

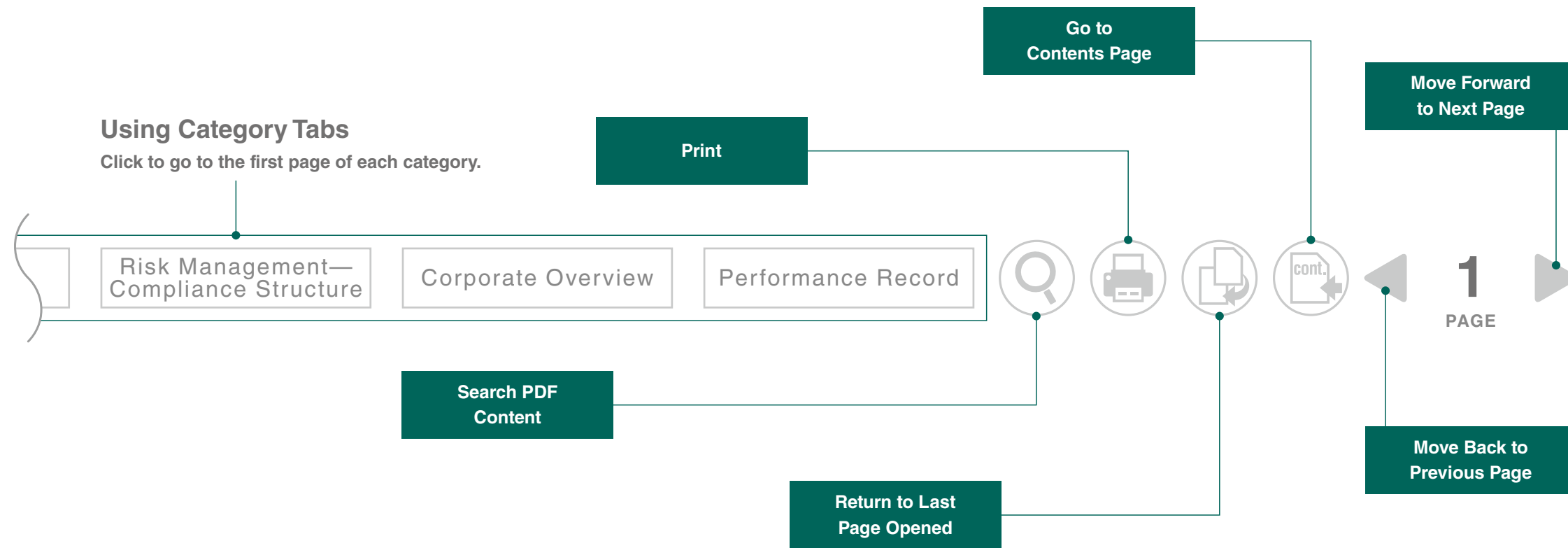
Advancing with you

MS&AD MS&AD Holdings

Annual Report 2014

For the Year Ended March 31, 2014

Guide to Buttons



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

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

Forward-looking statements

These materials contain future plans, strategies, and earnings forecasts for MS&AD Insurance Group Holdings, Inc. and Group companies. They are based on information available to the Group at the present time. Investors are advised that actual results may differ substantially from our forecasts, for various reasons. Actual performance could be adversely affected by

- (1) economic trends surrounding our business,
- (2) fierce competition within the insurance sector,
- (3) exchange rate fluctuations, and
- (4) changes in tax and other regulatory systems.

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Advancing with you



INSURANCE GROUP

Introduction

Aiming to make itself even better understood by customers, shareholders, investors, and other stakeholders and associates as well as to promote stronger and closer relationships with such people and others, the MS&AD Insurance Group is striving to disclose information in an accurate, timely, and fair manner.

Our core information disclosure publication for fiscal 2014—The MS&AD Insurance Group Holdings, Inc. Annual Report 2014—presents an overview of the Group's operations in fiscal 2013 and information about the Group's management policies and financial position as well as such non-financial information as that related to CSR programs and corporate governance systems.

We hope this report will be beneficial in helping readers gain an excellent understanding of the Group's current situation.

Corporate Information

CORPORATE NAME	MS&AD Insurance Group Holdings, Inc.
DATE ESTABLISHED	April 1, 2008 (Name changed on April 1, 2010)
PAID-IN CAPITAL	¥100,000,000,000
HEADQUARTERS	27-2, Shinkawa 2-chome, Chuo-ku, Tokyo
NUMBER OF EMPLOYEES	265 (Number on a consolidated basis: 37,055) *As of March 31, 2014
BUSINESS DESCRIPTION	Management and administration of non-life insurance companies, life insurance companies, and companies qualified to become subsidiaries under the Insurance Business Act.
STOCK LISTINGS	Tokyo Stock Exchange (First Section) and Nagoya Stock Exchange (First Section)

Website Addresses

Top page: <http://www.ms-ad-hd.com/en/>

Investor relations: <http://www.ms-ad-hd.com/en/ir/>

CSR information: <http://www.ms-ad-hd.com/en/csr/>

Top Message To Our Shareholders and Investors

On June 23, 2014, I took office as President & CEO of MS&AD Insurance Group Holdings, Inc., and I would like to take this opportunity to express my deep appreciation to all of you for your generous support to our business.

The Group recently completed its previous medium-term management plan, which covered a “founding period for MS&AD integration,” and I am taking responsibility for Group management at a time when the Group is beginning the implementation of a new medium-term management plan, “Next Challenge 2017,” designed to promote “the Group’s development and progress in integration.” Based on my keen sense of responsibility for successfully achieving the plan’s objectives, I am eagerly engaged in this mission with a high level of motivation. I consider it highly important to carefully listen to the voices of all the MS&AD Insurance Group’s shareholders, investors, and other stakeholders, and I would like to assure you that the Group is prepared and resolved to realize steady progress in Group management. I am looking forward to continued support and encouragement from all the Group’s stakeholders as we address this task.

Attaining the Objectives of the New Medium-Term Management Plan—“Next Challenge 2017”

Since the inauguration of the MS&AD Insurance Group in April 2010, the Group has endeavored to carry out its mission—“To contribute to the development of a vibrant society and help secure a sound future for the earth, by bringing security and safety through the global insurance and financial services business.”—as it continually seeks to realize sustainable growth and enhance enterprise value. During the period of our previous medium-term management plan, “New Frontier 2013,” which ended March 31, 2014, we established Aioi Nissay Dowa Insurance (ADI) and Mitsui Sumitomo Aioi Life Insurance (MSI Aioi Life); completed the conversion of Mitsui Sumitomo Primary Life Insurance into a wholly owned subsidiary; integrated shared services; and integrated the systems of the Group’s two core non-life insurance companies. Through these and other measures to realize steady progress in rationalizing and increasing the efficiency of the Group, we created a solid foundation for a new leap forward.

Since April 2014, the Group has embarked on a new medium-term management plan—“Next Challenge 2017”—with the objective of concurrently achieving further growth and greater efficiency.

One of the key elements of the new plan is our “reorganization by function.” With four companies—MS&AD Holdings, Mitsui Sumitomo Insurance, ADI, and MSI Aioi Life—as the core, the Group is concertedly working to attain the challenging objective of creating a completely new business model. The reorganization by function clarifies the business concepts of the Group’s two core non-life insurance companies and seeks to maximize demonstration of the features of each company in order to respond to customers’ diverse needs. In addition, we are consolidating third-sector, long-term policies within MSI Aioi Life so that we can concentrate management resources and thereby realize more-efficient operations. We are also further strengthening and expanding our Group governance system centered on the holding company. These various initiatives are designed to ensure that we can achieve both sustainable growth and greater efficiency amid an environment characterized by dramatic societal and economic changes. Another key objective of the new plan is promoting enterprise risk management (ERM). By undertaking forward-looking management policies designed to maintain balanced control of risk, return, and capital, we are seeking to realize further improvements in profitability and capital efficiency with a foundation of “soundness” to increase enterprise value.

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

Three Key Words—“Diversity,” “Challenges,” and “Speed”

In implementing these various strategies, we will be emphasizing three key words—“diversity,” “challenges,” and “speed.”

Regarding “diversity,” it should be noted that one of the MS&AD Insurance Group’s greatest strengths is the diversity of its operations, which encompass several life and non-life insurance companies and bases in 39 countries and regions around the world. Individual Group companies are leveraging the features of unique business models to contribute to the Group’s comprehensive capabilities for providing products and services tailored to meet customers’ diverse needs.

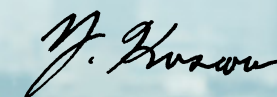
The key word “challenges” refers to cultivating a dynamic corporate culture, along with accelerating human resource development processes that encourage employees to address and overcome various kinds of challenges. The MS&AD Insurance Group attaches great importance to each individual Group employee, viewing them as precious assets, and we have numerous employees who are equipped with rich experience on a global basis and sophisticated expertise in diverse fields. One crucial means of successfully surmounting the various challenges associated with our reorganization by function will be continually reexamining the fundamental question of what we can do to benefit customers, and we intend to deliver products and services of the highest quality by leveraging the know-how of each Group company. We are also planning to further augment our efforts to promote the career development and management roles of women and global human resources.

With respect to the third key word—“speed”—I think it is clear that responding to the dramatic changes in our business environment stemming from such factors as a lower birthrate and aging population and the development of new technologies will require us to step up our efforts to ensure that we are flexibly responsive to ongoing and incipient changes with consistently strong emphasis on speediness and balance. The MS&AD Insurance Group’s reorganization by function is designed to enable the realization of additional efficiency while maintaining the speed of its business growth. The Group is also seeking to accelerate its investment of management resources in growth fields by efficiently drawing on its increasingly deep human resources and capital strength.

To successfully realize the MS&AD Insurance Group’s vision—“To create a world-leading insurance and financial services group that continues to seek sustainable growth and to enhance enterprise value”—we will concertedly marshal the power of each Group company and every individual Group employee and do our utmost to live up to the expectations of our shareholders and investors.

We look forward to your continued understanding and support for our endeavors.

President & CEO
Yasuyoshi Karasawa




At a Glance

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About the MS&AD Insurance Group

The MS&AD Insurance Group was formed in April 2010 from the business integration of Mitsui Sumitomo Insurance Group Holdings, Inc., Aioi Insurance Co., Ltd. (Aioi), and Nissay Dowa General Insurance Co., Ltd. (NDI) under the holding company MS&AD Holdings, Inc.

After the Group's formation, the first stage of the Group's business integration measures included moves to merge Aioi with NDI and Mitsui Sumitomo Kirameki Life Insurance Co., Ltd., with Aioi Life Insurance Co., Ltd., as well as to integrate shared services. These efforts were designed to improve Group-wide business management efficiency. The second step of business integration—aimed at achieving “Growth” and “Efficiency” across the entire Group, responding to customers’ diverse needs, and strengthening Group governance—involves “reorganization by function” initiatives centering on the Group's core non-life insurance companies—Mitsui Sumitomo Insurance Co., Ltd. and Aioi Nissay Dowa Insurance Co., Ltd.

To successfully realize its vision—“To create a world-leading insurance and financial services group that continues to seek sustainable growth and to enhance enterprise value”—the MS&AD Insurance Group is emphasizing speedy and concerted Group efforts going forward.



Aspirations for the MS&AD Insurance Group

To clarify what kind of business group the MS&AD Insurance Group aspires to become, we have adopted the following Mission, Vision, and Values:

Our Mission

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

Our Vision

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

Our Values

Customer Focused	We continuously strive to provide security and achieve customer satisfaction.
Integrity	We are sincere, kind, fair, and just in all our dealings with everyone.
Teamwork	We achieve mutual growth by respecting one another's individuality and opinions, and by sharing knowledge and ideas.
Innovation	We listen to our stakeholders and continuously seek ways to improve our work and business.
Professionalism	We make continuous efforts to improve our skills and proficiency to provide high-quality services.

Group Structure

MS&AD Holdings is a listed holding company with five directly invested domestic insurance companies—MSI, ADI, Mitsui Direct General, MSI Aioi Life, and MSI Primary Life—and eight directly invested affiliated operating companies—InterRisk Research Institute & Consulting, MS&AD Business Support, MS&AD Staffing Service, MS&AD Systems, MS&AD Business Service, MS&AD Research Institute, MS&AD Loan Services, and ANSHIN DIAL.



Group Scale

(As of March 31, 2014)

Domestic sales bases*1	260 Departments and Branch Offices 1,085 Sections and Sales Offices
Domestic Claims Handling Service Centers*2	455
Overseas Network*3	39 countries and regions
Number of Employees (Consolidated Basis)	37,055
Consolidated Ordinary Income	¥4,362.7 billion

*1 As of April 1, 2014; Simple sum of marketing bases of directly invested domestic insurance companies

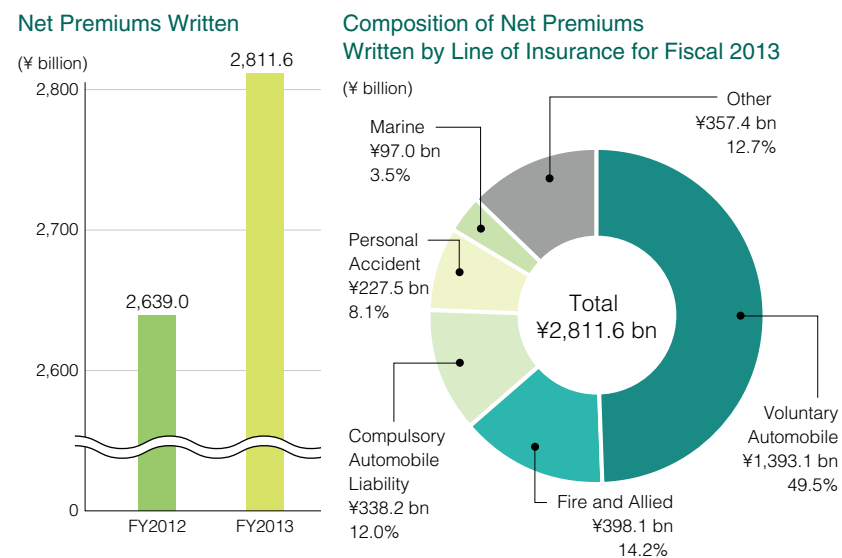
*2 As of April 1, 2014; Simple sum of domestic claims handling service centers of directly invested domestic non-life insurance companies

*3 As of July 1, 2014

Fiscal 2013 Principal Management Financial Highlights Indicators (Consolidated)

Net Premiums Written Up 6.5% from the previous fiscal year

¥2,811.6 billion



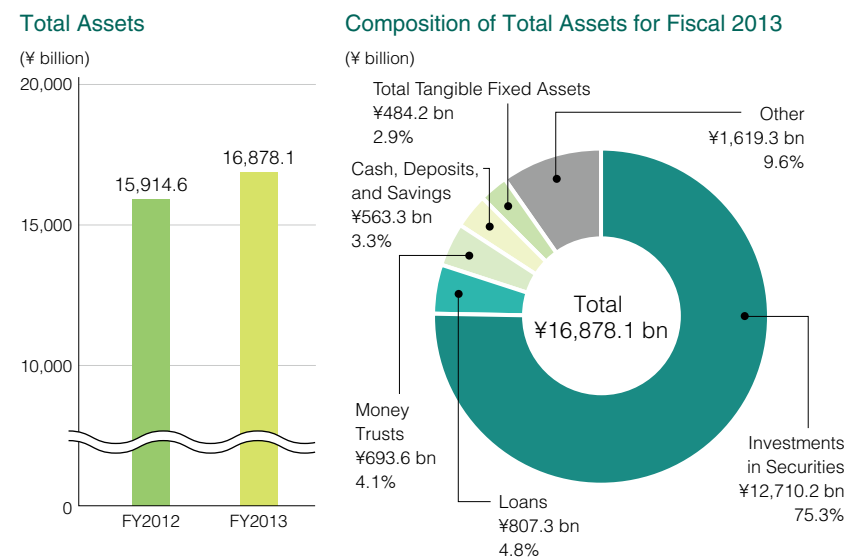
Net premiums written increased 6.5% from the previous fiscal year, to ¥2,811.6 billion, due to an increase in premiums of all non-life insurance companies in Japan and overseas subsidiaries.

Net Premiums Written

Net premiums written are the primary sales revenue accounting item for the Group's core business, non-life insurance business. Net premiums written are equivalent to the value of premiums received directly from customers (direct premiums written) after deducting deposit premiums from policyholders and adjusting for changes in reinsurance premiums (ceded reinsurance premiums are deducted and received reinsurance premiums are added). Net premiums written represent premiums received for the risks that the Company is insuring or underwriting.

Total Assets Up ¥963.4 billion from the previous fiscal year-end

¥16,878.1 billion



In fiscal 2013, total assets rose ¥963.4 billion from the level at the end of the previous fiscal year, to ¥16,878.1 billion, owing to growth in investments in securities that reflected such factors as an increase in the market value of stock. In its investment operations, the Group gives due attention to safety and liquidity considerations as it invests in diverse assets with the goal of generating stable investment income.

Total Assets

Total assets represent the value of the cash, securities, land, buildings, and other assets held by the Group.

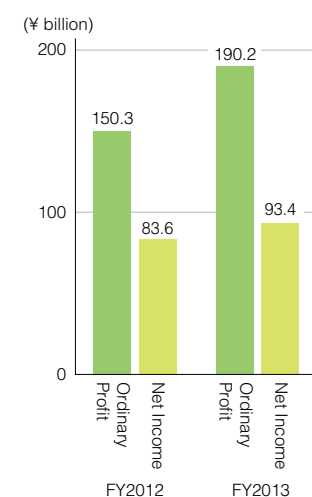
In general, assets of the Group's insurance companies are mostly in the form of such securities as stock and government bonds, but also include loans, tangible fixed assets, cash, deposits, etc. Total assets are shown as the total of items on the assets page of the consolidated balance sheets.

Ordinary Profit (Loss) and Net Income (Loss)

Compared to the previous fiscal year, ordinary profit was up ¥39.9 billion, and net income was up ¥9.8 billion.

Ordinary Profit ¥190.2 billion, Net Income ¥93.4 billion

Ordinary Profit and Net Income



Profitability Compared with the Previous Fiscal Year

Item	FY2012	FY2013
Underwriting income	3,510.3	3,706.9
Underwriting expenses	3,574.3	3,564.7
Investment income	797.7	645.9
Investment expenses	65.9	26.3
Operating expenses and general and administrative expenses	508.4	548.7
Other	(9.0)	(22.8)
Ordinary profit	150.3	190.2
Extraordinary income/(loss)	(26.3)	(41.4)
Income before income taxes and minority interests	123.9	148.8
Income taxes and minority interests	40.2	55.3
Net income	83.6	93.4

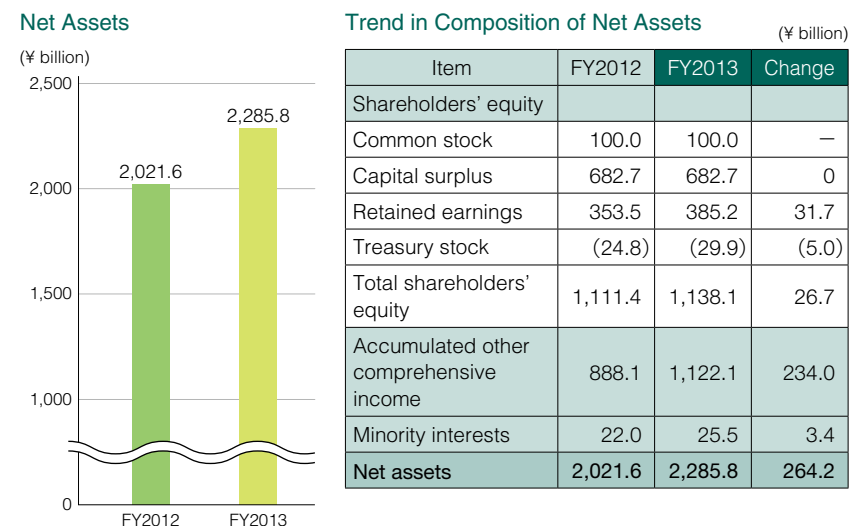
Reflecting an increase in underwriting income stemming from an increase in premiums written along with a decrease in investment expenses primarily attributable to a decrease in impairment losses on securities, ordinary profit grew ¥39.9 billion from the previous fiscal year, to ¥190.2 billion. Due to such factors as a drawing down of deferred tax assets accompanying a change to the subsequent period effective tax rate, net income rose ¥9.8 billion from the previous fiscal year, to ¥93.4 billion.

Ordinary Profit and Net Income

Representing the profit generated by ordinary ongoing business operations, ordinary profit is equivalent to ordinary income (net premiums written, interest and dividends income, etc.) less ordinary expenses (net claims paid, maturity refunds to policyholders, and operating expenses and general and administrative expenses). Net income is the sum of ordinary profit and such items as extraordinary income and losses and income taxes.

Net Assets Up ¥264.2 billion from the previous fiscal year-end

¥2,285.8 billion



In fiscal 2013, net assets rose ¥264.2 billion from the level at the end of the previous fiscal year, to ¥2,285.8 billion, due to such factors as an increase in net unrealized gains on investments in securities (included within total accumulated other comprehensive income).

Net Assets

Net assets include shareholders' equity, total accumulated other comprehensive income, and minority interests. Shareholders' equity consists of common stock and capital surplus which are contributions from shareholders, and retained earnings and other items generated as a result of corporate activities. Total accumulated other comprehensive income is comprised of such items as net unrealized gains on investments in securities, which are determined by changes in the market prices of securities held by the Company.

It can be said that net assets represent the residual value of a company's assets after the repayment of all that company's liabilities.

Trends in Principal Management Indicators, etc.

(Consolidated Management Indicators)

(¥ million)

Item	FY2009	FY2010	FY2011	FY2012	FY2013
Ordinary Income	1,962,689	3,404,942	3,764,986	4,315,787	4,362,754
Net Premiums Written	1,394,164	2,543,786	2,555,551	2,639,015	2,811,611
Ordinary Profit/(Loss)	52,695	21,005	(96,211)	150,300	190,259
Net Income/(Loss)	37,640	5,420	(169,469)	83,625	93,451
Comprehensive Income/(Loss)	327,417	(189,373)	(88,136)	543,938	322,865
Net Assets	1,311,082	1,633,381	1,512,134	2,021,625	2,285,832
Total Assets	7,519,625	11,445,003	14,537,204	15,914,663	16,878,148
Net Assets per Share (BPS)(Yen)	3,143.32	2,597.19	2,400.48	3,215.33	3,646.22
Net Income/(Loss) per Share - Basic (EPS)(Yen)	89.84	8.68	(272.49)	134.46	150.58
Net Income/(Loss) per Share - Diluted	-	-	-	-	-
Solvency Margin Ratio	-	-	553.8%	738.8%	772.5%
Equity Ratio	17.35%	14.11%	10.27%	12.56%	13.39%
Return on Equity (ROE)	3.25%	0.37%	(10.91)%	4.79%	4.42%
Price-Earnings Ratio (PER)(Times)	28.88	218.06	-	15.36	15.70
Cash Flows from Operating Activities	(33,930)	(59,339)	(205,272)	118,751	489,950
Cash Flows from Investing Activities	52,741	89,783	149,960	(165,248)	(549,136)
Cash Flows from Financing Activities	(104,320)	19,893	65,442	33,590	(57,323)
Cash and Cash Equivalents at the End of the Fiscal Year	377,158	687,267	711,710	716,221	625,084
Number of Employees (Excluding Average Number of Part-Time Employees)	21,908 (4,045)	36,538 (8,060)	36,929 (8,022)	36,643 (7,833)	37,055 (8,746)

- Notes:
1. Comprehensive income for fiscal 2009 was calculated retroactively based on ASBJ Statement No. 25, "Accounting Standard for Presentation of Comprehensive Income" issued by the Accounting Standards Board of Japan on June 30, 2010.
 2. Figures for net income per share (diluted) are not shown because of the non-existence of latent shares. Figures for net income per share (basic) for fiscal 2011 represent net loss per share.
 3. Reflecting the revision of the Insurance Business Act, etc., solvency margin ratios have been calculated for years beginning from fiscal 2011.
 4. A PER value is not shown for fiscal 2011 because a net loss was recorded for that year.

Because Aioi Nissay Dowa Insurance (ADI) was integrated with the Company as of April 2010, ADI performance figures are not included in the fiscal 2009 consolidated performance figures in the above chart. In view of this, for reference, the chart below shows simple sums of fiscal 2009 performance figures for three companies—the Company (consolidated), Aioi Insurance (Aioi, consolidated), and Nissay Dowa General Insurance (NDI, non-consolidated).

Reference: Simple Sums of Consolidated Figures for Three Companies

(¥ million)

Item	FY2009
Net Premiums Written	2,519,022
Ordinary Profit/(Loss)	99,131
Net Income/(Loss)	57,340
Total Assets	11,481,312

Note: 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.

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Interview with the President
Regarding the New Medium-Term
Management Plan—
“Next Challenge 2017”

President & CEO
Yasuyoshi Karasawa

Q1

Fiscal 2013 was the last year of the previous medium-term management plan “New Frontier 2013.” Please tell us your business results for fiscal 2013 as well as what was achieved through “New Frontier 2013.”

A Regarding fiscal 2013 premium income, non-life consolidated net premiums written amounted to ¥2,809.5 billion, compared to the forecast of ¥2,800.0 billion, and life annualized premiums in force totaled ¥335.8 billion, compared to the forecast of ¥330.0 billion, so we exceeded our forecasts in both business domains. With respect to Group Core Profit, reflecting the impact of heavy snowfalls that occurred in Japan during February 2014, we were unable to attain our target of ¥110.0 billion, but we did increase our Group Core Profit to ¥94.8 billion, which is 8.5% higher than the previous fiscal year and is the highest level attained since the founding of the MS&AD Insurance Group.

During the period of “New Frontier 2013,” we established ADI through the merger of Aioi Insurance (Aioi) and Nissay Dowa General Insurance (NDI), created MSI Aioi Life through the merger of MSI Kirameki Life and Aioi Life, consolidated overseas Group companies, integrated shared services, and took other initiatives designed to upgrade Group management efficiency.

In domestic non-life insurance business, which is the MS&AD Insurance Group’s core business field, we strove to strengthen our competitive power through the provision of high-quality products and services. Our efforts to enhance profitability enabled us to improve our combined ratio (simple aggregate level for MSI and ADI) to 98.2%.

In domestic life insurance business, which is the MS&AD Insurance Group’s growth field, we endeavored to expand our operations by augmenting our product power and marketing power through such measures as those to develop highly appealing products and services and to strengthen marketing support systems and training systems.

In overseas business—another MS&AD Insurance Group growth business field—we further solidified our ASEAN No. 1 position and strove to make additional progress in expanding our business base and strengthening our competitive power. Moreover, we launched life insurance business in Asia and prepared a solid foundation that positions us to steadily address the growth of overseas markets centered on Asian markets.

Although there were a number of major natural disasters during the period of “New Frontier 2013”—such as the Great East Japan Earthquake, severe flooding in Thailand, and the heavy snowfalls in Japan during February 2014—we were able to carry out the original mission of insurance companies through claims payment to customers in a fair, timely, and appropriate manner while concurrently making efforts to further strengthen our financial soundness and increase the sophistication of our risk management systems.

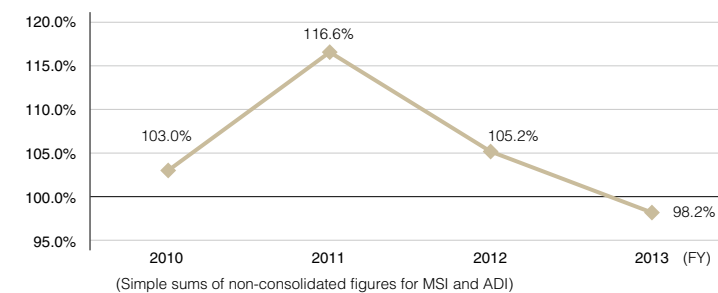
While establishing the revenue pillar businesses mentioned above, we have also created a solid foundation for a new leap forward during the period of our new medium-term management plan, “Next Challenge 2017.”

Premiums Written

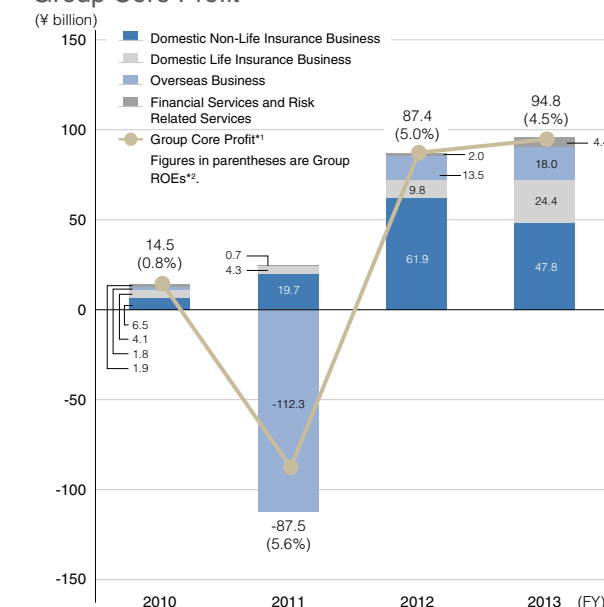
		FY2010 - FY2013 Actual (¥ billion)			
		FY2010 Actual	FY2011 Actual	FY2012 Actual	FY2013 Actual
Non-Life	Consolidate net premiums written	2,541.4	2,558.8	2,639.4	2,809.5
Life	Annualized premiums of policies in force*	279.0	296.0	319.7	335.8

*Figures are the annualized premiums in force of MSI Aioi Life (excluding group insurance); figures do not include MSI Primary Life.

Combined Ratio in the Domestic Non-Life Insurance Business (all lines/written paid basis)



Group Core Profit*1



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

*2 Group ROE = Group Core Profit ÷ Consolidated total net assets excluding minority interests (average of beginning and ending amounts of B/S)

Q2

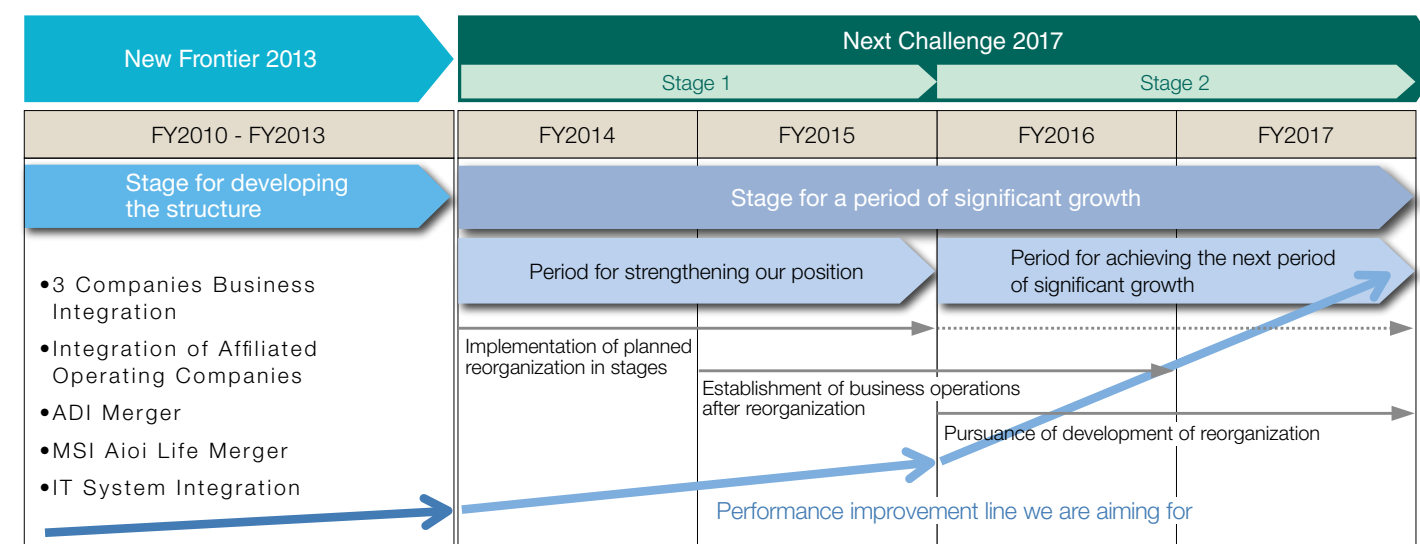
In fiscal 2014, you have launched a new medium-term management plan—“Next Challenge 2017.” Could you explain the basic strategy of the new plan?

A Our new medium-term management plan—“Next Challenge 2017”—covers the four years from fiscal 2014 through fiscal 2017. The period of “New Frontier 2013” was a “stage for developing the structure of MS&AD,” and we are positioning the period of the new medium-term management plan as a “stage for a period of significant growth.”

The basic Group strategy of “Next Challenge 2017” is “Through our commitment to sustainable growth, ensuring soundness, and improving profitability and capital efficiency, we will increase the enterprise value of the Group as a whole.”

There are four implementation drivers for the strategy—“completion of reorganization by function,” “strengthening of Group governance and promotion of ERM,” “transformation of business structure in tune with changes in the environment,” and “permeation of a corporate culture and development of human resources that meet challenges as professionals.” We recognize the first two drivers—“completion of reorganization by function” and “strengthening of Group governance and promotion of ERM”—are key pillars of the strategy that we intend to place special emphasis on. (For more-detailed information on those two drivers, please refer to questions 3 and 4, respectively.)

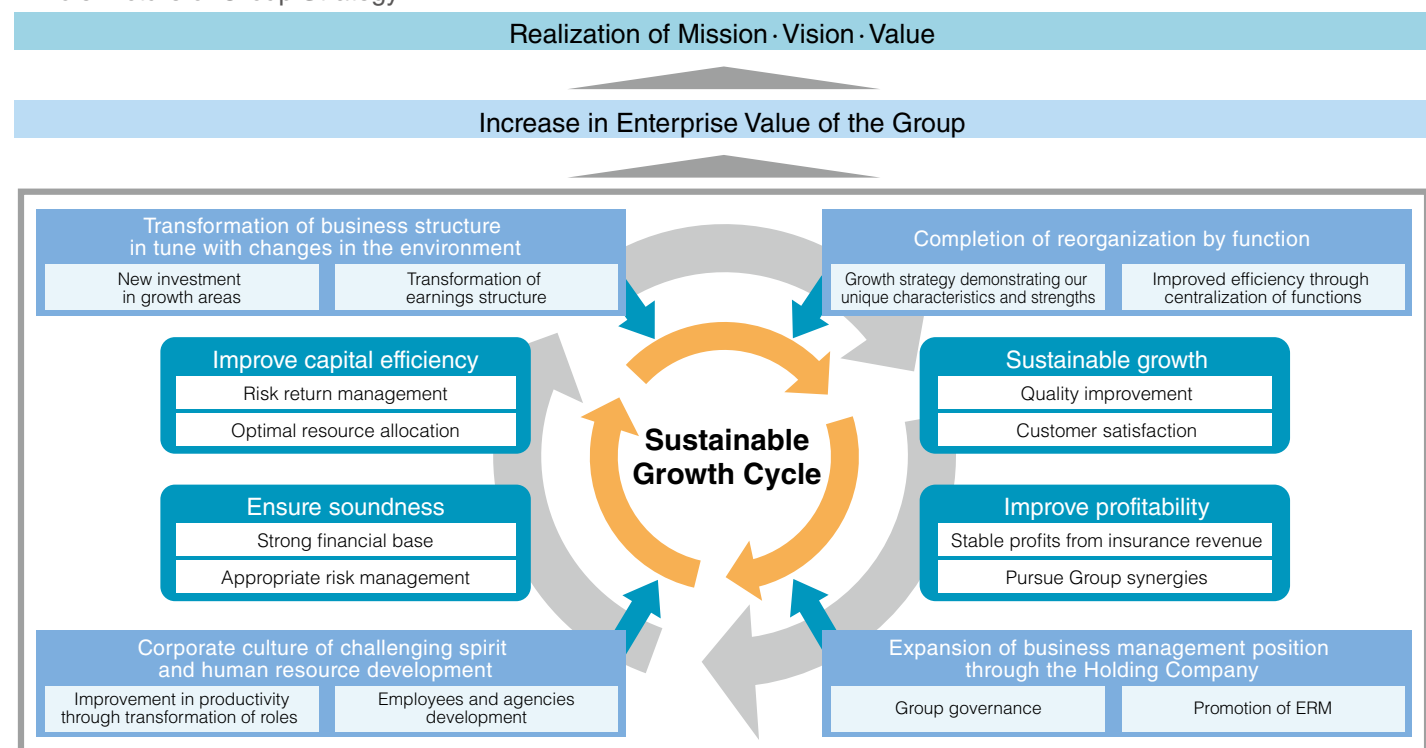
The Plan Period



Basic Group Strategy

Drivers of implementation	<ul style="list-style-type: none"> • Completion of reorganization by function • Strengthening of Group governance and promotion of ERM • Transformation of business structure in tune with changes in the environment • Permeation of a corporate culture and development of human resources that meet challenges as professionals
Completion of reorganization by function	We will achieve the challenge of creating an industry-first business model based on reorganization by function centered on Mitsui Sumitomo Insurance, Aioi Nissay Dowa Insurance, Mitsui Sumitomo Aioi Life Insurance, and the Holding Company to achieve growth and improved efficiency, and achieve our targeted goals.
Group Insurance Companies	<ul style="list-style-type: none"> • Achieve sustainable growth by increasing customer support and promoting efforts to improve profits through strategic engagement in economic growth, initiatives in unceasing quality improvement and growth strategies that leverage our unique characteristics and strengths.
Affiliated Operating Companies	<ul style="list-style-type: none"> • Establish a position and platform for enabling each company to play its role at a higher level than at present through full-fledged demonstration of integration synergies.
Holding Company	<ul style="list-style-type: none"> • Strengthen Group governance and lead ERM by expanding the business management position over Group companies to demonstrate their functions.
Group	<ul style="list-style-type: none"> • As a group, implement new investment in business and areas with high capital efficiency and growth potential. • Promote improvement of organization productivity through human resource development and transformation and upgrading of roles throughout the entire Group. • Earn trust through the improvement of product and service quality based on communication with stakeholders, and contribute to the resolution of social issues.
Promotion of ERM	<p>Promote forward-looking ERM that is based on a balance between risk, return, and capital.</p> <ul style="list-style-type: none"> • Proceed with business management by establishing an ERM cycle that utilizes a risk appetite framework and ORSA process. • Aim to further improve risk management and respond to the strengthening of international capital regulation and supervision.

Whole Picture of Group Strategy



Q3

Please explain the “reorganization by function” strategy that is a pillar of measures taken within “Next Challenge 2017.”

A The MS&AD Insurance Group is addressing the challenging task of intra-Group reorganization in an unprecedented style, seeking to realize further progress with a sense of speed.

By means of the “reorganization by function” strategy, we are striving to attain three goals—(1) realize “Growth” and “Efficiency” across the entire Group, (2) reinforce our response to diverse customer needs by maximizing the leveraging of the special strengths of the two core non-life insurance companies (MSI and ADI), and (3) strengthen the Group governance system centered on the Holding Company—and we expect that doing this will enable the Group to achieve sustainable growth and to increase its corporate value.

Whole Picture of Reorganization by Function



Plan for Reorganization by Function

Reorganization Item	Details	Schedule
Reorganization of Business and Sales Channels	(1) Transfer of hull, aviation, aerospace, cargo and transportation insurance to MSI <ul style="list-style-type: none"> • The product supply functions are to be centralized in MSI, and ADI's insurance contracts of these lines are to be transferred to MSI. • Leveraging the advantage of scale, we will provide customers with products and services with characteristics that are even more outstanding than previously. 	Hull, Aviation, and Aerospace Insurance April 2014~ Cargo and Transportation Insurance October 2014~
	(2) The insurance contracts handled by MSI motor channel agencies* which have ADI as main business partner will be migrated to ADI. <ul style="list-style-type: none"> • MSI motor channel agencies which have ADI as main business partner will transfer MSI's insurance contracts to ADI. • Eliminating the overlap within the Group and strengthening measures to support agencies, we aim to provide higher-quality products and services to the customers. *Motor channel agencies are the agencies whose main business are motor vehicle repair shops, used car sales, etc.	October 2014~
Reorganization of Local Sales Networks/Bases (Offices) and Joint Use of Bases	<ul style="list-style-type: none"> • The locations of bases (offices) established nationwide by MSI and ADI will be readjusted to enable both companies to more efficiently cover broad areas. Concurrently, contracts via agencies in relevant areas will be transferred to the company with a base in that area following the readjustment. • The base network readjustment will enable the creation of a stronger network capable of providing customers with greater support and peace of mind from closer and more-convenient locations. Moreover, both companies will move ahead with cooperative product development and cooperative service utilization so that they can provide customers with products and services with greater special characteristics than previously. • When bases of the two companies are located in nearby buildings, both operations will be relocated into a single building. 	April 2015~ (October 2014~ in certain areas) October 2013~
Transfer of Long-term Policies in the Third Sector to MSI Aioi Life	<ul style="list-style-type: none"> • We will centralize the product supply functions to MSI Aioi Life. • Capabilities for quickly developing products/services in response to market structure changes, medical technology advances, etc., will be strengthened so that customers can be provided with products that satisfy their needs. 	Transfer of new insurance policies: April 2014~ Subcontracting in-force business : January 2015~
Reorganization of Overseas Business	<ul style="list-style-type: none"> • Operations for Japanese corporate clients will be unified within MSI, and ADI will be responsible primarily for developing overseas business related to Toyota dealerships. • The superiority of the overseas business network (in 39 countries and regions) will be leveraged to strengthen support for the growing number of companies establishing overseas operations. 	April 2014~
Reorganization of Headquarters' Functions and Enhancing Governance by the Holding Company	<ul style="list-style-type: none"> • The Holding Company will have part of the head office functions of MSI and ADI, and will further strengthen its governance system. 	October 2013~

Q4 The “promotion of ERM” strategy is another pillar of “Next Challenge 2017.” What kinds of measures are you taking to implement this strategy? Also, why do you think promoting ERM is necessary at this time?

A Our ERM (Enterprise Risk Management) entails evaluating risks from a Companywide perspective and going on to employ risk assessments in programs designed to improve profitability and capital efficiency and to expand corporate value while concurrently working to ensure robust business soundness.

Generating profit from business activities always requires the assumption of risks. Particularly in the case of our Group’s insurance companies, since the business model entails underwriting insurance to cover risks faced by customers in return for premiums received from customers, we must ensure that we have sufficient capital to cope with losses that exceed projected levels, and we must efficiently employ our capital to enable higher levels of profitability. ERM measures are extremely important with respect to all these things.

In recent years, losses associated with unusual weather phenomena have been increasing, and the development of diverse technologies is generating complex kinds of risks. Moreover, we are also seeing the advent of such crises as the Lehman Shock and the European debt crisis, which are exerting a large impact on the global economy. Based on its experience dealing with such situations as the Great East Japan Earthquake and the recent episode of widespread flooding in Thailand, the MS&AD Insurance Group has since during the term of “New Frontier 2013” been increasing the sophistication of its risk management methods with emphasis on the objectives of ensuring financial soundness and the appropriateness of business operations. As a result, after assessing the volume of risks faced by the entire Group and analyzing those risks, we have built systems that enable us to continuously confirm that we have sufficient capital to cope with those risks.

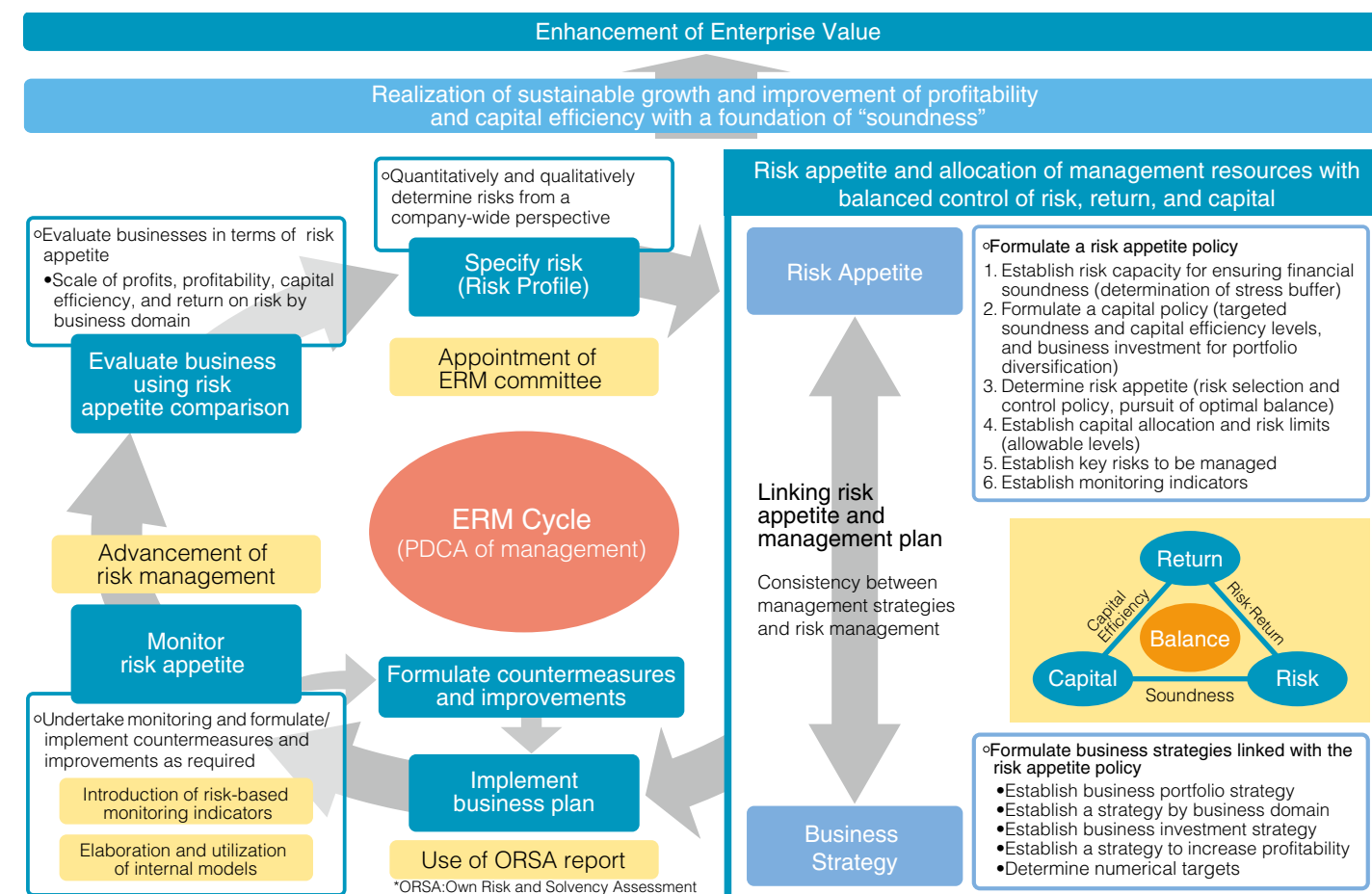
In corporate management, as we seek to continue expanding our business activities, it is also extremely important for us to meet shareholders’ expectations with respect to the elevation of capital efficiency.

Given this, “Next Challenge 2017” includes strategies for making additional progress in our ERM efforts, so that we can elevate profitability and capital efficiency while concurrently ensuring our financial soundness. To this end, we are developing and employing “advanced risk management” methods.

By seeking to expand business that offers higher profitability in return for assuming risks (elevating returns on risk (ROR)) in conjunction with business involving risks unlikely to eventuate simultaneously, we are positioned to underwrite a greater amount of risks with the same amount of capital (effective diversification of risk portfolio). In this way, the MS&AD Insurance Group is striving to enhance its capital efficiency going forward.

By making ERM concepts core elements of our management systems, we believe that we can expand and grow our businesses while continuing to maintain strong financial soundness, so that we can realize higher levels of profitability.

ERM (Enterprise Risk Management) Cycle



Objectives of ERM and Targets for FY2017

Enhancing profitability and capital efficiency	Group Core Profit: ¥160 billion Group ROE 7%
Securing financial soundness	AA rating equivalent financial standing

$$ROE = \frac{\text{Group Core Profit}}{\text{Capital}} = \frac{\text{Group Core Profit}}{\text{Risk}} \times \frac{\text{Risk}}{\text{Capital}}$$

Improving return on risk

- The Group will introduce ROR (return on risk) and VA (profit after reduction of capital costs) as the monitoring indicators and manage earnings, including capital costs to improve return on risk.

Diversifying risks effectively in the risk portfolio

- The Group will effectively diversify risks in the risk portfolio and will pursue an optimum capital allocation, striking a balance between capital sufficiency and capital efficiency.

Vocabulary

Enterprise Risk Management (ERM)
ERM aims to undertake integrated, comprehensive, and strategic measurement and assessment processes focused on all risks associated with an enterprise’s operational implementation, thereby enabling comprehensive risk management that can be used to promote the maximization of corporate value, etc.

Own Risk and Solvency Assessment (ORSA)
Companies use ORSA to conduct a self-assessment of their risk exposure and payment capabilities. The ORSA process enables companies to recognize current risk exposure along with potential future risk exposure, measure that exposure qualitatively and quantitatively, and use the results as a basis for determining the sufficiency of their solvency level.

Risk Appetite
Risk appetite refers to the balance of risks, returns, and capital that an insurance company chooses to seek based on its own judgment. It also refers to the nature of a company’s risk acquisition policy, which stipulates the kinds of risks to be sought, the amount of such risks to be sought, etc.

Return on Risk (ROR)
ROR (= Group Core Profit ÷ Risk amount) is a kind of risk-based indicator that indicates how much returns are generated relative to the volume of risks underwritten.

Risk-Based Indicators
Risk-based indicators indicate how much returns are obtained relative to risks. They are measured by levels of risk-adjusted return.

Value Added (VA)
VA (= Group Core Profit – Relevant risk amount × Capital cost (ratio)) is a kind of risk-based indicator that indicates how much added value is generated from the underwriting of a given risk.



Q5 Please explain the policy for CSR activities in the “Next Challenge 2017.”

A The MS&AD Insurance Group is seeking to be an enterprise that is in accordance with the Group Mission that the Group has been committed to since its formation in 2010—“To contribute to the development of a vibrant society and help secure a sound future for the earth, by bringing security and safety through the global insurance and financial services business.”—along with the vision and values that the Group has adopted. We have maintained a belief that we should carry out our corporate social responsibility (CSR) to stakeholders through all our business activities.

