

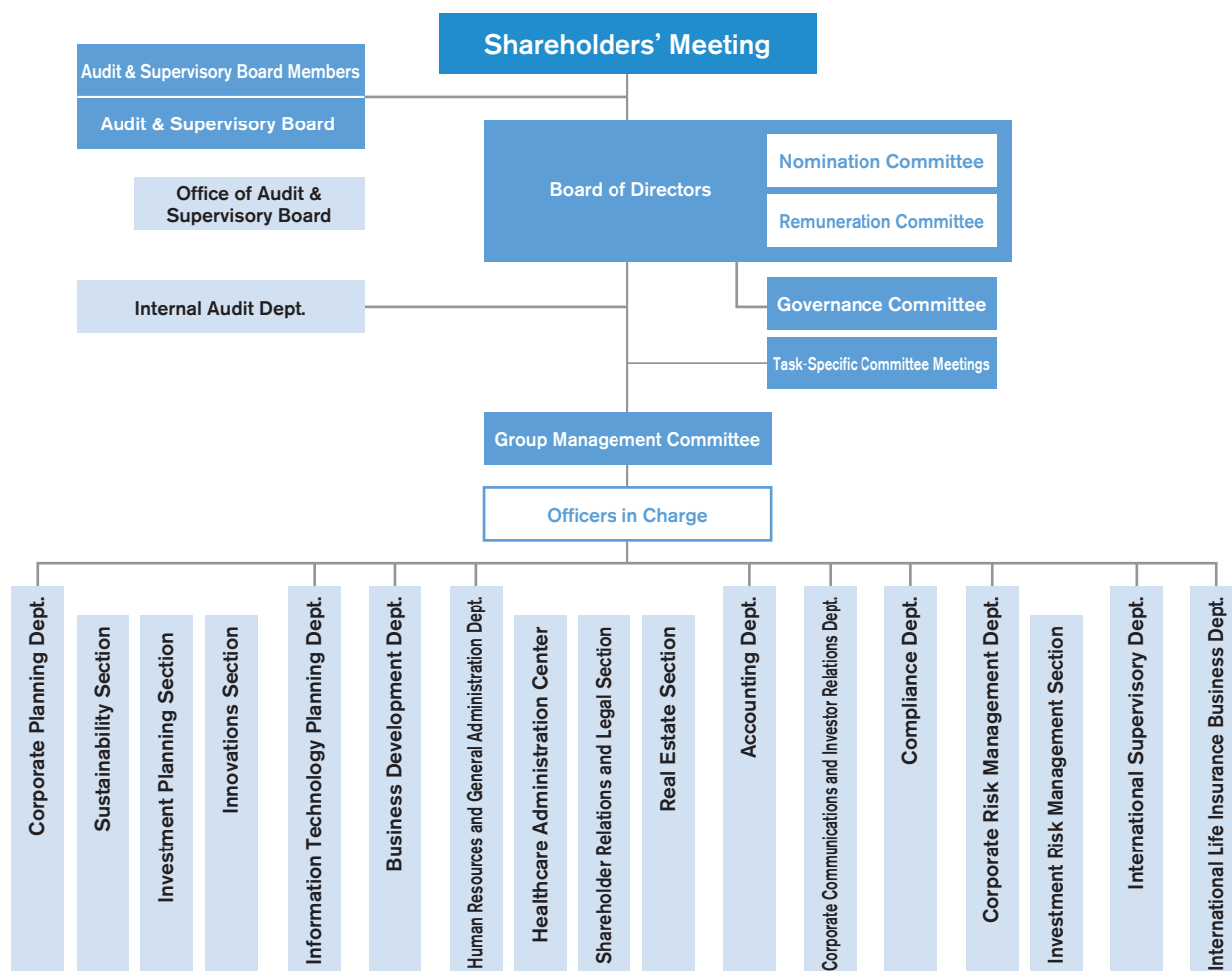
Corporate Profile

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	Yasuyoshi Karasawa, Representative Director, President & CEO
Paid-in capital	¥100,000 million
Number of employees	390 (41,295 on a consolidated basis) (As of March 31, 2018)
Business description	Our activities as an insurance holding company are as follows: 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)
Independent auditor	KPMG AZSA LLC

MS&AD Insurance Group Holdings, Inc. / Organizational Chart (As of April 1, 2018)



Stock and Shareholders (As of March 31, 2018)

1. Summary of Issued Shares

Class of Stock	Common stock	Total Number of Authorized Shares	900,000,000
Total Number of Issued Shares	593,291,754	Number of Shareholders	65,512

2. Shareholding Profile

Breakdown by Sector

Item	Japanese Financial Institutions	Japanese Securities Companies	Other Japanese Companies	Foreign Companies and Individuals	Japanese Individuals and Others	Total
Number of Shareholders	185	63	1,553	818	62,893	65,512
Number of Shares Held (millions)	210.48	18.40	99.93	208.21	56.24	593.29
Percentage of Shares Issued	35.5%	3.1%	16.8%	35.1%	9.5%	100.0%

Breakdown by Number of Shares Held

Item	1-99	100-999	1,000-9,999	10,000-99,999	100,000 and Above	Total
Number of Shareholders	18,582	33,640	11,919	966	405	65,512
Percentage of All Shareholders	28.4%	51.3%	18.2%	1.5%	0.6%	100.0%

Breakdown by Region

Item	Hokkaido	Tohoku	Kanto	Chubu	Kinki	Chugoku	Shikoku	Kyushu	Overseas	Total
Number of Shares (millions)	1.08	2.88	286.91	67.04	20.38	2.27	2.35	2.27	208.08	593.29
Percentage of Shares Issued	0.2%	0.5%	48.3%	11.3%	3.4%	0.4%	0.4%	0.4%	35.1%	100.0%

3. Major Shareholders

Shareholder Name	Address	Number of Shares Held (thousands)	Percentage to Shares Issued (%)
Toyota Motor Corporation	1, Toyota-cho, Toyota City, Aichi Prefecture	52,610	8.88
NIPPON LIFE INSURANCE COMPANY	1-6-6, Marunouchi, Chiyoda-ku, Tokyo c/o Nippon Life Securities Operations Department	36,325	6.13
The Master Trust Bank of Japan, Ltd. (Trust account)	2-11-3, Hamamatsu-cho, Minato-ku, Tokyo	33,531	5.66
Japan Trustee Services Bank, Ltd. (Trust account)	1-8-11, Harumi, Chuo-ku, Tokyo	26,685	4.50
JP MORGAN CHASE BANK 380072 (Standing agent: Corporate Financial Sales Div., Mizuho Corporate Bank, Ltd.)	25 BANK STREET, CANARY WHARF, LONDON, E14 5JP, UNITED KINGDOM (2-15-1 Konan, Minato-ku, Tokyo)	13,953	2.36
Japan Trustee Services Bank, Ltd. (Trust account 5)	1-8-11, Harumi, Chuo-ku, Tokyo	9,855	1.66
Japan Trustee Services Bank, Ltd. (Trust account 7)	1-8-11, Harumi, Chuo-ku, Tokyo	9,363	1.58
Japan Trustee Services Bank, Ltd. (Trust account 4)	1-8-11, Harumi, Chuo-ku, Tokyo	9,130	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. (2-15-1 Konan, Minato-ku, Tokyo)	8,869	1.50
THE BANK OF NEW YORK MELLON 140044 (Standing agent: Corporate Financial Sales Div., Mizuho Corporate Bank, Ltd.)	225 LIBERTY STREET, NEW YORK, NEW YORK, U.S.A. (2-15-1 Konan, Minato-ku, Tokyo)	8,400	1.42
Total		208,725	35.23

Note: Number of shares held is rounded down; percentage to shares issued is shown as rounded to the nearest hundred percent.
The Company owns 880,702 treasury shares but these are omitted from the table above.

4. Changes in Total Number of Issued Shares, Paid-in Capital, etc.

Date	Issued Shares		Paid-in Capital		Capital Reserves	
	Increase/Decrease	Balance	Increase/Decrease	Balance	Increase/Decrease	Balance
June 30, 2017	(40,000) thousand	593,291 thousand	—	¥100,000 million	—	¥729,255 million

Note: The decrease in the total number of issued shares was due to the retirement of treasury shares.

5. Basic Information

Fiscal Year	April 1 to March 31 of the following year
Annual Shareholders' Meeting	Within three months of the end of each fiscal year
Record Date	Ordinary General Meeting of Shareholders: March 31, every year Year-end dividends: March 31, every year Interim dividends: September 30, every year
Method of Public Notification	Electronic reporting can be found online at https://www.ms-ad-hd.com/ja/ir/notification.html (Japanese only) In the event of an incident or other event that prevents electronic reporting, the Company will publish its notifications in the <i>Nikkei</i> newspaper.
Stock Exchange Listings	Tokyo Stock Exchange and Nagoya Stock Exchange (First Section)
Administrator of Shareholders' Registry	Sumitomo Mitsui Trust Bank, Limited
Place of Business of Administrator of Shareholders' Registry:	Sumitomo Mitsui Trust Bank, Limited, Stock Transfer Agency Dept. (1-4-1, Marunouchi, Chiyoda-ku, Tokyo, Japan)
Special Account Management Institution:	Sumitomo Mitsui Trust Bank, Limited*
(Postal Address)	Sumitomo Mitsui Trust Bank, Limited, Stock Transfer Agency Dept. (2-8-4, Izumi, Suginami-ku, Tokyo 168-0063, Japan)
Telephone Inquiry	☎ 0120-782-031

* Following a share exchange effective April 1, 2010, the Company inherited the responsibility for a special account that was established on the same day for the shareholders of Aioi and NDI. As a result, the special account management institution for prior shareholders of these two companies will continue to be Mitsubishi UFJ Trust and Banking Corporation (1-4-5, Marunouchi, Chiyoda-ku, Tokyo).

Group Business Schematic (As of March 31, 2018)

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.

MS&AD INSURANCE GROUP HOLDINGS, INC.

★ MITSUI SUMITOMO INSURANCE COMPANY, LTD. (Mainly the Domestic Non-Life Insurance Business)

〈International Businesses〉

- ★ MSIG Holdings (Americas), Inc. <U.S.A.>
- ★ Mitsui Sumitomo Insurance USA Inc. <U.S.A.>
- ★ Mitsui Sumitomo Insurance Company of America <U.S.A.>
- ★ Aioi Nissay Dowa Insurance Company of America <U.S.A.>
- ★ Mitsui Sumitomo Seguros S/A. <BRAZIL>
- ★ MS Amlin plc <U.K.> and six other companies
- ★ Mitsui Sumitomo Insurance Company (Europe), Limited <U.K.>
- ★ MSIG Insurance Europe AG <GERMANY>
- ★ MSIG Holdings (Asia) Pte. Ltd. <SINGAPORE>
- ★ MSIG Insurance (Singapore) Pte. Ltd. <SINGAPORE>
- ★ MS First Capital Insurance Limited <SINGAPORE>
- ★ MSIG Mingtai Insurance Co., Ltd. <TAIWAN>
- ★ Mitsui Sumitomo Insurance (China) Company Limited <CHINA>
- ★ MSIG Insurance (Hong Kong) Limited <HONG KONG>
- ★ MSIG Insurance (Vietnam) Company Limited <VIETNAM>
- Cholamandalam MS General Insurance Company Limited <INDIA>
- Max Life Insurance Company Limited <INDIA>
- ★ PT. Asuransi MSIG Indonesia <INDONESIA>
- PT. Asuransi Jiwa Sinarmas MSIG <INDONESIA>
- ★ MSIG Insurance (Thailand) Public Company Limited <THAILAND>
- BPI/MS Insurance Corporation <PHILIPPINES>
- ★ MSIG Insurance (Malaysia) Bhd. <MALAYSIA>
- Hong Leong Assurance Berhad <MALAYSIA>
- ★ MSIG Insurance (Lao) Co., Ltd. <LAOS>

〈Financial Services Business and Risk-Related Services Business〉

- ★ MITSUI SUMITOMO INSURANCE Venture Capital Co., Ltd. <JAPAN>
- Sumitomo Mitsui Asset Management Company, Limited <JAPAN>
- ★ MS Financial Reinsurance Limited <BERMUDA>

★ AIOI NISSAY DOWA INSURANCE COMPANY, LIMITED (Mainly the Domestic Non-Life Insurance Business)

〈International Businesses〉

- ★ DTRIC Insurance Company, Limited <U.S.A.>
- ★ DTRIC Insurance Underwriters, Limited <U.S.A.>
- ★ Aioi Nissay Dowa Insurance Company of Europe Limited <U.K.>
- ★ Aioi Nissay Dowa Life Insurance of Europe AG <GERMANY>
- ★ Aioi Nissay Dowa Insurance Company Australia Pty Ltd <AUSTRALIA>
- ★ Aioi Nissay Dowa Insurance (China) Company Limited <CHINA>

★ MITSUI DIRECT GENERAL INSURANCE COMPANY, LIMITED (Domestic Non-Life Insurance Business)

★ MITSUI SUMITOMO AIOI LIFE INSURANCE COMPANY, LIMITED (Domestic Life Insurance Business)

★ MITSUI SUMITOMO PRIMARY LIFE INSURANCE COMPANY, LIMITED (Domestic Life Insurance Business)

- ReAssure Jersey One Limited <CHANNEL ISLANDS> <International Business>

- ★ InterRisk Research Institute & Consulting, Inc. <Financial Services Business and Risk-Related Services Business>

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	¥39,106 million	89.7	—
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	¥85,500 million	100.0	—
Mitsui Sumitomo Primary Life Insurance Co., Ltd.	Chuo-ku, Tokyo	Sept. 7, 2001	Domestic Life Insurance	¥41,060 million	100.0	—
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	100.0	—
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\$4,500 thousand	—	100.0
DTRIC Insurance Underwriters, Limited	Honolulu, U.S.A.	Feb. 2, 2007	International	US\$2,500 thousand	—	100.0
Mitsui Sumitomo Seguros S/A.	São Paulo, Brazil	Dec. 15, 1965	International	BRL619,756 thousand	—	100.0
MS Amlin plc	London, U.K.	Sept. 17, 1993	International	UK£143,168 thousand	—	100.0
MS Amlin Corporate Services Limited	London, U.K.	Aug. 1, 1988	International	UK£16 thousand	—	100.0
MS Amlin Corporate Member Limited	London, U.K.	Sept. 19, 1994	International	UK£1,700 thousand	—	100.0
MS Amlin Underwriting Limited	London, U.K.	Nov. 29, 1988	International	UK£400 thousand	—	100.0
MSI Corporate Capital Limited	London, U.K.	Jan. 7, 2000	International	UK£5,200 thousand	—	100.0
Amlin Insurance SE	London, U.K.	Jan. 4, 2016	International	UK£1,164 thousand	—	100.0
Mitsui Sumitomo Insurance Company (Europe), Limited	London, U.K.	July 28, 1972	International	UK£160,900 thousand	—	100.0
Aioi Nissay Dowa Insurance Company of Europe Limited	London, U.K.	Nov. 12, 2004	International	UK£39,781 thousand	—	100.0
MS 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

Name of Company	Location	Date of Incorporation	Principal Business	Paid-in Capital	Voting Rights of MS&AD Holdings (%)	Voting Rights of Subsidiaries (%)
MS Financial Reinsurance Limited	Hamilton, Bermuda	Nov. 21, 2011	Financial Services	¥46 million	—	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
MS First Capital Insurance Limited	Singapore, Singapore	Dec. 9, 1950	International	S\$26,500 thousand	—	97.7
Aioi Nissay Dowa Insurance Company Australia Pty Ltd	Melbourne, Australia	Aug. 1, 2008	International	A\$87,800 thousand	—	100.0
MSIG Mingtai Insurance Co., Ltd.	Taipei, Taiwan	Sept. 22, 1961	International	NT\$2,535 million	—	100.0
Mitsui Sumitomo Insurance (China) Company Limited	Shanghai, P.R.C.	Sept. 6, 2007	International	RMB500,000 thousand	—	100.0
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	MYR1,511 million	—	65.4 [1.4]
MSIG Insurance (Lao) Co., Ltd.	Vientiane, Laos	Sept. 18, 2009	International	US\$2,000 thousand	—	51.0
53 other companies						

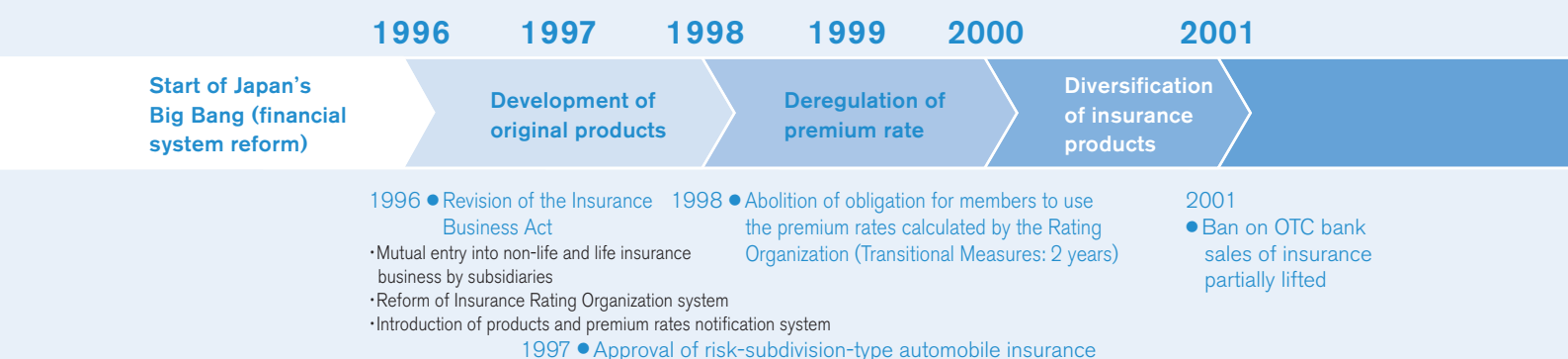
Notes: 1. Figures in square brackets [] represent the percentage of voting rights belonging to closely allied entities or entities that are in agreement with MS&AD on voting issues.

2. EQUITY-METHOD AFFILIATES

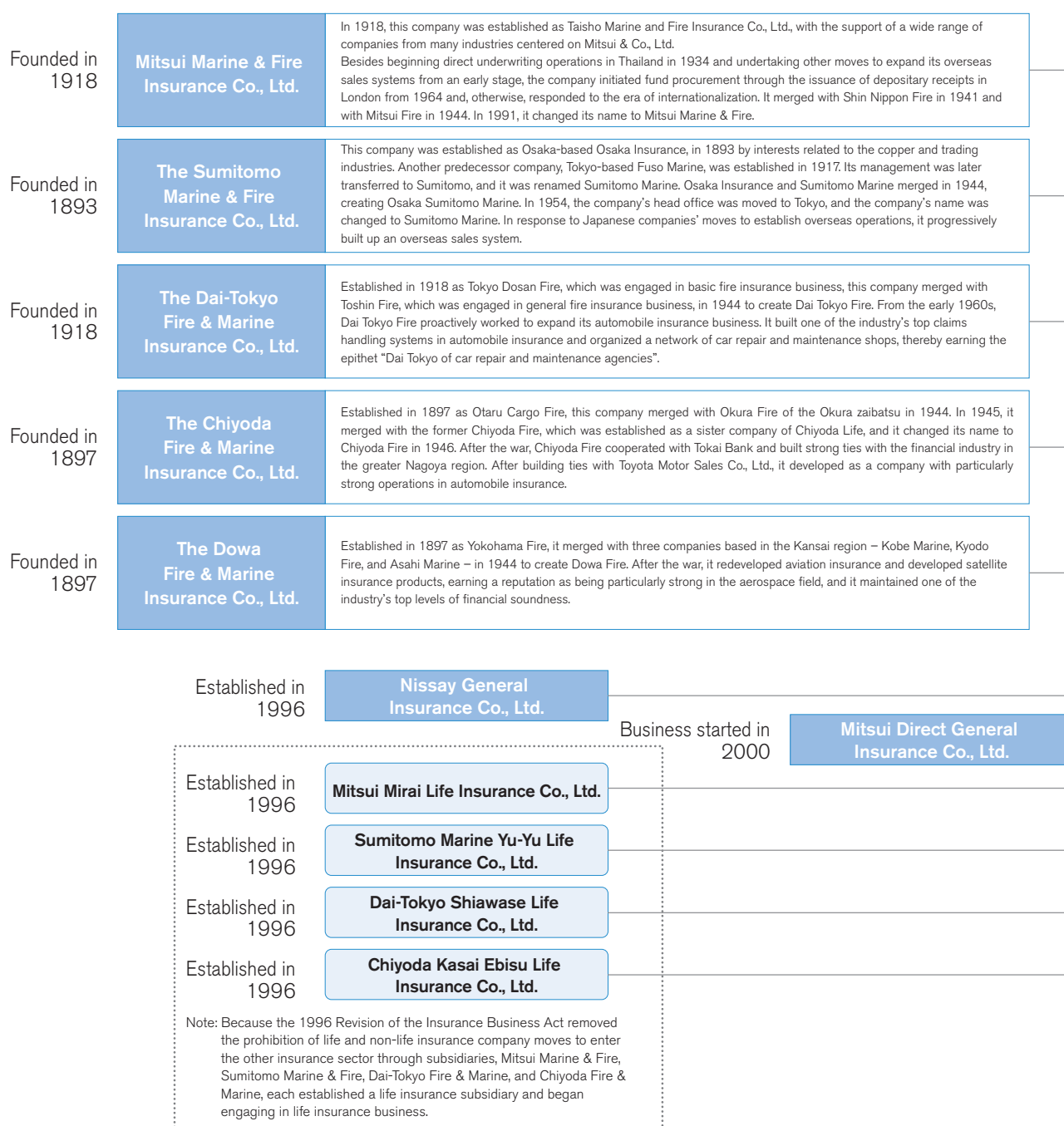
Name of Company	Location	Date of Incorporation	Principal Business	Paid-in Capital	Voting Rights of MS&AD Holdings (%)	Voting Rights of Subsidiaries (%)
Sumitomo Mitsui Asset Management Company, Limited	Minato-ku, Tokyo	July 15, 1985	Financial Services	¥2,000 million	—	20.0
ReAssure Jersey One Limited	Channel, Jersey	July 22, 2011	International	UK£529 thousand	15.0	—
Cholamandalam MS General Insurance Company Limited	Chennai, India	Nov. 2, 2001	International	INR2,988 million	—	40.0
Max Life Insurance Company Limited	Chandigarh, India	July 11, 2000	International	INR19,188 million	—	25.3
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	Kuala Lumpur, Malaysia	Dec. 20, 1982	International	MYR200,000 thousand	—	30.0
Eight other companies						

History of the MS&AD Insurance Group in Japan

Major events in the insurance industry



History of the MS&AD Insurance Group



2002

2010

2014

2016

End of Japan's
Financial Big Bang
First industry realignment

Second industry realignment, Strengthening of
policyholder protection/deregulation

2007

- Implementation of Financial Instruments and Exchange Act
- OTC bank sales of insurance fully liberalized

2010

- Implementation of the Insurance Act

2014

- Revision of the Insurance Business Act

2016

- Enforcement of the Insurance Business Act

Inaugurated in 2001

Mitsui Sumitomo
Insurance Co., Ltd.

Inaugurated in 2001

Aioi Insurance
Co., Ltd.

Inaugurated in 2001

Nissay Dowa General
Insurance Co., Ltd.

Inaugurated in 2001

Mitsui Sumitomo Kirameki
Life Insurance Co., Ltd.

Inaugurated in 2001

Aioi Life Insurance
Co., Ltd.

Business started in 2002

Mitsui Sumitomo
CitilInsurance Life
Insurance Co., Ltd.

Established in 2008

Mitsui Sumitomo Insurance
Group Holdings (MSIGHD)

Mitsui Sumitomo Insurance Co., Ltd., Mitsui Sumitomo Kirameki Life Insurance Co., Ltd., Mitsui Sumitomo MetLife Insurance Co., Ltd., and Mitsui Direct General Insurance Co., Ltd. became the subsidiaries of MSIGHD.

2010 Establishment of the MS&AD Insurance Group

Company name changed in 2010

MS&AD Insurance
Group Holdings, Inc.

Mitsui Sumitomo
Insurance Co., Ltd.

Inaugurated in 2010

Aioi Nissay Dowa
Insurance Co., Ltd.

Mitsui Direct General
Insurance Co., Ltd.

Inaugurated in 2011

Mitsui Sumitomo Aioi Life
Insurance Co., Ltd.

Company name changed in 2011

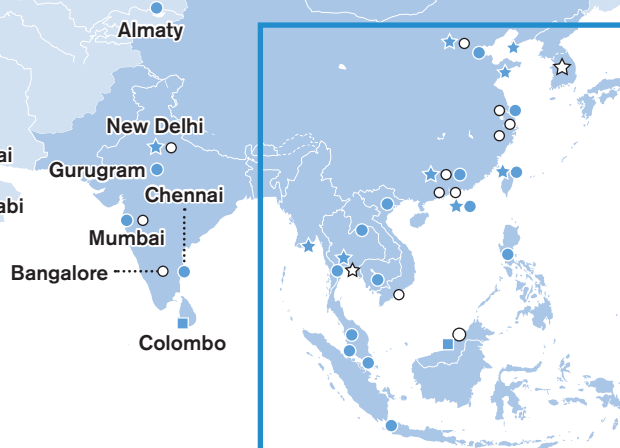
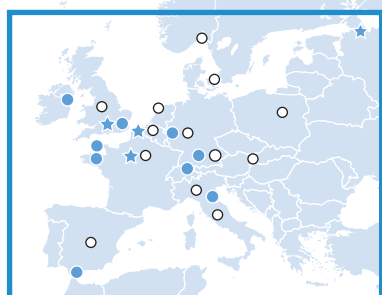
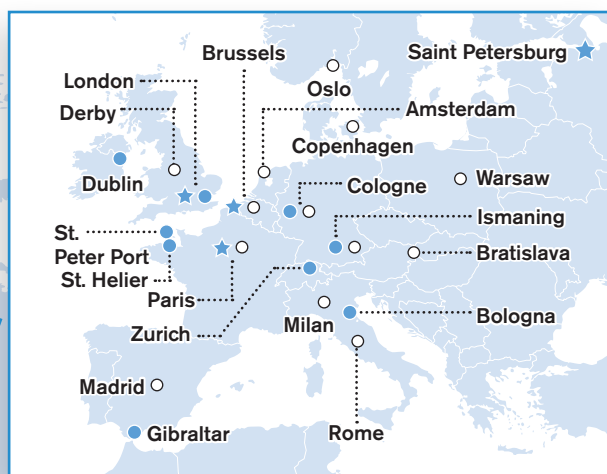
Mitsui Sumitomo Primary Life
Insurance Co., Ltd.

Company name changed in 2005

Mitsui Sumitomo
MetLife Insurance Co., Ltd.

