

SUMMARY OF FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

May 18, 2018

Name of Listed Company: **MS&AD Insurance Group Holdings, Inc.**
 Stock Exchange Listing: Tokyo Stock Exchange and Nagoya Stock Exchange
 Securities Code Number: 8725
 URL: <http://www.ms-ad-hd.com>
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Scheduled date to hold the ordinary general meeting of shareholders: June 25, 2018
 Scheduled date to file the Securities Report: June 25, 2018
 Scheduled date to commence dividend payments: June 26, 2018
 Explanatory material for business results: Available
 IR Conference (for institutional investors and analysts): To be held

(Note) Amounts of less than one million yen are truncated.

1. Consolidated Financial Highlights for the Year Ended March 31, 2018 (April 1, 2017 to March 31, 2018)

(1) Consolidated business performance

(Yen in millions)

	Ordinary income		Ordinary profit		Net income attributable to owners of the parent	
Year ended March 31, 2018	5,217,835	(2.2) %	211,548	(40.0) %	154,057	(26.8) %
Year ended March 31, 2017	5,335,239	6.4 %	352,612	20.9 %	210,447	15.9 %

Percent figures represent changes from the corresponding period of the preceding year.

(Note) Comprehensive income For the year ended March 31, 2018: ¥ 311,096 million 172.2 %
 For the year ended March 31, 2017: ¥ 114,294 million - %

(Yen)

	Net income attributable to owners of the parent per share - Basic	Net income attributable to owners of the parent per share - Diluted	Return on equity	Ordinary profit to total assets	Ordinary profit to ordinary income
Year ended March 31, 2018	260.04	259.98	5.5 %	1.0 %	4.1 %
Year ended March 31, 2017	350.94	350.90	7.8 %	1.7 %	6.6 %

(Reference) Gains/(losses) on equity method investments For the year ended March 31, 2018: ¥ 3,017 million
 For the year ended March 31, 2017: ¥ 2,112 million

(2) Consolidated financial conditions

(Yen in millions)

	Total assets	Net assets	Ratio of net assets less non-controlling interests to total assets	Net assets less non-controlling interests per share (Yen)
March 31, 2018	22,472,927	2,968,387	13.1 %	4,964.64
March 31, 2017	21,234,300	2,734,432	12.8 %	4,572.82

(Reference) Net assets less non-controlling interests As of March 31, 2018: ¥ 2,941,112 million
 As of March 31, 2017: ¥ 2,708,978 million

(3) Consolidated cash flows

(Yen in millions)

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Ending balance of cash and cash equivalents
Year ended March 31, 2018	822,640	(963,105)	42,329	1,323,506
Year ended March 31, 2017	1,086,948	(614,899)	(100,198)	1,415,903

2. Dividends

	Dividends per share (Yen)					Total annual dividends (Yen in millions)	Dividend pay-out ratio (Consolidated)	Dividends on net assets (Consolidated)
	1st quarter	2nd quarter	3rd quarter	4th quarter	Annual total			
Year ended March 31, 2017	-	50.00	-	70.00	120.00	71,489	34.2 %	2.7 %
Year ended March 31, 2018	-	65.00	-	65.00	130.00	77,014	50.0 %	2.7 %
Year ending March 31, 2019 (Forecast)	-	65.00	-	65.00	130.00		38.5 %	

3. Consolidated Earnings Forecasts for the Year Ending March 31, 2019 (April 1, 2018 to March 31, 2019)

(Yen in millions)

	Ordinary profit		Net income attributable to owners of the parent		Net income attributable to owners of the parent per share (Yen)
Year ending March 31, 2019	295,000	39.4 %	200,000	29.8 %	337.60

Percent figures represent changes from the preceding year.

*** Notes**

(1) Changes in significant subsidiaries for the period (changes in specified subsidiaries resulting in changes in scope of consolidation): Yes

Increase 0

Decrease 2 (Solo Absolute Bonds and Currency Fund, Amlin Bermuda Holdings, Ltd.)

(2) Changes in accounting policies and accounting estimates and restatements

1. Changes in accounting policies due to revisions of accounting standards: None

2. Changes in accounting policies other than above: None

3. Changes in accounting estimates: None

4. Restatements: None

(3) Number of shares of issued stock (common stock)

1. Number of shares of issued stock (including treasury stock)

As of March 31, 2018: 593,291,754 shares

As of March 31, 2017: 633,291,754 shares

2. Number of shares of treasury stock

As of March 31, 2018: 880,702 shares

As of March 31, 2017: 40,884,055 shares

3. Average number of shares of outstanding stock

For the year ended March 31, 2018: 592,418,361 shares

For the year ended March 31, 2017: 599,655,359 shares

*** This report is unaudited.**

*** Notes to the earnings forecasts and others**

Any earnings forecasts in this report have been made based on the information available to the Company as of the disclosure date of the report and certain assumptions, and therefore do not guarantee future performance. Actual results may differ substantially from these forecasts depending on various factors. For key assumptions of the earnings forecasts and other relevant information, please refer to "Consolidated Earnings Forecasts for the Year Ending March 31, 2019" on page 3 of the Appendix. The forecasts of consolidated ordinary income for the fiscal year and consolidated earnings for the second quarter (cumulative) are not disclosed due to difficulties in calculating reasonable forecast figures stemming from a high susceptibility to natural disasters and market conditions.

[Appendix]

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[Attachment]

Explanatory Material for Business Results for the Year Ended March 31, 2018

1. Overview of Business Performance and Forecasts

(1) Overview of Business Performance and Financial Conditions in the Fiscal Year under Review (Overview of business performance in the fiscal year under review)

In spite of concerns about the impact of unstable political situations and financial markets, the global economy was generally firm in the fiscal year under review with economic recoveries continuing in the U.S. and Europe. Against such a global economy, the Japanese economy also recovered moderately, reflecting continued improvement in corporate earnings, employment and income conditions among other factors.

