

Advancing with you

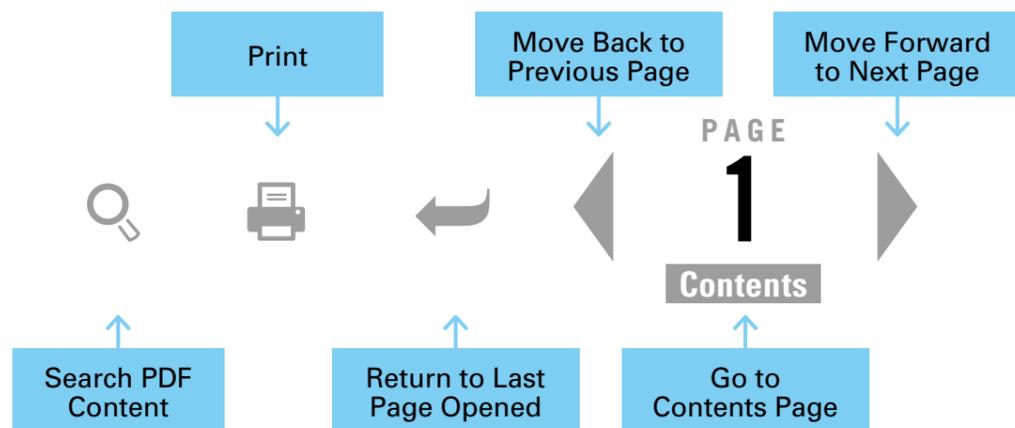
MS&AD MS&AD Insurance Group Holdings, Inc.

Annual Report 2013

For the Year Ended March 31, 2013



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



Group Slogan

Advancing with you



INSURANCE GROUP

What do we mean by “Advancing with you”?

The MS&AD Insurance Group is determined to be the most vigorous company in the insurance industry. Our new corporate slogan, “Advancing with you,” expresses that determination.

The phrase invokes the challenges of achieving corporate change, new insurance products, and global competitiveness; challenges which the MS&AD Insurance Group continues to pursue.

■ The challenge of corporate change

The Group companies and each staff member will continue to pursue rapid and dynamic change in response to shifts in social and business trends.

■ The challenge of providing new insurance products

Providing products and services in anticipation of new risks, the Group will consistently seek to provide maximum security to its customers.

■ The challenge of competing globally

To develop the strength to compete in the highly competitive international arena, the Group will continue to grow, aspiring to become a world-leading insurance and financial group.

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

Aspirations for the MS&AD Insurance Group

To clarify what kind of business group 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.



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. (MSIG), Aioi Insurance Co., Ltd. (Aioi), and Nissay Dowa General Insurance Co., Ltd. (NDI) under the holding company MS&AD Insurance Holdings, Inc. (MS&AD Holdings).

The MS&AD Insurance Group took the first step towards business integration by advancing the merger of Aioi with NDI and the merger of Mitsui Sumitomo Kirameki Life Insurance Co., Ltd., with Aioi Life Insurance Co., Ltd., and by integrating shared services along with taking other actions. These efforts have been aimed at improving Group-wide business management efficiency.

As the second step of business integration, we have decided to progressively reorganize the Group by function from April 2014, centering on the Group's core non-life insurance companies, namely Mitsui Sumitomo Insurance Co., Ltd. and Aioi Nissay Dowa Insurance Co., Ltd. The goals are to improve Group-wide enterprise value by achieving 'Growth' and 'Efficiency' across the entire Group; respond to diverse customer needs; and strengthen Group governance.

Moving ahead, the Group will work to quickly expand its operating base and management resources. This will pave the way for the creation of a world-leading insurance and financial services group that seeks to achieve sustainable growth and to enhance enterprise value.



MS&AD Holdings is headquartered in the Yaesu First Financial Building

Performance Snapshots

Direct Premiums Written
\$32.4 billion (¥3,049 billion)

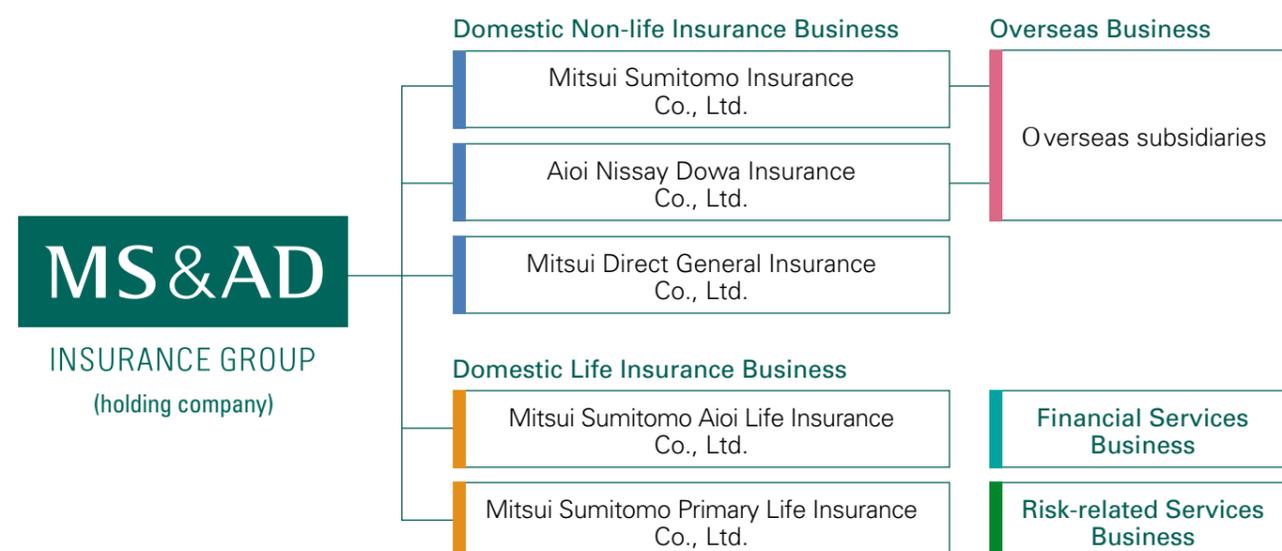
Total Assets Under Management
\$123.8 billion (¥11,640 billion)

Overseas Network
39 countries and regions

Number of Individual Policyholders
Approx. 40 million

Number of Corporate Customers
Approx. 2.3 million

Overview of the MS&AD Insurance Group



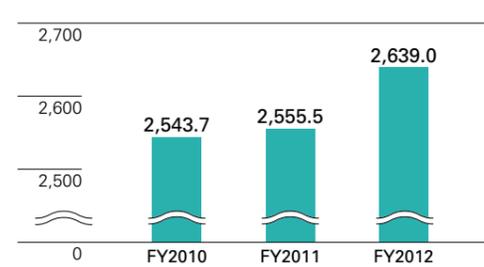
* U.S. dollar amounts in this report have been translated from yen at the rate of ¥94 = U.S.\$1.

Financial Highlights

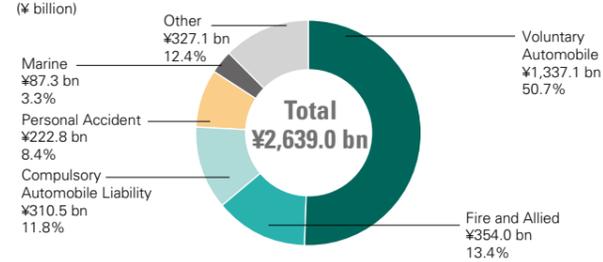
Net Premiums Written

¥2,639.0 billion

Net Premiums Written



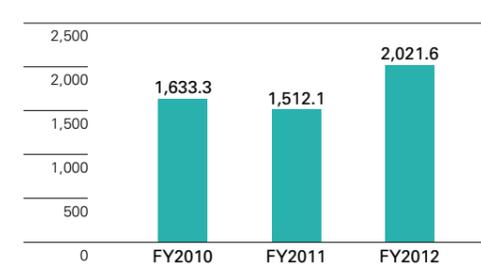
Composition of Net Premiums Written by Line of Insurance for Fiscal 2012



Net Assets

¥2,021.6 billion

Net Assets

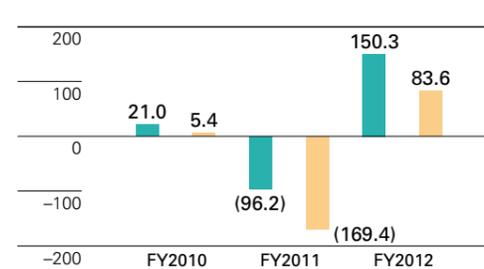


Total net assets as of March 31, 2013 stood at ¥2,021.6 billion, up ¥509.4 billion from the end of the previous fiscal year, mainly because of an increase in net unrealized gains on available-for-sale securities, net of tax (included in accumulated other comprehensive income) following the rise in stock prices and other factors.

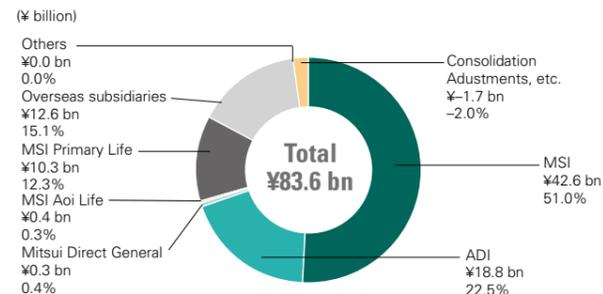
Ordinary Profit (Loss) and Net Income (Loss)

Ordinary Profit ¥150.3 billion, Net Income ¥83.6 billion

Ordinary Profit (Loss) and Net Income (Loss)



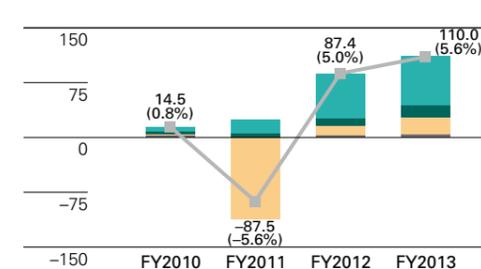
Composition of Net Income for Fiscal 2012



Group Core Profit and Group ROE

Group Core Profit ¥87.4 billion, Group ROE 5.0%

Group Core Profit and Group ROE



Group Core Profit	=	Consolidated net income
	-	Net capital gains/(losses) on stock portfolio (gains/(losses) on sales, etc.)
	-	Net evaluation gains/(losses) on credit derivatives
	-	Other incidental factors
	+	Equity in earnings of the non-consolidated group companies
Group ROE	=	Group Core Profit
	÷	Consolidated total net assets excluding minority interests (average of beginning and ending balances on B/S)

Net income was ¥83.6 billion, an improvement of ¥253.0 billion from a net loss in the previous year, which was affected heavily by flooding in Thailand.

Net income in the domestic non-life insurance business increased ¥235.6 billion year on year. The main factors included a rebound from the losses caused by the flooding in Thailand in the previous year, a reversal of the reserve for catastrophe, and net capital gains/losses on investment securities following a recovery in the financial markets.

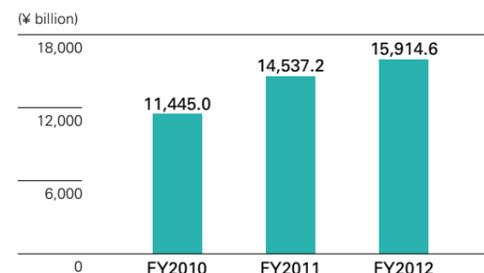
Net income in the domestic life insurance business improved by ¥16.1 billion year on year, mainly due to strong sales at MSI Primary Life and an upturn in the financial markets.

Net income at overseas subsidiaries improved ¥19.3 billion from a loss last year to reach ¥12.6 billion. The main factor was the absence of large claims incurred in the previous fiscal year.

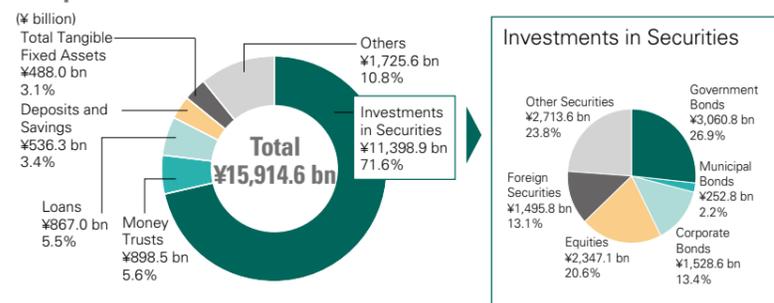
Total Assets

¥15,914.6 billion

Total Assets

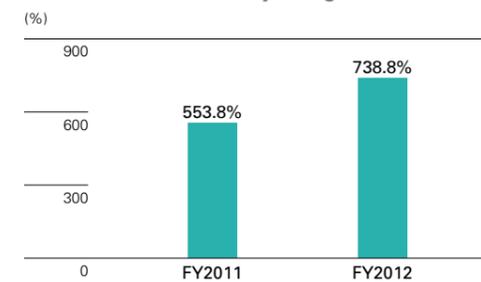


Composition of Total Assets for Fiscal 2012



Consolidated Solvency Margin Ratio 738.8%

Consolidated Solvency Margin Ratio

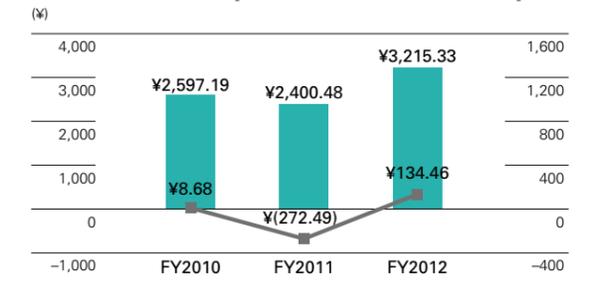


* The consolidated solvency margin ratio has been calculated since fiscal 2011, due to a revision in the Insurance Business Act.

Net Income/(Loss) per Share and Net Assets per Share

Net Income/(Loss) per Share ¥134.46, Net Assets per Share ¥3,215.53

Net Income/(Loss) per Share and Net Assets per Share



— Net Income/(Loss) per Share — Net Assets per Share

To Our Shareholders and Investors

I first would like to express my sincere gratitude for your ongoing support and understanding of our company.

Providing Security and Safety through Insurance and Financial Services

Three years have now passed since the MS&AD Insurance Group was launched in April 2010.

During these years we have faced a slump in the global financial markets, and natural disasters of an unprecedented scale, such as the Great East Japan Earthquake and severe flooding in Thailand, and these have taken a heavy toll on our business results. Nevertheless, the Group worked together to pay insurance claims as quickly as possible, so as to deliver peace of mind to our customers by means of insurance payments. These disasters reminded us of our social responsibility and the importance of our role as an insurance company.

MS&AD Insurance Group has set out its mission as, "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." We will remain dedicated to providing safety and security to our customers around the world by developing products and services that meet their needs as they vary with time. In this way, we will seek to win customers' trust, and play an essential role in their lives.

Continuing to Seek Sustainable Growth and to Enhance Enterprise Value

Fiscal 2013 is the final year of our medium-term management plan, MS&AD New Frontier 2013, which started with the launch of the Group.

Over these past three years, the Group has followed the basic strategies of the plan by actively exploring a range of business in the fields of domestic non-life insurance, domestic life insurance, overseas business, financial services, and risk-related services. We also made efforts to improve the quality of our products and services, and to enhance our profitability and growth potential.

In fiscal 2012, with the recovery in the financial markets we achieved a net income of ¥83.6 billion, the highest since our launch in fiscal 2010, and an improvement of ¥253.0 billion from the net loss of the previous fiscal year. We took three initiatives to build a more profitable corporate structure in fiscal 2012.

The first was that we took steps to make our processes more efficient and to cut costs, including steady progress on building an integrated new system to enable a full-scale rollout during fiscal 2013. Through this effort we managed to realize most of the anticipated synergies within the Group.

The second initiative we took was to revise the products and insurance premiums in our domestic non-life insurance business to make them even fairer for policyholders. Also, our group employees and our agencies have been conducting risk-reduction activities throughout Japan. These efforts are producing steady results in terms of improving our loss ratios, especially in automobile insurance.

The third initiative we undertook in fiscal 2012 was to continue strategically deploying resources into the domestic life insurance business and the overseas business, which we had positioned as growth fields since the Group was launched. As a result, we began to achieve steady earnings in these fields.

In fiscal 2013, all employees of the Group around the world will continue to make a steady, concerted effort, and we will further promote our strategic allocation of resources through selection and concentration. In doing so, we aim to achieve our target under MS&AD New Frontier 2013 for Group Core Profit of ¥110.0 billion.

Integrating the Total Capabilities of the Group and Pursuing Group Synergies

In January 2013, the MS&AD Insurance Group announced the reorganization of the Group by function, centering on MSI and ADI, the two core non-life insurance companies, as the second step of business integration. This decision will enable us to draw out the full strengths of each company in the Group and to swiftly realize accelerated growth and greater management efficiency, without taking on the temporary cost increase and time burden that accompany a merger.

We intend to determine a specific implementation plan for reorganization by function during 2013, and to accelerate the realization of Group synergies to create a platform for our next leap forward.

The MS&AD Insurance Group is aiming to create a world-leading insurance and financial group. We will continue to strive and grow through our efforts to further increase the total capabilities of the Group and continuously develop our businesses.

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

August 2013

TOSHIAKI EGASHIRA
President & CEO




Message from the President



Question 01

The Company's results for fiscal 2012 surpassed forecasts, marking a dramatic shift from fiscal 2011. What were the reasons for its strong performance?

Looking first at premium income, we sustained firm growth in both direct premiums written and net premiums written. Consolidated direct premiums written and consolidated net premiums written were ¥3,050.3 billion and ¥2,639.4 billion, respectively, both increasing 3.1% year on year. The main factors were growth in premiums from voluntary automobile insurance and compulsory automobile liability insurance at the Group's two core non-life insurance companies, which was due to the positive impact of premium rate revisions, in addition to strong new vehicle sales. Premiums written also increased

steadily in almost all other lines.

Earnings improved sharply from the previous fiscal year. Consolidated ordinary profit was ¥150.3 billion, an improvement of ¥246.5 billion from fiscal 2011. Net income was ¥83.6 billion, an improvement of ¥253.0 billion from fiscal 2011. These results primarily reflect the absence of the loss related to the flooding in Thailand recorded in fiscal 2011, and an upturn in the asset management environment, along with improvements in impairment losses on securities and in gains/losses on sales of securities.

Key Financial Data (MS&AD Holdings, Consolidated)

	FY2011	FY2012			
		Change	Growth	Difference from Revised Forecast	
Direct premiums written	2,960.0	3,050.3	90.3	3.1%	
Net premiums written	2,558.8	2,639.4	80.5	3.1%	9.4
Ordinary profit (loss)	-96.2	150.3	246.5	-	102.3
Net income	-169.4	83.6	253.0	-	71.6

(¥ billion)

* Direct premiums written and net premiums written exclude Good Result Return premiums of the "ModoRich" auto insurance product, which contains a special clause related to premium adjustment and refund at maturity; same hereafter. Net direct premiums written include deposit premiums from policyholders.

Breakdown of Net Premiums Written

	FY2011	FY2012		
		Change	Growth	
MSI (Non-consolidated)	1,269.2	1,314.2	44.9	3.5%
ADI (Non-consolidated)	1,074.6	1,103.2	28.6	2.7%
Mitsui Direct General	34.3	35.2	0.9	2.8%
Overseas subsidiaries	180.7	186.1	5.4	3.0%

(¥ billion)

* Prior to consolidation adjustments

* Figures for past years of merged companies are simple aggregates of the results for the individual companies before the mergers; same hereafter.

Source: Presentation materials for Information Meeting held on June 4, 2013

Breakdown of Net Income

	FY2011	FY2012	
		Change	
MSI (Non-consolidated)	-130.6	42.6	173.2
ADI (Non-consolidated)	-43.5	18.8	62.4
Mitsui Direct General	0.3	0.3	-0.0
MSI Aioi Life	-11.3	0.4	11.8
MSI Primary Life	5.9	10.3	4.3
Overseas subsidiaries	-6.7	12.6	19.3
Others	-0.0	0.0	0.1
Consolidation adjustment, etc.	16.5	-1.7	-18.3

(¥ billion)

* Net income of subsidiaries is on an equity stake basis; same hereafter.

Question 02

Please tell us about your progress on the medium-term management plan, MS&AD Frontier 2013, which ends in fiscal 2013, as well as your forecasts for fiscal 2013.

Ever since our business integration in fiscal 2010, we have seen a tough business environment, marked by a persistently high loss ratio for automobile insurance, in addition to natural disasters such as the Great East Japan Earthquake and the flooding in Thailand. We have also faced challenging economic conditions, notably the European economic crisis and weak stock prices. Under these conditions, guided by the medium-term management plan, MS&AD New Frontier 2013, which was launched in fiscal 2010, the Group has steadily implemented necessary measures, such as revising premium rates and bolstering overseas risk management, while steadily advancing business integration.

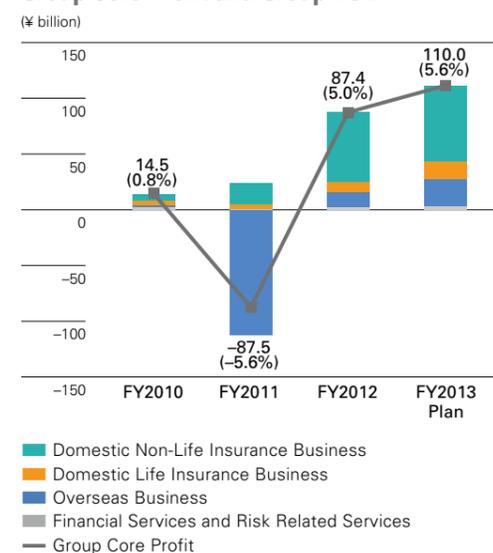
In fiscal 2013, the final year of the medium-term management plan, we currently expect to achieve our targets for consolidated net premiums written and Group Core Profit. However, we are projecting a Group ROE at the mid-5% level, based partly on an increase in capital reflecting the rapid recovery in stock markets at this time.

Looking at specific business forecasts for fiscal 2013,

first, we are projecting consolidated net premiums written of ¥2,770.0 billion for the Group, a year-on-year increase of 5%. This forecast is based on expectations of higher premiums across all insurance categories. For example, we expect continuing growth in premium income from voluntary automobile insurance and personal accident insurance, for which premium rate revisions are planned for October 2013, following on from the previous fiscal year. Another contributing factor is the positive impact of premium rate revisions for compulsory automobile liability insurance implemented in April 2013.

Ordinary profit in fiscal 2013 is projected to increase ¥40.6 billion to ¥191.0 billion, reaching a new all-time high. The main factors behind this forecast increase are an anticipated decrease in claims in the domestic non-life insurance business, assuming a normal incidence of natural disasters in Japan; a projected decrease in impairment losses on securities due to improvement in the investment environment; and projected improvement in the underwriting profit of overseas subsidiaries.

Group Core Profit and Group ROE



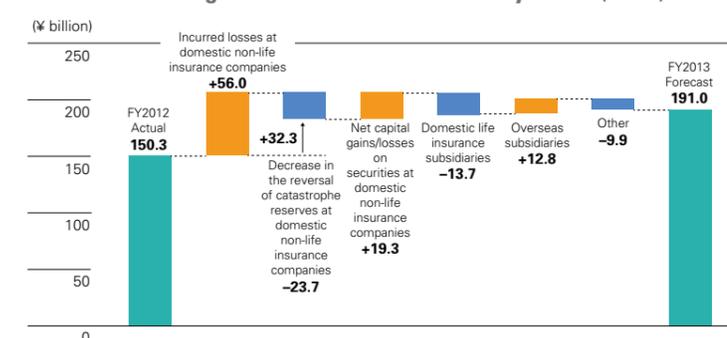
* Figures in parentheses are Group ROEs.

Key Financial Data (MS&AD Holdings, Consolidated)

	FY2012	FY2013 (Forecast)		
		Change	Growth	
Net premiums written	2,639.4	2,770.0	130.5	5.0%
Ordinary profit	150.3	191.0	40.6	27.1%
Net Income	83.6	125.0	41.3	49.5%

(¥ billion)

Factors in Changes in Consolidated Ordinary Profit (Loss)



Question 03

One urgent management task is to improve underwriting profitability in the non-life insurance business. What is the current status of measures to improve profitability?

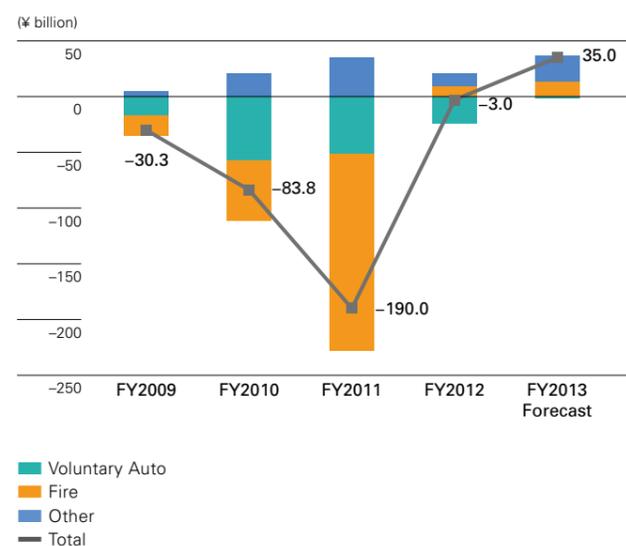
With regard to underwriting profit, the non-life insurance business has remained in the red since fiscal 2009. However, we are making progress on improving the profitability of the voluntary automobile insurance business. In fiscal 2012, the underwriting loss improved to ¥3.0 billion, a dramatic improvement from an underwriting loss of ¥190.0 billion in fiscal 2011, when the Group was impacted by the flooding in Thailand. In fiscal 2013, we expect largely to break even in the voluntary automobile insurance business on a stand-alone basis. For the non-life

insurance business as a whole, we expect to restore an underwriting profit of ¥35.0 billion in fiscal 2013.

The combined ratio* is anticipated to begin improving in step with this recovery. Excluding the impact of delays in insurance claim payments related to the Thailand floods, we expect to achieve a combined ratio of 98.7% in fiscal 2013.

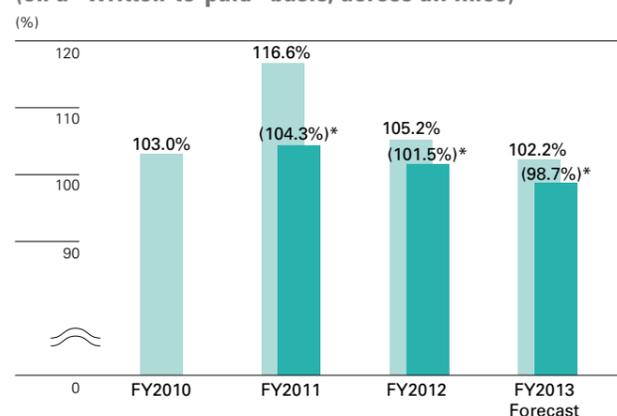
* The combined ratio is the sum of the earned incurred loss ratio and the expense ratio. The ratio is a measure of profitability used by an insurance company to indicate how well it is performing in its operations. A ratio below 100% is indicative of an underwriting profit.

Transition of Underwriting Profit (Loss) (by business line)



* The figures above are aggregates of figures for MSI and ADI.

Combined Ratio in Domestic Non-Life Insurance Business (on a "written-to-paid" basis; across all lines)



* The figures above are aggregates of figures for MSI and ADI.

* The figures in brackets exclude the loss amounts of the Great East Japan Earthquake and the floods in Thailand.

Question 04

Please explain the current status and outlook for the domestic life insurance business and the overseas business, which the MS&AD Group has positioned as a growth field.

Let's first look at the domestic life insurance business. In fiscal 2012, MSI Primary Life, which specializes in individual annuities through over-the-counter (OTC) sales at financial institutions, saw strong sales of a new foreign currency-denominated fixed annuities product. Moreover, favorable financial market conditions, including rising stock prices and the yen's depreciation supported a steady expansion in the amount of policies in force. As a result, MSI Primary Life posted net income of ¥10.3 billion, a large ¥4.3 billion increase on the previous year, which eliminated its loss carried over. Furthermore, MSI Aioi Life returned to profitability, posting net income of ¥0.4 billion, an improvement of ¥1.8 billion from a net loss in the previous fiscal year.

In fiscal 2013, MSI Aioi Life plans to continue strengthening sales of protection-based products and accelerate initiatives in third-sector products with emphasis on profitability, with the aim of achieving a better-balanced portfolio. MSI Primary Life will continue working to increase earnings through variable and fixed annuities by leveraging its specialization in the market for OTC sales of individual annuities, while properly controlling market risk.

Next is the status of our overseas business. In fiscal 2012, net premiums written in the overseas business were ¥287.8 billion, which is ¥7.0 billion higher than forecast. However, net income was ¥13.5 billion, which is ¥6.7 billion below forecast. The main factors behind this decrease were the impact of natural disasters in North America and an increase in the provision for outstanding claims reflecting the impact of the yen's depreciation.

In fiscal 2013, we are forecasting net premiums written of ¥356.0 billion in our overseas business, an increase of approximately 24%. This increase will be driven by Asia, where continuing rapid growth is expected, as well

as the foreign exchange impact of the yen's depreciation. We are forecasting net income of ¥24.0 billion for the overseas business as a whole, an increase of ¥10.5 billion. This anticipated increase is based on projected earnings growth in each overseas region except for Asia, which is affected by foreign exchange rates, assuming that the effects of natural disasters will be in the normal range.

In the life insurance business in Asia, we have seen steady yearly expansion in the size of the business of the six life insurance companies (including Takafu) we have invested in. According to recently announced business results, the simple aggregate of the premium income of our three core overseas life insurance companies alone has grown to around ¥230 billion. The Asian life insurance market is projected to expand over the medium term, and continues to offer strong prospects for high growth rates going forward.

The MS&AD Group will continue to provide expertise to the life insurance companies it has invested in, aiming at bolstering their sales capabilities and improving their earnings capacity. In this way, the Group will continue working to establish a growth trend in its overseas life insurance business.

In various regions overseas, the Group has been progressively integrating the business sites of MSI and ADI since the MS&AD Group was formed in April 2010. Following the agreement regarding reorganization by function announced in January 2013, the Group has clarified the roles of these two non-life insurance companies in overseas business expansion. Going forward, we will continue striving to achieve the best possible structure for capturing synergies, while working to enhance our earnings capacity.

Question 05

Please tell us about your progress on generating integration synergies and your outlook for future business development, including the reorganization by function that you announced in January 2013.

First, let's look at overall integration synergy effects. We have reduced company expenses by approximately ¥40 billion compared with fiscal 2008, and have almost achieved our target total synergies of ¥45 billion, including other synergies.

On January 31, 2013, we issued a news release on the reorganization by function centered on our two core domestic non-life insurance companies. Through this reorganization, we will clarify the business concept for the two core non-life insurance companies and ensure that these companies remain on a growth path as we work to raise business efficiency. In addition, MS&AD Holdings plans to

take the lead in building a strong group governance system. In regard to a more detailed reorganization action plan, we are currently considering details for each field subject to reorganization. We will disclose a detailed reorganization plan sometime in autumn 2013.

We are currently considering business development initiatives for fiscal 2014 onwards as part of our next medium-term management plan. We are aiming to achieve a combined ratio of 95%. We will announce details on the next medium-term management plan early next fiscal year.

Discussions about Reorganization by Function

Field	Discussions on reorganization
Marine and aviation insurance	(Cargo, transportation) Only MSI will have the product supply function, and ADI will sell MSI's products through a subcontracting system. (Hull, aviation, aerospace) ADI employees will be seconded to MSI and will work together to sell MSI's products.
"Motor channels"	"Motor channels" that are primarily handled by ADI and partly handled by MSI will be transferred to ADI.
Local sales networks	In an area where only one of the two companies has a base, that company will contract and supervise agents in that area. In an area where both companies have a base, we will consolidate the bases, and the company in charge of the consolidated base will contract and supervise agents in the area, based on the scale and efficiency of operations in the area.
Third sector insurance	We will transfer long-term policies in third sector insurance, such as medical insurance, which MSI and ADI sell to MSI Aioi Life to reduce product development and management costs.
Overseas business	The Group will integrate operations of overseas operating companies in each country to reduce management costs and improve efficiency in reinsurance operations. To improve profitability, the Group will clarify MSI and ADI's roles in the overseas business. – MSI will be responsible for comprehensive operations, including M&As. – ADI will be responsible primarily for retail business related to Toyota dealerships.
Head office functions	The holding company will have part of the head office functions of the two core non-life insurance companies and will enhance the Group governance system. (Functions to be consolidated) risk management, international business management, financial management, business auditing

Question 06

Finally, would you please touch on the Company's policies on capital management and returns to shareholders?

Our capital management policy and shareholder return policy have not changed.

With regard to our basic capital management policy, we are committed to creating a virtuous growth cycle through investment in businesses with substantial growth potential while returning profits to shareholders based on "Group Core Profit." We are also committed to improving Group ROE through growth in "Group Core Profit" and adroit capital management.

In regard to our shareholder return policy, we will return approximately 50% of "Group Core Profit" to shareholders through stable dividends and share buybacks.

In regard to returns to shareholders in fiscal 2012, we announced on May 20, 2013 that we would buy back up to ¥5 billion of our shares, or up to 2.5 million shares. We plan to repurchase our shares opportunistically and continuously, taking capital position and profits into account.

As for dividends, we plan to distribute an annual dividend per share of ¥56 for fiscal 2013, an increase of ¥2 from the previous fiscal year. As regards dividends in fiscal 2014 and beyond, we aim to steadily increase dividend payments.

Looking ahead, we remain committed to increasing shareholder value by creating a virtuous growth cycle through investment in businesses with substantial growth potential.



MS&AD New Frontier 2013

(MS&AD Insurance Group Medium-Term Management Plan Fiscal 2010–Fiscal 2013)

Four Basic Strategies

Win customers' trust and realize growth through quality improvement.

- Make every operation customer focused and deliver products and services of the highest quality to all customers.
- Establish a virtuous cycle and realize sustainable growth by injecting profits obtained from growth back into quality improvement.

Integrate the total capabilities of the Group and pursue group synergies to enhance profitability even further.

- Aim to enhance efficiency and increase group profitability by pursuing synergies within the Group.
- Revise all of the Group's operations from the perspective of maximizing overall Group performance, integrating operational processes and computer systems, developing shared services and capitalizing on economies of scale.

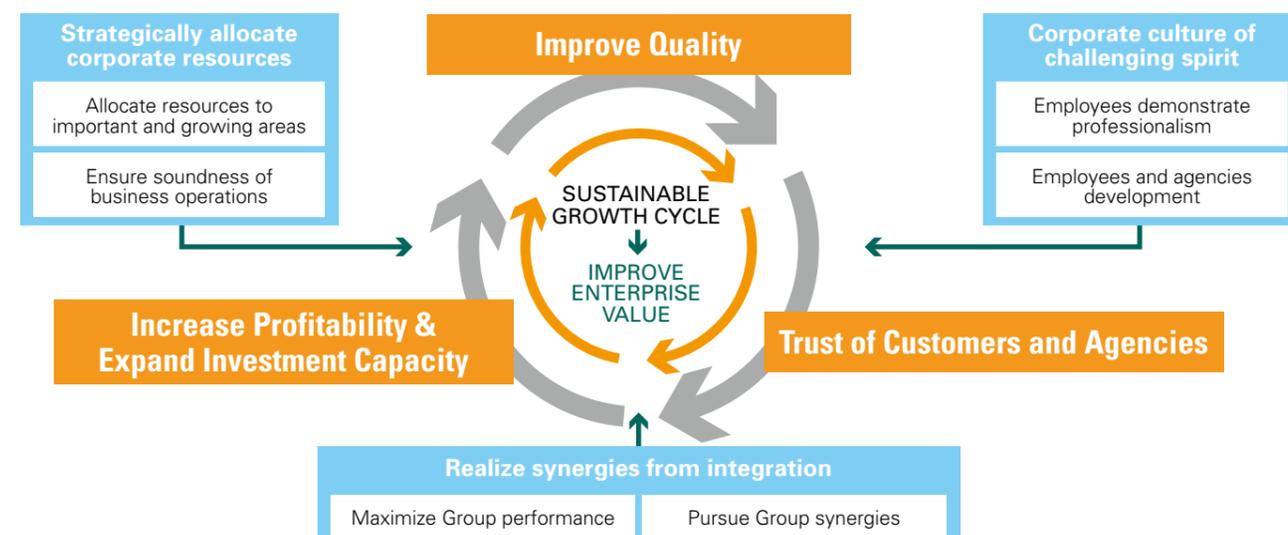
Allocate resources strategically to selected and focused areas, and ensure sound business operations.

- Allocate expanded corporate resources into important and growing areas, aiming to make efficient use of resources and to accelerate growth of the Group.
- Ensure sound operations throughout the entire Group, by conducting sound business operations in each group company as required for an insurance and financial institution and by establishing a Group-wide corporate governance structure centered on the holding company.

