

SUMMARY OF FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017

May 19, 2017

Name of Listed Company: **MS&AD Insurance Group Holdings, Inc.**
 Stock Exchange Listing: Tokyo Stock Exchange and Nagoya Stock Exchange
 Securities Code Number: 8725
 URL: <http://www.ms-ad-hd.com>
 Representative: Yasuyoshi Karasawa, President & CEO
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Scheduled date to hold the ordinary general meeting of shareholders: June 26, 2017
 Scheduled date to file the Securities Report: June 26, 2017
 Scheduled date to commence dividend payments: June 27, 2017
 Explanatory material for business results: Available
 IR Conference (for institutional investors and analysts): To be held

(Note) Amounts of less than one million yen are truncated.

1. Consolidated Financial Highlights for the Year Ended March 31, 2017 (April 1, 2016 to March 31, 2017)

(1) Consolidated business performance (Yen in millions)

	Ordinary income		Ordinary profit		Net income attributable to owners of the parent	
Year ended March 31, 2017	5,335,239	6.4 %	352,612	20.9 %	210,447	15.9 %
Year ended March 31, 2016	5,013,038	6.9 %	291,578	1.6 %	181,516	33.2 %

Percent figures represent changes from the corresponding period of the preceding year.

(Note) Comprehensive income For the year ended March 31, 2017: ¥ 114,294 million - %
 For the year ended March 31, 2016: ¥ (233,116) million (128.9) %

(Yen)

	Net income attributable to owners of the parent per share - Basic	Net income attributable to owners of the parent per share - Diluted	Return on equity	Ordinary profit to total assets	Ordinary profit to ordinary income
Year ended March 31, 2017	350.94	350.90	7.8 %	1.7 %	6.6 %
Year ended March 31, 2016	298.72	-	6.4 %	1.5 %	5.8 %

(Reference) Gains/(losses) on equity method investments For the year ended March 31, 2017: ¥ 2,112 million
 For the year ended March 31, 2016: ¥ 2,245 million

(2) Consolidated financial conditions (Yen in millions)

	Total assets	Net assets	Ratio of net assets less non-controlling interests to total assets	Net assets less non-controlling interests per share (Yen)
March 31, 2017	21,234,300	2,734,432	12.8 %	4,572.82
March 31, 2016	20,303,649	2,725,274	13.3 %	4,469.58

(Reference) Net assets less non-controlling interests As of March 31, 2017: ¥ 2,708,978 million
 As of March 31, 2016: ¥ 2,698,168 million

(3) Consolidated cash flows (Yen in millions)

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Ending balance of cash and cash equivalents
Year ended March 31, 2017	1,086,948	(614,899)	(100,198)	1,415,903
Year ended March 31, 2016	1,291,017	(1,217,980)	199,075	1,056,407

2. Dividends

	Dividends per share (Yen)					Total annual dividends (Yen in millions)	Dividend pay-out ratio (Consolidated)	Dividends on net assets (Consolidated)
	1st quarter	2nd quarter	3rd quarter	4th quarter	Annual total			
Year ended March 31, 2016	-	35.00	-	55.00	90.00	54,447	30.1 %	1.9 %
Year ended March 31, 2017	-	50.00	-	70.00	120.00	71,489	34.2 %	2.7 %
Year ending March 31, 2018 (Forecast)	-	65.00	-	65.00	130.00		31.4 %	

3. Consolidated Earnings Forecasts for the Year Ending March 31, 2018 (April 1, 2017 to March 31, 2018)

(Yen in millions)

	Ordinary profit		Net income attributable to owners of the parent		Net income attributable to owners of the parent per share (Yen)
Year ending March 31, 2018	345,000	(2.2) %	245,000	16.4 %	413.56

Percent figures represent changes from the preceding year.

*** Notes**

(1) Changes in significant subsidiaries for the period (changes in specified subsidiaries resulting in changes in scope of consolidation): Yes

Increase 0

Decrease 1 (MS Frontier Reinsurance Limited)

(2) Changes in accounting policies and accounting estimates and restatements

1. Changes in accounting policies due to revisions of accounting standards: None

2. Changes in accounting policies other than above: None

3. Changes in accounting estimates: None

4. Restatements: None

(3) Number of shares of issued stock (common stock)

1. Number of shares of issued stock (including treasury stock)

As of March 31, 2017: 633,291,754 shares

As of March 31, 2016: 633,291,754 shares

2. Number of shares of treasury stock

As of March 31, 2017: 40,884,055 shares

As of March 31, 2016: 29,618,854 shares

3. Average number of shares of outstanding stock

For the year ended March 31, 2017: 599,655,359 shares

For the year ended March 31, 2016: 607,639,707 shares

*** This report is unaudited.**

*** Notes to the earnings forecasts and others**

Any earnings forecasts in this report have been made based on the information available to the Company as of the disclosure date of the report and certain assumptions, and therefore do not guarantee future performance. Actual results may differ substantially from these forecasts depending on various factors. For key assumptions of the earnings forecasts and other relevant information, please refer to "Consolidated Earnings Forecasts for the Year Ending March 31, 2018" on page 3 of the Appendix. The forecasts of consolidated ordinary income for the fiscal year and consolidated earnings for the second quarter (cumulative) are not disclosed due to difficulties in calculating reasonable forecast figures stemming from a high susceptibility to natural disasters and market conditions.

