhancement of menu for self-directed learningImprovement of the level of both business and digital skills	FY2021 results	End of FY2025 targets
Retention and active participation of specialist human resources	<ul style="list-style-type: none">Enhancement of training for specialist human resourcesDiversification of recruitmentPersonnel systems suitable for specialist human resources	Digital human resources	2,179 persons ▶ 7,000 persons
		Human resources for the international business	1,129 persons ▶ 1,200 persons

Full demonstration of employees’ abilities and skills and fulfillment of their ambitions		KPIs	
Development of an attractive workplace environment	<ul style="list-style-type: none">Opportunities for self-directed career developmentFlexible and diverse working stylesManagement that encourages employees to take on new challenges	FY2021 results	End of FY2025 targets
Diversity and inclusion (D&I)	<ul style="list-style-type: none">Diversification of decision-makersManagement that draws out and utilizes diverse opinions and ideasHuman resource exchanges among Group employees	Number of annual paid holidays taken	16.3 days ▶ Equal to or greater than the previous year
		Male childcare leave	Percentage of male employees taking childcare leave: 86.4% Duration of leave: 6.8 days ▶ Aim to raise the percentage of people taking leave to 100% and increase the duration of leave to four weeks
Health & productivity management	<ul style="list-style-type: none">Initiatives to maintain and advance the health of employees to enable them to work with vigor and enthusiasm	Percentage of female managers	17.5% ▶ 30% (End of FY2030 targets)
		Percentage of female line managers	10.5% ▶ 15% (End of FY2030 targets)
		Percentage of mid-career employees among managerial staff	22.1% ▶ Current level or higher
		Percentage of employees hired locally overseas appointed as executives of overseas subsidiaries	81.0% ▶ Current level or higher
		Percentage of people who exercise regularly	25.4% ▶ Current level or higher



Quantitative understanding of the “As is–To be” gap

Digital human resources	Actions such as CSV × DX and “pursue optimal solutions using digital technologies” require many employees to acquire the ability to connect both business and digital skills to products and services. We also need experts who possess and demonstrate a high level of expertise in the digital domain. Regarding the “digital human resources” necessary to execute our basic strategies, we set 7,000 persons as the KPI (in FY2025). We are accelerating the securing and development of such personnel, including the recruitment of external human resources.
Human resources for the international business	In “rolling out CSV × DX globally” and “expanding the international business portfolios,” to ensure sufficient human resources in terms of both quality and quantity for the positions required for conducting business, we set 1,200 persons as the KPI for human resources for the international business (in FY2025.) At present, the number of such persons is sufficient to fill the necessary positions, so the increase is not large. We are developing human resources who will play a role in areas of expertise and continuously securing human resources while promoting generational change.
Diversity and inclusion (D&I)	By setting KPIs for factors such as the ratio of mid-career employees in managerial positions in addition to the ratio of female managers and female line managers, we are working to diversify human resources.

Fostering and penetration of a corporate culture

We create an environment in which employees can feel motivated and work independently and ambitiously, and foster a culture where employees take on the challenge of creating new value. We promote the diversification of decision-making layers. At the same time, we strive for inclusive organizational management that brings out the knowledge, experience, and sense of values of diverse human resources and utilizes them in organizational decision-making. Furthermore, for the Group to achieve sustainable growth, the Company and its employees must bring vectors into alignment and move forward together. To this end, it is important to ensure our employees agree with the Company’s aspirations. Our Group conducts an employee awareness survey of all employees, and observes fixed points such as the penetration of the Mission, Vision, and Values (MVV) and the level of understanding of CSV every year. More than 90% of employees understand the MVV and experience CSV. Continuously having the top management communicate the aspirations will promote understanding of the MVV and CSV, and foster and penetrate a corporate culture that leads to improvements in employee engagement and productivity.

Chairman’s Message



Yasuyoshi Karasawa
Chairman of the Board

Since FY2018, the Group has been working on growing the CSV concept by providing solutions to the risks arising from various social issues as the foundation of its management, with the SDGs as leading marks. In the Medium-Term Management Plan (2022–25) started in this fiscal year, we aim to “Grow together with society as a platform provider of risk solutions” and to transform insurance itself.

To transform insurance, in other words, to create innovation, it is first important to increase the diversity of our human assets. The Group’s growth will come from the diverse sense of values and perspectives of people of different genders, nationalities and races, generations, LGBTQ+, and religions, which will be utilized in management.

It is especially important to make sure that there is ample diversity in the decision-making process. The Board of Directors is highly diverse, with 47% of its members coming from outside the company, one-third of the Directors being female, and including foreign nationals. In FY2021, the Board of Directors spent much time discussing the direction of the Medium-Term Management Plan (2022–25). The Board had lively discussions on capital management policy and international business strategy, which are issues that have been ongoing since the previous Medium-Term Management Plan, the promotion of digital transformation, green transformation, and sustainability management, which are essential for medium- to long-term growth. These discussions were led by Outside Directors with diverse backgrounds, and we feel that their experience and knowledge allowed us to have constructive discussions from a variety of perspectives. We believe that the effectiveness of our Board of Directors has been steadily enhanced by utilizing outside perspectives and ensuring diversity. We will continue to create a forum where members with diverse experiences and perspectives can freely engage in lively discussions and strengthen our governance

structure to steadily promote growth. While evolving the governance structure we have built to date, we will strengthen our competitiveness and increase our corporate value over the medium to long term through the global development of CSV management utilizing digital technology.

Another key to creating innovation is our human asset strategy. To enhance corporate value, it is important to develop human assets who can accurately grasp social issues and provide solutions through innovative thinking. What is important in promoting the development of human assets is to train our talent to develop a multifaceted way of thinking, where they listen to various people’s opinions and derive their own opinions, rather than aiming to derive a single correct answer in the present era when the correct answer is not always clear. Second, we must have the courage to try to change the status quo. Creativity, imagination, and passion are essential to create a better future. We will develop human assets who can think, act, and communicate independently, engage others, and work as a team to solve problems.

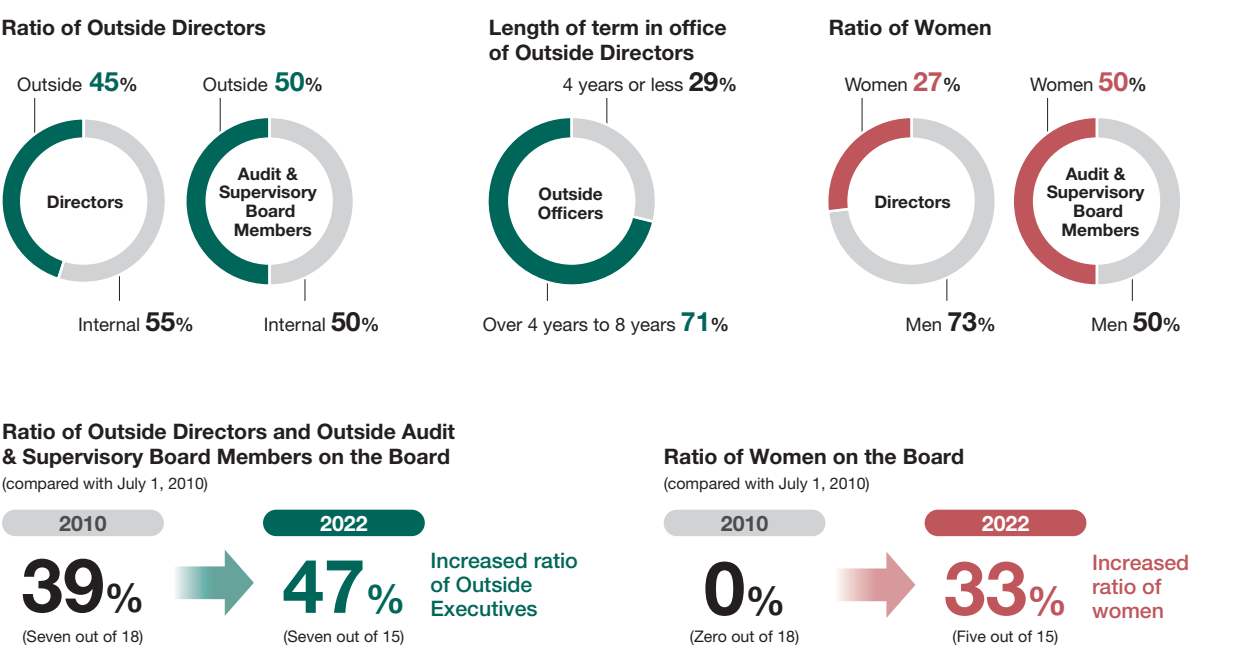
The Group will continue to face the diverse risks associated with social change and to solve these issues through the power of innovation, and at the core of such efforts are our Mission, Vision, and Values. We believe that it is essential for the growth of the Group to clarify our Purpose (reason of being), which is our management philosophy, and to indicate the vector we wish to pursue. Demonstrating what we hope to achieve through the living practice of value creation stories will increase employee engagement and attract talented human assets.

To realize our aspiration of a “corporate group that supports a resilient and sustainable society” by 2030, it is important to increase the number of partners who share this Purpose and vision and work together with us. Together with our stakeholders, we will achieve sustainable improvement of corporate value.

Corporate Governance System and Initiatives

Corporate Governance Evolution				
2010-2013		2014-2017		2018-2021
Medium-Term Management Plan	New Frontier 2013	Next Challenge 2017		Vision 2021
	Establishing a Group governance system	Strengthening Group governance		Improving the corporate governance system
Governance Evolution	Medium-Term Management Plan (2022–25)		Practicing highly transparent and effective corporate governance	
	<ul style="list-style-type: none">• Institutional design: Became a company with a board of auditors• Introduced an executive officer system• Assigned multiple Outside Directors• Established the Nomination Committee and the Remuneration Committee		<ul style="list-style-type: none">• Introduced the CEO Succession Plan• Revised the executive remuneration system (Company business performance linkage and medium- to long-term performance (nonfinancial indicators) evaluation)• Promoted diversity among the Board members• Reorganized the task-specific committees (launched the Sustainability Committee, the ERM Committee, and the Group Standardization Committee)• Newly established the titles CDO and Executive Officer in charge of promotion of D&I	
				2022-2025
				<ul style="list-style-type: none">• Introduced stock issuance trust systems• Introduced guidelines for holding the Company's own shares• Exchanged opinions with third-party organizations on the results of analysis and evaluation of the effectiveness of the Board of Directors
				<ul style="list-style-type: none">• Implemented analysis and evaluation of the Board of Directors' effectiveness and published the evaluation results• Introduced performance-based compensation• Introduced stock options as a stock-based compensation system for Directors (Inside Directors only) and Executive Officers• Published selection criteria for Directors and Audit & Supervisory Board Members (including criteria for independence)• Newly established the Governance Committee mainly composed of Outside Directors• Newly installed titles such as CFO and CRO• Enacted and released the Basic Policy for Corporate Governance

Director/Audit & Supervisory Board Member Composition (As of July 1, 2022)

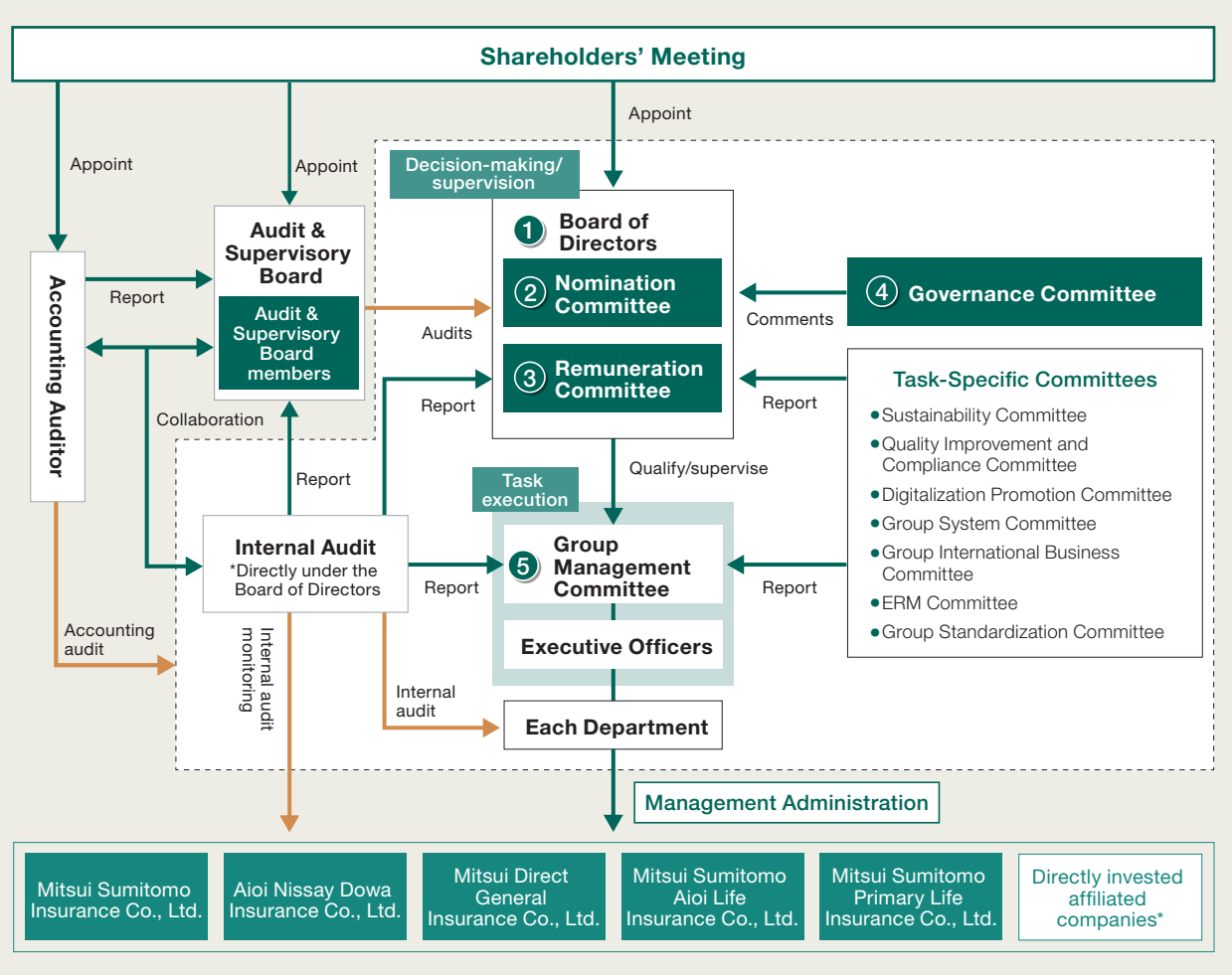


Corporate Governance System

As a company with a board of auditors, the Company's Board of Directors has a proper grasp of auditing functions, and in tandem with this, independently appointed Audit & Supervisory Board members to appropriately attend to their supervisory duties. In strengthening this dual functionality, we actively practice information disclosure in our efforts to heighten governance.

The Company has established the Nomination Committee and the Remuneration Committee (more than half the members, as well as the committee chairperson, are Outside Directors) within the Board of Directors and the Governance Committee (comprising all Outside Directors together with the Chairman, Vice Chairman of the Board, and Representative Director). We are fortifying our stance on corporate governance that is highly effective and transparent.

MS&AD Insurance Group Holdings, Inc. (As of July 1, 2022)



*Related operating companies consist of the following eight: MS&AD InterRisk Research & Consulting, MS&AD Business Support, MS&AD Staff Services, MS&AD Systems, MS&AD Business Service, MS&AD Grand Assistance, MS&AD ABILITYWORKS, and MS&AD Ventures.
Note: Committees boxed in [] indicate the scope of supervision by the Board of Directors.

1) Board of Directors

As the ultimate decision-making authority for Group management, the Board of Directors deliberates and decides upon matters of importance for Group management and supervises the execution of duties performed by directors, executive officers, and others.

Chairman: Yasuyoshi Karasawa
Internal: Eight members Outside: Seven members / FY2021 meetings held 12 times
(Excluding board meetings held on paper)
Director attendance rate 100%, Audit & Supervisory Board Member attendance rate 100%

2) Nomination Committee

Upon the delegation of the Board of Directors, the committee offers advice to the Board of Directors concerning the nomination policy and nomination for candidates for Directors and Audit & Supervisory Board Members; the nomination, promotions, dismissals, and disciplinary actions pertaining to Executive Officers; and the nomination, dismissals, etc., of Directors and Audit & Supervisory Board Members of the Group's domestic insurance companies.

Chairperson: Akira Arima (Outside Director)
Internal: Three members Outside: Five members / FY2021 meetings held six times
Attendance rate 100%

3) Remuneration Committee

Upon the delegation of the Board of Directors, the committee offers advice to the Board of Directors concerning policy for determining remuneration for Directors and Executive Officers, remuneration amount, limits on total remuneration for Directors, and policy for determining Executive Officer remuneration, etc., for the Group's domestic insurance companies.

Chairperson: Mariko Bando (Outside Director)
Internal: Three members Outside: Five members / FY2021 meetings held once
Attendance rate 100%

4) Governance Committee

In the Governance Committee, Outside Directors consult with the Chairman, Vice Chairman, and President on matters pertaining to the status of corporate governance, as well as policies and positions, and make comments to the Board of Directors on an as-needed basis.

Chairperson: Junichi Tobimatsu (Outside Director)
Internal: Three members Outside: Five members / FY2021 meetings held twice
Attendance rate 100%

5) Group Management Committee

The Group Management Committee discusses important matters pertaining to management policy and strategy, and management of the Company and the Group. It also deliberates on important matters of the Group's domestic insurance companies.

Chairperson: Noriyuki Hara
Members: Executive Officers, President of Mitsui Direct General Insurance, President of Mitsui Sumitomo Aioi Life Insurance, President of Mitsui Sumitomo Primary Life Insurance, two Audit & Supervisory Board Members / FY2021 meetings held 12 times
Attendance rate 100%

Task-Specific Committee Approach to Value Creation

Task-specific committees have been established with the objective of holding discussions about important matters of Company management associated with the execution of tasks, and they work to bring the opinions of relevant departments into mutual alignment. The results of the committees' discussions are on an as-needed basis summarized by the officer in charge and reported to the Group Management Committee, the Board of Directors, and others.

Task-Specific Committee Overview

Committee	Administrator	Committee members							Number of Times Held (FY2021)	Main Agenda Items (FY2021)
		Chairman	Vice Chairman	President	Vice President	Senior Executive Officer	Outside Directors	Audit & Supervisory Board Members		
Sustainability Committee	CFO Higuchi	●	●	●	●	●	●	●	5 times	● Sustainability initiatives in the next Medium-Term Management Plan ● Initiatives to achieve net zero (to reduce greenhouse gas emissions to substantially zero) ● Disclosure of information pertaining to factors such as climate change based on the TCFD recommendations ● Issues in promoting women empowerment in D&I initiatives and future actions
Quality Improvement and Compliance Committee	CRO Tamura				●	●	●	●	5 times	● Speak-up system operation status and improvements for the future ● Cybersecurity readiness assessment and enhancement ● "Customer-focused" business operation status ● Assessment of compliance system
Digitalization Promotion Committee	CDO Ippongi	●	●	●	●	●		●	4 times	● DX direction in the next Medium-Term Management Plan ● Demonstration of synergy by strengthening Group cooperation in data utilization
Group System Committee	CIO/CISO Tsuda				●			●	13 times	● Large-scale system development project status ● Next-generation IT development and system expense reduction actions ● System failure occurrence status and quality assurance status
Group International Business Committee	CFO Higuchi	●	●	●	●			●	3 times	● Foreign business positioning and medium-to long-term strategy direction ● Monitoring of Group governance ● Overseas business investments
ERM Committee	CFO Higuchi CRO Tamura				●	●		●	8 times	● About sophisticated business management ● Toward effective utilization of Group capital ● Response to domestic and overseas catastrophe risks, including climate change
Group Standardization Committee	CFO Higuchi				●	●		●	3 times	● Standardization and collaboration of the middle- and back-office divisions

Skills Matrix of Directors, Audit & Supervisory Board Members, and Executive Officers

To ensure discussions from diverse perspectives toward realizing the Group’s growth strategy, the Nomination Committee deliberated on the skills (knowledge, experience, and capability) necessary to ensure the effectiveness of the Board of Directors. From the viewpoint of judging important matters such as management strategy and supervising the execution of duties, the Committee determined the following.

i) Basic skills that are generally required

Corporate Management

Human Resources and Human Asset Development

Legal Affairs and Compliance

Risk Management

Finance and Accounting

ii) Relevant skills given that the Group’s core business is insurance and the Group is operated globally

Insurance Business

Internationality

iii) Skills necessary for business transformation and addressing issues that are considered important by the market, in view of the current business environment of the Company

IT and Digital

Sustainability

Furthermore, regarding Audit & Supervisory Board Members, we also consider

Finance and Accounting

 to be important skills.

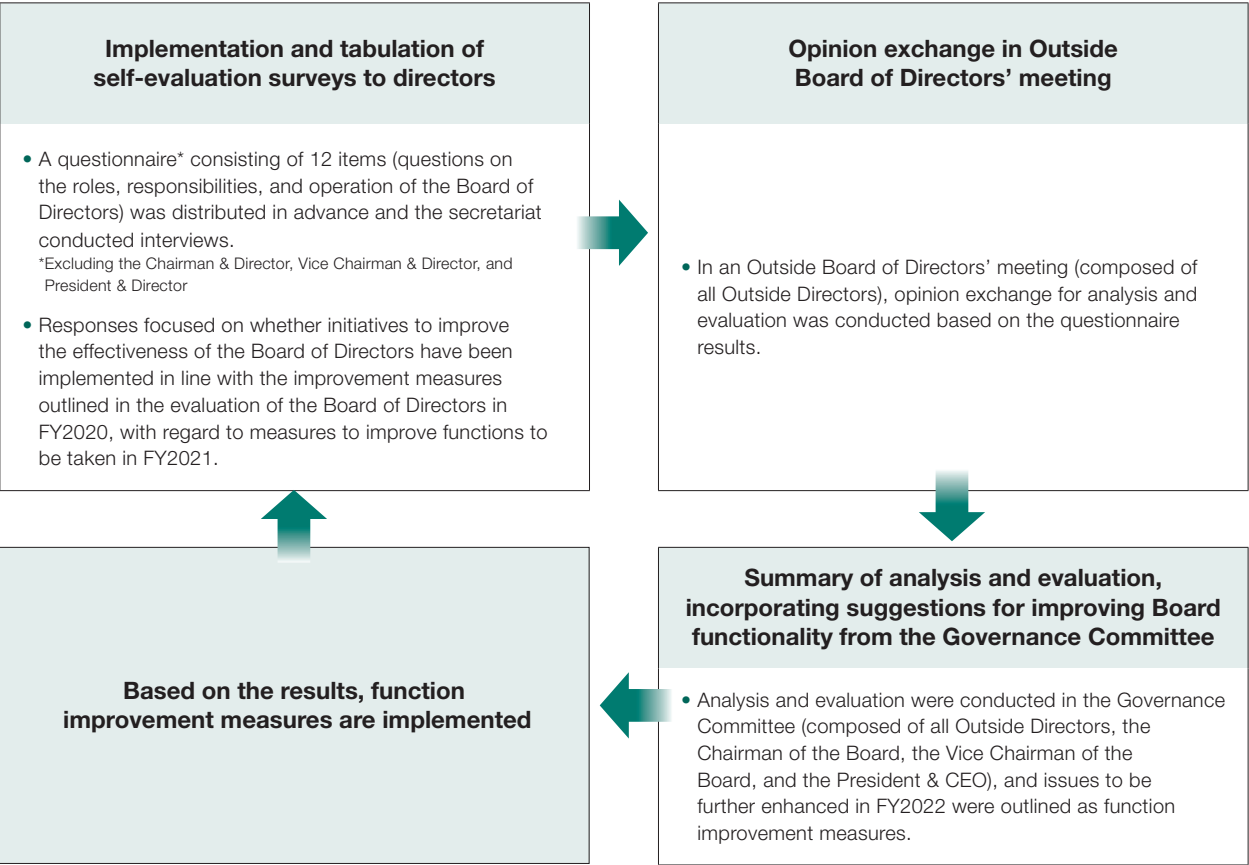
Officers	Skill								
	Corporate Management	Internationality	IT and Digital	Sustainability	Human Resources and Human Asset Development	Legal Affairs and Compliance	Risk Management	Finance and Accounting	Insurance Business
Director Karasawa	●	●		●	●	●	●	●	●
Director Kanasugi	●	●		●	●	●			●
Director Hara	●	●		●	●		●		●
Director Higuchi	●	●	●	●	●	●	●	●	●
Director Fukuda					●	●			●
Director Shirai				●		●	●		●
Outside Director Bando	●	●		●	●	●			
Outside Director Arima	●	●	●	●	●				
Outside Director Tobimatsu		●				●			
Outside Director Kopp	●	●		●	●				
Outside Director Ishiwata				●					
Audit & Supervisory Board Member Jinno						●	●	●	●
Auditor Suto							●	●	●
Outside Auditor Chiyoda		●						●	
Outside Auditor Uemura						●			

In addition, we have installed an executive officer system. The skills for Executive Officers who are not Directors are as follows.

Executive Officer Tamura		●	●	●	●				●
Executive Officer Funabiki	●	●	●	●	●				●
Executive Officer Motojima	●			●	●				●
Executive Officer Ippongi	●		●	●					●
Executive Officer Niiro	●	●		●	●				●
Executive Officer Hitotsuyanagi					●	●			●
Executive Officer Kawate	●	●					●		●
Executive Officer Shimazu		●	●	●	●	●	●		●
Executive Officer Kawabe		●		●	●				●
Executive Officer Hayakawa	●	●						●	●
Executive Officer Tsuda	●	●	●		●				●
Executive Officer Owada		●		●	●			●	●
Executive Officer Arakawa	●			●					●
Executive Officer Suzuki							●	●	●

Evaluation of Board of Directors’ Effectiveness and the Analysis Process

Analysis and evaluation process



Analysis and assessment of the Board of Directors’ effectiveness

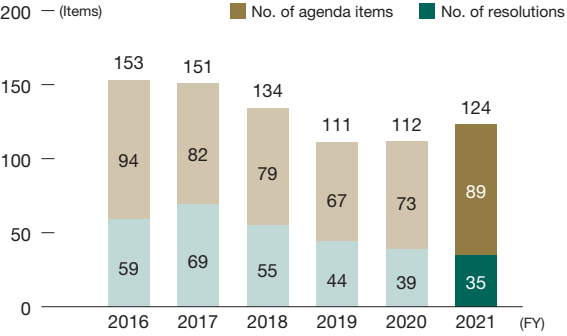
Evaluation results	<ul style="list-style-type: none">• Constructive discussions were conducted aiming to improve corporate value over the medium to long term, including growth strategies, considering the environment surrounding the Company and other factors, with a view to formulating the next Medium-Term Management Plan. In the discussions, active use of opportunities was made other than board meetings (such as Outside Officers Study Sessions).• With regard to sustainability initiatives, the content of initiatives related to climate change risk was proactively disclosed and communicated, including reporting aligned with the TCFD recommendations.• Sufficient explanation was provided regarding the investment objectives and risks, particularly around international business investment projects, and in-depth discussions and examinations were conducted.• An atmosphere that allows free and open-minded discussions has been fostered in the Board of Directors, and frank discussions were held, mainly on important agenda items.• By holding all types of meetings in an online format, it became difficult to have informal exchanges of opinions among fellow Outside Officers and Inside Officers. It is necessary to provide opportunities to exchange opinions with a small number of Inside Officers to understand their personalities and thinking.
Points requiring further reinforcement	<ul style="list-style-type: none">• Expand opportunities for Outside Officers to interact with the top management of overseas subsidiaries to identify potential risks at overseas subsidiaries.• Provide opportunities for Outside Officers to tour operating companies and directly interact with their employees.• Provide opportunities for Outside Officers to freely exchange opinions with a small number of Executive Officers.

Note: We exchanged opinions on the results of analysis and evaluation of the effectiveness of the Board of Directors in FY2021 with third-party organizations. The results will be reflected in our efforts in FY2022.

Efforts Aimed at Improving the Operation of the Board of Directors

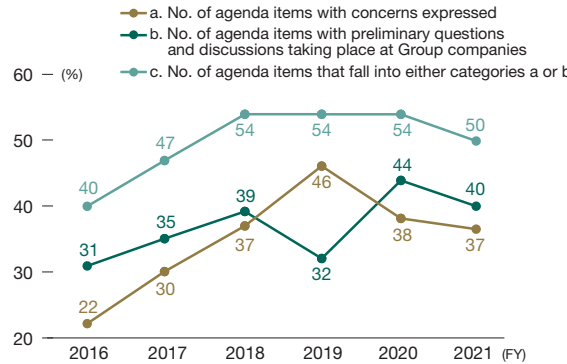
Number of agenda items

- Through measures such as introducing the package deliberation system, the number of agenda items, excluding those subject to the system, has decreased. However, the number of items increased in FY2021 from the previous fiscal year mainly due to the submission of agenda items in relation to the formulation of the next Medium-Term Management Plan.
- If excluding agenda items related to the formulation of the next Medium-Term Management Plan, the total number of agenda items was 109 (34 resolution items and 75 report items), a decrease from the previous fiscal year.
- Furthermore, the revision of item selection standards for the Board of Directors enables us to ensure sufficient time for important matters.



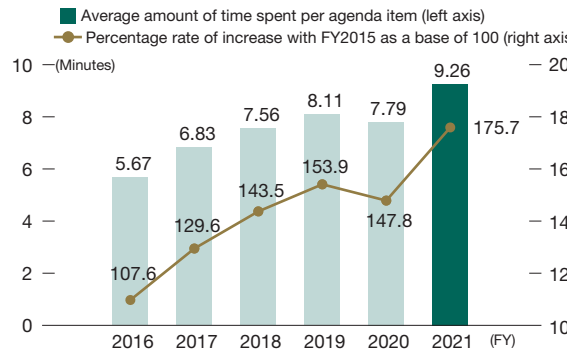
Assessing the presence of preliminary questions

- The ratio of agenda items where either concerns were expressed or there were preliminary questions has been increasing from FY2015, but decreased slightly to 50% in FY2021.
- To prevent the spread of COVID-19, all board meetings held in FY2021 were in an online meeting format. We introduced a system in which some Outside Officers participate face-to-face in a manner avoiding the Three Cs (closed spaces, crowded places, and close-contact settings) and that stimulated discussions.



Average amount of time spent per agenda item

- The average deliberation time per agenda item has increased. However, we believe that this is due to the high quality of debate thanks to efforts such as narrowing the number of agenda items.
- To ensure sufficient time for deliberating important agenda items, with regard to agenda items such as regularly reported ones, we introduced an operational scheme in which we prepare summaries of the materials and explain them as necessary.



Main agendas discussed at the board meetings

- Medium-Term Management Plan (2022–25)
- Reports on international business
- Matters related to business investment
- Reduction of operating expenses (measures for the combined ratio)
- Reports on the implementation activities of each task-specific committee
- Our Group’s cybersecurity posture
- Projected risk amounts of natural disasters in Japan and storm and flood disasters in the United States in FY2021, details of reinsurance renewal, and issues to be addressed
- Impact of the Russia-Ukraine situation
- Capital management policy (capital returns to shareholders), etc.

Remuneration Plan Targeting Strengthened Governance

Basic Policy

- Our aim is to enhance Group governance and medium- to long-term corporate value.
- The remuneration plan for Directors and Audit & Supervisory Board Members is now linked to the business performance of the Company to serve as an appropriate incentive for sustainable growth.
- The remuneration standard set allows us to be competitive as a global company.

Process for determining remuneration

Remuneration for Directors

- Upon deliberation by the Remuneration Committee, which comprises a majority of Outside Directors so as to achieve transparency, a resolution is made at the Board of Directors and an amount that does not exceed that determined by the Shareholders’ Meeting is decided upon.
- The Remuneration Committee advises the Board of Directors regarding policies and other matters pertaining to determining the amount of Directors’ remuneration and Executives’ remuneration.
- The Board of Directors will to the maximum extent possible adhere to the advice provided by the Remuneration Committee. Furthermore, the amount of remuneration will be determined after assessing whether it is in line with the remuneration system decided through a Board of Directors resolution.

Remuneration for Audit & Supervisory Board Members

- Without exceeding the amount determined by resolution at Shareholders’ Meetings, remuneration for Audit & Supervisory Board Members is determined with consideration to the differences of being either full-time or part-time, their burden with regard to auditing tasks, and reference to details and levels of compensation made to Directors, as well as consultations provided by Audit & Supervisory Board Members.

Composition of remuneration

- Fixed remuneration is set separately for each role, and performance-linked remuneration is determined considering company business performance.

	Fixed remuneration	Performance-linked remuneration	
		Monetary remuneration	Stock-based remuneration
Directors (excluding Outside Directors)	●	●	●
Outside Directors	●	—	—
Audit & Supervisory Board Members	●	—	—

- The standard structure ratio for executive remuneration is as follows, based on role.

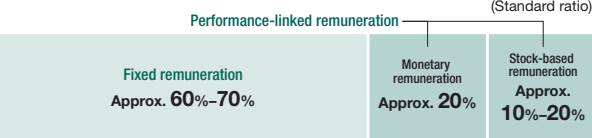
President and CEO:

The ratio of performance-linked remuneration is set to be higher than other roles.



Other roles:

Ratios of fixed remuneration and performance-linked remuneration are set to be different for different roles.



Stock-based remuneration details

- Stock-based remuneration is paid through restricted stocks and, as a general rule, the restriction is released upon retirement of the Officer.
- In the case that inappropriate behavior becomes evident during an Officer’s tenure, either the restricted stocks will be made available for free acquisition during the period of restriction or they will be returned after the period of restriction has been concluded. (Malus and clawback clauses)

Performance index, etc., related to performance-linked remuneration

- Performance-linked remuneration is linked to business performance and is determined based on both financial and nonfinancial indicators.
- Financial and nonfinancial indicators are selected corresponding to the Group's Medium-Term Management Plan "Vision 2021." The indicators and reasons for selection are as follows.

		Evaluation items	Selection reasons
Financial indicators (single fiscal year performance)		<ul style="list-style-type: none">• Group Adjusted Profit• Consolidated net income• Group Adjusted ROE	These indicators were selected considering that the Group's Medium-Term Management Plan "Vision 2021" sets numerical targets for Group Adjusted Profit and Group Adjusted ROE, and that consolidated net income is an important performance index for the Group.
Nonfinancial indicators (medium to long term)	Sustainability	<ul style="list-style-type: none">• Key sustainability issues<ul style="list-style-type: none">·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"• Quality that earns the trust of society• Management platforms that enable employees to play active roles	In "Vision 2021," we identified the key sustainability issues and selected nonfinancial indicators as evaluation items for CSV (creating shared value), in addition to "quality that earns the trust of society" and "management platforms that enable employees to play active roles."
	Key strategy	<ul style="list-style-type: none">• Pursue the Group's comprehensive strengths• Promote digitalization• Reform the portfolio	Since the three items on the left are designated as key strategies in "Vision 2021," they were selected as evaluation items for nonfinancial indicators.

- In the calculation of performance-linked remuneration, the standard ratio of financial indicators to nonfinancial indicators is 50:50.
- Regarding the application coefficient, financial indicators vary in a range of 0–3.0 and nonfinancial indicators vary in a range of 0.5–1.5 for a standard of 1.0.
- For performance-linked remuneration, monetary remuneration and stock-based remuneration are each calculated as specified below, based on the base amount for each role.

Monetary remuneration: Base amount for each role × Company business performance coefficient (financial indicators × 80% + nonfinancial indicators × 20%)

Stock-based remuneration: Base amount for each role × Company business performance coefficient (financial indicators × 20% + nonfinancial indicators × 80%)
- Monetary remuneration is set to reflect the performance of a single fiscal year more accurately by placing a higher percentage of financial indicators than nonfinancial indicators.
- By increasing the ratio of nonfinancial indicators to financial indicators, stock-based compensation is set to more accurately reflect the evaluation of initiatives that contribute to the enhancement of corporate value over the medium to long term.

Financial Indicators (FY2021)

	Results	Plan	Difference
Group Adjusted Profit	¥347.1 billion	¥315.5 billion	110.0%
Consolidated net income	¥262.7 billion	¥232.1 billion	113.2%
Group Adjusted ROE	9.5%	8.5%	+1.0 point

Nonfinancial Indicators (FY2021)

Evaluation items	Evaluation results
Sustainability	As a result of the evaluation based on the following perspectives and other factors, the evaluation was on par with the standard. <ul style="list-style-type: none">• Development and supply of products and services tailored to new risks and business• Development and supply of products and services that contribute to accident prevention and safe driving• Customer satisfaction etc.
Key strategies	As a result of the evaluation based on the following perspectives and other factors, the evaluation was on par with the standard. <ul style="list-style-type: none">• Promotion of synergistic actions utilizing the know-how of companies within the Group (e.g., products, claim services)• Progress in digitalization efforts• Portfolio reform etc.

Total amount of remuneration (FY2021)

Total remuneration by category, total amount by type of remuneration, and number of applicable corporate officers

Corporate officer category	No. of corporate officers	Total remuneration	Total amount of remuneration by category		
			Fixed remuneration	Performance-linked remuneration	
				Monetary remuneration	Stock-based remuneration
Directors (Excluding Outside Directors)	8	330	182	78	69
Audit & Supervisory Board Members (Excluding Outside Audit & Supervisory Board Members)	3	56	56	–	–
Outside Directors/Audit & Supervisory Board Members	6	81	81	–	–

Total amount of consolidated remuneration, etc., of those whose total amount of consolidated remuneration, etc., is ¥100 million or more

Name	Corporate officer category	Company category	Total remuneration	Total amount of remuneration by category		
				Fixed remuneration	Performance-linked remuneration	
					Monetary remuneration	Stock-based remuneration
Yasuyoshi Karasawa	Director	Submitting company	123	55	31	30
	Director	Mitsui Sumitomo Insurance Co., Ltd.		6	–	–
Yasuzo Kanasugi	Director	Submitting company	122	24	11	10
	Director	Aioi Nissay Dowa Insurance Co., Ltd.		40	18	17
Noriyuki Hara	Director	Submitting company	133	28	14	13
	Director	Mitsui Sumitomo Insurance Co., Ltd.		38	18	19

CEO Succession Plan

- For our Group to achieve sustainable growth and enhance corporate value, we positioned the appointment and dismissal of the Group CEO (hereinafter, "CEO") and the fostering of successors as one of the important management issues and formulated a succession plan.

Criteria for CEO selection

<input checked="" type="checkbox"/> Ability to embody the Group's Mission, Vision, and Values and having the concept of CSV (Creating Shared Value) in his/her own system of values
<input checked="" type="checkbox"/> Ability to plan and build future visions
<input checked="" type="checkbox"/> Fairness and impartiality
<input checked="" type="checkbox"/> Ability to develop human assets
<input checked="" type="checkbox"/> Ability to demonstrate leadership
<input checked="" type="checkbox"/> Global response capability
<input checked="" type="checkbox"/> Acting in the Group's best interest

CEO selection process



Development plan for CEO candidates

- The CEO plays an important role and can mentor numerous candidates. The candidates (from within the Group) should have the following experience:
 - Experience across departments (administration, operations, international, sales, claims services, systems, and others)
 - Management at a domestic company and/or an overseas subsidiary

CEO dismissal process

- When an Outside Director deems it necessary to discuss dismissal, such as when the CEO is subject to the prohibitions stipulated in the Executive Officers Rules (e.g., violating obligations set forth in the Companies Act and other laws and regulations or company regulations) or when it is determined that it is difficult for the CEO to properly continue his/her duties due to health reasons or other reasons, the Outside Director shall deliberate on his/her own initiative with members of the Nomination Committee excluding the CEO. Based on the results of the deliberation, necessary procedures are carried out in accordance with the Companies Act and internal regulations.
- Directors who are not Outside Directors can request a meeting of the Board of Directors to be convened in accordance with the Rules of the Board of Directors and submit proposals for dismissal of Directors at the Shareholders Meeting.



CORPORATE GOVERNANCE

<p>Audit & Supervisory Board Member</p> <p>Hidema Jinno</p> <p>Audit & Supervisory Board Member (Full-time)</p>	<p>Audit & Supervisory Board Member</p> <p>Kyoko Uemura</p> <p>Outside Audit & Supervisory Board Member (Independent Director)</p>	<p>Director</p> <p>Masahito Fukuda</p> <p>Director, Executive Officer</p>	<p>Director</p> <p>Yasuzo Kanasugi</p> <p>Representative Director, Vice Chairman Executive Officer</p>	<p>Director</p> <p>Tetsuji Higuchi</p> <p>Representative Director, Executive Vice President</p>	<p>Director</p> <p>Yusuke Shirai</p> <p>Director, Executive Officer</p>	<p>Audit & Supervisory Board Member</p> <p>Kunio Chiyoda</p> <p>Outside Audit & Supervisory Board Member (Independent Director)</p>	<p>Audit & Supervisory Board Member</p> <p>Atsuko Suto</p> <p>Audit & Supervisory Board Member (Full-time)</p>
<p>Director</p> <p>Junichi Tobimatsu</p> <p>Outside Director (Independent Director)</p>	<p>Director</p> <p>Rochelle Kopp</p> <p>Outside Director (Independent Director)</p>	<p>Director</p> <p>Yasuyoshi Karasawa</p> <p>Chairman & Director, Chairman Executive Officer</p>	<p>Director</p> <p>Noriyuki Hara</p> <p>Representative Director, President & CEO</p>	<p>Director</p> <p>Mariko Bando</p> <p>Outside Director (Independent Director)</p>	<p>Director</p> <p>Akira Arima</p> <p>Outside Director (Independent Director)</p>	<p>Director</p> <p>Akemi Ishiwata</p> <p>Outside Director (Independent Director)</p>	

(As of July 1, 2022, except for the number of Company shares owned, which is as of the end of March 2022)

Directors

Yasuyoshi Karasawa

Chairman & Director
Chairman Executive Officer

Number of Company shares owned: 46,046
Important concurrent positions: —
Date of birth: Oct. 27, 1950
Biography:
April 1975 Entered Sumitomo Marine and Fire Insurance Co., Ltd. Has business experience in corporate planning, sales, corporate communications, financial planning, etc. Present position since June 2020

Noriyuki Hara

Representative Director
President & CEO

Number of Company shares owned: 45,246
Important concurrent positions:
Chairman & Director, Chairman Executive Officer, Mitsui Sumitomo Insurance Co., Ltd. (MSI)
Date of birth: July 21, 1955
Biography:
April 1978 Entered Taisho Marine and Fire Insurance Co., Ltd. Has business experience in market development, sales, product operations, corporate planning, etc. Present position since June 2020

Masahito Fukuda

Director
Executive Officer

Number of Company shares owned: 21,387
Important concurrent positions:
Director, Executive Vice President, MSI
Date of birth: June 23, 1958
Biography:
April 1981 Entered Taisho Marine and Fire Insurance Co., Ltd. Has business experience in sales, human resources planning, compliance, corporate quality control, etc. Present position since June 2020

Mariko Bando

Outside Director
Chairperson of Remuneration Committee

Attendance record: Board of Directors' meetings 12/12 (100%)
Number of Company shares owned: 5,700
Reasons for appointment and expected role:
She previously served in positions such as Director General of Gender Equality Bureau, Cabinet Office, and President of Showa Women's University. She has a wealth of knowledge and experience in public administration, education, and diversity promotion. We expect her to supervise management and provide advice on all aspects of management in areas such as diversity promotion.
Important concurrent positions:
Chancellor and Chairperson of the board, Showa Women's University
Director (Outside Director), Mitsubishi Research Institute, Inc.
Date of birth: Aug. 17, 1946

July 1969	Entered the Prime Minister's Office
Oct. 1985	Counsellor of Cabinet Secretariat, Councillor of Cabinet Secretariat
July 1989	Director of Consumer Statistics Division, Statistics Bureau, Management and Coordination Agency
July 1994	Director of Gender Equality Bureau, Cabinet Secretariat
April 1995	Vice-Governor of Saitama Prefecture
June 1998	Consul General of Japan in Brisbane, Australia
Jan. 2001	Director General of Gender Equality Bureau, Cabinet Office
Oct. 2003	Director, Incorporated Educational Institution, Showa Women's University
April 2007	President, Showa Women's University
April 2014	Chancellor, Incorporated Educational Institution, Showa Women's University (present)
July 2016	Chairperson of the board, Showa Women's University (present)
June 2017	Director, the Company (present)

Junichi Tobimatsu

Outside Director
Chairperson of Governance Committee

Attendance record: Board of Directors' meetings 12/12 (100%)
Number of Company shares owned: 0
Reasons for appointment and expected role:
He has a wealth of knowledge and experience concerning overall corporate legal affairs including those of overseas companies as an attorney-at-law. We expect him to supervise management and provide advice on all aspects of management in relation to ensuring the soundness of the Group's management.
Important concurrent positions:
Attorney-at-law, GAIEN PARTNERS
Director, amana inc. (Outside Director)
Director, AI, Inc. (Outside Director (Audit and Supervisory Committee Member))
Director, CANDEAL Co., Ltd. (Outside Director (Auditor))
Date of birth: Aug. 15, 1972

April 1998	Registered as Attorney-at-Law Attorney-at-Law, Mori Sogo (currently, Mori Hamada & Matsumoto)
June 2004	Registered as Attorney-at-law in N.Y.
April 2010	Associate Professor, Graduate School of Law and Political Science, the University of Tokyo
July 2016	Attorney-at-law, Tobimatsu Law (currently, GAIEN PARTNERS) (present)
June 2018	Director, the Company (present)

Yasuzo Kanasugi

Representative Director
Vice Chairman & Director
Vice Chairman Executive Officer

Number of Company shares owned: 53,691
Important concurrent positions:
Chairman & Director, Aioi Nissay Dowa Insurance Co., Ltd. (ADI)
Date of birth: May 29, 1956
Biography:
April 1979 Entered Dai-Tokyo Fire and Marine Insurance Co., Ltd. Has business experience in human resources, sales, corporate planning, merger preparation, etc. Present position since June 2020

Tetsuji Higuchi

Representative Director
Executive Vice President

Number of Company shares owned: 18,307
Important concurrent positions: —
Date of birth: June 24, 1961
Biography:
April 1984 Entered Sumitomo Marine and Fire Insurance Co., Ltd. Has business experience in sales, product operations, human resources, corporate planning, etc. Present position since April 2021

Yusuke Shirai

Director
Executive Officer

Number of Company shares owned: 8,195
Important concurrent positions:
Director, Managing Executive Officer, ADI
Date of birth: June 13, 1964
Biography:
April 1988 Entered Dai-Tokyo Fire and Marine Insurance Co., Ltd. Has business experience in corporate planning, compliance, etc. Present position since June 2022

Akira Arima

Outside Director
Chairperson of Nomination Committee

Attendance record: Board of Directors' meetings 12/12 (100%)
Number of Company shares owned: 1,300
Reasons for appointment and expected role:
He previously served in positions such as Director of Nippon Telegraph and Telephone Corporation, and President, Chief Executive Officer, Representative Director, of NTT Communications Corporation. He has a wealth of knowledge and experience as a member of top management in the information and communication business. We expect him to supervise management and provide advice on all aspects of management in the areas of DX promotion and global management.
Important concurrent positions: —
Date of birth: Aug. 25, 1949

April 1973	Entered Nippon Telegraph and Telephone Public Corporation
June 2002	Director and General Manager of Planning Dept., Nippon Telegraph and Telephone East Corporation
April 2003	Director and General Manager of Corporate Planning Dept., Nippon Telegraph and Telephone East Corporation
June 2005	Director, Nippon Telegraph and Telephone Corporation
June 2007	Executive Vice President and Head of the Internet Business Division, NTT Communications Corporation
June 2010	President, Chief Executive Officer, Representative Director, NTT Communications Corporation
June 2015	Director and Advisor, NTT Communications Corporation
June 2017	Advisor, NTT Communications Corporation
June 2018	Director, the Company (present)
June 2021	Senior Advisor, NTT Communications Corporation

Rochelle Kopp

Outside Director

Attendance record: Board of Directors' meetings 12/12 (100%)
Number of Company shares owned: 0
Reasons for appointment and expected role:
She has a wealth of knowledge in the field of cross-cultural communication and experience as a management consultant. We expect her to supervise management and provide advice on all aspects of management in relation to the global expansion of the Group.
Important concurrent positions:
Managing Principal, Japan Intercultural Consulting
Director (Outside Director), Lightworks Corporation
Date of birth: June 29, 1964

June 1986	Business analyst, ZS Associates International, Inc.
June 1987	Senior business analyst, ZS Associates International, Inc.
Aug. 1988	International Public Relations Specialist, The Yasuda Trust & Banking Co., Ltd. (currently, Mizuho Trust & Banking Co., Ltd.)
Oct. 1992	Consultant, IPC Group, Inc.
July 1994	Managing Principal, Japan Intercultural Consulting (present)
Jan. 2015	Professor of Global Leadership Course, Business BreakThrough University
April 2019	Professor of Faculty of Foreign Studies, The University of Kitakyushu
June 2020	Director, the Company (present)

Akemi Ishiwata

Outside Director

New Appointment

Number of Company shares owned: 0
Reasons for appointment and expected role:
As an Executive Officer of Kao Corporation, she has a wealth of knowledge on sustainability and experience in public relations and corporate branding. We expect her to supervise management and provide advice on all aspects of management from a wide range of perspectives.
Important concurrent positions: —
Date of birth: Aug. 23, 1960

April 1983	Entered Bristol-Myers Company
Dec. 1985	Entered Kao Corporation ("Kao") Assigned to Kao Life Science Laboratory
March 2003	Product Development Manager, Household Business Division, Kao
Dec. 2005	Section Chief, Consumer Research Center, Kao
March 2010	General Manager, Consumer Research Center, Kao
March 2015	Executive Officer, Supervisor of Corporate Communications Division, Kao
Jan. 2021	Executive Fellow, Kao
Jan. 2022	Special Mission Fellow, Kao (present)
June 2022	Director, the Company (present)

Audit & Supervisory Board Members

Hidema Jinno

Audit & Supervisory Board
Member (Full-time)

Number of Company shares owned: 15,732
Important concurrent positions: —
Date of birth: Aug. 1, 1960

April 1985	Entered Sumitomo Marine and Fire Insurance Co., Ltd.
April 2015	Executive Officer, General Manager of Corporate Risk Management Dept., the Company
April 2019	Executive Officer, the Company
June 2019	Audit & Supervisory Board Member, the Company (present)

Kunio Chiyoda

Outside Audit & Supervisory
Board Member

Attendance record:
Board of Directors' meetings 12/12 (100%)
Audit & Supervisory Board meetings 11/11 (100%)
Number of Company shares owned: 5,200
Reasons for appointment:
As an accounting and auditing professional, he has served in positions such as a university professor and public-institution committee member. We appoint him because he performs a supervisory function for management by expressing opinions, recommendations, and other views on accounting and auditing on the Board of Directors and elsewhere.
Important concurrent positions:
Director, Terasaki Electric Co., Ltd. (Outside Director, Audit and Supervisory Committee Member)
Director, Seiwa Electric MFG Co., Ltd. (Outside Director, Audit and Supervisory Committee Member)
Date of birth: Jan. 2, 1944

May 1971	Registered as Certified Public Accountant
April 1976	Assistant Professor, College of Business Administration, Ritsumeikan University
April 1984	Professor, College of Business Administration, Ritsumeikan University
April 1999	Dean of College of Business Administration, Member of the Board, Ritsumeikan University
April 2009	Professor, Graduate School of Accountancy, Kumamoto Gakuen University
April 2012	Professor of Graduate School of Accountancy, Waseda University
April 2013	Chairperson, Certified Public Accountants and Auditing Oversight Board
June 2016	Audit & Supervisory Board Member, the Company (present)

Executive Officers

Chairman of the Board	Yasuyoshi Karasawa
Vice Chairman of the Board	Yasuzo Kanasugi
President & CEO	Noriyuki Hara
Executive Vice President, CFO	Tetsuji Higuchi
Corporate Planning Dept., in sub-charge of Digital Innovation Dept., Global Business Development Dept., Corporate Communications and Investor Relations Dept., International Supervisory Dept., International Life Insurance Business Dept., Internal Audit Dept., Capital Policy, Sustainability, Group CFO	
Senior Executive Officer, CRO	Satoru Tamura
Human Resources and General Administration Dept., Accounting Dept., Compliance Dept., Corporate Risk Management Dept., Internal Audit Dept.	

