

SUMMARY OF FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019

May 20, 2019

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: <https://www.ms-ad-hd.com>
 Representative: Yasuyoshi Karasawa, President & CEO
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Scheduled date to hold the ordinary general meeting of shareholders: June 24, 2019
 Scheduled date to file the Securities Report: June 24, 2019
 Scheduled date to commence dividend payments: June 25, 2019
 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, 2019 (April 1, 2018 to March 31, 2019)

(1) Consolidated business performance

(Yen in millions)

	Ordinary income		Ordinary profit		Net income attributable to owners of the parent	
Year ended March 31, 2019	5,500,438	5.4 %	290,847	37.5 %	192,705	25.1 %
Year ended March 31, 2018	5,217,835	(2.2) %	211,548	(40.0) %	154,057	(26.8) %

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

(Note) Comprehensive income For the year ended March 31, 2019: ¥ (79,701) million - %
 For the year ended March 31, 2018: ¥ 311,096 million 172.2 %

(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, 2019	328.72	328.60	6.8 %	1.3 %	5.3 %
Year ended March 31, 2018	260.04	259.98	5.5 %	1.0 %	4.1 %

(Reference) Gains/(losses) on equity method investments For the year ended March 31, 2019: ¥ 3,751 million
 For the year ended March 31, 2018: ¥ 3,017 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, 2019	23,132,539	2,778,047	11.9 %	4,712.11
March 31, 2018	22,472,927	2,968,387	13.1 %	4,964.64

(Reference) Net assets less non-controlling interests As of March 31, 2019: ¥ 2,750,519 million
 As of March 31, 2018: ¥ 2,941,112 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, 2019	776,724	(252,417)	(33,337)	1,798,526
Year ended March 31, 2018	822,640	(963,105)	42,329	1,323,506

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, 2018	-	65.00	-	65.00	130.00	77,014	50.0 %	2.7 %
Year ended March 31, 2019	-	70.00	-	70.00	140.00	81,720	42.6 %	2.9 %
Year ending March 31, 2020 (Forecast)	-	75.00	-	75.00	150.00		43.8 %	

3. Consolidated Earnings Forecasts for the Year Ending March 31, 2020 (April 1, 2019 to March 31, 2020)

(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, 2020	298,000	2.5 %	200,000	3.8 %	342.63

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): None

(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, 2019: 593,291,754 shares

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

2. Number of shares of treasury stock

As of March 31, 2019: 9,580,005 shares

As of March 31, 2018: 880,702 shares

3. Average number of shares of outstanding stock

For the year ended March 31, 2019: 586,215,764 shares

For the year ended March 31, 2018: 592,418,361 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, 2020" on page 4 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, 2019

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)

During the fiscal year under review, although the global economy continued on a solid growth trend supported by the strong US economy, uncertainty increased due to factors such as US-China trade friction, a slower economy in China and emerging countries, and unclear political situations in Europe.

The Japanese economy saw moderate recovery, reflecting continued high levels of corporate earnings and increases in capital expenditure as well as steady improvement of the employment environment, despite being hit by successive natural disasters.

The MS&AD Insurance Group (“the Group”) launched the new Medium-Term Management Plan “Vision 2021” with goals of becoming “a world-leading insurance and financial services group” and creating resilient ^(Note) systems that can swiftly respond to any change in a rapidly changing environment. For achieving these goals, the Company has been making efforts for the three key strategies of “Pursue Group’s comprehensive strengths,” “Promote digitalization,” and “Reform portfolio” under the fundamental strategy of “By employing the Group’s resources to the maximum, we will realize sustainable growth and enhance corporate value,” “We will pursue the Group’s comprehensive strengths, one of which is diversity, and meet the expectations of customers and other stakeholders,” and “We will respond flexibly to changes in the environment and further improve quality and productivity.”

Pursue Group’s comprehensive strengths	We made efforts for realizing higher efficiency and quality by promoting standardization and sharing of products, services, administration, systems, etc., for strengthening competitiveness by utilizing group synergies and strengthened profitability on a Group basis such as creation of an optimal asset management structure of the Group.
Promote digitalization	For the purpose of increasing productivity and “enhancing the value of customers’ actual experiences,” we utilized digital technologies, cooperated with external organizations, etc., including in industry, government, and academia sectors and made investments in startups through a corporate venture capital (CVC) established in Silicon Valley, the US, and thus made efforts for reform of our business model, leveraging these technologies and expertise.
Reform portfolio	We made efforts to reform our business portfolio with diversified geography and businesses, strengthening and expanding the international business and domestic life insurance business in addition to the domestic non-life insurance business, and also reformed our risk portfolio by reducing strategic equity holdings and strengthening risk management for natural catastrophe risks on a Group basis.

