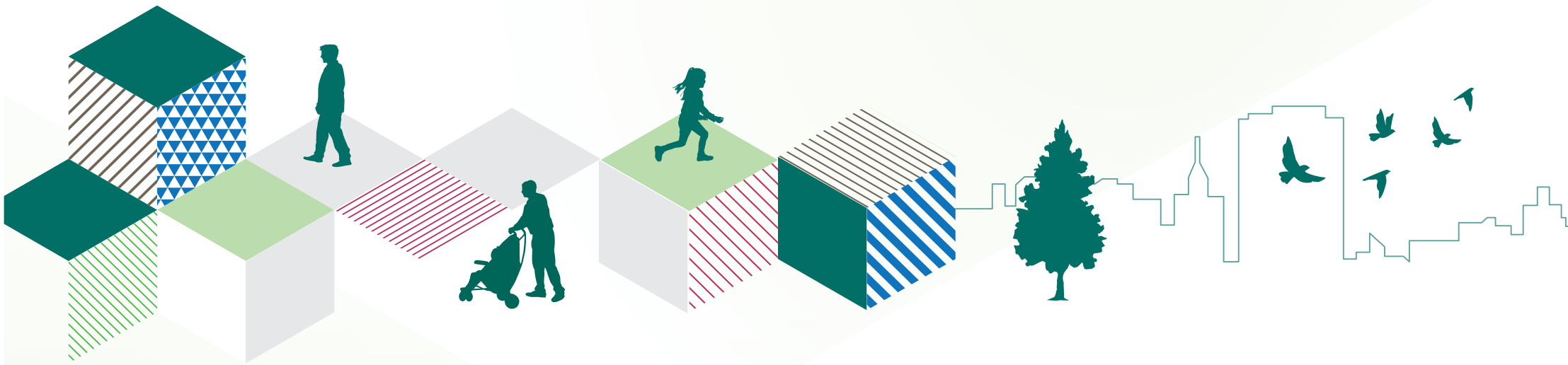
Advancing with you

MS&AD Holdings

MS&AD Integrated Report 2019



The MS&AD Insurance Group's Mission, Vision & Values

Our Mission

The Group's Raison d'être

To contribute to the development of a vibrant society and help secure a sound future for the planet, by enabling safety and peace of mind through the global insurance and financial services business.

Our Vision

The Group's aspirations for the medium term

To create a world-leading insurance and financial services group that consistently pursues sustainable growth and enhances corporate value.

Our Values

The credo for all employees aimed at realizing the Group's mission

CUSTOMER FOCUS

Striving to provide security and satisfaction to our customers

INTEGRITY

Being sincere, kind and fair in our dealings with people

TEAMWORK

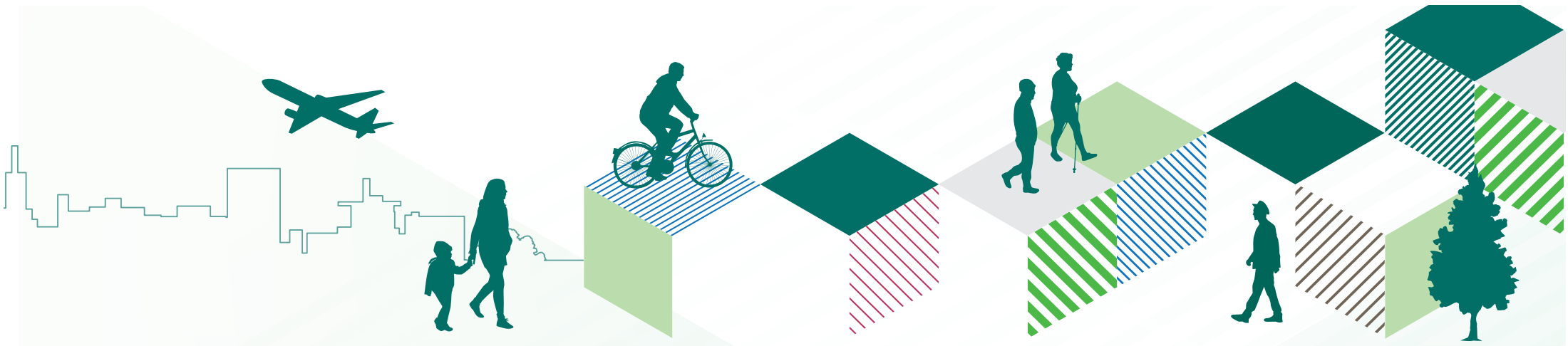
Growing together as a team by respecting one another's individuality and opinions and sharing knowledge and ideas

INNOVATION

Always improving the way we work while responding to stakeholders' interests

PROFESSIONALISM

Providing high-quality services by constantly enhancing our skills and proficiency



Three Key Concepts of the MS&AD Integrated Report 2019

1 Creating shared value with society through our corporate activities

The fundamental mission of an insurance company is to support the sustainability of society.

To support stability in people's lives and dynamic business activities, we face the various issues that prevent them and the various risks that lie behind them, and utilize all the resources within the Group to advance initiatives to resolve these issues.

We are making steady progress toward the realization of a "Resilient and sustainable society" in 2030 by sensing the ever-changing needs of the times and creating value together with society.

2 Becoming a world-leading insurance and financial services group

The challenges we face are becoming more severe on a global scale.

We aim to become a world-leading insurance and financial services group that is capable of better serving our customers around the world by confronting emerging risks and the existing risks growing in scale and complexity.

With enhancing productivity by leveraging the Group's synergies and driving innovation via the Group's diversity, we strive for sustainable growth and to further increase corporate value.

3 Developing a resilient system that can swiftly respond to changes in the environment

What is required to be a resilient and sustainable company in a rapidly changing business environment is by having a stable management platform, world-class talents, a corporate culture that embraces diversity and the resiliency to swiftly respond to whatever social changes may come.

Our society is evolving at an unprecedented rate and becoming increasingly complex and unpredictable.

However, no matter how the circumstances change, the MS&AD Insurance Group will transform itself to pursue our mission: "Contribute to the development of a vibrant society and help secure a sound future for the planet" in any period of time.

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Editorial Policy

The MS&AD Group publishes the Integrated Report to provide customers, shareholders, investors and all other stakeholders with a deeper understanding of our initiatives aimed at solving the challenges faced by society and at increasing corporate value throughout the business. This Report was edited based on the International Integrated Reporting Framework provided by the International Integrated Reporting Council (IIRC) and the Guidance for Collaborative Value Creation provided by the Ministry of Economy, Trade and Industry in order to explain our business model-based story of value creation and the creation of shared value with society (CSV initiatives) in an easy-to-understand manner.

The MS&AD Integrated Report 2019 takes up the new medium-term management plan "Vision 2021," which was launched in the previous fiscal year, in order to explain our strategies and specific initiatives designed to facilitate sustainable growth toward realizing the image of society for which we are aiming. At the same time, the Report provides an explanation of the management platforms that support these initiatives. For further detailed information, please visit the MS&AD official website. (For a guide to the relationship between this report and our website, please refer to the explanation on the following page.)

MS&AD Disclosure Framework

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

MS&AD Integrated Report

CEO Message

Who We Are
Overview of MS&AD

Our Way
MS&AD's Strategy
- Medium-Term Management Plan "Vision 2021"
- Strategies by Business Domain

Our Platform
Management Foundation
- ERM
- Human Asset Development and Quality Improvement
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Data Section
- Corporate Profile
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MS&AD Official Website

https://www.ms-ad-hd.com/en/index.html

About MS&AD Group
https://www.ms-ad-hd.com/en/group.html

CEO Message
Company Information
MS&AD's Story of Value Creation
Our Strengths
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Message from the CEO

Sustainability
https://www.ms-ad-hd.com/en/csr.html

Creating Shared Value
Quality that earns the trust of society
Management platforms that enable employees to play active roles

Investors
https://www.ms-ad-hd.com/en/ir.html

CEO Message

President & CEO

Yasuyoshi Karasawa

Introduction

The new Reiwa era has dawned in Japan. Entering this new age, we are filled with joyful expectations about the future, but, looking beyond, the global situation has become increasingly unstable and the global economic growth outlook is not bright by any means. Natural disasters have become larger and are occurring more frequently—indeed, historical large-scale losses were seen overseas in fiscal 2017 and in Japan in fiscal 2018.

The number of natural catastrophe claims received from within Japan in fiscal 2018 was about 520,000 for the entire Group, substantially exceeding the figure stemming from the Great East Japan Earthquake. Also, overseas, following fiscal 2017, which was said to be the year with the most natural disasters, fiscal 2018 saw hurricanes in the US, a series of earthquakes in Indonesia and wildfires in California, resulting in the fourth largest losses in history.

In response to these calamities, to support those affected and see their lives return to normality and to restore communities, we put in place Group-wide measures to do our best to pursue prompt insurance payments.

Some wisdom is born out of having to face such a critical situation. When natural disasters frequently hit Japan last year, we employed AI and digital technology, such as the introduction of remote on-site investigation using a smartphone video chat system, damage appraisal utilizing drones and payment operations utilizing robotic

process automation (RPA), thus realizing efficient operational flow from ascertaining damage to insurance payouts.

The frequent occurrence of large natural disasters has an extremely big impact on the non-life insurance business. In addition to the prompt responses to such disasters, the issues of climate change and natural capital, which induce such disasters, are subjects our Group as a whole should address.

RPA

Robotic process automation (RPA) is the use of software robots to perform routine tasks previously performed by humans using computers.

Progress of "Vision 2021" medium-term management plan

(See PP.27-28 for details)

Last fiscal year saw the start of the Group's medium-term "Vision 2021" management plan. By holding up "a resilient and sustainable society" as the image of the society we will achieve by 2030, we have clarified what the Group aims for in the medium term.

As for the image the Group aims for in the medium term, the first goal in "Vision 2021" is to become "a world-leading insurance and financial services group," which has been our vision since its birth. Specifically, this means achieving a scale that is ranked among the global top ten non-life insurance groups in terms of size of business, achieving capital efficiency with a Group Adjusted ROE of 10% and securing an economic solvency ratio (ESR), a financial soundness indicator, of 180-220%.

As for scale according to the Fortune Global 500, the Group was ranked 7th and 5th in 2018 and 2019, respectively, in the property & casualty insurance category, maintaining its rank among the top 10. As for financial soundness, the Group consistently secured an appropriate level throughout fiscal 2018. On the other hand, as for capital efficiency, due mainly to the frequent occurrence of natural disasters, Group adjusted ROE was 6.1%, a result which was less than expected at the beginning of the fiscal year and which remains a challenge going forward. Taking account of capital cost and aiming at achieving Group Adjusted ROE that stands comparison with major insurance companies in the US and Europe, the Group will tackle how to increase shareholder value.

The second goal in "Vision 2021" is to create "resilient systems that can swiftly respond to environmental changes." Due to the increasing size and complexity of existing risks, the emergence of new risks and changes in social structure, societal needs change. To respond promptly to environmental flux, we ourselves have to become a resilient and sustainable group. To that end, we have set three key strategies: namely 1) pursuing the Group's comprehensive strengths, 2) promoting digitalization, and 3) reforming our portfolio to develop resilient systems that can respond to environmental changes.

Key Strategy 1

Pursuing the Group's comprehensive strengths

(See PP.30-31 for details)

The reason the Group opted for integration in the form of reorganization by function was to pursue a business model of total optimization which simultaneously realizes growth and efficiency of the Group. To that end, each Group company is required to increase its top line while simultaneously improve productivity of the Group as a whole. At present, the Group is working to enhance the quality of products and business efficiency through a review of role division and cooperation within the Group, and promoting various initiatives to strengthen competitiveness utilizing synergies.

For example, in the domestic non-life insurance business area, as a joint development between Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance, the Group launched Observe and Protect Automobile Insurance, which supports safe driving by utilizing a dashboard camera. This product, the result of prompt and low-cost product development, saw sales of more than 100,000 units during the four months since its start in January 2019.

Last fiscal year, each Group company saw steady top line growth and some initiatives within the Group made progress, while an improvement in productivity remains a big challenge. To overcome this, it is necessary to improve agent business productivity, promote digitalization thereby realizing real-time improvement in productivity, promote sharing and standardization within the Group, and promote diversity and inclusion such as supporting career development for women. Going forward, the Group will accelerate with a sense of urgency cross-cutting initiatives in a broad range of areas, such as products and services, sales activities, the development of human assets, contact centers, and affiliated companies. Through doing so, the Group will be able to utilize the merits of reorganization by function and contribute to further expanding profits.

Key Strategy 2

Promoting digitalization (See PP.32-33 for details)

The recent wave of digitalization, noticeably in populous China and India, has been progressing at an extremely rapid tempo. Centering on digitalization, we have been developing global initiatives that will lead to exercising the Group's comprehensive strengths. We have three objectives in promoting digitalization: enhancement of the value of customer experience, improvement in business productivity and creation of new business models. Toward realizing these objectives, we have been accelerating initiatives from a stance of open innovation.

For example, the holding company started a corporate venture capital business in Silicon Valley in October 2018 and it began to invest in start-up firms that can be expected to bring transformational changes to our business. As a result of rapid decision-making, the venture capital invested in about 20 start-up firms within six months after establishment, which are all unique creating new business models utilizing advanced technologies. In addition, in Israel, where start-up firms with cutting-edge digital technologies are concentrated, we have made arrangements to exploit advanced digital and cyber technologies. Going forward, we will build on these bases to steadily promote, together with our agents, business process reform, greater competitiveness of sales channels and digitalization of products and services.

MS&AD is the first Japanese insurance group to establish a corporate venture capital (CVC) operation in Silicon Valley. CVC plays a vital role in bringing Japan and the world together through innovation.

Key Strategy 3

Reforming our portfolio (See PP.34-35 for details)

To become a resilient and sustainable company, it is essential to build a stable profit base. While a recovery in profits was delayed in the international non-life insurance business, profits from the life insurance business exceeded plan. Due partly to expanding investment in the international life insurance business, we were able to improve the balance between life and non-life insurance businesses and stabilized the profit base.

The domestic non-life insurance business, including Mitsui Direct General Insurance, continued to see high premium growth in fiscal 2018. Profits from automobile insurance increased and those from casualty insurance steadily expanded, thereby promoting conversion of the product portfolio to being more balanced.

In the domestic life insurance business, the development and sale of products which are tuned to the progress of an aging society and changes in people's lifestyle are faring well. At Mitsui Sumitomo Aioi Life Insurance, a medical insurance product called New Medical Insurance Ace Premia, has been steadily winning contracts. Mitsui Sumitomo Primary Life Insurance has been selling pension products featuring an enhanced tontine system and whole life insurance that focuses on living donations, and these products have been adopted by many financial institutions in their product line-up. The Group's domestic life insurance business posted adjusted profit of more than 30 billion yen and has grown to be one of the stable profit pillars of the Group.

In international business, the Group added First Capital in Singapore and, through capturing growing markets such as China and India, firmly established bases in Asia, where we have had considerable strength. Though MS Amlin is on the way to a profit recovery, there has been no change in terms of its strategic importance in our Group due to its leading position in the Lloyd's market (the leading insurance market in the world), pool of talented human assets, and expertise in specialty areas. Furthermore, the Group has been involved in telematics that has been developed in cooperation with Toyota Motor Corporation and also the international life insurance business that has been developed with top-notch local partner companies, thereby diversifying our portfolio.

Mitsui Sumitomo Insurance Co., Ltd., holds regular committee meetings, consisting primarily of executives responsible for international business. The committee members engage in vigorous discussion of topics such as international business strategy, progress on overseas projects across regions, and issues and prospects in each region and market.

Sustainability initiatives

Our Group has been pursuing a particular mission, namely "to contribute to the development of a vibrant society and help secure a sound future for the planet by enabling safety and peace of mind through the global insurance and financial services business." The role of our Group is to confront various risks stemming from social issues which could impair that mission by providing solutions for these issues. Providing various products and services that could lead to resolving social issues and creating an

environment in which customers can live and conduct business in a secure manner is the "story of value creation" of the MS&AD Insurance Group. The "story of value creation" has become a common vector to illustrate how meaningful one's own work is in society.

"Vision 2021" identifies four social issues we need to focus on: diversified/large-scale accidents and disasters, the global environment approaching its limit, mounting burden of nursing/medical care associated with an aging population and decline in social vitality due to widening inequalities. To address these four issues, the Group has set seven key initiatives centering on creating shared value (CSV) (see PP.54-62 for details). We have ascertained how each will contribute to the Sustainable Development Goals (SDGs) and clarified the role our Group should play to underpin the sustainability of society. The Group as a whole will promote CSV and aim at raising corporate value as well as realizing a resilient and sustainable society.

Sustainable Development Goals

In 2015, the United Nations adopted Sustainable Development Goals (SDGs) as global goals that should be achieved by 2030 with the aim of development balancing social, economic and environmental sustainability. There are 17 goals and 169 targets that the world should prioritize as issues to be tackled, such as eliminating poverty and countering climate change.

To disseminate such initiatives throughout the entire Group, we held a "Sustainability Contest" (see P.63 for details) last August—there were 526 applications including some from overseas entities. Upon judging by 61 Group executives, an initiative of the Hokkaido Branch of Mitsui Sumitomo Insurance was awarded first prize. This branch holds a monthly "Visionary Meeting" in which staff members bring their wisdom to "resolving problems of local society." Through this "Visionary Meeting," an initiative to visit customers and industry insiders to learn about their challenges and needs, they have actually developed problem solving insurance products that led to Expensive medical equipment compensation (insurance for maintenance costs) for hospitals and Beef cattle compensation (accident insurance for beef cattle) for beef cattle ranches. This was a good example where honestly facing challenges unique to the region, such as maintaining medical infrastructure amid an aging population and supporting the livestock industry whose profits fluctuate, resulted in discovering solutions through insurance. Other various CSV initiatives were introduced and shared with the whole Group.

A decline in the vitality of regional society is one of the key issues facing our Group. In CSV initiatives aiming at creating a resilient community, as a regional revitalization program, the Group has been developing problem solving initiatives that are related to the SDGs, such as initiatives to prevent and reduce disasters, business continuity planning (BCP) proposals, utilization of natural capital and industrial promotion through sports. For example, together with Koki Kawauchi, a former public official and marathon runner who signed a contract with Aioi Nissay Dowa Insurance, we have been developing a nationwide "marathon caravan" to invigorate Japan through marathons, linking with contributions to the local community. Such initiatives that put emphasis on the sustainability of a region have been well received and collaboration with various local governments has gradually been expanding within our Group as a whole.

BCP

A business continuity plan (BCP) is a plan for minimizing damage to a company in the event of an emergency, such as an act of terrorism, a natural disaster or a system interruption, so that the company can continue operations or recover as quickly as possible.

Currently, we are planning to expand our ideas of the "story of value creation" and CSV to our agents. From last year, through our agents, we have been promoting a "water disaster and earthquake preparedness proposal campaign," where agents

In April 2019, marathon runner Yuki Kawauchi concluded an affiliation agreement with Aioi Nissay Dowa Insurance Co., Ltd. Kawauchi and Aioi Nissay Dowa are partnering to present Marathon Caravan, a running tour of Japan. Through this project, we are supporting the realization of dynamic local communities, with the aim of contributing to regional development.

explain to customers the risks associated with water disasters and earthquakes and have customers confirm the content of compensation by themselves, enabling them to be prepared for an emergency. Among Full-Time Agents (see P.91 "Glossary of Insurance Terminology"), there are those who not only introduce insurance products but also make preemptive proposals before disasters occur through showing hazard maps and encouraging customers to secure an evacuation route. We have renewed our recognition that to realize the society our Group is aiming at, the assistance of agents who interface with customers on a daily basis is necessary. This year, for Mitsui Sumitomo Insurance full-time agents, we have prepared an animation entitled "Bond Toward the Future." Get close to the region, guard resident customers' daily lives and continue to guard them even after generations go by—these are the missions of insurance agents. Eying the same future, we will strengthen our partnership with insurance agents nationwide to support customers and the sustainability of regional society.

Employees playing active roles

In the growth model of Japan's economy after World War II, uniformity mattered and everybody moving toward the same direction became a great driving force behind economic growth. It was an era in which a homogenized labor force proved to be successful. However, in an era of uncertainty, in which rapid social changes are seen, diversity and inclusion (see PP.71-72 for details) will be necessary. Besides promoting the career development of women, unless human assets from a variety of career backgrounds and nationalities, with various opinions and different inspirations, can be harnessed and directed to bolstering the comprehensive strengths of the Group, the Company's competitiveness will wane.

As for the career development of women, while it is important to manage each individual's motivation and provide opportunities for management, such would be meaningless unless management is appropriately educated on the subject, including assignment skill. The same can be said with respect to foreigners, the elderly and people with disabilities. It is important to lay the foundation to accept opinions that are different, or sometimes conflicting, with one's own, and debate with one another. Aiming at changing the mindsets of the holding company's executives, I attended a lecture on "unconscious bias" in April this year and was quite stimulated.

In fostering global talents, while it is important to cultivate those who can play an active role overseas and dispatch them, I think each of our companies in Japan should themselves become more global, namely, they should nurture a global mindset in terms of feeling, behavior and attitude even though in Japan. For example, employees with overseas experience have learned various things through experiencing different business customs and sense of values as well as living in a different culture. They have gauged the necessary English communication skills required for holding discussions overseas. I expect such global talent to exercise leadership at home and abroad and to play a significant role in converting our company to being a really globalized one.

As for work-style reform, there are various arguments within our company. While limiting working hours is a subject of debate, it doesn't make sense if there is no understanding of why work-style reform is being pursued. According to the OECD, Japan's labor productivity has always ranked the lowest among advanced economies every year. In my view, to reduce working long hours, it will be necessary not only to tighten regulations and laws but also educate management together with business process reform. This is because work efficiency will not improve without prompt

Uniformity

The state of being uniform, homogenous or identical

Assignment skill

The ability to recognize the skills of each employee accurately and assign the right person to the right job, so that each can leverage his or her distinct capabilities to build a dynamic and effective organization

Unconscious bias

The habit of taking age, sex, whether an employee has small children and similar factors into account when assigning employees to tasks, without realizing it. Examples include assuming that men take leadership roles while women take support roles; that it is unkind to assign heavy responsibilities to women; and that female employees with small children can not undertake business travel.

OECD

The Organisation for Economic Co-operation and Development (OECD) is an international organization created for the purpose of wide-ranging dialogue on matters of international economics. The OECD has been called "the world's biggest think tank."

OECD website
https://www.oecd.org

decision-making and proper assignment by managers at the front line. On the other hand, it will also be crucial for individual employees to build up their abilities to design their own way of life and career vision. Unless each employee has his/her own values regarding his/her life, such as motivation for work and a future career plan, work-style reform in a real sense cannot be achieved. Creation of shared values with our customers greatly depends on employee satisfaction toward work at the front line. In promoting the "story of value creation," it is crucial to prepare an environment in which employees, who are the main characters, can work vigorously and with enthusiasm. Diversity and inclusion, as well as work-style reform, are measures to realize such an environment.

Yasuyoshi Karasawa, President & CEO, spoke at a seminar for female executives and executive candidates. Speaking on the theme of "Promoting Diversity and Inclusion: The Age of Designing Work and Life," Karasawa spoke on the four characteristics required of a leader, organizational support for promoting women's activity in the working place and changing mindsets among employees.

Corporate governance (see PP. 75-77 for details)

What is most important in corporate governance is to enhance the transparency of management for stakeholders. The succession plan announced this May was formulated through thorough discussions, mainly by outside directors, and included appointment criteria for the CEO of the MS&AD Insurance Group, appointment process, development planning, and dismissal process. The development plan included content that will enhance recognition as a manager, such as global experience, governance, and external training including MBA study. We also revised directors' remuneration. We have increased the portion of performance-linked remuneration against the portion of fixed remuneration, set short- and medium- to long-term assessment indicators, and introduced non-financial indicators, such as sustainability initiatives in medium-to long-term assessment. Such a remuneration framework will be quite effective if we consider the possibility that executives from overseas might become directors of the holding company.

At present, 25% of members of the Board of Directors are female from a variety of backgrounds. The Board has diverse members with high expertise and wisdom in the area of corporate management experience, economics, law, finance and education. At Board meetings, we secure sufficient time and have active discussion with outside directors on issues ranging from individual business to overall business strategy. While we sometimes receive harsh opinions, through management incorporating outside viewpoints, management transparency is ensured. In that sense, I believe the check and balance function of our outside directors is being thoroughly exercised.

In the age to come

We are entering an era of uncertainty. The global situation is constantly changing as witnessed by the intensification of US-China trade friction, turmoil on the European political stage and spread of uncertainty concerning emerging economies. Moreover, due to the rapid progress of digitalization, the wave of change in industrial structure and the conversion of business models have been surging. Furthermore, the gravity of the global environment problem have been increasing. Frequent occurrences of large-scale natural disasters due to climate change causes enormous damage not only to the lives of civilians and corporate production but also to industry and the economy as a whole.

Against such a backdrop, the role our Group, which aims at realizing a resilient and sustainable society, can play will be extremely meaningful. In particular, we will actively address challenges concerning climate change as such will have a significant impact on the insurance business. For example, we will exhibit leadership in cooperation with the United Nations Environment Programme – Finance Initiative (UNEP FI) and initiatives under the Task Force on Climate-related Financial Disclosures (TCFD) (see P.65 for details) and commence specific actions. On the other hand, for individuals, firms, and local governments, we will apply a full range of measures to prevent and reduce disasters, as well as to promote forecasts and precautions through disaster risk analysis.

In addition, in Society 5.0, it will be required to meet social challenges through utilizing digital innovation as well as imagination and unique creativity via a diverse range of people. What role can automobile insurance play in the next generation mobility society, which is represented by the new areas of MaaS (mobility as a service) and CASE (connected cars, autonomous driving, car/ride sharing, and electric)? As digitalization in its real sense is a business model transformation, our Group should take account of the raison d'être of the insurance business and transform ourselves amid these changing social platforms.

In promoting such forward-looking initiatives by the Group as a whole, I realized the importance of the "story of value creation." This is a common vector for our more than 40,000 Group employees. Each Group company and each employee implementing the "story of value creation" will lead to realizing the mission to "contribute to the development of a vibrant society and help secure a sound future for the planet."

When listening to advanced global firms, all have extremely clear purposes, namely, a raison d'être. In the age to come, precisely because uncertainty is high, a company's raison d'être will have great significance. In that sense, permeation of the mission of MS&AD Insurance Group and the "story of value creation" which embodies the mission will have important implications more than ever. Based on the "story of value creation" and using SDGs as leading marks, we will advance CSV initiatives toward creating shared value with society and make steady steps to realize a "resilient and sustainable society" by 2030.

Concluding remarks

Transforming Our World—this is the title of the 2030 agenda for Sustainable Development. To transform our world, a company itself needs to be transformed. Regardless of the generation, we will transform ourselves to be a valued presence in society. By utilizing our Group's intrinsic advantage, diversity and comprehensive strengths, while painting a "Brighter future," we will forge ahead together with our stakeholders.

UNEP FI

The UNEP Finance Initiative (UNEP FI) is a wide-ranging yet detailed partnership between the United Nations Environmental Plan (UNEP) and more than 200 banks, insurance companies, securities firms and other financial institutions worldwide. Its aim is to promote financial systems that incorporate careful consideration of both economic development and ESG.

TCFD

The FSB Task Force on Climate-Related Financial Disclosures is a task force established by the Financial Stability Board (FSB). The FSB is a swiss-based international consultative body created in 2015 to assist in the stabilization of financial systems.

Society 5.0

"Society 5.0" is a human-centered society that will drive economic growth and solve social issues by merging cyberspace and the physical space at a sophisticated level. It is said to be the successor to Society 1.0, the hunter-gatherer society; Society 2.0, the agricultural society; Society 3.0, the industrial society; and Society 4.0, the information society.

MaaS

Mobility as a Service (MaaS) is a service that provides each individual with the means of transportation that is optimal for that person. By seamlessly linking forms of transportation ranging from private automobiles to trains, buses, taxis and bicycles, MaaS provides total service in the transportation space.

CASE

This acronym stands for Connected, Autonomous (referring to automated driving), Sharing and Services (car sharing and other services) and Electric (referring to electric vehicles). Advocacy of CASE began as part of a medium- to long-term strategy drafted by German automaker Daimler AG.

Brighter future

We introduce some of the wide range of activities the MS&AD Group is undertaking in the creation of shared value (CSV).

Brighter future website

https://www.msad-mirai.co.jp (Japanese language only)

MS&AD's Story of Value Creation

Contribute to the Development of a Vibrant Society and Help Secure a Sound Future for the Planet

Bringing Vision to Reality

Today, society is experiencing disruptive change. Whether it be from unstable world affairs, increasingly serious environmental problems, and changes in social and industrial structures resulting from the evolution of IT, new risks of accidents and disasters are emerging. In this age of uncertainty, we have identified four social issues that our Group should address from the mid- to long-term perspective.

Rapid Social Change

Four social issues that the Group can help resolve

1. Diversified/large-scale accidents and disasters
2. The global environment approaching its limit (e.g. climate change and depletion of resources)
3. Mounting burden of nursing/medical care associated with an aging population
4. Decline in social vitality due to widening inequalities

The MS&AD Insurance Group was formed with three groups of insurance companies being integrated with the mission "to contribute to the development of a vibrant society and help secure a sound future for the planet, by enabling safety and peace of mind through the global insurance and financial services businesses."

To realize our vision of society, we need to face those social issues that impede this vision, and promptly identify various risks stemming from the issues and provide information on these risks. Then, through a variety of products and services, we need to prevent risks from occurring or minimize the impact of those risks and to reduce the economic burden when those risks materialize. By doing so, we help create an environment where customers can live and conduct business in a secure manner. That is our story of value creation.

To contribute solutions to such social issues, and to attain a "Resilient and Sustainable Society" by 2030, we are working on Creating Shared Value (CSV) initiatives using the Sustainable Development Goals (SDGs) to guide our way. Together with our stakeholders, we pursue the Group's sustainable growth and enhanced corporate value through the CSV initiatives.

Creating Shared Value (CSV initiatives)

- Deal with new risks
- Create a safer mobility society
- Strive for resilient community development
- Support "good health and longevity"
- Contribute to climate change mitigation and adaptation
- Strive to improve the sustainability of natural capital
- Work toward the realization of "leaving no one behind"

Our Image of Society in 2030

The MS&AD's Story of Value Creation

Resources Supporting MS&AD

Financial Capital

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

Consolidated net assets (as of March 31, 2019) ..... ¥2,778.0 billion

Human Capital

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

Consolidated number of employees (as of March 31, 2019) 41,467

Intellectual Capital

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

Number of risk surveys conducted (FY2018) 1,140

Social and Relationship Capital

- No. 1 in the scale of its customer base in Japan

Number of individual customers in Japan[1] ..... Approx. 42 million

Number of corporate customers in Japan[1] ..... Approx. 2.4 million

- No. 1 in gross premiums written in the ASEAN region
- No. 1 in the size of its agent network in Japan

Number of domestic non-life insurance agents[1] 86,222

Domestic marketing bases[2] ..... 261 branches/1,016 offices

Domestic claims handling service centers[3] 428

- Overseas bases[4] ..... 49 countries/regions
- Relationships with leading companies in other sectors including the Toyota Group, the Nippon Life Group, the Mitsui Group and the Sumitomo Group

Natural Capital

- Stable global climate system
- Preservation of biodiversity in nature
- Sustainable natural resources
- Amount of paper used ..... 10,545 tons

1. Simple sum of the number of customers and the number of agents at MSI and ADI (as of March 31, 2019)
2. Simple sum of the number of bases at domestic insurance companies (as of April 1, 2019)
3. Simple sum of the number of claims handling service centers at domestic non-life insurance companies (as of April 1, 2019)
4. Includes SLI Cayman Limited (financial services business) in the Cayman Islands (as of April 1, 2019)

MS&AD's Strengths

Scale

Adequate capacity derived from scale

History

Past experience and lessons are the seeds of the future

Diversity

Creativity and synergies derived from diversity

Innovation

Realizing growth in tune with the times

Sustainability

Always align with society

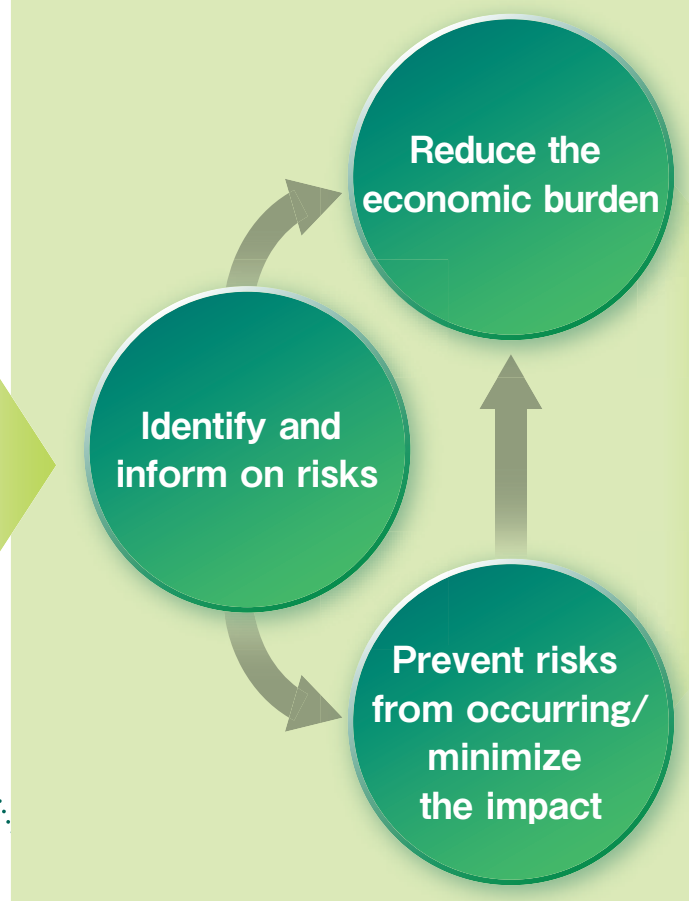
Contributing to the of a Vibrant and Helping Secure for the

Social Issues

Diverse risks surrounding society

1. Diversified/large-scale accidents and disasters
2. Global environment approaching its limit (Climate change and depletion of resources, etc.)
3. Mounting burden of nursing/medical care associated with aging population
4. Decline in social vitality due to widening inequalities

MS&AD's Business Model



Systems Supporting

Resilient systems that can respond to a changing environment	Optimum resource allocation and appropriate risk management
Medium-Term Management Plan	ERM
▶P. 27	▶PP. 36, 66

Development Society a Sound Future Planet

Resilient and Sustainable Society

Stability in people's lives

Dynamic business activities

Provision of safety and peace of mind

Global insurance / financial services business

Five Business Domains

- Domestic Non-Life Insurance Business ▶P. 44
- Domestic Life Insurance Business ▶P. 46
- Financial Services Business ▶P. 52
- Risk-Related Services Business ▶P. 50

International Business ▶P. 48

Corporate Value Creation

Management platforms that enable employees to play active roles and quality improvement	Strengthening corporate governance
Human Asset Development and Quality Improvement	Corporate Governance
▶P. 70	▶P. 75

Creating Value in Cooperation with Stakeholders
(results of FY2018)

Customers | Shareholders | Agents | Business Partners | Employees | Environment | Local Communities/ International Society

Financial Capital

- Increase capital efficiency
- Increase Group Adjusted Profit
- Returns to shareholders

* Total Shareholder Return (TSR) is the ratio calculated by dividing the return (dividends and capital gains) on investments in stocks over a specified period by the share price (investment amount).

Group Adjusted Profit ..... ¥189.8 billion

Group Adjusted ROE 6.1%

TSR* of past 5 years 65.6%

Human Capital

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

Employee satisfaction level[1] ..... 4.4 points

Days of paid vacation used per employee/year[2] 15.6

1. This measures the level of employees' feeling pride or job satisfaction. (The figure is an average for all employees based on a survey of employees–6 points represents perfect satisfaction.)
2. Average number of vacation days acquired by all employees with respect to "regular/carryover vacation days" as well as "special vacation days"

Intellectual Capital

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

Research reports issued[1] 78

Number of actuaries[2] 103

1. We issued reports on diverse subjects including CSR, corporate risks, BCM, workers' compensation risks, transportation risks, overseas crisis management information and infectious disease information.
2. Number of professional actuaries employed by MS&AD Group with specialized skills for making full use of probability, statistical and other mathematical techniques used in product development, risk management, financial soundness confirmation and other processes (as of April 1, 2019)

Social and Relationship Capital

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

Insurance claims paid[1] ..... ¥2,528.1 billion

Customer satisfaction[2] 96.6%

1. This represents the sum of net claims paid and life insurance claims. (FY2018)
2. Ratio of customers satisfied with accident response for automobile insurance (MSI and ADI) (FY2018)

Natural Capital

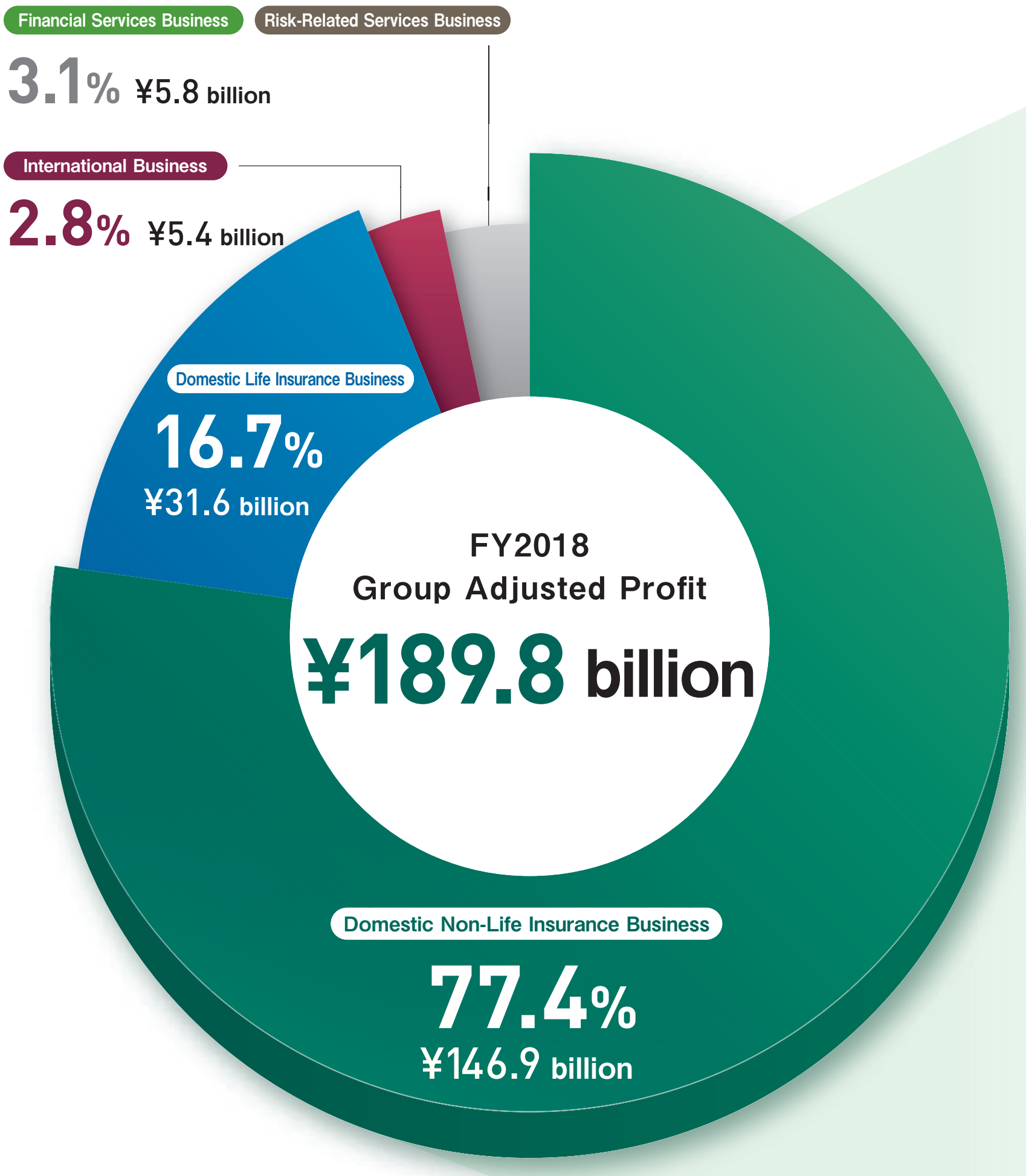
- Reduce CO_2 emissions to slow the pace of climate change
- Contribute to the preservation of biodiversity
- Reduce the Environmental burden to allow sustainable use of natural resources

Amount of paper reduced ..... 540 tons

Employees participating in social contribution activities* 23,601

* Number of employees who make donations or participate in volunteer activities as an individual or part of the company. (excluding employees overseas)

Five Business Domains



Group Adjusted Profit Defined

Group Adjusted Profit is the Company's own index showing the ordinary profitability of the entire Group. It is calculated by adding provision /deducting reversal for catastrophe loss reserve and others to/from consolidated net income.

Group Adjusted Profit = **Consolidated net income** + **Provision for catastrophe loss reserve and others** − **Other incidental factors** (e.g., amortization of goodwill and other intangible fixed assets) + **Equity in earnings of the non-consolidated group companies**

Domestic Non-Life Insurance Business P. 44

No. 1 position in the domestic non-life insurance market, making group-wide efforts to comprehensively meet diverse customer needs

MS&AD Mitsui Sumitomo Insurance

MS&AD Aioi Nissay Dowa Insurance

MS&AD Mitsui Direct General Insurance

Domestic Life Insurance Business P. 46

Leveraging the distinctive strengths of two group companies in protection-type and asset-building products

MS&AD Mitsui Sumitomo Aioi Life Insurance

MS&AD Mitsui Sumitomo Primary Life Insurance

International Business P. 48

An overseas network covering 48 countries and regions* — No. 1 in terms of non-life gross premiums written in the ASEAN region

* Excluding the Cayman Islands, where SLI Cayman Limited (financial services business) is located. (As of April 1, 2019)

Financial Services Business P. 52

Leveraging the full range of its capabilities as an insurance and financial services group to provide new financial products and services

MS&AD Mitsui Sumitomo Insurance

MS&AD Aioi Nissay Dowa Insurance

MS&AD MITSUI SUMITOMO INSURANCE Venture Capital Co., Ltd.

MS&AD MS&AD Loan Services Co., Ltd.

Sumitomo Mitsui Asset Management

Risk-Related Services Business P. 50

Creating synergies with the insurance business by deploying global risk solution services

MS&AD InterRisk Research Institute & Consulting, Inc.

ANSHIN DIAL Co.,Ltd.

Japan Assist International

MITSUI SUMITOMO INSURANCE Care Network Co., Ltd.

Fureai Do-Life Services Co., Ltd.

MS&AD Group companies that support the five business domains	
MS&AD Business Support Co., Ltd.	MS&AD Business Service Co., Ltd.
MS&AD Staffing Service Co., Ltd.	MS&AD ABILITYWORKS Company, Limited
MS&AD Systems Co., Ltd.	MS&AD VENTURES

Positioning in Each Business Domain

Group-wide

▶ Fortune Global 500: 2019 Income Ranking

(Ordinary income basis for Japanese insurance groups)

(US$ million)

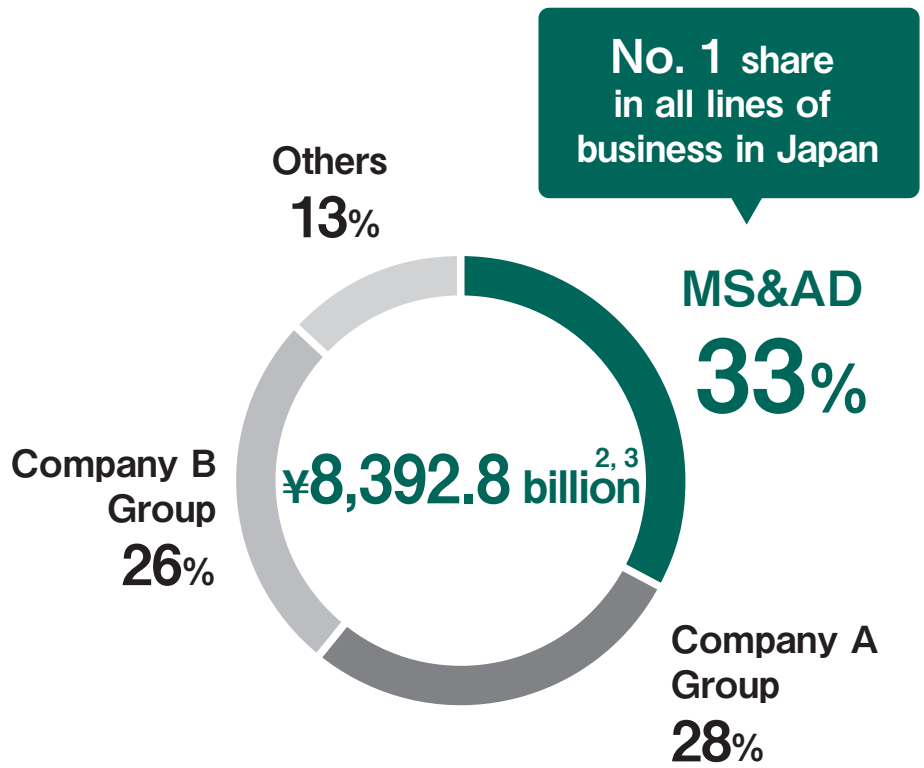
	Company/Group Name	Income
1	Berkshire Hathaway	$247,837
2	State Farm Insurance Cos.	$81,732
3	People's Insurance Co. of China	$75,377
4	Munich Re Group	$67,226
5	**MS&AD Insurance Group Holdings**	**$49,610**
6	Tokio Marine Holdings	$49,396
7	American International Group	$47,389
8	Zurich Insurance Group	$47,180
9	Nationwide	$43,270
10	Liberty Mutual Insurance Group	$42,685

Source: Fortune Global 500 2019 Insurance Property & Casualty (Stock + Mutual)

Domestic Non-Life Insurance Business

The insurance group most chosen by customers in Japan

▶ Share of Net Premiums Written[1] (FY2018)

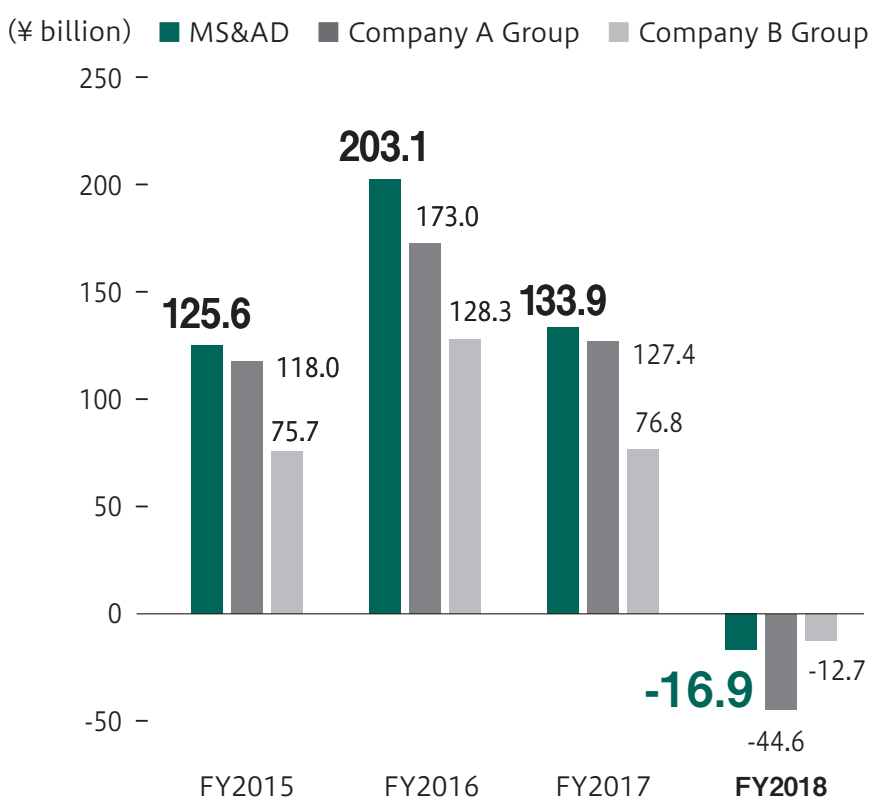


Sources: Prepared by MS&AD based on publicly announced information from each insurance company and data from the General Insurance Association of Japan.

1. MS&AD figures are the simple sums of figures for MSI, ADI, Mitsui Direct General and au Insurance Company
2. Figures for other insurance groups are simple sums of non-consolidated figures for domestic companies in each group.
3. Figures are presented exclusive of the Good Results Return premiums of Mitsui Sumitomo Insurance's proprietary "ModoRich" automobile insurance product, which contains a special clause for premium adjustment and refund at maturity (same hereinafter).

▶ Underwriting Profit

(prior to reflecting catastrophe reserves)*



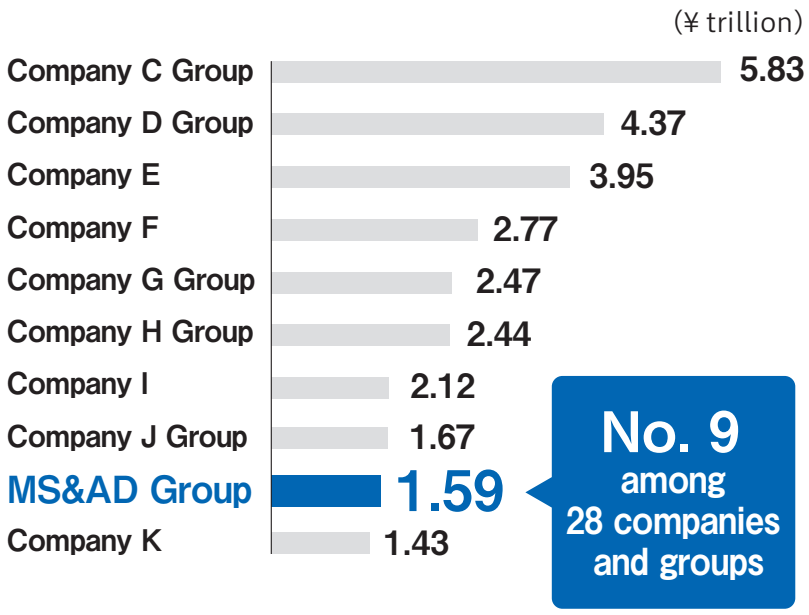
Source: Prepared by MS&AD based on publicly announced information from each insurance company

* Figures for MS&AD are the simple sum of the non-consolidated figures for MSI and ADI; For the others, the simple sum of the non-consolidated group figures excluding the direct insurance companies of each group

Domestic Life Insurance Business

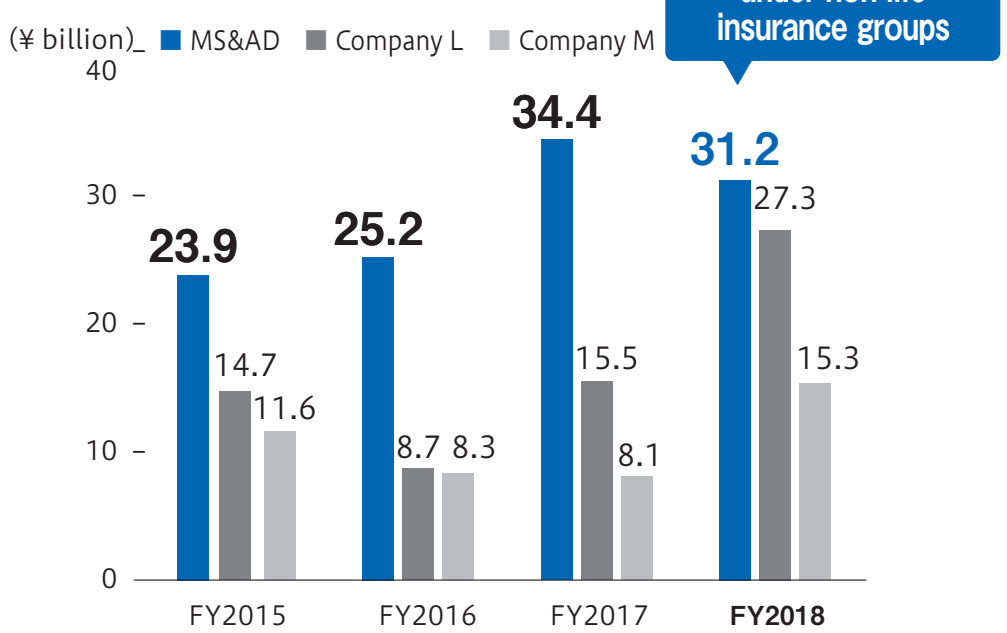
No. 9 in premiums income among domestic life insurance companies/groups

Domestic life insurance companies/groups' premiums and others ranking (FY2018)



Source: Prepared by MS&AD based on publicly announced information from each insurance company
*Figures for "Group" are calculated based on the non-consolidated sums of each group company

Net income of life insurance companies under three non-life insurance groups



Source: Prepared by MS&AD based on publicly announced information from each insurance company

International Business

No. 1 in gross written premiums (non-life) in the ASEAN region

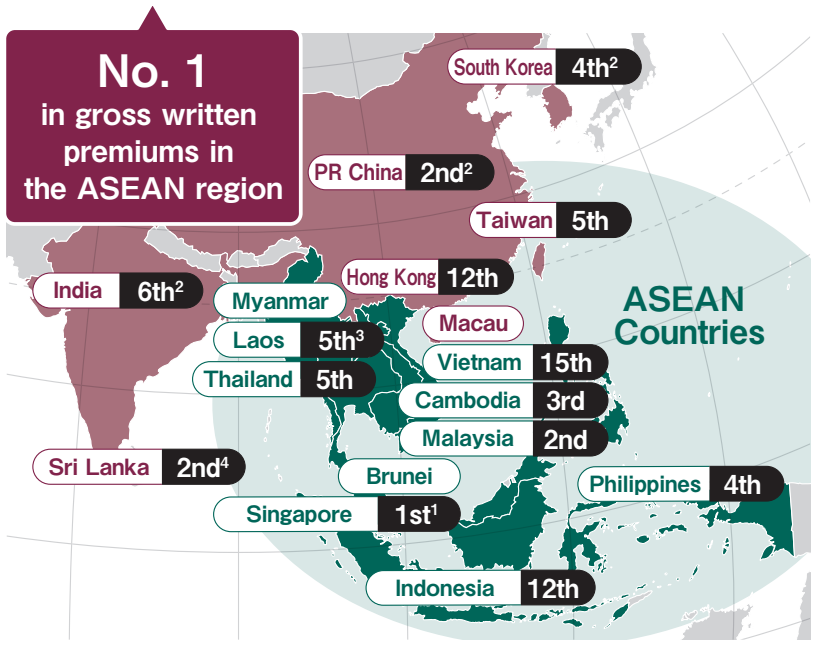
With global business expansion to 48 countries and regions[1], especially in Asia, and as the world's only global non-life insurance group with a presence in all 10 ASEAN countries, the Group maintains the No. 1 presence for gross written premiums in the ASEAN region.

1. Excludes SLI Cayman Limited (financial services business) in the Cayman Islands (as of April 1, 2019)

Positioning in the non-life insurance market in ASEAN and Asian countries (FY2017)

FY2017 Gross Written Premiums Ranking in ASEAN Countries

No. 1 ▸▸▸ MS&AD No. 2 ▸▸▸ Company N No. 3 ▸▸▸ Company O

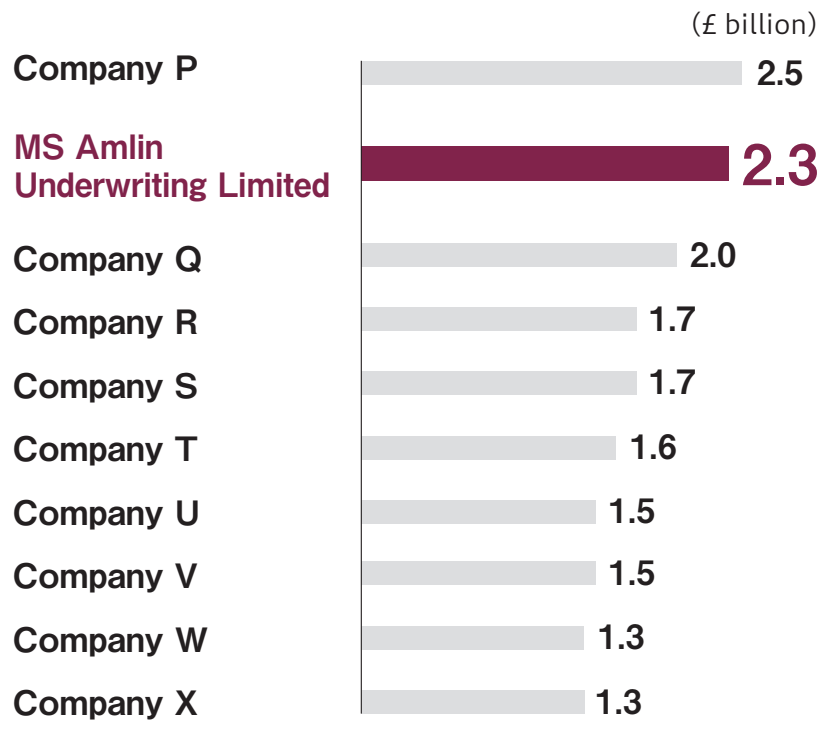


Source: Prepared by MS&AD based on publicly announced corporate information from each country and region (reinsurance companies excluded)
1. Simple sum ranking for FY2017 results with First Capital
2. Ranking for foreign-based insurance companies
3. Because data for FY2017 was not publicly available, the FY2016 ranking for Laos is shown
4. Ceylinco Insurance PLC included in the Company's scope of consolidation as an equity-method affiliate in August 2018.

As the Group's U.K.-based insurance holding company, MS Amlin is a principal player as a managing agent[2] with Lloyd's of London[3], the world's most-influential insurance market, where it is ranked second with respect to gross written premiums

2, 3 See Terminology P. 92

Lloyd's syndicate Gross Written Premiums ranking



Source: Lloyd's Annual Report 2018
Based on gross written premiums for FY2018

Group History

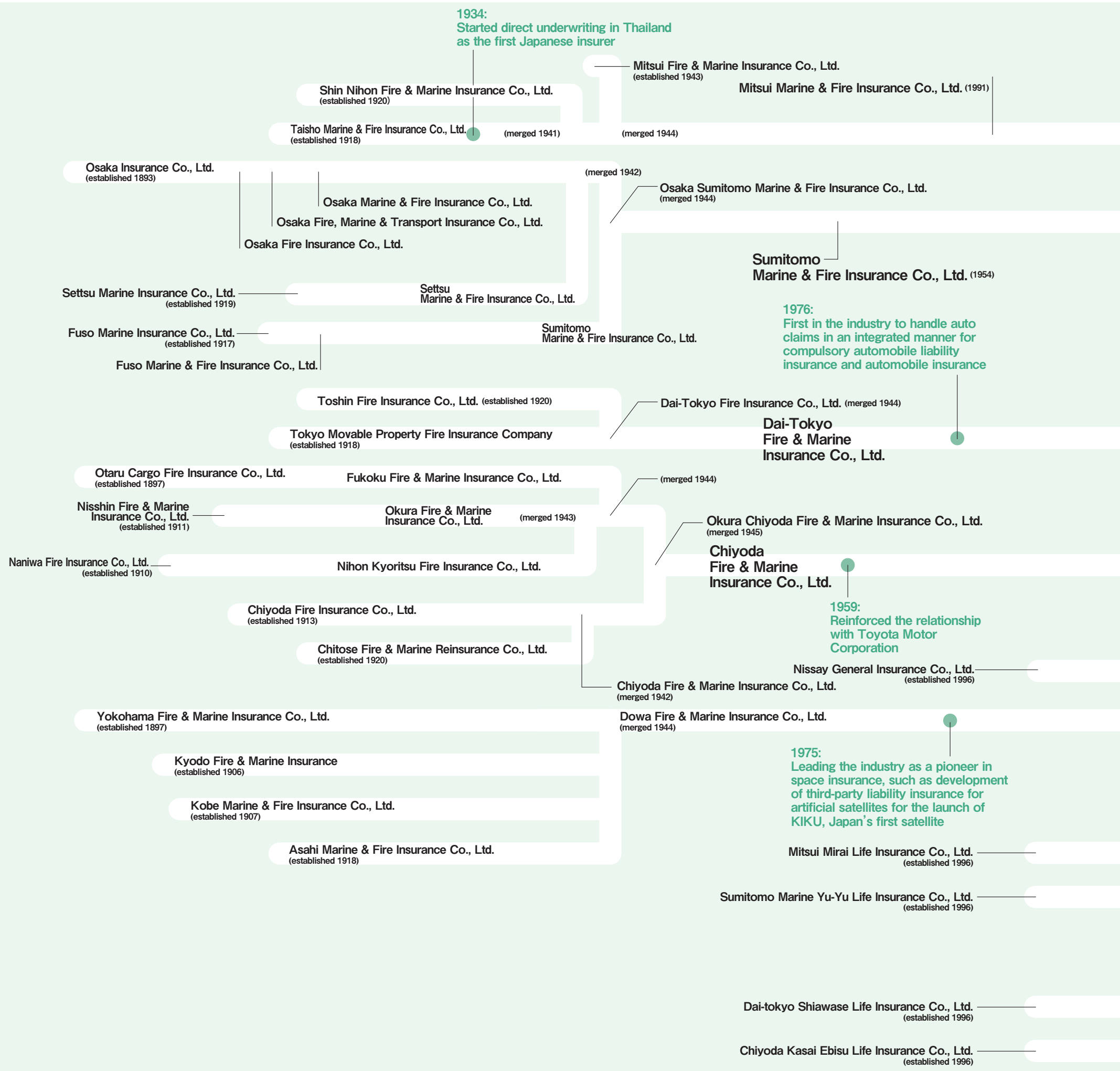
Past experience and lessons are the seeds of the future

Expertise and trustworthiness supported by 126 long years of history and experience

- Greatest accumulation of risk related data in Japan and the ASEAN region
- Expertise and data acquired through experience with the large natural disasters to date

Robust customer and marketing base founded on long-term relationship building

- Partnerships with leading companies in other sectors, including the Toyota Group, the Nippon Life Group, the Mitsui Group and the Sumitomo Group
- Partnerships with insurance agents and insurance brokers supported by long-standing relationships of trust

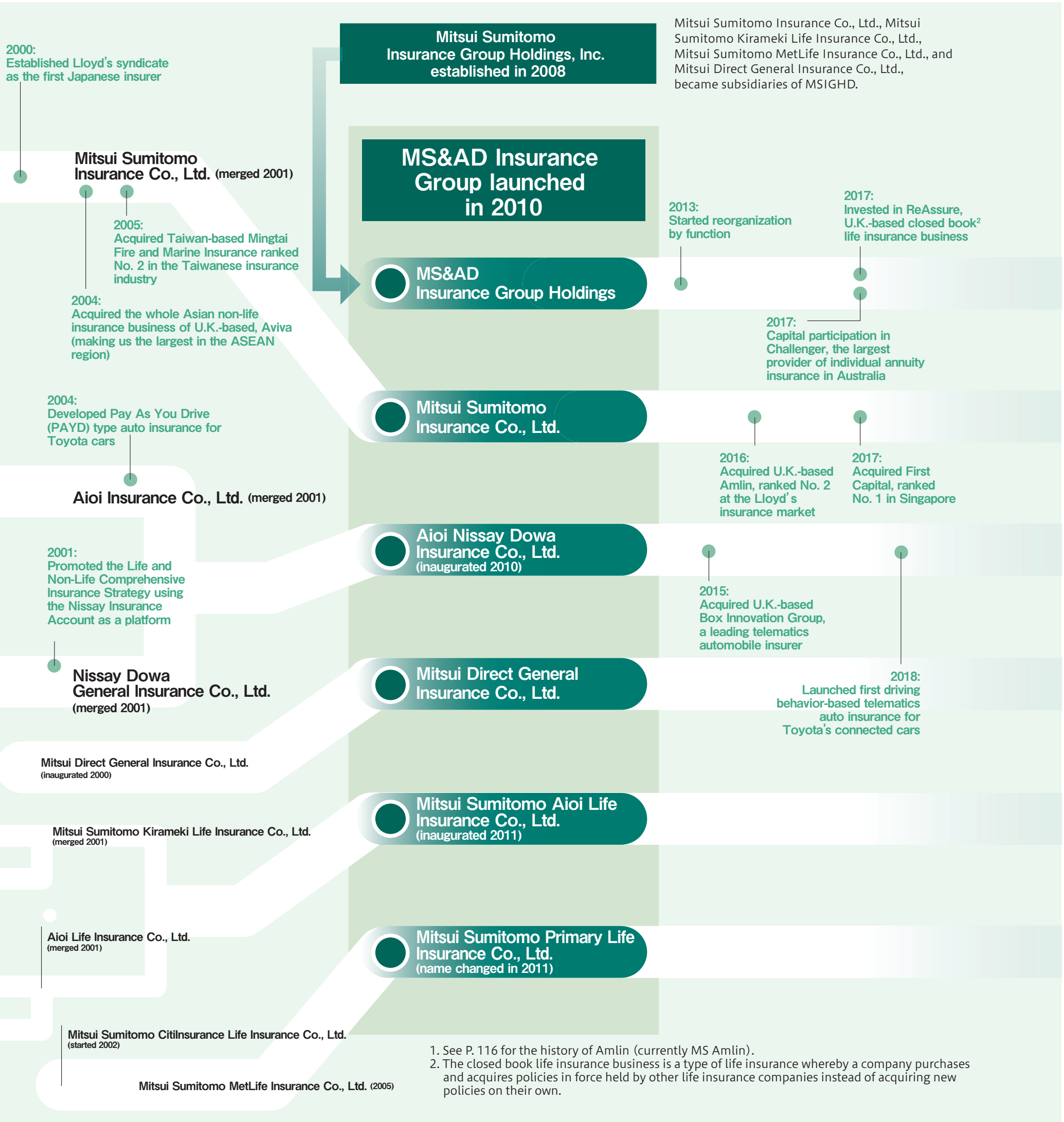


Network of trust built over a long history in the Asian region

- First Japanese non-life insurance company to start direct underwriting in Thailand, in 1934
- Operations have expanded along with growth in the ASEAN region, ultimately achieving the No. 1 position in the region in terms of scale

110 years of experience and results in the Lloyd's insurance market

- First Japanese non-life insurance company to enter the Lloyd's insurance market in 2000
- Acquisition of Amlin, founded in 1903,[1] at the Lloyd's insurance market in 2016



1. See P. 116 for the history of Amlin (currently MS Amlin).
2. The closed book life insurance business is a type of life insurance whereby a company purchases and acquires policies in force held by other life insurance companies instead of acquiring new policies on their own.

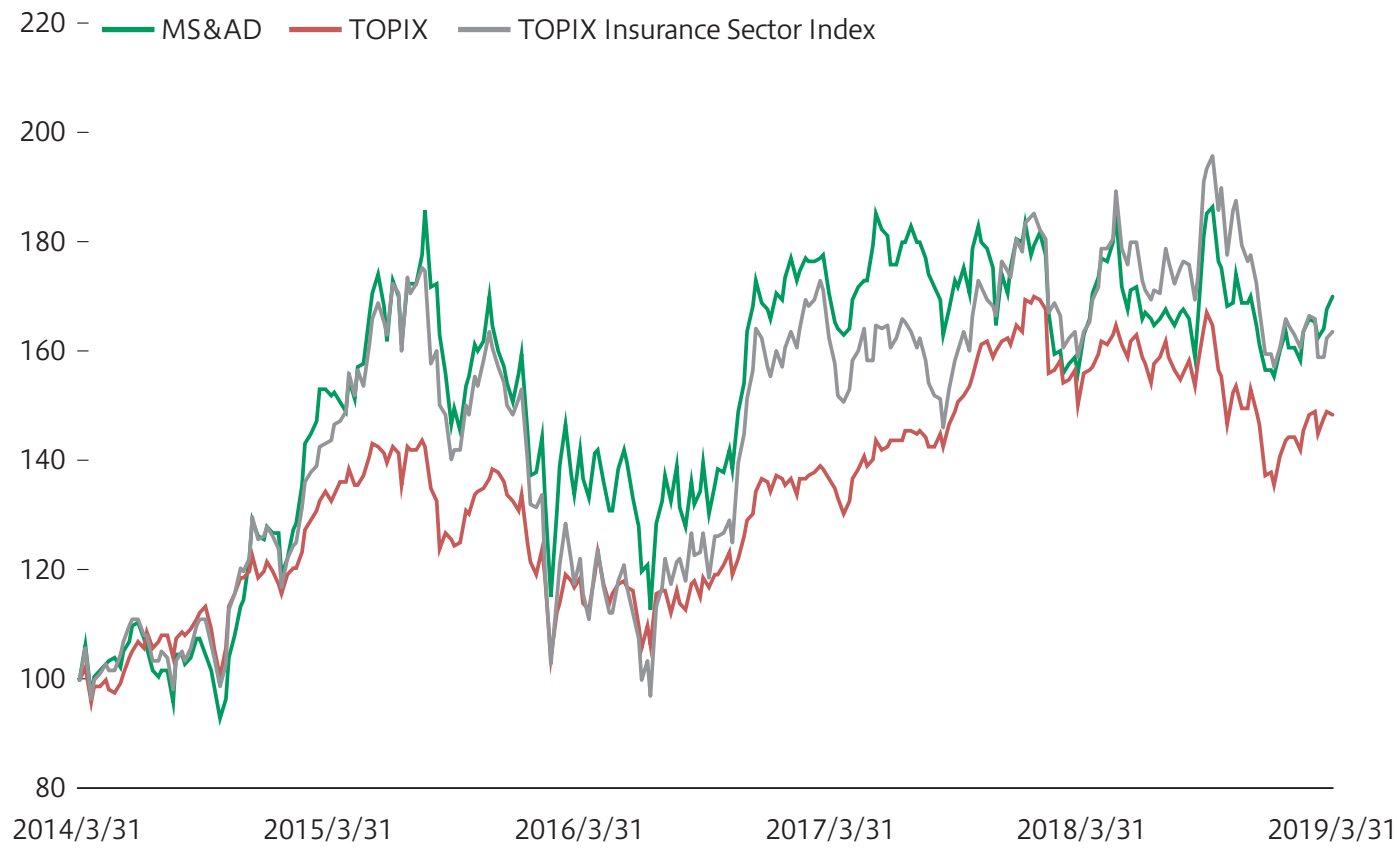
Key Management Indicators and Total Shareholder Return (TSR)

	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
Consolidated financial data (¥ million)								
Ordinary income	3,404,942	3,764,986	4,315,787	4,362,754	4,689,658	5,013,038	5,335,239	5,217,835
Net premiums written	2,543,786	2,555,551	2,639,015	2,811,611	2,939,113	3,078,732	3,407,389	3,440,976
[Net premiums written][1]	[2,541,400]	[2,558,844]	[2,639,419]	[2,809,581]	[2,940,756]	[3,078,995]	[3,406,966]	[3,446,940]
Insurance claims paid (non-life + life)	1,646,851	2,133,440	1,961,399	2,025,545	1,996,675	2,023,599	2,162,773	2,311,295
Ordinary profit/(loss)	21,005	(96,211)	150,300	190,259	287,061	291,578	352,612	211,548
Net income attributable to owners of the parent[2]	5,420	(169,469)	83,625	93,451	136,247	181,516	210,447	154,057
Comprehensive income/(loss)	(189,373)	(88,136)	543,938	322,865	807,972	(233,116)	114,294	311,096
Net assets	1,663,381	1,512,134	2,021,625	2,285,832	3,036,663	2,725,274	2,734,432	2,968,387
Total assets	11,445,003	14,537,204	15,914,663	16,878,148	18,788,046	20,303,649	21,234,300	22,472,927
Consolidated solvency margin ratio[3]	–	553.8%	738.8%	772.5%	803.9%	743.3%	872.6%	819.3%
Equity ratio	14.11%	10.27%	12.56%	13.39%	16.00%	13.29%	12.76%	13.09%
Return on equity (ROE)	0.37%	(10.91%)	4.79%	4.42%	5.18%	6.36%	7.78%	5.45%
Combined ratio[4] (domestic non-life insurance)	102.9%	116.4%	105.1%	98.2%	96.0%	91.6%	92.6%	92.8%
Group Core Profit[5]/Group Adjusted Profit[6]	14,500	(87,500)	87,400	94,800	155,700	147,500	213,700	105,100
Group ROE[7]/Group Adjusted ROE[8]	0.8%	(5.6%)	5.0%	4.5%	5.9%	5.2%	7.9%	3.7%
Per share data (yen)								
Net income per share (basic)[9]	8.68	(272.49)	134.46	150.58	221.34	298.72	350.94	260.04
Net income per share (diluted)[10]	–	–	–	–	–	–	350.90	259.98
Group Core Profit/(loss) per share/ Group Adjusted Profit[11]	23.27	(140.82)	140.56	152.79	252.99	242.83	356.39	177.47
Dividend per share (DPS)	54.00	54.00	54.00	56.00	65.00	90.00	120.00	130.00
Net assets per share (BPS)	2,597.19	2,400.48	3,215.33	3,646.22	4,911.40	4,469.58	4,572.82	4,964.64
Stock price-related data								
Year-end market price (closing price) (yen)	1,894	1,699	2,066	2,364	3,370	3,136	3,540	3,355
Price-earnings ratio (PER)[12] (times)	218.06	–	15.36	15.70	15.23	10.50	10.09	12.90
Price-to-book ratio (PBR)[12] (times)	0.73	0.71	0.64	0.65	0.69	0.70	0.77	0.68
Dividend yield[12]	2.9%	3.2%	2.6%	2.4%	1.9%	2.9%	3.4%	3.9%
Annual total shareholder return (TSR)[13]	(24.9%)	(7.4%)	24.8%	17.1%	45.3%	(4.9%)	16.7%	(1.6%)
Stock price volatility (annual rate)[14]	32.3%	26.6%	35.8%	39.0%	25.3%	41.0%	36.9%	19.7%
Capital management policy data (¥ million)								
Total dividends	33,583	33,582	33,582	34,715	39,900	54,447	71,489	77,014
Dividend payout ratio (consolidated)	622.1%	–	40.2%	37.2%	29.4%	30.1%	34.2%	50.0%
Aggregate amount of repurchase[15]	9,999	0	4,996	9,997	29,992	19,996	29,938	29,981
[Average repurchase price][16] (yen)	[2,012]	–	[2,565]	[2,523]	[3,373]	[3,044]	[3,738]	[3,440]
Shareholder return ratio[17]	300.2%	–	44.1%	47.2%	44.9%	50.4%	47.7%	101.8%
Non-financial data								
Customer satisfaction (accident response for automobile insurance)[18]	–	–	89.3%	89.4%	89.1%	95.5%	95.6%	96.0%
Number of employees	36,538	36,929	36,643	37,055	38,358	40,617	40,641	41,295
(of which consolidated overseas subsidiaries) ☑	5,621	5,772	6,003	6,228	6,448	8,573	8,759	9,184
Number of female managers[19] (domestic) ☑	–	–	245	296	377	449	551	613
Number of employees participating in social contribution activities (domestic)	–	–	16,142	11,373	15,124	16,507	19,861	20,022
CO_2 emissions (Scope 1 + 2)[20] ☑	106,985 t-CO_2	98,961 t-CO_2	114,246 t-CO_2	111,818 t-CO_2	123,567 t-CO_2	119,953 t-CO_2	120,930 t-CO_2	104,669 t-CO_2
Paper consumption (domestic)	21,680 t	16,445 t	14,445 t	16,036 t	13,283 t	13,940 t	13,005 t	11,085 t

A checkmark ☑ indicates that FY2018 figures have been assured by KPMG AZSA Sustainability Co., Ltd.