In the non-life insurance industry, despite an increase in premium revenues reflecting these economic trends, the results were severely affected by natural disasters such as typhoons in Japan and hurricanes in North America. In the life insurance industry, the amount of policies in force remained at the same level as in the previous year, despite a decline in the amount of new policies for personal insurance due to the impact of the revision of the premium rate.

In such a business environment, during the last year of the medium-term management plan "Next Challenge 2017" that began in FY2014, the Group pursued "Completion of reorganization by function", "Strengthening of Group governance and promotion of ERM (Enterprise Risk Management)", "Transformation of business structure to respond to future changes in the environment", and "Permeation of a corporate culture and development of human assets that meet challenges as professionals" based on the Group's basic strategy to enhance the corporate value of the Group as a whole by focusing on ensuring sustainable growth, improving profitability, securing financial soundness and enhancing capital efficiency.

In regard to reorganization by function, Mitsui Sumitomo Insurance Co., Ltd., Aioi Nissay Dowa Insurance Co., Ltd. and Mitsui Sumitomo Aioi Life Insurance Co., Ltd. pursued initiatives to promote growth and efficiency in the Group as a whole, such as the joint development of non-life claims service systems, transfer of long-term policies in force of the third sector, and consolidation and reorganization of the head office functions.

As a result of these efforts, earnings for the current consolidated fiscal year to date are as follows.

Underwriting income was ¥4,648.1 billion, investment income was ¥550.8 billion and other ordinary income was ¥18.8 billion, resulting in total ordinary income of ¥5,217.8 billion. At the same time, ordinary expenses amounted to ¥5,006.2 billion, including ¥4,157.7 billion in underwriting expenses, ¥163.1 billion in investment expenses, ¥669.6 billion in operating expenses and general and administrative expenses, and other ordinary expenses amounting to ¥15.6 billion.

As a result, affected by incurred losses (total of net losses paid and provision for outstanding claims reserves) from several natural catastrophes in Japan and overseas, the Company posted an ordinary profit of ¥211.5 billion, a decrease of ¥141.0 billion over the previous fiscal year. After factoring in extraordinary income and losses, income taxes and other items, net income fell by ¥56.3 billion over the previous fiscal year to ¥154.0 billion.

Summaries of each business segment are given below.

1) Domestic Non-life Insurance Business (Mitsui Sumitomo Insurance Co., Ltd.)

Ordinary income was ¥1,859.9 billion after recording underwriting income of ¥1,654.7 billion, investment income of ¥199.9 billion, and other ordinary income of ¥5.2 billion. Meanwhile, ordinary expenses came to ¥1,597.3 billion resulting from underwriting expenses of ¥1,357.6 billion, investment expenses of ¥9.3 billion, operating expenses and general and administrative expenses of ¥222.5 billion, and other ordinary expenses of ¥7.7 billion.

As a result, ordinary profit was ¥262.5 billion with an increase of ¥47.0 billion from the previous fiscal year. After factoring in extraordinary income and losses, income taxes and other factors to ordinary profit, net income came to ¥198.2 billion with an increase of ¥33.6 billion from the previous fiscal year.

2) Domestic Non-life Insurance Business (Aioi Nissay Dowa Insurance Co., Ltd.)

Ordinary income was ¥1,335.2 billion after recording underwriting income of ¥1,265.3 billion, investment income of ¥61.0 billion, and other ordinary income of ¥8.9 billion. Meanwhile, ordinary expenses came to ¥1,329.6 billion resulting from underwriting expenses of ¥1,087.1 billion, investment expenses of ¥57.8 billion, operating expenses and general and administrative expenses of ¥182.7 billion, and other ordinary expenses of ¥1.8 billion.

As a result, ordinary profit was ¥5.6 billion with a decrease of ¥69.5 billion from the previous fiscal year. After factoring in extraordinary income and losses, income taxes and other factors to ordinary profit, net income came to ¥15.6 billion with a decrease of ¥34.7 billion from the previous fiscal year.

3) Domestic Non-life Insurance Business (Mitsui Direct General Insurance Co., Ltd.)

Ordinary income was ¥37.9 billion after recording underwriting income of ¥37.8 billion and others, meanwhile, ordinary expenses came to ¥37.5 billion resulting from underwriting expenses of ¥28.9 billion and operating expenses and general and administrative expenses of ¥8.5 billion.

As a result, ordinary profit was ¥0.4 billion with an increase of ¥1.4 billion from the previous fiscal year, meanwhile, net income was ¥0.3 billion with an increase of ¥1.3 billion from the previous fiscal year. Consequently, net income after taking ownership interests into account (net income by segment) was ¥0.2 billion with an increase of ¥1.2 billion from net loss in the previous fiscal year.

4) Domestic Life Insurance Business (Mitsui Sumitomo Aioi Life Insurance Co., Ltd.)

Ordinary income was ¥550.4 billion after recording insurance premiums and others of ¥493.7 billion, investment income of ¥53.8 billion, and other ordinary income of ¥2.9 billion. Meanwhile, ordinary expenses came to ¥533.5 billion resulting from insurance claims and others of ¥189.3 billion, provision for underwriting reserves and others of ¥247.7 billion, investment expenses of ¥3.8 billion, operating expenses of ¥79.3 billion, and other ordinary expenses of ¥13.0 billion.

As a result, ordinary profit was ¥16.9 billion with an increase of ¥0.8 billion from the previous fiscal year. After factoring in extraordinary income and losses, income taxes and other factors to ordinary profit, net income of ¥5.2 billion was reported with an increase of ¥0.6 billion from the previous fiscal year.