In the fiscal year under review, as extensive disasters such as typhoons and earthquakes successively occurred, we made efforts to pay insurance claims promptly to customers by deploying more personnel at call centers and disaster countermeasures offices and making the marketing & sales division, the head office division, and group companies work together with the claims services division while using ICT such as drones (unmanned helicopters) and video chat (teleconferences).

Also, we promoted diversity and inclusion for respecting different values regardless of nationality, gender, age, and experience and arranged an environment where diversified human assets can play active roles.

(Note) Resilient: Having the power to adapt flexibly and skillfully, reduce impact and recover quickly from changing circumstances and unexpected events.

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

Underwriting income was ¥4,918.6 billion, investment income was ¥561.1 billion and other ordinary income was ¥20.6 billion, resulting in total ordinary income of ¥5,500.4 billion. At the same time, ordinary expenses amounted to ¥5,209.5 billion, including ¥4,406.8 billion in underwriting expenses, ¥104.8 billion in investment expenses, ¥680.9 billion in operating expenses and general and administrative expenses, and other ordinary expenses amounting to ¥17.0 billion.

As a result, the Company posted an ordinary profit of ¥290.8 billion, an increase of ¥79.2 billion over the previous fiscal year. After factoring in extraordinary income and losses, income taxes and other items, net income rose by ¥38.6 billion over the previous fiscal year to ¥192.7 billion.

Summaries of each business segment are given below.

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

Ordinary income was ¥1,908.6 billion after recording underwriting income of ¥1,696.4 billion, investment income of ¥206.8 billion, and other ordinary income of ¥5.3 billion. Meanwhile, ordinary expenses came to ¥1,682.1 billion resulting from underwriting expenses of ¥1,436.7 billion, investment expenses of ¥12.6 billion, operating expenses and general and administrative expenses of ¥223.2 billion, and other ordinary expenses of ¥9.4 billion.

As a result, ordinary profit was ¥226.4 billion with a decrease of ¥36.0 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 ¥171.1 billion with a decrease of ¥27.1 billion from the previous fiscal year.

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

Ordinary income was ¥1,425.5 billion after recording underwriting income of ¥1,354.4 billion, investment income of ¥62.2 billion, and other ordinary income of ¥8.7 billion. Meanwhile, ordinary expenses came to ¥1,364.1 billion resulting from underwriting expenses of ¥1,159.8 billion, investment expenses of ¥13.8 billion, operating expenses and general and administrative expenses of ¥188.6 billion, and other ordinary expenses of ¥1.7 billion.

As a result, ordinary profit was ¥61.3 billion with an increase of ¥55.7 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 ¥37.3 billion with an increase of ¥21.6 billion from the previous fiscal year.

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

Ordinary income was ¥37.6 billion after recording underwriting income of ¥37.5 billion and others, meanwhile, ordinary expenses came to ¥37.2 billion resulting from underwriting expenses of ¥28.2 billion and operating expenses and general and administrative expenses of ¥8.9 billion.

As a result, ordinary profit and net income were ¥0.3 billion and ¥0.2 billion respectively, about the same as in the previous fiscal year. Consequently, net income after taking ownership interests into account (net income by segment) was ¥0.2 billion, about the same as in the previous fiscal year.

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

Ordinary income was ¥579.9 billion after recording insurance premiums and others of ¥520.1 billion, investment income of ¥57.1 billion, and other ordinary income of ¥2.6 billion. Meanwhile, ordinary expenses came to ¥560.4 billion resulting from insurance claims and others of ¥223.7 billion, provision for underwriting reserves and others of ¥233.6 billion, investment expenses of ¥6.0 billion, operating expenses of ¥83.2 billion, and other ordinary expenses of ¥13.5 billion.

