

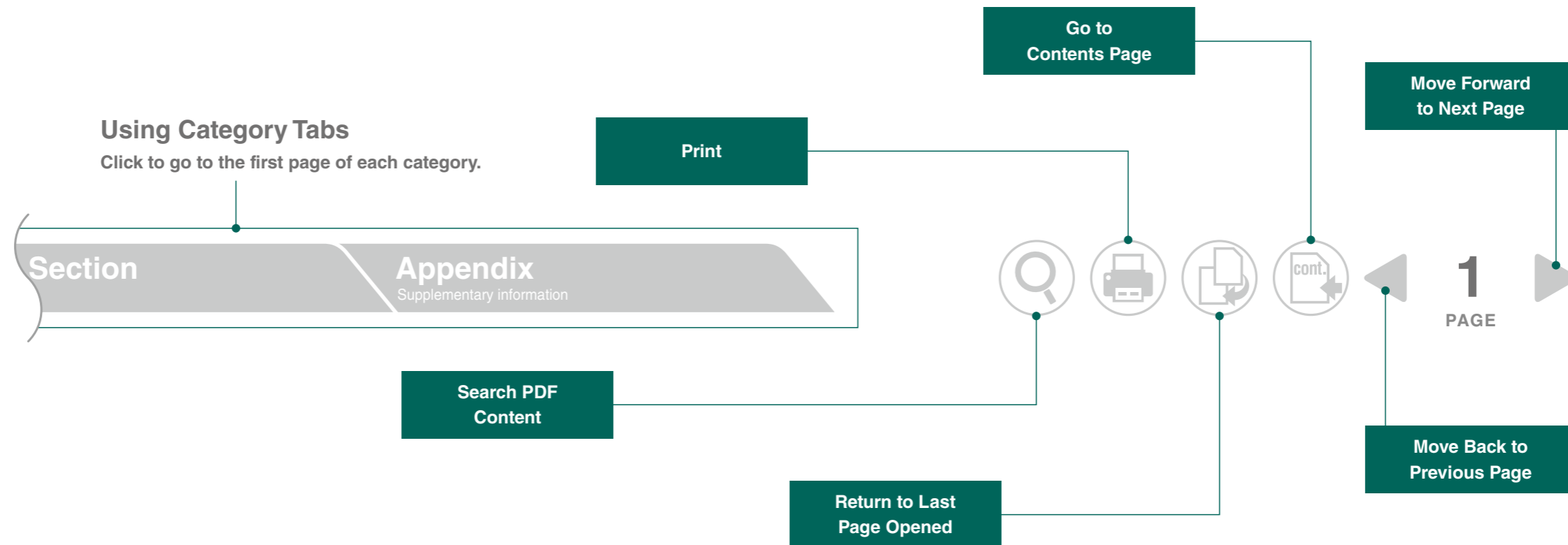
Advancing with you

MS&AD MS&AD Holdings



MS&AD Integrated Report 2015

Guide to Buttons



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

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

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

To Our Stakeholders We Recommend Reading These Sections First.

P3 The MS&AD's Story of Value Creation

How we are creating value based on the mission of the MS&AD Insurance Group

P10 Top Message

Yasuyoshi Karasawa, President & CEO, explains what the MS&AD Group is aiming to achieve, its management emphasis, history, and future prospects.

P15 Next Challenge 2017

An introduction to the Group's basic strategy as set forth in its medium-term management plan, covering fiscal 2014 to fiscal 2017

P19 Strategies by Business Domain

A statement of the strategies the Group is implementing in each of its business domains to meet the objectives of the medium-term management plan

P33 ERM

An introduction to the status of the roles and initiatives of ERM, which is the growth driver under the medium-term management plan

P40 Corporate Governance

An explanation of the Group's initiatives in the area of corporate governance and how the Group is increasing management transparency

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Editorial Policy

The MS&AD Insurance Group endeavors to disclose information to its customers, shareholders and investors, and other stakeholders accurately, promptly, and fairly to promote a better understanding of its activities.

In the *MS&AD Integrated Report 2015*, we have organized the content around three themes to give the reader a deeper understanding of the Group's medium- to long-term value creation. These are long-term corporate directions, medium-term strategy, and the frameworks and systems that support the creation of enterprise value. Since our editorial policy emphasizes concise presentation, for those who wish to have more-detailed information, please also access our Website. (For a guide to the relationship between this report and our Website, please refer to the explanation at the end of this report.)

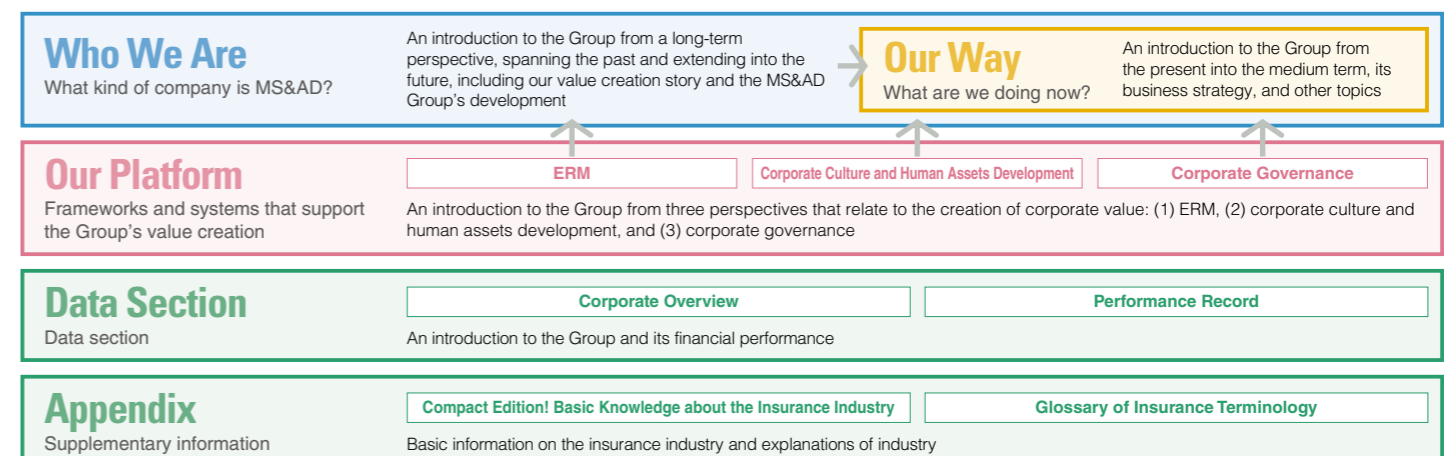
In preparing this report, we have made reference to The International Integrated Reporting Framework issued by the International Integrated Reporting Council (IIRC).

On the Cover



The collage of photographs on the cover expresses the future-oriented stance the MS&AD Insurance Group is taking and depicts the diversity of activities the Group engages in to realize its vision of "Contributing to the development of a vibrant society and helping secure a sound future for the Earth." The Group will continue to contribute to the solution of social issues and provide support for a sustainable society, based on close communication with all its stakeholders.

Contents of This Report



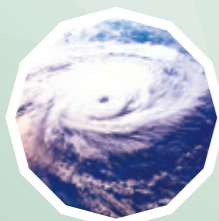
“Contribute to the Development of a Vibrant Society and Help Secure a Sound Future for the Earth”

~ The MS&AD’s Story of Value Creation ~

The MS&AD Insurance Group was formed with three groups of insurance companies being integrated with our mission “to contribute to the development of a vibrant society and help secure the sound future for the earth, by bringing security and safety through the global insurance and financial services business.”

To fulfill our aim to contribute to “the development of a vibrant society and help secure the sound future for the earth,” we need to: promptly identify various risks stemming from social issues which could hamper our aim, prevent those risks from manifesting themselves, minimize effects once those risks surface, and, through providing a variety of products and services to mitigate the economic effects, prepare an environment in which customers around the globe, who make efforts to address and overcome various challenges, can securely live and conduct business. That is our story of value creation.

The MS&AD Insurance Group, together with its seven stakeholders, will continue to seek sustainable growth and to enhance enterprise value. And, through creating a world-leading insurance and financial services group, we will pursue value creation around the globe.

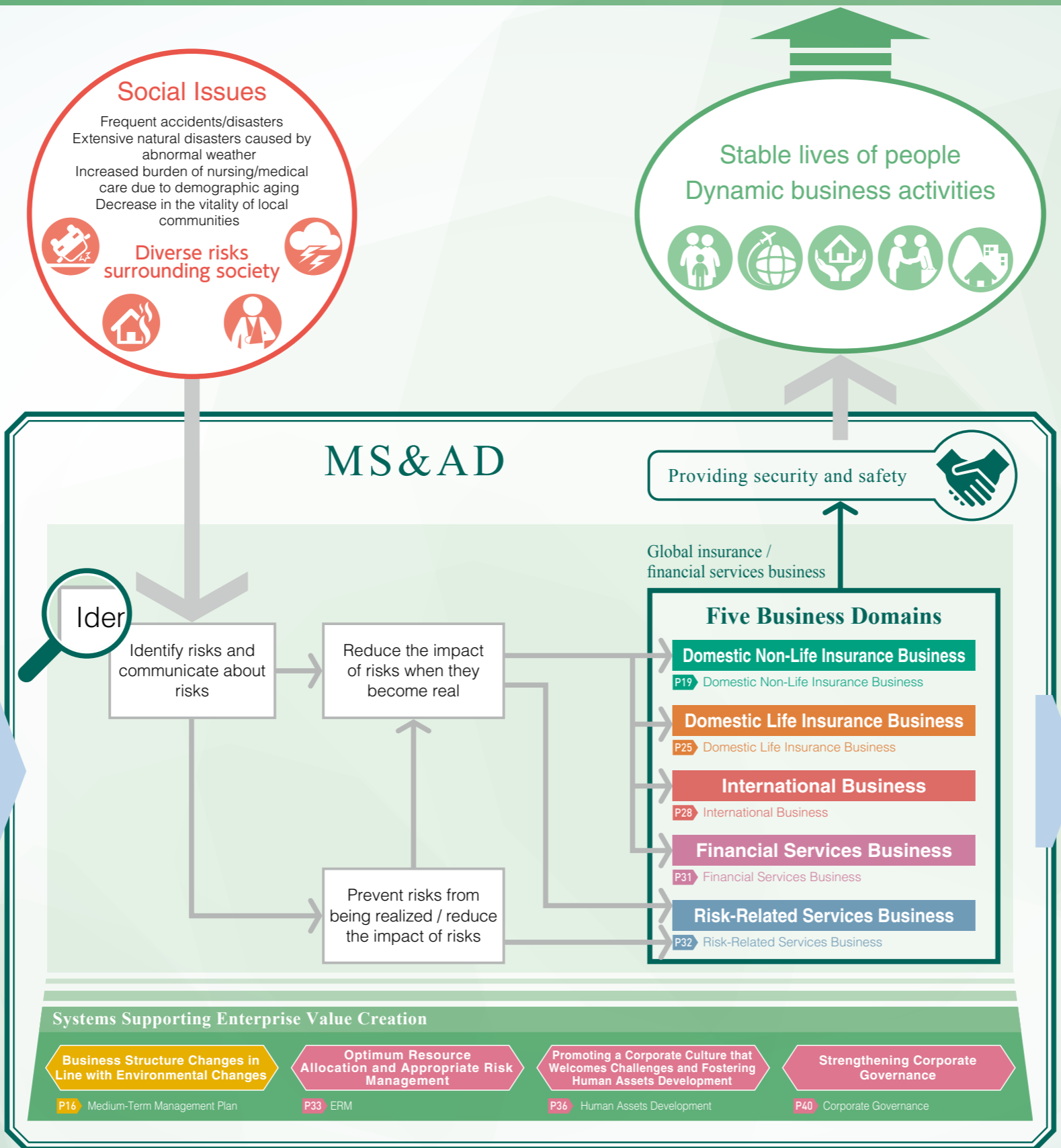


The MS&AD's Story of Value Creation

The Development of a Vibrant Society and Help Secure a Sound Future for the Earth

Resources Supporting MS&AD — MS&AD's Strengths —

- Financial Capital**
 - Sufficient and sound financial base enabling the underwriting of customers' risks
 - Consolidated net assets: ¥3,036.2 billion
- Human Capital**
 - Global and diverse human assets
 - Professional human assets with sophisticated expertise related to insurance, risks, etc.
 - Number of employees: 38,358 (consolidated basis)
- Intellectual Capital**
 - Expertise and trustworthiness supported by a lengthy business history and experience
 - Most abundant risk data in Japan and the ASEAN region
- Social and Relationship Capital**
 - No. 1 in the scale of its customer base in Japan and the ASEAN region
 - Number of individual customers in Japan*: Approx. 40 million
 - Number of corporate customers in Japan*: Approx. 2.3 million
 - No. 1 in net premiums written in the ASEAN region
 - * Simple sum of the numbers of customers of MSI and ADI
 - No. 1 in the size of its agent network in Japan
 - Number of domestic non-life insurance agents*1: 96,631
 - Domestic marketing bases*2: 259 branches/1,052 offices
 - Domestic claims handling service centers*1: 454
 - Overseas bases*3: 43 countries/regions (As of April 1, 2015)
 - *1 Simple sum of the number of agents of domestic non-life insurance agents
 - *2 Simple sum of the number of bases of domestic insurance companies
 - *3 Including the Cayman Islands, where SLI Cayman Limited (financial services business) is located
 - Strong relationships with the Toyota Group, Nippon Life Group, Mitsui Group, Sumitomo Group, and leading companies in other industries
- Natural Capital**
 - (natural environment with biodiversity)