Foster a corporate culture of professional endeavor and grow with employees and agencies.

- Foster a corporate culture of taking up challenges as a professional on an individual employee level.
- Create a group where employees feel pride and satisfaction in their work, and that fosters mutual growth of employees and agencies with the Group.

To Improve Enterprise Value



Business Domain and Individual Strategies

The entire MS&AD Insurance Group will work together and pursue Group synergies to provide high-quality products and services that meet the individual needs of customers.

Domestic Non-life Insurance Business

- Mitsui Sumitomo Insurance Co., Ltd.
- Aioi Nissay Dowa Insurance Co., Ltd.
- Mitsui Direct General Insurance Co., Ltd.

By combining the respective know-how and infrastructures of MSI and ADI, we aim to improve the quality of our business processes and develop attractive products and services to meet the needs of our diverse customer base. We will reduce our operating expenses as far as possible and improve the efficiency of our operations by integration of business processes and systems, as well as sales and claims handling offices.

Meanwhile, at Mitsui Direct General, we will ensure profitability while expanding business in the high-growth direct sales market.

Domestic Life Insurance Business

- Mitsui Sumitomo Aioi Life Insurance Co., Ltd.
- Mitsui Sumitomo Primary Life Insurance Co., Ltd.

At MSI Aioi Life, we will leverage our expanded sales base to accelerate growth by providing customers with attractive products and services mainly through cross-selling as well as through other sales channels such as financial institutions and life insurance agencies, and through direct sales channels.

MSI Primary Life is offering products tailored to customers' needs and strengthening its sales capabilities in the individual annuities sector, as it establishes itself as a leading company in the field.

Overseas Business

In Asia, we will utilize our class-leading business base and competitive edge to develop our business. In Europe, we are focusing on geographic expansion and developing a fully fledged service structure in pursuit of greater profits. In the Americas, we will focus on securing a solid profit base.

Finally, we will expand our overseas reinsurance business.

Financial Services Business

We will enhance our capabilities in product development and marketing to expand our asset management business and aggressively promote our 401k business and business related to personal finance. We will also expand our various financial solution services such as the ART, financial guarantees and venture capital businesses.

Risk-related Services Business

We will offer a range of risk solution services outside of insurance, serving customers through our risk management, nursing care, asset appraisal and assistance businesses.

We will also examine trends in environmental changes to discover new businesses.

Numerical Management Targets

Targets	Fiscal 2013 Forecast	Fiscal 2013 Targets
Non-Life Consolidated Net premiums written	¥2,770 billion	¥2,700 billion
Life Annualized premiums in force* ¹	¥333 billion	¥330 billion
Group ROE* ²	5.6%	7.0%

*¹ MSI Aioi Life data (excluding group insurance policies). Does not include MSI Primary Life.

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

Target Business Portfolio	Fiscal 2013 Forecast	Fiscal 2013 Targets
Group Core Profit* ³	¥110 billion	¥110 billion
Domestic non-life insurance	¥68 billion	¥60 billion
Domestic life insurance	¥16 billion	¥15 billion
Overseas	¥24 billion	¥30 billion
Financial services/Risk-related services business	¥3 billion	¥5 billion

*³ Group Core Profit = Consolidated net income – Net capital gains/(losses) on stock portfolio (gains/(losses) from sale, etc.) – Net evaluation gains/(losses) on credit derivatives – Other incidental factors + Equity in earnings of the non-consolidated Group companies

Reorganization by Function of the MS&AD Insurance Group

1. The Aim of Reorganization by Function

After the inauguration of the MS&AD Insurance Group in April 2010, we took the first step towards business integration by advancing the merger of Aioi Insurance Co., Ltd. and Nissay Dowa General Insurance Co., Ltd., and the merger of Mitsui Sumitomo Kirameki Life Insurance Co., Ltd. and Aioi Life Insurance Co., Ltd., and by integrating shared services along with taking other actions. These efforts are aimed at improving Group-wide business management efficiency. We are also steadily advancing preparations for systems integration, the biggest task facing the Group's business integration.

As the second step of business integration, we have been considering the reorganization of the group by function, centering on Mitsui Sumitomo Insurance Co., Ltd. and Aioi Nissay Dowa Insurance Co., Ltd., the two core non-life insurance companies under the umbrella of the holding company. The goals of this reorganization are as follows:

- 1) Improve Group-wide enterprise value: Achieve 'Growth' and 'Efficiency' across the entire Group
- 2) Respond to diverse customer needs: Maximize the merits of the two core non-life insurance companies
- 3) Strengthen Group governance: Strengthen the governance system centered on the holding company

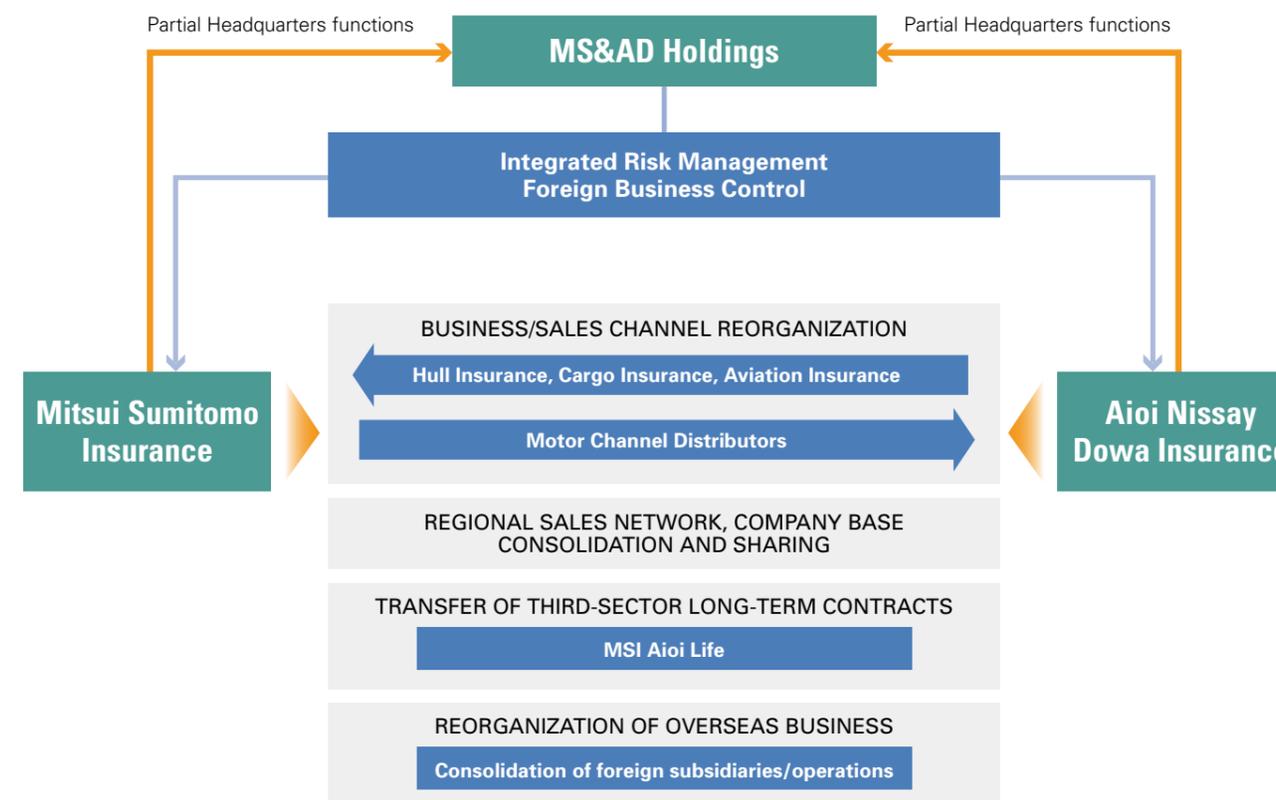
Due to the revised Insurance Business Act that came into force in April 2013, the rules and regulations governing the transfer of insurance contracts and the recommissioning of insurance sales have been revised. Based on this regulatory review, we have taken an unprecedented approach to this reorganization. It is scheduled to be implemented progressively from April 1, 2014, subject to the approval of the relevant authorities.

2. Description of Reorganization by Function

Through reorganization by function, we will strive to clarify the business concept of the two core non-life insurance companies, strengthen their respective business foundations more than ever, and utilize efficient management to increase their earning power.

At the same time, in the domestic insurance business we will improve management efficiency through the reorganization of business and sales channels and integrate the common headquarters functions into the holding company. Through these and other measures, we will work to optimize the Group's functions.

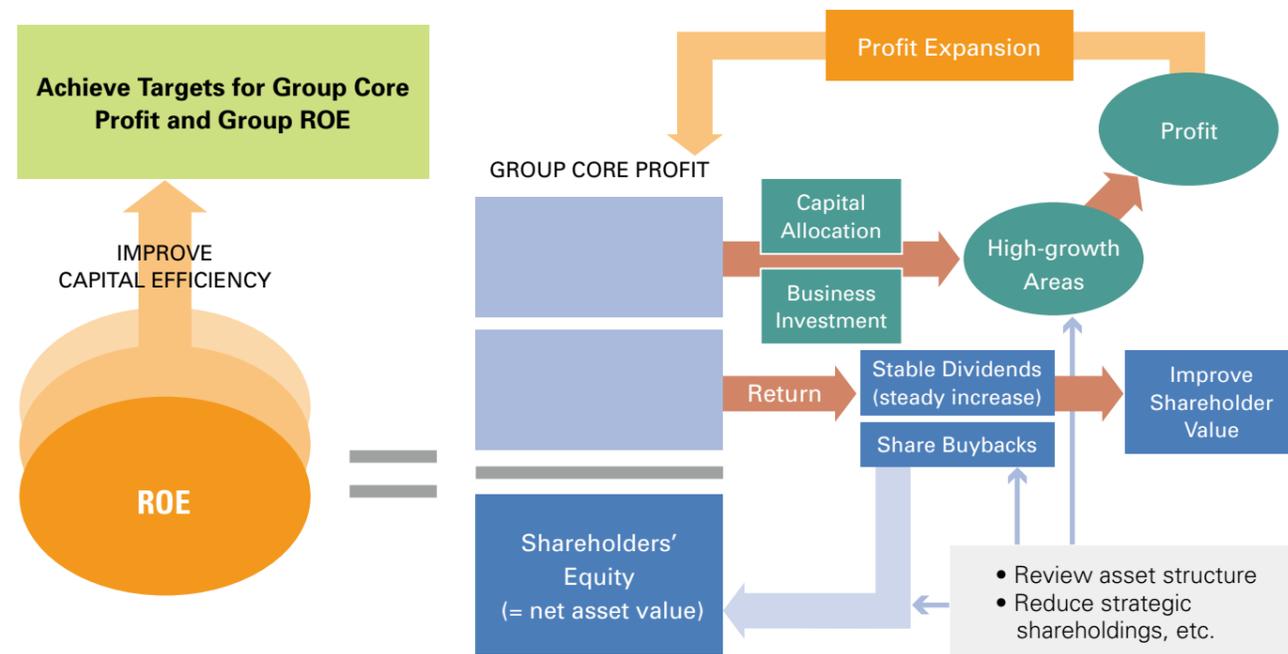
By clarifying the business concept and optimizing the companies' functions, we will concentrate the merits of the two core non-life insurance companies, and capitalize on their synergy. This will allow us to develop strong customer support and increase customer satisfaction. In doing so, we seek to cement our position as Japan's No.1 non-life insurance group.



Capital Management Policy and Shareholder Return Policy

Capital Management Policy

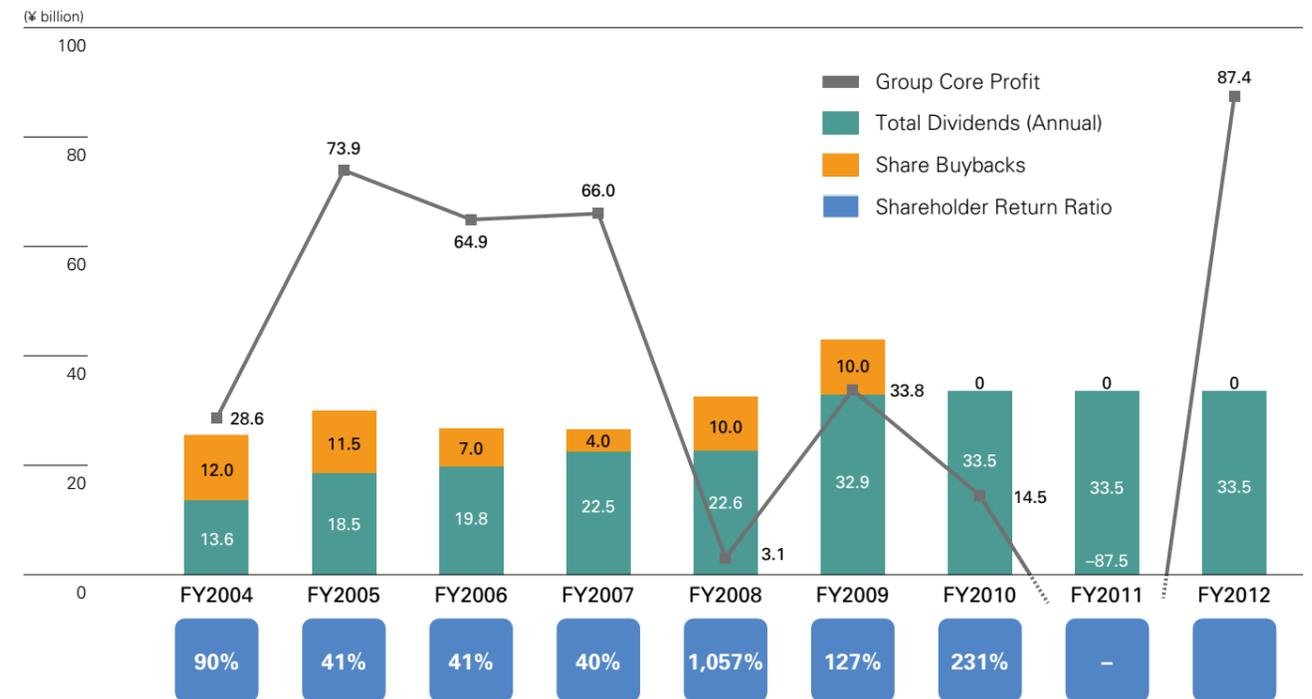
- The Company will return profits to shareholders on the basis of Group Core Profit, while investing capital in high-growth areas to create a virtuous growth cycle.
- The Company aims to enhance Group ROE through expansion of Group Core Profit and proper capital management.



Shareholder Return Policy

Shareholder returns	■ We will return approximately 50% of Group Core Profit to shareholders through dividends and share buybacks.
Dividends	■ We aim to maintain stable dividends, and steadily increase dividends by strengthening our earnings power.
Share buybacks	■ We will buy back shares opportunistically and continuously, taking capital position and profits into account.

Track Record of Total Shareholder Returns



* The figures for fiscal years up to FY2007 are figures for MSI. The FY2008 figures are for MSIG. The figures for FY2009 are sums of figures for MSIG, Aioi, and NDI.
* The shareholder return ratio is calculated as follows (example based on FY2008):

$$\frac{\text{FY2008 dividends (December 2008 and June 2009) + Value of share buybacks conducted in FY2009}}{\text{FY2008 Group Core Profit}}$$

Until FY2008 the definition of Group Core Profit was slightly different from the current definition. Until FY2008, MSIG aimed to provide shareholder returns equivalent to 40% of Group Core Profit under its shareholder return policy. (The ratio has been 50% since FY2009.)

Domestic Non-Life Insurance Business

MITSUI SUMITOMO INSURANCE CO., LTD.



YASUYOSHI KARASAWA
President

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

In addition to its strong sales network in Japan, MSI has been steadily expanding its business overseas since starting operations in the U.K. in 1924. Today, it has established a well-balanced business portfolio focusing on the three regions of Europe, the Americas, and Asia. In Asia, local business has grown to account for more than 70% of our total business in the region, which provides us with an industry-leading business base in each country. In the fast-growing ASEAN region in particular, MSI is the only insurance company with an office in every country, and has grown to become the No. 1 non-life insurance group in this region in terms of the amount of premiums written.

Results in fiscal 2012 have shown a sharp turnaround from the heavy losses sustained in fiscal 2011 due to major natural disasters such as the flooding in Thailand. MSI finished the year with ordinary profit of ¥65.3 billion. Moreover, MSI is forecasting continued strong results for fiscal 2013, the final year of the current medium-term management plan. To achieve its targets, MSI will improve its profitability through measures such as reduction of operational expenses in Japan, while continuing to expand its overseas business including the life insurance business in Asia, where it has been making alliances and investments. Through these measures, MSI has set itself firmly on a growth trajectory.

Company Overview

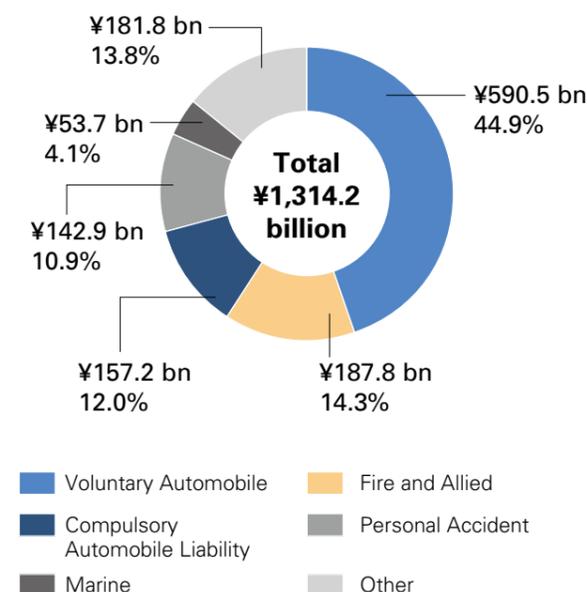
MSI provides high-quality products in Japan through an extensive network of 502 sales offices and approximately 40,000 sales agents. In the event of an accident, the company has 231 service centers standing ready to offer customers swift, detailed claims support to ensure their peace of mind and security. MSI also has an overseas network in 39 countries and regions around the world. The company aims to expand its overseas business by offering solutions for a range of risks based on its many years of experience in international operations focused on Asia. (Please see p.22-23 for details about the overseas business.)

(As of July 1, 2013)

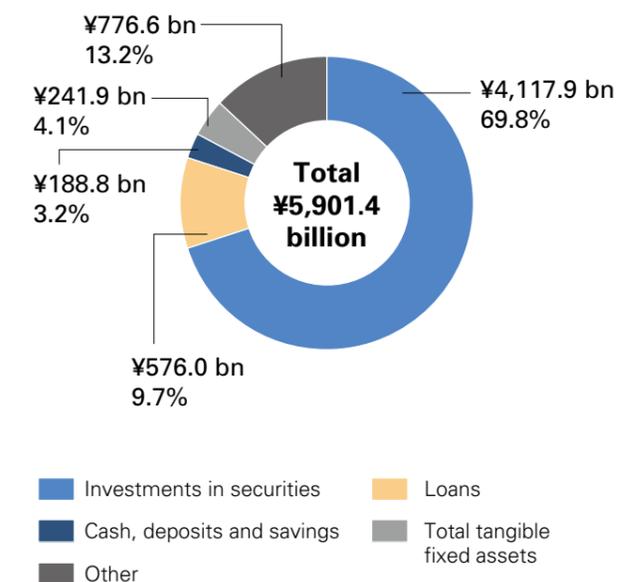
Credit Ratings

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

Composition of Fiscal 2012 Net Premiums Written by Insurance Category



Composition of Total Assets in Fiscal 2012



Topics

Participation in the Pacific Disaster Risk Financing Pilot Program

MSI was selected as one of the underwriters for natural disaster risk under the "Pacific Disaster Risk Financing Pilot Program," which was established in January 2013 by the Government of Japan and the World Bank. The program aims to provide reconstruction funds promptly to subject Pacific island countries (the Independent State of Samoa, the Kingdom of Tonga, the Republic of the Marshall Islands, the Republic of Vanuatu, and the Solomon Islands) when natural disasters of a certain scale occur, by eliminating the need for damage assessment. Payments are made in accordance with standards for forecast damage amounts under defined risk measurement models based on damage parameters. Under the program, MSI will provide reconstruction funds to the Pacific island countries through derivative transactions with the International Development Association, a member of the World Bank group.

New Risk Evaluation System

In March 2013, MSI developed a new risk assessment system for predicting the damage from tsunamis in collaboration with Inter-Risk Research Institute & Consulting, Inc., and the major U.S. natural disaster risk assessment specialist AIR Worldwide. The "New Tsunami Model" can assist in damage predictions for earthquakes in the Nankai Trough, as well as for tsunamis, earthquake tremors and earthquake fires caused by some 5,000 permutations of epicenter and magnitude, with event frequency also taken into account. MSI will use the New Tsunami Model to strengthen its management of natural disaster risks, develop new products, and offer consulting services for customers.

Financial Data / Highlights (MSI Non-consolidated)*1 (As of March 31, 2013)

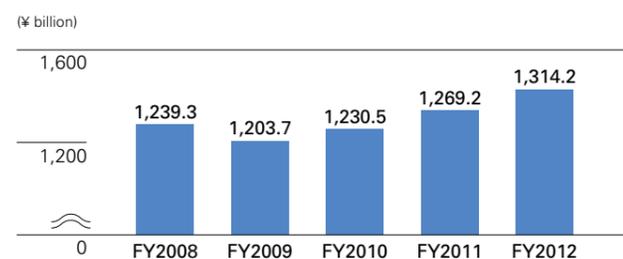
Item	Yen in millions					Dollars in millions*4
	FY2008	FY2009	FY2010	FY2011	FY2012	FY2012
Net premiums written	1,239,393	1,203,743	1,230,559	1,269,290	1,314,234	13,981
Underwriting profit/(loss)	32,477	(15,945)	(50,399)	(170,026)	(9,710)	(103)
Ordinary profit/(loss)	25,532	35,786	31,770	(130,177)	65,366	695
Net income/(loss)	46,580	25,458	22,881	(130,607)	42,657	454
Net loss ratio*2	69.5%	70.3%	68.4%	84.8%	73.3%	—
Net expense ratio	34.0%	34.5%	33.9%	33.3%	32.4%	—
Interest and dividends income	137,877	117,477	111,826	102,343	101,814	1,083
Total assets	5,977,347	5,971,982	5,799,005	5,646,816	5,901,413	62,781
Net assets	941,431	1,205,315	1,045,003	932,680	1,192,079	12,682
Balance of underwriting reserve	3,949,481	3,845,876	3,732,417	3,455,090	3,337,789	35,508
Solvency margin ratio (non-consolidated)*3	692.8%	839.4%	768.8%	—	—	—
			534.7%	486.8%	581.3%	—

*1 Figures for net premiums written, net loss ratio, and net expense ratio are presented excluding "Good Result Return (GRR)" premiums for MSI's auto insurance product "Modo-Rich," which contains a special clause for premium adjustment and refund at maturity.

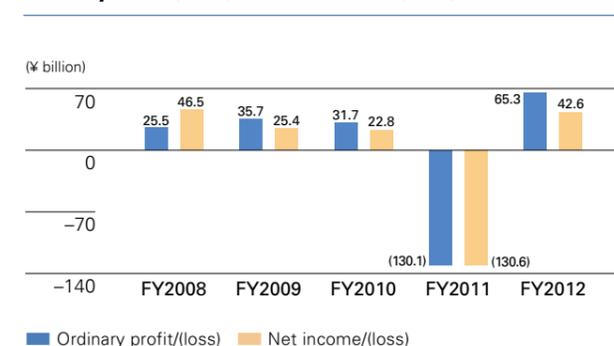
*2 Net loss ratio is calculated on a "written-to-paid" basis (including loss adjustment expenses).

*3 The ordinance governing calculation of the non-consolidated solvency margin ratio was revised from fiscal 2011 to make risk recognition more stringent. The fiscal 2010 non-consolidated solvency margin ratio recalculated under the revised ordinance is 534.7%.

*4 US dollar amounts have been translated from yen at the rate of ¥94 = US\$1.

Net Premiums Written**[Net Premiums Written]**

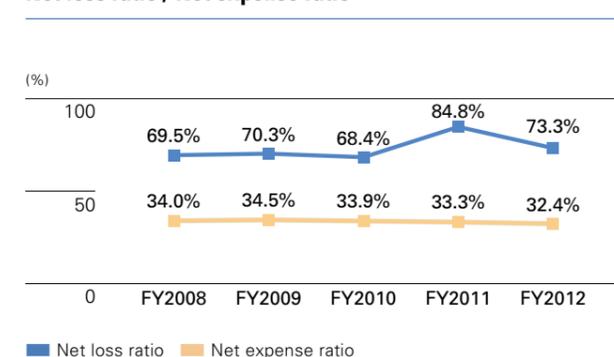
Net premiums written for fiscal 2012 were ¥1,314.2 billion, up 3.5% year on year. The higher result was due mainly to increases in voluntary automobile insurance and compulsory automobile liability insurance.

Ordinary Profit/(Loss) and Net Income/(Loss)**[Ordinary Profit/(Loss)]**

Ordinary profit improved ¥195.5 billion from an ordinary loss recorded in the previous fiscal year, mainly due to an increase in net premiums and a decrease in incurred loss.

[Net Income/(Loss)]

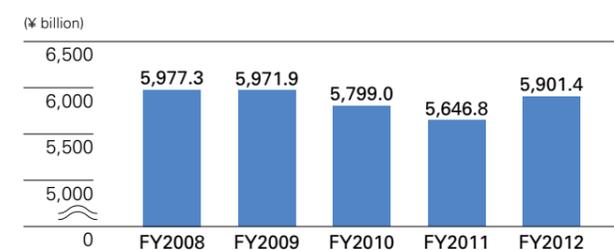
After adding extraordinary income and losses and income taxes to the ordinary profit, net income for fiscal 2012 was ¥42.6 billion, a change of ¥173.2 billion from the net loss in the previous fiscal year.

Net loss ratio / Net expense ratio**[Net Loss Ratio]**

The net loss ratio for fiscal 2012 decreased 11.5 percentage points year on year. The main factor in the decrease was a reduction in the insurance claim payments relating to the Great East Japan Earthquake and the flooding in Thailand.

[Net Expense Ratio]

The net expense ratio for fiscal 2012 improved 0.9 percentage points from the previous fiscal year. This was mainly the result of reducing system related expenses and efforts to cut various costs.

Total Assets**[Total Assets]**

Total assets as of March 31, 2013 stood at ¥5,901.4 billion, increased ¥254.5 billion from the end of the previous fiscal year.

Domestic Non-Life Insurance Business

AIOI NISSAY DOWA INSURANCE CO., LTD.



HISAHITO SUZUKI
President

ADI is one of the core operating companies of the MS&AD Insurance Group. We offer services and products developed to make use of our strengths and characteristics, based on our strong relationship with the Toyota Group and the Nippon Life Insurance Group. We will work to maintain close relationships with local communities, and to make our customers even more satisfied.

In fiscal 2012, we booked an underwriting profit of ¥6.6 billion, turning around three consecutive years of losses, thanks to a decline in claims.

Fiscal 2013 is the final year of the Stage 2 plan (fiscal 2012–2013) of our medium-term management plan. We have been working to realize a business structure capable of generating stable underwriting profits. To this end, we have been working to innovate our earnings structure, mainly by improving the balance of income revenues and expenses in our automobile insurance operations. We have also been working to improve our service quality from the customers' perspective, under our "best possible support declaration." Specific initiatives have been focused in the claim services division and the sales division, based on the principles of "do not keep customers waiting," "offer all customers close, personal services" and "support customers properly as insurance professionals."

ADI will make full use of its strengths to become even closer to customers as an insurance company, and to contribute to customers and local communities.

Company Overview

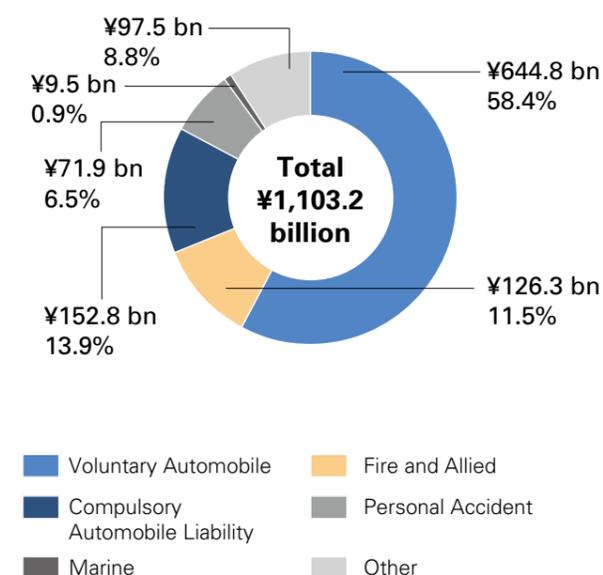
(As of July 1, 2013)

ADI was created through the merger of Aioi and NDI in October 2010. ADI is growing on a foundation of personal trust with its customers, built upon the provision of high-quality products and services. ADI provides detailed services to customers through its sales network and non-life insurance service network of 489 sales offices, approximately 49,500 sales agencies, and 218 service centers throughout Japan. It also has overseas subsidiaries, affiliates and branches in 34 major cities around the world. The company uses this network to provide reliable services and insurance products for a range of risks for customers in each country and companies advancing overseas. (Please see p.22–23 for details about the overseas business.)

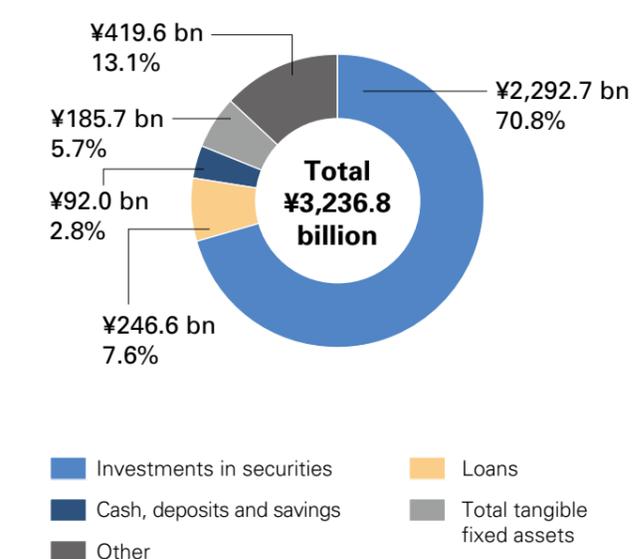
Credit Ratings

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

Composition of Fiscal 2012 Net Premiums Written by Insurance Category



Composition of Total Assets in Fiscal 2012



Topics

Prize for Excellence at the 2013 Mentor Awards

ADI received a prize for excellence at the Fifth Mentor Awards 2013, hosted by the Working Woman's Power-Up Association—Public Movement in Support of Companies that Encourage Women to Feel Passionate About Work (Secretariat: Japan Productivity Center). The Mentor Award is intended to promote awareness of the importance of mentor support for the creation of work environments that support activity by female employees and accelerate efforts to promote such activity. The award recognizes unique initiatives to promote mentoring within an organization, and aims to help spread mentoring systems and encourage their activity. ADI introduced a Female Manager Mentoring System from fiscal 2011. The system is designed to provide female managers with opportunities for further growth, and to support greater awareness of business management among female managers, with the goal of producing female senior managers. The system assigns executive officers as mentors to female managers. The mentors are intended to help to compensate for lack of experience, and serve as role models. ADI is the

first insurance company to receive this award, and was praised for achieving improvements in management awareness and building up internal networking through executive officer mentors and other means.



Financial Data / Highlights (ADI Non-consolidated)*¹ (As of March 31, 2013)

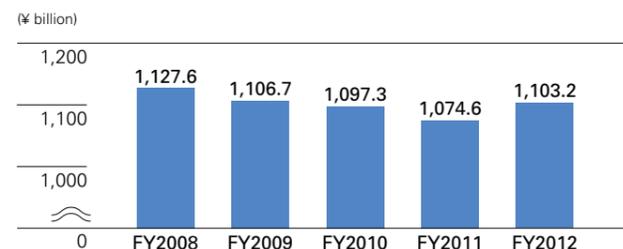
Item	Yen in millions					Dollars in millions* ⁴
	FY2008	FY2009	FY2010	FY2011	FY2012	FY2012
Net premiums written	1,127,612	1,106,717	1,097,341	1,074,631	1,103,234	11,737
Underwriting profit/(loss)	9,810	(14,372)	(33,369)	(20,008)	6,692	71
Ordinary profit/(loss)	(37,201)	47,439	16,079	9,233	25,859	275
Net income/(loss)	(16,288)	21,226	(11,417)	(43,549)	18,862	201
Net loss ratio* ²	65.6%	67.7%	68.2%	79.7%	70.4%	—
Net expense ratio	34.6%	35.0%	35.6%	35.2%	34.1%	—
Interest and dividends income	66,879	69,873	67,400	58,455	60,617	645
Total assets	3,519,933	3,529,556	3,364,309	3,141,142	3,236,851	34,435
Net assets	476,091	577,691	476,674	410,077	552,405	5,877
Balance of underwriting reserve	2,423,986	2,347,827	2,238,870	2,039,620	1,949,302	20,737
Solvency margin ratio (non-consolidated)* ³	—	—	681.6%	442.6%	649.1%	—
	—	—	508.7%	—	—	—
• Formally Aioi	720.8%	755.9%	—	—	—	—
• Formally NDI	855.1%	901.5%	—	—	—	—

*¹ Up to and including fiscal 2009, the data are a simple sum of the results for Aioi and NDI. Fiscal 2010 data are a simple sum of both companies' results for the April–September period, and the results of ADI for October to March.

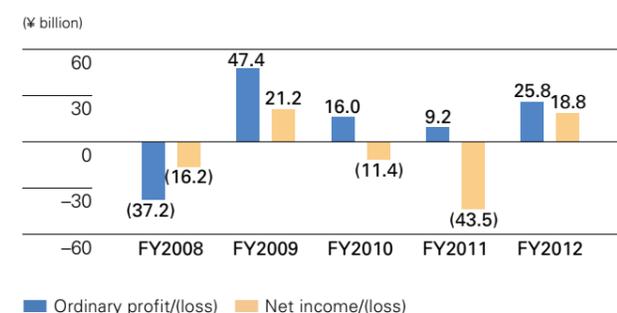
*² Net loss ratio is calculated on a "written-to-paid" basis (including loss adjustment expenses).

*³ The ordinance governing calculation of the non-consolidated solvency margin ratio was revised from fiscal 2011 to make risk recognition more stringent. The fiscal 2010 non-consolidated solvency margin ratio recalculated under the revised ordinance is 508.7%.

*⁴ US dollar amounts have been translated from yen at the rate of ¥94 = US\$1.

Net Premiums Written**[Net Premiums Written]**

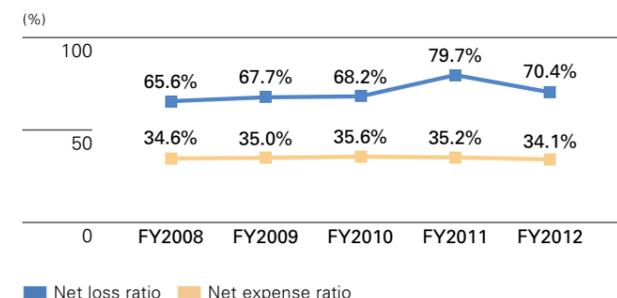
Net premiums written for fiscal 2012 were ¥1,103.2 billion, up 2.7% year on year. The higher result was due mainly to increases in compulsory automobile liability and fire insurance.

Ordinary Profit/(Loss) and Net Income/(Loss)**[Ordinary Profit/(Loss)]**

Ordinary profit improved ¥16.6 billion from the previous fiscal year with the improvement in the underwriting loss to an underwriting profit.

[Net Income/(Loss)]

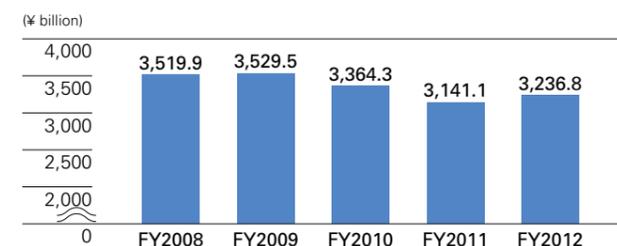
After adding extraordinary income and losses and income taxes to the ordinary profit, net income for fiscal 2012 was ¥18.8 billion, a change of ¥62.4 billion from a net loss in the previous fiscal year, mainly because of a decrease in incurred loss (the sum of net claims paid and provision for outstanding claims and reversal of underwriting reserves).

Net Loss Ratio / Net Expense Ratio**[Net Loss Ratio]**

The net loss ratio for fiscal 2012 decreased 9.3 percentage points year on year. The main factor in the decrease was lower insurance claim payments relating to the Great East Japan Earthquake.