As a result, ordinary profit was ¥19.5 billion with an increase of ¥2.5 billion from the previous fiscal year. After factoring in extraordinary income and losses, income taxes and other factors to ordinary profit, net income of ¥7.9 billion was reported with an increase of ¥2.6 billion from the previous fiscal year.

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

Ordinary income was ¥1,342.8 billion after recording insurance premiums and others of ¥1,129.7 billion, investment income of ¥209.4 billion, and other ordinary income of ¥3.6 billion. Meanwhile, ordinary expenses came to ¥1,307.2 billion resulting from insurance claims and others of ¥539.5 billion, provision for underwriting reserves and others of ¥638.8 billion, investment expenses of ¥64.9 billion, operating expenses of ¥55.0 billion, and other ordinary expenses of ¥8.8 billion.

As a result, ordinary profit was ¥35.5 billion with an increase of ¥6.6 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 ¥23.3 billion with a decrease of ¥5.9 billion from the previous fiscal year.

6) International Business (Overseas Insurance Subsidiaries)

Net premiums written in the overseas insurance subsidiaries segment increased by ¥32.2 billion compared to the previous fiscal year to ¥714.6 billion.

Ordinary profit was ¥22.6 billion with an increase of ¥127.0 billion from the previous fiscal year, and net income after taking ownership interests into account (net income by segment) came to ¥19.3 billion with an increase of ¥124.0 billion from the previous fiscal year.

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

Total assets as at March 31, 2019 stood at ¥23,132.5 billion with an increase of ¥659.6 billion from the end of the previous fiscal year, and net assets stood at ¥2,778.0 billion with a decrease of ¥190.3 billion mainly due to a decrease 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 ¥45.9 billion over the previous year to ¥776.7 billion, mainly due to an increase in claims payments. Net cash flows from investing activities increased by ¥710.6 billion from the previous year, mainly due to an increase in gains on sales and redemption of securities, to ¥(252.4) billion. In addition, net cash flows from financing activities were ¥(33.3) billion, a decrease of ¥75.6 billion over the previous year, which mainly reflected an increase in the repurchase of treasury stock. As a result, the balance of cash and cash equivalents at the end of the fiscal year under review stood at ¥1,798.5 billion, an increase of ¥475.0 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, 2020

Based on the assumptions below, the Company forecasts ordinary profit of ¥298.0 billion and net income attributable to owners of the parent of ¥200.0 billion on a consolidated basis for the year ending March 31, 2020.

- 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 ¥33.0 billion at Mitsui Sumitomo Insurance Co., Ltd. and ¥22.0 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 2019.

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, 2018	March 31, 2019
Assets		
Cash, deposits and savings	1,481,694	1,474,306
Receivables under resale agreements	6,999	472,377
Receivables under securities borrowing transactions	309,644	-
Monetary claims bought	140,133	97,241
Money trusts	1,043,506	1,544,406
Investments in securities	16,152,966	16,061,871
Loans	892,599	903,006
Tangible fixed assets:	459,624	463,356
Land	231,456	231,671
Buildings	191,374	188,947
Lease assets	2,711	2,032
Construction in progress	2,379	6,746
Other tangible fixed assets	31,701	33,959
Intangible fixed assets:	549,502	545,450
Software	57,491	64,664
Goodwill	229,221	203,423
Lease assets	218	206
Other intangible fixed assets	262,570	277,155
Other assets	1,297,829	1,454,825
Assets for retirement benefits	30,645	30,075
Deferred tax assets	68,026	59,317
Customers' liabilities under acceptances and guarantees	49,500	35,500
Bad debt reserve	(9,746)	(9,195)
Total assets	22,472,927	23,132,539
Liabilities		
Policy liabilities:	16,964,512	17,637,713
Outstanding claims	2,213,650	2,222,637
Underwriting reserves	14,750,861	15,415,076
Bonds issued	558,191	659,093
Other liabilities	1,328,675	1,490,882
Liabilities for pension and retirement benefits	184,569	176,550
Reserve for retirement benefits for officers	538	414
Accrued bonuses for employees	27,592	27,788
Reserve for reorganization by function	16,341	6,498
Reserves under the special laws:	152,928	173,248
Reserve for price fluctuation	152,928	173,248
Deferred tax liabilities	221,690	146,802
Acceptances and guarantees	49,500	35,500
Total liabilities	19,504,540	20,354,492