	FY2018
	5,500,438
	3,497,572
	[3,500,403]
	2,528,145
	290,847
	192,705
	(79,701)
	2,778,047
	23,132,539
	807.3%
	11.89%
	6.77%
	99.4%
	189,800
	6.1%
	328.72
	328.60
	323.87
	140.00
	4,712.11
	3,370
	10.25
	0.72
	4.2%
	4.6%
	16.7%
	81,720
	42.6%
	(upper limit) 32,000
	—
	(plan) 60.0%
	96.6%
	41,467
	8,958
	782
	23,601
	97,405 t-CO_2
	10,545 t

TSR for the Last Five Years



	Past 1 Year	Past 2 Years		Past 3 Years		Past 4 Years		Past 5 Years	
MS&AD	4.6%	2.8%	[2.8%]	19.9%	[6.2%]	14.2%	[3.4%]	65.6%	[10.6%]
TOPIX	(5.0%)	10.0%	[4.9%]	25.7%	[7.9%]	11.8%	[2.8%]	49.1%	[8.3%]
TOPIX Insurance Sector Index	(0.2%)	3.6%	[1.8%]	34.5%	[10.4%]	14.0%	[3.3%]	64.4%	[10.5%]

Notes:
1. The graph above shows the profit margin where an investment is made at the end of March 2014, taking into consideration dividends and share prices as of the end of March 2019. The MS&AD chart indexes the investment results, with dividends added to the share price (assuming no reinvestment of the dividends) with the investment amount at the end of March 2014 set as 100. Similarly, the indices compared use both the TOPIX and the Tokyo Stock Exchange's industry-specific index (insurance industry), with the data incorporating dividends.
2. The table above shows the investment return (including dividends) as of the end of March 2019 for investments from one year earlier (end of March 2018) to five years earlier (end of March 2014).
3. The values within brackets [ ] from two years earlier to five years earlier show the average annual return, annualized by taking the geometric mean of the investment return for the relevant period.

Source: Calculated by MS&AD Holdings based on data from Bloomberg

1. Figures are presented exclusive of the Good Results Return premiums of Mitsui Sumitomo Insurance's proprietary automobile insurance product "ModoRich," which contains a special clause for premium adjustment and refund at maturity.
2. The net income or net loss attributable to the parent company shareholder is disclosed.
3. Consolidated solvency margin ratios have been calculated for years beginning from FY2011 reflecting the revision of the Insurance Business Act, etc.
4. Combined ratio figures (domestic non-life insurance) are based on the simple sums of the non-consolidated figures for MSI, ADI and Mitsui Direct General. For FY2010, however, combined ratio figures are based on the simple sums of the non-consolidated figures for MSI, Aioi, NDI and Mitsui Direct General. Moreover, for FY2018, combined ratio figures are based on the simple sums of the non-consolidated figures for MSI and ADI.
5. Group Core Profit = Consolidated net income – Net capital gains/losses on stock portfolio (gains/losses on sales, etc.) – Net evaluation gains/losses on credit derivatives – Other incidental factors + Equity in earnings of the non-consolidated Group companies (prior to FY2017)
6. Group Adjusted Profit = Consolidated net income + provision for catastrophe loss reserve and others – other incidental factors (amortization of goodwill and other intangible fixed assets, etc.) + equity in earnings of the non-consolidated group companies (FY2018)
7. Group ROE = Group Core Profit ÷ Consolidated total net assets (average of beginning and ending amounts excluding stock acquisition rights and non-controlling interest) (prior to FY2017)
8. Group Adjusted ROE = Group Adjusted Profit ÷ average of beginning and ending amounts on the B/S of adjusted net assets (consolidated net assets + catastrophe loss reserve and others – goodwill and other intangible fixed assets) (FY2018)
9. Net income/(loss) per share (EPS) disclosed.
10. Net income per share (EPS) and Diluted EPS disclosed. Diluted net income/(loss) per share data prior to FY2015 is not disclosed because there was no potential dilution during that period.
11. Group Core Profit/(Loss) per share (prior to FY2017) or Group Adjusted Profit/(Loss) per share (FY2018)
12. Stock price–related indicators are based on the market price of the stock at the end of the fiscal year.
13. Total shareholders' return is calculated as follows: (fiscal year-end stock price – previous fiscal year-end stock price + annual dividends) ÷ previous fiscal year-end stock price
14. Stock price volatility is the annualized standard deviation of returns based on daily closing prices.
15. The aggregate amount of repurchase for FY2018 was ¥32.0 billion (upper limit); the acquisition period is from May 21, 2019, to September 20, 2019 (resolved at the Board of Directors' meeting held on May 20, 2019)
16. Because share buybacks were not completed, the average repurchase price in FY2018 is not disclosed.
17. Shareholder return ratio = (dividends applicable to the fiscal year (paid in December of that year and June of the following year) + value of share repurchases during the period through the time of the general shareholders' meeting in the following fiscal year) ÷ Group Core Profit for the fiscal year (from FY2018: Group Adjusted Profit)
18. Ratio of customers satisfied with accident response for automobile insurance (MSI and ADI). From FY2015, the client survey was modified from five stages to four stages.
19. Number of female managers in positions of section manager or higher. (Figures are for April 1 of the subsequent fiscal year.)
20. During the period from FY2010 to FY2016, CO_2 emissions resulting from tenant use of rental properties were included in Scope 1 + 2. Moreover, emissions for FY2010 to FY2015 were calculated prior to the purchase of MS Amlin, etc., so do not include emissions from these companies.

Reviewing the Previous Medium-Term Management Plans since the Group's Founding

New Frontier 2013 (FY2010–FY2013)

The MS&AD Insurance Group, founded with the Mission of "contributing to the development of a vibrant society and helping secure a sound future for the planet"

General Overview Under "New Frontier 2013," we steadily undertook initiatives geared toward returning the domestic non-life insurance business to profitability, which had presented the biggest challenge, and moved forward in securing financial soundness. In addition, we made progress with Group business integration, including the building of common platform systems for the domestic non-life insurance business, and we clarified the shape of Group business integration as a result of reorganization by function in 2013.

Buffeted by large-scale natural catastrophes, including the Great East Japan Earthquake and floods in Thailand in 2011, the Group Core Profit target for the final year was revised downward.

Furthermore, due to large-scale insurance payments on account of record-breaking snowfall in the Kanto Koshinetsu region in February 2014, the Company ended up missing its targets for Group Core Profit and Group ROE.

(¥ billion)

Numerical Management Targets

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

*Figures for MSI Aioi Life (excluding group insurance). The figure for FY2010 is the total for MSI Kirameki Life and Aioi Life.

Sales target of strategic equity holdings

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

Next Challenge 2017 (FY2014–FY2017)

Advance Group integration based on a story of value creation that realizes the Group's Mission

General Overview Under "Next Challenge 2017," we made progress in reorganization by function, while restoring profitability in the domestic non-life insurance business and putting in place a stable earnings foundation. We also realized capital efficiency and diversified the business portfolio by positioning ERM as the foundation of management, promoting the sales of strategic equity holdings and investing in overseas businesses.

In 2017, we missed our Group Core Profit and Group ROE targets on account of a decline in international business profits due to multiple large-scale natural catastrophes that occurred around the world (including hurricanes in North America). In contrast, the domestic non-life insurance business set a profit record and formed the foundation of the Group's stable earnings. In addition, the Group's ESR was maintained at roughly the target level, and the establishment of financial soundness was confirmed.

(¥ billion)

Numerical Management Targets

	FY2014 Results	FY2015 Results	FY2016 Results	FY2017 Results	FY2017 Initial targets	FY2017 Revised targets[3]
Group Core Profit	155.7	147.5	213.7	105.0	160.0	220.0
Domestic Non-Life Insurance Business	92.4	91.9	153.3	190.1	100.0	135.0
Domestic Life Insurance Business	20.4	25.0	25.1	34.3	16.0	15.0
International Business	38.2	27.9	34.6	(125.0)	39.0	66.0
Financial Services Business and Risk-Related Services Business	4.6	2.6	0.5	5.6	6.0	5.0
Group ROE[1]	5.9%	5.2%	7.9%	3.7%	7.0%	7.5%
Consolidated Net Premiums Written	2,940.7	3,078.9	3,406.9	3,446.9	3,100.0	3,570.0
Combined Ratio (Domestic Non-Life Insurance)	96.0%	91.6%	92.6%	92.8%	95% or less	93% range
Increase in EV[2] of MSI Aioi Life	59.7	(52.0)	198.4	41.3	more than 4.5	more than 5.0

1. The definitions for Adjusted Profit and Adjusted ROE identified as numerical management targets have been revised under the new medium-term management plan "Vision 2021." See P. 28 for FY2017 actual data under the new definitions.
2. "EV" stands for embedded value. (See the "Glossary of Insurance Terminology" (P. 90) for details.)
3. FY2017 numerical management targets are revised higher from the initial FY2016 targets.

Sales target of strategic equity holdings

Actual sales to FY2016	Actual sales in FY2017	Period total	Sales target*	Achievement ratio
¥405.1 billion	¥151.3 billion	¥556.6 billion	¥500 billion	111.3%

*In November 2015, the sales target was raised from ¥300 billion to ¥500 billion.

By executing New Frontier 2013 and Next Challenge 2017, we reached the point where we could see before us the realization of a "world-leading insurance and financial services group," which we had adopted as an aspiration for the medium term. In formulating Vision 2021, we identified those results and issues to be further strengthened. In FY2018, we continue to maintain those results, and our efforts to address issues are ongoing.

Achievement 1

Establishment of Financial Soundness

We are steadily raising ESR, and even if a large-scale natural catastrophe such as those in FY2017 and FY2018 was to occur, the target level for financial soundness has been secured.

Achievement 2

Solidification of the Earning Power of the Domestic Non-Life Insurance Business

On a basis that excludes the impact of natural catastrophes, we stably achieved a combined ratio of 95% or less.

Achievement 3

Promotion of ERM

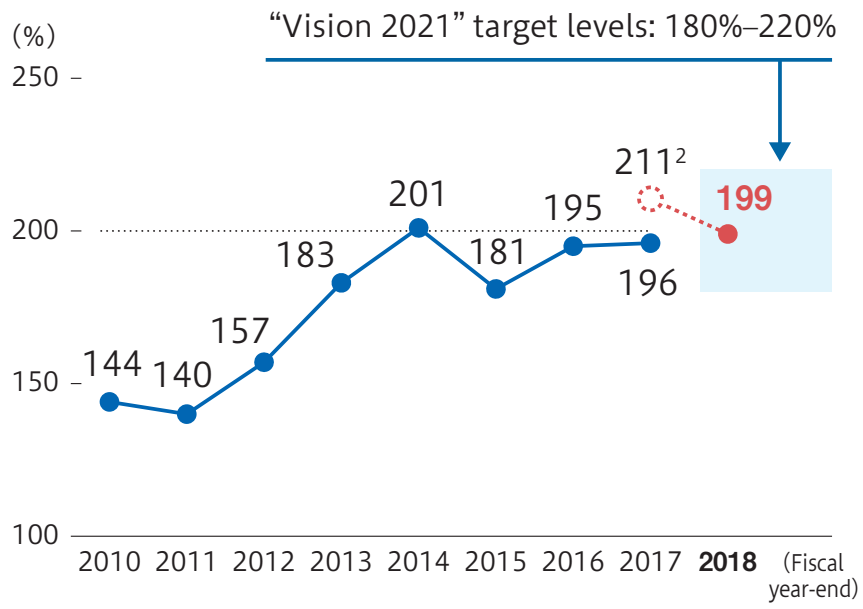
We ensured financial soundness, improved profitability and put in place a Group management foundation that realizes capital efficiency.

Achievement 4

Completion of Reorganization by Function

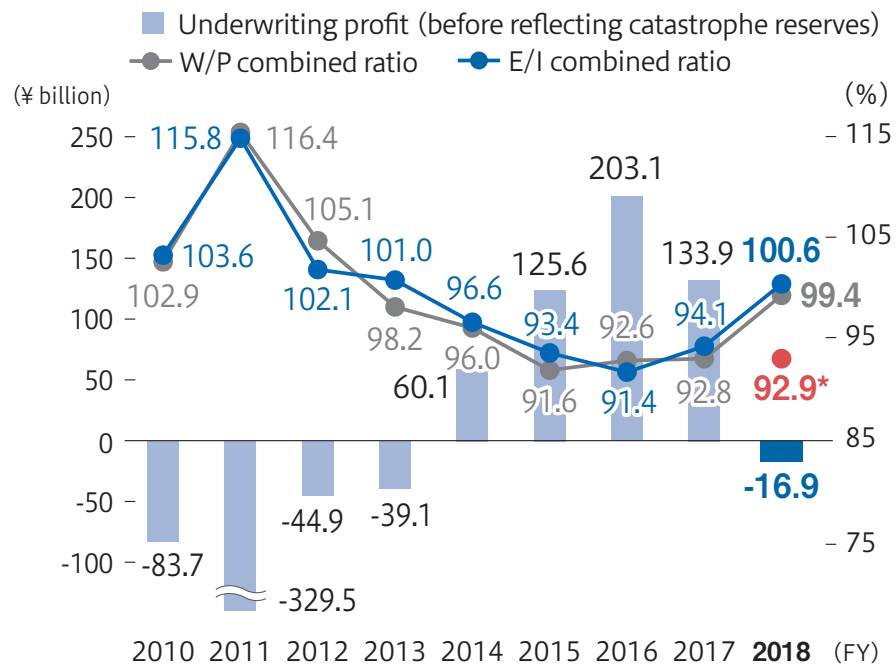
Domestic non-life insurance companies reduced their business expenses by around ¥60.0 billion, which exceeded the original target, and concurrently achieved growth and improved efficiency.

ESR[1]



1. ESR: Economic Solvency Ratio = Capital (net asset value) ÷ Integrated risk amount
2. We achieved a more sophisticated method for calculating ESR from FY2018.

Underwriting Profit and Combined Ratio



*Combined ratio revised in initial forecasts with the full-year forecast for domestic natural disasters

Ongoing Tasks 1

Diversify Portfolio

Geographical diversification from domestic to overseas, investment to diversify business from the non-life insurance business to the life insurance business
Ongoing tasks to achieve the targeted international business profit ratio of 50%

Ongoing Tasks 2

Enhance Our Ability to Respond to Environmental Changes

Adoption of new technologies, the conducting of all kinds of demonstration experiments and research through industry-academia cooperation, etc., to respond to the digital society
Ongoing tasks toward further quality and productivity improvements

Ongoing Tasks 3

Improve Capital Efficiency

ROE rose to approximately 8% in FY2016 but suffered a decline in FY2017 and FY2018 due to the occurrence of large-scale natural catastrophes
Ongoing tasks toward the targeted 10% level

Issues clarified in the formulation of Vision 2021

1 Harmony with society	2 Improve capital efficiency vis-à-vis global competitors	3 Reform the business portfolio
4 Improve responsiveness to changes in the environment	5 Harness diversity better as a Group strength	6 Maintain and expand the domestic non-life insurance business' advantages in scale and profitability

Risks and Opportunities

In light of the continuously changing business environment, the Group periodically reviews the risks and opportunities that emerge from these changes and reflects these within concrete business developments and initiatives.

Recognition of the Business Environment

Society

- Increase in natural disasters such as wind and flood damage and major earthquakes
- Expansion of international and ethnic conflicts
- Advances in the "sharing economy"
- Expansion and consolidation of disparities such as that between poverty and wealth
- Acceleration of movements toward realizing Society 5.0
- Population growth and expansion of the middle class in emerging countries
- Aging populations around the world
- Transition to a carbon-free economy
- Acceleration of initiatives toward next-generation mobility
- Economic expansion and its recoil associated with the Tokyo Olympics and Paralympics

Politics

- Change in regulatory environments inside and outside Japan (stricter capital regulations, consumption tax hike and revisions to the Civil Code in Japan)
- Rise of protectionism and populism
- Expansion of political conflicts and trade disputes
- Britain's exit from the European Union (Brexit) and economic stagnation in the Eurozone
- Emergence of large numbers of migrants and refugees due to political instability

Economy

- A global economy driven by emerging countries
- Waning of free trade and the rise of protectionism
- Expansion of investments and funding that prioritizes ESG
- Decrease in car sales and the number of vehicles owned and housing construction in Japan due to the shrinking population
- Increase in foreign visitors to Japan and the globalization of regional cities

Technology

- Cybersecurity threats (data leaks and infrastructure failures)
- Advances in new automobile technologies (e.g., automatic braking, autonomous driving)
- Advances in regenerative medical technologies
- Greater use of genetic testing
- Progress of clean energy technologies
- Use of Big Data and advances in AI technology
- Advances in welfare and nursing care robots

Issues: Diversified/large-scale accidents and disasters

Risks

- Changes in the nature of existing businesses (e.g., conventional automobile insurance), possibility of contraction
- Increase in insurance claims due to frequent, large-scale natural catastrophes
- Emergence of new risks due to the greater use of IoT and the post-digital era

Opportunities

- Construction of new business models (e.g., telematics insurance, InsurTech)
- Market developments along new sales channels
- Development of new insurance schemes to compensate for losses caused by large-scale natural catastrophes
- Creation of new markets from the emergence of new risks (e.g., drones, cyber, sharing)
- Risk management and product development stemming from the use of Big Data

Issues: The global environment approaching its limit

Risks

- Erosion of the business environment foundation due to the depletion of natural capital
- Shifts in lifestyles and industrial structures associated with the transition to a carbon-free society

Opportunities

- Growing needs for evaluation and analysis of climate change and natural capital risk
- Flourishing growth in ESG investment and lending, such as Green Bonds
- Needs for new insurance arising from growth in new businesses related to decarbonization and resource efficiency

Issues: Mounting burden of nursing/medical care associated with an aging population

Risks

- Slowing growth coinciding with the maturation of domestic insurance markets
- Increase in automobile accidents caused by elderly drivers
- Reconsideration of solicitation methods as policyholders age
- Emergence of new risks associated with advanced medical care

Opportunities

- Increase in the need for asset-building and asset-inheritance devices for a super-aging society
- Expansion in the demand for services related to nursing care and dementia
- Greater awareness of health promotion and disease prevention
- Greater medical coverage due to changes in the social security system and advances in medical technology

Issues: Decline in social vitality due to widening inequalities

Risks

- Slowing growth and expanding inequality in emerging markets due to geopolitical risks
- Contraction in rural markets due to regional depopulation in Japan
- Greater damage caused by natural catastrophes and delayed recovery efforts

Opportunities

- Stronger demand for insurance due to a growing middle class under the assumption of robust development in emerging economies
- Stronger needs for services that support regional revitalization
- Greater awareness among local governments related to preventing and reducing disasters

Overview of the Medium-Term Management Plan "Vision 2021"

Development of management based on CSV*: "Vision 2021" (FY2018–FY2021)

Realizing Our Mission and promoting the sustainable growth of the Group through corporate activities that create shared value with society

"Vision 2021" stipulates the image for society that the Group aims to achieve in 2030 as a "resilient and sustainable society" and focuses on creating shared value (CSV initiatives), which includes seven key issues that the Group is undertaking as a means of realizing such a society. Moreover, "Vision 2021" identifies our aspirations during the Medium-Term Plan and executes the strategies for achieving those.

*CSV: Creating Shared Value

Image of Society in 2030

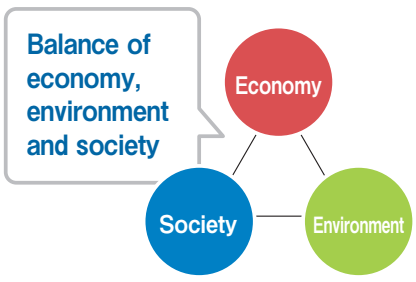
"Resilient and sustainable society"

Resilient

Able to respond to unforeseen circumstances within a drastically changing, uncertain society

Sustainable

Win-win-win relationship in which the economy is not in a trade-off relationship with the environment and society



Creating Shared Value (CSV initiatives)

1. Deal with new risks
2. Create a safer mobility society
3. Strive for resilient community development
4. Support "good health and longevity"
5. Contribute to climate change mitigation and adaptation
6. Strive to improve the sustainability of natural capital
7. Work toward the realization of "leaving no one behind"

Aspirations during the Medium-Term Plan

Build a world-leading insurance and financial services group

Create resilient systems that can swiftly respond to changes in the environment

	FY2018 Progress Status	Medium-term aspirations (FY2021 Targets) "World-leading insurance and financial services group"
Scale	5th (FORTUNE GLOBAL 500 2019, P&C)	Within the top 10 non-life insurance groups in the world
Capital efficiency	6.1%	Group Adjusted ROE 10%
Financial soundness	199%	ESR 180%–220%
Portfolio diversity	40%	50% (profit basis) in other than the domestic non-life insurance business
Risk assets	28.8% of integrated risk amount 10.9% of consolidated total assets	Strategic equity holdings below 30% of the integrated risk amount and below 10% of consolidated total assets
Profitability	99.4%	Combined ratio in the domestic non-life insurance business stable at 95% or less

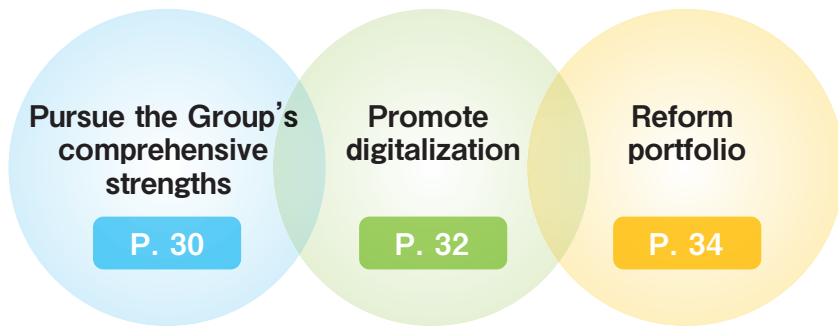
Basic Strategies

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.

Three Key Strategies



Basic Strategies

ERM P. 36

Quality that earns the trust of society P. 74

Management platforms that enable employees to play active roles P. 70

Progress in the Medium-Term Management Plan "Vision 2021"

Vision 2021 (FY2018–FY2021)

Numerical Management Targets

Numerical management targets involve formulating both numerical financial targets and non-financial indicators.

Fiscal 2018 Group Adjusted Profit fell below the initial forecast by ¥80.2 billion due to the occurrence of numerous natural catastrophes both in Japan and overseas as well as a delayed recovery in international business earnings. In fiscal 2019, we expect Group Adjusted Profit to fall below our initial target by ¥10 billion to ¥263 billion on a group-wide basis, due to a delay in profit recovery at MS Amlin in the international business caused mainly by changes in the local regulatory environment, although the profit for the domestic non-life insurance and domestic life insurance businesses is expected to exceed the initial target. The entire Group will work to further enhance profitability in order to achieve the final fiscal 2021 target.

Financial Targets

(¥ billion)

	FY2017 Results (Converted to new standards)	FY2018	FY2019 Forecast	FY2019 Targets	FY2021 Targets
Group Adjusted Profit	201.0	189.8	263.0	273.0	350.0
Domestic Non-Life Insurance Business (excluding gains/losses on sales of strategic equity holdings)	287.8 (202.4)	146.9 (65.1)	186.0 (150.0)	174.0 (139.0)	182.0 (142.0)
Domestic Life Insurance Business	32.6	31.6	29.0	28.0	45.0
International Business	(125.0)	5.4	42.0	66.0	117.0
Financial Services Business/ Risk-Related Services Business	5.6	5.8	6.0	5.0	6.0
Group Adjusted ROE	6.4%	6.1%	8.7%	8.3%	10.0%
Consolidated net premiums written	3,446.9	3,500.4	3,524.0	3,530.0	3,710.0
Life insurance premiums (Gross premiums)	1,508.1	1,599.9	1,525.0	1,540.0	1,600.0
EEV of MSI Aioi Life	835.5	819.4	927.0	970.0	1,050.0
ESR (Economic Solvency Ratio)	211%	199%	–	–	180%-220%

Sales Target of Strategic Equity Holdings

Total sales target (FY2017–FY2021)	**¥500.0 billion**
Risk weight to integrated risk amount (before the risk diversification effect)	**Less than 30%**
Fair value weight in consolidated total assets	**Less than 10%**

Non-Financial Indicators

A checkmark ☑ indicates that FY2018 figures have been assured by KPMG AZSA Sustainability Co., Ltd.

Creating Shared Value with Society (CSV initiatives)

Indicator	Fiscal 2018 Achievements	Group Targets for Fiscal 2019 Onward
Development and improvement of products for creating shared value with society	● Special Feature (PP. 54–63) ● MS&AD Sustainability Report 2019	For the seven key issues (P. 54), decide on four methods of approach and periodically ascertain progress qualitatively. **Four methods of approach**: Provision of products and services; Investments and financing; Research and policy recommendations; Contributions to society

Key related SDGs

Quality that earns the trust of society

Indicators (related pages)	Fiscal 2018 Achievements	Group Targets for Fiscal 2019 Onward
Quality improvement (P. 43, P. 74)		
Customer satisfaction survey about insurance contract procedures	97.1%	The same level or higher compared with the previous fiscal year
Customer satisfaction survey about payment of insurance claims	96.6%	The same level or higher compared with the previous fiscal year
Reduction of the environmental burden (P. 43)		
CO_2 emission reduction rate	-13.3%	Reduce CO_2 emissions by 30% by 2020 and by 70% by 2050 versus the base year (fiscal 2009)
Total energy consumption ☑	987,452 GJ (-30.3%)	
Paper consumption	10,545 t (-4.9%)	Lower than the previous fiscal year

Management platforms that enable employees to play active roles

Indicators (related pages)	Fiscal 2018 Achievements	Group Targets for Fiscal 2019 Onward
Diversity & inclusion (P. 43, PP. 71–72)		
Share of management positions occupied by women (domestic) ☑	12.4%	15% (FY2020)
Employee satisfaction ("working vigorously")	4.3 points	The same level or higher compared with the previous fiscal year
Key monitoring indicators other than sustainability KPIs ● Number and ratio of global employees (P. 43) ● Ratio of employees with disabilities (P. 72)		
Health management (P. 72)		
Employee satisfaction "Pride, job satisfaction"	4.4 points	The same level or higher compared with the previous fiscal year
The number of annual paid holidays taken	15.6 days	The same level or higher compared with the previous fiscal year
Ratio of taking fully paid paternity leave	63.9%	The same level or higher compared with the previous fiscal year
Number of employees participating in social contribution activities	23,601 people	The same level or higher compared with the previous fiscal year

Specific Examples of Creating Shared Value with Society (CSV initiatives)

We calculated the economic impact on the Company and the impact on society from our CSV initiatives. As we bring our story of value creation to fruition, the impact on society involves cases of both directly providing economic support through insurance payments and mitigating socioeconomic loss, as well as indirectly preserving social value.

【Business Model of Story of Value Creation】

Identify and inform on risks | Prevent risks from occurring/ minimize the impact | Reduce the economic burden

Examples of Initiatives	Economic Impact on the Company	Impact on Society
Deal with new risks ▶ **Products to address cyber risk** 【Mitsui Sumitomo Insurance/Aioi Nissay Dowa Insurance】 For example, we estimate that the damage from 100,000 cases of personal information leaks would reach up to ¥172,700,000. We offer security countermeasures through various risk management services to prevent such losses along with providing compensation if damage from the risk is incurred.	FY2017–FY2018 policy growth rate **+9.0% YoY**	Companies/organizations protected against cyber risks[2] **Approximately 9,700**
Create a safer mobility society ▶ **Safe driving support services that use telematics technology** 【Mitsui Sumitomo Insurance/Aioi Nissay Dowa Insurance】 We provide automobile insurance targeting companies that use vehicles for business as well as support for safe driving initiatives that use telematics technology.	No. of corporate customers **Approximately 1,400**	Reduction rate of claims paid for said corporate customers[3] **36.5%**
Strive for resilient community development ▶ **Earthquake insurance** 【Mitsui Sumitomo Insurance/Aioi Nissay Dowa Insurance】 Paired with fire insurance, we compensate damage to buildings and family belongings burned, broken, buried or washed away due to earthquakes, volcanic eruptions or tsunami.	No. of policies in FY2018 **Approximately 3,363,000**	Ratio of total policies nationwide in FY2018[4] **36.1%**
Support "good health and longevity" ▶ **Insurance responsive to various cancer treatment methods** 【Mitsui Sumitomo Aioi Life Insurance】 In addition to providing insurance plans, we proactively hold seminars that convey to customers proper awareness and preventive measures for such conditions as cancer, stroke and dementia.	No. of new policies in FY2018[5] **Approximately 213,000**	No. of individuals attending seminars that provide information on life/medical treatment **14,147**
Contribute to climate change mitigation and adaptation ▶ **Comprehensive Coverage Plan for Mega-Solar Power Generation** 【Mitsui Sumitomo Insurance/Aioi Nissay Dowa Insurance】 We provide coverage that combines insurance plans with derivatives to address the risks faced by megasolar operators that operate large-scale solar power plants.	No. of new policies in FY2018 **Approximately 4,600**	Power generation volume under the Comprehensive Coverage Plan for Mega-Solar Power Generation (volume equivalent to CO_2 emitted from thermal power)[6] **More than 1,690,000 tons**
Strive to improve the sustainability of natural capital ▶ **Simplified evaluations of water-related risks** 【MS&AD InterRisk Research & Consulting】 We evaluate water-related risks that include flooding and drought in areas surrounding business locations in Japan and abroad for companies that use large amounts of water resources in their business activities. These evaluations are used for management strategy proposals and initiatives.	No. of evaluated facilities **244**	Ratio of facilities where water shortage risks are high[7] **40.7%**
Work toward the realization of "leaving no one behind" ▶ **Dementia "Kobe Model"** 【Mitsui Sumitomo Insurance】 The "Kobe Model" is a three-pronged scheme consisting of (1) accident relief (insurance), (2) program diffusion (encouraging early dementia screening) and (3) accident prevention (GPS services by security company) provided through an accident relief program linked to Kobe City's dementia regulations.	Premiums income three-year total (estimate)[8] **Approximately ¥390 million**	No. of Kobe residents who have applied for dementia screening[9] **8,598**

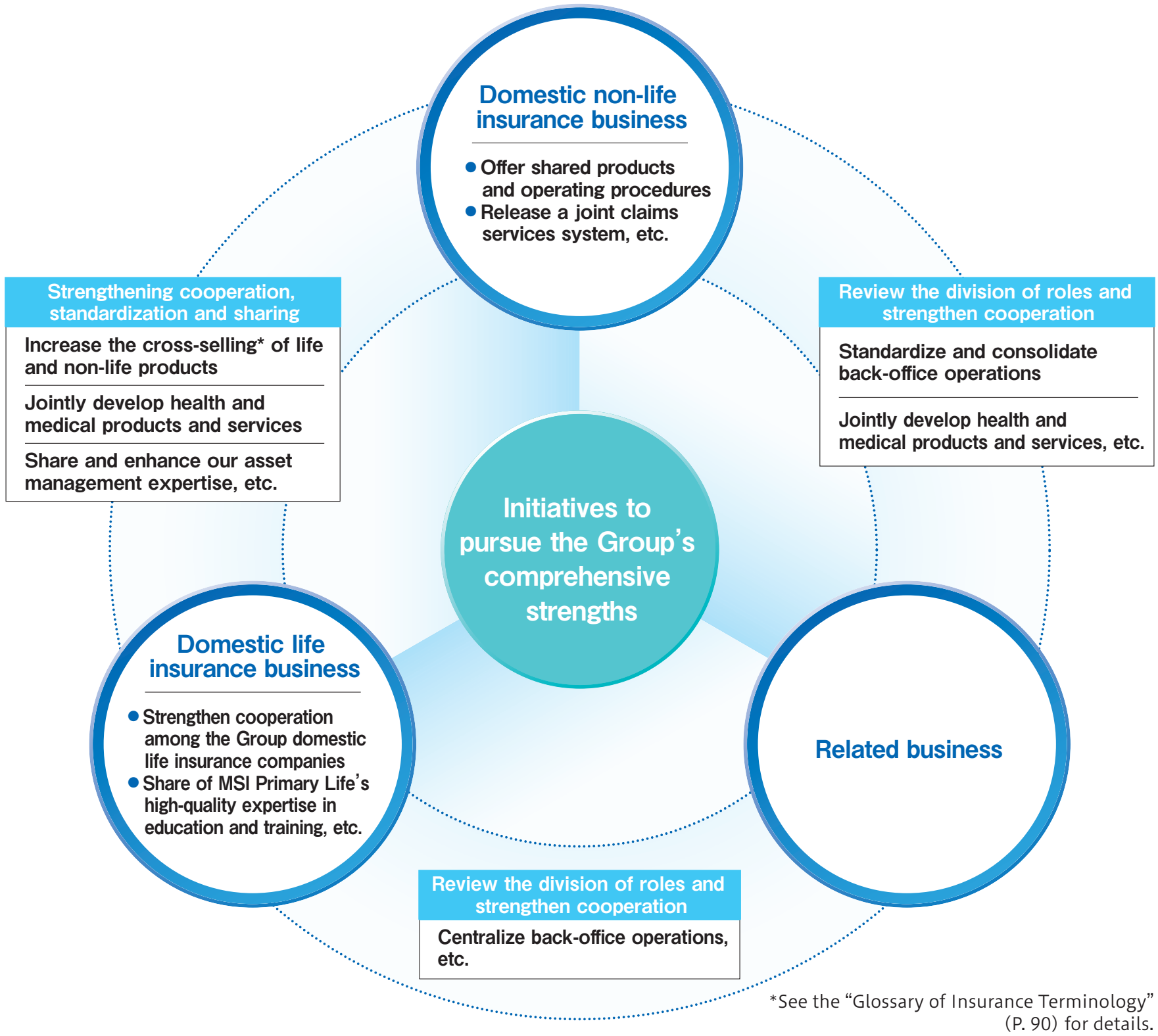
1. This damage amount is result of simple estimates calculated based on assumptions
2. Total No. of policies written for Mitsui Sumitomo Insurance "Cyber Protector" and Aioi Nissay Dowa Insurance "Cyber Security Insurance"
3. Comparison of claims paid before and after introducing Aioi Nissay Dowa Insurance "Sasaeru NAVI" service
4. Source: General Insurance Rating Organization of Japan
5. Total No. of new policies in FY2018 that include Mitsui Sumitomo Aioi Life Insurance's "&LIFE New Medical Insurance A Premier" and "&LIFE Cancer Insurance Smart"
6. Calculation based on national average power generation results from NEDO solar field test and the default value of the CO_2 emission factor of electric power disclosed by the Ministry of Environment's Law Concerning the Promotion of the Measures to Cope with Global Warming
7. Ratio of facilities (evaluated 177 of 244 facilities) with a water stress value (ratio of water intake accounted by annual water supply volume) above 40%. In addition to a water stress value, simple evaluation of water risk involves comprehensively analyzing water shortage risks by formulating forecasts based on the preservation status of water sources (other than water stress value), climate change and population growth.
8. Approximate cost (FY2019–FY2021) of the "Kobe Model" (accident relief program) at the "Third Meeting of the Kobe Dementia Patient-Friendly Urban Development Promotion Committee" held on January 9, 2019.
9. No. of applicants from the start of the "Kobe Model" dementia program (January 28, 2019) until May 31, 2019.

Vision 2021
Key Strategy 1

Pursue the Group's Comprehensive Strengths

The MS&AD Insurance Group will enhance its competitiveness while responding to rapid changes in an uncertain environment by making the most of diversity as one of its strengths.

Fiscal 2018 saw steady progress in product developments led by two domestic non-life insurance companies, collaboration in the cyber security field utilizing the experience and capabilities of MS&AD InterRisk Research & Consulting, and other similar initiatives. We will continue to strengthen cooperation within the group to achieve a greater level of quality and administrative efficiency.



*See the "Glossary of Insurance Terminology" (P. 90) for details.

Vision 2021 Progress Status: Steadily Making the Most of Our Comprehensive Strengths in Each Area	
Domestic non-life insurance business	Launch of "Observe and Protect Automobile Insurance (Dashcam Type)," developed jointly by Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance (January 2019)
Domestic life insurance business	Strengthen the collaboration between Mitsui Sumitomo Aioi Life Insurance and Mitsui Sumitomo Primary Life Insurance
Major Collaborative Initiatives with Affiliated Companies and Their Results	
Initiatives for cybersecurity	MS&AD InterRisk Research & Consulting and two domestic non-life insurance companies work in tight collaboration to address the group-wide issue of cybersecurity
Improving quality and administrative efficiency	Consolidate back-office operations for each group company within MS&AD Business Service Co., Ltd., thereby achieving a higher level of quality and efficiency for administrative tasks and help desk operations, etc.
Cooperating in the IT systems field	MS&AD Systems Co, Ltd., two domestic non-life insurance companies and Mitsui Sumitomo Aioi Life Insurance cooperated to complete the transfer of the third-sector policies in force.*

*Transfer of the third-sector policies in force: The transfer of long-term third-sector policies owned by Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance to Mitsui Sumitomo Aioi Life Insurance.

Expansion of Jointly Developed Products and Cross-Selling

Domestic non-life insurance business

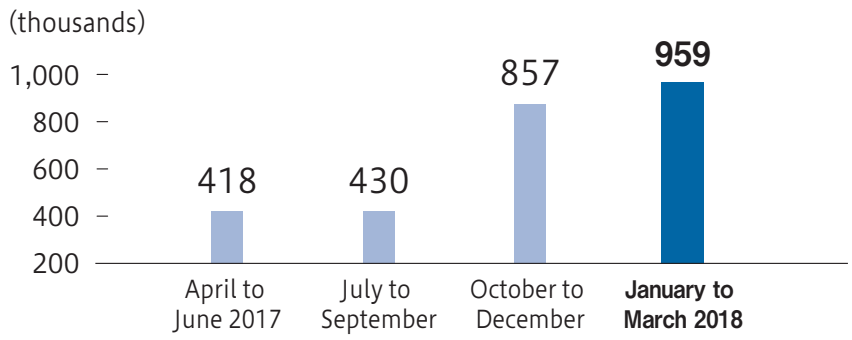
Launch of "Observe and Protect Automobile Insurance (Dashcam Type)" (January 2019)

The number of "Observe and Protect Automobile Insurance (Dashcam Type)[1]" policies, jointly developed by Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance, broke through the 100,000 policies mark in May 2019 and continues to progress steadily.

1. An automobile insurance policy that offers services where the insurance company is automatically notified using a transmitter-equipped dashcam when a collision is detected during an accident, for example, and where a dedicated help desk operator provides the customer with advice regarding the initial response after an accident.

Number of policies now exceeds 100,000 (May 2019)

Number of dashcams shipped[2]



2. Total number of commercial- and consumer-use dashcams
Source: "Actual Dashcam Shipments During Fiscal 2017" (Japan Electronics and Information Technology Industries Association)

Motives of those desiring to purchase dashcams (multiple responses)

In preparation for the unlikely event of an accident	98.7%
For the safety of drivers in the family, etc.	24.7%
For the enjoyment of watching driving videos	7.4%

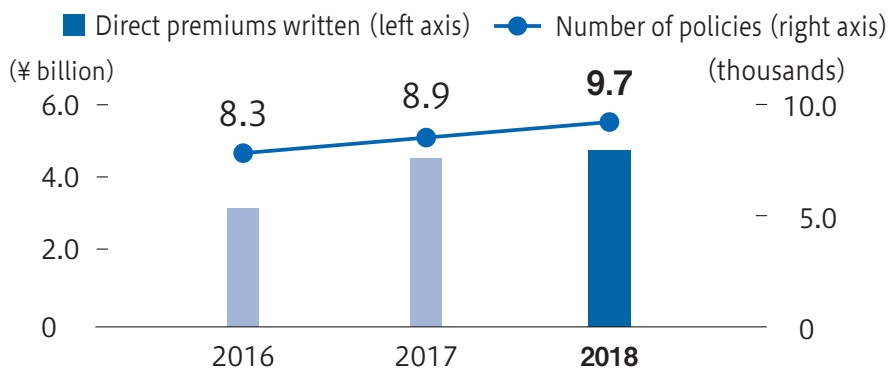
(Based on an MS&AD survey (conducted in March 2018))

"Cyber Risk Security MS&AD Platform" as a Group coordination system

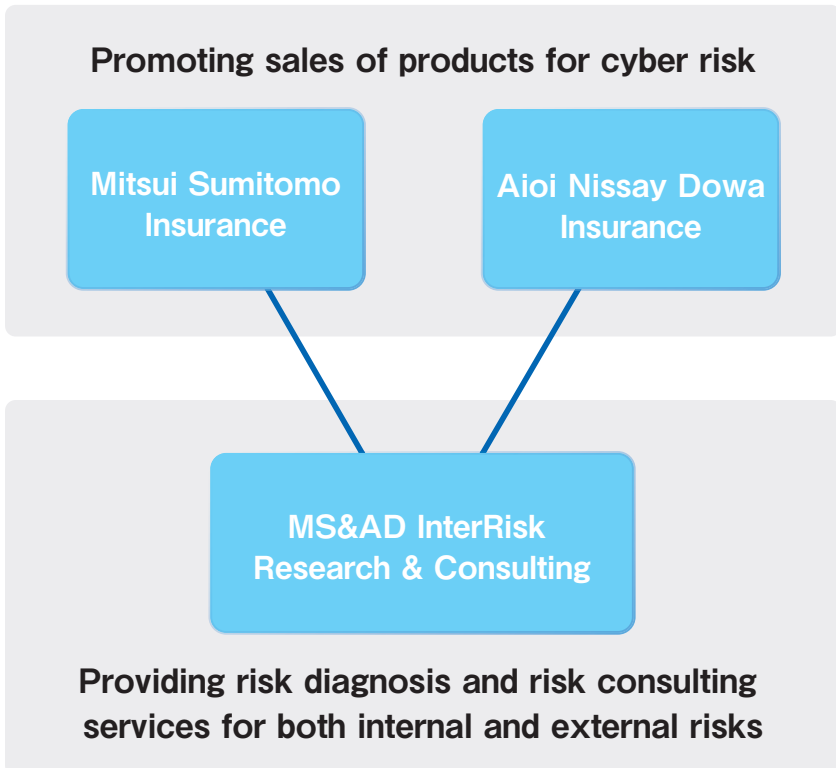
In response to the group-wide issue of cyber risk, two domestic non-life insurance companies and MS&AD InterRisk Research & Consulting cooperate in providing comprehensive services for corporate customers.

In addition, two domestic non-life insurance companies are enhancing sales of jointly developed products that address cyber risk and are steadily expanding policy sales.

Number of policies/direct premiums written*



*Total of Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance



Domestic life insurance business

Strengthen the collaboration between Mitsui Sumitomo Aioi Life Insurance and Mitsui Sumitomo Primary Life Insurance

Mitsui Sumitomo Aioi Life Insurance, which sells protection-type products through the sales base of one of the largest domestic non-life insurance groups, and Mitsui Sumitomo Primary Life Insurance, which sells asset-building-type products through financial institution-affiliated agencies, are strengthening their collaboration among their strengths in sales capacity and product appeal, respectively. To address the diversifying needs of our customers against the backdrop of a super-aging society, we will work to further enhance the comprehensive strengths of the Group.

Vision 2021
Key Strategy 2

Promote Digitalization

Given rapid advances in digital technology, we are now looking toward a period of transition in conventional lifestyles and business models. With the CDO (Chief Digitalization Officer) playing a central role, the entire MS&AD Insurance Group is working to promote "digitalization*" and connecting it to a transformation of our business model. We aim to enhance the value of experience for customers when they contact individual Group companies and improve the business productivity of the MS&AD Group at the same time.

*Promote Digitalization: An initiative to not only improve the efficiency and convenience of processes and services through digital technology but also lead the reform of the Group's overall business.

Vision 2021 Progress

We are steadily moving forward on initiatives to tackle the issues raised in "Vision 2021", our medium-term management plan, including investing in overseas ventures through corporate venture capital (CVC) toward building a foundation to promote digitalization, advancing business process innovation to enhance quality and streamline business tasks, developing automobile insurance that uses telematics technology known as "Connected Automobile Insurance" and other endeavors. We have been recognized for these efforts and after becoming one of the 2018 Noteworthy IT Strategy Companies, we were selected as a 2019 Competitive IT Strategy Company, an honor that is jointly administered by Japan's Ministry of Economy, Trade and Industry (METI) and the Tokyo Stock Exchange (TSE).

2019 攻めのIT経営銘柄 Competitive IT Strategy Company

1 Adaptation to the digital society

In line with an evolving business environment, we are offering new products and services that leverage digital technologies and steadily constructing a foundation to promote innovation leading to the creation of a business model that generates social value.

Venture investments through CVC

CVC (MS&AD Ventures) → Investment in a variety of digital fields → Utilizing digital technologies within the Group

Start-ups Actual investments (as of the end of May 2019): **20 companies**

Cyber security: dathena, averon, vsoo

Data / AI, IoT, Claim Automation, Climate, Mobility: SKYCATCH, JUPITER, GEOSITE

New Business Models: FINLEAP, WorldCover, Curamedical, AKINOVA, Spot

AI / Fraud Detection /Operational Efficiency: SKUPLNOW, node, i2x

InsurTech /New Infrastructure: ELEMENT

In October 2018, we commenced investment activities through our CVC, MS&AD Ventures Inc., in Silicon Valley in the United States. There are 20 start-up companies that we have invested in, given consideration to future strategy and based on the premise of financial returns, and in pursuit of strategic returns as well. Going forward, we will utilize these investment activities for new products and services to enhance the value of the customer experience, such as raising the quality of claims services and efficiency in administration, among other initiatives.

Establish Global Digital Hubs (GDHs)

Seeking to nurture human assets who are proficient in the use of digital technologies, we established Global Digital Hubs in Tokyo and Singapore.

The main goals of putting these hubs in place are as follows.

Tokyo	To promote a cultural transformation where employees and agents can acquire digital skills.
Singapore	To facilitate the rollout of digital businesses, primarily in the countries of ASEAN.

GDH TOKYO

Business alliances with the innovative organizations of Israel

In March 2019, we entered into a strategic alliance agreement and began collaboration with FinTLV Ventures and SOSA TLV LTD. The purpose of this partnership is to engage in research in the cybersecurity, health and medical, and other fields, with an eye toward practical application, based on the proof-of-concept trials conducted together with the overseas-based start-ups.

Collaboration fields	Overview
Insurance-related areas, including cybersecurity, health and medical fields, MaaS	Through the discoveries generated by Israel-based cutting-edge start-up companies and the business alliance, we aim to provide state-of-the-art, innovative insurance products, services and expertise.
Proof-of-concept trials	We will acquire the expertise needed to find solutions to issues, including environment creation, contract application and legal affairs that arise through the proof-of-concept trials conducted together with the overseas-based start-up companies.

FinTLV SOSA

2 Improvement of quality and business efficiency

The advance of digitalization is reducing the volume of business tasks and eliminating structures that overlap with agents. Given this, we are moving forward on efforts to raise business productivity. In addition, by putting digital technologies to use and supporting the operating activities of agents we are working to enhance the value of the customer experience. Through these efforts, it becomes possible to promote the autonomy and independence of agents and to focus on the competitiveness of an insurance company (sales) and growth domains, thereby realizing further growth.

Agents		Insurance companies (sales)
Customer service	Booking, checking contract documents, dealing with errors Inquiry responses, storage and settlements, others	Support for agents' sales strategies Cultivating new markets

Issues	Status of efforts
Expand product lines subject to online support	Product lines supported online are gradually increasing, and we are reducing business task volume regarding the sales operations that take place between agents and insurance companies (sales).
Fully utilize AI for customer inquiries	We have uploaded 26,000 FAQs into our system to respond to customer queries, bolstering our abilities to respond with AI. In this way, we have significantly reduced the administrative burden placed on employees.
Consolidate administrative tasks for sales operations	We are steadily progressing on efforts to consolidate sales activities, from Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance (ADI) to Group-affiliated companies. Centralizing sales activities leads to reductions in administrative costs.

3 Digitalization of products and services

The range of products and services that rely on digital technologies, whether they be automobile insurance that uses telematics* technology or health management-type products and services provided over smartphones, are increasingly widespread. We will continue to move forward on the development of products and services that utilize digital technologies.

"Tough" Connected Automobile Insurance

(Japan's first Pay How You Drive-type telematics automobile insurance)

"Tough" Connected Automobile Insurance, launched by Aioi Nissay Dowa Insurance on April 1, 2018, is automobile insurance that utilizes cutting-edge telematics technology.

From post-accident insurance to insurance where accidents do not happen, together with agents and canvassers, we seek to contribute to the realization of a safe and secure car society without accidents.

タフ TOUGH
つながるクルマの保険

Sales status
(April 2018–March 2019)

Total	9,292 policies

In offering "incentive for safe driving (discount)" and "safe and secure service," the product concept of preventing traffic accidents has earned high praise and was honored with the 2018 Good Design Award, which is sponsored by the Japan Institute of Design Promotion.

GOOD DESIGN AWARD
2018年度受賞

*Telematics: See the "Glossary of Insurance Terminology" (P. 94) for details.

Kokokara Diary

Mitsui Sumitomo Insurance and Mitsui Sumitomo Aioi Life Insurance offer smartphone apps that facilitate corporate "health management" and "health enhancement" for employees. These apps make it possible to record health data such as stress measurements, number of steps taken and weight.

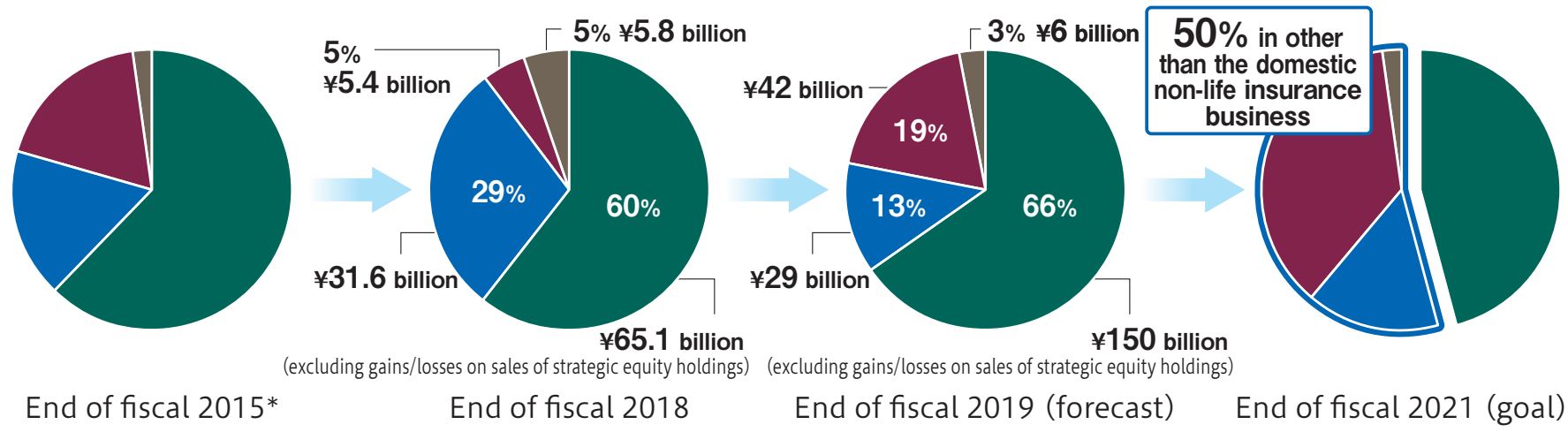
Vision 2021
Key Strategy 3

Reform Portfolio

At present, our earnings structure is dependent on the domestic non-life insurance business, but we are working to transform it into one able to achieve stable profit growth through the geographic and business diversification of the international and life insurance businesses.

Moreover, the Group's risk portfolio currently has a high ratio of risk in strategic equity holdings, which causes high exposure to fluctuations in share prices. We will continue reducing strategic equity holdings in a bid to transform into a more stable risk portfolio.

1 Reform our business portfolio (geographic and business diversification)



■Domestic Non-Life Insurance Business (excluding gains/losses on sales of strategic equity holdings)
■Domestic Life Insurance Business ■International Business ■Financial Services Business/Risk-Related Services Business
*At the starting point of the portfolio reform

Goals		Progress in "Vision 2021" Initiatives
Medium-term goals	50% of profits to come from businesses other than the domestic non-life insurance business	● We are expanding the domestic life insurance business by increasing the cross-selling of life and non-life insurance. ● While progress is somewhat slower than targeted in the Medium-Term Management Plan, we are promoting the expansion of our business by investing in new businesses, such as the international life insurance business, and striving to increase earnings in the existing international business.
Future aspiration	50% of profits to come from the international business	
Domestic non-life insurance	Reform though diversification of our business portfolio, where more than half of profits at present are derived from automobile insurance	● We are making progress in diversifying our product portfolio by improving the profitability of fire insurance and expanding operations in casualty insurance.

Status of FY2018 Initiatives

MS Amlin's measures for profit recovery

Due to the frequent natural catastrophes, FY2018's competitive market environment and tighter local regulations, our core international business, MS Amiln delayed profitability recovery, which resulted in the whole international business falling below the target. However, we are making steady progress in efforts to improve base profitability at MS Amlin.

- Substantially improving the non-cat lines loss ratio (improvement of 10.6pt in FY2018)
- Reducing costs by a cumulative £85million in FY2018–FY2019

Expanding earnings in the international business

Expanding profitability in the international life insurance business

We are expanding globally, including in Malaysia, Indonesia, India, Australia, the United Kingdom and China (where our application has been submitted for approval). We are promoting the expansion of our business with a focus on improving profitability and diversifying our operating portfolio.

MAX LIFE INSURANCE
sinarmas MSIG life
HongLeong Assurance
ReAssure

MS amlin

Expanding earnings in the domestic life insurance business

Diversifying the earnings structure in the domestic non-life insurance business

Growth strategies for Mitsui Sumitomo Aioi Life Insurance and Mitsui Sumitomo Primary Life Insurance

We are working to bolster profitability by improving the sophistication of asset management and by developing products that meet the increasingly diversified needs of customers with the advent of the super-aging society and changing lifestyles.

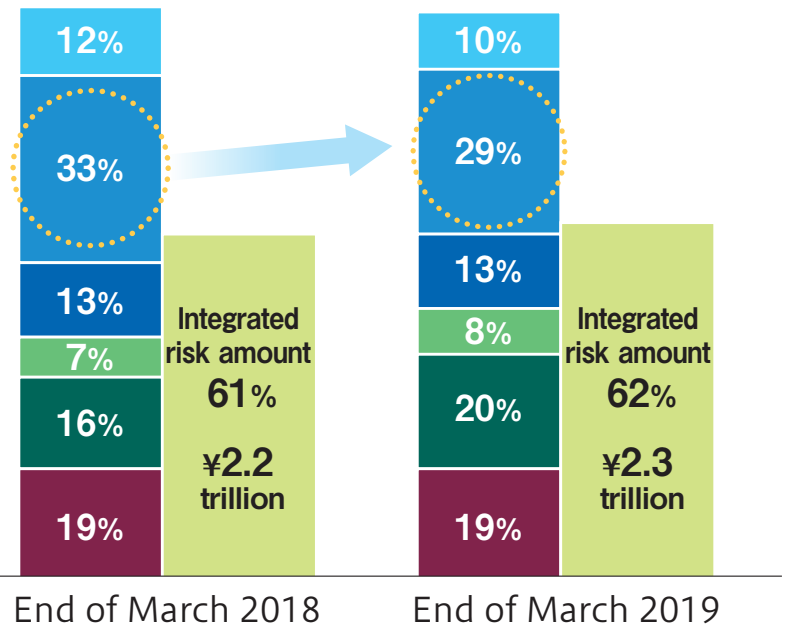
Improving earnings in fire insurance and expanding casualty insurance

To further strengthen the earnings structure for the domestic non-life insurance business, we are transforming the product portfolio for the business by promoting measures aimed at achieving an expansion in casualty insurance and improving earnings in the fire insurance business, with the goal of having these two businesses serve as earnings pillars exceeded in strength only by the automobile insurance business.

2 Reform risk portfolio

Risk portfolio status

- International Business
- Domestic Life Insurance Business (asset management)
- Domestic Life Insurance Business (underwriting)
- Domestic Non-Life Insurance Business (asset management: other than strategic equity holdings)
- Domestic Non-Life Insurance Business (asset management: strategic equity holdings)
- Domestic Non-Life Insurance Business (underwriting)

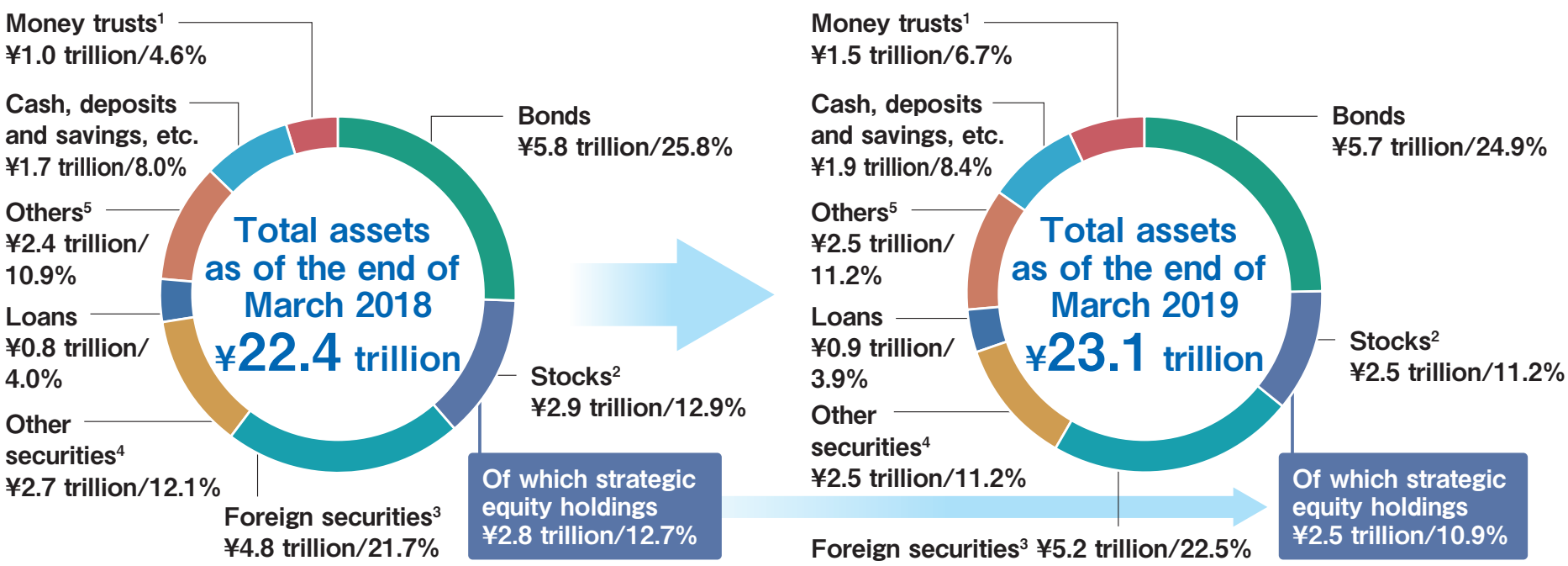


Ratio of strategic equity holdings (end of March 2018)

Strategic Equity Holdings	Fair value weighting in consolidated total assets
End of March 2018	10.9%
End of fiscal 2021 (goal)	Less than 10%

Goal	Status of "Vision 2021" Initiatives
Reduce strategic equity holdings: -Less than 10% of consolidated total assets-Less than 30% of the risk amount (end of fiscal 2021)	● Steady progress in sales of strategic equity holdings, with the reduction target likely to be achieved during the period covered by the Medium-Term Management Plan
Strengthen risk control based on the cycle management of natural catastrophe risks	● Reduced domestic and overseas natural catastrophe risk and lowered risk of periodic profit fluctuations

Asset allocation trends



1. Mainly assets corresponding to the liabilities of the domestic life insurance companies
2. Mainly strategic equity holdings and shares held purely for investment purposes
3. Foreign securities held by domestic insurance companies and securities held by foreign insurance subsidiaries
4. Mainly special account assets of domestic life insurance companies
5. Mainly tangible fixed assets, intangible fixed assets and goodwill

Reducing strategic equity holdings

In FY2018, strategic equity holdings worth of ¥136.7 billion were sold, reaching about 57.6% of the target of ¥500.0 billion (FY2017-FY2021).

- Reduced strategic equity holdings weighting versus consolidated total assets to 10.9%
- Reduced strategic equity holdings to 28.8% of the total risk amount, beating the less-than-30% target

Targeting reduction of more than ¥100 billion is continued in 2019 and after.

Reinforce controls on natural catastrophe risks

The MS&AD Insurance Group is working to reduce natural catastrophe risk both in Japan and overseas. Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance both are expanding reinsurance coverage and recently established joint reinsurance coverage for annual aggregate losses. These efforts contributed to the Group reducing annual losses once every 10 years by about 20% year on year and lowered the risk of annual profit fluctuations at the Group.

Group Management Based on ERM

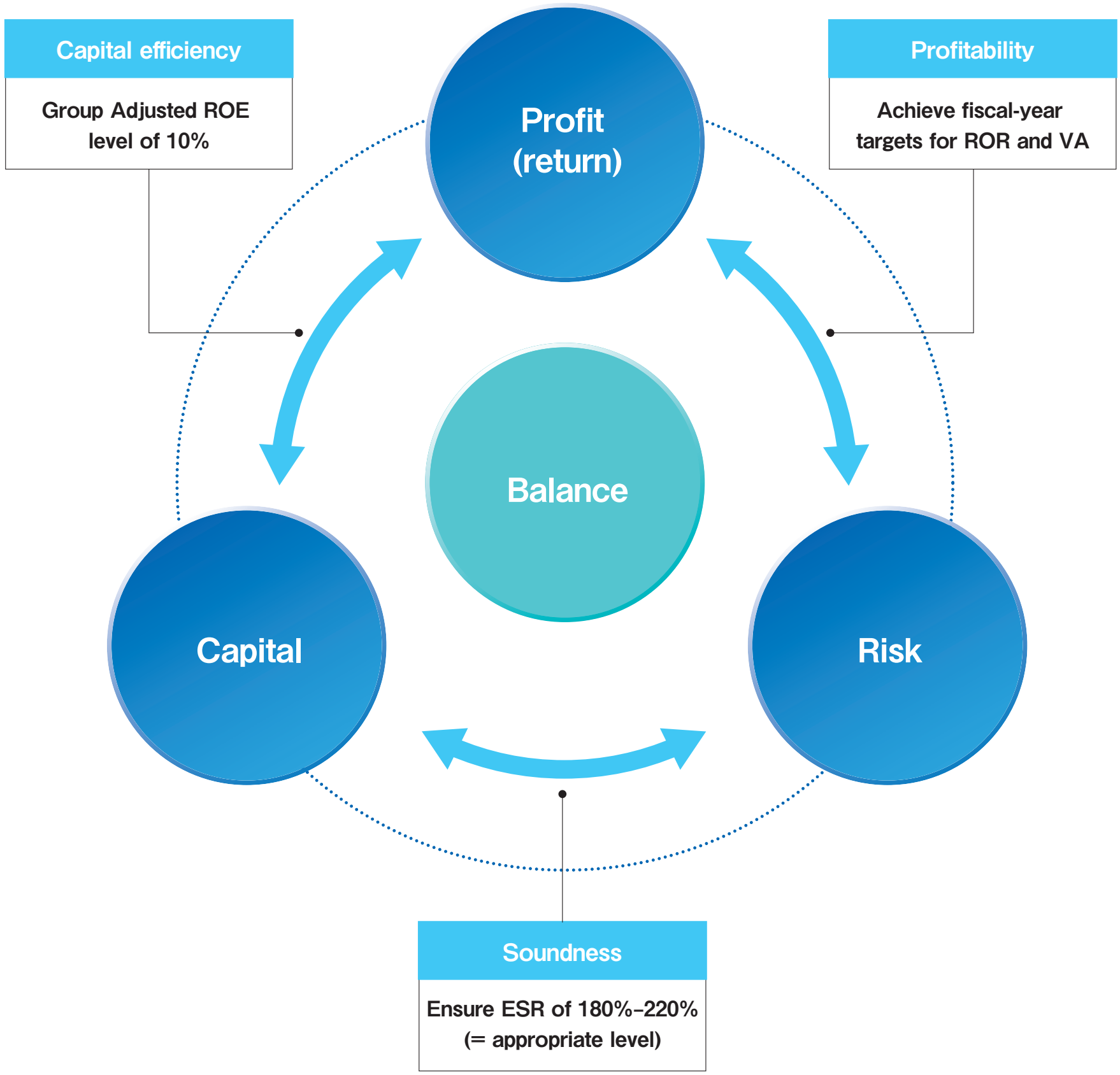
The function of ERM (Enterprise Risk Management) is to control the balance among three key management indicators: profit (return), risk and capital. The MS&AD Insurance Group positioned ERM as a driver in the previous medium-term management plan, "Next Challenge 2017," establishing a platform for Group management.

Under the current medium-term management plan "Vision 2021," MS&AD is pushing forward with initiatives to improve profitability and capital efficiency, while ensuring soundness, and base Group management on the ERM cycle.

Function and Role of ERM

When pursuing profits through risk-taking, ERM considers opportunities with high ROR (Return on Risk) or means of increasing ROR and seeks to achieve the target return on equity (ROE) while maintaining the soundness of capital (ESR[1]). The relationship between these three is outlined in the following figure.

1. ESR: Economic Solvency Ratio (economic value-based solvency ratio) = NAV/Integrated risk amount



Indicators Emphasized in ERM

Capital efficiency		Profitability (return on risk)		Soundness
Group Adjusted ROE[2]		ROR		1/ESR
=	≒	=	×	=
Return (Group Adjusted Profit) / Capital (adjusted net assets[3])		Return (Group Adjusted Profit) / Risk (integrated risk amount[4])		Risk (integrated risk amount) / Capital (NAV[5])
		Add value by underwriting risk ↓		
		VA		
		=		
		Return (Group Adjusted Profit) – risks (integrated risk amount) × cost of capital (%)		
		Capital cost: 7%		

2. Group Adjusted ROE = Group Adjusted Profit ÷ Average of adjusted net assets (Consolidated net assets + Catastrophe loss reserves and others – Goodwill and other intangible fixed assets) at the start and end of the fiscal year
3. The adjusted net assets used to calculate Group Adjusted ROE is the average of consolidated net assets plus catastrophe loss reserves and others minus goodwill and other intangible fixed assets at the start and end of the fiscal year.
4. Integrated risk amount represents the maximum amount of losses and total value of associated insurance payments that are likely to be encountered once in 200 years. It is marked to market value.
5. Net asset value is an indicator used as a management buffer to enable thorough net asset management. In addition to adjusted net assets, it includes such items as unrealized insurance liabilities, other equity liabilities, etc.

ESR (Economic Solvency Ratio)

ESR is an indicator of capital adequacy with respect to the risk amount.

Risk amount is calculated based on the statistical quantification of risks of losses and price fluctuations associated with businesses and asset portfolios, and the integrated risk amount represents the total amount of risk assumed by the Group as a whole. The Group uses a recurrence interval of 200 years for the maximum foreseeable loss (in other words, losses will not exceed this value for 199 out of 200 years).

(¥ billion)

	March 31, 2018	March 31, 2019	Change from previous year
ESR	211%	199%	(12 pt)
NAV	4,800.0	4,600.0	(200.0)
Integrated risk amount	2,200.0	2,300.0	+100.0

ROR (Return on Risk)

To assume risk, it is necessary to secure the capital that balances that risk. Consequently, in business where ROR is high (in other words, business where profit is large relative to the risk assumed), the profit that can be earned is large relative to the capital necessary.

VA (Value Added)

Value Added (VA) indicates how much value can be generated with respect to the risks assumed.

While ROR (Return on Risk) indicates the rate of return that can be obtained with respect to the risks assumed, VA is an indicator of absolute value.

Financial and Capital Strategy

We aim to enhance corporate value by pursuing an optimal balance among financial soundness, capital efficiency and shareholder returns.

Director, Executive Vice President, CFO **Shiro Fujii**

Financial Position

Despite the frequent occurrence of natural disasters, the MS&AD Insurance Group maintained stable profits and financial soundness.

The MS&AD Insurance Group's basic financial strategy is to create a financial foundation that will sustain growth and improve corporate value. To realize this strategy, the Group has appropriate capital and financial policies in place for improving capital efficiency while ensuring financial soundness, centered on ERM.

Despite the frequent occurrence of natural disasters in Japan and abroad, for the fiscal year ended March 31, 2019, the MS&AD Insurance Group reported net income attributable to owners of the parent of ¥192.7 billion, which was only 3% less than the initial forecast and a Group Adjusted Profit of ¥189.8 billion. However, with accounting ROE reaching 6.8% and Group Adjusted ROE reaching 6.1%, these results fell below the cost of capital and thus leave issues to be resolved. At 199%, the Group maintained its ESR* at an appropriate level (180%–220%).

*See the "Group Management Based on ERM" section (P. 37) for details.

Financial Soundness

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

The Group has set a goal for financial soundness equivalent to an AA rating as the financial strength that it should strive for as a world-leading insurance and financial services group and views an ESR in the 180%–220% range as appropriate. (See the "ERM" section (P. 66) for details on actual measures.)

Furthermore, a majority of the Group's liabilities are policy liabilities. From the viewpoint of ALM,[1] it is desirable to hold corresponding assets that match the characteristics (e.g., currency, duration) of the liabilities. The Group fully considers risk and return through ERM and makes decisions on actual investments and methods for funding based on the analysis of whether the return is appropriate for the risk (ROR[2]) and the return is greater than the cost of capital (VA[3]).

1. ALM: Asset Liability Management. (See the "Glossary of Insurance Terminology" (P. 90) for details.)
2. ROR: Return on Risk
3. VA: Value Added (See the "Group Management Based on ERM" section (P. 37) for details.)

Ratings of Domestic Non-Life Insurance Companies (MSI and ADI)

S&P	Moody's	A.M. Best	R&I	JCR
A+ (Stable)	A1 (Stable)	A+ (Stable)	AA (Stable)	AA+ (Stable)

*See the "Credit Ratings" section (P. 110) for details.

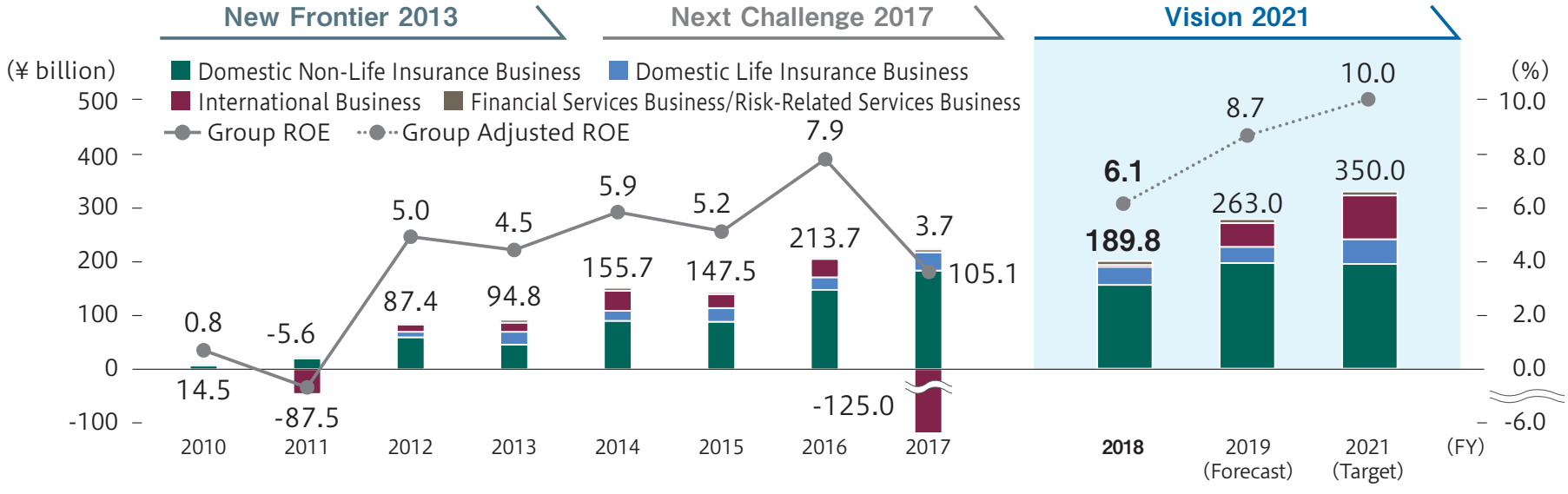
Capital Efficiency

The Group aims to achieve ROE at the 10% level as a world-leading insurance and financial services group.

Under "Vision 2021," since MS&AD plans to transition to IFRS in fiscal 2021, the definition of numerical management targets (Group Adjusted Profit[1] and Group Adjusted ROE[1]) has been changed. Aware of the cost of capital, we aim for Group Adjusted ROE of 10%, a level that is on a par with that of major insurance companies in Europe and the United States, and will optimally allocate resources in addition to growth and portfolio diversification. We estimate 7% for the cost of capital based on the capital asset pricing model (CAPM).[2]

1. For definitions of Group Adjusted Profit and Group Adjusted ROE, see the "Glossary of Insurance Terminology" (P. 91) for details.
2. See the "Glossary of Insurance Terminology" (P. 90) for details.

Group Adjusted Profit and Group Adjusted ROE



Shareholder Return Policy

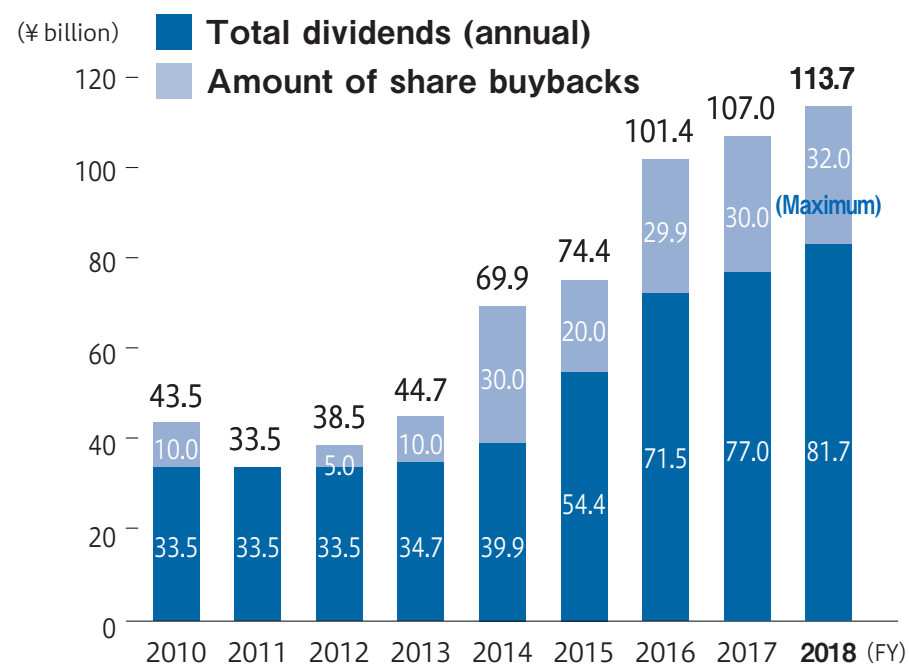
We will return approximately 40%–60% of Group Adjusted Profit to shareholders through dividends and share buybacks.

