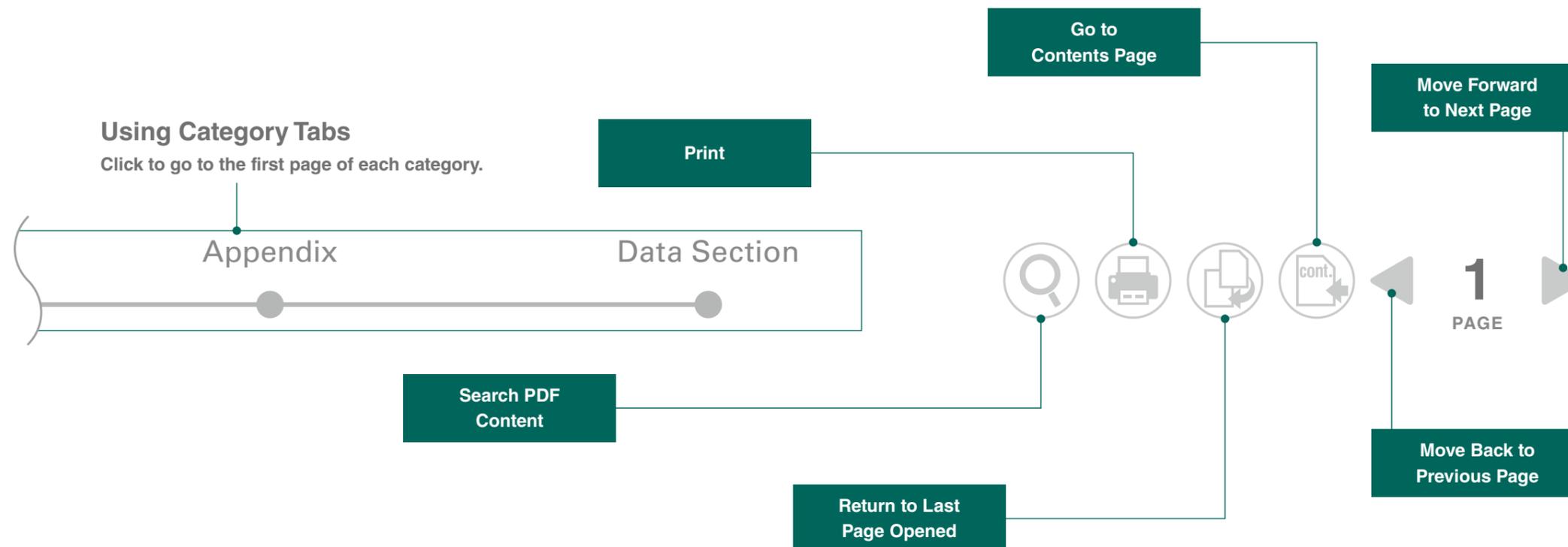




MS&AD Integrated Report 2016

Guide to Buttons



In this materials, the following abbreviations appear for company names.

MS&AD, The Group — MS&AD Insurance Group
 MS&AD Holdings, The holding company, or the Company — MS&AD Insurance Group Holdings, Inc.
 MSI, Mitsui Sumitomo Insurance — Mitsui Sumitomo Insurance Co., Ltd.
 ADI, Aioi Nissay Dowa Insurance — Aioi Nissay Dowa Insurance Co., Ltd.
 Mitsui Direct General, Mitsui Direct General Insurance — Mitsui Direct General Insurance Co., Ltd.
 MSI Aioi Life — Mitsui Sumitomo Aioi Life Insurance Co., Ltd.

MSI Primary Life — Mitsui Sumitomo Primary Life Insurance Co., Ltd.
 MSIG — Mitsui Sumitomo Insurance Group Holdings, Inc.
 Aioi, Aioi Insurance — Aioi Insurance Co., Ltd.
 NDI, Nissay Dowa General Insurance — Nissay Dowa General Insurance Co., Ltd.
 MSI Kirameki Life — Mitsui Sumitomo Kirameki Life Insurance Co., Ltd.
 Aioi Life — Aioi Life Insurance Co., Ltd.

MS&AD Insurance Group's Mission, Vision & Value

Our Mission

To contribute to the development of a vibrant society and help secure a sound future for the earth, by bringing security and safety through the global insurance and financial services business.

Our Vision

To create a world-leading insurance and financial services group that continues to seek sustainable growth and to enhance enterprise value.

CUSTOMER FOCUSED

We continuously strive to provide security and achieve customer satisfaction.

PROFESSIONALISM

We make continuous efforts to improve our skills and proficiency to provide high-quality services.

INTEGRITY

We are sincere, kind, fair, and just in all our dealings with everyone.

Our Values

INNOVATION

We listen to our stakeholders and continuously seek ways to improve our work and business.

TEAMWORK

We achieve mutual growth by respecting one another's individuality and opinions, and by sharing knowledge and ideas.

Three Key Concepts of the MS&AD Integrated Report 2016

1 Create value through contributions to the solution for social issues

Frequent accidents and disasters, extensive natural disasters caused by climate change, mounting burden of nursing/medical care due to demographic aging, decreasing vitality of local communities. The development of and changes in society are giving rise to a variety of social issues.

The MS&AD Insurance Group believes that realizing the "development of a vibrant society and help secure a sound future for the earth" in particular has value, and is contributing to the solution for the risks generated by social issues through a range of business activities.

- ▶ P4 The MS&AD's Story of Value Creation
- ▶ P29 Special Feature (Creating value through contributions to the solution for social issues)

2 Meet diverse needs through the Group's diversity

Society is changing and the values of people are diversifying. The risks surrounding us are becoming increasingly diverse and complex.

The MS&AD Group, as an insurance and financial services group that has five insurance companies in Japan and has expanded into 46 countries and regions overseas, meets the diverse needs of its customers through the diversity of the Group.

- ▶ P7 Five Business Domains
- ▶ P8 Positioning in Each Business Domain
- ▶ P19 Strategies by Business Domain

3 From Japan to the world

Our business foundation in Japan became stable. And, now, we have welcomed MS Amlin to the Group and put in place a platform that enables us to provide products and services to our customers in regions around the world.

Centered on Asia, the strength of the MS&AD Group, we will expand our stage to the entire world, which is continuing to grow, and MS&AD will continue to provide security and safety in every region going forward.

- ▶ P10 Top Message
- ▶ P14 MS&AD's Aspiration and Medium-Term Management Plan

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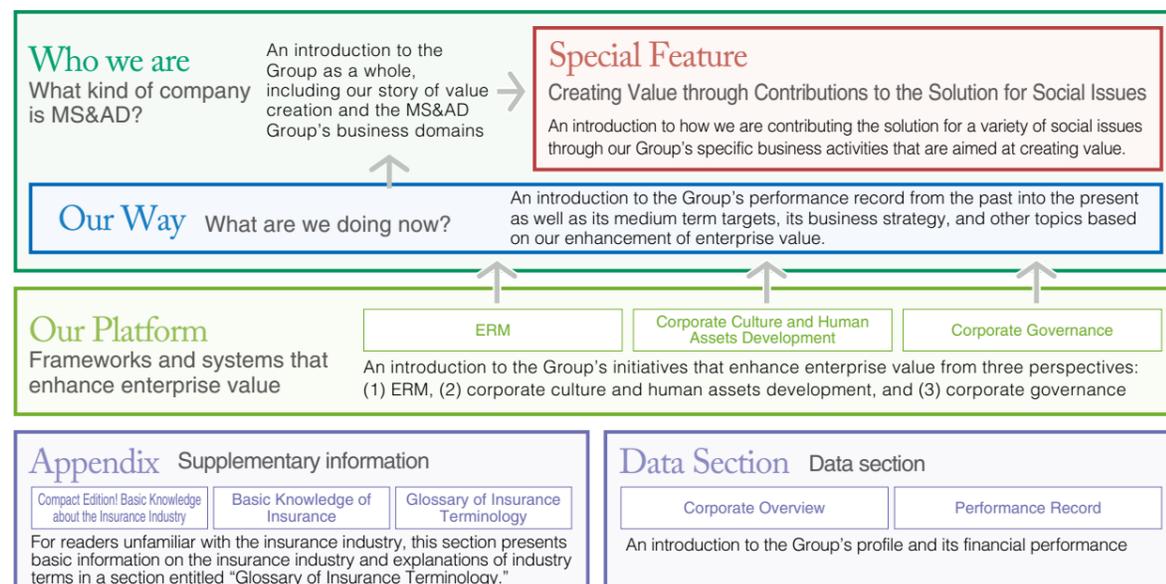
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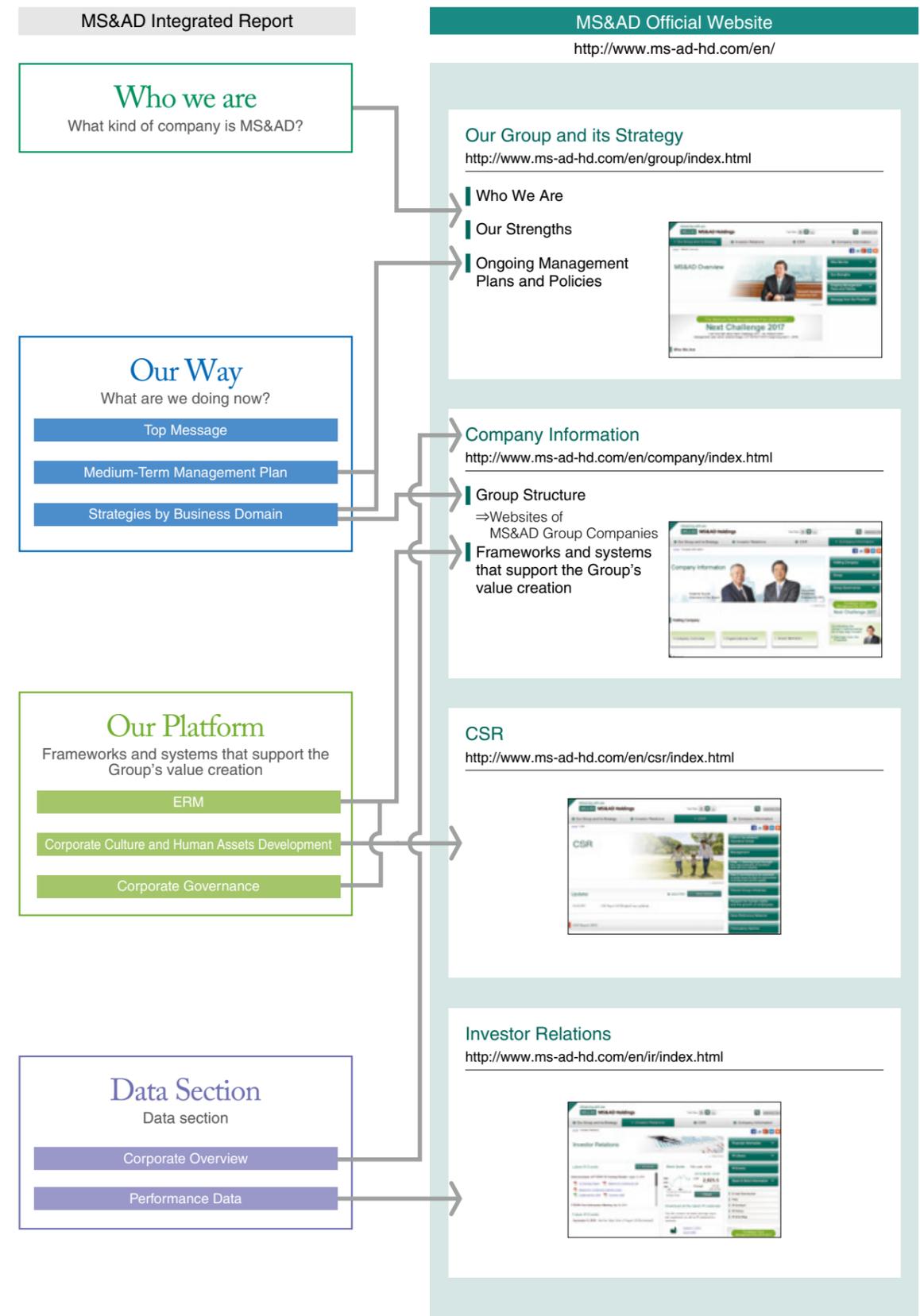
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MS&AD Disclosure Framework

For further detailed information on the MS&AD Insurance Group, please refer to the information on the Company's official Website.



The MS&AD's Story of Value Creation

“Contribute to the Development of a Vibrant Society and Help Secure a Sound Future for the Earth”

The MS&AD Insurance Group was formed with three groups of insurance companies being integrated with our mission “to contribute to the development of a vibrant society and help secure the sound future for the earth, by bringing security and safety through the global insurance and financial services business.”

To fulfill our aim to contribute to “the development of a vibrant society and help secure the sound future for the earth,” we need to: promptly identify various risks stemming from social issues which could hamper our aim, provide information on these risks, prevent risks from being realized, reduce the impact of these risks, and, through providing a variety of products and services to reduce the economic burden when these risks become real, prepare an environment in which customers around the globe, who make efforts to address and overcome various challenges, can securely live and conduct business. That is our story of value creation.

The MS&AD Insurance Group, together with its stakeholders, will continue to seek sustainable growth and to enhance enterprise value. And, through creating a world-leading insurance and financial services group, we will pursue value creation around the globe.



Resources Supporting MS&AD — MS&AD's Strengths —

Financial Capital

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

Consolidated net assets: **¥2,725.2 billion**



Human Capital

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

Number of employees: **40,617 (consolidated basis)**

Intellectual Capital

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



Social and Relationship Capital

No.1 in the scale of its customer base in Japan and the ASEAN region

- Number of individual customers in Japan*: Approx. 42 million
- Number of corporate customers in Japan*: Approx. 2.3 million
- No.1 in gross premiums written in the ASEAN region

*Simple sum of the numbers of customers of MSI and ADI

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

- Number of domestic non-life insurance agents*1: 95,819
- Domestic marketing bases*2: 257 branches/1,050 offices
- Domestic claims handling service centers*1: 447
- Overseas bases*3: 46 countries/regions (As of April 1, 2016)

*1 Simple sum of the number of agents of domestic non-life insurance companies

*2 Simple sum of the number of bases of domestic non-life insurance companies

*3 Including the Cayman Islands, where SLI Cayman Limited (financial services business) is located

Natural Capital

- Natural environment with biodiversity

Creating Value in Cooperation with Stakeholders (results of FY2015)

Financial Capital

- Increase capital efficiency

Group Core Profit: **¥147.5 billion**

Shareholder return ratio



*Shareholder return ratio = (dividends for the fiscal year (to be paid in December of the year and in June of the following year) + value of share repurchase determined by the day of annual general meeting of shareholders in the following fiscal year) ÷ Group Core Profit for the current fiscal year. MS&AD will return approximately 50% of Group Core Profit to shareholders in the medium run in the form of dividends and share repurchase.

Human Capital

- Provide working environments that offer greater amenity and support personal growth
- Provide employment that is stable and gives due consideration to work-life balance

Employee satisfaction level: **4.4 points**

*This measures the level of employees' feeling pride or job satisfaction. (The figure is an average for all employees based on a survey of employees—6 points represents perfect satisfaction)

Days of paid vacation used per employee/year: **15.7**

*Average number of vacation days acquired by all employees with respect to "regular/carryover vacation days" as well as summer vacation days and other "special vacation days"



Intellectual Capital

- Foster the development of employees with high levels of specialized expertise
- Provide products and services that respond to changing and diverse customer needs
- Provide society with risk-related survey and research results

Research Reports Issued: **68 reports**

*We issued reports on diverse subjects including CSR, corporate risks, BCM, workers' compensation risks, transportation risks, overseas crisis management information, and infectious disease information.

Number of Actuaries: **86**

*Number of professional actuaries employed by MS&AD Group with specialized skills for making full use of probability, statistical and other mathematical techniques used in product development, risk management, financial soundness confirmation, and other processes (as of April 1, 2016)



Social Capital

- Disburse insurance payment of claims and benefits appropriately and speedily
- Provide services to prevent accidents and disasters from occurring
- Provide a high-quality and diverse agency network
- Fulfill corporate social responsibility through cooperative relationships with business partners
- Provide products and services that protect such social capital as social infrastructure, government services, etc.

Insurance Claims Paid: **¥2,023.5 billion**

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

Customer satisfaction: **95.5%**

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

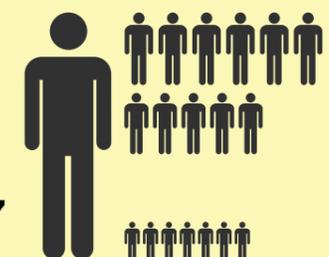
Natural Capital

- Reduce environmental burdens (to protect the environment and give the earth a sound future)
- Contribute to the maintenance of biodiversity
- Organize diverse employee volunteer activities

Reduction in electric power usage: **21,539 thousand kWh**

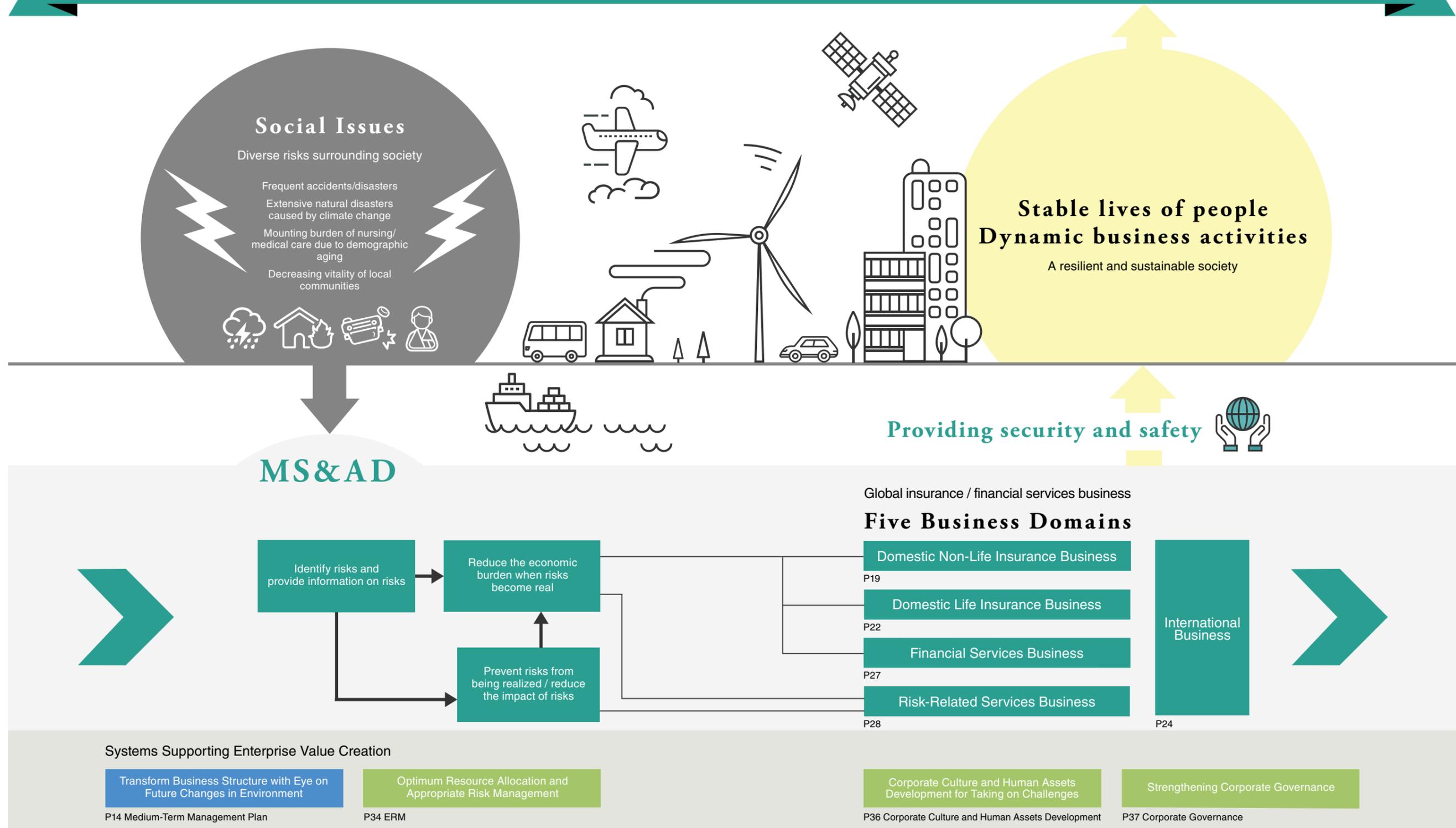
Number of Employees Participating in Social Contribution Activities : **16,507**

*The number of employees participating in corporate and individual volunteer activities and making donations to volunteer programs. (excluding employees overseas)



The MS&AD's Story of Value Creation

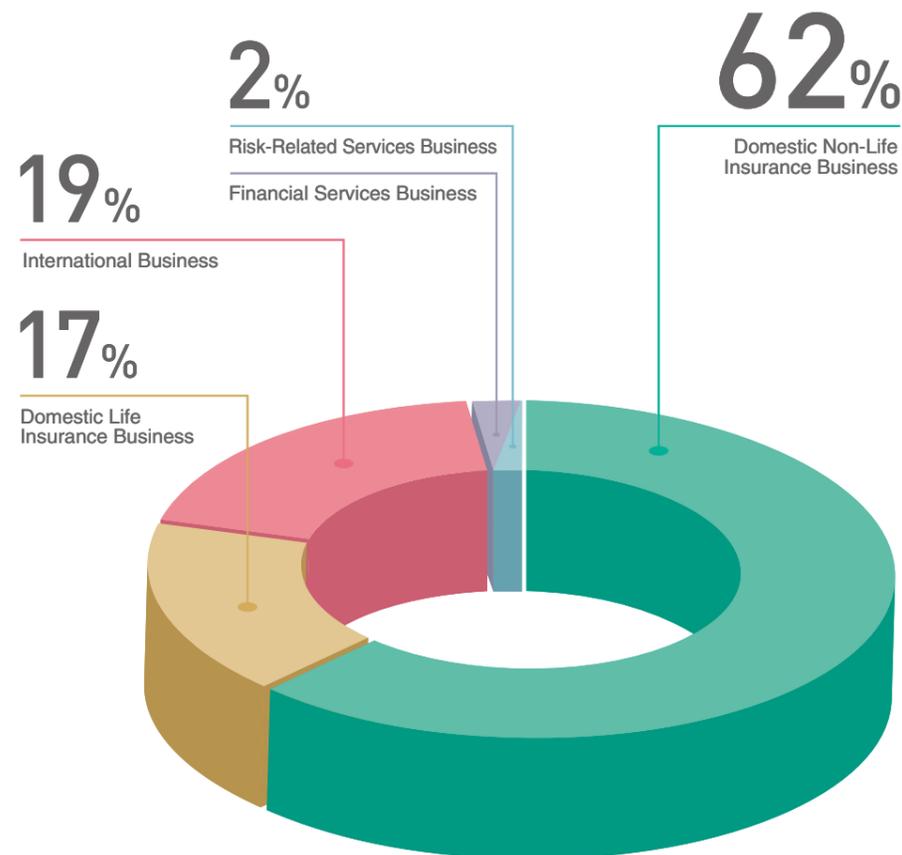
The Development of a Vibrant Society and Help Secure a Sound Future for the Earth



Five Business Domains

Providing products and services tailored to match customers' increasingly diverse risks and needs

Fiscal 2015 Group Core Profit
¥147.5 billion



Definition of Group Core Profit

Group Core Profit represents consolidated net income after adjustments for net capital gains/losses on stock portfolio and extraordinary income and losses. It is calculated using the formula shown below.

Based on its belief that it should further increase emphasis on profits from its core insurance businesses, MS&AD is using Group Core Profit to define key management performance targets in its medium-term management plan.

$$\text{Group Core Profit} = \text{Consolidated net income} - \text{Net capital gains/losses on stock portfolio (gains/losses on sales, etc.)} - \text{Net evaluation gains/losses on credit derivatives} - \text{Other incidental factors} + \text{Equity in earnings of the non-consolidated Group companies}$$

Domestic Non-Life Insurance Business
▶ P19

¥91.9 billion

No. 1 Position in the Domestic Non-Life Insurance Market. Making Groupwide Efforts to Comprehensively Meet Diverse Customer Needs

MS&AD Mitsui Sumitomo Insurance MS&AD Aioi Nissay Dowa Insurance
 MS&AD Mitsui Direct General Insurance

Main products and services:

Domestic Life Insurance Business
▶ P22

¥25.0 billion

Leveraging the Distinctive Strengths of Two Group Companies in Protection -Type and Asset-Building Products

MS&AD Mitsui Sumitomo Aioi Life Insurance MS&AD Mitsui Sumitomo Primary Life Insurance

Main products and services:

International Business
▶ P24

¥27.9 billion

An Overseas Network Covering 45 Countries and Regions* – No. 1 in Terms of Non-Life Gross Premiums Written in the ASEAN Region

A Member of MS&AD INSURANCE GROUP

* Excluding the Cayman Islands, where SLI Cayman Limited (Financial Services Business) is located. (As of April 1, 2016)

Financial Services Business
▶ P27

¥2.6 billion

Leveraging the Full Range of its Capabilities as an Insurance and Financial Services Group to Provide New Financial Products and Services

MS&AD Mitsui Sumitomo Insurance MS&AD Aioi Nissay Dowa Insurance Sumitomo Mitsui Asset Management
 MS&AD MS&AD Loan Services Co., Ltd. MS&AD MITSUI SUMITOMO INSURANCE Venture Capital Co., Ltd.

Risk-Related Services Business
▶ P28

Creating Synergies with the Insurance Business by Deploying Global Risk Solution Service

MS&AD InterRisk Research Institute & Consulting, Inc. MITSUI SUMITOMO INSURANCE Care Network Co., Ltd.
 ANSHIN DIAL Co., Ltd. Fureai Do-Life Services Co., Ltd.

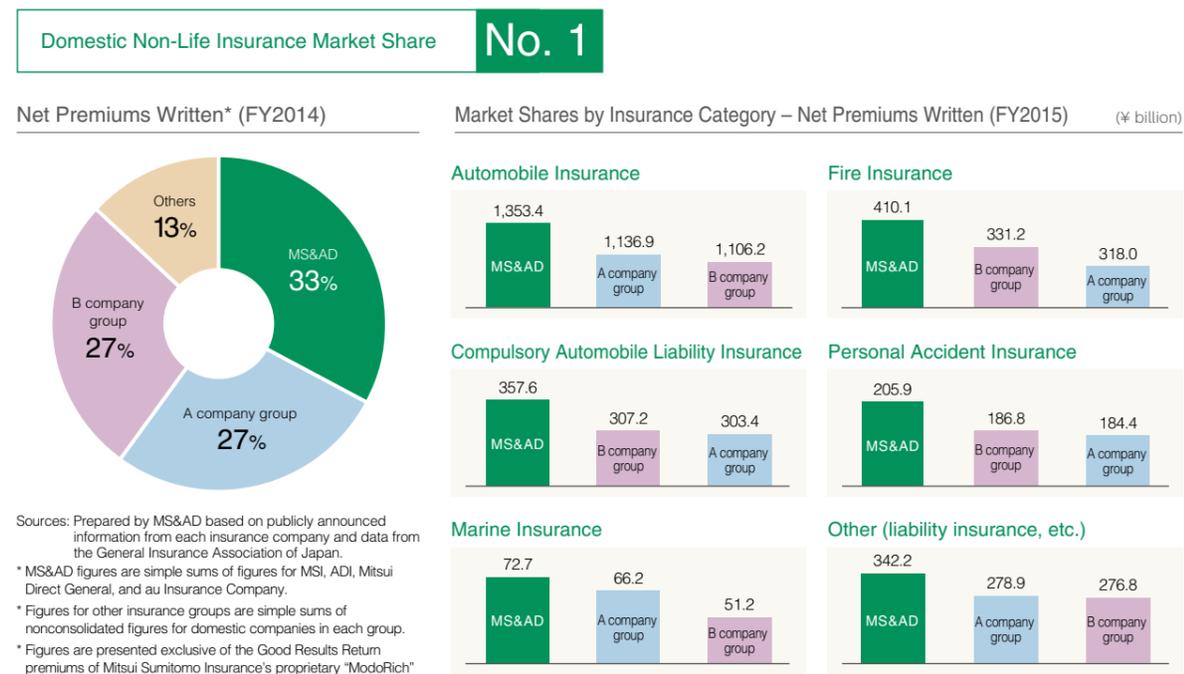
Positioning in Each Business Domain

Domestic Non-Life Insurance Business

The MS&AD Insurance Group has three principal competitive advantages in the domestic market.

① The Insurance Group Most Chosen by Customers

The Group has the No. 1 share of all sectors of the domestic non-life insurance market.



② The Largest Sales / Customer Base in Japan

We are pursuing competitive advantages of scale based on our powerful non-life insurance sales channels covering multiple market segments and our nationwide sales/claims support (service) network.

Domestic net premiums written (FY2015)	2.736 trillion yen
Individual clients	42 million people
Corporate clients	2.3 million companies
Number of agencies	95,819 agencies
Domestic sales network (divisions, branches, offices, sales offices)*	943 bases
Domestic claims support (service) network*	433 bases

Note: The domestic net premiums written value is a non-consolidated, simple sum for Mitsui Sumitomo Insurance, Aioi Nissay Dowa Insurance, and Mitsui Direct General Insurance. Other than that, the figures are simple sums for Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance, as of the end of March 2016 (items marked * are as of April 1, 2016).

③ No. 3 in Direct Automobile Insurance Market

Having begun operating in June 2000, Mitsui Direct General has leveraged the data it accumulated in previous business development activities along with the Mitsui brand to offer products that are the choice of many customers and services that feature high levels of dependability.

Direct Insurance / Automobile Insurance Ranking in Terms of Net Premiums Written (FY2015) (¥ billion)

Rank	Company	Net Premiums Written
No. 1	C company	85.1
No. 2	D company	40.8
No. 3	Mitsui Direct General	35.9

Source: Calculated by MS&AD Holdings based on each company's published financial results for the fiscal year ended March 31, 2016.

Domestic Life Insurance Business

The two Group life insurance companies have different specialties and they are both growing smoothly. Among domestic life insurance companies and groups, including foreign-based groups, they rank 7th in the industry in terms of premiums income. They are No. 1 in terms of premiums income among the life insurance companies of non-life insurance groups.

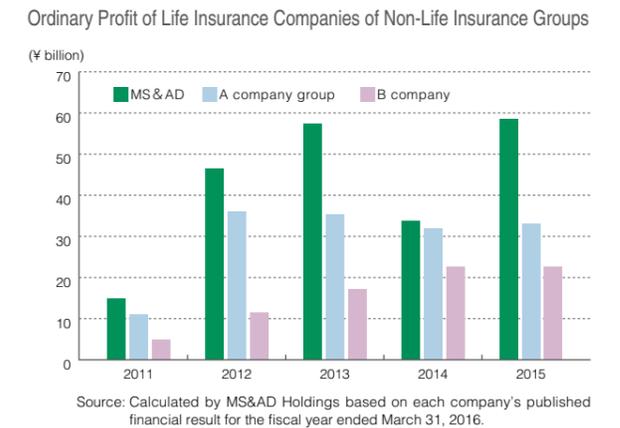
① The Top 7 of Domestic Life Insurance Groups

Life Insurance Companies/Groups' Premiums and Others (FY2015) (¥ billion)

Rank	Company/Group	Premiums and Others
1st	E company group	6,631.0
2nd	F company	5,413.8
3rd	G company group	4,739.6
4th	H company	3,357.8
5th	I company	3,022.0
6th	J company group	2,588.8
7th	MS&AD (MSI Aioi Life + MSI Primary Life)	1,762.4
8th	K company	1,631.3
9th	L company group	1,571.4
10th	M company	1,533.3

Source: Calculated by MS&AD Holdings based on each company's published financial results for the fiscal year ended March 31, 2016. For groups, the calculation is based on the unconsolidated simple sums for domestic life insurance subsidiaries.

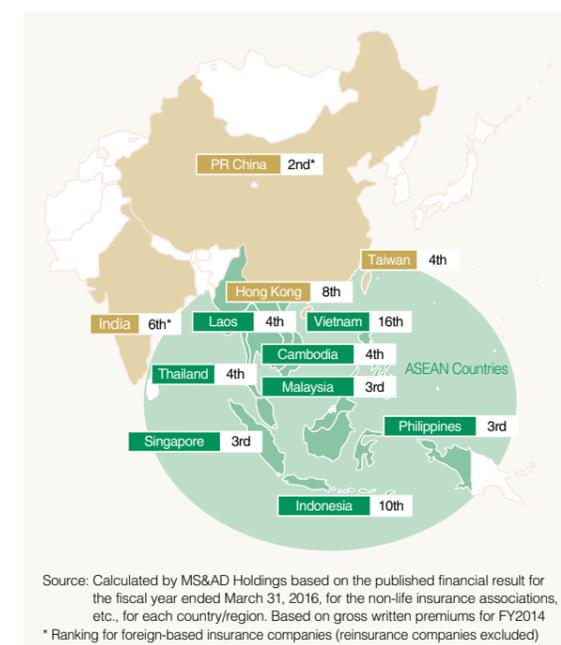
② Life Insurance Companies of Non-Life Insurance Groups: Top Tier Profitability



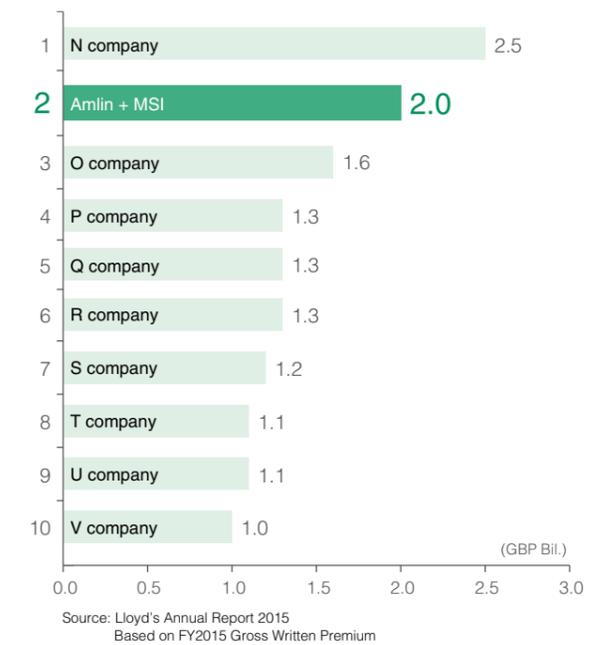
International Business

With global business expansion to 45 countries and regions, especially in Asia, and as the world's only global non-life insurance group with a presence in all 10 ASEAN countries, the Group maintains the No. 1 presence for regional gross premiums written. Through the acquisition of English insurance holding company Amlin, the Group has become a principal player as a Managing Agent with Lloyd's of England, the world's most-influential insurance market, and is second in size with respect to premiums written.

① Positioning in Non-Life Insurance Market in Asian Countries



② Lloyd's Managing Agent Ranking

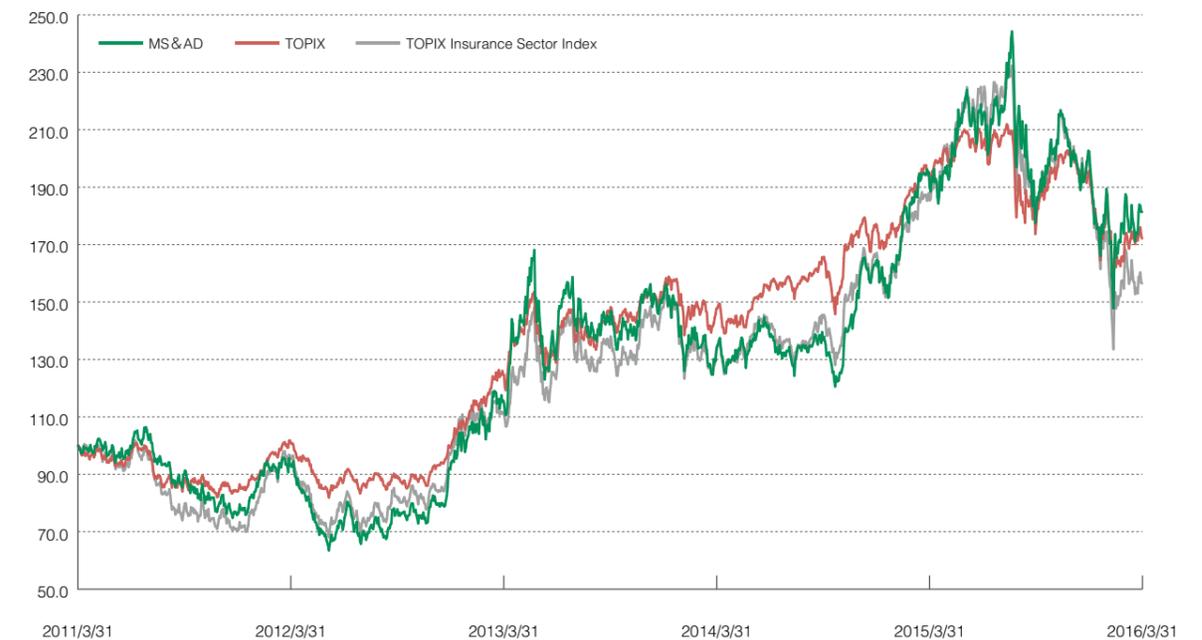


Performance of Key Management Indicators and Stock Prices

Key Management Indicators for the Last Six Years

	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015
Consolidated financial data (¥ millions)						
Ordinary income	3,404,942	3,764,986	4,315,787	4,362,754	4,689,658	5,013,038
Net premiums written	2,543,786	2,555,551	2,639,015	2,811,611	2,939,113	3,078,732
[Net premiums written]* ¹	[2,541,400]	[2,558,844]	[2,639,419]	[2,809,581]	[2,940,756]	[3,078,995]
Ordinary profit/(loss)	21,005	(96,211)	150,300	190,259	287,061	291,578
Net income/(loss) attributable to owners of the parent* ²	5,420	(169,469)	83,625	93,451	136,247	181,516
Comprehensive income	(189,373)	(88,136)	543,938	322,865	807,972	(233,116)
Net assets* ³	1,663,381	1,512,134	2,021,625	2,285,832	3,036,663	2,725,274
Total assets* ³	11,445,003	14,537,204	15,914,663	16,878,148	18,788,046	20,303,649
Consolidated solvency margin ratio* ⁴	—	553.8%	738.8%	772.5%	803.9%	743.3%
Equity ratio	14.11%	10.27%	12.56%	13.39%	16.00%	13.29%
Return on equity (ROE)	0.37%	(10.91%)	4.79%	4.42%	5.18%	6.36%
Combined ratio* ⁵ (domestic non-life insurance)	102.9%	116.4%	105.1%	98.2%	96.0%	91.6%
Group Core Profit* ⁶	14,500	(87,500)	87,400	94,800	155,700	147,500
Group ROE* ⁷	0.8%	(5.6%)	5.0%	4.5%	5.9%	5.2%
Per share data (yen)						
Net income/(loss) per share (EPS)	8.68	(272.49)	134.46	150.58	221.34	298.72
Group Core Profit/(loss) per share	23.27	(140.82)	140.56	152.79	252.99	242.83
Dividend per share (DPS)	54.00	54.00	54.00	56.00	65.00	90.00
Net assets per share (BPS)	2,597.19	2,400.48	3,215.33	3,646.22	4,911.40	4,469.58
Stock price-related data						
Year-end market price (closing price) (yen)	1,894	1,699	2,066	2,364	3,370	3,136
Price earnings ratio (PER)* ⁸ (times)	218.06	—	15.36	15.70	15.23	10.50
Price book-value ratio (PBR)* ⁹	0.73	0.71	0.64	0.65	0.69	0.70
Dividend yield* ⁸	2.9%	3.2%	2.6%	2.4%	1.9%	2.9%
Annual total shareholder return (TSR)* ⁹	(24.9%)	(7.4%)	24.8%	17.1%	45.3%	(4.9%)
Stock price volatility (annual rate)* ¹⁰	32.3%	26.6%	35.8%	39.0%	25.3%	41.0%
Capital management policy data (¥ millions)						
Total dividends	33,583	33,582	33,582	34,715	39,900	54,447
Dividend payout ratio (consolidated)	622.1%	—	40.2%	37.2%	29.4%	30.1%
Aggregate amount of repurchase price	9,999	0	4,996	9,997	29,992	19,996
[Average repurchase price]	[¥2,012]	—	[¥2,565]	[¥2,523]	[¥3,373]	[¥3,044]
Shareholder return ratio* ¹¹	300.2%	—	44.1%	47.2%	44.9%	50.4%
Non-financial data						
Customer satisfaction (accident response for automobile insurance)* ¹²	—	—	89.3%	89.4%	89.1%	95.5%
Customer recommendation rate* ¹³	—	—	88.7%	87.0%	89.3%	91.9%
Number of employees [average number of temporary employees]	36,538 [8,060]	36,929 [8,022]	36,643 [7,833]	37,055 [8,746]	38,358 [8,996]	40,617 [10,173]
(of which consolidated overseas subsidiaries)	5,621	5,772	6,003	6,228	6,448	8,573
Number of female managers* ¹⁴	—	—	245	296	377	449
Number of employees participating in social contribution activities (domestic)	—	—	16,142	11,373	15,124	16,507

Stock Prices Performance for the Last Five Years



	Past 1 Year	Past 2 Years	Past 3 Years	Past 4 Years	Past 5 Years
MS&AD	(4.9%)	38.4%	[17.6%]	61.0%	[17.2%]
TOPIX	(10.8%)	16.5%	[8.0%]	38.2%	[11.4%]
TOPIX Insurance Sector Index	(15.6%)	17.0%	[8.2%]	41.0%	[12.1%]

Notes:

- The graph above shows the profit margin where an investment is made at the end of March 2011, taking into consideration dividends and share prices as of the end of March 2016. The MS&AD chart indexes the investment results, with dividends added to the share price (assuming no reinvestment of the dividends), with the investment amount at the end of March 2011 set as 100. Similarly, the indices compared use both the TOPIX and the Tokyo Stock Exchange's industry-specific index (insurance industry), with the data incorporating dividends.
 - The table above shows the investment return (including dividends) as of the end of March 2016, for investments from one year earlier (end of March 2015) to five years earlier (end of March 2011).
 - The values within parentheses [] from two years earlier to five years earlier show the average annual return, annualized by taking the geometric mean of the investment return for the relevant period.
- Source: Calculated by the MS&AD Holdings based on data from Bloomberg

- Figures are presented exclusive of the Good Results Return premiums of Mitsui Sumitomo Insurance's proprietary automobile insurance product "ModoRich," which contains a special clause for premium adjustment and refund at maturity.
- Accompanying the application of the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013), the Company has changed the method of presenting net income/(loss) to net income/(loss) attributable to owners of parent beginning from fiscal 2015.
- In FY2015, in the light of confirmation of the provisional accounting for the enterprise linking carried out in FY2014, the relevant data is reflected in the FY2014 accounts.
- Consolidated solvency margin ratios have been calculated for years beginning from fiscal 2011 reflecting the revision of the Insurance Business Act, etc.
- Combined ratio figures (domestic non-life insurance) are based on the simple sums of non-consolidated figures for MSI, ADI, and Mitsui Direct General. For fiscal 2010, however, combined ratio figures are based on the simple sums of non-consolidated figures for MSI, Aioi, NDI, and Mitsui Direct General.
- Group Core Profit = Consolidated net income – Net capital gains/losses on stock portfolio (gains/losses on sales, etc.) – Net evaluation gains/losses on credit derivatives – Other incidental factors + Equity in earnings of the non-consolidated Group companies
- Group ROE = Group Core Profit ÷ Consolidated total net assets in average of beginning and ending amounts of B/S (excluding non-controlling interest)
- Stock price-related indicators are based on the market price of the stock at the end of the fiscal years.
- Total shareholders' return is calculated as follows: (fiscal year-end stock price – previous fiscal year-end stock price + annual dividends) ÷ previous fiscal year-end stock price
- Stock price volatility is the annualized standard deviation of returns based on daily closing prices.
- The Shareholder return ratio = (dividends applicable to the fiscal year (paid in December of that year and June of the following year) + value of share repurchases during the period through the time of the general shareholders' meeting in the following fiscal year) ÷ Group Core Profit for the fiscal year.
- Ratio of customers satisfied with accident response for automobile insurance (MSI and ADI)
From FY2015, the client survey was modified from five stages to four stages.
- Rate of customers who are willing to recommend either MSI or ADI to their friends and acquaintances. From FY2015, the client survey was modified from five stages to four stages.
- Number of female managers in positions of section manager or higher. (Figures are for April 1 of the subsequent fiscal year.)

Top Message



We will enhance enterprise value and take steady steps to accomplish our mission and vision while trying to ensure transparent communication with all stakeholders.

President & CEO

Yasuyoshi Karasawa

Review of Stage 1 and Outlook for Stage 2 of “Next Challenge 2017” Management Plan

Review of Stage 1

Looking back at Stage 1 of our “Next Challenge 2017” management plan from fiscal 2014 through fiscal 2015, we were fortunate to achieve results higher than numerical management targets, largely because **four drivers of implementation** functioned effectively.

The first such driver is **reorganization by function**. While this might mean forgoing the benefits of a merger in the short term in terms of mere streamlining, the ultimate aim is to generate greater benefits in the medium to long term through realizing growth and efficiency simultaneously. Reorganization by function is an integration method not seen elsewhere, not even overseas, and it has introduced an element of healthy tension to the Group. During Stage 1, we were spurred to be proactive in the knowledge that tomorrow will never come unless reorganization by function succeeds. As a consequence, the holding company’s leadership and Group companies’ cooperation went hand in hand, leading to results demonstrating a good balance between growth and efficiency.

The second driver is the **strengthening of Group governance**. In order to boost both management speed

and reorganization by function, the head of the holding company (myself) was also head of a Group insurance company. However, from this fiscal year, we have dissolved that arrangement and I have been exclusively focusing my energies on the holding company with the aim of further promoting Group governance. Our management style is that of a Company with Board of Corporate Auditors, and, based on the number, expertise of outside directors, and the establishment of committees concerning nomination and remuneration, we can say that governance has been strengthened. In particular, as far as Group governance is concerned, I believe leadership by the holding company is crucial, and it should firmly lead Group companies in the interest of shareholders and other stakeholders.

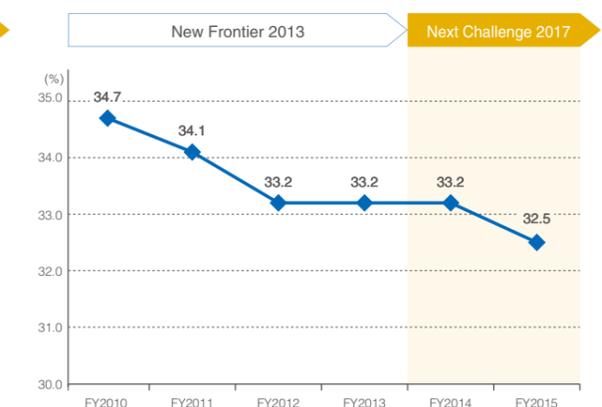
As for the **promotion of enterprise risk management (ERM)**, we have set management indicators, such as return on risk (ROR) and economic solvency ratio (ESR), as **key performance indicators (KPIs)** and have been focusing on promoting ERM with the aim of increasing Group Core Profit and improving capital efficiency. Going forward, the Group as a whole will continue to make efforts to further enhance ERM.

Trends in the Net Premiums Written of the Domestic Non-Life Insurance Business



* Simple sums of non-consolidated figures for MSI, ADI, and Mitsui Direct General
For fiscal 2010, the simple sums of non-consolidated figures for MSI, Aioi, NDI, and Mitsui Direct General.

Trends in the Expenses Ratio*



* The combined expenses ratio for MSI and ADI

Four Drivers of Implementation:

These are the four elements that can be called driving forces for achieving the medium-term management plan “Next Challenge 2017,” and they together mean the four drivers of “Completion of Reorganization by Function,” “Strengthening of Group governance and promotion of ERM,” “Transformation of business structure to respond the future changes in the environment,” and “Permeation of a corporate culture and development of human assets that meet challenges as professionals.” (Refer to P15)

KPI (Key Performance Indicator):

This refers to a quantitative indicator established in order to measure the degree of attainment of organizations and businesses or each operational goal.

The third driver is the transformation of business structure. In the international business, diversity of our portfolio has progressed through greater business diversity and geographical dispersion following completion of the acquisition of Amlin, and our status as an international player has correspondingly been enhanced. International business has increased in importance to account for about 26% of premium income and about 38% of profits. Amlin has been growing at an annual rate of more than 10% in the past 10 years (compound annual growth rate). Taking into account growth in ASEAN and other Asian areas, in which we have an edge over peers, and further M&A's in the future,

international business has approached a stage where we can realistically aim for it to account for 50% of profits. In the domestic life insurance business, Mitsui Sumitomo Aioi Life Insurance and Mitsui Sumitomo Primary Life Insurance have both been growing through capitalizing on their specialties and, together, rank 6th among Japanese life insurance group/companies in terms of domestic life insurance premium income (7th when including foreign life insurance companies in Japan) and saw profits of about ¥24 billion in fiscal 2015. In addition, the Asian life insurance business posted profits of about ¥5 billion. If overall profits of about ¥30 billion come into sight from life insurance business domestically and overseas, we might be able to say that our initial goal of transforming the business structure has been achieved.

The fourth driver is to nurture a corporate culture that can address challenges and to develop human assets. First of all, employee roles have become increasingly sophisticated. Amid accelerating changes in the business environment, such as the march of globalization and the emergence of new risks, the resourcefulness of a company's human assets will determine its success in heightening its competitiveness and ability to grow in a sustained manner. With this in mind, we have reviewed our organization and division of roles between employees, thereby enhancing productivity and efficiency. I believe a culture has been nurtured whereby all employees have a sense of job satisfaction and can improve their skills and knowledge to be prepared to readily accept challenges in new roles. In addition, we have been providing opportunities for employees in Japan and overseas to play active roles, as well as promoting the career development of women and assigning them to higher positions. The power of diversified human assets has indeed become the strength of our company.

Acquisition of Amlin

When I became President, I said it was my ambition to someday increase the weight of international business in overall profits to 30% and then to 50%. To this end, we first aimed to obtain a leading position in Asia, mainly in ASEAN, and then to enhance our status in Lloyd's syndicates, where we have been doing business since 2000. To expand business in Europe and the United States, it is crucial to be supported by Lloyd's risk management and ERM capabilities. With this in mind, I deemed it necessary that we should become one of Lloyd's top 10 syndicates and thus sought a counterpart through M&A from the very start of my presidency. While it took some time, I believe we have been able to find a very good partner.

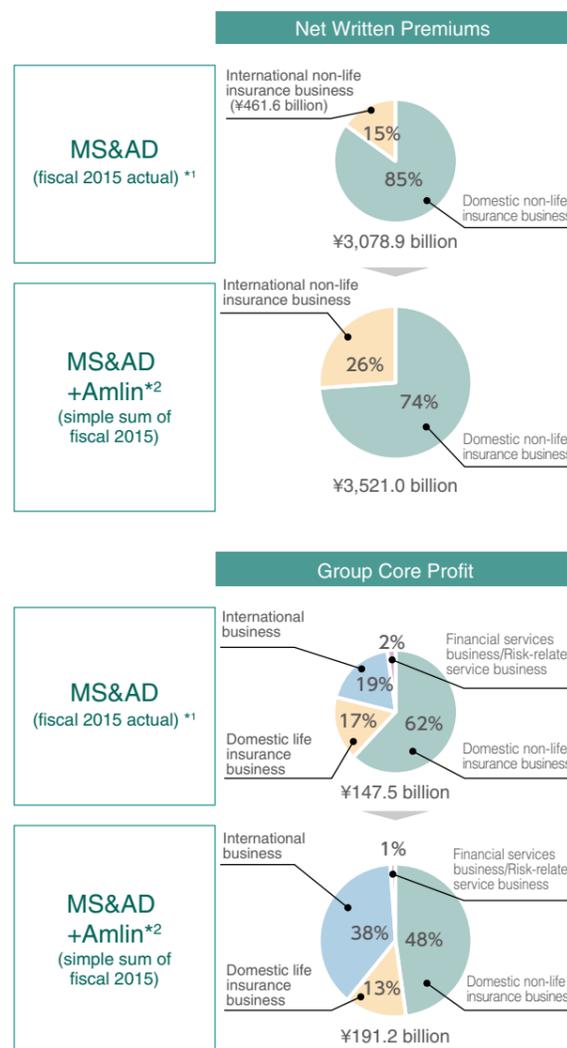
In the run-up period to acquiring Amlin, while even experiencing large-scale natural disasters, such as floods in Thailand and the Great East Japan Earthquake, Group profitability improved and the level of employees was enhanced through the pursuit of organizational reform. Our encounter with Amlin, which was the second-largest syndicate at Lloyd's, appears to have come about by fate as it happened while we were pursuing our own ERM. Amlin highly evaluated our own past record of tapping into the Lloyd's syndicate from 2000, securing profits of ¥3-5 billion, as well as our prudent pursuit of business. It was these factors that led to a successful acquisition.

Put simply, the attractiveness of Amlin was that it was Lloyd's second-largest syndicate; had a base in continental Europe, which we did not have; had been steadily developing reinsurance business; had an exceptional business portfolio; and its ERM was assessed as "very strong" by S&P (there are only 10 companies in the world that have won such assessment). In addition, its business performance was strong as evidenced by double-digit growth/ROE.

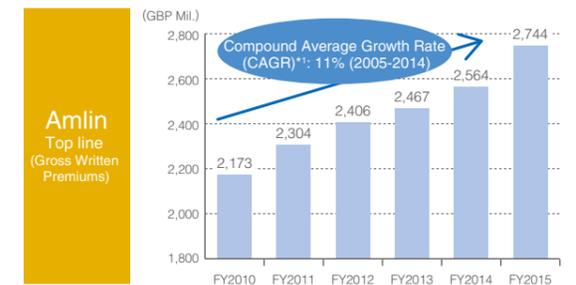
The systems integration of claims services (sharing claims service systems) in domestic non-life insurance businesses, an aim of Stage 2, is an initiative that can only be achieved provided there is a sense of trust. We will formulate a basic configuration over the next two years and full-scale effects are expected to be seen after an additional two years, in fiscal 2019.

Numerical management targets for fiscal 2017 were initially set at ¥3.1 trillion in consolidated net premiums written and ¥160 billion in Group Core Profit, being revised upward to ¥3.2 trillion and ¥200 billion, respectively, at the beginning of last fiscal year. As MS Amlin was added on a consolidated base, we have further revised these targets to ¥3.57 trillion and ¥220 billion. It should be noted that the revision this time not only factored in the expected business performance of MS Amlin but also prospects amid a deteriorating earnings environment in voluntary automobile insurance, such as an increase in car repair costs and scheduled lowering of the statutory interest rate.

With the acquisition of Amlin, 26th ranked Mitsui Sumitomo Insurance and 2nd ranked Amlin at Lloyd's will be integrated, and, as a reinsurance company, MS&AD and Amlin combined will be around 15th in the world. There will be significant benefits in terms of size and earnings. In addition, the acquisition will have a great impact on our customer interfacing capacity. For example, our Group companies in Asia can further ascertain potential customers through utilizing MS Amlin's know-how and we will be able to offer better products and services. Such synergies in various areas will gradually surface from 2017 onward.



* 1 The international non-life figures for MS&AD are aggregate of the results of overseas consolidated subsidiaries, overseas branches and overseas non-consolidated affiliates of non-life insurance companies.
* 2 The figures for Amlin are converted by using the average exchange rate during fiscal 2015 of £1 = ¥184.78.



Sources: Amlin plc 2014 Annual Report, Amlin plc Interim Results 2015
*1 CAGR (Compound Average Growth Rate) represents compound annual rate
*2 Excluding profit attributable to non-controlling interests
*3 Mainly losses due to the frequent occurrence of natural disasters outside the United States

Outlook for Stage 2

During the two years of Stage 1, reorganization by function has made progress and contributed to improving profitability. The major reason for this is that a sense of trust has been nurtured within the Group, enabling us to raise the cost reduction target from ¥50 billion to ¥60 billion.

"Very strong" evaluation from S&P:

Ratings agency S&P (Standard & Poor's) is conducting an ERM evaluation as one element of an insurance company ratings analysis. Sorted in descending order with respect to the strength of support for trustworthiness, the evaluation is carried out according to five levels: namely, "very strong", "strong", "adequate with strong risk controls", "adequate", and "weak".

Lloyd's syndicate:

Lloyd's is the collective name for the insurance market in London, England, which was inaugurated in the 17th century and has a subsequent history of over 300 years. "Syndicate" refers to the entities that underwrite the large and complex risks that are brought into Lloyd's daily from countries around the world, and risk evaluation, determination of premium rates and terms, and underwriting risks are carried out by the underwriters possessing high levels of expertise who belong to the syndicates. Ninety-seven syndicates have been registered in Lloyd's as of the end of 2015.

Medium- to Long-Term Prospects for the MS&AD Group

Basic Thrust

The origins of non-life insurance can be found in antiquity, which through the ages has supported mankind in meeting challenges. Let me refer to a recent example. Solar power generation has been increasing in the energy field and, by covering risks related to reliance on the weather through insurance, the business itself has become stable, resulting in reducing the burden on the environment and approaching a situation where society can live harmoniously with nature. Robotic development and regenerative medicine are areas that might grow in the future through overcoming risks. These risks that we are faced with have changed over the years. Technological innovation and social reform are still accelerating, and risks we underwrite 10 years from now will be substantially different. However, no matter how much risks might change, the role of providing support in the face of challenges, which is the basis of non-life insurance, will never change.

For non-life insurance, what will be important from now is not only underwriting risks but also reducing risks (loss prevention, loss reduction). The latter is an initiative to make insurance unnecessary. For example, in the case of automobiles, the risk of theft can be reduced through utilizing our knowledge. Since 2001, we have been pursuing a variety of antitheft initiatives in collaboration with the police and various organizations. While it is of course due mainly to improvements in the security features of automobiles themselves, according to National Police Agency statistics, the number of reported automobile thefts has declined from a peak in 2003 to less than a quarter of that in 2015.

Not only loss prevention but also loss reduction is important. For example, communicating where to take shelter in the event of a disaster and providing information of what households can do in advance would prove invaluable. As a result, insurance claims would be fewer, leading to reduced premiums and thus making insurance more affordable for more to buy. If insurance permeates further, it will be easier for us to pay compensation should a disaster occur.

We believe that what is important for our life insurance business in Japan is to provide, together with non-life insurance, a one-stop service of security and safety that

meets the insurance needs for people's lives as well as business activities. Namely, it should provide customer service through cross-selling. In Japan, there still remains much room to provide non-life insurance customers with some cushions, such as nursing care and medical assistance, which meet the needs of a super-aging society. In Asia, to prepare for the sophistication and increasing complexity of society that will accompany economic growth and population growth, we will contribute to promoting and seeing life insurance permeate as well as transferring know-how from Japan.

Toward Creating a World-Leading Insurance and Financial Services Group

Why do we set our goal as creating a world-leading insurance and financial services group? The answer has something to do with the characteristics of the insurance business. The role an insurance company should play is to promptly recognize new risks arising from changes in society and to continue to provide ways of coping as well as risk solutions. To thoroughly fulfill this role, it is necessary to have sufficient capacity to solidly underwrite risks so as to be able to pay compensation if required, which is the most essential function of insurance. To ensure sufficient capacity, it is important to expand the size of insurance underwriting and, at the same time, try to achieve a well-balanced portfolio of risks to be underwritten, both geographically and also in terms of business category.

An insurance company should be able to offer its services over time and in a stable manner even if risks have become enormous or complex. There will be no *raison d'être* for an insurance company if it collapses if a financial bubble bursts, like at the time of the Lehman Shock.

<Comparison with Leading Insurance Groups Overseas>

Insurance group	Net Premiums Written ¹ (US\$ million)	ROE ² (%)	Combined Ratio (Non-Life Insurance) ² (%)	Rating ³ (S&P)
AXA (France)	99,600	8.8	96.2	A+
Allianz (Germany)	84,387	10.7	94.6	AA
Generali (Italy)	78,157	8.7	93.2	—
AIG (USA)	37,865	2.2	112.4	A+
Aviva (UK)	31,155	6.6	94.6	A+
MS&AD (Japan)	30,601	6.4	91.6	A+

¹ Source: A.M. Best, World's Largest Insurers (fiscal 2014)

² Source: Data provided by Bloomberg (fiscal 2015)

³ As of June 27, 2016

To fulfill our mission to contribute to the development of a vibrant society and help secure a sound future for the earth, it is crucial to pursue scale and profitability, and join the club of world-leading insurance and financial service providers. In this context, our rivals are overseas insurance groups such as the Allianz Group and AXA Group, considered top global players.

Risks and Opportunities from a Long-Term Perspective

As artificial intelligence (AI) has beaten a world-class master in the game of go, **singularity** in 2045 has been attracting further attention. Will the time come when AI will overtake the human brain's capabilities? If this is the case, what roles might our business play at the time? In a sense, we need to tackle **information and communication technology (ICT)** with a feeling of crisis. It has been said that businesses that could diminish by way of the singularity might be existing financial businesses, especially banking and insurance. However, before rejecting such a view outright, we should seek to simplify and improve our business by ourselves.

To that end, we need to keep transforming our own roles and adjust the way of working in line with the changing times. According to a study, in a lawsuit, lawyers would not be necessary if there were an AI that has been input with all precedents, but judges would be necessary as they have to make judgments on cases that could provide totally new precedents. In addition, in schools, as pupils cannot be taught by AI alone, teachers will likely continue to be needed. Actually, in the study, insurance was a strong example of a business that might become

unnecessary in the future. But, I do not think so. Insurance supports the future in that it uncovers new risks everywhere and thus it would be difficult for insurance to provide services relying on past data alone. While AI can enhance accuracy based on the accumulation of past data, it is not likely to provide all insurance services.

Then, what might change? Internet insurance skillfully utilizes a homepage to sort out various inquiries, stereotype those that are many in number, and use automated voice answering systems to handle the stereotypes. While this surely seems to be rational, is it really a desirable direction? For example, when a customer calls to make a complaint, there are not a few instances in which the customer feels satisfied if the employee who receives the call sincerely addresses the problem and apologizes saying a simple "We are sorry".

Therefore, it is difficult to make an **inductive forecasting** of what might happen 10 years from now and, in any case, 10 years from now is uncertain after all. However, substitution in the workplace will see rapid progress. Innovative changes in manufacturing have gradually been making a debut, such as **INDUSTRIE 4.0** in Germany. Ultimately, in terms of customer service, the two elements of 'tailor made' and 'real time' will be important. If a customer requests a certain type of insurance, we can provide one that meets the need in a week. If a customer says that risks have changed, real-time data will be accumulated and we can provide new results from analysis. We will always strive to provide services that fulfill 'tailor made' and 'real time' needs.

Singularity:

This refers to an event that occurs because artificial intelligence (AI) exceeds the abilities of human beings, and Ray Kurzweil (currently Director of Engineering at Google) has predicted that it will be realized by 2045. It is also said that rapid changes in technology will have an enormous impact on human society, transforming it to such an extent that the lives of people will never be able to return to the way they are before it happens.

ICT (Information and Communication Technology):

ICT stands for "Information and Communication Technology." It is often used with the same meaning as IT, but IT sometimes indicates computer-related technologies themselves, whereas ICT includes wider-ranging concepts as it focuses on the utilization of computer technologies.

Inductive forecasts:

"Induction" is a reasoning method for deriving general laws and principles based on similar cases, and it is contrasted with "deduction" that derives conclusions by stringing together logic that already exists. "Induction" is sometimes used when establishing an uncertain forecast about the future which cannot be logically established yet.

Industry 4.0:

This is a strategic project the government of Germany is promoting with the aim of upgrading its manufacturing industry, and it is also known as the "Fourth Industrial Revolution." It aims to minimize manufacturing costs by greatly raising the level of digitalization, automation, and virtualization in production processes compared to current levels.

Perspective of Long-Term Management – Contributing to Improving Resilience of Society –

Learning from Long-Lived Companies

When I contemplate long-term management, I always recall a book titled *The Living Company* by Arie de Geus, a former executive of the Royal Dutch/Shell Group. While he has written books on practical corporate management, this book mentions interesting considerations about long-lived companies. As a reference, if you investigate long-lived companies in the world, you will find among them a predominantly high number of Japanese companies. Kongo-Gumi established in 578 is often cited in this context and it is said that about 40 companies have been in business for 500 years or more. These include the Ikenobo Society of Floral Art, a hot spring inn in Yamanashi Prefecture, and *zaibatsu*-type companies such as Sumitomo and Mitsui.

According to de Geus, long-lived companies have four key factors in common. First, they are sensitive to their environment. They respond sensitively to changing business conditions and adapt to such changes. Sensitivity to the environment will include understanding changes in conditions and in nature and firmly fulfilling obligations to society, as also stipulated in the Paris Agreement, which was adopted in **COP21** at the end of 2015.

Second, long-lived companies are cohesive and have a strong sense of identity. In other words, teamwork matters. If you are in a group, it is important to think what is best for the group as a whole. It will be crucial for individual group companies to think how the group can ensure sustainable growth and how it can climb to the top level in the world, thereby exerting strong cohesiveness by the group as a whole.

Third, long-lived companies are tolerant. This could be interpreted as companies should have a free spirit and be open. Namely, it is about communication. It is crucial for a company to ensure not only dialog with each stakeholder but also listen first to young staffers in charge. If management sits down and listens to customer complaints, problems will be less likely to happen thereafter.

Fourth, long-lived companies are conservative in financial strategy. For example, when an economy enters a bubble period, there will be people who think to make a little money through investment in real estate or stocks even by borrowing. Likewise, when we carry out M&A's, borrowing money will be one of the options for funding. I believe it is important to think carefully about future business development and risks, and to only effect investment that is commensurate with a company's means and funding suitable for the size of investment.

Resilience of Society and Response to Natural Disasters

As such, we can learn many things about long-term management from long-lived companies which are the very precursors of management. As a member of an insurance and financial group that has been developing business on a global scale, let me elaborate somewhat further on being sensitive to the environment, which I mentioned earlier.

Discussion on how companies worldwide should tackle social challenges made progress during the course of last year. "The Sendai Framework for Disaster Risk Reduction" was enacted in March 2015, "**The Sustainable Development Goals (SDGs)**" enacted in September, and the Paris

Agreement, an international framework concerning climate change, adopted in December.

Against such a backdrop, an important challenge that closely relates to us is how to respond to natural disasters which occur frequently due to climate change. In Japan and indeed other countries, we have witnessed many natural disasters due to abnormal weather, seemingly brought about by so-called climate change. Such disasters have been affecting our business results substantially, which is to say that losses to society have been large. In the Paris Agreement, consensus was achieved to hold the increase in the average global temperature to well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5°C above pre-industrial levels. However, climate change cannot be quickly halted. Therefore, on the assumption that climate change has already been occurring, it is necessary and important to take necessary measures to enhance the resilience of society.

To this end, it is of paramount importance that communities take precautionary measures which can contain damage to a minimum should a natural disaster occur. During the heavy snowfall of February 2014 in the Kanto region, collapsed carports were a common sight,

as, unlike other regions in Japan where such snowfalls are the norm, there is not a custom of clearing roofs in the Kanto region. Such damage could have been prevented if prompt countermeasures against heavy snowfall had been taken. During the recent Kumamoto earthquakes, we have heard that there were many cases in which Japan's traditional wind- and rain-proof roof tiles caused damage. In considering earthquake countermeasures, it is important to draw up measures, such as type of roofing materials, in cooperation with the construction industry upon collecting data regarding building damage.

Moves to enhance the resilience of communities have been accelerating on a global basis. As such, our role as an insurance and financial service provider has become increasingly important.

We have been providing not only insurance products but also know-how regarding loss prevention/reduction and services to encourage precautions. What does the future hold? What kind of coverage will be necessary? What precautions might be imagined to prevent damage? While it is a matter of course to look at past experience, we must also have a fertile imagination and provide society with appropriate services. That is our mission.



COP21:

This refers to the 21st Conference of the Parties to the United Nations Framework Convention on Climate Change held in Paris, France from November to December 2015. The Paris Agreement was adopted as a new legal framework for strengthening the global response to climate change, such as holding the increase in the global average temperature to well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5°C above pre-industrial levels, and improving adaptation capacity.

Resilience:

This means "flexible strength" that enables someone or something not to crack when hit by an external shock. In the case of the "resilience of society," the term expresses "the ability of society to appropriately predict and respond to the impact of natural disasters, etc. and recover from them."

SDGs (Sustainable Development Goals):

This refers to the sustainable development goals comprised of 17 goals and 169 targets related to poverty, health, education, and climate change, etc. that were stated in the 2030 Agenda for Sustainable Development adopted in the United Nations Sustainable Development Summit in September 2015.

MS&AD's Aspiration and Medium-Term Management Plan

Through efforts included in "New Frontier 2013," the previous medium-term management plan, and stage 1 of "Next Challenge 2017," the current medium-term management plan, the Group has improved the profitability of its domestic non-life insurance business, which has been the most-pressing issue since the Group's business integration, and rebuilt its financial soundness, which had deteriorated on account of major natural disasters, such as the floods in Thailand in fiscal 2011. It was also possible to improve the Group's capital efficiency and set the Group on a path toward sustainable growth through various actions, including the acquisition of Amlin plc. in fiscal 2015.

As for endeavors during stage 2 (FY2016-FY2017) of "Next Challenge 2017" and after, the Group will continue to seek sustainable growth and to enhance enterprise value through various endeavors, including generating synergies with MS Amlin, and achieve its aspiration of creating a world-leading insurance and financial services group.

Improving profitability of domestic non-life insurance
Ensuring financial soundness

New Frontier 2013
(FY2010-FY2013)

Enhancing earning power of domestic non-life insurance
Improving capital efficiency

Next Challenge 2017
Stage 1
(FY2014-FY2015)

Sustainable growth

Next Challenge 2017
Stage 2
(FY2016-FY2017)

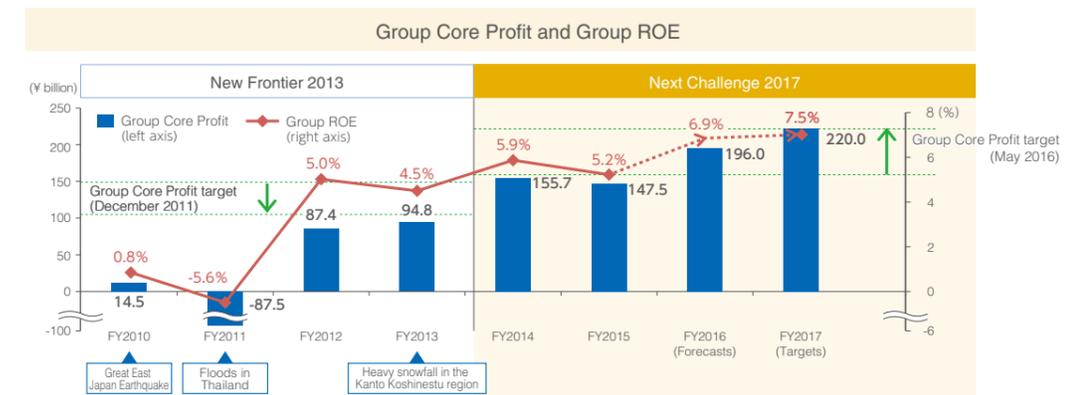
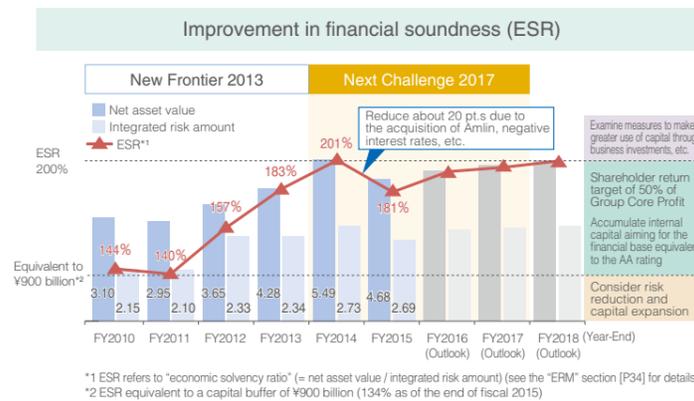
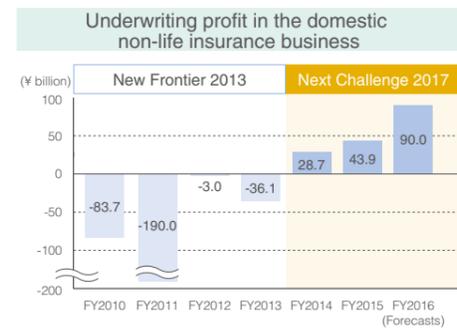
Mission
(Raison d'être)

To contribute to the development of a vibrant society and help secure a sound future for the earth, by bringing security and safety through the global insurance and financial services business.