(Yen in millions)

	March 31, 2018	March 31, 2019
Net assets		
Shareholders' equity:		
Common stock	100,000	100,000
Capital surplus	554,320	553,168
Retained earnings	849,044	962,385
Treasury stock	(2,599)	(32,539)
Total shareholders' equity	<u>1,500,765</u>	<u>1,583,013</u>
Accumulated other comprehensive income:		
Net unrealized gains/(losses) on investments in securities	1,487,258	1,273,881
Net deferred gains/(losses) on hedges	20,043	25,168
Foreign currency translation adjustments	(66,274)	(135,992)
Accumulated actuarial gains/(losses) on retirement benefits	(679)	4,448
Total accumulated other comprehensive income	<u>1,440,346</u>	<u>1,167,505</u>
Stock acquisition rights	566	785
Non-controlling interests	26,709	26,743
Total net assets	<u>2,968,387</u>	<u>2,778,047</u>
Total liabilities and net assets	<u>22,472,927</u>	<u>23,132,539</u>

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

(Yen in millions)

	Year ended March 31, 2018	Year ended March 31, 2019
Ordinary income:	5,217,835	5,500,438
Underwriting income:	4,648,110	4,918,626
Net premiums written	3,440,976	3,497,572
Deposit premiums from policyholders	86,371	80,235
Investment income on deposit premiums from policyholders	43,130	42,406
Life insurance premiums	1,058,278	1,286,864
Other underwriting income	19,353	11,547
Investment income:	550,838	561,169
Interest and dividends income	286,229	304,142
Investment gains on money trusts	8,795	75,461
Investment gains on trading securities	29,424	17,237
Gains on sales of securities	151,934	161,608
Gains on redemption of securities	1,092	371
Investment gains on separate accounts	115,299	43,162
Other investment income	1,194	1,593
Transfer of investment income on deposit premiums from policyholders	(43,130)	(42,406)
Other ordinary income:	18,886	20,642
Gains on equity method investments	3,017	3,751
Other ordinary income	15,868	16,890
Ordinary expenses:	5,006,286	5,209,590
Underwriting expenses:	4,157,768	4,406,840
Net claims paid	1,935,165	2,132,155
Loss adjustment expenses	171,041	175,703
Commissions and collection expenses	689,066	705,189
Maturity refunds to policyholders	241,099	232,073
Dividends to policyholders	283	149
Life insurance claims	376,130	395,989
Provision for outstanding claims	179,565	60,981
Provision for underwriting reserves	558,519	700,502
Other underwriting expenses	6,897	4,096
Investment expenses:	163,183	104,806
Investment losses on money trusts	13,748	171
Losses on sales of securities	8,996	17,389
Impairment losses on securities	1,512	9,089
Losses on redemption of securities	584	50
Losses on derivative transactions	14,498	9,331
Other investment expenses	123,843	68,775
Operating expenses and general and administrative expenses	669,640	680,910
Other ordinary expenses:	15,693	17,032
Interest expense	9,057	10,960
Provision for bad debts	-	696
Loss on bad debts	215	181
Other ordinary expenses	6,420	5,194
Ordinary profit	211,548	290,847

(Yen in millions)

	Year ended March 31, 2018	Year ended March 31, 2019
Extraordinary income:	51,348	17,069
Gains on sales of fixed assets	9,316	13,069
Reversal of reserves under the special laws:	42,032	-
Reversal of reserve for price fluctuation	42,032	-
Other extraordinary income	-	4,000
Extraordinary losses:	18,589	28,075
Losses on sales of fixed assets	3,853	2,695
Impairment losses on fixed assets	14,724	2,936
Provision for reserves under the special laws:	-	20,320
Provision for reserve for price fluctuation	-	20,320
Losses on reduction of tangible fixed assets	11	5
Other extraordinary losses	-	2,116
Income before income taxes	244,307	279,842
Income taxes - current	118,432	88,614
Income taxes - deferred	(28,008)	(3,154)
Total income taxes	90,423	85,460
Net income	153,884	194,382
Net income/(loss) attributable to non-controlling interests	(173)	1,676
Net income attributable to owners of the parent	154,057	192,705

(Consolidated Statements of Comprehensive Income)

(Yen in millions)