*For the Internal Audit Department, Executive Vice President Higuchi is responsible for operations other than those that Senior Executive Officer Tamura oversees.

For more information related to corporate governance, see the Group's official website.

• Corporate Governance (https://www.ms-ad-hd.com/en/group/value/corporate.html) • Basic Policies on Corporate Governance • Corporate Governance Stance • Supervision System (Board of Directors) • Support Systems for Outside Directors and Outside Audit & Supervisory Board Members • Auditing • Nomination and Remuneration • Remuneration Committee • Criteria for the Selection of Board Members and for the Independence of Outside Directors and Outside Audit & Supervisory Board Members • Appointment of Outside Directors and Outside Audit & Supervisory Board Members and Related Matters

Atsuko Suto

Audit & Supervisory Board
Member (Full-time)

Number of Company shares owned: 5,879
Important concurrent positions: —
Date of birth: May 21, 1967

April 1990	Entered Dai-Tokyo Fire and Marine Insurance Co., Ltd.
April 2020	Administrative Director, General Manager of Accounting Dept., ADI
April 2021	Advisor, ADI
June 2021	Audit & Supervisory Board Member, the Company (present)

Kyoko Uemura

Outside Audit & Supervisory
Board Member

Attendance record:
Board of Directors' meetings 12/12 (100%)
Audit & Supervisory Board meetings 11/11 (100%)
Number of Company shares owned: 500
Reasons for appointment:
As a legal expert, she previously served as a judge and an attorney-at-law, etc. We appoint her because she performs a supervisory function for management by expressing opinions, recommendations, and other views based on her knowledge and experience on the Board of Directors and elsewhere.
Important concurrent positions:
Attorney-at-Law, Miyama, Koganemaru & Associates
Outside Director of SoftBank Corp.
Director, Mabuchi Motor Co., Ltd. (Outside Director, Audit and Supervisory Committee Member)
Date of birth: July 22, 1961

April 1994	Assistant Judge, Osaka District Court
April 2004	Judge, Numazu Branch, Shizuoka Family Court
April 2005	Judge, Yokohama District Court
April 2008	Admitted as Attorney-at-Law, LM Law Offices
June 2017	Audit & Supervisory Board Member, the Company (present)
Oct. 2018	Attorney-at-Law, Miyama, Koganemaru & Associates (present)

Executive Officers

Shinichiro Funabiki/Assist Management
Naomi Motojima/Diversity & Inclusion
Masahito Fukuda/Sales
Masashi Ippongi/Digital Innovation Dept., Group Chief Digitalization Officer
Keisuke Niiro/Assist Management
Wakana Hitotsuyanagi/Claims Services
Tamaki Kawate/International Business
Tomoyuki Shimazu/Assist Management
Toshiya Kawabe/General Manager of Human Resources and General Administration Dept.
Yusuke Shirai/Assist Management
Takuma Hayakawa/Asset Management, Financial Services Business
Takuya Tsuda/Data Management Dept., Information Technology Planning Dept., Administration and Information Systems, Group Chief Information Officer, Group Chief Information Security Officer
Hiroyoshi Owada/General Manager of Corporate Planning Dept.
Hiroshi Arakawa/Underwriting & Reinsurance
Keiji Suzuki/General Manager of Corporate Risk Management Dept.



Message from an Outside Director

Rochelle Kopp

Outside Director
(Independent Director)

Q.1 How would you evaluate the Company's Board of Directors?

At every meeting of the Board of Directors of MS&AD Insurance Group (hereinafter, "MS&AD"), there is a lively discussion led by Outside Directors. The diversity of board members is one reason for this. Outside Directors and Outside Audit & Supervisory Board Members from different backgrounds make up about half, or 47%, of MS&AD's Board of Directors, and they offer questions and opinions from a variety of perspectives. I am greatly inspired by what others have said. It is wonderful that management policies are decided based on such active discussions, and I feel that D&I is functioning effectively.

Another reason for this active discussion is the inclusive leadership of the Chairman of the Board, who respects all members, gives opportunities to those who have not spoken, and creates an atmosphere in which a variety of opinions can be expressed. For example, at a recent board meeting, I did not speak, which is unusual for me. The Chairman asked, "Ms. Kopp, do you have any comments?" So, I was prompted to contribute. I took this to mean that my questions at the meetings are valued, and I really appreciate that the Company's top management has such awareness.

Q.2 How do you evaluate the Medium-Term Management Plan (2022–25) that started this fiscal year?

I believe that this is a very good plan that accurately summarizes the key issues and strategies to be addressed by the Group and communicates its new policies and initiatives in a way that is easy to understand, both internally and externally. The basic strategies of Value (Value creation), Transformation (Business reforms), and Synergy (Demonstration of Group synergy) are all important. The Value Strategy includes growth through the promotion of the MS&AD Value Strategy, which is part of the Medium-Term Management Plan "Vision 2021," and the achievement of profitability in fire insurance and profit growth in the international business. I believe it is important to continue with these initiatives to steadily increase corporate value. In addition, I believe that MS&AD's further development will be achieved by promoting the Synergy Strategy, which involves sharing and mutual utilization of know-how and skills among overseas entities and domestic companies, and promoting efficiency via the "One

Platform Strategy" among domestic companies, and the Transformation Strategy, which strengthens the business foundation through portfolio diversification.

The social environment is changing at a very fast clip, and things that were previously unforeseen, such as the Russia-Ukraine conflict, are expected to occur one after another in the future. In this context, I believe it will become important for insurance companies as a form of social infrastructure to play a role in providing solutions by proactively communicating risks and opportunities that the public might be unaware of. This should be done while flexibly responding to changes in the environment, quickly anticipating potential future events, considering what needs will arise in society, and assessing what will be possible by using various technologies.

In this regard, I look forward to the activities of MS&AD Ventures, which invests in external ventures established in Silicon Valley in the United States. At MS&AD Ventures,

investment decisions are swift, which can be uncommon at many Japanese companies, and it has built a track record of moving quickly on deals. It's commendable that this reputation has permeated the Silicon Valley community, resulting in a virtuous cycle of attractive deals being brought in again. Furthermore, while many Japanese companies are not able to leverage information gained in Silicon Valley to their parent companies, MS&AD Ventures

works closely with the Japan side and serves as a conduit for the entire Group to utilize the technology found in Silicon Valley through mechanisms such as the Garage Program and the Innovation Factory. This allows us to find the good things in Silicon Valley, where new ideas abound, and deploy those to relevant departments within the Group, leading to innovation throughout the Company.

Q.3 What is your opinion on the growth strategy for the international business?

In the international business, there are high expectations for Asia, where the middle class is expected to grow. MS&AD has been successful in Thailand, Singapore, Malaysia, Indonesia, and Vietnam, and is expanding throughout ASEAN, including Cambodia and Myanmar. MS&AD has a long history in Asia and has built up experience and knowledge, which I believe will be an advantage and lead to significant growth opportunities in the region in the future. This experience will also be useful for expansion into other emerging countries.

As for MS Amlin, the timing of the acquisition was

unfortunate. Subsequent changes in the market, such as the United Kingdom's departure from the European Union, have greatly reduced its profitability. Yet the important thing is to learn from the past and get back up and moving forward again. Natural catastrophes are expected to continue to grow in scale and frequency, so I think it is important to have careful insurance underwriting while applying the knowledge of the entire MS&AD Group. At MS Amlin, the management has been reshuffled and talented leadership team has been appointed. I look forward to their success.

Q.4 What is your view on MS&AD's human resources strategy?

Human resources are one of a company's most important assets. To enhance productivity and execute the Group's growth strategy in a changing business environment, it is important that human resources are well utilized.

To realize the Medium-Term Management Plan's target of solving social issues as a platform provider of risk solutions, it is necessary to strengthen both digital transformation skills and business skills. To do so, it is important for each employee to practice reskilling, which is the practice of being flexible, curious, and learning new skills, and for the Company to encourage employees to be constantly learning.

Diversity and inclusion (D&I) also need to be promoted. MS&AD has been continuously focusing its efforts on this

issue, and steady results have been achieved, including an increase in the ratio of female managers. What is more important is to ensure diversity of thought, rather than superficial diversity of gender, skin color, origin, and so forth. The most effective way to achieve this is to assemble human resources with various expertise and backgrounds, create an atmosphere of mutual respect, and have people with different ways of thinking work together. At the same time, it is important to take advantage of the corporate culture. MS&AD has a corporate culture that values doing things with integrity, and I find that very commendable. I hope that everyone will continue to cherish these good aspects.

Q.5 What are your expectations for MS&AD going forward?

At MS&AD, employees' understanding of the Company's Mission, Vision, and Values exceeds 90% both in Japan and overseas, which is a great strength. It is particularly impressive that employees working abroad have an even higher level of understanding than those in Japan. On the other hand, MS&AD is a large organization, so there is a possibility that employees might be unaware

of valuable ideas and initiatives from other departments within the Group. In addition to exchanging information through sustainability contests and other means, I expect management to steadily implement the Medium-Term Management Plan (2022–25) by creating structures to effectively generate synergies across the Group by building digital platforms for exchange.

Basic Knowledge about the Insurance Industry

We have prepared this section as reference material to help readers gain a better understanding of the insurance industry and the Company's business operations and business strategies. We are striving to provide accurate and fair information, but we cannot guarantee the content of this section.

► Non-Life Insurance Industry

■ Market Overview

About ¥8.7 Trillion

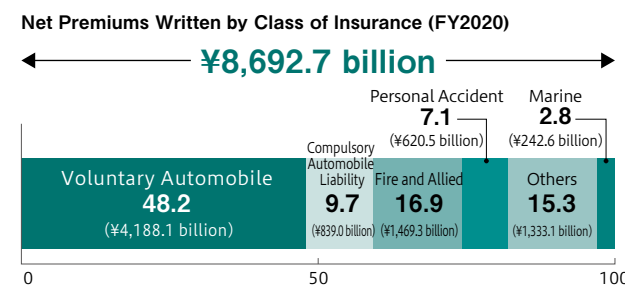
The Japanese non-life insurance industry's market scale in terms of net premiums written was ¥8,692.7 billion in FY2020 (based on member companies of the General Insurance Association of Japan).

Automobile-Related Insurance Accounts for 60%

Together, voluntary automobile insurance (48.2%) and compulsory automobile liability (9.7%) account for about 60% of the market.

Market share of MS&AD Insurance Group

As of July 2021, there were 54 companies engaged in the non-life insurance business in the Japanese domestic market (including 21 overseas non-life insurance companies). In terms of net premiums written, the MS&AD Insurance Group held a market share of approximately 33%.



Source: General Insurance Association of Japan, FACT BOOK 2021

■ Types of Insurance and Related Trends

Covering Diverse Risks

We face diverse risks in our daily lives. Non-life insurance products can compensate for economic damages and human losses e.g., (the cost of treating injuries, etc.) caused by natural disasters and accidents.

Changing with the Times

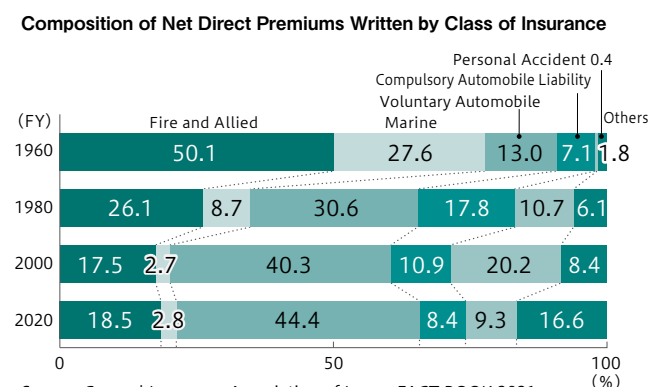
Until the 1960s, the non-life insurance market was centered on fire and marine insurance products. With the subsequent rise in the number of automobiles in use, such automobile-related products as Voluntary Automobile Insurance and Compulsory Automobile Liability Insurance have become the main products in the market. In recent years, "others" insurance, such as Liability Insurance, has been growing strongly.

Trend of Increase in Earthquake Insurance

Residential earthquake insurance was developed in 1966, in response to the major earthquake that struck Niigata in Japan in 1964. The number of people obtaining residential earthquake insurance has been trending upward, and the penetration ratio of earthquake insurance in residential fire insurance policies has risen to 68.3% (at the end of FY2020).

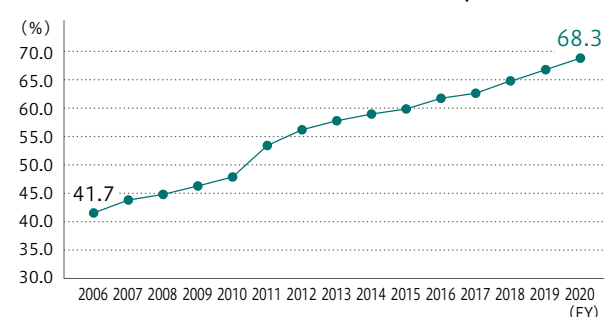
Residential Earthquake Insurance Operated in Collaboration with Government

It is difficult to forecast the damage that will occur in the event of an earthquake, so fire insurance by itself does not cover building fires and damage caused by earthquakes. To provide coverage for earthquake damage, the government and insurance companies collaborate to operate residential earthquake insurance, and there are no variations among insurance companies with respect to coverage of compensation and insurance premiums.



Source: General Insurance Association of Japan, FACT BOOK 2021
Note: "Net direct premiums written" represents revenues from insurance policies directly provided by each customer.

Trends in the Penetration Rate of Residential Earthquake Insurance



Source: General Insurance Association of Japan, FACT BOOK 2021
Note: The penetration rate of residential earthquake insurance represents the share of fire and allied policies with earthquake coverage.

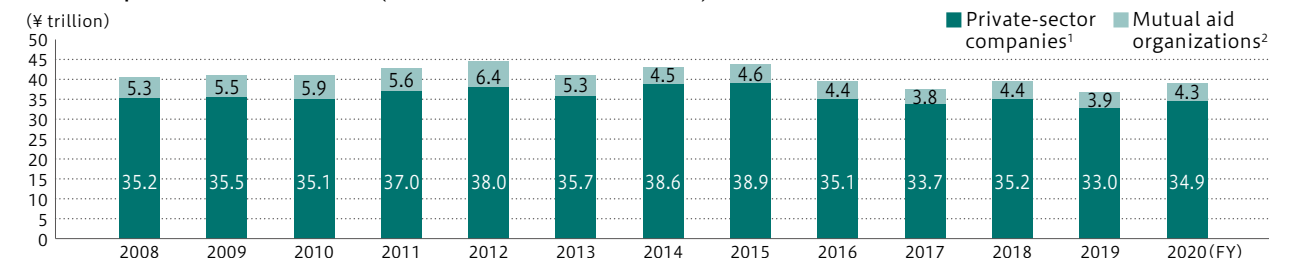
► Life Insurance Industry

■ Market Scale

Approximately ¥39 Trillion

The scale of the Japanese life insurance industry's market in terms of life insurance premiums and others in total is approximately ¥39 trillion, making it the world's Third largest market.

Scale of Japan's Life Insurance Market (Trends in Life Insurance Premiums)



Sources: Prepared by MS&AD Holdings based on materials from the Life Insurance Association of Japan "Life Insurance Trends (2021 edition)" and Japan Cooperative Insurance Association Incorporated "COOPERATIVE INSURANCE IN JAPAN FACT BOOK 2021."

1. Private-sector companies: Each corporate member of the Life Insurance Association of Japan. Figures represent premiums and others.

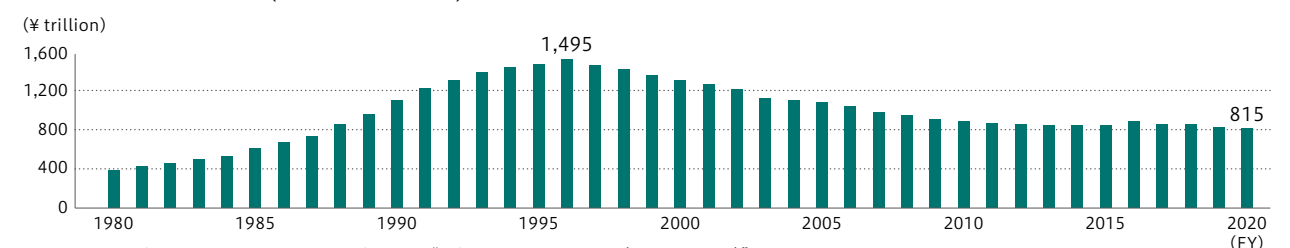
2. Mutual aid organizations: Each organization member of the Japan Cooperative Insurance Association Incorporated. Figures represent premiums and other insurance income received (total for life insurance and annuity insurance).

■ Trends in Types of Insurance

Decline in Big-Ticket Death Benefit Needs

The amount of policies in force for individual insurance has been trending downward since peaking in FY1996. Behind this trend is a decline in big-ticket death benefit needs and a shift to third-sector products (medical and cancer insurance) needs.

Trends in Policies in Force (Individual Insurance)



Source: The Life Insurance Association of Japan, "Life Insurance Trends (2021 edition)"

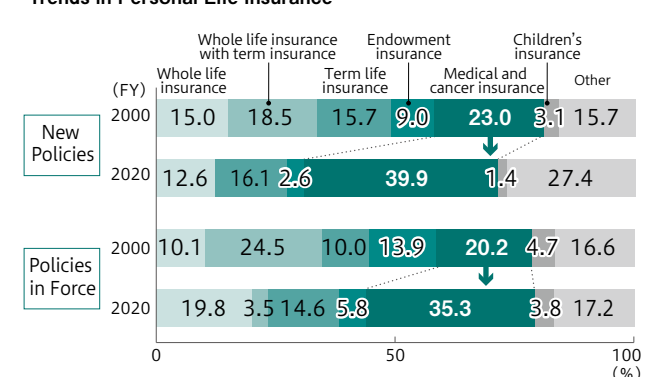
Note: Figures for 2007 and previous years exclude Japan Post Insurance and the former postal life insurance.

Third-Sector Products Become the Major Products

The share of medical and cancer insurance policies (third-sector policies) among the total number of new policies written for individuals has risen—from 23.0% in FY2000 to 39.9% in FY2020—and become the major life insurance product. In particular, the advent of a full-blown aging society in Japan will be accompanied by a rise in needs for nursing care insurance. In recent years, each life insurance company has been launching new nursing care insurance products that supplement public nursing care insurance system, which is not able to completely cover the expenses entailed by nursing care. Sales of individual annuity insurance began in earnest following the October 2002 lifting of the ban on marketing such products via banks. Growth in individual annuity insurance policies in force is now robust. Most recently, the number of policies written for "Tontine-type annuity" as insurance for longevity risk is also increasing.

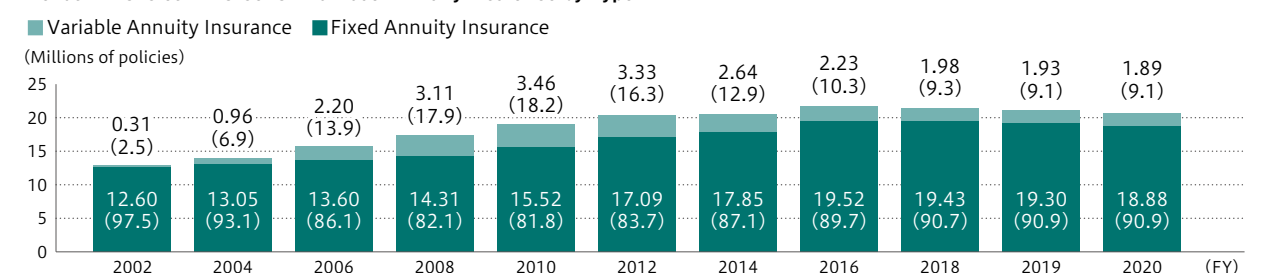
*See the "Glossary of Insurance Terminology" (p. 113) for details.

Trends in Personal Life Insurance



Source: The Life Insurance Association of Japan, "Life Insurance Trends (2021 edition)"

Trends in Policies in Force for Individual Annuity Insurance by Type



Source: The Life Insurance Association of Japan, "Life Insurance Trends (2021 edition)"
Note: Figures in parentheses represent percent shares.

► The Insurance Industry Trends and Changes in Japan

■ Environment of the Insurance Industry in Japan

Changes in the Macro Environment

As is the case with respect to other industries in Japan, the biggest change in the insurance industry's operating environment is the advent of aging and the population decline in Japanese society.

Natural Disasters

While natural disasters are a major risk factor in the insurance business, the existence of such disasters is also a factor that increases demand for insurance.

■ The Insurance Industry Following Financial Regulatory Liberalization

Regulatory Liberalization of the Non-Life Insurance Industry

The 1996 revision of the Insurance Business Act brought a shift away from the “convoy system” within the industry and toward liberalization offering a scope for new initiatives. In addition, in response to changes taking place in the insurance industry's operating environment (insurance product diversification, solicitation channel diversification and increasing agent size), the Insurance Business Act revision, which went into full effect in May 2016, included as its main points “the establishment of basic rules for insurance soliciting” and “the introduction of an obligation to put in place a system with respect to insurance solicitors (agents).”

Birth of the Three Mega Insurance Groups

Following the regulatory liberalization of 1996, a progression of mergers and business integrations among non-life insurance companies led to the emergence of the so-called three mega insurance groups – the MS&AD Insurance Group, the Tokio Marine Group and the Sompo Japan Nipponkoa Group (currently the Sompo Group).

Major Events Following Regulatory Liberalization

1996	April	Revision of the Insurance Business Act ■ Mutual entry into life and non-life insurance business ■ Reform of the rating organization system ■ Introduction of products and premium rates notification system, etc.
	October	Mutual entry into life and non-life insurance business by subsidiaries
1997	September	Approval of risk-subdivision-type automobile insurance
1998	July	Abolition of the obligation for members to use the premium rates calculated by the rating organization
2001	April	Ban on insurance sales by banks partially lifted
2007	September	Implementation of Financial Instruments and Exchange Act
	December	Insurance sales by banks fully liberalized
2010	April	Implementation of the Insurance Act
2014	May	Passing of law revising the Insurance Business Act
2016	May	Full implementation of Insurance Business Act revision (implementation of a comparison-recommendation rule and an obligation to grasp customer intentions)

► The Insurance Industry Going Forward

■ Initiatives Regarding Overseas Insurance Markets

Accelerating Overseas Expansion

In light of the maturation of Japan's insurance market, major Japanese insurance companies have been working to expand their business base overseas.

Potential of Emerging Markets

Emerging regions such as Asia, Latin America, the Middle East and Africa have the potential for significant growth as overseas insurance markets. Among developed countries, the insurance penetration rate (total insurance premiums as a percentage of GDP) averages 9.9%. On the other hand, the insurance penetration rates of emerging markets are relatively low, at 3.4% on average, so those markets can be considered to have growth potential.

Development of Principal Insurance Markets (2020 Total Life And Non-Life Insurance Premiums by Region)

Name of Market or Region	Total Insurance Premiums		Market Share	Insurance Penetration Rate	Per Capita Premiums (¥)
	(¥ billion)	YoY change			
Americas	302,531.3	0.7%	44.6%	10.4%	297,152
United States/Canada	288,314.8	0.9%	42.5%	11.8%	783,851
Latin America/the Caribbean	14,216.6	-2.8%	2.1%	3.1%	21,887
Europe/Middle East/Africa (EMEA)	186,165.5	-5.4%	27.5%	5.8%	62,212
Developed countries in EMEA	166,114.6	-5.7%	24.5%	7.9%	348,690
Central and Eastern Europe/Turkey/Central Asia	8,479.6	0.0%	1.3%	1.7%	17,143
Middle East/Africa	11,571.2	-5.2%	1.7%	2.2%	6,254
Asia Pacific	189,172.3	-0.3%	27.9%	5.7%	44,853
Developed countries in Asia Pacific	97,406.2	-2.6%	14.4%	9.3%	376,292
China	70,716.3	3.6%	10.4%	4.5%	49,058
Emerging Asia Pacific except China	21,049.8	-1.4%	3.1%	3.2%	8,410
World	677,966.1	-1.3%	100%	7.4%	87,226
(Developed countries)	551,835.5	-1.8%	81.4%	9.9%	506,215
(Emerging markets)	126,033.6	0.8%	18.6%	3.4%	18,761

Source: Prepared based on data in “sigma No. 3/2021” of Swiss Re.

Note: Figures are real figures adjusted for inflation Insurance penetration rate = insurance premiums as a share of GDP Figures were converted into Japanese yen at the average exchange rate for 2020 (US\$1=¥107.82).

■ Increasing Diversity of Insurance Companies and Sales Channels

There are increasingly diverse sales channels—such as direct sales channels, OTC sales by banks and customer-visit-based insurance shops—and some insurance companies are now specializing in sales via the Internet. Even in conventional sales channels, there is an increasing incidence of cross-selling (see the “Glossary of Insurance Terminology” [p. 109] for details and other new approaches.

■ Expanding the Breadth of Products and Services

“Longevity Risk”

Economic risks related to longevity, such as securing living expenses and spending on medical expenses, are increasing.

New Products and Services Related to Medical and Long-Term Nursing Care

The importance of people's self-help efforts is expected to continue increasing, and the associated role of private-sector insurance companies is becoming large.

► Japan's Insurance Market Viewed from a Global Perspective

■ Non-Life Insurance

Japan has the World's Fourth Largest Market Scale

According to the “sigma” newsletter of Swiss Re, the scale of the non-life insurance market in 147 countries and regions around the world was approximately ¥376 trillion in 2020. The largest market is that of the United States (approximately ¥205 trillion), and Japan's market is the fourth largest (approximately ¥13 trillion).

Japanese Market Smaller in a Share of GDP

Japan's insurance premiums as a share of GDP are only 2.4% compared to the global average of 4.1%.

Non-life Insurance Premiums Top 20 Countries (2020)

Ranking	Country/Region	Premium Income			Per Capita Premiums (¥)	As a Share of GDP
		(¥ billion)	YoY change	Market Share		
1	United States	204,629.7	2.5%	54.4%	620,396	9.0%
2	China	33,244.1	7.1%	8.8%	23,073	2.1%
3	Germany	16,388.1	5.1%	4.4%	196,987	4.0%
4	Japan	12,971.6	3.3%	3.4%	102,537	2.4%
5	United Kingdom	10,720.5	2.2%	2.8%	102,321	2.3%
6	France	10,214.4	2.3%	2.7%	146,527	3.5%
7	South Korea	9,441.3	9.7%	2.5%	182,324	5.2%
8	Canada	9,189.9	7.6%	2.4%	241,840	5.2%
9	Netherlands	7,936.5	4.7%	2.1%	455,324	8.1%
10	Australia	5,204.0	1.3%	1.4%	202,702	3.6%
11	Italy	4,675.2	-0.8%	1.2%	77,738	2.3%
12	Spain	4,463.3	3.1%	1.2%	93,911	3.2%
13	Switzerland	3,327.2	7.3%	0.9%	383,516	4.1%
14	India	2,883.2	-1.3%	0.8%	2,049	1.0%
15	Brazil	2,747.9	-20.6%	0.7%	12,938	1.8%
16	Belgium	2,473.3	1.3%	0.7%	127,982	2.7%
17	Taiwan	2,388.2	8.6%	0.6%	101,135	3.4%
18	Russia	1,655.3	-7.1%	0.4%	11,321	1.0%
19	Mexico	1,609.8	-8.4%	0.4%	12,507	1.4%
20	Austria	1,556.3	4.9%	0.4%	174,561	3.4%
–	Other countries (regions)	28,529.6	-0.8%	7.6%	–	–
	Total/Average	376,249.5	2.8%	100.0%	48,420	4.1%

Source: Prepared based on data in “sigma No. 3/2021” of Swiss Re.

Note: 1. The “Total/Average” figures are totals of figures for 147 countries and regions within the scope of the survey in 2020.

2. Exchange rates are the same as those used in the “Development of Principal Insurance Markets” table above.

■ Life Insurance

Japan has the World's Third Largest Market Scale

According to the No. 3/2021 edition of Swiss Re Institute's “sigma,” global life insurance premium income amounted to approximately ¥300 trillion in 2020 The figure for Japan was approximately ¥32 trillion, corresponding to 10.5% of the global figure.

Source: Prepared based on data in “sigma No. 3/2021” of Swiss Re.

Note: 1. The “Total/Average” figures are totals of figures for 147 countries and regions within the scope of the survey in 2020.

2. Exchange rates are the same as those used in the “Development of Principal Insurance Markets” table above.

Life Insurance Premiums Top 10 Countries (2020)

Ranking	Country/Region	Premium Income		Market Share
		(¥ billion)	YoY change	
1	United States	68,216.3	-0.1%	22.6%
2	China	37,472.3	5.5%	12.4%
3	Japan	31,752.7	-5.3%	10.5%
4	United Kingdom	25,757.1	-10.6%	8.5%
5	France	14,729.4	-18.6%	4.9%
6	Italy	12,788.7	-4.5%	4.2%
7	Germany	11,490.5	2.0%	3.8%
8	South Korea	11,444.3	7.0%	3.8%
9	Taiwan	9,828.3	-6.4%	3.3%
10	India	8,760.5	0.6%	2.9%
–	Other countries/regions	69,379.4	-4.4%	23.0%
–	Total/Average	301,619.5	-3.1%	100.0%

► Glossary of Insurance Terminology

A

Alternative Risk Transfer (ART) Business

A general term referring to the use of techniques other than traditional insurance policies to transfer risks, meaning to provide risk-bearing entities with coverage or protection. ART entails the use of financial technologies and capital markets to provide risk solutions. ART products include derivatives and securitized products, and the typical products include “weather derivatives” and “earthquake derivatives.”

Annualized Premiums

The insurance premium payment method differs depending on the insurance contract. An annualized premium is calculated by adjusting for these differences in payment methods and computing the yearly average paid in premiums. It indicates how much income an insurance company makes from insurance premiums in one year.

Asset Liability Management (ALM)

A general term for the comprehensive management of risks related to assets and liabilities. The value of most of the assets held by insurance companies and other financial institutions is affected by market prices (or market interest rates); in other words, they are at risk. A proper evaluation of risks and returns cannot focus on assets or liabilities alone—the ALM business management methodology seeks to maximize profit, while managing it in a way that pays comprehensive attention to the risk and return of both assets and liabilities.

Assumed Interest Rate

Insurance companies anticipate a certain level of profits from asset management and offer discounts on insurance premiums based on this. This discount rate is called the assumed interest rate.

C

CAPM (Capital Asset Pricing Model)

The capital asset pricing model is used to calculate the rate of return expected by shareholders in the capital market. The correlation of the target company's stock with the market is determined by the β value (more precisely, the slope estimated by the linear regression equation that explains the fluctuations in the stock prices of the target companies in terms of market price fluctuations). The estimated cost of capital is calculated by adding the risk-free interest rate to the individual equity risk premium, which is the β value multiplied by the equity market risk premium (market return – risk-free interest rate).

Catastrophe Reserves

Most non-life insurance premium rates are set using the “law of large numbers,” but, in a given fiscal year, it is always possible that there will be a major typhoon or other large disaster causing damages on a scale that cannot be absorbed using premium income for that year alone. The catastrophe reserve is provided to prepare to respond to the temporary surge in claims associated with such disasters. For more details, see page 114.

CAT Bond (Catastrophe Bond)

Securities sold by non-life insurance companies to investors to enable the insurance companies to avoid major losses owing to claims paid in connection with major disasters. If there is no occurrence of a disaster on a scale surpassing previously stipulated criterion, then the CAT bonds' interest and principal will be paid to the investors, but, in the case of such a disaster, the principal will be partially or entirely reduced.

Combined Ratio

An indicator that is the sum of the net loss ratio and the net expense ratio; subtracting this ratio from one gives the underwriting balance ratio. Although the indicator is not adjusted to reflect outstanding claims and underwriting reserve, it reflects profitability for the fiscal period. Used only in the insurance industry, its concept is similar to that of the ratio of operating profit to sales of ordinary companies.

Commissions and Collection Expense

The total of agent commissions, insurance broker commissions, sales expense, collection expense, reinsurance commissions, and ceded premium commissions. (Note that ceded premium commissions, which are commission incomes pertaining to ceded reinsurance and retrocession premiums, are deductions.)

Compulsory Automobile Liability Insurance (CALI)

To provide relief to victims of traffic accidents, this is compulsory insurance that all motor vehicles must be enrolled in under law. Motorized bicycles are also subject to this requirement. Compulsory automobile liability insurance provides compensation in cases where other persons are killed or injured in traffic accidents, etc. Insurance claims are paid for loss compensation of the other persons.

Core Profit (Fundamental Profit)

Ordinary profit after adjustments for capital profits/(losses) and extraordinary income and losses, which represent profits and losses not stemming from the principal business of life insurance companies; so, Core Profit is an indicator of the profitability of the Company's principal business operations during a fiscal year. The concept of Core Profit is close to those of ordinary companies' “operating income” and banks' “business income.”

Cross-Selling

Concurrent selling of life insurance and non-life insurance products, such as in the case of a non-life insurance agent that sells life insurance products.

D

Direct Insurance

A term used in contrast to reinsurance. When an insurance contract is reinsured, the original insurance that has been reinsured is called direct insurance. It can also be used to refer to all the insurance contracts directly entered into with policyholders by the insurance company.

E

Earned-Incurred Loss Ratio (EI Loss Ratio)

After adjusting for provisions and reversals of loss reserves and ordinary policy liability reserves, the EI loss ratio is an indicator of the loss ratio on a current-period-occurrence basis. It is calculated as follows. → [Net Loss Ratio](#)

- EI loss ratio = claims incurred ÷ premiums earned
- Claims incurred = period-end net claims paid + (period-end loss reserve – previous period-end loss reserve)
- Premiums earned = previous period-end unearned premiums + net premiums written for the period – period-end unearned premiums

EEV

See “Embedded Value” below.

Embedded Value (EV)

The current value of net assets plus the current value of future profit expected from policies in force (policies in force value). Under current statutory accounting practices, the recognition of costs is concentrated at the time of sales, while the related profits are recognized in

subsequent years; so, using those accounting practices to accurately evaluate corporate performance is difficult in some ways. As EV encompasses an evaluation of the current value of future profit expected from policies in force, it is a useful indicator that can be used to supplement statutory accounting practices for the purpose of evaluating companies' performance and enterprise value.

While the Company has disclosed its EV for some time, since FY2011, it has disclosed its EV calculated based on the European Embedded Value principles (EEV principles*), and this type of EV is referred to as EEV. In addition, the Company's calculations of EEV employ a market-consistent approach to evaluating liability- and asset-related cash flows that is consistent with the financial products traded in markets.

*The EEV principles were instituted by a CFO Forum (composed of the chief financial officers (CFOs) of major European insurance companies) in May 2004 with the goal of promoting a consistent EV calculation and disclosure method and thereby promoting an increase in transparency.

Enterprise Risk Management (ERM)

A process for determining and evaluating the risks associated with the execution of business operations by an enterprise in an integrated, comprehensive, and strategic manner. It is an integrated risk management method used for maximizing enterprise value. For more details, see page 49.

Equity Ratio

The proportion of equity divided by total assets. Owing to the application of accounting standards concerning financial products and the inclusion of unrealized gains on securities within the balance sheet figures, the equity ratio is also stated based on market value.

ESG

Three concepts of environmental, social, and governance (ESG). In ESG investing, the investor does not focus exclusively on the profit that can be earned from an investment but goes on to consider the impact of the investment on the environment as well as on shareholders, customers, employees, local communities, and other stakeholders. ESG investing essentially entails carrying out CSR when making investment decisions.

Expected Mortality

Based on past statistics, gender-wise and age-wise mortality (or the number of those alive) is predicted, and this information is used for calculating the required amount of insurance premium for future insurance payments. The mortality rate used in these calculations is called the expected mortality.

Expected Operating Expense Ratio

Life insurance companies anticipate all the expenses required for business operation such as concluding contracts, receiving premiums, maintaining and managing policies, and so on in advance. The sum of these expenses is divided by expected premium income to calculate the expected operating expense ratio.

F

Foreign Currency–Denominated Life Insurance

Foreign currency–denominated life insurance calls for the use of a foreign currency (e.g., U.S. dollars, Euros, Australian dollars) to pay insurance premiums and the use of a foreign currency to pay insurance benefits and reimbursements upon policy cancellations. A portion of such life insurance products as whole life insurance, endowment insurance, and fixed/variable individual annuities is sold as foreign currency–denominated products. When the foreign currency benefits from such products are converted into yen, they will be affected by foreign exchange rate fluctuations; so, there is a possibility that the yen-denominated benefits could end up being lower than the yen-denominated value of the premiums paid. The impact of foreign exchange rate fluctuations is referred to as “foreign exchange risk (foreign exchange

rate fluctuation risk),” and policyholders and beneficiaries of foreign currency–denominated policies are exposed to those risks.

Full-Time Agents

Agents specializing in the sale of insurance. In the field of non-life insurance, in addition to specialized agents (professional agents), there are automobile sales dealers, automobile repair shops, real estate agents, travel agents, and other sideline agents that sell insurance alongside their main line of business.

G

General Insurance Rating Organization of Japan

An insurance rating organization formed by the merger in July 2002 of the Property and Casualty Insurance Rating Organization of Japan (established 1948) and the Automobile Insurance Rating Organization of Japan (established 1964), which were established in accordance with the Act of Non-Life Insurance Rating Organizations. It collects data from member insurance companies and calculates the Reference Loss Cost Rates for automobile insurance, fire insurance, personal accident insurance, and nursing care expense insurance, as well as Standard Rates for compulsory automobile liability insurance and earthquake insurance. It also handles loss adjustment work for compulsory automobile liability, collects insurance data, and conducts research and analysis.

Gross Written Premiums

Premiums written that were received from direct insurance contracts and reinsurance contracts during one fiscal year; they are the premiums written prior to the deduction of reinsurance premiums ceded via reinsurance contracts.

Group Adjusted Profit

Group Adjusted Profit, which is a numerical management target within the Vision 2021 Medium-Term Management Plan, is calculated as follows.

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

Group Adjusted ROE

Group Adjusted ROE, which is a numerical management target within the Vision 2021 Medium-Term Management Plan, is calculated as follows.

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

Group Core Profit

Group Core Profit, which is a numerical management target within the Next Challenge 2017 Medium-Term Management Plan, is calculated as follows.

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

Group Return on Equity (Group ROE)

Group ROE, which is a numerical management target within the Next Challenge 2017 Medium-Term Management Plan, is calculated as follows.

Group ROE = Group Core Profit ÷ consolidated total net assets excluding non-controlling interests (average of beginning and ending amounts of B/S)

I

Income Guarantee Insurance

A type of insurance under which a pension can be claimed after the policyholder's death for the full term of the insurance as decided at the time of entering the contract. The number of times a pension can be claimed depends on the time of death of the policyholder. The minimum number of times a pension can be claimed is guaranteed. If the number of times the pension has been claimed before maturity is less than the guaranteed minimum, the remaining number of times can be claimed.

Incurred but Not Reported Loss (IBNR)

The portion of underwriting reserves corresponding to claims that have been incurred but had not been reported to the company at the end of the period. The IBNR is estimated using statistical methods. → [Ordinary Outstanding Claims Reserve](#)

Individual Annuity Insurance

Annuity insurance is a financial product used to save premiums and thereby fund the payment of future annuities, and individual annuity insurance is an annuity insurance product provided by private-sector life insurance companies. The annuities are received after the beneficiary reaches an age specified in the policy contract. There are several kinds of individual annuity insurance products defined based on the annuity receipt period, such as whole life annuity with a guarantee period, annuity certain, fixed-term annuity with a guarantee period, and a husband-and-wife annuity.

Insurance Business Act

A law that was enacted to promote the protection of policyholders through ensuring sound and appropriate business operations of insurance companies and fair solicitation of insurance policies. The act lays down organizational and operational rules for insurance businesses, as well as defining the criteria for the administration and supervision of insurance companies and determining the supervision standards and authorities of government units overseeing insurance business operations.

Insurance Claim (Benefit)

In the case of non-life insurance, the sum of money paid by an insurance company to the insured based on the amount of damage incurred due to an insured event. (In the case of life insurance) the sum of money decided beforehand in the insurance contract paid by the insurance company upon the maturity of the contract to the designated beneficiary, in the event of illness or death of the insured person.

L

Law of Large Numbers

If you roll a die (one dice), a “one” might appear by chance, but if you continue to increase the number of times the die is rolled, the ratio of times that “one” appears will approach one time out of six. As in this case, when the number of trials is increased, the law of large numbers indicates that the results will approach a fixed value. When calculating the probability of accident occurrence, the probability can be forecast by analyzing large volumes of accident data rather than just looking at the accident percentages of a few cases.