[Net Expense Ratio]

The net expense ratio for fiscal 2012 improved 1.1 percentage points from the previous fiscal year.

Total Assets**[Total Assets]**

Total assets as of March 31, 2013 stood at ¥3,236.8 billion, an increase of ¥95.7 billion from the end of the previous fiscal year.



Domestic Non-Life Insurance Business

MITSUI DIRECT GENERAL INSURANCE CO., LTD.



RYUHEI FUNAKI
President

Mitsui Direct General is a non-life insurance company that directly sells individual automobile insurance policies to customers online and over the phone. Since beginning operations in June 2000 it has pursued a unique business model, seeking to provide high-quality, professional claim handling services for premiums that are rational and reasonable. And, as an insurance company, Mitsui Direct General strives to provide safety and relief for all and to develop a vigorous society with a healthy future. To this end, it maintains a code of conduct; "dedicated to the peace of mind of customers," and works to meet society's expectations. In addition, the company is working to help eliminate automobile accidents for a better society through "the Mujicology! Project," which aims to improve driver etiquette.

As a member of the MS&AD Insurance Group, whose goal is becoming a world-leading insurance and financial group, Mitsui Direct General will continue its efforts to earn the recognition and trust of society.

Company Overview

(As of July 1, 2013)

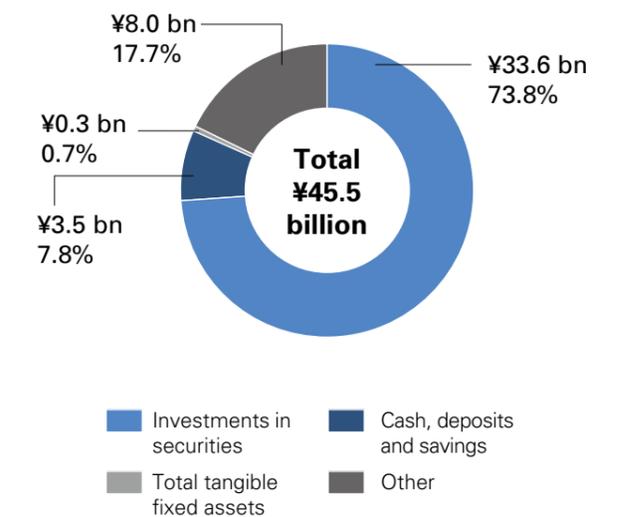
Mitsui Direct General is a specialist direct-sales non-life insurance company that provides automobile insurance, health insurance and other types of products to individuals through the Internet or by telephone. The company's unique business model seeks to provide high-quality, professional claim handling services for premiums that are rational and reasonable. Mitsui Direct General is also active in promoting an accident-free society and better driving practices.

Direct Insurers Ranking in Voluntary Auto Insurance in Japan (FY2012)

	Ranking	Net premiums written (¥ billion)
Sony Assurance	1st	74.1
Mitsui Direct General	2nd	34.6
Zurich	3rd	31.2
AXA Direct	4th	28.3

Source: MS&AD research based on publicly available data

Composition of Total Assets in Fiscal 2012



Topics

Enhancing Web-based Communication

Mitsui Direct General aims to communicate with customers in various online formats. In 2012, it conducted active campaigns via three social networking services, Facebook, Google+ and YouTube. On Facebook in particular, the company's mascot introduces seasonal topics, sightseeing locales, Mujicology! events and more, with pictures and other content brought in by its in-house SNS team. This has proved to be extremely popular, and the page has grown to around 10,000 fans since it first started and the number continues to increase steadily.



Letter of Appreciation from the Tokyo Wangan Police Station Chief

Mitsui Direct General is carrying out activities to promote better driver etiquette with the help of its mascot as a part of "the Mujicology! Project," which seeks to eliminate automobile accidents from society. During traffic safety campaigns held throughout Japan in the spring and fall of last year, the company's active participation in traffic safety events and other programs sponsored by the Tokyo Wangan Police Station was well recognized, with the company receiving an official letter of appreciation.



Financial Data / Highlights (Mitsui Direct General) (As of March 31, 2013)

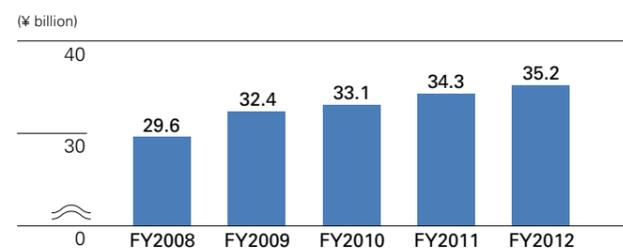
Item	Yen in millions					Dollars in millions*3
	FY2008	FY2009	FY2010	FY2011	FY2012	FY2012
Net premiums written	29,644	32,406	33,100	34,319	35,273	375
Underwriting profit/(loss)	(2,471)	(1,177)	117	243	318	3
Ordinary profit/(loss)	(2,321)	(992)	358	463	526	6
Net income/(loss)	(2,342)	(1,018)	334	505	462	5
Net loss ratio*1	65.6%	70.2%	76.6%	77.4%	78.6%	—
Net expense ratio	28.2%	24.8%	21.9%	21.4%	20.7%	—
Interest and dividends income	190	209	218	200	164	2
Total assets	36,829	43,494	44,203	45,150	45,596	485
Net assets	5,493	9,638	9,975	10,615	11,080	118
Balance of underwriting reserve	18,255	19,102	19,104	19,346	19,541	208
Solvency margin ratio (non-consolidated)*2	467.0%	669.8%	640.0%	—	—	—
	—	—	419.4%	424.4%	429.4%	—

*1 Net loss ratio is calculated on a "written-to-paid" basis (including loss adjustment expenses).

*2 The ordinance governing calculation of the non-consolidated solvency margin ratio was revised from fiscal 2011 to make risk recognition more stringent. The fiscal 2010 non-consolidated solvency margin ratio recalculated under the revised ordinance is 419.4%.

*3 US dollar amounts have been translated from yen at the rate of ¥94 = US\$1.

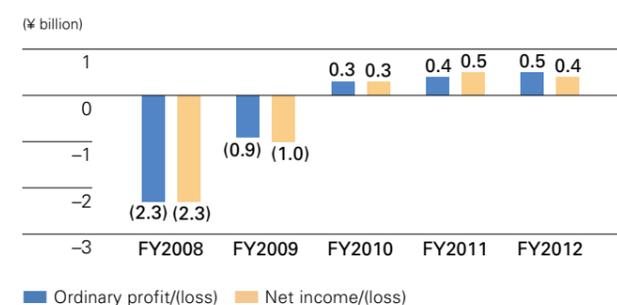
Net Premiums Written



[Net Premium Written]

Net premiums written for fiscal 2012 were ¥35.2 billion, up 2.8% year on year.

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



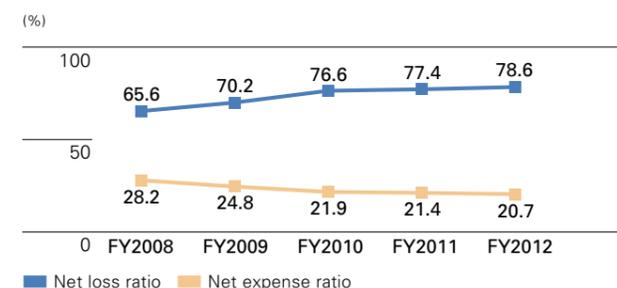
[Ordinary Profit/(Loss)]

Ordinary profit was ¥526 million, an increase of ¥63 million from the previous fiscal year.

[Net Income/(Loss)]

After adding extraordinary income and losses and income taxes to the ordinary profit, net income for fiscal 2012 was ¥462 million, decreased ¥43 million from that in the previous fiscal year.

Net Loss Ratio / Net Expense Ratio



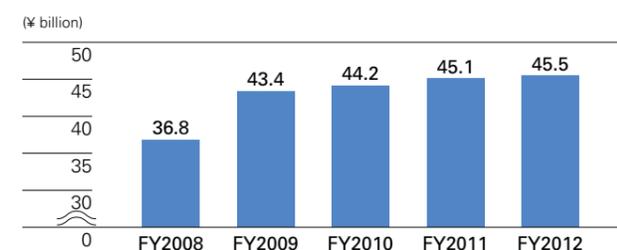
[Net Loss Ratio]

The net loss ratio for fiscal 2012 was 78.6%, an increase of 1.2 percentage points year on year.

[Net Expense Ratio]

The net expense ratio for fiscal 2012 was 20.7%, an improvement of 0.7 percentage points from the previous fiscal year.

Total Assets



[Total Assets]

Total assets as of March 31, 2013 stood at ¥45.5 billion, an increase of 1% from the end of the previous fiscal year.

Domestic Life Insurance Business

MITSUI SUMITOMO AIOI LIFE INSURANCE CO., LTD.



SIZUKA SASAKI
President

MSI Aioi Life was launched on October 1, 2011 by merging MSI Kirameki Life and Aioi Life. The company aims to enhance its products and services, bolster its business base structure, and improve quality, based on developing personnel to support enhanced corporate value. In doing so it is working to achieve sustainable growth and higher profitability by realizing the full potential of the synergies from the merger.

In fiscal 2012, MSI Aioi Life carried out a variety of initiatives to raise quality and reinforce its products and services as a part of its first anniversary project. As a result, it increased both the amount of new policies and amount of policies in force by over 10% compared to the previous year. Moreover, policy persistency rate, an indirect indicator of customer satisfaction, has been maintained at a high level, among the best in the industry.

Since the merger in October 2011, MSI Aioi Life has steadily integrated employees and business policies. To take further advantage of synergies from the merger, the company has streamlined head office administration personnel and redeployed them to sales divisions, and established 19 new sales offices to reinforce its business infrastructure for providing consistent service throughout Japan and enhancing productivity.

In fiscal 2013, MSI Aioi Life intends to continue realizing a distinctive lineup of products tailored with precision to customer needs. It will create a more customer-friendly procedural flow and achieve high-quality administrative management in order to win the trust of customers and society as a whole.

Company Overview

(As of July 1, 2013)

MSI Aioi Life has a strong sales base, mainly comprising cross sales leveraging the Group's non-life insurance channels. The company has also developed additional growth channels such as banks, life insurance agencies, and a direct sales force. By selling attractive products and services to customers, MSI Aioi Life has increased its amount of policies in force and its total assets continue to increase steadily.

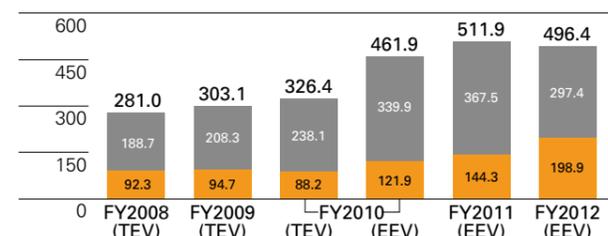
Credit Ratings

S&P
R&I

A+
AA-

Embedded Value

(¥ billion)

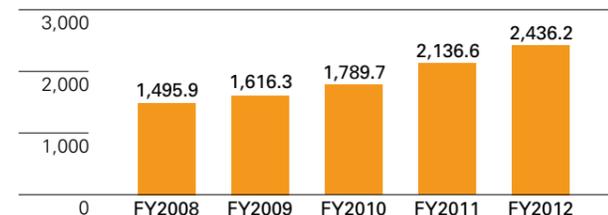


Net asset value Value of policies in force

* Figures for fiscal years prior to fiscal 2010 are a simple sum of the respective figures for MSI Kirameki Life and Aioi Life.

Total Assets

(¥ billion)



[Total Assets]

Total assets as of March 31, 2013 stood at ¥2,436 billion, an increase of ¥299.6 billion from the end of the previous fiscal year.

Topics

Enhancing Products and Services: Launch of a Rider for Whole-life Nursing Care

Marking the first anniversary of its establishment, MSI Aioi Life launched a new product "Rider for whole-life nursing care (no surrender value during the pay-in period)" on December 3, 2012, which is the company's first new product since the merger. It is also the company's first full-fledged nursing care insurance product and the conditions for disbursements are linked to the public nursing care insurance program, making them easy to understand. In addition, having no surrender value upon cancellation during the premium pay-in period allows the premiums to be set at low rates. The product is in the form of a rider that can be added onto other whole life or medical insurance policies, which enables customers to obtain nursing care insurance efficiently under a single policy. MSI Aioi Life will continue working to play an even greater role in society by providing mortality, medical and nursing care products that truly benefit customers.



Improving Quality: Launch of "Claim Support Call" and "Payment Quick Call"

MSI Aioi Life launched two new telephone-based customer support services in October 2012 in conjunction with the company's first anniversary: the Claim Support Call service, and the Payment Quick Call service. The Claim Support Call provides information over the phone to customers making claims for insurance payments or benefits. The information includes recommendations and procedures regarding claims, to help make payment procedures easier to understand. The Payment Quick Call service places a quick call to inform customers that payment procedures have been completed or to let them know if they need to correct any documents. Adding these two new telephone-based customer support services to the company's traditional lines of communication helps it more readily meet the needs of customers while making procedures faster and more accurate.



Financial Data / Highlights (MSI Aioi Life)*1 (As of March 31, 2013)

Item	Yen in millions					Dollars in millions*5
	FY2008	FY2009	FY2010	FY2011	FY2012	FY2012
Number of policies in force*2 (thousand)	1,593	1,773	1,992	2,222	2,446	—
Amount of policies in force*2	14,397,729	15,288,009	16,432,938	18,062,498	20,074,621	213,559
Annualized premiums of policies in force*2	265,186	268,129	279,099	296,000	319,703	3,401
Core profit/(loss)	7,236	9,618	(230)	4,109	5,847	62
Net income/(loss)	864	1,361	(7,188)	(11,395)	458	4
Total assets	1,495,980	1,616,308	1,789,798	2,136,662	2,436,264	25,917
Investment in securities	1,401,330	1,515,776	1,637,414	1,848,241	2,102,671	22,368
Balance of underwriting reserve	1,376,698	1,491,169	1,635,893	1,812,538	2,019,481	21,483
Solvency margin ratio (non-consolidated)*3	—	—	—	1,212.8%	1,309.8%	—
• Formerly MSI Kirameki Life	2,069.1%	2,129.7%	2,127.0%	(1,276.8%)	—	—
• Formerly Aioi Life	2,040.6%	1,994.3%	1,954.1%	(1,465.2%)	—	—

Item	Yen in billions					Dollars in billions*5
	FY2008	FY2009	FY2010	FY2011	FY2012	FY2012
Embedded Value (TEV: Traditional embedded value)	281.0	303.1	326.4	—	—	—
(EEV: European embedded value)*4	—	—	461.9	511.9	496.4	5.2

*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 for Aioi Life, and its results for fiscal 2008–2010 are a simple sum of both MSI Kirameki Life and Aioi Life's full-year results.

*2 The number of policies in force, amount of policies in force and annualized premiums in force are the total of individual insurance and individual annuities.

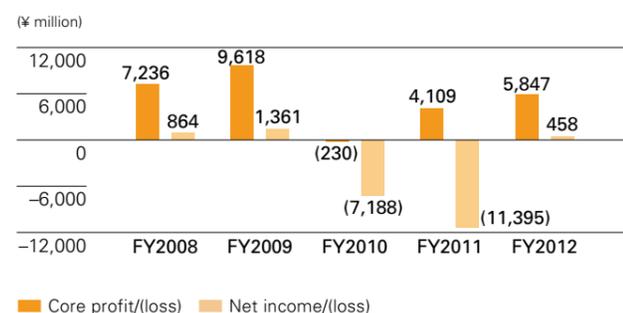
*3 The solvency margin ratios for fiscal 2008–2010 are calculated on a different basis to the solvency margin ratios for fiscal 2011–2012. This is due to a partial revision in the standard for calculating the solvency margin gross amount and the total amount of risk (tightening of margin calculations, 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.

() of March 31, 2011 is the figure reported in the financial results for fiscal 2010, and is calculated by applying the calculation standard for fiscal 2011 to data at March 31, 2011.

*4 Data for embedded value have been calculated using the market consistent method based on the European Embedded Value (EEV) Principles (disclosure based on this standard from fiscal 2011). Data for fiscal 2010 have been restated based on EEV Principles.

*5 US dollar amounts have been translated from yen at the rate of ¥94 = US\$1.

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



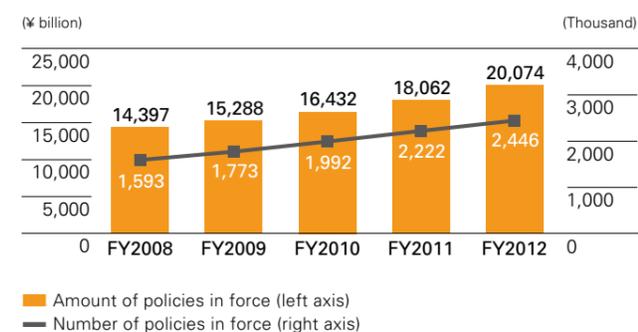
[Core Profit/(Loss)]

Core profit corresponds to operating income in an ordinary type of enterprise. In fiscal 2012, core profit at MSI Aioi Life came to ¥5.8 billion, up ¥1.7 billion year on year.

[Net Income/(Loss)]

Net income was ¥0.4 billion, an improvement of ¥11.8 billion from the previous fiscal year, when the company recorded merger-related expenses.

Number of Policies in Force / Amount of Policies in Force



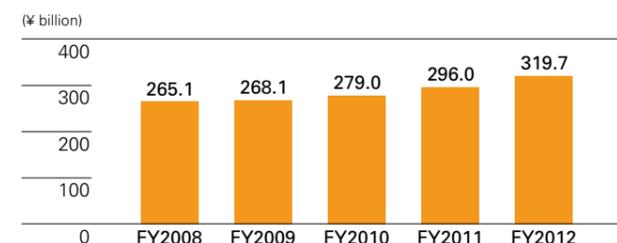
[Number of Policies in Force]

As of March 31, 2013, the number of policies in force (individual insurance and individual annuities) stood at 2,446 thousand, up 10.1% from 2,222 thousand a year earlier.

[Amount of Policies in Force]

The amount of policies in force (individual insurance and individual annuities) stood at ¥20,074 billion as of March 31, 2013, up 11.1% from ¥18,062 billion a year earlier.

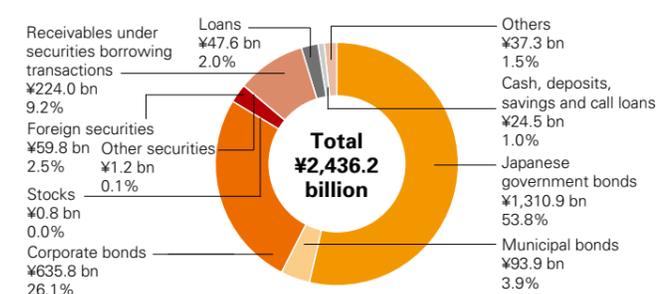
Annualized Premiums of Policies in Force



[Annualized Premiums of Policies in Force]

Annualized premiums of policies in force stood at ¥319.7 billion as of March 31, 2013, up 8.0% from ¥296.0 billion a year earlier.

Composition of Total Assets in Fiscal 2012



[Investments in Securities]

The ratio of investments in securities to total assets as of March 31, 2013 was 86.3%. Of investments in securities, ¥2,040.7 billion, or 97.1%, are investments in Japanese government and municipal bonds, and corporate bonds.



Domestic Life Insurance Business

MITSUI SUMITOMO PRIMARY LIFE INSURANCE CO., LTD.



TETSUO KITAGAWA
President

MSI Primary Life began business when the restriction on banks selling individual annuities was lifted. The company celebrated its 10th anniversary in October 2012. The vision of management is to win the trust of every customer and achieve growth by continually enhancing the quality of its products and services. Under this vision it has been working to further raise its overall quality by strengthening its business base, including marketing, products, systems, administrative structures, and risk management.

In fiscal 2012, MSI Primary Life increased premium income by more than 90% over the previous year, with strong sales of the foreign-currency-denominated, fixed, whole-life product launched in February 2012.

At the same time, in order to improve sales quality through active support of skill-building of bank sales staff, MSI Primary Life completely renovated its training center in Tokyo and reopened it as the Primary SUCCESS Training Center, reinforcing its unique brand of on-site sales training. Moreover, the company promoted further improvement in customer satisfaction levels by reflecting opinions and requests of customers and bank channels to service enhancements.

In fiscal 2013, MSI Primary Life intends to steadily carry out the initiatives of its management plan to improve marketing capabilities, product quality, training, and services, with the aim of continuing to accurately satisfy the changing needs of customers and sensitively adapt to changing environments.

By providing individual annuities and other insurance products, MSI Primary Life will continue helping as many people as possible to prepare for prosperous retirement.

Company Overview

(As of July 1, 2013)

MSI Primary Life leverages the trust, experience, and knowledge it has cultivated over many years as a leading company in the individual annuities industry to market a wide range of individual annuity products. The company stably and continuously provides variable products that accommodate market trends and fixed products that offer fixed rates of interest as the two main pillars of its business.

Credit Ratings

S&P
R&I

A+
AA-

Competitive Edge of MSI Primary Life

Product development capability	<ul style="list-style-type: none"> MSI Primary Life stably and continuously provides both variable and fixed products Uses product development capabilities to respond to the changing needs of customers in accordance with changes in the market environment <ul style="list-style-type: none"> >> Foreign-currency-denominated, fixed, whole-life insurance, a new product, is growing steadily A reinsurance company within the Group hedges the minimum guarantee risk of variable annuities
Sales force	<ul style="list-style-type: none"> Sales agents consisting of a robust network of financial institutions (120 financial institutions at the end of March 2013) Establishing trust with sales agents by providing a stable supply of products Bolsters sales activities using the call center
Training system	<ul style="list-style-type: none"> Provides training for approx. 12,000 sales agents annually Diversifies training programs in accordance with sales skill Established a new training center in Tokyo

Topics

Foreign-Currency-Denominated, Fixed, Whole-life Product Surpasses 60,000 in Cumulative Sales

MSI Primary Life launched a new foreign-currency-denominated, fixed, whole-life product on February 27, 2012 and by March 31, 2013 cumulative sales had topped 60,000. The product offers the appeal of investment denominated in foreign currencies, primarily the Australian dollar, that offer relatively high rates of return compared to the yen, and a function for automatically securing yen-denominated asset gains, in which expected assets are acquired in yen based on the timing of currency market fluctuations. These features have been lauded both by customers and agents. The product can also be disbursed as an annuity, so it is capable of meeting the various needs of customers.



Opening of the Primary SUCCESS Training Center

MSI Primary Life completely renovated its training center in Tokyo and reopened it as the Primary SUCCESS Training Center in an effort to provide active support for the sales activities of agents. The new training center has training rooms and meeting rooms that can be rearranged into different sizes in accordance with various objectives, and uses comma-shaped tables that can accommodate groups of various sizes. These and other features form an environment that enables training to be conducted at the center in line with the specific needs of agents.

In addition, the seated areas feature a new type of wall covering with antivirus and clean-air properties, as part of an extensive effort to create a pleasant environment for efficient and effective training.



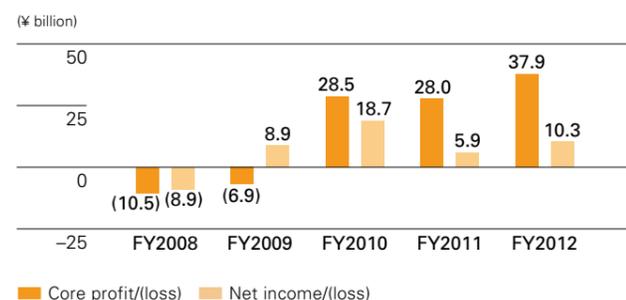
Financial Data / Highlights (MSI Primary Life) (As of March 31, 2013)

Item	Yen in millions					Dollars in millions*4
	FY2008	FY2009	FY2010	FY2011	FY2012	FY2012
Number of policies in force*1 (thousand)	344	396	426	446	480	—
Amount of policies in force*1	2,478,765	3,137,587	3,083,041	3,122,538	3,661,454	38,952
Annualized premiums of policies in force	535,689	531,714	435,575	438,977	434,240	4,620
Core profit/(loss)	(10,506)	(6,944)	28,594	28,011	37,916	403
Net income/(loss)	(8,929)	8,922	18,783	5,993	10,350	110
Total assets	2,470,766	3,116,508	3,069,708	3,154,641	3,765,574	40,059
Investment in securities	2,087,038	2,582,629	2,399,455	2,473,269	2,777,814	29,551
Balance of underwriting reserve	2,417,446	3,061,426	2,996,391	3,067,365	3,632,967	38,649
Solvency margin ratio (non-consolidated)*2	729.6%	1,058.0%	1,026.4%	—	—	—
	—	—	(671.8%)	775.5%	884.0%	—

Embedded Value	Yen in billions					Dollars in billions*4
	FY2008	FY2009	FY2010	FY2011	FY2012	FY2012
(TEV: Traditional embedded value)	53.8	103.5	90.6	—	—	—
(EEV: European embedded value)*3	—	—	91.0	83.7	161.2	1.7

*1 The number of policies in force, amount of policies in force and annualized premiums in force are the total of individual insurance and individual annuities.
 *2 The solvency margin ratios for fiscal 2008–2010 are calculated on a different basis to the solvency margin ratios for fiscal 2011–2012. 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. () of March 31, 2011 is the figure reported in the financial results for fiscal 2010, and is calculated by applying the calculation standard for fiscal 2011 to data at March 31, 2011.
 *3 Data for embedded value have been calculated using the market consistent method based on the European Embedded Value (EEV) Principles (disclosure based on this standard from fiscal 2011). Data for fiscal 2010 have been restated based on EEV Principles.
 *4 US dollar amounts have been translated from yen at the rate of ¥94 = US\$1.

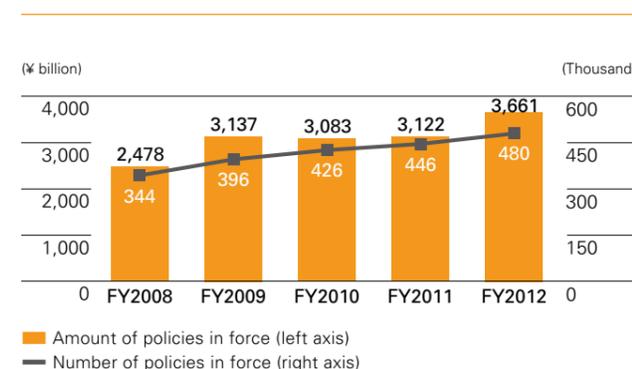
Core Profit/(Loss) and Net Income/(Loss)



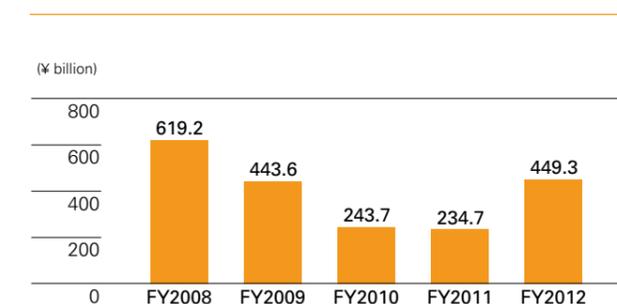
[Net Income/(Loss)]

MSI Primary Life recorded a fourth consecutive year of net income. As a result, accumulated losses carried over were eliminated in fiscal 2012, and the company recorded profit carried over of ¥4.7 billion.

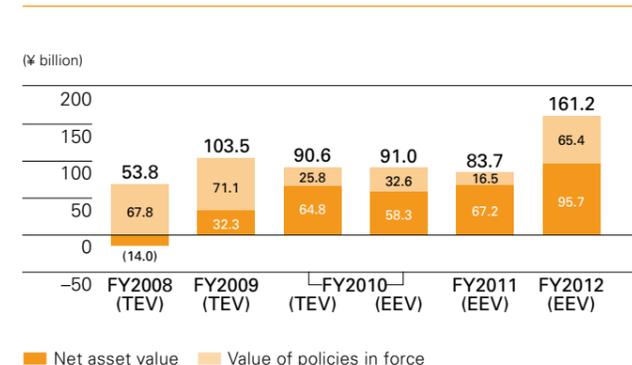
Number of Policies in Force / Amount of Policies in Force



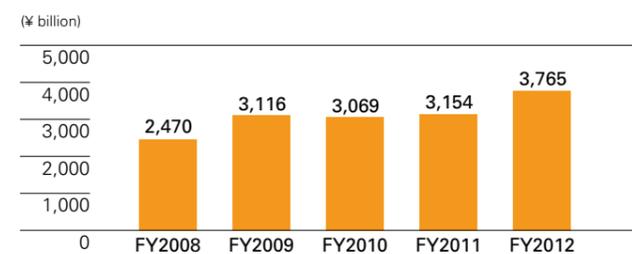
Premium Income



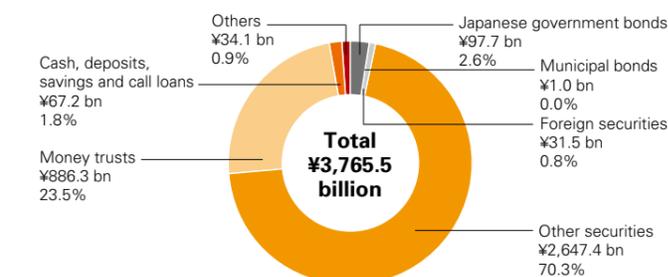
Embedded Value



Total Assets



Composition of Total Assets in Fiscal 2012



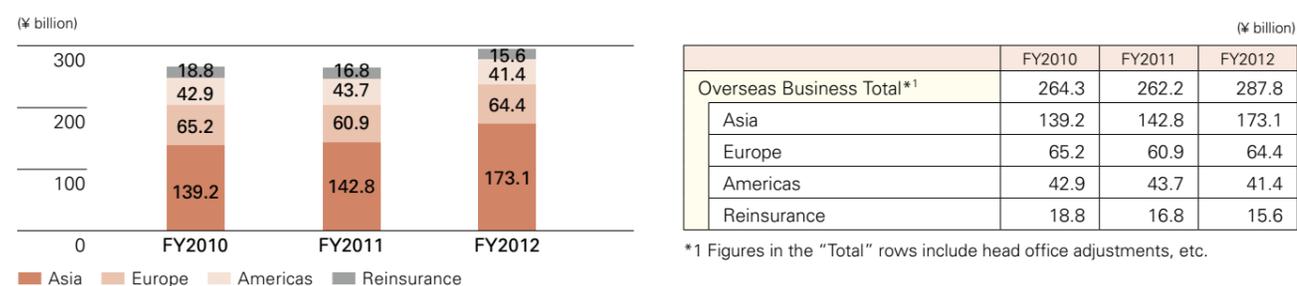
Overseas Business

Overview

The MS&AD Insurance Group has developed an overseas network through the overseas operations of MSI and ADI. We aim to use our long experience in international operations to provide truly customer-oriented products and services for a variety of risks, as well as effective advice, in any part of the world.

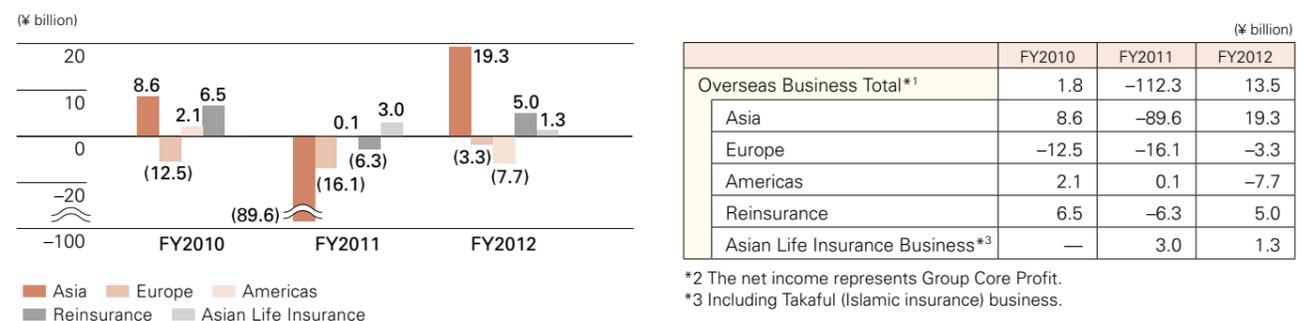
As of July 1, 2013, our network extends to 39 countries and regions. (Please see p.74–75 for details about our network.)

Net Premiums Written (Non-Life Insurance)



Net premiums written in the Overseas Business continued to rise remarkably in Asia, and are expected to increase ¥68.0 billion, to ¥356.0 billion in FY2013.

Net Income/(Loss)



Net income in FY2012 was short of the forecast, primarily due to the effects of natural disasters in North America and an increase in the provision for outstanding claims caused by the weaker yen. We expect that net income will increase ¥10.5 billion, to ¥24.0 billion in FY2013 on the assumption that the effects of natural disasters will be within the normal range.

Consolidation of Overseas Bases

The MS&AD Group has been consolidating its overseas bases since its foundation in April 2010.

Following an agreement on reorganization by function that was announced in January 2013, the Group has clarified the roles of the two non-life insurance companies in the development of overseas operations. The Group will develop the best system for generating synergies and will enhance its earning power.

<Europe>

A former NDI company became a subsidiary of a former Aioi company in January 2011.

<Middle East>

ADI policies changed to direct policies of an MSI company or under MSI's license.

<Asia>

Indonesia

An MSI company and an ADI company were integrated in October 2010.

Singapore

An ADI agency gave up its license for a local affiliate and was merged with an MSI company, with its employees transferred to the MSI company in February 2012.

Malaysia

ADI policies changed to direct policies of MSI companies.

Philippines, Vietnam, Taiwan, and South Korea

ADI policies changed to direct policies of MSI companies or under MSI's license in stages.

China

Certain ADI and MSI offices covering overlapping areas were closed.

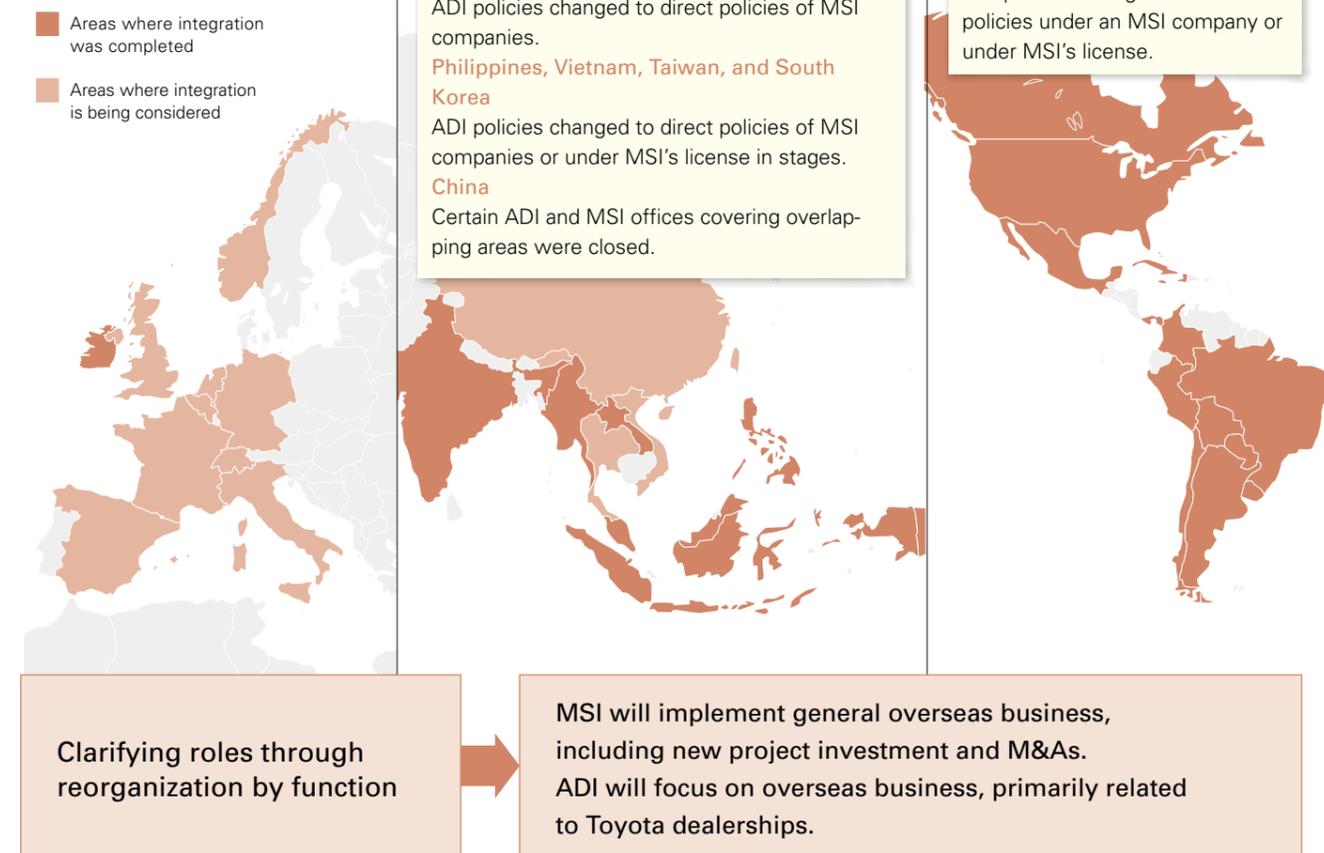
<Americas>

A former Aioi company and a former NDI branch were integrated in October 2010.

