

BUSINESS REPORT FOR THE 11TH TERM (FY2018)

(from April 1, 2018 to March 31, 2019)

1. Matters Concerning the Current Status of the Insurance Holding Company**(1) Progress and results of business of the corporate group**

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 (*1) 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 overseas 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 resources can play active roles.

*1 Resilient

Having the power to adapt flexibly and skillfully, reduce impact and recover quickly in against changing circumstances and unexpected events

The progress and results of our efforts in each business domain for the fiscal year under review are as follows:

Domestic Non-life Insurance Business

Mitsui Sumitomo Insurance Co., Ltd. (“MSI”) and Aioi Nissay Dowa Insurance Co., Ltd. (“ADI”) actively sold the products mainly in the GK Series and the TOUGH Series, respectively and both companies focused on the development of products and services in response to changes in environments surrounding our customers such as the spread of the sharing economy and a rapid increase in foreign tourists. In addition, they have jointly developed new automobile insurance “Mimamoru Automobile Insurance (Dorareko-type)” that supports safe driving by utilizing the latest telematics technologies and drive recorders to provide advanced digitalization by promoting initiatives to utilize AI technologies for operations for paying insurance claims more appropriately.

Mitsui Direct General Insurance Co., Ltd. (“Mitsui Direct”) strengthened its marketing capabilities through development of commercials for which various media were utilized, including broadcasting of a new TV commercial, and made efforts to provide services for which ICT is utilized by, for example, starting the “Automobile Insurance Review Service” where estimates for automobile insurance and contract reviews are possible at any time through app-based chat.

Domestic Life Insurance Business

Mitsui Sumitomo Aioi Life Insurance Co., Ltd. (“Mitsui Sumitomo Aioi Life”) has worked to provide products and services that help resolve social issues such as the increasing burden of nursing care and medical care costs. It continued to sell the “&LIFE” series, a product brand for individuals, and has sold products that meet increasingly sophisticated and diversifying customers’ needs, including “New medical insurance Ace Premier” that covers eight major diseases, dementia, infertility treatment, etc., and “Cancer Insurance Smart” that provides wider coverage in light of advancement and changes in medical technologies for cancer treatment.

Mitsui Sumitomo Primary Life Insurance Co., Ltd. (“Mitsui Sumitomo Primary Life”) experienced strong sales of “Yasashisa, Tsunagu,” the special whole life insurance of which living benefits can be used for advancement and worked to provide attractive products that help customers build assets through self-reliant efforts amid advancement of an aging society by launching, for example, “Ashita no Yorokobi,” a tontine annuity (*2) that meets needs for long-term living benefits and “100-year Life Society Support Savings,” a foreign currency denominated tontine annuity with level payments, the first of its kind in the industry.

*2 Tontine annuity

An annuity insurance for transferring annuities whereby protections for the deceased parties are curbed and the difference is transferred to the surviving parties, thereby enabling those living longer lives to receive a greater annuity.

International Business

Regarding the International Business, we worked to promote a wide variety of products and sales strategies utilizing the strengths of each region and insurance type and continued business investment contributing to sustainable growth and global alliance strategies as the Group's growth driver.

The Company further diversified its business portfolio by increasing shareholdings in ReAssure Jersey One Limited, engaged in the closed book life business (*3) in the UK, and Challenger Limited, a financial service company in Australia.

MSI strengthened its business base in Asian region by, for example, seeking synergistic effects with MS First Capital Insurance Limited, acquired in fiscal 2017, the largest non-life insurance company in Singapore, and existing local subsidiaries in Asian countries and increasing shareholdings in Ceylinco Insurance PLC, a holding company of the largest insurance group in Sri Lanka. MSI also entered into a strategic partnership agreement with regional major insurance companies in Africa and Russia and focused on strengthening services for Japanese companies with overseas operations.

ADI started to sell telematics automobile insurance in Thailand and Germany and entered into a business alliance agreement with National General Holdings Corp., an insurance holding company in the US, on the development of telematics insurance products, etc. Thus, we continued to promote the telematics business under a system composed of four core regions: Japan, Europe, the US and Asia.

*3 Closed book life business

A life insurance business where new policies are obtained through acquisition of other insurance companies' portfolio instead of direct underwriting

Financial Services Business

MSI and ADI focused on expanding their sales network through partnerships with financial institutions to promote sales of iDeCo (individual-type Defined Contribution pension plan), of which new subscribers are continuously expanding. In addition, MSI provided a variety of products and services satisfying various customers' needs and launched a derivative product covering customer losses due to sales decreases and cost increases for countermeasures in case of occurrence of a new type of influenza, a first as an insurance company in Japan.

Risk-related Services Business

The Group promoted research and investigation, etc., through collaboration between industry, government, and academia by, for example, starting a research project jointly with universities on flood risk caused by climate change. In addition, MS&AD InterRisk Research & Consulting, Inc. started services such as provision of cyber-risk related information and safe driving support for the elderly and widely responded to the increasingly diversified and complicated risks of customers.

Promotion of Sustainability

In the Medium-Term Management Plan "Vision 2021," the Group decided to seek a "resilient and sustainable society (*4)" as the image of society that the Group is aiming for in 2030. We provided products and services contributing to solving of issues such as climate change and an aged society and held a symposium on ESG (environment, society, and

governance) investment, etc., as well as took measures for protecting customers' sustainability such as disaster prevention and reduction and accident avoidance. Thus, we aimed at creating shared value (CSV) with society with Sustainable Development Goals (SDGs) as the guidepost. The Group also worked to protect biodiversity including a tropical forest regeneration project in Indonesia. Our efforts were highly recognized as we were selected again as an index component of the Dow Jones Sustainability Index and the ESG Index (*5) adopted by the Government Pension Investment Fund (GPIF).

*4 Sustainable society

A vibrant society that spans several generations, where anyone can live securely and safely while resolving issues related to the global environment, society and human beings

*5 ESG Index adopted by Government Pension Investment Fund (GPIF)

“FTSE Blossom Japan Index,” “MSCI Japan ESG Select Leaders Index,” “MSCI Japan Empowering Women Index” and “S&P/JPX Carbon Efficient Index”

Business Performance during the Fiscal Year under Review

The Company reported consolidated underwriting income of 4,918.6 billion yen, investment income of 561.1 billion yen and other ordinary income of 20.6 billion yen. Thus, the total for ordinary income was 5,500.4 billion yen, representing an increase of 5.4% from the previous fiscal year.

Ordinary expense increased by 4.1% to 5,209.5 billion yen from previous fiscal year as a result of the underwriting expense of 4,406.8 billion yen, investment expense of 104.8 billion yen, operating expenses and general and administrative expenses of 680.9 billion yen, and other ordinary expense of 17.0 billion yen.

As a result, the Company posted an ordinary profit of 290.8 billion yen, and after factoring in extraordinary income, extraordinary losses, income taxes – current, net income attributable to owners of the parent of 192.7 billion yen was reported, an increase of 38.6 billion yen from the previous fiscal year.

Operating results by segment were as follows:

(MSI)

MSI booked net premiums written of 1,509.6 billion yen, an increase of 1.0% from the previous fiscal year. The net loss ratio increased by 4.5 percentage point from the previous fiscal year to 66.3%, and the net expense ratio increased by 0.1 percentage point from the previous fiscal year to 31.6%. Net income of 171.1 billion yen was recorded for this fiscal year.

(ADI)

ADI booked net premiums written of 1,233.5 billion yen, an increase of 0.9% from the previous fiscal year. The net loss ratio increased by 8.6 percentage point from the previous fiscal year to 67.8%, and the net expense ratio increased by 0.4 percentage point from the previous fiscal year to 33.8%. Net income of 37.3 billion yen was recorded for this fiscal year.

(Mitsui Direct)

Mitsui Direct booked net premiums written of 36.6 billion yen, decreased 3.2% from the previous fiscal year. The net loss ratio increased by 3.2 percentage point from the previous fiscal year to 76.2%, and the net expense ratio increased by 2.0 percentage point from the previous fiscal year to 25.3%. Net income after adjustment for equity interest (segment income) of 0.2 billion yen was recorded for this fiscal year.

(Mitsui Sumitomo Aioi Life)

Mitsui Sumitomo Aioi Life secured new policies amounting to 3,114.5 billion yen, which includes individual insurance and individual annuities, an increase of 18.0% from the previous fiscal year. The total amount of policies in force as of the end of this fiscal year was 24,533.1 billion yen, representing an increase of 3.1% from the previous fiscal year. Net income of 7.9 billion yen was reported for this fiscal year.

(Mitsui Sumitomo Primary Life)

Mitsui Sumitomo Primary Life secured new policies amounting to 1,118.2 billion yen, which includes individual insurance and individual annuities, an increase of 10.1% from the previous fiscal year. The total amount of policies in force as of the end of this fiscal year was 6,678.5 billion yen, representing an increase of 10.2% from the previous fiscal year. Net income of 23.3 billion yen was reported for this fiscal year.

(Overseas Insurance Subsidiaries)

Net premiums written amounted to 714.6 billion yen, a 4.7% increase from the previous fiscal year. Net income after adjustment for equity interest (segment income) of 19.3 billion yen was recorded for this fiscal year.