Under "Vision 2021," the MS&AD Insurance Group has adopted a policy of aiming to return approximately 40%–60% of Group Adjusted Profit to shareholders through dividends and share buybacks. The policy aims to achieve a steady increase in shareholder value by appropriately allocating profit to shareholder returns and internal reserves, while aggressively returning value to shareholders and building internal reserves for future growth investments.

As for dividends, the basic goal is to continue to pay a stable dividend while aiming to increase dividend payments through the strengthening of our earning power. In fiscal 2018, a dividend of ¥140 per share, an increase of ¥10 per share, was distributed. MS&AD plans to distribute a dividend of ¥150 per share again in fiscal 2019.

In May 2019, the MS&AD Insurance Group announced a ¥32 billion (maximum) share buyback, and it was flexibly implemented with due consideration paid to market and capital conditions.

The Group remains focused on returning value to shareholders through a stable dividend that increases in the medium run, while enhancing corporate value through sustainable growth.



Our Approach to Internal Reserves

We will achieve sustainable growth, even in uncertain business environments, by investing to strengthen, expand and create businesses.

Internal reserves after shareholder returns are used for investments that aim to improve the competitiveness of existing businesses, for investments to diversify and expand the business portfolio, and for investments to create new business territories in cooperation with partners, with the ultimate aim of sustaining growth and increasing shareholder value.

For business investments, acquisition candidates are screened for their affinity with our corporate culture and for operations that can generate synergies with existing businesses while dispersing risk, in order to contribute to sustained improvement in the Group's capital efficiency.

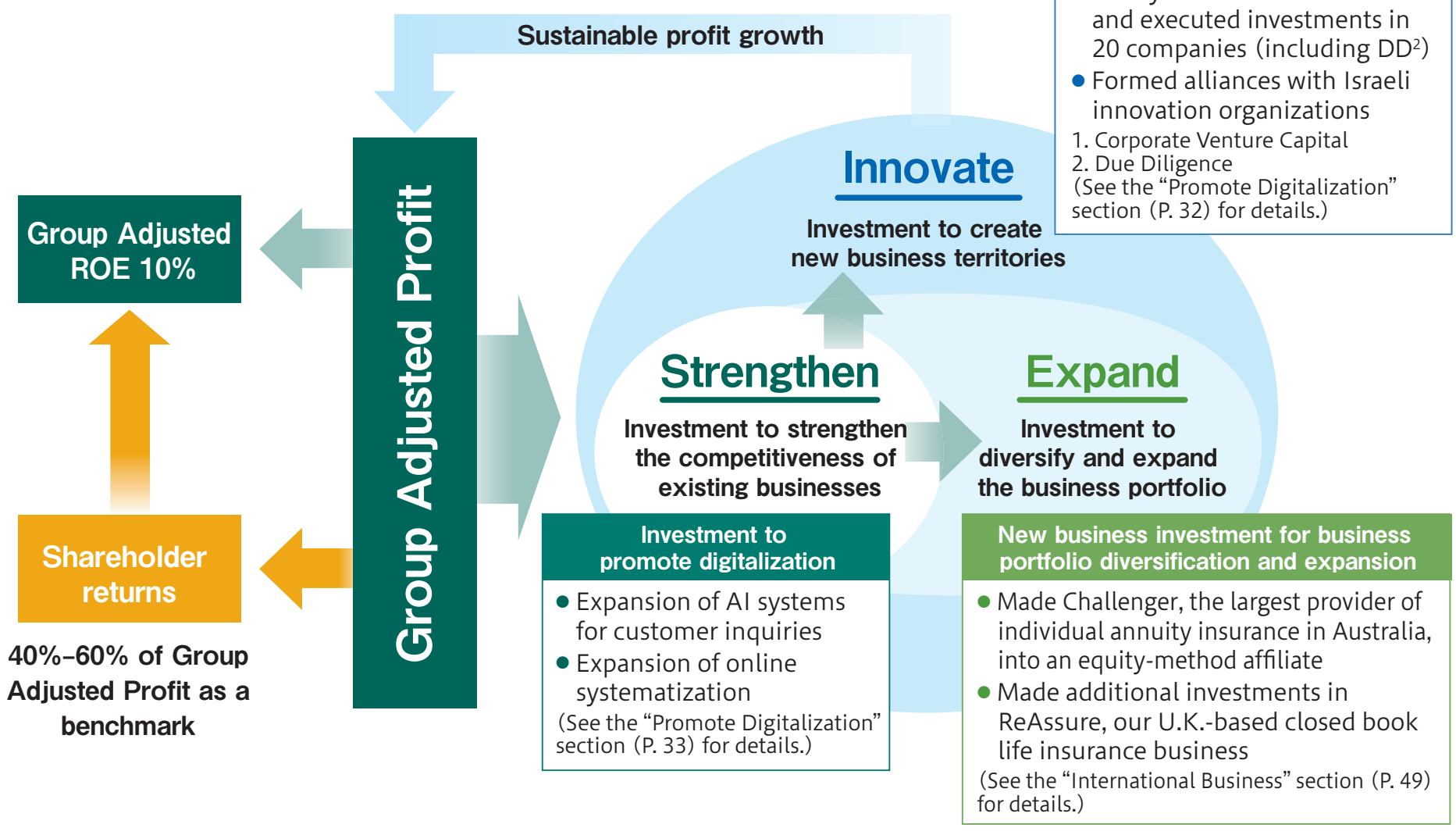
Through these investments, we aim to accelerate improvements in capital efficiency and secure competitiveness in the future, even in uncertain business environments.

Investments to create new businesses in cooperation with partners

- Established a CVC[1] to invest in start-up companies in Silicon Valley in the United States and executed investments in 20 companies (including DD[2])
- Formed alliances with Israeli innovation organizations

1. Corporate Venture Capital
2. Due Diligence

(See the "Promote Digitalization" section (P. 32) for details.)



Toward Sustainable Growth and Achieving Targets for Group Adjusted ROE and Group Adjusted Profit

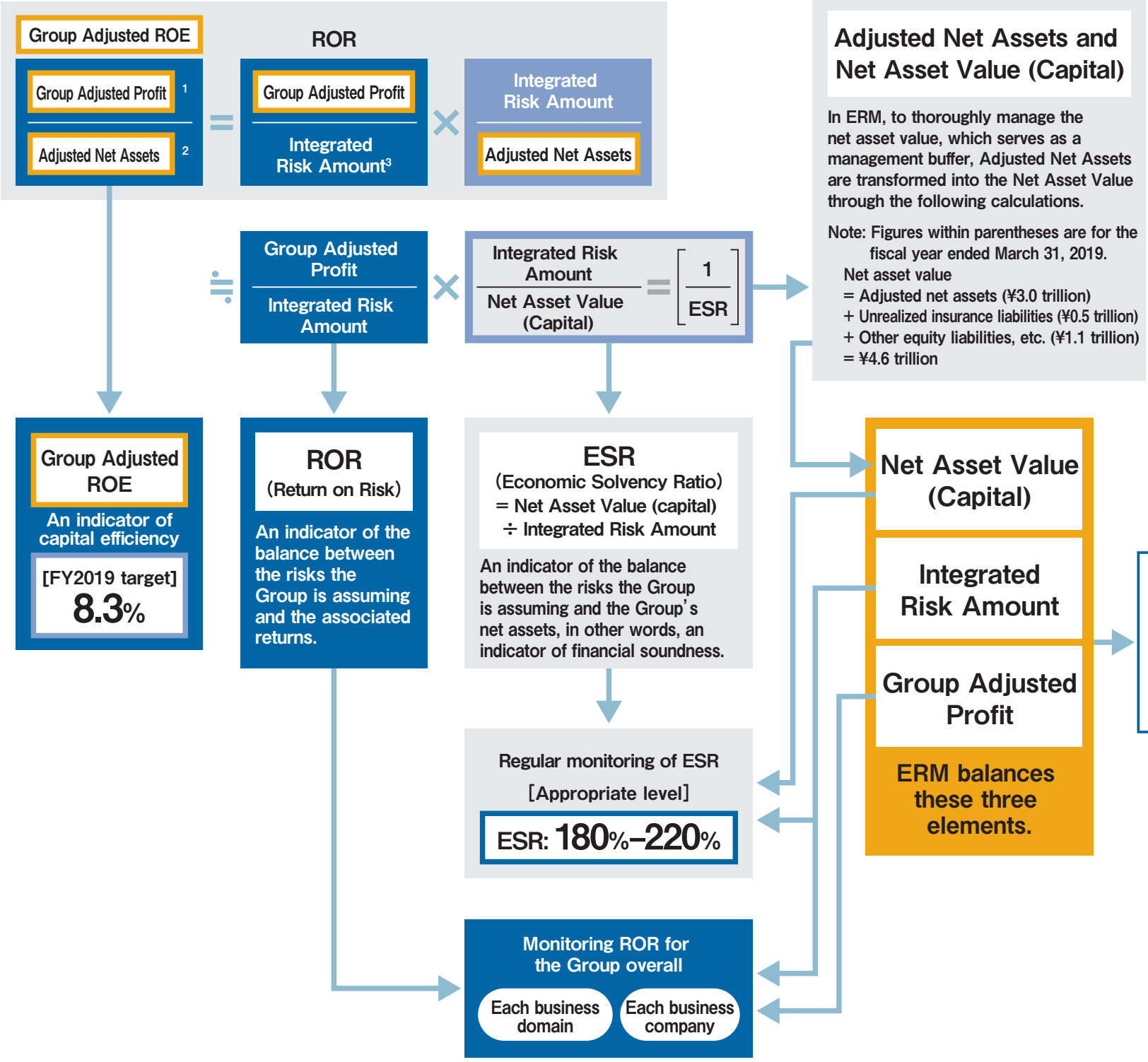
Components of Group Adjusted ROE

Breakdown of Group Adjusted ROE

Group Adjusted ROE, one of the numerical management targets in "Vision 2021," can be explained in terms of the two indicators shown in the chart below, namely ESR, which represents financial soundness, and ROR (Return on Risk), which expresses the balance between the returns and risks that the MS&AD Insurance Group assumes. These indicators can be further broken down into three elements comprising Group Adjusted Profit, Integrated Risk Amount and Net Asset Value (capital).

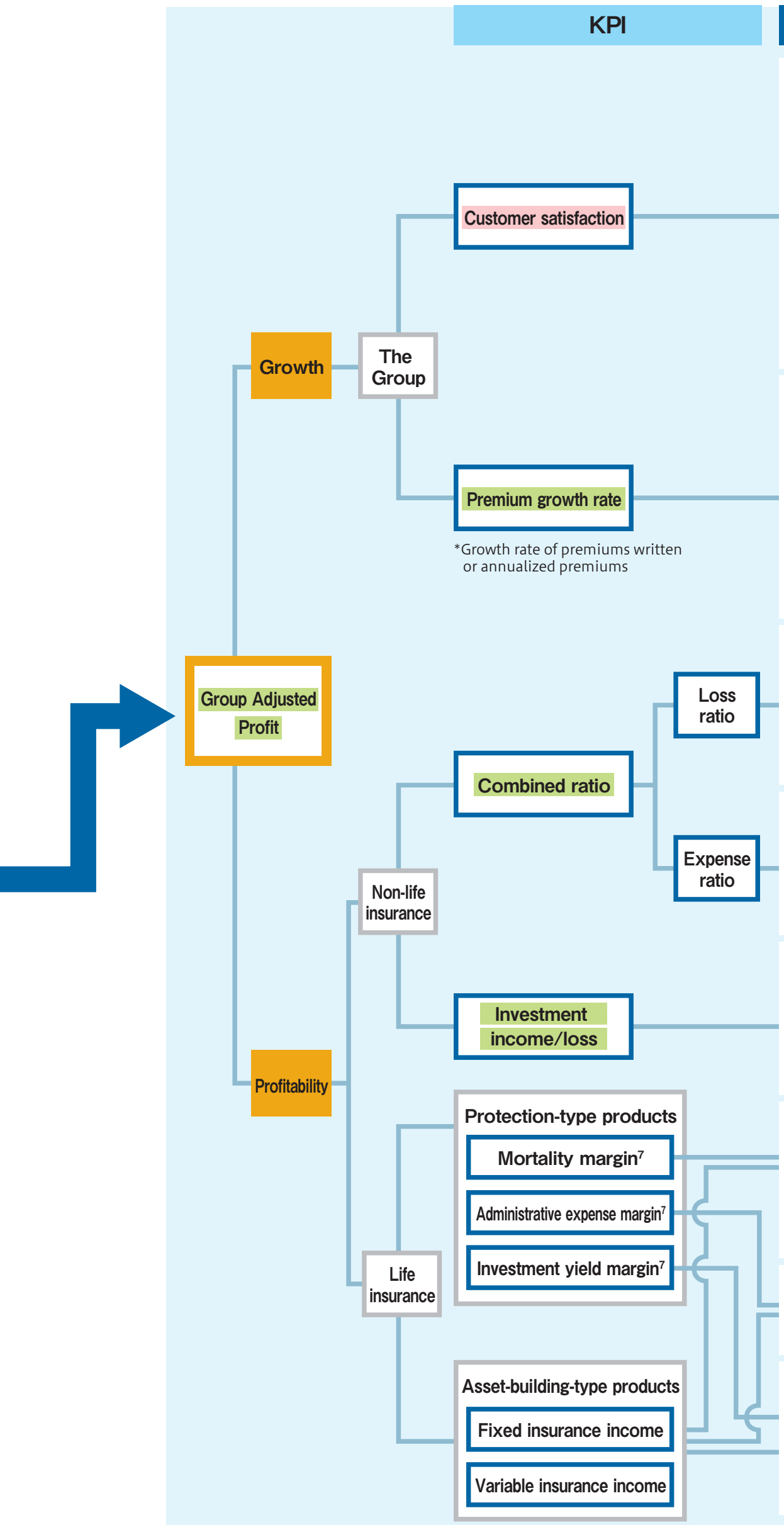
Ensuring Balance by ERM Management

While striving to increase Group Adjusted Profit through activities in each of the Group's business domains, we employ ERM to manage the Group in a way that balances Group Adjusted Profit, Integrated Risk Amount and Net Asset Value (capital). (See the "Group Management Based on ERM" section (P. 36) for details.)



1. Group Adjusted Profit = Consolidated net income + Provision for catastrophe loss reserve and others – Other incidental factors (amortization of goodwill and other intangible fixed assets and others) + Equity in earnings of non-consolidated Group companies
2. Adjusted net assets = Consolidated net assets + Catastrophe loss reserves and others – Goodwill and other intangible fixed assets
3. The integrated risk amount represents insurance underwriting risk, asset management risk, operational risk, etc., quantified by means of stochastic methods.
4. The Family Registration Service is a service that allows pre-registered family members, in addition to the policyholder, to receive information about the insurance policy just like the actual policyholder.
5. Number of days to provide assurance is an indicator of how long it takes for the company to complete administrative tasks for customers, such as applications for new insurance contracts, applications to cancel policies, claims for insurance payments and claims for other benefits. It is broken down into (1) number of days to provide assurance (new policies), (2) number of days to provide assurance (maintenance) and (3) number of days to provide assurance (claims payments).
6. The "Perfect Lifestyle Support Center" is a dedicated telephone hotline for policyholders that addresses concerns over health, medicine, lifestyles and nursing care.
7. Mortality margin, administrative expense margin and investment yield margin are indicators for core profit, which represents the fundamental profitability of life insurance companies. Together, these terms are referred to as the "three surplus factors." Mortality margin is the profit or loss on the difference between projected insurance benefits payments, based on assumed mortality rates, and actual insurance benefits payments. Administrative expense margin is the gain or loss on the difference between projected business expenditures, based on assumed expense ratios, and actual business expenditures. Investment yield margin is the gain or loss on the difference between projected investment income, based on assumed interest rates, and actual investment income. (See the "Glossary of Insurance Terminology" (P. 94).)

KPI and Specific Initiatives to Achieve the Group Adjusted Profit Target and Sustainable Growth



- Providing products and services that rapidly and flexibly address the increasingly diverse needs of customers
- Enhancing the ability to serve customers during all points of contact
- Practicing claims handling that closely reflects customers' expectations
- Improving quality as an insurance company

Main Reference Indices

The Group
- Customer satisfaction
- Ratio of female managers
- Ratio of global employees
- Satisfaction toward response and service of agents

Non-life insurance
- Claims handling satisfaction
- Agents recommendation rate
- Number of improvements based on customer comments

Life insurance
- Number of registrations for the Family Registration Service[4]
- Number of days to provide assurance[5]
- Number of Perfect Lifestyle Support Center[6] users

For other indices and results, see "Customer-First Business Operations" on each company's official website.

- Activities for maintenance of renewal contracts and acquisition of new contracts
- New product development based on an understanding of changing customer needs
- Maintain and expand a robust sales platforms create and diversify sales channels, etc.

Main Reference Indices

The Group
- Sales budget achievement rate
- Contract continuation rate
- Ratio of global employees

Non-life insurance
- Number of new agents (sales networks)
- Growth rate of the number of automobile insurance contracts
- Earnings and expenditures balance

Life insurance
- Policies in force
- Number of policies
- Annualized premiums of policies in force
- Ratio of non-life insurance agents that also sell life insurance

- Appropriate product design
- Elimination of fraud claims/Appropriate and prompt payment of claims
- Provide advice designed to prevent accidents and reduce damage
- Usage of sustainable resources (use recycled parts), etc.

Main Reference Indices
- Number of risk surveys carried out
- Number of risk management seminars and training sessions carried out

- Efforts to reduce business expenses by efficient operation
- Reforming operating processes and employee roles
- Initiatives to reduce environmental burden through business activities, etc.

Main Reference Indices
- Ratio of personnel expenses to sales
- Selection rate of web policy clauses
- Paper usage
- CO_2 emissions
- Total energy consumption, etc.

- Integrated asset/liability management based on consideration of the characteristics of insurance liabilities
- Improving Return on Risk
- Appropriate risk control, etc.

Main Reference Indices
- Investment yield
- Diversifying effect among assets
- Reduction in strategic equity holdings

- Product design that balances customer benefits and business soundness
- Support such as information and service provision that promotes healthy and worry-free lives for customers
- Reform the product portfolio

Main Reference Indices
- Annualized premiums of policies in force
- Number of life and healthcare seminars held/Number of participants

- Reduce administrative expenses through more efficient management

Main Reference Indices
- Paper usage
- CO_2 emissions
- Total energy consumption

- Set reasonable assumed interest rates to ensure profits
- More sophisticated use of ALM that considers characteristics of liabilities, expand investment assets that consider risks (diversify and increase balances of return-expected assets)
- Appropriately control risk by using diverse investment methods

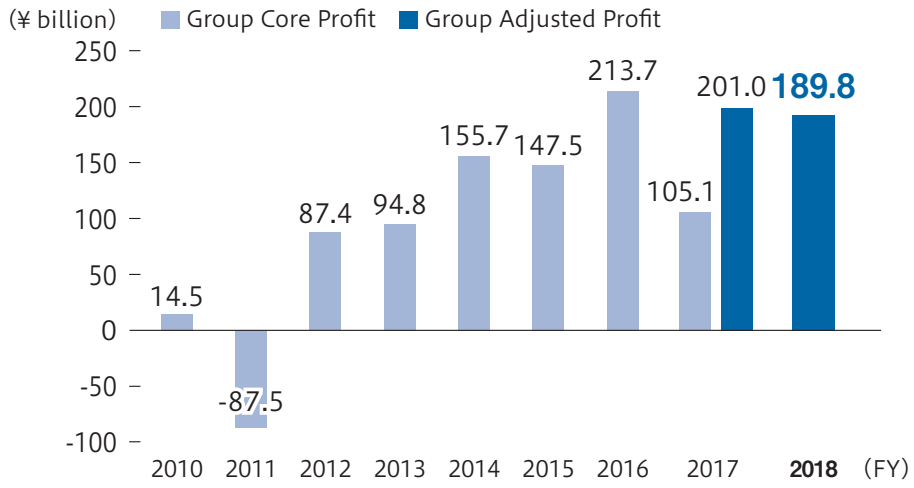
Main Reference Indices
- Investment yield
- Rating distribution for invested bonds, etc.

Financial Highlights on P. 42. Non-Financial Highlights on P. 43.

Financial and Non-Financial Highlights

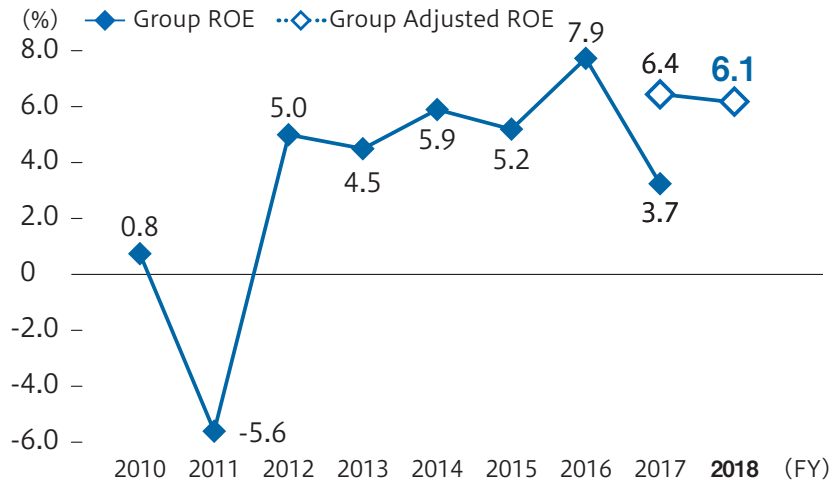
Financial Highlights

Group Core Profit/Group Adjusted Profit[1]



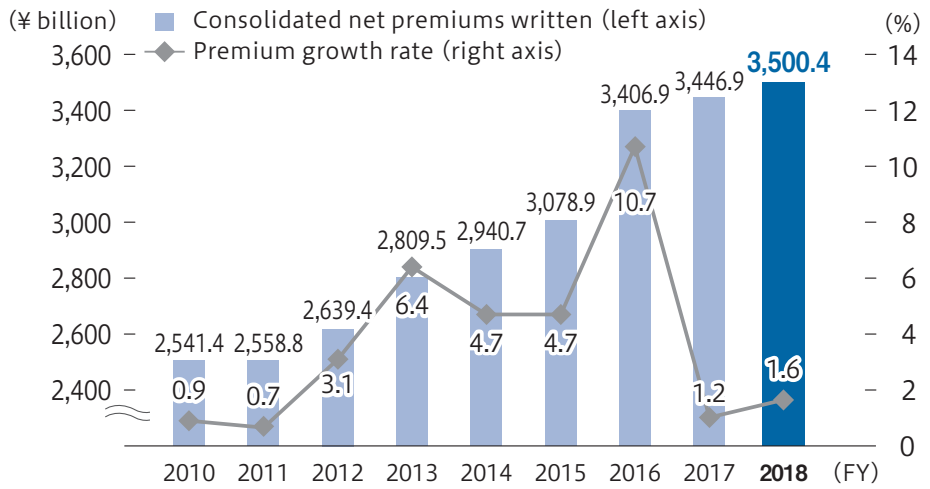
This is the profit that serves as a resource for shareholder returns and is thus included as one of the numerical management targets in the medium-term management plan. In anticipation of transitioning to International Financial Reporting Standards from FY2022, the definition was revised to "Group Adjusted Profit" in "Vision 2021" (starting in FY2018).

Group ROE/Group Adjusted ROE[1]



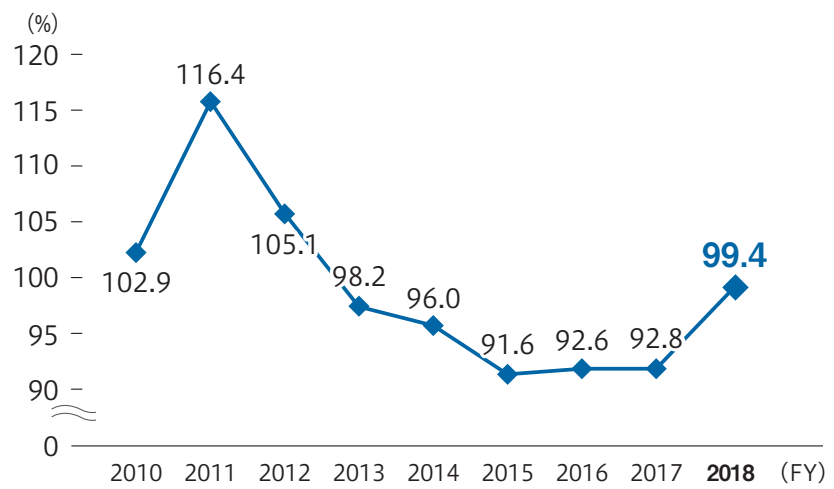
This is one of the numerical management targets in the medium-term management plan and indicates the ratio of Group Core Profit/Group Adjusted Profit, as shown to the left, in respect to consolidated net assets/adjusted net assets.

Consolidated net premiums written[2] and premium growth rate (non-life insurance business)



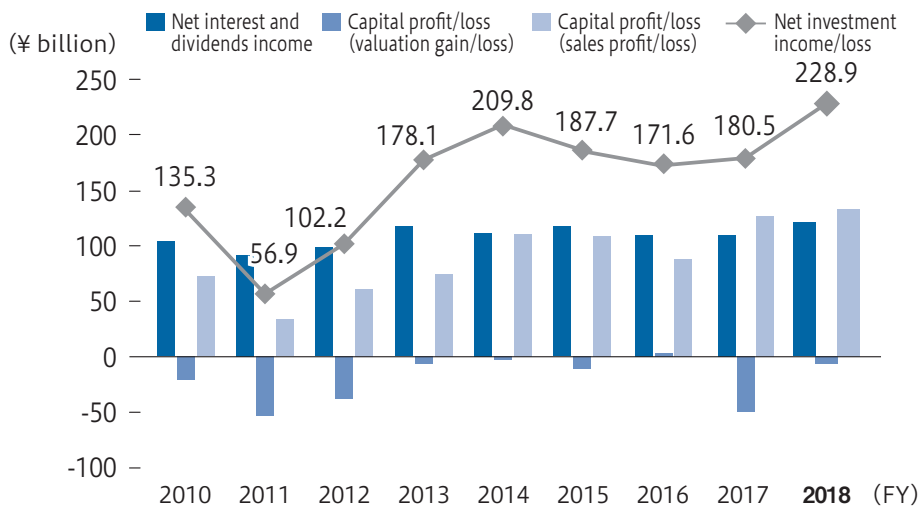
Consolidated net premiums written is one of the numerical management targets in the medium-term management plan. The premium growth rate indicates growth potential in premium income for the domestic non-life insurance business and international non-life insurance business.

Combined ratio[3] (domestic non-life insurance business)



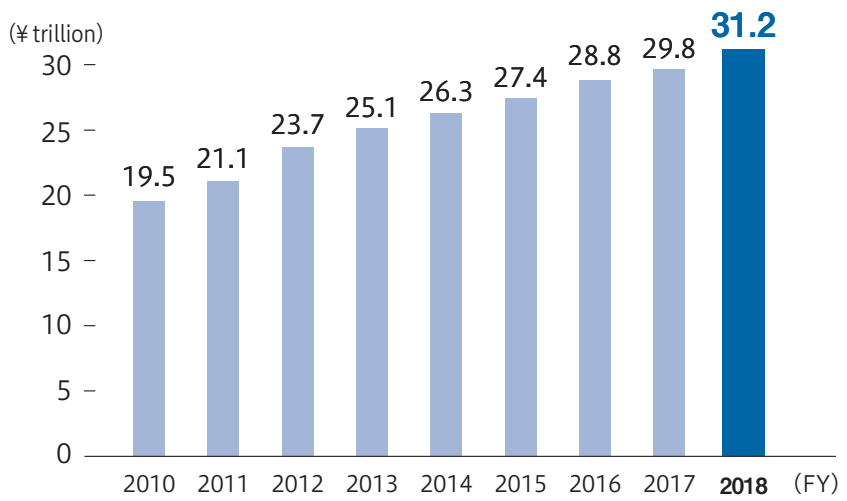
The combined ratio is a key indicator of profitability for underwriting in the non-life insurance business. Profitability is negative when this indicator exceeds 100% and positive when this indicator falls below 100%.

Net investment income[4] (domestic non-life insurance business)



Net investment income is a major source of earnings, next to underwriting profit, for non-life insurance companies, consisting of such components as interest and dividend income and gains/losses on the sale of securities.

Policies in force[5] (domestic life insurance business)



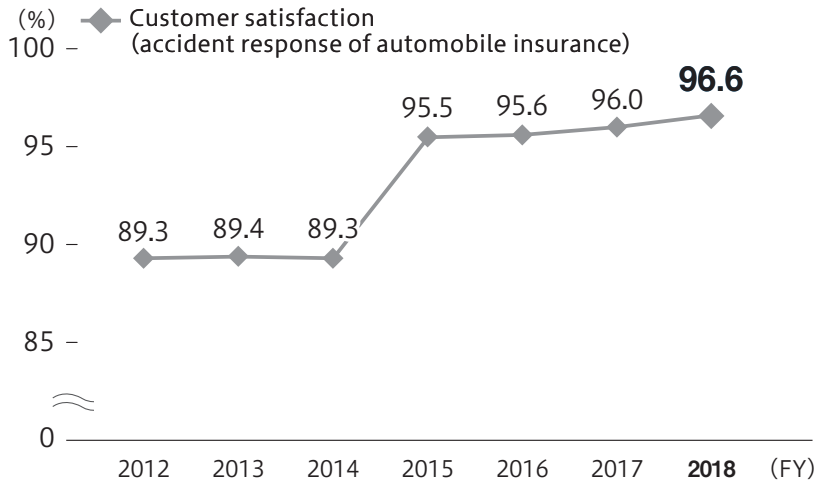
This is one of the basic performance indicators for life insurance companies. This indicator expresses the total amount guaranteed to policyholders of valid insurance policies at the end of the fiscal year. (See the "Glossary of Insurance Terminology" (P. 93) for details.)

1. This calculation method was revised in FY2018. (See the "Glossary of Insurance Terminology" (P. 91) for details.)
2. Excludes the Good Results Return premiums of "ModoRich" voluntary auto insurance products
3. Total for MSI and ADI in FY2018
4. Simple sum of non-consolidated figures for MSI and ADI
5. Total amount of policies in force for individual insurance and individual annuity insurance at MSI Aioi Life and MSI Primary Life. MSI Aioi Life was formed from the merger of MSI Kirameki Life and Aioi Life on October 1, 2011, so FY2010 and FY2011 show a simple sum for the two companies.

Non-Financial Highlights

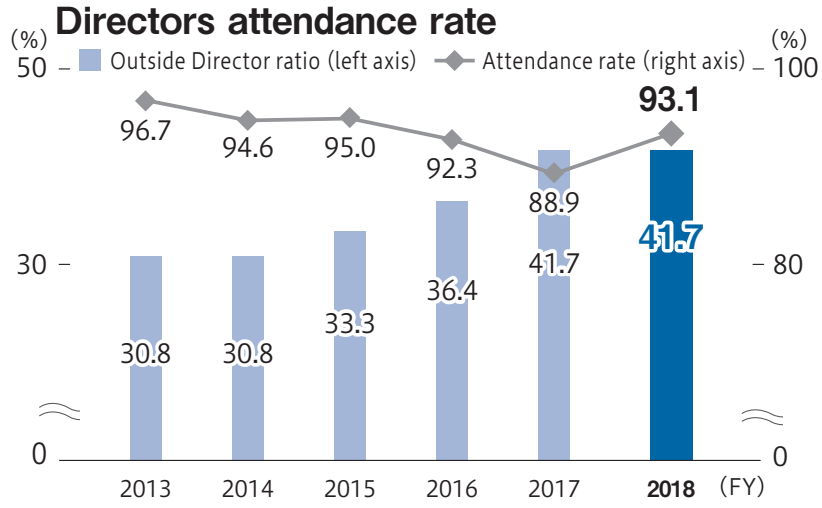
A checkmark (☑) indicates that FY2018 figures have been assured by KPMG AZSA Sustainability Co., Ltd.

Customer satisfaction[6]



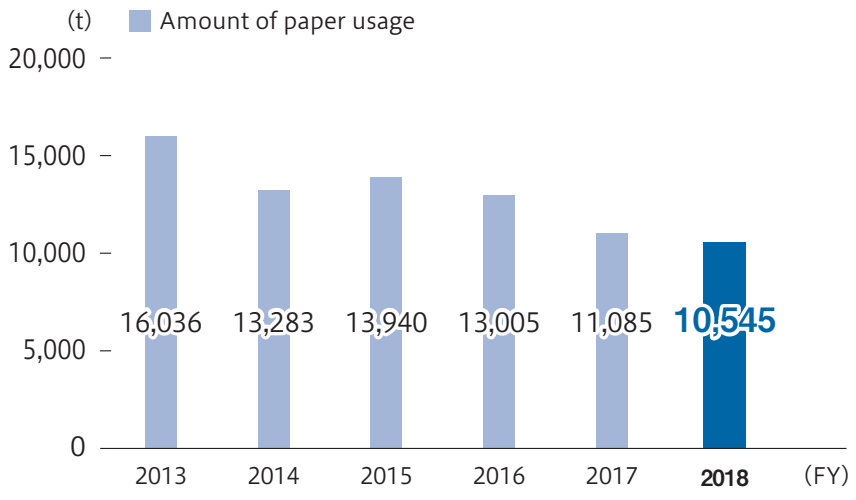
Our growth potential depends on improving customer satisfaction. Along with these indicators, customer opinions are helpful in improving quality.

Outside Director ratio and the Board of Directors attendance rate



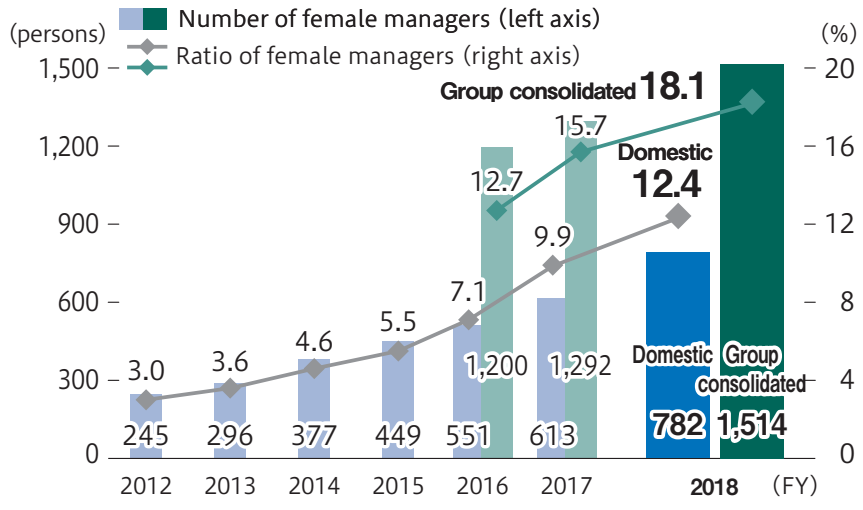
More than one-third of the full Board of Directors consists of independent Outside Directors to ensure highly transparent management. Monitoring and oversight functions are thus enhanced by incorporating perspectives that are independent from management.

Amount of paper usage



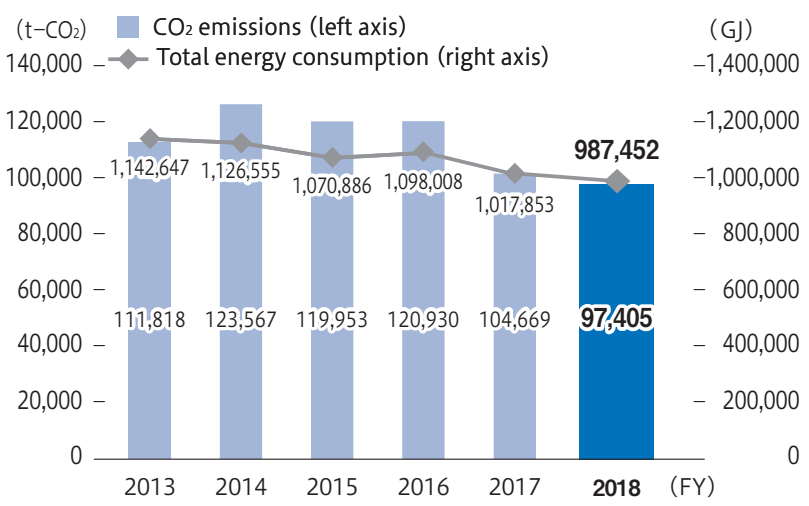
Paperless meetings, PDF-format pamphlets, proper printed matter ordering and inventory management, and portable device and tablet use are being actively incorporated to help reduce paper use.

☑ Number and ratio of female managers[7]



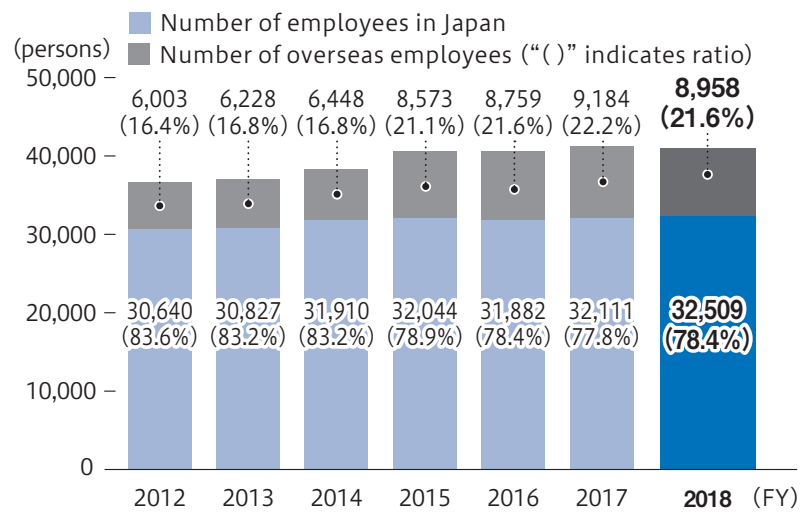
We believe diversity in the manager position and above leads to greater customer satisfaction and growth potential by enabling strategies, product development and organizational management from diverse viewpoints and sense of value. We began tallying such data on a Group consolidated basis, including overseas, in FY2016.

☑ CO_2 emissions and total energy consumption[8]



Reducing CO_2 emissions helps mitigate climate change, a risk for the non-life insurance business. It also reduces energy-related business expenses.

☑ Number and ratio of global employees



Increasing the number of employees from different cultures and with a diverse sense of values, and deepening mutual understanding among employees, leads to a stronger organizational capacity for the Group and is a driving force in international business development in particular.

6. Customer survey choices were streamlined from five options to four in FY2015 and unified within the Group. This figure indicates the ratio of customers who chose the top two options.
7. Results as of April 1 of the subsequent fiscal year.
8. Total energy consumption is calculated based on the energy conversion coefficient from the Law Concerning the Promotion of Measures to Cope with Global Warming. Electric power energy use, however, is 3.6 GJ/MWh. Also, from FY2017, the energy for the parts of Group buildings leased to tenants is excluded.

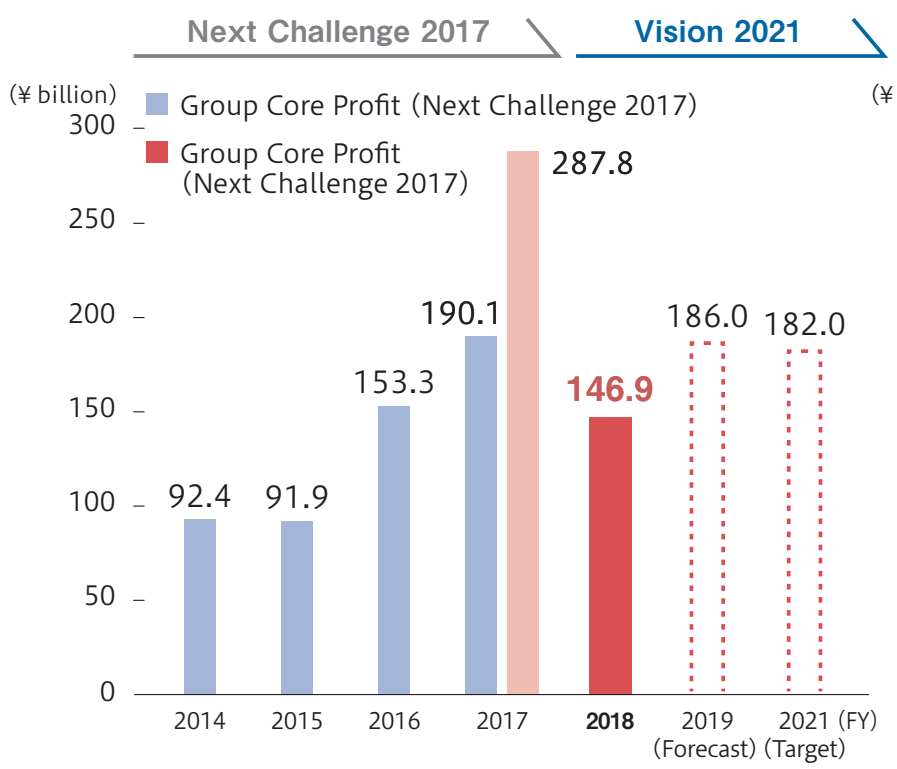
Domestic Non-Life Insurance Business

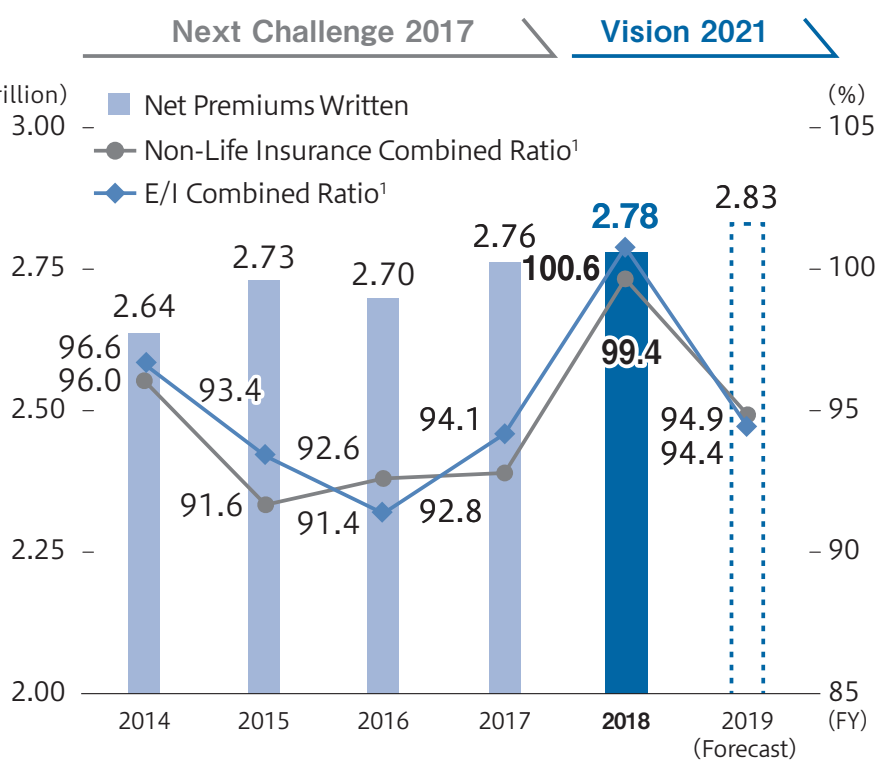
The Domestic Non-Life Insurance Business is the MS&AD Group's core business and boasts the largest scale in Japan.

The Group's three unique non-life insurance companies leverage a variety of sales channels, address the new kinds of risks arising from changes in the social environment and progress in technological innovation, and provide safety and peace of mind.

Group Numerical Management Targets

(Simple sum of the non-consolidated figures for Mitsui Sumitomo Insurance, Aioi Nissay Dowa Insurance and Mitsui Direct General Insurance)





1. Please see the "Glossary of Insurance Terminology" (P. 90) for details. Figures from fiscal 2018 reflect the Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance totals.

Business Strategies

1 Leveraging Diversity

The Group leverages diversity, which is one of its strengths, to quickly respond to changes in the social environment and technological innovation.

Diversifying Customers' Risks and Needs with Changes in the Social Environment

	Mitsui Sumitomo Insurance	Aioi Nissay Dowa Insurance	Mitsui Direct General Insurance
Business concepts	Leveraging comprehensive strengths Global business development	Unique company with its own distinctive character Seeking a close relationship with local communities	Direct sales to individual clients via the Internet and phone calls Pursuing high-quality, low-cost operations
Diverse partnerships	Broad partnership centered on the Mitsui Group and the Sumitomo Group	Partnerships centered on the Toyota Group and the Nissay Group	—
Product development leveraging special strengths	New product development based on a wide range of business-to-business transactions Example: H.I.S. Cancel Support	Development of innovative products that leverage ties with partners Example: Connected Automobile Insurance (telematics automobile insurance for Toyota vehicles)	Simple and easy-to-understand products Example: Internet contract discount

2 Vision 2021 Domestic Non-Life Insurance Business Strategy

Pursue the Group's Comprehensive Strengths

Maximize further synergies by leveraging the Group's comprehensive strengths along with utilizing the distinct characteristics of each Group company

- Standardize products/operations, launch the "BRIDGE" jointly developed non-life insurance claims services system (from 2021)
- Enhance life/non-life insurance product cross-selling, jointly develop health-/medical-related products/services
- Standardize/consolidate back-office operations

Promote Digitalization

Accelerate the digitalization of business processes through R&D[2] investment and work to improve the value of the customer experience and business productivity

- Digitalize the policy and claims payment administrative processes
- Accelerate initiatives for automobile insurance using telematics technology
- Use AI to support agent operations, etc.

Reform the Product Portfolio

Reform the product portfolio by improving fire insurance underwriting profit and expanding casualty insurance while maintaining automobile insurance earnings

- In October 2019, promote product standardization; implement rate revisions that appropriately reflect risk for fire insurance, based on loss ratio trends by property structure and industry type
- Strengthen initiatives for expanding casualty insurance (coverage for cyber and other new risks) and cultivate the small and medium-sized enterprise market
- Develop products to address the sharing business and on-demand needs (release individual liability insurance for business operators), etc.

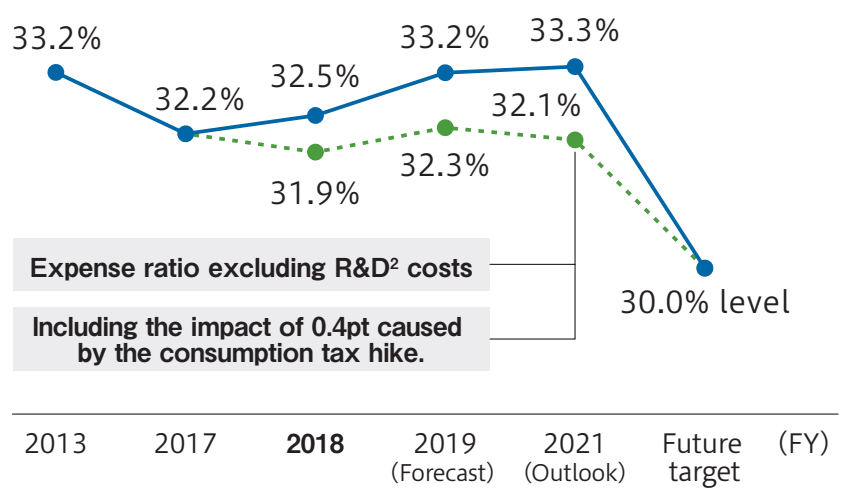
Status of initiatives to reform business processes

- Favorable progress in large projects, including the "online system renovation" and "standardization of products and operating procedures"
- The timing of the introduction of "BRIDGE," a joint claims services system, changed from 2019 to 2021 in order to strengthen the ability to respond to large-scale disasters and introduce advanced digital technologies.

System investment amount and cost-reduction effect

Project	Investment amount	Introduction	Effect (to be realized sequentially)
Renovation of agent and customer online system	about ¥88.0 billion	FY2019	About ¥18.0 billion/year[3]
Standardization of products/operations	about ¥11.0 billion		About ¥2.0 billion/year
Joint claims services system "BRIDGE"	about ¥62.0 billion[4]	FY2021	About ¥12.0 billion/year[5]

Expense ratio[6] trend and outlook



2. Investments in R&D to address changes in the environment, including infrastructure building, and to improve productivity and quality
3. Including forms/printing and distribution
4. Investment will continue in FY2022 and after.
5. Including cost reductions from consolidation and the integration of offices, sharing of the claims service function
6. Simple sum for Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance on a non-consolidated basis

3 Vision 2021 Core Strategies by the Operating Company

Mitsui Sumitomo Insurance / Aioi Nissay Dowa Insurance

- Promote development and sales of products with strong customer demand, realize faster product development and lower costs (joint development of "observe and protect automobile insurance")
- Establish a Group-wide collaboration system in the cyber risk field; bolster cooperation among MS&AD InterRisk Research Institute & Consulting, Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance to provide comprehensive corporate services
- Ensure favorable progress in improving administration efficiency through the advancement of digitalization

Mitsui Sumitomo Insurance

- Pursue growth strategies, address environmental changes
- Proactively respond to new risks facing companies, etc.
- Leverage product/services development and the ample underwriting expertise of overseas partners

Aioi Nissay Dowa Insurance

- Establish brand value through telematics strategies and ICT technologies
- Accelerate partnerships in different industries beginning with Toyota, Nippon Life Insurance and closely affiliated companies
- Strengthen contributions to local communities by leveraging strengths in the retail market

Mitsui Direct General Insurance

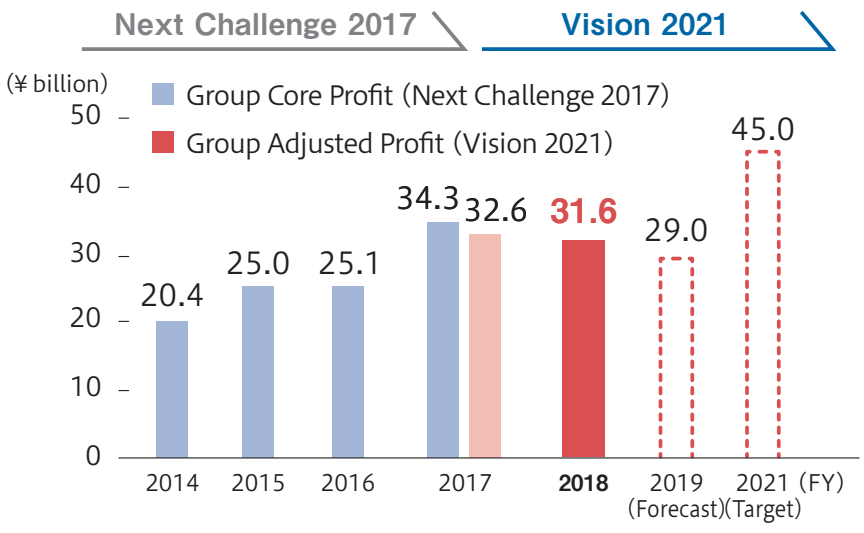
- Deepen marketing activities using digitalization
- Gain new customers through increasingly sophisticated mass marketing/online advertising
- Undertake measures to expand direct markets, which the other two companies being focused on agent channels have been unable to penetrate

Domestic Life Insurance Business

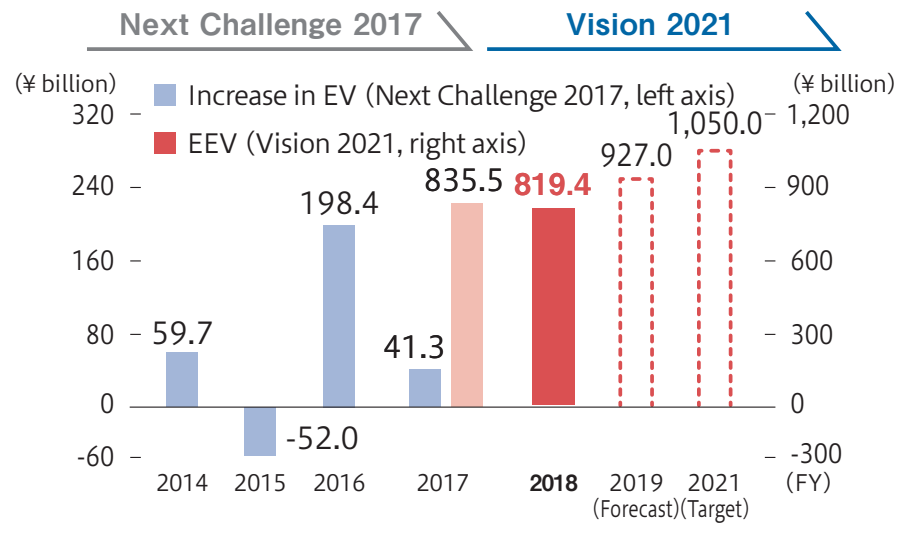
The Domestic Life Insurance Business is a key growth business.
Industry-leading growth and earnings potential will be realized by Mitsui Sumitomo Aioi Life Insurance, which offers medical/nursing care products as well as death benefit and other protection-type life insurance products, and Mitsui Sumitomo Primary Life Insurance, which offers asset-building-type products designed to support retirement lifestyles and asset inheritance products that can be used for inheritances as well as for living donations.

Group Numerical Management Targets

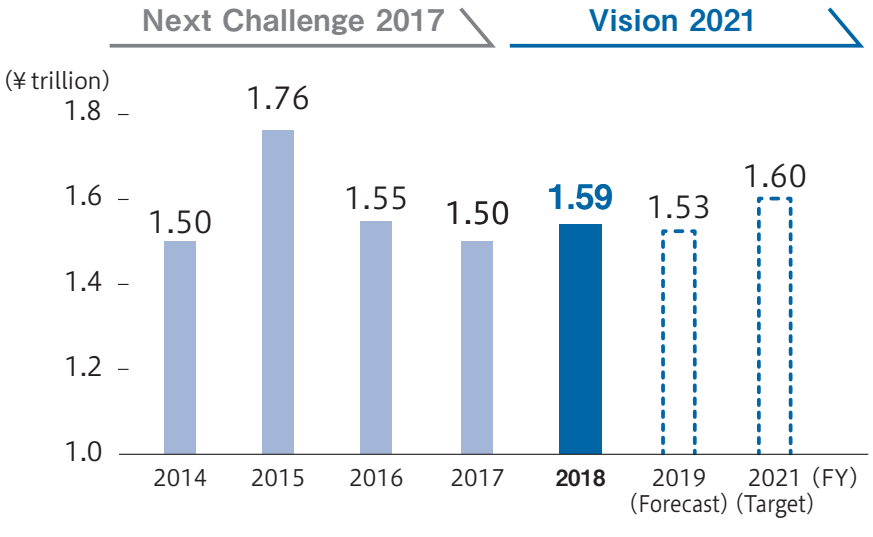
Group Core Profit, Group Adjusted Profit



Increase in EV[1], EEV[2] (Mitsui Sumitomo Aioi Life Insurance)



Life Insurance Premiums (Gross Premiums)



1. Mitsui Sumitomo Aioi Life Insurance, which provides protection-type life insurance products, designated an increase in EV (Embedded Value) as one of its numerical management targets along with Group Core Profit. Current statutory accounting is in some respects difficult to use for performance evaluation, partly because costs are concentrated at the time of sale but also because the corresponding profit is realized in later years. However, EV is employed as a useful indicator for evaluating achievements and corporate value as it evaluates future profits generated by in-force business at the present and provides complementary financial information in statutory accounting. In addition, Mitsui Sumitomo Aioi Life Insurance's EV, in principle, conforms to the European Embedded Value (EEV).
   Note: See the "Glossary of Insurance Terminology" (P. 90) for details.
2. Next Challenge 2017 used an increase in EV as a numerical management target, but Vision 2021 has switched to EEV.

Business Strategies

1 Leveraging Diversity

Meeting increasingly diversified customer needs amid ongoing changes in the structure of society and customer lifestyles through these two life insurance companies that feature different business models (e.g., products, sales channels)

	Mitsui Sumitomo Aioi Life Insurance	Mitsui Sumitomo Primary Life Insurance
	人生の「もしも」を「安堵」にかえる。 &LIFE アンドライフ	個人年金は、未来への贈り物。
Products	**Protection-type products** As Japan increasingly becomes a super-aged society, there is a growing need for medical/nursing care products as well as death benefit and other protection-type products (e.g., term life insurance, income guarantee insurance, medical insurance).	**Asset-building and asset-inheritance products** Suitable to the diversification of customer needs as Japan increasingly becomes a super-aged society, asset-inheritance products that can be used for inheritances or living donations and asset-building-type insurance products (variable/fixed annuity insurance, variable/fixed whole life insurance) are being marketed.
Sales channels	The Group has developed diverse sales channels centered on cross-selling through the agents of the Group's two core non-life insurance companies, financial institutions, professional life insurance agents and direct sales personnel.	Over-the-counter sales by financial institutions (e.g., banks, securities companies)

2 Vision 2021 Domestic Life Insurance Business Strategies

Develop/provide products and services that meet diversifying customer needs in line with changing lifestyles and the dawn of a super-aged society.

Further strengthen marketing capabilities to maintain leadership in OTC sales via financial institutions and our sales base as the largest non-life insurance group in Japan.

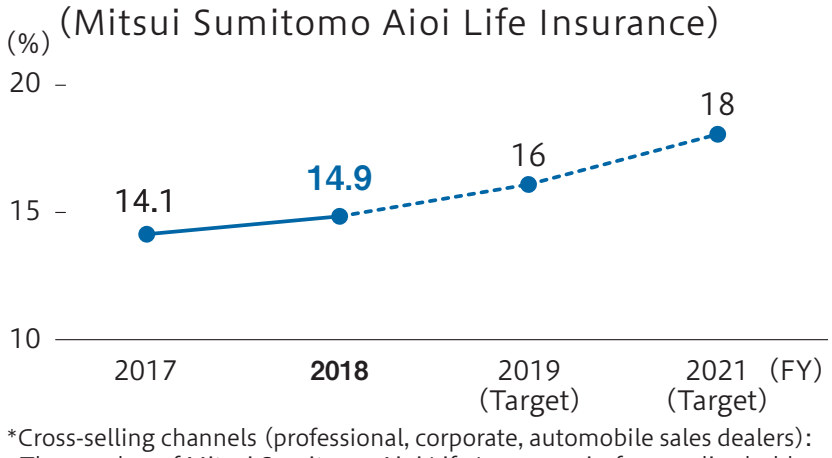
Build systems that can respond flexibly to changes in the environment such as the advance of the falling birthrate and aging population, the continuation of ultra-low interest-rate policies and the advance of digitalization.

Extensively promote a customer-first policy in operations to improve quality and customer satisfaction.

Mitsui Sumitomo Aioi Life Insurance

- Complete the consolidation of third-sector long-term policies held by MSI and ADI
- Provide protection-type products and services that help resolve social issues, such as the increasing burden of nursing care and medical care, and support health promotion
- Further strengthen marketing capabilities through diverse channels, with a focus on cross-selling based on integrated life/non-life operations
- Build a system to respond to changes in the environment (infrastructure development and reform of the earnings structure)

Life insurance cross-selling ratio* (Mitsui Sumitomo Aioi Life Insurance)



*Cross-selling channels (professional, corporate, automobile sales dealers): The number of Mitsui Sumitomo Aioi Life Insurance in-force policy holders divided by the number of Mitsui Sumitomo Insurance/Aioi Nissay Dowa Insurance automobile and fire insurance policy holders

Mitsui Sumitomo Primary Life Insurance

- Expand products and services to meet the diversifying needs of customers as we move to an era in which the average life span could reach 100 years
- Pursue agent and customer convenience and reform business processes through the promotion of digitalization
- Enhance ALM that captures changes in investment markets and liability structures

Products and services that meet the needs of society and customers (Mitsui Sumitomo Primary Life Insurance)

- Expand the lineup of products to be used for inheritance and living donation purposes and products focusing on longevity risk
- Proactively promote customer-first operations with an eye toward avoiding complaints and providing easy-to-understand information when selling foreign-currency-denominated insurance

Product brochures

Training materials for agencies

3 Key Strategy

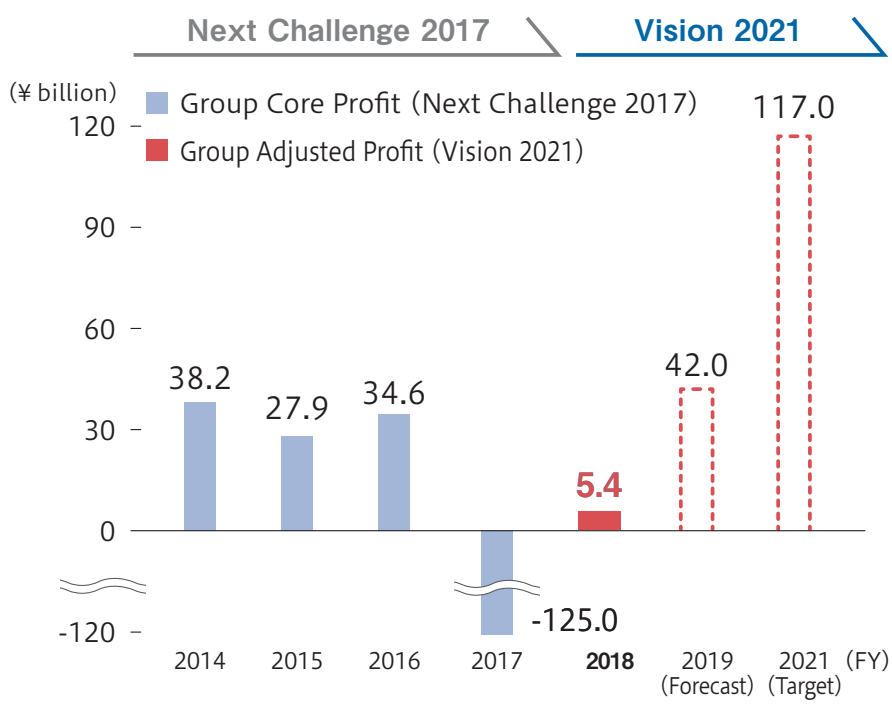
	Mitsui Sumitomo Aioi Life Insurance	Mitsui Sumitomo Primary Life Insurance
Pursue the Group's Comprehensive Strengths	Further enhance cross-selling channels via the integration of life and non-life operations	Share high-quality know-how of education and training for sales and marketing within the Group
	Strengthen the collaboration between Mitsui Sumitomo Aioi Life Insurance and Mitsui Sumitomo Primary Life Insurance	
	Strengthen internal Group collaboration for product development and services in the health and medical fields	
	Increase efficiency by reviewing the division of roles within the Group such as sales administration	
Promote Digitalization	Strengthen customer contacts by promoting digitalization and supporting agent activities	Improve contact center operations mainly by using voice-recognition technologies
	Increase the sophistication and efficiency of product development and underwriting operations by using digital technologies that include big data analysis	Further enhance the ease of understanding and convenience for customers by improving paperless operations in cooperation with agents
	Optimize administrative processes (increase productivity by using RPA (Robotic Process Automation) for routine tasks)	
	Increase sophistication and efficiency for the insurance claims and benefits payment processes	
Reform the Product Portfolio	Develop products based on advances in medical technology such as advanced medicine and address nursing care/dementia-related needs	Develop products that support long and active lives as Japan moves toward becoming a society in which life spans regularly reach 100 years

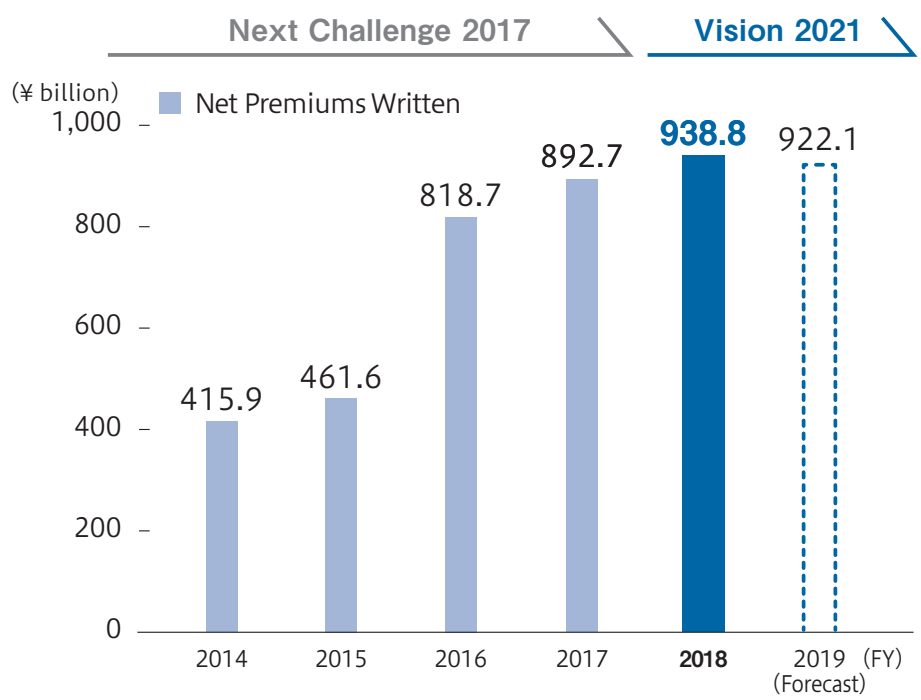
International Business

Leveraging the expertise and trust it has accumulated during its history of more than 90 years of international operations, the MS&AD Insurance Group has established a global network that today spans 48 countries and regions* to provide insurance products and services that meet diverse customer needs.

*Excluding the Cayman Islands, where SLI Cayman Limited (financial services business) is domiciled. (As of April 1, 2019)

Group Numerical Management Targets





Characteristics of the International Business

The MS&AD Insurance Group's international business operations encompass two businesses, the international non-life insurance business and the international life insurance business. Since commencing underwriting operations in Thailand in 1934, we have established businesses in 48 countries or regions around the world, and presently we are the largest insurance company in the ASEAN region with a robust network. In 2016, we welcomed Amlin to the Group to put into place a balanced portfolio spread across Asia, Europe and the Americas. In addition, First Capital Insurance Limited, the largest non-life insurance company in Singapore, joined the Group in 2017 solidifying its leading position in the ASEAN region.

1 International Non-Life Insurance Business

To make decisions and manage operations in accordance with local customs while rigorously complying with the laws, regulations and business conventions of each country and region, regional holding companies have been established in Singapore, the United Kingdom and the United States as the linchpins for business development.

Asia Business	The Group has established the MSIG brand penetrated in the high-growth-potential Asia region. We have achieved particular growth in ASEAN, becoming the sole insurance group with underwriting operations in all 10 countries of this region. Through a variety of efforts including support for government policy on insurance and the sharing of insurance technologies, the Group is contributing to economic growth in each country throughout the region while also undertaking activities to realize growth in its own business operations.
MS Amlin Business	MS Amlin, an insurance holding company, with the three core business segments of Lloyd's, Reinsurance and Continental Europe Primary Insurance, is the core company in the international non-life insurance business. Growth synergies with the existing local subsidiaries in Asia and the Americas have materialized, thanks in part to joint efforts to create new insurance underwriting schemes, and the exchange of human assets has led to more sophisticated risk management on a Group level.
Toyota Retail Business Telematics and Mobility Services Business	Aioi Nissay Dowa Insurance leverages its strong partnership with the Toyota Group to develop the business via the Toyota network throughout the countries of Europe, as well as Oceania, China, Thailand and numerous other countries and regions. In addition, utilizing the telematics know-how of Insure The Box Limited, which we acquired in 2015, we are developing a global telematics and mobility services business. We expect synergies to emerge in the Toyota retail business as well through the provision of new added value.
Head Office Reinsurance Business	The Head Office at Aioi Nissay Dowa Insurance has engaged in the overseas inward reinsurance business as a means of effectively utilizing capital. While managing Group-wide risks, we will advance business by engaging in profit-focused underwriting for business partners with which we can maintain medium- and long-term relationships in both outward and inward reinsurance.

2 International Life Insurance Business

We are investing in life insurance companies in countries where life insurance markets are projected to expand—such as Indonesia, India and Malaysia—with the aim of expanding sustainable profits.

In 2017, the MS&AD Insurance Group invested in Challenger Limited in Australia (annuity insurance business) and, in 2018, invested in ReAssure Jersey One Limited in the United Kingdom (closed book life insurance business*) to secure stable profits and acquire business know-how.

*See the notes on P. 21.

3 Net Premiums Written and Net Income by Region and Business

(¥ billion)

		FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019 (Forecast)
Net Premiums Written	Asia	142.8	173.1	215.7	237.1	257.7	240.6	268.1	296.1	310.6
	Europe	60.9	64.4	85.4	99.6	121.1	499.6	498.7	514.9	480.7
	(of which: MS Amlin)	–	–	–	–	–	391.1	430.2	448.0	412.6
	Americas	43.7	41.4	56.4	66.2	69.4	66.4	71.1	67.7	64.6
	Reinsurance Business	16.8	15.6	16.7	19.1	18.6	16.8	–	–	–
	Head Office Reinsurance Business	–	–	–	–	–	–	57.9	62.9	68.7
	International Business Total	262.2	287.8	369.0	415.9	461.6	818.7	892.7	938.8	922.1
Net Income	Asia	(89.6)	28.8	16.3	26.0	12.7	16.7	11.1	30.9	20.2
	Europe	(16.1)	(11.9)	1.8	5.7	(3.1)	2.2	(116.2)	(3.8)	3.8
	(of which: MS Amlin)	–	–	–	–	–	6.1	(109.3)	(1.9)	6.3
	Americas	0.1	(7.7)	(3.3)	(7.9)	8.1	0.8	4.7	1.1	2.4
	Reinsurance Business	(6.3)	5.1	8.5	11.0	10.7	12.4	–	–	–
	Head Office Reinsurance Business	–	–	–	–	–	–	(26.0)	(6.7)	3.8
	International Life Insurance Business	3.0	1.3	(1.2)	5.4	5.7	8.4	6.4	8.9	15.9
	International Business Total	(112.3)	13.5	18.0	38.2	27.9	34.6	(125.0)	5.4	42.0

*International Business figures are aggregates of the results for overseas consolidated subsidiaries and equity-method affiliates, together with non-life insurance companies' overseas branches, overseas-based non-consolidated affiliates and the overseas inward reinsurance business of non-life insurance companies' headquarters, etc.
*Figures in the "Total" rows include head office adjustments and others and are not equal to the sum of figures for each segment and each region.
*Net income is on a Group Core Profit basis (Group Adjusted Profit basis since FY2018). The international life insurance business shows equity income.
*The Reinsurance business is included in figures for MS Amlin since FY2017 because it was integrated into MS Amlin together with MSI Lloyd's business in December 2016.
*Since FY2017, the international life insurance business has included Challenger and ReAssure in addition to the former Asian life insurance business.

Growth Strategy

In expectation of the various changes in the environment that surrounds insurance—increasingly common natural catastrophes, intensifying competition in emerging markets, the advance of digitalization, ever-more stringent capital regulations and supervision, and others—we seek to leverage the strengths of the Group to achieve growth that is resilient and sustainable.

- Growth and intensifying competition in emerging markets
- Increase in natural catastrophes
- Continuing low-interest rate environment
- Tightening of capital regulations and supervision

Solidifying our global platform

Strong foundation in the Asian region

- Bases in all 10 ASEAN countries, No. 1 in gross premiums written
- Seizing synergies with MS First Capital
- Tapping into growth markets, including India and China

MS Amlin's advantages in the Lloyd's market

- Strength as a market leader
- Underwriting expertise in specialty classes
- Ongoing efforts to recover profitability

Expansion of telematics and mobility services business

- Collaboration with Toyota as a strength
- Tie-in with Toyota's mobility strategy

Growth of the international life insurance business

- Promotion of business with exceptional local partners
- Capturing the effect of portfolio diversification

- Development of digitalization
- Expansion of the "sharing economy"
- Changing business models
- New entrants from outside the insurance sector

Risk-Related Services Business

Risk-Related Services Business is responsible for important roles within the MS&AD Insurance Group's value creation processes.

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

Overview of Risk-Related Services Business

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

Overview of Risk Management Business

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

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

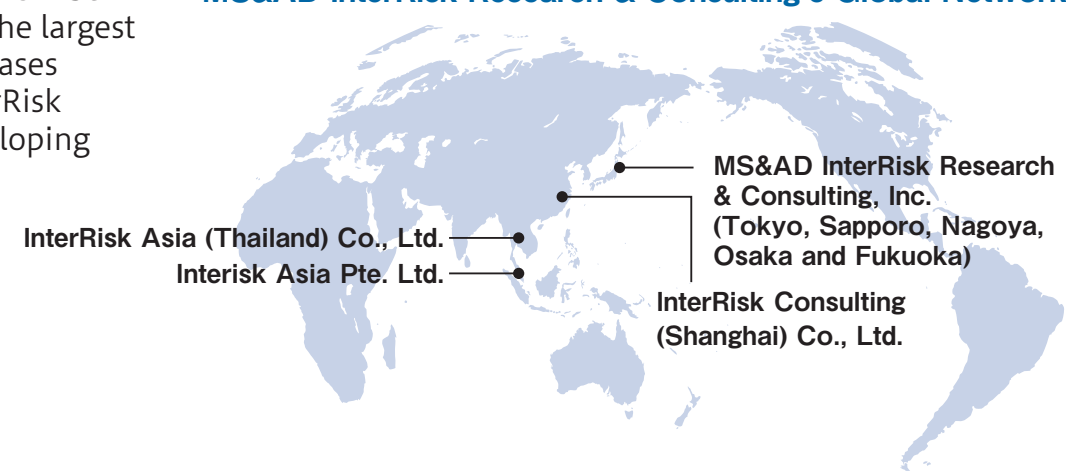
1
Provision of risk research and simple diagnoses along with loss prevention advice

2
Consulting services related to the formulating of a business continuity plan and a crisis management plan of companies and other organizations

3
Implementation of surveys and studies of the latest risk-related information and dissemination of that information via seminars and newsletters

The Group unit responsible for these operations is MS&AD InterRisk Research & Consulting, Inc., which is the largest risk consulting company in Japan. Utilizing its bases in Singapore, Thailand and China, MS&AD InterRisk Research Institute & Consulting is globally developing its risk solution services business.

MS&AD InterRisk Research & Consulting's Global Network



Vision 2021 Progress Status

Mainly providing high-quality solutions, strengthening global preparedness, demonstrating group synergies and developing new solutions, we have been developing our business activities with a sense of mission while remaining aware of our social responsibility for risk consulting and information provision.