	Year ended March 31, 2018	Year ended March 31, 2019
Net income	153,884	194,382
Other comprehensive income:		
Net unrealized gains/(losses) on investments in securities	123,681	(198,656)
Net deferred gains/(losses) on hedges	(3,316)	4,493
Foreign currency translation adjustments	23,348	(61,093)
Accumulated actuarial gains/(losses) on retirement benefits	8,723	5,023
Share of other comprehensive income of equity method investments	4,775	(23,850)
Total other comprehensive income	<u>157,211</u>	<u>(274,084)</u>
Total comprehensive income	<u>311,096</u>	<u>(79,701)</u>
Allocation:		
Comprehensive income attributable to owners of the parent	309,798	(80,135)
Comprehensive income attributable to non-controlling interests	1,297	434

(3) Consolidated Statements of Changes in Net Assets
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 due to merger of consolidated subsidiaries with non-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 due to merger of consolidated subsidiaries with non-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

For the year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)

(Yen in millions)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Beginning balance	100,000	554,320	849,044	(2,599)	1,500,765
Changes for the year:					
Dividends paid			(79,367)		(79,367)
Net income attributable to owners of the parent			192,705		192,705
Repurchase of treasury stock				(30,029)	(30,029)
Disposal of treasury stock		5		88	94
Cancellation of treasury stock					-
Changes due to merger of consolidated subsidiaries with non-consolidated subsidiaries			1		1
Changes in the parent's ownership interests in subsidiaries due to transactions with non-controlling interests		(1,157)			(1,157)
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	-	(1,151)	113,340	(29,940)	82,248
Ending balance	100,000	553,168	962,385	(32,539)	1,583,013

	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	1,487,258	20,043	(66,274)	(679)	1,440,346	566	26,709	2,968,387
Changes for the year:								
Dividends paid								(79,367)
Net income attributable to owners of the parent								192,705
Repurchase of treasury stock								(30,029)
Disposal of treasury stock								94
Cancellation of treasury stock								-
Changes due to merger of consolidated subsidiaries with non-consolidated subsidiaries								1
Changes in the parent's ownership interests in subsidiaries due to transactions with non-controlling interests								(1,157)
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	(213,376)	5,125	(69,718)	(69,718)	(272,841)	218	33	(272,588)
Total changes for the year	(213,376)	5,125	(69,718)	(69,718)	(272,841)	218	33	(190,340)
Ending balance	1,273,881	25,168	(135,992)	4,448	1,167,505	785	26,743	2,778,047

(4) Consolidated Statements of Cash Flows

(Yen in millions)

	Year ended March 31, 2018	Year ended March 31, 2019
Cash flows from operating activities:		
Income before income taxes	244,307	279,842
Depreciation	64,014	59,483
Impairment losses on fixed assets	14,724	2,936
Amortization of goodwill	11,741	14,633
Increase/(decrease) in outstanding claims	160,203	68,042
Increase/(decrease) in underwriting reserves	546,085	691,707
Increase/(decrease) in bad debt reserve	(1,348)	(193)
Increase/(decrease) in reserve for retirement benefits for officers	(101)	(124)
Increase/(decrease) in accrued bonuses for employees	(1,239)	764
Increase/(decrease) in reserve for reorganization by function	(5,756)	(9,842)
Increase/(decrease) in liabilities for pension and retirement benefits	6,700	(1,645)
Increase/(decrease) in reserve for price fluctuation	(42,032)	20,320
Interest and dividends income	(286,229)	(304,142)
Losses/(gains) on money trusts	4,967	(75,272)
Losses/(gains) on investments in securities	(171,357)	(152,687)
Losses/(gains) on derivative transactions	14,498	9,331
Investment losses/(gains) on separate accounts	(115,299)	(43,162)
Interest expense	9,057	10,960
Foreign exchange losses/(gains)	112,731	65,348
Losses/(gains) on disposal of tangible fixed assets	(5,580)	(10,582)
Losses/(gains) on equity method investments	(3,017)	(3,751)
Decrease/(increase) in other assets	13,828	(201,857)
Increase/(decrease) in other liabilities	(4,921)	85,128
Others, net	(10,068)	(481)
Subtotal	<u>555,908</u>	<u>504,754</u>
Interest and dividends received	407,933	402,460
Interest paid	(8,626)	(10,872)
Income taxes refunded/(paid)	(132,575)	(119,619)
Net cash provided by/(used in) operating activities (a)	<u>822,640</u>	<u>776,724</u>