The integrated company above became a group company of MSI's holding company in the Americas in January 2013.

<Canada, Brazil>

ADI policies changed to direct policies under an MSI company or under MSI's license.



Asian Life Insurance Business

Since 2010, MS&AD Holdings has been making strategic investments in local life insurance companies in Asia.

The scale of the businesses of six life insurance companies in Asia, our investment destinations including Takaful, has been expanding steadily each year. The Asian life insurance market is expected to expand in the medium term.

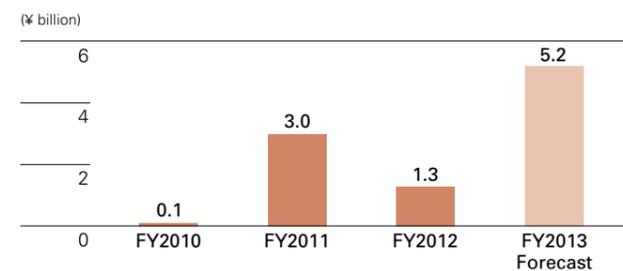
The Group will seek to achieve high growth rates and profitability.

Net income in the Group's life insurance business in Asia was held down in FY2012, reflecting a downturn in the market value of the assets under management of Sinarmas MSIG Life (MSI holding 50% of the stock). However, we expect to post income of ¥5.2 billion in FY2013 and are aiming to establish a growth trend.

Investment in the Asian Life Insurance Business

February 2004	• Bangkok Life (Holding: 3.4%)	Thailand
April 2010	• Sinatay Life (Holding: 7%)	China
October 2010	• Hong Leong Assurance (Holding: 30%) • Hong Leong MSIG Takaful (Holding: 35%)	Malaysia
July 2011	• Sinarmas MSIG Life (Holding: 50%)	Indonesia
June 2012	• Max Life (Holding: 26%)	India

Net Income in the Asian Life Insurance Business



* Based on Group Core Profit

Topics

Various Awards Received in Asian Countries

MS&AD Insurance Group strives to maintain and improve its quality of products and services overseas. As a result, in fiscal 2012, the Group continued to receive various awards in Asian countries.

Thailand: 1st Prize in the Prime Minister's Insurance Award 2011: Non-Life Insurer with Outstanding Management

In September 2012, the Thailand Branch of Mitsui Sumitomo Insurance won the 1st Prize of the Prime Minister's Insurance Award 2011: Non-Life Insurer with Outstanding Management. The branch was highly commended for its significant contribution to Thailand's insurance industry through company-wide efforts to assist in the recovery from the Thai floods. This was the first time for a foreign-based insurer operating in Thailand to receive the award.



Indonesia: Best Life Insurance Company

In June 2012, PT Asuransi Jiwa Sinarmas MSIG of Indonesia became the first insurer in the country to be recognized as the Best Life Insurance Company for a second consecutive year. The company was highly commended for its outstanding business performance and financial position.

India: Best Claims Settlement Award

In April 2012, Cholamandalam MS General Insurance Company Limited became India's first insurer to receive the Best Claims Settlement Award for two consecutive years. The company was recognized for offering the best claims settlement services for the government's medical insurance for the poor.

Toyota Motor Insurance—Excellence Recognized in Europe

Aioi Nissay Dowa Insurance Company of Europe Limited (ADE) is the only Japanese non-life insurer that underwrites retail motor insurance in the U.K. In June 2012, ADE's "Toyota Motor Insurance" was selected as a recommended insurance product by Which?, a major consumer group.

Which? conducts surveys on products based on quality, service, and a range of other criteria, and announces the recommendation results to its members. Consumers use this information when purchasing products. Which? has strong recognition in the U.K. marketplace, and a Which? recommendation is likely to positively influence 70% of U.K. consumers' decisions of which service or product to buy.

In addition, "Toyota Motor Insurance" in Germany also received the highest ranking for branded motor insurance from automobile trade journals for two successive years in 2009 and 2010.

Financial Services Business

Overview

In the financial services business, the Group continued to endeavor to expand the sales of services and products such as defined contribution pension plan products; weather and earthquake derivatives products; and loans under the securitization program in alliance with the Japan Housing Finance Agency.

Major Operating Companies

Name of company	Overview	Overseas Network
Sumitomo Mitsui Asset Management Co., Ltd.	<p>Sumitomo Mitsui Asset Management is one of the leading fund management companies in Japan with assets under management of more than US\$100 billion, over 500 employees and around 140 investment professionals.</p> <p>On December 1, 2002, Sumitomo Mitsui Asset Management Co., Ltd. was formed from the merger of 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. A further merger with Toyota Asset Management Co., Ltd. took place on April 1, 2013.</p> <p><Assets under Management (As of Mar. 31, 2013)> Total Assets under Management: ¥11,017.6 billion (US\$117.18 billion)</p>	<ul style="list-style-type: none"> • Shanghai Representative Office • Sumitomo Mitsui Asset Management (London) Limited • Sumitomo Mitsui Asset Management (New York) Inc. • Sumitomo Mitsui Asset Management (Hong Kong) Limited
MITSUI SUMITOMO INSURANCE Venture Capital Co., Ltd.	<p>MITSUI SUMITOMO INSURANCE Venture Capital identifies ventures that have high potential and offers not only financial support but also prioritizes “business incubation investment.”</p> <p><Investment Policy> MITSUI SUMITOMO INSURANCE Venture Capital focuses on investment in venture companies that fit the following key themes.</p> <ul style="list-style-type: none"> > Sustainability—companies that offer new technologies or services that will contribute to creating a sustainable society > Academic—venture companies that have originated from universities or public research institutions > Asia—Venture companies and small and medium-sized enterprises seeking global expansion, mainly in Asia <p><Investment Performance (As of March 31, 2013)></p> <ul style="list-style-type: none"> • Amount invested: ¥5,230 million • Number of investee companies: 79 	<p>MITSUI SUMITOMO INSURANCE Venture Capital does not have its own overseas network, but utilizes the networks of the MS&AD Insurance Group, U.K.-based Aureos Capital, and Taiwan-based Industrial Technology Investment Corporation to support the global expansion of its investees.</p>
MS&AD Loan Service Co., Ltd.	<p>MS&AD Loan Service provides trust guarantee services and private loan services, and administrative services for mortgage guarantee insurance, etc.</p>	—

Topics

Integration of Asset Management Businesses

On April 1, 2013, MSI investee Sumitomo Mitsui Asset Management merged with ADI investee Toyota Asset Management.

Sumitomo Mitsui Asset Management is a leading asset management company in Japan, with a powerful nationwide business base for meeting a wide range of customer needs. Toyota Asset Management has a strong business base in the

Nagoya region of Japan, including among the Toyota Group, where it provided services based on its special strengths in product development. The management integration of the two companies will achieve synergies between their complementary regional and product characteristics, thereby offering even better services for customers.

Risk-Related Services Business

Overview

In risk-related services business, the Group supplies a variety of services relating to businesses such as risk management, nursing care and asset appraisal as part of efforts to increase competitiveness of insurance services and raise consolidated earnings.

Major Operating Companies

Name of company	Overview
InterRisk Research Institute & Consulting, Inc.	InterRisk Research Institute & Consulting, Inc. is one of the largest risk consulting companies in Japan. It provides consulting and risk surveys on a wide range of risks, as well as risk-related information to many Japanese companies and organizations. <Overseas Network> With offices in Singapore, Shanghai, Thailand and Bermuda, InterRisk Research Institute & Consulting provides its services throughout the world as well as in Japan. <ul style="list-style-type: none"> • Interisk Asia Pte Ltd. • Interisk Global Management (Bermuda) Limited • InterRisk Consulting (Shanghai) Co., Ltd. • InterRisk Asia (Thailand) Company Limited
ANSHIN DIAL Co., Ltd.	As a top-quality assistance call center specialist, ANSHIN DIAL provides support services such as road-side services and home assistance services.
MITSUI SUMITOMO INSURANCE Care Network Co., Ltd.	MSI Care Network provides comprehensive nursing care services centered on operation of two fee-based retirement homes offering nursing care: Yuraifu Yokohama and Yuraifu Setagaya.
Fureai Do-Life Services Co., Ltd.	Fureai Do-Life Services provides services across a wide range of health, medical, nursing care and welfare matters.
American Appraisal Japan Co., Ltd.	American Appraisal Japan was established in 2002 as a joint venture with American Appraisal Associates, Inc. American Appraisal Japan provides consulting for M&A and various asset valuation services, including for real estate, fixed assets and intellectual property, from a neutral and unbiased perspective.

Topics

ISO 39001 Certification Acquired

InterRisk Research Institute & Consulting is among the first in Japan to acquire ISO 39001 certification (Road Traffic Safety Management System).

ISO 39001 is a new international standard released in October 2012, with the ultimate aim of eradicating fatalities and injuries caused by traffic accidents.

InterRisk Research Institute & Consulting is the first consulting company in the world to acquire the certification. As well as ensuring traffic safety in its own operations, it will leverage the knowledge and experience it acquires through its initiatives to promote ISO 39001 and raise awareness by disseminating information about the standard. Also, it has developed a new consulting service "ISO 39001 Road Traffic Safety Management System Consulting" to offer to its customers.



Two Booklets Published to Record Response to the Great East Japan Earthquake

(Initiatives to Preserve the Memory of the Disaster)

InterRisk Research Institute & Consulting has issued two booklets Great East Japan Earthquake based on the two years since the as an initiative to preserve the memory of the disaster. The booklets are called *Tracking the Companies that Overcame the Great East Japan Earthquake* and *Wisdom to Protect Children from Earthquakes and Tsunamis*.

Tracking the Companies that Overcame the Great East Japan Earthquake records the struggles of five companies and one institution that were damaged in the earthquake, and summarizes the lessons that should be learned from the experience.

Wisdom to Protect Children from Earthquakes and Tsunamis summarizes what households and facilities should do in an earthquake or tsunami, based on workshops held at childcare and nursery facilities in Miyagi Prefecture, and on a questionnaire survey of parents with children up to elementary school age.



Directors, Corporate Auditors and Executive Officers

(As of July 1, 2013)

Board of Directors



Representative Director
President & CEO
TOSHIAKI EGASHIRA
Chairman of MSI



Representative Director
Executive Officer
YASUYOSHI KARASAWA*1
Assist CEO
President & CEO of MSI



Representative Director
Executive Officer
HISAHITO SUZUKI*1
Assist CEO
President of ADI



Representative Director
Executive Officer
MASANORI YONEDA*1
Assist Management
Executive Vice President of ADI



Director
Senior Executive Officer
SUSUMU FUJIMOTO*1
Compliance Dept.,
Corporate Risk Management 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 of MSI



Director
Senior Executive Officer
SHUHEI HORIMOTO*1
Corporate Planning Dept.,
Corporate Communications and Investor
Relations Dept.,
Business Development Dept.,
Internal Audit Dept.



Director
Executive Officer
MITSUHIRO TSUCHIYA*1
Assist Management
Senior Managing Executive Officer
of ADI



Director
Executive Officer
ICHIRO IIJIMA*1
Assist Management
Overseas Business
Vice President Executive
Officer of MSI



Director
Executive Officer
NAMPEI YANAGAWA*1
Assist Management
Senior Managing Executive Officer
of ADI



Outside Director
AKIRA WATANABE*2

Composition of Directors, Corporate Auditors and Executive Officers

- Directors**
13 (including 4 outside directors)
- Corporate auditors**
5 (2 full-time, 3 outside corporate auditors)
- Executive officers**
15 (including officers serving concurrently as directors)

Title	NAME
Responsibilities Important positions held concurrently of Group companies	

Corporate Auditors



Corporate Auditor
(Full time)
KATSUAKI IKEDA



Corporate Auditor
(Full time)
JIRO YOSHINO



Outside Corporate Auditor
SOSUKE YASUDA*5



Outside Corporate Auditor
KUNIAKI NOMURA*6



Outside Corporate Auditor
HIROYUKI TEZUKA*7



Outside Director
DAIKEN TSUNODA*3



Outside Director
TADASHI OGAWA



Outside Director
MARI MATSUNAGA*4

Executive Officers



Senior Executive Officer
TOSHIHIKO TANAKA
General Administration Dept.,
Human Resources Dept.,
Accounting Dept.



Executive Officer
SHIRO FUJII
Administration and Information Systems
Managing Executive Officer of MSI



Executive Officer
MASAAKI NISHIKATA
Products
Senior Executive Officer
of MSI



Executive Officer
YASUZO KANASUGI
Claims Services
Senior Managing Executive Officer
of ADI



Executive Officer
SHIN UENO
Marketing & Sales
Managing Executive Officer
of ADI



Executive Officer
HIROSHI MIURA
Financial Services Business
Managing Executive Officer of MSI

*1. Indicates the Directors currently serving as Executive Officers
*2. Attorney-at-Law, Partner at Seiwa Meitetsu Law Office
*3. Attorney-at-Law, Partner at Nakamura, Tsunoda & Matsumoto
*4. President & Director, Mari Matsunaga Office
*5. Senior Adviser, Gyosei & Co. Certified Public Accountants,
Partner, GYOSEI Certified Public Tax & Accountants' Co.
*6. Attorney-at-Law, NOMURA & PARTNERS
*7. Attorney-at-Law, Partner at Nishimura & Asahi

Corporate Governance

Basic Policies

In line with its Management Philosophy, MS&AD Holdings, as a holding company overseeing all Group businesses, 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.

Management Structure

As a company whose operations are reviewed by corporate auditors, MS&AD Holdings 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 supervision, and the Executive Officers, who are responsible for business execution. Moreover, MS&AD Holdings believes that in order to reinforce the management monitoring and supervision functions, and thereby reinforce the transparency of the management, it is crucial to incorporate perspectives independent of management. Consequently, four of the thirteen members on the Board of Directors and three of the five corporate auditors are selected from outside the Company. In addition, the Board of Directors has two internal committees: the Nomination Committee and Remuneration Committee, which are chaired by outside directors who also account for the majority of the members.

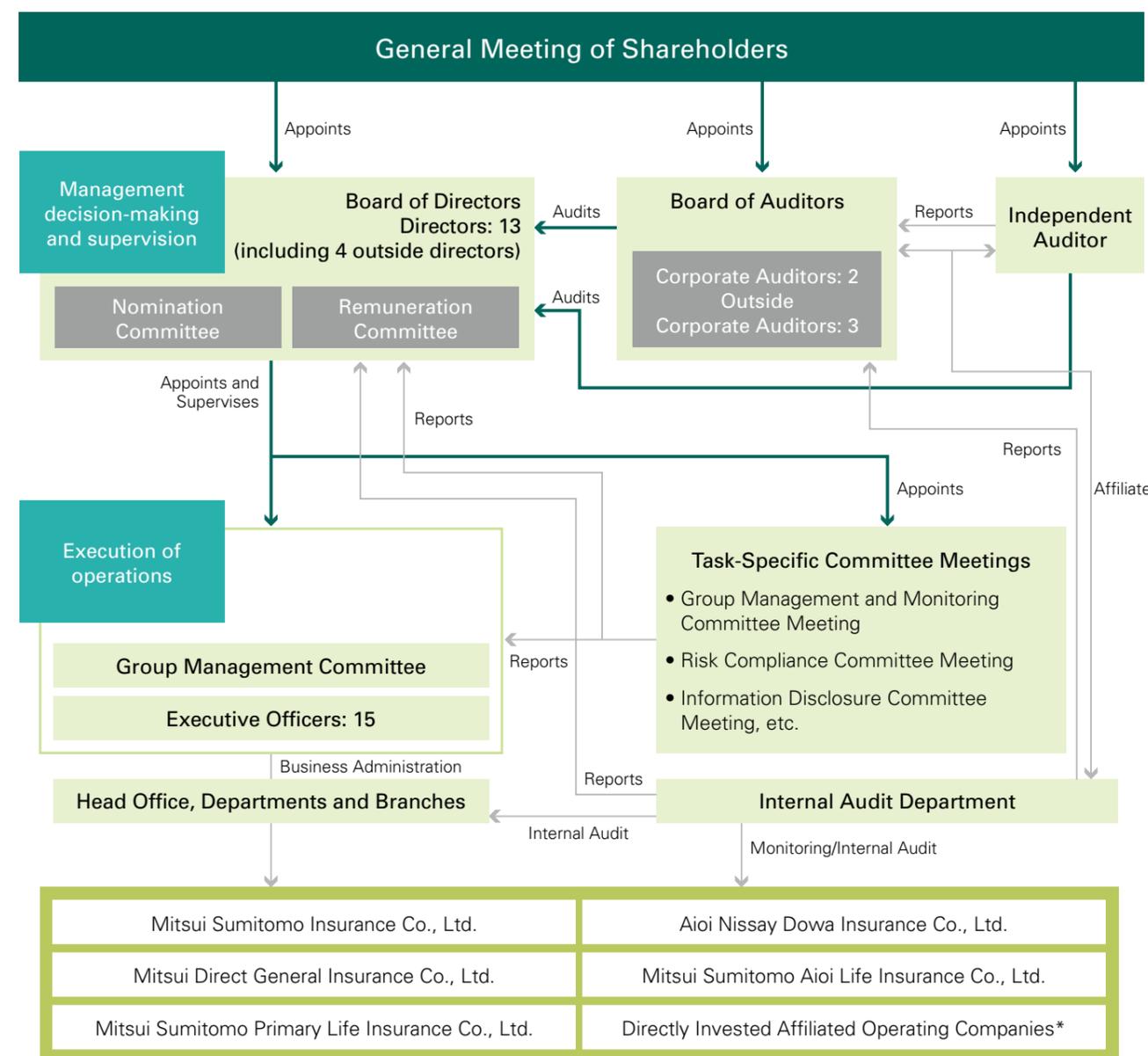
Management Structure for Group Business

MS&AD Holdings has a business management agreement with its directly invested domestic insurance companies (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 its seven affiliated operating companies including InterRisk Research Institute and Consulting, Inc., which are directly invested. Thus, it has established an appropriate framework for management control.

MS&AD Holdings believes that obtaining timely and accurate information regarding the business of its domestic insurance subsidiaries is beneficial to the smooth operations of the Group. Therefore, many MS&AD Holdings board members concurrently serve as directors of subsidiary companies. Furthermore, directors from subsidiary companies participate in MS&AD Holdings' Group Management Committee meetings when pertinent matters are under discussion.

Corporate Governance Structure

(As of Sept. 1, 2013)



Note: MS&AD Holdings has seven 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. and ANSHIN DIAL Co., Ltd.

Internal Controls

MS&AD Holdings has established the MS&AD Insurance Group Basic Policy Pertaining to System for Internal Controls. The system stipulated in this policy was established to be in compliance with Japan's Companies Act in addition to holding "securing trust in financial reporting" as its top priority.

Overview of the MS&AD Insurance Group Basic Policy Pertaining to the 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 fifteen 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 to 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 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 Auditor Office with full-time employees. Organizational change of the Corporate Auditor Office 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 an auditor assigned by the Board of Auditors.

(2) System for Reporting to 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 Holding Company's Chairman of the Board of Directors, president, and representative directors convene regular consultations with the Board of Auditors. Additionally, the Internal Audit Department cooperates with the audit upon request from the corporate auditors.

Compliance

Basic Policy on Compliance

MS&AD Holdings has the “MS&AD Insurance Group Basic Policy on Compliance” as a basic standard for compliance for the entire Group. MS&AD Insurance Group 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 is taught to follow 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 in the Group by customers and other stakeholders, and carry out the Group’s responsibility to society as a corporation.

Compliance Promotion Structure

The Compliance Department carries out unified management of compliance matters for the Group. Departments in charge of compliance at MS&AD Insurance Group companies plan and implement compliance-related policies, internal rules and measures, as well as operational rules for insurance sales. The departments also lead operations to verify and investigate behavior suspected of being illegal or in contravention of company rules.

Activities

■ Compliance Program

As part of a compliance implementation plan of the company, each Group company has its Compliance Program that is approved by the Board 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 Manual

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 familiarized 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, Group 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 awareness of compliance.

■ Compliance-Related Inspections

Group companies conduct compliance-related inspections in accordance with each company’s business model 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 Group companies and reports regularly 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 are held to share 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 them and ensure that they do not suffer any unfair treatment.

Internal and External Audit Structures

MS&AD Insurance Group Internal Audit Structure

MS&AD Insurance Group has an “MS&AD Insurance Group Basic Policy on Internal Audit” and has put in place a system for implementing internal audits so as to ensure sound and appropriate business operations and to improve internal controls and business management of Group companies, by reviewing the appropriateness and effectiveness of the internal control system, including legal compliance, and by making proposals toward improvements.

In accordance with the “MS&AD Insurance Group Basic Policy on Internal Audit,” each Group’s domestic insurance company has established internal auditing structure. Internal audits are conducted by the internal audit divisions of each Group company to check the status of the management systems of that company (including its subsidiaries and affiliates). The internal audit divisions report audit findings to the divisions under audit and provide advice on how to rectify any relevant issues, and check on the progress of subsequent improvements through reports and other communications submitted by those divisions. Internal audit findings and subsequent progress are reported periodically to each Group company’s Board of Directors.

MS&AD Holdings has an Internal Audit Department that acts as an independent auditing function. In addition to conducting internal audits on MS&AD Insurance Group Holdings, Inc., and its directly invested affiliates, this department monitors the results of the internal audits conducted by the Group’s domestic insurance companies and monitors progress in rectifying issues or making improvements. The department reports to the Board of Directors on issues related to management systems which are important for Group management.

Internal/External Audits

MS&AD Holdings operations are subject to internal audits conducted by the Statutory Auditors and the Internal Audit Department, and external audits conducted by the independent auditors.

■ Internal Audits

Internal audits are conducted by the Statutory Auditors and by the Internal Audit Department. To improve auditing effectiveness, the Statutory Auditors and Internal Audit Department work cooperatively by ensuring mutual access to the results of their audits.

- Audits by Statutory Auditors (administrative and accounting audits)
- Internal audits by the Internal Audit Department

■ External Audits

- External audits are conducted by the independent auditors (KPMG AZSA LLC) under Japan’s Companies Act and the Financial Instruments and Exchange Act.

Enterprise Risk Management

Risk Management

Basic Policy for Risk Management

We have set out the "MS&AD Insurance Group's Basic Risk Management 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 Group's domestic 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

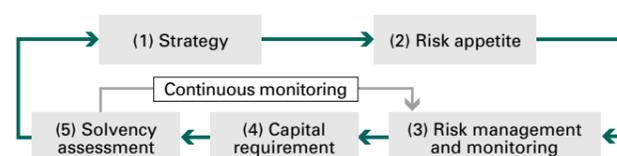
The Group's domestic insurance companies and subsidiaries in and outside Japan each implement risk management on an individual basis. As the holding company, we implement an integrated risk management program and monitor Group-wide risks and Group companies' risk management activities.

Our Corporate Risk Management Department receives and analyzes reports on risk and risk management from domestic Group insurance companies on a regular basis. Important issues in the reports are discussed at the Risk Compliance Committee and reported to the Board of Directors.

Enterprise Risk Management

We have set up a Risk Appetite Statement upon executing 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 based on quantitative and qualitative approaches. Risk management underpins our Group's strategies whose structure we call the ORSA (Own Risk and Solvency Assessment) process shown in the chart below.

ORSA Process



Quantitative Approach

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 Group capital.

We also monitor the risk trends and moves of the domestic Group insurance companies to confirm that

their risk levels do not exceed predetermined limits for each company.

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 anomalistic 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 Approach

To evaluate insurance underwriting risk, asset management risk, liquidity risk 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 MS&AD Insurance Group is not compromised by 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 risk 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 risk 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 operation so as to prevent losses wherever possible.

The MS&AD Insurance Group treats risk management as the highest Group management priority. We strive 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 loss by frequency or damageability which significantly surpass the projection on which the insurance premiums are calculated.

Asset Management Risks

Asset management risks are risks for fluctuation of interest rates, stock prices, exchange rates, real estate prices, and rents, etc., or financial situations of investing 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 characteristics of liability such as claim payments.

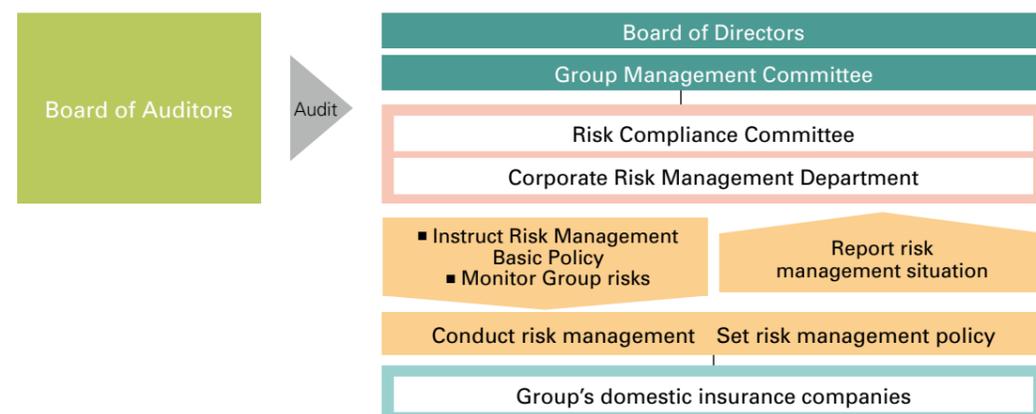
Liquidity Risks

Liquidity risks are risks that cash shortage caused by large claims, such as natural disasters such as major earthquakes, enforces us to secure financing in exchange for selling assets with significantly unfair price (cash management risk) or risks that market disturbance prevents market transaction or enforces unfair trade (market liquidity risk).

Operational Risks

Operational risks are risks that cause losses by failure of the operational process or business system, misconduct of executives or employees, or external incidents such as accidents or disasters.

Risk Management Structure



Crisis Management Structure (Including Business Continuity Plans)

To prepare for the situation where a risk event occurs and has a significant impact on our business continuity, the Group insurance companies have created crisis management manuals that set out crisis response measures and business continuity plans (BCPs). We perform periodic reviews and drills to assure the effectiveness of these measures as we work to establish appropriate business

continuity management (BCM).

Moreover, to prepare for the chance that a crisis might spread between Group companies, we have developed a Group-wide crisis management system and conduct periodic evaluations of Group insurance companies' BCPs and BCM to ensure they are effective.

Disclosure of Information and Investor Relations (IR)

Basic Policy for Disclosure

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

MS&AD Insurance Group Basic Policy for Disclosure of Information

MS&AD Insurance Group Holdings, Inc. and the domestic Group insurance companies (referring to the five companies of 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 Insurance Co., Ltd.) shall carry out the disclosure of information as follows for the purpose of communicating important information related to the MS&AD Insurance Group in a manner that is accurate, timely and fair.

1. Basic Stance on Disclosure of Information

Disclosure of information pertaining to the MS&AD Insurance Group shall be carried out so that parties such as customers, shareholders and investors can be well informed of and understand the state of the Group.

2. Standards for Disclosure of Information

Disclosure of information shall be conducted in a timely manner in accordance with the relevant laws and such regulations as “Securities Listing Regulations” and “Rules on Timely Disclosure of Corporate Information by Issuers of Listed Securities” prescribed by financial instruments exchanges (collectively, “Regulations for

Timely Disclosures of Information”). In addition, information that would serve for parties such as customers, shareholders and investors to make decisions in relation to contracts, investments and so on shall also be disclosed even if it is not information required by Regulations for Timely Disclosures of Information.

3. Methods for Disclosure of Information

Disclosure of information from the MS&AD Insurance Group shall be conducted so as to reach the appropriate parties such as customers, shareholders and investors by way of diverse means such as disclosure reports, news releases and corporate websites.

Investor Relations (IR) Activities

MS&AD Holdings actively conducts briefings and engages in dialogue with shareholders, investors and securities analysts. Requests and evaluations gathered in the course of IR activities are shared within the Group and put to good use in improving corporate value.



Information Meeting (Briefings on Financial Results and Strategies)	
Twice a year (planned) (June, December)	MS&AD Holdings conducts briefings regarding the Group's business strategies, an overview of interim and full-year business results, business forecasts and other matters, along with Q&A sessions.
Business Results Briefing	
Quarterly (planned) (May, August, November, February)	MS&AD Holdings provides conference calls for briefings on quarterly business results and Q&A sessions.
Others	
Non-regular	MS&AD Holdings conducts urgent conference calls, participates in conferences held worldwide, holds small meetings, and visits overseas investors throughout the year as necessary.

Disclosure Publications

MS&AD Holdings publishes Annual Reports in English, Quarterly Earnings Reports both in English and Japanese, and disclosure reports in Japanese issued by MS&AD Holdings and domestic Group insurance companies. All of these publications are available on the MS&AD Holdings corporate website.



Disclosure Reports

Disclosure reports are prepared by MS&AD Holdings and domestic Group insurance companies, and made readily available to stakeholders.

Corporate Website

MS&AD Holdings strives to enhance disclosure of information via its corporate website, to ensure that all stakeholders, including shareholders and other investors, can view information about the Company in a timely manner.

In April 2013, MS&AD Holdings fully renewed its corporate website to create a source of information that is easier to use and understand, particularly for individual investors. While enhancing search features for vital information, the new website provides easy-to-use graphs of financial data and stock price, among other items.



MS&AD Holdings' corporate website
(<http://www.ms-ad-hd.com/en/index.html>)



* MS&AD Holdings' corporate website received the 2012 Internet IR Excellence Award from Daiwa Investor Relations Co., Ltd.



Quarterly Earnings Reports

MS&AD Holdings publishes Quarterly Earnings Reports that include the Company's quarterly financial statements and a summary explanation of them.



English-language Annual Report

MS&AD Holdings prepares annual reports in English to improve overseas shareholders' and investors' understanding of the Company's management policies, financial condition and other matters.

Management of Conflicts of Interest

Basic Policy for Management of Conflicts of Interest

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's Basic Policy for Management of Conflicts of Interest," which can be viewed on the corporate website. (<http://www.ms-ad-hd.com/en/>)

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 and its subsidiary domestic insurance companies are taking steps to deal with this issue appropriately, based on the following policy. Measures include the formulation of rules for managing conflicting interests at each company and the establishment of internal systems, such as a department in charge of conflict of interest management.

Privacy Protection Policy

MS&AD Insurance Group will observe the laws and regulations governing 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 Group has set out the "MS&AD Insurance Group Basic Policy for Management of Customer Information," and the holding company has set out the "MS&AD Insurance Group Holdings, Declaration of Personal Information Protection (Privacy Policy)." These have been published on our website: <http://www.ms-ad-hd.com/en/>

MS&AD Insurance Group Basic Policy for Management of Conflicts of Interest

The Company and its subsidiary domestic insurance companies (hereinafter referred to as the "domestic Group insurance companies") shall manage transactions conducted by financial institutions of the MS&AD Insurance Group (hereinafter referred to as the "Group financial institutions") that may pose a conflict of interest and conduct business properly based on the following policies to avoid any unfair disadvantage to customers.

1. Subject Transactions and Their Types

(1) Subject Transactions

As used herein, "transaction with a potential conflict of interest" (hereinafter referred to as a "subject transaction") shall refer to a transaction conducted by a Group financial institution that has the potential to be unfairly disadvantageous to customers.

(2) Types of Subject Transactions

The Company and domestic Group insurance companies shall manage subject transactions based on their type as follows:

- (i) Transactions where the best interests of customers are in potential conflict with the best interests of Group financial institutions.
- (ii) Transactions where the best interests of customers are in potential conflict with the best interests of other customers of Group financial institutions.

2. Methods for Managing Subject Transactions

The domestic Group insurance companies shall choose either the following methods or other methods, or a combination thereof, for the proper management of subject transactions:

- (i) A method entailing the separation of the business unit conducting the subject transaction from another business unit conducting transactions for customers that might be affected by the subject transaction.
- (ii) A method that involves making appropriate disclosure to customers regarding the potential the subject transaction might have in causing unfair disadvantage to the customers.

- (iii) A method providing for a change of conditions or methodology of the subject transaction or other transactions with customers that might be affected by the subject transaction.
- (iv) A method that involves discontinuing the subject transaction or other transactions with customers that might be affected by the subject transaction.

3. System for Managing Conflicts of Interest

To conduct management of conflicts of interest, the company and domestic Group insurance companies shall establish a department or specific person to be responsible for overall management thereof. Subject transactions shall be managed in a uniform manner by means of compiling information pertaining to conflicts of interest. Necessary education and training shall also be provided to officers and employees so that management is conducted properly, and effort shall be made to prevent customers from experiencing any unfair disadvantages.

4. Scope of Companies Subject to Management of Conflicts of Interest

The companies subject to management of conflicts of interest at the Company shall be the following financial institutions of the MS&AD Insurance Group:

- (i) Domestic Group insurance companies.
- (ii) Subsidiary financial institutions of the Company, etc.

This shall refer to Group companies of the MS&AD Insurance Group that engage in insurance or other financial business other than the domestic Group insurance companies.



CSR for the MS&AD Insurance Group

It is the mission of the MS&AD Insurance Group 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. We intend to discharge our corporate social responsibility (CSR) to stakeholders through all our business activities, guided by the fundamental idea that all of our business activities are for the realization of Our Mission and Vision.

Approach to MS&AD Insurance Group CSR Initiatives

The MS&AD Group fulfills its responsibilities to 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 international society.

ASPIRATIONS OF THE MS&AD INSURANCE GROUP		
Our Mission	Our Vision	Our Values
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 continues to seek sustainable growth and to enhance enterprise value.	<ul style="list-style-type: none"> • Customer focused • Integrity • Teamwork • Innovation • Professionalism



Pillars of CSR Initiatives

The following forms the pillars of CSR initiatives throughout the whole Group.

Pillar I	Earn trust by improving the quality of products and services	<ul style="list-style-type: none"> • Strive to improve the quality of products and services at all times, and promote better business practices based on feedback from stakeholders, thereby earning trust
Pillar II	Contribute to development of a sustainable environment and society	<ul style="list-style-type: none"> • Promote social contributions and global environmental preservation through the provision of products and services • Conduct activities to support the restoration of areas hit by natural disasters, such as the Great East Japan Earthquake, and promote social contribution activities tailored to local needs • Promote various solutions to environmental issues, such as reducing the environmental burden relating to our business activities and conserving biodiversity

Participation in Initiatives

Participation in the UN Global Compact

In June 2004, the MS&AD Insurance Group's MSI became the first financial institution to proclaim its participation in the United Nations (UN) Global Compact. The Group will continue to participate actively in the compact.



Participation in the Principles for Sustainable Insurance

In June 2012, the United Nations Environment Programme Finance Initiative (UNEP FI) published its "Principles for Sustainable Insurance" calling on insurance companies to play a role in sustainable development of the earth by giving consideration to the environment,

society, and governance in their business operations.

MSI participated in the formulation of these principles, and has also signed up for them.

Participation in Principles for Financial Action Towards a Sustainable Society

In October 2011, the "Principles for Financial Action Towards a Sustainable Society (Principles for Financial Action for the 21st Century)" were published in Japan to serve as a guide for financial institutions on the responsibilities they need to bear in order to help create a sustainable society.

Mitsui Sumitomo Insurance Co., Ltd., Aioi Nissay Dowa Insurance Co., Ltd., Mitsui Sumitomo Aioi Life Insurance Co., Ltd. and InterRisk Research Institute & Consulting, Inc. became signatories to the principles.

Evaluation from Society

Socially Responsible Investment (SRI) is gaining popularity for its approach of evaluating not only the profitability of a company, but also its social value, environmental response and other aspects of corporate social responsibility.

The MS&AD Insurance Group is utilizing evaluations by global SRI rating organizations to improve its CSR initiatives. As of July 2013, MS&AD Holdings was included as a constituent in the following SRI indexes.

- FTSE4Good Index Series
- Ethibel PIONEER and EXCELLENCE Investment Registers
- Morningstar Socially Responsible Investment Index





Higher Quality Products and Services

The MS&AD Insurance Group works collectively to raise product and service quality levels and improve business processes while listening to feedback from stakeholders. In doing so, we aim to earn the trust of customers and society, and to continue growing.

Quality Improvement in Response to Stakeholder Views

Schemes for Receiving Feedback From Customers

The MS&AD Insurance Group has formulated a “Basic Policy for Responding to Customer Communications” (<http://www.ms-ad-hd.com/en/csr/quality/stakeholder.html>) and receives a wide range of feedback from customers including through consultations, requests, and complaints. This feedback is used to make quality improvements. In line with the policy, Domestic Group insurance companies utilize customers’ views to improve their business processes so they can provide products and services that satisfy customers.