Issues to be Addressed

It is expected that the global economy will generally continue to grow modestly in the future, while there are concerns that policies in various countries, expansion of trade frictions, and other factors may lead to a recession. The Japanese economy is also expected to see modest expansion mainly by domestic demand as employment and income environments continue to recover; however, conditions requiring caution will continue due to uncertainty about the consumption tax hike and overseas economic trends.

Regarding the insurance industry, it is increasingly required to contribute to realization of a sustainable society through more sophisticated risk management as well as insurance products and services, as industrial structures and consumer behaviors continue to change due to advancement of globalization and evolution of digital technologies, alongside increasing natural disaster risk due to climate change.

Under the Medium-Term Management Plan “Vision 2021,” the Group will underwrite various risks as an insurance company and realize a “world-leading insurance and financial services group” having sufficient scale and quality in preparation for payment of insurance claims in case of an emergency and also strive to create a resilient structure that can promptly respond to needs required by society due to bigger and complicated risk and changing social structures. We will realize further quality improvement and cost reduction through the Group’s comprehensive strengths to be pursued by the three non-life insurance companies and two life insurance companies in the Group and subsidiaries and associates in Japan and overseas as a whole, pursuing the a business model for total optimization enabling the Group to simultaneously realize growth and higher efficiency. In addition, we will further strengthen the corporate governance structure and continuously work to create shared value (CSV) with a society in consideration of ESG and other sustainability matters in all business activities of the Group. The Group will commit to promoting diversity and inclusion so that diverse human resources supporting these efforts can play active roles, while maximizing the Group’s human resource strengths.

We look forward to the continued support and encouragement of our shareholders.

Note: All monetary amounts and number of shares indicated in this business report (including the statements that follow) are rounded down to the indicated unit. Percentages of increase/decrease (change) are rounded off to the first decimal place.

(2) Changes in status of assets and earnings of the Corporate Group and insurance holding companies

a. Changes in status of consolidated assets and earnings of Corporate Group

(Yen in millions)

Category	Fiscal year 2015	Fiscal year 2016	Fiscal year 2017	FY2018 (Fiscal year under review)
Ordinary income	5,013,038	5,335,239	5,217,835	5,500,438
Ordinary profit	291,578	352,612	211,548	290,847
Net income attributable to owners of the Parent Company	181,516	210,447	154,057	192,705
Comprehensive income	(233,116)	114,294	311,096	(79,701)
Net assets	2,725,274	2,734,432	2,968,387	2,778,047
Total assets	20,303,649	21,234,300	22,472,927	23,132,539

b. Changes in status of assets and earnings of insurance holding companies

Category	Fiscal year 2015	Fiscal year 2016	Fiscal year 2017	FY2018 (Fiscal year under review)
	(Yen in millions)	(Yen in millions)	(Yen in millions)	(Yen in millions)
Operating income	86,370	113,816	140,287	117,939
Dividends received	86,003	113,391	140,141	117,778
Subsidiaries engaged in insurance business	85,999	113,387	140,027	115,573
Other subsidiaries	4	4	114	2,204
Current net income	79,739	104,187	128,276	106,445
Net income per share	131.22 Yen	173.74 Yen	216.53 Yen	181.58 Yen
	(Yen in millions)	(Yen in millions)	(Yen in millions)	(Yen in millions)
Total assets	1,326,757	1,478,876	1,635,723	1,654,513
Shares of subsidiaries engaged in insurance business	1,321,826	1,429,837	1,430,635	1,430,635
Shares of other subsidiaries	846	846	90,077	120,974

(3) Main offices of Corporate Group

Corporate name	Name of office	Location	Date founded
(Insurance holding company) MS&AD Insurance Group Holdings, Inc.	Headquarters	27-2, Shinkawa 2-chome, Chuo-ku, Tokyo	Oct. 1, 2014
(Domestic non-life insurance business) Mitsui Sumitomo Insurance Company, Limited	Headquarters	9, Kanda Surugadai 3-chome, Chiyoda-ku, Tokyo	Oct. 1, 2013
Aioi Nissay Dowa Insurance Company, Limited	Headquarters	28-1, Ebisu 1-chome, Shibuya-ku, Tokyo	Apr. 1, 2001
Mitsui Direct General Insurance Company, Limited	Headquarters	5-3, Koraku 1-chome, Bunkyo-ku, Tokyo	Jan. 4, 2006
(Domestic life insurance business) Mitsui Sumitomo Aioi Life Insurance Company, Limited	Headquarters	27-2, Shinkawa 2-chome, Chuo-ku, Tokyo	Oct. 1, 2014
Mitsui Sumitomo Primary Life Insurance Company, Limited	Headquarters	3-7, Yaesu 1-chome, Chuo-ku, Tokyo	May 1, 2008

(4) Employees of Corporate Group

(Number of employees)

Division name	End of previous fiscal year	End of fiscal year under review	Change for the fiscal year under review
(Insurance holding company) MS&AD Insurance Group Holdings, Inc.	390	399	9
(Domestic non-life insurance business) Mitsui Sumitomo Insurance Company, Limited	14,572	14,577	5
Aioi Nissay Dowa Insurance Company, Limited	13,287	13,657	370
Mitsui Direct General Insurance Company, Limited	571	545	(26)
(Domestic life insurance business) Mitsui Sumitomo Aioi Life Insurance Company, Limited	2,609	2,604	(5)
Mitsui Sumitomo Primary Life Insurance Company, Limited	394	400	6
(Overseas business) Overseas insurance subsidiaries	9,184	8,958	(226)
Others	288	327	39

(Note) The numbers of employees each represent the number of those on duty and do not include Executive Officers.

(5) Major lenders of Corporate Group

(Yen in millions)

Division Name	Lender	Amount Borrowed
(Domestic non-life insurance business) Mitsui Sumitomo Insurance Company, Limited	Syndicated loan	196,767

(Note) Syndicated loan was arranged by Sumitomo Mitsui Banking Corporation and Sumitomo Mitsui Trust Bank, Ltd.

(6) Capital procurement of Corporate Group

Bonds issued

(Yen in millions)

Division name	Description	Amount issued
(Domestic non-life Insurance Business) Mitsui Sumitomo Insurance Company, Limited	US dollar-denominated perpetual subordinated notes with interest deferral options	100,902

(7) Capital investment of Corporate Group

a. Total amount of Capital Investment

(Yen in millions)

Division name	Amount
(Insurance holding company) MS&AD Insurance Group Holdings, Inc.	7
(Domestic non-life insurance business) Mitsui Sumitomo Insurance Company, Limited Aioi Nissay Dowa Insurance Company, Limited Mitsui Direct General Insurance Company, Limited	13,763 16,075 277
(Domestic life insurance business) Mitsui Sumitomo Aioi Life Insurance Company, Limited Mitsui Sumitomo Primary Life Insurance Company, Limited	627 296
(Overseas business) Overseas insurance subsidiaries	2,005
Others	100

b. Establishment of Major Facilities, etc.

(Yen in millions)

Division name	Description	Amount issued
(Domestic non-life insurance business) Aioi Nissay Dowa Insurance Company, Limited	Acquisition of a building relating to Sakuragaoka Building	4,476

(8) The Parent Company and main subsidiaries

a. Status of the Parent Company

Not applicable.

b. Status of main subsidiaries

Name of company	Location	Principal business	Date of incorporation	Paid-in capital	Percentage of voting rights (%)	Note
Mitsui Sumitomo Insurance Co., Ltd.	Chiyoda -ku, Tokyo	Non-life insurance business	Oct. 21, 1918	¥ 139,595 million	100.0%	-
Aioi Nissay Dowa Insurance Co., Ltd.	Shibuya -ku, Tokyo	Non-life insurance business	Jun. 30, 1918	¥ 100,005 million	100.0%	-
Mitsui Direct General Insurance Co., Ltd.	Bunkyo -ku, Tokyo	Non-life insurance business	Jun. 3, 1999	¥ 39,106 million	89.7%	-
au insurance Co., Ltd.	Minato -ku, Tokyo	Non-life insurance business	Feb. 23, 2010	¥ 3,150 million	66.6% (66.6%)	-
Mitsui Sumitomo Aioi Life Insurance Co., Ltd.	Chuo -ku, Tokyo	Life insurance business	Aug. 8, 1996	¥ 85,500 million	100.0%	-
Mitsui Sumitomo Primary Life Insurance Co., Ltd.	Chuo -ku, Tokyo	Life insurance business	Sep. 7, 2001	¥ 41,060 million	100.0%	-
MITSUI SUMITOMO INSURANCE Venture Capital Co., Ltd.	Chuo -ku, Tokyo	Venture capital business	Dec. 6, 1990	¥ 1,000 million	100.0% (100.0%)	-
Sumitomo Mitsui Asset Management Company, Limited	Minato -ku, Tokyo	Investment advisory business and investment trust management business	Jul. 15, 1985	¥ 2,000 million	28.8% (28.8%)	-
MS&AD InterRisk Research & Consulting, Inc.	Chiyoda -ku, Tokyo	Risk management and consulting business	Jan. 4, 1993	¥ 330 million	100.0%	-
MSIG Holdings (Americas), Inc.	New York, U.S.A.	Holding company	Oct. 21, 1988	US\$4,126 thousand (¥458 million)	100.0% (100.0%)	-
Mitsui Sumitomo Insurance USA Inc.	New York, U.S.A.	Non-life insurance business	Jan. 28, 1988	US\$5,000 thousand (¥554 million)	100.0% (100.0%)	-
Mitsui Sumitomo Insurance Company of America	New York, U.S.A.	Non-life insurance business	Mar. 29, 2001	US\$5,000 thousand (¥554 million)	100.0% (100.0%)	-
MSIG Specialty Insurance USA Inc.	New York, U.S.A.	Non-life insurance business	Jan. 11, 1994	US\$5,000 thousand (¥554 million)	100.0% (100.0%)	-
DTRIC Insurance Company, Limited	Honolulu, U.S.A.	Non-life insurance business	Dec. 12, 1978	US\$ 4,500 thousand (¥499 million)	100.0% (100.0%)	-
DTRIC Insurance Underwriters, Limited	Honolulu, U.S.A.	Non-life insurance business	Feb. 2, 2007	US\$2,500 thousand (¥277 million)	100.0% (100.0%)	-
Mitsui Sumitomo Seguros S/A.	Sao Paulo, Brazil	Non-life insurance business	Dec. 15, 1965	BRL 619,756 thousand (¥17,334 million)	100.0% (100.0%)	-