Creating Value in Cooperation with Seven Stakeholders

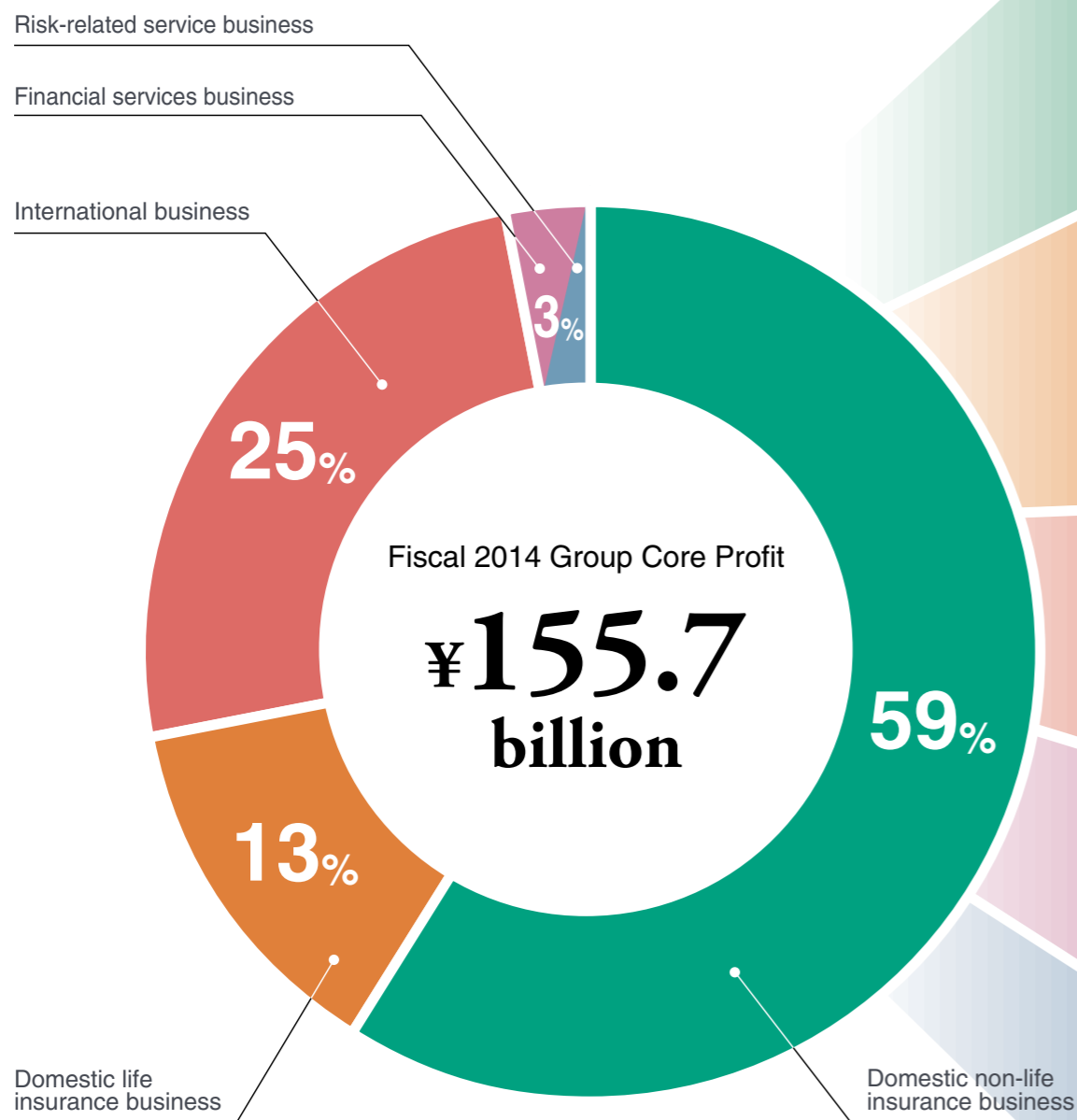
- Financial Capital**
 - Increase capital efficiency
 - Provide appropriate shareholder return
 - Increase the stock price
- Human Capital**
 - Provide working environments that offer greater amenity and support personal growth
 - Provide employment that is stable and gives due consideration to work-life balance
- Intellectual Capital**
 - Foster the development of employees with high levels of specialized expertise
 - Provide products and services that respond to changing and diverse customer needs
 - Provide society with risk-related survey and research results
- Social and Relationship Capital**
 - Disburse insurance benefits appropriately and speedily
 - Provide services to prevent accidents and disasters before they happen
 - Provide a high-quality and diverse agency network
 - Fulfill corporate social responsibility through cooperative relationships with business partners
 - Provide products and services that protect such social capital as social infrastructure, government services, etc.
- Natural Capital**
 - Reduce environmental burdens (to protect the environment and give the earth a sound future)
 - Contribute to the maintenance of biodiversity
 - Organize diverse employee volunteer activities

* The above is a graphic depiction of the processes associated with the Group's efforts to realize its mission produced with reference to the "Value Creation Process" chart within the "International Integrated Reporting Framework" published in December 2013 by the International Integrated Reporting Council (IIRC).

P5 Five Business Domains (Creating Value in Cooperation with Seven Stakeholders)

Five Business Domains

Providing products and services tailored to match customers' increasingly diverse risks and needs



Domestic Non-Life Insurance Business P19

Groupwide Efforts to Comprehensively Meet Diverse Customer Needs to Keep the No. 1 Position in the Domestic Non-Life Insurance Market

Leveraging powerful sales channels covering various fields, we provide customers with highly appealing products and services.

- In addition to corporate customers including the Mitsui Group, Sumitomo Group, Toyota Group, and Nippon Life Group, we have various business with a great number of diverse customers, financial institutions and government agencies, etc.
- We have the largest agency network in Japan, including full-time insurance agents, automobile repair shop agents, automobile sales dealers agents, and other agents that are highly familiar to people in their communities.
- We are engaged in direct sales operations that respond to the increasing diffusion of the Internet and the growing use of multiple Internet-access platforms.

MS&AD Mitsui Sumitomo Insurance MS&AD Aioi Nissay Dowa Insurance
MS&AD Mitsui Direct General Insurance

¥92.4 billion

Domestic Life Insurance Business P25

Leveraging the Distinctive Strengths of Two Group Companies for Balanced Development of Business in Protection -Type and Asset-Building Products

We are developing business in protection-type and asset-building products in a balanced manner, providing products that meet diverse customer needs in the markets for each type of product.

- MSI Aioi Life provides protection-type products (term life, income guarantee, medical insurance, etc.) centered on the marketing network and customer base of the group non-life insurance business.
- MSI Primary Life works through financial institution sales agencies (banks, securities companies, etc.) to provide asset-building products centered on individual annuity insurance and whole life insurance products.

MS&AD Mitsui Sumitomo Aioi Life Insurance MS&AD Mitsui Sumitomo Primary Life Insurance

¥20.4 billion

International Business P28

An Overseas Network Covering 42 Countries and Regions* – No. 1 in Terms of Non-Life Gross Premiums Written in the ASEAN Region

Building on the foundation of business, trust, and presence accumulated over many years, we are providing insurance products and services that meet the diverse needs of customers throughout the world. In rapidly growing Asian markets, the MSIG brand is becoming increasingly pervasive, and we are establishing solid positions in those markets.

MSIG A Member of MS&AD INSURANCE GROUP

* Excluding the Cayman Islands, where SLI Cayman Limited (Financial Services Business) is located.

¥38.2 billion

Financial Services Business P31

Leveraging the Full Range of its Capabilities as an Insurance and Financial Services Group to Provide New Financial Products and Services

We are developing and providing diverse financial products and services in a variety of fields, such as ART (Alternative Risk Transfer), defined contribution pensions, retail financial services, asset management, and venture capital.

MS&AD Mitsui Sumitomo Insurance MS&AD Aioi Nissay Dowa Insurance Sumitomo Mitsui Asset Management
MS&AD MS&AD Loan Services Co., Ltd. MS&AD MITSUI SUMITOMO INSURANCE Venture Capital Co., Ltd.

¥4.6 billion

Risk-Related Services Business P32

Creating Synergies with the Insurance Business by Deploying Global Risk Solution Service

We provide diverse risk solutions other than insurance to meet customers' needs for risk solutions, such as risk management business, nursing care business, and assistance business.

MS&AD InterRisk Research Institute & Consulting, Inc. MITSUI SUMITOMO INSURANCE Care Network Co., Ltd.
 ANSHIN DIAL Co., Ltd. Fureai Do-Life Services Co., Ltd.

Definition of Group Core Profit

Group Core Profit represents net income after adjustments for capital profits/(losses) and extraordinary income and losses. It is calculated using the formula shown below.

Based on its belief that it should further increase emphasis on profits from its core insurance businesses, MS&AD is using Group Core Profit to define key management performance targets in its medium-term management plan.

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

Main products and services Domestic Non-Life Insurance Business

MSI

We are developing "GK" Series Products based on the theme message—"GK - Wishing to be your assurance Goal Keeper."



三井住友海上の安心
GK

"Sumaho"

ADI

Support NAVI

"TOUGH" is a product brand that emphasizes three concepts—"Quick," "Reliable," and "Kind."



タフな安心を、あなたに。
TOUGH

Mitsui Direct General

Information on claim handling, various contract-related procedures, etc., can be performed via the Internet.



MUSICOLOGY!

Main products and services Domestic Life Insurance Business

MSI Aioi Life



Providing protection-type products



There are many "Moshimo = IF"s in life, and this dependable insurance can change them into "relief."

MSI Primary Life




Providing asset-building products



個人年金は、未来への贈りもの。

Main products and services International Business

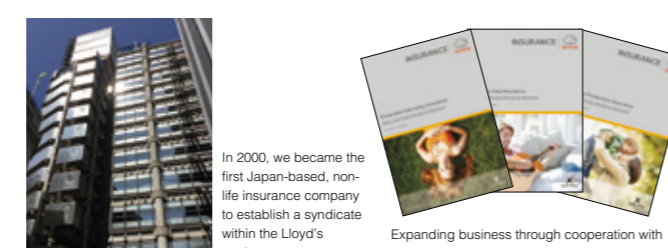


China No.7*
Hong Kong No.10
Taiwan No.4
India No.6*
Vietnam No.15
Thailand No.4
Malaysia No.3
Singapore No.3
Philippines No.3
Indonesia No.10
ASEAN countries

With a history of more than 90 years of International business development, we have established a broad-ranging overseas network. We are the only insurance company with bases in all 10 countries of the ASEAN region, and we have built particularly strong positions in Asian markets.

Source: Created by MS&AD based on FY2013 data published by non-life insurance associations and other organizations in each country. (direct premium base)


* Ranking among foreign-based insurance companies.




In 2000, we became the first Japan-based, non-life insurance company to establish a syndicate within the Lloyd's market.

Expanding business through cooperation with Toyota sales dealers


Main products and services Financial Services Business



As a financial institution handling "Flat 35" loans in cooperation with the Japan Housing Finance Agency, we provide long-term, fixed-rate mortgages.



Besides providing products compatible with defined contribution pension plans (401k), we offer detailed consulting and comprehensive services related to the introduction of such pension plans.



Sumitomo Mitsui Asset Management has more than ¥10 trillion of assets under management, and it provides several financial services as for Investment Management and Investment Trust Fund Management.

Main products and services Risk-Related Services Business



Providing a variety of information regarding risk management and risk consulting services.

The "Do Life Ibaraki" day-care nursing facility



Amid the acceleration of Japan's aging society, we are providing high-quality elderly care services

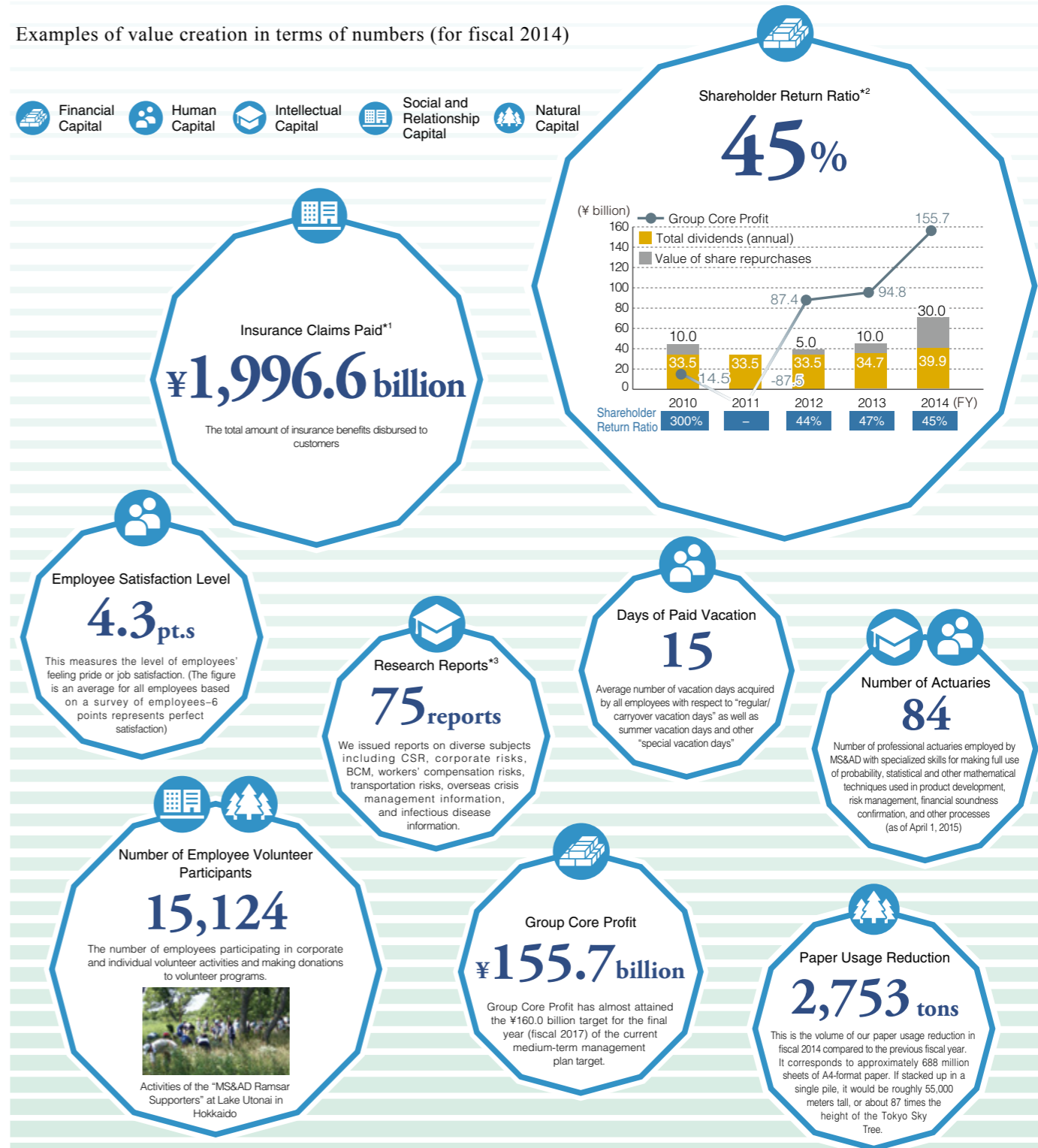
The "Yuu Life Setagaya" retirement home with nursing services



Creating Value in Cooperation with Seven Stakeholders Groups

Examples of value creation in terms of numbers (for fiscal 2014)

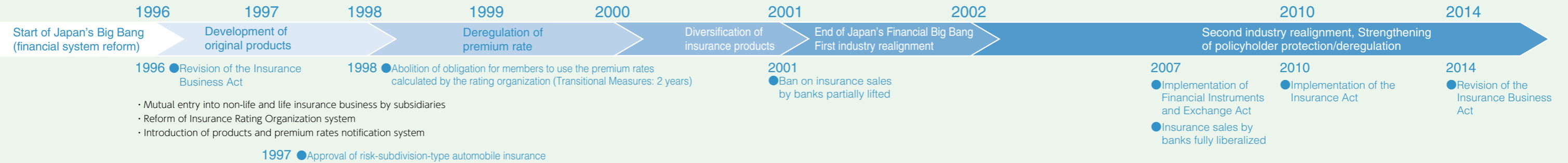
- Financial Capital
- Human Capital
- Intellectual Capital
- Social and Relationship Capital
- Natural Capital



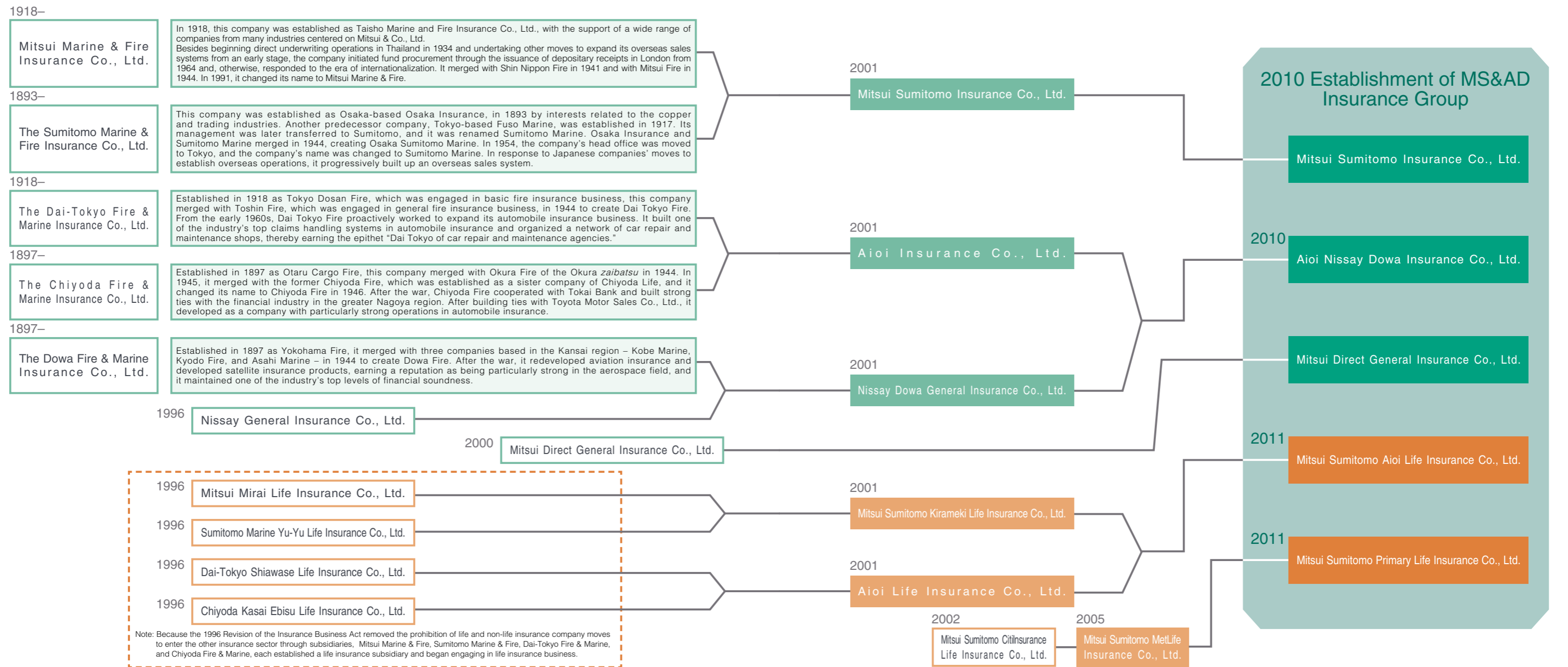
*1 This represents the sum of net claims paid and life insurance claims.
 *2 Shareholder return ratio = (dividends for the fiscal year (to be paid in December of the year and in June of the following year) + value of share repurchase determined by the day of annual general meeting of shareholders in the following fiscal year) ÷ Group Core Profit for the current fiscal year. MS&AD will return approximately 50% of Group Core Profit to shareholders in the medium run in the form of dividends and share repurchase.
 *3 This is the number of research reports issued by InterRisk Research Institute & Consulting.

