

June 1, 2018

Dear Shareholders:

**Notice of Convocation of
the 10th Annual Shareholders Meeting**

We hereby announce that our 10th Annual Shareholders Meeting will be held as set out below and your attendance is cordially requested.

If you are unable to attend the meeting, you may exercise your voting rights either by mail or via the Internet. Please follow the guidance on the next page and exercise your voting rights after reviewing the Reference Documents for Shareholders Meeting below.

Yours faithfully,

MS&AD Insurance Group Holdings, Inc.
(the “Company”)
27-2, Shinkawa 2-chome, Chuo-ku, Tokyo

By: Yasuyoshi Karasawa
Representative Director, President & CEO

Particulars

1. Date and Time: 10:00 a.m. on June 25, 2018 (Monday) (Entry starts at 9:00 a.m.)
2. Place: 4-1 Kioi-cho, Chiyoda-ku, Tokyo
Hotel New Otani Tokyo, The Banquet Room “Fuyo”
※Please carefully note that this year's venue has been changed.

3. Purposes of the Meeting:

Matters to be reported:

1. Details of the Business Report, details of the Consolidated Financial Statements, and a report on the Results of Audit of Consolidated Financial Statements by Independent Auditors and the Audit & Supervisory Board for the 10th fiscal year (2017 Fiscal Year (from April 1, 2017 to March 31, 2018)); and
2. Report on the Non-Consolidated Financial Statements for the 10th fiscal year (2017 Fiscal Year (from April 1, 2017 to March 31, 2018)).

Matters to be resolved:

<u>First Item:</u>	Appropriation of Surplus
<u>Second Item:</u>	Election of Twelve (12) Directors
<u>Third Item:</u>	Revision of the Amount of Remuneration to be Paid to Directors

The Business Report, Consolidated Financial Statements and Non-Consolidated Financial Statements attached to this printed copy of Notice of Convocation constitute one part and not all of the Business Report, Consolidated Financial Statements and Non-Consolidated Financial Statements reviewed by the Audit & Supervisory Board and the Independent Auditors in the preparation of their respective audit reports. “Matters concerning Stock Acquisition Rights” and the “System for Ensuring Appropriateness of Operations” of the Business Report, as well as the “Consolidated Explanatory Notes” for the consolidated financial statements and the “Non-Consolidated Explanatory Notes” for the non-consolidated financial statements, are posted on the Company’s website in accordance with laws and regulations and provisions of Article 17 of the Company’s Articles of Incorporation.

This Notice of Convocation, the Reference Document for Shareholders Meeting, Business Report, Consolidated Financial Statements and Non-Consolidated Financial Statements are posted on the Company’s website, and any amendment to them will also be posted on the Company’s website.

MS&AD Insurance Group website (Japanese):<http://www.ms-ad-hd.com>
MS&AD Insurance Group website (English):<http://www.ms-ad-hd.com/en/>

Instructions for the Exercise of Voting Rights

You may exercise your voting rights at the Annual Shareholders Meeting through any of the following methods:

Exercise of voting rights by attending the Annual Shareholders Meeting

Please submit the enclosed Voting Right Exercise Form to the receptionist at the Meeting. Please also bring this booklet as a guide to the proceedings.

When attending by proxy, please submit a letter of proxy together with the enclosed Voting Right Exercise Form to the receptionist at the Meeting. The proxy must be one (1) shareholder otherwise entitled to vote.

Date and Time of the Annual Shareholders Meeting
10:00 a.m. on June 25, 2018 (Monday)

Exercise of voting rights by mailing of written documents

Please indicate on the enclosed Voting Right Exercise Form your consent or dissent to each of the proposals and return the Form to the administrator of the shareholders' registry of the Company (Sumitomo Mitsui Trust Bank, Limited) by mail.

Deadline for the arrival of written documents to exercise voting rights by mail
No later than 5:00 p.m. on June 22, 2018 (Friday)

Exercise of voting rights through online voting

Please access the following website for exercising voting rights from a PC, smart phone or mobile phone, etc. and indicate your consent or dissent to each of the proposals as instructed on the display screen, using the "Vote Exercise Code" and "Password" printed on the enclosed Voting Right Exercise Form.

The website for exercising voting rights is: <https://www.web54.net>

Deadline for the exercise of voting rights through online voting
No later than 5:00 p.m. on June 22, 2018 (Friday)

Notes on the exercise of voting rights through online voting:

1. When a shareholder exercises voting rights by voting online as well as submitting the Voting Right Exercise Form by mail, the online vote shall be treated as the valid exercise of voting rights.
2. If multiple online votes are received from a shareholder, the most recent vote shall be treated as the valid exercise of voting rights.
3. Any connection charges and communications expenses payable to internet providers and telecommunication carriers incurred in accessing the website for exercising voting rights will be borne by shareholders.
4. Please be aware that exercising voting rights through a PC or smart phone, etc. may not be possible in certain internet user environments. In addition, exercising voting rights through a mobile phone may not be possible with certain types of mobile phones.

Should you have any questions regarding the exercise of voting rights through online voting, please contact the administrator of the shareholders' registry stated below:

Sumitomo Mitsui Trust Bank, Ltd.
Stock Transfer Agency Business Planning Dept.
Free Dial: 0120-652-031 (9 a.m. – 9 p.m.)

For institutional investors:

The Electronic Voting Platform operated by ICJ, Inc. may be used to exercise your voting rights at the Annual Shareholders Meeting.

- End -

Reference Document for Shareholders Meeting

Proposals and Reference Matters:

First Item: Appropriation of Surplus

The Company is committed to meeting the expectations of shareholders by increasing the Group's corporate value as a whole through our commitment to sustainable growth, ensuring soundness and improving profitability and capital efficiency, and by providing appropriate returns to shareholders commensurate with the Company's performance.

In view of the above, it is the Company's policy to strive to increase dividends by enhancing profitability while securing consistently stable dividends per share and to provide returns to shareholders equivalent to 50% of its Group Core Profit in the medium term through dividends and share repurchases.

In accordance with the above policy, the Company proposes the following appropriation of surplus for the fiscal year under review:

Matters concerning the year-end dividend:

1. Matters regarding distribution of dividends to shareholders and the total amount thereof:

65 yen per share of common stock of the Company
Total 38,506,718,380 yen

As a result, the year-end dividend for the fiscal year under review totals 130 yen per share, including the interim dividend.

2. Effective date of dividend:

June 26, 2018

(Note) The Group Core Profit (GCP) is the Company's own index showing the ordinary profitability of the entire group. It is calculated by adding to/deducting from consolidated net income gains and losses that are not ordinary in nature, such as gains or losses on sale of equity securities the Company had intended to hold for a long term.

Second Item: Election of Twelve (12) Directors

The terms of office of all eleven (11) Directors will expire at the close of this Annual Shareholders Meeting, and there is one vacancy for an outside director resigned as a result of passing away of one outside director in the middle of the term.

Therefore, we would like to request the appointment of twelve (12) directors, including five (5) outside directors.

The candidates for Directors are as follows:

Candidate No.		Name		Current Position and duties at the Company
1	Reappointment	Hisahito Suzuki		Representative Director, Chairman
2	Reappointment	Yasuyoshi Karasawa		Representative Director, President & CEO
3	Reappointment	Noriyuki Hara		Representative Director, Executive Officer
4	Reappointment	Yasuzo Kanasugi		Representative Director, Executive Officer
5	Reappointment	Shiro Fujii		Director, Executive Vice President Corporate Planning Dept., Corporate Communications and Investor Relations Dept., Business Development Dept., International Life Insurance Business Dept., Information Technology Planning Dept., International Supervisory Dept., Internal Audit Dept., Group CFO, Group capital policy, Sustainability
6	New appointment	Masahiro Higuchi		Executive Officer Claims Services
7	New appointment	Takashi Kuroda		Executive Officer Sales
8	Reappointment	Mari Matsunaga	Outside Director Independent Director	Director(Outside Director)
9	Reappointment	Mariko Bando	Outside Director Independent Director	Director(Outside Director)
10	New appointment	Akira Arima	Outside Director Independent Director	
11	New appointment	Kazuhito Ikeo	Outside Director Independent Director	
12	New appointment	Junichi Tobimatsu	Outside Director Independent Director	

Candidate No.	Name (Date of birth)	Career summary, position and duties at the Company and important concurrent positions, if any	Number of shares of the Company owned
1	Hisahito Suzuki (Sep. 15, 1950) Attendance at Board of Directors meetings held in FY2017: 15/15 (100%)	<p>Apr. 1973 Entered Dai-Tokyo Fire & Marine Insurance Co., Ltd. (“<i>Dai-Tokyo</i>”)</p> <p>Apr. 2000 Executive Officer, General Manager of Merger Preparation Dept., <i>Dai-Tokyo</i></p> <p>Apr. 2001 Executive Officer, General Manager of Corporate Planning Dept., <i>Aioi Insurance Co., Ltd.</i> (“<i>Aioi</i>”)</p> <p>Apr. 2002 Managing Executive Officer, <i>Aioi</i></p> <p>Jun. 2002 Managing Director, <i>Aioi</i></p> <p>May 2003 Senior Managing Executive Officer, <i>Aioi Life Insurance Co., Ltd.</i> (“<i>Aioi Life</i>”)</p> <p>Jun. 2003 Director & Vice President, <i>Aioi Life</i></p> <p>Mar. 2004 Senior Managing Executive Officer, <i>Aioi</i></p> <p>Jun. 2004 Senior Managing Director, <i>Aioi</i></p> <p>Jun. 2008 Director, Senior Managing Executive Officer, <i>Aioi</i></p> <p>Apr. 2010 Director & President, <i>Aioi</i></p> <p>Oct. 2010 Director, Executive Officer, <i>the Company</i></p> <p>Oct. 2010 Director & President, <i>Aioi Nissay Dowa Insurance Co., Ltd.</i> (“<i>ADI</i>”)</p> <p>Jun. 2014 Chairman & Director, Chairman Executive Officer, <i>the Company</i> (present)</p> <p>Apr. 2016 Director & Vice Chairman, <i>ADI</i> (present)</p> <p><Position and Duties at the Company> Chairman & Representative Director, Chairman Executive Officer</p> <p><Important Concurrent Positions> Director & Vice Chairman, <i>ADI</i></p>	36,970 shares
<p>[Reasons for selection as a candidate for Director]</p> <p>Mr. Hisahito Suzuki has a wealth of business experience gained through his involvement in sales, corporate planning, merger preparation, life insurance business, etc. He served as Director and President of Aioi Nissay Dowa Insurance Co., Ltd. (“<i>ADI</i>”) from 2010 to 2016 and has been serving as Director & Vice Chairman of <i>ADI</i> since 2016, and as Chairman & Director of the Company since 2014. Thus, he has expertise for overseeing overall management of insurance companies etc. precisely and fairly. Therefore, we propose to re-elect him as Director.</p>			
2	Yasuyoshi Karasawa (Oct. 27, 1950) Attendance at Board of Directors meetings held in FY2017: 15/15 (100%)	<p>Apr. 1975 Entered The Sumitomo Marine and Fire Insurance Co., Ltd.</p> <p>Apr. 2004 Executive Officer, General Manager of Corporate Planning Dept., <i>Mitsui Sumitomo Insurance Co., Ltd.</i> (“<i>MSI</i>”)</p> <p>Jun. 2005 Director, Executive Officer, General Manager of Corporate Planning Dept., <i>MSI</i></p> <p>Apr. 2006 Director, Managing Executive Officer, <i>MSI</i></p> <p>Apr. 2008 Director, Senior Executive Officer, <i>MSI</i></p> <p>Director, <i>the Company</i></p> <p>Apr. 2009 Director, Senior Executive Officer, <i>the Company</i></p> <p>Apr. 2010 President, Director & CEO, <i>MSI</i></p> <p>Director, Executive Officer, <i>the Company</i></p> <p>Jun. 2014 Director, President & CEO, <i>the Company</i> (present)</p> <p>Apr. 2016 Chairman & Director, Chairman Executive Officer, <i>MSI</i> (present)</p> <p><Position and Duties at the Company> Representative Director, President & CEO</p> <p><Important Concurrent Positions> Chairman & Director, Chairman Executive Officer, <i>MSI</i></p>	25,200 shares
<p>[Reasons for selection as a candidate for Director]</p> <p>Mr. Yasuyoshi Karasawa has a wealth of business experience gained through his involvement in corporate planning, sales, corporate communications, and financial planning. He served as President, Director & CEO of Mitsui Sumitomo Insurance Co., Ltd. (“<i>MSI</i>”) from 2010 to 2016 and has been serving as Chairman & Director of <i>MSI</i> since 2016. He has been serving as President & CEO of the Company since 2014. Thus, he has expertise for overseeing overall management of insurance companies etc. precisely and fairly. Therefore, we propose to re-elect him as Director.</p>			

Candi- date No.	Name (Date of birth)	Career summary, position and duties at the Company and important concurrent positions, if any		Number of shares of the Company owned
3	Noriyuki Hara (Jul. 21, 1955) Attendance at Board of Directors meetings held in FY2017: 14/15 (93.3%)	Apr. 1978	Entered Taisho Marine and Fire Insurance Co., Ltd.	18,700 shares
		Apr. 2008	Executive Officer, General Manager of Corporate Quality Control Dept., <i>Mitsui Sumitomo Insurance Co., Ltd.</i> (“ <i>MSI</i> ”)	
		Apr. 2010	Managing Executive Officer, General Manager of Nagoya Commercial Business Div., <i>MSI</i>	
		Apr. 2012	Director, Managing Executive Officer, <i>MSI</i>	
		Apr. 2013	Director, Senior Executive Officer, <i>MSI</i>	
		Apr. 2015	Director, Vice President, Executive Officer, <i>MSI</i>	
		Apr. 2016	President, Director & CEO, <i>MSI</i> (present)	
			Executive Officer, <i>the Company</i>	
		Jun. 2016	Director, Executive Officer, <i>the Company</i> (present)	
		<Position and Duties at the Company> Representative Director, Executive Officer		
		<Important Concurrent Positions> President, Director & CEO, <i>MSI</i>		
	[Reasons for selection as a candidate for Director] Mr. Noriyuki Hara has a wealth of business experience gained through his involvement in market development, sales, product operations, and corporate planning. He has been serving as President, Director & CEO of Mitsui Sumitomo Insurance Co., Ltd. since 2016. Thus, he has expertise for overseeing overall management of insurance companies etc. precisely and fairly. Therefore, we propose to re-elect him as Director.			
4	Yasuzo Kanasugi (May 29, 1956) Attendance at Board of Directors meetings held in FY2017: 15/15 (100%)	Apr. 1979	Entered Dai-Tokyo Fire & Marine Insurance Co., Ltd.	25,608 shares
		Apr. 2008	Managing Officer, General Manager of Human Resource Planning Dept., <i>Aioi Insurance Co., Ltd.</i> (“ <i>Aioi</i> ”)	
		Apr. 2009	Executive Officer, <i>Aioi</i>	
		Apr. 2011	Managing Executive Officer, <i>Aioi Nissay Dowa Insurance Co., Ltd.</i> (“ <i>ADI</i> ”)	
		Apr. 2012	Executive Officer, <i>the Company</i>	
		Jun. 2012	Director, Managing Executive Officer, <i>ADI</i>	
		Apr. 2013	Director, Senior Executive Officer, <i>ADI</i>	
		Jun. 2014	Director, Executive Officer, <i>the Company</i> (present)	
		Apr. 2016	Director & President, <i>ADI</i> (present)	
		<Position and Duties at the Company> Representative Director, Executive Officer		
		<Important Concurrent Positions> Director & President, <i>ADI</i>		
	[Reasons for selection as a candidate for Director] Mr. Yasuzo Kanasugi has a wealth of business experience gained through his involvement in human resources planning, sales, corporate planning, merger preparation, etc. He has been serving as Director & President of Aioi Insurance Co., Ltd. since 2016. Thus, he has expertise for overseeing overall management of insurance companies etc. precisely and fairly. Therefore, we propose to re-elect him as Director.			

Candi- date No.	Name (Date of birth)	Career summary, position and duties at the Company and important concurrent positions, if any		Number of shares of the Company owned
5	Shiro Fujii (Sep. 29, 1956) Attendance at Board of Directors meetings held in FY2017: 15/15 (100%)	Apr. 1979	Entered Taisho Marine and Fire Insurance Co., Ltd.	29,015 shares
		Apr. 2008	Executive Officer, General Manager of Corporate Planning Dept., <i>Mitsui Sumitomo Insurance Co., Ltd. (“MSI”)</i>	
Apr. 2009	Director, Executive Officer, General Manager of Corporate Planning Dept., <i>MSI</i>			
Apr. 2010	Managing Executive Officer, General Manager of Claims Div., <i>MSI</i>			
	Executive Officer, <i>the Company</i>			
Apr. 2012	Managing Executive Officer, General Manager of Tokyo Div., <i>MSI</i>			
Apr. 2014	Senior Executive Officer, <i>the Company</i>			
Jun. 2014	Director, Senior Executive Officer, <i>the Company</i>			
Apr. 2016	Director, Executive Vice President, <i>the Company</i> (present)			
<Position and Duties at the Company> Director, Executive Vice President Corporate Planning Dept., Corporate Communications and Investor Relations Dept., Business Development Dept., International Life Insurance Business Dept., Information Technology Planning Dept., International Supervisory Dept., Internal Audit Dept., Group CFO, Group capital policy, Sustainability				
[Reasons for selection as a candidate for Director] Mr. Shiro Fujii has a wealth of business experience gained through his involvement in corporate planning, product operations, handling claims, sales, systems and administration, etc. He has been serving as Executive Vice President of the Company since 2016. Thus, he has expertise for overseeing overall management of insurance companies etc. precisely and fairly. Therefore, we propose to re-elect him as Director.				
6	Masahiro Higuchi (Jun. 11, 1959)	Apr. 1982	Entered Dai-Tokyo Fire & Marine Insurance Co., Ltd.	
		Apr. 2014	Excutive Officer,General Manager of Human Resource Dept. , <i>Aioi Nissay Dowa Insurance Co., Ltd. (“ADI”)</i>	
Apr. 2016	Director, Managing Executive Officer, <i>ADI</i>			
Apr. 2017	Executive Officer, <i>the Company</i> (present)			
Apr. 2018	Director, Senior Executive Officer, <i>ADI</i> (present)			
<Position and Duties at the Company> Executive Officer Claims Services				
<Important Concurrent Positions> Director, Senior Executive Officer, <i>ADI</i>				
[Reasons for selection as a candidate for Director] Mr. Masahiro Higuchi has a wealth of business experience in corporate planning, investment planning, human resources etc., and has the knowledge to accurately and fairly supervise the overall management of insurance companies, etc. He has been serving as Senior Executive Officer of Aioi Nissay Dowa Insurance Co., Ltd. since 2018. Therefore, we propose to elect him as Director.				