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[Attachment]

Explanatory Material for Business Results for the Year Ended March 31, 2017

1. Overview of Business Performance and Forecasts

(1) Overview of Business Performance and Financial Conditions in the Fiscal Year under Review (Overview of business performance in the fiscal year under review)

During the current fiscal year, the global economy generally recovered moderately, with economic recoveries continuing in the United States and Europe and a pick-up in economic conditions appearing in Asia.

Meanwhile, the Japanese economy recorded a gradual recovery. Despite the impact of factors such as a drop in long-term interest rates caused by negative interest rate policy, a pick-up in consumer spending stemming from an improvement in employment conditions became apparent while capital expenditure and corporate earnings also continued to improve.

In the non-life insurance industry, premiums written decreased mainly in fire insurance and marine insurance, and claims paid increased due to the impact of natural catastrophes such as the Kumamoto earthquake. In the life insurance industry, the amount of policies in force for individual insurance generally remained flat, but the number of policies in force increased mainly in medical insurance.

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

In regard to reorganization by function, Mitsui Sumitomo Insurance Co., Ltd. and Aioi Nissay Dowa Insurance Co., Ltd. pursued initiatives to increase the Group's sense of unity. For example, they promoted the joint development of non-life claims service systems and took further steps to standardize products and operating procedures.

In order to achieve the Group management strategy, the Company further strengthened the management administration system by newly establishing the Group International Business Committee, which will pursue Group synergies overseas. In addition, the Company promoted initiatives aimed at creating a new business model for the Group such as the establishment of a new specialist department based on the objective of strengthening product and service development functions with the use of ICT.

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

Underwriting income was ¥4,810.8 billion, investment income was ¥507.2 billion and other ordinary income was ¥17.0 billion, resulting in total ordinary income of ¥5,335.2 billion. At the same time, ordinary expenses amounted to ¥4,982.6 billion, including ¥4,256.3 billion in underwriting expenses, ¥55.0 billion in investment expenses, ¥653.5 billion in operating expenses and general and administrative expenses, and other ordinary expenses amounting to ¥17.5 billion.

As a result, the Company posted an ordinary profit of ¥352.6 billion, an increase of ¥61.0 billion over the previous fiscal year. After factoring in extraordinary income and losses, income taxes and other items, net income rose by ¥28.9 billion over the previous fiscal year to ¥210.4 billion.

Summaries of each business segment are given below.

1) Domestic Non-life Insurance Business (Mitsui Sumitomo Insurance Co., Ltd.)

Ordinary income was ¥1,772.8 billion after recording underwriting income of ¥1,609.6 billion, investment income of ¥159.0 billion, and other ordinary income of ¥4.1 billion. Meanwhile, ordinary expenses came to ¥1,557.3 billion resulting from underwriting expenses of ¥1,319.9 billion, investment expenses of ¥11.9 billion, operating expenses and general and administrative expenses of ¥217.6 billion, and other ordinary expenses of ¥7.8 billion.

As a result, ordinary profit was ¥215.5 billion with an increase of ¥47.6 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 ¥164.5 billion with an increase of ¥50.5 billion from the previous fiscal year.

2) Domestic Non-life Insurance Business (Aioi Nissay Dowa Insurance Co., Ltd.)

Ordinary income was ¥1,304.9 billion after recording underwriting income of ¥1,246.6 billion, investment income of ¥52.0 billion, and other ordinary income of ¥6.3 billion. Meanwhile, ordinary expenses came to ¥1,229.7 billion resulting from underwriting expenses of ¥1,026.1 billion, investment expenses of ¥14.4 billion, operating expenses and general and administrative expenses of ¥186.8 billion, and other ordinary expenses of ¥2.3 billion.

As a result, ordinary profit was ¥75.1 billion with an increase of ¥13.4 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 ¥50.3 billion with an increase of ¥19.2 billion from the previous fiscal year.

3) Domestic Non-life Insurance Business (Mitsui Direct General Insurance Co., Ltd.)

Ordinary income was ¥37.7 billion after recording underwriting income of ¥37.6 billion and others, meanwhile, ordinary expenses came to ¥38.7 billion resulting from underwriting expenses of ¥30.6 billion and operating expenses and general and administrative expenses of ¥8.0 billion.

As a result, ordinary loss was ¥0.9 billion with an increase of ¥4.4 billion from ordinary loss in the previous fiscal year, meanwhile, net loss was ¥1.0 billion with an increase of ¥4.4 billion from the previous fiscal year. Consequently, net loss after taking ownership interests into account (net loss by segment) was ¥0.9 billion with an increase of ¥3.4 billion from net loss in the previous fiscal year.

4) Domestic Life Insurance Business (Mitsui Sumitomo Aioi Life Insurance Co., Ltd.)

Ordinary income was ¥530.1 billion after recording insurance premiums and others of ¥480.2 billion, investment income of ¥47.5 billion, and other ordinary income of ¥2.4 billion. Meanwhile, ordinary expenses came to ¥514.0 billion resulting from insurance claims and others of ¥183.4 billion, provision for underwriting reserves and others of ¥237.4 billion, investment expenses of ¥3.8 billion, operating expenses of ¥76.9 billion, and other ordinary expenses of ¥12.3 billion.