History of the MS&AD Group

Major events in the insurance industry



History of the MS&AD Group



Performance of Key Management Indicators and Stock Prices

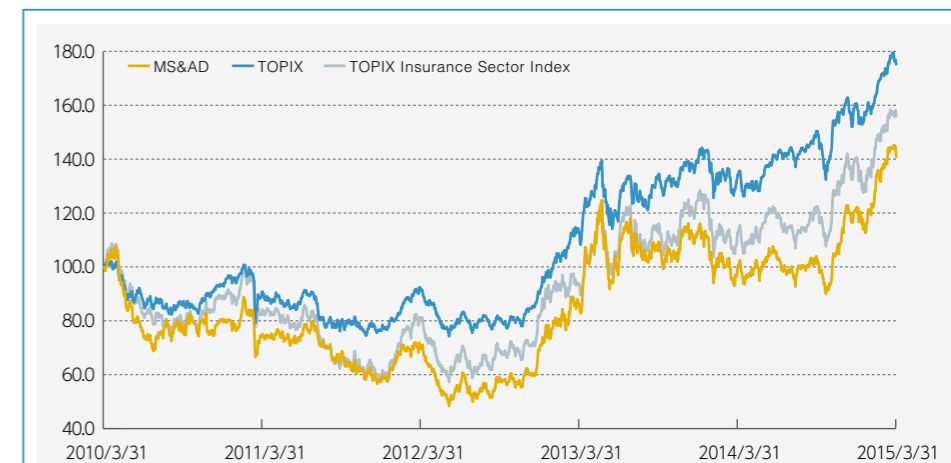
Key Management Indicators for the Last Seven Years

Establishment and stock exchange listing of Mitsui Sumitomo Insurance Holdings (MSIGHD)

Business integration of MSIGHD and two other companies, with changing its name to MS&AD Insurance Group Holdings

	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014
Consolidated financial data (¥ millions)							
Ordinary income	2,040,013	1,962,689	3,404,942	3,764,986	4,315,787	4,362,754	4,689,658
Net premiums written	1,445,651	1,394,164	2,543,786	2,555,551	2,639,015	2,811,611	2,939,113
〈Net premiums written〉*1	1,451,033	1,394,900	2,541,400	2,558,844	2,639,419	2,809,581	2,940,756
Ordinary profit/(loss)	(13,044)	52,695	21,005	(96,211)	150,300	190,259	287,061
Net income/(loss)	8,192	37,640	5,420	(169,469)	83,625	93,451	136,247
Comprehensive income*2	—	327,417	(189,373)	(88,136)	543,938	322,865	807,972
Net assets	1,023,021	1,311,082	1,633,381	1,512,134	2,021,625	2,285,832	3,036,246
Total assets	7,440,709	7,519,625	11,445,003	14,537,204	15,914,663	16,878,148	18,787,654
Consolidated solvency margin ratio*3	—	—	—	553.8%	738.8%	772.5%	803.9%
Equity ratio	13.59%	17.35%	14.11%	10.27%	12.56%	13.39%	16.00%
Return on equity (ROE)	0.61%	3.25%	0.37%	(10.91)%	4.79%	4.42%	5.18%
Combined ratio*4	—	—	102.9%	116.4%	105.1%	98.2%	96.0%
Group Core Profit*5	3,100	24,200	14,500	(87,500)	87,400	94,800	155,700
Group ROE*6	0.2%	2.1%	0.8%	(5.6)%	5.0%	4.5%	5.9%
Per share data (yen)							
Net income/(loss) per share	19.45	89.84	8.68	(272.49)	134.46	150.58	221.34
Group Core Profit/(loss) per share	7.35	57.89	23.27	(140.82)	140.56	152.79	252.99
Dividend per share	54.00	54.00	54.00	54.00	54.00	56.00	65.00
Net assets per share	2,411.70	3,143.32	2,597.19	2,400.48	3,215.33	3,646.22	4,911.40
Stock price-related data							
Year-end market price (closing price) (yen)	2,275	2,595	1,894	1,699	2,066	2,364	3,370
Price earnings ratio (PER)*7 (times)	116.97	28.88	218.06	—	15.36	15.70	15.23
Price book-value ratio (PBR)*7	0.94	0.83	0.73	0.71	0.64	0.65	0.69
Dividend yield*7	2.4%	2.1%	2.9%	3.2%	2.6%	2.4%	1.9%
Annual total shareholder return (TSR)*8	(37.4)%	16.4%	(24.9)%	(7.4)%	24.8%	17.1%	45.3%
Stock price volatility (annual rate)*9	74.2%	35.7%	32.2%	26.6%	35.8%	39.0%	25.3%
Capital management policy data (¥ millions)							
Total dividends	22,692	22,524	33,583	33,582	33,582	34,715	39,900
Dividend payout ratio (consolidated)	277.6%	60.1%	622.1%	—	40.2%	37.2%	29.4%
Aggregate amount of repurchase price	13,999	0	9,999	0	4,996	9,997	29,992
Shareholder return ratio*10	1,186%	93%	300%	—	44%	47%	45%
Non-financial data							
Customer satisfaction (accident response for automobile insurance)*11	—	—	—	—	89.3%	89.4%	89.1%
Customer recommendation rate*12	—	—	—	—	88.7%	87.0%	89.3%
Number of employees (average number of temporary employees)*13	21,336 (—)	21,908 (4,045)	36,538 (8,060)	36,929 (8,022)	36,643 (7,833)	37,055 (8,746)	38,358 (8,996)
Number of employees of overseas subsidiaries	4,908	5,003	5,621	5,772	6,003	6,228	6,448
Number of female managers*14	—	—	—	—	245	296	377
Number of employees participating in social contribution activities	—	—	—	—	16,142	11,373	15,124

Stock Prices Performance for the Last Five Years



	Past 1 Year	Past 2 Years	Past 3 Years	Past 4 Years	Past 5 Years
MS&AD	45.3%	69.0%	108.7%	90.0%	40.8%
TOPIX	30.7%	55.0%	91.9%	93.0%	75.2%
TOPIX Insurance Sector Index	38.6%	67.0%	94.6%	85.4%	55.9%

- The above graph shows investment results in terms of prices and dividends for investments undertaken at the end of March 2010 and held through the end of March 2015, with the initial value of the investments as of the end of March 2010 set at 100.
- The TOPIX (inclusive of dividends) is used to indicate the overall movements in the market, while the TOPIX Insurance sector index (inclusive of dividends) is used to indicate the movements in stock prices of companies in the insurance sector. The MS&AD chart represents actual performance of MS&AD stock initially set at 100 inclusive of dividends (but without the reinvestment of dividends).
- The above table, shows percentage gains (total gains, not annualized) from investment in MS&AD stock inclusive of dividends (but without the reinvestment of dividends) as of the end of March 2015 in the cases that such investment were to be made from one year ago (end of March 2014) to five years ago (end of March 2010).

Source: Calculated by the Company based on data from Bloomberg

Note: Aioi Insurance (Aioi) and Nissay Dowa General Insurance (NDI) underwent management integration with the Group (MSIGHD) as of April 2010 and Aioi and NDI were merged as of October 2010. Accordingly, the performance figures for those two companies are not included within consolidated performance figures in the table on the left for fiscal 2008 and fiscal 2009. In view of this, for reference, the table below shows simple sums of fiscal 2008 and fiscal 2009 performance figures for three companies—the Company (consolidated), Aioi (consolidated), and NDI (non-consolidated).

Reference: Simple sums of performance figures for three companies (consolidated)* (¥ million)

Item	FY 2008	FY 2009
Net premiums written*1	2,591,099	2,519,022
Ordinary profit/(loss)	(52,914)	99,131
Net income/(loss)	(9,489)	57,340
Total assets	11,345,045	11,481,312

*1 Figures are presented exclusive of the Good Results Return premiums of Mitsui Sumitomo Insurance's proprietary automobile insurance product "ModoRich," which contains a special clause for premium adjustment and refund at maturity.

*2 Comprehensive income for fiscal 2009 was calculated retroactively based on ASBJ Statement No. 25, "Accounting Standard for Presentation of Comprehensive Income" issued by the Accounting Standards Board of Japan on June 30, 2010.

*3 Consolidated solvency margin ratios have been calculated for years beginning from fiscal 2011 reflecting the revision of the Insurance Business Act, etc.

*4 Combined ratio figures are based on the simple sums of non-consolidated figures for MSI, ADI, and Mitsui Direct General. For fiscal 2010, however, combined ratio figures are based on the simple sums of non-consolidated figures for MSI, Aioi, NDI, and Mitsui Direct General.

*5 For fiscal 2008 and previous years, Group Core Profit = Consolidated net income – Net capital gains/losses on stock portfolio (gains/losses on sales, etc.) – Net evaluation gains/losses on credit derivatives – life insurance subsidiaries' consolidated income + MSI Kirameki Life's income before standard provision for underwriting reserves + equity in earnings for Mitsui Sumitomo MetLife Insurance Co., Ltd. based on U.S. GAAP. – Other incidental factors.

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

*7 Stock price-related indicators are based on the market price of the stock at the end of the fiscal years.

*8 Total shareholders' return is calculated as follows: (fiscal year-end stock price – previous fiscal year-end stock price + annual dividends) ÷ previous fiscal year-end stock price

*9 Stock price volatility is the annualized standard deviation of returns based on daily closing prices.

*10 The Shareholder return ratio = (dividends applicable to the fiscal year (paid in December of that year and June of the following year) + value of share repurchases during the period through the time of the general shareholders' meeting in the following fiscal year) ÷ Group Core Profit for the fiscal year.

*11 Ratio of customers satisfied with accident response for automobile insurance (MSI and ADI)

*12 Rate of customers who are willing to recommend either MSI or ADI to their friends and acquaintances.

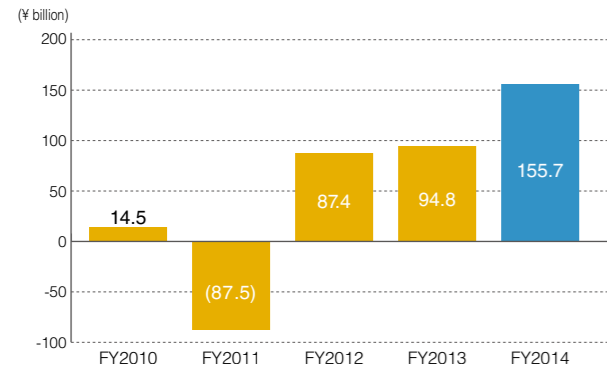
*13 The average number of temporary employees for fiscal 2008 is not shown because it is less than 10% of total employees.

*14 Number of female managers in positions of section manager or higher. (Figures are for April 1 of the subsequent fiscal year.)

Financial and Non-Financial Highlights

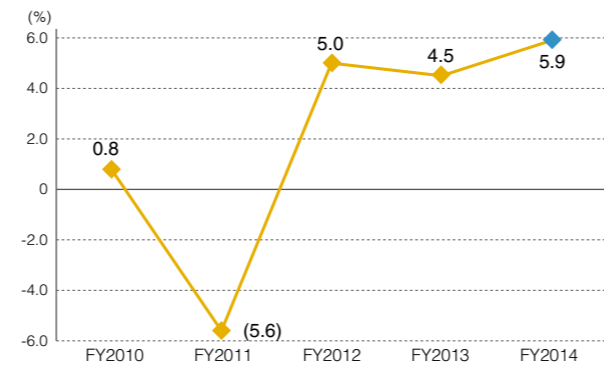
Financial Highlights

Group Core Profit



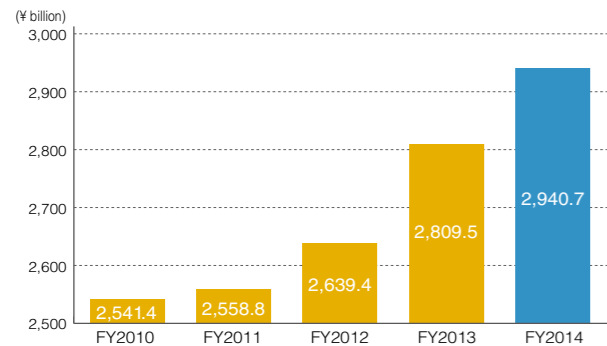
Owing to large-margin increases for domestic non-life insurance business and International business, Group Core Profit reached the highest level recorded since the business integration, amounting to ¥155.7 billion, up 64% from the previous year.

Group ROE



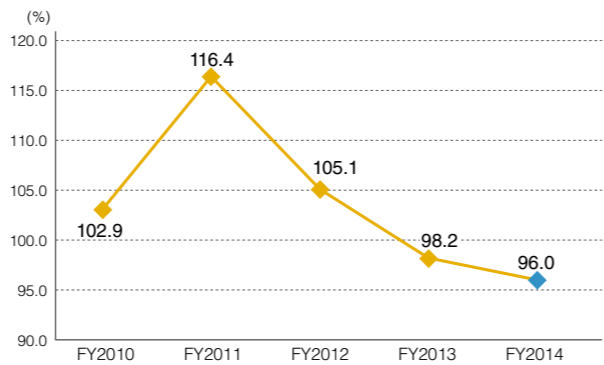
Reflecting the large rise in Group Core Profit, which is the numerator, Group ROE reached 5.9%, up 1.4 points from the previous year.