Group Network and History of International Business (As of July 1, 2018)

- Overseas branches and offices ☆ Branches ★ Offices
- Overseas subsidiaries and affiliates ●
- Branches and offices of overseas subsidiaries and affiliates ○
- Underwriting agents for the Head Office and others ■



Expansion of Non-Life Insurance Business

► Business expansion through M&A

2004	Acquired the Asian non-life insurance business of U.K.-based AVIVA
2005	Acquired Taiwan-based Mingtai
2015	Acquired U.K.-based Box Innovation Group
2016	Acquired U.K.-based Amlin
2017	Acquired First Capital (Singapore)

► Business initiations through capital investments in local markets

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

Expansion of Life Insurance Business

► Expansion and diversification of international life insurance business

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)
2017	Investment in Challenger Limited (Australia)
	Investment in ReAssure (U.K.)



Developing business in major countries/regions

1924	1934	1956	1957	1958	1962	1966	1969	1970	
U.K. (Office)*	Thailand	U.K.	U.S./ Hong Kong	Singapore/ Germany	Malaysia	Australia	Indonesia	New Zealand	

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

Net Written Premiums and Geographical Dispersion



	1974	1977	1978	1997	1999	2001	2003	2005	2010	2015
	Brazil	Philippines	France	Vietnam	Taiwan	China (Shanghai)	India	Cambodia	Laos	Myanmar/ South Africa (Office)*

Global Network (As of July 1, 2018)

☆: Overseas Branches ★: Overseas Offices ●: Major Overseas Subsidiaries and Affiliates
 △: Major Branches or Offices of Overseas Subsidiaries and Affiliates ■: Underwriting Agents for the Head Office

ASIA AND OCEANIA

SINGAPORE	MS&AD Holdings	● Interisk Asia Pte. Ltd.
	MSI	● MSIG Holdings (Asia) Pte. Ltd. ● MSIG Insurance (Singapore) Pte. Ltd. ● MS First Capital Insurance Limited
	ADI	● ADI Aioi Nissay Dowa Insurance Services Asia Pte. Ltd.
THAILAND	MS&AD Holdings	● InterRisk Asia (Thailand) Co., Ltd.
	MSI	☆ Thailand Branch ● MSIG Insurance (Thailand) Public Company Limited ● MSI Holding (Thailand) Company Limited ● MSIG Service and Adjusting (Thailand) Company Limited ● Calm Sea Service Company Limited ● MBTS Broking Services Company Limited
	ADI	★ Bangkok Representative Office ● Aioi Bangkok Insurance Public Company Limited ● Bangkok Chayorath Company, Limited ● Bangkok Chayolife Company, Limited
MALAYSIA	MSI	● MSIG Insurance (Malaysia) Bhd. ● MSIG Berhad ● Hong Leong Assurance Berhad ● Hong Leong MSIG Takaful Berhad
PHILIPPINES	MSI	● BPI/MS Insurance Corporation
INDONESIA	MSI	● PT. Asuransi MSIG Indonesia ● PT. Asuransi Jiwa Sinarmas MSIG
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 △ Shanghai Marketing Division ★ China General Representative Office ★ Dalian Representative Office ★ Qingdao Representative Office
	ADI	★ China General Representative Office ★ Guangzhou Representative Office ● Aioi Nissay Dowa Insurance (China) Company Limited △ Zhejiang Branch ● Guang Ai Insurance Brokers Ltd.
HONG KONG	MSI	● MSIG Insurance (Hong Kong) Limited ● Sumitomo Mitsui 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 △ MSIG Insurance (Vietnam) Company Limited, Ho Chi Minh City Branch
	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 △ Kentucky Office △ Detroit Office △ Dallas Office ● MSI GuaranteedWeather, LLC ● Vortex Insurance Agency, LLC ● Sumitomo Mitsui Asset Management (New York) Inc.
	ADI	★ New York Representative Office ★ Honolulu Representative Office ● Aioi Nissay Dowa Insurance Services USA Corporation ● Advanced Connectivity, LLC ● Connected Analytic Services, LLC ● Toyota Insurance Management Solutions USA, LLC ● DTRIC Insurance Company, Limited ● DTRIC Insurance Underwriters, Limited ● DTRIC Management Company, Limited

GUAM (U.S.A.)	ADI	■ Takagi & Associates, Inc.
SAIPAN (U.S.A.)	ADI	■ Takagi & Associates, Inc. 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	● SPAC Insurance (Bermuda) Limited ● MSI Guaranteed Weather Trading Limited ● 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

EUROPE, THE MIDDLE EAST AND AFRICA

UNITED KINGDOM	MSI	★ London Representative Office ● MS Amlin plc ● MS Amlin Corporate Services Limited ● MS Amlin Underwriting Limited ● MS Amlin Corporate Member Limited ● Amlin Insurance SE ● Mitsui Sumitomo Insurance Company (Europe), Limited △ Mitsui Sumitomo Insurance Company (Europe), Limited Derby Office ● MSIG Corporate Services (Europe) Limited ● Sumitomo Mitsui Asset Management (London) Limited
	ADI	★ London Representative Office ● Aioi Nissay Dowa Insurance Company of Europe plc ● Aioi Nissay Dowa Europe Limited ● Aioi Nissay Dowa UK Limited ● Aioi Nissay Dowa Insurance Management Limited ● Toyota Insurance Management plc ● Box Innovation Group Limited ● Insure The Box Limited △ Insure The Box Limited UK Branch ● ITB Services Limited ● ITB Web Limited ● ITB Telematics Solutions LLP ● ITB Premium Finance Limited
IRELAND	MSI	● MSI Insurance Management (Ireland) Limited
GERMANY	MSI	● MSIG Insurance Europe AG △ MSIG Insurance Europe AG Region Germany
	ADI	△ Aioi Nissay Dowa Insurance Company of Europe plc German Branch △ Toyota Insurance Management plc German Branch ● Aioi Nissay Dowa Life Insurance of Europe AG

NETHERLANDS	MSI	△ MSIG Insurance Europe AG The Netherlands Branch
	ADI	△ Aioi Nissay Dowa Insurance Company of Europe plc Netherlands Branch
FRANCE	MSI	△ MSIG Insurance Europe AG France Branch
	ADI	★ Paris Representative Office △ Aioi Nissay Dowa Insurance Company of Europe plc French Branch △ Toyota Insurance Management plc French Branch
BELGIUM	MSI	△ MSIG Insurance Europe AG Belgium Branch △ MSIG Corporate Services (Europe) Limited Belgium Branch
	ADI	★ Brussels Representative Office △ Aioi Nissay Dowa Insurance Company of Europe plc Belgian Branch △ Toyota Insurance Management plc Belgian Branch
SWITZERLAND	MSI	● MS Amlin AG
SPAIN	MSI	△ MSIG Insurance Europe AG Spain Branch
	ADI	△ Aioi Nissay Dowa Insurance Company of Europe plc Spanish Branch △ Toyota Insurance Management plc Spanish Branch
ITALY	MSI	△ MSIG Insurance Europe AG Italy Branch
	ADI	△ Aioi Nissay Dowa Insurance Company of Europe plc Italian Branch △ Toyota Insurance Management plc Italian Branch ● Top Class Insurance 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	ADI	△ Aioi Nissay Dowa Insurance Company of Europe plc 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 plc Danish Branch
POLAND	ADI	△ Toyota Insurance Management plc Polish Branch
BAILIWICK OF GUERNSEY	MSI	● Arena Holdings Limited
JERSEY	MS&AD Holdings	● ReAssure Jersey One Limited

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, 2018)

Rating Agency	Rating Assigned	MS&AD Holdings	Mitsui Sumitomo Insurance Co., Ltd.	Aioi Nissay Dowa Insurance Co., Ltd.	Mitsui Sumitomo Aioi Life Insurance Co., Ltd.	Mitsui Sumitomo Primary Life Insurance Co., Ltd.
Standard & Poor's	Financial Strength Rating	—	A+ (Stable)	A+ (Stable)	A+ (Stable)	A+ (Stable)
	Long-Term Issuer Credit Rating	—	A+ (Stable)	A+ (Stable)	—	—
	Short-Term Issuer Credit Rating	—	A-1	A-1	—	—
Moody's	Insurance Financial Strength Rating	—	A1 (Stable)	A1 (Stable)	—	—
	Long-Term Issuer Rating	—	A1 (Stable)	—	—	—
Rating and Investment Information, Inc. (R&I)	Issuer Rating	—	AA (Stable)	AA (Stable)	—	—
	Insurance Claims Paying Ability	—	—	—	AA (Stable)	AA (Stable)
Japan Credit Rating Agency, Ltd. (JCR)	Ability to Pay Insurance Claims	—	—	AA+ (Stable)	—	—
	Long-Term Issuer Rating	AA (Stable)	AA+ (Stable)	AA+ (Stable)	—	—
	Short-Term Rating (Commercial Paper)	—	J-1+	J-1+	—	—
A.M. Best	Financial Strength Rating	—	A+ (Stable)	A+ (Stable)	—	—
	Issuer Credit Rating	—	aa (Stable)	aa (Stable)	—	—

► Credit Ratings for Overseas Insurance Companies

The table below indicates information about credit ratings of overseas subsidiaries. (As of July 1, 2018)

Rating Agency	Overseas Subsidiaries	Credit Rating
Standard & Poor's	Mitsui Sumitomo Insurance Co. (Europe), Ltd. MSIG Insurance (Hong Kong) Ltd. MSIG Insurance (Singapore) Pte. Ltd. MSIG Insurance Europe AG	Financial Strength Rating A+ (Stable)* ¹
	Aioi Nissay Dowa Insurance Company of Europe 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. MS Amlin AG Amlin Insurance SE	Financial Strength Rating A (Stable)
Moody's	Syndicate 2001 MS Amlin AG	Insurance Financial Strength Rating A1 (Stable)
A.M. Best	Mitsui Sumitomo Insurance Company of America Mitsui Sumitomo Insurance USA, Inc. Aioi Nissay Dowa Insurance Company of America	Financial Strength Rating A+ (Stable) Issuer Credit Rating aa (Stable)
	Syndicate 2001	Financial Strength Rating A (Stable) Issuer Credit Rating a+ (Stable)
	MS Amlin AG	Financial Strength Rating A (Stable) Issuer Credit Rating a+ (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)

*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.

Domestic Non-Life Insurance Business

Mitsui Sumitomo Insurance Co., Ltd. (MSI)

Responsible for the non-life insurance business, which is a core business of the MS&AD Insurance Group, MSI is exercising its comprehensive capabilities to offer insurance and financial services 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: **14,572** (As of March 31, 2018)

Head Office: **9, Kanda-Surugadai 3-chome, Chiyoda-ku, Tokyo**

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

Principal Indicators (Non-Consolidated)

(¥ billion)

Item	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018 (Forecast)
Net premiums written	1,384.5	1,445.8	1,507.4	1,469.6	1,500.3	1,501.0
Growth rate of net premiums written	5.3%	4.4%	4.3%	(2.5%)	2.1%	0.0%
Net loss ratio	65.1%	62.2%	58.9%	61.2%	61.6%	61.2%
Net expense ratio	32.0%	31.8%	31.0%	31.2%	31.3%	32.0%
Combined ratio	97.1%	94.0%	89.9%	92.4%	92.9%	93.2%
Underwriting income/(loss)	(7.3)	14.0	19.1	81.7	84.4	77.0
Investment income	125.1	158.3	152.8	139.4	182.5	118.5
Ordinary profit	101.9	171.3	167.8	215.5	262.5	188.0
Net income	58.0	89.1	113.9	164.5	198.2	141.0
Net assets	1,309.6	1,732.7	1,527.4	1,645.0	1,877.0	—
Total assets	6,098.0	6,790.0	6,786.5	6,777.0	7,098.2	—
Net unrealized gains/(losses) on investments in securities (before tax effects)	1,165.9	1,633.7	1,251.1	1,294.0	1,419.7	—
Solvency margin ratio (non-consolidated)	600.3%	651.5%	585.9%	657.9%	701.1%	—
Number of employees	14,188	14,859	14,691	14,650	14,572	—

Notes: 1. Net premiums written, net loss ratio, net expense 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.

2. Net loss ratio = (net claims paid + loss adjustment expenses) ÷ net premiums written × 100

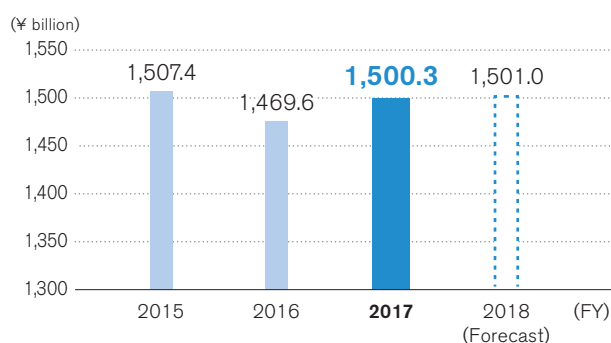
3. Net expense ratio = (commissions and collection expenses + operating expenses and general and administrative expenses for underwriting) ÷ net premiums written × 100

4. Combined ratio = net loss ratio + net expense ratio

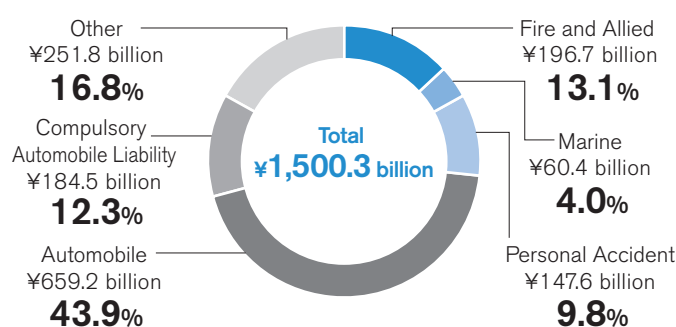
5. Net unrealized gains/(losses) on investments in securities (before tax effects) represents the difference before tax effects between the fair value and the acquisition cost (including the amortized cost) of available for-sale securities with practically determinable fair value. It includes monetary claims bought, money trusts, and others which are accounted for as investment in securities.

Principal Management Indicators

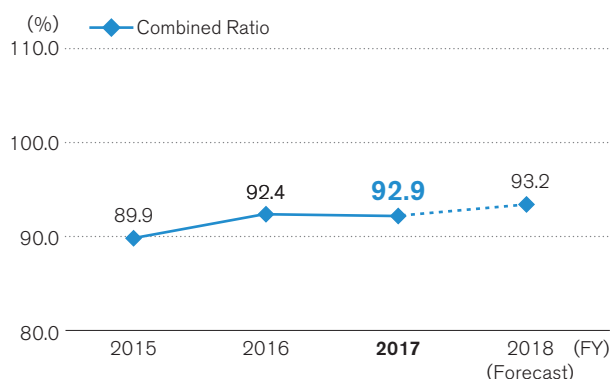
Net Premiums Written



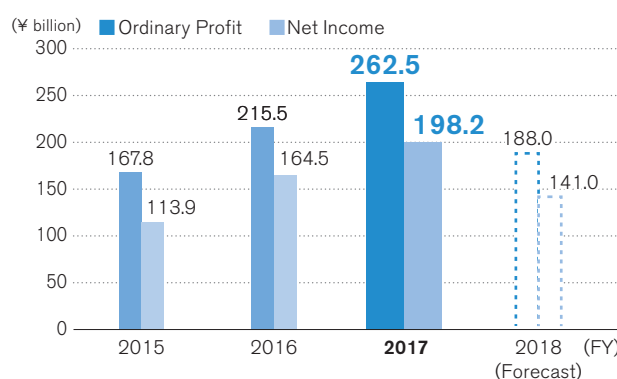
Composition by Class of Insurance (FY2017)



Combined Ratio



Ordinary Profit / Net Income



Aioi Nissay Dowa Insurance Co., Ltd. (ADI)

Responsible for the non-life insurance business, which is a core business of the MS&AD Insurance Group, ADI leverages its strong relationships with the Toyota Group and the Nippon Life Group and engages 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: **13,287** (As of March 31, 2018)

Head Office: **28-1, Ebisu 1-chome, Shibuya-ku, Tokyo**

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

Principal Indicators (Non-Consolidated)

(¥ billion)

Item	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018 (Forecast)
Net premiums written	1,144.6	1,160.8	1,192.0	1,200.5	1,222.0	1,225.0
Growth rate of net premiums written	3.8%	1.4%	2.7%	0.7%	1.8%	0.2%
Net loss ratio	65.0%	63.2%	59.2%	59.1%	59.2%	62.4%
Net expense ratio	34.5%	35.0%	34.3%	33.5%	33.4%	34.9%
Combined ratio	99.5%	98.2%	93.5%	92.6%	92.6%	97.3%
Underwriting income/(loss)	(28.8)	14.7	24.8	39.5	4.8	31.0
Investment income	53.0	51.5	34.9	32.2	(1.9)	33.5
Ordinary profit	27.8	68.9	61.7	75.1	5.6	67.0
Net income	13.1	39.4	31.0	50.3	15.6	36.0
Net assets	600.1	796.9	745.1	793.0	781.0	—
Total assets	3,257.1	3,470.7	3,418.5	3,498.2	3,486.6	—
Net unrealized gains/(losses) on investments in securities (before tax effects)	317.6	555.8	473.7	505.3	578.7	—
Solvency margin ratio (non-consolidated)	754.0%	804.9%	829.3%	851.6%	784.0%	—
Number of employees	12,812	12,973	13,260	13,052	13,287	—

Notes: 1. Net loss ratio = (net claims paid + loss adjustment expenses) ÷ net premiums written × 100

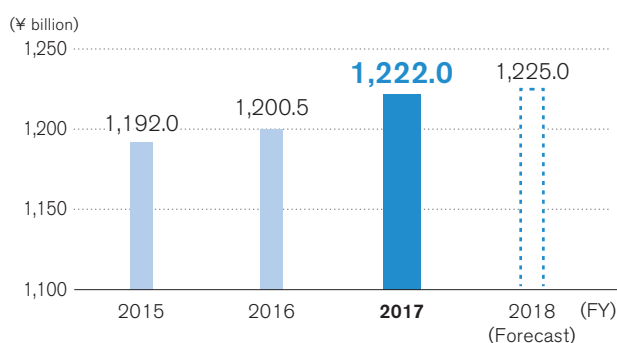
2. Net expenses ratio = (commissions and collection expenses + operating expenses and general and administrative expenses for underwriting) ÷ net premiums written × 100

3. Combined ratio = net loss ratio + net expense ratio

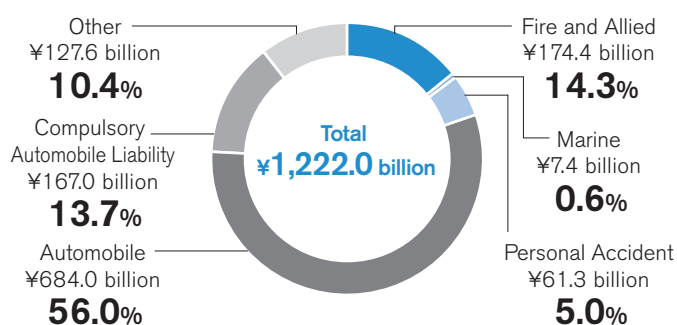
4. Net unrealized gains/(losses) on investments in securities (before tax effects) represents the difference before tax effects between the fair value and the acquisition cost (including the amortized cost) of available-for-sale securities with practically determinable fair value. It includes monetary claims bought, money trusts, and others which are accounted for as investment in securities.

Principal Management Indicators

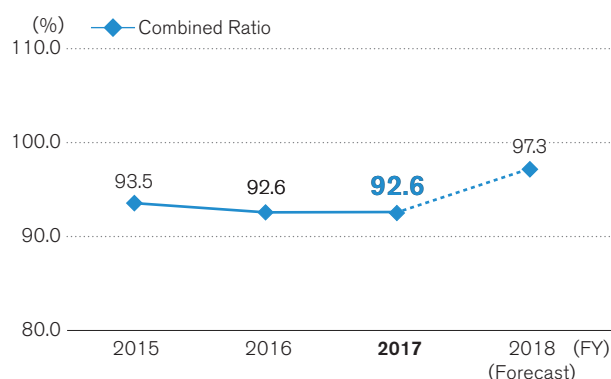
Net Premiums Written



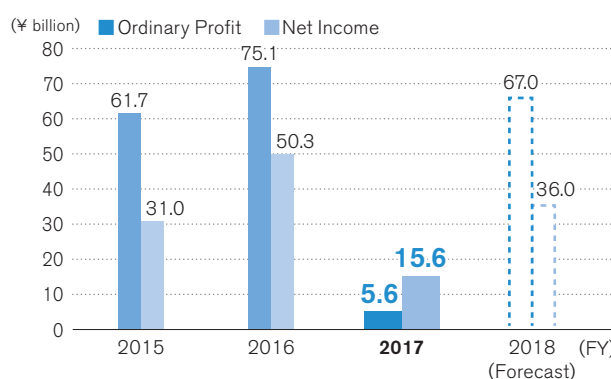
Composition by Class of Insurance (FY2017)



Combined Ratio



Ordinary Profit / Net Income



Domestic Non-Life Insurance Business

Mitsui Direct General Insurance Co., Ltd. (Mitsui Direct General)

Mitsui Direct General is a non-life insurance company that 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: **571** (As of March 31, 2018)

Head Office: **5-3, Kouraku 1-chome, Bunkyo-ku, Tokyo**

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

Principal Indicators (Non-Consolidated)

(¥ billion)

Item	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018 (Forecast)
Net premiums written	35.5	35.0	36.5	37.6	37.8	38.0
Growth rate of net premiums written	0.8%	(1.4%)	4.3%	3.0%	0.6%	0.4%
Net loss ratio	76.3%	78.9%	79.0%	75.9%	73.0%	73.7%
Net expense ratio	20.7%	22.8%	21.9%	22.0%	23.3%	23.7%
Combined ratio	97.0%	101.7%	100.9%	97.9%	96.3%	97.4%
Underwriting income/(loss)	0.14	(4.35)	(5.45)	(1.00)	0.38	0.4
Ordinary profit/(loss)	0.29	(4.23)	(5.37)	(0.95)	0.45	0.44
Net income/(loss)	0.23	(4.33)	(5.42)	(1.00)	0.32	—
Net assets	11.2	6.8	6.4	13.3	13.6	—
Total assets	46.5	46.4	51.0	59.9	61.4	—
Solvency margin ratio (non-consolidated)	420.8%	255.9%	230.4%	431.4%	457.5%	—
Number of employees	528	572	563	581	571	—

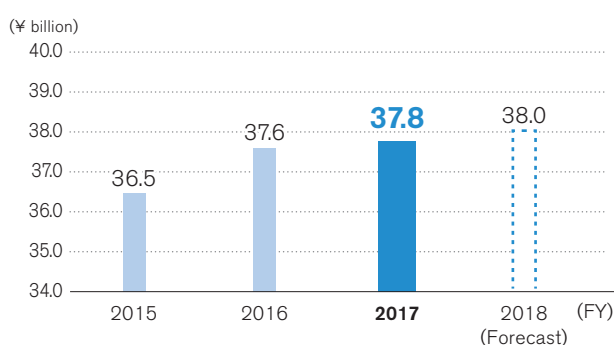
Notes: 1. Net loss ratio = (net claims paid + loss adjustment expenses) ÷ net premiums written × 100

2. Net expenses ratio = (commissions and collection expenses + operating expenses and general and administrative expenses for underwriting) ÷ net premiums written × 100

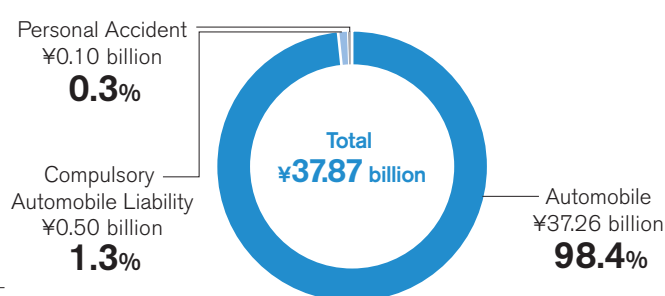
3. Combined ratio = net loss ratio + net expenses ratio

Principal Management Indicators

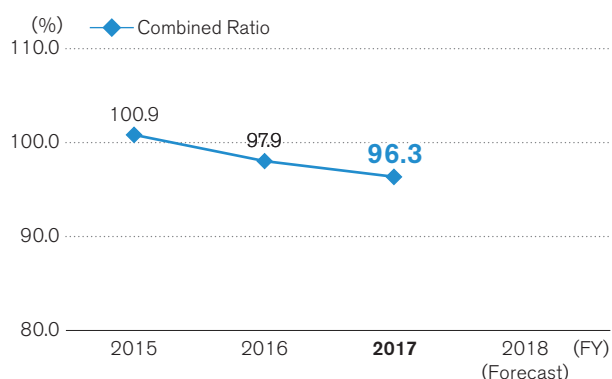
Net Premiums Written



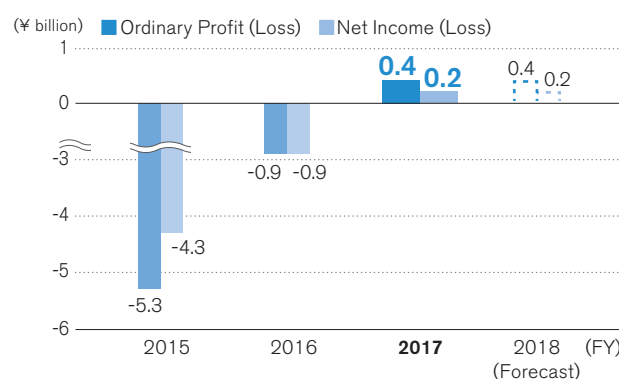
Composition by Class of Insurance (FY2017)



Combined Ratio



Ordinary Profit (Loss) / Net Income (Loss) (per our share)



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: **2,609** (As of March 31, 2018)

Head Office: **27-2, Shinkawa 2-chome, Chuo-ku, Tokyo**

URL <http://www.msa-life.co.jp>

(Japanese language only)

Principal Indicators (Non-Consolidated)

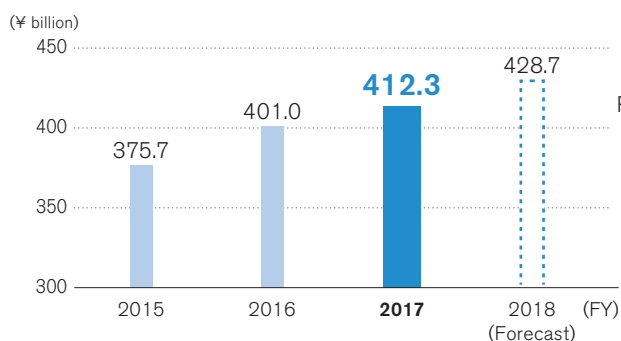
(¥ billion)

Item	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018 (Forecast)
Amount of new policies	2,672.2	2,481.1	2,423.3	2,377.1	2,639.5	2,250.6
Amount of policies in force	21,105.0	21,894.0	22,576.0	23,214.2	23,806.8	23,884.5
Annualized premiums of policies in force	333.5	353.4	375.7	401.0	412.3	428.7
Ordinary profit	17.4	15.9	18.6	16.1	16.9	16.0
Core profit	15.3	16.1	19.4	18.6	12.8	—
Risk differential gains/(losses)	45.6	50.3	51.5	55.8	59.9	—
Expenses differential gains/(losses)	(18.3)	(22.7)	(16.3)	(14.6)	(15.3)	—
Investment income differential gains/(losses)	1.1	1.3	2.0	(0.2)	(2.2)	—
Net income	6.6	4.4	6.0	4.5	5.2	5.0
Net assets	131.9	169.1	199.7	276.2	264.5	—
Total assets	2,636.0	3,009.2	3,229.0	3,619.1	3,869.7	—
Net unrealized gains/(losses) on investments in securities (before tax effects)	89.1	132.6	165.2	126.3	107.5	—
Embedded value (EEV)	588.1	647.8	595.8	794.2	835.5	865.0
Solvency margin ratio	1,264.9%	1,429.9%	1,598.4%	1,893.2%	1,726.7%	—
Number of employees	2,421	2,544	2,554	2,595	2,609	—

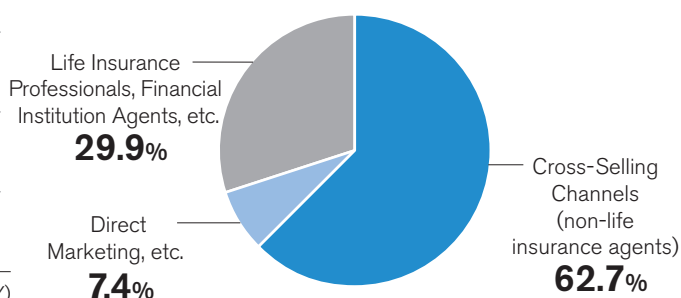
1. Amount of new policies, amount of policies in force, and annualized premiums of policies in force are the total of individual insurance and individual annuity insurance.
2. Core profit is an insurance business profitability indicator that is calculated by deducting capital gains/(losses) and non-recurring income and losses from ordinary profit.
3. Net unrealized gains/(losses) on investments in securities (before tax effects) represents the difference before tax effects between the fair value and the acquisition cost (including the amortized cost) of available-for-sale securities with practically determinable fair value. It includes monetary claims bought, money trusts, and others which are accounted for as investment in securities.