Candidate No.	Name (Date of birth)	Career summary, position and duties at the Company and important concurrent positions, if any	Number of shares of the Company owned
7	Takashi Kuroda (Mar. 18, 1956)	<p>Apr. 1979 Entered The Sumitomo Marine and Fire Insurance Co., Ltd</p> <p>Apr. 2009 Executive Officer, General Manager of Chubu Div., <i>Mitsui Sumitomo Insurance Co., Ltd.</i> (“MSI”)</p> <p>Apr. 2011 Managing Executive Officer, General Manager of Tokyo Commercial Div. 1st, <i>MSI</i></p> <p>Apr. 2014 Senior Managing Executive Officer, General Manager of Tokyo Commercial Div. 1st, <i>MSI</i></p> <p>Apr. 2015 Director, Senior Executive Officer, General Manager of Claims Div., <i>MSI</i></p> <p>Apr. 2018 Director, Executive Vice President, <i>MSI</i> (present)</p> <p>Executive Officer, <i>the Company</i> (present)</p> <p><Position and Duties at the Company> Executive Officer Sales</p> <p><Important Concurrent Positions> Director, Executive Vice President, <i>MSI</i></p>	17,900 shares
<p>[Reasons for selection as a candidate for Director]</p> <p>Mr. Takashi Kuroda has a wealth of business experiences in sales, management planning, and claims services, and has the knowledge to appropriately and fairly supervise the entire management of insurance companies and other entities. He has been serving as Executive Vice President of MSI since 2018. Therefore, we propose to elect him as Director.</p>			
8	Mari Matsunaga (Nov. 13, 1954) Attendance at Board of Directors meetings held in FY2017: 15/15 (100%)	<p>Apr. 1977 Entered Japan Recruit Center (currently, Recruit Holdings Co., Ltd. (“Recruit”))</p> <p>Jul. 1986 Chief Editor of SHUSHOKU JOURNAL, published by Recruit</p> <p>Jul. 1988 Chief Editor of TRAVAILLE, published by Recruit</p> <p>Jul. 1997 General Manager of Planning Div. Gateway Business Dept., NTT Mobile Communications Network Inc. (currently, NTT DOCOMO, INC.)</p> <p>Apr. 2000 President & Director, Mari Matsunaga Office</p> <p>Jun. 2012 Director, <i>the Company</i> (present)</p> <p><Important Concurrent Positions> Director (External Director), Rohto Pharmaceutical Co., Ltd. Director (Outside Director), Seiko Epson Corporation</p>	1,100 shares
<p>[Reasons for selection as a candidate for Outside Director]</p> <p>Ms. Mari Matsunaga was a chief editor of magazines and was involved in planning and development of new services at NTT DOCOMO, INC. She has been stating opinions at meetings of the Company’s Board of Directors and on other occasions based on her broad knowledge and experience concerning society, culture, consumer lifestyles, and other areas. We propose to re-elect her as Outside Director in order to continue to draw on her knowledge and experience in the management of the Company.</p>			
<p>(Notes) 1. Ms. Mari Matsunaga is a candidate for Outside Director.</p> <p>2. To enable Outside Directors to fully perform their expected roles, the Company has entered into an agreement with Ms. Mari Matsunaga that limits her liability for any damage to the Company caused by a failure to perform the duties of a Director if she as Outside Director has performed the duties in good faith and without gross negligence. The limit of Outside Director’s liability under such agreement is the sum of the amount provided by the items in Article 425, Paragraph 1 of the Companies Act. The Company plans to continue with such agreement if Ms. Mari Matsunaga is elected as Outside Director.</p> <p>3. Ms. Mari Matsunaga will have served as Outside Director for six (6) years as of the close of this Annual Shareholders Meeting.</p> <p>4. Ms. Mari Matsunaga does not conduct business operations at Rohto Pharmaceutical Co., Ltd. and Seiko Epson Co. Ltd. Therefore, there is no reason to influence the independence of the Company and there is no other reason to impact her independence.</p> <p>5. The Company has submitted to the Tokyo Stock Exchange and Nagoya Stock Exchange an Independent Director Notification, indicating that Ms. Mari Matsunaga is an Independent Director (meaning an Outside Director who is unlikely to have conflict of interests with general shareholders).</p>			

Candidate No.	Name (Date of birth)	Career summary, position and duties at the Company and important concurrent positions, if any	Number of shares of the Company owned
	<p>Mariko Bando (Aug. 17, 1946)</p> <p>Attendance at Board of Directors meetings held in FY2017: 12/13 (92.3%)*</p>	<p>Jul. 1969 Entered the Prime Minister's Office</p> <p>Oct. 1985 Counsellor of Cabinet Secretariat, Councillor of Cabinet Secretariat</p> <p>Jul. 1989 Director of Consumer Statistics Division, Statistics Bureau, Management and Coordination Agency</p> <p>Jul. 1994 Director of Gender Equality Bureau, Cabinet Secretariat</p> <p>Apr. 1995 Vice-Governor of Saitama Prefecture</p> <p>Jun. 1998 Consul General of Japan in Brisbane, Australia</p> <p>Jan. 2001 Director General of Gender Equality Bureau, Cabinet Office</p> <p>Oct. 2003 Director, Showa Women's University</p> <p>Apr. 2007 President, Showa Women's University</p> <p>Apr. 2014 Chancellor (Rijicho), Showa Women's University (present)</p> <p>Jul. 2016 Chancellor (Socho), Showa Women's University (present)</p> <p>Jun. 2017 Director, <i>the Company</i> (present)</p> <p><Position and Duties at the Company> Director (Outside Director)</p> <p><Important Concurrent Positions> Chancellor (Rijicho and Socho), Showa Women's University</p>	200 shares
9	<p>[Reasons for selection as a candidate for Outside Director] Ms. Mariko Bando previously served as Director General of Gender Equality Bureau of the Cabinet Office, the Consul General of Japan in Brisbane, etc. and currently serves as President of Showa Women's University. She has broad knowledge and a wealth of experience in public administration and education, as well as wide insight into promotion of diversity. We propose to re-elect her as Outside Director in order to draw on her expertise in the management of the Company.</p> <p>(Notes) 1. Ms. Mariko Bando is a candidate for Outside Director. 2. To enable Outside Directors to fully perform their expected roles, the Company has entered into an agreement with Ms. Mariko Bando that limits her liability for any damages to the Company caused by a failure to perform the duties of a Director if she as Outside Director has performed the duties in good faith and without gross negligence. The limit of Outside Director's liability under such agreement is the sum of the amount provided by the items in Article 425, Paragraph 1 of the Companies Act. The Company plans to continue with such agreement if Ms. Mariko Bando is elected as Outside Director. 3. The term of office of Ms. Mariko Bando as Outside Director is one year from the conclusion of this Annual Shareholders Meeting. 4. Ms. Mariko Bando has not been involved in the corporate management in any manner other than by becoming an outside director or an Outside Director in the past. However, she has broad knowledge and experience in the administrative and educational fields, and The company believe that she is able to perform her duties as an outside director appropriately. 5. There are transactions between the Company or its subsidiaries and Showa Women's University. However, the amount of such transactions is less than 2% of the consolidated net premiums written in the most recent business year of the Company. There is no other reason to impact her independence. 6. The Company has submitted to the Tokyo Stock Exchange and the Nagoya Stock Exchange a notice of independent directors and auditors stating that Ms. Mariko Bando is an independent director and auditor who is unlikely to have a profit conflict with general shareholders.</p> <p>* Ms. Mariko Bando was newly appointed as a Outside Director at the ninth Annual Shareholders Meeting held on June 26, 2017. The status of her attendance at the Board of Directors meeting held on or after June 26, 2017 is described herein.</p>		

Candi- date No.	Name (Date of birth)	Career summary, position and duties at the Company and important concurrent positions, if any		Number of shares of the Company owned
10	Akira Arima (Aug. 25, 1949)	Apr. 1973	Entered Nippon Telegraph and Telephone Public Corporation	0 shares
		Jun. 2002	Director and General Manager, Planning Dept., Nippon Telegraph and Telephone East Corporation	
		Apr. 2003	Director and General Manager of Corporate Planning Dept., Nippon Telegraph and Telephone East Corporation	
		Jun. 2005	Director, Nippon Telegraph and Telephone Corporation	
		Jun. 2007	Executive Vice President, NTT Communications Corporation Head of the Internet Business Division	
		Jun. 2010	President, Chief Executive Officer" Representative Director of The Corporation	
		Jun. 2015	Director and Advisor of The Corporation	
		Jun. 2017	Advisor of The Corporation (present)	
[Reasons for selection as a candidate for Outside Director] Mr. Akira Arima has been a Director of Nippon Telegraph and Telephone Corporation and President Chief Executive Officer of NTT Communications Corporation. We propose to elect him as Outside Director in order to reflect his experience as a manager in the management of the Company.				
(Notes)1. Mr.Akira Arima is a candidate for Outside Director. 2. If Mr.Akira Arima is elected as an Outside Directo, to enable Outside Directors to fully perform their expected roles, the Company plans to enter into an agreement with Mr. Akira Arima that limits his liability for any damage to the Company caused by a failure to perform the duties of a Director if he as Outside Director has performed the duties in good faith and without gross negligence. The limit of Outside Director’s liability under such agreement is the sum of the amount provided by the items in Article 425, Paragraph 1 of the Companies Act. 3. There are transactions between the Company or its subsidiary and the NTT Communications Corporation; which account for less than 2% of the annual consolidated turnover of The Corporation during the most recent business year. The transaction amount is less than 2% of the consolidated net premiums written in the most recent business year of the Company. There is no other reason to impact his independence. 4. The Company plans to submit an ID/A notification to the Tokyo Stock Exchange and the Nagoya Stock Exchange to the effect that Akira Arima is an ID/A who is unlikely to have a profit conflict with general shareholders.				

Candi- date No.	Name (Date of birth)	Career summary, position and duties at the Company and important concurrent positions, if any	Number of shares of the Company owned
	Kazuhito Ikeo (Jan.12, 1953)	Apr. 1984 Associate Professor, Faculty of Economics, Okayama University Apr. 1986 Associate Professor, Faculty of Economics, Kyoto University Apr. 1995 Professor, Faculty of Economics, Keio University Apr. 2018 Professor Emeritus, Keio University (present) Professor, Faculty of Economics, Risscho University(present) <Important Concurrent Positions> Professor Emeritus, Keio University Professor, Faculty of Economics, Risscho University	1,000 shares
11	[Reasons for selection as a candidate for Outside Director] Mr.Kazuhito Ikeo has held a number of posts, including university professors and members of the Financial Services Agency's Financial System Council, and have broad knowledge and experience in the economic and fiscal fields as well as financial administration. Therefore, we propose to elect him as Outside Director in order to reflect his knowledge and experience in the management of the Company.		
	(Notes) 1. Mr.Kazuhito Ikeo is a candidate for Outside Director. 2. If Mr.Kazuhito Ikeo is elected as an Outside Director, to enable Outside Directors to fully perform their expected roles, the Company plans to enter into an agreement with Mr. Kazuhito Ikeo that limits his liability for any damage to the Company caused by a failure to perform the duties of a Director if he as Outside Director has performed the duties in good faith and without gross negligence. The limit of Outside Director's liability under such agreement is the sum of the amount provided by the items in Article 425, Paragraph 1 of the Companies Act. 3. Mr.Kazuhito Ikeo has not been involved in the management of the Company in any manner other than by becoming an Outside Director or an Outside Auditor in the past. However, in light of his wide knowledge and experience in economic and financial fields and financial administration, he is judged to be able to perform his duties as an Outside Director appropriately. 4. There are transactions between the Company or its subsidiary and Keio University. The amount of such transactions is less than 2% of the annual revenue from business activities of Keio University during the most recent business year. The transaction amount is less than 2% of the consolidated net premiums written in the most recent business year of the Company. There is no other reason to impact his independence. 5. The Company plans to submit an ID/A notification to the Tokyo Stock Exchange and the Nagoya Stock Exchange to the effect that Mr.Kazuhito Ikeo is an ID/A who is unlikely to have a profit conflict with general shareholders.		

Candidate No.	Name (Date of birth)	Career summary, position and duties at the Company and important concurrent positions, if any		Number of shares of the Company owned
12	Junichi Tobimatsu (Aug. 15, 1972)	Apr. 1998	Admitted as Attorney-at-Law Attorney-at-Law, Mori Sogo (currently, Mori Hamada & Matsumoto)	0 shares
		Jun. 2004	Attorney-at-law, N.Y.	
		Apr. 2010	Associate Professor, Graduate School of Law and Political Science, the University of Tokyo	
		Jul. 2016	Attorney-at-law, Tobimatsu Law(present)	
<Important Concurrent Positions> Attorney-at-law, Tobimatsu Law Outside Corporate Auditor of amana inc.				
[Reasons for selection as a candidate for Outside Director] Mr.Junichi Tobimatsu has a wealth of knowledge and experience concerning overall corporate legal affairs including those overseas companies as an attorney-at-law. We propose to elect him as Outside Director in order to reflect his knowledge and experience in the management of the Company.				
(Notes)1. Mr.Junichi Tobimatsu is a candidate for Outside Director. 2.If Mr.Junichi Tobimatsu is elected as an Outside Director, to enable Outside Directors to fully perform their expected roles, the Company plans to enter into an agreement with Mr.Junichi Tobimatsu that limits his liability for any damage to the Company caused by a failure to perform the duties of a Director if he as Outside Director has performed the duties in good faith and without gross negligence. The limit of Outside Director’s liability under such agreement is the sum of the amount provided by the items in Article 425, Paragraph 1 of the Companies Act. 3. Mr.Junichi Tobimatsu has never been involved in corporate management other than serving as an Outside Director or an Outside Auditor in the past. However, in light of his wide knowledge and experience in legal field as an attorney-at-law, he is judged to be able to perform his duties as an Outside Director appropriately. 4. There are no transactions between us or our subsidiaries and the Tobimatsu Law. He does not conduct business at amana inc. and therefore there is no reason to impact the independence between us and the Tobimatsu Law. There is no other reason to impact his independence. 5. In April 2018, it was discovered that amana inc., for which Mr.Junichi Tobimatsu has been appointed as an Outside Corporate Auditor since March 2009, was improperly accounted for by amana inc.’s foreign consolidated subsidiary. He was not aware of this fact in advance, but he made proposals from the viewpoint of legal compliance on a regular basis. After doubts about this fact arose, he carried out thorough investigations as a member of the Internal Investigation Committee in an appropriate manner. 6. The Company plans to submit an ID/A notification to the Tokyo Stock Exchange and the Nagoya Stock Exchange to the effect that Mr.Junichi Tobimatsu is an ID/A who is unlikely to have a profit conflict with general shareholders.				

(Reference)

Criteria for the Selection of Director Candidates and Audit & Supervisory Board Member Candidates

1. Outside director candidates and outside audit & supervisory board member candidates

Candidates must meet the following requirements.

- Must not be disqualified from serving as a director or audit & supervisory board member pursuant to the Companies Act.
- Must not be disqualified from serving as a director or audit & supervisory board member of an insurance holding company pursuant to the Insurance Business Act.
- Must have a sufficient level of public credibility.
- An outside audit & supervisory board Member must satisfy the eligibility requirements for an audit & supervisory board member pursuant to the Insurance Business Act.

Additionally, candidates must satisfy the following three requirements

(1) Eligibility

A candidate must have the qualities listed below that are necessary to monitor the overall management of the company and provide advice, based on a general knowledge of company management and a basic understanding of the roles of the directors and board of directors.

- Ability to discern facts from materials and reports
- Capability to detect problems and risks and apply own knowledge to solve them
- Capacity to appropriately monitor business strategy and provide advice
- Mental independence to openly question, debate, re-examine, continuously deliberate, and propose ideas in opposition to a resolution

(2) Expertise

Must have knowledge in a specialized field such as management, accounting, finance, law, administration, or social/cultural affairs, and have a record of achievement in that field.

(3) Independence

The following persons are ineligible.

- ① An executive of the Company or a subsidiary of the Company.
- ② A director or audit & supervisory board member of a subsidiary of the Company.
- ③ A person for whom the Company is a major business partner (i.e. a person who received payments from the Company or subsidiaries of the Company that represent 2% or more of annual consolidated sales for the most recent fiscal year), or an executive thereof (in the case of a consulting firm, auditing firm or law firm, a consultant, accounting professional, or legal professional who belongs to said corporation, partnership, etc.).
- ④ A major business partner of the Company (i.e. a person who made payments to subsidiaries of the Company representing 2% or more of the Company consolidated direct premiums written excluding deposit premium from policy holders for the most recent fiscal year), or an executive thereof.
- ⑤ Any of the Company's top 10 largest shareholders (or, if the shareholder is a corporation, an executive thereof).
- ⑥ A person in an executive position with a company to which the Company or a subsidiary of the Company has appointed a director.
- ⑦ A consultant, accounting professional, or legal professional who has received, other than officer compensation, average cash or other financial benefits of at least 10 million yen per year for the past three years from the Company or subsidiaries of the Company.
- ⑧ A person falling under any of the items ② through ⑦ during the past five years.
(Note) "During the past five years" means five years from the time the content of a proposal to the General Shareholders Meeting to elect the outside director or outside audit & supervisory board member was resolved by the Board of Directors.
- ⑨ An individual who held an executive position with the Company or subsidiaries of the Company in the past (in the case of an outside audit & supervisory board member, including an individual who has been a director of the Company or a subsidiary of the Company.)
- ⑩ A spouse or second-degree or closer relative of a person listed in items ① through ⑨ above (an executive, or a person holding an executive position means an executive director, executive officer or an employee in a position of general manager or higher.)

※ Term limits

The total terms of office for newly elected outside directors and outside audit & supervisory board members from April 1, 2015 onward are as listed below.

- ① For outside directors, the expectation is 4 terms, 4 years, renewable for a maximum of 8 terms, 8 years.
- ② For outside audit & supervisory board members, in principle the total term is 1 term, 4 years, but this is renewable for a maximum of 2 terms, 8 years.

2. Candidates for director other than outside director and candidates for audit & supervisory board member other than outside audit & supervisory board member

Candidates must meet the following requirements.

- Must not be disqualified from serving as a director or audit & supervisory board member pursuant to the Companies Act.
- Must not be disqualified from serving as a director or audit & supervisory board member of an insurance holding company pursuant to the Insurance Business Act.
- Must satisfy the eligibility requirements for a director or audit & supervisory board member who engages in daily business at an insurance company pursuant to the Insurance Business Act.

Additionally, a candidate must have varied experience as well as highly specialized experience and must embody our corporate philosophy in the exercise of leadership.

Third Item: Revision of the Amount of Remuneration to be Paid to Directors

At the first Annual Shareholders Meeting held on June 25, 2009, the remuneration amount for Directors was approved as “up to 500 million yen per year (as for directors who also serve as employees, salaries paid on account of their employee status are excluded) (as for Outside Director, up to 60 million yen)”. However, in order to strengthen the management oversight function, we have increased the number of Outside Directors by 1 and have increased the number of Directors to 12 (including 5 Outside Directors). In order to further strengthen our corporate governance and with the increasing role of Outside Directors, we would like to revise the remuneration amount for Outside Directors from 60 million yen per year to 100 million yen per year without changing the total amount of "up to 500 million yen per year".

If the Second Item is approved, the number of directors at the conclusion of this Annual Shareholders Meeting will be 12 (including 5 Outside Directors).

(Note) Companies Compensation for Regulatory remuneration(Underlined parts are revised.)

【Current】

Annual amount of up to 500 million yen

(as for directors who also serve as employees, salaries paid on account of their employee status are excluded)

(Outside Directors: up to 60 million yen per year)

【Revised】

Annual amount of up to 500 million yen

(as for directors who also serve as employees, salaries paid on account of their employee status are excluded)

(Outside Directors: up to 100 million yen per year)

Attached Documents

BUSINESS REPORT FOR THE 10th TERM (FY2017)

(From: April 1, 2017
To: March 31, 2018)

1. Matters Concerning the Current Status of the Insurance Holding Company

(1) Progress and results of business of the corporate group

During the fiscal year under review, the global economy generally performed strong against the background of economic recovery mainly in the U.S. and Europe in spite of concerns about the impact of unstable political and financial markets. Backed by such global economy, the Japanese economy also recovered moderately, reflecting continued improvement in corporate earnings and employment and income conditions.

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

Under these circumstances, during the last year of the medium-term management plan “Next Challenge 2017” launched in fiscal 2014, MS&AD Insurance Group (“the Group”) pursued “Completion of reorganization by function,” “Strengthening of group governance and promotion of ERM (Enterprise Risk Management),” “Transformation of business structure to respond the future changes in the environment,” and “Permeation of a corporate culture and development of human assets that meet challenges as professionals,” based on the Group’s basic strategies to enhance the corporate value as a whole through commitment to sustainable growth, improving profitability, ensuring soundness and improving capital efficiency.

In regard to reorganization by function, the Company, Mitsui Sumitomo Insurance Co., Ltd. (“MSI”), Aioi Nissay Dowa Insurance Co., Ltd. (“ADI”), and Mitsui Sumitomo Aioi Life Insurance Co., Ltd. (“Mitsui Sumitomo Aioi Life”) pursued initiatives to promote growth and efficiency in the Group as a whole, such as sharing claims service functions, transferring of long-term policies of the third sector in force, and consolidation and reorganization of the head office functions.

The progress and results of our efforts in each business domain for the fiscal year under review are as follows:

Domestic Non-life Insurance Business

In the domestic non-life insurance business, as the Group’s core business, we have strengthened our competitiveness by providing products and services that adapt to rapidly changing social environments.

MSI and ADI actively sold the products mainly in the GK Series and the TOUGH Series, respectively. In addition, they have jointly developed products that contribute to the realization of safe and secure societies, such as automobile insurance, based on the concept of “supporting Safety driving by the elderly and observing driving conditions,” and that respond to new risks, such as new cyber insurance for small and medium-sized companies.

Mitsui Direct General Insurance Co., Ltd. (“Mitsui Direct”) strove to provide advanced and high-quality services including the launch of the mail type non-life insurance industry’s first multilingual claim service using a tripartite call in order to respond to automobile accidents with foreign visitors to Japan.

Domestic Life Insurance Business

In the domestic life insurance business, as a growth area for the Group, we worked to expand our business by further strengthening our sales capabilities through the provision of products and services that meet the ever-changing needs of our customers.

Mitsui Sumitomo Aioi Life promoted sales of the "&LIFE" Series, such as "New Comprehensive Income Guarantee," "New Income Guarantee" and "New Medical Insurance Ace Plus" in pursuit of the foremost quality in the industry to build more credibility with customers.

Mitsui Sumitomo Primary Life Insurance Co., Ltd. ("Mitsui Sumitomo Primary Life") continued partnerships with financial institutions and aggressively sold products that meet customer needs, such as foreign-currency Fixed Whole Life Insurance and currency-selective Whole Life Insurance, as well as Individual annuity insurance to meet the need for long-term survival benefits in preparation for 100-year-life.