Life Insurance Professional

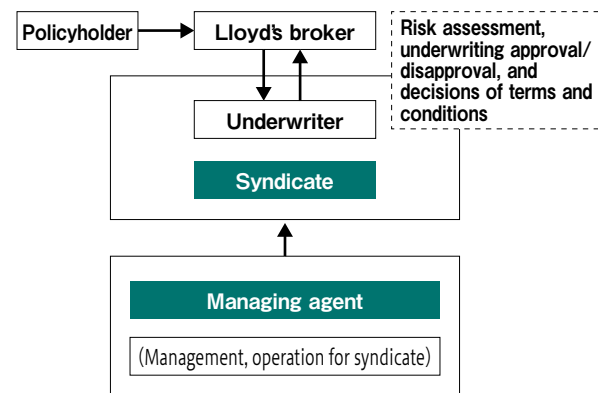
An agent specializing in life insurance or selling life insurance as its main business.

Lloyd's (Insurance Market)

The generic name for an insurance market established in London in the 17th century, having more than a 300-year history. On a day-to-day basis, huge and complex risks are brought to Lloyd's, where that risk is assessed, premiums decided, and insurance underwritten by underwriters who have a high level of specialized expertise and who belong

to individual syndicates (the risk underwriting bodies at Lloyd's). Lloyd's is supervised by the British authorities and has a strong management and supervisory system unique to Lloyd's. It is not easy to become a Lloyd's member (syndicate fund contributor) or establish a syndicate as many strict requirements must be satisfied.

As of the end of December 2020, it was underwritten by 90 Lloyd's syndicates, and the gross written premium in FY2020 for the whole of the Lloyd's market amounted to approximately £35.5 billion.

**Long-Term Care Insurance (Nursing Care Insurance)**

A kind of insurance that can provide benefits for the purpose of providing long-term nursing care. In Japan, there exists both public long-term care insurance and private long-term care insurance products. Among the latter type of products, there are products that will provide a lump-sum benefit and/or annuities in cases where the beneficiary requires nursing due to being bedridden or suffering dementia for a specified period. There are also products that will provide a lump-sum benefit and/or annuities based on the public long-term care insurance system's primary nursing care requirement authorization.

Loss Adjustment Expense

Personnel expenses and non-personnel expenses (including depreciation costs) as well as various taxes related to the loss adjustment and insurance claim payment operations.

M

Medical Insurance

Medical insurance provides benefits to policyholders when they are hospitalized due to illness or injury or undergo specified types of surgical operations. Some medical insurance policies also provide death benefits on the decease of the beneficiary, but the amount of such benefits is generally small.

Motor Channel Agent

Sideline agents that sell insurance as a side business but are mainly automobile repair shops, used car sales dealers, or automobile-related service providers or motorbike shops. Automobile dealerships that also sell insurance are excluded from this category.

N

Net Claims Paid

Net claims paid is obtained by totaling (adding or subtracting as indicated) items ① to ④ listed to the right, and plainly shows the amount of insurance claims paid. The payment of insurance claims is the main expenditure involved in the non-life insurance business.

- ① Direct claims paid
- ② Reinsurance claims ceded
- + ③ Reinsurance claims paid
- ④ Retrocession claims ceded
- ⑤ Net claims paid (Income statement item)

Net Expense Ratio

The net expense ratio is obtained by adding the commissions and collection expense to operating expenses and general administrative expenses incurred in the insurance underwriting business and dividing this by net premiums written. It is an indicator of the operational efficiency of an insurance company. The net expense ratio can also be called simply the “expense ratio.”

Net Loss Ratio

The net loss ratio is obtained by adding net claims paid and loss adjustment expenses, and dividing this by net premiums written, and it indicates the company's insurance underwriting business performance. It can also be called the “published loss ratio” or the “loss ratio.” The net loss ratio is what is called a “written paid basis” indicator, as it can be calculated based simply on written premium and paid claims during the accounting period in question. → [Earned-Incurred Loss Ratio \(EI Loss Ratio\)](#)

Net Premiums Written

Net premiums written is obtained by totaling (adding or subtracting as indicated) items ① to ④ listed to the right, and plainly shows the income earned from the non-life insurance business (excluding deposit premiums from policyholders).

- ① Direct premiums written
- ② Reinsurance premiums ceded
- + ③ Reinsurance premiums written
- ④ Retrocession premiums ceded
- ⑤ Net premiums written (Income statement item)

Non-Fleet Grade System (Automobile Insurance)

A system of insurance premium discounts and surcharges based on the accident history applied to non-fleet contracts. The term non-fleet contracts refers to contracts where the total number of contract automobiles owned and used by the policyholder (the number of contracts with other insurance companies included) is nine or less. (Cases where the number of automobiles is 10 or more are referred to as “fleet contracts.”) The grades are divided into 20 levels (Grade 1 to Grade 20), and the grade is maintained even if the insurance company changes. For more details, see page 116.

O

Ordinary Outstanding Claims Reserve

A type of outstanding claims reserve set aside based on an estimation of future liability of individual claims that have occurred and been reported but not yet settled. → [Incurred but Not Reported Loss \(IBNR\)](#)

Ordinary Underwriting Reserves

The amount of unearned premiums (premium reserve) or the initial year balance, whichever is greater, is set aside as a liability reserve and called the “ordinary underwriting reserve.”

- Unearned premiums (premium reserve): Insurance premiums corresponding to the time remaining on an insurance policy, collected beforehand.
- Initial year balance: Premiums received during the fiscal year less claims paid, reserves for outstanding claims, and other expenses incurred under those contracts.

Outstanding Claims

When an accident has occurred prior to the balance sheet date and the related claim has not been paid, provisions are made to the outstanding claims to fund the claim payment.

P

Policies in Force

The outstanding amount of valid insurance policies owned by an insurance company at the end of the fiscal year. It is an indication of the grand total amount (of insurance, etc.) guaranteed to policyholders.

Policy Clauses

The policy clauses define the details of the insurance contract, including the policyholder's obligation to pay the insurance premium and duty of disclosure, as well as the payment amount and terms and conditions of payment by the insurance company. There are two kinds of policy clauses—common policy clauses, which are common to all insurance contracts of the same type, and special policy clauses (clauses containing special policy conditions), which are customized for individual contracts by adding to or changing/limiting some of the provisions in the common policy clauses.

Policyholder

The party applying to an insurance company for an insurance contract is called the policyholder. The policyholder is obliged to pay the insurance premium once the contract is concluded.

Policy Reserve

The reserve set aside by the insurance company at the period-end closing of accounts so that it can fulfill its obligation to pay insurance claims based on insurance contracts. It includes outstanding claims and underwriting reserves, and policyholder dividend reserves.

R

Reinsurance

Reinsurance is a form of insurance that an insurance company purchases to share the risks of its insurance policies with another insurance company. → [Direct Insurance](#)

Reinsurance Premium

An insurance premium received from another insurance company via a reinsurance contract in return for underwriting a part of the risk.

Reinsurance Premium Ceded

An insurance premium paid to another insurance company via a reinsurance contract in return for covering a part of the risk of the original insurance contract, for purposes such as risk diversification.

Reorganization by Function

An unprecedented business model made possible by the 2013 revision of Japan's Insurance Business Act. Reorganization by Function calls for making the most of the strengths of each group insurance company while undertaking business reorganization. While enabling the bypassing of the negative aspects of simple corporate mergers—including temporary costs and the business impediments, time losses, and various other problematic factors that often arise at the time of mergers—Reorganization by Function is designed to realize smooth business integration without slowing the speed of business growth, and it concurrently enables the leveraging of individual companies' strengths and the realization of efficiency in the pursuit of business scale and profitability.

Reserve for Price Fluctuation

In accordance with the Insurance Business Act revised in 1996, this reserve is provided to cover losses incurred from future decreases in prices of assets such as stocks and bonds for which the value is likely to fluctuate.

Retrocession Premium

When a reinsurance company reinsures a certain portion of the accepted reinsurance risks to other reinsurers, a reinsurance company pays a retrocession premium to other reinsurers based on the retrocession contracts.

S

Solvency Margin Ratio

The solvency margin of an insurance company, including its capital and reserves, seen as a percentage of a risk amount greater than what can be ordinarily expected, which might include catastrophic disasters or a massive drop in the price of owned assets. It is an indicator of the soundness of the company's management.

Solvency margin ratio = solvency margin ÷ half of total risk amount greater than what can be ordinarily expected

Strategic Equity

Investments in stocks with the intention of holding the stock over a long period to maintain and strengthen general business relationships with the issuer, while also securing a stable stream of investment income and improving asset value over the long run.

T

Telematics

A combination of “telecommunication” and “informatics,” telematics refers to information services provided by equipping automobiles and other mobile objects with communications systems. Telematics automobile insurance refers to automobile insurance with the premium rates calculated based on the collected data that relate to the driver's driving tendency such as miles driven and drivers' use of accelerator and brake functions.

Term Insurance

A type of insurance where the term of the insurance is fixed and the insurance benefits can be claimed only if the policyholder dies during the term. There are no maturity proceeds. This is ordinarily a fixed-amount insurance, where the insurance amount is fixed and remains unchanged throughout the term of insurance, but it could also be a decreasing term insurance, where the insurance premium is fixed and the insurance amount progressively decreases over the insurance term, and increasing term insurance, where the insurance amount increases over the duration of the insurance term. → [Whole Life Insurance](#)

Third Sector

The third “sector” of insurance, positioned somewhere between the first sector (life insurance) and second sector (non-life insurance), includes many different types of insurance, such as medical insurance, cancer insurance, nursing care insurance, and accident insurance.

Three Surplus Factors (Life Insurance)

The “three surplus factors” refer to three margins: the “administrative expense margin,” which is the difference between the planned administrative expense based on the planned expense ratio and the actual administrative expenses; the “risk margin (mortality margin),” which is the difference between the planned payment amounts from insurance, benefits, etc., based on the planned mortality rate and the actual payment amounts from insurance, benefits, etc.; and the “investment yield margin,” which is the difference between the planned investment income based on the planned interest rate and the actual investment income. (If the investment yield margin is negative, it will be in a “negative spread” state.) The three surplus factors are a breakdown of “core profit,” which is an indicator of the periodic profit and loss situation of a life insurance company.

Tontine-Type Annuity

A tontine-type annuity is a pension arrangement whereby payments to deceased members are terminated and their portion redistributed to surviving members, thus paying more to those who live longer. It originates in a pension system devised by the Italian Lorenzo Tonti.

U

Underwriting Profit (Loss)

Claims payment and loss adjustment expenses, maturity refunds and other underwriting expenses, and operating expenses and other general administrative expenses required for insurance underwriting are subtracted from net premiums written and other underwriting profit, and this is then adjusted to reflect other income and expenditure (such as expenses associated with compulsory automobile liability insurance, etc., corresponding to corporate taxes) to calculate underwriting profit (loss).

As for non-life insurance companies, the principal revenue sources are underwriting income and investment income, and underwriting profit indicates the profitability level of underwriting operations.

Underwriting Reserves

The general term for reserve funds set aside by insurance companies based on the legal requirement, for use toward insurance claims payments and other insurance-related obligations that could arise in the future. Underwriting reserves are broadly classified into five types:

- ① ordinary underwriting reserves,
- ② catastrophe reserves,
- ③ contingency reserves,
- ④ refund reserves, and
- ⑤ policyholder dividend reserves.

V

Variable Insurance

An insurance product where the premium is invested in stocks, bonds, and other assets, and the insurance payment or payout upon cancellation varies depending on the performance of the investment. The investment risk (the risk fluctuation in pension or cancellation payout) is borne by the individual policyholder. When the policyholder dies, the beneficiary can claim the basic insurance + variable insurance. The basic insurance is a minimum amount guaranteed to the policyholder irrespective of the investment fund's performance. Even when the variable insurance is negative, the basic insurance can be claimed.

W

Whole Life Insurance

Of the types of insurance providing for the receipt of death benefits on death, this is a type that is not for a fixed period but continues for a lifetime and does not have benefits on maturity. → [Term Insurance](#)

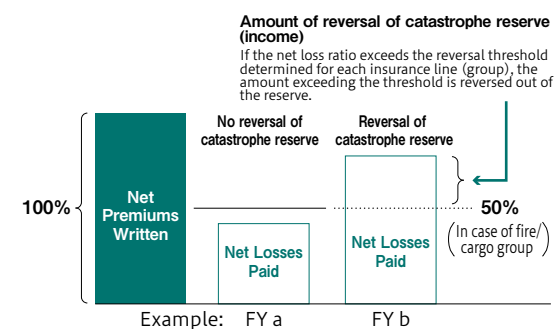
Accounting Line-Item Terminology

Please refer to the Guide Book for the Understanding of Disclosure Materials of Non-Life Insurance Companies 1 (prepared by the General Insurance Association of Japan) and the Life Insurance Company Disclosure Notes Glossary 2 (prepared by the Life Insurance Association of Japan) for details of accounting line items and other pertinent information.

1. <https://www.sonpo.or.jp/report/publish/accounting/0004.html> (Japanese only)
2. <https://www.seiho.or.jp/data/publication/tora/> (Japanese only)

Catastrophe Reserves

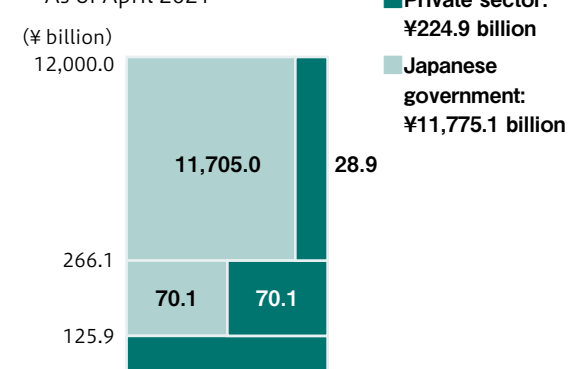
- These are reserves that insurance companies set aside to prepare for major disasters (e.g., typhoons, earthquakes) for which the “law of large numbers” does not function.
- The funds are accumulated as reserves (expense posted) at a certain percentage of each fiscal year's net premiums written.
- If a fiscal year's loss ratio (ratio of net losses paid to net premiums written) exceeds a certain threshold, reserves are reversed and posted as income.
- This is one of the mechanisms used to mitigate the impact on an insurance company's fiscal year profit and to guarantee it has a suitable capacity to pay insurance claims.

**About Residential Earthquake Insurance**

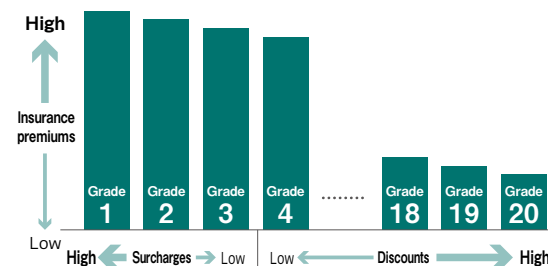
Based on Japan's Law Concerning Earthquake Insurance (the Earthquake Insurance Act), residential earthquake insurance is operated jointly by the government and non-life insurance companies. Reflecting the significant impact that earthquakes can have on society, residential earthquake insurance is a prerequisite for and incidental to fire insurance. Recognizing the substantial damage that is likely to occur in the event of a large-scale earthquake, residential earthquake insurance involves a government reinsurance underwriting mechanism in preparation for the payment of massive insurance amounts. For their part, non-life insurance companies forego the accumulation of profits in similar fashion to compulsory automobile liability insurance. Premiums are set aside as a reserve to cover insurance payments in the event of an earthquake in the future.

Government and Private-Sector Burdens

As of April 2021

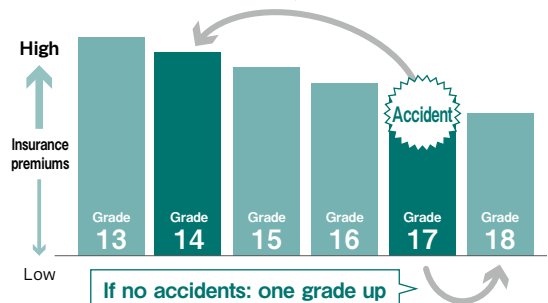
**Non-Fleet Grade System (Automobile Insurance)**

- This system applies discount percentages to grades defined from Grade 1 to Grade 20.

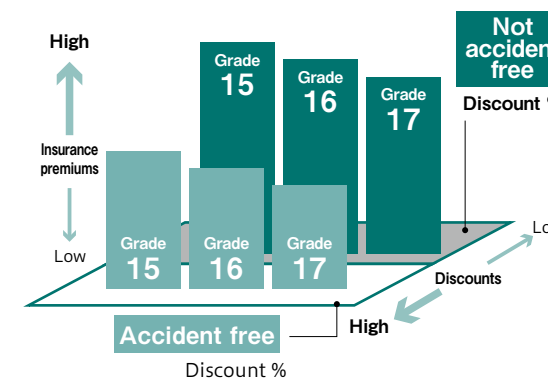


- When the contract is first concluded, the customer starts at Grade 6 (or Grade 7) and then rises by a one-grade increment if there are no accidents.
- If there is an accident, the grade drops by three-grade increments and moves to an accident-existence rate table.

*Depending on the accident type and the type of claim received, there are cases where the grade drops by only a one-grade increment and cases where the matter is not counted as an accident.

Principle 3 grades down per one accident

- Even at the same grade, discount percentages differ, depending on whether there have been accidents in the past. When “accidents exist,” insurance premiums are set higher than when “no accidents exist.”



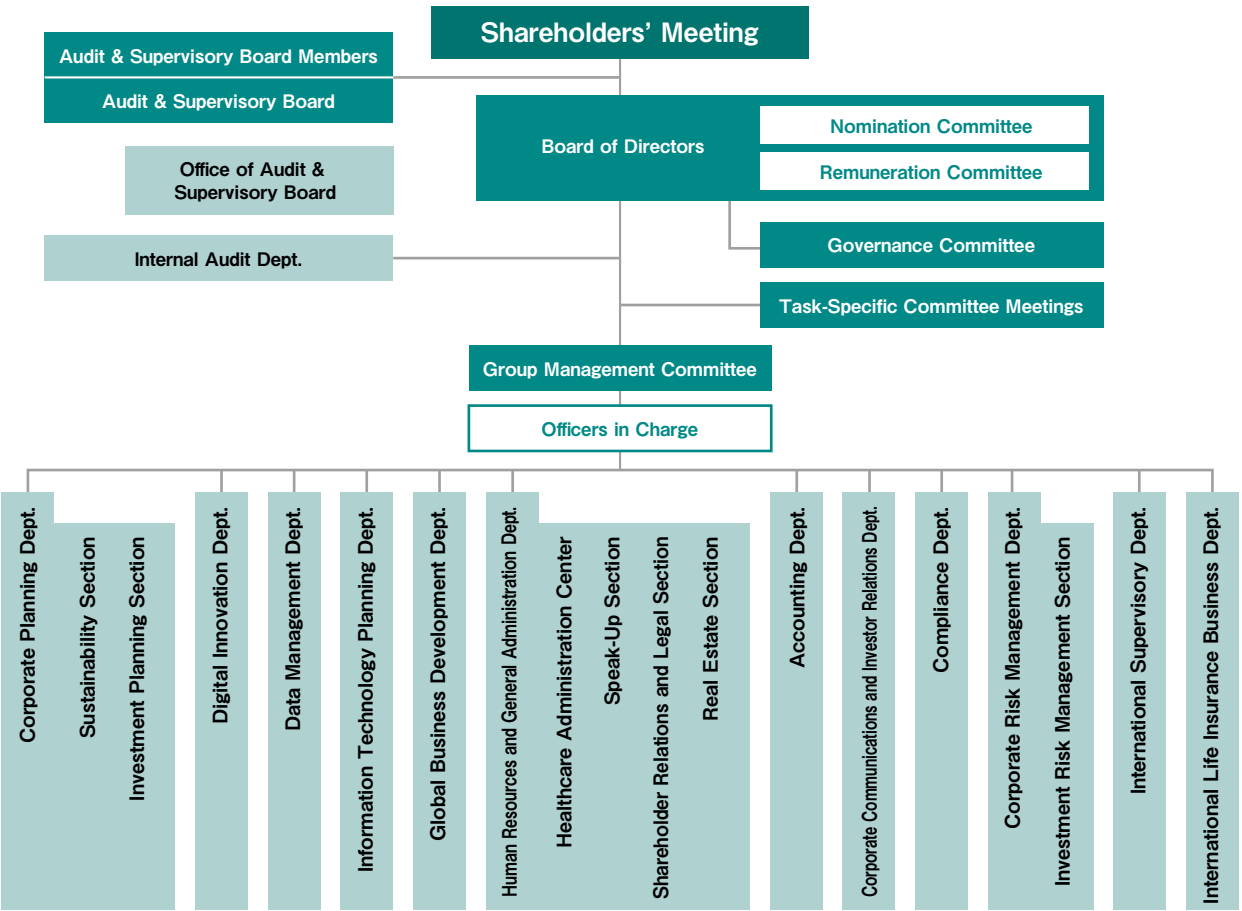
Corporate Profile

MS&AD Insurance Group Holdings is an insurance holding company. The Company controls the entire MS&AD Insurance Group, planning strategies and allocating management resources across the Group, as well as monitoring and overseeing Group companies. The Company has thus established a system for Group corporate governance.

The Company will be the force to maximize the total potential of the Group, forming the center of efforts to raise the level of management control, pursue Group synergies, accelerate decision-making, and develop human assets through various business frameworks and personnel systems.

Corporate Name	MS&AD Insurance Group Holdings, Inc.
Date Established	April 1, 2008 (Name changed on April 1, 2010)
Headquarters	27-2, Shinkawa 2-chome, Chuo-ku, Tokyo, Japan
Representative	Noriyuki Hara, Representative Director, President & CEO
Paid-in Capital	¥100,534 million (As of March 31, 2022)
Number of Employees	401 (39,962 on a consolidated basis) (As of March 31, 2022)
Business Description	Activities as an insurance holding company are as follows: 1. Management and administration of non-life insurance companies, life insurance companies, and companies that it may own as its subsidiaries under the Insurance Business Act, and business incidental thereto; 2. Any business associated with the above under the Insurance Business Act.
Stock Listings	Tokyo Stock Exchange (First Section) Nagoya Stock Exchange (First Section)
Independent Auditor	KPMG AZSA LLC

MS&AD Insurance Group Holdings, Inc. Organizational Chart (As of April 1, 2022)



Stock and Shareholders (As of March 31, 2022)

1 Summary of Issued Shares

Class of Stock	Common stock	Total Number of Authorized Shares	900,000,000
Total Number of Issued Shares	593,632,891	Number of Shareholders	72,689

2 Shareholding Profile

Breakdown by Sector

Item	Japanese Financial Institutions	Japanese Securities Companies	Other Japanese Companies	Foreign Companies and Individuals	Japanese Individuals and Others	Total
Number of Shareholders	172	53	1,551	914	69,999	72,689
Number of Shares Held (Millions)	199.55	24.20	91.09	176.08	102.68	593.63
Percentage of Shares Issued	33.6%	4.1%	15.3%	29.7%	17.3%	100%

Breakdown by Number of Shares Held

Item	1-99	100-999	1,000-9,999	10,000-99,999	100,000 and Above	Total
Number of Shareholders	20,564	38,740	12,037	1,011	337	72,689
Percentage of All Shareholders	28.3%	53.3%	16.6%	1.4%	0.5%	100%

Breakdown by Region

Item	Hokkaido	Tohoku	Kanto	Chubu	Kinki	Chugoku	Shikoku	Kyushu	Overseas	Total
Number of Shares (Millions)	1.03	2.86	324.12	67.00	16.04	2.07	2.18	2.22	176.07	593.63
Percentage of Shares Issued	0.2%	0.5%	54.6%	11.3%	2.7%	0.3%	0.4%	0.4%	29.7%	100%

3 Major Shareholders

Shareholder Name	Address	Number of Shares Held (Thousands)	Percentage of Shares Issued (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	2-11-3, Hamamatsu-cho, Minato-ku, Tokyo	86,338	15.77
Toyota Motor Corporation	1, Toyota-cho, Toyota City, Aichi Prefecture	52,610	9.61
Nippon Life Insurance Company	1-6-6, Marunouchi, Chiyoda-ku, Tokyo, c/o Nippon Life Securities Operations Department	36,325	6.64
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12, Harumi, Chuo-ku, Tokyo	24,748	4.52
JP MORGAN CHASE BANK 380055 (Standing agent: Settlement & Clearing Services Dept., Mizuho Bank, Ltd.)	270 Park Ave., New York, NY 10017, USA (2-15-1, Konan, Minato-ku, Tokyo)	16,465	3.01
STATE STREET BANK WEST CLIENT - TREATY 505234 (Standing proxy: Settlement & Clearing Services Dept., Mizuho Bank, Ltd.)	1776 Heritage Dr., North Quincy, MA 02171, USA (2-15-1, Konan, Minato-ku, Tokyo)	8,880	1.62
Barclays Securities Japan Limited	31st Floor, Roppongi Hills Mori Tower, 6-10-1, Roppongi, Minato-ku, Tokyo	6,574	1.20
STATE STREET BANK AND TRUST COMPANY 505103 (Standing proxy: Settlement & Clearing Services Dept., Mizuho Bank, Ltd.)	P.O. Box 351, Boston, MA 02101, USA (Shinagawa Intercity Building A, 2-15-1, Konan, Minato-ku, Tokyo)	6,293	1.15
THE BANK OF NEW YORK MELLON 140051 (Standing agent: Settlement & Clearing Services Dept., Mizuho Bank, Ltd.)	240 Greenwich St., New York, NY 10286, USA (Shinagawa Intercity Building A, 2-15-1, Konan, Minato-ku, Tokyo)	6,222	1.14
Sumitomo Life Insurance Company	7-18-24, Tsukiji, Chuo-ku, Tokyo	6,077	1.11
Total		250,536	45.76

Note: The number of shares is rounded down to the nearest thousand shares. The percentage of shares is rounded to the nearest unit. The Company owns 46,187 thousand treasury shares, but these are omitted from the table above.

4 Changes in Total Number of Issued Shares, Paid-in Capital, and Capital Reserves

Date	Issued Shares		Paid-in Capital		Capital Reserves	
	Increase/Decrease	Balance	Increase/Decrease	Balance	Increase/Decrease	Balance
June 30, 2017* ¹	(40,000) thousand	593,291 thousand	—	¥100,000 million	—	¥729,255 million
July 22, 2020 * ²	181 thousand	593,473 thousand	276	¥100,276 million	276	¥729,532 million
July 27, 2021* ³	159 thousand	593,632 thousand	258	¥100,534 million	258	¥729,790 million

Note: 1. The decrease in the total number of issued shares was due to the retirement of treasury shares.
2. The increase is due to new share issuance to provide restricted stock as stock-based remuneration.
3. The increase is due to new share issuance to provide restricted stock as stock-based remuneration.

5 Basic Information

Fiscal Year	April 1 to March 31 of the following year
Annual Shareholders' Meeting	Within three months from the end of each fiscal year
Record Date	Ordinary General Meeting of Shareholders: March 31, every year Year-end dividends: March 31, every year Interim dividends: September 30, every year
Method of Public Notification	Electronic reporting can be found online at https://www.ms-ad-hd.com/ja/ir/notification.html (Japanese only) In the event of an incident or other event that prevents electronic reporting, the Company will publish its notifications in the Nikkei newspaper.
Stock Exchange Listings	Tokyo Stock Exchange and Nagoya Stock Exchange (First Section)
Administrator of Shareholders' Registry	Sumitomo Mitsui Trust Bank, Limited
Place of Business of Administrator of Shareholders' Registry:	Sumitomo Mitsui Trust Bank, Limited, Stock Transfer Agency Dept. (1-4-1, Marunouchi, Chiyoda-ku, Tokyo, Japan)
Special Account Management Institution:	Sumitomo Mitsui Trust Bank, Limited*
(Postal Address)	Sumitomo Mitsui Trust Bank, Limited, Stock Transfer Agency Dept. (2-8-4, Izumi, Suginami-ku, Tokyo 168-0063, Japan)
Telephone Inquiry	☎ 0120-782-031

* Following a share exchange effective April 1, 2010, the Company inherited the responsibility for a special account that was established on the same day for the shareholders of Aioi and NDI. As a result, the special account management institution for prior shareholders of these two companies will continue to be Mitsubishi UFJ Trust and Banking Corporation (1-4-5, Marunouchi, Chiyoda-ku, Tokyo).

Group Business Schematic (As of March 31, 2022)

The primary businesses undertaken by MS&AD Holdings and its Group companies (subsidiaries and affiliates), and the main Group companies undertaking each business, are listed below.

Business Overview



Note: The above shows the primary consolidated subsidiaries and other entities in each business. The symbols indicate the following:
★: Consolidated subsidiary ●: Equity-method affiliate

■ Main Subsidiaries

1. CONSOLIDATED SUBSIDIARIES

Name of Company	Location	Date of Incorporation	Principal Business	Paid-in Capital	Voting Rights of MS&AD Holdings (%)	Voting Rights of Subsidiaries (%)
Mitsui Sumitomo Insurance Co., Ltd.	Chiyoda-ku, Tokyo	Oct. 21, 1918	Domestic Non-Life Insurance	¥139,595 million	100.0	—
Aioi Nissay Dowa Insurance Co., Ltd.	Shibuya-ku, Tokyo	June 30, 1918	Domestic Non-Life Insurance	¥100,005 million	100.0	—
Mitsui Direct General Insurance Co., Ltd.	Bunkyo-ku, Tokyo	June 3, 1999	Domestic Non-Life Insurance	¥39,106 million	89.7	—
Mitsui Sumitomo Aioi Life Insurance Co., Ltd.	Chuo-ku, Tokyo	Aug. 8, 1996	Domestic Life Insurance	¥85,500 million	100.0	—
Mitsui Sumitomo Primary Life Insurance Co., Ltd.	Chuo-ku, Tokyo	Sept. 7, 2001	Domestic Life Insurance	¥41,060 million	100.0	—
Little Family SS Insurance Co., Ltd.	Shinagawa-ku, Tokyo	Aug. 1, 2001	Domestic Non-Life Insurance	¥75 million	—	95.0
Mitsui Sumitomo Insurance Venture Capital Co.,Ltd.	Chuo-ku, Tokyo	Dec. 6, 1990	Financial Services Business	¥1 billion	—	100.0
MS&AD InterRisk Research Institute & Consulting, Inc.	Chiyoda-ku, Tokyo	Jan. 4, 1993	Risk-Related Services	¥330 million	100.0	—
MSIG Holdings (U.S.A.), Inc.	New York, U.S.A.	Oct. 21, 1988	International	US\$920,440 thousand	—	100.0
Mitsui Sumitomo Insurance USA Inc.	New York, U.S.A.	Jan. 28, 1988	International	US\$5,000 thousand	—	100.0
Mitsui Sumitomo Insurance Company of America	New York, U.S.A.	March 29, 2001	International	US\$5,000 thousand	—	100.0
MSIG Specialty Insurance USA Inc.	New York, U.S.A.	Jan. 11, 1994	International	US\$5,000 thousand	—	100.0
DTRIC Insurance Company, Limited	Honolulu, U.S.A.	Dec. 12, 1978	International	US\$4,500 thousand	—	100.0
DTRIC Insurance Underwriters, Limited	Honolulu, U.S.A.	Feb. 2, 2007	International	US\$2,500 thousand	—	100.0
Mitsui Sumitomo Seguros S/A.	São Paulo, Brazil	Dec. 15, 1965	International	BRL619,756 thousand	—	100.0
Aioi Nissay Dowa Europe Limited	London, U.K.	Nov. 8, 2017	International	UK£350,010 thousand	—	100.0
Aioi Nissay Dowa Insurance UK Limited	London, U.K.	Dec. 11, 2017	International	UK£75,100 thousand	—	100.0
MS Amlin Corporate Member Limited	London, U.K.	Sept. 19, 1994	International	UK£1,700 thousand	—	100.0
MS Amlin Underwriting Limited	London, U.K.	Nov. 29, 1988	International	UK£400 thousand	—	100.0
MSI Corporate Capital Limited	London, U.K.	Jan. 7, 2000	International	UK£5,200 thousand	—	100.0
Mitsui Sumitomo Insurance Company (Europe), Limited	London, U.K.	July 28, 1972	International	UK£80,700 thousand	—	100.0
Leadenhall Capital Partners LLP	London, U.K.	April 30, 2008	Financial Services	US\$2,850 thousand	—	80.0
MS Amlin AG	Zurich, Switzerland	Aug. 19, 2010	International	CHF10,000 thousand	—	100.0
MSIG Insurance Europe AG	Cologne, Germany	April 20, 2012	International	€84,000 thousand	—	100.0
Aioi Nissay Dowa Life Insurance of Europe AG	Ismaning, Germany	Dec. 8, 2005	International	€5,000 thousand	—	100.0
MS Financial Reinsurance Limited	Hamilton, Bermuda	Nov. 21, 2011	Financial Services	¥46 million	—	100.0
MS Amlin Insurance SE	Brussels, Belgium	Jan. 4, 2016	International	€140,000 thousand	—	100.0
Aioi Nissay Dowa Insurance Company of Europe SE	Senningerberg, Luxembourg	Nov. 12, 2004	International	€41,875 thousand	—	100.0
MSIG Holdings (Asia) Pte. Ltd.	Singapore, Singapore	Sept. 23, 2004	International	S\$63,195 thousand	—	100.0

Name of Company	Location	Date of Incorporation	Principal Business	Paid-in Capital	Voting Rights of MS&AD Holdings (%)	Voting Rights of Subsidiaries (%)
MSIG Insurance(Singapore) Pte. Ltd.	Singapore, Singapore	Sept. 23, 2004	International	S\$333,442 thousand	—	100.0
MS First Capital Insurance Limited	Singapore, Singapore	Dec. 9, 1950	International	S\$26,500 thousand	—	97.7
Aioi Nissay Dowa Insurance Company Australia Pty Ltd	Melbourne, Australia	Aug. 1, 2008	International	A\$87,800 thousand	—	100.0
MSIG Mingtai Insurance Co., Ltd.	Taipei, Taiwan	Sept. 22, 1961	International	NT\$2,535 million	—	100.0
MSIG Insurance(Hong Kong) Limited	Hong Kong, P.R.C.	Sept. 8, 2004	International	HK\$1,625 million	—	100.0
Aioi Nissay Dowa Insurance (China) Company Limited	Tianjin, P.R.C.	Jan. 23, 2009	International	RMB625,000 thousand	—	100.0
Mitsui Sumitomo Insurance(China) Company Limited	Shanghai, P.R.C.	Sept. 6, 2007	International	RMB500,000 thousand	—	100.0
MSIG Insurance(Vietnam) Company Limited	Hanoi, Vietnam	Feb. 2, 2009	International	VND300,000 million	—	100.0
PT.Asuransi Jiwa Sinarmas MSIG Tbk	Jakarta, Indonesia	July 17, 1984	International	IDR210,000 million	—	80.0
PT. Asuransi MSIG Indonesia	Jakarta, Indonesia	Dec. 17, 1975	International	IDR100,000 million	—	80.0
MSIG Insurance (Thailand) Public Company Limited	Bangkok, Thailand	April 14, 1983	International	THB142,666 thousand	—	86.4
MSIG Insurance(Malaysia) Bhd.	Kuala Lumpur, Malaysia	April 28, 1979	International	MYR1,511 million	—	65.4 [1.4]
MSIG Insurance (Lao) Co., Ltd.	Vientiane, Laos	Sept. 18, 2009	International	US\$2,000 thousand	—	51.0
47 other companies						

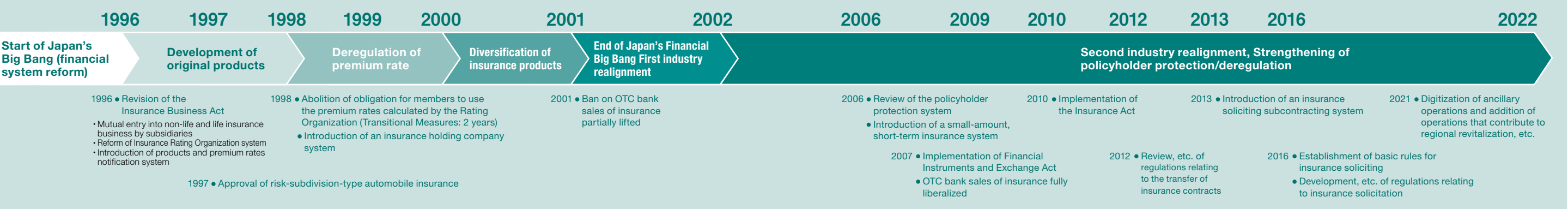
2. EQUITY-METHOD AFFILIATES

Name of Company	Location	Date of Incorporation	Principal Business	Paid-in Capital	Voting Rights of MS&AD Holdings (%)	Voting Rights of Subsidiaries (%)
au Insurance Company, Limited	Minato-ku, Tokyo	Feb. 23, 2010	Domestic Non-Life Insurance	¥3,150 million	—	49.0
Sumitomo Mitsui DS Asset Management Company, Limited	Minato-ku, Tokyo	July 15, 1985	Financial Services	¥2,000 million	—	15.0
Challenger Limited	Sydney, Australia	Sept. 13, 1985	International	A\$2,453 million	15.2	—
BoCommLife Insurance Company Limited	Shanghai, P.R.C.	July 4, 2000	International	RMB5,100 million	37.5	—
Cholamandalam MS General Insurance Company Limited	Chennai, India	Nov. 2, 2001	International	INR2,988 million	—	40.0
Max Financial Services Limited	Nawanshahr, India	Feb. 24, 1988	International	INR690,065 thousand	—	21.9
Max Life Insurance Company Limited	Chandigarh, India	July 11, 2000	International	INR19,188 million	—	5.2 [81.8]
Ceylinco Insurance PLC	Colombo, Sri Lanka	Feb. 11, 1987	International	LKR1,324 million	—	15.0
BPI/MS Insurance Corporation	Makati, Philippines	Oct. 1, 1965	International	PHP350,000 thousand	—	48.5
Hong Leong Assurance Berhad	Kuala Lumpur, Malaysia	Dec. 20, 1982	International	MYR200,000 thousand	—	30.0
Two other companies						

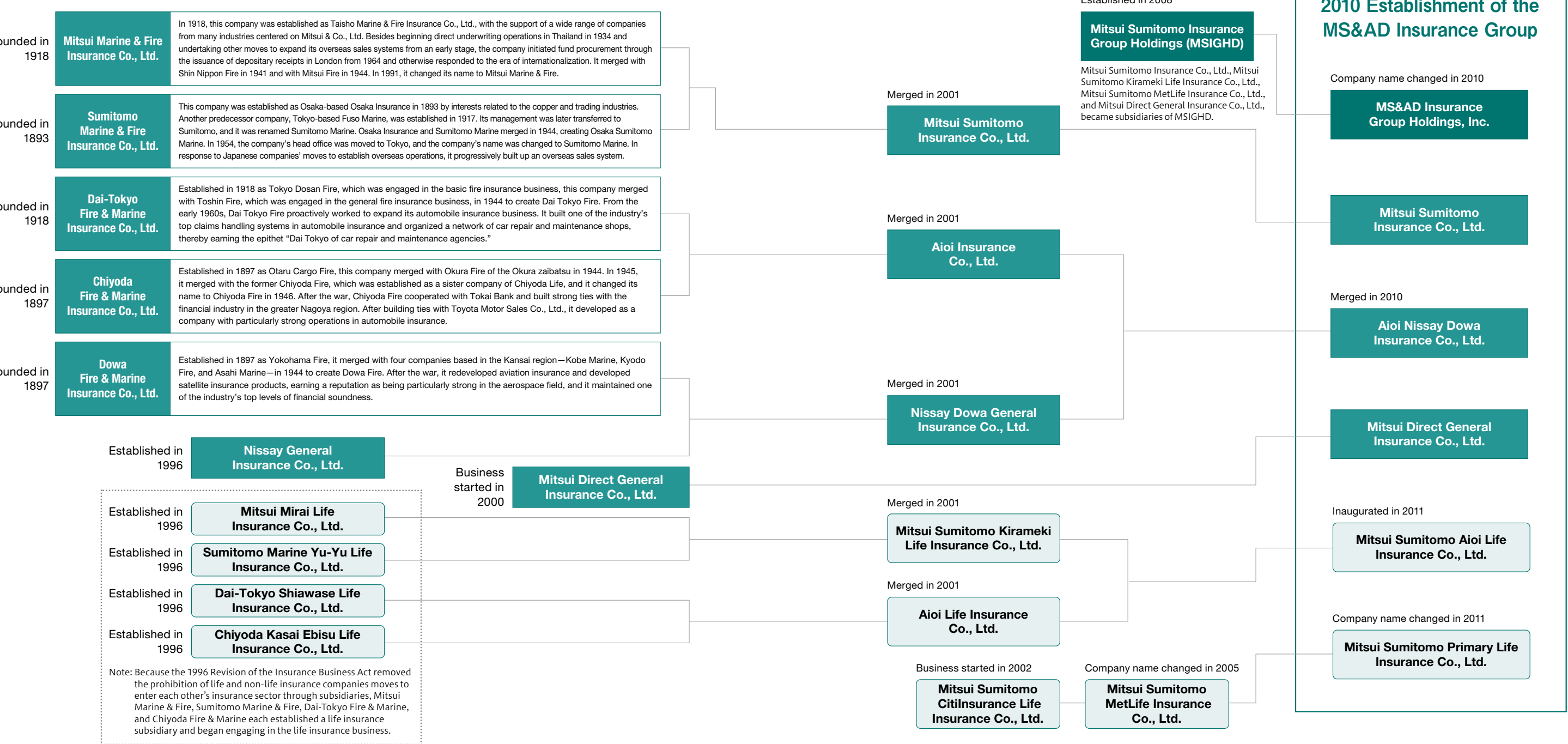
Note: Figures in brackets [] represent the percentage of voting rights belonging to closely allied entities or entities that are in agreement with MS&AD on voting issues.

History of the MS&AD Insurance Group in Japan

Major events in the insurance industry

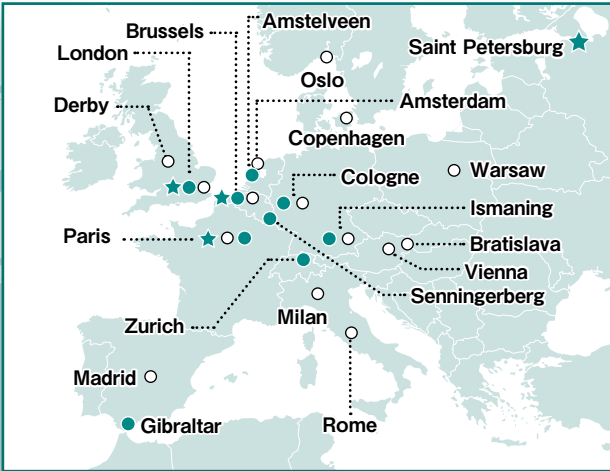


History of the MS&AD Insurance Group



Group Network and History of International Business (As of July 1, 2022)

- Overseas branches and offices ☆Branches ★Offices
- Overseas subsidiaries and affiliates ●
- Branches and offices of overseas subsidiaries and affiliates ○
- Underwriting agents for the Head Office and others ■



Expansion of the Non-Life Insurance Business

Business expansion through M&A	
2004	Acquired the Asian non-life insurance business of U.K.-based AVIVA
2005	Acquired Taiwan-based Mingtai
2015	Acquired U.K.-based Box Innovation Group
2016	Acquired U.K.-based Amlin
2017	Acquired First Capital (Singapore)

Business initiations through capital investments in local markets

2000	Became the first Japanese non-life insurance company to establish a Lloyd's syndicate
2000	Began Toyota Retail Business in Germany and France
2012	Established a company in Germany
2015	Invested in Ceylinco Insurance (Sri Lanka)
2019	Invested in IKBZ Insurance (Myanmar)

Expansion of Life Insurance Business

Expansion and diversification of international life insurance business

2010	Invested in Hong Leong Assurance Berhad (Malaysia)
2011	Invested in Hong Leong MSIG Takaful Berhad (Malaysia)
2011	Invested in PT. Asuransi Jiwa Sinarmas MSIG (Indonesia)
2012	Invested in Max Life Insurance Company Limited (India)
2017	Invested in Challenger Limited (Australia)
2018	Invested in ReAssure (UK)
2020	Invested in BoCommLife (China)

Developing Business in Major Countries/Regions

1924	1934	1956	1957	1958	1962	1966	1969	1970	1974	1977	1978	1997	1999	2001	2003	2005	2010	2015
U.K. (Office)*	Thailand	U.K.	U.S./ Hong Kong	Singapore/ Germany	Malaysia	Australia	Indonesia	New Zealand	Brazil	Philippines	France	Vietnam	Taiwan	China (Shanghai)	India	Cambodia	Laos	Myanmar/ South Africa (Office)*

Items not marked with * indicate the year in which a direct insurance license was acquired.