Vision
(Medium-term goals)

To create a world-leading insurance and financial services group that continues to seek sustainable growth and to enhance enterprise value.

Financial soundness	AA rating equivalent financial base (keeping ESR stably at the 200% level)
Profitability	Stably maintain combined ratio of 95% or less in the domestic non-life insurance
Capital efficiency	ROE at a 10% level
Geographical diversification (Weight of international business)	50% in terms of profit
Risk assets	Risk weight of strategic equity holdings account for around 30% of the Group's integrated risk amount and around 10% of the consolidated total assets



Medium-term management plan

Achievement status of numerical management targets

"New Frontier 2013" numerical management targets and actual results

- On account of greater-than-expected losses due to large-scale natural disasters, including the Great East Japan Earthquake and floods in Thailand in 2011, the Group Core Profit target for fiscal 2013 was revised downward in November 2011.
- Steady progress was being made in achieving the revised target, but in the fourth quarter of the last year of the plan (February 2014), greater-than-normal snow in the Kanto Koshinetsu region caused massive damage, the Company missed the targets for the Group Core Profit and Group ROE.

	FY2010 Results	FY2011 Results	FY2012 Results	FY2013		
				Results	Initial targets	Revised targets
Group Core Profit	14.5	(87.5)	87.4	94.8	150.0	110.0
Domestic Non-Life Insurance Business	6.5	19.7	61.9	47.8	100.0	60.0
Domestic Life Insurance Business	4.1	4.3	9.8	24.4	15.0	15.0
International Business	1.8	(112.3)	13.5	18.0	30.0	30.0
Financial Services Business and Risk-Related Services Business	1.9	0.7	2.0	4.4	5.0	5.0
Group ROE	0.8%	(5.6%)	5.0%	4.5%	7%	7%
Consolidated Net Premiums Written	2,541.4	2,558.8	2,639.4	2,809.5	2,700.0	2,700.0
Annualized premiums of policies in force (life insurance)*	278.0	294.7	317.4	333.5	330.0	330.0

* Figures for MSI Aioi Life (excluding group insurance). The figure for fiscal 2010 is the total for MSI Kirameki Life and Aioi Life.

Plan to reduce strategic equity holdings

	Plan	Actual	Achievement ratio
FY2011-FY2013 (three years)	¥300.0 billion	¥376.4 billion	125.5%

"Next Challenge 2017" numerical management targets and actual results

- Group Core Profit for fiscal 2015, the final year of stage 1, greatly surpassed initial projections as the profitability of the domestic non-life insurance business steadily rose.
- Numerical management targets for fiscal 2017 were revised upward in May 2016, taking into consideration the improvement in earnings and benefits from the acquisition of Amlin.

	FY2014 Results	FY2015		FY2016 Forecasts	FY2017	
		Results	Initial targets		Revised targets	Initial targets
Group Core Profit	155.7	147.5	120.0	196.0	220.0	160.0
Domestic Non-Life Insurance Business	92.4	91.9	76.0	121.0	135.0	100.0
Domestic Life Insurance Business	20.4	25.0	13.0	18.0	15.0	16.0
International Business	38.2	27.9	27.0	53.0	65.0	39.0
Financial Services Business and Risk-Related Services Business	4.6	2.6	4.0	4.0	5.0	5.0
Group ROE	5.9%	5.2%	5.4%	6.9%	7.5%	7.0%
Consolidated Net Premiums Written	2,940.7	3,078.9	3,000.0	3,455.0	3,570.0	3,100.0
Combined Ratio (Domestic Non-life Insurance)	96.0%	91.6%	95%	94.4%	93% range	95% or below
Increase in EV of MSI Aioi Life	59.7	(52.0)	40.0 or more	48.0	50.0 or more	45.0 or more

* "EV" stands for embedded value (See the "Glossary of Insurance Terms" section [P46] for details.)

Plan to reduce strategic equity holdings

Actual sales in FY2014	Actual sales in FY2015	Period total	Plan to reduce*	Achievement ratio
¥91.0 billion	¥181.1 billion	¥272.2 billion	¥500.0 billion	54.4%

*In November 2015, the plan to reduce was raised from ¥300 billion to ¥500 billion.

“Next Challenge 2017” stage 2 (FY2016-FY2017)

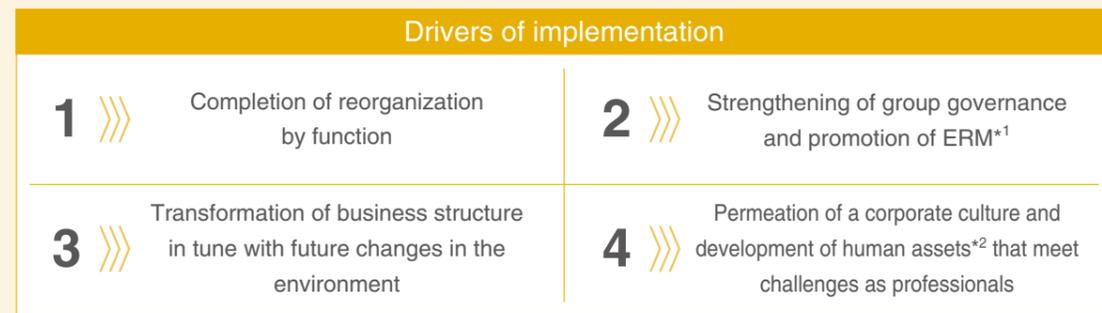
Basic Strategy

The MS&AD Insurance Group has positioned stage 2 of “Next Challenge 2017” as a period to establish the business foundation to achieve the aspirations embodied in the management vision. To do so, the Group will develop products and a sales & marketing strategy with an eye on future changes in the environment and will strive to transform business structure.

The basic strategy for stage 2 is to increase the enterprise value of the whole Group with a focus on sustainable growth, enhancing profitability, ensuring financial soundness, and improving capital efficiency. Of the four drivers, the keys to implementing the basic strategy, “transforming business structure to respond the future changes in the environment” is the pillar of efforts for stage 2, and the Group will steadily build a firm foundation to achieve its aspirations.

Basic Strategy of Stage 2 of “Next Challenge 2017”

Through our commitment to sustainable growth and enhancing profitability as well as ensuring soundness and improving capital efficiency, we will increase the enterprise value of the Group as a whole.



Emphasized Measures for Individual Group Companies in Line with Those Companies' Roles

The Holding Company	Group Companies Engaged in Insurance Business	Other Group Companies
Strengthen group governance and lead ERM to increase the enterprise value of the Group as a whole.	Achieve sustainable growth by responding to future changes in the environment, increasing customer support and promoting efforts to improve profits, adopting initiatives aimed at unceasing quality improvement and promoting growth strategies that leverage our unique characteristics and strengths.	Support the Group's growth through full-fledged demonstration of integration synergies.

Groupwide Emphasized Measures

- As a group, implement new investment in business and areas with high capital efficiency and growth potential
- Promote improvement of organization productivity through human assets development and innovation and the upgrading of roles throughout the entire Group
- Earn trust through the improvement of products and services quality based on communication with stakeholders, and contribute to the solution for social issues.

*1 ERM = Enterprise Risk Management (P34-35)

*2 With the idea that each and every member of the MS&AD Insurance Group is valued, we used the term “human assets” instead of “human resources”

Promotion of ERM

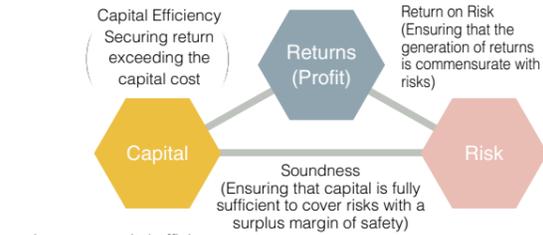
Promotion of ERM is one of the core drivers of implementation.

ERM (Enterprise Risk Management) entails the integrated, comprehensive, and strategic assessment and evaluation of all the risks associated with the execution of corporate business activities to enable integrated risk management designed to maximize enterprise value. The MS&AD Group has implemented ERM as a core component of its management, and we called “ERM”.

By means of “ERM,” we will quantitatively and qualitatively determine the Group's risks from a company-wide perspective and, bearing in mind the characteristics of risks, we will allocate management resources on the basis of risk appetite that provides balanced control of risk, return, and capital. With a foundation of “soundness,” we aim to realize “sustainable growth” and “enhancement of profitability and capital efficiency” to increase enterprise value.

In stage 1, the Group set a risk appetite policy, undertook various efforts in line with that policy, and promoted efforts to improve ERM in order to simultaneously maintain the Group's financial soundness and

Risk, Return, and Capital in the Context of “ERM”



improve capital efficiency.

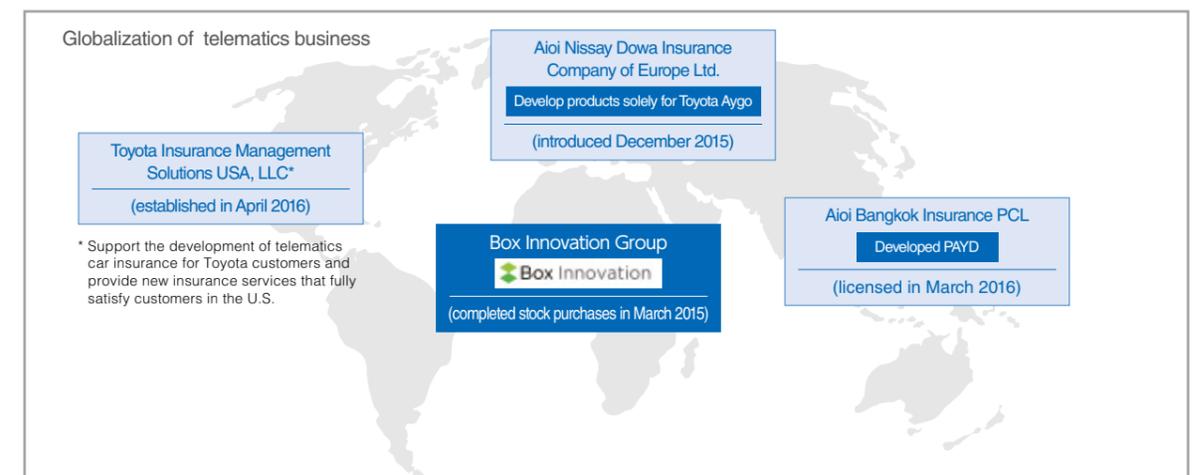
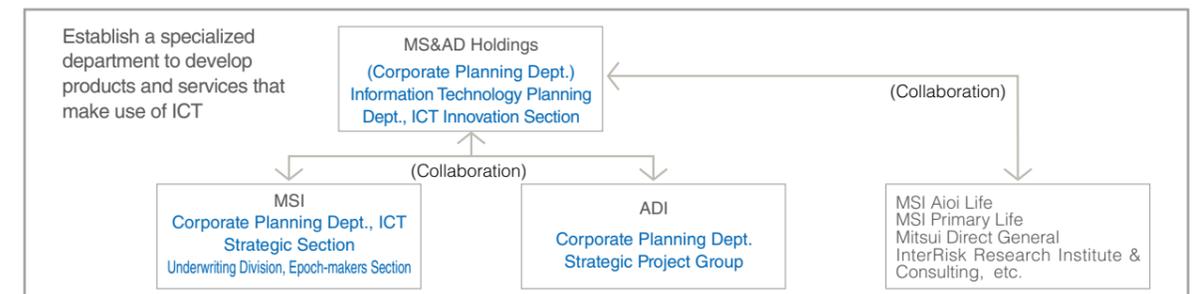
In stage 2, the Group will advance management based on risk & return, and we will further progress in diversifying our business portfolio and our revenue sources while reducing risk assets. The capital buffer we have built up will be focused on promising growth sectors both in Japan and overseas, enabling us to achieve a sustained cycle that enhances profitability for the Group. (See the “ERM” section [P34] for details.)

Transform Business Structure with an Eye on Future Changes in the Environment

During stage 2 of “Next Challenge 2017,” the Group will aggressively make business investments and strive to build a foundation to support sustainable growth with an eye on future changes in the business environment.

Among these efforts, the Group will promote innovation by making use of cutting-edge ICT such as IoT, FinTech, and AI, and work to construct a new business model for the Group. In order to do so, the Group establishes a specialized department that utilizes ICT to strengthen products and services development, etc., and examine various issues, including possible alliances with other industries, starting in fiscal 2016.

Furthermore, the Group will expand its business that makes use of cutting-edge telematics technology (See the “Terms” section [P48] for details.) throughout the world.



For details on the “Next Challenge 2017,” see the Company's official website.

Details on “Next Challenge 2017”: Home → MS&AD Overview → Ongoing Management Plans and Policies → The Medium-term Management Plan

Financial Strategy

The Group will pursue an optimal balance between financial soundness, capital efficiency, and shareholder return and enhance enterprise value. The basis of the MS&AD Insurance Group's financial strategy is to build a financial base to achieve both sustainable growth and enhancement of enterprise value. To that end, the Group makes efforts to ensure capital efficiency and soundness and to promote appropriate capital and financial policies.

Financial Soundness

The Group is aiming to ensure financial soundness equivalent to an AA rating by enhancing capital base and controlling risks.

The Group has set the goal of the financial soundness equivalent to an AA rating as the financial strength that it should strive for as a world-leading insurance and financial services group, and its medium- to long-term objective is to secure an ESR of 200%. (See the "ERM" section [P34] for details on actual measures and the "Credit Rating" section [P54] for current crediting ratings)

Furthermore, a majority of the Group's liabilities are policy reserves. From the viewpoint of ALM*, it is desirable to hold the corresponding assets that match the characteristics (currency, discount rate, duration, etc.) of liabilities. Under the ALM, the Group will fully consider risk and return through ERM and makes decisions on actual investments and methods for funding based on the analysis whether the return is appropriate for the risk (ROR) and the return is greater than the cost of capital (VA).

* "ALM" refers to asset liability management (See the "Glossary of Insurance Terms" section [P45] for details.)

Capital Efficiency

As a world-leading insurance and financial services group, the Group is aiming to achieve an ROE at a 10% level.

The Group ROE, a management numerical target in the medium-term business plan, is a standard that can represent actual earning power. It uses the Group Core Profit, that is, actual profit that excludes capital gains on the sales of stocks, amortization of goodwill, etc., as the numerator. The denominator is equity, which is the same as that used for the financial accounting ROE. During the period of "New Frontier 2013", the ROE was 5% or lower, but by increasing Group Core Profit, it was raised to the 5%-plus level in stage 1 of "Next Challenge 2017", and expected to steadily increase to over 6% during stage 2 and after.

	New Frontier 2013		Next Challenge 2017			
	Stage 2		Stage 1		Stage 2	
	FY2012	FY2013	FY2014	FY2015	FY2016 (Forecasts)	FY2017 (Targets)
Group Core Profit (¥ billion)	87.4	94.8	155.7	147.5	196.0	220.0
Group ROE	5.0%	4.5%	5.9%	5.2%	6.9%	7.5%

Note:

Equity changes dramatically depending on the condition of financial market because it includes net unrealized gains on investments in securities. In other words, if the stock price rises, equity increases (see commentary 1) and ROE declines. If the stock price falls, however, ROE rises. As reference Group Core Profit against adjusted equity, which excludes unrealized gains on investments in securities, is given below.

	FY2012	FY2013	FY2014	FY2015
Adjusted equity (¥ billion)	1,108.3	1,207.1	1,370.9	1,373.2
Adjusted Group ROE	8.3%	8.3%	12.1%	10.8%

Shareholder Return Policy

The Group will return approximately 50% of Group Core Profit to shareholders in the medium run.

The Group has adopted a policy of aiming to pay a shareholder return of approximately 50% of Group Core Profit through dividends and share buybacks. In other words, the policy is to allocate half of profit to shareholder return and half to internal reserves, to aggressively pay a shareholder return and invest internal reserves to generate growth, and to achieve a stable increase in shareholders' value.

As for dividends, the basic goal is to continue to pay stable dividends while aiming to increase dividend payments through strengthening our earning power.

Group Core Profit is expected to continue to steadily grow in fiscal 2016 and after. For fiscal 2015, the Group paid an annual dividend of ¥90/share, increased by ¥25/share from fiscal 2014, and expects to increase the dividend for fiscal 2016 by ¥10/share to ¥100/share.

For share buybacks, the Group repurchases its own shares flexibly, and as opportunities arise, with due consideration of market conditions and the state of our capital, and conducted the repurchase of ¥20 billion in fiscal 2015.

Because the Group is striving for a capital efficiency equivalent to an ROE of at least 10% in the future, the expected theoretical growth rate of Group Core Profit is approximately 5% according to the following formula:
Expected profit growth → internal growth rate (sustainable growth rate) = ROE x retention rate (1-shareholder return ratio)

The Group is continuously aiming to provide a shareholder return that maintains to increase in a stable manner and in the medium term by increasing enterprise value through sustainable growth.

Shareholder Return Performance (by Fiscal Year)

	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	Aggregate total
Group Core Profit (¥ billion)	14.5	(87.5)	87.4	94.8	155.7	147.5	412.3
Shareholder return (¥ billion)	43.5	33.5	38.5	44.7	69.9	74.4	304.7
Shareholder return ratio*	300%	-	44%	47%	45%	50%	74%
Shareholder return per share (¥)	69.8	54.0	62.0	72.0	113.5	122.5	-

* Shareholder return ratio = (dividends for the current fiscal year (to be paid in December of the year and in June of the next year) + value of share buybacks determined by the day of annual general meeting of shareholders in the next fiscal year) ÷ Group Core Profit for the current fiscal year.

Short Commentary Group Financial Statements

Commentary 1 Balance Sheet (B/S)

On its consolidated balance sheet [P66], the Group has total assets of ¥20.3 trillion, and the majority of its liabilities, ¥15.3 trillion, are policy reserves—that is, reserves for paying future insurance claims. On the other hand, the largest asset item is investments in securities, which have a total market value of ¥14.6 trillion. Unrealized gains on securities in excess of the book value (¥1.8 trillion) are recorded under deferred tax liabilities and accumulated other comprehensive income (net unrealized gains/losses on investments in securities). This means that reserves for policy reserves, which account for the majority of the Group's balance sheet liabilities, are invested in securities. In addition, net unrealized gains on investment in securities (after tax-effect accounting) accounted for about half of net assets as of the end of fiscal 2015.

(¥ billion)			
(Main) assets		(Main) liabilities	
Cash	1,083.8	Policy reserves	15,283.8
Money trusts	828.0	Bonds issued	349.8
Investments in securities	14,670.9	Other liabilities	1,299.5
(of which are stocks)	2,486.0	Deferred tax liabilities	205.3
Loans	883.1	Total liabilities	17,578.3
Tangible fixed assets	477.7		
Intangible fixed assets	522.0	Net assets	
Other assets	1,251.6	Shareholders' equity	1,319.1
		Net unrealized gains/losses on investments in securities	1,324.8
		Total net assets	2,725.2
Total assets	20,303.6	Total liabilities and net assets	20,303.6

Commentary 2 Statements of Income (P/L)

(1) Main components of the statements of income

A summary of the Group's consolidated statements of income (see P67) is provided below. It consists primarily of underwriting income and expenses and investment income and expenses.

FY 2015	Income (+): underwriting income, ¥4,606.5 billion; investment income, ¥389.5 billion; other income, ¥16.8 billion Expenses (-): underwriting expenses, ¥1,627.3 billion (of which ¥744.3 billion is provision for underwriting reserves) Investment expenses, ¥210.7 billion; operating expenses and general and administrative expenses, ¥500.8 billion; other expenses, ¥15.6 billion Ordinary profit: ¥291.5 billion
FY 2014	Income (+): underwriting income, ¥3,871.1 billion; investment income, ¥803.4 billion; other income, ¥15.0 billion Expenses (-): underwriting expenses, ¥3,760.2 billion (of which ¥697.3 billion is provision for underwriting reserves) Investment expenses, ¥53.9 billion; operating expenses and general and administrative expenses, ¥577.9 billion; other expenses, ¥10.4 billion Ordinary profit: ¥287.0 billion

(2) Underwriting profit for domestic non-life insurance companies and catastrophe reserves

Underwriting profit, the difference between underwriting income and underwriting expenses, can be dramatically impacted by events such as natural disasters.

Non-life insurance companies are legally required to build up a catastrophe reserves to mitigate that impact. When companies have to pay extremely large insurance claims, they can reverse the catastrophe reserves, which mitigates the impact to a certain degree. The following table indicates past underwriting profit, insurance claims related to natural disasters, and changes in catastrophe reserves (net provision). (See the "Glossary of Insurance Terms" section [P49] for details on the catastrophe reserves.)

Impact of natural disasters on underwriting profit

	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015
Underwriting profit	(83.7)	(190.0)	(3.0)	(36.1)	28.7	43.9
Impact on underwriting profit -(A+B)	(65.9)	(172.0)	(13.2)	(93.3)	(58.5)	(149.7)
Incurred losses due to natural disaster, etc. (A)	65.9	311.5	55.1	96.3	27.2	68.1
Great East Japan Earthquake	62.7	(7.7)	1.3	-	-	-
2011 Thailand floods	-	264.3	0.6	(23.0)	(5.1)	-
2014 massive snowfalls	-	-	-	82.1	2.2	0.3
Other natural disasters	3.2	54.9	53.2	37.1	30.1	67.7
Net provision for catastrophe reserves (B)	0	(139.5)	(41.9)	(3.0)	31.3	81.6

* Simple sum for MSI and ADI

Example: The impact of loss of ¥311.5 billion from natural disasters, etc., for fiscal 2011 was mitigated by reversal of catastrophe reserves of ¥139.5 billion and resulted in an underwriting losses of ¥190.0 billion.

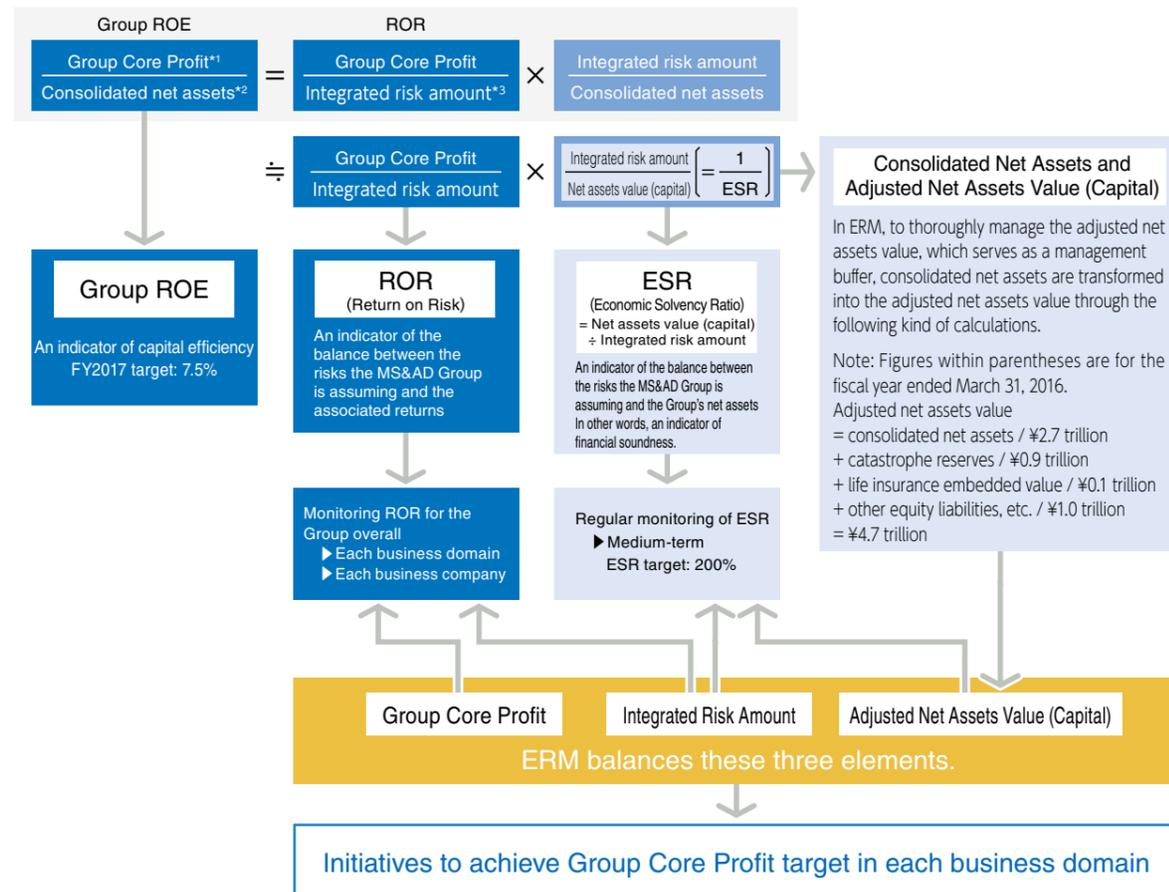
Measures to Achieve Group ROE and Group Core Profit Targets and Achieve Sustainable Growth

Components of Group ROE

Breakdown of Group ROE

The numerical management targets in "Next Challenge 2017" are raised with Group Core Profit of ¥220 billion and Group ROE of 7.5%. In terms of financial soundness, the plan aims to maintain a steady ESR (economic solvency ratio) of the 200% level, equivalent to an AA rating as a financial base.

As you can see in the figures below, our Group ROE can be broken down into two indices: ROR (return on risk), which indicates the balance between risks undertaken by the MS&AD Insurance Group and the return on those risks, and ESR, which indicates financial soundness. These indices also comprise three elements: Group Core Profit, integrated risk amount, and adjusted net asset value (capital).



Ensuring Balance by ERM Management

In addition to increasing Group Core Profit in our activities in each of the Group's business domain, we employ "ERM" to monitor ROR and ESR, with a focus on the balance among Group Core Profit, integrated risk amount, and adjusted net asset value. (See P34 for details on our ERM initiatives.)

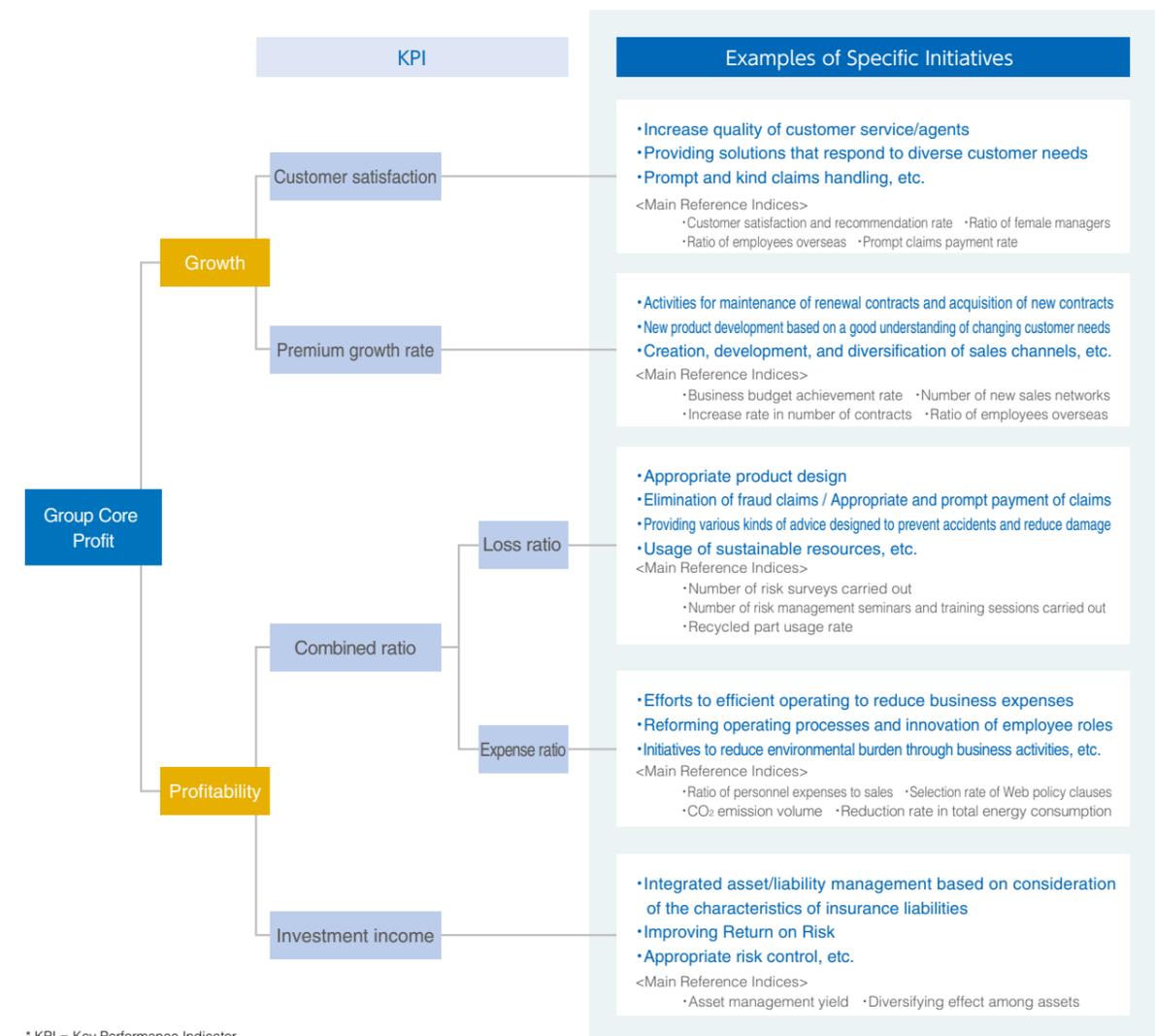
KPI and Specific Initiatives to Achieve Group Core Profit Target and Sustainable Growth

We are carrying out various measures in each of our business domains to achieve targets based on Group Core Profit (or EV (embedded value) that is a source of future Group Core Profit).

Group Core Profit in the domestic non-life insurance business, our core business domain, can be broken down into four KPIs: customer

satisfaction, premium growth rate, combined ratio (loss ratio + expense ratio), and investment income. We have set activity targets and evaluation indices in each workplace and are carrying out various initiatives to improve each of these KPIs.

KPIs* and Examples of Specific Initiatives to Achieve Group Core Profit Target (Domestic Non-Life Insurance Business)



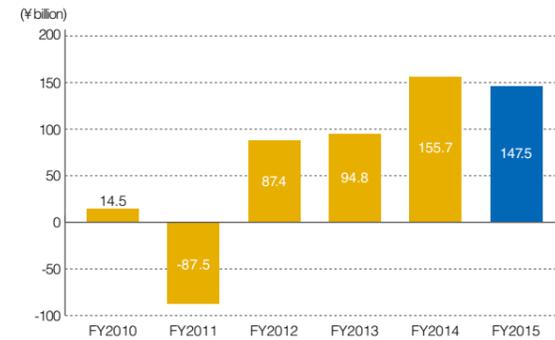
* KPI = Key Performance Indicator

*1 Group Core Profit = consolidated net income - Net capital gains/losses on stock portfolio (gains/losses on sales, etc.) - Net evaluation gains/losses on credit derivatives - other incidental factors + Equity in earnings of the non-consolidated group companies
 *2 Consolidated net assets are the value of balance sheet net assets less the value of non-controlling interests. (average of beginning and ending of the period)
 *3 The integrated risk amount represents insurance underwriting risk, asset management risk, operational risk, etc., quantified by means of stochastic methods.

Financial and Non-Financial Highlights

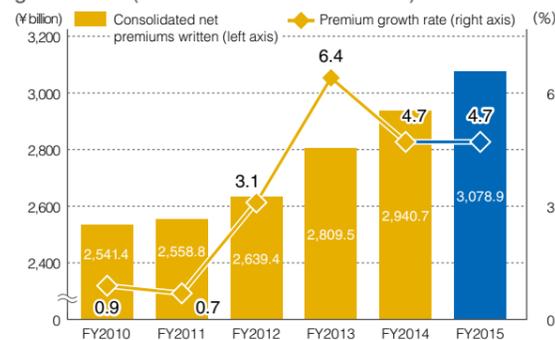
Financial Highlights

Group Core Profit



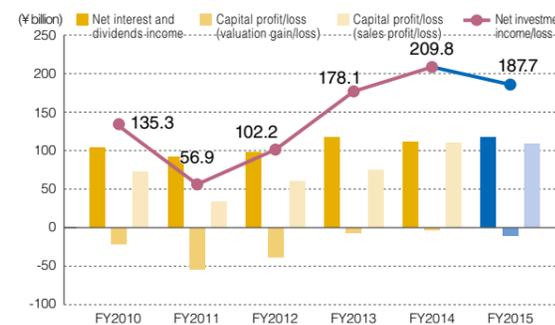
Group Core Profit was ¥147.5 billion, an ¥8.1 billion decrease from the previous fiscal year, mainly due to decreased profits in our international businesses caused by factors such as initial costs involved in the acquisition of BIG (Box Innovation Group) in the UK and the depreciation of Asian currencies.

Consolidated net premiums written*1 and premium growth rate (non-life insurance business)



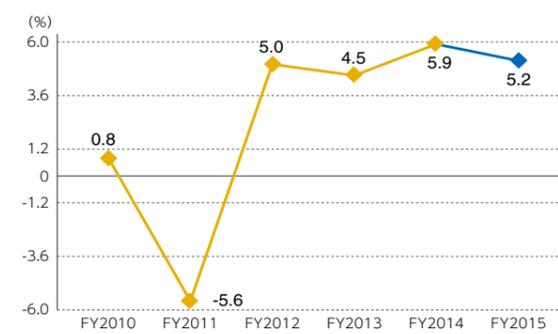
Due to steady growth in both our domestic non-life insurance companies and our overseas insurance subsidiaries, consolidated net premiums written was ¥3,078.9 billion, a 4.7% increase compared to the previous fiscal year.

Net investment income (domestic non-life insurance business*2)



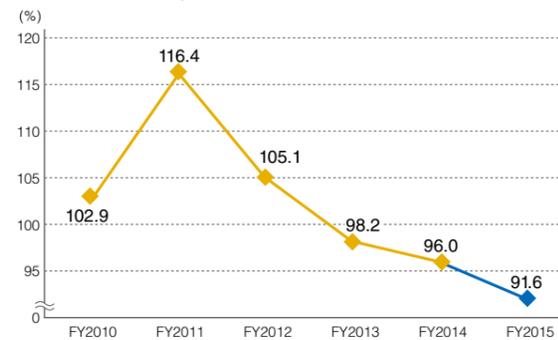
Net investment income was ¥187.7 billion, a ¥22.1 billion decrease compared to the previous fiscal year, due to an increase in exchange loss and impairment loss accompanying market fluctuations.

Group ROE



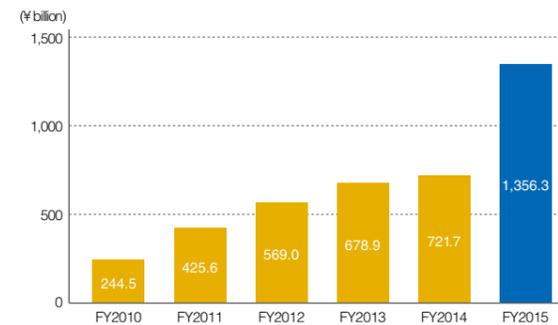
Group ROE decreased 0.7% point, to 5.2%, compared to the previous fiscal year, with the decrease in Group Core Profit.

Combined ratio (domestic non-life insurance business)



The combined ratio was 91.6%, a 4.4-point decrease compared to the previous fiscal year, due to factors such as an increase in net premiums written and an improvement in loss ratio in voluntary auto insurance.

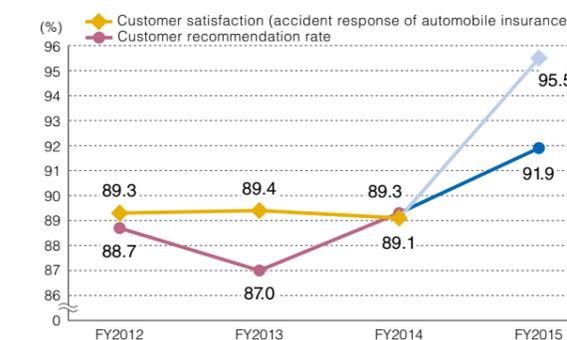
Consolidated life insurance premiums (life insurance business)



Life insurance premiums increased dramatically in 2015 due to factors such as the launch of new products by Mitsui Sumitomo Primary Life Insurance Company. Premiums totaled ¥1,356.3 billion, an increase of ¥634.6 billion compared to the previous fiscal year.

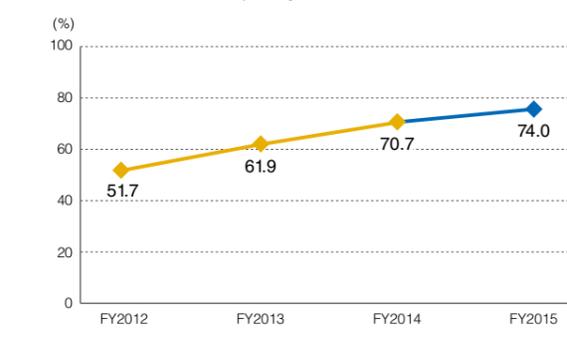
Non-Financial Highlights

Customer satisfaction and customer recommendation rate*3



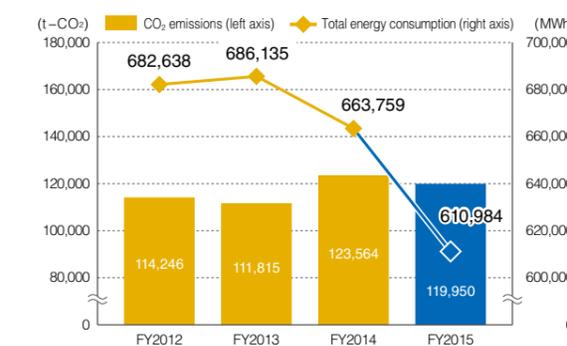
Reflecting efforts made to enhance the quality of accident responses and the quality of insurance products at the time of sale, we confirm two indicators, namely trends in customer satisfaction and customer recommendation rates.

Selection rate of web policy clauses*4



The Group is promoting web policy clauses selections, which are more convenient for customers compared to pamphlets and also promote decreases in the environmental impact of paper usage and mailing processes.

CO₂ emissions*5 and total energy consumption



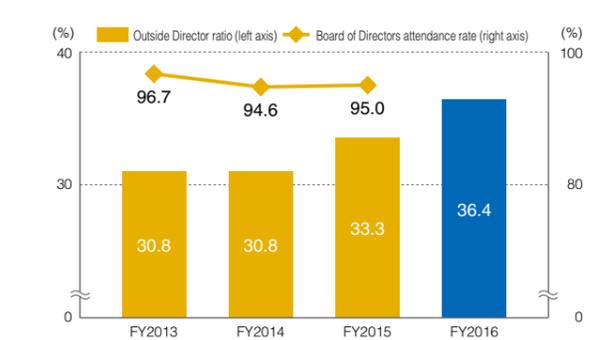
We are working to reduce our load on the environment, primarily through reductions in energy and paper usage. The increase in the CO₂ emissions is due to a higher level of the "adjusted emissions coefficient" raised by electricity companies.

*3 Customer survey options within the Group were streamlined from five options to four in 2015. This figure indicates the ratio of customers who chose the top two options.

*4 Refers to environmentally friendly policy clauses where the content can be viewed on our website rather than being written in a booklet.

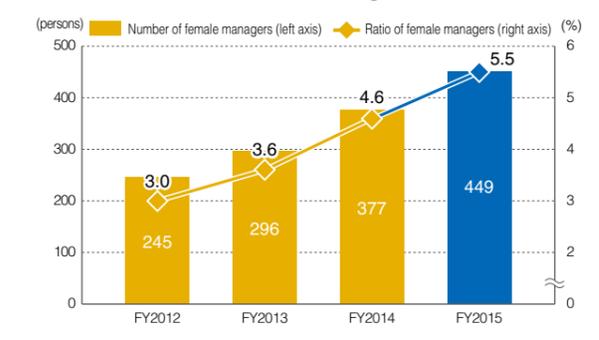
*5 Sum of Scope 1 and Scope 2 for Japan and overseas.

Outside Director ratio and the Board of Directors attendance rate



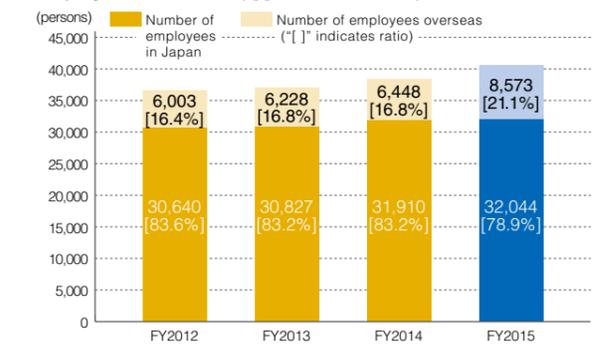
The Group has appointed independent Outside Directors, who constitute more than a third of the Board of Directors. The independent Outside Directors are introducing independent perspectives on management activities, strengthening supervisory functions, and elevating the level of management transparency.

Number and ratio of female managers



The Group's concerted efforts to set and attain goals for promoting the career development of female employees supported an increase in the share of managers who are female, to 5.5%.

Number of employees in Japan and number of employees overseas ("I" indicates ratio)



We gained around 1,600 new employees after acquiring Amlin as a subsidiary in February 2016.

*1 Net premiums written excludes the Good Results Return premiums of the "ModoRich" auto insurance products.

*2 Simple sum of non-consolidated figures for MSI and ADI.

Strategies by Business Domain

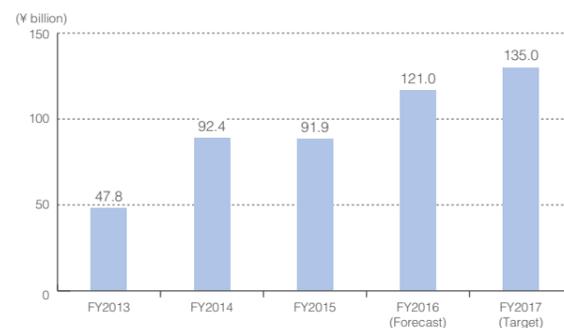
Domestic Non-Life Insurance Business

Domestic non-life insurance business is a core business of the MS&AD Insurance Group, having accounted for more than 60% of the Group Core Profit in fiscal 2015.

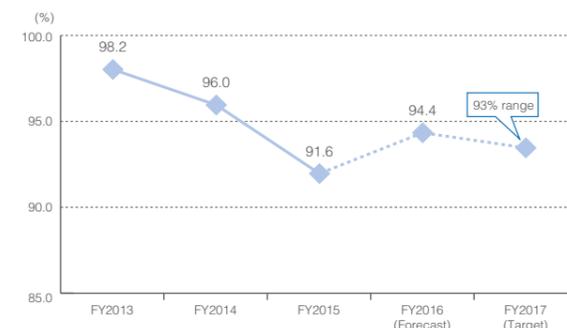
The Group's three non-life insurance companies have distinctive strengths, and they leverage Japan's largest agency network as they strive to address the diverse new kinds of risks faced by evolving industries in Japan as well as the risks associated with the changing lifestyles of individuals.

Group Numerical Management Targets

Group Core Profit (Domestic Non-Life Insurance)



Non-Life Insurance Combined Ratio (Domestic Non-Life Insurance)



*Sum of MSI, ADI, and Mitsui Direct General.

Recognition of the Operating Environment

Business Environment and Risk Recognition

Deceleration of Growth in the Domestic Non-Life Insurance Market due to Further Progress in Falling Birthrate and Aging Population

The number of registered automobiles is projected to decline due to young people's decreased use of automobiles, and other lifestyle changes as well as further progress in falling birthrate and aging population and a decline in housing starts. Competition could, therefore, intensify with deceleration of growth or shrinkage of the domestic non-life insurance market.

Projected number of new housing starts (thousands)	2015	2020	2025
	925	783 (-15.4%)	617 (-33.3%)

Source: The 41st Medium-Term Economic Forecast by Japan Center for Economic Research (Announced in March 2015)

Projected number of registered passenger cars (thousands)	2014	2020	2025
	39,530	38,200 (-3.4%)	37,080 (-6.2%)

Source: Estimated by MS&AD through an interpolation method based on Nomura Research Institute's future plans for 2030.

Changes in the Social Environment

Society is demanding the development of new products and services in response to societal changes accompanied by the emergence of new risks and regulatory relaxation measures producing new market sectors.

Expanding Scale of Damage due to the Occurrence of Large-Scale Natural Disasters

Owing to the impact of global warming, the incidence of large-scale natural disasters is tending to rise worldwide, and risk management in the event of natural disasters is, therefore, becoming an important management task.

Intensification of Competition in Direct Non-Life Insurance Markets

Although the direct non-life insurance markets are growing stably, competition is continuing to intensify with existing domestic companies and other direct companies. The resultant reduction in insurance premiums and increases in marketing costs are placing a downward risk on the profitability of business in those markets.

Declining Investment Income due to Ongoing Environment of Ultra-Low Interest Rates (Negative Interest Rates)

The continuation of ultra-low interest rates (negative interest rates) in Japan resulting from the Bank of Japan's adoption of "Quantitative and Qualitative Monetary Easing with a Negative Interest Rate" in January 2016 and continuation of a low interest rate environment worldwide are causing concerns about declining investment income and risk of bond price fluctuations when interest rates increase.

Growth Opportunities

Development of Products and Services that Respond to Changes in the Social Environment and New Needs

In an environment where the domestic market is maturing, we need to develop and provide products and services that respond to changes in lifestyles and the social environment as well as to new technologies and new risks by using our brand strength and network as the largest company in the industry in Japan. For example, by developing insurance products and services that respond to a falling birthrate and aging population and households with elderly persons living alone and also by developing products in fields such as nursing robots, renewable energy, and regenerative medical treatments, the MS&AD Group is aiming to pursue growth of its domestic non-life insurance business through support for science and technology progress.

Realizing Growth through Greater Sophistication of Risk Management

Based on experience gained in connection with the major flooding in Thailand during 2011 and other situations, the MS&AD Group is responding to risks associated with large-scale natural disasters by the sophistication of its risk management, especially as for natural disasters, by attempting the risk dispersion and by taking risks under appropriate risk control. Additionally, the Group will strive to realize sustainable growth going forward by ensuring that it has sufficient financial stability to respond to such risks.

Stability and Expansion of Profitability in the Voluntary Automobile Insurance Market

Although underwriting profitability in the voluntary automobile insurance market had continued to deteriorate since 2009, we have been able to improve profitability through such means as efforts to improve the loss ratio and revision of premium rates, enabling the MS&AD Group, which has the No.1 share of the domestic voluntary automobile insurance market, to reap large benefits and increase the stability of its revenue base. Going forward, we will continue to increase productivity through top-line growth and cost efficiency synergy. While intense competition in the direct insurance market is expected to continue for some time, by leveraging the Group's collective strengths to provide appealing products and services, we will sustain and expand the support we receive from our customers in the market.

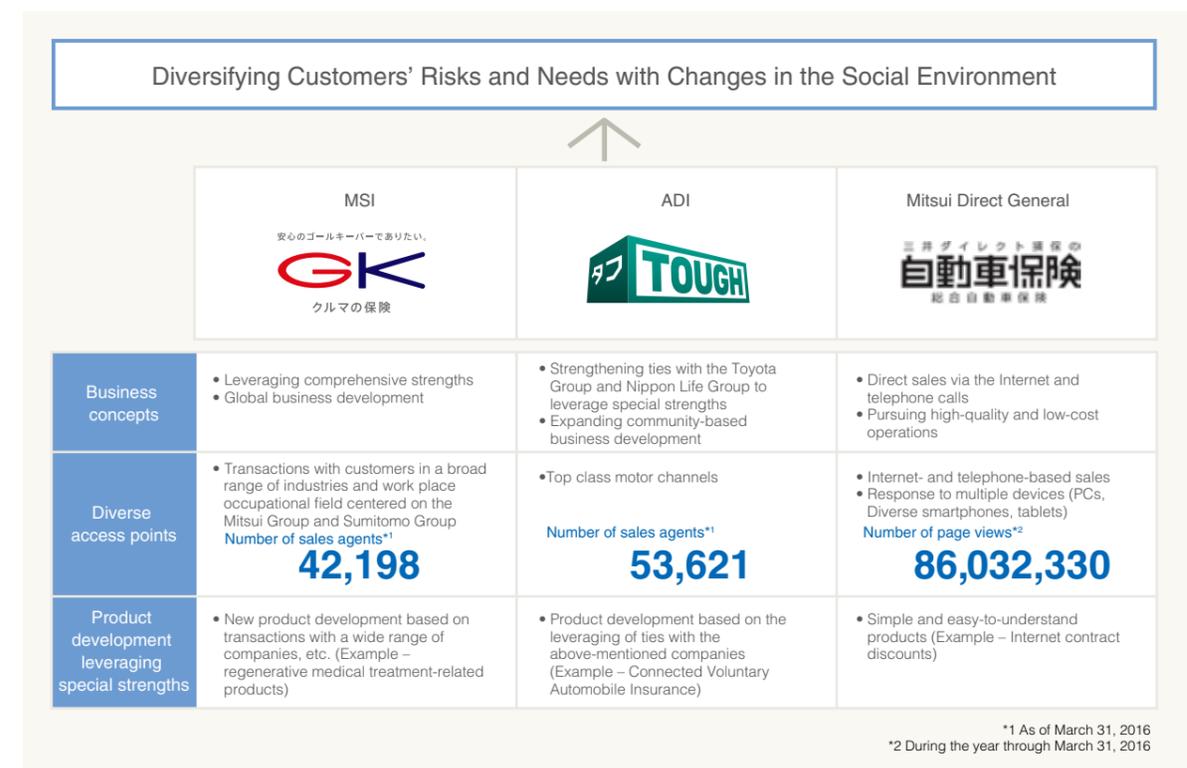
Greater Sophistication of Investments amid Ultra-Low Interest Rates

Amid continuation of an ultra-low interest rate environment, we will practice diversified investment, based on ALM, while emphasizing stability and liquidity, and will also aim to increase the return on risk through diversification and increased sophistication of investments in pure investment areas.

Business Strategies

1. Leveraging Diversity

The MS&AD Group leverages diversity, which is one of its strengths, in an effort to ensure its growth potential and increase its profitability by responding to customers' risks and needs as they diversify along with changes in the social environment.



2. Stage 2 Strategies and Initiatives

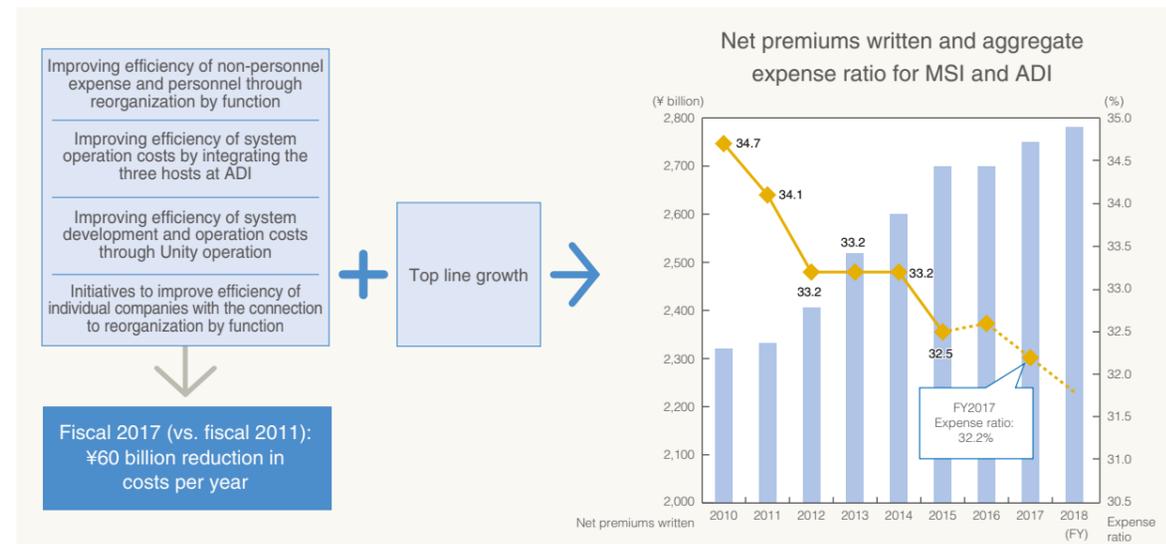
<The Strategies for Stage 2>

- MSI and ADI will work at the evolution of reorganization by function and will also achieve higher earning power through the top growth in Japan and efficiency by implementing greater Group standardization and sharing based on their respective business concepts.
- Together with Mitsui Direct General, we will establish our place as the No. 1 non-life insurance group in the domestic market through groupwide efforts to comprehensively meet diverse customer needs.

<Specific Strategies and Initiatives>

● Simultaneous Realization of Growth and Efficiency

We will aim to reduce the aggregate expense ratio for MSI and ADI to 32.2% in fiscal 2017 through the simultaneous realization of growth and efficiency.



● Initiatives to Further Boost Synergy

MSI and ADI will implement greater standardization of products and mutual use of measures to expand reorganization effects.

● Reorganization of the Claims Service Area

Aiming for further evolution of reorganization by function, MSI and ADI will develop a shared claims service system based on standardization of operations. By sharing claims handling service functions, the two companies will strengthen functions and increase efficiency with the aim of realizing industry-leading claims service.

Increasing Customer Satisfaction, Claims Handling Capabilities, and Productivity to Realize the Industry's No. 1 Claims Service

- Strengthen functions and increase efficiency by sharing claims handling service functions through sharing of a claims service system and standardization of operations
- Establish a shared structure through promotion of work consolidation of claims adjustment operations and back-office administration
- Jointly use the claims handling service functions by consolidating and integrating the two companies' service centers for insurance-class-specialized lines (CALI, credit management, etc.)
- Establish an optimal and efficient claims service network through consolidation and integration of bases
 - Reduce the number of bases through the aggregation of cases and the consolidation/integration of bases (scale enlargement)
 - Make consolidated and integrated insurance-class-specialized lines bases and respective claims handling bases in a same building into shared bases of the two companies

[Shared systems]
Start operation with two phases in April 2019 and April 2020
[Consolidate operations and share functions]
Implement in stages in fiscal 2016 and onward
[Consolidate and integrate branches/offices]
Implement in stages in fiscal 2016 and onward

Domestic Non-Life Insurance Business

MITSUI SUMITOMO INSURANCE CO., LTD. (MSI)

Responsible for non-life insurance business, which is a core business of the MS&AD Insurance Group, MSI is exercising its comprehensive capabilities to offer insurance and financial services business globally.



Company Overview

President: Noriyuki Hara (concurrently serving as representative director and executive officer of MS&AD Holdings)
Date Established: October 1918 Number of Employees: 14,691 (As of March 31, 2016)
Head Office: 9, Kanda-Surugadai, 3-Chome, Chiyoda-ku, Tokyo

URL: <http://www.ms-ins.com/english>

Vision for Our Company

As one of the core operating companies in the MS&AD Insurance Group, MSI is committed to pushing forward toward the realization of the Group's corporate philosophy and management vision.

MSI is also determined to contribute to society as a bearer of the non-life insurance business that supports people's lives and the economy.

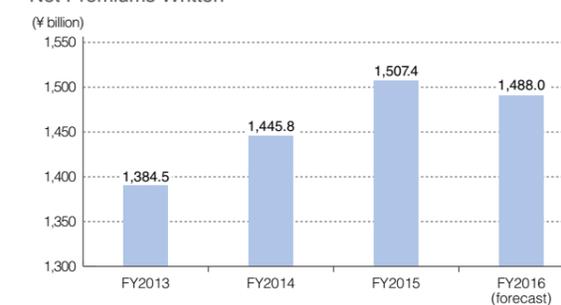
In particular, we take "quality" as the base of all our work, have always looked at things from a customer-centered point of view, and have consistently approached work with values that give high regard to quality improvement. Having inherited this commitment to "quality-centered growth" as our corporate DNA, from here on we will continue to firmly maintain the cycle of quality-trust-growth, and will pursue quality that gives delight by thoroughly acting from a customer-first mind-set.

"Next Challenge 2017" Stage 2 Initiatives

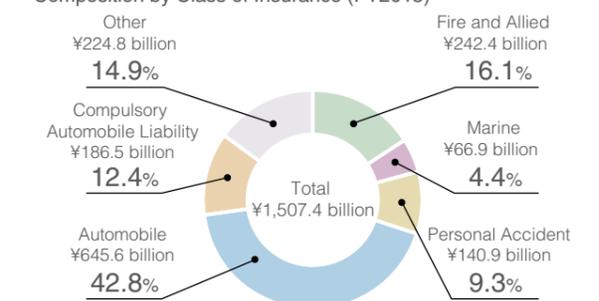
The two years that are the second half of the medium-term management plan "Next Challenge 2017" started in fiscal 2016. We positioned the first half of the plan as "the period to prepare for making a further leap forward" and the second half as "the period to accomplish that leap forward." During Stage 2, we will carry out various initiatives based on ERM progress, further evolution of reorganization by function, and implementation of growth strategies, and will respond to predictions of medium- to long-term environmental change with a view toward the next medium-term management plan.

Principal Management Indicators

Net Premiums Written



Composition by Class of Insurance (FY2015)



Domestic Non-Life Insurance Business

AIOI NISSAY DOWA INSURANCE CO., LTD. (ADI)

Responsible for non-life insurance business, which is a core business of the MS&AD Insurance Group, ADI is leveraging its strong relationships with the Toyota Group and the Nippon Life Group and engaging in business based on close relationships with local communities.

Company Overview

President: Yasuzo Kanasugi (concurrently serving as representative director and executive officer of MS&AD Holdings)
Date Established: June 1918 Number of Employees: 13,260 (As of March 31, 2016)
Head Office: 1-28-1, Ebisu, Shibuya-ku, Tokyo

URL: <http://www.aioinissaydowa.co.jp> (Japanese language only)



Domestic Non-Life Insurance Business

MITSUI DIRECT GENERAL INSURANCE CO., LTD. (Mitsui Direct General)

Mitsui Direct General is a non-life insurance company that specializes in directly selling individual voluntary automobile insurance to customers via the Internet and phone calls.

Company Overview

President: Ryuhei Funaki
Date Established: June 1999 Number of Employees: 563 (As of March 31, 2016)
Head Office: 1-5-3, Kouraku, Bunkyo-ku, Tokyo

URL: <http://www.mitsui-direct.co.jp> (Japanese language only)



Vision for Our Company

ADI recognizes that everything it does to contribute to its customers and local communities while continuing to embrace new challenges with passion is its corporate social responsibility (CSR). We are determined to live up to the expectations of all our stakeholders by fulfilling that CSR. Toward that end, we have put into practice a Full Support Declaration (three declarations on the key concepts of *quick, kind, and reliable*) as our corporate message and will aim to be a company in which bright and cheerful employees support customers to their utmost.

“Next Challenge 2017” Stage 2 Initiatives

The latter two years of the Medium-Term Management Plan AD Next Challenge 2017 started with this fiscal year. Building on the foundation laid through three innovations addressing organization, operation, and employee roles made during the earlier two years, we will push forward vigorously toward the achievement of sustainable growth by leveraging our partnerships with the Toyota Group and the Nippon Life Group to the maximum.

At the same time, we will aim to be “a highly unique company with its own distinctive character” through the pursuit of our growth strategy for the future. Specifically, we will continue to provide new value as a pioneer of voluntary automobile insurance through advancement of the use of telematics technology acquired through our purchase of U.K.-based Box Innovation

Group Limited and through research into advanced technologies at our newly established operating company in the U.S. In addition, we will also put effort into expanding the use of telematics technology to the area of the Internet of Things (IoT), creating a new style of insurance solicitation that makes use of information and communications technology (ICT) such as artificial intelligence (AI) and FinTech, and expansion of our market through expanded community-based business development in conjunction with local revitalization policies.

What is more, in fiscal 2016, we started providing 24-hour/365-day-a-year claims handling service that provides the same level of responses at night and on days off as during normal business hours in addition to our conventional 24-hour/365-day-a-year claims acceptance, with the purpose of doing an even better service meeting the needs of each and every customer.

Through these strategies and initiatives we will ensure higher enterprise value over the medium-to-long term in an environment that is forecast to become even more competitive in the future.

We are also engaging actively in our own unique corporate social contribution activities, including activities that convey “the magnificence of challenging yourself” through support of sports for persons with disabilities, support for communities afflicted by earthquakes, including Bell Mark collection activities, and our “Thank You Everyone!” activities conducted to show our appreciation for our customers in the communities.

Vision for Our Company

Mitsui Direct General started business in June 2000 as a non-life insurance company that sells individual voluntary automobile insurance to customers via the Internet and phone calls. Since then, we have continued to expand our operations and to pursue our unique business model, taking high quality, “professional claims handling services for premiums that are rational and reasonable”. Taking into account the features and advantages of our business model, the basis of which is our direct relationship with customers, we take the act of directly responding to customers’ expectations through close two-way communication as the foundation of all our corporate activities and policies. Going forward, we will aim to be an insurance company that is chosen by, and pleases customers to win their trust.

“Next Challenge 2017” Stage 2 Initiatives

The direct automobile insurance market remains in a tough situation for securing revenue, amid ongoing intense competition among existing domestic companies and other direct companies. Mitsui Direct General has been working at strengthening sales through mass advertising intended to raise awareness of the company and online advertising focused on investment efficiency. Also, in order to maintain and expand our customer base and to strengthen our brand, we have been making efforts to strengthen communication with customers through information dissemination via our website, Facebook, and email and through our MUJICOLOGY traffic safety campaign. At the same time, we have striven

to increase the quality of our customer service in claims handling and contact center responses.

In this kind of environment, although net premiums written increased by 4.3% in fiscal 2015, we posted a net loss of ¥5.4 billion for the term due mainly to large accidents.

Going forward, we will further strengthen and increase the sophistication of responses in terms of sales and underwriting. We will also promote collaboration and a cooperative structure with Group companies, in order to strengthen our claims handling capabilities, and will work to secure underwriting income.

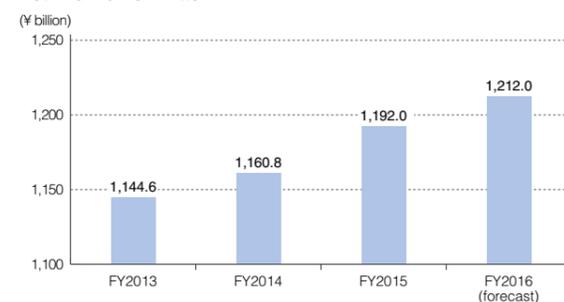
Furthermore, during Stage 2, we will continue carrying out initiatives with the following three goals, in order to increase our corporate quality and enterprise value by clearly and reliably delivering high-quality and attractive products and services to more customers, and by honing our employee and organizational strength so as to provide the greatest security should an accident occur:

1. Increase enterprise value and establish and strengthen the corporate brand;
2. Achieve sustainable growth and secure a reasonable profit by strengthening and diversifying the revenue base; and
3. Establish an advanced direct business model.

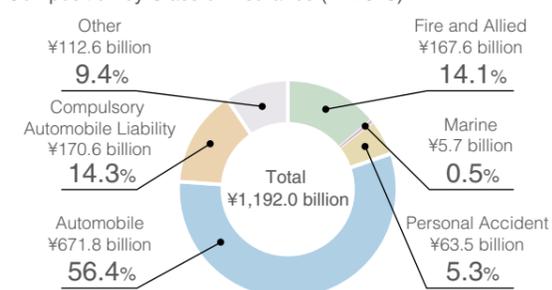
As a member of the MS&AD Insurance Group, which is continuing to take on challenges with the aim of creating a world-leading insurance and financial services group, we are committed to putting in the effort to become a company that is chosen by, and pleases customers to win their trust.

Principal Management Indicators

Net Premiums Written

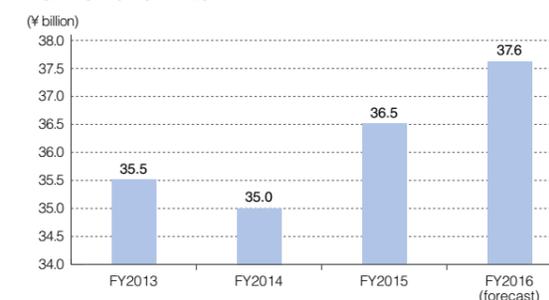


Composition by Class of Insurance (FY2015)

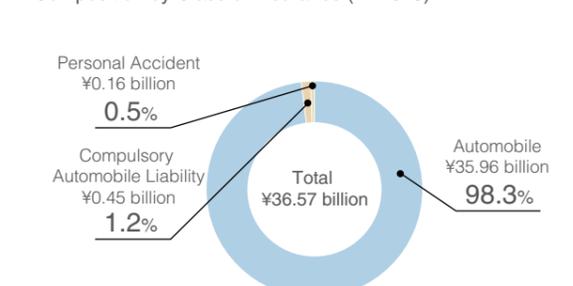


Principal Management Indicators

Net Premiums Written



Composition by Class of Insurance (FY2015)



Strategies by Business Domain

Domestic Life Insurance Business

Domestic life insurance business is one of the important growth businesses positioned to support a sustainable increase in the MS&AD Insurance Group's enterprise value.

Against the backdrop of progress of a super-aging society, needs are rising for the medical and nursing care as well as the death benefit and other protection-type life insurance products offered by MSI Aioi Life as well as for the asset-building products designed to support retired lifestyles that are offered by MSI Primary Life. Both these companies are realizing growth and profitability levels that are among the highest in the industry.

Group Numerical Management Targets

Group Core Profit (Domestic Life Insurance)



Increase in EV (MSI Aioi Life)



MSI Aioi Life, which sells protection-type life insurance products, has numerical management targets for an increase in EV (Embedded Value)*¹ as well as for Group Core Profit. Current statutory accounting is in some respects difficult to use for performance evaluation, partly because costs are concentrated at the time of sale but the corresponding profit is realized in later years. However, EV is employed as a useful indicator for evaluating achievements and enterprise value as it evaluates future profits generated by in-force business at the present time, and provides complementary financial information in statutory accounting.

*¹ EV used by MSI Aioi Life is based on the principles of European Embedded Value.

*² The amount of EV increase at the end of FY2015 decreased by ¥52 billion year on year. This was primarily due to a decrease in value by the impact of fluctuations in the economic environment (primarily market interest rates, -¥135.4 billion), while due to an increase in value through new policy acquisition (new business valued at ¥40.8 billion).

Recognition of Operating Environment

Business Environment and Risk Recognition

Maturation of the Japanese life insurance market

The domestic market has been maturing due to further progress of the declining domestic total population combined with the decreasing birthrate and increasing aged population, combined with the reduced need for big-ticket death benefit and the amount of policies in force for individual insurance reaching the peak. Furthermore, customer needs are changing due to reforms of the social security system that occur due to changes to the social

environment caused by the aging population and advances in medical technology, creating demand for flexible products development and marketing strategies to cope with these changes.

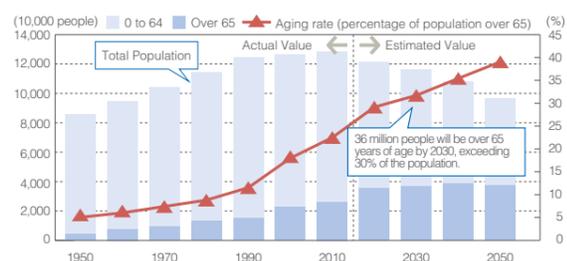
Decrease in investment income due to the continued ultra-low interest (negative interest rate) environment

While "Quantitative-Qualitative Monetary Easing" with negative interest rates introduced by the Bank of Japan in January 2016 caused the interest rate level to fall even further, the operating environment has become tough both on the assets management side and products side. For life insurance companies, managing assets is primarily through investments in Japanese Government Bonds and other bonds.

Fiercer competition in over-the-counter sales market due to major life insurance companies entering into the market

Fiercer competition in the over-the-counter sales market mainly by banks due to factors such as major life insurance companies entering into the market and reinforcing initiatives for foreign currency denominated products as well as their entering and reinforcing through agent channels may cause a decline in profitability.

<Trends and Future Population Estimates of Aging>



Source: Cabinet Office, "2015 Annual Report on Aging"

Growth Opportunities

Product strategies and strengthened asset management against continuation of ultra-low interest environment

MSI Aioi Life will launch products that precisely catch customer needs both in our first-sector (death benefit) and third-sector (medical and nursing care), providing income guarantee insurance in the first-sector and medical insurance in the third-sector, while swiftly developing products to maintain competitiveness.

Through ALM operation that takes into account the risk-return profiles of assets and liabilities, we review the asset management policy while maintaining the basic policy of super long term and security, and will implement improvement of return by lengthening bond terms, expanding risk assets to a certain degree, and other means.

Initiatives for competitive market environment

MSI Aioi Life will further increase the cross-selling rate of protection-type life insurance products in its business model of cross-selling through the Group's non-life insurance agents. It will also promote to diversify its sales channels, centering on agents of financial institutions, life insurance professionals, and direct sales employees.

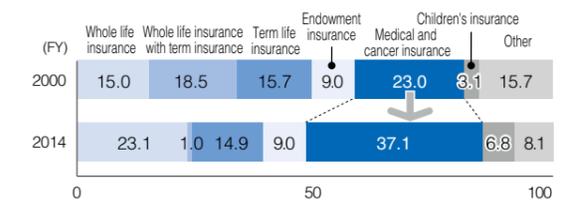
MSI Primary Life will make use of its ability to develop unique and exclusive asset-building type products consisting of foreign currency-denominated individual pension and whole life insurance. It will also make use of its strong nationwide agent network of financial institutions.

Measures to correspond to a maturing domestic market and super-aging society

MSI Aioi Life will develop products and marketing strategies in its third-sector products that steadily capture customers' changing needs, social security reforms, and advances in medical technology.

MSI Primary Life believes that there is a high likelihood of further growth in asset-building type products due to an increased need for intergenerational transfer of assets, such as inheritance and gifts, among the elderly market, our main customer base, for lump-sum payment-type products via over the counter at banks and the like.

<Rapidly growing third-sector market: Trends in the number of new policies, individual insurance by products>



Source: Life Insurance Association of Japan, "Life Insurance Fact Book 2015" (%)

Business Strategies

1. Leveraging Diversity

Customer needs stemming from the rapid aging society and changes in the social environment – including needs for third-sector products related to medical and nursing care, etc., and needs for asset-building products that enable people to autonomously supplement public pensions – can be responded to by two life insurance companies with different business models.

	MSI Aioi Life 人生の「もしも」を「安堵」にかえる。 & LIFE アンドライフ	MSI Primary Life 個人年金は、 未来への贈りもの。
Products	Protection-type products Protection-type life insurance products, death benefits as well as medical insurance, nursing care insurance to meet the increasing need for such products in an aged society (Term life insurance, income guarantee insurance, medical insurance, etc.)	Asset-building-type products Amid the rapid aging society, needs are rising for asset-building type products designed to support retired lifestyles (Variable and fixed annuity insurance, variable and fixed whole life insurance)
Sales Channels	Development of sales channels centered on cross-selling channels utilizing the agents of the Group's two core non-life insurance companies and also other diverse sales channels including financial institutions, professional life insurance agents and direct sales employees	Over the counter sales at financial institutions (banks, securities companies, etc.)

2. The strategy for stage 2

- We will develop well-balanced business in both protection-type life insurance products and asset-building type products and maintain the highest level of growth in the industry.
- We will enhance our business base by strengthening product strategy and asset management skills responding to the continuation of ultra-low interest rates and by advancing risk management, and will contribute to higher profits for the Group.
- We will develop and implement products and marketing strategies in the third-sector that steadily capture customers' changing needs, social security reforms, and advances in medical technology.