5) Domestic Life Insurance Business (Mitsui Sumitomo Primary Life Insurance Co., Ltd.)

Ordinary income was ¥1,256.4 billion after recording insurance premiums and others of ¥1,059.5 billion, investment income of ¥193.6 billion, and other ordinary income of ¥3.2 billion. Meanwhile, ordinary expenses came to ¥1,227.5 billion resulting from insurance claims and others of ¥694.8 billion, provision for underwriting reserves and others of ¥355.2 billion, investment expenses of ¥118.8 billion, operating expenses of ¥50.2 billion, and other ordinary expenses of ¥8.3 billion.

As a result, ordinary profit was ¥28.9 billion with a decrease of ¥28.7 billion from the previous fiscal year. After factoring in extraordinary income and losses, income taxes and other factors to ordinary profit, net income came to ¥29.2 billion with an increase of ¥8.5 billion from the previous fiscal year.

6) International Business (Overseas Insurance Subsidiaries)

Net premiums written in the overseas insurance subsidiaries segment decreased by ¥10.7 billion compared to the previous fiscal year to ¥682.3 billion.

Ordinary loss was ¥104.3 billion with a decrease of ¥144.3 billion from the previous fiscal year mainly due to the impact of overseas natural catastrophes that occurred one after another, and net loss (net loss by segment) came to ¥104.6 billion with a decrease of ¥128.7 billion from the previous fiscal year.

(Overview of Financial Conditions in the Fiscal Year under Review)

Total assets as at March 31, 2018 stood at ¥22,472.9 billion with an increase of ¥1,238.6 billion from the end of the previous fiscal year, and net assets stood at ¥2,968.3 billion with an increase of ¥233.9 billion mainly due to an increase in net unrealized gains/(losses) on investments in securities.

(Overview of Cash Flows in the Fiscal Year under Review)

With regard to cash flows in the fiscal year under review, net cash flows from operating activities decreased by ¥264.3 billion over the previous year to ¥822.6 billion, mainly due to a decrease in life insurance premiums. Net cash flows from investing activities decreased by ¥348.2 billion from the previous year, mainly due to an increase in purchase of securities, to ¥(963.1) billion. In addition, net cash flows from financing activities were ¥42.3 billion, an increase of ¥142.5 billion over the previous year, which mainly reflected a decline in repayments of borrowings. As a result, the balance of cash and cash equivalents at the end of the fiscal year under review stood at ¥1,323.5 billion, a decrease of ¥92.3 billion from the end of the previous fiscal year.

In regard to the liquidity of funds, the MS&AD Group maintains sufficient liquid assets in preparation for any deterioration in its cash position due to factors such as the outflow of funds arising from the payment of insurance claims or disruptions in markets. It also evaluates liquidity in terms of both assets and liabilities based on trends regarding the inflow and outflow of funds, and conducts appropriate cash management.

(2) Consolidated Earnings Forecasts for the Year Ending March 31, 2019

Based on the assumptions below, the Company forecasts ordinary profit of ¥295.0 billion and net income attributable to owners of the parent of ¥200.0 billion on a consolidated basis for the year ending March 31, 2019.

- The forecast of net premiums written is based on the Company's own estimate taking into account the trends in the consolidated business results.
- Incurred losses (the sum total of net claims paid and provision for outstanding claims) in relation to new domestic natural catastrophes are projected to be ¥31.0 billion at Mitsui Sumitomo Insurance Co., Ltd. and ¥20.0 billion at Aioi Nissay Dowa Insurance Co., Ltd.
- Market interest rates, currency exchange rates, and stock prices are assumed not to change substantially from the end of March 2018.

The Company's consolidated earnings forecasts have been prepared based on certain assumed conditions, including those above, but actual results may differ substantially from these forecasts depending on various factors.

2. Basic Stance for Adopting Accounting Standards

The Company is considering adopting International Financial Reporting Standards (IFRS) to improve international comparability of financial information for the capital market, and necessary actions such as information gathering and examination of introducing process are being conducted. The adoption date has not yet been determined, but it is expected to be decided following the progress in discussion of the accounting standard for insurance contracts (IFRS 17) and other factors.

3. Consolidated Financial Statements and Main Notes

(1) Consolidated Balance Sheets

(Yen in millions)

	March 31, 2017	March 31, 2018
Assets		
Cash, deposits and savings	1,419,267	1,481,694
Call loans	15,000	-
Receivables under resale agreements	6,999	6,999
Receivables under securities borrowing transactions	285,455	309,644
Monetary claims bought	111,320	140,133
Money trusts	971,119	1,043,506
Investments in securities	15,303,103	16,152,966
Loans	886,316	892,599
Tangible fixed assets:	464,955	459,624
Land	232,151	231,456
Buildings	196,693	191,374
Lease assets	2,943	2,711
Construction in progress	1,658	2,379
Other tangible fixed assets	31,508	31,701
Intangible fixed assets:	417,156	549,502
Software	74,572	57,491
Goodwill	163,415	229,221
Lease assets	3	218
Other intangible fixed assets	179,164	262,570
Other assets	1,225,719	1,297,829
Assets for retirement benefits	32,452	30,645
Deferred tax assets	55,660	68,026
Customers' liabilities under acceptances and guarantees	50,530	49,500
Bad debt reserve	(10,756)	(9,746)
Total assets	21,234,300	22,472,927
Liabilities		
Policy liabilities:	16,156,153	16,964,512
Outstanding claims	1,982,354	2,213,650
Underwriting reserves	14,173,799	14,750,861
Bonds issued	456,191	558,191
Other liabilities	1,226,769	1,328,675
Liabilities for pension and retirement benefits	190,562	184,569
Reserve for retirement benefits for officers	640	538
Accrued bonuses for employees	28,396	27,592
Reserve for reorganization by function	22,097	16,341
Reserves under the special laws:	194,960	152,928
Reserve for price fluctuation	194,960	152,928
Deferred tax liabilities	173,566	221,690
Acceptances and guarantees	50,530	49,500
Total liabilities	18,499,867	19,504,540