Consolidated Net Premiums Written



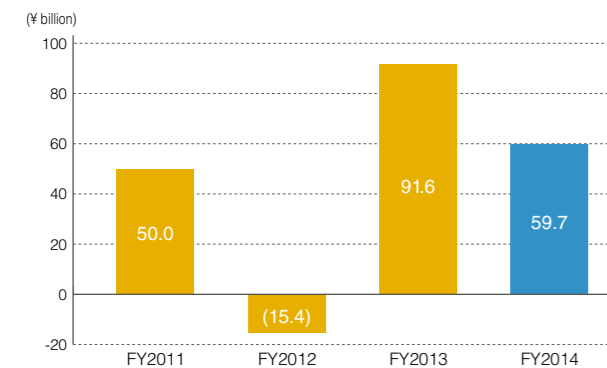
Owing to smooth business expansion achieved by domestic non-life insurance companies and overseas insurance subsidiaries, consolidated net premiums written rose 4.7% year on year, to ¥2,940.7 billion.

Non-Life Insurance Combined Ratio



Reflecting improvement in profitability of automobile insurance as well as a decrease in natural catastrophe loss, the ratio decreased to 96.0%, down 2.2 points from the previous year.

Increase in EV¹ of MSI Aioi Life

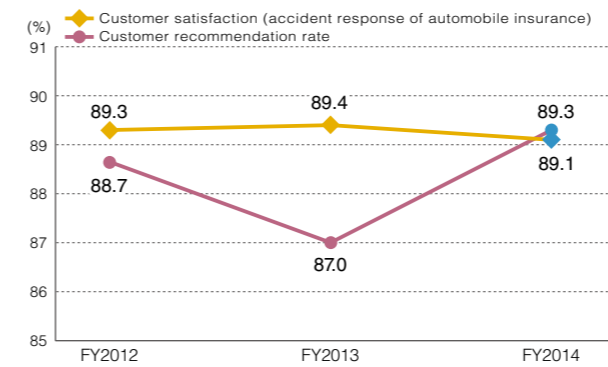


Despite the impact of declining interest rates, strong sales of new products boosted EV of MSI Aioi Life by ¥59.7 billion from the level in the previous year.

¹ Embedded value (EV) = the current value of net assets + the present value of future profit expected from policies in force (policies in force value)

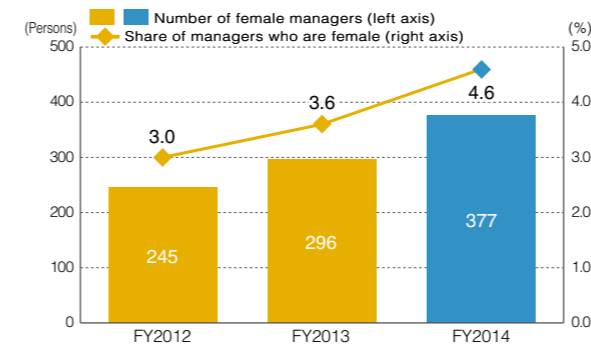
Non-Financial Highlights

Customer Satisfaction and Customer Recommendation Rate



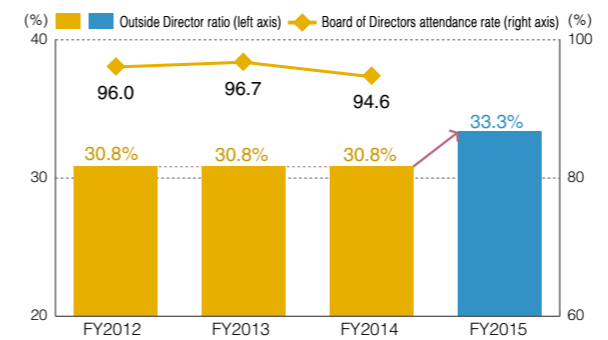
Reflecting efforts made to enhance the quality of accident responses and the quality of insurance products at the time of sale, trends in customer satisfaction and customer recommendation rates are generally positive.

Number of Female Managers and Share of Managers Who Are Female



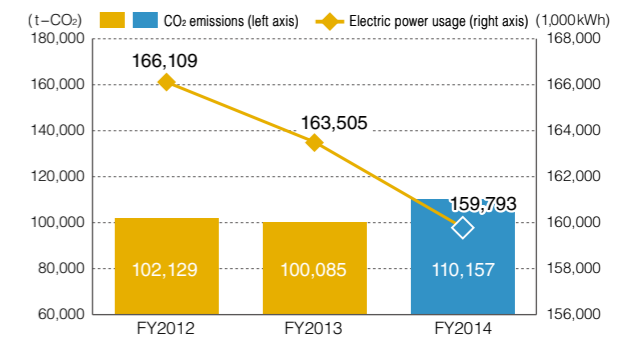
The Group's concerted efforts to set and attain goals for promoting the career advancement of female employees supported an increase in the share of managers who are female, to 4.6%.

Outside Director Ratio and the Board of Directors Attendance Rate



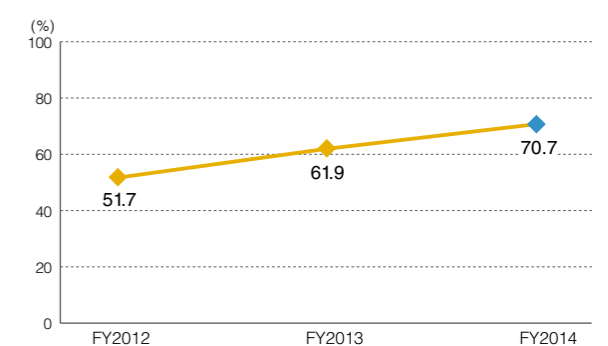
The Group has increased the number of its independent outside directors, which constitute more than a third of the Board of Directors. The independent outside directors are introducing independent perspectives on management activities, strengthening supervisory functions, and elevating the level of management transparency.

CO₂ Emissions² and Electric Power Consumption



Owing to the Group's environmental impact reduction efforts with particular focus on reducing consumption of electric power, paper, and gasoline, consumption of all those products decreased in fiscal 2014. CO₂ emissions increased due to a rise in power companies' "adjusted emission coefficient."

Selection Rate of Web Policy Clauses³



The Group is promoting web policy clauses selections, which are more convenient for customers compared to pamphlets and also promote decreases in the environmental impact of paper usage and mailing processes.

² These are sums of figures for domestic scope 1 and scope 2 figures.

³ The web policy clauses enable customers to refer to their policy clauses on the websites and also promote environment protection.

Top Message



We will enhance enterprise value and take steady steps to accomplish our mission and vision while trying to ensure thorough and well-balanced communication with all stakeholders.

President & CEO

Yasuyoshi Karasawa

What the MS&AD Insurance Group Aims At

Risk Is “Food for Tomorrow” and Insurance Is Critical Infrastructure for Preparing

Aim at Creating a World-leading Insurance and Financial Group through Seeking Sustainable Growth and Enhancing Enterprise Value

The MS&AD Insurance Group was formed in April 2010 with three companies which had unique strengths being integrated, aiming at “creating a world-leading insurance and financial services group.”

At the time of inauguration, the Group held a mission “to contribute to the development of a vibrant society and help secure a sound future for the earth, by bringing security and safety through the global insurance and financial services business,” and aimed “to create a world-leading insurance and financial services group that continues to seek sustainable growth and to enhance enterprise value.”

As for our core domestic non-life insurance business, it has often been said that the market of automobile insurance, which accounts for more than half of premium income, has already become a matured one and thus is bound to shrink in the future. Payments of claims due to natural disasters have also been increasing in number, with the payments amounting to about ¥84.0 billion in the case of heavy snowfalls in Japan in February 2014 and about ¥237.0 billion in the case of severe flooding in Thailand in 2011.

While those events can be regarded as unstable elements from the viewpoint of corporate management, non-life insurance business has originally been developed as critical infrastructure that supports the economy and society to prepare for various risks and natural disasters.

Non-life Insurance Is “Food for Tomorrow” that Supports People’s Lives and Business Activity

The origin of non-life insurance goes all the way back to before Christ, and it was human wisdom of coping with various forms of risks. While there are various views on the origin of the term “risk,” it has the meaning of “food for tomorrow” in Arabic. Starting from insurance for traveling merchants back in that age, insurance evolved into hull and cargo insurance in the Mediterranean area, into fire insurance for houses, and now automobile insurance has become a major form of insurance. Namely, during the process in which society develops, to underpin people’s lives and business activity through providing compensation against various forms of risks – that is indeed “our mission.”

New types of risks will emerge in the future, and there will be demand for compensating for those risks. Taking a recent example, those risks include the risks related to cutting - edge medical areas of regenerative medicine and robot nursing as well as **cyber terrorism risk**, which has been increasing along with the spread of the Internet.

Also in the areas including renewable energy, we might be able to contribute to the development of society through preemptively gauging risks and provide compensation for them. Our wisdom and know-how for mitigating various risks will also be useful in preventing or reducing accidents and natural disasters. We will try hard with courage and address challenges with dreams for the future in mind. During such process, what matters is, indeed, response capability against risk which is “food for tomorrow,” and providing know-how for that end will lead to our *raison d’être*.

► Origin of Non-life Insurance

While there are various views, it has been said that, about 2000 B.C. when traveling merchants formed teams to trade with distant customers, there was a scheme to share losses due to thefts and provide support to the affected individuals. On the coasts of the Mediterranean Sea in the 12th and 13th centuries, there was a scheme of “bottomry,” in which merchants who suffered shipwrecks during seaborne trade would be exempted from repaying for ships and cargos, and that was said the way marine insurance evolved. As for the origin of the term “risk,” it means “try with courage” in Italian and “food for tomorrow” in Arabic.

► Cyber-Terrorism Risk

A risk that computer networks suffer various attacks on the Internet. For example, there will be unexpected damage such that the information system in a firm results in malfunctioning due to computer viruses or private information will be leaked through unauthorized access to the internal information.

What Is Important Is “Diversity” to Respond to Customers’ Needs

Of the Four Implementation Drivers for the Medium-term Management Plan, “Reorganization by Function” Is a Response to Diverse Needs.

Toward accomplishing our mission and vision, the key will be the four implementation drivers also laid out in the medium-term management plan “Next Challenge 2017:” namely, “reorganization by function,” “transformation of the business structure in tune with changes in the environment,” “promotion of ERM (Enterprise Risk Management),” and “development of human resources that meet challenges.”

In particular, the reorganization by function is a business model that has become attainable as insurance policy has become transferrable thanks to a revision of the Insurance Business Act. That was a long-held request from life insurance and non-life insurance industries, and we have also been looking forward to the revision since the inauguration of the Group. Namely, we did not opt for reorganization by function because the Act was newly revised. Our business model was based on the premise of reorganization by function and the revision of the Act has supported the model.

We believe that, to respond to customers’ diverse needs, diversity is strongly required for those who provide services. For example, in the banking industry, while it is said that major banks have merged into three mega banks, there are regional banks that are called super-regional banks, and *shinkin* banks and credit cooperatives are conducting community-based business. Customers’ diverse needs can be met only after such a variety of financial institutions have existed.

If non-life insurance companies are converged to **three mega non-life insurance groups**, all the groups will have the same global and integrated business model. If that happens, it will be unable to gauge customers’ diverse needs in a multifaceted manner, which might not necessarily be beneficial to customers and society.

In order to respond to customers’ diverse needs, diversity is important. To that end, we have opted for the reorganization by function and decided to establish this business model.

► **Three mega non-life insurance groups**

Refers to three major groups of domestic non-life insurance companies: MS&AD Insurance Group, Tokio Marine Group, and Sampo Japan Nipponkoa Group.

It is Important not to Pursue Mere “Efficiency” but to Capture the Needs and Lead Them to “Growth.”

Mitsui Sumitomo Insurance Co., Ltd. seeks global business development by exerting its comprehensive capabilities, and Aioi Nissay Dowa Insurance Co., Ltd. seeks to utilize its relationship with the Toyota Group and the Nippon Life Group as well as for community-based business development. We believe that, with those two business developments, we can respond to customers’ diverse needs and concurrently achieve “growth” and “efficiency.” If we drastically pursue efficiency, a merger might have superiority. In other words, reorganization by function is an antithesis of efficiency. Major non-life insurance companies have opted for mergers since 2000 in pursuit of efficiency. If we had made the same choice at the time of reconsolidation in 2010, three mega non-life insurance groups would have taken more than 90% share in the market. Was that desirable?

As you can see in the banking industry, it will also be necessary to have a community-based business model. That will be borne by Aioi Nissay Dowa Insurance Co., Ltd. Mitsui Sumitomo Insurance Co., Ltd. will aim at becoming a global and comprehensive type of company amid three mega non-life insurance groups facing competition. The reorganization by function, in which those two companies are co-existing, can definitely respond to customers’ needs. That leads to growth. Admittedly, a merger may be efficient, but it has a risk of tumbling into diminishing equilibrium. If a company’s growth cannot be achieved through cost reductions only, it will head toward diminishing equilibrium. In order to achieve expanding equilibrium, it starts from firmly responding to customers’ needs. Perhaps it is unprecedented in the world to pursue the reorganization in the form of utilizing diversity. While it is a totally new business model, we are confident that it can prove to be successful.

Review of Fiscal 2014

First Fiscal Year under “Next Challenge 2017” Was Off to a Good Start

Both Premium Income and Profits Were Better than Initially Planned.

Fiscal 2014 was the first year of the reorganization by function aimed both at growth and efficiency, and, in terms of growth, the Group secured the leading position in the industry in terms of top line (net premiums written) in the domestic non-insurance business.

In the domestic life insurance business, both Mitsui Sumitomo Aioi Life Insurance Co., Ltd. (MSI Aioi Life) and Mitsui Sumitomo Primary Life Insurance Co., Ltd. (MSI Primary Life) have grown while utilizing their respective strengths and the sum of their premium income and others has grown to the sixth in size among domestic life insurance companies excluding foreign life insurance companies.

Our international business has been performing well in all areas, mainly in Asian countries. While there have been positive effects of the yen depreciation, earnings have also increased on a local currency-denominated basis.

As for the bottom line (net profit), the balance of non-insurance business has improved substantially mainly as the balance of automobile insurance has improved and natural disasters have been within expectations.

A **combined ratio**, which represents the profitability of non-life insurance business, was above 100% for five consecutive fiscal years up to fiscal 2012, suggesting that non-life insurance business had not been profitable. It finally declined to below 100% in fiscal 2013 and, in fiscal 2014, it was 94.0% for MSI and 98.2% for ADI. If that of Mitsui Direct General Insurance Co., Ltd. (Mitsui Direct General) was added, the ratio as the sum of three companies in the Group became 96.0%.

While I consider 95.0% as one benchmark, our management target is to attain the combined ratio of 95.0% or less.

The bottom line of international business is also performing quite well, registering ¥38.2 billion on a Group Core Profit basis. As the target of the Group Core Profit in international business for the final fiscal year of the “Next Challenge 2017” is ¥39.0 billion, international business has become quite close to meet the target. Asian life insurance business, which has taken time to become profitable, has made a profit of more than ¥50.0 billion and **Lloyd’s business** has been steadily making profits (see page 28 “International Business” for detail).

In addition, asset management has also been strong, and our Group Core Profit has reached its record highs for three consecutive fiscal years. The target for the final fiscal 2017 in “Next Challenge 2017” is ¥3.1 trillion for the top line and ¥160.0 billion for Group Core Profit. Our latest projection made May 2015 was ¥3.2 trillion or more and ¥200.0 billion or more, respectively, suggesting that business has been performing at a pace exceeding the targets.

► **Combined Ratio**

A combined ratio is the sum of the net loss ratio, for which represents the proportion of net claims paid vis-à-vis net premiums written, and the net expense ratio, which represents the proportion of expenses vis-à-vis net premiums written. If the ratio is less than 100%, it suggests that insurance revenues are more than insurance payments, and, thus, the business is profitable. By contrast, if the ratio exceeds 100%, it suggests that payments are more than revenues, and, thus, the business is incurring a loss.