Domestic Life Insurance Business

MITSUI SUMITOMO AIOI LIFE INSURANCE CO., LTD. (MSI Aioi Life)

MSI Aioi Life is a life insurance company that offers protection-type life insurance products, while leveraging the Group's marketing network and customer base. The company is realizing a growth model that involves a combination of strategies to utilize unique marketing channels.



Company Overview

President: Hitoshige Tanbo
Date Established: August 1996 Number of Employees: 2,554 (As of March 31, 2016)
Head Office: 27-2, Shinkawa 2-Chome, Chuo-ku, Tokyo
URL: <http://www.msa-life.co.jp> (Japanese language only)

Vision for Our Company

- Respond quickly to changes and look at things through our customers' eyes to provide high-quality products and services.
- As the Group's core life insurance company, achieve rapid growth and sustainable profit enhancement along with our agents.
- Ensure that every employee puts the MSA Style* into practice and grows along with the company.

* M: Mizukara kangae, kodo suru (think and act for oneself), S: Shinaji koka wo hakki suru (create synergies), A: Akaruku genki ni charenji suru (take on challenges with a cheerful and enthusiastic mind-set)

"Next Challenge 2017" Stage 2 Strategies and Initiatives

We will develop timely and appropriate products, centering on protection-type life insurance products that reflect an awareness of our customers' needs, in response to changes in conditions, in accordance with our product strategies in preparation for ongoing ultra-low interest rates. We aim to increase our EV, Group numerical management targets, by

providing high-quality products and services through various channels and achieving a well-balanced product portfolio through cross-selling that combines life insurance and non-life insurance.

We are also working to transfer current MSI's and ADI's long-term third-sector policies in force to MSI Aioi Life as part of the Group's reorganization by functions. MSI Aioi Life has been acting as a sole supplier within the Group for long-term third-sector products since fiscal 2014.

In addition to improving our customer service quality, we aim to achieve greater customer satisfaction, growth and profitability than any other life insurance companies of a non-life insurance group, by concentrating our management resources for efficient operations and harnessing the Group's collective skills.

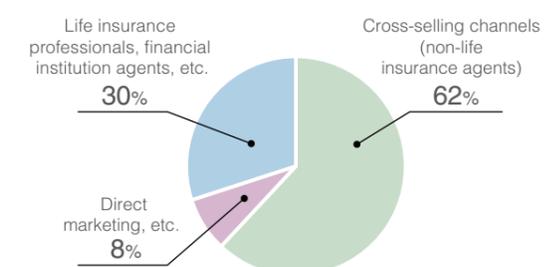
As the Group's core domestic life insurance company, we aim to be a company that is trusted by our customers and society, while we will continuously bring our customers peace of mind and satisfaction.

Principal Management Indicators

Annualized Premiums of Policies in Force



Weight of Types of Sales Channels (FY2015)



Domestic Life Insurance Business

MITSUI SUMITOMO PRIMARY LIFE INSURANCE CO., LTD. (MSI Primary Life)

Specializing in the over-the-counter sales via financial institutions, MSI Primary Life is a life insurance company that offers asset-building type products centered on individual annuity insurance and whole life insurance.



Company Overview

President: Tetsuo Kitagawa
Date Established: September 2001 Number of Employees: 381 (As of March 31, 2016)
Head Office: Yaesu First Financial Building, 3-7, Yaesu 1-Chome, Chuo-ku, Tokyo
URL: <http://www.ms-primary.com> (Japanese language only)

Vision for Our Company

The "Primary" part of our name has various meanings – the starting point, the basis, and the first. This reflects our aim to stay true to the "basis" and work from the starting point: being always a "customer-first," "customer-focused" company.

We also want to be a close partner for our customers through our individual annuity insurance and whole life insurance products, and try to help create a society where as many people as possible can enjoy a full and enriching life after retirement. Finally, we aim to take the lead in deepening, expanding, and creating lasting life insurance markets through a range of highly unique products to support our customers' asset-building efforts.

"Next Challenge 2017" Stage 2 Strategies

Our annual sales for FY2015 were greater than ¥1 trillion for the second year running and broke our record for the third year running. We will do our best to maintain sustainable growth and keep improving our corporate quality in FY2016 also.

Our main strategies during the Stage 2 are as follows: The first one is our "risk, return, capital and ALM strategy." In addition to diversifying our investment methods, we will manage our asset

and liability information together and strengthen the integrated management framework that controls risks, return, and capital in a well-balanced manner. We believe that managing our capital in a more-advanced way is a crucial initiative for promoting ERM.

Next is our "products strategy." While we strongly believe that we are among the industry's top product developers, we will expand our market position by developing and providing asset-building type products consisting of individual annuity and whole life insurance with both variable and fixed products to meet our customers' needs.

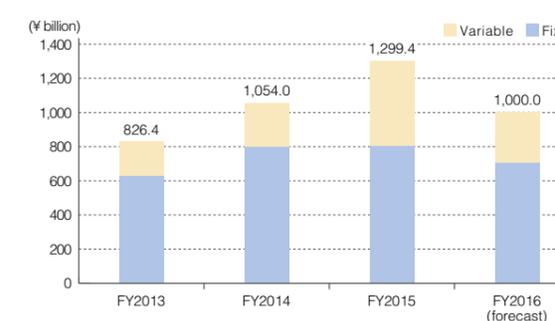
The third is our "marketing strategy." In addition to building a strong nationwide sales network with the capacity for sustainable growth, we aim to further improve the quality of our sales agents through our overall proposal capability, including complaint-handling and administrative guidance.

The final one is our "operations strategy." Responding to a substantial increase in sales, we will establish an administration framework to pursue efficiency and quality by promoting measures, such as making our agent-recruitment process paperless. We will also continue to expand our services according to our customer feedback.

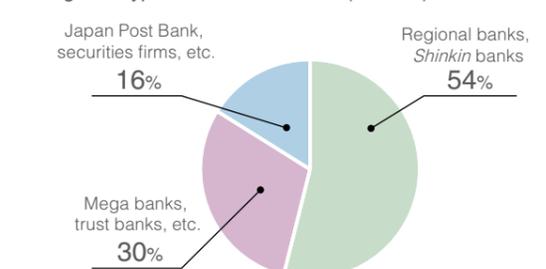
As a core life insurance company for the domestic life insurance business, a growth business of the MS&AD Group, we will continuously contribute to the Group Core Profit.

Principal Management Indicators

Premiums Income



Weight of Types of Sales Channels (FY2015)



Strategies by Business Domain International Business

Leveraging the expertise and trust it has accumulated during its history of more than 90 years of international operations, the MS&AD Insurance Group has established a global network in 45 countries and regions*1 to provide insurance products and services that meet diverse customer needs.

In fiscal 2015, the Group welcomed MS Amlin, a company with a global insurance business centering on the Lloyd's of London insurance market in the UK. International Business is one of the MS&AD Group's growth businesses, and the Group is working to further expand it going forward.

Characteristics of International Business

The MS&AD Insurance Group's international business operations encompass three businesses – International Non-life Insurance Business (including Toyota Retail Business and MS Amlin Business), Reinsurance Business, and Asian Life Insurance Business.

In accordance with MS&AD's Group-wide policies and strategies, each international business is seeking to realize its own sustainable growth and profitable expansion. The Group is aiming to be a good corporate citizen in each country and region. Through a variety of efforts including administrative support to the government as well as technical assistance related insurance, the Group is contributing to economic growth in each country and region while also undertaking diverse activities to realize growth in its own business operations.

International Non-life Insurance Business

Besides rigorously conforming with the laws, regulations, and business conventions of each country and region, the international operations employ locally-rooted decision-making processes. For this purpose, the regional holding companies have been established in Singapore, the United Kingdom, and the United States, and international operations are being expanded from this tri-polar network. Especially in the rapidly growing Asia region, the Group has developed the MSIG brand and a top-level business facilities.

Toyota Retail Business

We leverage our strong partnership with the Toyota Group to develop retail insurance business internationally. We sell automobile insurance, credit life insurance, and other products to individual customers centered on purchasers of Toyota vehicles. Having been engaged in business in Germany and France since 2000, we have currently been operating business in 15 countries and regions, including most European countries as well as China, Thailand, and Australia.

MS Amlin Business

With regard to MS Amlin, integration of the Lloyd's and reinsurance businesses of Mitsui Sumitomo Insurance (hereafter "MSI") and MS Amlin will be implemented. There will be continued collaboration with the existing international businesses in Continental Europe, Asia and the Americas.

Reinsurance Business

With regard to the international reinsurance business, it is planned to merge both reinsurance companies of MSI and MS Amlin and launch a combined brand by January 2017. Under the current soft market conditions, stringent underwriting decisions will continue to be made based on KPIs such as ROR and VA*2 to ensure a balance between profitability and financial soundness is achieved following the business integration.

Asian Life Insurance Business

We are investing in life insurance companies in countries that are projected to have growing life insurance markets going forward – such as Indonesia, India, and Malaysia – and are thereby aiming to expand our sustainable profits. In Malaysia, we have also begun undertaking "Takaful"*3 business, which is expected to show great growth in the future.

History of International Business Development

Developing Business in Major Countries/Regions

Date of Entry

1924	U.K. (Office)*
1934	Thailand
1956	U.K.
1957	U.S./Hong Kong
1958	Singapore/Germany
1962	Malaysia
1966	Australia
1969	Indonesia
1970	New Zealand
1974	Brazil
1977	Philippines
1978	France
1997	Vietnam
1999	Taiwan
2000	Lloyd's
2001	China (Shanghai)
2003	India
2004	AVIVA Asian business acquisition
2005	Mingtai acquisition/Cambodia
2010	Laos
2015	Myanmar/South Africa (Office)*

Expansion of Non-Life Insurance Business

Business Initiations by Means of Capital Investments in Local Markets Beginning from 2000

2000	Became the first Japanese non-life insurance company to establish a Lloyd's syndicate
2000	Began Toyota Retail Business in Germany and France
2012	Established a company in Germany
2015	Invested in Ceylinco Insurance (Sri Lanka)

M&A-Based Business Expansion

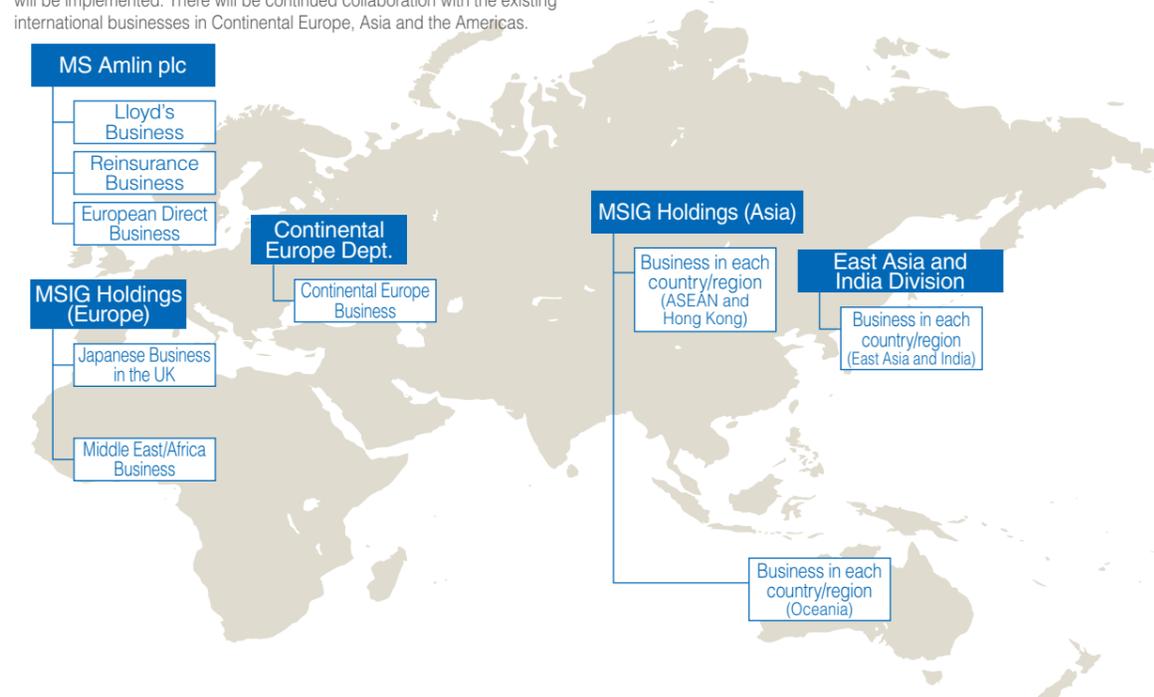
2004	Acquired the Asian non-life insurance business of U.K.-based AVIVA
2005	Acquired Taiwan-based Mingtai
2015	Acquired the U.K.-based Box Innovation Group
2016	Acquired MS Amlin (U.K.)

Expansion of Life Insurance Business

Expansion and Diversification of Asian Life Insurance Business Beginning from 2010

2010	Investment in Hong Leong Assurance Berhad (Malaysia)
2011	Investment in Hong Leong MSIG Takaful Berhad (Malaysia)
2011	Investment in PT. Asuransi Jiwa Sinarmas MSIG (Indonesia)
2012	Investment in Max Life Insurance Company Limited (India)

Items not marked with * indicate the year in which a direct insurance license was acquired.



Acquisition of insurance underwriting license in Myanmar

- Acquired an insurance underwriting license in the Thilawa Special Economic Zone in Yangon on May 28, 2015.
- Providing various underwriting and risk management services and supporting the businesses of our customers, particularly Japanese companies.

Increased rate of investment in Indian joint corporation

- In March 2016, we increased our investment in our Indian joint corporation, Cholamandalam MS General ("CMSG") from 26% to 40%.
- In addition to working to promote a wider use of insurance in India, we provide high-quality insurance services for Japanese corporate customers expanding into India to help ensure that their business activities run smoothly.

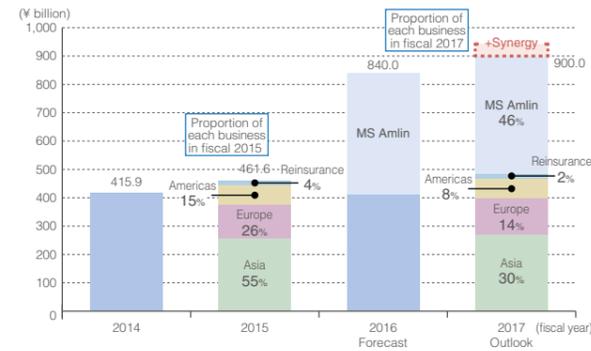
Establishment of telematics-based automobile insurance services in the U.S.A.

- On April 1, 2016, we established Toyota Insurance Management Solutions USA, LLS as a joint venture with Toyota Financial Services Corporation and Toyota Motor Corporation.
- In addition to providing support in the development of telematics-based automobile insurance for Toyota's customers, we plan to work with dealerships and distributors to help provide new services that will increase customer satisfaction.

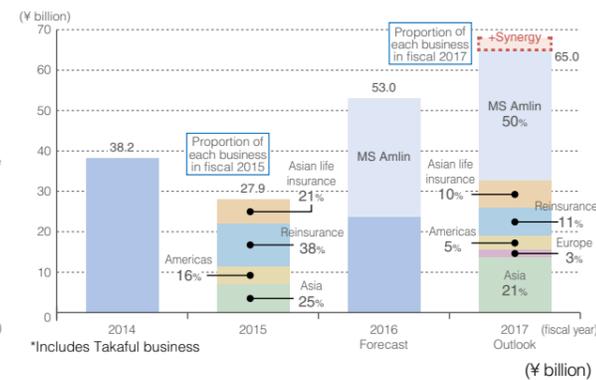
*1 Excluding SLI Cayman Limited (financial services business) in the Cayman Islands
 *2 ROR = Return on Risk; VA = Value Added
 See "ERM" (P34) for details.
 *3 A method of handling insurance business in accordance with Islamic doctrine. Ordinary insurance involves the receipt of interest income from fund management activities, and it also is seen as having an element of gambling insofar as it provides for the payment of benefits with respect to accidents and diseases of which the incidence is unpredictable. For these reasons, ordinary insurance is considered to be not in accordance with Islamic sharia law. In view of this, in countries with high population of Muslims, there is a need to provide insurance products that are designed to accord with the requirements of sharia law, and "takaful" can be said to be a form of Islamic insurance.

Principal Management Indicators (International Business)

Trends in Net Premiums Written (Non-Life Insurance)



Trends in Group Core Profit



		FY2010 (actual)	FY2011 (actual)	FY2012 (actual)	FY2013 (actual)	FY2014 (actual)	FY2015 (actual)	FY2016 (forecast)
Net Premiums Written	Asia	139.2	142.8	173.1	215.7	237.1	257.7	254.7
	Europe	65.2	60.9	64.4	85.4	99.6	121.1	120.6
	MS Amlin	-	-	-	-	-	-	382.3
	Americas	42.9	43.7	41.4	56.4	66.2	69.4	69.0
	Reinsurance	18.8	16.8	15.6	16.7	19.1	18.6	19.0
	Total*1	264.3	262.2	287.8	369.0	415.9	461.6	840.7
Net Income*2	Asia	8.6	(89.6)	28.8	16.3	26.0	12.7	15.7
	Europe	(12.5)	(16.1)	(11.9)	1.8	5.7	(3.1)	(1.9)
	MS Amlin	-	-	-	-	-	-	28.8
	Americas	2.1	0.1	(7.7)	(3.3)	(7.9)	8.1	3.6
	Reinsurance	6.5	(6.3)	5.1	8.5	11.0	10.7	6.5
	Asian Life Insurance*3	-	3.0	1.3	(1.2)	5.4	5.7	5.4
Total*1	1.8	(112.3)	13.5	18.0	38.2	27.9	53.0	

Notes: International business figures are aggregates of the results for overseas consolidated subsidiaries, non-life insurance companies' overseas branches, and overseas non-consolidated affiliates, etc. Figures for business in each region include figures for Toyota Retail Business.

*1 Figures in the "Total" rows include head office adjustments, etc. and are not equal to the sum of figures for each segment and each region.

*2 Group Core Profit basis

*3 Including Takaful business

Recognition of Business Environment

Business Environment and Risk Recognition

Frequent occurrence of large-scale disasters worldwide

Long-term data* indicates that large-scale disasters such as hurricanes and floods are occurring frequently around the world due to climate change thought to be caused by factors such as global warming. Although Asia has experienced particularly severe natural disasters in the past, it is lagging behind other developed countries and regions in preparing risk measurement data. This is a region where it is particularly crucial to take measures such as risk management for large-scale natural disasters.

* 2015 saw around five times as many ultralarge-scale natural disasters as 1970, according to sigma No.1/2016 from Swiss Re, the world's largest reinsurance company.

Underwriting cycle

In the non-life insurance business, large claim payments will cause premium rates to soar, while a decrease in claim payments over an extended period of time will lead to lower premium rates making an underwriting cycle over time. The global market, especially in Europe, the US, and reinsurance, has been experiencing the softening trend since 2013 due to less large-scale natural disasters as well as increased capital inflow from the financial capital market entering the insurance market. Business circumstances are expected to remain severe for insurers in those markets.

Even more stringent assessments on soundness of financial institutions

The Solvency II directive was introduced in Europe in January 2016. The International Association of Insurance Supervisors (IAIS) is also making plans for the start of the Insurance Capital Standard (ICS), an economic value-based solvency directive for internationally active insurance groups (IAGs) that will come into effect from 2020. These are just two examples of the new capital regulations being formulated and planned on a global basis. Such directives will require stricter assessments on soundness of insurance companies than ever before.

Increase in U.S. interest rates and capital outflow from emerging countries and economic downward swing

Last December, the U.S. Federal Reserve Board (FRB) decided on an increase in interest rates. This saw an outflow of capital from emerging countries, along with economic stagnation in these countries and an increase in the yen's value against their currencies. If this trend continues, this may slow the growth in our business income in emerging countries, particularly those in Asia, or may result in less income from the Group's international business when converted to yen.

Growth Opportunities

Strengthen measures against natural disaster risks

We are working to strengthen our promotion of ERM, particularly our risk controlling measures for natural disasters to prevent unexpected loss, keep income fluctuation to a minimum, and build a framework to generate stable income (see "ERM" on P34 for details).

High growth potential in Asia

Ongoing economic growth is predicted in Asia and we expect to be able to expand local businesses further. The upturn in the Japanese economy is also expected to lead to greater expansion in Asia through Japanese companies. The Group plans to continue focusing its efforts in Asia, expanding both non-life insurance business and life insurance business to grow with the Asian economies and contribute to the Group's profit.

Portfolio diversification and improvement of underwriting skills

Welcoming MS Amlin to the Group has enabled us to build a portfolio that is well balanced among Asia, Europe and the U.S. This is expected to alleviate risks to specific regions, such as

economic downturn and natural disasters. MS Amlin will also share its high-quality underwriting skills with the Group, enabling us to generate steady income in underwriting cycles.

Strengthening of ERM and planning of business investment

The Group is establishing risk preference policies based on trends in key overseas countries and international standards related to capital regulations. We are also steadily taking measures to handle tightening of regulations based on our ERM.

The tightening of capital regulations is expected to cause industry restructuring in some countries and regions. We aim to continue to be one of the top three in the ASEAN region, and will be planning active business investment.

Our new business investments will be in fields that can be expected to produce a synergistic effect with existing businesses, and we plan to pay attention to risk diversification and capital efficiency when investing.

Business Strategies

The MS&AD Group's international business is classified into three business fields. We are working to leverage the strengths of each business to develop diverse products and sales strategies, effectively address market growth, and expand profitability at rates exceeding market growth. As one of the major Group's growth drivers, the international business will seek M&A and other new business investment opportunity proactively while developing its global alliances.

Business Field	Asia	Market prospects	Stage 2 business strategies
	International Non-life Insurance Business	<ul style="list-style-type: none"> ASEAN main markets <ul style="list-style-type: none"> •Slowing of growth due to economic downturn and slump in new car sales Huge markets (India, China) <ul style="list-style-type: none"> •Increasing number of companies expanding into India •Expansion of automobile insurance business and concerns about worsening losses New markets <ul style="list-style-type: none"> •High economic growth expected •Deregulation 	<ul style="list-style-type: none"> •Steady expansion in Japanese businesses •Further expansion and increase in earning power of local businesses •Strengthening of alliances with local partners •India: Increased earning power through greater management involvement in the Indian subsidiary (CMSG) •China: Strengthening of alliances with local partners •Myanmar: Ongoing initiatives for nationwide licensing and strengthening of alliances with local non-life insurance businesses •Others: Capturing of Japanese accounts
International Reinsurance Business	Europe, Middle East, Africa	<ul style="list-style-type: none"> •Opaque financial market in Europe •Instability in Middle East 	<ul style="list-style-type: none"> • Europe: Strengthening of approaches to energy-related projects in Japanese businesses or to buyout targets of Japanese companies • Middle East: Development of fronting system* • Africa: Capturing of Japanese accounts and deepening of market research
	North America	•Steady economic growth in the U.S.A.	•U.S.A./Canada: Steady growth and improvements in earning power of Japanese and local businesses
	Latin America	•Fiercer competition due to economic downturn	<ul style="list-style-type: none"> •Mexico: Capturing of Japanese accounts, particularly automobile industry •Brazil: Improvement in earning power of automobile insurance and fire insurance •Other Latin American countries: Strengthening of measures for Japanese businesses through stronger alliance with Mapfre
	Toyota retail business	•Expansion of Toyota's global telematics strategies	•Business expansion and acceleration of new developments through synergy with Box Innovation Group
	MS Amlin business	•Expansion of needs for advanced knowledge of corporate insurance in response to advances in science and technology	<ul style="list-style-type: none"> •Pursuit of synergy through business integration of Lloyd's of London syndicates •Expansion of business in Asia and North America using the MS&AD Group's network
	Asian Life Insurance Business	•Softening of market due to capital inflow as a result of low interest rates worldwide	<ul style="list-style-type: none"> •Pursuit of synergy through business integration between MS Amlin's reinsurance business and MS Frontier Re •Synergy through sharing of know-how with domestic life insurance businesses •Sales promotion through development of new over-the-counter sales channels and Japanese corporate customer bases •Strengthening of business management and risk management •Planning of new business investments

* A fronting system is a system in which alliances are formed with local insurance companies in countries and regions where we have no entities with an underwriting license. These companies carry out direct underwriting business (issuing of insurance policies, etc.) in place of the Group. The Group accepts insurance risks by way of reinsurance.

International Business

MS Amlin plc

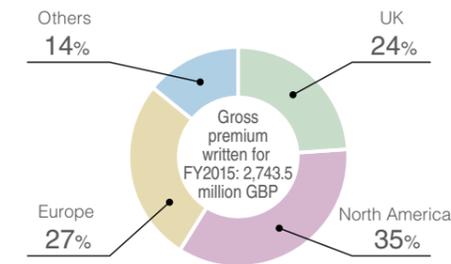
MS Amlin is a leading insurer specialising in providing a broad range of both insurance and reinsurance products around the world.



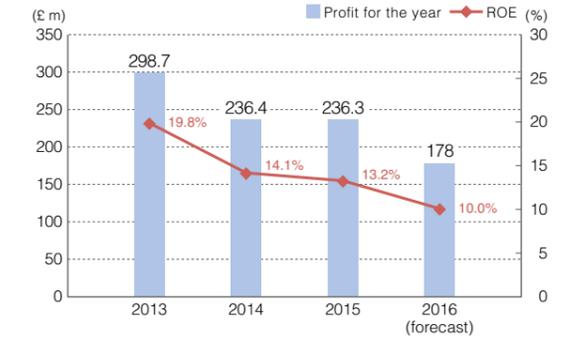
Company Overview

Chief Executive: Charles Philipps (Concurrently serving as Executive Officer of Mitsui Sumitomo Insurance)
 Date Establishment: 17 September, 1993 Number of Employees: 1,888 (As of December 31, 2015)
 Head Office: The Leadenhall Building, 122 Leadenhall Street, London EC3V 4AG
 URL: <http://www.amlin.com/>

Gross Premium Written by Geography



Profit for the Year and ROE

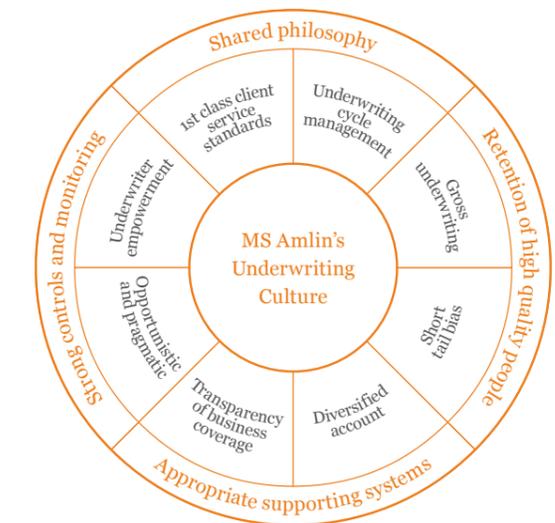


Underwriting Culture

MS Amlin's business is built on a strong culture, diversified product offering, robust controls and a focus on profitable, cross-cycle underwriting. This model is based on the development of MS Amlin's original Lloyd's businesses and underpins the integration and investment in the newer businesses.

The expertise of our senior underwriters has allowed MS Amlin to build quality portfolios in line with our strategy of broadening our product offering and expanding into new geographies. We empower our underwriters to develop strategically their accounts and be opportunistic where market conditions are favourable. In addition, our strong controls and monitoring, combined with our profit-focused remuneration policy ensures discipline.

Our focus on exceptional service and providing clients with continuity has created long-standing relationships with brokers and clients which has led to MS Amlin being a highly-ranked market (re) insurer. Our strong reputation and brand, high retention rates and ability to attract quality new business is a function of our highly-skilled people who understand the needs of our clients and provide them with the requisite products and services.



Results

Whilst the highlight of 2015 was the announcement of our acquisition by MSI, we also achieved a strong financial result and continued to develop our operating model following our 2014 business reorganisation.

MS Amlin delivered a return on equity of 13.2% against the backdrop of mixed market conditions. Against this, most parts of the business performed well with the profit before tax slightly below 2014 due to a softening trend in reinsurance markets and a decreased investment return. The combined ratio was flat relative to 2014 at 89% with no major catastrophe losses in 2015. The year was characterised by an increased number of small- to medium-sized catastrophe losses globally and a number of large risk events, notably in property and energy.

Strategy

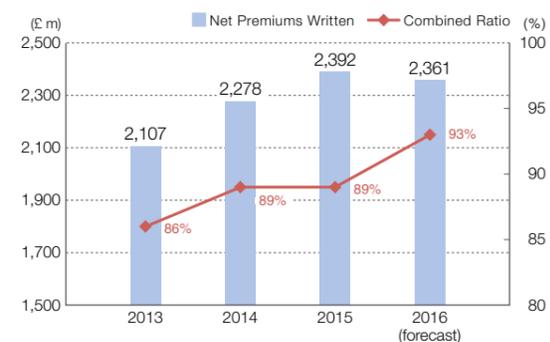
Following the reorganisation in 2014, each of our newly-formed global Strategic Business Units (Reinsurance, Marine & Aviation, and Property & Casualty) formulated five-year strategies to enhance their market and competitive positions and achieve profitable growth,

whilst recognising that in the short term, market conditions are unlikely to be conducive to material growth. These strategies involve continuing our client intimacy initiative; increasing our proximity to clients through investing in geographic diversification; further strengthening our leadership positions in reinsurance and specialty lines, and our penetration of property and casualty markets where MS Amlin is already established; and investing in digital technology which we believe will become increasingly relevant in property and casualty business for SMEs and for some specialty lines.

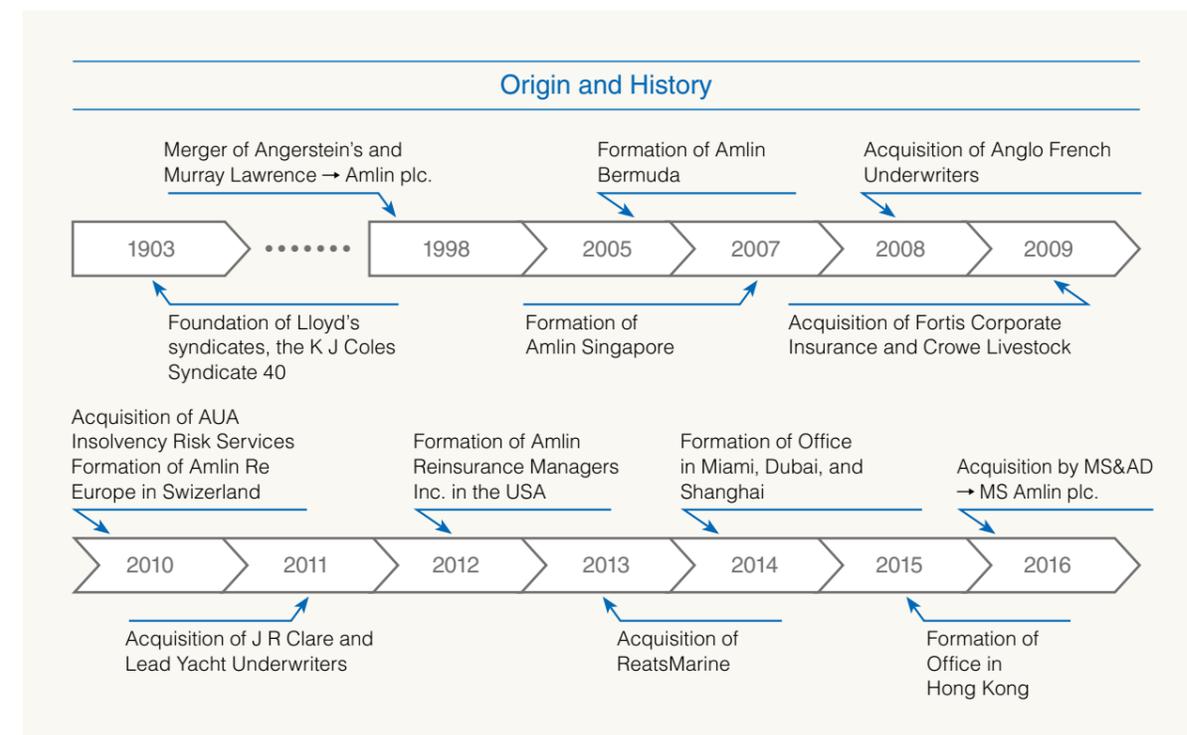
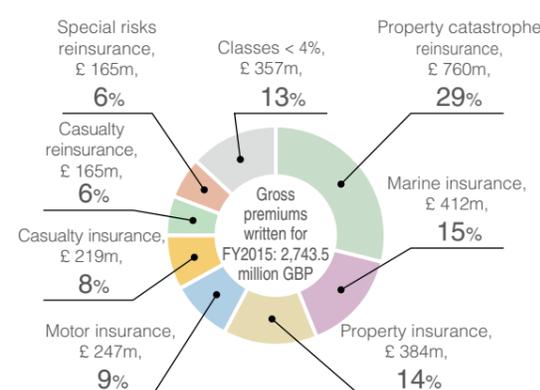
Our combination with MSI is complementary to our strategic direction, and it will be extremely beneficial to MS Amlin over the medium and long term. We believe that there will be meaningful revenue synergies in South-East Asia through leveraging MSI's distribution networks and well-established relationships by offering MS Amlin's specialty products. We intend to merge MSI's Lloyd's and reinsurance businesses into MS Amlin during 2016 and to explore means of achieving scale benefits in continental Europe. We will also be exploring, with MSI, how we can expand its US client base.

Principal Indicators

Net Premiums Written and Combined Ratio



Gross Premiums Written by Class



International Business

MSIG Holdings (Asia) Pte., Ltd.

As an overseas regional holdings company, this company supervises our non-life insurance business in the ASEAN, Hong Kong, and Oceania regions.

As the only non-life insurance group with facilities in all ASEAN countries, we are making use of our solid business base to create further growth and expand locally-rooted businesses.

Company Overview

CEO: Alan Wilson (concurrently serving as Executive Officer of Mitsui Sumitomo Insurance)
Date of Establishment: September 23, 2004 Number of Employees*: 4,525 (As of March 31, 2016)
* Total number of employees in local companies under the supervision of MSIG Holdings (Asia), Thai branch, Oceania branch, and Yangon office of Mitsui Sumitomo Insurance
Head Office: 4 Shenton Way #27-01 SGX Centre 2 Singapore 068807
URL: <http://www.msig-asia.com/>



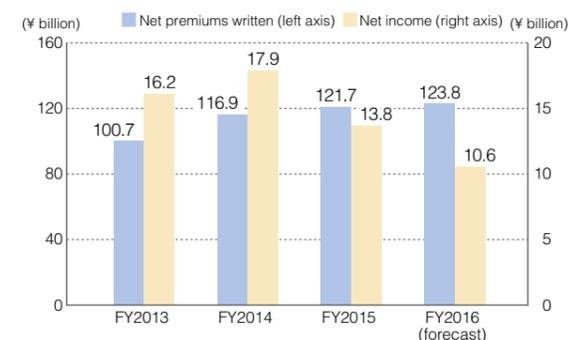
Results Thus Far

The MS&AD Insurance Group has steadily solidified its business base through long-standing expansion into the ASEAN countries including acquisition of the British company AVIVA's Asian non-life insurance business in 2004, and strengthening of alliances with local partners. Our strong business base consists of a sales network across the whole ASEAN region, a wide range of sales channels (agents, insurance brokers, automobile dealers, banks, etc.), excellent personnel, and the MSIG brand, and provides us with a competitive edge. We have built up a large market share in each country as a non-life insurance company that provides a full line of products and services.

We have been working to become one of the "top three in our core markets in terms of direct written premiums in the region" in accordance with Stage 1 of our current medium-term management plan "Next Challenge 2017." While strengthening our initiatives in each field, including Japanese companies, automobiles, and bank channels, we achieved steady expansion in net premiums written and ensured stable profits in both FY2014 and FY2015. We are also planning to work on making our ERM more advanced, a key issue for the whole Group. After expanding and developing the pilot of the Group's internal model, the model will be rolled out from FY2016 for further stabilization of income.

Principal Management Indicators

Trends in Net Premiums Written



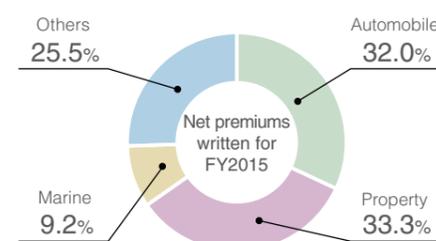
Future Issues and Strategies

A deceleration in automobile sales and a decrease in distributions are expected in FY2016 due to factors such as slowing of the Chinese economy's growth and monetary easing. However, as a strongly established insurance company in the region, we will focus on the personal and small/medium-sized company market, as one of our prioritized areas in order to grow our business further. In particular, we will break into local markets through bank channels by forming strategic alliances with banks such as DBS, the largest bank in the area, and targeting middle-income customers, the banks' main customer base. The Group completed acquisition of MS Amlin, the newest member of the Group, in February 2016. We plan to make use of our respective strengths to create synergy with MS Amlin.

From 2016 onward, products, special policy conditions, and rates are expected to be progressively liberalized in Malaysia and Thailand, particularly personal products such as automobile insurance and fire insurance. We have made it a policy to thoroughly manage underwriting results for each category and sales channel in each market to maintain and improve profitability.

"Improving our corporate quality by thoroughly understanding what our customers want" will remain our top priority. We will hire, train, and mobilize excellent personnel to further strengthen our business base and actively break into new markets to expand our business and thereby solidify our position as the No.1 non-life insurance company in terms of the premium, profit, and corporate quality in the region.

Net Premiums Written by Product Line (FY2015)



* Total premiums written for local companies under the supervision of MSIG Holdings (Asia) and other branches and offices of Mitsui Sumitomo Insurance in the region.

Strategies by Business Domain
Financial Services Business

In its financial services business, the MS&AD Insurance Group offers various finance-related solutions and services that make use of its special strengths. The MS&AD Insurance Group is developing and providing various new financial products and services to address increasingly diverse customer needs, leveraging the full range of its capabilities as an insurance and financial group.

Overview of Financial Services Business

The MS&AD Insurance Group offers the following kinds of finance-related products and services.

ART Business	Referring to risk transfer methods that are alternatives to traditional insurance transactions, ART (Alternative Risk Transfer) schemes use financial technologies and capital markets to provide risk solutions. ART products incorporate derivatives and securitized financial products, etc., and representative types of ART products include "weather derivative" and "earthquake derivative" products.
Defined Contribution Pension Business	We provide products compatible with defined contribution pension (401k) plans along with meticulous consulting services and a comprehensive range of other services related to the introduction of pension plans.
Retail Financial Services	As a financial institution handling "Flat 35" loans in cooperation with the Japan Housing Finance Agency, we provide long-term, fixed-rate mortgages.
Asset Management Business	We work through Sumitomo Mitsui Asset Management – established in cooperation with Mitsui Sumitomo Group financial institutions – to undertake investment advisory business, investment trust management business, and diverse other kinds of business. With more than ¥10 trillion of assets under management, Sumitomo Mitsui Asset Management is one of Japan's largest asset management companies.
Venture Capital Business	Working through MITSUI SUMITOMO INSURANCE Venture Capital, we undertake investments in promising venture businesses and also provide support for the growth and development of investee companies.

Review of "Next Challenge 2017" Stage 1

There were fluctuations in Group Core Profit due to special causes in single fiscal years, but the revenue bases for each business were steadily increased throughout the Stage 1 period.

Additionally, in reference to "severe natural disasters caused by climate change," which is one of the social issues in our Group's CSR activities, we provide packaged products of insurance and weather derivative that support the popularization of reusable energy for businesses such as solar power generation, and, in this way or others, we have been advancing efforts to contribute to society.

Stage 2 Tasks and Strategies

In Stage 2, we will develop activities that match the characteristics of each business by strengthening our ability to provide products and services and by implementing optimized risk control in order to increase the earning power and secure stable profits.

To be more specific, we will construct a business model to respond to a wide range of customer needs in anticipation of market expansion that will accompany revisions to the Defined-Contribution Pension Law, provide products to a wide range of customers through the global sale of ART products, and cooperate with Mitsui Sumitomo Asset Management and other partners to further expand the asset management business.

Group Core Profit

(¥ billion)

FY2010	FY2011	FY2012	FY2013	FY2014	FY2015
1.8	0.4	1.7	4.1	4.3	2.6

Major Operating Companies

The Group's financial services business is being developed principally by MSI, ADI, and the following operating companies.

MITSUI SUMITOMO INSURANCE
Venture Capital Co., Ltd.

Date established: December 1990
Number of employees: 10 (As of April 1, 2016)
MS&AD Insurance Group shareholding: 100%
URL: http://www.msivc.co.jp/top_en.html

Sumitomo Mitsui Asset Management
Company, Limited

Assets under management: ¥11,975.9 billion (As of March 31, 2016)
Date established: December 2002
Number of employees: 630 (As of April 1, 2016)
MS&AD Insurance Group shareholding: 27.5% (As of April 1, 2016)
URL: <http://www.smam-jp.com/english/index.html>

MS&AD Loan Services Co., Ltd.

Scope of operations: Entrusted administration services for customers within and outside the Group, credit guarantee services, and loan services for individuals
Date established: October 1976
Number of employees: 149 (As of April 1, 2016)
MS&AD Insurance Group shareholding: 100%
URL: <http://www.ms-ad-ls.co.jp/site/index> (Japanese language only)

Strategies by Business Domain

Risk-Related Services Business

Risk-related services business is responsible for important roles within the MS&AD Group's value creation processes.

Risk-related services business units provide diverse solutions globally in cooperation with Group units engaged in insurance and financial service businesses, and thereby make an important contribution to realizing the Group's mission.

Overview of Risk Related Services Business

The MS&AD Insurance Group provides non-insurance products and services to meet customers' needs for risk solutions, such as risk management business, nursing care business, and assistance business.

Risk Management Business

Overview of Risk Management Business

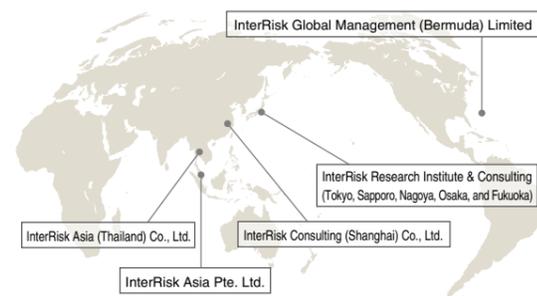
The Group's risk management business is developing its operations based on a business model that emphasizes three concepts – "(1) early risk discovery, (2) risk magnitude and incidence frequency reduction, and (3) eventuated risk impact minimization." Insurance and other financial products are employed with respect of the third of those concepts, having the role of "alleviating economic impacts." The operational scope of risk management business units encompasses all three of the concepts.

Working in close cooperation with insurance business units, the risk management business units provide customers with the following types of risk-related services.

- 1 Provision of risk research and simple diagnoses along with loss prevention advice
- 2 Consulting services related to the formulating of a business continuity plan and a crisis management plan of companies and other organizations
- 3 Implementation of surveys and studies of the latest risk-related information and dissemination of that information via seminars and newsletters

The Group unit responsible for these operations is InterRisk Research Institute & Consulting, which is one of the major risk consulting companies in Japan. Utilizing its bases in Singapore, Thailand, China, and Bermuda, InterRisk Research Institute & Consulting is globally developing its risk solution services business.

InterRisk Research Institute & Consulting's Global Network



Review of "Next Challenge 2017" Stage 1

We nimbly captured new risks occurring as a result of social changes such as advances in automatic driving technologies, compliance with the national identification number system, and cybersecurity and we continued to provide a wide range of risk-related services and relevant seminars related to a broad range of risks surrounding companies.

Furthermore, we further expanded various overseas risk management services to contribute to global security and safety. These services include consulting on traffic accident risks for overseas entities, field research and provision of information on catastrophe risks in Asia, and the development of consulting services related to the identification and evaluation of occupational injury risks.

TOPICS

For the development of risk management in Asia

Periodic safety education is essential for reducing traffic accidents. However, we see that many businesses in Asia find it difficult to implement effective safety education for a wide variety of reasons. To promote traffic safety in Asia, InterRisk Research Institute & Consulting Inc. has introduced vehicle RM services for overseas entities (Thailand, Singapore and China), and is gradually expanding the target area for these services, while starting service provision in Thailand and Malaysia.



Business Performance

	FY2013	FY2014	FY2015
Number of risk surveys conducted	980 (Domestic 560 Overseas 420)	1,009 (Domestic 526 Overseas 483)	1,092 (Domestic 500 Overseas 592)
Number of risk-related reports issued	82	75	68
Number of training/seminars arranged	3,513	3,873	4,199
Number of media appearances	323	232	306
Group Core Profit	¥200 million	¥200 million	¥200 million

Other Risk-Related Services Business

Nursing Care Business

The MS&AD Group inaugurated its nursing care business in 1989.

Currently, two Group companies are supplying high-quality nursing care services that provide seniors with comfort and peace of mind. MITSUI SUMITOMO INSURANCE Care Network operates fee-based retirement homes (currently operating two such facilities as of March 31, 2016) while Fureai Do-Life Services moved in 2000 to become the first Japanese insurance industry unit to operate elderly daycare centers (operating four such facilities as of March 31, 2016).

Assistance Business

Through ANSHIN DIAL, we are developing comprehensive assistance call center business related to automobiles (road assistance services) and homes (house support services).

By responding to requests for assistance from people throughout Japan, we are cooperating with our partners in this field to relieve customers' worries and concerns and provide peace of mind.

Major Operating Companies

InterRisk Research Institute & Consulting, Inc.

InterRisk Research Institute & Consulting is one of the major risk consulting companies in Japan. It provides companies and government entities with consulting, risk surveys, research and investigation, information provision, and other services related to diverse kinds of risks. With overseas bases in Singapore, Thailand, China, and Bermuda, the company is seeking to provide risk solutions throughout the world.

Date established: January 1993 Number of employees: 206 (As of April 1, 2016)
MS&AD Insurance Group shareholding: 100%

URL: <http://www.irric.co.jp/index.html> (Japanese language only)

MITSUI SUMITOMO INSURANCE Care Network Co., Ltd.

MITSUI SUMITOMO INSURANCE Care Network operates and administers fee-based retirement homes offering nursing services, provides support for in-home nursing care (creating care plans), and dispatches home care workers (home helpers). By providing high-quality elderly care services, the company strives to create a society in which seniors can enjoy pleasant and cheerful lives.

Date established: October 1990 Number of employees: 365 (As of April 1, 2016)
MS&AD Insurance Group shareholding: 100%

URL: <http://www.msk-carenet.com/docs/index.html> (Japanese language only)

ANSHIN DIAL Co., Ltd.

As a top-quality call center specializing in assistance services, ANSHIN DIAL provides such support services as roadside assistance and home assistance.

Date established: November 1989 Number of employees: 756 (As of April 1, 2016)
MS&AD Insurance Group shareholding: 56.15%

URL: <http://www.anshin-dial.jp/> (Japanese language only)

Fureai Do-Life Services Co., Ltd.

Fureai Do-Life Services is the first Japanese insurance industry unit to operate elderly daycare centers, and it currently operates four facilities in four regions.

All centers employ physical therapists and other staff to implement functional training programs and other programs associated with preventative and rehabilitation care. They also provide services that are deeply rooted in local communities, based on cooperation with NPOs and schools.

Date established: March 2000 Number of employees: 62 (As of April 1, 2016)
MS&AD Insurance Group shareholding: 100%

URL: <http://www.fureai-do.co.jp/> (Japanese language only)



Special Feature

Creating Value through Contributions to the Solution for Social Issues

The Four Social Issues

Frequent occurrence of accidents and disasters	Extensive natural disasters caused by climate change
Mounting burden of nursing and medical care due to demographic aging	Decreasing vitality of local communities

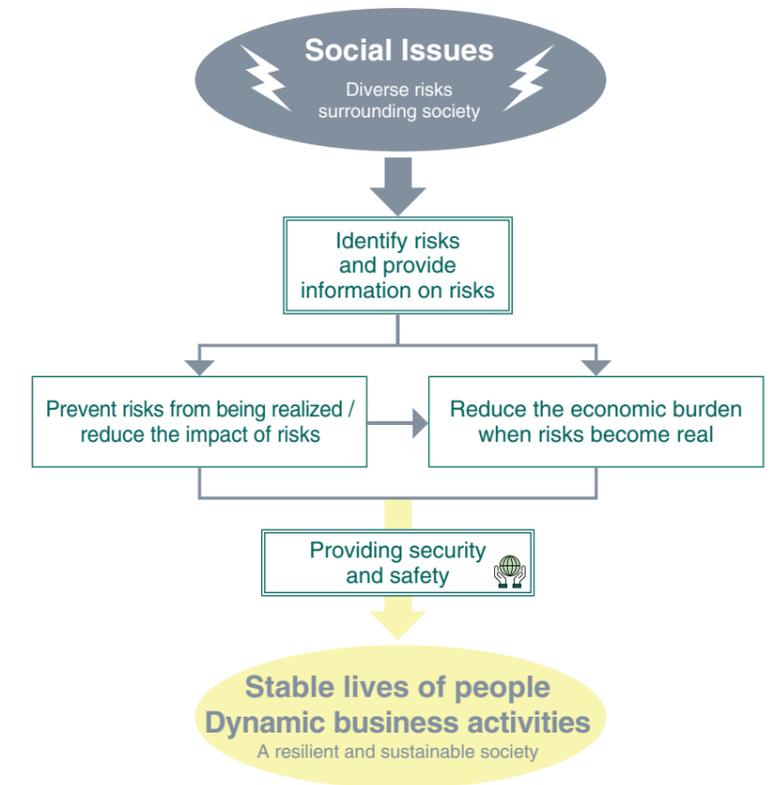


For “the Development of a Vibrant Society and Help Secure a Sound Future for the Earth”

Our lifestyles have become affluent and convenient through the expansion of industry and progress in science and technology. With remarkable advances in medical care, our lifetime has become extended. However, as a large burden is imposed on the Earth while society becomes more advanced and complex, disasters and accidents occur, of which we have no previous experience.

The MS&AD insurance group continues to take on the challenge of “the development of a vibrant society and help secure a sound future for the Earth” identifying risks borne by society.

▶ P4 The MS&AD's Story of Value Creation



INDEX

- 01** Protecting people's lives and businesses from increasingly diverse and complex accidents and disasters
- 02** Confronting climate change and the deterioration of the natural capital
- 03** Facing risks of an aging society and ensuring a healthy and affluent lifestyle
- 04** Vitalizing local communities and supporting sustainable development

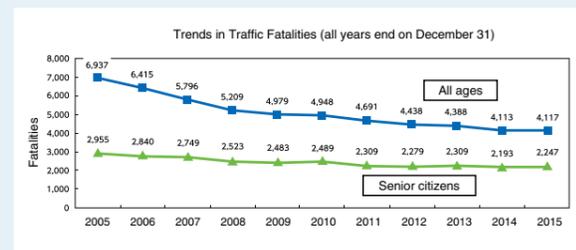
Special Feature 01

Protecting people's lives and businesses from increasingly diverse and complex accidents and disasters

Today through the expansion of technology and society, the latent risks on our life have become more diverse and complex, letting us encounter unpredictable accidents and catastrophes. A safe life and a thriving business certainly hinge on the strategy to recognize the potential risks and safeguard the society against upcoming events.

Traffic fatalities rising for the first time in 15 years

Recent years have seen a decreasing number of traffic fatalities thanks to growing awareness of traffic safety and the innovation of automobile safety devices. In January and March in 2016, however, the National Police Agency announced the record of 4,117 traffic fatalities January through December 2015, exceeding 4,113 in 2014 posting the first increase in 15 years. These numbers fall short of the goal to reduce to 3,000 or less stated in the Ninth Traffic Safety Fundamental Plan. The MS&AD Insurance Group has been pursuing various initiatives for preventing traffic accidents. We introduce some of them here.



Source: National Police Agency, Traffic Bureau
 "Traffic Accident Fatalities 2015," (January 2016)
 "Trends in Traffic Accident Fatalities in 2015," (March 2016)

Support for a safe and secure car life for senior citizens

Traffic fatalities for senior citizens over 65 increased by 54, to 2,247, accounting for 55% of the total. The breakdown of accidents shows that fatalities from accidents for pedestrians have nearly fallen in half, while fatalities for vehicle passengers have increased in recent years. The population of people over 65 holding a driver's license amounts to 17.1 million, one-fifth of all license holders. One cause of accidents by senior drivers has been cited as reduction in eyesight. MSI has noted that "visual acuity for depth," i.e., the ability to grasp depth, appears prone to decline with age. The Group is developing and providing safety driving awareness tools for senior drivers. One example is that "Magokoro Drive," a booklet including the scene of driving with a grandchild, highlights how senior drivers tend to cause accidents, underscoring an important tips for safe and enjoyable manner. In addition, "Kuruma Torikku," an online publication, allows the audience to perform an easy self-check of their visual acuity for depth, enabling carefree study of the relationship with traffic accidents due to declining vision.

Support for safe-driving guidance at companies

MSI and ADI provide smartphone apps and services utilizing drive recorders for corporations with regular use of automobiles. These services include statistical collection for relevant data and analysis of safe driving ability exams implemented by employees' smartphones and drive recorders, offering advice on safety to corporate clients.

Safety driving supervisors of corporations will then exploit these results to reduce traffic accidents at work by way of customized driving safety guidance to employees, drawing up policies and preventive measures against accidents.

Aiming for a car society without accidents! "MUJICOLOGY! Project"

Mitsui Direct General Features the MUJICOLOGY! project as an activity aiming at "a car society without accidents."

The term "MUJICOLOGY!" combines the "muji" from "mu-jiko" (no accidents) and the "cology" from "ecology" to evoke an image of a car society with "no-accidents and ecology." Many traffic accidents, presumably have been caused by the lack of mutual understanding among drivers. The company is sponsoring activities designed to increase effective communications among drivers and decent driving behavior. Mitsui Direct General has also set up a dedicated web site called the "MUJICOLOGY! Laboratory" and has invited Dr. Katsuhiko Nishinari, a professor at the University of Tokyo, studying traffic jams, as its director. The institute disseminates contents making an appeal for the significance of driving with consideration for others. The company's mascots, Mujicoro and Mujicorin, participate in traffic safety events incorporated with police stations and run programs to convey proper traffic safety behavior to children.



▲ MUJICOLOGY! Laboratory

Supporting a changing "car life" focusing on young people

One change in the environment of automobiles indicates "young people are staying away from cars." If a young person who does not own a car borrows one from a friend or relatives when necessary, they could be uninsured and not eligible for relevant compensation due to driver age conditions and driver limitation special policy provisions in voluntary auto insurance policies. To solve this problem, MSI and ADI have jointly developed a new "dedicated voluntary auto insurance for borrowed vehicles" to facilitate those without a car can sign up for the program. This product comes as cheap as ¥500/day. In principle, the insurance covers the occasion that a car will be used over the course of two days and provides coverage per 24 hours. The policy can be taken out over a smartphone. In addition, by allowing payment of insurance premiums together with smart-phone fees, we have come up with a range of ideas that can be incorporated into young people's lifestyles.



▲ MSI



▲ ADI

Offering safer and more-secure services by reinforcing expertise on a leading-edge in automobile information technology

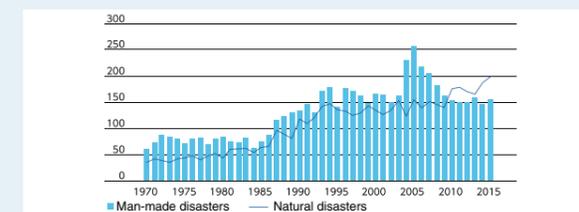
Auto insurance capitalizing on telematics (information services that incorporate mobile communications systems into cars and other vehicles) is expected to rapidly expand in Europe and the United States. Amid these backgrounds, ADI in March 2015 acquired Box Innovation Group Limited (BIG), the largest provider of telematics-based auto insurance services in the U.K.

The ITB Group, a BIG's group companies, has expanded the managing general agency business for telematics-based auto insurance. The company installs "a black box" on covered vehicles to collect data and analyze risk factors pertinent to vehicle mileage and the driver's speed, the application of accelerator and brake, including relevant behaviors. Reflecting this riskiness in insurance premiums, these services establish a mechanism to ensure safety driving by policyholders. In addition, in the event of a major accident, the policyholder will be able to be contacted by a call center via a mobile phone. If necessary, the call center can examine the details of the accident based on the data, including the precise location and whether there has been a collision or rollover. An emergency call can then be transferred to the police or emergency vehicle services, thereby to initiate supporting rescue and assistance activities.



The continuing increase of large-scale disasters

Large-scale disasters are continuing to increase throughout the world in the 21st century. A publication of the leading reinsurer Swiss Re, "sigma study No.1/2016", includes 198 large-scale natural disasters occurred in 2015. This was the historical record since 1970. Man-made disasters also increased from 148 in 2014 to 155 in 2015, pointing to the rise of natural and man-made disasters.



Companies with a diversified business and organizations are rising globally. This has ended up the creation of complicated supply chains that cover a product from planning to manufacturing and are intertwined with companies and organizations with expertise in multiple countries. Consequently, large-scale catastrophes and accidents can be subject to major risks about these sophisticated business activities.

Assisting countermeasures to corporate risks and contributing to business continuity

As supply chains spread out across the globe, BCM (business continuity management) and BCP (business continuity planning), which prepare for early restoration of core businesses, have been geared to minimize damages in the outbreak of catastrophic events. Against the backdrop, MSI, ADI, and InterRisk Research Institute & Consulting have been providing advice on developing BCP measures and actively supporting operational training for forthcoming disasters. These missions are positioned as initiatives to contribute to building up a resilient society with the perspective of preventing and reducing damages to safeguard business continuity. Further, joint activities with Miyagi Prefecture for promoting BCM over two years starting from 2013 won an outstanding contribution award at the Japan Resilience Awards 2015. At the same time, the companies concluded a cooperative agreement with Miyagi Prefecture for the support of developing BCP corporate countermeasures.



▲ Japan Resilience Awards, 2015 awards ceremony

Protecting against severance of the global supply chain

Based on the specialties accumulated to date, MSI supports accident prevention and risk management programs in the fields of logistics and marine shipping. In seminars about recent trends in overseas logistics, which focus on countries and regions of concern to its customers, for instance, MSI offers information of risk conditions in logistics, including cargo handling at seaport, airport, and road transport environments. These seminars also include lectures on preventing cargo accidents and other topics about logistics by outside experts. This work is not limited to the domain of logistics and marine shipping. In light of past earthquake-related lessons, seminars also include earthquake preparedness, specifying measures companies must consider for the forthcoming great earthquakes and specific disastrous events.

Response to the Kumamoto earthquakes

A seismic intensity 7 event broke out in the Kumamoto region in 2016, which temporarily displaced 180,000 people as evacuees. To deliver claims payments as quickly as possible to victims by the earthquakes, MSI and ADI set up emergency response centers in Kumamoto, Fukuoka, Kurume, and Oita and were able to respond rapidly to customers. Over 500 people in the Group were involved in the emergency response system for acceptance of claims reports, and approximately 630 were involved in responses to affected customers.

Also, donations from Group employees, both at home and abroad, and matching gifts from Group companies amounted to ¥39.5 million, which was donated to Kumamoto and Oita Prefectures and relief agencies. The Group will continue to provide assistance to those affected by the earthquakes by the purchase of local products to boost economic recovery and volunteer activities by employees.



▲ Fukuoka Earthquake Response Center

Special Feature 02

Confronting climate change and the deterioration of the natural capital

The global environment has been threatened by climate change, and the sustainability of our natural capital is under imminent danger. The MS&AD Group offers risk solutions. It will confront social issues by promoting activities to mitigate climate change as well as by offering products and services that contribute to the building up a society that can deal with and adapt to these risks.

The world undergoes changes by virtue of climate change

In recent years, climate change has been influencing all continents and oceans and had a huge impact on ecological and social systems. Disasters have been frequently breaking out the world over; a form of extreme weather, including powerful typhoons, hurricanes, and cyclones; heavy rains; droughts; and heat waves. The trend has been worsening towards larger-scale events. In December 2015, three severe storms, including Desmond, struck the U.K. Regions were flooded, and 16,000 homes were inundated. In Japan, Typhoon 18 struck in September 2015 and the Kinu River levees burst with approximately 19,000 homes devastated, claiming the lives of eight people. Climate change, which causes these types of extreme weather events, has been taking place with huge damage inflicting various regions.

COP21 (the 21st yearly session of the Conference of the Parties to the United Nations Framework Convention on Climate Change) was held in Paris in November and December 2015 and came out with the official adoption of the Paris Agreement, an international framework for measures against global warming in 2020 and later. This agreement differs from the Kyoto Protocol adopted in 1997 about the fact that the Paris Agreement is a historical agreement with equal participation of all countries, including emerging countries. The Paris Agreement is designed to seek equilibrium between the emission and absorption of greenhouse gases in the second half of the 21st century. It clearly states a policy to continually strengthen measures against climate change across the entire world and is regarded as a groundbreaking international agreement. The MS&AD Group supports the Paris Agreement and has signed the Paris Pledge for Action, which declares that signatories will act to achieve the implementation of the Paris Agreement.



Preparing for natural disasters, reducing the effect of risks

Water damage by typhoons and storm surges in great excess of what as assumed until now. In addition to reducing greenhouse gases, the Paris Agreement has the preparation of society's ability to adapt to climate change as one of its supporting principles. To this end, our social mission is to foster widespread adoption of professional experiences to prepare for natural disasters as an insurance provider.

MSI, together with Weathernews Inc., has started a climate information alert service, the first effort of its kind in the nonlife insurance field, from June 2015. This service distributes e-mail alerts when a weather forecast go beyond the baselines for "attention" or "warning" at locations set by customers on dedicated website. These alerts initially covered precipitation and wind, thunderstorms and snowfall and were later added to extend the service. As a preventive measure for protecting against physical damage from flood and wind, the service is also utilized for plan changes based on weather forecasts for customers such as building and construction

businesses. In insurance, the service leads to the alleviation of risk of uncompensated opportunity loss.

This service is not just for factories and construction workplaces but applied to the risk of bearing losses from natural disaster to finished products. If the proximity of large typhoons and storm surges overlap, new cars just stored for exportation from the port yard could well suffer large damage from seawater. But by implementing the preventive measures, the damage can be lessened accordingly.

MSI conveys in detail the forecast typhoon path and storm surge times to these types of customers when a typhoon occurs and recommends measures such as the transfer of vehicles and placement of water protection covers. In this way, the company works hard to lessen the damage to customers.



Supporting vulnerable countries from the impact of climate change

To adapt to climate change, the Paris Agreement recognizes the importance of international cooperation and considers the needs of countries that are especially vulnerable to the impacts by climate change, including developing countries.

MSI helped establish "the Pacific Disaster Risk Financing Pilot Program", a program founded in cooperation with the Japanese government and the World Bank. In January 2013, MSI participated as an insurance underwriter of natural disaster risk. This program is intended to provide financing for the prompt restoration of stricken countries and regions when a natural disaster of a given size (such as a cyclone, earthquake or tsunami) takes place in the Pacific island countries of Samoa, Tonga, the Marshall Islands, Vanuatu, and the Cook Islands where the insurance market is not fully developed. Because of this program, insurance payments were made to Tonga in January 2014 followed by disbursement of US\$1.9 million to Vanuatu in March 2015 when more than 160,000 people (over half the population) were affected by Cyclone "Pam".



Supporting stable operation of the renewable energy business

To hold climate change in check, as one initiative for reducing greenhouse gas emissions, we are promoting the widespread adoption of renewable energies that are not dependent on fossil fuels. Based on government policy in Japan, private-sector enterprises in various areas are evaluating the construction of large-scale photovoltaic stations ("mega-solar") and participating in small to medium-sized hydroelectric power ventures. MSI has been marketing the Comprehensive Coverage Plan for Mega Solar Power Generation to mega-solar operators since June 2012 and the Comprehensive

Coverage Plan for Small and Middle-sized Water Power Generation since July 2013. These products are designed to provide comprehensive coverage of the various risks surrounding electric power generation, including risks for property, loss of profit, liability, and climate instability.



In adoption of rapidly growing solar power generation, however, the fixed price purchase plan has a high initial purchase price. There are also problems with the insufficient evaluation at the business planning phase and the ineffective planning and construction phase. Furthermore, risk has been actually occurring in a series of large-scale incidents caused by such events as heavy snowfalls. To cope with challenges, MSI, ADI, and the InterRisk Research Institute & Consulting have been jointly issuing an Incident Risk Handbook for Solar Power Operators, which only insurance companies with their focus on "incident risk" can formulate. In fact, the companies support new participants in these businesses and the financial institutions that are offering loans to these areas. Our group has been supporting enterprises running renewable energy business through providing insurance products to cover the costs for relevant risks to prop up the expansion of renewable energy resources.

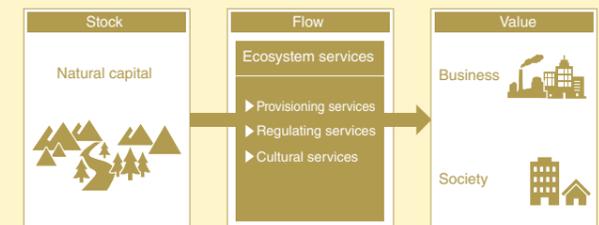


▲ A solar power generation business Incident Risk Handbook

Threats arising from the deterioration of natural capital

Shortly before and after the United Nations Conference on Sustainable Development (Rio +20), the term "natural capital" has been frequently used within discussions on sustainability and the CSR field. Natural capital has a variety of definitions which all break down to "the stock of natural resources (such as biodiversity, earth, water, the atmosphere, and minerals), both renewable and non-renewable, that bring benefits to mankind."

Because of this stock of natural capital, a flow is produced just like the interest and dividends arising from financial capital. This flow is called "ecosystem services." Ecosystem services include those that supply the bounty of food and timber and those that regulate the climate and the purification of water, which provide essential value to the social economy. However, if this stock of natural capital is reduced, its flows will be reduced as well, which will have a great impact on people's lives and businesses. If a watershed's forest (stock) for example, proceeds to be severely damaged, its function for storing water (regulating service) will be threatened, and, raising, the risk of mudslides (decreased regulating service). To preserve these ecosystem services, renewed focus must be placed on maintaining the health of natural capital, which can be summarized as the "preservation of biodiversity."



Comprehensive consulting on biodiversity

At the COP Convention on Biodiversity, the role of corporations and importance of risk management have been incorporated in the resolutions. Consequently, a series of corporate guidelines have been introduced by major international organizations, government institutions, and business groups. Meanwhile, corporations have found it reasonable to regard initiatives towards preserving biodiversity as an extension of their contribution activities. The flip side is that, in business sectors with a huge dependence on natural capital, particularly raw materials, the risk of procuring raw materials has emerged. In recent years, however, natural capital and biodiversity have been seen as objectives for management risks and opportunities, and initiatives have been started in various fields, such as supply chain management, product development, and land use at business sites. The InterRisk Research Institute & Consulting has offered biodiversity consulting to a number of companies since the second half of the 1990s, and is supporting customer programs based on the institute's achievements and expertise.

In this field of "biodiversity management support consulting," biodiversity risks across the entire enterprise are analyzed and evaluated, and then initiatives are narrowed down and response measures are examined. To facilitate continuous improvement, the direction and targets are set based on each company's circumstances and assistance is provided to overall management through the measures as follows to build up management systems.

1. Consulting on biodiversity-related risk on procurement

To draw up guidelines for raw materials procurement and perform risk assessment for preferentially narrowing down types of raw materials and regions

2. Analysis of biodiversity business opportunities

To filter out what type of business opportunities related to biodiversity are available and present their future possibilities

3. Biodiversity contribution-model land-use consulting

To make use of the environment at current business sites and company-owned land, provides comprehensive support on what type of activities should be undertaken to increase biodiversity, covering the areas from surveys and analysis to formulation of preparation/activity plans



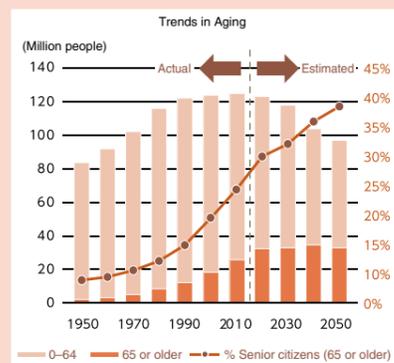
Special Feature 03

Facing risks of an aging society and ensuring a healthy and affluent lifestyle

While the aging society has been accelerating, the burden of nursing care and the large increase in medical expenses have been major challenges, making initiatives for preventing disease and promoting health even more important. With the advancement of medical and healthcare technology, new risks have been arising. So, our mission is rightly responding to these risks.

Japan, the super-aging society, not seen in the rest of the world

Japan has plunged into a super-aging society, not seen anywhere in the world. Statistics from the National Institute of Population and Social Security Research, after the 2000 national population census, shows that the population of Japan has stayed at around 127.0 million, but it is expected to decrease to 124.1 million in 2020, 116.62 million in 2030, 100 million in 2050, and 90.0 million in 2060. Furthermore, the ratio of older people is projected to rise, as Japan is a precursor for the world as a super-aging society. People at 65 and older are expected to make up for 30% in 2025 and reach 40% by 2060.



Source: Ministry of Internal Affairs and Communications, White Paper on Information and Communications

Conveying healthcare information, preventing risks

As the super-aging society moves forward and progress comes in healthcare technology, treatment needs are diversifying, and the number of patients under advanced medical care increases. In November 2006, MSI Aioi Life became the first insurer in the industry to offer an advanced medical care rider that pays for charges related to advanced medical care and transportation expenses to the medical care facilities. After the start of sales, we took strategic measures towards awareness programs and the provision of information on leading-edge medical treatment. The company offered an open seminar in each region of the country entitled "the seminar on non-combative cancer therapy and particle radiation therapy". At this seminar, the company distributed "the Guidelines to Knowing about Advance Medical Care", a booklet that illustrates the advanced medical care system and treatment methods in plain terms. Also, the company runs two websites: one that follows the model of disseminating information on advanced medical care for browsing, "Advanced Medical Technology. net" and the other follows the information search model of investigating fundamental knowledge and actual medical care facilities, "advanced medical care navigation". MSI Aioi Life also works together with the Japan Stroke Association

under joint enterprise agreements and holds the Japan Stroke Association Seminars that give lectures by stroke specialists in each region of the country. To date, over 14,000 customers (as of March 31, 2016) have attended the seminars. The company also runs "the Stroke Report" website that posts a variety of information on the medical treatment for stroke, prevention, remedy for symptoms, etc.



▲ A Stroke Seminar

Supporting the development of regenerative medical treatment in the form of insurance

As a ground-breaking medical treatment, the world increasingly expects the expansion and spread of regenerative medical treatment. In Japan, a leading country for regenerative medical treatment, the Act on Ensuring Safety in Regenerative Medical Treatment was promulgated in 2013. Under the act, medical care facilities to offer regenerative medical treatment are deemed to have taken effective measures for compensation of health injury with donors of cells utilized in the treatment and those who receive the treatment as clinical research. As an issue of the act, the Japanese Society for Regenerative Medicine has drafted the Guidelines on Compensation for Health Injury in Clinical Research on Regenerative Medical Treatment, which indicates guidelines for the proper state of specific compensation. Meanwhile, MSI serves as the managing insurance company for the Regenerative Medical Treatment Clinical Research Compensation Insurance Plan founded by the Japanese Society for Regenerative Medicine. It has also started "liability insurance for clinical research in regenerative medical treatment" (liability for damages insurance with a rider for compensation liability).

Responding to new risks resulting from development and practical application of robots

To mitigate the burden on nursing care professionals and support for the autonomy of those in need of nursing care, the development of robotic nursing care equipment has been introduced at nursing care sites. Risk management is essential for ensuring safety and enabling practical application during development and demonstration testing for task-support robots, medical equipment, and welfare equipment. MSI, specialized in a risk management track record in the field of robotics, has concluded a cooperative agreement for an industry-academic alliance with Tokyo Denki University, which carries out research in relevant fields. Cooperating with the InterRisk Research Institute & Consulting helped to provide risk management services when robots are introduced, the company is facilitating the promising future of robot-related businesses and the safe training and marketing of robots.