(Yen in millions)

	March 31, 2017	March 31, 2018
Net assets		
Shareholders' equity:		
Common stock	100,000	100,000
Capital surplus	669,458	554,320
Retained earnings	775,877	849,044
Treasury stock	(120,050)	(2,599)
Total shareholders' equity	<u>1,425,285</u>	<u>1,500,765</u>
Accumulated other comprehensive income:		
Net unrealized gains/(losses) on investments in securities	1,360,859	1,487,258
Net deferred gains/(losses) on hedges	23,472	20,043
Foreign currency translation adjustments	(91,219)	(66,274)
Accumulated actuarial gains/(losses) on retirement benefits	(9,420)	(679)
Total accumulated other comprehensive income	<u>1,283,692</u>	<u>1,440,346</u>
Stock acquisition rights	<u>307</u>	<u>566</u>
Non-controlling interests	<u>25,147</u>	<u>26,709</u>
Total net assets	<u>2,734,432</u>	<u>2,968,387</u>
Total liabilities and net assets	<u>21,234,300</u>	<u>22,472,927</u>

(2) Consolidated Statements of Income and Comprehensive Income
(Consolidated Statements of Income)

(Yen in millions)

	Year ended March 31, 2017	Year ended March 31, 2018
Ordinary income:	5,335,239	5,217,835
Underwriting income:	4,810,863	4,648,110
Net premiums written	3,407,389	3,440,976
Deposit premiums from policyholders	98,546	86,371
Investment income on deposit premiums from policyholders	45,405	43,130
Life insurance premiums	1,253,167	1,058,278
Other underwriting income	6,353	19,353
Investment income:	507,283	550,838
Interest and dividends income	272,556	286,229
Investment gains on money trusts	16,056	8,795
Investment gains on trading securities	50,255	29,424
Gains on sales of securities	92,602	151,934
Gains on redemption of securities	718	1,092
Investment gains on separate accounts	81,380	115,299
Other investment income	39,118	1,194
Transfer of investment income on deposit premiums from policyholders	(45,405)	(43,130)
Other ordinary income:	17,093	18,886
Gains on equity method investments	2,112	3,017
Other ordinary income	14,980	15,868
Ordinary expenses:	4,982,626	5,006,286
Underwriting expenses:	4,256,352	4,157,768
Net claims paid	1,831,876	1,935,165
Loss adjustment expenses	169,562	171,041
Commissions and collection expenses	681,003	689,066
Maturity refunds to policyholders	236,800	241,099
Dividends to policyholders	526	283
Life insurance claims	330,897	376,130
Provision for outstanding claims	71,394	179,565
Provision for underwriting reserves	908,160	558,519
Other underwriting expenses	26,131	6,897
Investment expenses:	55,096	163,183
Investment losses on money trusts	1,034	13,748
Losses on sales of securities	12,769	8,996
Impairment losses on securities	2,034	1,512
Losses on redemption of securities	1,118	584
Losses on derivative transactions	31,628	14,498
Other investment expenses	6,512	123,843
Operating expenses and general and administrative expenses	653,593	669,640
Other ordinary expenses:	17,584	15,693
Interest expense	8,986	9,057
Provision for bad debts	2,012	-
Loss on bad debts	217	215
Amortization of deferred assets under Article 113 of the Insurance Business Act	947	-
Other ordinary expenses	5,420	6,420
Ordinary profit	<u>352,612</u>	<u>211,548</u>

(Yen in millions)

	Year ended March 31, 2017	Year ended March 31, 2018
Extraordinary income:	3,546	51,348
Gains on sales of fixed assets	3,546	9,316
Reversal of reserves under the special laws:	-	42,032
Reversal of reserve for price fluctuation	-	42,032
Extraordinary losses:	73,553	18,589
Losses on sales of fixed assets	2,456	3,853
Impairment losses on fixed assets	5,512	14,724
Provision for reserves under the special laws:	33,928	-
Provision for reserve for price fluctuation	33,928	-
Losses on reduction of tangible fixed assets	-	11
Other extraordinary losses	31,656	-
Income before income taxes	282,605	244,307
Income taxes - current	105,468	118,432
Income taxes - deferred	(34,562)	(28,008)
Total income taxes	70,906	90,423
Net income	211,699	153,884
Net income/(loss) attributable to non-controlling interests	1,252	(173)
Net income attributable to owners of the parent	210,447	154,057

(Consolidated Statements of Comprehensive Income)

(Yen in millions)

	Year ended March 31, 2017	Year ended March 31, 2018
Net income	211,699	153,884
Other comprehensive income:		
Net unrealized gains/(losses) on investments in securities	33,664	123,681
Net deferred gains/(losses) on hedges	(16,640)	(3,316)
Foreign currency translation adjustments	(114,654)	23,348
Accumulated actuarial gains/(losses) on retirement benefits	(1,073)	8,723
Share of other comprehensive income of equity method investments	1,298	4,775
Total other comprehensive income	<u>(97,405)</u>	<u>157,211</u>
Total comprehensive income	<u>114,294</u>	<u>311,096</u>
Allocation:		
Comprehensive income attributable to owners of the parent	115,115	309,798
Comprehensive income attributable to non-controlling interests	(821)	1,297

(3) Consolidated Statements of Changes in Net Assets

For the year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)