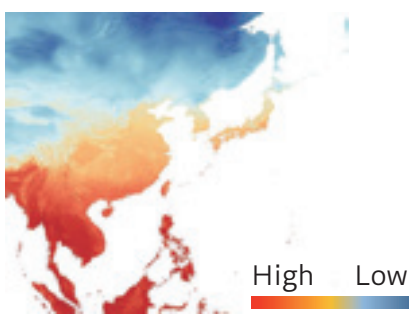
In fiscal 2018, natural catastrophes such as the earthquake in northern Osaka Prefecture and the heavy rainfall in western Japan caused a rapid increase in demand for services relating to business continuity plans (BCPs) and flood risks. In April 2018, InterRisk Research Institute & Consulting, Inc., merged with MS&AD Research Institute Co., Ltd., and further strengthened the research function of the Group as MS&AD InterRisk Research & Consulting, Inc.

TOPICS

Supporting the Risk Analysis in Climate Change for Companies

Against the backdrop of the adoption of the Paris Agreement and the expansion of ESG investment, investors are demanding that companies identify and disclose the financial risks associated with climate change. For this purpose, the Financial Stability Board (FSB) established the Task Force on Climate-Related Financial Disclosures (TCFD) in June 2017. Under these circumstances, MS&AD InterRisk Research & Consulting developed a service to analyze climate change risk in addition to the property risks caused by floods or droughts. The service can also address the risks that will emerge from the social economy shifting to a carbon-free society, which includes the transformation of the energy structure.

December 2050 Temperature Distribution Forecast under the RCP8.5 Scenario



Note: Formulated at MS&AD InterRisk Research & Consulting using NASA GISS, GISS-E2-R data.

Business Performance

	FY2014	FY2015	FY2016	FY2017	FY2018
Number of risk surveys conducted	1,009 Domestic 526 Overseas 483	1,092 Domestic 500 Overseas 592	1,031 Domestic 468 Overseas 563	1,189 Domestic 506 Overseas 683	1,140 Domestic 528 Overseas 612
Number of risk-related reports issued	75	68	84	72	78
Number of trainings/ seminars arranged	3,873	4,199	3,997	4,720	4,903
Number of media appearances	232	306	377	386	347

Other Risk-Related Services Business

Nursing Care Business

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

Currently, two Group companies are supplying high-quality nursing care services that provide seniors with comfort and peace of mind. MITSUI SUMITOMO INSURANCE Care Network operates fee-based retirement homes (operating two such facilities as of March 31, 2019), whereas Fureai Do-Life Services moved in 2000 to become the first Japanese insurance industry unit to operate elderly daycare centers (operating four such facilities as of March 31, 2019).

Assistance Business

Through ANSHIN DIAL, we are developing the comprehensive assistance call center business related to automobiles (road assistance services) and homes (house support services). By responding to requests for assistance from people throughout Japan, we are cooperating with our partners in this field to relieve customers' worries and concerns and provide peace of mind.

In January 2019, ANSHIN DIAL launched the Emergency Automatic Notification Service that, in the event of an automobile accident, connects the drive recorder with the receiver system.

Major Operating Companies

MS&AD InterRisk Research & Consulting, Inc.

MS&AD InterRisk Research & Consulting, is one of the largest risk consulting companies in Japan. It provides companies and government entities with consulting, risk surveys, research and investigation, information provision and other services related to diverse kinds of risks.

With overseas bases in Singapore, Thailand and China, the company is seeking to provide risk solutions throughout the world.

Date established: January 1993
Number of employees: 245 (as of April 1, 2019)
MS&AD Insurance Group shareholding: 100%

URL: https://www.irric.co.jp/en/corporate/

MITSUI SUMITOMO INSURANCE Care Network Co., Ltd.

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

Date established: October 1990
Number of employees: 112* (as of April 1, 2019)
MS&AD Insurance Group shareholding: 100%

URL: http://www.msk-carenet.com (Japanese language only)

*Excluding registered care workers

ANSHIN DIAL Co., Ltd.

ANSHIN DIAL is a company that engages in comprehensive assistance call center operations through two call centers in Tokorozawa and Naha, boasting an affiliate network of more than 5,000 companies nationwide. ANSHIN DIAL provides its customers with services that alleviate their worries, such as roadside assistance and support fixing problems at home 24 hours a day, 365 days a year.

Date established: November 1989
Number of employees: 1,026 (as of April 1, 2019)
MS&AD Insurance Group shareholding: 58.87%

URL: https://www.anshin-dial.jp (Japanese language only)

Fureai Do-Life Services Co., Ltd.

Fureai Do-Life Services operates elderly daycare centers.

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

Date established: March 2000
Number of employees: 66 (as of April 1, 2019)
MS&AD Insurance Group shareholding: 100%

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

Financial Services Business

In the Financial Services Business, the MS&AD Insurance Group offers various financial solutions and services that make use of its strengths.

The Group is developing and providing various new financial products and services to address increasingly diverse customer needs, leveraging the full range of its capabilities as an insurance and financial services group.

Overview of the Financial Services Business

The MS&AD Insurance Group offers the following kinds of financial products and services.

ART Business

Alternative risk transfer (ART) refers to techniques other than traditional insurance policies to transfer risks. ART entails the use of financial technologies and capital markets to provide risk solutions. ART products include derivatives and securitized risk products, with typical products including weather derivatives, insurance-linked securities* and earthquake derivatives. We are strengthening the client base and our product development capabilities while monitoring changes in the social environment and market conditions.

Defined Contribution Pension Business

We encourage the spread of individual defined contribution pension plans (iDeCo), the demand for which has been increasing across society with the declining birthrate and the aging population. We also offer meticulous consulting services for introducing corporate defined contribution pension systems. We aim to grow this business as the market continues to expand.

Asset Management Business

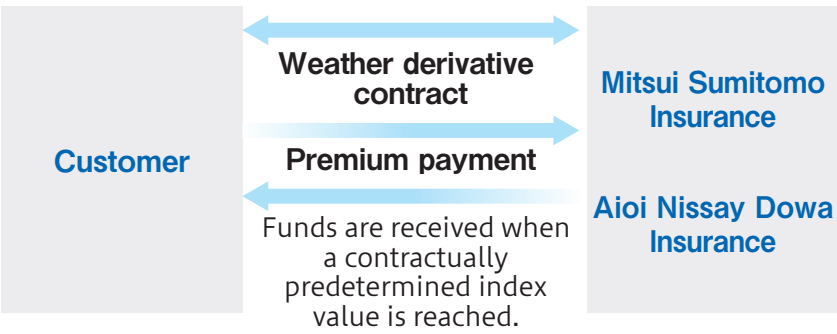
We work through jointly owned company Sumitomo Mitsui DS Asset Management in the investment advisory business, the investment trust management business and other kinds of business. With more than ¥16 trillion in assets under management, Sumitomo Mitsui DS Asset Management is one of Japan's largest asset management companies.

Venture Capital Business

Working through MITSUI SUMITOMO INSURANCE Venture Capital, we make investments in promising venture businesses and provide support for the growth and development of investee companies. In fiscal 2018, we invested a total of ¥2.5 billion in 27 companies, largely venture firms in the IT services sector, where strong growth moving forward appears likely.

*Insurance-linked securities (ILS) is a generic term for securitized products that transfer risk covered by insurance, including natural disasters, to the capital markets.

ART: Outline of Weather Derivatives



ART: Strengthening the Insurance-Linked Securities Business

Mitsui Sumitomo Insurance acquired 80% of the limited partnership equity in fund management company Leadenhall Capital Partners LLP (LCP), which specializes in insurance-linked securities. The Company thereafter reorganized LCP into a direct subsidiary.

The Company will work to realize synergies while maintaining the independence of LCP and further strengthen the ILS business going forward.

Leadenhall Capital Partners

Bolstering product strength in the insurance-linked securities business

Enhancing LCP's presence in Japan

17 PARTNERSHIPS FOR THE GOALS

Group Adjusted Profit

(¥ billion)

FY2018	FY2019 (Forecast)
5.7	6.0

Major Operating Companies

The Group's Financial Services Business is being developed principally by MSI, ADI and the following operating companies.

Sumitomo Mitsui DS Asset Management Company, Limited

Assets under management:
investment advisory ¥7,414.1 billion
investment trusts ¥9,516.2 billion (based on the combined assets of Sumitomo Mitsui Asset Management and Daiwa SB Investments as of December 31, 2018)
Date established: December 2002
Number of employees:
1,108 (based on the combined headcount at Sumitomo Mitsui Asset Management and Daiwa SB Investments as of January 1, 2019)
MS&AD Insurance Group shareholding: 15% (As of April 1, 2019)

https://www.smd-am.co.jp/english/

Note: Sumitomo Mitsui Asset Management and Daiwa SB Investment merged to form Sumitomo Mitsui DS Asset Management in April 2019. The new company is an equity-method affiliate of the MS&AD Insurance Group.

MITSUI SUMITOMO INSURANCE Venture Capital Co., Ltd.

Date established: December 1990
Number of employees: 13 (as of April 1, 2019)
MS&AD Insurance Group shareholding: 100%

URL: https://www.msivc.co.jp/ (Japanese language only)

MS&AD Loan Services Co., Ltd.

Scope of operations: Entrusted administration services for customers within and outside the Group, credit guarantee services and loan services for individuals
Date established: October 1976
Number of employees: 145 (as of April 1, 2019)
MS&AD Insurance Group shareholding: 100%

URL: https://www.ms-ad-ls.co.jp/site/index (Japanese language only)

Asset Management Strategy

Asset management at the MS&AD Insurance Group is undertaken with an emphasis on stability and liquidity to prepare for the payment of insurance claims and benefits, and with the objective of ensuring stable returns on investments using ALM* based on the characteristics of insurance liabilities.

The MS&AD Insurance Group aims to improve return on risk by dispersing investments in diverse and sophisticated investment assets while considering stability and reducing risk assets by accelerating the reduction of strategic equity holdings.

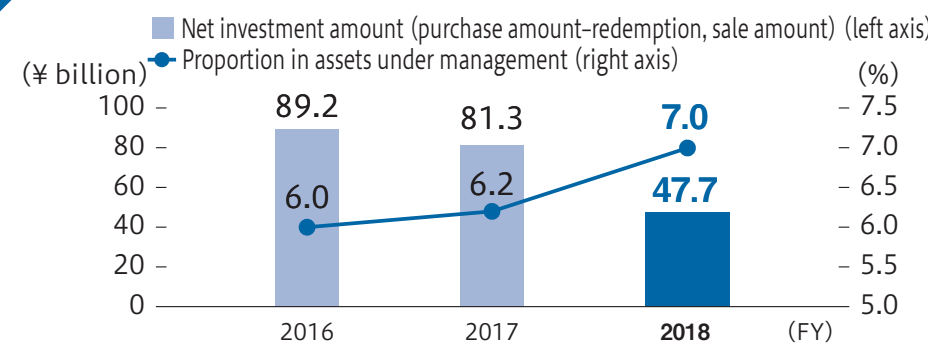
*ALM: Asset Liability Management. See the "Glossary of Insurance Terminology" (P.90) for details.

Asset Management Conditions

Investment in Diversified Portfolio

Amid the ongoing low interest rate environment following the Bank of Japan's Negative Interest Rate Policy, we are avoiding investments in domestic bonds with negative yields. While giving due consideration to the risks involved, we are expanding our investments in assets with relatively high expected returns (e.g., foreign bonds, foreign stocks, alternative investments). As a result, the percentage accounted for by the latter in assets under management is increasing and contributing to the expansion of investment income.

Investment in Response to Negative Interest Rates*



*The amount of investment in assets (total of foreign bonds [with no foreign currency hedges], foreign stocks and alternative investments) for which relatively high returns are expected. Total of Mitsui Sumitomo Insurance, Aioi Nissay Dowa Insurance and Mitsui Sumitomo Aioi Life Insurance

Practicing Responsible Investment

On June 1, 2015, the MS&AD Insurance Group became a signatory to the Principles for Responsible Investment. In accordance with these principles, we engage in investment activities that take into consideration ESG (environmental, social, governance) during the decision-making process.

Signatory of: PRI Principles for Responsible Investment

Actual Examples of ESG Investments

Each Group company continued to expand its ESG investments in fiscal 2017.

Mitsui Sumitomo Insurance Co., Ltd., Aioi Nissay Dowa Insurance Co., Ltd.	Investment in Green Bonds[1] (total of both companies' investments approx. ¥4.0 billion)
Mitsui Sumitomo Insurance Co., Ltd.	Investments in Japanese ESG stock funds (¥5.5 billion) Renewable energy-related investments (¥5.0 billion)
Mitsui Sumitomo Aioi Life Insurance Co., Ltd.	Investments in social bonds issued by Japan International Cooperation Agency (JICA)[2] (¥1.0 billion) Investments in Industrialize Africa Bond issued by the African Development Bank (approx. ¥2.6 billion)

1. Bonds issued by companies and local governments to raise funds for green projects (businesses that show consideration for the environment) in Japan and overseas
2. Loans supporting economic and social development in developing countries, and for the sound development of Japan and the international economic community

Implementation of Japan's Stewardship Code

In May 2014, Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance declared their acceptance of Japan's Stewardship Code and have since engaged in constructive dialogue about ESG with the companies in which they have invested. The corporate pension funds of both companies announced their acceptance of the Stewardship Code from fiscal 2018.

Number of companies in which we have invested and engaged in dialogue (July 2017–June 2018)

	MS	AD	Total (simple sum)
Number of companies engaged in dialogue	252	229	481

Examples of ESG-Related Dialogue

Example 1

- Having specified ESG and the SDGs in the company's mission, efforts are made to raise employee awareness, such as by holding study groups for employees working in factories.
- In place of the CSR report, there is a plan to add ESG and perspectives on creating value for the future and to publish that as part of an integrated report.
- Actively accepting industrial waste, the company recycles it as fuel for manufacturing and strives to expand the types of waste that can be used currently.

Example 2

- With regard to ESG and the SDGs, the CSR Promotion Committee, chaired by the holding company president, has been established to discuss policies and specific initiatives.
- Having set materiality (important issues) to realize a sustainable society, the company formulated specific measures and structures to achieve the goals for each individual business.
- Future issues will be how to explain to investors the relationship between ESG and the SDGs and individual businesses, and their relationship for improvements in corporate value.

Special Feature

Creating Shared Value

Aiming for a Resilient and Sustainable Society

With the goal of achieving a "Resilient and Sustainable Society" by 2030, the MS&AD Insurance Group is focused on creating shared value with society, incorporating the UN Sustainable Development Goals (SDGs) as leading marks. The insurance business has always been a highly social and public business. However, in a rapidly changing society, it is important that each of our employees is aware of how our daily business activities contribute to solving society's issues if they are to work toward achieving a shared vision for the future. At the core of this is MS&AD's "Story of Value Creation," the basic concept of which is spreading within and outside the Group.

The Special Feature section of this report introduces a variety of initiatives aimed at creating shared value (CSV initiatives) with society through the implementation of our "Story of Value Creation."

Creating Shared Value (CSV Initiatives)

1 Deal with new risks

2 Create a safer mobility society

3 Strive for resilient community development

4 Support "good health and longevity"

5 Contribute to climate change mitigation and adaptation

6 Strive to improve the sustainability of natural capital

7 Work toward the realization of "leaving no one behind"

Story of Value Creation

Development at overseas entities

Chief Marketing Officer,
MSIG Holdings (Asia)

Rebecca Ang Lee

MSIG Holdings (Asia) set up the Regional Sustainability Taskforce in January 2019 with members from 10 local business units.

Aiming to achieve a "Resilient and Sustainable Society" outlined in the Group's "Vision 2021" Medium-Term Management Plan, the Taskforce is focused on the promotion of sustainability-related initiatives with a close connection to the Group's business and the building of a competitive brand in Asia. Among the various sustainability-related issues, the Taskforce is focusing its attention on the preservation of the environment, especially in regard to biodiversity, and is taking on new challenges in this area.

Regional Brand Conference in Asia: Visiting the Reforestation Project in Indonesia

Working with agencies

President and Representative Director,
Shintoshin Agency

Mr. Akimasa Adachi

Since the company's founding in 1995, we have focused on insurance covering a variety of business risks faced by corporations, with the goal of using insurance to support corporate business activity and contribute to the advancement of the Japanese economy. Enhancing a sense of crisis regarding the potential impact of climate change on business at a relatively early stage, we have been working to advance the use of insurance for operating renewable energy business, including in wind power and biomass power generation. We have recently come to understand the importance of addressing social issues from a long-term perspective, which leads to the potential for our growth.

We are in full agreement with the MS&AD Group's CSV approach toward building a "Resilient and Sustainable Society" and intend to continue contributing to a brighter future while pursuing sustainable growth as we support our customers.

Our exhibition booth at the 4th International Biomass Expo

Cooperation with local communities

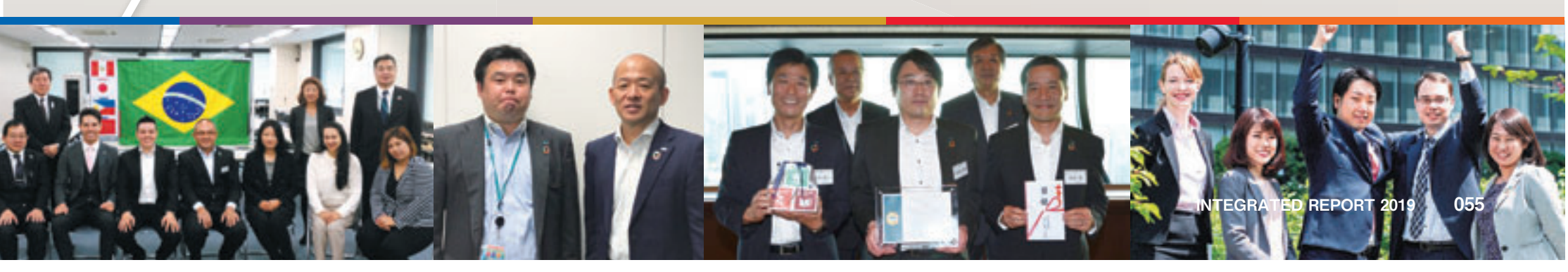
Chief Inspector,
Toyohashi City Hall Multicultural Society & International Affairs Division

Mr. Takashi Miwata

The city of Toyohashi in Aichi Prefecture is home to many foreigners, including about 8,000 Brazilians. One of the focal points of the Toyohashi City Multicultural Society & International Affairs Division is the prevention of traffic accidents by foreigners living in the city. One solution involved holding seminars on traffic safety for foreign residents in cooperation with Aioi Nissay Dowa Insurance. The seminar included text written in Portuguese as well as an explanation of Japanese traffic laws and the role of auto insurance in case of an accident. With the focus on creating an environment where all can live in peace of mind, we believe these activities contribute to a reduction in traffic accidents and revitalization of the community.

By relying not only on the promotion of government but also collaboration with private companies, we believe we have created a win-win scenario benefitting both society and company's interests.

Workshop at a Catholic Church



Dealing with cyber risks

We provide compensation for damages sustained due to data theft or inhibition of third-party operations caused by cyberattacks, cover the costs for various measures needed to respond to incidents and, as an option, offer compensation for lost profit in the event of terminated or interrupted networks. In addition, we provide a specialist vendor introduction service in case an incident occurs. Together with this, we seek to prevent cyberattacks before they occur by offering an information security diagnostic service, a targeted e-mail attack training service and other risk management services.

Background

Responding to new risks, an important issue in corporate governance

Cyber risks tend to evolve with technological development. As such, information gathering, research and the adoption of the latest technology in a timely manner are essential. Cyberattacks, such as targeted e-mail attacks carried out on companies and organizations, are on the rise and becoming more sophisticated. If there was a data breach where 100,000 personal data leaked, the result could be calculated at damage amounting to ¥172.7 million,* and damage from such attacks is escalating. Consequently, the implementation of measures to prevent these risks is becoming an important issue in corporate management.

*This estimated amount of damage is the result of a simplified trial calculation worked out based on assumptions.

Strengthening and promoting preventive measures against cyber risks

Noboru Ishizu, Cyber Security Team, Casualty Underwriting Department, Mitsui Sumitomo Insurance (MSI)

The constant generation of innovation is essential to achieving a sustainable society. However, the risk that arises from this also includes a host of new variables, making it ever-more important to precisely analyze, prevent and prepare for such risks. To conduct multidimensional and refined assessment of cyber risks that every day are increasing in complexity and sophistication, we have commenced a risk assessment service in collaboration with Verizon Japan and BitSight Technologies, companies that offer a wealth of cutting-edge expertise concerning cybersecurity.

Furthermore, MS&AD InterRisk Research & Consulting has collaborated with IntSights Cyber Intelligence, Inc., which possesses technology to aggregate and analyze threat information, on the dark web of cyberspace where attackers exchange information that is difficult for the average person to access. In this way, it has become possible to offer customers critical threat information gained from the massive volumes of information circulating throughout the dark web and the deep web, and provide them with relevant analytical results. There is no end in responding to risks, though, and we intend to provide a greater number of measures to deal with new and upcoming risks.

Social issues

Cyber risks tend to evolve in complexity and sophistication in line with the advance of information technology. Damages that arise from cyberattacks are escalating.

Solutions

- Offer preventive services based on the latest expertise
- Provide coverage for cyber risks

Impact on society

- Prevention of cyber risks
- Swift recovery from damage caused by cyberattacks
- Stabilization of corporate management through loss compensation

Economic impact on the Group

- Expansion of new product development and services in the cybersecurity field
- Growth in the insurance market associated with the development of an advanced information society

Automobile insurance and services that utilize telematics technology

We have launched "Observe and Protect Automobile Insurance (Dashcam Type)," an insurance product that employs telematics technology,* and "Tough Connected Automobile Insurance," the first automobile insurance in Japan based on driving data to reflect the extent of safe driving in monthly insurance premiums for cars that utilize specified on-board communications devices that enable the acquisition of vehicle driving data. Moreover, we offer smartphone apps to provide customers with services such as safe driving diagnosis and a swift response to accidents.

*A word that combines "telecommunication" and "informatics," telematics enables new real-time, two-way communications services that can be provided by equipping automobiles and other mobile platforms with communications technology.

Background

Telematics technology can contribute to traffic safety

In today's motorized society, the advance of automobile technology is working to curtail collision-type accidents. On the other hand, driving mistakes by elderly drivers and apparently malicious tailgating-type driving behavior are increasing the number of automobile accidents. Given advances in information and communication technology, and more sophisticated data analysis functions, we are taking action to develop a variety of automobile insurance that enhances safety and security for solutions to such issues.

Telematics automobile insurance characteristics

1 ▶ Data collection	Driving behavior data collected by equipping vehicles with devices that have a mobile telecommunications function
2 ▶ Data analytics	The data collected from the devices equipped in automobiles are analyzed by insurance companies and used to set insurance premium rates or to develop products and services.
3 ▶ Feedback	Policyholders are provided with services such as safe driving diagnosis reports, alerts for dangerous driving and appropriate accident response at an early stage.

Our thoughts with an eye toward autonomous driving and a new mobility society

Takahiro Miki, Visiting Professor, Gunma University (seconded from Aioi Nissay Dowa Insurance)

When the effect of reducing the frequency of accidents was confirmed, I truly felt that these insurance products and services would contribute to traffic safety. Moving forward, as autonomous vehicles become more prevalent, we anticipate solutions to many social issues. On the other hand, the response to accidents or trouble will also undergo big changes, so we will continue to tackle these challenges.

Looking ahead to when there is legislation on "autonomous driving with conditions" to make autonomous vehicles a practical reality, Mitsui Sumitomo Insurance (MSI) and Aioi Nissay Dowa Insurance (ADI) will offer compensation, from the perspective of victim relief, in instances of hacking during autonomous driving, defects or other problems with driving systems, and for accidents where the driver is not responsible. We will continue to consider products and have a practical vision given ongoing trends in government opinions and considerations.

ADI and Gunma University, a national university, have entered into an academia-industry alliance and are now moving forward on joint research based on field trials. Every day we strive to move forward with the belief that building a future mobility society which is safe and secure is up to us.

Social issues

In line with the technological innovation associated with mobility and communications, we are expected to deal with new risks.

Solutions

- Offer new insurance and services that utilize the latest information technology
- Develop insurance and services based on research into cutting-edge mobility technology

Impact on society

- Prevention of traffic accidents
- Contribution to the shift toward an autonomous driving society that can put people at ease

Economic impact on the Group

- Increasingly high-value-added automobile insurance
- New insurance needs arise in the autonomous driving society

Regional Revitalization Project

ADI seeks to further deepen its close relationships with local communities, as set forth in its action guidelines, and has launched a regional revitalization project. This project starts with the conclusion of partnership agreements with local public authorities and works to support the efforts made to revitalize local regions through contributory activities for local communities, providing a menu of beneficial solutions for issues relating to "communities, people and jobs" in local regions. These efforts have received high praise with regard to a variety of aspects and have been certified as "signature initiative examples" by financial institutions contributing to regional revitalization. For a second consecutive year, the initiative has received a Cabinet Office Minister's Award.

Background

Toward sustainable local communities

Confronted with issues such as a declining population, a falling birthrate and an aging population, an intense concentration of population and businesses in Tokyo; and the contraction of regional economies, Japan is pushing policies for regional revitalization based on the "Act on Overcoming Population Decline and Vitalizing the Local Economy in Japan." To achieve regional revitalization, it is critical to seize on the overall strengths of regions through collaboration with the full range of participants in society,* and it is expected that insurance companies, which are financial institutions, will do their part in contributing to regional revitalization.

*Participants in society include industry, local public authorities and national-affiliated organizations, universities and higher education institutions, financial institutions, labor organizations, media, and lawyers and others in the legal profession.

ADI: Aioi Nissay Dowa Insurance

An "inclusive society" is the key to a resilient society

Hidemichi Kurata, Management Planning Division, ADI

Recently, there has been an increasing number of local public authorities tackling the issue of realizing an inclusive society to revitalize local communities. Given this, we are applying our abilities to provide assistance by utilizing the expertise we already have in activities to support sports for the disabled.

From fiscal 2019, we have signed an affiliation contract with the professional runner, Yuki Kawauchi, with the same thoughts of supporting local community by utilizing sports. Currently, ADI has affiliated relationships with 14 disabled athletes (as of July 1, 2019), and in addition to spreading sports for the disabled and related educational activities, we are working with Mr. Kawauchi on a marathon caravan that is contributing to the promotion of sports, the vitality of local communities and inclusive society.

As society and social issues become more diverse, we believe that when people accept their diverse individuality and can play an active role, that will lead to regional revitalization and the creation of a resilient society. We will continue to make vigorous efforts to reach these goals.

A wheelchair basketball experience event

Regional issues	Proposal menu
Realizing an inclusive society*	Support activities of sports for the disabled, universal manner seminars, traffic safety seminars for foreigners
Business support, industrial development	Tourism business operator seminars, seminars for SME businesses (labor risk countermeasures, cyber risk countermeasures)
Reducing and preventing disasters	Business continuity plan (BCP) seminars, earthquake resistance seminars

*A society where everyone has mutual respect for character and individuality, while supporting one another

Social issues

A falling birthrate and an aging population, as well as the concentration of populations in urban areas, are accelerating the contraction of regional economies

Solutions

Support regional revitalization that meets the needs of communities

Impact on society

Realization of resilient community development

Economic impact on the Group

- Reinforcement of customer base relating to regional revitalization
- Expansion of the sales market in line with the creation of inter-regional networks

Development of "health management support-type products"

MS&AD Insurance Group Holdings, MSI, ADI and MSI Aioi Life are collaborating with the University of Tokyo Center of Innovation (COI), the hub for a "Self-Managing Healthy Society," and have launched initiatives aimed at improving the health of citizens. As a first initiative, MSI and ADI are working to develop insurance that supports "health management" businesses by utilizing the "Health Management" app equipped with a health risk predictive model powered by AI developed at the University of Tokyo COI.

Background

Extending a healthy life expectancy

Japan is already in an era of a super-aging society and is under pressure to deal with a range of social issues, such as alleviating the burden of medical expenses. Extending healthy life expectancy is a critical area in the government's Future Investment Strategy. Health management is garnering attention as an initiative to support this, and we have taken up the health management of employees as a management issue. The goals are not limited to health maintenance and improvement, as well as heightened productivity, but also, we believe, this is linked to enhancing corporate value. For this reason, interest is rising in acquiring certification that cites companies for practicing excellent health management.

Support for health management in companies

This initiative seeks to attain sustainable growth in a super-aging society, offering value-added-type insurance products that contribute to enhanced health, specifically targeting those companies that are making efforts at health management. Regarding employees' working to enhance health, much interest is paid to the utilization of results data from health checkups. Building on this, while using a health management app equipped with an AI-powered predictive health risk model, we offer insurance that provides coverage for reduced income on account of any unfortunate decline in health. Taking this a step further, we can support corporate health management by developing and offering products in combination with the consulting provided by MS&AD InterRisk Research & Consulting.

The "health management app" enables visualization of future risk of lifestyle diseases as a "degree of health," based on the input health checkup results. It also offers personalization with the display of the user's face, providing an image of what one's face would look like in the future if risks are neglected. In addition, offering advice that supports daily "health activity goals (challenges)" and how to accomplish them by AI, it provides behavior modification support that leads to improved health. Moreover, insurance that provides coverage for reduced income on account of lost worktime enables employees to dedicate themselves to medical treatment with an easy mind; as a result, employees can facilitate a balance between work and treatment. We will continue to further accelerate initiatives together with the University of Tokyo COI and extend this throughout the Group.

The health management app

Group-wide study meeting in session

Social issues

In consideration of rising medical care expenses in a super-aging society, there is a demand for health management and enhancement for each and every citizen.

Solutions

Offer products and services that support the health management efforts made by companies.

Impact on society

- Creation of a workplace environment where employees can enhance their health and maintain their employment
- Heightened corporate productivity
- Reduced future of medical expenses burden

Economic impact on the Group

- Expansion of sales market to companies making efforts at health management
- Development of new insurance services in a super-aging society

Assessing climate change impact on flood risk at a global scale: "LaRC-Flood™ Project"

For returning the outcomes of climate change impact assessment research to the society, the MS&AD Insurance Group began joint research with The University of Tokyo and the Shibaura Institute of Technology in 2018. Last year, we launched a website that enables users to view the estimated flood risk evolving worldwide through the Web-based geographic information (web-GIS) system. Currently, we are undertaking a research that will lead to more precise predictions and assessments of flood risk.

*Introduced as the research results of "Global Flood Risk under Climate Change" in the UN Intergovernmental Panel on Climate Change Fifth Report (IPCC-AR5).

Background

Growing flood risks associated with rising temperatures

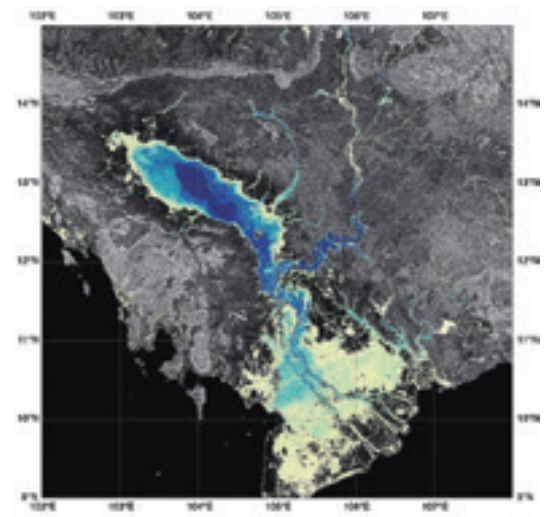
In recent years, the global mean land surface temperature has been rising and it has reached a level of roughly 1-degree Celsius higher than that of the pre-industrial revolution. If climate change continues, the flood risk will rise worldwide and it could have a huge impact on the business activities of corporations. In order to minimize the risks of climate change and to propose a reasonable adaptation measure for a society, collaboration with scientists is needed.

Meeting with Professor Hirabayashi (right) of the Shibaura Institute of Technology and Associate Professor Yamazaki (left) of The University of Tokyo

Bring the outcomes of flood risk assessment research to society

Associate Professor Dai Yamazaki, Institute of Industrial Science, The University of Tokyo

Given the globalization of the economy in recent years, a quantitative global-scale estimation of natural disaster risk is desired. Our research group has developed a flood inundation model that can be applied to a global scale, and we have set our goal to reduce flood damage through flood risk assessments under climate change as well as real-time flood simulations based on climate projections and weather forecast data. Precise risk calculation requires both flood inundation models and accurate terrain data, however, the baseline topography information such as elevation data is usually not available in developing countries. We are currently combining satellite observations and big data analysis to develop highly accurate terrain data for the whole world. As the flood simulations in data-sparse areas have improved, we started the collaborative work with the MS&AD Insurance Group to develop and implement a large-area flood hazard map that covers the entire Asia region. Researchers like us are truly excited when research outcomes are used to solve the actual problems of society. Working together with an insurance company is one step toward the implementation of measures to reduce the climate change risk to society, and it makes me even more motivated to conduct this research.



A Mekong River Delta flooding simulation based on the global river model CaMa-Flood

Social issues

Weather-related damage caused by climate change raises the risk of impairing business continuity

Solutions

Support management strategy and business investments that utilize forecasts of future weather damage occurrence

Impact on society

- Business activities that respond to climate change risks

Economic impact on the Group

- Strengthened relationships with customer companies as well as the continuation of stable relationships
- Aggregation of expertise in the climate change risk field owing to industry-academia collaboration

"GK Observe and Protect Automobile Insurance (Dashcam Type)", and "Suma-Ho (Smartphone) 'Driving Ability' Diagnosis" Animal Alert App

We provide "GK Observe and Protect Automobile Insurance (Dashcam Type)" along with the smartphone app "Suma-Ho (Smartphone) 'Driving Ability' Diagnosis," a service that provides audio alerts that facilitate caution with drivers when they approach areas where it is common to have traffic accidents involving wild animals. The service was launched in 2016 in Okinawa Prefecture to prevent accidents involving the Japanese rail, a rare bird known locally as "yanbaru kuina." Currently, the service is available in a number of areas.

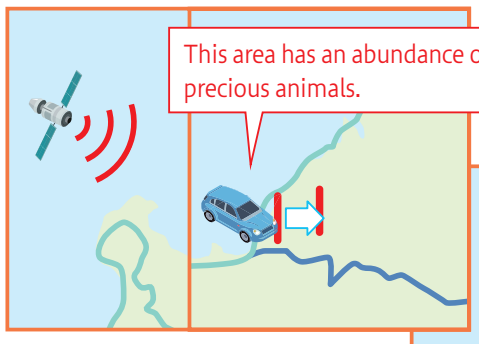
When a driver approaches a location or area where there are often accidents involving animals, based on data held by national or local authorities, an audio alert will warn drivers to be cautious. The content of the alert changes depending on the animals' habits, the time of day they are active and if the weather affects their activity.

Background

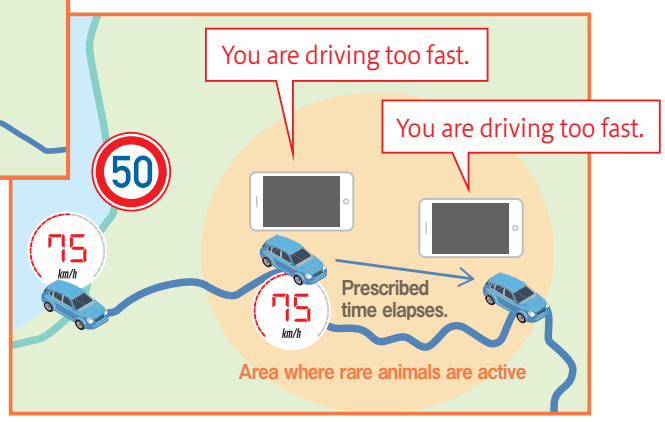
Rare animals are in danger of automobile accidents

Every year, traffic accidents involving wild animals occur throughout the country, causing damage to vehicles and harm to humans. In addition, these "road-kill" accidents are the top cause of rare animal deaths, such as with the bird yanbaru kuina, a Japanese rail. Depending on the area, such traffic accidents also lead to a loss of regional biodiversity.

Recently, due to an increase in the numbers of large mammals, such as deer, and the numbers of tourists which lack information of the conditions involving wild animals, certain areas, such as Hokkaido and Okinawa, are experiencing a serious problem with an increase in accidents with these wild animals.



Audio alerts depending on an animal's habits



Audio alerts when speed is far too fast for an area where accidents involving animals are common

Protecting regional eco-system by supporting safe driving

Misato Shirai, Planning & Development Team, Automobile Underwriting Department, MSI

Supporting safe driving is a critical mission for a non-life insurance company. Recently, the top cause of rare animal deaths has been traffic accidents, and this is becoming a serious problem. Putting MSI's technology to use works to prevent accidents before they occur, and it is a meaningful feeling to help provide a solution to this problem. In recent years, there have been an increasing number of tourists from abroad, and with an increasing number of opportunities to drive in areas of abundant nature, this gives me an even greater sense of mission to support safe driving. The result is the protection of rare animals indigenous to an area and the country's regional eco-system. The creation of this kind of socially shared value leads to the building of a new ideal society.

Social issues

The number of rare animals is decreasing as a result of traffic accidents, with the possibility of exerting an impact on the regional eco-system

Solutions

Support the prevention of traffic accidents with a safe driving app that includes animal habits data

Impact on society

- Prevention of traffic accidents while securing safe and smooth driving conditions
- Biodiversity in regions and conservation of tourism resources

Economic impact on the Group

- Lower number of payments as a result of traffic accidents
- Building of relationships with local authorities and the tourism industry, and cultivation of new markets

Offering fire insurance specifically for the housing of indigenous inhabitants

EPIC Homes, which partners with MSIG Malaysia, is a social enterprise that engages in support schemes with the goal of improving the living environment of indigenous people. Recruiting corporate and individual sponsors and developing programs whereby homes are constructed by volunteers and these people themselves, the enterprise works to help raise living standards. Until now, there have been 136 homes constructed. MSIG Malaysia has developed fire insurance specific to these dwellings and has packaged compensation associated with the support scheme. Now, they are offering fire insurance to these constructed homes. Preparing compensation for homes allows these indigenous inhabitants to continue their residence with peace of mind. At the same time, it eliminates the worry that along with the fire, the value of the donation will also be lost. This makes it easy for sponsors to participate in the support scheme.

Background

The indigenous people who have been left behind by economic development

In Malaysia, economic development, primarily in urban areas, has proceeded at a dizzying pace. On the other hand, the poverty and living environments of indigenous tribes have become a major social problem. The indigenous people known as the "Orang Asli" live and work mainly in forested areas. Among them, 35% live in conditions of extreme poverty and 82% are said to require aid and support for residences. Meanwhile, the efforts of social enterprises that tackle such issues have been drawing attention. (Source: EPIC Homes website)

A new way to solve social issues and the value arising from partnerships

【Epic Homes CEO Mr.John-son Oei】
We are very happy to be working with MSIG Malaysia who share our vision of developing community-based housing solutions for the Orang Asli communities. All our partners bring something different and valuable to the table and so has MSIG Malaysia. This bespoke fire insurance product, will make our projects more sustainable and assuring to our sponsors, which ultimately benefits the Orang Asli residents too.

【MSIG Malaysia CEO Chua Seck Guan】
We are delighted to be working with Epic Homes on this very meaningful project and have learned a lot from it. The experience from this project has allowed us to create this unique fire insurance product for marginalised communities.We are open to extend this fire insurance product to any other Social Enterprise / NGO who may work on similar models in providing houses, schools, or any buildings that serve the under-served.

Social issues

While economic development continues in Malaysia, solutions to the problem of poverty among indigenous inhabitants and improving their residential environment are lagging.

Solutions

Build homes covered by compensation in collaboration with NGOs, companies and the indigenous community

Impact on society

- Improved habitation environment for indigenous inhabitants
- Heightened community sustainability

Economic impact on the Group

- Acquisition of expertise regarding the development of insurance products and services that contribute to social issue solutions

The Sustainability Contest 2018 Let's talk about our Story of Value Creation

The Group-wide Sustainability Contest 2018 was held with the goal of supporting our employees understand the significance of our "Creating Shared Value" (CSV) and sustainability efforts so that they can incorporate them into their daily work in order to realize the medium-term management plan "Vision 2021."

Award presentation

Presentation

Award winners

The contest had 526 entries, with participants from Japan and abroad. The top six winners each gave a presentation before a review board, with 61 group officers determining the Grand Prize winner.

Initiative themes	Outline of the various initiatives
Grand Prize **Mitsui Sumitomo Insurance** "Achievement of the SDGs through Visionary Meetings": Solving hospital management and beef cattle ranch management issues through brainstorming sessions	Brainstorming sessions called "Visionary Meetings" are held once a month so that participants can voice their various ideas for solving customer issues with insurance and contribute toward achieving these goals. Products generated as a result of these sessions include beef cattle insurance for cattle ranchers and insurance coverage for expensive medical equipment.
Mitsui Sumitomo Insurance System proposals in line with dementia-related ordinances in Kobe City	The design of a mechanism that allows coverage in areas not covered by personal liability insurance when an accident is caused by a person with dementia contributes to Kobe City's effort to become a city more friendly to those suffering from dementia.
Aioi Nissay Dowa Insurance Regional revitalization efforts using regional (industry, government and academic) networks	The population of Yamagata Prefecture is undergoing a marked decline. This initiative focuses on regional revitalization though collaboration between industry, government and academia, including using Visual Drive, which utilizes telematics technology, to solve delay issues in the Yamagata City community bus timetable.
Mitsui Sumitomo Aioi Life Insurance Regional revitalization efforts and the promotion of MSA Heart Ribbon PT breast cancer and uterine cancer seminars	With a sharp increase in the number of women suffering from breast cancer and uterine cancer, this initiative involves a national seminar to promote understanding of women-specific cancers and the need for checkups. This initiative focuses on supporting the long and prosperous lives of our customers.
Mitsui Sumitomo Primary Life Insurance Primary education and training to support happiness in the era of 100-year life spans	This initiative focuses on the development of training using a card game that illustrates changes in time, money and health in an era of 100-year life spans. This supports customer-centric sales approach.
MSIG Holdings (Asia) Activities supporting the conservation of biodiversity: Protecting the diversity of life on Earth that cannot be protected by insurance	By deepening our understanding on biodiversity and actively engaging in conservation and awareness-related activities, we not only help to reduce the occurrence of natural disasters but also promote a sustainable level of prosperity in society and improve our planet's biodiversity.

Message from an award winner

Grand Prize Winner
MSI Hokkaido Branch

Ideas created through "Visionary Meetings" contributed to the creation of products providing compensation for beef-related risks and coverage for maintenance and repair costs for expensive medical equipment. What these two projects had in common was the goal of providing solutions to local challenges, including support for a declining livestock industry and support in maintaining medical infrastructure in areas where the aging of the population is apparent.

Assessment from a director who took part in the review

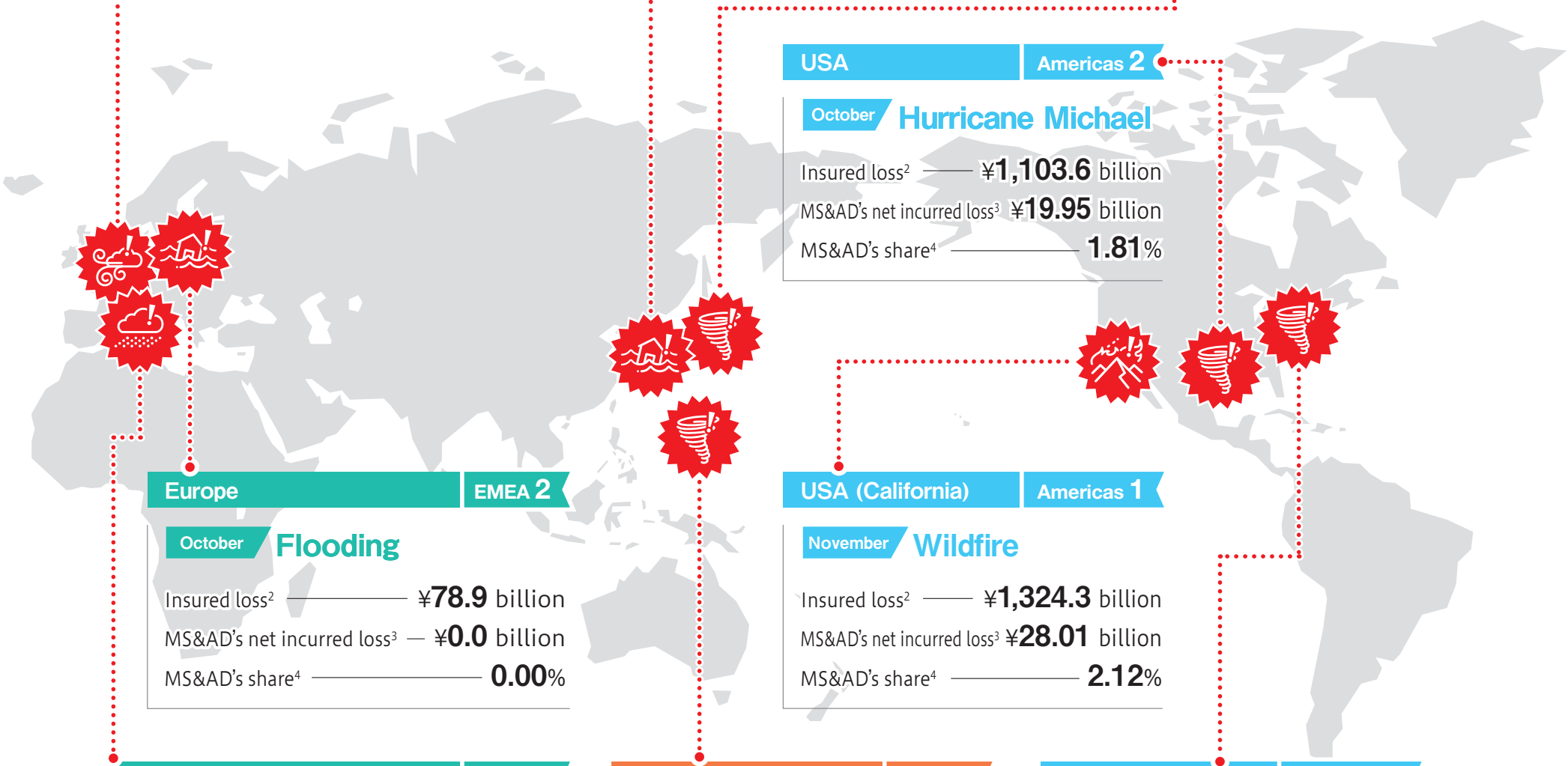
Outside Director
Mariko Bando

Until now, CSV and the SDGs might have been seen as distant concepts. However, it was fantastic to see 526 groups coming together with the goal of applying these ideas to their work and in the process forming an even tighter working relationship. I really hope that these presentations can lift the awareness of all Group employees.

World Map of Natural Catastrophes in 2018[1]

In recent years, the effects of climate change have been felt around the world, with powerful typhoons, hurricanes and cyclones, torrential rainfall, drought, heat waves and other abnormal weather causing damage more frequently. Moreover, the scale of these events has grown, leading to damage that greatly exceeds existing assumptions throughout the world.

The MS&AD Insurance Group has helped its customers mitigate economic losses caused by major disasters through claims payments, supporting the restoration of business activities and the livelihoods of people around the world.



Europe — EMEA 1

January — **Cyclone Friederike**

Insured loss[2]	¥231.7 billion
MS&AD's net incurred loss[3]	¥0.56 billion
MS&AD's share[4]	0.25%

Japan — APAC 2

July — **Flooding**

Insured loss[2]	¥297.9 billion (¥195.5 billion[6])
MS&AD's net incurred loss[5]	¥84.56 billion
MS&AD's share[4]	28.38% (43.23%[7])

Japan — APAC 1

September — **Typhoon Jebi**

Insured loss[2]	¥938.0 billion (¥1,067.8 billion[6])
MS&AD's net incurred loss[5]	¥100.24 billion
MS&AD's share[4]	10.69% (9.39%[7])

USA — Americas 2

October — **Hurricane Michael**

Insured loss[2]	¥1,103.6 billion
MS&AD's net incurred loss[3]	¥19.95 billion
MS&AD's share[4]	1.81%

Europe — EMEA 2

October — **Flooding**

Insured loss[2]	¥78.9 billion
MS&AD's net incurred loss[3]	¥0.0 billion
MS&AD's share[4]	0.00%

USA (California) — Americas 1

November — **Wildfire**

Insured loss[2]	¥1,324.3 billion
MS&AD's net incurred loss[3]	¥28.01 billion
MS&AD's share[4]	2.12%

Europe — EMEA 3

February — **Winter Weather**

Insured loss[2]	¥77.2 billion
MS&AD's net incurred loss[3]	¥0.03 billion
MS&AD's share[4]	0.04%

Oceania, Philippines, China — APAC 3

September — **Typhoon Mangkhut**

Insured loss[2]	¥143.4 billion
MS&AD's net incurred loss[5]	¥1.45 billion
MS&AD's share[4]	1.02%

USA — Americas 3

September — **Hurricane Florence**

Insured loss[2]	¥584.9 billion
MS&AD's net incurred loss[3]	¥6.72 billion
MS&AD's share[4]	1.15%

1. The three most costly insurance market losses from natural catastrophes for the Americas, EMEA (Europe, Middle East and Africa) and APAC (Asia and Oceania) during 2018 as listed in Aon's "Weather, Climate & Catastrophe Insight-2018 Annual Report"
2. Insured loss: Estimated amount of insurance market loss covered by non-life insurance companies around the world (Source: Aon's "Weather, Climate & Catastrophe Insight-2018 Annual Report"). Exchange rate: US1$ = ¥110.36 (used for internal purposes at the end of FY2018)
3. As of December 31, 2018. Total net incurred loss (claims paid + outstanding claims, reflects recoverable and anticipated recoverable amounts from outward reinsurance contracts) by Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance and their overseas subsidiaries. Excludes claims less than ¥50 million at entities outside the affected countries.
4. Ratio of total net incurred loss of Mitsui Sumitomo Insurance, Aioi Nissay Dowa Insurance and their overseas subsidiaries to the insured loss.
5. As of March 31, 2019. Total net incurred loss of Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance.
6. As of March 31, 2019. Insurance claims paid in Japan (includes estimates) (Source: The General Insurance Association of Japan)
7. Ratio of total incurred losses by Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance to Note 6 above.

Climate-Related Financial Disclosure

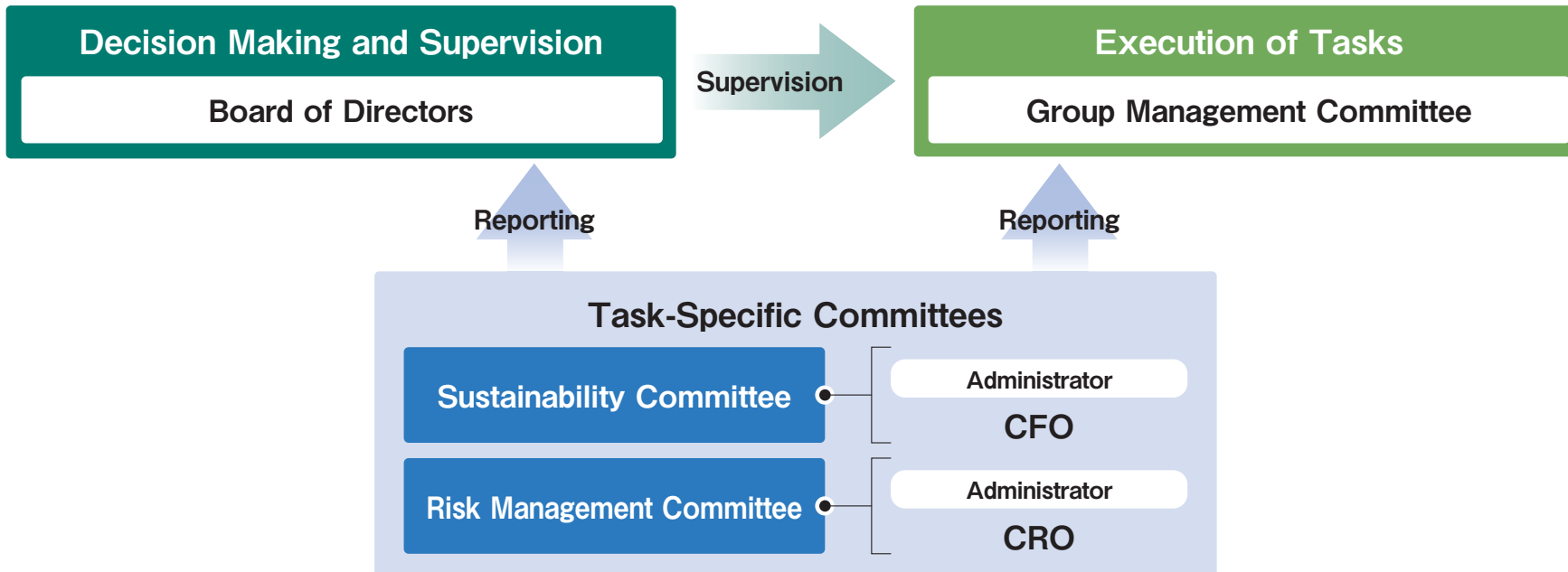
To achieve a "Resilient and Sustainable Society", the MS&AD Insurance Group is tackling climate changes mitigation and adaptation through Creating Shared Value (CSV initiatives).

In consideration of climate-related influences on society and industry, it is becoming increasingly important for companies to disclose information.

The Group endorses the Task Force on Climate-Related Financial Disclosure (TCFD) and promotes the disclosure of financial information. See the 2019 Sustainability Report (scheduled for release in September) for details.

Governance: Climate-Related Internal Controls

The CFO, CRO, Sustainability Committee, Risk Management Committee and others report on climate-related matters to the Board of Directors, which then discusses and determines the major strategies of the Group.



Strategy: Climate-Related Risks and Opportunities

The MS&AD Insurance Group recognizes the increased frequency and severity of disasters caused by climate change as a risk. We ensure financial soundness and stable profits through reinsurance and catastrophe bond arrangements while maintaining appropriate underwriting with quantitative assessments for natural disaster risks with those influences taken into consideration.

See PP. 66–68, 118

In addition, technological innovation aimed at carbon-free society, changes in industrial structures and markets, strict environmental regulations and other such transitions in society hold the potential to affect corporate business activities. We ascertain the impacts of these changes and conduct dialogues with investee companies to improve corporate value and encourage sustainable growth.

On the other hand, providing consulting and insurance services in preparation for industrial and economic shifts caused by climate change is an opportunity for the Group. We develop products and services via research including collaborations with industry, government and academia.

See PP. 50, 53, 60

Risk Management

In terms of the risk involved with growing natural-disaster-related claims payments and climate change, the MS&AD Insurance Group controls the retained amount and the impact on profitability for the entire Group based on assessments of the management condition of each Group company and reports such to the Risk Management Committee. To improve the natural disaster risk assessment, we are increasing the sophistication of risk management by incorporating climate change factors into stress tests.

Metrics and Targets

The MS&AD Insurance Group manages progress in initiatives designed to contribute to the mitigation and adaptation of climate change and to create shared value with society as non-financial indicators. We also have established CO_2 emission reduction targets by 2050 for the entire Group.

See P. 28

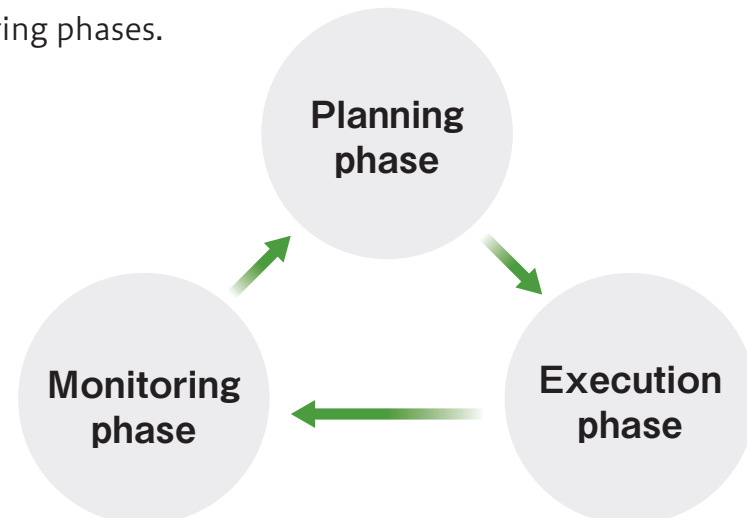
ERM and Risk Management

The MS&AD Insurance Group formulates management plans in accordance with the Group Risk Appetite Statement with the aim of improving profitability and enhancing capital efficiency while ensuring soundness based on the ERM cycle. Capital is allocated in accordance with the ERM cycle and the risks assumed, and by monitoring return on risk (ROR)* for the risks assumed we take steps to strengthen our risk controls and underwriting. *ROR = Group Adjusted Profit/Integrated risk amount

ERM Cycle

ERM is implemented through the planning, execution and monitoring phases.

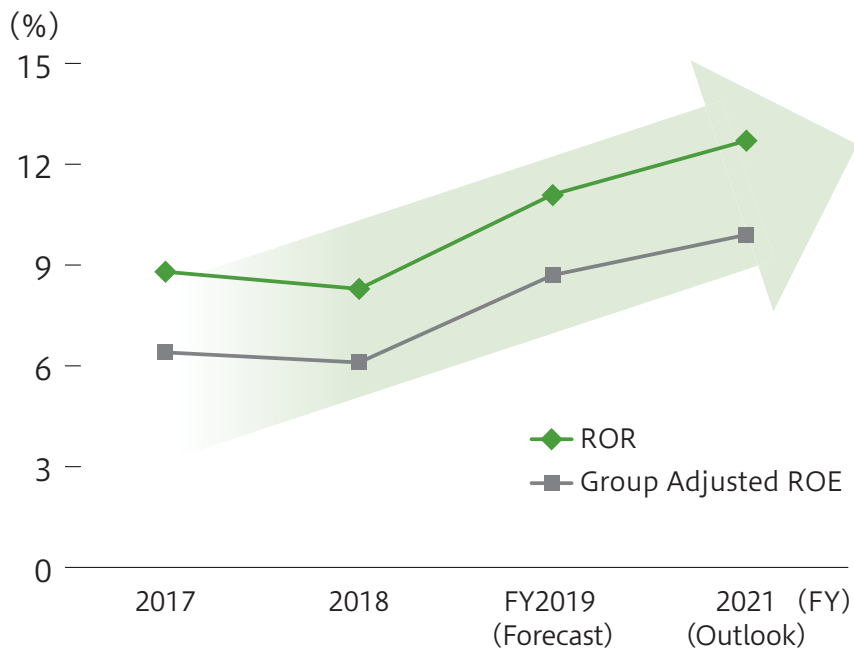
Planning phase	❶ Formulate strategies based on the Group Risk Appetite Statement and establish capital allocation amounts based on the level of assumable risk.
Execution phase	❷ Take risks within the risk limits based on the capital allocation amounts.
Monitoring phase	❸ Conduct regular monitoring of financial soundness, profitability and capital efficiency. ❹ Based on the outcome of monitoring, examine and implement any necessary measures.



Initiatives to Improve ROR

Trends in ROR, which is an indicator of the profits that can be earned on risks assumed, are a proxy for the earnings power of the Group's risk portfolio. The MS&AD Insurance Group is working to improve ROR based on the ERM cycle and aims to achieve Group Adjusted ROE of 10% in fiscal 2021.

ROR Outlook



Initiatives to Improve ROR

Domestic Non-Life Insurance Business	Subdivide the monitoring targets and aim to secure a return in accordance with capital costs
Domestic Life Insurance Business	Develop products mainly geared toward the domestic low-interest rate environment
International Business	Strengthen existing businesses centered on MS Amlin and diversify our business portfolio geographically and by class
Asset Management (excluding strategic equity holdings)	Improve returns by expanding and diversifying investment assets

Control of Risk

The MS&AD Group has established the MS&AD Insurance Group Risk Management Basic Policy, which underpins the common risk management exercised throughout the Group. Specifically, the policy identifies the principal types of risk with an impact on the Group's business portfolio, stipulates how risk factors are to be evaluated both quantitatively and qualitatively, and promotes risk management based on those evaluations.

Please refer to the Group's official website for more risk management information.

Website Content	●**Risk management (https://www.ms-ad-hd.com/en/group/value/risk_management/erm/risk.html)** ●Risk Management Basic Policy ●Risk management structure ●Insurance business risks ●Risk management in the international business ●Crisis Management System (including the Business Continuity Management System)

Specifying Risks

The Group specifies material risks that affect management as follows in fiscal 2019.

Group Material Risks

The Group identifies material risks to be controlled by management, formulates a Management Action Plan and regularly monitors the status with respect to individual risk.

FY2019
Occurrence of a large-scale natural catastrophe in Japan or overseas
Sharp fluctuations in financial markets in Japan or overseas
Increase in credit risk and nonperforming loans
Occurrence of behavior that is detrimental to the corporate value of the Group, loss of social credibility
Occurrence of cyberattacks that cause large-scale and serious impediments to operations, information leaks, the payment of insurance, and the frequent occurrence of large-scale leaks and illicit use of personal information and confidential information
Frequent occurrence of IT system failures, the occurrence of critical IT system failures and large-scale IT system development plan-related progress delays, shortfalls, budget overruns and expected effects being unrealized
Pandemic of a new highly toxic strain of influenza

Group Emerging Risks

Group Emerging Risks are defined as events that could affect the Group business from a medium- to longer-term perspective and events that could affect the Group business that management should be aware of but are difficult to measure in terms of scale and timing. We regularly monitor Group Emerging Risks.

FY2019
Declining birthrate and aging population, advances in medical technology
Resource depletion
Climate change
Environmental damage
Trends in new technologies and mechanisms (including the spread of IoT, sharing economy) that significantly alter the economy and consumer behavior
Newly established/revised domestic and overseas laws and systems
Major changes to domestic labor supply-demand
National governance/political turmoil, dysfunction, collapse, interstate conflict
Japanese security crisis

Declining Birthrate and Aging Population

The domestic insurance market will contract as the birthrate declines and the population ages, but growth in the elderly population and longer life spans have created new needs for insurance. The Group is continuously developing new products and services that support people's health and longevity that include providing "Tontine Annuities,"* adding guarantees for dementia nursing care and launching "whole life nursing/dementia plans" that sufficiently address anxiety over nursing care. We are undertaking key measures to address the risks associated with falling birthrates in Japan through reforms of our business portfolio that involve strengthening our international business and geographical/business diversification.

*See the "Glossary of Insurance Terminology" (P. 94) for details.

Environmental Damage

Insurance companies might have to pay out insurance claims based on underwriting provisions as companies claim massive amounts of compensation for the environmental damage they have caused by pollution and/or significant environmental burdens. Amid progressive climate change and natural resource depletion, it looks like concerns are deepening and risks are rising regarding such phenomena within society. The MS&AD Insurance Group is working to provide appropriate insurance underwriting and reinsurance while monitoring trends in global social concerns and legal regulations that address the causes of environmental pollution and burdens and focusing on the provision of risk consulting services related to environmental damage from business activities.

ERM

We aim to advance ERM to address the emergence of new risks, such as the risk of multiple natural disasters and cyberattacks.

Senior Executive Officer, CRO **Fumiaki Ohkawabata**

Strengthening Natural Disaster Risk Management

In 2018, several major natural disasters occurred in Japan and overseas. In Japan, the number of accident claims received Group-wide was 520,000, which far exceeds the Great East Japan Earthquake. Overseas, there was a significant amount of natural catastrophe losses, such as those caused by hurricanes in the United States and the California wildfires.

The MS&AD Insurance Group has built a system able to ensure the soundness of the entire Group by performing stress tests versus large-scale insured losses caused by earthquakes as well as hurricanes in the United States, while securing the necessary capital based on risk criteria that uses event probability of once in 200 years. In fiscal 2018, the Group was able to reliably sustain operations while maintaining a proper level of financial soundness.

Recently, however, the scale and frequency of natural disasters, such as major hurricanes and typhoons, have been increasing. Under these circumstances, the Group intends to advance the level of its natural catastrophe risk management by refining methods for measuring risks related to windstorms and floods in the United States, enhancing stress tests, and promoting research and assessments of natural catastrophe risks in Asia.

Controlling the Retained Amount of Natural Catastrophe Risk

While the amount of natural catastrophe damage in Japan reached a record high, we covered this loss using reinsurance as a means of recovering insurance money as well as catastrophe reserves* that are accumulated each period to cover large-scale insurance payments like those seen recently. Throughout the Group, we redoubled our efforts to control the retained amount of natural catastrophe risk while implementing and enhancing measures to mitigate risks of earnings fluctuations during the period. Specifically, we

1) Lower the natural catastrophe retention on a Group-wide basis
   - Lower the natural catastrophe retention including that for windstorm and floods in the United States
   - Further enhance the profitability of the reinsurance business
2) Reduce the risk of profit fluctuations
   - By enhancing the respective existing reinsurance coverage of Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance for domestic natural catastrophes and creating joint reinsurance treaty coverage shared by the two companies that covers annual aggregate losses, the Group reduces the losses on a once-in-10-years basis by around 20% year on year, decreasing the risk of profit fluctuation.

*See the "Glossary of Insurance Terminology" (P. 90) for details.

Cyber Risk Initiatives

We have developed a Group-wide platform to address cyber risks, which are a common challenge within the Group.

MS&AD InterRisk Research & Consulting, Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance closely cooperate to provide comprehensive risk consulting/diagnostic services to corporate customers.

We launched a multifaceted risk assessment service in cooperation with Verizon Japan and BitSight Technologies. (February 2018)

verizon

Internal corporate risk diagnosis
E.g., personal information security, network vulnerability

+

BITSIGHT
The Standard in SECURITY RATINGS

External corporate risk diagnosis
E.g., vulnerability check for external risks

We launched an intelligence information provision service (IntSights) in cooperation with the American company IntSights Cyber Intelligence (July 2018)

- Gather and analyze online data using a proprietary algorithm and machine learning
- Provide monthly reports on intelligence information

Promotion of Compliance

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

Mechanism to Ensure the Effectiveness of Rules and Systems

The MS&AD Insurance Group Compliance Basic Policy is shared across the entire Group as the basis for our approach to compliance. The Compliance Program is a companywide plan of action for compliance that was approved by the Board of Directors of each group company. Status updates and issues that need to be addressed for the action plan are reported to the Compliance Committees and Board of Directors of each Group company. The Quality Improvement and Compliance Committee was formed to improve quality across the Group and monitor the Group, ensuring thorough compliance and establishing corporate ethics. Important matters are reported to the Board of Directors.

Initiatives to Protect Customer Information

Based on the MS&AD Insurance Group Basic Policy for Management of Customer Information, internal rules have been created for the proper acquisition, use and storage of customer information, while related security measures have been implemented with employee training and internal inspections as well. Our personal information protection policy is published on the official website, given below, as the MS&AD Insurance Group Holdings, Inc., Declaration of Personal Information Protection (Privacy Policy). Group companies are prepared to take appropriate courses of action in the event of an information leak or other incident and have created measures to respond rapidly to incidents and prevent their reoccurrence.

Initiatives for Anti-Money Laundering and Countering the Financing of Terrorism, Fair Operating Practices

To prevent Group company products and services from being used in money laundering and the financing of terrorism, the Group put in place a "Policy on Anti-Money Laundering and Countering the Financing of Terrorism" and, as a Group, is working on consistent measures in these two areas. Having also formulated a "Policy on Fair Operating Practices" the Group pursues Fair Operating Practices including "prevention of corruption including bribes" and "compliance with laws and regulations regarding political activities and political funds." Furthermore, given the tighter regulations overseas, we are strengthening related initiatives at overseas entities, including setting up the necessary systems and training based on the compliance manuals used at overseas entities.

Response to Global Regulations for Personal Information Protection

As companies around the world share information about individuals amid increasing globalization, governments have moved to strengthen regulations that protect individual rights. Following the General Data Protection Regulation (GDPR), which was enacted by the European Union in May 2018, the Group entered into a contract called Standard Contractual Clauses (SCC) with each Group representative company, the SCC being one of the methods by which personal data within the European Union can be transferred out of the region. In the years to come, while continuing to closely monitor trends in global regulations covering personal information protection, the Group will conduct appropriate responses to further improve its information management systems both inside and outside Japan.

Please see our official website for more information on compliance.

Compliance

https://www.ms-ad-hd.com/en/group/value/risk_management/compliance.html

- Compliance Basic Policy
- Compliance promotion structure
- Activities (Compliance Program, Compliance Manual, Compliance-related Training, Compliance-related Inspection, Monitoring Group Company and Speak-up system (Whistleblowing system))
- Anti-Money Laundering and Countering the Financing of Terrorism (Policy on Anti-Money Laundering and Countering the Financing of Terrorism)
- Prevention of Corruption and Bribery (Policy on Fair Operating Practices)
- Compliance promotion structure in International Business Operations
- Tax compliance efforts (Tax Management Principles)

Information Management

https://www.ms-ad-hd.com/en/group/value/risk_management/information.html

- Basic View and Policy
- Structure of Information Security Management and Monitoring Activities
- Declaration of Personal Information Protection (Privacy Policy)

Human Asset Development and Quality Improvement

Promoting Diversity in Human Assets

Under its medium-term management plan "Vision 2021," the MS&AD Insurance Group is positioning initiatives for the creation of management platforms that enable employees to play active roles as the support for putting the story of Value Creation into practice. At the same time, the Group is working on development of human asset* and diversity and inclusion as sources of the Group's comprehensive strength.

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

Human Asset Development

Envisioning ideal employees as those "who learn and think by themselves, take up challenges and continue to grow," the MS&AD Insurance Group educates and supports its staff through measures such as training, OJT and self-education programs.

Group-wide human asset development

While conducting Group-wide collective training sessions for new employees, human asset exchanges within the Group and an exchange training system (trainee system), we are working on improving the skills of our human assets throughout the Group. In addition, we are introducing a system for employees to set challenging goals and to receive career counseling as a scheme that works to spur them on to tackle the challenges of new business areas and to realize motivation and growth. Evaluations are not seniority-based. As employees conduct interviews with their supervisors several times a year, sharing goals, issues and results, this raises the level of acceptance and fairness of the performance review. Consequently, this leads to the nurturing of employees who share how they envision their careers.

Development of professional human assets

To nurture human assets and enhance the skills employees need to better utilize digital technology, we are developing an educational program, as a foundation to promote digitalization, in collaboration with the Faculty of Information Networking for Innovation and Design, Toyo University (Ken Sakamura, Dean of the Faculty) and Shiga University. In tandem with this, we have established Global Digital Hubs (GDHs) in Tokyo and Singapore in our pursuit of promoting the use of digitalization and rolling it out globally. These GDHs will perform as sites that promote digitalization among employees and agents, and facilitate the development of digital businesses in the countries of ASEAN.

In addition, to respond to changes in the social structure, such as exposure to new risks, we are systematically cultivating human assets with specialized skills, such as data scientists and actuaries who are capable of excelling on the world stage.

	2015	2016	2017	Fiscal 2018
Number of actuaries*	86	94	100	103

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

A meeting with the Global Digital Hub in Singapore

At a training

The Global Digital Hub in Tokyo

Development of global human assets

Possessing a network covering 49 countries and regions, the Group employees at its overseas bases number approximately 9,000 people. To train specialists equipped with an abundance of cosmopolitan sense and expertise, the Group has created systems to promote mutual exchanges between Japan and its various locations throughout the world.

Systems	Content
System for training overseas Secondment system	・Training system for studying international business skills, languages, etc., at overseas subsidiaries, local insurance companies and universities ・Secondment system to obtain an MBA Number of employees who participated in the system in fiscal 2018: 52
Global trainee system	Headquarters employees are given work experience at overseas bases, and employees of overseas bases can gain work experience in Japan for short periods. Number of employees who participated in the system in fiscal 2018: 51 headquarters employees and 61 overseas employees
Headquarters postings for overseas-based local employees	A system for temporarily posting overseas local employees to the headquarters in Japan. In fiscal 2018, there were 11 such employees who engaged in business in Japan.

Overseas employees participating in a program in Japan.

Diversity and Inclusion

To create an environment where all employees are able to maximize their abilities and work with vitality, given their various backgrounds, individuality and sense of values, we are making even greater efforts toward diversity and inclusion (D&I) based on a framework that unites the Company and the Group's domestic insurance companies.

Overcoming unconscious bias and ongoing cultivation of female director candidates

Executive Officer in charge of Diversity and Inclusion
Naomi Motojima

Last fiscal year, we put in place a framework to promote D&I within the Group and commenced organization-wide efforts to achieve this. To this end, we realized overcoming "unconscious bias" is one of critical issue for the Group.

In fact, the way of communication and behavior on a day-to-day basis of managers who assign a role and opportunities may give great impact on the level of fostering people who work with the managers eventually. The goal here is to recognize our respective biases and the preconceived notions that everyone has and to find a pattern of behavior with which we can control them.

In addition, how to reflect a diverse range of opinions and sense of values into decision making process at the management level is another important issue. This is the reason we formulated the goal of having the ratio of females on the Board of Directors, including auditors at the holding company be 30% or higher by fiscal 2025.We must develop the system to continuously cultivate female director candidates to achieve this goal. At female general managers meetings, newly formed from this fiscal year, we undertake such initiatives as offering seminars inviting guest speakers from within and outside the Group, as well as selecting Group-wide director mentors and appointing part-time directors to affiliated companies.

In response to the comments of employees who are concerned with balancing work with caregiving, we have produced a balance support handbook and established an external help desk for consultations, starting to understand reality of the situation. We will actively engage with employees bringing honest feedback such those "D&I ambassadors"* who have been appointed by each company, and apply them to raise the bar of our initiatives.

*Employees from each Group company who offer their thoughts, opinions and comments on promoting D&I.

Promoting the career development of women

Women in management positions

We in the Group believe that having female employees undertake work in which they can play a greater part and tackle challenging roles, while leveraging their own strengths and character, is critical to "employee growth" and, furthermore, to "corporate growth." Having established the goal of 15% of management positions (at domestic Group companies) filled by women in fiscal 2020, we have been conducting ongoing training and other activities that foster enhanced skills and a consciousness of career advancement so that women will be able to perform in management positions. As a result, there were 782 women in management (manager position and above) as of April 1, 2019, with a women-in-management ratio of 12.4%. This is steadily increasing every year.

In addition, the Group's CEO has stated his support for the "Declaration on Action by a Group of Male Leaders Who Will Create a Society in which Women Shine," made by a group of corporate male leaders who are striving to promote the active roles of women.

Note: See p. 43 for trends in the ratio of women in management positions.

Female directors

In May 2019, the Group's CEO joined "30% Club Japan," the Japan chapter of the worldwide campaign to turn out female board members. In addition to the leadership development training programs and mentor system to promote women to management positions, we have newly created a Group-wide network of female general managers and are endeavoring to nurture and turn out female directors.

Changing mindset of directors and management

MS&AD has conducted D&I directors' training for Group directors so that they could deepen their understanding of unconscious bias. Moreover, to raise the effectiveness of diversity at the management level, a D&I factors have been incorporated into the directors' evaluation processes.

As an initiative to change mindset of those in management-level positions, management training and e-learning are implemented to foster an understanding of unconscious bias and to learn methods to proactively recognize and control one's own bias.

In addition, without regard to nationality, gender, age or handicap, we have adopted management that honors diversity as an evaluation category for those in management positions.

Outside Director Mariko Bando delivers a keynote speech at the Group's seminar for women

Employment of people with disabilities

In June 2018, we established a subsidiary, MS&AD ABILITYWORKS Co., Ltd., to promote the employment and active participation of people with disabilities. This company develops businesses that utilizes the many individual talents of employees who possess richly distinct characters and seeks to provide a workplace where employees will be satisfied.