▲ Image provided by INNOPHYS Co., Ltd. A muscle suit® for assistance to the hip area, from

Providing safeguards for a richer "second life"

As the average lifespan of Japanese people continues to become longer each year, safeguards for a richer second life have been increasingly significant. MSI Primary Life, in response to the progress of a super-aging society, is preparing lineups of products, including whole life insurance and annuity insurance offered in denominated yen and foreign currency and with fixed or variable amounts. These products play roles for vehicle of asset formation employing a self-help model to supplement public pensions and for appropriate inheritance of assets to the next generation.



▲ Foreign-currency-denominated, variable whole life insurance: "Egao, Hirogaru"

Support for safeguards towards nursing care through products that supplement public long-term care insurance

The number of people identified as candidates in need of nursing care (in need of support) has been increasing each year due in part to a progress of super-aging society. A survey of the Ministry of Health, Labour and Welfare, shows that 6.2 million people across Japan require nursing care. Those who meet the conditions for requiring nursing care may sometimes receive service in excess of the limits under public long-term care insurance or receive services outside of covered benefits. In these cases, the recipients must bear the associated costs. To provide nursing care when unexpected events come about, MSI Aioi Life offers a "lifelong nursing care special policy provision." These provisions can be added to interest sensitive whole life insurance and to the New Medical Insurance A-Plus and allow those in need of nursing care at level 2 or greater under public long-term care insurance to receive one-time payments or annuity payments. Subscribers can select the type of annuity or a one-time payment type so that safeguards can be applicable for their entire life if they did become in need of nursing care.



▲ New Medical Insurance A-Plus

Turning our eyes to people who need support for dementia

For dementia patients, not competent for their own responsibilities and patients inflicting damage on a third party in an accident, the family or guardian with supervisory responsibility may be asked to pay liability for damages even though the patient has no liability for compensation. As the number of dementia patients grows every year, the need is mounting for insurance that covers damages for this condition.

For this need, 2015 MSI and ADI have revised policy details of "personal liability insurance" as special clause and provisions attached to voluntary auto insurance, fire insurance, and personal accident insurance. Such provisions, for example, are envisioned for such situations as when injury or damages are inflicted to a vehicle by a dementia patient who mistakenly entered some railroad tracks

or when the patient comes into contact with a bicycle and causes an injury to the third party while walking around aimlessly at night.

These provisions are not just for dementia patients who require nursing care, but address the burden of the family or guardian who supports the patient.

Always keeping an eye on the customer through insurance

In January 2016, MSI and ADI started a "Family Eye service (relative contact system)" catering to the needs under an aging society. This service, the first service of its type in the non-life insurance field, addresses the increasing number of older people who live apart from their families reflecting the background of an aging society. It serves the mounting needs of elderly policyholders who say "I would like the insurance company to contact a relative when they are unable to communicate with me" by allowing the policyholder to register the name of one relative as an emergency contact on a voluntary basis. Thanks to this provision, the subscriber can be more certain that the important information on the policy is delivered.

MSI Primary Life also started a "family registration service" in January 2016. Under this, information on policy details is disclosed and provided not only to the policyholder (the recipient after the start of annuity payments), but a family member registered in advance within the same scope as the policyholder.

Through these elaborated programs, we can always protect the customer "as a bridge between parent and children."



Mental health support, not just for older people but for those in the workforce as well

While a company employee bears a variety of stresses, the number of workers' compensation claims and decisions has been high in recent years stemming from brain and heart disease and mental disorders. Also, the increase in the number of people on leave for reasons of mental disease and the accompanying personnel shortages and lowered productivity have winded up a material management risk for corporations.

In light of these conditions, MSI is providing support services in the form of mental health measures to "Long-term Income Guard (group long-term disability income indemnity insurance)" policyholder companies. Specific programs include a "stress check support service" that supports the administration of a stress check (through provision of an environment in which a stress check is administered online from taking of the test to output of the results) to employees, which was made mandatory by the amended Industrial Safety and Health Act, and a "return-to-work support service" that provides advice to the people in charge of personnel or labor relations on enabling a person on leave to smoothly return to work. Also as a menu for actively promoting health and welfare, all employees are provided the "lifestyle support service," a free telephone consulting service from a specialist on a variety of concerns such as health, medical care, nursing care, mental health; and legal and tax issues coupled with a "health and nursing care station" portal site.

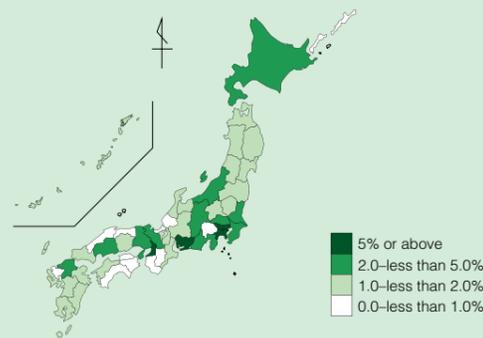
Special Feature 04

Vitalizing local communities and supporting sustainable development

The decreasing activity in local communities leads not only to depopulation and insufficient social services, but it is also tied to other social issues such as overcrowding and lowering residential environment in urban areas. To strengthen the resilience of society as a whole, the autonomous expansion of local communities that can maintain a balance between urban and rural areas is essential and the promotion of local industry that underpins the area and the growth of small and medium-sized enterprises (SMEs) with close ties to the region are necessary.

While business activity over-concentrates in urban areas, the regional economy shrinks

Lowering vitality in local communities has become social issue in recent years. As the population tends to concentrate in urban areas, a sizable population decrease continues in certain intermediate regions and depopulated areas, and the reduction continues in the number of SMEs that have supported these types of regions. The result is that these regions have anxieties about whether business activity can be preserved as it has been up to date.



Proportion of national total business offices by prefecture (Source: Website of Ministry of Internal Affairs and Communications, Statistics Bureau)
<http://www.stat.go.jp/e-census/guide/basic/result/chart1.htm> (Japanese only)

Training and assistance to regional companies that support the regional economy

The small-sized enterprises that making up 90% of Japanese SMEs have been falling substantially in the number of companies and employees, becoming a critical issue in the creation and nurturing of new businesses for the future Japanese economy. MSI, therefore, has a goal of vitalizing regional businesses. To this end, MSI has developed a "Regional Revitalization Support Model" that promotes and assists small-sized enterprises and entrepreneurs and expanding this model throughout the country. This "Regional Revitalization Support Model" is newly coordinated as a program in which know-how in business matching, entrepreneurship training, and succession training, cultivated up to now by MSI's Management Support Center, can be offered at the regional unit. The company is rolling out seminars linked to local governments in each region and individual support programs, to help small-sized enterprises and entrepreneurs continue their autonomous, sustainable growth.

On the other hand, ADI is starting a "Local AD Club" with the three mainstays: providing information, corporate exchanges, and regional contributions, and sponsors activities to help the people in the region. A case in point includes holding various seminars at the regional level and networking events attended by people from different business sectors or activities focused on environmental preservation, accident prevention, crime prevention, and various charitable activities. These Local AD clubs have set up a website for each prefecture, which, in combination with e-mail newsletters, provide business information and other information relevant to the region.



▲ Business matching: commercial discussion tour at a production site

Supporting inbound business, assisting regional economic vitalization

Foreign visitors to Japan have been rapidly increasing in recent years, and, because the amount they spend in Japan exceeds ¥3 trillion, foreign visitors are taking on increasing importance as an engine for regional economic vitalization. The preparation of inbound business operators, such as hotels and eating and drinking establishments that accept foreign visitors, however, is still inadequate. Furthermore, support needs for such issues as safety measures for foreigners, preparing multilingual tools, and serving customers in a foreign language are expanding at these operators. To meet with these needs, MSI and ADI are jointly developing insurance that covers foreign visitors, and a "Support Menu for Inbound Business Operators," which is composed of business consulting for operators of inbound businesses will be offered to these operators. This support menu, provides safety and security to foreign visitors and operators of inbound businesses.

Assistance for sustainable expansion of SMEs

MSI and ADI, to assist business expansion of SMEs, have jointly developed a set of new products "Comprehensive Coverage Plan for Global Business" and started sales from July 2014. These new products focus on the three common risks borne by many companies expanding overseas and exporters: 1) risks related to products for export, 2) risks related to overseas travelers and employees stationed overseas, and 3) exported goods and export transactions. To provide a broad range of coverage against these risks, five insurance products are packaged together. The two companies compensate fully in the event of an incident and are assisting unobstructed business activity at SMEs overseas by providing associated services and systems providing support from day-to-day operations to emergency response.

Global sustainable development goals (SDGs)

In September 2015, the UN adopted the "2030 agenda for sustainable development," and each country has determined to concentrate its efforts based on sustainable development goals (SDGs) for realizing a sustainable world. Eradication of poverty and correcting the disparities within countries and among countries have been raised as goals for international society.



Contributing to local economy overseas through the penetration of insurance

In India, the provision of social security services to the large majority of people who do not receive social security is a social issue. Amid this background, in 2008 the Indian government started to broaden social security with a government-led medical insurance scheme called RSBY for low income households. Cholamandalam MS General Insurance Company ("Chola MS"), the India local affiliate of MSI, has been well regarded for its activities to spread RSBY and insurance payment measures. For three consecutive years starting in 2011, Chola MS has been recognized by the Indian government with an award for its efforts. Today, Chola MS sells accident insurance for self-help groups*, even those outside of RSBY; index-based agricultural insurance that covers the loss of farmers' income due to extreme weather; and animal insurance for livestock farmers in rural areas. Also, India, with its expansive national territory, is facing the issue of promoting insurance penetration in rural areas. Chola MS is working to improve the access to insurance products in rural areas. Since October 2015, in towns and villages with under 100,000 people, it has started rolling out small offices equipped with a policy-issuing



▲ Smart Office

machine (Smart Office) which enables consumers to buy insurance policies on the spot.

*Self-help groups of 10 to 20 people with common points in social and economic issues such as public housing, income, and employment

Creating employment in rural area of India

In 2013, Chola MS started contracting out its work in issuing insurance policies to groups that are undertaking initiatives to create employment in rural areas. Because there are few employment opportunities for women other than agriculture in these regions, the objective is to create jobs for women. After training for understanding and mastery of insurance products and their specialized terminology, about 90 staff members are engaged in issuing insurance policy operations for auto insurance and personal medical insurance and have issued about 770,000 policies per year.

Relationship between society and region

Sports promotion

The MS&AD Insurance Group fosters athletes to be successful on the front line of the sports world, and supports their activities. The Group contributes to the promotion of the Japanese sports world overall, particularly activities for spreading and strengthening sports for the disabled.

Support for sports for people with disabilities

As a premium sponsor of the Special Olympics Nippon Foundation and official partner of the Japanese Para-Sports Association, the Group supports the furtherance and enhancement of sports for the disabled. It also sponsors competition federations such as those for wheelchair basketball, judo for the visually impaired, and swimming for the physically impaired. The Group also supports athletic activities. It promotes employment for assisting economic autonomy and social integration of athletes and retains the employment of 13 athletes at Group companies.

Women's judo, women's track and field, triathlon

Some of the top national and international athletes belong to the MS&AD Group's clubs for women's judo, women's field and track, and triathlon. In the past, the Group has produced a number of Olympic athletes and supported them in various competitive events, helping strengthen Japan's position in the world of sports. The Club does not just carry out competitive activities, but it also works to actively contribute to society through running classes for local residents and initiatives to communicate with the fun of judo to younger generations by hosting judo classes for elementary school students.

Women's soccer

Six players belonging to JEF United Ichihara Chiba Ladies who play in the women's soccer Nadeshiko League (Japanese women's soccer league) are employees of MS&AD Group companies and have been skillfully balancing work and sports.

MS&AD Our Earth Project

In April 2013, we formulated "MS&AD Our Earth Project", our own environmental and social contribution management system. At all facilities throughout the Company, environmental and social contribution activities are implemented. Specifically, the Group is actively engaged in unison in energy and resource savings activities, as an MS&AD Ramsar supporter for wetlands biodiversity preservation, and in social contribution activities.



Initiatives to reduce the burden on the environment

Among the environmental burdens that arise in our business activity, we are focusing on reduction of usage of electric power, gasoline, and paper resources by setting targets.

Domestic and overseas contribution activities

At company facilities at domestic and overseas, we proactively carry out global environment and social contribution activities in response to various local needs.



▲ Traffic safety activities



▲ Helmet gift for Thai youth accident prevention and awareness activities in Thailand

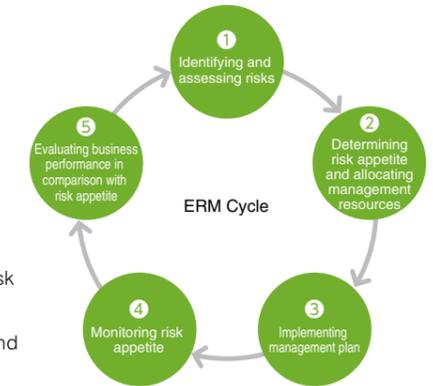
Enterprise Risk Management

Along with the completion of “Reorganization by Function,” promoting “ERM” is positioned as one of the two key drivers of the MS&AD Insurance Group’s “Next Challenge 2017” medium-term management plan. ERM (Enterprise Risk Management) plays an important role in enabling us to raise “Group Core Profit,” a numerical management target of “Next Challenge 2017” and also attain an “AA-rated financial base.”

ERM Cycle

ERM is implemented through a management PDCA (Plan, Do, Check, Action) cycle.

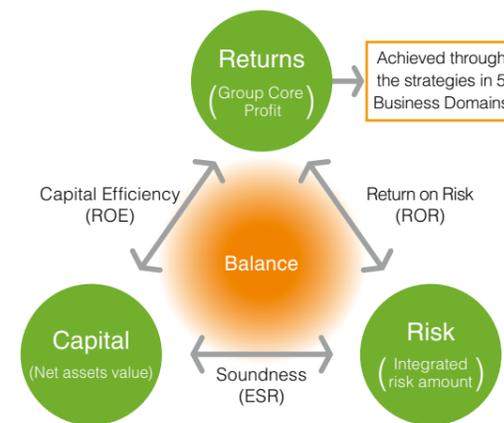
- Plan**
 - 1 By identifying and assessing risks, the Group quantitatively and qualitatively measures the risks it bears. (See section ‘A.’ below.)
 - 2 By determining risk appetite and management resource allocation, a management plan is drafted. (See section ‘B.’ below.)
- Do**
 - 3 Business is driven based on the management plan.
- Check**
 - 4 The actual risk appetite is monitored.
 - 5 In addition, business performance is evaluated in comparison with risk appetite. (See section ‘C.’ below.)
- Act**
 - In cases when the Check process has discovered problems, response and remediation measures are drafted in the Plan process and then implemented in the Do process.



Overall Picture of ERM

Roles and Functions of ERM

- In insurance company management, ERM is an important means of managing the balance among three management indicators – profit (returns), risk, and capital.
- ERM requires the quantitative and qualitative evaluation and appropriate management of risk from a comprehensive perspective.
- ERM requires measuring the net assets value (capital) and maintaining a balance between capital and risk. In particular, because fluctuations in financial security markets, etc., cause fluctuations in capital and risk, it is important to maintain soundness based on an understanding of those situations.



Indicators emphasized in ERM

$$\text{Group ROE} = \frac{\text{Group Core Profit}}{\text{Consolidated net assets}} = \frac{\text{Group Core Profit}}{\text{Integrated risk amount}^1} \times \frac{\text{Integrated risk amount}}{\text{Net assets value}^2} = \left(\frac{1}{\text{ESR}} \right)$$

ROR (Return on Risk)
ESR (Economic Solvency Ratio)
= Net assets value ÷ Integrated risk amount

*1 The integrated risk amount represents the maximum amount of losses and total value of associated insurance payments that are likely to be encountered once in 200 years (= probability of 0.5%). It is marked to market value.
*2 Net asset value is an indicator used as a management buffer to enable thorough net asset management. In addition to net assets on the B/S, it includes such items as the catastrophe reserve, life insurance embedded value, other equity liabilities, etc.

ROR (Return on Risk)

ROR is an indicator that expresses how much profit can be obtained with respect to the subject risks assumed. In order to assume risk, it is necessary to secure capital that balances that risk. Consequently, in business where ROR is high (in other words, business where profit is large relative to the risk assumed), the profit that can be earned is large relative to the capital necessary.

ESR (Economic Solvency Ratio)

ESR is an indicator of capital adequacy with respect to the risk amount. Risk amounts are calculated based on the statistical quantification of risks of losses and price fluctuations associated with businesses and asset portfolios, and the integrated risk amount represents the total amount of risk assumed by the Group as a whole. By employing calculations based on a 99.5% confidence level of the predicted losses likely to occur once in 200 years and setting the Group’s ESR target level at 200%, the Group is intending to prepare twice the amount of capital required to cover losses that statistically have a recurrence interval of 200 years. Even if such losses were to actually occur, the result would simply be that the amount of capital would be halved. (For ESR status, please refer to “Improvement in financial soundness (ESR)” on P14)

A. Specifying Risks

Material Risks of the Group (FY2016)

The Group has specified important risks that should be monitored by management, and to confirm the potential impact of those risks on Group management, we are regularly monitoring the situation with respect to each type of risk.

1	Domestic incidence of large-scale natural disasters (earthquakes)	7	Increases in credit risk and bad debts
2	Domestic incidence of large-scale natural disasters (other than earthquakes)	8	Frequent incidence of violations of laws and regulations – violations on the parts of employees and agents with respect to insurance sales and insurance payments
3	Overseas incidence of large-scale natural disasters	9	Mass leakage of personal information and confidential information and multiple incidences of abuse*
4	Large drop in the domestic stock market	10	Incidence of a new (virulent) influenza pandemic
5	Substantial yen appreciation	11	Frequent incidence of IT system failure and incidence of critical IT system failure
6	Large fluctuations in yen interest rates, continuation of negative interest rates	12	Incidence of business suspension and information leakage due to cyberattacks

*Excluding information leakage from cyberattacks, etc.

Approach and measures for cybersecurity

So-called “cyberattacks” seek to utilize information and communication networks and information systems to cause information system halts and malfunctions and to carry out unauthorized system access and information theft, tampering, and destruction. To defend against such security threats, as an organizational measure, the Group has established a specialized body (MS&AD-CSIRT*), and we are working to gather information on information system vulnerabilities and to share such information among Group companies.

*Acronym for “Computer Security Incident Response Team.” This team specializes in information security within the Group.

B. Establishing Management Plan Based on the Determination of Risk Appetite and Allocation of Management Resources

Risk Appetite Policy

- To secure financial soundness, the risk amount is measured on a companywide basis.
- The target levels of financial soundness and capital efficiency are determined and standards for investment in business including M&A transactions are established.
- Risk appetite (risk selection and control policies for pursuing optimal balances) is determined.
- Capital is allocated to each business and investment, and risk limits (acceptable level) are set for each business and investment.
- Decisions are made regarding material risks to be monitored, the setting of monitoring indicators, etc.



Management Plan

- Establishing of business portfolio strategy
- Establishing of business domain strategies
- Establishing of business investment strategy
- Establishing of profit improvement measures
- Setting of numerical management targets

Capital Allocation System

- Optimize capital allocation from the perspective of return on risk.
- At the five domestic Group insurance companies, determine capital allocation amounts consistent with the risk appetite policy.
- Carry out monitoring during the fiscal year, and consider and implement capital allocation amount revisions and other measures as necessary.

C. Monitoring Risk Appetite and Business Evaluation

Monitoring

- Management using risk-based metrics (ROR, VA*, etc.)
- Elaboration of internal models related to risk measurement and utilization of internal models.
- Consideration and drafting of countermeasures and improvement measures as necessary

* VA (Value Added) = Group Core Profit – risk amount × capital cost ratio

Business Evaluation

- Based on ROR, businesses are evaluated in comparison with risk appetite.
- Evaluation criteria: Profit scale by business domain, profitability by business domain, capital efficiency by business domain, ROR by business domain, etc.

Control of Risk

Positioning risk management as a top-priority management task, the MS&AD Group has established the MS&AD Insurance Group Risk Management Basic Policy which underpins common risk management exercised throughout the Group. Specifically, the policy identifies the principal types of risk with impact on the Group's business portfolio, stipulates how risk factors are to be evaluated both quantitatively and qualitatively, and promotes risk management based on those evaluations. More-detailed information on the Group's risk management systems is posted on the Group's official website.

Qualitative Management

The Group divides risks into four categories - insurance underwriting risk, asset management risk, liquidity risk, and operational risk - and confirms and evaluates the condition of the risk management and systems of the Group's domestic insurance companies. In addition, to ensure that the Group's overall soundness is not impacted by such factors as intra-Group risk propagation, uneven risk distributions, and risk concentrations, the Group monitors such factors as the management of investment and financing concentration and the situation regarding transactions among Group companies.

Quantitative Management

With respect to insurance underwriting risk, asset management risk, and operational risk, each risk amount is measured using stochastic methods and regularly confirms that the level of assumed risks is commensurate with the Group's capital resources. In addition, monthly monitoring is implemented to confirm that the risks assumed by the Group's domestic insurance companies do not exceed the stipulated limits, and emphasis is placed on monitoring the risk trends of each company.

Furthermore, daily monitoring is implemented regarding the impact of market fluctuations on the Group, aiming for the early recognition of significant (or incipient) market plunges while also building systems for the flexible implementation of countermeasures.

With respect to the risk and capital situation, medium-term confirmations are implemented based on the management plan (budget plan), and confirmations (stress tests) are implemented regarding the impact that would be exerted in the case of large-scale natural disasters, financial market turmoil, and other exceptional phenomena.

Changes in the Risk Portfolio

By means of risk control based on the risk appetite policy, we are aiming to build the following kinds of risk portfolios. Specifically,

Increasing Advancing Risk Management

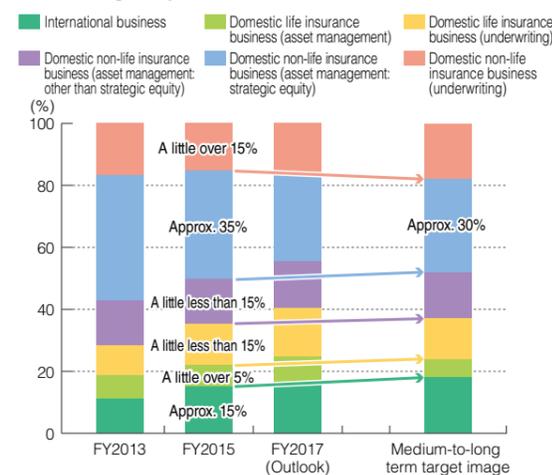
Efforts to Enhance the Methods of Risk Management

Aiming to accurately assess and manage risk, the Group is moving ahead with efforts to enhance the methods of risk management. In fiscal 2014, the Group built a unified systems base for all Group units, including overseas bases and started full-scale application from fiscal 2015. Thereby, the Group enhanced the methods of risk management while also realizing the unification of data management processes for the Group as a whole.

Strengthening Natural Disaster Risk Management

As natural disaster risk is one of the most-important kinds of risk

Risk Weight by Business Domain*



* The weight of each business domain risk in the case that the sum of the planned risk weights is 100%.

we are accelerating sales of strategic equity holdings while moving ahead with the expansion of insurance underwriting risk.

Reduction of Equity Risk

MSI and ADI have strategic equity holdings of the stock of transactional partners based on the premise that they will be long-term holdings for the purposes of obtaining stable fund management returns from dispersed investments and of comprehensively maintaining and strengthening transactional relations.

However, for the purpose of maintaining a solid financial position, there is a need to proceed with the shrinkage of risk assets concentrated in strategic equity holdings. For this reason, the Group is moving forward steadily with risk reduction by defining target levels for the medium-to-long term and by defining sales goals in the medium-term management plan.

Medium-to-long term target levels

Weight of risk of strategic equity holdings in the Group	Approx. 30%
Weight of market prices to the Group's consolidated total assets	Approx. 10%

Planned reduction in strategic equity holdings

Plan	Performance at End of FY2015	Progress Rate
¥500.0 billion*	¥272.2 billion	54.4%

*In November 2015, the plan value was raised from the original ¥300 billion.

for the Group, we are undertaking the following measures aimed at controlling such risks and augmenting capital efficiency.

- Controlling insurance underwriting risk**
 Revising premium rates and products for property insurance and introducing domestic and overseas underwriting limits based on consideration of risk concentration situations
- Arranging reinsurance to transfer risk**
 Arranging reinsurance to adjust risk amounts while also confirming the soundness of reinsurance companies and avoiding excessive concentration regarding transactions with specified reinsurance companies to reduce reinsurance credit risk

ERM Compliance

Positioning compliance as a top Group management priority, the MS&AD Insurance Group requires that all its officers and employees rigorously comply with all laws and regulations related to business activities.

Groupwide Basic Policy on Compliance

A basic policy common to the entire Group has been established, and basic philosophy is shared within the Group. Based on this policy, each Group company establishes internal regulations and rules and promotes compliance.



Systems and Organization

MS&AD Holdings has established a specialized unit and organization to comprehensively oversee Group compliance matters. (See the table below.)

In addition, the boards of directors and compliance departments of each domestic and overseas Group company create organizations tailored to each company's actual situation and work to promote and manage compliance measures.

Name	Principal Responsibilities and Activities
Risk and Compliance Committee*	<ul style="list-style-type: none"> Monitoring the compliance situation for the entire Group as well as related consultation and coordination Reporting on important matters to the Board of Directors
Compliance Department	<ul style="list-style-type: none"> Overseeing and managing compliance-related activities throughout the Group Report each Group company's monitoring results to the Risk and Compliance Committee, the Board of Directors, etc.
International Supervisory Department	<ul style="list-style-type: none"> Overseeing and managing compliance-related activities of International businesses Report important International business compliance-related matters to the Board of Directors, etc.

*One of the Board of Directors' task-specific committees. (See P38)

Mechanisms to Ensure the Effectiveness of Rules and Systems

The Board of Directors of each Group company approves a Compliance Program* that serves as a company-wide compliance action plan. Reports on the implementation and issues of the program are submitted to the compliance committees and Boards of Directors of each company. In addition, each company prepares its own Compliance Manual specifying laws, regulations, and rules to be observed by corporate officers and employees, and it also promotes awareness of fundamental compliance issues and holds regular employee and agent training based on the Compliance Program.

* Some Group companies are promoting compliance activities under the name of "compliance action plans."

For more-detailed information, see the Group's official website.

Website content

- Compliance Basic Policy ● Compliance promotion structure ● Detailed activity content (Compliance Program, Compliance Manual, compliance-related training, compliance-related inspections, monitoring Group companies, and internal reporting system)
- Compliance promotion system for International business, etc.

For more-detailed information, see the Group's official website.

Website content

- ERM ●Risk Management Basic Policy ●Risk management structure ●Quantitative management ●Qualitative management
- Insurance business risk ●Risk Management in International Business ●Crisis management system (including Business Continuity Management System)

Corporate Culture and Human Assets Development

Quality Improvement Initiatives

The “Perspective of CSR Approaches of the MS&AD Insurance Group” states that the Group will listen to the voices of its stakeholders and act in a way that takes into account interaction with the environment and society.

The Group’s basic strategy, as stated in our medium-term management plan, is to work to improve products and services quality based on communication with stakeholders, and thereby earn trust and contribute to the solution of social issues.

Leveraging Stakeholders’ Voices to Improve Quality

In order to understand stakeholder needs and expectations and utilize them in the improvement of product and service quality, the Group has created a variety of mechanisms for listening to the voices of stakeholders, and we reflect those voices in products and services improvements implemented based on discussions at the management level.

At the Group’s five domestic insurance companies, we are working to ensure that independent improvement activities (PDCA cycle) spurred by customer voices take root in our organization, and we are operating a complaint-handling management system that conforms to the ISO10002 (Quality management – Customer satisfaction – Guidelines for complaints handling in organization) international standard.

Upgrading Customers’ Ease of Understanding and Convenience

MSI and ADI are promoting appropriate insurance sales to elderly customers and customers with disabilities by instituting fundamental rules, such as the one that requires salespeople to “gain an accurate grasp of customer intentions.”

Conscientiously catering to customer needs as necessary, further actions are taken such as “arranging for customers to be served by multiple salespeople.” Additional “making a memorable impression” rules include speaking in a steady voice, slowly, clearly, with clear enunciation.” We are also working to improve the ease of understanding of important pamphlets and other materials.

With the “Act for Promoting the Elimination of Discrimination for Any Reason of Disabilities” going into effect on April 1, 2016, we have increased our efforts to ensure that customers with disabilities are not subject to discriminatory

handling and to exercise reasonable consideration with respect to persons with disabilities.

Quality Improvement of Contact Centers

In Group company contact centers, which serve as the respective first points of contact for communications from customers, department management personnel hold “strategy meetings” and staff in charge hold “working meetings” and “education and training meetings” on a regular basis, and they take joint initiatives to improve quality and operation efficiency.

In ratings by HDI (Help Desk Institute), the world’s largest membership association for the service and support industry, MSI, ADI, MSI Aioi Life, and Mitsui Direct General were evaluated for customer service and received the highest rating of three stars.

Besides the three-star rating, ADI also received HDI Support Center Certification, becoming the first company in the domestic non-life insurance industry to obtain “Five Star Certification.”

In addition, as a Group, we received the top award in the “Customer Experience & Engagement” category in “Innovation in Insurance Awards 2016,” with the selections being made by Efma*. We received this award for improving customer service and enhancing call center call-connection performance by using Watson (an AI computer developed by IBM) to analyze the customer comments and inquiry content of contact center calls, by making optimum operator assignments based on incoming call forecasts, and by providing response support for customer inquiries.



* Efma is a global non-profit organization with a membership of over 3,300 financial institutions in 130 countries.

Contributing to the Resolution for Social Issues through the Improvement of Products and Services Quality

The environment in which the insurance and financial industries operate continues to go through major changes at a dizzying pace.

To build a resilient and sustainable society and to “contribute to the development of a vibrant society and help secure a sound future for the Earth,” we need to: promptly identify various risks stemming from social issues, prevent those risks from being realized, and provide products and services to reduce the economic burden when risks become real.

For our specific initiatives, see the “Special Feature: Creating Value by Contributing to the Resolution of Social Issues” pages.

Frequent occurrence of accidents and disasters	P30-
Extensive natural disasters caused by climate change	P31-
Mounting burden of nursing and medical care due to demographic aging	P32-
Decreasing vitality of local communities	P33-

Corporate Culture and Human Assets Development

Corporate Culture and Human Assets Development for Taking on Challenges

The development of human assets* is an important issue for the growth of the MS&AD Insurance Group.

Within the Next Challenge 2017 medium-term management plan, one of the growth drivers of the Group’s basic corporate strategy is “creating and instilling a corporate culture that encourages human assets to undertake new challenges as professionals.” Human assets are the key to enhance the Group’s overall enterprise value.

* Human assets: With the idea that each and every member of the MS&AD Insurance Group is valued, we use the term “human assets” instead of “human resources.”

Development of Human Assets

The MS&AD Insurance Group envisions the ideal employees to be “Employees who learn and think by themselves, take up challenges, and continue to grow.” At domestic Group insurance companies, to encourage employees to work as professionals who feel pride and are satisfied with their jobs, we educate and support staff through measures such as “Training”, “OJT*1” and “Self-education” programs.

Specifically, for the employees of the Group as a whole, we provide learning opportunities, such as “MS&AD Open College*2” and “MS&AD Online Business School*3”. For new employees, since fiscal 2015, one-day group training courses have been held jointly by eight companies, including the Group’s domestic insurance companies. This training includes initiatives to deepen understanding of the Group Mission, Vision, and Values and to promote a sense of unity as a group.

*1 On the Job Training (education in the workplace)

*2 Group training for acquisition of business skills, such as problem-solving ability

*3 A learning tool utilizing mobile devices for acquisition of MBA knowledge, etc.



Joint group training for new employees of eight Group companies

Training the Next Generation of Leaders

Domestic Group insurance companies are implementing manager training programs designed to provide comprehensive support for human assets development by strengthening participants’ “management power” and “workplace communication power.”

With the aim of nurturing the next generation of leaders who will have a sense and skills for management and for working in a global corporation, MSI and ADI implement training programs to help the next generation learn about management and prepare specific management proposals.

Developing Global Human Assets

To foster the development of international specialists equipped with an abundance of cosmopolitan sense and expertise in each field, MSI and ADI implement programs for seconding their employees to overseas subsidiaries, bases, universities, and overseas training programs that enable employees to study overseas business operations, international business skills, and languages, as well as programs that enable employees to obtain MBAs.

In fiscal 2015, the Group sent 33 Japanese employees overseas on such programs.

Moreover, aiming to expand its staff of global human assets while also internationalizing head office departments and promoting greater international exchanges and mutual understanding, MSI has instituted the systems described below.

System	Content
Global Trainee System	Japanese employees are given work experience at overseas bases and employees of overseas bases can gain work experience in Japan for short periods. In fiscal 2015, 28 Japanese employees and 38 overseas employees participated in the system.
Headquarters postings for overseas local employees	A system for temporarily posting overseas local employees to the head office in Japan. There are always roughly eight such employees at the head office, where they work for periods ranging from six months to three years.



Training in progress

Field trip to the MSI “Kendo” club training session

Employee Satisfaction

Each year, the Group implements an opinion poll asking all Group employees in the Group such questions as those about the degree of diffusion of the Group Mission, Vision, and Values; about whether the Group has a sense of unity; and about whether they feel strong senses of motivation and personal growth.

KPI on CSR Approaches to “Employee Satisfaction”

Indicator		FY2014		FY2015	
		Score*	Score*	Score*	Goal
Employee satisfaction “Pride, Job satisfaction”	Level of pride or job satisfaction	4.3 points	4.4 points	4.4 points	Same or higher level compared to previous fiscal year
Employee satisfaction “Working vigorously”	Level of feeling free and lively at workplaces regardless of sex and age	4.2 points	4.3 points	4.3 points	Same or higher level compared to previous fiscal year

* All-employee average on a 6-point scale

TOPICS

MSI’s overseas subsidiary in Malaysia, MSIG Insurance (Malaysia) Bhd., has received the “General Insurance Company of the Year” award in the 19th Asia Insurance Industry Awards 2015. This award was presented to the most-prominent non-life insurance company in its activities in the Asian insurance market in 2014. The award recognized MSIG’s activities for their focus on increasing customer satisfaction. These activities included establishing a sales network in Malaysia, creating a precise claim-handling service system, establishing the industry’s-first online platform in Malaysia, and introducing mobile apps. Also, MSIG was highly evaluated for promoting ERM, demonstrating leadership in the insurance industry in Malaysia, and other initiatives.



Promotion of Diversity

To promote the Group management in order to cope with changes in the global environment, it is important to promote teamwork among individual employees with diverse skills and values. The Group believes that giving all ambitious employees the opportunity to develop and demonstrate their talents through their work will lead to the augmentation of its competitive strength.

Promoting the Career Development of Women

In July 2011, the Group announced its policy of promoting the career development of female employees. The Group's domestic insurance companies organized specialized teams to cooperatively set action targets, and various initiatives were implemented to promote female employees' career development, improve their work-life balances, and foster a workplace culture that would support the attainment of those objectives.

Besides establishing a training program for next-generation female leaders, MSI and ADI have developed personnel systems to allow transfers to different regions and apply for reemployment after voluntary retirements and have prepared various other systems that make work more convenient for female employees.

As a result, the share of females among managers of domestic Group insurance companies has risen to 5.5%, and ADI appointed its first female executive officer in April 2015.

Share of Management Positions Occupied by Females*

	FY2012	FY2013	FY2014	FY2015
Share	3.0%	3.6%	4.6%	5.5%
Number	245	296	377	449

* The number of females in positions of manager or higher at domestic insurance companies

Global Human Assets Utilization

The Group has a network covering 46 countries and regions throughout the world, employs more than 8,500 people* at its overseas subsidiaries and affiliates, and has created systems to promote mutual exchanges between Japan and various locations throughout the world. Aiming to make the most of the abilities of employees with diverse backgrounds, personalities, and ideas so that it can augment its own capabilities for responding to dynamically changing markets and elevate its competitiveness, the Group is endeavoring to utilize human assets in a manner that surmounts national borders.

* At overseas consolidated subsidiaries and equity-method affiliates

Employment of People with Disabilities

Group companies continue to engage in hiring activities to expand and anchor places of employment for the disabled. They are also adapting workplaces into friendly environments and developing duties performed by people with disabilities. At the end of fiscal 2015, the share of people with disabilities among the workforces of domestic Group insurance companies in total was 2.22%, exceeding the minimum employment rate (2.00%) required by law.

In addition, the Group also hires athletes with disabilities, and it provides support for their activities as athletes, with the basic premise being that they will continue working even after retiring from active competition.

Employment of the Elderly

MSI and ADI have a rehiring program for employees who have reached retirement age. The program allows employees to continue exercising their talents by applying their experience and skills. Depending on factors such as workplace needs and the person's own work experience, employment renewal is possible up to a maximum age of 65. Several options are offered by job type, number of working days, and work hours so that a variety of working patterns are available to choose.

Achievement of Work-Life Balance

As the Group values the diverse outlooks and values of its employees, the Group is enhancing its working environment and support measures so that employees can work energetically and experience job satisfaction and growth while striking a good balance between work and life.

Support for Employees Raising Children

To enable female employees to pursue their careers smoothly, it is essential to create an environment in which they can harmonize their work with child raising.

To this end, the Group has introduced temporary leave and flextime systems as well as other various support systems.

Institutional and Environmental Enhancement Measures (Principal initiatives, excluding legally required measures)*

- Assignment of substitute employees to cover for employees taking childcare leave
- Organization of seminars and provision of guide books to help employees return to work following child-care leave
- Preparation of e-learning courses for employees to use at home during child-care leave
- Support for enrolling children in nurseries
- Preparation work-life balance-related booklets and e-learning courses for managers
- Creation of child-care facilities within companies
- Creation of special leave system for male employees following the birth of their children

* There is some variation among the characteristics of individual Group companies' systems

In addition, to support active participation in child raising by male employees, the Group has a paid vacation system for child raising and calls upon them to take such vacations.

Support for Nursing Care

With progress in falling birthrate and aging population, an increasing number of employees face the problem of providing nursing care for their parents. We have established a support system that enables employees to continue working while caring for a family member.

MSI, ADI, and MSI Aioi Life have introduced abbreviated work hour systems, temporary leave systems, and temporary suspension from work systems for employees who are nursing relatives. They also offer a system for rehiring employees who have retired for nursing reasons.

In addition, a nursing care support service is provided under which employees can obtain nursing care advice, and consulting services, etc.

TOPICS

MSI received an award for excellence in the "Company Awards for Promoting the Active Service of Part-time Workers," which were sponsored by the Ministry of Health, Labour and Welfare in fiscal 2015. This was the first time that awards were presented under this system, which was established in 2015 to promote improvement of the hiring environment for housewives, who will support Japan's labor force in the future.

MSI applies its personnel systems such as conversion of employee-classification conversions and for pay raises that reflect personnel evaluations to fixed-term employees (staff employees) in the same way as to indefinite-term employees. The award recognized this practice as leading to increases in the work satisfaction and productivity of employees.



Corporate Governance

Aiming to promote the Group's sustainable growth and an increase in enterprise value, enhancing the corporate governance system is an indispensable important element in implementing transparent, fair, swift, and decisive decision-making processes. The MS&AD Insurance Group is emphasizing the measures for the "strengthening of Group governance," which is one of the four implementation drivers within the Next Challenge 2017 medium-term management plan.

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

Website content

- Basic Policies on Corporate Governance
- Supervision System in Detail (Role of the Board of Directors, Composition of the Board of Directors, Expected Roles of Outside Directors, Support Systems for Outside Directors and Outside Corporate Auditors)
- Nomination and Remuneration in Detail (Nomination Process, Criteria for the Selection of Director Candidates and Corporate Auditor Candidates, Remuneration Determination Processes)
- Group Management Structure in Detail
- Internal Control Systems

Basic Policies

In line with its Corporate Philosophy (Mission), MS&AD, as a holding company overseeing all Group businesses, has established a management framework that ensures transparent, fair, swift, and decisive decision-making that takes into account the standpoint of all stakeholders. The Company's objectives are sustainable growth over the long term by using corporate resources efficiently and managing risks properly and, ultimately, to further increase enterprise value.

To this end, the "MS&AD Insurance Group Corporate Philosophy (Mission), Corporate Vision, and Values" were formulated as something all officers and employees of the Group should adhere to in all situations. In addition to working to disseminate these principles among all officers and employees of the Company and its Group companies, corporate governance, compliance, and risk management are positioned as important management issues in the medium-term management plan, and efforts shall be made to actively promote that plan.

* The "MS&AD Insurance Group Corporate Philosophy (Mission), Corporate Vision, and Values" is on the back side of the front cover page of this brochure.

Summary of Corporate Governance Stance

As a company with a Board of Auditors, the Company will endeavor to improve governance by ensuring that independently appointed corporate auditors appropriately act in their auditing functions, in addition to ensuring that the Board of Directors appropriately acts in its oversight functions, while strengthening the functions of each and actively disclosing information.

The Company has introduced an executive officer system and is proceeding to delegate authority over business execution to these executive officers to ensure swift execution.

Supervision (Board of Directors)

In addition to matters specified by law and the Articles of Incorporation, the Board of Directors discusses and decides upon important matters involving Group management strategy and corporate management, including the Group's management policies, management strategies, and capital policy, and oversees the duties of directors and executive officers.

Four Outside Directors, more than one-third of the Board of Directors which has eleven members (ten men and one woman), are appointed to incorporate perspectives independent from management, strengthen monitoring and oversight functions, and conduct highly transparent management.

Auditing

Corporate Auditors and Board of Auditors

Each Corporate Auditor shall appropriately exercise his/her legal investigating authority, including the authority to audit operations and assets, and supervises the performance of duties of the Directors by attending meetings of the Board of Directors and other important meetings, viewing important approval documents, investigating departments within the Company, and investigating subsidiaries in accordance with the auditing policies and plans stipulated by the Board of Auditors.

The Board of Auditors comprises two full-time Corporate Auditors and three part-time Corporate Auditors (Outside Corporate Auditors), for a total of five members (all men). The Board of Auditors receives reports from Corporate Auditors on the status of performance of duties and reports from officers and employees on important matters related to auditing, and also makes decisions regarding auditing policies and auditing plans.

Internal Auditing

The Company has established the "MS&AD Insurance Group Basic Policy for Internal Audits." Under this basic policy, the Company and domestic Group insurance companies have formed the Internal Audit Department that acts as an independent body with auditing functions.

The Company's Internal Audit Department reports important matters that have been discovered as a result of internal audits of the Company and domestic Group insurance companies to the Board of Directors and the Group Management Committee. In addition, the Internal Audit Department cooperates with auditing conducted by the Corporate Auditors.

Accounting Auditors

The Company has appointed KPMG AZSA LLC as its independent audit corporation. Please note that there are no special interest between this company and MS&AD Holdings.

Nomination and Remuneration

For the purpose of maintaining high transparency, the Company has formed the Nomination Committee and Remuneration Committee as internal committees of the Board of Directors. Please note that these two committees comprise six members* each, and the chairpersons and other members are appointed from among members of the Board of Directors. With respect to each of the two committees, a majority of the members and the chairperson have been appointed from among the Outside Directors.

* In fiscal 2016, both committees comprised all four Outside Directors, the Chairman of the Board, and the President & CEO.

Nomination Committee (Nomination Process)

The Nomination Committee deliberates on major management personnel matters and provides advice on these matters to the Board of Directors. Such matters include the selection of candidates for the positions of Director, Corporate Auditor, and Executive Officer of the Company as well as the selection of Directors and Corporate Auditors for domestic insurance companies in which the Company has direct investments.

The Board of Directors appoints candidates for Director as well as candidates for Corporate Auditor and Executive Officers based on advice from the Nomination Committee. The utmost respect is given to that advice in making selections. The consent of the Board of Auditors must also be obtained for candidates for Corporate Auditor.

Remuneration Committee

This committee advises the Board of Directors regarding the remuneration of Directors and Executive Officers of the Company as well as the remuneration systems for management of domestic insurance companies in which the Company has direct investments.

Remuneration for each Director is set within overall limits approved by the Shareholders' Meeting. Consideration is given to the function of remuneration as an incentive for improvement in performance, mid- to long-term contribution to enterprise value, the level of compensation appropriate for competitiveness as a global corporation, and other factors. To ensure transparency, the Remuneration Committee, which is composed of a majority of Outside Directors, deliberates remuneration amounts, and the final decisions are made by the Board of Directors. The Board of Directors gives the greatest regard to the advice of the Remuneration Committee.

Performance-based remuneration (linked to corporate performance) is determined by indices including Group Core Profit and consolidated net income.

Directors' and Corporate Auditors' Remuneration (FY2015)

Total Amount of Remuneration by Category, and the Number of Recipients

Category	Number	Total Remuneration
Directors (excluding Outside Directors)	9	¥287 million
Corporate Auditors (excluding Outside Corporate Auditors)	3	¥51 million
Outside Directors/Corporate Auditors	7	¥73 million

Note: The total remuneration figures are the portion of the Company. All remuneration is basic remuneration.

Persons with Consolidated Remuneration

(including remuneration for corporate officer posts at main subsidiaries, etc.) of ¥100 million or more

Name	Corporate Officer Posts	Company	Total consolidated remuneration, etc.
Yasuyoshi Karasawa	Director	The Company	¥108 million
	Director	MSI	
Toshiaki Egashira*	Director	The Company	¥108 million
	Director	MSI	

*Retired in June 2016

The Company has introduced performance-based remuneration (linked to corporate and personal performance) into its corporate officer remuneration system. Because this system elevates corporate officers' consciousness of performance increases, from fiscal 2014, the share of performance-based remuneration within total corporate officer remuneration has been increased from the previous level of approximately 20% to a new level of approximately 30%.

In addition, from fiscal 2015, the Company has introduced stock options as stock-based compensation so that the Company's directors (excluding outside directors) share not only the benefit of a rising share price, but also share the risk of share price fluctuations with our shareholders. The system involves replacing a portion of performance-based monetary remuneration with stock options provided as stock-based compensation (allotment of stock acquisition rights).

The Company introduced same system as mentioned above and replaced a portion of performance-based monetary remuneration with stock options as stock-based compensation (allotment of stock acquisition rights) for the Company's executive officers and the directors (excluding Outside Directors) and executive officers of Group domestic insurance companies in which the Company has direct investments (the timing of the grants varies by company).

Continuous Strengthening and Improvement of the Management Structure

Measures taken up to now to strengthen Group governance

Fiscal 2010 to fiscal 2014	<ul style="list-style-type: none"> Introduction of executive officer system Appointment of multiple Outside Directors Establishment of Nomination Committee and Remuneration Committee Introduction of performance-based remuneration
Fiscal 2015	<ul style="list-style-type: none"> Establishment and announcement of the "MS&AD Insurance Group Basic Policies on Corporate Governance" Establishment of "Governance Committee" mainly composed of Outside Directors Elevation of the ratio of independent Outside Directors to one-third Announcement of criteria for the selection of Director candidates and Corporate Auditor Candidates (including criteria for determining independence of Outside Corporate Officers) Introduction of stock options as stock-based compensation system for Directors (excluding Outside Directors) and executive officers
Fiscal 2016	<ul style="list-style-type: none"> Reduction of total number of directors from 12 (4 Outside Directors) to 11 (4 Outside Directors) Establishment of new titles: Group CFO, Group CRO, etc. Analysis and evaluation of overall effectiveness of the Board of Directors and announcement of a summary of the results

Group Management Structure

Role of the Company (the holding company)

(1) To realize management strategies, increase the Group's management efficiency, and ensure the soundness of Group finances and appropriateness of Group operations, the Company concludes management supervision contracts with its directly invested subsidiaries and undertakes the management administration of each company.

Believing that directly and quickly obtaining business-related information from the Group's domestic insurance companies will contribute to the smoothness of Group management, the Company has established a system in which its own directors concurrently serve as directors of the Group's domestic insurance companies. In addition, directors of the Group's domestic insurance companies sometimes attend the Group Management Committee meetings, depending on the proceedings.

(2) The Company has established Groupwide basic policies – including the "Basic Policy Pertaining to System for Internal Controls," "Risk Management Basic Policy," "Compliance Basic Policy," "Internal Audit Basic Policy," "Risk Appetite Statement," and "Basic Policy on Information and Technology Governance." In addition to requiring compliance with these policies by Group companies, important matters involving

directly invested companies require either the approval of or reporting to the Company in line with management supervision contracts.

(3) The Company establishes Group business strategy, such as the Group's Medium-term Management Plan.

(4) The Company provides guidance and supervision through the monitoring of the progress of management plans formulated by Group companies and the status of business execution, with the aim of achieving the goals of the Group.

Role of Group Companies

(1) Group companies (directly invested companies) formulate their own policies and appropriately establish internal management systems based on the Group's Basic Policies, in addition to formulating management plans in each company based on the Group's Medium-term Management Plan to conduct management as individual companies.

(2) Directly invested companies also appropriately supervise the management of their subsidiaries under management supervision contracts.

Improving the Effectiveness of the Board of Directors

Establishment of Committees Comprised Mainly of Outside Directors and the Providing of Opportunities for Opinion Exchanges

The committees and meetings shown below have been established since fiscal 2015, and Outside Directors have freely engaged in constructive discussions and opinion exchanges.

Committee/Meeting Name	Committee/Meeting Description	Times Held
Governance Committee	The chairman is elected from among the Outside Directors; all Outside Directors, the Chairman of the Board, and the President & CEO discuss matters related to corporate governance status, policies, and stance.	3 times
Outside Directors Council	This council comprises only the Outside Directors. The Governance Committee uses discussions within the Outside Directors Council with the Chairman of the Board and the President & CEO.	3 times
Outside Directors-Corporate Auditors Joint Council	This council comprises the Outside Directors (4) and the Corporate Auditors (5); it has been put in place to liaise between the Outside Directors and Corporate Auditors.	1 time

Analysis and Evaluation of the Effectiveness of the Board of Directors

Under the Basic Policies on Corporate Governance, an analysis and evaluation of the effectiveness of the Board of Directors as a whole was implemented. A summary of the results was presented in the Corporate Governance Report and also released on the Company's official website. In fiscal 2015, a reexamination was made of agenda items presented to the Board of Directors and the items subject to so-called package deliberation, in which explanation of some agenda items during the Board meetings is simplified, were expanded further. By working to secure more time for deliberations regarding strategic decisions, the Board of Directors has strengthened its supervisory function.

Support Systems for Outside Directors and Outside Corporate Auditors

Support for the activities of the Outside Directors is provided by the Corporate Planning Department, and support for the Outside Corporate Auditors is supplied by the Internal Audit Department. The agenda for the Board of Directors' Meetings is explained to the Outside Directors and Outside Corporate Auditors in advance of the meetings by the Corporate Planning Department, which acts as the secretariat for the Board of Directors. In addition, information, such as important risk information, is reported on an ongoing basis to all Directors and Corporate Auditors, irrespective of internal or outside.

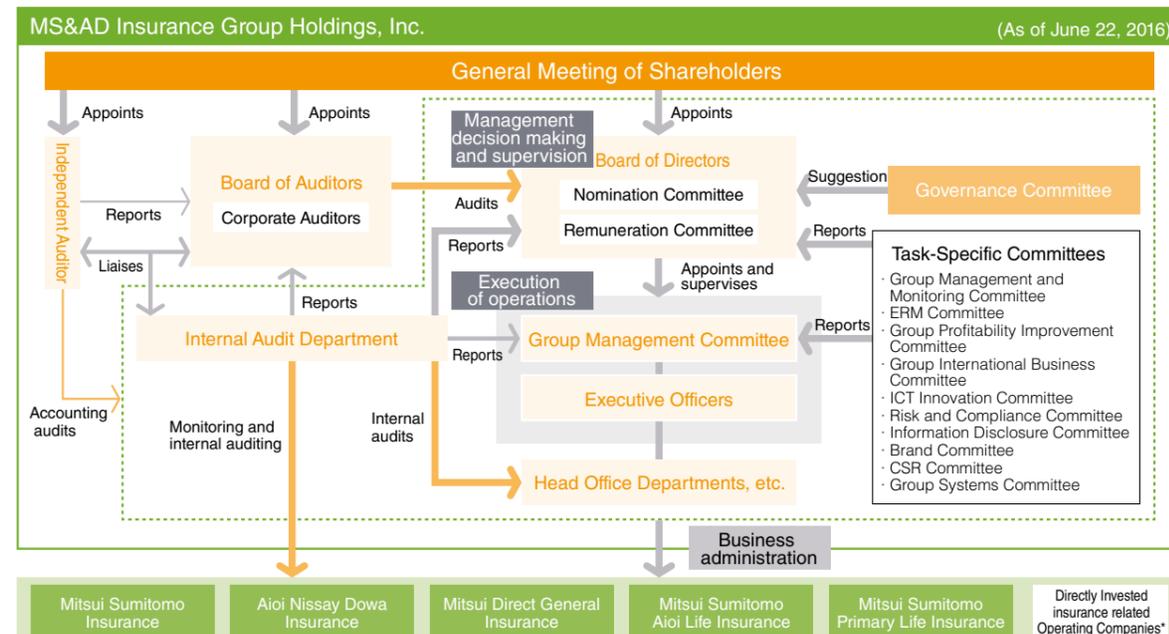
Strengthening of the Group Management Structure

The Company has adopted an executive officer system, with the executive officers swiftly executing operations as the persons responsible for the respective areas of business entrusted to them by the Board of Directors.

Establishment of New Task-Specific Committees

The task-specific committees have been established to deliberate on various key management issues regarding the execution of operations as well as to coordinate perspectives across related departments. In order to strengthen the business management approach at each Group company, three new committees have been established since April 2016.

Committee Name	Meeting Frequency	Committee Description
(New) ICT Innovation Committee	4 times a year (in principle)	The Committee is responsible for coordinating the key issues and managing progress with Group ICT innovation strategy, related strategic alliances and investments, etc.
(New) Group International Business Committee	4 times a year (in principle)	The Committee confirms and discusses the vision for International Business strategy (International Business investment, etc.) that contributes to sustainable Group growth. It also shares common understanding of issues regarding the role of International Business in strengthening overall Group profitability and demonstrating synergies, and confirms and discusses the direction of measures for handling those issues and their progress.
(New) CSR Committee	Twice a year (in principle)	The Committee discusses policy regarding the Group's CSR initiatives, shares information regarding CSR-related global trends and changes in environment, and works to deepen understanding of those issues.



* MS&AD Holdings has eight insurance related operating companies: InterRisk Research Institute & Consulting, Inc., MS&AD Business Support Co., Ltd., MS&AD Staffing Services Co., Ltd., MS&AD Systems Co., Ltd., MS&AD Business Service Co., Ltd., MS&AD Research Institute Co., Ltd. MS&AD Loan Services Co., Ltd. and ANSHIN DIAL Co., Ltd.

Outside Director Message



Outside Director (Independent Officer) Mari Matsunaga

Q1: How has the Board of Directors changed with our recent initiatives to strengthen corporate governance?

The operation of the Board of Directors has begun to change considerably. Action has been taken to increase the amount of time allocated to agenda where discussion is needed. This is done by dividing agenda into those that require thorough discussion and those that don't, and then handling the latter with "collective deliberation." The advance explanations to Outside Directors are provided earlier than before, so now we have sufficient time to supplement our knowledge of things we should understand ahead of time and to also think about the issues involved. It leads to the activation of the discussion of the day of the meeting.

In addition, content-rich information is now provided to Outside Directors. For example, when I asked a question about the "future automobile society," a study session on the topic was quickly arranged

for Outside Directors. I think that this kind of timely supplementation of the knowledge of Outside Directors is very important in enabling us to function.

In the Governance Committee, membership is limited to the Outside Directors, the Chairman of the Board, and the President & CEO.

Compared to the Board of Directors, there is much less of a sense of distance between the Outside Directors and the Chairman and President, and this makes the meetings a place where it is easy for us Outside Directors to speak out and exchange opinions. Through various opportunities such as these, we are able to state our opinions as Outside Directors and frankly speak up and say "I don't understand" when there are things that we are not sure about. I believe that it is this, in particular, which will lead to the strengthening of governance.

Q2: "Guidelines for Constructive Dialogue with Shareholders" have been established, and efforts are being made to provide information. What are your feelings about this?

Up until now, the providing of information has been segregated into somewhat standard categories, such as shareholders newsletter, information meetings for institutional investors and analysts, statutory disclosure reports, and CSR reports, etc.

Last year, however, for the first time, such category boundaries were eliminated with the issuing of the Integrated Report. My own background is that of magazine editor and my personal views reflect that fact, but when I looked at the report, I immediately saw that a strong effort had been made to make it visually clear and easy to read. The Integrated Report reflects a global trend, so I anticipate that efforts will be made to further improve it in the future. I think it is also good that top-level executives and business-division top management have been

engaging in a direct dialogue with investors and shareholders at events such as information meetings and IR Day. It is very important to communicate top management's enthusiasm, sensibility, and other characteristics that don't come across in the written word.

Concerning such things as investor trends and stock price trends, I think that there is now more complete feedback being provided to management from the IR Department. With respect to important information that management should be aware of, proper feedback is provided via semiannual reports to the Board of Directors, quarterly reports to committee members, and timely reports of matters of interest of investors, etc.

Q3: Please tell us what you consider important as an Outside Director and what you aspire to accomplish in the future.

In these days, the way that shareholders view companies is clearly changing. Shareholders have become very interested in and very focused on management, the Board of Directors, and the Outside Directors. We Outside Directors, in particular, need to diligently study from day to day in order to satisfy the expectations of shareholders. I think that we are, first of all, expected to give opinions that make use of our personal work experience, but, as we accept a variety of important roles, such as being Nomination Committee and Governance Committee members, it is also, I believe, important for us to broaden our perception as directors and properly study and understand the industry and the company. The roots of the Group are in companies with long

histories, and I am also getting a direct feel for the Group's history by visiting the respective birthplaces of those companies.

I personally want to participate in management for the benefit of the shareholders, of course, but also for all the other stakeholders. Put simply, a "Will all stakeholders accept this measure?" viewpoint is necessary. Consequently, I want to work to build "governance with an open and positive atmosphere" rather than the kind of governance that has a more rigid image. In addition, recognizing my own limitations, I want to work together with the all officers and employees so that the MS&AD Group will become "a guidepost showing the way with respect to social anxieties" and "a strong presence in preventing risks from being realized."

Corporate Governance
Introduction to Directors

(As of June 22, 2016)

Directors



Hisahito Suzuki

Representative Director
Chairman of the Board

<Number of Company shares owned>
36,270

<Important concurrent positions>
Director & Vice Chairman, ADI

<Biography>

April 1973 Entered Dai-Tokyo Fire and Marine Insurance Co., Ltd.
Has business experience in sales, corporate planning, merger preparation, life insurance business, etc.

Present position since June 2014



Yasuyoshi Karasawa

Representative Director
President & CEO

<Number of Company shares owned>
25,200

<Important concurrent positions>
Director, Chairman of the Board, MSI

<Biography>

April 1975 Entered The Sumitomo Marine and Fire Insurance Co., Ltd.
Has business experience in corporate planning, sales, corporate communications, financial planning, etc.

Present position since June 2014



Noriyuki Hara

Representative Director
Executive Officer

<Number of Company shares owned>
15,900

<Important concurrent positions>
Director, President & CEO, MSI

<Biography>

April 1979 Entered Taisho Marine and Fire Insurance Co., Ltd.
Has business experience in market development, sales, product operations, corporate planning, etc.

Present position since June 2016



Yasuzo Kanasugi

Representative Director
Executive Officer

<Number of Company shares owned>
19,208

<Important concurrent positions>
Director & President, ADI

<Biography>

April 1979 Entered Dai-Tokyo Fire and Marine Insurance Co., Ltd.
Has business experience in human resources planning, sales, corporate planning, merger preparation, etc.

Present position since June 2016



Shiro Fujii

Director
Executive Vice President, CFO

<Number of Company shares owned>
25,915

<Important concurrent positions>
—

<Biography>

April 1979 Entered Taisho Marine and Fire Insurance Co., Ltd.
Has business experience in corporate planning, product operations, handling claims, sales, systems and administrations, etc.

Present position since April 2016



Mitsuhiro Tsuchiya

Director
Executive Officer

<Number of Company shares owned>
15,890

<Important concurrent positions>
Director, Vice President
Executive Officer, ADI

<Biography>

April 1980 Entered Dai-Tokyo Fire and Marine Insurance Co., Ltd.
Has business experience in sales, sales planning, corporate planning, etc.

Present position since June 2011



Masaaki Nishikata

Director
Executive Officer

<Number of Company shares owned>
22,600

<Important concurrent positions>
Director, Vice President
Executive Officer, MSI

<Biography>

April 1977 Entered The Sumitomo Marine and Fire Insurance Co., Ltd.
Has business experience in sales, product operations, sales promotion, etc.

Present position since June 2016



Akira Watanabe

Outside Director
(Independent Director)

<Meeting attendance (FY2015)>
15 of 15 Board of Directors' meetings

<Number of Company shares owned>
1,200

<Reason for appointment>

As a lawyer, he is well versed in the field of the Companies Act, and he has a wealth of experience gained through his service as a trustee of companies subject to reorganization proceedings. He has been stating opinions at meetings of the Company's Board of Directors and on other occasions based on his knowledge and experience. We elected him to continue reflecting his knowledge and experience in the management of the Company.

<Important concurrent positions>

Attorney-at-Law, Seiwa Meitetsu Law Office, Director of Asia Pile Holdings Corporation, Outside Director of Dunlop Sports Co., Ltd., Outside Director of Maeda Corporation, Outside Corporate Auditor of Fast Retailing Co., Ltd., Audit and Supervisory Board Member (Part-time) of Kadokawa Corporation.

Apr. 1973	Admitted as Attorney-at-Law, Attorney-at-Law, Ginza Law Office (currently, Abe, Ikubo & Katayama)
Apr. 1982	Attorney-at-Law, Akira Watanabe Law Office
Apr. 1989	Attorney-at-Law, Seiwa Kyodo Law Office (currently, Seiwa Meitetsu Law Office) (present)
Apr. 2010	Director, the Company (present)



Daiken Tsunoda

Outside Director
(Independent Director)

<Meeting attendance (FY2015)>
15 of 15 Board of Directors' meetings

<Number of Company shares owned>
0

<Reason for appointment>

As a lawyer, he has a wealth of knowledge and experience concerning overall corporate legal affairs. He has been stating opinions at meetings of the Company's Board of Directors and on other occasions based on his knowledge and experience. We elected him to continue reflecting his knowledge and experience in the management of the Company.

<Important concurrent positions>

Attorney-at-Law, Nakamura, Tsunoda & Matsumoto
Outside Director of Eisai Co., Ltd.

Apr. 1994	Admitted as Attorney-at-Law, Attorney-at-Law, Mori Sogo (currently, Mori, Hamada & Matsumoto)
Mar. 2003	Attorney-at-Law, Nakamura & Tsunoda (currently, Nakamura, Tsunoda & Matsumoto) (present)
Apr. 2008	Corporate Auditor, the Company
Apr. 2010	Director, the Company (present)



〈Meeting attendance (FY2015)〉 〈Number of Company shares owned〉
13 of 15 Board of Directors' meetings 5,000

〈Reason for appointment〉

He previously served as Administrative Vice Minister of Finance and Director-Chairman of Japan Tobacco Inc., etc. He has been stating opinions at meetings of the Company's Board of Directors and on other occasions based on his knowledge and experience. We elected him to continue reflecting his wide range of financial and monetary affairs knowledge and corporate management experience in the management of the Company.

〈Important concurrent positions〉

Tadashi Ogawa

Outside Director
(Independent Director)

Apr. 1962	Entered the Ministry of Finance	June 2005	President, The Bank of Yokohama, Ltd.
May 1995	Commissioner, National Tax Agency	June 2011	Director-Chairman of The Bank of Yokohama, Ltd.
Jan. 1996	Administrative Vice Minister of Finance	June 2012	Director, the Company (present)
June 2001	Director-Chairman of Japan Tobacco Inc.	June 2013	Senior Advisor of The Bank of Yokohama, Ltd. (present)

Auditors



〈Number of Company shares owned〉
17,300

Apr. 1979	Entered Taisho Marine and Fire Insurance Co., Ltd.
Apr. 2010	Executive Officer, General Manager of Investment Planning Dept., Mitsui Sumitomo Insurance Co., Ltd. ("MSI")
Apr. 2013	Managing Executive Officer, General Manager of Financial Services Div., MSI Executive Officer, the Company
Apr. 2014	Director, Managing Executive Officer, General Manager of Financial Services Div., MSI
June 2015	Corporate Auditor, the Company (present)

Hiroshi Miura

Corporate Auditor (Full time)



〈Meeting attendance (FY2015)〉
13 of 15 Board of Directors' meetings, 10 of 12 Board of Auditors' meetings

〈Number of Company shares owned〉
8,300

〈Reason for appointment〉

Utilize his knowledge and experience as a legal professional within the Company's auditing

〈Important concurrent positions〉

Attorney-at-Law, Nomura Law Offices, Director of Sumitomo Mitsui Financial Group, Inc. (Outside Director), Corporate Auditor of Dai Nippon Printing Co., Ltd. (Outside Corporate Auditor)

Kuniaki Nomura

Corporate Auditor
(Independent Auditor)

Apr. 1970	Registered as Attorney-at-Law, Attorney-at-Law, Yanagida Law Office (currently, Yanagida & Partners)
June 2006	Corporate Auditor, Mitsui Sumitomo Insurance Co., Ltd.
June 2009	Attorney-at-Law, Nomura Law Offices (present)
Apr. 2010	Corporate Auditor, the Company (present)



〈Meeting attendance (FY2015)〉
No record due to new appointment

〈Number of Company shares owned〉
0

〈Reason for appointment〉

As an accounting and auditing professional, he has served as a university professor and public-institution committee member, etc., and that extensive knowledge and experience will be reflected in the Company's audits.

〈Important concurrent positions〉

Kunio Chiyoda

Outside Corporate Auditor
(Independent Auditor)

Apr. 1971	Registered Certified Public Accountant
Apr. 2013	Chairperson, Certified Public Accountants and Auditing Oversight Board
June 2016	Corporate Auditor, the Company (present)



〈Meeting attendance (FY2015)〉 〈Number of Company shares owned〉
14 of 15 Board of Directors' meetings 0

〈Reason for appointment〉

She was a chief editor of magazines and was involved in planning and development of new services at NTT DOCOMO, INC. She has been stating opinions at meetings of the Company's Board of Directors and other occasions based on her broad knowledge and experience concerning society, culture, consumer lifestyles, and other areas. We elected her to continue reflecting her knowledge and experience in the management of the Company.

〈Important concurrent positions〉

Outside Director of Terumo Corporation
Outside Director of Rohto Pharmaceutical Co.

Mari Matsunaga

Outside Director
(Independent Director)

Apr. 1977	Entered Japan Recruit Center (currently, Recruit Holdings Co., Ltd. ["RECRUIT"])
July 1986	Chief editor of <i>SHUSHOKU JOURNAL</i> , published by RECRUIT
July 1988	Chief editor of <i>TRAVAILLE</i> , published by RECRUIT
July 1997	General Manager of Planning Div., Gateway Business Dept., NTT Mobile Communications Network Inc. (currently, NTT DOCOMO, INC.)
Apr. 2000	President & Director, Mari Matsunaga Office
June 2012	Director, the Company (present)



〈Number of Company shares owned〉
8,890

Apr. 1978	Entered The Dai-Tokyo Fire and Marine Insurance Co., Ltd.
Apr. 2011	Executive Officer, General Manager of Chiba Div., Aioi Nissay Dowa Insurance Co., Ltd. ("ADI")
Apr. 2012	Managing Executive Officer, General Manager of Regional Business Promotion Div., ADI Executive Officer, the Company
Apr. 2013	Managing Executive Officer, ADI
June 2013	Corporate Auditor, the Company (present)

Jiro Yoshino

Corporate Auditor (Full time)



〈Meeting attendance (FY2015)〉
13 of 15 Board of Directors' meetings, 11 of 12 Board of Auditors' meetings

〈Number of Company shares owned〉
0

〈Reason for appointment〉

Utilize his knowledge and experience as a legal professional within the Company's auditing

〈Important concurrent positions〉

Attorney-at-Law and Partner, Nishimura & Asahi
Corporate Auditor of Showa Denko K. K. (Outside Corporate Auditor)

Hiroyuki Tezuka

Corporate Auditor
(Independent Auditor)

Apr. 1986	Registered as Attorney-at-Law, Partner, Nishimura & Sanada (currently, Nishimura & Asahi) (present)
June 2007	Corporate Auditor, Nissay Dowa General Insurance Co., Ltd.
Apr. 2010	Corporate Auditor, the Company (present)

Executive Officers

Chairman of the Board

Hisahito Suzuki

President & CEO

Yasuyoshi Karasawa

Executive Officers

Noriyuki Hara

Yasuzo Kanasugi

Executive Vice President

Shiro Fujii

Corporate Planning Dept.
Corporate Communications and Investor Relations Dept.
Business Development Dept.
Information Technology Planning Dept.
International Supervisory Dept.
Internal Audit Dept.
Chief Financial Officer

Senior Executive Officer

Nampei Yanagawa

Human Resources and General Administration Dept.
Accounting Dept.
Compliance Dept.
Corporate Risk Management Dept.
Internal Audit Dept.*
Chief Risk Officer

Executive Officers

Mitsuhiro Tsuchiya

Assist Management

Masaaki Nishikata

Marketing & Sales

Tetsuya Yoshikawa

Administration and Information Systems
Chief Information Officer, Chief Information Security Officer

Masahiro Matsumoto

International Business

Teruhiko Ito

Financial Services Business

Fumiaki Ohkawabata
Products

Yoshinao Yoshihara
Claims Services

Takaaki Endo

General Manager of Corporate Planning Dept.

Hidema Jinno

General Manager of Corporate Risk Management Dept.

Hiroyuki Hata

General Manager of Accounting Dept.

*Senior Executive Officer Nampei Yanagawa is responsible for internal auditing of the departments which Executive Vice President Shiro Fujii oversees

Reference Responses to 11 Principles of the Corporate Governance Code

The Company complies with all of the Corporate Governance Code, and the response situations and disclosure scope are as follows. For details, see the relevant pages of this report or the Company's official website (hereinafter, the Company website) and Corporate Governance Report.

1. Principle 1.4 Policy for Strategic Equity Holdings and Criteria for Ensuring Appropriate Handling of the Exercise of Voting Rights Pertaining to Strategic Equity Holdings

<MS&AD Insurance Group Basic Policy for Strategic Equity Holdings>

We have adopted a policy to reduce the aggregate amount of our strategic equity holdings, aiming to build a solid financial base less affected by fluctuations in stock prices and to improve the capital efficiency.

<Criteria for Ensuring Appropriate Handling of the Exercise of Voting Rights Pertaining to Strategic Equity Holdings>

The exercise of voting rights is seen to be an important means of influencing the management and improving the enterprise value of investee companies, and decisions are not made uniformly based solely on formulaic short-term criteria, but rather in terms of enhancement of enterprise value in the medium-to-long term and improvement in shareholder returns, among others. For details, see the Company website.

2. Principle 1.7 Procedures for Related Party Transactions

With respect to transactions between the Company and a related party, to ensure that they do not harm the common interests of the Company and the Company's shareholders, such transactions as competition transaction by a director, transactions between a corporate officer and the Company, and other transactions with conflict-of-interest characteristics, such transactions will require prior deliberation and approval of a Board of Directors' meeting with the attendance of multiple outside directors, and in the case of similar transactions by executive officers will require a report to the Board of Directors.

3. Principle 3.1 Full Disclosure

- Corporate Philosophy (Mission), business strategies, etc.: See the back page of the cover page and "Top Message," etc. on P10.
- Basic policy and guidelines on corporate governance: See "Basic Policies" on P37. For the "Basic Policies", see the Company website, etc.
- Policies and process for determining the remuneration and iv) Policies and process for the selection of the senior management and the nomination of Directors and Corporate Auditor candidates: See "Nomination and Remuneration" on P37. For details, see the Company website.
- Explanations with respect to the individual selection and appointment: See "Notice of Convocation of the Annual Shareholders' Meeting" posted on the Company website.