(Yen in millions)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Beginning balance	100,000	670,646	628,562	(80,065)	1,319,143
Changes for the year:					
Dividends paid			(63,223)		(63,223)
Net income attributable to owners of the parent			210,447		210,447
Repurchase of treasury stock				(39,985)	(39,985)
Disposal of treasury stock		0		1	1
Cancellation of treasury stock					-
Changes in scope of consolidation			91		91
Changes in equity resulted from increase in capital of consolidated subsidiaries		(570)			(570)
Changes in the parent's ownership interests in subsidiaries due to transactions with non-controlling interests		(617)			(617)
Put options granted to non-controlling interests					-
Adjustment to retained earnings due to change in US tax rate					-
Net changes of items other than shareholders' equity					
Total changes for the year	-	(1,188)	147,315	(39,984)	106,142
Ending balance	100,000	669,458	775,877	(120,050)	1,425,285

	Accumulated other comprehensive income					Stock acquisition rights	Non-controlling interests	Total net assets
	Net unrealized gains/(losses) on investments in securities	Net deferred gains/(losses) on hedges	Foreign currency translation adjustments	Accumulated actuarial gains/(losses) on retirement benefits	Total accumulated other comprehensive income			
Beginning balance	1,324,886	40,113	22,369	(8,343)	1,379,024	-	27,106	2,725,274
Changes for the year:								
Dividends paid								(63,223)
Net income attributable to owners of the parent								210,447
Repurchase of treasury stock								(39,985)
Disposal of treasury stock								1
Cancellation of treasury stock								-
Changes in scope of consolidation								91
Changes in equity resulted from increase in capital of consolidated subsidiaries								(570)
Changes in the parent's ownership interests in subsidiaries due to transactions with non-controlling interests								(617)
Put options granted to non-controlling interests								-
Adjustment to retained earnings due to change in US tax rate								-
Net changes of items other than shareholders' equity	35,973	(16,640)	(113,588)	(1,076)	(95,332)	307	(1,959)	(96,984)
Total changes for the year	35,973	(16,640)	(113,588)	(1,076)	(95,332)	307	(1,959)	9,158
Ending balance	1,360,859	23,472	(91,219)	(9,420)	1,283,692	307	25,147	2,734,432

For the year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)

(Yen in millions)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Beginning balance	100,000	669,458	775,877	(120,050)	1,425,285
Changes for the year:					
Dividends paid			(79,975)		(79,975)
Net income attributable to owners of the parent			154,057		154,057
Repurchase of treasury stock				(70)	(70)
Disposal of treasury stock		(2)		65	62
Cancellation of treasury stock		(117,455)		117,455	-
Changes in scope of consolidation					-
Changes in equity resulted from increase in capital of consolidated subsidiaries					-
Changes in the parent's ownership interests in subsidiaries due to transactions with non-controlling interests		(242)			(242)
Put options granted to non-controlling interests		2,562			2,562
Adjustment to retained earnings due to change in US tax rate			(914)		(914)
Net changes of items other than shareholders' equity					
Total changes for the year	-	(115,138)	73,167	117,450	75,479
Ending balance	100,000	554,320	849,044	(2,599)	1,500,765

	Accumulated other comprehensive income					Stock acquisition rights	Non-controlling interests	Total net assets
	Net unrealized gains/(losses) on investments in securities	Net deferred gains/(losses) on hedges	Foreign currency translation adjustments	Accumulated actuarial gains/(losses) on retirement benefits	Total accumulated other comprehensive income			
Beginning balance	1,360,859	23,472	(91,219)	(9,420)	1,283,692	307	25,147	2,734,432
Changes for the year:								
Dividends paid								(79,975)
Net income attributable to owners of the parent								154,057
Repurchase of treasury stock								(70)
Disposal of treasury stock								62
Cancellation of treasury stock								-
Changes in scope of consolidation								-
Changes in equity resulted from increase in capital of consolidated subsidiaries								-
Changes in the parent's ownership interests in subsidiaries due to transactions with non-controlling interests								(242)
Put options granted to non-controlling interests								2,562
Adjustment to retained earnings due to change in US tax rate								(914)
Net changes of items other than shareholders' equity	126,398	(3,429)	24,944	8,740	156,654	258	1,561	158,475
Total changes for the year	126,398	(3,429)	24,944	8,740	156,654	258	1,561	233,955
Ending balance	1,487,258	20,043	(66,274)	(679)	1,440,346	566	26,709	2,968,387

(4) Consolidated Statements of Cash Flows

(Yen in millions)

	Year ended March 31, 2017	Year ended March 31, 2018
Cash flows from operating activities:		
Income before income taxes	282,605	244,307
Depreciation	62,184	64,014
Impairment losses on fixed assets	5,512	14,724
Amortization of goodwill	11,393	11,741
Increase/(decrease) in outstanding claims	82,392	160,203
Increase/(decrease) in underwriting reserves	903,095	546,085
Increase/(decrease) in bad debt reserve	1,542	(1,348)
Increase/(decrease) in reserve for retirement benefits for officers	(156)	(101)
Increase/(decrease) in accrued bonuses for employees	(3,096)	(1,239)
Increase/(decrease) in reserve for reorganization by function	22,097	(5,756)
Increase/(decrease) in liabilities for pension and retirement benefits	2,078	6,700
Increase/(decrease) in reserve for price fluctuation	33,928	(42,032)
Interest and dividends income	(272,556)	(286,229)
Losses/(gains) on money trusts	(15,075)	4,967
Losses/(gains) on investments in securities	(127,655)	(171,357)
Losses/(gains) on derivative transactions	31,628	14,498
Investment losses/(gains) on separate accounts	(81,380)	(115,299)
Interest expense	8,986	9,057
Foreign exchange losses/(gains)	(31,703)	112,731
Losses/(gains) on disposal of tangible fixed assets	(1,090)	(5,580)
Losses/(gains) on equity method investments	(2,112)	(3,017)
Decrease/(increase) in other assets	(70,445)	13,828
Increase/(decrease) in other liabilities	6,834	(4,921)
Others, net	(19,868)	(10,068)
Subtotal	829,139	555,908
Interest and dividends received	355,139	407,933
Interest paid	(10,628)	(8,626)
Income taxes refunded/(paid)	(86,701)	(132,575)
Net cash provided by/(used in) operating activities (a)	1,086,948	822,640