As a result, ordinary profit was ¥16.1 billion with a decrease of ¥2.4 billion from the previous fiscal year. After factoring in extraordinary income and losses, income taxes and other factors to ordinary profit, net income of ¥4.5 billion was reported with a decrease of ¥1.4 billion from the previous fiscal year.

5) Domestic Life Insurance Business (Mitsui Sumitomo Primary Life Insurance Co., Ltd.)

Ordinary income was ¥1,272.8 billion after recording insurance premiums and others of ¥1,083.8 billion, investment income of ¥185.6 billion, and other ordinary income of ¥3.3 billion. Meanwhile, ordinary expenses came to ¥1,215.1 billion resulting from insurance claims and others of ¥469.3 billion, provision for underwriting reserves and others of ¥673.0 billion, investment expenses of ¥1.5 billion, operating expenses of ¥61.3 billion, and other ordinary expenses of ¥9.8 billion.

As a result, ordinary profit was ¥57.6 billion with an increase of ¥17.7 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 ¥20.7 billion with an increase of ¥2.8 billion from the previous fiscal year.

6) International Business (Overseas Insurance Subsidiaries)

Net premiums written in the overseas insurance subsidiaries segment rose by ¥356.2 billion compared to the previous fiscal year to ¥693.1 billion.

Ordinary profit came to ¥40.0 billion with an increase of ¥2.4 billion from the previous fiscal year, and net income (net income by segment) came to ¥24.0 billion with a decrease of ¥4.5 billion from the previous fiscal year.

(Overview of Financial Conditions in the Fiscal Year under Review)

Total assets as at March 31, 2017 stood at ¥21,234.3 billion with an increase of ¥930.6 billion from the end of the previous fiscal year, and net assets stood at ¥2,734.4 billion with an increase of ¥9.1 billion mainly due to an increase in retained earnings.

(Overview of Cash Flows in the Fiscal Year under Review)

With regard to cash flows in the fiscal year under review, net cash flows from operating activities decreased by ¥204.0 billion over the previous year to ¥1,086.9 billion, mainly due to an increase in the amount of claims paid. Net cash flows from investing activities increased by ¥603.0 billion from the previous year, when the acquisition of shares of subsidiaries associated with changes in the scope of consolidated subsidiaries was made, to ¥(614.8) billion. In addition, net cash flows from financing activities were ¥(100.1) billion, a decrease of ¥299.2 billion over the previous year, which mainly reflected a decline in revenue from borrowings. As a result, the balance of cash and cash equivalents at the end of the fiscal year under review stood at ¥1,415.9 billion, an increase of ¥359.4 billion from the end of the previous fiscal year.

In regard to the liquidity of funds, the MS&AD Group maintains sufficient liquid assets in preparation for any deterioration in its cash position due to factors such as the outflow of funds arising from the payment of insurance claims or disruptions in markets. It also evaluates liquidity in terms of both assets and liabilities based on trends regarding the inflow and outflow of funds, and conducts appropriate cash management.

(2) Consolidated Earnings Forecasts for the Year Ending March 31, 2018

Based on the assumptions below, the Company forecasts ordinary profit of ¥345.0 billion and net income attributable to owners of the parent of ¥245.0 billion on a consolidated basis for the year ending March 31, 2018.

- The forecast of net premiums written is based on the Company's own estimate taking into account the trends in the consolidated business results.
- Incurred losses (the sum total of net claims paid and provision for outstanding claims) in relation to new domestic natural catastrophes are projected to be ¥30.0 billion at Mitsui Sumitomo Insurance Co., Ltd. and ¥20.0 billion at Aioi Nissay Dowa Insurance Co., Ltd.
- Market interest rates, currency exchange rates, and stock prices are assumed not to change substantially from the end of March 2017.

The Company's consolidated earnings forecasts have been prepared based on certain assumed conditions, including those above, but actual results may differ substantially from these forecasts depending on various factors.

2. Basic Stance for Adopting Accounting Standards

The Company is considering adopting International Financial Reporting Standards (IFRS) to improve international comparability of financial information for the capital market, and necessary actions such as information gathering and examination of introducing process are being conducted. The adoption date has not yet been determined, but it is expected to be decided following the progress in discussion of the new accounting standard for insurance contracts (IFRS 17) and other factors.

3. Consolidated Financial Statements and Main Notes

(1) Consolidated Balance Sheets

(Yen in millions)

	March 31, 2016	March 31, 2017
Assets		
Cash, deposits and savings	1,083,838	1,419,267
Call loans	31,175	15,000
Receivables under resale agreements	29,999	6,999
Receivables under securities borrowing transactions	275,350	285,455
Monetary claims bought	125,785	111,320
Money trusts	828,097	971,119
Investments in securities	14,670,914	15,303,103
Loans	883,106	886,316
Tangible fixed assets:	477,799	464,955
Land	235,730	232,151
Buildings	204,263	196,693
Lease assets	2,848	2,943
Construction in progress	1,934	1,658
Other tangible fixed assets	33,022	31,508
Intangible fixed assets:	522,081	417,156
Software	82,529	74,572
Goodwill	204,055	163,415
Lease assets	25	3
Other intangible fixed assets	235,470	179,164
Other assets	1,251,615	1,225,719
Assets for retirement benefits	32,815	32,452
Deferred tax assets	45,871	55,660
Customers' liabilities under acceptances and guarantees	55,500	50,530
Bad debt reserve	(10,300)	(10,756)
Total assets	20,303,649	21,234,300
Liabilities		
Policy liabilities:	15,283,850	16,156,153
Outstanding claims	1,967,518	1,982,354
Underwriting reserves	13,316,332	14,173,799
Bonds issued	349,841	456,191
Other liabilities	1,299,598	1,226,769
Liabilities for pension and retirement benefits	188,853	190,562
Reserve for retirement benefits for officers	796	640
Accrued bonuses for employees	33,589	28,396
Reserve for reorganization by function	-	22,097
Reserves under the special laws:	161,032	194,960
Reserve for price fluctuation	161,032	194,960
Deferred tax liabilities	205,312	173,566
Acceptances and guarantees	55,500	50,530
Total liabilities	17,578,374	18,499,867