Systems for Receiving Feedback From Agents

Mitsui Sumitomo Insurance Co., Ltd. and Aioi Nissay Dowa Insurance Co., Ltd. utilize feedback from agents to develop and revamp products to make them easy for customers to understand. Along with day-to-day communication with agents, we have also established systems for collecting feedback, such as our Product Monitor Program and Agents’ Voice System.

Systems for Receiving Feedback From External Experts

Mitsui Sumitomo Insurance Co., Ltd., Aioi Nissay Dowa Insurance Co., Ltd. and Mitsui Sumitomo Aioi Life Insurance Co., Ltd. hold discussions with outside specialists, primarily through dedicated departments for raising business process quality, and receive recommendations on products and services to further improve customer satisfaction. The recommendations are reported to management and used to raise quality levels.

In addition, at Mitsui Sumitomo Insurance Co., Ltd. and Aioi Nissay Dowa Insurance Co., Ltd., cases found to be ineligible for insurance payments and cases where customers have lodged a complaint are reviewed by a review committee made up of outside attorneys and other experts, and their status is disclosed on the companies’ websites.

Systems for Receiving Feedback From Employees

Mitsui Sumitomo Insurance Co., Ltd., Aioi Nissay Dowa Insurance Co., Ltd. and Mitsui Sumitomo Aioi Life Insurance Co., Ltd. have systems for utilizing feedback from employees in service and product quality improvements. The feedback is collected from employees and considered by head office divisions, with the results conveyed through internal bulletin boards and other means. Long-term issues are also monitored by dedicated quality improvement departments and steadily addressed. Moreover, opportunities are created for executives to hold discussions directly with employees in order to incorporate their thoughts and opinions into management practices.

Improve 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.

Initiatives to Increase Customer Convenience

• Forms have been certified by the Universal Color Design Association

Mitsui Sumitomo Aioi Life Insurance Co., Ltd. has redesigned the forms customers fill out with their health information when they apply for life insurance. A scientific approach was used for the redesign, including an analysis done over cases where customers had omitted information. As a result, customers happily report that the forms have become easier to understand and the information is easier to convey. The form design is the first of its kind in the life insurance industry and it acquired Universal Communication Design Association (UCDA) certification as a “communicative design” from the UCDA.

Initiatives for People with Disabilities

• Adoption of SP Codes

Mitsui Sumitomo Insurance Co., Ltd. has adopted SP codes, which were developed for older people or those with visual impairment, on the pamphlets for its GK Automobile Insurance*, GK Five Insurance and GK Personal Accident Insurance products. When the codes are read with a special reading unit, the recorded information is reproduced by voice.

* The new design is to be used in pamphlets for policies starting from October 1, 2013.

• Printed material in using Color Universal Design

The MS&AD Insurance Group prepares pamphlets certified by the Color Universal Design Organization, an NPO entity that presents easy-to-read information to all people regardless of personal differences in color vision.

• Internet-based Roadside Services for People with Hearing Impairments

Mitsui Sumitomo Insurance Co., Ltd. and Aioi Nissay Dowa Insurance Co., Ltd. offer an Internet-based roadside service system for people with hearing impairments. Customers can use the e-mail and Internet functions of mobile phones and smartphones (iPhone and Android) and follow on-screen guidance to transmit the required information, rather than using oral communication.



Social Contribution Activities

As a member of local communities and the international community, we engage in social contribution activities through our insurance and financial service businesses. In addition, our employees voluntarily participate in the environmental protection and community activities to contribute to their sustainable development.

Response to Large-scale Disasters

The MS&AD Insurance Group is preparing a company-wide insurance payment scheme to fulfill our mission as an insurance company of paying insurance claims as soon as possible to customers affected by disaster. Measures include setting up local disaster-response rooms and dispatching additional support staff to the field.

Based on our experience in the Great East Japan Earthquake, we are preparing our infrastructure for responding to disasters during normal times and stepping up preparatory disaster-response training.

Disaster Relief Donation Matching Gift Program

Since fiscal 2004, we have provided a donation matching gift program for donations made for disaster relief, whereby the Group matches the donations made by employees to the victims of disasters. This system was also used for the Great East Japan Earthquake in 2011. Donations focused on giving direct support to those affected by the disaster, including activities supporting the long-term recovery of devastated areas and activities to support children, who are the future.

(1) Scope of application:

Domestic: Disasters for which the Disaster Relief Act applies
Overseas: Large-scale disasters for which Keidanren provides information about support for victims

(2) Amount of corporate donations:

In principle, the same amount as the amount of donations collected from employees

Donations in Fiscal 2012

Disaster	Date	No. of Volunteers	Amount of Donation (Including Matching Gift Program)
Tornado in Tochigi and Ibaraki Prefectures	May 6	2,744	¥6,381,000
Heavy rain in northern Kyushu	July	3,603	¥9,485,000
Heavy rain in southern Kyoto	August 13	1,851	¥3,515,000
Flooding in the Philippines	August	1,635	¥2,939,000
Hurricane "Sandy" in the U.S.	November	2,426	¥5,194,000
Typhoon in the Philippines	December	1,812	¥3,677,000
Total		14,071	¥31,191,000

Initiatives to Solve Societal Issues

The MS&AD Insurance Group is taking various initiatives to contribute to customers and local communities utilizing each Group company's technology and know-how. As a non-life insurance provider dealing with automobile insurance, we are involved in efforts to prevent traffic accidents, and as a life insurance provider dealing with life and medication, we disseminate correct knowledge about healthcare, and help people to make adequate preparations as one of our important social missions.

Activities for Conveying Medical Information to Customers

Mitsui Sumitomo Aioi Life Insurance Co., Ltd. is conducting a campaign to help customers avoid strokes as a stroke prevention awareness initiative. As part of the campaign, the company has concluded a joint project agreement with the Japan Stroke Association to conduct a "Stroke Project."

The company held seminars on strokes, including basic knowledge and preventive measures, for the general public together with the Association, in all prefectures of Japan. It also operates a website called "Stroke Report" that contains interviews with doctors of the Japan Stroke Association and advice columns about approaches to therapy.

Micro-Insurance

In India, where alleviating poverty is a key policy, the government's RSBY health insurance system for impoverished households has rapidly gained in popularity. Cholamandalam MS General Insurance Co., Ltd., a local Indian affiliate of Mitsui Sumitomo Insurance Co., Ltd., is promoting insurance underwriting from the standpoint of supporting anti-poverty measures in the country. In fiscal 2012, the company underwrote RSBY policies for 2.95 million households in five states and received the Best Performing Insurance Company Award 2012 from the ministry of Labor & Employment, Government of India. The award given to the most outstanding insurance company overall in handling insurance claim payments under the RSBY system and helping to promote it.



Receiving the Best Performing Insurance Company Award 2012

Support for Employees' Social Contribution Activities

MS&AD Unison Smile Club Activities

The MS&AD Insurance Group contributes amounts from employees through employee-determined multiples of ¥100 amounts deducted from the monthly pay of willing employees, and donates the total to a program that helps children

around the world through charitable activities such as charity Christmas cards and a program that builds elementary schools in Thailand. A total of 14,795 Group employees participated in the program as of March 31, 2013.

Environmental Initiatives

MS&AD Insurance Group has formulated the Group's "Environmental Basic Policy," which requires all employees to tackle global environmental issues such as preserving resources, preventing global warming, and protecting biodiversity.

Environmental Basic Policy

MS&AD Insurance Group's Environmental Basic Policy

Basic Philosophy

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 service 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 plans summarized below.

Action Plans

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

Established April 1, 2010

Contribution to the Global Environmental Through Our Core Business

Support for Renewable Energy

In June 2012, Mitsui Sumitomo Insurance Co., Ltd. commenced sales of the Mega-Solar General Compensation Plan to coincide with the start of feed-in tariffs in July 2012. The new plan comprehensively covers a range of risks faced by mega-solar operators. By meeting demand among mega-solar operators for risk coverage, the company is providing one aspect of support for the expansion of renewable energy.

Use of Recycled Automobile Parts

The MS&AD Insurance Group encourages customers to use recycled parts when having repairs made after accidents. In this way, the Group is promoting a recycling-oriented society and reducing the environmental burden of repairs.

Mitsui Sumitomo Insurance Co., Ltd. gives repair shops and customers easy-to-understand explanations about recycled parts and encourages repair shops to make extensive use of recycled parts after asking customers if they would like to use them.

Aioi Nissay Dowa Insurance Co., Ltd. has partnered with the NGP Group (a nationwide network of wrecking companies) to develop a wreck network auction system to promote legally compliant disposal of scrapped vehicles and commercialization of recycled parts. In fiscal 2012, roughly 24,600 vehicles were put up for auction and some 1,550 companies participated.

Reducing the Environmental Impact of Business Activities

Medium- to Long-Term Plan for Reducing CO₂ Emissions

In September 2010, the MS&AD Insurance Group formulated a medium- to long-term plan for reducing CO₂ emissions across the Group as shown below. Based on these targets, each domestic insurance company in the Group has formulated its own medium- to long-term plan for reducing its CO₂ emissions, including concrete measures for achieving the reductions.

	FY	Target reduction compared to base year	CO ₂ emissions volume*
Base year	FY2009	—	101,906 t-CO ₂
Medium-term target	FY2012	4%	97,830 t-CO ₂
Long-term target	FY2020	30%	71,334 t-CO ₂

*CO₂ emission volumes calculated using the systems for calculation, reporting and publication stipulated in Japan's Act on Promotion of Global Warming Countermeasures.

The plan targets MS&AD Insurance Group's total energy use at bases throughout Japan (within the scope of calculation under Japan's revised Act on the Rational Use of Energy) and gasoline used by the vehicles of MS&AD Insurance Group companies in Japan.

• Progress

To help mitigate climate change, the MS&AD Insurance Group is working to reduce energy use at all of its companies and by all of its employees. Specifically, the Group has established targets in its medium- to long-term plan for reducing CO₂ emissions. CO₂ emissions in fiscal 2012 were up 0.2% compared to the baseline year due to a significant increase in the CO₂ emissions factor for power consumption caused by nuclear plants being shut down. The Group therefore missed its medium-term target of a 4% reduction.

FY	CO ₂ emissions volume	Compared to base year
FY2010	94,934 t-CO ₂	-6.8%
FY2011	82,993 t-CO ₂	-18.6%
FY2012	102,129 t-CO ₂	0.2%

Preserving Biodiversity

Risks associated with biodiversity are overall risks to the planet, including the degradation of ecosystem services. Based on this thinking, the MS&AD Insurance Group has promoted initiatives within the Group while also taking part in the creation of a corporate network for joint

research on preservation of biodiversity. We are also conducting activities on deepening understanding of biodiversity protection in the private sector as well as research on lessening related risks.

Practice of Values

The products in our intangible insurance and financial services are the crystallization of our individual employees' consideration for our customers. As they continue to take new challenges and grow, each employee of the MS&AD Insurance Group strives to provide customers with security and safety by sharing and practicing our Mission, Vision and Values.

Approaches to Practicing the Mission, Vision, and Values as a Group

The MS&AD Insurance Group takes various approaches to sharing and practicing the Group's Mission, Vision and Values. In fiscal 2013, at Group companies in Japan and

overseas, we are working to further instill the Group's Mission, Vision and Values by presenting and discussing them at group training sessions and workplace meetings.

Human Resource Development

The MS&AD Insurance Group aims to develop employees who learn and think by themselves, take up challenges, and continue to grow. Domestic Group insurance companies offer a full range of education and support, including training, OJT (On the Job Training), and self-education so that employees can work professionally with a sense of pride and fulfillment.

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.

Training for unit heads is designed to reinforce management skills and workplace communication skills, which sustain overall human resource development. There are also training programs to develop management personnel, and to promote the role of women.

An OJT program has been established to help newly hired employees familiarize themselves smoothly with the workplace, and utilize their work experience while acquiring the knowledge and skills they need. Moreover, in April, 2013 we held a one-day group training session for all new employees of the five Group companies in an effort to foster a sense of unity among Group employees.

Trainee System

Domestic Group insurance companies have an In-house Trainee System, which enables employees to have a short-term work experience in of roles they have not experienced before and workplaces they have an interest in. Through this program, employees experience not only work at the companies they are affiliated with but also work at other companies involved in the program, which serves to facilitate understanding among companies and divisions and strengthen communication.

Promotion of Diversity

The MS&AD Insurance Group accepts diverse employee values, and gives all ambitious employees the opportunity to grow and demonstrate their talents through their work.

Promotion of the Role of Female Employees

The MS&AD Insurance Group considers it important that female employees take on challenges and bigger roles in the workplace by utilizing their own advantages and characteristics. This will lead to the growth of both the employees and the company. In July 2011, the MS&AD Insurance Group established a joint declaration for promotion of female employees and has been conducting activities to support women in their career aspirations. The MS&AD Insurance Group will continue to promote the role of women in fiscal 2013.

Joint Declaration

We will actively work to realize the vision of MS&AD New Frontier 2013, aiming for our new growth without limiting ourselves.

1. **In supporting career development**, we will enhance our knowledge and provide opportunities to broaden our field of vision.
2. **In supporting balancing work with life**, we will implement measures to assist ambitious employees to continue working while meeting other life commitments.
3. **In supporting creating a productive workplace atmosphere**, we will foster an environment that encourages women to take challenges.

Our catch phrase and logo symbolize our tenacious stance "Challenge Yourself! Nice Try!"



"T" in Nice Try is a sprouting leaf, signifying growth. "Challenge Yourself!" represents the ground, nurturing the leaf.

Support for Employees With Disabilities

Mitsui Sumitomo Insurance Co., Ltd. established a team called Team WITH to promote assimilation of people with disabilities into the workplace by giving educational support and creating support systems.

The members of Team WITH engage in dialogue with superiors and employees with disabilities in the workplace, and provide a manual for workplace assimilation. In addition, a special training session for employees with hearing impairments is held once a year. In fiscal 2013 we plan to continue conducting the workplace surveys and seminars where people with disabilities can talk about their successful experiences.

Aioi Nissay Dowa Insurance Co., Ltd. conducts ongoing initiatives to promote the employment of people with disabilities and has established support systems such as a general consultation office within the company. These activities have been recognized and the company became the first in the non-life insurance industry to be certified by the Ministry of Health, Labour and Welfare as a company with an outstanding track record in the employment of people with disabilities.

Five-Year Summary (Unaudited)

Figures for FY2008 and FY2009 represent the results of Mitsui Sumitomo Insurance Group Holdings, Inc. and its subsidiaries and figures for FY2010, FY2011 and FY2012 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
	FY2008	FY2009	FY2010	FY2011	FY2012	FY2012
Ordinary income:	¥2,040,013	¥1,962,689	¥ 3,404,942	¥ 3,764,986	¥ 4,315,787	\$ 45,913
Net premiums written	1,445,651	1,394,164	2,543,786	2,555,551	2,639,015	28,075
Ordinary profit/(loss)	(13,044)	52,695	21,005	(96,211)	150,300	1,599
Net income/(loss)	8,192	37,640	5,420	(169,469)	83,625	890
Comprehensive income/(loss)	—	327,417	(189,373)	(88,136)	543,938	5,787
Net assets	1,023,021	1,311,082	1,633,381	1,512,134	2,021,625	21,507
Total assets	7,440,709	7,519,625	11,445,003	14,537,204	15,914,663	169,305

	Yen					US\$
	¥	¥	¥	¥	¥	\$
Net income/(loss) per share	19.45	89.84	8.68	(272.49)	134.46	1.43
Net assets per share	2,411.70	3,143.32	2,597.19	2,400.48	3,215.33	34.21
Equity ratio	13.59%	17.35%	14.11%	10.27%	12.56%	—
Return on equity	0.61%	3.25%	0.37%	(10.91)%	4.79%	—
Price earnings ratio	116.97	28.88	218.06	—	15.36	—

	Yen in millions					US\$ in millions
	¥	¥	¥	¥	¥	\$
Cash flows:						
Cash flows from operating activities	¥ 38,612	¥ (33,930)	¥ (59,339)	¥(205,272)	¥ 118,751	\$ 1,263
Cash flows from investing activities	94,495	52,741	89,783	149,960	(165,248)	(1,758)
Cash flows from financing activities	4,184	(104,320)	19,893	65,442	33,590	357
Cash and cash equivalents at the end of the fiscal year	455,430	377,158	687,267	711,710	716,221	7,619
Number of employees	21,336	21,908	36,538	36,929	36,643	—

Note: U.S. dollar amounts in this report have been translated from yen, for convenience only, at the rate of ¥94 = US\$1. For details, see Note 1 of Significant Accounting Policies. (P.48).

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

	Yen in millions	
	FY2008	FY2009
Net premiums written	¥ 2,591,099	¥ 2,519,022
Ordinary profit/(loss)	(52,914)	99,131
Net income/(loss)	(9,489)	57,340
Total assets	11,345,045	11,481,312

Notes: 1. Figures are a simple sum of the results for MSI Group Holdings (consolidated), Aioi Insurance (consolidated) and Nissay Dowa General Insurance (non-consolidated).
2. Figures are presented exclusive of the GRR (Good Result Return) premiums of the 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 solvency margin ratio 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 (122 subsidiaries and 29 affiliated companies as of March 31, 2013) 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")

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 fiscal 2012, the fiscal year ended March 31, 2013, the Japanese economy continued its gradual recovery supported by restoration demand following the Great East Japan Earthquake. However, from around the middle of this fiscal year, the economy trended at a sluggish pace, reflecting factors such as declines in exports and production due to the slowdown in the global economy, which was prompted by the sovereign debt crisis in Europe. Signs of economic improvement subsequently became evident, with share prices climbing against a backdrop of heightened expectations for economic recovery and a reversal of the high yen.

While premium income increased, the business environment surrounding the non-life insurance industry continued to be challenging as the automotive insurance loss ratio remained at a high level and natural disasters occurred frequently both in Japan and overseas. In the life insurance industry, the balance of policies in force continued to decline due to an increase in small-scale policies.

In view of these business conditions, the Group focused on expanding its domestic non-life insurance business, domestic life insurance business, overseas business, financial services business and risk-related services business in line with the medium-term management plan, "MS&AD New Frontier 2013," which began in fiscal 2010. It also improved the quality of products and services and enhanced profitability and growth potential. To pursue group synergies, the Group focused on integrating systems and enhancing the efficiency of operations through measures such as the joint use of agency systems.

Against this background, the consolidated revenues and earnings in fiscal 2012 were reported as follows:

Key Consolidated Financial Indicators

	(Yen in millions)			
	FY2011	FY2012	Change	Change (%)
Net premiums written	¥2,555,551	¥2,639,015	¥ 83,464	3.3
Life insurance premiums	425,619	569,022	143,403	33.7
Ordinary profit	(96,211)	150,300	246,512	—
Net income	(169,469)	83,625	253,094	—

In the non-life insurance business, net premiums written rose ¥83.4 billion year on year to ¥2,639.0 billion, mainly because of revenue growth at all domestic non-life insurance subsidiaries and overseas insurance subsidiaries.

In the life insurance business, life insurance premiums rose ¥143.4 billion year on year, to ¥569.0 billion, mainly because of an increase in life insurance premiums at MSAL and MSPL.

As a result, the Company posted an ordinary profit of ¥150.3 billion, marking an increase of ¥246.5 billion compared to the previous fiscal year, when the Company recorded an incurred loss (the sum of net claims paid and provision for outstanding claims) resulting from the floods in Thailand. After adding extraordinary income, extraordinary losses and current and deferred income taxes and other items to ordinary profit, net income of ¥83.6 billion was reported with a change of ¥253.0 billion compared to a net loss in the previous fiscal year, which reflected a reversal of deferred tax assets due to a reduction in the corporate tax rate and other factors.

An overview of insurance premiums written and claims paid for each class of insurance follows.

Direct Premiums Written (including Deposit premiums from policyholders)

Lines of Insurance	FY2011			FY2012		
	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)
Fire and Allied	¥ 513,458	5.4	17.4	¥ 548,666	6.9	18.0
Marine	105,393	2.3	3.5	107,893	2.4	3.5
Personal Accident	358,440	(2.5)	12.1	352,446	(1.7)	11.6
Voluntary Automobile	1,291,429	1.1	43.7	1,327,991	2.8	43.5
Compulsory Automobile Liability	307,038	10.2	10.4	321,641	4.8	10.6
Other	380,999	2.9	12.9	391,322	2.7	12.8
Total	2,956,759	2.5	100.0	3,049,962	3.2	100.0
Deposit premiums from policyholders	172,021	(12.3)	5.8	(163,936)	(4.7)	(5.4)

(Notes)

- The figures represent amounts after elimination of internal transactions between segments.
- Direct premiums written (including deposit premiums from policyholders) is 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	FY2011			FY2012		
	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)
Fire and Allied	¥ 339,636	(4.2)	13.3	¥ 354,012	4.2	13.4
Marine	87,395	(2.3)	3.4	87,312	(0.1)	3.3
Personal Accident	219,520	3.2	8.6	222,865	1.5	8.4
Voluntary Automobile	1,299,499	0.6	50.9	1,337,106	2.9	50.7
Compulsory Automobile Liability	291,610	6.5	11.4	310,521	6.5	11.8
Other	317,890	(1.0)	12.4	327,197	2.9	12.4
Total	2,555,551	0.5	100.0	2,639,015	3.3	100.0

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

Net Claims Paid

Lines of Insurance	(Yen in millions)					
	FY2011			FY2012		
	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)
Fire and Allied	¥ 473,309	244.6	24.4	¥ 315,906	(33.3)	18.2
Marine	48,802	22.5	2.5	40,490	(17.0)	2.3
Personal Accident	113,345	0.7	5.8	113,462	0.1	6.5
Voluntary Automobile Compulsory	848,161	1.3	43.7	831,073	(2.0)	47.7
Automobile Liability	263,206	0.9	13.6	264,802	0.6	15.2
Other	194,546	(2.0)	10.0	175,049	(10.0)	10.1
Total	1,941,371	22.4	100.0	1,740,784	(10.3)	100.0

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

Segment Information

(1) Domestic Non-life Insurance Business (MSI)

Ordinary income was ¥1,792.8 billion after recording underwriting income of ¥1,661.2 billion, investment income of ¥127.7 billion, and other ordinary income of ¥3.7 billion. Meanwhile, ordinary expenses came to ¥1,727.5 billion, resulting from underwriting expenses of ¥1,474.4 billion, investment expenses of ¥38.2 billion, operating expenses and general and administrative expenses of ¥206.5 billion, and other ordinary expenses of ¥8.2 billion.

As a result, ordinary profit was ¥65.3 billion with a change of ¥195.5 billion from ordinary loss in the previous fiscal year. After factoring in extraordinary income and losses, income taxes and other factors to ordinary profit, net income came to ¥42.6 billion, with a change of ¥173.2 billion from the net loss for the previous fiscal year.

(2) Domestic Non-life Insurance Business (ADI)

Ordinary income was ¥1,342.7 billion after recording underwriting income of ¥1,273.8 billion, investment income of ¥66.0 billion, and other ordinary income of ¥2.7 billion. Meanwhile, ordinary expenses came to ¥1,316.8 billion, resulting from underwriting expenses of ¥1,086.6 billion, investment expenses of ¥39.9 billion, operating expenses and general and administrative expenses of ¥187.8 billion, and other ordinary expenses of ¥2.3 billion.

As a result, ordinary profit was ¥25.8 billion with an increase of ¥16.6 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 ¥18.8 billion, with a change of ¥62.4 billion from the net loss in the previous fiscal year.

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

Ordinary income was ¥35.7 billion after recording underwriting income of ¥35.5 billion and investment income of ¥0.2 billion. Meanwhile, ordinary expenses came to ¥35.2 billion, resulting from underwriting expenses of ¥28.1 billion and operating expenses and general and administrative expenses of ¥7.0 billion.

As a result, ordinary profit and net income were ¥0.5 billion and ¥0.4 billion, respectively, at the same level as the previous fiscal year. Consequently, net income after taking ownership interests into account (segment income) was ¥0.3 billion, at the same level as the previous fiscal year.

(4) Domestic Life Insurance Business (MSAL)

Ordinary income was ¥465.6 billion after recording insurance premiums and others of ¥422.1 billion, investment income of ¥40.4 billion, and other ordinary income of ¥3.0 billion. Meanwhile, ordinary expenses came to ¥458.2 billion, resulting from insurance claims and others of ¥166.9 billion, provision for underwriting reserves of ¥207.4 billion, investment expenses of ¥2.8 billion, operating expenses of ¥73.5 billion, and other ordinary expenses of ¥7.4 billion.

As a result, ordinary profit was ¥7.4 billion with an increase of ¥5.6 billion from the previous fiscal year. After factoring in extraordinary income and losses, income taxes and other factors, net income of ¥0.4 billion was reported with a change of ¥11.8 billion from the net loss in the previous fiscal year.

(Note)

Mitsui Sumitomo Kirameki Life Insurance Co., Ltd. and Aioi Life Insurance Co., Ltd. merged into Mitsui Sumitomo Aioi Life Insurance Co., Ltd. on October 1, 2011. The figures as of March 31, 2012 are the simple sum combination of Mitsui Sumitomo Kirameki Life Insurance Co., Ltd. and Aioi Life Insurance Co., Ltd.

(5) Domestic Life Insurance Business (MSPL)

Ordinary income was ¥1,016.6 billion after recording insurance premiums and others of ¥456.6 billion, investment income of ¥557.8 billion, and other ordinary income of ¥2.0 billion. Meanwhile, ordinary expenses came to ¥977.6 billion, resulting from insurance claims and others of ¥366.0 billion, provision for underwriting reserves of ¥570.5 billion, investment expenses of ¥0.5 billion, operating expenses of ¥38.2 billion, and other ordinary expenses of ¥2.2 billion.

As a result, ordinary profit became ¥38.9 billion with an increase of ¥25.9 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 ¥10.3 billion with an increase of ¥4.3 billion from the net profit in the previous fiscal year.

(6) Overseas Business (Overseas insurance subsidiaries)

Net premiums written in the overseas insurance subsidiaries segment rose by ¥5.4 billion compared to the previous fiscal year to ¥186.1 billion.

Ordinary profit came to ¥18.8 billion with a change of ¥19.6 billion from ordinary loss in the previous fiscal year, and net income (segment income) came to ¥12.6 billion with a change of ¥19.3 billion from the net loss in the previous fiscal year.

4. CASH FLOW ANALYSIS

With regard to cash flows, net cash provided by operating activities was ¥118.7 billion with a change of ¥324.0 billion from net cash used in the previous period, mainly due to a rise in insurance premiums income. Net cash used in investing activities were (¥165.2 billion) with a decrease of ¥315.2 billion from the previous fiscal year, mainly due to an increase in the purchase of securities. Net cash flows provided by financing activities were ¥33.5 billion with a decrease of ¥31.8 billion, mainly due to a decrease in revenues from the issuance of bonds. As a result, cash and cash equivalents at the end of the fiscal year stood at ¥716.2 billion with an increase of ¥4.5 billion from the end of 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 uncertain factors, mainly natural disasters and Japan's declining population.

Under these circumstances, to fulfill the medium-term management plan, "MS&AD New Frontier 2013," the Group will earn the trust of customers and achieve growth by providing our high-quality products and services in our various businesses, centered on the domestic non-life insurance business, domestic life insurance business and overseas business. To enhance profitability, we will reorganize the Group by function, maximize the strengths of MSI and ADI, and conduct efficient business management of the Group as a whole. Moreover, we will strengthen the Group's governance framework primarily at the holding company, and improve our risk management framework. Through these initiatives, we will build a world-leading insurance and financial services group engaged in business globally, and we will achieve sustainable growth and improve the corporate value of our Group.

6. RISK ANALYSIS

(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 in economic or financial market conditions could reduce the value of these assets. 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, valuation losses and loss on sales in the event of a decline in stock prices.

b. Interest rate risk

There is a risk of a negative impact on the Group's business results due to a decline in the value of the Group's fixed interest-rate assets such as 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 value of the Group's assets denominated in foreign currencies, mainly the US dollar and the euro, could decline, or the value of the Group's liabilities denominated in foreign currencies could increase, in response to exchange rate movements. In such an event, there is a risk of a negative impact on the Group's business results.

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 credit ratings or bankruptcies of stock and bond issuers or borrowers, or disruptions in the credit markets. This could cause a decline in the asset value or prevent the Group from recovering principal and/or interest. In such an event, there is a risk of a negative impact on the Group's business results.

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

Natural disasters such as typhoons and earthquakes can give rise to large insurance claims, for which the Group prepares through reinsurance arrangements and provisions for catastrophe reserve. Nevertheless, there is a possibility that natural disasters of a much larger scale than anticipated could occur. If large insurance claims must be paid for such a disaster, there is a risk of a negative impact on the Group's business results.

(iii) Liquidity risk

If there is an increase of payments of insurance claims from a natural disaster, the Group may experience cash flow problems. This could force the Group to procure funds at a cost significantly above normal rates or to sell assets at extremely low prices to raise funds. In such an event, there is a risk of a negative impact on the Group's business results. There is also a risk of temporary financing difficulties due to market disruptions.

(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 of intensified competition from further industry deregulation and increased entry of new participants

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

(vii) Risk associated with domestic life insurance business

The Group is working to expand its domestic life insurance business as one of its growth areas. However, the domestic life insurance business is seeing increasing competition from other life insurance companies, mainly major domestic life insurance providers and providers from overseas. In this 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 areas such as Asia, Europe and the Americas through branches and subsidiaries. With this comes the risk of unexpected changes in the political, economic and social environments, regulatory changes, foreign currency fluctuations, and 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 amounts 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) 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, malfunctioning of information systems and the occurrence of disasters pose a risk of losing the trust of customers and society and a risk of interfering with business operations. Moreover, there is also the possibility of sanctions imposed by supervisory authorities in response to any of these problems, which would have a negative impact on the Group's business results.

(xi) Risk of business disruption

The Group has formulated a business continuity plan and prepared a crisis management framework to respond to the occurrence of natural disasters or unusual events such as an earthquake in the Tokyo area or an outbreak of disease such as the H1N1 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.

(xii) Risks from changes in applicable laws and systems

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

(xiii) 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.

(xiv) System integration risk

The Group's main non-life insurance subsidiaries are working to integrate their non-life insurance systems with the goal of achieving full operation in fiscal 2013. Such integration operations carry the risk of systems disruptions, including the stoppage, malfunction and improper use of information systems. The Group has taken steps to manage systems risk by establishing a Systems Integration Committee; however, if a major systems disruption were to occur, there is a risk that it may have a negative impact on the Group's business results.

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

The Group takes synergy effects from business integration into account when formulating 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 January 31, 2013, the Company, MSI and ADI agreed to progressively reorganize the Group by function from April 2014, and preparations are now underway. However, if the expected synergy effects of business integration are not fully realized, there is a risk of a negative impact on the Group's business results.

7. SOLVENCY MARGIN RATIO

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

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

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

MS&AD Consolidated Solvency Margin Ratio

	(Yen in millions)	
	FY2011	FY2012
(A) Solvency margin total amount	¥2,712,791	¥3,314,532
(B) Risk amount	979,641	897,185
(C) Solvency margin ratio (A/(B x 1/2)) x 100	553.8%	738.8%

(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 Service 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 ¥601.7 billion versus the end of the previous fiscal year. As a result, the consolidated solvency margin ratio increased by 185.0 percentage points from the previous fiscal year-end to 738.8%.

MSI**a. Non-consolidated Solvency Margin Ratio**

	(Yen in millions)	
	FY2011	FY2012
(A) Solvency margin total amount	¥1,656,380	¥1,958,579
(B) Risk amount	680,488	673,800
(C) Solvency margin ratio (A/(B x 1/2)) x 100	486.8%	581.3%

(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 ¥302.1 billion versus the end of the previous fiscal year. As a result, the non-consolidated solvency margin ratio increased by 94.5 percentage points from the previous fiscal year-end to 581.3%.

b. Consolidated Solvency Margin Ratio

	(Yen in millions)	
	FY2011	FY2012
(A) Solvency margin total amount	¥1,582,271	¥1,852,738
(B) Risk amount	590,901	582,630
(C) Solvency margin ratio (A/(B x 1/2)) x 100	535.5%	635.9%

(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 ¥270.4 billion versus the end of the previous fiscal year. As a result, the consolidated solvency margin ratio increased by 100.4 percentage points from the previous fiscal year-end to 635.9%.

ADI**a. Non-consolidated Solvency Margin Ratio**

	(Yen in millions)	
	FY2011	FY2012
(A) Solvency margin total amount	¥758,104	¥965,962
(B) Risk amount	342,539	297,599
(C) Solvency margin ratio (A/(B x 1/2)) x 100	442.6%	649.1%

Primarily due to an increase in the market value of shares held, ADI's non-consolidated solvency margin total amount increased by ¥207.8 billion versus the end of the previous fiscal year. As a result, the non-consolidated solvency margin ratio increased by 206.5 percentage points from the previous fiscal year-end to 649.1%.

b. Consolidated Solvency Margin Ratio

	(Yen in millions)	
	FY2011	FY2012
(A) Solvency margin total amount	¥751,963	¥959,895
(B) Risk amount	331,486	291,370
(C) Solvency margin ratio (A/(B x 1/2)) x 100	453.6%	658.8%

Primarily due to an increase in the market value of shares held, ADI's consolidated solvency margin total amount increased by ¥207.9 billion versus the end of the previous fiscal year. As a result, the consolidated solvency margin ratio increased by 205.2 percentage points from the previous fiscal year-end to 658.8%.

Mitsui Direct**Non-consolidated Solvency Margin Ratio**

	(Yen in millions)	
	FY2011	FY2012
(A) Solvency margin total amount	¥11,820	¥12,324
(B) Risk amount	5,569	5,740
(C) Solvency margin ratio (A/(B x 1/2)) x 100	424.4%	429.4%

Primarily due to an increase in net income, Mitsui Direct's non-consolidated solvency margin total amount increased by ¥0.5 billion versus the end of the previous fiscal year. As a result, the non-consolidated solvency margin ratio increased by 5.0 percentage points from the previous fiscal year-end to 429.4%.

MSAL**Non-consolidated Solvency Margin Ratio**

	(Yen in millions)	
	FY2011	FY2012
(A) Solvency margin total amount	¥223,803	¥267,498
(B) Risk amount	36,904	40,845
(C) Solvency margin ratio (A/(B x 1/2)) x 100	1,212.8%	1,309.8%

Primarily due to an increase in the market value of bonds held, MSAL's non-consolidated solvency margin total amount increased by ¥43.6 billion versus the end of the previous fiscal year. As a result, the non-consolidated solvency margin ratio increased by 97.0 percentage points from the previous fiscal year-end to 1,309.8%.

MSPL**Non-consolidated Solvency Margin Ratio**

	(Yen in millions)	
	FY2011	FY2012
(A) Solvency margin total amount	¥183,140	¥267,510
(B) Risk amount	47,226	60,516
(C) Solvency margin ratio (A/(B x 1/2)) x 100	775.5%	884.0%

MSPL's non-consolidated solvency margin total amount increased by ¥84.3 billion versus the end of the previous fiscal year. This was mainly due to an increase in reserve for price fluctuation, despite an increase in risk amount of ¥13.2 billion accompanying increased holdings of fixed annuities. As a result, the non-consolidated solvency margin ratio increased by 108.5 percentage points from the previous fiscal year-end to 884.0%.