Net Premiums Written and Geographical Dispersion



Global Network

(As of July 1, 2022)

☆:Overseas Branches ★:Overseas Offices ●:Major Overseas Subsidiaries and Affiliates
△:Major Branches or Offices of Overseas Subsidiaries and Affiliates ■:Underwriting Agents for the Head Office

ASIA AND OCEANIA

SINGAPORE	MS&AD Holdings	● Interisk Asia Pte Ltd
	MSI	● MSIG Holdings (Asia) Pte. Ltd. ● MSIG Insurance (Singapore) Pte. Ltd. ● MS First Capital Insurance Limited
	ADI	● Aioi Nissay Dowa Services Asia Pte. Ltd.
THAILAND	MS&AD Holdings	● InterRisk Asia (Thailand) Co., Ltd.
	MSI	☆ Thailand Branch ● MSIG Insurance (Thailand) Public Company Limited ● MSI Holding (Thailand) Company Limited ● MSIG Service and Adjusting (Thailand) Company Limited ● Calm Sea Service Company Limited ● MBTS Broking Services Company Limited ● Ueang Mai Co., Ltd. ● Yardhimar Company Limited
	ADI	★ Bangkok Representative Office ● Aioi Bangkok Insurance Public Company Limited ● Bangkok Chayoratr Company, Limited ● Bangkok Chayolife Company, Limited
MALAYSIA	MSI	● MSIG Insurance (Malaysia) Bhd. ● MSIG Berhad ● Hong Leong Assurance Berhad ● Hong Leong MSIG Takaful Berhad
PHILIPPINES	MSI	● BPI/MS Insurance Corporation
INDONESIA	MSI	● PT. Asuransi MSIG Indonesia ● PT. Asuransi Jiwa Sinarmas MSIG Tbk.
REPUBLIC OF KOREA	MSI	☆ Korea Branch
PEOPLE'S REPUBLIC OF CHINA	MS&AD Holdings	● InterRisk Consulting (Shanghai) Co., Ltd. ● BOCOM MSIG Life Insurance Company Limited
	MSI	● Mitsui Sumitomo Insurance (China) Company Limited △ Guangdong Branch Shenzhen Marketing Service Department △ Beijing Branch △ Jiangsu Branch Suzhou Marketing Service Department △ Shanghai Marketing Division ★ Beijing Representative Office ● MSIG Management (Shanghai) Co. Ltd
	ADI	★ China General Representative Office ★ Guangzhou Representative Office ● Aioi Nissay Dowa Insurance (China) Company Limited △ Aioi Nissay Dowa Insurance (China) Company Limited Zhejiang Branch ● Guang Ai Insurance Brokers Ltd.
HONG KONG	MSI	● MSIG Insurance (Hong Kong) Limited
	ADI	★ Hong Kong Representative Office
MACAU	MSI	△ MSIG Insurance (Hong Kong) Limited Macau Branch

TAIWAN	MSI	● MSIG Mingtai Insurance Co., Ltd.
	ADI	★ Taipei Representative Office
VIETNAM	MSI	● MSIG Insurance (Vietnam) Company Limited △ MSIG Insurance (Vietnam) Company Limited, Ho Chi Minh City Branch
INDIA	MSI	● Cholamandalam MS General Insurance Company Limited ● Cholamandalam MS Risk Services Limited ★ New Delhi Representative Office ● Max Financial Services Limited ● Max Life Insurance Company Limited
MYANMAR	MSI	★ Yangon Representative Office
CAMBODIA	MSI	● Asia Insurance (Cambodia) Plc.
LAO PEOPLE'S DEMOCRATIC REPUBLIC	MSI	● MSIG Insurance (Lao) Co., Ltd.
AUSTRALIA	MS&AD Holdings	● Challenger Limited
	MSI	☆ Oceania Branch ★ Oceania Branch Melbourne Office
	ADI	☆ Australian Branch ★ Sydney Representative Office ★ Melbourne Representative Office ● Aioi Nissay Dowa Insurance Company Australia Pty Ltd
NEW ZEALAND	MSI	★ Oceania Branch New Zealand Office
	ADI	☆ New Zealand Branch ● Aioi Nissay Dowa Management New Zealand Limited
SRI LANKA	MSI	● Ceylinco Insurance PLC

THE AMERICAS

U.S.A.	MSI	★ New York Representative Office ● MSIG Holdings (U.S.A.), Inc. ● Mitsui Sumitomo Insurance Company of America ● Mitsui Sumitomo Insurance USA Inc. ● Mitsui Sumitomo Marine Management (U.S.A.), Inc. △ New York Office △ Warren Office △ Los Angeles Office △ Cincinnati Office △ Atlanta Office △ Chicago Office △ Detroit Office △ Dallas Office ● Seven Hills Insurance Agency, LLC ● MSIG Specialty Insurance USA Inc. ● MSI GuaranteedWeather, LLC ● Vortex Insurance Agency, LLC
	ADI	★ New York Representative Office ★ Honolulu Representative Office ● Aioi Nissay Dowa Insurance Services USA Corporation ● MOTER Technologies, Inc. ● Toyota Insurance Management Solutions USA, LLC ● Advanced Connectivity, LLC ● Connected Analytic Services, LLC ● DTRIC Insurance Company, Limited ● DTRIC Insurance Underwriters, Limited ● DTRIC Management Company, Limited

GUAM (U.S.A.)	ADI	■ Takagi & Associates, Inc.
SAIPAN (U.S.A.)	ADI	■ Takagi & Associates, Inc.
CANADA	MSI	★ Toronto Representative Office, c/o Chubb Insurance Company of Canada ■ Chubb Insurance Company of Canada
BERMUDA	MSI	● SPAC Insurance (Bermuda) Limited ● MSI GuaranteedWeather Trading Limited ● MS Financial Reinsurance Limited
MEXICO	MSI	△ MSIG Holdings (U.S.A.), Inc. Mexican Representative Office, c/o Mapfre Tepeyac, S.A.
PANAMA	MSI	★ Panama Representative Office
BRAZIL	MSI	● Mitsui Sumitomo Seguros S/A. ★ São Paulo Representative Office
COLOMBIA	MSI	★ Bogotá Representative Office
PERU	MSI	★ Lima Representative Office
ARGENTINA	MSI	★ A Buenos Aires Representative Office

■ EUROPE, THE MIDDLE EAST, AND AFRICA

UNITED KINGDOM	MSI	★ London Representative Office ● MS Amlin Corporate Services Limited ● MS Amlin Underwriting Limited ● MS Amlin Corporate Member Limited ● Mitsui Sumitomo Insurance Company (Europe), Limited △ Mitsui Sumitomo Insurance Company (Europe), Limited Derby Office ● MSIG Corporate Services (Europe) Limited ● Leadenhall Capital Partners LLP
	ADI	★ London Representative Office ● Aioi Nissay Dowa Europe Limited ● Aioi Nissay Dowa Insurance UK Limited ● Aioi Nissay Dowa Insurance Management Limited △ Toyota Insurance Management SE UK Branch ● Box Innovation Group Limited ● Insure The Box Limited △ Insure The Box Limited UK Branch ● ITB Services Limited ● ITB Web Limited ● ITB Telematics Solutions LLP ● ITB Premium Finance Limited
GERMANY	MSI	● MSIG Insurance Europe AG △ MSIG Insurance Europe AG Region Germany
	ADI	● Toyota Insurance Management SE ● Aioi Nissay Dowa Life Insurance of Europe AG ● AD Information and Data Services (Europe) GmbH △ Aioi Nissay Dowa Insurance Company of Europe SE German Branch

AUSTRIA	ADI	△ Toyota Insurance Management SE Austrian Branch
NETHERLANDS	MSI	△ MSIG Insurance Europe AG The Netherlands Branch
FRANCE	MSI	△ MSIG Insurance Europe AG France Branch
	ADI	★ Paris Representative Office △ Aioi Nissay Dowa Insurance Company of Europe SE French Branch △ Toyota Insurance Management SE French Branch
BELGIUM	MSI	● MS Amlin Insurance SE △ MSIG Insurance Europe AG Belgium Branch △ MSIG Corporate Services (Europe) Limited Belgium Branch
	ADI	★ Brussels Representative Office △ Aioi Nissay Dowa Insurance Company of Europe SE Belgian Branch △ Toyota Insurance Management SE Belgian Branch
LUXEMBOURG	ADI	● Aioi Nissay Dowa Insurance Company of Europe SE
SWITZERLAND	MSI	● MS Amlin AG
SPAIN	MSI	△ MSIG Insurance Europe AG Spain Branch
	ADI	△ Aioi Nissay Dowa Insurance Company of Europe SE Spanish Branch △ Toyota Insurance Management SE Spanish Branch
ITALY	MSI	△ MSIG Insurance Europe AG Italy Branch
	ADI	△ Aioi Nissay Dowa Insurance Company of Europe SE Italian Branch △ Toyota Insurance Management SE Italian Branch
SLOVAKIA	MSI	△ MSIG Insurance Europe AG Slovakia Branch
RUSSIA	MSI	★ Moscow Representative Office ★ St. Petersburg Representative Office
	ADI	★ Moscow Representative Office ● LLC Toyota Insurance Management Limited (Insurance Brokers) ● LLC Toyota Insurance Management Limited (Insurance Agency)
NORWAY	ADI	△ Toyota Insurance Management SE Norwegian Branch
UNITED ARAB EMIRATES	MSI	★ Dubai Representative Office ★ Abu Dhabi Representative Office
REPUBLIC OF SOUTH AFRICA	MSI	△ Mitsui Sumitomo Insurance Company (Europe), Limited Johannesburg Representative Office
	ADI	● Toyota Insurance Management South Africa Proprietary Limited
KAZAKHSTAN	ADI	● Toyota Insurance Management (Insurance Broker) LLP ● Autosan Kazakhstan LLP
DENMARK	ADI	△ Toyota Insurance Management SE Nordic Branch
POLAND	ADI	△ Toyota Insurance Management SE Polish Branch

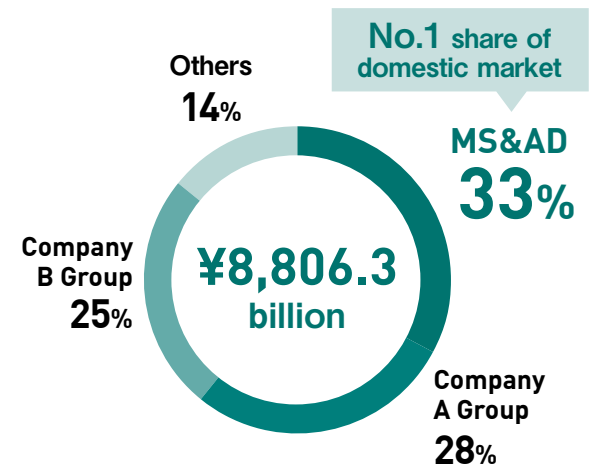
MS&AD's Strengths (Materials)

MS&AD's Positioning (Strength: Scale)

Domestic Non-Life Insurance Business

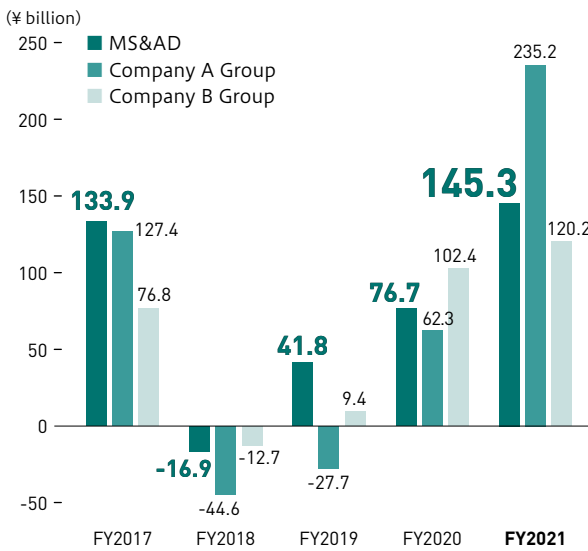
The insurance group most chosen by customers in Japan

Share of Net Premiums Written* (FY2021)



Source: Prepared by MS&AD based on publicly announced information from each insurance company and data from the General Insurance Association of Japan.
* MS&AD: Non-consolidated simple sum of Mitsui Sumitomo Insurance, Aioi Nissay Dowa Insurance, and Mitsui Direct General Insurance
* Figures for other insurance groups are simple sums of non-consolidated figures for domestic companies in each group.

Underwriting Profit (prior to reflecting catastrophe reserves)*

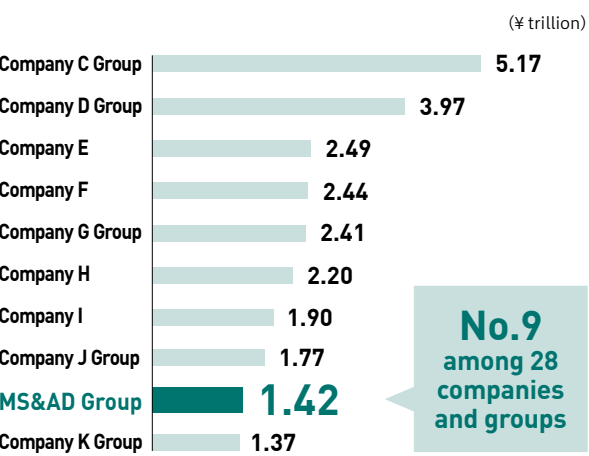


Source: Prepared by MS&AD based on publicly announced information from each insurance company.
* The figures for MS&AD are the simple sum of the non-consolidated figures for Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance. The figures for the others are the simple sum of the non-consolidated group figures excluding the direct insurance companies of each group.

Domestic Life Insurance Business

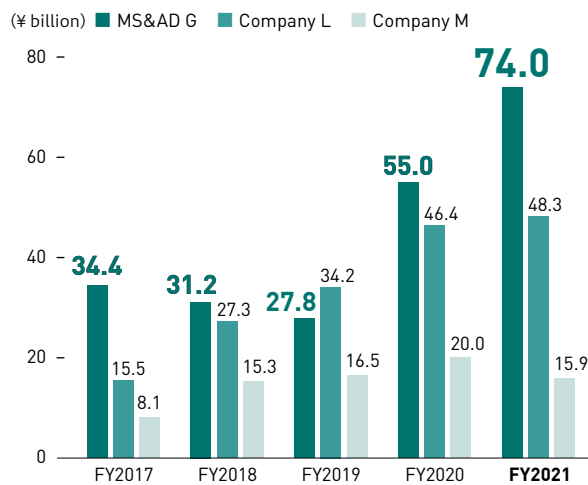
No. 9 in premiums income among domestic life insurance companies/groups

Domestic life insurance companies/groups** premiums and others ranking (FY2021)



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



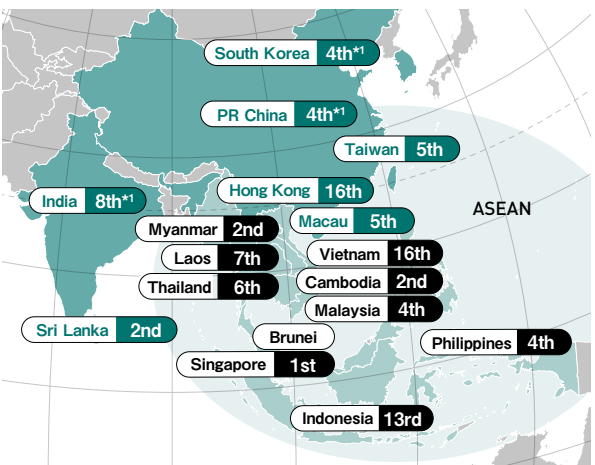
Source: Prepared by MS&AD based on publicly announced information from each insurance company.

International Business

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

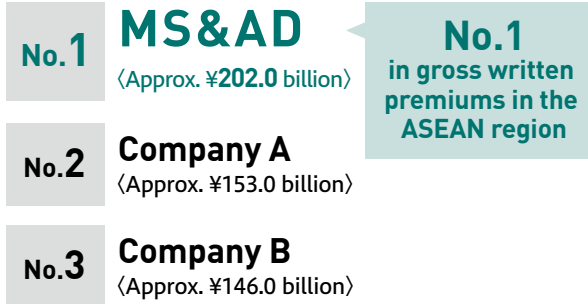
With global business expansion to 48 countries and regions, especially in Asia, and as the world's only global non-life insurance group with a presence in all 10 ASEAN countries, the Group maintains the No. 1 presence for gross written premiums in the ASEAN region.

Positioning in the non-life insurance market in ASEAN and Asian countries (FY2020)



FY2020 Gross Written Premiums Ranking in ASEAN Countries

Figures in parentheses are the sum of GWP** for the following countries (rough estimation): Singapore, Malaysia, Thailand, Indonesia, Philippines, Vietnam



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 (Ranking for South Korea is for direct net premiums written of foreign-based insurance companies, and ranking for India is for private non-life insurance companies)
*2 GWP: Gross Written Premium

Creation of sustainable innovations (Strength: Innovation)

Collaboration with overseas innovation partners

Collaboration with diverse partners is essential to advancing the value of insurance to a new stage. The Company works with the following future-creating innovation partners:

Mobility



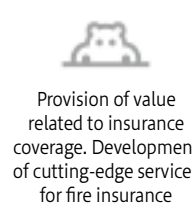
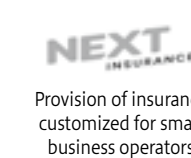
Cybersecurity



Sustainability



Insurtech



Credit Ratings

Credit Ratings for Domestic Insurance Companies

This section contains information about credit ratings assigned to the following companies in the Group.
As of July 1, 2022

Rating Agency	Rating Assigned	MS&AD Holdings	Mitsui Sumitomo Insurance Co., Ltd.	Aioi Nissay Dowa Insurance Co., Ltd.	Mitsui Sumitomo Aioi Life Insurance Co., Ltd.	Mitsui Sumitomo Primary Life Insurance Co., Ltd.
Standard & Poor's	Financial Strength Rating	—	A+ (Stable)	A+ (Stable)	—	A+ (Stable)
	Long-Term Issuer Credit Rating	—	A+ (Stable)	A+ (Stable)	—	A+ (Stable)
	Short-Term Issuer Credit Rating	—	A-1	A-1	—	—
Moody's	Insurance Financial Strength Rating	—	A1 (Stable)	A1 (Stable)	—	—
	Long-Term Issuer Credit Rating	—	A1 (Stable)	—	—	—
Rating and Investment Information, Inc. (R&I)	Issuer Rating	—	AA (Stable)	AA (Stable)	—	—
	Insurance Claims Paying Ability	—	—	—	AA (Stable)	AA (Stable)
Japan Credit Rating Agency, Ltd. (JCR)	Ability to Pay Insurance Claims	—	—	AA+ (Stable)	—	—
	Long-Term Issuer Rating	AA (Stable)	AA+ (Stable)	AA+ (Stable)	—	—
	Short-Term Rating (Commercial Paper)	—	J-1+	J-1+	—	—
A.M. Best	Financial Strength Rating	—	A+ (Stable)	A+ (Stable)	—	—
	Issuer Credit Rating	—	aa (Stable)	aa (Stable)	—	—

Credit Ratings for Overseas Insurance Companies

The table below indicates information about credit ratings of overseas subsidiaries.
As of July 1, 2022

Rating Agency	Overseas Subsidiaries	Credit Rating
Standard & Poor's	Mitsui Sumitomo Insurance Co. (Europe), Ltd. MSIG Insurance (Hong Kong) Ltd. MSIG Insurance (Singapore) Pte. Ltd. MSIG Insurance Europe AG	Financial Strength Rating A+ (Stable)*1
	Aioi Nissay Dowa Insurance Company of Europe SE Aioi Nissay Dowa Insurance UK Ltd.	Financial Strength Rating A+ (Stable)*2
	Mitsui Sumitomo Insurance Company of America Mitsui Sumitomo Insurance USA, Inc. MSIG Specialty Insurance USA Inc.	Financial Strength Rating A+ (Stable)
	Mitsui Sumitomo Insurance (China) Co., Ltd. MSIG Mingtai Insurance Co., Ltd. MS Amlin AG MS Amlin Insurance SE	Financial Strength Rating A (Stable)
Moody's	Syndicate 2001 MS Amlin AG	Insurance Financial Strength Rating A1 (Stable)
A.M. Best	Mitsui Sumitomo Insurance Company of America Mitsui Sumitomo Insurance USA, Inc. MSIG Specialty Insurance USA Inc.	Financial Strength Rating A+ (Stable) Issuer Credit Rating aa (Stable)
	Syndicate 2001	Financial Strength Rating A (Stable) Issuer Credit Rating a+ (Stable)
	MS Amlin AG	Financial Strength Rating A (Stable) Issuer Credit Rating: a+ (Negative)
	MS Amlin Insurance SE	Financial Strength Rating A (Stable) Issuer Credit Rating a (Stable)
	DTRIC Insurance Company Ltd. DTRIC Insurance Underwriters, Ltd. Aioi Nissay Dowa Insurance (China) Co., Ltd.	Financial Strength Rating A- (Stable) Issuer Credit Rating a- (Stable)
	MS First Capital Insurance Limited	Financial Strength Rating A (Stable) Issuer Credit Rating a+ (Stable)

1. Applicable to the same ratings as Mitsui Sumitomo Insurance with the guarantee on insurance/reinsurance policies issued by Mitsui Sumitomo Insurance (the issuer of the guarantee, the "Guarantor"). The obligations of the Guarantor under the guarantee rank pari passu with all other unsecured indebtedness of the Guarantor. The guarantee is unconditional and covers the subsidiaries' obligations of payment and not collection.
2. Applicable to the same rating as Aioi Nissay Dowa Insurance with the guarantee on insurance/reinsurance policies issued by Aioi Nissay Dowa Insurance (the issuer of the guarantee, the "Guarantor"). The obligations of the Guarantor under the guarantee rank pari passu with all other unsecured indebtedness of the Guarantor. The guarantee is unconditional and covers the subsidiaries' obligations of payment and not collection.

Domestic Non-Life Insurance Business

Mitsui Sumitomo Insurance Co., Ltd. (MSI)

Responsible for the non-life insurance business, which is a core business of the MS&AD Insurance Group. Drawing on its wide range of partnerships mainly centering on the Mitsui and Sumitomo groups, MSI is leveraging the full range of its capabilities to develop and roll out global insurance and financial services that meet every conceivable need of customers around the world.

Corporate Profile

President: **Shinichiro Funabiki**
(concurrently serving as Executive Officer of MS&AD Holdings)
Date Established: **October 1918**
Number of Employees: **13,453 (As of March 31, 2022)**
Head Office: **9, Kanda-Surugadai 3-chome, Chiyoda-ku, Tokyo**
URL <https://www.ms-ins.com/english/>

Principal Indicators (Non-Consolidated)

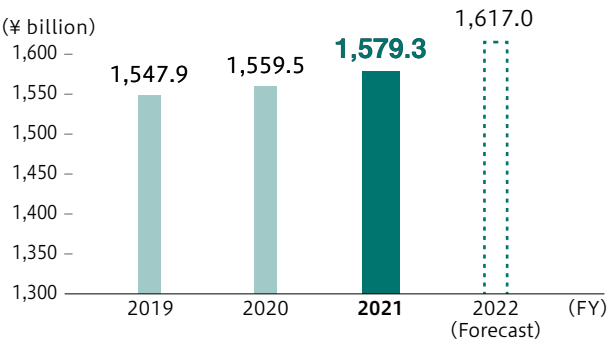
(¥ billion)

Item	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022 (Forecast)
Net premiums written	1,500.3	1,512.4	1,547.9	1,559.5	1,579.3	1,617.0
Growth rate of net premiums written	2.1%	0.8%	2.3%	0.8%	1.3%	2.4%
Net loss ratio	61.6%	66.2%	63.3%	59.8%	59.0%	61.7%
Net expense ratio	31.3%	31.5%	32.0%	32.7%	33.0%	33.0%
Combined ratio	92.9%	97.7%	95.3%	92.5%	92.0%	94.7%
Underwriting income	84.4	47.3	7.3	23.9	41.0	52.0
Investment income	182.5	185.9	93.9	117.8	153.0	135.0
Ordinary profit	262.5	226.4	89.1	131.6	184.2	180.0
Net income	198.2	171.1	94.0	92.2	145.7	135.0
Net assets	1,877.0	1,832.6	1,640.0	1,925.2	2,089.1	—
Total assets	7,098.2	6,977.1	6,686.0	7,098.1	7,374.3	—
Net unrealized gains/(losses) on investments in securities (before tax effects)	1,419.7	1,226.7	947.8	1,455.0	1,570.2	—
Solvency margin ratio (non-consolidated)	701.1%	723.2%	701.3%	746.5%	722.5%	—
Number of employees	14,572	14,577	14,371	14,168	13,453	—

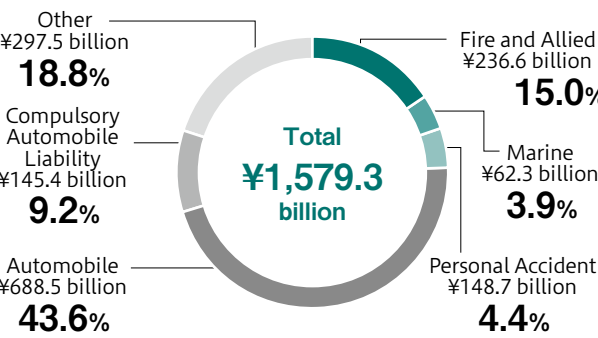
Notes: 1. Net premiums written, net loss ratio, net expense ratio, and combined ratio figures are presented exclusive of Good Result Return premiums of the propriety automobile insurance product "ModoRich," which contains a special clause related to premium adjustment and refund at maturity.
2. Net loss ratio = (net claims paid + loss adjustment expenses) ÷ net premiums written × 100
3. Net expense ratio = (commissions and collection expenses + operating expenses and general and administrative expenses for underwriting) ÷ net premiums written × 100
4. Combined ratio = net loss ratio + net expense ratio
5. Net unrealized gains/(losses) on investments in securities (before tax effects) represents the difference (before tax effects) between the fair value and the acquisition cost (including the amortized cost) of "available-for-sale securities with a practically determinable fair value" (except for stocks, etc., without a practically determinable fair value and investment in associations, etc. (before FY2020, except for those where it is deemed to be extremely difficult to determine their fair value)). It includes monetary claims bought and others that are accounted for as investment in securities.

Principal Management Indicators

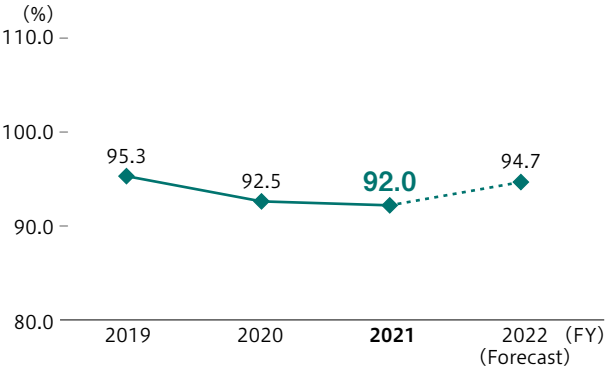
Net Premiums Written



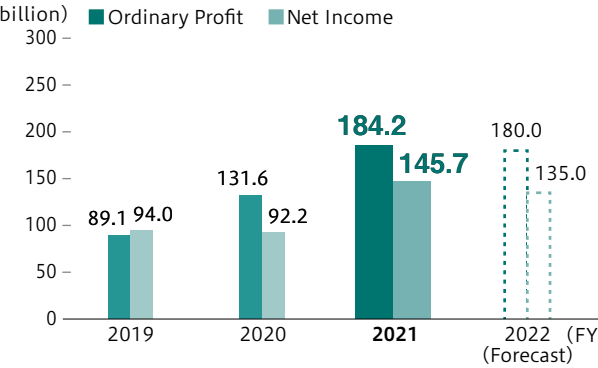
Composition by Class of Insurance (FY2021)



Combined Ratio



Ordinary Profit/Net Income



Domestic Non-Life Insurance Business

Aioi Nissay Dowa Insurance Co., Ltd. (ADI)

Responsible for the non-life insurance business, which is a core business of the MS&AD Insurance Group. Harnessing the networks of the Toyota and Nippon Life groups as well as the strength of its community-based retail market development capabilities, ADI is working diligently to further develop its business.

Corporate Profile

President: **Keisuke Niiro**
(concurrently serving as Executive Officer of MS&AD Holdings)
Date Established: **June 1918**
Number of Employees: **13,503 (As of March 31, 2022)**
Head Office: **28-1, Ebisu 1-chome, Shibuya-ku, Tokyo**
URL <https://www.aioinissaydowa.co.jp/english/>

Principal Indicators (Non-Consolidated)

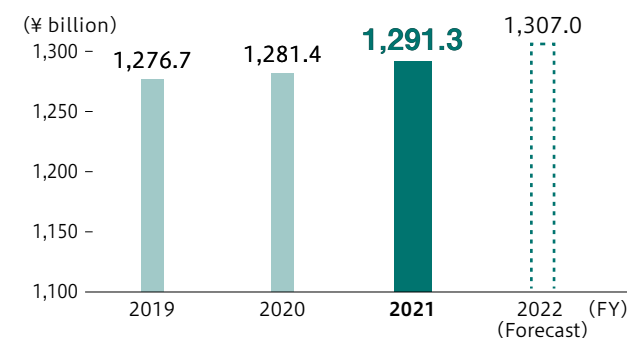
(¥ billion)

Item	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022 (Forecast)
Net premiums written	1,222.0	1,233.5	1,276.7	1,281.4	1,291.3	1,307.0
Growth rate of net premiums written	1.8%	0.9%	3.5%	0.4%	0.8%	1.2%
Net loss ratio	59.2%	67.8%	62.0%	58.6%	59.8%	64.1%
Net expense ratio	33.4%	33.8%	34.5%	34.9%	35.0%	34.7%
Combined ratio	92.6%	101.6%	96.5%	93.5%	94.8%	98.8%
Underwriting income	4.8	15.5	1.1	(12.4)	30.5	53.0
Investment income	(1.9)	43.0	55.3	48.3	53.1	44.0
Ordinary profit	5.6	61.3	58.6	32.4	80.9	95.0
Net income	15.6	37.3	44.7	21.6	53.9	64.0
Net assets	781.0	735.5	638.0	838.6	798.4	—
Total assets	3,486.6	3,410.9	3,420.7	3,745.2	3,745.1	—
Net unrealized gains/(losses) on investments in securities (before tax effects)	578.7	506.3	375.3	664.9	579.4	—
Solvency margin ratio (non-consolidated)	784.0%	688.2%	702.3%	790.9%	758.6%	—
Number of employees	13,287	13,657	13,775	13,933	13,503	—

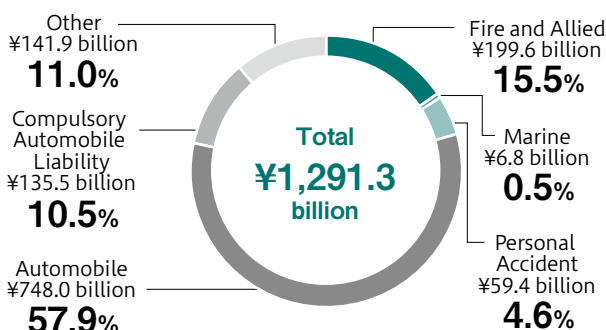
Notes: 1. Net loss ratio = (net claims paid + loss adjustment expenses) ÷ net premiums written × 100
2. Net expense ratio = (commissions and collection expenses + operating expenses and general and administrative expenses for underwriting) ÷ net premiums written × 100
3. Combined ratio = net loss ratio + net expense ratio
4. Net unrealized gains/(losses) on investments in securities (before tax effects) represents the difference (before tax effects) between the fair value and the acquisition cost (including the amortized cost) of "available-for-sale securities with a practically determinable fair value" (except for stocks, etc., without a practically determinable fair value and investment in associations, etc. (before FY2020, except for those where it is deemed to be extremely difficult to determine their fair value)). It includes money trusts that are accounted for as investment in securities.

Principal Management Indicators

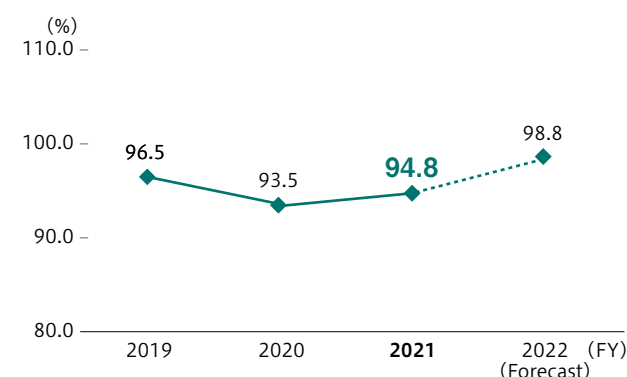
Net Premiums Written



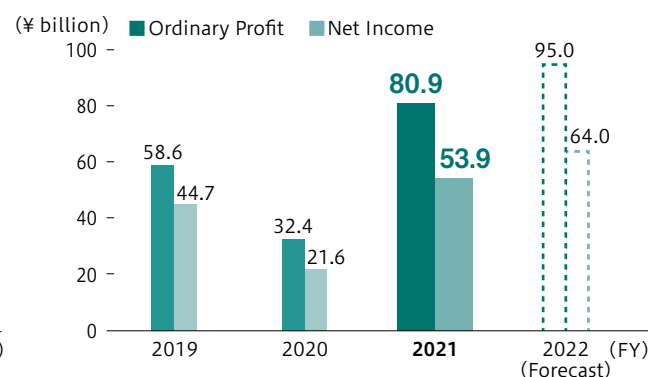
Composition by Class of Insurance (FY2021)



Combined Ratio



Ordinary Profit/Net Income



Domestic Non-Life Insurance Business

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

Mitsui Direct General is a non-life insurance company that engages in the direct sale of individual voluntary automobile insurance via the Internet and smartphones.

Corporate Profile

President: **Takayuki Kawamura**
Date Established: **June 1999**
Number of Employees: **528 (As of March 31, 2022)**
Head Office: **5-1, Kouraku 2-chome, Bunkyo-ku, Tokyo**
URL <https://www.mitsui-direct.co.jp>
(Japanese language only)

Principal Indicators (Non-Consolidated)

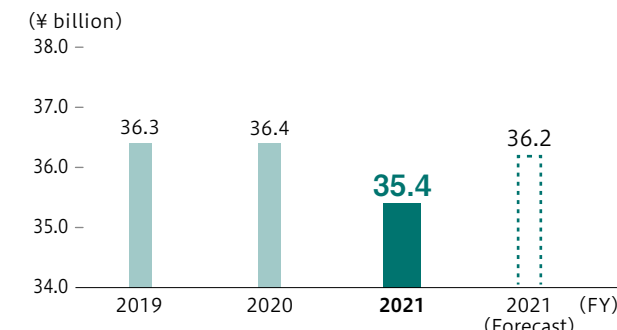
(¥ billion)

Item	FY2017	FY2018	FY2019	FY2020	FY2021	FY2021 (Forecast)
Net premiums written	37.8	36.6	36.3	36.4	35.4	36.2
Growth rate of net premiums written	0.6%	(3.2%)	(0.8%)	0.3%	(3.0%)	2.3%
Net loss ratio	73.0%	76.2%	74.9%	64.2%	64.4%	67.6%
Net expense ratio	23.3%	25.3%	28.3%	31.3%	33.0%	36.0%
Combined ratio	96.3%	101.5%	103.2%	95.5%	97.4%	103.6%
Underwriting income	0.38	0.33	0.13	1.37	0.75	(1.27)
Ordinary profit	0.45	0.38	0.17	1.41	0.80	(1.22)
Net income	0.32	0.24	0.15	0.97	0.82	0.03
Net assets	13.6	13.9	14.0	14.9	15.7	—
Total assets	61.4	60.9	59.7	61.8	62.9	—
Solvency margin ratio (non-consolidated)	457.5%	497.6%	526.9%	595.8%	653.9%	—
Number of employees	571	545	552	559	528	—

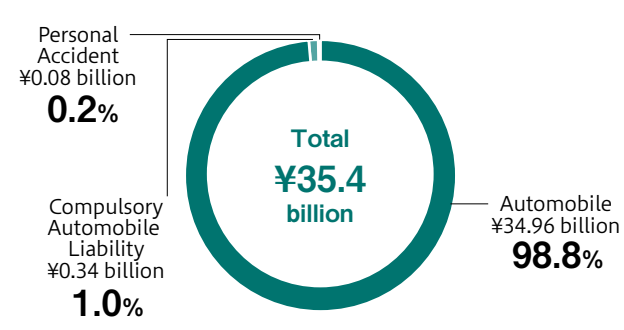
Notes: 1. Net loss ratio = (net claims paid + loss adjustment expenses) ÷ net premiums written × 100
2. Net expense ratio = (commissions and collection expenses + operating expenses and general and administrative expenses for underwriting) ÷ net premiums written × 100
3. Combined ratio = net loss ratio + net expense ratio

Principal Management Indicators

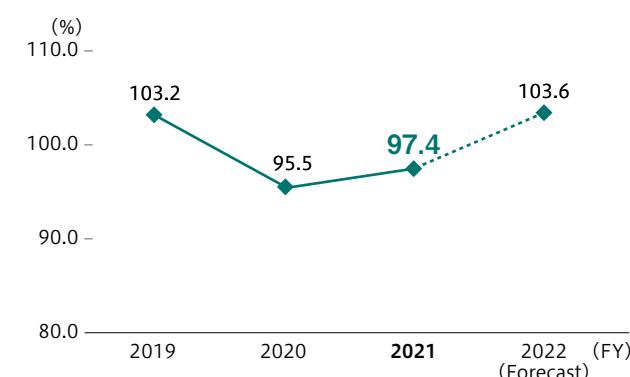
Net Premiums Written



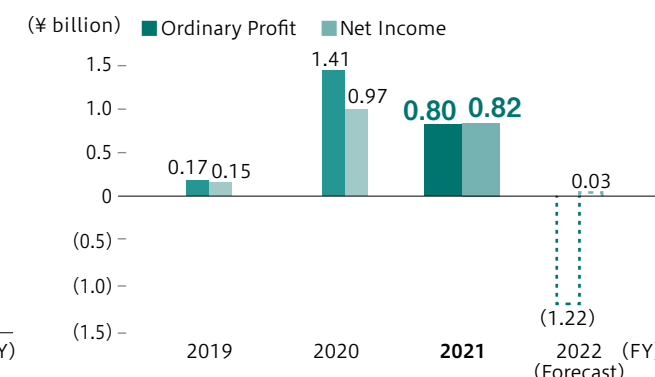
Composition by Class of Insurance (FY2021)



Combined Ratio



Ordinary Profit/Net Income



Domestic Life Insurance Business

Mitsui Sumitomo Aioi Life Insurance Co., Ltd.
(MSI Aioi Life)

MSI Aioi Life is a life insurance company that offers protection-type life insurance products, while leveraging the Group's marketing network and customer base. The company is realizing a growth model that involves a combination of strategies to utilize unique marketing channels.

Corporate Profile
President: Shiro Kaji
Date Established: August 1996
Number of Employees: 2,436 (As of March 31, 2022)
Head Office: 27-2, Shinkawa 2-chome, Chuo-ku, Tokyo
URL <https://www.msa-life.co.jp>
(Japanese language only)

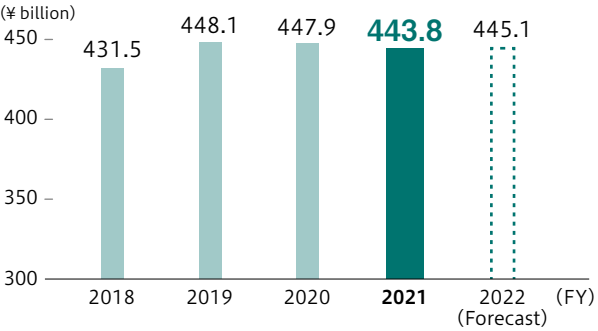
Principal Indicators (Non-Consolidated) (¥ billion)

Item	FY2017	FY2018	FY2019	FY2020	FY2021	FY2021 (Forecast)
Amount of new policies	2,639.5	3,114.5	2,068.4	1,769.0	1,690.4	1,689.4
Amount of policies in force	23,806.8	24,533.1	24,458.0	24,266.9	23,847.7	23,713.3
Annualized premiums of policies in force	412.3	431.5	448.1	447.9	443.8	445.1
Ordinary profit	16.9	19.5	18.6	25.6	39.0	39.2
Core profit	12.8	15.5	13.6	24.8	34.5	-
Risk differential gains/(losses)	59.9	62.7	62.6	69.4	70.0	-
Expenses differential gains/(losses)	(15.3)	(13.0)	(10.8)	(5.6)	(1.3)	-
Investment income differential gains/(losses)	(2.2)	(4.3)	(7.9)	(6.7)	(6.7)	-
Net income	5.2	7.9	7.5	11.9	21.0	21.0
Net assets	264.5	275.9	260.7	257.4	175.7	-
Total assets	3,869.7	4,229.6	4,510.4	4,534.3	4,883.7	-
Net unrealized gains/(losses) on investments in securities (before tax effects)	107.5	114.0	86.9	73.7	41.2	-
Embedded value (EEV)	835.5	819.4	890.2	958.3	923.6	970.0
Solvency margin ratio	1,726.7%	1,681.8%	1,549.3%	1,439.5%	1,151.9%	-
Number of employees	2,609	2,604	2,588	2,529	2,436	-

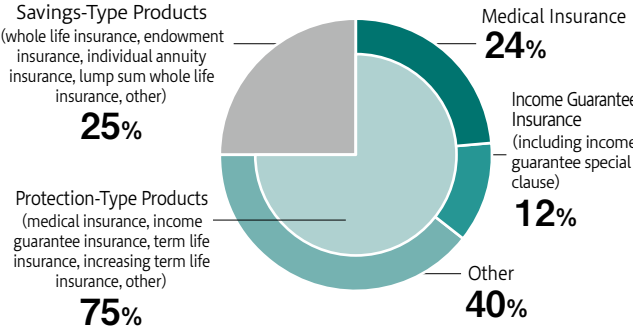
Notes: 1. Amount of new policies, amount of policies in force, and annualized premiums of policies in force are the total of individual insurance and individual annuity insurance.
2. Core profit is an insurance business profitability indicator that is calculated by deducting capital gains/(losses) and non-recurring income and losses from ordinary profit.
3. Net unrealized gains/(losses) on investments in securities (before tax effects) represents the difference (before tax effects) between the fair value and the acquisition cost (including the amortized cost) of "available-for-sale securities with a practically determinable fair value" (except for stocks, etc., without a practically determinable fair value and investment in associations, etc. (before FY2020, except for those where it is deemed to be extremely difficult to determine their fair value)). It includes monetary claims bought, money trusts, and others that are accounted for as an investment in securities.

Principal Management Indicators

Annualized Premiums of Policies in Force

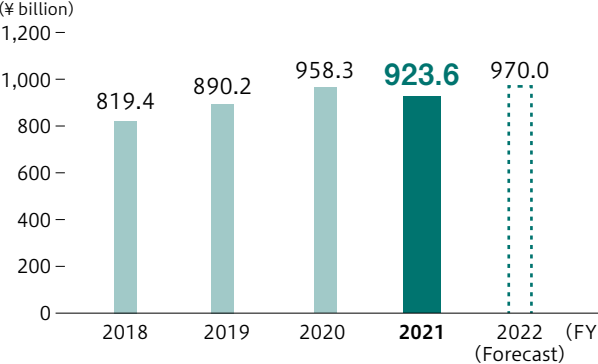


Weight by Type of Product (FY2021)

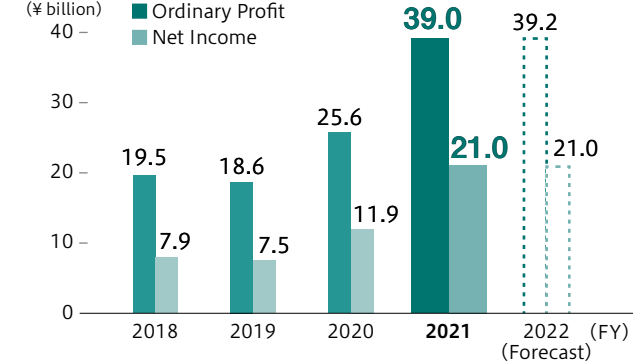


Embedded Value (EEV)

(Refer to the "Glossary of Insurance Terminology" on page 109)



Ordinary Profit / Net Income



Domestic Life Insurance Business

Mitsui Sumitomo Primary Life Insurance Co., Ltd.
(MSI Primary Life)

Specializing in over-the-counter sales via financial institutions, MSI Primary Life is a life insurance company that offers asset-building-type and asset inheritance-type products centered on individual annuity insurance and whole life insurance.

Corporate Profile
President: Yasuhiro Nagai
Date Established: September 2001
Number of Employees: 403 (As of March 31, 2022)
Head Office: Yaesu First Financial Building, 3-7, Yaesu 1-chome, Chuo-ku, Tokyo
URL <https://www.ms-primary.com>
(Japanese language only)

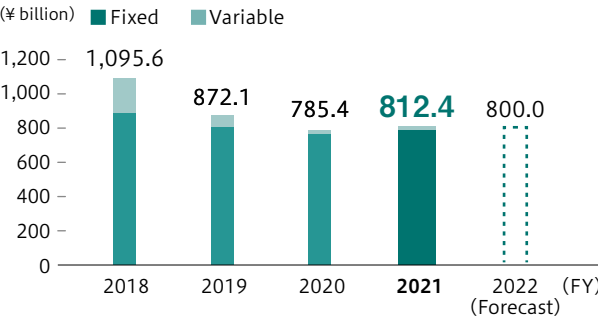
Principal Indicators (Non-Consolidated) (¥ billion)

Item	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022 (Forecast)
Premiums income	1,015.6	1,095.6	872.1	785.4	812.4	800.0
Amount of new policies	1,015.6	1,118.2	882.7	788.2	819.6	842.7
Amount of policies in force	6,061.8	6,678.5	6,514.0	6,595.8	6,803.6	6,546.0
Ordinary profit	28.9	35.5	31.4	160.0	87.7	20.6
Core profit/(loss)	8.8	(12.3)	(27.9)	40.8	54.8	-
Core profit + Capital gains	30.0	44.2	27.6	160.8	85.6	-
Net income	29.2	23.3	20.3	43.1	53.0	15.0
Net assets	164.0	195.3	194.8	260.5	241.4	-
Total assets	6,201.7	6,885.3	6,814.9	7,024.7	7,053.3	-
Net unrealized gains/(losses) on investments in securities (before tax effects)	11.3	27.3	(7.4)	51.3	(1.0)	-
Embedded value (EEV)	416.2	436.1	348.4	557.4	641.9	-
Solvency margin ratio	992.9%	825.4%	746.0%	1,054.8%	1,094.8%	-
Number of employees	394	400	396	390	403	-

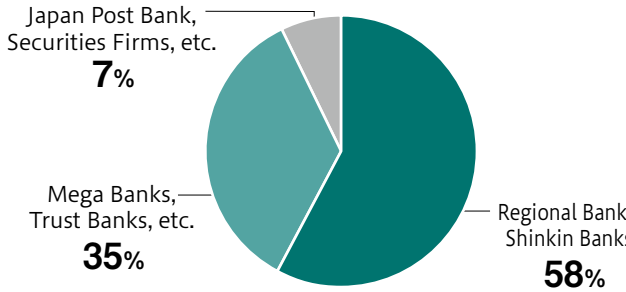
Notes: 1. The amount of new policies and amount of policies in force are the totals of individual insurance and individual annuity insurance.
2. Core profit is a life insurance business profitability indicator that is calculated by deducting "capital gains/(losses)" and "non-recurring income/losses" from ordinary profit. In this business, the sum of "core profit" and "capital gains (losses)" provides a more appropriate indicator of actual profit for the period.
3. Net unrealized gains/(losses) on investments in securities (before tax effects) represents the difference (before tax effects) between the fair value and the acquisition cost (including the amortized cost) of "available-for-sale securities with a practically determinable fair value" (except for stocks, etc., without a practically determinable fair value and investment in associations, etc. (before FY2020, except for those where it is deemed to be extremely difficult to determine their fair value)). It includes monetary claims bought, money trusts, and others that are accounted for as an investment in securities.