(Yen in millions)

	March 31, 2016	March 31, 2017
Net assets		
Shareholders' equity:		
Common stock	100,000	100,000
Capital surplus	670,646	669,458
Retained earnings	628,562	775,877
Treasury stock	(80,065)	(120,050)
Total shareholders' equity	1,319,143	1,425,285
Accumulated other comprehensive income:		
Net unrealized gains/(losses) on investments in securities	1,324,886	1,360,859
Net deferred gains/(losses) on hedges	40,113	23,472
Foreign currency translation adjustments	22,369	(91,219)
Accumulated actuarial gains/(losses) on retirement benefits	(8,343)	(9,420)
Total accumulated other comprehensive income	1,379,024	1,283,692
Stock acquisition rights	-	307
Non-controlling interests	27,106	25,147
Total net assets	2,725,274	2,734,432
Total liabilities and net assets	20,303,649	21,234,300

(2) Consolidated Statements of Income and Comprehensive Income

(Consolidated Statements of Income)

(Yen in millions)

	Year ended March 31, 2016	Year ended March 31, 2017
Ordinary income:	5,013,038	5,335,239
Underwriting income:	4,606,563	4,810,863
Net premiums written	3,078,732	3,407,389
Deposit premiums from policyholders	116,225	98,546
Investment income on deposit premiums from policyholders	48,953	45,405
Life insurance premiums	1,356,334	1,253,167
Other underwriting income	6,317	6,353
Investment income:	389,582	507,283
Interest and dividends income	268,620	272,556
Investment gains on money trusts	2,879	16,056
Investment gains on trading securities	-	50,255
Gains on sales of securities	144,405	92,602
Gains on redemption of securities	1,856	718
Gains on derivative transactions	17,237	-
Investment gains on separate accounts	-	81,380
Other investment income	3,536	39,118
Transfer of investment income on deposit premiums from policyholders	(48,953)	(45,405)
Other ordinary income:	16,892	17,093
Gains on equity method investments	2,245	2,112
Other ordinary income	14,646	14,980
Ordinary expenses:	4,721,460	4,982,626
Underwriting expenses:	3,904,219	4,256,352
Net claims paid	1,627,340	1,831,876
Loss adjustment expenses	161,666	169,562
Commissions and collection expenses	640,777	681,003
Maturity refunds to policyholders	293,137	236,800
Dividends to policyholders	1,015	526
Life insurance claims	396,259	330,897
Provision for outstanding claims	27,870	71,394
Provision for underwriting reserves	744,397	908,160
Other underwriting expenses	11,755	26,131
Investment expenses:	210,745	55,096
Investment losses on money trusts	19,168	1,034
Losses on sales of securities	9,896	12,769
Impairment losses on securities	17,946	2,034
Losses on redemption of securities	1,062	1,118
Losses on derivative transactions	-	31,628
Investment losses on separate accounts	76,153	-
Other investment expenses	86,518	6,512
Operating expenses and general and administrative expenses	590,839	653,593
Other ordinary expenses:	15,655	17,584
Interest expense	7,432	8,986
Provision for bad debts	-	2,012
Loss on bad debts	170	217
Amortization of deferred assets under Article 113 of the Insurance Business Act	236	947
Other ordinary expenses	7,815	5,420
Ordinary profit	291,578	352,612

(Yen in millions)

	Year ended March 31, 2016	Year ended March 31, 2017
Extraordinary income:	17,753	3,546
Gains on sales of fixed assets	2,771	3,546
Other extraordinary gains	14,982	-
Extraordinary losses:	52,238	73,553
Losses on sales of fixed assets	2,572	2,456
Impairment losses on fixed assets	10,129	5,512
Provision for reserves under the special laws:	24,293	33,928
Provision for reserve for price fluctuation	24,293	33,928
Other extraordinary losses	15,242	31,656
Income before income taxes	257,094	282,605
Income taxes - current	62,816	105,468
Income taxes - deferred	12,466	(34,562)
Total income taxes	75,282	70,906
Net income	181,811	211,699
Net income attributable to non-controlling interests	294	1,252
Net income attributable to owners of the parent	181,516	210,447

(Consolidated Statements of Comprehensive Income)

(Yen in millions)

	Year ended March 31, 2016	Year ended March 31, 2017
Net income	181,811	211,699
Other comprehensive income:		
Net unrealized gains/(losses) on investments in securities	(308,774)	33,664
Net deferred gains/(losses) on hedges	7,973	(16,640)
Foreign currency translation adjustments	(67,259)	(114,654)
Accumulated actuarial gains/(losses) on retirement benefits	(36,989)	(1,073)
Share of other comprehensive income of equity method investments	(9,877)	1,298
Total other comprehensive income	(414,927)	(97,405)
Total comprehensive income	(233,116)	114,294
Allocation:		
Comprehensive income attributable to owners of the parent	(230,492)	115,115
Comprehensive income attributable to non-controlling interests	(2,623)	(821)