International Business

Regarding International Business, we worked to expand our business base with the aim of realizing the geographical and species diversification of our business portfolios and building a well-balanced, stable and growing business model.

We invested in Challenger Limited (*1) and ReAssure Jersey One Limited (*2) in order to acquire expertise in the foreign life insurance business, which is expected to grow sustainably.

MSI has established a solid position as ASEAN No.1. They has entered into global partnerships with Fairfax Financial Holdings Limited, a holding company of a major Canadian insurance and financial group, and acquired First Capital Insurance Limited, the largest non-life insurance company in Singapore.

ADI established a new company in Singapore as a base for telematics business in Southeast Asia, and established a four-polar system in Japan, Europe, the United States, and Asia to promote telematics business.

***1 Challenger Limited**

An Australian financial services company which has a life insurance business and funds management business

***2 ReAssure Jersey One Limited**

An insurance holding company located in Bailiwick of Jersey, which has a leading player in the closed book life business (a life insurance business where new policies are obtained through acquisition of other insurance companies' portfolio instead of direct underwriting) in the UK

Financial Services Business

In the financial services business, MSI and ADI formed partnership with financial institutions to expand their sales network in order to popularize the iDeCo (individual-type Defined Contribution pension plan) whose market is expanding. In addition, MSI actively sold weather derivatives and provided a variety of products and services to customers both in Japan and overseas.

Risk-related Services Business

In the risk-related services business, InterRisk Research Institute & Consulting, Inc. (currently MS&AD InterRisk Research & Consulting, Inc.) and other companies in the Group worked to expand services that contribute to the resolution of new risks and issues in response to changes in the social environment, such as risk assessment and safety

management system support services for automated driving tests, ESG (environment, social and governance) investment support services for companies, and cyber security system support services.

Corporate Social Responsibility

As for corporate social responsibilities, we have contributed to the realization of a resilient and sustainable society by providing products and services that respond to the aging society and climate change, with the aim of resolving social issues, including the SDGs(Sustainable Development Goals) set by the United Nations. In addition, in recognition of our efforts in the ESG field, we were selected as an index component of the Dow Jones Sustainability Index and the ESG Index (*3) adopted by the Government Pension Investment Fund (GPIF).

*3 ESG Index adopted by Government Pension Investment Fund (GPIF)

“FTSE Blossom Japan Index,” “MSCI Japan ESG Select Leaders Index” and
“MSCI Japan Empowering Women Index”

Business Performance during the Fiscal Year under Review

The Company reported consolidated underwriting income of 4,648.1 billion yen, investment income of 550.8 billion yen, and other ordinary income of 18.8 billion yen. Thus, the total for ordinary income was 5,217.8 billion yen, representing a decrease of 2.2% from the previous fiscal year.

Ordinary expense increased 0.5% to 5006.2. billion yen from previous fiscal year as a result of the underwriting expense of 4,157.7 billion yen, investment expense of 163.1 billion yen, operating expenses and general and administrative expenses of 669.6 billion yen, and other ordinary expense of 15.6 billion yen.

As a result, the Company posted an ordinary profit of 211.5 billion yen which was decreased by 141.0 billion yen from the previous fiscal year due to the impact of natural disasters in Japan and overseas. After factoring in extraordinary income, extraordinary losses, income taxes – current, net income attributable to owners of the parent of 154.0 billion yen was reported, a decrease of 56.3 billion yen from the previous fiscal year.

Operating results by segment were as follows:

(MSI)

MSI booked net premiums written of 1,494.3 billion yen, an increase of 1.6% from the previous fiscal year. The net loss ratio increased by 0.6 percentage point from the previous fiscal year to 61.8%, and the net expense ratio increased by 0.3 percentage point from the previous fiscal year to 31.5%. Net income of 198.2 billion yen was recorded for this fiscal year.

(ADI)

ADI booked net premiums written of 1,222.0 billion yen, an increase of 1.8% from the previous fiscal year. The net loss ratio increased by 0.1 percentage point from the previous fiscal year to 59.2%, and the net expense ratio decreased by 0.1 percentage point from the previous fiscal year to 33.4%. Net income of 15.6 billion yen was recorded for this fiscal year.

(Mitsui Direct)

Mitsui Direct booked net premiums written of 37.8 billion yen, up 0.6 percentage point from the previous fiscal year. The net loss ratio decreased by 2.9 percentage point from the

previous fiscal year to 73.0% and the net expense ratio increased by 1.3 percentage point from the previous fiscal year to 23.3%. Net income after adjustment for equity interest (segment income) of 0.2 billion yen was recorded for this fiscal year.

(Mitsui Sumitomo Aioi Life)

Mitsui Sumitomo Aioi Life secured new policies amounting to 2,639.5 billion yen, which includes individual insurance and individual annuities, an increase of 11.0% from the previous fiscal year. The total amount of policies in force as of the end of this fiscal year was 23,806.8 billion yen, representing an increase of 2.6% from the previous fiscal year. Net income of 5.2 billion yen was reported for this fiscal year.

(Mitsui Sumitomo Primary Life)

Mitsui Sumitomo Primary Life secured new policies amounting to 1,015.6 billion yen, which includes individual insurance and individual annuities, a decrease of 1.6% from the previous fiscal year. The total amount of policies in force as of the end of this fiscal year was 6,061.8 billion yen, representing an increase of 6.7% from the previous fiscal year. Net income of 29.2 billion yen was reported for this fiscal year.

(Overseas Insurance Subsidiaries)

Net premiums written amounted to 682.3 billion yen, a 1.6% decrease from the previous fiscal year. Net loss after adjustment for equity interest (segment income) of 104.6 billion yen was recorded for this fiscal year.

Issues to be Addressed

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

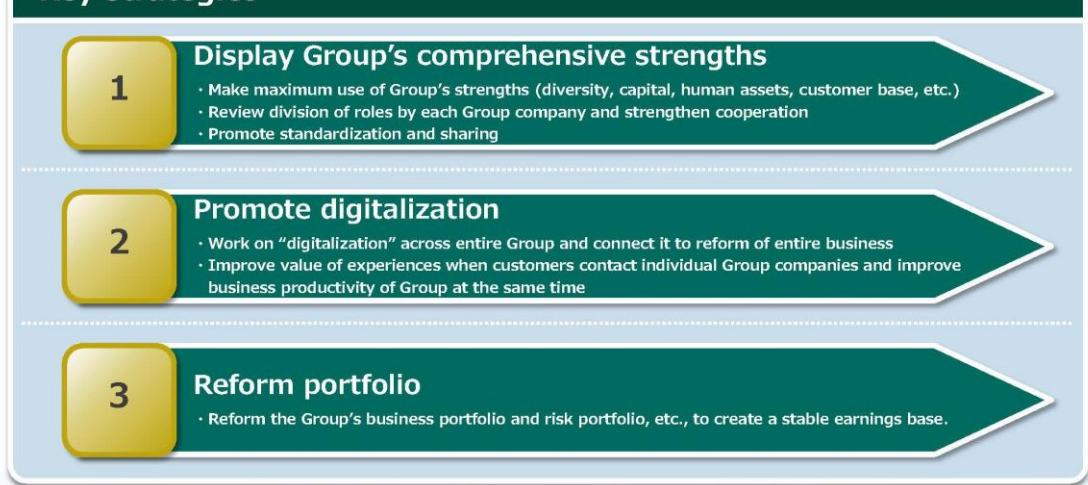
Regarding the insurance industry, the market is expected to expand backed by such economic recovery. On the other hand, the business environment is anticipated to remain unpredictable, as seen in the acceleration of the aging society with a low birth rate, population decline, increased risk of natural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

In fiscal 2018, we launched a new medium-term management plan "Vision 2021." The four years to fiscal 2021 are positioned as “period to achieve medium-term aspirations of the Group” and “period to create resilient (*4) systems that can respond swiftly to changes in the environment,” and we will promote Basic strategy and Key strategies shown in the figure below.

Vision 2021 Basic strategy

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

Key strategies



We will also strive to realize a resilient and sustainable society (*5) through our corporate activities by leveraging our inherent characteristics of having diversity, and by supporting the social life and vigorous business activities. Through these initiatives, we aspire to create a world-leading insurance and financial group with a global business reach.

We look forward to the continued support and encouragement of our shareholders.

*4 Resilient

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

*5 Sustainable society

A vibrant society that spans several generations, where anyone can live securely and

safely while resolving issues related to the global environment, society and human beings

Note: All monetary amounts and number of shares indicated in this business report (including the statements that follow) are rounded down to the indicated unit. Percentages of increase/decrease (change) are rounded off to the first decimal place.

(2) Changes in status of assets and earnings of corporate group and insurance holding company

a. Changes in status of consolidated assets and earnings of corporate group

(Yen in millions)

Category	Fiscal year 2014	Fiscal year 2015	Fiscal year 2016	FY2017 (Fiscal year under review)
Ordinary income	4,689,658	5,013,038	5,335,239	5,217,835
Ordinary profit	287,061	291,578	352,612	211,548
Net income attributable to owners of the Parent Company	136,247	181,516	210,447	154,057
Comprehensive income	807,972	△233,116	114,294	311,096
Net assets	3,036,663	2,725,274	2,734,432	2,968,387
Total assets	18,788,046	20,303,649	21,234,300	22,472,927

b. Changes in status of assets and earnings of insurance holding company

Category	Fiscal year 2014	Fiscal year 2015	Fiscal year 2016	FY2017 (Fiscal year under review)
Operating income	(Yen in millions) 61,650	(Yen in millions) 86,370	(Yen in millions) 113,816	(Yen in millions) 140,287
Dividends received	55,202	86,003	113,391	140,141
Subsidiaries engaged in insurance business	55,198	85,999	113,387	140,027
Other subsidiaries	4	4	4	114
Current net income	35,404	79,739	104,187	128,276
Net income per share	57.51 Yen	131.22 Yen	173.74 Yen	216.53 Yen
Total assets	(Yen in millions) 1,322,205	(Yen in millions) 1,326,757	(Yen in millions) 1,478,876	(Yen in millions) 1,635,723
Shares of subsidiaries engaged in insurance business	1,316,824	1,321,826	1,429,837	1,430,635
Shares of other subsidiaries	846	846	846	90,077

(3) Main offices of corporate group

Corporate name	Name of office	Location	Date founded
(Insurance holding company) MS&AD Insurance Group Holdings, Inc.	Headquarters	27-2, Shinkawa 2-chome, Chuo-ku, Tokyo	Oct. 1, 2014
(Domestic non-life insurance business) Mitsui Sumitomo Insurance Company, Limited	Headquarters	9, Kanda Surugadai 3-chome, Chiyoda-ku, Tokyo	Oct. 1, 2013
Aioi Nissay Dowa Insurance Company, Limited	Headquarters	28-1, Ebisu 1-chome, Shibuya-ku, Tokyo	Apr. 1, 2001
Mitsui Direct General Insurance Company, Limited	Headquarters	5-3, Koraku 1-chome, Bunkyo-ku, Tokyo	Jan. 4, 2006
(Domestic life insurance business) Mitsui Sumitomo Aioi Life Insurance Company, Limited	Headquarters	27-2, Shinkawa 2-chome, Chuo-ku, Tokyo	Oct. 1, 2014
Mitsui Sumitomo Primary Life Insurance Company, Limited	Headquarters	3-7, Yaesu 1-chome, Chuo-ku, Tokyo	May 1, 2008

(4) Employees of corporate group

(Number of employees)

Division name	End of previous fiscal year	End of fiscal year under review	Change for the fiscal year under review
(Insurance holding company) MS&AD Insurance Group Holdings, Inc.	329	390	61
(Domestic non-life insurance business) Mitsui Sumitomo Insurance Company, Limited	14,650	14,572	Δ78
Aioi Nissay Dowa Insurance Company, Limited	13,052	13,287	235
Mitsui Direct General Insurance Company, Limited	581	571	Δ10
(Domestic life insurance business) Mitsui Sumitomo Aioi Life Insurance Company, Limited	2,595	2,609	14
Mitsui Sumitomo Primary Life Insurance Company, Limited	384	394	10
(Overseas business) Overseas insurance subsidiaries	8,759	9,184	425
Others	291	288	Δ3

(Note) The numbers of employees each represent the number of those on duty and do not include Executive Officers.

(5) Major lenders of corporate group

Division Name	Lender	Amount Borrowed
(Domestic non-life Insurance Business) Mitsui Sumitomo Insurance Company, Limited	Syndicated loan	(Yen in millions) 196,767

(Note) Syndicated loan was arranged by Sumitomo Mitsui Banking Corporation and Sumitomo Mitsui Trust Bank, Ltd.

(6) Capital procurement of corporate group

Bonds issued

(Yen in millions)

Division name	Description	Amount issued
(Domestic non-life Insurance Business)		
Mitsui Sumitomo Insurance Company, Limited	3rd series of domestic subordinated unsecured bond with interest deferrable option and early redeemable option	50,000
	4th series of domestic subordinated unsecured bond with interest deferrable option and early redeemable option	80,000

(7) Capital investment of corporate group

a. Total Amount of Capital Investment

(Yen in millions)

Division name	Amount
(Insurance holding company)	
MS&AD Insurance Group Holdings, Inc.	14
(Domestic non-life insurance business)	
Mitsui Sumitomo Insurance Company, Limited	7,705
Aioi Nissay Dowa Insurance Company, Limited	10,272
Mitsui Direct General Insurance Company, Limited	99
(Domestic life insurance business)	
Mitsui Sumitomo Aioi Life Insurance Company, Limited	586
Mitsui Sumitomo Primary Life Insurance Company, Limited	550
(Overseas business)	
Overseas insurance subsidiaries	2,261
Others	26

b. Establishment of Major Facilities, etc.

Not applicable.

(8) The Parent Company and main subsidiaries

a. Status of the Parent Company

Not applicable.

b. Status of main subsidiaries

Name of company	Location	Principal business	Date of incorporation	Paid-in capital	Percentage of voting rights (%)	Other
Mitsui Sumitomo Insurance Co., Ltd.	Chiyoda-ku, Tokyo	Non-life insurance business	Oct. 21, 1918	¥ 139,595 million	100.0%	-
Aioi Nissay Dowa Insurance Co., Ltd.	Shibuya-ku, Tokyo	Non-life insurance business	Jun. 30, 1918	¥ 100,005 million	100.0%	-
Mitsui Direct General Insurance Company, Limited	Bunkyo-ku, Tokyo	Non-life insurance business	Jun. 3, 1999	¥ 39,106 million	89.7%	-
au insurance Company, Limited	Shibuya-ku, Tokyo	Non-life insurance business	Feb. 23, 2010	¥ 2,400 million	66.6% (66.6%)	-
Mitsui Sumitomo Aioi Life Insurance Co., Ltd.	Chuo-ku, Tokyo	Life insurance business	Aug. 8, 1996	¥ 85,500 million	100.0%	-
Mitsui Sumitomo Primary Life Insurance Co., Ltd.	Chuo-ku, Tokyo	Life insurance business	Sep. 7, 2001	¥ 41,060 million	100.0%	-
MITSUI SUMITOMO INSURANCE Venture Capital Co., Ltd.	Chuo-ku, Tokyo	Venture capital business	Dec. 6, 1990	¥ 1,000 million	100.0% (100.0%)	-
Sumitomo Mitsui Asset Management Company, Limited	Minato-ku, Tokyo	Investment advisory business and investment trust management business	Jul. 15, 1985	¥ 2,000 million	20.0% (20.0%)	-
InterRisk Research Institute & Consulting, Inc.	Chiyoda-ku, Tokyo	Risk management and consulting business	Jan. 4, 1993	¥ 330 million	100.0%	-
MSIG Holdings (Americas), Inc.	New York, U.S.A.	Holding company	Oct. 21, 1988	US\$4,126 thousand (¥438 million)	100.0% (100.0%)	-
Mitsui Sumitomo Insurance USA Inc.	New York, U.S.A.	Non-life insurance business	Jan. 28, 1988	US\$5,000 thousand (¥531 million)	100.0% (100.0%)	-
Mitsui Sumitomo Insurance Company of America	New York, U.S.A.	Non-life insurance business	Mar. 29, 2001	US\$5,000 thousand (¥531 million)	100.0% (100.0%)	-
Aioi Nissay Dowa Insurance Company of America	New York, U.S.A.	Non-life insurance business	Jan. 11, 1994	US\$5,000 thousand (¥531 million)	100.0% (100.0%)	-
DTRIC Insurance Company, Limited	Honolulu, U.S.A.	Non-life insurance business	Dec. 12, 1978	US\$ 4,500,000 (¥478 million)	100.0% (100.0%)	-
DTRIC Insurance Underwriters, Limited	Honolulu, U.S.A.	Non-life insurance business	Feb. 2, 2007	US\$2,500 thousand (¥265 million)	100.0% (100.0%)	-
Mitsui Sumitomo Seguros S/A.	Sao Paulo, Brazil	Non-life insurance business	Dec. 15, 1965	BRL 619,756thousand (¥19,813 million)	100.0% (100.0%)	-

Name of company	Location	Principal business	Date of incorporation	Paid-in capital	Percentage of voting rights (%)	O t h e r
MS Amlin plc	London, U.K.	Holding company	Sep. 17, 1993	UK£143,168 thousand (¥21,309 million)	100.0% (100.0%)	-
MS Amlin Corporate Services Limited	London, U.K.	Holding company	Aug. 1, 1988	UK£16 thousand (¥2 million)	100.0% (100.0%)	-
MS Amlin Corporate Member Limited	London, U.K.	Non-life insurance business	Sep. 19, 1994	UK£1,700 thousand (¥253 million)	100.0% (100.0%)	-
MS Amlin Underwriting Limited	London, U.K.	Non-life insurance business	Nov. 29, 1988	UK£400 thousand (¥59 million)	100.0% (100.0%)	-
MSI Corporate Capital Limited	London, U.K.	Non-life insurance business	Jan. 7, 2000	UK£5,200 thousand (¥773 million)	100.0% (100.0%)	-
Amlin Insurance SE	London, U.K.	Non-life insurance business	Jan. 4, 2016	UK£1,164 thousand (¥173 million)	100.0% (100.0%)	-
Mitsui Sumitomo Insurance Company (Europe), Limited	London, U.K.	Non-life insurance business	Jul. 28, 1972	UK£ 160,900 thousand (¥23,948 million)	100.0% (100.0%)	-
Aioi Nissay Dowa Insurance Company of Europe Limited	London, U.K.	Non-life insurance business	Nov. 12, 2004	UK£ 39,781 thousand (¥5,921 million)	100.0% (100.0%)	-
MS Amlin AG	Zurich, Switzerland	Non-life insurance business	Aug. 19, 2010	SFR10,000 thousand (¥1,113 million)	100.0% (100.0%)	-
MSIG Insurance Europe AG	Cologne, Germany	Non-life insurance business	Apr. 20, 2012	€84,000 thousand (¥10,963 million)	100.0% (100.0%)	-
Aioi Nissay Dowa Life Insurance of Europe AG	Ismaning, Germany	Life insurance business	Dec. 8, 2005	€5,000 thousand (¥652 million)	100.0% (100.0%)	-
MS Financial Reinsurance Limited	Hamilton, Bermuda	Life insurance business	Nov. 21, 2011	¥ 46 million	100.0% (100.0%)	-
ReAssure Jersey One Limited	Channel, Jersey	Holding company	Jul. 22, 2011	UK£529 thousand (¥78 million)	15.0%	-
MSIG Holdings (Asia) Pte. Ltd.	Singapore, Singapore	Holding company	Sep. 23, 2004	S\$1,075 million (¥87,153 million)	100.0% (100.0%)	-
MSIG Insurance (Singapore) Pte. Ltd.	Singapore, Singapore	Non-life insurance business	Sep. 23, 2004	S\$333,442 thousand (¥27,015 million)	100.0% (100.0%)	-
MS First Capital Insurance Limited	Singapore, Singapore	Non-life insurance business	Dec. 9, 1950	S\$ 26,500 thousand (¥2,147 million)	97.7% (97.7%)	-
Aioi Nissay Dowa Insurance Company Australia Pty Ltd	Melbourne, Australia	Non-life insurance business	Aug. 1, 2008	A\$87,800 (¥7,169 million)	100.0% (100.0%)	-
MSIG Mingtai Insurance Co., Ltd.	Taipei, Taiwan	Non-life insurance business	Sep. 22, 1961	NT\$2,535 million (¥9,230 million)	100.0% (100.0%)	-
Mitsui Sumitomo Insurance (China) Company, Limited	Shanghai, P.R.C.	Non-life insurance business	Sep. 6, 2007	RMB500,000 thousand (¥8,445 million)	100.0% (100.0%)	-
Aioi Nissay Dowa Insurance (China) Company Limited	Tianjin, P.R.C.	Non-life insurance business	Jan. 23, 2009	RMB625,000 thousand (¥10,556 million)	100.0% (100.0%)	-
MSIG Insurance (Hong Kong) Limited	Hong Kong, P.R.C.	Non-life insurance business	Sep. 8, 2004	HK\$1,625 million (¥22,013 million)	100.0% (100.0%)	-

Name of company	Location	Principal business	Date of incorporation	Paid-in capital	Percentage of voting rights (%)	Other
MSIG Insurance (Vietnam) Company Limited	Hanoi, Vietnam	Non-life insurance business	Feb. 2, 2009	VND300,000 million (¥1,410 million)	100.0% (100.0%)	-
Cholamandalam MS General Insurance Company Limited	Chennai, India	Non-life insurance business	Nov. 2, 2001	INR2,988 million (¥4,930 million)	40.0% (40.0%)	-
Max Life Insurance Company Limited	Chandigarh, India	Life insurance business	Jul. 11, 2000	INR19,188 million (¥31,660 million)	25.3% (25.3%)	-
PT. Asuransi MSIG Indonesia	Jakarta, Indonesia	Non-life insurance business	Dec. 17, 1975	IDR100,000 million (¥780 million)	80.0% (80.0%)	-
PT. Asuransi Jiwa Sinarmas MSIG	Jakarta, Indonesia	Life insurance business	Jul. 17, 1984	IDR105,000 million (¥819 million)	50.0% (50.0%)	-
MSIG Insurance (Thailand) Public Company Limited	Bangkok, Thailand	Non-life insurance business	Apr. 14, 1983	THB142,666 thousand (¥485 million)	86.4% (86.4%)	-
BPI/MS Insurance Corporation	Makati, Philippines	Non-life insurance business	Oct. 1, 1965	PHP350,000 thousand (¥717 million)	48.5% (48.5%)	-
MSIG Insurance (Malaysia) Bhd.	Kuala Lumpur, Malaysia	Non-life insurance business	Apr. 28, 1979	MYR 1,511 million (¥41,522 million)	65.4% (65.4%)	-
Hong Leong Assurance Berhad	Kuala Lumpur, Malaysia	Life insurance business	Dec. 20, 1982	MYR200,000 thousand (¥5,494 million)	30.0% (30.0%)	-
MSIG Insurance (Lao) Co., Ltd.	Vientiane, Laos	Non-life insurance business	Sep. 18, 2009	US\$2,000 thousand (¥212 million)	51.0% (51.0%)	-

(Notes)1. The table above shows main subsidiaries and other companies.