Principal Management Indicators

Annualized Premiums of Policies in Force

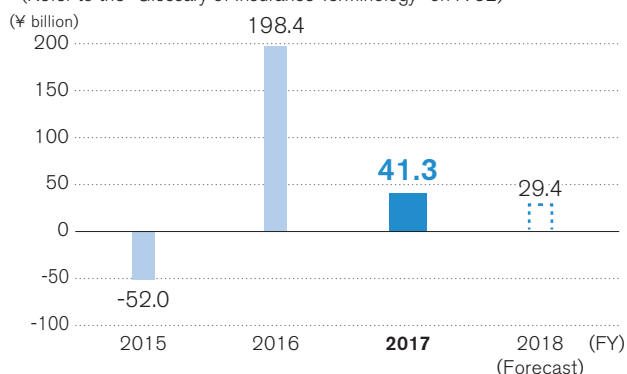


Weight by Type of Sales Channel (FY2017)

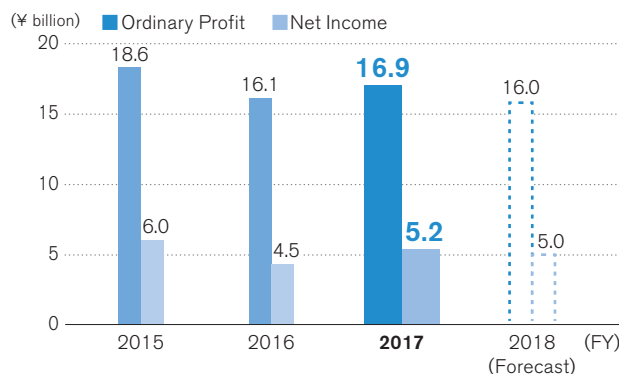


Increase in Embedded Value (EEV)

(Refer to the "Glossary of Insurance Terminology" on P. 92)



Ordinary Profit / Net Income



Domestic Life Insurance Business

Mitsui Sumitomo Primary Life Insurance Co., Ltd.
(MSI Primary Life)

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

Company Overview

President: Yasuhiro Nagai

Date Established: September 2001

Number of Employees: 394 (As of March 31, 2018)

Head Office: Yaesu First Financial Building,
3-7, Yaesu 1-chome, Chuo-ku, TokyoURL <http://www.ms-primary.com>

(Japanese language only)

Principal Indicators (Non-Consolidated)

(¥ billion)

Item	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018 (Forecast)
Premiums income	826.4	1,054.0	1,299.4	1,071.1	1,015.6	1,000.0
Amount of new policies	800.5	1,024.7	1,262.6	1,032.2	1,015.6	1,013.6
Amount of policies in force	4,024.3	4,421.0	4,910.8	5,680.7	6,061.8	6,570.0
Ordinary profit	39.8	17.7	39.9	57.6	28.9	27.4
Core profit / (loss)	58.3	(33.4)	14.3	52.7	8.8	—
Core profit + Capital gains	57.6	24.4	41.9	58.9	30.0	—
Net income	17.9	12.4	17.8	20.7	29.2	17.0
Net assets	89.2	109.8	125.0	137.7	164.0	—
Total assets	4,163.6	4,662.0	5,191.2	5,838.0	6,201.7	—
Net unrealized gains/(losses) on investments in securities (before tax effects)	1.0	15.4	14.6	10.4	11.3	—
Embedded value (EEV)	234.8	310.2	333.8	375.3	416.2	—
Solvency margin ratio	1,004.6%	879.7%	985.5%	1,030.5%	992.9%	—
Number of employees	344	363	381	384	394	—

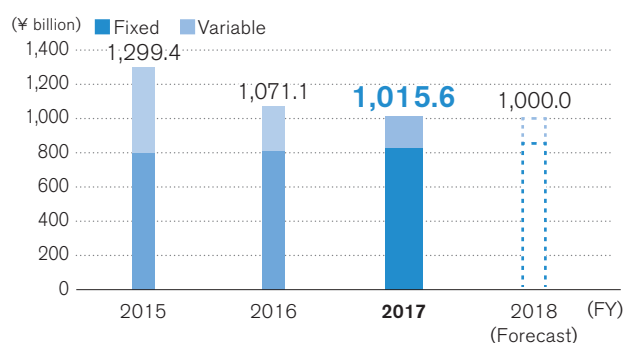
Notes: 1. The amount of new policies and amount of policies in force are the totals of individual insurance and individual annuity insurance.

2. Core profit is 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). Meanwhile, the method for disclosing the breakdown of ordinary profit was revised effective from FY2017. As a result of retroactive adjustments to FY2016 data, core profit (fundamental profit) for FY2016 has been revised.

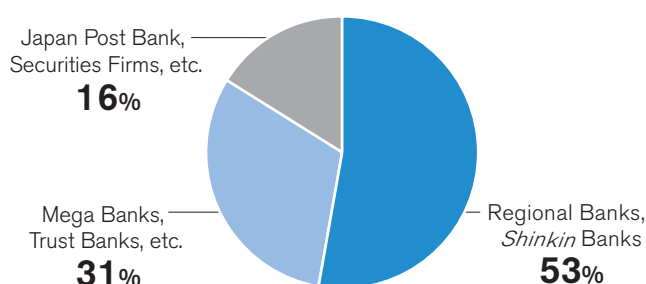
3. Net unrealized gains/(losses) on investments in securities (before tax effects) represent the difference before tax effects between the fair value and the acquisition cost (including the amortized cost) of available-for-sale securities with practically determinable fair value. It includes monetary claims bought, money trusts, and others which are accounted for as investment in securities.

Principal Management Indicators

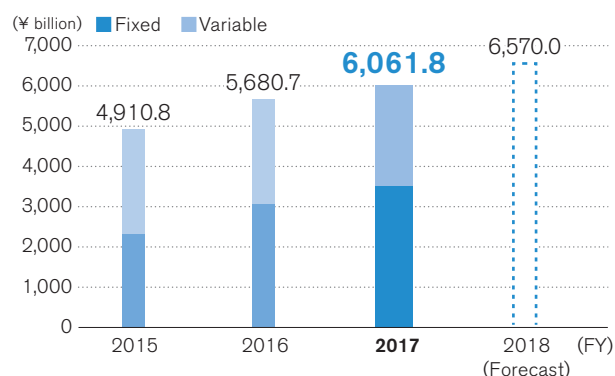
Premiums Income



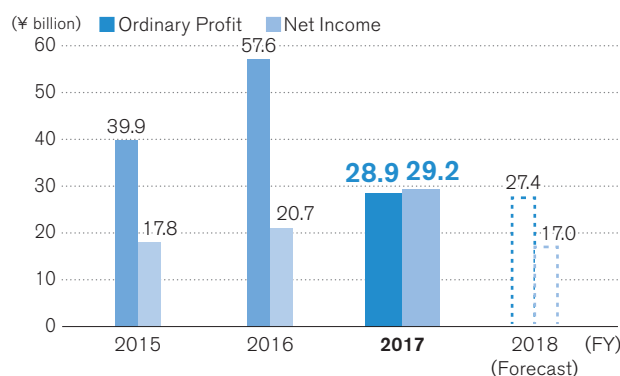
Weight by Type of Sales Channel (FY2017)



Amount of Policies in Force



Ordinary Profit / Net Income



MS Amlin plc

MS Amlin is an insurance holding company that comprises three core businesses—Lloyd's, Reinsurance and European Primary Insurance. The company is a leading insurer that provides both insurance and reinsurance services around the world.

Company Overview

Chief Executive: **Simon Beale** (concurrently serving as Executive Officer of Mitsui Sumitomo Insurance)

Date Established: **September 17, 1993**

Number of Employees: **2,035** (As of March 31, 2018)

Head Office: **The Leadenhall Building, 122 Leadenhall Street, London EC3V 4AG, U.K.**

URL <https://www.msamlin.com>

Principal Indicators (Non-Consolidated)

(£ million)

Item	FY2016	FY2017	FY2018 (Forecast)
Net premiums written	3,093	2,955	3,022
Growth rate of net premiums written	—	(4.5%)	2.3%
EI claims ratio	64%	97%	—
EI expense ratio	32%	36%	—
Combined ratio	96%	133%	—
Underwriting income/(loss)	107	(965)	—
Investment income	117	195	—
Net income	83	(759)	124

*1 Figures for FY2016 include figures for MSI's Lloyd's and Reinsurance businesses that were consolidated into MS Amlin at the end of FY2016.

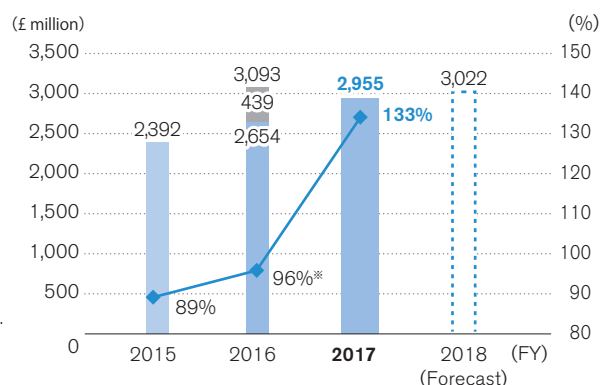
*2 EI expense ratio and EI combined ratio are calculated by taking into account foreign exchange gains/losses (included in underwriting profit) in accordance with calculation in UK.

*3 MS Amlin adopts the accounting method where securities market value fluctuations are reflected in the profit-loss statement.

Principal Indicators

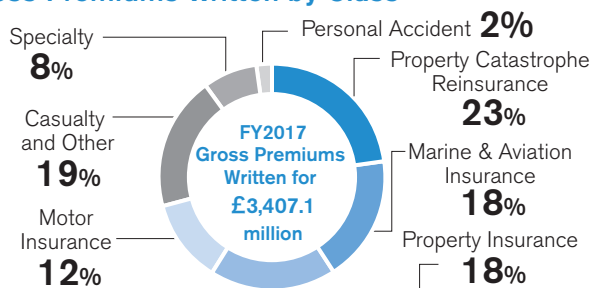
Net Premiums Written and Combined Ratio

■ Net Premiums Written ◆ Combined Ratio (%)
■ NPW of former MSI Lloyd's & Reinsurance business

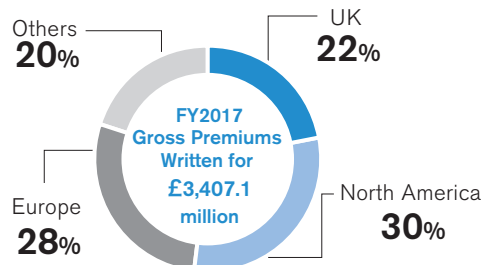


*After consolidation of MSI's Lloyd's and Reinsurance businesses into MS Amlin

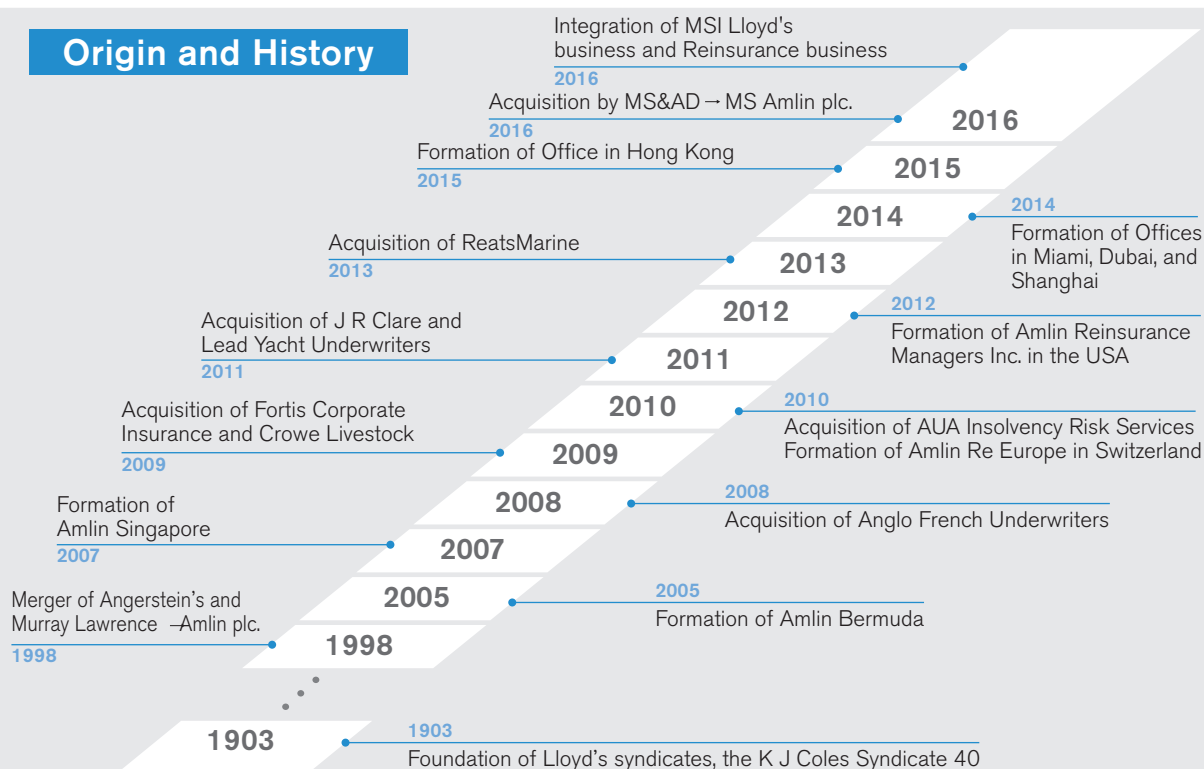
Gross Premiums Written by Class



Gross Premiums Written by Geography*



Origin and History



International Business

MSIG Holdings (Asia) Pte., Ltd.

As an overseas regional holding 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 direct business 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 Established: **September 23, 2004**

Number of Employees*: **4,815** (As of March 31, 2018)

*Total number of employees in local subsidiaries under the supervision of MSIG Holdings (Asia), the Thai branch, the Oceania branch and the Yangon office of Mitsui Sumitomo Insurance

Head Office: **4 Shenton Way, #27-01 SGX Centre 2, Singapore 068807**

URL <https://www.msig-asia.com>

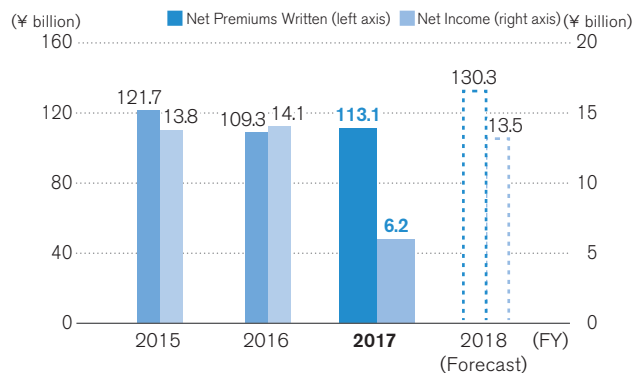
Principal Indicators (Non-Consolidated)*

(¥ billion)

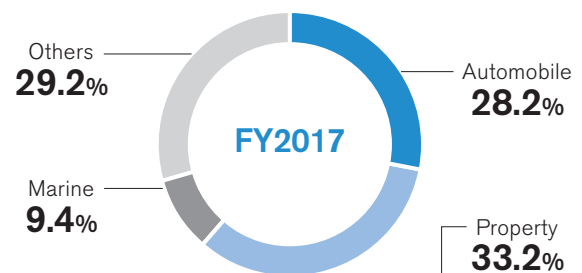
Item	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018 (Forecast)
Net premiums written	111.0	116.9	121.7	109.3	113.1	130.3
Growth rate of net premiums written	30.0%	5.3%	4.1%	(10.2%)	3.5%	15.1%
Net income	14.8	17.9	13.8	14.1	6.2	13.5

Principal Management Indicators*

Net Premiums Written and Net income



Gross Written Premiums by Product Line (FY2017)



* Total premiums written for local subsidiaries under the supervision of MSIG Holdings (Asia) and other branches and offices of Mitsui Sumitomo Insurance in the region. Data includes the Oceania Branch which came under supervision of MSIG Holdings (Asia) from FY2016. 2018 forecast includes the figures of MS First Capital.

Short Commentary: Group Financial Statements

Commentary 1: Balance Sheet (B/S)

On its consolidated balance sheet (P. 134), the Group has total assets of ¥22.4 trillion, and the majority of its liabilities, ¥16.9 trillion, are policy liabilities—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 ¥16.1 trillion. Unrealized gains on securities in excess of the book value (¥1.4 trillion) are recorded under deferred tax liabilities and accumulated other comprehensive income (net unrealized gains/losses on investments in securities). This means that policy liabilities, 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 FY2017.

(¥ billion)

(Main) assets		(Main) liabilities	
Cash, deposits and savings	1,481.6	Policy liabilities	16,964.5
Money trusts	1,043.5	Bonds issued	558.1
Investments in securities	16,152.9	Other liabilities	1,328.6
(of which: stocks)	2,906.7	Deferred tax liabilities	221.6
Loans	892.5	Total liabilities	19,504.5
Tangible fixed assets	459.6		
Intangible fixed assets	549.5	(Main) Net assets	
Other assets	1,297.8	Shareholders' equity	1,500.7
		Net unrealized gains/losses on investments in securities	1,487.2
		Total net assets	2,968.3
Total assets	22,472.9	Total liabilities and net assets	22,472.9

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 P. 136) is provided below. It consists primarily of underwriting income and expenses and investment income and expenses.

FY2017	Income (+): underwriting income, ¥4,648.1 billion; investment income, ¥550.8 billion; other ordinary income, ¥18.8 billion Expenses (-): underwriting expenses, ¥4,157.7 billion (of which ¥558.5 billion is provision for underwriting reserves) Investment expenses, ¥163.1 billion; operating expenses and general and administrative expenses, ¥669.6 billion; other ordinary expenses, ¥15.6 billion Ordinary profit: ¥211.5 billion
FY2016	Income (+): underwriting income, ¥4,810.8 billion; investment income, ¥507.2 billion; other ordinary income, ¥17.0 billion Expenses (-): underwriting expenses, ¥4,256.3 billion (of which ¥908.1 billion is provision for underwriting reserves) Investment expenses, ¥55.0 billion; operating expenses and general and administrative expenses, ¥653.5 billion; other ordinary expenses, ¥17.5 billion Ordinary profit: ¥352.6 billion

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

Underwriting profit can be dramatically affected by events such as natural catastrophes. Non-life insurance companies are legally required to build up catastrophe reserves to mitigate that impact. When companies have to pay extremely large insurance claims, they can reverse the catastrophe reserves, which mitigates the impact to a certain degree. The following table indicates past underwriting profit, incurred losses related to natural catastrophes, and changes in catastrophe reserves (net provision). (See P. 92 of the "Glossary of Insurance Terminology" section for details on the catastrophe reserves and P. 96 for the underwriting profit.)

Impact of natural catastrophes on underwriting profit

(¥ billion)

	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
Underwriting profit/(loss)	(83.7)	(190.0)	(3.0)	(36.1)	28.7	43.9	121.3	89.3
Impact on underwriting profit -(A+B)	(65.9)	(172.0)	(13.2)	(93.3)	(58.5)	(149.7)	(132.9)	(159.0)
Incurred losses due to natural catastrophes (A)	65.9	311.5	55.1	96.3	27.2	68.1	51.0	114.3
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	-	-
Large-scale natural catastrophes incl. 2017 hurricanes in North America	-	-	-	-	-	-	-	41.3
Other natural catastrophes	3.2	54.9	53.2	37.1	30.1	67.7	51.0	73.0
Net provision for catastrophe reserves (B)	0	(139.5)	(41.9)	(3.0)	31.3	81.6	81.8	44.6

* Simple sum of MSI and ADI

Example: The impact of loss of ¥311.5 billion from natural catastrophes for FY2011 was mitigated by reversal of catastrophe reserves of ¥139.5 billion and resulted in an underwriting loss of ¥190.0 billion.



Performance Record

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Five-Year Summary (Unaudited)

	Yen in millions					US\$ in millions
	FY2013	FY2014	FY2015	FY2016	FY2017	FY2017
Ordinary income:	¥ 4,362,754	¥ 4,689,658	¥ 5,013,038	¥ 5,335,239	¥ 5,217,835	\$ 49,225
Net premiums written	2,811,611	2,939,113	3,078,732	3,407,389	3,440,976	32,462
Ordinary profit/(loss)	190,259	287,061	291,578	352,612	211,548	1,996
Net income/(loss) attributable to owners of the parent	93,451	136,247	181,516	210,447	154,057	1,453
Comprehensive income/(loss)	322,865	807,972	(233,116)	114,294	311,096	2,935
Net assets	2,285,832	3,036,663	2,725,274	2,734,432	2,968,387	28,004
Total assets	16,878,148	18,788,046	20,303,649	21,234,300	22,472,927	212,009

	Yen					US\$
	FY2013	FY2014	FY2015	FY2016	FY2017	FY2017
Net income/(loss) attributable to owners of the parent per share - Basic	¥ 150.58	¥ 221.34	¥ 298.72	¥ 350.94	¥ 260.04	\$ 2.45
Net income/(loss) attributable to owners of the parent per share - Diluted	—	—	—	350.90	259.98	2.45
Net assets per share	3,646.22	4,911.40	4,469.58	4,572.82	4,964.64	46.84
Equity ratio	13.39%	16.00%	13.29%	12.76%	13.09%	—
Return on equity	4.42%	5.18%	6.36%	7.78%	5.45%	—
Price earnings ratio	15.70	15.23	10.50	10.09	12.90	—

	Yen in millions					US\$ in millions
	FY2013	FY2014	FY2015	FY2016	FY2017	FY2017
Cash flows						
Cash flows from operating activities	¥489,950	¥628,184	¥1,291,017	¥1,086,948	¥ 822,640	\$ 7,761
Cash flows from investing activities	(549,136)	(410,671)	(1,217,980)	(614,899)	(963,105)	(9,086)
Cash flows from financing activities	(57,323)	(58,941)	199,075	(100,198)	42,329	399
Cash and cash equivalents at the end of year	625,084	805,455	1,056,407	1,415,903	1,323,506	12,486
Number of employees	37,055	38,358	40,617	40,641	41,295	—

Note: U.S. dollar amounts in this report have been translated from yen, for convenience only, at the rate of ¥106=US\$1. For details, see Note 1 of Significant Accounting Policies (p142).

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 (187 subsidiaries and 38 associates as of March 31, 2018), and the positioning of the principal affiliates within these businesses.

MS&AD is a specified listed company pursuant to the provisions stipulated in the Japanese Cabinet Order 49-2 and is regulated under this Order with respect to securities transactions and other matters. As a result, investors should make decisions based on the Group's consolidated financial statements as provided for under the minimal standards criteria of material facts set forth in restrictions on insider trading.

Description of Businesses

1) Domestic Non-Life Insurance Business

MS&AD's domestic non-life insurance business is operated by the following three subsidiaries and others in Japan:

- Mitsui Sumitomo Insurance Company, Limited ("MSI")
- Aioi Nissay Dowa Insurance Company, Limited ("ADI")
- Mitsui Direct General Insurance Company, Limited ("Mitsui Direct General")

2) Domestic Life Insurance Business

MS&AD's domestic life insurance business is operated by the following two subsidiaries and others in Japan:

- Mitsui Sumitomo Aioi Life Insurance Company, Limited ("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, and overseas branches of domestic non-life insurance subsidiaries in overseas countries.

4) Financial Services Business / Risk-Related Services Business

a) Financial Services Business

MS&AD's financial services business, including asset management, financial guarantees, 401k, ART (alternative risk transfer), personal finance, and venture capital finance, is operated by domestic non-life insurance subsidiaries, Sumitomo Mitsui Asset Management Company, Limited, Mitsui Sumitomo Insurance Venture Capital Company, Limited, and others.

b) Risk-Related Services Business

MS&AD's risk-related services 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 MS&AD Holdings' management to select and apply accounting policies as well as to make a number of estimates regarding the impact on disclosure of assets and liabilities as well as revenues and expenses. The management bases their estimates on historical experience and other assumptions that they consider reasonable. Nevertheless, these estimates contain inherent uncertainties and thus could differ from actual results.