Name of company	Location	Principal business	Date of incorporation	Paid-in capital	Percentage of voting rights (%)	Note
Aioi Nissay Dowa Europe Limited	London, U.K.	Holding company	Nov. 8, 2017	UK£350,010 thousand (¥50,744 million)	100.0% (100.0%)	-
MS Amlin plc	London, U.K.	Holding company	Sep. 17, 1993	UK£143,168 thousand (¥20,756 million)	100.0% (100.0%)	-
MS Amlin Corporate Services Limited	London, U.K.	Holding company	Aug. 1, 1988	UK£16 thousand (¥2 million)	100.0% (100.0%)	-
MS Amlin Corporate Member Limited	London, U.K.	Non-life insurance business	Sep. 19, 1994	UK£1,700 thousand (¥246 million)	100.0% (100.0%)	-
MS Amlin Underwriting Limited	London, U.K.	Non-life insurance business	Nov. 29, 1988	UK£400 thousand (¥57 million)	100.0% (100.0%)	-
MSI Corporate Capital Limited	London, U.K.	Non-life insurance business	Jan. 7, 2000	UK£5,200 thousand (¥753 million)	100.0% (100.0%)	-
Mitsui Sumitomo Insurance Company (Europe), Limited	London, U.K.	Non-life insurance business	Jul. 28, 1972	UK£ 80,700 thousand (¥11,699 million)	100.0% (100.0%)	-
MS Amlin AG	Zurich, Switzerland	Non-life insurance business	Aug. 19, 2010	SFR10,000 thousand (¥1,115 million)	100.0% (100.0%)	-
MSIG Insurance Europe AG	Cologne, Germany	Non-life insurance business	Apr. 20, 2012	€84,000 thousand (¥10,463 million)	100.0% (100.0%)	-
Aioi Nissay Dowa Life Insurance of Europe AG	Ismaning, Germany	Life insurance business	Dec. 8, 2005	€5,000 thousand (¥622 million)	100.0% (100.0%)	-
MS Financial Reinsurance Limited	Hamilton, Bermuda	Life insurance business	Nov. 21, 2011	¥ 46 million	100.0% (100.0%)	-
MS Amlin Insurance SE	Brussels, Belgium	Non-life insurance business	Jan. 4, 2016	€1,321 thousand (¥164 million)	100.0% (100.0%)	-
Aioi Nissay Dowa Insurance Company of Europe SE	Strassen, Luxembourg	Non-life insurance business	Nov. 12, 2004	€41,875 thousand (¥5,216 million)	100.0% (100.0%)	-
ReAssure Jersey One Limited	Channel, Jersey	Holding company	Jul. 22, 2011	UK£529 thousand (¥76 million)	25.0%	-
MSIG Holdings (Asia) Pte. Ltd.	Singapore, Singapore	Holding company	Sep. 23, 2004	S\$1,075 million (¥88,078 million)	100.0% (100.0%)	-
MSIG Insurance (Singapore) Pte. Ltd.	Singapore, Singapore	Non-life insurance business	Sep. 23, 2004	S\$333,442 thousand (¥27,302 million)	100.0% (100.0%)	-
MS First Capital Insurance Limited	Singapore, Singapore	Non-life insurance business	Dec. 9, 1950	S\$26,500 thousand (¥2,169 million)	97.7% (97.7%)	-
Aioi Nissay Dowa Insurance Company Australia Pty Ltd	Melbourne, Australia	Non-life insurance business	Aug. 1, 2008	A\$87,800 thousand (¥6,904 million)	100.0% (100.0%)	-
MSIG Mingtai Insurance Co., Ltd.	Taipei, Taiwan	Non-life insurance business	Sep. 22, 1961	NT\$2,535 million (¥9,129 million)	100.0% (100.0%)	-
Aioi Nissay Dowa Insurance (China) Company Limited	Tianjin, P.R.C.	Non-life insurance business	Jan. 23, 2009	RMB625,000 thousand (¥10,293 million)	100.0% (100.0%)	-
Mitsui Sumitomo Insurance (China) Company Limited	Shanghai, P.R.C.	Non-life insurance business	Sep. 6, 2007	RMB500,000 thousand (¥8,235 million)	100.0% (100.0%)	-

Name of company	Location	Principal business	Date of incorporation	Paid-in capital	Percentage of voting rights (%)	Note
MSIG Insurance (Hong Kong) Limited	Hong Kong, P.R.C.	Non-life insurance business	Sep. 8, 2004	HK\$1,625 million (¥22,989 million)	100.0% (100.0%)	-
MSIG Insurance (Vietnam) Company Limited	Hanoi, Vietnam	Non-life insurance business	Feb. 2, 2009	VND300,000 million (¥1,440 million)	100.0% (100.0%)	-
Cholamandalam MS General Insurance Company Limited	Chennai, India	Non-life insurance business	Nov. 2, 2001	INR2,988 million (¥4,810 million)	40.0% (40.0%)	-
Max Life Insurance Company Limited	Chandigarh, India	Life insurance business	Jul. 11, 2000	INR19,188 million (¥30,892 million)	25.2% (25.2%)	-
PT. Asuransi MSIG Indonesia	Jakarta, Indonesia	Non-life insurance business	Dec. 17, 1975	IDR100,000 million (¥780 million)	80.0% (80.0%)	-
PT. Asuransi Jiwa Sinarmas MSIG	Jakarta, Indonesia	Life insurance business	Jul. 17, 1984	IDR105,000 million (¥819 million)	50.0% (50.0%)	-
Ceylinco Insurance PLC	Colombo, Sri Lanka	Holding company	Feb. 11, 1987	LKR1,324 million (¥834 million)	15.0% (15.0%)	-
MSIG Insurance (Thailand) Public Company Limited	Bangkok, Thailand	Non-life insurance business	Apr. 14, 1983	THB142,666 thousand (¥497 million)	86.4% (86.4%)	-
BPI/MS Insurance Corporation	Makati, Philippines	Non-life insurance business	Oct. 1, 1965	PHP350,000 thousand (¥742 million)	48.5% (48.5%)	-
MSIG Insurance (Malaysia) Bhd.	Kuala Lumpur, Malaysia	Non-life insurance business	Apr. 28, 1979	MYR 1,511 million (¥41,144 million)	65.4% (65.4%)	-
Hong Leong Assurance Berhad	Kuala Lumpur, Malaysia	Life insurance business	Dec. 20, 1982	MYR200,000 thousand (¥5,444 million)	30.0% (30.0%)	-
MSIG Insurance (Lao) Co., Ltd.	Vientiane, Laos	Non-life insurance business	Sep. 18, 2009	US\$2,000 thousand (¥221 million)	51.0% (51.0%)	-

(Notes)

1. The table above shows main subsidiaries and other companies.
2. Shown in parentheses in the Paid-in capital column is the Yen value as translated at the exchange rate on the last day of the fiscal year under review.
3. Shown in parentheses in the Percentage of voting rights column is the percentage of voting rights indirectly held.

(9) Status of business transfers and acquisitions of Corporate Group

Not applicable.

(10) Other important matters concerning state of Corporate Group

Not applicable.