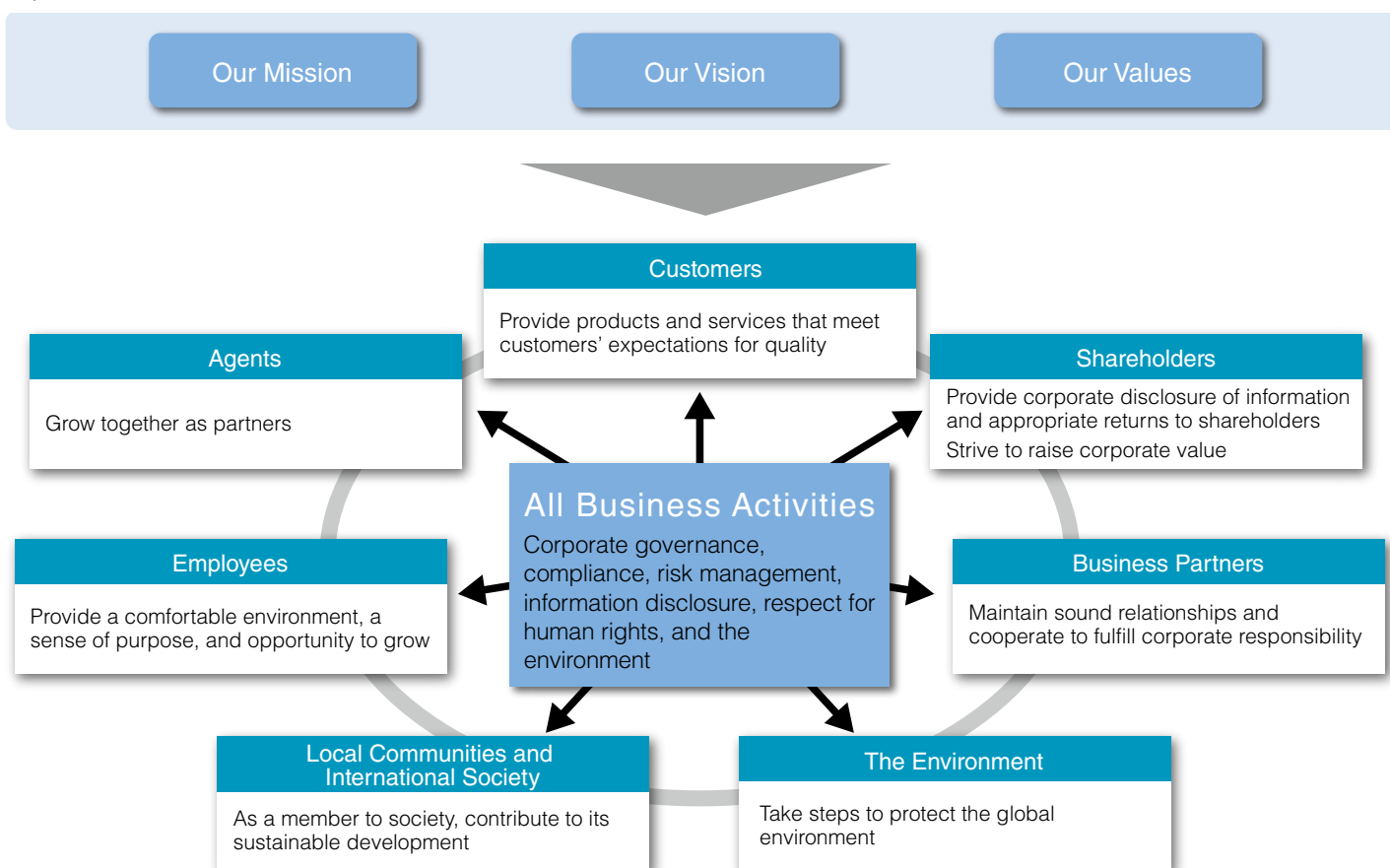
Based on the fundamental Group strategies articulated in “Next Challenge 2017,” we have from fiscal 2014 positioned (1) earning trust and confidence through measures to elevate the quality of our products and services and (2) contributing to the resolution of challenges faced by society through measures to elevate the quality of our products and services as the two principal pillars of our CSR programs. These are the emphasized objectives shared by all Group units, and we will do our utmost going forward to address those objectives in a manner that meets the expectations of all our stakeholders.

Approach to MS&AD Insurance Group CSR Initiatives

The MS&AD Insurance Group fulfills its responsibilities to the stakeholders through all of its businesses.

- The approach is guided by Our Mission, Our Vision, and Our Values.
- Basic principles of the approach are corporate governance, compliance, risk management, information disclosure, respect for human rights, and the environment.
- Stakeholders include customers, shareholders, agents, business partners, employees, the environment, local communities, and the global society.

Aspiration and CSR



Q6 What are the “Next Challenge 2017” strategies for individual business domains?

A The Group has five business domains—domestic non-life insurance, domestic life insurance, overseas business, financial services business, and risk-related services business.

In domestic non-life insurance, MSI and ADI will clarify their respective business concepts and implement the reorganization by function strategy. Both companies will also concurrently implement measures to increase their efficiency, aiming to realize the top growth rate in the domestic non-life insurance industry and to leverage efficient management to strengthen their profit earning power. Mitsui Direct General will work to further develop its business model centered on operations conducted via the Internet.

Regarding domestic life insurance business, MSI Aioi Life will market protection-type products and MSI Primary Life will market asset-building products. By developing both business fields in a balanced manner, we are aiming to maintain growth potential equal to the top level in the domestic life insurance industry.

In our overseas business, just as in our domestic non-life insurance business, we are moving ahead with the reorganization by function strategy, implementing strategies to leverage the special strengths of both MSI and ADI, and seeking to realize growth in business scale while elevating the level of profitability.

One of the MS&AD Insurance Group's primary strengths is that it develops diverse business models so that it is positioned to meet the needs of a diverse range of customers. Going forward, we aim to leverage this strength still further as a means of expanding our operations in each business domain and propelling the growth of the Group as a whole.

Strategy by business domain

Domestic Non-Life Insurance Business	<ul style="list-style-type: none"> • MSI and ADI will clarify the business concept and conduct the reorganization by function. In addition, we will strengthen the business base by achieving stable profits in insurance underwriting revenue and implementing business process innovation and measures to improve efficiency in individual companies through system integration, and we will strengthen profitability by leading the industry in Japan. • Together with Mitsui Direct General, we will ensure the entire Group is able to respond to customers' diverse needs, and establish our position as the leading non-life insurance group in Japan. 				
Domestic Life Insurance Business	<ul style="list-style-type: none"> • We will promote well-balanced business in both protection-type products and asset-building products and maintain the highest level of growth in the industry. • We will improve profitability through a sustainable product portfolio, strengthen our financial base, and contribute to increasing Group profits. 				
Overseas Business	<ul style="list-style-type: none"> • We will expand overseas business by enhancing our growth strategy enabled by the reorganization by function, taking advantage of MSI and ADI. • We will improve profitability through efficient business management, and contribute to increasing profits and also diversification of business risks. <table border="1"> <tbody> <tr> <td>Non-Life Insurance</td> <td>We will reduce administrative costs by building a unified management structure for the operations of the overseas subsidiaries of MSI and ADI.</td> </tr> <tr> <td>Life Insurance</td> <td>We will strengthen involvement in management as well as the provision of technology and know-how support to improve the profitability of joint ventures and partner life insurers.</td> </tr> </tbody> </table>	Non-Life Insurance	We will reduce administrative costs by building a unified management structure for the operations of the overseas subsidiaries of MSI and ADI.	Life Insurance	We will strengthen involvement in management as well as the provision of technology and know-how support to improve the profitability of joint ventures and partner life insurers.
Non-Life Insurance	We will reduce administrative costs by building a unified management structure for the operations of the overseas subsidiaries of MSI and ADI.				
Life Insurance	We will strengthen involvement in management as well as the provision of technology and know-how support to improve the profitability of joint ventures and partner life insurers.				
Financial Services Business	<ul style="list-style-type: none"> • We will demonstrate our comprehensive strength as an insurance and financial group by developing and providing new financial products and services utilizing the Group's unique characteristics to cater to customers' diversifying needs. 				
Risk-Related Services Business	<ul style="list-style-type: none"> • We will create synergies with the insurance business by deploying global risk solution service business. 				

Q7

What are the “Next Challenge 2017” performance targets?

A We are taking various measures with the goal of boosting Group Core Profit to ¥120.0 billion in fiscal 2015 and ¥160.0 billion in fiscal 2017. Other management targets we are seeking to attain by fiscal 2017 include ¥3,100.0 billion in consolidated net premiums written, a combined ratio of 95% or less, an increase of more than ¥45.0 billion in the embedded value (EV) of MSI Aioi Life, and a Group ROE of 7.0%. We are aiming to make steady progress toward these targets going forward.

Group Core Profit

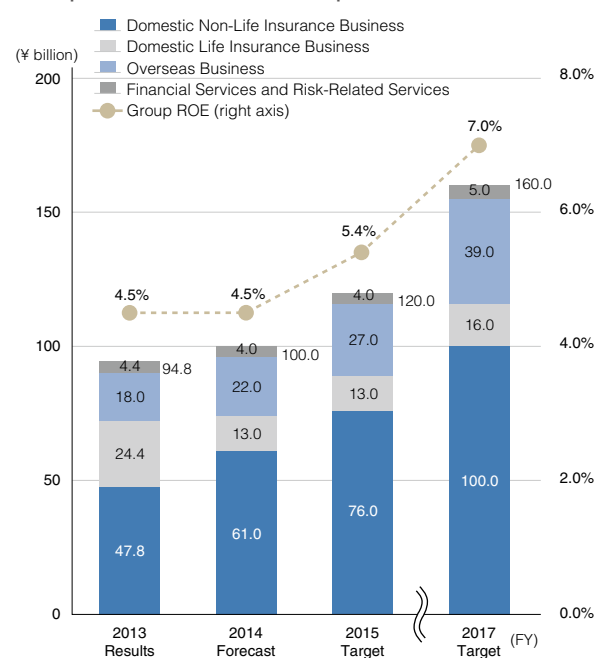
	FY2013 Results	FY2014 Forecast	FY2015 Target	FY2017 Target
Group Core Profit	94.8	100.0	120.0	160.0
Domestic Non-Life Insurance Business	47.8	61.0	76.0	100.0
Domestic Life Insurance Business	24.4	13.0	13.0	16.0
Overseas Business	18.0	22.0	27.0	39.0
Financial Services Business and Risk-Related Services Business	4.4	4.0	4.0	5.0

Financial targets

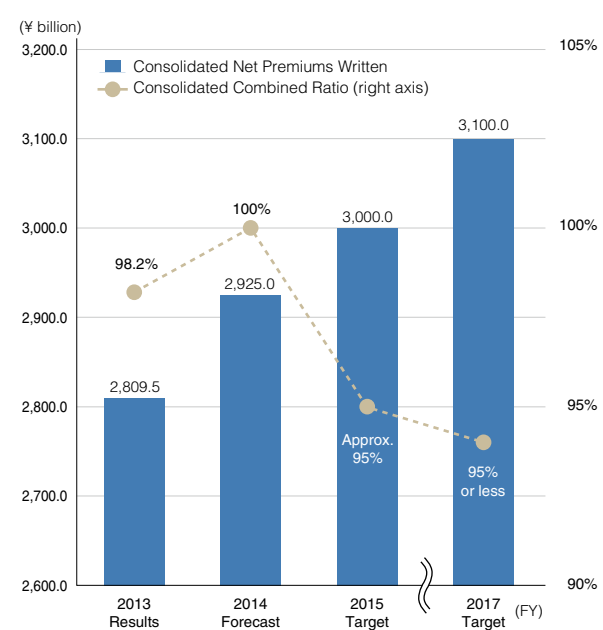
	FY2013 Results	FY2014 Forecast	FY2015 Target	FY2017 Target
Consolidated Net Premiums Written	2,809.5	2,925.0	3,000.0	3,100.0
Combined Ratio (Domestic Non-Life Insurance Business)	98.2%	100%	Approx. 95%	95% or less
Increase in EV* of MSI Aioi Life	91.6	43.0	Above 40.0	Above 45.0
Group ROE	4.5%	4.5%	5.4%	7.0%

*Embedded value (EV) = the current value of net assets + the present value of future profit expected from policies in force (policies in force value)

Group Core Profit and Group ROE



Consolidated Net Premiums Written and Non-life Insurance Combined Ratio



Q8

Finally, would you please explain how “Next Challenge 2017” relates to the Company’s policies on capital management and returns to shareholders?

A Our capital management policy and shareholder return policy will not change in connection with “Next Challenge 2017.”

Fundamentally, our capital management policy calls for seeking an optimal balance among financial soundness, capital efficiency, and shareholder returns and striving to elevate corporate value.

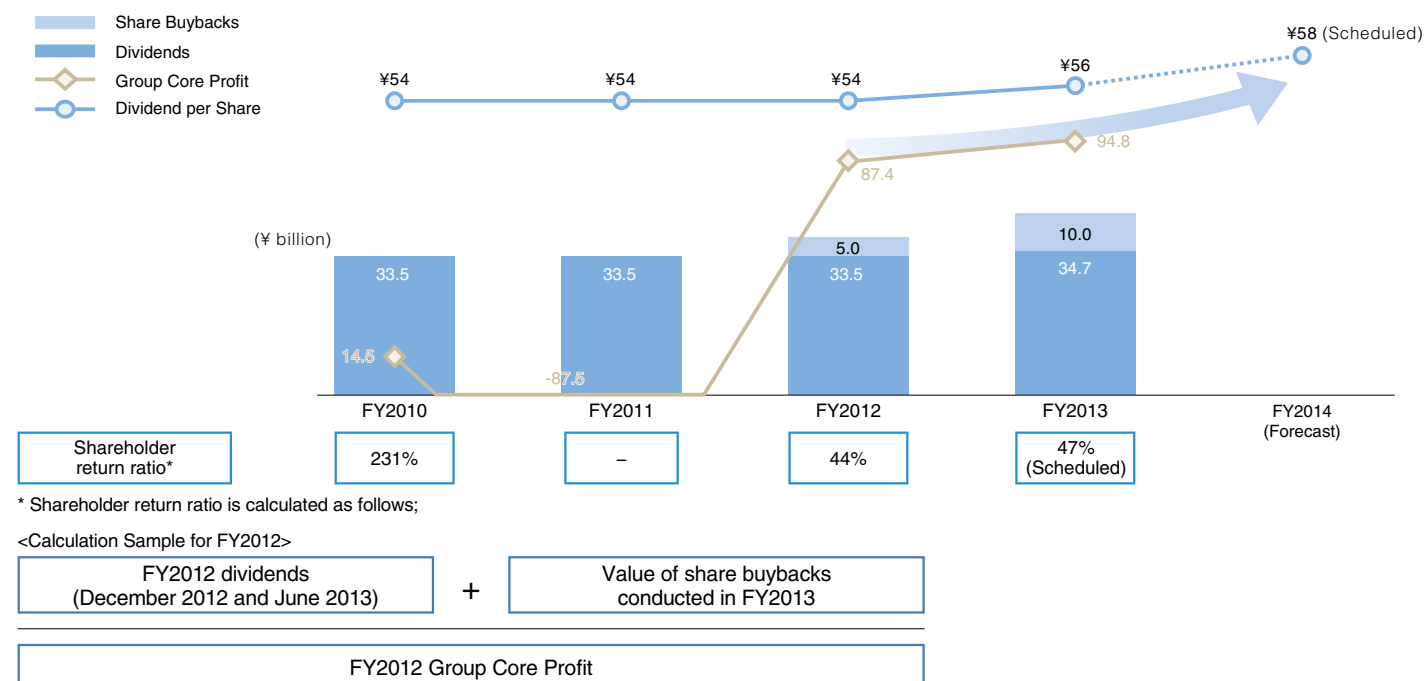
By moving ahead with ERM, we are progressively reinforcing our capital base and shrinking our risk asset portfolio as a means of ensuring our financial soundness. In addition, by optimally allocating resources and diversifying our business portfolio, we intend to elevate our capital efficiency going forward.

Our shareholder return policy calls for returning approximately 50% of “Group Core Profit” to shareholders over the medium term by means of dividend distributions and share buybacks.

With respect to dividends, our fundamental policy is to maintain the stability of dividend levels while aiming to realize a trend of sustained increase in those levels. Regarding share buybacks, we will repurchase our own shares flexibly, and as opportunities arise, with due consideration to market conditions and the state of our capital.



Shareholder Return Policy



* Shareholder return ratio is calculated as follows;

<Calculation Sample for FY2012>

$$\frac{\text{FY2012 dividends (December 2012 and June 2013)} + \text{Value of share buybacks conducted in FY2013}}{\text{FY2012 Group Core Profit}} = \text{Shareholder Return Ratio}$$

Domestic Non-Life Insurance Business



MITSUI SUMITOMO INSURANCE CO., LTD. (MSI)

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

As one of the core operating companies of the MS&AD Insurance Group, MSI offers insurance and financial services globally, exercising its comprehensive capabilities to provide competitive products and services.

In Japan, MSI employs its domestic network of 501 sales offices, approximately 39,900 agencies, and 228 service centers to provide customers with high-quality products and services. In addition, since starting operations in the U.K. in 1924, MSI has expanded a well-balanced business portfolio centered on the three regions of Europe, the Americas, and Asia. Currently, MSI's overseas network has grown to encompass 39 countries and regions, and MSI is leveraging its many years of experience in international business to offer diverse kinds of risk-coverage products and services along with effective advice throughout the world.

Company Overview

(As of March 31, 2014)

President	: Yasuyoshi Karasawa
Date Established	: October 1918
Paid-in Capital	: ¥139.5 billion
Total Assets	: ¥6,098.0 billion
Net Premiums Written	: ¥1,384.5 billion
Number of Employees	: 14,188
Head Office	: 9, Kanda-Surugadai, 3-Chome, Chiyoda-ku, Tokyo
Website	: http://www.ms-ins.com

Credit Ratings (As of August 1, 2014)

S&P	Insurer Financial Strength Rating	A+
Moody's	Insurance Financial Strength Rating	A1
AM Best	Financial Strength Rating	A+
R&I	Issuer Rating	AA-
JCR	Long-Term Issuer Rating	AA+

FY2013 Business Operations

During fiscal 2013, MSI worked to strengthen its business base through such measures as efforts to expand sales of products centered on "GK" series*1 products in Japan, moves to promote insurance sales via banks' sales channels in Asia, and endeavors to expand business in the Lloyd's market and to initiate strategic cooperation*2 with major insurance companies in Europe.

As a result, net premiums written increased to ¥1,384.5 billion, up 5.3% from the previous fiscal year. Despite payments incurred due to heavy snowfalls in Japan, the net loss ratio improved 8.2 percentage points, to 65.1%, and net income amounted to ¥58.0 billion.

*1 "GK" Series Products

- These are mainstay retail products in Japan in the domains of automobile, fire, and personal accident insurance.
- In line with the message "GK ~ Wishing to be your assurance Goal Keeper," we are aiming to be a reliable partner of our customers.



*2 Strategic Cooperation with Generali and AXA Corporate Solutions

- MSI has entered into alliance with two of the top companies in the insurance industry—Italy-based Assicurazioni Generali S.p.A. and France-based AXA Corporate Solutions.
- The purpose of the alliance is to develop complementary relationships with partners to mutually utilize each group's business network. This strategic cooperation will contribute to the expansion of our overseas network particularly in Central and Eastern Europe and Africa.

Principal Indicators (Non-Consolidated)

(¥ million)

Item	FY2009	FY2010	FY2011	FY2012	FY2013
Net premiums written	1,203,743	1,230,559	1,269,290	1,314,234	1,384,504
Growth rate of net premiums written	(2.9%)	2.2%	3.1%	3.5%	5.3%
Net loss ratio	70.3%	68.4%	84.8%	73.3%	65.1%
Net expenses ratio	34.5%	33.9%	33.3%	32.4%	32.0%
Combined ratio	104.8%	102.3%	118.1%	105.7%	97.1%
Underwriting profit/(loss)	(15,945)	(50,399)	(170,026)	(9,710)	(7,326)
Ordinary profit/(loss)	35,786	31,770	(130,177)	65,366	101,998
Net income/(loss)	25,458	22,881	(130,607)	42,657	58,047
Net assets	1,205,315	1,045,003	932,680	1,192,079	1,309,608
Total assets	5,971,982	5,799,005	5,646,816	5,901,413	6,098,017
Solvency margin ratio (non-consolidated)	839.4%	768.8%	486.8%	581.3%	600.3%

*1. Net premiums written, net loss ratio, net expenses ratio, and combined ratio figures are presented exclusive of Good Result Return premiums of propriety automobile insurance product "ModoRich," which contains a special clause related to premium adjustment and refund at maturity.

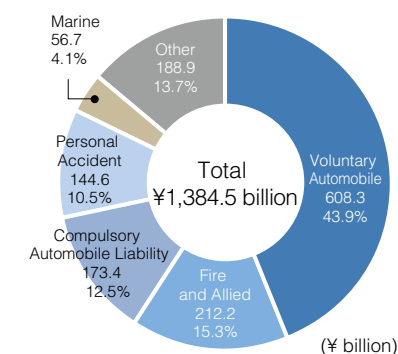
*2. Net loss ratio = (net claims paid + loss adjustment expenses) / net premiums written × 100

*3. Net expenses 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 expenses ratio

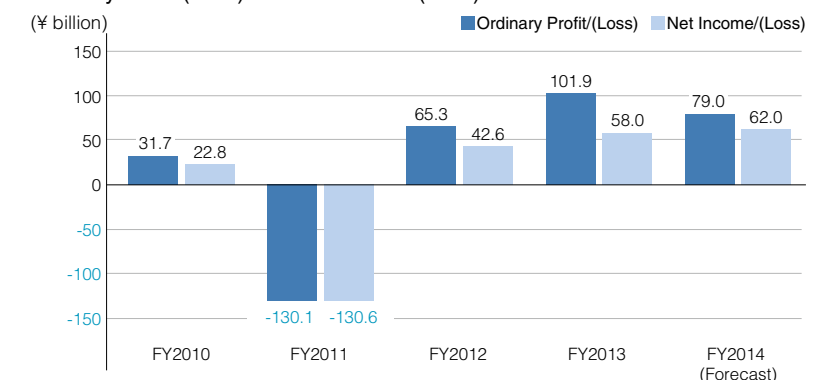
*5. The ordinance governing calculation of the non-consolidated solvency margin ratio was revised from fiscal 2011 to make risk recognition more stringent. The non-consolidated solvency margin ratio figure for fiscal 2010 is calculated on a basis different from the non-consolidated solvency margin ratio calculation basis used in fiscal 2011 and subsequently.

Net Premiums Written* by Product Line

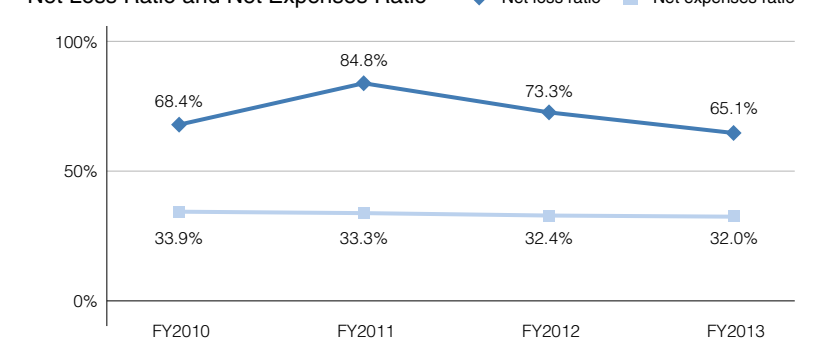


*Net premiums written exclude Good Result Return premiums of the "ModoRich" automobile insurance product, which contains a special clause related to premium adjustment and refund at maturity.

Ordinary Profit/(Loss) and Net Income/(Loss)



Net Loss Ratio and Net Expenses Ratio



Domestic Non-Life Insurance Business



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

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

ADI is one of the core operating companies of the MS&AD Insurance Group with strong relationships with the Toyota Group and the Nippon Life Group, and it works to leverage those relationships and its other special strengths and characteristics to develop and provide outstanding services and products.

Created through the October 2010 merger of Aioi and NDI, ADI is seeking to grow its operations by providing high-quality products and services that foster solid trust-based relationships with customers. ADI's extensive sales and claims service network—including 482 domestic sales offices, approximately 50,000 agencies, and 213 service centers—enables the company to offer services that respond to customers' needs.

Through realization of the community-based business, ADI is striving to further reinforce its position as an insurance company that is highly familiar to customers, contributing to customer welfare and to local communities.

Company Overview

(As of March 31, 2014)

President : Hisahito Suzuki
 Date Established : June 1918
 Paid-in Capital : ¥100 billion
 Total Assets : ¥3,257.1 billion
 Net Premiums Written : ¥1,144.6 billion
 Number of Employees : 12,812
 Head Office : 1-28-1, Ebisu, Shibuya-ku, Tokyo
 Website : <http://www.aioinissaydowa.co.jp>

Credit Ratings (As of August 1, 2014)

S&P	Insurer Financial Strength Rating	A+
Moody's	Insurance Financial Strength Rating	A1
AM Best	Financial Strength Rating	A+
R&I	Issuer Rating	AA-
JCR	Long-Term Issuer Rating	AA+

FY2013 Business Operations

During fiscal 2013, ADI strengthened its sales operations centered on "TOUGH" series products*1 while seeking to improve the quality of its services with emphasis on the key concepts—"Quick," "Kind," and "Reliable"—of its "Full Support Declaration."*2

As a result, net premiums written increased to ¥1,144.6 billion, up 3.8% from the previous fiscal year. Although heavy snowfall caused considerable losses, the net loss ratio improved 5.4 percentage points, to 65.0%, and net income amounted to ¥13.1 billion.

*1 "TOUGH" Series Products

- "TOUGH" is a product brand that emphasizes three concepts—"Quick," "Reliable," and "Kind,"
- Launched in October 2010 as a series of lines, including automobile, fire, and personal accident insurance
- In line with the brand slogan—"Providing you with a "tough" sense of assurance"—products in the series are to provide "assurance for responding to accidents," "wide range of insurance coverage and services," "opportunities for social contributions," etc.



*2 Full Support Declaration

- Declaration 1 **Quick** We will not make customers wait.
- Declaration 2 **Kind** We will respond sincerely to all customers.
- Declaration 3 **Reliable** We will support customers securely with professionalism.

Principal Indicators (Non-Consolidated)

(¥ million)

Item	FY2009	FY2010	FY2011	FY2012	FY2013
Net premiums written	1,106,717	1,097,341	1,074,631	1,103,234	1,144,629
Growth rate of net premiums written	(1.9%)	(0.8%)	(2.1%)	2.7%	3.8%
Net loss ratio	67.7%	68.2%	79.7%	70.4%	65.0%
Net expenses ratio	35.0%	35.6%	35.1%	34.1%	34.5%
Combined ratio	102.7%	103.8%	114.8%	104.5%	99.5%
Underwriting profit/(loss)	(14,372)	(33,369)	(20,008)	6,692	(28,815)
Ordinary profit	47,439	16,079	9,233	25,859	27,897
Net income/(loss)	21,226	(11,417)	(43,549)	18,862	13,107
Net assets	577,691	476,674	410,077	552,405	600,192
Total assets	3,529,556	3,364,309	3,141,142	3,236,851	3,257,180
Solvency margin ratio (non-consolidated)	—	681.6%	442.6%	649.1%	754.0%
Aioi	755.9%	—	—	—	—
NDI	901.5%	—	—	—	—

*1. Net loss ratio= (net claims paid + loss adjustment expenses) / Net premiums written × 100

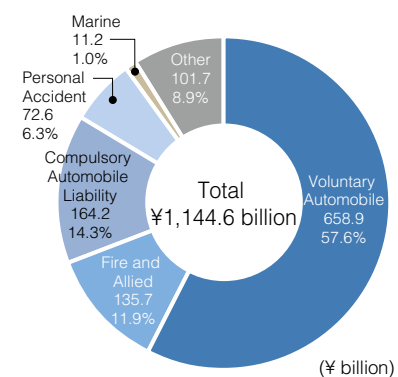
*2. Net expenses ratio= (commissions and collection expenses + operating expenses and general and administrative expenses for underwriting) / net premiums written × 100

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

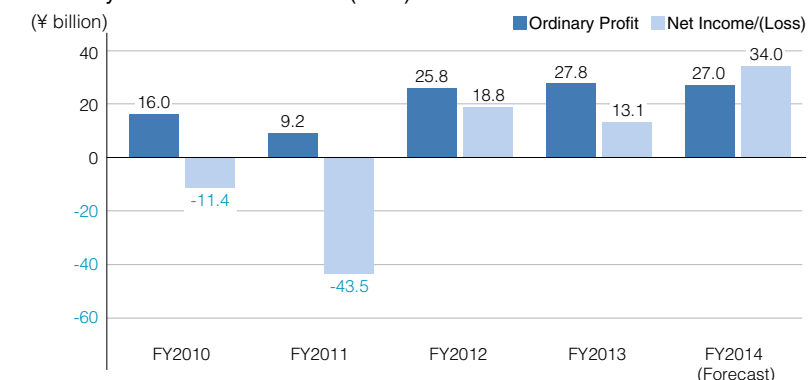
*4. The ordinance governing calculation of the non-consolidated solvency margin ratio was revised from fiscal 2011 to make risk recognition more stringent. The non-consolidated solvency margin ratio figure for fiscal 2010 is calculated on a basis different from the non-consolidated solvency margin ratio calculation basis used in fiscal 2011 and subsequently.

*5. Fiscal 2009 figures are the simple aggregate of the results for Aioi and NDI. Fiscal 2010 figures are the simple aggregate of both companies' results for the April-September period, and the results of ADI for October to March.

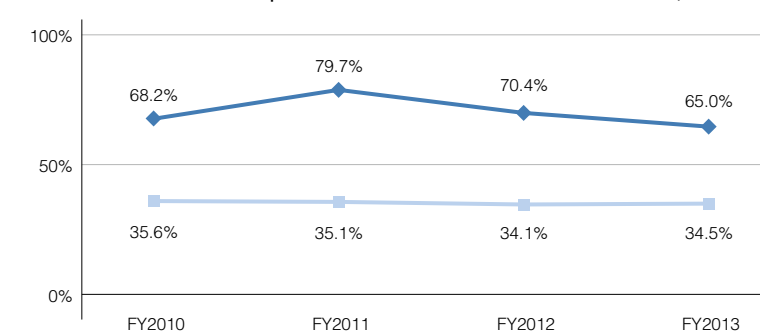
Net Premiums Written by Product Line




Ordinary Profit and Net Income/(Loss)



Net Loss Ratio and Net Expenses Ratio



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 automobile, medical, and other insurance policies to customers via the Internet and phone calls.

Established in June 2000, after the establishment of a preparatory company in June 1999, Mitsui Direct General began operating as a non-life insurance company that directly sells individual automobile insurance policies to customers online and over the phone.

Having subsequently pursued its unique business model and broadened the scope of its operations by seeking to provide high-quality, professional claim handling services for premiums that are rational and reasonable, the company celebrated the 15th anniversary of its founding in June 2014.

In fiscal 2014, Mitsui Direct General began implementing new measures based on the new medium-term management plan, "Next Challenge 2017." These concrete measures are designed to reliably provide high-quality and highly appealing products and services to a greater number of customers through marketing methods that make the offerings easy to understand, upgrade the capabilities of individual employees and the corporate organization for maximizing customers' peace of mind regarding their coverage in the case of accidents, and elevate comprehensively corporate quality and value going forward.

In addition, as a highly accessible and familiar company specializing primarily in automobile insurance, Mitsui Direct General is implementing its "MUJICOLOGY! PROJECT"* to progressively improve driver etiquette and thereby help create an automotive society characterized by a lack of traffic congestion and vehicular accidents.

Company Overview

(As of March 31, 2014)

President	: Ryuhei Funaki	Net Premiums Written	: ¥35.5 billion
Date Established	: June 1999	Number of Employees	: 528
Paid-in Capital	: ¥32.6 billion	Head Office	: 1-5-3, Kouraku, Bunkyo-ku, Tokyo
Total Assets	: ¥46.5 billion	Website	: http://www.mitsui-direct.co.jp

FY2013 Business Operations

While working to augment its communications capabilities for providing information and services and to further increase the quality of its responsiveness to customers, Mitsui Direct General also strengthened its advertising and other marketing-related programs, reinforced and diversified its profit base, and progressively strengthened its brand from a medium- to long-term perspective.

As a result, net premiums written increased to ¥35.5 billion, up 0.8% from the previous fiscal year. The net loss ratio was 76.3%, down 2.3 percentage points from the previous fiscal year, the net expenses ratio was 20.7%, unchanged from the previous year, and net income amounted to ¥0.2 billion (¥0.1 billion after equity interest adjustment).

*"MUJICOLOGY! PROJECT"

- Activities aimed at promoting an "accident-free automotive society"
- Since many traffic accidents are attributable to poor communications and misunderstandings among drivers, improving driver etiquette has the potential to bring us a step closer to realizing an accident-free automotive society, so the company is developing diverse programs to promote driver etiquette.
- For more-detailed information, please visit the MUJICOLOGY! LABORATORY website. (<http://www.mujicology.jp/> (Japanese language only))

"My Homepage"—An Efficient Tool for its Business Model of Direct Selling via the Internet

- Insurance applications can be simply completed via the Internet.
- A "My Homepage" is prepared for each customer who has finalized an insurance contract.
- Various services are provided, such as those for changing customer information, processing the shift of insurance to a different vehicle, processing changes to coverage options, and providing information on claim handling situations.
- We are building a service system able to operate around the clock, 365 days a year (excluding temporary interruptions for maintenance, etc.).



Principal Indicators (Non-Consolidated)

(¥ million)

Item	FY2009	FY2010	FY2011	FY2012	FY2013
Net premiums written	32,406	33,100	34,319	35,273	35,567
Growth rate of net premiums written	9.3%	2.1%	3.7%	2.8%	0.8%
Net loss ratio	70.2%	76.6%	77.4%	78.6%	76.3%
Net expenses ratio	24.8%	21.9%	21.4%	20.7%	20.7%
Combined ratio	95.0%	98.5%	98.8%	99.3%	97.0%
Underwriting profit/(loss)	(1,177)	117	243	325	140
Ordinary profit/(loss)	(992)	358	463	526	298
Net income/(loss)	(1,018)	334	505	462	232
Net assets	9,638	9,975	10,615	11,080	11,223
Total assets	43,494	44,203	45,150	45,596	46,584
Solvency margin ratio (non-consolidated)	669.8%	640.0%	424.4%	429.4%	420.8%

*1. Net loss ratio= (net claims paid + loss adjustment expenses) / net premiums written × 100

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

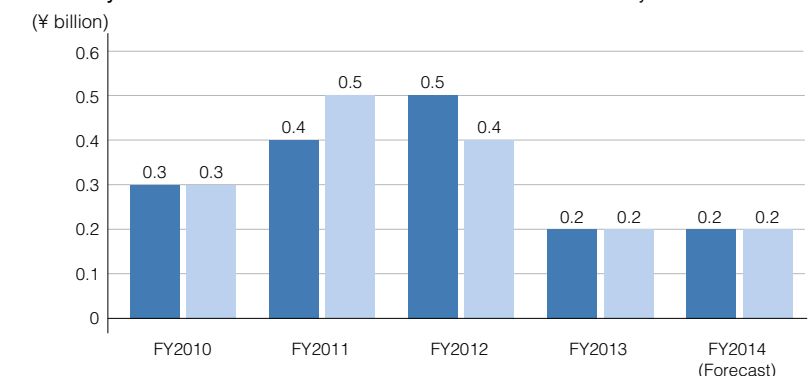
*3. Combined ratio= net loss ratio + net expenses ratio

*4. The ordinance governing calculation of the non-consolidated solvency margin ratio was revised from fiscal 2011 to make risk recognition more stringent. The non-consolidated solvency margin ratio figure for fiscal 2010 is calculated on a basis different from the non-consolidated solvency margin ratio calculation basis used in fiscal 2011 and subsequently.

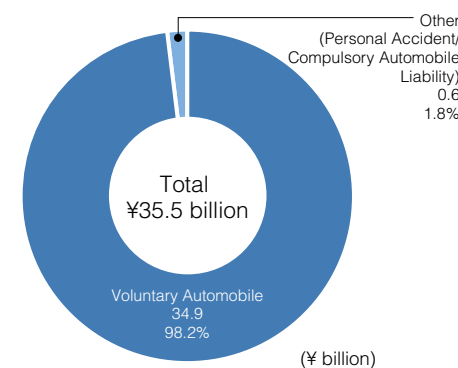
Principal Shareholders (As of March 31, 2014)

	Shareholding (shares)	Shareholding ratio (%)
MS&AD Insurance Group Holdings, Inc.	602,060	73.4
Mitsui & Co., Ltd.	162,500	19.8
Mitsui Sumitomo Trust & Banking Co., Ltd.	24,640	3.0
Mitsui Life Insurance Co., Ltd.	15,400	1.9
Sumitomo Mitsui Banking Corporation	15,400	1.9

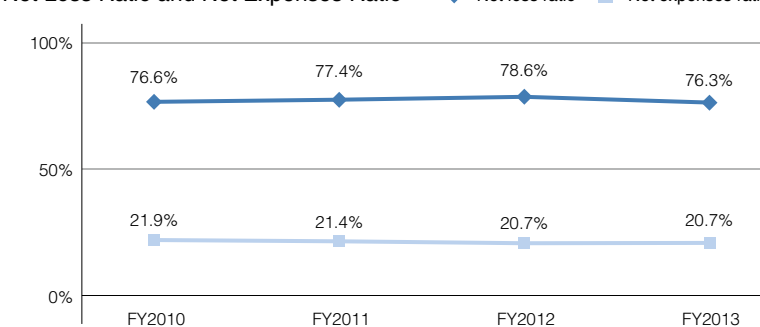
Ordinary Profit and Net Income



Net Premiums Written by Product Line



Net Loss Ratio and Net Expenses Ratio



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.

MSI Aioi Life was established on October 2011 through the merger of MSI Kirameki Life and Aioi Life. MSI Aioi Life has a broad and stable sales base centered on cross sales channels based on the Group's non-life insurance channels, and the company also works through such growth channels as financial institutions, life insurance agencies, and a direct sales force to provide unique products and services tailored to customers' needs. As a result, it has steadily increased its policies in force.

Since the merger that brought it into existence, MSI Aioi Life has emphasized "fostering the development of human resources that support the elevation of corporate value" while progressively advancing regarding the objectives of "improving quality," "strengthening products and services," and "reinforcing and expanding the business base." In these ways, the company has been striving to maximize the synergies obtained from the merger and endeavor to realize sustained business growth along with steady improvement in profitability.

Company Overview

(As of March 31, 2014)

President	: Hitoshi Ichihara
Date Established	: August 1996
Paid-in Capital	: ¥35.5 billion
Total Assets	: ¥2,636.0 billion
Amount of Policies in Force*	: ¥21,105.0 billion
Number of Employees	: 2,421
Head Office	: 27-2, Shinkawa 2-Chome, Chuo-ku, Tokyo
Website	: http://www.msa-life.co.jp

Credit Ratings (As of August 1, 2014)

S&P	Insurer Financial Strength Rating	A+
R&I	Insurance Claims Paying Ability Rating	AA-

*Amount of Policies in Force is the total sum of personal insurance and personal annuity insurance.

FY2013 Business Operations

MSI Aioi Life emphasized the sales of "& LIFE" series products with the launch of "New Medical Insurance A (Ace)" in December 2013, while leveraging the use of MSI and ADI sales channels and other sales channels. As a result of this and the impact of an insurance premium rate revision in April 2013, the value of new policies (sum of individual insurance and individual annuities) amounted to ¥2,672.2 billion, down 28.0% from the previous fiscal year. However, new third-sector policy annualized premiums written rose to ¥10.9 billion, up 55.9% from the previous fiscal year. Compared with the previous fiscal year-end, both policies in force and annualized premiums in force were up 5.1%.

Reflecting such factors as a decrease in provision for underwriting reserves and an increase in investment income, net income for the fiscal year totaled ¥6.6 billion, up ¥6.2 billion from the previous fiscal year.

*New Medical Insurance A (Ace)

- Main medical insurance contracts offer increased coverage for short- to long-term hospitalization, and eight optional riders can be selected in line with customer needs.
- More than 100,000 applications were submitted during a little more than four months after the product was launched in December 2013.



MSA Style (New Work Style)

- A new work style has been introduced since fiscal 2012.
- M: "Mizukara kangae koudou suru" (= Take the initiative in thinking and acting yourself)
S: "Shinaji kouka wo hakki suru" (= Promote synergistic effects)
A: "Akaruku genki ni charenji suru" (= Address challenges cheerfully and energetically)
- The MSA Style campaign is being implemented through the company in conjunction with the "No. 1 in customer service quality" campaign.

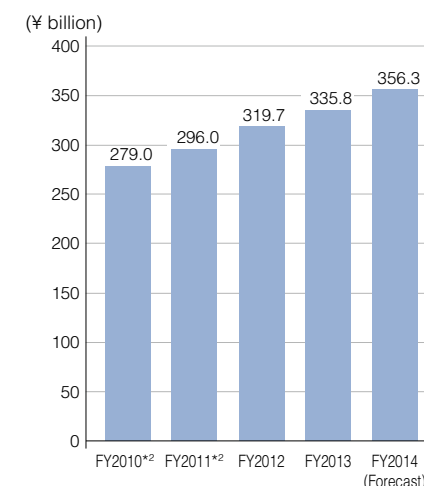
Principal Indicators (Non-Consolidated)

(¥ million)

Item	FY2009	FY2010	FY2011	FY2012	FY2013
Amount of new policies	2,646,688	2,843,151	3,277,077	3,710,567	2,672,209
Amount of policies in force	15,288,009	16,432,938	18,062,498	20,074,621	21,105,046
Annualized premiums of policies in force	268,129	279,099	296,000	319,703	335,854
Ordinary profit/(loss)	8,196	(1,027)	1,816	7,459	17,462
Core profit/(loss)	9,618	(230)	4,109	5,847	15,395
Net income/(loss)	1,361	(7,188)	(11,395)	458	6,681
Net assets	91,602	85,889	102,421	132,243	131,999
Total assets	1,616,308	1,789,798	2,136,662	2,436,264	2,636,052
Solvency margin ratio	—	—	1,212.8%	1,309.8%	1,264.9%
MSI Kirameki Life	2,129.7%	2,127.0%	—	—	—
Aioi Life	1,994.3%	1,954.1%	—	—	—

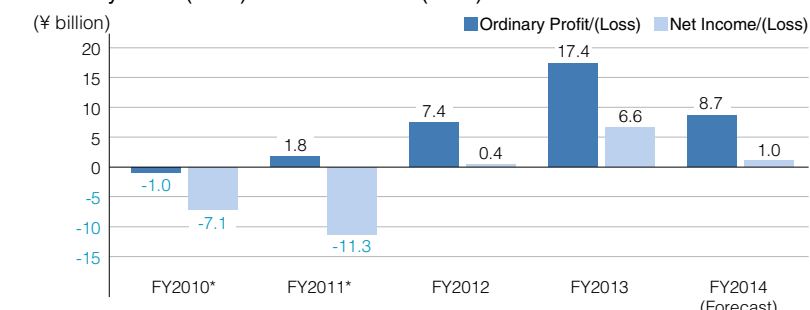
- *1. MSI Aioi Life was formed through the merger of MSI Kirameki Life and Aioi Life on October 1, 2011. Its results for fiscal 2011 include the first-half results of Aioi Life, and its results for fiscal 2010 and prior years are the simple aggregate for the two subsequently merged companies' full-year results.
- *2. Amount of new policies, amount of policies in force, and annualized premiums of policies in force are the total of personal insurance and personal annuity insurance.
- *3. Core profit is an insurance business profitability indicator that is calculated by deducting capital profits/(losses) and extraordinary income and losses from ordinary profit.
- *4. The solvency margin ratios for fiscal 2009–2010 are calculated on a basis different from the basis for calculating the solvency margin ratios for fiscal 2011–2013. This is due to a partial revision in the standard for calculating the solvency margin gross amount and the total amount of risk (tightening of margin calculations, tightening and refining of risk measurements, etc.) in accordance with Cabinet Office Ordinance No. 23 of 2010 and Financial Services Agency Public Notice No. 48 of 2010. The fiscal 2010 solvency margin ratio figure in parentheses was calculated by applying the fiscal 2011 standard to data for fiscal 2010.

Annualized Premiums of Policies in Force**



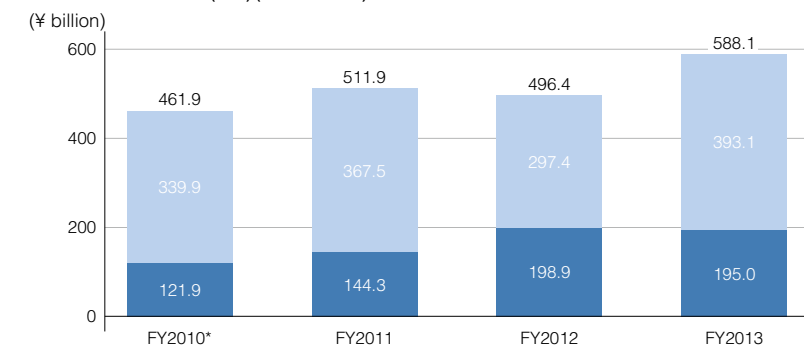
- *1. The figure for Annualized Premiums of Policies in Force is the total for personal insurance and personal annuity insurance.
- *2. The fiscal 2010 figure is a simple sum of the figures for MSI Kirameki Life and Aioi Life. The fiscal 2011 figure is an aggregate total for MSI Kirameki Life and Aioi Life for the April-September 2011 period aggregated with the figure for MSI Aioi Life for the October 2011-March 2012 period.

Ordinary Profit/(Loss) and Net Income/(Loss)




* The fiscal 2010 figures are simple sums of the figures for MSI Kirameki Life and Aioi Life. The fiscal 2011 figures are aggregate totals for MSI Kirameki Life and Aioi Life for the April-September 2011 period aggregated with the figures for MSI Aioi Life for the October 2011-March 2012 period.

Embedded Value (EV)(EEV base)



* The fiscal 2010 figures are reference figures calculated on an EEV basis using aggregate embedded value figures for MSI Kirameki Life and Aioi Life.

Domestic Life Insurance Business



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

MSI Primary Life is a life insurance company that leverages its position as a leading company in the individual annuity insurance industry to offer asset-building products focusing on individual annuity insurance and whole life insurance via financial institutions.

As a leading company in Japan's individual annuity insurance industry, MSI Primary Life takes advantage of the trust, experience, and knowledge it has cultivated since the commencement of individual annuity insurance sales through banks in Japan in October 2002, to develop business focused exclusively on the marketing through financial institutions of asset-building-type life insurance products (individual annuity insurance, whole life insurance, etc.).

MSI Primary Life offers both variable products that provide benefits based on investment performance in line with market changes, and fixed products, whose rates of return are fixed on a contract date, as products combining the appeal of insurance and investment in a stable and sustained manner going forward.

To provide "peace of mind" with insurance policies that meet customer needs to many more customers, MSI Primary Life strongly supports financial institution agencies to enhance the quality of sales through the training of sales personnel and other measures.

The progressive process of demographic greying is increasing needs for self-help measures to prepare for the future. Aiming to be a company that is of great benefit to society at large, MSI Primary Life is providing products that supplement public and other pensions in asset building and facilitate the appropriate transfer of assets to subsequent generations.

Company Overview

(As of March 31, 2014)

President	: Tetsuo Kitagawa
Date Established	: September 2001
Paid-in Capital	: ¥41.0 billion
Total Assets	: ¥4,163.6 billion
Amount of Policies in Force*	: ¥4,024.3 billion
Number of Employees	: 344
Head Office	: Yaesu First Financial Building, 3-7, Yaesu 1-Chome, Chuo-ku, Tokyo
Website	: http://www.ms-primary.com

Credit Ratings		(As of August 1, 2014)
S&P	Insurer Financial Strength Rating	A+
R&I	Insurance Claims Paying Ability Rating	AA-

FY2013 Business Operations

Owing to continuation of strong sales of fixed whole life insurance*¹ denominated in foreign currencies from fiscal 2012 as well as growth in sales of individual variable annuity insurance against the backdrop of improving the economic environment and sales of variable whole life insurance*² launched in October 2013, premiums income grew to a record high level of ¥826.4 billion, up 83.9% from the previous fiscal year.

Moreover, the number of policies in force rose by 12.5% from the previous fiscal year-end, to 541,000, and the amount of policies in force grew by 9.9% from the previous fiscal year-end, to ¥4,024.3 billion. Ordinary profit and net income amounted to ¥39.8 billion and ¥17.9 billion, respectively, and the company made a contribution to the MS&AD Insurance Group's enhancement of consolidated profitability.

*1 Fixed Whole Life Insurance
"Shiawase Zutto"

しあわせ、ずっと

- Since its launch in 2012, it has become a mainstay product with robust sales.
- It offers great appeal owing to the management of funds in foreign currency-denominated assets (USD, AUD, and EUR).
- When a surrender value reaches the target amount, the foreign currency-denominated policy is automatically transferred to yen-denominated whole life insurance to lock in the fund management returns. This kind of "automatic yen-denominated asset securement" function is highly popular.

*2 Variable Whole Life Insurance
"Kagayaki Tsuzuku"

かがやき、つづく

- This new variable (yen-denominated) product was launched in October 2013.
- In addition to aiming at offsetting inflation by pursuing fund management gains in line with market performance, this whole life insurance product incorporates target volatility fund and security functions to cope with a substantial market decline.
- When the surrender value reaches the target amount, the policy is automatically converted into fixed whole life insurance.



Principal Indicators (Non-Consolidated)

(¥ million)

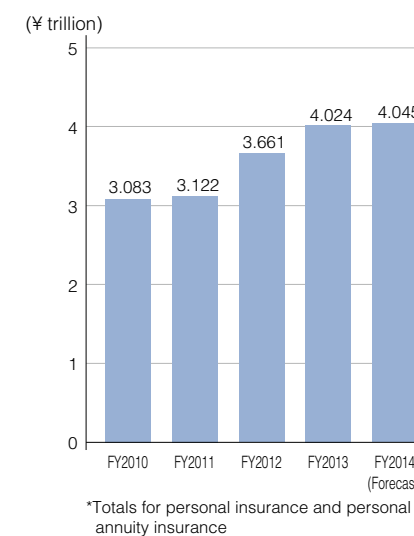
Item	FY2009	FY2010	FY2011	FY2012	FY2013
Premiums income	443,615	243,730	234,793	449,316	826,434
Amount of new policies	408,119	253,746	237,442	432,202	800,526
Amount of policies in force	3,137,587	3,083,041	3,122,538	3,661,454	4,024,393
Annualized premiums of policies in force	531,714	435,575	438,977	434,240	454,303
Ordinary profit	14,544	30,162	13,025	38,969	39,887
Core profit/(loss)	(6,944)	28,594	28,011	37,916	58,355
Net income	8,922	18,783	5,993	10,350	17,928
Net assets	35,393	54,290	60,549	71,284	89,205
Total assets	3,116,508	3,069,708	3,154,641	3,765,574	4,163,675
Solvency margin ratio	1,058.0%	1,026.4% (671.8%)	775.5%	884.0%	1,004.6%

*1. The amount of new policies, amount of policies in force, and annualized premiums of policies in force are the totals of personal insurance and personal annuity insurance.

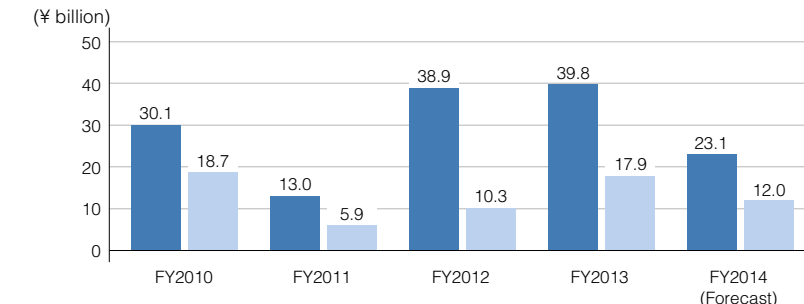
*2. Core profit is an insurance business profitability indicator that is calculated by deducting capital profits/(losses) and extraordinary income and losses from ordinary profit.