Significant accounting policies used in the preparation of MS&AD Holdings' consolidated financial statements are presented in "SIGNIFICANT ACCOUNTING POLICIES" of the "Notes to Consolidated Financial Statements."

The 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

Certain assets and liabilities are recorded on the Company's balance sheet at their fair values. These fair values are determined based on market prices. For certain derivatives for which market prices are not available, reasonable estimates of fair value are made based on the present value of future cash flows, the price of the underlying assets, the contract period, and other factors.

2) Impairment of Securities

Since securities held by the Group companies are subject to the risk of price fluctuations in securities markets, MS&AD applies impairment accounting for securities based on reasonable criteria. If securities markets decline, an impairment loss could be incurred.

3) Impairment of Fixed Assets

When the profitability of fixed assets declines and investments in these assets are unlikely to be recovered, MS&AD recognizes impairment losses to reflect recoverable amounts under certain circumstances.

The recoverable amount for an asset or asset group is the higher of the net sales value (the value computed by deducting expected disposal expenses from the fair value of an asset or asset group) and the value in use (the present value of expected future cash flows resulting from the continual usage and subsequent disposal of an asset or asset group).

Accordingly, the amount of the impairment loss for fixed assets depends on estimated future cash flows based on the assumption and forecasts that MS&AD considers reasonable. Consequently, an additional impairment loss could be incurred in the event of a change in the usage of fixed assets or in the event of changes in real estate or leasing market prices.

4) Deferred Tax Assets

In determining recoverable deferred tax assets, future taxable income is estimated based on the assumptions and forecasts that MS&AD considers reasonable. Since the recoverable amount of deferred tax assets depends on estimates of future taxable income, the amount of deferred tax assets could fluctuate in the event of a subsequent change in estimates of future taxable income.

5) Allowance for Credit Losses

In preparation for losses on bad debts, MS&AD records estimated amounts deemed to be unrecoverable as an allowance for credit losses. Unrecoverable amounts and recorded allowances for credit losses could change from their initial estimates due to changes in the financial condition of debtors.

6) Outstanding Claims

MS&AD estimates and sets aside reserves as outstanding claims for any unpaid amounts of its payment obligations as determined or recognized by insurance contracts. Claim payments and recorded outstanding claims could change from their initial estimates due to such factors as the results of legal judgments and exchange rate fluctuations.

7) Underwriting Reserves

To meet future obligations in accordance with insurance contracts, MS&AD sets aside underwriting reserves. It could, therefore, become necessary to increase underwriting reserves in the event of unforeseen losses due to significant changes in the business environment, operating conditions and other factors.

8) Retirement Benefit Expenses and Retirement Benefit Obligations

Retirement benefit expenses and retirement benefit obligations are calculated based on certain assumptions that include discount rates, future retirement rates, and mortality rates. However, future retirement benefit expenses and obligations could change in the event that actual results differ from the assumptions used, or in the event that it becomes necessary to change the assumptions.

3. SUMMARY OF BUSINESS RESULTS

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

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

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

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

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

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

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

[Key Consolidated Financial Indicators]

(Yen in millions)				
	FY2016	FY2017	Change	Change (%)
Net premiums written	¥3,407,389	¥3,440,976	33,586	1.0
Life insurance premiums	1,253,167	1,058,278	(194,888)	(15.6)
Ordinary profit	352,612	211,548	(141,063)	(40.0)
Net income attributable to owners of the parent	210,447	154,057	(56,389)	(26.8)

Net premiums written increased by ¥33.5 billion over the previous fiscal year, to ¥3,440.9 billion. Despite a decrease in revenues from overseas insurance subsidiaries, this increase was mainly due to higher revenues from the Domestic Non-Life Insurance Business.

Life insurance premiums declined by ¥194.8 billion over the previous fiscal year, to ¥1,058.2 billion owing mainly to the downturn in revenues at Mitsui Sumitomo Primary Life Insurance Co., Ltd.

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

Insurance premiums written and claims paid by product line of insurance are as follows.

Direct Premiums Written (including Deposit Premiums from Policyholders)

(Yen in millions)

Lines of Insurance	FY2016			FY2017		
	Amount	Share (%)	Change (%)	Amount	Share (%)	Change (%)
Fire and Allied	¥ 602,521	16.7	(8.3)	¥ 627,029	17.2	4.1
Marine	168,715	4.7	27.5	168,602	4.6	(0.1)
Personal Accident	321,055	8.9	0.3	320,764	8.8	(0.1)
Voluntary Automobile	1,524,096	42.1	3.3	1,546,108	42.4	1.4
Compulsory Automobile Liability	366,523	10.1	2.8	343,370	9.4	(6.3)
Other	632,874	17.5	20.0	643,233	17.6	1.6
Total	¥3,615,785	100	4.2	¥3,649,108	100.0	0.9
Deposit premiums from policyholders	98,546	2.7	(15.2)	86,371	2.4	(12.4)

Notes:

1. The figures represent amounts after the elimination of internal transactions between segments.
2. Direct premiums written (including deposit premiums from policyholders) are the premiums from policyholders minus the surrender benefits and other refunds to policyholders. (Includes deposit premiums from policyholders for savings-type insurance.)

Net Premiums Written

(Yen in millions)

Lines of Insurance	FY2016			FY2017		
	Amount	Share (%)	Change (%)	Amount	Share (%)	Change (%)
Fire and Allied	¥ 540,715	15.9	14.7	¥ 553,183	16.1	2.3
Marine	145,697	4.3	37.3	142,339	4.1	(2.3)
Personal Accident	237,918	7.0	8.9	240,450	7.0	1.1
Voluntary Automobile	1,559,958	45.8	4.3	1,587,008	46.1	1.7
Compulsory Automobile Liability	356,088	10.4	(0.4)	352,063	10.2	(1.1)
Other	567,010	16.6	32.0	565,931	16.5	(0.2)
Total	¥3,407,389	100.0	10.7	¥3,440,976	100.0	1.0

Note: The figures represent amounts after the elimination of internal transactions between segments.

Net Claims Paid

(Yen in millions)

Lines of Insurance	FY2016			FY2017		
	Amount	Share (%)	Change (%)	Amount	Share (%)	Change (%)
Fire and Allied	¥ 297,850	16.3	26.6	¥ 378,241	19.5	27.0
Marine	96,981	5.3	102.0	82,302	4.3	(15.1)
Personal Accident	107,937	5.9	(1.3)	106,233	5.5	(1.6)
Voluntary Automobile	798,736	43.6	2.8	841,807	43.5	5.4
Compulsory Automobile Liability	258,465	14.1	(0.2)	252,990	13.1	(2.1)
Other	271,905	14.8	36.6	273,589	14.1	0.6
Total	¥1,831,876	100.0	12.6	¥1,935,165	100.0	5.6

Note: The figures represent amounts after the elimination of internal transactions between segments.

Segment Information

Performance by segment is as follows.

1) Domestic Non-Life Insurance Business (MSI)

Net premiums written climbed by ¥24.2 billion over the previous fiscal year, to ¥1,494.3 billion, primarily because of the increase in fire insurance revenue.

The net loss ratio came in at 61.8%, 0.6 of a percentage point higher than in the previous fiscal year. This was largely due to the payment of automobile insurance claims. In addition, as a result of increases in commissions and collection expenses as well as operating expenses and general and administrative expenses for underwriting, the net expense ratio was 31.5%, 0.3 of a percentage point higher than in the previous fiscal year.

After taking into account other items, including deposit premiums from policyholders, maturity refunds to policyholders, reversal of outstanding claims, and reversal of underwriting reserves, underwriting profit rose by ¥2.6 billion, to ¥84.4 billion. This mainly reflected such factors as the increase in reversal of underwriting reserves.

Accounting for such factors as the decrease in interest and dividends income by ¥11.6 billion over the previous fiscal year, to ¥105.1 billion, and the increase in gains on sales of securities by ¥50.4 billion, to ¥122.2 billion, total investment income after deducting investment gains appropriated to such items as maturity funds of savings-type insurance grew by ¥40.8 billion, to ¥199.9 billion. Meanwhile, total investment expenses declined by ¥2.5 billion, to ¥9.3 billion owing mainly to the downturn in losses on sales of securities.

As a result, ordinary profit increased by ¥47.0 billion over the previous fiscal year, to ¥262.5 billion and net income climbed by ¥33.6 billion, to ¥198.2 billion.

2) Domestic Non-Life Insurance Business (ADI)

Net premiums written grew by ¥21.4 billion over the previous fiscal year, to ¥1,222.0 billion, primarily because of the increase in fire insurance revenue.

Meanwhile, net claims paid increased by ¥12.0 billion, to ¥660.6 billion. This increase in net claims paid was largely attributable to higher fire insurance payments on the back of natural disasters that occurred in Japan and overseas. The net loss ratio was 59.2%, which was 0.1 of a percentage point higher than in the previous fiscal year. In addition, as a result of the decrease in underwriting-related operating expenses and general and administrative expenses, the net expenses ratio came in at 33.4%, which was 0.1 of a percentage point lower than in the previous fiscal year.

After taking into account other items, including deposit premiums from policyholders, maturity refunds to policyholders, provision for outstanding claims, and provision for underwriting reserves, underwriting profit decreased by ¥34.6 billion over the previous fiscal year, to ¥4.8 billion owing primarily to the increase in incurred losses (the total of net claims paid and provision for outstanding claims reserves) from such natural catastrophes as typhoons in Japan and hurricanes in North America.

Accounting for such factors as the increase in interest and dividends income by ¥3.0 billion over the previous fiscal year, to ¥58.4 billion, and the increase in gains on sales of securities by ¥5.3 billion, to ¥18.7 billion, total investment income after deducting investment gains appropriated to such items as maturity funds of savings-type insurance grew by ¥8.9 billion, to ¥61.0 billion. Meanwhile, total investment expenses climbed by ¥43.4 billion,

to ¥57.8 billion owing mainly to the upswing in impairment losses on securities by ¥44.1 billion over the previous fiscal year.

As a result, ordinary profit decreased by ¥69.5 billion over the previous fiscal year, to ¥5.6 billion. While extraordinary income increased owing to the reversal of reserve for price fluctuation, after taking into account other factors, net income declined by ¥34.7 billion, to ¥15.6 billion over the previous fiscal year.

3) Domestic Non-Life Insurance Business (Mitsui Direct General)
Net premiums written increased by ¥0.2 billion over the previous fiscal year, to ¥37.8 billion.

Meanwhile, net claims paid declined by ¥0.9 billion, to ¥24.8 billion. The net loss ratio was 73.0%, which was 2.9 of percentage points lower than in the previous fiscal year.

In addition, commissions and collection expenses as well as underwriting-related operating expenses and general and administrative expenses rose by ¥0.5 billion, to ¥8.8 billion. As a result, the net expenses ratio came to 23.3%, which was 1.3 of percentage points higher than in the previous fiscal year.

Underwriting profit was ¥0.3 billion, a turnaround of ¥1.3 billion. This largely reflected the decrease in incurred losses (the total of net losses paid and provision for outstanding claims reserves). On this basis, net income came to ¥0.3 billion, again a turnaround of ¥1.3 billion over the previous fiscal year.

As a result, and after taking ownership interests into account, net income for the fiscal year under review increased by ¥1.2 billion over the previous fiscal year, to ¥0.2 billion.

4) Domestic Life Insurance Business (MSI Aioi Life)
Insurance premium and others rose by ¥13.4 billion over the previous fiscal year, to ¥493.7 billion, mainly due to an increase in individual insurance premiums.

Ordinary profit climbed by ¥0.8 billion, to ¥16.9 billion, primarily because of the increase in investment income.

Net income grew by ¥0.6 billion over the previous fiscal year, to ¥5.2 billion.

5) Domestic Life Insurance Business (MSI Primary Life)

Insurance premium and others decreased by ¥24.3 billion over the previous fiscal year, to ¥1,059.5 billion. This was mainly attributable to the decline in variable whole-life insurance premiums.

Ordinary profit decreased by ¥28.7 billion, to ¥28.9 billion. Despite the steady increase in interest and dividends income, this decrease largely reflected the impact of foreign currency exchange rates.

Net income climbed by ¥8.5 billion, to ¥29.2 billion owing primarily to the reversal of the reserve for price fluctuation of ¥11.5 billion.

6) International Business (Overseas Insurance Subsidiaries)
Net premiums written declined by ¥10.7 billion over the previous fiscal year, to ¥682.3 billion, primarily because of the downturn in revenues in Europe. Affected by incurred losses (the total of net claims paid and provision for

outstanding claims reserves) from several overseas natural catastrophes, this segment posted an ordinary loss of ¥104.3 billion, a negative turnaround of ¥144.3 billion over the operating profit of the previous fiscal year. After taking ownership interests into account, this segment incurred a net loss for the fiscal year under review of ¥104.6 billion. This too was a negative turnaround of ¥128.7 billion over the net income of the previous fiscal year.

4. CASH FLOW ANALYSIS

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

5. BUSINESS ENVIRONMENT AND ISSUES TO BE ADDRESSED FROM THE BUSINESS AND FINANCIAL PERSPECTIVES

It is expected that the global economy will continue to expand steadily in the future, although uncertainty remains, such as protectionist policies and Brexit negotiations. The Japanese economy is also expected to continue to recover because of increases in external and internal demand against the background of the global economic recovery and the Tokyo Olympics.

Regarding the insurance industry, the market is expected to expand backed by the positive flow-on effects of the economic recovery. On the other hand, the business environment is anticipated to remain unpredictable, due to such factors as the aging society and low birth rate, the population decline, increased risk of natural disasters, and future policy trends in Japan and overseas. In addition, it is becoming increasingly important to contribute to sustainable growth by supporting a rapidly changing society, which is witnessing the utilization of AI and big data, and the expansion of a sharing economy.

In fiscal 2018, we launched a new medium-term management plan “Vision 2021”. The four years to fiscal 2021 are positioned as a “period to achieve the medium-term aspirations of the Group” and a “period to create resilient⁽¹⁾ systems that can respond swiftly to changes in the environment.” At the same time, we will promote the basic strategy and key strategies shown in the following figure.

Vision 2021 Basic strategy

- By employing the Group's resources to the maximum, we will realize sustainable growth and enhance corporate value.
- We will pursue the Group's comprehensive strengths, one of which is diversity, and meet the expectations of customers and other stakeholders.
- We will respond flexibly to changes in the environment and further improve quality and productivity.

Key strategies

- 1 Pursue Group's comprehensive strengths**
 - Make maximum use of Group's strengths (diversity, capital, human assets, customer base, etc.)
 - Review division of roles by each Group company and strengthen cooperation
 - Promote standardization and sharing
- 2 Promote digitalization**
 - Work on “digitalization” across entire Group and connect it to transformation of entire business.
 - Improve value of experiences when customers contact individual Group companies and improve business productivity of MS&AD Group at the same time.
- 3 Reform portfolio**
 - We will reform the Group's business portfolio and risk portfolio, etc., to create a stable earnings base. We will also strive to realize a resilient and sustainable society.⁽²⁾

through our corporate activities by leveraging our inherent characteristics of

diversity, and by supporting social life and vigorous business activities. Through these initiatives, we aspire to create a world-leading insurance and financial group with a global business reach.

^{*1} Resilient

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

^{*2} Sustainable society

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

6. RISK ANALYSIS

Details of certain risks related to the Group's business performance and financial condition that may potentially have a significant influence on investor decisions are presented as follows.

(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 change in the value of the Group's assets, including bonds and loans as well as insurance liabilities requiring future payments to policyholders of savings-type insurance, long-term third-sector insurance, or life insurance attributable to changes in interest rates.

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 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 disaster

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 such factors as climate change, 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 natural disasters, 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 environment

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 for long-term contracts because of the possibility of significant changes in the economic and social conditions 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. Under these circumstances, there is a risk that the Group's business results could be negatively impacted from intensified competition due to a variety of factors including further deregulation, increased entry of new participants, the emergence of new technologies, and shrinkage of the insurance market and others.

(vii) Risk associated with domestic life insurance business

While working to expand its domestic life insurance business as one of the growth areas, domestic life insurance business has inherent risks, such as changes in market base due to intensifying competition, uncertainty in occurrence of insurance benefit and claims and surrender trends given the long-term nature of insurance policies. Taking each of the aforementioned into consideration, 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 including development of business domain based on M&A strategy. With this comes the risk of unexpected changes in the political, economic and social conditions, 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 associated with related business

The Group engages in a wide range of business activities that fall outside the insurance domain. In addition to the Financial Services Business, which includes asset management, financial guarantee, 401k, alternative risk transfer (ART), personal loan, venture capital, and other related products and services, the Group is also active in risk management, nursing care, and other related fields through its Risk-Related Services Business. There is a

risk that the Group's business results could be negatively impacted from intensified competition due to greater than expected changes in the conditions of those markets in which the Group operates.

(x) 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.

(xi) 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. There is also a risk that unexpected accidents could cause a delay or budget overrun of a large-scale system development project aimed to improve profitability. The Group is striving to manage such information systems risk; however, in the case of a large-scale information system problem involving a system stoppage, a system malfunction or improper system use, an information leak, or a delay or budget overrun of a large-scale system development project, there is a risk of a negative impact on the Group's business results.

(xii) Risks related to personnel and labor relations

The Group works diligently to secure and develop excellent personnel. However, should a major personnel or labor relations issue arise that causes the Group to suffer a loss of trust from society, there is a risk of a negative impact on the Group's business results.

(xiii) Business operation risk

The Group is striving to undertake the management processes necessary to prevent the occurrence or minimize the impact of such situations as administrative errors, legal or regulatory violations, impropriety by employees, criminal conduct by outside parties, and disasters. Despite these undertakings, however, there is a risk that the Group will lose the trust of customers and society, be prevented from properly carrying out its business operations, incur sanctions from supervisory authorities, and ultimately have its business performance negatively impacted should any of these situations in fact arise.

(xiv) 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.

(xv) 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.

(xvi) 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 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 to 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.

(xvii) Reputational 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.

(xviii) Other risks

There is a risk that the Group's business results could be negatively impacted by acts of terrorism, disputes, and riots both in Japan and overseas, military conflicts between nations, unprecedented large-scale accidents and incidents, and external factors that are difficult to predict in advance.

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 is as follows.

MS&AD

Consolidated Solvency Margin Ratio

	(Yen in millions)	
	FY2016	FY2017
(A) Solvency margin total amount	¥4,875,444	¥5,067,184
(B) Risk amount	1,117,406	1,236,932
(C) Solvency margin ratio $(A/(B \times 1/2)) \times 100$	872.6%	819.3%

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.

The solvency margin ratio decreased by 53.3 percentage points over the previous fiscal year-end, to 819.3% on the back of such factors as the year-on-year increase in the total amount of risks by ¥119.5 billion. This largely reflected the increase in asset management risk.

MSI

a. Non-Consolidated Solvency Margin Ratio

	(Yen in millions)	
	FY2016	FY2017
(A) Solvency margin total amount	¥2,840,438	¥3,293,687
(B) Risk amount	863,472	939,444
(C) Solvency margin ratio $(A/(B \times 1/2)) \times 100$	657.9%	701.1%

Note: The non-consolidated solvency margin ratio is calculated based on the provisions in Articles 86 and 87 of the Ordinance for Enforcement of the Insurance Business Act and Article 50 of the Notification of the Ministry of Finance 1996.

The solvency margin ratio improved by 43.2 percentage points over the previous fiscal year-end, to 701.1% on the back of such factors as the year-on-year increase in the solvency margin total amount by ¥453.2 billion. This largely reflected the increase in shareholders' equity attributable to net income and the issuance of domestic subordinated bonds.

b. Consolidated Solvency Margin Ratio

	(Yen in millions)	
	FY2016	FY2017
(A) Solvency margin total amount	¥2,497,621	¥2,714,894
(B) Risk amount	722,818	809,237
(C) Solvency margin ratio $(A/(B \times 1/2)) \times 100$	691.0%	670.9%

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.

The solvency margin ratio decreased by 20.1 percentage points over the previous fiscal year-end, to 670.9% on the back of such factors as the year-on-year increase in the total amount of risks by ¥86.4 billion. This largely reflected the increase in asset management risk.

ADI

a. Non-Consolidated Solvency Margin Ratio

	(Yen in millions)	
	FY2016	FY2017
(A) Solvency margin total amount	¥1,332,714	¥1,268,359
(B) Risk amount	312,981	323,538
(C) Solvency margin ratio $(A/(B \times 1/2)) \times 100$	851.6%	784.0%

Note: See the note for MSI "a. Non-Consolidated Solvency Margin Ratio" regarding the non-consolidated solvency margin ratio calculation method.

The solvency margin ratio decreased by 67.6 percentage points over the previous fiscal year-end, to 784.0% on the back of such factors as the year-on-year decrease in the solvency margin total amount by ¥64.3 billion. This largely reflected dividends paid and the redemption prior to maturity of subordinated bond.

b. Consolidated Solvency Margin Ratio

	(Yen in millions)	
	FY2016	FY2017
(A) Solvency margin total amount	¥1,305,152	¥1,284,815
(B) Risk amount	298,961	319,689
(C) Solvency margin ratio $(A/(B \times 1/2)) \times 100$	873.1%	803.7%

Note: See the note for MSI "b. Consolidated Solvency Margin Ratio" regarding the consolidated solvency margin ratio calculation method.

The solvency margin ratio decreased by 69.4 percentage points over the previous fiscal year-end, to 803.7% on the back of such factors as the year-on-year decrease in the solvency margin total amount by ¥20.3 billion. This largely reflected dividends paid and the redemption prior to maturity of subordinated bonds.

Mitsui Direct General

Non-Consolidated Solvency Margin Ratio

	(Yen in millions)	
	FY2016	FY2017
(A) Solvency margin total amount	¥14,705	¥14,992
(B) Risk amount	6,817	6,553
(C) Solvency margin ratio $(A/(B \times 1/2)) \times 100$	431.4%	457.5%

Note: See the note for MSI "a. Non-Consolidated Solvency Margin Ratio" regarding the non-consolidated solvency margin ratio calculation method.

The solvency margin ratio improved by 26.1 percentage points over the previous fiscal year-end, to 457.5% on the back of such factors as the year-on-year increase in the solvency margin total amount by ¥0.2 billion. This largely reflected the increase in total net assets attributable to net income.

MSA Life

Non-Consolidated Solvency Margin Ratio

	(Yen in millions)	
	FY2016	FY2017
(A) Solvency margin total amount	¥487,958	¥484,904
(B) Risk amount	51,546	56,163
(C) Solvency margin ratio $(A/(B \times 1/2)) \times 100$	1,893.2%	1,726.7%

Note: See the note for MSI "a. Non-Consolidated Solvency Margin Ratio" regarding the non-consolidated solvency margin ratio calculation method.

The solvency margin ratio decreased by 166.5 percentage points over the previous fiscal year-end, to 1,726.7% on the back of such factors as the year-on-year increase in the total amount of risks by ¥4.6 billion. This largely reflected the increase in asset management risk.

MSP Life

Non-Consolidated Solvency Margin Ratio

	(Yen in millions)	
	FY2016	FY2017
(A) Solvency margin total amount	¥558,542	¥605,676
(B) Risk amount	108,399	121,997
(C) Solvency margin ratio $(A/(B \times 1/2)) \times 100$	1,030.5%	992.9%

Note: See the note for MSI "a. Non-Consolidated Solvency Margin Ratio" regarding the non-consolidated solvency margin ratio calculation method.

The solvency margin ratio decreased by 37.6 percentage points over the previous fiscal year-end, to 992.9% on the back of such factors as the year-on-year increase in the total amount of risks by ¥13.5 billion. This largely reflected the increase in asset management risk due to increase in asset under management.