4. Supplementary Principle 4.1 (1) Scope and content of the matters delegated to the management

In addition to matters specified by law and the Articles of Incorporation, the Board of Directors discusses and decides upon important matters involving Group management strategy and corporate management, including the Group's management policies, management strategies and capital policy, in addition to overseeing the duties of directors and executive officers. For details, see the Company website (the Role of the Board of Directors).

5. Principle 4.8 A roadmap if a company believes it needs to appoint at least one-third of directors as independent directors

The Board of Directors comprises 11 members (ten men and one woman), and more than one-third of the Directors (four Directors) are nominated as Outside Directors.

6. Principle 4.9 Independence Standard and Qualification for Independent Directors

See "Criteria for the Selection of Director Candidates and Corporate Auditor Candidates and Criteria for Determining the Independence of Outside Corporate Officers" on the Company website.

7. Supplementary Principle 4.11 (1) A view on the balance on diversity and appropriate Board size, and policies and procedures for nominating Directors

Four of the eleven Directors (ten men and one woman) and three of the five Corporate Auditors (five men) have been appointed from outside the Company to incorporate perspectives independent from management, strengthen monitoring and oversight functions, and conduct highly transparent management.

Outside Directors and Corporate Auditors are contributing to the strengthening of oversight and auditing functions to the Board and to ensuring the transparency of management. In addition, by receiving advice from these Outside Directors and Corporate Auditors based on their knowledge and experience as professionals in the fields of law and accounting, the Company ensures that this system will enable proper decision making on important matters.

8. Supplementary Principle 4.11 (2) A status for concurrent positions of outside corporate officers

See "Introduction to Directors" on P39, 40.

9. Supplementary Principle 4.11 (3) Disclosure of summary results of analysis and evaluation of overall effectiveness of the Board of Directors

This has been implemented through discussion in Governance Committee meetings, etc., even this was not implemented in fiscal 2015.

Please see Analysis and Evaluation of the Effectiveness of the Board of Directors on P38, as for overview of results please see the Company website or Corporate Governance Report updated on June 22, 2016.

10. Supplementary Principle 4.14 (2) Criteria for Directors and Corporate Auditors Training

- The Company has assigned a person in the secretariat of the Board of Directors to each of the Outside Directors and Outside Corporate Auditors (hereinafter referred to as "Outside Officers") to provide support in areas such as providing briefings in advance.
- The Company has established a system for ongoing provision of information and training at the time of appointment and during the term of Directors and Corporate Auditors.
- The Company provides appropriate opportunities for Outside Officers to share information and exchange opinions with management and senior employees.
- The Company bears the expenses required to enable Outside Officers to fulfill their roles.

11. Principle 5.1 Policies concerning the measures and organizational structures aimed at promoting constructive dialogue with shareholders

See "Dialogue with Shareholders and Investors" on P41. For details, see the Company website.

Corporate Governance

Dialogue with Shareholders and Investors
(Information Disclosure and IR Activities)

The MS&AD Insurance Group proactively engages in highly transparent information disclosure and constructive dialogue with shareholders and investors in an effort to achieve sustainable growth and increase enterprise value.

Specifically, by providing highly transparent information disclosure, MS&AD seeks to reduce information asymmetries with shareholders and investors. Also, by obtaining feedback from constructive dialogue with shareholders and investors, MS&AD is able to share this feedback with its management and the relevant departments and utilize it in formulating its management strategies.

Main Initiatives in Fiscal 2015

- Announcement of the “Policy for Constructive Dialogue with Shareholders”
- Holding of “MS&AD IR Day” with the objectives being to have the top management of each business division explain business details and to carry on a constructive dialogue between management executives and investors (once a year)
- As measures to strengthen information sharing with management and relevant departments, implementation of regular reporting on IR activities, feedback on how the stock markets view the Company, and quarterly reports on the Company’s share prices to Group Management Committee and the Board of Directors
- Creation of a program for feedback meetings to the Group’s relevant departments (8 times a year)

Activities Undertaken (Fiscal 2015)

The Group organized Information Meetings, at which the President explained management strategies and performance, as well as MS&AD IR Day, sessions for the constructive exchange of opinions between management executives and investors. It also organized Company information sessions aimed at individual investors and broadcast a message from top management in the “The Leaders” corner of the Nikkei CNBC economic news channel.

Strategy explanation meetings for institutional investors and analysts (Information Meeting)	Twice
Telephone conferences (earning results) for institutional investors and analysts	5 times
Sessions for an exchange of opinions with institutional investors and analysts (MS&AD IR Day)	Once
Conferences organized by securities companies	5 times
Individual meetings (except conferences)	245 times
Information sessions for individual investors and securities company sales personnel	6 times



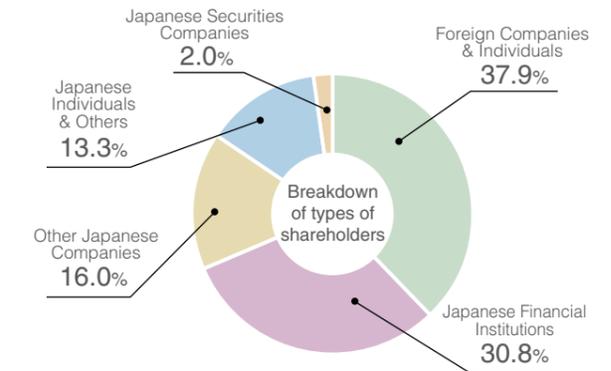
Information Meeting (for institutional investors and analysts)



MS&AD IR Day 2015 (panel discussion by management executives)

IR Activities Aimed at Foreign Investors

With foreign individual and corporate investors representing almost 40% of the total, the Group has been strengthening information disclosure and communication for the benefit of foreign investors and actively promoting dialogue with them. In fiscal 2015, a strong effort was made to engage in constructive dialogue, with a total of 95 interactions that included active participation in conferences organized by securities companies for foreign investors as well as overseas travel by the President and the officer in charge of the Corporate Communications and Investor Relations Department to visit investors individually. From the perspective of providing swift and fair information disclosure, efforts were made to strengthen English information disclosure on the website and improve the disclosure of information for foreign investors.



Information Disclosure as the Basis for Dialogue

Website (Japanese/English)	Integrated Report (Japanese/English)
<p>The Group makes prompt and fair information disclosure in both English and Japanese.</p>   <p>Daiwa Investor Relations “Internet IR Excellence Award 2015”</p>	<p>In the third WICI Japan Awards for Excellence in Integrated Reporting, “MS&AD Integrated Report 2015” received one of the “Awards for Excellence” presented to four of the 200 companies listed in the first section of the Tokyo Stock Exchange.</p>   <p>Japanese version English version</p>

General Shareholders’ Meeting

	FY2015	FY2016
Held	June 22 (Monday)	June 22 (Wednesday)
Shareholders attending	615	654
Ratio of the exercise of voting rights	84.3%	85.8%
Notice of convocation issue date	May 29 (Friday)	May 30 (Monday)
Notice of convocation notice website announcement date (Japanese/English)	May 25 (Monday)	May 24 (Tuesday)



In fiscal 2016, with the goal of holding a general shareholders’ meeting with an active question and answer session with many shareholders, an effort was made to improve the content of information provided in the general shareholders’ meeting convocation notice. For the resolution results, please see EDINET.

URL <http://disclosure.edinet-fsa.go.jp/EKW0EZ1001.html>

For more-detailed shareholder and investor information, see the Group’s official website.

Website content

- “Policy for Constructive Dialogue with Shareholders”
- Financial and non-financial reports (timely disclosure information, materials for results briefing – conference call, Corporate Governance Reports, materials for Information Meeting, and CSR Reports)
- Streaming videos of presentations by the President (including a summary of the Q&A session)
- Notice of convocation of General Shareholders’ Meeting

Compact Edition! Basic Knowledge about the Insurance Industry

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

Non-Life Insurance Industry

Market Overview

[About ¥8 Trillion]

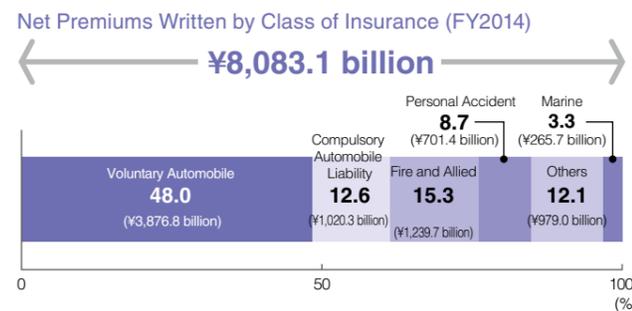
The Japanese non-life insurance industry's market scale in terms of net premiums written was ¥8,083.1 billion in fiscal 2014. (Total for 26 corporate members of the General Insurance Association of Japan)

[Automobile-Related Insurance Accounts for More than 60%]

Together, voluntary automobile insurance (48.0%) and compulsory automobile liability (12.6%) account for more than 60% of the market.

[Three Mega Insurance Groups Have More than 90% of the Market]

In 1996, there were 27 companies (excluding foreign-based companies) in Japan's non-life insurance market. Currently, the so-called "three mega insurance groups" – the MS&AD Insurance Group, Tokio Marine Group, and Sompo Japan Nipponkoa Group* – have approximately 90% of the market.
*On October 1, 2016, the company name will change to Sompo Holdings, Inc.



Source: General Insurance Association of Japan, FACT BOOK 2015

Types of Insurance and Related Trends

[Covering Diverse Risks]

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

[Changing with the Times]

Until the 1960s, the non-life insurance market was centered on fire and marine insurance products. With the subsequent rise in the number of automobiles in use, such automobile-related products as voluntary automobile insurance and compulsory automobile liability insurance became the main products in the market.

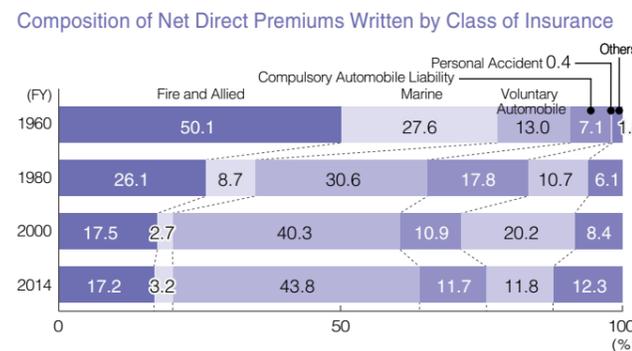
[Trend of Increase in Earthquake Insurance]

Residential earthquake insurance was developed in 1966, in response to the major earthquake that struck Niigata in Japan in 1964. The number of people obtaining residential earthquake insurance has been trending upward, and the penetration ratio of Earthquake Insurance in residential of fire insurance policies has risen to 59.3% (at the end of FY2014).

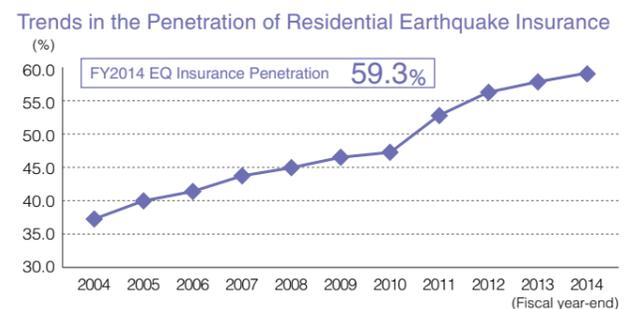
[Residential Earthquake Insurance Operated in Collaboration with Government]

It is difficult to forecast the damage that will occur in the event of an earthquake, so fire insurance by itself does not cover building fires and damage caused by earthquakes.

To provide coverage for earthquake damage, the government and insurance companies collaborate to operate residential earthquake insurance, and there are no variations among insurance companies with respect to coverage of compensation and insurance premiums.



Source: General Insurance Association of Japan, FACT BOOK 2015
Note: "Net direct premiums written" represents revenues from insurance policies directly provided by each customer.



Source: General Insurance Rating Organization of Japan materials
Note: The penetration of residential earthquake insurance represents the share of fire and allied policies with earthquake insurance buy backed.

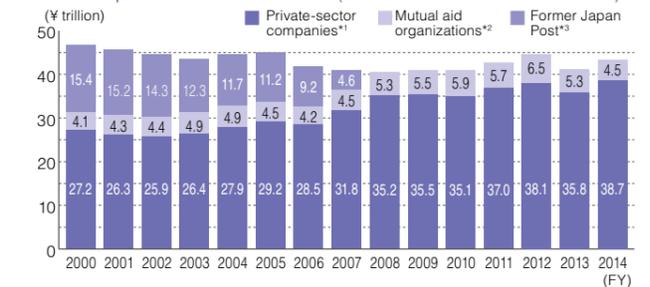
Life Insurance Industry

Market Scale

[Approximately ¥40 Trillion]

The scale of Japanese life insurance industry's market in terms of life insurance premiums and others in total is approximately ¥40 trillion, making it the world's second largest market, after that of the United States.

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



Sources: Prepared by MS&AD Holdings based on materials from the Life Insurance Association of Japan, the Japan Cooperative Insurance Association Incorporated, and Japan Post Holdings Co., Ltd., and based on materials in the Japan Institute of Life Insurance's "Fiscal 2015 National Survey on Life Insurance"

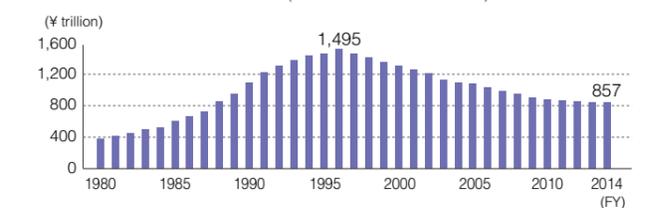
*1 Private-sector companies: Each corporate member of the Life Insurance Association of Japan. Figures represent premiums and others.
*2 Mutual aid organizations: Each organization member of the Japan Cooperative Insurance Association Incorporated. Figures represent premiums and other insurance income received (total for life insurance and annuity insurance)
*3 Former Japan Post: Premium income (postal life insurance) during the period through September 2007. The Japan Post Insurance offered from the October 2007 privatization is included in the private-sector companies' figures.

Trends in Types of Insurance

[Decline in Big-Ticket Death Benefit Needs]

The amount of policies in force for individual insurance has been trending downward since peaking in fiscal 1996. Behind this trend is a decline in big-ticket death benefit needs and a shift to third-sector products needs.

Trends in Policies in Force (Individual Insurance)



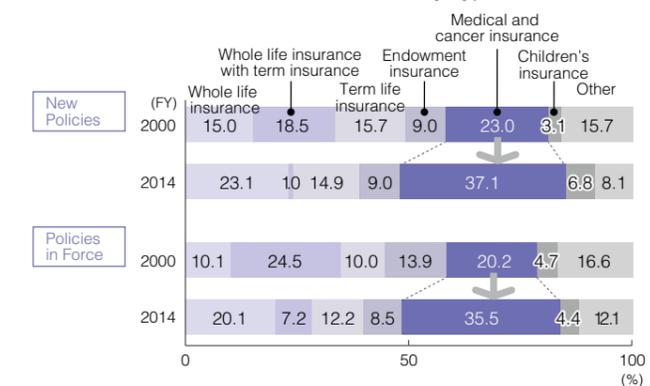
Source: The Life Insurance Association of Japan
Note: Figures for 2007 and previous years exclude Japan Post Insurance and the former postal life insurance.

[Third-Sector Products Become the Major Products]

The share of medical and cancer insurance policies (third-sector policies) among the total number of new policies written for individuals has risen – from 23.0% in FY2000 to 37.1% in fiscal 2014 – and become the major life insurance product.

In particular, the advent of a full-blown aging society in Japan will be accompanied by a rise in needs for nursing care insurance. In recent years, each life insurance company has been launching new nursing care insurance products which supplements the public nursing care insurance system, which is not able to completely cover the expenses entailed by nursing care.

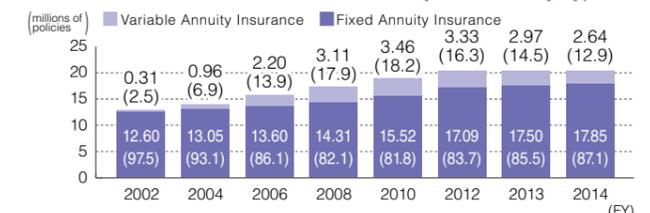
The Main Products of Life Insurance Market, Third-Sector – Trends in Individual Insurance Premiums by Type



Source: The Life Insurance Association of Japan, "Life Insurance Trends (2015 edition)"

Sales of individual annuity insurance began in earnest following the October 2002 lifting of the ban on marketing such products via banks. Growth in individual annuity insurance policies in force is now robust.

Trends in Policies in Force Individual Annuity Insurance by Type



Source: The Life Insurance Association of Japan, "Life Insurance Fact Book (2015)"
Note: Figures in parentheses represent percent shares.

Trends and Changes in the Insurance Industry

Environment of the Insurance Industry

[Changes in the Macro Environment]

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

[Natural Disasters]

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

The Insurance Industry Following Financial Regulatory Liberalization

[Regulatory Liberalization of the Non-Life Insurance Industry]

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

[Birth of the Three Mega Insurance Groups]

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

Major Events Following Regulatory Liberalization

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

The Insurance Industry Going Forward

Initiatives Regarding Overseas Insurance Markets

[Accelerating Overseas Expansion]

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

[Potentials of Asia Region Markets and BRICs' Markets]

The emerging country markets of Asia region countries and BRICs have the potential for large growth. The insurance penetration rates (ratio of insurance premiums against GDP) of the United States and European countries are roughly as high as Japan's – about 8%-11%. On the other hand, the insurance penetration rate of emerging markets of the Asian region and BRICs are relatively low – in the 2%-4% range – so, those markets can be considered to have considerable growth potential.

Development of Principal Insurance Markets in 2013

(US\$ billion)

Market/Country	Ranking by Insurance Premiums 2013	Life Insurance Premiums		Non-Life Insurance Premiums		Total Insurance Premiums		Insurance Density ^{*1} (US\$) 2013	Insurance Penetration Rate ^{*2} 2013
		2012	Change from 2012	2012	Change from 2012	2012	Change from 2012		
Developed markets		2,200	(0.2)%	1,653	1.1%	3,853	0.3%	3,621	8.3%
United States	1	533	(7.7)%	726	1.7%	1,259	(2.5)%	3,979	7.5%
Japan	2	423	1.4%	109	2.0%	532	1.5%	4,207	11.1%
United Kingdom	3	223	2.6%	107	(1.8)%	330	1.2%	4,561	11.5%
France	5	160	3.9%	95	1.1%	255	2.8%	3,736	9.0%
Germany	6	114	2.2%	133	0.6%	247	1.3%	2,977	6.7%
Italy	7	118	21.1%	51	(5.0)%	169	11.9%	2,645	7.6%
South Korea	8	91	(12.4)%	54	0.3%	145	(8.0)%	2,895	11.9%
Emerging markets		408	6.4%	380	8.3%	788	7.4%	129	2.7%
Latin America and the Caribbean		80	12.2%	103	7.2%	184	9.4%	300	3.2%
Brazil	12	49	14.7%	40	9.8%	89	12.5%	443	4.0%
Mexico	26	12	7.3%	15	5.7%	27	6.5%	223	2.2%
Central and Eastern Europe		21	(3.2)%	55	2.5%	76	0.8%	235	1.9%
Russia	24	3	47.4%	26	1.5%	28	4.5%	199	1.3%
Southeast Asia		250	4.1%	159	13.4%	410	7.5%	112	3.0%
China	4	152	3.1%	126	15.5%	278	8.4%	201	3.0%
India	15	52	0.5%	13	4.1%	66	1.2%	52	3.9%
Middle East and Central Asia		12	5.6%	35	1.7%	47	2.6%	140	1.5%
United Arab Emirates	44	2	17.8%	6	7.7%	8	10.0%	872	2.0%
Africa		50	12.8%	22	2.1%	72	10.2%	66	3.5%
World		2,608	0.7%	2,033	2.3%	4,641	1.4%	652	6.3%

Source: Compiled by Swiss Re's economic research and consulting unit based on confirmed and provisional figures announced by each country's regulatory authorities and insurance industry associations (sigma No. 3/2014)

Note: Figures are real figures adjusted for inflation

*1 Insurance density = per capita insurance premiums

*2 Insurance penetration rate = insurance premiums as a share of GDP

Increasing Diversity of Insurance Companies and Sales Channels

There are increasingly diverse sales channels – such as direct sales channels, OTC sales by banks, and customer-visit-based insurance shops – and some insurance companies are now specializing in sales via the Internet. Even in conventional sales channels, there is an increasing incidence of cross selling and other new approaches.

Expanding Breadth of Products and Services

["Longevity Risk"]

Lengthy lifespans entail growth in living, medical, and other expenses. The insurance industry has been seeking to help cover such economic "risks" associated with lengthy lifespans.

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

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

Japan's Insurance Market Viewed from a Global Perspective

Non-Life Insurance

[The World's Fourth Largest Market Scale]

According to the "sigma" newsletter of Swiss Re, the scale of the non-life insurance market in 147 countries and regions around the world was approximately ¥203 trillion in 2013. The largest market is that of the United States (approximately ¥73 trillion), and Japan's market is the fourth largest (approximately ¥10,900 billion).

[Japanese Market Smaller in a Share of GDP]

Japan's insurance premiums as a share of GDP are only 2.3% (the 24th highest), compared to the global average of 2.8%.

Comparison Non-Life Insurance Premium Income in Principal Countries (2013)

Country/Region	Direct Premiums Written			As a Share of GDP		Per Capital Premiums	
	(¥ million)	Ranking	Share (%)	(%)	Ranking	(¥)	Ranking
United States	72,814,035	1	35.73	4.3	6	230,151	3
Germany	13,313,175	2	6.53	3.6	9	158,880	11
China	12,614,603	3	6.19	1.4	60	9,122	66
Japan	10,903,406	4	5.35	2.3	24	86,307	22
United Kingdom	10,700,620	5	5.25	2.8	18	108,961	16
France	9,482,504	6	4.65	3.2	11	134,823	14
Netherlands	7,531,532	7	3.70	9.4	1	447,672	1
Canada	7,318,522	8	3.59	4.0	7	207,998	5
South Korea	5,435,314	9	2.67	4.4	4	108,159	17
Italy	5,069,738	10	2.49	2.2	29	75,180	25
Brazil	3,960,783	11	1.94	1.8	42	19,747	49
Spain	3,873,975	12	1.90	2.8	19	82,798	23
Australia	3,274,540	13	1.61	2.1	31	147,553	12
Switzerland	2,843,809	14	1.40	4.4	5	349,838	2
Russia	2,581,681	15	1.27	1.2	67	18,043	52
Belgium	1,661,779	16	0.82	2.9	16	129,310	15
Taiwan	1,600,231	17	0.79	3.1	13	68,364	27
Mexico	1,491,972	18	0.73	1.2	65	12,129	60
Argentina	1,399,050	19	0.69	2.9	17	33,681	37
Austria	1,348,829	20	0.66	3.2	12	159,281	10
Other countries(regions)	24,552,786	–	12.04	–	–	–	–
Total (average)	203,772,884	–	100.00	2.8	–	28,568	–

Source: Prepared based on data in "sigma No. 3/2014" of Swiss Re.

Note 1: The "Total (average)" figures are totals of figures for 147 countries and regions within the scope of the survey in 2013.

Note 2: Premium figures are direct premiums written by domestic- and foreign-based companies in each country and region (including cross-border transaction premiums), and the figures for each country and region do not include direct premiums written by foreign bases of domestic companies.

Note 3: Figures were converted into Japanese yen at the average exchange rate for 2013 (US\$1=¥100.24).

Life Insurance

[Japanese Market Accounts for Approximately 14% of the Global Market]

According to "sigma No. 4/2015" newsletter of Swiss Re "International Life Insurance Statistics" of the Life Insurance Association of Japan, global life insurance premium income amounted to approximately US\$2,650 billion in 2014. The figure for Japan was approximately US\$370 billion (¥40 trillion), corresponding to 14% of the global figure.

Life Insurance Premium Income/Rankings/Market Share by Country (Top 10 Countries)

Country	Life Insurance Premiums		
	Ranking	Premium Income (US\$ million)	Share (%)
United States ^{*1}	1	528,221	19.90
Japan ^{*2}	2	371,588	14.00
United Kingdom	3	235,321	8.86
China	4	176,950	6.67
France	5	172,761	6.51
Italy	6	145,292	5.47
Germany	7	118,475	4.46
South Korea ^{*2}	8	101,572	3.83
Taiwan	9	79,156	2.98
India ^{*2}	10	55,299	2.08

Source: Prepared based on data in "sigma No. 4/2015" of Swiss Re.

Note: Figures represent premiums directly written in each country irrespective of the geographical base of the underwriting company.

*1 Life insurance premiums figures include estimates of premiums from group pension policies (except in certain regions).

*2 Figures are for the fiscal year from April 1, 2014, through March 31, 2015.

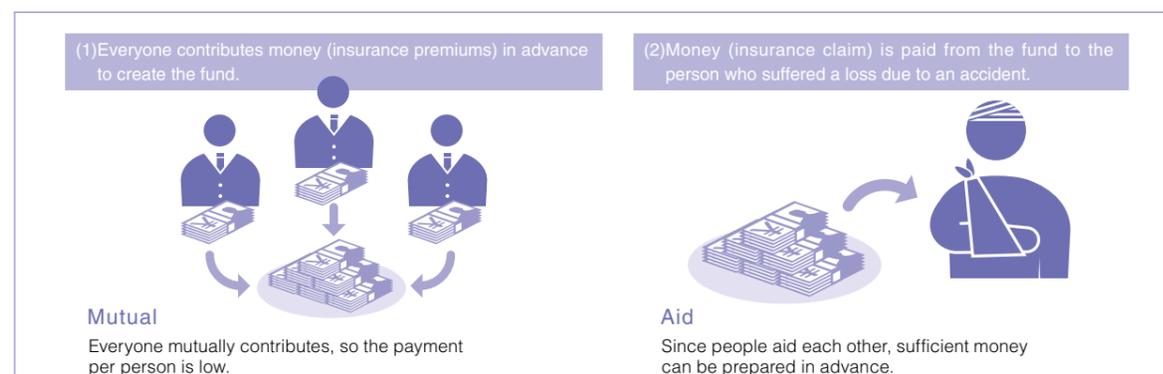
Basic Knowledge of Insurance

Insurance has such a significant presence that it would not be an exaggeration to say that "insurance is indispensable to our lives." Here, we present some basic knowledge of insurance.

Q. The insurance mechanism: So, what is insurance in the first place?

To provide compensation* for economic loss from dangers (accident, disaster, illness, etc.) that may occur in the future, insurance is a system or mechanism of mutual aid in which a large number of people for whom such an economic loss could occur maintain a fund they mutually contribute to in advance, and when the anticipated loss occurs, compensation in the form of a specified amount of money is paid from the fund to the person who suffered the loss.

* "Compensation" is the act of paying funds to make up for a loss incurred.

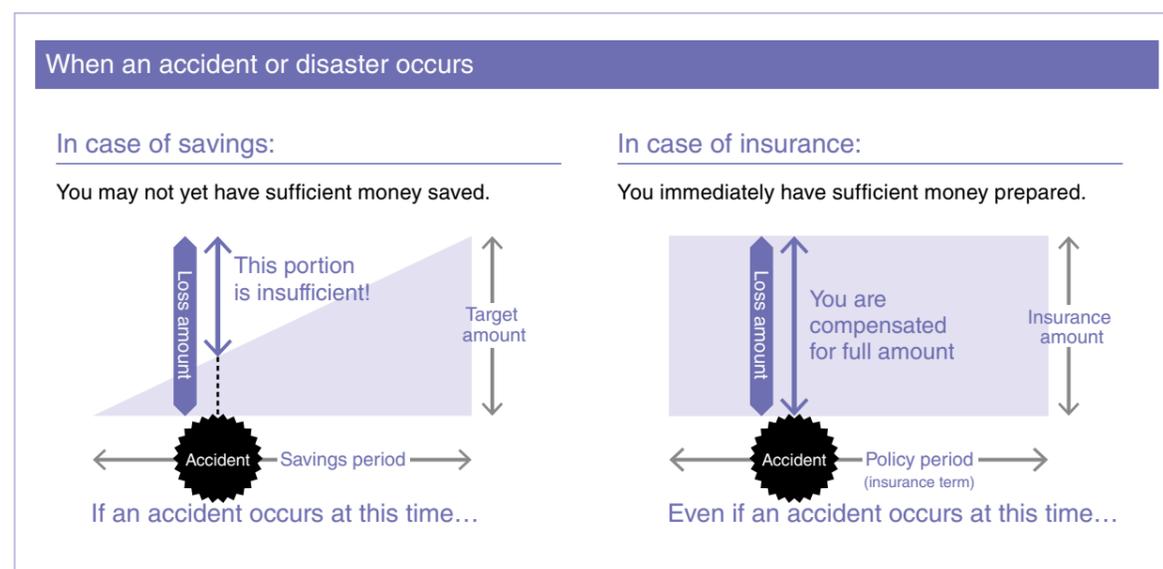


Now, let's look at the concrete details.

"Insurance" is an effective provision for emergencies. No one can know when an accident will occur. It is important to prepare for accidents as well as unforeseen expenditures.

Take savings as an analogy, they are accumulated to use for specific goals. So, savings are not well suited to use as preparation for accidents and disasters that could occur at any time.

Savings forms a triangle, while insurance forms a square. Through insurance, we can obtain adequate compensation throughout the policy period (insurance term). Consequently, you can be prepared for accidents and disasters that could occur at any time. In light of these characteristics, it is said that "savings forms a triangle, while insurance forms a square." Insuring means "preparing yourself for safety."



Q. What is the role of the insurance company?

The insurance company operates "the mechanism (system)" known as "insurance."

As indicated above, the essence of insurance is that insurance policyholders collectively provide mutual aid.

Meanwhile, in order for the insurance mechanism (system) to function smoothly, it is necessary to smoothly and efficiently execute a variety of operations, including the calculation and collection of premiums and the payment of insurance claims. In addition, since specialized knowledge becomes necessary, it is very difficult for the large population of policyholders to operate the insurance system themselves.

Therefore, on behalf of the large population of policyholders, the insurance company operates the insurance mechanism (system). In other words, the insurance company undertakes the role of ensuring that the insurance system functions smoothly. The insurance company concludes insurance policies with customers, and this is done to enable the insurance mechanism (system) to function smoothly.

Q. What kinds of insurance are there?

Insurance can be divided overall into three categories: ① life insurance, ② non-life insurance, and ③ third-sector insurance.

① Life insurance (first sector)

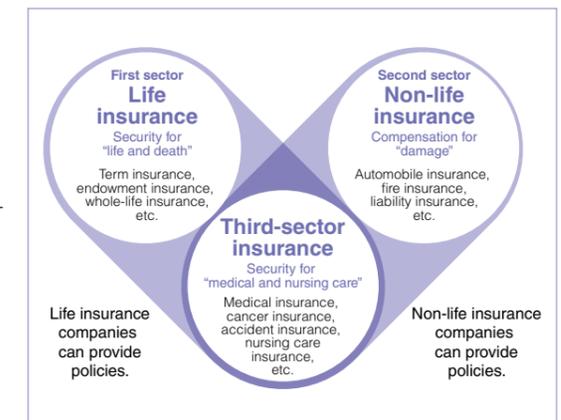
Life insurance is insurance that pays fixed-amount insurance claims related to "life and death." Only life insurance companies can provide life insurance.

② Non-life insurance (second sector)

Non-life insurance is insurance that pays insurance claims for the amount of damage incurred from unexpected accidents. Only non-life insurance companies can provide non-life insurance.

③ Third-sector insurance

Insurance such as personal accident insurance and medical insurance that pays insurance claims for personal injuries and illnesses and that cannot be labeled as either non-life or life insurance is known as "third-sector insurance." It can be provided by either non-life or life insurance companies.



Q. What are the differences between regular insurance and fraternal insurance?

Separate from the insurance of private-sector companies, there is "fraternal insurance" that is provided under a mutual aid system covering designated members of a group linking together persons of a certain type, such as those who live in a certain region or work in a certain industry.

In fraternal insurance, since the coverage (compensation) amounts are sometimes low, when joining, it is necessary to confirm that the compensation will meet your needs.

Q. How are insurance premiums determined?

The determination is based on statistical data.

Insurance premiums are determined by deriving fair amounts based on statistical data on past accidents and disasters. Here, we present three key concepts used: ① The law of large numbers, ② the principle of fairness, and ③ the principle of equivalence.

① The law of large numbers

Using "the law of large numbers," accident and disaster occurrence probabilities are calculated.

What is the law of large numbers?

If you roll a die (1 dice), a "one" may appear by chance, but if you continue to increase the number of times the die is rolled, the ratio of times that "one" appears will approach one time out of six. As in this case, when the number of trials is increased, the law of large numbers indicates that the results will approach a fixed value. When calculating the probability of accident occurrence, the probability can be forecast by analyzing large volumes of accident data rather than just looking at the accident percentages of a few cases.

② The principle of equity

In accordance with the "principle of equity," insurance premiums are determined in conformity with variations in occurrence probabilities. Under the principle of equity, everyone is treated impartially, so people with high accident probabilities pay high premiums and people with low accident probabilities pay low premiums. For example, insurance premiums for reinforced concrete homes are set lower because they are more fire resistant than wood homes.

③ The principle of equivalence

In accordance with the "principle of equivalence," total insurance premiums are to be the same as total insurance claims.

Specifically, the total premium amount (income) collected from policyholders is to be the same as the total claim amount (expenditures) that the insurance company pays out. The concept how insurance premium levels are determined is the principle of equivalence.

Glossary of Insurance Terminology

A

Alternative Risk Transfer (ART) Business

ART is a general term referring to the use of techniques other than traditional insurance policies to transfer risks, meaning to provide risk-bearing entities with coverage or protection. ART entails the use of financial technologies and capital markets to provide risk solutions. ART products include derivatives and securitized products, and the typical products include “weather derivatives” and “earthquake derivatives.”

Annualized Premiums

The insurance premium payment method differs depending on the insurance contract. An annualized premium is calculated by adjusting for these differences in payment methods and computing the yearly average paid in premiums. It indicates how much income an insurance company makes from insurance premiums in one year.

Annuity Certain

A type of annuity contract (or similar arrangement) that pays periodic income benefits for a stated period of time, regardless of whether the annuitant lives or dies. In the case that the beneficiary dies during the benefit payment period, the benefits corresponding to the remainder of the period are paid as a lump sum.

Asset Liability Management (ALM)

ALM is a general term for the comprehensive management of risks related to assets and liabilities. The value of most of the assets held by insurance companies and other financial institutions is affected by market prices (or market interest rates), in other words, they are at risk. A proper evaluation of risks and returns cannot focus on assets or liabilities alone – the ALM business management methodology seeks to maximize profit, while managing in a way that pays comprehensive attention to the risk and return of both assets and liabilities.

Assistance Business

Assistance business refers to business providing support for responses to emergency situations. This includes the dispatching of towing and road services to customers involved in automobile accidents or breakdowns, and it also may encompass such assistance as introductions to hospitals in the case that customers are injured or ill overseas.

Assumed Interest Rate

Insurance companies anticipate a certain level of profits from asset management and offer discounts on insurance premiums based on this. This discount rate is called the assumed interest rate.

C

Cancer Insurance

Cancer insurance policies provide hospitalization benefits and surgery benefits when beneficiaries are hospitalized or undergo surgery to treat cancer. There are products that provide “cancer outpatient benefits” to beneficiaries after they have been discharged from a hospital after having been hospitalized for a specified period of time, and there are products that provide “cancer hospital discharge benefits” or “cancer home care benefits” after they have been discharged from a hospital after having been hospitalized for a specified period of time.

Catastrophe Reserves

Most non-life insurance premium rates are set using the “law of large numbers,” but, in a given fiscal year, it is always possible that there will be a major typhoon or other large disaster causing damages on a scale that cannot be absorbed using premium income for that year alone. The catastrophe reserve is provided to prepare to respond to the temporary surge in claims associated with such disasters. For more details, see P49.

CAT Bond (Catastrophe Bond)

CAT bonds are securities sold by non-life insurance companies to investors to enable the insurance companies to avoid major losses owing to claims paid in connection with major disasters.

If there is no occurrence of a disaster on a scale surpassing previously stipulated criterion, then the CAT bonds’ interest and principal will be paid to the investors, but, in the case of such a disaster, the principal will be partially or entirely reduced.

Children's Insurance

Children's insurance provides for payments in step with a child's school entry and schooling progress along with payment on maturity. In principle, a parent is the policyholder and a child of the parent is the beneficiary. In the case that the policyholder dies, the subsequent premium payments are exempted. There are also forms of children's insurance called scholarship annuities and lump-sum benefit type children's insurance.

Combined Ratio

A combined ratio is an indicator that is the sum of the net loss ratio and the net expense ratio, and subtracting this ratio from 1 gives the underwriting balance ratio. Although the indicator is not adjusted to reflect outstanding claims and underwriting reserve, it reflects profitability for the fiscal period. Used only in the insurance industry, its concept is similar to that of the ratio of operating profit on sales of ordinary companies.

Commissions and Collection Expense

The total of agent commissions, insurance broker commissions, sales expense, collection expense, reinsurance commissions, and ceded premium commissions. (Note that ceded premium commissions, which are commission incomes pertaining to ceded reinsurance and retrocession premiums, are deductions.)

Compulsory Automobile Liability Insurance (CALI)

In order to provide relief to victims of automobile accidents, this is compulsory insurance that all motor vehicles must be enrolled in under law. Motorized bicycles are also subject to this requirement. Compulsory automobile liability insurance provides compensation in cases where other persons are killed or injured in traffic accidents, etc. Insurance claims are paid for loss compensation of the other persons. For more details, see P49.

Core Profit (Fundamental Profit)

Core profit is ordinary profit after adjustments for capital profits/(losses) and extraordinary income and losses, which represent profits and losses not stemming from principal business of life insurance companies; so, Core Profit is an indicator of the profitability of the Company's principal business operations during a fiscal year. The concept of Core Profit is close to those of ordinary companies' “operating income” and banks' “business income.”

Corporate Governance Code

The Corporate Governance Code is corporate governance principles that the Tokyo Stock Exchange is requiring its listed companies to comply with. (For more details, please consult the Tokyo Stock Exchange website)

[URL](http://www.jpex.co.jp/english/equities/listing/cg/03.html) <http://www.jpex.co.jp/english/equities/listing/cg/03.html>

Cross-Selling

Cross-selling refers to the concurrent selling of life insurance and non-life insurance products, such as in the case of a non-life insurance agent that sells life insurance products.

D

Direct Insurance

Direct insurance is a term used in contrast with reinsurance. When an insurance contract is reinsured, the original insurance that has been reinsured is called direct insurance.

It can also be used to refer to all the insurance contracts directly entered into with policyholders by the insurance company.

⇒ [Reinsurance](#)

Direct Premiums

The insurance premium received from policyholders by the insurance company as compensation for underwriting the insurance.

E

Earned-Incurred Loss Ratio (EI Loss Ratio)

After adjusting for provisions and reversals of loss reserves and ordinary policy liability reserves, the EI Loss Ratio is an indicator of the loss ratio on a current - period - occurrence basis.

It is calculated as follows. ⇒ [Net Loss Ratio](#)

- EI Loss Ratio = claims incurred ÷ premiums earned
- Claims incurred = period-end net claims paid + (period-end loss reserve – previous period-end loss reserve)
- Premiums earned = previous period-end unearned premiums + net premiums written for the period – period-end unearned premiums

Embedded Value (EV)

EV refers to the current value of net assets plus the current value of future profit expected from policies in force (policies in force value). Under current statutory accounting practices, the recognition of costs is concentrated at the time of sales, while the related profits are recognized in subsequent years; so, using those accounting practices to accurately evaluate corporate performance is difficult in some ways. Since EV encompasses an evaluation of the current value of future profit expected from policies in force, it is a useful indicator that can be used to supplement statutory accounting practices for the purpose of evaluating companies' performance and enterprise values.

While the Company has disclosed its EV for some time, since fiscal 2011, it has disclosed its EV calculated on the basis of the European Embedded Value principles (EEV principles*), and this type of EV is referred to as EEV. In addition, the Company's calculations of EEV employ a market-consistent approach to evaluating liability- and asset-related cash flows that is consistent with the financial products traded in markets.

* The EEV principles were instituted by a CFO Forum (comprised of the chief financial officers (CFOs of major European insurance companies)), in May 2004 with the goal of promoting a consistent EV calculation and disclosure method and thereby promoting an increase in transparency.

Enterprise Risk Management (ERM)

ERM refers to a process for determining and evaluating the risks associated with the execution of business operations by an enterprise in an integrated, comprehensive, and strategic manner. It is an integrated risk management method used for maximizing enterprise value. For more details, see P34-35.

Equity Ratio

The equity ratio is indicating the proportion of equity divided by total assets. Owing the application of accounting standards concerning financial products and inclusion of unrealized gains on securities within balance sheet figures, the equity ratio is also stated based on market value.

ESG

ESG refers to the three concepts of environmental, social, and governance (ESG). In ESG investing, the investor does not focus exclusively on the profit that can be earned from an investment, but goes on to consider the impact of the investment on the environment as well as on shareholders, customers, employees, local communities, and other stakeholders. ESG investing essentially entails carrying out CSR when making investment decisions.

Expected Mortality

Based on past statistics, gender-wise and age-wise mortality (or the number of those alive) is predicted, and this information is used for calculating the required amount of insurance premium for the future insurance payments. The mortality rate used in these calculations is called the expected mortality.

Expected Operating Expense Ratio

Life insurance companies anticipate all the expenses required for business operation such as concluding contracts, receiving premiums, maintaining and managing policies, and so on in advance. The sum of these expenses is divided by expected premium income to calculate the expected operating expense ratio.

F

Foreign Currency-Denominated Life Insurance

Foreign currency-denominated life insurance calls for the use of foreign currency (U.S. dollars, Euros, Australian dollars, etc.) to pay insurance premiums and the use of foreign currency to pay insurance benefits and reimbursements upon policy cancellations. A portion of such life insurance products as whole life insurance, endowment insurance, and fixed/variable individual annuities are sold as foreign currency-denominated products. When the foreign-currency benefits from such products are converted into yen, they will be impacted by foreign exchange rate fluctuations; so, there is a possibility that the yen-denominated benefits may end up being lower than the yen-denominated value of the premiums paid. The impact of foreign exchange rate fluctuations is referred to as "foreign exchange risk (foreign exchange rate fluctuation risk)," and policyholders and beneficiaries of foreign currency-denominated policies are exposed to those risks.

Full-Time Agents

Agents specializing in the sale of insurance. In the field of non-life insurance, in addition to specialized agents (professional agents), there are also automobile sales dealers, automobile repair shops, real estate agents, travel agents, and other sideline agents that sell insurance alongside their main line of business.

G

General Insurance Rating Organization of Japan

An insurance rating organization formed by the merger in July 2002 of the Property and Casualty Insurance Rating Organization of Japan (established 1948) and the Automobile Insurance Rating Organization of Japan (established 1964), which were established in accordance with the Act of Non-Life Insurance Rating Organizations.

It collects data from member insurance companies and calculates the Reference Loss Cost Rates for automobile insurance, fire insurance, personal accident insurance, and nursing care expense insurance, as well as Standard Rates for compulsory automobile liability insurance and earthquake insurance. It also handles loss adjustment work for compulsory automobile liability, collects insurance data, and conducts research and analysis.

Gross Written Premium

Gross written premium represent the premiums written that were received from direct insurance contracts and reinsurance contracts during one fiscal year; they are the premiums written prior to the deduction of reinsurance premiums ceded via reinsurance contracts.

Group Core Profit

Group Core Profit, which is a numerical management target within the Next Challenge 2017 medium-term management plan, is calculated as follows.

$$\text{Group Core Profit} = \text{Consolidated net income} - \text{Net capital gains/losses on stock portfolio (gains/losses on sales, etc.)} - \text{Net evaluation gains/losses on credit derivatives} - \text{Other incidental factors} + \text{Equity in earnings of the non-consolidated Group companies}$$

Group Return on Equity (Group ROE)

Group ROE, which is a numerical management target within the Next Challenge 2017 medium-term management plan, is calculated as follows.

$$\text{Group ROE} = \text{Group Core Profit} \div \text{Consolidated total net assets excluding non-controlling interests (average of beginning and ending amounts of B/S)}$$

I

Important Matters

These are matters that are essential for the policyholder to know in order to be able to make rational judgments when entering into an insurance contract. They include information necessary for understanding the details of insurance products (a summary of the contract) and information that the insurance company must caution or alert the policyholder about.

Income Guarantee Insurance

A type of insurance under which pension can be claimed after the policyholder's death for the full term of the insurance as decided at the time of entering the contract. The number of times pension can be claimed depends on the time of death of the policyholder. The minimum number of times pension can be claimed is guaranteed. If the number of times pension has been claimed before maturity is less than the guaranteed minimum, the remaining number of times can be claimed.

Incurred but Not Reported Loss (IBNR)

IBNR is the portion of underwriting reserves corresponding to claims that have incurred but had not been reported to the company at the end of the period. IBNR is estimated using statistical methods. [☞ Ordinary Outstanding Claims Reserve](#)

Individual Annuity Insurance

Annuity insurance is a financial product used to save premiums and thereby fund the payment of future annuities, and individual annuity insurance is an annuity insurance product provided by private-sector life insurance companies. The annuities are received after the beneficiary reaches an age specified in the policy contract. There are several kinds of individual annuity insurance products defined based on the annuity receipt period, such as whole life annuity with a guarantee period, annuity certain, fixed-term annuity with a guarantee period, and a husband-and-wife annuity.

Insurance Business Act

The Insurance Business Act is a law that was enacted to promote the protection of policyholders through ensuring sound and appropriate business operations of insurance companies and fair solicitation of insurance policies. The act lays down organizational and operational rules for insurance businesses, as well as defining the criteria for the administration and supervision of insurance companies, and determining the supervision standards and authorities of government units overseeing insurance business operations.

Insurance Claim (Benefit)

(In the case of non-life insurance) the sum of money paid by an insurance company to the insured person based on the amount of damage incurred as a result of an insured event. (In the case of life insurance) the sum of money decided beforehand in the insurance contract paid by the insurance company upon the maturity of the contract to the designated beneficiary, in the event of illness or death of the insured person.

Insurance Policy

This is a document handed over by the insurance company to the policyholder upon conclusion of the insurance contract. It certifies the conclusion of the contract and its details.

Insurance Premium

A sum of money received by an insurance company from an insurance policyholder as compensation for covering the risks faced by the insured.

Insurance Rate

It is a ratio used in the calculation of the insurance premium and is expressed as the insurance premium amount per unit insured amount. For example, in the case of a ¥1 insurance premium amount per ¥1,000 insurance amount, the insurance rate could be expressed as "1 per mille."

Insured Amount

In the case of non-life insurance, the insured amount to be paid by the insurance company in the event of an insured event occurring is decided based on the amount of the damage incurred, but an upper limit is set on this amount. This amount is the insured amount. It is fixed based on the contract entered into between the policyholder and the insurance company.

Investment Yield

Income-base investment yield is calculated using the following numerator and denominator.

Numerator = interest and dividend income as well as money trust income
Denominator = average balance of acquisition cost or amortized cost

J

Japanese Version of the Stewardship Code

This is a set of principles released by the Financial Services Agency directed at institutional investors who own shares in companies. (For details, please see the Financial Services Agency website.)

[URL] <http://www.fsa.go.jp/en/refer/councils/stewardship/>

L

Law of Large Numbers

Please see P44.

Life Insurance Professional

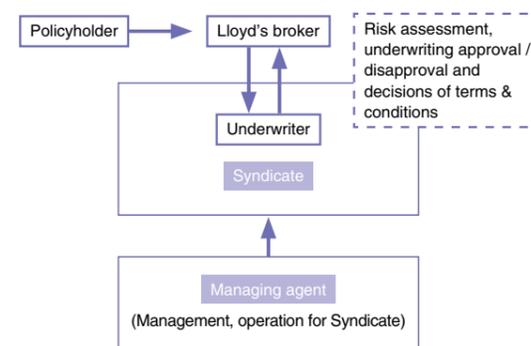
An agent specializing in life insurance or selling life insurance as its main business.

Lloyd's (Insurance Market)

This is the generic name for an insurance market established in London in the 17th century, having over a 300-year history. On a day-to-day basis, huge and complex risks are brought to Lloyd's, where that risk is assessed, premiums decided, and insurance underwritten by underwriters who have a high level of specialized expertise and who belong to individual syndicates (the risk underwriting bodies at Lloyd's).

Lloyd's is under the supervision of the British regulatory authorities as well as the rigorous management and supervisory system of Lloyd's itself, and it is not easy to become a Lloyd's member (syndicate fund contributor) or establish a syndicate as many strict requirements must be satisfied.

As of the end of December 2015, Lloyd's had 97 syndicates and 59 managing agents registered. The fiscal 2015 gross written premiums of the Lloyd's market as a whole were approximately 26.7 billion British pounds.



Long-Term Care Insurance (Nursing Care Insurance)

Long-Term Care Insurance is a kind of insurance that can provide benefits for the purpose of providing long-term nursing care. In Japan, there exist both public long-term care insurance and private long-term care insurance products. Among the latter type of products, there are products that will provide a lump-sum benefit and/or annuities in cases the beneficiary requires nursing due to being bedridden or suffering dementia for a specified period of time. There are also products that will provide a lump-sum benefit and/or annuities based on the public long-term care insurance system's primary nursing care requirement authorization.

Loss Adjustment Expense

Loss adjustment expense refers to the personnel expenses and non-personnel expenses (including depreciation costs) as well as various taxes related to the loss adjustment and insurance claim payment operations.

M

Marine/Non-Marine Insurance

Marine insurance includes hull insurance, cargo insurance, and transit insurance. Non-marine insurance refers to insurance products other than Marine insurance and includes categories such as fire insurance, automobile insurance, personal accident insurance, and other new insurance products.

Maturity Refund

In savings-type insurance, if the contract has remained valid and continued to maturity, and insurance premium payments have been completed, the maturity refund is the money paid at maturity to the policyholder by the insurance company. The amount paid is predetermined at the time of entering the contract.

Medical Insurance

Medical insurance provides benefits to policyholders when they are hospitalized due to illness or injury or undergo specified types of surgical operations. Some medical insurance policies also provide death benefits on the decease of the beneficiary, but the amount of such benefits is generally small.

Motor Channel Agent

These are sideline agents that sell insurance as a side business but are mainly automobile repair shops, used car sales dealers, or automobile-related service providers, or motorbike shops. Automobile dealerships that also sell insurance are excluded from this category.

N

Net Claims Paid

Net claims paid is obtained by totaling (adding or subtracting as indicated) items ① to ④ listed to the right, and plainly shows the amount of insurance claims paid. The payment of insurance claims is the main expenditure involved in the non-life insurance business.

- ① Direct claims paid
 -) ② Reinsurance claims ceded
 - +) ③ Reinsurance claims paid
 -) ④ Retrocession claims ceded
 - ⑤ Net claims paid
- (Income statement item)

Net Expense Ratio

The net expense ratio is obtained by adding the commissions and collection expense to operating expenses and general administrative expenses incurred in the insurance underwriting business, and dividing this by net premiums written. It is an indicator of the operational efficiency of an insurance company. The net expense ratio can also be called simply "expense ratio."

Net Loss Ratio

The net loss ratio is obtained by adding net claims paid and loss adjustment expenses, and dividing this by net premiums written, and it indicates the company's insurance underwriting business performance. It can also be called "published loss ratio" or "loss ratio."

The net loss ratio is what is called a "written paid basis" indicator, as it can be calculated based simply on written premium and paid claims during the accounting period in question. [Earned-Incurred Loss Ratio \(EI Loss Ratio\)](#)

Net Premiums Written

Net premiums written is obtained by totaling (adding or subtracting as indicated) items ① to ④ listed to the right, and plainly shows the income earned from the non-life insurance business (excluding deposit premiums from policyholders).

- | | |
|----|--------------------------------|
| | ① Direct premiums written |
| -) | ② Reinsurance premiums ceded |
| + | ③ Reinsurance premiums written |
| -) | ④ Retrocession premiums ceded |
| | ⑤ Net premiums written |
| | (Income statement item) |

Non-Fleet Grade System (Automobile Insurance)

This is a system of insurance premium discounts and surcharges based on the accident history applied to non-fleet contracts. The term non-fleet contracts refers to contracts where the total number of contract automobiles owned and used by the policyholder (the number of contracts with other insurance companies included) is nine or less. (Cases where the number of automobiles is 10 or more are referred to as "fleet contracts.") The grades are divided into 20 levels (grade 1 to grade 20), and the grade is maintained even if the insurance company changes.

For more details, see P49.

O

Ordinary Outstanding Claims Reserve

Ordinary outstanding claims reserve is a type of outstanding claims reserve set aside based on an estimation of future liability of individual claims that have occurred and reported but not yet been settled. [Incurred but Not Reported Loss \(IBNR\)](#)

Ordinary Underwriting Reserves

The amount of unearned premiums (premium reserve) or the initial year balance, whichever is greater, is set aside as a liability reserve and called "ordinary underwriting reserve."

Unearned premiums (premium reserve): insurance premiums corresponding to the time period remaining on an insurance policy, collected beforehand.

Initial year balance: premiums received during the fiscal year less claims paid, reserves for outstanding claims, and other expenses incurred under those contracts.

Outstanding Claims

When an accident has occurred prior to the balance sheet date and the related claim has not been paid, provisions are made to the outstanding claims to fund the claim payment.

P

Policies in Force

The outstanding amount of valid insurance policies owned by an insurance company at the end of the fiscal year. It is an indication of the grand total amount (of insurance, etc.) guaranteed to policyholders.

Policy Clauses

The policy clauses define the details of the insurance contract, including the policyholder's obligation to pay the insurance premium and duty of disclosure, as well as the payment amount and terms and conditions of payment by the insurance company. There are two kinds of policy clauses – common policy clauses, which are common to all insurance contracts of the same type, and special policy clauses (clauses containing special policy conditions), which are customized for individual contracts by adding to or changing/limiting some of the provisions in the common policy clauses.

Policyholder

The party applying to an insurance company for an insurance contract is called the policyholder. The policyholder is obliged to pay the insurance premium once the contract is concluded.

Policyholder Dividends

Regarding the deposit premium of saving-type insurance (or asset-building-type insurance with dividends), in the case that the insurance company generates investment income exceeding a stipulated interest rate, the company will pay policyholder dividends to beneficiaries along with benefits on the policy maturity refund.

Policy Reserve

This is the reserve set aside by the insurance company at the period-end closing of accounts so that it can fulfill its obligation to pay insurance claims based on insurance contracts. It includes outstanding claims and underwriting reserves, and policyholder dividend reserves.

R

Reinsurance

When an insurance company seeking to disperse risk which an insurance company underwrote the responsibility for insurance policies it has written to another insurance company, that is called reinsurance. [Direct Insurance](#)

Reinsurance Premium

An insurance premium received from another insurance company via a reinsurance contract in return for underwriting a part of the risk.

Reinsurance Premium Ceded

An insurance premium paid to another insurance company via a reinsurance contract in return for covering a part of the risk of the original insurance contract, for purposes such as risk diversification.

Reserve for Price Fluctuation

In accordance with the Insurance Business Act revised in 1996, this reserve is provided to cover losses incurred from future decreases in prices of assets such as stocks and bonds whose value is likely to fluctuate.

Retrocession Premium

When a reinsurance company reinsures a certain portion of the accepted reinsurance risks to other reinsurers, a reinsurance company pays a retrocession premium to other reinsurers based on the retrocession contracts.

S

Solvency Margin Ratio

This is the solvency margin of an insurance company, including its capital and reserves, seen as a percentage of a risk amount greater than what can be ordinarily expected, which may include catastrophic disasters or a massive drop in the price of owned assets. It is an indicator of the soundness of the company's management.

Solvency margin ratio = solvency margin ÷ half of total risk amount greater than what can be ordinarily expected

T

Telematics

A combination of "telecommunication" and "informatics," telematics refers to information services provided by equipping automobiles and other mobile objects with communications systems.

Telematics Automobile Insurance refers to the automobile insurance with the premium rates calculated based on the collected data which is relating to the driver's driving tendency such as miles driven, drivers' use of accelerator and brake functions.

Term Insurance

A type of insurance, where the term of the insurance is fixed and the insurance benefits can be claimed only if the policyholder dies during the term. There are no maturity proceeds. This is ordinarily a fixed-amount insurance, where the insurance amount is fixed and remains unchanged throughout the term of insurance, but it could also be a decreasing term insurance, where the insurance premium is fixed and the insurance amount progressively decreases over the insurance term, and increasing term insurance, where the insurance amount increases over the duration of the insurance term.

[Whole Life Insurance](#)

Third Sector

This is the third "sector" of insurance, positioned somewhere in between the first sector (life insurance) and second sector (non-life insurance), and includes many different types of insurance, such as medical insurance, cancer insurance, nursing care insurance, and accident insurance.

U

Underwriting Profit (Loss)

Claims payment and loss adjustment expenses, maturity refunds and other underwriting expenses, and operating expenses and other general administrative expenses required for insurance underwriting are subtracted from net premiums written and other underwriting profit, and this is then adjusted to reflect other income and expenditure (such as expenses associated with compulsory automobile liability insurance, etc., corresponding to corporate taxes) to calculate underwriting profit (loss).

As for non-life insurance companies, the principal revenue sources are underwriting income and investment income, and underwriting profit indicates the profitability level of underwriting operations.

Underwriting Reserves

This is the general term for reserve funds set aside by insurance companies based on the legal requirement, for use toward insurance claims payments and other insurance related obligations that could arise in the future. Underwriting reserves are broadly classified into five types.

(1) ordinary underwriting reserves, (2) catastrophe reserves, (3) contingency reserves, (4) refund reserves, and (5) policyholder dividend reserves

V

Variable Individual Annuities

This is a type of individual annuity where the insurance amount varies in the same manner as in a variable insurance, i.e., depending on the performance of the investment fund (the investment risk is borne by the individual policyholder).

Variable Insurance

This is an insurance product where the premium is invested in stocks, bonds, and other assets, and the insurance payment or payout upon cancellation varies depending on the performance of the investment. The investment risk (the risk fluctuation in pension or cancellation payout) is borne by the individual policyholder. When the policyholder dies, the beneficiary can claim the basic insurance + variable insurance. The basic insurance is a minimum amount guaranteed to the policyholder irrespective of the investment fund's performance. Even when the variable insurance is negative, the basic insurance can be claimed.

W

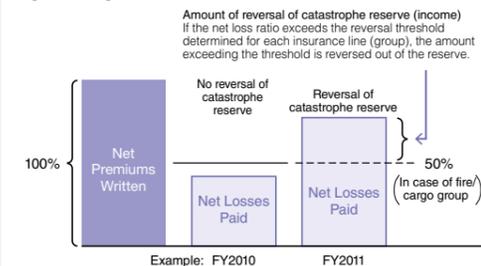
Whole Life Insurance

Of the types of insurance providing for the receipt of death benefits on death, this is a type that is not for a fixed period but continues for a lifetime and does not have benefits on maturity. [Term Insurance](#)

Catastrophe Reserves

- These are reserves that insurance companies set aside to prepare for major disasters (typhoons, earthquakes, etc.) for which the "law of large numbers" does not function.
- The funds are accumulated as reserves (expense posted) at a certain percentage of each fiscal year's net premiums written.
- If a fiscal year's loss ratio (ratio of net losses paid to net premiums written) exceeds a certain threshold, reserves are reversed and posted as income.
- This is one of the mechanisms used to mitigate the impact on an insurance company's fiscal year profit and to guarantee it has a suitable capacity to pay insurance claims.

【Illustration】



Note: The subject of the reversal calculation is net loss paid; outstanding loss reserves are not included in the loss ratio calculation.

Compulsory Automobile Liability Insurance

- The aim of this insurance is to protect victims of automobile accidents. Under the Automobile Liability Security Act, this is compulsory insurance for all motor vehicles (including motorized bicycles).
- Since this insurance is based on legal requirements, the compensation and premiums do not vary among insurance companies, and insurance company profits are not generated.
- Since this insurance provides compensation only for damage liability (bodily injury liability) in cases of the death or injury of the other person, damage liability with respect to the person's own bodily injury and the other person's property (property damage liability) are not covered.



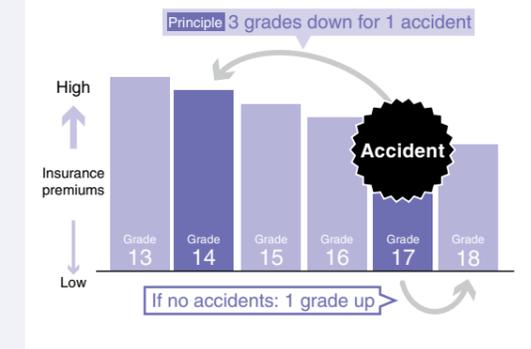
Non-Fleet Grade System (Automobile Insurance)

- This system applies discount percentages to grades defined from grade 1 to grade 20.

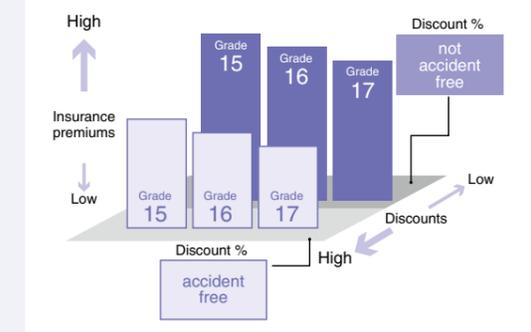


- When the contract is first concluded, the customer starts at Grade 6 (or Grade 7) and then rises by a one-grade increment if there are no accidents.
- If there is an accident, the grade drops by three-grade increments, and, at renewal time, the grade, in principle, drops by three-grade increments per accident*.

*Depending on the accident type and the type of claim received, there are cases where the grade drops by only a one-grade increment and cases where the matter is not counted as an accident.

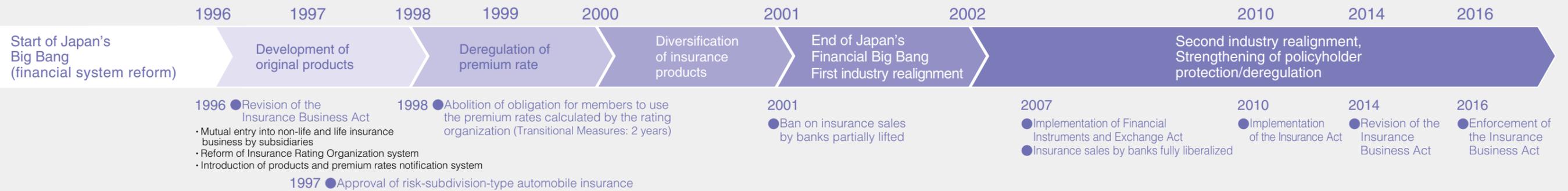


- Even at the same grade, discount percentages differ, depending on whether there have been accidents in the past. When "accidents exist," insurance premiums are set higher than when "no accidents exist."

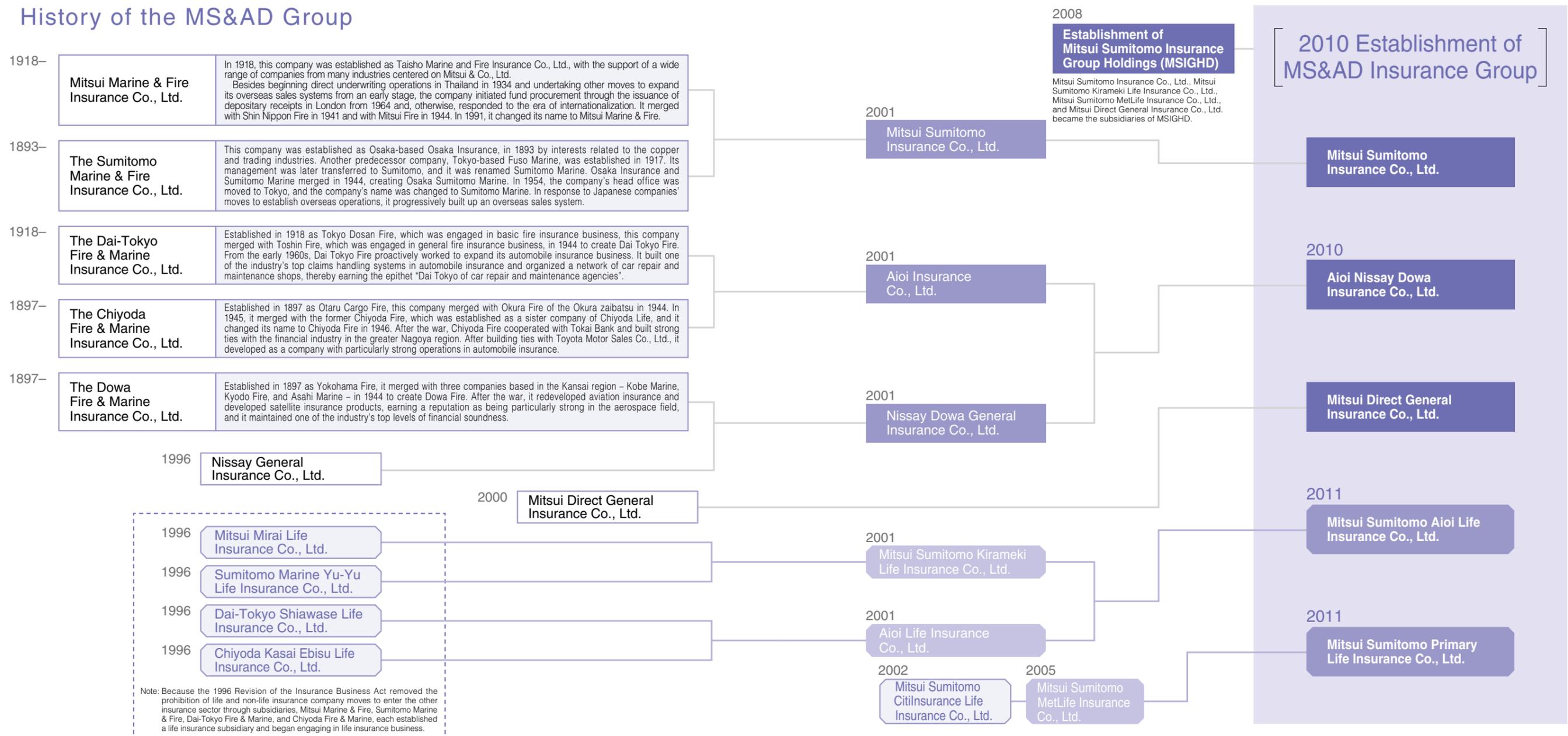


History of the MS&AD Group

Major events in the insurance industry



History of the MS&AD Group



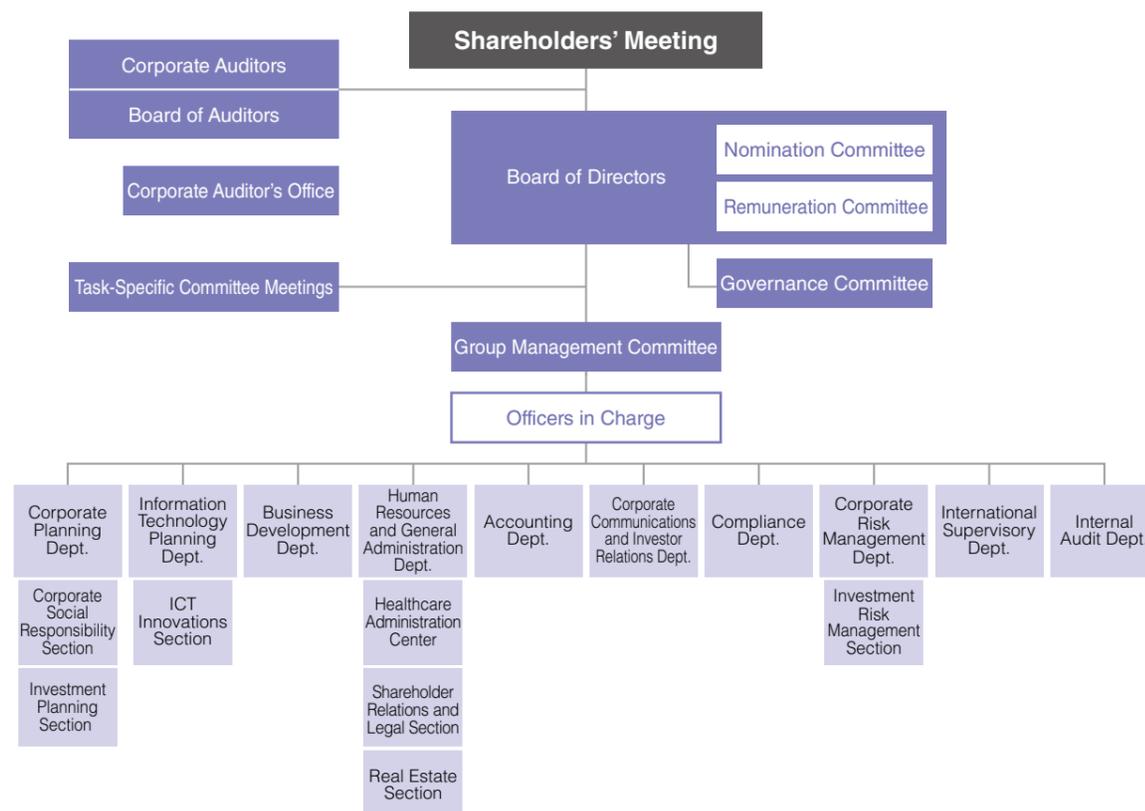
Corporate Profile

MS&AD Insurance Group Holdings is an insurance holding company. The Company controls the entire MS&AD Insurance Group, planning strategies and allocating management resources across the Group, as well as monitoring and overseeing Group companies. The Company has thus established a system for Group corporate governance.

The Company will be the force to maximize the total potential of the Group, forming the center of efforts to raise the level of management control, pursue Group synergies, accelerate decision making, and develop human assets through various business frameworks and personnel systems.