► **Lloyd’s Business**

A business of insurance underwriting in the Lloyd’s market, which Mitsui Marine Insurance (currently, MSI) obtained official approval from the Lloyd’s Review Committee in March 2000 and started operations in April 2000.

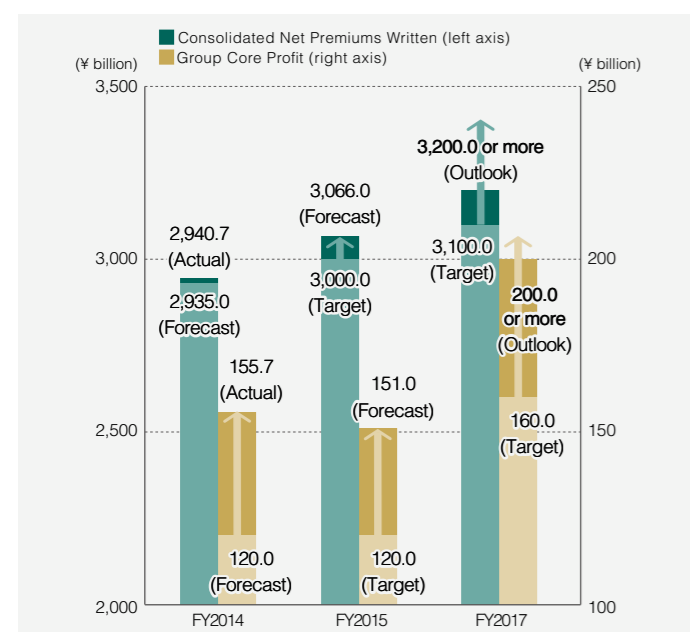
Reducing the Expenses Ratio Is a Remaining Challenge.

More efforts are necessary in reducing the expenses ratio of domestic non-life insurance business. It was 33.2% in fiscal 2014 for the sum of two core companies, which regrettably lagged behind two other rival groups, whose expenses ratios were in the range of 30.0-32.0%.

The ratio was 31.8% for MSI and 35.0% for ADI. The expenses ratio of ADI tends to become high because of a high weight in the sale of individual products, such as automobile insurance and house fire insurance, whose agency fee ratios are relatively high. As that stems from ADI's business model, in which it has a strength, we believe the difference between the two companies is within an acceptable range. Going forward, as an efficiency effect triggered by the promotion of reorganization by function, it is expected that there will be a cost reduction effect of more than ¥50.0 billion by fiscal 2017, and we are of the view that we can achieve an expenses ratio of around 31.5% for the Group as a whole at the end of fiscal 2017.

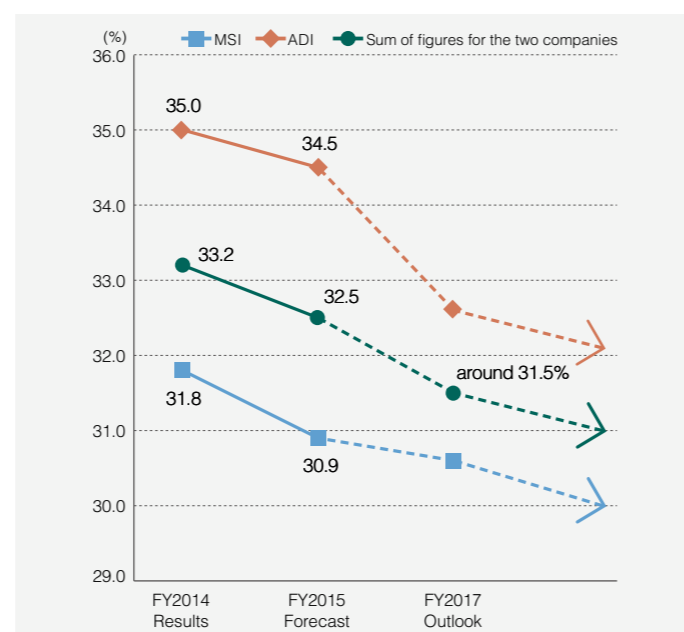
Next Challenge 2017

Outlook for Consolidated Net Premiums Written and Group Core Profit



* Both "forecast" figures for FY2015 and "outlook" figures for FY2017 were prepared as of May 2015.

Outlook for the Net Expense Ratio



Future Prospects

What Underpins Future Sustainable Growth Are “Life Insurance Business” and “International Business”

Continue to Expect Future Growth in the Two Insurance Companies which Have Their Respective Strengths

In considering the future, we believe that domestic non-life insurance business has room for further growth. Even in an environment of a declining birth rate and the aging population, it is possible to achieve moderate growth in the medium term if we can meet the challenge of taking new risks. The reorganization by function is a strategy for increasing our market share while responding to customers' needs. If we can constantly achieve the combined ratio at the 95.0% level, it will enable us to realize stable profits and achieve further growth through considering the distribution of profits, including returns to customers.

MSI Aioi Life conducts business in which “organic growth” through the existing management resources can be expected. A business model of promoting sales through cross-selling channels based on the nation's largest network of non-life insurance agencies has much more potential, and there is substantial room for growth through tapping customers' diverse needs for the third sector of insurance, in addition to the first sector. Unlike non-life insurance business, a business model in life insurance business is less affected by catastrophe risk mainly natural disasters. While the contribution to profits needs to be assessed over time, through having the life insurance business model together with non-life insurance business, we can expect the risk dispersion effect and synergy effect.

At MSI Primary Life, a business model mainly targeting the individual annuity insurance market, which has growth potential, and offering products which surely meet customers' needs of asset-building via financial institutions, has been established. This business model entails a unique feature other non-life insurance groups do not have. MSI Primary Life started as a joint venture of MSI and Citigroup Inc., and subsequently, in response to the withdrawal of the Citigroup's Head Office from insurance business, sold its equity interest to MetLife Inc., and then it became a 100% - owned subsidiary after we purchased the equity. Through collaboration with the Citigroup and MetLife, MSI Primary Life has consequently obtained know-how regarding sales and types of products concerning financial products, including a variable annuity, which the Group did not have in the past.



► Organic Growth

“Organic” means “natural” or “essential,” and the term refers to a situation in which a firm grows not through M&A but through increasing its sales of the existing products and services by utilizing internal resources.

► Citigroup Inc.

Citigroup is a global financial services corporation that offers a wide range of financial products and services, such as personal finance, credit card, commercial and investment banking, insurance, securities, and asset management.

Citi Insurance, an international wing of Citigroup, had been offering insurance products and services by utilizing Citigroup's global and a wide variety of sales networks, however life insurance and annuities underwriting business was sold to MetLife in 2005.

► MetLife Inc.

One of the largest life insurance companies in the United States founded in 1868. It also has high performance and expertise in the annuities underwriting business. It acquired life insurance and annuities underwriting business Citi Insurance in 2005.

As the Leading Insurance Company in the ASEAN Region, the International Business Has Been an Engine for the Group's Growth.

As for international business, while it has the purpose of diversifying business risk, insurance is infrastructure which underpins social and economic activity, and the global development of the business will contribute to economic development in respective regions overseas. For our Group to grow together with stakeholders, it is necessary to transform the business structure, and implementation drivers for growth are required. One of them is international business.

Growth in international business can be accelerated through promoting investment. International business currently accounts for about a quarter of the Group Core Profit, and it might eventually increase to 50%. Going forward, under the ERM, we plan to make investments, including M&A, aiming at efficient capital utilization and maintaining soundness.

The market we focus on first is Asian markets. Asian countries are expected to further grow in the future, and the permeation of insurance is at a developing stage. We consider that it is an important mission for us, with know-how, to advance into those markets and contribute to economic growth in local economies. Our Group is the only global insurance company that holds a business license in all 10 countries of the ASEAN region, and we have established the leading-class status in Singapore, Malaysia, and the Philippines. Going forward, through becoming an insurance company that has a presence within the top three also in other countries, it will become critical for us to contribute to market development in those countries.

To Achieve Growth, “Human Resources” and “Know-how” Are the Assets.

To Utilize Diversity, It Is Important to Promote the Career Development and Management Role of Women.

As suggested in the word “diversity,” which our Group values, our strength is utilizing the features of various business models of companies in the Group and exerting the comprehensive capabilities of the Group. To that end, what becomes critical is “each individual Group employee,” namely, “human asset.” As a device to utilize such human assets, diversity is required to begin with. In particular, promoting the career development and management role of women in Japan not only makes them responsible for the next generation but also necessary for Japan’s economy to grow in a stable manner. The proportion of women in the management level has become substantially high in Asian countries and **women managers are more than 30% of the total employees in the Philippines, Hong Kong, and Singapore.** Overseas staff members of our Group, inclusive of local ones, are now more than 8,000 and will account for 40% to 50% of total staff members of the Group in the medium-to-long term. In such a situation, the proportion of women managers will likely become 20% or more. It is important to enhance the work environment for women and establish a system that thoroughly supports women employees with childbearing and child rearing.

We have been also promoting the internationalization of human assets. We have been increasing not only the number of trainees dispatching overseas but also that of non-Japanese trainees in Japan, and have also been active in personnel exchanges at home and abroad. There are also many overseas companies in the Group in which non-Japanese employees are holding a top management position.

► **Women managers are more than 30% of the total employees in the Philippines, Hong Kong, and Singapore (The ratio of women managers in Asian countries).**
According to the International Labour Organization (ILO), “Women in business and management-Gaining momentum” (2015 Report), the ratio of women managers in Asian countries was the highest in the Philippines (47.6%, the 4th highest in the world), followed by Hong Kong (33.2%, the 44th highest in the world), and Singapore (31.4%, the 53rd highest in the world). The ratio for Japan is 11.1% and it is 96th among 108 countries.

Know-How within the Group Is the Very Source of Growth and ERM Management Is also Evolving in Asia.

There is know-how necessary for our growth ranging from that related to products and services to risk management and asset management. Above all, ERM is know-how for management, and its purpose is to manage various business activities in the Group in an integrated manner as the Group as a whole and to concurrently maintain soundness and improve capital efficiency (see pages 33-34 for details).

Our Group sets a risk appetite statement toward improving enterprise value and determines the areas in which we actively take risks. As for insurance underwriting, we aim at elevating returns on risk and expanding underwriting income. As natural disaster risk is the largest risk, it is important to measure that risk as accurately as possible, and, thus, we are making efforts to verify risk measurement models and research.

Our Group has been the leading non-life insurance group in the ASEAN region and has been assuming a number of risks in the region. A sufficient database on natural disaster risk in the Asian region has yet to be developed, and, even in companies which develop a global risk measurement model, the development of a model to measure flooding risk in the Asian region has been delayed. Therefore, our Group has been conducting risk analysis and research of the Asian region. At the same time, we have been developing a risk model for disasters, including flooding, in collaboration with risk model companies while utilizing our Group’s advantage of having the largest data set of the region. Those initiatives will not only lead to strengthening our Group’s risk management but also will contribute to the economic development of the ASEAN region as a whole.



“Transparency of Management” which Underpins Growth, Emphasizes Communication with Shareholders

Would Like to Value Transparency of Management through Measures including Investor Relations (IR)

In conducting business, various changes in the environment and an ordeal lie ahead. Given that, I value investor relations (IR), which is dialogue with shareholders. In IR, what is particularly important is to ensure transparency, and, through such efforts, we can gain the confidence of stakeholders.

I recall an impressive article contributed by a leader of a major manufacturing company. When he visited an overseas investor for IR when the company had suffered from bad performance, the investor pointed out that “your company might have trouble raising funds with such bad performance.” Later, when he saw the accompanying staff of the IR department feeling chagrined back at the hotel, he admonished the staff by stating “the eyes of a camera.” “While I can understand you are upset, you should understand that there are such views like the investor said.” Namely, it is not right to get angry with a camera or a photographer after looking at your own picture taken by the camera.

As a top executive, I believe it is essential to disclose as much as possible and ensure transparency. That will be the same for employees within a company. The risk of not disclosing information is significant, and we should be as open as possible. If we enhance transparency for investors, there will be a merit of promoting trust with them. While some might think that information value will increase by hiding, I believe that an associated risk and a demerit are larger.

Returns to Shareholders by Means of Dividend Distribution and Share Buybacks, Aiming at Returning Approximately 50% in the Medium Run

We have also been focusing on capital management policy and shareholder return policy, both of which have recently become big topics in the stock market. We will firmly maintain our policy aiming at returning approximately 50% of the Group Core Profit to shareholders in the medium run.

Our fundamental policy for dividends is to maintain the stability of dividend levels while aiming to realize the trend of sustained increase in those levels over the medium term. We will repurchase our own shares flexibly while taking into account market conditions. With those, we can achieve our capital management policy of increasing dividends in a stable manner while not hoarding idle money. In fiscal 2014, our dividend per share was ¥65, which was an increase of ¥9, compared with the previous fiscal year. In fiscal 2015, we are planning for a dividend per share of ¥70. We repurchased our own shares under the ceiling of ¥10.0 billion in the first and second halves of fiscal 2014 and repurchased under the ceiling of ¥20.0 billion in the first half of fiscal 2015. As a result, the shareholder return ratio was 47% for fiscal 2013 and 45% for fiscal 2014, respectively.

Shareholder Return Policy

The policy calls for returning approximately 50% of the Group Core Profit to shareholders in the medium run.

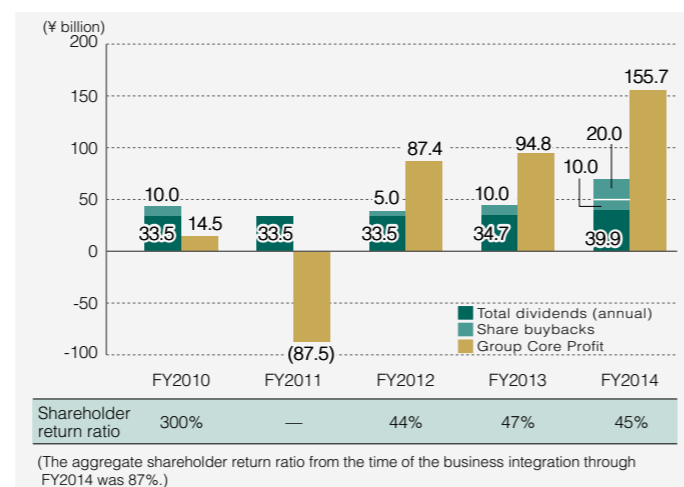
Dividends

Maintain the stability of dividend levels while aiming to realize the trend of sustained increase in those levels

Share Buybacks

Repurchase our own shares flexibly, and, as the opportunity arises, with due consideration to market conditions and the state of our capital

Shareholder Return Performance by Fiscal Year



To Seven Stakeholders of MS&AD Insurance Group

Aim at Well-balanced Allocation of Fruits by Valuing Communication with Stakeholders

Finally, let me convey my views to our valuable stakeholders who have been supporting our Group.

We, the management team, believe it important to always allocate the fruits of our labor in a well-balanced manner to seven stakeholders. Namely, our role is to equally offer satisfaction to each stakeholder. If the level of profits becomes high, an increase in returns to shareholders will become important. And, the allocation of fruits, such as an increase in the base pay of employees or a review of insurance premiums (returns to customers), will also become necessary. As we are made to live as a social entity, we must contribute to society and pay taxes. For us, who run insurance business, there is no order of importance among seven stakeholders, and we should give consideration to always enhance the satisfaction of all seven stakeholders.

We will enhance enterprise value and take steady steps to accomplish our mission and vision while trying to ensure thorough and well-balanced communication with all stakeholders. We look forward to your continued understanding and support for our endeavors.