2. Matters Concerning Officers

(1) Status of officers

(As of end of fiscal year)

Name	Position and responsibilities	Significant concurrent positions	Other
Hisahito Suzuki	Representative Director Chairman	Director & Vice Chairman, Aioi Nissay Dowa Insurance Co., Ltd. (“ <i>ADI</i> ”)	-
Yasuyoshi Karasawa	Representative Director President & CEO	Chairman & Director, Chairman Executive Officer, Mitsui Sumitomo Insurance Co., Ltd. (“ <i>MSI</i> ”)	-
Noriyuki Hara	Representative Director Executive Officer	President, Director & CEO, <i>MSI</i>	-
Yasuzo Kanasugi	Representative Director Executive Officer	Director & President, <i>ADI</i>	-
Shiro Fujii	Director, Executive Vice President Corporate Planning Dept., Corporate Communications and Investor Relations Dept., Business Development Dept., International Life Insurance Business Dept., Information Technology Planning Dept., International Supervisory Dept., Internal Audit Dept., Chief Financial Officer, Capital Policy, Sustainability	-	-
Masahiro Higuchi	Director Executive Officer Claims Services	Director, Senior Executive Officer, <i>ADI</i>	-
Takashi Kuroda	Director Executive Officer Sales	Director, Executive Vice President, <i>MSI</i>	-
Mari Matsunaga	Director (Outside Director)	Director (External Director), Rohto Pharmaceutical Co., Ltd. Director (Outside Director), Seiko Epson Corporation	-
Mariko Bando	Director (Outside Director)	Chancellor (Rijicho and Socho), Showa Women’s University	-
Akira Arima	Director (Outside Director)	-	-
Kazuhito Ikeo	Director (Outside Director)	Professor Emeritus, Keio University Professor, Faculty of Economics, Risho University	-
Junichi Tobimatsu	Director (Outside Director)	Attorney-at-Law, Tobimatsu Law Director, AI, Inc. (Outside Director (Auditor)) Outside Corporate Auditor, amana inc. Auditor, CANDEAL Co., Ltd. (Outside Auditor)	-

(As of end of fiscal year)

Name	Position and responsibilities	Significant concurrent positions	Other
Hiroshi Miura	Audit & Supervisory Board Member (Full-time)	-	-
Tomoko Kondo	Audit & Supervisory Board Member (Full-time)	-	-
Kunio Chiyoda	Outside Audit & Supervisory Board Member	Director of Terasaki Electric Co., Ltd. (Outside Director (Audit Committee))	As a certified public accountant, Mr. Kunio Chiyoda has considerable knowledge of finance and accounting.
Kyoko Uemura	Outside Audit & Supervisory Board Member	Attorney-at-Law, Miyama, Koganemaru & Associates Director, SoftBank Corp. (External Director)	-

(Notes)

- The Company has submitted to the Tokyo Stock Exchange and the Nagoya Stock Exchange Independent Director/Auditor Notification, indicating that Directors Mari Matsunaga, Mariko Bando, Akira Arima, Kazuhito Ikeo and Junichi Tobimatsu, Audit & Supervisory Board Members Kunio Chiyoda and Kyoko Uemura are Independent Director/Audit & Supervisory Board Members who are unlikely to cause a conflict of interest in the profit of general shareholders.
- The Company adopts an Executive Officer system. Executive Officers (excluding Directors who are also an Executive Officer) as of March 31, 2019 are as follows:

Senior Executive Officer	Fumiaki Ohkawabata	Human Resources and General Administration Dept., Accounting Dept., Compliance Dept., Corporate Risk Management Dept., Internal Audit Dept. Chief Risk Officer
Executive Officer	Masahiro Matsumoto	International Business
Executive Officer	Teruhiko Ito	Asset Management, Financial Services Business
Executive Officer	Hidema Jinno	General Manager of Corporate Risk Management Dept.
Executive Officer	Shinichiro Funabiki	Administration and Information Systems Chief Information Technology Officer Chief Information Security Officer Chief Digitalization Officer
Executive Officer	Tetsuji Higuchi	Assist Management
Executive Officer	Yukio Ogata	Underwriting & Reinsurance
Executive Officer	Satoru Tamura	Assist Management
Executive Officer	Naomi Motojima	Diversity & Inclusion

3. There were changes in Executive Officers as of April 1, 2019. Executive Officers as of April 1, 2019 are as follows:

Chairman	Hisahito Suzuki	
President & CEO	Yasuyoshi Karasawa	Chief Executive Officer
Executive Officer	Noriyuki Hara	
Executive Officer	Yasuzo Kanasugi	
Executive Vice President	Shiro Fujii	Corporate Planning Dept., Corporate Communications and Investor Relations Dept., Business Development Dept., International Life Insurance Business Dept., Information Technology Planning Dept., International Supervisory Dept., Internal Audit Dept., Chief Financial Officer, Capital Policy, Sustainability Human Resources and General Administration Dept., Accounting Dept., Compliance Dept., Corporate Risk Management Dept., Internal Audit Dept.
Senior Executive Officer	Fumiaki Ohkawabata	Chief Risk Officer
Senior Executive Officer	Shinichiro Funabiki	Administration and Information Systems Chief Information Officer Chief Information Security Officer Chief Digitalization Officer
Executive Officer	Masahiro Matsumoto	International Business
Executive Officer	Teruhiko Ito	Asset Management, Financial Services Business
Executive Officer	Hidema Jinno	Assist Corporate Risk Management
Executive Officer	Masahiro Higuchi	Claims Services
Executive Officer	Tetsuji Higuchi	Assist Management
Executive Officer	Takashi Kuroda	Sales
Executive Officer	Yukio Ogata	Underwriting & Reinsurance
Executive Officer	Satoru Tamura	Assist Management
Executive Officer	Naomi Motojima	Diversity & Inclusion
Executive Officer	Yusuke Shirai	General Manager of Corporate Planning Dept.

(New Appointment)

4. The Company appoints one Substitute Audit & Supervisory Board Member to fill a vacancy in preparation for a shortfall in the number of statutory Audit & Supervisory Board Members.

Substitute Audit & Supervisory Board Member	Takuya Nakazato
---	-----------------

(2) Remuneration to officers

Category	Number of recipients	Remuneration (Yen in millions)
Directors	16	269
Audit & Supervisory Board Members	4	70
Total	20	339

(Notes)

1. The number of recipients to be paid includes four (4) Directors who retired during this fiscal year.
2. Remuneration includes remuneration for four (4) Directors who retired during this fiscal year.
3. The remuneration of seven (7) Directors paid by the business year resulted in a difference of 17 million yen from the reserve for performance-linked remuneration based on the performance of the previous fiscal year, which is not included in the table above.
4. Based on a resolution adopted at the Annual Shareholders Meeting, the remuneration of Directors shall be no more than 500 million yen per year (exclusive of wages as an employee payable to a Director also serving as an employee) (of which remuneration for Outside Directors shall be no more than 100 million yen per annum), stock options as stock-based compensation shall be no more than 60 million yen per year, and remuneration for Audit & Supervisory Board Members shall be no more than 110 million yen per year.
5. The remuneration includes stock options as stock-based compensation to Directors amounting to 29 million yen.

(3) Limited liability agreement

Name	Summary of content in limited liability agreements
(Outside Director) Mari Matsunaga Mariko Bando Akira Arima Kazuhito Ikeo Junichi Tobimatsu	The Company has concluded agreements with each of the persons limiting his/her liability under Article 423, Paragraph 1 of the Companies Act. The amount of limited liability based on these agreements is the sum of the amounts stipulated in all items of Article 425, Paragraph 1 of the Companies Act.
(Outside Audit & Supervisory Board Member) Kunio Chiyoda Kyoko Uemura	

3. Matters Concerning Outside Officers

(1) Concurrent and other status of Outside Directors and Audit & Supervisory Board Members

Name	Concurrent position or other matters
(Outside Director) Mari Matsunaga Mariko Bando Akira Arima Kazuhito Ikeo	Director (External Director), Rohto Pharmaceutical Co., Ltd. Director (Outside Director), Seiko Epson Corporation Chancellor (Rijicho and Socho), Showa Women's University - Professor Emeritus, Keio University Professor, Faculty of Economics, Rissho University
(Outside Audit & Supervisory Board Member) Kunio Chiyoda Kyoko Uemura	Attorney-at-Law, Tobimatsu Law Director, AI, Inc. (Outside Director (Auditor)) Outside Corporate Auditor, amana inc. Auditor, CANDEAL Co., Ltd. (Outside Auditor) Director of Terasaki Electric Co., Ltd. (Outside Director (Audit Committee)) Attorney-at-Law, Miyama, Koganemaru & Associates Director, SoftBank Corp. (External Director)

Note: There is no special relationship between any of the above entities and the Company.