Principal Management Indicators

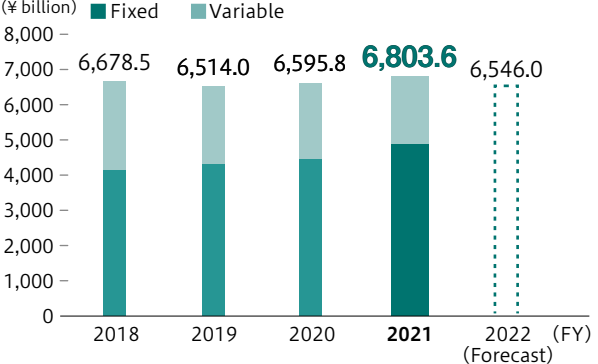
Premiums Income



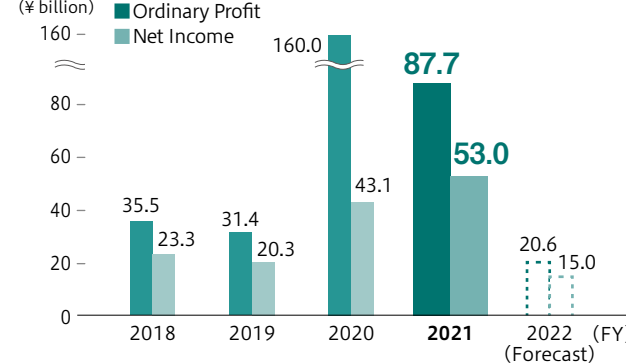
Weight by Type of Sales Channel (FY2021)



Amount of Policies in Force



Ordinary Profit / Net Income



International Business

MS Amlin

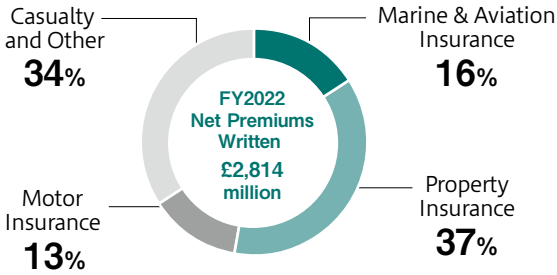
Centered on three insurance operating companies—Lloyd’s, Reinsurance and Continental Europe Direct Insurance, and a service operating company—MS Amlin is one of the leading insurer brands that provides both insurance and reinsurance services globally.

Principal Indicators

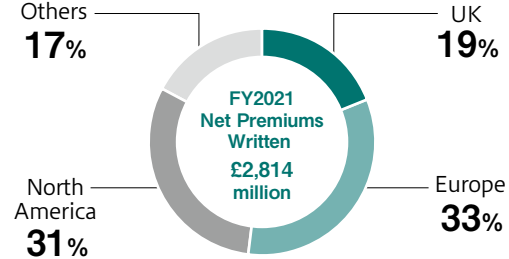
Item	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022 (Forecast)
Net premiums written	2,955	3,050	3,220	2,681	2,814	2,903
Growth rate of net premiums written	(4.5%)	3.2%	5.6%	(16.7%)	4.9%	3.2%
El claims ratio	97%	71%	67%	75%	73%	–
El expense ratio	36%	35%	34%	35%	35%	–
Combined ratio	133%	106%	102%	109%	107%	–
Underwriting income/(loss)	(964)	(174)	(55)	(277)	(197)	16
Investment income	181	54	263	144	101	48
Net income	(759)	(94)	55	(222)	(190)	20

Notes: 1. On a local reporting basis. The accounting method where securities market fluctuations are reflected in the profit-loss statement has been adopted for investment profit.
The El expense ratio and combined ratio are calculated by considering foreign exchange gains/losses included in underwriting profit.
2. Figures for FY2020 onward are the sum of MS Amlin Underwriting Limited, MS Amlin AG, MS Amlin Insurance SE, and other services companies.

Net Premiums Written by Product Line



Net Premiums Written by Geography



Main entities of MS Amlin (as of March 31, 2022)

Company Name	MS Amlin Underwriting Limited	MS Amlin AG	MS Amlin Insurance SE	MS Amlin Corporate Service Limited
Headquarters	London, UK	Zurich, Switzerland	Brussels, Belgium	London, UK
CEO	Johan Slabbert	Robert Wiest	Ludovic Senecaut	Matt Pasterfield
Number of Employees	Approx. 570	Approx. 180	Approx. 600	Approx. 390
FY2021 Net Premiums Written (£ million)	952	1,188	676	–
Business Description	Lloyd’s business	Reinsurance business in Switzerland, Bermuda, the United States, etc.	Continental Europe Primary Insurance business with a focus on Belgium, the Netherlands, and France, etc.	Business to provide services such as IT and digital to MS Amlin and other Group companies

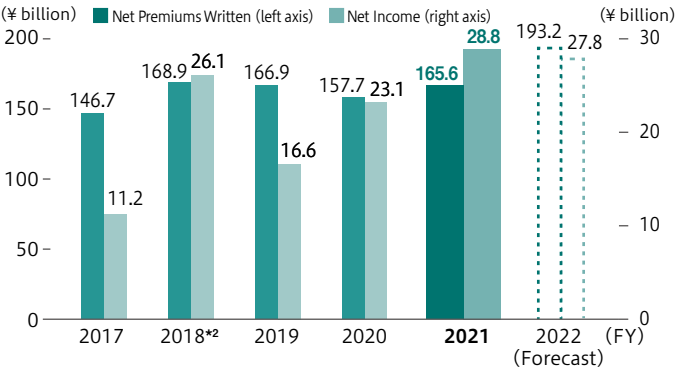
International Business

Asian Region

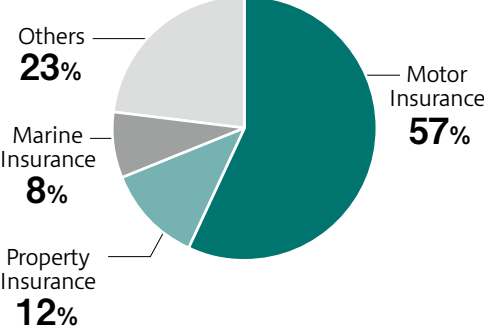
As the sole insurance group with underwriting operations in all 10 ASEAN countries in the Asian region, we are leveraging our solid business base to create further growth and expand locally rooted businesses.

Principal Indicators*1

Net Premiums Written and Net Income



Net Written Premiums by Product Line (FY2021)

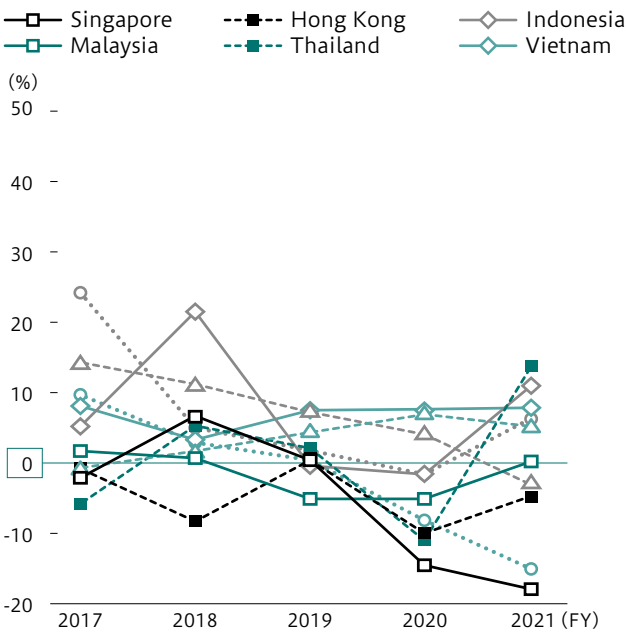


Conditions by Major Country and Region (FY2021)

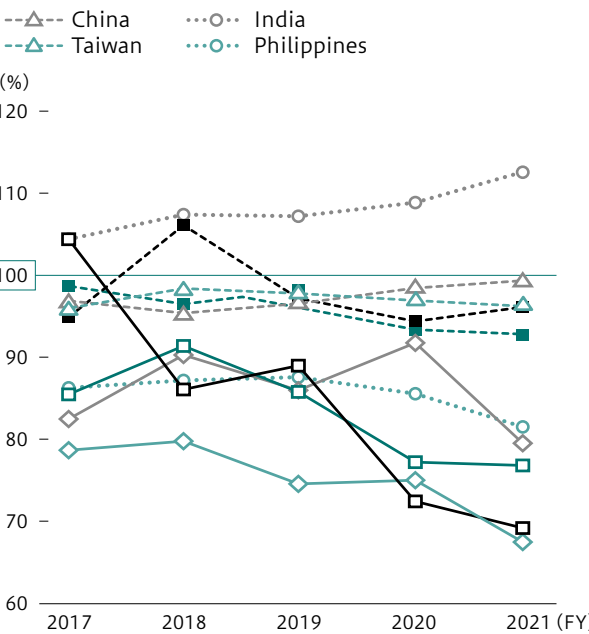
Country/Region	Net premiums written	Net income
Singapore	26.9	10.0
Malaysia	30.1	4.9
Hong Kong	11.0	1.1
Thailand	11.9	0.7
Indonesia	4.6	1.0

Country/Region	Net premiums written	Net income
Vietnam	1.8	0.7
China	40.2	1.7
Taiwan	38.7	3.8
India*3	54.6	2.6
Philippines*3	5.3	0.5

Trends in Premium Growth Rates (FY2017-FY2021)*4,*5



Trends in Combined Ratios (FY2017-FY2021)



*1. Figures are calculated and presented using data for subsidiaries and equity-method affiliates in Asia (excluding countries in Oceania). Figures for overseas offices are not included.
*2. Data reflects consolidated figures for MS First Capital Limited of Singapore from FY2018.
*3. Equity-method affiliates. Net premiums written are shown on a 100% basis, regardless of equity ownership. Net income is presented on an equity ownership basis.
*4. The premium growth rate is the percentage increase in net premiums written (on a local currency basis) from the previous fiscal year.
*5. Singapore's FY2018 premium growth rate has been calculated after considering a comparison with MS First Capital Limited's net premiums written in FY2017 following that company's inclusion in the scope of consolidation in FY2018.

Short Commentary: Group Financial Statements

Commentary 1: Balance Sheet (B/S)

On its consolidated balance sheet as of the end of FY2021, the Group has total assets of ¥25.0 trillion, and the majority of liabilities (¥18.6 trillion) are “policy liabilities” — that is, reserves for paying future insurance claims. On the other hand, the largest asset item is investments in securities, and it has a total fair value of ¥16.9 trillion. Unrealized gains (after tax-effect deduction) in excess of the fair value of investments in securities at acquisition costs are recorded in net unrealized gains/(losses) on securities (¥1.5 trillion). This means that policy liabilities, which account for the majority of the Group’s balance sheet liabilities, are invested in securities. In addition, unrealized gains on investments in securities (after tax-effect accounting) accounted for approximately 50% of net assets (¥3.3 trillion).

(¥ billion)

(Main) assets		(Main) liabilities	
Cash, deposits and savings	2,357.0	Policy liabilities	18,608.1
Money trusts	2,039.1	Bonds issued	782.9
Investments in securities	16,959.3	Other liabilities	1,837.2
(of which: stocks)	2,905.3	Deferred tax liabilities	45.5
Loans	985.2	Total liabilities	21,731.0
Tangible fixed assets	487.6		
Intangible fixed assets	443.1	(Main) Net assets	
Other assets	1,529.4	Shareholders' equity	1,745.6
		Net unrealized gains/losses on securities	1,565.1
		Total net assets	3,302.7
Total assets	25,033.8	Total liabilities and net assets	25,033.8

Commentary 2: Statements of Income (P/L)

① Main components of the statements of income

A summary of the Group’s consolidated statements of income (see page 147) is provided below. It consists primarily of underwriting income and expenses and investment income and expenses.

FY2021	Income (+): underwriting income (¥4,239.5 billion); investment income (¥858.6 billion); other ordinary income (¥33.7 billion) Expenses (-): underwriting expenses (¥3,915.3 billion), of which ¥259.9 billion is provision for underwriting reserves; investment expenses (¥108.9 billion); operating expenses and general and administrative expenses (¥696.3 billion); other ordinary expenses (¥20.8 billion) Ordinary profit: ¥390.4 billion
FY2020	Income (+): underwriting income, ¥3,425.3 billion; investment income, ¥1,450.7 billion; other ordinary income, ¥16.0 billion Expenses (-): underwriting expenses, ¥3,800.4 billion (of which ¥208.9 billion is provision for underwriting reserves) Investment expenses, ¥69.6 billion; operating expenses and general and administrative expenses, ¥688.5 billion; other ordinary expenses, ¥27.0 billion Ordinary profit: ¥306.5 billion

② Underwriting profit and catastrophe reserves for domestic non-life insurance companies

Underwriting profit can be dramatically affected by events such as natural catastrophes. Non-life insurance companies are legally required to build up catastrophe reserves to mitigate that impact. When companies have to pay extremely large insurance claims, they can reverse the catastrophe reserves, which mitigates the impact to a certain degree. The following table indicates past underwriting profit, incurred losses related to natural catastrophes, and changes in catastrophe reserves (net provision). (See page 109 of the “Glossary of Insurance Terminology” for details on catastrophe reserves and page 113 for underwriting profit.)

Impact of natural catastrophes on underwriting profit

(¥ billion)

	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Underwriting profit/(loss)	(190.0)	(3.0)	(36.1)	28.7	43.9	121.3	89.3	62.8	8.4	11.4	71.5
Impact on underwriting profit -(A+B)	(172.0)	(13.2)	(93.3)	(58.5)	(149.7)	(132.9)	(159.0)	(160.8)	(172.3)	(155.1)	(151.9)
Incurred losses due to natural catastrophes (A)	311.5	55.1	96.3	27.2	68.1	51.0	114.3	240.7	139.0	89.7	78.1
Great East Japan Earthquake	(7.7)	1.3	—	—	—	—	—	—	—	—	—
2011 Thailand floods	264.3	0.6	(23.0)	(5.1)	—	—	—	—	—	—	—
2014 massive snowfalls	—	—	82.1	2.2	0.3	—	—	—	—	—	—
Large-scale natural catastrophes including 2017 hurricanes in North America	—	—	—	—	—	—	41.3	—	—	—	—
July heavy rain, Typhoon No. 21 and 24 in 2018	—	—	—	—	—	—	—	183.7	—	—	—
Typhoon No. 15 and 19 in 2019	—	—	—	—	—	—	—	—	93.0	—	—
Other natural catastrophes	54.9	53.2	37.1	30.1	67.7	51.0	73.0	56.9	46.0	89.7	78.1
Net provision for catastrophe reserves (B)	(139.5)	(41.9)	(3.0)	31.3	81.6	81.8	44.6	(79.8)	33.3	65.3	73.7

* Simple sum of Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance
Example: The impact of loss of ¥311.5 billion from natural catastrophes for FY2011 was mitigated by the reversal of catastrophe reserves of ¥139.5 billion and resulted in an underwriting loss of ¥190.0 billion.

Performance Record

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Five-Year Summary (Unaudited)

	Yen in millions					US\$ in millions
	FY2017	FY2018	FY2019	FY2020	FY2021	FY2021
Ordinary income:	¥5,217,835	¥5,500,438	¥5,168,361	¥4,892,244	¥5,132,042	\$42,066
Net premiums written	3,440,976	3,497,572	3,573,732	3,500,996	3,609,052	29,582
Ordinary profit	211,548	290,847	157,701	306,524	390,499	3,201
Net income attributable to owners of the parent	154,057	192,705	143,030	144,398	262,799	2,154
Comprehensive income/(loss)	311,096	(79,701)	(157,288)	753,938	310,470	2,545
Net assets	2,968,387	2,778,047	2,494,038	3,126,657	3,302,749	27,072
Total assets	22,472,927	23,132,539	23,196,455	24,142,562	25,033,846	205,195

	Yen					US\$
Net income attributable to owners of the parent per share - Basic	¥260.04	¥328.72	¥248.36	¥255.79	¥474.52	\$3.89
Net income attributable to owners of the parent per share - Diluted	259.98	328.60	248.22	255.65	474.32	3.89
Net assets per share	4,964.64	4,712.11	4,308.37	5,525.42	5,955.21	48.81
Equity ratio	13.09%	11.89%	10.57%	12.78%	13.02%	–
Return on equity	5.45%	6.77%	5.50%	5.22%	8.29%	–
Price earnings ratio	12.90	10.25	12.18	12.70	8.38	–

	Yen in millions					US\$ in millions
Cash flows						
Cash flows from operating activities	¥822,640	¥776,724	¥667,896	¥ (323,912)	¥236,708	\$1,940
Cash flows from investing activities	(963,105)	(252,417)	(330,363)	43,925	(71,976)	(590)
Cash flows from financing activities	42,329	(33,337)	65,321	79,278	58,545	480
Cash and cash equivalents at the end of year	1,323,506	1,798,526	2,198,680	1,994,434	2,256,216	18,494
Number of employees	41,295	41,467	41,582	41,501	39,962	–

Note: U.S. dollar amounts in this report have been translated from yen, for convenience only, at the rate of ¥122=US\$1. For details, see Note 1 of Significant Accounting Policies (p 161).

Management’s Discussion and Analysis

1. OVERVIEW

This Management’s Discussion and Analysis (MD&A) provides information on the nature of the businesses conducted by MS&AD Holdings and its affiliates (157 subsidiaries and 33 associates as of March 31, 2022), and the positioning of the principal affiliates within these businesses.

MS&AD is a specified listed company pursuant to the provisions stipulated in the Japanese Cabinet Order 49-2 and is regulated under this Order with respect to securities transactions and other matters. As a result, investors should make decisions based on the Group’s consolidated financial statements as provided for under the minimal standards criteria of material facts set forth in restrictions on insider trading.

Description of Businesses

1) Domestic Non-Life Insurance Business

MS&AD’s domestic non-life insurance business is operated by the following three subsidiaries and others in Japan:

Mitsui Sumitomo Insurance Company, Limited (“MSI”)
Aioi Nissay Dowa Insurance Company, Limited (“ADI”)
Mitsui Direct General Insurance Company, Limited (“Mitsui Direct General”)

2) Domestic Life Insurance Business

MS&AD’s domestic life insurance business is operated by the following two subsidiaries and others in Japan:

Mitsui Sumitomo Aioi Life Insurance Company, Limited (“MSI Aioi Life”)
Mitsui Sumitomo Primary Life Insurance Company, Limited (“MSI Primary Life”)

3) International Business

MS&AD’s international business is operated by international divisions of domestic non-life insurance subsidiaries in Japan, and overseas subsidiaries, and overseas branches of domestic non-life insurance subsidiaries in overseas countries.

4) Financial Services Business / Risk-Related Services Business

a) Financial Services Business
MS&AD’s financial services business, including asset management, financial guarantees, 401k, ART (alternative risk transfer), personal finance, and venture capital finance, is operated by domestic non-life insurance subsidiaries, Sumitomo Mitsui DS Asset Management Company, Limited, MITSUI SUMITOMO INSURANCE Venture Capital Co., Ltd, Leadenhall Capital Partners LLP and others.

b) Risk-Related Services Business
MS&AD’s risk-related services business, including risk management and the nursing care business, is operated by MS&AD InterRisk Research Institute & Consulting, Inc., Mitsui Sumitomo Insurance Care Network Company, Limited, and others.

2. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

MS&AD Holdings’ consolidated financial statements are prepared in accordance with accounting principles generally accepted in Japan (Japan GAAP). The preparation of these financial statements requires MS&AD Holdings’ management to select and apply accounting policies as well as to make a number of estimates regarding the impact on disclosure of assets and liabilities as well as revenues and expenses. The management bases their estimates on historical experience and other assumptions that they consider reasonable. Nevertheless, these estimates contain inherent uncertainties and thus could differ from actual results.

Significant accounting policies used in the preparation of MS&AD Holdings’ consolidated financial statements are presented in “SIGNIFICANT ACCOUNTING POLICIES” of the “Notes to Consolidated Financial Statements.”

The following items are considered important accounting estimates.

1) Method for Determination of Fair Value

Certain assets and liabilities are recorded on the Company’s balance sheet at their fair values. These fair values are determined based on market prices. For certain derivatives for which market prices are not available, reasonable estimates of fair value are made based on the present value of future cash flows, the price of the underlying assets, the contract period, and other factors.

2) Impairment of Securities

Since securities held by the Group companies are subject to the risk of price fluctuations in securities markets, MS&AD applies impairment accounting for securities based on reasonable criteria. If securities markets decline, an impairment loss could be incurred.

3) Impairment of Fixed Assets

When the profitability of fixed assets declines and investments in these assets are unlikely to be recovered, MS&AD recognizes impairment losses to reflect recoverable amounts under certain circumstances.

The recoverable amount for an asset or asset group is the higher of the net sales value (the value computed by deducting expected disposal expenses from the fair value of an asset or asset group) and the value in use (the present value of expected future cash flows resulting from the continual usage and subsequent disposal of an asset or asset group).

Accordingly, the amount of the impairment loss for fixed assets depends on estimated future cash flows based on the assumption and forecasts that MS&AD considers reasonable. Consequently, an additional impairment loss could be incurred in the event of changes in the related business environment, in the event of a change in the usage of fixed assets or in the event of changes in real estate or leasing market prices.

4) Deferred Tax Assets

In determining recoverable deferred tax assets, future taxable income is estimated based on the assumptions and forecasts that MS&AD considers reasonable. Since the recoverable amount of deferred tax assets depends on estimates of future taxable income, the amount of deferred tax assets could fluctuate in the event of a subsequent change in estimates of future taxable income.

5) Allowance for Credit Losses

In preparation for losses on bad debts, MS&AD records estimated amounts deemed to be unrecoverable as an allowance for credit losses. Unrecoverable amounts and recorded allowances for credit losses could change from their initial estimates due to changes in the financial condition of debtors.

6) Outstanding Claims

MS&AD estimates and sets aside reserves as outstanding claims for any unpaid amounts of its payment obligations as determined or recognized by insurance contracts. Claim payments and recorded outstanding claims could change from their initial estimates due to such factors as the progress of loss adjustment, the results of legal judgments and exchange rate fluctuations.

7) Underwriting Reserves

To meet future obligations in accordance with insurance contracts, MS&AD sets aside underwriting reserves. It could, therefore, become necessary to increase underwriting reserves in the event of unforeseen losses due to significant changes in the business environment, operating conditions and other factors.

8) Retirement Benefit Expenses and Retirement Benefit Obligations

Retirement benefit expenses and retirement benefit obligations are calculated based on certain assumptions that include discount rates, future retirement rates, and mortality rates. However, future retirement benefit expenses and obligations could change in the event that actual results differ from the assumptions used, or in the event that it becomes necessary to change the assumptions.

Of the above, “3) Impairment of Fixed Assets” and “6) Outstanding Claims” are stated in Significant Accounting Policies, “7.Accounting estimates”

3. SUMMARY OF BUSINESS RESULTS

During the fiscal year under review, the global economy saw gradual improvements in the difficult situation due to the impact of COVID-19 that has been spreading globally. On the other hand, an inflationary trend emerged on the back of the rise in raw material prices and supply constraints.

In the fiscal year under review, the final year of the Medium-Term Management Plan “Vision 2021” which started in FY2018, the Group has been making efforts for the three key strategies of “Pursue Group’s comprehensive strengths,” “Promote digitalization,” and “Reform portfolio,” aiming to realize “a world-leading insurance and financial services group” and build a “resilient system that can timely respond to changes in environment.”

Pursue Group's comprehensive strengths	The Group promoted various measures that leverages its diversity, such as sales expansion of jointly developed products by MSI and ADI, the Group's two core non-life insurance companies, sales promotion of the products of Mitsui Sumitomo Primary Life through the sales network of Mitsui Sumitomo Aioi Life, and the expansion of concurrent selling of life insurance and non-life insurance products. Meanwhile, we worked to improve quality and productivity through such measures as the implementation of a new claims service system to provide high-quality accident claim services and the standardization of products and administration. At the same time, we pushed forward with business style reform, including the maximum utilization of the renewed online system to support agent operations (insurance estimation, preparation of application forms, contracting and change procedures, etc.) and the active utilization of teleworking, such as working from home, to achieve a cost reduction of ¥54.0 billion for two years, which is above the initial plan.
Promote digitalization	While promoting the initiatives listed below, we implemented the “CSV ⁽¹⁾ x DX” strategy to resolve social issues with digital technologies, and as part of this strategy, we developed and provided products and services with functions to prevent accidents and disasters and to minimize and quickly recover any damage, as well as to compensate for damages. Digital transformation (DX) ■ Use of process automation tools to support internal business operations ■ Enhancement of remote functions in response to the “new lifestyle,” such as chat and web interview using a smartphone and non-face-to-face contracting procedure Digital innovation (DI) ■ Provision of services to support road maintenance services provided by local governments and road repair companies ■ Sales of built-in insurance ⁽²⁾ in collaboration with digital business operators and digitalization of insurance sales through small-amount and short-term insurance providers. Digital globalization (DG) ■ Overseas expansion of MS1 Brain ⁽³⁾ and RisTech ⁽⁴⁾ ■ Business investment in overseas InsurTech companies and others

Reform portfolio	In the Domestic Non-life Insurance Business, we strengthened measures to improve the profitability of fire insurance and new types of insurance. In the Domestic Life Insurance Business, we significantly reduced interest rate risk, while strengthening product profitability and asset management capability. As a result, profit remained strong. In the International Business, we worked to improve the profitability of MS Amlin and to expand sales in Asian markets that are expected to grow, although profit failed to grow mainly due to the impact of large scale natural disasters overseas and spread of COVID-19. We made a steady progress in reducing strategic equity holdings and have already exceeded the target by FY2021.
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- (1) CSV
Creating Shared Value
- (2) Built-in insurance
A type of insurance products that help EC website (website that sells products and services) users “easily purchase the insurance they need at the time they need it” while purchasing products or using services by integrating insurance product offers into the series of user operations on EC websites.
- (3) MS1 Brain
An agent sales support system, which assists the provision of high-quality products and services to customers based on big data analysis results provided by AI.
- (4) RisTech
A service that uses big data and the latest analysis algorithms to visualize and optimize the risks that surround companies, helping them to solve issues.

As a result of these efforts, earnings for the current consolidated fiscal year to date are as follows.

Ordinary income was ¥5,132.0 billion, due to underwriting income of ¥4,239.5 billion, investment income of ¥858.6 billion and other ordinary income of ¥33.7 billion. At the same time, ordinary expenses amounted to ¥4,741.5 billion, including ¥3,915.3 billion in underwriting expenses, ¥108.9 billion in investment expenses, ¥696.3 billion in operating expenses and general and administrative expenses, and other ordinary expenses amounting to ¥20.8 billion.

As a result, ordinary profit for the current fiscal year was ¥390.4 billion, reflecting a year-on-year increase of ¥83.9 billion. After adjustments to ordinary profit mainly for extraordinary losses and corporate and residence tax, net income attributable to owners of the parent for the current fiscal year was ¥262.7 billion, reflecting a year-on-year increase of ¥118.4 billion.

[Key Consolidated Financial Indicators]

(Yen in millions)				
	FY2020	FY2021	Change	Change (%)
Net premiums written	¥3,500,996	¥3,609,052	¥108,056	3.1
Life insurance premiums	(202,321)	520,037	722,359	—
Ordinary profit	306,524	390,499	83,974	27.4
Net income attributable to owners of the parent	144,398	262,799	118,400	82.0

Net premiums written increased by ¥108 billion from the previous consolidated fiscal year to ¥3,609 billion. This was mainly because premiums from compulsory automobile liability insurance and fire insurance decreased in the domestic non-life insurance business, while premiums from products such as voluntary automobile insurance and casualty insurance (classified as “Others” in the tables) increased, premiums grew in Europe, and foreign exchange had effects in the international business.

Life insurance premiums increased by ¥722.3 billion from the previous consolidated fiscal year to ¥520 billion due to premium growth at companies such as Mitsui Sumitomo Primary Life Insurance Company, Limited.

Ordinary profit increased by ¥83.9 billion from the previous consolidated fiscal year to ¥390.4 billion mainly because of the reasons below. The domestic non-life insurance business increased the profit mainly due to a reduced incurred loss (the sum of net loss paid and provision for outstanding claims) concerning natural disasters in Japan and increased gains on sales of securities. The international business also recorded higher profit mainly because of a lower incurred loss from business interruptions or other insurance from the spread of COVID-19.

After adjustments to ordinary profit mainly for extraordinary income,

income taxes and resident taxes, net income attributable to owners of the parent increased by ¥118.4 billion from the previous consolidated fiscal year to ¥262.7 billion, mainly due to a decrease in provision for reserve for price fluctuations in the domestic life insurance business.

Direct Premiums Written (including Deposit Premiums from Policyholders)

Lines of Insurance	FY2020			FY2021		
	Amount	Share (%)	Change (%)	Amount	Share (%)	Change (%)
Fire and Allied	¥757,785	20.0	3.2	¥784,527	20.3	3.5
Marine	190,705	5.0	3.0	201,365	5.2	5.6
Personal Accident	293,409	7.7	(6.0)	284,581	7.3	(3.0)
Voluntary Automobile	1,592,952	42.0	1.4	1,634,984	42.2	2.6
Compulsory Automobile Liability	296,911	7.8	(14.6)	276,076	7.1	(7.0)
Other	664,078	17.5	(2.0)	692,153	17.9	4.2
Total	¥3,795,842	100.0	(0.8)	¥3,873,688	100.0	2.1
Deposit premiums from policyholders	72,635	1.9	(3.9)	52,185	1.3	(28.2)

- Notes: 1. The figures represent amounts after the elimination of internal transactions between segments.
2. Direct premiums written (including deposit premiums from policyholders) are the premiums from policyholders minus the surrender benefits and other refunds to policyholders.
(Includes deposit premiums from policyholders for savings-type insurance.)

Net Premiums Written

Lines of Insurance	FY2020			FY2021		
	Amount	Share (%)	Change (%)	Amount	Share (%)	Change (%)
Fire and Allied	¥592,798	16.9	0.5	¥620,531	17.2	4.7
Marine	150,662	4.3	1.9	159,293	4.4	5.7
Personal Accident	226,349	6.5	(8.3)	232,288	6.5	2.6
Voluntary Automobile	1,639,651	46.8	0.4	1,679,430	46.5	2.4
Compulsory Automobile Liability	300,996	8.6	(13.3)	281,282	7.8	(6.5)
Other	590,537	16.9	(3.1)	636,224	17.6	7.7
Total	¥3,500,996	100.0	(2.0)	¥3,609,052	100.0	3.1

- Note: The figures represent amounts after the elimination of internal transactions between segments.

Net Claims Paid

Lines of Insurance	FY2020			FY2021		
	Amount	Share (%)	Change (%)	Amount	Share (%)	Change (%)
Fire and Allied	¥376,673	19.8	(7.2)	¥412,825	21.2	9.6
Marine	75,439	4.0	(7.8)	66,480	3.4	(11.9)
Personal Accident	113,025	5.9	(1.0)	111,059	5.7	(1.7)
Voluntary Automobile	806,808	42.4	(8.3)	844,643	43.4	4.7
Compulsory Automobile Liability	215,043	11.3	(7.8)	197,440	10.1	(8.2)
Other	315,258	16.6	1.1	314,525	16.2	(0.2)
Total	¥1,902,248	100.0	(6.2)	¥1,946,975	100.0	2.4

- Note: The figures represent amounts after the elimination of internal transactions between segments.

Recognition, analysis, and reviewed contents for financial performance and operating results by segment are as follows.

- 1) Domestic Non-Life Insurance Business (Mitsui Sumitomo Insurance Co., Ltd.)
- 2) Domestic Non-Life Insurance Business (Aioi Nissay Dowa Insurance Co., Ltd.)

Mitsui Sumitomo Insurance Co., Ltd., and Aioi Nissay Dowa Insurance Co., Ltd., are main non-life insurance companies of the Group. We have a “CSV × DX” strategy to solve social issues through digital and other technological innovations. Based on this, both companies sought to expand sales of “service-integrated insurance products” that added functions to “prevent in advance” accidents and disasters and “reduce impact and support recovery” from accidents and disasters, in addition to the original functions of insurance to prepare for economic losses. Both companies worked to expand sales of products that help to solve social issues. For example, Mitsui Sumitomo Insurance Co., Ltd., has added a premium dashboard camera type to its lineup of “Mimamoru Car Insurance.” This type allows customers to shoot 360-degree views around their vehicles and record when an impact is detected during parking. At Aioi Nissay Dowa Insurance Co., Ltd., the cumulative number of vehicles under telematics (Note) voluntary automobile insurance policies exceeded one million. This insurance aims to reduce traffic accidents with customers via measures such as discounting insurance premiums according to the safety driving score calculated from the driving characteristics of “speeding, sudden acceleration, and sudden braking.” Both companies also began selling cyber insurance that provides countermeasures against cyberattacks, support for recovery, and coverage.

Furthermore, toward providing new value to customers, Mitsui Sumitomo Insurance Co., Ltd., has expanded the scope of completing policy procedures on a website on “MS1 Brain,” its artificial intelligence (AI)-powered agent sales support system, and has been working to provide customers with optimal products and services at the best timing while responding to the “new normal.” Aioi Nissay Dowa Insurance Co., Ltd., has expanded the functions of the website and application “cmap,” which predicts in real time the areas affected by typhoons, heavy rains and earthquakes, the number of buildings affected, and the damage ratios and makes results publicly available, thereby contributing to disaster prevention and reduction.

- Note: Telematics
“Telematics” is a word coined by combining telecommunication with informatics. Telematics means providing information services by combining mobile units such as automobiles with telecommunication systems.

1) Domestic Non-Life Insurance Business (MSI)

Net premiums written increased by ¥19.7 billion from the previous business year to ¥1,579.3 billion. This was mainly because premiums from casualty insurance and marine insurance grew, while premiums from compulsory automobile liability insurance decreased. On the other hand, net loss paid fell ¥4.1 billion from the previous business year to ¥831.2 billion. This was mainly due to decreases in compulsory automobile liability insurance and marine insurance, despite an increase in voluntary automobile insurance. As a result, the net loss ratio was 59.0%, down 0.8 percentage point from the previous business year. The net expense ratio was 33.0%, up 0.3 percentage point from the previous business year mainly due to an increase in commission and collection expenses.

After adjusting these to reflect amounts such as deposit premiums from policyholders, maturity refunds to policyholders, provision for outstanding claims, and reversal of policy reserve, underwriting income increased by ¥17.1 billion from the previous business year to ¥41 billion.

A summary of investment is as follows.

Investment income as a residual amount after deducting investment gains used for maturity refunds to savings-type insurance policyholders and other usage increased by ¥69 billion from the previous business year to ¥201.6 billion. This was mainly because interest and dividend income increased by ¥28.4 billion from the previous business year to ¥127.2 billion, and gains on sales of securities increased by ¥40.2 billion from the previous business year to ¥91.3 billion. On the other hand, investment expenses increased by ¥33.9 billion from the previous business year to ¥40.4 billion, mainly because impairment losses on securities increased by ¥29.8 billion.

As a result, ordinary profit increased by ¥52.6 billion from the previous business year to ¥184.2 billion. Net income increased by ¥53.5 billion from the previous business year to ¥145.7 billion.

2) Domestic Non-Life Insurance Business (ADI)

Net premiums written increased by ¥9.9 billion from the previous business year to ¥1,291.3 billion. This was mainly due to premium growth from voluntary automobile insurance and casualty insurance, despite decreased premiums on fire insurance and compulsory auto liability insurance. On the other hand, net claims paid increased ¥14.2 billion from the previous business year to ¥694.2 billion. This was mainly due to increases in voluntary automobile insurance and fire insurance, despite a decrease in compulsory auto liability insurance. As a result, the net loss ratio was 59.8%, rose by 1.2 percentage points from the previous business year. The net expense ratio was 35.0%, rose by 0.1 percentage point from the previous business year, due to an increase in commission and collection expenses.

After adjusting these to reflect amounts such as deposit premiums from policyholders, maturity refunds to policyholders, provision for outstanding claims, and reversal of policy reserve, underwriting income increased by ¥42.9 billion from the previous business year to ¥30.5 billion.

A summary of investment (asset management) is as follows.

Investment income as a residual amount after deducting investment gains used for maturity refunds to savings-type insurance policyholders and other usage increased by ¥9.3 billion from the previous business year to ¥71.4 billion. This was mainly because interest and dividend income increased by ¥1.9 billion from the previous business year to ¥56.8 billion, and gains on sales of securities increased by ¥3.9 billion from the previous business year to ¥23.7 billion. On the other hand, investment (asset management) expenses increased by ¥4.6 billion from the previous business year to ¥12.6 billion, mainly due to an increase in losses on the sale of securities.

As a result, ordinary profit was increased by ¥48.4 billion from the previous business year to ¥80.9 billion. Net income increased by ¥32.3 billion from the previous business year to ¥53.9 billion.

3) Domestic Non-Life Insurance Business (Mitsui Direct General)

Net premiums written decreased by ¥1 billion from the previous business year to ¥35.4 billion. Net claims paid decreased by ¥500 million from the previous business year to ¥19.9 billion. The net loss ratio was 64.4%, rose by 0.2 percentage point from the previous business year. The commission and collection expenses, as well as the general and administrative expenses related to underwriting, increased by ¥200 million from the previous business year to ¥11.6 billion. The net expense ratio was 33.0%, rose by 1.7 percentage points from the previous business year.

Underwriting income decreased by ¥600 million from the previous business year to ¥700 million, mainly due to a decrease in net premiums written. Net income decreased by ¥100 million from the previous business year to ¥800 million.

As a result, net income (segment income) after considering equity ownership decreased by ¥100 million from the previous business year to ¥700 million.

4) Domestic Life Insurance Business (MSI Aioi Life)

Mitsui Sumitomo Aioi Life Insurance Co., Ltd., provides products and services that support healthy and secure lifestyles. For example, the company has expanded the scope of nursing care coverage, such as nursing care and dementia, for income guarantee insurance that prepares for spending at the time of death and living expenses in the event of an inability to work. The company introduced a new system to discount insurance premiums based on the status of having medical checkups. In addition, the company launched the “Ubie AI-powered medical consultation” service, which utilizes DX to provide customers with an easy consultation on symptoms they are concerned about. The company provided a “system for completing insurance solicitation online” that enables customers to use their smartphones and other devices to complete everything from insurance quotes to application procedures, thereby improving customer convenience.

The business performance of Mitsui Sumitomo Aioi Life Insurance Co., Ltd., was as follows.

Premiums and other income decreased by ¥9.6 billion from the

previous business year to ¥503.5 billion, mainly due to a decrease in individual insurance premiums.

Ordinary profit increased by ¥13.4 billion from the previous business year to ¥39 billion, mainly due to a decrease in provision for policy reserves, an increase in the balance of investment (asset management), and a reduction in expenses. Net income increased by ¥9.1 billion from the previous business year to ¥21 billion.

5) Domestic Life Insurance Business (MSI Primary Life)

Mitsui Sumitomo Primary Life Insurance Co., Ltd. has expanded its product lineup with the launch of products. For example, “Yasashisa, Tsunagu 2” is a whole life insurance product that enables customers to use living benefits as gifting before death by paying the benefits to a family member on a designated date. “Ookina Magokoro 2” is a new product and sets a new “withdrawal course” that responds to “needs for customers’ own use” via an increasing whole life insurance product that increases death benefits every year. “Minori 10” is an indexed annuity insurance product that is expected to increase the annuity capital. The company also worked to improve customer service through actions such as launching the “Heartful Line Service,” which connects incoming calls from elderly customers to operators without voice guidance.

The business performance of Mitsui Sumitomo Primary Life Insurance Co., Ltd. was as follows.

Insurance premiums and other income increased by ¥33.4 billion from the previous business year to ¥925.6 billion due to active non-face-to-face sales and training activities, amid the ongoing COVID-19 infection.

Ordinary profit decreased by ¥72.3 billion from the previous business year to ¥87.7 billion, mainly due to a drop in gains on sales of securities.

Extraordinary loss increased by ¥86.4 billion from the previous business year to ¥14 billion, due to a decrease in provision for reserve for price fluctuation. Net income rose by ¥9.8 billion from the previous business year to ¥53 billion.

A summary of the amount of policies in force, the amount of new policies, and the annualized premiums of policies in force is as follows.

6) International Business (Overseas Insurance Subsidiaries)

Given global climate change, our group worked to stabilize earnings by reducing underwriting of catastrophe risks and increasing underwriting of general risks other than natural catastrophes. To ensure the sustainable growth of our international business, we strengthened the Group’s management structure, including governance and risk management.

On MS Amlin, Mitsui Sumitomo Insurance Co., Ltd., continued its efforts to improve earnings mainly by curbing profit fluctuations due to natural catastrophes, carefully selecting risks for underwriting, and raising rates of premiums, and build the foundation for contributing to profits under the Medium-Term Management Plan. In the Asian region, the company worked to cultivate the retail market using digital technologies and the corporate market in partnership with MS First Capital Insurance Limited, as well as to strengthen its earnings power, particularly in voluntary automobile insurance. As a first step toward establishing a foundation for growth in the U.S. market, the company acquired an MGA (Note 2) that has strengths in specialty (Note 1) risks.

Aioi Nissay Dowa Insurance Co., Ltd., has been promoting its telematics mobility business mainly in the five regions of Japan, the United States, Europe, China, and Southeast Asia. In Southeast Asia, the company prepared for sales of telematics insurance reflecting driving behavior-based telematics auto insurance in the Philippines, following Thailand.

Notes: 1. Specialty

Collective term for fields that require a high level of expertise and experience in underwriting, such as D&O, professional liability, and marine and transportation insurance. In addition to these products, the terms are often used for special sales methods and service customized.

2. MGA (Managing General Agent)

An agent authorized by an insurance company to not only solicit policies but also carry out operations including underwriting, loss adjustment, and authorization of claims.

Net premiums written increased by ¥79.5 billion from the previous consolidated fiscal year to ¥703 billion, mainly due to premium growth in

Europe and the impact of foreign exchange rates.

Ordinary profit increased by ¥26.8 billion from the previous consolidated fiscal year to ¥39.6 billion. This was mainly because while incurred loss (the sum of net claims paid and provision for reserve for outstanding claims) from overseas natural catastrophes increased, incurred loss from business interruptions or other insurance due to the spread of COVID-19 decreased and premiums increased in the international life insurance business.

Net income (segment income) after considering equity ownership increased by ¥27.7 billion from the previous consolidated fiscal year to ¥24.5 billion.

4. CASH FLOW ANALYSIS

With regard to cash flows in the fiscal year under review, net cash flows provided by operating activities increased by ¥560.6 billion over the previous fiscal year to ¥236.7 billion, due in part to a rebound from an increase in foreign currency insurance contracts returns of Mitsui Sumitomo Primary Life Insurance Co., Ltd. in the previous fiscal year. Net cash flows from investing activities decreased by ¥115.9 billion over the previous fiscal year to ¥(71.9) billion, due in part to a decrease in proceeds from sales and redemption of securities, despite a decrease in expenditure on the purchase of securities. In addition, net cash flows provided by financial activities decreased by ¥20.7 billion over the previous fiscal year to ¥58.5 billion, due in part to an increase in expenditure on redemption of corporate bonds, despite an increase in proceeds from the issuance of corporate bonds. As a result, cash and cash equivalents at the end of the fiscal year under review have increased by ¥261.7 billion from the end of the previous fiscal year to ¥2,256.2 billion.

5. BUSINESS ENVIRONMENT AND ISSUES TO BE ADDRESSED FROM THE BUSINESS AND FINANCIAL PERSPECTIVES

The tough business environment is expected to continue in the future, as there are concerns about the impacts of COVID-19 and increased geopolitical risks, as well as other factors such as extreme weather events caused by climate change, intensifying natural disasters, the rapid digitization of society, and the falling birth rate and aging population in Japan.

Amid these circumstances, our group started the new four-year Medium-Term Management Plan in fiscal 2022. In the new Medium-Term Management Plan, our group sets the theme of “Growing Together with Society as a Platform Provider of Risk Solutions,” and to realize a corporate group that supports a resilient and sustainable society, works on our business based on the basic strategies of “Value (value creation),” “Transformation (business reforms),” and “Synergy (demonstration of group synergy)” and the foundations of “Sustainability,” “Quality,” “Human Resources,” and “ERM” that support the basic strategies.

The policies by main business area are as follows.

In the domestic non-life insurance business, we will expand our top line and generate stable profits by leveraging our strengths: three distinctive non-life insurance companies, Japan’s largest sales network, and our close relationships with Japan’s leading corporate groups. We will achieve growth by maintaining and expanding earnings from voluntary automobile insurance, improving earnings from fire insurance, and expanding earnings from casualty insurance. We will also boldly promote the “One Platform Strategy,” which will standardize, collaborate with, and integrate the middle- and back-office divisions of Mitsui Sumitomo Insurance Co., Ltd., and Aioi Nissay Dowa Insurance Co., Ltd., to reduce business expenses and improve productivity.

In the domestic life insurance business, we will enhance customer approaches and expand earnings by leveraging the strengths of Mitsui Sumitomo Aioi Life Insurance Co., Ltd., and Mitsui Sumitomo Primary Life Insurance Company, Limited, in their channels (non-life insurance agents and sales through financial institutions). We will strive to improve our

profitability mainly by expanding investment income, improving business efficiency, and boosting productivity. At the same time, we will provide products and services that solve the social issues of “extending healthy life expectancy” and “extending asset life expectancy” in an age of a 100-year life, thereby providing value to stakeholders.

In the international business, we will expand earnings in the Lloyd’s/ reinsurance business and, at the same time, capture market growth in Asia where we have a strong business foundation. Furthermore, we will diversify risks and improve capital efficiency mainly by investing in businesses in the United States, a country where our company has a lot of potential to develop, and in Asian and emerging countries where future growth is highly anticipated.

In the risk-related services business, we will provide seamless risk management services by strengthening services that prevent accidents and disasters in advance, reduce impacts, and support recovery from accidents and disasters through group-wide operations with MS&AD InterRisk Research & Consulting, Inc., at the core.

Furthermore, our group will continue to work together with diverse stakeholders to solve social issues to realize a “resilient and sustainable society,” which is our image of the society of 2030.

6. SOLVENCY MARGIN RATIO

Insurance companies build reserves to cover payments of insurance claims.

Moreover, they must secure adequate ability to cover payments even in the event of a crisis beyond the scale of what is ordinarily forecast, such as a major disaster or a significant decline in asset prices. An insurance company’s payment capability, including capital and reserves, is known as the solvency margin total amount, “(A)” in the tables below, and its risk amount, “(B)” in the tables below, reflects such a risk exceeding ordinary forecasts. The ratio of (A) to (B) is an index called the solvency margin ratio, “(C)” in the tables below, which is calculated based on the Insurance Business Act.

The solvency margin ratio is an objective decision-making index used by government agencies for monitoring insurance companies and insurance holding companies. A solvency margin ratio of 200% or higher is taken to indicate that an insurance company has sufficient capability to pay insurance claims and other obligations.

The status of MS&AD and its domestic insurance subsidiaries as of the end of the fiscal year under review is as follows.