Corporate name	MS&AD Insurance Group Holdings, Inc.
Date established	April 1, 2008 (Name changed on April 1, 2010)
Headquarters	27-2, Shinkawa 2-chome, Chuo-ku, Tokyo, Japan
Representative	Representative Director, President & CEO Yasuyoshi Karasawa
Paid-in capital	¥100,000 million
Number of employees	305 (40,617 on a consolidated basis) *As of March 31, 2016
Business description	Our activities as an insurance holding company are: 1. Management of non-life and life insurance companies and companies qualified to become subsidiaries under the Insurance Business Act. 2. Any business associated with the above.
Stock Listings	Tokyo Stock Exchange (First Section) Nagoya Stock Exchange (First Section)

MS&AD Insurance Group Holdings, Inc. / Organizational Chart



Stock and Shareholders

(As of March 31, 2016)

1. Summary of Issued Shares

① Class of Stock	Common stock	② Total Number of Authorized Shares	900,000,000
③ Total Number of Issued Shares	633,291,754	④ Number of Shareholders	63,619

2. Shareholding Profile

① Breakdown by Sector

Item	Japanese Financial Institutions	Japanese Securities Companies	Other Japanese Companies	Foreign Companies and Individuals	Japanese Individuals and Others	Total
Number of Shareholders	168	56	1,594	694	61,107	63,619
Number of Shares Held (millions)	195.06	12.49	101.36	239.76	84.60	633.29
Percentage of Shares Issued	30.8%	2.0%	16.0%	37.9%	13.3%	100.0%

② Breakdown by Number of Shares Held

Item	1-99	100-999	1,000-9,999	10,000-99,999	100,000 and Over	Total
Number of Shareholders	19,059	31,656	11,629	879	396	63,619
Percentage of All Shareholders	30.0%	49.7%	18.3%	1.4%	0.6%	100.0%

③ Breakdown by Region

Item	Hokkaido	Tohoku	Kanto	Chubu	Kinki	Chugoku	Shikoku	Kyushu	Overseas	Total
Number of Shares (millions)	2.08	2.79	293.96	68.16	19.92	2.72	2.67	2.23	238.73	633.29
Percentage of Shares Issued	0.3%	0.4%	46.4%	10.8%	3.2%	0.4%	0.4%	0.4%	37.7%	100.0%

3. Major Shareholders

Shareholder Name	Address	Number of Shares Held (in thousands)	Percentage to Shares Issued (%)
Toyota Motor Corporation	1, Toyota-cho, Toyota-city, Aichi Prefecture	52,610	8.31
NIPPON LIFE INSURANCE COMPANY	1-6-6, Marunouchi, Chiyoda-ku, Tokyo c/o Nippon Life Securities Operations Department	36,325	5.74
The Master Trust Bank of Japan, Ltd. (Trust account)	2-11-3, Hamamatsu-cho, Minato-ku, Tokyo	27,615	4.36
Japan Trustee Services Bank, Ltd. (Trust account)	1-8-11, Harumi, Chuo-ku, Tokyo	25,736	4.06
STATE STREET BANK AND TRUST COMPANY (Standing agent: The Hong Kong and Shanghai Banking Corporation Limited, Tokyo Branch)	One Lincoln Street, Boston, MA 02111, U.S.A. (3-11-1, Nihonbashi, Chuo-ku, Tokyo)	18,045	2.85
CBNY - GOVERNMENT OF NORWAY (Standing agent: Citibank Japan Ltd.)	388 Greenwich Street, New York, NY 10013, U.S.A. (6-27-30, Shinjuku, Shinjuku-ku, Tokyo)	11,306	1.79
MELLON BANK, N.A. AS AGENT FOR ITS CLIENT MELLON OMNIBUS US PENSION (Standing agent: Corporate Financial Sales Div., Mizuho Corporate Bank, Ltd.)	One Boston Place, Boston, MA 02108, U.S.A. (Shinagawa Intercity A Wing, 2-15-1 Konan, Minato-ku, Tokyo)	10,475	1.65
STATE STREET BANK AND TRUST COMPANY 505225 (Standing agent: Corporate Financial Sales Div., Mizuho Corporate Bank, Ltd.)	P.O. BOX 351 Boston, Massachusetts 02101, U.S.A. (Shinagawa Intercity A Wing, 2-15-1 Konan, Minato-ku, Tokyo)	9,738	1.54
STATE STREET BANK WEST CLIENT - TREATY 505234 (Standing agent: Corporate Financial Sales Div., Mizuho Corporate Bank, Ltd.)	1776 Heritage Drive, North Quincy, MA 02171, U.S.A. (Shinagawa Intercity A Wing, 2-15-1 Konan, Minato-ku, Tokyo)	7,500	1.18
Japan Trustee Services Bank, Ltd. (Trust account 7)	1-8-11, Harumi, Chuo-ku, Tokyo	7,400	1.17
Total		206,755	32.65

Note: Apart from the shares shown above, the Company holds 29,618 thousand shares (4.68%) as treasury stock.

4. Changes in Total Number of Issued Shares, Paid-in Capital, etc.

Date	Issued Shares		Paid-in Capital		Capital Reserves	
	Increase	Balance	Increase	Balance	Increase	Balance
April 1, 2010	211,971 thousand	633,291 thousand	–	¥100,000 million	¥550,064 million	¥729,255 million

Note: The increases in the total number of issued shares and capital reserves were due to the issue of new shares at the time of an exchange of shares between the Company and both Aioi and NDI.

5. Basic Information

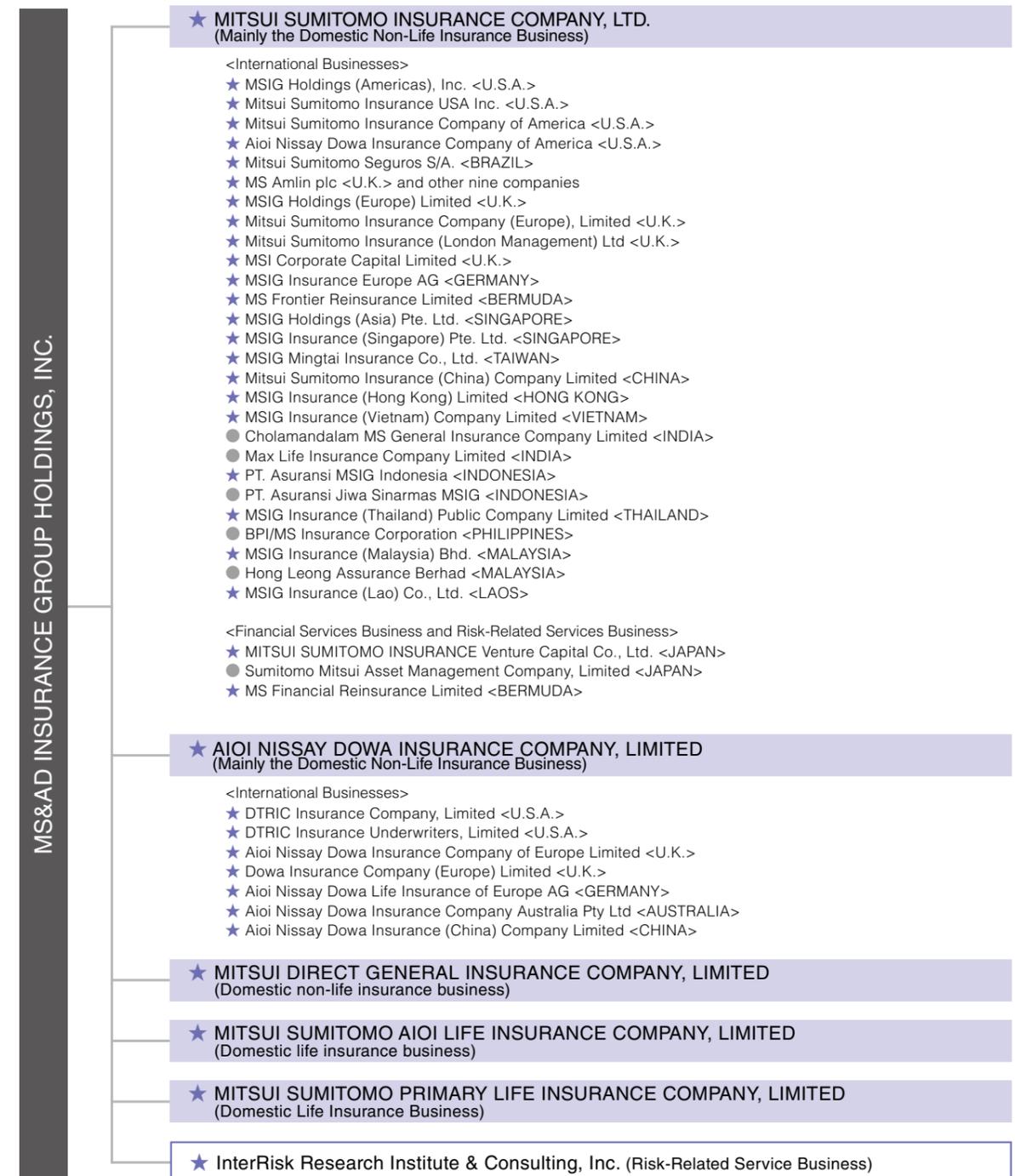
1 Fiscal Year	April 1 to March 31 of the following year
2 Annual Shareholders' Meeting	Within 3 months of the end of each fiscal year
3 Record Date	Ordinary General Meeting of Shareholders: March 31, every year Year-end dividends: March 31, every year Interim dividends: September 30, every year
4 Method of Public Notification	Electronic reporting can be found online at http://www.ms-ad-hd.com/ir/notification/index.html (Japanese only) In the event of an incident or other event that prevents electronic reporting, the Company will publish its notifications in the Nikkei newspaper.
5 Stock Exchange Listings	Tokyo Stock Exchange and Nagoya Stock Exchange (First Section)
6 Administrator of Shareholders' Registry	Sumitomo Mitsui Trust Bank, Limited Place of Business of Administrator of Shareholders' Registry: Sumitomo Mitsui Trust Bank, Limited, Stock Transfer Agency Dept. (1-4-1, Marunouchi, Chiyoda-ku, Tokyo, Japan)
Special Account Management Institution:	Sumitomo Mitsui Trust Bank, Limited*
(Postal Address)	Sumitomo Mitsui Trust Bank, Limited, Stock Transfer Agency Dept. (2-8-4, Izumi, Suginami-ku, Tokyo 168-0063, Japan)
Telephone Inquiry	0120-782-031

* Following a share exchange effective April 1, 2010, the Company inherited the responsibility for a special account that was established on the same day for the shareholders of Aioi and NDI. As a result, the special account management institution for prior shareholders of these two companies will continue to be Mitsubishi UFJ Trust and Banking Corporation (1-4-5, Marunouchi, Chiyoda-ku, Tokyo).

Group Business Schematic

(As of March 31, 2016)

The primary businesses undertaken by MS&AD Holdings and its Group companies (subsidiaries and affiliates), and the main Group companies undertaking each business, are listed below.



Note: The above shows the primary consolidated subsidiaries and other entities in each business.
The ★ and ● symbols indicate the following: ★: Consolidated subsidiary ●: Equity-method affiliate

Main Subsidiaries

1 CONSOLIDATED SUBSIDIARIES

Name of Company	Location	Date of Incorporation	Principal Business	Paid-in Capital	Voting Rights of MS&AD Holdings (%)	Voting Rights of Subsidiaries (%)
Mitsui Sumitomo Insurance Co., Ltd.	Chiyoda-ku, Tokyo	Oct. 21, 1918	Domestic non-life insurance	¥139,595 million	100.0%	–
Aioi Nissay Dowa Insurance Co., Ltd.	Shibuya-ku, Tokyo	June 30, 1918	Domestic non-life insurance	¥100,005 million	100.0%	–
Mitsui Direct General Insurance Co., Ltd.	Bunkyo-ku, Tokyo	June 3, 1999	Domestic non-life insurance	¥35,101 million	79.5%	–
au Insurance Company, Limited	Shibuya-ku, Tokyo	Feb. 23, 2010	Domestic non-life insurance	¥2,400 million	–	66.6%
Mitsui Sumitomo Aioi Life Insurance Co., Ltd.	Chuo-ku, Tokyo	Aug. 8, 1996	Domestic life insurance	¥35,500 million	100.0%	–
Mitsui Sumitomo Primary Life Insurance Co., Ltd.	Chuo-ku, Tokyo	Sept. 7, 2001	Domestic life insurance	¥41,060 million	100.0%	–
MITSUI SUMITOMO INSURANCE Venture Capital Co., Ltd.	Chuo-ku, Tokyo	Dec. 6, 1990	Financial services	¥1,000 million	–	100.0%
InterRisk Research Institute & Consulting, Inc.	Chiyoda-ku, Tokyo	Jan. 4, 1993	Risk-related services	¥330 million	50.0%	50.0%
MSIG Holdings (Americas), Inc.	New York, U.S.A.	Oct. 21, 1988	International	US\$4,126 thousand	–	100.0%
Mitsui Sumitomo Insurance USA Inc.	New York, U.S.A.	Jan. 28, 1988	International	US\$5,000 thousand	–	100.0%
Mitsui Sumitomo Insurance Company of America	New York, U.S.A.	Mar. 29, 2001	International	US\$5,000 thousand	–	100.0%
Aioi Nissay Dowa Insurance Company of America	New York, U.S.A.	Jan. 11, 1994	International	US\$5,000 thousand	–	100.0%
DTRIC Insurance Company, Limited	Honolulu, U.S.A.	Dec. 12, 1978	International	US\$2,500 thousand	–	74.8%
DTRIC Insurance Underwriters, Limited	Honolulu, U.S.A.	Feb. 2, 2007	International	US\$2,500 thousand	–	100.0%
Mitsui Sumitomo Seguros S/A.	São Paulo, Brazil	Dec. 15, 1965	International	BRL619,756 thousand	–	100.0%
MS Amlin plc	London, U.K.	Sept. 17, 1993	International	UK£142,791 thousand	–	100.0%
Amlin Corporate Services Limited	London, U.K.	Aug. 1, 1988	International	UK£16 thousand	–	100.0%
Amlin Corporate Member Limited	London, U.K.	Sept. 19, 1994	International	UK£1,700 thousand	–	100.0%
Amlin Underwriting Limited	London, U.K.	Nov. 29, 1988	International	UK£400 thousand	–	100.0%
Amlin Investments Limited	London, U.K.	May 12, 1998	International	UK£149,029 thousand	–	100.0%
Ms Amlin (Overseas Holdings) Limited	London, U.K.	Aug. 24, 2005	International	UK£75,000 thousand	–	100.0%
Amlin Insurance SE	London, U.K.	Jan. 4, 2016	International	UK£1,164 thousand	–	100.0%
MSIG Holdings (Europe) Limited	London, U.K.	Mar. 7, 2000	International	UK£140,843 thousand	–	100.0%
Mitsui Sumitomo Insurance Company (Europe), Limited	London, U.K.	July 28, 1972	International	UK£160,900 thousand	–	100.0%
Mitsui Sumitomo Insurance (London Management) Ltd	London, U.K.	Jan. 6, 2000	International	UK£35,960 thousand	–	100.0%
MSI Corporate Capital Limited	London, U.K.	Jan. 7, 2000	International	UK£5,200 thousand	–	100.0%
Aioi Nissay Dowa Insurance Company of Europe Limited	London, U.K.	Nov. 12, 2004	International	UK£368,756 thousand	–	100.0%
Dowa Insurance Company (Europe) Limited	London, U.K.	Nov. 28, 1975	International	UK£10,000 thousand	–	100.0%
Amlin AG	Zurich, Switzerland	Aug. 19, 2010	International	CHF10,000 thousand	–	100.0%
MSIG Insurance Europe AG	Koeln, Germany	Apr. 20, 2012	International	€84,000 thousand	–	100.0%
Aioi Nissay Dowa Life Insurance of Europe AG	Ismaning, Germany	Dec. 8, 2005	International	€5,000 thousand	–	100.0%
MS Frontier Reinsurance Limited	Hamilton, Bermuda	Sept. 9, 1997	International	US\$294,588 thousand	–	100.0%
MS Financial Reinsurance Limited	Hamilton, Bermuda	Nov. 21, 2011	Financial services	¥46 million	–	100.0%
Amlin Bermuda Holdings, Ltd.	Hamilton, Bermuda	Oct. 28, 2005	International	UK£350,207 thousand	–	100.0%
Solo Absolute Bonds and Currency Fund	Paris, France	June 10, 2011	International	€747,299 thousand	–	100.0%
MSIG Holdings (Asia) Pte. Ltd.	Singapore, Singapore	Sept. 23, 2004	International	S\$1,075 million	–	100.0%
MSIG Insurance (Singapore) Pte. Ltd.	Singapore, Singapore	Sept. 23, 2004	International	S\$333,442 thousand	–	100.0%
Aioi Nissay Dowa Insurance Company Australia Pty Ltd	Melbourne, Australia	Aug. 1, 2008	International	A\$75,800 thousand	–	100.0%
MSIG Mingtai Insurance Co., Ltd.	Taipei, Taiwan	Sept. 22, 1961	International	NT\$2,535 million	–	100.0%
Mitsui Sumitomo Insurance (China) Company Limited	Shanghai, P.R.C.	Sept. 6, 2007	International	RMB500,000 thousand	–	100.0%

Name of Company	Location	Date of Incorporation	Principal Business	Paid-in Capital	Voting Rights of MS&AD Holdings (%)	Voting Rights of Subsidiaries (%)
Aioi Nissay Dowa Insurance (China) Company Limited	Tianjin, P.R.C.	Jan. 23, 2009	International	RMB625,000 thousand	–	100.0%
MSIG Insurance (Hong Kong) Limited	Hong Kong, P.R.C.	Sept. 8, 2004	International	HK\$1,625 million	–	100.0%
MSIG Insurance (Vietnam) Company Limited	Hanoi, Vietnam	Feb. 2, 2009	International	VND300,000 million	–	100.0%
PT. Asuransi MSIG Indonesia	Jakarta, Indonesia	Dec. 17, 1975	International	IDR100,000 million	–	80.0%
MSIG Insurance (Thailand) Public Company Limited	Bangkok, Thailand	Apr. 14, 1983	International	THB142,666 thousand	–	86.4%
MSIG Insurance (Malaysia) Bhd.	Kuala Lumpur, Malaysia	Apr. 28, 1979	International	MYR333,142 thousand	–	65.4% [1.4%]
MSIG Insurance (Lao) Co., Ltd.	Vientiane, Laos	Sept. 18, 2009	International	US\$2,000 thousand	–	51.0%
MSC Corporation	Grand Cayman, Cayman Islands	Nov. 3, 2006	Financial services	US\$1,000	–	[100.0%]
71 other companies						

Notes: 1. Figures in square brackets [] represent the percentage of voting rights belonging to closely allied entities or entities who are in agreement with MS&AD on voting issues.
2. Although the voting rights held in MSC Corporation are below 50%, that company is considered a subsidiary because the Group has effective control of that company.

2 EQUITY-METHOD AFFILIATES

Name of Company	Location	Date of Incorporation	Principal Business	Paid-in Capital	Voting Rights of MS&AD Holdings (%)	Voting Rights of Subsidiaries (%)
Sumitomo Mitsui Asset Management Company, Limited	Minato-ku, Tokyo	July 15, 1985	Financial services	¥2,000 million	–	27.5%
Cholamandalam MS General Insurance Company Limited	Chennai, India	Nov. 2, 2001	International	INR2,988 million	–	40.0%
Max Life Insurance Company Limited	New Delhi, India	July 11, 2000	International	INR19,188 million	–	25.0%
PT. Asuransi Jiwa Sinarmas MSIG	Jakarta, Indonesia	July 17, 1984	International	IDR105,000 million	–	50.0%
BPI/MS Insurance Corporation	Makati, Philippines	Oct. 1, 1965	International	PHP350,000 thousand	–	48.5%
Hong Leong Assurance Berhad	Petaling Jaya, Malaysia	Dec. 20, 1982	International	MYR200,000 thousand	–	30.0%
Four other companies						

Credit Ratings

Credit Ratings for Domestic Insurance Companies

This section contains information about credit ratings assigned to the following companies in the Group. (As of July 1, 2016)

Rating Agencies	Ratings Assigned	Mitsui Sumitomo Insurance Co., Ltd.	Aioi Nissay Dowa Insurance Co., Ltd.	Mitsui Sumitomo Aioi Life Insurance Co., Ltd.	Mitsui Sumitomo Primary Life Insurance Co., Ltd.
Standard & Poor's Ratings Japan	Financial Strength Rating	A+ (Stable)	A+ (Stable)	A+ (Stable)	A+ (Stable)
	Long-Term Issuer Credit Rating	A+ (Stable)	A+ (Stable)	—	—
	Short-Term Issuer Credit Rating	A-1	A-1	—	—
Moody's Japan	Insurance Financial Strength Rating	A1 (Negative)	A1 (Stable)	—	—
	Long-Term Issuer Rating	A1 (Negative)	—	—	—
	Commercial Paper Rating	P-1	—	—	—
Rating and Investment Information, Inc. (R&I)	Issuer Rating	AA- (Positive)	AA- (Positive)	—	—
	Insurance Claims Paying Ability	—	—	AA- (Positive)	AA- (Positive)
	Commercial Paper Rating	a-1+	a-1+	—	—
Japan Credit Rating Agency, Ltd. (JCR)	Ability to Pay Insurance Claims	—	AA+ (Stable)	—	—
	Long-Term Issuer Rating	AA+ (Stable)	AA+ (Stable)	—	—
	Short-Term Rating (Commercial Paper)	J-1+	J-1+	—	—
A.M. Best	Financial Strength Rating	A+ (Stable)	A+ (Stable)	—	—
	Issuer Credit Rating	aa (Stable)	aa (Stable)	—	—

Credit Ratings for Overseas Insurance Companies

The table below indicates information about credit ratings of overseas subsidiaries. (As of July 1, 2016)

Rating Agencies	Overseas Subsidiaries	Credit Ratings
Standard & Poor's	Mitsui Sumitomo Insurance Co. (Europe) Ltd. MS Frontier Reinsurance Ltd. MSI Corporate Capital Ltd. MSIG Insurance (Hong Kong) Ltd. MSIG Insurance (Singapore) Pte. Ltd. MSIG Insurance Europe AG	Financial Strength Rating A+ (Stable)*1
	Aioi Nissay Dowa Insurance Company of Europe Ltd.	Financial Strength Rating A+ (Stable)*2
	Mitsui Sumitomo Insurance Company of America Mitsui Sumitomo Insurance USA, Inc.	Financial Strength Rating A+ (Stable)
	Mitsui Sumitomo Insurance (China) Co. Ltd. MSIG Mingtai Insurance Co. Ltd. Amlin AG Amlin Insurance SE	Financial Strength Rating A (Stable)
	Syndicate 2001	Lloyd's Syndicate Rating 4+ (Stable)
Moody's	Syndicate 2001 Amlin AG	Long-Term Issuer Rating A2 (Stable)
A.M. Best	Mitsui Sumitomo Insurance Company of America Mitsui Sumitomo Insurance USA, Inc. Aioi Nissay Dowa Insurance Company of America Syndicate 2001	Financial Strength Rating A+ (Stable) Issuer Credit Rating aa (Stable)
	MS Frontier Reinsurance Ltd. Amlin AG	Financial Strength Rating A (Stable) Issuer Credit Rating a+ (Stable)
	DTRIC Insurance Company Ltd. DTRIC Insurance Underwriters, Ltd.	Financial Strength Rating A (Stable) Issuer Credit Rating a (Stable)
	Aioi Nissay Dowa Insurance (China) Co. Ltd.	Financial Strength Rating A- (Stable) Issuer Credit Rating a- (Stable)
Fitch Ratings	Amlin AG Amlin Insurance SE	Financial Strength Rating A (Negative)

*1 Applicable to the same ratings of Mitsui Sumitomo Insurance with the guarantee on insurance/reinsurance policies, issued by Mitsui Sumitomo Insurance (the issuer of the guarantee, the "Guarantor"). The obligations of the Guarantor under the guarantee rank pari passu with all other unsecured indebtedness of the Guarantor. The guarantee is unconditional and covers the subsidiaries' obligations of payment and not collection.

*2 Applicable to the same rating of Aioi Nissay Dowa Insurance with the guarantee on insurance/reinsurance policies, issued by Aioi Nissay Dowa Insurance (the issuer of the guarantee, the "Guarantor"). The obligations of the Guarantor under the guarantee rank pari passu with all other unsecured indebtedness of the Guarantor. The guarantee is unconditional and covers the subsidiaries' obligations of payment and not collection.

MITSUI SUMITOMO INSURANCE CO., LTD.

Principal Indicators (Non-Consolidated)

(¥ million)

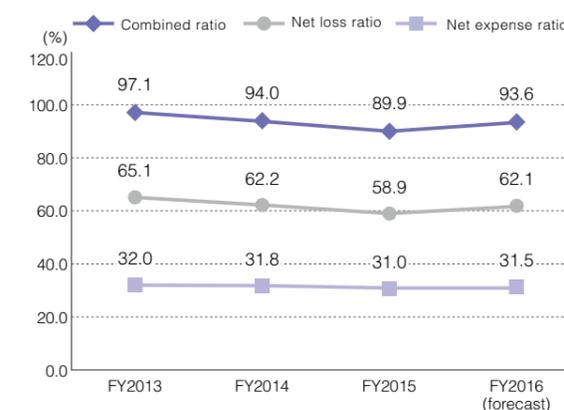
Item	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016 (forecast)
Net premiums written	1,269,290	1,314,234	1,384,504	1,445,819	1,507,420	1,488,000
Growth rate of net premiums written	3.1%	3.5%	5.3%	4.4%	4.3%	(1.3)%
Net loss ratio	84.8%	73.3%	65.1%	62.2%	58.9%	62.1%
Net expenses ratio	33.3%	32.4%	32.0%	31.8%	31.0%	31.5%
Combined ratio	118.1%	105.7%	97.1%	94.0%	89.9%	93.6%
Underwriting profit/(loss)	(170,026)	(9,710)	(7,326)	14,000	19,116	52,000
Investment profit	36,574	82,517	125,167	158,346	152,823	127,154
Ordinary profit/(loss)	(130,177)	65,366	101,998	171,328	167,896	174,000
Net income/(loss)	(130,607)	42,657	58,047	89,114	113,970	132,000
Net assets	932,680	1,192,079	1,309,608	1,732,745	1,527,481	—
Total assets	5,646,816	5,901,413	6,098,017	6,790,021	6,786,590	—
Net unrealized gains/(losses) on investments in securities (before tax effects)	668,446	995,162	1,165,964	1,633,759	1,251,193	—
Solvency margin ratio (non-consolidated)	486.8%	581.3%	600.3%	651.5%	585.9%	—
Number of employees	14,858	14,478	14,188	14,859	14,691	—

Notes:

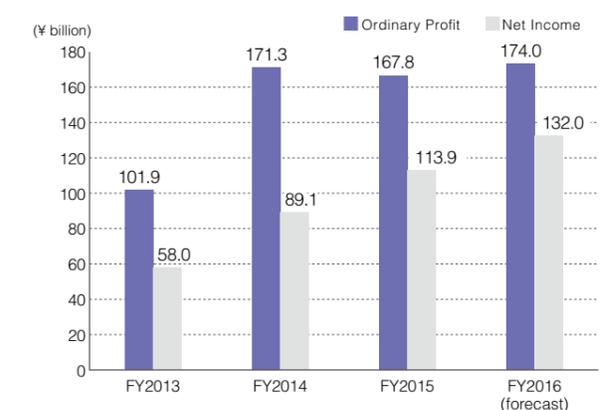
- Net premiums written, net loss ratio, net expenses ratio, and combined ratio figures are presented exclusive of Good Result Return premiums of propriety automobile insurance product "ModoRich," which contains a special clause related to premium adjustment and refund at maturity.
- Net loss ratio = (net claims paid + loss adjustment expenses) ÷ net premiums written × 100
- Net expenses ratio = (commissions and collection expenses + operating expenses and general and administrative expenses for underwriting) ÷ net premiums written × 100
- Combined ratio = net loss ratio + net expenses ratio
- Net unrealized gains/(losses) on investments in securities (before tax effects) represents the difference before tax effects between the fair value and the acquisition cost (including the amortized cost) of available for-sale securities with practically determinable fair value. It includes monetary claims bought, money trusts, and others which are accounted for as investment in securities.

Principal Management Indicators

Combined Ratio



Ordinary Profit / Net Income



AIOI NISSAY DOWA INSURANCE CO., LTD.

Principal Indicators (Non-Consolidated)

(¥ million)

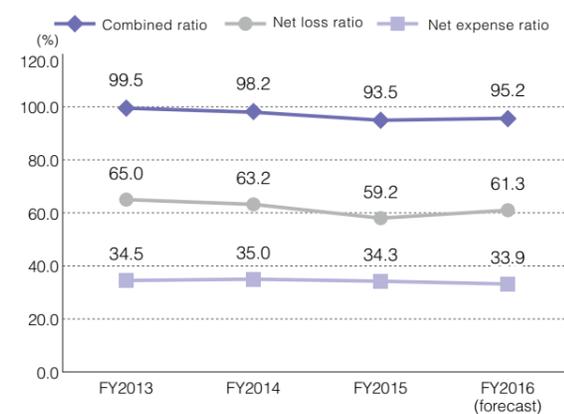
Item	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016 (forecast)
Net premiums written	1,074,631	1,103,234	1,144,629	1,160,867	1,192,089	1,212,000
Growth rate of net premiums written	(2.1)%	2.7%	3.8%	1.4%	2.7%	1.7%
Net loss ratio	79.7%	70.4%	65.0%	63.2%	59.2%	61.3%
Net expenses ratio	35.1%	34.1%	34.5%	35.0%	34.3%	33.9%
Combined ratio	114.8%	104.5%	99.5%	98.2%	93.5%	95.2%
Underwriting profit/(loss)	(20,008)	6,692	(28,815)	14,793	24,881	38,000
Investment profit	20,421	19,757	53,011	51,543	34,912	26,000
Ordinary profit	9,233	25,859	27,897	68,973	61,771	66,000
Net income/(loss)	(43,549)	18,862	13,107	39,480	31,098	42,000
Net assets	410,077	552,405	600,192	796,921	745,164	—
Total assets	3,141,142	3,236,851	3,257,180	3,470,706	3,418,516	—
Net unrealized gains/(losses) on investments in securities (before tax effects)	63,378	258,135	317,602	555,855	473,761	—
Solvency margin ratio (non-consolidated)	442.6%	649.1%	754.0%	804.9%	829.3%	—
Number of employees	12,980	12,784	12,812	12,973	13,260	—

Notes:

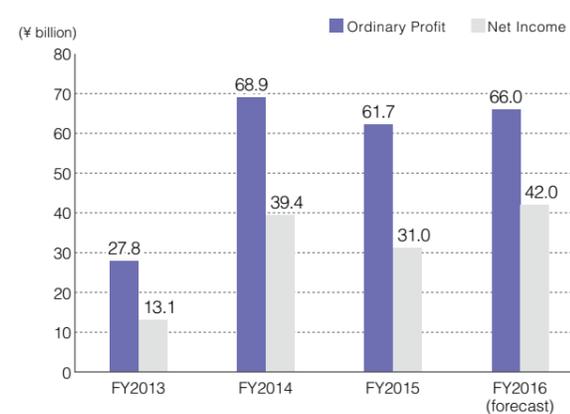
1. Net loss ratio= (net claims paid + loss adjustment expenses) ÷ net premiums written × 100
2. Net expenses ratio= (commissions and collection expenses + operating expenses and general and administrative expenses for underwriting) ÷ net premiums written × 100
3. Combined ratio= net loss ratio + net expenses ratio
4. Net unrealized gains/(losses) on investments in securities (before tax effects) represents the difference before tax effects between the fair value and the acquisition cost (including the amortized cost) of available-for-sale securities with practically determinable fair value. It includes monetary claims bought, money trusts, and others which are accounted for as investment in securities.

Principal Management Indicators

Combined Ratio



Ordinary Profit / Net Income



MITSUI DIRECT GENERAL INSURANCE CO., LTD.

Principal Indicators (Non-Consolidated)

(¥ million)

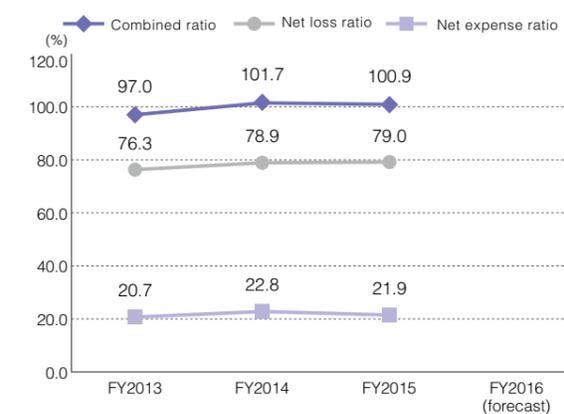
Item	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016 (forecast)
Net premiums written	34,319	35,273	35,567	35,053	36,571	37,600
Growth rate of net premiums written	3.7%	2.8%	0.8%	(1.4)%	4.3%	2.8%
Net loss ratio	77.4%	78.6%	76.3%	78.9%	79.0%	—
Net expenses ratio	21.4%	20.7%	20.7%	22.8%	21.9%	—
Combined ratio	98.8%	99.3%	97.0%	101.7%	100.9%	—
Underwriting profit/(loss)	243	325	140	(4,358)	(5,457)	—
Ordinary profit/(loss)	463	526	298	(4,236)	(5,372)	(600)
Net income/(loss)	505	462	232	(4,334)	(5,427)	—
Net assets	10,615	11,080	11,223	6,817	6,440	—
Total assets	45,150	45,596	46,584	46,408	51,086	—
Solvency margin ratio (non-consolidated)	424.4%	429.4%	420.8%	255.9%	230.4%	—
Number of employees	512	503	528	572	563	—

Notes:

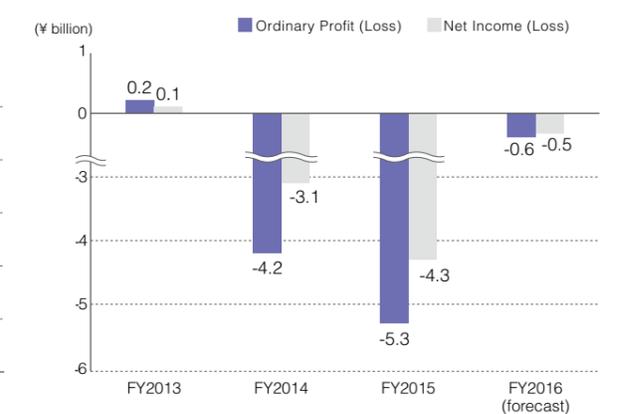
1. Net loss ratio= (net claims paid + loss adjustment expenses) ÷ net premiums written × 100
2. Net expenses ratio= (commissions and collection expenses + operating expenses and general and administrative expenses for underwriting) ÷ net premiums written × 100
3. Combined ratio= net loss ratio + net expenses ratio

Principal Management Indicators

Combined Ratio



Ordinary Profit (Loss) / Net Income (Loss) (per our share)



MITSUI SUMITOMO AIOI LIFE INSURANCE CO., LTD.

Principal Indicators (Non-Consolidated)

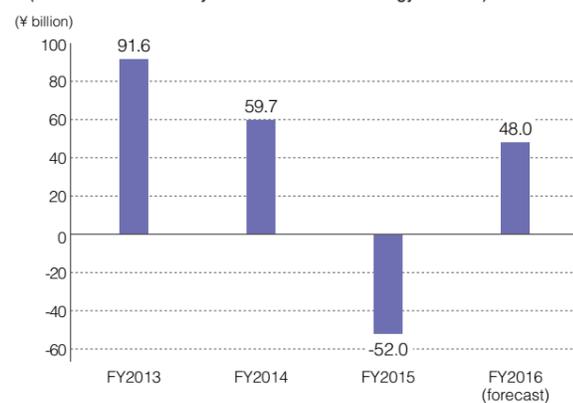
(¥ million)

Item	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016 (forecast)
Amount of new policies	3,277,077	3,710,567	2,672,209	2,481,183	2,423,359	2,493,300
Amount of policies in force	18,062,498	20,074,621	21,105,046	21,894,031	22,576,024	23,228,000
Annualized premiums of policies in force	294,726	317,478	333,502	353,482	375,721	395,700
Ordinary profit	1,816	7,459	17,462	15,937	18,647	14,800
Core Profit	4,109	5,847	15,395	16,111	19,437	—
Net income/(loss)	(11,395)	458	6,681	4,406	6,041	4,000
Net assets	102,421	132,243	131,999	169,139	199,729	—
Total assets	2,136,662	2,436,264	2,636,052	3,009,263	3,229,031	—
Net unrealized gains/(losses) on investments in securities (before tax effects)	56,827	99,217	89,100	132,658	165,280	—
Embedded value (EEV, ¥ billion)	511.9	496.4	588.1	647.8	595.8	643.8
Solvency margin ratio	1,212.8%	1,309.8%	1,264.9%	1,429.9%	1,598.4%	—
Number of employees	2,283	2,366	2,421	2,544	2,554	—

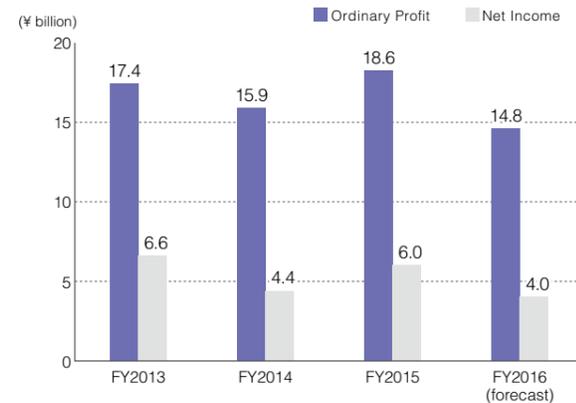
Notes:

- MSI Aioi Life was formed through the merger of MSI Kirameki Life and Aioi Life on October 1, 2011. Its results for fiscal 2011 include the first-half results of Aioi Life, and its results for fiscal 2010 are the simple aggregate for the two subsequently merged companies' full-year results.
- Amount of new policies, amount of policies in force, and annualized premiums of policies in force are the total of individual insurance and individual annuity insurance.
- Core Profit is an insurance business profitability indicator that is calculated by deducting capital gains/(losses) and non-recurring income and losses from ordinary profit.
- Net unrealized gains/(losses) on investments in securities (before tax effects) represents the difference before tax effects between the fair value and the acquisition cost (including the amortized cost) of available-for-sale securities with practically determinable fair value. It includes monetary claims bought, money trusts, and others which are accounted for as investment in securities.

Principal Management Indicators

Increase in Embedded Value (EEV)
(Refer to the "Glossary of Insurance Terminology" on P46)

Ordinary Profit / Net Income



MITSUI SUMITOMO PRIMARY LIFE INSURANCE CO., LTD.

Principal Indicators (Non-Consolidated)

(¥ million)

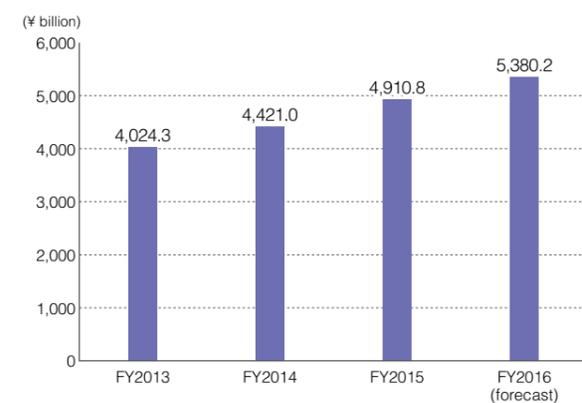
Item	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016 (forecast)
Premiums income	234,793	449,316	826,434	1,054,049	1,299,457	1,000,000
Amount of new policies	237,442	432,202	800,526	1,024,767	1,262,631	977,700
Amount of policies in force	3,122,538	3,661,454	4,024,393	4,421,089	4,910,812	5,380,200
Ordinary profit	13,025	38,969	39,887	17,761	39,959	22,900
Core Profit / (loss)	28,011	37,916	58,355	(33,406)	14,311	—
Core Profit+Capital gains	26,026	56,456	57,625	24,471	41,948	—
Net income	5,993	10,350	17,928	12,424	17,892	15,000
Net assets	60,549	71,284	89,205	109,847	125,019	—
Total assets	3,154,641	3,765,574	4,163,675	4,662,032	5,191,230	—
Net unrealized gains/(losses) on investments in securities (before tax effects)	525	1,081	1,070	15,401	14,636	—
Embedded value (EEV, ¥ billion)	83.7	161.2	234.8	310.2	333.8	—
Solvency margin ratio	775.5%	884.0%	1,004.6%	879.7%	985.5%	—
Number of employees	351	342	344	363	381	—

Notes:

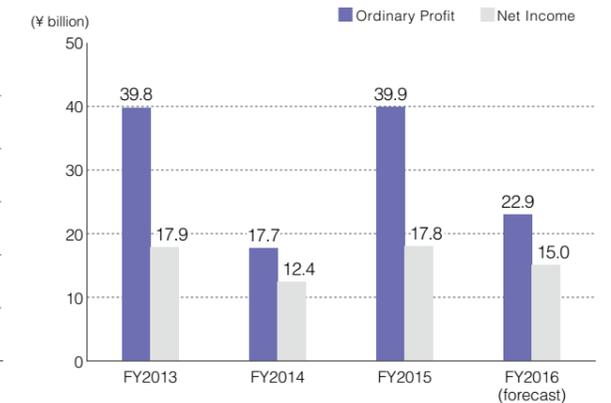
- The amount of new policies and amount of policies in force are the totals of individual insurance and individual annuity insurance.
- Core Profit is an insurance business profitability indicator that is calculated by deducting capital gains/(losses) and non-recurring income and losses from ordinary profit. In this business, the sum of Core Profit and capital gains (losses) provides a more appropriate indicator of actual profit for the period. As for MSI Primary Life, the sum of Core Profit and capital gains(losses) provides a more appropriate indicator of actual profit for the period instead of Core Profit(loss).
- Net unrealized gains/(losses) on investments in securities (before tax effects) represents the difference before tax effects between the fair value and the acquisition cost (including the amortized cost) of available-for-sale securities with practically determinable fair value. It includes monetary claims bought, money trusts, and others which are accounted for as investment in securities.

Principal Management Indicators

Amount of Policies in Force



Ordinary Profit / Net Income



Global Network

(As of July 1, 2016)

☆ Overseas Branches ★ Overseas Offices ● Overseas Subsidiaries and Affiliates
△ Branches or Offices of Overseas Subsidiaries and Affiliates ■ Underwriting Agents for the Head Office

ASIA AND OCEANIA

SINGAPORE	MS&AD Holdings	● Interisk Asia Pte. Ltd.
	MSI	● MSIG Holdings (Asia) Pte. Ltd. ● MSIG Insurance (Singapore) Pte. Ltd. ● MS Frontier Re Modeling Research Pte. Ltd.
THAILAND	MS&AD Holdings	● InterRisk Asia (Thailand) Co., Ltd.
	MSI	☆ Thailand Branch ● MSIG Insurance (Thailand) Public Company Limited ● MSI Holdings (Thailand) Company Limited ● MSIG Service and Adjusting (Thailand) Company Limited ● Calm Sea Service Company Limited ● MBTS Broking Services Company Limited ● MBTS Life Insurance Broker Co., Ltd.
	ADI	★ Bangkok Representative Office ● Aioi Bangkok Insurance Public Company Limited ● Bangkok Chayorathn Company, Limited ● Bangkok Chayolife Company, Limited ● Kawasaki-Dowa Agency Ltd.
MALAYSIA	MSI	● MSIG Insurance (Malaysia) Bhd. ● MSIG Berhad ● Hong Leong Assurance Berhad ● Hong Leong MSIG Takaful Berhad △ MS Frontier Reinsurance Limited, Labuan Branch △ MS Frontier Reinsurance Limited, Kuala Lumpur Office
PHILIPPINES	MSI	● BPI/MS Insurance Corporation ● FLT Prime Insurance Corporation
INDONESIA	MSI	● PT. Asuransi MSIG Indonesia ● PT. Auto Management Services ● PT. Asuransi Jiwa Sinarmas MSIG
REPUBLIC OF KOREA	MSI	☆ Korea Branch
PEOPLE'S REPUBLIC OF CHINA	MS&AD Holdings	● InterRisk Consulting (Shanghai) Co.,Ltd.
	MSI	● Mitsui Sumitomo Insurance (China) Company Limited △ Guangdong Branch Shenzhen Marketing Service Department △ Beijing Branch △ Jiangsu Branch Suzhou Marketing Service Department ★ China General Representative Office ★ Dalian Representative Office ★ Chengdu Representative Office ★ Qingdao Representative Office
	ADI	★ Beijing Representative Office ★ Guangzhou Representative Office ● Aioi Nissay Dowa Insurance (China) Company Limited △ Zhejiang Branch △ Tianjin Branch ● Guangzhou Guang Ai Insurance Brokers Ltd.
HONG KONG	MSI	● MSIG Insurance (Hong Kong) Limited ● Mitsui Sumitomo Asset Management (Hong Kong) Limited
	ADI	★ Hong Kong Representative Office
MACAU	MSI	△ MSIG Insurance (Hong Kong) Limited Macau Branch
TAIWAN	MSI	● MSIG Mingtai Insurance Co., Ltd.
	ADI	★ Taipei Representative Office
VIETNAM	MSI	● MSIG Insurance (Vietnam) Company Limited

INDIA	MSI	● Cholamandalam MS General Insurance Company Limited ● Cholamandalam MS Risk Services Limited ★ New Delhi Representative Office ● Max Life Insurance Company Limited
MYANMAR	MSI	★ Yangon Representative Office
CAMBODIA	MSI	● Asia Insurance (Cambodia) Plc.
LAO PEOPLE'S DEMOCRATIC REPUBLIC	MSI	● MSIG Insurance (Lao) Co.,Ltd.
AUSTRALIA	MSI	☆ Oceania Branch ★ Oceania Branch, Melbourne Office
	ADI	☆ Australian Branch ★ Sydney Representative Office ★ Melbourne Representative Office ● Aioi Nissay Dowa Insurance Company Australia Pty, Ltd.
NEW ZEALAND	MSI	★ Oceania Branch, New Zealand Office
	ADI	☆ New Zealand Branch ● Aioi Nissay Dowa Management New Zealand Limited

THE AMERICAS

U.S.A.	MSI	★ New York Representative Office ● MSIG Holdings (Americas), Inc. ● Mitsui Sumitomo Insurance Company of America ● Mitsui Sumitomo Insurance USA Inc. ● Mitsui Sumitomo Marine Management (U.S.A.), Inc. △ New York Office △ Warren Office △ Los Angeles Office △ Cincinnati Office △ Atlanta Office △ Chicago Office △ Detroit Office △ Dallas Office ● MSI Risk Management Services, Inc. ● Seven Hills Insurance Agency, LLC ● Aioi Nissay Dowa Insurance Company of America △ New York Office △ Kentucky Office △ Los Angeles Office △ Detroit Office △ Dallas Office ● MSI GuaranteedWeather, LLC ● Vortex Insurance Agency, LLC ● Mitsui Sumitomo Asset Management (New York) Inc.
	ADI	★ New York Representative Office ★ Chicago Representative Office ★ Kentucky Representative Office ★ Los Angeles Representative Office ★ Honolulu Representative Office ● Aioi Nissay Dowa Insurance Services USA Corporation ● Toyota Insurance Management Solutions USA, LLC ● DTRIC Insurance Company, Limited ● DTRIC Insurance Underwriters, Limited
GUAM (U.S.A.)	ADI	■ Takagi & Associates, Inc.
SAIPAN (U.S.A.)	ADI	■ Takagi & Associates, Inc., Saipan Branch
CANADA	MSI	★ Toronto Representative Office c/o Chubb Insurance Company of Canada ■ Chubb Insurance Company of Canada
BERMUDA	MS&AD Holdings	● Interisk Global Management (Bermuda) Limited
	MSI	● MS Frontier Reinsurance Limited ● SPAC Insurance (Bermuda) Limited ● MSI GuaranteedWeather Trading Ltd. ● MS Financial Reinsurance Limited

CAYMAN	MSI	● SLI Cayman Limited
MEXICO	MSI	△ MSIG Holdings (Americas), Inc. Mexican Representative Office c/o Mapfre Tepeyac, S.A.
PANAMA	MSI	★ Panama Representative Office
BRAZIL	MSI	● Mitsui Sumitomo Seguros S/A. ● Mitsui Sumitomo Insurance Company Limited-Escritório de Representação no Brasil Ltda. ★ São Paulo Representative Office
COLOMBIA	MSI	★ Bogotá Representative Office
PERU	MSI	★ Lima Representative Office
ARGENTINA	MSI	★ Buenos Aires Representative Office

SPAIN	MSI	△ MSIG Insurance Europe AG, Spain Branch
	ADI	△ Aioi Nissay Dowa Insurance Company of Europe Limited, Spanish Branch △ Toyota Insurance Management Limited, Spanish Branch
ITALY	MSI	△ MSIG Insurance Europe AG, Italy Branch
	ADI	△ Aioi Nissay Dowa Insurance Company of Europe Limited, Italian Branch △ Toyota Insurance Management Limited, Italian Branch ● Top Class Insurance S. p. A. ● Top Class Broker S. r. l.
SLOVAKIA	MSI	△ MSIG Insurance Europe AG, Slovakia Branch
RUSSIA	MSI	★ Moscow Representative Office ★ St. Petersburg Representative Office
	ADI	★ Moscow Representative Office ● LLC Toyota Insurance Management (Insurance Brokers) ● LLC Toyota Insurance Management (Insurance Agency)
NORWAY	MSI	● SMA MSI AS
	ADI	△ Aioi Nissay Dowa Insurance Company of Europe Limited, Norwegian Branch
UNITED ARAB EMIRATES	MSI	★ Dubai Representative Office ★ Abu Dhabi Representative Office
REPUBLIC OF SOUTH AFRICA	MSI	△ Mitsui Sumitomo Insurance Company (Europe), Limited, Johannesburg Representative Office
KAZAKHSTAN	ADI	● Toyota Insurance Management (Insurance Broker) LLP
DENMARK	ADI	△ Toyota Insurance Management Limited, Danish Branch
POLAND	ADI	△ Toyota Insurance Management Limited, Polish Branch

EUROPE, THE MIDDLE EAST AND AFRICA

UNITED KINGDOM	MSI	★ London Representative Office ● MSIG Holdings (Europe) Limited ● Mitsui Sumitomo Insurance Company (Europe), Limited △ Derby Office ● MSIG Corporate Services (Europe) Limited ● Mitsui Sumitomo Insurance (London Management) Ltd. ● MSI Corporate Capital Limited ● Mitsui Sumitomo Insurance Underwriting at Lloyd's Limited ● Mitsui Sumitomo Asset Management (London) Limited ● MS Amlin plc ● MS Amlin Corporate Services Limited ● MS Amlin Underwriting Limited ● MS Amlin Corporate Member Limited ● Amlin Insurance SE
	ADI	★ London Representative Office ● Aioi Nissay Dowa Insurance Company of Europe Limited ● Aioi Nissay Dowa Insurance Management Limited ● Toyota Insurance Management Limited ● Dowa Insurance Company (Europe) Limited △ Aioi Nissay Dowa Life Insurance of Europe AG UK Branch ● Box Innovation Group Limited ● Insure The Box Limited ● ITB Services Limited ● ITB Web Limited ● ITB Telematics Solutions LLP ● ITB Premium Finance Limited
IRELAND	MSI	● MSI Insurance Management (Ireland) Limited
GERMANY	MSI	● MSIG Insurance Europe AG △ MSIG Insurance Europe AG German Branch ● MSIG German Services GmbH
	ADI	△ Aioi Nissay Dowa Insurance Company of Europe Limited German Branch △ Toyota Insurance Management Limited German Branch ● Aioi Nissay Dowa Life Insurance of Europe AG
THE NETHERLANDS	MSI	△ MSIG Insurance Europe AG, The Netherlands Branch
	ADI	△ Aioi Nissay Dowa Insurance Company of Europe Limited, Netherlands Branch
FRANCE	MSI	△ MSIG Insurance Europe AG, France Branch
	ADI	★ Paris Representative Office △ Aioi Nissay Dowa Insurance Company of Europe Limited, French Branch △ Toyota Insurance Management Limited, French Branch
BELGIUM	MSI	△ MSIG Insurance Europe AG, Belgium Branch
	ADI	★ Brussels Representative Office △ Aioi Nissay Dowa Insurance Company of Europe Limited, Belgian Branch △ Toyota Insurance Management Limited, Belgian Branch
SWITZERLAND	MSI	● MS Amlin AG △ MS Frontier Reinsurance Limited, Zurich Branch

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Five-Year Summary (Unaudited)

Download Data Sheet 

The fiscal year denotes the year commencing on April 1 of each year and ending on the following March 31.

	Yen in millions					US\$ in millions
	FY2011	FY2012	FY2013	FY2014	FY2015	FY2015
Ordinary income:	¥ 3,764,986	¥ 4,315,787	¥ 4,362,754	¥ 4,689,658	¥ 5,013,038	\$ 44,363
Net premiums written	2,555,551	2,639,015	2,811,611	2,939,113	3,078,732	27,245
Ordinary profit/(loss)	(96,211)	150,300	190,259	287,061	291,578	2,580
Net income/(loss) attributable to owners of the parent	(169,469)	83,625	93,451	136,247	181,516	1,606
Comprehensive income/(loss)	(88,136)	543,938	322,865	807,972	(233,116)	(2,063)
Net assets	1,512,134	2,021,625	2,285,832	3,036,663	2,725,274	24,117
Total assets	14,537,204	15,914,663	16,878,148	18,788,046	20,303,649	179,678

	Yen					US\$
	FY2011	FY2012	FY2013	FY2014	FY2015	FY2015
Net income/(loss) attributable to owners of the parent per share	¥ (272.49)	¥ 134.46	¥ 150.58	¥ 221.34	¥ 298.72	\$ 2.64
Net assets per share	2,400.48	3,215.33	3,646.22	4,911.40	4,469.58	39.55
Equity ratio	10.27%	12.56%	13.39%	16.00%	13.29%	–
Return on equity	(10.91)%	4.79%	4.42%	5.18%	6.36%	–
Price earnings ratio	–	15.36	15.70	15.23	10.50	–

	Yen in millions					US\$ in millions
	FY2011	FY2012	FY2013	FY2014	FY2015	FY2015
Cash flows						
Cash flows from operating activities	¥ (205,272)	¥118,751	¥489,950	¥628,184	¥1,291,017	\$11,425
Cash flows from investing activities	149,960	(165,248)	(549,136)	(410,671)	(1,217,980)	(10,779)
Cash flows from financing activities	65,442	33,590	(57,323)	(58,941)	199,075	1,762
Cash and cash equivalents at the end of year	711,710	716,221	625,084	805,455	1,056,407	9,349
Number of employees	36,929	36,643	37,055	38,358	40,617	–

Note: U.S. dollar amounts in this report have been translated from yen, for convenience only, at the rate of ¥113=US\$1. For details, see Note 1 of Significant Accounting Policies (p70).

Management's Discussion and Analysis

1. OVERVIEW

This Management's Discussion and Analysis (MD&A) provides information on the nature of the businesses conducted by MS&AD Holdings and its affiliates (193 subsidiaries and 30 associates as of March 31, 2016), and the positioning of the principal affiliates within these businesses.

Please note that MS&AD as a specified listed company as stipulated in Japanese Cabinet Order 49-2 is regulated under this Order as regards securities transactions and other matters. As a result, investors should make decisions based on the Group's consolidated financial statements as provided for under the minimal standards criteria of material facts set forth in restrictions on insider trading.

(1) Description of Businesses

1) Domestic Non-Life Insurance Business

MS&AD's domestic non-life insurance business is operated by the following three subsidiaries and others in Japan:

- Mitsui Sumitomo Insurance Company, Limited ("MSI")
- Aioi Nissay Dowa Insurance Company, Limited ("ADI")
- Mitsui Direct General Insurance Company, Limited ("Mitsui Direct General")

2) Domestic Life Insurance Business

MS&AD's domestic life insurance business is operated by the following two subsidiaries and others in Japan:

- Mitsui Sumitomo Aioi Life Insurance Company, Limited ("MSA Life")
- Mitsui Sumitomo Primary Life Insurance Company, Limited ("MSP Life")

3) International Business

MS&AD's international business is operated by international divisions of domestic non-life insurance subsidiaries in Japan, and overseas subsidiaries, including MS Amlin plc, MSIG Insurance (Malaysia) Bhd., and overseas branches of domestic non-life insurance subsidiaries in overseas countries.

4) Financial Services Business / Risk-Related Services Business

a) Financial Services Business

MS&AD's financial services business, including asset management, financial guarantees, 401k, ART (alternative risk transfer), personal finance, and venture capital finance, is operated by domestic non-life insurance subsidiaries, Mitsui Sumitomo Asset Management Company, Limited, Mitsui Sumitomo Insurance Venture Capital Company, Limited, and others.

b) Risk-Related Services Business

MS&AD's risk-related business, including risk management and nursing care business, is operated by InterRisk Research Institute & Consulting, Inc., Mitsui Sumitomo Insurance Care Network Company, Limited, and others.

2. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

MS&AD Holdings' consolidated financial statements are prepared in accordance with accounting principles generally accepted in Japan (Japan GAAP). The preparation of these financial statements requires the management of MS&AD Holdings to select and apply accounting policies as well as to make a number of estimates for forecasts of assets and liabilities as well as revenues and expenses. The management bases their estimates on historical experience and other assumptions that they believe are reasonable. Nevertheless, these estimates contain inherent uncertainties and, thus, actual results could differ.

Significant accounting policies used in the preparation of MS&AD Holdings' consolidated financial statements are presented in "SIGNIFICANT ACCOUNTING POLICIES" of the "Notes to Consolidated Financial Statements."

The management recognizes the following significant accounting policies and estimates could have significant impacts on the consolidated financial statements.

1) Method for Determination of Fair Value

A portion of assets and liabilities is recorded on the balance sheets at fair values. Their fair values are determined based on market prices. For derivatives for which market prices are not available, reasonable estimates of fair value are made based on the present value of future cash flows, the price of the underlying assets, the contract period, and other components.

2) Impairment of Securities

Since securities held by the Group companies are subject to the risk of price fluctuations in securities markets, MS&AD carries out impairment accounting for securities based on reasonable criteria. If securities markets decline, an impairment loss could be incurred.

3) Impairment of Fixed Assets

When the profitability of fixed assets declines and investments in these assets are unlikely to be recovered, MS&AD carries out impairment accounting to reflect recoverable amounts under certain circumstances.

The recoverable amount for an asset or asset group is the higher of the net sales value (the value computed by deducting expected disposal expenses from the fair value of an asset or asset group) and the value in use (the present value of expected future cash flows resulting from the continual usage and subsequent disposal of an asset or asset group).

Accordingly, the amount of the impairment loss for fixed assets depends on estimated future cash flows based on the assumption and forecasts that MS&AD considers reasonable. Consequently, an additional impairment loss could be incurred in the event of a change in the usage of fixed assets or in the event of changes in real estate or leasing market prices.

4) Deferred Tax Assets

In determining recoverable deferred tax assets, future taxable income is estimated based on the assumptions and forecasts that MS&AD considers reasonable. Since the recoverable amount of deferred tax assets depends on estimates of future taxable income, the amount of deferred tax assets could fluctuate in the event of a subsequent change in estimates of future taxable income.

5) Allowance for Credit Losses

In preparation for losses on bad credit, MS&AD records estimated amounts deemed to be unrecoverable as an allowance for credit losses. Unrecoverable amounts and recorded allowances for credit losses could change from their initial estimates due to changes in the financial condition of the debtor.

6) Outstanding Claims

MS&AD estimates and sets aside reserves as outstanding claims for any unpaid amounts of its payment obligations as determined or recognized by insurance contracts. Claim payments and recorded outstanding claims could change from their initial estimates due to the results of legal judgments or exchange rate fluctuations.

7) Underwriting Reserves

To meet future obligations in accordance with insurance contracts, MS&AD sets aside underwriting reserves. It could, therefore, become necessary to increase underwriting reserves in the event of unforeseen losses due to significant changes in the business environments and conditions.

8) Retirement Benefit Expenses and Retirement Benefit Obligations

Retirement benefit expenses and retirement benefit obligations are calculated based on assumptions that include discount rates, future retirement rates, and mortality rates. However, future retirement benefit expenses and obligations could change in the event that actual results differ from the assumptions used in their projection, or in the event that it becomes necessary to change the assumptions.

3. SUMMARY OF BUSINESS RESULTS

During the current fiscal year, there were significant changes in the global economy as a whole, notably the slowdown in emerging economies including China, although there was a rebound in consumer spending in the United States.

In Japan, meanwhile, the recovery of consumer spending and capital expenditure has been sluggish despite some indications of improvement in corporate earnings centered on the employment and income environment and non-manufacturing industries.

In the non-life insurance industry, premiums written increased mainly in fire insurance and voluntary automobile insurance. In the life insurance industry, the number of policies in force increased because the decline in the amount of individual insurance policies in force eased.

In such business environment, and based on the "Next Challenge 2017" medium-term management plan that began in fiscal 2014, the Group has been working to enhance the enterprise value of the Group

as a whole, with efforts focused primarily around promotion of ERM (Enterprise Risk Management), aiming sustainable growth and improving profitability and capital efficiency with a foundation of soundness. Mitsui Sumitomo Insurance Co., Ltd. and Aioi Nissay Dowa Insurance Co., Ltd. have also joined forces in the development of products and proceeded in the establishment of joint offices to facilitate the payment of insurance claims in the event of a large-scale disaster with initiatives to reorganization by function. In addition, we have worked on extending a corporate culture in which people can take on challenges as professionals, and developing our human assets which supports our global business development.

The Company established the MS&AD Insurance Group Basic Policies on Corporate Governance and made efforts to further enhance the corporate governance system by increasing the ratio of independent outside directors by one-third.

Likewise, the Company reinforced its management structure over Group companies as a holding company that oversees the Group's business in areas such as the establishment of management strategies for the entire Group and enhancement of risk management and compliance systems.

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

Underwriting income was ¥4,606.5 billion, investment income was ¥389.5 billion, and other ordinary income was ¥16.8 billion, resulting in total ordinary income of ¥5,013.0 billion. At the same time, ordinary expenses amounted to ¥4,721.4 billion, including ¥3,904.2 billion in underwriting expenses, ¥210.7 billion in investment expenses, ¥590.8 billion in operating expenses and general and administrative expenses, and other ordinary expenses amounting to ¥15.6 billion.

As a result, the Company posted an ordinary profit of ¥291.5 billion, an increase of ¥4.5 billion over the previous fiscal year. After factoring in extraordinary income and losses, income taxes and other items, net income attributable to owners of the parent rose by ¥45.2 billion over the previous fiscal year to ¥181.5 billion.

[Key Consolidated Financial Indicators]

	(Yen in millions)			
	FY2014	FY2015	Change	Change (%)
Net premiums written	¥2,939,113	¥3,078,732	¥139,619	4.8
Life insurance premiums	721,705	1,356,334	634,629	87.9
Ordinary profit	287,061	291,578	4,517	1.6
Net income attributable to owners of the parent	136,247	181,516	45,269	33.2

In the non-life insurance business, net premiums written rose by ¥139.6 billion over the previous fiscal year, to ¥3,078.7 billion, due to increases in the domestic non-life insurance business and international business.

In the life insurance business, life insurance premiums rose by ¥634.6 billion over the previous fiscal year, to ¥1,356.3 billion, due to increases in domestic life insurance business.

The Company posted an ordinary profit of ¥291.5 billion, an increase of ¥4.5 billion over the previous fiscal year, due in part to an increase in ordinary profit from the domestic life insurance business, etc., although ordinary profit from the domestic non-insurance business and international business decreased. After factoring in extraordinary income and losses, income taxes, and other items, net income attributable to owners of the parent rose by ¥45.2 billion over the previous fiscal year, to ¥181.5 billion, because of the decrease in provision for reserve for price fluctuation.

Insurance premiums written and claims paid by product line of insurance were as follows.

Direct Premiums Written (including Deposit Premiums from Policyholders)

Lines of Insurance	FY2014			FY2015		
	Amount	Share (%)	Change (%)	Amount	Share (%)	Change (%)
Fire and Allied	¥ 625,179	18.7	5.8	¥ 657,398	19.0	5.2
Marine	131,030	3.9	7.9	132,284	3.8	1.0
Personal Accident	341,241	10.2	(1.8)	319,937	9.2	(6.2)
Voluntary Automobile	1,421,126	42.4	3.1	1,475,596	42.5	3.8
Compulsory Automobile Liability	355,417	10.6	0.8	356,465	10.3	0.3
Other	476,209	14.2	10.1	527,502	15.2	10.8
Total	¥3,350,204	100.0	4.0	¥3,469,185	100.0	3.6
Deposit premiums from policyholders	138,799	4.1	(8.4)	116,225	3.4	(16.3)

Notes:

- The figures represent amounts after the elimination of internal transactions between segments.
- Direct premiums written (including deposit premiums from policyholders) are the premiums from policyholders minus the surrender benefits and other refunds to policyholders. (It includes deposit premiums from policyholders for savings-type insurance.)

Net Premiums Written

Lines of Insurance	FY2014			FY2015		
	Amount	Share (%)	Change (%)	Amount	Share (%)	Change (%)
Fire and Allied	¥ 425,881	14.5	7.0	¥ 471,476	15.3	10.7
Marine	103,389	3.5	6.5	106,108	3.4	2.6
Personal Accident	230,991	7.9	1.5	218,487	7.1	(5.4)
Voluntary Automobile	1,438,002	48.9	3.2	1,495,339	48.6	4.0
Compulsory Automobile Liability	348,356	11.8	3.0	357,639	11.6	2.7
Other	392,491	13.4	9.8	429,680	14.0	9.5
Total	¥2,939,113	100.0	4.5	¥3,078,732	100.0	4.8

Note: The figures represent amounts after the elimination of internal transactions between segments.

Net Claims Paid

Lines of Insurance	FY2014			FY2015		
	Amount	Share (%)	Change (%)	Amount	Share (%)	Change (%)
Fire and Allied	¥ 259,270	15.7	2.6	¥ 235,176	14.5	(9.3)
Marine	46,430	2.8	(9.9)	48,009	3.0	3.4
Personal Accident	114,136	6.9	(1.3)	109,376	6.7	(4.2)
Voluntary Automobile	786,916	47.7	(2.3)	776,606	47.7	(1.3)
Compulsory Automobile Liability	258,095	15.6	(1.2)	259,078	15.9	0.4
Other	185,698	11.3	1.1	199,092	12.2	7.2
Total	¥1,650,547	100.0	(1.2)	¥1,627,340	100.0	(1.4)

Note: The figures represent amounts after the elimination of internal transactions between segments.

Segment Information

Performance by segment was as follows.

1) Domestic Non-life Insurance Business (MSI)

Net premiums written, among items of underwriting income, rose by ¥62.9 billion over the previous fiscal year, to ¥1,507.1 billion, primarily because of increases in fire and allied insurance and voluntary automobile insurance.

Meanwhile, net claims paid, among items of underwriting expenses, decreased by ¥9.9 billion, to ¥800.8 billion. Although claims payments related to typhoon and other natural disasters increased, they were partially offset by a decrease in claims payments related to heavy snowfall disasters in February 2014. The net loss ratio was 58.9%, 3.3 percentage points lower than in the previous fiscal year. In addition, as a result of the increases in net premiums written, the net expense ratio was 31.0%, 0.8 percentage point lower than in the previous fiscal year.

After taking account of other items, including deposit premiums from policyholders, maturity refunds to policyholders, provision for outstanding claims and provision for underwriting reserves, underwriting profit rose by ¥5.1 billion, to ¥19.1 billion.

2) Domestic Non-Life Insurance Business (ADI)

Net premiums written, among items of underwriting income, rose by ¥31.2 billion over the previous fiscal year, to ¥1,192.0 billion, primarily because of increases in fire and allied insurance and voluntary automobile insurance.

Meanwhile, net claims paid, among items of underwriting expenses, decreased by ¥33.0 billion over the previous fiscal year, to ¥644.8 billion. Although claims payments related to typhoon and other natural disasters increased, they were partially offset by a decrease in claims payments related to heavy snowfall disasters in February 2014 and a decrease in voluntary automobile insurance. The net loss ratio was 59.2%, which was 4.0 percentage points lower than in the previous fiscal year. In addition, as a result of the increases in net premiums written, the net expense ratio was 34.3%, which was 0.7 percentage point lower than in the previous fiscal year.

After taking account of other items, including deposit premiums from policyholders, maturity refunds to policyholders, provision for outstanding claims, and provision for underwriting reserves, underwriting profit rose by ¥10.0 billion, to ¥24.8 billion.

3) Domestic Non-Life Insurance Business (Mitsui Direct General)
Net premiums written, among items of underwriting income, increased by ¥1.5 billion over the previous fiscal year, to ¥36.5 billion.

Meanwhile, net claims paid, among items of underwriting expenses, increased by ¥1.2 billion over the previous fiscal year, to ¥26.2 billion. The net loss ratio was 79.0%, 0.1 percentage point higher than in the previous fiscal year.

In addition, commissions and collection expenses and operating expenses and general and administrative expenses for underwriting rose to ¥8.0 billion, about the same as in the previous year. As a result, the net expense ratio was 21.9%, which was 0.9 percentage points lower than in the previous fiscal year.

Underwriting loss increased by ¥1.0 billion over the previous fiscal year, to a loss of ¥5.4 billion. This was primarily due to an increase in net incurred claims (the total of net claims paid and provisions for outstanding claims). Net loss increased by ¥1.0 billion over the previous fiscal year, to a net loss of ¥5.4 billion.

As a result, the net loss, after taking ownership interests into account (segment loss), increased by ¥1.1 billion over the previous fiscal year, to a net loss of ¥4.3 billion.

4) Domestic Life Insurance Business (MSAL)
Insurance premiums and others rose by ¥19.1 billion over the previous fiscal year, to ¥462.2 billion, primarily because of an increase in individual insurance premiums.

Ordinary profit increased by ¥2.7 billion, to ¥18.6 billion, primarily because of an increase in investment income.

Net income increased by ¥1.6 billion, to ¥6.0 billion.

5) Domestic Life Insurance Business (MSPL)
Insurance premiums and others rose by ¥244.6 billion over the previous fiscal year, to ¥1,300.1 billion, supported by favorable sales of variable whole life insurance policies.

Ordinary profit increased by ¥22.1 billion, to ¥39.9 billion, primarily due to a decrease in provision for underwriting reserves in connection with fixed whole life insurance policies.

Net income increased by ¥5.4 billion, to ¥17.8 billion.

6) International Business (Overseas Insurance Subsidiaries)
Net premiums written rose by ¥43.6 billion, to ¥336.8 billion, because of increases in Asia (excluding Japan), Europe, and the Americas, despite a decrease in reinsurance premiums written by a reinsurance subsidiary.

Ordinary profit decreased by ¥7.2 billion, to ¥37.6 billion, owing to decreases in Europe, Asia (excluding Japan), and a reinsurance subsidiary, despite an increase in the Americas. Net income after taking ownership interests into account (segment income) decreased by ¥6.4 billion, to ¥28.5 billion.

4. CASH FLOW ANALYSIS

With regard to cash flows in the fiscal year under review, net cash flows provided by operating activities increased by ¥662.8 billion over the previous year to ¥1,291.0 billion mainly due to an increase in premium income. Net cash flows used in investing activities increased by ¥807.3 billion over the previous year to ¥1,217.9 billion, mainly due to the acquisition of subsidiaries resulting in changes in scope of consolidation. Net cash flows provided in financing activities were ¥199.0 billion, an increase of ¥258.0 billion from the previous fiscal year, mainly due to an increase in proceeds from borrowings. As a result, the ending balance of cash and cash equivalents in the fiscal year under review stood at ¥1,056.4 billion with an increase of ¥250.9 billion from the previous fiscal year.

5. ISSUES TO BE ADDRESSED BY MS&AD

In the insurance industry, although the market is expected to gradually expand, uncertainty in the business environment is expected to prevail for the foreseeable future due to Japan's advancing low birthrate and aging along with the occurrence of large-scale natural disasters. The role of insurance companies has been increasingly important in responding to advances in ICT including the development of autonomous driving technologies.

Under these conditions, our Group aims to achieve growth and efficiency concurrently and will continue to further expand and enhance its business base with the initiatives of "Next Challenge 2017", our medium-term management plan, through reorganization by function and promotion of ERM. In short, in addition to implementing products, sales and marketing strategies with an eye to future changes in the environment, we will capitalize on the diversity of the Group with its three non-life insurance companies and two life insurance companies and lay the foundations for supporting the sustainable growth of the Group. We will also further strengthen our corporate governance stance in efforts to further improve enterprise value. Finally, through these initiatives, we will create a world-leading insurance and financial services group with a global business reach.

6. RISK ANALYSIS

Risks related to the Group's business performance and financial condition that may potentially have significant influence on investor decisions include the following.

(i) Asset management risk

The Group holds various assets under management, including securities, loans, real estate, and off-balance-sheet assets. There is a risk that a deterioration of economic or financial market conditions could cause changes in asset and liability values and thereby impact the Group's business results. The main kinds of such risks are as follows.

a. Stock price risk

The Group holds large amounts of stock for the purpose of maintaining relationships with business partners over the medium-to-long term, and there is a possibility of a reduction in the value of the Group's assets and recognition of impairment losses and losses on sales in the event of a decline in stock prices.

b. Interest rate risk

There is a possibility of a decrease in the value of the Group's assets, such as bonds and loans, in the event of a rise in interest rates. The Group holds insurance liabilities requiring future payments to policyholders of savings-type insurance, long-term third-sector insurance, or life insurance. If interest rates rise, those values will decrease, but if interest rates fall, the opposite will occur.

c. Foreign exchange rate risk

The Group holds assets and liabilities denominated in foreign currencies such as the U.S. dollar, and there is a possibility of changes in those assets and liabilities owing to the impact of foreign exchange rate movements.

d. Credit risk

There is a possibility that lowered creditworthiness or bankruptcies of stock and bond issuers or borrowers, or disruptions in the credit markets could cause a decline in the value of the Group's assets such as stocks, corporate bonds, loans, and credit and guarantee insurance contracts or prevent the Group from recovering principal and/or interest.