Group companies are also promoting the hiring of para-athletes (sports athletes with disabilities) and providing support for their activities as athletes.

Total number and ratio of domestic employees with disabilities in fiscal 2018*

Ratio of employees with disabilities	Number of employees with disabilities
2.37% ☑	711 ☑

*The five domestic Group insurance companies and the holding company (as of June 1, 2019)
A checkmark ☑ indicates that FY2018 figures have been assured by KPMG AZSA Sustainability Co., Ltd.

For more detailed information regarding D&I, please see the Company's "D&I Promotion Report" on the official website. (Japanese only)

https://www.ms-ad-hd.com/ja/csr/employee2/diversity.html

Work-Style Reform and Health Management

Together with its efforts to promote work-style reform from fiscal 2016 and to cut working hours through initiatives such as "leaving work before 7 p.m. as a general rule," "promoting the taking of vacation days" and "enhancing business efficiency," the MS&AD Group endeavors to increase productivity by executing management functions that work to raise the expertise of each and every employee and that utilizes their diverse capabilities.

In addition, we are creating an environment where a diverse range of employees will stay with the Group and be able to play a role by making flexible working styles ubiquitous so that employees can utilize time and location effectively. This is demonstrated by our providing such options as working from home and satellite spaces, flex time that allows for changes in working hours in a day and a paid vacation system provided in half-day units, or even hourly units.

The Group is establishing various systems that enable employees to balance their work and life while having a sense of satisfaction and growth, and to work with vitality. For example, one system enables employees, who are to work in the same area without getting transferred, to work at another location, based on specific reasons, while another system allows former employees to return to the Group after their retirement due to the occurrence of a life event. We will continue to make efforts to offer abundant support measures, creating an environment in which employees can continue to work.

We will also encourage employees to take time off and fulfill their lifestyles during the created time.

Days of paid vacation used per employee/year*

2015	2016	2017	Fiscal 2018
15.7	15.7	16.0	15.6

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

Such initiatives received high praise

Health and Productivity Management 2019

Certified as an Excellent Enterprise of Health and Productivity Management under the large enterprise category (White 500) (MS&AD Holdings, Mitsui Sumitomo Insurance, Aioi Nissay Dowa Insurance, Mitsui Sumitomo Aioi Life Insurance, Mitsui Sumitomo Primary Life Insurance, Mitsui Direct General Insurance, MS&AD Systems Company, MS&AD InterRisk Research & Consulting)

TOPICS

Employee Satisfaction

To connect the power of diverse employees to the Group's comprehensive strength centered on the Group's Mission, Vision and Values, we are conducting awareness surveys of all Group employees. (Number of responses: 35,110)

Indicator		Fiscal 2017	Fiscal 2018	
		Score*	Target	Score*
Employee satisfaction (pride, job satisfaction)	Level of pride or job satisfaction	4.4 points	Same or higher level compared with the previous fiscal year	4.4 points
Employee satisfaction (working vigorously)	Level of feeling free and lively at workplaces regardless of gender, age, etc.	4.3 points	Same or higher level compared with the previous fiscal year	4.3 points

*All-employee average on a six-point scale

Supporting Sports

The MS&AD Insurance Group mission of contributing to the development of a vibrant society and helping to secure a sound future for the planet includes the sentiments of supporting a continuously developing society and growing together with those who are overcoming challenges.

We extend this sentiment to athletes and conduct activities that provide support for sports, including acting as a Supporting Company for the National Soccer Team of Japan.

©JFA/KIRIN CHALLENGE CUP 2019 El Salvador National Team Starting Lineup Match (June 9, 2019)

Active Athlete Employees in the Group

The Group is home to employees who compete as athletes in the world of sports. We feel that a variety of human assets, regardless of nationality, gender and disability, are a source of corporate value for the Group. We would like to introduce two athlete employees who balance competition and work.

Mitsui Sumitomo Insurance, Kyushu Division

Misato Michishita
(Paralympics Track and Field)

1 How do you feel about having a dual career (balancing life as an athlete and work)?

I see it more as a synergism than as a balance. Although I sometimes lose awareness of the surrounding situation or nearly fall into a one-sided way of thinking when I am absorbed in competition as an athlete, my many interactions and work have enabled me to polish my manners and humanity as a company employee. Moreover, the mental strength I have acquired through competition, as well as my experiences and way of thinking as an athlete, have been helpful in my work.

2 What led you to work for the Group and what were your reasons for joining?

I chose the MS&AD Group because the practice course was near the office and because a senior blind marathon runner (Satoru Yoneoka) worked there. Moreover, having to practice every day means that I require a reliable practice companion runner, so the deciding factor was their introduction of a former Women's Track and Field Club member at the Group.

3 In what ways do you want to contribute to the company as an employee?

Through talks at community sporting events, schools and local governments, for example, I hope to convey the wonder of sports and an understanding of those with disabilities, as well as help spread diversity. Moreover, those with visual impairments are also mobility-impaired, so I hope to focus on traffic safety awareness activities as one of the missions of insurance companies.

Aioi Nissay Dowa Insurance Corporate Planning Department

Tomomi Aoki
(Competitive Swimming)

1 What led you to work for the Group and what were your reasons for joining?

Someone to whom I am indebted introduced me to Aioi Nissay Dowa Insurance. The deciding factors in joining the company were the many athletes who work for the MS&AD Group and the Group's proactive support for athletes.

2 How do you feel about having a dual career (balancing life as an athlete and work)?

I have been primarily allowed to prioritize practice. I do not feel much difficulty because the company ensures that the frequency with which I come to the office does not become a burden. Working has helped me grow and has provided me with awareness as a member of society. Moreover, I feel I can use the ability to focus that I have acquired through competition in work.

3 In what ways do you want to contribute to the company as an employee?

I received comments from all the employees who saw my performance at last year's international competition about how watching me persist has made them do their best. I was happy to hear this and felt that the results I produce can contribute to the company.

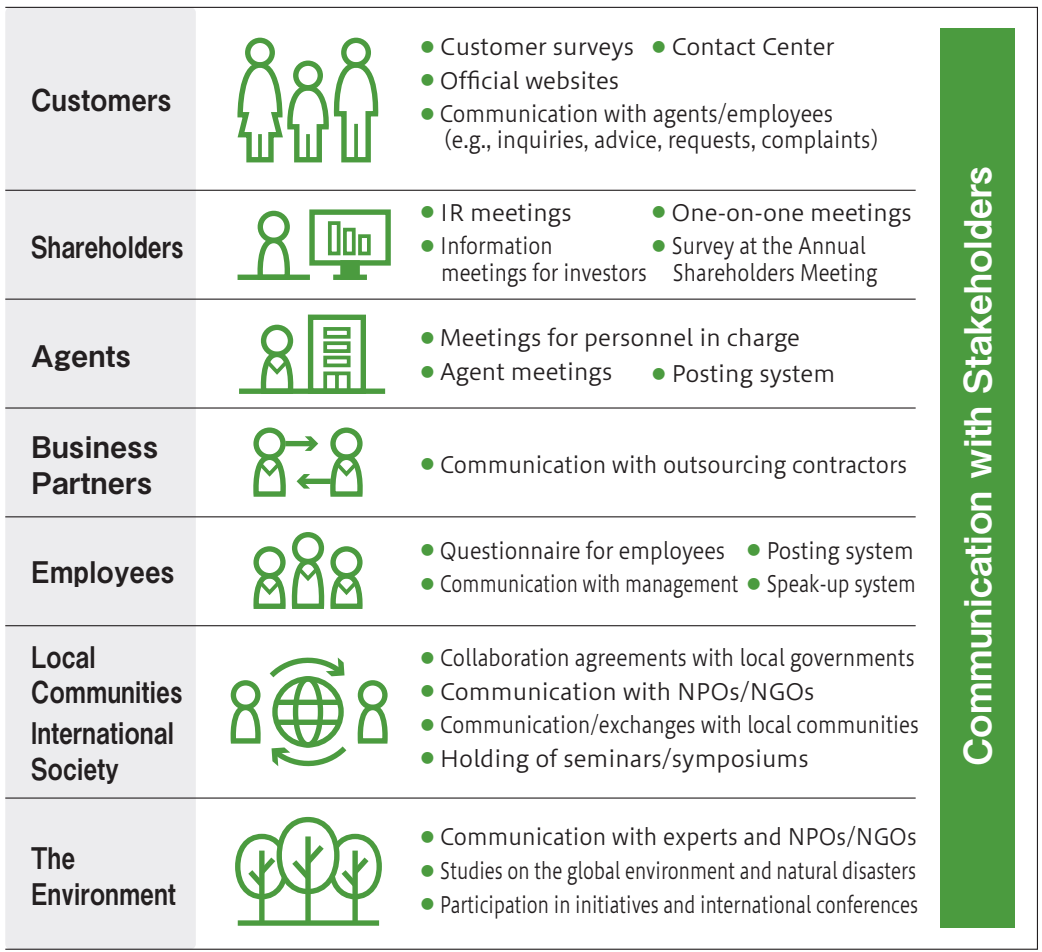
Human Asset Development and Quality Improvement

Trustworthy Quality for Society

As an initiative to support the creation of shared value, the MS&AD Insurance Group will ensure trustworthy quality for society based on its communications with its stakeholders.

Quality Improvement through Communications with Stakeholders

The Group established the Basic Policy for Responding to Customer Communications and has established mechanisms and provides opportunities to listen to the opinions of its customers and other stakeholders. These communications are then applied to initiatives for improving the quality of products and services, compliance, respect for human rights and the environment.



Customer-First Business Operations

The MS&AD Group thoroughly focuses on implementing business operations that place high value on Customer-First in working to achieve trustworthy quality for society.

The five domestic insurance companies in the Group put initiatives based on the customer trust policy for business operations into practice and periodically release the status of and key performance indicators (KPIs) for these initiatives.[1]

The Group uses the customer satisfaction level from the questionnaires provided when insurance policies are issued and during payment of insurance claims as the KPI for quality improvement in the medium-term sustainability plan.[2]

1. For details on policies and activities, please see the official websites for "Customer-First Business Operations" at each company.
2. See the "Non-Financial Indicators" section on P. 28.

TOPICS

Speak-up System

We set up an Internal Reporting (Whistleblowing) System that enables employees at each Group company to report on compliance-related matters, etc. We have opened contact desks both inside and outside the company and work to maintain the confidentiality of and protect whistleblowers and those making inquiries. We also changed the name to the Speak-up System to create an environment that enables employees to speak up in an honest, positive manner. On April 10, 2019, this system was registered in the Consumer Affairs Agency "Whistleblowing Compliance Management System (self-declaration of conformity-type certification system)."[3]

3. A system whereby the whistleblowing system is assessed by the system's operator, who then applies for certification when the system is deemed to have complied with the certification criteria. The designated registration body at the Consumer Affairs Agency then verifies the details based on this application and registers the result.

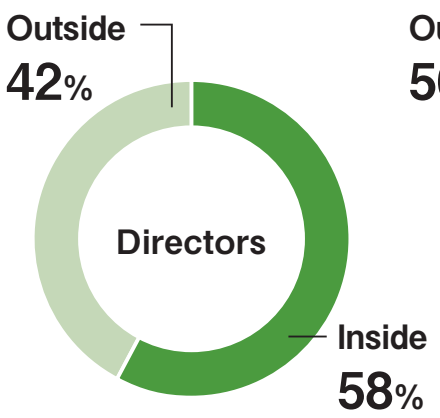
Corporate Governance

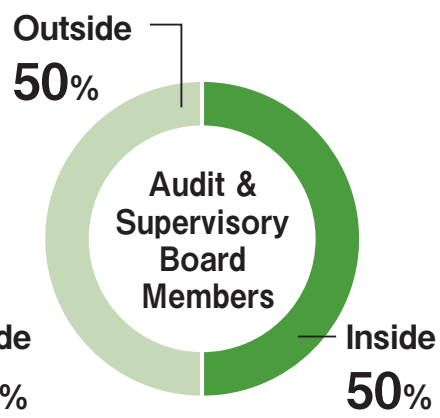
Corporate Governance

Having adopted a resilient and sustainable society as that to which we aspire in 2030, the MS&AD Insurance Group is working to achieve this goal through our business activities, which include our Story of Value Creation. As the management platform that supports these activities, we are working to strengthen the corporate governance system and ensure the high level of transparency and effectiveness laid out in the medium-term management plan "Vision 2021."
For our basic approach and an overview of our corporate governance structure, please visit our official Web site:
https://www.ms-ad-hd.com/en/group/value/corporate.html

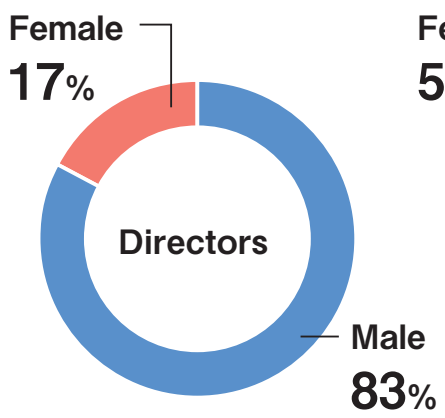
Director/Audit & Supervisory Board Member Composition (as of July 1, 2019)

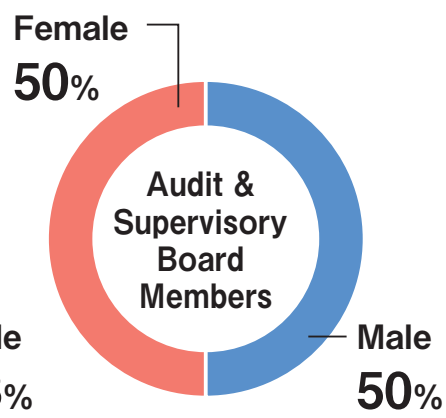
Ratio of Outside Directors





Ratio of Females





Ratio of Outside Directors (compared with July 1, 2010)

2010: 31% (Four out of 13) → 2019: 42% (Five out of 12)

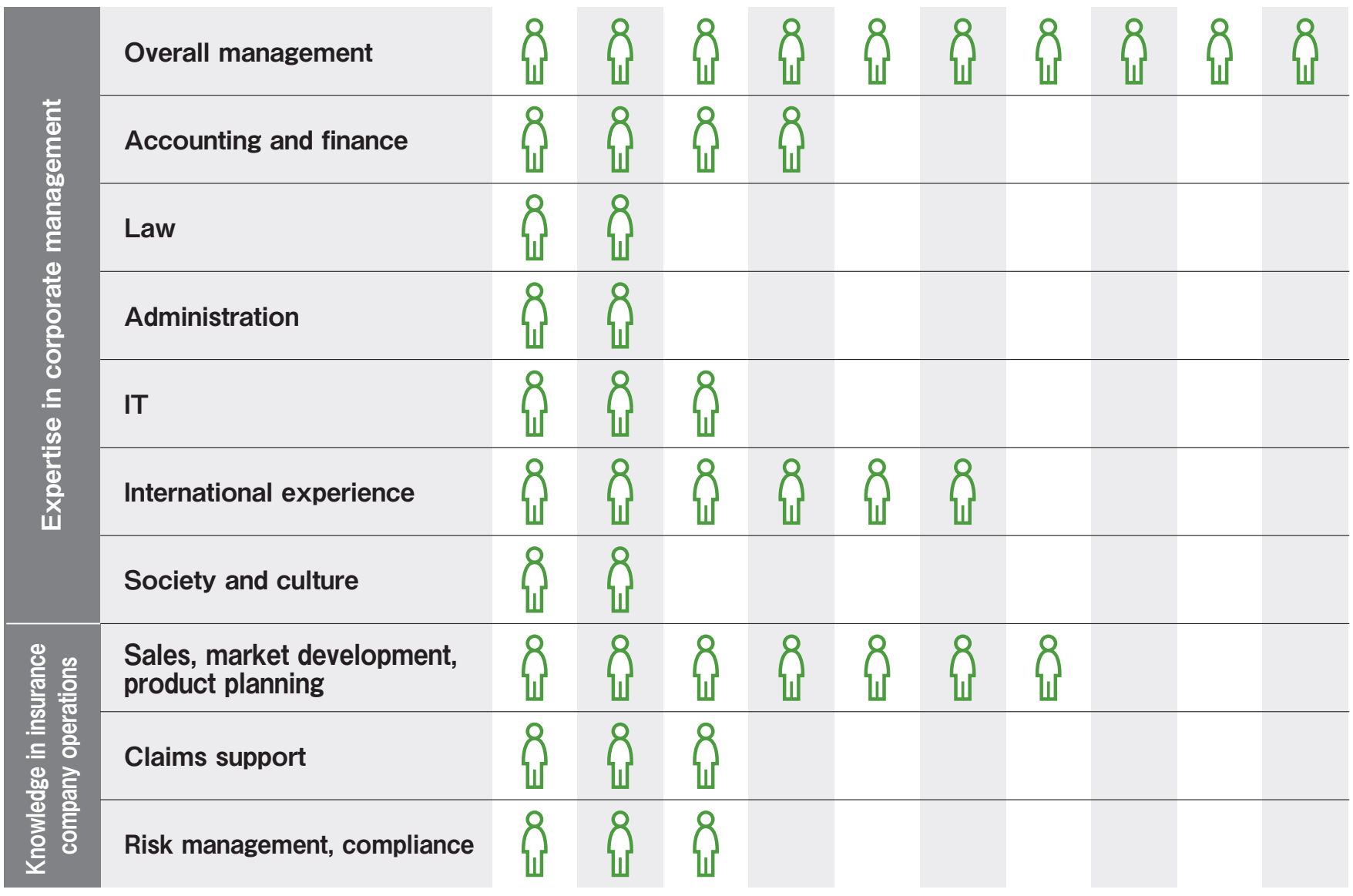
Increased Ratio of Outside Directors

Ratio of Female Outside Directors (compared with July 1, 2010)

2010: 0% (None out of four) → 2019: 40% (Two out of five)

Increased Ratio of Females

Director Skill Set Distribution*



*Items related to knowledge, experience, ability and others were set based on the employment history of and rationale for selecting each director. This chart plots the number of individuals that fall under each item.

Analysis and assessment of the Board of Directors' effectiveness

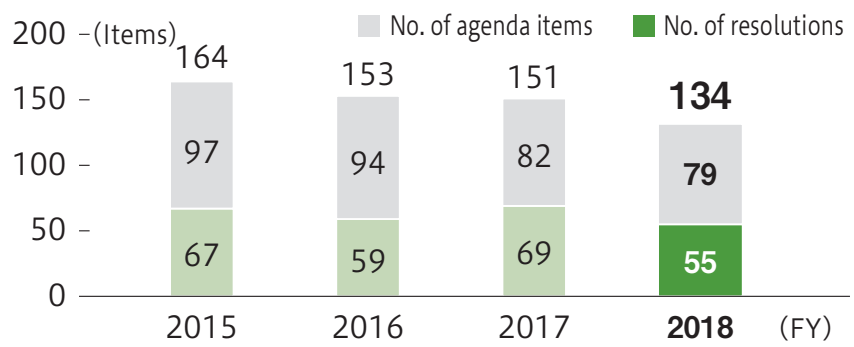
Discussion Content and Functions at the Board of Directors	
Points of improvement	●Projects involving risk-taking, including overseas investments, are now subject to active discussion with an in-depth examination of each individual project. ●Deepened the understanding within the Group of "MS&AD's Story of Value Creation," which is the Group's business model, CSV (Creating Shared Value) and the SDGs ●MS&AD Integrated Report 2018 disseminated "MS&AD's Story of Value Creation," which further embodies our Corporate Philosophy (Mission). This move led to a deeper understanding within the Group and improved evaluation from outside the Group. ●The name of our whistleblowing system was changed to the "Speak-up System," and the acceptance of anonymous reports was expanded. As a result, the number of reports increased and efficiency has improved.
Points requiring further reinforcement moving forward	●Deepen the understanding of and further accelerate thorough debate among the outside directors regarding the important themes (Sustainability, Digitalization, Promotion of Diversity & Inclusion) and the business strategies in "Vision 2021," etc. ●Work to further increase awareness among employees through various methods to deepen the understanding among all Group employees that initiatives for putting the Story of Value Creation into practice connect to CSV and the SDGs. ●Strengthen information dissemination to further increase awareness and enhance the effectiveness of the Speak-up System, mainly through the "Speak-up Section."
Board of Directors Management	
Points of improvement	●Reduced the number of agenda items and established an approach that provides more time for discussions about important matters to determine strategies. ●Efficient meeting management has increased the average amount of time spent each year discussing each agenda item at regularly scheduled meetings.
Points requiring further reinforcement moving forward	●Expand opportunities for deliberation and the exchange of opinions at every meeting of the Board of Directors, etc. Therefore, the length of meetings will be extended beyond that of those held in fiscal 2018.
Other (information and training for Outside Directors)	
Points of improvement	●Operating company study tours were continued from fiscal 2017, including an inspection of the Disaster Countermeasures Headquarters, which focuses on payments of insurance claims for natural disasters.

Efforts aimed at improving the operation of the Board of Directors

Trends in the number of agenda items

●Thanks to the January 2015 introduction of the so-called package deliberation system simplifying the explanation for some items up for discussion, the January 2016 expansion of items applicable to the package deliberation system and the April 2016 revision to item selection standards for the Board of Directors, there has been, with the exclusion of package deliberation items, a decline each year in the number of items discussed at Board of Directors meetings.

●This has largely been in line with the initial aim of increasing the amount of time devoted to key proposals relating to strategic decisions.



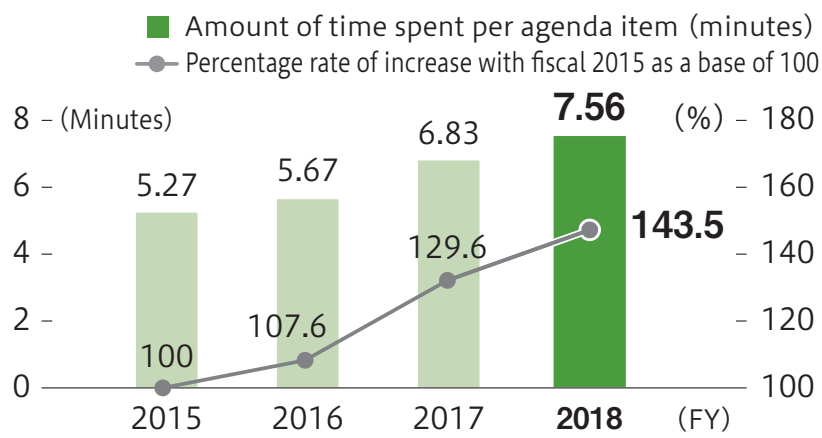
Trends in the number of agenda items where concerns were expressed and the number of agenda items with preliminary questions and discussions taking place at group companies

●The Company in 2014 began implementing measures allowing the questions and opinions of Outside Directors prior to the meeting as well as content from group management meetings and operating company management meetings to be aired at the Board of Directors' meetings.

●The ratio of agenda items where either concerns were expressed or preliminary questions were aired moved from 37% in fiscal 2015 to 47% in fiscal 2017 and 54% in fiscal 2018.

Trends in the average amount of time spent per agenda item at regularly scheduled Board meetings

●The average amount of time spent per agenda item at regularly scheduled Board meetings has continued to increase with each passing year (excluding so-called package deliberation items).



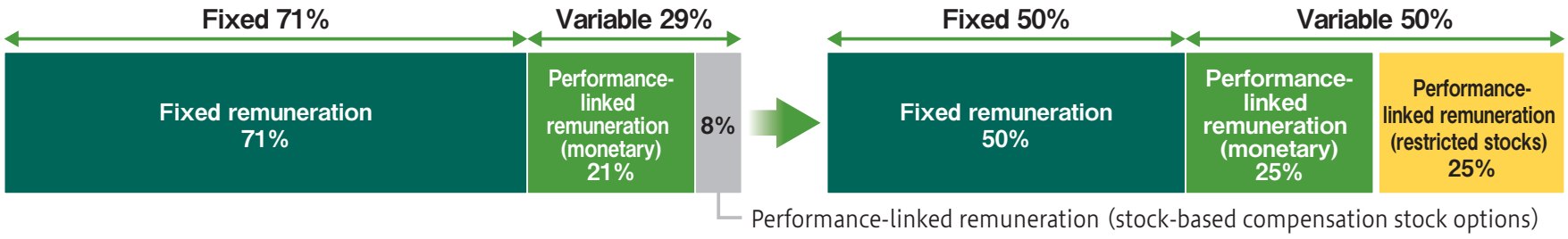
System revision targeted at strengthening governance

Revision of Director Remuneration Plan

- Revised the remuneration plan for Directors and Audit & Supervisory Board Members for the purpose of enhancing Group governance and medium- to long-term corporate value.
- The remuneration plan for Directors and Audit & Supervisory Board Members is now linked to the business performance of the Company to serve as an appropriate incentive for sustainable growth.

Remuneration Composition After Revision

- Remuneration for Directors (excluding Outside Directors) consists of fixed remuneration and performance-linked remuneration.
- To strengthen incentives for improving business performance, the ratio of performance-linked remuneration shall be higher and 30%–50% of the total remuneration amount shall be the standard amount, according to position.
- The performance-linked remuneration consists of monetary remuneration and stock-based remuneration. To share interests with shareholders further, the ratio of stock-based remuneration shall be higher and 9%–25% of the total remuneration amount shall be the standard amount, according to position.
  (Reference) In the case of the Chairman and Director/President and CEO (performance-linked remuneration portion is the standard amount): Fixed remuneration 50%; Performance-linked remuneration (monetary) 25%; Performance-linked remuneration (stock-based) 25%



Note: The breakdowns above are based on the results of the Company and the price of the Company's stock.

Total Amount of Remuneration (FY2018)

(Reference) Total Remuneration by Category and the Total Number of Recipients

	Total Remuneration	Total Amount of Remuneration by Category	
		Fixed remuneration	Performance-linked remuneration
Directors (9*)	¥238 million	¥142 million	¥96 million
Audit & Supervisory Board Members (2*)	¥51 million	¥51 million	–
Outside Directors/Audit & Supervisory Board Members (9)	¥76 million	¥76 million	–

*Excluding Outside Directors and Audit & Supervisory Board Members

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

	Total Remuneration
Director Yasuyoshi Karasawa	¥131 million
Director Noriyuki Hara	¥131 million
Director Yasuzo Kanasugi	¥103 million

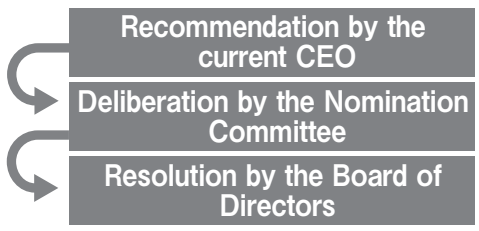
Key performance indicators (KPIs)

Financial indicator (single year)	Non-financial indicators (medium to long term)
Group Adjusted Profit Consolidated Net Income Group Adjusted ROE	Progress of initiatives for "Sustainability Priority Issues" as part of Creating Shared Value (CSV) with the SDGs as the leading marks
	Progress of the "Key Strategies" of the Group's medium-term management plan "Vision 2021" (Pursue the Group's comprehensive strengths, promote digitalization and reform the portfolio)

Introduction of a CEO Succession Plan

- A succession plan was formulated upon having defined one of the key management issues as the selection and dismissal of the CEO, as well as the fostering of successors, with the aim of achieving sustainable growth and enhancing the corporate value of the Group.

CEO Selection Process



- The current CEO prioritizes the candidates and recommends them to the Nomination Committee.
- Candidates can be from within the Group as well as outside the Group.
- The majority of Committee members and the chairman are Outside Directors.
- Outside Directors can recommend other candidates.
- The Nomination Committee advises the Board of Directors, which makes the final decision.

Criteria for CEO Selection

- Ability to embody the Group's Mission, Vision and Values and having the concept of CSV (Creating Shared Value with society) in his/her own system of values
- Ability to plan and build future visions
- Fairness and impartiality
- Ability to develop human assets
- Ability to demonstrate leadership
- Global response capability
- Acting in the Group's best interest

CEO Dismissal Process

- When an Outside Director deems it necessary to discuss dismissal, such as when the CEO is subject to the prohibitions stipulated in the Executive Officers Rules (violating obligations set forth in the Companies Act and other laws and regulations or company regulations, etc.) or when it is determined that it is difficult for the CEO to properly continue his/her duties due to health reasons or other reasons, the Outside Director shall deliberate on his/her own initiative with members of the Nomination Committee excluding the CEO.
  Based on the results of the deliberation, necessary procedures are carried out in accordance with the Companies Act and internal regulations.
- Directors who are not Outside Directors may request a meeting of the Board of Directors to be convened in accordance with the Rules of the Board of Directors and submit proposals for dismissal of Directors at the Shareholders Meeting.

Our Management Team

(As of July 1, 2019, except for the number of Company shares owned, which is as of the end of March 2019)

Directors

1	Hisahito Suzuki	Representative Director Chairman of the Board
2	Yasuyoshi Karasawa	Representative Director President & CEO
3	Noriyuki Hara	Representative Director Executive Officer
4	Yasuzo Kanasugi	Representative Director Executive Officer
5	Shiro Fujii	Director Executive Vice President, CFO
6	Masahiro Higuchi	Director Executive Officer
7	Takashi Kuroda	Director Executive Officer
8	Mari Matsunaga	Outside Director (Independent Director)
9	Mariko Bando	Outside Director (Independent Director)
10	Akira Arima	Outside Director (Independent Director)
11	Kazuhito Ikeo	Outside Director (Independent Director)
12	Junichi Tobimatsu	Outside Director (Independent Director)

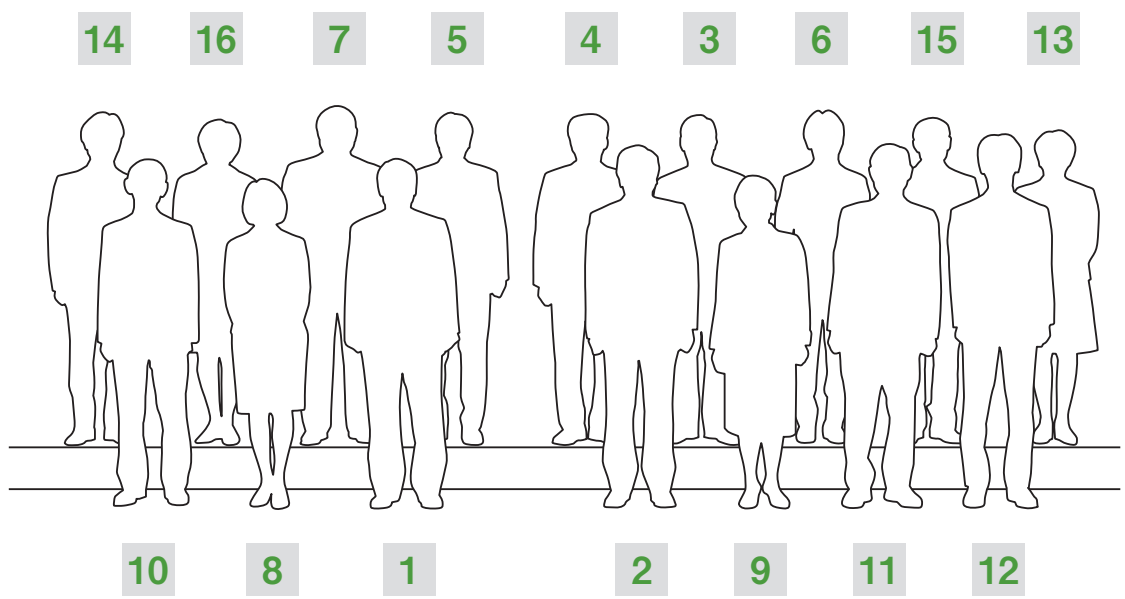
Audit & Supervisory Board Members

13 Tomoko Kondo
Audit & Supervisory Board Member (Full time)

14 Hidema Jinno
Audit & Supervisory Board Member (Full time)

15 Kunio Chiyoda
Outside Audit & Supervisory Board Member (Independent Auditor)

16 Kyoko Uemura
Outside Audit & Supervisory Board Member (Independent Auditor)



Directors

Hisahito Suzuki

Number of Company shares owned	37,370
Important concurrent positions	Director & Chairman, ADI
Biography	April 1973 Entered Dai-Tokyo Fire and Marine Insurance Co., Ltd. Has business experience in sales, corporate planning, merger preparation, life insurance business, etc. Present position since June 2014

Noriyuki Hara

Number of Company shares owned	20,100
Important concurrent positions	Director, President & CEO, MSI
Biography	April 1978 Entered Taisho Marine and Fire Insurance Co., Ltd. Has business experience in market development, sales, product operations, corporate planning, etc. Present position since June 2016

Shiro Fujii

Number of Company shares owned	31,215
Important concurrent positions	—
Biography	April 1979 Entered Taisho Marine and Fire Insurance Co., Ltd. Has business experience in corporate planning, product operations, claims services, sales, systems and administration, etc. Present position since April 2016

Takashi Kuroda

Number of Company shares owned	18,500
Important concurrent positions	Director, Executive Vice President, MSI
Biography	April 1979 Entered Sumitomo Marine and Fire Insurance Co., Ltd. Has business experience in sales, corporate planning, claims services, etc. Present position since June 2018

Mariko Bando

Meeting attendance	11 of 12 Board of Directors' meetings (91.7%)
Number of Company shares owned	1,500
Reason for appointment	She previously served as Director General of the Gender Equality Bureau of the Cabinet Office and currently serves as President of Showa Women's University. We elected her to utilize her broad knowledge and experience in public administration and education, as well as wide insight into promotion of diversity.
Important concurrent positions	Chancellor (Rijicho and Socho), Showa Women's University

Biography

July 1969	Entered the Prime Minister's Office
Oct. 1985	Counsellor of Cabinet Secretariat, Councillor of Cabinet Secretariat
July 1989	Director of Consumer Statistics Division, Statistics Bureau, Management and Coordination Agency
July 1994	Director of Gender Equality Bureau, Cabinet Secretariat
April 1995	Vice-Governor of Saitama Prefecture
June 1998	Consul General of Japan in Brisbane, Australia
Jan. 2001	Director General of Gender Equality Bureau, Cabinet Office
Oct. 2003	Director, Showa Women's University
April 2007	President, Showa Women's University
April 2014	Chancellor (Rijicho), Showa Women's University (present)
July 2016	Chancellor (Socho), Showa Women's University (present)
June 2017	Director, the Company (present)

Yasuyoshi Karasawa

Number of Company shares owned	25,200
Important concurrent positions	Director, Chairman of the Board, MSI
Biography	April 1975 Entered Sumitomo Marine and Fire Insurance Co., Ltd. Has business experience in corporate planning, sales, corporate communications, financial planning, etc. Present position since June 2014

Yasuzo Kanasugi

Number of Company shares owned	29,108
Important concurrent positions	Director & President, ADI
Biography	April 1979 Entered Dai-Tokyo Fire and Marine Insurance Co., Ltd. Has business experience in human resources planning, sales, corporate planning, merger preparation, etc. Present position since June 2016

Masahiro Higuchi

Number of Company shares owned	10,960
Important concurrent positions	Director, Senior Executive Officer, ADI
Biography	April 1982 Entered Dai-Tokyo Fire and Marine Insurance Co., Ltd. Has business experience in corporate planning, investment planning, human resources, Claims Services, etc. Present position since June 2018

Mari Matsunaga

Meeting attendance	11 of 12 Board of Directors' meetings (91.7%)
Number of Company shares owned	1,800
Reason for appointment	She was a chief editor of magazines and was involved in the planning and development of new services at NTT DOCOMO, INC. She has been stating opinions at meetings of the Company's Board of Director and other occasions based on her broad knowledge and experience concerning society, culture, consumer lifestyles, and other areas. We elected her to continue reflecting her knowledge and experience in the management of the Company.
Important concurrent positions	Outside Director of Rohto Pharmaceutical Co. Outside Director of Seiko Epson Corporation

Biography

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

Akira Arima

Meeting attendance	10 of 10 Board of Directors' meetings (100%)
Number of Company shares owned	200
Reason for appointment	He has been a Director of Nippon Telegraph and Telephone Corporation and President Chief Executive Officer of NTT Communications Corporation. We elected him to reflect his broad knowledge and experience from the information and communication business in the management of the Company.
Important concurrent positions	—

Biography

April 1973	Entered Nippon Telegraph and Telephone Public Corporation
June 2002	Director and General Manager, Planning Dept., Nippon Telegraph and Telephone East Corporation
April 2003	Director and General Manager of Corporate Planning Dept., Nippon Telegraph and Telephone East Corporation
June 2005	Director, Nippon Telegraph and Telephone Corporation
June 2007	Executive Vice President, Head of Internet Business Division, NTT Communications Corporation
June 2010	President, Chief Executive Officer, NTT Communications Corporation
June 2015	Director and Advisor, NTT Communications Corporation
June 2017	Advisor, NTT Communications Corporation (present)
June 2018	Director, the Company (present)

Kazuhito Ikeo

Meeting attendance	9 of 10 Board of Directors' meetings (90.0%)
Number of Company shares owned	1,400
Reason for appointment	He has experienced a number of posts, including university professor, member of the Financial Services Agency's Financial System Council and chairman of the Council of Experts Concerning the Corporate Governance Code and has broad knowledge and experience in the economic and fiscal fields as well as financial administration. We elected him to reflect his knowledge and experience in the management of the Company.
Important concurrent positions	Professor Emeritus, Keio University Professor, Faculty of Economics, Rissho University

Biography

April 1984	Associate Professor, Faculty of Economics, Okayama University
April 1986	Associate Professor, Faculty of Economics, Kyoto University
April 1995	Professor, Faculty of Economics, Keio University
April 2018	Professor Emeritus, Keio University (present) Professor, Faculty of Economics, Rissho University (present)
June 2018	Director, the Company (present)

Junichi Tobimatsu

Meeting attendance	10 of 10 Board of Directors' meetings (100%)
Number of Company shares owned	0
Reason for appointment	He has a wealth of knowledge and experience concerning overall corporate legal affairs including of overseas companies as an attorney-at-law. We elected him to reflect his knowledge and experience in the management of the Company.
Important concurrent positions	Attorney-at-law, Tobimatsu Law Outside Director of AI, Inc. (Audit Committee) Outside Auditor of amana inc. Outside Auditor of CANDEAL Co., Ltd.

Biography

April 1998	Admitted as Attorney-at-Law Attorney-at-Law, Mori Sogo (currently, Mori Hamada & Matsumoto)
June 2004	Admitted as Attorney-at-Law, N.Y.
April 2010	Associate Professor, Graduate School of Law and Political Science, the University of Tokyo
July 2016	Attorney-at-Law, Tobimatsu Law (present)
June 2018	Director, the Company (present)

Audit & Supervisory Board Members

Tomoko Kondo

Number of Company shares owned	6,379

Biography

April 1983	Entered Chiyoda Fire & Marine Insurance Co., Ltd.
April 2015	Executive Officer, Aioi Nissay Dowa Insurance Co., Ltd. ("ADI")
April 2017	Advisor, ADI
June 2017	Audit & Supervisory Board Member, the Company (present)

Hidema Jinno Newly Appointed

Number of Company shares owned	8,232
Important concurrent positions	—

Biography

April 1985	Entered The Sumitomo Marine and Fire Insurance Co., Ltd.
April 2015	Executive Officer, General Manager of Corporate Risk Management Dept., the Company
April 2019	Executive Officer, the Company
June 2019	Audit & Supervisory Board Member, the Company (present)

Kunio Chiyoda

Meeting attendance	12 of 12 Board of Directors' meetings 11 of 11 Audit & Supervisory Board meetings
Number of Company shares owned	2,000
Reason for appointment	As an accounting and auditing professional, he has served as a university professor and public-institution committee member, etc., and that extensive knowledge and experience will be reflected in the Company's audits.
Important concurrent positions	Outside Director of Terasaki Electric Co., Ltd. (Audit Committee)

Biography

May 1971	Registered Certified Public Accountant
April 1976	Assistant Professor, College of Business Administration, Ritsumeikan University
April 1984	Professor, College of Business Administration, Ritsumeikan University
April 1999	Dean of College of Business Administration, Member of the Board, Ritsumeikan University
April 2009	Professor, Graduate School of Accountancy, Kumamoto Gakuen University
April 2012	Professor of Graduate School of Accountancy, Waseda University
April 2013	Chairperson, Certified Public Accountants and Auditing Oversight Board
June 2016	Audit & Supervisory Board Member, the Company (present)

Kyoko Uemura

Meeting attendance	12 of 12 Board of Directors' meetings 11 of 11 Audit & Supervisory Board meetings
Number of Company shares owned	0
Reason for appointment	As a legal expert, she previously served as a judge and practices law as an attorney-at-law, etc., and that wealth of knowledge and experience will be reflected in the management of the Company.
Important concurrent positions	Attorney-at-Law, Miyama, Koganemaru & Associates Outside Director of SoftBank Corp.

Biography

April 1994	Assistant Judge, Osaka District Court
April 2004	Judge, Numazu Branch, Shizuoka Family Court
April 2005	Judge, Yokohama District Court
April 2008	Admitted as Attorney-at-Law Attorney-at-Law, LM Law Offices
June 2017	Audit & Supervisory Board Member, the Company (present)
Oct. 2018	Attorney-at-Law, Miyama, Koganemaru & Associates (present)

Executive Officers

Chairman of the Board
Hisahito Suzuki

President & CEO
Yasuyoshi Karasawa

Executive Officers
Noriyuki Hara
Yasuzo Kanasugi

Executive Vice President
Chief Financial Officer
Shiro Fujii
Corporate Planning Dept., Corporate Communications and Investor Relations Dept., Business Development Dept., International Life Insurance Business Dept., Information Technology Planning Dept., International Supervisory Dept., Internal Audit Dept.*, Group Capital Policy, Sustainability,

Senior Executive Officer
Chief Risk Officer
Fumiaki Ohkawabata
Human Resources and General Administration Dept., Accounting Dept., Compliance Dept., Corporate Risk Management Dept., Internal Audit Dept.,

Senior Executive Officer Chief Information Officer
Chief Information Security Officer Chief Digitalization Officer
Shinichiro Funabiki Administration and Information Systems

Executive Officers

Masahiro Matsumoto
International Business

Teruhiko Ito
Financial Services Business

Masahiro Higuchi
Claims Services

Tetsuji Higuchi
Assist Management

Takashi Kuroda
Marketing & Sales

Yukio Ogata
Products・Reinsurance

Satoru Tamura
Assist Management

Naomi Motojima
Diversity & Inclusion

Yusuke Shirai
General Manager of Corporate Planning Dept.

* Executive Vice President Shiro Fujii is responsible for internal auditing of the departments that Senior Executive Officer Fumiaki Ohkawabata oversees.

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

●Corporate Governance (https://www.ms-ad-hd.com/en/group/value/corporate.html)

● Basic Policies on Corporate Governance ● Corporate Governance Stance ● Supervision System (Board of Directors) ● Support Systems for Outside Directors and Outside Audit & Supervisory Board Members ● Auditing ● Nomination and Remuneration ● Remuneration Committee ● Criteria for the Selection of Board Members and for the Independence of Outside Board Members ● Appointment Outside Directors and Outside Audit & Supervisory Board Members and Related Matters

Message from Outside Director

Outside Director (Independent Director) Kazuhito Ikeo

Q1. What is your impression upon having completed your first year as an outside director?

I believe the primary role of outside directors is more focused on reviewing management policy related to medium- and long-term visions and strategies from an external perspective to discuss for better decision making rather than being involved in decision making of day-to-day operations. At present, the MS&AD Holdings Board of Directors discusses all matters related to day-to-day operations because it is a body designed for a company with a board of auditors. However, time spent on these issues limits the time available to discuss the direction, management strategy and vision of the entire group.

Having said that, joining discussions on matters related to day-to-day operations means that the Board is aware of where each business stands. Without such an understanding of the situation, when discussing the overall strategy, it might sound like a grand idea, but there is a possibility that we could fall into a superficial discussion. In this respect, there is value for outside directors to receive an advanced explanation of each individual matter and gain an overall understanding of each business before the discussion in the Board of Directors.

Given this situation, when I conveyed my desire to spend more time discussing overall management strategy and the format of governance as part of Group management, the Group organized a session for the Joint Council of Outside Directors and Audit & Supervisory Board Members. This session provided President & CEO Yasuyoshi Karasawa with an opportunity to explain the details of the management strategies and related matters to be covered at the investors briefing. At this time, we also discussed group-wide personnel strategies, including those for the holding company, Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance. Going forward, I hope the Group goes beyond holding conventional meetings only intended to receive reports and approve them, and expands opportunities to fully discuss its vision and strategies from a medium- to long-term perspective as a Group.

I also believe it is important for the outside directors to maintain a balance as a team. In the case of MS&AD Holdings, there are five outside directors, who, when seen as a team, form a framework that can address any matter by employing their individual expertise. Although others might have a different opinion, I hold the Board of Directors in high esteem because its members have a broad skill set and the ability to apply their individual expertise, thereby demonstrating their effectiveness as a team.

Q2. Please tell us about the major initiatives from the previous fiscal year.

During the previous fiscal year, we formulated a CEO succession plan for the MS&AD Group. This succession plan explicitly describes the criteria for CEO selection, the selection process, the development plan for candidates and the dismissal process. In the case that the candidate nominated for selection is originally from the Group, we requested as many opportunities to directly meet with the candidate as possible so that the outside directors can make a better assessment, for example, by having the candidate present proposals to the Board of Directors in advance.

In the case of Japanese companies, traditionally the president nominates the next president. It is not necessarily a bad thing when someone who is thoroughly familiar with the roles of the president selects the next candidate. However, I feel uneasy about placing the full authority to nominate and select candidates in one person. Naturally, it is important for the nomination process to be open and to ensure transparency. Establishing a scheme to systematically ensure the selection of a president who is appropriate for company management is a critical role of corporate governance that must be fulfilled.

During the previous fiscal year, we also revised remuneration for Directors and Audit & Supervisory Board Members. First, regarding the appropriate amount of remuneration, we needed to consider a renumeration standard that would be competitive as a global company by taking into account the potential for directors to be nominated from foreign companies in the future. Although what we offer might still be insufficient, we revised the amount in this direction. Next, regarding the ratio of fixed and performance-linked remuneration, we raised the ratio of performance-linked remuneration according to role and split the assessment indicators for performance-linked remuneration into two categories: short term and medium to long term. The medium- to long-term targets include the achievement status of the sustainability initiatives, for example. So I think the ratio of performance-linked remuneration is now relatively high among Japanese companies.

One of the priority issues going forward, however, will likely be improving capital efficiency. In a related topic, there are various discussions over maintaining strategic equity holdings. This issue has received focus as an area that must be tackled in part because the MS&AD Group aims to become a world-leading insurance and financial services group.

Q3. How do you feel about the MS&AD CSV initiatives aimed at realizing a resilient and sustainable society?

Earning money is essential for the sustainable growth of companies. Companies must provide products and services that consumers desire in order to profit. I think that failing to profit when these are not accepted by consumers is one of the superior aspects of capitalism. In this respect, MS&AD's pursuit of balance between business and social significance through the CSV (Creating Shared Value) initiatives being advanced by the Group makes sense.

Moreover, becoming a company with a purpose helps employees gain a sense of fulfillment. Having a solid sense that one's job serves society has a major influence on one's personal motivation.By implementing these initiatives throughout the Group, I feel employees will surely achieve a greater level of satisfaction.

From the perspective of ESG, although ESG issues are closely observed as a means of addressing risk factors that might hinder sustainable corporate growth, I feel it is also necessary to interpret ESG initiatives as a source of corporate competitiveness.

Q4. Please tell us your expectations for the Group.

When all is said and done, the strength of the MS&AD Group is its diversity.

Unique insurance companies gathered into one group, so I feel that applying the strengths of each will enable the MS&AD Group to generate competitive advantages that are not found in competing groups. However, the way in which the Group utilizes this diversity is a key. Naturally, I feel the Group must discard inefficient aspects, such as wasteful duplication. Middle and back areas should be managed using common systems, while diversity should be utilized in the front-line. As this concept also applies to pursuing the Group's comprehensive strengths as raised in "Vision 2021", these improvements in efficiency must be powerfully driven throughout the Group.

I would like to see the Group utilize diversity while working to improve efficiency in this way to pursue improving corporate value from a medium- to long-term perspective. Despite the importance of securing short-term profits on one hand, I hope the Company illustrates a path toward achieving sustainable corporate growth within a cooperative relationship among a diverse group of stakeholders, and I hope to see it evolve as a corporate group that is admired by society.

I have always believed that the role of corporate governance is quality control for corporate management. MS&AD is already embarking on sound initiatives. And based on the bedrock of these initiatives, I feel that in the future the company will be able to become the one it aspires to be by strengthening mechanisms that enable even better management and developing the human assets that can undertake this level of management.

Corporate Governance

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

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

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

Main Initiatives

- ESG briefing and opinions exchange meeting regarding the medium-term management plan "Vision 2021", which introduced our CSV initiatives in line with SDGs as leading marks to realize our image of society and the Group ESG initiatives including diversity and inclusion, etc.
- "MS&AD IR Day" with the objective being to have the top management of each business division explain business details and carry on a constructive dialogue between management executives and investors
- To strengthen information sharing with management and the relevant departments, regular reporting on IR activities, feedback on how the stock markets view the Company and quarterly reports on the Company's share price to the Group Management Committee and the Board of Directors
- Feedback meetings for the Group's relevant departments
- Simultaneous live broadcasting of Information Meetings in both Japanese and English

Activities Undertaken in Fiscal 2018

The Group organized Information Meetings at which the President explained management strategies and performance, as well as MS&AD IR Day, which aimed to have a constructive dialogue between management executives and investors.

Opportunities also were created for the President and the officer in charge of the Corporate Communications and Investor Relations Department to speak directly to major shareholders and investors in Japan and abroad. The opinions of shareholders and investors gleaned from these conversations are being reflected in management strategies with the aim of improving corporate value.

We also held an ESG briefing about the Group's ESG initiatives and provided an arena for the exchange of opinions.

We increased the number of corporate briefings for individual investors around Japan and participated in the Nikkei IR and Investment Fair for the third consecutive year.

( ) indicates fiscal 2017 figures

Strategy explanation meeting for institutional investors and analysts (Information Meeting)	2 (Twice)
Telephone conference (earnings results) for institutional investors and analysts	4 (4) times
Extra telephone conference for institutional investors and analysts	0 (3) times
Session for an exchange of opinions with institutional investors and analysts (MS&AD IR Day)	1 (1) time
ESG briefing and opinion exchange meeting	1 (1*) time
Conference (including a telephone conference organized by securities companies)	5 (5) times
Individual meeting (except conferences)	195 (231) times
Information session for individual investors	14 (12) times

*In fiscal 2017, this meeting was held as the Integrated Report briefing.

Information meeting for institutional investors and analysts

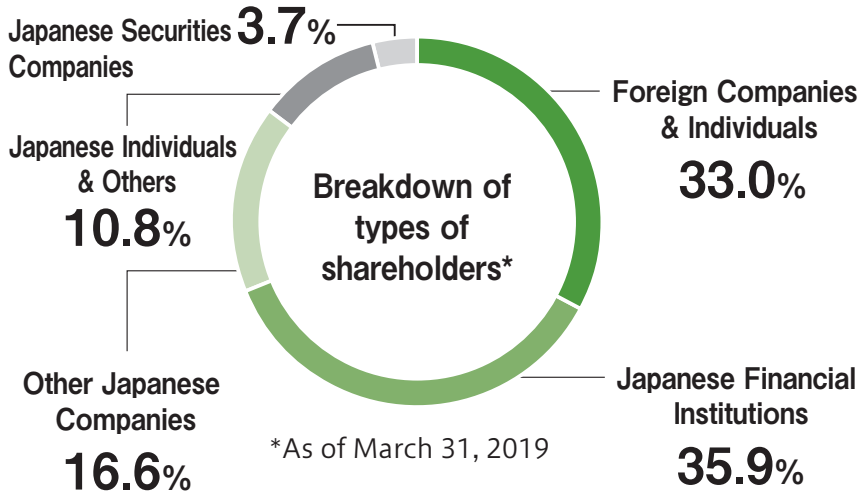
MS&AD IR Day

IR Activities for Overseas Investors

With foreign investors and foreign corporate investors making up 33% of all its investors, MS&AD Holdings has been stepping up efforts for the disclosure and dissemination of information while engaging in a dialogue with overseas investors.

The President and the officer in charge of the Corporate Communications and Investor Relations Department take trips overseas to meet with investors and proactively participate in conferences sponsored by securities firms for foreign investors as a part of our constructive dialogue initiatives.

From the viewpoint of disclosing information in a timely and fair manner, MS&AD Holdings is enhancing information disclosure through the English version of its website, making concerted efforts to augment information for foreign investors.



Information Disclosure as the Basis for Dialogue

Website (Japanese/English)

The Group makes prompt and fair information disclosure in both English and Japanese. As part of this year's design renewal, we revised the section composition and page layout. In particular, we created a section for individual investors, which provides necessary information based on their primary concern. Moreover, adding photographs to introduce the various activities of the entire Group makes it more visually appealing.

Daiwa Investor Relations "Internet IR Excellence Award 2018"

Integrated Report (Japanese/English)

The MS&AD Integrated Report 2018, published in 2018, received "The Best Integrated Reporting Grand Prize" and the "Grand Prix," respectively, from the 6th WICI Japan Integrated Reporting Awards and the 21st Nikkei Annual Report Awards 2018. These awards represent the highest honors in each competition.

Moreover, the English version was nominated as a finalist for Asia's Best Integrated Report as part of the 2018 Asia Sustainability Reporting Awards.

Japanese version

English version

General Shareholders' Meeting

	FY2017	FY2018	FY2019
Date	June 26 (Monday)	June 25 (Monday)	June 24 (Monday)
Shareholders attending	633	774	665
Ratio of the exercise of voting rights	85.8%	84.3%	86.1%
Notice of convocation issue date	June 2 (Friday)	June 1 (Friday)	May 31 (Friday)
Website announcement date of the notice of convocation (Japanese/English)	May 23 (Tuesday) (Japanese) May 26 (Friday) (English)	May 22 (Tuesday) (Japanese) May 23 (Wednesday) (English)	May 21 (Tuesday) (Japanese) May 21 (Tuesday) (English)

For more shareholder and investor information, see the Company's official website.

Website content

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

Basic Knowledge about the Insurance Industry

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

Non-Life Insurance Industry

Market Overview

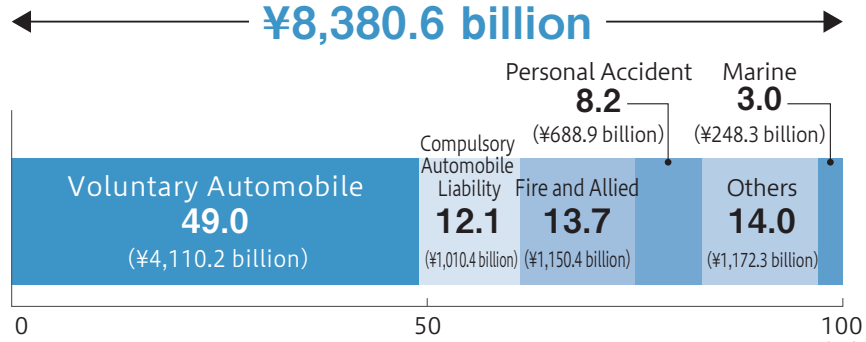
About ¥8 Trillion

The Japanese non-life insurance industry's market scale in terms of net premiums written was ¥8,380.6 billion in fiscal 2017. (Total for 26 corporate members of the General Insurance Association of Japan)

Automobile-Related Insurance Accounts for More than 60%

Together, voluntary automobile insurance (49.0%) and compulsory automobile liability (12.1%) account for more than 60% of the market.

Net Premiums Written by Class of Insurance (FY2017)



Source: General Insurance Association of Japan, FACT BOOK 2018

Three Largest Non-Life Insurers Have Almost 90% Market Share Combined

In Japan, there were 52 companies engaged in the non-life insurance business as of July 2018, including 22 foreign non-life insurers. The three largest non-life insurance groups—the MS&AD Insurance Group, the Tokio Marine Group and the Sompo Japan Nipponkoa Group (currently Sompo Group)—have an 87% combined share of the market.

Types of Insurance and Related Trends

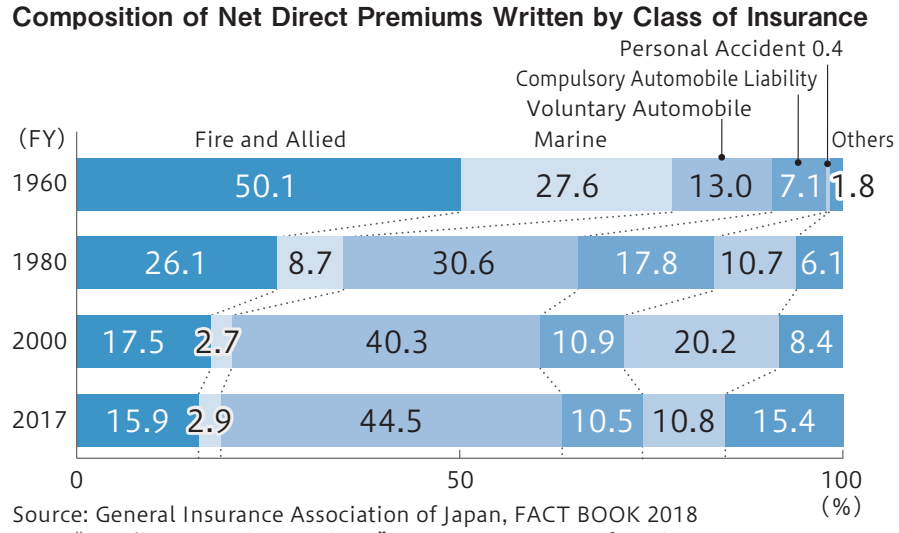
Covering Diverse Risks

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

Changing with the Times

Until the 1960s, the non-life insurance market was centered on fire and marine insurance products. With the subsequent rise in the number of automobiles in use, such automobile-related products as Voluntary Automobile Insurance and Compulsory Automobile Liability Insurance have become the main products in the market. In recent years, "others" insurance, such as Liability Insurance, has been growing strongly.

Composition of Net Direct Premiums Written by Class of Insurance

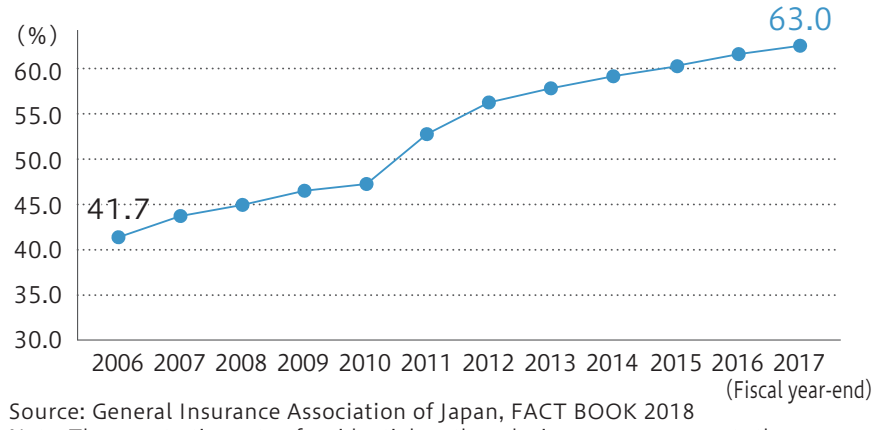


Source: General Insurance Association of Japan, FACT BOOK 2018
Note: "Net direct premiums written" represents revenues from insurance policies directly provided by each customer.

Trend of Increase in Earthquake Insurance

Residential earthquake insurance was developed in 1966, in response to the major earthquake that struck Niigata in Japan in 1964. The number of people obtaining residential earthquake insurance has been trending upward, and the penetration ratio of earthquake insurance in residential fire insurance policies has risen to 63.0% (at the end of FY2017).

Trends in the Penetration Rate of Residential Earthquake Insurance



Source: General Insurance Association of Japan, FACT BOOK 2018
Note: The penetration rate of residential earthquake insurance represents the share of fire and allied policies with earthquake coverage.

Residential Earthquake Insurance Operated in Collaboration with Government

It is difficult to forecast the damage that will occur in the event of an earthquake, so fire insurance by itself does not cover building fires and damage caused by earthquakes.
To provide coverage for earthquake damage, the government and insurance companies collaborate to operate residential earthquake insurance, and there are no variations among insurance companies with respect to coverage of compensation and insurance premiums.

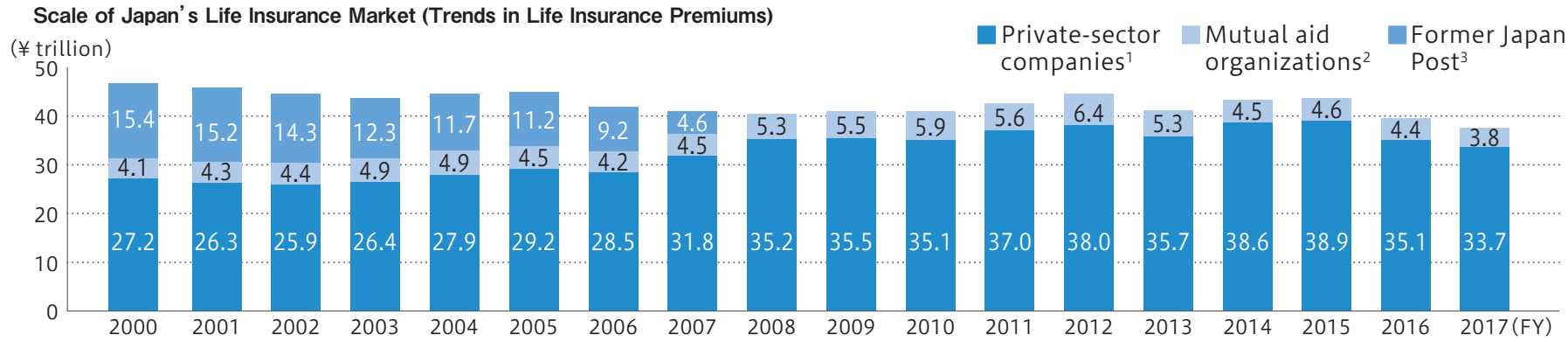
Life Insurance Industry

Market Scale

Approximately ¥37 Trillion

The scale of the Japanese life insurance industry's market in terms of life insurance premiums and others in total is approximately ¥37 trillion, making it the world's third largest market, after that of the United States.

Scale of Japan's Life Insurance Market (Trends in Life Insurance Premiums)



Sources: Prepared by MS&AD Holdings based on materials from the Life Insurance Association of Japan, Japan Cooperative Insurance Association Incorporated and Japan Post Holdings Co., Ltd., and based on materials in the Japan Institute of Life Insurance's "Fiscal 2018 National Survey on Life Insurance."

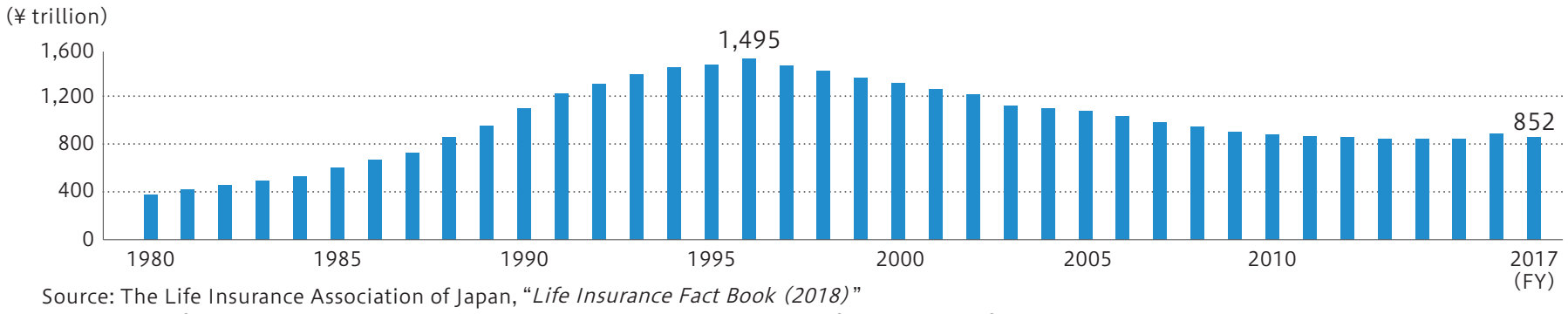
1. Private-sector companies: Each corporate member of the Life Insurance Association of Japan. Figures represent premiums and others.
2. Mutual aid organizations: Each organization member of the Japan Cooperative Insurance Association Incorporated. Figures represent premiums and other insurance income received (total for life insurance and annuity insurance).
3. Former Japan Post: Premium income (postal life insurance) during the period through September 2007. Japan Post Insurance is included on and after privatization, from October 2007, in the private-sector companies' figures.

Trends in Types of Insurance

Decline in Big-Ticket Death Benefit Needs

The amount of policies in force for individual insurance has been trending downward since peaking in fiscal 1996. Behind this trend is a decline in big-ticket death benefit needs and a shift to third-sector products (medical and cancer insurance) needs.

Trends in Policies in Force (Individual Insurance)



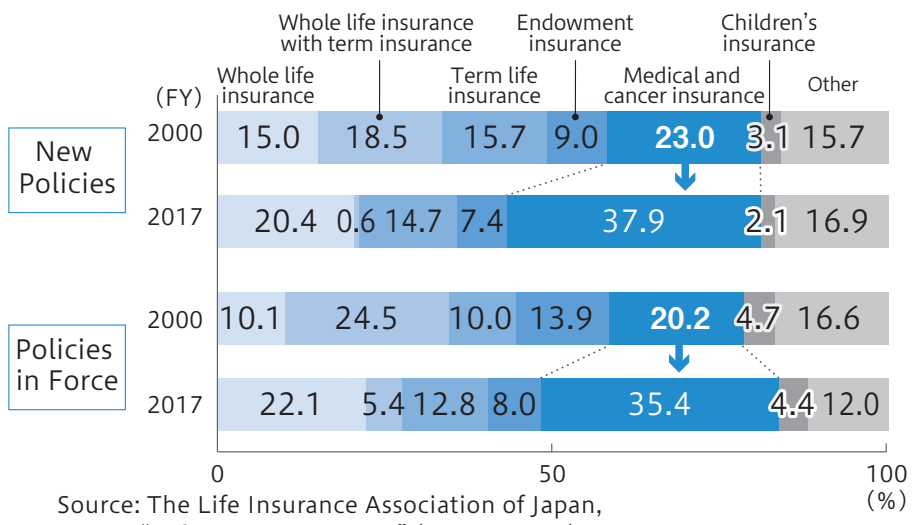
Source: The Life Insurance Association of Japan, "*Life Insurance Fact Book (2018)*"
Note: Figures for 2007 and previous years exclude Japan Post Insurance and the former postal life insurance.

Third-Sector Products Become the Major Products

The share of medical and cancer insurance policies (third-sector policies) among the total number of new policies written for individuals has risen–from 23.0% in FY2000 to 37.9% in FY2017–and become the major life insurance product. In particular, the advent of a full-blown aging society in Japan will be accompanied by a rise in needs for nursing care insurance. In recent years, each life insurance company has been launching new nursing care insurance products that supplement public nursing care insurance system, which is not able to completely cover the expenses entailed by nursing care. Sales of individual annuity insurance began in earnest following the October 2002 lifting of the ban on marketing such products via banks. Growth in individual annuity insurance policies in force is now robust. Most recently, the number of policies written for "Tontine-type annuity" as insurance for longevity risk is also increasing.

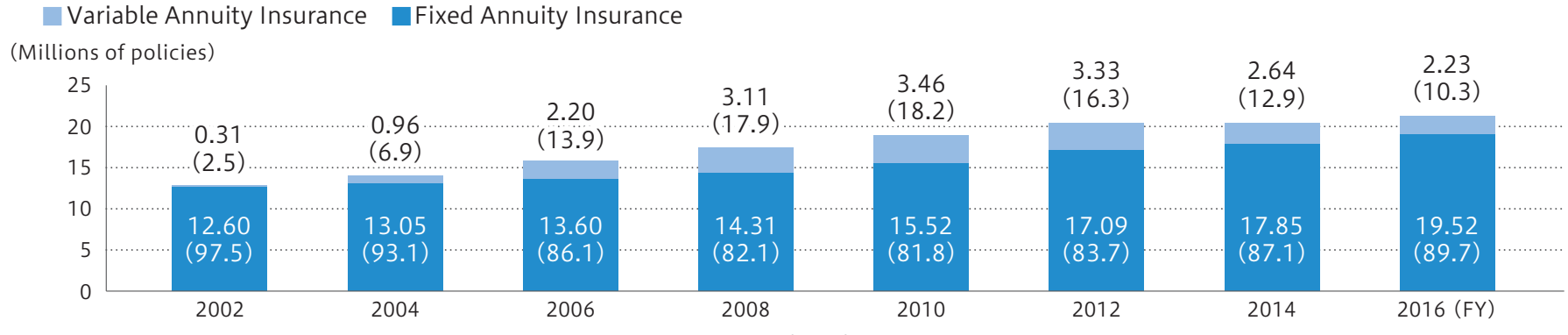
*See the "Glossary of Insurance Terminology" (P. 94) for details.

Trends in Parsonal Life Insurance



Source: The Life Insurance Association of Japan, "*Life Insurance Trends*" *(2018 edition)*

Trends in Policies in Force for Individual Annuity Insurance by Type



Source: The Life Insurance Association of Japan, "*Life Insurance Fact Book (2018)*"
Note: Figures in parentheses represent percent shares.

The Insurance Industry Trends and Changes in Japan

Environment of the Insurance Industry in Japan

Changes in the Macro Environment

As is the case with respect to other industries in Japan, the biggest change in the insurance industry's operating environment is the advent of aging and the population decline in Japanese society.

Natural Disasters

While natural disasters are a major risk factor in the insurance business, the existence of such disasters is also a factor that increases demand for insurance.

The Insurance Industry Following Financial Regulatory Liberalization

Regulatory Liberalization of the Non-Life Insurance Industry

The 1996 revision of the Insurance Business Act brought a shift away from the "convoy system" within the industry and toward liberalization offering a scope for new initiatives. In addition, in response to changes taking place in the insurance industry's operating environment (insurance product diversification, solicitation channel diversification and increasing agent size), the Insurance Business Act revision, which went into full effect in May 2016, included as its main points "the establishment of basic rules for insurance soliciting" and "the introduction of an obligation to put in place a system with respect to insurance solicitors (agents)."

Birth of the Three Mega Insurance Groups

Following the regulatory liberalization of 1996, a progression of mergers and business integrations among non-life insurance companies led to the emergence of the so-called three mega insurance groups – the MS&AD Insurance Group, the Tokio Marine Group and the Sompo Japan Nipponkoa Group (currently the Sompo Group).

Major Events Following Regulatory Liberalization

1996	April	Revision of the Insurance Business Act ■Mutual entry into life and non-life insurance business ■Reform of the rating organization system ■Introduction of products and premium rates notification system, etc.
	October	Mutual entry into life and non-life insurance business by subsidiaries
1997	September	Approval of risk-subdivision-type automobile insurance
1998	July	Abolition of the obligation for members to use the premium rates calculated by the rating organization
2001	April	Ban on insurance sales by banks partially lifted
2007	September	Implementation of Financial Instruments and Exchange Act
	December	Insurance sales by banks fully liberalized
2010	April	Implementation of the Insurance Act
2014	May	Passing of law revising the Insurance Business Act
2016	May	Full implementation of Insurance Business Act revision (implementation of a comparison-recommendation rule and an obligation to grasp customer intentions)

The Insurance Industry Going Forward

Initiatives Regarding Overseas Insurance Markets

Accelerating Overseas Expansion

In light of the maturation of Japan's insurance market, major Japanese insurance companies have been working to expand their business base overseas.

Potential of the Asia Region and BRICs' Markets

The emerging country markets of Asia region countries and the BRICs have the potential for large growth. The insurance penetration rates (ratio of insurance premiums against GDP) of the United States and European countries are roughly as high as Japan's–about 6%–12%. On the other hand, the insurance penetration rate of emerging markets of the Asian region and the BRICs is relatively low–in the 1%-4% range–so those markets can be considered to have considerable growth potential.

Development of Principal Insurance Markets in 2017

(US$ billion)

Market/Country	Ranking by Insurance Premiums	Life Insurance Premiums		Non-Life Insurance Premiums		Total Insurance Premiums		Insurance Density[1] (US$) 2017	Insurance Penetration Rate[2] 2017
		2017	Change from 2016	2017	Change from 2016	2017	Change from 2016		
Developed markets		2,059	(0.7)%	1,760	4.2%	3,820	1.5%	3,517	7.8%
United States	1	547	(1.9)%	830	4.8%	1,377	2.0%	4,216	7.1%
Japan	3	307	(8.1)%	115	(2.1)%	422	(6.5)%	3,312	8.6%
United Kingdom	4	190	(3.0)%	93	(1.8)%	283	(2.6)%	3,810	9.6%
France	5	154	0.4%	88	4.2%	242	1.8%	3,446	9.0%
Germany	6	97	2.0%	126	5.3%	223	3.8%	2,687	6.0%
South Korea	7	103	(1.4)%	78	7.9%	181	2.4%	3,522	11.6%
Italy	8	114	(4.4)%	42	2.8%	156	(2.6)%	2,660	8.3%
Emerging markets		598	(0.7)%	474	9.7%	1,072	14.1%	166	3.3%
Latin America and the Caribbean		78	11.4%	90	8.6%	168	9.9%	262	3.1%
Brazil	12	47	14.3%	36	14.8%	83	14.5%	398	4.1%
Mexico	26	12	5.9%	13	5.8%	25	5.8%	196	2.2%
Europe		858	0.8%	621	3.9%	1,479	2.1%	1,651	6.5%
Russia	29	6	76.7%	16	12.7%	22	24.4%	152	1.4%
Asia and Middle East		1,044	7.0%	547	7.0%	1,591	7.0%	360	5.6%
China	2	318	20.9%	224	10.0%	541	16.2%	384	4.6%
India	11	73	17.4%	25	26.9%	98	19.7%	73	3.7%
United Arab Emirates	36	3	5.3%	10	15.8%	14	13.2%	1,436	3.7%
Africa		45	13.8%	22	9.3%	67	12.3%	54	3.0%
Oceania		34	(13.7)%	57	7.7%	91	(1.5)%	2,236	5.6%
World		**2,657**	**2.9%**	**2,234**	**5.4%**	**4,892**	**4.0%**	**650**	**6.1%**

Source: Compiled by Swiss Re's economic research and consulting unit based on confirmed and provisional figures announced by each country's regulatory authorities and insurance industry associations (sigma No. 3/2018)

Note: Figures are real figures adjusted for inflation 1. Insurance density = per capita insurance premiums 2. Insurance penetration rate = insurance premiums as a share of GDP

Increasing Diversity of Insurance Companies and Sales Channels

There are increasingly diverse sales channels–such as direct sales channels, OTC sales by banks and customer-visit-based insurance shops–and some insurance companies are now specializing in sales via the Internet. Even in conventional sales channels, there is an increasing incidence of cross-selling (see the "Glossary of Insurance Terminology" [P. 90] for details and other new approaches.