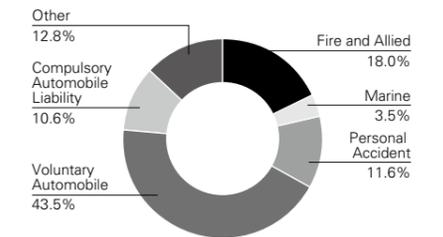
Premiums Written and Net Claims Paid – Non-life Insurance (Unaudited)

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

Lines of Insurance	(Yen in millions)												(US\$ in millions)			
	FY2008			FY2009			FY2010			FY2011			FY2012			FY2012
	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount
Fire and Allied	¥ 314,513	(1.1)	18.5	¥ 309,649	(1.5)	18.9	¥ 487,365	57.4	16.9	¥ 513,458	5.4	17.4	¥ 548,666	6.9	18.0	\$ 5,837
Marine	110,565	(9.3)	6.5	91,816	(17.0)	5.6	102,993	12.2	3.6	105,393	2.3	3.5	107,893	2.4	3.5	1,148
Personal Accident	263,396	(11.7)	15.5	246,694	(6.3)	15.1	367,750	49.1	12.7	358,440	(2.5)	12.1	352,446	(1.7)	11.6	3,749
Voluntary Automobile	615,451	(3.1)	36.2	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	14,128
Compulsory Automobile Liability	137,598	(17.0)	8.1	129,284	(6.0)	7.9	278,695	115.6	9.7	307,038	10.2	10.4	321,641	4.8	10.6	3,422
Other	258,712	(10.0)	15.2	243,482	(5.9)	14.9	370,215	52.1	12.8	380,999	2.9	12.9	391,322	2.7	12.8	4,163
Total	¥1,700,238	(6.9)	100.0	¥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	\$32,446
Deposit premiums from policyholders	¥ 165,464	(16.1)	9.7	¥ 145,026	(12.4)	8.9	¥ 196,070	35.2	6.8	¥ 172,021	(12.3)	5.8	¥ 163,936	(4.7)	5.4	\$ 1,744

DIRECT PREMIUMS WRITTEN (FY2012)

TOTAL ¥3,049.9 BILLION

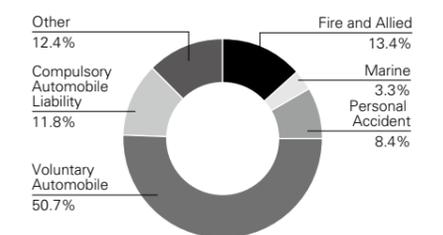


(b) Net Premiums Written

Lines of Insurance	(Yen in millions)												(US\$ in millions)			
	FY2008			FY2009			FY2010			FY2011			FY2012			FY2012
	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount
Fire and Allied	¥ 220,095	(2.2)	15.2	¥ 218,268	(0.8)	15.7	¥ 354,560	62.4	13.9	¥ 339,636	(4.2)	13.3	¥ 354,012	4.2	13.4	\$ 3,766
Marine	93,680	(10.0)	6.5	75,936	(18.9)	5.4	89,455	17.8	3.5	87,395	(2.3)	3.4	87,312	(0.1)	3.3	929
Personal Accident	135,937	(1.6)	9.4	135,128	(0.6)	9.7	212,790	57.5	8.4	219,520	3.2	8.6	222,865	1.5	8.4	2,371
Voluntary Automobile	608,613	(2.6)	42.1	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	14,225
Compulsory Automobile Liability	148,501	(22.4)	10.3	134,931	(9.1)	9.7	273,871	103.0	10.8	291,610	6.5	11.4	310,521	6.5	11.8	3,303
Other	238,822	(7.2)	16.5	218,944	(8.3)	15.7	321,208	46.7	12.6	317,890	(1.0)	12.4	327,197	2.9	12.4	3,481
Total	¥1,445,651	(6.2)	100.0	¥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	\$28,075

NET PREMIUMS WRITTEN (FY2012)

TOTAL ¥2,639.0 BILLION

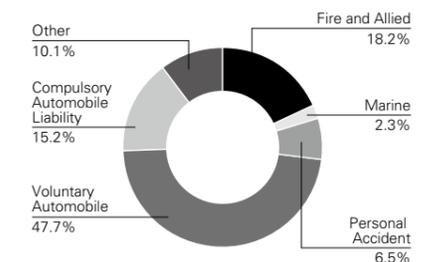


(c) Net Claims Paid

Lines of Insurance	(Yen in millions)												(US\$ in millions)			
	FY2008			FY2009			FY2010			FY2011			FY2012			FY2012
	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount
Fire and Allied	¥ 96,269	(8.2)	10.8	¥ 96,342	0.1	10.6	¥ 137,343	42.6	8.7	¥ 473,309	244.6	24.4	¥ 315,906	(33.3)	18.2	\$ 3,361
Marine	42,481	(4.3)	4.8	40,442	(4.8)	4.4	39,823	(1.5)	2.5	48,802	22.5	2.5	40,490	(17.0)	2.3	431
Personal Accident	71,916	2.4	8.0	77,046	7.1	8.4	112,581	46.1	7.1	113,345	0.7	5.8	113,462	0.1	6.5	1,207
Voluntary Automobile	393,311	0.4	44.1	395,925	0.7	43.3	837,013	111.4	52.8	848,161	1.3	43.7	831,073	(2.0)	47.7	8,841
Compulsory Automobile Liability	137,383	0.6	15.4	133,723	(2.7)	14.6	260,890	95.1	16.4	263,206	0.9	13.6	264,802	0.6	15.2	2,817
Other	151,348	14.8	16.9	171,210	13.1	18.7	198,475	15.9	12.5	194,546	(2.0)	10.0	175,049	(10.0)	10.1	1,862
Total	¥892,710	1.5	100.0	¥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	\$18,519

NET CLAIMS PAID (FY2012)

TOTAL ¥1,740.7 BILLION



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

(a) Policies in Force

	(Yen in millions; US\$ in millions)										
	FY2008		FY2009		FY2010		FY2011		FY2012		
	Amount	Change (%)	Amount	Change (%)	Amount	Change (%)	Amount	Change (%)	Amount	Change (%)	
Individual Insurance	¥8,715,563	5.0	¥9,129,287	4.7	¥15,809,149	73.2	¥17,481,481	10.6	¥19,782,531	13.2	\$210,452
Individual Annuities	315,285	(1.3)	315,415	0.0	623,789	97.8	3,703,555	493.7	3,953,545	6.7	42,059
Group Insurance	2,591,340	4.1	2,699,819	4.2	4,872,946	80.5	4,996,365	2.5	5,165,629	3.4	54,954
Group Annuities	-	-	-	-	459	-	477	3.9	429	(10.1)	5

Notes: 1. The amounts of individual annuities represent the total sum of (a) the funds (the premium reserves in the case of individual variable annuities) to be held at the time annuity payments are to commence for the policies for which payments have not yet commenced, and (b) the policy reserves for the policies for which payments have commenced.
2. The amounts of group annuities represent the policy reserves.

(b) New Policies

	(Yen in millions; US\$ in millions)					
	FY2008	FY2009	FY2010	FY2011	FY2012	
	Amount	Amount	Amount	Amount	Amount	Amount
Individual Insurance	¥1,620,416	¥1,553,143	¥2,757,564	¥3,170,726	¥3,933,771	\$41,849
Individual Annuities	33,489	34,097	85,587	343,793	208,998	2,223
Group Insurance	32,441	26,198	42,437	38,211	710,988	7,564
Group Annuities	-	-	-	0	-	-

Notes: 1. The amounts of individual annuities represent the funds to be held at the time annuity payments are to commence.
2. The amounts of group annuities represent the first time premiums.

Investment Assets and Investments in Securities (Unaudited)

(a) Investment assets

	FY2011		FY2012		FY2012	
	(Yen in millions, %)		(Yen in millions, %)		(US\$ in millions, %)	
	Amount	Share	Amount	Share	Amount	Share
Deposits and savings	¥ 649,268	4.5%	¥ 536,132	3.4%	\$ 5,704	3.4%
Call loans	27,223	0.2	99,709	0.6	1,061	0.6
Receivables under resale agreements	41,680	0.3	48,545	0.3	516	0.3
Receivables under securities borrowing transactions	178,679	1.2	224,025	1.4	2,383	1.4
Monetary claims bought	86,814	0.6	93,013	0.6	990	0.6
Money trusts	658,634	4.5	898,510	5.6	9,559	5.6
Investments in securities	10,220,605	70.3	11,398,945	71.6	121,265	71.6
Loans	945,149	6.5	867,063	5.5	9,224	5.5
Land and buildings	470,309	3.2	453,690	2.9	4,826	2.9
Investment assets	¥13,278,364	91.3%	¥14,619,635	91.9%	\$155,528	91.9%
Total assets	¥14,537,204	100.0%	¥15,914,663	100.0%	\$169,305	100.0%

(b) Investments in securities

	FY2011		FY2012		FY2012	
	(Yen in millions, %)		(Yen in millions, %)		(US\$ in millions, %)	
	Amount	Share	Amount	Share	Amount	Share
Government bonds	¥ 2,499,261	24.4%	¥ 3,060,803	26.9%	\$ 32,562	26.9%
Municipal bonds	223,939	2.2	252,809	2.2	2,689	2.2
Corporate bonds	1,560,383	15.3	1,528,689	13.4	16,263	13.4
Stock	2,062,178	20.2	2,347,133	20.6	24,970	20.6
Foreign securities	1,378,693	13.5	1,495,874	13.1	15,914	13.1
Other securities	2,496,149	24.4	2,713,633	23.8	28,868	23.8
Total assets	¥10,220,605	100.0%	¥11,398,945	100.0%	\$121,265	100.0%

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

Consolidated Balance Sheets

MS&AD Insurance Group Holdings, Inc. and Its Consolidated Subsidiaries
As of March 31, 2012 and 2013

Assets	Yen in millions		US\$ in millions
	2012	2013	2013
Cash, deposits and savings	¥ 649,505	536,383	\$ 5,706
Call loans	27,223	99,709	1,061
Receivables under resale agreements	41,680	48,545	516
Receivables under securities borrowing transactions	178,679	224,025	2,383
Monetary claims bought	86,814	93,013	990
Money trusts	658,634	898,510	9,559
Investments in securities	10,220,605	11,398,945	121,265
Loans	945,149	867,063	9,224
Tangible fixed assets:			
Land	252,793	248,710	2,646
Buildings	217,515	204,979	2,181
Lease assets	1,871	1,767	19
Construction in progress	685	6,861	73
Other tangible fixed assets	28,343	25,750	274
Total tangible fixed assets	501,209	488,069	5,192
Intangible fixed assets:			
Software	19,497	20,464	218
Goodwill	92,795	90,737	965
Lease assets	147	112	1
Other intangible fixed assets	26,349	66,378	706
Total intangible fixed assets	138,789	177,693	1,890
Other assets	825,797	919,857	9,786
Deferred tax assets	265,892	132,741	1,412
Customers' liabilities under acceptances and guarantees	5,500	39,500	420
Bad debt reserve	(8,276)	(9,394)	(100)
Total assets	¥14,537,204	15,914,663	\$169,305

Liabilities and Net Assets	Yen in millions		US\$ in millions
	2012	2013	2013
Liabilities			
Policy liabilities:			
Outstanding claims	¥ 1,415,449	1,384,650	\$ 14,730
Underwriting reserves	10,583,240	11,159,633	118,720
Total policy liabilities	11,998,690	12,544,284	133,450
Bonds issued	271,165	291,176	3,098
Other liabilities	609,472	790,243	8,407
Reserve for pension and retirement benefits	106,151	111,130	1,182
Reserve for retirement benefits for officers	1,525	1,316	14
Accrued bonuses for employees	19,440	20,234	215
Reserves under special laws:			
Reserve for price fluctuation	9,334	33,953	361
Total reserves under special laws	9,334	33,953	361
Deferred tax liabilities	3,789	61,197	651
Acceptances and guarantees	5,500	39,500	420
Total liabilities	13,025,069	13,893,038	147,798
Net Assets			
Shareholders' equity:			
Common stock	100,000	100,000	1,064
Capital surplus	682,753	682,752	7,263
Retained earnings	303,464	353,506	3,761
Treasury stock	(24,801)	(24,823)	(264)
Total shareholders' equity	1,061,416	1,111,435	11,824
Accumulated other comprehensive income:			
Net unrealized gains/(losses) on investments in securities	495,851	891,253	9,481
Net deferred gains/(losses) on hedges	16,384	26,428	281
Foreign currency translation adjustments	(80,786)	(29,539)	(314)
Total accumulated other comprehensive income	431,450	888,143	9,448
Minority interests	19,268	22,046	235
Total net assets	1,512,134	2,021,625	21,507
Total liabilities and net assets	¥14,537,204	15,914,663	\$169,305

For further information, please 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, 2012 and 2013

	Yen in millions		US\$ in millions
	2012	2013	2013
Ordinary income and expenses			
Ordinary income:			
Underwriting income:			
Net premiums written	¥2,555,551	2,639,015	\$28,075
Deposit premiums from policyholders	172,021	163,936	1,744
Investment income on deposit premiums from policyholders	60,861	56,038	596
Life insurance premiums	425,619	569,022	6,053
Reversal of outstanding claims	—	57,494	612
Reversal of underwriting reserves	229,721	—	—
Other underwriting income	9,518	24,849	264
Total underwriting income	3,453,293	3,510,357	37,344
Investment income:			
Interest and dividends income	196,186	199,338	2,121
Investment gains on money trusts	51,188	183,995	1,957
Gains on sales of securities	57,146	84,885	903
Gains on redemption of securities	611	1,240	13
Gains on derivative transactions	2,347	1,982	21
Investment gains on separate accounts	44,338	373,755	3,976
Other investment income	10,731	8,561	91
Transfer of investment income on deposit premiums from policyholders	(60,861)	(56,038)	(596)
Total investment income	301,689	797,721	8,486
Other ordinary income:			
Gains on equity method investments	655	—	—
Other ordinary income	9,348	7,709	82
Total other ordinary income	10,003	7,709	82
Total ordinary income	3,764,986	4,315,787	45,913
Ordinary expenses:			
Underwriting expenses:			
Net claims paid	1,941,371	1,740,784	18,519
Loss adjustment expenses	135,274	135,545	1,442
Commissions and collection expenses	479,425	510,553	5,431
Maturity refunds to policyholders	376,943	392,529	4,176
Dividends to policyholders	1,494	866	9
Life insurance claims	192,069	220,615	2,347
Provision for outstanding claims	133,832	—	—
Provision for underwriting reserves	—	568,601	6,049
Other underwriting expenses	4,985	4,901	52
Total underwriting expenses	3,265,396	3,574,397	38,026
Investment expenses:			
Investment losses on money trusts	68	48	1
Losses on sales of securities	31,083	14,385	153
Impairment losses on securities	29,630	38,293	407
Losses on redemption of securities	1,337	3,213	34
Other investment expenses	10,771	9,961	106
Total investment expenses	72,892	65,903	701
Operating expenses and general and administrative expenses	515,270	508,454	5,409
Other ordinary expenses:			
Interest expenses	2,564	7,869	84
Provision for bad debts	—	1,460	16
Loss on bad debts	182	51	1
Amortization of deferred assets under Article 113 of the Insurance Business Act	93	191	2
Losses on equity method investments	—	3,702	39
Other ordinary expenses	5,557	4,236	45
Total other ordinary expenses	8,399	17,511	186
Deferred expenses under Article 113 of the Insurance Business Act	(760)	(779)	(8)
Total ordinary expenses	3,861,198	4,165,486	44,314
Ordinary profit/(loss)	(96,211)	150,300	1,599
Extraordinary income and losses			
Extraordinary income:			
Gains on sales of fixed assets	2,811	2,445	26
Gains on negative goodwill	3,311	—	—
Reversal of reserves under special laws:			
Reversal of reserve for price fluctuation	5,878	—	—
Total reversal of reserves under special laws	5,878	—	—
Total extraordinary income	12,002	2,445	26
Extraordinary losses:			
Losses on sales of fixed assets	4,024	3,180	34
Impairment losses on fixed assets	3,589	1,031	11
Provision for reserves under special laws:			
Provision for reserve for price fluctuation	—	24,618	262
Total provision for reserves under special laws	—	24,618	262
Other extraordinary losses	19,125	—	—
Total extraordinary losses	26,739	28,830	307
Income/(loss) before income taxes and minority interests	(110,948)	123,915	1,318
Income taxes – current	16,064	26,387	281
Income taxes – deferred	40,995	12,216	130
Total income taxes	57,060	38,603	411
Income/(loss) before minority interests	(168,008)	85,311	908
Minority interests	1,460	1,686	18
Net income/(loss)	¥ (169,469)	83,625	\$ 890

For further information, please 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, 2012 and 2013

	Yen in millions		US\$ in millions
	2012	2013	2013
Income/(loss) before minority interests	¥(168,008)	85,311	\$ 908
Other comprehensive income/(loss):			
Net unrealized gains/(losses) on investments in securities	86,693	394,606	4,198
Net deferred gains/(losses) on hedges	10,150	10,044	107
Foreign currency translation adjustments	(13,204)	49,394	525
Share of other comprehensive income/(loss) of equity method investments	(3,766)	4,581	49
Total other comprehensive income/(loss)	79,872	458,626	4,879
Total comprehensive income/(loss)	¥ (88,136)	543,938	\$5,787
Allocation:			
Comprehensive income/(loss) attributable to shareholders of the parent	¥ (88,583)	540,318	\$5,748
Comprehensive income/(loss) attributable to minority interests	447	3,620	39

For further information, please 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, 2012 and 2013

	Yen in millions		US\$ in millions
	2012	2013	2013
Shareholders' equity:			
Common stock:			
Beginning balance	¥ 100,000	100,000	\$ 1,064
Ending balance	100,000	100,000	1,064
Capital surplus:			
Beginning balance	682,754	682,753	7,263
Changes for the year:			
Disposal of treasury stock	(0)	(0)	(0)
Total changes for the year	(0)	(0)	(0)
Ending balance	682,753	682,752	7,263
Retained earnings:			
Beginning balance	506,696	303,464	3,228
Changes for the year:			
Dividends paid	(33,583)	(33,582)	(357)
Changes in scope of consolidation	(181)	—	—
Increase due to merger of subsidiaries	2	—	—
Net income/(loss)	(169,469)	83,625	890
Total changes for the year	(203,232)	50,042	532
Ending balance	303,464	353,506	3,761
Treasury stock:			
Beginning balance	(24,785)	(24,801)	(264)
Changes for the year:			
Repurchase of treasury stock	(19)	(24)	(0)
Disposal of treasury stock	4	3	0
Total changes for the year	(15)	(21)	(0)
Ending balance	(24,801)	(24,823)	(264)
Total shareholders' equity:			
Beginning balance	1,264,664	1,061,416	11,292
Changes for the year:			
Dividends paid	(33,583)	(33,582)	(357)
Changes in scope of consolidation	(181)	—	—
Increase due to merger of subsidiaries	2	—	—
Net income/(loss)	(169,469)	83,625	890
Repurchase of treasury stock	(19)	(24)	(0)
Disposal of treasury stock	3	2	0
Total changes for the year	(203,248)	50,019	532
Ending balance	1,061,416	1,111,435	11,824
Accumulated other comprehensive income:			
Net unrealized gains/(losses) on investments in securities:			
Beginning balance	409,337	495,851	5,275
Changes for the year:			
Net changes of items other than shareholders' equity	86,514	395,401	4,206
Total changes for the year	86,514	395,401	4,206
Ending balance	495,851	891,253	9,481
Net deferred gains/(losses) on hedges:			
Beginning balance	6,234	16,384	174
Changes for the year:			
Net changes of items other than shareholders' equity	10,150	10,044	107
Total changes for the year	10,150	10,044	107
Ending balance	16,384	26,428	281
Foreign currency translation adjustments:			
Beginning balance	(65,007)	(80,786)	(859)
Changes for the year:			
Net changes of items other than shareholders' equity	(15,778)	51,246	545
Total changes for the year	(15,778)	51,246	545
Ending balance	(80,786)	(29,539)	(314)
Total accumulated other comprehensive income:			
Beginning balance	350,564	431,450	4,590
Changes for the year:			
Net changes of items other than shareholders' equity	80,885	456,692	4,858
Total changes for the year	80,885	456,692	4,858
Ending balance	431,450	888,143	9,448
Minority interests:			
Beginning balance	18,152	19,268	205
Changes for the year:			
Net changes of items other than shareholders' equity	1,116	2,777	30
Total changes for the year	1,116	2,777	30
Ending balance	19,268	22,046	235
Total net assets:			
Beginning balance	1,633,381	1,512,134	16,087
Changes for the year:			
Dividends paid	(33,583)	(33,582)	(357)
Changes in scope of consolidation	(181)	—	—
Increase due to merger of subsidiaries	2	—	—
Net income/(loss)	(169,469)	83,625	890
Repurchase of treasury stock	(19)	(24)	(0)
Disposal of treasury stock	3	2	0
Net changes of items other than shareholders' equity	82,002	459,470	4,888
Total changes for the year	(121,246)	509,490	5,420
Ending balance	¥1,512,134	2,021,625	\$21,507

For further information, please 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, 2012 and 2013

	Yen in millions		US\$ in millions
	2012	2013	2013
I. Cash flows from operating activities:			
Income/(loss) before income taxes and minority interests	¥ (110,948)	123,915	\$ 1,318
Adjustments for:			
Depreciation	35,805	37,549	399
Impairment losses on fixed assets	3,589	1,031	11
Amortization of goodwill	6,175	6,159	66
Gains on negative goodwill	(3,311)	—	—
Increase/(decrease) in outstanding claims	132,993	(58,764)	(625)
Increase/(decrease) in underwriting reserves	(234,185)	562,303	5,982
Increase/(decrease) in bad debt reserve	(1,473)	950	10
Increase/(decrease) in reserve for pension and retirement benefits	2,197	4,894	52
Increase/(decrease) in reserve for retirement benefits for officers	(275)	(208)	(2)
Increase/(decrease) in accrued bonuses for employees	(922)	574	6
Increase/(decrease) in reserve for price fluctuation	(5,878)	24,618	262
Interest and dividends income	(196,186)	(199,338)	(2,121)
Losses/(gains) on money trusts	(51,113)	(183,944)	(1,957)
Losses/(gains) on investments in securities	4,294	(30,233)	(322)
Losses/(gains) on derivative transactions	(2,347)	(1,982)	(21)
Investment losses/(gains) on separate accounts	(44,338)	(373,755)	(3,976)
Interest expenses	2,564	7,869	84
Foreign exchange losses/(gains)	(14,514)	(6,742)	(72)
Losses/(gains) on disposal of tangible fixed assets	1,141	732	8
Losses/(gains) on equity method investments	(655)	3,702	39
Decrease/(increase) in other assets	(19,006)	(54,521)	(580)
Increase/(decrease) in other liabilities	63,234	61,301	652
Other, net	22,167	8,989	96
Subtotal	(410,996)	(64,898)	(690)
Interest and dividends received	203,733	212,527	2,261
Interest paid	(2,329)	(7,959)	(85)
Income taxes refunded/(paid)	4,320	(20,917)	(223)
Net cash provided by/(used in) operating activities (a)	(205,272)	118,751	1,263
II. Cash flows from investing activities:			
Net decrease/(increase) in deposits and savings	(23,356)	(11,189)	(119)
Purchase of monetary claims bought	—	(9,495)	(101)
Proceeds from sales and redemption of monetary claims bought	6,550	14,719	157
Purchase of money trusts	(78,333)	(230,924)	(2,457)
Proceeds from sales of money trusts	55,442	175,246	1,864
Purchase of securities	(1,792,099)	(2,066,266)	(21,982)
Proceeds from sales and redemption of securities	1,960,343	1,965,245	20,907
Investments in loans	(216,533)	(226,847)	(2,413)
Collection of loans	324,608	304,786	3,242
Net increase/(decrease) in cash collateral under securities borrowing and lending transactions	(25,863)	(244)	(3)
Other, net	13,550	(15,386)	(164)
Subtotal (b)	224,307	(100,356)	(1,068)
(a + b)	19,035	18,395	196
Acquisition of tangible fixed assets	(43,477)	(24,598)	(262)
Proceeds from sales of tangible fixed assets	9,565	8,963	95
Acquisition of intangible fixed assets	(26,242)	(49,177)	(523)
Acquisition of shares of subsidiaries resulting in changes in scope of consolidation	(14,460)	—	—
Other, net	268	(79)	(1)
Net cash provided by/(used in) investing activities	149,960	(165,248)	(1,758)
III. Cash flows from financing activities:			
Proceeds from borrowings	—	50,000	532
Repayments of borrowings	(2,500)	—	—
Issuance of bonds	104,601	50,000	532
Redemption of bonds	—	(30,000)	(319)
Repurchase of treasury stock	(19)	(24)	(0)
Dividends paid to shareholders	(33,547)	(33,565)	(357)
Dividends paid to minority shareholders	(788)	(825)	(9)
Other, net	(2,302)	(1,993)	(21)
Net cash provided by/(used in) financing activities	65,442	33,590	357
IV. Effect of exchange rate changes on cash and cash equivalents	10,052	17,643	188
V. Net increase/(decrease) in cash and cash equivalents	20,183	4,736	50
VI. Cash and cash equivalents at the beginning of the year	687,267	711,710	7,571
VII. Increase in cash and cash equivalents resulting from newly consolidated subsidiaries	4,089	—	—
VIII. Decrease in cash and cash equivalents due to exclusion from scope of consolidation	—	(226)	(2)
IX. Net increase/(decrease) in cash and cash equivalents relating to merger of subsidiaries	170	—	—
X. Cash and cash equivalents at the end of the year	¥ 711,710	716,221	\$ 7,619

For further information, please 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, 2012 and 2013

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 yen. As permitted by the regulations under the Corporate Accounting Regulations, amounts are rounded down to the nearest million of yen, except for those stated otherwise. As a result, the totals shown in the accompanying consolidated financial statements in 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, 2013 have been translated into U.S. dollars at the rate of ¥94 = US\$1, the approximate exchange rate prevailing on the Tokyo foreign exchange market on the last business day of March 2013. 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: 51 companies

Major consolidated subsidiaries are as follows:

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

Changes in scope of consolidation

MSIG Insurance Europe AG has been included in the scope of consolidation due to the commencement of its business during the year ended March 31, 2013. CS-Desk Company, Ltd. has been excluded from the scope of consolidation during the year ended March 31, 2013 due to the completion of its liquidation.

(2) Unconsolidated subsidiaries

Major unconsolidated subsidiaries are as follows:

- MITSUI SUMITOMO INSURANCE Claims Adjusting Company, Limited
- 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 results of operation, 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: 6 companies

Major 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)

Max Life Insurance Company Limited has become an equity method affiliate during the year ended March 31, 2013 due to the acquisition of its shares by the Company.

(2) Other affiliated companies, including unconsolidated subsidiaries (e.g. MITSUI SUMITOMO INSURANCE Claims Adjusting Company, Limited and Cholamandalam MS General Insurance Company Limited), 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 has not been included in affiliated companies, because the Company does not have the ability to exercise significant influence over Japan Earthquake Re's operating and financial policies in view of its public nature.

4. Fiscal year of consolidated subsidiaries

The fiscal year end of consolidated subsidiaries, MSIG Holdings (Americas), Inc. and 43 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 that occurred during the intervening period that materially affect the consolidated financial statements.

5. Accounting policies

(1) Valuation policies and methods of securities (including those recorded as 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 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 practically determinable without fair value are valued at cost determined by 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 trading securities, held-to-maturity securities and securities earmarked for underwriting reserve 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 which qualify for hedge accounting, are recognized at fair value and subsequent changes in their fair value are recognized in earnings when incurred.

(3) Depreciation methods of significant 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. (Changes in accounting policies which are difficult to distinguish from changes in accounting estimates)

In accordance with the amendment of the Corporation Tax Act, effective from April 1, 2012, the Company and its domestic consolidated subsidiaries have changed the depreciation method for tangible fixed assets acquired on or after April 1, 2012. The effects of this change on the consolidated financial statements were to increase Ordinary profit and Net income before income taxes and minority interests by ¥459 million.

- (ii) 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, bad debt reserve is established under the internal standards for self-assessment of assets and the policy for write-off and provision. Bad debt reserve for loans to debtors who are legally deemed to be insolvent due to bankruptcy or special liquidation, or whose notes are under suspension at clearing houses, and loans to debtors who are deemed to be substantially insolvent is provided based on the amount remaining after deducting the resale value of collateral and the amount collectible through guarantees. Bad debt reserve for loans to debtors who are likely to become insolvent in the future is provided based on the 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, bad debt reserve is calculated multiplying the outstanding balances by the historical bad debt ratio.

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

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

(ii) Reserve for pension and retirement benefits

Reserve for pension and retirement benefits is established to provide for future retirement benefits based on the estimated retirement benefit obligations and plan assets at the year-end.

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

Unrecognized actuarial gains and losses are amortized, commencing from the following year, using the straight-line method over a certain number of years that do not exceed the average remaining service period of employees at the time of occurrence.

In estimating retirement benefit obligations, some consolidated subsidiaries use the simplified method. Under the simplified method, retirement benefit obligations are estimated at an amount which would be payable if all employees were to voluntarily leave the company as of the year-end.

(iii) Reserve for retirement benefits for officers

Reserve for retirement benefits that covers the cost for services rendered by officers and operating officers of MSI and MSAL through the year ended March 31, 2005 when the retirement benefit plans for officers were terminated is established to provide for future retirement benefits (including pension) for officers and operating officers of MSI and MSAL.

(iv) Accrued bonuses for employees

Accrued bonuses for employees are determined based on the estimated amounts to be paid at the year-end.

(v) Reserve for price fluctuation

As for the domestic consolidated insurance subsidiaries, reserve for price fluctuation is recognized under Article 115 of the Insurance Business Law to provide for possible losses arising from price fluctuation of investments in securities.

(5) 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 translations 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 the 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.

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

(7) 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 on 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 and currency swaps can be translated at the foreign exchange rates stipulated in the contracts. The foreign exchange forward contracts and currency swaps used as hedging instruments are not measured at fair value either at the initial recognition or subsequent reporting dates. Accordingly, gains and losses on the hedging instruments are recognized with changes in fair value of the corresponding hedge items (the allocation method). 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 using the deferred hedge method or the exceptional method when they meet certain criteria.

Hedge effectiveness is assessed quarterly by comparing cumulative fluctuations of 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 used for the ALM is evaluated on a portfolio basis, based on whether upward and downward movements in value of the hedged items and the hedging instruments offset each other within a certain range, in respect to changes in the interest rate.

(8) Accounting method 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 statements 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.

(Changes in presentation)

Consolidated statements of cash flows

In the previous years, Income taxes paid and Refund of income taxes were presented as separate line items under Cash flows from operating activities. Starting from the year ended March 31, 2013, due to a decrease in the amount of refund of income taxes, these items have been presented as a single line item under Income taxes refunded/(paid). The amounts for the year ended March 31, 2012 have been reclassified to conform with the new presentation for the year ended March 31, 2013. Accordingly, Income taxes paid of ¥(11,443) million and Refund of income taxes of ¥15,763 million under Cash flows from operating activities in the consolidated statements of cash flows for the year ended March 31, 2012 are presented as Income taxes refunded/(paid) of ¥4,320 million in the accompanying consolidated statements of cash flows.

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, 2012	March 31, 2013
Accumulated depreciation	318,523	323,001
Accelerated depreciation	16,514	15,639

(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 asset or receipt of governmental subsidies provided for the acquisition of the new asset. The total amounts deducted from the original acquisition cost of the qualifying properties held by the Company as of March 31, 2012 and 2013 were ¥16,514 million and ¥15,639 million, respectively.

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

	Yen in millions	
	March 31, 2012	March 31, 2013
Investments in securities (Domestic stock)	15,150	16,347
Investments in securities (Foreign securities)	93,480	144,389
Investments in securities (Other securities)	6,689	7,892
Total	115,319	168,629

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

	Yen in millions	
	March 31, 2012	March 31, 2013
Loans to borrowers in bankruptcy	222	180
Overdue loans	2,779	2,967
Loans overdue for three months or more	1,594	1,272
Restructured loans	3,023	4,829
Total	7,620	9,250

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

Restructured loans are 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 three months or more are excluded from this category.

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

	Yen in millions	
	March 31, 2012	March 31, 2013
Investments in securities	132,829	159,876
Cash, deposits and savings	2,042	4,561
Money trusts	1,684	1,928
Tangible fixed assets	214	245
Total	136,771	166,611

(Note) The amounts in the above table primarily consist of collateral assets required for loan payables recorded 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, 2012	March 31, 2013
Loan payables	28	25

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

	Yen in millions	
	March 31, 2012	March 31, 2013
	196,598	257,504

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, 2012	March 31, 2013
Securities	37,899	48,805
Commercial papers	1,999	12,098
Total	39,899	60,904

(Note) Securities and Commercial papers are all held by the Company and its domestic subsidiaries.

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

	Yen in millions	
	March 31, 2012	March 31, 2013
	2,378,694	2,650,816

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

	Yen in millions	
	March 31, 2012	March 31, 2013
	750	1,338

9. Retirement benefits

(1) Details of retirement benefit obligations

	Yen in millions	
	March 31, 2012	March 31, 2013
(i) Retirement benefit obligations	(455,477)	(475,736)
(ii) Plan assets	343,022	381,294
(iii) Unfunded retirement benefit obligations (i + ii)	(112,455)	(94,441)
(iv) Unrecognized actuarial losses/(gains)	38,306	16,230
(v) Unrecognized prior service costs	(1,206)	(854)
(vi) Net carrying amount on the balance sheet (iii + iv + v)	(75,354)	(79,065)
(vii) Prepaid pension expenses	30,796	32,065
(viii) Reserve for pension and retirement benefits (vi - vii)	(106,151)	(111,130)

(Note) Some of the consolidated subsidiaries adopt the simplified method in calculating retirement benefit obligations.

(2) Actuarial assumptions for calculation of retirement benefit obligations

- (i) Attribution method of retirement benefits over service period
Straight-line basis
- (ii) Discount rate

	March 31, 2012	March 31, 2013
	Mainly 2.00%	Mainly 1.10% to 2.00%

- (iii) Expected rate of return on plan assets

	March 31, 2012	March 31, 2013
Employee's retirement benefit trusts	0.00%	0.00%
Others	Mainly 2.00% to 3.00%	Mainly 2.00% to 3.00%

- (iv) Amortization period for unrecognized prior service costs

	March 31, 2012	March 31, 2013
	4 years	4 years

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

- (v) Amortization period for unrecognized actuarial gains and losses

	March 31, 2012	March 31, 2013
	Mainly 10 to 11 years	Mainly 10 to 11 years

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

10. Guarantees to transactions of a limited partnership entity

As of March 31, 2012

MSI provides guarantees to transactions of a limited partnership entity. Aggregate net present value of these transactions was ¥182,250 million, in a negative liability position as of March 31, 2012. This amount was not included in Customers' liabilities under acceptances and guarantees or Acceptances and guarantees since there was no substantial exposure.

As of March 31, 2013

MSI provides guarantees to transactions of 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.

11. The amounts of the unutilized portion of commitment lines given to third parties are as follows:

	Yen in millions	
	March 31, 2012	March 31, 2013
	14,925	4,824

12. Information on financial instruments

(1) Qualitative information on financial instruments

(i) Policy on financial instruments

The Company and its subsidiaries (hereinafter referred to as "the Group") apply Asset and Liability Management (ALM) to maintain the soundness of assets, investment returns and liquidity of assets, and to maximize net asset value sustainably under the appropriate risk management. In addition, the Group manages investment risks such as market risks and credit 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 the 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 domestic and foreign securities including bonds and stock, loans and other financial instruments.

Risks pertaining to investments include market risks, credit risks and market liquidity risks. Market risks arise from fluctuation of interest rates, stock prices, foreign exchange rates and other market indicators. Credit risks arise from deterioration in the financial condition of security issuers and counterparties of loans. Market liquidity risks are 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, forward exchange contracts and currency options for the purpose of hedging market risks such as fluctuations of 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 option transactions in order to generate investment income with consideration for associated risks.

For details of derivative transactions to which hedge accounting is applied, please refer to "Significant Accounting Policies, 5. Accounting policies—(7) 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, and transactions are diversified across them.

(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 the major domestic consolidated insurance subsidiaries, the back-office and the risk management office operate independently from the trading department, in order to monitor 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, foreign exchange rates and stock prices, 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 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 the risk management department at the major domestic consolidated insurance subsidiaries establish the 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 its risk management structure in accordance with its internal rules for credit risk management.

For securities and derivative transactions at the 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 products.

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 collaterals and guarantees where necessary and dealing with delinquent loans on an individual loan basis.

c. Funding liquidity risk management

The Group conducts treasury management of cash positions, depending on the condition, ordinary or emergent with consideration for liquidity. The Group manages funding liquidity risks by diversifying its fundraising methods, holding a sufficient amount of cash, savings and deposits and highly liquid securities such as government bonds and regularly monitoring their aggregate amounts, in order to secure and maintain adequate funding in case of unexpected events like a catastrophe or 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, 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, 2012 and 2013 together with their differences. Note that the following tables do not include certain financial instruments without practically determinable fair value (see Note 2).

As of March 31, 2012	Yen in millions		
	Carrying amount	Fair value	Difference
(i) Cash, deposits and savings	649,505	649,505	—
(ii) Call loans	27,223	27,223	—
(iii) Receivables under resale agreements	41,680	41,680	—
(iv) Receivables under securities borrowing transactions	178,679	178,679	—
(v) Monetary claims bought	86,486	86,486	—
(vi) Money trusts	658,634	658,634	—
(vii) Investments in securities			
Trading securities	2,377,443	2,377,443	—
Held-to-maturity securities	601,609	634,932	33,323
Available-for-sale securities	6,926,657	6,926,657	—
(viii) Loans	945,149		
Bad debt reserve ^(*1)	(2,392)		
	942,756	957,569	14,813
Total assets	12,490,676	12,538,813	48,137
Bonds issued	271,165	274,480	3,314
Total liabilities	271,165	274,480	3,314
Derivative transactions ^(*2)			
Hedge accounting not applied	(3,535)	(3,535)	—
Hedge accounting applied	11,679	11,679	—
Total derivative transactions	8,144	8,144	—

As of 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) 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.

(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 as the present value of future estimated cash flows for each category of deposits and savings based on duration of the assets, discounted at interest rates applicable to the same type of new deposits and savings. 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 papers (CP), the book value approximates the fair value since they are scheduled to be settled in a short period of time. With regard to Monetary claims bought other than CP, the price quoted by the counterparty financial institutions is deemed as the fair value.
- (vi) Money trusts
With regard to Money trusts, the price quoted by the trustee 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 debtors arise, because the market rate is timely reflected in the floating rates of the loans. With respect 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 some 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 period and interest rate.
With regard to loans to debtors that are legally or substantially bankrupt and loans to doubtful debtors, the carrying amount less bad debt reserve is deemed as the fair value, because bad debt reserve is determined at 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 Japan Securities Dealers Association, the price quoted by information vendors or the price indicated by 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 indicated by the financial institutions or the prices calculated by the option pricing model.