*3. The solvency margin ratios for fiscal 2009–2010 are calculated on a basis different from the basis for calculating the solvency margin ratios for fiscal 2011–2013. This is due to a partial revision in the standard for calculating the solvency margin gross amount and the total amount of risk (tightening of margin calculations, tightening and refining of risk measurements, etc.) in accordance with Cabinet Office Ordinance No. 23 of 2010 and Financial Services Agency Public Notice No. 48 of 2010. The fiscal 2010 solvency margin ratio figure in parentheses was calculated by applying the fiscal 2011 standard to data for fiscal 2010.

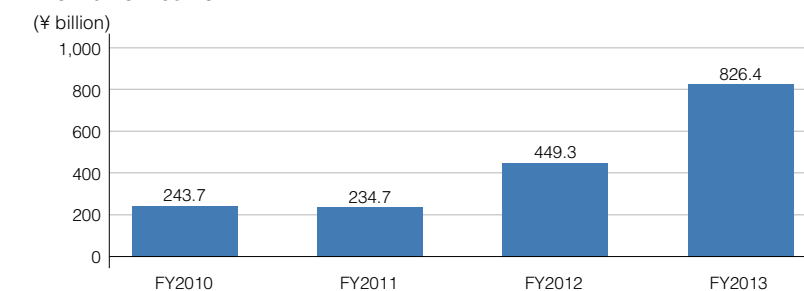
Amount of Policies in Force*



Ordinary Profit and Net Income



Premiums Income

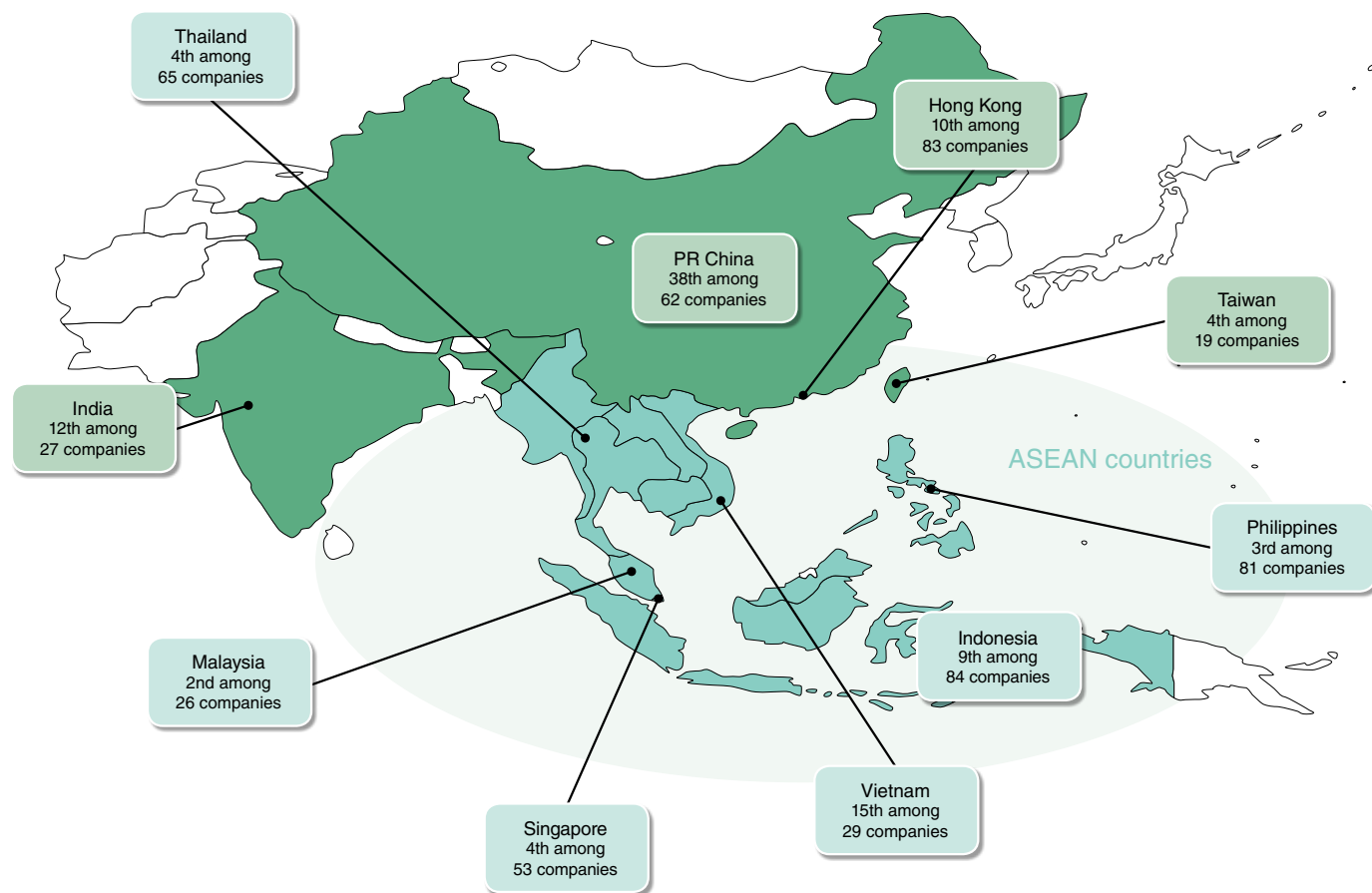


Overseas Business

Overview

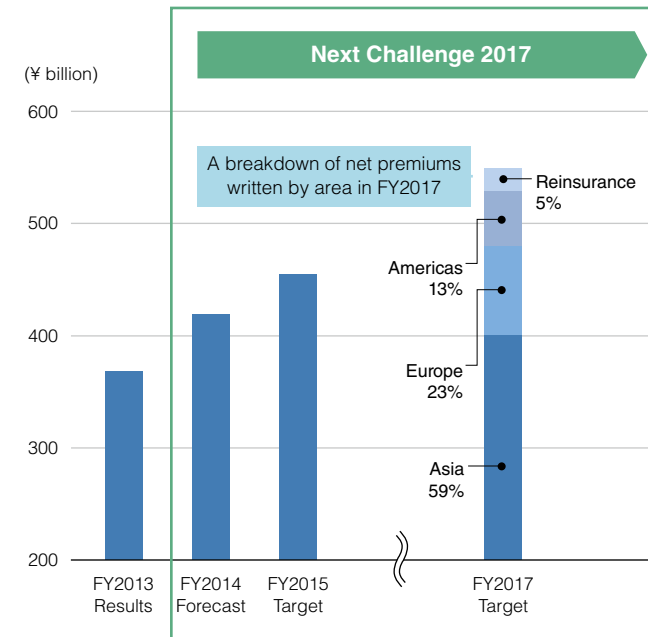
Leveraging the knowledge and know-how it has accumulated in many years of overseas business, the MS&AD Insurance Group is providing insurance products and services that meet the diverse needs of customers throughout the world. The Group has established a particularly solid market position in Asian countries, which are realizing high rates of GDP growth and are believed to have considerable potential for rises in levels of per capita insurance premiums, and it is the ASEAN region's No. 1 insurance company in terms of directly received non-life insurance premiums. Having arranged strategic capital alliances with respect to life insurance business in such major markets as India, Indonesia, and Malaysia, the Group is building a strong foundation for additional business growth.

Going forward, the Group will continue working to realize steady growth in overseas markets. Besides seeking to expand net premiums written and net income from overseas operations, the Group is aiming to be an "exemplary corporate citizen" in each country and region. The Group anticipates that this approach will facilitate its efforts to progressively develop business operations that are deeply rooted in each market.

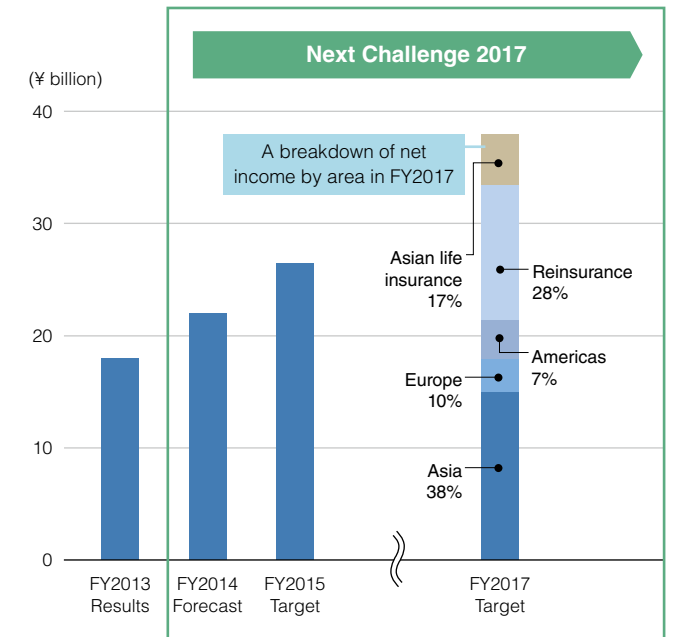


(Source) Created by MS&AD based on FY2012 data published by non-life insurance associations and other organizations in each country

Trends in net premiums written (non-life insurance)



Trends in net income*1



*1 On a Group Core Profit basis

Net premiums written (non-life insurance)

	FY2012 - FY2014 (Forecast)		
	FY2012 Results	FY2013 Results	FY2014 (Forecast)
Overseas Business Total*1	287.8	369.0	419.5
Asia	173.1	215.7	239.5
Europe	64.4	85.4	105.9
Americas	41.4	56.4	61.8
Reinsurance	15.6	16.7	17.6

Net income/(loss)*2

	FY2012 - FY2014 (Forecast)		
	FY2012 Results	FY2013 Results	FY2014 (Forecast)
Overseas Business Total*1	13.5	18.0	22.0
Asia	19.3	16.3	18.0
Europe	(3.3)	1.8	(0.1)
Americas	(7.7)	(3.3)	3.7
Reinsurance	5.0	8.5	5.4
Asian Life Insurance Business*3	1.3	(1.2)	5.1

* Overseas Business: Figures are aggregates of the results for overseas consolidated subsidiaries, non-life insurance companies' overseas branches, and overseas non-consolidated affiliates.

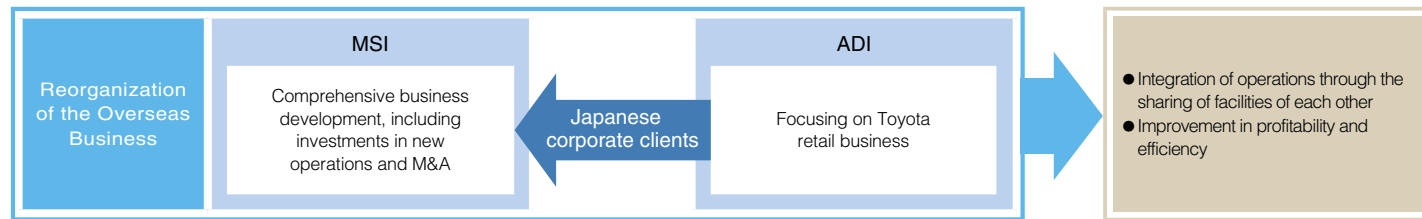
*1 Figures in the "total" rows include head office adjustments, etc. and are not equal to the sum of figures for each segment and each region.

*2 Group Core Profit basis *3 Including Takaful business

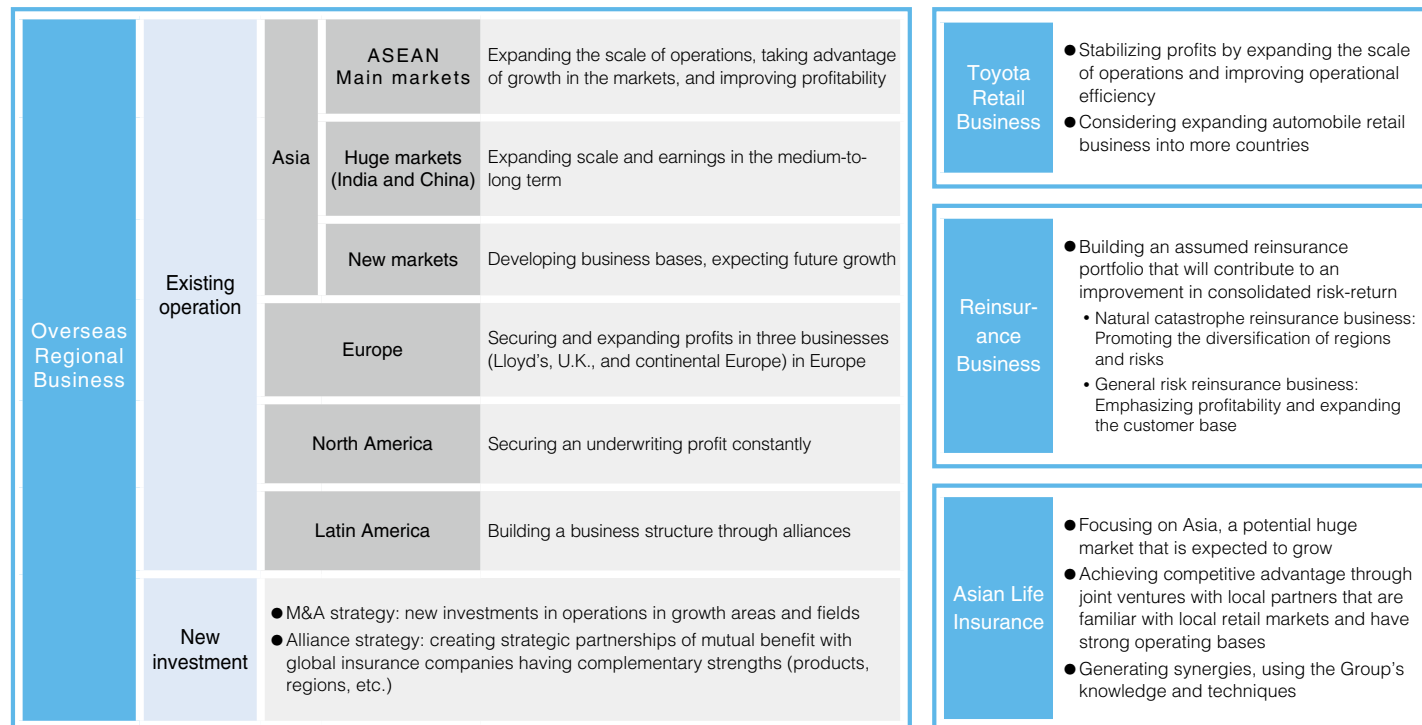
Growth Strategies

The MS&AD Insurance Group has built up its overseas business through the operation of the Group's core non-life insurance companies—MSI and ADI. Based on the reorganization by function strategy announced in 2013, going forward, operations for Japanese corporate clients will be unified within MSI, while ADI is expanding operations centered on Toyota retail business. In this way, the companies are well positioned to leverage their respective strengths to realize efficient business expansion and accelerate growth in their profitability.

Because overseas business is among the most-important business sectors with respect to the MS&AD Insurance Group's growth and risk diversification, the Group is planning to proactively develop its overseas business going forward through measures that include new business investments and M&A transactions.



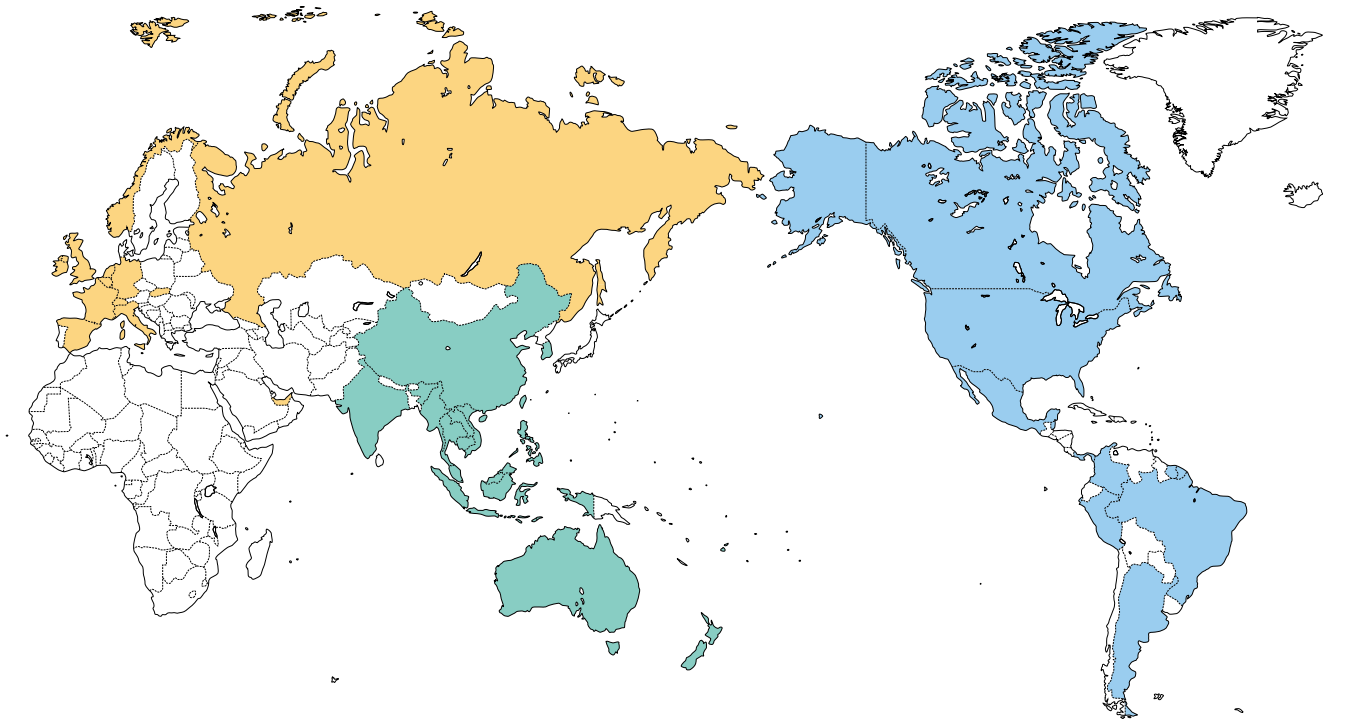
The Overseas Business's Growth Strategies



Global Network

Having engaged in overseas operations for approximately 90 years, the MS&AD Insurance Group has created a global network with bases in 39 countries and regions.

With respect to such regions as Africa, where the MS&AD Insurance Group does not currently have bases, the Group has arranged strategic alliances with Europe-based insurance groups with a strong presence in those regions. In this way, the Group is building a network that will enable it to provide insurance products and services throughout the world.



● Europe and the Middle East

United Kingdom
Germany
France
The Netherlands
Belgium
Italy
Spain
Russia
Switzerland
Norway
Slovakia
Ireland
United Arab Emirates

● Asia and Oceania

Singapore
Thailand
Malaysia
Indonesia
Philippines
Vietnam
Myanmar
Cambodia
Laos
People's Republic of China
Hong Kong
Taiwan
Republic of Korea
India
Australia
New Zealand

● Americas (North America and South America)

U.S.A.
Canada
Bermuda
The Cayman Islands
Mexico
Panama
Peru
Colombia
Brazil
Argentina

Global Network (As of July 1, 2014)

- ☆ Overseas Branches
- ★ Overseas Offices
- Overseas Subsidiaries and Affiliates
- △ Branches or Offices of Overseas Subsidiaries and Affiliates
- Underwriting Agents for the Head Office

ASIA AND OCEANIA

SINGAPORE	MS&AD Holdings	● Interisk Asia Pte. Ltd.
	MSI	● MSIG Holdings (Asia) Pte. Ltd. ● MSIG Insurance (Singapore) Pte. Ltd. △ Mitsui Sumitomo Reinsurance Limited, Singapore Branch ● MS Frontier Re Modeling Research Pte. Ltd.
THAILAND	MS&AD Holdings	● InterRisk Asia (Thailand) Co., Ltd.
	MSI	☆ Thailand Branch ● MSIG Insurance (Thailand) Public Company Limited ● MSI Holding (Thailand) Company Limited ● MSIG Service and Adjusting (Thailand) Company Limited ● Calm Sea Service Company Limited ● MBTS Broking Services Company Limited ● MBTS Life Insurance Broker Co., Ltd.
	ADI	★ Bangkok Representative Office ● Aioi Bangkok Insurance Public Company Limited ● Bangkok Chayorath Company, Limited ● Bangkok Chayolife Company, Limited ● Kawasaki-Dowa Agency Ltd.
MALAYSIA	MSI	● MSIG Insurance (Malaysia) Bhd. ● MSIG Berhad ● Hong Leong Assurance Berhad ● Hong Leong MSIG Takaful Berhad △ MS Frontier Reinsurance Limited, Labuan Branch △ MS Frontier Reinsurance Limited, Kuala Lumpur Office △ Mitsui Sumitomo Reinsurance Limited, Labuan Branch △ Mitsui Sumitomo Reinsurance Limited, Kuala Lumpur Office
		PHILIPPINES
INDONESIA	MSI	● PT. Asuransi MSIG Indonesia ● PT. Auto Management Services ● PT. Asuransi Jiwa Sinarmas MSIG
REPUBLIC OF KOREA	MSI	☆ Korea Branch

PEOPLE'S REPUBLIC OF CHINA	MS&AD Holdings	● InterRisk Consulting (Shanghai) Co., Ltd.
	MSI	● Mitsui Sumitomo Insurance (China) Company Limited △ Guangdong Branch, Shenzhen Marketing Service Department △ Beijing Branch △ Jiangsu Branch, Suzhou Marketing Service Department ★ China General Representative Office ★ Dalian Representative Office ★ Chengdu Representative Office ★ Qingdao Representative Office
HONG KONG	MSI	● MSIG Insurance (Hong Kong) Limited ● Mitsui Sumitomo Asset Management (Hong Kong) Limited
	ADI	★ Hong Kong Representative Office
TAIWAN	MSI	● MSIG Mingtai Insurance Co., Ltd.
	ADI	★ Taipei Representative Office
VIETNAM	MSI	● MSIG Insurance (Vietnam) Company Limited
	ADI	★ Hanoi Representative Office
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.
LAOS	MSI	● MSIG Insurance (Lao) Co., Ltd.
AUSTRALIA	MSI	☆ Australia Branch ★ Australia Branch, Melbourne Office
	ADI	☆ Australian Branch ★ Sydney Representative Office ★ Melbourne Representative Office ● Aioi Nissay Dowa Insurance Company Australia Pty., Ltd.
NEW ZEALAND	MSI	☆ New Zealand Branch ★ New Zealand Representative Office
	ADI	☆ New Zealand Branch ● Aioi Nissay Dowa Management New Zealand Limited

THE AMERICAS

U.S.A.	MSI	<ul style="list-style-type: none"> ★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 ●MSI Risk Management Services, Inc. ●Seven Hills Insurance Agency, LLC ●Aioi Nissay Dowa Insurance Company of America △New York Branch △Kentucky Branch △California Branch △Detroit Branch ●MSI GuaranteedWeather, LLC ●Vortex Insurance Agency, LLC ●Mitsui Sumitomo Asset Management (New York) Inc.
	ADI	<ul style="list-style-type: none"> ★New York Representative Office ★Chicago Representative Office ★Kentucky Representative Office ★Los Angeles Representative Office ★Honolulu Representative Office ●DTRIC Insurance Company, Limited ●DTRIC Insurance Underwriters, Limited
GUAM (U.S.A.)	ADI	■Takagi & Associates, Inc.
NORTHERN MARIANAS (U.S.A.)	ADI	■Takagi & Associates, Inc., Saipan Branch
CANADA	MSI	<ul style="list-style-type: none"> ★Toronto Representative Office, c/o Chubb Insurance Company of Canada ■Chubb Insurance Company of Canada
BERMUDA	MS&AD Holdings	●Interisk Global Management (Bermuda) Limited
	MSI	<ul style="list-style-type: none"> ●MS Frontier Reinsurance Limited ●SPAC Insurance (Bermuda) Limited ●MSI GuaranteedWeather Trading Ltd. ●MS Financial Reinsurance Limited
CAYMAN	MSI	●SLI Cayman Limited
MEXICO	MSI	△MSIG Holdings (Americas), Inc., Mexican Representative Office, c/o Mapfre Tepeyac, S.A.
PANAMA	MSI	★Panama Representative Office
BRAZIL	MSI	<ul style="list-style-type: none"> ●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 AND THE MIDDLE EAST

UNITED KINGDOM	MSI	<ul style="list-style-type: none"> ★London Representative Office ●MSIG Holdings(Europe)Limited ●Mitsui Sumitomo Insurance Company (Europe), Limited △Derby Office ●MSIG Corporate Services (Europe) Limited ●Mitsui Sumitomo Insurance (London Management) Ltd. ●MSI Corporate Capital Limited ●Mitsui Sumitomo Insurance (London) Limited ●Mitsui Sumitomo Insurance Underwriting at Lloyd's Limited ●Mitsui Sumitomo Asset Management (London) Limited
	ADI	<ul style="list-style-type: none"> ★London Representative Office ●Aioi Nissay Dowa Insurance Company of Europe Limited ●Aioi Nissay Dowa Insurance Management Limited ●Toyota Insurance Management Limited ●Dowa Insurance Company (Europe) Limited △Aioi Nissay Dowa Life Insurance of Europe AG, UK Branch
IRELAND	MSI	<ul style="list-style-type: none"> ●MSI Insurance Management (Ireland) Limited ●Mitsui Sumitomo Reinsurance Limited
GERMANY	MSI	<ul style="list-style-type: none"> ●MSIG Insurance Europe AG △MSIG Insurance Europe AG, German Branch ●MSIG German Services GmbH
	ADI	<ul style="list-style-type: none"> △Aioi Nissay Dowa Insurance Company of Europe Limited, German Branch △Toyota Insurance Management Limited, German Branch ●Aioi Nissay Dowa Life Insurance of Europe AG
THE NETHERLANDS	MSI	△MSIG Insurance Europe AG, The Netherlands Branch
	ADI	△Aioi Nissay Dowa Insurance Company of Europe Limited, Netherlands Branch
FRANCE	MSI	△MSIG Insurance Europe AG, France Branch
	ADI	<ul style="list-style-type: none"> ★Paris Representative Office △Aioi Nissay Dowa Insurance Company of Europe Limited, French Branch △Toyota Insurance Management Limited, French Branch
BELGIUM	MSI	△MSIG Insurance Europe AG, Belgium Branch
	ADI	<ul style="list-style-type: none"> ★Brussels Representative Office △Aioi Nissay Dowa Insurance Company of Europe Limited, Belgian Branch △Toyota Insurance Management Limited, Belgian Branch
SWITZERLAND	MSI	△MS Frontier Reinsurance Limited, Zurich Branch
SPAIN	MSI	△MSIG Insurance Europe AG, Spain Branch
	ADI	<ul style="list-style-type: none"> △Aioi Nissay Dowa Insurance Company of Europe Limited, Spanish Branch △Toyota Insurance Management Limited, Spanish Branch
ITALY	MSI	△MSIG Insurance Europe AG, Italy Branch
	ADI	<ul style="list-style-type: none"> △Aioi Nissay Dowa Insurance Company of Europe Limited, Italian Branch △Toyota Insurance Management Limited, Italian Branch ●Top Class Insurance S. r. l.
SLOVAKIA	MSI	△MSIG Insurance Europe AG, Slovakia Branch
RUSSIA	MSI	<ul style="list-style-type: none"> ★Moscow Representative Office ★St. Petersburg Representative Office
	ADI	★Moscow Representative Office
NORWAY	MSI	●SMA MSI AS
	ADI	△Aioi Nissay Dowa Insurance Company of Europe Limited, Norwegian Branch
UNITED ARAB EMIRATES	MSI	<ul style="list-style-type: none"> ★Dubai Representative Office ★Abu Dhabi Representative Office

Financial Services Business

Overview

In addition to insurance business, the MS&AD Insurance Group is expanding its operations providing diverse financial solutions and services such as asset management, pension plan products (401k), retail financial services, ART (Alternative Risk Transfer) products, financial guarantees, and venture capital. The MS&AD Insurance Group will develop and provide 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.

Major Operating Companies

MSI (Financial Service Division) ADI (Financial Service Business Division, etc.)

In addition to non-life insurance business, MSI and ADI provide financial solutions that are closely associated with insurance, such as pension plan products (401k), retail financial services, ART products, and financial guarantee business.

The Group does not restrict itself to the scope of non-life insurance business as it seeks to offer various kinds of financial solutions to meet customers' increasingly diverse needs, and it plans to continue addressing new challenges going forward.

Sumitomo Mitsui Asset Management Company, Limited

Sumitomo Mitsui Asset Management is one of the leading asset management companies in Japan with assets under management of more than ¥10 trillion.

On December 1, 2002, Sumitomo Mitsui Asset Management was formed through the merger of five companies—MITSUI LIFE GLOBAL ASSET MANAGEMENT CO., LTD., Sumitomo Life Investment Co., Ltd., Sumisei Global Investment Trust Management Co., Ltd., MITSUI SUMITOMO INSURANCE ASSET MANAGEMENT CO., LTD., and SAKURA INVESTMENT MANAGEMENT CO., LTD. An additional merger—with Toyota Asset Management Co., Ltd., on April 1, 2013—has further expanded the scale of the company's operations.

Assets under management: ¥13,024.9 billion (as of March 31, 2014)
MS&AD Insurance Group shareholding: 25.7%

Date established: December 2002
URL: <http://www.smam-jp.com/english/index.html>

MITSUI SUMITOMO INSURANCE Venture Capital Co., Ltd.

MITSUI SUMITOMO INSURANCE Venture Capital identifies and invests in ventures with considerable potential and also offers various support to promote the growth and development of ventures in which it invests.

Date established: December 1990
URL: http://www.msivc.co.jp/top_en.html

MS&AD Loan Services Co., Ltd.

MS&AD Loan Services provides customers within the Group with administration services for investments, loans and mortgage guarantee insurance, credit guarantee services, and loan services for individuals.

Date established: October 1976
URL: <http://www.ms-ad-ls.co.jp/site/index> (Japanese language only)

Risk-Related Services Business

Overview

Besides insurance, the MS&AD Insurance Group provides customers with diverse services that facilitate risk solutions, such as risk management business, nursing care business, and assistance business.

Going forward, the Group will strive to elicit synergies with insurance business as it expands risk solutions services globally.

Major Operating Companies

InterRisk Research Institute & Consulting, Inc.

InterRisk Research Institute & Consulting is one of the largest risk consulting companies in Japan. It provides companies and government entities with risk consulting, risk survey, funded research, information publishing, and other services related to diverse kinds of risks.

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

Date established: January 1993
URL: <http://www.irric.co.jp/index.html> (Japanese language only)

ANSHIN DIAL Co., Ltd.

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

Date established: November 1989
URL: <http://www.anshin-dial.jp/> (Japanese language only)

MITSUI SUMITOMO INSURANCE Care Network Co., Ltd.

MITSUI SUMITOMO INSURANCE Care Network operates and administers fee-based retirement homes offering nursing services, provides support for in-home nursing care (creating care plans), and dispatches home care workers. 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
URL: <http://www.msk-carenet.com/docs/index.html> (Japanese language only)

Fureai Do-Life Services Co., Ltd.

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

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

Date established: March 2000
URL: <http://www.fureai-do.co.jp/> (Japanese language only)

Other Operating Companies in which MS&AD Holdings Has Direct Investments

MS&AD Business Support Co., Ltd.

MS&AD Business Support provides the MS&AD Insurance Group with such infrastructure support as printing and logistics and also provides employee welfare services and real estate management services, etc.

Date established: September 1950

URL: <http://www.ms-ad-bs.co.jp> (Japanese language only)

MS&AD Staffing Service Co., Ltd.

As the MS&AD Insurance Group's comprehensive human resource company, MS&AD Staffing Service provides each Group company with human resource services and also dispatches and introduces staff to insurance agencies and other customers.

Date established: January 1987

URL: <http://www.ms-ad-staffing.co.jp> (Japanese language only)

MS&AD Systems Co., Ltd.

MS&AD Systems supports each MS&AD Insurance Group company by taking responsibility for information systems strategy and by planning, designing, developing, and operating information systems.

Date established: July 1986

URL: <http://www.ms-ad-systems.com> (Japanese language only)

MS&AD Business Service Co., Ltd.

MS&AD Business Service delivers contract administration services, services related to data entry, the creation of documents and forms, and other services to MS&AD Insurance Group companies.

Date established: September 1974

URL: <http://www.msk-info.com> (Japanese language only)

MS&AD Research Institute Co., Ltd.

As a research institute in the MS&AD Insurance Group, MS&AD Research Institute undertakes studies and research in such fields as insurance, finance, social security and other socio-economic fields, and risk management.

Date established: October 2005

URL: http://www.msadri.jp/company_e/

CSR

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CSR in the MS&AD Insurance Group

The MS&AD Insurance Group has been guided by Our Mission, Our Vision, and Our Values to establish the Pillars (Material Issues), which consider the Group's basic strategy in the new medium-term management plan "Next Challenge 2017," and will utilize key performance indicators (KPIs) to promote its CSR initiatives.

Perspective of CSR Initiatives of the MS&AD Insurance Group

We fulfill our corporate social responsibility to the stakeholders through all business activities.

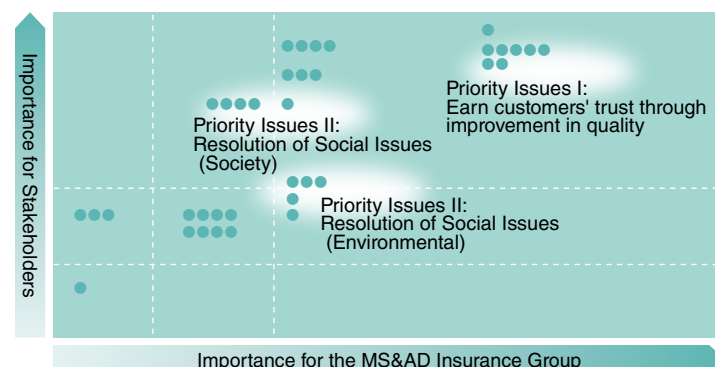
- The approach is guided by Our Mission, Our Vision, and Our Values.
- Basic principles of the approach are corporate governance, compliance, risk management, information disclosure, respect for human rights, and environmental conservation.
- Our stakeholders are our customers, shareholders, agents, business partners, employees, the environment, and local/international communities.

Our Mission	Our Vision
To contribute to the development of a vibrant society and help secure a sound future for the earth, by bringing security and safety through the global insurance and financial services business.	To create a world-leading insurance and financial services group that consistently seeks sustainable growth and to enhance enterprise value.
Our Values	"Next Challenge 2017" Group Basic Strategy
"Customer Focused," "Integrity," "Teamwork," "Innovation," "Professionalism"	To earn trust through the improvement of product and service quality based on communication with stakeholders, and contribute to the resolution of social issues.

Stakeholders	Explanation
Customers	Provide products and services that meet customers' expectations for quality.
Shareholders	Provide appropriate disclosure of information and appropriate returns to shareholders. Strive to raise corporate value.
Agents	Grow together as partners.
Business partners (contractors and suppliers, etc.)	Maintain sound relationships and cooperate to fulfill corporate responsibility.
Employees	Provide a comfortable environment, a sense of purpose, and opportunities to grow.
The Environment	Take steps to protect the global environment.
Local/International communities	As a member of society, contribute to its sustainable development.

Mapping the Pillars of CSR Initiatives (priority issues)

During the drafting process of the "Next Challenge 2017," which started in April 2014, the 37 issues of ISO26000 were mapped from two perspectives to establish the Pillars of CSR Initiatives (priority issues). Further details can be found on the CSR Report on our website.



Pillars of CSR Initiatives (priority issues)

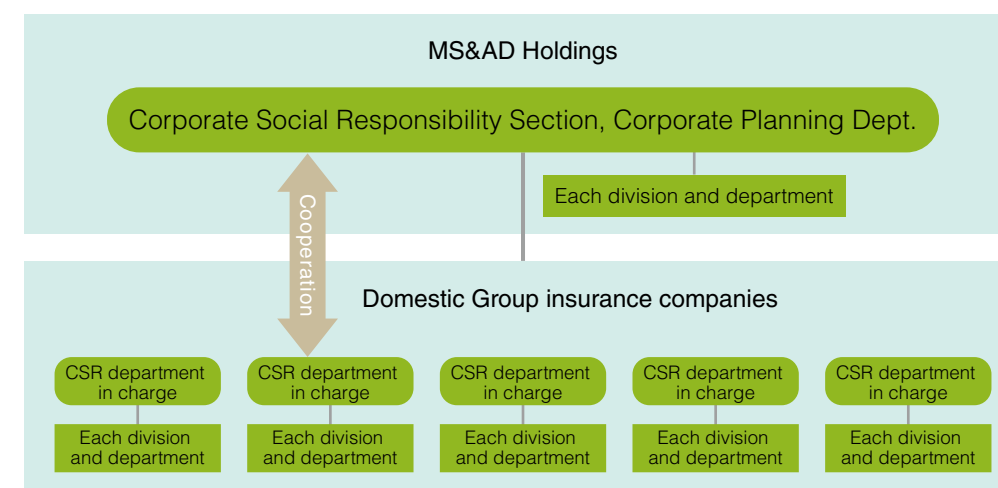
Based on the Group basic strategy of "Next Challenge 2017," we established the Pillars of CSR Initiatives, which we are undertaking as priority issues common across the Group.

Pillar of CSR Initiatives I	Earning trust through the improvement of product and service quality.	Communicate with stakeholders, with customers at the center, promote the enhancement of product and service quality and improve operations to win trust.
Pillar of CSR Initiatives II	Contributing to the resolution of social issues through the improvement of product and service quality.	Promote the improvement and development of products and services that contribute to resolving social issues (global environmental conservation, prevention/mitigation of disasters and accidents, low birthrate and aging population), reduce the environmental burden of our business activities and preserve biodiversity.

Promotion System of CSR

The MS&AD Insurance Group has set up a specific department (Corporate Social Responsibility Section, Corporate Planning Dept.) in its Holding Company for the promotion of CSR activities throughout the entire Group and for supporting individual CSR activities of each domestic Group insurance company.

Each domestic Group insurance company has been promoting CSR activities with its CSR department in charge in line with the Holding Company initiatives, while taking advantage of individual company characteristics and past approaches.



Participation in Initiatives

U.N. Global Compact

The MS&AD Insurance Group, following the declaration of support of the United Nations Global Compact in June 2004, by MSI as the first financial organization, will keep conducting corporate activities that respect the 10 Principles regarding human rights, labor, the environment, and anti-corruption.



Principles for Sustainable Insurance

MSI signed the "Principles for Sustainable Insurance" published in June 2012 by the United Nations Environment Programme Finance Initiative (UNEP FI). These principles require insurance companies to consider the issues of its business activities related to the environment, society, and governance in order to fulfill their role in the sustainable development of the earth.

Principles for Financial Action towards a Sustainable Society

MSI, ADI, MSI Aioi Life, and InterRisk Research Institute & Consulting have signed the "Principles for Financial Action towards a Sustainable Society (Principles for Financial Action for the 21st Century)," which was published in October 2011 to provide behavioral guidelines for financial institutions desiring to play their required roles and maintain their responsibility to build a sustainable society.

Principles for Responsible Institutional Investors <<Japan's Stewardship Code>>

In May 2014, MSI and ADI assented to the main idea of Japan's Stewardship Code from the perspective of fulfilling corporate social responsibility and announced their support.

External Evaluation

Socially Responsible Investment (SRI) is a method of investing that assesses the company not only through profitability but from a viewpoint of corporate social responsibility (CSR), and this practice is spreading. The MS&AD Insurance Group is utilizing the assessment provided by major SRI evaluation organizations to improve its approaches. As of July 2014, the MS&AD Insurance Group is included in the following components of the SRI Index.

- FTSE4Good Index Series
- Ethibel EXCELLENCE Investment Register
- Morningstar Socially Responsible Investment Index (MS-SRI)
- ECPI® Indices



Key Performance Indicators (KPIs) to Promote Our CSR Initiatives

The MS&AD Insurance Group introduced “KPIs for the promotion of CSR initiatives at the MS&AD Insurance Group” in three Group companies, including MS&AD Holdings, MSI, and ADI, in fiscal 2012. After fiscal 2013, the KPI was introduced at the three companies Mitsui Direct General, MSI Aioi Life, and MSI Primary Life, for the aim to further our initiatives effectively in line with the PDCA cycle.

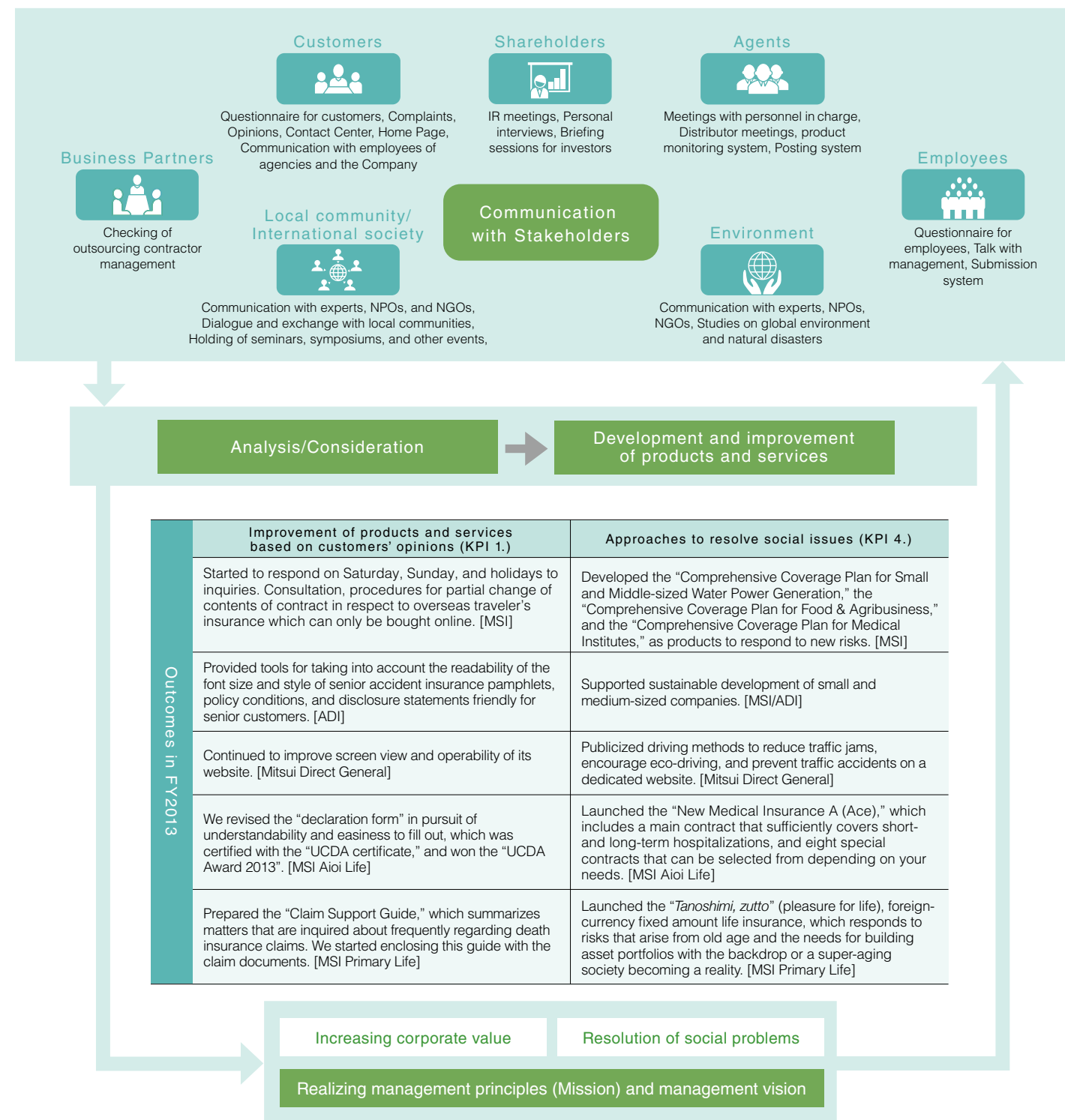
Issues	Index	FY2012	FY2013		FY2014	Covered Companies		
		Performance	Target	Performance	Group Target			
Priority Issues	Pillar I Earning trust through the improvement of quality of products and services	(1) Improvements of products/services initiated by customers' opinions	—	Continue the approaches	Further details on right	Continue the approaches	Domestic Group insurance companies	
		(2) Customer satisfaction for overall response to accidents. (questionnaire results)	Ratio of customers satisfied with accident response for automobile insurance	89.3%	90.0%	89.4%	Over 90.0%	MSI, ADI
			Ratio of customers satisfied with accident response for fire, personal accident, and casualty insurance	89.9%	90.0%	90.5%	Over 90.5%	
		(3) Ratio of customer recommendations for company/agents (questionnaire results)	Ratio of customers who are willing to recommend either MSI or ADI to their friends and acquaintances	88.7%	90.0%	87.0%	90.0%	
	Ratio of customers wishing to recommend any agents to their friends and acquaintances		87.6%	90.0%	87.0%	90.0%		
	Pillar II Contribution to solving social issues through improving quality of products and services	(4) Disclosing new issues/risks confronting our society as a result of studies, and developing and improving our products to address these new issues/risks	—	Continue the approaches	Further details on right	Continue the approaches	MS&AD Holdings, domestic group insurance companies	
		(5) Electricity consumption	Electricity consumption of all domestic locations	164,521MWh	163,698MWh (-0.5%)	163,505MWh (-0.6%)		163,249MWh (-0.2%)
		(6) Paper consumption	Paper consumption of all domestic locations (Copy paper, prints, machine tabulation)	14,431t	16,004t (+10.9%)	15,947t (+10.5%)		13,560t (-15.0%)
(7) Gasoline consumption		Gasoline consumption of all domestic locations (From FY2013)	—	7,264KL (-2.4%)	7,126KL (-4.1%)	7,612KL (+6.8%)		
Diversity, Employee Satisfaction, Social Contribution Activities	(8) Web policy selection rate ^(*)	The ratio of contracts which selected the Web policy	51.7%	65.0%	61.9%	70.0%	MSI, ADI	
	(9) Number of female managers (section manager or above)	Number of female employees above section manager	231		296		MS&AD Holdings, domestic group insurance companies	
	(10) Employee satisfaction (questionnaire results), "Pride, Job satisfaction"	Ratio of employees feeling pride or job satisfaction (all-employee average on a 6-point scale)	4.3 points		4.3 points			
	(11) Employee satisfaction (questionnaire results), "Working vigorously"	Ratio of employees, regardless of sex and age, feeling free and lively at workplaces (all-employee average on a 6-point scale)	4.1 points	Equal to or greater than the previous year	4.0 points	Equal to or greater than the previous year		
	(12) Number of employees practicing social contribution activities ^(*)		16,142		24,914			
(13) Of the above, the number of employees participating in waterside biodiversity conservation activities.		5,697		11,168				

*1 Former brochure-type covenants are replaced with "Environment-friendly covenants" which are available on the Company website (P. 30).

*2 Number of employees participating in or contributing to volunteer activities at work or in private.

Develop and Improve Products and Services from Stakeholders' Perspective

The mission of the MS&AD Insurance Group is to provide the best solution to social anxiety and risks, reflecting its basic focus on the public nature of the insurance and financial services business. Our aim is to deliver to people security and safety, and supporting the enrichment of their lives. We will achieve this through activities such as publicizing the results of research and studies on new social issues and risks, and developing and improving our products, while always listening to the opinions of our customers and other stakeholders, and taking into account the various changing circumstances of our environment.



Pillar of CSR Initiatives I Improvement of Quality of Products and Services

The whole Group strives to improve the quality of products and services at all times, and promotes better business practices based on feedback from stakeholders, thereby winning trust from society and customers and generating growth.

Quality Improvement in Response to Stakeholder Views

Schemes for Receiving Feedback from Customers

The MS&AD Insurance Group has constructed various schemes to take in stakeholder opinions and reflect them in discussions on the management level to improve work processes and the quality of products and services.

Customer Questionnaires

To proactively understand the expectations and needs of our customers and improve quality, MSI and ADI ask their customers about the degree of satisfaction with the services at the time of contract, the advisability of the products and services to others, and the degree of satisfaction with accident responses through the questionnaire. As a result, they designate key performance indicators (KPIs*) and are working on efforts to gain trust through the improvement of the quality of their products and services.

*KPI: (P. 28)

Customer Feedback Structure

Domestic Group insurance companies formulated their response policies in accordance with the "MS&AD Insurance Group Basic Policy for Responding to Customer Communications" and sincerely carry out responses to customer opinions, which include complaints, and are considering measures for improvement. MS&AD Holdings on a quarterly basis confirms the status of accepting complaints at each company, checks whether systems regarding responses to customer communications are properly managed, and reports it to the Management Committee. In addition, MSI, ADI, MSI Aioi Life, and MSI Primary Life operate a complaint handling management system in accordance with the international standard "ISO10002" (Quality Management - Customer Satisfaction - guidelines for complaints handling in organizations).

Schemes for Receiving Feedback from External Experts

At MSI, ADI, and MSI Aioi Life, an ad-hoc unit that engages in the quality improvement of business practices conducts periodical exchange of ideas with external professionals to secure advice for providing satisfactory products and services to customers. Those expert opinions are reported to management and utilized in quality improvement.

Schemes for Receiving Feedback from Agents

MSI, ADI, and MSI Aioi Life utilize the opinions of agents for the development and revision of easily understandable products from the customer's perspective. By valuing communication with agents, it has established schemes like the Product Monitor Program/Proposal Box and Agent voice system to listen to opinions.

Schemes for Receiving Feedback from Employees

The MS&AD Insurance Group has adopted a system to collect employees' opinions for business improvement. Their opinions are considered at each division at the headquarters, and the feedback of results is provided through such means as bulletin board disclosure. Long-term issues are also monitored and considered by an ad-hoc unit.

They also have a system where corporate executives exchange views directly with the employees in order to utilize the views of employees.

Improve the Simplicity and Convenience for Customers

The MS&AD Insurance Group is developing business processes utilizing the Internet and PCs to make products and services simpler and more convenient for customers. We also have systems to provide information about insurance products and services to a wide range of customers regardless of age and ability.

Provision of Understandable Explanatory Documents to Improve Convenience

MSI and ADI adopted fonts that are easy to read and identify in pamphlets and disclosure statements for explaining to customers about important areas in their documentation from October 1, 2013, with plain terms and figures. In response to customer opinions, we started to streamline our disclosure statements for fire insurance in July 2014.

In addition to efforts for boosting readability and understandability of documents that are sent to customers, we have also introduced the "eco insurance certificate" and the "insurance clause on the web," which are available for browsing anywhere with a PC and other devices. This would also eliminate the concern about misplacing the information and makes the letter enlargement and data retrieval functions available.

Our Declaration Form Won UCDA Award 2013

MSI Aioi Life has introduced a life insurance declaration form designed with the aim of enabling customers to properly and completely declare their health condition. In the "Category of Life Insurance Declaration Form of UCDA Award 2013" hosted by the Universal Communication Design Association (UCDA), this declaration form won the top prize "UCDA Award 2013" (a prize for design that easily communicates information).

Quality Improvement of the Contact Centers

At the Contact Centers of the Group insurance companies, synergies are being created by joint activities to raise the quality of dealings with customers and the joint use of the telephone system infrastructure.