(ii) Risk of large insurance claims due to natural disasters

Natural disasters such as typhoons and earthquakes can result in large losses, and with such natural disasters growing in frequency and scale worldwide due to the impact of climate change and global warming, there is a possibility that huge natural disasters exceeding forecast levels will occur. The Group utilizes reinsurance and builds appropriate catastrophe reserves, so it is able to properly respond to instances of large claim payments arising from such catastrophic events. Nonetheless, there is a risk of a negative impact on the Group's business results due to excessive payments caused by larger-than-expected natural disasters.

(iii) Liquidity risk

If there is an increase of payments of insurance claims from a natural disaster, the Group's cash flows may deteriorate and force the Group to procure funds through transactions with extremely unfavorable terms. The Group could also be forced to conduct transactions at extremely unfavorable prices due to market disruptions. There is a risk that such situations could have a negative impact on the Group's business results.

(iv) Reinsurance transaction risk

The Group utilizes reinsurance to diversify its liabilities assumed under insurance contracts and to stabilize earnings. Nevertheless, there is a risk that a worsening of conditions in the reinsurance markets could prevent the Group from securing adequate reinsurance protection and risk diversification, which would inhibit its insurance underwriting capabilities. Moreover, there is a risk of a negative impact on the Group's business results due to a sharp rise in reinsurance premiums or an

inability to recover reinsurance claims in the event of the bankruptcy of reinsurance companies.

(v) Risk of loss resulting from unforeseen changes, including changes in economic and social environments

Although insurance companies set premium levels based on forecasts of probable future losses from insurance contracts, the actual amount of losses may exceed the forecasts. This is particularly true when the term of coverage is long because of the possibility of significant changes in the economic and social environments initially expected. Accordingly, there is a risk of a negative impact on the Group's business results due to the need for additional provisions for policy liabilities.

(vi) Risk related to intensified competition within the insurance industry

The Group's business environment is becoming increasingly harsh due to factors such as new entrants coming into the insurance industry in conjunction with ongoing deregulation and downward pressure on premium levels. There is a risk that the Group's business results could be negatively impacted from intensified competition due to further deregulation and increased entry of new participants.

(vii) Risk associated with domestic life insurance business

The Group is working to expand its domestic life insurance business as one of its growth areas. However, the domestic life insurance business is seeing increasing competition from other life insurance companies, mainly major domestic life insurance providers and providers from overseas. In this operating environment, there are various risks specific to the life insurance business, such as the risk that the Group may be unable to develop a stable market position or that actual events may differ significantly from initial forecasts due to uncertainties in mortality rate and surrender trends given the long-term nature of insurance policies. Accordingly, there is a risk that these factors could have a negative impact on the Group's business results.

(viii) Risk associated with international business

The Group is aggressively expanding international business in areas such as Asia, Europe and the Americas through branches and subsidiaries. With this comes the risk of unexpected changes in the political, economic and social environments, regulatory changes, foreign exchange rate fluctuations, and the occurrence of natural disasters and epidemics in these countries. In such an event, there is a risk of a negative impact on the Group's business results.

(ix) Risk of information leaks

The Group maintains large volumes of customer information, including personal information, and confidential information, such as management data at each of the Group companies including the Company. The Group has put an information management framework in place to strictly administer information. However, in the event of a significant leak of information, the Group could suffer a loss of the trust from customers and society, as well as be held liable to pay compensation for damages. In such an event, there is a risk of a negative impact on the Group's business results.

(x) Information systems risk

There is a risk that natural disasters, accidents, improper access via cyberattacks, system defects, and other factors could cause problems such as an information leak or stoppage, malfunction, or improper use of the Group's information systems. The Group is striving to manage such information systems risk; however, in the case of a large-scale information system problem involving an information leak or a system stoppage, a system malfunction, or improper system use, there is a risk of a negative impact on the Group's business results.

(xi) Business operation risk

This risk relates to the Group's business activities. Specifically, administrative errors, legal or regulatory violations, impropriety by employees, criminal conduct by outside parties, and the occurrence of disasters pose a risk of losing the trust of customers and society and a risk of interfering with business operations. The Group is striving to undertake appropriate management processes designed to prevent the occurrence of such situations and minimize the impact of such situations that cannot be prevented, but there is a risk that such situations could cause supervisory authorities to respond by imposing sanctions that could have a negative impact on the Group's business results.

(xii) Risk of business disruption

The Group has formulated a business continuity plan and prepared a crisis management framework to respond to the occurrence of natural disasters or unusual events such as an earthquake in the Tokyo metropolitan area and an outbreak of disease, such as novel influenza virus. This framework is intended to limit the duration of any disruption of business and enable business operations to be continued. Notwithstanding these crisis management measures, the Group's business continuity could be inhibited, or the impact of the above disruptions could be greater than anticipated. In such an event, there is a risk of a negative impact on the Group's business results.

(xiii) Risk of not fully realizing synergies from business integration

The Group takes synergy effects from business integration into account when formulating numerical management targets. The Group will expand its customer base by improving the quality of service, share and standardize administrative tasks and systems, and take all manner of other measures in business integration. Furthermore, on September 27, 2013, the Company, MSI, ADI and MSA Life finalized the "Agreement on Reorganization by Function" measures designed to promote the realization of objectives such as sustainable growth and the enhancement of corporate value. The Group is taking comprehensive risk management preparations to prevent business and information systems problems, insufficient responses to customers, and other potential problems associated with the implementation of "Reorganization by Function" measures; however, in the case that unforeseen confusion were to occur despite the preventative measures and impede the full realization of synergies from business integration, there is a risk of a negative impact on the Group's business results.

(xiv) Risks from changes in applicable laws, regulations and systems

The Group conducts business based on the provisions of applicable acts such as the Insurance Business Act of Japan and issues financial reports in accordance with the laws, regulations and accounting standards that relate to corporate accounting and tax affairs. Any future amendment to these applicable laws and regulations that requires a change to the methods of selling insurance products and the product content, as well as the methods for estimating and accounting for policy liabilities, deferred tax assets, and other items, may have a negative impact on the Group's business results.

(xv) Reputation risk

Rumors about the insurance industry or the Group have the potential to affect the social credibility of the Group, regardless of whether or not they are true. Such rumors can be created or spread through the mass media, postings on the Internet, or other means. The Group strives to minimize the effect of rumors by discovering them quickly and responding to them in a timely and appropriate fashion. However, if a malicious rumor were to be circulated, there is a risk that it may have a negative impact on the Group's business results.

7. SOLVENCY MARGIN RATIO

Insurance companies build reserves to cover payments of insurance claims. Moreover, they must secure adequate ability to cover payments even in the event of a crisis beyond the scale of what is ordinarily forecast, such as a major disaster or a significant decline in asset prices. An insurance company's payment capability, including capital and reserves, is known as the solvency margin total amount, "(A)" in the tables below, and its risk amount, "(B)" in the tables below, reflects such a risk exceeding ordinary forecasts. The ratio of (A) to (B) is an index called the solvency margin ratio, "(C)" in the tables below, which is calculated based on the Insurance Business Act.

The solvency margin ratio is an objective decision-making index used by government agencies for monitoring insurance companies and insurance holding companies. A solvency margin ratio of 200% or higher is taken to indicate that an insurance company has sufficient capability to pay insurance claims and other obligations.

The status of MS&AD and its domestic insurance subsidiaries as of the end of the fiscal year under review was as follows:

**MS&AD
Consolidated Solvency Margin Ratio**

	(Yen in millions)	
	FY2014	FY2015
(A) Solvency margin total amount	¥4,508,072	¥4,245,473
(B) Risk amount	1,121,543	1,142,234
(C) Solvency margin ratio (A/(B × 1/2)) × 100	803.9%	743.3%

Note: The consolidated solvency margin ratio is calculated based on the provisions in Article 210-11, 3 and Article 210-11, 4 of the Ordinance for Enforcement of the Insurance Business Act and in the Financial Services Agency (FSA) Public Ministerial Announcement No. 23 of 2011.

Primarily due to a decrease in the market value of shares held, MS&AD's consolidated solvency margin total amount decreased by ¥262.5 billion versus the end of the previous fiscal year. As a result, the consolidated solvency margin ratio decreased by 60.6 percentage points from the previous fiscal year-end, to 743.3%.

MSI**a. Non-Consolidated Solvency Margin Ratio**

	(Yen in millions)	
	FY2014	FY2015
(A) Solvency margin total amount	¥2,667,909	¥2,612,098
(B) Risk amount	818,935	891,542
(C) Solvency margin ratio (A/(B × 1/2)) × 100	651.5%	585.9%

Note: The non-consolidated solvency margin ratio is calculated based on the provisions in Articles 86 and 87 of the Ordinance for Enforcement of the Insurance Business Act and Article 50 of the Notification of the Ministry of Finance 1996.

Primarily due to an increase in the asset management risk value, the total risk amount increased by ¥72.6 billion compared with the end of the previous fiscal year. As a result, the non-consolidated solvency margin ratio decreased by 65.6 percentage points from the previous fiscal year-end, to 585.9%.

b. Consolidated Solvency Margin Ratio

	(Yen in millions)	
	FY2014	FY2015
(A) Solvency margin total amount	¥2,593,146	¥2,195,007
(B) Risk amount	741,109	773,500
(C) Solvency margin ratio (A/(B × 1/2)) × 100	699.8%	567.5%

Note: The consolidated solvency margin ratio is calculated based on the provisions in Article 86-2 and Article 88 of the Ordinance for Enforcement of the Insurance Business Act and FSA Public Ministerial Announcement No. 23 of 2011.

Primarily due to a decrease in the market value of shares held, MSI's consolidated solvency margin total amount decreased by ¥398.1 billion versus the end of the previous fiscal year. As a result, the consolidated solvency margin ratio decreased by 132.3 percentage points from the previous fiscal year-end, to 567.5%.

ADI**Non-Consolidated Solvency Margin Ratio**

	(Yen in millions)	
	FY2014	FY2015
(A) Solvency margin total amount	¥1,285,586	¥1,246,991
(B) Risk amount	319,429	300,711
(C) Solvency margin ratio (A/(B × 1/2)) × 100	804.9%	829.3%

Note: See the note for "a. Non-Consolidated Solvency Margin Ratio" regarding the non-consolidated solvency margin ratio calculation method.

Primarily due to an increase in catastrophe reserves, ADI's non-consolidated solvency margin ratio increased by 24.4 percentage points from the previous fiscal year-end, to 829.3%.

Consolidated Solvency Margin Ratio

	(Yen in millions)	
	FY2014	FY2015
(A) Solvency margin total amount	¥1,268,863	¥1,215,369
(B) Risk amount	304,422	287,402
(C) Solvency margin ratio (A/(B × 1/2)) × 100	833.6%	845.7%

Note: See the note for "b. Consolidated Solvency Margin Ratio" regarding the consolidated solvency margin ratio calculation method.

Primarily due to an increase in catastrophe reserves, ADI's consolidated solvency margin ratio increased by 12.1 percentage points from the previous fiscal year-end, to 845.7%.

**Mitsui Direct General
Non-Consolidated Solvency Margin Ratio**

	(Yen in millions)	
	FY2014	FY2015
(A) Solvency margin total amount	¥8,023	¥7,721
(B) Risk amount	6,269	6,701
(C) Solvency margin ratio (A/(B × 1/2)) × 100	255.9%	230.4%

Note: See the note for "a. Non-Consolidated Solvency Margin Ratio" regarding the non-consolidated solvency margin ratio calculation method.

Primarily due to the loss reported for the fiscal year, the non-consolidated solvency margin total amount decreased ¥0.3 billion, and, as a result, the non-consolidated solvency margin ratio decreased by 25.5 percentage points, to 230.4%.

**MSA Life
Non-Consolidated Solvency Margin Ratio**

	(Yen in millions)	
	FY2014	FY2015
(A) Solvency margin total amount	¥330,141	¥380,460
(B) Risk amount	46,175	47,604
(C) Solvency margin ratio (A/(B × 1/2)) × 100	1,429.9%	1,598.4%

Note: See the note for "a. Non-Consolidated Solvency Margin Ratio" regarding the non-consolidated solvency margin ratio calculation method.

Primarily due to the decrease in domestic interest rates, the non-consolidated solvency margin total amount rose ¥50.3 billion. As a result, the non-consolidated solvency margin ratio increased by 168.5 percentage points from the previous fiscal year-end, to 1,598.4%.

**MSP Life
Non-Consolidated Solvency Margin Ratio**

	(Yen in millions)	
	FY2014	FY2015
(A) Solvency margin total amount	¥323,085	¥438,444
(B) Risk amount	73,451	88,978
(C) Solvency margin ratio (A/(B × 1/2)) × 100	879.7%	985.5%

Note: See the note for "a. Non-Consolidated Solvency Margin Ratio" regarding the non-consolidated solvency margin ratio calculation method.

Primarily due to an increase in the excess of continued Zillmerized reserve, the non-consolidated solvency margin total amount rose ¥115.3 billion from the end of the previous fiscal year. As a consequence, the non-consolidated solvency margin ratio increased by 105.8 percentage points from the previous fiscal year-end, to 985.5%.

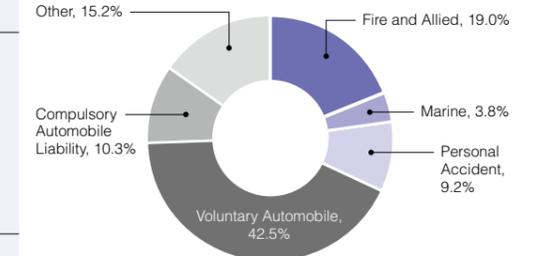
Premiums Written and Net Claims Paid—Non-Life Insurance (Unaudited)

(a) Direct Premiums Written (including deposit premiums from policyholders)

Lines of Insurance	(Yen in millions)												(US\$ in millions)			
	FY2011			FY2012			FY2013			FY2014			FY2015			FY2015
	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount									
Fire and Allied	¥ 513,458	5.4	17.4	¥ 548,666	6.9	18.0	¥ 590,674	7.7	18.3	¥ 625,179	5.8	18.7	¥ 657,398	5.2	19.0	\$ 5,818
Marine	105,393	2.3	3.5	107,893	2.4	3.5	121,387	12.5	3.8	131,030	7.9	3.9	132,284	1.0	3.8	1,171
Personal Accident	358,440	(2.5)	12.1	352,446	(1.7)	11.6	347,562	(1.4)	10.8	341,241	(1.8)	10.2	319,937	(6.2)	9.2	2,831
Voluntary Automobile	1,291,429	1.1	43.7	1,327,991	2.8	43.5	1,378,126	3.8	42.8	1,421,126	3.1	42.4	1,475,596	3.8	42.5	13,058
Compulsory Automobile Liability	307,038	10.2	10.4	321,641	4.8	10.6	352,649	9.6	10.9	355,417	0.8	10.6	356,465	0.3	10.3	3,155
Other	380,999	2.9	12.9	391,322	2.7	12.8	432,409	10.5	13.4	476,209	10.1	14.2	527,502	10.8	15.2	4,668
Total	¥2,956,759	2.5	100.0	¥3,049,962	3.2	100.0	¥3,222,809	5.7	100.0	¥3,350,204	4.0	100.0	¥3,469,185	3.6	100.0	\$30,701
Deposit premiums from policyholders	¥ 172,021	(12.3)	5.8	¥ 163,936	(4.7)	5.4	¥ 151,449	(7.6)	4.7	¥ 138,799	(8.4)	4.1	¥ 116,225	(16.3)	3.4	\$ 1,029

DIRECT PREMIUMS WRITTEN (FY2015)

Total ¥3,469.2 Billion

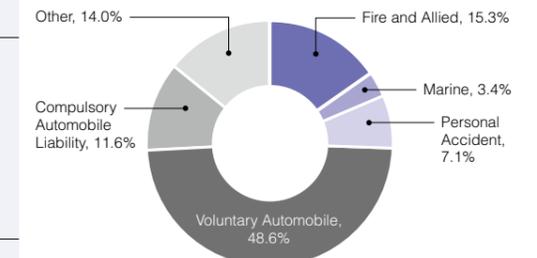


(b) Net Premiums Written

Lines of Insurance	(Yen in millions)												(US\$ in millions)			
	FY2011			FY2012			FY2013			FY2014			FY2015			FY2015
	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount									
Fire and Allied	¥ 339,636	(4.2)	13.3	¥ 354,012	4.2	13.4	¥ 398,163	12.5	14.2	¥ 425,881	7.0	14.5	¥ 471,476	10.7	15.3	\$ 4,172
Marine	87,395	(2.3)	3.4	87,312	(0.1)	3.3	97,054	11.2	3.5	103,389	6.5	3.5	106,108	2.6	3.4	939
Personal Accident	219,520	3.2	8.6	222,865	1.5	8.4	227,546	2.1	8.1	230,991	1.5	7.9	218,487	(5.4)	7.1	1,934
Voluntary Automobile	1,299,499	0.6	50.9	1,337,106	2.9	50.7	1,393,198	4.2	49.5	1,438,002	3.2	48.9	1,495,339	4.0	48.6	13,233
Compulsory Automobile Liability	291,610	6.5	11.4	310,521	6.5	11.8	338,245	8.9	12.0	348,356	3.0	11.8	357,639	2.7	11.6	3,165
Other	317,890	(1.0)	12.4	327,197	2.9	12.4	357,402	9.2	12.7	392,491	9.8	13.4	429,680	9.5	14.0	3,802
Total	¥2,555,551	0.5	100.0	¥2,639,015	3.3	100.0	¥2,811,611	6.5	100.0	¥2,939,113	4.5	100.0	¥3,078,732	4.8	100.0	\$27,245

NET PREMIUMS WRITTEN (FY2015)

Total ¥3,078.7 Billion

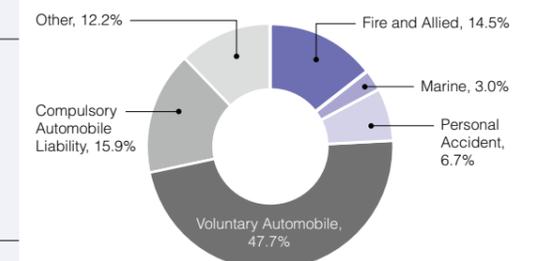


(c) Net Claims Paid

Lines of Insurance	(Yen in millions)												(US\$ in millions)			
	FY2011			FY2012			FY2013			FY2014			FY2015			FY2015
	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount
Fire and Allied	¥ 473,309	244.6	24.4	¥ 315,906	(33.3)	18.2	¥ 252,695	(20.0)	15.1	¥ 259,270	2.6	15.7	¥ 235,176	(9.3)	14.5	\$ 2,081
Marine	48,802	22.5	2.5	40,490	(17.0)	2.3	51,532	27.3	3.1	46,430	(9.9)	2.8	48,009	3.4	3.0	425
Personal Accident	113,345	0.7	5.8	113,462	0.1	6.5	115,636	1.9	6.9	114,136	(1.3)	6.9	109,376	(4.2)	6.7	968
Voluntary Automobile	848,161	1.3	43.7	831,073	(2.0)	47.7	805,460	(3.1)	48.2	786,916	(2.3)	47.7	776,606	(1.3)	47.7	6,873
Compulsory Automobile Liability	263,206	0.9	13.6	264,802	0.6	15.2	261,349	(1.3)	15.7	258,095	(1.2)	15.6	259,078	0.4	15.9	2,293
Other	194,546	(2.0)	10.0	175,049	(10.0)	10.1	183,667	4.9	11.0	185,698	1.1	11.3	199,092	7.2	12.2	1,762
Total	¥1,941,371	22.4	100.0	¥1,740,784	(10.3)	100.0	¥1,670,343	(4.0)	100.0	¥1,650,547	(1.2)	100.0	¥1,627,340	(1.4)	100.0	\$14,401

NET CLAIMS PAID (FY2015)

Total ¥1,627.3 Billion



Policies in Force and New Policies—Domestic Life Insurance (Unaudited)

(a) Policies in Force

	(Yen in millions)								(US\$ in millions)		
	FY2011		FY2012		FY2013		FY2014		FY2015		
	Amount	Change (%)	Amount	Change (%)	Amount	Change (%)	Amount	Change (%)	Amount	Change (%)	
Individual insurance	¥17,481,481	10.6	¥19,782,531	13.2	¥21,391,387	8.1	¥22,676,597	6.0	¥24,277,843	7.1	\$214,848
Individual annuities	3,703,555	493.7	3,953,545	6.7	3,738,051	(5.5)	3,638,524	(2.7)	3,208,994	(11.8)	28,398
Group insurance	4,996,365	2.5	5,165,629	3.4	5,124,978	(0.8)	5,301,496	3.4	6,518,709	23.0	57,688
Group annuities	477	3.9	429	(10.1)	399	(6.9)	369	(7.7)	351	(4.7)	3

Notes: 1. The amounts of individual annuities represent the total sum of (a) the funds to be held at the time annuity payments are to commence (the premium reserves in the case of individual variable annuities) for the policies for which annuity payments have not yet commenced and (b) the underwriting reserves for the policies for which annuity payments have commenced.

2. The amounts of group annuities represent the underwriting reserves.

(b) New Policies

	(Yen in millions)				(US\$ in millions)	
	FY2011	FY2012	FY2013	FY2014	FY2015	FY2015
	Amount	Amount	Amount	Amount	Amount	Amount
Individual insurance	¥3,170,726	¥3,933,771	¥3,235,603	¥3,307,082	¥3,495,356	\$30,932
Individual annuities	343,793	208,998	237,132	198,867	190,634	1,687
Group insurance	38,211	710,988	104,852	88,702	1,005,973	8,902
Group annuities	0	—	—	—	—	—

Note: The amounts of individual annuities represent the funds to be held at the time annuity payments are to commence (the premium reserves at the time of enrollment in the case of individual variable annuities).

Investment Assets and Investments in Securities (Unaudited)

(a) Investment Assets

	FY2014		FY2015		FY2015
	(Yen in millions)		(Yen in millions)		(US\$ in millions)
	Amount	Share	Amount	Share	Amount
Deposits and savings	¥ 630,985	3.4%	¥ 1,083,668	5.3%	\$ 9,590
Call loans	200,336	1.1	31,175	0.2	276
Receivables under resale agreements	36,497	0.2	29,999	0.1	265
Receivables under securities borrowing transactions	326,525	1.7	275,350	1.4	2,437
Monetary claims bought	102,636	0.5	125,785	0.6	1,113
Money trusts	541,881	2.9	828,097	4.1	7,328
Investments in securities	14,444,996	76.9	14,670,914	72.3	129,831
Loans	775,816	4.1	883,106	4.3	7,815
Land and buildings	443,453	2.4	439,994	2.2	3,894
Total investment assets	¥17,503,130	93.2%	¥18,368,092	90.5%	\$162,549
Total assets	¥18,787,654	100.0%	¥20,303,649	100.0%	\$179,678

(b) Investments in Securities

	FY2014		FY2015		FY2015
	(Yen in millions)		(Yen in millions)		(US\$ in millions)
	Amount	Share	Amount	Share	Amount
Government bonds	¥ 3,638,288	25.2%	¥ 3,715,479	25.3%	\$ 32,880
Municipal bonds	270,605	1.9	277,388	1.9	2,455
Corporate bonds	1,581,178	10.9	1,544,932	10.5	13,672
Stock	3,184,894	22.1	2,594,180	17.7	22,957
Foreign securities	3,082,764	21.3	3,929,242	26.8	34,772
Other securities	2,687,264	18.6	2,609,689	17.8	23,095
Total	¥14,444,996	100.0%	¥14,670,914	100.0%	\$129,831

Note: "Other securities" consists mainly of investment trusts managed in separate accounts.

Consolidated Balance Sheets

Download Data Sheet MS&AD Insurance Group Holdings, Inc. and Its Consolidated Subsidiaries
As of March 31, 2015 and 2016

Assets	Yen in millions		US\$ in millions
	2015	2016	2016
Cash, deposits and savings	¥ 631,141	¥ 1,083,838	\$ 9,591
Call loans	200,336	31,175	276
Receivables under resale agreements	36,497	29,999	265
Receivables under securities borrowing transactions	326,525	275,350	2,437
Monetary claims bought	102,636	125,785	1,113
Money trusts	541,881	828,097	7,328
Investments in securities	14,444,996	14,670,914	129,831
Loans	775,816	883,106	7,815
Tangible fixed assets:			
Land	243,662	235,730	2,086
Buildings	199,791	204,263	1,808
Lease assets	3,393	2,848	25
Construction in progress	5,226	1,934	17
Other tangible fixed assets	26,557	33,022	292
Total tangible fixed assets	478,631	477,799	4,228
Intangible fixed assets:			
Software	74,760	82,529	730
Goodwill	82,944	204,055	1,806
Lease assets	52	25	0
Other intangible fixed assets	23,739	235,470	2,084
Total intangible fixed assets	181,497	522,081	4,620
Other assets	923,712	1,251,615	11,076
Assets for retirement benefits	54,762	32,815	290
Deferred tax assets	40,851	45,871	406
Customers' liabilities under acceptances and guarantees	59,500	55,500	491
Bad debt reserve	(10,741)	(10,300)	(91)
Total assets	¥18,788,046	¥20,303,649	\$179,678

See accompanying notes to consolidated financial statements.

Liabilities and Net Assets	Yen in millions		US\$ in millions
	2015	2016	2016
Liabilities			
Policy liabilities:			
Outstanding claims	¥ 1,491,004	¥ 1,967,518	\$ 17,412
Underwriting reserves	12,348,477	13,316,332	117,844
Total policy liabilities	13,839,481	15,283,850	135,255
Bonds issued	226,188	349,841	3,096
Other liabilities	1,022,609	1,299,598	11,501
Liabilities for pension and retirement benefits	138,914	188,853	1,671
Reserve for retirement benefits for officers	953	796	7
Accrued bonuses for employees	23,961	33,589	297
Reserves under the special laws:			
Reserve for price fluctuation	136,738	161,032	1,425
Total reserves under the special laws	136,738	161,032	1,425
Deferred tax liabilities	303,036	205,312	1,817
Acceptances and guarantees	59,500	55,500	491
Total liabilities	15,751,383	17,578,374	155,561
Net Assets			
Shareholders' equity:			
Common stock	100,000	100,000	885
Capital surplus	675,327	670,646	5,935
Retained earnings	490,329	628,562	5,562
Treasury stock	(49,978)	(80,065)	(709)
Total shareholders' equity	1,215,678	1,319,143	11,674
Accumulated other comprehensive income/(loss):			
Net unrealized gains/(losses) on investments in securities	1,635,784	1,324,886	11,725
Net deferred gains/(losses) on hedges	32,140	40,113	355
Foreign currency translation adjustments	94,417	22,369	198
Accumulated actuarial gains/(losses) on retirement benefits	28,690	(8,343)	(74)
Total accumulated other comprehensive income/(loss)	1,791,033	1,379,024	12,204
Non-controlling interests	29,950	27,106	240
Total net assets	3,036,663	2,725,274	24,117
Total liabilities and net assets	¥18,788,046	¥20,303,649	\$179,678

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

Download Data Sheet MS&AD Insurance Group Holdings, Inc. and Its Consolidated Subsidiaries
For the years ended March 31, 2015 and 2016

	Yen in millions		US\$ in millions
	2015	2016	2016
Ordinary income and expenses			
Ordinary income:			
Underwriting income:			
Net premiums written	¥2,939,113	¥3,078,732	\$27,245
Deposit premiums from policyholders	138,799	116,225	1,029
Investment income on deposit premiums from policyholders	50,898	48,953	433
Life insurance premiums	721,705	1,356,334	12,003
Reversal of outstanding claims	1,375	–	–
Other underwriting income	19,285	6,317	56
Total underwriting income	3,871,177	4,606,563	40,766
Investment income:			
Interest and dividends income	253,616	268,620	2,377
Investment gains on money trusts	89,065	2,879	25
Gains on sales of securities	157,175	144,405	1,278
Gains on redemption of securities	1,840	1,856	16
Gains on derivative transactions	–	17,237	153
Investment gains on separate accounts	350,206	–	–
Other investment income	2,429	3,536	31
Transfer of investment income on deposit premiums from policyholders	(50,898)	(48,953)	(433)
Total investment income	803,435	389,582	3,448
Other ordinary income:			
Gains on equity method investments	1,302	2,245	20
Other ordinary income	13,742	14,646	130
Total other ordinary income	15,044	16,892	149
Total ordinary income	4,689,658	5,013,038	44,363
Ordinary expenses:			
Underwriting expenses:			
Net claims paid	1,650,547	1,627,340	14,401
Loss adjustment expenses	156,147	161,666	1,431
Commissions and collection expenses	600,326	640,777	5,671
Maturity refunds to policyholders	303,288	293,137	2,594
Dividends to policyholders	858	1,015	9
Life insurance claims	346,127	396,259	3,507
Provision for outstanding claims	–	27,870	247
Provision for underwriting reserves	697,300	744,397	6,588
Other underwriting expenses	5,621	11,755	104
Total underwriting expenses	3,760,218	3,904,219	34,551
Investment expenses:			
Investment losses on money trusts	109	19,168	170
Losses on sales of securities	6,507	9,896	88
Impairment losses on securities	5,164	17,946	159
Losses on redemption of securities	961	1,062	9
Losses on derivative transactions	6,342	–	–
Investment losses on separate accounts	–	76,153	674
Other investment expenses	34,853	86,518	766
Total investment expenses	53,940	210,745	1,865
Operating expenses and general and administrative expenses	577,998	590,839	5,229
Other ordinary expenses:			
Interest expense	7,052	7,432	66
Losses on bad debts	40	170	2
Amortization of deferred assets under Article 113 of the Insurance Business Act	236	236	2
Other ordinary expenses	3,110	7,815	69
Total other ordinary expenses	10,439	15,655	139
Total ordinary expenses	4,402,596	4,721,460	41,783
Ordinary profit/(loss)	287,061	291,578	2,580
Extraordinary income and losses			
Extraordinary income:			
Gains on sales of fixed assets	9,021	2,771	25
Other extraordinary income	–	14,982	133
Total extraordinary income	9,021	17,753	157
Extraordinary losses:			
Losses on sales of fixed assets	4,632	2,572	23
Impairment losses on fixed assets	1,944	10,129	90
Provision for reserves under the special laws:			
Provision for reserve for price fluctuation	69,684	24,293	215
Total provision for reserves under the special laws	69,684	24,293	215
Other extraordinary losses	–	15,242	135
Total extraordinary losses	76,260	52,238	462
Income/(loss) before income taxes	219,822	257,094	2,275
Income taxes - current	28,836	62,816	556
Income taxes - deferred	53,132	12,466	110
Total income taxes	81,968	75,282	666
Net income/(loss)	137,853	181,811	1,609
Net income/(loss) attributable to non-controlling interests	1,606	294	3
Net income/(loss) attributable to owners of the parent	¥ 136,247	¥ 181,516	\$ 1,606

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

MS&AD Insurance Group Holdings, Inc. and Its Consolidated Subsidiaries
For the years ended March 31, 2015 and 2016

	Yen in millions		US\$ in millions
	2015	2016	2016
Net income/(loss)	¥137,853	¥ 181,811	\$ 1,609
Other comprehensive income/(loss):			
Net unrealized gains/(losses) on investments in securities	581,217	(308,774)	(2,733)
Net deferred gains/(losses) on hedges	8,709	7,973	71
Foreign currency translation adjustments	53,878	(67,259)	(595)
Actuarial gains/(losses) on retirement benefits	18,427	(36,989)	(327)
Share of other comprehensive income/(loss) of equity method investments	7,885	(9,877)	(87)
Total other comprehensive income/(loss)	670,118	(414,927)	(3,672)
Total comprehensive income/(loss)	¥807,972	¥ (233,116)	\$ (2,063)
Allocation:			
Comprehensive income/(loss) attributable to owners of the parent	¥805,117	¥ (230,492)	\$ (2,040)
Comprehensive income/(loss) attributable to non-controlling interests	2,854	(2,623)	(23)

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

MS&AD Insurance Group Holdings, Inc. and Its Consolidated Subsidiaries
For the years ended March 31, 2015 and 2016

2015 (Yen in millions)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Beginning balance	¥100,000	¥682,752	¥385,295	¥ (29,903)	¥1,138,144
Cumulative effect of changing accounting policies		(7,403)	4,006		(3,396)
Beginning balance (adjusted)	100,000	675,349	389,302	(29,903)	1,134,747
Changes for the year:					
Dividends paid			(35,219)		(35,219)
Net income/(loss) attributable to owners of the parent			136,247		136,247
Repurchase of treasury stock				(20,077)	(20,077)
Disposal of treasury stock		0		2	2
Changes in equity resulted from increase in capital of consolidated subsidiaries					-
Changes in equity resulted from transactions with non-controlling interests		(21)			(21)
Put options granted to non-controlling interests					-
Net changes of items other than shareholders' equity					
Total changes for the year	-	(21)	101,027	(20,074)	80,931
Ending balance	¥100,000	¥675,327	¥490,329	¥ (49,978)	¥1,215,678

	Accumulated other comprehensive income/(loss)					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/(loss)		
Beginning balance	¥1,053,222	¥23,430	¥35,261	¥10,266	¥1,122,180	¥25,507	¥2,285,832
Cumulative effect of changing accounting policies					-		(3,396)
Beginning balance (adjusted)	1,053,222	23,430	35,261	10,266	1,122,180	25,507	2,282,435
Changes for the year:							
Dividends paid							(35,219)
Net income/(loss) attributable to owners of the parent							136,247
Repurchase of treasury stock							(20,077)
Disposal of treasury stock							2
Changes in equity resulted from increase in capital of consolidated subsidiaries							-
Changes in equity resulted from transactions with non-controlling interests							(21)
Put options granted to non-controlling interests							-
Net changes of items other than shareholders' equity	582,562	8,709	59,156	18,423	668,853	4,442	673,295
Total changes for the year	582,562	8,709	59,156	18,423	668,853	4,442	754,227
Ending balance	¥1,635,784	¥32,140	¥94,417	¥28,690	¥1,791,033	¥29,950	¥3,036,663

See accompanying notes to consolidated financial statements.

2016 (Yen in millions)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Beginning balance	¥100,000	¥675,327	¥490,329	¥ (49,978)	¥1,215,678
Cumulative effect of changing accounting policies					-
Beginning balance (adjusted)	100,000	675,327	490,329	(49,978)	1,215,678
Changes for the year:					
Dividends paid			(43,284)		(43,284)
Net income/(loss) attributable to owners of the parent			181,516		181,516
Repurchase of treasury stock				(30,089)	(30,089)
Disposal of treasury stock		0		2	3
Changes in equity resulted from increase in capital of consolidated subsidiaries		(566)			(566)
Changes in equity resulted from transactions with non-controlling interests		(206)			(206)
Put options granted to non-controlling interests		(3,908)			(3,908)
Net changes of items other than shareholders' equity					
Total changes for the year	-	(4,680)	138,232	(30,087)	103,464
Ending balance	¥100,000	¥670,646	¥628,562	¥ (80,065)	¥1,319,143

	Accumulated other comprehensive income/(loss)					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/(loss)		
Beginning balance	¥1,635,784	¥32,140	¥94,417	¥28,690	¥1,791,033	¥29,950	¥3,036,663
Cumulative effect of changing accounting policies					-		-
Beginning balance (adjusted)	1,635,784	32,140	94,417	28,690	1,791,033	29,950	3,036,663
Changes for the year:							
Dividends paid							(43,284)
Net income/(loss) attributable to owners of the parent							181,516
Repurchase of treasury stock							(30,089)
Disposal of treasury stock							3
Changes in equity resulted from increase in capital of consolidated subsidiaries							(566)
Changes in equity resulted from transactions with non-controlling interests							(206)
Put options granted to non-controlling interests							(3,908)
Net changes of items other than shareholders' equity	(310,898)	7,973	(72,048)	(37,034)	(412,008)	(2,843)	(414,852)
Total changes for the year	(310,898)	7,973	(72,048)	(37,034)	(412,008)	(2,843)	(311,388)
Ending balance	¥1,324,886	¥40,113	¥22,369	¥ (8,343)	¥1,379,024	¥27,106	¥2,725,274

See accompanying notes to consolidated financial statements.

2016

(US\$ in millions)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Beginning balance	\$885	\$5,976	\$4,339	\$(442)	\$10,758
Cumulative effect of changing accounting policies					–
Beginning balance (adjusted)	885	5,976	4,339	(442)	10,758
Changes for the year:					
Dividends paid			(383)		(383)
Net income/(loss) attributable to owners of the parent			1,606		1,606
Repurchase of treasury stock				(266)	(266)
Disposal of treasury stock		0		0	0
Changes in equity resulted from increase in capital of consolidated subsidiaries		(5)			(5)
Changes in equity resulted from transactions with non-controlling interests		(2)			(2)
Put options granted to non-controlling interests		(35)			(35)
Net changes of items other than shareholders' equity					
Total changes for the year	–	(41)	1,223	(266)	916
Ending balance	\$885	\$5,935	\$5,562	\$(709)	\$11,674

	Accumulated other comprehensive income/(loss)					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/(loss)		
Beginning balance	\$14,476	\$284	\$836	\$254	\$15,850	\$265	\$26,873
Cumulative effect of changing accounting policies					–		–
Beginning balance (adjusted)	14,476	284	836	254	15,850	265	26,873
Changes for the year:							
Dividends paid							(383)
Net income/(loss) attributable to owners of the parent							1,606
Repurchase of treasury stock							(266)
Disposal of treasury stock							0
Changes in equity resulted from increase in capital of consolidated subsidiaries							(5)
Changes in equity resulted from transactions with non-controlling interests							(2)
Put options granted to non-controlling interests							(35)
Net changes of items other than shareholders' equity	(2,751)	71	(638)	(328)	(3,646)	(25)	(3,671)
Total changes for the year	(2,751)	71	(638)	(328)	(3,646)	(25)	(2,756)
Ending balance	\$11,725	\$355	\$198	\$(74)	\$12,204	\$240	\$24,117

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

MS&AD Insurance Group Holdings, Inc. and Its Consolidated Subsidiaries
For the years ended March 31, 2015 and 2016

	Yen in millions		US\$ in millions
	2015	2016	2016
I. Cash flows from operating activities:			
Income/(loss) before income taxes	¥ 219,822	¥ 257,094	\$ 2,275
Adjustments for:			
Depreciation	47,635	43,746	387
Impairment losses on fixed assets	1,944	10,129	90
Amortization of goodwill	14,436	6,281	56
Increase/(decrease) in outstanding claims	(446)	29,336	260
Increase/(decrease) in underwriting reserves	690,272	737,163	6,524
Increase/(decrease) in bad debt reserve	(10,038)	(4,170)	(37)
Increase/(decrease) in reserve for retirement benefits for officers	(167)	(156)	(1)
Increase/(decrease) in accrued bonuses for employees	1,939	(74)	(1)
Increase/(decrease) in liabilities for pension and retirement benefits	(642)	1,521	13
Increase/(decrease) in reserve for price fluctuation	69,684	24,293	215
Interest and dividends income	(253,616)	(268,620)	(2,377)
Losses/(gains) on money trusts	(88,941)	16,337	145
Losses/(gains) on investments in securities	(146,381)	(117,355)	(1,039)
Losses/(gains) on derivative transactions	6,342	(17,237)	(153)
Investment losses/(gains) on separate accounts	(350,206)	76,153	674
Interest expense	7,052	7,432	66
Foreign exchange losses/(gains)	24,795	77,069	682
Losses/(gains) on disposal of tangible fixed assets	(4,281)	(198)	(2)
Losses/(gains) on equity method investments	(1,302)	(2,245)	(20)
Decrease/(increase) in other assets	(38,598)	(12,290)	(109)
Increase/(decrease) in other liabilities	72,236	53,871	477
Other, net	(3,013)	(2,454)	(22)
Subtotal	258,526	915,623	8,103
Interest and dividends received	406,187	413,020	3,655
Interest paid	(7,044)	(7,315)	(65)
Income taxes refunded/(paid)	(29,485)	(30,310)	(268)
Net cash provided by/(used in) operating activities (a)	628,184	1,291,017	11,425
II. Cash flows from investing activities:			
Net decrease/(increase) in deposits and savings	3,996	(6,378)	(56)
Purchase of monetary claims bought	(5,998)	–	–
Proceeds from sales and redemption of monetary claims bought	14,756	8,033	71
Purchase of money trusts	(215,680)	(456,026)	(4,036)
Proceeds from sales of money trusts	336,392	153,046	1,354
Purchase of securities	(2,959,364)	(2,557,765)	(22,635)
Proceeds from sales and redemption of securities	2,465,036	2,340,374	20,711
Investment in loans	(220,142)	(350,336)	(3,100)
Collection of loans	248,124	244,814	2,166
Net increase/(decrease) in cash collateral under securities borrowing and lending transactions	1,184	887	8
Other, net	(35,300)	23,955	212
Subtotal (b)	(366,994)	(599,394)	(5,304)
(a + b)	261,189	691,622	6,121
Acquisition of tangible fixed assets	(22,809)	(22,016)	(195)
Proceeds from sales of tangible fixed assets	13,599	5,021	44
Acquisition of intangible fixed assets	(15,702)	(18,832)	(167)
Acquisition of shares of subsidiaries resulting in changes in scope of consolidation	(17,271)	(574,189)	(5,081)
Net payments for sale of subsidiaries resulting in changes in scope of consolidation	–	(7,554)	(67)
Other, net	(1,493)	(1,013)	(9)
Net cash provided by/(used in) investing activities	(410,671)	(1,217,980)	(10,779)
III. Cash flows from financing activities:			
Proceeds from borrowings	–	436,767	3,865
Repayments of borrowings	–	(240,000)	(2,124)
Issuance of bonds	–	148,967	1,318
Redemption of bonds	–	(70,000)	(619)
Repurchase of treasury stock	(20,077)	(30,089)	(266)
Dividends paid to shareholders	(35,189)	(43,242)	(383)
Dividends paid to non-controlling interests	(1,325)	(1,281)	(11)
Purchase of shares of subsidiaries not resulting in changes in scope of consolidation	–	(384)	(3)
Other, net	(2,349)	(1,660)	(15)
Net cash provided by/(used in) financing activities	(58,941)	199,075	1,762
IV. Effect of exchange rate changes on cash and cash equivalents	20,201	(20,508)	(181)
V. Net increase/(decrease) in cash and cash equivalents	178,771	251,605	2,227
VI. Cash and cash equivalents at beginning of year	625,084	805,455	7,128
VII. Decrease in cash and cash equivalents due to exclusion from scope of consolidation	–	(699)	(6)
VIII. Net increase/(decrease) in cash and cash equivalents due to merger of consolidated subsidiaries	1,598	46	0
IX. Cash and cash equivalents at end of year	¥ 805,455	¥1,056,407	\$ 9,349

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

MS&AD Insurance Group Holdings, Inc. and its Consolidated Subsidiaries
As of and for the years ended March 31, 2015 and 2016

SIGNIFICANT ACCOUNTING POLICIES

1. Basis of presentation

The accompanying consolidated financial statements have been translated from the consolidated financial statements of MS&AD Insurance Group Holdings, Inc. ("the Company") prepared in accordance with the provisions set forth in the Corporate Accounting Regulations, the Enforcement Regulations of the Japanese Insurance Business Act and related rules, and regulations applicable to the non-life insurance industry in general, and in conformity with accounting principles and practices generally accepted in Japan, which may differ in certain respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan. In preparing the accompanying consolidated financial statements, certain additional information has been provided to the consolidated financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan.

The accompanying consolidated financial statements are expressed in Japanese yen. As permitted by the regulations under the Corporate Accounting Regulations, amounts are rounded down to the nearest million of Japanese yen, except for those stated otherwise. As a result, the totals shown in the accompanying consolidated financial statements in Japanese yen do not necessarily agree with the sums of the individual amounts.

Solely for the convenience of readers, the accompanying consolidated financial statements as of and for the year ended March 31, 2016 have been translated into U.S. dollars at the rate of ¥113=US\$1, the approximate exchange rate prevailing on the Tokyo foreign exchange market on the last business day of March 2016. Such translation should not be construed as presentations that the Japanese yen amounts have been, should have been, or could in the future be, converted into U.S. dollars at that or any other rate.

"Subsidiary" and "Associate" appearing in the accompanying consolidated financial statements and notes thereto refer to those defined in Article 2 of the Corporate Accounting Regulations.

2. Scope of consolidation

(1) Number of consolidated subsidiaries

119 companies

Major consolidated subsidiaries are as follows:

Mitsui Sumitomo Insurance Co., Ltd. ("MSI")
Aioi Nissay Dowa Insurance Co., Ltd. ("ADI")
Mitsui Sumitomo Aioi Life Insurance Co., Ltd. ("MSAL")
Mitsui Sumitomo Primary Life Insurance Co., Ltd. ("MSPL")
MSIG Holdings (Americas), Inc.
MS Amlin plc
MSIG Insurance (Malaysia) Bhd.

Changes in scope of consolidation

MS Amlin plc and other 57 companies have been included in the scope of consolidation since the year ended March 31, 2016 due to acquisition of shares.

Cardinal Reinsurance Limited (formerly Mitsui Sumitomo Reinsurance Limited) has been excluded from the scope of consolidation during the year ended March 31, 2016 due to sales of shares. Mitsui Sumitomo Insurance (London) Limited has been excluded from the scope of consolidation during the year ended March 31, 2016 as it has been substantially liquidated and its effect on consolidated net income and retained earnings are not considered material.

(2) Unconsolidated subsidiaries

Major unconsolidated subsidiaries are as follows:

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

Certain subsidiaries including the above subsidiaries are not consolidated, as they are not considered to affect, in all material aspects, the consolidated financial conditions and business performance, in view of the size of their total assets, ordinary income, net income and retained earnings attributable to the Company.

3. Application of equity method

(1) Number of associates accounted for under the equity method

10 companies

Major associates accounted for under the equity method are as follows:

Sumitomo Mitsui Asset Management Company, Limited
PT. Asuransi Jiwa Sinarmas MSIG

Changes in scope of application of equity method

Miles Smith Holdings Limited and Manchester Underwriting Management Limited have become equity method affiliates during the year ended March 31, 2016 due to acquisition of shares of MS Amlin plc.

(2) Other affiliates, including unconsolidated subsidiaries and associates (e.g. Anshin Dial Co., Ltd. and Zenkankyo Small Amount and Short Term Insurance Holdings, Ltd.), are stated at cost as their effects on consolidated net income and retained earnings are not considered material, individually and in aggregate.

(3) The Company holds 29.9% of the voting rights of Japan Earthquake Reinsurance Co., Ltd. ("Japan Earthquake Re") through MSI and ADI. However, Japan Earthquake Re is not included in the affiliates since the Company does not have the ability to exercise significant influence over operating and financial decisions of Japan Earthquake Re in view of its public nature.

4. Fiscal year of consolidated subsidiaries

The fiscal year end of certain consolidated subsidiaries, including MS Amlin plc and 110 other companies, is December 31 which is different from that of the Company. The Company uses the financial statements as of their latest fiscal year end for consolidation purposes since the intervening period does not exceed three months from the Company's fiscal year end.

The Company makes adjustments to incorporate significant transactions occurred during the intervening period that materially affect the consolidated financial statements.

5. Accounting policies

(1) Valuation policies and methods of securities (including those included in Cash, deposits and savings and Monetary claims bought as set forth in the Enforcement Regulations of the Japanese Insurance Business Act)

(i) Trading securities are valued at their year-end market prices. Cost of sales is calculated using the moving average method.

(ii) Held-to-maturity securities are valued at amortized cost.

(iii) Investments in unconsolidated subsidiaries and associates that are not accounted for under the equity method are valued at cost determined by the moving average method.

(iv) Debt securities and money trusts earmarked for underwriting reserves are valued at amortized cost determined by the moving average method in accordance with Industry Audit Committee Report No. 21 "Temporary Treatment of Accounting and Auditing Concerning Debt Securities Earmarked for Underwriting Reserve in the Insurance Industry" (issued by the Japanese Institute of Certified Public Accountants on November 16, 2000).

A summary of the risk management policy for debt securities and money trusts earmarked for underwriting reserves is as follows:

In order to effectively manage risks of variability in interest rates related to assets and liabilities, MSAL establishes subgroups of "individual insurance" that meet certain criteria for each type of insurance and investment policy and applies the investment policy and cash allocation policy reflecting their characteristics. In addition, MSAL periodically assesses whether the durations of the debt securities earmarked for underwriting reserves fall within a certain range from those of the underwriting reserves in each subgroup.

In order to effectively manage risks of variability in interest rates related to assets and liabilities, MSPL establishes subgroups of "individual insurance and individual annuities" that meet certain criteria for each currency and applies the investment policy and cash allocation policy reflecting their characteristics. In addition, MSPL periodically assesses whether the durations of the debt securities earmarked for underwriting reserves fall within a certain range from those of the underwriting reserves in each subgroup.

- (v) Available-for-sale securities (except for those without practically determinable fair value) are valued at their year-end market prices.

Net unrealized gains and losses are reported as a separate line item of net assets. For foreign currency bonds held by certain consolidated subsidiaries, changes in fair values due to fluctuations in foreign exchange rates are reported in net unrealized gains and losses in net assets, while remaining changes are reported as foreign exchange gains and losses in the consolidated financial statement of income. Cost of sales is calculated by the moving average method.

- (vi) Available-for-sale securities without practically determinable fair value are valued at cost using the moving average method.

- (vii) Money trusts which are specifically managed for the Company and its domestic consolidated subsidiaries for trading purposes are valued at their year-end market prices.

Money trusts which are specifically managed for the Company and its domestic consolidated subsidiaries, other than money trusts held for trading purposes, money trusts held to maturity and money trusts earmarked for underwriting reserves, are valued on the same basis as available-for-sale securities.

(2) Valuation policies and methods of derivative financial instruments

Derivative financial instruments are valued at fair value.

(3) Depreciation methods of significant depreciable assets

- (i) Depreciation of tangible fixed assets is computed using the straight-line method.

(Changes in accounting policies which are difficult to distinguish from changes in accounting estimates)

The Company and its domestic consolidated subsidiaries have changed the depreciation method of tangible fixed assets from the declining-balance method to the straight-line method since the year ended March 31, 2016. Previously, depreciation of tangible fixed assets held by the Company and its domestic consolidated subsidiaries was computed using the declining-balance method, except for buildings (excluding fixtures) acquired on or after April 1, 1998, to which the straight-line method was applied.

The Company and its consolidated subsidiaries ("the Group") has been endeavoring to enhance the efficiency of its business management as a group and expand its international business with an aim to become one of the top global insurance and financial groups since April 1, 2010, when the Group was established. The Group has also moved forward with the reorganization by function as planned in "Next Challenge 2017" medium-term management plan, and most of the individual reorganization plans had been put in practice by the end of the previous year.

With the reorganization by function taking place, the Group reviewed its accounting policies including those applied by overseas subsidiaries and determined that it is more appropriate to adopt the straight-line depreciation method for tangible fixed assets for the following reasons:

- (a) After the reorganization by function, it is expected that tangible fixed assets held by the Company and its domestic consolidated subsidiaries will be used stably over their useful lives. Therefore, by adopting the straight-line method, in which an equal amount of expenses is recognized over useful lives of tangible fixed assets, it is considered that the actual usage of tangible fixed assets will be more appropriately reflected in profit and loss for each reporting period.
- (b) By adopting the straight-line method, the Group will be able to unify accounting policies applied by domestic consolidated subsidiaries with those applied by overseas consolidated subsidiaries that have been using the straight-line method, and be able to provide more useful financial information.

As a result of the change, Ordinary profit/(loss) and Income/(loss) before income taxes increased by ¥5,215 million, compared with the amounts calculated by the previous accounting method.

- (ii) Intangible fixed assets are amortized by the straight-line method. Capitalized software for internal use is amortized by the straight-line method over its estimated useful life.

(4) Accounting policies for significant reserves

- (i) Bad debt reserve

For domestic consolidated insurance subsidiaries, bad debt reserve is established under the internal standards for self-assessment of assets and the policy for write-off and provision.

Bad debt reserve for loans to debtors who are legally deemed to be insolvent due to bankruptcy or special liquidation, or whose notes are under suspension at clearing houses, and loans to debtors who are deemed to be substantially insolvent is provided based on the outstanding balance remaining after deducting the resale value of collateral and the amount collectible through guarantees.

Bad debt reserve for loans to debtors who are likely to become insolvent in the future is provided based on the outstanding balance remaining after deducting the resale value of collateral, the amount collectible through guarantees and the amount expected to be repaid by the debtors considering their overall ability to pay.

For loans other than those described above, bad debt reserve is calculated by multiplying the outstanding balances by the historical bad debt ratios.

Bad debt reserve for all loans and receivables is provided based on the assessment under the internal standards for self-assessment of assets. The assessment is performed by departments which are responsible for the respective assets and the results are reviewed by the independent internal audit departments.

For other domestic consolidated subsidiaries, bad debt reserve is established under their internal standards for self-assessment of assets and policies for write-off and provision similar to those of the domestic consolidated insurance subsidiaries.

For overseas consolidated subsidiaries, bad debt reserve is established based on the assessment of collectability of individual receivables.

- (ii) Reserve for retirement benefits for officers

Reserve for retirement benefits that covers the cost for services rendered by officers and operating officers of MSI and MSAL up to the year ended March 31, 2005, the date in which the retirement benefit plans for officers were terminated, is established based on the estimated amounts to be paid at the year-end to provide for future retirement benefits (including pension) for officers and operating officers of MSI and MSAL.

- (iii) Accrued bonuses for employees

Accrued bonuses for employees are determined based on the estimated amounts to be paid at the year-end to provide for future bonuses for employees and operating officers.

- (iv) Reserve for price fluctuation

For the domestic consolidated insurance subsidiaries, the reserve for price fluctuation is recognized under Article 115 of the Insurance Business Act to provide for possible losses arising from price fluctuation of investment assets such as equity securities.

(5) Accounting for retirement benefits

- (i) Attribution method of retirement benefits over the service period

In computing retirement benefit obligations, the estimated retirement benefits are attributed to the periods up to the current year using the plan's benefit formula.

- (ii) Accounting for actuarial gains and losses and past service costs

Actuarial gains and losses are amortized, commencing from the following year, using the straight-line method over a certain number of years (primarily 10 to 11 years) that do not exceed the expected average remaining service period of employees at the time of occurrence.

Past service costs are amortized using the straight-line method over a certain number of years (4 years) that do not exceed the average remaining service period of employees at the time of occurrence.

(6) Translation of foreign currency assets and liabilities

Foreign currency monetary assets and liabilities of the Company are translated into Japanese yen using the spot exchange rate prevailing at the year-end. The foreign exchange gains and losses resulting from the translation are recognized in earnings. Foreign currency assets and liabilities of overseas consolidated subsidiaries are translated into Japanese yen using the spot exchange rate prevailing at their respective year-ends, while shareholders' equity is translated at the historical rates. Income and expenses of overseas consolidated subsidiaries are translated into Japanese yen using the average exchange rate for the year. Differences arising from such translations are included in Foreign currency translation adjustments and Non-controlling interests in Net Assets.

(7) Accounting for consumption taxes

Consumption taxes received or paid by the Company and its major domestic consolidated subsidiaries are not included in income or expenses, except for those relating to Loss adjustment expenses and Operating expenses and general and administrative expenses incurred by the domestic consolidated non-life insurance subsidiaries. Consumption taxes excluded from income and expenses are recorded at the net amount on the balance sheet.

Non-deductible consumption taxes are recognized as expenses for the period, except for those relating to the purchase of depreciable fixed assets which are not charged to expenses but deferred as Other assets and amortized over a period of five years on a straight-line basis.

(8) Hedge accounting

Under accounting principles generally accepted in Japan ("Japanese GAAP"), several methodologies are allowed for hedge accounting. Two fundamental approaches are the deferred hedge method and the fair value hedge method. Under the deferred hedge method, gains and losses on changes in fair value of derivative financial instruments are deferred and accounted for as a separate line item of net assets. Under the fair value hedge method, which is allowed only with respect to available-for-sale securities being the hedged items, gains and losses on changes in fair value of the hedging instruments are recognized in earnings together with the corresponding gains and losses of the hedged items attributable to the risks being hedged.

In addition, for certain derivative financial instruments, alternative treatments are permitted under Japanese GAAP. Assets and liabilities denominated in foreign currencies and hedged by foreign exchange forward contracts or currency swaps can be accounted for by the allocation method. Under this method, the foreign exchange forward contracts and currency swaps used as hedging instruments are not measured at fair value since gains and losses on the derivatives are assumed to be offset with changes in fair value of the corresponding hedged items, and hedged items are translated at the foreign exchange rates that are stipulated in the foreign exchange forward contracts or currency swaps (hedging instruments). Interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at fair value, but the differentials paid or received under the swap agreements are recognized and included in interest expense or income of the hedged items (the exceptional method).

For certain domestic consolidated insurance subsidiaries, gains and losses on equity forward contracts used for hedging risks of variability in the fair value of investments in equity securities are accounted for under either the deferred hedge method or the fair value hedge method. Gains and losses on currency swap contracts and certain foreign exchange forward contracts used for hedging risks of variability in foreign exchange rates on foreign currency assets are accounted for under the deferred hedge method, the fair value hedge method or the allocation method. Gains and losses on currency swap contracts used for hedging risks of variability in foreign exchange rates on foreign currency bonds issued by MSI are accounted for under the allocation method.

Gains and losses on interest rate swap contracts used for hedging risks of variability in interest rates of loans, bonds and borrowings are accounted for under the deferred hedge method or the exceptional method when they meet certain criteria.

Gains and losses on interest rate and currency swap contracts used for hedging risks of variability in foreign exchange rates and interest rates on foreign currency borrowings are accounted for under the integrated method when they meet certain criteria. The integrated method is to hedge foreign currency risks and interest rate risks using the allocation method and the exceptional method, respectively.

Certain overseas consolidated subsidiaries use certain foreign currency borrowings and currency option contracts for hedging risks of variability in foreign exchange rates on investments in subsidiaries. Gains and losses on those financial instruments are accounted for under the deferred hedge method. In addition, certain foreign exchange forward contracts are used for hedging instruments in certain overseas consolidated subsidiaries and those are accounted for under the fair value hedge method.

Hedge effectiveness is assessed quarterly by comparing cumulative fluctuations in fair value or cash flows of the hedged items and hedging instruments for the periods from the respective start dates of the hedges to the assessment dates. When the hedged items and the hedging instruments are highly and clearly interrelated, when the interest rate swap transactions meet the criteria for application of the exceptional method, or when the interest rate and currency swap contracts meet the criteria for application of the integrated method, hedge effectiveness is not assessed.

Certain interest rate swap contracts used for the ALM (Asset and Liability Management) to ensure adequate control of the risks of interest rate variability are accounted for under the deferred hedge method and assessed for hedge effectiveness in accordance with the Industry Audit Committee Report No. 26, "Accounting and Auditing Treatment of Application of the Accounting Standard for Financial Instruments in the Insurance Industry" (issued by the Japanese Institute of Certified Public Accountants on September 3, 2002). The hedge effectiveness of interest rate swaps used for the ALM is evaluated on a portfolio basis, based on whether upward and downward movements in value of the hedged items and the hedging instruments offset each other within a certain range, in respect to changes in the interest rates.

(9) Accounting for deferred assets under Article 113 of the Insurance Business Act

The amortization under Article 113 of the Insurance Business Act is calculated in accordance with the Insurance Business Act and the articles of incorporation of an Insurance Company, Limited.

6. Goodwill

Goodwill is amortized using the straight-line method over its useful life within 20 years. Insignificant amounts of goodwill are charged to expenses as incurred.

7. Changes in presentation

The Company has made a change in presentation of net income and presentation of minority interests to non-controlling interests in accordance with Paragraph 39 of the Accounting Standard for Consolidated Financial Statements (ASBJ Statement No.22 issued on September 13, 2013). The previous year's presentation has been revised to conform to the current year's presentation.

8. Cash and cash equivalents on the consolidated statement of cash flows

In preparing the consolidated statements of cash flows, cash and cash equivalents constitute cash on hand, readily available deposits and short-term highly liquid investments with original maturities not exceeding three months.

NOTES TO CONSOLIDATED BALANCE SHEETS

1. The amounts of accumulated depreciation and accelerated depreciation of tangible fixed assets are as follows:

	Yen in millions	
	March 31, 2015	March 31, 2016
Accumulated depreciation	341,484	356,407
Accelerated depreciation	14,659	14,424

Note: As permitted under Japanese tax legislation for the purpose of deferral in recognizing taxable income, acquisition cost of certain qualifying properties is reduced to offset the taxable income that resulted from the sales of assets to be replaced by the acquired assets or receipts of governmental subsidies provided for the acquisition of the new assets. The total amounts deducted from the original acquisition cost of the qualifying properties as of March 31, 2015 and 2016 were ¥14,659 million and ¥14,424 million, respectively.

2. The carrying amounts of equity investments in unconsolidated subsidiaries and associates are as follows:

	Yen in millions	
	March 31, 2015	March 31, 2016
Investments in securities (Domestic stocks)	16,442	18,680
Investments in securities (Foreign securities)	145,956	142,448
Investments in securities (Other securities)	9,214	8,805

3. The amounts of loans to borrowers in bankruptcy, overdue loans, loans overdue for three months or more, and restructured loans are as follows:

	Yen in millions	
	March 31, 2015	March 31, 2016
Loans to borrowers in bankruptcy	3	1
Overdue loans	824	394
Loans overdue for three months or more	832	938
Restructured loans	1,913	1,795
Total	3,575	3,129

Note: Loans to borrowers in bankruptcy represent those, excluding any part of bad debts that have been written off, on which accrued interest receivables are not recognized because repayments of the principal or interest have been overdue for considerable periods and regarded uncollectible (hereinafter, this category is referred to as "Loans not accruing interest") and which meet the conditions prescribed in Article 96, Section 1-3 or 1-4 of the Corporation Tax Act Enforcement Ordinance (Cabinet Order No. 97, 1965).

Overdue loans represent loans not accruing interest excluding (a) loans to borrowers in bankruptcy and (b) loans that have been granted a grace period for interest payments in order to assist the debtors' operational restructuring or financial recovery.

Loans overdue for three months or more represent those of which the principal or interest has been past due for three months or more after the contractual due date for repayments of the principal or interest. The loans to borrowers in bankruptcy and overdue loans are excluded from this category.

Restructured loans represent those which have been granted favorable terms for the benefit of the debtors, such as interest exemption or reduction, a grace period for interest payments, a grace period for principal repayments or forgiveness of debts for the purpose of the restructuring of, or support to the debtors in financial difficulty. The loans to borrowers in bankruptcy, overdue loans and loans overdue for three months or more are excluded from this category.

4. The amounts of pledged assets and corresponding debt obligations are as follows:

	Yen in millions	
	March 31, 2015	March 31, 2016
Pledged assets:		
Investments in securities	174,410	283,656
Cash, deposits and savings	7,895	22,055
Money trusts	2,464	2,311

Note: The amounts in the above table primarily consist of collateral assets required for borrowings included in Other liabilities, for international operations and for Real Time Gross Settlement of the current account with the Bank of Japan.

	Yen in millions	
	March 31, 2015	March 31, 2016
Corresponding debt obligations:		
Borrowings	10	9

5. The amounts of investments in securities loaned under securities lending agreements are as follows:

	Yen in millions	
	March 31, 2015	March 31, 2016
	405,277	389,507

6. The amounts of assets received as collateral under loan agreements or securities borrowing transactions with cash collateral which the Company has the right to sell or repledge are as follows:

	Yen in millions	
	March 31, 2015	March 31, 2016
Securities	53,718	193,542
Commercial papers	23,997	14,999

Note: All securities and commercial papers in the above table have not been resold or repledged, and are held by the Company and its subsidiaries.

7. The amounts of assets and liabilities in separate accounts under Article 118 of the Insurance Business Act are as follows:

	Yen in millions	
	March 31, 2015	March 31, 2016
	2,620,349	2,534,442

8. The amounts of deferred assets under Article 113 of the Insurance Business Act included in Other assets are as follows:

	Yen in millions	
	March 31, 2015	March 31, 2016
	1,184	947

9. Guarantees on transactions conducted by a limited partnership entity are as follows:

March 31, 2015

MSI provides guarantees on transactions conducted by a limited partnership entity. Aggregate net present value of these transactions was ¥271,594 million in a negative liability position as of March 31, 2015. This amount was not included in Customers' liabilities under acceptances and guarantees or Acceptances and guarantees since there was no substantial exposure.

March 31, 2016

MSI provides guarantees on transactions conducted by a limited partnership entity. Aggregate net present value of these transactions was ¥202,597 million in a negative liability position as of March 31, 2016. This amount was not included in Customers' liabilities under acceptances and guarantees or Acceptances and guarantees since there was no substantial exposure.

10. The unutilized balance of commitment lines to third parties are as follows:

	Yen in millions	
	March 31, 2015	March 31, 2016
	5,361	5,030

11. Information on financial instruments

(1) Qualitative information on financial instruments

(i) Policy on financial instruments

The Group applies Asset and Liability Management (ALM) policies to maintain stability of investment returns, safety of assets and sufficient liquidity under an appropriate risk management framework to attain the sustainable growth of the net asset value. In addition, the Group is exposed to investment risks such as market risks and credit risks and manages those risks in accordance with the risk management policies of the Group and each group company.

The Group's cash inflows which mainly arise from insurance operations and investment activities are affected by changes in external environment such as occurrences of natural disasters and changes in financial market conditions. In order to enhance efficiency of funds operations and strengthen financial capacity under such changing conditions, the Group undertakes to raise funds through issuance of long-term or short-term corporate bonds or other financing methods as the needs arise.

(ii) Details of financial instruments and associated risks

The Group's financial assets mainly consist of securities including domestic bonds, domestic stocks and foreign securities, loans and other financial instruments. Risks pertaining to investments include market risks, credit risks, market liquidity risks and other risks. Market risks arise

from fluctuations in interest rates, stock prices, foreign exchange rates and other market indicators. Credit risks arise from deterioration in the financial condition of security issuers and counterparties of loans. Market liquidity risks represent the risks that investment assets are forced to be sold at extremely unfavorable prices under turmoil in the financial markets.

The Group utilizes derivative transactions represented by interest rate swaps, interest rate options, bond future contracts, equity index options, equity index future contracts, equity forward contracts, foreign exchange forward contracts, currency swaps, currency options, and interest rate and currency swaps for the purpose of hedging risks such as fluctuations in interest rates, stock prices and foreign exchange rates. In addition, the Group utilizes credit derivatives and weather derivatives in order to generate investment returns with consideration given to the associated risks.

For details of derivative transactions to which hedge accounting is applied, please refer to "SIGNIFICANT ACCOUNTING POLICIES, 5. Accounting policies, (8) Hedge accounting".

In general, derivative transactions involve risks associated with fluctuations in fair value of derivative financial instruments, risks of nonperformance resulting from insolvency of counterparties and market liquidity risks. Derivative transactions utilized by the Group are also exposed to these risks. However, market risks associated with derivative transactions utilized for the purpose of hedging are mitigated, as changes in the fair value of hedged items and hedging instruments offset each other. In order to mitigate credit risks arising from the nonperformance of counterparties, most of the Group's derivative transactions are executed only with selected counterparties of high credit quality and diversified amongst various counterparties, and the Group utilizes legally enforceable master netting agreements with the counterparties.

(iii) Risk management structure relating to financial instruments

The Group manages risks in accordance with the basic policy for risk management and internal policies for asset management risks, which stipulate the definition of risks and management method established by the Board of Directors. At major domestic consolidated insurance subsidiaries, the trading department is segregated from the back-office and risk management departments and maintains a structure which enables to exercise organizational checks and balances on a daily basis. The risk management department assesses, analyzes and manages risks related to financial instruments by quantifying market and credit risks using the VaR (Value-at-Risk) method and risk limit management based on asset and liability position, and regularly reports the results to the Board of Directors.

a. Market risk management

The Group maintains and operates a risk management structure taking into account the characteristics of each financial instrument in accordance with its internal policies for market risk management. In addition to monitoring of risk amount by quantifying risks using the VaR method as described above, major domestic consolidated insurance subsidiaries manage market risks through assessment of potential risks that cannot be identified using the VaR method, analysis of sensitivity of existing assets to changes in interest rates, stock prices and foreign exchange rates and analysis of concentration and weakness of portfolio.

b. Credit risk management

The Group maintains and operates a risk management structure in accordance with its internal policies for credit risk management. For securities and derivative transactions at major domestic consolidated insurance subsidiaries, the trading and risk management departments manage credit risks of security issuers and derivative counterparties by regularly monitoring the credit information and fair values associated with the investment assets. For loans at MSI, ADI and MSPL, the trading and risk management departments maintain a credit risk management structure through credit screening, setting internal credit ratings and credit limits, managing credit information, requiring collaterals and guarantees where necessary, and resolving delinquent loans on an individual loan basis.

c. Liquidity risk management

The Group maintains and operates a funding and market liquidity risk management structure in accordance with internal policies for liquidity risk management. The Group's treasury management classifies funding needs into "ordinary" and "emergency" depending on the urgency level and oversees operation and management for the liquidity in each level, which gives the foremost consideration to the liquidity risk. The treasury management also ensures diversification of fundraising activities to secure and maintain liquidity in various environments. The Group manages funding liquidity risks by holding a sufficient amount of cash, savings and deposits, and highly liquid securities such as government bonds, and regularly monitoring their aggregate amounts in case of unexpected events like catastrophes and the deterioration of funding liquidity arising from turmoil in the financial markets.

(iv) Supplementary explanation of matters relating to the fair value of financial instruments and other information

The fair value of financial instruments is determined based on market prices and, when market prices are not available, based on reasonable estimates. In determining fair value, certain assumptions and methods are used, thus the fair value may differ if alternative assumptions are applied.

(2) Supplementary information on fair value of financial instruments

The following tables summarize the carrying amounts on the consolidated balance sheets and the fair values of financial instruments as of March 31, 2015 and 2016 together with their differences. The following tables exclude financial instruments in which the fair values are not practically determinable (see Note 2).

March 31, 2015	Yen in millions		
	Carrying amount	Fair value	Difference
(i) Cash, deposits and savings	631,141	631,301	159
(ii) Call loans	200,336	200,336	–
(iii) Receivables under resale agreements	36,497	36,497	–
(iv) Receivables under securities borrowing transactions	326,525	326,525	–
(v) Monetary claims bought	102,636	102,636	–
(vi) Money trusts	541,881	541,881	–
(vii) Investments in securities:			
Trading securities	2,616,117	2,616,117	–
Held-to-maturity securities	910,370	1,014,645	104,275
Debt securities earmarked for underwriting reserves	932,316	1,031,924	99,608
Available-for-sale securities	9,647,674	9,647,674	–
(viii) Loans	775,816		
Bad debt reserve ^(*)	(682)		
	775,134	789,199	14,065
Total assets	16,720,631	16,938,740	218,108
Bonds issued	226,188	242,544	16,356
Total liabilities	226,188	242,544	16,356
Derivative transactions ^(**) :			
Hedge accounting not applied	6,841	6,841	–
Hedge accounting applied	29,803	29,803	–
Total derivative transactions	36,644	36,644	–

(*) Bad debt reserve for loans is deducted from the carrying amount.

(**) Derivative assets and liabilities included in Other assets and Other liabilities, are presented on a net basis. Debits and credits arising from derivative transactions are netted.

March 31, 2016	Yen in millions		
	Carrying amount	Fair value	Difference
(i) Cash, deposits and savings	1,083,838	1,084,286	448
(ii) Call loans	31,175	31,175	–
(iii) Receivables under resale agreements	29,999	29,999	–
(iv) Receivables under securities borrowing transactions	275,350	275,350	–
(v) Monetary claims bought	125,785	125,785	–
(vi) Money trusts	828,097	828,097	–
(vii) Investments in securities:			
Trading securities	3,224,129	3,224,129	–
Held-to-maturity securities	1,056,254	1,293,985	237,731
Debt securities earmarked for underwriting reserves	1,094,252	1,172,227	77,974
Available-for-sale securities	8,993,933	8,993,933	–
(viii) Loans	883,106		
Bad debt reserve ^(*)	(450)		
	882,656	901,448	18,792
Total assets	17,625,472	17,960,419	334,946
Bonds issued	349,841	368,730	18,889
Total liabilities	349,841	368,730	18,889
Derivative transactions ^(**) :			
Hedge accounting not applied	20,064	20,064	–
Hedge accounting applied	52,811	52,811	–
Total derivative transactions	72,875	72,875	–

(*) Bad debt reserve for loans is deducted from the carrying amount.