(Yen in millions)

	Year ended March 31, 2017	Year ended March 31, 2018
Cash flows from investing activities:		
Net decrease/(increase) in deposits and savings	(1,112)	(18,260)
Purchase of monetary claims bought	-	(2,601)
Proceeds from sales and redemption of monetary claims bought	17,191	37,842
Purchase of money trusts	(206,384)	(128,508)
Proceeds from sales of money trusts	78,917	52,173
Purchase of securities	(3,136,168)	(3,595,276)
Proceeds from sales and redemption of securities	2,577,663	2,845,276
Investments in loans	(212,875)	(198,795)
Collection of loans	212,220	184,210
Net increase/(decrease) in cash collateral under securities borrowing and lending transactions	73,812	(4,848)
Others, net	21,800	6,901
Subtotal (b)	<u>(574,934)</u>	<u>(821,886)</u>
(a + b)	<u>512,013</u>	<u>754</u>
Acquisition of tangible fixed assets	(20,158)	(20,291)
Proceeds from sales of tangible fixed assets	8,922	14,461
Acquisition of intangible fixed assets	(27,608)	(47,645)
Acquisition of subsidiaries resulting in changes in scope of consolidation	-	(85,341)
Others, net	(1,119)	(2,401)
Net cash provided by/(used in) investing activities	<u>(614,899)</u>	<u>(963,105)</u>
Cash flows from financing activities:		
Proceeds from borrowings	32,651	55,027
Repayments of borrowings	(141,389)	(30,342)
Issuance of bonds	148,961	129,133
Redemption of bonds	(33,890)	(28,000)
Repurchase of treasury stock	(39,985)	(70)
Dividends paid to shareholders	(63,151)	(79,887)
Dividends paid to non-controlling interests	(1,098)	(917)
Purchase of shares of subsidiaries not resulting in changes in scope of consolidation	(617)	(964)
Others, net	(1,678)	(1,648)
Net cash provided by/(used in) financing activities	<u>(100,198)</u>	<u>42,329</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(11,451)</u>	<u>5,738</u>
Net increase/(decrease) in cash and cash equivalents	<u>360,399</u>	<u>(92,396)</u>
Beginning balance of cash and cash equivalents	1,056,407	1,415,903
Decrease in cash and cash equivalents due to exclusion from consolidation	(903)	-
Ending balance of cash and cash equivalents	<u>1,415,903</u>	<u>1,323,506</u>

(5) Notes to Consolidated Financial Statements

(Notes to Going Concern Assumptions)

Not applicable.

(Notes to Segment Information)

1 Overview of reportable segments

The reportable segments are the units of MS&AD group (“the Group”) for which separate financial information is available and that are evaluated regularly by the board of directors in deciding allocation of resources and assessing their performance.

The Group's business domains comprise domestic non-life insurance business, domestic life insurance business, international business, financial services business and risk-related services business. Mitsui Sumitomo Insurance Co., Ltd. (“MSI”), Aioi Nissay Dowa Insurance Co., Ltd. (“ADI”) and Mitsui Direct General Insurance Co., Ltd. (“Mitsui Direct General”) primarily operate domestic non-life insurance business, and Mitsui Sumitomo Aioi Life Insurance Co., Ltd. (“MSI Aioi Life”) and Mitsui Sumitomo Primary Life Insurance Co., Ltd. (“MSI Primary Life”) primarily operate domestic life insurance business. The Company and domestic non-life insurance subsidiaries engage in international business, and overseas affiliated companies also develop insurance business in various foreign countries.

Segment information is presented based on the Group's business domains where the domestic life and non-life insurance businesses are further identified by each insurance company, resulting in six reportable segments that comprise the five domestic insurance companies and the international business (overseas insurance subsidiaries).

Each non-life insurance company underwrites fire and allied insurance, marine insurance, personal accident insurance, voluntary automobile insurance, compulsory automobile liability insurance and other non-life insurance products. Each life insurance company underwrites individual insurance, individual annuity insurance, group insurance and other life insurance products.

2 Methods of calculating revenues, net income or loss, assets, liabilities and other items by reportable segment

The accounting methods for reportable segments are substantially the same as those mentioned in “Significant Accounting Policies” of the Securities Report filed on June 26, 2017. Net income by segment is the amount based on net income of each company (after taking ownership interests into consideration).

Intersegment revenues and transfers are calculated based on prices used in transactions between the Company and independent third parties.