(3) Consolidated Statements of Changes in Net Assets

For the year ended March 31, 2016 (from April 1, 2015 to March 31, 2016)

(Yen in millions)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Beginning balance	100,000	675,327	490,329	(49,978)	1,215,678
Changes for the year:					
Dividends paid			(43,284)		(43,284)
Net income attributable to owners of the parent			181,516		181,516
Repurchase of treasury stock				(30,089)	(30,089)
Disposal of treasury stock		0		2	3
Changes in scope of consolidation					-
Changes in equity resulted from increase in capital of consolidated subsidiaries		(566)			(566)
Changes in the parent's ownership interests in subsidiaries due to transactions with non-controlling interests		(206)			(206)
Put options granted to non-controlling interests		(3,908)			(3,908)
Net changes of items other than shareholders' equity					
Total changes for the year	-	(4,680)	138,232	(30,087)	103,464
Ending balance	100,000	670,646	628,562	(80,065)	1,319,143

	Accumulated other comprehensive income					Stock acquisition rights	Non-controlling interests	Total net assets
	Net unrealized gains/(losses) on investments in securities	Net deferred gains/(losses) on hedges	Foreign currency translation adjustments	Accumulated actuarial gains/(losses) on retirement benefits	Total accumulated other comprehensive income			
Beginning balance	1,635,784	32,140	94,417	28,690	1,791,033	-	29,950	3,036,663
Changes for the year:								
Dividends paid								(43,284)
Net income attributable to owners of the parent								181,516
Repurchase of treasury stock								(30,089)
Disposal of treasury stock								3
Changes in scope of consolidation								-
Changes in equity resulted from increase in capital of consolidated subsidiaries								(566)
Changes in the parent's ownership interests in subsidiaries due to transactions with non-controlling interests								(206)
Put options granted to non-controlling interests								(3,908)
Net changes of items other than shareholders' equity	(310,898)	7,973	(72,048)	(37,034)	(412,008)	-	(2,843)	(414,852)
Total changes for the year	(310,898)	7,973	(72,048)	(37,034)	(412,008)	-	(2,843)	(311,388)
Ending balance	1,324,886	40,113	22,369	(8,343)	1,379,024	-	27,106	2,725,274

For the year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)

(Yen in millions)

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

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

(4) Consolidated Statements of Cash Flows

	(Yen in millions)	
	Year ended March 31, 2016	Year ended March 31, 2017
Cash flows from operating activities:		
Income before income taxes	257,094	282,605
Depreciation	43,746	62,184
Impairment losses on fixed assets	10,129	5,512
Amortization of goodwill	6,281	11,393
Increase/(decrease) in outstanding claims	29,336	82,392
Increase/(decrease) in underwriting reserves	737,163	903,095
Increase/(decrease) in bad debt reserve	(4,170)	1,542
Increase/(decrease) in reserve for retirement benefits for officers	(156)	(156)
Increase/(decrease) in accrued bonuses for employees	(74)	(3,096)
Increase/(decrease) in reserve for reorganization by function	-	22,097
Increase/(decrease) in liabilities for pension and retirement benefits	1,521	2,078
Increase/(decrease) in reserve for price fluctuation	24,293	33,928
Interest and dividends income	(268,620)	(272,556)
Losses/(gains) on money trusts	16,337	(15,075)
Losses/(gains) on investments in securities	(117,355)	(127,655)
Losses/(gains) on derivative transactions	(17,237)	31,628
Investment losses/(gains) on separate accounts	76,153	(81,380)
Interest expense	7,432	8,986
Foreign exchange losses/(gains)	77,069	(31,703)
Losses/(gains) on disposal of tangible fixed assets	(198)	(1,090)
Losses/(gains) on equity method investments	(2,245)	(2,112)
Decrease/(increase) in other assets	(12,290)	(70,445)
Increase/(decrease) in other liabilities	53,871	6,834
Others, net	(2,454)	(19,868)
Subtotal	915,623	829,139
Interest and dividends received	413,020	355,139
Interest paid	(7,315)	(10,628)
Income taxes refunded/(paid)	(30,310)	(86,701)
Net cash provided by/(used in) operating activities (a)	1,291,017	1,086,948