Contact Center Strategy Meeting and Quality Improvement Committee

The MS&AD Insurance Group holds the Group Contact Center Strategy Meetings and the Group Contact Center Quality Improvement Committee on a regular basis, which is composed of Contact Center representatives. Besides the sharing of information, the meetings are held for the purpose of making the work of Contact Centers more efficient and improving their service quality. In ratings by HDI (Help Desk Institute), the world's largest membership association for the service and support industry, ADI received three stars, which is the highest score for inquiry counters, and MSI and ADI also received three stars for their support portal site.

Sharing Telephone System Infrastructure

The Contact Centers of MSI, ADI, Mitsui Direct General, MSI Aioi Life, and MSI Primary Life now share a single telephone system. This telephone system infrastructure is placed in two locations, one in Chiba Prefecture and the other in Hyogo Prefecture, so that either one can take the place of the other in times of system failure at one location caused by natural disasters or mechanical glitches. This integration of telephone system infrastructure has resulted in a synergistic effect, such as the reduction of system maintenance costs.

Improvement of Agent Work Quality

We strive to maintain and improve quality through ongoing dialogue with agents. We also aspire to grow with agents while supporting the work quality of agents and delivering high-quality products and services to customers of all types.

Support for Improvement of Agent Work Skills

The headquarters' department in charge of agent education provides education programs for agents to gain knowledge about topics, such as compliance, products, office work/systems, and sales skills. In addition, business procedures, employee behavior, and awareness reviews on the basis of customers' opinions (complaints and compliments) and examples of suggested improvements were incorporated into agent workshop sessions.

MSI Primary Life developed and provides a new training program for agents, "Financial Knowledge Academy," making it possible to systematically learn about fundamental financial knowledge (life planning, taxation, pensions, and inheritance) with a focus on practical knowledge.



Primary SUCCESS Training Center class in session

Agent Quality Certification System

MSI thoroughly makes agents execute a series of operations related to the solicitation of insurance called the "Fundamental Insurance Cycle" at agents. Furthermore, it established an agent quality recognition system (Q mark system) based on the quality index related to the "Fundamental Insurance Cycle" and knowledge about insurance products, damage support, and other information in an effort to boost quality.

To improve the quality of agent and canvasser operations, ADI clarified the quality standards and action guidelines, which agents and canvassers need to meet for each operational process. They are now promoting the customer-oriented reform effort "Project Advance."

Management Assistance of Agents

More specialization and objectivity as well as a medium- to long-term perspective are required to provide a high level of support for agent management. Therefore, MSI established a career agent management support office in the sales promotion department. There are about 90 specialist staff who support agent management, and they encourage agent to sustain growth and accomplish their goals through periodical meetings (once a month).

By setting up a "Professional Support Center" in the retail sales development department in April 2014, ADI provided various support and education activities by special staff to professional agents. ADI strives to expand the business foundation of the professional agents and improve their quality by supporting agents individually to help with management, clerical work, and IT utilization, as well as practical training for insurance solicitors with respect to knowledge of insurance products, peripheral knowledge, sales methods, and other information.

Pillar of CSR Initiatives II For a Sustainable Global Environment

Environmental Basic Policy

The MS&AD Insurance Group has prepared its “MS&AD Insurance Group Environmental Basic Policy,” and all employees are taking initiatives to address global environmental issues by preventing global warming, protecting biodiversity, and conserving resources.

MS&AD Insurance Group Environmental Basic Policy

Basic Policy

The MS&AD Insurance Group will continue to make efforts to preserve and improve the global environment through business activities in line with the Group Mission Statement, “Through our insurance and financial services businesses bringing security and safety to people and businesses around the world and making a lasting contribution to the enrichment of society.” The Group will also promote stable and sustainable activities based on its action policy summarized below.

Action Plans

- (1) Contribute to global environmental protection through our insurance and financial services businesses
- (2) Reduce the environmental burden incurred in conjunction with our business activities and conserve biodiversity
- (3) Improve our environmental management system (EMS)
- (4) Coexistence with society through environmental awareness activities

April 1, 2010

Supporting Climate Change Response

We will mitigate climate change, and as a business that provides risk solutions, we will support mitigation measures by assessing and controlling risks caused by climate change impacts.

■ Pacific Disaster Risk Financing Pilot Program

Since 2013, MSI has been participating in the “Pacific Disaster Risk Financing Pilot Program,” which was cofounded by the Japanese government and the World Bank.

This program is designed to finance quick reconstruction funds to the vulnerable Pacific Island countries when they are afflicted by natural disasters. As the frequency of large-scale disasters is increasing, through this program, we aid the natural disaster activities in the Pacific area, and we fulfill our social responsibilities in the area.

■ Risk Management Consulting Services

At InterRisk Research Institute & Consulting, we utilize our high and leading level of expertise on the environment to provide risk solutions such as analyzing environmental risks that cause damage to corporations, consulting on risk prevention and mitigation, establishing environmental management systems, and providing a variety of survey research.

■ Weather Derivatives

MSI sells weather derivative products which help hedge or mitigate losses caused by unfavorable weather, and the U.S. subsidiary MSI GuaranteedWeather also provides weather risk hedging instruments. This company has been awarded the “Best Dealer, Asia” award four times by the U.K. monthly magazine “*Environmental Finance*” in the area of weather derivatives.

■ Supporting New Businesses that Lead to Climate Change Mitigation

In line with the start of the “feed-in tariff” system established in July 2012, MSI released the “Comprehensive Coverage Plan for Mega Solar” for mega-solar power producers in June 2012, and the “Comprehensive Coverage Plan for Small and Medium-sized Water Power Generation” for small and medium-sized producers of hydropower in July 2013. These plans respond to the need for risk coverage, and we support the spread of renewable energy by providing insurance products.

■ Environmentally Friendly Automobile Insurance

MSI and ADI have obtained the Eco-Mark certification through the promotion of Eco-insurance certificates and web policy clauses, and provision of information for safe driving and approaches to reduce environmental burden, such as encouraging the use of recycled automobile parts. In addition, to encourage the spread of automobiles making a higher environmental contribution, MSI, ADI, and Mitsui Direct General offer insurance discounts for environment-friendly automobiles, such as hybrid vehicles, electric vehicles, and CNG (Compressed Natural Gas) vehicles. At ADI, to encourage the spread of environment-friendly automobiles and to spread driver awareness, products and discounts are provided, such as the car insurance “Dohn! to Omakase” and the “PAYD” automobile insurance that is linked to driving distance.

The Use of Sustainable Resources

■ Eco-insurance Certificates and Web Policy Clauses

As a part of their environmental protection activities, MSI and ADI have introduced, in lieu of documented insurance certificates (or continuing insurance certificates) and “policy leaflets,” “Eco-insurance certificates” and “Web policy clauses” that can be referred to on their websites. Through these efforts, we are driving forward the reduction of paper use. To the extent that our customers agree with this idea, we support environmental protection with our donations.

At ADI, customers who selected the “Eco-insurance certificate” and the “Web policy clause” can receive extra “Bell Mark points.” Through these activities, we are proactively involved in social contribution activities.



Supporting the Sustainable Use of Ecosystem Services

Blessings of nature provided by biodiversity (ecosystem services) is the basis of our lives and economic activities. A business model in consideration of biodiversity supports the sustainability of the entire society, which includes companies.

■ Biodiversity Conservation Consulting Services

InterRisk Research Institute & Consulting makes proposals ranging from corporate use of green space land use at such locations as business establishments and factories to proposals on biodiversity risk assessments and business opportunities across the entire business value chain. In this area, where new environmental management issues are involved, we provide services to many top global corporations with our leading-edge solutions and abundant expertise.

■ Japan Business Initiative for Biodiversity

As the chair company, MSI has supported the activities of the Japan Business Initiative for Conservation and Sustainable Use of Biodiversity (JBIB) since its establishment (April 2008). The activities of JBIB were referred to in the “National Biodiversity Strategy of Japan 2012-2020” and is highly regarded as one of the bodies with which the government should pursue further collaboration and cooperation.



■ Supporting the Creation of a Biodiversity-Friendly Local Communities

Indonesia

MSI has promoted the Indonesia tropical rain forest recovery project. Since 2005, in cooperation with the Department of Forestry of Indonesia, we have planted approximately 300,000 trees to restore and rehabilitate wildlife sanctuaries, which deteriorated due to illegal logging by local residents during the economic crisis around 1997. To prevent the residents from illegally cutting down trees again, agricultural technical guidance for financial independence and environmental education for teachers of elementary schools were implemented. In this way, we aim at creating a sustainable local community capable of restoring forests. In FY2014, Indonesian parliament members visited and inspected the forest and highly praised the project, saying it could be a model of reforestation in other regions.

Philippines

In the Philippines, Aioi Nissay Dowa Insurance makes donations, based on the number of “Eco insurance certificates” and “Web policy clauses” that are selected, to “more trees” (a general incorporated association), which engages in reforestation activities in Quirino Province, located in the northern part of the island of Luzon in the Philippines. It is said that about 45% of the biological species of the Philippines can be found in this area. To help preserve these species, “more trees” focuses on planting trees that are indigenous to the region and, subsequently, promotes the proper management of these forests, and thus contributes to the preservation of biodiversity. Since fruit species are also grown in this area, this creates opportunities for cash income from the sale of harvested fruit.



Education program



Harvesting work during training of agricultural techniques

Pillar of CSR Initiatives II Contributing to Creating a Safe and Secure Society

Supporting Preparation for Large-Scale Disasters

Spreading Earthquake Insurance

After the Great East Japan Earthquake, we received many opinions (“it was really good to have joined earthquake insurance”) from disaster victims at the time of payment of insurance. MSI and ADI rediscovered the importance of customers understanding the necessity and the contents of earthquake insurance correctly. We are advancing activities to spread earthquake insurance to many people.

Support for Implementing Corporate Earthquake Countermeasures and Business Continuity Plans (BCPs)

The MS&AD Insurance Group is actively engaged in advisory services for mitigating earthquake and tsunami damage, and formulating Business Continuity Plans (BCPs). Operational drills with disaster scenarios are also supported in an effort to “contribute to the creation of a flexible and robust society from the prevention and mitigation of disasters to business continuity.” In 2013, a new tool to support the formulation of corporate BCPs was released. We were also involved in the formulation of the BCP formulation support tool, the “Miyagi Corporate BCP Formulation Guideline” for Miyagi Prefecture.

In recognition of our knowledge and experience related to Business Continuity Management (BCM) and our activities spreading public awareness that we have conducted so far, an employee of InterRisk Research Institute & Consulting won the “BCI Asia Award*” as the first Japanese individual to receive this award. We will keep on providing valid and useful information on how to cope with the pressing issues of BCP measures.

* An award hosted by an international NPO “BCI (The Business Continuity Institute)” which spreads and raises BCM awareness



Support for Sustainable Development of Small and Medium-Sized Companies

For many companies, overseas expansion is a critical business strategy issue. For example, shrinking domestic markets are triggering expansions into overseas markets, and increasing overseas operations is requiring special measures as a supplier, requiring diversifying risk factors such as considering natural disasters when locating production sites. The MS&AD Insurance Group provides products and services in preparation for various risks arising from expanding operations overseas.

Supporting Small and Medium-Sized Companies to Expand Overseas Operations

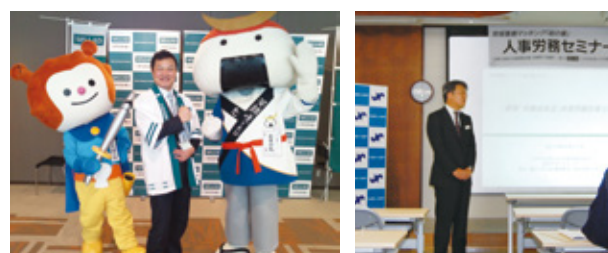
As a company that provides small and medium-sized companies a high level of expertise based on the June 2013 “Act on Support for Strengthening Management Functions for SMEs,” MSI was the first insurance company to be certified as a “supporting organization for management innovation.” MSI holds a “seminar on overseas expansion” and a “seminar for advancing into Asian emerging economies” on a regular basis in collaboration with financial institutes, local governments, and other entities, in order to support small and medium-sized companies to expand overseas operations.

In addition, we provide appropriate advice regarding local risk management and general matters about insurance using our overseas network, which includes 39 countries. This is done through the “SMEs’ Overseas Development Fastpass” system, for which we were certified as a supporting organization by Japan’s Ministry of Economy, Trade, and Industry.

Support for the Reconstruction after the Great East Japan Earthquake

Toward a quick recovery of the disaster-afflicted areas, the MS&AD Insurance Group has conducted activities, such as quick payments of earthquake insurance claims, donation of relief money, and volunteer activities.

As the stage shifts from recovery to reconstruction, MSI has worked on various support activities in collaboration with local governments. Specifically, we participate in the “Regional Recovery Matching Yui-no-Ba Activities,” which is sponsored by the Recovery Agency as a partner company, and we support the spread of corporate BCPs as well as the market and overseas expansion of companies.



Initiatives to Reduce Traffic Accidents

Providing an Application for Accident Prevention and Disaster Preparation

MSI and ADI provide free applications for smartphones.

MSI offers “SumaHo,” which can be used to check and change customers’ policies and provides “Emergency Navigation” that is useful at the time of an accident or a breakdown and the “Driving Capability diagnosis” that provides advice based on the analysis and diagnosis of your driving abilities.

ADI offers “Sapo NAVI,” which has a driving diagnostic function that analyzes and diagnoses individual driving abilities and provides advice. It also has a function that notifies points on the route to the destination where accidents frequently occur.



SumaHo

Sapo NAVI

MUJICOLOGY! Project

Mitsui Direct General invited Professor Katsuhiko Nishinari, of the University of Tokyo Research Center for Advanced Science and Technology to be the president of the “MUJICOLOGY! Laboratory” center for disseminating information. It is a part of the “MUJICOLOGY! Project,” a campaign aiming to achieve an automotive society without accidents. In addition, lecture videos on “jamology” were released, and a symposium was also held.



Original characters “Mujicoro” and “Mujicorin”

Support for a Safe and Secure Bicycle Lifestyle

With the recent increase in serious accidents caused by bicycles and the court decision that called for heavy reparations, there is a growing social need for insurance policies. In response to this, MSI has released the “Insurance for bicycles,” which can be filled out online. In addition, MSI made booklets and a website that compiles the safety rules and driving manners that cyclists should observe, to provide safety and security to our customers.

ADI has continued to conduct the “Awareness campaign for preventing bicycle accidents” together with the Tokyo metropolitan government, police offices, and other autonomous bodies since 2011. In FY2013, where there are a lot of bicycle users in the Tokyo metropolitan area, such as in front of train stations, we handed out leaflets on safety rules and examples of accidents related to bicycles, appealing for the importance of safe bicycle riding.

Supporting a Healthy and Enriched Life

MSI and ADI believe their mission in society is to offer insurance products that respond to the needs of their customers while also engaging in many activities that provide support to enable many people to enjoy healthy and enriched lifestyles.

Providing Medical Information and Awareness-Spreading Activities

In addition to providing excellent primary insurance contracts that allow short-to-long term hospitalization, MSI Aioi Life released the “New Medical Insurance A (Ace)” in 2013, which allows the selection of special contracts based on customer needs, such as lump-sum insurance payments for cancer or one of the other three main diseases, or insurance for doctor visits needed for cancer treatments. In addition, it is a part of our social mission to inform people about healthcare, which is evolving every day. To achieve this, we are proactive in hosting seminars on leading medical practices, distributing booklets, and disseminating information through our website.

In addition, MSI Aioi Life promotes the “Cerebral Stroke Project” to increase the awareness of cerebral stroke prevention in collaboration with the Japan Stroke Association.

Provision of Insurance Corresponding to the Super-Aged Society

In Japan, one in three people are expected to be elderly by 2035. In order to meet the needs of preparing for retirement funds and asset building with the arrival of a super-aged society, MSI Primary Life serialized the foreign-currency-denominated fixed whole-life insurance “Shiawase Zutto,” and sells “Tanoshimi Zutto.” It meets the needs of wanting to use an increased amount for yourself while still leaving a legacy behind for your family.



Respect for Human Rights and Growth of Employees

Based on its Management Vision of “creating the world’s leading insurance and finance group,” the development of human assets* is an important issue for the growth of the MS&AD Insurance Group. Under the MS&AD Insurance Group’s “Next Challenge 2017” medium-term management plan, one of the growth drivers under the Group’s basic corporate strategy is “creating and instilling a corporate culture that encourages human resources to undertake new challenges as professionals.” The objective of this is to expand the corporate value of the Group as a whole.

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

Development of Human Assets

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

* OJT: On-the-job training

Education and Training

Domestic Group insurance companies offer various opportunities for self-education, including training sessions and external correspondence courses, to assist employees with their self-directed learning and development. In fiscal 2014, we held a one-day group training session for all new employees of the 10 Group companies in an effort to foster a sense of unity among Group employees.

Developing Global Human Assets

At MSI and ADI, to develop human assets that can support the global expansion of our business, we have overseas and external dispatching training programs. In addition, to expand the foundation of human assets like these, we also conduct group training.

Furthermore, MSI has the Global Trainee System where Japanese employees can gain work experience at overseas bases and local employees of overseas bases can gain work experience in Japan.

Training the Next Generation of Leaders

With the aim of nurturing the next generation of leaders who will have a sense and skills for management and for working in a global corporation, Mitsui Sumitomo Kaijo and Aioi Nissei Dowa Casualty Insurance training programs are provided to help the next generation learn about management and prepare specific management proposals (through the MSI Management School and ADI Management School). In addition, Mitsui Sumitomo Kaijo conducts programs (the Global Leader Training Program) for training employees who will take responsibility for overseas offices to provide them with management knowledge and skills and help them to acquire leadership qualities.

Employee Satisfaction

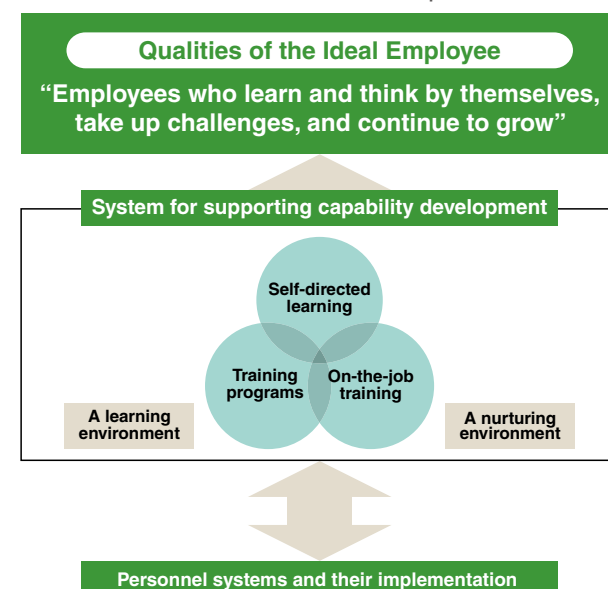
In the MS&AD Insurance Group, an opinion poll is conducted every year for all employees in the Group. Questions are prepared from the standpoint of “approaches to practicing the Group Mission, Vision, and Values,” “a sense of unity as a group,” and “a lively working environment” to observe the opinions of the Group’s employees.

As the concept of the Group’s Mission, Vision and Values becomes more known among employees every year, it is confirmed that a sense of unity as a group is enhanced and employees’ motivation for work and growth is being actualized.

KPI to promote our CSR approaches on “Employee satisfaction”

Index	Fiscal 2012 Performance	Fiscal 2013	
		Target	Performance
(10) Employee satisfaction (questionnaire results), “Pride, Job satisfaction”	4.3 points	Equal to or greater than the previous year	4.3 points
(11) Employee satisfaction (questionnaire results), “Working vigorously”	4.1 points	Equal to or greater than the previous year	4.0 points

Outline of the Human Asset Development Structure



Promotion of Diversity

In order to promote the Group management consciousness about global environmental changes, it is important to combine the abilities of individual employees with diverse values. The MS&AD Insurance Group gives all ambitious employees the opportunity to grow and demonstrate their talents through their work.

Promoting the Role of Females

The MS&AD Insurance Group considers it important for female employees to expand their roles beyond traditional boundaries for the sustained growth of companies. In 2011, we instituted the joint declaration for promoting the role of female employees and are supporting them to build their careers.

Training for female leaders for the next generation

Following fiscal 2012, the “seminar for women” was held, targeting about 100 female employees, who have been candidates for female leaders for the next generation in domestic Group insurance companies. By providing opportunities to understand the expanding women’s roles, we support the career development of our female staff who challenge themselves.

Share of management positions occupied by women (as of April 1 each fiscal year, figures in parentheses indicate number of persons)

	Fiscal 2011	Fiscal 2012	Fiscal 2013
MSI	1.6% (69)	2.1% (90)	2.9% (120)
ADI	3.5% (123)	4.0% (141)	4.4% (159)
Mitsui Direct General	0% (0)	1.8% (1)	1.8% (1)
MSI Aioi Life	1.3% (3)	1.2% (3)	2.1% (6)
MSI Primary Life	6.0% (10)	6.4% (10)	6.7% (10)

Support for Diverse work styles

MSI and ADI have developed personnel systems for regional employees/regional-type employees* that keep them from losing hope concerning work because of certain events in their lives (such as marriage, childbirth, caring for seniors, and transfer of their working spouse to another area). These systems allow employees to apply to change the location of their work, request reemployment beyond the regular retirement age, and other options in the employment rules.

As a result of these systems, the Group supports the work and life balance of employees and thereby prevents the outflow of top-quality personnel.

*Regional employees/regional-type employees: Employees who do not want to move to other locations when their job content changes.

Employment of People with Disabilities

The MS&AD Insurance Group companies continue to engage in hiring activities to expand and anchor places of employment for the disabled. They are also conditioning workplaces and developing duties to facilitate work by people with disabilities. At the end of fiscal 2013, all domestic Group companies fulfilled the minimum employment rate (2.00%) required by law.

Employment for the Elderly

The MS&AD Insurance Group has a rehiring program for employees who have reached retirement age. The program allows employees to continue exercising their talents by applying their experience and skills. Several work options are offered by job types, number of working days, and work hours so that a variety of working patterns are available to choose from.

Achievement of Work-Life Balance

The MS&AD Insurance Group values the diverse outlooks and values of employees, so we are enhancing the work environment and support measures so employees can work energetically and experience job satisfaction and growth, while striking a good balance between work and life.

Support of Employees Raising Children

The MS&AD Insurance Group provides various supporting systems for employees raising children. To make it easier for female employees who are going to give birth to take childcare leave, MSI, Mitsui Direct General, MSI Aioi Life, and MSI Primary Life have implemented a system where substitutes are assigned. In addition, MSI and ADI also hold seminars that assist the smooth return to work for employees after they have taken childcare leave.

We also prepare shorter working hours and flextime systems better than required by law for employees who have returned to work. Furthermore, from April 2013, we have expanded the scope of eligible users of the in-house day-care center at ADI, allowing employees of the four companies ADI, MSI, MSI Aioi Life, and Mitsui Direct General to use it.

Elderly Care Support

We have in place a system which supports employees to continue work while caring for a family member.

MSI and MSI Aioi Life provide leave for nursing relatives and temporary retirement for nursing activities. In addition to leave for nursing and temporary retirement for nursing activities, ADI has provisions for shorter hours for such employees and also has a provision to rehire employees who retired for nursing reasons.

Actual use of child-support program, care support program in fiscal 2013 (figure for fiscal 2012 in parentheses)

	Temporary Leave for Childcare	Childcare, Nursing Provisions for Shorter Hours, etc.	Temporary Leave for Nursing
MSI	244 (239)	185 (153)	4 (5)
ADI	267 (206)	309 (242)	8 (8)
MSI Aioi Life	25 (19)	27 (14)	2 (1)

Social Contribution Activities by Employees

Each one of our employees conducts a range of activities domestically and internationally, while they think about what can be done and what kind of activities would be useful to their lives, to the areas where they operate their business, and to society.

Group Disaster Relief

The MS&AD Insurance Group has the "Disaster Relief Matching Gift System" where the Group donates on top of the relief money donated by employees for disaster victims.

In fiscal 2013, with the Shimane and Yamaguchi prefecture heavy rain disaster in July, the Philippines Typhoon Haiyan in November, and seven other domestic and overseas disasters, a total of ¥37,250,000 of relief money was donated from 18,086 employees combined with the additional company donation.

MS&AD Unison Smile Club

At the MS&AD Insurance Group, employees who support an activity donate ¥100 apiece monthly from their salary to NPOs, to social contribution programs by branch departments, to host charity events, and to send knitted goods to children living in the mountain regions of Vietnam. The number of participants in the whole Group was about 17,886 as of the end of March 2014.



Let's present knitted goods to children around the world project

Community Contribution Activities around the Country

At each company of the MS&AD Insurance Group, community contribution activities are conducted that meet the local needs at each site around the country. At overseas local subsidiaries, we also actively conduct environmental protection and philanthropic activities.



MSI
Cleaning activities and biodiversity learning and surveying at the Hyogo Prefecture Koshien Seaside Park



ADI
Traffic safety awareness activity in front of Shibuya Station in Tokyo



MSI Aioi Life
Flowerbed and green space cultivation activities at the Zoorasia Yokohama Zoological Gardens



The CSR working group of Mitsui Sumitomo Insurance (London Management) Ltd., the U.K. local subsidiary for MSI

Approaches for Preserving Biodiversity

People's lives and economic activities are made possible by the gifts of nature (the services of our habitats), and these gifts are bestowed on us by biodiversity. Our business model, which gives consideration to biodiversity, supports the sustainability of society as a whole, including business enterprises.

"MS&AD Ramsar Supporters"

As a part of biodiversity conservation activities of Ramsar Convention registered wetlands, we conduct volunteer activities by employees and their families and biological assessments at eight locations around the country. In addition, from January 2014, we have created an education program for spreading awareness to the next generation and began traveling lectures at elementary schools.



Traveling lecture



Biological assessments

Transmitting Information from "ECOM Surugadai"

The public environmental communication space "ECOM Surugadai" was opened in May 2012. This space has the role of transmitting information to the community about the surrounding green spaces and hosting events. In addition, with the theme of urban biodiversity for urban development, it conducts activities in cooperation with local governments and universities.



ECOM Surugadai

Corporate Governance

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Corporate Governance Structure

Basic Policies

MS&AD Holdings, as the Holding Company overseeing all Group companies, in line with its Management Philosophy, has established a transparent management framework that incorporates internal checking functions. The Company's objectives are to sustain consistent growth for the Group over the long term by using corporate resources efficiently and managing risks properly and, ultimately, to further increase corporate value.

Framework for Oversight

Management Structure

MS&AD Holdings, as a company whose operations are reviewed by Corporate Auditors, is working to improve corporate governance in large part by reinforcing the functions of the Board of Directors and Board of Auditors, and through the active disclosure of information.

Furthermore, MS&AD Holdings has introduced an executive officer system and is strengthening the control of MS&AD Holdings management by clarifying the roles of the Board of Directors, who are responsible for management decision making and oversight, and the Executive Officers, who are responsible for business execution.

Board of Directors

The Board of Directors discusses and makes decisions regarding important management items for the Group as a whole and is responsible for supervising the Directors and the Executive Officers in the conduct of their duties. The Board of Directors comprises 13 members (12 men and 1 woman), and its functions have been strengthened through the appointment of four outside directors. Please note that the four outside directors are independent and there are no concerns that the interests of these outside directors will be in conflict with the interest of shareholders in general. The names of these outside directors have been filed with financial instrument exchanges in Japan where the Company lists its securities.

Framework for Strengthening the Oversight Functions of the Board of Directors—Nomination Committee and Remuneration Committee

As internal committees of the Board of Directors, the Company has formed the Nomination Committee and Remuneration Committee with the aims of strengthening supervision and oversight of management and conducting management with a high degree of transparency. Please note that these two committees comprise five members each and that a majority of the members and a chairperson each have been appointed from among the Outside Directors.

1. Nomination Committee

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

2. Remuneration Committee

This committee advises the Board of Directors regarding the remuneration of Directors and Executive Officers of the Company as well as the remuneration systems for management of domestic insurance companies in which the Company has direct investments. For the Remuneration Committee to fully perform its functions, the Company's Outside Directors and/or Corporate Auditors who are members of its Remuneration Committee do not hold posts as Directors or Corporate Auditors concurrently in the companies (or corporations) to which they belong.

Audit Functions

Board of Auditors

The Board of Auditors comprises two full-time Corporate Auditors and three part-time Corporate Auditors (Outside Corporate Auditors), for a total of five members (all male). Each of the Corporate Auditors follows the policies and plans for auditing established by the Board of Auditors and attends the important meetings of the Board of Directors, reviews documents related to important decisions, audits internal departments, examines subsidiaries, and audits the conduct of duties by the Directors and internal control matters. In addition, as necessary, the Corporate Auditors may draw on the services of external advisers at the Company's expense. Please note that the three Outside Corporate Auditors are independent, and there are no concerns that the interests of these Outside Corporate Auditors will be in conflict with the interests of shareholders in general. The names of these Outside Corporate Auditors have been filed with financial instrument exchanges in Japan where the Company lists its securities.

External Audits

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

For information on internal audits, please refer to page 38.

Support Systems for Outside Directors and Outside Corporate Auditors

Support for the activities of the Outside Directors is provided by the Corporate Planning Department* and support for the Outside Corporate Auditors is supplied by the Corporate Auditor's Office.* Please note that the agenda for the Board of Directors' Meetings is explained to the Outside Directors and Outside Corporate Auditors in advance of the meetings by the Corporate Planning Department, which acts as the secretariat for the Board of Directors. In addition, information, such as important risk information, is reported on an ongoing basis to all Directors and Corporate Auditors, internal and external.

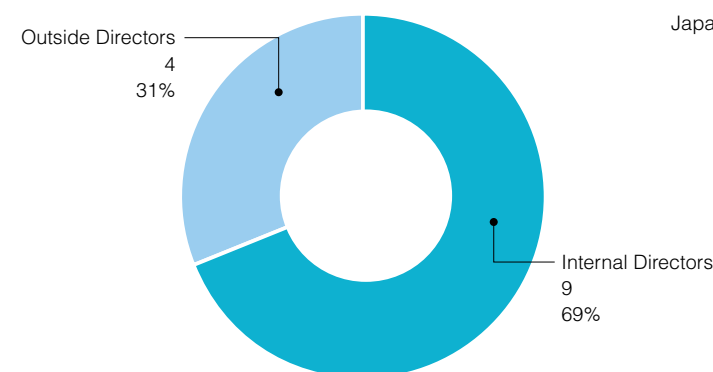
*Please see the organization chart on page 47 for the positioning of the Corporate Planning Department and Corporate Auditors' Office.

Status of Meetings of the Board of Directors and Attendance of Outside Directors

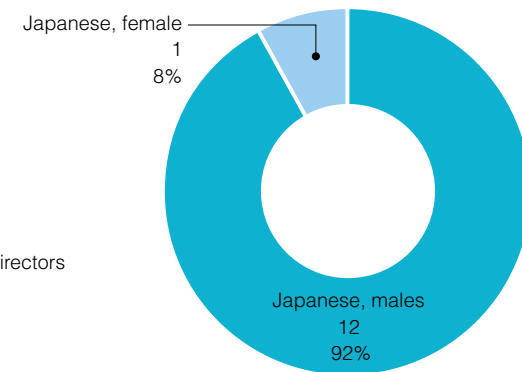


Composition of the Board of Directors

Number and Percentage of Outside Directors



Status of Diversity of the Board of Directors



Criteria for Independence of Outside Directors and Outside Corporate Auditors

The Company has appointed four Outside Directors and three Outside Corporate Auditors. Please note that there are no concerns that the interests of these Outside Directors and Outside Corporate Auditors of the various companies will be in conflict, in terms of human, capital, transactions, or other relationships, with the interests of shareholders in general. These Directors and Corporate Auditors are independent, and their names have been filed with the Tokyo Stock Exchange Co., Ltd., and Nagoya Stock Exchange Co., Ltd.

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

When selecting Outside Directors and Outside Corporate Auditors who are independent from the Company, the Company makes comprehensive judgments on persons who do not have the following attributes.

1. Persons executing operations (hereinafter "executing person") of the parent or sister companies of MS&AD Holdings
2. Parties for whom the Company is a principal business partner or persons with executive authority in such companies
3. Principal business partners of the Company or persons with executive authority in such companies
4. Consultants, accounting specialists, or legal professionals who received a significant amount of money or other property in remuneration from the Company, other than management compensation
5. Major shareholders of the Company (When major shareholders are corporations, executing persons in such companies)
6. Close relatives of persons falling in categories 1 to 5
7. Close relatives of the following types of persons: (a) Executing persons in the Company or its subsidiaries and (b) Non-executive directors and external auditors (in the case of Outside Corporate Auditors) of the Company or its subsidiaries
8. Persons who were until recently in categories 1 to 7

Directors and Corporate Auditors Remuneration

The total amount of remuneration by Directors/Corporate Auditors category and the number of recipients (in fiscal 2013)

Category	Number	Total Remuneration
Directors (excluding Outside Directors)	9	223,743,000
Corporate Auditors (excluding Outside Corporate Auditors)	3	51,600,000
Outside Directors/Corporate Auditors	7	73,200,000

Note: All remuneration is basic remuneration.

Unit: Yen

Policy for Determining the Amount of Directors and Corporate Auditors Remuneration and Method of Calculation

Remuneration for Directors is set within overall limits approved by the Shareholders' Meeting. Consideration is given to the function of remuneration as an incentive for improvement in performance, long-term contribution to corporate profits and corporate value, the level of compensation appropriate for competitiveness as a global corporation, and other factors. To ensure transparency, the Remuneration Committee, which is composed of a majority of Outside Directors, considers remuneration amounts, and the final decisions are made by the Board of Directors. Remuneration for Corporate Auditors is set within overall limits approved by the Shareholders' Meeting. Consideration is given to whether Corporate Auditors are full-time or part-time, their share of the auditing activities, and the content and level of remuneration of Directors. Decisions on remuneration levels are decided in discussions among the Corporate Auditors.

Please note that, as a result of decisions made by the Shareholders' Meeting, maximum total compensation for Directors (excluding any salaries for work performed by Directors concurrently in employee positions) is set at ¥500 million (including a total allocation of ¥60 million for Outside Directors). In addition, as a result of decisions made by the Shareholders' Meeting, maximum total compensation for Corporate Auditors is set at ¥110 million.

Appointment of Outside Directors and Outside Corporate Auditors and Related Matters

Outside Directors

Name	Date of Appointment	Reason for Appointment	Attendance at Board of Directors Meetings*
Akira Watanabe	April 2010	Appointed to reflect his knowledge and experience as a legal professional in the management of the Company	15 of 15 meetings
Daiken Tsunoda	April 2010	Appointed to reflect his knowledge and experience as a legal professional in the management of the Company	13 of 15 meetings
Tadashi Ogawa	June 2012	Appointed to reflect his broad knowledge in relation to fiscal and monetary affairs and experience as an executive, acquired through his career as the Administration Vice Minister in the Ministry of Finance and Director-Chairman of Japan Tobacco Inc., etc. in the management of the Company	15 of 15 meetings
Mari Matsunaga	June 2012	Appointed to reflect her broad knowledge and experience regarding society, culture, consumer lifestyles, and other areas acquired through her career as a chief editor of magazines and a planner/designer of new services at NTT DOCOMO in the management of the Company	15 of 15 meetings

*The number of Board of Directors' meetings attended during fiscal 2013.

Outside Corporate Auditors

Name	Date of Appointment	Reason for Appointment	Attendance at Board of Directors/Corporate Auditors Meetings*
Sousuke Yasuda	April 2008	Appointed to reflect his knowledge and experience gained in his present position of certified public accountant in the management of the Company	Board of Directors meetings: 14 of 15 Board of Auditors meetings: 11 of 12
Kuniaki Nomura	April 2010	Appointed to reflect his knowledge and experience gained in his present position as lawyer in the management of the Company	Board of Directors meetings: 14 of 15 Board of Auditors meetings: 11 of 12
Hiroyuki Tezuka	April 2010	Appointed to reflect his knowledge and experience gained in his present position as lawyer in the management of the Company	Board of Directors meetings: 12 of 15 Board of Auditors meetings: 11 of 12

*The number of Board of Directors' meetings and Board of Auditors' meetings attended during fiscal 2013.

Directors and Corporate Auditors

Directors (13 persons)

**Hisahito Suzuki**

Representative Director
Chairman of the Board
Born: September 15, 1950
Years as a Director 4
Number of Company shares owned 31,370
Important concurrent positions
Director & President,
Aioi Nissay Dowa Insurance Co., Ltd.

**Yasuyoshi Karasawa**

Representative Director
President & CEO
Born: October 27, 1950
Years as a Director 6
Number of Company shares owned 21,900
Important concurrent positions
President, CEO,
Mitsui Sumitomo Insurance Co., Ltd.

**Daiken Tsunoda**

Outside Director
Born: January 29, 1967
Years as a Director 4
Number of Company shares owned 0
Important concurrent positions
Attorney-at-Law, Nakamura, Tsunoda & Matsumoto

**Katsuaki Ikeda**

Corporate Auditor (Full time)
Born: September 8, 1951
Years as a Corporate Auditor 3
Number of Company shares owned 15,400

**Toshiaki Egashira**

Representative Director
Executive Officer
Born: November 30, 1948
Years as a Director 6
Number of Company shares owned 27,000
Important concurrent positions
Chairman of the Board,
Mitsui Sumitomo Insurance Co., Ltd.

**Mitsuhiro Tsuchiya**

Representative Director
Executive Officer
Born: June 1, 1955
Years as a Director 3
Number of Company shares owned 10,590
Important concurrent positions
Director, Vice President Executive Officer,
Aioi Nissay Dowa Insurance Co., Ltd.

**Tadashi Ogawa**

Outside Director
Born: February 26, 1940
Years as a Director 2
Number of Company shares owned 5,000

**Jiro Yoshino**

Corporate Auditor (Full time)
Born: August 24, 1954
Years as a Corporate Auditor 1
Number of Company shares owned 7,490

**Susumu Fujimoto**

Director
Vice President Executive Officer
Born: December 5, 1948
Years as a Director 6
Number of Company shares owned 25,900
Important concurrent positions
Vice President Executive Officer,
Mitsui Sumitomo Insurance Co., Ltd.

**Shiro Fujii**

Director
Senior Executive Officer
Born: September 29, 1956
Years as a Director Newly appointed
Number of Company shares owned 20,915

**Mari Matsunaga**

Outside Director
Born: November 13, 1954
Years as a Director 2
Number of Company shares owned 0
Important concurrent positions
Outside Director, Terumo Corporation

**Sousuke Yasuda**

Outside Corporate Auditor
Born: December 15, 1943
Years as a Corporate Auditor 6
Number of Company shares held 3,500
Important concurrent positions
Special Adviser, Gyosei & Co.
Representative Partner, GYOSEI Certified Public
Tax & Accountants Co.

**Yasuzo Kanasugi**

Director
Executive Officer
Born: May 29, 1956
Years as a Director Newly appointed
Number of Company shares held 14,408
Important concurrent positions
Director, Senior Managing Executive Officer,
Aioi Nissay Dowa Insurance Co., Ltd.

**Nanpei Yanagawa**

Director
Executive Officer
Born: March 21, 1956
Years as a Director 2
Number of Company shares owned 11,002
Important concurrent positions
Director, Senior Managing Executive Officer,
Aioi Nissay Dowa Insurance Co., Ltd.

**Kuniaki Nomura**

Outside Corporate Auditor
Born: June 13, 1945
Years as a Corporate Auditor 4
Number of Company shares owned 5,000
Important concurrent positions
Attorney-at-law, Nomura & Partners
Outside Director, Sumitomo Mitsui Financial Group, Director
Outside Corporate Auditor, Dai Nippon Printing Co., Ltd.

**Junichi Ui**

Director
Executive Officer
Born: May 20, 1952
Years as a Director Newly appointed
Number of Company shares owned 22,425
Important concurrent positions
Director, Vice President Executive Officer,
Mitsui Sumitomo Insurance Co., Ltd.

**Akira Watanabe**

Outside Director
Born: February 16, 1947
Years as a Director 4
Number of Company shares owned 800
Important concurrent positions
Attorney-at-Law, Seiwa Meitetsu Law Office
Director, Japan Pile Corporation
Outside Director, Dunlop Sports Co., Ltd.
Outside Director, Maeda Corporation
Outside Corporate Auditor, Fast Retailing Co., Ltd.
Outside Corporate Auditor, KADOKAWA CORPORATION

**Hiroyuki Tezuka**

Outside Corporate Auditor
Born: May 8, 1961
Years as a Corporate Auditor 4
Number of Company shares owned 0
Important concurrent positions
Attorney-at-Law, Nishimura & Asahi
Outside Corporate Auditor, Showa Denko K.K.

Group Management and Internal Control Systems

Systems for Execution of Management

MS&AD Holdings has introduced an executive officer system and is strengthening the control of its management by clarifying the roles of the Board of Directors, who are responsible for management decision making and oversight, and the Executive Officers, who are responsible for business execution. The number of Executive Officers is limited to 16.

Group Management Committee

The role of the Group Management Committee is to discuss management policies, management strategies, and other matters that are key issues to the Company and the Group companies. It also monitors specific business operations by receiving reports on approved matters under the rules for the Group Management Committee.

Internal Audits

The Company has established the “MS&AD Insurance Group Basic Policy for Internal Audits.” Under this basic policy, the Company and domestic Group insurance companies have formed the Internal Audit Department that acts as an independent body with auditing functions. The Company’s Internal Audit Department reports important matters that have been discovered as a result of internal audits of the Company and domestic Group insurance companies to the Board of Directors and the Group Management Committee. In addition, the Internal Audit Department cooperates with auditing conducted by the Corporate Auditors.

Group Management Supervision

To ensure appropriate Group management supervision, the Company has concluded management supervision contracts with the domestic Group insurance companies in which it has direct investments (Mitsui Sumitomo Insurance Co., Ltd., Aioi Nissay Dowa Insurance Co., Ltd., Mitsui Direct General Insurance Co., Ltd., Mitsui Sumitomo Aioi Life Insurance Co., Ltd., and Mitsui Sumitomo Primary Life Insurance Co., Ltd.) and eight affiliated companies in which it has direct investments (including InterRisk Research Institute & Consulting, Inc.).

Since the Company believes that having direct and quick access to information regarding the matters of the domestic Group insurance companies is important for smooth operation of the Group’s business activities, many of the Board members concurrently serve as directors of domestic Group insurance companies. Furthermore, depending on the topics, directors of domestic Group insurance companies participate in the Group Management Committee.

Task-Specific Committees

The task-specific committees have been established with the aim to deliberate on various key issues in management when executing operations as well as to coordinate perspectives across various departments. When necessary, the Director(s) and/or Executive Officer(s) in charge summarize the results of discussions in these committees and report them to the Board of Directors and/or the Group Management Committee. The task-specific committees are as follows.

Group Management and Monitoring Committee	Prior-monitoring: Basically two times a month Post-monitoring: Basically once a month	Upon receiving reports on matters related to the Board of Directors and the Management Committee of directly invested Group insurance companies, the committee meeting confirms matters that include whether the related matters have been approved and/or reported, ensures healthy finance of the Group companies, and ensures appropriate risk management and operations.
ERM Committee	Basically four times a year	The committee discusses and verifies issues relating to ERM, to realize “sustainable growth” and “improvement of profitability and capital efficiency” with a foundation of “soundness,” for increasing corporate value.
Risk and Compliance Committee	Basically four times a year	While monitoring the overall risk management and compliance matters of MS&AD, it also deliberates and coordinates the key issues.
Information Disclosure Committee	Basically four times a year	With the aim to appropriately disclose MS&AD Group’s corporate information, including the financial data, it examines operational procedures and evaluates the effectiveness of internal control.
Brand Committee	Basically two times a year	The committee deliberates, coordinates, and manages such issues as the policy and planning of Group brand strategy.
Group Systems Committee	Basically once a month	The committee deliberates, coordinates, and manages such issues as IT strategy, system risk management, and the large-scale system development of the Group companies.

Internal Controls

The Company has established its MS&AD Insurance Group Basic Policy Pertaining to the System for Internal Controls, and in addition to the systems required under Japan’s Company Law, the Company regards the “systems for ensuring the reliability of financial reporting” to be an important perspective in the context of enhancing related systems.

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

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

Based on the management agreements that it concludes with its directly invested subsidiaries, MS&AD Holdings requires them to comply with the Group Basic Policy as well as to seek approval from and report to MS&AD Holdings on any important matters related to any directly invested subsidiary. Additionally, the directly invested companies, in principle, manage their subsidiaries (subsidiaries in accordance with the Companies Act and the Insurance Business Act) accordingly, as agreed in the management agreements.

2. System to Assure the Effective Execution of Duties by Directors

To realize rapid decision making and appropriate monitoring, MS&AD Holdings has introduced an executive officer system, appoints outside directors, and sets the number of directors at 15 or less.

3. System to Assure that Execution of Business by the Board of Directors and Employees Complies with Applicable Laws and the Articles of Incorporation

(1) In accordance with the “MS&AD Insurance Group Basic Compliance Policy” set out by MS&AD Holdings’ Board of Directors, MS&AD Holdings and its Group companies make sure that each and every director and employee is aware of the importance of compliance, ensures compliance with all applicable legislation, internal regulations, and other rules, and maintains high ethical standards as part of all business activities. MS&AD Holdings and its Group companies also put in place systems to eliminate the influence of anti-social forces, and thoroughly instruct all directors and employees to take a resolute stance against such forces and never comply with any inappropriate or unjust demands.

(2) To promote and ensure complete compliance in MS&AD Holdings and the Group companies, MS&AD Holdings maintains organizations and structures, such as the Compliance Department, and reports regularly on the overall compliance promotion status of the Group to the Board of Directors. To monitor the status of compliance promotion, MS&AD Holdings has a Risk and Compliance Committee and takes necessary measures on issues identified by the Committee.

Moreover, MS&AD Holdings and the Group companies have an internal reporting system so that all employees may directly report to in-house contacts or outside lawyers on actions by organizations or individuals that are illegal, unjust, or unethical.

4. Provisions for Managing Risk of Loss and Other Systems (Comprehensive Risk Management System)

(1) In addition to establishing a shared basic approach in accordance with the "MS&AD Insurance Group Risk Management Basic Policy," MS&AD Holdings and its Group companies have established a Risk Management Department and put in place the necessary organizational framework to report regularly to the Board of Directors on risks and risk management across the entire Group. MS&AD Holdings has also established a Risk and Compliance Committee to monitor risk and risk management and formulate necessary measures to eliminate and reduce risks based on the results of consultations held by the Committee (including the confirmation results from comprehensive risk management (quantitative analysis)).

(2) MS&AD Holdings evaluates the status and operation of crisis management and business continuity management systems at Group companies, and works to increase the effectiveness of these systems for the Group as a whole.

5. System for Assuring the Reliability of Financial Reporting

Out of the Corporate Auditors, MS&AD Holdings nominates at least one person who is equipped with sufficient knowledge of accounting or finance. Moreover, in accordance with the "MS&AD Insurance Group Basic Policy for Controlling Disclosure of Information," MS&AD Holdings and its Group companies have put in place the necessary framework to ensure the timely and appropriate disclosure of financial information and other information relating to the Group. Meanwhile, the Information Disclosure Committee maintains and implements an internal control system for financial reporting of the Company and the Group, and examines the effectiveness of the disclosure system.

6. System for Assuring the Effectiveness of Internal Auditing

In line with the "MS&AD Insurance Group Basic Policy for Internal Auditing," MS&AD Holdings maintains an internal audit system covering all the business activities of the Group in order to ensure the efficiency and effectiveness of internal audits. The Internal Audit Department reports all important items from the internal auditing results of MS&AD Holdings and its directly invested domestic insurance companies, as well as improvement progress of the findings in the audited departments, to the Board of Directors.

7. System for Management and Retention of Information Pertaining to Execution of Business by Directors

MS&AD Holdings appropriately stores and manages information and documents relating to Directors' and Executive Officers' execution of duties, in accordance with the Rules for Management of Documentation.

Directors and Corporate Auditors are able to access the information at all times.

8. System for Assuring the Effectiveness of Auditing by Statutory Auditors

(1) System Pertaining to Employees Assisting with Work Performed by Statutory Auditors

To support the duties of Corporate Auditors, MS&AD Holdings has a Corporate Auditors' Office with full-time employees. Organizational changes in the Corporate Auditor Offices' as well as transfer or discharge of hired employees only takes effect upon reaching a consensus at a Board of Auditors meeting. Employee evaluation also takes place upon consultation with the Corporate Auditor assigned by the Board of Auditors.

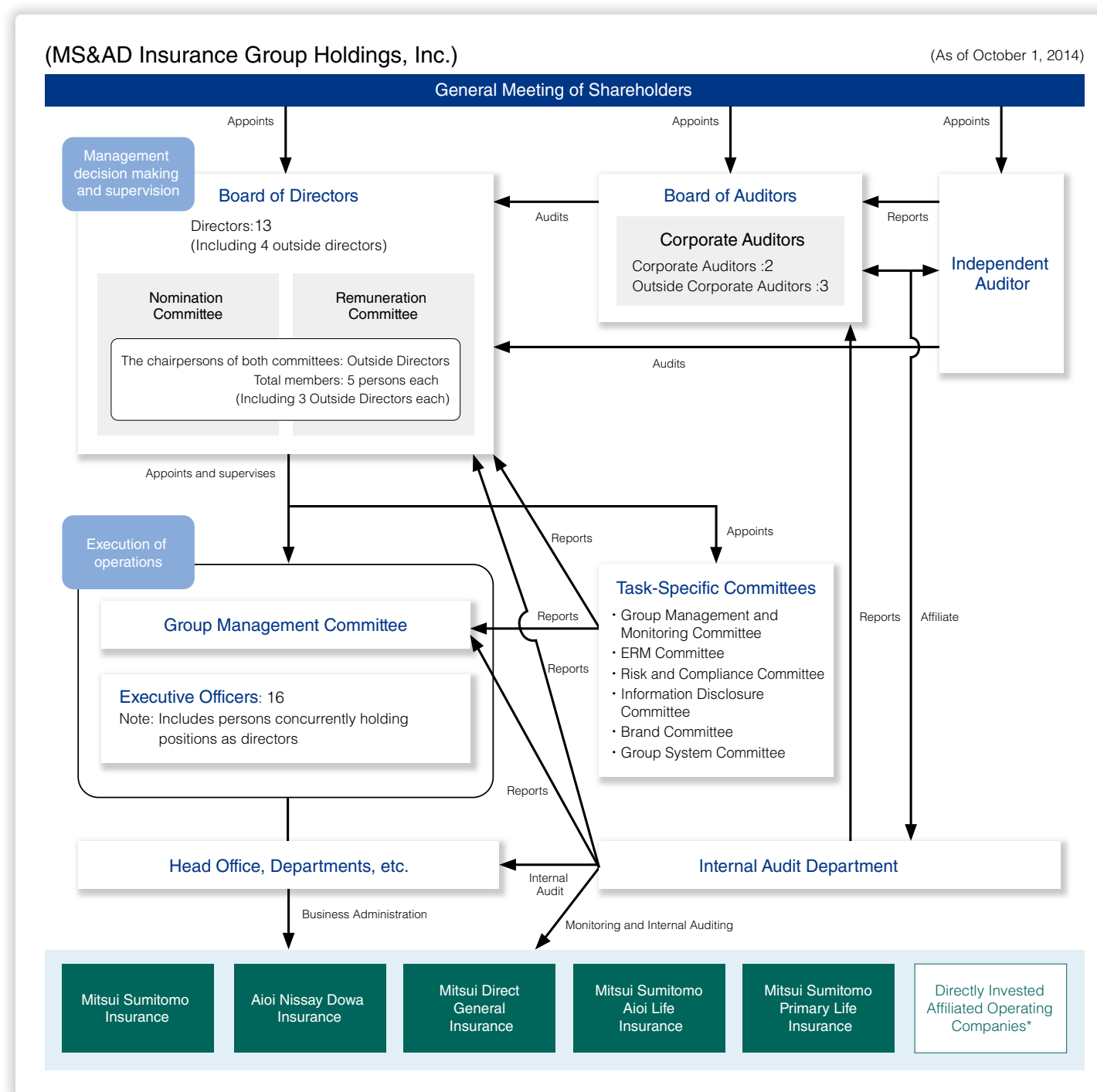
(2) System for Reporting to Corporate Auditors

Directors and executive officers report to the Board of Auditors without delay, by means decided in consultation with the Board of Auditors, about matters governed by law, decisions that greatly influence business operations and organizations, the results of internal audits, and the status and content of reporting through the internal reporting system. Employees are able to directly report to Corporate Auditors about managerial acts that are seriously illegal, unjust, or unethical.