(Yen in millions)

	Year ended March 31, 2018	Year ended March 31, 2019
Cash flows from investing activities:		
Net decrease/(increase) in deposits and savings	(18,260)	13,029
Purchase of monetary claims bought	(2,601)	(9,027)
Proceeds from sales and redemption of monetary claims bought	37,842	49,750
Purchase of money trusts	(128,508)	(636,742)
Proceeds from sales of money trusts	52,173	222,626
Purchase of securities	(3,595,276)	(3,929,183)
Proceeds from sales and redemption of securities	2,845,276	3,717,595
Investments in loans	(198,795)	(197,312)
Collection of loans	184,210	178,346
Net increase/(decrease) in payables under repurchase agreements	-	468,782
Net increase/(decrease) in cash collateral under securities borrowing and lending transactions	(4,848)	(47,807)
Others, net	6,901	10,293
Subtotal (b)	<u>(821,886)</u>	<u>(159,649)</u>
(a + b)	<u>754</u>	<u>617,075</u>
Acquisition of tangible fixed assets	(20,291)	(32,399)
Proceeds from sales of tangible fixed assets	14,461	16,418
Acquisition of intangible fixed assets	(47,645)	(75,584)
Acquisition of subsidiaries resulting in changes in scope of consolidation	(85,341)	-
Others, net	(2,401)	(1,202)
Net cash provided by/(used in) investing activities	<u>(963,105)</u>	<u>(252,417)</u>
Cash flows from financing activities:		
Proceeds from borrowings	55,027	26,452
Repayments of borrowings	(30,342)	(45,386)
Issuance of bonds	129,133	99,527
Redemption of bonds	(28,000)	-
Proceeds from share issuance to non-controlling shareholders	-	501
Repurchase of treasury stock	(70)	(30,029)
Dividends paid to shareholders	(79,887)	(79,286)
Dividends paid to non-controlling interests	(917)	(915)
Purchase of shares of subsidiaries not resulting in changes in scope of consolidation	(964)	(2,359)
Others, net	(1,648)	(1,841)
Net cash provided by/(used in) financing activities	<u>42,329</u>	<u>(33,337)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>5,738</u>	<u>(15,949)</u>
Net increase/(decrease) in cash and cash equivalents	<u>(92,396)</u>	<u>475,019</u>
Beginning balance of cash and cash equivalents	<u>1,415,903</u>	<u>1,323,506</u>
Ending balance of cash and cash equivalents	<u>1,323,506</u>	<u>1,798,526</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 25, 2018. 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, 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.

For the year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)

(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	1,478,168	1,200,387	36,724	362,572	921,072
Intersegment revenues or transfers	31,449	33,194	(61)	-	(12,285)
Total	1,509,617	1,233,581	36,663	362,572	908,786
Net income/(loss) by segment	171,102	37,307	223	7,968	23,305
Assets by segment	6,977,145	3,410,989	60,917	4,229,662	6,885,323
Other items:					
Depreciation	18,325	12,195	1,086	4,821	2,150
Amortization of goodwill	-	-	-	-	-
Interest and dividends income	113,912	56,150	55	44,921	88,316
Interest expense	7,734	398	-	-	6
Gains/(losses) on equity method investments	-	-	-	-	-
Extraordinary income:	2,982	701	-	0	-
Gains on sales of fixed assets	2,982	701	-	0	-
Extraordinary losses:	6,095	14,463	15	1,135	3,500
Impairment losses on fixed assets	639	1,569	-	-	-
Provision for reserve for price fluctuation	4,190	11,684	8	936	3,500
Income taxes	52,260	10,312	120	2,578	8,782
Equity method investments	168,468	-	-	-	-
Increase in tangible fixed assets and intangible fixed assets	52,170	38,641	3,032	8,783	5,972