(**) Derivative assets and liabilities included in Other assets and Other liabilities, are presented on a net basis. Debits and credits arising from derivative transactions are netted.

(Note 1) Determination of fair value of financial instruments

Assets

(i) Cash, deposits and savings

With regard to deposits and savings, the fair value is measured at the present value of the estimated future cash flows discounted at interest rates applicable to the same type of new deposits and savings based on duration. With regard to deposits and savings without fixed maturities and short-term deposits and savings, the book value is deemed as the fair value due to their demand feature or short term duration.

(ii) Call loans

With regard to Call loans, the book value approximates the fair value since they are scheduled to be settled in a short period of time.

(iii) Receivables under resale agreements

With regard to Receivables under resale agreements, the book value approximates the fair value since they are scheduled to be settled in a short period of time.

(iv) Receivables under securities borrowing transactions

With regard to Receivables under securities borrowing transactions, the book value approximates the fair value since they are scheduled to be settled in a short period of time.

(v) Monetary claims bought

With regard to commercial papers (CP), the book value approximates the fair value since they are scheduled to be settled in a short period of time. With regard to Monetary claims bought other than CP, the price quoted by counterparty financial institutions is deemed as the fair value.

(vi) Money trusts

With regard to Money trusts, the price quoted by trustees is deemed as the fair value.

(vii) Investments in securities

The fair value of equity securities is determined based on the quoted market price and the fair value of bonds is determined based on the price quoted by exchanges, independent price vendors or counterparty financial institutions.

(viii) Loans

With regard to floating rate loans, the book value approximates the fair value contingent on no significant changes in the credit conditions of the debtor, because the floating rates on the loans reflect market interest rates. With regard to fixed rate loans, for loans sorted by type, term and credit rating, the fair value is based on the present value of the estimated future cash flows discounted at market interest rates, such as yields on government bonds, plus a credit spread. The fair value of certain personal loans is determined at the net present value of the estimated future cash flows discounted at interest rates applicable to the same type of new loans.

With regard to policy loans, which do not have contractual maturities, as the loan amount is limited to the surrender value, the carrying amount approximates the fair value, considering their estimated repayment periods and interest rates.

With regard to loans to debtors that are legally or substantially bankrupt and loans to doubtful debtors, the carrying amount less bad debt reserve is deemed as the fair value, because the bad debt reserve is determined based on the present value of the estimated future cash flows or the value of the collateral and the amount collectible through guarantees.

Liabilities

Bonds issued

With regard to Bonds issued, the fair value is determined based on "Reference Statistical Prices for OTC Bond Transactions" published by the Japan Securities Dealers Association, prices quoted by independent price vendors or counterparty financial institutions, or other appropriate method.

Derivative transactions

With regard to derivative transactions, the fair value is determined based on published forward exchange rates, closing prices at major exchanges, prices quoted by counterparty financial institutions or prices calculated by the option pricing model.

(Note 2) The carrying amounts of financial instruments in which the fair values are not practically determinable, which are not included in "(vii) Investments in securities" above, are as follows:

	Yen in millions	
	March 31, 2015	March 31, 2016
Unlisted stocks and other assets invested in unconsolidated subsidiaries and associates	171,612	169,935
Other unlisted stocks	105,770	85,611
Partnership investments comprised of unlisted stocks	61,136	46,796
Total	338,518	302,344

The fair value of the financial instruments in the above table is not disclosed because their fair value is not practically determinable due to lack of marketability and difficulties in reasonably estimating future cash flows.

(Note 3) Maturity analysis of monetary assets and securities with fixed maturities

March 31, 2015	Yen in millions			
	Within 1 year	Over 1 to 5 years	Over 5 to 10 years	Over 10 years
Cash, deposits and savings	621,562	9,298	123	0
Call loans	200,336	—	—	—
Receivables under resale agreements	36,497	—	—	—
Receivables under securities borrowing transactions	326,525	—	—	—
Monetary claims bought	65,474	—	—	34,624
Investments in securities:				
Held-to-maturity securities				
Government bonds	4,800	—	28,100	700,200
Corporate bonds	24,828	50,732	25,802	67,800
Debt securities earmarked for underwriting reserves				
Government bonds	—	—	—	—
Corporate bonds	—	—	—	—
Foreign securities	—	338	666,747	244,199
Available-for-sale securities with fixed maturities:				
Government bonds	135,528	684,037	942,685	905,644
Municipal bonds	25,535	38,998	65,900	114,000
Corporate bonds	180,242	580,195	450,280	136,952
Foreign securities	150,090	548,383	696,626	135,187
Loans (*)	103,102	282,541	175,179	149,851
Total	1,874,523	2,194,525	3,051,444	2,488,459

(*) The amounts in the above table do not include ¥959 million of loans in which repayments cannot be expected since the debtors are legally bankrupt, substantially bankrupt or likely to go bankrupt and ¥64,968 million of loans without fixed maturities.

March 31, 2016	Yen in millions			
	Within 1 year	Over 1 to 5 years	Over 5 to 10 years	Over 10 years
Cash, deposits and savings	1,072,187	11,393	79	0
Call loans	31,175	—	—	—
Receivables under resale agreements	29,999	—	—	—
Receivables under securities borrowing transactions	275,350	—	—	—
Monetary claims bought	96,908	—	—	26,590
Investments in securities:				
Held-to-maturity securities				
Government bonds	—	—	59,400	810,200
Corporate bonds	31,525	21,507	23,502	87,900
Debt securities earmarked for underwriting reserves				
Government bonds	—	—	—	49,700
Corporate bonds	—	4,500	—	11,250
Foreign securities	—	6,018	856,573	141,606
Available-for-sale securities with fixed maturities:				
Government bonds	57,027	618,357	845,950	888,474
Municipal bonds	10,722	56,745	67,130	109,900
Corporate bonds	125,749	670,658	366,653	132,816
Foreign securities	120,265	542,994	811,388	115,189
Loans (*)	99,055	270,515	314,592	133,962
Total	1,949,965	2,202,689	3,345,270	2,507,590

(*) The amounts in the above table do not include ¥515 million of loans in which repayments cannot be expected since the debtors are legally bankrupt, substantially bankrupt or likely to go bankrupt and ¥65,150 million of loans without fixed maturities.

(Note 4) Maturity analysis of bonds issued

March 31, 2015	Yen in millions					
	Within 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Over 5 years
Bonds issued	70,000	—	—	—	—	156,191
Total	70,000	—	—	—	—	156,191

March 31, 2016	Yen in millions					
	Within 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Over 5 years
Bonds issued	—	—	—	—	—	347,310
Total	—	—	—	—	—	347,310

12. Certain consolidated subsidiaries own investment properties in Tokyo and other areas. The carrying amounts, changes in carrying amounts and fair value of the investment properties are as follows:

	Yen in millions	
	March 31, 2015	March 31, 2016
Carrying amount	75,686	73,825
Fair value	120,381	127,201

Notes:

1. Carrying amount represents the acquisition cost less accumulated depreciation.

2. Fair value is primarily determined based on the appraisal values provided by qualified external appraisers. With respect to the properties with no substantial changes in their appraisal values or indices that were considered to appropriately reflect market prices since most recent appraisal dates, the fair value is determined based on these appraisal values or the values adjusted by the relevant indices.

13. Business combination

(Business combination through acquisition)

(1) Details and amount of adjustment when significant changes are made to provisional purchase price allocation

The Company provisionally accounted for the acquisition of Box Innovation Group Limited ("BIG") based on the relevant information available at the time of preparation of the consolidated financial statements as of and for the year ended March 31, 2015. The purchase price allocation has been completed during the current year.

The amount of adjustments to goodwill resulting from the completion of purchase price allocation is as follows:

Item	GBP in millions	
	Adjustments to goodwill	
Goodwill (before adjustment)	60	
Tangible fixed assets	(6)	
Intangible fixed assets	(4)	
Deferred tax assets	(1)	
Non-controlling interests	2	
Other	(2)	
Total adjustments	(12)	
Goodwill (adjusted)	47	

(2) Amount and source of goodwill and amortization method and period

(i) Amount of goodwill

GBP 47 million

(ii) Source of goodwill

The investment amount (acquisition cost) under the share acquisition agreement exceeded the net amount of assets acquired and liabilities assumed.

(iii) Amortization method and period

The goodwill is to be amortized using the straight-line method over 15 years.

(Business combination through acquisition)

MSI acquired shares of Amlin plc ("Amlin"), a holding company which operates the insurance business globally, mainly in the Lloyd's insurance market in the UK. Amlin became a wholly-owned subsidiary of MSI, and was rebranded to MS Amlin plc.

(1) Overview of business combination

(i) Name and business description of acquired company

Name of acquired company: Amlin plc

Description of business: Holding company with non-life insurance subsidiaries and other subsidiaries and associates.

(ii) Primary reasons for business combination

With the acquisition of Amlin, MSI aims to establish a leading position in the global insurance market, enhance its operating base through diversified portfolios, and maximize synergies globally, leveraging the strength of MSI and Amlin.

(iii) Date of business combination

February 1, 2016

(iv) Legal form of business combination

Acquisition of shares

(v) Name of acquired company after the business combination

MS Amlin plc

(vi) Percentage share of voting rights acquired

100%

(vii) Primary reasons for determination of controlling company

MSI is the controlling entity, as MSI acquired 100% of voting rights of Amlin.

(2) Period of the acquired company's financial results included in the consolidated financial statements

The acquired company's financial results are not included in the consolidated statement of income for the year ended March 31, 2016, because the deemed acquisition date was December 31, 2015 and the acquired company is consolidated based on their financial statements as of December 31, 2015.

(3) Acquisition cost and breakdown by class of consideration

	GBP in millions
Consideration for acquisition	Cash 3,401
Total acquisition cost	3,401

(4) Description and amount of major acquisition-related costs

Advisory fee ¥3,739 million

UK Stamp duty ¥3,141 million

(5) Amount and source of goodwill and amortization method and period

(i) Amount of goodwill

GBP 731 million

The amount of goodwill is calculated provisionally, as the purchase price allocation has not been completed.

(ii) Source of goodwill

The investment amount (acquisition cost) under the share acquisition agreement exceeded the net amount of assets acquired and liabilities assumed.

(iii) Amortization method and period

The goodwill is to be amortized using the straight-line method over 20 years.

(6) Amounts of assets acquired and liabilities assumed on acquisition date and their major components

	GBP in millions
Investments in securities	3,919
Intangible fixed assets	1,266
Other assets	2,823
Total assets	8,008
Policy liabilities	4,352
Other liabilities	982
Total liabilities	5,334

The amount of assets acquired and liabilities assumed is calculated provisionally, as the purchase price allocation has not been completed.

(7) Purchase price allocation

The Company provisionally accounted for the business combination based on the relevant information available as of March 31, 2016, because the acquisition date was December 31, 2015 and the purchase price allocation has not been completed.

(8) Estimated amount of impact on the consolidated statement of income for the year ended March 31, 2016, assuming that the business combination had been completed on the commencement date of the year

	Yen in millions
Net premiums written	451,805
Ordinary profit/(loss)	24,333
Net income/(loss) attributable to owners of the parent	23,181

(Calculation method for the estimated amount)

The estimated amount of impact on the consolidated statement of income was calculated as a difference between Net premiums written, Ordinary profit/(loss) and Net income/(loss) attributable to owners of the parent calculated assuming that the business combination had been completed on the commencement date of the year and those in the consolidated statement of income of the acquired company as of and for the year ended March 31, 2016. The amount of amortization was calculated assuming that intangible fixed assets including goodwill recognized at the time of the business combination had been recognized on the commencement date of the current year.

The information above has not been audited.

14. Adjustments to deferred tax assets and liabilities and others due to changes in income tax rates are as follows:

In accordance with the "Act for Partial Revision of the Income Tax Act, etc." (Act No.15 of 2016) and the "Act for Partial Amendment of the Local Tax Act, etc." (Act No.13 of 2016) enacted by the Diet on March 29, 2016, the corporate and local tax rates will be reduced from the year commencing on or after April 1, 2016.

Accordingly, the statutory income tax rates to determine deferred tax assets and liabilities for temporary differences expected to reverse in the years commencing on April 1, 2016 and 2017, and those in the years commencing on or after April 1, 2018 are reduced from 28.8% to 28.2% and 27.9%, respectively.

The effect of this change was decreases in Deferred tax assets of ¥699 million and Deferred tax liabilities of ¥5,421 million and increases in Net unrealized gains/(losses) on investments in securities of ¥15,792 million and Income taxes-deferred of ¥11,478 million. As a result, Net income/(loss) attributable to owners of the parent decreased by ¥11,077 million.

15. The amounts of net assets per share are as follows:

	March 31, 2015	March 31, 2016
Net assets per share (in Yen)	4,911.40	4,469.58
Non-controlling interests deducted from net assets (Yen in millions)	29,950	27,106
Outstanding common shares (in thousands of shares)	612,190	603,672

NOTES TO CONSOLIDATED STATEMENTS OF INCOME**1. The amounts of gains/(losses) on derivative transactions to reduce the currency risks of foreign currency reinsurance transactions, included in other underwriting income/(expenses), are as follows:**

	Yen in millions	
	For the year ended March 31, 2015	For the year ended March 31, 2016
	3,459	(1,628)

2. The amounts of foreign exchange losses included in other investment expenses are as follows:

	Yen in millions	
	For the year ended March 31, 2015	For the year ended March 31, 2016
	25,779	76,842

3. Major components of business expenses are as follows:

	Yen in millions	
	For the year ended March 31, 2015	For the year ended March 31, 2016
Commission expenses	616,460	657,756
Salaries	266,666	279,245

Note: Business expenses represent the aggregate amount of Loss adjustment expenses, Operating expenses and general and administrative expenses, and Commissions and collection expenses presented in the consolidated statements of income.

4. Impairment losses recognized on fixed assets are as follows:

For the year ended March 31, 2015

Use	Category	Description	Yen in millions		
			Impairment losses on fixed assets		
				Breakdown	
Investment properties	Land and buildings	9 properties, including a building for rent in Kanagawa	382	Land	266
				Buildings	116
Idle real estate and real estate for sale	Land and buildings	11 properties, including a company house in Chiba	1,561	Land	1,086
				Buildings	474

Fixed assets used for the insurance business operations are grouped as a single asset group by each insurance company. Other assets such as investment properties, idle assets and assets for sale are grouped on an individual basis.

Fixed assets are reviewed for impairment whenever events or changes in circumstances, such as a significant decline in the value of the asset (asset group) or a change in the intended use of the asset, indicate that the carrying amount of the asset (asset group) may not be recoverable. An impairment loss is measured by the amount in which the carrying amount of the asset (asset group) exceeds its recoverable amount, which is the higher of 1) the sum of discounted cash flows from the continued use and eventual disposition of the asset (asset group) and 2) the net sales value at disposition.

As the assets in the above table were to be disposed in the near future or the intended use of the assets was changed to leasing, ¥1,944 million of the aggregate difference between their carrying amounts in the above table and recoverable amounts was recognized as impairment losses on fixed assets under Extraordinary losses.

The recoverable amounts of these assets represent their net sales value, which are determined based on the appraisal value provided by qualified appraisers.

For the year ended March 31, 2016

Use	Category	Description	Yen in millions		
			Impairment losses on fixed assets		
			Breakdown		
Investment properties	Land and buildings	5 properties, including a building for rent in Kagawa	249	Land Buildings	38 210
Idle real estate and real estate for sale	Land and buildings	21 properties, including an office building in Tokyo	9,394	Land Buildings	7,861 1,533
Other	Other intangible fixed assets	Software related to insurance business operations	485	—	—

Fixed assets used for the insurance business operations are grouped as a single asset group by each insurance company. Other assets such as investment properties, idle assets and assets for sale are grouped on an individual basis.

Fixed assets are reviewed for impairment whenever events or changes in circumstances, such as a significant decline in the value of the asset (asset group) or a change in the intended use of the asset, indicate that the carrying amount of the asset (asset group) may not be recoverable. An impairment loss is measured by the amount in which the carrying amount of the asset (asset group) exceeds its recoverable amount, which is the higher of 1) the sum of discounted cash flows from the continued use and eventual disposition of the asset (asset group) and 2) the net sales value at disposition.

As the assets in the above table were to be disposed in the near future or determined to be closed, ¥10,129 million of the aggregate difference between their carrying amounts in the above table and recoverable amounts was recognized as impairment losses on fixed assets under Extraordinary losses.

The recoverable amounts of these assets represent their net sales value, which are determined based on the appraisal value provided by qualified appraisers.

5. Details of Other extraordinary income are as follows:

For the year ended March 31, 2016

Other extraordinary income represents reversal of Foreign currency translation adjustments related to Mitsui Sumitomo Insurance (London) Limited in the amount of ¥8,807 million and gains resulting from amortization of unrecognized actuarial gains and losses related to the return of a portion of retirement benefit trusts by ADI in the amount of ¥6,174 million.

6. Details of Other extraordinary losses are as follows:

For the year ended March 31, 2016

Other extraordinary losses represent additional payments of retirement benefit related to outplacement and career support program implemented at ADI in the amount of ¥11,344 million and system-related costs that were recognized by the reorganization by function at certain domestic consolidated insurance subsidiaries in the amount of ¥3,898 million.

7. The amounts of net income/(loss) attributable to owners of the parent per share are as follows:

	For the year ended March 31, 2015	For the year ended March 31, 2016
Net income/(loss) attributable to owners of the parent per share (in Yen)	221.34	298.72

Notes:

1. Since there was no potential dilution for the years ended March 31, 2015 and 2016, diluted net income/(loss) per share is not disclosed.
2. The basis of calculation is as follows:

	For the year ended March 31, 2015	For the year ended March 31, 2016
Net income/(loss) attributable to owners of the parent (Yen in millions)	136,247	181,516
Average outstanding common stock during the year (in thousands of shares)	615,548	607,639

NOTES TO CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

1. Reclassification adjustments and income tax effects of other comprehensive income/(loss)

	Yen in millions	
	2015	2016
Net unrealized gains/(losses) on investments in securities:		
Gains/(losses) arising during the period	897,979	(336,466)
Reclassification adjustments	(124,034)	(115,480)
Before income tax effect adjustments	773,945	(451,947)
Income tax effects	(192,728)	143,172
Net unrealized gains/(losses) on investments in securities	581,217	(308,774)
Net deferred gains/(losses) on hedges:		
Gains/(losses) arising during the period	16,489	16,202
Reclassification adjustments	(5,158)	(5,659)
Before income tax effect adjustments	11,330	10,542
Income tax effects	(2,620)	(2,569)
Net deferred gains/(losses) on hedges	8,709	7,973
Foreign currency translation adjustments:		
Gains/(losses) arising during the period	53,194	(56,719)
Reclassification adjustments	683	(10,539)
Foreign currency translation adjustments	53,878	(67,259)
Actuarial gains/(losses) on retirement benefits:		
Gains/(losses) arising during the period	25,392	(43,086)
Reclassification adjustments	16	(8,689)
Before income tax effect adjustments	25,409	(51,776)
Income tax effects	(6,981)	14,786
Actuarial gains/(losses) on retirement benefits	18,427	(36,989)
Share of other comprehensive income/(loss) of equity method investments:		
Gains/(losses) arising during the period	9,404	(8,307)
Reclassification adjustments	(1,518)	(1,570)
Share of other comprehensive income/(loss) of equity method investments	7,885	(9,877)
Total other comprehensive income/(loss)	670,118	(414,927)

NOTES TO CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

For the year ended March 31, 2015

1. Type and number of issued stock and treasury stock

	in thousands of shares			
	Beginning balance	Increase	Decrease	Ending balance
Issued stock:				
Common stock	633,291	—	—	633,291
Total	633,291	—	—	633,291
Treasury stock:				
Common stock	13,383	7,719	1	21,101
Total	13,383	7,719	1	21,101

Notes:
 1. The increase in the number of treasury common stock during the year was 7,719 thousand shares, as a result of open market repurchases of 7,689 thousand shares and repurchases of fractional stock of 29 thousand shares.
 2. The decrease in the number of treasury common stock during the year was 1 thousand shares, as a result of sales of fractional stock.

2. Dividends

(1) Dividends paid

Resolution	Type of shares	Aggregate amount of dividends (Yen in millions)	Dividends per share		
			(in Yen)	Date of record	Effective date
General shareholders' meeting held on June 23, 2014	Common stock	17,357	28	March 31, 2014	June 24, 2014
Board meeting held on November 19, 2014	Common stock	17,862	29	September 30, 2014	December 5, 2014

Note: Date of record is the date to determine shareholders who are entitled to receive dividends.

(2) Dividends declared effective after March 31, 2015 for which the date of record is in the year ended March 31, 2015

Resolution	Type of shares	Aggregate amount of dividends (Yen in millions)	Source of dividends	Dividends per share		
				(in Yen)	Date of record	Effective date
General shareholders' meeting to be held on June 22, 2015	Common stock	22,038	Retained earnings	36	March 31, 2015	June 23, 2015

Note: Date of record is the date to determine shareholders who are entitled to receive dividends.

For the year ended March 31, 2016

1. Type and number of issued stock and treasury stock

	in thousands of shares			
	Beginning balance	Increase	Decrease	Ending balance
Issued stock:				
Common stock	633,291	—	—	633,291
Total	633,291	—	—	633,291
Treasury stock:				
Common stock	21,101	8,518	1	29,618
Total	21,101	8,518	1	29,618

Notes:
 1. The increase in the number of treasury common stock during the year was 8,518 thousand shares, as a result of open market repurchases of 8,492 thousand shares and repurchases of fractional stock of 26 thousand shares.
 2. The decrease in the number of treasury common stock during the year was 1 thousand shares, as a result of sales of fractional stock.

2. Dividends

(1) Dividends paid

Resolution	Type of shares	Aggregate amount of dividends (Yen in millions)	Dividends per share		
			(in Yen)	Date of record	Effective date
General shareholders' meeting held on June 22, 2015	Common stock	22,038	36	March 31, 2015	June 23, 2015
Board meeting held on November 18, 2015	Common stock	21,245	35	September 30, 2015	December 4, 2015

Note: Date of record is the date to determine shareholders who are entitled to receive dividends.

(2) Dividends declared effective after March 31, 2016 for which the date of record is in the year ended March 31, 2016

Resolution	Type of shares	Aggregate amount of dividends (Yen in millions)	Source of dividends	Dividends per share		
				(in Yen)	Date of record	Effective date
General shareholders' meeting to be held on June 22, 2016	Common stock	33,202	Retained earnings	55	March 31, 2016	June 23, 2016

Note: Date of record is the date to determine shareholders who are entitled to receive dividends.

3. Put options granted to non-controlling interests

Aioi Nissay Dowa Insurance Company of Europe Limited granted written put options for shares held by non-controlling interests of BIG, its consolidated subsidiary. The present value of the redemption value of such options was recognized in Other liabilities with the same amount recognized as reduction in Capital surplus.

NOTES TO CONSOLIDATED STATEMENTS OF CASH FLOWS

1. Reconciliation of balance sheet items to cash and cash equivalents

	Yen in millions	
	2015	2016
Cash, deposits and savings	631,141	1,083,838
Call loans	200,336	31,175
Receivables under resale agreements	36,497	29,999
Monetary claims bought	102,636	125,785
Money trusts	541,881	828,097
Investments in securities	14,444,996	14,670,914
Time deposits with original maturity of more than three months	(163,338)	(176,397)
Monetary claims bought other than cash equivalents	(37,163)	(83,189)
Money trusts other than cash equivalents	(541,881)	(828,097)
Investments in securities other than cash equivalents	(14,409,651)	(14,625,719)
Cash and cash equivalents	805,455	1,056,407

2. Major components of assets and liabilities of newly consolidated subsidiaries due to acquisition of shares

For the year ended March 31, 2015

BIG has been included in the scope of consolidation due to acquisition of shares. The components of assets and liabilities at the acquisition date, the acquisition cost of BIG's shares and net consideration paid for acquisition of BIG are as follows:

	Yen in millions
Intangible fixed assets	14,738
Other assets	6,330
	21,068
Goodwill	8,514
Liabilities	(7,795)
Non-controlling interests	(3,087)
Acquisition cost of BIG's shares	18,699
Less: Cash and cash equivalents held at BIG	1,688
Net consideration paid for acquisition of BIG	17,011

The amount shown in the above table reflects adjustments to provisional amounts in the business combination resulting from the completion of purchase price allocation, which is described in "Notes to Consolidated Balance Sheets, 13. Business combination".

For the year ended March 31, 2016

MS Amlin plc ("MS Amlin") has been included in the scope of consolidation due to acquisition of shares. The components of assets and liabilities at the acquisition date, the acquisition cost of MS Amlin's shares and net consideration paid for acquisition of MS Amlin are as follows:

	Yen in millions
Investments in securities	700,664
Intangible fixed assets	226,335
Other assets	504,698
	1,431,697
Goodwill	130,719
Policy liabilities	(778,126)
Other liabilities	(175,653)
Total liabilities	(953,779)
Foreign currency translation adjustments	19,535
Non-controlling interests	(495)
Acquisition cost of MS Amlin's shares	627,677
Less: Cash and cash equivalents held at MS Amlin	53,488
Net consideration paid for acquisition of MS Amlin	574,189

The Company provisionally accounted for the business combination based on the relevant information available as of March 31, 2016, because the acquisition date was December 31, 2015 and the purchase price allocation has not been completed.

3. Major components of assets and liabilities of subsidiaries that have been excluded from the scope of consolidation due to sales of shares

For the year ended March 31, 2016

Cardinal Reinsurance Limited ("Cardinal Re") has been excluded from the scope of consolidation due to sales of shares. The components of assets and liabilities at the time of sales, the sales value and net payments for sales of Cardinal Re's shares are as follows:

	Yen in millions
Assets	17,252
Liabilities	(7,386)
Accumulated other comprehensive income/(loss)	(1,733)
Losses on sales of shares of subsidiaries	800
Sales value of Cardinal Re's shares	7,330
Less: Cash and cash equivalents held at Cardinal Re	14,885
Net payments for sales of Cardinal Re	(7,554)

4. Cash flows from investing activities include those from investments made as part of the insurance business.

Independent Auditor's Report



Independent Auditor's Report

To the Board of Directors of MS&AD Insurance Group Holdings, Inc.:

We have audited the accompanying consolidated financial statements of MS&AD Insurance Group Holdings, Inc. and its consolidated subsidiaries, which comprise the consolidated balance sheets as of March 31, 2015 and 2016, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of MS&AD Insurance Group Holdings, Inc. and its consolidated subsidiaries as of March 31, 2015 and 2016, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2016 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Significant Accounting Policies in the notes to the consolidated financial statements.

KPMG AZSA LLC

June 22, 2016
Tokyo, Japan

KPMG AZSA LLC, a limited liability audit corporation incorporated under the Japanese Certified Public Accountants Law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Summary of Business Results of Main Consolidated Subsidiaries

MITSUI SUMITOMO INSURANCE CO., LTD. (NON-CONSOLIDATED) Non-Consolidated Balance Sheets

[Download Data Sheet](#)

Items	Yen in millions	
	March 31, 2015	March 31, 2016
(Assets)		
Cash, deposits and savings:	¥ 215,030	¥ 442,553
Cash on hand	124	133
Deposits in banks	214,906	442,420
Call loans	40,000	–
Receivables under resale agreements	36,497	29,999
Monetary claims bought	95,949	28,785
Money trusts	12,913	11,564
Investments in securities:	5,205,386	5,173,738
Government bonds	1,419,581	1,278,847
Municipal bonds	96,178	91,948
Corporate bonds	522,086	494,579
Domestic stocks	2,247,738	1,756,599
Foreign securities	896,805	1,525,945
Other securities	22,996	25,817
Loans:	498,639	448,667
Policy loans	8,953	8,242
General loans	489,686	440,424
Tangible fixed assets:	228,560	215,984
Land	85,729	77,690
Buildings	130,824	127,253
Construction in progress	1,327	33
Other tangible fixed assets	10,679	11,006
Intangible fixed assets:	49,661	43,039
Software	28,784	23,485
Other intangible fixed assets	20,877	19,554
Other assets:	362,144	349,567
Premiums receivable	4,145	3,068
Due from agencies	113,039	114,336
Co-insurance accounts receivable	6,405	7,263
Reinsurance accounts receivable	55,826	58,020
Foreign reinsurance accounts receivable	39,437	30,899
Agency business accounts receivable	237	583
Other receivables	27,724	26,530
Accrued income	6,230	6,260
Guarantee deposits	11,730	11,530
Deposits with the Japan Earthquake Reinsurance Company	10,584	11,286
Suspense payments	41,454	36,111
Derivative financial instruments	44,147	42,639
Other assets	1,179	1,038
Customers' liabilities under acceptances and guarantees	52,214	45,803
Bad debt reserve	(6,977)	(3,115)
Total assets	¥6,790,021	¥6,786,590

Items	Yen in millions	
	March 31, 2015	March 31, 2016
(Liabilities)		
Policy liabilities:	¥3,955,703	¥3,994,619
Outstanding claims	640,913	649,729
Underwriting reserves	3,314,789	3,344,890
Bonds issued	176,188	256,191
Other liabilities:	407,453	610,785
Co-insurance accounts payable	10,561	10,935
Reinsurance accounts payable	59,080	59,230
Foreign reinsurance accounts payable	29,780	22,171
Agency business accounts payable	36	24
Borrowings	100,000	296,767
Income taxes payable	6,508	31,780
Deposits received	19,344	18,212
Unearned income	90	43
Other payables	46,583	46,819
Suspense receipts	21,527	24,236
Derivative financial instruments	2,405	5,160
Cash collateral received under derivative transactions	106,136	87,988
Lease obligations	1,185	903
Asset retirement obligations	3,710	3,765
Other liabilities	501	2,745
Reserve for pension and retirement benefits	137,329	135,688
Reserve for retirement benefits for officers	912	761
Accrued bonuses for employees	12,387	11,716
Reserves under the special laws:	60,519	64,133
Reserve for price fluctuation	60,519	64,133
Deferred tax liabilities	254,567	139,408
Acceptances and guarantees	52,214	45,803
Total liabilities	5,057,276	5,259,108
(Net assets)		
Common stock	139,595	139,595
Capital surplus:	93,107	93,107
Additional paid-in capital	93,107	93,107
Retained earnings:	294,673	352,644
Legal earned reserve	46,487	46,487
Other retained earnings:	248,185	306,156
Tax-exempted reserve for accelerated depreciation	15,406	16,012
Retained earnings brought forward	232,779	290,143
Total shareholders' equity	527,376	585,347
Net unrealized gains/(losses) on investments in securities	1,173,227	902,019
Net deferred gains/(losses) on hedges	32,140	40,113
Total valuation and translation adjustments	1,205,368	942,133
Total net assets	1,732,745	1,527,481
Total liabilities and net assets	¥6,790,021	¥6,786,590

MITSUI SUMITOMO INSURANCE CO., LTD. (NON-CONSOLIDATED)

Non-Consolidated Statements of Income

Items	Yen in millions	
	Year ended March 31, 2015	Year ended March 31, 2016
Ordinary income:	¥1,787,587	¥1,822,757
Underwriting income:	1,606,863	1,629,696
Net premiums written	1,444,176	1,507,157
Deposit premiums from policyholders	104,342	84,712
Investment income on deposit premiums from policyholders	39,981	37,567
Reversal of outstanding claims	11,397	–
Foreign exchange gains	6,284	–
Other underwriting income	682	259
Investment income:	174,526	187,416
Interest and dividends income	110,618	116,990
Investment gains on money trusts	1,268	739
Gains on sales of securities	90,115	102,149
Gains on redemption of securities	1,658	541
Gains on derivative transactions	1,078	3,466
Foreign exchange gains	9,163	–
Other investment income	603	1,095
Transfer of investment income on deposit premiums from policyholders	(39,981)	(37,567)
Other ordinary income	6,197	5,645
Ordinary expenses:	1,616,259	1,654,861
Underwriting expenses:	1,386,306	1,405,264
Net claims paid	810,853	800,899
Loss adjustment expenses	88,020	87,427
Commissions and collection expenses	253,813	263,136
Maturity refunds to policyholders	210,769	211,446
Dividends to policyholders	796	967
Provision for outstanding claims	–	8,815
Provision for underwriting reserves	21,569	30,101
Foreign exchange losses	–	1,851
Other underwriting expenses	484	619
Investment expenses:	8,059	26,738
Investment losses on money trusts	–	536
Losses on sales of securities	57	3,004
Impairment losses on securities	3,378	7,292
Losses on redemption of securities	250	425
Foreign exchange losses	–	9,825
Other investment expenses	4,373	5,652
Operating expenses and general and administrative expenses	215,765	215,144
Other ordinary expenses:	6,128	7,713
Interest expense	5,888	6,173
Losses on bad debts	1	4
Other ordinary expenses	237	1,535
Ordinary profit	171,328	167,896
Extraordinary income:	10,323	1,782
Gains on sales of fixed assets	8,523	1,782
Other extraordinary income	1,800	–
Extraordinary losses:	44,051	13,567
Losses on sales of fixed assets	1,862	520
Impairment losses on fixed assets	1,400	8,294
Provision for reserves under the special laws:	40,788	3,613
Provision for reserve for price fluctuation	40,788	3,613
Other extraordinary losses	–	1,139
Income before income taxes	137,599	156,111
Income taxes – current	9,702	37,305
Income taxes – deferred	38,782	4,835
Total income taxes	48,485	42,140
Net income	¥ 89,114	¥ 113,970

Non-Consolidated Solvency Margin Ratio

Insurance companies running their business in Japan calculate the non-consolidated solvency margin ratio pursuant to the provisions of Articles 86 and 87 of the Insurance Business Act Enforcement Regulations and Public Notice No. 50 issued by the Ministry of Finance in 1996.

While insurance companies set aside reserves to provide for payments of insurance claims should an insured event occur, they are also required to maintain sufficient funds to pay out in an event outside the normal range of estimates such as a major catastrophe and a significant drop in the value of their assets.

The non-consolidated solvency margin ratio, or item (C) in each of the tables below, which is calculated in accordance with the Insurance Business Act, is the ratio of "solvency margin of insurance companies calculated based on their capital and other reserves", or (A) the total amount of solvency margin, to "risks exceeding the normal range of estimates", or (B) the total amount of risks.

The non-consolidated solvency margin ratio is one of the objective indicators used by the insurance regulatory authorities to supervise insurance companies. A non-consolidated solvency margin ratio of 200% or over indicates adequate ability to satisfy insurance claims and other payment requirements.

Since the solvency margin ratio as of March 31, 2015 was calculated based on the previous method which is before amendments under Cabinet Office Ordinance No. 16 in 2016 and Public Notice No. 10 issued by the Financial Services Agency in 2016, "Net unrealized gains/(losses) on investments in securities and net deferred gains/(losses) on hedges (prior to tax effect deductions)" in "(A) Total amount of solvency margin" represents the amount of net unrealized gains/(losses) on investments in securities (prior to tax effect deductions).

	Yen in millions	
	March 31, 2015	March 31, 2016
(A) Total amount of solvency margin	¥2,667,909	¥2,612,098
Total net assets	493,977	539,532
Reserve for price fluctuation	60,519	64,133
Contingency reserve	284	483
Catastrophe reserve	442,547	495,691
General bad debt reserve	231	199
Net unrealized gains/(losses) on investments in securities and net deferred gains/(losses) on hedges (prior to tax effect deductions)	1,480,735	1,126,342
Net unrealized gains/(losses) on land	30,905	39,762
Excess of policyholders' contract deposits (a)	–	–
Subordinated debts, etc. (b)	106,191	256,191
Amount excluded from the margin, out of (a) and (b)	–	–
Deductions	38,129	14,674
Others	90,644	104,435
(B) Total amount of risks $\sqrt{(R_1+R_2)^2+(R_3+R_4)^2}+R_5+R_6$	818,935	891,542
General insurance risk (R ₁)	115,263	120,693
Insurance risk of third sector insurance contracts (R ₂)	–	–
Assumed interest rate risk (R ₃)	18,400	17,579
Asset management risk (R ₄)	613,976	682,112
Business administration risk (R ₅)	18,113	19,645
Catastrophe risk (R ₆)	158,026	161,872
(C) Solvency margin ratio [(A) / {(B)×1/2}] × 100	651.5%	585.9%

AIOI NISSAY DOWA INSURANCE CO., LTD. (NON-CONSOLIDATED)

Non-Consolidated Balance Sheets

Items	Yen in millions	
	March 31, 2015	March 31, 2016
(Assets)		
Cash, deposits and savings:	¥ 103,797	¥ 131,947
Cash on hand	24	23
Deposits in banks	103,773	131,923
Call loans	29,000	15,000
Monetary claims bought	213	94
Money trusts	2,664	2,511
Investments in securities:	2,573,085	2,497,578
Government bonds	669,919	693,622
Municipal bonds	26,939	22,487
Corporate bonds	243,417	269,389
Domestic stocks	898,390	792,765
Foreign securities	691,077	675,729
Other securities	43,341	43,582
Loans:	226,229	221,856
Policy loans	4,244	3,794
General loans	221,984	218,062
Tangible fixed assets:	180,678	181,665
Land	82,848	80,890
Buildings	85,658	90,026
Lease assets	75	51
Construction in progress	3,253	836
Other tangible fixed assets	8,843	9,860
Intangible fixed assets:	28,968	23,976
Software	24,283	16,966
Other intangible fixed assets	4,684	7,009
Other assets:	272,452	289,975
Premiums receivable	2,951	2,611
Due from agencies	69,995	77,801
Due from foreign agencies	874	780
Co-insurance accounts receivable	3,472	3,265
Reinsurance accounts receivable	55,633	55,238
Foreign reinsurance accounts receivable	33,130	37,363
Agency business accounts receivable	107	84
Other receivables	48,507	53,866
Accrued income	8,770	7,734
Guarantee deposits	7,279	7,047
Deposits with the Japan Earthquake Reinsurance Company	7,376	7,844
Suspense payments	25,119	22,876
Derivative financial instruments	9,232	13,461
Prepaid pension expenses	45,088	28,175
Deferred tax assets	-	14,544
Customers' liabilities under acceptances and guarantees	10,500	12,500
Bad debt reserve	(1,970)	(1,309)
Total assets	¥3,470,706	¥3,418,516

Items	Yen in millions	
	March 31, 2015	March 31, 2016
(Liabilities)		
Policy liabilities:	¥2,389,245	¥2,404,819
Outstanding claims	511,118	511,559
Underwriting reserves	1,878,127	1,893,259
Bonds issued	50,000	50,000
Other liabilities:	163,817	143,343
Co-insurance accounts payable	3,635	3,817
Reinsurance accounts payable	54,839	51,236
Foreign reinsurance accounts payable	24,507	19,397
Agency business accounts payable	1,592	1,509
Borrowings	10	9
Income taxes payable	4,640	3,000
Deposits received	2,479	2,585
Unearned income	28	18
Other payables	25,588	40,003
Suspense receipts	19,155	19,057
Derivative financial instruments	20,344	1,943
Cash collateral received under derivative transactions	6,228	-
Lease obligations	218	109
Asset retirement obligations	548	654
Other liabilities	0	0
Reserve for pension and retirement benefits	17,197	20,239
Accrued bonuses for employees	6,241	5,757
Reserve for Reorganization by Function	754	166
Reserves under the special laws:	29,883	36,525
Reserve for price fluctuation	29,883	36,525
Deferred tax liabilities	6,144	-
Acceptances and guarantees	10,500	12,500
Total liabilities	2,673,785	2,673,351
(Net assets)		
Common stock	100,005	100,005
Capital surplus:	81,207	81,207
Additional paid-in capital	52,593	52,593
Other capital surplus	28,614	28,614
Retained earnings:	218,478	221,876
Legal earned reserve	47,411	47,411
Other retained earnings:	171,066	174,464
Retained earnings brought forward	171,066	174,464
Total shareholders' equity	399,691	403,089
Net unrealized gains/(losses) on investments in securities	397,230	342,075
Total valuation and translation adjustments	397,230	342,075
Total net assets	796,921	745,164
Total liabilities and net assets	¥3,470,706	¥3,418,516

AIOI NISSAY DOWA INSURANCE CO., LTD. (NON-CONSOLIDATED)

Non-Consolidated Statements of Income

Items	Yen in millions	
	Year ended March 31, 2015	Year ended March 31, 2016
Ordinary income:	¥1,323,230	¥1,309,986
Underwriting income:	1,252,369	1,243,096
Net premiums written	1,160,867	1,192,089
Deposit premiums from policyholders	34,457	31,513
Investment income on deposit premiums from policyholders	18,871	19,196
Reversal of underwriting reserves	31,874	-
Foreign exchange gains	1,740	-
Other underwriting income	4,556	297
Investment income:	65,767	60,713
Interest and dividends income	59,039	58,752
Investment gains on money trusts	0	0
Gains on sales of securities	25,135	19,522
Gains on redemption of securities	69	1,242
Foreign exchange gains	251	-
Other investment income	142	391
Transfer of investment income on deposit premiums from policyholders	(18,871)	(19,196)
Other ordinary income	5,093	6,176
Ordinary expenses:	1,254,257	1,248,214
Underwriting expenses:	1,044,957	1,031,846
Net claims paid	677,923	644,889
Loss adjustment expenses	56,048	61,076
Commissions and collection expenses	216,038	223,121
Maturity refunds to policyholders	92,519	81,691
Dividends to policyholders	61	47
Provision for outstanding claims	702	441
Provision for underwriting reserves	-	15,132
Foreign exchange losses	-	2,419
Other underwriting expenses	1,664	3,027
Investment expenses:	8,377	20,302
Losses on sales of securities	5,162	9,069
Impairment losses on securities	71	6,664
Losses on redemption of securities	-	448
Losses on derivative transactions	2,104	1,761
Foreign exchange losses	-	832
Other investment expenses	1,038	1,525
Operating expenses and general and administrative expenses	198,042	193,651
Other ordinary expenses:	2,879	2,413
Interest expense	757	756
Losses on bad debts	18	6
Other ordinary expenses	2,103	1,650
Ordinary profit	68,973	61,771
Extraordinary income:	25,913	3,717
Gains on sales of fixed assets	313	637
Other extraordinary income	25,600	3,079
Extraordinary losses:	29,130	23,946
Losses on sales of fixed assets	871	1,265
Impairment losses on fixed assets	1,614	3,695
Provision for reserves under the special laws:	26,644	6,641
Provision for reserve for price fluctuation	26,644	6,641
Other extraordinary losses	-	12,343
Income before income taxes	65,755	41,542
Income taxes – current	4,271	3,218
Income taxes – deferred	22,003	7,225
Total income taxes	26,275	10,444
Net income	¥ 39,480	¥ 31,098

Non-Consolidated Solvency Margin Ratio

	Yen in millions	
	March 31, 2015	March 31, 2016
(A) Total amount of solvency margin	¥1,285,586	¥1,246,991
Total net assets	383,791	382,616
Reserve for price fluctuation	29,883	36,525
Contingency reserve	747	747
Catastrophe reserve	257,666	287,174
General bad debt reserve	387	372
Net unrealized gains/(losses) on investments in securities and net deferred gains/(losses) on hedges (prior to tax effect deductions)	501,764	427,061
Net unrealized gains/(losses) on land	5,273	9,267
Excess of policyholders' contract deposits (a)	-	-
Subordinated debts, etc. (b)	50,000	50,000
Amount excluded from the margin, out of (a) and (b)	-	-
Deductions	9,945	9,747
Others	66,017	62,975
(B) Total amount of risks $\sqrt{(R_1+R_2)^2+(R_3+R_4)^2}+R_5+R_6$	319,429	300,711
General insurance risk (R ₁)	98,452	100,469
Insurance risk of third sector insurance contracts (R ₂)	-	-
Assumed interest rate risk (R ₃)	9,381	8,919
Asset management risk (R ₄)	227,288	207,334
Business administration risk (R ₅)	7,808	7,431
Catastrophe risk (R ₆)	55,290	54,827
(C) Solvency margin ratio $[(A) / ((B) \times 1/2)] \times 100$	804.9%	829.3%

MITSUI DIRECT GENERAL INSURANCE CO., LTD. (NON-CONSOLIDATED)

Non-Consolidated Balance Sheets

Items	Yen in millions	
	March 31, 2015	March 31, 2016
(Assets)		
Cash, deposits and savings:	¥ 3,029	¥ 3,918
Deposits in banks	3,029	3,918
Investments in securities:	35,244	38,973
Government bonds	5,544	2,173
Municipal bonds	16,678	18,897
Corporate bonds	13,021	17,902
Tangible fixed assets:	146	213
Buildings	38	60
Other tangible fixed assets	107	153
Intangible fixed assets:	2,259	2,396
Software	2,258	2,396
Other intangible fixed assets	1	0
Other assets:	5,729	5,586
Premiums receivable	0	0
Reinsurance accounts receivable	1	-
Other receivables	3,359	3,314
Accrued income	47	59
Guarantee deposits	308	386
Suspense payments	2,010	1,824
Other assets	1	2
Bad debt reserve	(0)	(1)
Total assets	¥46,408	¥51,086
(Liabilities)		
Policy liabilities:	37,877	43,044
Outstanding claims	18,538	22,978
Underwriting reserves	19,338	20,066
Other liabilities:	1,373	1,217
Reinsurance accounts payable	0	1
Income taxes payable	107	120
Other payables	1,237	1,059
Suspense receipts	15	19
Asset retirement obligations	13	16
Accrued bonuses for employees	216	215
Reserves under the special laws:	41	49
Reserve for price fluctuation	41	49
Deferred tax liabilities	81	118
Total liabilities	39,590	44,646
(Net assets)		
Common stock	32,600	35,101
Capital surplus:	2,500	5,001
Additional paid-in capital	2,500	5,001
Retained earnings:	(28,389)	(33,816)
Other retained earnings:	(28,389)	(33,816)
Retained earnings brought forward	(28,389)	(33,816)
Total shareholders' equity	6,710	6,285
Net unrealized gains/(losses) on investments in securities	106	155
Total valuation and translation adjustments	106	155
Total net assets	6,817	6,440
Total liabilities and net assets	¥46,408	¥51,086

Non-Consolidated Statements of Income

Items	Yen in millions	
	Year ended March 31, 2015	Year ended March 31, 2016
Ordinary income:	¥35,363	¥36,704
Underwriting income:	35,230	36,592
Net premiums written	35,053	36,571
Investment income on deposit premiums from policyholders	18	21
Reversal of underwriting reserves	158	-
Other underwriting income	0	0
Investment income:	118	99
Interest and dividends income	136	111
Gains on sales of securities	0	9
Transfer of investment income on deposit premiums from policyholders	(18)	(21)
Other ordinary income	14	12
Ordinary expenses:	39,599	42,076
Underwriting expenses:	31,793	34,278
Net claims paid	24,984	26,247
Loss adjustment expenses	2,661	2,633
Commissions and collection expenses	190	229
Provision for outstanding claims	3,956	4,439
Provision for underwriting reserves	-	727
Other underwriting expenses	0	-
Investment expenses:	3	-
Losses on sales of securities	3	-
Operating expenses and general and administrative expenses	7,801	7,776
Other ordinary expenses:	1	22
Provision for bad debts	-	0
Losses on bad debts	-	0
Other ordinary expenses	1	20
Ordinary loss	4,236	5,372
Extraordinary income	-	-
Extraordinary losses:	8	18
Losses on sales of fixed assets	1	10
Provision for reserves under the special laws:	7	7
Provision for reserve for price fluctuation	7	7
Loss before income taxes	4,244	5,390
Income taxes – current	17	17
Income taxes – deferred	72	19
Total income taxes	90	37
Net loss	¥ 4,334	¥ 5,427

Non-Consolidated Solvency Margin Ratio

	Yen in millions	
	March 31, 2015	March 31, 2016
(A) Total amount of solvency margin	¥8,023	¥7,721
Total net assets	6,710	6,285
Reserve for price fluctuation	41	49
Contingency reserve	0	0
Catastrophe reserve	1,135	1,191
General bad debt reserve	0	0
Net unrealized gains/(losses) on investments in securities and net deferred gains/(losses) on hedges (prior to tax effect deductions)	135	194
Net unrealized gains/(losses) on land	-	-
Excess of policyholders' contract deposits (a)	-	-
Subordinated debts, etc. (b)	-	-
Amount excluded from the margin, out of (a) and (b)	-	-
Deductions	-	-
Others	-	-
(B) Total amount of risks $\sqrt{(R_1+R_2)^2+(R_3+R_4)^2}+R_5+R_6$	6,269	6,701
General insurance risk (R ₁)	5,719	6,129
Insurance risk of third sector insurance contracts (R ₂)	-	-
Assumed interest rate risk (R ₃)	0	0
Asset management risk (R ₄)	735	818
Business administration risk (R ₅)	202	217
Catastrophe risk (R ₆)	300	300
(C) Solvency margin ratio $[(A) / \{(B) \times 1/2\}] \times 100$	255.9%	230.4%

MITSUI SUMITOMO AIOI LIFE INSURANCE CO., LTD. (NON-CONSOLIDATED)

Non-Consolidated Balance Sheets

Items	Yen in millions	
	March 31, 2015	March 31, 2016
(Assets)		
Cash, deposits and savings:	¥ 22,693	¥ 73,084
Cash on hand	0	0
Deposits in banks	22,693	73,084
Call loans	1,642	–
Receivables under securities borrowing transactions	326,525	275,350
Investments in securities:	2,548,787	2,765,411
Government bonds	1,483,742	1,680,750
Municipal bonds	115,568	123,431
Corporate bonds	758,835	710,132
Domestic stocks	1,633	1,315
Foreign securities	184,942	246,210
Other securities	4,064	3,570
Loans:	51,282	52,677
Policy loans	51,282	52,677
Tangible fixed assets:	5,509	4,752
Buildings	681	673
Lease assets	2,853	2,474
Other tangible fixed assets	1,974	1,604
Intangible fixed assets:	14,674	16,768
Software	3,507	5,023
Other intangible fixed assets	11,167	11,745
Due from agencies	211	139
Reinsurance accounts receivable	1,207	860
Other assets:	36,794	40,062
Other receivables	27,555	28,950
Prepaid expenses	1,761	1,632
Accrued income	6,666	7,098
Guarantee deposits	316	324
Derivative financial instruments	104	1,673
Suspense payments	364	358
Other assets	24	24
Bad debt reserve	(64)	(76)
Total assets	¥3,009,263	¥3,229,031

Items	Yen in millions	
	March 31, 2015	March 31, 2016
(Liabilities)		
Policy liabilities:	¥2,463,382	¥2,696,520
Outstanding claims	22,786	24,858
Underwriting reserves	2,433,517	2,661,796
Reserve for dividends to policyholders	7,077	9,865
Due to agencies	5,395	5,013
Reinsurance accounts payable	272	262
Other liabilities:	341,806	289,830
Payables under securities lending transactions	328,168	277,880
Income taxes payable	2,787	1,995
Other payables	114	137
Accrued expenses	5,729	5,788
Unearned income	0	0
Deposits received	81	87
Derivative financial instruments	636	105
Lease obligations	3,093	2,695
Asset retirement obligations	422	426
Suspense receipts	773	712
Reserve for pension and retirement benefits	1,874	2,187
Reserve for retirement benefits for officers	41	34
Reserves under the special laws:	4,527	5,230
Reserve for price fluctuation	4,527	5,230
Deferred tax liabilities	22,823	30,221
Total liabilities	2,840,124	3,029,301
(Net assets)		
Common stock	35,500	35,500
Capital surplus:	43,688	43,688
Additional paid-in capital	13,214	13,214
Other capital surplus	30,473	30,473
Retained earnings:	(4,501)	1,539
Other retained earnings:	(4,501)	1,539
Retained earnings brought forward	(4,501)	1,539
Total shareholders' equity	74,686	80,727
Net unrealized gains/(losses) on investments in securities	94,452	119,001
Total valuation and translation adjustments	94,452	119,001
Total net assets	169,139	199,729
Total liabilities and net assets	¥3,009,263	¥3,229,031

MITSUI SUMITOMO AIOI LIFE INSURANCE CO., LTD. (NON-CONSOLIDATED)

Non-Consolidated Statements of Income

Items	Yen in millions	
	Year ended March 31, 2015	Year ended March 31, 2016
Ordinary income:	¥487,594	¥512,568
Insurance premiums and others:	443,141	462,251
Insurance premiums	441,821	461,125
Reinsurance income	1,319	1,126
Investment income:	42,297	47,722
Interest and dividends income:	39,914	43,459
Interest on deposits	0	0
Interest and dividends on securities	38,079	41,571
Interest on loans	1,491	1,536
Other interest and dividends	343	351
Gains on sales of securities	2,351	4,262
Foreign exchange gains	16	-
Reversal of bad debts	13	-
Other ordinary income:	2,155	2,594
Receipts of annuities with special conditions	554	460
Receipts of deferred insurance claims	1,401	1,610
Other ordinary income	199	523
Ordinary expenses:	471,656	493,920
Insurance claims and others:	164,469	175,220
Insurance claims	36,241	38,732
Annuity payments	11,196	13,943
Benefits	13,689	15,848
Surrender benefits	98,608	102,443
Other refunds	3,274	2,765
Reinsurance premiums	1,458	1,487
Provision for underwriting reserves and others:	220,268	230,351
Provision for outstanding claims	1,582	2,071
Provision for underwriting reserves	218,685	228,279
Provision for interest portion of reserve for dividends to policyholders	0	0
Investment expenses:	676	2,090
Interest expense	288	292
Losses on sales of securities	206	890
Losses on derivative transactions	146	846
Foreign exchange losses	-	4
Provision for bad debts	-	13
Other investment expenses	34	41
Operating expenses	75,819	75,084
Other ordinary expenses:	10,421	11,173
Payments of deferred insurance claims	1,109	1,445
Taxes	6,136	6,187
Depreciation	2,827	3,221
Provision for reserve for pension and retirement benefits	265	312
Other ordinary expenses	83	6
Ordinary profit	15,937	18,647
Extraordinary income:	3	0
Gains on sales of fixed assets	3	0
Extraordinary losses:	1,358	735
Losses on sales of fixed assets	743	32
Provision for reserves under the special laws:	614	703
Provision for reserve for price fluctuation	614	703
Provision for reserve for dividends to policyholders	6,407	9,037
Income before income taxes	8,175	8,874
Income taxes – current	3,845	3,508
Income taxes – deferred	(76)	(675)
Total income taxes	3,768	2,833
Net income	¥ 4,406	¥ 6,041

Business Results

Amount of Policies in Force and New Policies

(1) Policies in force

	Yen in 100 millions			
	March 31, 2015		March 31, 2016	
	Number of policies (in thousands)	Amount	Number of policies (in thousands)	Amount
Individual insurance	2,600	¥211,276	2,767	¥218,310
Individual annuities	186	7,663	185	7,449
Group insurance	—	53,014	—	65,187
Group annuities	—	3	—	3

Notes: 1. The amounts of individual annuities represent the total sum of (a) the funds to be held at the time annuity payments are to commence for the policies for which annuity payments have not yet commenced and (b) the underwriting reserves for the policies for which annuity payments have commenced.

2. The amounts of group annuities represent the underwriting reserves.

(2) New policies

	Yen in 100 millions							
	Year ended March 31, 2015				Year ended March 31, 2016			
	Number of policies (in thousands)	Amount	New policies	Net increase by conversion	Number of policies (in thousands)	Amount	New policies	Net increase by conversion
Individual insurance	338	¥24,448	24,448	¥-	309	¥23,988	23,988	¥-
Individual annuities	6	363	363	—	5	245	245	—
Group insurance	—	887	887	—	—	10,059	10,059	—
Group annuities	—	—	—	—	—	—	—	—

Note: The amounts of individual annuities represent the funds to be held at the time annuity payments are to commence.

Annualized Premiums

(1) Policies in force

	Yen in 100 millions	
	March 31, 2015	March 31, 2016
Individual insurance	¥3,098	¥3,327
Individual annuities	436	429
Total:	3,534	3,757
Medical coverage, living benefits, etc.	705	787

(2) New policies

	Yen in 100 millions	
	Year ended March 31, 2015	Year ended March 31, 2016
Individual insurance	¥442	¥468
Individual annuities	20	13
Total:	462	481
Medical coverage, living benefits, etc.	144	135

Notes: 1. An annualized premium is the annual total of premiums that is obtained by multiplying the amount of a single payment with the number of payments per year in accordance with the premium payment method. An annualized premium for a lump-sum payment policy is the premium divided by the number of years of coverage.

2. "Medical coverage, living benefits, etc." represents the portion of annualized premiums that corresponds to medical coverage benefits (for hospitalization, surgeries, etc.), living benefits (for specified diseases, nursing care, etc.) and premium waiver benefits (excluding those for disability, but including those for specified diseases, nursing care, etc.).

MITSUI SUMITOMO AIOI LIFE INSURANCE CO., LTD. (NON-CONSOLIDATED)

Non-Consolidated Business Performance

	Yen in millions		
	Year ended March 31, 2015	Year ended March 31, 2016	Change
Fundamental profit	¥ 16,111	¥ 19,437	¥ 3,326
Fundamental revenues:	485,214	508,306	23,091
Insurance premiums and others	443,141	462,251	19,110
Fundamental expenses	469,103	488,869	19,765
Capital gains/(losses)	2,015	2,520	504
Non-recurring gains/(losses)	(2,188)	(3,309)	(1,120)
Ordinary profit	15,937	18,647	2,710
Extraordinary income	3	0	(3)
Extraordinary losses	1,358	735	(622)
Provision for reserve for dividends to policyholders	6,407	9,037	2,629
Income taxes	3,768	2,833	(935)
Net income	4,406	6,041	1,635

Non-Consolidated Solvency Margin Ratio

	Yen in millions	
	March 31, 2015	March 31, 2016
(A) Total amount of solvency margin	¥330,141	¥380,460
Total capital	74,686	80,727
Reserve for price fluctuation	4,527	5,230
Contingency reserve	25,852	29,150
General bad debt reserve	9	11
Net unrealized gains/(losses) on investments in securities and net deferred gains/(losses) on hedges (prior to tax effect deductions) × 90%	119,392	148,752
Net unrealized gains/(losses) on land × 85%	–	–
Excess of continued Zillmerized reserve (a)	134,117	142,443
Subordinated debts, etc. (b)	–	–
Amount excluded from the margin, out of (a) and (b)	(28,747)	(26,894)
Brought in capital	–	–
Deductions	–	–
Others	304	1,038
(B) Total amount of risks $\sqrt{(R_1+R_6)^2+(R_2+R_3+R_7)^2}+R_4$	46,175	47,604
Insurance risk (R ₁)	14,832	15,906
Insurance risk of third sector insurance contracts (R ₆)	7,572	9,660
Assumed interest rate risk (R ₂)	3,011	3,049
Minimum guarantee risk (R ₇)	–	–
Asset management risk (R ₃)	35,269	35,576
Business administration risk (R ₄)	1,820	1,283
(C) Solvency margin ratio [(A) / {(B) × 1/2}] × 100	1,429.9%	1,598.4%

MITSUI SUMITOMO PRIMARY LIFE INSURANCE CO., LTD. (NON-CONSOLIDATED)

Non-Consolidated Balance Sheets

Items	Yen in millions	
	March 31, 2015	March 31, 2016
(Assets)		
Cash, deposits and savings:	¥ 23,623	¥ 136,349
Deposits in banks	23,623	136,349
Call loans	129,694	16,175
Monetary claims bought	–	34,997
Money trusts	526,168	813,920
Investments in securities:	3,852,767	3,906,188
Government bonds	59,500	59,983
Municipal bonds	11,965	13,881
Corporate bonds	38,078	42,637
Foreign securities	1,127,103	1,255,692
Other securities	2,616,120	2,533,993
Loans:	487	160,609
Policy loans	487	436
General loans	–	160,173
Tangible fixed assets:	839	749
Buildings	303	276
Lease assets	465	322
Other tangible fixed assets	70	150
Intangible fixed assets:	4,558	4,748
Software	4,505	4,722
Lease assets	52	25
Reinsurance accounts receivable	111	139
Other assets:	93,820	83,598
Other receivables	68,101	70,412
Prepaid expenses	163	300
Accrued income	11,435	11,719
Guarantee deposits	13,140	135
Derivative financial instruments	–	184
Suspense payments	980	845
Deferred tax assets	29,961	33,754
Total assets	¥4,662,032	¥5,191,230
(Liabilities)		
Policy liabilities:	4,463,755	4,888,353
Outstanding claims	9,968	9,605
Underwriting reserves	4,453,787	4,878,748
Due to agencies	6,914	9,668
Reinsurance accounts payable	2,973	3,074
Other liabilities:	36,774	110,019
Income taxes payable	714	2,110
Other payables	25,683	77,114
Accrued expenses	4,324	5,086
Deposits received	800	19,181
Derivative financial instruments	–	36
Cash collateral received under derivative transactions	40	–
Lease obligations	540	368
Asset retirement obligations	127	130
Suspense receipts	4,543	5,990
Reserves under the special laws:	41,766	55,093
Reserve for price fluctuation	41,766	55,093
Total liabilities	4,552,185	5,066,210
(Net assets)		
Common stock	41,060	41,060
Capital surplus:	24,735	24,735
Additional paid-in capital	24,735	24,735
Retained earnings:	33,094	48,686
Legal earned reserve	399	859
Other retained earnings:	32,694	47,826
Retained earnings brought forward	32,694	47,826
Total shareholders' equity	98,889	114,481
Net unrealized gains/(losses) on investments in securities	10,957	10,538
Total valuation and translation adjustments	10,957	10,538
Total net assets	109,847	125,019
Total liabilities and net assets	¥4,662,032	¥5,191,230

Non-Consolidated Statements of Income

Items	Yen in millions	
	Year ended March 31, 2015	Year ended March 31, 2016
Ordinary income:	¥1,572,927	¥1,366,244
Insurance premiums and others:	1,055,505	1,300,187
Insurance premiums	1,054,049	1,299,457
Reinsurance income	1,456	730
Investment income:	513,412	62,867
Interest and dividends income:	41,248	47,603
Interest on deposits	128	111
Interest and dividends on securities	40,816	45,143
Interest on loans	10	2,024
Other interest and dividends	293	323
Investment gains on money trusts	87,686	–
Gains on sales of securities	34,270	15,264
Investment gains on separate accounts	350,206	–
Other ordinary income:	4,009	3,189
Receipts of annuities with special conditions	3,042	2,814
Reversal of outstanding claims	851	363
Other ordinary income	115	12
Ordinary expenses:	1,555,165	1,326,285
Insurance claims and others:	967,903	638,577
Insurance claims	54,943	54,099
Annuity payments	61,262	73,523
Benefits	171,243	201,591
Surrender benefits	644,690	269,732
Other refunds	2,375	3,245
Reinsurance premiums	33,387	36,385
Provision for underwriting reserves and others:	471,512	424,961
Provision for underwriting reserves	471,512	424,961
Investment expenses:	35,300	160,486
Interest expense	0	3
Investment losses on money trusts	–	16,492
Losses on sales of securities	–	352
Losses on redemption of securities	–	0
Losses on derivative transactions	184	93
Foreign exchange losses	34,893	67,234
Other investment expenses	222	156
Investment losses on separate accounts	–	76,153
Operating expenses	70,829	90,035
Other ordinary expenses:	9,620	12,224
Taxes	8,401	10,696
Depreciation	1,217	1,526
Other ordinary expenses	2	2
Ordinary profit	17,761	39,959
Extraordinary income	–	–
Extraordinary losses:	1,642	13,327
Losses on sales of fixed assets	12	1
Provision for reserves under the special laws:	1,630	13,326
Provision for reserve for price fluctuation	1,630	13,326
Income before income taxes	16,118	26,631
Income taxes – current	3,766	12,187
Income taxes – deferred	(72)	(3,447)
Total income taxes	3,694	8,739
Net income	¥ 12,424	¥ 17,892

MITSUI SUMITOMO PRIMARY LIFE INSURANCE CO., LTD. (NON-CONSOLIDATED)

Business Results

Amount of Policies in Force and New Policies

(1) Policies in force

	Yen in 100 millions			
	March 31, 2015		March 31, 2016	
	Number of policies (in thousands)	Amount	Number of policies (in thousands)	Amount
Individual insurance	264	¥15,489	449	¥24,467
Individual annuities	339	28,721	325	24,640
Group insurance	—	—	—	—
Group annuities	—	—	—	—

Note: The amounts of individual annuities represent the total sum of (a) the funds to be held at the time annuity payments are to commence (the premium reserves in the case of individual variable annuities) for the policies for which annuity payments have not yet commenced and (b) the underwriting reserves for the policies for which annuity payments have commenced.

(2) New policies

	Yen in 100 millions							
	Year ended March 31, 2015				Year ended March 31, 2016			
	Number of policies (in thousands)	Amount	New policies	Net increase by conversion	Number of policies (in thousands)	Amount	New policies	Net increase by conversion
Individual insurance	157	¥8,622	¥8,622	¥-	205	¥10,965	¥10,965	¥-
Individual annuities	28	1,625	1,625	—	29	1,660	1,660	—
Group insurance	—	—	—	—	—	—	—	—
Group annuities	—	—	—	—	—	—	—	—

Note: The amounts of individual annuities represent the funds to be held at the time annuity payments are to commence (the premium reserves at the time of enrollment in the case of individual variable annuities).

Annualized Premiums

(1) Policies in force

	Yen in 100 millions	
	March 31, 2015	March 31, 2016
Individual insurance	¥1,014	¥1,598
Individual annuities	3,500	3,242
Total:	4,515	4,840
Medical coverage, living benefits, etc.	1	0

(2) New policies

	Yen in 100 millions	
	Year ended March 31, 2015	Year ended March 31, 2016
Individual insurance	¥ 584	¥ 736
Individual annuities	1,150	1,060
Total:	1,734	1,796
Medical coverage, living benefits, etc.	—	—

Notes: 1. An annualized premium is the annual total of premiums that is obtained by multiplying the amount of a single payment with the number of payments per year in accordance with the premium payment method. An annualized premium for a lump-sum payment policy is the premium divided by the number of years of coverage.

2. "Medical coverage, living benefits, etc." represents the portion of annualized premiums that corresponds to medical coverage benefits (for hospitalization, surgeries, etc.), living benefits (for specified diseases, nursing care, etc.) and premium waiver benefits (excluding those for disability, but including those for specified diseases, nursing care, etc.).

Non-Consolidated Business Performance

	Yen in millions		
	Year ended March 31, 2015	Year ended March 31, 2016	Change
Fundamental profit	¥ (33,406)	¥ 14,311	¥ 47,717
Fundamental revenues:			
Insurance premiums and others	1,479,972	1,368,535	(111,437)
Fundamental expenses	1,513,378	1,354,224	(159,154)
Capital gains/(losses)	57,877	27,637	(30,240)
Non-recurring gains/(losses)	(6,710)	(1,988)	4,721
Ordinary profit	17,761	39,959	22,198
Extraordinary income	—	—	—
Extraordinary losses	1,642	13,327	11,685
Provision for reserve for dividends to policyholders	—	—	—
Income taxes	3,694	8,739	5,045
Net income	12,424	17,892	5,467

Non-Consolidated Solvency Margin Ratio

	Yen in millions	
	March 31, 2015	March 31, 2016
(A) Total amount of solvency margin	¥323,085	¥438,444
Total capital	96,689	110,384
Reserve for price fluctuation	41,766	55,093
Contingency reserve	71,170	73,159
General bad debt reserve	—	—
Net unrealized gains/(losses) on investments in securities and net deferred gains/(losses) on hedges (prior to tax effect deductions) × 90%	13,861	13,173
Net unrealized gains/(losses) on land × 85%	—	—
Excess of continued Zillmerized reserve (a)	87,411	169,946
Subordinated debts, etc. (b)	—	—
Amount excluded from the margin, out of (a) and (b)	—	—
Brought in capital	—	—
Deductions	—	—
Others	12,186	16,687
(B) Total amount of risks $\sqrt{(R_1+R_6)^2+(R_2+R_3+R_7)^2}+R_4$	73,451	88,978
Insurance risk (R ₁)	36	55
Insurance risk of third sector insurance contracts (R ₆)	10	7
Assumed interest rate risk (R ₂)	31,165	36,504
Minimum guarantee risk (R ₇)	6,259	4,218
Asset management risk (R ₃)	34,585	46,509
Business administration risk (R ₄)	1,441	1,745
(C) Solvency margin ratio [(A) / ((B) × 1/2)] × 100	879.7%	985.5%

Editorial Policy

Since fiscal 2015, the MS&AD Insurance Group has published the *Integrated Report* to give the readers a deeper understanding of the Group's medium- to long-term value creation.

To promote understanding of the Group's concrete initiatives for value creation, in *MS&AD Integrated Report 2016*, we have included Special Features showing how we are working to solve a variety of social issues through our Group's business activities.

The content presented has been organized around three themes: our goals beyond the medium-term management plan, the strategies we are now pursuing in the medium term, and the frameworks and systems that serve as a base supporting those efforts.

With this document, we hope to promote amicable feelings for the Group by creating even greater understanding of it among stakeholders such as customers, shareholders, and investors.

Since our editorial policy places particular emphasis on concise presentation in *MS&AD Integrated Report 2016*, for those who wish to have more-detailed information, please also access the Company's official website. (For a guide to the relationship between this report and our website, please refer to the explanation at the beginning of this report.)

In preparing this report, we have made reference to The International Integrated Reporting Framework issued by the International Integrated Reporting Council (IIRC).

Group Slogan

What do we mean by "Advancing with you"?

The MS&AD Insurance Group is determined to be the most vigorous company in the insurance industry.

Our new corporate slogan, "Advancing with you," expresses that determination.

The phrase invokes the challenges of achieving corporate change, new insurance products, and global competitiveness; challenges which the MS&AD Insurance Group continues to pursue.

- **The challenge of corporate change**

The Group companies and each staff member will continue to pursue rapid and dynamic change in response to shifts in social and business trends.

- **The challenge of providing new insurance products**

Providing products and services in anticipation of new risks, the Group will consistently seek to provide maximum security to its customers.

- **The challenge of competing globally**

To develop the strength to compete in the highly competitive international arena, the Group will continue to grow, aspiring to become a world-leading insurance and financial group.

Aspiring to become a world-leading insurance and financial group, the MS&AD Insurance Group will continue to take on these challenges.

Advancing with you

MS&AD
INSURANCE GROUP

Participation in Initiatives

Based on its social responsibilities and roles as a global financial institution seriously, the Group participates in a variety of domestic and international initiatives with a view to strengthening its efforts to ensure environmental and social sustainability as well as spreading these efforts to society at large.

The United Nations Global Compact

In June 2004, MSI expressed its support for the United Nations Global Compact (UNGC) as the first financial institution, and the MS&AD Insurance Group continues to honor that by respecting the 10 principles in areas such as human rights, labor, and the environment in conducting its business activities. The Group also participates in the management of the Global Compact Network Japan, the local chapter of the UNGC.



Principles for Responsible Investment (PRI)

In June 2015, the Group became a signatory to the Principles for Responsible Investment (PRI) Initiative, which seeks to incorporate environmental, social, and corporate governance (ESG) issues into the investment decision-making process. Going forward, it will work to promote constructive dialog based on the ESG perspective with companies in which it invests, and implement business investments taking ESG issues into account.



Initiatives in which Group Companies Participate

- United Nations Environment Programme Finance Initiative-Principles for Sustainable Insurance (UNEP FI PSI) [MS&AD Insurance Group]
- Principles for Financial Action towards a Sustainable Society [MSI, ADI, MSI Aioi Life, InterRisk Research Institute & Consulting, Inc.]
- Carbon Disclosure Project (CDP) [MSI]
- Japan Business Initiative for Biodiversity (JBIB) [MSI]

Note: The signatory Group companies for each initiative are mentioned within square brackets.

MEMBER OF

Dow Jones Sustainability Indices

In Collaboration with RobecoSAM

MS&AD Insurance Group Holdings, Inc. selected as a component of DJSI World and Asia Pacific for 2016

Contact Information

(Securities code: 8725)

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<Forward-looking statements>

These materials contain future plans, strategies, and earnings forecasts for MS&AD Insurance Group Holdings, Inc. and Group companies. They are based on information available to the Group at the present time. Investors are advised that actual results may differ substantially from our forecasts, for various reasons. Actual performance could be adversely affected by (1) economic trends surrounding our business, (2) fierce competition within the insurance sector, (3) exchange rate fluctuations, and (4) changes in tax and other regulatory systems.

This report was prepared pursuant to Article 271-25 of the Insurance Business Act and Article 210-10-2 of the Insurance Business Act Enforcement Regulations.