(3) Other Matters

Corporate Auditors attend important meetings including the meetings of the Group's Management Committee. The Chairman of the Board of Directors, the President, and Representative Directors of the Holding Company convene regular consultations with the Board of Auditors. Additionally, the Internal Audit Department cooperates with the audit upon request from the Corporate Auditors.

Outline of the Corporate Governance System



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

Disclosure of Information and Investor Relations (IR) Activities

Basic Policy for Disclosure of Information

MS&AD Holdings has stipulated its policy on external disclosure at the Company and the domestic Group insurance companies in its "MS&AD Insurance Group Basic Policy for Disclosure of Information." In accordance with this basic policy, these companies strive to thoroughly observe disclosure rules stipulated in laws and regulations and the disclosure rules of stock exchanges. At the same time, these companies disclose information to ensure that their respective stakeholders can be made aware of important information in a fair, accurate, and timely manner.

IR Activities

IR Calendar (Ongoing IR Activities)

April	May	June	July	August	September	October	November	December	January	February	March
	● Earnings Results Announcement/Conference Call			● 1Q Business Results Announcement/Conference Call			● 2Q Business Results Announcement/Conference Call			● 3Q Business Results Announcement/Conference Call	
	● First Information Meeting							● Second Information Meeting			
	● Annual Shareholders Meeting								● Mid-Term Dividends Payment		
	● Year-End Dividends Payment										

Status of IR Activities

	Status	CEO's Presentation
Formulation and publication of disclosure policy	The Company has stipulated its "MS&AD Insurance Group Basic Policy for Disclosure of Information" which establishes its stance toward information disclosure, standards, methods, and other related matters. Those are published in the "MS&AD Holdings Disclosure Report" and posted on its Website. http://www.ms-ad-hd.com/en/company/governance/disclosure.html	—
Presentation meetings for individual investors	During fiscal 2013, the Company held on on-line, real-time presentation meeting for individual investors, in which investors could participate via PCs, with the Company President presenting. Two presentation meetings were held for individual investors during the year. Going forward, the Company is scheduled to continue to hold presentation meetings for individual investors.	Yes
Periodic presentation meetings for analysts and institutional investors	The Company holds Information Meetings (IR meetings), where the Company President explains Company strategy, performance, and other related matters, twice a year. Conference calls are held four times yearly to discuss quarterly performance results, where the Officer in charge of the Accounting Department or other management staff make presentations.	Yes
Periodic presentation meetings for overseas investors	Materials and summaries of the Q&A sessions are translated into English and posted on the website, and they were used in the above-mentioned meetings, periodically held for analysts and institutional investors. The President and IR officer visit North America, Europe, and Asia several times each year. On these occasions, one-on-one meetings are held with overseas investors. In addition, the Company participates in investor conferences sponsored by investment banks to have meetings with them.	Yes
IR materials on the Company Website	The Company posts the following types of IR information on its website (http://www.ms-ad-hd.com/en/ir/). – Materials, videos of presentations, and summaries of Q&A sessions related to information meetings and conference calls – Earnings Reports submitted to Japan's Ministry of Finance. – Annual Report and the Company's CSR Report – Information on the Company's stock and bonds (Notifications of the Annual Shareholders' Meeting, information on credit ratings, etc.) – Monthly sales data – News releases and announcements on special topics, including timely disclosure of information The Company also distributes news releases via e-mail at the time they are posted on its website.	—
Establishment of a department (person) responsible for IR	The Company has formed a Corporate Communications and Investor Relations Department with staff in charge on a full-time basis.	—
Other activities	Regarding disclosure in English, the Company endeavors to avoid any major discrepancies with disclosure in Japanese.	—

Risk Management—Compliance Structure

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Basic Policy for Risk Management

Basic Risk Management Policy

We assign highest management priority to risk management and have set out the “MS&AD Insurance Group Risk Management Basic Policy,” which underpins common risk management exercised throughout the Group.

The policy stipulates the basic processes and the Group-wide framework for risk management, and defines the categories of risks which the Group should identify and approaches to managing them.

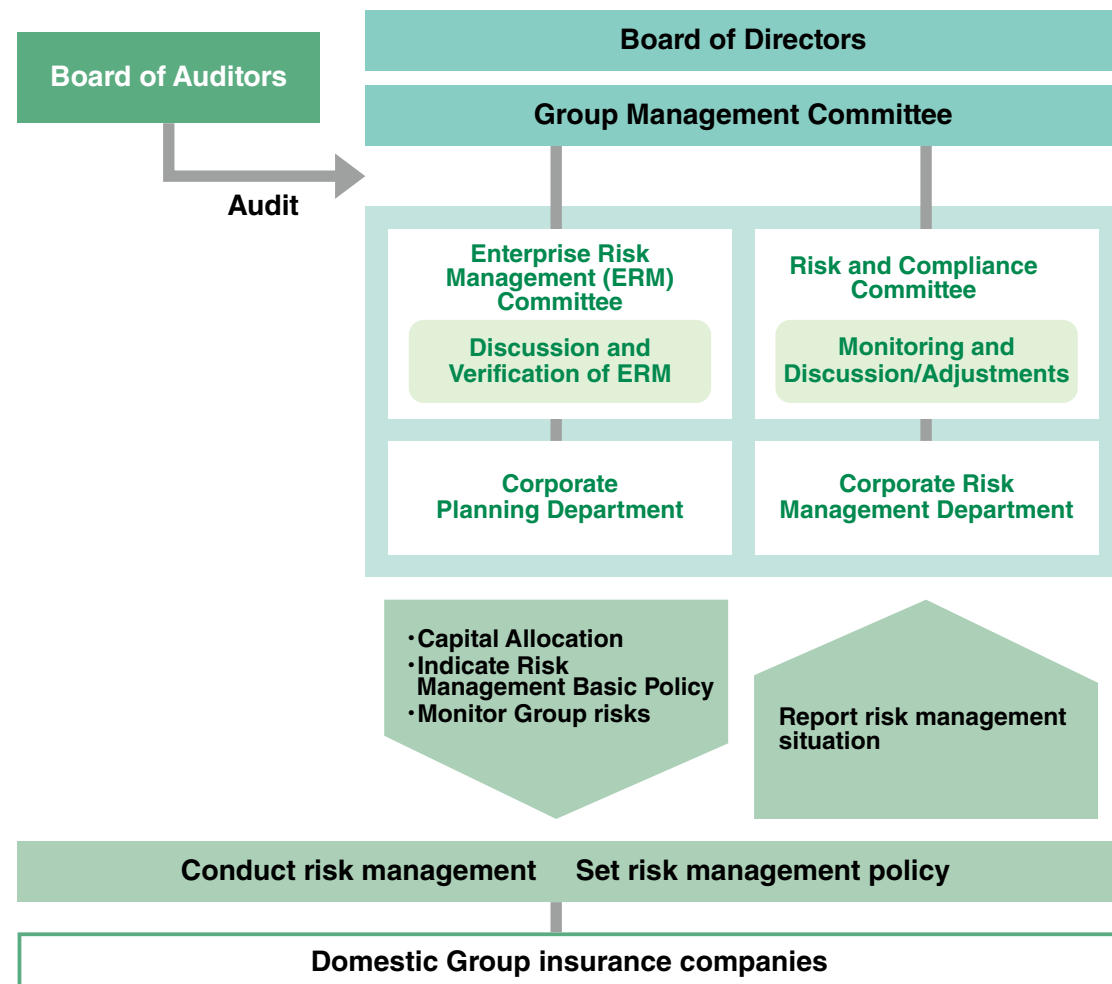
The domestic Group insurance companies follow this basic policy to set out their own individually tailored risk management policies and be proactive in managing their own risks.

Risk Management Structure

The Company has formed its Enterprise Risk Management (ERM) Committee, as one of its task-specific committees under the Board of Directors, to discuss and verify matters related to ERM and the Risk and Compliance Committee, another task-specific committee that is in charge of monitoring as well as discussing and making necessary adjustments related to risk management. Under Company procedures, important matters are reported to the Board of Directors after discussion in the ERM Committee and the Risk and Compliance Committee.

The domestic Group insurance companies implement risk management in each company and its domestic and overseas subsidiaries. The Corporate Risk Management Department monitors risks of the Group as a whole and the status of risk management in each of the Group companies. This department implements integrated risk management for the Group as a whole and reports its results to the ERM Committee and the Risk and Compliance Committee.

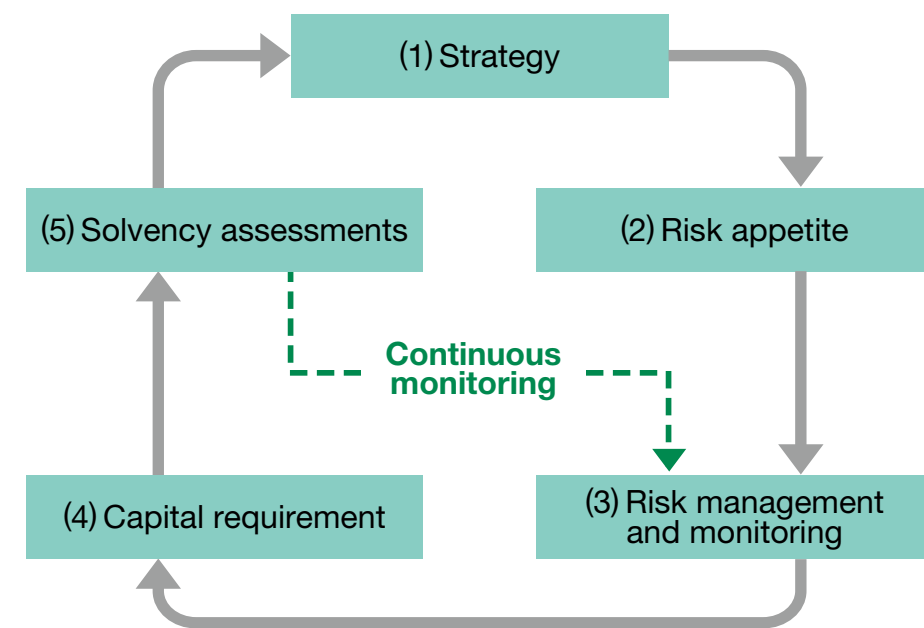
Risk Management Structure



Enterprise Risk Management

The Company’s Board of Directors has issued a Risk Appetite Statement to be executed under the MS&AD Insurance Group medium-term management plan. Based on this statement, we formulate income and expenditure plans, business plans, and risk management plans. For proceeding with risk management, we identify primary risk events that could impact the Group’s business portfolio and assess these risk factors, both quantitatively and qualitatively. Risk management underpins the Group’s strategies, whose structure we call the ORSA (Own Risk and Solvency Assessment) process shown in the chart below.

ORSA Process



Quantitative Risk Management

By using a probabilistic risk assessment model (VaR*), we periodically measure insurance underwriting risks, asset management risks, and operational risks to confirm that the risk exposure is well managed within the limits of the Group’s capital.

We also monitor the risk trends and movements of the domestic Group insurance companies on a monthly basis to confirm that their risk levels do not exceed the risk limits.

Moreover, we monitor the impact of changes in the market environment on the Group every day, which enables us to identify significant events (or their precursors) at an early stage and respond flexibly and swiftly.

In ascertaining the status of risk and capital, we make medium-term checks based on management plans (income and expenditure plans) and conduct periodic stress tests to ascertain the effect of an anomalous event, such as a large-scale natural disaster or turmoil in the financial markets.

* VaR (Value at Risk) is the maximum loss expected at a certain level of probability.

Qualitative Risk Management

To evaluate insurance underwriting risks, asset management risks, liquidity risks, and operational risks, we assess domestic Group insurance companies’ risk management activities and risk management frameworks.

We also regulate the accumulation of loans and investments and monitor transactions between Group companies to ensure that the soundness of the MS&AD Insurance Group is not compromised by the transmission, misdistribution, or concentration of risk.

Insurance Business Risks

There are a variety of risks inherent in the insurance business. Given that the insurance business hinges on insurance claim payments and payment of insurance proceeds and benefits, insurance underwriting risks and asset management risks need to be managed in consideration of the relationship to shareholders' equity and the need to maintain a balance with earnings, rather than simply being repressed. Moreover, we need to manage liquidity risks with respect to its bearing on funding requirements now and in the future. Operational risks stemming from issues such as clerical errors and system failures, on the other hand, need to be minimized by ensuring appropriate operations so as to prevent losses wherever possible.

The MS&AD Insurance Group strives to manage each of these risks with precision to realize the Group's management vision.

Insurance Underwriting Risks	Insurance underwriting risks are risks for underwriting losses due to frequency or levels of damage that significantly surpass the projection on which the insurance premiums are calculated.
Asset Management Risks	Asset management risks are risks owing to fluctuation of interest rates, stock prices, exchange rates, real estate prices, and rents, etc., or the financial condition of investee entities that cause a reduction in value or income, including off-balance assets. They also include risks that we cannot hold assets in alignment with the characteristics of liabilities, such as claim payments.
Liquidity Risks	Liquidity risks are risks that cash shortages caused by large cashouts, such as claims payments due to major natural disasters, force us to secure financing by selling assets at significantly unfair prices (cash management risk) or risks that market disturbances prevent market transactions or force unfair trades (market liquidity risk).
Operational Risks	Operational risks are risks that cause losses due to failure of the operational process or business system, misconduct of executives or employees, or external incidents, such as accidents or disasters.

Risk Management in Overseas Business

To strengthen risk management systems in the overseas subsidiaries of domestic Group insurance companies, we have established the International Supervisory Department as the organizational unit responsible for integrating risk management matters in our overseas business activities. This department monitors the overall status of risk management in the Group's overseas business operations and is engaged in upgrading and expanding risk management systems in the Group's overseas business. The status of risk management in our overseas business operations is reported to the Corporate Risk Management Department, which conducts integrated risk management for the Group as a whole. After discussion by the Risk and Compliance Committee, related matters are reported to the Board of Directors.

Crisis Management System (Including Business Continuity Management System)

The Group has structured its Crisis Management System to manage risks appropriately through cooperation among Group members to prevent or respond to crises, based on its "MS&AD Insurance Group Risk Management Basic Policy."

To prepare for risks that have emerged as well as for the potential of these risks to spread within the Group, the domestic Group insurance companies have formulated a crisis management manual and business continuity plans. The Group ensures their effectiveness by exercise and testing on a regular basis, and the Business Continuity Management System is reviewed continuously.

Moreover, the Company also evaluates the Business Continuity Management System and the business continuity plans of the domestic Group insurance companies every year to confirm their feasibility.

Compliance

Basic Policy on Compliance

MS&AD Holdings has set the “MS&AD Insurance Group Basic Compliance Policy” as a basic standard for compliance for the entire Group. The Company and the domestic Group insurance companies are working to ensure complete compliance at every level with the policy and with other policies based on it. Every officer and employee of the Group complies with the law and company rules with a high sense of ethical perspective when carrying out their corporate duties. In this way, they uphold the trust placed on the Group by customers and other stakeholders, and carry out the Group’s responsibility to society as a corporation.

Compliance Promotion Structure

The Company has formed the Risk and Compliance Committee, as one of the task-specific committees under the Board of Directors, to monitor as well as discuss and make necessary adjustments in the compliance structure. For important matters related to compliance, the Risk and Compliance Committee reports to the Board of Directors after discussion in the committee.

The Company established its Compliance Department as the organizational unit to integrate and manage Group compliance matters. This department is responsible for integrating compliance initiatives within the Company and domestic Group insurance companies.

Each unit in the domestic Group insurance companies that is in charge of compliance matters is responsible for the preparation and implementation of policies, internal rules, and measures related to compliance and for planning and operating activities related to business operating rules pertaining to insurance solicitation and sales. These units are also the focal points for fact finding and confirmation as well as conducting investigations related to activities where there are concerns about violations of internal rules and other compliance issues.

Compliance Program Activities

■ Compliance Program

As part of the compliance implementation plan of the Company, the Company and the domestic Group insurance companies have their Compliance programs that are approved by their Boards of Directors. Reports on the implementation and issues of the program are submitted regularly to the Compliance committees of each company and the Board of Directors.

■ Compliance Manuals

Each Group company has its Compliance Manual that states its compliance-related policies and company rules, regulations, and applicable laws to be observed, with examples and interpretations, for board members and employees. The manual is distributed to board members and employees, and the basic tenets of compliance are communicated through employee training and examinations. Procedures for reporting suspected inappropriate behavior are stipulated in the manual, and systems are in place for verifying and investigating suspect behaviors.

■ Compliance-Related Training

Based on the Compliance program, the Company and the domestic Group insurance companies organize educational and training programs for officers, employees, and agencies every year to enhance their knowledge of laws, regulations, and company rules to strengthen the awareness of compliance.

■ Compliance-Related Inspections

The domestic Group insurance companies conduct compliance-related inspections to prevent and quickly discover any behavior suspected of contravening the law or company rules.

■ Monitoring Group Companies

The Compliance Department at MS&AD Holdings monitors the compliance promotion structure and compliance promotion at the domestic Group insurance companies and reports to the Risk and Compliance Committee and the Board of Directors once it has developed a clear understanding of the status across the Group. Group Compliance Division meetings among the Company and the domestic Group insurance companies are held to share recognition, knowledge, and expertise on compliance-related issues in order to enhance the compliance promotion structure throughout the Group.

■ Internal Reporting System

The MS&AD Insurance Group has established various internal reporting systems, such as the MS&AD Helpline. Group company employees can contact the helpline to make a report or have a consultation if a compliance-related issue arises. A contact desk has also been established at an external legal office to make it easier for reporters. The identity of reporters is protected, and their information is handled carefully to protect the informants and ensure that they do not suffer any unfair treatment.

Compliance Promotion Structure in Overseas Business Operations

Management and staff of the overseas offices of the MS&AD Insurance Group give highest priority to compliance and take care to respect the cultures, customs, and histories of countries and regions where they serve as well as act in a manner that contributes to development of those regions. The Company has established its International Supervisory Department to integrate and manage matters related to compliance at overseas offices of Group companies, and it monitors the compliance-related initiatives of these overseas offices, while also providing guidance and assistance. This department works with the Compliance Department, which is in charge of overall integration of Group companies, to provide periodic reports regarding the status of compliance overseas directly to the Company’s Board of Directors, etc. The department also engages in activities to improve and expand the overseas compliance promotion structure.

Other Basic Policies

Dealing with Antisocial Forces

The Company has established its “MS&AD Insurance Group Basic Policy concerning Antisocial Forces” and it is posted on the Company’s Website (<http://www.ms-ad-hd.com/en/company/governance/antisocial.html>).

Acting in accordance with this basic policy, the Company and other Group companies work to eliminate any relationships with antisocial forces, maintain the trust of the general public, and ensure that its business activities are carried out in an appropriate and sound manner.

Managing Conflicts of Interest

Financial institutions are providing increasingly diverse services and continuing a shift to larger group structures. These changes increase the potential for conflicts of interest to occur when several opposing or competing interests exist in the same institution or group.

MS&AD Holdings takes measures to protect the interests of MS&AD Insurance Group customers from being harmed due to unfairness. To this end, the Company has established the “MS&AD Insurance Group Basic Policy for Management of Conflicts of Interest,” which can be viewed on the corporate Website (<http://www.ms-ad-hd.com/en/company/governance/conflict.html>). Based on this policy, the Company and its domestic insurance subsidiaries will establish corporate systems and take other appropriate steps, including the formulation of internal regulations and rules regarding the management of conflicts of interest and the establishment of departments to oversee management of such conflicts.

Privacy Protection Policy

The MS&AD Insurance Group will observe the laws and regulations, such as the Act on Protection of Personal Information, and will continuously implement measures to strengthen information management. These measures include setting internal rules, upgrading system security, conducting thorough information management training for staff and agents, and taking steps to mitigate the risk of information leakage. In addition, the Company has set out the “MS&AD Insurance Group Basic Policy for Management of Customer Information,” and “MS&AD Insurance Group Holdings, Declaration of Personal Information Protection (Privacy Policy).” These have been posted on the corporate Website (<http://www.ms-ad-hd.com/en/company/governance/information.html>).

Corporate Overview

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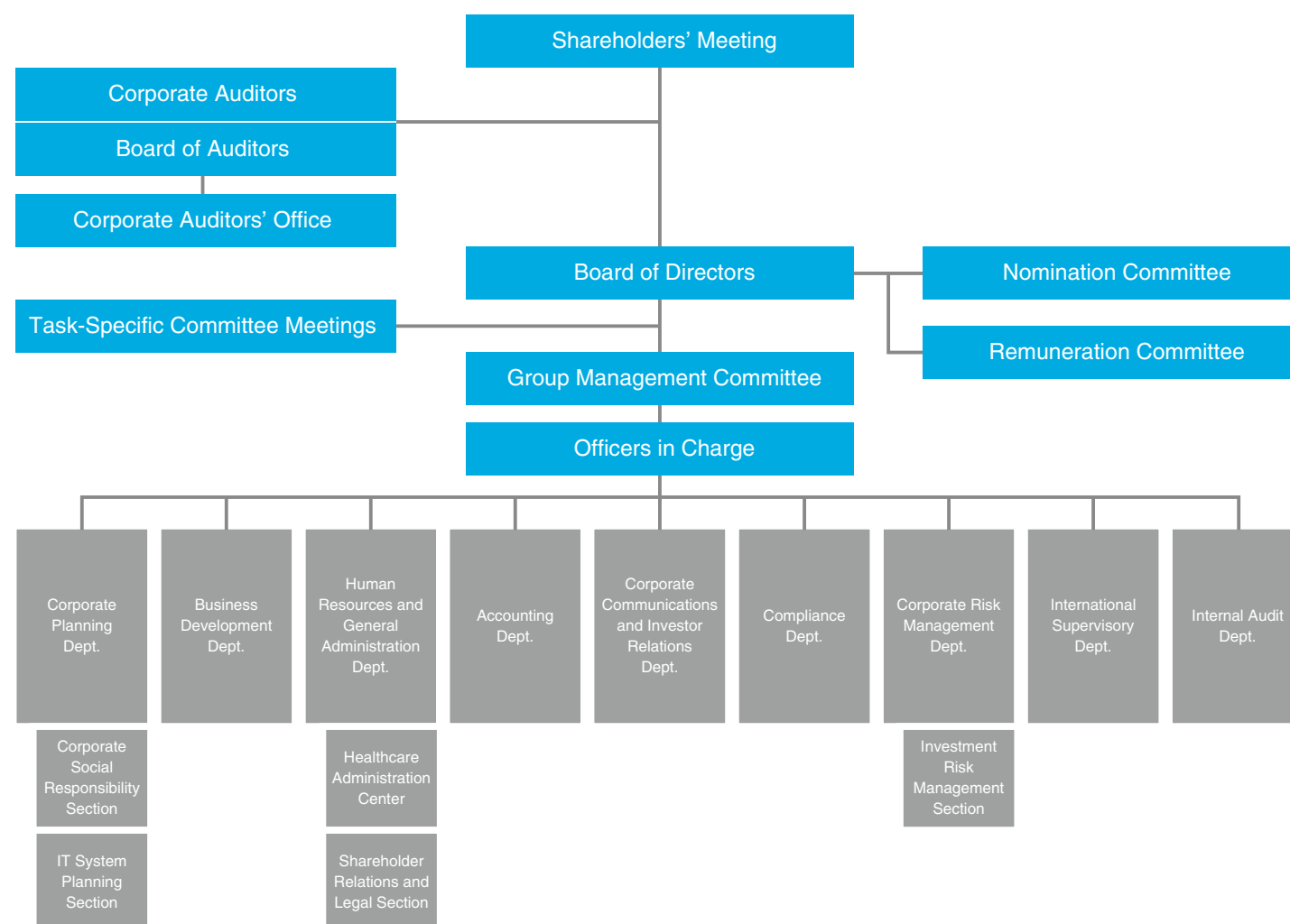
Corporate Profile

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 resources 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 (From October 1, 2014)
REPRESENTATIVE	Representative Director, President & CEO Yasuyoshi Karasawa
PAID-IN CAPITAL	¥100,000,000,000
NUMBER OF EMPLOYEES	265 (37,055 on a consolidated basis) *As of March 31, 2014
BUSINESS DESCRIPTION	Our activities as an insurance holding company are: 1. Management of non-life and life insurance companies and companies qualified to become subsidiaries under the Insurance Business Act. 2. Any business associated with the above.
STOCK LISTINGS	Tokyo Stock Exchange (First Section) Nagoya Stock Exchange (First Section)

Organizational Chart



Stock and Shareholders

1. Summary of Issued Shares (As of March 31, 2014)

1) Class of stock	Common stock
2) Total number of authorized shares	900,000,000
3) Total number of issued shares	633,291,754
4) Number of shareholders	70,917

2. Shareholding Profile (As of March 31, 2014)

1) Breakdown by Sector

Item	Japanese financial institutions	Japanese securities companies	Other Japanese companies	Foreign companies and individuals	Japanese individuals and others	Total
NUMBER OF SHAREHOLDERS	174	67	1,729	606	68,341	70,917
NUMBER OF SHARES HELD (millions)	18,639	1,633	10,627	24,694	7,733	63,329
PERCENTAGE OF SHARES ISSUED	29.4%	2.6%	16.8%	39.0%	12.2%	100.0%

2) Breakdown by Number of Shares Held

Item	1-99	100-999	1,000-9,999	10,000-99,999	100,000 and over	Total
NUMBER OF SHAREHOLDERS	19,650	36,472	13,434	965	396	70,917
PERCENTAGE OF ALL SHAREHOLDERS	27.7%	51.4%	18.9%	1.4%	0.6%	100.0%

3) Breakdown by Region

Item	Hokkaido	Tohoku	Kanto	Chubu	Kinki	Chugoku	Shikoku	Kyushu	Overseas	Total
NUMBER OF SHARES (millions)	2.22	3.11	280.76	70.24	22.50	2.69	3.21	2.55	245.97	633.29
PERCENTAGE OF SHARES ISSUED	0.4%	0.5%	44.3%	11.1%	3.6%	0.4%	0.5%	0.4%	38.8%	100.0%

3. Major Shareholders (As of March 31, 2014)

Shareholder Name	Address	Number of Shares Held (in thousands)	Percentage to Shares Issued (%)
Toyota Motor Corporation	1, Toyota-cho, Toyota-city, Aichi Prefecture	52,610	8.31
NIPPON LIFE INSURANCE COMPANY	1-6-6, Marunouchi, Chiyoda-ku, Tokyo C/- Nippon Life Securities Operations Department	36,325	5.74
The Master Trust Bank of Japan, Ltd. (Trust account)	2-11-3, Hamamatsu-cho, Minato-ku, Tokyo	27,377	4.32
STATE STREET BANK AND TRUST COMPANY (Standing agent: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch)	P.O. Box 351, Boston, Massachusetts 02101, U.S.A. (3-11-1, Nihonbashi, Chuo-ku, Tokyo)	25,923	4.09
Japan Trustee Services Bank, Ltd. (Trust account)	1-8-11, Harumi, Chuo-ku, Tokyo	22,406	3.54
THE CHASE MANHATTAN BANK, N.A. LONDON SECS LENDING OMNIBUS ACCOUNT (Standing agent: Corporate Financial Sales Div., Mizuho Corporate Bank, Ltd.)	Woolgate House, Coleman Street, London EC2P 2HD, England (4-16-13, Tsukishima, Chuo-ku, Tokyo)	12,314	1.94
MELLON BANK, N.A. AS AGENT FOR ITS CLIENT MELLON OMNIBUS US PENSION (Standing agent: Corporate Financial Sales Div., Mizuho Corporate Bank, Ltd.)	One Boston Place, Boston, MA 02108, U.S.A. (4-16-13, Tsukishima, Chuo-ku, Tokyo)	9,908	1.56
STATE STREET BANK AND TRUST COMPANY 505225 (Standing agent: Corporate Financial Sales Div., Mizuho Corporate Bank, Ltd.)	P.O. Box 351, Boston, Massachusetts 02101, U.S.A. (4-16-13, Tsukishima, Chuo-ku, Tokyo)	8,340	1.32

Shareholder Name	Address	Number of Shares Held (in thousands)	Percentage to Shares Issued (%)
NATSCUMCO (Standing agent: Sumitomo Mitsui Banking Corporation)	111 Wall Street, New York, New York 10015, U.S.A. (1-2-3, Otemachi, Chiyoda-ku, Tokyo)	6,749	1.07
NORTHERN TRUST CO. (AVFC) SUB A/C NON TREATY (Standing agent: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch)	50 Bank Street, Canary Wharf, London E14 5NT, U.K. (3-11-1, Nihonbashi, Chuo-ku, Tokyo)	6,437	1.02
Total		208,394	32.91

Note: Apart from the shares shown above, the Company holds 13,383 thousand shares (2.11%) as treasury stock.

4. Shareholder Return Policy

The Company aims to enhance its profitability by pursuing further efficiency through synergies and implementing growth strategies. The goal is to make appropriate returns to shareholders that are proportionate to performance, thereby meeting their expectations. At the same time, due to the nature of the insurance business, the Company believes it is also necessary to maintain adequate internal reserves.

Given this, specifically, the Company's shareholder return policy objective is to return approximately 50% of "Group Core Profit" to shareholders in the medium run. With respect to dividends, the Company's fundamental policy is to maintain stable dividends and steadily increase dividends by strengthening its earnings power. As for share buybacks, the Company will repurchase its own shares flexibly and as opportunities arise, with due consideration to the market conditions and the state of its capital.

Regarding dividends applicable to the fiscal year under review, the year-end dividend was set at ¥28 per share, and the interim dividend was also ¥28 per share, so total dividends for the year amounted to ¥56 per share.

The Company resolved to repurchase its own shares at the meeting of the Board of Directors held on May 20, 2014, for the purpose of improving capital efficiency and returns to shareholders. Specifically, the Company resolved to repurchase up to 5.50 million of its own shares for an aggregate value of up to ¥10.0 billion, from May 21, 2014 to September 19, 2014, and the implementation of the stock repurchases was completed as of June 23, 2014.

The Company will invest its internal reserves efficiently, aiming to enhance its ability to fulfill its financial obligations while strengthening its operating foundation to cope with changes in the business environment.

5. Changes in Total Number of Issued Shares, Paid-in Capital, Etc. (As of March 31, 2014)

Date	Issued shares (in thousands)		Paid-in capital		Capital reserves	
	Increase	Balance	Increase	Balance	Increase	Balance
April 1, 2010	211,971	633,291	—	¥100,000 million	¥550,064 million	¥729,255 million

Note: The increases in the total number of issued shares and capital reserves on April 1, 2010 were due to the issue of new shares at the time of an exchange of shares between the Company and both Aioi and NDI.

6. Basic Information

1) Fiscal Year	April 1 to March 31 of the following year
2) Annual Shareholders' Meeting	Within 3 months of the end of each fiscal year
3) Record Date	Ordinary General Meeting of Shareholders: March 31, every year Year-end dividends: March 31, every year Interim dividends: September 30, every year
4) Method of Public Notification	Electronic reporting can be found online at http://www.ms-ad-hd.com/ir/notification/index.html (Japanese only). In the event of an incident or other event that prevents electronic reporting, the Company will publish its notifications in the <i>Nikkei</i> newspaper.
5) Stock Exchange Listings	Tokyo Stock Exchange and Nagoya Stock Exchange (First Section)
6) Administrator of Shareholders' Registry	Sumitomo Mitsui Trust Bank, Limited
Place of Business of Administrator of Shareholders' Registry	Sumitomo Mitsui Trust Bank, Limited Stock Transfer Agency Dept. (1-4-1, Marunouchi, Chiyoda-ku, Tokyo, Japan)
Special Account Management Institution	Sumitomo Mitsui Trust Bank, Limited (Note)
(Postal Address)	Sumitomo Mitsui Trust Bank, Limited Stock Transfer Agency Dept. (2-8-4, Izumi, Suginami-ku, Tokyo 168-0063, Japan)

Note: 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).

Directors, Corporate Auditors, and Executive Officers (As of August 1, 2014)

Composition of Directors, Corporate Auditors, and Executive Officers

Number of Directors: 13 (including 4 outside directors)
 Number of Corporate Auditors: 5 (including 2 full-time, 3 outside corporate auditors)
 Number of Executive Officers: 16 (including those concurrently serving as directors)

Board of Directors

Title	Name (Date of Birth)	Biography
Representative Director Chairman of the Board	Hisahito Suzuki (Sept. 15, 1950)	<p>Apr. 1973 Entered The Dai-Tokyo Fire and Marine Insurance Co., Ltd. ("Dai-Tokyo")</p> <p>Apr. 2000 Executive Officer, General Manager of Merger Preparation Dept., Dai-Tokyo</p> <p>Apr. 2001 Executive Officer, General Manager of Corporate Planning Dept., Aioi Insurance Co., Ltd. ("Aioi")</p> <p>Apr. 2002 Managing Executive Officer, Aioi</p> <p>June 2002 Managing Director, Aioi</p> <p>May 2003 Senior Managing Executive Officer, Aioi Life Insurance Company, Limited ("Aioi Life")</p> <p>June 2003 Director & Vice President, Aioi Life</p> <p>Mar. 2004 Senior Managing Executive Officer, Aioi</p> <p>June 2004 Senior Managing Director, Aioi</p> <p>June 2008 Director, Senior Managing Executive Officer, Aioi</p> <p>Apr. 2010 Director & President, Aioi Director, Executive Officer, the Company</p> <p>Oct. 2010 Director & President, Aioi Nissay Dowa Insurance Co., Ltd. ("ADI") (present)</p> <p>June 2014 Director, Chairman of the Board, the Company (present)</p>
Representative Director President & CEO	Yasuyoshi Karasawa (Oct. 27, 1950)	<p>Apr. 1975 Entered The Sumitomo Marine and Fire Insurance Co., Ltd.</p> <p>Apr. 2004 Executive Officer, General Manager of Corporate Planning Dept., Mitsui Sumitomo Insurance Co., Ltd. ("MSI")</p> <p>June 2005 Director, Executive Officer, General Manager of Corporate Planning Dept., MSI</p> <p>Apr. 2006 Director, Managing Executive Officer, MSI</p> <p>Apr. 2008 Director, Senior Executive Officer, MSI Director, the Company</p> <p>Apr. 2009 Director, Senior Executive Officer, the Company</p> <p>Apr. 2010 President & Chief Executive Officer, MSI (present) Director, Executive Officer, the Company</p> <p>June 2014 Director, President & CEO, the Company (present)</p>
Representative Director Executive Officer	Toshiaki Egashira (Nov. 30, 1948)	<p>Apr. 1972 Entered Taisho Marine and Fire Insurance Co., Ltd.</p> <p>Oct. 2001 Executive Officer, General Manager of Fire & Casualty Underwriting Dept., Mitsui Sumitomo Insurance Co., Ltd. ("MSI")</p> <p>June 2002 Executive Officer, General Manager of Chugoku Div., MSI</p> <p>June 2003 Managing Executive Officer, General Manager of Chugoku Div., MSI</p> <p>Apr. 2004 Managing Executive Officer, General Manager of Kanagawa & Shizuoka Div., MSI</p> <p>Apr. 2006 Co-Chief Executive Officer, MSI</p> <p>June 2006 President & Director, Co-Chief Executive Officer, MSI</p> <p>Aug. 2006 President & Chief Executive Officer, MSI</p> <p>Sept. 2006 President & CEO, MSI</p> <p>Apr. 2008 President & Director, the Company</p> <p>Apr. 2009 President, Director & CEO, the Company</p> <p>Apr. 2010 Chairman of the Board, MSI (present)</p> <p>June 2014 Director, Executive Officer, the Company (present)</p>

Title	Name (Date of Birth)	Biography
Representative Director Executive Officer	Mitsuhiro Tsuchiya (June 1, 1955)	<p>Apr. 1980 Entered The Dai-Tokyo Fire and Marine Insurance Co., Ltd.</p> <p>Apr. 2009 Executive Officer, General Manager of Promotion Planning Dept., Aioi Insurance Co., Ltd.</p> <p>Apr. 2010 Executive Officer, the Company</p> <p>Oct. 2010 Executive Officer, General Manager of Promotion Planning Dept., Aioi Nissay Dowa Insurance Co., Ltd. ("ADI")</p> <p>Apr. 2011 Managing Executive Officer, General Manager of Promotion Planning Dept., ADI</p> <p>June 2011 Director, Managing Executive Officer, ADI Director, Executive Officer, the Company (present)</p> <p>Apr. 2013 Director, Senior Managing Executive Officer, ADI</p> <p>Apr. 2014 Director, Vice President Executive Officer, ADI (present)</p>
Director Vice President Executive Officer	Susumu Fujimoto (Dec. 5, 1948)	<p>Apr. 1972 Entered the Ministry of Finance ("MOF")</p> <p>June 1998 Director-General of Yokohama Customs, MOF</p> <p>July 1999 Deputy Director-General of the Minister's Secretariat, MOF</p> <p>July 2002 Executive Director, European Bank for Reconstruction and Development</p> <p>Aug. 2005 Advisor, Mitsui Sumitomo Insurance Co., Ltd. ("MSI")</p> <p>June 2007 Director, MSI</p> <p>Apr. 2008 Director, Managing Executive Officer, MSI Director, the Company</p> <p>Apr. 2009 Director, Senior Executive Officer, MSI Director, Senior Executive Officer, the Company</p> <p>Apr. 2011 Senior Executive Officer, MSI</p> <p>Apr. 2014 Vice President Executive Officer, MSI (present) Director, Vice President Executive Officer, the Company (present)</p>
Director Senior Executive Officer	Shiro Fujii (Sept. 29, 1956)	<p>Apr. 1979 Entered Taisho Marine and Fire Insurance Co., Ltd.</p> <p>Apr. 2008 Executive Officer, General Manager of Corporate Planning Dept., Mitsui Sumitomo Insurance Co., Ltd. ("MSI")</p> <p>Apr. 2009 Director, Executive Officer, General Manager of Corporate Planning Dept., MSI</p> <p>Apr. 2010 Managing Executive Officer, General Manager of Claims Div., MSI Executive Officer, the Company</p> <p>Apr. 2012 Managing Executive Officer, General Manager of Tokyo Div., MSI</p> <p>Apr. 2014 Senior Executive Officer, the Company</p> <p>June 2014 Director, Senior Executive Officer, the Company (present)</p>
Director Executive Officer	Yasuzo Kanasugi (May 29, 1956)	<p>Apr. 1979 Entered The Dai-Tokyo Fire and Marine Insurance Co., Ltd.</p> <p>Apr. 2008 Managing Officer, General Manager of Human Resource Planning Dept., Aioi Insurance Co., Ltd. ("Aioi")</p> <p>Apr. 2009 Executive Officer, Aioi</p> <p>Apr. 2011 Managing Executive Officer, Aioi Nissay Dowa Insurance Co., Ltd. ("ADI")</p> <p>Apr. 2012 Executive Officer, the Company</p> <p>June 2012 Director, Managing Executive Officer, ADI</p> <p>Apr. 2013 Director, Senior Managing Executive Officer, ADI (present)</p> <p>June 2014 Director, Executive Officer, the Company (present)</p>

Title	Name (Date of Birth)	Biography
Director Executive Officer	Nanpei Yanagawa (Mar. 21, 1956)	Apr. 1978 Entered The Dowa Fire & Marine Insurance Co., Ltd. Apr. 2007 Executive Officer, General Manager of Fire, Casualty and Surety Insurance, Nissay Dowa General Insurance Co., Ltd. ("NDI") June 2008 Executive Officer, General Manager of Sales Education and Development and Deputy General Manager of Sales Promotion Division, NDI Feb. 2010 Executive Officer, NDI Oct. 2010 Executive Officer, Deputy General Manager of Product Division, Aioi Nissay Dowa Insurance Co., Ltd. ("ADI") Apr. 2011 Managing Executive Officer, Deputy General Manager of Product Division, ADI June 2011 Managing Executive Officer, General Manager of Product Division, ADI June 2012 Director, Managing Executive Officer, ADI Director, Executive Officer, the Company (Present) Apr. 2013 Director, Senior Managing Executive Officer, ADI (Present)
Director Executive Officer	Junichi Ui (May 20, 1952)	Apr. 1975 Entered The Sumitomo Marine and Fire Insurance Co., Ltd. Apr. 2006 Executive Officer, General Manager of Shikoku Div., Mitsui Sumitomo Insurance Co., Ltd. ("MSI") Apr. 2008 Managing Executive Officer, General Manager of Kanto & Koshinetsu Div., MSI Apr. 2010 Senior Executive Officer, General Manager of Tokyo Div. and General Manager of Financial & Governmental Institutions Business Promotion Div., MSI Apr. 2012 Director, Senior Executive Officer, General Manager of Financial & Governmental Institutions Business Promotion Div., MSI Apr. 2013 Director, Vice President, Executive Officer, General Manager of Financial & Governmental Institutions Business Promotion Div., MSI Apr. 2014 Director, Vice President Executive Officer, MSI (present) Executive Officer, the Company June 2014 Director, Executive Officer, the Company (present)
Director*	Akira Watanabe (Feb. 16, 1947)	Apr. 1973 Admitted as Attorney-at-Law Attorney-at-Law, Ginza Law Office (currently, Abe, Ikubo & Katayama) Apr. 1982 Attorney-at-Law, Akira Watanabe Law Office Apr. 1989 Attorney-at-Law, Seiwa Kyodo Law Office (currently, Seiwa Meitetsu Law Office) (present) Apr. 2010 Director, the Company (present)
Director*	Daiken Tsunoda (Jan. 29, 1967)	Apr. 1994 Admitted as Attorney-at-Law Attorney-at-Law, Mori Sogo (currently, Mori, Hamada & Matsumoto) Mar. 2003 Attorney-at-Law, Nakamura & Tsunoda (currently, Nakamura, Tsunoda & Matsumoto) (present) Apr. 2008 Corporate Auditor, the Company Apr. 2010 Director, the Company (present)
Director*	Tadashi Ogawa (Feb. 26, 1940)	Apr. 1962 Entered the Ministry of Finance May 1995 Commissioner, National Tax Agency Jan. 1996 Administrative Vice Minister of Finance June 2001 Director-Chairman of Japan Tobacco Inc. June 2005 President, The Bank of Yokohama, Ltd. June 2011 Director-Chairman of The Bank of Yokohama, Ltd. June 2012 Director, the Company (present) June 2013 Senior Advisor of The Bank of Yokohama, Ltd. (present)
Director*	Mari Matsunaga (Nov. 13, 1954)	Apr. 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.) Apr. 2000 President & Director, Mari Matsunaga Office June 2012 Director, the Company (present)

Note: Messrs. Akira Watanabe, Daiken Tsunoda, Tadashi Ogawa, and Ms. Mari Matsunaga are outside directors and have been nominated as independent officers in accordance with the provisions of Tokyo Stock Exchange, Inc., and Nagoya Stock Exchange, Inc., and have been registered as such with said exchanges.

Corporate Auditors

Title	Name (Date of Birth)	Biography
Corporate Auditor (Full time)	Katsuaki Ikeda (Sept. 8, 1951)	Apr. 1974 Entered Taisho Marine and Fire Insurance Co., Ltd. June 2003 Director, Executive Officer, General Manager of Accounting Dept., Mitsui Sumitomo Insurance Co., Ltd. ("MSI") Apr. 2005 Director, Managing Executive Officer, MSI Apr. 2006 Director, Managing Executive Officer, General Manager of Financial Service Div., MSI Apr. 2008 Director, the Company Apr. 2009 Director, Managing Executive Officer, the Company Apr. 2010 Director, Senior Executive Officer, MSI Director, Executive Officer, the Company June 2011 Corporate Auditor, the Company (present)
Corporate Auditor (Full time)	Jiro Yoshino (Aug. 24, 1954)	Apr. 1978 Entered The Dai-Tokyo Fire and Marine Insurance Co., Ltd. Apr. 2011 Executive Officer, General Manager of Chiba Div., Aioi Nissay Dowa Insurance Co., Ltd. ("ADI") Apr. 2012 Managing Executive Officer, General Manager of Regional Business Promotion Div., ADI Executive Officer, the Company Apr. 2013 Managing Executive Officer, ADI June 2013 Corporate Auditor, the Company (present)
Corporate Auditor*	Sousuke Yasuda (Dec. 15, 1943)	Apr. 1979 Registered as certified public accountant June 1980 Representative, Sousuke Yasuda Tax Accountant Office Feb. 1983 Representative of Tokyo Akasaka CPA Joint Office July 1993 Senior Partner, Tokyo Akasaka Audit Co. Oct. 1999 Director and Senior Partner, Tokyo Hokuto & Co. (currently, Gyosei & Co.) Sept. 2001 Supervising Officer, Japan Prime Realty Investment Corporation (present) June 2005 Auditor, Mitsui Sumitomo Insurance Company, Ltd. Jan. 2008 Group Representative Partner, Gyosei & Co. Apr. 2008 Corporate Auditor, the Company (present) Jan. 2009 Special Adviser, Gyosei & Co. (present) Group Representative Partner, GYOSEI Certified Public Tax & Accountants' Co. (present)
Corporate Auditor*	Kuniaki Nomura (June 13, 1945)	Apr. 1970 Registered as Attorney-at-Law Attorney-at-Law, Yanagida Law Office (currently, Yanagida & Nomura) June 2006 Corporate Auditor, Mitsui Sumitomo Insurance Co., Ltd. June 2009 Attorney-at-Law, Nomura Law Offices (present) Apr. 2010 Corporate Auditor, the Company (present)
Corporate Auditor*	Hiroyuki Tezuka (May 8, 1961)	Apr. 1986 Registered as Attorney-at-Law Partner, Nishimura & Sanada (currently, Nishimura & Asahi) (present) June 2007 Corporate Auditor, Nissay Dowa General Insurance Co., Ltd. Apr. 2010 Corporate Auditor, the Company (present)

Note: Messrs. Sousuke Yasuda, Kuniaki Nomura, and Hiroyuki Tezuka are outside auditors and have been nominated as Independent Directors/Auditors in accordance with the provisions of Tokyo Stock Exchange, Inc., and Nagoya Stock Exchange, Inc., and have been registered as such with said exchanges.

Executive Officers

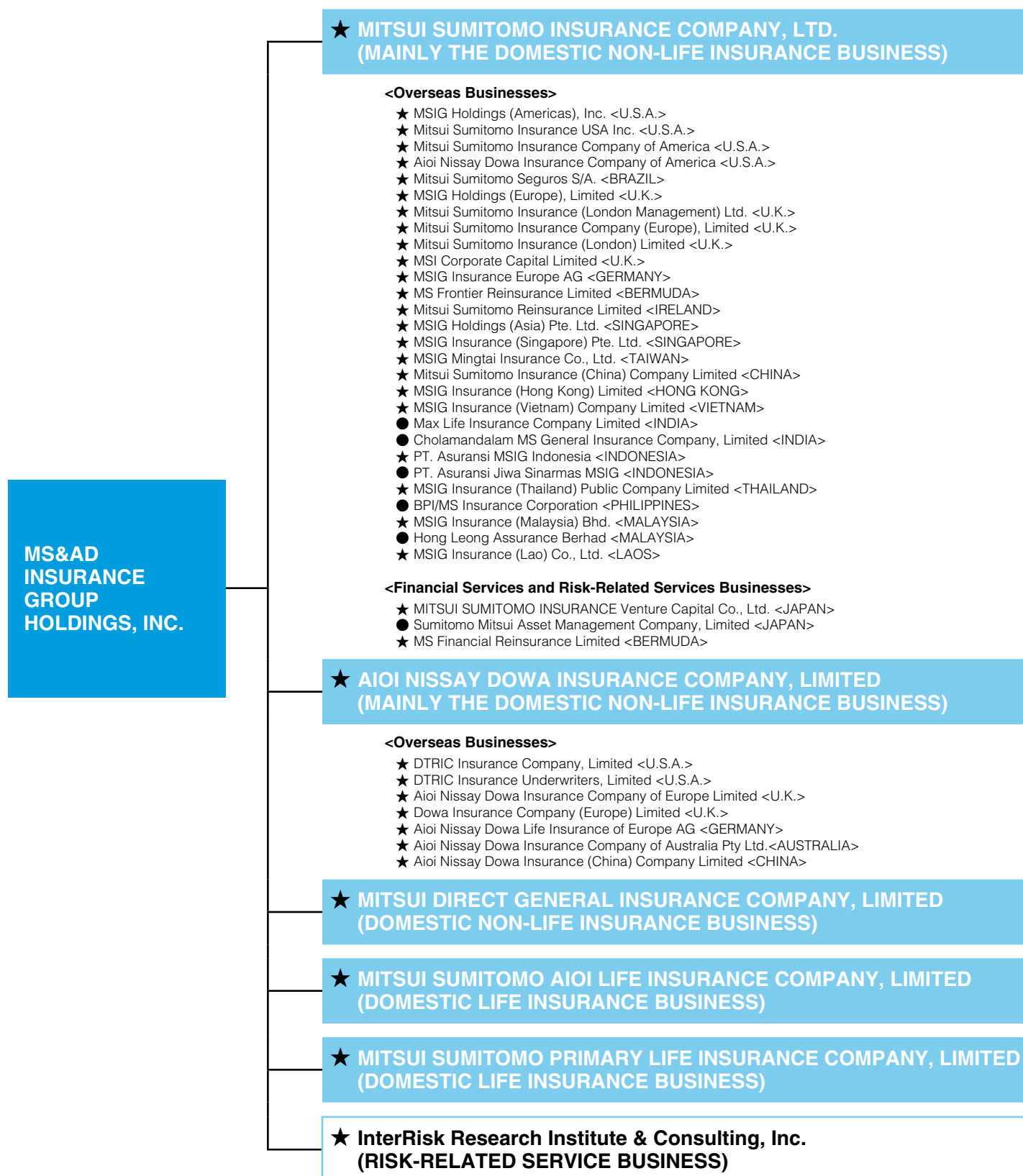
Title	Name (Date of Birth)	Biography	Responsibilities
Representative Director Chairman of the Board	Hisahito Suzuki (Sept. 15, 1950)	Please see data in "Directors" section	—
Representative Director President & CEO	Yasuyoshi Karasawa (Oct. 27, 1950)	Please see data in "Directors" section	—
Representative Director Executive Officer	Toshiaki Egashira (Nov. 30, 1948)	Please see data in "Directors" section	—
Representative Director Executive Officer	Mitsuhiro Tsuchiya (June 1, 1955)	Please see data in "Directors" section	Assists Management
Director Vice President Executive Officer	Susumu Fujimoto (Dec. 5, 1948)	Please see data in "Directors" section	Compliance Dept., Corporate Risk Management Dept., International Supervisory Dept., Internal Audit Dept. Mitsui Sumitomo Aioi Life Insurance Co., Ltd. Mitsui Sumitomo Primary Life Insurance Co., Ltd. Mitsui Direct General Insurance Co., Ltd.
Senior Executive Officer	Toshihiko Tanaka (Dec. 21, 1952)	Apr. 1976 Entered The Dowa Fire and Marine Insurance Company, Limited Apr. 2006 Executive Officer, Nissay Dowa General Insurance Co., Ltd. ("NDI") June 2008 Director, Managing Executive Officer, NDI Oct. 2010 Director, Managing Executive Officer, Aioi Nissay Dowa Insurance Co., Ltd. ("ADI") Apr. 2012 Director, Senior Managing Executive Officer, ADI June 2013 Senior Executive Officer, the Company (present)	Human Resources and General Administration Dept., Accounting Dept.
Director Senior Executive Officer	Shiro Fujii (Sept. 29, 1956)	Please see data in "Directors" section	Corporate Planning Dept. Corporate Communications and Investor Relations Dept. Business Development Dept. Internal Audit Dept.
Executive Officer	Masaaki Nishikata (Sept. 17, 1953)	Apr. 1977 Entered The Sumitomo Marine and Fire Insurance Co., Ltd. Apr. 2007 Executive Officer, General Manager of Hokkaido Division, General Manager for Claim Handling Service Innovation, Hokkaido Division, Mitsui Sumitomo Insurance Co., Ltd. ("MSI") Apr. 2009 Managing Executive Officer, General Manager of Tokyo Commercial Business Division 2nd, General Manager for Claim Handling Service Innovation, Tokyo Commercial Business Division 2nd, MSI Apr. 2010 Director, Managing Executive Officer, MSI Apr. 2012 Director, Senior Managing Executive Officer, General Manager of Underwriting Division, MSI Apr. 2014 Director, Senior Executive Officer, MSI (present)	Marketing and Sales

Note: Senior Executive Officer Fujii is responsible for internal audits of all departments within the supervisory oversight scope of Vice President and Executive Officer Fujimoto.