2. Shown in parentheses in the Paid-in capital column is the Yen value as translated at the exchange rate on the last day of the fiscal year under review.

3. Shown in parentheses in the Percentage of voting rights column is the percentage of voting rights indirectly held.

(9) Status of business transfers and acquisitions of corporate group

Not applicable.

(10) Other important matters concerning state of corporate group

Not applicable.

2. Matters Concerning Officers

(1) Status of officers

(As of end of fiscal year)

Name	Position and responsibilities	Significant concurrent positions	Other
Hisahito Suzuki	Representative Director Chairman	Director & Vice Chairman, Aioi Nissay Dowa Insurance Co., Ltd. (“ <i>ADI</i> ”)	-
Yasuyoshi Karasawa	Representative Director President & CEO	Chairman & Director, Chairman Executive Officer, Mitsui Sumitomo Insurance Co., Ltd. (“ <i>MSI</i> ”)	-
Noriyuki Hara	Representative Director Executive Officer	President, Director & CEO, <i>MSI</i>	
Yasuzo Kanasugi	Representative Director Executive Officer	Director & President, <i>ADI</i>	-
Shiro Fujii	Director Executive Vice President Corporate Planning Dept., Corporate Communications and Investor Relations Dept., Business Development Dept., Information Technology Planning Dept., International Supervisory Dept., Internal Audit Dept. Group capital policy (Group CFO)	-	-
Masaaki Nishikata	Director Executive Officer Marketing & Sales	Director, Executive Vice President, <i>MSI</i>	
Fumiaki Ohkawabata	Director Executive Officer Products • Reinsurance	Director, Senior Executive Officer, <i>ADI</i>	-
Akira Watanabe	Director (Outside Director)	Attorney-at-Law, Seiwa Meitetsu Law Office Director, Asia Pile Holdings Corporation Outside Director, Maeda Corporation Outside Corporate Auditor, Fast Retailing Co., Ltd. Audit and Supervisory Board Member, Kadokawa Corporation	-
Daiken Tsunoda	Director (Outside Director)	Attorney-at-law, Nakamura, Tsunoda & Matsumoto Director (Outside Director (Audit Committee Member)), Eisai Co., Ltd.	-
Mari Matsunaga	Director (Outside Director)	Director (External Director), Rohto Pharmaceutical Co., Ltd. Director (Outside Director),	-

		Seiko Epson Corporation	
Mariko Bando	Director (Outside Director)	Chancellor (Rijicho and Socho), Showa Women's University (present)	-
Hiroshi Miura	Audit & Supervisory Board Member (Full-time)	-	-
Tomoko Kondo	Audit & Supervisory Board Member (Full-time)	-	-
Kunio Chiyoda	Outside Audit & Supervisory Board Member	Director of Terasaki Electric Co., Ltd. (Outside Director (Audit Committee))	As a certified public accountant, Mr. Kunio Chiyoda has considerable knowledge of finance and accounting.
Kyoko Uemura	Outside Audit & Supervisory Board Member	Attorney-at-Law, LM Law Offices	-
Tadashi Ogawa	(Director(Outside Director))	-	Passing on Aug.21, 2017

(Notes) 1. The Company has submitted to the Tokyo Stock Exchange and the Nagoya Stock Exchange Independent Director/Auditor Notification, indicating that Directors Akira Watanabe, Daiken Tsunoda, Mari Matsunaga and Mariko Bando, Audit & Supervisory Board Members Kunio Chiyoda and Kyoko Uemura are independent directors who are unlikely to cause a conflict of interest in the profit of general shareholders.

2. The Company adopts an executive officer system. Executive Officers (excluding directors who are also an Executive Officer) as of March 31, 2018 are as follows:

Senior Executive Officer	Nampey Yanagawa	Human Resources and General Administration Dept., Accounting Dept., Compliance Dept., Corporate Risk Management Dept., Internal Audit Dept. Chief Risk Officer
Executive Officer	Masahiro Matsumoto	International Business
Executive Officer	Teruhiko Ito	Financial Services Business
Executive Officer	Hidema Jinno	General Manager of Corporate Risk Management Dept.
Executive Officer	Sumitaka Taira	Claims Services
Executive Officer	Masahiro Higuchi	Assist Management
Executive Officer	Shinichiro Funabiki	Administration and Information Systems Chief Information Officer Chief Information Security Officer
Executive Officer	Tetsuji Higuchi	Assist Management

However, Executive Officers Nampei Yanagawa and Sumitaka Taira resigned as Executive Officers on March 31, 2018.

3. There were changes in Executive Officers as of April 1, 2018. Executive Officers as of April 1, 2018 are as follows:

Chairman	Hisahito Suzuki	
President & CEO	Yasuyoshi Karasawa	Chief Executive Officer
Executive Officer	Noriyuki Hara	
Executive Officer	Yasuzo Kanasugi	
Executive Vice President	Shiro Fujii	Corporate Planning Dept., Corporate Communications & Investor Relations Dept., Business Development Dept., International Life

Executive Officer	Fumiaki Ohkawabata	Insurance Business Dept., Information Technology Planning Dept., International Supervisory Dept., Internal Audit Dept., Chief Financial Officer, Group capital policy, Sustainability
Executive Officer	Masahiro Matsumoto	Human Resources and General Administration Dept., Accounting Dept., Compliance Dept., Corporate Risk Management Dept., Internal Audit Dept.
Executive Officer	Teruhiko Ito	Chief Risk Officer
Executive Officer	Hidema Jinno	International Business
Executive Officer	Masahiro Higuchi	Asset management and Financial Services
Executive Officer	Shinichiro Funabiki	General Manager of Corporate Risk Management Dept.
		Claims Services
		Administration and systems
		Chief Information Officer
		Chief Information Security Officer
		Chief Digitalization Officer
Executive Officer	Tetsuji Higuchi	Assist Management
Executive Officer	Takashi Kuroda	Sales
(New Appointment)		
Executive Officer	Yukio Ogata	Products • Reinsurance
(New Appointment)		
Executive Officer	Satoshi Tamura	Assist Management
(New Appointment)		
Executive Officer	Naomi Motojima	Diversity & Inclusion
(New Appointment)		
4. The Company appoints one external auditor to fill a vacancy in preparation for a shortfall in the number of statutory audit & supervisory board members.		
Substitute Auditor	Takuya Nakazato	

(2) Remuneration to officers

(Yen in millions)

Category	Number of recipients	Remuneration
Directors	13	231
Audit & Supervisory Board Members	7	72
Total	20	303

(Notes) 1. The number of recipients to be paid includes 2 Directors and 3 Audit & Supervisory board members who retired during business year fiscal year.

2. Remuneration includes remuneration for 2 Directors and 3 Audit & Supervisory board members who retired during the business year.

3. The remuneration of seven directors paid by the business year resulted in a difference of 40 million yen from the reserve for performance-linked remuneration based on the performance of the previous business year, which is not included in the table above.

4. Based on a resolution adopted at the Annual Shareholders Meeting, the remuneration of Directors shall be no more than 500 million yen per annum (exclusive of wages as an employee payable to a Director also serving as an employee) (of which remuneration for Outside Directors shall be no more than 60 million yen per annum), stock options as stock-based compensation shall be no more than 60 million yen per annum, and remuneration for Audit & Supervisory Board Members no more than 110 million yen per annum.

5. The remuneration includes stock options as stock-based compensation to Directors amounting to 12 million yen.

(3) Limited liability agreement

Name	Summary of content in limited liability agreements
(Outside Director) Akira Watanabe Daiken Tsunoda Mari Matsunaga Mariko Bando (Outside Audit & Supervisory Board Member) Kunio Chiyoda Kyoko Uemura	<p>The Company has concluded agreements with each of the persons limiting his/her liability under Article 423, Paragraph 1 of the Companies Act. The amount of limited liability based on these agreements is the sum of the amounts stipulated in all items of Article 425, Paragraph 1 of the Companies Act.</p>

(Note) We signed an agreement with Tadashi Ogawa, who retired from his post of an Outside Director due to the passing away on Aug. 21, 2017.

3. Matters Concerning Outside Officers

(1) Concurrent and other status of outside directors and audit & supervisory board members

Name	Concurrent position or other matters
(Outside Director) Akira Watanabe	Attorney-at-Law, Seiwa Meitetsu Law Office Director, Asia Pile Holdings Corporation Outside Director, Maeda Corporation Outside Corporate Auditor, Fast Retailing Co., Ltd. Audit and Supervisory Board Member, Kadokawa Corporation
Daiken Tsunoda	Attorney-at-law, Nakamura, Tsunoda & Matsumoto Director (Outside Director (Audit Committee Member)), Eisai Co., Ltd.
Mari Matsunaga	Director (External Director), Rohto Pharmaceutical Co., Ltd. Director (Outside Director), Seiko Epson Corporation
Mariko Bando	Chancellor (Rijicho and Socho) , Showa Women's University (present)
(Outside Audit & Supervisory Board Member)	
Kunio Chiyoda	Director of Terasaki Electric Co., Ltd. (Outside Director (Audit Committee))

Kyoko Uemura

Attorney-at-Law, LM Law Offices

(Notes) 1. Maeda Corporation owns shares of the Company.

2. There is no special relationship between any of the above entities and the Company.

(2) Primary activities of outside officers

Name	Length of time in office	Attendance at Board of Directors/Auditors meetings	Observations made at Board of Directors meetings and record of other activities
Akira Watanabe (Outside Director)	8 years	Attended 13 out of 15 times Board of Directors meetings held in this fiscal year.	Made observations at Board of Directors meetings or other meetings as appropriate, based on his knowledge and experience as a lawyer.
Daiken Tsunoda (Outside Director)	8 years	Attended 13 out of 15 times Board of Directors meetings held in this fiscal year.	Made observations at Board of Directors meetings or other meetings as appropriate, based on his knowledge and experience as a lawyer.
Tadashi Ogawa (Outside Director)	5 years and 2 months	Attended 3 of the 5 holds of the Board of Directors in this fiscal year before his retirement due to the passing away on August 21, 2017.	Made observations at Board of Directors meetings or other meetings as appropriate, based on his experience as a business administrator and broad knowledge relating to finance, etc.
Mari Matsunaga (Outside Director)	5 years and 9 months	Attended all the 15 meetings of the Board of Directors held in this fiscal year.	Made observations at Board of Directors meetings or other meetings as appropriate, based on her knowledge and experience concerning society, culture, consumer lifestyles, etc.
Mariko Bando (Outside Director)	9 months	Attended 12 out of the 13 holds of the Board of Directors since her appointment as Director.	Made observations at Board of Directors meetings or other meetings as appropriate statements and recommendations based on knowledge and experience, mainly in the administrative and educational fields.
Kunio Chiyoda (Outside Audit & Supervisory Board Member)	1 year and 9 months	Attended all the 15 meetings of the Board of Directors and all the 13 meetings of the Board of Corporate Auditors.	Made observations at Board of Directors meetings or other meetings as appropriate, based on his knowledge and experience as a

			certified public accountant.
Kyoko Uemura (Outside Audit & Supervisory Board Member)	9 months	Attended all the 13 times Board of Directors meetings and all the 11 times Audit & Supervisory Board meetings held since he assumed office as Audit & Supervisory Board Member.	Made observations at Board of Directors meetings or other meetings as appropriate, based on her knowledge and experience as a lawyer.

(Notes) 1. The period of office of each individual is from the date of his assumption of office to March 31, 2018 (or the date of his retirement).

2. Mr. Daiken Tsunoda assumed office of Audit & Supervisory Board Member of the Company on April 1, 2008 and resigned as such on March 31, 2010.

(3) Remuneration for outside officers

(Yen in millions)

	Number of recipients	Remuneration from the insurance holding company	Remuneration from the Parent Company, etc. of the insurance holding company
Total compensation	9	70	-

(Notes) 1. The number of recipients includes 3 outside officer who resigned during this fiscal year.

2. Remuneration from the Insurance Holding Company includes remuneration for the 3 Outside Directors who retired during this fiscal year.

3. The breakdown of remuneration from insurance holding companies is 50 million yen for outside directors and 20 million yen for outside auditors.

(4) Opinion of outside officers

There is no opinion from outside officers concerning matters (1) to (3).

4. Matters Concerning Stock

(1) Number of shares

Total number of issuable shares 900,000 thousand shares

Total number of shares issued 593,291 thousand shares

(Note) As a result of the retirement of the treasury stock on June 30, 2017

The number of shares decreased by 40,000 thousand from the end of the previous fiscal year.

(2) Number of shareholders at the end of this fiscal year 65,512

(3) Major shareholders

Names of shareholders	Investment in the Company	
	Number of shares held (Thousand)	Ratio of shares held (%)
Toyota Motor Corporation	52,610	8.9%
Nippon Life Insurance Company	36,325	6.1
The Master Trust Bank of Japan, Ltd. (Trust account)	33,531	5.7
Japan Trustee Services Bank, Ltd. (Trust account)	26,685	4.5
JP MORGAN CHASE BANK 380072	13,953	2.4
Japan Trustee Services Bank, Ltd. (Trust account 5)	9,855	1.7
Japan Trustee Services Bank, Ltd. (Trust account 7)	9,363	1.6
Japan Trustee Services Bank, Ltd. (Trust account 4)	9,130	1.5
STATE STREET BANK WEST CLIENT - TREATY 505234	8,869	1.5
THE BANK OF NEW YORK MELLON 140044	8,400	1.4

(Note) The Company owns 880,702 treasury shares but these are omitted from the table above.

5. Matters Concerning Stock Acquisition Rights, etc.

(1) Stock acquisition rights, etc. held by the Company's Directors and Audit & Supervisory Board Members as of the last day of the fiscal year

	Outline of the stock acquisition rights, etc.	Number of persons who hold stock acquisition rights, etc.
Director (excluding Outside Directors)	2016 First Stock Options as Equity Compensation	
	<p>Stock acquisition right allotment date: July 29, 2016</p> <p>Total number of stock acquisition rights: 4,219 (Number of shares underlying each stock acquisition right is one share per unit)</p> <p>Type and number of shares underlying stock acquisition rights: Common stock of the Company 4,219 shares</p> <p>Exercise period for stock acquisition rights: From July 30, 2016 to July 29, 2046</p> <p>Exercise value (per share): ¥1</p> <p>Conditions on exercise of stock acquisition rights: (Note 2)</p>	4
	2017 First Stock Options as Equity Compensation	
	<p>Stock acquisition right allotment date: Aug. 1, 2017</p> <p>Total number of stock acquisition rights: 3,673 (Number of shares underlying each stock acquisition right is one share per unit)</p> <p>Type and number of shares underlying stock acquisition rights: Common stock of the Company 3,673 shares</p> <p>Exercise period for stock acquisition rights: From Aug. 2, 2017 to Aug. 1, 2047</p> <p>Exercise value (per share): ¥1</p> <p>Conditions on exercise of stock acquisition rights (Note 2.)</p>	6
Outside Directors	—	—
Audit & Supervisory Board Members	—	—

(Notes) 1. The table shows stock acquisition rights which have been granted by offsetting the right to claim remuneration to the Company, with the payment obligations for the stock acquisition rights that have been allotted to each person.
2. A rights holder may exercise his/her stock acquisition rights only after he/she relinquishes his/her position as a Director, Executive Officer, or full-time Audit & Supervisory Board Member at the Company or its subsidiaries, which consist of five domestic insurance companies (Note 3.). In such a case, a rights holder may exercise his/her stock acquisition rights all at once, during the period beginning on the day following the day he/she relinquishes his/her position as a Director, Executive Officer, or full-time Audit & Supervisory Board Member at the Company or at one of the five domestic insurance companies, until the elapse of 10 days.

3. Mitsui Sumitomo Insurance Company, Limited, Aioi Nissay Dowa Insurance Company, Limited, Mitsui Sumitomo Aioi Life Insurance Company, Limited, Mitsui Sumitomo Primary Life Insurance Company, Limited and Mitsui Direct General Insurance Company, Limited.
4. The number of stock acquisition rights as of the last day of the fiscal year, which have been granted to the directors of the Company (excluding Outside Directors) in consideration for the execution of their duties as the Company's Director is shown in the table above. In addition to this, the number of stock acquisition rights granted to the Executive Officers of the Company, and the Directors or Executive Officers of the Company's major subsidiaries, at the time of issuance of the stock acquisition rights, is shown below.
 - Number of stock acquisition rights issued as of July 2016 : 9,616
 - Number of stock acquisition rights issued as of Aug. 2017: 7,225

(2) Stock acquisition rights, etc. issued to employees, etc. during the fiscal year

	Outline of the details of the Equity warrants, etc. and the number of persons who hold stock acquisition rights, etc.		
	2017 First stock options as equity compensation		2017 Second stock options as equity compensation
	Employees (Note 2.)	Officers of Subsidiaries, etc.	Employees of Subsidiaries, etc.
Stock acquisition right allotment date:	Aug.1, 2017		
Total number of stock acquisition rights	8,651(Note 3.) (Number of shares underlying each stock acquisition right is one share per unit)	52,926(Note 4.) (Number of shares underlying each stock acquisition right is one share per unit)	13,837(Note 5.) (Number of shares underlying each stock acquisition right is one share per unit)
Type and number of share underlying stock acquisition rights	Common stock of the Company : 8, 651 shares	Common stock of the Company : 52,926 shares	Common stock of the Company : 13,837 shares
Exercise period for stock acquisition rights:	From Aug. 2, 2017 to Aug. 1, 2047		
Exercise value (per share)	¥1		
Conditions on exercise of stock acquisition rights	(Note 6.)		(Note 8.)
Number of persons who hold stock acquisition rights, etc.	8	67	67

- (Notes)
1. The table shows stock acquisition rights which have been granted by offsetting the right to claim remuneration to the Company, with the payment obligations for the stock acquisition rights that have been allotted to each person.
 2. The employees of the Company are Executive Officers of the Company (excluding Executive Officers who concurrently hold Director positions).
 3. The number includes stock acquisition rights granted to the employees of the Company in consideration for the execution of their duties as the Directors or Executive Officers at the major subsidiaries of the Company.
 4. The number includes stock acquisition rights granted to the Executive Officers of the major subsidiaries of the Company, who were former Executive Officers of the Company, in consideration for the execution of their duties at the Company.
 5. This is the number of stock acquisition rights granted in consideration for the execution of the duties at the major subsidiaries of the Company.
 6. A rights holder may exercise his/her stock acquisition rights only after he/she relinquishes his/her position as a Director, Executive Officer, or full-time Audit & Supervisory Board Member at the Company or its subsidiaries, which consist of five domestic insurance companies (Note 7.). In such a case, a rights holder may exercise his/her stock acquisition rights all at once, during the period beginning on the day following the day he/she relinquishes his/her position as a Director, Executive Officer, or full-time Audit & Supervisory Board Member at the Company or at one of the five domestic insurance companies, until the elapse of 10 days.
 7. Mitsui Sumitomo Insurance Company, Limited, Aioi Nissay Dowa Insurance Company, Limited, Mitsui Sumitomo Aioi Life Insurance Company, Limited, Mitsui Sumitomo Primary Life Insurance Company, Limited and Mitsui Direct General Insurance Company, Limited.
 8. A rights holder may exercise his/her stock acquisition rights only after his/her employment contract with one of the subsidiaries of the Company, Mitsui Sumitomo Insurance Company, Limited or Aioi Nissay Dowa Insurance Company, Limited has ended. In such a case, a rights holder may exercise his/her stock acquisition

rights all at once, only during the period beginning on the day following the day his/her employment contract with Mitsui Sumitomo Insurance Company, Limited or Aioi Nissay Dowa Insurance Company, Limited has ended, until the elapse of 10 days.