(2) Primary activities of Outside Officers

Name	Length of time in office	Attendance at Board of Directors/Audit & Supervisory meetings	Observations made at Board of Directors meetings and record of other activities
Mari Matsunaga (Outside Director)	6 years and 9 months	Attended 11 out of 12 times Board of Directors meetings held in this fiscal year.	Made observations at Board of Directors meetings or other meetings as appropriate, based on her knowledge and experience concerning society, culture, consumer lifestyles, etc.
Mariko Bando (Outside Director)	1 year and 9 months	Attended 11 out of 12 times Board of Directors meetings held in this fiscal year.	Made observations at Board of Directors meetings or other meetings as appropriate statements and recommendations based on knowledge and experience, mainly in the administrative and educational fields.
Akira Arima (Outside Director)	9 months	Attended all the 10 meetings of the Board of Directors since his appointment as Director.	Made observations at Board of Directors meetings or other meetings as appropriate statements and recommendations based on knowledge concerning telecommunications business and experience as a management executive.
Kazuhito Ikeo (Outside Director)	9 months	Attended 9 out of 10 times Board of Directors meetings since his appointment as Director.	Made observations at Board of Directors meetings or other meetings as appropriate statements and recommendations based on knowledge and experience concerning economic and fiscal fields as well as financial administration.
Junichi Tobimatsu (Outside Director)	9 months	Attended all the 10 meetings of the Board of Directors since his appointment as Director.	Made observations at Board of Directors meetings or other meetings as appropriate statements and recommendations based on extensive knowledge and experience mainly as an attorney-at-law.
Kunio Chiyoda (Outside Audit & Supervisory Board Member)	2 years and 9 months	Attended all the 12 meetings of the Board of Directors and all the 11 meetings of the Board of Corporate Auditors held in this fiscal year.	Made observations at Board of Directors meetings or other meetings as appropriate, based on his knowledge and experience as a certified public accountant.
Kyoko Uemura (Outside Audit & Supervisory Board Member)	1 year and 9 months	Attended all the 12 meetings of the Board of Directors and all the 11 meetings of the Board of Corporate Auditors held in this fiscal year.	Made observations at Board of Directors meetings or other meetings as appropriate, based on her knowledge and experience as an attorney-at-law.

(Notes)

1. The period of office of each individual is from the date of their assumption of office to March 31, 2019 (or the date of their retirement).
2. In addition to the number of the Board of Directors meetings as above, one written resolution was made that the resolution is deemed to have been made by the Board of Directors meeting, in accordance with Article 370 of the Companies Act and Article 26 of the Articles of Incorporation.

(3) Remuneration for Outside Officers

(Yen in millions)

	Number of recipients	Remuneration from the insurance holding company	Remuneration from the Parent Company, etc. of the insurance holding company
Total compensation	9	76	-

(Notes)

1. The number of recipients includes two (2) Outside Officers who resigned during this fiscal year.
2. Remuneration from the Insurance Holding Company includes remuneration for the two (2) Outside Officers who retired during this fiscal year.
3. The breakdown of remuneration from insurance holding companies is 57 million yen for Outside Directors and 19 million yen for Outside Audit & Supervisory Board Members.

(4) Opinion of Outside Officers

There is no opinion from Outside Officers concerning matters (1) to (3).

4. Matters Concerning Stock

(1) Number of shares

Total number of issuable shares 900,000 thousand shares

Total number of shares issued 593,291 thousand shares

(2) Number of shareholders at the end of this fiscal year 63,735

(3) Major shareholders

Names of shareholders	Investment in the Company	
	Number of shares held (Thousand)	Ratio of shares held (%)
Toyota Motor Corporation	52,610	9.0
The Master Trust Bank of Japan, Ltd. (Trust account)	38,402	6.6
Nippon Life Insurance Company	36,325	6.2
Japan Trustee Services Bank, Ltd. (Trust account)	26,291	4.5
Japan Trustee Services Bank, Ltd. (Trust account 9)	12,590	2.2
JP MORGAN CHASE BANK 380055	10,621	1.8
Japan Trustee Services Bank, Ltd. (Trust account 5)	10,120	1.7
Japan Trustee Services Bank, Ltd. (Trust account 7)	9,479	1.6
THE BANK OF NEW YORK MELLON 140044	9,390	1.6
JP MORGAN CHASE BANK 385151	7,650	1.3

(Notes)

1. The Company owns 9,580 thousand treasury shares, but is omitted from the major shareholders above.
2. The ratio of shares held is calculated by deducting treasury shares.

5. Matters Concerning Stock Acquisition Rights, etc.

(1) Stock acquisition rights, etc. held by the Company's Directors and Audit & Supervisory Board Members as of the last day of the fiscal year

	Outline of the stock acquisition rights, etc.	Number of persons who hold stock acquisition rights, etc.
Directors (excluding Outside Directors)	2016 First Stock Options as Equity Compensation	
	Stock acquisition right allotment date: July 29, 2016	4
	Total number of stock acquisition rights: 4,219 (Number of shares underlying each stock acquisition right is one share per unit)	
	Type and number of shares underlying stock acquisition rights: Common stock of the Company 4,219 shares	
	Exercise period for stock acquisition rights: From July 30, 2016 to July 29, 2046	
	Exercise value (per share): ¥1	
	Conditions on exercise of stock acquisition rights: (Note 2.)	
	2017 First Stock Options as Equity Compensation	
	Stock acquisition right allotment date: Aug. 1, 2017	5
Total number of stock acquisition rights: 3,390 (Number of shares underlying each stock acquisition right is one share per unit)		
Type and number of shares underlying stock acquisition rights: Common stock of the Company 3,390 shares		
Exercise period for stock acquisition rights: From Aug. 2, 2017 to Aug. 1, 2047		
Exercise value (per share): ¥1		
Conditions on exercise of stock acquisition rights (Note 2.)		
2018 First Stock Options as Equity Compensation		
Stock acquisition right allotment date: Aug. 1, 2018	5	
Total number of stock acquisition rights: 3,078 (Number of shares underlying each stock acquisition right is one share per unit)		
Type and number of shares underlying stock acquisition rights: Common stock of the Company 3,078 shares		
Exercise period for stock acquisition rights: From Aug. 2, 2018 to Aug. 1, 2048		
Exercise value (per share): ¥1		
Conditions on exercise of stock acquisition rights (Note 2.)		
Outside Directors	—	—
Audit & Supervisory Board Members	—	—

(Notes)

1. The table shows stock acquisition rights which have been granted by offsetting the right to claim remuneration to the Company, with the payment obligations for the stock acquisition rights that have been allotted to each person.
2. A rights holder may exercise his/her stock acquisition rights only after he/she relinquishes his/her position as a Director, Executive Officer, or full-time Audit & Supervisory Board Member at the Company or its subsidiaries which consist of five domestic insurance companies (Note 3.). In such a case, a rights holder may exercise his/her stock acquisition rights all at once, during the period beginning on the day following the day he/she relinquishes his/her position as a Director, Executive Officer, or full-time Audit & Supervisory Board Member at the Company or at one of the five domestic insurance companies, until the elapse of 10 days.
3. Mitsui Sumitomo Insurance Company, Limited, Aioi Nissay Dowa Insurance Company, Limited, Mitsui Sumitomo Aioi Life Insurance Company, Limited, Mitsui Sumitomo Primary Life Insurance Company, Limited and Mitsui Direct General Insurance Company, Limited.
4. The number of stock acquisition rights as of the last day of the fiscal year, which have been granted to the Directors of the Company (excluding Outside Directors) in consideration for the execution of their duties as the Company's Director is shown in the table above. In addition to this, the number of stock acquisition rights granted to the Executive Officers of the Company, and the Directors or Executive Officers of the Company's major subsidiaries, at the time of issuance of the stock acquisition rights, is shown below.
 - Number of stock acquisition rights issued as of July 2016: 9,384
 - Number of stock acquisition rights issued as of August 2017: 7,353
 - Number of stock acquisition rights issued as of August 2018: 7,736

(2) Stock acquisition rights, etc. issued to employees, etc. during the fiscal year

	Outline of the details of the stock acquisition rights, etc. and the number of persons who hold stock acquisition rights, etc.		
	2018 First stock options as equity compensation		2018 Second stock options as equity compensation
	Employees (Note 2.)	Officers of Subsidiaries, etc.	Employees of Subsidiaries, etc.
Stock acquisition right allotment date:	Aug. 1, 2018		
Total number of stock acquisition rights	7,865 (Note 3.) (Number of shares underlying each stock acquisition right is one share per unit)	62,594 (Note 4.) (Number of shares underlying each stock acquisition right is one share per unit)	14,454 (Note 5.) (Number of shares underlying each stock acquisition right is one share per unit)
Type and number of share underlying stock acquisition rights	Common stock of the Company: 7,865 shares	Common stock of the Company: 62,594 shares	Common stock of the Company: 14,454 shares
Exercise period for stock acquisition rights:	From Aug. 2, 2018 to Aug. 1, 2048		
Exercise value (per share)	¥1		
Conditions on exercise of stock acquisition rights	(Note 6.)		(Note 8.)
Number of persons who hold stock acquisition rights, etc.	7	72	68

(Notes)

1. The table shows stock acquisition rights which have been granted by offsetting the right to claim remuneration to the Company, with the payment obligations for the stock acquisition rights that have been allotted to each person.
2. The employees of the Company are Executive Officers of the Company (excluding Executive Officers who concurrently hold Director positions).
3. The number includes stock acquisition rights granted to the employees of the Company in consideration for the execution of their duties as the Directors or Executive Officers at the major subsidiaries of the Company.
4. The number includes stock acquisition rights granted to the Executive Officers of the major subsidiaries of the Company who were former Executive Officers of the Company, in consideration for the execution of their duties at the Company.
5. This is the number of stock acquisition rights granted in consideration for the execution of the duties at the major subsidiaries of the Company.
6. A rights holder may exercise his/her stock acquisition rights only after he/she relinquishes his/her position as a Director, Executive Officer, or full-time Audit & Supervisory Board Member at the Company or its subsidiaries which consist of five domestic insurance companies (Note 7.). In such a case, a rights holder may exercise his/her stock acquisition rights all at once, during the period beginning on the day following the day he/she relinquishes his/her position as a Director, Executive Officer, or full-time Audit & Supervisory Board Member at the Company or at one of the five domestic insurance companies, until the elapse of 10 days.
7. Mitsui Sumitomo Insurance Company, Limited, Aioi Nissay Dowa Insurance Company, Limited, Mitsui Sumitomo Aioi Life Insurance Company, Limited, Mitsui Sumitomo Primary Life Insurance Company, Limited and Mitsui Direct General Insurance Company, Limited.
8. A rights holder may exercise his/her stock acquisition rights only after his/her employment contract with one of the subsidiaries of the Company, Mitsui Sumitomo Insurance Company, Limited or Aioi Nissay Dowa Insurance Company, Limited has ended. In such a case, a rights holder may exercise his/her stock acquisition rights all at once, only during the period beginning on the day following the day his/her employment contract with Mitsui Sumitomo Insurance Company, Limited or Aioi Nissay Dowa Insurance Company, Limited has ended, until the elapse of 10 days.