Title	Name (Date of Birth)	Biography	Responsibilities
Director Executive Officer	Yasuzo Kanasugi (May 29, 1956)	Please see data in "Directors" section	Assists Management Assists Administration and Information Systems
Director Executive Officer	Nanpei Yanagawa (Mar. 21, 1956)	Please see data in "Directors" section	Products
Executive Officer	Shin Ueno (May 9, 1954)	Apr. 1977 Entered The Dai-Tokyo Fire and Marine Insurance Co., Ltd. July 2007 Managing Executive Officer, General Manager of Management Planning Department, Aioi Insurance Co., Ltd. ("Aioi") June 2008 Director, Executive Officer, Aioi Oct. 2010 Director, Executive Officer, Aioi Nissay Dowa Insurance Co., Ltd. ("ADI") Apr. 2011 Managing Executive Officer, General Manager of Chubu Division, ADI Apr. 2013 Managing Executive Officer, ADI Executive Officer, the Company (present) Apr. 2014 Director, Senior Managing Executive Officer, ADI (present)	Assists Marketing and Sales
Executive Officer	Hiroshi Miura (Sept. 21, 1956)	Apr. 1979 Entered Taisho Marine and Fire Insurance Co., Ltd. Apr. 2010 Executive Officer, General Manager of Investment Planning Department, Financial Service Division, Mitsui Sumitomo Insurance Co., Ltd. ("MSI") Apr. 2013 Managing Executive Officer, General Manager of Financial Service Division, MSI Executive Officer, the Company (present) Apr. 2014 Director, Managing Executive Officer, General Manager of Financial Service Division, MSI (present)	Financial Services Business
Director Executive Officer	Junichi Ui (May 20, 1952)	Please see data in "Directors" section	Assists Management
Executive Officer	Tetsuya Yoshikawa (June 3, 1957)	Apr. 1980 Entered The Sumitomo Marine and Fire Insurance Co., Ltd. Apr. 2011 Executive Officer, General Manager of Hokkaido Division, Mitsui Sumitomo Insurance Co., Ltd. ("MSI") Apr. 2013 Managing Executive Officer, General Manager of Hokkaido Division, MSI Apr. 2014 Director, Managing Executive Officer, MSI (present) Executive Officer, the Company (present)	Administration and Information Systems
Executive Officer	Masahiro Matsumoto (June 18, 1957)	Apr. 1981 Entered Taisho Marine and Fire Insurance Co., Ltd. Apr. 2011 Executive Officer, General Manager of International Department, Mitsui Sumitomo Insurance Co., Ltd. ("MSI") Apr. 2014 Director, Managing Executive Officer, MSI (present) Executive Officer, the Company (present)	Overseas Business
Executive Officer	Mikito Hirano (Dec. 8, 1959)	Apr. 1982 Entered The Chiyoda Fire and Marine Insurance Co., Ltd. Apr. 2011 Associate Director, General Manager of Saitama Division, Aioi Nissay Dowa Insurance Co., Ltd. ("ADI") Apr. 2014 Executive Officer, ADI (present) Executive Officer, the Company (present)	Claims Services

Group Business Schematic (As of March 31, 2014)

The primary businesses undertaken by MS&AD Holdings and its Group companies (subsidiaries and affiliates), and the main Group companies undertaking each business, are listed below.



Note: The above shows the primary consolidated subsidiaries and other entities in each business.
The ★ and ● symbols indicate the following: ★: Consolidated subsidiary ●: Equity-method affiliate

Main Subsidiaries

1) CONSOLIDATED SUBSIDIARIES

Name of company	Location	Date of incorporation	Principal business	Paid-in capital	Voting rights of MS&AD Holdings (%)	Voting rights of subsidiaries (%)
Mitsui Sumitomo Insurance Co., Ltd.	Chiyoda-ku, Tokyo	Oct. 21, 1918	Domestic non-life insurance	¥139,595 million	100.0%	—
Aioi Nissay Dowa Insurance Co., Ltd.	Shibuya-ku, Tokyo	June 30, 1918	Domestic non-life insurance	¥100,005 million	100.0%	—
Mitsui Direct General Insurance Co., Ltd.	Bunkyo-ku, Tokyo	June 3, 1999	Domestic non-life insurance	¥32,600 million	69.6%	—
au Insurance Company, Limited	Shibuya-ku, Tokyo	Feb. 23, 2010	Domestic non-life insurance	¥2,400 million	—	66.6%
Mitsui Sumitomo Aioi Life Insurance Co., Ltd.	Chuo-ku, Tokyo	Aug. 8, 1996	Domestic life insurance	¥35,500 million	100.0%	—
Mitsui Sumitomo Primary Life Insurance Co., Ltd.	Chuo-ku, Tokyo	Sept. 7, 2001	Domestic life insurance	¥41,060 million	100.0%	—
MITSUI SUMITOMO INSURANCE Venture Capital Co., Ltd.	Chuo-ku, Tokyo	Dec. 6, 1990	Financial services	¥1,000 million	—	100.0%
InterRisk Research Institute & Consulting, Inc.	Chiyoda-ku, Tokyo	Jan. 4, 1993	Risk-related services	¥330 million	50.0%	50.0%
MSIG Holdings (Americas), Inc.	New York, U.S.A.	Oct. 21, 1988	Overseas	US\$4,126 thousand	—	100.0%
Mitsui Sumitomo Insurance USA Inc.	New York, U.S.A.	Jan. 28, 1988	Overseas	US\$5,000 thousand	—	100.0%
Mitsui Sumitomo Insurance Company of America	New York, U.S.A.	Mar. 29, 2001	Overseas	US\$5,000 thousand	—	100.0%
Aioi Nissay Dowa Insurance Company of America	New York, U.S.A.	Jan. 11, 1994	Overseas	US\$5,000 thousand	—	100.0%
DTRIC Insurance Company, Limited	Honolulu, U.S.A.	Dec. 12, 1978	Overseas	US\$2,500 thousand	—	74.8%
DTRIC Insurance Underwriters, Limited	Honolulu, U.S.A.	Feb. 2, 2007	Overseas	US\$2,500 thousand	—	100.0%
Mitsui Sumitomo Seguros S/A.	São Paulo, Brazil	Dec. 15, 1965	Overseas	BRL281,368 thousand	—	100.0%
MSIG Holdings (Europe), Limited	London, U.K.	Mar. 7, 2000	Overseas	UK£290,843 thousand	—	100.0%
Mitsui Sumitomo Insurance (London Management) Ltd.	London, U.K.	Jan. 6, 2000	Overseas	UK£35,960 thousand	—	100.0%
Mitsui Sumitomo Insurance Company (Europe), Limited	London, U.K.	July 28, 1972	Overseas	UK£160,900 thousand	—	100.0%
Mitsui Sumitomo Insurance (London) Limited	London, U.K.	Oct. 6, 1975	Overseas	UK£40,700 thousand	—	100.0%
MSI Corporate Capital Limited	London, U.K.	Jan. 7, 2000	Overseas	UK£5,200 thousand	—	100.0%
Aioi Nissay Dowa Insurance Company of Europe Limited	London, U.K.	Nov. 12, 2004	Overseas	UK£183,756 thousand	—	100.0%
Dowa Insurance Company (Europe) Limited	London, U.K.	Nov. 28, 1975	Overseas	UK£10,000 thousand	—	100.0%
MSIG Insurance Europe AG	Koeln, Germany	Apr. 20, 2012	Overseas	€84,000 thousand	—	100.0%
Aioi Nissay Dowa Life Insurance of Europe AG	Ismaning, Germany	Dec. 8, 2005	Overseas	€5,000 thousand	—	100.0%
MS Frontier Reinsurance Limited	Hamilton, Bermuda	Sept. 9, 1997	Overseas	US\$294,588 thousand	—	100.0%
MS Financial Reinsurance Limited	Hamilton, Bermuda	Nov. 21, 2011	Financial services	¥46 million	—	100.0%
Mitsui Sumitomo Reinsurance Limited	Dublin, Ireland	Feb. 11, 1999	Overseas	€20,000 thousand	—	100.0%
MSIG Holdings (Asia) Pte. Ltd.	Singapore, Singapore	Sept. 23, 2004	Overseas	S\$1,075 million	—	100.0%
MSIG Insurance (Singapore) Pte. Ltd.	Singapore, Singapore	Sept. 23, 2004	Overseas	S\$333,442 thousand	—	100.0%
Aioi Nissay Dowa Insurance Company Australia Pty Ltd.	Melbourne, Australia	Aug. 1, 2008	Overseas	AUD37,300 thousand	—	100.0%
MSIG Mingtai Insurance Co., Ltd.	Taipei, Taiwan	Sept. 22, 1961	Overseas	NT\$2,535 million	—	100.0%
Mitsui Sumitomo Insurance (China) Company Limited	Shanghai, P.R.C.	Sept. 6, 2007	Overseas	RMB500,000 thousand	—	100.0%
Aioi Nissay Dowa Insurance (China) Company Limited	Tianjin, P.R.C.	Jan. 23, 2009	Overseas	RMB260,000 thousand	—	100.0%
MSIG Insurance (Hong Kong) Limited	Hong Kong, P.R.C.	Sept. 8, 2004	Overseas	HK\$1,625 million	—	100.0%
MSIG Insurance (Vietnam) Company Limited	Hanoi, Vietnam	Feb. 2, 2009	Overseas	VND300,000 million	—	100.0%
PT. Asuransi MSIG Indonesia	Jakarta, Indonesia	Dec. 17, 1975	Overseas	IDR40,000 million	—	80.0%
MSIG Insurance (Thailand) Public Company Limited	Bangkok, Thailand	Apr. 14, 1983	Overseas	THB142,666 thousand	—	80.3%
MSIG Insurance (Malaysia) Bhd.	Kuala Lumpur, Malaysia	Apr. 28, 1979	Overseas	MYR333,142 thousand	—	65.4% [1.4%]
MSIG Insurance (Lao) Co., Ltd.	Vientiane, Laos	Sept. 18, 2009	Overseas	US\$2,000 thousand	—	51.0%
MSC Corporation	Grand Cayman, Cayman Islands	Nov. 3, 2006	Financial services	US\$1,000	—	[100.0%]

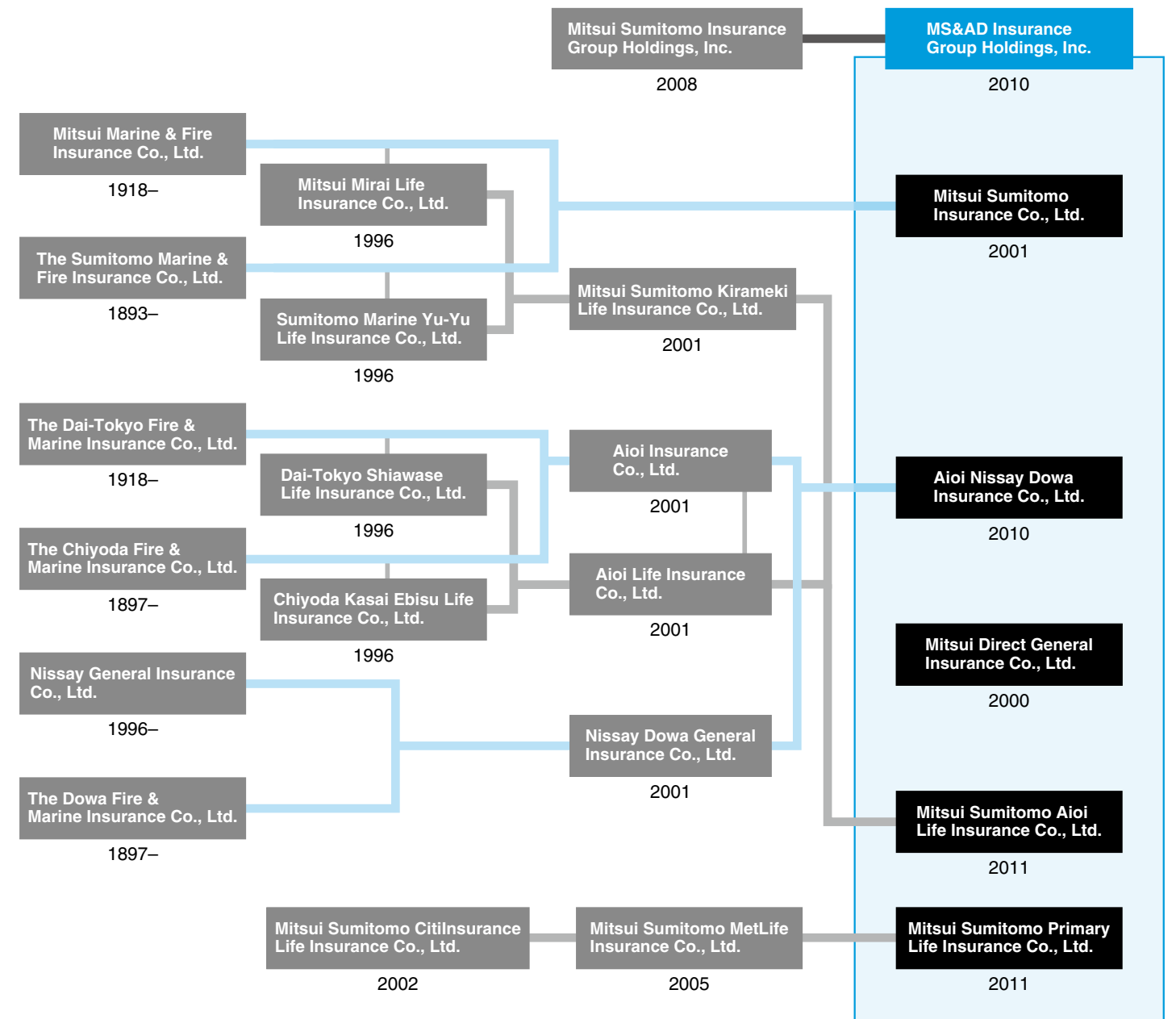
Notes: 1. Figures in square brackets [] represent the percentage of voting rights belonging to closely allied entities or entities who are in agreement with MS&AD on voting issues.
2. Although the voting rights held in MSC Corporation are below 50%, that company is considered a subsidiary because the Group has effective control of that company.

2) EQUITY-METHOD AFFILIATES

Name of company	Location	Date of incorporation	Principal business	Paid-in capital	Voting rights of MS&AD Holdings (%)	Voting rights of subsidiaries (%)
Sumitomo Mitsui Asset Management Company, Limited	Minato-ku, Tokyo	July 15, 1985	Financial services	¥2,000 million	—	27.5%
Max Life Insurance Company Limited	New Delhi, India	July 11, 2000	Overseas	INR19,446 million	—	26.0%
Cholamandalam MS General Insurance Company Limited	Chennai, India	Nov. 2, 2001	Overseas	INR2,988 million	—	26.0%
PT. Asuransi Jiwa Sinarmas MSIG	Jakarta, Indonesia	July 17, 1984	Overseas	IDR105,000 million	—	50.0%
BPI/MS Insurance Corporation	Makati, Philippines	Oct. 1, 1965	Overseas	PHP350,000 thousand	—	48.5%
Hong Leong Assurance Berhad	Petaling Jaya, Malaysia	Dec. 20, 1982	Overseas	MYR200,000 thousand	—	30.0%

History and Development

April 2008	Mitsui Sumitomo Insurance Group Holdings, Inc. is incorporated. Mitsui Sumitomo Insurance Group Holdings, Inc. is listed on the Tokyo Stock Exchange, Osaka Securities Exchange (merged with the Tokyo Stock Exchange in July 2013), and Nagoya Stock Exchange.
September 2009	Aioi Insurance Co., Ltd., Nissay Dowa General Insurance Co., Ltd., and Mitsui Sumitomo Insurance Group Holdings, Inc. reach basic agreement on business integration. Plans are announced regarding corporate names, business scope, head office locations, representatives, stock transfers, etc.
April 2010	Name of the Group changed to MS&AD Insurance Group Holdings, Inc.
October 2010	Aioi Insurance Co., Ltd. and Nissay Dowa General Insurance Co., Ltd. merged into Aioi Nissay Dowa Insurance Co., Ltd.
April 2011	MS&AD Holdings acquire a 100% stake in Mitsui Sumitomo MetLife Insurance Co., Ltd. and renamed it Mitsui Sumitomo Primary Life Insurance Co., Ltd.
October 2011	Mitsui Sumitomo Kirameki Life Insurance Co., Ltd. and Aioi Life Insurance Co., Ltd. merged into Mitsui Sumitomo Aioi Life Insurance Co., Ltd.
September 2013	MS&AD Insurance Group Holdings, Inc., Mitsui Sumitomo Insurance Co., Ltd., Aioi Nissay Dowa Insurance Co., Ltd., and Mitsui Sumitomo Aioi Life Insurance Co., Ltd. reach basic agreement on "reorganization by function."



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Five-Year Summary (Unaudited)

Download Data Sheet 

The figures for FY2009 represent the results of Mitsui Sumitomo Insurance Group Holdings, Inc. and its subsidiaries, and figures for FY2010, FY2011, FY2012, and FY2013 represent the results of MS&AD Insurance Group Holdings, Inc. and its subsidiaries.

The fiscal year denotes the year commencing on April 1 of each year and ending on the following March 31.

	Yen in millions					US\$ in millions
	FY2009	FY2010	FY2011	FY2012	FY2013	FY2013
Ordinary income:	¥1,962,689	¥ 3,404,942	¥ 3,764,986	¥ 4,315,787	¥ 4,362,754	\$ 42,357
Net premiums written	1,394,164	2,543,786	2,555,551	2,639,015	2,811,611	27,297
Ordinary profit/(loss)	52,695	21,005	(96,211)	150,300	190,259	1,847
Net income/(loss)	37,640	5,420	(169,469)	83,625	93,451	907
Comprehensive income/(loss)	327,417	(189,373)	(88,136)	543,938	322,865	3,135
Net assets	1,311,082	1,633,381	1,512,134	2,021,625	2,285,832	22,193
Total assets	7,519,625	11,445,003	14,537,204	15,914,663	16,878,148	163,866

	Yen					US\$
	FY2009	FY2010	FY2011	FY2012	FY2013	FY2013
Net income/(loss) per share	¥ 89.84	¥ 8.68	¥ (272.49)	¥ 134.46	¥ 150.58	\$ 1.46
Net assets per share	3,143.32	2,597.19	2,400.48	3,215.33	3,646.22	35.40
Equity ratio	17.35%	14.11%	10.27%	12.56%	13.39%	
Return on equity	3.25%	0.37%	(10.91)%	4.79%	4.42%	
Price earnings ratio	28.88	218.06	–	15.36	15.70	

	Yen in millions					US\$ in millions
	FY2009	FY2010	FY2011	FY2012	FY2013	FY2013
Cash flows						
Cash flows from operating activities	¥ (33,930)	¥ (59,339)	¥(205,272)	¥118,751	¥489,950	\$4,757
Cash flows from investing activities	52,741	89,783	149,960	(165,248)	(549,136)	(5,331)
Cash flows from financing activities	(104,320)	19,893	65,442	33,590	(57,323)	(557)
Cash and cash equivalents at the end of year	377,158	687,267	711,710	716,221	625,084	6,069
Number of employees	21,908	36,538	36,929	36,643	37,055	

Note: U.S. dollar amounts in this report have been translated from yen, for convenience only, at the rate of ¥103=US\$1. For details, see Note 1 of Significant Accounting Policies (P66).

KEY BUSINESS RESULTS OF THE THREE GROUP COMPANIES (SIMPLE SUM)

	Yen in millions
	FY2009
Net premiums written	¥ 2,519,022
Ordinary profit/(loss)	99,131
Net income/(loss)	57,340
Total assets	11,481,312

Notes: 1. The figures in the above table are a simple sum of the results of MSI Group Holdings (consolidated), Aioi Insurance (consolidated), and Nissay Dowa General Insurance (non-consolidated).

2. The figures in the above table are presented exclusive of Good Result Return premiums of MSI's proprietary automobile insurance product "Modo-Rich," which contains a special clause related to premium adjustment and refund at maturity.

Management's Discussion and Analysis (Japan GAAP)

1. OVERVIEW

This Management's Discussion and Analysis ("MD&A") aims to provide readers with information concerning matters that could affect the financial condition and business results of MS&AD Insurance Group Holdings, Inc. ("MS&AD Holdings") and its subsidiaries (collectively, "MS&AD"). Specifically, upon describing MS&AD's businesses and explaining points for consideration in the Overview section, the information provided herein includes: critical accounting policies and estimates, summary of business results, cash flow analysis and financial position, issues to be addressed by MS&AD, risk analysis, and the solvency margin ratios for MS&AD Group companies.

(1) Description of Businesses

The following is a description of MS&AD's principal businesses and the positioning of Group companies (121 subsidiaries and 28 affiliated companies as of March 31, 2014) within these businesses.

1) Domestic Non-Life Insurance Business

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

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

The following two subsidiaries operate MS&AD's life insurance business in Japan.

Mitsui Sumitomo Aioi Life Insurance Company, Limited ("MSAL")
Mitsui Sumitomo Primary Life Insurance Company, Limited ("MSPL")

3) Overseas Business

In Japan, MS&AD's overseas business is operated by the overseas divisions of its domestic non-life insurance subsidiaries; and in overseas countries the overseas business is operated by overseas subsidiaries, including Mitsui Sumitomo Insurance USA Inc., Mitsui Sumitomo Insurance Company (Europe), Limited, and MSIG Insurance (Singapore) Pte. Ltd., and by overseas branches of MS&AD's domestic non-life insurance subsidiaries.

4) Financial Services Business

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

5) Risk-Related Services Business

MS&AD's risk-related business, including risk management, nursing care, and asset appraisal businesses, are operated by InterRisk Research Institute & Consulting, Inc., Mitsui Sumitomo Insurance Care Network Company, Limited, and others.

(2) Points to Be Noted Regarding Figures

MSI and ADI, the core companies of MS&AD, are Japanese corporations and prepare legal consolidated financial statements in accordance with accounting principles generally accepted in Japan ("Japan GAAP"). In addition, as MS&AD's insurance revenues (net premiums written) are mainly derived from the Japanese market, the preparation of various MS&AD business plans as well as the management of monthly business results are essentially based on Japan GAAP. As such, MS&AD New Frontier 2013, MS&AD's medium-term management plan from fiscal 2011 to fiscal 2013, has been prepared based on the concept of "Group Core Profit" mainly under Japan GAAP. Therefore, in principle, this MD&A section uses figures in accordance with Japan GAAP.

2. CRITICAL ACCOUNTING POLICIES AND ESTIMATES

MS&AD Holdings' consolidated financial statements are prepared in accordance with Japan GAAP. The preparation of these financial statements requires the management of MS&AD Holdings to select and apply accounting policies as well as to make a number of estimates for forecasts on revenues and expenses. Management bases its estimates on historical experience and other assumptions that it believes are reasonable. Nevertheless, these estimates contain inherent uncertainties and thus actual results could differ.

Significant accounting policies used in the preparation of MS&AD Holdings' consolidated financial statements are presented in "5. Accounting policies" in the "Significant Accounting Policies" of the "Notes to Consolidated Financial Statements." Management recognizes that the following significant accounting policies and estimates could have significant impacts on its consolidated financial statements.

1) Method for Determination of Fair Value

A portion of assets and liabilities is recorded on the balance sheets at fair values. Their fair values are determined based on market prices. For derivatives for which market prices are not available, the estimate of fair value is based on the present value of future cash flows, the indication of reference obligations, the contract periods, and other components.

2) Impairment of Marketable Securities

Marketable securities are subject to the risk of price fluctuations in securities markets. Accordingly, MS&AD carries out impairment accounting for securities based on reasonable criteria set by MS&AD in accordance with relevant accounting standards and practices. If the securities markets decline, MS&AD's marketable securities could be subject to losses on their devaluation.

3) Impairment of Fixed Assets

MS&AD carries out impairment accounting to reflect recoverable amounts under certain conditions for fixed assets for which investment amounts are unlikely to be recovered due to a decline in value. 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) or 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 assumptions and forecasts which MS&AD considers reasonable. Consequently, an additional impairment loss could be incurred in the event of a change in the usage of the 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 which MS&AD considers reasonable. Because 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 to estimates of future taxable income.

5) Allowance for Credit Losses

In preparation for losses on bad credit, MS&AD records estimated amounts deemed to be unrecoverable as an allowance for credit losses. There is a possibility of a change in initial estimated amounts for unrecoverable amounts, as well as in amounts recorded as an allowance for credit losses, due to changes in the financial condition of the debtor.

6) Outstanding Claims

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

7) Underwriting Reserves

To execute future obligations in accordance with insurance contracts, MS&AD sets aside underwriting reserves. It could become necessary to increase policy reserves and other provisions in the event of significant changes in the business environment and conditions initially forecasted and in the event of unforeseen losses and claims.

8) Retirement Benefit Expenses and Retirement Benefit Obligations

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

3. SUMMARY OF BUSINESS RESULTS

During the fiscal year under review, the Japanese economy was on a gradual recovery trend with an improvement in corporate earnings, a pickup in capital expenditures, and a growth in consumer spending backed primarily by expectations of an economic recovery resulting from the government's economic policies.

While insurance premium income increased as a reflection of such economic trends, the business environment surrounding the non-life insurance industry continued to be challenging due to the effects of heavy snowfall and other natural disasters. In the life insurance industry, despite the increase in small-scale policies, an increase in the number of policies held put an end to the declining trend in the balance of policies in force.

In view of these business conditions, the Group focused on realizing growth of its domestic non-life insurance business, domestic life insurance business, overseas business, financial services business, and risk-related services business by improving the quality of its products and services, as well as on improving profitability by leveraging the synergy of the Group through such means as integrating systems and enhancing the efficiency of operations, as it headed into the final year of the MS&AD New Frontier 2013 medium-term management plan, which began in fiscal 2010. MS&AD Insurance Group Holdings, as the Holding Company of the MS&AD Insurance Group, provided business administration support and expertise to Group companies, including the creation of Group-wide business strategies, and reinforcement of risk management and compliance frameworks.

In addition, on September 27, 2013, the Company, Mitsui Sumitomo Insurance Co., Ltd., Aioi Nissay Dowa Insurance Co., Ltd., and Mitsui Sumitomo Aioi Life Insurance Co., Ltd. agreed to reorganize by function in order to enhance corporate value through "Growth" and "Efficiency" for the Group as a whole. This includes reorganizing businesses and sales channels, consolidating sales networks and company bases, sharing company bases, the transfer of third-sector long-term contracts to Mitsui Sumitomo Aioi Life Insurance Co., Ltd., the reorganization of overseas business, and reinforcement of the Company's corporate governance, and they were scheduled to be implemented progressively from April 2014 onwards. From October 2013, the Group launched some early steps toward implementing the agreement, including consolidation of headquarters functions. Against this background, the Company reported the following consolidated revenues and earnings in the fiscal year under review.

[Key Consolidated Financial Indicators]

	(Yen in millions)			
	FY2012	FY2013	Change	Change (%)
Net premiums written	¥2,639,015	¥2,811,611	¥172,595	6.5
Life insurance premiums	569,022	678,978	109,955	19.3
Ordinary profit	150,300	190,259	39,958	26.6
Net income	83,625	93,451	9,826	11.8

In the non-life insurance business, net premiums written rose ¥172.5 billion year on year, to ¥2,811.6 billion, mainly because of revenue growth at all domestic non-life insurance subsidiaries as well as at overseas insurance subsidiaries.

In the life insurance business, life insurance premiums rose ¥109.9 billion year on year, to ¥678.9 billion, mainly because of an increase in life insurance premiums at MSI Primary Life.

Reflecting such factors as a rise in underwriting income owing to the increase in net premiums written, as well as to a decrease in investment expenses that primarily resulted from a drop in impairment losses on securities, the Company posted an ordinary profit of ¥190.2 billion, up ¥39.9 billion from the previous fiscal year. After factoring in extraordinary income and losses, income taxes, and other factors to ordinary profit, net income amounted to ¥93.4 billion, up ¥9.8 billion from the previous fiscal year, and this reflected such factors as a drawing down of deferred tax assets accompanying a change to the subsequent period effective tax rate.

Insurance premiums written and claims paid for each class of insurance were as follows.

Direct Premiums Written (including Deposit premiums from policyholders)

Lines of Insurance	FY2012			FY2013		
	Amount	Share (%)	Change (%)	Amount	Share (%)	Change (%)
Fire and Allied	¥ 548,666	18.0	6.9	¥ 590,674	18.3	7.7
Marine	107,893	3.5	2.4	121,387	3.8	12.5
Personal Accident	352,446	11.6	(1.7)	347,562	10.8	(1.4)
Voluntary Automobile	1,327,991	43.5	2.8	1,378,126	42.8	3.8
Compulsory Automobile Liability	321,641	10.6	4.8	352,649	10.9	9.6
Other	391,322	12.8	2.7	432,409	13.4	10.5
Total	¥3,049,962	100.0	3.2	¥3,222,809	100.0	5.7
Deposit premiums from policyholders	163,936	5.4	(4.7)	151,449	4.7	(7.6)

(Notes)

- The figures represent amounts after elimination of internal transactions between segments.
- Direct premiums written (including deposit premiums from policyholders) are the premium amount received minus the surrender value of the policy and other money returned to policyholders. (It includes deposit premiums from policyholders for savings-type insurance.)

Net Premiums Written

Lines of Insurance	FY2012			FY2013		
	Amount	Share (%)	Change (%)	Amount	Share (%)	Change (%)
Fire and Allied	¥ 354,012	13.4	4.2	¥ 398,163	14.2	12.5
Marine	87,312	3.3	(0.1)	97,054	3.5	11.2
Personal Accident	222,865	8.4	1.5	227,546	8.1	2.1
Voluntary Automobile	1,337,106	50.7	2.9	1,393,198	49.5	4.2
Compulsory Automobile Liability	310,521	11.8	6.5	338,245	12.0	8.9
Other	327,197	12.4	2.9	357,402	12.7	9.2
Total	¥2,639,015	100.0	3.3	¥2,811,611	100.0	6.5

(Note) The figures represent amounts after elimination of internal transactions between segments.

Net Claims Paid

Lines of Insurance	FY2012			FY2013		
	Amount	Share (%)	Change (%)	Amount	Share (%)	Change (%)
Fire and Allied	¥ 315,906	18.2	(33.3)	¥ 252,695	15.1	(20.0)
Marine	40,490	2.3	(17.0)	51,532	3.1	27.3
Personal Accident	113,462	6.5	0.1	115,636	6.9	1.9
Voluntary Automobile	831,073	47.7	(2.0)	805,460	48.2	(3.1)
Compulsory Automobile Liability	264,802	15.2	0.6	261,349	15.7	(1.3)
Other	175,049	10.1	(10.0)	183,667	11.0	4.9
Total	¥1,740,784	100.0	(10.3)	¥1,670,343	100.0	(4.0)

(Note) The figures represent amounts after elimination of internal transactions between segments.

Segment Information

1) Domestic Non-life Insurance Business (MSI)

Ordinary income was ¥1,731.3 billion after recording underwriting income of ¥1,586.5 billion, investment income of ¥141.6 billion, and other ordinary income of ¥3.1 billion. Meanwhile, ordinary expenses came to ¥1,629.3 billion resulting from underwriting expenses of ¥1,388.1 billion, investment expenses of ¥8.4 billion, operating expenses and general and administrative expenses of ¥214.5 billion, and other ordinary expenses of ¥18.2 billion.

As a result, ordinary profit was ¥101.9 billion with an increase of ¥36.6 billion from the previous fiscal year. After factoring in extraordinary income and losses, income taxes, and other factors to ordinary profit, net income came to ¥58.0 billion, an increase of ¥15.3 billion from the previous fiscal year.

2) Domestic Non-Life Insurance Business (ADI)

Ordinary income was ¥1,317.8 billion after recording underwriting income of ¥1,245.8 billion, investment income of ¥68.9 billion, and other ordinary income of ¥3.0 billion. Meanwhile, ordinary expenses came to ¥1,289.9 billion resulting from underwriting expenses of ¥1,081.1 billion, investment expenses of ¥9.8 billion, operating expenses and general and administrative expenses of ¥197.8 billion, and other ordinary expenses of ¥1.0 billion.

As a result, ordinary profit was ¥27.8 billion with an increase of ¥2.0 billion from the previous fiscal year. After factoring in extraordinary income and losses, income taxes, and other factors to ordinary profit, net income came to ¥13.1 billion, a decrease of ¥5.7 billion from the previous fiscal year.

3) Domestic Non-Life Insurance Business (Mitsui Direct General)

Ordinary income was ¥35.7 billion after recording underwriting income of ¥35.6 billion and investment income of ¥0.1 billion. Meanwhile, ordinary expenses came to ¥35.4 billion resulting from underwriting expenses of ¥28.3 billion and operating expenses and general and administrative expenses of ¥7.1 billion.

As a result, ordinary profit and net income were each ¥0.2 billion, a decrease of ¥0.2 billion each. Consequently, net income after taking ownership interests into account (net income by segment) was ¥0.1 billion, a decrease of ¥0.1 billion from the previous fiscal year.

4) Domestic Life Insurance Business (MSAL)

Ordinary income was ¥461.1 billion after recording insurance premiums and others of ¥417.6 billion, investment income of ¥41.5 billion, and other ordinary income of ¥1.9 billion. Meanwhile, ordinary expenses came to ¥443.6 billion resulting from insurance claims and others of ¥166.6 billion, provision for policy reserves and others of ¥197.1 billion, investment expenses of ¥1.1 billion, operating expenses of ¥71.0 billion, and other ordinary expenses of ¥7.7 billion.

As a result, ordinary profit was ¥17.4 billion, an increase of ¥10.0 billion from the previous fiscal year. After factoring in extraordinary income and losses, income taxes, and other factors to ordinary profit, net income of ¥6.6 billion was reported, an increase of ¥6.2 billion from the previous fiscal year.

5) Domestic Life Insurance Business (MSPL)

Ordinary income was ¥1,218.0 billion after recording insurance premiums and others of ¥829.4 billion, investment income of ¥383.5 billion, and other ordinary income of ¥5.1 billion. Meanwhile, ordinary expenses came to ¥1,178.1 billion resulting from insurance claims and others of ¥762.4 billion, provision for policy reserves and others of ¥349.3 billion, investment expenses of ¥1.0 billion, operating expenses of ¥58.9 billion, and other ordinary expenses of ¥6.4 billion.

As a result, ordinary profit was ¥39.8 billion, an increase of ¥0.9 billion from the previous fiscal year. After factoring in extraordinary income and losses, income taxes, and other factors to ordinary profit, net income came to ¥17.9 billion, an increase of ¥7.5 billion from the previous fiscal year.

6) Overseas Business (Overseas Insurance Subsidiaries)

Net premiums written in the overseas insurance subsidiaries segment rose by ¥54.4 billion compared to the previous fiscal year to ¥240.6 billion.

Ordinary profit came to ¥29.8 billion, an increase of ¥11.0 billion from the previous fiscal year, and net income (net income by segment) came to ¥19.9 billion, an increase of ¥7.2 billion from the previous fiscal year.

4. CASH FLOW ANALYSIS

With regard to cash flows in the fiscal year under review, net cash flows provided by operating activities were ¥489.9 billion, an increase of ¥371.1 billion from the previous fiscal year, mainly due to a rise in insurance premium income. Net cash flows used in investing activities were ¥549.1 billion, an increase of ¥383.8 billion from the previous fiscal year, mainly due to an increase in purchase of securities. Net cash flows used in financing activities were ¥57.3 billion, an increase of ¥90.9 billion from the previous fiscal year, mainly due to a decrease in revenues stemming from issuance of bonds. As a result, the ending balance of cash and cash equivalents in the fiscal year under review stood at ¥625.0 billion, a decrease of ¥91.1 billion from the previous fiscal year.

5. ISSUES TO BE ADDRESSED BY MS&AD

While the insurance industry is expected to benefit from the economic recovery, the business environment is expected to remain difficult to forecast due to such factors as increased risk from natural disasters and Japan's declining population.

In this business environment, the Group launched a new medium-term management plan in fiscal 2014 titled Next Challenge 2017. The plan aims to increase the corporate value of the Group as a whole, based on the key goals of sustaining growth, ensuring soundness, and improving profitability and capital efficiency. Based on this plan, we will complete the reorganization by function, enhance the Group's corporate governance, promote enterprise risk management (ERM), restructure our businesses structure in line with changes in the business environment, establish a corporate culture of professionalism to tackle business challenges, and develop our human resources. Through these initiatives, we will build a world-leading insurance and financial group as we work tirelessly to grow and take on new challenges.

6. RISK ANALYSIS

Risks related to the Group's business performance and financial condition that may potentially have significant influence on investor decisions include the following.

(i) Asset management risk

The Group holds various assets under management, including marketable 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 performance. The main kinds of such risks are as follows.

a. Risk of decline in stock prices

The Group holds large amounts of stock for the purpose of maintaining relationships with business partners over the medium-to-long term. There is a risk of a negative impact on the Group's business results due to a reduction in the value of these assets, impairment losses, and loss on sales in the event of a decline in stock prices.

b. Interest rate risk

There is a risk of a decrease in the value of the Group's assets due to a decline in the value of such fixed-interest-rate asset bonds and loans in the event of a rise in interest rates. Furthermore, the Group sells savings-type products as well as long-term, third-sector products and life insurance based on a predetermined fixed rate of return. Therefore, if interest rates rise, the value of insurance liabilities will decrease, even if the asset value decreases.

c. Exchange rate risk

The Group holds assets and liabilities denominated in such foreign currencies as the U.S. dollar, and there is a risk that the value of those assets and liabilities may change owing to the impact of currency exchange rate movements.

d. Credit risk

The value of the Group's assets, such as stocks, corporate bonds, loans, and credit and guarantee insurance contracts, could be diminished by lowered creditworthiness or bankruptcies of stock and bond issuers or borrowers, or disruptions in the credit markets. There is a risk that this could cause a decline in the asset value or prevent the Group from recovering principal and/or interest.

(ii) Risk of large insurance claims due to natural disasters

The Group utilizes reinsurance and builds appropriate catastrophe reserves, so it is able to properly respond to instances of large claim payments arising from catastrophic events such as typhoons and earthquakes. Nonetheless, there is a risk of a negative impact on the Group's business results due to excessive payments caused by larger than-expected natural disasters.

(iii) Liquidity risk

If there is an increase of payments of insurance claims from a natural disaster, the Group's cash flows may deteriorate and force the Group to procure funds through transactions with significantly more disadvantageous terms than normally. There is also a risk that market disruptions could force the Group to procure funds through transactions with costs significantly above normal levels. There is a risk that such situations could have a negative impact on the Group's business results.

(iv) Reinsurance 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 the inability to recover reinsurance claims in the event of the bankruptcy of reinsurance companies.

(v) Risk of loss resulting from unforeseen changes, including changes in economic and social environments

Although insurance companies set premium levels based on forecasts of probable future losses from insurance contracts, the actual amount of losses may exceed the forecasts. This is particularly true when the term of coverage is long because of the possibility of significant changes in the economic and social environments initially expected. Accordingly, there is a risk of a negative impact on the Group's business results due to the need for additional provisions for policy liabilities.

(vi) Risk related to intensified competition within the insurance industry

The Group's business environment is becoming increasingly harsh due to such factors as new entrants coming into the insurance industry in conjunction with ongoing deregulation and downward pressure on premium levels. There is a risk that the Group's business results could be negatively impacted from intensified competition due to further deregulation and increased entry of new participants.

(vii) Risk associated with domestic life insurance business

The Group is working to expand its domestic life insurance business as one of its growth areas. However, the domestic life insurance business is seeing increasing competition from other life insurance companies, mainly major domestic life insurance providers and providers from overseas. In this operating environment, there are various risks specific to the life insurance business, such as the risk that the Group may be unable to develop a stable market position or that actual events may differ significantly from initial forecasts due to uncertainties in mortality rate and surrender trends given the long-term nature of insurance policies. Accordingly, there is a risk that these factors could have a negative impact on the Group's business results.

(viii) Risk associated with overseas business

The Group is aggressively expanding business overseas in such areas as Asia, Europe, and the Americas through branches and subsidiaries. With this comes the risk of unexpected changes in the political, economic, and social environments, regulatory changes, foreign currency fluctuations, and the occurrence of natural disasters and epidemics in these countries. In such an event, there is a risk of a negative impact on the Group's business results.

(ix) Risk of information leaks

The Group maintains large volumes of customer information, including personal information and confidential information, such as management data at each Group 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.

(x) Information systems risk

There is a risk that natural disasters, accidents, improper access via cyberattacks, system defects, and other factors could cause such problems as the stoppage, malfunction, or improper use of the Group's information systems. The Group is striving to manage such information systems risk; however, in the case of a large-scale information system problem involving a system stoppage, a system malfunction, or improper system use, there is a risk that it may have a negative impact on the Group's business results.

(xi) Business operation risk

This risk relates to the Group's business activities. Specifically, administrative errors, legal or regulatory violations, impropriety by employees, criminal conduct by outside parties, and the occurrence of disasters pose a risk of losing the trust of customers and society and a risk of interfering with business operations. The Group is striving to undertake appropriate management processes designed to prevent the occurrence of such situations and minimize the impact of such situations that cannot be prevented, but there is a risk that such situations could cause supervisory authorities to respond by imposing sanctions that could have a negative impact on the Group's business results.

(xii) Risk of business disruption

The Group has formulated a business continuity plan and prepared a crisis management framework to respond to the occurrence of natural disasters or such unusual events as an earthquake in the Tokyo metropolitan area or 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. These crisis management measures notwithstanding, the Group's business continuity could be inhibited, or the impact of the above disruptions could be greater than anticipated. In such an event, there is a risk of a negative impact on the Group's business results.

(xiii) Risk of not fully realizing synergies from business integration

The Group takes synergy effects from business integration into account when formulating management index 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 MSI Aioi Life finalized the "Agreement on Reorganization by Function" measures designed to promote the realization of such objectives as sustainable growth and the enhancement of corporate value. The Group is taking comprehensive risk management preparations to prevent business and information systems problems, insufficient responses to customers, and other potential problems associated with the implementation of "reorganization by function" measures; however, in the case that unforeseen confusion were to occur despite the preventative measures and impede the full realization of synergies from business integration, there is a risk of a negative impact on the Group's business results.

(xiv) Risks from changes in applicable laws, regulations, and systems

The Group conducts business based on the provisions of such applicable acts as the Insurance Business Act of Japan and issues financial reports in accordance with the laws, regulations, and accounting standards that relate to corporate accounting and tax affairs. Any future amendment to these applicable laws and regulations that requires a change to the methods of selling insurance products and the product content, as well as the methods for estimating and accounting for policy liabilities, deferred tax assets, and other items, may have a negative impact on the Group's business results.

(xv) Reputation risk

Rumors about the insurance industry or the Group have the potential to affect the social credibility of the Group, regardless of whether or not they are true. Such rumors can be created or spread through the mass media, postings on the Internet, or other means. The Group strives to minimize the effect of rumors by discovering them quickly and responding to them in a timely and appropriate fashion. However, if a malicious rumor were to be circulated, there is a risk that it may have a negative impact on the Group's business results.

7. IMPORTANT CONTRACTS, ETC., RELATING TO GROUP MANAGEMENT

On September 27, 2013, the Company, MSI, ADI, and MSI Aioi Life finalized the "Agreement on Reorganization by Function," which prescribes measures designed to promote the realization of such objectives as sustainable growth and the enhancement of corporate value. Based on the assumption that approval will be obtained from the concerned authorities, plans call for "reorganizing by function" the insurance companies under the umbrella of the Holding Company in ways overviewed below.

(1) Aim of reorganization by function

Bearing in mind the severe business environment due to such factors as demographic graying-induced market contraction and numerous natural disasters in recent years, we have decided to reorganize by function the insurance companies under the umbrella of the Holding Company as the second phase of management integration to respond appropriately with a sense of speed to such situations as the diversification of customer needs and sales methods and changes in the regulatory environment in Japan and overseas.

① Sustained growth and increase in corporate value of the MS&AD Group

By implementing the reorganization by function, we aim to achieve the following objectives to achieve sustained growth and increase the corporate value of the MS&AD Group:

- (a) Realize "Growth" and "Efficiency" across the entire Group,
- (b) Reinforce our response to diverse customer needs, and
- (c) Strengthen the governance system centered on the Holding Company.

② Clarifying the business concept of the Two Core Non-Life Insurance Companies

By clarifying the business concept of the Two Core Non-Life Insurance Companies, we will pursue the advantages of having multiple non-life insurance companies with unique characteristics in the Group, and aim to solidify our position as the leading non-life insurance group in Japan by increasing customer support and satisfaction.

- (a) MSI will demonstrate its comprehensive strength by providing superior products and services and will develop global insurance and financial services, both in domestic and foreign markets.
- (b) ADI will reinforce its relationship with its unique partner, Toyota Group/Nippon Life Group, which is one of its strengths, and capitalize on this to deliver superior products and services and develop into a region-based business. Furthermore, development in foreign markets will focus on ongoing retail business from Toyota dealers.

③ Centralization of long-term contracts in the third-sector insurance market

By centralizing the product supply function in MSI Aioi Life for long-term contracts in the third-sector insurance (medical insurance) market, which is set to grow in the future, we aim to realize efficient operations through the further improvement of the level of customer support and concentration of management resources, demonstrate the Group's comprehensive strength, and to become the number one life insurer of non-life insurance groups in Japan with regard to customer satisfaction, growth potential, and earning power.

(2) Details of reorganization by function

- ① Reorganization of business and sales channels
 - (a) Movement of hull, cargo, and aviation insurance to MSI.
 - (b) Migration to ADI of insurance contracts handled by MSI motor channel agencies that have ADI as a main business partner
- ② Reorganization of local sales networks and bases, joint use of bases
- ③ Transfer of long-term contracts in the third-sector insurance market to MSI Aioi Life
- ④ Reorganization of overseas business
- ⑤ Enhancing governance of the Holding Company and reorganization of headquarters' functions
 - (a) Enhancing governance of the Holding Company
 - (b) Reorganization of the headquarters functionality of the Holding Company, MSI, and ADI

8. SOLVENCY MARGIN RATIO

Insurance companies build reserves to cover payments of insurance claims. Moreover, they must secure adequate ability to cover payments even in the event of a crisis beyond the scale of what is ordinarily forecast, such as a major disaster or a significant decline in asset prices. An insurance company's payment capability, including capital and reserves, is known as the solvency margin total amount, "(A)" in the tables below, and its risk amount, "(B)" in the tables below, reflects such a risk exceeding ordinary forecasts. The ratio of (A) to (B) is an index called the solvency margin ratio, "(C)" in the tables below, which is calculated based on the Insurance Business Act.

The solvency margin ratio is an objective decision-making index used by government agencies for monitoring insurance companies and insurance holding companies. A solvency margin ratio of 200% or higher is taken to indicate that an insurance company has sufficient capability to pay insurance claims and other obligations.

The status of MS&AD and its domestic insurance subsidiaries as of the end of the fiscal year under review was as follows:

MS&AD Consolidated Solvency Margin Ratio

	(Yen in millions)	
	FY2012	FY2013
(A) Solvency margin total amount	¥3,314,532	¥3,661,639
(B) Risk amount	897,185	947,887
(C) Solvency margin ratio (A/(B × 1/2)) × 100	738.8%	772.5%

(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 Law and in the Financial Services Agency (FSA) Public Ministerial Announcement No. 23 of 2011.

Primarily due to an increase in the market value of shares held, MS&AD's consolidated solvency margin total amount increased by ¥347.1 billion versus the end of the previous fiscal year. As a result, the consolidated solvency margin ratio increased by 33.7 percentage points from the previous fiscal year-end, to 772.5%.

MSI

a. Non-Consolidated Solvency Margin Ratio

	(Yen in millions)	
	FY2012	FY2013
(A) Solvency margin total amount	¥1,958,579	¥2,120,694
(B) Risk amount	673,800	706,497
(C) Solvency margin ratio $(A/(B \times 1/2)) \times 100$	581.3%	600.3%

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

Primarily due to an increase in the market value of shares held, MSI's non-consolidated solvency margin total amount increased by ¥162.1 billion versus the end of the previous fiscal year. As a result, the non-consolidated solvency margin ratio increased by 19.0 percentage points from the previous fiscal year-end, to 600.3%.

b. Consolidated Solvency Margin Ratio

	(Yen in millions)	
	FY2012	FY2013
(A) Solvency margin total amount	¥1,852,738	¥2,029,893
(B) Risk amount	582,630	622,760
(C) Solvency margin ratio $(A/(B \times 1/2)) \times 100$	635.9%	651.9%

(Note) The consolidated solvency margin ratio is calculated based on the provisions in Article 86-2 and Article 88 of the Ordinance for Enforcement of the Insurance Business Act and FSA Public Ministerial Announcement No. 23 of 2011.

Primarily due to an increase in the market value of shares held, MSI's consolidated solvency margin total amount increased by ¥177.1 billion versus the end of the previous fiscal year. As a result, the consolidated solvency margin ratio increased by 16.0 percentage points from the previous fiscal year-end, to 651.9%.

ADI

a. Non-Consolidated Solvency Margin Ratio

	(Yen in millions)	
	FY2012	FY2013
(A) Solvency margin total amount	¥965,962	¥1,027,044
(B) Risk amount	297,599	272,396
(C) Solvency margin ratio $(A/(B \times 1/2)) \times 100$	649.1%	754.0%

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

Primarily due to an increase in the market value of shares held, ADI's non-consolidated solvency margin total amount increased by ¥61.0 billion versus the end of the previous fiscal year. As a result, the non-consolidated solvency margin ratio increased by 104.9 percentage points from the previous fiscal year-end, to 754.0%.

b. Consolidated Solvency Margin Ratio

	(Yen in millions)	
	FY2012	FY2013
(A) Solvency margin total amount	¥959,895	¥1,024,788
(B) Risk amount	291,370	265,605
(C) Solvency margin ratio $(A/(B \times 1/2)) \times 100$	658.8%	771.6%

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

Primarily due to an increase in the market value of shares held, ADI's consolidated solvency margin total amount increased by ¥64.8 billion versus the end of the previous fiscal year. As a result, the consolidated solvency margin ratio increased by 112.8 percentage points from the previous fiscal year-end, to 771.6%.