6. Matters Concerning Independent Auditor

(1) Independent Auditor

(Yen in millions)

Name or title	Remuneration for the fiscal year under review	Other
KPMG AZSA LLC. Designated and engagement partner: Tsutomu Takahashi, Designated and engagement partner: Ikuo Hirakuri Designated and engagement partner: Fumito Hirose	60	1. Apart from work under Article 2, Paragraph 1 of the Certified Public Accountants Act, the Company has paid the Independent Auditor remuneration for professional guidance and advice, etc. for IFRS application. 2. The Audit & Supervisory Board has given its consent in accordance with Article 399, Paragraph 1 of the Companies Act relating to remuneration of the Independent Auditor upon confirming and verifying the appropriateness of its Audit Plan, performance status of duties and calculation basis for remuneration quotation.

(Notes) 1. The sum of the amounts payable in cash and in kind from the Company and its subsidiaries is 486 million yen.

2. The amount shown in the table above includes remuneration for audits under the Financial Instruments and Exchange Law, since the audit contract between the Company and the Independent Auditor does not provide for separate amounts of remuneration for audits under the Companies Act and audits, etc. under the Financial Instruments and Exchange Law, nor can they practically be separated.

(2) Limited liability agreement

Not applicable.

(3) Other matters concerning Independent Auditor

a. Policy on dismissal or decision not to reappoint the Independent Auditor

The Company policy with regard to the above is as follows:
 Should the Audit & Supervisory Board decide to dismiss the Independent Auditor based on Article 340 of the Companies Act, or in the event it is recognized that it will be difficult for the Independent Auditor to perform its duties or other such circumstances, and the Audit & Supervisory Board has determined it appropriate to dismiss or not to reappoint the Independent Auditor, the Audit & Supervisory Board will decide the detail of the proposal on the dismissal or non-reappointment of the Independent Auditor, which shall be presented at a shareholders meeting based on Article 344 of the Companies Act.

b. Auditing of the financial statements of the Company's principal subsidiaries done by certified public accountants other than the Company's Independent Auditor

Overseas subsidiaries among the Company's principal subsidiaries are audited by certified public accountants other than KPMG AZSA LLC.

7. Basic Policy concerning Persons in Control of Decisions on Finance and Business Policy

Not applicable.

8. System for Ensuring Appropriateness of Operations

(1) Basic Policy Pertaining to System for Internal Controls

A summary of resolutions adopted by the Board of Directors regarding the establishment of the above system is as set out below. The Company partially revised our previous contents as of April 1, 2018. The following is after the revision.

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

As the holding company conducting overall management of the Group, MS&AD Insurance Group Holdings, Inc. (the “Holding Company”) shall strive to raise the corporate value and work to create a system of management that is transparent with the control functions to facilitate the stable and sustained growth of the Group over the long term through the effective deployment of management resources and proper conduct of risk management based on the “Corporate Philosophy (Mission).”

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

- (1) The Holding Company shall institute the Corporate Philosophy (Mission), Corporate Vision and Values that all officers and employees in the Group are expected to focus on in all aspects of business, and effort shall be made to thoroughly instill and implement the content of this among all officers and employees of the Holding Company and its subsidiaries (subsidiaries under Companies Act and Insurance Business Act. hereinafter referred to as “Group companies”). The Board of Directors of the Holding Company shall be reported on the status of implementation whether the company’s corporate culture truly embraces the intent and spirit of the Corporate Philosophy (Mission), Corporate Vision and Values.
- (2) The Holding Company shall appropriately exercise shareholder voting rights, such as appropriately voting on resolutions at Shareholders’ Meetings over domestic Group insurance companies and affiliates in which the Holding Company conducts direct investment (hereinafter referred to as “directly invested companies”) from the standpoint of conducting management of business for the Group as a whole and maximizing the corporate value of the entire Group.
- (3) The Holding Company shall execute business management agreements with directly invested companies, and institute the Group basic Policy (Corporate Governance, Risk Management, Compliance and Internal Auditing).
- (4) Pursuant to business management agreements, the Holding Company shall require directly invested companies to comply with the Group’s basic policies as well as prescribing a system to ensure appropriate business conduct as stated in items (i) through (iv) below for assuring the proper conduct of business.

(i) System for Reporting to the Holding Company Regarding the Execution of Duties by Directors of Directly Invested Companies

Directly Invested Companies shall require either approval from the Holding Company with respect to important matters affecting the directly invested companies or reporting to the Holding Company regarding such matters. In addition, the Holding Company shall be able to require directly invested companies to report the status of business management etc. to the Holding Company.

(ii) System to Assure the Efficient Execution of Duties by Directors of Directly Invested Companies (mentioned in 2. below)

(iii) System to Assure that the Execution of Duties by Directors and Employees of Directly Invested Companies complies with applicable laws and the Articles of Incorporation (mentioned in 3. below)

(iv) Provisions for Managing Risk of Loss and Other Systems of Directly Invested Companies (mentioned in 4. below)

- (5) In principle, directly invested companies shall appropriately supervise the management of their subsidiaries (subsidiaries under Companies Act and Insurance Business Act) under business management agreements. For overseas bases and subsidiaries, directly invested companies shall consider local laws and characteristics when promoting the development of business systems.

2. System to Assure the Efficient Execution of Duties (System to Assure the Efficient Execution of Duties by Directors of the Holding Company and its Subsidiaries)

- (1) To ensure that there is no conflict between quick decision making and proper monitoring, the Holding Company shall adopt a system of Executive Officers, appoint outside Directors, and strengthen and separate the division of duties between “Management Decision Making, Oversight” by the Board of Directors and “Business Execution” by Executive Officers. In addition, in order to enable practical deliberations by the Board of Directors, the number of Directors shall not exceed 15 members, and the delegation of authority over business execution to Executive Officers shall be promoted.
- (2) The Holding Company shall institute rules pertaining to the organization and exercise of authority etc. to facilitate the proper and efficient execution of duties by Directors and Executive Officers, as well as clarify the duties that must be performed together with the job authority.
- (3) The Holding Company shall institute the Group’s Medium-term Management Plan and annual plans, and effort shall be made to instill a full awareness of these among all officers and employees of the Holding Company and Group companies, with numerical targets set for each area of business, and management resources properly distributed in order to accomplish the goals of the plans. In addition, Corporate Governance, Compliance, Risk Management and etc. are positioned as important matters of management in the Medium-term Management Plan.
- (4) The Holding Company shall institute the IT Governance Basic Policy of the Group in consideration of the importance of information technology (IT) as a managerial foundation of the Group, and establish an IT governance structure throughout the Group.
- (5) The Holding Company shall institute the basic policy on taxes of the Group in consideration of the importance of tax matters in its business activities, and establish a tax governance structure throughout the Group.
- (6) Executive officers of the Holding Company shall provide the Board of Directors with reports of the status of business execution for the Company and the directly invested companies (including summaries of business results). The Holding Company’s Board of Directors shall conduct measures as necessary based on the content of these reports, such as modifying the targets or assigning additional management resources.
- (7) The Holding Company shall convene regular meetings of the Group Management Committee. When necessary, officers from the domestic Group insurance companies shall also attend meetings of the Group Management Committee to discuss important matters affecting the Group’s business strategy and management of the domestic Group insurance companies as well as determine the direction of decision making.

3. Group Legal Compliance System (System to Assure That Execution of Duties by Directors and Employees of the Holding Company and its Subsidiaries Complies With Applicable Laws and the Articles of Incorporation)

- (1) In line with the Group’s Compliance Basic Policy formulated by the Holding Company, the Holding Company and Group companies shall make efforts to instill an awareness of compliance among all officers and employees, and shall carry out business activities based on high ethical standards, while complying with applicable laws and internal rules, etc.
- (2) The Holding Company shall institute the Legal Compliance Rules and a Compliance Program as a plan for its implementation and monitor the status of its implementation, in order to inculcate matters pertaining to compliance and develop corporate ethics. It shall also institute a Compliance Manual and revise it when necessary based on the business activities of the Group as a whole, management environment and other factors.
- (3) The Holding Company shall create business units and systems such as a Compliance Department to be responsible for overall management of matters pertaining to compliance for the entire Group. It shall also establish a Quality Improvement and Compliance Committee to conduct monitoring of the status of the promotion of compliance, and necessary measures shall be instituted with respect to matters confirmed by this committee. The Board of Directors of the Holding Company shall be regularly reported on the status of the promotion of compliance.
- (4) The Holding Company shall also institute rules within the Legal Compliance Rules for reporting in cases where officers and employees of the Holding Company and Group companies become aware

of compliance-related problems. Having received such reports and information, the Holding Company's Compliance Department shall work with the relevant departments and Group companies to investigate the content of such reports and formulate measures to prevent recurrences.

- (5) The Holding Company and Group companies shall establish a system and procedures (e.g., a business unit to respond to problems, responsive actions, system for managing databases concerning antisocial forces, strengthening relationships with outside organizations such as police, etc.) to eliminate the presence of any antisocial influences, in line with the Group's Basic Policy Concerning Antisocial Forces instituted by the Holding Company. The posture must be one of resolute refusal to acquiesce to antisocial influences, and all officers and employees must be fully informed so as to avoid requests that are unreasonable and inappropriate.
- (6) When the Holding Company engages in transactions with related parties such as officers of the Group, the Holding Company shall conduct appropriate monitoring to ensure that such transactions do not harm the interests of the Group and the common interests of its shareholders, such the approval by the Board of Directors of competitive transactions and transactions with a conflict of interest.
- (7) The Holding Company and Group insurance companies shall establish a system that ensures compliance with the arm's length rule and the appropriateness of transactions within the group etc. in other respects, in line with the Basic Policy on Internal Group Transactions and Business Alliances instituted by the Holding Company.
- (8) The Holding Company and domestic Group insurance companies shall establish a system to manage conflicts of interest based on the Group's Basic Policy for Management of Conflicts of Interest instituted by the Holding Company.
- (9) The Holding Company and Group companies shall establish a system to manage work with outside vendors based on the Group's Basic Policy for Management of Outside Vendors instituted by the Holding Company.
- (10) The Holding Company and Group companies shall establish the Group Whistleblowing System, which shall enable all officers and employees to directly provide information to internal and external contact points regarding illegal, inappropriate and unethical conduct both at the organizational level and individual level, and shall strive to make all officers and employees aware of the system. In addition, the Holding Company shall institute rules for the operation of the Group Whistleblowing System, and establish that there shall be no unfavorable treatment of whistleblowers as a result of having provided information. In addition, the Board of Directors shall be reported on the status of the operation of the system.
- (11) The Holding Company shall not encourage, approve or instruct the Group companies or their officers and employees to engage in conduct that violates the law.

4. Enterprise Risk Management System (Provisions for Managing Risk of Loss of the Holding Company and its Subsidiaries and Other Systems)

- (1) The Holding Company and Group companies shall conduct appropriate risk management, sharing a basic approach, and also instituting risk management policies for each company appropriate to the conditions of each company, in line with the Group's Risk Management Basic Policy instituted by the Holding Company.
- (2) To have a full and complete understanding of the various types of risk present within the Group and to comprehensively carry out appropriate risk management, the Holding Company shall create business units and systems such as a Risk Management Department for these purposes. A Risk Management Committee shall also be established, and necessary measures shall be instituted to eliminate and reduce risk based on the findings of this committee (including the confirmation results from comprehensive risk management (quantitative)).
- (3) The Holding Company shall monitor risk and the status of risk management for the Group as a whole, and shall evaluate comprehensive risk for the entire Group on a quantitative basis and confirm that the capital needed for the Group as a whole is assured. The Board of Directors shall be reported on the status of these initiatives, in consideration of the results of consultation and coordination by the Risk Management Committee.
- (4) The Holding Company shall establish the Crisis Management System and the Business Continuity Management System for the Group as a whole in accordance with the Crisis Management Manual instituted by the Holding Company to fulfill corporate social responsibility and our responsibilities to stakeholders, and also establish the necessary systems to minimize damages caused by crisis.

5. System for Assuring the Reliability of Financial Reporting

- (1) When selecting candidates to serve as Corporate Auditors, the Holding Company shall appoint at

least one person as Corporate Auditors who possess the necessary knowledge regarding accounting and financial matters.

- (2) The Holding Company and Group companies shall establish a system for the timely and proper reporting of financial information and other disclosures of information pertaining to the Group, based on the Group's Basic Policy for Controlling Disclosure of Information instituted by the Holding Company.
- (3) In order to provide accurate and clear reporting of the business results and financial condition of the Holding Company and its consolidated subsidiaries, consistent with accounting standards generally accepted as fair and appropriate, the Holding Company shall institute accounting rules and prescribe the important matters pertaining to accounting administration.
- (4) In order to ensure the fair disclosure of information, the Holding Company shall institute controls pertaining to the disclosure of information and procedural rules and take measures to evaluate the effectiveness of these controls and improve their effectiveness, and the Risk Management Committee shall check the propriety of information disclosure.
- (5) The Holding Company, through the Risk Management Committee, shall check the results from evaluations of the establishment and functioning of "internal controls over financial reporting" implemented in itself and its consolidated subsidiaries in accordance with the Financial Instruments and Exchange Act.
- (6) The Board of Directors of the Holding Company shall be reported the findings from investigations done by the Risk Management Committee pertaining to the effectiveness of controls on the disclosure of information and the propriety of information disclosure at the Holding Company and its consolidated subsidiaries.

6. System for Assuring the Effectiveness of Internal Audit

- (1) The Holding Company and domestic Group insurance companies shall maintain a system for internal auditing covering the business activities of the entire Group based on the Group's Internal Audit Basic Policy instituted by the Holding Company to conduct internal auditing that is effective and efficient.
- (2) The Holding Company and domestic Group insurance companies shall establish an independent dedicated organization to focus exclusively on internal auditing, shall prepare rules for internal auditing that prescribe the basic matters pertaining to this activity, and shall formulate an internal audit plan based on the types and degrees of risk.
- (3) The Holding Company's internal auditing department shall make reports to the Holding Company's Board of Directors of important matters from the findings of internal auditing conducted at the Holding Company and the domestic Group insurance companies along with the status of improvements at the business units subject to audits and other matters.

7. System for Management of Information (System for Management and Retention of Information Pertaining to Execution of Duties by Directors.)

- (1) The Holding Company shall institute Corporate Information Management Regulations, and shall properly retain and manage the documentations (which means important documentations such as the minutes of the Board of Directors and approval documentations, including electronic data) pertaining to execution of duties by Directors and Executive Officers as well as other company information. In addition, the Holding Company's Directors and Corporate Auditors must be able to have unrestricted access at all times to such information.
- (2) The Holding Company and Group companies shall establish a system to ensure the proper handling and secure management of personal information (customer information) based on the Group's Basic Policy for Management of Customer Information instituted by the Holding Company.

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

- (1) **System Pertaining to Employees Assisting With Work Performed by Corporate Auditors, as well as for assuring independence of such employees and the effectiveness of instructions**
 - (i) To support the duties of Corporate Auditors, the Holding Company has a Corporate Auditor Office with full-time employees.
 - (ii) The Holding Company's Directors shall respect the independence of the Corporate Auditor Office. Organizational changes in the Corporate Auditor Office as well as transfer or discharge of the employees described above only takes effect upon reaching a consensus at a Board of Auditors meeting. Employee evaluation also takes place upon consultation with the Corporate Auditor assigned by the Board of Auditors.
- (2) **System for Reporting to Corporate Auditors**

- (i) If becoming aware of any serious violations of applicable law or the Articles of Incorporation, inappropriate conduct or facts that pose a serious risk of harm to the Company, the Holding Company's Directors and Executive Officers shall promptly report such to the Board of Auditors.
- (ii) The Holding Company's Directors and Executive Officers shall make timely reports to the Corporate Auditors of any decisions that will significantly affect businesses or organizational structures, the findings of internal audits, and the status of whistleblowing and other matters reported to the Corporate Auditors, in accordance with the process instituted in consultation with the Corporate Auditors.
- (iii) Officers and employees of the Holding Company and the Group companies may also make direct reports to the Corporate Auditors of the Holding Company of any matters relating to illegal, inappropriate or unethical conduct that pose a serious risk of harm to the Company.
- (iv) The Holding Company and the Group companies shall not subject persons making reports as described in items (i) to (iii) above to any unfavorable treatment for the reason of their having made such reports.

(3) Other Matters

- (i) The Holding Company shall clearly state in the relevant rules etc. that, in addition to the Board of Directors, Corporate Auditors may also attend meetings of the Group Management Committee and other important meetings.
- (ii) The Holding Company's Chairman of the Board of Directors, President and Representative Directors shall provide the Board of Auditors with regular statements of views pertaining to issues that must be addressed by the Holding Company, the environment for auditing by Corporate Auditors, important auditing issues, and other matters.
- (iii) When requested by Corporate Auditors, the Holding Company's internal auditing department shall cooperate with the auditing work being undertaken by the Corporate Auditors.
- (iv) When requested by Corporate Auditors for advance payment or indemnification etc. of expenses under Article 388 of the Companies Act with respect to the execution of their duties, the Holding Company shall conduct the appropriate procedures in accordance with Article 388.

(2) Overview of the Operational Status of the System for Internal Controls

The Company strives to maintain a system to ensure the propriety of business and appropriately operate its system, and reports to the Board of the Directors regarding the results of a self-inspection conducted once a year into the operational status of this system.

An overview of the operational status in the fiscal year under review is as follows.

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

By promoting understanding of the Story of Value Creation, which shows that staff's daily activities lead to the realization of the Mission Statement, we are working to continuously disseminate the Corporate Philosophy (Mission), Corporate Vision and Values (MVV). In addition to the "the Holding Company" and five insurance companies, we conducted a staff awareness survey on MVV and other issues at affiliated companies directly owned by the Group. The status of the creation and implementation of the Corporate Culture and corporate culture is reported to the Board of Directors.

We institute the Group basic Policies and requests each company to approval "the Holding Company" and report to "the Holding Company" regarding compliance with the Group basic Policy and decisions on important matters, based on Management administration/business administration agreements entered into with the directly-owned company. The appointment of directors of 5 insurance companies, management plans, Risk Appetite Statements, and income and expenditure plans, as well as the appointment of directors of affiliated companies directly owned by "the Holding Company", were approved in advance. In fiscal 2017, Mitsui Sumitomo Aioi Life Insurance Co., Ltd.'s partial Head Office functions were consolidated into holding companies as part of the reorganization by function to further strengthen group governance by "the Holding Company"

2. System to Assure the Efficient Execution of Duties (System to Assure the Efficient Execution of Duties by Directors of the Holding Company and its Subsidiaries)

In order to strengthen monitoring and supervision/oversight functions from the perspective of external human assets, which is independent from management, and to ensure highly transparent management, four of the 11 directors (2 women) are Outside Directors, more than one-third of whom are Outside Directors. For Outside Directors, each staff in charge gives advance explanations of the materials for discussion at the Board of Directors meeting.

The medium-term management plan sets management numerical Target for each business domain, allocates capital based on the risk-taking policy to the operating companies, and reports monthly performance at the Group Management Committee to verify the status of progress with respect to the financial plan. In the overview of the basic strategies of the medium-term management plan, we recognize the strengthening of group governance and risk/return management as key issues, and we will continue to work toward the formulation of the next medium-term management plan.

3. Group Legal Compliance System (System to Assure That Execution of Duties by Directors and Employees of the Holding Company and its Subsidiaries Complies With Applicable Laws and the Articles of Incorporation)

In order to conduct business activities based on high ethical standards thorough awareness of compliance and compliance with laws and regulations, we conduct compliance training, conduct inspections to detect inappropriate acts at an early stage, and implement various measures to prevent their recurrence. To monitor and discuss the status of compliance promotion throughout the Group, we have established the Risk and Compliance Committee (which will be changed to the Quality Improvement and Compliance Committee in fiscal 2018. The same applies hereinafter). The committee meets quarterly in principle to confirm compliance-related issues and efforts at Group companies.