Medium-Term Management Plan

Moving Ahead from “New Frontier 2013”

The MS&AD Insurance Group implemented its first medium-term management plan – “New Frontier 2013” – during the period from fiscal 2010 through fiscal 2013.

Within the framework of “New Frontier 2013,” the Group moved forward with such important measures as those to integrate the management of its key three companies and undertake mergers of affiliated companies.

New Frontier 2013

Numerical Management Targets and Actual Performance

(¥ billion)

	FY2010 Results	FY2011 Results	FY2012 Results	FY2013 Results	FY2013 Initial targets	FY2013 Revised targets
Group Core Profit	14.5	(87.5)	87.4	94.8	150.0	110.0
Domestic Non-Life Insurance Business	6.5	19.7	61.9	47.8	100.0	60.0
Domestic Life Insurance Business	4.1	4.3	9.8	24.4	15.0	15.0
International Business	1.8	(112.3)	13.5	18.0	30.0	30.0
Financial Services Business and Risk-Related Services Business	1.9	0.7	2.0	4.4	5.0	5.0
Consolidated Net Premiums Written	2,541.4	2,558.8	2,639.4	2,809.5	2,700.0	2,700.0
(Life insurance) Annualized Premiums of Policies in Force	279.0	296.0	319.7	335.8	330.0	330.0
Group ROE	0.8%	(5.6%)	5.0%	4.5%	7%	7%

Planned Reduction in Strategic Equity Holdings

FY2010 – FY2013 (3 years)	Plan	Performance	Attainment Rate
	¥300.0 billion	¥376.4 billion	125%

Attainment of Numerical Management Targets

- During fiscal 2010 and fiscal 2011, the incidence of large-scale natural disasters – such as the Great East Japan Earthquake and major flooding in Thailand – caused the non-life insurance business to suffer unexpectedly large losses. In response, the Group moved in November 2011 to make a downward adjustment to the fiscal 2013 Group Core Profit target level.
- Smooth progress was made toward attaining the adjusted targets. In the fourth quarter of the plan's final year (February 2014), however, unusually large snowfalls in Japan's Kanto-Shinetsu region caused large-scale damage that prevented the Group from attaining its targets for Group Core Profit and Group ROE.
- In response to the large-scale losses associated with the Great East Japan Earthquake and major flooding in Thailand, the Group worked to strengthen its natural disaster risk management systems. Specifically, while there had been a delay in modeling such risks as flood-related risks in the Asian region and snow-related risks in Japan, measures were taken to develop related forecasting models and modeling processes and to move ahead with such initiatives as those aimed at controlling underwriting risks and alleviating risks through the use of reinsurance arrangements.

Tasks Addressed during New Frontier 2013 and Results of Measures Taken

Task	New Frontier 2013 results
Tasks Addressed Immediately after the Business Integration	<p>Steady Promotion of Business Integration It was deemed necessary to proceed steadily with the business integration of the three companies and to elicit associated synergies.</p> <ul style="list-style-type: none"> ● Realization of increased management efficiency through the merger of Group business companies Increased management efficiency was promoted through such measures as the October 2010 merger of Aioi and NDI. ● Establishment of a business integration foundation through the integration of IT systems MSI and ADI integrated their IT systems and completed the engineering of “Unity,” a new integrated system. ● Clarification of the Group's business integration strategy going forward The Group announced that its business integration would proceed in accordance with an unprecedented business integration style called “reorganization by function.”
Restoring the Profit Generating Power of Domestic Non-Life Insurance Business	<p>As domestic non-life insurance business is the Group's largest business, it was deemed necessary to quickly break off the negative underwriting profit.</p> <ul style="list-style-type: none"> ● Shift to a structure capable of steady profit generation in the mother market Despite passing through a time period of noteworthy profitability deterioration owing to the Great East Japan Earthquake and major flooding in Thailand during fiscal 2011, the Group was able to reduce its fiscal 2013 combined ratio to below 100%.
Undertaking Business Investments in Growing Fields	<ul style="list-style-type: none"> ● Expanding a future profit pillar through investments in domestic and overseas life insurance business In Japan, an additional investment of ¥22.5 billion was made during 2011 in MSI Primary Life – which had been growing as the leading company in the field of asset-building products – to transform that company into a wholly owned subsidiary. Overseas, additional investments were undertaken to promote the expansion of the Group's life insurance business in the Asian region, in addition to the No. 1 position in non-life insurance business in the ASEAN region.
Tasks that Emerged during the Period of the Plan	<p>Strengthening Risk Management Function in Response to Losses Associated with Major Flooding in Thailand In light of the large losses suffered owing to the major flooding in Thailand, it was deemed necessary to strengthen risk management functions and other systems to elevate the level of management stability.</p> <ul style="list-style-type: none"> ● Strengthening natural disaster risk management and controlling the breadth of performance fluctuations associated with natural disasters Based on measures to increase the sophistication of risk evaluation and risk forecasting models and to reevaluate underwriting and reinsurance schemes, underwriting risks associated with flooding in Thailand were reduced to approximately 1% of the level at the time major flooding occurred in Thailand during fiscal 2011. Regarding other countries and regions associated with concentrations of specific natural disaster risks, measures were taken to assess risk volumes and control the amount of retained risk. As a result of these measures, the Group has built a position in which the impact of disasters comparable in scale to the recent major flooding in Thailand can be minimized when such disasters take place.

to “Next Challenge 2017”

From fiscal 2014 (ended March 31, 2015) the Group has adopted a basic strategy of – “Through our commitment to sustainable growth, ensuring soundness, and improving profitability and capital efficiency, we will increase the enterprise value of the Group as a whole.” – and begun implementing that strategy by means of its new medium-term management plan – “Next Challenge 2017” – which covers the period from fiscal 2014 through fiscal 2017. While the previous medium-term management plan covered “stage for developing the structure of MS&AD,” the new medium-term management plan is designed to cover “the Group's development and progress in integration,” and the Group is moving ahead with the implementation of various measures to realize the plan's objectives.

Next Challenge 2017

Numerical Management Targets and Actual Performance

(¥ billion)

	FY2014 Initial Targets	FY2014 Results	FY2015 Initial Targets	FY2015 Forecasts	FY2017 Initial Targets	FY2017 Revised Outlook
Group Core Profit	100.0	155.7	120.0	151.0	160.0	200.0 or more
Domestic Non-Life Insurance Business	61.0	92.4	76.0	105.0	100.0	
Domestic Life Insurance Business	13.0	20.4	13.0	15.0	16.0	
International Business	22.0	38.2	27.0	26.0	39.0	
Financial Services Business and Risk-Related Services Business	4.0	4.6	4.0	5.0	5.0	
Consolidated Net Premiums Written	2,925.0	2,940.7	3,000.0	3,066.0	3,100.0	3,200.0 or more
Non-life Insurance Combined Ratio*	100%	96.0%	Approx. 95%	93.6%	95% or below	
Increase in MSI Aioi Life EV	43.0	59.7	40.0 or more	55.0	45.0 or more	
Group ROE	4.5%	5.9%	5.4%	5.0%	7.0%	

* Combined ratio = Net loss ratio + Net expense ratio (sum of figures for MSI, ADI, Mitsui Direct General)

Planned Reduction in Strategic Equity Holdings

FY2014 – FY2017 (4 years)	Plan	Performance at FY2014 Year-End	Attainment Rate
	¥300.0 billion	¥91.0 billion	Approx. 30%

Attainment of Numerical Management Targets

- The Next Challenge 2017 medium-term management plan, which began from fiscal 2014, has set the target of increasing Group Core Profit to ¥160.0 billion by fiscal 2017. However, Group Core Profit reached ¥155.7 billion in fiscal 2014, the first year of the plan, and this is only slightly below the target for the plan's final year.
- In view of this achievement, based on the assumption that the management plan targets will be revised upward, the Group has announced (May 2015) that its new forecast for fiscal 2017 performance is for ¥200.0 billion or more in Group Core Profit and ¥3,200.0 billion or more in consolidated net premiums written.

Tasks to Be Addressed during Next Challenge 2017 and Progress to Date

Task	Fundamental strategies	Progress to Date	Future Tasks
Deepening of Business Integration	Completion of Reorganization by Function Plans call for completing “reorganization by function” programs, concurrently realizing greater growth and efficiency, and attaining the performance goals that have been set.	Progress to Date It was deemed necessary to promote “reorganization by function,” accelerate growth, and steadily elicit synergies.	<p>● Concurrently realizing greater growth and efficiency Reorganization by function has advanced smoothly. In fiscal 2014, the combined growth rate in direct premiums written of MSI and ADI was 3.1%, and the expenses of those two companies had been reduced to ¥31.0 billion below the fiscal 2011 level.</p> <p>● Deepening reorganization by function Planned reorganization by function measures are to be steadily implemented, and reorganization by function is to be deepened with the goal of achieving still greater progress in eliciting synergies and increasing efficiency.</p>
Establishing/Strengthening Profit Structures	Changing the Business Structure in Line with Changes in the Operating Environment With an eye to realizing sustainable growth, plans call for the Group's insurance companies to take measures designed to upgrade quality, implement growth strategies, and enhance profitability. New investments will be made in businesses and fields characterized by high capital efficiency rates and high levels of growth potential.	Progress to Date It was deemed necessary to maintain the stability of domestic non-life insurance business profitability, after the combined ratio for such business was lowered to below 100% in fiscal 2013, and to implement measures to sustain the trends of increase in growth and profitability.	<p>● Establishing a strong profit structure Stable profitability has been achieved in the domestic non-life insurance business (which achieved a 96% combined ratio) and each other business domain. Each business segment has established a profit structure and is positioned to sustain growth in revenue and profit.</p> <p>● Reducing the net expense ratio To further strengthen competitiveness, the Group will accelerate the decrease in its net expense ratio, which is still at a higher level than those of competing companies.</p> <p>● Investing in businesses and fields with growth potential During the period of the plan, the Group will accelerate its investments aimed at realizing future growth.</p>
Attaining Soundness and Elevating Capital Efficiency	Strengthening Group Governance and Promoting ERM Based on measures to achieve a balance of risks, returns, and capital, plans call for promoting forward-looking ERM.	Progress to Date It was deemed necessary to strengthen management capabilities with respect to natural disaster risks. It was also considered necessary to elevate capital efficiency and to enhance the Group's ROE, which is lower than that of competing companies in Japan and overseas.	<p>● Elevating ROE ERM has steadily advanced, and the Group's ROE has risen to 5.9%.</p> <p>● Increasing the sophistication of the natural disaster risk management posture By increasing the sophistication of forecasting models and methods with respect to important risks that had not previously been modeled (including those of domestic flooding, heavy snowfalls, and tsunami and of flooding in the Asian region), the Group's natural disaster risk management capabilities have been further strengthened.</p> <p>● Strengthening corporate governance systems The portion of independent outside directors to inside directors has been increased to 1/3, and stock options as equity compensation has been introduced within corporate directors compensation systems.</p>
		Future Tasks	<p>● Accelerating sales of strategic equity holdings Aiming to enhance the quality of its capital, the Group is accelerating its measures aimed at quickly attaining the target of selling ¥300.0 billion of strategic equity holdings.</p>

■ Medium-Term Management Plan

Next Challenge 2017

Basic Strategy

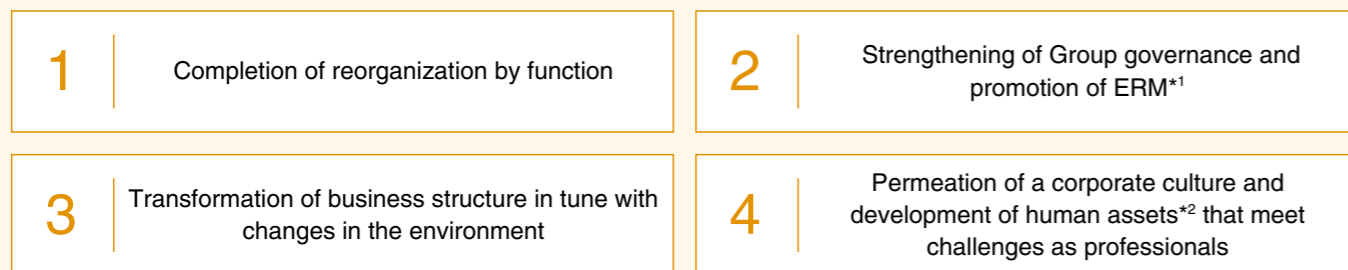
The basic strategy of “Next Challenge 2017” is “Through our commitment to sustainable growth, ensuring soundness, and improving profitability and capital efficiency, we will increase the enterprise value of the Group as a whole.” There are four implementation drivers designed to play key roles in promoting the basic strategy’s implementation.

The four implementation drivers provide concrete guidance as the emphasized measures in accordance with the role of MS&AD Group companies within the Group.

Basic Strategy of Next Challenge 2017

Through our commitment to sustainable growth, ensuring soundness, and improving profitability and capital efficiency, we will increase the enterprise value of the Group as a whole

Implementation Drivers



Emphasized Measures for Individual Group Companies in Line with Those Companies’ Roles

The Group’s Holding Company	Group Companies Engaged in Insurance Business	Other Group Companies
Strengthen Group governance and lead ERM by expanding the business management position over Group companies to demonstrate their functions	Achieve sustainable growth by increasing customer support and promoting efforts to improve profits through strategic engagement in economic growth, initiatives in unceasing quality improvement and growth strategies that leverage our unique characteristics and strengths	Establish a position and platform for enabling each company to play its role at a higher level than at present through full-fledged demonstration of integration synergies

Groupwide Emphasized Measures

- As a group, implement new investment in business and areas with high capital efficiency and growth potential
- Promote improvement of organization productivity through human assets development and innovation and upgrading of roles throughout the entire Group
- Work to improve product and service quality based on communication with stakeholders, and thereby
 - 1 earn trust and
 - 2 contribute to the resolution of social issues
 【Please refer to “The MS&AD Insurance Group’s CSR Activities”】

*1 ERM = Enterprise Risk Management (page 33-34)

*2 Reflecting the MS&AD Insurance Group’s emphasis on the importance of each individual employee, it writes the phrase “human assets” in Japanese in a non-standard form that includes a homonymous pictograph that means “wealth” rather than “material/resource.”

Two Key Implementation Drivers

Of the Next Challenge 2017 Implementation Drivers, the “promotion of ERM” and “completion of reorganization by function” are two key implementation drivers.

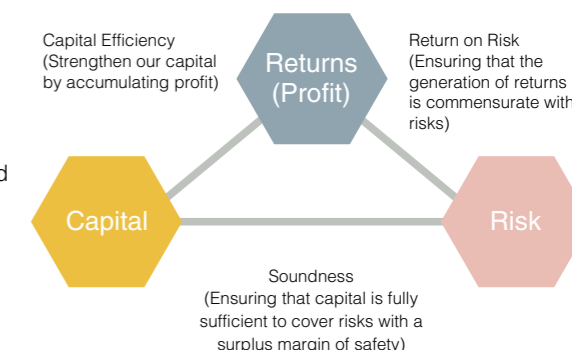
The First Key Implementation Driver – “Promotion of ERM”

Regarding “ERM”

ERM (Enterprise Risk Management) entails the integrated, comprehensive, and strategic assessment and evaluation of all the risks associated with the execution of corporate business activities to enable integrated risk management designed to maximize enterprise value. The MS&AD Group has incorporated ERM as a core component of its management, and it refers to this utilization method as “ERM.”

By means of “ERM,” we will quantitatively and qualitatively determine the Group’s risks from a company-wide perspective and, bearing in mind the characteristics of risks, we will allocate management resources on the basis of risk appetite that provides balanced control of risk, return, and capital. With a foundation of “soundness,” we aim to realize “sustainable growth” and “improvement of profitability and capital efficiency” to increase enterprise value. Next Challenge 2017 includes strategies for making additional progress in our ERM efforts, so that we can elevate profitability and capital efficiency while concurrently ensuring our financial soundness. To this end, we are developing and employing “advanced risk management” methods. (For more-detailed information about “ERM,” please refer to page 33-34.)