	(Yen in millions)	
	Year ended March 31, 2016	Year ended March 31, 2017
Cash flows from investing activities:		
Net decrease/(increase) in deposits and savings	(6,378)	(1,112)
Proceeds from sales and redemption of monetary claims bought	8,033	17,191
Purchase of money trusts	(456,026)	(206,384)
Proceeds from sales of money trusts	153,046	78,917
Purchase of securities	(2,557,765)	(3,136,168)
Proceeds from sales and redemption of securities	2,340,374	2,577,663
Investments in loans	(350,336)	(212,875)
Collection of loans	244,814	212,220
Net increase/(decrease) in cash collateral under securities borrowing and lending transactions	887	73,812
Others, net	23,955	21,800
Subtotal (b)	(599,394)	(574,934)
(a + b)	691,622	512,013
Acquisition of tangible fixed assets	(22,016)	(20,158)
Proceeds from sales of tangible fixed assets	5,021	8,922
Acquisition of intangible fixed assets	(18,832)	(27,608)
Acquisition of subsidiaries resulting in changes in scope of consolidation	(574,189)	-
Net payments for sale of subsidiaries resulting in changes in scope of consolidation	(7,554)	-
Others, net	(1,013)	(1,119)
Net cash provided by/(used in) investing activities	(1,217,980)	(614,899)
Cash flows from financing activities:		
Proceeds from borrowings	436,767	32,651
Repayments of borrowings	(240,000)	(141,389)
Issuance of bonds	148,967	148,961
Redemption of bonds	(70,000)	(33,890)
Repurchase of treasury stock	(30,089)	(39,985)
Dividends paid to shareholders	(43,242)	(63,151)
Dividends paid to non-controlling interests	(1,281)	(1,098)
Purchase of shares of subsidiaries not resulting in changes in scope of consolidation	(384)	(617)
Others, net	(1,660)	(1,678)
Net cash provided by/(used in) financing activities	199,075	(100,198)
Effect of exchange rate changes on cash and cash equivalents	(20,508)	(11,451)
Net increase/(decrease) in cash and cash equivalents	251,605	360,399
Beginning balance of cash and cash equivalents	805,455	1,056,407
Decrease in cash and cash equivalents due to exclusion from consolidation	(699)	(903)
Net increase/(decrease) in cash and cash equivalents due to merger of consolidated subsidiaries	46	-
Ending balance of cash and cash equivalents	1,056,407	1,415,903

(5) Notes to Consolidated Financial Statements

(Notes to Going Concern Assumptions)

Not applicable

(Notes to Segment Information)

1 Overview of reportable segments

The reportable segments are the units of MS&AD group (“the Group”) for which separate financial information is available and that are evaluated regularly by the board of directors in deciding allocation of resources and assessing their performance.

The Group's business domains comprise domestic non-life insurance business, domestic life insurance business, international business, financial services business and risk-related services business. Mitsui Sumitomo Insurance Co., Ltd. (“MSI”), Aioi Nissay Dowa Insurance Co., Ltd. (“ADI”) and Mitsui Direct General Insurance Co., Ltd. (“Mitsui Direct General”) primarily operate domestic non-life insurance business, and Mitsui Sumitomo Aioi Life Insurance Co., Ltd. (“MSI Aioi Life”) and Mitsui Sumitomo Primary Life Insurance Co., Ltd. (“MSI Primary Life”) primarily operate domestic life insurance business. Domestic non-life insurance subsidiaries engage in international business, and overseas affiliated companies also develop insurance business in various foreign countries.

Segment information is presented based on the Group's business domains where the domestic life and non-life insurance businesses are further identified by each insurance company, resulting in six reportable segments that comprise the five domestic insurance companies and the international business (overseas insurance subsidiaries).

Each non-life insurance company underwrites fire and allied insurance, marine insurance, personal accident insurance, voluntary automobile insurance, compulsory automobile liability insurance and other non-life insurance products. Each life insurance company underwrites individual insurance, individual annuity insurance, group insurance and other life insurance products.

2 Methods of calculating revenues, net income or loss, assets, liabilities and other items by reportable segment

The accounting methods for reportable segments are substantially the same as those mentioned in “Significant Accounting Policies” of the Securities Report filed on June 22, 2016. Net income by segment is the amount based on net income of each company (after taking ownership interests into consideration).

Intersegment revenues and transfers are calculated based on prices used in transactions between the Company and independent third parties.

3 Information on revenues, net income or loss, assets, liabilities and other items by reportable segment

For the year ended March 31, 2016 (from April 1, 2015 to March 31, 2016)

(Yen in millions)

	Domestic non-life insurance business			Domestic life insurance business	
	MSI	ADI	Mitsui Direct General	MSI Aioi Life	MSI Primary Life
Revenues: (Note 1)					
Revenues from transactions with external customers	1,473,595	1,155,443	36,605	354,429	999,774
Intersegment revenues or transfers	33,561	36,646	(33)	-	(9,679)
Total	1,507,157	1,192,089	36,571	354,429	990,094
Net income/(loss) by segment	113,970	31,098	(4,357)	6,041	17,892
Assets by segment	6,786,590	3,418,516	51,086	3,229,031	5,191,230
Other items:					
Depreciation	21,106	13,921	930	3,221	1,526
Amortization of goodwill	-	-	-	-	-
Interest and dividends income	116,990	58,752	111	43,459	47,603
Interest expense	6,173	756	-	292	3
Gains/(losses) on equity method investments	-	-	-	-	-
Extraordinary income	1,782	3,717	-	0	-
Extraordinary losses:	13,567	23,946	18	735	13,327
Impairment losses on fixed assets	8,294	3,695	-	-	-
Provision for reserve for price fluctuation	3,613	6,641	7	703	13,326
Costs associated with the implementation of the career/transition assistance measures such as special severance payments	-	11,344	-	-	-
Income taxes	42,140	10,444	37	2,833	8,739
Equity method investments	158,588	-	-	-	-
Increase in tangible fixed assets and intangible fixed assets	12,632	14,885	1,146	4,589	1,627

(Yen in millions)