Expanding the Breadth of Products and Services

"Longevity Risk"

Lengthy life spans entail growth in living, medical and other expenses. The insurance industry has been seeking to help cover such economic "risks" associated with lengthy life spans.

New Products and Services Related to Medical and Long-Term Nursing Care

The importance of people's self-help efforts is expected to continue increasing, and the associated role of private-sector insurance companies is becoming large.

Japan's Insurance Market Viewed from a Global Perspective

Non-Life Insurance

The World's Fourth Largest Market Scale

According to the "sigma" newsletter of Swiss Re, the scale of the non-life insurance market in 147 countries and regions around the world was approximately ¥253 trillion in 2017. The largest market is that of the United States (approximately ¥94 trillion), and Japan's market is the fourth largest (approximately ¥13 trillion).

Japanese Market Smaller in a Share of GDP

Japan's insurance premiums as a share of GDP are only 2.34% (the 24th highest) compared to the global average of 2.80%.

Comparison of Non-Life Insurance Premium Income in Principal Countries (2017)

Country/Region	Direct Premiums Written			As a Share of GDP		Per Capita Premiums	
	(¥ million)	Ranking	Share (%)	(%)	Ranking	(¥)	Ranking
United States	93,983,355	1	37.2	4.28	5	287,729	4
China	25,340,524	2	10.0	1.89	38	17,997	53
Germany	14,262,506	3	5.6	3.41	12	171,936	12
Japan	12,996,249	4	5.1	2.34	24	101,984	23
United Kingdom	10,583,152	5	4.2	2.36	23	106,172	21
France	9,970,115	6	3.9	3.18	14	138,545	16
South Korea	8,871,606	7	3.5	5.00	4	172,388	11
Canada	7,688,657	8	3.0	4.11	8	209,741	7
Netherlands	7,176,699	9	2.8	7.67	2	420,614	2
Australia	5,421,009	10	2.1	3.48	9	219,815	5
Italy	4,704,403	11	1.9	2.14	30	77,309	29
Spain	4,225,496	12	1.7	2.84	17	91,005	27
Brazil	4,124,757	13	1.6	1.77	46	19,695	50
Switzerland	3,164,792	14	1.3	4.12	7	372,282	3
India	2,803,037	15	1.1	0.93	73	2,037	82
Taiwan	2,136,235	16	0.8	3.42	11	90,892	28
Belgium	1,931,021	17	0.8	2.55	21	125,641	17
Russia	1,835,376	18	0.7	1.04	70	12,790	59
Argentina	1,580,019	19	0.6	2.25	27	35,655	37
Mexico	1,522,292	20	0.6	1.17	68	11,772	62
Other countries (regions)	28,593,152	–	11.3	–	–	–	–
Total/Average	**252,914,453**	**–**	**100.00**	**2.80**	**–**	**33,617**	**–**

Source: Prepared based on data in "sigma No. 3/2018" of Swiss Re.
Note: 1. The "Total (average)" figures are totals of figures for 147 countries and regions within the scope of the survey in 2017.
2. Premium figures are direct premiums written by domestic- and foreign-based companies in each country and region (including cross-border transaction premiums), and the figures for each country and region do not include direct premiums written by foreign bases of domestic companies.
3. Figures were converted into Japanese yen at the average exchange rate for 2017 (US$1=¥113.19).

Life Insurance

Japanese Market Accounts for Approximately 11.6% of the Global Market

According to the "sigma No. 3/2018" newsletter of Swiss Re "International Life Insurance Statistics" of the Life Insurance Association of Japan, global life insurance premium income amounted to approximately US$2,657 billion in 2017. The figure for Japan was approximately US$307 billion, corresponding to 11.6% of the global figure.

Source: Prepared based on data in "sigma No. 3/2018" of Swiss Re.
Note: Figures represent premiums directly written in each country irrespective of the geographical base of the underwriting company.
1. Premium income figures include estimates of premiums from group pension policies (except in certain regions).
2. Figures are for the fiscal year from April 1, 2017, through March 31, 2018.

Life Insurance Premium Income/Rankings/ Market Share by Country (Top 10 Countries)

Country	Life Insurance (2017)		
	Ranking	Premium Income (US$ million)	Share (%)
United States[1]	1	546,800	20.6
China	2	317,570	12.0
Japan[2]	3	307,232	11.6
United Kingdom	4	189,833	7.1
France	5	153,520	5.8
Italy	6	113,947	4.3
South Korea[2]	7	102,839	3.9
Taiwan	8	98,602	3.7
Germany	9	96,973	3.6
India[2]	10	73,240	2.8

Glossary of Insurance Terminology

A

Alternative Risk Transfer (ART) Business
A general term referring to the use of techniques other than traditional insurance policies to transfer risks, meaning to provide risk-bearing entities with coverage or protection. ART entails the use of financial technologies and capital markets to provide risk solutions. ART products include derivatives and securitized products, and the typical products include "weather derivatives" and "earthquake derivatives."

Annualized Premiums
The insurance premium payment method differs depending on the insurance contract. An annualized premium is calculated by adjusting for these differences in payment methods and computing the yearly average paid in premiums. It indicates how much income an insurance company makes from insurance premiums in one year.

Asset Liability Management (ALM)
A general term for the comprehensive management of risks related to assets and liabilities. The value of most of the assets held by insurance companies and other financial institutions is affected by market prices (or market interest rates), in other words, they are at risk. A proper evaluation of risks and returns cannot focus on assets or liabilities alone–the ALM business management methodology seeks to maximize profit, while managing in a way that pays comprehensive attention to the risk and return of both assets and liabilities.

Assumed Interest Rate
Insurance companies anticipate a certain level of profits from asset management and offer discounts on insurance premiums based on this. This discount rate is called the assumed interest rate.

C

Catastrophe Reserves
Most non-life insurance premium rates are set using the "law of large numbers," but, in a given fiscal year, it is always possible that there will be a major typhoon or other large disaster causing damages on a scale that cannot be absorbed using premium income for that year alone. The catastrophe reserve is provided to prepare to respond to the temporary surge in claims associated with such disasters. For more details, see P. 95.

CAT Bond (Catastrophe Bond)
Securities sold by non-life insurance companies to investors to enable the insurance companies to avoid major losses owing to claims paid in connection with major disasters. If there is no occurrence of a disaster on a scale surpassing previously stipulated criterion, then the CAT bonds' interest and principal will be paid to the investors, but, in the case of such a disaster, the principal will be partially or entirely reduced.

CAPM (Capital Asset Pricing Model)
An acronym for "Capital Asset Pricing Model," which is used to calculate the rate of return expected by shareholders in the capital market. The correlation of the target company's stock with the market is determined by the β value (more precisely, the slope estimated by the linear regression equation that explains the fluctuations in the stock prices of the target companies in terms of market price fluctuations).The estimated cost of capital is calculated by adding the risk-free interest rate to the individual equity risk premium, which is the β value multiplied by the equity market risk premium (market return - risk-free interest rate).

Combined Ratio
An indicator that is the sum of the net loss ratio and the net expense ratio, and subtracting this ratio from 1 gives the underwriting balance ratio. Although the indicator is not adjusted to reflect outstanding claims and underwriting reserve, it reflects profitability for the fiscal period. Used only in the insurance industry, its concept is similar to that of the ratio of operating profit on sales of ordinary companies.

Commissions and Collection Expense
The total of agent commissions, insurance broker commissions, sales expense, collection expense, reinsurance commissions and ceded premium commissions. (Note that ceded premium commissions, which are commission incomes pertaining to ceded reinsurance and retrocession premiums, are deductions.)

Compulsory Automobile Liability Insurance (CALI)
In order to provide relief to victims of automobile accidents, this is compulsory insurance that all motor vehicles must be enrolled in under law. Motorized bicycles are also subject to this requirement. Compulsory automobile liability insurance provides compensation in cases where other persons are killed or injured in traffic accidents, etc. Insurance claims are paid for loss compensation of the other persons.

Core Profit (Fundamental Profit)
Ordinary profit after adjustments for capital profits/(losses) and extraordinary income and losses, which represent profits and losses not stemming from the principal business of life insurance companies; so, Core Profit is an indicator of the profitability of the Company's principal business operations during a fiscal year. The concept of Core Profit is close to those of ordinary companies' "operating income" and banks' "business income."

Corporate Governance Code
Corporate governance principles that the Tokyo Stock Exchange is requiring its listed companies to comply with. (For more details, please consult the Tokyo Stock Exchange website.)
URL https://www.jpx.co.jp/english/equities/listing/cg/03.html

Cross-Selling
Concurrent selling of life insurance and non-life insurance products, such as in the case of a non-life insurance agent that sells life insurance products.

D

Direct Insurance
A term used in contrast with reinsurance. When an insurance contract is reinsured, the original insurance that has been reinsured is called direct insurance.

It can also be used to refer to all the insurance contracts directly entered into with policyholders by the insurance company. → Reinsurance

E

Earned-Incurred Loss Ratio (EI Loss Ratio)
After adjusting for provisions and reversals of loss reserves and ordinary policy liability reserves, the EI Loss Ratio is an indicator of the loss ratio on a current-period-occurrence basis.
It is calculated as follows. → Net Loss Ratio
- EI Loss Ratio = claims incurred ÷ premiums earned
- Claims incurred = period-end net claims paid + (period-end loss reserve – previous period-end loss reserve)
- Premiums earned = previous period-end unearned premiums + net premiums written for the period – period-end unearned premiums

Embedded Value (EV)
The current value of net assets plus the current value of future profit expected from policies in force (policies in force value). Under current statutory accounting practices, the recognition of costs is concentrated at the time of sales, while the related profits are recognized in subsequent years; so, using those accounting practices to accurately evaluate corporate performance is difficult in some ways. As EV encompasses an evaluation of the current value of future profit expected from policies in force, it is a useful indicator that can be used to supplement statutory accounting practices for the purpose of evaluating companies' performance and enterprise values.

While the Company has disclosed its EV for some time, since fiscal 2011, it has disclosed its EV calculated on the basis of the European Embedded Value principles (EEV principles*), and this type of EV is referred to as EEV. In addition, the Company's calculations of EEV employ a market-consistent approach to evaluating liability- and asset-related cash flows that is consistent with the financial products traded in markets.

* The EEV principles were instituted by a CFO Forum (comprised of the chief financial officers (CFOs) of major European insurance companies) in May 2004 with the goal of promoting a consistent EV calculation and disclosure method and thereby promoting an increase in transparency.

Enterprise Risk Management (ERM)
A process for determining and evaluating the risks associated with the execution of business operations by an enterprise in an integrated, comprehensive and strategic manner. It is an integrated risk management method used for maximizing enterprise value. For more details, see PP. 36 and 66.

Equity Ratio
The proportion of equity divided by total assets. Owing to the application of accounting standards concerning financial products and the inclusion of unrealized gains on securities within the balance sheet figures, the equity ratio is also stated based on market value.

ESG
Three concepts of environmental, social and governance (ESG). In ESG investing, the investor does not focus exclusively on the profit that can be earned from an investment but goes on to consider the impact of the investment on the environment as well as on shareholders, customers, employees, local communities and other stakeholders. ESG investing essentially entails carrying out CSR when making investment decisions.

Expected Mortality
Based on past statistics, gender-wise and age-wise mortality (or the number of those alive) is predicted, and this information is used for calculating the required amount of insurance premium for future insurance payments. The mortality rate used in these calculations is called the expected mortality.

Expected Operating Expense Ratio
Life insurance companies anticipate all the expenses required for business operation such as concluding contracts, receiving premiums, maintaining and managing policies, and so on in advance. The sum of these expenses is divided by expected premium income to calculate the expected operating expense ratio.

F

Foreign Currency–Denominated Life Insurance
Foreign currency–denominated life insurance calls for the use of a foreign currency (e.g., U.S. dollars, Euros, Australian dollars) to pay insurance premiums and the use of a foreign currency to pay insurance benefits and reimbursements upon policy cancellations. A portion of such life insurance products as whole life insurance, endowment insurance and fixed/variable individual annuities are sold as foreign currency–denominated products. When the foreign-currency benefits from such products are converted into yen, they will be affected by foreign exchange rate fluctuations; so, there is a possibility that the yen-denominated benefits could end up being lower than the yen-denominated value of the premiums paid. The impact of foreign exchange rate fluctuations is referred to as "foreign exchange risk (foreign exchange rate fluctuation risk)," and policyholders and beneficiaries of foreign currency–denominated policies are exposed to those risks.

Full-Time Agents
Agents specializing in the sale of insurance. In the field of non-life insurance, in addition to specialized agents (professional agents), there are automobile sales dealers, automobile repair shops, real estate agents, travel agents and other sideline agents that sell insurance alongside their main line of business.

G

General Insurance Rating Organization of Japan
An insurance rating organization formed by the merger in July 2002 of the Property and Casualty Insurance Rating Organization of Japan (established 1948) and the Automobile Insurance Rating Organization of Japan (established 1964), which were established in accordance with the Act of Non-Life Insurance Rating Organizations.

It collects data from member insurance companies and calculates the Reference Loss Cost Rates for automobile insurance, fire insurance, personal accident insurance and nursing care expense insurance, as well as Standard Rates for compulsory automobile liability insurance and earthquake insurance. It also handles loss adjustment work for compulsory automobile liability, collects insurance data, and conducts research and analysis.

Gross Written Premiums
Premiums written that were received from direct insurance contracts and reinsurance contracts during one fiscal year; they are the premiums written prior to the deduction of reinsurance premiums ceded via reinsurance contracts.

Group Core Profit
Group Core Profit, which is a numerical management target within the Next Challenge 2017 medium-term management plan, is calculated as follows.

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

Group Return on Equity (Group ROE)
Group ROE, which is a numerical management target within the Next Challenge 2017 medium-term management plan, is calculated as follows.

Group ROE = Group Core Profit ÷ Consolidated total net assets excluding non-controlling interests (average of beginning and ending amounts of B/S)

Group Adjusted Profit
Group Adjusted Profit, which is a numerical management target within the Vision 2021 medium-term management plan, is calculated as follows.

Group Adjusted Profit = Consolidated net income + provision for catastrophe loss reserve and others − other incidental factors (amortization of goodwill and other intangible fixed assets, etc.) + equity in earnings of the non-consolidated group companies

Group Adjusted ROE
Group Adjusted ROE, which is a numerical management target within the Vision 2021 medium-term management plan, is calculated as follows.

Group Adjusted ROE = Group Adjusted Profit ÷ average of beginning and ending amounts on B/S of adjusted net assets (consolidated net assets + catastrophe loss reserve and others − goodwill and other intangible fixed assets)

I

Income Guarantee Insurance
A type of insurance under which a pension can be claimed after the policyholder's death for the full term of the insurance as decided at the time of entering the contract. The number of times a pension can be claimed depends on the time of death of the policyholder. The minimum number of times a pension can be claimed is guaranteed. If the number of times the pension has been claimed before maturity is less than the guaranteed minimum, the remaining number of times can be claimed.

Incurred but Not Reported Loss (IBNR)
The portion of underwriting reserves corresponding to claims that have been incurred but had not been reported to the company at the end of the period. The IBNR is estimated using statistical methods. → Ordinary Outstanding Claims Reserve

Individual Annuity Insurance
Annuity insurance is a financial product used to save premiums and thereby fund the payment of future annuities, and individual annuity insurance is an annuity insurance product provided by private-sector life insurance companies. The annuities are received after the beneficiary reaches an age specified in the policy contract. There are several kinds of individual annuity insurance products defined based on the annuity receipt period, such as whole life annuity with a guarantee period, annuity certain, fixed-term annuity with a guarantee period, and a husband-and-wife annuity.

Insurance Business Act
A law that was enacted to promote the protection of policyholders through ensuring sound and appropriate business operations of insurance companies and fair solicitation of insurance policies. The act lays down organizational and operational rules for insurance businesses, as well as defining the criteria for the administration and supervision of insurance companies, and determining the supervision standards and authorities of government units overseeing insurance business operations.

Insurance Claim (Benefit)
In the case of non-life insurance, the sum of money paid by an insurance company to the insured based on the amount of damage incurred as a result of an insured event. (In the case of life insurance) the sum of money decided beforehand in the insurance contract paid by the insurance company upon the maturity of the contract to the designated beneficiary, in the event of illness or death of the insured person.

J

Japanese Version of the Stewardship Code
A set of principles released by the Financial Services Agency directed at institutional investors who own shares in companies. (For details, please see the Financial Services Agency website.)
URL https://www.fsa.go.jp/en/refer/councils/stewardship/

L

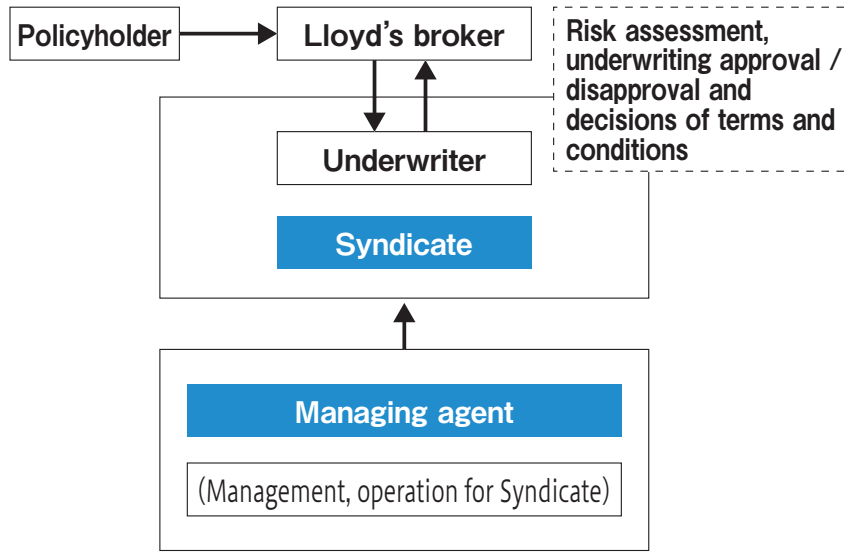
Law of Large Numbers
If you roll a die (1 dice), a "one" might appear by chance, but if you continue to increase the number of times the die is rolled, the ratio of times that "one" appears will approach one time out of six. As in this case, when the number of trials is increased, the law of large numbers indicates that the results will approach a fixed value. When calculating the probability of accident occurrence, the probability can be forecast by analyzing large volumes of accident data rather than just looking at the accident percentages of a few cases.

Life Insurance Professional
An agent specializing in life insurance or selling life insurance as its main business.

Lloyd's (Insurance Market)
The generic name for an insurance market established in London in the 17th century, having more than a 300-year history. On a day-to-day basis, huge and complex risks are brought to Lloyd's, where that risk is assessed, premiums decided and insurance underwritten by underwriters who have a high level of specialized expertise and who belong to individual syndicates (the risk underwriting bodies at Lloyd's).

Lloyd's is under the supervision of the British regulatory authorities, as well as the rigorous management and supervisory system of Lloyd's itself, and it is not easy to become a Lloyd's member (syndicate fund contributor) or establish a syndicate as many strict requirements must be satisfied.

As of the end of December 2018, Lloyd's had 115 syndicates and 57 managing agents registered. The fiscal 2018 gross written premiums of the Lloyd's market as a whole were approximately 37.2 billion British pounds.



Long-Term Care Insurance (Nursing Care Insurance)
A kind of insurance that can provide benefits for the purpose of providing long-term nursing care. In Japan, there exists both public long-term care insurance and private long-term care insurance products. Among the latter type of products, there are products that will provide a lump-sum benefit and/or annuities in cases where the beneficiary requires nursing due to being bedridden or suffering dementia for a specified period of time. There are also products that will provide a lump-sum benefit and/or annuities based on the public long-term care insurance system's primary nursing care requirement authorization.

Loss Adjustment Expense
Personnel expenses and non-personnel expenses (including depreciation costs) as well as various taxes related to the loss adjustment and insurance claim payment operations.

M

Medical Insurance
Medical insurance provides benefits to policyholders when they are hospitalized due to illness or injury or undergo specified types of surgical operations. Some medical insurance policies also provide death benefits on the decease of the beneficiary, but the amount of such benefits is generally small.

Motor Channel Agent
Sideline agents that sell insurance as a side business but are mainly automobile repair shops, used car sales dealers or automobile-related service providers or motorbike shops. Automobile dealerships that also sell insurance are excluded from this category.

N

Net Claims Paid
Net claims paid is obtained by totaling (adding or subtracting as indicated) items ❶ to ❹ listed to the right, and plainly shows the amount of insurance claims paid. The payment of insurance claims is the main expenditure involved in the non-life insurance business.

❶ Direct claims paid
−) ❷ Reinsurance claims ceded
+) ❸ Reinsurance claims paid
−) ❹ Retrocession claims ceded
❺ Net claims paid (Income statement item)

Net Expense Ratio
The net expense ratio is obtained by adding the commissions and collection expense to operating expenses and general administrative expenses incurred in the insurance underwriting business, and dividing this by net premiums written. It is an indicator of the operational efficiency of an insurance company. The net expense ratio can also be called simply "expense ratio."

Net Loss Ratio
The net loss ratio is obtained by adding net claims paid and loss adjustment expenses, and dividing this by net premiums written, and it indicates the company's insurance underwriting business performance. It can also be called "published loss ratio" or "loss ratio."

The net loss ratio is what is called a "written paid basis" indicator, as it can be calculated based simply on written premium and paid claims during the accounting period in question. → Earned-Incurred Loss Ratio (EI Loss Ratio)

Net Premiums Written
Net premiums written is obtained by totaling (adding or subtracting as indicated) items ❶ to ❹ listed to the right, and plainly shows the income earned from the non-life insurance business (excluding deposit premiums from policyholders).

❶ Direct premiums written
−) ❷ Reinsurance premiums ceded
+) ❸ Reinsurance premiums written
−) ❹ Retrocession premiums ceded
❺ Net premiums written (Income statement item)

Non-Fleet Grade System (Automobile Insurance)
A system of insurance premium discounts and surcharges based on the accident history applied to non-fleet contracts. The term non-fleet contracts refers to contracts where the total number of contract automobiles owned and used by the policyholder (the number of contracts with other insurance companies included) is nine or less. (Cases where the number of automobiles is 10 or more are referred to as "fleet contracts.") The grades are divided into 20 levels (Grade 1 to Grade 20), and the grade is maintained even if the insurance company changes. For more details, see P. 95.

O

Ordinary Outstanding Claims Reserve
A type of outstanding claims reserve set aside based on an estimation of future liability of individual claims that have occurred and been reported but not yet settled.
→ Incurred but Not Reported Loss (IBNR)

Ordinary Underwriting Reserves
The amount of unearned premiums (premium reserve) or the initial year balance, whichever is greater, is set aside as a liability reserve and called "ordinary underwriting reserve."
- Unearned premiums (premium reserve): Insurance premiums corresponding to the time period remaining on an insurance policy, collected beforehand.
- Initial year balance: Premiums received during the fiscal year less claims paid, reserves for outstanding claims and other expenses incurred under those contracts.

Outstanding Claims
When an accident has occurred prior to the balance sheet date and the related claim has not been paid, provisions are made to the outstanding claims to fund the claim payment.

P

Policies in Force
The outstanding amount of valid insurance policies owned by an insurance company at the end of the fiscal year. It is an indication of the grand total amount (of insurance, etc.) guaranteed to policyholders.

Policy Clauses
The policy clauses define the details of the insurance contract, including the policyholder's obligation to pay the insurance premium and duty of disclosure, as well as the payment amount and terms and conditions of payment by the insurance company. There are two kinds of policy clauses–common policy clauses, which are common to all insurance contracts of the same type, and special policy clauses (clauses containing special policy conditions), which are customized for individual contracts by adding to or changing/limiting some of the provisions in the common policy clauses.

Policyholder
The party applying to an insurance company for an insurance contract is called the policyholder. The policyholder is obliged to pay the insurance premium once the contract is concluded.

Policy Reserve
The reserve set aside by the insurance company at the period-end closing of accounts so that it can fulfill its obligation to pay insurance claims based on insurance contracts. It includes outstanding claims and underwriting reserves, and policyholder dividend reserves.

R

Reinsurance
Reinsurance is a form of insurance, that a insurance company purchase to share the risks of its insurance policies to another insurance company.
→ Direct Insurance

Reinsurance Premium
An insurance premium received from another insurance company via a reinsurance contract in return for underwriting a part of the risk.

Reinsurance Premium Ceded
An insurance premium paid to another insurance company via a reinsurance contract in return for covering a part of the risk of the original insurance contract, for purposes such as risk diversification.

Reorganization by Function
An unprecedented business model made possible by the 2013 revision of Japan's Insurance Business Act, Reorganization by Function calls for making the most of the strengths of each group insurance company while undertaking business reorganization. While enabling the bypassing of the negative aspects of simple corporate mergers–including temporary costs and the business impediments, time losses and various other problematic factors that often arise at the time of mergers–Reorganization by Function is designed to realize smooth business integration without slowing the speed of business growth, and it concurrently enables the leveraging of individual companies' strengths and the realization of efficiency in the pursuit of business scale and profitability.

Reserve for Price Fluctuation
In accordance with the Insurance Business Act revised in 1996, this reserve is provided to cover losses incurred from future decreases in prices of assets such as stocks and bonds for which the value is likely to fluctuate.

Retrocession Premium
When a reinsurance company reinsures a certain portion of the accepted reinsurance risks to other reinsurers, a reinsurance company pays a retrocession premium to other reinsurers based on the retrocession contracts.

S

Solvency Margin Ratio
The solvency margin of an insurance company, including its capital and reserves, seen as a percentage of a risk amount greater than what can be ordinarily expected, which might include catastrophic disasters or a massive drop in the price of owned assets. It is an indicator of the soundness of the company's management.

Solvency margin ratio = solvency margin ÷ half of total risk amount greater than what can be ordinarily expected

Strategic Equity
Investments in stocks with the intention of holding the stock over a long period to maintain and strengthen general business relationships with the issuer, while also securing a stable stream of investment income and improving asset value over the long run.

Sustainable Development Goals (SDGs)
URL http://www.undp.org/content/undp/en/home/sustainable-development-goals.html

Goal 1: No poverty
Goal 2: Zero hunger
Goal 3: Good health and well-being
Goal 4: Quality education
Goal 5: Gender equality
Goal 6: Clean water and sanitation
Goal 7: Affordable and clean energy
Goal 8: Decent work and economic growth
Goal 9: Industry, innovation and infrastructure
Goal 10: Reduced inequalities
Goal 11: Sustainable cities and communities
Goal 12: Responsible consumption and production
Goal 13: Climate action
Goal 14: Life below water
Goal 15: Life on land
Goal 16: Peace, justice and strong institutions
Goal 17: Partnerships for the goals

T

Telematics
A combination of "telecommunication" and "informatics," telematics refers to information services provided by equipping automobiles and other mobile objects with communications systems.

Telematics Automobile Insurance refers to automobile insurance with the premium rates calculated based on the collected data that relate to the driver's driving tendency such as miles driven and drivers' use of accelerator and brake functions.

Term Insurance
A type of insurance where the term of the insurance is fixed and the insurance benefits can be claimed only if the policyholder dies during the term. There are no maturity proceeds. This is ordinarily a fixed-amount insurance, where the insurance amount is fixed and remains unchanged throughout the term of insurance, but it could also be a decreasing term insurance, where the insurance premium is fixed and the insurance amount progressively decreases over the insurance term, and increasing term insurance, where the insurance amount increases over the duration of the insurance term. → Whole Life Insurance

Third Sector
The third "sector" of insurance, positioned somewhere between the first sector (life insurance) and second sector (non-life insurance), includes many different types of insurance, such as medical insurance, cancer insurance, nursing care insurance and accident insurance.

Three Surplus Factors (Life Insurance)
The "three surplus factors" refer to three margins: the "administrative expense margin," which is the difference between the planned administrative expense based on the planned expense ratio and the actual administrative expenses; the "risk margin (mortality margin)," which is the difference between the planned payment amounts from insurance, benefits, etc., based on the planned mortality rate and the actual payment amounts from insurance, benefits, etc.; and the "investment yield margin," which is the difference between the planned investment income based on the planned interest rate and the actual investment income. (If the investment yield margin is negative, it will be in a "negative spread" state.) The three surplus factors are a breakdown of "core profit," which is an indicator of the periodical profit and loss situation of a life insurance company.

Tontine-Type Annuity
Defined as "a plan whereby the guarantee of someone who has died is controlled and their share in an annuity devolved to the pension of someone living," the tontine-type annuity product offers the benefit of the longer people live, the more pension is received. Its name is derived from an insurance system devised by the Italian Lorenzo de Tonti.

U

Underwriting Profit (Loss)
Claims payment and loss adjustment expenses, maturity refunds and other underwriting expenses, and operating expenses and other general administrative expenses required for insurance underwriting are subtracted from net premiums written and other underwriting profit, and this is then adjusted to reflect other income and expenditure (such as expenses associated with compulsory automobile liability insurance, etc., corresponding to corporate taxes) to calculate underwriting profit (loss).

As for non-life insurance companies, the principal revenue sources are underwriting income and investment income, and underwriting profit indicates the profitability level of underwriting operations.

Underwriting Reserves
The general term for reserve funds set aside by insurance companies based on the legal requirement, for use toward insurance claims payments and other insurance-related obligations that could arise in the future. Underwriting reserves are broadly classified into five types: (1) ordinary underwriting reserves, (2) catastrophe reserves, (3) contingency reserves, (4) refund reserves and (5) policyholder dividend reserves.

V

Variable Insurance
An insurance product where the premium is invested in stocks, bonds and other assets, and the insurance payment or payout upon cancellation varies depending on the performance of the investment. The investment risk (the risk fluctuation in pension or cancellation payout) is borne by the individual policyholder. When the policyholder dies, the beneficiary can claim the basic insurance + variable insurance. The basic insurance is a minimum amount guaranteed to the policyholder irrespective of the investment fund's performance. Even when the variable insurance is negative, the basic insurance can be claimed.

W

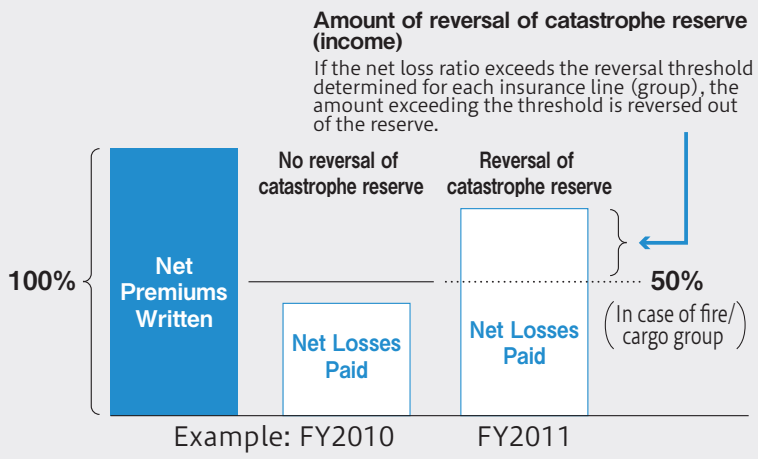
Whole Life Insurance
Of the types of insurance providing for the receipt of death benefits on death, this is a type that is not for a fixed period but continues for a lifetime and does not have benefits on maturity. → Term Insurance

Accounting Line Item Terminology
Please refer to the Guide Book for the Understanding of Disclosure Materials of Non-Life Insurance Companies[1] (prepared by the General Insurance Association of Japan) and the Life Insurance Company Disclosure Notes Glossary[2] (prepared by the Life Insurance Association of Japan) for details of accounting line items and other pertinent information.

1. http://www.sonpo.or.jp/archive/publish/sonpo/pdf/0004/book_kantanguide.pdf (Japanese only)
2. http://www.seiho.or.jp/data/publication/tora/pdf/tora_yougo.pdf (Japanese only)

Catastrophe Reserves

- These are reserves that insurance companies set aside to prepare for major disasters (e.g., typhoons, earthquakes) for which the "law of large numbers" does not function.
- The funds are accumulated as reserves (expense posted) at a certain percentage of each fiscal year's net premiums written.
- If a fiscal year's loss ratio (ratio of net losses paid to net premiums written) exceeds a certain threshold, reserves are reversed and posted as income.
- This is one of the mechanisms used to mitigate the impact on an insurance company's fiscal year profit and to guarantee it has a suitable capacity to pay insurance claims.

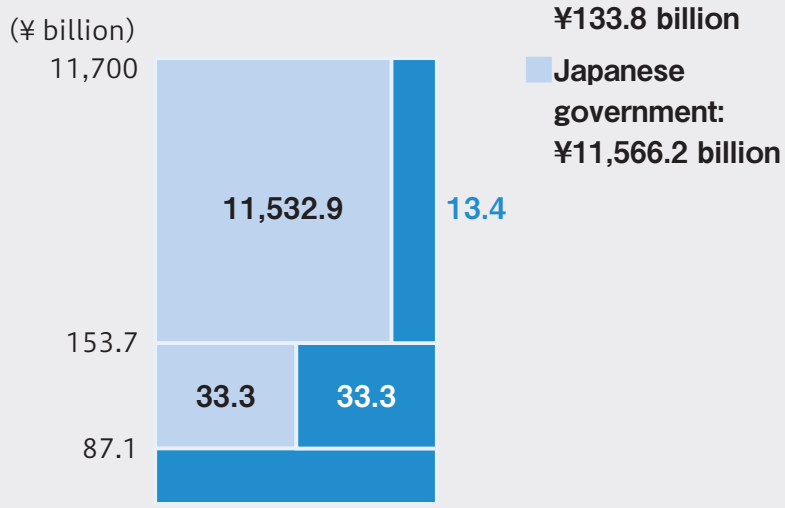


About Residential Earthquake Insurance

Based on Japan's Law Concerning Earthquake Insurance (the Earthquake Insurance Act), residential earthquake insurance is operated jointly by the government and non-life insurance companies. Reflecting the significant impact that earthquakes can have on society, residential earthquake insurance is a prerequisite for and incidental to fire insurance. Recognizing the substantial damage that is likely to occur in the event of a large-scale earthquake, residential earthquake insurance involves a government reinsurance underwriting mechanism in preparation for the payment of massive insurance amounts. For their part, non-life insurance companies forego the accumulation of profits in similar fashion to compulsory automobile liability insurance. Premiums are set aside as a reserve to cover insurance payments in the event of an earthquake in the future.

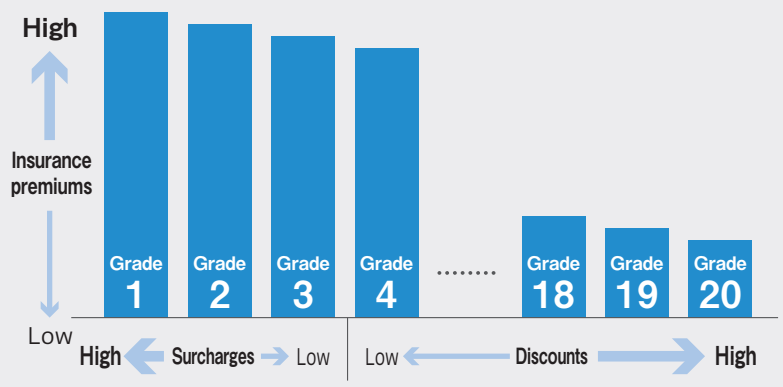
Government and Private-Sector Burdens

As of April 2019



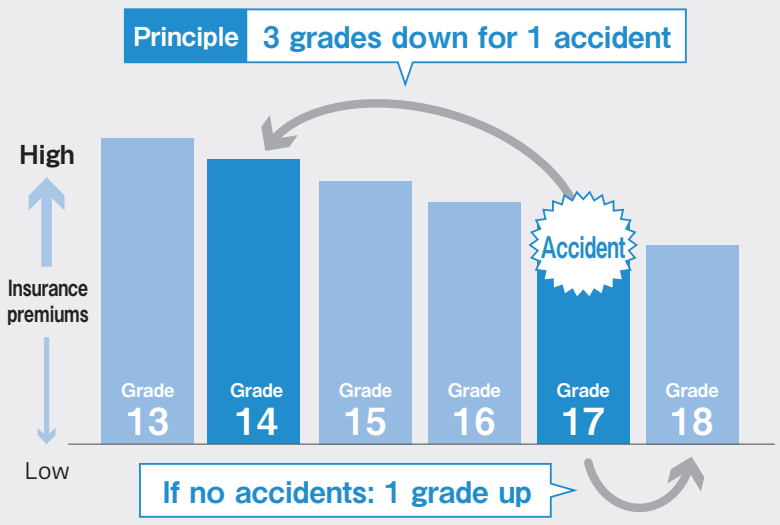
Non-Fleet Grade System (Automobile Insurance)

- This system applies discount percentages to grades defined from Grade 1 to Grade 20.

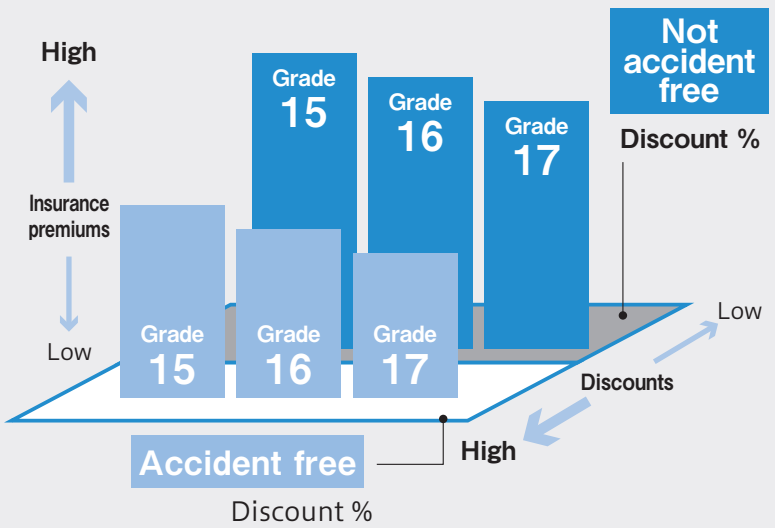


- When the contract is first concluded, the customer starts at Grade 6 (or Grade 7) and then rises by a one-grade increment if there are no accidents.
- If there is an accident, the grade drops by three-grade increments and, at renewal time, the grade, in principle, drops by three-grade increments per accident.*

* Depending on the accident type and the type of claim received, there are cases where the grade drops by only a one-grade increment and cases where the matter is not counted as an accident.



- Even at the same grade, discount percentages differ, depending on whether there have been accidents in the past. When "accidents exist," insurance premiums are set higher than when "no accidents exist."



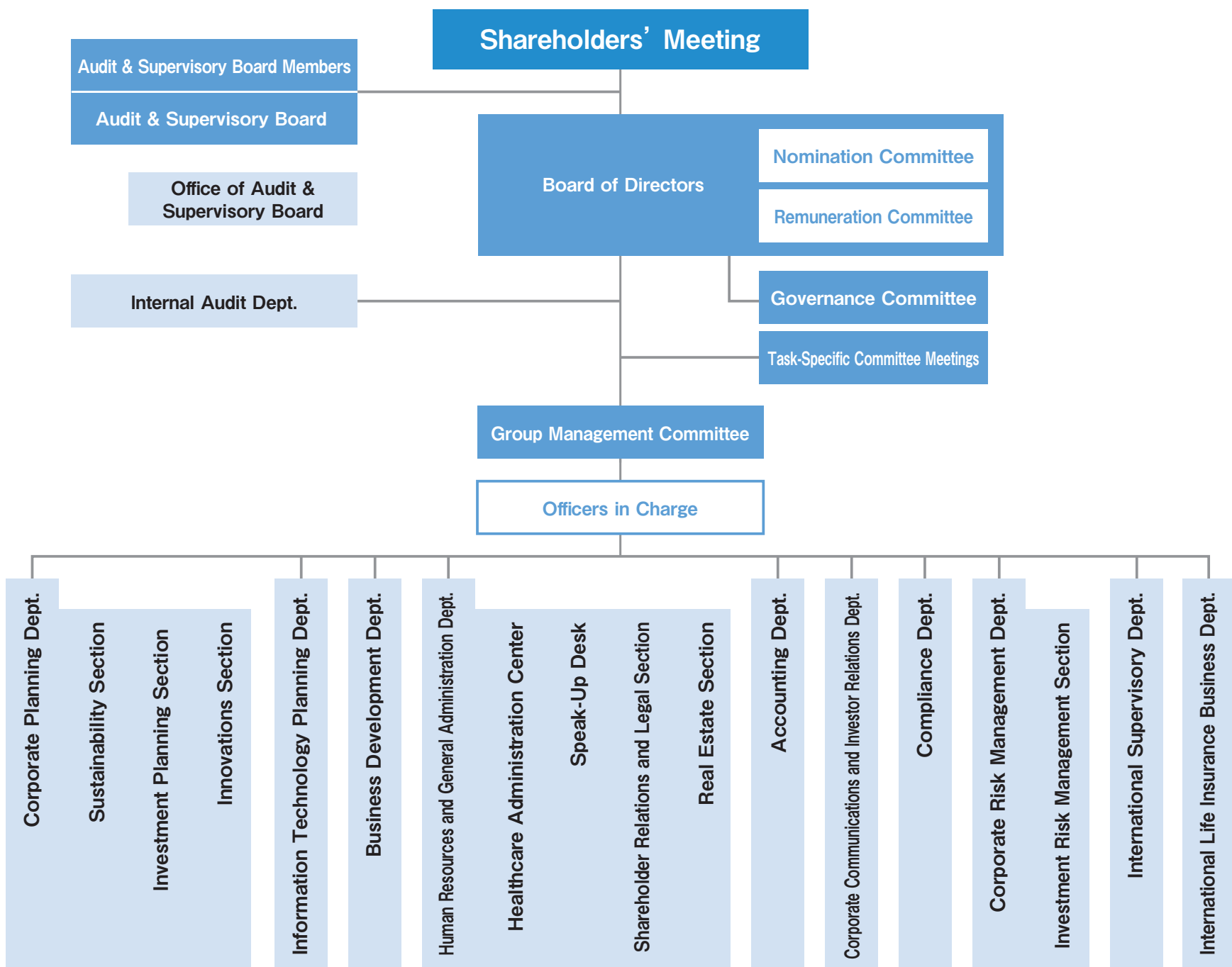
Corporate Profile

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	399 (41,467 on a consolidated basis) (As of March 31, 2019)
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, 2019)



Stock and Shareholders (As of March 31, 2019)

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**	63,735

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	182	51	1,523	822	61,157	63,735
Number of Shares Held (millions)	213.24	21.97	98.25	195.87	63.94	593.29
Percentage of Shares Issued	35.9%	3.7%	16.6%	33.0%	10.8%	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	18,193	32,540	11,652	968	382	63,735
Percentage of All Shareholders	28.5%	51.1%	18.3%	1.5%	0.6%	100.0%

Breakdown by Region

Item	Hokkaido	Tohoku	Kanto	Chubu	Kinki	Chugoku	Shikoku	Kyushu	Overseas	Total
Number of Shares (millions)	1.01	2.86	301.83	66.64	18.63	2.10	2.20	2.11	195.85	593.29
Percentage of Shares Issued	0.2%	0.5%	50.9%	11.2%	3.1%	0.4%	0.4%	0.4%	32.9%	100.0%

3. Major Shareholders

Shareholder Name	Address	Number of Shares Held (thousands)	Percentage of Shares Issued (%)
Toyota Motor Corporation	1, Toyota-cho, Toyota City, Aichi Prefecture	52,610	9.01
The Master Trust Bank of Japan, Ltd. (Trust account)	2-11-3, Hamamatsu-cho, Minato-ku, Tokyo	38,402	6.58
NIPPON LIFE INSURANCE COMPANY	1-6-6, Marunouchi, Chiyoda-ku, Tokyo c/o Nippon Life Securities Operations Department	36,325	6.22
Japan Trustee Services Bank, Ltd. (Trust account)	1-8-11, Harumi, Chuo-ku, Tokyo	26,291	4.50
Japan Trustee Services Bank, Ltd. (Trust account 9)	1-8-11, Harumi, Chuo-ku, Tokyo	12,590	2.16
JP MORGAN CHASE BANK 380055 (Standing agent: Settlement & Clearing Services Dept. Mizuho Bank, Ltd.)	270 Park Avenue, New York, NY 10017, U.S.A. (2-15-1, Konan, Minato-ku, Tokyo)	10,621	1.82
Japan Trustee Services Bank, Ltd. (Trust account 5)	1-8-11, Harumi, Chuo-ku, Tokyo	10,120	1.73
Japan Trustee Services Bank, Ltd. (Trust account 7)	1-8-11, Harumi, Chuo-ku, Tokyo	9,479	1.62
THE BANK OF NEW YORK MELLON 140044 (Standing agent: Settlement & Clearing Services Dept. Mizuho Bank, Ltd.)	240 Greenwich Street, New York, NY 10286, U.S.A. (2-15-1, Konan, Minato-ku, Tokyo)	9,390	1.61
JP MORGAN CHASE BANK 385151 (Standing agent: Settlement & Clearing Services Dept. Mizuho Bank, Ltd.)	25 Bank Street, Canary Wharf, London, E14 5JP, UNITED KINGDOM (2-15-1 Konan, Minato-ku, Tokyo)	7,650	1.31
Total		213,482	36.57

Note: Number of shares held is rounded down; percentage of shares issued is shown as rounded to the nearest basis point.
The Company owns 9,580 thousand treasury shares, but these are omitted from the table above.

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

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 *Nikkei* 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, 2019)

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.>
★ MSIG Specialty Insurance USA Inc. <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>
● Ceylinco Insurance PLC <SRI LANKA>
★ 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 Europe Limited <U.K.>
★ Aioi Nissay Dowa Life Insurance of Europe AG <GERMANY>
★ Aioi Nissay Dowa Insurance Company of Europe SE <LUXEMBOURG>
★ 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>

★ MS&AD InterRisk Research & 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	Minato-ku, Tokyo	Feb. 23, 2010	Domestic Non-Life Insurance	¥3,150 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
MS&AD 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
MSIG Specialty Insurance USA Inc.	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
Aioi Nissay Dowa Europe Limited	London, U.K.	Nov. 8, 2017	International	UK£350,010 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
Mitsui Sumitomo Insurance Company (Europe), Limited	London, U.K.	July 28, 1972	International	UK£80,700 thousand	—	100.0
MS Amlin AG	Zurich, Switzerland	Aug. 19, 2010	International	CHF10,000 thousand	—	100.0
MSIG Insurance Europe AG	Cologne, 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
MS Amlin Insurance SE	Brussels, Belgium	Jan. 4, 2016	International	€1,321 thousand	—	100.0
Aioi Nissay Dowa Insurance Company of Europe SE	Strassen, Luxembourg	Nov. 12, 2004	International	€41,875 thousand	—	100.0
MSIG Holdings (Asia) Pte. Ltd.	Singapore, Singapore	Sept. 23, 2004	International	S$1,075 million	—	100.0
MSIG Insurance (Singapore) Pte. Ltd.	Singapore, Singapore	Sept. 23, 2004	International	S$333,442 thousand	—	100.0
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
Aioi Nissay Dowa Insurance (China) Company Limited	Tianjin, P.R.C.	Jan. 23, 2009	International	RMB625,000 thousand	—	100.0
Mitsui Sumitomo Insurance (China) Company Limited	Shanghai, P.R.C.	Sept. 6, 2007	International	RMB500,000 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
49 other companies						

Notes: 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	—	28.8
ReAssure Jersey One Limited	Channel, Jersey	July 22, 2011	International	UK£529 thousand	25.0	—
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	—	25.2
PT. Asuransi Jiwa Sinarmas MSIG	Jakarta, Indonesia	July 17, 1984	International	IDR105,000 million	—	50.0
Ceylinco Insurance PLC	Colombo, Sri Lanka	Feb. 11, 1987	International	LKR1,324 million	—	15.0
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
Five other companies						

History of the MS&AD Insurance Group in Japan

Major events in the insurance industry

1996 1997 1998 1999 2000 2001

Start of Japan's Big Bang (financial system reform) → Development of original products → Deregulation of premium rate → Diversification of insurance products

1996 ● Revision of the Insurance Business Act
- Mutual entry into non-life and life insurance business by subsidiaries
- Reform of Insurance Rating Organization system
- Introduction of products and premium rates notification system

1997 ● Approval of risk-subdivision-type automobile insurance

1998 ● Abolition of obligation for members to use the premium rates calculated by the Rating Organization (Transitional Measures: 2 years)

2001 ● Ban on OTC bank sales of insurance partially lifted

History of the MS&AD Insurance Group

Founded in 1918	Mitsui Marine & Fire Insurance Co., Ltd.	In 1918, this company was established as Taisho Marine & Fire Insurance Co., Ltd., with the support of a wide range of companies from many industries centered on Mitsui & Co., Ltd. Besides beginning direct underwriting operations in Thailand in 1934 and undertaking other moves to expand its overseas sales systems from an early stage, the company initiated fund procurement through the issuance of depositary receipts in London from 1964 and otherwise responded to the era of internationalization. It merged with Shin Nippon Fire in 1941 and with Mitsui Fire in 1944. In 1991, it changed its name to Mitsui Marine & Fire.
Founded in 1893	Sumitomo Marine & Fire Insurance Co., Ltd.	This company was established as Osaka-based Osaka Insurance in 1893 by interests related to the copper and trading industries. Another predecessor company, Tokyo-based Fuso Marine, was established in 1917. Its management was later transferred to Sumitomo, and it was renamed Sumitomo Marine. Osaka Insurance and Sumitomo Marine merged in 1944, creating Osaka Sumitomo Marine. In 1954, the company's head office was moved to Tokyo, and the company's name was changed to Sumitomo Marine. In response to Japanese companies' moves to establish overseas operations, it progressively built up an overseas sales system.
Founded in 1918	Dai-Tokyo Fire & Marine Insurance Co., Ltd.	Established in 1918 as Tokyo Dosan Fire, which was engaged in the basic fire insurance business, this company merged with Toshin Fire, which was engaged in the general fire insurance business, in 1944 to create Dai Tokyo Fire. From the early 1960s, Dai Tokyo Fire proactively worked to expand its automobile insurance business. It built one of the industry's top claims handling systems in automobile insurance and organized a network of car repair and maintenance shops, thereby earning the epithet "Dai Tokyo of car repair and maintenance agencies."
Founded in 1897	Chiyoda Fire & Marine Insurance Co., Ltd.	Established in 1897 as Otaru Cargo Fire, this company merged with Okura Fire of the Okura zaibatsu in 1944. In 1945, it merged with the former Chiyoda Fire, which was established as a sister company of Chiyoda Life, and it changed its name to Chiyoda Fire in 1946. After the war, Chiyoda Fire cooperated with Tokai Bank and built strong ties with the financial industry in the greater Nagoya region. After building ties with Toyota Motor Sales Co., Ltd., it developed as a company with particularly strong operations in automobile insurance.
Founded in 1897	Dowa Fire & Marine Insurance Co., Ltd.	Established in 1897 as Yokohama Fire, it merged with three companies based in the Kansai region – Kobe Marine, Kyodo Fire, and Asahi Marine – in 1944 to create Dowa Fire. After the war, it redeveloped aviation insurance and developed satellite insurance products, earning a reputation as being particularly strong in the aerospace field, and it maintained one of the industry's top levels of financial soundness.

Established in 1996 — Nissay General Insurance Co., Ltd.

Business started in 2000 — Mitsui Direct General Insurance Co., Ltd.

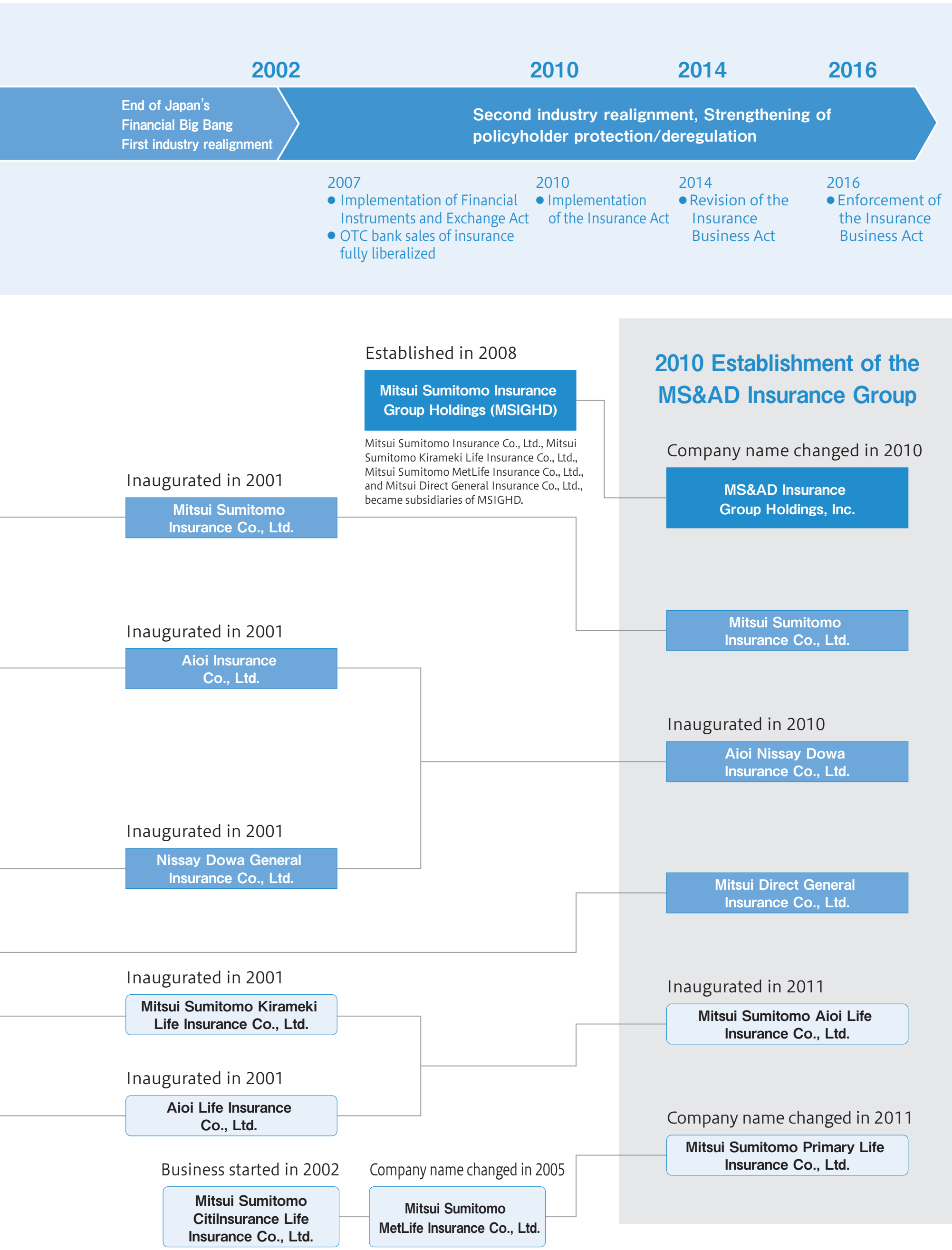
Established in 1996 — Mitsui Mirai Life Insurance Co., Ltd.

Established in 1996 — Sumitomo Marine Yu-Yu Life Insurance Co., Ltd.

Established in 1996 — Dai-Tokyo Shiawase Life Insurance Co., Ltd.

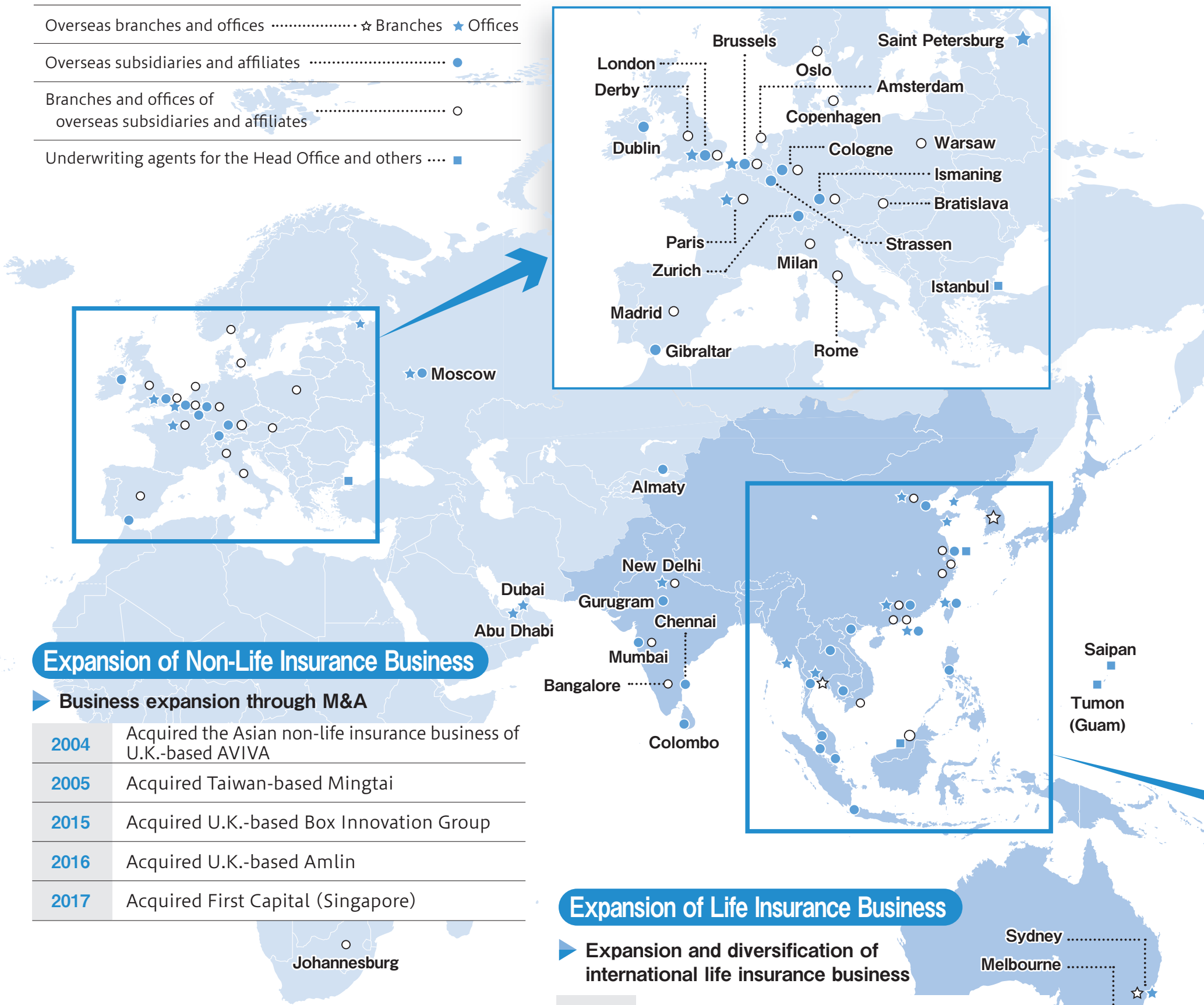
Established in 1996 — Chiyoda Kasai Ebisu Life Insurance Co., Ltd.

Note: Because the 1996 Revision of the Insurance Business Act removed the prohibition of life and non-life insurance company moves to enter the other insurance sector through subsidiaries, Mitsui Marine & Fire, Sumitomo Marine & Fire, Dai-Tokyo Fire & Marine and Chiyoda Fire & Marine, each established a life insurance subsidiary and began engaging in the life insurance business.


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
2010 Establishment of the MS&AD Insurance Group
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 subsidiaries of MSIGHD.
Company name changed in 2010
MS&AD Insurance Group Holdings, Inc.
Inaugurated in 2001
Mitsui Sumitomo Insurance Co., Ltd.
Mitsui Sumitomo Insurance Co., Ltd.
Inaugurated in 2001
Aioi Insurance Co., Ltd.
Inaugurated in 2010
Aioi Nissay Dowa Insurance Co., Ltd.
Inaugurated in 2001
Nissay Dowa General Insurance Co., Ltd.
Mitsui Direct General Insurance Co., Ltd.
Inaugurated in 2001
Mitsui Sumitomo Kirameki Life Insurance Co., Ltd.
Inaugurated in 2011
Mitsui Sumitomo Aioi Life Insurance Co., Ltd.
Inaugurated in 2001
Aioi Life Insurance Co., Ltd.
Company name changed in 2011
Mitsui Sumitomo Primary Life Insurance Co., Ltd.
Business started in 2002
Mitsui Sumitomo CitiInsurance 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, 2019)

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

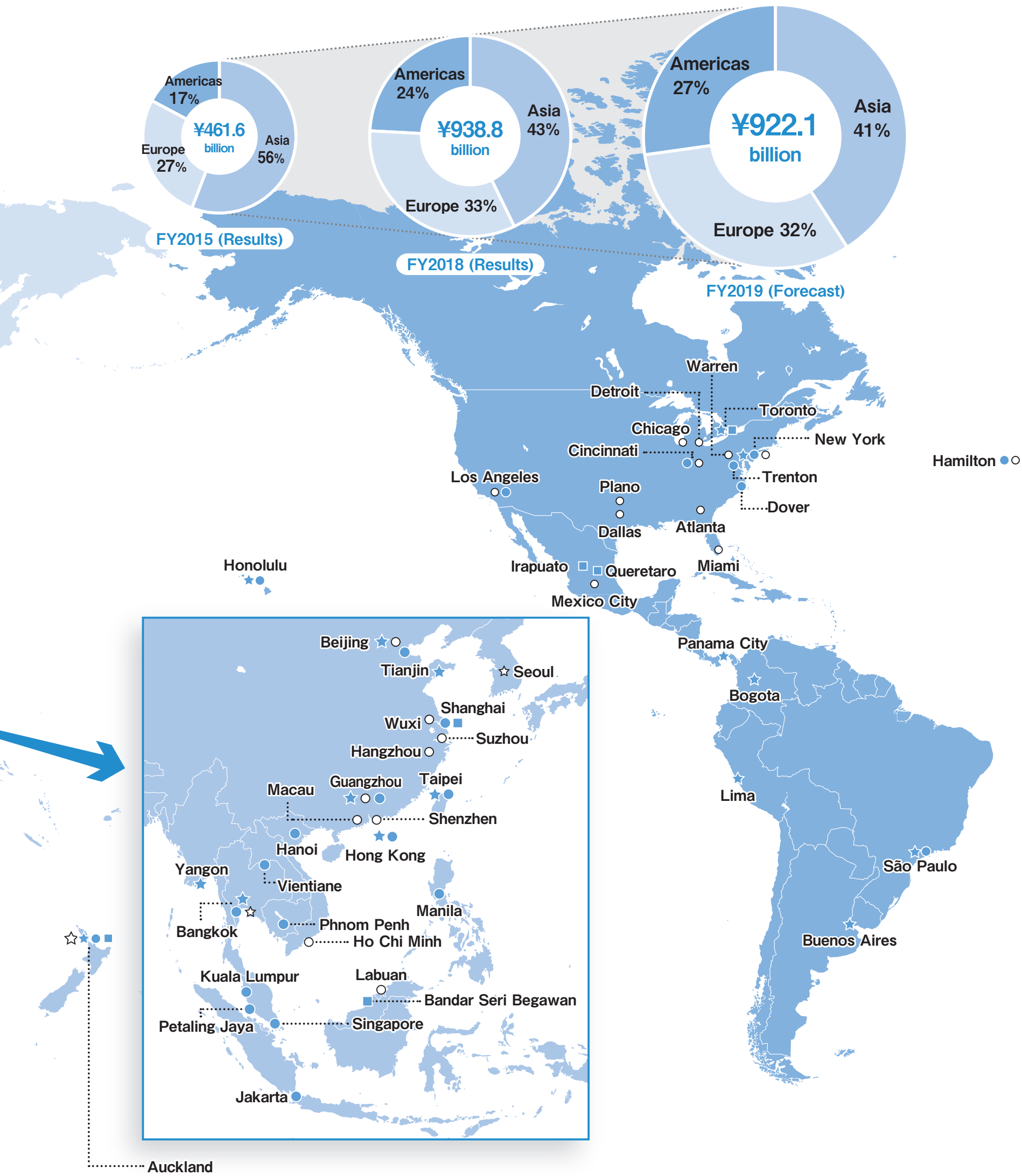
2010	Investment in Hong Leong Assurance Berhad (Malaysia)
2011	Investment in Hong Leong MSIG Takaful Berhad (Malaysia)
2011	Investment in PT. Asuransi Jiwa Sinarmas MSIG (Indonesia)
2012	Investment in Max Life Insurance Company Limited (India)
2017	Investment in Challenger Limited (Australia)
2018	Investment 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 Premiums Written 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, 2019)

☆: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	● Aioi Nissay Dowa 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 Chayoratn 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 ★ Beijing 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
	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
INDIA	MSI	● Cholamandalam MS General Insurance Company Limited ● Cholamandalam MS Risk Services Limited ★ New Delhi Representative Office ● Max Life Insurance Company Limited
MYANMAR	MSI	★ Yangon Representative Office
CAMBODIA	MSI	● Asia Insurance (Cambodia) Plc.
LAO PEOPLE'S DEMOCRATIC REPUBLIC	MSI	● MSIG Insurance (Lao) Co., Ltd.
AUSTRALIA	MSI	☆ Oceania Branch ★ Oceania Branch Melbourne Office
	ADI	☆ Australian Branch ★ Sydney Representative Office ★ Melbourne Representative Office ● Aioi Nissay Dowa Insurance Company Australia Pty Ltd
NEW ZEALAND	MSI	★ Oceania Branch New Zealand Office
	ADI	☆ New Zealand Branch ● Aioi Nissay Dowa Management New Zealand Limited
SRI LANKA	MSI	● Ceylinco Insurance PLC

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 ● Seven Hills Insurance Agency, LLC ● MSIG Specialty Insurance USA Inc. ● MSI GuaranteedWeather, LLC ● Vortex Insurance Agency, LLC
	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	MSI	● SPAC Insurance (Bermuda) Limited ● MSI GuaranteedWeather Trading Limited ● MS Financial Reinsurance 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	MS&AD Holdings	● ReAssure Group plc
	MSI	★ London Representative Office ● MS Amlin plc ● MS Amlin Corporate Services Limited ● MS Amlin Underwriting Limited ● MS Amlin Corporate Member Limited ● Mitsui Sumitomo Insurance Company (Europe), Limited △ Mitsui Sumitomo Insurance Company (Europe), Limited Derby Office ● MSIG Corporate Services (Europe) Limited ● Leadenhall Capital Partners LLP
	ADI	★ London Representative Office ● Aioi Nissay Dowa Europe Limited ● Aioi Nissay Dowa UK Limited ● Aioi Nissay Dowa Insurance Management Limited ● 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
GERMANY	MSI	● MSIG Insurance Europe AG △ MSIG Insurance Europe AG Region Germany
	ADI	△ Aioi Nissay Dowa Insurance Company of Europe SE German Branch △ Toyota Insurance Management SE 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 SE Netherlands Branch
FRANCE	MSI	△ MSIG Insurance Europe AG France Branch
	ADI	★ Paris Representative Office △ Aioi Nissay Dowa Insurance Company of Europe SE French Branch △ Toyota Insurance Management SE French Branch
BELGIUM	MSI	● MS Amlin Insurance SE △ MSIG Insurance Europe AG Belgium Branch △ MSIG Corporate Services (Europe) Limited Belgium Branch
	ADI	★ Brussels Representative Office △ Aioi Nissay Dowa Insurance Company of Europe SE Belgian Branch △ Toyota Insurance Management SE Belgian Branch
LUXEMBOURG	ADI	● Aioi Nissay Dowa Insurance Company of Europe SE ● Toyota Insurance Management SE
SWITZERLAND	MSI	● MS Amlin AG
SPAIN	MSI	△ MSIG Insurance Europe AG Spain Branch
	ADI	△ Aioi Nissay Dowa Insurance Company of Europe SE Spanish Branch △ Toyota Insurance Management SE Spanish Branch
ITALY	MSI	△ MSIG Insurance Europe AG Italy Branch
	ADI	△ Aioi Nissay Dowa Insurance Company of Europe SE Italian Branch △ Toyota Insurance Management SE Italian Branch
SLOVAKIA	MSI	△ MSIG Insurance Europe AG Slovakia Branch
RUSSIA	MSI	★ Moscow Representative Office ★ Saint Petersburg Representative Office
	ADI	★ Moscow Representative Office ● LLC Toyota Insurance Management Limited (Insurance Brokers) ● LLC Toyota Insurance Management Limited (Insurance Agency)
NORWAY	ADI	△ Aioi Nissay Dowa Insurance Company of Europe SE 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 SE Nordic Branch
POLAND	ADI	△ Toyota Insurance Management SE Polish Branch

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, 2019)

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)	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, 2019)

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 SE	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. MSIG Specialty Insurance USA Inc.	Financial Strength Rating Issuer Credit Rating	A+ (Stable) aa (Stable)
	Syndicate 2001	Financial Strength Rating Issuer Credit Rating	A (Stable) a+ (Stable)
	MS Amlin AG	Financial Strength Rating Issuer Credit Rating	A (Stable) a+ (Stable)
	DTRIC Insurance Company Ltd. DTRIC Insurance Underwriters, Ltd.	Financial Strength Rating Issuer Credit Rating	A- (Stable) a- (Stable)
	Aioi Nissay Dowa Insurance (China) Co., Ltd.	Financial Strength Rating Issuer Credit Rating	A- (Stable) a- (Stable)
	MS First Capital Insurance Limited	Financial Strength Rating Issuer Credit Rating	A (Stable) 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: **14,577** (As of March 31, 2019)
Head Office: **9, Kanda-Surugadai 3-chome, Chiyoda-ku, Tokyo**
URL **https://www.ms-ins.com/english/**

Principal Indicators (Non-Consolidated)

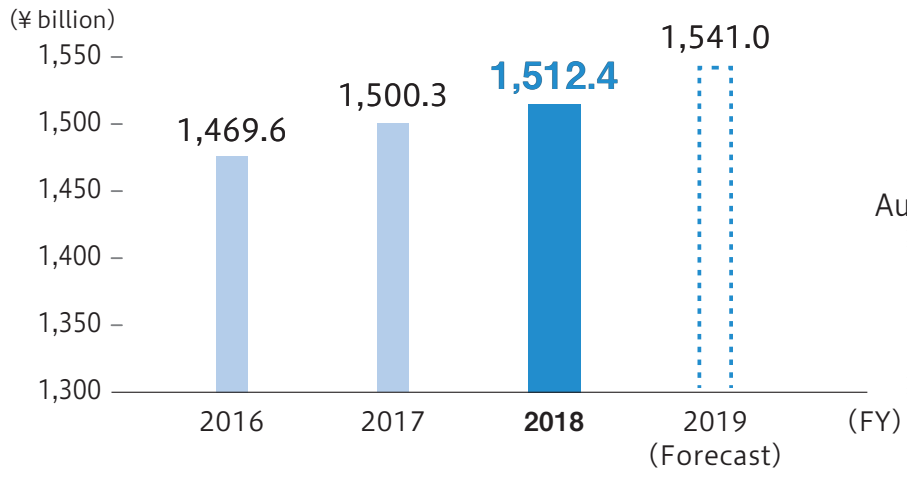
(¥ billion)

Item	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019 (Forecast)
Net premiums written	1,445.8	1,507.4	1,469.6	1,500.3	1,512.4	1,541.0
Growth rate of net premiums written	4.4%	4.3%	(2.5%)	2.1%	0.8%	1.9%
Net loss ratio	62.2%	58.9%	61.2%	61.6%	66.2%	60.9%
Net expense ratio	31.8%	31.0%	31.2%	31.3%	31.5%	32.4%
Combined ratio	94.0%	89.9%	92.4%	92.9%	97.7%	93.3%
Underwriting income	14.0	19.1	81.7	84.4	47.3	76.0
Investment income	158.3	152.8	139.4	182.5	185.9	115.0
Ordinary profit	171.3	167.8	215.5	262.5	226.4	182.0
Net income	89.1	113.9	164.5	198.2	171.1	136.0
Net assets	1,732.7	1,527.4	1,645.0	1,877.0	1,832.6	–
Total assets	6,790.0	6,786.5	6,777.0	7,098.2	6,977.1	–
Net unrealized gains/(losses) on investments in securities (before tax effects)	1,633.7	1,251.1	1,294.0	1,419.7	1,226.7	–
Solvency margin ratio (non-consolidated)	651.5%	585.9%	657.9%	701.1%	723.2%	–
Number of employees	14,859	14,691	14,650	14,572	14,577	–

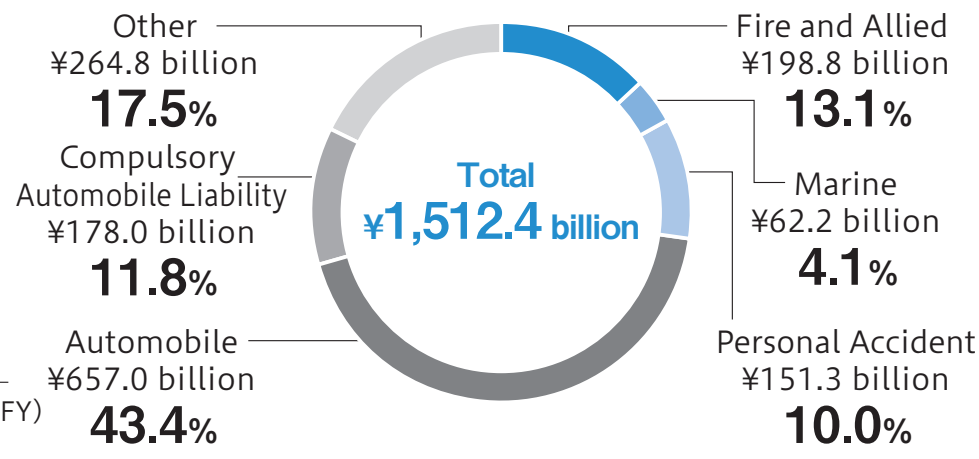
Notes: 1. Net premiums written, net loss ratio, net expense ratio and combined ratio figures are presented exclusive of Good Result Return premiums of propriety automobile insurance product "ModoRich," which contains a special clause related to premium adjustment and refund at maturity.
2. Net loss ratio = (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 that are accounted for as investment in securities.