(Note 2) Financial instruments without practically determinable fair value are not included in “(v) Monetary claims bought” or “(vii) Investments in securities” above, and their carrying amounts are as follows:

	Yen in millions	
	March 31, 2012	March 31, 2013
Unlisted stock and other assets invested in unconsolidated subsidiaries and affiliated companies ^{(*)1}	115,319	168,629
Other unlisted stock ^{(*)1}	133,687	126,400
Partnership investment comprised of unlisted stock ^{(*)1}	65,887	65,094
Others ^{(*)2}	327	249
Total	315,223	360,374

(*)1 Unlisted stock and Partnership investments comprised of unlisted stock are not included in “(vii) Investments in securities” because their fair value is not practically determinable due to lack of marketability.

(*)2 Others are not included in “(v) Monetary claims bought” or “(vii) Investments in securities.” They represent corporate bonds and monetary claims bought 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 claims and securities with fixed maturities

As of March 31, 2012	Yen in millions			
	Within 1 year	1-5 years	5-10 years	Over 10 years
Cash, deposits and savings	648,552	757	1	—
Call loans	27,223	—	—	—
Receivables under resale agreements	41,680	—	—	—
Receivables under securities borrowing transactions	178,679	—	—	—
Monetary claims bought	20,389	373	—	62,738
Investments in securities				
Held-to-maturity securities				
Government bonds	30,000	72,800	9,900	368,100
Corporate bonds	—	85,197	21,507	13,700
Available-for-sale securities with fixed maturities				
Government bonds	198,690	392,151	556,308	779,680
Municipal bonds	11,250	35,864	50,500	112,900
Corporate bonds	182,162	506,420	486,095	217,445
Foreign securities	160,240	372,358	346,895	24,359
Loans ^(*)	154,891	335,782	214,653	168,002
Total	1,653,760	1,801,706	1,685,861	1,746,925

(*) The amounts in the above table do not include ¥3,376 million of the loans whose repayments cannot be expected since the debtors are legally bankrupt, substantially bankrupt or likely to go bankrupt, or ¥69,193 million of the loans without fixed maturities.

As of 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 ^(*)	121,333	333,220	193,964	146,883
Total	1,651,360	1,725,631	1,825,650	2,136,992

(*) 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.

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

As of March 31, 2012	Yen in millions					
	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Bonds issued	30,000	65,000	—	70,000	—	106,191
Long-term borrowings	2	2	2	1	1	17
Lease obligations	1,704	1,370	908	395	306	227
Total	31,707	66,373	910	70,397	308	106,435

As of 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

13. 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, 2012	March 31, 2013
Carrying amount		
Beginning balance	94,809	88,211
Increase/(decrease)	(6,598)	(4,458)
Ending balance	88,211	83,752
Fair value	127,211	119,686

(Notes)

- Carrying amount represents the acquisition cost less accumulated depreciation.
- The net decrease during the year ended March 31, 2012 primarily consisted of an increase of ¥7,401 million due to transfers from assets for own-use and a decrease of ¥5,654 million due to transfers to assets for own-use. The net decrease during the year ended March 31, 2013 primarily consisted of an increase of ¥5,260 million due to transfers from assets for own-use and a decrease of ¥6,572 million due to sales of investment properties.
- 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 reflecting the market prices appropriately since the most recent appraisals, fair value is determined based on these appraisal values or the values adjusted by these indices.

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

	March 31, 2012	March 31, 2013
Net assets per share (in yen)	2,400.48	3,215.33
Minority interests deducted from net assets (yen in millions)	19,268	22,046
Outstanding common shares (in thousands of shares)	621,902	621,888

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, 2012	For the year ended March 31, 2013
	(603)	4,903

2. Major components of business expenses are as follows:

	Yen in millions	
	For the year ended March 31, 2012	For the year ended March 31, 2013
Commission expenses	488,503	521,979
Salaries	246,313	244,169

(Note) Business expenses represent the aggregate amount of Loss adjustment expenses, Operating expenses and general and administrative expenses and Commissions and collection expenses presented in the consolidated statements of income.

3. Impairment losses on fixed assets were recognized as follows:

For the year ended March 31, 2012

Use	Asset category	Description	Yen in millions		
			Impairment losses on fixed assets		
			Breakdown		
Investment properties	Buildings	5 properties, including a building for rent in Aomori	393	Buildings	393
Idle real estate and real estate for sale	Land and buildings	26 properties, including an office building in Tokyo	3,121	Land	190
				Buildings	2,930
Others	Software and other assets	Software and other assets relating to the operational service provider	75	—	—

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 an asset (asset group) or 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), or 2) the net sales value at disposition.

An amount of ¥3,589 million, which was the aggregate reduction in the carrying amounts of the assets in the above table to their recoverable amounts, was recorded as Impairment losses on fixed assets under Extraordinary losses.

The recoverable amounts of these assets represent their net sales values, which were determined based on the appraisal values provided by qualified appraisers.

For the year ended March 31, 2013

Use	Asset category	Description of assets	Yen in millions	
			Impairment losses on fixed assets	
			Breakdown	
Investment properties	Land and buildings	12 properties, including buildings for rent in Saitama	703	209
			Land	Buildings
				494
Idle real estate and real estate for sale	Land and buildings	17 properties, including office buildings in Gifu	327	173
			Land	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 and idle real estate and real estate for sale are grouped on an individual basis.

Fixed assets are reviewed for impairment whenever events or change in circumstances, such as a significant decline in the value of an asset (asset group) or 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), or 2) the net sales value at disposition.

An amount of ¥1,031 million, which was the aggregate reduction in the carrying amounts of the assets in the above table to their recoverable amounts, was recorded as impairment losses on fixed assets under extraordinary losses.

The recoverable amounts of these assets represent their net sales values, which were determined based on the expected sale prices or the appraisal values provided by independent appraisers.

4. Details of other extraordinary losses are as follows:

For the year ended March 31, 2012

Other extraordinary losses represented merger costs for domestic consolidated subsidiaries of ¥(10,182) million, reversal of foreign currency translation adjustments of ¥(7,229) million and losses on step acquisition of a subsidiary of ¥(1,712) million.

5. The amounts of net income/(loss) per share are as follows:

	For the year ended March 31, 2012	For the year ended March 31, 2013
Net income/(loss) per share (in yen)	(272.49)	134.46
Net income/(loss) attributable to common shares (yen in millions)	(169,469)	83,625
Average outstanding common shares during the year (in thousands of shares)	621,907	621,896

(Notes)

1. Since net loss was recognized and there was no potential dilution for the year ended March 31, 2012, diluted net income/(loss) per share is not disclosed.

2. Since there was no potential dilution for the year ended March 31, 2013, 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	
	2012	2013
Net unrealized gains/(losses) on investments in securities:		
Gains/(losses) arising during the period	77,346	614,703
Reclassification adjustments	984	(45,562)
Before income tax effect adjustments	78,330	569,141
Income tax effects	8,362	(174,534)
Net unrealized gains/(losses) on investments in securities	86,693	394,606
Net deferred gains/(losses) on hedges:		
Gains/(losses) arising during the period	14,442	19,654
Reclassification adjustments	(288)	(5,168)
Before income tax effect adjustments	14,154	14,485
Income tax effects	(4,004)	(4,441)
Net deferred gains/(losses) on hedges	10,150	10,044
Net foreign currency translation adjustments:		
Gains/(losses) arising during the period	(19,883)	48,559
Reclassification adjustments	6,678	835
Before income tax effect adjustments	(13,204)	49,394
Income tax effects	—	—
Net foreign currency translation adjustments	(13,204)	49,394
Share of other comprehensive income/(loss) of equity method investments:		
Gains/(losses) arising during the period	(3,678)	4,592
Reclassification adjustments	(88)	(10)
Share of other comprehensive income/(loss) of equity method investments	(3,766)	4,581
Total other comprehensive income/(loss)	79,872	458,626

NOTES TO CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

For the year ended March 31, 2012

1. Type and number of shares outstanding and treasury stock

	In thousands of shares			
	Beginning balance	Increase	Decrease	Ending balance
Shares outstanding				
Common stock	633,291	—	—	633,291
Total	633,291	—	—	633,291
Treasury stock				
Common stock	11,379	11	2	11,389
Total	11,379	11	2	11,389

(Notes)

1. The increase in the number of treasury stock of common stock during the year was eleven thousand shares, as a result of repurchases of fractional stock.
 2. The decrease in the number of treasury stock of common stock during the year was two 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 29, 2011	Common stock	16,791	27	March 31, 2011	June 30, 2011
Board meeting held on November 18, 2011	Common stock	16,791	27	September 30, 2011	December 9, 2011

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

(2) Dividends to be made effective after March 31, 2012 for which the date of record is in the year ended March 31, 2012

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 held on June 26, 2012	Common stock	16,791	Retained earnings	27	March 31, 2012	June 27, 2012

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

For the year ended March 31, 2013

1. Type and number of shares outstanding and treasury stock

	In thousands of shares			
	Beginning balance	Increase	Decrease	Ending balance
Shares outstanding				
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)

1. The increase in the number of treasury stock of common stock during the year was fifteen thousand shares, as a result of repurchases of fractional stock.
 2. The decrease in the number of treasury stock of common stock during the year was one thousand shares, as a result of sales of the 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) 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 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.

NOTES TO CONSOLIDATED STATEMENTS OF CASH FLOWS**1. Reconciliation of balance sheet items to cash and cash equivalents**

	Yen in millions	
	March 31, 2012	March 31, 2013
Cash, deposits and savings	649,505	536,383
Call loans	27,223	99,709
Receivables under resale agreements	41,680	48,545
Monetary claims bought	86,814	93,013
Money trusts	658,634	898,510
Investments in securities	10,220,605	11,398,945
Time deposits with original maturities of more than three months	(111,886)	(140,099)
Monetary claims bought other than cash equivalents	(66,425)	(61,445)
Money trusts other than cash equivalents	(657,934)	(897,810)
Investments in securities other than cash equivalents	(10,136,505)	(11,259,528)
Cash and cash equivalents	711,710	716,221

2. Details of assets and liabilities of the newly consolidated company as a result of acquisition of shares

For the year ended March 31, 2012

The amounts of assets and liabilities of MSPL, a newly consolidated subsidiary as a result of the acquisition of additional shares of MSPL, and the acquisition price and expenditure are as follows:

	Yen in millions
Total assets (including Investments in securities of ¥2,399,455 million)	3,069,708
Total liabilities (including Policy liabilities of (¥3,003,150 million))	(3,015,418)
Gains on negative goodwill	(3,311)
Revaluation of shares previously held	(27,095)
Losses on step acquisition	1,712
Acquisition price of shares additionally purchased	25,595
Transfer from suspense payments	(212)
Cash and cash equivalents held by newly consolidated subsidiary	(10,922)
Expenditure for acquisition of newly consolidated subsidiary	14,460

3. Cash flows from investing activities include those from investments made as part of the insurance business.**Independent Auditor's Report****Independent Auditor's Report**

To the Board of Directors of MS&AD Insurance Group Holdings, Inc.:

We have audited the accompanying consolidated financial statements of MS&AD Insurance Group Holdings, Inc. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2012 and 2013, 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, 2012 and 2013, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2013 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 of Significant Accounting Policies in the accompanying consolidated financial statements.

KPMG AZSA LLC

June 26, 2013
Tokyo, Japan

KPMG AZSA LLC, a limited liability audit corporation incorporated under the Japanese Certified Public Accountants Law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Supplementary Information

Summary of Results of Main Consolidated Subsidiaries

MITSUI SUMITOMO INSURANCE CO., LTD. (NON-CONSOLIDATED) Non-Consolidated Balance Sheets

Items	Yen in millions	
	March 31, 2012	March 31, 2013
(Assets)		
Cash, deposits and savings:	¥ 302,057	188,886
Cash on hand	184	193
Deposits in banks	301,872	188,693
Call loans	22,000	69,000
Receivables under resale agreements	41,680	48,545
Monetary claims bought	78,563	83,966
Money trusts	9,738	9,978
Investments in securities:	3,784,227	4,117,917
Government bonds	715,385	928,961
Municipal bonds	107,084	110,703
Corporate bonds	777,734	675,448
Stock	1,417,612	1,640,679
Foreign securities	729,400	738,873
Other securities	37,009	23,252
Loans:	624,350	576,032
Policy loans	11,695	10,740
General loans	612,655	565,291
Tangible fixed assets:	249,590	241,916
Land	92,341	88,895
Buildings	141,725	134,195
Construction in progress	513	5,319
Other tangible fixed assets	15,009	13,506
Intangible fixed assets:	22,199	43,316
Software	8,006	8,069
Other intangible fixed assets	14,193	35,247
Other assets:	431,135	487,529
Premiums receivable	3,457	3,551
Due from agencies	95,654	103,303
Co-insurance accounts receivable	9,972	8,733
Reinsurance accounts receivable	64,553	67,342
Foreign reinsurance accounts receivable	110,383	153,664
Agency business accounts receivable	230	232
Other receivables	22,854	25,544
Accrued income	7,385	6,408
Guarantee deposits	18,492	18,119
Deposits with the Japan Earthquake Reinsurance Company	8,214	9,236
Suspense payments	54,595	39,544
Derivative financial instruments	32,996	50,360
Other assets	2,345	1,488
Deferred tax assets	81,002	–
Customers' liabilities under acceptances and guarantees	5,737	39,825
Bad debt reserve	(5,468)	5,500
Total assets	¥5,646,816	5,901,413

Items	Yen in millions	
	March 31, 2012	March 31, 2013
(Liabilities)		
Policy liabilities:	¥4,154,039	3,981,659
Outstanding claims	698,949	643,869
Underwriting reserves	3,455,090	3,337,789
Bonds issued	271,165	241,176
Other liabilities:	185,142	298,674
Co-insurance accounts payable	11,656	11,690
Reinsurance accounts payable	45,628	50,603
Foreign reinsurance accounts payable	18,495	23,274
Agency business accounts payable	11	24
Borrowings	–	50,000
Income taxes payable	4,355	4,652
Advance received	18,913	20,314
Unearned income	69	108
Other payables	29,086	36,686
Suspense receipts	17,247	19,591
Derivative financial instruments	12,920	13,692
Cash collateral received under derivative transactions	19,174	60,839
Lease obligations	2,353	2,064
Asset retirement obligations	5,229	5,128
Other liabilities	1	1
Reserve for pension and retirement benefits	83,957	87,390
Reserve for retirement benefits for officers	1,456	1,257
Accrued bonuses for employees	9,997	10,588
Reserves under the special laws:	2,639	5,151
Reserve for price fluctuation	2,639	5,151
Deferred tax liabilities	–	43,610
Acceptances and guarantees	5,737	39,825
Total liabilities	4,714,135	4,709,334
(Net assets)		
Shareholders' equity:		
Common stock	139,595	139,595
Capital surplus:	93,107	93,107
Additional paid-in capital	93,107	93,107
Retained earnings:	224,305	244,565
Legal earned reserve	46,487	46,487
Other retained earnings:	177,817	198,077
Special reserve	283,400	–
Tax-exempted reserve for accelerated depreciation	15,900	15,660
Retained earnings brought forward	(121,482)	182,416
Total shareholders' equity	457,008	477,268
Valuation and translation adjustments:		
Net unrealized gains/(losses) on investments in securities	459,287	688,381
Net deferred gains/(losses) on hedges	16,384	26,428
Total valuation and translation adjustments	475,671	714,810
Total net assets	932,680	1,192,079
Total liabilities and net assets	¥5,646,816	5,901,413

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

Items	Yen in millions	
	Year ended March 31, 2012	Year ended March 31, 2013
Ordinary income:	¥1,832,703	1,792,884
Underwriting income:	1,715,890	1,661,287
Net premiums written	1,265,997	1,313,831
Deposit premiums from policyholders	124,053	119,925
Investment income on deposit premiums from policyholders	47,434	44,061
Reversal of outstanding claims	—	54,330
Reversal of underwriting reserves	277,326	116,824
Foreign exchange gains	978	12,253
Other underwriting income	99	60
Investment income:	113,537	127,798
Interest and dividends income	102,343	101,814
Investment gains on money trusts	141	290
Gains on sales of securities	41,896	56,176
Gains on redemption of securities	583	1,184
Gains on derivative transactions	5,285	6,894
Foreign exchange gains	9,754	4,627
Other investment income	966	872
Transfer of investment income on deposit premiums from policyholders	(47,434)	(44,061)
Other ordinary income	3,275	3,798
Ordinary expenses:	1,962,880	1,727,518
Underwriting expenses:	1,677,711	1,474,436
Net claims paid	1,000,737	887,436
Loss adjustment expenses	76,093	76,390
Commission and collection expenses	221,457	228,670
Maturity refunds to policyholders	256,214	280,598
Dividends to policyholders	1,423	839
Provision for outstanding claims	121,280	—
Other underwriting expenses	503	500
Investment expenses:	69,713	38,250
Investment losses on money trusts	18	48
Losses on sales of securities	22,542	2,988
Impairment losses on securities	39,206	28,382
Losses on redemption of securities	789	879
Other investment expenses	7,155	5,951
Operating expenses and general and administrative expenses	210,525	206,538
Other ordinary expenses:	4,930	8,293
Interest expenses	2,365	7,128
Provision for bad debts	—	263
Losses on bad debts	4	1
Other ordinary expenses	2,560	899
Ordinary profit/(loss)	(130,177)	65,366
Extraordinary income:	3,451	1,891
Gains on sales of fixed assets	694	1,891
Reversal of reserves under special laws:	2,756	—
Reversal of reserve for price fluctuation	2,756	—
Extraordinary losses:	4,521	4,204
Losses on sales of fixed assets	1,379	1,337
Impairment losses on fixed assets	3,141	355
Provision for reserves under special laws:	—	2,511
Provision for reserve for price fluctuation	—	2,511
Income/(loss) before income taxes	(131,246)	63,053
Income taxes – current	2,825	1,714
Income taxes – deferred	(3,465)	18,681
Total income taxes	(639)	20,395
Net income/(loss)	¥ (130,607)	42,657

Solvency Margin Ratio (Non-Consolidated)

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 Law Enforcement Regulations and Public Notice No. 50 issued by the Ministry of Finance, 1996.

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

The Non-consolidated solvency margin ratio (item (C) in each table below) is an indicator of an insurer's ability to pay, which is calculated, as prescribed in the Insurance Business Law, based on its percentage holdings of capital and other reserves (i.e., the total Non-consolidated solvency margin as indicated by (A) in each table below) against the total Non-consolidated risk (item (B) in each table below), which indicates hazard beyond the normal range of expectations.

The Non-consolidated solvency margin ratio is one of the objective indicators used by the insurance regulatory authorities to supervise insurance companies. If this ratio is 200% or higher, the insurance company is judged to have the ability to satisfy claims and other payment requirements.

	Yen in millions	
	March 31, 2012	March 31, 2013
(A) Total amount of solvency margin	¥1,656,380	1,958,579
Total net assets	445,809	462,870
Reserve for price fluctuation	2,639	5,151
Contingency reserve	—	—
Catastrophe reserve	429,083	412,208
General bad debt reserve	1,029	1,093
Net unrealized gains/(losses) on investments in securities (Prior to tax effect deductions)	598,943	896,469
Net unrealized gains/(losses) on land	36,478	33,406
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	40,098	43,152
Others	76,303	84,341
(B) Total amount of risks $\sqrt{(R_1+R_2)^2+(R_3+R_4)^2}+R_5+R_6$	680,488	673,800
General insurance risk (R ₁)	107,837	111,582
Third sector insurance risk (R ₂)	—	—
Assumed interest rate risk (R ₃)	21,492	20,420
Asset management risk (R ₄)	470,525	499,540
Business administration risk (R ₅)	22,620	15,167
Catastrophe risk (R ₆)	154,171	126,834
(C) Solvency margin ratio [(A)/{(B)×1/2}]×100	486.8%	581.3%

AIOI NISSAY DOWA INSURANCE CO., LTD. (NON-CONSOLIDATED)
Non-Consolidated Balance Sheets

Items	Yen in millions	
	March 31, 2012	March 31, 2013
(Assets)		
Cash, deposits and savings:	¥ 144,758	92,013
Cash on hand	43	48
Deposits in banks	144,715	91,965
Monetary claims bought:	1,331	977
Money trusts	1,884	2,128
Investments in securities:	2,066,687	2,292,734
Government bonds	474,785	713,239
Municipal bonds	36,855	32,607
Corporate bonds	235,252	204,661
Stock	602,299	662,070
Foreign securities	637,923	639,643
Other securities	79,570	40,510
Loans:	274,508	246,684
Policy loans	5,482	4,982
General loans	269,026	241,701
Tangible fixed assets:	192,830	185,771
Land	86,128	84,513
Buildings	96,749	90,988
Lease asset	20	110
Construction in progress	4	1,426
Other tangible fixed assets	9,926	8,732
Intangible fixed assets:	12,958	29,971
Software	1,810	2,124
Other intangible fixed assets	11,147	27,846
Other assets:	274,633	280,099
Premiums receivable	2,803	3,104
Due from agencies	46,877	44,709
Due from foreign agencies	1,235	2,779
Co-insurance accounts receivable	3,962	3,294
Reinsurance accounts receivable	62,563	57,831
Foreign reinsurance accounts receivable	38,195	36,474
Other receivables	21,112	35,916
Accrued income	8,875	8,962
Guarantee deposits	8,462	7,671
Deposits with the Japan Earthquake Reinsurance Company	5,757	6,452
Suspense payments	31,511	31,184
Derivative financial instruments	653	1,032
Prepaid pension expenses	41,935	40,683
Other assets	687	–
Deferred tax assets	170,834	106,449
Customers' liabilities under acceptances and guarantees	2,500	2,500
Bad debt reserve	(1,785)	(2,479)
Total assets	¥3,141,142	3,236,851

Items	Yen in millions	
	March 31, 2012	March 31, 2013
(Liabilities)		
Policy liabilities:	¥2,521,967	2,422,522
Outstanding claims	482,347	473,220
Underwriting reserves	2,039,620	1,949,302
Bonds issued	–	50,000
Other liabilities:	180,533	182,421
Co-insurance accounts payable	5,001	4,674
Reinsurance accounts payable	56,610	49,612
Foreign reinsurance accounts payable	19,473	25,097
Borrowings	28	25
Income taxes payable	2,470	2,630
Advance received	3,028	2,724
Unearned income	25	51
Other payables	39,305	24,701
Suspense receipts	41,273	38,762
Derivative financial instruments	12,607	31,460
Cash collateral received under derivative transactions	–	1,939
Lease obligations	146	212
Asset retirement obligations	562	528
Other liabilities	0	0
Reserve for pension and retirement benefits	18,136	19,313
Accrued bonuses for employees	6,128	6,064
Reserves under special laws:	1,798	1,624
Reserve for price fluctuation	1,798	1,624
Acceptances and guarantees	2,500	2,500
Total liabilities	2,731,064	2,684,446
(Net assets)		
Shareholders' equity:		
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:	183,911	191,575
Legal earned reserve	40,797	43,037
Other retained earnings:	143,113	148,537
Special reserve	158,802	–
Tax-exempted reserve for accelerated depreciation	5,211	–
Retained earnings brought forward	(20,901)	148,537
Total shareholders' equity	365,126	372,790
Valuation and translation adjustments:		
Net unrealized gains/(losses) on investments in securities	44,951	179,614
Total valuation and translation adjustments	44,951	179,614
Total net assets	410,077	552,405
Total liabilities and net assets	¥3,141,142	3,236,851

AIOI NISSAY DOWA INSURANCE COMPANY, LIMITED (NON-CONSOLIDATED)
Non-Consolidated Statements of Income

Items	Yen in millions	
	Year ended March 31, 2012	Year ended March 31, 2013
Ordinary income:	¥1,405,650	1,342,714
Underwriting income:	1,346,628	1,273,889
Net premiums written	1,074,631	1,103,234
Deposit premiums from policyholders	47,967	44,010
Investment income on deposit premiums from policyholders	22,209	20,354
Reversal of outstanding claims	660	9,126
Reversal of underwriting reserves	199,257	90,318
Foreign exchange gains	-	1,474
Other underwriting income	1,901	5,370
Investment income:	56,292	66,085
Interest and dividends income	58,455	60,617
Investment gains on money trusts	-	0
Gains on sales of securities	19,883	23,810
Gains on redemption of securities	-	27
Foreign exchange gains	44	1,746
Other investment income	118	237
Transfer of investment income on deposit premiums from policyholders	(22,209)	(20,354)
Other ordinary income	2,729	2,739
Ordinary expenses:	1,396,416	1,316,854
Underwriting expenses:	1,169,683	1,086,669
Net claims paid	805,026	726,151
Loss adjustment expenses	51,847	51,005
Commission and collection expenses	189,074	195,767
Maturity refunds to policyholders	120,729	111,930
Dividends to policyholders	70	27
Foreign exchange losses	572	-
Other underwriting expenses	2,363	1,786
Investment expenses:	28,818	39,968
Losses on sales of securities	6,082	16,570
Impairment losses on securities	14,575	9,763
Losses on redemption of securities	1,669	7,732
Losses on derivative transactions	2,884	2,928
Other investment expenses	3,606	2,973
Operating expenses and general and administrative expenses	196,929	187,883
Other ordinary expenses:	985	2,333
Interest expense	2	387
Provision for bad debts reserve	-	917
Losses on bad debts	9	2
Other ordinary expenses	973	1,025
Ordinary profit/(loss)	9,233	25,859
Extraordinary income:	9,075	676
Gains on sales of fixed assets	4,850	502
Reversal of reserves under the special laws:	4,225	173
Reversal of reserve for price fluctuation	4,225	173
Extraordinary losses:	3,588	2,310
Losses on sales of fixed assets	1,901	1,604
Impairment losses on fixed assets	1,687	705
Income/(loss) before income taxes	14,720	24,225
Income taxes – current	363	1,050
Income taxes – deferred	57,906	4,312
Total income taxes	58,270	5,362
Net income/(loss)	¥ (43,549)	18,862

Solvency Margin Ratio (Non-Consolidated)

	Yen in millions	
	March 31, 2012	March 31, 2013
(A) Total amount of solvency margin	¥758,104	965,962
Total net assets	359,526	365,590
Reserve for price fluctuation	1,798	1,624
Contingency reserve	693	693
Catastrophe reserve	281,338	257,920
General bad debt reserve	365	379
Net unrealized gains/(losses) on investments in securities (Prior to tax effect deductions)	57,792	233,054
Net unrealized gains/(losses) on land	4,477	2,719
Excess of policyholders' contract deposits (a)	-	-
Subordinated debts, etc. (b)	-	50,000
Amount excluded from the margin, out of (a) and (b)	-	-
Deductions	11,673	11,403
Others	63,786	65,383
(B) Total amount of risks $\sqrt{(R_1+R_2)^2+(R_3+R_4)^2}+R_5+R_6$	342,539	297,599
General insurance risk (R ₁)	101,167	102,694
Third sector insurance risk (R ₂)	-	-
Assumed interest rate risk (R ₃)	11,032	10,421
Asset management risk (R ₄)	171,111	169,412
Business administration risk (R ₅)	12,160	7,314
Catastrophe risk (R ₆)	122,024	83,193
(C) Solvency margin ratio [(A)/{(B)×1/2}]×100	442.6%	649.1%

mitsui Direct General Insurance Co., Ltd. (Non-Consolidated)
Non-Consolidated Balance Sheets

Items	Yen in millions	
	March 31, 2012	March 31, 2013
(Assets)		
Cash, deposits and savings:	¥ 3,024	3,541
Deposits in banks	3,024	3,541
Investments in securities:	34,649	33,674
Government bonds	10,908	9,906
Municipal bonds	13,162	14,524
Corporate bonds	10,577	9,242
Tangible fixed assets:	209	308
Buildings	43	47
Other tangible fixed assets	166	261
Intangible fixed assets:	1,458	1,960
Software	1,453	1,957
Other intangible fixed assets	4	3
Other assets:	5,812	6,115
Premiums receivable	0	0
Other receivables	3,540	3,699
Accrued income	43	40
Guarantee deposits	298	303
Suspense payments	1,927	2,069
Other assets	2	2
Bad debts reserve	(3)	(3)
Total assets	¥ 45,150	45,596
(Liabilities)		
Policy liabilities:	¥ 33,182	33,135
Outstanding claims	13,835	13,593
Underwriting reserves	19,346	19,541
Other liabilities:	1,054	1,092
Reinsurance accounts payable	1	2
Income taxes payable	109	135
Other payables	918	926
Suspense receipts	15	16
Asset retirement obligations	10	12
Accrued bonuses for employees	224	209
Reserves under special laws:	22	27
Reserve for price fluctuation	22	27
Deferred tax liabilities	51	51
Total liabilities	34,535	34,516
(Net assets)		
Shareholders' equity:		
Common stock	32,600	32,600
Capital surplus:	2,500	2,500
Additional paid-in capital	2,500	2,500
Retained earnings:	(24,749)	(24,286)
Other retained earnings:	(24,749)	(24,286)
Retained earnings brought forward	(24,749)	(24,286)
Total shareholders' equity	10,350	10,813
Valuation and translation adjustments:		
Net unrealized gains/(losses) on investments in securities	264	267
Total valuation and translation adjustments	264	267
Total net assets	10,615	11,080
Total liabilities and net assets	¥ 45,150	45,596

Non-Consolidated Statements of Income

Items	Yen in millions	
	Year ended March 31, 2012	Year ended March 31, 2013
Ordinary income:	¥34,596	35,734
Underwriting income:	34,378	35,529
Net premiums written	34,319	35,273
Investment income on deposit premiums from policyholders	13	14
Reversal of outstanding claims	44	241
Investment income:	216	200
Interest and dividends income	200	164
Gains on sales of securities	30	50
Transfer of investment income on deposit premiums from policyholders	(13)	(14)
Other ordinary income	1	4
Ordinary expenses:	34,132	35,207
Underwriting expenses:	27,015	28,107
Net claims paid	24,230	25,309
Loss adjustment expenses	2,321	2,404
Commission and collection expenses	220	198
Provision for underwriting reserves	241	194
Other underwriting expenses	0	0
Investment expenses	—	—
Operating expenses and general and administrative expenses	7,113	7,098
Other ordinary expenses:	4	2
Provision for bad debts	3	—
Other ordinary expenses	1	2
Ordinary profit/(loss)	463	526
Extraordinary income	—	—
Extraordinary losses:	10	24
Losses on sales of fixed assets	5	19
Provision for reserves under the special laws:	4	4
Provision for reserve for price fluctuation	4	4
Income before income taxes	452	502
Income taxes – current	16	39
Income taxes – deferred	(68)	—
Total income taxes	(52)	39
Net income/(loss)	¥ 505	462

Solvency Margin Ratio (Non-Consolidated)

	Yen in millions	
	March 31, 2012	March 31, 2013
(A) Total amount of solvency margin	¥11,820	12,324
Total net assets	10,350	10,813
Reserve for price fluctuation	22	27
Contingency reserve	0	0
Catastrophe reserve	1,099	1,133
General bad debt reserve	1	0
Net unrealized gains/(losses) on investments in securities (Prior to tax effect deductions)	346	349
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 $\sqrt{(R_1+R_2)^2+(R_3+R_4)^2}+R_5+R_6$	5,569	5,740
General insurance risk (R ₁)	5,065	5,233
Third sector insurance risk (R ₂)	—	—
Assumed interest rate risk (R ₃)	0	0
Asset management risk (R ₄)	525	511
Business administration risk (R ₅)	176	181
Catastrophe risk (R ₆)	300	300
(C) Solvency margin ratio [(A)/{(B)×1/2}]×100	424.4%	429.4%

MITSUI SUMITOMO AIOI LIFE INSURANCE CO., LTD. (NON-CONSOLIDATED) Non-Consolidated Balance Sheets

Mitsui Sumitomo Kirameki Life Insurance Co., Ltd. and Aioi Life Insurance Co., Ltd. merged into Mitsui Sumitomo Aioi Life Insurance Co., Ltd. on October 1, 2011. The figures as of March 31, 2012 are the simple combination of Mitsui Sumitomo Kirameki Life Insurance Co., Ltd. and Aioi Life Insurance Co., Ltd.

Items	Yen in millions	
	March 31, 2012	March 31, 2013
(Assets)		
Cash, deposits and savings:	¥ 24,855	23,815
Cash on hand	0	0
Deposits in banks	24,855	23,814
Call loans	952	707
Receivables under securities borrowing transactions	178,679	224,025
Investments in securities:	1,848,241	2,102,671
Government bonds	1,202,378	1,310,930
Municipal bonds	66,835	93,959
Corporate bonds	534,347	635,852
Stock	541	869
Foreign securities	43,125	59,824
Other securities	1,013	1,235
Loans:	46,325	47,656
General loans	46,325	47,656
Tangible fixed assets:	2,692	2,224
Buildings	230	238
Lease assets	1,204	943
Other tangible fixed assets	1,258	1,042
Intangible fixed assets:	3,026	3,297
Software	3,026	2,798
Other intangible fixed assets	–	498
Due from agencies	180	274
Reinsurance accounts receivable	563	265
Other assets:	30,826	31,428
Other receivables	23,533	24,123
Prepaid expenses	668	580
Accrued income	5,348	5,569
Guarantee deposits	961	970
Suspense payments	283	159
Other assets	31	24
Deferred tax assets	415	–
Bad debts reserve	(96)	(102)
Total assets	¥2,136,662	2,436,264

Items	Yen in millions	
	March 31, 2012	March 31, 2013
(Liabilities)		
Policy liabilities:	¥1,837,729	2,045,655
Outstanding claims	18,935	19,423
Underwriting reserves	1,812,538	2,019,481
Dividends reserves	6,255	6,750
Agency business accounts payable	4,527	5,854
Reinsurance accounts payable	215	213
Other liabilities:	187,555	234,383
Payables under securities lending transactions	179,631	224,733
Income taxes payable	–	315
Other payables	202	192
Accrued expenses payable	4,699	5,722
Unearned income	0	0
Advance received	133	131
Lease obligations	1,286	1,010
Asset retirement obligations	140	174
Suspense receipts	1,461	2,102
Reserve for pension and retirement benefits	1,182	1,437
Reserve for retirement benefits for officers	69	59
Reserve under special laws:	2,962	3,406
Reserve for price fluctuation	2,962	3,406
Deferred tax liabilities	–	13,010
Total liabilities	2,034,241	2,304,020
(Net assets)		
Shareholders' equity:		
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:	(16,131)	(15,672)
Other retained earnings:	(16,131)	(15,672)
Retained earnings brought forward	(16,131)	(15,672)
Total shareholders' equity	63,056	63,515
Valuation and translation adjustments:		
Net unrealized gains/(losses) on investments in securities	39,364	68,727
Total valuation and translation adjustments	39,364	68,727
Total net assets	102,421	132,243
Total liabilities and net assets	¥2,136,662	2,436,264

mitsui sumitomo aioi life insurance co., ltd. (non-consolidated)
Non-Consolidated Statements of Income

Items	Yen in millions	
	Year ended March 31, 2012 (Simple Combination)	Year ended March 31, 2013
Ordinary income:	¥420,646	465,664
Insurance premiums and others:	385,684	422,189
Insurance premiums	384,790	421,387
Reinsurance income	893	801
Investment income:	33,102	40,427
Interest and dividends income:	32,227	34,238
Interest on deposits	0	0
Interest and dividends on securities	30,738	32,495
Interest on loans	1,374	1,400
Other interest and dividends	114	341
Gains on sales of securities	872	6,177
Gains on redemption of securities	1	11
Other ordinary income:	1,859	3,047
Receipts of annuities with special conditions	275	1,553
Receipts of deferred insurance claims	1,040	1,377
Reversal of outstanding claims	472	-
Other ordinary income	71	116
Ordinary expenses:	418,830	458,205
Insurance claims and others:	162,572	166,917
Insurance claims	43,263	43,551
Annuity payments	6,523	8,581
Benefits	11,958	12,065
Surrender benefits	98,444	99,504
Other refunds	1,239	2,078
Reinsurance premiums	1,141	1,137
Provision for underwriting reserves and others:	177,806	207,433
Provision for outstanding claims	1,158	488
Provision for underwriting reserves	176,645	206,942
Provision of interest portion of reserves for dividends to policyholders	2	2
Investment expenses:	2,156	2,851
Interest paid	123	302
Losses on sales of securities	1,239	2,511
Impairment losses on securities	555	-
Losses on redemption of securities	72	-
Foreign exchange losses	139	4
Provision for bad debts	15	6
Other investment expenses	9	26
Operating expenses	69,815	73,563
Other ordinary expenses:	6,480	7,438
Payments of deferred insurance claims	772	835
Taxes	3,276	4,183
Depreciation	2,092	2,161
Provision for retirement benefits	317	255
Other ordinary expenses	20	2
Ordinary profit/(loss)	1,816	7,459
Extraordinary income:	3	1
Gains on sales of fixed assets	3	1
Extraordinary losses:	10,755	457
Losses on sales of fixed assets	117	13
Provision for reserves under the special laws:	447	444
Provision for reserve for price fluctuation	447	444
Other extraordinary losses	10,191	-
Provision for reserve for dividends to policyholders	4,835	5,822
Income/(loss) before income taxes	(13,771)	1,180
Income taxes – current	20	322
Income taxes – deferred	(2,396)	399
Total income taxes	(2,376)	721
Net income/(loss)	¥ (11,395)	458

Results for the Years Ended March 31, 2013 and 2012
Amount of Policies in Force and New Policies
(1) Policies in force

	Yen in millions			
	March 31, 2012		March 31, 2013	
	Number of policies (in thousands)	Amount	Number of policies (in thousands)	Amount
Individual Insurance	2,049	¥17,359,229	2,262	¥19,317,482
Individual Annuities	172	703,269	183	757,139
Group Insurance	—	4,996,365	—	5,165,629
Group Annuities	—	477	—	429

(Notes)

- 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 payments have not yet commenced, and (b) the policy reserves for the policies for which payments have commenced.
- The amounts of group annuities represent the policy reserves.