6. Matters Concerning Accounting Auditor

(1) Accounting Auditor

(Yen in millions)

Name or title	Remuneration for the fiscal year under review	Other
KPMG AZSA LLC. Designated and engagement partner: Hiroyuki Yamada Designated and engagement partner: Ikuo Hirakuri Designated and engagement partner: Fumito Hirose	66	1. Apart from work under Article 2, Paragraph 1 of the Certified Public Accountants Act, the Company has paid the Accounting Auditor remuneration for professional guidance and advice, etc. for IFRS application. 2. The Audit & Supervisory Board has given its consent in accordance with Article 399, Paragraph 1 of the Companies Act relating to remuneration of the Accounting Auditor upon confirming and verifying the appropriateness of its Audit Plan, performance status of duties and calculation basis for remuneration quotation.

(Notes)

1. The sum of the amounts payable in cash and in kind from the Company and its subsidiaries is 550 million yen.
2. The amount shown in the table above includes remuneration for audits under the Financial Instruments and Exchange Law, since the audit contract between the Company and the Accounting Auditor does not provide for separate amounts of remuneration for audits under the Companies Act and audits, etc. under the Financial Instruments and Exchange Law, nor can they practically be separated.

(2) Limited liability agreement

Not applicable.

(3) Other matters concerning Accounting Auditor

(a) Policy on dismissal or decision not to reappoint the Accounting Auditor

The Company policy with regard to the above is as follows:
Should the Audit & Supervisory Board decide to dismiss the Accounting Auditor based on Article 340 of the Companies Act, or in the event it is recognized that it will be difficult for the Accounting Auditor to perform its duties or other such circumstances, and the Audit & Supervisory Board has determined it is appropriate to dismiss or not to reappoint the Accounting Auditor, the Audit & Supervisory Board will decide the detail of the proposal on the dismissal or non-reappointment of the Accounting Auditor, which shall be presented at a shareholders meeting based on Article 344 of the Companies Act.

(b) Auditing of the financial statements of the Company's principal subsidiaries done by certified public accountants other than the Company's Accounting Auditor

Overseas subsidiaries among the Company's principal subsidiaries are audited by certified public accountants other than KPMG AZSA LLC.

7. Basic Policy concerning Persons in Control of Decisions on Finance and Business Policy

Not applicable.

8. System for Ensuring Appropriateness of Operations

(1) Basic Policy Pertaining to System for Internal Controls

A summary of resolutions adopted by the Board of Directors regarding the establishment of the above system is as set out below. The Company partially revised our previous contents as of April 1, 2019. The following is after the revision.

MS&AD Insurance Group Basic Policy Pertaining to System for Internal Controls

As the holding company conducting overall management of the Group, MS&AD Insurance Group Holdings, Inc. (the "Holding Company") shall strive to raise the corporate value and work to create a system of management that is transparent with the control functions to facilitate the stable and sustained growth of the Group over the long term through the effective deployment of management resources and proper conduct of risk management based on the "Corporate Philosophy (Mission)."

1. Group Management Structure (System for Assuring the Proper Conduct of Business at the Corporate Group Consisting of the Holding Company and Its Subsidiaries)

- (1) The Holding Company shall institute the Corporate Philosophy (Mission), Corporate Vision and Code of Conduct (Values) that all officers and employees in the Group are expected to focus on in all aspects of business, and effort shall be made to thoroughly instill and implement the content of this among all officers and employees of the Holding Company and its subsidiaries (subsidiaries under Companies Act and Insurance Business Act; hereinafter referred to as "Group companies"). The Board of Directors of the Holding Company shall be reported on the status of implementation whether the company's corporate culture truly embraces the intent and spirit of the Corporate Philosophy (Mission), Corporate Vision and Code of Conduct (Values).
- (2) The Holding Company shall appropriately exercise shareholder voting rights, such as appropriately voting on resolutions at Shareholders' Meetings over domestic Group insurance companies and affiliates in which the Holding Company conducts direct investment (hereinafter referred to as "directly invested companies") from the standpoint of conducting management of business for the Group as a whole and maximizing the corporate value of the entire Group.
- (3) The Holding Company shall execute business management agreements with directly invested companies and institute the Group Basic Policies (Corporate Governance, Risk Management, Compliance and Internal Auditing).
- (4) Pursuant to business management agreements, the Holding Company shall require directly invested companies to comply with the Group's Basic Policies as well as develop a system to ensure appropriate business conduct as stated in items (i) through (iv) below for assuring the proper conduct of business.
 - (i) **System for Reporting to the Holding Company Regarding the Execution of Duties by Directors of Directly Invested Companies**
Directly invested companies shall either get approval from the Holding Company with respect to important matters affecting the directly invested companies or report to the Holding Company regarding such matters. In addition, the Holding Company shall be able to require directly invested companies to report the status of business management etc. to the Holding Company.
 - (ii) **System to Assure the Efficient Execution of Duties by Directors of Directly Invested Companies** (mentioned in 2. below)
 - (iii) **System to Assure that the Execution of Duties by Directors and Employees of Directly Invested Companies complies with applicable laws and the Articles of Incorporation** (mentioned in 3. below)
 - (iv) **Provisions for Managing Risk of Loss and Other Systems of Directly Invested Companies** (mentioned in 4. below)
- (5) In principle, directly invested companies shall appropriately supervise the management of their

subsidiaries (subsidiaries under Companies Act and Insurance Business Act) under business management agreements. For overseas bases and subsidiaries, directly invested companies shall consider local laws and characteristics when promoting the development of business systems.

2. System to Assure the Efficient Execution of Duties (System to Assure the Efficient Execution of Duties by Directors of the Holding Company and its Subsidiaries)

- (1) To ensure that there is no conflict between quick decision making and proper monitoring, the Holding Company shall adopt an Executive Officer System, appoint Outside Directors, and strengthen and separate the division of duties between “Management Decision Making, Oversight” by the Board of Directors and “Business Execution” by Executive Officers. In addition, in order to enable practical deliberations by the Board of Directors, the number of Directors shall not exceed 15 members, and the delegation of authority over business execution to Executive Officers shall be promoted.
- (2) The Holding Company shall institute rules pertaining to the organization and exercise of authority etc. to facilitate the proper and efficient execution of duties by Directors and Executive Officers by clarifying the duties that must be performed and the rules of administrative authority.
- (3) The Holding Company shall institute the Group’s Medium-term Management Plan and annual plans, and effort shall be made to instill a full awareness of these among all officers and employees of the Holding Company and Group companies, with numerical targets set for each area of business, and management resources properly distributed in order to accomplish the goals of the plans. In addition, Corporate Governance, Compliance, Risk Management and etc. are positioned as important matters of management in the Medium-term Management Plan.
- (4) The Holding Company shall institute the IT Governance Basic Policy of the Group in consideration of the importance of information technology (IT) as a managerial foundation of the Group, and establish an IT governance structure throughout the Group.
- (5) The Holding Company shall institute the Basic Policy on Taxes of the Group in consideration of the importance of tax matters in its business activities and establish a tax governance structure throughout the Group.
- (6) Executive Officers of the Holding Company shall provide the Board of Directors with reports of the status of business execution for the Company and the directly invested companies (including summaries of business results). The Holding Company’s Board of Directors shall conduct measures as necessary based on the content of these reports, such as modifying the targets or assigning additional management resources.
- (7) The Holding Company shall convene regular meetings of the Group Management Committee. When necessary, officers from the domestic Group insurance companies shall also attend meetings of the Group Management Committee to discuss important matters affecting the Group’s business strategy and management of the domestic Group insurance companies and shall determine the direction of decision making.