Principal Management Indicators

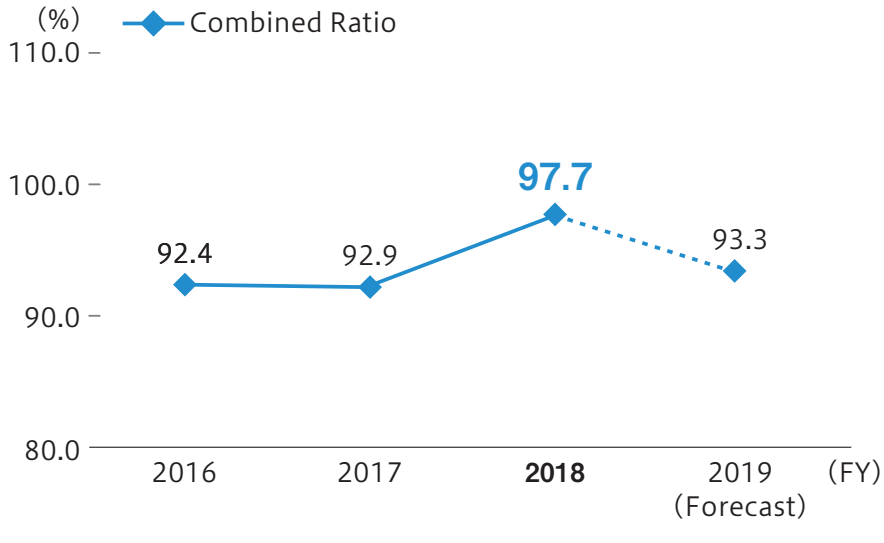
Net Premiums Written



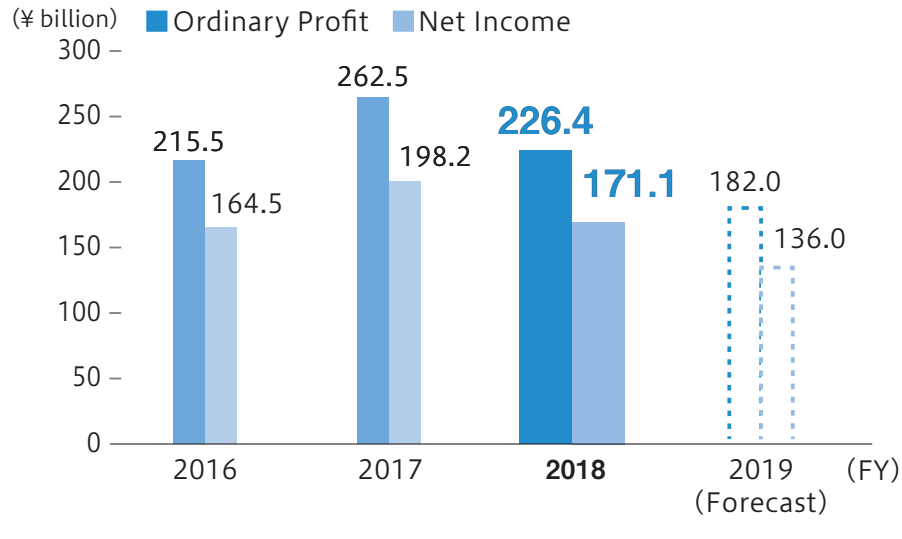
Composition by Class of Insurance (FY2018)



Combined Ratio



Ordinary Profit / Net Income



Domestic Non-Life Insurance Business

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: **13,657** (As of March 31, 2019)
Head Office: **28-1, Ebisu 1-chome, Shibuya-ku, Tokyo**
URL **https://www.aioinissaydowa.co.jp**
(Japanese language only)

Principal Indicators (Non-Consolidated)

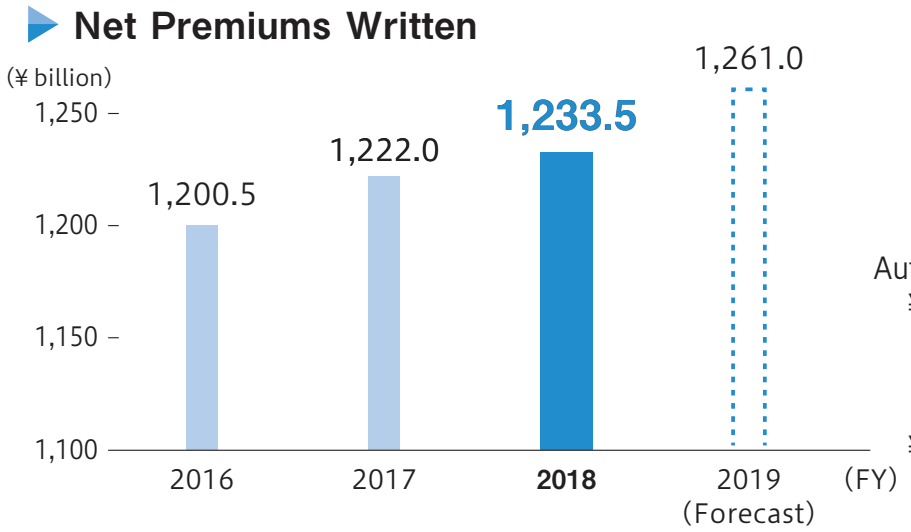
(¥ billion)

Item	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019 (Forecast)
Net premiums written	1,160.8	1,192.0	1,200.5	1,222.0	1,233.5	1,261.0
Growth rate of net premiums written	1.4%	2.7%	0.7%	1.8%	0.9%	2.2%
Net loss ratio	63.2%	59.2%	59.1%	59.2%	67.8%	62.8%
Net expense ratio	35.0%	34.3%	33.5%	33.4%	33.8%	34.2%
Combined ratio	98.2%	93.5%	92.6%	92.6%	101.6%	97.0%
Underwriting income	14.7	24.8	39.5	4.8	15.5	28.0
Investment income	51.5	34.9	32.2	(1.9)	43.0	39.0
Ordinary profit	68.9	61.7	75.1	5.6	61.3	68.0
Net income	39.4	31.0	50.3	15.6	37.3	40.0
Net assets	796.9	745.1	793.0	781.0	735.5	–
Total assets	3,470.7	3,418.5	3,498.2	3,486.6	3,410.9	–
Net unrealized gains/(losses) on investments in securities (before tax effects)	555.8	473.7	505.3	578.7	506.3	–
Solvency margin ratio (non-consolidated)	804.9%	829.3%	851.6%	784.0%	688.2%	–
Number of employees	12,973	13,260	13,052	13,287	13,657	–

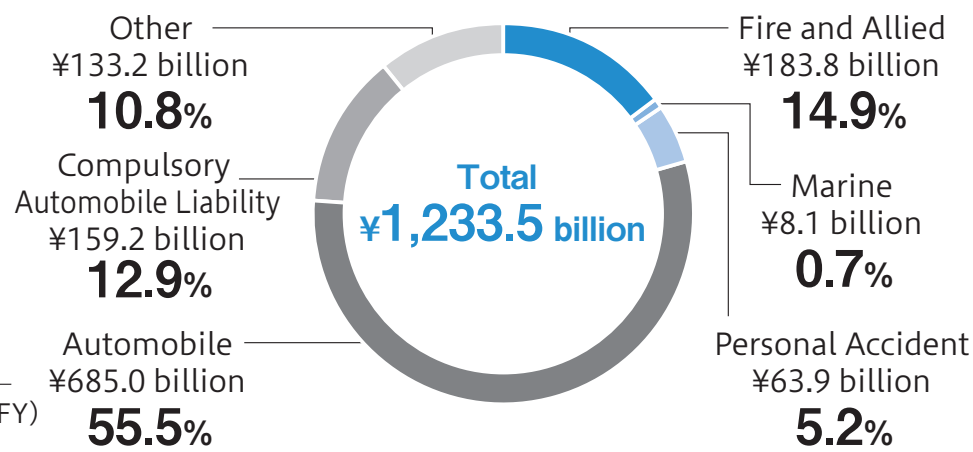
Notes: 1. Net loss ratio = (net claims paid + loss adjustment expenses) ÷ net premiums written × 100
2. Net expenses ratio = (commissions and collection expenses + operating expenses and general and administrative expenses for underwriting) ÷ net premiums written × 100
3. Combined ratio = net loss ratio + 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 that are accounted for as investment in securities.

Principal Management Indicators

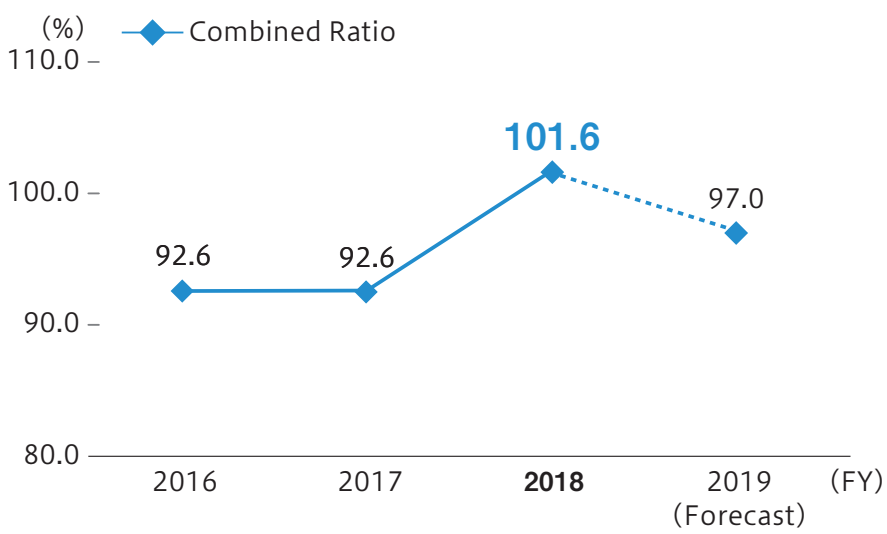
Net Premiums Written



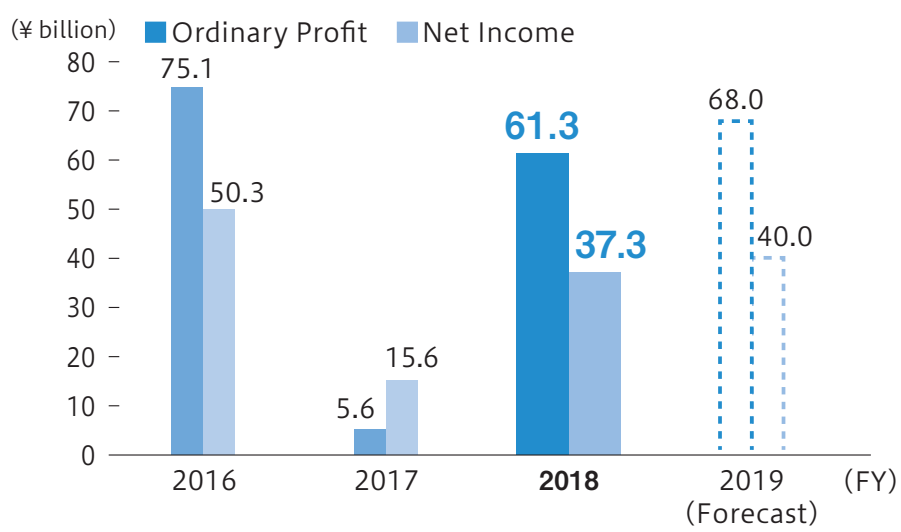
Composition by Class of Insurance (FY2018)



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: **Akio Miyamoto**
Date Established: **June 1999**
Number of Employees: **545** (As of March 31, 2019)
Head Office: **5-3, Kouraku 1-chome, Bunkyo-ku, Tokyo**
URL **https://www.mitsui-direct.co.jp (Japanese language only)**

Principal Indicators (Non-Consolidated)

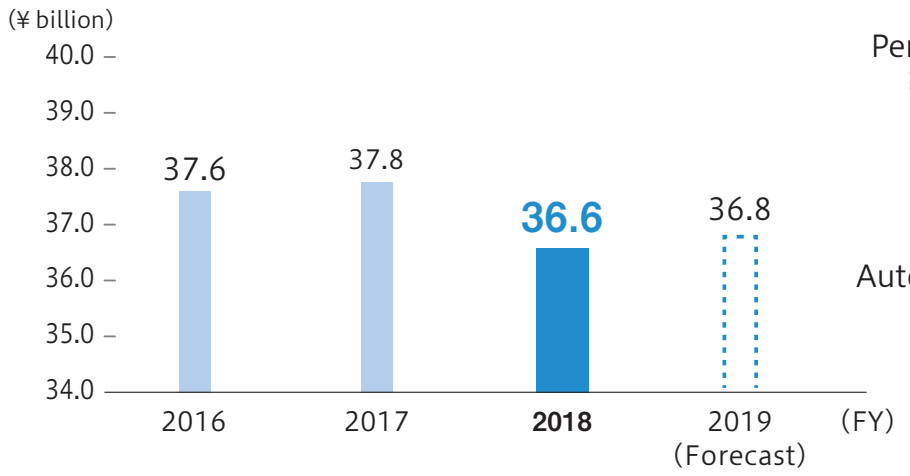
(¥ billion)

Item	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019 (Forecast)
Net premiums written	35.0	36.5	37.6	37.8	36.6	36.8
Growth rate of net premiums written	(1.4%)	4.3%	3.0%	0.6%	(3.2%)	0.5%
Net loss ratio	78.9%	79.0%	75.9%	73.0%	76.2%	75.4%
Net expense ratio	22.8%	21.9%	22.0%	23.3%	25.3%	25.8%
Combined ratio	101.7%	100.9%	97.9%	96.3%	101.5%	101.2%
Underwriting income	(4.35)	(5.45)	(1.00)	0.38	0.33	0.12
Ordinary profit	(4.23)	(5.37)	(0.95)	0.45	0.38	0.18
Net income	(4.33)	(5.42)	(1.00)	0.32	0.24	0.08
Net assets	6.8	6.4	13.3	13.6	13.9	–
Total assets	46.4	51.0	59.9	61.4	60.9	–
Solvency margin ratio (non-consolidated)	255.9%	230.4%	431.4%	457.5%	497.6%	–
Number of employees	572	554	572	571	545	–

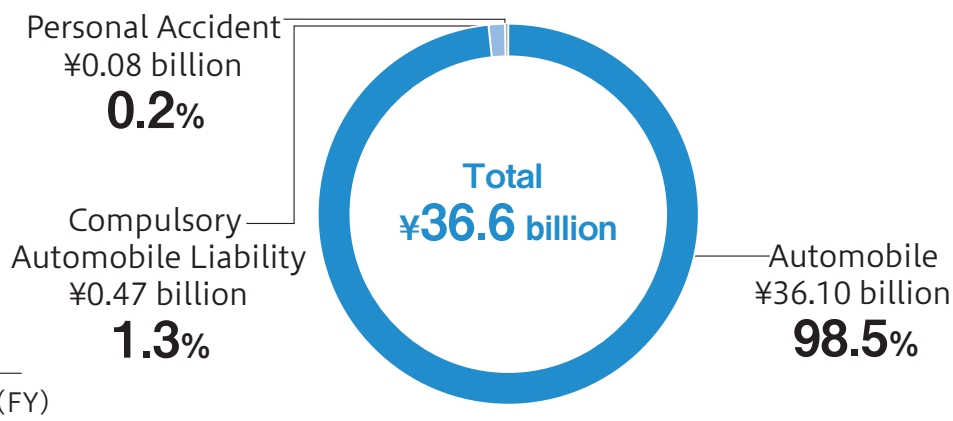
Notes: 1. Net loss ratio = (net claims paid + loss adjustment expenses) ÷ net premiums written × 100
2. Net expenses ratio = (commissions and collection expenses + operating expenses and general and administrative expenses for underwriting) ÷ net premiums written × 100
3. Combined ratio = net loss ratio + net expenses ratio

Principal Management Indicators

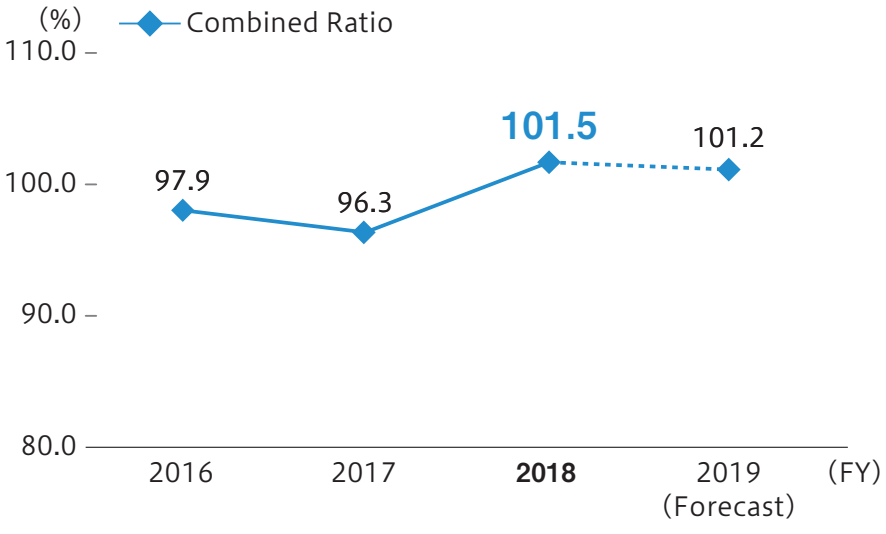
Net Premiums Written



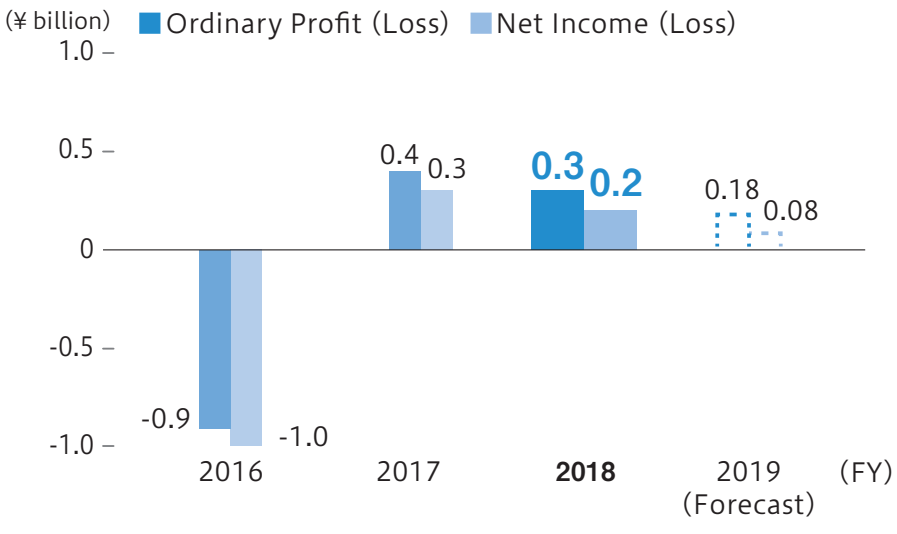
Composition by Class of Insurance (FY2018)



Combined Ratio



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



Domestic Life Insurance Business

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

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

Company Overview
President: **Hitoshige Tanbo**
Date Established: **August 1996**
Number of Employees: **2,602**
(As of March 31, 2019)
Head Office: **27-2, Shinkawa 2-chome, Chuo-ku, Tokyo**
URL **https://www.msa-life.co.jp**
(Japanese language only)

Principal Indicators (Non-Consolidated)

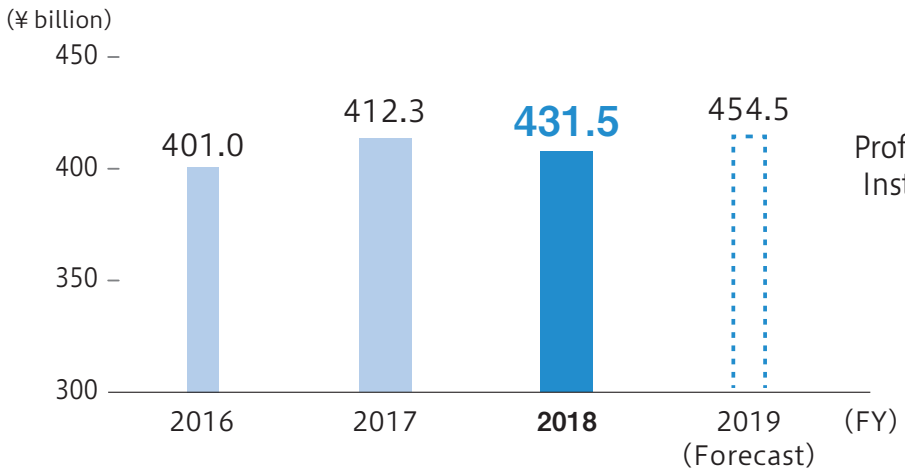
(¥ billion)

Item	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019 (Forecast)
Amount of new policies	2,481.1	2,423.3	2,377.1	2,639.5	3,114.5	2,834.1
Amount of policies in force	21,894.0	22,576.0	23,214.2	23,806.8	24,533.1	25,055.6
Annualized premiums of policies in force	353.4	375.7	401.0	412.3	431.5	454.5
Ordinary profit	15.9	18.6	16.1	16.9	19.5	21.9
Core profit	16.1	19.4	18.6	12.8	15.5	–
Risk differential gains/(losses)	50.3	51.5	55.8	59.9	62.7	–
Expenses differential gains/(losses)	(22.7)	(16.3)	(14.6)	(15.3)	(13.0)	–
Investment income differential gains/(losses)	1.3	2.0	(0.2)	(2.2)	(4.3)	–
Net income	4.4	6.0	4.5	5.2	7.9	10.0
Net assets	169.1	199.7	276.2	264.5	275.9	–
Total assets	3,009.2	3,229.0	3,619.1	3,869.7	4,229.6	–
Net unrealized gains/(losses) on investments in securities (before tax effects)	132.6	165.2	126.3	107.5	114.0	–
Embedded value (EEV)	647.8	595.8	794.2	835.5	819.4	927.0
Solvency margin ratio	1,429.9%	1,598.4%	1,893.2%	1,726.7%	1,681.8%	–
Number of employees	2,544	2,554	2,595	2,609	2,602	–

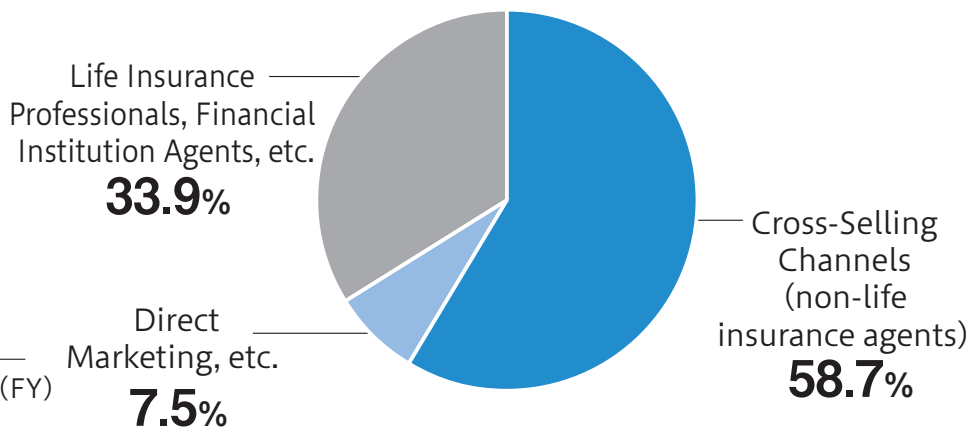
Notes: 1. Amount of new policies, amount of policies in force and annualized premiums of policies in force are the total of individual insurance and individual annuity insurance.
2. Core profit is an insurance business profitability indicator that is calculated by deducting capital gains/(losses) and 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 that are accounted for as investment in securities.

Principal Management Indicators

Annualized Premiums of Policies in Force

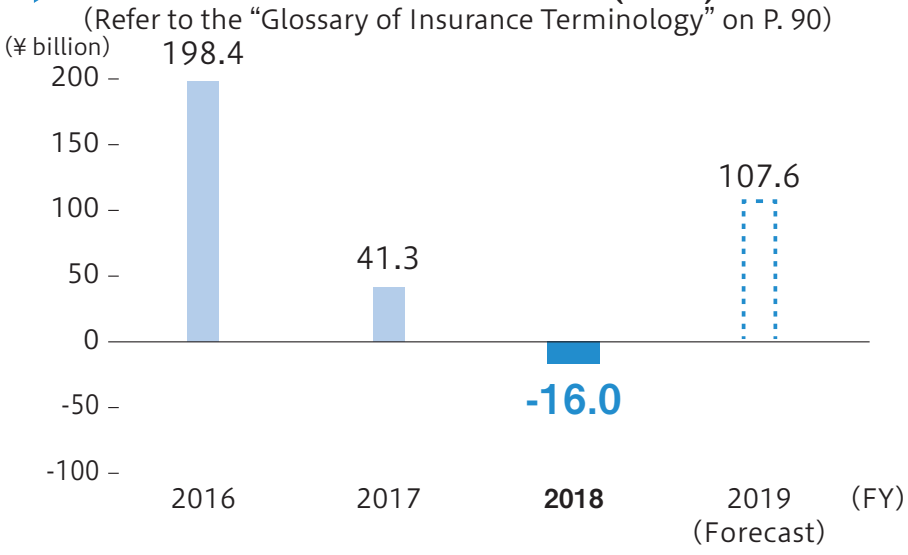


Weight by Type of Sales Channel (FY2018)

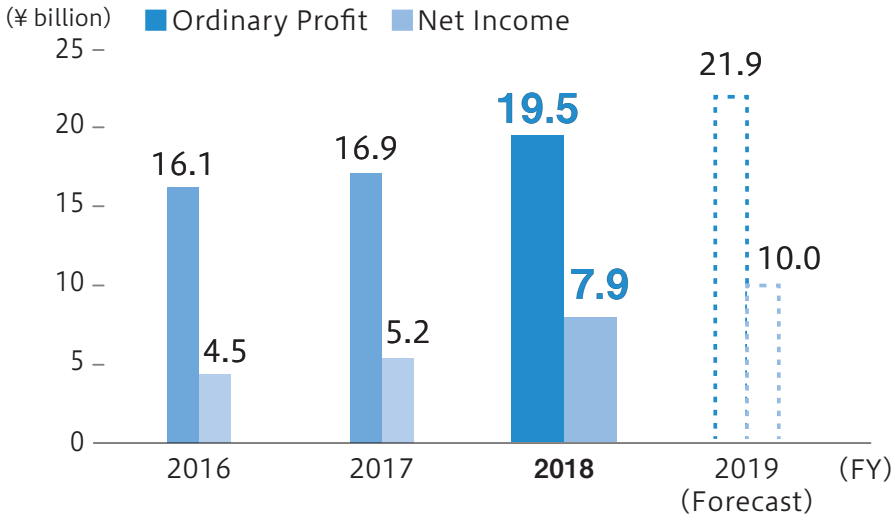


Increase in Embedded Value (EEV)

(Refer to the "Glossary of Insurance Terminology" on P. 90)



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 and asset-inheritance-type products centered on individual annuity insurance and whole life insurance.

Company Overview
President: **Yasuhiro Nagai**
Date Established: **September 2001**
Number of Employees: **400**
(As of March 31, 2019)
Head Office: **Yaesu First Financial Building, 3-7, Yaesu 1-chome, Chuo-ku, Tokyo**
URL **https://www.ms-primary.com**
(Japanese language only)

Principal Indicators (Non-Consolidated)

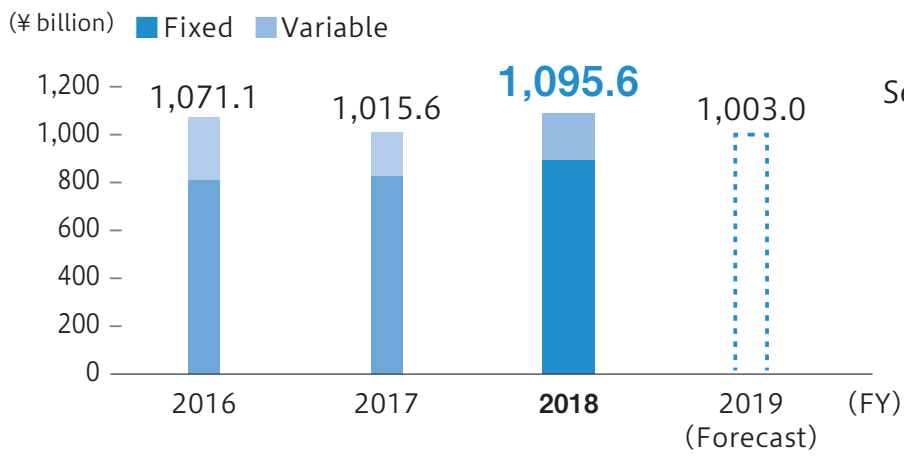
(¥ billion)

Item	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019 (Forecast)
Premiums income	1,054.0	1,299.4	1,071.1	1,015.6	1,095.6	1,003.0
Amount of new policies	1,024.7	1,262.6	1,032.2	1,015.6	1,118.2	1,122.7
Amount of policies in force	4,421.0	4,910.8	5,680.7	6,061.8	6,678.5	7,278.0
Ordinary profit	17.7	39.9	57.6	28.9	35.5	27.8
Core profit/(loss)	(33.4)	14.3	52.7	8.8	(12.3)	–
Core profit + Capital gains	24.4	41.9	58.9	30.0	44.2	–
Net income	12.4	17.8	20.7	29.2	23.3	17.0
Net assets	109.8	125.0	137.7	164.0	195.3	–
Total assets	4,662.0	5,191.2	5,838.0	6,201.7	6,885.3	–
Net unrealized gains/(losses) on investments in securities (before tax effects)	15.4	14.6	10.4	11.3	27.3	–
Embedded value (EEV)	310.2	333.8	375.3	416.2	436.1	–
Solvency margin ratio	879.7%	985.5%	1,030.5%	992.9%	825.4%	–
Number of employees	363	381	384	394	400	–

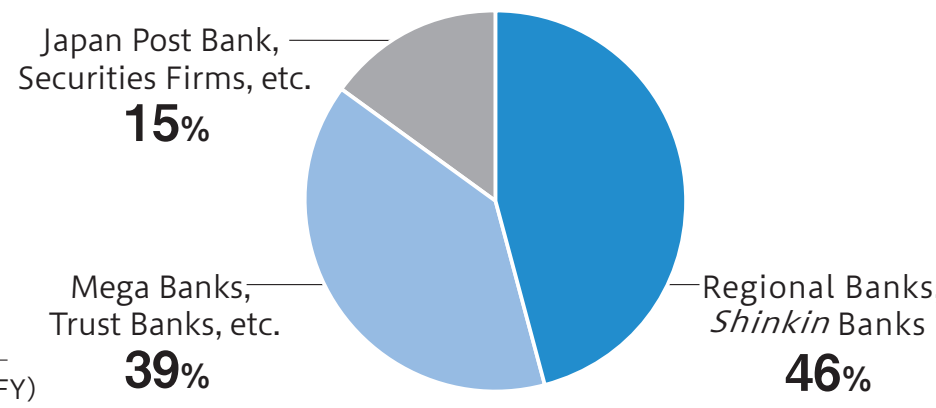
Notes: 1. The amount of new policies and amount of policies in force are the totals of individual insurance and individual annuity insurance.
2. Core profit is an insurance business profitability indicator that is calculated by deducting capital gains/(losses) and non-recurring income and losses from 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 that are accounted for as investment in securities.

Principal Management Indicators

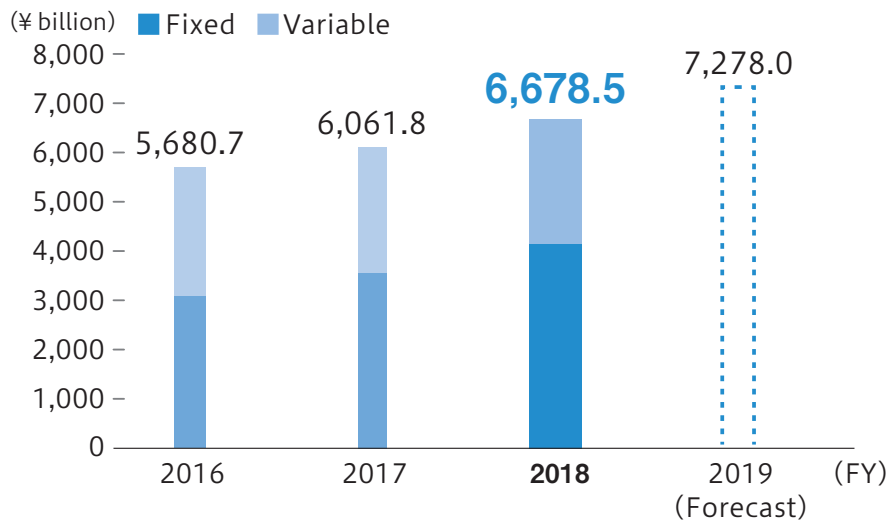
Premiums Income



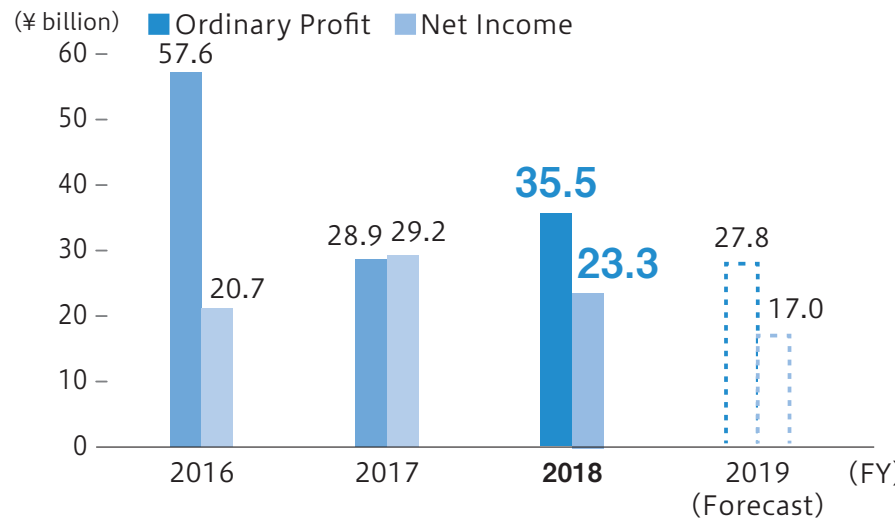
Weight by Type of Sales Channel (FY2018)



Amount of Policies in Force



Ordinary Profit/Net Income



International Business

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
CEO: **Simon Beale**
(concurrently serving as Executive Officer of Mitsui Sumitomo Insurance)
Date Established: **September 17, 1993**
Number of Employees: **1,864** (As of March 31, 2019)
Head Office: **The Leadenhall Building, 122 Leadenhall Street, London EC3V 4AG, U.K.**
URL **https://www.msamlin.com**

Principal Indicators (Non-Consolidated)

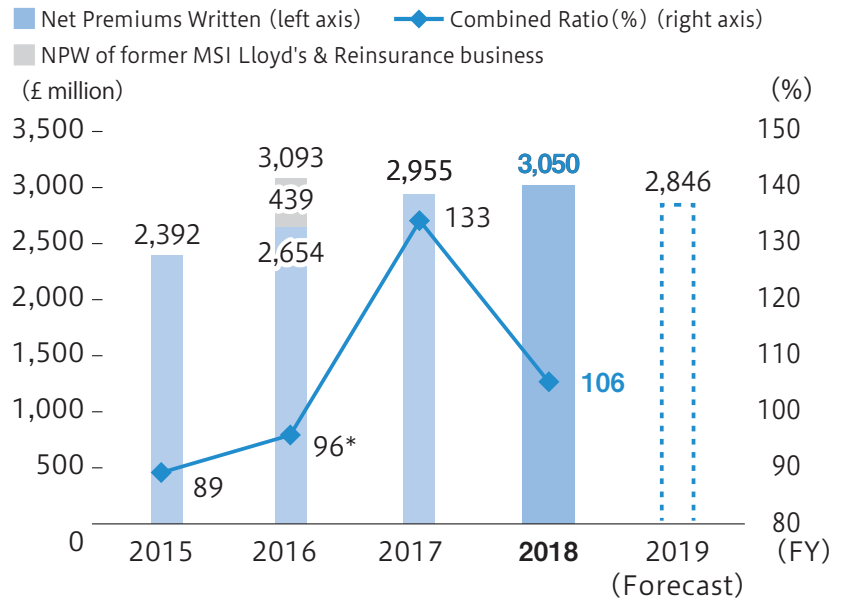
(£ million)

Item	FY2016	FY2017	FY2018	FY2019 (Forecast)
Net premiums written	3,093	2,955	3,050	2,846
Growth rate of net premiums written	–	(4.5%)	3.2%	(6.7%)
EI claims ratio	64%	97%	71%	-
EI expense ratio	32%	36%	35%	-
Combined ratio	96%	133%	106%	-
Underwriting income/(loss)	107	(965)	(174)	-
Investment income	117	195	54	-
Net income	83	(759)	(94)	43

Notes: 1. Figures are based on a local reporting basis since FY2018.
2. Figures for FY2016 include figures for MSI's Lloyd's and Reinsurance businesses that were consolidated into MS Amlin at the end of FY2016.
3. 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 the UK.
4. MS Amlin adopts the accounting method where securities market value fluctuations are reflected in the profit-loss statement.

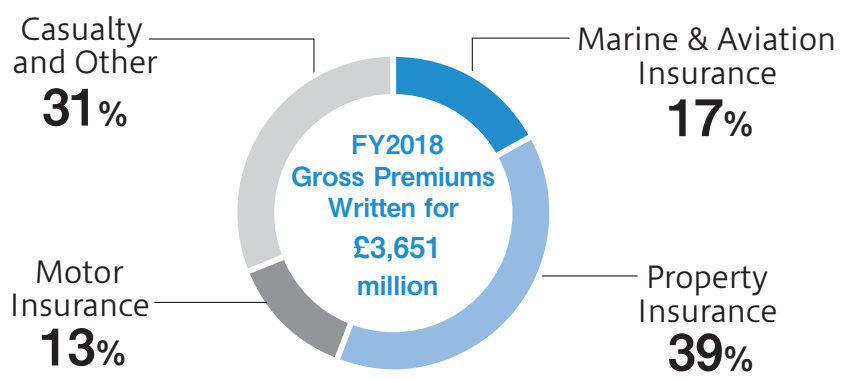
Principal Indicators

Net Premiums Written and Combined Ratio

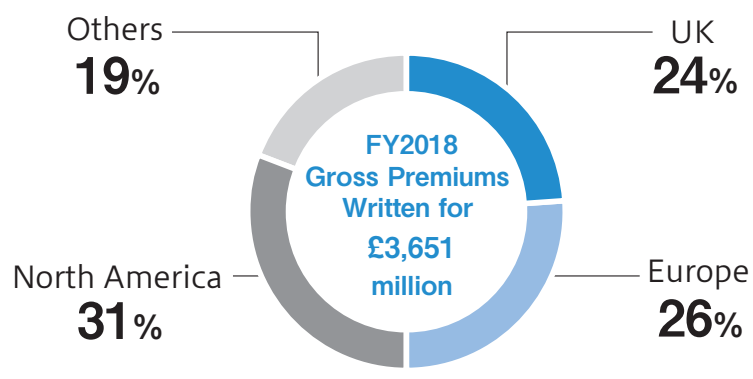


*After consolidation of MSI's Lloyd's and Reinsurance businesses into MS Amlin

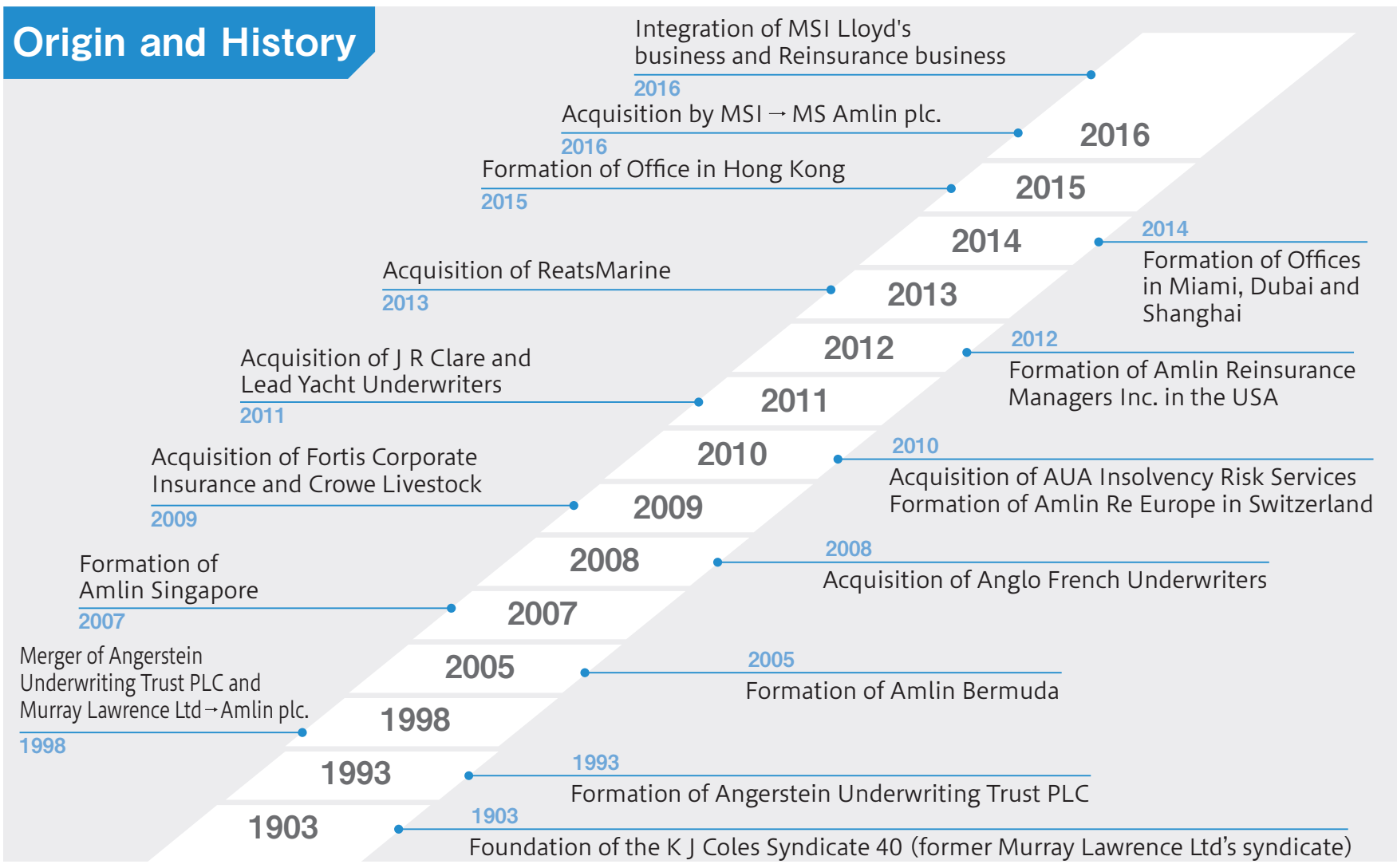
Gross Premiums Written by Product Line



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*: **4,718** (As of March 31, 2019)
*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**

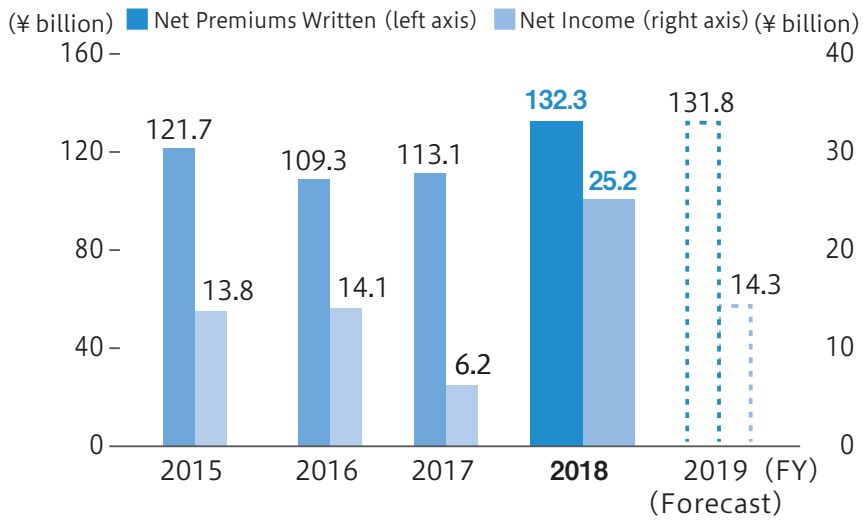
Principal Indicators (Non-Consolidated)*

(¥ billion)

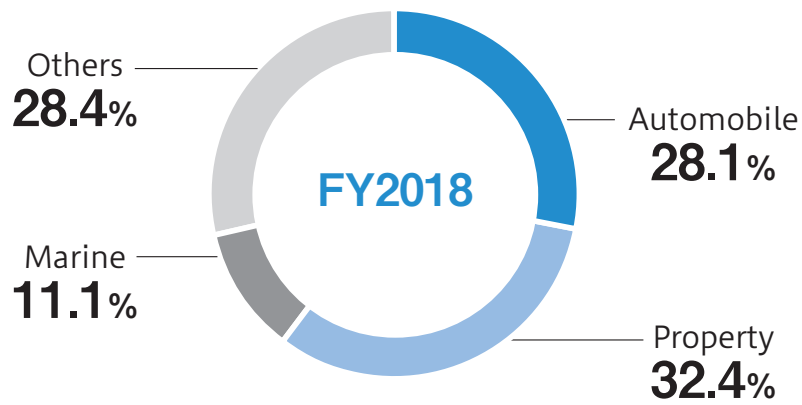
Item	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019 (Forecast)
Net premiums written	111.0	116.9	121.7	109.3	113.1	132.3	131.8
Growth rate of net premiums written	30.0%	5.3%	4.1%	(10.2%)	3.5%	16.9%	(0.4%)
Net income	14.8	17.9	13.8	14.1	6.2	25.2	14.3

Principal Management Indicators*

Net Premiums Written and Net income



Gross Written Premiums by Product Line



Notes: 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 the supervision of MSIG Holdings (Asia) from FY2016.
The 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. 132), the Group has total assets of ¥23.1 trillion, and the majority of its liabilities, ¥17.6 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 ¥16.0 trillion. Unrealized gains on securities in excess of the book value (¥1.2 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 FY2018.

(¥ billion)

(Main) assets		(Main) liabilities	
Cash, deposits and savings	1,474.3	Policy liabilities	17,637.7
Money trusts	1,544.4	Bonds issued	659.0
Investments in securities	16,061.8	Other liabilities	1,490.8
(of which: stocks)	2,594.3	Deferred tax liabilities	146.8
Loans	903.0	**Total liabilities**	20,354.4
Tangible fixed assets	463.3		
Intangible fixed assets	545.4	**(Main) Net assets**	
Other assets	1,454.8	**Shareholders' equity**	1,583.0
		Net unrealized gains/losses on investments in securities	1,273.8
		Total net assets	2,778.0
Total assets	23,132.5	Total liabilities and net assets	23,132.5

Commentary 2: Statements of Income (P/L)

①Main components of the statements of income

A summary of the Group's consolidated statements of income (P. 134) is provided below. It consists primarily of underwriting income and expenses and investment income and expenses.

FY2018

Income (+): underwriting income, ¥4,918.6 billion; investment income, ¥561.1 billion; other ordinary income, ¥20.6 billion
Expenses (-): underwriting expenses, ¥4,406.8 billion (of which ¥700.5 billion is provision for underwriting reserves)
Investment expenses, ¥104.8 billion; operating expenses and general and administrative expenses, ¥680.9 billion; other ordinary expenses, ¥17.0 billion
Ordinary profit: ¥290.8 billion

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

②Underwriting 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. 90 of the "Glossary of Insurance Terminology" for details on catastrophe reserves and P. 94 for underwriting profit.)

Impact of natural catastrophes on underwriting profit

(¥ billion)

	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
Underwriting profit/(loss)	(83.7)	(190.0)	(3.0)	(36.1)	28.7	43.9	121.3	89.3	62.8
Impact on underwriting profit -(A+B)	(65.9)	(172.0)	(13.2)	(93.3)	(58.5)	(149.7)	(132.9)	(159.0)	(1,60.8)
Incurred losses due to natural catastrophes (A)	65.9	311.5	55.1	96.3	27.2	68.1	51.0	114.3	240.7
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	-
July heavy rain, Typhoon No. 21, No. 24 in 2018	-	-	-	-	-	-	-	-	183.7
Other natural catastrophes	3.2	54.9	53.2	37.1	30.1	67.7	51.0	73.0	56.9
Net provision for catastrophe reserves (B)	0	(139.5)	(41.9)	(3.0)	31.3	81.6	81.8	44.6	(79.8)

* Simple sum of MSI and ADI
Example: The impact of loss of ¥311.5 billion from natural catastrophes for FY2011 was mitigated by the 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
	FY2014	FY2015	FY2016	FY2017	FY2018	FY2018
Ordinary income:	¥ 4,689,658	¥ 5,013,038	¥ 5,335,239	¥ 5,217,835	¥ 5,500,438	$ 49,553
Net premiums written	2,939,113	3,078,732	3,407,389	3,440,976	3,497,572	31,510
Ordinary profit/(loss)	287,061	291,578	352,612	211,548	290,847	2,620
Net income/(loss) attributable to owners of the parent	136,247	181,516	210,447	154,057	192,705	1,736
Comprehensive income/(loss)	807,972	(233,116)	114,294	311,096	(79,701)	(718)
Net assets	3,036,663	2,725,274	2,734,432	2,968,387	2,778,047	25,027
Total assets	18,788,046	20,303,649	21,234,300	22,472,927	23,132,539	208,401
	Yen					US$
Net income/(loss) attributable to owners of the parent per share - Basic	¥ 221.34	¥ 298.72	¥ 350.94	¥ 260.04	¥ 328.72	$ 2.96
Net income/(loss) attributable to owners of the parent per share - Diluted	–	–	350.90	259.98	328.60	2.96
Net assets per share	4,911.40	4,469.58	4,572.82	4,964.64	4,712.11	42.45
Equity ratio	16.00%	13.29%	12.76%	13.09%	11.89%	–
Return on equity	5.18%	6.36%	7.78%	5.45%	6.77%	–
Price earnings ratio	15.23	10.50	10.09	12.90	10.25	–

	Yen in millions					US$ in millions
Cash flows						
Cash flows from operating activities	¥ 628,184	¥ 1,291,017	¥ 1,086,948	¥ 822,640	¥ 776,724	$ 6,998
Cash flows from investing activities	(410,671)	(1,217,980)	(614,899)	(963,105)	(252,417)	(2,274)
Cash flows from financing activities	(58,941)	199,075	(100,198)	42,329	(33,337)	(300)
Cash and cash equivalents at the end of year	805,455	1,056,407	1,415,903	1,323,506	1,798,526	16,203
Number of employees	38,358	40,617	40,641	41,295	41,467	–

Note: U.S. dollar amounts in this report have been translated from yen, for convenience only, at the rate of ¥111=US$1. For details, see Note 1 of Significant Accounting Policies (p. 140).

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 (186 subsidiaries and 37 associates as of March 31, 2019), 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 the nursing care business, is operated by MS&AD 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

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

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

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

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

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

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

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

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

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

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

[Key Consolidated Financial Indicators]

(Yen in millions)

	FY2017	FY2018	Change	Change (%)
Net premiums written	¥3,440,976	¥3,497,572	¥ 56,595	1.6
Life insurance premiums	1,058,278	1,286,864	228,585	21.6
Ordinary profit	211,548	290,847	79,298	37.5
Net income attributable to owners of the parent	154,057	192,705	38,647	25.1

Net premiums written increased, driven by growth in fire insurance and "other" insurance such as liability insurance in the domestic non-life insurance business. In international business, the consolidation of MS First Capital Insurance Limited and the operations of MS Amlin (MS Amlin plc and its subsidiaries; "MS Amlin") contributed to increased revenues. Net premiums written increased by ¥56.5 billion over the previous fiscal year, to ¥3,497.5 billion.

Life insurance premiums climbed by ¥228.5 billion over the previous fiscal year, to ¥1,286.8 billion, owing to the growth in revenues at Mitsui Sumitomo Primary Life Insurance Co., Ltd.

Ordinary profit grew robustly despite a year of tumultuous natural disasters. The domestic non-life insurance business suffered an increase in incurred losses (the total of net claims paid and provision for outstanding claims reserves) in relation to a series of major natural catastrophes, including Typhoon Jebi in August 2018. However, the Company reversed catastrophe reserves as progress in paying insurance claims unfolded, while incurred losses from natural catastrophes declined in international business. Ordinary profit expanded by ¥79.2 billion over the previous fiscal year, to ¥290.8 billion. After factoring in extraordinary income and losses, income taxes and other items, net income attributable to owners of the parent increased by ¥38.6 billion over the previous fiscal year, to ¥192.7 billion.

Direct Premiums Written (including Deposit Premiums from Policyholders)

(Yen in millions)

Lines of Insurance	FY2017			FY2018		
	Amount	Share (%)	Change (%)	Amount	Share (%)	Change (%)
Fire and Allied	¥ 627,029	17.2	4.1	¥ 677,543	18.0	8.1
Marine	168,602	4.6	(0.1)	184,578	4.9	9.5
Personal Accident	320,764	8.8	(0.1)	321,651	8.6	0.3
Voluntary Automobile	1,546,108	42.4	1.4	1,550,037	41.2	0.3
Compulsory Automobile Liability	343,370	9.4	(6.3)	346,258	9.2	0.8
Other	643,233	17.6	1.6	681,779	18.1	6.0
Total	¥3,649,108	100.0	0.9	¥3,761,848	100.0	3.1
Deposit premiums from policyholders	86,371	2.4	(12.4)	80,235	2.1	(7.1)

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	FY2017			FY2018		
	Amount	Share (%)	Change (%)	Amount	Share (%)	Change (%)
Fire and Allied	¥ 553,183	16.1	2.3	¥ 558,427	16.0	0.9
Marine	142,339	4.1	(2.3)	152,333	4.3	7.0
Personal Accident	240,450	7.0	1.1	261,273	7.5	8.7
Voluntary Automobile	1,587,008	46.1	1.7	1,593,578	45.6	0.4
Compulsory Automobile Liability	352,063	10.2	(1.1)	337,844	9.6	(4.0)
Other	565,931	16.5	(0.2)	594,114	17.0	5.0
Total	¥3,440,976	100.0	1.0	¥3,497,572	100.0	1.6

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

Net Claims Paid

(Yen in millions)

Lines of Insurance	FY2017			FY2018		
	Amount	Share (%)	Change (%)	Amount	Share (%)	Change (%)
Fire and Allied	¥ 378,241	19.5	27.0	¥ 526,294	24.7	39.1
Marine	82,302	4.3	(15.1)	83,445	3.9	1.4
Personal Accident	106,233	5.5	(1.6)	110,904	5.2	4.4
Voluntary Automobile	841,807	43.5	5.4	872,529	40.9	3.6
Compulsory Automobile Liability	252,990	13.1	(2.1)	247,757	11.6	(2.1)
Other	273,589	14.1	0.6	291,224	13.7	6.4
Total	¥1,935,165	100.0	5.6	¥2,132,155	100.0	10.2

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

Recognition, analysis, and reviewed contents for financial performance and operating results by segment are as follows.

1) Domestic Non-Life Insurance Business (MSI)

Net premiums written climbed by ¥15.2 billion over the previous fiscal year, to ¥1,509.6 billion, primarily because of the increase in "other" insurance such as liability insurance revenue.

On the other hand, net claims paid were up by ¥74.5 billion over the previous fiscal year, to ¥910.9 billion, primarily because of an increase in payment of fire insurance claims due to natural disasters in Japan. The net loss ratio was 66.3%, which was 4.5 percentage points higher than in the previous fiscal year. The net expenses ratio came in at 31.6%, which was 0.1 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, provision for outstanding claims, and reversal of underwriting reserves, underwriting profit fell by ¥37.1 billion, to ¥47.3 billion.

Accounting for such factors as the increase in interest and dividends income by ¥8.8 billion over the previous fiscal year, to ¥113.9 billion, total investment income after deducting investment gains appropriated to such items as maturity funds of savings-type insurance grew by ¥6.9 billion, to ¥206.8 billion. Meanwhile, total investment expenses climbed by ¥3.2 billion, to ¥12.6 billion owing mainly to the upswing in impairment losses on securities over the previous fiscal year.

As a result, ordinary profit decreased by ¥36.0 billion over the previous fiscal year, to ¥226.4 billion and net income declined by ¥27.1 billion, to ¥171.1 billion.

2) Domestic Non-Life Insurance Business (ADI)
Net premiums written climbed by ¥11.5 billion over the previous fiscal year, to ¥1,233.5 billion, primarily because of the increase in fire insurance revenue.

On the other hand, net claims paid were up by ¥109.8 billion over the previous fiscal year, to ¥770.5 billion, primarily because of an increase in payment of fire insurance claims due to natural disasters. The net loss ratio was 67.8%, which was 8.6 percentage points higher than in the previous fiscal year. 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 33.8%, 0.4 percentage points higher 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 reversal of underwriting reserves, underwriting profit rose by ¥10.7 billion, to ¥15.5 billion, primarily due to an increase in reversals for catastrophe reserves.

Accounting for such factors as the decrease in interest and dividends income by ¥2.3 billion over the previous fiscal year, to ¥56.1 billion, and the increase in gains on sales of securities by ¥3.6 billion, to ¥22.3 billion, total investment income after deducting investment gains appropriated to such items as maturity funds of savings-type insurance grew by ¥1.2 billion, to ¥62.2 billion. Meanwhile, total investment expenses fell by ¥43.9 billion, to ¥13.8 billion owing mainly to the downturn in impairment losses on securities by ¥46.9 billion over the previous fiscal year.

As a result, ordinary profit increased by ¥55.7 billion over the previous fiscal year, to ¥61.3 billion and net income climbed by ¥21.6 billion, to ¥37.3 billion.

3) Domestic Non-Life Insurance Business (Mitsui Direct General)
Net premiums written decreased by ¥1.2 billion over the previous fiscal year, to ¥36.6 billion.

Meanwhile, net claims paid rose by ¥0.3 billion, to ¥25.1 billion. The net loss ratio was 76.2%, which was 3.2 of percentage points higher 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 ¥0.4 billion, to ¥9.2 billion. As a result, the net expenses ratio came to 25.3%, which was 0.2 of percentage points higher than in the previous fiscal year.

Underwriting profit was ¥0.3 billion and net income was ¥0.2 billion, both of which were at the same level as the previous fiscal year. Also, after taking ownership interests into account, net income for the fiscal year under review was ¥0.2 billion, which was at the same level as the previous fiscal year.

4) Domestic Life Insurance Business (MSI Aioi Life)
Insurance premium and others rose by ¥26.4 billion over the previous fiscal year, to ¥520.1 billion, mainly due to an increase in individual insurance premiums.

Ordinary profit climbed by ¥2.5 billion, to ¥19.5 billion, primarily because of the decrease in provision for underwriting reserves and others.

Net income climbed by ¥2.6 billion, to ¥7.9 billion.

5) Domestic Life Insurance Business (MSI Primary Life)
Insurance premium and others increased by ¥70.2 billion over the previous fiscal year, to ¥1,129.7 billion. This was mainly attributable to the increase in insurance premiums for foreign currency-fixed annuities.

Ordinary profit increased by ¥6.6 billion, to ¥35.5 billion, primarily due to steady increase in interest and dividends income and the impact of foreign currency exchange rates.

Net income decreased by ¥5.9 billion, to ¥23.3 billion, owing primarily to the provision of the reserve for price fluctuation of ¥3.5 billion.

6) International Business (Overseas Insurance Subsidiaries)
Net premiums written increased by ¥32.2 billion over the previous fiscal year, to ¥714.6 billion, primarily because of consolidated accounting for MS First Capital Insurance Limited and increased revenues at MS Amlin.

Affected by increased profit at MS Amlin due primarily to decreased incurred losses as the result of decreased overseas natural catastrophes, and by consolidated accounting for MS First Capital Insurance Limited, this segment posted ordinary profit of ¥22.6 billion, an increase of ¥127.0 billion over the previous fiscal year. After taking ownership interests into account, net income for the fiscal year under review increased by ¥124.0 billion over the previous fiscal year, to ¥19.3 billion.

4. CASH FLOW ANALYSIS

With regard to cash flows in the fiscal year under review, net cash flows from operating activities decreased by ¥45.9 billion over the previous year to ¥776.7 billion, mainly due to an increase in claims payments. Net cash flows from investing activities increased by ¥710.6 billion from the previous year, mainly due to an increase in gains on sales and redemption of securities, to ¥(252.4) billion. In addition, net cash flows from financing activities were ¥(33.3) billion, a decrease of ¥75.6 billion over the previous year, which mainly reflected an increase in the repurchase of treasury stock. As a result, the balance of cash and cash equivalents at the end of the fiscal year under review stood at ¥1,798.5 billion, an increase of ¥475.0 billion from the end of the previous fiscal year. In regard to the liquidity of funds, the MS&AD Group maintains sufficient liquid assets in preparation for any deterioration in its cash position due to factors such as the outflow of funds arising from the payment of insurance claims or disruptions in markets. It also evaluates liquidity in terms of both assets and liabilities based on trends regarding the inflow and outflow of funds, and conducts appropriate cash management.

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

Uncertainty continued to linger in the domestic and global economic pictures during the fiscal year under review. In the global economy, while the Company expects measured growth to continue overall, the policies of individual countries and growing trade frictions raise the concern of an economic slowdown. For its part, the Japanese economy will continue to enjoy an improving environment for employment and personal income, driving modest growth focused on domestic demand. However, a coming hike in the consumption-tax rate and economic trends overseas make prospects unclear. Conditions will continue to argue for a cautious outlook.

The insurance industry will face a number of challenges. Amid the continuing trend of globalization, industries will restructure and consumer trends will change as digital technologies advance. As the risk of natural calamities intensifies as a result of climate change, risk management will grow increasingly sophisticated, and businesses will come under increasing pressure to contribute to the achievement of a sustainable society through insurance products and services.

In responding to these challenges, the Group is guided by the “Vision 2021” Medium-Term Management Plan. The Group is striving to become “a world-leading insurance and financial services group,” possessing sufficient scale and quality to underwrite and pay claims on a diverse spectrum of insurance risks. We are also building a resilient organization that can respond smartly to society’s needs, as risks become larger and more complex and the structure of society changes. As a Group that encompasses three non-life insurance companies, two life insurance companies and numerous subsidiaries and affiliates throughout Japan and around the world, the MS&AD Insurance Group is marshalling these comprehensive strengths to improve quality and reduce cost still further, pursuing a Group business model of overall optimization of both growth

and efficiency. We are also reinforcing our capabilities in corporate governance, considering ESG and sustainability across the full range of Group operations, and striving to create shared value (CSV) with society. To ensure a motivated and rewarding work environment for the diverse personnel who support those operations, the Group is moving resolutely to promote diversity and inclusion, deploying this talented workforce to fullest effect.

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 and loans, along with products and services sold by the Group, such as credit and guarantee insurance contracts, or could 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 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)

	FY2017	FY2018
(A) Solvency margin total amount	¥5,067,184	¥4,992,937
(B) Risk amount	1,236,932	1,236,911
(C) Solvency margin ratio (A/(B × 1/2)) × 100	819.3%	807.3%

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 12.0 percentage points over the previous fiscal year-end, to 807.3%, on the back of such factors as a year-on-year decrease in the solvency margin total amount by ¥74.2 billion. This largely reflected a decline in the market value of shares held.

MSI
a. Non-Consolidated Solvency Margin Ratio

(Yen in millions)

	FY2017	FY2018
(A) Solvency margin total amount	¥3,293,687	¥3,321,706
(B) Risk amount	939,444	918,540
(C) Solvency margin ratio (A/(B × 1/2)) × 100	701.1%	723.2%

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 22.1 percentage points over the previous fiscal year-end, to 723.2%, on the back of such factors as a year-on-year increase in the solvency margin total amount by ¥28.0 billion. This largely reflected the increase in shareholders' equity attributable to net income and issuance of US-dollar-denominated subordinated bonds.

b. Consolidated Solvency Margin Ratio

(Yen in millions)

	FY2017	FY2018
(A) Solvency margin total amount	¥2,714,894	¥2,743,601
(B) Risk amount	809,237	769,193
(C) Solvency margin ratio (A/(B × 1/2)) × 100	670.9%	713.3%

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 improved by 42.4 percentage points over the previous fiscal year-end, to 713.3%, on the back of such factors as a year-on-year increase in the solvency margin total amount by ¥28.7 billion. This largely reflected an increase in shareholders' equity attributable to consolidated net income and issuance of US-dollar-denominated subordinated bonds.

ADI
a. Non-Consolidated Solvency Margin Ratio

(Yen in millions)

	FY2017	FY2018
(A) Solvency margin total amount	¥1,268,359	¥1,168,396
(B) Risk amount	323,538	339,508
(C) Solvency margin ratio (A/(B × 1/2)) × 100	784.0%	688.2%

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 95.8 percentage points over the previous fiscal year-end, to 688.2%, on the back of such factors as a year-on-year decrease in the solvency margin total amount by ¥99.9 billion, largely reflecting a decrease in catastrophe reserves, and a year-on-year increase in the total amount of risks by ¥15.9 billion, largely reflecting an increase in the equivalent amount of risk of major disasters.

b. Consolidated Solvency Margin Ratio

(Yen in millions)

	FY2017	FY2018
(A) Solvency margin total amount	¥1,284,815	¥1,184,723
(B) Risk amount	319,689	330,268
(C) Solvency margin ratio (A/(B × 1/2)) × 100	803.7%	717.4%

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 86.3 percentage points over the previous fiscal year-end, to 717.4%, on the back of such factors as a year-on-year decrease in the solvency margin total amount by ¥100 billion, largely reflecting a decrease in catastrophe reserves, and a year-on-year increase in the total amount of risks by ¥10.5 billion, largely reflecting an increase in the equivalent amount of risk of major disasters.

Mitsui Direct General
Non-Consolidated Solvency Margin Ratio

(Yen in millions)

	FY2017	FY2018
(A) Solvency margin total amount	¥14,992	¥15,222
(B) Risk amount	6,553	6,117
(C) Solvency margin ratio (A/(B × 1/2)) × 100	457.5%	497.6%

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 40.1 percentage points over the previous fiscal year-end, to 497.6%. Factors included a year-on-year decrease in the total amount of risks by ¥0.4 billion, which resulted mainly from a decrease in general insurance risk.

MSA Life
Non-Consolidated Solvency Margin Ratio

(Yen in millions)

	FY2017	FY2018
(A) Solvency margin total amount	¥484,904	¥505,779
(B) Risk amount	56,163	60,145
(C) Solvency margin ratio (A/(B × 1/2)) × 100	1,726.7%	1,681.8%

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 44.9 percentage points over the previous fiscal year-end, to 1,681.8%. Factors included a year-on-year increase in the total amount of risks by ¥3.9 billion, which resulted mainly from an increase in asset management risk.

MSP Life
Non-Consolidated Solvency Margin Ratio

(Yen in millions)

	FY2017	FY2018
(A) Solvency margin total amount	¥605,676	¥616,094
(B) Risk amount	121,997	149,278
(C) Solvency margin ratio (A/(B × 1/2)) × 100	992.9%	825.4%

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 167.5 percentage points over the previous fiscal year-end, to 825.4%. Factors included a year-on-year increase in the total amount of risks by ¥27.2 billion, which resulted mainly from an increase in asset management risk due to an increase in assets under management.

Premiums Written and Net Claims Paid — Non-Life Insurance (Unaudited)

(a) Direct Premiums Written (including deposit premiums from policyholders)

(Yen in millions)

Lines of Insurance	FY2014 Amount	FY2014 Change (%)	FY2014 Share (%)	FY2015 Amount	FY2015 Change (%)	FY2015 Share (%)	FY2016 Amount	FY2016 Change (%)	FY2016 Share (%)
Fire and Allied	¥ 625,179	5.8	18.7	¥ 657,398	5.2	19.0	¥ 602,521	(8.3)	16.7
Marine	131,030	7.9	3.9	132,284	1.0	3.8	168,715	27.5	4.7
Personal Accident	341,241	(1.8)	10.2	319,937	(6.2)	9.2	321,055	0.3	8.9
Voluntary Automobile	1,421,126	3.1	42.4	1,475,596	3.8	42.5	1,524,096	3.3	42.1
Compulsory Automobile Liability	355,417	0.8	10.6	356,465	0.3	10.3	366,523	2.8	10.1
Other	476,209	10.1	14.2	527,502	10.8	15.2	632,874	20.0	17.5
Total	¥3,350,204	4.0	100.0	¥3,469,185	3.6	100.0	¥3,615,785	4.2	100.0
Deposit premiums from policyholders	¥ 138,799	(8.4)	4.1	¥ 116,225	(16.3)	3.4	¥ 98,546	(15.2)	2.7

(b) Net Premiums Written

(Yen in millions)

Lines of Insurance	FY2014 Amount	FY2014 Change (%)	FY2014 Share (%)	FY2015 Amount	FY2015 Change (%)	FY2015 Share (%)	FY2016 Amount	FY2016 Change (%)	FY2016 Share (%)
Fire and Allied	¥ 425,881	7.0	14.5	¥ 471,476	10.7	15.3	¥ 540,715	14.7	15.9
Marine	103,389	6.5	3.5	106,108	2.6	3.4	145,697	37.3	4.3
Personal Accident	230,991	1.5	7.9	218,487	(5.4)	7.1	237,918	8.9	7.0
Voluntary Automobile	1,438,002	3.2	48.9	1,495,339	4.0	48.6	1,559,958	4.3	45.8
Compulsory Automobile Liability	348,356	3.0	11.8	357,639	2.7	11.6	356,088	(0.4)	10.4
Other	392,491	9.8	13.4	429,680	9.5	14.0	567,010	32.0	16.6
Total	¥2,939,113	4.5	100.0	¥3,078,732	4.8	100.0	¥3,407,389	10.7	100.0

(c) Net Claims Paid

(Yen in millions)

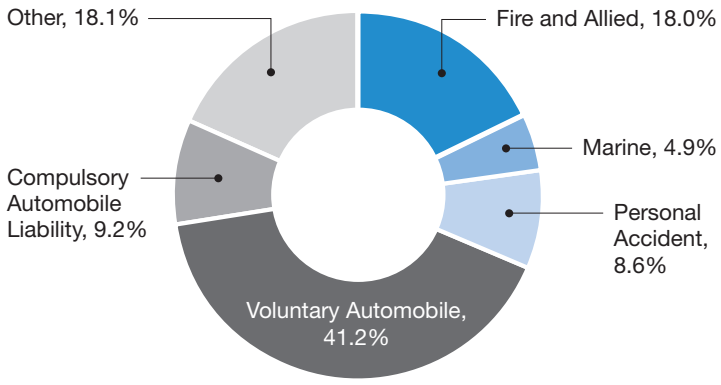
Lines of Insurance	FY2014 Amount	FY2014 Change (%)	FY2014 Share (%)	FY2015 Amount	FY2015 Change (%)	FY2015 Share (%)	FY2016 Amount	FY2016 Change (%)	FY2016 Share (%)
Fire and Allied	¥ 259,270	2.6	15.7	¥ 235,176	(9.3)	14.5	¥ 297,850	26.6	16.3
Marine	46,430	(9.9)	2.8	48,009	3.4	3.0	96,981	102.0	5.3
Personal Accident	114,136	(1.3)	6.9	109,376	(4.2)	6.7	107,937	(1.3)	5.9
Voluntary Automobile	786,916	(2.3)	47.7	776,606	(1.3)	47.7	798,736	2.8	43.6
Compulsory Automobile Liability	258,095	(1.2)	15.6	259,078	0.4	15.9	258,465	(0.2)	14.1
Other	185,698	1.1	11.3	199,092	7.2	12.2	271,905	36.6	14.8
Total	¥1,650,547	(1.2)	100.0	¥1,627,340	(1.4)	100.0	¥1,831,876	12.6	100.0

DIRECT PREMIUMS WRITTEN (FY2018)

(US$ in millions)

	FY2017			FY2018			FY2018
	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount
	¥ 627,029	4.1	17.2	¥ 677,543	8.1	18.0	$ 6,104
	168,602	(0.1)	4.6	184,578	9.5	4.9	1,663
	320,764	(0.1)	8.8	321,651	0.3	8.6	2,898
	1,546,108	1.4	42.4	1,550,037	0.3	41.2	13,964
	343,370	(6.3)	9.4	346,258	0.8	9.2	3,119
	643,233	1.6	17.6	681,779	6.0	18.1	6,142
	¥3,649,108	0.9	100.0	¥3,761,848	3.1	100.0	$33,891
	¥ 86,371	(12.4)	2.4	¥ 80,235	(7.1)	2.1	$ 723

Total ¥3,761.8 Billion

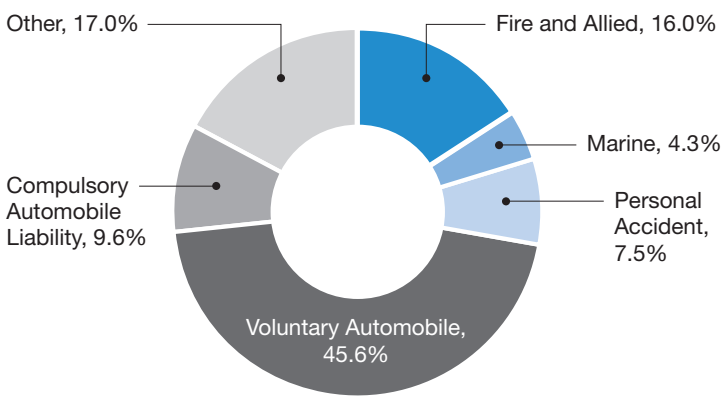


NET PREMIUMS WRITTEN (FY2018)

(US$ in millions)

	FY2017			FY2018			FY2018
	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount
	¥ 553,183	2.3	16.1	¥ 558,427	0.9	16.0	$ 5,031
	142,339	(2.3)	4.1	152,333	7.0	4.3	1,372
	240,450	1.1	7.0	261,273	8.7	7.5	2,354
	1,587,008	1.7	46.1	1,593,578	0.4	45.6	14,357
	352,063	(1.1)	10.2	337,844	(4.0)	9.6	3,044
	565,931	(0.2)	16.5	594,114	5.0	17.0	5,352
	¥3,440,976	1.0	100.0	¥3,497,572	1.6	100.0	$31,510

Total ¥3,497.5 Billion

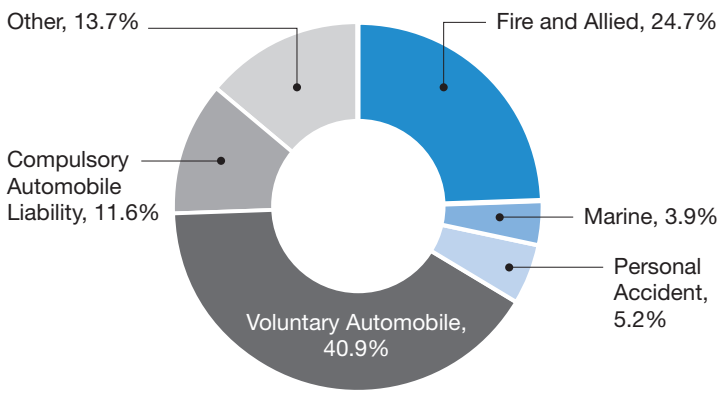


NET CLAIMS PAID (FY2018)

(US$ in millions)

	FY2017			FY2018			FY2018
	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount
	¥ 378,241	27.0	19.5	¥ 526,294	39.1	24.7	$ 4,741
	82,302	(15.1)	4.3	83,445	1.4	3.9	752
	106,233	(1.6)	5.5	110,904	4.4	5.2	999
	841,807	5.4	43.5	872,529	3.6	40.9	7,861
	252,990	(2.1)	13.1	247,757	(2.1)	11.6	2,232
	273,589	0.6	14.1	291,224	6.4	13.7	2,624
	¥1,935,165	5.6	100.0	¥2,132,155	10.2	100.0	$19,209

Total ¥2,132.1 Billion



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

(a) Policies in Force

	(Yen in millions)										(US$ in millions)
	FY2014		FY2015		FY2016		FY2017		FY2018		FY2018
	Amount	Change (%)	Amount	Change (%)	Amount	Change (%)	Amount	Change (%)	Amount	Change (%)	Amount
Individual insurance	¥22,676,597	6.0	¥24,277,843	7.1	¥25,813,254	6.3	¥26,882,564	4.1	¥28,117,507	4.6	$253,311
Individual annuities	3,638,524	(2.7)	3,208,994	(11.8)	3,081,777	(4.0)	2,986,168	(3.1)	3,094,163	3.6	27,875
Group insurance	5,301,496	3.4	6,518,709	23.0	7,074,353	8.5	7,859,834	11.1	8,554,605	8.8	77,069
Group annuities	369	(7.7)	351	(4.7)	325	(7.4)	302	(7.1)	305	1.0	3

Notes:1. The amounts of individual annuities represent the total sum of (a) the funds to be held at the time annuity payments are to commence (the premium reserves in the case of individual variable annuities) for the policies for which annuity payments have not yet commenced and (b) the underwriting reserves for the policies for which annuity payments have commenced.
2. The amounts of group annuities represent the underwriting reserves.