Mitsui Direct

Non-Consolidated Solvency Margin Ratio

	(Yen in millions)	
	FY2012	FY2013
(A) Solvency margin total amount	¥12,324	¥12,460
(B) Risk amount	5,740	5,921
(C) Solvency margin ratio $(A/(B \times 1/2)) \times 100$	429.4%	420.8%

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

Primarily due to an increase in the general insurance risk amount, which caused the total risk amount to rise ¥0.1 billion from the end of the previous fiscal year, the non-consolidated solvency margin ratio declined 8.6 percentage points from the previous fiscal year-end, to 420.8%.

MSI Aioi Life

Non-Consolidated Solvency Margin Ratio

	(Yen in millions)	
	FY2012	FY2013
(A) Solvency margin total amount	¥267,498	¥276,449
(B) Risk amount	40,845	43,710
(C) Solvency margin ratio $(A/(B \times 1/2)) \times 100$	1,309.8%	1,264.9%

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

Primarily due to an increase in the investment risk amount and the insurance risk amount with respect to third-sector insurance, which caused the total risk amount to rise ¥2.8 billion from the end of the previous fiscal year, the non-consolidated solvency margin ratio declined 44.9 percentage points from the previous fiscal year-end, to 1,264.9%.

MSI Primary Life

Non-Consolidated Solvency Margin Ratio

	(Yen in millions)	
	FY2012	FY2013
(A) Solvency margin total amount	¥267,510	¥347,258
(B) Risk amount	60,516	69,128
(C) Solvency margin ratio $(A/(B \times 1/2)) \times 100$	884.0%	1,004.6%

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

Primarily due to an increase in net income for the fiscal year under review, which caused the solvency margin total amount to rise ¥79.7 billion from the end of the previous fiscal year, the non-consolidated solvency margin ratio rose 120.6 percentage points from the previous fiscal year-end, to 1,004.6%.

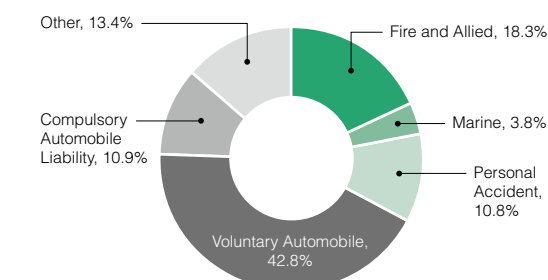
Premiums Written and Net Claims Paid — Non-Life Insurance (Unaudited)

(a) Direct Premiums Written (including deposit premiums from policyholders)

Lines of Insurance	(Yen in millions)												(US\$ in millions)			
	FY2009			FY2010			FY2011			FY2012			FY2013			FY2013
	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount
Fire and Allied	¥ 309,649	(1.5)	18.9	¥ 487,365	57.4	16.9	¥ 513,458	5.4	17.4	¥ 548,666	6.9	18.0	¥ 590,674	7.7	18.3	\$ 5,735
Marine	91,816	(17.0)	5.6	102,993	12.2	3.6	105,393	2.3	3.5	107,893	2.4	3.5	121,387	12.5	3.8	1,179
Personal Accident	246,694	(6.3)	15.1	367,750	49.1	12.7	358,440	(2.5)	12.1	352,446	(1.7)	11.6	347,562	(1.4)	10.8	3,374
Voluntary Automobile	615,907	0.1	37.6	1,277,752	107.5	44.3	1,291,429	1.1	43.7	1,327,991	2.8	43.5	1,378,126	3.8	42.8	13,380
Compulsory Automobile Liability	129,284	(6.0)	7.9	278,695	115.6	9.7	307,038	10.2	10.4	321,641	4.8	10.6	352,649	9.6	10.9	3,424
Other	243,482	(5.9)	14.9	370,215	52.1	12.8	380,999	2.9	12.9	391,322	2.7	12.8	432,409	10.5	13.4	4,198
Total	¥1,636,834	(3.7)	100.0	¥2,884,772	76.2	100.0	¥2,956,759	2.5	100.0	¥3,049,962	3.2	100.0	¥3,222,809	5.7	100.0	\$31,289
Deposit premiums from policyholders	¥ 145,026	(12.4)	8.9	¥ 196,070	35.2	6.8	¥ 172,021	(12.3)	5.8	¥ 163,936	(4.7)	5.4	¥ 151,449	(7.6)	4.7	\$ 1,470

DIRECT PREMIUMS WRITTEN (FY2013)

Total ¥3,222.8 Billion

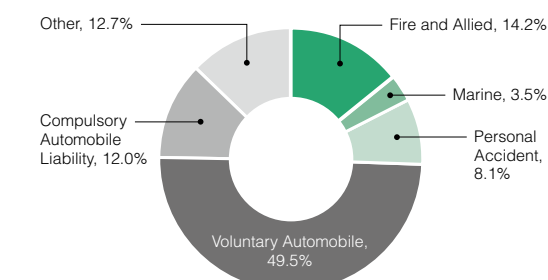


(b) Net Premiums Written

Lines of Insurance	(Yen in millions)												(US\$ in millions)			
	FY2009			FY2010			FY2011			FY2012			FY2013			FY2013
	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount
Fire and Allied	¥ 218,268	(0.8)	15.7	¥ 354,560	62.4	13.9	¥ 339,636	(4.2)	13.3	¥ 354,012	4.2	13.4	¥ 398,163	12.5	14.2	\$ 3,866
Marine	75,936	(18.9)	5.4	89,455	17.8	3.5	87,395	(2.3)	3.4	87,312	(0.1)	3.3	97,054	11.2	3.5	942
Personal Accident	135,128	(0.6)	9.7	212,790	57.5	8.4	219,520	3.2	8.6	222,865	1.5	8.4	227,546	2.1	8.1	2,209
Voluntary Automobile	610,955	0.4	43.8	1,291,900	111.5	50.8	1,299,499	0.6	50.9	1,337,106	2.9	50.7	1,393,198	4.2	49.5	13,526
Compulsory Automobile Liability	134,931	(9.1)	9.7	273,871	103.0	10.8	291,610	6.5	11.4	310,521	6.5	11.8	338,245	8.9	12.0	3,284
Other	218,944	(8.3)	15.7	321,208	46.7	12.6	317,890	(1.0)	12.4	327,197	2.9	12.4	357,402	9.2	12.7	3,470
Total	¥1,394,164	(3.6)	100.0	¥2,543,786	82.5	100.0	¥2,555,551	0.5	100.0	¥2,639,015	3.3	100.0	¥2,811,611	6.5	100.0	\$27,297

NET PREMIUMS WRITTEN (FY2013)

Total ¥2,811.6 Billion

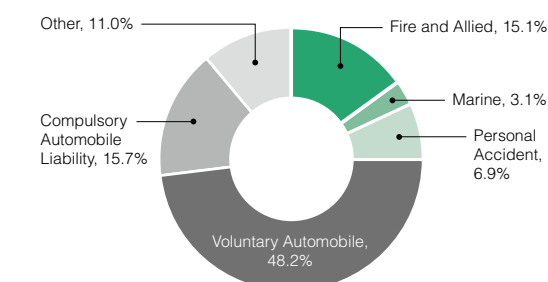


(c) Net Claims Paid

Lines of Insurance	(Yen in millions)												(US\$ in millions)			
	FY2009			FY2010			FY2011			FY2012			FY2013			FY2013
	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount
Fire and Allied	¥ 96,342	0.1	10.6	¥ 137,343	42.6	8.7	¥ 473,309	244.6	24.4	¥ 315,906	(33.3)	18.2	¥ 252,695	(20.0)	15.1	\$ 2,453
Marine	40,442	(4.8)	4.4	39,823	(1.5)	2.5	48,802	22.5	2.5	40,490	(17.0)	2.3	51,532	27.3	3.1	500
Personal Accident	77,046	7.1	8.4	112,581	46.1	7.1	113,345	0.7	5.8	113,462	0.1	6.5	115,636	1.9	6.9	1,123
Voluntary Automobile	395,925	0.7	43.3	837,013	111.4	52.8	848,161	1.3	43.7	831,073	(2.0)	47.7	805,460	(3.1)	48.2	7,820
Compulsory Automobile Liability	133,723	(2.7)	14.6	260,890	95.1	16.4	263,206	0.9	13.6	264,802	0.6	15.2	261,349	(1.3)	15.7	2,537
Other	171,210	13.1	18.7	198,475	15.9	12.5	194,546	(2.0)	10.0	175,049	(10.0)	10.1	183,667	4.9	11.0	1,783
Total	¥ 914,691	2.5	100.0	¥1,586,128	73.4	100.0	¥1,941,371	22.4	100.0	¥1,740,784	(10.3)	100.0	¥1,670,343	(4.0)	100.0	\$16,217

NET CLAIMS PAID (FY2013)

Total ¥1,670.3 Billion



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

(a) Policies in Force

	(Yen in millions; US\$ in millions)										
	FY2009		FY2010		FY2011		FY2012		FY2013		
	Amount	Change (%)	Amount	Change (%)	Amount	Change (%)	Amount	Change (%)	Amount	Change (%)	
Individual insurance	¥9,129,287	4.7	¥15,809,149	73.2	¥17,481,481	10.6	¥19,782,531	13.2	¥21,391,387	8.1	\$207,683
Individual annuities	315,415	0.0	623,789	97.8	3,703,555	493.7	3,953,545	6.7	3,738,051	(5.5)	36,292
Group insurance	2,699,819	4.2	4,872,946	80.5	4,996,365	2.5	5,165,629	3.4	5,124,978	(0.8)	49,757
Group annuities	—	—	459	—	477	3.9	429	(10.1)	399	(6.9)	4

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)									
	FY2009		FY2010		FY2011		FY2012		FY2013	
	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	
Individual insurance	¥1,553,143	¥2,757,564	¥3,170,726	¥3,933,771	¥3,235,603	\$31,414				
Individual annuities	34,097	85,587	343,793	208,998	237,132	2,302				
Group insurance	26,198	42,437	38,211	710,988	104,852	1,018				
Group annuities	—	—	0	—	—	—				

Note: The amounts of individual annuities represent the funds to be held at the time annuity payments are to commence (the premium reserves at the time of enrollment in the case of individual variable annuities).

Investment Assets and Investments in Securities (Unaudited)

(a) Investment Assets

	FY2012		FY2013		FY2013
	(Yen in millions, %)		(Yen in millions, %)		(US\$ in millions)
	Amount	Share	Amount	Share	Amount
Deposits and savings	¥ 536,132	3.4%	¥ 563,164	3.3%	\$ 5,468
Call loans	99,709	0.6	78,649	0.5	764
Receivables under resale agreements	48,545	0.3	23,997	0.1	233
Receivables under securities borrowing transactions	224,025	1.4	228,706	1.4	2,220
Monetary claims bought	93,013	0.6	73,337	0.4	712
Money trusts	898,510	5.6	693,628	4.1	6,734
Investments in securities	11,398,945	71.6	12,710,203	75.3	123,400
Loans	867,063	5.5	807,300	4.8	7,838
Land and buildings	453,690	2.9	452,065	2.7	4,389
Total investment assets	¥14,619,635	91.9%	¥15,631,051	92.6%	\$151,758
Total assets	¥15,914,663	100.0%	¥16,878,148	100.0%	\$163,866

(b) Investments in Securities

	FY2012		FY2013		FY2013
	(Yen in millions, %)		(Yen in millions, %)		(US\$ in millions)
	Amount	Share	Amount	Share	Amount
Government bonds	¥ 3,060,803	26.9%	¥ 3,359,731	26.4%	\$ 32,619
Municipal bonds	252,809	2.2	252,857	2.0	2,455
Corporate bonds	1,528,689	13.4	1,600,180	12.6	15,536
Stock	2,347,133	20.6	2,561,397	20.1	24,868
Foreign securities	1,495,874	13.1	2,323,179	18.3	22,555
Other securities	2,713,633	23.8	2,612,855	20.6	25,368
Total	¥11,398,945	100.0%	¥12,710,203	100.0%	\$123,400

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

Consolidated Balance Sheets

Download Data Sheet MS&AD Insurance Group Holdings, Inc. and Its Consolidated Subsidiaries
As of March 31, 2013 and 2014

Assets	Yen in millions		US\$ in millions
	2013	2014	2014
Cash, deposits and savings	¥ 536,383	¥ 563,370	\$ 5,470
Call loans	99,709	78,649	764
Receivables under resale agreements	48,545	23,997	233
Receivables under securities borrowing transactions	224,025	228,706	2,220
Monetary claims bought	93,013	73,337	712
Money trusts	898,510	693,628	6,734
Investments in securities	11,398,945	12,710,203	123,400
Loans	867,063	807,300	7,838
Tangible fixed assets:			
Land	248,710	246,917	2,397
Buildings	204,979	205,148	1,992
Lease assets	1,767	1,386	13
Construction in progress	6,861	5,228	51
Other tangible fixed assets	25,750	25,591	248
Total tangible fixed assets	488,069	484,272	4,702
Intangible fixed assets:			
Software	20,464	82,769	804
Goodwill	90,737	89,116	865
Lease assets	112	80	1
Other intangible fixed assets	66,378	7,642	74
Total intangible fixed assets	177,693	179,609	1,744
Other assets	919,857	844,543	8,199
Assets for retirement benefits	–	49,123	477
Deferred tax assets	132,741	108,550	1,054
Customers' liabilities under acceptances and guarantees	39,500	53,500	519
Bad debt reserve	(9,394)	(20,643)	(200)
Total assets	¥15,914,663	¥16,878,148	\$163,866

See accompanying notes to consolidated financial statements.

Liabilities and Net Assets	Yen in millions		US\$ in millions
	2013	2014	2014
Liabilities			
Policy liabilities:			
Outstanding claims	¥ 1,384,650	¥ 1,467,103	\$ 14,244
Underwriting reserves	11,159,633	11,644,116	113,050
Total policy liabilities	12,544,284	13,111,219	127,293
Bonds issued	291,176	226,185	2,196
Other liabilities	790,243	837,238	8,129
Reserve for pension and retirement benefits	111,130	–	–
Liabilities for pension and retirement benefits	–	157,277	1,527
Reserve for retirement benefits for officers	1,316	1,121	11
Accrued bonuses for employees	20,234	21,313	207
Reserves under the special laws:			
Reserve for price fluctuation	33,953	67,054	651
Total reserves under the special laws	33,953	67,054	651
Deferred tax liabilities	61,197	117,404	1,140
Acceptances and guarantees	39,500	53,500	519
Total liabilities	13,893,038	14,592,316	141,673
Net Assets			
Shareholders' equity:			
Common stock	100,000	100,000	971
Capital surplus	682,752	682,752	6,629
Retained earnings	353,506	385,295	3,741
Treasury stock	(24,823)	(29,903)	(290)
Total shareholders' equity	1,111,435	1,138,144	11,050
Accumulated other comprehensive income/(loss):			
Net unrealized gains/(losses) on investments in securities	891,253	1,053,222	10,225
Net deferred gains/(losses) on hedges	26,428	23,430	227
Foreign currency translation adjustments	(29,539)	35,261	342
Accumulated actuarial gains/(losses) on retirement benefits	–	10,266	100
Total accumulated other comprehensive income/(loss)	888,143	1,122,180	10,895
Minority interests	22,046	25,507	248
Total net assets	2,021,625	2,285,832	22,193
Total liabilities and net assets	¥15,914,663	¥16,878,148	\$163,866

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

MS&AD Insurance Group Holdings, Inc. and Its Consolidated Subsidiaries
For the fiscal years ended March 31, 2013 and 2014

	Yen in millions		US\$ in millions
	2013	2014	2014
Ordinary income and expenses			
Ordinary income:			
Underwriting income:			
Net premiums written	¥2,639,015	¥2,811,611	\$27,297
Deposit premiums from policyholders	163,936	151,449	1,470
Investment income on deposit premiums from policyholders	56,038	52,876	513
Life insurance premiums	569,022	678,978	6,592
Reversal of outstanding claims	57,494	—	—
Other underwriting income	24,849	12,057	117
Total underwriting income	3,510,357	3,706,972	35,990
Investment income:			
Interest and dividends income	199,338	224,123	2,176
Investment gains on money trusts	183,995	27,399	266
Gains on sales of securities	84,885	83,333	809
Gains on redemption of securities	1,240	1,900	18
Gains on derivative transactions	1,982	4,230	41
Investment gains on separate accounts	373,755	334,955	3,252
Other investment income	8,561	22,869	222
Transfer of investment income on deposit premiums from policyholders	(56,038)	(52,876)	(513)
Total investment income	797,721	645,937	6,271
Other ordinary income:			
Other ordinary income	7,709	9,844	96
Total other ordinary income	7,709	9,844	96
Total ordinary income	4,315,787	4,362,754	42,357
Ordinary expenses:			
Underwriting expenses:			
Net claims paid	1,740,784	1,670,343	16,217
Loss adjustment expenses	135,545	139,471	1,354
Commissions and collection expenses	510,553	557,142	5,409
Maturity refunds to policyholders	392,529	332,047	3,224
Dividends to policyholders	866	717	7
Life insurance claims	220,615	355,201	3,449
Provision for outstanding claims	—	37,965	369
Provision for underwriting reserves	568,601	467,076	4,535
Other underwriting expenses	4,901	4,773	46
Total underwriting expenses	3,574,397	3,564,739	34,609
Investment expenses:			
Investment losses on money trusts	48	7,732	75
Losses on sales of securities	14,385	5,533	54
Impairment losses on securities	38,293	3,259	32
Losses on redemption of securities	3,213	1,734	17
Other investment expenses	9,961	8,107	79
Total investment expenses	65,903	26,368	256
Operating expenses and general and administrative expenses	508,454	548,740	5,328
Other ordinary expenses:			
Interest expense	7,869	8,248	80
Provision for bad debts	1,460	10,695	104
Losses on bad debts	51	37	0
Amortization of deferred assets under Article 113 of the Insurance Business Act	191	236	2
Losses on equity method investments	3,702	9,606	93
Other ordinary expenses	4,236	4,141	40
Total other ordinary expenses	17,511	32,967	320
Deferred expenses under Article 113 of the Insurance Business Act	(779)	(319)	(3)
Total ordinary expenses	4,165,486	4,172,495	40,510
Ordinary profit/(loss)	150,300	190,259	1,847
Extraordinary income and losses			
Extraordinary income:			
Gains on sales of fixed assets	2,445	4,821	47
Total extraordinary income	2,445	4,821	47
Extraordinary losses:			
Losses on sale of fixed assets	3,180	3,930	38
Impairment losses on fixed assets	1,031	947	9
Provision for reserves under the special laws:			
Provision for reserve for price fluctuation	24,618	33,101	321
Total provision for reserves under the special laws	24,618	33,101	321
Other extraordinary losses	—	8,260	80
Total extraordinary losses	28,830	46,239	449
Income/(loss) before income taxes and minority interests	123,915	148,840	1,445
Income taxes - current	26,387	29,640	288
Income taxes - deferred	12,216	23,581	229
Total income taxes	38,603	53,221	517
Income/(loss) before minority interests	85,311	95,619	928
Minority interests	1,686	2,168	21
Net income/(loss)	¥ 83,625	¥ 93,451	\$ 907

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

MS&AD Insurance Group Holdings, Inc. and Its Consolidated Subsidiaries
For the fiscal years ended March 31, 2013 and 2014

	Yen in millions		US\$ in millions
	2013	2014	2014
Income/(loss) before minority interests	¥ 85,311	¥ 95,619	\$ 928
Other comprehensive income/(loss):			
Net unrealized gains/(losses) on investments in securities	394,606	161,615	1,569
Net deferred gains/(losses) on hedges	10,044	(2,998)	(29)
Foreign currency translation adjustments	49,394	68,033	661
Share of other comprehensive income/(loss) of equity method investments	4,581	594	6
Total other comprehensive income/(loss)	458,626	227,245	2,206
Total comprehensive income/(loss)	¥543,938	¥322,865	\$3,135
Allocation:			
Comprehensive income/(loss) attributable to shareholders of the parent	¥540,318	¥318,228	\$3,090
Comprehensive income/(loss) attributable to minority interests	3,620	4,637	45

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 fiscal years ended March 31, 2013 and 2014

2013 (Yen in millions)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Beginning balance	¥100,000	¥682,753	¥303,464	¥(24,801)	¥1,061,416
Cumulative effect of changing accounting policies					-
Beginning balance (adjusted)	100,000	682,753	303,464	(24,801)	1,061,416
Changes for the year:					
Dividends paid			(33,582)		(33,582)
Net income/(loss)			83,625		83,625
Repurchase of treasury stock				(24)	(24)
Disposal of treasury stock		(0)		3	2
Changes in scope of consolidation					-
Changes in scope of application of equity method					-
Net changes of items other than shareholders' equity					
Total changes for the year	-	(0)	50,042	(21)	50,019
Ending balance	¥100,000	¥682,752	¥353,506	¥(24,823)	¥1,111,435

	Accumulated other comprehensive income/(loss)					Minority interests	Total net assets
	Net unrealized gains/(losses) on investments in securities	Net deferred gains/(losses) on hedges	Foreign currency translation adjustments	Accumulated actuarial gains/(losses) on retirement benefits	Total accumulated other comprehensive income/(loss)		
Beginning balance	¥495,851	¥16,384	¥(80,786)	¥-	¥431,450	¥19,268	¥1,512,134
Cumulative effect of changing accounting policies					-		-
Beginning balance (adjusted)	495,851	16,384	(80,786)	-	431,450	19,268	1,512,134
Changes for the year:							
Dividends paid							(33,582)
Net income/(loss)							83,625
Repurchase of treasury stock							(24)
Disposal of treasury stock							2
Changes in scope of consolidation							-
Changes in scope of application of equity method							-
Net changes of items other than shareholders' equity	395,401	10,044	51,246	-	456,692	2,777	459,470
Total changes for the year	395,401	10,044	51,246	-	456,692	2,777	509,490
Ending balance	¥891,253	¥26,428	¥(29,539)	¥-	¥888,143	¥22,046	¥2,021,625

See accompanying notes to consolidated financial statements.

2014 (Yen in millions)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Beginning balance	¥100,000	¥682,752	¥353,506	¥(24,823)	¥1,111,435
Cumulative effect of changing accounting policies			(30,261)		(30,261)
Beginning balance (adjusted)	100,000	682,752	323,245	(24,823)	1,081,174
Changes for the year:					
Dividends paid			(34,148)		(34,148)
Net income/(loss)			93,451		93,451
Repurchase of treasury stock				(5,082)	(5,082)
Disposal of treasury stock		0		1	2
Changes in scope of consolidation			1,884		1,884
Changes in scope of application of equity method			862		862
Net changes of items other than shareholders' equity					
Total changes for the year	-	0	62,049	(5,080)	56,969
Ending balance	¥100,000	¥682,752	¥385,295	¥(29,903)	¥1,138,144

	Accumulated other comprehensive income/(loss)					Minority interests	Total net assets
	Net unrealized gains/(losses) on investments in securities	Net deferred gains/(losses) on hedges	Foreign currency translation adjustments	Accumulated actuarial gains/(losses) on retirement benefits	Total accumulated other comprehensive income/(loss)		
Beginning balance	¥ 891,253	¥26,428	¥(29,539)	¥ -	¥ 888,143	¥22,046	¥2,021,625
Cumulative effect of changing accounting policies					-		(30,261)
Beginning balance (adjusted)	891,253	26,428	(29,539)	-	888,143	22,046	1,991,364
Changes for the year:							
Dividends paid							(34,148)
Net income/(loss)							93,451
Repurchase of treasury stock							(5,082)
Disposal of treasury stock							2
Changes in scope of consolidation							1,884
Changes in scope of application of equity method							862
Net changes of items other than shareholders' equity	161,968	(2,998)	64,800	10,266	234,037	3,461	237,499
Total changes for the year	161,968	(2,998)	64,800	10,266	234,037	3,461	294,468
Ending balance	¥1,053,222	¥23,430	¥ 35,261	¥10,266	¥1,122,180	¥25,507	¥2,285,832

See accompanying notes to consolidated financial statements.

2014

(US\$ in millions)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Beginning balance	\$971	\$6,629	\$3,432	\$(241)	\$10,791
Cumulative effect of changing accounting policies			(294)		(294)
Beginning balance (adjusted)	971	6,629	3,138	(241)	10,497
Changes for the year:					
Dividends paid			(332)		(332)
Net income/(loss)			907		907
Repurchase of treasury stock				(49)	(49)
Disposal of treasury stock		0		0	0
Changes in scope of consolidation			18		18
Changes in scope of application of equity method			8		8
Net changes of items other than shareholders' equity					
Total changes for the year	-	0	602	(49)	553
Ending balance	\$971	\$6,629	\$3,741	\$(290)	\$11,050

	Accumulated other comprehensive income/(loss)					Minority interests	Total net assets
	Net unrealized gains/(losses) on investments in securities	Net deferred gains/(losses) on hedges	Foreign currency translation adjustments	Accumulated actuarial gains/(losses) on retirement benefits	Total accumulated other comprehensive income/(loss)		
Beginning balance	\$ 8,653	\$257	\$(287)	\$ -	\$ 8,623	\$214	\$19,627
Cumulative effect of changing accounting policies					-		(294)
Beginning balance (adjusted)	8,653	257	(287)	-	8,623	214	19,334
Changes for the year:							
Dividends paid							(332)
Net income/(loss)							907
Repurchase of treasury stock							(49)
Disposal of treasury stock							0
Changes in scope of consolidation							18
Changes in scope of application of equity method							8
Net changes of items other than shareholders' equity	1,573	(29)	629	100	2,272	34	2,306
Total changes for the year	1,573	(29)	629	100	2,272	34	2,859
Ending balance	\$10,225	\$227	\$ 342	\$100	\$10,895	\$248	\$22,193

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

MS&AD Insurance Group Holdings, Inc. and Its Consolidated Subsidiaries
For the fiscal years ended March 31, 2013 and 2014

	Yen in millions		US\$ in millions
	2013	2014	2014
I. Cash flows from operating activities:			
Income/(loss) before income taxes and minority interests	¥ 123,915	¥ 148,840	\$ 1,445
Adjustments for:			
Depreciation	37,549	45,841	445
Impairment losses on fixed assets	1,031	947	9
Amortization of goodwill	6,159	6,479	63
Increase/(decrease) in outstanding claims	(58,764)	36,067	350
Increase/(decrease) in underwriting reserves	562,303	461,591	4,481
Increase/(decrease) in bad debt reserve	950	10,567	103
Increase/(decrease) in reserve for pension and retirement benefits	4,894	-	-
Increase/(decrease) in reserve for retirement benefits for officers	(208)	(195)	(2)
Increase/(decrease) in accrued bonuses for employees	574	806	8
Increase/(decrease) in liabilities for pension and retirement benefits	-	762	7
Increase/(decrease) in reserve for price fluctuation	24,618	33,101	321
Interest and dividends income	(199,338)	(224,123)	(2,176)
Losses/(gains) on money trusts	(183,944)	(19,675)	(191)
Losses/(gains) on investments in securities	(30,233)	(74,705)	(725)
Losses/(gains) on derivative transactions	(1,982)	(4,230)	(41)
Investment losses/(gains) on separate accounts	(373,755)	(334,955)	(3,252)
Interest expense	7,869	8,248	80
Foreign exchange losses/(gains)	(6,742)	(20,953)	(203)
Losses/(gains) on disposal of tangible fixed assets	732	(926)	(9)
Losses/(gains) on equity method investments	3,702	9,606	93
Decrease/(increase) in other assets	(54,521)	84,768	823
Increase/(decrease) in other liabilities	61,301	12,163	118
Other, net	8,989	10,291	100
Subtotal	(64,898)	190,316	1,848
Interest and dividends received	212,527	364,735	3,541
Interest paid	(7,959)	(8,267)	(80)
Income taxes refunded/(paid)	(20,917)	(56,833)	(552)
Net cash provided by/(used in) operating activities (a)	118,751	489,950	4,757
II. Cash flows from investing activities:			
Net decrease/(increase) in deposits and savings	(11,189)	7,047	68
Purchase of monetary claims bought	(9,495)	(39,490)	(383)
Proceeds from sales and redemption of monetary claims bought	14,719	53,817	522
Purchase of money trusts	(230,924)	(353,145)	(3,429)
Proceeds from sales of money trusts	175,246	191,377	1,858
Purchase of securities	(2,066,266)	(2,774,410)	(26,936)
Proceeds from sales and redemption of securities	1,965,245	2,400,883	23,310
Investment in loans	(226,847)	(209,811)	(2,037)
Collection of loans	304,786	269,466	2,616
Net increase/(decrease) in cash collateral under securities borrowing and lending transactions	(244)	(249)	(2)
Other, net	(15,386)	(49,029)	(476)
Subtotal (b)	(100,356)	(503,545)	(4,889)
(a + b)	18,395	(13,594)	(132)
Acquisition of tangible fixed assets	(24,598)	(29,624)	(288)
Proceeds from sales of tangible fixed assets	8,963	9,634	94
Acquisition of intangible fixed assets	(49,177)	(24,944)	(242)
Other, net	(79)	(656)	(6)
Net cash provided by/(used in) investing activities	(165,248)	(549,136)	(5,331)
III. Cash flows from financing activities:			
Proceeds from borrowings	50,000	50,000	485
Issuance of bonds	50,000	-	-
Redemption of bonds	(30,000)	(65,000)	(631)
Repurchase of treasury stock	(24)	(5,082)	(49)
Dividends paid to shareholders	(33,565)	(34,147)	(332)
Dividends paid to minority shareholders	(825)	(1,105)	(11)
Other, net	(1,993)	(1,988)	(19)
Net cash provided by/(used in) financing activities	33,590	(57,323)	(557)
IV. Effect of exchange rate changes on cash and cash equivalents	17,643	23,776	231
V. Net increase/(decrease) in cash and cash equivalents	4,736	(92,732)	(900)
VI. Cash and cash equivalents at beginning of year	711,710	716,221	6,954
VII. Increase in cash and cash equivalents due to inclusion in scope of consolidation	-	1,596	15
VIII. Decrease in cash and cash equivalents due to exclusion from scope of consolidation	(226)	-	-
IX. Cash and cash equivalents at end of year	¥ 716,221	¥ 625,084	\$ 6,069

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 fiscal years ended March 31, 2013 and 2014

SIGNIFICANT ACCOUNTING POLICIES

1. Basis of presentation

The accompanying consolidated financial statements have been translated from the consolidated financial statements of MS&AD Insurance Group Holdings, Inc. ("the Company") prepared in accordance with the provisions set forth in the Corporate Accounting Regulations, the Enforcement Regulations of the Japanese Insurance Business Act and related rules, and regulations applicable to the non-life insurance industry in general, and in conformity with accounting principles and practices generally accepted in Japan, which may differ in certain respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan. In preparing the accompanying consolidated financial statements, certain additional information has been provided to the consolidated financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan.

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

Solely for the convenience of readers, the accompanying consolidated financial statements as of and for the year ended March 31, 2014 have been translated into U.S. dollars at the rate of ¥103=US\$1, the approximate exchange rate prevailing on the Tokyo foreign exchange market on the last business day of March 2014. Such translation should not be construed as presentations that the Japanese yen amounts have been, should have been, or could in the future be, converted into U.S. dollars at that or any other rate.

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

2. Scope of consolidation

(1) Number of consolidated subsidiaries

53 companies

Major consolidated subsidiaries are as follows:

Mitsui Sumitomo Insurance Co., Ltd. ("MSI")
Aioi Nissay Dowa Insurance Co., Ltd. ("ADI")
Mitsui Sumitomo Aioi Life Insurance Co., Ltd. ("MSAL")
Mitsui Sumitomo Primary Life Insurance Co., Ltd. ("MSPL")
MSIG Holdings (Americas), Inc.
Mitsui Sumitomo Insurance (London Management) Ltd.
MSIG Insurance (Malaysia) Bhd.

Changes in scope of consolidation

InterRisk Research Institute & Consulting, Inc. and Aioi Nissay Dowa Insurance Company Australia Pty Ltd. have been included in the scope of consolidation since the year ended March 31, 2014 due to an increased significance to the consolidated financial statements.

(2) Unconsolidated subsidiaries

Major unconsolidated subsidiaries are as follows:

Anshin Dial Co., Ltd.
MS&AD Systems Co., Ltd.

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

3. Application of equity method

(1) Number of affiliated companies accounted for under the equity method

8 companies

Major affiliated companies accounted for under the equity method are as follows:

Sumitomo Mitsui Asset Management Company, Limited
PT. Asuransi Jiwa Sinarmas MSIG

Changes in scope of application of equity method

Cholamandalam MS General Insurance Company Limited and BPI/MS Insurance Corporation have become equity method affiliates since the year ended March 31, 2014 due to an increased significance to the consolidated financial statements.

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

4. Fiscal year of consolidated subsidiaries

The fiscal year-end of consolidated subsidiaries, MSIG Holdings (Americas), Inc. and 44 other companies, is December 31 which is different from that of the Company. The Company uses their financial statements as of their latest fiscal year-end for consolidation purposes because the intervening period does not exceed three months.

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

5. Accounting policies

(1) Valuation policies and methods of securities (including those included in Cash, deposits and savings and Monetary claims bought as set forth in the Enforcement Regulations of the Japanese Insurance Business Act)

- (i) Trading securities are valued at their year-end market prices. Cost of sales is calculated using the moving-average method.
- (ii) Held-to-maturity securities are valued at amortized cost.
- (iii) Investments in unconsolidated subsidiaries and affiliated companies 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 Insurance Industry" (issued by the Japanese Institute of Certified Public Accountants on November 16, 2000).

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

In order to effectively manage risks of variability in interest rates related to assets and liabilities, MSPL establishes subgroups of "individual insurance and individual annuities" that meet certain criteria for each currency and applies the investment policy and cash allocation policy reflecting their characteristics. In addition, MSPL periodically assesses whether the durations of the debt securities and money trusts 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 and cost of sales is calculated by the moving average method.

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

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

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

(2) Valuation policies and methods of derivative financial instruments

All derivative financial instruments, except for those such as foreign exchange forward contracts to which the allocation method is applied and interest rate swaps to which the exceptional method is applied, are valued at fair value.

(3) Depreciation methods of significant depreciable assets

(i) Depreciation of tangible fixed assets held by the Company and its domestic consolidated subsidiaries is computed using the declining-balance method, except for buildings (excluding fixtures) acquired on or after April 1, 1998, to which the straight-line method is applied.

Depreciation of tangible fixed assets held by foreign consolidated subsidiaries is mainly 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 based on its estimated useful life.

(4) Accounting policies for significant reserves

(i) Bad debt reserve

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

The 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 clearinghouses, and loans to debtors who are deemed to be substantially insolvent is provided based on the balance remaining after deducting the resale value of collateral and the amount collectible through guarantees.

The bad debt reserve for loans to debtors who are likely to become insolvent in the future is provided based on the balance remaining after deducting the resale value of collateral, the amount collectible through guarantees and the amount expected to be repaid by the debtors in consideration of their solvency.

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

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

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

As for foreign consolidated subsidiaries, the bad debt reserve is established based on the assessment of collectability of individual receivables.

(ii) Reserve for retirement benefits for officers

The reserve for retirement benefits that covers the cost for services rendered by officers and operating officers of MSI and MSAL through the year ended March 31, 2005 when the retirement benefit plans for officers were terminated is established based on the estimated amounts to be paid at the year-end to provide for future retirement benefits (including pension) for officers and operating officers of MSI and MSAL.

(iii) Accrued bonuses for employees

Accrued bonuses for employees are determined based on the estimated amounts to be paid at the year-end to provide for future bonuses for employees and operating officers.

(iv) Reserve for price fluctuation

As for the domestic consolidated insurance subsidiaries, the reserve for price fluctuation is recognized under Article 115 of the Insurance Business Act to provide for possible losses arising from price fluctuation of investment assets such as equity securities.

(5) Accounting for retirement benefits

(i) Attribution method of retirement benefits over service period

In computing retirement benefit obligations, the estimated retirement benefits are attributed to the periods up to the current year using the plan's benefit formula.

(ii) Accounting for actuarial gains and losses and past service costs

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

Past service costs are amortized using the straight-line method over a certain number of years (4 years) that do not exceed the average remaining service period of employees at the time of occurrence.

(Changes in accounting policies)

The Company has adopted the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26 issued on May 17, 2012, the "Accounting Standard") and the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25 on May 17, 2012, the "Guidance"), effective from the beginning of the year commencing on or after April 1, 2013. In accordance with the Accounting Standard and the Guidance, the Company has reviewed the calculation method for retirement benefit obligations and service costs and changed the attribution method of retirement benefits over the service period from the straight-line basis to the plan's benefit formula basis. The excess of plan assets over retirement benefit obligations is reported as Assets for retirement benefits and the excess of retirement benefit obligations over plan assets is reported as Liabilities for pension and retirement benefits from March 31, 2014. Unrecognized actuarial gains and losses and unrecognized past service costs are reported as Assets for retirement benefits or Liabilities for pension and retirement benefits, and this effect is added to, or subtracted from, Accumulated actuarial gains/(losses) on retirement benefits in Accumulated other comprehensive income/(loss).

In accordance with the transitional accounting treatment prescribed in Paragraph 37 of the Accounting Standard, the effect of changing the calculation method for retirement benefit obligations and service costs is added to, or subtracted from, the beginning balance of Retained earnings of the year ended March 31, 2014.

The effects of adoption of the Accounting Standard and the Guidance were to decrease Retained earnings at the beginning of the year by ¥30,261 million, and to increase Ordinary profit and Income/(loss) before income taxes and minority interests by ¥310 million. In addition, Assets for retirement benefits and Liabilities for pension and retirement benefits were reported in the amount of ¥49,123 million and ¥157,277 million, respectively and Accumulated other comprehensive income/(loss) increased by ¥10,266 million.

(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 consolidated foreign 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 consolidated foreign 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 Minority interests in Net Assets.

(7) Accounting for consumption taxes

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

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

(8) Hedge accounting

Under accounting principles generally accepted in Japan ("Japanese GAAP"), several models 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 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, exceptional 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 hedged items (the exceptional method).

As for the domestic consolidated insurance subsidiaries, gains and losses on equity forward contracts used for hedging risks of variability in fair value of investments in equity securities are accounted for under either the deferred hedge method or the fair value hedge method. Gains and losses on currency swaps and foreign exchange forward contracts used for hedging foreign currency risks are accounted for under either the deferred hedge method, the fair value hedge method or the allocation method. Interest rate swap contracts for hedging risks of variability in cash flows of loans, bonds and borrowings arising from fluctuations in interest rates are accounted for under the deferred hedge method or the exceptional method when they meet certain criteria.

Hedge effectiveness is assessed quarterly by comparing cumulative fluctuations in fair value or cash flows of hedged items and hedging instruments during 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 or when the interest rate swap transactions meet the criteria for application of the exceptional method, hedge effectiveness is not assessed.

Certain interest rate swap contracts used for the ALM (Asset and Liability Management) for the purpose of adequate control of risks of interest rate variability are accounted for under the deferred hedge method and tested for hedge effectiveness in accordance with Industry Audit Committee Report No. 26 "Accounting and Auditing Treatment of Application of Accounting Standard for Financial Instruments in Insurance Industry" (issued by the Japanese Institute of Certified Public Accountants on September 3, 2002). The hedge effectiveness of interest rate swaps for the ALM is evaluated on a portfolio basis, based on whether upward and downward movements in value of the hedged items and the hedging instruments offset each other within a certain range, in respect to changes in the interest rate.

(9) Accounting for deferred assets under Article 113 of the Insurance Business Act

Deferred assets and related amortization under Article 113 of the Insurance Business Act are calculated in accordance with the Insurance Business Act and the articles of incorporation of an Insurance Company, Limited.

6. Goodwill

Goodwill is amortized using the straight-line method over 20 years. An insignificant amount of goodwill is charged to expenses as incurred in the entire amount.

7. Cash and cash equivalents on the consolidated statement of cash flows

In preparing the consolidated statements of cash flows, cash and cash equivalents are constituted of 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, 2013	March 31, 2014
Accumulated depreciation	323,001	333,078
Accelerated depreciation	15,639	15,133

(Note) As permitted under Japanese tax legislation for the purpose of deferral in recognizing taxable income, acquisition cost of certain qualifying properties is reduced to offset the taxable income that resulted from sales of assets to be replaced by the acquired assets or receipt of governmental subsidies provided for the acquisition of the new assets. The total amounts deducted from the original acquisition cost of the qualifying properties held by the Company as of March 31, 2013 and 2014 were ¥15,639 million and ¥15,133 million, respectively.

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

	Yen in millions	
	March 31, 2013	March 31, 2014
Investments in securities (Domestic stock)	16,347	16,694
Investments in securities (Foreign securities)	144,389	131,940
Investments in securities (Other securities)	7,892	7,479

3. The amounts of loans to borrowers in bankruptcy, overdue loans, loans overdue for 3 months or more and restructured loans are as follows:

	Yen in millions	
	March 31, 2013	March 31, 2014
Loans to borrowers in bankruptcy	180	70
Overdue loans	2,967	3,212
Loans overdue for 3 months or more	1,272	1,221
Restructured loans	4,829	4,636
Total	9,250	9,142

(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 they are regarded as uncollectible (hereafter, 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 grace for interest payments in order to assist debtors' operational restructuring or financial recovery.

Loans overdue for 3 months or more represent those of which principal or interest has been past due for 3 months or more after the contractual due date for repayments of the principal or interest. The loans to borrowers in bankruptcy and overdue loans are excluded from this category.

Restructured loans represent those which have been granted favorable terms for the benefit of debtors such as interest exemption or reduction, grace for interest payments, grace for principal repayments or forgiveness of debts for the purpose of restructuring of, or support to the debtors in financial difficulty. The loans to borrowers in bankruptcy, overdue loans and loans overdue for 3 months or more are excluded from this category.

4. The amounts of pledged assets and corresponding debt obligations are as follows:

	Yen in millions	
	March 31, 2013	March 31, 2014
Pledged assets:		
Investments in securities	159,876	172,285
Cash, deposits and savings	4,561	5,519
Money trusts	1,928	2,110
Tangible fixed assets	245	285

(Note) The amounts in the above table consist of collateral assets required for borrowings included in Other liabilities, for overseas operations and for Real Time Gross Settlement of the current account with the Bank of Japan.

	Yen in millions	
	March 31, 2013	March 31, 2014
Corresponding debt obligations:		
Borrowings	25	11

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

	Yen in millions	
	March 31, 2013	March 31, 2014
	257,504	286,329

6. Among receivables under resale agreements and securities borrowing transactions with cash collateral, the amounts of those which the Company and its domestic subsidiaries have the right to sell or pledge are as follows:

	Yen in millions	
	March 31, 2013	March 31, 2014
Securities	48,805	46,417
Commercial paper	12,098	18,998

(Note) Securities and commercial paper in the above table are all held by the Company and its domestic subsidiaries.

7. The amounts of assets and liabilities in separate accounts under Article 118 of the Insurance Business Act are as follows:

	Yen in millions	
	March 31, 2013	March 31, 2014
	2,650,816	2,559,002

8. The amounts of deferred assets under Article 113 of the Insurance Business Act included in Other assets are as follows:

	Yen in millions	
	March 31, 2013	March 31, 2014
	1,338	1,421

9. Guarantees to transactions conducted by a limited partnership entity

March 31, 2013

MSI provides guarantees to transactions conducted by a limited partnership entity. Aggregate net present value of these transactions was ¥192,440 million in a negative liability position as of March 31, 2013. This amount was not included in Customers' liabilities under acceptances and guarantees or Acceptances and guarantees since there was no substantial exposure.

March 31, 2014

MSI provides guarantees to transactions conducted by a limited partnership entity. Aggregate net present value of these transactions was ¥170,034 million in a negative liability position as of March 31, 2014. This amount was not included in Customers' liabilities under acceptances and guarantees or Acceptances and guarantees since there was no substantial exposure.

10. The unutilized balance of commitment lines given to third parties are as follows:

	Yen in millions	
	March 31, 2013	March 31, 2014
	4,824	5,669

11. Information on financial instruments**(1) Qualitative information on financial instruments****(i) Policy on financial instruments**

The Company and its consolidated subsidiaries ("the Group") apply Asset and Liability Management (ALM) to maintain stability of investment returns, safety of assets and sufficient liquidity to maximize the net asset value sustainably under the appropriate risk management. In addition, the Group takes investment risks such as market risks and credit risks based on the management decision and manages those risks in accordance with the risk management policies of the Group and those of each company.

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

(ii) Details of financial instruments and associated risks

The Group's financial assets mainly consist of securities including domestic bonds, domestic stock and foreign securities, loans and other financial instruments. Risks pertaining to investments include market risks, credit risks and market liquidity risks. Market risks arise from

fluctuation in interest rates, stock prices, foreign exchange rates and other market indicators. Credit risks arise from deterioration in financial conditions of security issuers and counterparties of loans. Market liquidity risks are the risks that investment assets are forced to be sold at extremely unfavorable prices under turmoil in financial markets.

The Group utilizes derivative transactions represented by interest rate swaps, currency swaps, equity index options, equity forward contracts, foreign exchange forward contracts and currency options for the purpose of hedging market risks such as fluctuations in interest rates, stock prices and foreign exchange rates. In addition to the derivative transactions mentioned above, the Group utilizes credit derivatives, weather derivatives and individual equity options in order to generate investment returns with consideration given to associated risks.

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

In general, derivative transactions involve risks of fluctuations in fair value of derivative financial instruments, risks of nonperformance resulting from insolvency of counterparties and market liquidity risks. Derivative transactions utilized by the Group are also exposed to these risks. However, market risks associated with derivative transactions utilized for the purpose of hedging are mitigated, as the fair value of hedged items and hedging instruments fluctuate oppositely. In order to mitigate credit risks arising from nonperformance of counterparties, derivative financial instruments are utilized only with selected counterparties with high credit quality, transactions are diversified across them, and the Group enters into master netting agreements with the counterparties.

(iii) Risk management structure relating to financial instruments

Financial instruments are traded and managed in accordance with rules for authorization of transactions and risk management established by the Group. At major domestic consolidated insurance subsidiaries, in order to exercise organizational checks and balances, the back-office department and risk management department are segregated from the trading department, and the risk management department monitors whether investment activities, types of instruments in use, position limits, risk amounts and loss cut actions are compliant with the rules. In addition, the risk management department assesses and analyzes risks related to financial instruments by monitoring sensitivities of existing assets to changes in interest rates, stock prices and foreign exchange rates and quantifying market risks and credit risks using the VaR (Value-at-Risk) method, and regularly reports the results to the Board of Directors.

a. Market risk management

The Group maintains and operates its risk management structure taking into account characteristics of each financial instrument in accordance with its internal rules for market risk management. The trading department and risk management department at major domestic consolidated insurance subsidiaries establish rules that clarify operating procedures in each investment segment, and control market risks by setting position limits and loss cut thresholds based on risk characteristics.

b. Credit risk management

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

c. Funding liquidity risk management

The Group conducts treasury management, taking utmost care of liquidity in either case of ordinary or emerging funding conditions, and diversifies fund-raising methods 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 catastrophe and deterioration of funding liquidity arising from turmoil in financial markets.

(iv) Supplementary explanation of matters relating to 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 are used, and 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, 2013 and 2014 together with their differences. Note that the following tables do not include financial instruments without practically determinable fair value (see Note 2).

March 31, 2013	Yen in millions		
	Carrying amount	Fair value	Difference
(i) Cash, deposits and savings	536,383	536,431	48
(ii) Call loans	99,709	99,709	—
(iii) Receivables under resale agreements	48,545	48,545	—
(iv) Receivables under securities borrowing transactions	224,025	224,025	—
(v) Monetary claims bought	92,763	92,763	—
(vi) Money trusts	898,510	895,966	(2,544)
(vii) Investments in securities:			
Trading securities	2,647,493	2,647,493	—
Held-to-maturity securities	696,660	763,195	66,535
Debt securities earmarked for underwriting reserves	31,539	30,871	(667)
Available-for-sale securities	7,663,126	7,663,126	—
(viii) Loans	867,063		
Bad debt reserve ^{(*)1}	(3,207)		
	863,855	880,205	16,350
Total assets	13,802,612	13,882,335	79,722
Bonds issued	291,176	301,411	10,235
Total liabilities	291,176	301,411	10,235
Derivative transactions ^{(*)2} :			
Hedge accounting not applied	(1,342)	(1,342)	—
Hedge accounting applied	7,948	7,948	—
Total derivative transactions	6,605	6,605	—

(*)1 The 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, and net credit positions are shown in parentheses.

March 31, 2014	Yen in millions		
	Carrying amount	Fair value	Difference
(i) Cash, deposits and savings	563,370	563,439	69
(ii) Call loans	78,649	78,649	—
(iii) Receivables under resale agreements	23,997	23,997	—
(iv) Receivables under securities borrowing transactions	228,706	228,706	—
(v) Monetary claims bought	73,337	73,337	—
(vi) Money trusts	693,628	693,699	70
(vii) Investments in securities:			
Trading securities	2,553,591	2,553,591	—
Held-to-maturity securities	783,797	842,553	58,755
Debt securities earmarked for underwriting reserves	663,237	659,756	(3,481)
Available-for-sale securities	8,375,380	8,375,380	—
(viii) Loans	807,300		
Bad debt reserve ^{(*)1}	(3,920)		
	803,379	818,151	14,772
Total assets	14,841,074	14,911,261	70,186
Bonds issued	226,185	246,731	20,546
Total liabilities	226,185	246,731	20,546
Derivative transactions ^{(*)2} :			
Hedge accounting not applied	1,587	1,587	—
Hedge accounting applied	17,210	17,210	—
Total derivative transactions	18,798	18,798	—

(*)1 The 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 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 maturities and short-term deposits and savings, the book value is deemed as the fair value since the book value approximates the fair value.

(ii) Call loans

With regard to Call loans, the book value approximates the fair value since they are scheduled to be settled in a short period of time.

(iii) Receivables under resale agreements

With regard to Receivables under resale agreements, the book value approximates the fair value since they are scheduled to be settled in a short period of time.

(iv) Receivables under securities borrowing transactions

With regard to Receivables under securities borrowing transactions, the book value approximates the fair value since they are scheduled to be settled in a short period of time.

(v) Monetary claims bought

With regard to commercial paper (CP), the book value approximates the fair value since it is scheduled to be settled in a short period of time. With regard to Monetary claims bought other than CP, the price quoted by counterparty financial institutions is deemed as the fair value.

(vi) Money trusts

With regard to Money trusts, the price quoted by trustees is deemed as the fair value.

(vii) Investments in securities

The fair value of equity securities is determined based on the quoted market price and the fair value of bonds is determined based on the price quoted by exchanges information vendors or counterparty financial institutions.

(viii) Loans

With regard to floating rate loans, the book value approximates the fair value so long as no significant changes in the credit conditions of the debtor arise, because the market rate is timely reflected in the floating rates of the loans. With regard to fixed rate loans, for each class of loans sorted by type, term and credit rating, the fair value is calculated based on the present value of estimated future cash flows discounted at appropriate interest rates such as yields of government bonds with a credit spread added on. The fair value of certain personal loans is determined at the net present value of estimated future cash flows discounted at interest rates applicable to the same type of new loans.