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)								
	FY2013			FY2014			FY2015		
	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)
Fire and Allied	¥ 590,674	7.7	18.3	¥ 625,179	5.8	18.7	¥ 657,398	5.2	19.0
Marine	121,387	12.5	3.8	131,030	7.9	3.9	132,284	1.0	3.8
Personal Accident	347,562	(1.4)	10.8	341,241	(1.8)	10.2	319,937	(6.2)	9.2
Voluntary Automobile	1,378,126	3.8	42.8	1,421,126	3.1	42.4	1,475,596	3.8	42.5
Compulsory Automobile Liability	352,649	9.6	10.9	355,417	0.8	10.6	356,465	0.3	10.3
Other	432,409	10.5	13.4	476,209	10.1	14.2	527,502	10.8	15.2
Total	¥3,222,809	5.7	100.0	¥3,350,204	4.0	100.0	¥3,469,185	3.6	100.0
Deposit premiums from policyholders	¥ 151,449	(7.6)	4.7	¥ 138,799	(8.4)	4.1	¥ 116,225	(16.3)	3.4

(b) Net Premiums Written

Lines of Insurance	(Yen in millions)								
	FY2013			FY2014			FY2015		
	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)
Fire and Allied	¥ 398,163	12.5	14.2	¥ 425,881	7.0	14.5	¥ 471,476	10.7	15.3
Marine	97,054	11.2	3.5	103,389	6.5	3.5	106,108	2.6	3.4
Personal Accident	227,546	2.1	8.1	230,991	1.5	7.9	218,487	(5.4)	7.1
Voluntary Automobile	1,393,198	4.2	49.5	1,438,002	3.2	48.9	1,495,339	4.0	48.6
Compulsory Automobile Liability	338,245	8.9	12.0	348,356	3.0	11.8	357,639	2.7	11.6
Other	357,402	9.2	12.7	392,491	9.8	13.4	429,680	9.5	14.0
Total	¥2,811,611	6.5	100.0	¥2,939,113	4.5	100.0	¥3,078,732	4.8	100.0

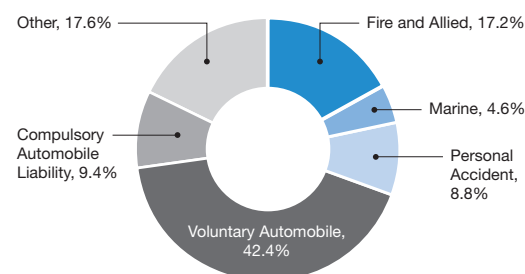
(c) Net Claims Paid

Lines of Insurance	(Yen in millions)								
	FY2013			FY2014			FY2015		
	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)
Fire and Allied	¥ 252,695	(20.0)	15.1	¥ 259,270	2.6	15.7	¥ 235,176	(9.3)	14.5
Marine	51,532	27.3	3.1	46,430	(9.9)	2.8	48,009	3.4	3.0
Personal Accident	115,636	1.9	6.9	114,136	(1.3)	6.9	109,376	(4.2)	6.7
Voluntary Automobile	805,460	(3.1)	48.2	786,916	(2.3)	47.7	776,606	(1.3)	47.7
Compulsory Automobile Liability	261,349	(1.3)	15.7	258,095	(1.2)	15.6	259,078	0.4	15.9
Other	183,667	4.9	11.0	185,698	1.1	11.3	199,092	7.2	12.2
Total	¥1,670,343	(4.0)	100.0	¥1,650,547	(1.2)	100.0	¥1,627,340	(1.4)	100.0

FY2016			FY2017			(US\$ in millions)
Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	FY2017 Amount
¥ 602,521	(8.3)	16.7	¥ 627,029	4.1	17.2	\$ 5,915
168,715	27.5	4.7	168,602	(0.1)	4.6	1,591
321,055	0.3	8.9	320,764	(0.1)	8.8	3,026
1,524,096	3.3	42.1	1,546,108	1.4	42.4	14,586
366,523	2.8	10.1	343,370	(6.3)	9.4	3,239
632,874	20.0	17.5	643,233	1.6	17.6	6,068
¥3,615,785	4.2	100.0	¥3,649,108	0.9	100.0	\$34,426
¥ 98,546	(15.2)	2.7	¥ 86,371	(12.4)	2.4	\$ 815

DIRECT PREMIUMS WRITTEN (FY2017)

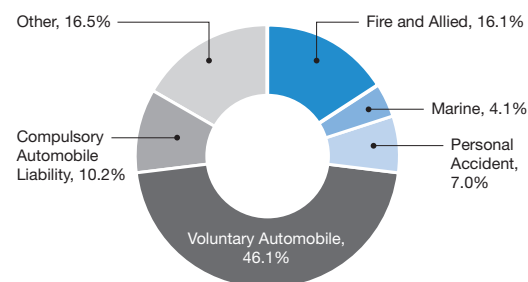
Total ¥3,649.1 Billion



FY2016			FY2017			(US\$ in millions)
Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	FY2017 Amount
¥ 540,715	14.7	15.9	¥ 553,183	2.3	16.1	\$ 5,219
145,697	37.3	4.3	142,339	(2.3)	4.1	1,343
237,918	8.9	7.0	240,450	1.1	7.0	2,268
1,559,958	4.3	45.8	1,587,008	1.7	46.1	14,972
356,088	(0.4)	10.4	352,063	(1.1)	10.2	3,321
567,010	32.0	16.6	565,931	(0.2)	16.5	5,339
¥3,407,389	10.7	100.0	¥3,440,976	1.0	100.0	\$32,462

NET PREMIUMS WRITTEN (FY2017)

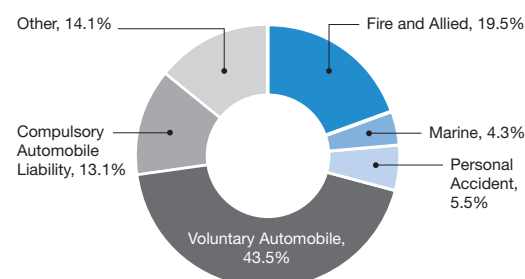
Total ¥3,440.9 Billion



FY2016			FY2017			(US\$ in millions)
Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	FY2017 Amount
¥ 297,850	26.6	16.3	¥ 378,241	27.0	19.5	\$ 3,568
96,981	102.0	5.3	82,302	(15.1)	4.3	776
107,937	(1.3)	5.9	106,233	(1.6)	5.5	1,002
798,736	2.8	43.6	841,807	5.4	43.5	7,942
258,465	(0.2)	14.1	252,990	(2.1)	13.1	2,387
271,905	36.6	14.8	273,589	0.6	14.1	2,581
¥1,831,876	12.6	100.0	¥1,935,165	5.6	100.0	\$18,256

NET CLAIMS PAID (FY2017)

Total ¥1,935.1 Billion



Policies in Force and New Policies – Domestic Life Insurance (Unaudited)

(a) Policies in Force

	(Yen in millions)								(US\$ in millions)	
	FY2013		FY2014		FY2015		FY2016		FY2017	
	Amount	Change (%)	Amount	Change (%)	Amount	Change (%)	Amount	Change (%)	Amount	Change (%)
Individual insurance	¥21,391,387	8.1	¥22,676,597	6.0	¥24,277,843	7.1	¥25,813,254	6.3	¥26,882,564	4.1
Individual annuities	3,738,051	(5.5)	3,638,524	(2.7)	3,208,994	(11.8)	3,081,777	(4.0)	2,986,168	(3.1)
Group insurance	5,124,978	(0.8)	5,301,496	3.4	6,518,709	23.0	7,074,353	8.5	7,859,834	11.1
Group annuities	399	(6.9)	369	(7.7)	351	(4.7)	325	(7.4)	302	(7.1)

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)	
	FY2013	FY2014	FY2015	FY2016	FY2017	FY2017
	Amount	Amount	Amount	Amount	Amount	Amount
Individual insurance	¥3,235,603	¥3,307,082	¥3,495,356	¥3,249,483	¥3,438,585	\$32,439
Individual annuities	237,132	198,867	190,634	159,925	216,635	2,044
Group insurance	104,852	88,702	1,005,973	61,074	144,570	1,364
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).

Investment Assets and Investments in Securities (Unaudited)

(a) Investment Assets

	FY2016		FY2017		FY2017
	(Yen in millions)		(Yen in millions)		(US\$ in millions)
	Amount	Share	Amount	Share	Amount
Deposits and savings	¥ 1,419,153	6.7%	¥ 1,481,589	6.6%	\$ 13,977
Call loans	15,000	0.1	–	–	–
Receivables under resale agreements	6,999	0.0	6,999	0.0	66
Receivables under securities borrowing transactions	285,455	1.3	309,644	1.4	2,921
Monetary claims bought	111,320	0.5	140,133	0.6	1,322
Money trusts	971,119	4.6	1,043,506	4.6	9,844
Investments in securities	15,303,103	72.1	16,152,966	71.9	152,386
Loans	886,316	4.2	892,599	4.0	8,421
Land and buildings	428,845	2.0	422,831	1.9	3,989
Total investment assets	¥19,427,313	91.5%	¥20,450,271	91.0%	\$192,927
Total assets	¥21,234,300	100.0%	¥22,472,927	100.0%	\$212,009

(b) Investments in Securities

	FY2016		FY2017		FY2017
	(Yen in millions)		(Yen in millions)		(US\$ in millions)
	Amount	Share	Amount	Share	Amount
Government bonds	¥ 3,809,185	24.9%	¥ 3,887,198	24.1%	\$ 36,672
Municipal bonds	273,964	1.8	296,667	1.8	2,799
Corporate bonds	1,574,639	10.3	1,621,792	10.0	15,300
Stock	2,693,726	17.6	2,906,719	18.0	27,422
Foreign securities	4,295,138	28.1	4,870,634	30.2	45,949
Other securities	2,656,449	17.3	2,569,954	15.9	24,245
Total	¥15,303,103	100.0%	¥16,152,966	100.0%	\$152,386

Note: "Other securities" consists mainly of investment trusts managed in separate accounts.

Consolidated Balance Sheets

MS&AD Insurance Group Holdings, Inc. and Its Consolidated Subsidiaries
As of March 31, 2017 and 2018

Assets	Yen in millions		US\$ in millions
	2017	2018	2018
Cash, deposits and savings	¥ 1,419,267	¥ 1,481,694	\$ 13,978
Call loans	15,000	—	—
Receivables under resale agreements	6,999	6,999	66
Receivables under securities borrowing transactions	285,455	309,644	2,921
Monetary claims bought	111,320	140,133	1,322
Money trusts	971,119	1,043,506	9,844
Investments in securities	15,303,103	16,152,966	152,386
Loans	886,316	892,599	8,421
Tangible fixed assets:			
Land	232,151	231,456	2,184
Buildings	196,693	191,374	1,805
Lease assets	2,943	2,711	26
Construction in progress	1,658	2,379	22
Other tangible fixed assets	31,508	31,701	299
Total tangible fixed assets	464,955	459,624	4,336
Intangible fixed assets:			
Software	74,572	57,491	542
Goodwill	163,415	229,221	2,162
Lease assets	3	218	2
Other intangible fixed assets	179,164	262,570	2,477
Total intangible fixed assets	417,156	549,502	5,184
Other assets	1,225,719	1,297,829	12,244
Assets for retirement benefits	32,452	30,645	289
Deferred tax assets	55,660	68,026	642
Customers' liabilities under acceptances and guarantees	50,530	49,500	467
Bad debt reserve	(10,756)	(9,746)	(92)
Total assets	¥21,234,300	¥22,472,927	\$212,009

See accompanying notes to consolidated financial statements.

Liabilities and Net Assets	Yen in millions		US\$ in millions
	2017	2018	2018
Liabilities			
Policy liabilities:			
Outstanding claims	¥ 1,982,354	¥ 2,213,650	\$ 20,883
Underwriting reserves	14,173,799	14,750,861	139,159
Total policy liabilities	16,156,153	16,964,512	160,043
Bonds issued	456,191	558,191	5,266
Other liabilities	1,226,769	1,328,675	12,535
Liabilities for pension and retirement benefits	190,562	184,569	1,741
Reserve for retirement benefits for officers	640	538	5
Accrued bonuses for employees	28,396	27,592	260
Reserve for reorganization by function	22,097	16,341	154
Reserves under the special laws:			
Reserve for price fluctuation	194,960	152,928	1,443
Total reserves under the special laws	194,960	152,928	1,443
Deferred tax liabilities	173,566	221,690	2,091
Acceptances and guarantees	50,530	49,500	467
Total liabilities	18,499,867	19,504,540	184,005
Net Assets			
Shareholders' equity:			
Common stock	100,000	100,000	943
Capital surplus	669,458	554,320	5,229
Retained earnings	775,877	849,044	8,010
Treasury stock	(120,050)	(2,599)	(25)
Total shareholders' equity	1,425,285	1,500,765	14,158
Accumulated other comprehensive income/(loss):			
Net unrealized gains/(losses) on investments in securities	1,360,859	1,487,258	14,031
Net deferred gains/(losses) on hedges	23,472	20,043	189
Foreign currency translation adjustments	(91,219)	(66,274)	(625)
Accumulated actuarial gains/(losses) on retirement benefits	(9,420)	(679)	(6)
Total accumulated other comprehensive income/(loss)	1,283,692	1,440,346	13,588
Stock acquisition rights	307	566	5
Non-controlling interests	25,147	26,709	252
Total net assets	2,734,432	2,968,387	28,004
Total liabilities and net assets	¥21,234,300	¥22,472,927	\$212,009

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

MS&AD Insurance Group Holdings, Inc. and Its Consolidated Subsidiaries
For the years ended March 31, 2017 and 2018

	Yen in millions		US\$ in millions
	2017	2018	2018
Ordinary income and expenses			
Ordinary income:			
Underwriting income:			
Net premiums written	¥3,407,389	¥3,440,976	\$32,462
Deposit premiums from policyholders	98,546	86,371	815
Investment income on deposit premiums from policyholders	45,405	43,130	407
Life insurance premiums	1,253,167	1,058,278	9,984
Other underwriting income	6,353	19,353	183
Total underwriting income	4,810,863	4,648,110	43,850
Investment income:			
Interest and dividends income	272,556	286,229	2,700
Investment gains on money trusts	16,056	8,795	83
Investment gains on trading securities	50,255	29,424	278
Gains on sales of securities	92,602	151,934	1,433
Gains on redemption of securities	718	1,092	10
Investment gains on separate accounts	81,380	115,299	1,088
Other investment income	39,118	1,194	11
Transfer of investment income on deposit premiums from policyholders	(45,405)	(43,130)	(407)
Total investment income	507,283	550,838	5,197
Other ordinary income:			
Gains on equity method investments	2,112	3,017	28
Other ordinary income	14,980	15,868	150
Total other ordinary income	17,093	18,886	178
Total ordinary income	5,335,239	5,217,835	49,225
Ordinary expenses:			
Underwriting expenses:			
Net claims paid	1,831,876	1,935,165	18,256
Loss adjustment expenses	169,562	171,041	1,614
Commissions and collection expenses	681,003	689,066	6,501
Maturity refunds to policyholders	236,800	241,099	2,275
Dividends to policyholders	526	283	3
Life insurance claims	330,897	376,130	3,548
Provision for outstanding claims	71,394	179,565	1,694
Provision for underwriting reserves	908,160	558,519	5,269
Other underwriting expenses	26,131	6,897	65
Total underwriting expenses	4,256,352	4,157,768	39,224
Investment expenses:			
Investment losses on money trusts	1,034	13,748	130
Losses on sales of securities	12,769	8,996	85
Impairment losses on securities	2,034	1,512	14
Losses on redemption of securities	1,118	584	6
Losses on derivative transactions	31,628	14,498	137
Other investment expenses	6,512	123,843	1,168
Total investment expenses	55,096	163,183	1,539
Operating expenses and general and administrative expenses	653,593	669,640	6,317
Other ordinary expenses:			
Interest expense	8,986	9,057	85
Provision for bad debt reserve	2,012	–	–
Losses on bad debts	217	215	2
Amortization of deferred assets under Article 113 of the Insurance Business Act	947	–	–
Other ordinary expenses	5,420	6,420	61
Total other ordinary expenses	17,584	15,693	148
Total ordinary expenses	4,982,626	5,006,286	47,229
Ordinary profit/(loss)	352,612	211,548	1,996
Extraordinary income and losses			
Extraordinary income:			
Gains on sales of fixed assets	3,546	9,316	88
Reversal of reserves under the special laws	–	42,032	397
Reversal of reserve for price fluctuation	–	42,032	397
Total reversal of reserves under the special laws	–	42,032	397
Total extraordinary income	3,546	51,348	484
Extraordinary losses:			
Losses on sales of fixed assets	2,456	3,853	36
Impairment losses on fixed assets	5,512	14,724	139
Provision for reserves under the special laws:			
Provision for reserve for price fluctuation	33,928	–	–
Total provision for reserves under the special laws	33,928	–	–
Losses on accelerated depreciation of tangible fixed assets	–	11	0
Other extraordinary losses	31,656	–	–
Total extraordinary losses	73,553	18,589	175
Income/(loss) before income taxes	282,605	244,307	2,305
Income taxes - current	105,468	118,432	1,117
Income taxes - deferred	(34,562)	(28,008)	(264)
Total income taxes	70,906	90,423	853
Net income/(loss)	211,699	153,884	1,452
Net income/(loss) attributable to non-controlling interests	1,252	(173)	(2)
Net income/(loss) attributable to owners of the parent	¥ 210,447	¥ 154,057	\$ 1,453

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, 2017 and 2018

	Yen in millions		US\$ in millions
	2017	2018	2018
Net income/(loss)	¥211,699	¥153,884	\$1,452
Other comprehensive income/(loss):			
Net unrealized gains/(losses) on investments in securities	33,664	123,681	1,167
Net deferred gains/(losses) on hedges	(16,640)	(3,316)	(31)
Foreign currency translation adjustments	(114,654)	23,348	220
Actuarial gains/(losses) on retirement benefits	(1,073)	8,723	82
Share of other comprehensive income/(loss) of equity method investments	1,298	4,775	45
Total other comprehensive income/(loss)	(97,405)	157,211	1,483
Total comprehensive income/(loss)	¥114,294	¥311,096	\$2,935
Allocation:			
Comprehensive income/(loss) attributable to owners of the parent	¥115,115	¥309,798	\$2,923
Comprehensive income/(loss) attributable to non-controlling interests	(821)	1,297	12

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, 2017 and 2018

2017

(Yen in millions)

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

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

See accompanying notes to consolidated financial statements.

2018

(Yen in millions)

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

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

See accompanying notes to consolidated financial statements.

2018

(US\$ in millions)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Beginning balance	\$943	\$6,316	\$7,320	\$ (1,133)	\$13,446
Changes for the year:					
Dividends paid			(754)		(754)
Net income/(loss) attributable to owners of the parent			1,453		1,453
Repurchase of treasury stock				(1)	(1)
Disposal of treasury stock		(0)		1	1
Cancellation of treasury stock		(1,108)		1,108	-
Changes in scope of consolidation					-
Changes in equity resulting from increase in capital of consolidated subsidiaries					-
Changes in equity resulting from transactions with non-controlling interests		(2)			(2)
Put options granted to non-controlling interests		24			24
Adjustments of retained earnings pertaining to the U.S. tax reform.			(9)		(9)
Net changes of items other than shareholders' equity					
Total changes for the year	-	(1,086)	690	1,108	712
Ending balance	\$943	\$5,229	\$8,010	\$ (25)	\$14,158

	Accumulated other comprehensive income/(loss)					Stock acquisition rights	Non-controlling interests	Total net assets
	Net unrealized gains/(losses) on investments in securities	Net deferred gains/(losses) on hedges	Foreign currency translation adjustments	Accumulated actuarial gains/(losses) on retirement benefits	Total accumulated other comprehensive income/(loss)			
Beginning balance	\$12,838	\$221	\$ (861)	\$ (89)	\$12,110	\$3	\$237	\$25,797
Changes for the year:								
Dividends paid								(754)
Net income/(loss) attributable to owners of the parent								1,453
Repurchase of treasury stock								(1)
Disposal of treasury stock								1
Cancellation of treasury stock								-
Changes in scope of consolidation								-
Changes in equity resulting from increase in capital of consolidated subsidiaries								-
Changes in equity resulting from transactions with non-controlling interests								(2)
Put options granted to non-controlling interests								24
Adjustments of retained earnings pertaining to the U.S. tax reform.								(9)
Net changes of items other than shareholders' equity	1,192	(32)	235	82	1,478	2	15	1,495
Total changes for the year	1,192	(32)	235	82	1,478	2	15	2,207
Ending balance	\$14,031	\$189	\$ (625)	\$ (6)	\$13,588	\$5	\$252	\$28,004

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, 2017 and 2018

	Yen in millions		US\$ in millions
	2017	2018	2018
I. Cash flows from operating activities:			
Income/(loss) before income taxes	¥ 282,605	¥ 244,307	\$ 2,305
Adjustments for:			
Depreciation	62,184	64,014	604
Impairment losses on fixed assets	5,512	14,724	139
Amortization of goodwill	11,393	11,741	111
Increase/(decrease) in outstanding claims	82,392	160,203	1,511
Increase/(decrease) in underwriting reserves	903,095	546,085	5,152
Increase/(decrease) in bad debt reserve	1,542	(1,348)	(13)
Increase/(decrease) in reserve for retirement benefits for officers	(156)	(101)	(1)
Increase/(decrease) in accrued bonuses for employees	(3,096)	(1,239)	(12)
Increase/(decrease) in reserve for reorganization by function	22,097	(5,756)	(54)
Increase/(decrease) in liabilities for pension and retirement benefits	2,078	6,700	63
Increase/(decrease) in reserve for price fluctuation	33,928	(42,032)	(397)
Interest and dividends income	(272,556)	(286,229)	(2,700)
Losses/(gains) on money trusts	(15,075)	4,967	47
Losses/(gains) on investments in securities	(127,655)	(171,357)	(1,617)
Losses/(gains) on derivative transactions	31,628	14,498	137
Investment losses/(gains) on separate accounts	(81,380)	(115,299)	(1,088)
Interest expense	8,986	9,057	85
Foreign exchange losses/(gains)	(31,703)	112,731	1,064
Losses/(gains) on disposal of tangible fixed assets	(1,090)	(5,580)	(53)
Losses/(gains) on equity method investments	(2,112)	(3,017)	(28)
Decrease/(increase) in other assets	(70,445)	13,828	130
Increase/(decrease) in other liabilities	6,834	(4,921)	(46)
Other, net	(19,868)	(10,068)	(95)
Subtotal	829,139	555,908	5,244
Interest and dividends received	355,139	407,933	3,848
Interest paid	(10,628)	(8,626)	(81)
Income taxes refunded/(paid)	(86,701)	(132,575)	(1,251)
Net cash provided by/(used in) operating activities (a)	1,086,948	822,640	7,761
II. Cash flows from investing activities:			
Net decrease/(increase) in deposits and savings	(1,112)	(18,260)	(172)
Purchase of monetary claims bought	-	(2,601)	(25)
Proceeds from sales and redemption of monetary claims bought	17,191	37,842	357
Purchase of money trusts	(206,384)	(128,508)	(1,212)
Proceeds from sales of money trusts	78,917	52,173	492
Purchase of securities	(3,136,168)	(3,595,276)	(33,918)
Proceeds from sales and redemption of securities	2,577,663	2,845,276	26,842
Investment in loans	(212,875)	(198,795)	(1,875)
Collection of loans	212,220	184,210	1,738
Net increase/(decrease) in cash collateral under securities borrowing and lending transactions	73,812	(4,848)	(46)
Other, net	21,800	6,901	65
Subtotal (b)	(574,934)	(821,886)	(7,754)
(a + b)	512,013	754	7
Acquisition of tangible fixed assets	(20,158)	(20,291)	(191)
Proceeds from sales of tangible fixed assets	8,922	14,461	136
Acquisition of intangible fixed assets	(27,608)	(47,645)	(449)
Acquisition of shares of subsidiaries resulting in changes in scope of consolidation	-	(85,341)	(805)
Other, net	(1,119)	(2,401)	(23)
Net cash provided by/(used in) investing activities	(614,899)	(963,105)	(9,086)
III. Cash flows from financing activities:			
Proceeds from borrowings	32,651	55,027	519
Repayments of borrowings	(141,389)	(30,342)	(286)
Issuance of bonds	148,961	129,133	1,218
Redemption of bonds	(33,890)	(28,000)	(264)
Repurchase of treasury stock	(39,985)	(70)	(1)
Dividends paid to shareholders	(63,151)	(79,887)	(754)
Dividends paid to non-controlling interests	(1,098)	(917)	(9)
Purchase of shares of subsidiaries not resulting in changes in scope of consolidation	(617)	(964)	(9)
Other, net	(1,678)	(1,648)	(16)
Net cash provided by/(used in) financing activities	(100,198)	42,329	399
IV. Effect of exchange rate changes on cash and cash equivalents	(11,451)	5,738	54
V. Net increase/(decrease) in cash and cash equivalents	360,399	(92,396)	(872)
VI. Cash and cash equivalents at beginning of year	1,056,407	1,415,903	13,358
VII. Decrease in cash and cash equivalents due to exclusion from scope of consolidation	(903)	-	-
VIII. Cash and cash equivalents at end of year	¥1,415,903	¥1,323,506	\$12,486

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, 2016 and 2017

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 Rules of Corporate Accounting, the Enforcement Regulations of the Japanese Insurance Business Act and related rules, and regulations applicable to the non-life insurance industry in general, and in conformity with accounting principles and practices generally accepted in Japan, which may differ in certain respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan. In preparing the accompanying consolidated financial statements, certain additional information has been provided for the consolidated financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan.

The accompanying consolidated financial statements are expressed in Japanese yen. As permitted by the regulations under the Rules of Corporate Accounting, amounts are rounded down to the nearest million of Japanese yen, except for those stated otherwise. As a result, the total amounts in Japanese yen shown in the accompanying consolidated financial statements do not necessarily agree with the sums of the individual amounts.

Solely for the convenience of readers, the accompanying consolidated financial statements as of and for the year ended March 31, 2018 have been translated into US dollar at the rate of ¥106=US\$1, the approximate exchange rate on the Tokyo foreign exchange market on the last business day of March 2018. Such translation should not be construed as presentations that the Japanese yen amounts have been, should have been, or could in the future be, converted into US dollar at that or any other rate.

"Subsidiary" and "Associate" appearing in the accompanying consolidated financial statements and notes thereto refer to those defined in Article 2 of the Rules of Corporate Accounting.

2. Scope of consolidation

(1) Number of consolidated subsidiaries

93 companies

Major consolidated subsidiaries are as follows:

Mitsui Sumitomo Insurance Company, Limited ("MSI")
Aioi Nissay Dowa Insurance Company, Limited ("ADI")
Mitsui Sumitomo Aioi Life Insurance Company, Limited ("MSAL")
Mitsui Sumitomo Primary Life Insurance Company, Limited ("MSPL")
MSIG Holdings (Americas), Inc.
MS Amlin plc
MSIG Insurance (Malaysia) Bhd.

Changes in scope of consolidation

MS First Capital Insurance Limited and DTRIC Management Company, Limited have been included in the scope of consolidation since the year ended March 31, 2018 as they became consolidated subsidiaries due to the Company's acquisition of shares. Aioi Nissay Dowa Europe Limited and 2 other companies have also been included in the scope of consolidation since the year ended March 31, 2018 as they were newly established.

Solo Absolute Bonds and Currency Fund and 15 other companies have been excluded from the scope of consolidation during the year ended March 31, 2018 as they are no longer consolidated subsidiaries due to the withdrawal of capital or sales of their shares.

(2) Unconsolidated subsidiaries

Major unconsolidated subsidiaries are as follows:

Anshin Dial Company, Limited
MS&AD Systems Company, Limited

Certain subsidiaries including the above subsidiaries are not consolidated, as they are not considered to have any impact on, in all material aspects, the consolidated financial conditions and business performance, in view of the size of their total assets, ordinary income, net income and retained earnings attributable to the Company.

3. Application of equity method

- (1) Number of associates accounted for under the equity method

15 companies

Major associates accounted for under the equity method are as follows:

Sumitomo Mitsui Asset Management Company, Limited
ReAssure Jersey One Limited

Changes in scope of application of equity method

ReAssure Jersey One Limited and 3 other companies have become equity method affiliates during the year ended March 31, 2018 due to the Company's acquisition of shares.

Miles Smith Holdings Limited has been excluded from the scope of application of the equity method during the year ended March 31, 2018 due to sales of their shares.

- (2) Other affiliates, including unconsolidated subsidiaries and associates (e.g. Anshin Dial Company, Limited and Zenkankyo Small Amount and Short Term Insurance Holdings, Ltd.), are stated at cost as their effects on the consolidated net income and retained earnings are not considered material, individually and in aggregate.
- (3) The Company holds 29.9% voting rights of Japan Earthquake Reinsurance Company, Limited ("Japan Earthquake Re") through MSI and ADI. However, Japan Earthquake Re is not included as an affiliate since the Company does not have the ability to exercise significant influence over the operating and financial decisions of Japan Earthquake Re in view of its public nature.

4. Fiscal year of consolidated subsidiaries

The fiscal year end of certain consolidated subsidiaries, including MS Amlin plc and 84 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 its fiscal year end.

The Company makes adjustments to incorporate significant transactions occurred during the intervening period that materially affect the consolidated financial statements.

5. Accounting policies

- (1) Valuation policies and methods of securities (including those included in Cash, deposits and savings, and Monetary claims bought as set forth in the Enforcement Regulations of the Japanese Insurance Business Act)
- (i) Trading securities are valued at their year-end market prices. Cost of sales is calculated using the moving average method. For overseas consolidated subsidiaries, cost of sales is calculated using the first-in, first-out method.
 - (ii) Held-to-maturity securities are valued at amortized cost.
 - (iii) Investments in unconsolidated subsidiaries and associates that are not accounted for under the equity method are valued at cost determined by the moving average method.

- (iv) Debt securities and money trusts earmarked for underwriting reserves are valued at amortized cost determined by the moving average method in accordance with Industry Audit Committee Report No. 21 "Temporary Treatment of Accounting and Auditing Concerning Debt Securities Earmarked for Underwriting Reserve in the Insurance Industry" (issued by the Japanese Institute of Certified Public Accountants on November 16, 2000).