Risk, Return, and Capital in the Context of “ERM”



“ERM” Targets and Emphasized Indices

Next Challenge 2017 has set the targets of increasing Group Core Profit to ¥160.0 billion and raising Group ROE to 7.0% by fiscal 2017. In addition, to ensure financial soundness, the plan set the target of building an AA rating equivalent financial base. To attain these targets, the Group emphasizes the use of two indices – return on risk (ROR), which indicates the balance between the risks the Group is assuming and the associated returns, and the economic solvency ratio (ESR), which indicates the level of soundness. (For more-detailed information, please refer to page 33. Regarding efforts to elevate Group Core Profit in the Group’s core domestic non-life insurance business, please refer to the chart entitled “KPI and Measures Designed to Promote the Group’s Core Profit Target Attainment” on page 20.)

“ERM” Objectives and FY2017 Targets

Elevate profitability and capital efficiency	Group Core Profit	¥160.0 billion
	Group ROE	7.0%
Ensuring financial soundness	AA rating equivalent financial base	

Indices Emphasized in Connection with “ERM”

$$\text{Group ROE} = \frac{\text{Group Core Profit}}{\text{Consolidated Total Net Assets excluding Minority Interests}} = \frac{\text{Group Core Profit}}{\text{Integrated risk amount}^{*1}} \times \frac{\text{Integrated risk amount}}{\text{Net Asset Value}^{*2}}$$

ROR (Return on Risk)
ESR (Economic Solvency Ratio) = Net Asset Value ÷ Integrated risk amount

*1 The integrated risk amount represents the maximum amount of losses and total value of associated insurance payments that are likely to be encountered once in 200 years (= probability of 0.5%). It is expressed in market value.

*2 The Net Asset Value is an indicator used as a management buffer to enable thorough net asset management. In addition to net assets on the B/S, it includes such items as the catastrophe reserve, unrealized gains / losses on insurance liability, other equity liability, etc.

Next Challenge 2017

Two Key Implementation Drivers

The Second Key Implementation Driver – “Completion of Reorganization by Function”


Regarding “Reorganization by Function”

An unprecedented business model made possible by the 2013 revision of Japan’s Insurance Business Act, “Reorganization by Function” calls for making the most of the strengths of each group insurance company while undertaking business reorganization. While enabling the bypassing of the negative aspects of simple corporate mergers – including temporary costs and the business impediments, time losses, and various other problematic factors that often arise at the time of mergers – “Reorganization by Function” is designed to realize smooth business integration without slowing the speed of business “growth,” and it concurrently enables the leveraging of individual companies’ strengths and the realization of “efficiency” in the pursuit of business scale and profitability.

Aiming to promote sustained growth and an increase in enterprise value for the Group as a whole, the MS&AD Group is moving ahead with the implementation “Reorganization by Function” initiatives as the central pillar of its Next Challenge 2017 plan with the following three key objectives.

- 1 Realization of ‘growth’ and ‘efficiency’ across the entire Group
- 2 Maximum demonstration of the features of the two core non-life insurance companies (MSI and ADI) to respond to customers’ diverse needs
- 3 Strengthening of Group governance stance centered on the holding company

Principal Measures for Reorganization by Function

Overview of Principal Measures	
Business/Sales Channel Reorganization	Regarding hull, cargo and transportation, and aviation and aerospace insurance, product provision functions are to be transferred to and unified within MSI, and ADI customers’ contracts will be reformulated and transferred to MSI. These transfer processes have been completed for hull and aviation and aerospace insurance, and measures will be taken to strengthen new business development going forward. Regarding motor channel agencies with which both MSI and ADI have been engaged in business transactions, for agencies with which ADI is the principal business partner, insurance contracts underwritten by MSI will be reformulated and transferred to ADI.
Consolidation of Local Sales Networks/Bases	Regarding regions where only MSI or ADI have a base, and regions where both companies have a base but consolidation will be beneficial in light of the scale of sales activity and efficiency considerations, contracts with agencies in those regions are being progressively transferred to the company with a base in that region. During fiscal 2014, these transfers were undertaken in advance in a portion of regions, and know-how obtained in connection with the transfers will be leveraged to undertake transfers in all regions from fiscal 2015.
Sharing of Bases	In cases where both MSI and ADI have bases (offices) close to each other, the bases will be progressively consolidated in joint facilities.  Example of an integrated office
Transferal of Third-Sector Long-Term Policies	New long-term policies in the third sector will be consolidated within MSI Aioi Life, and we have begun the process of consigning maintenance, etc., processes for existing policies arranged by MSI and ADI to MSI Aioi Life. Regarding existing policies arranged by MSI and ADI, we are engaged in efforts to transfer those policies to MSI Aioi Life by fiscal 2018.
International Business Reorganization	We are working to progressively integrate international business operations by consolidating international business with Japan-based companies within MSI while having ADI develop international business that is primarily centered on Toyota dealerships. Leveraging the strengths of the Group’s international business network in 42 countries and regions, we are strengthening support for the initiation of international business with additional Japan-based companies.
Reorganization of Headquarter’s Functions and Strengthening Governance by the Holding Company	A portion of MSI and ADI head office functions – including risk management, compliance, and auditing units – are being consolidated within the holding company, which is moving ahead with measures to strengthen its governance functions.

Results Achieved through Fiscal 2014 – Concurrently Realizing Growth and Efficiency

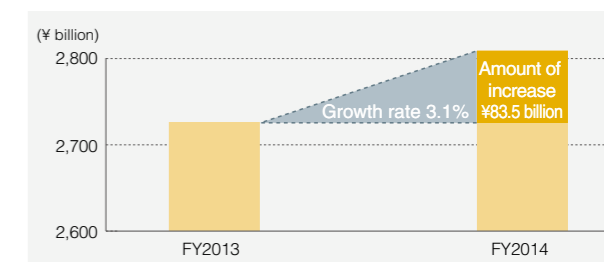
Growth

Domestic Non-Life Insurance Business

Reorganization by function measures is smoothly proceeding, and MSI and ADI have concurrently realized steady growth – recording 3.1% year-on-year growth in direct premiums written.

* Excluding Good Result Return premiums of the “ModoRich” automobile insurance product, which contains a special clause related to premium adjustment and refund at maturity.

Direct Premiums Written* (simple sum of figures for MSI and ADI)



Domestic Life Insurance Business

Reflecting the beneficial effect of the consolidation of sales operations for long-term policies in the third sector, MSI Aioi Life recorded a large increase in its annualized premiums of new policies.

Large Increases in Annualized Premiums/Number of New Policies

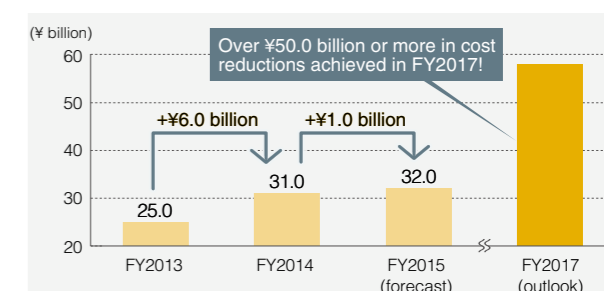
	FY2013	FY2014	YOY Change
MSI Aioi Life Annualized Premiums of New Policies	¥10.9 billion	¥14.4 billion	+32.6%
Number of New Policies	134 thousand	181 thousand	+34.5%

Efficiency

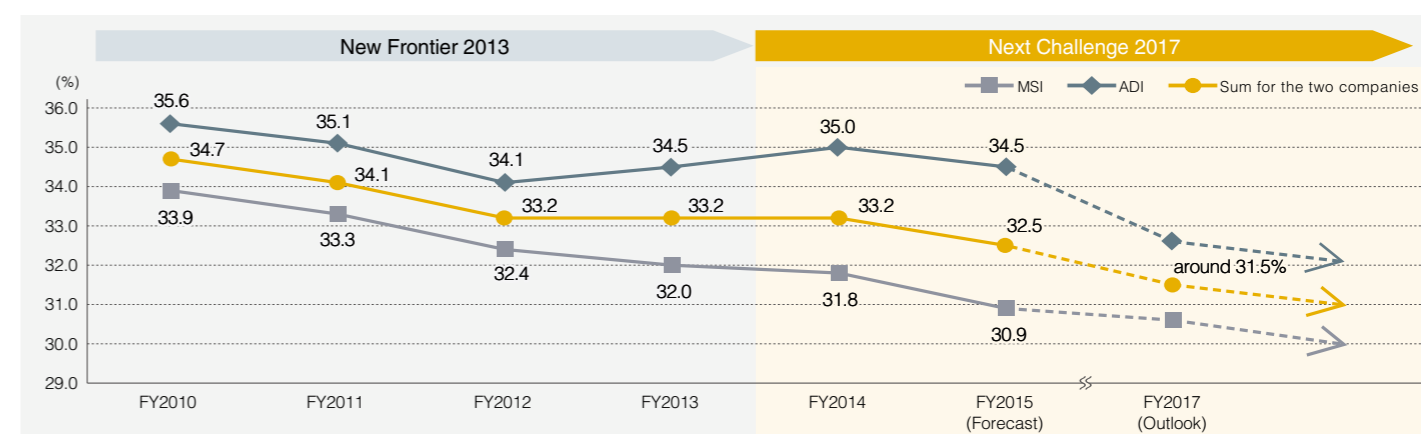
Compared with the target of implementing ¥50.0 billion in cost reductions compared to fiscal 2011, ¥31.0 billion in cost reductions had been implemented as of the end of fiscal 2014. (The cost reduction figure is calculated based on consideration of special factors – such as the impact of the consumption tax rate hike, depreciation expense for new integrated IT systems, the internalization of affiliated companies accompanied by the offsetting of claims paid – as well as of such factors as non-personnel expense growth associated with a rise in premiums written.)

MSI’s net expense ratio is expected to fall to the 30’s% range in fiscal 2015, and the sharing of operational efficiency know-how is expected to lower the combined net expense ratio of the two core insurance companies to around 31.5% in fiscal 2017.

Principal Benefits of Efficiency-Boosting Measures (Cumulative figures compared to the fiscal 2011 level)



Trends in the Net Expense Ratio



Next Challenge 2017

The MS&AD Insurance Group's CSR Activities

Further details are posted on our

To realize its mission, based on the "Perspective of CSR Approaches of the MS&AD Insurance Group," the Group is striving to carry out its responsibilities to its seven types of stakeholders and promote a sustained improvement in its enterprise value.

Perspective of CSR Approaches of the MS&AD Insurance Group

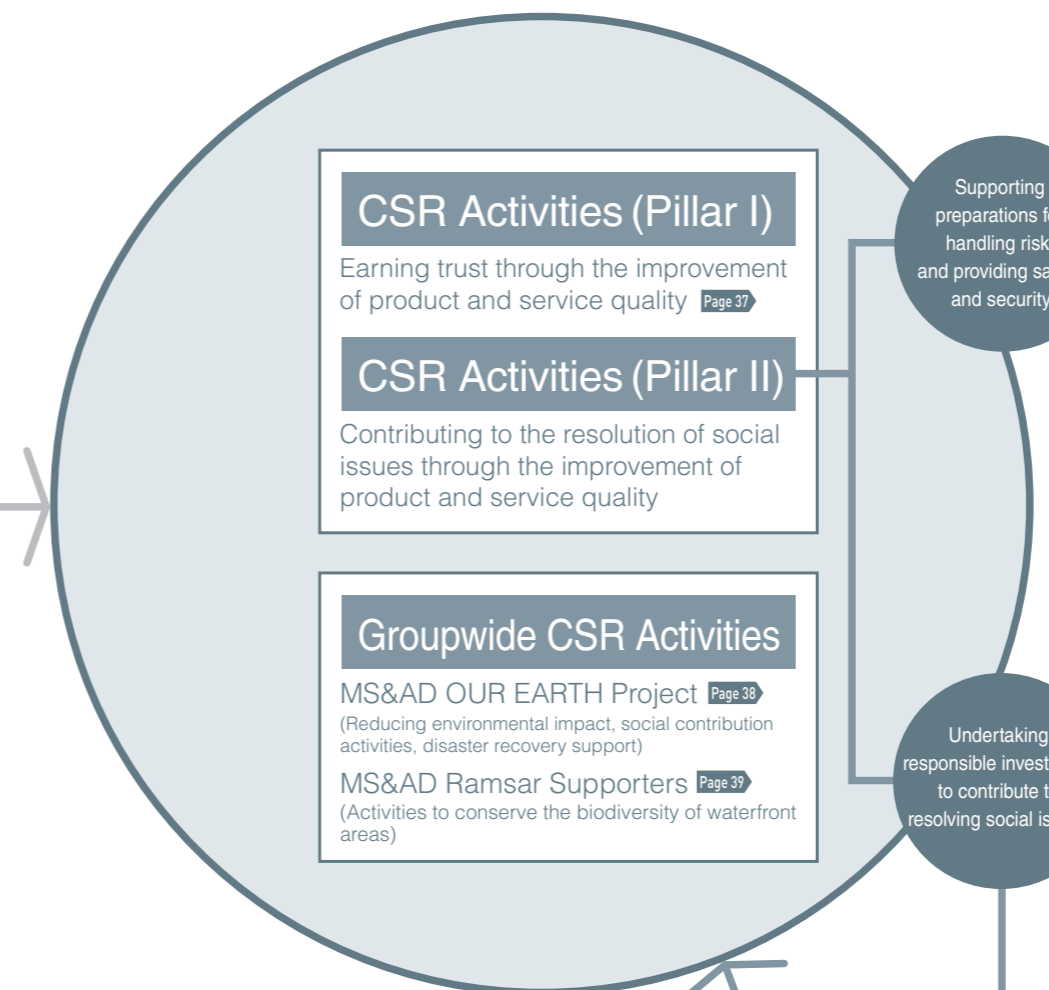
The MS&AD Insurance Group will increase enterprise value and contribute to the creation of a sustainable and resilient society through behavior that takes into account interaction with the environment and society in all business activities, with the aim of realizing Our Mission.

We will provide products and services with high quality and added value, contributing to a secure, safe, vibrant, and prosperous future by gaining a deeper understanding of social issues through active dialogue with our stakeholders.

Seven Types of Stakeholders



Resolving social issues/
Elevating enterprise value



Emphasized CSR Initiatives

Based on the Group's basic strategy of "Next Challenge 2017" and with the goal of increasing our enterprise value, we believe it important to undertake CSR activities by means of elevating the quality of products and services we provide in our business activities, and we have defined the two pillars of our CSR activities accordingly.

In addition, we have since April 2015 organized "Groupwide CSR Activities" based on our belief that the efforts of individual employees to act as "good citizens" of their communities promote their sound growth as employees and play an important role in familiarizing them with social issues and expectations.