3. Group Legal Compliance System (System to Assure that Execution of Duties by Directors and Employees of the Holding Company and its Subsidiaries Complies with Applicable Laws and the Articles of Incorporation)

- (1) In line with the Group’s Compliance Basic Policy formulated by the Holding Company, the Holding Company and Group companies shall make efforts to instill awareness of compliance among all officers and employees, and shall carry out business activities based on high ethical standards, while complying with applicable laws and internal rules, etc.
- (2) The Holding Company shall institute the Legal Compliance Rules and a Compliance Program as a plan for its implementation and monitor the status of its implementation, in order to inculcate matters pertaining to compliance and develop corporate ethics. It shall also institute a Compliance Manual and revise it when necessary based on the business activities of the Group as a whole, management environment and other factors.
- (3) The Holding Company shall create business units and systems such as a Compliance Department to be responsible for overall management of matters pertaining to compliance for the entire Group. It shall also establish a Quality Improvement and Compliance Committee to conduct monitoring of the status of the promotion of compliance, and necessary measures shall be instituted with respect to matters confirmed by this committee. The Board of Directors of the Holding Company shall be regularly reported on the status of the promotion of compliance.
- (4) The Holding Company shall also institute rules within the Legal Compliance Rules for reporting in cases where officers and employees of the Holding Company and Group companies become aware of compliance-related problems. Having received such reports and information, the Holding

Company's Compliance Department shall work with the relevant departments and Group companies to investigate the content of such reports and formulate measures to prevent recurrences.

- (5) The Holding Company and Group companies shall establish a system and procedures to eliminate any antisocial influences, in line with the Group's Basic Policy Concerning Antisocial Forces instituted by the Holding Company (e.g., establishing a business unit to respond to problems, introducing guidelines, developing a system for managing databases concerning antisocial forces, strengthening collaboration with outside organizations such as police, etc.). We shall respond in uncompromising manner toward any antisocial influences, and all officers and employees must be fully informed to avoid requests that are unreasonable and inappropriate.
- (6) When the Holding Company engages in transactions with related parties such as officers of the Group, the Holding Company shall conduct appropriate monitoring to ensure that such transactions do not harm the interests of the Group and the common interests of its shareholders, such as by approving at the Board of Directors of competitive transactions and transactions with a conflict of interest.
- (7) The Holding Company and Group insurance companies shall establish a system that ensures the compliance with the arm's length rule and the appropriateness of other transactions within the Group etc. in line with the Basic Policy on Internal Group Transactions and Business Alliances instituted by the Holding Company.
- (8) The Holding Company and domestic Group insurance companies shall establish a system to manage conflicts of interest based on the Group's Basic Policy for Management of Conflicts of Interest instituted by the Holding Company.
- (9) The Holding Company and Group companies shall establish a system to manage work with outside vendors based on the Group's Basic Policy for Management of Outside Vendors instituted by the Holding Company.
- (10) The Holding Company and Group companies shall establish the Group's Speak Up System (whistleblowing system), which shall enable all officers and employees to directly provide information to internal and external contact points regarding violations of laws and regulations, violations of internal company rules and regulations, inappropriate conduct, or risks of any of the aforementioned occurring, both at the organizational level and individual level, and shall strive to make all officers and employees aware of the system. In addition, the Holding Company shall institute rules for the operation of the Group's Speak Up System, and establish that there shall be no unfavorable treatment of whistleblowers as a result of having provided information. In addition, the Board of Directors shall be reported on the status of the operation of the system.
- (11) The Holding Company shall not encourage, approve nor instruct the Group companies or their officers and employees to engage in conduct that violates the law.

4. Enterprise Risk Management System (Provisions for Managing Risk of Loss of the Holding Company and its Subsidiaries and Other Systems)

- (1) The Holding Company and Group companies shall conduct appropriate risk management by sharing a basic approach and also instituting risk management policies for each company, appropriate to the conditions of each company, in line with the Group's Risk Management Basic Policy instituted by the Holding Company.
- (2) To have a full and complete understanding of the various types of risk present within the Group and to comprehensively carry out appropriate risk management, the Holding Company shall create business units and systems such as a Risk Management Department for these purposes. A Risk Management Committee shall also be established, and necessary measures shall be instituted to eliminate and reduce risk based on the findings of this committee (including the confirmation results from comprehensive risk management (quantitative)).
- (3) The Holding Company shall monitor risk and the status of risk management for the Group as a whole, shall evaluate comprehensive risk for the entire Group on a quantitative basis and shall confirm that the capital needed for the Group as a whole is assured. The Board of Directors shall be reported on the status of these initiatives, in consideration of the results of consultation and coordination by the Risk Management Committee.
- (4) The Holding Company shall establish the Crisis Management System and the Business Continuity Management System for the Group as a whole in accordance with the Crisis Management Manual instituted by the Holding Company to fulfill corporate social responsibility and our responsibilities to stakeholders, and also establish the necessary systems to minimize damages caused by crisis.

5. System for Assuring the Reliability of Financial Reporting

- (1) When selecting candidates to serve as Audit & Supervisory Board Members, the Holding Company shall appoint at least one person as Audit & Supervisory Board Member who possesses the necessary knowledge regarding accounting and financial matters.
- (2) The Holding Company and Group companies shall establish a system for the timely and proper reporting of financial information and other disclosures of information, pertaining to the Group, based on the Group's Basic Policy for Controlling Disclosure of Information instituted by the Holding Company.
- (3) In order to provide accurate and clear reporting of the business results and financial condition of the Holding Company and its consolidated subsidiaries, consistent with corporate accounting standards generally accepted as fair and appropriate, the Holding Company shall institute accounting rules and prescribe the important matters pertaining to accounting administration.
- (4) In order to ensure the fair disclosure of information, the Holding Company shall institute controls pertaining to the disclosure of information and procedural rules and take measures to evaluate the effectiveness of these controls and improve their effectiveness, and the Risk Management Committee shall check the propriety of information disclosure.
- (5) The Holding Company, through the Risk Management Committee, shall check the results from evaluations of the establishment and the function of "Internal Controls over Financial Reporting" implemented in its consolidated subsidiaries in accordance with the Financial Instruments and Exchange Act.
- (6) The Board of Directors of the Holding Company shall be reported the findings from investigations done by the Risk Management Committee pertaining to the effectiveness of controls on the disclosure of information and the propriety of information disclosure at the Holding Company and its consolidated subsidiaries.

6. System for Assuring the Effectiveness of Internal Audit

- (1) The Holding Company and domestic Group insurance companies shall maintain a system for internal auditing covering the business activities of the entire Group based on the Group's Internal Audit Basic Policy instituted by the Holding Company to conduct internal auditing that is effective and efficient.
- (2) The Holding Company and domestic Group insurance companies shall establish an independent organization dedicated to focus exclusively on internal auditing and shall formulate an internal audit plan based on the types and degrees of risk by preparing rules for internal auditing that prescribe the basic matters pertaining to this activity.
- (3) The Holding Company's internal auditing department shall make reports to the Holding Company's Board of Directors of important matters from the findings of internal auditing conducted at the Holding Company and the domestic Group insurance companies along with the status of improvements at the business units subject to audits and other matters.

7. System for Management of Information (System for Management and Retention of Information Pertaining to Execution of Duties by Directors.)

- (1) The Holding Company shall institute Corporate Information Management Regulations and shall properly retain and manage the documentations (which means important documentations such as the minutes of the Board of Directors and approval documentations, including electronic data) as well as other company information, pertaining to execution of duties by Directors and Executive Officers. In addition, the Holding Company's Directors and Corporate Auditors must be able to have unrestricted access at all times to such information.
- (2) The Holding Company and Group companies shall establish a system to ensure the proper handling and secure management of personal information (customer information) based on the Group's Basic Policy for Management of Customer Information instituted by the Holding Company.

8. System for Assuring the Effectiveness of Auditing by Audit & Supervisory Board

- (1) **System Pertaining to Employees Assisting with Work Performed by Audit & Supervisory Board Member, as well as assuring independence of such employees and the effectiveness of instructions**
 - (i) To support the duties of Audit & Supervisory Board Members, the Holding Company has an Office of Audit & Supervisory Board with full-time employees.
 - (ii) The Holding Company's Directors shall respect the independence of the Office of Audit & Supervisory Board. Organizational changes in the Office of Audit & Supervisory Board as well

as transfer or discharge of the employees described above only takes effect upon reaching a consensus at an Audit & Supervisory Board meeting. Employee evaluation also takes place upon consultation with the Audit & Supervisory Board Member assigned by Audit & Supervisory Board.

(2) System for Reporting to Audit & Supervisory Board Members

- (i) If becoming aware of any serious violations of applicable law or the Articles of Incorporation, inappropriate conduct or facts that pose a serious risk of harm to the Company, the Holding Company's Directors and Executive Officers shall promptly report such to the Audit & Supervisory Board Members.
- (ii) The Holding Company's Directors and Executive Officers shall make timely reports to the Audit & Supervisory Board Members of any decisions that will significantly affect businesses or organizational structures, the findings of internal audits, and the status of whistleblowing and other matters reported to the Audit & Supervisory Board Members, in accordance with the process instituted in consultation with the Audit & Supervisory Board Members.
- (iii) Officers and employees of the Holding Company and the Group companies may also make direct reports to the Audit & Supervisory Board Members of the Holding Company of any matters regarding violations of laws and regulations, violations of internal company rules and regulations, inappropriate conduct, or risks of any of the aforementioned occurring, that pose a serious risk of harm to the Company.
- (iv) The Holding Company and the Group companies shall not subject persons making reports as described in items (i) to (iii) above to any unfavorable treatment for the reason that they have made such reports.