A summary of the risk management policy for debt securities and money trusts earmarked for underwriting reserves is as follows:

To effectively manage risks of variability in interest rates related to assets and liabilities, MSAL establishes subgroups of "individual insurance" that meet certain criteria for each type of insurance and investment policy, as well as applies the investment policy and cash allocation policy reflecting their characteristics. In addition, MSAL periodically assesses whether the durations of the debt securities earmarked for underwriting reserves fall within a certain range from those of the underwriting reserves in each subgroup.

To effectively manage risks of variability in interest rates related to assets and liabilities, MSPL establishes subgroups of "individual insurance and individual annuities" that meet certain criteria for each currency, as well as applies the investment policy and cash allocation policy reflecting their characteristics. In addition, MSPL periodically assesses whether the durations of the debt securities earmarked for underwriting reserves fall within a certain range from those of the underwriting reserves in each subgroup. Starting from the year ended March 31, 2018, to improve Asset and Liability Management (ALM) and investment methods appropriate for investment environment, the size of subgroups of certain individual insurance denominated in Australian dollars has been reduced. This change has no effect on the consolidated financial statements.

- (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 the remaining changes are reported as foreign exchange gains and losses in the consolidated financial statements of income. Cost of sales is calculated by the moving average method

- (vi) Available-for-sale securities without practically determinable fair value are valued at cost using the moving average method.

- (vii) Money trusts specifically managed for the Company and its domestic consolidated subsidiaries for trading purposes are valued at their year-end market prices.

Money trusts specifically managed for the Company and its domestic consolidated subsidiaries, other than those held for trading purposes, held to maturity and earmarked for underwriting reserves, are valued on the same basis as available-for-sale securities.

(2) Valuation policies and methods of derivative financial instruments

Derivative financial instruments are valued at fair value.

(3) Depreciation methods of significant depreciable assets

- (i) Depreciation of tangible fixed assets is computed using the straight-line method.
- (ii) Intangible fixed assets are amortized by the straight-line method. Capitalized software for internal use is amortized by the straight-line method over its estimated useful life.

(4) Accounting policies for significant reserves

- (i) Bad debt reserve

For domestic consolidated insurance subsidiaries, bad debt reserve is established under the internal standards for self-assessment of assets and the policy for write-off and provision.

Bad debt reserve for loans to debtors who are legally deemed to be insolvent due to bankruptcy or special liquidation, or whose notes are under suspension at clearing houses, and loans to debtors who are deemed to be substantially insolvent is provided based on the outstanding balance remaining after deducting the resale value of collateral and the amount collectible through guarantees.

Bad debt reserve for loans to debtors who are likely to become insolvent in the future is provided based on the outstanding balance remaining after deducting the resale value of collateral, the amount collectible through guarantees and the amount expected to be repaid by the debtors considering their overall ability to pay.

For loans other than those described above, bad debt reserve is calculated by multiplying the outstanding balances by the historical bad debt ratios.

Bad debt reserve for all loans and receivables is provided based on the assessment under the internal standards for self-assessment of assets. The assessment is performed by the departments responsible for the respective assets and the results are reviewed by independent internal audit departments.

For other domestic consolidated subsidiaries, bad debt reserve is established under their internal standards for self-assessment of assets and policies for provision similar to those of the domestic consolidated insurance subsidiaries.

For overseas consolidated subsidiaries, bad debt reserve is established based on the assessment of collectability of individual receivables.

(ii) Reserve for retirement benefits for officers

Reserve for retirement benefits that covers the cost of services rendered by officers and operating officers of MSI and MSAL up to the year ended March 31, 2005, the date on which the retirement benefit plans for officers were terminated, is established 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 reorganization by function

Reserve for reorganization by function is established based on the estimated costs to be incurred in the future associated with the reorganization by function at domestic consolidated insurance subsidiaries of the Company.

(v) 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

Actuarial gains and losses are amortized, commencing from the following year, using the straight-line method over a certain number of years (primarily 10 - 11 years) that do not exceed the expected average remaining service period of employees at the time of occurrence.

(6) Translation of foreign currency assets and liabilities

Foreign currency monetary assets and liabilities of the Company are translated into Japanese yen using the spot exchange rate prevailing at the year end. The foreign exchange gains and losses resulting from the translation are recognized in earnings. Foreign currency assets and liabilities of overseas consolidated subsidiaries are translated into Japanese yen using the spot exchange rate prevailing at their respective year ends, while shareholders' equity is translated at the historical rates. Income and expenses of overseas consolidated subsidiaries are translated into Japanese yen using the average exchange rate for the year. Differences arising from such translations are included in Foreign currency translation adjustments and Non-controlling interests in Net Assets.

(7) Accounting for consumption taxes

Consumption taxes received or paid by the Company and its major domestic consolidated subsidiaries are not included in income or expenses, except for those related to Loss adjustment expenses and Operating expenses and general and administrative expenses incurred by the domestic consolidated non-life insurance subsidiaries. Consumption taxes excluded from income and expenses are recorded at the net amount on the balance sheet.

Non-deductible consumption taxes are recognized as expenses for the period, except for those related to the purchase of depreciable fixed assets that are not charged to expenses but deferred as Other assets and amortized over a period of five years on a straight-line basis.

(8) Hedge accounting

Under Japanese GAAP, several methodologies are allowed for hedge accounting. Two fundamental approaches are the deferred hedge method and the fair value hedge method. Under the deferred hedge method, gains and losses on changes in fair value of derivative financial instruments are deferred and accounted for as a separate line item of net assets. Under the fair value hedge method, which is allowed only with respect to available-for-sale securities being the hedged items, gains and losses on changes in fair value of the hedging instruments are recognized in earnings together with the corresponding gains and losses of the hedged items attributable to the risks being hedged.

In addition, for certain derivative financial instruments, alternative treatments are permitted under Japanese GAAP. Assets and liabilities denominated in foreign currencies and hedged by foreign exchange forward contracts or currency swaps can be accounted for by the allocation method. Under this method, the foreign exchange forward contracts and currency swaps used as hedging instruments are not measured at fair value since gains and losses on the derivatives are assumed to be offset with changes in fair value of the corresponding hedged items, and hedged items are translated at the foreign exchange rates that are stipulated in the foreign exchange forward contracts or currency swaps (hedging instruments). Interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at fair value, but the differentials paid or received under the swap agreements are recognized and included in interest expense or income of the hedged items (the exceptional method).

For certain domestic consolidated insurance subsidiaries, gains and losses on equity forward contracts used for hedging risks of variability in the fair value of investments in equity securities are accounted for under 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 foreign currency borrowings 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 the application of the exceptional method, or when the interest rate and currency swap contracts meet the criteria for the application of the integrated method, hedge effectiveness is not assessed.

Certain interest rate swap contracts used for the ALM 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 the value of the hedged items and the hedging instruments offset each other within a certain range, in respect to changes in the interest rates.

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. 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, 2017	March 31, 2018
Accumulated depreciation	360,399	367,326
Accelerated depreciation	14,331	14,255

Note: As permitted under Japanese tax legislation for the purpose of deferral in recognizing taxable income, the acquisition cost of certain qualifying properties is reduced to offset the taxable income that resulted from the sales of assets to be replaced by the acquired assets or receipts of governmental subsidies provided for the acquisition of the new assets. The total amounts deducted from the original acquisition cost of the qualifying properties as of March 31, 2017 and March 31, 2018 were ¥14,331 million and ¥14,255 million, respectively. Accelerated depreciation deducted from the original acquisition cost due to receipts of governmental subsidies during the year ended March 31, 2018 was ¥11 million.

2. The carrying amounts of equity investments in unconsolidated subsidiaries and associates are as follows:

	Yen in millions	
	March 31, 2017	March 31, 2018
Investments in securities (Domestic stocks)	15,965	17,515
Investments in securities (Foreign securities)	143,840	237,385
Investments in securities (Other securities)	11,399	13,797

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, 2017	March 31, 2018
Loans to borrowers in bankruptcy	34	—
Overdue loans	536	272
Loans overdue for three months or more	539	473
Restructured loans	1,633	1,479
Total	2,744	2,225

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 that 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, 2017	March 31, 2018
Pledged assets:		
Investments in securities	285,275	346,777
Cash, deposits and savings	23,873	3,876
Money trusts	2,302	2,183

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, 2017	March 31, 2018
Corresponding debt obligations:		
Borrowings	8	—

5. The amounts of investments in securities loaned under securities lending agreements are as follows:

	Yen in millions	
	March 31, 2017	March 31, 2018
	603,759	667,614

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, 2017	March 31, 2018
Securities	210,947	168,651

Note: All securities 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, 2017	March 31, 2018
	2,553,766	2,420,333

8. Guarantees on transactions conducted by a limited partnership entity are as follows:

MSI provides guarantees on transactions conducted by a limited partnership entity. Aggregate net present value of these transactions was ¥192,303 million and ¥130,771 million, respectively in a negative liability position as of March 31, 2017 and March 31, 2018. These amounts were not included in Customers' liabilities under acceptances and guarantees or Acceptances and guarantees since there was no substantial exposure.

9. The unutilized balances of commitment lines to third parties are as follows:

	Yen in millions	
	March 31, 2017	March 31, 2018
	3,633	5,771

10. Information on financial instruments

(1) Qualitative information on financial instruments

(i) Policy on financial instruments

The Group applies ALM policies to maintain stability of investment returns, safety of assets and sufficient liquidity under an appropriate risk management framework to attain sustainable growth of the net asset value. In addition, the Group is exposed to investment risks such as market risks and credit risks and manages those risks in accordance with the risk management policies of the Group and each group company.

The Group's cash inflows which mainly arise from insurance operations and investment activities are affected by changes in external environment such as occurrences of natural disasters and changes in financial market conditions. To enhance efficiency of funds operations and strengthen financial capacity under such changing conditions, the Group undertakes to raise funds through the issuance of long-term or short-term corporate bonds or other financing methods as the needs arise.

(ii) Details of financial instruments and associated risks

The Group's financial assets mainly consist of securities including domestic bonds, domestic stocks and foreign securities, loans and other financial instruments. Risks pertaining to investments include market risks, credit risks, market liquidity risks and other risks. Market risks arise from fluctuations in interest rates, stock prices, foreign exchange rates and other market indicators. Credit risks arise from the deterioration in the financial condition of security issuers and counterparties of loans. Market liquidity risks represent the risks that investment assets are forced to be sold at extremely unfavorable prices under turmoil in the financial markets.

The Group utilizes derivative transactions represented by interest rate swaps, interest rate options, bond future contracts, equity index 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 to generate investment returns with consideration given to the associated risks.

For details of derivative transactions to which hedge accounting is applied, please refer to "Significant Accounting Policies, 5. Accounting policies, (8) Hedge accounting".

Derivative transactions involve risks associated with fluctuations in fair value of derivative financial instruments, risks of non-performance resulting from insolvency of counterparties and market liquidity risks. Derivative transactions utilized by the Group are also exposed to these risks. However, market risks associated with derivative transactions utilized for the purpose of hedging are mitigated, as changes in the fair value of hedged items and hedging instruments offset each other. To mitigate credit risks arising from the non-performance of counterparties, most of the Group's derivative transactions are executed only with select counterparties of high credit quality and diversified among various counterparties. Furthermore, under Credit Support Annex (CSA), the Group obtains collateral from counterparties.

(iii) Risk management structure related to financial instruments

The Group manages risks in accordance with the basic policy for risk management and internal policies for asset management risks, which stipulate the definition of risks and management method established by the Board of Directors. At major domestic consolidated insurance subsidiaries, the trading department is segregated from the back office and risk management departments, and maintains a structure that enables to exercise organizational checks and balances on a daily basis. The risk management department assesses, analyzes and manages risks related to financial instruments by quantifying market and credit risks using the Value-at-Risk (VaR) method and risk limit management based on asset and liability position, and regularly reports the results to the Board of Directors.

a. Market risk management

The Group maintains and operates a risk management structure taking into account the characteristics of each financial instrument in accordance with its internal policies for market risk management. In addition to monitoring of risk amount by quantifying risks using the VaR method as described above, major domestic consolidated insurance subsidiaries manage market risks through the assessment of potential risks that cannot be identified using the VaR method, analysis of sensitivity of existing assets to changes in interest rates, stock prices and foreign exchange rates and analysis of concentration and weakness of portfolio.

b. Credit risk management

The Group maintains and operates a risk management structure in accordance with its internal policies for credit risk management. For securities and derivative transactions at major domestic consolidated insurance subsidiaries, the trading and risk management departments manage credit risks of security issuers and derivative counterparties by regularly monitoring the credit information and fair values associated with the investment assets. For loans at MSI, ADI and MSPL, the trading and risk management departments maintain a credit risk management structure through credit screening, setting internal credit ratings and credit limits, managing credit information, requiring collaterals and guarantees where necessary, and resolving delinquent loans on an individual loan basis.

c. Liquidity risk management

The Group maintains and operates a funding and market liquidity risk management structure in accordance with internal policies for liquidity risk management. The Group's treasury management classifies funding needs into "ordinary" and "emergency" depending on the urgency level and oversees operation and management for the liquidity in each level, which gives the foremost consideration to the liquidity risk. The treasury management also ensures the diversification of fundraising activities to secure and maintain liquidity in various environments. The Group manages funding liquidity risks by holding a sufficient amount of cash, savings and deposits, and highly liquid securities such as government bonds, and regularly monitoring their aggregate amounts in case of unexpected events like catastrophes and the deterioration of funding liquidity arising from turmoil in the financial markets.

(iv) Supplementary explanation of matters related to the fair value of financial instruments and other information

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, 2017 and March 31, 2018 together with their differences. The following tables exclude financial instruments in which the fair values are not practically determinable (see Note 2).

Yen in millions

March 31, 2017	Carrying amount	Fair value	Difference
(i) Cash, deposits and savings	1,419,267	1,419,683	415
(ii) Call loans	15,000	15,000	—
(iii) Receivables under resale agreements	6,999	6,999	—
(iv) Receivables under securities borrowing transactions	285,455	285,455	—
(v) Monetary claims bought	111,320	111,320	—
(vi) Money trusts	971,119	971,119	—
(vii) Investments in securities:			
Trading securities	3,188,376	3,188,376	—
Held-to-maturity securities	1,032,755	1,223,936	191,181
Debt securities earmarked for underwriting reserves	1,697,252	1,721,469	24,216
Available-for-sale securities	9,071,223	9,071,223	—
(viii) Loans	886,316		
Bad debt reserve ^(*)	(347)		
	885,969	894,888	8,918
Total assets	18,684,739	18,909,472	224,732
Bonds issued	456,191	476,218	20,027
Total liabilities	456,191	476,218	20,027
Derivative transactions ^(*) :			
Hedge accounting not applied	19,113	19,113	—
Hedge accounting applied	23,924	23,924	—
Total derivative transactions	43,038	43,038	—

(*) 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.

Yen in millions

March 31, 2018	Carrying amount	Fair value	Difference
(i) Cash, deposits and savings	1,481,694	1,482,317	622
(ii) Call loans	—	—	—
(iii) Receivables under resale agreements	6,999	6,999	—
(iv) Receivables under securities borrowing transactions	309,644	309,644	—
(v) Monetary claims bought	140,133	140,133	—
(vi) Money trusts	1,043,506	1,043,506	—
(vii) Investments in securities:			
Trading securities	3,161,390	3,161,390	—
Held-to-maturity securities	1,046,667	1,249,687	203,019
Debt securities earmarked for underwriting reserves	2,068,105	2,113,846	45,741
Available-for-sale securities	9,471,689	9,471,689	—
(viii) Loans	892,599		
Bad debt reserve ^(*)	(138)		
	892,460	902,594	10,133
Total assets	19,622,293	19,881,809	259,516
Bonds issued	558,191	579,472	21,281
Total liabilities	558,191	579,472	21,281
Derivative transactions ^(*) :			
Hedge accounting not applied	21,556	21,556	—
Hedge accounting applied	18,689	18,689	—
Total derivative transactions	40,246	40,246	—

(*) 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 within a short period.

(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 within a short period.

(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 within a short period.

(v) Monetary claims bought

With regard to commercial papers (CP), the price quoted by counterparty financial institutions is deemed as the fair value. With regard to certain CP, the book value approximates the fair value since they are scheduled to be settled within a short period. 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, while the fair value of bonds is determined based on the price quoted by exchanges, independent price venders 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 that 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 or prices quoted by counterparty financial institutions.

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, 2017	March 31, 2018
Unlisted stocks and other assets invested in unconsolidated subsidiaries and associates	171,204	268,698
Other unlisted stocks	84,285	83,108
Unlisted investment trusts	12,651	22,093
Partnership investments comprised of unlisted stocks	45,354	31,213
Total	313,495	405,114

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, 2017	Yen in millions			
	Within 1 year	Over 1 to 5 years	Over 5 to 10 years	Over 10 years
Cash, deposits and savings	1,406,219	12,871	74	0
Call loans	15,000	—	—	—
Receivables under resale agreements	6,999	—	—	—
Receivables under securities borrowing transactions	285,455	—	—	—
Monetary claims bought	92,927	—	—	17,158
Investments in securities:				
Held-to-maturity securities				
Government bonds	—	—	100,200	778,000
Corporate bonds	7,007	14,500	23,502	88,400
Debt securities earmarked for underwriting reserves:				
Government bonds	—	—	—	202,900
Municipal bonds	—	400	—	5,500
Corporate bonds	5,400	12,800	600	61,750
Foreign securities	127	35,422	1,197,382	144,306
Available-for-sale securities with fixed maturities:				
Government bonds	124,604	689,350	670,230	934,464
Municipal bonds	8,084	54,200	84,344	91,700
Corporate bonds	170,348	607,913	407,042	120,055
Foreign securities	73,553	475,380	885,155	116,062
Loans ^(*)	91,763	256,513	348,725	122,403
Total	2,287,489	2,159,352	3,717,256	2,682,700

(*) The amounts in the above table do not include ¥692 million of loans in which repayments cannot be expected since the debtors are legally bankrupt, substantially bankrupt or likely to go bankrupt and ¥66,690 million of loans without fixed maturities.

March 31, 2018	Yen in millions			
	Within 1 year	Over 1 to 5 years	Over 5 to 10 years	Over 10 years
Cash, deposits and savings	1,463,957	17,664	—	0
Call loans	—	—	—	—
Receivables under resale agreements	6,999	—	—	—
Receivables under securities borrowing transactions	309,644	—	—	—
Monetary claims bought	126,538	—	—	12,748
Investments in securities:				
Held-to-maturity securities:				
Government bonds	—	—	119,900	780,400
Corporate bonds	5,200	9,300	28,002	84,100
Debt securities earmarked for underwriting reserves:				
Government bonds	—	—	—	395,400
Municipal bonds	—	400	—	6,600
Corporate bonds	6,100	9,433	1,550	82,400
Foreign securities	921	112,195	1,289,977	145,228
Available-for-sale securities with fixed maturities:				
Government bonds	123,716	788,304	438,420	936,104
Municipal bonds	7,917	55,293	112,024	85,450
Corporate bonds	157,786	696,269	418,208	76,075
Foreign securities	71,956	499,074	893,919	182,249
Loans ^(*)	80,331	288,305	341,592	114,612
Total	2,361,070	2,476,240	3,643,595	2,901,368

(*) The amounts in the above table do not include ¥365 million of loans in which repayments cannot be expected since the debtors are legally bankrupt, substantially bankrupt or likely to go bankrupt, and ¥67,710 million of loans without fixed maturities.

(Note 4) Maturity analysis of bonds issued

March 31, 2017	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	—	—	—	—	—	456,191
Total	—	—	—	—	—	456,191

March 31, 2018	Yen in millions					
	Within 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Over 5 years
Bonds issued	—	—	—	—	22,000	536,191
Total	—	—	—	—	22,000	536,191

11. 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, 2017	March 31, 2018
Carrying amount	80,378	75,405
Fair value	138,665	136,583

Notes:

1. Carrying amount represents the acquisition cost less accumulated depreciation.

2. Fair value is primarily determined based on the appraisal values provided by qualified external appraisers. With respect to the properties with no substantial changes in their appraisal values or indices that were considered to appropriately reflect market prices since most recent appraisal dates, the fair value is determined based on these appraisal values or the values adjusted by the relevant indices.

12. Business combination

(Business combination through acquisition)

Mitsui Sumitomo Insurance Company, Limited ("MSI"), a consolidated subsidiary of the Company, acquired shares of First Capital Insurance Limited ("FC"). FC is the largest non-life insurance company in Singapore and was affiliated with Fairfax Financial Holdings Limited ("Fairfax"), a leading insurance and financial services group in Canada. As a result of this acquisition, FC became a subsidiary of MSI and was renamed to MS First Capital Insurance Limited ("MSFC").

(1) Overview of business combination

(i) Name and business description of acquired company

Name of acquired company: First Capital Insurance Limited

Description of business: Non-life insurance business

(ii) Primary reasons for business combination

With the acquisition of FC, MSI aims to achieve high growth and enhance profitability in Singapore market, maintain and develop its leading position in the ASEAN market, and realize further growth in the global market through its partnership with Fairfax.

(iii) Date of business combination

December 28, 2017 (deemed date of acquisition: December 31, 2017)

(iv) Legal form of business combination

Acquisition of shares

(v) Name of acquired company after the business combination

MS First Capital Insurance Limited

(vi) Percentage share of voting rights acquired

97.7%

(vii) Primary reasons for determination of controlling company

MSI is the controlling entity, as MSI acquired 97.7% of the voting rights of FC.

(2) Period of the acquired company's financial results included in the consolidated financial statements

The acquired company's fiscal year end is December 31 and the intervening period does not exceed three months from the Company's fiscal year end, therefore the Company uses the financial statements of the acquired company as of December 31, 2017 for consolidation purposes. The acquired company's financial results are not included in the consolidated statement of income for the year ended March 31, 2018, because the deemed acquisition date was December 31, 2017 and only the balance sheet as of December 31, 2017 is consolidated.

(3) Acquisition cost and breakdown by class of consideration

	SGD in millions
Consideration for acquisition	Cash 2,214
Total acquisition cost	2,214

(4) Description and amount of major acquisition-related costs

Advisory fee and others ¥1,057 million

(5) Amount and source of goodwill and amortization method and period

(i) Amount of goodwill

SGD 901 million

(ii) Source of goodwill

The investment amount 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 the acquisition date and their major components

	SGD in millions
Cash, deposits and savings	1,177
Intangible fixed assets	679
Other assets	901
Total assets	2,757
Policy liabilities	1,090
Other liabilities	336
Total liabilities	1,426

(7) Details of contingent consideration specified in the agreement of business combination and accounting policy after the completion of business combination during the current fiscal year

(i) Details of contingent consideration

As per the business combination agreement, the contingent consideration for the acquisition will be increased or decreased based on the revaluation at some point in the future in relation to the acquired company's insurance liabilities at the date of the business combination.

(ii) Accounting policy after the completion of business combination during the current fiscal year

If there is increase or decrease in the consideration for acquisition, the acquisition price as well as amount of goodwill and amortization of goodwill are adjusted accordingly.

13. The amounts of net assets per share are as follows:

	March 31, 2017	March 31, 2018
Net assets per share (in Yen)	4,572.82	4,964.64
Stock acquisition rights deducted from net assets (in Yen million)	307	566
Non-controlling interests deducted from net assets (in Yen million)	25,147	26,709
Outstanding common shares (in thousands)	592,407	592,411

14. Significant subsequent events

Mitsui Sumitomo Insurance Company, Limited ("MSI"), a subsidiary of the Company, reached an agreement with Colonial Mutual Life Assurance Society Limited ("CMLA"), a life insurance subsidiary of a leading Australian bank, Commonwealth Bank of Australia, on May 22, 2018, to purchase from CMLA 37.5% shares in BoCommLife Insurance Company Limited, a China-based subsidiary of Bank of Communications Co., Ltd. ("BoComm").

- (1) Objectives of the investment
MSI aims to enhance profitability and achieve further risk diversification by entering into China's life insurance market; secure strong business base in the country's life insurance market by partnering with BoComm (one of the major five Chinese banks); and develop a strong, stable and lasting bancassurance channel.
- (2) Name of the counterparty of the share acquisition
Colonial Mutual Life Assurance Society Limited
- (3) Name, business and size of the company whose shares are acquired
Company name: BoCommLife Insurance Company Limited
Business: Life insurance business
Company size as at the end of December 2017: Total assets RMB 33,256 million
- (4) Investment amount and shareholding ratio after the acquisition
Investment amount: RMB 4.325 billion
Shareholding ratio after the acquisition: 37.5%
- (5) Scheduled date of the share acquisition
Subject to the receipt of approvals from the relevant authorities, etc.
- (6) Source of fund
Cash on hand held by MSI

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, 2017	For the year ended March 31, 2018
3	(1,881)

2. The amounts of foreign exchange gains/(losses) included in other investment income/(expenses) are as follows:

Yen in millions	
For the year ended March 31, 2017	For the year ended March 31, 2018
36,938	(118,752)

3. Major components of business expenses are as follows:

Yen in millions	
For the year ended March 31, 2017	For the year ended March 31, 2018
Commission expenses	659,449
Salaries	301,507

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, 2017

			Yen in millions		
			Impairment losses on fixed assets		
Use	Category	Description		Breakdown	
Investment properties	Land and buildings	4 properties, including a building for rent in Saitama	4	Land	2
				Buildings	1
Idle real estate and real estate for sale	Land and buildings	35 properties, including an office building in Aichi	2,925	Land	788
				Buildings	1,971
				Other	166
Other	Other intangible fixed assets	Software related to insurance business operations held by overseas consolidated subsidiaries	2,582	—	—

Fixed assets used for the insurance business operations are grouped as a single asset group by each consolidated 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 land and buildings in the above table were to be disposed in the near future, the aggregate difference between the carrying amounts of the assets 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 other intangible fixed assets, the portion of carrying amounts of the software being developed by overseas consolidated subsidiaries, which there is no definite plan to use with at present, is recognized as impairment losses.

For the year ended March 31, 2018

Use	Category	Description	Yen in millions		
			Impairment losses on fixed assets		
			Breakdown		
Fixed assets used for insurance business operations	Buildings, other tangible fixed assets and software	Software and others held by domestic consolidated subsidiary (au Insurance Company Limited)	1,094	Buildings	42
				Other tangible fixed assets	89
				Software	962
Investment properties	Land and buildings	6 properties, including a building for rent in Chiba	186	Land	43
				Buildings	142
Idle real estate and real estate for sale and others	Land and buildings	25 properties, including an office building in Tokyo	1,792	Land	597
				Buildings	1,195
Other (idle assets)	Software and others	Software and others held by overseas consolidated subsidiaries	1,163	Other tangible fixed assets	291
				Software	872
—	Software, goodwill and other intangible fixed assets	Goodwill and others related to telematics automobile insurance business operations in the UK	10,487	Software	1,534
				Goodwill	5,677
				Other intangible fixed assets	3,276

Fixed assets used for the insurance business operations are grouped as a single asset group by each consolidated insurance company. Other assets such as investment properties, idle assets and assets for sale are grouped on an individual basis.