(b) New Policies

	(Yen in millions)					(US$ in millions)
	FY2014	FY2015	FY2016	FY2017	FY2018	FY2018
	Amount	Amount	Amount	Amount	Amount	Amount
Individual insurance	¥3,307,082	¥3,495,356	¥3,249,483	¥3,438,585	¥3,847,186	$34,659
Individual annuities	198,867	190,634	159,925	216,635	385,662	3,474
Group insurance	88,702	1,005,973	61,074	144,570	92,813	836
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

	FY2017 (Yen in millions)		FY2018 (Yen in millions)		FY2018 (US$ in millions)
	Amount	Share	Amount	Share	Amount
Deposits and savings	¥ 1,481,589	6.6%	¥1,471,135	6.4%	$ 13,253
Call loans	–	–	–	–	–
Receivables under resale agreements	6,999	0.0	472,377	2.1	4,256
Receivables under securities borrowing transactions	309,644	1.4	–	–	–
Monetary claims bought	140,133	0.6	97,241	0.4	876
Money trusts	1,043,506	4.6	1,544,406	6.7	13,914
Investments in securities	16,152,966	71.9	16,061,871	69.4	144,702
Loans	892,599	4.0	903,006	3.9	8,135
Land and buildings	422,831	1.9	420,618	1.8	3,789
Total investment assets	¥20,450,271	91.0%	¥20,970,656	90.7%	$188,925
Total assets	¥22,472,927	100.0%	¥23,132,539	100.0%	$208,401

(b) Investments in Securities

	FY2017 (Yen in millions)		FY2018 (Yen in millions)		FY2018 (US$ in millions)
	Amount	Share	Amount	Share	Amount
Government bonds	¥ 3,887,198	24.1%	¥ 3,807,212	23.7%	$ 34,299
Municipal bonds	296,667	1.8	314,035	2.0	2,829
Corporate bonds	1,621,792	10.0	1,643,168	10.2	14,803
Stock	2,906,719	18.0	2,594,315	16.2	23,372
Foreign securities	4,870,634	30.2	5,208,217	32.4	46,921
Other securities	2,569,954	15.9	2,494,921	15.5	22,477
Total	¥16,152,966	100.0%	¥16,061,871	100.0%	$144,702

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, 2018 and 2019

	Yen in millions		US$ in millions
Assets	2018	2019	2019
Cash, deposits and savings	¥ 1,481,694	¥ 1,474,306	$ 13,282
Receivables under resale agreements	6,999	472,377	4,256
Receivables under securities borrowing transactions	309,644	–	–
Monetary claims bought	140,133	97,241	876
Money trusts	1,043,506	1,544,406	13,914
Investments in securities	16,152,966	16,061,871	144,702
Loans	892,599	903,006	8,135
Tangible fixed assets:	459,624	463,356	4,174
Land	231,456	231,671	2,087
Buildings	191,374	188,947	1,702
Lease assets	2,711	2,032	18
Construction in progress	2,379	6,746	61
Other tangible fixed assets	31,701	33,959	306
Intangible fixed assets:	549,502	545,450	4,914
Software	57,491	64,664	583
Goodwill	229,221	203,423	1,833
Lease assets	218	206	2
Other intangible fixed assets	262,570	277,155	2,497
Other assets	1,297,829	1,454,825	13,107
Assets for retirement benefits	30,645	30,075	271
Deferred tax assets	68,026	59,317	534
Customers' liabilities under acceptances and guarantees	49,500	35,500	320
Bad debt reserve	(9,746)	(9,195)	(83)
Total assets	¥22,472,927	¥23,132,539	$208,401

See accompanying notes to consolidated financial statements.

Liabilities and Net Assets	Yen in millions 2018	Yen in millions 2019	US$ in millions 2019
Liabilities			
Policy liabilities:	¥16,964,512	¥17,637,713	$158,898
Outstanding claims	2,213,650	2,222,637	20,024
Underwriting reserves	14,750,861	15,415,076	138,875
Bonds issued	558,191	659,093	5,938
Other liabilities	1,328,675	1,490,882	13,431
Liabilities for pension and retirement benefits	184,569	176,550	1,591
Reserve for retirement benefits for officers	538	414	4
Accrued bonuses for employees	27,592	27,788	250
Reserve for reorganization by function	16,341	6,498	59
Reserves under the special laws:	152,928	173,248	1,561
Reserve for price fluctuation	152,928	173,248	1,561
Deferred tax liabilities	221,690	146,802	1,323
Acceptances and guarantees	49,500	35,500	320
Total liabilities	19,504,540	20,354,492	183,374
Net Assets			
Shareholders' equity:			
Common stock	100,000	100,000	901
Capital surplus	554,320	553,168	4,983
Retained earnings	849,044	962,385	8,670
Treasury stock	(2,599)	(32,539)	(293)
Total shareholders' equity	1,500,765	1,583,013	14,261
Accumulated other comprehensive income/(loss):			
Net unrealized gains/(losses) on securities	1,487,258	1,273,881	11,476
Net deferred gains/(losses) on hedges	20,043	25,168	227
Foreign currency translation adjustments	(66,274)	(135,992)	(1,225)
Accumulated actuarial gains/(losses) on retirement benefits	(679)	4,448	40
Total accumulated other comprehensive income/(loss)	1,440,346	1,167,505	10,518
Stock acquisition rights	566	785	7
Non-controlling interests	26,709	26,743	241
Total net assets	2,968,387	2,778,047	25,027
Total liabilities and net assets	¥22,472,927	¥23,132,539	$208,401

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, 2018 and 2019

	Yen in millions		US$ in millions
	2018	2019	2019
Ordinary income and expenses			
Ordinary income:	¥5,217,835	¥5,500,438	$49,553
Underwriting income:	4,648,110	4,918,626	44,312
Net premiums written	3,440,976	3,497,572	31,510
Deposit premiums from policyholders	86,371	80,235	723
Investment income on deposit premiums from policyholders	43,130	42,406	382
Life insurance premiums	1,058,278	1,286,864	11,593
Other underwriting income	19,353	11,547	104
Investment income:	550,838	561,169	5,056
Interest and dividends income	286,229	304,142	2,740
Investment gains on money trusts	8,795	75,461	680
Investment gains on trading securities	29,424	17,237	155
Gains on sales of securities	151,934	161,608	1,456
Gains on redemption of securities	1,092	371	3
Investment gains on separate accounts	115,299	43,162	389
Other investment income	1,194	1,593	14
Transfer of investment income on deposit premiums from policyholders	(43,130)	(42,406)	(382)
Other ordinary income:	18,886	20,642	186
Gains on equity method investments	3,017	3,751	34
Other ordinary income	15,868	16,890	152
Ordinary expenses:	5,006,286	5,209,590	46,933
Underwriting expenses:	4,157,768	4,406,840	39,701
Net claims paid	1,935,165	2,132,155	19,209
Loss adjustment expenses	171,041	175,703	1,583
Commissions and collection expenses	689,066	705,189	6,353
Maturity refunds to policyholders	241,099	232,073	2,091
Dividends to policyholders	283	149	1
Life insurance claims	376,130	395,989	3,567
Provision for outstanding claims	179,565	60,981	549
Provision for underwriting reserves	558,519	700,502	6,311
Other underwriting expenses	6,897	4,096	37
Investment expenses:	163,183	104,806	944
Investment losses on money trusts	13,748	171	2
Losses on sales of securities	8,996	17,389	157
Impairment losses on securities	1,512	9,089	82
Losses on redemption of securities	584	50	0
Losses on derivative transactions	14,498	9,331	84
Other investment expenses	123,843	68,775	620
Operating expenses and general and administrative expenses	669,640	680,910	6,134
Other ordinary expenses:	15,693	17,032	153
Interest expense	9,057	10,960	99
Provision for bad debt reserve	–	696	6
Losses on bad debts	215	181	2
Other ordinary expenses	6,420	5,194	47
Ordinary profit/(loss)	211,548	290,847	2,620
Extraordinary income and losses			
Extraordinary income	51,348	17,069	154
Gains on sales of fixed assets	9,316	13,069	118
Reversal of reserves under the special laws	42,032	–	–
Reversal of reserve for price fluctuation	42,032	–	–
Other extraordinary income	–	4,000	36
Extraordinary losses:	18,589	28,075	253
Losses on sales of fixed assets	3,853	2,695	24
Impairment losses on fixed assets	14,724	2,936	26
Provision for reserves under the special laws:	–	20,320	183
Provision for reserve for price fluctuation	–	20,320	183
Losses on accelerated depreciation of tangible fixed assets	11	5	0
Other extraordinary losses	–	2,116	19
Income/(loss) before income taxes	244,307	279,842	2,521
Income taxes - current	118,432	88,614	798
Income taxes - deferred	(28,008)	(3,154)	(28)
Total income taxes	90,423	85,460	770
Net income/(loss)	153,884	194,382	1,751
Net income/(loss) attributable to non-controlling interests	(173)	1,676	15
Net income/(loss) attributable to owners of the parent	¥ 154,057	¥ 192,705	$ 1,736

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, 2018 and 2019

	Yen in millions		US$ in millions
	2018	2019	2019
Net income/(loss)	¥153,884	¥194,382	$ 1,751
Other comprehensive income/(loss):			
Net unrealized gains/(losses) on securities	123,681	(198,656)	(1,790)
Net deferred gains/(losses) on hedges	(3,316)	4,493	40
Foreign currency translation adjustments	23,348	(61,093)	(550)
Actuarial gains/(losses) on retirement benefits	8,723	5,023	45
Share of other comprehensive income/(loss) of equity method investments	4,775	(23,850)	(215)
Total other comprehensive income/(loss)	157,211	(274,084)	(2,469)
Total comprehensive income/(loss)	¥311,096	¥ (79,701)	$ (718)
Allocation:			
Comprehensive income/(loss) attributable to owners of the parent	¥309,798	¥ (80,135)	$ (722)
Comprehensive income/(loss) attributable to non-controlling interests	1,297	434	4

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, 2018 and 2019

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 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 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 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.

2019

(Yen in millions)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Beginning balance	¥100,000	¥554,320	¥849,044	¥ (2,599)	¥1,500,765
Changes for the year:					
Dividends paid			(79,367)		(79,367)
Net income/(loss) attributable to owners of the parent			192,705		192,705
Repurchase of treasury stock				(30,029)	(30,029)
Disposal of treasury stock		5		88	94
Cancellation of treasury stock					–
Increase due to merger of consolidated subsidiaries and unconsolidated subsidiaries			1		1
Changes in equity resulting from transactions with non-controlling interests		(1,157)			(1,157)
Put options granted to non-controlling interests					–
Adjustments of retained earnings pertaining to the U.S. tax reform					–
Net changes of items other than shareholders' equity					
Total changes for the year	–	(1,151)	113,340	(29,940)	82,248
Ending balance	¥100,000	¥553,168	¥962,385	¥ (32,539)	¥1,583,013

	Accumulated other comprehensive income/(loss)					Stock acquisition rights	Non-controlling interests	Total net assets
	Net unrealized gains/(losses) on 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	¥1,487,258	¥20,043	¥ (66,274)	¥ (679)	¥1,440,346	¥566	¥26,709	¥2,968,387
Changes for the year:								
Dividends paid								(79,367)
Net income/(loss) attributable to owners of the parent								192,705
Repurchase of treasury stock								(30,029)
Disposal of treasury stock								94
Cancellation of treasury stock								–
Increase due to merger of consolidated subsidiaries and unconsolidated subsidiaries								1
Changes in equity resulting from transactions with non-controlling interests								(1,157)
Put options granted to non-controlling interests								–
Adjustments of retained earnings pertaining to the U.S. tax reform.								–
Net changes of items other than shareholders' equity	(213,376)	5,125	(69,718)	5,127	(272,841)	218	33	(272,588)
Total changes for the year	(213,376)	5,125	(69,718)	5,127	(272,841)	218	33	(190,340)
Ending balance	¥1,273,881	¥25,168	¥ (135,992)	¥ 4,448	¥1,167,505	¥785	¥26,743	¥2,778,047

See accompanying notes to consolidated financial statements.

2019

(US$ in millions)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Beginning balance	$901	$4,994	$7,649	$ (23)	$13,520
Changes for the year:					
Dividends paid			(715)		(715)
Net income/(loss) attributable to owners of the parent			1,736		1,736
Repurchase of treasury stock				(271)	(271)
Disposal of treasury stock		0		1	1
Cancellation of treasury stock					–
Increase due to merger of consolidated subsidiaries and unconsolidated subsidiaries			0		0
Changes in equity resulting from transactions with non-controlling interests		(10)			(10)
Put options granted to non-controlling interests					–
Adjustments of retained earnings pertaining to the U.S. tax reform.					–
Net changes of items other than shareholders' equity					
Total changes for the year	–	(10)	1,021	(270)	741
Ending balance	$901	$4,983	$8,670	$ (293)	$14,261

	Accumulated other comprehensive income/(loss)					Stock acquisition rights	Non-controlling interests	Total net assets
	Net unrealized gains/(losses) on 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	$13,399	$118	$ (597)	$ (6)	$12,976	$5	$241	$26,742
Changes for the year:								
Dividends paid								(715)
Net income/(loss) attributable to owners of the parent								1,736
Repurchase of treasury stock								(271)
Disposal of treasury stock								1
Cancellation of treasury stock								–
Increase due to merger of consolidated subsidiaries and unconsolidated subsidiaries								0
Changes in equity resulting from transactions with non-controlling interests								(10)
Put options granted to non-controlling interests								–
Adjustments of retained earnings pertaining to the U.S. tax reform.								–
Net changes of items other than shareholders' equity	(1,922)	46	(628)	46	(2,458)	2	0	(2,456)
Total changes for the year	(1,922)	46	(628)	46	(2,458)	2	0	(1,715)
Ending balance	$11,476	$227	$ (1,225)	$40	$10,518	$7	$241	$25,027

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, 2018 and 2019

	Yen in millions		US$ in millions
	2018	2019	2019
I. Cash flows from operating activities:			
Income/(loss) before income taxes	¥ 244,307	¥ 279,842	$ 2,521
Adjustments for:			
Depreciation	64,014	59,483	536
Impairment losses on fixed assets	14,724	2,936	26
Amortization of goodwill	11,741	14,633	132
Increase/(decrease) in outstanding claims	160,203	68,042	613
Increase/(decrease) in underwriting reserves	546,085	691,707	6,232
Increase/(decrease) in bad debt reserve	(1,348)	(193)	(2)
Increase/(decrease) in reserve for retirement benefits for officers	(101)	(124)	(1)
Increase/(decrease) in accrued bonuses for employees	(1,239)	764	7
Increase/(decrease) in reserve for reorganization by function	(5,756)	(9,842)	(89)
Increase/(decrease) in liabilities for pension and retirement benefits	6,700	(1,645)	(15)
Increase/(decrease) in reserve for price fluctuation	(42,032)	20,320	183
Interest and dividends income	(286,229)	(304,142)	(2,740)
Losses/(gains) on money trusts	4,967	(75,272)	(678)
Losses/(gains) on securities	(171,357)	(152,687)	(1,376)
Losses/(gains) on derivative transactions	14,498	9,331	84
Investment losses/(gains) on separate accounts	(115,299)	(43,162)	(389)
Interest expense	9,057	10,960	99
Foreign exchange losses/(gains)	112,731	65,348	589
Losses/(gains) on disposal of tangible fixed assets	(5,580)	(10,582)	(95)
Losses/(gains) on equity method investments	(3,017)	(3,751)	(34)
Decrease/(increase) in other assets	13,828	(201,857)	(1,819)
Increase/(decrease) in other liabilities	(4,921)	85,128	767
Other, net	(10,068)	(481)	(4)
Subtotal	555,908	504,754	4,547
Interest and dividends received	407,933	402,460	3,626
Interest paid	(8,626)	(10,872)	(98)
Income taxes refunded/(paid)	(132,575)	(119,619)	(1,078)
Net cash provided by/(used in) operating activities (a)	822,640	776,724	6,998
II. Cash flows from investing activities:			
Net decrease/(increase) in deposits and savings	(18,260)	13,029	117
Purchase of monetary claims bought	(2,601)	(9,027)	(81)
Proceeds from sales and redemption of monetary claims bought	37,842	49,750	448
Purchase of money trusts	(128,508)	(636,742)	(5,736)
Proceeds from sales of money trusts	52,173	222,626	2,006
Purchase of securities	(3,595,276)	(3,929,183)	(35,398)
Proceeds from sales and redemption of securities	2,845,276	3,717,595	33,492
Investment in loans	(198,795)	(197,312)	(1,778)
Collection of loans	184,210	178,346	1,607
Net increase/(decrease) in payables under repurchase agreements	–	468,782	4,223
Net increase/(decrease) in cash collateral under securities borrowing and lending transactions	(4,848)	(47,807)	(431)
Other, net	6,901	10,293	93
Subtotal (b)	(821,886)	(159,649)	(1,438)
(a + b)	754	617,075	5,559
Acquisition of tangible fixed assets	(20,291)	(32,399)	(292)
Proceeds from sales of tangible fixed assets	14,461	16,418	148
Acquisition of intangible fixed assets	(47,645)	(75,584)	(681)
Acquisition of shares of subsidiaries resulting in changes in scope of consolidation	(85,341)	–	–
Other, net	(2,401)	(1,202)	(11)
Net cash provided by/(used in) investing activities	(963,105)	(252,417)	(2,274)
III. Cash flows from financing activities:			
Proceeds from borrowings	55,027	26,452	238
Repayments of borrowings	(30,342)	(45,386)	(409)
Issuance of bonds	129,133	99,527	897
Redemption of bonds	(28,000)	–	–
Proceeds from stock issuance to non-controlling interests	–	501	5
Repurchase of treasury stock	(70)	(30,029)	(271)
Dividends paid to shareholders	(79,887)	(79,286)	(714)
Dividends paid to non-controlling interests	(917)	(915)	(8)
Purchase of shares of subsidiaries not resulting in changes in scope of consolidation	(964)	(2,359)	(21)
Other, net	(1,648)	(1,841)	(17)
Net cash provided by/(used in) financing activities	42,329	(33,337)	(300)
IV. Effect of exchange rate changes on cash and cash equivalents	5,738	(15,949)	(144)
V. Net increase/(decrease) in cash and cash equivalents	(92,396)	475,019	4,279
VI. Cash and cash equivalents at beginning of year	1,415,903	1,323,506	11,923
VII. Cash and cash equivalents at end of year	¥1,323,506	¥1,798,526	$16,203

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, 2018 and 2019

SIGNIFICANT ACCOUNTING POLICIES

1. Basis of presentation

The accomparying 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, 2019 have been translated into US dollar at the rate of ¥111=US$1, the approximate exchange rate on the Tokyo foreign exchange market on the last business day of March 2019. 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

90 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

Leadenhall Life II GP Limited has been included in the scope of consolidation since the year ended March 31, 2019 as it was newly established.

DRD LLP and 3 other companies have been excluded from the scope of consolidation during the year ended March 31, 2019 due to the completion of liquidation and other reasons.

(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

13 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

Ceylinco Insurance PLC has become an equity method affiliate during the year ended March 31, 2019 due to the acquisition of shares by MSI.

Arena Holdings Limited and 2 other companies have been excluded from the scope of application of the equity method during the year ended March 31, 2019 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 81 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.

(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 fair value. Money trusts specifically managed for the Company and its domestic consolidated subsidiaries, other than those held for trading purposes, held to maturity or 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 reserve

(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 to provide for their future retirement benefits (including pension).

(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 Japanese 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 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.

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 Asset and Liability Management (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 a period of 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, 2018	March 31, 2019
Accumulated depreciation	367,326	374,923
Accelerated depreciation	14,255	14,002

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, 2018 and March 31, 2019 were ¥14,255 million and ¥14,002 million, respectively.
Accelerated depreciation deducted from the original acquisition cost due to receipts of governmental subsidies during the years ended March 31, 2018 and March 31, 2019 were ¥11 million and ¥5 million, respectively.

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

	Yen in millions	
	March 31, 2018	March 31, 2019
Securities (Domestic stocks)	17,515	24,276
Securities (Foreign securities)	237,385	242,644
Securities (Other securities)	13,797	13,578
Total	268,698	280,499

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, 2018	March 31, 2019
Loans to borrowers in bankruptcy	–	–
Overdue loans	272	204
Loans overdue for three months or more	473	345
Restructured loans	1,479	1,295
Total	2,225	1,845

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 are as follows:

	Yen in millions	
	March 31, 2018	March 31, 2019
Pledged assets:		
Cash, deposits and savings	3,876	28,918
Money trusts	2,183	2,283
Securities	346,777	806,098
Total	352,836	837,300

Note: The amounts in the above table primarily consist of collateral assets required for payables under repurchase agreements included in Other liabilities, for international operations and for Real Time Gross Settlement of the current account with the Bank of Japan.

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

	Yen in millions	
	March 31, 2018	March 31, 2019
	667,614	380,429

6. The amounts of assets received as collateral under loan agreements or transaction with repurchase agreements which the Company has the right to sell or repledge are as follows:

	Yen in millions	
	March 31, 2018	March 31, 2019
Securities	168,651	296,885

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 Japanese Insurance Business Act are as follows:

	Yen in millions	
	March 31, 2018	March 31, 2019
	2,420,333	2,298,979

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 ¥130,771 million and ¥115,078 million, respectively in a negative liability position as of March 31, 2018 and March 31, 2019. 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, 2018	March 31, 2019
	5,771	7,650

10. Information on financial instruments

(1) Qualitative information on financial instruments

(i) Policy on financial instruments

MS&AD Insurance Group ("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 backoffice 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, 2018 and March 31, 2019 together with their differences. The following tables exclude financial instruments in which the fair values are not practically determinable (see Note 2).

March 31, 2018		Yen in millions		
		Carrying amount	Fair value	Difference
(i)	Cash, deposits and savings	1,481,694	1,482,317	622
(ii)	Receivables under resale agreements	6,999	6,999	–
(iii)	Receivables under securities borrowing transactions	309,644	309,644	–
(iv)	Monetary claims bought	140,133	140,133	–
(v)	Money trusts	1,043,506	1,043,506	–
(vi)	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
	Investments in associates	–	–	–
	Available-for-sale securities	9,471,689	9,471,689	–
(vii)	Loans	892,599		
	Bad debt reserve (*1)	(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 (*2):				
	Hedge accounting not applied	21,556	21,556	–
	Hedge accounting applied	18,689	18,689	–
Total derivative transactions		40,246	40,246	–

(*1) Bad debt reserve for loans is deducted from the carrying amount.
(*2) Derivative assets and liabilities included in Other assets and Other liabilities, are presented on a net basis. Debits and credits arising from derivative transactions are netted.

March 31, 2019		Yen in millions		
		Carrying amount	Fair value	Difference
(i)	Cash, deposits and savings	1,474,306	1,475,182	875
(ii)	Receivables under resale agreements	472,377	472,377	–
(iii)	Receivables under securities borrowing transactions	–	–	–
(iv)	Monetary claims bought	97,241	97,241	–
(v)	Money trusts	1,544,406	1,544,406	–
(vi)	Securities:			
	Trading securities	3,148,489	3,148,489	–
	Held-to-maturity securities	1,056,044	1,286,289	230,244
	Debt securities earmarked for underwriting reserves	2,363,311	2,525,355	162,044
	Investments in associates	3,170	4,013	842
	Available-for-sale securities	9,040,271	9,040,271	–
(vii)	Loans	903,006		
	Bad debt reserve (*1)	(98)		
		902,907	925,994	23,086
Total assets		20,102,527	20,519,621	417,094
Bonds issued		659,093	676,879	17,785
Total liabilities		659,093	676,879	17,785
Derivative transactions (*2):				
	Hedge accounting not applied	17,426	17,426	–
	Hedge accounting applied	2,664	2,664	–
Total derivative transactions		20,090	20,090	–

(*1) Bad debt reserve for loans is deducted from the carrying amount.
(*2) 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) 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.

(iii) 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.

(iv) 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.

(v) Money trusts

With regard to Money trusts, the price quoted by trustees is deemed as the fair value.

(vi) 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.

(vii) 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 "(vi) Securities" above, are as follows:

	Yen in millions	
	March 31, 2018	March 31, 2019
Unlisted stocks and other assets invested in unconsolidated subsidiaries and associates	268,698	277,328
Other unlisted stocks	83,108	86,042
Unlisted investment trusts	22,093	51,633
Partnership investments comprised of unlisted stocks	31,213	35,578
Total	405,114	450,583

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

	Yen in millions			
March 31, 2018	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
Receivables under resale agreements	6,999	—	—	—
Receivables under securities borrowing transactions	309,644	—	—	—
Monetary claims bought	126,538	—	—	12,748
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.

March 31, 2019	Yen in millions			
	Within 1 year	Over 1 to 5 years	Over 5 to 10 years	Over 10 years
Cash, deposits and savings	1,447,793	23,351	–	0
Receivables under resale agreements	472,377	–	–	–
Receivables under securities borrowing transactions	–	–	–	–
Monetary claims bought	86,590	–	–	9,995
Securities:				
Held-to-maturity securities:				
Government bonds	–	3,400	129,300	782,500
Corporate bonds	7,000	2,800	32,602	79,600
Debt securities earmarked for underwriting reserves:				
Government bonds	–	–	–	617,300
Municipal bonds	–	400	–	6,600
Corporate bonds	2,400	10,072	1,750	102,200
Foreign securities	173	355,067	1,109,345	119,739
Available-for-sale securities with fixed maturities:				
Government bonds	60,140	622,969	336,675	902,909
Municipal bonds	20,579	48,302	116,673	92,098
Corporate bonds	197,407	703,009	367,255	89,355
Foreign securities	88,449	667,009	762,619	155,478
Loans (*)	87,324	311,125	326,777	108,822
Total	2,470,235	2,747,508	3,182,999	3,066,600

(*) The amounts in the above table do not include ¥295 million of loans in which repayments cannot be expected since the debtors are legally bankrupt, substantially bankrupt or likely to go bankrupt, and ¥68,950 million of loans without fixed maturities.

(Note 4) Maturity analysis of bonds issued

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

March 31, 2019	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

(*) The amounts in the above table do not include ¥100,902 million of bonds issued without fixed maturities.

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, 2018	March 31, 2019
Carrying amount	75,405	74,996
Fair value	136,583	135,321

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 the most recent appraisal dates, the fair value is determined based on these appraisal values or the values adjusted by the relevant indices.

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

	March 31, 2018	March 31, 2019
Net assets per share (in ¥)	4,964.64	4,712.11
Stock acquisition rights deducted from net assets (in ¥ million)	566	785
Non-controlling interests deducted from net assets (in ¥ million)	26,709	26,743
Outstanding common shares (in thousands)	592,411	583,711

13. Significant subsequent events

(Transaction under common control)

Based on the Agreement on Reorganization by Function concluded on September 27, 2013 between the Company and its consolidated subsidiaries, Mitsui Sumitomo Insurance Company Limited ("MSI"), Aioi Nissay Dowa Insurance Company, Limited ("ADI") and Mitsui Sumitomo Aioi Life Insurance Company, Limited ("MSAL"), MSI and MSAL as well as ADI and MSAL concluded the Absorption-type Company Split Agreement on June 28, 2018 and completed the reorganization on April 1, 2019. The purpose of the agreement is to transfer the long-term contracts of the third sector insurance market held by MSI and ADI to MSAL.

(1) Overview of the transaction

(i) Name and description of the subject business

Business related to the long-term contracts of the third sector insurance market held by MSI and ADI

(ii) Date of business combination

April 1, 2019

(iii) Legal form of business combination

Simple absorption-type company split where MSI and ADI are designated as the splitting companies and MSAL as the successor company

(iv) Acquiring company name after the business combination

Mitsui Sumitomo Aioi Life Insurance Company, Limited

(v) Other items regarding overview of the transaction

By centralizing the product supply function in MSAL, the Group aims to realize efficient operations through further improvement of level of customer support and concentration of management resources, demonstrate the Group's comprehensive strength, and enhance customer satisfaction, its ability to grow and generate profits.

(2) Overview of the accounting treatment applied

The Company plans to apply "Accounting Standard for Business Combination" (ASBJ Statement No. 21, January 16, 2019) and "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10, January 16, 2019) for the treatment of transaction under common control.

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, 2018	For the year ended March 31, 2019
	(1,881)	4,434

2. The amounts of foreign exchange losses included in other investment expenses are as follows:

	Yen in millions	
	For the year ended March 31, 2018	For the year ended March 31, 2019
	(118,752)	(63,767)

3. Major components of business expenses are as follows:

	Yen in millions	
	For the year ended March 31, 2018	For the year ended March 31, 2019
Commission expenses	661,080	682,532
Salaries	310,320	305,078

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, 2018

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

For the year ended March 31, 2019

			Yen in millions		
			Impairment losses on fixed assets		
Use	Category	Description		Breakdown	
Investment properties	Buildings	5 properties, including a building for rent in Fukushima	62	Buildings	62
Idle real estate and real estate for sale and others	Land,buildings and other tangible fixed assets	32 properties, including an office building in Niigata	1,431	Land Buildings Other tangible fixed assets	429 860 141
—	Software, and other intangible fixed assets	Software and others related to telematics automobile insurance business operations in the UK	1,442	Software Other intangible fixed assets	1,179 262

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

As the investment properties, idle real estate and assets for sale in the above table were to be disposed in the near future, the carrying amounts of the assets were reduced to recoverable amounts, and the aggregate difference between them 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 or the assessment of inheritance tax using roadside land prices.

During the review of the Company's business outlook based on current sales, an impairment test was conducted for software and other intangible fixed assets 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 9.3%.

5. Details of Other extraordinary income are as follows:

For the year ended March 31, 2019

Other extraordinary income represents reversal of reserve for reorganization by function.

6. Details of Other extraordinary losses are as follows:

For the year ended March 31, 2019

Other extraordinary losses represent additional retirement benefits due to the personnel reduction at MS Amlin plc and its subsidiaries.

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

	For the year ended March 31, 2018	For the year ended March 31, 2019
Basic net income/(loss) attributable to owners of the parent per share (in ¥)	260.04	328.72
Diluted net income/(loss) attributable to owners of the parent per share (in ¥)	259.98	328.60

Note: The basis of calculation is as follows:

	For the year ended March 31, 2018	For the year ended March 31, 2019
Net income/(loss) attributable to owners of the parent (in ¥ million)	154,057	192,705
Average outstanding common stock during the year (in thousands of shares)	592,418	586,215
Increase in number of common stock used for calculation of diluted net income/(loss) attributable to owners of the parent (in thousands of shares)	147	212

NOTES TO CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

	Yen in millions	
	2018	2019
Net unrealized gains/(losses) on securities:		
Gains/(losses) arising during the period	317,048	(127,313)
Reclassification adjustments	(141,917)	(137,167)
Before income tax effect adjustments	175,131	(264,481)
Income tax effects	(51,449)	65,824
Net unrealized gains/(losses) on securities	123,681	(198,656)
Net deferred gains/(losses) on hedges:		
Gains/(losses) arising during the period	833	10,784
Reclassification adjustments	(5,368)	(4,895)
Before income tax effect adjustments	(4,535)	5,888
Income tax effects	1,218	(1,395)
Net deferred gains/(losses) on hedges	(3,316)	4,493
Foreign currency translation adjustments:		
Gains/(losses) arising during the period	23,348	(61,093)
Actuarial gains/(losses) on retirement benefits:		
Gains/(losses) arising during the period	7,923	4,934
Reclassification adjustments	4,091	1,329
Before income tax effect adjustments	12,014	6,263
Income tax effects	(3,290)	(1,240)
Actuarial gains/(losses) on retirement benefits	8,723	5,023
Share of other comprehensive income/(loss) of equity method investments:		
Gains/(losses) arising during the period	6,063	(23,579)
Reclassification adjustments	(1,288)	(271)
Share of other comprehensive income/(loss) of equity method investments	4,775	(23,850)
Total other comprehensive income/(loss)	157,211	(274,084)

NOTES TO CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

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

		Yen in millions
Category	Breakdown	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 (Yen in millions)	Dividends per share (in Yen)	Date of record	Effective date
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 (Yen in millions)	Source of dividends	Dividends per share (in Yen)	Date of record	Effective date
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.

For the year ended March 31, 2019

1. Type and number of issued stock and treasury stock

	in thousands of shares			
	Beginning balance	Increase	Decrease	Ending balance
Issued stock:				
Common stock	593,291	–	–	593,291
Total	593,291	–	–	593,291
Treasury stock:				
Common stock	880	8,728	29	9,580
Total	880	8,728	29	9,580

Notes:
1. The increase in the number of treasury common stock during the year was 8,728 thousand shares, as a result of open market repurchases of 8,714 thousand shares and repurchases of 14 thousand fractional shares.
2. The decrease in the number of treasury common stock during the year was 29 thousand shares, which is due to exercise of stock acquisition rights of 28 thousand shares and sales of 0 thousand fractional shares.

2. Stock acquisition rights

		Yen in millions
Category	Breakdown	Ending balance
Filer	Stock acquisition rights as stock options	785
Total		785

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 25, 2018	Common stock	38,506	65	March 31, 2018	June 26, 2018
Board meeting held on November 19, 2018	Common stock	40,860	70	September 30, 2018	December 5, 2018

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

(2) Dividends declared effective after March 31, 2019 for which the date of record is in the year ended March 31, 2019

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 24, 2019	Common stock	40,859	Retained earnings	70	March 31, 2019	June 25, 2019

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

NOTES TO CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	Yen in millions	
	2018	2019
Cash, deposits and savings	1,481,694	1,474,306
Receivables under resale agreements	6,999	472,377
Monetary claims bought	140,133	97,241
Securities	16,152,966	16,061,871
Time deposits with original maturity of more than three months	(253,539)	(226,746)
Monetary claims bought other than cash equivalents	(94,551)	(49,238)
Securities other than cash equivalents	(16,110,197)	(16,031,285)
Cash and cash equivalents	1,323,506	1,798,526

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

For the year ended March 31, 2018

MS First Capital Insurance Limited ("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, 2018 and 2019, 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 judgment, 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, 2018 and 2019, 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, 2019 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.

June 24, 2019
Tokyo, Japan

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, 2018	March 31, 2019
(Assets)		
Cash, deposits and savings:	¥ 421,714	¥ 451,820
Cash on hand	76	57
Deposits in banks	421,638	451,762
Receivables under resale agreements	6,999	6,999
Monetary claims bought	13,598	13,650
Money trusts	3,728	3,543
Investments in securities:	5,635,635	5,399,897
Government bonds	1,192,826	979,885
Municipal bonds	88,038	87,459
Corporate bonds	524,990	555,690
Domestic stocks	1,937,182	1,728,866
Foreign securities	1,854,804	2,003,496
Other securities	37,792	44,498
Loans:	393,362	396,292
Policy loans	7,133	6,515
General loans	386,228	389,776
Tangible fixed assets:	205,648	207,392
Land	76,499	78,087
Buildings	117,734	115,698
Construction in progress	569	335
Other tangible fixed assets	10,846	13,271
Intangible fixed assets:	45,317	73,972
Software	13,726	14,527
Other intangible fixed assets	31,591	59,445
Other assets:	328,137	393,734
Premiums receivable	4,122	4,311
Due from agencies	120,062	122,339
Co-insurance accounts receivable	7,407	12,721
Reinsurance accounts receivable	53,454	64,100
Foreign reinsurance accounts receivable	26,634	94,274
Agency business accounts receivable	534	607
Other receivables	41,300	35,260
Accrued income	6,059	5,632
Guarantee deposits	10,293	10,323
Deposits with the Japan Earthquake Reinsurance Company	6,457	4,138
Suspense payments	35,327	36,911
Initial margins for future transactions	316	701
Derivative financial instruments	15,052	1,347
Cash collateral pledged under derivative transactions	326	393
Other assets	784	670
Customers' liabilities under acceptances and guarantees	47,243	33,123
Bad debt reserve	(3,169)	(3,282)
Total assets	¥7,098,216	¥6,977,145

Items	Yen in millions	
	March 31, 2018	March 31, 2019
(Liabilities)		
Policy liabilities:	¥3,893,910	¥3,798,043
Outstanding claims	641,711	644,153
Underwriting reserves	3,252,198	3,153,890
Bonds issued	386,191	487,093
Other liabilities:	507,840	502,358
Co-insurance accounts payable	11,571	11,656
Reinsurance accounts payable	55,662	63,195
Foreign reinsurance accounts payable	22,483	29,004
Agency business accounts payable	12	16
Borrowings	196,767	196,767
Income taxes payable	48,653	18,683
Deposits received	61,793	64,182
Unearned income	34	25
Other payables	44,734	46,990
Suspense receipts	22,259	23,220
Derivative financial instruments	2,557	1,787
Cash collateral received under derivative transactions	34,218	40,357
Lease obligations	1,372	1,294
Asset retirement obligations	3,862	3,881
Other liabilities	1,858	1,295
Reserve for pension and retirement benefits	139,476	134,438
Reserve for retirement benefits for officers	516	403
Accrued bonuses for employees	10,145	10,447
Reserve for reorganization by function	2,261	906
Reserves under the special laws:	71,813	76,003
Reserve for price fluctuation	71,813	76,003
Deferred tax liabilities	161,817	101,693
Acceptances and guarantees	47,243	33,123
Total liabilities	5,221,215	5,144,511
(Net assets)		
Common stock	139,595	139,595
Capital surplus:	93,107	93,107
Additional paid-in capital	93,107	93,107
Retained earnings:	589,634	685,439
Legal earned reserve	46,487	46,487
Other retained earnings:	543,146	638,951
Tax-exempted reserve for accelerated depreciation	15,503	15,837
Retained earnings brought forward	527,643	623,113
Total shareholders' equity	822,337	918,142
Net unrealized gains/(losses) on investments in securities	1,022,583	885,036
Net deferred gains/(losses) on hedges	32,079	29,454
Total valuation and translation adjustments	1,054,662	914,491
Total net assets	1,877,000	1,832,634
Total liabilities and net assets	¥7,098,216	¥6,977,145

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

Non-Consolidated Statements of Income

Items	Yen in millions	
	Year ended March 31, 2018	Year ended March 31, 2019
Ordinary income:	¥1,859,915	¥1,908,617
Underwriting income:	1,654,780	1,696,441
Net premiums written	1,494,362	1,509,617
Deposit premiums from policyholders	60,092	55,858
Investment income on deposit premiums from policyholders	33,443	32,235
Reversal of outstanding claims	1,734	–
Reversal of underwriting reserves	65,042	98,308
Foreign exchange gains	–	348
Other underwriting income	104	73
Investment income:	199,914	206,852
Interest and dividends income	105,107	113,912
Investment gains on money trusts	239	–
Gains on sales of securities	122,213	121,459
Gains on redemption of securities	592	256
Gains on derivative transactions	4,564	2,343
Foreign exchange gains	–	625
Other investment income	640	491
Transfer of investment income on deposit premiums from policyholders	(33,443)	(32,235)
Other ordinary income	5,220	5,322
Ordinary expenses:	1,597,363	1,682,140
Underwriting expenses:	1,357,678	1,436,790
Net claims paid	836,385	910,965
Loss adjustment expenses	87,345	89,662
Commissions and collection expenses	259,174	265,429
Maturity refunds to policyholders	173,672	167,736
Dividends to policyholders	244	118
Provision for outstanding claims	–	2,442
Foreign exchange losses	470	–
Other underwriting expenses	385	436
Investment expenses:	9,391	12,622
Investment losses on money trusts	–	171
Losses on sales of securities	3,360	5,375
Impairment losses on securities	1,031	4,052
Losses on redemption of securities	237	44
Foreign exchange losses	1,869	–
Other investment expenses	2,892	2,978
Operating expenses and general and administrative expenses	222,577	223,294
Other ordinary expenses:	7,714	9,434
Interest expense	6,721	7,734
Provision for bad debts	–	172
Losses on bad debts	1	1
Other ordinary expenses	991	1,526
Ordinary profit	262,552	226,476
Extraordinary income:	7,207	2,982
Gains on sales of fixed assets	7,207	2,982
Extraordinary losses:	5,636	6,095
Losses on sales of fixed assets	763	1,265
Impairment losses on fixed assets	860	639
Provision for reserves under the special laws:	4,011	4,190
Provision for reserve for price fluctuation	4,011	4,190
Income before income taxes	264,123	223,363
Income taxes – current	73,452	58,143
Income taxes – deferred	(7,566)	(5,882)
Total income taxes	65,885	52,260
Net income	¥ 198,237	¥ 171,102

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, 2018	March 31, 2019
(A) Total amount of solvency margin	¥3,293,687	¥3,321,706
Total net assets	769,056	856,325
Reserve for price fluctuation	71,813	76,003
Contingency reserve	–	60
Catastrophe reserve	552,914	527,790
General bad debt reserve	156	111
Net unrealized gains/(losses) on investments in securities and net deferred gains/(losses) on hedges (prior to tax effect deductions)	1,276,455	1,104,761
Net unrealized gains/(losses) on land	50,064	48,551
Excess of policyholders' contract deposits (a)	–	–
Subordinated debts, etc. (b)	386,191	487,093
Amount excluded from the margin, out of (a) and (b)	–	–
Deductions	6,642	6,642
Others	193,676	227,650
(B) Total amount of risks $\sqrt{(R_1+R_2)^2+(R_3+R_4)^2}+R_5+R_6$	939,444	918,540
General insurance risk (R_1)	128,268	131,847
Insurance risk of third sector insurance contracts (R_2)	–	–
Assumed interest rate risk (R_3)	15,571	14,611
Asset management risk (R_4)	771,448	757,347
Business administration risk (R_5)	20,731	20,376
Catastrophe risk (R_6)	121,308	115,025
(C) Solvency margin ratio [(A) / {(B) × 1/2}] × 100	701.1%	723.2%

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

Non-Consolidated Balance Sheets

Items	Yen in millions	
	March 31, 2018	March 31, 2019
(Assets)		
Cash, deposits and savings:	¥ 165,103	¥ 181,470
Cash on hand	20	18
Deposits in banks	165,083	181,452
Money trusts	2,383	2,483
Investments in securities:	2,597,124	2,411,362
Government bonds	640,924	562,094
Municipal bonds	21,152	20,930
Corporate bonds	263,257	257,869
Domestic stocks	922,714	823,412
Foreign securities	684,083	677,156
Other securities	64,991	69,898
Loans:	200,051	201,022
Policy loans	3,063	2,590
General loans	196,987	198,431
Tangible fixed assets:	171,168	177,051
Land	75,219	74,275
Buildings	84,234	84,965
Lease assets	14	3
Construction in progress	1,484	6,368
Other tangible fixed assets	10,216	11,438
Intangible fixed assets:	27,524	42,914
Software	9,325	9,783
Other intangible fixed assets	18,199	33,131
Other assets:	296,367	354,507
Premiums receivable	2,416	2,412
Due from agencies	78,533	81,701
Due from foreign agencies	931	897
Co-insurance accounts receivable	3,379	5,747
Reinsurance accounts receivable	53,568	49,733
Foreign reinsurance accounts receivable	72,006	126,947
Agency business accounts receivable	70	71
Other receivables	38,706	43,036
Accrued income	7,086	7,014
Guarantee deposits	6,821	6,777
Deposits with the Japan Earthquake Reinsurance Company	4,228	2,499
Suspense payments	24,122	24,825
Derivative financial instruments	4,496	2,842
Prepaid pension expenses	23,672	20,501
Deferred tax assets	–	16,426
Customers' liabilities under acceptances and guarantees	4,500	4,500
Bad debt reserve	(1,226)	(1,251)
Total assets	¥3,486,669	¥3,410,989

Items	Yen in millions	
	March 31, 2018	March 31, 2019
(Liabilities)		
Policy liabilities:	¥2,483,038	¥2,426,782
Outstanding claims	572,979	591,844
Underwriting reserves	1,910,058	1,834,938
Bonds issued	22,000	22,000
Other liabilities:	159,007	171,219
Co-insurance accounts payable	3,245	3,433
Reinsurance accounts payable	49,207	52,448
Foreign reinsurance accounts payable	36,314	53,043
Agency business accounts payable	1,550	1,500
Income taxes payable	17,450	3,060
Deposits received	3,049	3,249
Unearned income	13	27
Other payables	28,407	32,064
Suspense receipts	18,014	19,507
Derivative financial instruments	911	2,034
Lease obligations	14	3
Asset retirement obligations	829	847
Other liabilities	0	0
Reserve for pension and retirement benefits	26,891	31,288
Accrued bonuses for employees	5,859	6,016
Reserve for reorganization by function	1,527	253
Reserves under the special laws:	1,688	13,373
Reserve for price fluctuation	1,688	13,373
Deferred tax liabilities	1,090	–
Acceptances and guarantees	4,500	4,500
Total liabilities	2,705,604	2,675,433
(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:	172,552	180,526
Legal earned reserve	47,411	47,411
Other retained earnings:	125,141	133,114
Retained earnings brought forward	125,141	133,114
Total shareholders' equity	353,765	361,739
Net unrealized gains/(losses) on investments in securities	427,298	373,815
Total valuation and translation adjustments	427,298	373,815
Total net assets	781,064	735,555
Total liabilities and net assets	¥3,486,669	¥3,410,989

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

Non-Consolidated Statements of Income

Items	Yen in millions	
	Year ended March 31, 2018	Year ended March 31, 2019
Ordinary income:	¥1,335,258	¥1,425,517
Underwriting income:	1,265,331	1,354,477
Net premiums written	1,222,017	1,233,581
Deposit premiums from policyholders	26,278	24,377
Investment income on deposit premiums from policyholders	16,728	16,539
Reversal of underwriting reserves	–	75,120
Foreign exchange gains	–	242
Other underwriting income	307	4,616
Investment income:	61,019	62,276
Interest and dividends income	58,498	56,150
Investment gains on money trusts	2	2
Gains on sales of securities	18,718	22,397
Gains on redemption of securities	462	90
Foreign exchange gains	–	77
Other investment income	66	97
Transfer of investment income on deposit premiums from policyholders	(16,728)	(16,539)
Other ordinary income	8,906	8,763
Ordinary expenses:	1,329,641	1,364,135
Underwriting expenses:	1,087,152	1,159,840
Net claims paid	660,699	770,582
Loss adjustment expenses	62,886	66,390
Commissions and collection expenses	234,977	238,394
Maturity refunds to policyholders	67,427	64,336
Dividends to policyholders	38	30
Provision for outstanding claims	46,214	18,865
Provision for underwriting reserves	11,721	–
Foreign exchange losses	10	–
Other underwriting expenses	3,175	1,240
Investment expenses:	57,877	13,890
Losses on sales of securities	3,189	5,379
Impairment losses on securities	49,040	2,076
Losses on redemption of securities	499	–
Losses on derivative transactions	3,572	4,861
Foreign exchange losses	507	–
Other investment expenses	1,067	1,572
Operating expenses and general and administrative expenses	182,720	188,607
Other ordinary expenses:	1,891	1,796
Interest expense	571	398
Provision for bad debts	–	55
Losses on bad debts	0	0
Other ordinary expenses	1,319	1,342
Ordinary profit	5,616	61,382
Extraordinary income:	37,778	701
Gains on sales of fixed assets	2,352	701
Reversal of reserves under the special laws:	35,425	–
Reversal of reserve for price fluctuation	35,425	–
Extraordinary losses:	6,599	14,463
Losses on sales of fixed assets	4,609	1,203
Impairment losses on fixed assets	1,979	1,569
Provision for reserves under the special laws:	–	11,684
Provision for reserve for price fluctuation	–	11,684
Losses on reduction of tangible fixed assets	11	5
Income before income taxes	36,794	47,620
Income taxes – current	24,465	9,584
Income taxes – deferred	(3,291)	728
Total income taxes	21,173	10,312
Net income	¥ 15,620	¥ 37,307

Non-Consolidated Solvency Margin Ratio

	Yen in millions	
	March 31, 2018	March 31, 2019
(A) Total amount of solvency margin	¥1,268,359	¥1,168,396
Total net assets	324,431	333,503
Reserve for price fluctuation	1,688	13,373
Contingency reserve	747	780
Catastrophe reserve	347,678	288,003
General bad debt reserve	199	231
Net unrealized gains/(losses) on investments in securities and net deferred gains/(losses) on hedges (prior to tax effect deductions)	521,401	456,845
Net unrealized gains/(losses) on land	18,026	23,420
Excess of policyholders' contract deposits (a)	–	–
Subordinated debts, etc. (b)	17,600	13,200
Amount excluded from the margin, out of (a) and (b)	–	–
Deductions	3,824	4,822
Others	40,411	43,859
(B) Total amount of risks $\sqrt{(R_1+R_2)^2+(R_3+R_4)^2}+R_5+R_6$	323,538	339,508
General insurance risk (R_1)	105,821	109,193
Insurance risk of third sector insurance contracts (R_2)	–	–
Assumed interest rate risk (R_3)	7,831	7,283
Asset management risk (R_4)	229,683	216,865
Business administration risk (R_5)	7,977	8,304
Catastrophe risk (R_6)	55,539	81,872
(C) Solvency margin ratio [(A) / {(B) × 1/2}] × 100	784.0%	688.2%

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

Non-Consolidated Balance Sheets

Items	Yen in millions	
	March 31, 2018	March 31, 2019
(Assets)		
Cash, deposits and savings:	¥18,067	¥ 7,036
Deposits in banks	18,067	7,036
Investments in securities:	33,621	42,042
Government bonds	1,656	901
Municipal bonds	21,136	20,158
Corporate bonds	10,828	14,479
Other securities	–	6,503
Tangible fixed assets:	377	548
Buildings	50	46
Other tangible fixed assets	327	502
Intangible fixed assets:	3,307	5,076
Software	2,207	4,601
Other intangible fixed assets	1,100	475
Other assets:	6,124	6,216
Premiums receivable	0	0
Reinsurance accounts receivable	–	418
Other receivables	3,756	3,589
Accrued income	52	44
Guarantee deposits	352	352
Suspense payments	1,961	1,811
Other assets	1	0
Bad debt reserve	(9)	(3)
Total assets	¥61,489	¥60,917
(Liabilities)		
Policy liabilities:	45,870	44,995
Outstanding claims	24,796	24,432
Underwriting reserves	21,073	20,563
Other liabilities:	1,422	1,398
Reinsurance accounts payable	1	2
Income taxes payable	224	157
Other payables	1,171	1,211
Suspense receipts	7	8
Asset retirement obligations	17	17
Reserve for pension and retirement benefits	104	163
Accrued bonuses for employees	263	280
Reserves under the special laws:	63	72
Reserve for price fluctuation	63	72
Deferred tax liabilities	93	84
Total liabilities	47,819	46,994
(Net assets)		
Common stock	39,106	39,106
Capital surplus:	9,006	9,006
Additional paid-in capital	9,006	9,006
Retained earnings:	(34,492)	(34,243)
Other retained earnings:	(34,492)	(34,243)
Retained earnings brought forward	(34,492)	(34,243)
Total shareholders' equity	13,619	13,868
Net unrealized gains/(losses) on investments in securities	50	54
Total valuation and translation adjustments	50	54
Total net assets	13,670	13,923
Total liabilities and net assets	¥61,489	¥60,917

Non-Consolidated Statements of Income

Items	Yen in millions	
	Year ended March 31, 2018	Year ended March 31, 2019
Ordinary income:	¥37,965	¥37,612
Underwriting income:	37,892	37,559
Net premiums written	37,873	36,663
Investment income on deposit premiums from policyholders	18	22
Reversal of outstanding claims	–	363
Reversal of underwriting reserves	–	510
Investment income:	59	32
Interest and dividends income	73	55
Gains on sales of securities	4	–
Transfer of investment income on deposit premiums from policyholders	(18)	(22)
Other ordinary income	14	19
Ordinary expenses:	37,514	37,227
Underwriting expenses:	28,948	28,235
Net claims paid	24,823	25,123
Loss adjustment expenses	2,825	2,811
Commissions and collection expenses	280	300
Provision for outstanding claims	638	–
Provision for underwriting reserves	380	–
Investment expenses:	0	–
Losses on sales of securities	0	–
Operating expenses and general and administrative expenses	8,556	8,988
Other ordinary expenses:	8	2
Provision for bad debts	5	–
Other ordinary expenses	2	2
Ordinary profit	451	384
Extraordinary income	–	–
Extraordinary losses:	6	15
Losses on sales of fixed assets	0	6
Provision for reserves under the special laws:	6	8
Provision for reserve for price fluctuation	6	8
Income before taxes	445	369
Income taxes – current	123	131
Income taxes – deferred	(6)	(10)
Total income taxes	117	120
Net income	¥ 328	¥ 249

Non-Consolidated Solvency Margin Ratio

	Yen in millions	
	March 31, 2018	March 31, 2019
(A) Total amount of solvency margin	¥14,992	¥15,222
Total net assets	13,619	13,868
Reserve for price fluctuation	63	72
Contingency reserve	0	0
Catastrophe reserve	1,242	1,210
General bad debt reserve	3	3
Net unrealized gains/(losses) on investments in securities and net deferred gains/(losses) on hedges (prior to tax effect deductions)	63	68
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 $\sqrt{(R_1+R_2)^2+(R_3+R_4)^2}+R_5+R_6$	6,553	6,117
General insurance risk (R_1)	5,978	5,516
Insurance risk of third sector insurance contracts (R_2)	–	–
Assumed interest rate risk (R_3)	0	0
Asset management risk (R_4)	853	1,031
Business administration risk (R_5)	213	205
Catastrophe risk (R_6)	300	300
(C) Solvency margin ratio [(A) / {(B) × 1/2}] × 100	457.5%	497.6%

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

Non-Consolidated Balance Sheets

Items	Yen in millions	
	March 31, 2018	March 31, 2019
(Assets)		
Cash, deposits and savings:	¥ 164,811	¥ 73,027
Cash on hand	0	0
Deposits in banks	164,811	73,027
Receivables under resale agreements	–	465,377
Receivables under securities borrowing transactions	309,644	–
Investments in securities:	3,260,140	3,548,477
Government bonds	1,968,530	2,213,343
Municipal bonds	163,323	183,243
Corporate bonds	862,383	883,523
Domestic stocks	1,362	770
Foreign securities	219,641	195,146
Other securities	44,898	72,449
Loans:	57,079	59,506
Policy loans	57,079	59,506
Tangible fixed assets:	3,997	3,347
Buildings	572	532
Lease assets	2,155	1,486
Other tangible fixed assets	1,269	1,328
Intangible fixed assets:	26,417	30,851
Software	8,103	8,067
Other intangible fixed assets	18,314	22,783
Due from agencies	127	186
Reinsurance accounts receivable	663	3,230
Other assets:	46,963	45,775
Other receivables	33,014	34,197
Prepaid expenses	1,427	1,182
Accrued income	7,143	6,940
Guarantee deposits	350	369
Derivative financial instruments	4,042	1,400
Suspense payments	960	1,551
Other assets	24	131
Bad debt reserve	(114)	(117)
Total assets	¥3,869,730	¥4,229,662

Items	Yen in millions	
	March 31, 2018	March 31, 2019
(Liabilities)		
Policy liabilities:	¥3,182,433	¥3,415,379
Outstanding claims	28,102	29,520
Underwriting reserves	3,143,804	3,376,079
Reserve for dividends to policyholders	10,526	9,780
Due to agencies	4,562	4,296
Reinsurance accounts payable	263	253
Other liabilities:	395,303	509,173
Payables under repurchase agreements	–	468,782
Payables under securities lending transactions	381,139	23,687
Income taxes payable	758	2,496
Other payables	128	389
Accrued expenses	9,527	8,376
Unearned income	0	0
Deposits received	179	184
Derivative financial instruments	391	11
Lease obligations	2,364	1,624
Asset retirement obligations	432	434
Suspense receipts	382	631
Other liabilities	–	2,554
Reserve for pension and retirement benefits	3,137	3,474
Reserve for retirement benefits for officers	22	10
Reserves under the special laws:	6,862	7,799
Reserve for price fluctuation	6,862	7,799
Deferred tax liabilities	12,619	13,359
Total liabilities	3,605,205	3,953,747
(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:	7,870	14,645
Legal earned reserve	708	946
Other retained earnings:	7,162	13,698
Retained earnings brought forward	7,162	13,698
Total shareholders' equity	187,058	193,833
Net unrealized gains/(losses) on investments in securities	77,466	82,081
Total valuation and translation adjustments	77,466	82,081
Total net assets	264,524	275,915
Total liabilities and net assets	¥3,869,730	¥4,229,662

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

Non-Consolidated Statements of Income

Items	Yen in millions	
	Year ended March 31, 2018	Year ended March 31, 2019
Ordinary income:	¥550,495	¥579,934
Insurance premiums and others:	493,748	520,148
Insurance premiums	492,591	504,235
Reinsurance income	1,156	15,913
Investment income:	53,817	57,106
Interest and dividends income:	44,603	44,921
Interest on deposits	0	0
Interest and dividends on securities	42,699	43,138
Interest on loans	1,617	1,675
Other interest and dividends	287	106
Gains on sales of securities	9,209	12,184
Gains on redemption of securities	–	1
Foreign exchange gains	1	–
Reversal of bad debts	2	–
Other ordinary income:	2,929	2,679
Receipts of annuities with special conditions	923	779
Receipts of deferred insurance claims	1,519	1,436
Other ordinary income	486	462
Ordinary expenses:	533,521	560,410
Insurance claims and others:	189,390	223,798
Insurance claims	41,353	41,875
Annuity payments	16,924	18,339
Benefits	19,878	21,920
Surrender benefits	106,304	123,934
Other refunds	3,735	3,846
Reinsurance premiums	1,195	13,881
Provision for underwriting reserves and others:	247,798	233,692
Provision for outstanding claims	454	1,417
Provision for underwriting reserves	247,344	232,274
Provision for interest portion of reserve for dividends to policyholders	0	0
Investment expenses:	3,881	6,092
Interest expense	63	–
Losses on sales of securities	1,944	4,794
Losses on derivative transactions	1,793	1,235
Foreign exchange losses	–	8
Provision for bad debts	–	3
Other investment expenses	79	51
Operating expenses	79,359	83,244
Other ordinary expenses:	13,090	13,582
Payments of deferred insurance claims	1,562	1,453
Taxes	6,599	6,963
Depreciation	4,323	4,821
Provision for reserve for pension and retirement benefits	601	337
Other ordinary expenses	2	6
Ordinary profit	16,973	19,524
Extraordinary income:	1	0
Gains on sales of fixed assets	1	0
Extraordinary losses:	885	1,135
Losses on sales of fixed assets	11	198
Provision for reserves under the special laws:	874	936
Provision for reserve for price fluctuation	874	936
Provision for reserve for dividends to policyholders	9,214	7,842
Income before income taxes	6,874	10,547
Income taxes – current	2,132	3,634
Income taxes – deferred	(534)	(1,055)
Total income taxes	1,597	2,578
Net income	¥ 5,277	¥ 7,968

Business Results

Amount of Policies in Force and New Policies

(1) Policies in force

Yen in 100 millions

	March 31, 2018		March 31, 2019	
	Number of policies (in thousands)	Amount	Number of policies (in thousands)	Amount
Individual insurance	3,057	¥230,952	3,219	¥238,475
Individual annuities	182	7,115	177	6,856
Group insurance	–	78,598	–	85,546
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, 2018				Year ended March 31, 2019			
	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	273	¥26,292	26,292	–	337	¥31,072	31,072	–
Individual annuities	1	102	102	–	1	73	73	–
Group insurance	–	1,445	1,445	–	–	928	928	–
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, 2018	March 31, 2019
Individual insurance	¥3,693	¥3,897
Individual annuities	430	417
Total:	4,123	4,315
Medical coverage, living benefits, etc.	967	1,078

(2) New policies

Yen in 100 millions

	Year ended March 31, 2018	Year ended March 31, 2019
Individual insurance	¥383	¥508
Individual annuities	4	3
Total:	388	511
Medical coverage, living benefits, etc.	139	177

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, 2018	Year ended March 31, 2019	Change
Fundamental revenues:	¥541,283	¥567,766	¥26,483
Insurance premiums and others	493,748	520,148	26,400
Fundamental expenses	528,477	552,193	23,715
Fundamental profit	12,806	15,573	2,767
Capital gains/(losses)	5,472	6,131	658
Non-recurring gains/(losses)	(1,304)	(2,180)	(876)
Ordinary profit	16,973	19,524	2,550
Extraordinary income	1	0	(0)
Extraordinary losses	885	1,135	249
Provision for reserve for dividends to policyholders	9,214	7,842	(1,372)
Income taxes	1,597	2,578	981
Net income	5,277	7,968	2,691

Notes: Since the year ended March 31, 2019, the disclosure method of the breakdown of ordinary profit relating to the effect of change in the exchange rates related to foreign currency denominated insurance contracts and the effect of change in surrender values associated with market value adjustment has been modified. As a result, fundamental profit increased by ¥15 million and capital gains decreased by the same amount for the year ended March 31, 2019, compared to those before the modification.

Non-Consolidated Solvency Margin Ratio

	Yen in millions	
	March 31, 2018	March 31, 2019
(A) Total amount of solvency margin	¥484,904	¥505,779
Total capital	186,080	192,668
Reserve for price fluctuation	6,862	7,799
Contingency reserve	32,890	35,067
General bad debt reserve	23	22
Net unrealized gains/(losses) on investments in securities and net deferred gains/(losses) on hedges (prior to tax effect deductions) × 90%	96,832	102,601
Net unrealized gains/(losses) on land × 85%	–	–
Excess of continued Zillmerized reserve (a)	159,410	162,392
Subordinated debts, etc. (b)	–	–
Amount excluded from the margin, out of (a) and (b)	–	–
Brought in capital	–	–
Deductions	–	–
Others	2,804	5,227
(B) Total amount of risks $\sqrt{(R_1+R_8)^2+(R_2+R_3+R_7)^2}+R_4$	56,163	60,145
Insurance risk (R_1)	17,411	18,220
Insurance risk of third sector insurance contracts (R_8)	11,658	12,950
Assumed interest rate risk (R_2)	3,115	3,136
Minimum guarantee risk (R_7)	–	–
Asset management risk (R_3)	43,169	46,405
Business administration risk (R_4)	1,507	1,614
(C) Solvency margin ratio [(A) / {(B) × 1/2}] × 100	1,726.7%	1,681.8%

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

Non-Consolidated Balance Sheets

Items	Yen in millions	
	March 31, 2018	March 31, 2019
(Assets)		
Cash, deposits and savings:	¥ 178,099	¥ 288,811
Deposits in banks	178,099	288,811
Monetary claims bought	39,999	42,999
Money trusts	1,037,295	1,538,286
Investments in securities:	4,612,983	4,683,396
Government bonds	67,101	14,666
Municipal bonds	2,960	2,243
Corporate bonds	78,203	86,177
Foreign securities	2,043,356	2,280,077
Other securities	2,421,360	2,300,230
Loans:	239,778	244,618
Policy loans	433	338
General loans	239,345	244,280
Tangible fixed assets:	892	938
Buildings	244	284
Lease assets	541	542
Other tangible fixed assets	106	110
Intangible fixed assets:	6,638	10,655
Software	6,419	10,449
Lease assets	218	206
Reinsurance accounts receivable	3,813	9,788
Other assets:	41,616	28,814
Other receivables	17,446	7,325
Prepaid expenses	694	1,062
Accrued income	18,256	19,651
Guarantee deposits	4,504	576
Derivative financial instruments	0	–
Suspense payments	709	198
Other assets	5	–
Deferred tax assets	40,636	37,012
Total assets	¥6,201,753	¥6,885,323
(Liabilities)		
Policy liabilities:	5,916,715	6,555,593
Outstanding claims	17,382	20,679
Underwriting reserves	5,899,332	6,534,913
Due to agencies	4,555	4,040
Reinsurance accounts payable	4,244	3,936
Other liabilities:	39,648	50,443
Income taxes payable	1,501	2,187
Other payables	8,346	5,397
Accrued expenses	5,482	5,417
Deposits received	18,821	32,189
Derivative financial instruments	1	–
Lease obligations	833	818
Asset retirement obligations	134	174
Suspense receipts	4,527	4,258
Reserves under the special laws:	72,500	76,000
Reserve for price fluctuation	72,500	76,000
Total liabilities	6,037,664	6,690,014
(Net assets)		
Common stock	41,060	41,060
Capital surplus:	24,735	24,735
Additional paid-in capital	24,735	24,735
Retained earnings:	89,878	103,435
Legal earned reserve	2,604	4,554
Other retained earnings:	87,274	98,881
Retained earnings brought forward	87,274	98,881
Total shareholders' equity	155,673	169,230
Net unrealized gains/(losses) on investments in securities	8,207	19,669
Net deferred gains/(losses) on hedges	207	6,408
Total valuation and translation adjustments	8,414	26,077
Total net assets	164,088	195,308
Total liabilities and net assets	¥6,201,753	¥6,885,323

Non-Consolidated Statements of Income

Items	Yen in millions	
	Year ended March 31, 2018	Year ended March 31, 2019
Ordinary income:	¥1,256,486	¥1,342,809
Insurance premiums and others:	1,059,512	1,129,772
Insurance premiums	1,015,601	1,095,699
Reinsurance income	43,911	34,072
Investment income:	193,690	209,425
Interest and dividends income:	76,884	88,316
Interest on deposits	131	78
Interest and dividends on securities	68,185	79,490
Interest on loans	8,192	8,525
Other interest and dividends	376	222
Investment gains on money trusts	–	75,458
Gains on sales of securities	1,506	2,465
Gains on redemption of securities	0	22
Investment gains on separate accounts	115,299	43,162
Other ordinary income:	3,282	3,611
Receipts of annuities with special conditions	3,239	3,216
Other ordinary income	43	395
Ordinary expenses:	1,227,546	1,307,221
Insurance claims and others:	694,801	539,542
Insurance claims	73,274	87,300
Annuity payments	88,563	89,168
Benefits	178,199	176,160
Surrender benefits	223,918	109,120
Other refunds	2,791	3,662
Reinsurance premiums	128,054	74,130
Provision for underwriting reserves and others:	355,283	638,877
Provision for outstanding claims	4,964	3,296
Provision for underwriting reserves	350,318	635,581
Investment expenses:	118,896	64,920
Interest expense	0	6
Investment losses on money trusts	5,195	–
Losses on sales of securities	–	20
Losses on redemption of securities	–	3
Foreign exchange losses	113,646	64,837
Other investment expenses	54	53
Operating expenses	50,236	55,000
Other ordinary expenses:	8,328	8,880
Taxes	6,417	6,728
Depreciation	1,909	2,150
Other ordinary expenses	2	2
Ordinary profit	28,939	35,587
Extraordinary income:	11,500	–
Reversal of reserves under the special laws:	11,500	–
Reversal of reserve for price fluctuation	11,500	–
Extraordinary losses:	–	3,500
Provision for reserves under the special laws:	–	3,500
Provision for reserve for price fluctuation	–	3,500
Income before income taxes	40,439	32,087
Income taxes – current	8,565	12,027
Income taxes – deferred	2,662	(3,245)
Total income taxes	11,227	8,782
Net income	¥ 29,212	¥ 23,305

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, 2018		March 31, 2019	
	Number of policies (in thousands)	Amount	Number of policies (in thousands)	Amount
Individual insurance	687	¥37,873	765	¥42,699
Individual annuities	338	22,745	379	24,085
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, 2018				Year ended March 31, 2019			
	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	118	¥8,093	¥8,093	–	97	¥7,399	¥7,399	–
Individual annuities	44	2,063	2,063	–	62	3,783	3,783	–
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, 2018	March 31, 2019
Individual insurance	¥2,641	¥3,110
Individual annuities	2,307	2,722
Total:	4,948	5,833
Medical coverage, living benefits, etc.	0	0

(2) New policies

Yen in 100 millions

	Year ended March 31, 2018	Year ended March 31, 2019
Individual insurance	¥ 650	¥ 632
Individual annuities	288	634
Total:	938	1,266
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, 2018	Year ended March 31, 2019	Change
Fundamental revenues:	¥1,270,108	¥1,297,226	¥ 27,118
Insurance premiums and others	1,059,512	1,129,772	70,259
Fundamental expenses	1,261,245	1,309,578	48,332
Fundamental profit	8,862	(12,352)	(21,214)
Capital gains/(losses)	21,219	56,602	35,382
Non-recurring gains/(losses)	(1,141)	(8,662)	(7,521)
Ordinary profit	28,939	35,587	6,647
Extraordinary income	11,500	–	(11,500)
Extraordinary losses	–	3,500	3,500
Provision for reserve for dividends to policyholders	–	–	–
Income taxes	11,227	8,782	(2,445)
Net income	29,212	23,305	(5,907)

Non-Consolidated Solvency Margin Ratio

	Yen in millions	
	March 31, 2018	March 31, 2019
(A) Total amount of solvency margin	¥605,676	¥616,094
Total capital	149,053	165,034
Reserve for price fluctuation	72,500	76,000
Contingency reserve	75,597	84,260
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%	10,258	24,586
Net unrealized gains/(losses) on land × 85%	–	–
Excess of continued Zillmerized reserve (a)	267,415	229,718
Subordinated debts, etc. (b)	–	–
Amount excluded from the margin, out of (a) and (b)	–	–
Brought in capital	–	–
Deductions	–	–
Others	30,850	36,495
(B) Total amount of risks $\sqrt{(R_1+R_8)^2+(R_2+R_3+R_7)^2}+R_4$	121,997	149,278
Insurance risk (R_1)	117	752
Insurance risk of third sector insurance contracts (R_8)	4	3
Assumed interest rate risk (R_2)	45,460	56,536
Minimum guarantee risk (R_7)	2,655	2,303
Asset management risk (R_3)	71,487	87,495
Business administration risk (R_4)	2,394	2,941
(C) Solvency margin ratio [(A) / {(B) × 1/2}] × 100	992.9%	825.4%

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 sustainability initiatives. As of July 2019, the MS&AD Insurance Group was included in the following ESG-related indices.

CDP's Climate A List	Dow Jones Sustainability Indices (World/Asia Pacific)	FTSE Blossom Japan Index
FTSE4Good Index Series	MSCI Japan ESG Select Leaders Index*	MSCI Japan Empowering Women Index (WIN)*
S&P/JPX Carbon Efficient Index	ECPI Indices	STOXX Global ESG Leaders Index

*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.

Participation in Initiatives

Participation in Global Initiatives and Working to Create Shared Value with Society

The UN Global Compact	The United Nations Environment Programme - Finance Initiative (UNEP FI), the Principles for Sustainable Insurance	Principles for Responsible Investment
CDP	Natural Capital Declaration	Climate Change Initiative
The Japan Business Initiative for Biodiversity (JBIB)	• Paris Pledge for Action • Task Force on Climate-Related Financial Disclosure (TCFD) • Financial Principles towards the Formation of a Sustainable Society (21st Century Financial Principles)	

Third-Party Assurance

To improve the objectiveness and accuracy of the MS&AD Integrated Report 2019, 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

STEP 1

Planning

- Examination of the calculation method for the data subject to assurance and the company's outline of business
- Formulation of assurance engagement plan based on risk assessment

STEP 2

Implementation of assurance procedures

- Implementation of a site visit and analysis of compiled data, etc.

STEP 3

Review of draft report

- Confirmation that required corrections have been completed
- Reviewing the draft report to determine whether the assured information is presented appropriately

STEP 4

Submitting the assurance report

- Review by a reviewer not directly involved in the assurance engagement
- Submission of the assurance report

Information subject to the assurance engagement

- CO_2 emissions, total energy consumption* (PP. 23, 28, 43)
- Number and ratio of female managers (PP. 23, 28, 43)
- Number and ratio of global employees (PP. 23, 43)
- Number and ratio of employees with disabilities (P. 72)

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

KPMG

Independent Assurance Report

To the President and CEO of MS&AD Insurance Group Holdings, Inc.

We were engaged by MS&AD Insurance Group Holdings, Inc. (the "Company") to undertake a limited assurance engagement of the environmental and social performance indicators marked with ✓ for the period from April 1, 2018 to March 31, 2019 (the "Indicators") disclosed in the Company's MS&AD Integrated Report 2019 (the "Report") for the fiscal year ended March 31, 2019.

The Company's Responsibility

The Company is responsible for the preparation of the Indicators in accordance with its own reporting criteria (the "Company's reporting criteria"), as described in the Company's website.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Indicators based on the procedures we have performed. We conducted our engagement in accordance with the 'International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information' and the 'ISAE 3410, Assurance Engagements on Greenhouse Gas Statements' issued by the International Auditing and Assurance Standards Board. The limited assurance engagement consisted of making inquiries, primarily of persons responsible for the preparation of information presented in the Report, and applying analytical and other procedures, and the procedures performed vary in nature from, and are less in extent than for, a reasonable assurance engagement. The level of assurance provided is thus not as high as that provided by a reasonable assurance engagement. Our assurance procedures included:

- Interviewing the Company's responsible personnel to obtain an understanding of its policy for preparing the Report and reviewing the Company's reporting criteria.
- Inquiring about the design of the systems and methods used to collect and process the Indicators.
- Performing analytical procedures on the Indicators.
- Examining, on a test basis, evidence supporting the generation, aggregation and reporting of the Indicators in conformity with the Company's reporting criteria, and recalculating the Indicators.
- Visiting the Company's Yaesu First Financial Building selected on the basis of a risk analysis.
- Evaluating the overall presentation of the Indicators.

Conclusion

Based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that the Indicators in the Report are not prepared, in all material respects, in accordance with the Company's reporting criteria as described in the Company's website.

Our Independence and Quality Control

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. In accordance with International Standard on Quality Control 1, we maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

KPMG AZSA Sustainability Co., Ltd.

KPMG AZSA Sustainability Co., Ltd.
Tokyo, Japan
September 13, 2019

On the Issuance of the MS&AD Integrated Report 2019

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, regarding the Group's "story of value creation".

In the MS&AD Integrated Report 2019, we introduce Group-wide initiatives that will lead to the creation of shared value with society (CSV initiatives), aiming for the Group's goal of realizing a "resilient and sustainable society." The MS&AD Integrated Report also explains the progress of aspirations and key strategies set in "Vision 2021" and measures to reach the next stage.

The Integrated Report has been issued in an e-book format since the previous fiscal year, and in the current fiscal year we will make available on our website video interviews with the CEO and outside directors that are linked to the Integrated Report. In so doing, we are pursuing a variety of measures to convey the message of the Integrated Report more effectively.

With the goal of improving the objectivity and accuracy of the integrated 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 2019, please see page 168. Moreover, the 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 the content in the report is indeed accurate.

With this year's Integrated Report, we hope to promote amicable feelings for the Group by creating an 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 2019
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.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.

www.ms-ad-hd.com

QR-Code for access to the MS&AD Integrated Report 2019.

Printed in Japan