MS&AD**Consolidated Solvency Margin Ratio**

(Yen in millions)		
	FY2020	FY2021
(A) Solvency margin total amount	¥5,827,727	¥5,778,630
(B) Risk amount	1,272,348	1,347,114
(C) Solvency margin ratio $(A/(B \times 1/2)) \times 100$	916.0%	857.9%

Note: The consolidated solvency margin ratio is calculated based on the provisions in Article 210-11, 3 and Article 210-11, 4 of the Ordinance for Enforcement of the Insurance Business Act and in the Financial Services Agency (FSA) Public Ministerial Announcement No. 23 of 2011.

The solvency margin ratio was 857.9%, down 58.1 percentage points from the end of the previous consolidated fiscal year. This was mainly because the total solvency margin dropped ¥49 billion from the end of the previous consolidated fiscal year principally due to a decrease in hybrid debt capital instruments and others because of the early redemption of subordinated bonds.

MSI**Non-Consolidated Solvency Margin Ratio**

(Yen in millions)		
	FY2020	FY2021
(A) Solvency margin total amount	¥3,490,583	¥3,598,612
(B) Risk amount	935,111	996,144
(C) Solvency margin ratio $(A/(B \times 1/2)) \times 100$	746.5%	722.5%

Note: The non-consolidated solvency margin ratio is calculated based on the provisions in Articles 86 and 87 of the Ordinance for Enforcement of the Insurance Business Act and Article 50 of the Notification of the Ministry of Finance 1996.

The solvency margin ratio was 722.5%, down 24.0 percentage points from the end of the previous fiscal year. This was principally due to a decrease in hybrid debt capital instruments and others because of the early redemption of subordinated bonds.

ADI**Non-Consolidated Solvency Margin Ratio**

(Yen in millions)		
	FY2020	FY2021
(A) Solvency margin total amount	¥1,438,465	¥1,396,160
(B) Risk amount	363,749	368,045
(C) Solvency margin ratio $(A/(B \times 1/2)) \times 100$	790.9%	758.6%

Note: See the note for MSI "a. Non-Consolidated Solvency Margin Ratio" regarding the non-consolidated solvency margin ratio calculation method.

The solvency margin ratio was 758.6%, down 32.3 percentage points from the end of the previous fiscal year. This was mainly because the total solvency margin fell ¥42.3 billion from the end of the previous fiscal year principally due to a decrease in net unrealized gains/(losses) on investments in securities because of a decline in the fair value of shares held.

Mitsui Direct General**Non-Consolidated Solvency Margin Ratio**

(Yen in millions)		
	FY2020	FY2021
(A) Solvency margin total amount	¥16,291	¥17,001
(B) Risk amount	5,468	5,199
(C) Solvency margin ratio $(A/(B \times 1/2)) \times 100$	595.8%	653.9%

Note: See the note for MSI "a. Non-Consolidated Solvency Margin Ratio" regarding the non-consolidated solvency margin ratio calculation method.

The solvency margin ratio was 653.9%, up 58.1 percentage points from the end of the previous fiscal year. This was mainly because the total solvency margin increased by ¥700 million from the end of the previous fiscal year principally due to an increase in shareholders' equity as a result of net income.

MSA Life**Non-Consolidated Solvency Margin Ratio**

(Yen in millions)		
	FY2020	FY2021
(A) Solvency margin total amount	¥490,784	¥398,033
(B) Risk amount	68,186	69,105
(C) Solvency margin ratio $(A/(B \times 1/2)) \times 100$	1,439.5%	1,151.9%

Note: See the note for MSI "a. Non-Consolidated Solvency Margin Ratio" regarding the non-consolidated solvency margin ratio calculation method.

The solvency margin ratio was 1,151.9%, down 287.6 percentage points from the end of the previous fiscal year. This was mainly because the total solvency margin decreased ¥92.7 billion from the end of the previous fiscal year principally due to dividends paid using capital surplus as a source of capital.

MSP Life**Non-Consolidated Solvency Margin Ratio**

(Yen in millions)		
	FY2020	FY2021
(A) Solvency margin total amount	¥711,185	¥739,516
(B) Risk amount	134,845	135,086
(C) Solvency margin ratio $(A/(B \times 1/2)) \times 100$	1,054.8%	1,094.8%

Note: See the note for MSI "a. Non-Consolidated Solvency Margin Ratio" regarding the non-consolidated solvency margin ratio calculation method.

The solvency margin ratio was 1,094.8%, up 40.0 percentage points from the end of the previous fiscal year. This was mainly because the total solvency margin grew ¥28.3 billion from the end of the previous fiscal year, principally due to an increase in shareholders' equity as a result of net income and an increase in the surplus portion of insurance premium reserves, while net unrealized gains/(losses) on investments in securities decreased due to a rise in interest rates.

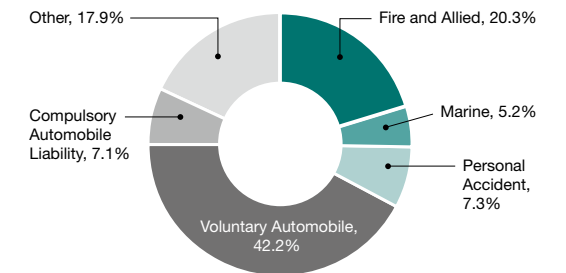
Premiums Written and Net Claims Paid – Non-Life Insurance (Unaudited)

(a) Direct Premiums Written (including deposit premiums from policyholders)

Lines of Insurance	(Yen in millions)												(US\$ in millions)		
	FY2017			FY2018			FY2019			FY2020			FY2021		
	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)
Fire and Allied	¥627,029	4.1	17.2	¥677,543	8.1	18.0	¥734,573	8.4	19.2	¥757,785	3.2	20.0	¥784,527	3.5	20.3
Marine	168,602	(0.1)	4.6	184,578	9.5	4.9	185,068	0.3	4.8	190,705	3.0	5.0	201,365	5.6	5.2
Personal Accident	320,764	(0.1)	8.8	321,651	0.3	8.6	311,984	(3.0)	8.2	293,409	(6.0)	7.7	284,581	(3.0)	7.3
Voluntary Automobile	1,546,108	1.4	42.4	1,550,037	0.3	41.2	1,570,344	1.3	41.0	1,592,952	1.4	42.0	1,634,984	2.6	42.2
Compulsory Automobile Liability	343,370	(6.3)	9.4	346,258	0.8	9.2	347,736	0.4	9.1	296,911	(14.6)	7.8	276,076	(7.0)	7.1
Other	643,233	1.6	17.6	681,779	6.0	18.1	677,583	(0.6)	17.7	664,078	(2.0)	17.5	692,153	4.2	17.9
Total	¥3,649,108	0.9	100.0	¥3,761,848	3.1	100.0	¥3,827,289	1.7	100.0	¥3,795,842	(0.8)	100.0	¥3,873,688	2.1	100.0
Deposit premiums from policyholders	¥86,371	(12.4)	2.4	¥80,235	(7.1)	2.1	¥75,553	(5.8)	2.0	¥72,635	(3.9)	1.9	¥52,185	(28.2)	1.3

DIRECT PREMIUMS WRITTEN (FY2021)

Total ¥3,873.6 Billion

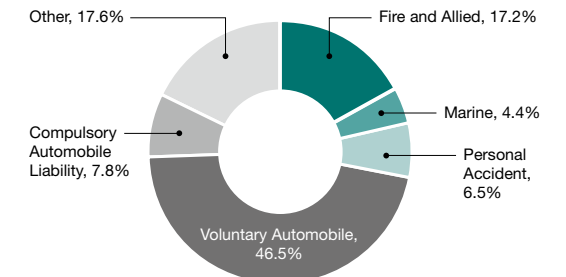


(b) Net Premiums Written

Lines of Insurance	(Yen in millions)												(US\$ in millions)		
	FY2017			FY2018			FY2019			FY2020			FY2021		
	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)
Fire and Allied	¥553,183	2.3	16.1	¥558,427	0.9	16.0	¥589,897	5.6	16.5	¥592,798	0.5	16.9	¥620,531	4.7	17.2
Marine	142,339	(2.3)	4.1	152,333	7.0	4.3	147,814	(3.0)	4.1	150,662	1.9	4.3	159,293	5.7	4.4
Personal Accident	240,450	1.1	7.0	261,273	8.7	7.5	246,806	(5.5)	6.9	226,349	(8.3)	6.5	232,288	2.6	6.5
Voluntary Automobile	1,587,008	1.7	46.1	1,593,578	0.4	45.6	1,632,423	2.4	45.7	1,639,651	0.4	46.8	1,679,430	2.4	46.5
Compulsory Automobile Liability	352,063	(1.1)	10.2	337,844	(4.0)	9.6	347,214	2.8	9.7	300,996	(13.3)	8.6	281,282	(6.5)	7.8
Other	565,931	(0.2)	16.5	594,114	5.0	17.0	609,575	2.6	17.1	590,537	(3.1)	16.9	636,224	7.7	17.6
Total	¥3,440,976	1.0	100.0	¥3,497,572	1.6	100.0	¥3,573,732	2.2	100.0	¥3,500,996	(2.0)	100.0	¥3,609,052	3.1	100.0

NET PREMIUMS WRITTEN (FY2021)

Total ¥3,609.0 Billion

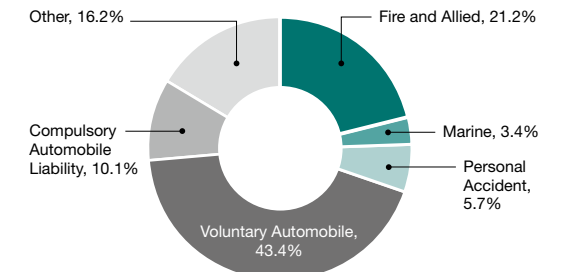


(c) Net Claims Paid

Lines of Insurance	(Yen in millions)												(US\$ in millions)		
	FY2017			FY2018			FY2019			FY2020			FY2021		
	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)
Fire and Allied	¥378,241	27.0	19.5	¥526,294	39.1	24.7	¥405,830	(22.9)	20.0	¥376,673	(7.2)	19.8	¥412,825	9.6	21.2
Marine	82,302	(15.1)	4.3	83,445	1.4	3.9	81,804	(2.0)	4.1	75,439	(7.8)	4.0	66,480	(11.9)	3.4
Personal Accident	106,233	(1.6)	5.5	110,904	4.4	5.2	114,146	2.9	5.6	113,025	(1.0)	5.9	111,059	(1.7)	5.7
Voluntary Automobile	841,807	5.4	43.5	872,529	3.6	40.9	880,237	0.9	43.4	806,808	(8.3)	42.4	844,643	4.7	43.4
Compulsory Automobile Liability	252,990	(2.1)	13.1	247,757	(2.1)	11.6	233,215	(5.9)	11.5	215,043	(7.8)	11.3	197,440	(8.2)	10.1
Other	273,589	0.6	14.1	291,224	6.4	13.7	311,978	7.1	15.4	315,258	1.1	16.6	314,525	(0.2)	16.2
Total	¥1,935,165	5.6	100.0	¥2,132,155	10.2	100.0	¥2,027,212	(4.9)	100.0	¥1,902,248	(6.2)	100.0	¥1,946,975	2.4	100.0

NET CLAIMS PAID (FY2021)

Total ¥1,946.9 Billion



Policies in Force and New Policies – Domestic Life Insurance (Unaudited)

(a) Policies in Force

	(Yen in millions)								(US\$ in millions)	
	FY2017		FY2018		FY2019		FY2020		FY2021	
	Amount	Change (%)	Amount	Change (%)	Amount	Change (%)	Amount	Change (%)	Amount	Amount
Individual insurance	¥26,882,564	4.1	¥28,117,507	4.6	¥28,056,161	(0.2)	¥27,851,835	(0.7)	¥27,814,964	(0.1)
Individual annuities	2,986,168	(3.1)	3,094,163	3.6	2,915,890	(5.8)	3,010,961	3.3	2,836,443	(5.8)
Group insurance	7,859,834	11.1	8,554,605	8.8	8,888,416	3.9	9,356,277	5.3	9,618,042	2.8
Group annuities	302	(7.1)	305	1.0	294	(3.4)	297	0.7	277	(6.5)
										2

Notes: 1. The amounts of individual annuities represent the total sum of (a) the funds to be held at the time annuity payments are to commence for the policies for which annuity payments have not yet commenced and (b) the underwriting reserves for the policies for which annuity payments have commenced.
2. The amounts of group annuities represent the underwriting reserves.

(b) New Policies

	(Yen in millions)					(US\$ in millions)	
	FY2017	FY2018	FY2019	FY2020	FY2021	FY2021	
	Amount	Amount	Amount	Amount	Amount	Amount	
Individual insurance	¥3,438,585	¥3,847,186	¥2,773,532	¥2,434,298	¥2,413,439		\$19,782
Individual annuities	216,635	385,662	177,730	123,035	96,731		793
Group insurance	144,570	92,813	96,406	114,945	43,351		355
Group annuities	—	—	—	—	—		—

Note: The amounts of individual annuities represent the funds to be held at the time annuity payments are to commence.

Investment Assets and Investments in Securities (Unaudited)

(a) Investment Assets

	(Yen in millions)				(US\$ in millions)	
	FY2020		FY2021		FY2021	
	Amount	Share	Amount	Share	Amount	
Deposits and savings	¥2,055,710	8.5%	¥2,357,002	9.4%		\$19,320
Receivables under resale agreements	1,999	0.0	—	—		—
Monetary claims bought	175,740	0.7	146,489	0.7		1,201
Money trusts	1,717,804	7.1	2,039,135	8.1		16,714
Investments in securities	16,793,584	69.6	16,959,321	67.7		139,011
Loans	960,174	4.0	985,242	3.9		8,076
Land and buildings	424,056	1.8	424,841	1.7		3,482
Total investment assets	¥22,129,071	91.7%	¥22,912,033	91.5%		\$187,804
Total assets	¥24,142,562	100.0%	¥25,033,846	100.0%		\$205,195

(b) Investments in Securities

	(Yen in millions)				(US\$ in millions)	
	FY2020		FY2021		FY2021	
	Amount	Share	Amount	Share	Amount	
Government bonds	¥4,425,106	26.3%	¥4,685,265	27.6%		\$38,404
Municipal bonds	281,155	1.7	245,703	1.5		2,014
Corporate bonds	1,540,300	9.2	1,348,898	8.0		11,057
Stock	2,892,746	17.2	2,905,387	17.1		23,815
Foreign securities	5,354,450	31.9	5,600,327	33.0		45,904
Other securities	2,299,824	13.7	2,173,739	12.8		17,818
Total	¥16,793,584	100.0%	¥16,959,321	100.0%		\$139,011

Note: "Other securities" consists mainly of investment trusts managed in separate accounts.

Consolidated Balance Sheets

MS&AD Insurance Group Holdings, Inc. and Its Consolidated Subsidiaries
As of March 31, 2021 and March 31, 2022

	Yen in millions		US\$ in millions
	2021	2022	2022
Assets			
Cash, deposits and savings	¥2,057,789	¥2,357,036	\$19,320
Receivables under resale agreements	1,999	—	—
Monetary claims bought	175,740	146,489	1,201
Money trusts	1,717,804	2,039,135	16,714
Securities	16,793,584	16,959,321	139,011
Loans	960,174	985,242	8,076
Tangible fixed assets:	494,818	487,691	3,997
Land	228,230	227,757	1,867
Buildings	195,825	197,084	1,615
Lease assets	27,531	24,153	198
Construction in progress	6,598	3,895	32
Other tangible fixed assets	36,631	34,800	285
Intangible fixed assets:	431,929	443,159	3,632
Software	127,921	154,047	1,263
Goodwill	122,617	124,946	1,024
Lease assets	217	164	1
Other intangible fixed assets	181,172	163,999	1,344
Other assets	1,436,401	1,529,465	12,537
Assets for retirement benefits	26,768	30,265	248
Deferred tax assets	30,549	40,653	333
Customers' liabilities under acceptances and guarantees	28,500	23,000	189
Bad debt reserve	(13,498)	(7,614)	(62)
Total assets	¥24,142,562	¥25,033,846	\$205,195

See accompanying notes to consolidated financial statements.

	Yen in millions		US\$ in millions
	2021	2022	2022
Liabilities and Net Assets			
Liabilities			
Policy liabilities:	¥18,107,028	¥18,608,139	\$152,526
Outstanding claims	2,256,900	2,467,600	20,226
Underwriting reserves	15,850,128	16,140,539	132,300
Bonds issued	809,093	782,902	6,417
Other liabilities	1,602,349	1,837,250	15,059
Liabilities for pension and retirement benefits	160,828	137,710	1,129
Reserve for retirement benefits for officers	241	176	1
Accrued bonuses for employees	28,256	30,006	246
Reserves under the special laws:	244,975	266,381	2,183
Reserve for price fluctuation	244,975	266,381	2,183
Deferred tax liabilities	34,630	45,528	373
Acceptances and guarantees	28,500	23,000	189
Total liabilities	21,015,905	21,731,096	178,124
Net Assets			
Shareholders' equity:			
Common stock	100,276	100,534	824
Capital surplus	553,428	553,680	4,538
Retained earnings	1,078,850	1,251,280	10,256
Treasury stock	(119,267)	(159,850)	(1,310)
Total shareholders' equity	1,613,287	1,745,644	14,309
Accumulated other comprehensive income:			
Net unrealized gains on securities	1,630,325	1,565,167	12,829
Net deferred gains/(losses) on hedges	14,997	(998)	(8)
Foreign currency translation adjustments	(178,080)	(52,492)	(430)
Accumulated actuarial gains on retirement benefits	3,819	1,566	13
Total accumulated other comprehensive income	1,471,062	1,513,242	12,404
Stock acquisition rights	1,019	762	6
Non-controlling interests	41,288	43,099	353
Total net assets	3,126,657	3,302,749	27,072
Total liabilities and net assets	¥24,142,562	¥25,033,846	\$205,195

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

MS&AD Insurance Group Holdings, Inc. and Its Consolidated Subsidiaries
For the years ended March 31, 2021 and March 31, 2022

	Yen in millions		US\$ in millions
	2021	2022	2022
Ordinary income and expenses			
Ordinary income:	¥4,892,244	¥5,132,042	\$42,066
Underwriting income:	3,425,364	4,239,589	34,751
Net premiums written	3,500,996	3,609,052	29,582
Deposit premiums from policyholders	72,635	52,185	428
Investment income on deposit premiums from policyholders	36,384	35,631	292
Life insurance premiums	(202,321)	520,037	4,263
Other underwriting income	17,669	22,682	186
Investment income:	1,450,793	858,664	7,038
Interest and dividends income	293,587	302,615	2,480
Investment gains on money trusts	212,824	170,905	1,401
Investment gains on trading securities	35,605	31,346	257
Gains on sales of securities	233,371	145,320	1,191
Gains on redemption of securities	2,567	5,526	45
Investment gains on separate accounts	311,765	58,239	477
Other investment income	397,456	180,341	1,478
Transfer of investment income on deposit premiums from policyholders	(36,384)	(35,631)	(292)
Other ordinary income:	16,085	33,788	277
Gains on equity method investments	–	16,711	137
Other ordinary income	16,085	17,076	140
Ordinary expenses:	4,585,719	4,741,543	38,865
Underwriting expenses:	3,800,437	3,915,377	32,093
Net claims paid	1,902,248	1,946,975	15,959
Loss adjustment expenses	188,784	198,925	1,631
Commissions and collection expenses	735,307	725,349	5,945
Maturity refunds to policyholders	221,162	180,991	1,484
Dividends to policyholders	73	58	0
Life insurance claims	405,474	471,410	3,864
Provision for outstanding claims	133,130	127,190	1,043
Provision for underwriting reserves	208,901	259,922	2,131
Other underwriting expenses	5,353	4,554	37
Investment expenses:	69,695	108,908	893
Investment losses on money trusts	9	14,206	116
Losses on sales of securities	8,096	17,708	145
Impairment losses on securities	7,100	36,254	297
Losses on redemption of securities	738	240	2
Losses on derivative transactions	46,838	28,062	230
Other investment expenses	6,911	12,435	102
Operating expenses and general and administrative expenses	688,576	696,390	5,708
Other ordinary expenses:	27,010	20,866	171
Interest expense	14,599	15,482	127
Provision for bad debt reserve	1,474	–	–
Losses on bad debts	137	137	1
Losses on equity method investments	6,601	–	–
Other ordinary expenses	4,197	5,247	43
Ordinary profit	306,524	390,499	3,201
Extraordinary income and losses			
Extraordinary income:	15,920	14,990	123
Gains on sales of fixed assets	7,717	14,990	123
Gains on change in equity interests	89	–	–
Reversal of reserve for losses on sales of shares of associates	8,113	–	–

	Yen in millions		US\$ in millions
	2021	2022	2022
Extraordinary losses:	¥120,717	¥35,462	\$291
Losses on sales of fixed assets	6,071	6,296	52
Impairment losses on fixed assets	1,949	2,684	22
Provision for reserves under the special laws:	107,575	21,405	175
Provision for reserve for price fluctuation	107,575	21,405	175
Losses on accelerated depreciation of tangible fixed assets	3	–	–
Losses on change in equity interests	1,685	–	–
Other extraordinary losses	3,432	5,076	42
Income before income taxes	201,727	370,027	3,033
Income taxes - current	93,223	72,024	590
Income taxes - deferred	(39,167)	32,054	263
Total income taxes	54,056	104,078	853
Net income	147,670	265,948	2,180
Net income attributable to non-controlling interests	3,272	3,149	26
Net income attributable to owners of the parent	¥144,398	¥262,799	\$2,154

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

MS&AD Insurance Group Holdings, Inc. and Its Consolidated Subsidiaries
For the years ended March 31, 2021 and March 31, 2022

	Yen in millions		US\$ in millions
	2021	2022	2022
Net income	¥147,670	¥265,948	\$2,180
Other comprehensive income:			
Net unrealized gains/(losses) on securities	641,845	(62,428)	(512)
Net deferred gains/(losses) on hedges	(16,184)	(15,409)	(126)
Foreign currency translation adjustments	(47,613)	109,422	897
Actuarial gains/(losses) on retirement benefits	13,220	(2,261)	(19)
Share of other comprehensive income of equity method investments	14,998	15,199	125
Total other comprehensive income	606,267	44,521	365
Total comprehensive income	¥753,938	¥310,470	\$2,545
Allocation:			
Comprehensive income attributable to owners of the parent	¥751,990	¥304,979	\$2,500
Comprehensive income attributable to non-controlling interests	1,947	5,490	45

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

MS&AD Insurance Group Holdings, Inc. and Its Consolidated Subsidiaries
For the years ended March 31, 2021 and 2022

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Beginning balance	¥100,000	¥553,163	¥1,019,468	¥(84,432)	¥1,588,199
Changes for the year:					
Issuance of new stock	276	276			552
Dividends paid			(85,017)		(85,017)
Net income attributable to owners of the parent			144,398		144,398
Repurchase of treasury stock				(35,036)	(35,036)
Disposal of treasury stock		(11)		201	189
Net changes of items other than shareholders' equity					
Total changes for the year	276	264	59,381	(34,835)	25,087
Ending balance	¥100,276	¥553,428	¥1,078,850	¥(119,267)	¥1,613,287

	Accumulated other comprehensive income/(loss)					Stock acquisition rights	Non-controlling interests	Total net assets
	Net unrealized gains/(losses) on securities	Net deferred gains/(losses) on hedges	Foreign currency translation adjustments	Accumulated actuarial gains/(losses) on retirement benefits	Total accumulated other comprehensive income/(loss)			
Beginning balance	¥982,042	¥30,916	¥(140,106)	¥(9,381)	¥863,470	¥1,206	¥41,161	¥2,494,038
Changes for the year:								
Issuance of new stock								552
Dividends paid								(85,017)
Net income attributable to owners of the parent								144,398
Repurchase of treasury stock								(35,036)
Disposal of treasury stock								189
Net changes of items other than shareholders' equity	648,283	(15,918)	(37,974)	13,201	607,591	(187)	126	607,530
Total changes for the year	648,283	(15,918)	(37,974)	13,201	607,591	(187)	126	632,618
Ending balance	¥1,630,325	¥14,997	¥(178,080)	¥3,819	¥1,471,062	¥1,019	¥41,288	¥3,126,657

See accompanying notes to consolidated financial statements.

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Beginning balance	¥100,276	¥553,428	¥1,078,850	¥(119,267)	¥1,613,287
Changes for the year:					
Issuance of new stock	258	258			516
Dividends paid			(90,369)		(90,369)
Net income attributable to owners of the parent			262,799		262,799
Repurchase of treasury stock				(40,847)	(40,847)
Disposal of treasury stock		(6)		264	258
Net changes of items other than shareholders' equity					
Total changes for the year	258	252	172,430	(40,582)	132,357
Ending balance	¥100,534	¥553,680	¥1,251,280	¥(159,850)	¥1,745,644

	Accumulated other comprehensive income/(loss)					Stock acquisition rights	Non-controlling interests	Total net assets
	Net unrealized gains/(losses) on securities	Net deferred gains/(losses) on hedges	Foreign currency translation adjustments	Accumulated actuarial gains/(losses) on retirement benefits	Total accumulated other comprehensive income/(loss)			
Beginning balance	¥1,630,325	¥14,997	¥(178,080)	¥3,819	¥1,471,062	¥1,019	¥41,288	¥3,126,657
Changes for the year:								
Issuance of new stock								516
Dividends paid								(90,369)
Net income attributable to owners of the parent								262,799
Repurchase of treasury stock								(40,847)
Disposal of treasury stock								258
Net changes of items other than shareholders' equity	(65,158)	(15,996)	125,588	(2,253)	42,180	(256)	1,810	43,734
Total changes for the year	(65,158)	(15,996)	125,588	(2,253)	42,180	(256)	1,810	176,092
Ending balance	¥1,565,167	¥(998)	¥(52,492)	¥1,566	¥1,513,242	¥762	¥43,099	¥3,302,749

See accompanying notes to consolidated financial statements.

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Beginning balance	\$822	\$4,536	\$8,843	\$(978)	\$13,224
Changes for the year:					
Issuance of new stock	2	2			4
Dividends paid			(741)		(741)
Net income attributable to owners of the parent			2,154		2,154
Repurchase of treasury stock				(335)	(335)
Disposal of treasury stock		(0)		2	2
Net changes of items other than shareholders' equity					
Total changes for the year	2	2	1,413	(333)	1,085
Ending balance	\$824	\$4,538	\$10,256	\$(1,310)	\$14,309

	Accumulated other comprehensive income					Stock acquisition rights	Non-controlling interests	Total net assets
	Net unrealized gains/(losses) on securities	Net deferred gains/(losses) on hedges	Foreign currency translation adjustments	Accumulated actuarial gains/(losses) on retirement benefits	Total accumulated other comprehensive income/(loss)			
Beginning balance	\$13,363	\$123	\$(1,460)	\$31	\$12,058	\$8	\$338	\$25,628
Changes for the year:								
Issuance of new stock								4
Dividends paid								(741)
Net income attributable to owners of the parent								2,154
Repurchase of treasury stock								(335)
Disposal of treasury stock								2
Net changes of items other than shareholders' equity	(534)	(131)	1,029	(18)	346	(2)	15	358
Total changes for the year	(534)	(131)	1,029	(18)	346	(2)	15	1,443
Ending balance	\$12,829	\$(8)	\$(430)	\$13	\$12,404	\$6	\$353	\$27,072

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

MS&AD Insurance Group Holdings, Inc. and Its Consolidated Subsidiaries

For the years ended March 31, 2021 and March 31, 2022

	Yen in millions		US\$ in millions
	2021	2022	2022
I. Cash flows from operating activities:			
Income before income taxes	¥201,727	¥370,027	\$3,033
Adjustments for:			
Depreciation	72,348	84,806	695
Impairment losses on fixed assets	1,949	2,684	22
Amortization of goodwill	11,712	12,305	101
Increase/(decrease) in outstanding claims	123,275	126,516	1,037
Increase/(decrease) in underwriting reserves	201,047	249,527	2,045
Increase/(decrease) in bad debt reserve	1,202	(6,426)	(53)
Increase/(decrease) in reserve for retirement benefits for officers	(84)	(64)	(1)
Increase/(decrease) in accrued bonuses for employees	115	960	8
Increase/(decrease) in reserve for losses on sales of shares of associates	(13,143)	—	—
Increase/(decrease) in liabilities for pension and retirement benefits	(3,475)	(26,016)	(213)
Increase/(decrease) in reserve for price fluctuation	107,575	21,405	175
Interest and dividends income	(293,587)	(302,615)	(2,480)
Losses/(gains) on money trusts	(212,815)	(156,698)	(1,284)
Losses/(gains) on securities	(255,609)	(127,990)	(1,049)
Losses/(gains) on derivative transactions	46,838	28,062	230
Investment losses/(gains) on separate accounts	(311,765)	(58,239)	(477)
Interest expense	14,599	15,482	127
Foreign exchange losses/(gains)	(393,298)	(166,796)	(1,367)
Losses/(gains) on disposal of tangible fixed assets	(3,949)	(11,977)	(98)
Losses/(gains) on equity method investments	6,601	(16,711)	(137)
Losses/(gains) on change in equity interests	1,595	—	—
Decrease/(increase) in other assets	52,791	(39,250)	(322)
Increase/(decrease) in other liabilities	(6,415)	(11,216)	(92)
Other, net	(22,378)	(26,820)	(220)
Subtotal	(673,140)	(39,047)	(320)
Interest and dividends received	394,404	400,993	3,287
Interest paid	(14,566)	(15,768)	(129)
Income taxes refunded/(paid)	(30,609)	(109,469)	(897)
Net cash provided by/(used in) operating activities (a)	(323,912)	236,708	1,940
II. Cash flows from investing activities:			
Net decrease/(increase) in deposits and savings	(4,198)	6,289	52
Purchase of monetary claims bought	(19,828)	—	—
Proceeds from sales and redemption of monetary claims bought	2,127	10,577	87
Purchase of money trusts	(380,662)	(513,061)	(4,205)
Proceeds from sales of money trusts	553,405	292,136	2,395
Purchase of securities	(4,423,413)	(3,688,774)	(30,236)
Proceeds from sales and redemption of securities	4,759,491	3,915,082	32,091
Investment in loans	(213,370)	(196,039)	(1,607)
Collection of loans	197,834	195,900	1,606
Net increase/(decrease) in payables under repurchase agreements	(412,965)	—	—
Net increase/(decrease) in payables under securities lending transactions	76,465	23,151	190
Other, net	(8,842)	(45,671)	(374)
Subtotal (b)	126,042	(409)	(3)
(a + b)	(197,869)	236,298	1,937
Acquisition of tangible fixed assets	(33,696)	(28,130)	(231)
Proceeds from sales of tangible fixed assets	10,954	20,594	169
Acquisition of intangible fixed assets	(57,407)	(53,020)	(435)
Acquisition of shares of subsidiaries resulting in changes in scope of consolidation	—	(10,101)	(83)
Other, net	(1,967)	(908)	(7)
Net cash provided by/(used in) investing activities	43,925	(71,976)	(590)
III. Cash flows from financing activities:			
Issuance of bonds	99,321	149,684	1,227
Redemption of bonds	(100,000)	(176,191)	(1,444)
Net increase/(decrease) in payables under repurchase agreements	110,343	116,998	959
Net increase/(decrease) in payables under securities lending transactions	103,510	110,259	904
Repurchase of treasury stock	(35,036)	(40,847)	(335)
Dividends paid to shareholders	(84,928)	(90,264)	(740)
Dividends paid to non-controlling interests	(1,829)	(3,708)	(30)
Other, net	(12,102)	(7,385)	(61)
Net cash provided by/(used in) financing activities	79,278	58,545	480
IV. Effect of exchange rate changes on cash and cash equivalents	(3,537)	38,504	316
V. Net increase/(decrease) in cash and cash equivalents	(204,245)	261,781	2,146
VI. Cash and cash equivalents at beginning of year	2,198,680	1,994,434	16,348
VII. Cash and cash equivalents at end of year	¥1,994,434	¥2,256,216	\$18,494

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

MS&AD Insurance Group Holdings, Inc. and its Consolidated Subsidiaries
As of and for the years ended March 31, 2021 and March 31, 2022

SIGNIFICANT ACCOUNTING POLICIES

1. Basis of presentation

The accompanying consolidated financial statements have been translated from the consolidated financial statements of MS&AD Insurance Group Holdings, Inc. ("the Company") prepared in accordance with the provisions set forth in the Regulations on Corporate Accounting, the Enforcement Regulations of the Japanese Insurance Business Act and related rules, and regulations applicable to the non-life insurance industry in general, and in conformity with accounting principles and practices generally accepted in Japan, which may differ in certain respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan. In preparing the accompanying consolidated financial statements, certain additional information has been provided for the consolidated financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan.

The accompanying consolidated financial statements are expressed in Japanese yen. As permitted by the regulations under the Regulations on Corporate Accounting, amounts are rounded down to the nearest million of Japanese yen, except for those stated otherwise. As a result, the total amounts in Japanese yen shown in the accompanying consolidated financial statements do not necessarily agree with the sums of the individual amounts.

Solely for the convenience of readers, the accompanying consolidated financial statements as of and for the year ended March 31, 2022 have been translated into US dollar at the rate of ¥122=US\$1, the approximate exchange rate on the Tokyo foreign exchange market on the last business day of March 2022. Such translation should not be construed as presentations that the Japanese yen amounts have been, should have been, or could in the future be, converted into US dollar at that or any other rate.

The definition of subsidiaries and associates appearing in the accompanying consolidated financial statements and notes thereto are pursuant to Article 2 of the Regulations on Corporate Accounting.

2. Scope of consolidation

(1) Number of consolidated subsidiaries

89 companies

Major consolidated subsidiaries are as follows:
Mitsui Sumitomo Insurance Company, Limited ("MSI")
Aioi Nissay Dowa Insurance Company, Limited ("ADI")
Mitsui Sumitomo Aioi Life Insurance Company, Limited ("MSAL")
Mitsui Sumitomo Primary Life Insurance Company, Limited ("MSPL")
MSG Holdings (U.S.A.), Inc.
MS Amlin Corporate Member Limited
MS Amlin Underwriting Limited
MS Amlin AG
MS Amlin Insurance SE
MSG Insurance (Malaysia) Bhd.

Changes in scope of consolidation

Little Family SS Insurance Co., Ltd. and seven other companies have been included in the scope of consolidation since the year ended March 31, 2022 as they have become the Company's subsidiaries due to the start of business and other reasons.

Old Company 17 Ltd and two other companies ceased to be subsidiaries due to the sale of shares. As a result, these companies have been excluded from the scope of consolidation since the year ended March 31, 2022.

(2) Unconsolidated subsidiaries

Major unconsolidated subsidiaries are as follows:

MS&AD Grand Assistance Co., Ltd.
MS&AD Systems Company, Limited

Certain subsidiaries including the above subsidiaries are not consolidated, as they are not considered to have any impact on, in all material aspects, the consolidated financial conditions and business performance, in view of the size of their total assets, ordinary income, net income and retained earnings attributable to the Company.

3. Application of the equity method

(1) Number of associates accounted for under the equity method

12 companies

Major associates accounted for under the equity method are as follows:

Sumitomo Mitsui DS Asset Management Company, Limited
Challenger Limited

Changes in scope of application of the equity method

As PT. Auto Management Services and one other company ceased to be associates due to the completion of liquidation and other reasons, these companies have been excluded from the scope of application of the equity method since the year ended March 31, 2022.

(2) Other associates, including unconsolidated subsidiaries and associates (e.g. MS&AD Grand Assistance Co., Ltd. and Zenkankyo Reiwa Insurance Company, Ltd.), have been excluded from the scope of application of the equity method as their effects on the consolidated net income and retained earnings are not considered material, individually and in aggregate.

(3) The Company holds 29.9% voting rights of Japan Earthquake Reinsurance Company, Limited ("Japan Earthquake Re") through MSI and ADI. However, Japan Earthquake Re is not included as an associate since the Company does not have the ability to exercise significant influence over the operating and financial decisions of Japan Earthquake Re in view of its public nature.

4. Fiscal year of consolidated subsidiaries

The fiscal year end of 81 overseas consolidated subsidiaries is December 31, which is different from that of the Company. The Company uses the financial statements as of their latest fiscal year end for consolidation purposes since the intervening period does not exceed three months from its fiscal year end.

The Company makes adjustments to incorporate significant transactions occurred during the intervening period that materially affect the consolidated financial statements.

5. Accounting policies

- (1) Valuation policies and methods of securities (including those included in Cash, deposits and savings, and Monetary claims bought as set forth in the Enforcement Regulations of the Japanese Insurance Business Act)
- (i) Trading securities are valued at their year-end market prices. Cost of sales is calculated using the moving average method. For certain overseas consolidated subsidiaries, cost of sales is calculated using the first-in, first-out method.
 - (ii) Held-to-maturity securities are valued at amortized cost.
 - (iii) Investments in unconsolidated subsidiaries and associates that are not accounted for under the equity method are valued at cost determined by the moving average method.
 - (iv) Debt securities and money trusts earmarked for underwriting reserves are valued at amortized cost determined by the moving average method in accordance with Industry Audit Committee Report No. 21 "Temporary Treatment of Accounting and Auditing Concerning Debt Securities Earmarked

for Underwriting Reserve in the Insurance Industry" (issued by the Japanese Institute of Certified Public Accountants on November 16, 2000).

A summary of the risk management policy for debt securities and money trusts earmarked for underwriting reserves is as follows:

To effectively manage risks of variability in interest rates related to assets and liabilities, MSAL establishes subgroups of "individual insurance" that meet certain criteria for each type of insurance and investment policy, as well as applies the investment policy and cash allocation policy reflecting their characteristics. In addition, MSAL periodically assesses whether the durations of the debt securities earmarked for underwriting reserves fall within a certain range from those of the underwriting reserves in each subgroup.

To effectively manage risks of variability in interest rates related to assets and liabilities, MSPL establishes subgroups of "individual insurance and individual annuities" that meet certain criteria for each currency, as well as applies the investment policy and cash allocation policy reflecting their characteristics. In addition, MSPL periodically assesses whether the durations of the debt securities earmarked for underwriting reserves fall within a certain range from those of the underwriting reserves in each subgroup.

- (v) Available-for-sale securities (except for stocks and other securities without market prices) are valued at their market prices.

Net unrealized gains and losses are reported as a separate line item of net assets. For foreign currency bonds held by certain consolidated subsidiaries, changes in fair values due to fluctuations in foreign exchange rates are reported in net unrealized gains and losses in net assets, while the remaining changes are reported as foreign exchange gains and losses in the consolidated financial statements of income. Cost of sales is calculated by the moving average method.

- (vi) Stocks and other securities without market prices that are classified as available-for-sale securities are valued at cost using the moving average method.

- (vii) Money trusts specifically managed for the Company and its domestic consolidated subsidiaries for trading purposes are valued at fair value.

Money trusts specifically managed for the Company and its domestic consolidated subsidiaries, other than those held for trading purposes, held to maturity or earmarked for underwriting reserves, are valued on the same basis as available-for-sale securities.

- (2) Valuation policies and methods of derivative financial instruments

Derivative financial instruments are valued at fair value.

- (3) Depreciation methods of significant depreciable assets

- (i) Depreciation of tangible fixed assets is computed using the straight-line method.
- (ii) Intangible fixed assets are amortized by the straight-line method. Capitalized software for internal use is amortized by the straight-line method over its estimated useful life.

- (4) Accounting policies for significant reserves

- (i) Bad debt reserve

For domestic consolidated insurance subsidiaries, bad debt reserve is established under the internal standards for self-assessment of assets and the policy for write-off and provision.

Bad debt reserve for loans to debtors who are legally deemed to be insolvent due to bankruptcy or special liquidation, or whose notes are under suspension at clearing houses, and loans to debtors who are deemed to be substantially insolvent is provided based on the outstanding balance remaining after deducting the resale value of collateral and the amount collectible through guarantees.

Bad debt reserve for loans to debtors who are likely to become insolvent in the future is provided based on the outstanding balance remaining after deducting the resale value of collateral, the amount collectible through guarantees and the amount expected to be repaid by the debtors considering their overall ability to pay.

For loans other than those described above, bad debt reserve is calculated by multiplying the outstanding balances by the historical bad debt ratios.

Bad debt reserve for all loans and receivables is provided based on the assessment under the internal standards for self-assessment of assets. The assessment is performed by the departments responsible for the respective assets and the results are reviewed by independent internal audit departments.

For other domestic consolidated subsidiaries, bad debt reserve is established under their internal standards for self-assessment of assets and policies for provision similar to those of the domestic consolidated insurance subsidiaries.

For overseas consolidated subsidiaries, bad debt reserve is established based on the assessment of collectability of individual receivables.

- (ii) Reserve for retirement benefits for officers

Reserve for retirement benefits that covers the cost of services rendered by officers and operating officers of MSI and MSAL up to the year ended March 31, 2005, the date on which the retirement benefit plans for officers were terminated, is established to provide for their future retirement benefits (including pension).

- (iii) Accrued bonuses for employees

Accrued bonuses for employees are determined based on the estimated amounts to be paid at the year-end to provide for future bonuses for employees and operating officers.

- (iv) Reserve for price fluctuation

For the domestic consolidated insurance subsidiaries, the reserve for price fluctuation is recognized under Article 115 of the Japanese Insurance Business Act to provide for possible losses arising from price fluctuation of investment assets such as equity securities.

- (5) Accounting for retirement benefits

- (i) Attribution method of retirement benefits over the service period

In computing retirement benefit obligations, the estimated retirement benefits are attributed to the periods up to the current year using the plan's benefit formula.

- (ii) Accounting for actuarial gains and losses

Actuarial gains and losses are amortized, commencing from the following year, using the straight-line method over a certain number of years (primarily 10 - 11 years) that do not exceed the expected average remaining service period of employees at the time of occurrence.

- (6) Translation of foreign currency assets and liabilities

Foreign currency monetary assets and liabilities of the Company and its domestic consolidated subsidiaries are translated into Japanese yen using the spot exchange rate prevailing at the year end. The foreign exchange gains and losses resulting from the translation are recognized in earnings. Foreign currency assets and liabilities of overseas consolidated subsidiaries are translated into Japanese yen using the spot exchange rate prevailing at their respective year ends, while shareholders' equity is translated at the historical rates. Income and expenses of overseas consolidated subsidiaries are translated into Japanese yen using the average exchange rate for the year. Differences arising from such translations are included in Foreign currency translation adjustments and Non-controlling interests in Net Assets.

- (7) Accounting for consumption taxes

Consumption taxes received or paid by the Company and its major domestic consolidated subsidiaries are not included in income or expenses, except for those related to Loss adjustment expenses and Operating expenses and general and administrative expenses incurred by the domestic consolidated non-life insurance subsidiaries. Consumption taxes excluded from income and expenses are recorded at the net amount on the balance sheet.

Non-deductible consumption taxes are recognized as expenses for the period, except for those related to the purchase of depreciable fixed assets that are not charged to expenses but deferred as Other assets and amortized over a period of 5 years on a straight-line basis.

- (8) Hedge accounting

Under Japanese GAAP, several methodologies are allowed for hedge accounting. Two fundamental approaches are the deferred hedge method and the fair value hedge method. Under the deferred hedge method, gains and losses on changes in fair value of derivative financial instruments are deferred and accounted for as a separate line item of net assets. Under the fair value hedge method, which is allowed only with respect to available-for-sale securities being the hedged items, gains and losses on changes in fair value of the hedging instruments are recognized in earnings together with the corresponding gains and losses of the hedged items attributable to the risks being hedged.

In addition, for certain derivative financial instruments, alternative treatments are permitted under Japanese GAAP. Assets and liabilities denominated in foreign currencies and hedged by foreign exchange forward contracts or currency swaps can be accounted for by the allocation method. Under this method, the foreign exchange forward contracts and currency swaps used as hedging instruments are not measured at fair value since gains and losses on the derivatives are assumed to be offset with changes in fair value of the corresponding hedged items, and hedged items are translated at the foreign exchange rates that are stipulated in the foreign exchange forward contracts or currency swaps (hedging instruments). Interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at fair value, but the differentials paid or received under the swap agreements are recognized and included in interest expense or income of the hedged items (the exceptional method).

For certain domestic consolidated insurance subsidiaries, gains and losses on equity forward contracts used for hedging risks of variability in the fair value of investments in equity securities are accounted for under the fair value hedge method. Gains and losses on currency swap contracts and certain foreign exchange forward contracts used for hedging risks of variability in foreign exchange rates on foreign currency assets are accounted for under the deferred hedge method, the fair value hedge method or the allocation method. Gains and losses on currency swap contracts used for hedging risks of variability in foreign exchange rates on foreign currency bonds issued by MSI are accounted for under the allocation method.

Gains and losses on interest rate swap contracts used for hedging risks of variability in interest rates of loans, bonds and borrowings are accounted for under the deferred hedge method or the exceptional method when they meet certain criteria.

Gains and losses on interest rate and currency swap contracts used for hedging risks of variability in foreign exchange rates and interest rates on foreign currency borrowings are accounted for under the integrated method when they meet certain criteria. The integrated method is to hedge foreign currency risks and interest rate risks using the allocation method and the exceptional method, respectively.

Hedge effectiveness is assessed quarterly by comparing cumulative fluctuations in fair value or cash flows of the hedged items and hedging instruments for the periods from the respective start dates of the hedges to the assessment dates. When the hedged items and the hedging instruments are highly and clearly interrelated, when the interest rate swap transactions meet the criteria for the application of the exceptional method, or when the interest rate and currency swap contracts meet the criteria for the application of the integrated method, hedge effectiveness is not assessed.

(9) Accounting for insurance contracts

Domestic consolidated insurance subsidiaries account for insurance contracts related items including insurance premiums, outstanding claims and underwriting reserves in accordance with the Japanese Insurance Business Act and related rules. Overseas consolidated insurance subsidiaries apply either International Financial Reporting Standards (IFRS) or US generally accepted accounting principles for the items in accordance with Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries, etc. for the Consolidated Financial Statements (ASBJ Practical Issues Task Force ("PITF") No. 18 revised on June 28, 2019).

(10) Application of consolidated tax return filing system

The Company and certain domestic consolidated subsidiaries have applied the consolidated tax return filing system.

6. Goodwill

Goodwill is amortized using the straight-line method over a period of 7 to 20 years. Insignificant amounts of goodwill are charged to expenses as incurred.

7. Accounting estimates

(1) Impairment losses on goodwill

(i) Amounts recorded in the consolidated financial statements as of March 31, 2021 and March 31, 2022

In the consolidated balance sheet of the Company as of March 31, 2021 and March 31, 2022, goodwill of ¥122,617 million and ¥124,946 million were recognized, respectively. In addition, goodwill of ¥43,303 million and ¥41,067 million related to equity method associates were included in securities therein, respectively.