For fixed assets used for the insurance business operations, the entire carrying amount is recognized as impairment losses on fixed assets under Extraordinary losses because income from business operations of au Insurance Company Limited, a domestic consolidated subsidiary of the Company, has continuously shown negative amount indicating that the carrying amount of the relevant asset (asset group) may not be recoverable.

As the investment properties, idle real estate and assets for sale in the above table were to be disposed in the near future or determined to be torn down, the aggregate difference between the carrying amounts of the assets and recoverable amounts was recognized as impairment losses on fixed assets under Extraordinary losses.

The recoverable amounts of assets to be disposed represent their net sales value, which are determined based on the appraisal value provided by qualified appraisers, while the recoverable amounts of assets determined to be torn down represent their residual value.

For other idle assets, the portion of carrying amounts of the software being held by overseas consolidated subsidiaries, which there is no definite plan to use with, is recognized as impairment losses.

During the review of the Company's business plan, an impairment test was conducted for goodwill related to telematics automobile insurance business operations in the UK. As a result of the test, the aggregate difference between the carrying amounts of the assets and recoverable amounts was recognized as impairment losses on fixed assets under Extraordinary losses. The recoverable amounts are measured by value in use, determined by discounting the future cash flows at 10.5%.

5. Details of Other extraordinary losses are as follows:

For the year ended March 31, 2017

Other extraordinary losses represent costs for reorganization by function such as system development costs recognized at domestic consolidated insurance subsidiaries of the Company in the amount of ¥26,337 million (including a provision for reserve for reorganization by function of ¥22,097 million) and costs for reorganization recognized at overseas consolidated subsidiaries in the amount of ¥5,319 million.

6. The amounts of net income/(loss) attributable to owners of the parent per share are as follows:

	For the year ended March 31, 2017	For the year ended March 31, 2018
Basic net income/(loss) attributable to owners of the parent per share (in Yen)	350.94	260.04
Diluted net income/(loss) attributable to owners of the parent per share (in Yen)	350.90	259.98

Note: The basis of calculation is as follows:

	For the year ended March 31, 2017	For the year ended March 31, 2018
Net income/(loss) attributable to owners of the parent (Yen in millions)	210,447	154,057
Average outstanding common stock during the year (in thousands of shares)	599,655	592,418
Increase in number of common stock used for calculation of diluted net income/(loss) attributable to owners of the parent (in thousands of shares)	74	147

NOTES TO CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

1. Reclassification adjustments and income tax effects of other comprehensive income/(loss)

	Yen in millions	
	2017	2018
Net unrealized gains/(losses) on investments in securities:		
Gains/(losses) arising during the period	114,896	317,048
Reclassification adjustments	(80,311)	(141,917)
Before income tax effect adjustments	34,585	175,131
Income tax effects	(920)	(51,449)
Net unrealized gains/(losses) on investments in securities	33,664	123,681
Net deferred gains/(losses) on hedges:		
Gains/(losses) arising during the period	(13,289)	833
Reclassification adjustments	(5,208)	(5,368)
Before income tax effect adjustments	(18,498)	(4,535)
Income tax effects	1,857	1,218
Net deferred gains/(losses) on hedges	(16,640)	(3,316)
Foreign currency translation adjustments:		
Gains/(losses) arising during the period	(114,654)	23,348
Actuarial gains/(losses) on retirement benefits:		
Gains/(losses) arising during the period	(4,129)	7,923
Reclassification adjustments	3,786	4,091
Before income tax effect adjustments	(343)	12,014
Income tax effects	(730)	(3,290)
Actuarial gains/(losses) on retirement benefits	(1,073)	8,723
Share of other comprehensive income/(loss) of equity method investments:		
Gains/(losses) arising during the period	3,337	6,063
Reclassification adjustments	(2,039)	(1,288)
Share of other comprehensive income/(loss) of equity method investments	1,298	4,775
Total other comprehensive income/(loss)	(97,405)	157,211

NOTES TO CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

For the year ended March 31, 2017

1. Type and number of issued stock and treasury stock

	in thousands of shares			Ending balance
	Beginning balance	Increase	Decrease	
Issued stock:				
Common stock	633,291	—	—	633,291
Total	633,291	—	—	633,291
Treasury stock:				
Common stock	29,618	11,265	0	40,884
Total	29,618	11,265	0	40,884

Notes:

1. The increase in the number of treasury common stock during the year was 11,265 thousand shares, as a result of open market repurchases of 11,250 thousand shares and repurchases of 14 thousand fractional shares.
2. The decrease in the number of treasury common stock during the year was 0 thousand shares, as a result of sales of fractional stock.

2. Stock acquisition rights

Category	Breakdown	Yen in millions
		Ending balance
Filer	Stock acquisition rights as stock options	307
Total		307

3. Dividends

(1) Dividends paid

Resolution	Type of shares	Aggregate amount of dividends (Yen in millions)	Dividends per share (in Yen)	Date of record	Effective date
General shareholders' meeting held on June 22, 2016	Common stock	33,202	55	March 31, 2016	June 23, 2016
Board meeting held on November 18, 2016	Common stock	30,021	50	September 30, 2016	December 6, 2016

Note: Date of record is the date to determine shareholders who are entitled to receive dividends.

(2) Dividends declared effective after March 31, 2017 for which the date of record is in the year ended March 31, 2017

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 26, 2017	Common stock	41,468	Retained earnings	70	March 31, 2017	June 27, 2017

Note: Date of record is the date to determine shareholders who are entitled to receive dividends.

For the year ended March 31, 2018

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	—	40,000	593,291
Total	633,291	—	40,000	593,291
Treasury stock:				
Common stock	40,884	19	40,022	880
Total	40,884	19	40,022	880

Notes:

1. The decrease in the number of issued common stock during the year was 40,000 thousand shares, as a result of the cancellation of treasury stock.
2. The increase in the number of treasury common stock during the year was 19 thousand shares, as a result of the repurchase of fractional stock.
3. The decrease in the number of treasury common stock during the year was 40,022 thousand shares, as a result of the cancellation of treasury stock of 40,000 thousand shares, exercise of stock acquisition rights of 21 thousand shares, and sales of 0 thousand fractional shares.

2. Stock acquisition rights

Category	Breakdown	Yen in millions
		Ending balance
Filer	Stock acquisition rights as stock options	566
Total		566

3. Dividends

(1) Dividends paid

Resolution	Type of shares	Aggregate amount of dividends	Dividends per share	Date of record	Effective date
		(Yen in millions)	(in Yen)		
General shareholders' meeting held on June 26, 2017	Common stock	41,468	70	March 31, 2017	June 27, 2017
Board meeting held on November 17, 2017	Common stock	38,507	65	September 30, 2017	December 5, 2017

Note: Date of record is the date to determine shareholders who are entitled to receive dividends.

(2) Dividends declared effective after March 31, 2018 for which the date of record is in the year ended March 31, 2018

Resolution	Type of shares	Aggregate amount of dividends	Source of dividends	Dividends per share	Date of record	Effective date
		(Yen in millions)		(in Yen)		
General shareholders' meeting to be held on June 25, 2018	Common stock	38,506	Retained earnings	65	March 31, 2018	June 26, 2018

Note: Date of record is the date to determine shareholders who are entitled to receive dividends.

4. Put options granted to non-controlling interests

Aioi Nissay Dowa Insurance Company of Europe Limited granted put options for shares of Box Innovation Group Limited ("BIG"), its consolidated subsidiary, to its non-controlling shareholders. The changes in the redemption value of such options were recognized as increase/decrease in Capital surplus.

5. Adjustments of retained earnings pertaining to the US tax reform

The consolidated subsidiaries of the Company located in the United States adopted ASU 2018-02 Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects From Accumulated Other Comprehensive Income. The effect of the decrease in the US federal corporate income tax rate resulting from the Tax Cuts and Jobs Act is reclassified from accumulated other comprehensive income to retained earnings for the year ended March 31, 2018.

NOTES TO CONSOLIDATED STATEMENTS OF CASH FLOWS

1. Reconciliation of balance sheet items to cash and cash equivalents

	Yen in millions	
	2017	2018
Cash, deposits and savings	1,419,267	1,481,694
Call loans	15,000	–
Receivables under resale agreements	6,999	6,999
Monetary claims bought	111,320	140,133
Investments in securities	15,303,103	16,152,966
Time deposits with original maturity of more than three months	(161,987)	(253,539)
Monetary claims bought other than cash equivalents	(61,279)	(94,551)
Investments in securities other than cash equivalents	(15,216,521)	(16,110,197)
Cash and cash equivalents	1,415,903	1,323,506

2. Major components of assets and liabilities of newly consolidated subsidiaries due to acquisition of shares

For the year ended March 31, 2018

MSFC 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 MSFC's shares and net consideration paid for acquisition of MSFC are as follows:

	Yen in millions
Cash, deposits and savings	99,525
Intangible fixed assets	57,394
Other assets	76,084
	233,003
Goodwill	76,149
Policy liabilities	(92,155)
Other liabilities	(28,352)
Total liabilities	(120,507)
Foreign currency translation adjustments	(2,519)
Non-controlling interests	(2,576)
Acquisition cost of MSFC's shares	183,549
Less: Cash and cash equivalents held at MSFC	99,525
Net consideration paid for acquisition of MSFC	84,024

3. 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, 2017 and 2018, and the consolidated statements of income, comprehensive income, changes in net assets and 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 ("Japanese GAAP"), 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, 2017 and 2018, and their financial performance and cash flows for the years then ended in accordance with Japanese GAAP.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2018 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 25, 2018
Tokyo, Japan

KPMG AZSA LLC, a limited liability entity, 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

Items	Yen in millions	
	March 31, 2017	March 31, 2018
(Assets)		
Cash, deposits and savings:	¥ 389,027	¥ 421,714
Cash on hand	81	76
Deposits in banks	388,945	421,638
Receivables under resale agreements	6,999	6,999
Monetary claims bought	20,393	13,598
Money trusts	3,500	3,728
Investments in securities:	5,294,691	5,635,635
Government bonds	1,263,321	1,192,826
Municipal bonds	88,898	88,038
Corporate bonds	495,736	524,990
Domestic stocks	1,806,870	1,937,182
Foreign securities	1,604,888	1,854,804
Other securities	34,974	37,792
Loans:	418,146	393,362
Policy loans	7,672	7,133
General loans	410,474	386,228
Tangible fixed assets:	210,723	205,648
Land	77,391	76,499
Buildings	122,668	117,734
Construction in progress	390	569
Other tangible fixed assets	10,272	10,846
Intangible fixed assets:	40,105	45,317
Software	21,902	13,726
Other intangible fixed assets	18,203	31,591
Other assets:	352,144	328,137
Premiums receivable	3,330	4,122
Due from agencies	117,841	120,062
Co-insurance accounts receivable	9,257	7,407
Reinsurance accounts receivable	56,073	53,454
Foreign reinsurance accounts receivable	37,979	26,634
Agency business accounts receivable	619	534
Other receivables	38,881	41,300
Accrued income	6,228	6,059
Guarantee deposits	10,565	10,293
Deposits with the Japan Earthquake Reinsurance Company	6,019	6,457
Suspense payments	38,488	35,327
Initial margins for future transactions	–	316
Derivative financial instruments	25,651	15,052
Cash collateral pledged under derivative transactions	300	326
Other assets	907	784
Customers' liabilities under acceptances and guarantees	45,520	47,243
Bad debt reserve	(4,175)	(3,169)
Total assets	¥6,777,076	¥7,098,216

Yen in millions

Items	March 31, 2017	March 31, 2018
(Liabilities)		
Policy liabilities:	¥3,960,687	¥3,893,910
Outstanding claims	643,446	641,711
Underwriting reserves	3,317,241	3,252,198
Bonds issued	256,191	386,191
Other liabilities:	515,281	507,840
Co-insurance accounts payable	11,120	11,571
Reinsurance accounts payable	63,397	55,662
Foreign reinsurance accounts payable	28,144	22,483
Agency business accounts payable	12	12
Borrowings	196,767	196,767
Income taxes payable	39,277	48,653
Deposits received	32,469	61,793
Unearned income	31	34
Other payables	48,854	44,734
Suspense receipts	23,286	22,259
Derivative financial instruments	1,649	2,557
Cash collateral received under derivative transactions	62,168	34,218
Lease obligations	1,399	1,372
Asset retirement obligations	3,831	3,862
Other liabilities	2,869	1,858
Reserve for pension and retirement benefits	136,186	139,476
Reserve for retirement benefits for officers	612	516
Accrued bonuses for employees	10,453	10,145
Reserve for reorganization by function	3,015	2,261
Reserves under the special laws:	67,801	71,813
Reserve for price fluctuation	67,801	71,813
Deferred tax liabilities	136,275	161,817
Acceptances and guarantees	45,520	47,243
Total liabilities	5,132,025	5,221,215
(Net assets)		
Common stock	139,595	139,595
Capital surplus:	93,107	93,107
Additional paid-in capital	93,107	93,107
Retained earnings:	443,975	589,634
Legal earned reserve	46,487	46,487
Other retained earnings:	397,487	543,146
Tax-exempted reserve for accelerated depreciation	15,840	15,503
Retained earnings brought forward	381,647	527,643
Total shareholders' equity	676,678	822,337
Net unrealized gains/(losses) on investments in securities	932,995	1,022,583
Net deferred gains/(losses) on hedges	35,377	32,079
Total valuation and translation adjustments	968,372	1,054,662
Total net assets	1,645,050	1,877,000
Total liabilities and net assets	¥6,777,076	¥7,098,216

MITSUI SUMITOMO INSURANCE CO., LTD. (NON-CONSOLIDATED) **Non-Consolidated Statements of Income**

Items	Yen in millions	
	Year ended March 31, 2017	Year ended March 31, 2018
Ordinary income:	¥1,772,858	¥1,859,915
Underwriting income:	1,609,647	1,654,780
Net premiums written	1,470,122	1,494,362
Deposit premiums from policyholders	70,040	60,092
Investment income on deposit premiums from policyholders	35,508	33,443
Reversal of outstanding claims	6,283	1,734
Reversal of underwriting reserves	27,649	65,042
Other underwriting income	44	104
Investment income:	159,029	199,914
Interest and dividends income	116,792	105,107
Investment gains on money trusts	517	239
Gains on sales of securities	71,738	122,213
Gains on redemption of securities	304	592
Gains on derivative transactions	4,405	4,564
Other investment income	780	640
Transfer of investment income on deposit premiums from policyholders	(35,508)	(33,443)
Other ordinary income	4,181	5,220
Ordinary expenses:	1,557,316	1,597,363
Underwriting expenses:	1,319,905	1,357,678
Net claims paid	811,476	836,385
Loss adjustment expenses	87,834	87,345
Commissions and collection expenses	251,720	259,174
Maturity refunds to policyholders	167,151	173,672
Dividends to policyholders	466	244
Foreign exchange losses	736	470
Other underwriting expenses	519	385
Investment expenses:	11,968	9,391
Investment losses on money trusts	9	–
Losses on sales of securities	4,469	3,360
Impairment losses on securities	497	1,031
Losses on redemption of securities	447	237
Foreign exchange losses	1,624	1,869
Other investment expenses	4,920	2,892
Operating expenses and general and administrative expenses	217,601	222,577
Other ordinary expenses:	7,840	7,714
Interest expense	6,325	6,721
Provision for bad debts	1,160	–
Losses on bad debts	9	1
Other ordinary expenses	345	991
Ordinary profit	215,542	262,552
Extraordinary income:	1,379	7,207
Gains on sales of fixed assets	1,379	7,207
Extraordinary losses:	8,479	5,636
Losses on sales of fixed assets	700	763
Impairment losses on fixed assets	489	860
Provision for reserves under the special laws:	3,667	4,011
Provision for reserve for price fluctuation	3,667	4,011
Other extraordinary losses	3,621	–
Income before income taxes	208,442	264,123
Income taxes – current	56,972	73,452
Income taxes – deferred	(13,098)	(7,566)
Total income taxes	43,874	65,885
Net income	¥ 164,568	¥ 198,237

Non-Consolidated Solvency Margin Ratio

Insurance companies running their business in Japan calculate the non-consolidated solvency margin ratio pursuant to the provisions of Articles 86 and 87 of the Insurance Business Act Enforcement Regulations and Public Notice No. 50 issued by the Ministry of Finance in 1996.

While insurance companies set aside reserves to provide for payments of insurance claims should an insured event occur, they are also required to maintain sufficient funds to pay out in an event outside the normal range of estimates such as a major catastrophe and a significant drop in the value of their assets.

The non-consolidated solvency margin ratio, or item (C) in each of the tables below, which is calculated in accordance with the Insurance Business Act, is the ratio of “solvency margin of insurance companies calculated based on their capital and other reserves”, or (A) the total amount of solvency margin, to “risks exceeding the normal range of estimates”, or (B) the total amount of risks.

The non-consolidated solvency margin ratio is one of the objective indicators used by the insurance regulatory authorities to supervise insurance companies. A non-consolidated solvency margin ratio of 200% or over indicates adequate ability to satisfy insurance claims and other payment requirements.

	Yen in millions	
	March 31, 2017	March 31, 2018
(A) Total amount of solvency margin	¥2,840,438	¥3,293,687
Total net assets	639,997	769,056
Reserve for price fluctuation	67,801	71,813
Contingency reserve	589	—
Catastrophe reserve	536,735	552,914
General bad debt reserve	156	156
Net unrealized gains/(losses) on investments in securities and net deferred gains/(losses) on hedges (prior to tax effect deductions)	1,164,861	1,276,455
Net unrealized gains/(losses) on land	45,296	50,064
Excess of policyholders' contract deposits (a)	—	—
Subordinated debts, etc. (b)	256,191	386,191
Amount excluded from the margin, out of (a) and (b)	—	—
Deductions	14,646	6,642
Others	143,455	193,676
(B) Total amount of risks $\sqrt{(R_1+R_2)^2+(R_3+R_4)^2}+R_5+R_6$	863,472	939,444
General insurance risk (R_1)	125,601	128,268
Insurance risk of third sector insurance contracts (R_2)	—	—
Assumed interest rate risk (R_3)	16,637	15,571
Asset management risk (R_4)	696,215	771,448
Business administration risk (R_5)	19,178	20,731
Catastrophe risk (R_6)	120,461	121,308
(C) Solvency margin ratio $[(A) / \{(B) \times 1/2\}] \times 100$	657.9%	701.1%

AIOI NISSAY DOWA INSURANCE CO., LTD. (NON-CONSOLIDATED)

Non-Consolidated Balance Sheets

Items	Yen in millions	
	March 31, 2017	March 31, 2018
(Assets)		
Cash, deposits and savings:	¥ 172,323	¥ 165,103
Cash on hand	21	20
Deposits in banks	172,302	165,083
Call loans	15,000	–
Money trusts	2,502	2,383
Investments in securities:	2,577,087	2,597,124
Government bonds	670,598	640,924
Municipal bonds	20,726	21,152
Corporate bonds	279,472	263,257
Domestic stocks	843,368	922,714
Foreign securities	707,044	684,083
Other securities	55,876	64,991
Loans:	210,917	200,051
Policy loans	3,384	3,063
General loans	207,533	196,987
Tangible fixed assets:	174,597	171,168
Land	76,916	75,219
Buildings	86,506	84,234
Lease assets	29	14
Construction in progress	1,187	1,484
Other tangible fixed assets	9,957	10,216
Intangible fixed assets:	19,679	27,524
Software	14,633	9,325
Other intangible fixed assets	5,045	18,199
Other assets:	276,730	296,367
Premiums receivable	2,639	2,416
Due from agencies	79,671	78,533
Due from foreign agencies	800	931
Co-insurance accounts receivable	3,813	3,379
Reinsurance accounts receivable	54,357	53,568
Foreign reinsurance accounts receivable	49,319	72,006
Agency business accounts receivable	65	70
Other receivables	40,227	38,706
Accrued income	7,916	7,086
Guarantee deposits	7,061	6,821
Deposits with the Japan Earthquake Reinsurance Company	3,961	4,228
Suspense payments	23,333	24,122
Derivative financial instruments	3,563	4,496
Prepaid pension expenses	27,150	23,672
Deferred tax assets	16,329	–
Customers' liabilities under acceptances and guarantees	7,530	4,500
Bad debt reserve	(1,584)	(1,226)
Total assets	¥3,498,264	¥3,486,669

Yen in millions

Items	March 31, 2017	March 31, 2018
(Liabilities)		
Policy liabilities:	¥2,425,101	¥2,483,038
Outstanding claims	526,764	572,979
Underwriting reserves	1,898,337	1,910,058
Bonds issued	50,000	22,000
Other liabilities:	154,423	159,007
Co-insurance accounts payable	3,966	3,245
Reinsurance accounts payable	57,124	49,207
Foreign reinsurance accounts payable	21,389	36,314
Agency business accounts payable	1,478	1,550
Borrowings	8	–
Income taxes payable	17,290	17,450
Deposits received	2,888	3,049
Unearned income	18	13
Other payables	26,495	28,407
Suspense receipts	18,807	18,014
Derivative financial instruments	4,264	911
Lease obligations	30	14
Asset retirement obligations	661	829
Other liabilities	0	0
Reserve for pension and retirement benefits	22,840	26,891
Accrued bonuses for employees	5,919	5,859
Reserve for reorganization by function	2,288	1,527
Reserves under the special laws:	37,114	1,688
Reserve for price fluctuation	37,114	1,688
Deferred tax liabilities	–	1,090
Acceptances and guarantees	7,530	4,500
Total liabilities	2,705,218	2,705,604
(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:	237,071	172,552
Legal earned reserve	47,411	47,411
Other retained earnings:	189,660	125,141
Retained earnings brought forward	189,660	125,141
Total shareholders' equity	418,284	353,765
Net unrealized gains/(losses) on investments in securities	374,762	427,298
Total valuation and translation adjustments	374,762	427,298
Total net assets	793,046	781,064
Total liabilities and net assets	¥3,498,264	¥3,486,669

AIOI NISSAY DOWA INSURANCE CO., LTD. (NON-CONSOLIDATED)

Non-Consolidated Statements of Income

Items	Yen in millions	
	Year ended March 31, 2017	Year ended March 31, 2018
Ordinary income:	¥1,304,987	¥1,335,258
Underwriting income:	1,246,626	1,265,331
Net premiums written	1,200,525	1,222,017
Deposit premiums from policyholders	28,506	26,278
Investment income on deposit premiums from policyholders	17,365	16,728
Other underwriting income	228	307
Investment income:	52,058	61,019
Interest and dividends income	55,409	58,498
Investment gains on money trusts	1	2
Gains on sales of securities	13,349	18,718
Gains on redemption of securities	425	462
Other investment income	238	66
Transfer of investment income on deposit premiums from policyholders	(17,365)	(16,728)
Other ordinary income	6,302	8,906
Ordinary expenses:	1,229,799	1,329,641
Underwriting expenses:	1,026,167	1,087,152
Net claims paid	648,618	660,699
Loss adjustment expenses	60,829	62,886
Commissions and collection expenses	223,848	234,977
Maturity refunds to policyholders	69,648	67,427
Dividends to policyholders	59	38
Provision for outstanding claims	15,205	46,214
Provision for underwriting reserves	5,077	11,721
Foreign exchange losses	1,562	10
Other underwriting expenses	1,318	3,175
Investment expenses:	14,439	57,877
Losses on sales of securities	4,298	3,189
Impairment losses on securities	4,919	49,040
Losses on redemption of securities	370	499
Losses on derivative transactions	4,102	3,572
Foreign exchange losses	125	507
Other investment expenses	622	1,067
Operating expenses and general and administrative expenses	186,846	182,720
Other ordinary expenses:	2,345	1,891
Interest expense	755	571
Provision for bad debts	295	–
Losses on bad debts	0	0
Other ordinary expenses	1,294	1,319
Ordinary profit	75,188	5,616
Extraordinary income:	2,644	37,778
Gains on sales of fixed assets	2,644	2,352
Reversal of reserves under the special laws:	–	35,425
Reversal of reserve for price fluctuation	–	35,425
Extraordinary losses:	11,015	6,599
Losses on sales of fixed assets	1,922	4,609
Impairment losses on fixed assets	5,709	1,979
Provision for reserves under the special laws:	589	–
Provision for reserve for price fluctuation	589	–
Losses on reduction of tangible fixed assets	–	11
Other extraordinary losses	2,795	–
Income before income taxes	66,816	36,794
Income taxes – current	17,097	24,465
Income taxes – deferred	(672)	(3,291)
Total income taxes	16,425	21,173
Net income	¥ 50,391	¥ 15,620

Non-Consolidated Solvency Margin Ratio

Yen in millions

	March 31, 2017	March 31, 2018
(A) Total amount of solvency margin	¥1,332,714	¥1,268,359
Total net assets	398,099	324,431
Reserve for price fluctuation	37,114	1,688
Contingency reserve	747	747
Catastrophe reserve	318,711	347,678
General bad debt reserve	296	199
Net unrealized gains/(losses) on investments in securities and net deferred gains/(losses) on hedges (prior to tax effect deductions)	455,477	521,401
Net unrealized gains/(losses) on land	14,099	18,026
Excess of policyholders' contract deposits (a)	—	—
Subordinated debts, etc. (b)	50,000	17,600
Amount excluded from the margin, out of (a) and (b)	—	—
Deductions	10,743	3,824
Others	68,911	40,411
(B) Total amount of risks $\sqrt{(R_1+R_2)^2+(R_3+R_4)^2}+R_5+R_6$	312,981	323,538
General insurance risk (R_1)	103,370	105,821
Insurance risk of third sector insurance contracts (R_2)	—	—
Assumed interest rate risk (R_3)	8,387	7,831
Asset management risk (R_4)	221,083	229,683
Business administration risk (R_5)	7,728	7,977
Catastrophe risk (R_6)	53,574	55,539
(C) Solvency margin ratio $[(A) / \{(B) \times 1/2\}] \times 100$	851.6%	784.0%

MITSUI DIRECT GENERAL INSURANCE CO., LTD. (NON-CONSOLIDATED)