3 Information on revenues, net income or loss, assets, liabilities and other items by reportable segment

For the year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)

(Yen in millions)

	Domestic non-life insurance business			Domestic life insurance business	
	MSI	ADI	Mitsui Direct General	MSI Aioi Life	MSI Primary Life
Revenues: (Note 1)					
Revenues from transactions with external customers	1,442,976	1,161,736	37,699	369,255	881,893
Intersegment revenues or transfers	27,145	38,789	(46)	-	(11,922)
Total	1,470,122	1,200,525	37,653	369,255	869,971
Net income/(loss) by segment	164,568	50,391	(947)	4,594	20,703
Assets by segment	6,777,076	3,498,264	59,987	3,619,194	5,838,048
Other items:					
Depreciation	21,754	15,292	924	3,815	1,779
Amortization of goodwill	-	-	-	-	-
Interest and dividends income	116,792	55,409	89	43,797	60,761
Interest expense	6,325	755	-	67	0
Gains/(losses) on equity method investments	-	-	-	-	-
Extraordinary income	1,379	2,644	-	3	-
Extraordinary losses:	8,479	11,015	12	775	28,907
Impairment losses on fixed assets	489	5,709	-	-	-
Provision for reserve for price fluctuation	3,667	589	7	757	28,906
Costs associated with the reorganization of the overseas consolidated subsidiaries	-	-	-	-	-
Income taxes	43,874	16,425	36	1,815	8,081
Equity method investments	156,490	-	-	-	-
Increase in tangible fixed assets and intangible fixed assets	16,703	14,462	993	7,037	1,310

(Yen in millions)

	International business	Others (Note 2)	Total	Adjustments (Notes 3,4 and 5)	Amount on the consolidated financial statements (Note 6)
	Overseas insurance subsidiaries				
Revenues: (Note 1)					
Revenues from transactions with external customers	744,081	30,895	4,668,538	(7,982)	4,660,556
Intersegment revenues or transfers	(48,913)	(4,888)	164	(164)	-
Total	695,168	26,006	4,668,703	(8,146)	4,660,556
Net income/(loss) by segment	24,079	2,579	265,968	(55,521)	210,447
Assets by segment	2,464,408	55,834	22,312,814	(1,078,513)	21,234,300
Other items:					
Depreciation	8,122	648	52,338	9,845	62,184
Amortization of goodwill	-	-	-	11,393	11,393
Interest and dividends income	18,047	2	294,899	(22,343)	272,556
Interest expense	3,577	-	10,725	(1,738)	8,986
Gains/(losses) on equity method investments	7,111	756	7,868	(5,756)	2,112
Extraordinary income	24	-	4,051	(505)	3,546
Extraordinary losses:	8,134	0	57,325	16,228	73,553
Impairment losses on fixed assets	2,582	-	8,781	(3,268)	5,512
Provision for reserve for price fluctuation	-	-	33,928	-	33,928
Costs associated with the reorganization of the overseas consolidated subsidiaries	5,319	-	5,319	-	5,319
Income taxes	5,807	(210)	75,830	(4,924)	70,906
Equity method investments	2,431	-	158,922	(15,948)	142,973
Increase in tangible fixed assets and intangible fixed assets	10,476	298	51,281	(2,956)	48,324

(Notes)

- 1 “Revenues” represents net premiums written for non-life insurance business, life insurance premiums for life insurance business, ordinary income for other business, and the sum total of net premiums written and life insurance premiums for “Amount on the consolidated financial statements”.
- 2 “Others”, which is business segments not included in reportable segments, represents financial services business and risk-related services business operated by group companies other than domestic insurance companies, and domestic non-life insurance business operated by domestic non-life insurance subsidiaries which are not included in reportable segments.
- 3 “Adjustments” in “Revenues from transactions with external customers” represents the sum total of ordinary income items other than net premiums written and life insurance premiums for other business.
- 4 “Adjustments” in “Net income/(loss) by segment” includes elimination of intersegment transactions of ¥(16,625) million, companywide expenses not allocated to respective reportable segments of ¥(9,391) million and adjustments to profit and loss due to application of the purchase method to domestic insurance subsidiaries and amortization of goodwill of ¥(29,504) million. Most of the companywide expenses are expenses associated with the Company's administrative departments that do not belong to any reportable segments.
- 5 “Adjustments” in “Assets by segment” includes elimination of intersegment transactions of ¥(1,072,866) million, transfers due to offsetting reinsurance recoverables included in assets of overseas insurance subsidiaries and policy liabilities on the consolidated financial statements of ¥(288,609) million, companywide assets not allocated to respective reportable segments of ¥32,952 million, adjustments to assets due to application of the purchase method to domestic insurance subsidiaries and unamortized balance of goodwill not allocated to respective reportable segments of ¥250,010 million. The companywide assets are the Company's assets that do not belong to any reportable segments.
- 6 “Net income/(loss) by segment” is reconciled with net income attributable to owners of the parent on the consolidated financial statements.

For the year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)

(Yen in millions)

	Domestic non-life insurance business			Domestic life insurance business	
	MSI	ADI	Mitsui Direct General	MSI Aioi Life	MSI Primary Life
Revenues: (Note 1)					
Revenues from transactions with external customers	1,464,183	1,178,421	37,915	381,357	674,157
Intersegment revenues or transfers	30,179	43,596	(41)	-	(13,320)
Total	1,494,362	1,222,017	37,873	381,357	660,836
Net income/(loss) by segment	198,237	15,620	294	5,277	29,212
Assets by segment	7,098,216	3,486,669	61,489	3,869,730	6,201,753
Other items:					
Depreciation	22,211	15,345	910	4,323	1,909
Amortization of goodwill	-	-	-	-	-
Interest and dividends income	105,107	58,498	73	44,603	76,884
Interest expense	6,721	571	-	63	0
Impairment losses on securities	1,031	49,040	-	-	-
Gains/(losses) on equity method investments	-	-	-	-	-
Extraordinary income:	7,207	37,778	-	1	11,500
Gains on sales of fixed assets	7,207	2,352	-	1	-
Reversal of reserve for price fluctuation	-	35,425	-	-	11,500
Extraordinary losses:	5,636	6,599	6	885	-
Impairment losses on fixed assets	860	1,979	-	-	-
Income taxes	65,885	21,173	117	1,597	11,227
Equity method investments	156,490	-	-	-	-
Increase in tangible fixed assets and intangible fixed assets	26,149	26,697	1,921	9,012	3,678