(ii) Details of accounting estimates

(a) Measurement approach

For the asset group including goodwill whose invested amount is not recoverable due to decline of profitability, an impairment loss should be recognized by reflecting its recoverability under certain conditions. In accordance with "Accounting Standard for Impairment of Fixed Assets" (ASBJ Statement, August 9, 2002), if there is any indication of impairment such as consecutive net losses and/or deterioration of business environment, the Company and its consolidated subsidiaries (collectively "the Group") determine whether an impairment loss should be recognized by comparing the sum of the undiscounted future cash flows that are expected to be generated from the related asset group with the carrying amount. If the recognition of an impairment loss is deemed necessary, the carrying amount of the asset group is reduced to its recoverable amount and an impairment loss is recognized for the amount by which the asset group is reduced.

The Group estimates the sum of the undiscounted future cash flows based on the relevant business plans. The recoverable amount represents the present value of future cash flows expected to be derived from the continuing use of the asset and from its disposal thereafter and the amount of an impairment loss relies on the estimated future cash flows based on reasonable assumptions and projections.

An indication of impairment was identified in the current period for MS Amlin AG, an overseas consolidated subsidiary that operates the reinsurance business, as it had incurred a net loss before tax for two consecutive years. Accordingly, the Group performed an impairment test to determine whether an impairment loss should be recognized on the asset group that included the goodwill of MS Amlin AG (consisting of tangible fixed assets of ¥1,028 million, goodwill of ¥3,769 million, and intangible fixed assets (excluding goodwill) of ¥41,635 million). Since the sum of the undiscounted future cash flows exceeded the carrying amount of the asset group, no impairment loss was recognized.

(b) Effects on the consolidated financial statements for the next year

An impairment loss may be recognized if the profitability of a business declines and estimated future cash flows are significantly decreased as a result of changes in business environment.

(2) Outstanding claims

(i) Amounts recorded in the consolidated financial statements as of March 31, 2021 and March 31, 2022

In the consolidated balance sheet of the Company as of March 31, 2021 and March 31, 2022, outstanding claims of ¥2,256,900 million and ¥2,467,600 million were recognized, respectively. Of this amount, outstanding claims of non-life insurance business accounted for a substantial portion.

(ii) Details of accounting estimates

In accordance with the provisions set forth in Article 117 of the Japanese Insurance Business Act as well as Articles 72 and 73 of the Enforcement Regulations of the Japanese Insurance Business Act, domestic consolidated subsidiaries recognize outstanding claims which represent the estimated amount of unpaid claims for the losses that have incurred or deemed to have incurred under insurance contracts. Overseas consolidated subsidiaries apply similar methods for recording outstanding claims.

(a) Measurement approach

The Group individually recognized expected claims payments for reported claims based on the details of reported loss events, insurance contract terms and claim investigations. For incurred but not reported claims, the Group recognized expected claims payments based on the estimated ultimate losses determined in consideration of the past experience of claims payments in the previous years.

(b) Effects on the consolidated financial statements for the next year

The amounts of insurance claim payments and outstanding claims may differ from their current estimates due to the development of claim investigations, outcome of litigations and changes in foreign exchange rates.

Specifically, uncertainty over the estimate of outstanding claims has been increasing, as natural disasters have become more severe and frequent both within and outside Japan in the recent years, COVID-19 continues to spread globally, and prices have been rising.

8. Change in accounting policy

(Application of "Accounting Standard for Fair Value Measurement" and Others)

The Group has applied "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019), "Revised Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021) and others since the beginning of the year ended March 31, 2022. In accordance with transitional measures set forth in Paragraph 19 of "Accounting Standards for Fair Value Measurement," Paragraph 44-2 of "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019) and Paragraph 27-2 of "Revised Implementation Guidance on Accounting Standard for Fair Value Measurement," the Group has applied new accounting policies prescribed by "Accounting Standard for Fair Value Measurement" and others prospectively from the date of application.

As a result, part of investment trusts classified as financial instruments for which the fair values were not practically determinable that were recorded on the consolidated balance sheets at cost have been changed to be recorded on the consolidated balance sheets at fair value.

Information on the breakdown of financial instruments by level of fair value is included in Note 10 "Information on financial instruments" of Notes to Consolidated Balance Sheets. However, in these notes, in accordance with transitional measures set forth in Article 5, Paragraph 2 of Supplementary Provision of "Cabinet Office Ordinance for Partial Revision of Regulation on Terminology, Forms, and Preparation Methods of Financial Statements" (Cabinet Office Ordinance No. 9, March 6, 2020), the details related to the year ended March 31, 2021 are not included in these notes.

9. Change in presentation

(Application of “Accounting Standard for Disclosure of Accounting Estimates”)

The Group has applied “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31, March 31, 2020) from the year ended March 31, 2021 and notes related to significant accounting estimates are included in the consolidated financial statements.

10. Cash and cash equivalents on the consolidated statements of cash flows

In preparing the consolidated statements of cash flows, cash and cash equivalents constitute cash on hand, readily available deposits and short-term highly liquid investments with original maturities not exceeding three months.

11. Additional information

(Performance-Based Share Compensation Plan)

Certain overseas consolidated subsidiaries implemented a performance-based share compensation plan (hereinafter, “the Plan”) for employees and officers subject to certain conditions.

(i) Overview of the transaction

The Plan is a scheme to determine the number of shares to be granted based on the average performance during a certain period, and to deliver the Company’s shares or pay the cash equivalent to the Company’s shares converted at fair value.

To prepare for future deliveries under the Plan, a trust set up using the cash contributed by subsidiaries that implemented the Plan acquired the Company’s shares from the stock market.

(ii) Shares remaining in the trust

The Company’s shares remaining in the trust are recorded as treasury stock in the net assets section at the carrying amount in the trust (excluding incidental expenses). The carrying amount and the number of shares of this treasury stock at the end of the year ended March 31, 2022 stood at ¥799 million and 213 thousand, respectively.

NOTES TO CONSOLIDATED BALANCE SHEETS

1. The amounts of accumulated depreciation and accelerated depreciation of tangible fixed assets are as follows:

	Yen in millions	
	March 31, 2021	March 31, 2022
Accumulated depreciation	399,742	415,853
Accelerated depreciation	13,431	12,162

Note: As permitted under Japanese tax legislation for the purpose of deferral in recognizing taxable income, the acquisition cost of certain qualifying properties is reduced to offset the taxable income that resulted from the sales of assets to be replaced by the acquired assets or receipts of governmental subsidies provided for the acquisition of the new assets. The total amounts deducted from the original acquisition cost of the qualifying properties as of March 31, 2021 and March 31, 2022 were ¥13,431 million and ¥12,162 million, respectively.

Accelerated depreciation deducted from the original acquisition cost due to receipts of governmental subsidies during the years ended March 31, 2021 and March 31, 2022 were ¥3 million and nil, respectively.

2. The carrying amounts of equity investments in unconsolidated subsidiaries and associates are as follows:

	Yen in millions	
	March 31, 2021	March 31, 2022
Securities (Domestic stocks)	27,995	30,238
Securities (Foreign securities)	237,290	269,031
Securities (Other securities)	19,426	24,604
Total	284,712	323,874

3. Among the loans in accordance with the Insurance Business Act, the amounts of bankrupt and quasi-bankrupt loans, doubtful loans, loans overdue for three months or more, and restructured loans are as follows:

	Yen in millions	
	March 31, 2021	March 31, 2022
Bankrupt and quasi-bankrupt loans	73	75
Doubtful loans	128	121
Loans overdue for three months or more	278	204
Restructured loans	1,088	1,024
Total	1,569	1,425

Note: Bankrupt and quasi-bankrupt loans are claims to debtors that went bankrupt due to reasons such as the initiation of bankruptcy proceedings, the start of reorganization proceedings, and the submission of an application to start rehabilitation proceedings, as well as claims of a similar nature.

Doubtful loans are claims to debtors that are not yet bankrupt but whose financial conditions and business performance have deteriorated, and where it is highly probable that the principal and interest in line with the original contracts cannot be collected, excluding bankrupt and quasi-bankrupt loans.

Loans overdue for three months or more represent those for which the principal or interest has been past due for three months or more after the contractual due date, excluding bankrupt and quasi-bankrupt loans and doubtful loans.

Restructured loans represent those with certain agreements favorable to debtors, such as interest exemption or reduction, grace on interest or principal payments, or forgiveness of debts for the purpose of restructuring of or provision of support to the debtors in financial difficulties, excluding bankrupt and quasi-bankrupt loans, doubtful loans, and loans overdue for three months or more.

(Change in presentation)

Due to the enforcement on March 31, 2022 of the “Cabinet Office Ordinance for Partial Revision of the Enforcement Regulations of the Japanese Banking Act, etc.” (Cabinet Office Ordinance No. 3, January 24, 2020), the classification of “risk-monitoring loans” based on the Insurance Business Act has been presented in accordance with the classification of loans based on the Act of Emergency Measures for the Revitalization of the Financial Functions.

4. The amounts of assets pledged as collateral are as follows:

	Yen in millions	
	March 31, 2021	March 31, 2022
Assets pledged as collateral:		
Cash, deposits and savings	4,361	19,662
Money trusts	2,280	2,521
Securities	562,337	748,974
Total	568,979	771,158

Note: The amounts in the above table primarily consist of collateral assets required for payables under repurchase agreements included in Other liabilities, for international operations and for Real Time Gross Settlement of the current account with the Bank of Japan.
The amounts of those repurchase agreements included in Other liabilities are as follows:

	Yen in millions	
	March 31, 2021	March 31, 2022
	110,343	227,342

5. The amounts of securities loaned under securities lending agreements are as follows:

	Yen in millions	
	March 31, 2021	March 31, 2022
	737,523	754,059

6. The amounts of assets received as collateral under loan agreements, etc. which the Company has the right to sell or repledge are as follows:

	Yen in millions	
	March 31, 2021	
Securities	41,934	
Commercial papers	1,999	

Note: All securities and commercial papers in the above table have not been resold or repledged, and are held by the Group.
The amounts as of March 31, 2022 were omitted since they were not material.

7. The amounts of assets and liabilities in separate accounts under Article 118 of the Japanese Insurance Business Act are as follows:

	Yen in millions	
	March 31, 2021	March 31, 2022
	2,060,062	1,888,006

8. Guarantees on transactions conducted by a limited partnership entity are as follows:

MSI provides guarantees on transactions conducted by a limited partnership entity. Aggregate net present value of these transactions was ¥65,565 million and ¥64,113 million, respectively in a negative liability position as of March 31, 2021 and March 31, 2022. These amounts were not included in Customers' liabilities under acceptances and guarantees or Acceptances and guarantees since there was no substantial exposure.

9. The unutilized balances of commitment lines to third parties are as follows:

	Yen in millions	
	March 31, 2021	March 31, 2022
	16,362	16,513

10. Information on financial instruments

(1) Qualitative information on financial instruments

(i) Policy on financial instruments

The Group applies Asset and Liability Management policies to maintain stability of investment returns, safety of assets and sufficient liquidity under an appropriate risk management framework to attain sustainable growth of the net asset value. In addition, the Group is exposed to investment risks such as market risks and credit risks and manages those risks in accordance with the risk management policies of the Group and each group company.

The Group's cash inflows which mainly arise from insurance operations and investment activities are affected by changes in external environment such as occurrences of natural disasters and changes in financial market conditions. To enhance efficiency of funds operations and strengthen financial capacity under such changing conditions, the Group undertakes to raise funds through the issuance of long-term or short-term corporate bonds or other financing methods as the needs arise.

(ii) Details of financial instruments and associated risks

The Group's financial assets mainly consist of securities including domestic bonds, domestic stocks and foreign securities, loans and other financial instruments. Risks pertaining to investments include market risks, credit risks, market liquidity risks and other risks. Market risks arise from fluctuations in interest rates, stock prices, foreign exchange rates and other market indicators. Credit risks arise from the deterioration in the financial condition of security issuers and counterparties of loans. Market liquidity risks represent the risks that investment assets are forced to be sold at extremely unfavorable prices under turmoil in the financial markets.

The Group utilizes derivative transactions represented by interest rate swaps, interest rate options, bond future contracts, equity index future contracts, equity forward contracts, foreign exchange forward contracts, currency swaps, currency options, and interest rate and currency swaps for the purpose of hedging risks such as fluctuations in interest rates, stock prices and foreign exchange rates. In addition, the Group utilizes credit derivatives, weather derivatives and catastrophe derivatives to generate investment returns with consideration given to the associated risks.

For details of derivative transactions to which hedge accounting is applied, please refer to "Significant Accounting Policies, 5. Accounting policies, (8) Hedge accounting".

Derivative transactions involve risks associated with fluctuations in fair value of derivative financial instruments, risks of non-performance resulting from insolvency of counterparties and market liquidity risks. Derivative transactions utilized by the Group are also exposed to these risks. However, market risks associated with derivative transactions utilized for the purpose of hedging are mitigated, as changes in the fair value of hedged items and hedging instruments offset each other. To mitigate credit risks arising from the non-performance of counterparties, most of the Group's derivative transactions are executed only with select counterparties of high credit quality and diversified among various counterparties. Furthermore, under Credit Support Annex ("CSA"), the Group obtains collateral from counterparties.

(iii) Risk management structure related to financial instruments

The Group manages risks in accordance with the basic policy for risk management and internal policies for asset management risks, which stipulate the definition of risks and management method established by the Board of Directors. At major domestic consolidated insurance subsidiaries, the trading department is segregated from the backoffice and risk management departments, and maintains a structure that enables to exercise organizational checks and balances on a daily basis. The risk management department assesses, analyzes and manages risks related to financial instruments by quantifying market and credit risks using the Value-at-Risk ("VaR") method and risk limit management based on asset and liability position, and regularly reports the results to the Board of Directors.

(a) Market risk management

The Group maintains and operates a risk management structure taking into account the characteristics of each financial instrument in accordance with its internal policies for market risk management. In addition to monitoring of risk amount by quantifying risks using the VaR method as described above, major domestic consolidated insurance subsidiaries manage market risks through the assessment of potential risks that cannot be identified using the VaR method, analysis of sensitivity of existing assets to changes in interest rates, stock prices and foreign exchange rates and analysis of concentration and weakness of portfolio.

(b) Credit risk management

The Group maintains and operates a risk management structure in accordance with its internal policies for credit risk management. For securities and derivative transactions at major domestic consolidated insurance subsidiaries, the trading and risk management departments manage credit risks of security issuers and derivative counterparties by regularly monitoring the credit information and fair values associated with the investment assets. For loans at MSI, ADI and MSPL, the trading and risk management departments maintain a credit risk management structure through credit screening, setting internal credit ratings and credit limits, managing credit information, requiring collaterals and guarantees where necessary, and resolving delinquent loans on an individual loan basis.

(c) Liquidity risk management

The Group maintains and operates a funding and market liquidity risk management structure in accordance with internal policies for liquidity risk management. The Group's treasury management classifies funding needs into "ordinary" and "emergency" depending on the urgency level and oversees operation and management for the liquidity in each level, which gives the foremost consideration to the liquidity risk. The treasury management also ensures the diversification of fundraising activities to secure and maintain liquidity in various environments. The Group manages funding liquidity risks by holding a sufficient amount of cash, savings and deposits, and highly liquid securities such as government bonds, and regularly monitoring their aggregate amounts in case of unexpected events like catastrophes and the deterioration of funding liquidity arising from turmoil in the financial markets.

(iv) Supplementary explanation of matters related to the fair value of financial instruments and other information

In determining fair value of financial instruments, certain assumptions and methods are used, thus the fair value may differ if alternative assumptions are applied.

(2) Fair value of financial instruments and breakdown by level of fair value

The carrying amounts on the consolidated balance sheets, the fair values, the differences between the carrying amounts and fair values, and each level of fair values of financial instruments are as follows.

Stocks and other securities without market prices and investments in partnerships etc. (as of March 31, 2021, financial instruments in which the fair values are not practically determinable) are not included in the following table (see Note 3 and Note 4).

The fair value of financial instruments is categorized within the following three levels based on the observability and significance of the inputs used to measure fair value.

Level 1: Fair value measured using (unadjusted) quoted prices in active markets for identical assets or liabilities

Level 2: Fair value measured using directly or indirectly observable inputs other than Level 1 inputs

Level 3: Fair value measured using significant unobservable inputs

If multiple inputs are used with significant effects on the fair value measurement, the fair value is categorized within the lowest priority level of fair value measurement among the levels where those inputs belong.

(i) Financial assets and liabilities measured at fair value on the consolidated balance sheet

Yen in millions			
March 31, 2021	Carrying amount	Fair value	Difference
(a) Monetary claims bought	168,389	168,389	—
(b) Money trusts	1,717,804	1,717,804	—
(c) Securities:			
Trading securities	2,900,644	2,900,644	—
Available-for-sale securities	9,828,797	9,828,797	—
Total assets	14,615,635	14,615,635	—
Derivative transactions ^(*) :			
Hedge accounting not applied	12,705	12,705	—
Hedge accounting applied	(25,330)	(25,330)	—
Total derivative transactions	(12,624)	(12,624)	—

(*) Derivative assets and liabilities included in Other assets and Other liabilities, are presented on a net basis. Debits and credits arising from derivative transactions are netted, and a net debt in total is presented in parentheses.

Yen in millions				
Carrying amount				
March 31, 2022	Level 1	Level 2	Level 3	Total
(a) Monetary claims bought	—	129,326	4,368	133,695
(b) Money trusts	—	1,652,272	386,862	2,039,135
(c) Securities:				
Trading securities				
Domestic bonds	34,886	4,866	—	39,752
Domestic stocks	8,165	—	—	8,165
Foreign securities	418,245	345,549	100,330	864,125
Others	11,639	1,868,003	—	1,879,642
Available-for-sale securities				
Domestic bonds	1,746,410	1,344,937	—	3,091,347
Domestic stocks	2,782,250	—	—	2,782,250
Foreign securities	1,091,583	2,351,167	223,560	3,666,310
Others	17,676	181,720	26,405	225,802
Derivative transactions ^(*) :				
Currency	122	20,887	—	21,010
Interest rate	74	21,196	—	21,271
Equity	—	2,021	—	2,021
Bond	4,185	—	—	4,185
Credit	—	848	—	848
Others	—	—	379	379
Total assets	6,115,239	7,922,797	741,906	14,779,944
Derivative transactions ^(*) :				
Currency	70	68,273	—	68,344
Interest rate	99	7,791	—	7,891
Equity	6,042	501	—	6,544
Bond	1,250	—	—	1,250
Credit	—	2,507	—	2,507
Others	—	—	696	696
Total liabilities	7,462	79,075	696	87,233

(*) The carrying amounts of derivative transactions applying hedge accounting are ¥2,190 million as an asset and ¥47,239 million as a liability.

(ii) Financial assets and liabilities that are not measured at fair value on the consolidated balance sheet

Cash, deposits and savings, and receivables under resale agreements are not included in the following tables as they are mostly short term (within one year) and their fair values approximate their carrying amounts.

		Yen in millions		
March 31, 2021		Carrying amount	Fair value	Difference
(a)	Monetary claims bought	7,350	7,350	–
(c)	Securities:			
	Held-to-maturity securities	1,218,781	1,400,491	181,710
	Debt securities earmarked for underwriting reserves	2,295,541	2,367,903	72,362
	Investments in associates	78,742	156,628	77,886
(d)	Loans	960,174		
	Bad debt reserve ^(*)	(73)		
		960,101	987,893	27,792
Total assets		4,560,516	4,920,269	359,752
Bonds issued		809,093	818,950	9,857
Total liabilities		809,093	818,950	9,857

(*) Bad debt reserve for loans is deducted from the carrying amount.

		Yen in millions					
		Fair value					
March 31, 2022		Level 1	Level 2	Level 3	Total	Carrying amount	Difference
(a)	Monetary claims bought	–	12,794	–	12,794	12,794	–
(c)	Securities:						
	Held-to-maturity securities						
	Domestic bonds	1,228,416	126,907	–	1,355,323	1,220,261	135,061
	Foreign securities	–	3,852	–	3,852	3,875	(22)
	Debt securities earmarked for underwriting reserves						
	Domestic bonds	1,679,742	128,728	–	1,808,470	1,928,505	(120,034)
	Foreign securities	19,822	745,950	–	765,773	762,307	3,466
	Investments in associates	156,496	2,829	–	159,325	89,538	69,787
(d)	Loans					985,242	
	Bad debt reserve ^(c1)					(67)	
		–	291,971	698,840	990,811	985,174	5,637
Total assets		3,084,478	1,313,034	698,840	5,096,353	5,002,457	93,896
Bonds issued		–	683,612	101,319	784,931	782,902	2,029
Total liabilities		–	683,612	101,319	784,931	782,902	2,029

(*) Bad debt reserve for loans is deducted from the carrying amount.

(Note 1) Description of the valuation techniques and inputs used to measure fair value

Assets

(a) Monetary claims bought

With regard to commercial papers (CP), the price quoted by counterparty financial institutions is deemed the fair value. With regard to certain CP, the carrying amounts approximate the fair value since they are scheduled to be settled in a short period of time. With regard to Monetary claims bought other than CP, the price quoted by counterparty financial institutions is deemed the fair value. These are mainly categorized within Level 2.

(b) Money trusts

With regard to Money trusts, the price quoted by trustees is deemed the fair value. These are categorized within Level 2 or Level 3 based on the level of components of assets in trust.

(c) Securities

Those with unadjusted quoted prices available in active markets, mainly including listed stocks, government bonds, and listed investment trusts, are categorized within Level 1.

Those with published quoted prices in markets that are not active, mainly including municipal bonds and corporate bonds, are categorized within Level 2.

With regard to unlisted investment trusts, prices quoted by trust management companies are deemed the fair value. These are categorized within Level 2 or Level 3 mainly based on the level of components of assets in trust.

(d) Loans

With regard to floating rate loans, the carrying amounts approximate the fair value contingent on no significant changes in the credit conditions of the debtor, because the floating rates on the loans reflect market interest rates. With regard to fixed rate loans, for loans sorted by type, term and credit rating, the fair value is based on the present value of the estimated future cash flows discounted at market interest rates, such as yields on government bonds, plus a credit spread. The fair value of certain personal loans is determined at the net present value of the estimated future cash flows discounted at interest rates applicable to the same type of new loans. With regard to some loans, the price provided by counterparty financial institutions is deemed the fair value.

With regard to policy loans that do not have contractual maturities, as the loan amount is limited to the surrender value, the carrying amounts approximate the fair value, considering their estimated repayment periods and interest rates.

With regard to loans to debtors that are legally or substantially bankrupt and loans to doubtful debtors, the carrying amounts less bad debt reserve are deemed the fair value, because the bad debt reserve is determined based on the present value of the estimated future cash flows or the value of the collateral and the amount collectible through guarantees.

These are mainly categorized within Level 3. Some loans on which the effect of unobservable inputs is insignificant are categorized within Level 2.

Liabilities

Bonds issued

With regard to Bonds issued, the fair value is determined based on "Reference Statistical Prices for OTC Bond Transactions" published by the Japan Securities Dealers Association ("JSDA") or prices quoted by counterparty financial institutions. Those based on "Reference Statistical Prices for OTC Bond Transactions" published by JSDA are categorized within Level 2, and those based on prices quoted by counterparty financial institutions are categorized within Level 3.

Derivative transactions

With regard to market transactions, the fair value is determined based on the closing prices at exchanges. With regard to transactions other than market transactions, the fair value is determined based on prices quoted by counterparty financial institutions or prices calculated by the valuation model using inputs such as interest rates, exchange rates, and volatility.

The market transactions are mainly categorized within Level 1. The transactions other than market transactions using significant unobservable inputs are categorized within Level 3, and the other transactions are categorized within Level 2.

(Note 2) Financial assets and liabilities measured at fair value on the consolidated balance sheet and categorized within Level 3

The Level 3 fair value mostly comprises instruments with unadjusted prices obtained from third parties. Accordingly, notes such as quantitative information on significant unobservable inputs used to measure fair value are omitted.

(1) Reconciliation from beginning balance to ending balance, and net unrealized gains/losses recognized in profit or loss

Yen in millions							Net unrealized gains recorded in profit or loss on financial assets and liabilities held at the consolidated balance sheet date ^(*)
March 31, 2022	Beginning balance	Recorded in profit or loss for the current fiscal year ^(*)	Recorded in other comprehensive income ^(*)	Changes due to purchases, issues, sales and settlements	Transfer from Level 3 fair value ^(*)	Ending balance	
Monetary claims bought	5,927	0	(113)	(1,445)	—	4,368	—
Money trusts	71,571	29,494	7,125	278,672	—	386,862	26,849
Securities:							
Trading securities	75,527	8,886	8,340	7,575	—	100,330	4,946
Available-for-sale securities	171,669	8,632	76,117	(5,453)	(1,000)	249,966	—
Total assets	324,695	47,014	91,469	279,347	(1,000)	741,527	31,795
Derivative transactions ^(*)	(789)	1,064	—	(591)	—	(316)	183

(*)1) Mainly included in "Investment income" and "Investment expenses" of the consolidated statement of income.
(*)2) Included in "Other comprehensive income" of the consolidated statement of comprehensive income, as a component of "Net unrealized gains/(losses) on securities" or "Foreign currency translation adjustments".
(*)3) Transfers between levels are made at the end of each quarter.
(*)4) Transfer from Level 3 to Level 2 due to that observable inputs for foreign corporate bonds became available.
(*)5) Derivative assets and liabilities included in Other assets and Other liabilities are presented on a net basis. Receivables and payables as well as gains and losses arising from derivative transactions are netted, and items that result in a net payable or a net loss in total is presented in parentheses.

(2) Descriptions of the valuation process of fair value

At the Group, departments that are independent from those responsible for transactions of financial instruments stipulate policies and procedures on the fair value measurement and measure fair value. With regard to the measured fair value, the appropriateness of the inputs and valuation techniques used to measure fair value are verified. When using quoted prices obtained from third parties as fair value, the appropriateness is verified by suitable methods such as reviewing the inputs and valuation techniques used and comparing with the fair value of similar financial instruments.

(Note 3) The carrying amounts of financial instruments as of March 31, 2021 in which the fair values are not practically determinable, which are not included in "(c) Securities" above, are as follows:

Yen in millions	
	March 31, 2021
Unlisted stocks and other assets invested in unconsolidated subsidiaries and associates	205,970
Other unlisted stocks	91,576
Unlisted investment trusts	88,791
Unlisted convertible bonds	39,608
Investments in partnerships comprising unlisted stocks	45,130
Total	471,077

The fair value of the financial instruments in the above table is not disclosed because their fair value is not practically determinable due to lack of marketability and difficulties in reasonably estimating future cash flows.

(Note 4) The carrying amounts of stocks and other securities without market prices and investments in partnerships etc. as of March 31, 2022, which are not included in "(c) Securities" in Fair value of financial instruments and breakdown by level of fair value above, are as follows:

Yen in millions	
	March 31, 2022
Stocks and other securities without market prices ^(*)	338,763
Investments in partnerships etc. ^(*)	58,671
Total	397,435

(*)1) Stocks and other securities without market prices include unlisted stocks, etc., and are not subject to fair value disclosure in accordance with the Paragraph 5 of ASBJ Guidance No. 19 "Implementation Guidance on Disclosures about Fair Value of Financial Instruments."
(*)2) Investments in partnerships etc. are not subject to fair value disclosure, in accordance with the Paragraph 24-16 of ASBJ Guidance No. 31 "Revised Implementation Guidance on Accounting Standard for Fair Value Measurement."

(Note 5) Maturity analysis of monetary assets and securities with fixed maturities

March 31, 2021	Yen in millions			
	Within 1 year	Over 1 to 5 years	Over 5 to 10 years	Over 10 years
Cash, deposits and savings	2,026,524	28,335	—	850
Receivables under resale agreements	1,999	—	—	—
Monetary claims bought	159,509	—	1,287	14,121
Securities:				
Held-to-maturity securities:				
Government bonds	—	59,400	109,600	900,200
Corporate bonds	—	23,502	9,600	81,300
Foreign securities	—	1,073	703	1,961
Debt securities earmarked for underwriting reserves:				
Government bonds	—	—	—	1,308,000
Municipal bonds	400	—	—	6,200
Corporate bonds	3,900	4,200	5,250	102,900
Foreign securities	10,026	398,953	363,368	62,280
Available-for-sale securities with fixed maturities:				
Government bonds	56,750	463,220	283,750	940,584
Municipal bonds	7,388	50,945	106,907	84,648
Corporate bonds	138,328	659,319	340,765	137,973
Foreign securities	145,823	869,584	848,274	298,601
Loans ^(*)	101,379	509,835	185,220	97,674
Total	2,652,030	3,068,368	2,254,726	4,037,294

(*) The amounts in the above table do not include ¥202 million of loans in which repayments cannot be expected since the debtors are legally bankrupt, substantially bankrupt or likely to go bankrupt, and ¥66,054 million of loans without fixed maturities.

March 31, 2022	Yen in millions			
	Within 1 year	Over 1 to 5 years	Over 5 to 10 years	Over 10 years
Cash, deposits and savings	2,318,829	37,323	—	850
Monetary claims bought	142,125	—	—	4,180
Securities:				
Held-to-maturity securities:				
Government bonds	—	100,200	136,900	838,900
Corporate bonds	—	23,502	9,600	81,300
Foreign securities	—	1,174	1,579	1,336
Debt securities earmarked for underwriting reserves:				
Government bonds	—	—	—	1,786,200
Municipal bonds	—	—	—	9,000
Corporate bonds	1,100	3,700	4,650	110,300
Foreign securities	26,554	455,767	209,491	66,670
Available-for-sale securities with fixed maturities:				
Government bonds	36,380	321,650	312,940	924,784
Municipal bonds	10,335	57,012	82,504	67,120
Corporate bonds	139,309	503,822	285,034	169,065
Foreign securities	131,134	924,515	949,849	311,014
Loans ^(*)	136,810	543,874	149,147	90,227
Total	2,942,580	2,972,541	2,141,697	4,460,949

(*) The amounts in the above table do not include ¥196 million of loans in which repayments cannot be expected since the debtors are legally bankrupt, substantially bankrupt or likely to go bankrupt, and ¥64,966 million of loans without fixed maturities.

(Note 6) Maturity analysis of bonds issued

March 31, 2021	Yen in millions					
	Within 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Over 5 years
Bonds issued ^(*)	—	22,000	—	100,000	—	586,191
Total	—	22,000	—	100,000	—	586,191

(*) The amounts in the above table do not include ¥100,902 million of bond issued without fixed maturities.

March 31, 2022	Yen in millions					
	Within 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Over 5 years
Bonds issued ^(*)	22,000	—	100,000	—	150,000	410,000
Total	22,000	—	100,000	—	150,000	410,000

(*) The amounts in the above table do not include ¥100,902 million of bond issued without fixed maturities.

11. Certain consolidated subsidiaries own investment properties in Tokyo and other areas. The carrying amounts and fair value of the investment properties are as follows:

	Yen in millions	
	March 31, 2021	March 31, 2022
Carrying amount	77,113	76,237
Fair value	141,853	143,572

Notes:

1. Carrying amount represents the acquisition cost less accumulated depreciation.
2. Fair value is primarily determined based on the appraisal values provided by qualified external appraisers. With respect to the properties with no substantial changes in their appraisal values or indices that were considered to appropriately reflect market prices since most recent appraisal dates, the fair value is determined based on these appraisal values or the values adjusted by the relevant indices.

12. The amounts of net assets per share are as follows:

	March 31, 2021	March 31, 2022
Net assets per share (in ¥)	5,525.42	5,955.21
Stock acquisition rights deducted from net assets (in ¥ million)	1,019	762
Non-controlling interests deducted from net assets (in ¥ million)	41,288	43,099
Outstanding common stock (in thousands of shares)	558,210	547,232

NOTES TO CONSOLIDATED STATEMENTS OF INCOME

1. Life insurance premiums are presented at an amount of premium income less cash surrender value or withdrawals (hereinafter referred to as “surrender benefits”) and ceding reinsurance premiums paid. The breakdown of life insurance premiums is as follows:

	Yen in millions	
	For the year ended March 31, 2021	For the year ended March 31, 2022
Premium income	1,338,453	1,356,791
Surrender benefits and ceding reinsurance premiums paid	(1,540,775)	(836,753)
Life insurance premiums	(202,321)	520,037

2. The amounts of gains on derivative transactions to reduce the currency risks of foreign currency reinsurance transactions, included in other underwriting income, are as follows:

	Yen in millions	
	For the year ended March 31, 2021	For the year ended March 31, 2022
	800	5,761

3. The amounts of foreign exchange gains included in other investment income are as follows:

	Yen in millions	
	For the year ended March 31, 2021	For the year ended March 31, 2022
	395,788	178,533

4. Major components of business expenses are as follows:

	Yen in millions	
	For the year ended March 31, 2021	For the year ended March 31, 2022
Commission expenses	697,860	717,494
Salaries	302,091	303,684

Note: Business expenses represent the aggregate amount of Loss adjustment expenses, Operating expenses and general and administrative expenses, and Commissions and collection expenses presented in the consolidated statements of income.

5. Impairment losses recognized on fixed assets are as follows:

For the year ended March 31, 2021

			Yen in millions		
Use	Category	Description	Impairment losses on fixed assets		
			Breakdown		
Investment properties	Buildings	3 properties, including a building for rent in Ibaraki	121	Buildings	121
Idle real estate and real estate for sale and others	Land and buildings	14 properties, including a training center in Kanagawa	1,828	Land	1,263
				Buildings	565

Fixed assets used for the insurance business operations are grouped as a single asset group by each insurance company. Other assets such as investment properties, idle real estate and assets for sale are grouped on an individual basis.

Due to the disposal in the near future or other reasons, the carrying amounts of the assets in the above table were reduced to recoverable amounts, and the aggregate difference between them was recognized as impairment losses on fixed assets under Extraordinary losses.

The recoverable amounts of assets to be disposed represent their net sales value, which are determined based on the appraisal value provided by qualified appraisers.

For the year ended March 31, 2022

			Yen in millions		
Use	Category	Description	Impairment losses on fixed assets		
			Breakdown		
Investment properties	Buildings	2 properties, including a building for rent in Tokyo	1	Buildings	1
Idle real estate and real estate for sale	Land and buildings and other	16 properties, including an office building in Ishikawa	2,683	Land	618
				Buildings	1,938
				Other	125

Fixed assets used for the insurance business operations are grouped as a single asset group by each insurance company. Other assets such as investment properties, idle real estate and assets for sale are grouped on an individual basis.

Due to the disposal in the near future, the determination of demolition or other reasons, the carrying amounts of the assets in the above table were reduced to recoverable amounts, and the aggregate difference between them was recognized as impairment losses on fixed assets under Extraordinary losses.

The recoverable amounts of assets to be disposed represent their net sales value, which are determined based on the appraisal value provided by qualified appraisers.

6. Details of Other extraordinary losses are as follows:

For the year ended March 31, 2021

Other extraordinary losses represent expenses related to additional retirement benefits due to the personnel reduction at overseas consolidated subsidiaries.

For the year ended March 31, 2022

Other extraordinary losses include special funding, etc. of ¥4,721 million in relation to the outside career change support program in MSI and additional retirement benefits of ¥354 million due to the personnel reduction at overseas consolidated subsidiaries.

7. The amounts of net income attributable to owners of the parent per share are as follows:

	For the year ended March 31, 2021	For the year ended March 31, 2022
Basic net income attributable to owners of the parent per share (in ¥)	255.79	474.52
Diluted net income attributable to owners of the parent per share (in ¥)	255.65	474.32

Note: The basis of calculation is as follows:

	For the year ended March 31, 2021	For the year ended March 31, 2022
Net income attributable to owners of the parent (in ¥ million)	144,398	262,799
Average outstanding common stock during the year (in thousands of shares)	564,504	553,816
Increase in number of common stock used for calculation of diluted net income attributable to owners of the parent (in thousands of shares)	313	235

NOTES TO CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

1. Reclassification adjustments and income tax effects of other comprehensive income/(loss)

	Yen in millions	
	2021	2022
Net unrealized gains on securities:		
Gains arising during the period	986,229	9,316
Reclassification adjustments	(97,555)	(97,290)
Before income tax effect adjustments	888,674	(87,974)
Income tax effects	(246,828)	25,545
Net unrealized gains/(losses) on securities	641,845	(62,428)
Net deferred gains/(losses) on hedges:		
Gains/(losses) arising during the period	(12,354)	(12,451)
Reclassification adjustments	(10,238)	(8,464)
Before income tax effect adjustments	(22,593)	(20,916)
Income tax effects	6,408	5,506
Net deferred gains/(losses) on hedges	(16,184)	(15,409)
Foreign currency translation adjustments:		
Gains/(losses) arising during the period	(47,613)	109,422
Actuarial gains/(losses) on retirement benefits:		
Gains/(losses) arising during the period	17,684	(1,556)
Reclassification adjustments	910	(1,794)
Before income tax effect adjustments	18,594	(3,351)
Income tax effects	(5,374)	1,089
Actuarial gains/(losses) on retirement benefits	13,220	(2,261)
Share of other comprehensive income of equity method investments:		
Gains arising during the period	17,118	22,196
Reclassification adjustments	(2,119)	(6,996)
Share of other comprehensive income of equity method investments	14,998	15,199
Total other comprehensive income	606,267	44,521

NOTES TO CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

For the year ended March 31, 2021

1. Type and number of issued stock and treasury stock

	in thousands of shares			
	Beginning balance	Increase	Decrease	Ending balance
Issued stock:				
Common stock	593,291	181	—	593,473
Total	593,291	181	—	593,473
Treasury stock:				
Common stock	24,244	11,076	58	35,263
Total	24,244	11,076	58	35,263

Notes:

1. The increase in the total number of common stock issued and outstanding during the year was 181 thousand shares, as a result of the issuance of stocks with restrictions on transfer.
2. The increase in the number of treasury common stock during the year was 11,076 thousand shares, as a result of open market repurchases of 11,064 thousand shares and repurchases of 12 thousand fractional shares.
3. The decrease in the number of treasury common stock during the year was 58 thousand shares, which is due to exercise of stock acquisition rights of 57 thousand shares and sales of 0 thousand fractional shares.

2. Stock acquisition rights

Category	Breakdown	Yen in millions
		Ending balance
Filer	Stock acquisition rights as stock options	1,019
Total		1,019

3. Dividends

(1) Dividends paid

Resolution	Type of shares	Aggregate amount of dividends (Yen in millions)	Dividends per share (in Yen)	Date of record	Effective date
General shareholders' meeting held on June 25, 2020	Common stock	42,678	75	March 31, 2020	June 26, 2020
Board meeting held on November 19, 2020	Common stock	42,338	75	September 30, 2020	December 7, 2020

Note: Date of record is the date to determine shareholders who are entitled to receive dividends.

(2) Dividends declared effective after March 31, 2021 for which the date of record is in the year ended March 31, 2021

Resolution	Type of shares	Aggregate amount of dividends (Yen in millions)	Source of dividends	Dividends per share (in Yen)	Date of record	Effective date
General shareholders' meeting held on June 28, 2021	Common stock	44,656	Retained earnings	80	March 31, 2021	June 29, 2021

Note: Date of record is the date to determine shareholders who are entitled to receive dividends.

For the year ended March 31, 2022

1. Type and number of issued stock and treasury stock

	in thousands of shares			
	Beginning balance	Increase	Decrease	Ending balance
Issued stock:				
Common stock	593,473	159	—	593,632
Total	593,473	159	—	593,632
Treasury stock:				
Common stock	35,263	11,215	78	46,400
Total	35,263	11,215	78	46,400

Notes:

1. The increase in the total number of common stock issued and outstanding during the year was 159 thousand shares, as a result of the issuance of stocks with restrictions on transfer.
2. The number of treasury common stock at the end of the year includes 213 thousand Company's shares held in trust accounts by overseas consolidated subsidiaries that have the performance-based share compensation plan.
3. The increase in the number of treasury common stock during the year was 11,215 thousand shares, as a result of open market repurchases of 10,988 thousand shares, the purchase of 213 thousand shares by overseas consolidated subsidiaries through trust companies, and repurchases of 13 thousand fractional shares.
4. The decrease in the number of treasury common stock during the year was 78 thousand shares, which is due to exercise of stock acquisition rights of 77 thousand shares and sales of 0 thousand fractional shares.

2. Stock acquisition rights

Category	Breakdown	Yen in millions
		Ending balance
Filer	Stock acquisition rights as stock options	762
Total		762

3. Dividends

(1) Dividends paid

Resolution	Type of shares	Aggregate amount of dividends (Yen in millions)	Dividends per share (in Yen)	Date of record	Effective date
General shareholders' meeting held on June 28, 2021	Common stock	44,656	80	March 31, 2021	June 29, 2021
Board meeting held on November 19, 2021	Common stock	45,712	82.5	September 30, 2021	December 6, 2021

Note: Date of record is the date to determine shareholders who are entitled to receive dividends.

(2) Dividends declared effective after March 31, 2022 for which the date of record is in the year ended March 31, 2022

Resolution	Type of shares	Aggregate amount of dividends (Yen in millions)	Source of dividends	Dividends per share (in Yen)	Date of record	Effective date
General shareholders' meeting to be held on June 27, 2022	Common stock	53,375	Retained earnings	97.5	March 31, 2022	June 28, 2022

Notes:

1. Date of record is the date to determine shareholders who are entitled to receive dividends.
2. Aggregate amount of dividends resolved at the General shareholders' meeting to be held on June 27, 2022 includes dividends of ¥20 million for the Company's shares held in trust accounts by overseas consolidated subsidiaries that have the performance-based share compensation plan.

NOTES TO CONSOLIDATED STATEMENTS OF CASH FLOWS

1. Reconciliation of balance sheet items to cash and cash equivalents

	Yen in millions	
	2021	2022
Cash, deposits and savings	2,057,789	2,357,036
Receivables under resale agreements	1,999	—
Monetary claims bought	175,740	146,489
Securities	16,793,584	16,959,321
Time deposits exceeding three months and deposits pledged as collateral	(206,668)	(220,906)
Monetary claims bought other than cash equivalents	(68,790)	(52,699)
Securities other than cash equivalents	(16,759,220)	(16,933,025)
Cash and cash equivalents	1,994,434	2,256,216

2. Cash flows from investing activities include those from investments made as part of the insurance business.

Summary of Business Results of Main Consolidated Subsidiaries

mitsui sumitomo insurance co., ltd. (non-consolidated)

Non-Consolidated Balance Sheets

Items	Yen in millions	
	March 31, 2021	March 31, 2022
(Assets)		
Cash, deposits and savings:	¥477,788	¥759,266
Cash on hand	16	8
Deposits in banks	477,772	759,257
Receivables under resale agreements	1,999	–
Monetary claims bought	5,927	4,368
Money trusts	4,787	474
Investments in securities:	5,494,362	5,524,192
Government bonds	843,657	701,440
Municipal bonds	86,404	83,840
Corporate bonds	577,741	566,486
Domestic stocks	1,893,640	1,968,509
Foreign securities	2,014,773	2,106,705
Other securities	78,144	97,209
Loans:	423,367	410,660
Policy loans	5,065	4,188
General loans	418,302	406,472
Tangible fixed assets:	210,553	207,534
Land	76,725	75,891
Buildings	110,321	112,725
Construction in progress	5,633	2,257
Other tangible fixed assets	17,872	16,660
Intangible fixed assets:	103,162	93,554
Software	57,219	80,586
Other intangible fixed assets	45,943	12,968
Other assets:	363,016	359,190
Premiums receivable	5,729	6,791
Due from agencies	122,016	121,635
Co-insurance accounts receivable	8,912	10,511
Reinsurance accounts receivable	58,195	46,558
Foreign reinsurance accounts receivable	64,980	50,230
Agency business accounts receivable	759	602
Other receivables	37,081	52,524
Accrued income	5,051	4,465
Guarantee deposits	10,757	10,386
Deposits with the Japan Earthquake Reinsurance Company	4,525	2,944
Suspense payments	38,760	43,940
Initial margins for future transactions	905	1,372
Derivative financial instruments	1,647	3,458
Cash collateral pledged under derivative transactions	3,224	3,767
Other assets	469	–
Customers' liabilities under acceptances and guarantees	19,864	16,822
Bad debt reserve	(6,714)	(1,736)
Total assets	¥7,098,116	¥7,374,326

Items	Yen in millions	
	March 31, 2021	March 31, 2022
(Liabilities)		
Policy liabilities:	¥3,732,644	¥3,755,418
Outstanding claims	668,752	726,484
Underwriting reserves	3,063,891	3,028,933
Bonds issued	587,093	630,902
Other liabilities:	618,743	621,956
Co-insurance accounts payable	11,689	11,754
Reinsurance accounts payable	55,713	55,772
Foreign reinsurance accounts payable	35,598	26,097
Agency business accounts payable	571	520
Payables under securities lending transactions	139,551	161,831
Borrowings	198,381	198,381
Income taxes payable	3,873	5,300
Deposits received	58,320	59,283
Unearned income	21	14
Other payables	34,981	48,117
Suspense receipts	21,617	21,071
Derivative financial instruments	9,850	12,924
Cash collateral received under derivative transactions	43,319	16,063
Lease obligations	1,213	778
Asset retirement obligations	3,946	3,990
Other liabilities	95	53
Reserve for pension and retirement benefits	113,202	84,660
Reserve for retirement benefits for officers	234	171
Accrued bonuses for employees	10,359	9,806
Reserves under the special laws:	23,138	27,332
Reserve for price fluctuation	23,138	27,332
Deferred tax liabilities	67,609	138,075
Acceptances and guarantees	19,864	16,822
Total liabilities	5,172,889	5,285,144
(Net assets)		
Common stock	139,595	139,595
Capital surplus:	93,107	93,107
Additional paid-in capital	93,107	93,107
Retained earnings:	618,376	704,391
Legal earned reserve	46,487	46,487
Other retained earnings:	571,889	657,904
Tax-exempted reserve for accelerated depreciation	15,126	16,197
Retained earnings brought forward	556,762	641,706
Total shareholders' equity	851,080	937,095
Net unrealized gains/(losses) on investments in securities	1,052,131	1,134,070
Net deferred gains/(losses) on hedges	22,014	18,015
Total valuation and translation adjustments	1,074,146	1,152,086
Total net assets	1,925,226	2,089,181
Total liabilities and net assets	¥7,098,116	¥7,374,326

MITSUI SUMITOMO INSURANCE CO., LTD. (NON-CONSOLIDATED)

Non-Consolidated Statements of Income

Items	Yen in millions	
	Year ended March 31, 2021	Year ended March 31, 2022
Ordinary income:	¥1,802,134	¥1,888,581
Underwriting income:	1,664,693	1,682,089
Net premiums written	1,559,567	1,579,325
Deposit premiums from policyholders	52,851	38,231
Investment income on deposit premiums from policyholders	28,033	26,543
Reversal of underwriting reserves	23,260	35,031
Foreign exchange gains	744	2,180
Other underwriting income	236	777
Investment income:	132,644	201,655
Interest and dividends income	98,834	127,237
Investment gains on money trusts	1,839	203
Gains on sales of securities	51,115	91,349
Gains on redemption of securities	404	206
Gains on derivative transactions	1,653	2,903
Foreign exchange gains	6,685	6,168
Other investment income	144	128
Transfer of investment income on deposit premiums from policyholders	(28,033)	(26,543)
Other ordinary income	4,797	4,836
Ordinary expenses:	1,670,530	1,704,347
Underwriting expenses:	1,420,935	1,419,566
Net claims paid	835,374	831,256
Loss adjustment expenses	96,995	100,710
Commissions and collection expenses	291,995	300,572
Maturity refunds to policyholders	160,980	128,375
Dividends to policyholders	61	50
Provision for outstanding claims	33,744	57,624
Other underwriting expenses	1,784	976
Investment expenses:	6,463	40,404
Losses on sales of securities	1,355	599
Impairment losses on securities	904	30,708
Losses on redemption of securities	450	157
Other investment expenses	3,753	8,940
Operating expenses and general and administrative expenses	232,278	234,209
Other ordinary expenses:	10,852	10,166
Interest expense	9,900	9,740
Provision for bad debts	132	3
Losses on bad debts	3	0
Other ordinary expenses	816	422
Ordinary profit	131,604	184,234
Extraordinary income:	6,572	13,777
Gains on sales of fixed assets	6,572	13,777
Extraordinary losses:	5,931	11,682
Losses on sales of fixed assets	1,569	1,958
Impairment losses on fixed assets	230	807
Provision for reserves under the special laws:	4,131	4,193
Provision for reserve for price fluctuation	4,131	4,193
Other extraordinary losses	–	4,721
Income before income taxes	132,245	186,329
Income taxes – current	2,339	278
Income taxes – deferred	37,690	40,306
Total income taxes	40,029	40,585
Net income	¥92,215	¥145,744

Non-Consolidated Solvency Margin Ratio

Insurance companies running their business in Japan calculate the non-consolidated solvency margin ratio pursuant to the provisions of Articles 86 and 87 of the Insurance Business Act Enforcement Regulations and Public Notice No. 50 issued by the Ministry of Finance in 1996.