	International business	Others (Note 2)	Total	Adjustments (Notes 3,4 and 5)	Amount on the consolidated financial statements (Note 6)
	Overseas insurance subsidiaries				
Revenues: (Note 1)					
Revenues from transactions with external customers	392,885	40,417	4,453,150	(18,083)	4,435,067
Intersegment revenues or transfers	(53,872)	(6,621)	-	-	-
Total	339,013	33,795	4,453,150	(18,083)	4,435,067
Net income/(loss) by segment	28,587	4,786	198,018	(16,502)	181,516
Assets by segment	2,555,462	59,800	21,291,718	(988,069)	20,303,649
Other items:					
Depreciation	4,485	500	45,692	(1,945)	43,746
Amortization of goodwill	-	-	-	6,281	6,281
Interest and dividends income	20,244	114	287,277	(18,656)	268,620
Interest expense	185	20	7,432	0	7,432
Gains/(losses) on equity method investments	6,859	1,121	7,980	(5,734)	2,245
Extraordinary income	30	-	5,531	12,222	17,753
Extraordinary losses:	1,227	20	52,844	(606)	52,238
Impairment losses on fixed assets	485	-	12,475	(2,345)	10,129
Provision for reserve for price fluctuation	-	-	24,293	-	24,293
Costs associated with the implementation of the career/transition assistance measures such as special severance payments	-	-	11,344	-	11,344
Income taxes	6,135	146	70,477	4,805	75,282
Equity method investments	2,758	-	161,347	(15,463)	145,883
Increase in tangible fixed assets and intangible fixed assets	7,156	868	42,907	32	42,939

(Notes)

- 1 “Revenues” represents net premiums written for non-life insurance business, life insurance premiums for life insurance business, ordinary income for other business, and the sum total of net premiums written and life insurance premiums for “Amount on the consolidated financial statements”.
- 2 “Others”, which is business segments not included in reportable segments, represents financial services business and risk-related services business operated by group companies other than domestic insurance companies, and domestic non-life insurance business operated by domestic non-life insurance subsidiaries which are not included in reportable segments.
- 3 “Adjustments” in “Revenues from transactions with external customers” represents the sum total of ordinary income items other than net premiums written and life insurance premiums for other business.
- 4 “Adjustments” in “Net income/(loss) by segment” includes elimination of intersegment transactions of ¥(13,525) million, companywide expenses not allocated to respective reportable segments of ¥(6,486) million and adjustments to profit and loss due to application of the purchase method to domestic insurance subsidiaries and amortization of goodwill of ¥3,509 million. Most of the companywide expenses are expenses associated with the Company's administrative departments that do not belong to any reportable segments.
- 5 “Adjustments” in “Assets by segment” includes elimination of intersegment transactions of ¥(1,034,570) million, transfers due to offsetting reinsurance recoverables included in assets of overseas insurance subsidiaries and policy liabilities on the consolidated financial statements of ¥(296,148) million, companywide assets not allocated to respective reportable segments of ¥2,760 million, adjustments to assets due to application of the purchase method to domestic insurance subsidiaries and unamortized balance of goodwill not allocated to respective reportable segments of ¥339,889 million. The companywide assets are the Company's assets that do not belong to any reportable segments.
- 6 “Net income/(loss) by segment” is reconciled with net income attributable to owners of the parent on the consolidated financial statements.

For the year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)

(Yen in millions)

	Domestic non-life insurance business			Domestic life insurance business	
	MSI	ADI	Mitsui Direct General	MSI Aioi Life	MSI Primary Life
Revenues: (Note 1)					
Revenues from transactions with external customers	1,442,976	1,161,736	37,699	369,255	881,893
Intersegment revenues or transfers	27,145	38,789	(46)	-	(11,922)
Total	1,470,122	1,200,525	37,653	369,255	869,971
Net income/(loss) by segment	164,568	50,391	(947)	4,594	20,703
Assets by segment	6,777,076	3,498,264	59,987	3,619,194	5,838,048
Other items:					
Depreciation	21,754	15,292	924	3,815	1,779
Amortization of goodwill	-	-	-	-	-
Interest and dividends income	116,792	55,409	89	43,797	60,761
Interest expense	6,325	755	-	67	0
Gains/(losses) on equity method investments	-	-	-	-	-
Extraordinary income	1,379	2,644	-	3	-
Extraordinary losses:	8,479	11,015	12	775	28,907
Impairment losses on fixed assets	489	5,709	-	-	-
Provision for reserve for price fluctuation	3,667	589	7	757	28,906
Costs associated with the reorganization of the overseas consolidated subsidiaries	-	-	-	-	-
Income taxes	43,874	16,425	36	1,815	8,081
Equity method investments	156,490	-	-	-	-
Increase in tangible fixed assets and intangible fixed assets	16,703	14,462	993	7,037	1,310

(Yen in millions)