(3) Other Matters

- (i) The Holding Company shall clearly state in the relevant rules etc. that, in addition to the Board of Directors, Audit & Supervisory Board Members may also attend meetings of the Group Management Committee and other important meetings.
- (ii) The Holding Company's Chairman of the Board of Directors, President and Representative Directors shall provide the Audit & Supervisory Board with regular statements of views pertaining to issues that must be addressed by the Holding Company, the environment for auditing by Audit & Supervisory Board, important auditing issues, and other matters.
- (iii) When requested by Audit & Supervisory Board, the Holding Company's internal auditing department shall cooperate with the auditing work being undertaken by the Audit & Supervisory Board.
- (iv) When requested by Audit & Supervisory Board for advance payment or indemnification etc. of expenses under the Article 388 of the Companies Act with respect to the execution of their duties, the Holding Company shall conduct the appropriate procedures in accordance with the Article 388 of the Companies Act.

(2) Overview of the Operational Status of the System for Internal Controls

The Company strives to maintain a system to ensure the propriety of business and to appropriately operate its system, and reports to the Board of the Directors regarding the results of a self-inspection conducted once a year into the operational status of this system. An overview of the operational status in the fiscal year under review is as follows.

1. Group Management Structure (System for Assuring the Proper Conduct of Business at the Corporate Group Consisting of the Holding Company and Its Subsidiaries)

By promoting understanding of the “Story of Value Creation”, which shows that staff’s daily activities lead to the realization of the Mission Statement, we are working to continuously disseminate the Corporate Philosophy (Mission), Corporate Vision and Code of Conduct (Values) (hereinafter these three components are referred as “MVV”). In addition to the Holding Company, the five insurance companies, and the affiliated companies directly invested by the Company, since fiscal 2018, we conducted a staff awareness survey on MVV and other issues at directly-owned subsidiaries of Mitsui Sumitomo Insurance Co., Ltd. and Aioi Nissay Dowa Insurance Co., Ltd., affiliated companies. We also reported to the Board of Directors on the state of creation and implementation of the Corporate Culture among the Group companies.

We institute the Group Basic Policies, require each directly invested company to obtain the approval of the Holding Company, and report to the Holding Company regarding compliance with the Group Basic Policies and decisions on important matters, based on business management agreements that we have entered into with each company. The appointment of directors, management plans, Risk Appetite Statements, and income and expenditure plans of the five insurance companies, as well as the appointment of directors of affiliated companies directly invested by the Company, were approved in advance. With regard to overseas subsidiaries, we have consolidated the examination function for the status of management and control systems and the support function for compliance systems at the overseas offices of Mitsui Sumitomo Insurance Co., Ltd. and Aioi Nissay Dowa Insurance Co., Ltd. within the Holding Company and we are taking steps to promote monitoring of management systems and compliance.

2. System to Assure the Efficient Execution of Duties (System to Assure the Efficient Execution of Duties by Directors of the Holding Company and Its Subsidiaries)

In order to strengthen monitoring and oversight functions from the perspective of external human assets, which is independent from management, and to ensure highly transparent management, five (5) of the twelve (12) Directors (two of them are female) are Outside Directors making more than one-third of Directors composed of Outside Directors. For Outside Directors, each staff in charge gives advance explanations of the materials for discussion at the Board of Directors’ meeting.

The medium-term management plan sets management numerical target for each business domain, allocates capital based on the Risk Appetite Statements to the operating companies, and reports monthly performance at the Group Management Committee to verify the status of progress with respect to the income and expenditure plans. We will continue aiming to ensure soundness, increase return on risk, and improve capital efficiency based on the ERM cycle.

3. Group Legal Compliance System (System to Assure That Execution of Duties by Directors and Employees of the Holding Company and Its Subsidiaries Complies with Applicable Laws and the Articles of Incorporation)

In order to conduct business activities based on high ethical standards through awareness of compliance, and compliance with laws and regulations, we conduct compliance training, conduct inspections to detect inappropriate acts at an early stage, and implement various measures to prevent their recurrence. The Company has established a Quality Improvement and Compliance Committee to promote business operations that put the Group’s customer first, ensure compliance, and establish corporate ethics. The committee meets quarterly in principle to confirm monitor and discuss issues related to quality improvement and compliance systems, etc. for the overall Group and each company, and reports the results of its discussions to the Board of Directors.

The Group has established the Speak Up system (whistleblowing system) to provide internal and

external reporting desks as well as a channel for reporting to the Audit & Supervisory Board Members, thereby establishing a system that enables reports by officers and employees at the Holding Company and Group companies. In July 2018, we took steps to reform the internal reporting system with a view to creating an environment and culture where employees can report without feeling anxious. Specifically, the system name was changed to the “Speak Up system,” while the scope of behaviors to be reported was expanded and acceptance of consultations and anonymous reports was also enhanced.

4. Enterprise Risk Management System (Provisions for Managing Risk of Loss of the Holding Company and Its Subsidiaries, and Other Systems)

To enable the Company to manage risk in a way that integrates various types of risk, we have established organizations and systems such as the Risk Management Committee and the Investment Risk Management Section, and “Regulations for Capital and Integrated Risk Management” In October 2018, we consolidated the risk management operations of oversea businesses into the Enterprise Risk Management Section to form a system for managing total risk in Japan and overseas.

The Board of Directors of the Company regularly receives reports from the Enterprise Risk Management Section on confirmation results of the quantitative verification of integrated risk management, the status of Group critical risk management action plans, the status of risk factor indicators for Group critical risk, and the results of discussions by the Risk Management Committee to confirm the status of Group risks, and the status of risk management and action.

The Company reports to the Board of Directors on a semi-annual basis the results of monitoring the risk and risk management status of the whole Group and each company, as well as reporting sufficiency of the capital by referring to the Holding Company’s capital and the state of the integrated risk amount, based on the result of discussion and adjustments by the Risk Management Committee and other committees.

5. System for Assuring the Reliability of Financial Reporting

The Risk Management Committee reports, and exchanges opinions on confirmation of the validity of disclosure information on regular disclosure and timely disclosure. When the Annual Securities Reports and Quarterly Earnings Reports are being prepared, the Risk Management Committee verifies the status of controls over information disclosure for each department and company based on the internal control confirmation documents received from departments providing basic information, departments preparing disclosure documents, and directly invested consolidated subsidiaries, and submits a report to the Board of Directors each quarter confirming no serious deficiencies exist in the information disclosure control system.

6. System for Assuring the Effectiveness of Internal Audit

The Holding Company and Group domestic insurance companies formulate risk-based internal audit plans and conduct effective and efficient internal audits of all Group business activities. The Holding Company has established a system to verify the internal auditing and internal management systems of Group’s domestic insurance companies through monitoring and other means and to promote its improvements. The status of each company is reported to the Board of Directors once a year.

7. System for Management of Information (System for Management and Retention of Information Pertaining to Execution of Duties by Directors, etc.)

The Company confirms that information such as the minutes of annual shareholders meetings, meetings of the Board of Directors, the Group Management Committee, etc. and documentation

relating to the Board of Directors is appropriately managed.

8. System for Assuring the Effectiveness of Auditing by Audit & Supervisory Board

(1) Matters Pertaining to Employees Assisting with Work Performed by Audit & Supervisory Board Members

The Holding Company has assigned three (3) full-time employees to the Office of Audit & Supervisory Board Members and conducts personnel changes with the approval of the Audit & Supervisory Board.

(2) System for Reporting to Audit & Supervisory Board Members

Directors and Executive Officers execute their duties in recognition of the materiality of reporting to Audit & Supervisory Board Members. In addition, Holding Company and the Group companies operate the Speak Up system (whistle-blowing system) internally so that officers and employees can directly report to the Audit & Supervisory Board Members of the Holding Company, and confirm that the status of reporting under the Group's Speak Up system is regularly reported to the Audit & Supervisory Board.

(3) Other Systems to ensure that the audits of the Audit & Supervisory Board Members are Effectively Conducted

In addition to meetings of the Board of Directors, Audit & Supervisory Board Members also attend other important meetings such as those of the Group Management Committee, Task Specific Committee Meetings and other committees. Moreover, the Chairman of the Board and the President, Chief Executive Officer hold meetings with the Audit & Supervisory Board Members twice a year, and the other Representative Directors hold meetings with them once a year.

9. Matters Concerning Specified Wholly Owned Subsidiaries

(Yen in millions)

Corporate name	Location	Carrying value of the stock of the specified wholly owned subsidiary at the end of fiscal 2018
Mitsui Sumitomo Insurance Company, Limited	9, Kanda Surugadai 3-chome, Chiyoda-ku, Tokyo	648,528
Aioi Nissay Dowa Insurance Company, Limited	28-1, Ebisu 1-chome, Shibuya-ku, Tokyo	512,283

(Note) Total assets of the Company at the end of fiscal 2018 amounted to 1,654,513 million yen.

10. Matters Concerning Transactions with the Parent Company etc.

Not applicable.

11. Matters Concerning Accounting Advisors

Not applicable.

12. Other Matters

Not applicable.