(Yen in millions)

	International business	Others (Note 2)	Total	Adjustments (Notes 3,4 and 5)	Amount on the consolidated financial statements (Note 6)
	Overseas insurance subsidiaries				
Revenues: (Note 1)					
Revenues from transactions with external customers	740,749	24,252	4,501,036	(1,781)	4,499,255
Intersegment revenues or transfers	(55,619)	(4,580)	213	(213)	-
Total	685,130	19,671	4,501,249	(1,994)	4,499,255
Net income/(loss) by segment	(104,672)	4,230	148,200	5,857	154,057
Assets by segment	2,967,542	119,564	23,804,965	(1,332,037)	22,472,927
Other items:					
Depreciation	9,393	575	54,669	9,344	64,014
Amortization of goodwill	-	-	-	11,741	11,741
Interest and dividends income	14,940	915	301,024	(14,795)	286,229
Interest expense	16	-	7,374	1,683	9,057
Impairment losses on securities	244	-	50,316	(48,804)	1,512
Gains/(losses) on equity method investments	7,954	996	8,950	(5,932)	3,017
Extraordinary income:	467	-	56,953	(5,605)	51,348
Gains on sales of fixed assets	467	-	10,028	(712)	9,316
Reversal of reserve for price fluctuation	-	-	46,925	(4,892)	42,032
Extraordinary losses:	12,946	1,096	27,171	(8,582)	18,589
Impairment losses on fixed assets	12,925	1,094	16,859	(2,135)	14,724
Income taxes	(12,722)	290	87,570	2,852	90,423
Equity method investments	96,601	-	253,092	(16,482)	236,609
Increase in tangible fixed assets and intangible fixed assets	5,178	105	72,744	(4,157)	68,586

(Notes)

- 1 “Revenues” represents net premiums written for non-life insurance business, life insurance premiums for life insurance business, ordinary income for other business, and the sum total of net premiums written and life insurance premiums for “Amount on the consolidated financial statements”.
- 2 “Others”, which is business segments not included in reportable segments and other revenue generating business activities, represents domestic non-life insurance business operated by domestic non-life insurance subsidiaries other than reportable segment, financial services business and risk-related services business operated by group companies other than domestic insurance companies and business investments by the Company into companies other than group companies.
- 3 “Adjustments” in “Revenues from transactions with external customers” represents the sum total of ordinary income items other than net premiums written and life insurance premiums for other business.
- 4 “Adjustments” in “Net income/(loss) by segment” includes elimination of intersegment transactions of ¥(9,710) million, companywide expenses not allocated to respective reportable segments of ¥(11,856) million, adjustments to impairment losses on equities of insurance subsidiaries recognized by ADI of ¥48,656 million and adjustments to profit and loss due to application of the purchase method to domestic insurance subsidiaries and amortization of goodwill of ¥(21,230) million. Most of the companywide expenses are expenses associated with the Company’s administrative departments that do not belong to any reportable segments.
- 5 “Adjustments” in “Assets by segment” includes elimination of intersegment transactions of ¥(1,328,387) million, transfers due to offsetting reinsurance recoverables included in assets of overseas insurance subsidiaries and policy liabilities on the consolidated financial statements of ¥(440,011) million, companywide assets not allocated to respective reportable segments of ¥44,792 million, adjustments to assets due to application of the purchase method to domestic insurance subsidiaries and unamortized balance of goodwill not allocated to respective reportable segments of ¥391,568 million. The companywide assets are the Company’s assets that do not belong to any reportable segments.
- 6 “Net income/(loss) by segment” is reconciled with net income attributable to owners of the parent on the consolidated financial statements.

(Notes to Per Share Information)

(Yen)

	Year ended March 31, 2017	Year ended March 31, 2018
Net assets less non-controlling interests per share	4,572.82	4,964.64
Net income attributable to owners of the parent per share - Basic	350.94	260.04
Net income attributable to owners of the parent per share - Diluted	350.90	259.98

(Notes)

1 The bases for calculation of "Net income attributable to owners of the parent per share - Basic" and "Net income attributable to owners of the parent per share - Diluted" are as follows.

	Year ended March 31, 2017	Year ended March 31, 2018
Net income attributable to owners of the parent per share - Basic		
Net income attributable to owners of the parent (Yen in millions)	210,447	154,057
Net income attributable to owners of the parent not attributable to common shareholders (Yen in millions)	-	-
Net income attributable to owners of the parent attributable to common stock (Yen in millions)	210,447	154,057
Average number of shares of outstanding stock (in thousands of shares)	599,655	592,418
Net income attributable to owners of the parent per share - Diluted		
Adjustment to net income attributable to owners of the parent (Yen in millions)	-	-
Increased number of shares of common stock (in thousands of shares)	74	147
Stock acquisition rights (in thousands of shares)	74	147
Outline of dilutive shares which were not included in the calculation of "Net income attributable to owners of the parent per share - Diluted" because they are antidilutive for the each period	-	-

2 The bases for calculation of net assets less non-controlling interests per share are as follows.

	March 31, 2017	March 31, 2018
Total net assets (Yen in millions)	2,734,432	2,968,387
Amounts deduced from net assets: (Yen in millions)	25,454	27,275
Stock acquisition rights (Yen in millions)	307	566
Non-controlling interests (Yen in millions)	25,147	26,709
Net assets attributable to common stock (Yen in millions)	2,708,978	2,941,112
Number of shares of outstanding stock to calculate net assets less non-controlling interests per share (in thousands of shares)	592,407	592,411

(Notes to Significant Subsequent Events)

Not applicable.