With regard to policy loans, which do not have contractual maturities, as the loan amount is limited within 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 the bad debt reserve is deemed as the fair value, because the bad debt reserve is determined based on the present value of estimated future cash flows or the value of collateral and the amount collectible through guarantees.

Liabilities

Bonds issued

With regard to Bonds issued, "Reference Statistical Prices for OTC Bond Transactions" published by the Japan Securities Dealers Association, the price quoted by information vendors or counterparty financial institutions is deemed as the fair value.

Derivative transactions

With regard to derivative transactions, the fair value is determined based on the published forward exchange rates, the closing prices at major exchanges, the prices quoted by counterparty financial institutions or the prices calculated by the option pricing model.

(Note 2) The carrying amounts of financial instruments without practically determinable fair value, which are not included in “(vii) Investments in securities” above, are as follows:

	Yen in millions	
	March 31, 2013	March 31, 2014
Unlisted stock and other assets invested in unconsolidated subsidiaries and affiliated companies ⁽¹⁾	168,629	156,114
Other unlisted stock ⁽¹⁾	126,400	115,928
Partnership investments comprised of unlisted stock ⁽¹⁾	65,094	62,152
Others ⁽²⁾	249	0
Total	360,374	334,196

⁽¹⁾ Unlisted stock and Partnership investments comprised of unlisted stock are not disclosed because their fair value is not practically determinable due to lack of marketability.

⁽²⁾ Others are not disclosed because they represent corporate bonds without practically determinable fair value due to bankruptcies of the issuers or difficulties in estimating the reasonable future cash flows.

(Note 3) Maturity analysis of monetary assets and securities with fixed maturities

March 31, 2013	Yen in millions			
	Within 1 year	1 - 5 years	5 - 10 years	Over 10 years
Cash, deposits and savings	526,611	8,799	705	—
Call loans	99,709	—	—	—
Receivables under resale agreements	48,545	—	—	—
Receivables under securities borrowing transactions	224,025	—	—	—
Monetary claims bought	36,319	10	—	53,095
Investments in securities:				
Held-to-maturity securities:				
Government bonds	48,000	24,800	9,900	464,300
Corporate bonds	—	92,204	14,500	42,200
Debt securities earmarked for underwriting reserves				
Foreign securities	—	—	6,365	22,132
Available-for-sale securities with fixed maturities:				
Government bonds	272,309	340,295	721,670	995,110
Municipal bonds	12,860	33,239	69,000	114,300
Corporate bonds	146,349	511,163	475,748	180,325
Foreign securities	115,298	381,900	333,796	118,647
Loans ⁽¹⁾	121,333	333,220	193,964	146,883
Total	1,651,360	1,725,631	1,825,650	2,136,992

⁽¹⁾ The amounts in the above table do not include ¥3,517 million of the loans whose repayments cannot be expected since the debtors are legally bankrupt, substantially bankrupt or likely to go bankrupt or ¥68,909 million of the loans without fixed maturities.

March 31, 2014	Yen in millions			
	Within 1 year	1 - 5 years	5 - 10 years	Over 10 years
Cash, deposits and savings	556,120	6,811	237	—
Call loans	78,649	—	—	—
Receivables under resale agreements	23,998	—	—	—
Receivables under securities borrowing transactions	228,706	—	—	—
Monetary claims bought	27,203	—	—	43,257
Investments in securities:				
Held-to-maturity securities				
Government bonds	20,000	4,800	3,400	581,200
Corporate bonds	28,844	68,560	9,300	66,200
Debt securities earmarked for underwriting reserves				
Foreign securities	—	140	448,591	203,297
Available-for-sale securities with fixed maturities:				
Government bonds	180,436	608,186	884,825	909,924
Municipal bonds	10,834	27,681	80,700	113,000
Corporate bonds	159,340	553,132	500,362	155,527
Foreign securities	155,876	496,843	406,599	94,810
Loans ⁽¹⁾	128,184	300,055	167,613	139,445
Total	1,598,194	2,066,213	2,501,631	2,306,660

⁽¹⁾ The amounts in the above table do not include ¥3,428 million of the loans whose repayments cannot be expected since the debtors are legally bankrupt, substantially bankrupt or likely to go bankrupt or ¥69,385 million of the loans without fixed maturities.

(Note 4) Maturity analysis of bonds issued, long-term borrowings and lease obligations

March 31, 2013	Yen in millions					
	Within 1 year	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	Over 5 years
Bonds issued	65,000	—	70,000	—	—	156,191
Long-term borrowings	2	2	1	1	50,001	15
Lease obligations	1,514	1,059	557	417	180	526
Total	66,517	1,062	70,559	419	50,182	156,733

March 31, 2014	Yen in millions					
	Within 1 year	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	Over 5 years
Bonds issued	—	70,000	—	—	—	156,191
Long-term borrowings	1	0	0	50,000	50,000	6
Lease obligations	1,544	1,049	649	244	98	0
Total	1,545	71,050	650	50,245	50,099	156,197

12. Certain consolidated subsidiaries own investment properties in Tokyo and other areas. The carrying amounts, changes in carrying amounts and fair value of the investment properties are as follows:

	Yen in millions	
	March 31, 2013	March 31, 2014
Carrying amount	83,752	78,405
Fair value	119,686	116,192

(Notes)

1. Carrying amount represents the cost of acquisition 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 are considered to appropriately reflect the market prices since most recent appraisal dates, fair value is determined based on these appraisal values or the values adjusted by these indices.

13. Revision of the amounts of deferred tax assets and deferred tax liabilities due to changes in income tax rate is as follows:

In accordance with the Act for Partial Revision of the Income Tax Act, etc. (Act No.10 of 2014) promulgated on March 31, 2014, the special corporate tax for reconstruction will not be imposed from the year commencing on April 1, 2014.

As a result, the statutory income tax rate to be used to measure deferred tax assets and liabilities for temporary differences that are expected to be reversed during the year commencing on April 1, 2014 will be reduced from the current 33.2% to 30.7%.

The effect of the change in the income tax rate was to increase Deferred tax liabilities by ¥5,157 million and Income taxes - deferred by ¥10,114 million and to decrease Deferred tax assets by ¥4,378 million and Net income/(loss) by ¥7,193 million.

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

	March 31, 2013	March 31, 2014
Net assets per share (in Yen)	3,215.33	3,646.22
Minority interests deducted from net assets (Yen in millions)	22,046	25,507
Outstanding common shares (in thousands of shares)	621,888	619,908

NOTES TO CONSOLIDATED STATEMENTS OF INCOME

1. The amounts of gains/(losses) on derivative transactions to reduce 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, 2013	For the year ended March 31, 2014
	4,903	1,949

2. Major components of business expenses are as follows:

	Yen in millions	
	For the year ended March 31, 2013	For the year ended March 31, 2014
Commission expenses	521,979	567,180
Salaries	244,169	254,801

(Note) Business expenses represent the aggregate amount of Loss adjustment expenses, Operating expenses and general and administrative expenses and Commissions and collection expenses are presented in the consolidated statements of income.

3. Impairment losses on fixed assets were recognized as follows:

For the year ended March 31, 2013

Use	Category	Description	Yen in millions		
			Impairment losses on fixed assets		
			Breakdown		
Investment properties	Land and buildings	12 properties, including a building for rent in Saitama	703	Land	209
				Buildings	494
Idle real estate and real estate for sale	Land and buildings	17 properties, including an office building in Gifu	327	Land	173
				Buildings	153

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

Fixed assets are reviewed for impairment whenever events or changes in circumstances, such as a significant decline in the value of the asset (asset group) or a change in the intended use of the asset, indicate that the carrying amount of the asset (asset group) may not be recoverable. An impairment loss is measured at the amount by which the carrying amount of the asset (asset group) exceeds its recoverable amount, which is the higher of 1) the sum of discounted cash flows from the continued use and eventual disposition of the asset (asset group) and 2) the net sales value at disposition.

An amount of ¥1,031 million, which was the aggregate write-down of the carrying amounts of the assets in the above table to their recoverable amounts, was included in Impairment losses on fixed assets under Extraordinary losses.

The recoverable amounts of these assets represent their net sales value, which were determined based on the estimated sale values or appraisal values provided by qualified appraisers.

For the year ended March 31, 2014

Use	Category	Description	Yen in millions		
			Impairment losses on fixed assets		
			Breakdown		
Investment properties	Land and buildings	7 properties, including a building for rent in Kagawa	58	Land	42
				Buildings	15
Idle real estate and real estate for sale	Land and buildings	14 properties, including an office building in Chiba	582	Land	262
				Buildings	319
Others	Software	Software related to insurance business operations	307	-	-

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

Fixed assets are reviewed for impairment whenever events or changes in circumstances, such as a significant decline in the value of the asset (asset group) or a change in the intended use of the asset, indicate that the carrying amount of the asset (asset group) may not be recoverable. An impairment loss is measured at the amount by which the carrying amount of the asset (asset group) exceeds its recoverable amount, which is the higher of 1) the sum of discounted cash flows from the continued use and eventual disposition of the asset (asset group) and 2) the net sales value at disposition.

An amount of ¥947 million, which was the aggregate write-down of the carrying amounts of the assets in the above table to their recoverable amounts, was included in Impairment losses on fixed assets under Extraordinary losses.

The recoverable amounts of these assets represent their net sales value, which are determined based on the estimated sale price or appraisal value provided by qualified appraisers. When sale of an asset is expected to be difficult, its recoverable amount is determined to be zero.

4. Details of Other extraordinary losses are as follows:

For the year ended March 31, 2014

Other extraordinary losses represent costs related to reorganization by function that was agreed among the Company and insurance subsidiaries within the Group.

5. The amounts of net income/(loss) per share are as follows:

	For the year ended March 31, 2013	For the year ended March 31, 2014
Net income/(loss) per share (in Yen)	134.46	150.58
Net income/(loss) attributable to common stock (Yen in millions)	83,625	93,451
Average outstanding common stock during the year (in thousands of shares)	621,896	620,603

(Notes)

1. Since there was no potential dilution for the year ended March 31, 2013, diluted net income/(loss) per share is not disclosed.
2. Since there was no potential dilution for the year ended March 31, 2014, diluted net income/(loss) per share is not disclosed.

NOTES TO CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

	Yen in millions	
	2013	2014
Net unrealized gains/(losses) on investments in securities:		
Gains/(losses) arising during the period	614,703	321,269
Reclassification adjustments	(45,562)	(91,576)
Before income tax effect adjustments	569,141	229,692
Income tax effects	(174,534)	(68,076)
Net unrealized gains/(losses) on investments in securities	394,606	161,615
Net deferred gains/(losses) on hedges:		
Gains/(losses) arising during the period	19,654	742
Reclassification adjustments	(5,168)	(5,329)
Before income tax effect adjustments	14,485	(4,586)
Income tax effects	(4,441)	1,588
Net deferred gains/(losses) on hedges	10,044	(2,998)
Foreign currency translation adjustments:		
Gains/(losses) arising during the period	48,559	67,849
Reclassification adjustments	835	183
Foreign currency translation adjustments	49,394	68,032
Share of other comprehensive income/(loss) of equity method investments:		
Gains/(losses) arising during the period	4,592	1,142
Reclassification adjustments	(10)	(547)
Share of other comprehensive income/(loss) of equity method investments	4,581	594
Total other comprehensive income/(loss)	458,626	227,245

NOTES TO CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

For the year ended March 31, 2013

1. Type and number of issued stock and treasury stock

	Thousands of shares			
	Beginning balance	Increase	Decrease	Ending balance
Issued stock:				
Common stock	633,291	—	—	633,291
Total	633,291	—	—	633,291
Treasury stock:				
Common stock	11,389	15	1	11,403
Total	11,389	15	1	11,403

(Notes)

- The increase in the number of treasury stock of common stock during the year was 15 thousand shares, as a result of repurchase of fractional stock.
- The decrease in the number of treasury stock of common stock during the year was 1 thousand shares, as a result of sales of fractional stock.

2. Dividends

(1) Dividends paid

Resolution	Type of shares	Aggregate amount of dividends (Yen in millions)	Dividends per share (in Yen)	Date of record	Effective date
General shareholders' meeting held on June 26, 2012	Common stock	16,791	27	March 31, 2012	June 27, 2012
Board meeting held on November 19, 2012	Common stock	16,791	27	September 30, 2012	December 7, 2012

(Note) The date of record is the date to determine shareholders who are entitled to receive dividends.

(2) Dividends to be made effective after March 31, 2013 for which the date of record is in the year ended March 31, 2013

Resolution	Type of shares	Aggregate amount of dividends (Yen in millions)	Source of dividends	Dividends per share (in Yen)	Date of record	Effective date
General shareholders' meeting to be held on June 26, 2013	Common stock	16,790	Retained earnings	27	March 31, 2013	June 27, 2013

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

For the year ended March 31, 2014

1. Type and number of issued stock and treasury stock

	Thousands of shares			
	Beginning balance	Increase	Decrease	Ending balance
Issued stock:				
Common stock	633,291	—	—	633,291
Total	633,291	—	—	633,291
Treasury stock:				
Common stock	11,403	1,980	0	13,383
Total	11,403	1,980	0	13,383

(Notes)

- The increase in the number of treasury stock of common stock during the year was 1,980 thousand shares, as a result of the open market repurchase of 1,947 thousand shares and repurchase of fractional stock of 32 thousand shares.
- The decrease in the number of treasury stock of common stock during the year was 0 thousand shares, as a result of sales of fractional stock.

2. Dividends

(1) Dividends paid

Resolution	Type of shares	Aggregate amount of dividends (Yen in millions)	Dividends per share (in Yen)	Date of record	Effective date
General shareholders' meeting held on June 26, 2013	Common stock	16,790	27	March 31, 2013	June 27, 2013
Board meeting held on November 19, 2013	Common stock	17,357	28	September 30, 2013	December 10, 2013

(Note) The date of record is the date to determine shareholders who are entitled to receive dividends.

(2) Dividends to be made effective after March 31, 2014 for which the date of record is in the year ended March 31, 2014

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 23, 2014	Common stock	17,357	Retained earnings	28	March 31, 2014	June 24, 2014

(Note) The 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	
	2013	2014
Cash, deposits and savings	536,383	563,370
Call loans	99,709	78,649
Receivables under resale agreements	48,545	23,997
Monetary claims bought	93,013	73,337
Money trusts	898,510	693,628
Investments in securities	11,398,945	12,710,203
Time deposits with original maturity of more than three months	(140,099)	(155,259)
Monetary claims bought other than cash equivalents	(61,445)	(46,260)
Money trusts other than cash equivalents	(897,810)	(693,628)
Investments in securities other than cash equivalents	(11,259,528)	(12,622,952)
Cash and cash equivalents	716,221	625,084

2. 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 at March 31, 2013 and 2014, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and the related notes.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of MS&AD Insurance Group Holdings, Inc. and its consolidated subsidiaries as at March 31, 2013 and 2014, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Significant Accounting Policies in the notes to the consolidated financial statements which describes early adoption of the "Accounting Standard for Retirement Benefits" and the "Guidance on Accounting Standard for Retirement Benefits" on the calculation method for retirement benefit obligations and service costs from the year ended March 31, 2014.

KPMG AZSA LLC, a limited liability audit corporation incorporated under the Japanese Certified Public Accountants Law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.



Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2014 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Significant Accounting Policies in the notes to the consolidated financial statements.

KPMG AZSA LLC

June 23, 2014
Tokyo, Japan

Summary of Business Results of Main Consolidated Subsidiaries

Download Data Sheet 

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

Non-Consolidated Balance Sheet

Items	Yen in millions	
	March 31, 2013	March 31, 2014
(Assets)		
Cash, deposits and savings:	¥ 188,886	¥ 188,728
Cash on hand	193	174
Deposits in banks	188,693	188,554
Call loans	69,000	50,000
Receivables under resale agreements	48,545	23,997
Monetary claims bought	83,966	65,781
Money trusts	9,978	10,371
Investments in securities:	4,117,917	4,502,619
Government bonds	928,961	1,188,375
Municipal bonds	110,703	97,187
Corporate bonds	675,448	587,928
Stock	1,640,679	1,809,709
Foreign securities	738,873	803,384
Other securities	23,252	16,034
Loans:	576,032	538,224
Policy loans	10,740	9,834
General loans	565,291	528,389
Tangible fixed assets:	241,916	238,938
Land	88,895	87,736
Buildings	134,195	136,237
Construction in progress	5,319	2,528
Other tangible fixed assets	13,506	12,436
Intangible fixed assets:	43,316	40,101
Software	8,069	37,594
Other intangible fixed assets	35,247	2,507
Other assets:	487,529	406,584
Premiums receivable	3,551	4,032
Due from agencies	103,303	105,621
Co-insurance accounts receivable	8,733	9,161
Reinsurance accounts receivable	67,342	57,037
Foreign reinsurance accounts receivable	153,664	91,483
Agency business accounts receivable	232	213
Other receivables	25,544	28,363
Accrued income	6,408	6,180
Guarantee deposits	18,119	12,414
Deposits with the Japan Earthquake Reinsurance Company	9,236	9,932
Suspense payments	39,544	39,659
Variation margins of futures markets	—	0
Derivative financial instruments	50,360	41,154
Other assets	1,488	1,329
Customers' liabilities under acceptances and guarantees	39,825	49,094
Bad debt reserve	(5,500)	(16,423)
Total assets	¥5,901,413	¥6,098,017

Items	Yen in millions	
	March 31, 2013	March 31, 2014
(Liabilities)		
Policy liabilities:	¥3,981,659	¥3,945,530
Outstanding claims	643,869	652,310
Underwriting reserves	3,337,789	3,293,219
Bonds issued	241,176	176,185
Other liabilities:	298,674	344,318
Co-insurance accounts payable	11,690	11,925
Reinsurance accounts payable	50,603	54,777
Foreign reinsurance accounts payable	23,274	27,092
Agency business accounts payable	24	34
Borrowings	50,000	100,000
Income taxes payable	4,652	4,890
Advance received	20,314	16,166
Unearned income	108	103
Other payables	36,686	25,853
Suspense receipts	19,591	23,096
Derivative financial instruments	13,692	9,119
Cash collateral received under derivative transactions	60,839	62,061
Lease obligations	2,064	1,706
Asset retirement obligations	5,128	4,634
Other liabilities	1	2,858
Reserve for pension and retirement benefits	87,390	139,895
Reserve for retirement benefits for officers	1,257	1,070
Accrued bonuses for employees	10,588	11,249
Reserves under the special laws:	5,151	19,731
Reserve for price fluctuation	5,151	19,731
Deferred tax liabilities	43,610	101,331
Acceptances and guarantees	39,825	49,094
Total liabilities	4,709,334	4,788,409
(Net assets)		
Common stock	139,595	139,595
Capital surplus:	93,107	93,107
Additional paid-in capital	93,107	93,107
Retained earnings:	244,565	240,357
Legal earned reserve	46,487	46,487
Other retained earnings:	198,077	193,869
Tax-exempted reserve for accelerated depreciation	15,660	15,385
Retained earnings brought forward	182,416	178,484
Total shareholders' equity	477,268	473,061
Net unrealized gains/(losses) on investments in securities	688,381	813,116
Net deferred gains/(losses) on hedges	26,428	23,430
Total valuation and translation adjustments	714,810	836,547
Total net assets	1,192,079	1,309,608
Total liabilities and net assets	¥5,901,413	¥6,098,017

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

Non-Consolidated Statements of Income

Items	Yen in millions	
	Year ended March 31, 2013	Year ended March 31, 2014
Ordinary income:	¥1,792,884	¥1,731,374
Underwriting income:	1,661,287	1,586,564
Net premiums written	1,313,831	1,386,533
Deposit premiums from policyholders	119,925	113,037
Investment income on deposit premiums from policyholders	44,061	41,343
Reversal of outstanding claims	54,330	–
Reversal of underwriting reserves	116,824	44,570
Foreign exchange gains	12,253	971
Other underwriting income	60	107
Investment income:	127,798	141,633
Interest and dividends income	101,814	112,260
Investment gains on money trusts	290	295
Gains on sales of securities	56,176	55,999
Gains on redemption of securities	1,184	1,778
Gains on derivative transactions	6,894	9,829
Foreign exchange gains	4,627	1,460
Other investment income	872	1,352
Transfer of investment income on deposit premiums from policyholders	(44,061)	(41,343)
Other ordinary income	3,798	3,176
Ordinary expenses:	1,727,518	1,629,375
Underwriting expenses:	1,474,436	1,388,165
Net claims paid	887,436	823,665
Loss adjustment expenses	76,390	77,425
Commissions and collection expenses	228,670	239,034
Maturity refunds to policyholders	280,598	238,511
Dividends to policyholders	839	594
Provision for outstanding claims	–	8,441
Other underwriting expenses	500	493
Investment expenses:	38,250	8,415
Investment losses on money trusts	48	–
Losses on sales of securities	2,988	1,188
Impairment losses on securities	28,382	3,391
Losses on redemption of securities	879	714
Other investment expenses	5,951	3,120
Operating expenses and general and administrative expenses	206,538	214,537
Other ordinary expenses:	8,293	18,258
Interest expense	7,128	7,003
Provision for bad debts	263	11,018
Losses on bad debts	1	2
Other ordinary expenses	899	234
Ordinary profit	65,366	101,998
Extraordinary income:	1,891	4,162
Gains on sales of fixed assets	1,891	4,162
Extraordinary losses:	4,204	21,615
Losses on sales of fixed assets	1,337	2,611
Impairment losses on fixed assets	355	240
Provision for reserves under the special laws:	2,511	14,580
Provision for reserve for price fluctuation	2,511	14,580
Other extraordinary losses	–	4,182
Income before income taxes	63,053	84,545
Income taxes – current	1,714	2,512
Income taxes – deferred	18,681	23,985
Total income taxes	20,395	26,497
Net income	¥ 42,657	¥ 58,047

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, 2013	March 31, 2014
(A) Total amount of solvency margin	¥1,958,579	¥2,120,694
Total net assets	462,870	456,862
Reserve for price fluctuation	5,151	19,731
Contingency reserve	–	175
Catastrophe reserve	412,208	410,755
General bad debt reserve	1,093	1,420
Net unrealized gains/(losses) on investments in securities (prior to tax effect deductions)	896,469	1,054,940
Net unrealized gains/(losses) on land	33,406	31,656
Excess of policyholders' contract deposits (a)	–	–
Subordinated debts, etc. (b)	106,191	106,191
Amount excluded from the margin, out of (a) and (b)	–	–
Deductions	43,152	43,155
Others	84,341	82,117
(B) Total amount of risks $\sqrt{(R_1+R_2)^2+(R_3+R_4)^2}+R_5+R_6$	673,800	706,497
General insurance risk (R ₁)	111,582	113,474
Insurance risk of third-sector insurance contracts (R ₂)	–	–
Assumed interest rate risk (R ₃)	20,420	19,248
Asset management risk (R ₄)	499,540	527,293
Business administration risk (R ₅)	15,167	15,849
Catastrophe risk (R ₆)	126,834	132,450
(C) Solvency margin ratio [(A) / {(B)×1/2}] × 100	581.3%	600.3%

AIOI NISSAY DOWA INSURANCE CO., LTD. (NON-CONSOLIDATED)**Non-Consolidated Balance Sheet**

Items	Yen in millions	
	March 31, 2013	March 31, 2014
(Assets)		
Cash, deposits and savings:	¥ 92,013	¥ 81,958
Cash on hand	48	23
Deposits in banks	91,965	81,935
Call loans	–	21,000
Monetary claims bought	977	477
Money trusts	2,128	2,310
Investments in securities:	2,292,734	2,365,453
Government bonds	713,239	692,038
Municipal bonds	32,607	28,354
Corporate bonds	204,661	249,226
Stock	662,070	712,217
Foreign securities	639,643	644,154
Other securities	40,510	39,461
Loans:	246,684	220,015
Policy loans	4,982	4,632
General loans	241,701	215,383
Tangible fixed assets:	185,771	183,620
Land	84,513	83,882
Buildings	90,988	88,221
Lease assets	110	98
Construction in progress	1,426	2,325
Other tangible fixed assets	8,732	9,092
Intangible fixed assets:	29,971	33,390
Software	2,124	30,932
Other intangible fixed assets	27,846	2,457
Other assets:	239,415	222,050
Premiums receivable	3,104	3,403
Due from agencies	44,709	53,499
Due from foreign agencies	2,779	1,744
Co-insurance accounts receivable	3,294	4,853
Reinsurance accounts receivable	57,831	55,579
Foreign reinsurance accounts receivable	36,474	26,251
Other receivables	35,916	24,415
Accrued income	8,962	9,498
Guarantee deposits	7,671	7,475
Deposits with the Japan Earthquake Reinsurance Company	6,452	6,931
Suspense payments	31,184	27,132
Derivative financial instruments	1,032	1,266
Prepaid pension expenses	40,683	43,472
Deferred tax assets	106,449	78,076
Customers' liabilities under acceptances and guarantees	2,500	7,500
Bad debt reserve	(2,479)	(2,146)
Total assets	¥3,236,851	¥3,257,180

Items	Yen in millions	
	March 31, 2013	March 31, 2014
(Liabilities)		
Policy liabilities:	¥2,422,522	¥2,420,418
Outstanding claims	473,220	510,416
Underwriting reserves	1,949,302	1,910,002
Bonds issued	50,000	50,000
Other liabilities:	182,421	153,051
Co-insurance accounts payable	4,674	3,799
Reinsurance accounts payable	49,612	54,260
Foreign reinsurance accounts payable	25,097	23,014
Borrowings	25	11
Income taxes payable	2,630	2,790
Advance received	2,724	2,546
Unearned income	51	30
Other payables	24,701	22,325
Suspense receipts	38,762	20,850
Derivative financial instruments	31,460	15,276
Cash collateral received under derivative transactions	1,939	7,258
Lease obligations	212	328
Asset retirement obligations	528	558
Other liabilities	0	0
Reserve for pension and retirement benefits	19,313	13,775
Accrued bonuses for employees	6,064	5,962
Reserve for Reorganization by Function	–	3,040
Reserves under the special laws:	1,624	3,239
Reserve for price fluctuation	1,624	3,239
Acceptances and guarantees	2,500	7,500
Total liabilities	2,684,446	2,656,987
(Net assets)		
Common stock	100,005	100,005
Capital surplus:	81,210	81,210
Additional paid-in capital	52,593	52,593
Other capital surplus	28,616	28,616
Retained earnings:	191,575	197,397
Legal earned reserve	43,037	45,657
Other retained earnings:	148,537	151,739
Retained earnings brought forward	148,537	151,739
Total shareholders' equity	372,790	378,612
Net unrealized gains/(losses) on investments in securities	179,614	221,580
Total valuation and translation adjustments	179,614	221,580
Total net assets	552,405	600,192
Total liabilities and net assets	¥3,236,851	¥3,257,180

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

Non-Consolidated Statements of Income

Items	Yen in millions	
	Year ended March 31, 2013	Year ended March 31, 2014
Ordinary income:	¥1,342,714	¥1,317,805
Underwriting income:	1,273,889	1,245,805
Net premiums written	1,103,234	1,144,629
Deposit premiums from policyholders	44,010	38,412
Investment income on deposit premiums from policyholders	20,354	19,543
Reversal of outstanding claims	9,126	-
Reversal of underwriting reserves	90,318	39,299
Foreign exchange gains	1,474	1,643
Other underwriting income	5,370	2,277
Investment income:	66,085	68,951
Interest and dividends income	60,617	65,460
Investment gains on money trusts	0	0
Gains on sale of securities	23,810	22,610
Gains on redemption of securities	27	98
Foreign exchange gains	1,746	71
Other investment income	237	252
Transfer of investment income on deposit premiums from policyholders	(20,354)	(19,543)
Other ordinary income	2,739	3,048
Ordinary expenses:	1,316,854	1,289,907
Underwriting expenses:	1,086,669	1,081,170
Net claims paid	726,151	691,799
Loss adjustment expenses	51,005	52,052
Commissions and collection expenses	195,767	204,705
Maturity refunds to policyholders	111,930	93,535
Dividends to policyholders	27	123
Provision for outstanding claims	-	37,195
Other underwriting expenses	1,786	1,758
Investment expenses:	39,968	9,828
Losses on sales of securities	16,570	3,066
Impairment losses on securities	9,763	3,632
Losses on redemption of securities	7,732	-
Losses on derivative transactions	2,928	1,526
Other investment expenses	2,973	1,603
Operating expenses and general and administrative expenses	187,883	197,823
Other ordinary expenses:	2,333	1,086
Interest expense	387	759
Provision for bad debts	917	-
Losses on bad debts	2	2
Other ordinary expenses	1,025	324
Ordinary profit	25,859	27,897
Extraordinary income:	676	1,009
Gains on sales of fixed assets	502	1,009
Reversal of reserves under the special laws:	173	-
Reversal of reserve for price fluctuation	173	-
Extraordinary losses:	2,310	6,676
Losses on sales of fixed assets	1,604	920
Impairment losses on fixed assets	705	63
Provision for reserves under the special laws:	-	1,614
Provision for reserve for price fluctuation	-	1,614
Other extraordinary losses	-	4,077
Income before income taxes	24,225	22,230
Income taxes – current	1,050	2,057
Income taxes – deferred	4,312	7,065
Total income taxes	5,362	9,123
Net income	¥ 18,862	¥ 13,107

Non-Consolidated Solvency Margin Ratio

	Yen in millions	
	March 31, 2013	March 31, 2014
(A) Total amount of solvency margin	¥965,962	¥1,027,044
Total net assets	365,590	369,512
Reserve for price fluctuation	1,624	3,239
Contingency reserve	693	747
Catastrophe reserve	257,920	257,490
General bad debt reserve	379	418
Net unrealized gains/(losses) on investments in securities (prior to tax effect deductions)	233,054	287,683
Net unrealized gains/(losses) on land	2,719	2,038
Excess of policyholders' contract deposits (a)	-	-
Subordinated debts, etc. (b)	50,000	50,000
Amount excluded from the margin, out of (a) and (b)	-	-
Deductions	11,403	9,952
Others	65,383	65,866
(B) Total amount of risks $\sqrt{(R_1+R_2)^2+(R_3+R_4)^2}+R_5+R_6$	297,599	272,396
General insurance risk (R ₁)	102,694	101,281
Insurance risk of third-sector insurance contracts (R ₂)	-	-
Assumed interest rate risk (R ₃)	10,421	9,911
Asset management risk (R ₄)	169,412	179,721
Business administration risk (R ₅)	7,314	6,829
Catastrophe risk (R ₆)	83,193	50,581
(C) Solvency margin ratio $[(A) / \{(B) \times 1/2\}] \times 100$	649.1%	754.0%

MITSUI DIRECT GENERAL INSURANCE CO., LTD. (NON-CONSOLIDATED)**Non-Consolidated Balance Sheets**

Items	Yen in millions	
	March 31, 2013	March 31, 2014
(Assets)		
Cash, deposits and savings:	¥ 3,541	¥ 3,319
Deposits in banks	3,541	3,319
Investments in securities:	33,674	35,104
Government bonds	9,906	10,906
Municipal bonds	14,524	13,137
Corporate bonds	9,242	11,060
Tangible fixed assets:	308	212
Buildings	47	41
Other tangible fixed assets	261	170
Intangible fixed assets:	1,960	2,073
Software	1,957	2,071
Other intangible fixed assets	3	2
Other assets:	6,115	5,878
Premiums receivable	0	0
Other receivables	3,699	3,421
Accrued income	40	43
Guarantee deposits	303	308
Suspense payments	2,069	2,103
Other assets	2	2
Bad debt reserve	(3)	(3)
Total assets	¥45,596	¥46,584
(Liabilities)		
Policy liabilities:	¥33,135	¥34,079
Outstanding claims	13,593	14,582
Underwriting reserves	19,541	19,497
Other liabilities:	1,092	988
Reinsurance accounts payable	2	1
Income taxes payable	135	99
Other payables	926	856
Suspense receipts	16	18
Asset retirement obligations	12	12
Accrued bonuses for employees	209	214
Reserves under the special laws:	27	34
Reserve for price fluctuation	27	34
Deferred tax liabilities	51	44
Total liabilities	34,516	35,360
(Net assets)		
Common stock	32,600	32,600
Capital surplus:	2,500	2,500
Additional paid-in capital	2,500	2,500
Retained earnings:	(24,286)	(24,054)
Other retained earnings:	(24,286)	(24,054)
Retained earnings brought forward	(24,286)	(24,054)
Total shareholders' equity	10,813	11,045
Net unrealized gains/(losses) on investments in securities	267	178
Total valuation and translation adjustments	267	178
Total net assets	11,080	11,223
Total liabilities and net assets	¥45,596	¥46,584

Non-Consolidated Statements of Income

Items	Yen in millions	
	Year ended March 31, 2013	Year ended March 31, 2014
Ordinary income:	¥35,734	¥35,791
Underwriting income:	35,529	35,628
Net premiums written	35,273	35,567
Investment income on deposit premiums from policyholders	14	16
Reversal of outstanding claims	241	–
Reversal of underwriting reserves	–	44
Investment income:	200	156
Interest and dividends income	164	149
Gains on sale of securities	50	22
Transfer of investment income on deposit premiums from policyholders	(14)	(16)
Other ordinary income	4	6
Ordinary expenses:	35,207	35,492
Underwriting expenses:	28,107	28,321
Net claims paid	25,309	24,672
Loss adjustment expenses	2,404	2,468
Commissions and collection expenses	198	190
Provision for outstanding claims	–	988
Provision for underwriting reserves	194	–
Other underwriting expenses	0	0
Investment expenses	–	–
Operating expenses and general and administrative expenses	7,098	7,169
Other ordinary expenses:	2	2
Provision for bad debts	–	0
Other ordinary expenses	2	1
Ordinary profit	526	298
Extraordinary income	–	–
Extraordinary losses:	24	17
Losses on sales of fixed assets	19	10
Impairment losses on fixed assets	–	0
Provision for reserves under the special laws:	4	6
Provision for reserve for price fluctuation	4	6
Income before income taxes	502	281
Income taxes – current	39	13
Income taxes – deferred	(0)	34
Total income taxes	39	48
Net income	¥ 462	¥ 232

Non-Consolidated Solvency Margin Ratio

	Yen in millions	
	March 31, 2013	March 31, 2014
(A) Total amount of solvency margin	¥12,324	¥12,460
Total net assets	10,813	11,045
Reserve for price fluctuation	27	34
Contingency reserve	0	0
Catastrophe reserve	1,133	1,147
General bad debt reserve	0	1
Net unrealized gains/(losses) on investments in securities (prior to tax effect deductions)	349	231
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 $\sqrt{(R_1+R_2)^2+(R_3+R_4)^2}+R_5+R_6$	5,740	5,921
General insurance risk (R ₁)	5,233	5,378
Insurance risk of third-sector insurance contracts (R ₂)	–	–
Assumed interest rate risk (R ₃)	0	0
Asset management risk (R ₄)	511	735
Business administration risk (R ₅)	181	192
Catastrophe risk (R ₆)	300	300
(C) Solvency margin ratio $[(A) / \{(B) \times 1/2\}] \times 100$	429.4%	420.8%

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

Non-Consolidated Balance Sheets

Items	Yen in millions	
	March 31, 2013	March 31, 2014
(Assets)		
Cash, deposits and savings:	¥ 23,815	¥ 30,830
Cash on hand	0	0
Deposits in banks	23,814	30,830
Call loans	707	458
Receivables under securities borrowing transactions	224,025	228,706
Investments in securities:	2,102,671	2,285,544
Government bonds	1,310,930	1,336,675
Municipal bonds	93,959	112,322
Corporate bonds	635,852	746,067
Stock	869	1,021
Foreign securities	59,824	86,295
Other securities	1,235	3,161
Loans:	47,656	49,470
Policy loans	47,656	49,470
Tangible fixed assets:	2,224	1,882
Buildings	238	259
Lease assets	943	698
Other tangible fixed assets	1,042	924
Intangible fixed assets:	3,297	4,039
Software	2,798	3,758
Other intangible fixed assets	498	280
Due from agencies	274	225
Reinsurance accounts receivable	265	694
Other assets:	31,428	34,279
Other receivables	24,123	26,472
Prepaid expenses	580	556
Accrued income	5,569	6,091
Guarantee deposits	970	1,010
Suspense payments	159	123
Other assets	24	24
Bad debt reserve	(102)	(78)
Total assets	¥2,436,264	¥2,636,052

Items	Yen in millions	
	March 31, 2013	March 31, 2014
(Liabilities)		
Policy liabilities:	¥2,045,655	¥2,242,550
Outstanding claims	19,423	21,204
Policy reserves	2,019,481	2,214,832
Reserve for dividends to policyholders	6,750	6,514
Due to agencies	5,854	5,281
Reinsurance accounts payable	213	282
Other liabilities:	234,383	238,290
Payables under securities lending transactions	224,733	229,164
Income taxes payable	315	2,120
Other payables	192	146
Accrued expenses	5,722	4,720
Unearned income	0	0
Advance received	131	80
Derivative financial instruments	–	54
Lease obligations	1,010	751
Asset retirement obligations	174	364
Suspense receipts	2,102	887
Reserve for pension and retirement benefits	1,437	1,609
Reserve for retirement benefits for officers	59	50
Reserves under the special laws:	3,406	3,912
Reserve for price fluctuation	3,406	3,912
Deferred tax liabilities	13,010	12,075
Total liabilities	2,304,020	2,504,052
(Net assets)		
Common stock	35,500	35,500
Capital surplus:	43,688	43,688
Additional paid-in capital	13,214	13,214
Other capital surplus	30,473	30,473
Retained earnings:	(15,672)	(8,908)
Other retained earnings:	(15,672)	(8,908)
Retained earnings brought forward	(15,672)	(8,908)
Total shareholders' equity	63,515	70,279
Net unrealized gains/(losses) on investments in securities	68,727	61,719
Total valuation and translation adjustments	68,727	61,719
Total net assets	132,243	131,999
Total liabilities and net assets	¥2,436,264	¥2,636,052

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

Non-Consolidated Statements of Income

Items	Yen in millions	
	Year ended March 31, 2013	Year ended March 31, 2014
Ordinary income:	¥465,664	¥461,125
Insurance premiums and others:	422,189	417,609
Insurance premiums	421,387	416,743
Reinsurance income	801	866
Investment income:	40,427	41,598
Interest and dividends income:	34,238	36,885
Interest on deposits	0	0
Interest and dividends on securities	32,495	35,119
Interest on loans	1,400	1,452
Other interest and dividends	341	313
Gains on sales of securities	6,177	4,690
Gains on redemption of securities	11	-
Reversal of bad debts	-	22
Other ordinary income:	3,047	1,917
Receipts of annuities with special conditions	1,553	608
Receipts of deferred insurance claims	1,377	1,212
Other ordinary income	116	95
Ordinary expenses:	458,205	443,662
Insurance claims and others:	166,917	166,634
Insurance claims	43,551	43,837
Annuity payments	8,581	9,954
Benefits	12,065	12,574
Surrender benefits	99,504	96,715
Other refunds	2,078	2,157
Reinsurance premiums	1,137	1,395
Provision for policy reserves and others:	207,433	197,131
Provision for outstanding claims	488	1,780
Provision for policy reserves	206,942	195,350
Provision for interest portion of reserve for dividends to policyholders	2	0
Investment expenses:	2,851	1,100
Interest expense	302	306
Losses on sales of securities	2,511	756
Losses on derivative transactions	-	10
Foreign exchange losses	4	0
Provision for bad debts	6	-
Other investment expenses	26	26
Operating expenses	73,563	71,075
Other ordinary expenses:	7,438	7,719
Payments of deferred insurance claims	835	875
Taxes	4,183	4,086
Depreciation	2,161	2,460
Provision for reserve for pension and retirement benefits	255	290
Other ordinary expenses	2	7
Ordinary profit	7,459	17,462
Extraordinary income:	1	3
Gains on sales of fixed assets	1	3
Extraordinary losses:	457	649
Losses on sales of fixed assets	13	34
Impairment losses on fixed assets	-	109
Provision for reserves under the special laws:	444	506
Provision for reserve for price fluctuation	444	506
Provision for reserve for dividends to policyholders	5,822	5,749
Income before income taxes	1,180	11,067
Income taxes – current	322	2,248
Income taxes – deferred	399	2,137
Total income taxes	721	4,385
Net income	¥ 458	¥ 6,681

Business Results

Amount of Policies in Force and New Policies

(1) Policies in force

	Yen in millions			
	March 31, 2013		March 31, 2014	
	Number of policies (in thousands)	Amount	Number of policies (in thousands)	Amount
Individual insurance	2,262	¥19,317,482	2,406	¥20,317,959
Individual annuities	183	757,139	187	787,086
Group insurance	—	5,165,629	—	5,124,978
Group annuities	—	429	—	399

(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 policy reserves for the policies for which annuity payments have commenced.
2. The amounts of group annuities represent the policy reserves.

(2) New policies

	Yen in millions							
	Year ended March 31, 2013				Year ended March 31, 2014			
	Number of policies (in thousands)	Amount			Number of policies (in thousands)	Amount		
Total		New policies	Net increase by conversion	Total		New policies	Net increase by conversion	
Individual insurance	340	¥3,617,055	3,617,055	-	289	¥2,592,193	2,592,193	¥-
Individual annuities	18	93,511	93,511	-	10	80,016	80,016	-
Group insurance	—	710,988	710,988	—	—	104,852	104,852	—
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 millions	
	March 31, 2013	March 31, 2014
Individual insurance	¥277,088	¥291,663
Individual annuities	42,614	44,191
Total:	319,703	335,854
Medical coverage, living benefits, etc.	55,196	61,175

(2) New policies

	Yen in millions	
	Year ended March 31, 2013	Year ended March 31, 2014
Individual insurance	¥45,070	¥38,311
Individual annuities	5,156	4,077
Total:	50,226	42,389
Medical coverage, living benefits, etc.	6,998	10,910

(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 single-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, 2013	Year ended March 31, 2014	Change
Fundamental profit	¥ 5,847	¥ 15,395	¥ 9,548
Fundamental revenues:	459,486	456,439	(3,047)
Insurance premiums and others	422,189	417,609	(4,580)
Fundamental expenses	453,638	441,043	(12,595)
Capital gains/(losses)	3,662	3,923	261
Non-recurring gains/(losses)	(2,050)	(1,857)	193
Ordinary profit	7,459	17,462	10,003
Extraordinary income	1	3	2
Extraordinary losses	457	649	191
Provision for reserve for dividends to policyholders	5,822	5,749	(73)
Income taxes	721	4,385	3,664
Net income	458	6,681	6,223

Non-Consolidated Solvency Margin Ratio

	Yen in millions	
	March 31, 2013	March 31, 2014
(A) Total amount of solvency margin	¥267,498	¥276,449
Total capital	63,515	70,279
Reserve for price fluctuation	3,406	3,912
Contingency reserve	21,800	23,652
General bad debt reserve	39	12
Net unrealized gains/(losses) on investments in securities × 90%	89,295	80,190
Net unrealized gains/(losses) on land × 85%	–	–
Excess of continued Zillmerized reserve (a)	121,422	128,068
Subordinated debts, etc. (b)	–	–
Amount excluded from the margin, out of (a) and (b)	(32,340)	(29,945)
Brought in capital	–	–
Deductions	–	–
Others	359	277
(B) Total amount of risks $\sqrt{(R_1+R_6)^2+(R_2+R_3+R_7)^2}+R_4$	40,845	43,710
Insurance risk (R ₁)	13,818	14,298
Insurance risk of third-sector insurance contracts (R ₆)	4,913	6,082
Assumed interest rate risk (R ₂)	2,922	2,958
Minimum guarantee risk (R ₇)	–	–
Asset management risk (R ₃)	31,567	33,761
Business administration risk (R ₄)	1,596	1,713
(C) Solvency margin ratio [(A) / {(B) × 1/2}] × 100	1,309.8%	1,264.9%

MITSUI SUMITOMO PRIMARY LIFE INSURANCE CO., LTD. (NON-CONSOLIDATED)**Non-Consolidated Balance Sheets**

Items	Yen in millions	
	March 31, 2013	March 31, 2014
(Assets)		
Cash, deposits and savings:	¥ 37,291	¥ 40,523
Deposits in banks	37,291	40,523
Call loans	30,002	7,191
Money trusts	886,301	680,806
Investments in securities:	2,777,814	3,350,422
Government bonds	97,765	131,735
Municipal bonds	1,014	1,856
Foreign securities	31,539	663,237
Other securities	2,647,494	2,553,593
Loans:	529	448
Policy loans	529	448
Tangible fixed assets:	1,099	945
Buildings	353	298
Lease assets	713	589
Other tangible fixed assets	32	57
Intangible fixed assets:	4,042	3,696
Software	3,929	3,616
Lease assets	112	80
Reinsurance accounts receivable	90	269
Other assets:	5,489	45,368
Other receivables	4,260	26,183
Prepaid expenses	-	22
Accrued income	540	7,229
Guarantee deposits	100	10,550
Derivative financial instruments	-	184
Suspense payments	587	1,197
Deferred tax assets	22,914	34,002
Total assets	¥3,765,574	¥4,163,675
(Liabilities)		
Policy liabilities:	¥3,645,909	¥3,993,094
Outstanding claims	12,942	10,819
Policy reserves	3,632,967	3,982,275
Due to agencies	2,858	7,075
Reinsurance accounts payable	1,732	2,552
Other liabilities:	20,045	31,610
Income taxes payable	12,829	1,711
Other payables	151	19,647
Accrued expenses	3,188	3,982
Advance received	1,041	374
Cash collateral received under derivative transactions	-	185
Lease obligations	839	688
Asset retirement obligations	123	125
Suspense receipts	1,872	4,895
Reserves under the special laws:	23,743	40,136
Reserve for price fluctuation	23,743	40,136
Total liabilities	3,694,290	4,074,470
(Net assets)		
Common stock	41,060	41,060
Capital surplus:	24,735	24,735
Additional paid-in capital	24,735	24,735
Retained earnings:	4,740	22,669
Other retained earnings:	4,740	22,669
Retained earnings brought forward	4,740	22,669
Total shareholders' equity	70,535	88,464
Net unrealized gains/(losses) on investments in securities	748	741
Total valuation and translation adjustments	748	741
Total net assets	71,284	89,205
Total liabilities and net assets	¥3,765,574	¥4,163,675

Non-Consolidated Statements of Income

Items	Yen in millions	
	Year ended March 31, 2013	Year ended March 31, 2014
Ordinary income:	¥1,016,638	¥1,218,073
Insurance premiums and others:	456,680	829,414
Insurance premiums	449,316	826,434
Reinsurance income	7,363	2,980
Investment income:	557,892	383,521
Interest and dividends income:	405	9,341
Interest on deposits	8	23
Interest and dividends on securities	364	9,079
Interest on loans	14	10
Other interest and dividends	18	228
Investment gains on money trusts	183,704	19,371
Gains on sales of securities	-	0
Foreign exchange gains	26	19,851
Investment gains on separate accounts	373,755	334,955
Other ordinary income:	2,066	5,137
Receipts of annuities with special conditions	2,040	3,009
Reversal of outstanding claims	-	2,123
Other ordinary income	25	5
Ordinary expenses:	977,668	1,178,186
Insurance claims and others:	366,036	762,403
Insurance claims	46,625	51,890
Annuity payments	44,611	53,094
Benefits	73,158	187,411
Surrender benefits	176,167	438,637
Other refunds	960	2,160
Reinsurance premiums	24,514	29,208
Provision for policy reserves and others:	570,565	349,307
Provision for outstanding claims	4,963	-
Provision for policy reserves	565,602	349,307
Investment expenses:	579	1,056
Interest expense	0	0
Losses on derivative transactions	-	495
Other investment expenses	578	560
Operating expenses	38,208	58,927
Other ordinary expenses:	2,278	6,491
Taxes	1,431	5,302
Depreciation	720	1,173
Other ordinary expenses	126	15
Ordinary profit	38,969	39,887
Extraordinary income	-	-
Extraordinary losses:	21,844	16,664
Losses on sales of fixed assets	12	1
Impairment losses on fixed assets	-	270
Provision for reserves under the special laws:	21,831	16,392
Provision for reserve for price fluctuation	21,831	16,392
Income before income taxes	17,125	23,222
Income taxes – current	19,421	16,378
Income taxes – deferred	(12,645)	(11,084)
Total income taxes	6,775	5,293
Net income	¥ 10,350	¥ 17,928

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 millions			
	March 31, 2013		March 31, 2014	
	Number of policies (in thousands)	Amount	Number of policies (in thousands)	Amount
Individual insurance	67	¥ 465,049	175	¥1,073,428
Individual annuities	413	3,196,405	365	2,950,965
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 policy reserves for the policies for which annuity payments have commenced.

(2) New policies

	Yen in millions							
	Number of policies (in thousands)	Year ended March 31, 2013			Number of policies (in thousands)	Year ended March 31, 2014		
		Total	New policies	Net increase by conversion		Total	New policies	Net increase by conversion
Individual insurance	59	¥316,715	¥316,715	¥—	119	¥643,410	¥643,410	¥—
Individual annuities	20	115,487	115,487	—	25	157,116	157,116	—
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 millions	
	March 31, 2013	March 31, 2014
Individual insurance	¥ 31,509	¥ 70,148
Individual annuities	402,731	384,155
Total:	434,240	454,303
Medical coverage, living benefits, etc.	104	105

(2) New policies

	Yen in millions	
	Year ended March 31, 2013	Year ended March 31, 2014
Individual insurance	¥ 20,382	¥ 42,407
Individual annuities	86,867	119,544
Total:	107,250	161,952
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 single-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, 2013	Year ended March 31, 2014	Change
Fundamental profit	¥ 37,916	¥ 58,355	¥ 20,438
Fundamental revenues:	998,099	1,218,308	220,208
Insurance premiums and others	456,680	829,414	372,734
Fundamental expenses	960,182	1,159,953	199,770
Capital gains/(losses)	18,539	(729)	(19,269)
Non-recurring gains/(losses)	(17,486)	(17,738)	(251)
Ordinary profit	38,969	39,887	917
Extraordinary income	—	—	—
Extraordinary losses	21,844	16,664	(5,179)
Provision for reserve for dividends to policyholders	—	—	—
Income taxes	6,775	5,293	(1,481)
Net income	10,350	17,928	7,578

Non-Consolidated Solvency Margin Ratio

	Yen in millions	
	March 31, 2013	March 31, 2014
(A) Total amount of solvency margin	¥267,510	¥347,258
Total capital	70,535	86,464
Reserve for price fluctuation	23,743	40,136
Contingency reserve	46,722	64,460
General bad debt reserve	—	—
Net unrealized gains/(losses) on investments in securities × 90%	973	963
Net unrealized gains/(losses) on land × 85%	—	—
Excess of continued Zillmerized reserve (a)	123,427	146,219
Subordinated debts, etc. (b)	—	—
Amount excluded from the margin, out of (a) and (b)	—	—
Brought in capital	—	—
Deductions	—	—
Others	2,107	9,013
(B) Total amount of risks $\sqrt{(R_1+R_6)^2+(R_2+R_3+R_7)^2}+R_4$	60,516	69,128
Insurance risk (R ₁)	53	62
Insurance risk of third-sector insurance contracts (R ₆)	16	13
Assumed interest rate risk (R ₂)	15,199	26,207
Minimum guarantee risk (R ₇)	21,375	11,581
Asset management risk (R ₃)	22,753	29,982
Business administration risk (R ₄)	1,187	1,356
(C) Solvency margin ratio [(A) / {(B) × 1/2}] × 100	884.0%	1,004.6%