4. Enterprise Risk Management System (Provisions for Managing Risk of Loss of the Holding Company and its Subsidiaries and Other Systems)

The Board of Directors of “the Holding Company” regularly receives reports from the Risk Management segments on confirmation results of the quantitative verification of integrated risk management, the status of Group critical risk management action plans, the status of risk factor indicators for Group critical risk, and the results of discussions by the Risk Compliance Committee to confirm the status of Group risks, and the status of risk management and action.

“The Holding Company” report to the Board of Directors on a semi-annual basis the results of monitoring the risk and risk management status of the entire “the Holding Company” and each company, as well as the capital required from the “the Holding Company’s” capital and the status of the integrated risk amount coordination by the Risk Compliance Committee and other committees.

5. System for Assuring the Reliability of Financial Reporting

The Information Disclosure Committee (changed to the Risk Management Committee in fiscal 2018; the same applies hereinafter) reports on regular disclosure and timely disclosure and exchanges of opinions on confirmation of the validity of disclosure information. The Information Disclosure Committee discussed and verified the effectiveness of internal controls over financial reporting for the year ended March 31, 2017, targeting all holding companies, consolidated subsidiary companies, and affiliated companies accounted for by the equity method.

6. System for Assuring the Effectiveness of Internal Audit

“The Holding Company” and Group domestic insurance companies formulate risk-based internal audit plans and conduct efficient and effective internal audits of all Group business activities. We have established a system to verify the internal auditing and internal management systems of Group's domestic insurance companies through monitoring and other means and to promote improvements. The status of each company is reported to the Board of Directors once a year.

7. System for Management of Information (System for Management and Retention of Information Pertaining to Execution of Duties by Directors, etc.)

The Company confirms that information, such as the minutes of general shareholder meetings, meetings of the Board of Directors, the Group Management Committee, etc. and documentation relating to the Board of Directors is appropriately managed.

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

(1) Matters Pertaining to Employees Assisting with Work Performed by Audit & Supervisory Board Members

“The Holding Company” has assigned 3 full-time employees to the Office of Audit & Supervisory Board, and conducts personnel changes with the approval of the Audit & Supervisory Board.

(2) System for Reporting to Audit & Supervisory Board Members and executive officers execute their duties in recognition of the materiality of reporting to audit & supervisory board members as set forth in the Executive Officer Regulations. In addition, executives and employees of “Holding Company” and Group companies operate the whistle-blowing system in internal a way that they can directly report to the Corporate Auditors of the “Holding Company”, and confirm that the status of reporting under the Group's whistle-blowing system is regularly reported to the Board of Corporate Auditors.

(3) Other Systems to ensure that the Audits of the Audit & Supervisory Board Members are Effectively Conducted, In addition to meetings of the Board of Directors, Audit & Supervisory Board Members also attend other important meetings, such as those of the Group Management Committee and other committees. In addition, the Chairman of the Board and the "President, Chief Executive Officer" is held twice a year, and the other Representative Directors hold meetings with the Audit & Supervisory Board Members once a year.

9. Matters Concerning Specified Wholly Owned Subsidiaries

(Yen in millions)

Corporate name	Location	Carrying value of the stock of the specified wholly owned subsidiary at the end of fiscal 2017
Mitsui Sumitomo Insurance Company, Limited	9, Kanda Surugadai 3-chome, Chiyoda-ku, Tokyo	648,528
Aioi Nissay Dowa Insurance Company, Limited	28-1, Ebisu 1-chome, Shibuya-ku, Tokyo	512,283

(Note) Total assets of the Company at the end of fiscal 2017 amounted to 1,635,723 million yen.

10. Matters Concerning Transactions with the Parent Company etc.

Not applicable.

11. Matters Concerning Accounting Advisors

Not applicable.

12. Other Matters

Not applicable.

FY2017 CONSOLIDATED BALANCE SHEET (As of March 31, 2018)

(Yen in millions)

Item	Amount	Item	Amount
(Assets)		(Liabilities)	
Cash, deposits and savings	1,481,694	Policy liabilities:	16,964,512
Receivables under resale agreements	6,999	Outstanding claims	2,213,650
Receivables under securities borrowing transactions	309,644	Underwriting reserves	14,750,861
Monetary claims bought	140,133	Bonds issued	558,191
Money trusts	1,043,506	Other liabilities	1,328,675
Investments in securities	16,152,966	Liabilities for pension and retirement benefits	184,569
Loans	892,599	Reserve for retirement benefits for officers	538
Tangible fixed assets	459,624	Accrued bonuses for employees	27,592
Land	231,456	Reserve for reorganization by function	16,341
Buildings	191,374	Reserves under the special laws:	152,928
Lease assets	2,711	Reserve for price fluctuation	152,928
Construction in progress	2,379	Deferred tax liabilities	221,690
Other tangible fixed assets	31,701	Acceptances and guarantees	49,500
Intangible fixed assets:	549,502	Total liabilities	19,504,540
Software	57,491	(Net Assets)	
Goodwill	229,221	Common stock	100,000
Lease assets	218	Capital surplus	554,320
Other intangible fixed assets	262,570	Retained earnings	849,044
Other assets	1,297,829	Treasury stock	(2,599)
Assets for retirement benefits	30,645	Total shareholders' equity	1,500,765
Deferred tax assets	68,026	Net unrealized gains/(losses) on investments in securities	1,487,258
Customers' liabilities under acceptances and guarantees	49,500	Net deferred gains/(losses) on hedges	20,043
Bad debt reserve	(9,746)	Foreign currency translation adjustments	(66,274)
		Accumulated actuarial gains/(losses) on retirement benefits	(679)
		Total accumulated other comprehensive income/(loss)	1,440,346
		Stock acquisition rights	566
		Non-controlling interests	26,709
		Total net assets	2,968,387
Total assets	22,472,927	Total liabilities and net assets	22,472,927

FY2017 CONSOLIDATED STATEMENT OF INCOME

(From: April 1, 2017

To: March 31, 2018)

(Yen in millions)

Item	Amount
Ordinary income	5,217,835
Underwriting income:	4,648,110
Net premiums written	3,440,976
Deposit premiums from policyholders	86,371
Investment income on deposit premiums from policyholders	43,130
Life insurance premiums	1,058,278
Other underwriting income	19,353
Investment income:	550,838
Interest and dividends income	286,229
Investment gains on money trusts	8,795
Investment gains on trading securities	29,424
Gains on sales of securities	151,934
Gains on redemption of securities	1,092
Investment gains on separate accounts	115,299
Other investment income	1,194
Transfer of investment income on deposit premiums from policyholders	(43,130)
Other ordinary income	18,886
Gains on equity method investments	3,017
Other ordinary income	15,868
Ordinary expenses	5,006,286
Underwriting expenses:	4,157,768
Net claims paid	1,935,165
Loss adjustment expenses	171,041
Commissions and collection expenses	689,066
Maturity refunds to policyholders	241,099
Dividends to policyholders	283
Life insurance claims	376,130
Provision for outstanding claims	179,565
Provision for underwriting reserves	558,519
Other underwriting expenses	6,897
Investment expenses:	163,183
Investment losses on money trusts	13,748
Losses on sales of securities	8,996
Impairment losses on securities	1,512
Losses on redemption of securities	584
Losses on derivative transactions	14,498
Other investment expenses	123,843
Operating expenses and general and administrative expenses	669,640
Other ordinary expenses:	15,693
Interest expense	9,057
Loss on bad debts	215
Other ordinary expenses	6,420

Ordinary profit	211,548
Extraordinary profit	51,348
Gains on sales of fixed assets	9,316
Reversal of reserves under the special laws:	42,032
Reversal of reserve for price fluctuation	42,032
Extraordinary loss	18,589
Losses on sales of fixed assets	3,853
Impairment losses on fixed assets	14,724
Losses on compression of real estates	11
Income/ (loss) before income taxes	244,307
Income taxes - current	118,432
Income taxes - deferred	(28,008)
Total income taxes	90,423
Net income/ (loss)	153,884
Net income /(loss) attributable to non-controlling interests	(173)
Net income/ (loss) attributable to owners of the parent	154,057

FY2017 CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

(From: April 1, 2017

To: March 31, 2018)

(Yen in millions)

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

	Accumulated other comprehensive income					Stock acqui- sition 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	1,360,859	23,472	(91,219)	(9,420)	1,283,692	307	25,147	2,734,432
Changes for the year:								
Dividends paid								(79,975)
Net income/ (loss) attributable to owners of the parent								154,057
Repurchase of treasury stock								(70)
Disposal of treasury stock								62
Cancellation of treasury stock								-
Changes in the parent's ownership interests in subsidiaries due to transactions with non-controlling interests								(242)
Put options granted to non-controlling shareholders								2,562
Adjustments to retained earnings due to change in US tax system								(914)
Net changes of items other than shareholders' equity	126,398	(3,429)	24,944	8,740	156,654	258	1,561	158,475
Total changes for the year	126,398	(3,429)	24,944	8,740	156,654	258	1,561	233,955
Ending balance	1,487,258	20,043	(66,274)	(679)	1,440,346	566	26,709	2,968,387

CONSOLIDATED EXPLANATORY NOTES

(Significant Accounting Policies)

The Company's consolidated financial statements are prepared in conformity with the Corporate Accounting Regulations and the Ordinance for Enforcement of Insurance Business Act pursuant to the provisions of the Article 118 of the said Regulations. The definitions of subsidiary and affiliated company are based on Article 2 of the Corporate Accounting Regulations.

1. Scope of consolidation

(1) Number of consolidated subsidiaries

93 companies

Major consolidated subsidiaries are as follows:

Mitsui Sumitomo Insurance Co., Ltd. (“MSI”)

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

Mitsui Sumitomo Aioi Life Insurance Co., Ltd. (“MSAL”)

Mitsui Sumitomo Primary Life Insurance Co., Ltd. (“MSPL”)

MSIG Holdings (Americas), Inc.

MS Amlin plc

MSIG Insurance (Malaysia) Bhd.

Changes in scope of consolidation

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

Solo Absolute Bonds and Currency Fund and 15 other companies have been excluded from the scope of consolidation during the year ended March 31, 2018 because they were no longer subsidiary due to the Company's withdrawal of investments or sales of their shares.

(2) Unconsolidated subsidiaries

Major unconsolidated subsidiaries are as follows:

ANSHIN DIAL Co., Ltd.

MS&AD Systems Co., Ltd.

Certain subsidiaries including the above subsidiaries are not consolidated, as they are not considered to affect, in all material aspects, the consolidated financial conditions and

business performance, in view of the size of their total assets, ordinary income, net income and retained earnings attributable to the Company.

2. Application of equity method

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

15 companies

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

Sumitomo Mitsui Asset Management Company, Limited

ReAssure Jersey One Limited

Changes in scope of application of equity method

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

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

(2) Other affiliates, including unconsolidated subsidiaries and associates (e.g. ANSHIN DIAL Co., Ltd. and Zenkankyo Small Amount and Short Term Insurance Holdings, Ltd.), are stated at cost as their effects on consolidated net income and retained earnings are not considered material, individually and in aggregate.

(3) The Company holds 29.9% of the voting rights of Japan Earthquake Reinsurance Co., Ltd. ("Japan Earthquake Re") through MSI and ADI. However, Japan Earthquake Re is not included in the affiliates since the Company does not have the ability to exercise significant influence over operating and financial decisions of Japan Earthquake Re in view of its public nature.

3. Fiscal year of consolidated subsidiaries

The fiscal year end of certain consolidated subsidiaries, including MS Amlin plc and 84 other companies, is December 31 which is different from that of the Company. The Company uses the financial statements as of their latest fiscal year end for consolidation purposes since the intervening period does not exceed three months from the Company's fiscal year end.

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

4. Accounting policies

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

Japanese Insurance Business Act)

- (i) Trading securities are valued at their year-end market prices. Cost of sales is calculated using the moving average method. For overseas consolidated subsidiaries, cost of sales is calculated using the first-in first-out method.
- (ii) Held-to-maturity securities are valued at amortized cost.
- (iii) Investments in unconsolidated subsidiaries and associates that are not accounted for under the equity method are valued at cost determined by the moving average method.
- (iv) Debt securities and money trusts earmarked for underwriting reserves are valued at amortized cost determined by the moving average method in accordance with Industry Audit Committee Report No. 21 “Temporary Treatment of Accounting and Auditing Concerning Debt Securities Earmarked for Underwriting Reserve in the Insurance Industry” (issued by the Japanese Institute of Certified Public Accountants on November 16, 2000).

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

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

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 earmarked for underwriting reserves fall within a certain range from those of the underwriting reserves in each subgroup. Starting from the year ended March 31, 2017, in order to improve asset liability management (ALM) and investment methods appropriate for investment environment, the size of subgroups of certain individual insurance denominated in U.S. dollars has been reduced. There is no effect of this change on the consolidated financial statements.

- (v) Available-for-sale securities (except for those without practically determinable fair value) are valued at their year-end market prices.

Net unrealized gains and losses are reported as a separate line item of net assets. For foreign currency bonds held by certain consolidated subsidiaries, changes in fair values due to fluctuations in foreign exchange rates are reported in net unrealized gains and losses in net assets, while remaining changes are reported as foreign exchange gains and losses in the consolidated financial statement of income. Cost of

sales is calculated by the moving average method.

- (vi) Available-for-sale securities without practically determinable fair value are valued at cost using the moving average method.
- (vii) Money trusts which are specifically managed for the Company and its domestic consolidated subsidiaries for trading purposes are valued at their year-end market prices.

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

(2) Valuation policies and methods of derivative financial instruments

Derivative financial instruments are valued at fair value.

(3) Depreciation methods of significant depreciable assets

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

(4) Accounting policies for significant reserves

- (i) Bad debt reserve

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

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

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

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

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

For other domestic consolidated subsidiaries, bad debt reserve is established under their internal standards for self-assessment of assets and policies for write-off and

provision similar to those of the domestic consolidated insurance subsidiaries.

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

(ii) Reserve for retirement benefits for officers

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

(iii) Accrued bonuses for employees

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

(iv) Reserve for reorganization by function

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

(v) Reserve for price fluctuation

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

(5) Accounting for retirement benefits

(i) Attribution method of retirement benefits over the service period

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

(ii) Accounting for actuarial gains and losses

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

(6) Translation of foreign currency assets and liabilities

Foreign currency monetary assets and liabilities of the Company are translated into Japanese yen using the spot exchange rate prevailing at the year-end. The foreign exchange gains and losses resulting from the translation are recognized in earnings. Foreign currency assets and liabilities of overseas consolidated subsidiaries are translated into Japanese yen using the spot exchange rate prevailing at their respective year-ends, while shareholders' equity is translated at the historical rates. Income and expenses of overseas consolidated

subsidiaries are translated into Japanese yen using the average exchange rate for the year. Differences arising from such translations are included in Foreign currency translation adjustments and Non-controlling interests in Net Assets.

(7) Accounting for consumption taxes

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

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

(8) Hedge accounting

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

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

For certain domestic consolidated insurance subsidiaries, gains and losses on equity

forward contracts used for hedging risks of variability in the fair value of investments in equity securities are accounted for under either the deferred hedge method or the fair value hedge method. Gains and losses on currency swap contracts and certain foreign exchange forward contracts used for hedging risks of variability in foreign exchange rates on foreign currency assets are accounted for under the deferred hedge method, the fair value hedge method or the allocation method. Gains and losses on currency swap contracts used for hedging risks of variability in foreign exchange rates on foreign currency bonds issued by MSI are accounted for under the allocation method.

Gains and losses on interest rate swap contracts used for hedging risks of variability in interest rates of loans, bonds and borrowings are accounted for under the deferred hedge method or the exceptional method when they meet certain criteria.

Gains and losses on interest rate and currency swap contracts used for hedging risks of variability in foreign exchange rates and interest rates on foreign currency borrowings are accounted for under the integrated method when they meet certain criteria. The integrated method is to hedge foreign currency risks and interest rate risks using the allocation method and the exceptional method, respectively.

Certain overseas consolidated subsidiaries use certain foreign currency borrowings for hedging risks of variability in foreign exchange rates on investments in subsidiaries. Gains and losses on those financial instruments are accounted for under the deferred hedge method. In addition, certain foreign exchange forward contracts are used for hedging instruments in certain overseas consolidated subsidiaries and those are accounted for under the fair value hedge method.

Hedge effectiveness is assessed quarterly by comparing cumulative fluctuations in fair value or cash flows of the hedged items and hedging instruments for the periods from the respective start dates of the hedges to the assessment dates. When the hedged items and the hedging instruments are highly and clearly interrelated, when the interest rate swap transactions meet the criteria for application of the exceptional method, or when the interest rate and currency swap contracts meet the criteria for application of the integrated method, hedge effectiveness is not assessed.

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

5. Goodwill

Goodwill is amortized using the straight-line method over its useful life within 20 years. Insignificant amounts of goodwill are charged to expenses as incurred.

(Consolidated Balance Sheet)

1. The amounts of accumulated depreciation and accelerated depreciation of tangible fixed assets are as follows:

	(Yen in millions)
	March 31, 2018
Accumulated depreciation	367,326
Accelerated depreciation	14,255

(Note) The amount of compressed bookkeeping deducted from the acquisition price by receiving government subsidies, etc. was 11 million yen.

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

	(Yen in millions)
	March 31, 2018
Investments in securities (Domestic stocks)	17,515
Investments in securities (Foreign securities)	237,385
Investments in securities (Other securities)	13,797

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

	(Yen in millions)
	March 31, 2018
Loans to borrowers in bankruptcy	0
Overdue loans	272
Loans overdue for three months or more	473
Restructured loans	1,479
Total	2,225

(Notes) Loans to borrowers in bankruptcy represent those, excluding any part of bad debts that have been written off, on which accrued interest receivables are not recognized because repayments of the principal or interest have been overdue for considerable periods and regarded uncollectible (hereinafter, this category is referred to as “Loans not accruing interest”) and which meet the conditions prescribed in Article 96, Section 1-3 or 1-4 of the Corporation Tax Act Enforcement Ordinance (Cabinet Order No. 97, 1965).

Overdue loans represent loans not accruing interest excluding (a) loans to borrowers in bankruptcy and (b) loans that have been granted a grace period for interest payments in order to assist the debtors’ operational restructuring or financial recovery.

Loans overdue for three months or more represent those of which the principal or interest has been past due for three months or more after the contractual due date for repayments of the principal or interest. The loans to borrowers in bankruptcy

and overdue loans are excluded from this category.

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

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

	(Yen in millions)
	March 31, 2018
Pledged assets:	
Investments in securities	346,777
Cash, deposits and savings	3,876
Money trusts	2,183

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

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

(Yen in millions)
March 31, 2018
667,614

6. The amounts of assets received as collateral under loan agreements or securities borrowing transactions with cash collateral which the Company has the right to sell or repledge are as follows:

	(Yen in millions)
	March 31, 2018
Securities	168,651
Commercial papers	-

(Note) All securities and commercial papers in the above table have not been resold or repledged, and are held by the Company and its subsidiaries.

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

(Yen in millions)
March 31, 2018
2,420,333

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

MSI provides guarantees on transactions conducted by a limited partnership entity. Aggregate net present value of these transactions was 130,771 million yen in a negative liability position as of March 31, 2018. This amount was not included in Customers' liabilities under acceptances and guarantees or Acceptances and guarantees since there

was no substantial exposure.

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

(Yen in millions)
March 31, 2018
5,771

10. Information on financial instruments

(1) Qualitative information on financial instruments

(i) Policy on financial instruments

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

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

(ii) Details of financial instruments and associated risks

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

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

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

Derivative transactions involve risks associated with fluctuations in fair value of derivative financial instruments, risks of 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 changes in the fair value of hedged items and hedging instruments offset each other. In order to mitigate credit risks arising from the nonperformance of counterparties, most of the Group's derivative transactions are executed only with selected counterparties of high credit quality and diversified amongst various counterparties. Furthermore, under Credit Support Annex (CSA) the Group obtains collateral from counterparties.

(iii) Risk management structure relating to financial instruments

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

(a) Market risk management

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

(b) Credit risk management

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

resolving delinquent loans on an individual loan basis.

(c)Liquidity risk management

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

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

The fair value of financial instruments is determined based on market prices and, when market prices are not available, based on reasonable estimates. In determining fair value, certain assumptions and methods are used, thus the fair value may differ if alternative assumptions are applied.

(2) Supplementary information on fair value of financial instruments

The following tables summarize the carrying amounts on the consolidated balance sheets and the fair values of financial instruments as of March 31, 2018. The following table excludes financial instruments in which the fair values are not practically determinable (see Note 2).

(Yen in millions)

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

(*1) Bad debt reserve for loans is deducted from the carrying amount.