Non-Consolidated Balance Sheets

Items	Yen in millions	
	March 31, 2017	March 31, 2018
(Assets)		
Cash, deposits and savings:	¥12,180	¥18,067
Deposits in banks	12,180	18,067
Investments in securities:	39,510	33,621
Government bonds	1,865	1,656
Municipal bonds	21,537	21,136
Corporate bonds	16,107	10,828
Tangible fixed assets:	367	377
Buildings	56	50
Other tangible fixed assets	310	327
Intangible fixed assets:	2,307	3,307
Software	2,217	2,207
Other intangible fixed assets	89	1,100
Other assets:	5,625	6,124
Premiums receivable	0	0
Other receivables	3,330	3,756
Accrued income	58	52
Guarantee deposits	352	352
Suspense payments	1,880	1,961
Other assets	2	1
Bad debt reserve	(4)	(9)
Total assets	¥59,987	¥61,489
(Liabilities)		
Policy liabilities:	44,851	45,870
Outstanding claims	24,157	24,796
Underwriting reserves	20,693	21,073
Other liabilities:	1,254	1,422
Reinsurance accounts payable	1	1
Income taxes payable	119	224
Other payables	1,101	1,171
Suspense receipts	14	7
Asset retirement obligations	17	17
Reserve for pension and retirement benefits	52	104
Accrued bonuses for employees	262	263
Reserves under the special laws:	56	63
Reserve for price fluctuation	56	63
Deferred tax liabilities	119	93
Total liabilities	46,596	47,819
(Net assets)		
Common stock	39,106	39,106
Capital surplus:	9,006	9,006
Additional paid-in capital	9,006	9,006
Retained earnings:	(34,820)	(34,492)
Other retained earnings:	(34,820)	(34,492)
Retained earnings brought forward	(34,820)	(34,492)
Total shareholders' equity	13,291	13,619
Net unrealized gains/(losses) on investments in securities	99	50
Total valuation and translation adjustments	99	50
Total net assets	13,390	13,670
Total liabilities and net assets	¥59,987	¥61,489

Non-Consolidated Statements of Income

Items	Yen in millions	
	Year ended March 31, 2017	Year ended March 31, 2018
Ordinary income:	¥37,753	¥37,965
Underwriting income:	37,670	37,892
Net premiums written	37,653	37,873
Investment income on deposit premiums from policyholders	17	18
Investment income:	73	59
Interest and dividends income	89	73
Gains on sales of securities	0	4
Transfer of investment income on deposit premiums from policyholders	(17)	(18)
Other ordinary income	9	14
Ordinary expenses:	38,708	37,514
Underwriting expenses:	30,627	28,948
Net claims paid	25,745	24,823
Loss adjustment expenses	2,822	2,825
Commissions and collection expenses	254	280
Provision for outstanding claims	1,178	638
Provision for underwriting reserves	627	380
Investment expenses:	—	0
Losses on sales of securities	—	0
Operating expenses and general and administrative expenses	8,047	8,556
Other ordinary expenses:	33	8
Provision for bad debts	2	5
Other ordinary expenses	30	2
Ordinary profit/(loss)	(955)	451
Extraordinary income	—	—
Extraordinary losses:	12	6
Losses on sales of fixed assets	4	0
Provision for reserves under the special laws:	7	6
Provision for reserve for price fluctuation	7	6
Income/(loss) before taxes	(967)	445
Income taxes – current	14	123
Income taxes – deferred	22	(6)
Total income taxes	36	117
Net income/(loss)	¥(1,004)	¥ 328

Non-Consolidated Solvency Margin Ratio

	Yen in millions	
	March 31, 2017	March 31, 2018
(A) Total amount of solvency margin	¥14,705	¥14,992
Total net assets	13,291	13,619
Reserve for price fluctuation	56	63
Contingency reserve	0	0
Catastrophe reserve	1,231	1,242
General bad debt reserve	1	3
Net unrealized gains/(losses) on investments in securities and net deferred gains/(losses) on hedges (prior to tax effect deductions)	124	63
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 $\sqrt{(R_1+R_2)^2+(R_3+R_4)^2}+R_5+R_6$	6,817	6,553
General insurance risk (R_1)	6,227	5,978
Insurance risk of third sector insurance contracts (R_2)	—	—
Assumed interest rate risk (R_3)	0	0
Asset management risk (R_4)	912	853
Business administration risk (R_5)	223	213
Catastrophe risk (R_6)	300	300
(C) Solvency margin ratio $[(A) / \{(B) \times 1/2\}] \times 100$	431.4%	457.5%

MITSUI SUMITOMO AIOI LIFE INSURANCE CO., LTD. (NON-CONSOLIDATED)

Non-Consolidated Balance Sheets

Items	Yen in millions	
	March 31, 2017	March 31, 2018
(Assets)		
Cash, deposits and savings:	¥ 290,010	¥ 164,811
Cash on hand	0	0
Deposits in banks	290,009	164,811
Receivables under securities borrowing transactions	285,455	309,644
Investments in securities:	2,919,795	3,260,140
Government bonds	1,804,655	1,968,530
Municipal bonds	135,839	163,323
Corporate bonds	726,620	862,383
Domestic stocks	1,314	1,362
Foreign securities	244,182	219,641
Other securities	7,183	44,898
Loans:	55,198	57,079
Policy loans	55,198	57,079
Tangible fixed assets:	4,638	3,997
Buildings	620	572
Lease assets	2,724	2,155
Other tangible fixed assets	1,292	1,269
Intangible fixed assets:	20,987	26,417
Software	6,440	8,103
Other intangible fixed assets	14,547	18,314
Due from agencies	116	127
Reinsurance accounts receivable	1,018	663
Other assets:	42,103	46,963
Other receivables	30,610	33,014
Prepaid expenses	1,537	1,427
Accrued income	6,949	7,143
Guarantee deposits	328	350
Derivative financial instruments	2,029	4,042
Suspense payments	621	960
Other assets	24	24
Bad debt reserve	(128)	(114)
Total assets	¥3,619,194	¥3,869,730

Yen in millions

Items	March 31, 2017	March 31, 2018
(Liabilities)		
Policy liabilities:	¥2,934,939	¥3,182,433
Outstanding claims	27,648	28,102
Underwriting reserves	2,896,459	3,143,804
Reserve for dividends to policyholders	10,831	10,526
Due to agencies	5,626	4,562
Reinsurance accounts payable	283	263
Other liabilities:	375,124	395,303
Payables under securities lending transactions	361,797	381,139
Income taxes payable	853	758
Other payables	140	128
Accrued expenses	7,450	9,527
Unearned income	0	0
Deposits received	91	179
Derivative financial instruments	544	391
Lease obligations	2,976	2,364
Asset retirement obligations	429	432
Suspense receipts	839	382
Reserve for pension and retirement benefits	2,535	3,137
Reserve for retirement benefits for officers	28	22
Reserves under the special laws:	5,988	6,862
Reserve for price fluctuation	5,988	6,862
Deferred tax liabilities	18,397	12,619
Total liabilities	3,342,924	3,605,205
(Net assets)		
Common stock	85,500	85,500
Capital surplus:	93,688	93,688
Additional paid-in capital	63,214	63,214
Other capital surplus	30,473	30,473
Retained earnings:	6,133	7,870
Legal earned reserve	–	708
Other retained earnings:	6,133	7,162
Retained earnings brought forward	6,133	7,162
Total shareholders' equity	185,321	187,058
Net unrealized gains/(losses) on investments in securities	90,948	77,466
Total valuation and translation adjustments	90,948	77,466
Total net assets	276,270	264,524
Total liabilities and net assets	¥3,619,194	¥3,869,730

MITSUI SUMITOMO AIOI LIFE INSURANCE CO., LTD. (NON-CONSOLIDATED)

Non-Consolidated Statements of Income

Items	Yen in millions	
	Year ended March 31, 2017	Year ended March 31, 2018
Ordinary income:	¥530,173	¥550,495
Insurance premiums and others:	480,264	493,748
Insurance premiums	478,928	492,591
Reinsurance income	1,335	1,156
Investment income:	47,500	53,817
Interest and dividends income:	43,797	44,603
Interest on deposits	0	0
Interest and dividends on securities	42,034	42,699
Interest on loans	1,572	1,617
Other interest and dividends	189	287
Gains on sales of securities	3,703	9,209
Foreign exchange gains	–	1
Reversal of bad debts	–	2
Other ordinary income:	2,408	2,929
Receipts of annuities with special conditions	367	923
Receipts of deferred insurance claims	1,545	1,519
Other ordinary income	495	486
Ordinary expenses:	514,019	533,521
Insurance claims and others:	183,438	189,390
Insurance claims	40,756	41,353
Annuity payments	15,737	16,924
Benefits	17,271	19,878
Surrender benefits	104,943	106,304
Other refunds	3,151	3,735
Reinsurance premiums	1,578	1,195
Provision for underwriting reserves and others:	237,453	247,798
Provision for outstanding claims	2,789	454
Provision for underwriting reserves	234,662	247,344
Provision for interest portion of reserve for dividends to policyholders	0	0
Investment expenses:	3,860	3,881
Interest expense	67	63
Losses on sales of securities	894	1,944
Losses on derivative transactions	2,792	1,793
Foreign exchange losses	4	–
Provision for bad debts	54	–
Other investment expenses	46	79
Operating expenses	76,907	79,359
Other ordinary expenses:	12,359	13,090
Payments of deferred insurance claims	1,348	1,562
Taxes	6,805	6,599
Depreciation	3,815	4,323
Provision for reserve for pension and retirement benefits	348	601
Other ordinary expenses	42	2
Ordinary profit	16,153	16,973
Extraordinary income:	3	1
Gains on sales of fixed assets	3	1
Extraordinary losses:	775	885
Losses on sales of fixed assets	17	11
Provision for reserves under the special laws:	757	874
Provision for reserve for price fluctuation	757	874
Provision for reserve for dividends to policyholders	8,972	9,214
Income before income taxes	6,409	6,874
Income taxes – current	2,728	2,132
Income taxes – deferred	(913)	(534)
Total income taxes	1,815	1,597
Net income	¥ 4,594	¥ 5,277

Business Results

Amount of Policies in Force and New Policies

(1) Policies in force

Yen in 100 millions				
March 31, 2017			March 31, 2018	
	Number of policies (in thousands)	Amount	Number of policies (in thousands)	Amount
Individual insurance	2,938	¥224,779	3,057	¥230,952
Individual annuities	186	7,362	182	7,115
Group insurance	—	70,743	—	78,598
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, 2017				Year ended March 31, 2018			
	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	317	¥23,468	23,468	—	273	¥26,292	26,292	—
Individual annuities	7	302	302	—	1	102	102	—
Group insurance	—	610	610	—	—	1,445	1,445	—
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, 2017	March 31, 2018
Individual insurance	¥3,577	¥3,693
Individual annuities	433	430
Total:	4,010	4,123
Medical coverage, living benefits, etc.	884	967

(2) New policies

Yen in 100 millions		
	Year ended March 31, 2017	Year ended March 31, 2018
Individual insurance	¥501	¥383
Individual annuities	15	4
Total:	517	388
Medical coverage, living benefits, etc.	152	139

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, 2017	Year ended March 31, 2018	Change
Fundamental revenues:	¥526,470	¥541,283	¥14,813
Insurance premiums and others	480,264	493,748	13,484
Fundamental expenses	507,853	528,477	20,624
Fundamental profit	18,616	12,806	(5,810)
Capital gains/(losses)	12	5,472	5,460
Non-recurring gains/(losses)	(2,475)	(1,304)	1,171
Ordinary profit	16,153	16,973	820
Extraordinary income	3	1	(1)
Extraordinary losses	775	885	110
Provision for reserve for dividends to policyholders	8,972	9,214	242
Income taxes	1,815	1,597	(217)
Net income	4,594	5,277	682

Non-Consolidated Solvency Margin Ratio

Yen in millions

	March 31, 2017	March 31, 2018
(A) Total amount of solvency margin	¥487,958	¥484,904
Total capital	183,197	186,080
Reserve for price fluctuation	5,988	6,862
Contingency reserve	31,584	32,890
General bad debt reserve	25	23
Net unrealized gains/(losses) on investments in securities and net deferred gains/(losses) on hedges (prior to tax effect deductions) × 90%	113,685	96,832
Net unrealized gains/(losses) on land × 85%	—	—
Excess of continued Zillmerized reserve (a)	151,430	159,410
Subordinated debts, etc. (b)	—	—
Amount excluded from the margin, out of (a) and (b)	—	—
Brought in capital	—	—
Deductions	—	—
Others	2,046	2,804
(B) Total amount of risks $\sqrt{(R_1+R_6)^2+(R_2+R_3+R_7)^2}+R_4$	51,546	56,163
Insurance risk (R_1)	16,565	17,411
Insurance risk of third sector insurance contracts (R_6)	11,315	11,658
Assumed interest rate risk (R_2)	3,080	3,115
Minimum guarantee risk (R_7)	—	—
Asset management risk (R_3)	38,611	43,169
Business administration risk (R_4)	1,391	1,507
(C) Solvency margin ratio $[(A) / \{(B) \times 1/2\}] \times 100$	1,893.2%	1,726.7%

MITSUI SUMITOMO PRIMARY LIFE INSURANCE CO., LTD. (NON-CONSOLIDATED)

Non-Consolidated Balance Sheets

Items	Yen in millions	
	March 31, 2017	March 31, 2018
(Assets)		
Cash, deposits and savings:	¥ 141,458	¥ 178,099
Deposits in banks	141,458	178,099
Monetary claims bought	41,499	39,999
Money trusts	965,032	1,037,295
Investments in securities:	4,404,883	4,612,983
Government bonds	68,744	67,101
Municipal bonds	6,739	2,960
Corporate bonds	55,882	78,203
Foreign securities	1,715,807	2,043,356
Other securities	2,557,710	2,421,360
Loans:	208,643	239,778
Policy loans	422	433
General loans	208,220	239,345
Tangible fixed assets:	560	892
Buildings	246	244
Lease assets	188	541
Other tangible fixed assets	126	106
Intangible fixed assets:	4,471	6,638
Software	4,467	6,419
Lease assets	3	218
Reinsurance accounts receivable	2,851	3,813
Other assets:	25,001	41,616
Other receivables	3,798	17,446
Prepaid expenses	362	694
Accrued income	16,023	18,256
Guarantee deposits	3,810	4,504
Derivative financial instruments	2	0
Suspense payments	1,005	709
Other assets	—	5
Deferred tax assets	43,644	40,636
Total assets	¥5,838,048	¥6,201,753
(Liabilities)		
Policy liabilities:	5,561,432	5,916,715
Outstanding claims	12,418	17,382
Underwriting reserves	5,549,014	5,899,332
Due to agencies	4,984	4,555
Reinsurance accounts payable	7,199	4,244
Other liabilities:	42,675	39,648
Income taxes payable	2,911	1,501
Other payables	8,672	8,346
Accrued expenses	4,550	5,482
Deposits received	19,343	18,821
Derivative financial instruments	6	1
Lease obligations	207	833
Asset retirement obligations	132	134
Suspense receipts	6,851	4,527
Reserves under the special laws:	84,000	72,500
Reserve for price fluctuation	84,000	72,500
Total liabilities	5,700,291	6,037,664
(Net assets)		
Common stock	41,060	41,060
Capital surplus:	24,735	24,735
Additional paid-in capital	24,735	24,735
Retained earnings:	64,435	89,878
Legal earned reserve	1,850	2,604
Other retained earnings:	62,585	87,274
Retained earnings brought forward	62,585	87,274
Total shareholders' equity	130,230	155,673
Net unrealized gains/(losses) on investments in securities	7,522	8,207
Net deferred gains/(losses) on hedges	3	207
Total valuation and translation adjustments	7,525	8,414
Total net assets	137,756	164,088
Total liabilities and net assets	¥5,838,048	¥6,201,753

Non-Consolidated Statements of Income

Yen in millions

Items	Year ended March 31, 2017	Year ended March 31, 2018
Ordinary income:	¥1,272,843	¥1,256,486
Insurance premiums and others:	1,083,895	1,059,512
Insurance premiums	1,071,113	1,015,601
Reinsurance income	12,781	43,911
Investment income:	185,621	193,690
Interest and dividends income:	60,761	76,884
Interest on deposits	147	131
Interest and dividends on securities	53,841	68,185
Interest on loans	6,400	8,192
Other interest and dividends	371	376
Investment gains on money trusts	14,512	—
Gains on sales of securities	1,306	1,506
Gains on redemption of securities	—	0
Foreign exchange gains	27,658	—
Investment gains on separate accounts	81,380	115,299
Other ordinary income:	3,327	3,282
Receipts of annuities with special conditions	3,313	3,239
Other ordinary income	14	43
Ordinary expenses:	1,215,151	1,227,546
Insurance claims and others:	469,395	694,801
Insurance claims	58,807	73,274
Annuity payments	82,882	88,563
Benefits	126,563	178,199
Surrender benefits	118,042	223,918
Other refunds	3,357	2,791
Reinsurance premiums	79,742	128,054
Provision for underwriting reserves and others:	673,078	355,283
Provision for outstanding claims	2,813	4,964
Provision for underwriting reserves	670,265	350,318
Investment expenses:	1,527	118,896
Interest expense	0	0
Investment losses on money trusts	—	5,195
Losses on sales of securities	1,299	—
Losses on redemption of securities	1	—
Losses on derivative transactions	174	—
Foreign exchange losses	—	113,646
Other investment expenses	51	54
Operating expenses	61,328	50,236
Other ordinary expenses:	9,820	8,328
Taxes	8,038	6,417
Depreciation	1,779	1,909
Other ordinary expenses	2	2
Ordinary profit	57,692	28,939
Extraordinary income:	—	11,500
Reversal of reserves under the special laws:	—	11,500
Reversal of reserve for price fluctuation	—	11,500
Extraordinary losses:	28,907	—
Losses on sales of fixed assets	1	—
Provision for reserves under the special laws:	28,906	—
Provision for reserve for price fluctuation	28,906	—
Income before income taxes	28,784	40,439
Income taxes – current	16,800	8,565
Income taxes – deferred	(8,718)	2,662
Total income taxes	8,081	11,227
Net income	¥ 20,703	¥ 29,212

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, 2017			March 31, 2018	
	Number of policies (in thousands)	Amount	Number of policies (in thousands)	Amount
Individual insurance	597	¥33,352	687	¥37,873
Individual annuities	323	23,455	338	22,745
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, 2017				Year ended March 31, 2018			
	Number of policies (in thousands)	Amount		Number of policies (in thousands)	Amount		
			New policies Net increase by conversion			New policies Net increase by conversion	
Individual insurance	158	¥9,026	¥9,026	—	118	¥8,093	¥8,093
Individual annuities	24	1,296	1,296	—	44	2,063	2,063
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, 2017	March 31, 2018
Individual insurance	¥2,217	¥2,641
Individual annuities	3,104	2,307
Total:	5,321	4,948
Medical coverage, living benefits, etc.	0	0

(2) New policies

Yen in 100 millions		
	Year ended March 31, 2017	Year ended March 31, 2018
Individual insurance	¥ 667	¥ 650
Individual annuities	922	288
Total:	1,589	938
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, 2017	Year ended March 31, 2018	Change
Fundamental revenues:	¥1,269,861	¥1,270,108	¥ 246
Insurance premiums and others	1,083,895	1,059,512	(24,382)
Fundamental expenses	1,217,105	1,261,245	44,140
Fundamental profit	52,755	8,862	(43,893)
Capital gains/(losses)	6,233	21,219	14,986
Non-recurring gains/(losses)	(1,296)	(1,141)	155
Ordinary profit	57,692	28,939	(28,752)
Extraordinary income	–	11,500	11,500
Extraordinary losses	28,907	–	(28,907)
Provision for reserve for dividends to policyholders	–	–	–
Income taxes	8,081	11,227	3,145
Net income	20,703	29,212	8,509

Notes: Since the year ended March 31, 2018, the disclosure method of the breakdown of ordinary profit relating to the effect of change in surrender values associated with market value adjustment has been modified. As a result, fundamental profit decreased by ¥53 million and capital gains increased by the same amount for the year ended March 31, 2018, compared to those before the modification. The figures for the year ended March 31, 2017 were also restated accordingly. As a result, fundamental profit increased by ¥110 million and capital gains decreased by the same amount for the year ended March 31, 2017, compared to those before the modification.

Non-Consolidated Solvency Margin Ratio










	Yen in millions	
	March 31, 2017	March 31, 2018
(A) Total amount of solvency margin	¥558,542	¥605,676
Total capital	126,749	149,053
Reserve for price fluctuation	84,000	72,500
Contingency reserve	74,456	75,597
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%	9,402	10,258
Net unrealized gains/(losses) on land × 85%	–	–
Excess of continued Zillmerized reserve (a)	241,219	267,415
Subordinated debts, etc. (b)	–	–
Amount excluded from the margin, out of (a) and (b)	–	–
Brought in capital	–	–
Deductions	–	–
Others	22,714	30,850
(B) Total amount of risks $\sqrt{(R_1+R_2)^2+(R_3+R_4)^2}+R_5$	108,399	121,997
Insurance risk (R_1)	89	117
Insurance risk of third sector insurance contracts (R_2)	5	4
Assumed interest rate risk (R_3)	41,902	45,460
Minimum guarantee risk (R_4)	3,722	2,655
Asset management risk (R_5)	60,647	71,487
Business administration risk (R_6)	2,127	2,394
(C) Solvency margin ratio [(A) / {(B) × 1/2}] × 100	1,030.5%	992.9%

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

MS&AD, The Group	MS&AD Insurance Group
MS&AD Holdings, The holding company, or the Company	MS&AD Insurance Group Holdings, Inc.
MSI, Mitsui Sumitomo Insurance	Mitsui Sumitomo Insurance Co., Ltd.
ADI, Aioi Nissay Dowa Insurance	Aioi Nissay Dowa Insurance Co., Ltd.
Mitsui Direct General, Mitsui Direct General Insurance	Mitsui Direct General Insurance Co., Ltd.
MSI Aioi Life	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 Amlin	MS Amlin plc
MS First Capital	MS First Capital Insurance Limited
ReAssure	ReAssure Jersey One Limited
Challenger	Challenger Limited

ESG Evaluation

The MS&AD Insurance Group utilizes the assessments provided by global ESG evaluation organizations to improve its efforts in CSR. As of July 2018, the MS&AD Insurance Group was included in the following ESG-related indices.

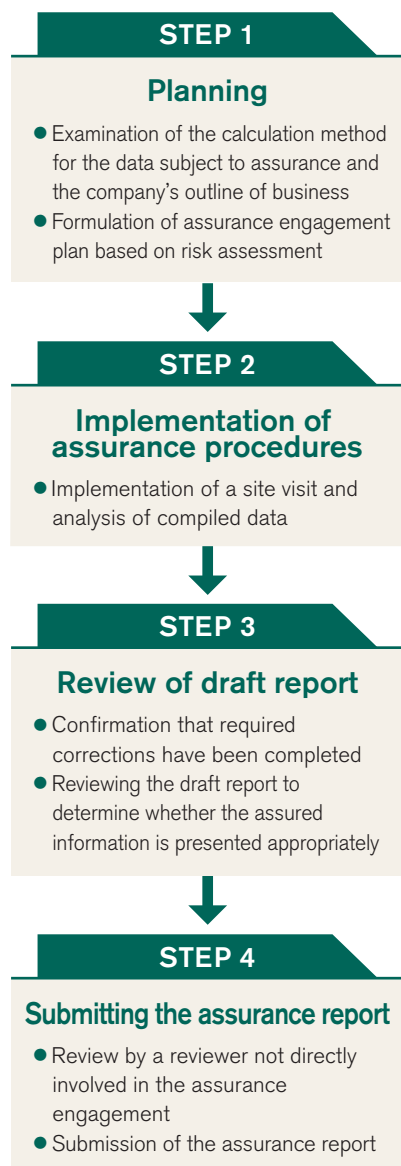
<p>CDP's Climate A List</p> 	<p>The “Bronze Class” CSR rating by RobecoSAM</p> 	<p>Dow Jones Sustainability Indices (World / Asia Pacific)</p> 
<p>FTSE4Good Index Series</p> 	<p>FTSE Blossom Japan Index</p> 	<p>MSCI Japan ESG Select Leaders Index*</p> 
<p>MSCI Japan Empowering Women Index (WIN)*</p> 	<p>Morningstar Socially Responsible Investment Index</p> 	<p>ECPI Indices</p> 

*The inclusion of MS&AD Insurance Group Holdings Inc. in any MSCI Index, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement or promotion of MS&AD Insurance Group Holdings Inc. by MSCI or any of its affiliates. The MSCI Indexes are the exclusive property of MSCI. MSCI and the MSCI Index names and logos are trademarks or service marks of MSCI or its affiliates.

Third-Party Assurance

To improve the objectiveness and accuracy of our MS&AD Integrated Report 2018, the MS&AD Insurance Group has engaged KPMG AZSA Sustainability Co., Ltd., to perform third-party assurance on the following information included in this report.

The third-party assurance process



Information subject to the assurance engagement

- CO₂ emissions, total energy consumption*
- Number and ratio of female managers
- Number and ratio of global employees
- Number and ratio of employees with disabilities

* Details regarding the method for calculating data can be found on our official website. www.ms-ad-hd.com/en/csr/data/index.html



On the issuance of the MS&AD Integrated Report 2018

Since fiscal 2015, the MS&AD Insurance Group has published the Integrated Report to provide readers with a deeper understanding of the Group's commitment to medium- to long-term value creation. We believe the issuance of the Integrated Report offers the opportunity for constructive dialogue with many stakeholders, including shareholders, investors, and employees, in regard to the Group's story of value creation.

In the MS&AD Integrated Report 2018, we explain "Vision 2021," our new medium-term management plan, while we also review the previous medium-term management plans and introduce the various initiatives aiming for the Group's 2030 goal of realizing a "resilient and sustainable society."

We have also included a section detailing the strengths of the Group to enhance the description about our management feature that leverages diversity, which is the core of the Group's ongoing focus on sustainable growth in the face of environmental change.

With the goal of improving the objectivity and accuracy of the report, we have engaged the services of a third-party assurance firm to independently verify the key non-financial

data indicated since fiscal 2017. For the results of the third-party verification included in the MS&AD Integrated Report 2018, please see page 188. Moreover, President & CEO as a representative of the management team has included a signed message at the beginning of the report. As CFO, I am responsible for the editing process and, accordingly, reiterate the importance of ensuring that the assembly process for the Integrated Report is carried out responsibly and that content in the report is indeed accurate.

With this year's Integrated Report, we hope to promote amicable feelings for the Group by creating even greater understanding of it among stakeholders such as customers, shareholders and investors. We continue to value dialogue with all our stakeholders, and with the aim of further improving disclosure and enhancing transparency we invite our stakeholders to share with us their frank opinions.

September 2018

Director, Executive Vice President, CFO



Shiro Fujii

Group Slogan

Advancing with you

MS&AD

INSURANCE GROUP

- **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 services group.

Aspiring to become a world-leading insurance and financial services group, the MS&AD Insurance Group will continue to take on these challenges.

Contact Information

(Securities code: 8725)

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<https://www.ms-ad-hd.com/en/ir/contact/index.html>

<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 might differ substantially from our forecasts, for various reasons. Actual performance could be adversely affected by (1) economic trends surrounding our business, (2) fierce competition within the insurance sector, (3) exchange rate fluctuations, and (4) changes in tax and other regulatory systems.

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.