While insurance companies set aside reserves to provide for payments of insurance claims should an insured event occur, they are also required to maintain sufficient funds to pay out in an event outside the normal range of estimates such as a major catastrophe and a significant drop in the value of their assets.

The non-consolidated solvency margin ratio, or item (C) in each of the tables below, which is calculated in accordance with the Insurance Business Act, is the ratio of “solvency margin of insurance companies calculated based on their capital and other reserves”, or (A) the total amount of solvency margin, to “risks exceeding the normal range of estimates”, or (B) the total amount of risks.

The non-consolidated solvency margin ratio is one of the objective indicators used by the insurance regulatory authorities to supervise insurance companies. A non-consolidated solvency margin ratio of 200% or over indicates adequate ability to satisfy insurance claims and other payment requirements.

	Yen in millions	
	March 31, 2021	March 31, 2022
(A) Total amount of solvency margin	¥3,490,583	¥3,598,612
Total net assets	815,511	866,008
Reserve for price fluctuation	23,138	27,332
Contingency reserve	–	325
Catastrophe reserve	580,436	625,266
General bad debt reserve	87	78
Net unrealized gains/(losses) on investments in securities and net deferred gains/(losses) on hedges (prior to tax effect deductions)	1,313,294	1,415,205
Net unrealized gains/(losses) on land	62,327	55,081
Excess of policyholders' contract deposits (a)	–	–
Subordinated debts, etc. (b)	487,093	380,902
Amount excluded from the margin, out of (a) and (b)	–	–
Deductions	3,642	3,642
Others	212,335	232,054
(B) Total amount of risks $\sqrt{(R_1+R_2)^2+(R_3+R_4)^2}+R_5+R_6$	935,111	996,144
General insurance risk (R_1)	140,053	144,258
Insurance risk of third sector insurance contracts (R_2)	–	–
Assumed interest rate risk (R_3)	12,408	11,064
Asset management risk (R_4)	789,158	821,285
Business administration risk (R_5)	20,843	22,117
Catastrophe risk (R_6)	100,557	129,267
(C) Solvency margin ratio $[(A) / \{(B) \times 1/2\}] \times 100$	746.5%	722.5%

AIOI NISSAY DOWA INSURANCE CO., LTD. (NON-CONSOLIDATED)

Non-Consolidated Balance Sheets

Items	Yen in millions	
	March 31, 2021	March 31, 2022
(Assets)		
Cash, deposits and savings:	¥201,284	¥155,570
Cash on hand	18	16
Deposits in banks	201,266	155,554
Money trusts	2,480	2,821
Investments in securities:	2,643,427	2,643,754
Government bonds	449,175	430,559
Municipal bonds	40,145	39,319
Corporate bonds	298,053	305,408
Domestic stocks	952,172	888,329
Foreign securities	801,844	865,355
Other securities	102,035	114,781
Loans:	232,949	245,701
Policy loans	1,830	1,479
General loans	231,118	244,222
Tangible fixed assets:	185,009	181,973
Land	72,784	71,041
Buildings	97,519	96,245
Lease assets	1	0
Construction in progress	959	1,620
Other tangible fixed assets	13,743	13,066
Intangible fixed assets:	63,707	71,174
Software	29,632	33,561
Other intangible fixed assets	34,075	37,613
Other assets:	378,704	366,920
Premiums receivable	2,183	2,949
Due from agencies	83,387	88,264
Due from foreign agencies	1,135	1,688
Co-insurance accounts receivable	3,216	6,718
Reinsurance accounts receivable	59,753	41,772
Foreign reinsurance accounts receivable	145,837	147,666
Agency business accounts receivable	302	340
Other receivables	39,625	33,790
Accrued income	6,581	6,092
Guarantee deposits	6,650	6,408
Deposits with the Japan Earthquake Reinsurance Company	2,624	1,511
Suspense payments	25,423	25,340
Derivative financial instruments	1,983	4,376
Prepaid pension expenses	20,005	24,930
Deferred tax assets	8,450	45,270
Customers' liabilities under acceptances and guarantees	10,500	8,000
Bad debt reserve	(1,240)	(966)
Total assets	¥3,745,278	¥3,745,150

Items	Yen in millions	
	March 31, 2021	March 31, 2022
(Liabilities)		
Policy liabilities:	¥2,443,083	¥2,465,971
Outstanding claims	587,631	623,230
Underwriting reserves	1,855,451	1,842,741
Bonds issued	72,000	72,000
Other liabilities:	304,742	320,157
Co-insurance accounts payable	3,082	4,334
Reinsurance accounts payable	45,199	41,530
Foreign reinsurance accounts payable	69,346	73,222
Agency business accounts payable	2,174	2,398
Payables under securities lending transactions	80,079	88,775
Income taxes payable	25,770	4,860
Deposits received	3,681	3,419
Unearned income	12	16
Other payables	38,555	50,538
Suspense receipts	18,882	19,774
Derivative financial instruments	17,120	30,082
Lease obligations	1	–
Asset retirement obligations	835	1,204
Other liabilities	0	0
Reserve for pension and retirement benefits	36,879	39,688
Accrued bonuses for employees	7,479	7,054
Reserves under the special laws:	31,896	33,797
Reserve for price fluctuation	31,896	33,797
Acceptances and guarantees	10,500	8,000
Total liabilities	2,906,581	2,946,669
(Net assets)		
Common stock	100,005	100,005
Capital surplus:	81,207	81,207
Additional paid-in capital	52,593	52,593
Other capital surplus	28,614	28,614
Retained earnings:	176,474	197,213
Legal earned reserve	47,411	47,411
Other retained earnings:	129,062	149,802
Retained earnings brought forward	129,062	149,802
Total shareholders' equity	357,687	378,426
Net unrealized gains/(losses) on investments in securities	481,009	420,054
Total valuation and translation adjustments	481,009	420,054
Total net assets	838,696	798,480
Total liabilities and net assets	¥3,745,278	¥3,745,150

AIOI NISSAY DOWA INSURANCE CO., LTD. (NON-CONSOLIDATED)

Non-Consolidated Statements of Income

Items	Yen in millions	
	Year ended March 31, 2021	Year ended March 31, 2022
Ordinary income:	¥1,389,884	¥1,422,301
Underwriting income:	1,322,104	1,343,976
Net premiums written	1,281,426	1,291,344
Deposit premiums from policyholders	19,784	13,953
Investment income on deposit premiums from policyholders	13,750	13,654
Reversal of underwriting reserves	–	12,710
Foreign exchange gains	5,602	5,768
Other underwriting income	1,539	6,545
Investment income:	62,163	71,469
Interest and dividends income	54,910	56,833
Investment gains on money trusts	0	0
Gains on sales of securities	19,857	23,758
Gains on redemption of securities	276	3,637
Foreign exchange gains	777	860
Other investment income	91	34
Transfer of investment income on deposit premiums from policyholders	(13,750)	(13,654)
Other ordinary income	5,616	6,854
Ordinary expenses:	1,357,407	1,341,337
Underwriting expenses:	1,149,834	1,129,637
Net claims paid	679,990	694,206
Loss adjustment expenses	71,258	78,382
Commissions and collection expenses	261,202	267,882
Maturity refunds to policyholders	60,182	52,615
Dividends to policyholders	11	7
Provision for outstanding claims	23,195	35,598
Provision for underwriting reserves	53,008	–
Other underwriting expenses	985	944
Investment expenses:	7,946	12,603
Losses on sales of securities	2,371	6,460
Impairment losses on securities	956	3,816
Losses on redemption of securities	249	1
Losses on derivative transactions	2,451	679
Other investment expenses	1,918	1,645
Operating expenses and general and administrative expenses	197,089	196,899
Other ordinary expenses:	2,536	2,197
Interest expense	787	789
Provision for bad debts	438	–
Losses on bad debts	0	0
Other ordinary expenses	1,310	1,406
Ordinary profit	32,476	80,964
Extraordinary income:	651	916
Gains on sales of fixed assets	651	916
Extraordinary losses:	8,295	9,452
Losses on sales of fixed assets	4,120	4,256
Impairment losses on fixed assets	2,362	3,295
Provision for reserves under the special laws:	1,808	1,900
Provision for reserve for price fluctuation	1,808	1,900
Losses on reduction of tangible fixed assets	3	–
Income before income taxes	24,832	72,427
Income taxes – current	29,463	31,507
Income taxes – deferred	(26,240)	(13,052)
Total income taxes	3,222	18,454
Net income	¥21,610	¥53,973

Non-Consolidated Solvency Margin Ratio

	Yen in millions	
	March 31, 2021	March 31, 2022
(A) Total amount of solvency margin	¥1,438,465	¥1,396,160
Total net assets	341,763	348,631
Reserve for price fluctuation	31,896	33,797
Contingency reserve	992	1,139
Catastrophe reserve	331,141	359,818
General bad debt reserve	252	205
Net unrealized gains/(losses) on investments in securities and net deferred gains/(losses) on hedges (prior to tax effect deductions)	600,213	523,963
Net unrealized gains/(losses) on land	35,864	35,123
Excess of policyholders' contract deposits (a)	–	–
Subordinated debts, etc. (b)	54,400	50,000
Amount excluded from the margin, out of (a) and (b)	–	–
Deductions	4,579	5,394
Others	46,521	48,875
(B) Total amount of risks $\sqrt{(R_1+R_2)^2+(R_3+R_4)^2}+R_5+R_6$	363,749	368,045
General insurance risk (R_1)	117,505	121,208
Insurance risk of third sector insurance contracts (R_2)	–	–
Assumed interest rate risk (R_3)	6,083	5,544
Asset management risk (R_4)	251,845	241,858
Business administration risk (R_5)	8,936	9,042
Catastrophe risk (R_6)	71,379	83,503
(C) Solvency margin ratio $[(A) / \{(B) \times 1/2\}] \times 100$	790.9%	758.6%

MITSUI DIRECT GENERAL INSURANCE CO., LTD. (NON-CONSOLIDATED)

Non-Consolidated Balance Sheets

Items	Yen in millions	
	March 31, 2021	March 31, 2022
(Assets)		
Cash, deposits and savings:	¥12,842	¥17,499
Deposits in banks	12,842	17,499
Investments in securities:	38,314	35,268
Municipal bonds	20,400	18,975
Corporate bonds	11,428	9,842
Other securities	6,485	6,450
Tangible fixed assets:	876	728
Buildings	254	234
Other tangible fixed assets	622	493
Intangible fixed assets:	4,650	4,393
Software	4,650	3,612
Other intangible fixed assets	0	780
Other assets:	5,171	4,917
Premiums receivable	0	0
Reinsurance accounts receivable	0	0
Other receivables	3,250	3,218
Accrued income	34	30
Guarantee deposits	440	439
Suspense payments	1,444	1,227
Other assets	0	0
Deferred tax assets	–	130
Bad debt reserve	(4)	(3)
Total assets	¥61,850	¥62,933
(Liabilities)		
Policy liabilities:	43,980	44,176
Outstanding claims	23,068	23,734
Underwriting reserves	20,912	20,442
Other liabilities:	2,106	2,267
Reinsurance accounts payable	1	1
Income taxes payable	390	106
Unearned income	37	24
Other payables	1,468	1,931
Suspense receipts	10	5
Asset retirement obligations	197	198
Reserve for pension and retirement benefits	303	373
Accrued bonuses for employees	299	294
Reserves under the special laws:	86	94
Reserve for price fluctuation	86	94
Deferred tax liabilities	85	5
Total liabilities	46,862	47,212
(Net assets)		
Common stock	39,106	39,106
Capital surplus:	9,006	9,006
Additional paid-in capital	9,006	9,006
Retained earnings:	(33,104)	(32,284)
Other retained earnings:	(33,104)	(32,284)
Retained earnings brought forward	(33,104)	(32,284)
Total shareholders' equity	15,007	15,827
Net unrealized gains/(losses) on investments in securities	(18)	(106)
Total valuation and translation adjustments	(18)	(106)
Total net assets	14,988	15,720
Total liabilities and net assets	¥61,850	¥62,933

Non-Consolidated Statements of Income

Items	Yen in millions	
	Year ended March 31, 2021	Year ended March 31, 2022
Ordinary income:	¥36,554	¥35,941
Underwriting income:	36,497	35,893
Net premiums written	36,477	35,400
Investment income on deposit premiums from policyholders	20	22
Reversal of underwriting reserves	–	470
Investment income:	31	28
Interest and dividends income	51	50
Transfer of investment income on deposit premiums from policyholders	(20)	(22)
Other ordinary income	25	19
Ordinary expenses:	35,135	35,138
Underwriting expenses:	24,030	23,811
Net claims paid	20,547	19,997
Loss adjustment expenses	2,870	2,791
Commissions and collection expenses	338	355
Provision for outstanding claims	122	666
Provision for underwriting reserves	152	–
Investment expenses:	–	–
Operating expenses and general and administrative expenses	11,096	11,324
Other ordinary expenses:	7	2
Other ordinary expenses	7	2
Ordinary profit	1,419	802
Extraordinary income	–	–
Extraordinary losses:	111	7
Losses on sales of fixed assets	54	0
Provision for reserves under the special laws:	7	7
Provision for reserve for price fluctuation	7	7
Other extraordinary losses	49	–
Income before taxes	1,307	795
Income taxes – current	294	184
Income taxes – deferred	34	(209)
Total income taxes	328	(24)
Net income	¥978	¥820

Non-Consolidated Solvency Margin Ratio

	Yen in millions	
	March 31, 2021	March 31, 2022
(A) Total amount of solvency margin	¥16,291	¥17,001
Total net assets	15,007	15,827
Reserve for price fluctuation	86	94
Contingency reserve	0	0
Catastrophe reserve	1,214	1,185
General bad debt reserve	1	1
Net unrealized gains/(losses) on investments in securities and net deferred gains/(losses) on hedges (prior to tax effect deductions)	(18)	(106)
Net unrealized gains/(losses) on land	–	–
Excess of policyholders' contract deposits (a)	–	–
Subordinated debts, etc. (b)	–	–
Amount excluded from the margin, out of (a) and (b)	–	–
Deductions	–	–
Others	–	–
(B) Total amount of risks $\sqrt{(R_1+R_2)^2+(R_3+R_4)^2}+R_5+R_6$	5,468	5,199
General insurance risk (R_1)	4,879	4,616
Insurance risk of third sector insurance contracts (R_2)	–	–
Assumed interest rate risk (R_3)	0	0
Asset management risk (R_4)	1,009	994
Business administration risk (R_5)	185	177
Catastrophe risk (R_6)	300	300
(C) Solvency margin ratio $[(A) / \{(B) \times 1/2\}] \times 100$	595.8%	653.9%

MITSUI SUMITOMO AIOI LIFE INSURANCE CO., LTD. (NON-CONSOLIDATED)

Non-Consolidated Balance Sheets

Items	Yen in millions	
	March 31, 2021	March 31, 2022
(Assets)		
Cash, deposits and savings:	¥74,851	¥107,417
Cash on hand	0	0
Deposits in banks	74,851	107,416
Investments in securities:	4,313,867	4,613,652
Government bonds	3,077,284	3,499,113
Municipal bonds	132,491	102,265
Corporate bonds	796,309	624,513
Domestic stocks	785	1,001
Foreign securities	253,557	315,227
Other securities	53,438	71,531
Loans:	58,858	58,990
Policy loans	58,858	58,990
Tangible fixed assets:	8,010	6,855
Buildings	431	346
Lease assets	6,073	5,377
Other tangible fixed assets	1,506	1,131
Intangible fixed assets:	32,164	28,968
Software	23,356	17,571
Other intangible fixed assets	8,807	11,396
Due from agencies	1,518	1,379
Reinsurance accounts receivable	994	1,274
Other assets:	43,538	54,370
Other receivables	32,227	31,159
Prepaid expenses	3,126	2,569
Accrued income	7,405	7,595
Guarantee deposits	367	332
Derivative financial instruments	2	24
Suspense payments	397	920
Other assets	11	11,768
Deferred tax assets	676	10,923
Bad debt reserve	(89)	(91)
Total assets	¥4,534,390	¥4,883,740

Items	Yen in millions	
	March 31, 2021	March 31, 2022
(Liabilities)		
Policy liabilities:	¥4,007,521	¥4,208,571
Outstanding claims	33,569	38,970
Underwriting reserves	3,964,029	4,158,746
Reserve for dividends to policyholders	9,923	10,854
Due to agencies	3,063	2,949
Reinsurance accounts payable	302	309
Other liabilities:	251,978	480,344
Payables under repurchase agreements	110,343	227,342
Payables under securities lending transactions	126,101	228,535
Income taxes payable	3,538	632
Other payables	345	6,190
Accrued expenses	6,828	7,147
Unearned income	0	0
Deposits received	115	113
Derivative financial instruments	2,253	8,789
Lease obligations	333	239
Asset retirement obligations	429	414
Suspense receipts	521	938
Other liabilities	1,168	–
Reserve for pension and retirement benefits	4,234	4,647
Reserve for retirement benefits for officers	7	5
Reserves under the special laws:	9,853	11,126
Reserve for price fluctuation	9,853	11,126
Total liabilities	4,276,962	4,707,955
(Net assets)		
Common stock	85,500	85,500
Capital surplus:	93,688	19,955
Additional paid-in capital	63,214	14,746
Other capital surplus	30,473	5,208
Retained earnings:	25,115	40,662
Legal earned reserve	2,524	3,630
Other retained earnings:	22,590	37,032
Reserve for specified business investments	–	49
Retained earnings brought forward	22,590	36,982
Total shareholders' equity	204,303	146,117
Net unrealized gains/(losses) on investments in securities	53,124	29,667
Total valuation and translation adjustments	53,124	29,667
Total net assets	257,428	175,784
Total liabilities and net assets	¥4,534,390	¥4,883,740

MITSUI SUMITOMO AIOI LIFE INSURANCE CO., LTD. (NON-CONSOLIDATED)

Non-Consolidated Statements of Income

Items	Yen in millions	
	Year ended March 31, 2021	Year ended March 31, 2022
Ordinary income:	¥568,421	¥563,333
Insurance premiums and others:	513,183	503,525
Insurance premiums	511,986	501,978
Reinsurance income	1,196	1,546
Investment income:	51,023	57,273
Interest and dividends income:	48,701	50,755
Interest on deposits	0	0
Interest and dividends on securities	46,985	48,830
Interest on loans	1,598	1,651
Other interest and dividends	118	273
Gains on sales of securities	2,258	6,514
Gains on redemption of securities	56	—
Foreign exchange gains	—	3
Reversal of bad debts	7	—
Other ordinary income:	4,214	2,534
Receipts of annuities with special conditions	2,672	821
Receipts of deferred insurance claims	1,411	1,267
Other ordinary income	130	446
Ordinary expenses:	542,796	524,281
Insurance claims and others:	218,116	228,942
Insurance claims	48,323	47,050
Annuity payments	19,302	20,455
Benefits	31,943	34,974
Surrender benefits	113,104	121,193
Other refunds	3,845	3,551
Reinsurance premiums	1,596	1,716
Provision for underwriting reserves and others:	228,029	200,119
Provision for outstanding claims	1,682	5,401
Provision for underwriting reserves	226,346	194,717
Provision for interest portion of reserve for dividends to policyholders	0	0
Investment expenses:	708	1,912
Losses on sales of securities	389	1,232
Losses on derivative transactions	176	222
Foreign exchange losses	1	—
Provision for bad debts	—	3
Other investment expenses	140	454
Operating expenses	77,298	73,860
Other ordinary expenses:	18,643	19,447
Payments of deferred insurance claims	1,330	1,306
Taxes	7,798	7,563
Depreciation	9,109	10,130
Provision for reserve for pension and retirement benefits	377	413
Other ordinary expenses	28	32
Ordinary profit	25,624	39,051
Extraordinary income:	0	0
Gains on sales of fixed assets	0	0
Extraordinary losses:	1,438	1,294
Losses on sales of fixed assets	309	21
Provision for reserves under the special laws:	1,128	1,272
Provision for reserve for price fluctuation	1,128	1,272
Provision for reserve for dividends to policyholders	8,151	8,969
Income before income taxes	16,036	28,787
Income taxes – current	5,007	8,839
Income taxes – deferred	(883)	(1,124)
Total income taxes	4,124	7,715
Net income	¥11,911	¥21,072

Business Results

Amount of Policies in Force and New Policies

(1) Policies in force

	Yen in 100 millions			
	March 31, 2021		March 31, 2022	
	Number of policies (in thousands)	Amount	Number of policies (in thousands)	Amount
Individual insurance	3,815	¥236,240	3,858	¥232,274
Individual annuities	166	6,428	159	6,203
Group insurance	—	93,562	—	96,180
Group annuities	—	2	—	2

Notes: 1. The amounts of individual annuities represent the total sum of (a) the funds to be held at the time annuity payments are to commence for the policies for which annuity payments have not yet commenced and (b) the underwriting reserves for the policies for which annuity payments have commenced.

2. The amounts of group annuities represent the underwriting reserves.

(2) New policies

	Yen in 100 millions							
	Year ended March 31, 2021				Year ended March 31, 2022			
	Number of policies (in thousands)	Amount	New policies	Net increase by conversion	Number of policies (in thousands)	Amount	New policies	Net increase by conversion
Individual insurance	254	¥17,634	¥17,634	—	228	¥16,860	¥16,860	—
Individual annuities	1	56	56	—	0	44	44	—
Group insurance	—	1,149	1,149	—	—	433	433	—
Group annuities	—	—	—	—	—	—	—	—

Note: The amounts of individual annuities represent the funds to be held at the time annuity payments are to commence.

Annualized Premiums

(1) Policies in force

	Yen in 100 millions	
	March 31, 2021	March 31, 2022
Individual insurance	¥4,069	¥4,057
Individual annuities	409	381
Total:	4,479	4,438
Medical coverage, living benefits, etc.	1,460	1,524

(2) New policies

	Yen in 100 millions	
	Year ended March 31, 2021	Year ended March 31, 2022
Individual insurance	¥259	¥267
Individual annuities	2	1
Total:	262	269
Medical coverage, living benefits, etc.	146	140

Notes: 1. An annualized premium is the annual total of premiums that is obtained by multiplying the amount of a single payment with the number of payments per year in accordance with the premium payment method. An annualized premium for a lump-sum payment policy is the premium divided by the number of years of coverage.

2. "Medical coverage, living benefits, etc." represents the portion of annualized premiums that corresponds to medical coverage benefits (for hospitalization, surgeries, etc.), living benefits (for specified diseases, nursing care, etc.) and premium waiver benefits (excluding those for disability, but including those for specified diseases, nursing care, etc.).

MITSUI SUMITOMO AIOI LIFE INSURANCE CO., LTD. (NON-CONSOLIDATED)
Non-Consolidated Business Performance

	Yen in millions		
	Year ended March 31, 2021	Year ended March 31, 2022	Change
Fundamental revenues:	¥566,155	¥556,815	¥(9,340)
Insurance premiums and others	513,183	503,525	(9,657)
Fundamental expenses	541,343	522,295	(19,048)
Fundamental profit	24,811	34,519	9,708
Capital gains/(losses)	1,691	5,065	3,373
Non-recurring gains/(losses)	(878)	(533)	345
Ordinary profit	25,624	39,051	13,427
Extraordinary income	0	0	(0)
Extraordinary losses	1,438	1,294	(143)
Provision for reserve for dividends to policyholders	8,151	8,969	818
Income taxes	4,124	7,715	3,590
Net income	11,911	21,072	9,160

Non-Consolidated Solvency Margin Ratio

	Yen in millions	
	March 31, 2021	March 31, 2022
(A) Total amount of solvency margin	¥490,784	¥398,033
Total capital	199,693	134,643
Reserve for price fluctuation	9,853	11,126
Contingency reserve	39,775	40,305
General bad debt reserve	3	4
Net unrealized gains/(losses) on investments in securities and net deferred gains/(losses) on hedges (prior to tax effect deductions) × 90%	66,405	37,083
Net unrealized gains/(losses) on land × 85%	—	—
Excess of continued Zillmerized reserve (a)	167,964	165,324
Subordinated debts, etc. (b)	—	—
Amount excluded from the margin, out of (a) and (b)	—	—
Brought in capital	—	—
Deductions	—	—
Others	7,087	9,545
(B) Total amount of risks $\sqrt{(R_1+R_9)^2+(R_2+R_3+R_7)^2}+R_4$	68,186	69,105
Insurance risk (R ₁)	18,468	18,369
Insurance risk of third sector insurance contracts (R ₉)	17,227	17,845
Assumed interest rate risk (R ₂)	3,242	3,263
Minimum guarantee risk (R ₇)	—	—
Asset management risk (R ₃)	52,692	53,400
Business administration risk (R ₄)	1,832	1,857
(C) Solvency margin ratio $[(A) / \{(B) \times 1/2\}] \times 100$	1,439.5%	1,151.9%

MITSUI SUMITOMO PRIMARY LIFE INSURANCE CO., LTD. (NON-CONSOLIDATED)

Non-Consolidated Balance Sheets

Items	Yen in millions	
	March 31, 2021	March 31, 2022
(Assets)		
Cash, deposits and savings:	¥807,492	¥764,012
Deposits in banks	807,492	764,012
Monetary claims bought	100,993	80,995
Money trusts	1,710,444	2,035,737
Investments in securities:	4,039,282	3,748,856
Government bonds	14,496	19,266
Municipal bonds	1,713	1,302
Corporate bonds	63,776	54,543
Foreign securities	1,901,831	1,789,095
Other securities	2,057,463	1,884,649
Loans:	264,182	288,656
Policy loans	280	291
General loans	263,901	288,365
Tangible fixed assets:	901	743
Buildings	322	274
Lease assets	513	413
Other tangible fixed assets	65	55
Intangible fixed assets:	13,510	12,553
Software	13,371	12,427
Lease assets	139	126
Reinsurance accounts receivable	5,497	2,482
Other assets:	23,735	39,109
Other receivables	3,893	19,046
Prepaid expenses	1,436	1,322
Accrued income	13,358	12,874
Guarantee deposits	4,818	1,507
Derivative financial instruments	–	4,051
Suspense payments	229	303
Other assets	–	4
Deferred tax assets	58,712	80,169
Bad debt reserve	–	(9)
Total assets	¥7,024,753	¥7,053,307
(Liabilities)		
Policy liabilities:	6,482,031	6,545,794
Outstanding claims	24,209	27,676
Underwriting reserves	6,457,822	6,518,118
Due to agencies	4,808	2,847
Reinsurance accounts payable	4,238	4,950
Other liabilities:	93,090	64,209
Income taxes payable	30,405	4,227
Other payables	5,182	159
Accrued expenses	4,940	4,984
Deposits received	49,651	49,113
Derivative financial instruments	920	3,845
Lease obligations	725	607
Asset retirement obligations	179	182
Suspense receipts	1,084	1,088
Reserves under the special laws:	180,000	194,031
Reserve for price fluctuation	180,000	194,031
Total liabilities	6,764,169	6,811,832
(Net assets)		
Common stock	41,060	41,060
Capital surplus:	24,735	24,735
Additional paid-in capital	24,735	24,735
Retained earnings:	154,113	182,927
Legal earned reserve	7,104	11,943
Other retained earnings:	147,009	170,983
Retained earnings brought forward	147,009	170,983
Total shareholders' equity	219,908	248,722
Net unrealized gains/(losses) on investments in securities	36,961	(782)
Net deferred gains/(losses) on hedges	3,713	(6,465)
Total valuation and translation adjustments	40,675	(7,248)
Total net assets	260,584	241,474
Total liabilities and net assets	¥7,024,753	¥7,053,307

Non-Consolidated Statements of Income

Items	Yen in millions	
	Year ended March 31, 2021	Year ended March 31, 2022
Ordinary income:	¥2,039,152	¥1,383,799
Insurance premiums and others:	892,179	925,619
Insurance premiums	785,407	812,496
Reinsurance income	106,771	113,123
Investment income:	1,142,890	453,952
Interest and dividends income:	81,570	65,569
Interest on deposits	9	6
Interest and dividends on securities	72,121	55,895
Interest on loans	9,018	9,497
Other interest and dividends	420	169
Investment gains on money trusts	210,974	156,494
Gains on sales of securities	152,133	14,511
Gains on redemption of securities	1,812	1,666
Foreign exchange gains	384,614	157,247
Other investment income	19	223
Investment gains on separate accounts	311,765	58,239
Other ordinary income:	4,082	4,227
Receipts of annuities with special conditions	3,749	3,907
Other ordinary income	333	319
Ordinary expenses:	1,879,055	1,296,009
Insurance claims and others:	1,805,686	1,174,560
Insurance claims	110,180	127,066
Annuity payments	84,870	84,900
Benefits	214,550	265,946
Surrender benefits	1,209,445	506,654
Other refunds	3,844	3,692
Reinsurance premiums	182,794	186,299
Provision for underwriting reserves and others:	18,614	63,762
Provision for outstanding claims	4,814	3,466
Provision for underwriting reserves	13,800	60,295
Investment expenses:	784	3,570
Interest expense	11	9
Investment losses on trading securities	1	30
Losses on sales of securities	738	3,447
Losses on redemption of securities	0	44
Provision for bad debts	–	9
Other investment expenses	32	28
Operating expenses	44,258	44,083
Other ordinary expenses:	9,711	10,033
Taxes	6,016	5,564
Depreciation	3,690	4,447
Other ordinary expenses	4	21
Ordinary profit	160,097	87,789
Extraordinary income:	–	–
Extraordinary losses:	100,500	14,031
Provision for reserves under the special laws:	100,500	14,031
Provision for reserve for price fluctuation	100,500	14,031
Income before income taxes	59,597	73,758
Income taxes – current	43,543	23,566
Income taxes – deferred	(27,064)	(2,819)
Total income taxes	16,479	20,747
Net income	¥43,117	¥53,011

MITSUI SUMITOMO PRIMARY LIFE INSURANCE CO., LTD. (NON-CONSOLIDATED)

Business Results

Amount of Policies in Force and New Policies

(1) Policies in force

Yen in 100 millions				
March 31, 2021		March 31, 2022		
Number of policies (in thousands)	Amount	Number of policies (in thousands)	Amount	
Individual insurance	663	¥42,277	665	¥45,874
Individual annuities	377	23,680	353	22,161
Group insurance	—	—	—	—
Group annuities	—	—	—	—

Note: The amounts of individual annuities represent the total sum of (a) the funds to be held at the time annuity payments are to commence (the premium reserves in the case of individual variable annuities) for the policies for which annuity payments have not yet commenced and (b) the underwriting reserves for the policies for which annuity payments have commenced.

(2) New policies

	Yen in 100 millions							
	Year ended March 31, 2021				Year ended March 31, 2022			
	Number of policies (in thousands)	Amount	New policies	Net increase by conversion	Number of policies (in thousands)	Amount	New policies	Net increase by conversion
Individual insurance	84	¥6,708	¥6,708	—	87	¥7,273	¥7,273	—
Individual annuities	18	1,174	1,174	—	13	923	923	—
Group insurance	—	—	—	—	—	—	—	—
Group annuities	—	—	—	—	—	—	—	—

Note: The amounts of individual annuities represent the funds to be held at the time annuity payments are to commence (the premium reserves at the time of enrollment in the case of individual variable annuities).

Annualized Premiums

(1) Policies in force

Yen in 100 millions		
March 31, 2021	March 31, 2022	
Individual insurance	¥3,661	¥4,284
Individual annuities	2,674	2,475
Total:	6,335	6,759
Medical coverage, living benefits, etc.	4	6

(2) New policies

Yen in 100 millions		
Year ended March 31, 2021	Year ended March 31, 2022	
Individual insurance	¥674	¥682
Individual annuities	236	160
Total:	911	842
Medical coverage, living benefits, etc.	3	2

Notes: 1. An annualized premium is the annual total of premiums that is obtained by multiplying the amount of a single payment with the number of payments per year in accordance with the premium payment method. An annualized premium for a lump-sum payment policy is the premium divided by the number of years of coverage.
2. "Medical coverage, living benefits, etc." represents the portion of annualized premiums that corresponds to medical coverage benefits (for hospitalization, surgeries, etc.), living benefits (for specified diseases, nursing care, etc.) and premium waiver benefits (excluding those for disability, but including those for specified diseases, nursing care, etc.).

Non-Consolidated Business Performance

Yen in millions			
	Year ended March 31, 2021	Year ended March 31, 2022	Change
Fundamental revenues:	¥1,918,471	¥1,402,838	¥(515,633)
Insurance premiums and others	892,179	925,619	33,440
Fundamental expenses	1,877,608	1,348,004	(529,604)
Fundamental profit	40,862	54,833	13,971
Capital gains/(losses)	119,941	30,832	(89,109)
Non-recurring gains/(losses)	(707)	2,124	2,831
Ordinary profit	160,097	87,789	(72,307)
Extraordinary income	—	—	—
Extraordinary losses	100,500	14,031	(86,468)
Provision for reserve for dividends to policyholders	—	—	—
Income taxes	16,479	20,747	4,267
Net income	43,117	53,011	9,893

Non-Consolidated Solvency Margin Ratio







Yen in millions		
	March 31, 2021	March 31, 2022
(A) Total amount of solvency margin	¥711,185	¥739,516
Total capital	198,130	226,865
Reserve for price fluctuation	180,000	194,031
Contingency reserve	81,204	79,070
General bad debt reserve	—	—
Net unrealized gains/(losses) on investments in securities and net deferred gains/(losses) on hedges (prior to tax effect deductions) x 90% (100% in case of negative value)	44,019	(5,170)
Net unrealized gains/(losses) on land x 85%	—	—
Excess of continued Zillmerized reserve (a)	160,823	188,425
Subordinated debts, etc. (b)	—	—
Amount excluded from the margin, out of (a) and (b)	—	—
Brought in capital	—	—
Deductions	—	—
Others	47,007	56,293
(B) Total amount of risks $\sqrt{(R_1+R_3)^2+(R_2+R_5+R_7)^2}+R_4$	134,845	135,086
Insurance risk (R ₁)	1,140	1,331
Insurance risk of third sector insurance contracts (R ₃)	2	3
Assumed interest rate risk (R ₂)	36,904	29,440
Minimum guarantee risk (R ₇)	1,328	1,366
Asset management risk (R ₃)	93,941	101,598
Business administration risk (R ₄)	2,666	2,674
(C) Solvency margin ratio [(A) / {(B) x 1/2}] x 100	1,054.8%	1,094.8%

In this report, the following abbreviations appear for company names.

MS&AD, The Group	MS&AD Insurance Group
MS&AD Holdings, The holding company, or the Company	MS&AD Insurance Group Holdings, Inc.
MSI, Mitsui Sumitomo Insurance	Mitsui Sumitomo Insurance Co., Ltd.
ADI, Aioi Nissay Dowa Insurance	Aioi Nissay Dowa Insurance Co., Ltd.
Mitsui Direct General, Mitsui Direct General Insurance	Mitsui Direct General Insurance Co., Ltd.
MSI Aioi Life, MSA Life	Mitsui Sumitomo Aioi Life Insurance Co., Ltd.
MSI Primary Life, MSP Life	Mitsui Sumitomo Primary Life Insurance Co., Ltd.
MSIG	Mitsui Sumitomo Insurance Group Holdings, Inc.
Aioi, Aioi Insurance	Aioi Insurance Co., Ltd.
NDI, Nissay Dowa General Insurance	Nissay Dowa General Insurance Co., Ltd.
MSI Kiremeki Life	Mitsui Sumitomo Kiremeki Life Insurance Co., Ltd.
Aioi Life	Aioi Life Insurance Co., Ltd.
MS First Capital	MS First Capital Insurance Limited
Challenger	Challenger Limited
BoCommLife	BOCOM MSIG Life Insurance Company Limited

ESG Evaluation


The MS&AD Insurance Group utilizes the assessments provided by global ESG evaluation organizations to improve its sustainability initiatives. As of July 1, 2022, the MS&AD Insurance Group was included in the following ESG-related indices.

<p>CDP's Climate A List</p> 	<p>Dow Jones Sustainability Indices (World/Asia Pacific)</p> 	<p>FTSE Blossom Japan Index</p> 
<p>FTSE4Good Index Series</p> 	<p>MSCI Japan ESG Select Leaders Index*</p> <p>2022 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX</p>	<p>MSCI Japan Empowering Women Index (WIN)*</p> <p>2022 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)</p>
<p>S&P/JPX Carbon Efficient Index</p> 	<p>ISS ESG Corporate Rating Prime</p> 	

*The inclusion of MS&AD Insurance Group Holdings, Inc., in any MSCI Index and the use of MSCI logos, trademarks, service marks, or index names herein do not constitute a sponsorship, endorsement, or promotion of MS&AD Insurance Group Holdings, Inc., by MSCI or any of its affiliates. The MSCI Indexes are the exclusive property of MSCI. MSCI and the MSCI Index names and logos are trademarks or service marks of MSCI or its affiliates.

Participation in Initiatives

We participate in global initiatives and are working to create shared value with society.

<p>The UN Global Compact*</p> 	<p>United Nations Environment Programme Finance Initiative (UNEP FI) Principles for Sustainable Insurance</p> 	<p>Principles for Responsible Investment</p> 
<p>Taskforce on Nature-related Financial Disclosures (TNFD)</p>  <p>We are a member of the TNFD Forum</p>	<p>Partnership for Carbon Accounting Financials (PCAF)</p> 	<p>30% Club Japan</p> 
<p>The Japan Business Initiative for Biodiversity (JBIB)</p> 	<ul style="list-style-type: none">• Net-Zero Insurance Alliance (NZIA)• Glasgow Financial Alliance for Net Zero (GFANZ)	<ul style="list-style-type: none">• Task Force on Climate-related Financial Disclosures (TCFD)• CDP investor signatory• Principles for Financial Action for the 21st Century

*Since 2004, MS&AD Insurance Group Holdings, Inc., has been committed to the corporate responsibility initiatives and principles of the United Nations Global Compact in the areas of Human Rights, Labor, Environment, and Anti-Corruption.

Third-Party Assurance

To improve the objectiveness and accuracy of the MS&AD Integrated Report 2022, the MS&AD Insurance Group has engaged KPMG AZSA Sustainability Co., Ltd., to perform third-party assurance on the following information included in this report.

The third-party assurance process

STEP 1	STEP 2	STEP 3	STEP 4
<p>Planning</p> <ul style="list-style-type: none">Examination of the calculation method for the data subject to assurance and the company's outline of businessFormulation of an assurance engagement plan based on the risk assessment	<p>Implementation of assurance procedures</p> <ul style="list-style-type: none">Implementation of a site visit and analysis of compiled data, etc.	<p>Review of draft report</p> <ul style="list-style-type: none">Confirmation that required corrections have been completedReviewing the draft report to determine whether the assured information is presented appropriately	<p>Submitting the assurance report</p> <ul style="list-style-type: none">Review by a reviewer not directly involved in the assurance engagementSubmission of the assurance report

Items subject to the assurance engagement

- Greenhouse gas emissions (pages 21, 55, and 57)
- Total energy consumption (pages 21, 36, and 55)
- Number and ratio of female managers (pages 4, 36, 39, 56, 57, and 86)
- Number and ratio of global employees (pages 4 and 56)

Note: Details regarding the method for calculating data can be found on our official website.
www.ms-ad-hd.com/en/csr/data.html



On the Issuance of the MS&AD Integrated Report 2022

Since FY2015, the MS&AD Insurance Group has published the Integrated Report to provide readers with a deeper understanding of the Group's commitment to medium- to long-term value creation. We believe the issuance of the Integrated Report offers the opportunity for constructive dialogue with many stakeholders, including customers, shareholders, investors, and employees, regarding the Group's "value creation story."

In the Medium-Term Management Plan "Vision 2021," launched in FY2018, the Group has developed management based on its CSV under its aspirations to be by 2030 "a corporate group supporting a resilient and sustainable society." Under the Medium-Term Management Plan (2022–25), launched this fiscal year, we will accelerate efforts to translate the Group's deeply rooted high awareness of CSV and DX into getting results such as providing solutions and creating new businesses.

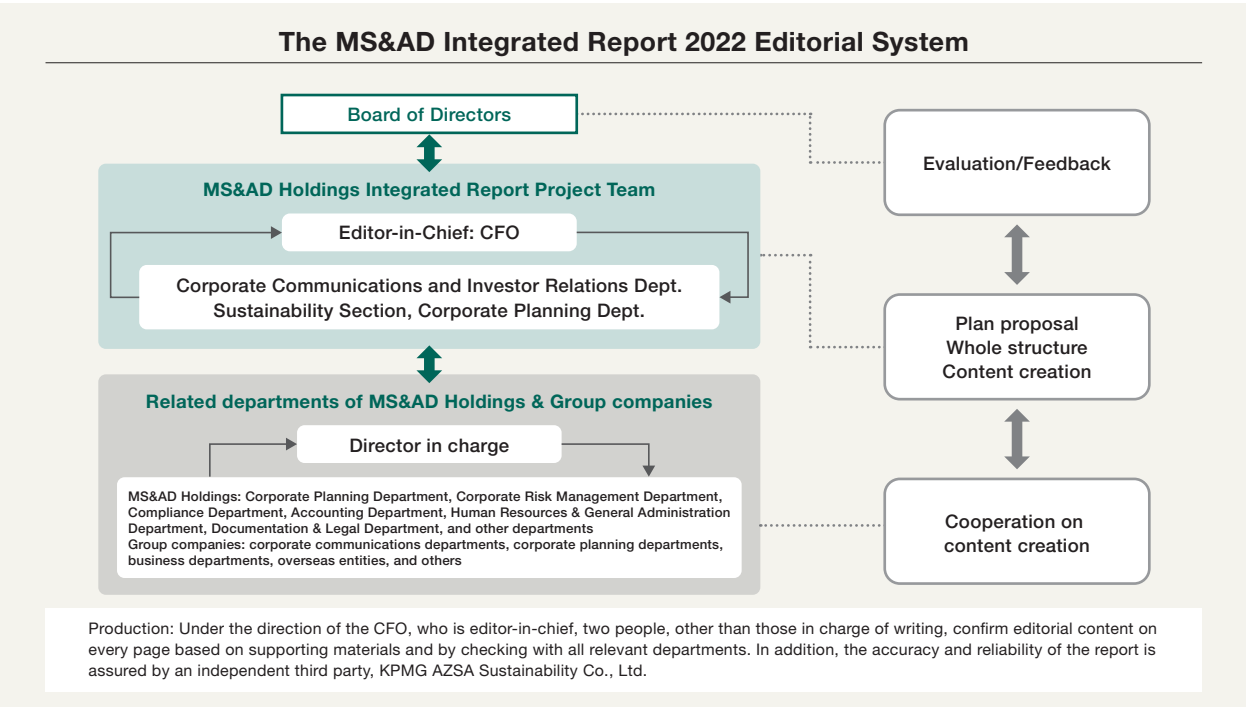
The "MS&AD Integrated Report 2022" describes our aspirations for 2030, the three basic strategies (Value, Transformation, and Synergy) of the Medium-Term Management Plan (2022–25), and the foundations that support them such as sustainability. To introduce specific CSV initiatives, the report includes two Special Features: a variety of initiatives to solve social issues through value co-creation with diverse stakeholders and sustainability initiatives that support "Planetary Health."

With the goal of improving the objectivity and accuracy of the Integrated Report, we have engaged the services of a third-party assurance firm to independently verify the key nonfinancial data indicated since FY2017. For the results of the third-party verification included in the "MS&AD Integrated Report 2022," see page 207. Moreover, as a representative of the management team, the CEO has included a signed message at the beginning of the Report. As CFO, I am responsible for the editing process and, accordingly, reiterate the importance of ensuring that the assembly process for the Integrated Report is carried out responsibly and that the content in the report is indeed accurate.

With this year's Integrated Report, we hope to promote amicable feelings for the Group by creating an even greater understanding of it among stakeholders such as customers, shareholders, investors, and employees. We continue to value dialogue with all our stakeholders, and with the aim of further improving disclosure and enhancing transparency we invite our stakeholders to share with us their frank opinions.

August 2022

Tetsuji HIGUCHI
Representative Director, Executive Vice President, CFO



Contact Information

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<Forward-Looking Statements>

These materials contain plans, strategies, and earnings forecasts for MS&AD Insurance Group Holdings, Inc., and Group companies. They are based on information available to MS&AD Insurance Group Holdings, Inc., at the present time. Investors are advised that actual results might differ substantially from our forecasts, for various reasons. Actual performance could be adversely affected by 1) economic trends surrounding our business, 2) fierce competition within the insurance sector, 3) exchange rate fluctuations, and 4) changes in tax and other regulatory systems.

MS&AD Insurance Group Holdings, Inc.

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