(*2) Derivative assets and liabilities included in Other assets and Other liabilities, are presented on a net basis. Debits and credits arising from derivative transactions are netted.

(Note 1) Determination of fair value of financial instruments

Assets

(i) Cash, deposits and savings

With regard to deposits and savings, the fair value is measured at the present value of the estimated future cash flows discounted at interest rates applicable to the same type of new deposits and savings based on duration. With regard to deposits and savings without fixed maturities and short-term deposits and savings, the book value is deemed as the fair value due to their demand feature or short term duration.

(ii) Receivables under resale agreements

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

(iii) Receivables under securities borrowing transactions

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

(iv) Monetary claims bought

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

(v) Money trusts

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

(vi) 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, independent price vendors or counterparty financial institutions.

(vii) Loans

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

With regard to policy loans, which do not have contractual maturities, as the loan amount is limited to the surrender value, the carrying amount approximates the fair value, considering their estimated repayment periods and interest rates.

With regard to loans to debtors that are legally or substantially bankrupt and loans to doubtful debtors, the carrying amount less bad debt reserve is deemed as the fair value, because the bad debt reserve is determined based on the present value of the estimated future cash flows or the value of the collateral and the amount collectible through guarantees.

Liabilities

Bonds issued

With regard to Bonds issued, the fair value is determined based on “Reference Statistical Prices for OTC Bond Transactions” published by the Japan Securities Dealers Association or prices quoted by independent price vendors or counterparty financial institutions.

Derivative transactions

With regard to derivative transactions, the fair value is determined based on published forward exchange rates, closing prices at major exchanges, prices quoted by

counterparty financial institutions or prices calculated by the option pricing model.

(Note 2) The carrying amounts of financial instruments in which the fair values are not practically determinable, which are not included in “(vi) Investments in securities” above, are as follows:

	(Yen in millions)
	March 31, 2018
Unlisted stocks and other assets invested in unconsolidated subsidiaries and associates	268,698
Other unlisted stocks	83,108
Unlisted investment trusts	22,093
Partnership investments comprised of unlisted stocks	31,213
Total	405,114
The fair value of the financial instruments in the above table is not disclosed because their fair value is not practically determinable due to lack of marketability and difficulties in reasonably estimating future cash flows.	

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

	(Yen in millions)
	March 31, 2018
Carrying amount	75,405
Fair value	136,583

- (Notes) 1. Carrying amount represents the acquisition cost less accumulated depreciation.
 2. Fair value is primarily determined based on the appraisal values provided by qualified external appraisers. With respect to the properties with no substantial changes in their appraisal values or indices that were considered to appropriately reflect market prices since most recent appraisal dates, the fair value is determined based on these appraisal values or the values adjusted by the relevant indices.

12. Business combination

(Business Combination by Acquisition)

MSI, a consolidated subsidiary of the Company, acquired shares of First Capital Insurance Limited (hereinafter referred to as "FC"), Singapore's largest non-life insurance company, under Fairfax Financial Holdings Limited (hereinafter referred to as "Fairfax"), a major Canadian insurance and financial group, and made FC its subsidiary. FC changed its name to MS First Capital Insurance Limited.

(1) The outline of the business combination

(i) Name and contents of business of the acquired company

Name: First Capital Insurance Limited

Business: Non-Life Insurance

(ii) Main reasons for the business combination

The acquisition of FC will enable the Company to increase income and growth in the Singaporean market, maintain and improve its leading position in the ASEAN market, and further grow globally through a partnership with Fairfax.

(iii) Date of business combination

December 28, 2017 (Deemed Acquisition Date: December 31, 2017)

(iv) Legal form of the business combination

Acquisition of shares

(v) Name of the acquired company after the business combination

MS First Capital Insurance Limited

(vi) Ratio of voting rights acquired

97.7%

(vii) Main reasons for determining the acquiring company

MSI has been determined to be the acquiring company because it has acquired 97.7% of the voting rights of FC.

(2) Period of performance of the acquired company included in the consolidated financial statements

The fiscal year-end of the acquired company is December 31, which is different by less than three months from the consolidated fiscal year-end. Therefore, the consolidated financial statements are prepared using financial statements as of the same date. Since the Deemed Acquisition Date of the Business Combination is December 31, 2017, only the balance sheet is consolidated and the results of the acquired company are not included in the consolidated statements of income.

(3) Acquisition cost of the acquired company and breakdown by type of consideration

Consideration for Acquisition:	Cash 2,214 million Singapore dollars
Acquisition cost:	2,214 million Singapore dollars

(4) Description and amount of major acquisition related expenses

Advisory expense, etc.: 1,057 million yen

(5) Goodwill, reason for recognizing goodwill, method and period of amortization

(i) Amount of goodwill arising

901 million Singapore dollars

(ii) Reason for recognizing goodwill

The amount of investment under the share acquisition agreement exceeded the net amount of asset acquired and liability assumed.

(iii) Method and period to amortize goodwill

Straight-line method over 20 years

(6) Amount of asset acquired and liability assumed on the date of business combination and major breakdown thereof

(Unit: Singapore dollars in million)

Total assets:	2,757
(Cash and deposits:	1,177)
(Intangible fixed assets:	679)
Total liabilities:	1,426
(Insurance contract reserves:	1,090)

(7) Details of conditional acquisition prices under the business combination agreement and the accounting policy for and after the current fiscal year in which the business combination was completed

(i) Details of conditional acquisition prices under the business combination agreement

Conditional acquisition prices have been agreed to be increased or decreased at the future date according to the results of remeasurement of the amount of certain liability as of the date of business combination of the acquired company.

(ii) Accounting policy for and after the current fiscal year in which the business combination was completed

The acquisition cost, as well as the amount and amortization of goodwill, will be revised in the event of an increase or decrease in the consideration for acquisition.

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

	March 31, 2018
Net assets per share (in Yen)	4,964.64
Stock acquisition rights deducted from net assets (Yen in millions)	566
Non-controlling interests deducted from net assets (Yen in millions)	26,709
Outstanding common shares (in thousands of shares)	592,411

14. Any amount less than the stated unit is rounded down.

(Consolidated Statement of Income)

1. The amounts of gains/(losses) on derivative transactions to reduce the currency risks of foreign currency reinsurance transactions, included in other underwriting income/(expenses), are as follows:

(Yen in millions)	
For the year ended	
March 31, 2018	
	1,881

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

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

3. Major components of business expenses are as follows:

(Yen in millions)	
For the year ended March 31, 2018	
Commission expenses	661,080
Salaries	310,320

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

4. Impairment losses recognized on fixed assets are as follows:

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

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

Fixed assets are reviewed for impairment whenever events or changes in circumstances, such as a significant decline in the value of the asset (asset group) or a change in the intended use of the asset, indicate that the carrying amount of the asset (asset group) may not be

recoverable. An impairment loss is measured by the amount in which the carrying amount of the asset (asset group) exceeds its recoverable amount, which is the higher of 1) the sum of discounted cash flows from the continued use and eventual disposition of the asset (asset group) and 2) the net sales value at disposition.

As the domestic consolidated subsidiary au General Insurance Co., Ltd. continued to record negative profits and losses from its business activities, making it impossible to recover the carrying amounts of the fixed assets used for the insurance business operations and etc. in the above table, the entire amounts were recognized as impairment losses on fixed assets under extraordinary losses.

As the idle real estate and real estate for sale in the above table were to be sold or to be demolished in the near future, the aggregate difference between the carrying amounts of the assets and recoverable amounts was recognized as impairment losses on fixed assets under extraordinary losses.

The recoverable amounts of the assets to be sold represent their net sales value and those of the assets to be demolished represent their memorandum value. The net sales value is determined based on the appraisal value provided by qualified appraisers.

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

In addition, goodwill related to the telematics voluntary automobile insurance business in the United Kingdom was tested for impairment in accordance with the revision of business plans. As a result, the aggregate difference between the carrying amounts of the assets and recoverable amounts was recognized as impairment losses on fixed assets under extraordinary losses. The recoverable amount is measured by value in use and is calculated by discounting future cash flows at a rate of 10.5%.

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

	For the year ended March 31, 2018
Basic net income/(loss) attributable to owners of the parent per share (in Yen)	260.04
Diluted net income/(loss) attributable to owners of the parent per share (in Yen)	259.98
(Notes) The basis of calculation is as follows:	
	For the year ended March 31, 2018
Net income/(loss) attributable to owners of the parent (Yen in millions)	154,057
Average outstanding common stock during the year (in thousands of shares)	592,418
Increase in number of common stock used for calculation of diluted net income/(loss) attributable to owners of the parent (in thousands of shares)	147

6. Any amount less than the stated unit is rounded down.

(Consolidated Statement of Changes in Net Assets)**1. Type and number of issued stock and treasury stock**

(in thousands of shares)

	Beginning balance	Increase	Decrease	Ending balance
Shared issued				
Common stock	633,291	-	40,000	593,291
Total	633,291	-	40,000	593,291
Treasury stock:				
Common stock	40,884	19	40,022	880
Total	40,884	19	40,022	880

(Notes)

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

2. Stock acquisition rights

(Yen in millions)

Category	Breakdown	Ending balance
Filing company	Stock acquisition rights as stock options	566
Total		566

3. Dividends**(1) Dividends paid**

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

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

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

Resolution	Type of shares	Aggregate amount of dividends (Yen in millions)	Source of dividends	Dividends per share (in Yen)	Date of record	Effective date
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June 25, 2018 Annual shareholders meeting	Common stock	38,506	Retained earnings	65	March 31, 2018	June 26, 2018
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(Note) Date of record is the date to determine shareholders who are entitled to receive dividends.

4. Put options granted to non-controlling interests

The change in redeemable amount of put options sold under the share of Box Innovation Group Limited ("BIG") granted by ADI, a consolidated subsidiary of the Company, to non-controlling shareholders of BIG, a consolidated subsidiary of ADI, is recognized as an increase (decrease) in capital surplus.

5. Adjustments to retained earnings due to tax reforms in the U.S.

The consolidated subsidiaries in the United States have adopted ASU 2018-02, "Statement of Income - Comprehensive Income (Topic 220)" and reclassified the impact of the reduction in the federal corporate tax rate under the U.S. Tax Reform Act "The Tax Cuts and Jobs Act" from accumulated other comprehensive income into retained earnings.

6. Any amount less than the stated unit is rounded down.

FY2017 NON-CONSOLIDATED BALANCE SHEET(as of March, 2018)

(Yen in millions)

Item	Amount	Item	Amount
(Assets)		(Liabilities)	
Current assets	55,640	Current liabilities	2,724
Cash and deposits	14,539	Accounts payable	1,021
Deposits paid in affiliates	12,914	Accrued expenses	626
Prepaid expenses	1	Accrued income taxes	305
Income taxes receivable	28,166	Accrued consumption taxes	349
Other	17	Deposits	12
		Unearned revenue	15
Fixed assets	1,580,083	Accrued bonuses for employees	393
Tangible fixed assets	416		
Buildings	356	Non-current liabilities	270,234
Tools, furniture & fixtures	60	Bonds	270,000
		Asset retirement obligations	234
Intangible fixed assets:	299		
Software	187	Total liabilities	272,958
Software in progress	112		
		(Net Assets)	
Investments and other assets	1,579,366	Shareholders' equity	1,374,663
Investment securities	58,642	Common stock	100,000
Stock of affiliates	1,520,712	Capital surplus	1,079,007
Other	10	Additional paid-in capital	729,255
		Other capital surplus	349,751
		Retained earnings	198,256
		Other retained earnings	198,256
		Retained earnings carried forward	198,256
		Treasury stock	(2,599)
		Valuation and translation adjustments	(12,464)
		Valuation difference on available-for-sale securities	(12,464)
		Stock acquisition rights	566
		Total net assets	1,362,764
Total assets	1,635,723	Total liabilities and net assets	1,635,723

FY2017 NON-CONSOLIDATED STATEMENT OF INCOME

(From: April 1, 2017

To: March 31, 2018)

(Yen in millions)

Item	Amount	
Operating income		
Dividends paid by affiliates	140,141	
Commissions earned from affiliates	145	140,287
Operating expenses		
Sales and general administrative expenses	9,903	9,903
Operating profit		130,383
Non-operating income		
Dividends income	915	
Gains on forfeiture of unclaimed dividends	33	
Other	23	972
Non-operating expenses		
Interest on bonds	2,238	
Bond issuance cost	29	
Other	36	2,304
Ordinary profit		129,051
Income before income taxes		129,051
Income taxes-current	775	775
Net income/ (loss)		128,276

FY2017 NON-CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

(From: April 1, 2017

To: March 31, 2018)

(Yen in millions)

Item	Shareholders' equity							
	Common stock	Capital surplus			Retained earnings		Treasury stock	Total shareholders' equity
		Additional paid-in capital	Other capital surplus	Total capital surplus	Other retained earnings	Total retained earnings		
					Retained earnings carried forward			
Beginning balance	100,000	729,255	467,209	1,196,465	149,955	149,955	(120,050)	1,326,370
Changes for the year:								
Dividends paid					(79,975)	(79,975)		(79,975)
Net income/(loss)					128,276	128,276		128,276
Repurchase of treasury stock							(70)	(70)
Disposal of treasury stock			(2)	(2)			65	62
Retirement of treasury stock			(117,455)	(117,455)			117,455	-
Net changes of items other than shareholders' equity								
Total changes for the year	-	-	(117,458)	(117,458)	48,300	48,300	117,450	48,292
Ending balance	100,000	729,255	349,751	1,079,007	198,256	198,256	(2,599)	1,374,663

Item	Valuation and translation adjustments		Stock acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Beginning balance	(3)	(3)	307	1,326,674
Changes for the year:				
Dividends paid				(79,975)
Net income/(loss)				128,276
Repurchase of treasury stock				(70)
Disposal of treasury stock				62
Retirement of treasury stock				-
Net changes of items other than shareholders' equity	(12,461)	(12,461)	258	(12,202)
Total changes for the year	(12,461)	(12,461)	258	36,090
Ending balance	(12,464)	(12,464)	566	1,362,764

NON-CONSOLIDATED EXPLANATORY NOTES

(Notes on Matters Concerning Important Accounting Policies)

1. Standard and method for valuation of assets

- (i) Valuation of stock of subsidiaries and affiliates is done at the cost method on a moving average cost basis.
- (ii) 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. Cost of sales is calculated using the moving average cost basis.
- (iii) Available-for-sale securities without practically determinable fair value are valued at cost method on a moving average cost basis.

2. Method for depreciation of tangible fixed assets

Depreciation of tangible fixed assets is computed using the straight-line method.

Useful lives for major tangible fixed assets are as follows:

Building:	7 to 38 years
Apparatus and Fixture:	2 to 15 years

3. Methods for depreciation of intangible fixed assets

Depreciation of capitalized software for internal use is computed using the straight-line method based on the estimated useful life (5 years).

4. Accounting policies for reserves

Accrued bonuses for employees and executive officers are determined based on the estimated amount payable at the end of the fiscal year.

5. Accounting for consumption taxes

Consumption taxes are accounted for based on the tax excluded method.

(Notes on Balance Sheet)

1. Amount of accumulated depreciation of tangible fixed assets: 382 million yen

2. Amounts receivable from and payable to affiliates

Short-term loans receivables:	12,918	million yen
Short-term loans payable:	505	million yen
Long-term loans payable:	120,000	million yen

(Notes on Statement of Income)

Volume of transactions with affiliates

Volume of operating transactions

Operating income:	140,287	million yen
Operating expenses:	844	million yen
Volume in non-operating transactions:	555	million yen

(Notes on Statement of Changes in Net Assets)

Class and number of treasury stock as of March 31, 2018

Common Stock 880,702 shares

(Notes on Tax Effect Accounting)

The primary cause of deferred tax assets is the stock of affiliates. Note that because an amount equivalent to the amount of the deferred tax assets is deducted as a valuation allowance, the deferred tax assets are not included in the balance sheet.

(Notes on related-party transactions)

Type	Company name	Voting rights percentage (owned)	Relationship with related party	Nature of transaction	Amount of transaction (Yen in millions)	Item	Balance at fiscal year-end (Yen in millions)
Subsidiary	Mitsui Sumitomo Aioi Life Insurance Company, Limited	Ownership Direct 100.0%	Interlocking of directors	Issuance of corporate bonds (Note)	120,000	Bonds issued	120,000

Terms and conditions for transactions and the policy for determination thereof

(Note) Corporate bonds interest rates are reasonably determined in consideration of market interest rates.

(Notes on Per Share Information)

Net assets per share: 2,299.41 yen

Net income per share: 216.53 yen

(Note) Any amount less than the stated unit is rounded down.

Audit Report by Independent Auditor concerning Consolidated Financial Statements

Audit Report by Independent Auditor

May 15, 2018

The Board of Directors
MS&AD Insurance Group Holdings, Inc.

KPMG AZSA LLC

Tsutomu Takahashi (Seal)
Designated and Engagement Partner
Certified Public Accountant

Ikuo Hirakuri (Seal)
Designated and Engagement Partner
Certified Public Accountant

Fumito Hirose (Seal)
Designated and Engagement Partner
Certified Public Accountant

We, the auditors, under the provisions of Article 444, Paragraph 4, of the Companies Act, have audited the consolidated financial statements for MS&AD Insurance Group Holdings Inc., namely, the consolidated balance sheet, consolidated statement of income, consolidated statement of changes in net assets and consolidated explanatory notes for the consolidated fiscal year from April 1, 2017 through March 31, 2018.

Responsibility of management regarding consolidated financial statements

The responsibility of the Company's Management is to prepare and appropriately present consolidated financial statements in accordance with corporate accounting standards that are generally accepted in Japan. This includes the fact that internal controls believed to be necessary by management in order to prepare and fairly present consolidated financial statements that are free of material misrepresentation caused by fraud or error have been developed and are in operation.

Responsibility of auditors

Our responsibility is to independently express an opinion on these consolidated financial statements based on the audits that we, the auditors, have conducted. We, the auditors, have conducted the audit in accordance with auditing standards that are generally accepted in Japan. Those standards require that we plan the audit and perform the audit based on this plan to obtain reasonable assurances as to whether the consolidated financial statements are free of material misrepresentation.

In the case of an audit, procedures to obtain evidence supporting the amounts and disclosures in consolidated financial statements are performed. The audit procedures are selected and applied based on an evaluation of the risk of material misrepresentation in consolidated financial statements caused by fraud or error, in accordance with the judgment of the auditors. The objective of an audit is not to declare an opinion regarding the effectiveness of internal controls, but we, the auditors, when carrying out risk evaluation, investigate internal controls relating to the preparation and fair presentation of consolidated financial statements in order to draw up appropriate audit procedures corresponding to the situation. Furthermore, an audit also includes an assessment of the accounting principles and method of

their application used by Management, and significant estimates made by Management, as well as an evaluation of the overall presentation of consolidated financial statements.

We believe that we have received adequate and appropriate audit evidence to form the basis for our opinion.

Audit opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position and operating results of the corporate group comprising MS&AD Insurance Group Holdings and its consolidated subsidiary companies for the year ended in the consolidated financial statements, in conformity with accounting principles that are generally accepted in Japan.

Interested parties

There exists no interest between the Company and the auditor or managing partners that must be cited according to the regulations of the Certified Public Accountants Act.

- End -

Audit Report by Independent Auditor

Audit Report by Independent Auditor

May 15, 2018

The Board of Directors
MS&AD Insurance Group Holdings, Inc.

KPMG AZSA LLC

Tsutomu Takahashi (Seal)
Designated and Engagement Partner
Certified Public Accountant

Ikuo Hirakuri (Seal)
Designated and Engagement Partner
Certified Public Accountant

Fumito Hirose (Seal)
Designated and Engagement Partner
Certified Public Accountant

We, the auditors, under the provisions of Article 436, Paragraph 2 (1) of the Companies Act, have audited the financial statements for MS&AD Insurance Group Holdings Inc., namely the non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in net assets and non-consolidated explanatory notes, and the supplementary schedules for the 10th fiscal year of operations from April 1, 2017 until March 31, 2018.

Responsibility of management regarding non-consolidated financial statements

The responsibility of the Company's Management is to prepare and appropriately present financial statements and supplementary schedules in accordance with corporate accounting standards that are generally accepted in Japan. This includes the fact that internal controls believed to be necessary by management in order to prepare and fairly present financial statements and supplementary schedules that are free of material misrepresentation caused by fraud or error have been developed and are in operation.

Responsibility of auditors

Our responsibility is to independently express an opinion on these financial statements and their attached detailed statements based on the audits that we, the auditors, have conducted. We, the auditors, have conducted the audit in accordance with auditing standards that are generally accepted in Japan. Those standards require that we plan the audit and perform the audit based on this plan to obtain reasonable assurances as to whether the financial statements and their attached detailed statements are free of material misrepresentation.