(2) New policies

	Yen in millions							
	Year ended March 31, 2012 (Simple Combination)				Year ended March 31, 2013			
	Number of policies (in thousands)	Total	New policies	Net increase by conversion	Number of policies (in thousands)	Total	New policies	Net increase by conversion
Individual Insurance	334	¥3,157,723	3,157,723	—	340	¥3,617,055	3,617,055	—
Individual Annuities	24	119,353	119,353	—	18	93,511	93,511	—
Group Insurance	—	38,211	38,211	—	—	710,988	710,988	—
Group Annuities	—	0	0	—	—	—	—	—

(Notes)

- The amounts of individual annuities represent the funds to be held at the time annuity payments are to commence.
- The amounts of group annuities represent the first time premiums.

Annualized Premiums
(1) Policies in force

	Yen in millions	
	March 31, 2012	March 31, 2013
Individual Insurance	¥256,438	277,088
Individual Annuities	39,562	42,614
Total:	296,000	319,703
Medical coverage, living benefits, etc.	51,959	55,196

(2) New policies

	Yen in millions	
	Year ended March 31, 2012 (Simple Combination)	Year ended March 31, 2013
Individual Insurance	¥38,613	45,070
Individual Annuities	6,058	5,156
Total:	44,672	50,226
Medical coverage, living benefits, etc.	8,471	6,998

(Notes)

- 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.
- "Medical coverage, living benefits, etc." shows 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)
Summary of Non-Consolidated Results of Operations

	Yen in millions		
	Year ended March 31, 2012 (Simple Combination)	Year ended March 31, 2013	Change
Fundamental profit	¥ 4,109	5,847	1,738
Fundamental revenues:	419,773	459,486	39,712
Insurance premiums and others	385,684	422,189	36,504
Fundamental expenses	415,664	453,638	37,974
Capital gains/(losses)	(782)	3,662	4,445
Non-recurring gains/(losses)	(1,510)	(2,050)	(540)
Ordinary profit/(loss)	1,816	7,459	5,643
Extraordinary income	3	1	(2)
Extraordinary losses	10,755	457	(10,297)
Provision for reserve for dividends to policyholders	4,835	5,822	986
Income taxes	(2,376)	721	3,098
Net income/(loss)	(11,395)	458	11,854

Solvency Margin Ratio (Non-Consolidated)

	Yen in millions	
	March 31, 2012	March 31, 2013
(A) Total amount of solvency margin	¥223,803	267,498
Total capital	63,056	63,515
Reserve for price fluctuation	2,962	3,406
Contingency reserve	19,754	21,800
General bad debt reserve	37	39
Net unrealized gains/(losses) on investments in securities × 90%	51,144	89,295
Net unrealized gains/(losses) on land × 85%	—	—
Excess of continued Zillmerized reserve (a)	109,878	121,422
Subordinated debt, etc. (b)	—	—
Amount excluded from the margin, out of (a) and (b)	(23,568)	(32,340)
Brought in capital	—	—
Deductions	—	—
Others	536	359
(B) Total amount of risks $\sqrt{(R_1+R_3)^2+(R_2+R_3+R_7)^2}+R_4$	36,904	40,845
Insurance risk (R ₁)	12,655	13,818
Third sector insurance risk (R _a)	4,229	4,913
Assumed interest rate risk (R ₂)	2,888	2,922
Asset management risk (R ₃)	28,295	31,567
Minimum guarantee risk (R ₇)	—	—
Business administration risk (R ₄)	1,442	1,596
(C) Solvency margin ratio $[(A)/\{(B) \times 1/2\}] \times 100$	1,212.8%	1,309.8%

mitsui sumitomo primary life insurance co., ltd. (non-consolidated)
Non-Consolidated Balance Sheets

Items	Yen in millions	
	March 31, 2012	March 31, 2013
(Assets)		
Cash, deposits and savings:	¥ 11,134	37,291
Deposits in banks	11,134	37,291
Call loans	4,271	30,002
Money trusts	646,932	886,301
Investments in securities:	2,473,269	2,777,814
Government bonds	95,803	97,765
Municipal bonds	-	1,014
Foreign securities	-	31,539
Other securities	2,377,466	2,647,494
Loans:	689	529
Policy loans	689	529
Tangible fixed assets:	1,047	1,099
Buildings	366	353
Lease assets	646	713
Other tangible fixed assets	34	32
Intangible fixed assets:	2,181	4,042
Software	2,034	3,929
Lease assets	147	112
Reinsurance accounts receivable	1,174	90
Other assets:	3,501	5,489
Other receivables	2,856	4,260
Prepaid expenses	28	-
Accrued income	76	540
Guarantee deposits	182	100
Suspense payments	357	587
Deferred tax assets	10,440	22,914
Total assets	¥3,154,641	3,765,574
(Liabilities)		
Policy liabilities:	¥3,075,344	3,645,909
Outstanding claims	7,978	12,942
Underwriting reserves	3,067,365	3,632,967
Due to agencies	1,490	2,858
Reinsurance accounts payable	1,159	1,732
Other liabilities:	14,186	20,045
Income taxes payable	8,317	12,829
Other payables	103	151
Accrued expenses	2,149	3,188
Advance received	617	1,041
Lease obligations	802	839
Asset retirement obligations	156	123
Suspense receipts	2,039	1,872
Reserve under special laws:	1,912	23,743
Reserve for price fluctuation	1,912	23,743
Total liabilities	3,094,092	3,694,290
(Net assets)		
Shareholders' equity:		
Common stock	41,060	41,060
Capital surplus:	24,735	24,735
Additional paid-in capital	24,735	24,735
Retained earnings:	(5,609)	4,740
Other retained earnings:	(5,609)	4,740
Retained earnings brought forward	(5,609)	4,740
Total shareholders' equity	60,185	70,535
Valuation and translation adjustments:		
Net unrealized gains/(losses) on investments in securities	363	748
Total valuation and translation adjustments	363	748
Total net assets	60,549	71,284
Total liabilities and net assets	¥3,154,641	3,765,574

Non-Consolidated Statements of Income

Items	Yen in millions	
	Year ended March 31, 2012	Year ended March 31, 2013
Ordinary income:	¥344,227	1,016,638
Insurance premiums and others:	244,879	456,680
Insurance premiums	234,793	449,316
Reinsurance income	10,085	7,363
Investment income:	95,655	557,892
Interest and dividends income	323	405
Interest on deposits	4	8
Interest and dividends on securities	300	364
Interest on loans	15	14
Other interest and dividends	3	18
Investment gains on money trusts	50,993	183,704
Foreign exchange gains	-	26
Gains on investment in separate accounts	44,338	373,755
Other ordinary income:	3,693	2,066
Receipts of annuities with special conditions	3,652	2,040
Other ordinary income	40	25
Ordinary expenses:	331,202	977,668
Insurance claims and others:	235,567	366,036
Insurance claims	46,439	46,625
Annuity payments	41,180	44,611
Benefits	53,518	73,158
Surrender benefits	70,207	176,167
Other refunds	1,015	960
Reinsurance premiums	23,207	24,514
Provision for underwriting reserves and others:	72,193	570,565
Provision for outstanding claims	1,219	4,963
Provision for underwriting reserves	70,974	565,602
Investment expenses:	858	579
Interest paid	0	0
Foreign exchange losses	497	-
Other investment expenses	360	578
Operating expenses	21,554	38,208
Other ordinary expenses:	1,027	2,278
Taxes	529	1,431
Depreciation	495	720
Other ordinary expenses	3	126
Ordinary profit/(loss)	13,025	38,969
Extraordinary losses:	656	21,844
Losses on sales of fixed assets	4	12
Provision for reserve under special laws:	651	21,831
Provision for reserve for price fluctuation	651	21,831
Income/(loss) before income taxes	12,369	17,125
Income taxes—current	8,612	19,421
Income taxes—deferred	(2,236)	(12,645)
Total income taxes	6,375	6,775
Net income/(loss)	¥ 5,993	10,350

MITSUI SUMITOMO PRIMARY LIFE INSURANCE CO., LTD. (NON-CONSOLIDATED) Results for the Year Ended March 31, 2013

Amount of Policies in Force and New Policies

(1) Policies in force

	Yen in millions			
	March 31, 2012		March 31, 2013	
	Number of policies (in thousands)	Amount	Number of policies (in thousands)	Amount
Individual Insurance	11	¥ 122,251	67	¥ 465,049
Individual Annuities	434	3,000,286	413	3,196,405
Group Insurance	—	—	—	—
Group Annuities	—	—	—	—

(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 payments have not yet commenced, and (b) the policy reserves for the policies for which payments have commenced.

2. The amounts of group annuities represent the policy reserves.

(2) New policies

	Yen in millions							
	Year ended March 31, 2012				Year ended March 31, 2013			
	Number of policies (in thousands)	Total	New policies	Net increase by conversion	Number of policies (in thousands)	Total	New policies	Net increase by conversion
Individual Insurance	2	¥ 13,002	13,002	—	59	¥316,715	316,715	—
Individual Annuities	40	224,439	224,439	—	20	115,487	115,487	—
Group Insurance	—	—	—	—	—	—	—	—
Group Annuities	—	—	—	—	—	—	—	—

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

Annualized Premiums

(1) Policies in force

	Yen in millions	
	March 31, 2012	March 31, 2013
Individual Insurance	¥ 10,110	31,509
Individual Annuities	428,866	402,731
Total:	438,977	434,240
Medical coverage, living benefits, etc.	89	104

(2) New policies

	Yen in millions	
	Year ended March 31, 2012	Year ended March 31, 2013
Individual Insurance	¥ 949	20,382
Individual Annuities	106,281	86,867
Total:	107,230	107,250
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." shows 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.).

Summary of Non-Consolidated Results of Operations

	Yen in millions		
	Year ended March 31, 2012	Year ended March 31, 2013	Change
Fundamental profit	¥ 28,011	37,916	9,905
Fundamental revenues:			
Insurance premiums and others	345,714	998,099	652,384
Fundamental expenses	317,703	960,182	642,479
Capital gains/(losses)	(1,984)	18,539	20,524
Non-recurring gains/(losses)	(13,001)	(17,486)	(4,485)
Ordinary profit/(loss)	13,025	38,969	25,944
Extraordinary income	—	—	—
Extraordinary losses	656	21,844	21,187
Provision for reserve for dividends to policyholders	—	—	—
Income taxes	6,375	6,775	399
Net income/(loss)	5,993	10,350	4,356

Solvency Margin Ratio (Non-Consolidated)

	Yen in millions	
	March 31, 2012	March 31, 2013
(A) Total amount of solvency margin	¥183,140	267,510
Total capital	60,185	70,535
Reserve for price fluctuation	1,912	23,743
Contingency reserve	29,236	46,722
General bad debt reserve	—	—
Net unrealized gains/(losses) on investments in securities × 90%	473	973
Net unrealized gains/(losses) on land × 85%	—	—
Excess of continued Zillmerized reserve (a)	104,209	123,427
Subordinated debt, etc. (b)	—	—
Amount excluded from the margin, out of (a) and (b)	(12,876)	—
Brought in capital	—	—
Deductions	—	—
Others	—	2,107
(B) Total amount of risks $\sqrt{(R_1+R_3)^2+(R_2+R_3+R_7)^2}+R_4$	47,226	60,516
Insurance risk (R ₁)	24	53
Third sector insurance risk (R ₃)	17	16
Assumed interest rate risk (R ₂)	9,866	15,199
Asset management risk (R ₃)	14,123	22,753
Minimum guarantee risk (R ₇)	21,860	21,375
Business administration risk (R ₄)	1,376	1,187
(C) Solvency margin ratio $[(A)/((B) \times 1/2)] \times 100$	775.5%	884.0%



Corporate Data

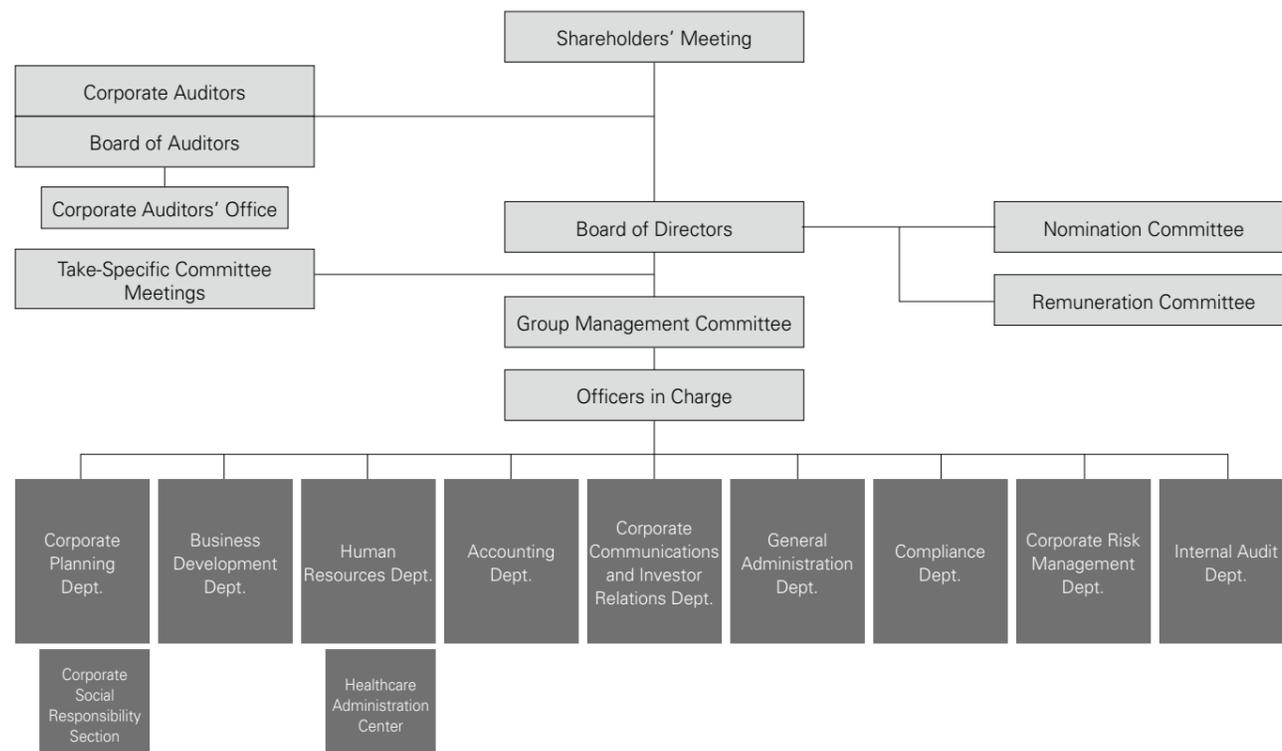
Company Overview

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. Thus, the Company has 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	Apr. 1, 2008 (Name changed on Apr. 1, 2010)
HEADQUARTERS	Yaesu First Financial Building, Yaesu 1-3-7, Chuo-ku, Tokyo, Japan
REPRESENTATIVE	Representative Director, President & CEO Toshiaki Egashira
PAID-IN CAPITAL	100,000,000,000 yen
NUMBER OF EMPLOYEES	107 (As of March 31, 2013)
BUSINESS DESCRIPTION	Our activities as a holding insurance 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 LISTING (As of July 31, 2013)	Tokyo Stock Exchange (First Section) Nagoya Stock Exchange (First Section)

Organizational Chart



Stock and Shareholders

1. Summary of Issued Shares (As of March 31, 2013)

1) Class of stock	Common stock
2) Total number of authorized shares	900,000,000
3) Total number of shares issued	633,291,754
4) Number of shareholders	73,557

2. Shareholding Profile (As of March 31, 2013)

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	184	62	1,791	557	70,963	73,557
NUMBER OF SHARES HELD (millions)	206.16	12.39	107.60	228.01	79.10	633.29
PERCENTAGE OF SHARES ISSUED	32.5%	2.0%	17.0%	36.0%	12.5%	100.0%

2) Breakdown by Number of Shares Held

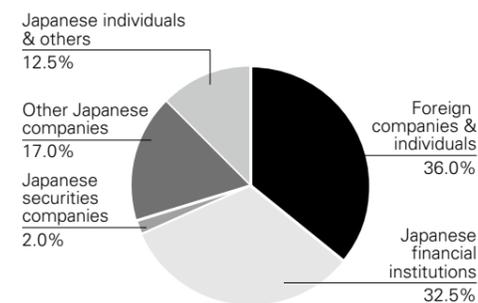
Item	1-99	100-999	1,000-9,999	10,000-99,999	100,000 and over	Total
NUMBER OF SHAREHOLDERS	19,863	38,458	13,894	960	382	73,557
PERCENTAGE OF ALL SHAREHOLDERS	27.0%	52.3%	18.9%	1.3%	0.5%	100.0%

3) Breakdown by Region

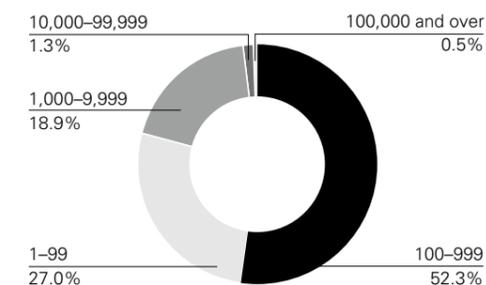
Item	Hokkaido	Tohoku	Kanto	Chubu	Kinki	Chugoku	Shikoku	Kyushu	Overseas	Total
NUMBER OF SHARES (millions)	2.33	3.18	296.56	70.92	23.91	2.91	3.31	2.57	227.47	633.29
PERCENTAGE OF SHARES ISSUED	0.4%	0.5%	46.8%	11.2%	3.8%	0.5%	0.5%	0.4%	35.9%	100.0%

SHAREHOLDING PROFILE (As of March 31, 2013)

BREAKDOWN BY SECTOR (Percentage of shares issued)



BREAKDOWN BY NUMBER OF SHARES HELD (Percentage of all shareholders)



3. Major Shareholders (As of March 31, 2013)

Names of shareholders	Address	Number of shares held (thousands)	Ratio of shares held (%)
Toyota Motor Corporation	Toyota 1, Toyota-shi, Aichi Prefecture	52,610	8.31
Nippon Life Insurance Company	Marunouchi 1-6-6, Chiyoda-ku, Tokyo C/- Nippon Life Securities Operations Department	36,325	5.74
The Master Trust Bank of Japan, Ltd. (Trust account)	Hamamatsu-cho 2-11-3, Minato-ku, Tokyo	31,977	5.05
Japan Trustee Services Bank, Ltd. (Trust account)	Harumi 1-8-11, Chuo-ku, Tokyo	29,199	4.61
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. (Nihonbashi 3-11-1, Chuo-ku, Tokyo)	24,918	3.93
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 (Tsukishima 4-16-13, Chuo-ku, Tokyo)	13,172	2.08
SSBT OD05 OMNIBUS ACCOUNT — TREATY CLIENTS (Standing agent: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch)	338 Pitt Street, Sydney, NSW 2000 Australia (Nihonbashi 3-11-1, Chuo-ku, Tokyo)	12,005	1.90
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. (Tsukishima 4-16-13, Chuo-ku, Tokyo)	8,765	1.38
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, Massachusetts 02108 U.S.A. (Tsukishima 4-16-13, Chuo-ku, Tokyo)	7,621	1.20
NATSCUMCO (Standing agent: Sumitomo Mitsui Banking Corporation)	111 Wall Street, New York, New York 10015 U.S.A. (Otemachi 1-2-3, Chiyoda-ku, Tokyo)	7,408	1.17
Total	—	224,004	35.37

(Note) In addition to the above, the Company holds 11,403 thousand shares of treasury stock (1.80% of issued shares).

4. Dividend 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.

The Company's basic policy, therefore, is to maintain a stable level of dividends per share, while at the same time striving to increase this level by enhancing earnings performance. Our basic policy for the medium term is to return around 50% of Group Core Profit to shareholders through dividends and share buyback.

Moreover, the Company's basic policy is to pay dividends twice each year: an interim dividend and a year-end dividend. The amount of the interim dividend is decided by the Board of Directors while the amount of the year-end dividend is decided by the General Meeting of Shareholders.

The year-end dividend for the fiscal year ended March 31, 2013 was set at ¥27 per share. As the interim dividend was also ¥27 per share, the total annual dividend for the year was ¥54 per share.

The Company resolved to repurchase its own shares at the meeting of the Board of Directors held on May 20, 2013, for the purpose of improving capital efficiency and returns to shareholders. Specifically, the Company resolved to repurchase up to 2.50 million of its own shares for an aggregate value of up to ¥5.0 billion, from May 21, 2013 to September 20, 2013.

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, 2013)

Date	Issued shares (thousands)		Paid-in capital		Capital reserves		Remarks
	Increase/decrease	Balance	Increase/decrease	Balance	Increase/decrease	Balance	
APRIL 1, 2008	421,320 shares	421,320 shares	¥100,000 million	¥100,000 million	¥179,191 million	¥179,191 million	(Note 1)
APRIL 1, 2010	211,971 shares	633,291 shares	—	¥100,000 million	¥550,064 million	¥729,255 million	(Note 2)

(Notes)

- The increases in the total number of issued shares, paid-in capital and capital reserves on April 1, 2008 were due to the issue of new shares at the time of establishing the Company through a transfer of shares from MSI.
- 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 (As of July 31, 2013)

1) FISCAL YEAR	Apr. 1 to Mar. 31 of the following year
2) ANNUAL SHAREHOLDERS' MEETING	Within 3 months of the end of each fiscal year
3) RECORD DATE	Ordinary General Meeting of Shareholders: March 31, every year Year-end dividends: March 31, every year Interim dividends: September 30, every year
4) METHOD OF PUBLIC NOTIFICATION	Electronic reporting can be found online at http://www.ms-ad-hd.com/ir/notification/index.html (Japanese only). In the event of an incident or other event that prevents electronic reporting, the Company will publish its notifications in the Nikkei newspaper.
5) STOCK EXCHANGE LISTINGS	Tokyo and Nagoya Stock Exchanges (First Sections)
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. (Marunouchi 1-4-1, Chiyoda-ku, Tokyo, Japan)
SPECIAL ACCOUNT MANAGEMENT INSTITUTION (POSTAL ADDRESS)	Sumitomo Mitsui Trust Bank, Limited (Note) Sumitomo Mitsui Trust Bank, Limited Stock Transfer Agency Dept. (Izumi 2-8-4, 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 (Marunouchi 1-4-5, Chiyoda-ku, Tokyo).

7. Reports and Resolutions of the General Meeting of Shareholders

The following matters were reported and resolved at the 5th Annual Shareholders' Meeting held on June 26, 2013.

- MATTERS REPORTED:**
- Details of the Business Report, details of the Consolidated Financial Statements, and a report on the Results of Audit of Consolidated Financial Statements by accounting auditors and the Board of Corporate Auditors for the 5th fiscal year (Fiscal Year 2012 (from April 1, 2012 to March 31, 2013)); and
 - Report on the Financial Statements for the 5th fiscal year (Fiscal Year 2012 (from April 1, 2012 to March 31, 2013)).

MATTERS RESOLVED:

- First Item: Appropriation of Retained Earnings
This item was approved as proposed. (The year-end cash dividend is ¥27 per share of common stock of the Company. As a result, the cash dividend for the fiscal year under review totals ¥54 per share, including the interim dividend.)
- Second Item: Election of Thirteen Directors
Messrs. Toshiaki Egashira, Yasuyoshi Karasawa, Hisahito Suzuki, Masanori Yoneda, Susumu Fujimoto, Shuhei Horimoto, Mitsuhiro Tsuchiya, Ichiro Iijima, Nampei Yanagawa, Akira Watanabe, Daiken Tsunoda, Tadashi Ogawa, and Ms. Mari Matsunaga were elected as directors and assumed office.
(Messrs. Akira Watanabe, Daiken Tsunoda, Tadashi Ogawa, and Ms. Mari Matsunaga are outside directors.)
- Third Item: Election of Three Corporate Auditors
Messrs. Jiro Yoshino, Kuniaki Nomura, and Hiroyuki Tezuka were elected as proposed and assumed office.
(Messrs. Kuniaki Nomura and Hiroyuki Tezuka are outside corporate auditors.)

Group Business Schematic

(As of March 31, 2013)

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 chart shows the primary subsidiaries and other entities depicted on the Group Business Schematic in the Company's Annual Securities Report. The ★ and ● symbols indicate the following: ★: Consolidated subsidiary ●: Equity-method affiliate

Main Subsidiaries

(As of March 31, 2013)

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.	Chuo-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	Sep. 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%
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	—	99.0%
MSIG Holdings (Europe), Limited	London, U.K.	Mar. 7, 2000	Overseas	UK£635,843 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£529,107 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%

Name of company	Location	Date of incorporation	Principal business	Paid-in capital	Voting rights of MS&AD Holdings (%)	Voting rights of subsidiaries (%)
Aioi Nissay Dowa Life Insurance of Europe AG	Ismaning, Germany	Dec. 8, 2005	Overseas	€5,000 thousand	—	100.0%
MS Frontier Reinsurance Limited	Hamilton, Bermuda	Sep. 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	Sep. 23, 2004	Overseas	S\$673,515 thousand	—	100.0%
MSIG Insurance (Singapore) Pte. Ltd.	Singapore, Singapore	Sep. 23, 2004	Overseas	S\$333,442 thousand	—	100.0%
MSIG Mingtai Insurance Co., Ltd.	Taipei, Taiwan	Sep. 22, 1961	Overseas	NT\$2,535 million	—	100.0%
Mitsui Sumitomo Insurance (China) Company Limited	Shanghai, P.R.C.	Sep. 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.	Sep. 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	Sep. 18, 2009	Overseas	US\$2,000 thousand	—	51.0%

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. The Company's equity stake in MSC Corporation is less than 50%, but as it exercises effective control over MSC, it is included as a subsidiary.

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	Jul. 11, 2000	Overseas	INR19,446 million	—	26.0%
PT. Asuransi Jiwa Sinarmas MSIG	Jakarta, Indonesia	Jul. 17, 1984	Overseas	IDR105,000 million	—	50.0%
Hong Leong Assurance Berhad	Petaling Jaya, Malaysia	Dec. 20, 1982	Overseas	MYR200,000 thousand	—	30.0%

Credit Ratings

(As of July, 2013)

Credit Ratings for MS&AD Group Insurance Companies in Japan

Rating Agencies	Ratings Assigned	Mitsui Sumitomo Insurance Co., Ltd.	Aioi Nissay Dowa Insurance Co., Ltd.	Mitsui Sumitomo Aioi Life Insurance Co., Ltd.	Mitsui Sumitomo Primary Life Insurance Co., Ltd.
Standard & Poor's Ratings Japan K.K.	Financial Strength Rating	A+ Stable	A+ Stable	A+ Stable	A+ Stable
	Long-Term Issuer Credit Rating	A+ Stable	A+ Stable	–	–
	Short-Term Issuer Credit Rating	A-1	A-1	–	–
Moody's Japan K.K.	Insurance Financial Strength Rating	A1 Stable	A1 Negative	–	–
	Long-Term Issuer Credit Rating	A1 Stable	–	–	–
	Commercial Paper Rating	P-1	–	–	–
Rating and Investment Information, Inc.	Issuer Rating	AA- Stable	AA- Stable	–	–
	Insurance Claims Paying Ability	–	–	AA- Stable	AA- Stable
	Commercial Paper Rating	a-1+	a-1+	–	–
Japan Credit Rating Agency, Ltd. (JCR)	Ability to Pay Insurance Claims	–	AA+ Stable	–	–
	Long-Term Issuer Rating	AA+ Stable	AA+ Stable	–	–
	Short-Term Rating (Commercial Paper)	J-1+	J-1+	–	–
A.M. Best Company	Financial Strength Rating	A+ Stable	A+ Stable	–	–
	Issuer Credit Rating	aa Stable	aa Stable	–	–

Credit Ratings of Overseas Subsidiaries

Rating Agencies	Overseas Subsidiaries	Credit Ratings
Standard & Poor's Ratings Japan K.K.	Mitsui Sumitomo Insurance (London) Ltd. Mitsui Sumitomo Reinsurance Ltd. MS Frontier Reinsurance Ltd. MSI Corporate Capital Ltd. MSIG Insurance (Hong Kong) Ltd. MSIG Insurance (Singapore) Pte. Ltd. MSIG Insurance Europe AG	Applicable to the same ratings of Mitsui Sumitomo Insurance Co., Ltd. with the substantial guarantee on insurance/reinsurance policies by Mitsui Sumitomo Insurance.
	Aioi Nissay Dowa Insurance Company of Europe Ltd.	Applicable to the same rating of Aioi Nissay Dowa Insurance Co., Ltd. with the substantial guarantee on insurance/reinsurance policies by Aioi Nissay Dowa Insurance Co., Ltd.
	Mitsui Sumitomo Insurance (China) Co., Ltd. MSIG Mingtai Insurance Co., Ltd.	Financial Strength Rating: A/Stable
A.M. Best Company	Mitsui Sumitomo Insurance Company of America Mitsui Sumitomo Insurance USA Inc. Aioi Nissay Dowa Insurance Company of America	Financial Strength Rating: A+/Stable Issuer Credit Rating: aa/Stable
	MS Frontier Reinsurance Ltd.	Financial Strength Rating: A/Stable Issuer Credit Rating: a+/Stable
	DTRIC Insurance Company, Ltd. DTRIC Insurance Underwriters, Ltd.	Financial Strength Rating: A/Stable Issuer Credit Rating: a/Stable
	Aioi Nissay Dowa Insurance (China) Co. Ltd.	Financial Strength Rating: A-/Stable Issuer Credit Rating: B-/Stable

Overseas Network

(As of July, 2013)

- ☆ 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.

<ADI>

- Aioi Nissay Dowa Insurance Agency Singapore Pte. Ltd.

THAILAND

<MSI>

- ☆ Thailand Branch
- MSIG Insurance (Thailand) 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 Chayoratr 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
- △ Mitsui Sumitomo Reinsurance Limited Labuan Branch

PHILIPPINES

<MSI>

- BPI/MS Insurance Corporation
- FLT Prime Insurance Corporation

INDONESIA

<MSI>

- PT. Asuransi MSIG Indonesia
- PT. Auto Management Services
- PT. Asuransi Jiwa Sinarmas MSIG

<ADI>

- ★ Jakarta Representative Office

REPUBLIC OF KOREA

<MSI>

- ☆ Korea Branch

PEOPLE'S REPUBLIC OF CHINA

<MS&AD HOLDINGS>

- InterRisk Consulting (Shanghai) Co.,Ltd

<MSI>

- Mitsui Sumitomo Insurance (China) Company Limited
- △ Guangdong Branch Shenzhen Marketing Service Department
- △ Beijing Branch
- △ Jiangsu Branch Suzhou Marketing Service Department
- ★ China General Representative Office
- ★ Dalian Representative Office
- ★ Chengdu Representative Office
- ★ Qingdao Representative Office

<ADI>

- ★ Beijing Representative Office
- ★ Guangzhou Representative Office
- Aioi Nissay Dowa Insurance (China) Company Limited
- △ Zhejiang Branch
- △ Tianjin Branch
- Guangzhou Guang Ai Insurance Brokers Ltd.

HONG KONG

<MSI>

- MSIG Insurance (Hong Kong) Limited

<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
- ★ Sydney Representative Office
- ★ Melbourne Representative Office

<ADI>

- ☆ Australian Branch
- ★ Sydney Representative Office
- ★ Melbourne Representative Office
- Aioi Nissay Dowa Management 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>**

- 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
- △ Warrem 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
- △ Los Angeles Branch
- △ Detroit Branch
- MSI GuaranteedWeather, LLC
- Vortex Insurance Agency, LLC

<ADI>

- ★ 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>**

- ★ Toronto Representative Office
c/o Chubb Insurance Company of Canada
- Chubb Insurance Company of Canada

BERMUDA**<MS&AD HOLDINGS>**

- Interisk Global Management (Bermuda) Limited

<MSI>

- MS Frontier Reinsurance Limited
- SPAC Insurance (Bermuda) Limited
- MSI GuaranteedWeather Trading Ltd.
- MS Financial Reinsurance Ltd.

MEXICO**<MSI>**

- △ MSIG Holdings (Americas), Inc. Mexican Representative Office
c/o Mapfre Tepeyac, S.A.

PANAMA**<MSI>**

- ★ Panama Representative Office

BRAZIL**<MSI>**

- Mitsui Sumitomo Seguros S/A.
- Mitsui Sumitomo Insurance Company Limited-Escritório de Representação no Brasil Ltda.
- ★ São Paulo Representative Office

COLOMBIA**<MSI>**

- ★ Bogotá Representative Office

PERU**<MSI>**

- ★ Lima Representative Office

ARGENTINA**<MSI>**

- ★ Buenos Aires Representative Office

EUROPE AND THE MIDDLE EAST**UNITED KINGDOM****<MSI>**

- MSIG Holdings (Europe) Limited
- Mitsui Sumitomo Insurance Company (Europe), Limited
- △ UK Branch
UK Branch 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

<ADI>

- ★ London Representative Office
- Aioi Nissay Dowa Insurance Company of Europe Limited
- Aioi Nissay Dowa Insurance Management Limited
- Toyota Insurance Management Limited
- Dowa Insurance Company (Europe) Limited
- △ Aioi Nissay Dowa Life Insurance of Europe AG
UK Branch

IRELAND**<MSI>**

- MSI Insurance Management (Ireland) Limited
- Mitsui Sumitomo Reinsurance Limited

GERMANY**<MSI>**

- △ Mitsui Sumitomo Insurance Company (Europe), Limited
German Branch
- MSIG Insurance Europe AG
- △ MSIG Insurance Europe AG
German Branch
- MSIG German Services GmbH

<ADI>

- △ Aioi Nissay Dowa Insurance Company of Europe Limited
German Branch
- △ Toyota Insurance Management Limited
German Branch
- Aioi Nissay Dowa Life Insurance of Europe AG

THE NETHERLANDS**<MSI>**

- △ Mitsui Sumitomo Insurance Company (Europe), Limited
The Netherlands Branch

<ADI>

- △ Aioi Nissay Dowa Insurance Company of Europe Limited
Netherlands Branch

FRANCE**<MSI>**

- △ Mitsui Sumitomo Insurance Company (Europe), Limited
France Branch
- △ MSIG Insurance Europe AG
France Branch

<ADI>

- ★ Paris Representative Office
- △ Aioi Nissay Dowa Insurance Company of Europe Limited
French Branch
- △ Toyota Insurance Management Limited
French Branch

BELGIUM**<MSI>**

- △ Mitsui Sumitomo Insurance Company (Europe), Limited
Belgium Branch

<ADI>

- ★ Brussels Representative Office
- △ Aioi Nissay Dowa Insurance Company of Europe Limited
Belgium Branch
- △ Toyota Insurance Management Limited
Belgium Branch

SWITZERLAND**<MSI>**

- △ MS Frontier Reinsurance Limited
Zurich Branch

SPAIN**<MSI>**

- △ Mitsui Sumitomo Insurance Company (Europe), Limited
Spain Branch

<ADI>

- △ Aioi Nissay Dowa Insurance Company of Europe Limited
Spanish Branch
- △ Toyota Insurance Management Limited
Spanish Branch

ITALY**<MSI>**

- △ Mitsui Sumitomo Insurance Company (Europe), Limited
Italy Branch

<ADI>

- △ Aioi Nissay Dowa Insurance Company of Europe Limited
Italian Branch
- △ Toyota Insurance Management Limited
Italian Branch

SLOVAKIA**<MSI>**

- △ Mitsui Sumitomo Insurance Company (Europe), Limited
Slovakia Branch
- △ MSIG Insurance Europe AG
Slovakia Branch

RUSSIA**<MSI>**

- ★ 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>**

- ★ Dubai Representative Office
- ★ Abu Dhabi Representative Office

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 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.

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 acquired 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.

Please visit our website for further information
www.ms-ad-hd.com/en/