(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	775,544	12,460	4,786,929	(2,493)	4,784,436
Intersegment revenues or transfers	(57,678)	5,565	184	(184)	-
Total	717,866	18,026	4,787,114	(2,677)	4,784,436
Net income/(loss) by segment	19,385	8,641	267,935	(75,229)	192,705
Assets by segment	3,064,516	134,078	24,762,634	(1,630,094)	23,132,539
Other items:					
Depreciation	8,377	62	47,018	12,464	59,483
Amortization of goodwill	-	-	-	14,633	14,633
Interest and dividends income	18,451	1,956	323,764	(19,622)	304,142
Interest expense	1,136	-	9,275	1,685	10,960
Gains/(losses) on equity method investments	9,946	988	10,935	(7,183)	3,751
Extraordinary income:	9,385	-	13,069	4,000	17,069
Gains on sales of fixed assets	9,385	-	13,069	-	13,069
Extraordinary losses:	3,622	13	28,845	(770)	28,075
Impairment losses on fixed assets	1,442	-	3,652	(715)	2,936
Provision for reserve for price fluctuation	-	-	20,320	-	20,320
Income taxes	7,106	185	81,346	4,113	85,460
Equity method investments	106,785	-	275,253	(32,723)	242,530
Increase in tangible fixed assets and intangible fixed assets	6,103	550	115,253	(2,797)	112,456

(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 ¥(37,823) million, companywide expenses not allocated to respective reportable segments of ¥(11,873) million and adjustments to profit and loss due to application of the purchase method to domestic insurance subsidiaries and amortization of goodwill of ¥(25,532)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 ¥(1,479,740) million, transfers due to offsetting reinsurance recoverables included in assets of overseas insurance subsidiaries and policy liabilities on the consolidated financial statements of ¥(499,766) million, companywide assets not allocated to respective reportable segments of ¥35,307 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 ¥314,106 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, 2018	Year ended March 31, 2019
Net assets less non-controlling interests per share	4,964.64	4,712.11
Net income attributable to owners of the parent per share - Basic	260.04	328.72
Net income attributable to owners of the parent per share - Diluted	259.98	328.60

(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, 2018	Year ended March 31, 2019
Net income attributable to owners of the parent per share - Basic		
Net income attributable to owners of the parent (Yen in millions)	154,057	192,705
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)	154,057	192,705
Average number of shares of outstanding stock (in thousands of shares)	592,418	586,215
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)	147	212
Stock acquisition rights (in thousands of shares)	147	212
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, 2018	March 31, 2019
Total net assets (Yen in millions)	2,968,387	2,778,047
Amounts deduced from net assets: (Yen in millions)	27,275	27,528
Stock acquisition rights (Yen in millions)	566	785
Non-controlling interests (Yen in millions)	26,709	26,743
Net assets attributable to common stock (Yen in millions)	2,941,112	2,750,519
Number of shares of outstanding stock to calculate net assets less non-controlling interests per share (in thousands of shares)	592,411	583,711

(Notes to Significant Subsequent Events)

Transaction under common control

Based on the Agreement on Reorganization by Function concluded by the Company and its consolidated subsidiaries, Mitsui Sumitomo Insurance Co., Ltd. (“MSI”), Aioi Nissay Dowa Insurance Co., Ltd. (“ADI”) and Mitsui Sumitomo Aioi Life Insurance Co., Ltd. (“MSI Aioi Life”) on September 27, 2013, MSI and MSI Aioi Life as well as ADI and MSI Aioi Life concluded the Absorption-type Company Split Agreement on June 28, 2018 due to transfer the long-term third sector products held by MSI and ADI to MSI Aioi Life and implemented it on April 1, 2019.

(1) Outline of the transaction

1) Name and content of the business

Business related to the long-term third sector products held by MSI and ADI

2) Date of the business combination

April 1, 2019

3) Legal form of the business combination

Simplified absorption-type company split where MSI and ADI are designated as the splitting companies and MSI Aioi Life as the successor company

4) Company name of the successor in the business combination

Mitsui Sumitomo Aioi Life Insurance Co., Ltd.

5) Other items regarding outline of the transaction

By centralizing the product supply function in MSI Aioi Life, the Company aims to realize efficient operation through future improvement of level of customer support and concentration of management resources, demonstrate the group’s comprehensive strength, and to improve customer satisfaction, growth potential and earning power.

(2) Outline of the accounting treatment applied

The Company plans to account for the transaction as a transaction under common control in accordance with “Accounting Standard for Business Combinations (ASBJ Statement No. 21, January 16, 2019) and “Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No.10, January 16, 2019).