In the case of an audit, procedures to obtain evidence supporting the amounts and disclosures in financial statements and supplementary schedules are performed. The audit procedures are selected and applied based on an evaluation of the risk of material misrepresentation in financial statements and supplementary schedules caused by fraud or error, in accordance with the judgment of the auditors. The objective of an audit is not to declare an opinion regarding the effectiveness of internal controls, but we, the auditors, when carrying out risk evaluation, investigate internal controls relating to the preparation and fair presentation of financial statements and supplementary schedules in order to draw up

appropriate audit procedures corresponding to the situation. Furthermore, an audit also includes an assessment of the accounting principles and method of their application used by Management, and significant estimates made by Management, as well as an evaluation of the overall presentation of financial statements and supplementary schedules.

We believe that we have received adequate and appropriate audit evidence to form the basis for our opinion.

Audit opinion

In our opinion, the financial statements and the supplementary schedules referred to above represent fairly, in all material respects, the financial position and operating results of MS&AD Insurance Group Holdings Inc. for the year ended in the financial statements and the supplementary schedules, in conformity with accounting principles that are generally accepted in Japan.

Interested parties

There exists no interest between the Company and the auditor or managing partners that must be cited according to the regulations of the Certified Public Accountants Act.

- End -

Audit Report by Audit & Supervisory Board

Audit Report of Audit & Supervisory Board

The Audit & Supervisory Board hereby reports as set out below concerning the Directors' performance of their duties during the 10th fiscal year beginning April 1, 2017 and ending March 31, 2018, upon deliberations based on the audit reports prepared by each of the Audit & Supervisory Board Members.

1. Method and Content of Audit conducted by Audit & Supervisory Board Members and Audit & Supervisory Board

- (1) The Audit & Supervisory Board formulated Audit Policy, Audit Plan and other relevant matters regarding auditing, received reports from each of the Audit & Supervisory Board Members regarding the progress and the results of their audit, received reports from the Directors and the Independent Auditor regarding the performance of their respective duties, and requested further explanation as necessary.
- (2) In conformity with Standards of Audit by Audit & Supervisory Board Members adopted by the Audit & Supervisory Board and in accordance with the Audit Policy and Audit plan, each of the Audit & Supervisory Board Members communicated with Directors, Executive Officers, the internal audit division, and other employees, collected information and maintained the audit environment.
 - 1) We attended Board of Directors meetings and other important meetings, received reports from Directors, Executive Officers and other employees concerning performance of their duties, obtained explanation as necessary, examined important documents and inspected the operations and financial affairs of the Company. With respect to subsidiaries, we communicated and exchanged information with directors and audit & supervisory board members of subsidiaries, and obtained reports regarding their operations as necessary.
 - 2) As concerns the resolutions of the Board of Directors to establish such systems that ensure directors and employees carry out their duties in accordance with laws and regulations and the Company's Articles of Incorporation and other systems to ensure appropriateness of the Company's operations as provided by Article 100, Sections 1 and 3 of the Ordinance for Enforcement of Companies Act and the systems established under such resolutions (internal control systems), stated in the Business Reports, Audit & Supervisory Board Members each periodically received reports from Directors, Executive Officers and employees, obtained explanation as necessary and expressed opinions concerning the status of the systems. We received reports from Directors and the Independent Auditor, KPMG AZSA LLC, regarding assessment and audit of the internal control over financial reporting, and obtained explanation as necessary.
 - 3) We further monitored and examined whether the Independent Auditor maintained their independence and conducted the audit in an appropriate manner, as well as received reports concerning the performance of their duties and obtained explanation as necessary from the Independent Auditor. We also received notice and explanation from the Independent Auditor stating that they have in place "a system to ensure performance of duties in an appropriate manner" (matters provided for by each item of Article 131 of the Corporate Accounting Regulations) in accordance with the "Quality Control Standards for Audits" (Business Accounting Council, October 28, 2005) and other applicable standards.

On the basis of the foregoing methods, we have reviewed the Business Reports and the supplementary schedules thereto, consolidated financial statements and financial statements and the supplementary schedules thereto for the fiscal year under review.

2. Audit Results

(1) Results of Audit of Business Reports

- i. We conclude that Business Reports and the supplementary schedules thereto fairly represent the status of the Company in accordance with applicable laws and regulations and the Articles of Incorporation of the Company.
- ii. We find no misconduct or material fact constituting a violation of any laws or regulations or the Articles of Incorporation of the Company in connection with the Directors' performance of their duties.
- iii. We conclude that the resolutions adopted by the Board of Directors concerning the internal control systems (including internal control over financial reporting) are appropriate. We find nothing to be mentioned with respect to the description in the Business Reports and the Directors' performance of their duties concerning the internal control systems.

(2) Results of Audit of Consolidated Financial Statements

We conclude that the methods of the audit used and the results of the audit reached by the Independent Auditor, KPMG AZSA LLC, are appropriate.

(3) Results of Audit of Financial Statements and Supplementary Schedules thereto

We conclude that the methods of the audit used and the results of the audit reached by the Independent Auditor, KPMG AZSA LLC, are appropriate.

May 17, 2018

Audit & Supervisory Board, MS&AD Insurance Group Holdings, Inc.

Hiroshi Miura, Audit & Supervisory Board Member(Seal)
Tomoko Kondo, Audit & Supervisory Board Member (Seal)
Kunio Chiyoda, Audit & Supervisory Board Member
(Outside Audit & Supervisory Board Member) (Seal)
Kyoko Uemura, Audit & Supervisory Board Member
(Outside Audit & Supervisory Board Member) (Seal)

- End -

MS&AD Insurance Group Basic Policies on Corporate Governance

MS&AD Insurance Group Holdings, Inc. (hereinafter referred to as “MS&AD” or “the Company”) has established the MS&AD Insurance Group Basic Policies on Corporate Governance for the purpose of indicating the basic approach to and framework for corporate governance.

Chapter 1: The Company's Basic Approach to Corporate Governance

1. In line with its Corporate Philosophy (Mission), MS&AD, as a holding company overseeing all group businesses, has established a management framework that ensures transparent, fair, swift and decisive decision-making that takes into account the standpoint of all stakeholders. The Company's objectives are to sustain stability and consistent growth over the long term by using corporate resources efficiently and managing risks properly and ultimately, to further increase corporate value

2. To this end, the “MS&AD Insurance Group Corporate Philosophy (Mission), Corporate Vision and Values” were formulated as something all officers and employees of the Group should adhere to in all situations. In addition to working to disseminate these principles among all officers and employees of the Company and its Group companies, corporate governance, compliance and risk management are positioned as important management issues in the Medium-term Management Plan, and efforts shall be made to actively promote that Plan.

Chapter 2: Relationship with Stakeholders

1. In order to realize our Corporate Philosophy (Mission), the Company aims toward the sustainability of society and sustained enhancement of corporate value by fulfilling our responsibilities to seven types of stakeholders (customers, shareholders, agents, business partners, employees, local communities, global society and the environment) based on the “Perspective of Sustainability of the MS&AD Insurance Group.”

2. Perspective of Sustainability of the MS&AD Insurance Group

The MS&AD Insurance Group will create shared value and aim toward a resilient and sustainable society through corporate activities that implement “Story of Value Creation,” in order to realize our Corporate Philosophy (Mission).

We will consistently strive for supreme quality that lives up to the trust and expectations upon us, and together with our stakeholders, continue to contribute to the creation of society where anyone can pursue a stable life and take on dynamic business activities, while preserving the sustainability of the global environment and society.

3. Efforts to engage stakeholders

We will fulfill our responsibilities to stakeholders and create shared value by working with them through the following efforts.

Stakeholder	Efforts
Customers	Provide products and services that meet customer trust and expectations for quality.
Shareholders	Provide appropriate disclosure of information and appropriate return to shareholders. Strive to raise corporate value (See Chapter 5: Relationship with Shareholders).
Agents	Grow together as partners.
Business partners	Maintain sound relationships and cooperate to fulfill corporate responsibilities.
Employees	Provide a comfortable working environment, a sense of purpose and opportunities to grow.
Local communities /Global Society	As a member of society, take steps to create a resilient and sustainable society.
The environment	Secure sustainability of the Planet.

4. Schemes for Receiving Feedback from Customers

The MS&AD Insurance Group has formulated a “Basic Policy for Responding to Customer Communications” in order to receive all customer feedback (in the form of inquiries, consultations, requests, complaints, disputes, compliments and gratitude, etc.). This feedback is used to make quality improvements.

5. Speak Up

The MS&AD Insurance Group has established an environment where anyone can speak up their concerns and worries in a frank and positive way. One such initiative is a whistleblowing system enabling all employees of the Company and its subsidiaries to directly report illegal or improper behavior. All these efforts aim to receive a wide range of employee feedback and enable early detection and resolution of problems.

6. Promotion of Diversity and Inclusion

In order to conduct Group management with an awareness of changes in the global environment, the MS&AD Insurance Group establishes a working environment that enables employees to demonstrate their full potential regardless of gender, nationality or disability, and aims to establish a corporate culture that respects diversity and diverse values.

Chapter 3: The Company's Corporate Governance Stance

1. The Company's Organizational Structure

- As a Company with an Audit & Supervisory Board, the Company will endeavor to improve governance by ensuring that independently appointed Audit & Supervisory Board Members appropriately act in their auditing functions, in addition to ensuring that the Board of Directors appropriately acts in its oversight functions, while strengthening the functions of each and actively disclosing information.
- The Company has formed the Governance Committee (made up of all Outside Directors, the Chairman of the Board and

the President) in addition to the Nomination Committee and Remuneration Committee (a majority of the members and a chairperson each have been appointed from among the Outside Directors) as internal committees of the Board of Directors, thus building a highly effective and transparent corporate governance system.

- The Company has introduced an executive officer system and is proceeding to delegate authority over business execution to these executive officers to ensure rapid execution.

2. Role of the Board of Directors

- (1) In addition to matters specified by law and the Articles of Incorporation, the Board of Directors discusses and decides upon important matters involving Group management strategy and corporate management, including the Group's management policies, management strategies and capital policy, in addition to overseeing the duties of directors and executive officers.
- (2) The Board of Directors allocates management resources according to risk appetite controlled with a balance of risk, return and capital, and aims to increase corporate value in the medium-to-long term by achieving sustainable growth and improvement in earnings and capital efficiency with a foundation of soundness.
- (3) In addition to appointing executive officers, the Board of Directors aims to separate management decision making and oversight by the Board of Directors from business execution by executive officers by clarifying their respective roles.
- (4) Executive officers are responsible for executing business in the respective areas of business entrusted to them by the Board of Directors, and report on the status of business execution to the Board of Directors.

3. Composition of the Board of Directors and Roles of Outside Directors

- (1) The Board of Directors defined in the Articles of Incorporation has having up to 15 members, with a balanced composition that includes diverse knowledge and expertise. Candidates for director are nominated by the Board of Directors based on the "Criteria for the Selection of Director Candidates and Audit & Supervisory Board Member Candidates" (Appendix) (see 10. Nomination Process below).

Furthermore, at least one third of the Directors are nominated as Outside Directors to incorporate perspectives independent from management, strengthen monitoring and oversight functions, and conduct highly transparent management.

- (2) Outside Directors are expected to perform the following roles.

- Provision of advice from a broad perspective on management policies and management improvement based on their knowledge and experience, with the aim of promoting sustainable corporate growth and increasing corporate value over the medium- to long-term.
- Supervising of management through important decision-making at the board level.
- Monitoring of conflicts of interest between the company and related parties such as management (Note) and/or major shareholders.
- Realizing supervising function from a standpoint independent of management by fulfilling accountability for stakeholders, including shareholders.

(Note) Collectively refers to the directors, Audit & Supervisory Board Members and executive officers of the Company and domestic insurance companies in the Group in which the Company has a direct investment (same applies hereinafter)

4. Operation of the Board of Directors

- (1) Resolutions of the Board of Directors
 - Except in cases otherwise stipulated by law, resolutions of the Board of Directors are made by a majority of the directors attending the meeting, where a majority of directors are in attendance.
- (2) Operation of the Board of Directors
 - The agenda, length of deliberation and frequency of meetings of the Board of Directors are defined to allow for required, adequate discussion of important decisions regarding business execution and oversight of the performance of duties.
 - An effort is made to send out and explain proposals to the Board of Directors, giving adequate consideration to the time required for preparation by attendees to enable meaningful views, comments and questions to be presented in meetings of the Board of Directors.
 - The annual schedule of the Board of Directors and anticipated agenda items are determined in advance.

5. Evaluation of the Board of Directors

The Board of Directors periodically analyzes and evaluates its own overall effectiveness, and publishes an overview of the results.

6. Audit & Supervisory Board Members and Audit & Supervisory Board

- (1) Responsibilities of Audit & Supervisory Board Members

As an independent entity entrusted with authority by the shareholders, the Audit & Supervisory Board Members are responsible for ensuring the sound and sustainable growth of the Company, and establishing a good corporate governance stance in response to the public trust by supervising the performance of duties of the Directors

- (2) Authority and Roles of Audit & Supervisory Board Members

Each Audit & Supervisory Board Member shall appropriately exercise his/her legal investigating authority, including the authority to audit operations and assets, and supervises the performance of duties of the Directors by attending meetings of the Board of Directors and other important meetings, viewing important approval documents, investigating departments within the Company, and investigating subsidiaries in accordance with the auditing policies and plans stipulated by the Audit & Supervisory Board.

- (3) Composition and Roles of the Audit & Supervisory Board

- The Audit & Supervisory Board is defined in the Articles of Incorporation has having up to 6 members, a majority of which shall be Outside Audit & Supervisory Board Members in accordance with the law. Candidates for Audit & Supervisory Board Member are nominated by the Board of Directors with the approval of the Audit & Supervisory Board,

based on the “Criteria for the Selection of Director Candidates and Audit & Supervisory Board Member Candidates” (Appendix) (see 10. Nomination Process below).

- The Audit & Supervisory Board receives reports from Audit & Supervisory Board Members on the status of performance of duties, and reports from officers and employees on important matters related to auditing, and also makes decisions regarding auditing policies and auditing plans.
- The Audit & Supervisory Board makes decisions regarding proposals submitted to the General Shareholders' Meeting on the appointment or dismissal of Accounting Auditors, and the non-reappointment of Accounting Auditors. It also has the right to consent to decisions regarding remuneration of the Accounting Auditors.

7. Accounting Auditors

The Board of Directors and the Audit & Supervisory Board endeavor to take appropriate action to ensure adequate auditing by the Accounting Auditors.

8. Support Systems for Directors and Audit & Supervisory Board Members / Training Policy

The Company has the following systems in place as required for Directors and Audit & Supervisory Board Members to effectively fulfill their roles and responsibilities.

- (1) The Company has assigned a person in the secretariat of the Board of Directors to each of the Outside Directors and Outside Audit & Supervisory Board Members (hereinafter referred to as “Outside Officers”) to provide support in areas such as providing briefings in advance.
- (2) The Company has established a system for ongoing provision of information and training at the time of appointment and during the term of Directors and Audit & Supervisory Board Members.
- (3) The Company provides appropriate opportunities for Outside Officers to share information and exchange opinions with management and senior employees.
- (4) The Company bears the expenses required to enable Outside Officers to fulfill their roles.

9. Group Management Committee

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

10. Nomination Process

- The Board of Directors appoints candidates for Director, candidates for Audit & Supervisory Board Member and Executive Officers based on advice from the Nomination Committee. The consent of the Audit & Supervisory Board needs to be obtained for candidates for Audit & Supervisory Board Member.
- The Nomination Committee deliberates on important management personnel matters and provides advice on these matters to the Board of Directors. Such matters include the selection of candidates for the positions of Director, Audit & Supervisory Board Member, and Executive Officer of the Company as well as the selection of Directors and Audit & Supervisory Board Members for domestic insurance companies in which the Company has direct investments.
- The Nomination Committee is made up of 3 or more members.
- A majority of members and the chairperson shall be appointed from among the Outside Directors by the Board of Directors.

11. Process of Determining Remuneration

- (1) Remuneration of Directors
 - The amount of remuneration for each Director is determined by the Board of Directors within the amount specified by resolution of the General Shareholders' Meeting, after deliberation by the Remuneration Committee.
 - The Remuneration Committee provides advice to the Board of Directors on matters such as performance evaluations and remuneration for the Company's Directors and Executive Officers.
 - The Remuneration Committee is made up of 3 or more members.
 - A majority of members and the chairperson have been appointed from among the Outside Directors by the Board of Directors.
- (2) Remuneration of Audit & Supervisory Board Members
 - The amount of remuneration of each Audit & Supervisory Board Member is determined by discussion by Audit & Supervisory Board Members, within the amount specified by resolution of the General Shareholders' Meeting.

12. Governance Committee

The Governance Committee whose chairperson is elected by mutual vote of the Outside Directors has been established for the purpose of discussion by all Outside Directors, the Chairman and the President regarding matters related to the status of, policies regarding and stance on corporate governance.

13. Task-Specific Committees

The Company has established The Sustainability Committee, Quality Improvement and Compliance Committee, Group Management and Monitoring Committee, Digitalization Committee, Group Systems Committee, Group International Business Committee and Risk Management Committee with the aim of deliberating important management issues involving business execution, as well as to coordinate perspectives across various departments.

Chapter 4: Group Management Structure

1. Roles of the Company (Holding Company)

- The Company has executed into management supervision contracts with the domestic Group insurance companies in which it has direct investments (hereinafter referred to as “directly invested companies”), and supervises management of

Group companies in order to realize management strategies, improve management efficiency and ensure financial soundness and appropriate operations within the Group.

- The Company has established “Basic Policy Pertaining to System for Internal Controls”, “Risk Management Basic Policy”, “Compliance Basic Policy”, “Internal Audit Basic Policy”, “Risk Appetite Statement”, and “Basic Policy on Information and Technology Governance”. In addition to requiring compliance with these policies by Group companies, important matters involving directly invested companies require either the approval of or reporting to the Company in line with management supervision contracts.
- The Company establishes group business strategy such as the Group's Medium-term Management Plan.
- The Company provides guidance and supervision through monitoring of the progress of management plans formulated by Group companies and the status of business execution, with the aim of achieving the goals of the Group.

2. Role of Directly Invested Companies

- Directly invested companies formulate their own policies and appropriately establish internal management systems based on the Group's Basic Policies, in addition to formulating management plans in each company based on the Group's Medium-term Management Plan to conduct management as individual companies.
- Directly invested companies also appropriately supervise the management of their subsidiaries under management supervision contracts.

Chapter 5: Relationship with Shareholders

1. Constructive Dialogue with Shareholders

The Company has disclosed the Policy on Constructive Dialogue with Shareholders and has established the system for promoting constructive dialogue with shareholders from the perspective of enabling deeper dialogue in the medium- to long-term and enhancing corporate value.

2. Ensuring Shareholder Rights and Equality

The Company acts appropriately to effectively ensure the rights of shareholders, and endeavors to enable shareholders to appropriately exercise those rights as follows.

- The Company will take appropriate action to enable shareholders to effectively exercise their voting rights in the General Shareholders' Meeting.
- The Company will provide accurate information to contribute to appropriate decision-making in the exercise of voting rights by shareholders.
- The Company provides adequate explanation of capital policies, etc., that have a material impact on the interests of shareholders.
- In the event a proposal by the Company is approved in the General Shareholders' Meeting but with considerable votes in opposition, the Company analyzes the reason and volume of opposing votes, and responds appropriately.

3. Prevention of Transactions that Conflict with the Interests of Shareholders

When the Company does business with a related party such as a director or a major shareholder, prior approval of the Board of Directors is required for important or non-standard transactions to ensure they do not harm the joint interests of the Company and the Company's shareholders.

4. Strategic Equity Holdings

The Company has disclosed the “Basic Policy on Strategic Equity Holdings” and the Criteria for Ensuring Appropriate Handling of the Exercise of Voting Rights Pertaining to Strategic Equity Holdings from the perspective of contributing to the increase in the Company's corporate value and that of companies in which shares are held by the Company in the medium-to long-term.

Chapter 6: Appropriate Disclosure

- The Company and the Group's domestic insurance companies conduct disclosure based on the “Basic Policy for Disclosure of Information”, to ensure that they act in accordance with disclosure rules stipulated by law and financial instrument exchange in line with this Basic Policy, and that their stakeholders are able to fairly, correctly and promptly understand important information.
- In addition to disclosure required by law, the Company also discloses non-financial information of significant interest to shareholders, including ESG (environment, society, governance) along with financial information, in an easily viewable “Integrated Report” format, intended to contribute to a constructive dialogue with stakeholders, including shareholders.
- In addition, this information is also disclosed in easily-accessible format on the Company's website, and other efforts, including the use of video, will be made to provide stakeholders with a better understanding on the website.

Supplementary Provision

Revision and abolition of this policy shall be by resolution of the Board of Directors.

END

Established, June 22, 2015
Amended, June 26 2017
Last Amended, April 1, 2018