	International business	Others (Note 2)	Total	Adjustments (Notes 3,4 and 5)	Amount on the consolidated financial statements (Note 6)
	Overseas insurance subsidiaries				
Revenues: (Note 1)					
Revenues from transactions with external customers	744,081	30,895	4,668,538	(7,982)	4,660,556
Intersegment revenues or transfers	(48,913)	(4,888)	164	(164)	-
Total	695,168	26,006	4,668,703	(8,146)	4,660,556
Net income/(loss) by segment	24,079	2,579	265,968	(55,521)	210,447
Assets by segment	2,464,408	55,834	22,312,814	(1,078,513)	21,234,300
Other items:					
Depreciation	8,122	648	52,338	9,845	62,184
Amortization of goodwill	-	-	-	11,393	11,393
Interest and dividends income	18,047	2	294,899	(22,343)	272,556
Interest expense	3,577	-	10,725	(1,738)	8,986
Gains/(losses) on equity method investments	7,111	756	7,868	(5,756)	2,112
Extraordinary income	24	-	4,051	(505)	3,546
Extraordinary losses:	8,134	0	57,325	16,228	73,553
Impairment losses on fixed assets	2,582	-	8,781	(3,268)	5,512
Provision for reserve for price fluctuation	-	-	33,928	-	33,928
Costs associated with the reorganization of the overseas consolidated subsidiaries	5,319	-	5,319	-	5,319
Income taxes	5,807	(210)	75,830	(4,924)	70,906
Equity method investments	2,431	-	158,922	(15,948)	142,973
Increase in tangible fixed assets and intangible fixed assets	10,476	298	51,281	(2,956)	48,324

(Notes)

- 1 “Revenues” represents net premiums written for non-life insurance business, life insurance premiums for life insurance business, ordinary income for other business, and the sum total of net premiums written and life insurance premiums for “Amount on the consolidated financial statements”.
- 2 “Others”, which is business segments not included in reportable segments, represents financial services business and risk-related services business operated by group companies other than domestic insurance companies, and domestic non-life insurance business operated by domestic non-life insurance subsidiaries which are not included in reportable segments.
- 3 “Adjustments” in “Revenues from transactions with external customers” represents the sum total of ordinary income items other than net premiums written and life insurance premiums for other business.
- 4 “Adjustments” in “Net income/(loss) by segment” includes elimination of intersegment transactions of ¥(16,625) million, companywide expenses not allocated to respective reportable segments of ¥(9,391) million and adjustments to profit and loss due to application of the purchase method to domestic insurance subsidiaries and amortization of goodwill of ¥(29,504) million. Most of the companywide expenses are expenses associated with the Company's administrative departments that do not belong to any reportable segments.
- 5 “Adjustments” in “Assets by segment” includes elimination of intersegment transactions of ¥(1,072,866) million, transfers due to offsetting reinsurance recoverables included in assets of overseas insurance subsidiaries and policy liabilities on the consolidated financial statements of ¥(288,609) million, companywide assets not allocated to respective reportable segments of ¥32,952 million, adjustments to assets due to application of the purchase method to domestic insurance subsidiaries and unamortized balance of goodwill not allocated to respective reportable segments of ¥250,010 million. The companywide assets are the Company's assets that do not belong to any reportable segments.
- 6 “Net income/(loss) by segment” is reconciled with net income attributable to owners of the parent on the consolidated financial statements.

(Notes to Per Share Information)

(Yen)

	Year ended March 31, 2016	Year ended March 31, 2017
Net assets less non-controlling interests per share	4,469.58	4,572.82
Net income attributable to owners of the parent per share - Basic	298.72	350.94
Net income attributable to owners of the parent per share - Diluted	-	350.90

(Notes)

- 1 Since there were no dilutive shares, "Net income attributable to owners of the parent per share - Diluted" for the year ended March 31, 2016 is not disclosed.
- 2 The bases for calculation of "Net income attributable to owners of the parent per share - Basic" and "Net income attributable to owners of the parent per share - Diluted" are as follows.

	Year ended March 31, 2016	Year ended March 31, 2017
Net income attributable to owners of the parent per share - Basic		
Net income attributable to owners of the parent (Yen in millions)	181,516	210,447
Net income attributable to owners of the parent not attributable to common shareholders (Yen in millions)	-	-
Net income attributable to owners of the parent attributable to common stock (Yen in millions)	181,516	210,447
Average number of shares of outstanding stock (in thousands of shares)	607,639	599,655
Net income attributable to owners of the parent per share - Diluted		
Adjustment to net income attributable to owners of the parent (Yen in millions)	-	-
Increased number of shares of common stock (in thousands of shares)	-	74
Stock acquisition rights (in thousands of shares)	-	74
Outline of dilutive shares which were not included in the calculation of "Net income attributable to owners of the parent per share - Diluted" because they are antidilutive for the each period	-	-

- 3 The bases for calculation of net assets less non-controlling interests per share are as follows.

	March 31, 2016	March 31, 2017
Total net assets (Yen in millions)	2,725,274	2,734,432
Amounts deducted from net assets: (Yen in millions)	27,106	25,454
Stock acquisition rights (Yen in millions)	-	307
Non-controlling interests (Yen in millions)	27,106	25,147
Net assets attributable to common stock (Yen in millions)	2,698,168	2,708,978
Number of shares of outstanding stock to calculate net assets less non-controlling interests per share (in thousands of shares)	603,672	592,407

(Notes to Significant Subsequent Events)

At the board of directors meeting on May 19, 2017, the Company resolved to cancel treasury stock, pursuant to the provisions of Article 178 of the Companies Act.

(1) Class of stock to be canceled: Common stock

(2) Number of shares to be canceled: 40,000,000 shares

(3) Total number of shares of issued stock after cancellation: 593,291,754 shares

(4) Scheduled date of cancellation: June 30, 2017