Accident Prevention, Disaster Prevention and Mitigation

- Providing advice and information on accident prevention [Page 21](#) [Page 23](#) [Page 24](#) [Page 31](#)
- Disaster prevention and mitigation efforts by means of insurance underwriting, risk consulting, etc. [Page 21](#) [Page 32](#)

Responding to Climate Change

- Providing products and services that help adapt to and mitigate climate change [Page 20](#) [Page 31](#)
- Environmental initiatives focused on supply chains (web policy clauses, etc.) [Page 38](#)

Responding to Aging Society

- Contributing to medical care and welfare programs that support an aging society characterized by good health and material abundance [Page 21](#) [Page 22](#) [Page 26](#) [Page 32](#)
- Providing support for a society in which seniors can enjoy pleasant and cheerful lives [Page 25](#) [Page 27](#)

Local Community Development

- Providing support for small and medium-sized companies to expand overseas operations [Page 20](#) [Page 21](#)
- Undertaking research and providing information that facilitates the development of products and insurance systems which harmonize with the characteristics of each country and region [Page 30](#)

Practicing Responsible Investment

- Applying Japan's Stewardship Code
- Undertaking investment activities based on due consideration of environment, society, and governance (ESG) [Page 39](#)

Employee Growth [Page 36](#)

Fostering human assets development
Promoting diversity
Promoting a sense of Group unity

Groupwide-emphasized tasks designed to help realize the Implementation Drivers of Next Challenge 2017

Strategies by Business Domain

Domestic Non-Life Insurance Business

The MS&AD Insurance Group's core business, domestic non-life insurance business, accounted for approximately 60% of the Group's Core Profit in fiscal 2014.

The Group's three non-life insurance companies have distinctive strengths, and they leverage Japan's largest agency network as they strive to address the diverse new kinds of risks faced by companies in growing and evolving industries as well as the risks associated with the changing lifestyles of individuals.

Positioning

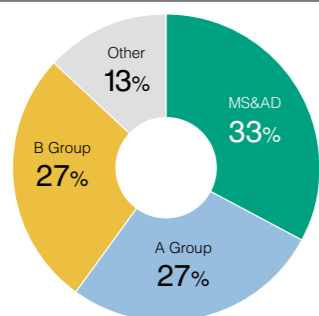
The MS&AD Insurance Group has three principal competitive advantages in the domestic market.

1 The Insurance Group Most Chosen by Customers

The Group has the No. 1 share of all sectors of the domestic non-life insurance market.

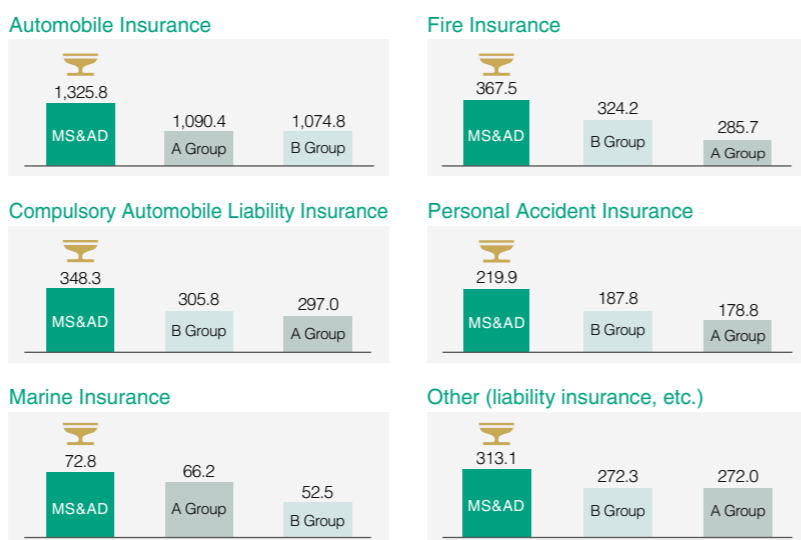
Domestic Non-Life Insurance Market Share **No. 1**

Net Premiums Written* (FY2013)



Sources: Prepared by MS&AD based on publicly announced information from each insurance company and data from the General Insurance Association of Japan.
 * MS&AD figures are simple sums of figures for MSI, ADI, Mitsui Direct General, and au Insurance Company.
 * Figures for other insurance groups are simple sums of nonconsolidated figures for domestic companies in each group.
 * Figures are presented exclusive of the Good Results Return premiums of Mitsui Sumitomo Insurance's proprietary "ModoRich" automobile insurance product, which contains a special clause for premium adjustment and refund at maturity (same hereinafter).

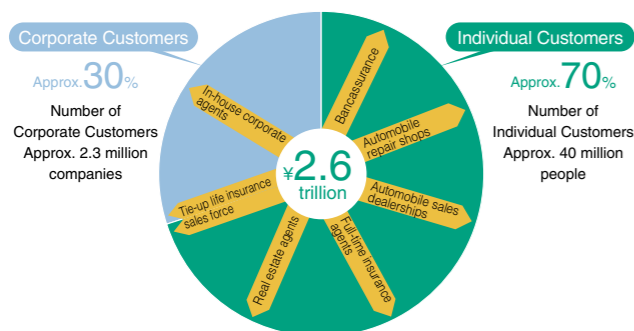
Market Shares by Insurance Category – Net Premiums Written (FY2014) (¥ billion)



2 The Largest Sales / Customer Base in Japan

We are pursuing competitive advantages of scale based on our powerful non-life insurance sales channels covering multiple market segments.

MS&AD Net Premiums Written (Domestic, FY2014)



Notes:
 1. For the sake of convenience, we have categorized customers purchasing insurance via corporate sales departments as corporate customers and customers purchasing insurance via general (retail) sales departments and automobile dealership sales departments as individual customers.
 2. Figures for the number of customers are simple sums of figures for MSI and ADI.

3 No. 3 in Direct Automobile Insurance Market

Having begun operating in June 2000, Mitsui Direct General has leveraged the data it accumulated in previous business development activities along with the Mitsui brand to offer products that are the choice of many customers and services that feature high levels of dependability.

Direct Insurance / Automobile Insurance
 Ranking in Terms of Net Premiums Written (FY2014)

Rank	Company	Net Premiums Written (¥ billion)
No. 1	X company	81.3
No. 2	Y company	35.2
No. 3	Mitsui Direct General	34.4
No. 4	Z company	33.4

Recognition of Trends in the Operating Environment (Risks and Opportunities)

Business Environment and Risk Recognition

Impact of Progressive Aging, Low Birthrate, Etc. on the Domestic Market

Going forward, the projected decline in Japan's population, young people's decreased use of automobiles, and other lifestyle change factors make it unlikely that the domestic non-life insurance market will greatly expand, and competition in the market is expected to intensify.

Changes in the Social Environment

Society is demanding the development of new products and services in response to societal changes accompanied by the emergence of new risks and regulatory relaxation measures producing new market sectors.

Incidence of Large-Scale Natural Disasters

Owing to the impact of global warming and other factors, the incidence of large-scale natural disasters is tending to rise, and preparing to respond to losses associated with the incidence of natural disasters is becoming an important management task.

Intensification of Competition in Direct Non-Life Insurance Markets

Because the scale and significance of direct non-life insurance markets has gradually grown and the large number of companies participating in those markets has already caused competition to intensify, there is an emerging risk that such factors as moves to reduce insurance premiums and increases in marketing costs will reduce the profitability of business in those markets.

Expanding Risks and Declining Profitability of Investment Operations

Against the backdrop of the strengthening of linkages among global financial markets, the potential impact of a financial crisis akin to the Lehman shock on investment performance is increasing.

Growth Opportunities

Development of Products and Services that Respond to Changes in the Environment and New Needs

To sustain growth of domestic non-life insurance business, there is a need to develop and provide products and services that respond to needs associated with new fields, new technologies, new lifestyles, and changes in the social environment. For example, going forward, we will be emphasizing new product development related to renewable energy, regenerative medical treatments, nursing robots, and other new fields. By developing products and services in this way, the MS&AD Group plans to provide support for the development of new technologies in Japan and for the safe lives of people with continuously changing lifestyles.

Realizing Growth by Means of ERM

Based on experience gained in connection with the major flooding in Thailand during 2011 and other situations, the MS&AD Group is responding to risks associated with large-scale natural disasters by increasing the sophistication of its ERM and other risk management systems and by ensuring that it has sufficient financial stability to respond to such risks. In these ways, the Group will realize sustainable growth going forward.

Stability and Expansion of Profitability in the Automobile Insurance Market

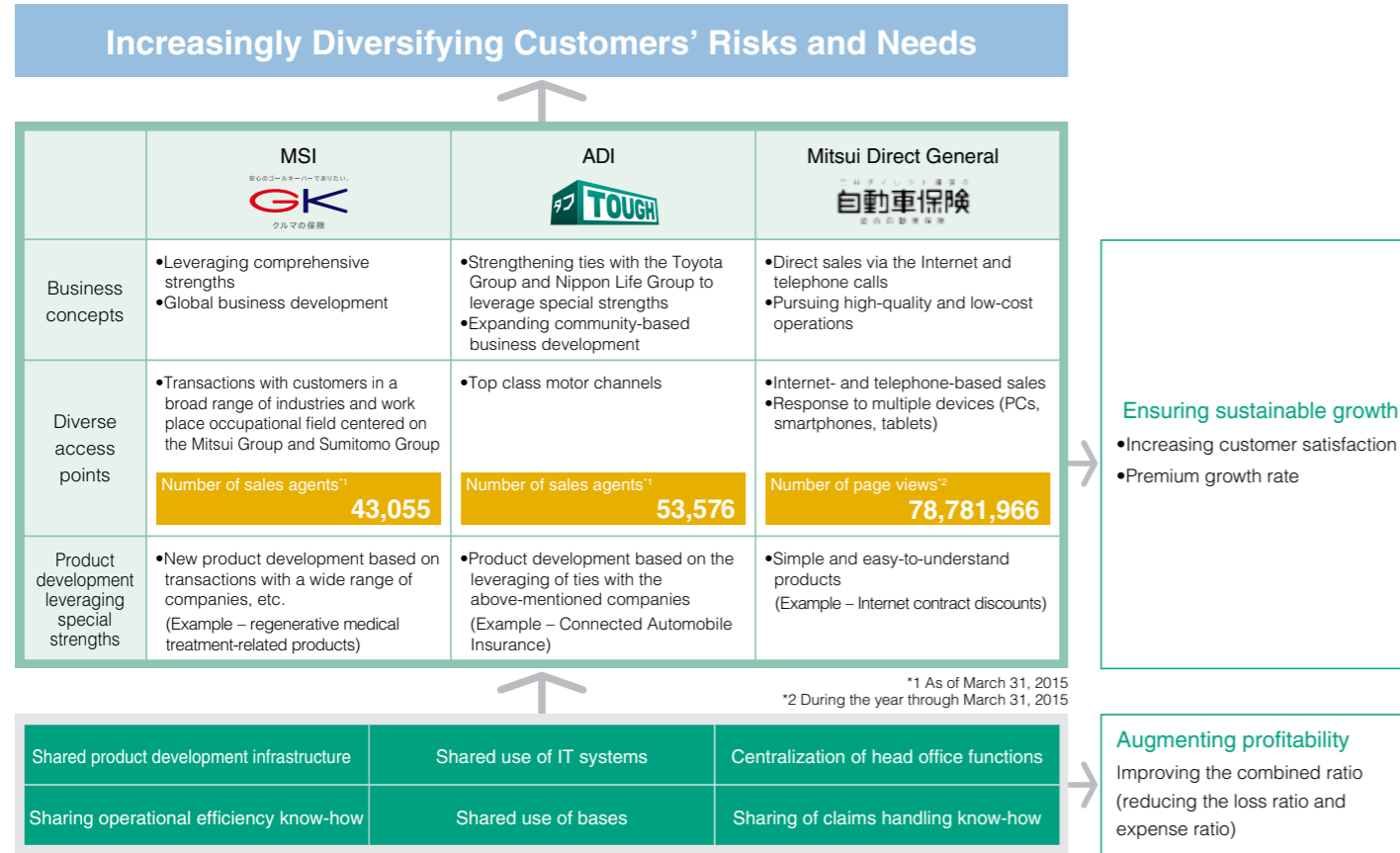
Although the profitability in the automobile insurance market has continued to deteriorate since 2009, we have been able to enhance the profitability through such measures as those related to accident prevention programs and the revision of insurance premium rates. As a result, the MS&AD Group, which has the No. 1 share of the domestic automobile insurance market, has been able to reap large benefits and increase the stability of its profitability. While intense competition in the direct insurance market is expected to continue for some time, by leveraging the Group's strength to provide appealing products and services, we are aiming to sustain and expand the support we offer our customers in the market.

Flexible Investment amid Low Interest Rates

Investment can be said to be the core element of profit-earning power in the non-life insurance business. Owing to the trend of increases in Japanese stock prices, however, the share of domestic stocks in the total assets under management by the Group has risen to 22.0% (as of March 31, 2015), and the potential impact of stock market trends on the Group's capital has become large. Moreover, the long-term protraction of low interest rates is reducing the profitability of investments in Japanese and foreign bonds. Amid these trends, going forward, we are planning to employ thorough ERM-based risk management processes and undertake highly flexible investment operations with a global perspective as a means of augmenting investment income.

Business Strategies – Leveraging Diversity

The MS&AD Group is working to utilize strategies that leverage its strengths with respect to diversity by means of ensuring its growth capabilities and enhancing its profitability.



Shared Use of IT Systems

MSI and ADI have integrated their core IT systems, and the integrated systems began operating from July 2013.

Besides strengthening capabilities for customer responses and agency support, the integrated systems are providing a platform for cooperative product development and other measures that are promoting operational efficiency.



An operating window screenshot of the "Automobile Simple Mode" system

Cooperative Product Development

By demonstrating synergies through reorganization by function, we are undertaking the cooperative development of products and services while leveraging the special know-how of MSI, ADI, and such other Group companies as InterRisk Research Institute & Consulting.

〈Main examples of cooperatively developed products and services〉

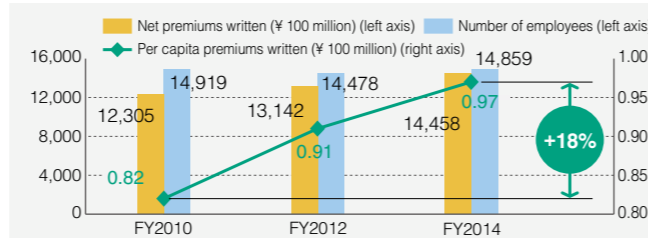
- "Overseas Crisis Management Expenses Insurance" to support medium-sized and small businesses' launches of overseas operations (cooperatively developed by MSI and ADI)
- "Earthquake and Flooding Business Continuity Plan (BCP) Creation Support Tool" to protect welfare facilities during disasters (cooperatively developed by MSI, ADI, and InterRisk Research Institute & Consulting)
- "Handbook for Accident Risk Assessment of Wind Power Plant" to support the widespread use of renewable energy (cooperatively developed by MSI, ADI, and InterRisk Research Institute & Consulting)
- "Employment Injuries Compensation Insurance" to support efforts to create improved employee work environments (cooperatively developed by MSI and ADI)



Elevating Productivity through the Sharing of Operational Efficiency Know-How

Through "Innovation of employee roles" in ways that enhanced employee motivation and reviewing the role of each employee, MSI has elevated the productivity of individual employees by large margins. As a result of the sharing of the associated operational efficiency boosting know-how, ADI also began implementing similar programs beginning in fiscal 2014.

Changes in Premiums Written per MSI Employee



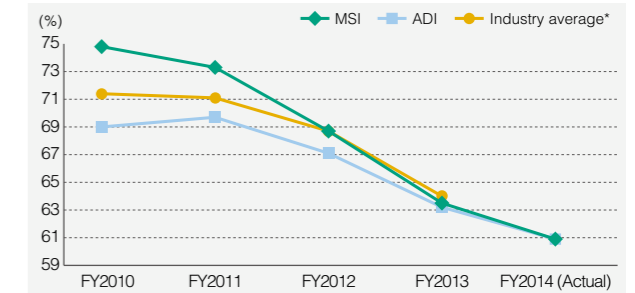
Improving Automobile Insurance Profitability through the Sharing of Loss Adjustment Know-How

The sharing of ADI's outstanding automobile insurance loss adjustment know-how and other measures have enabled MSI to rapidly improve its automobile insurance net loss ratio.



ADI's Automobile Research Center (left and right)

Automobile Insurance Net Loss Ratios

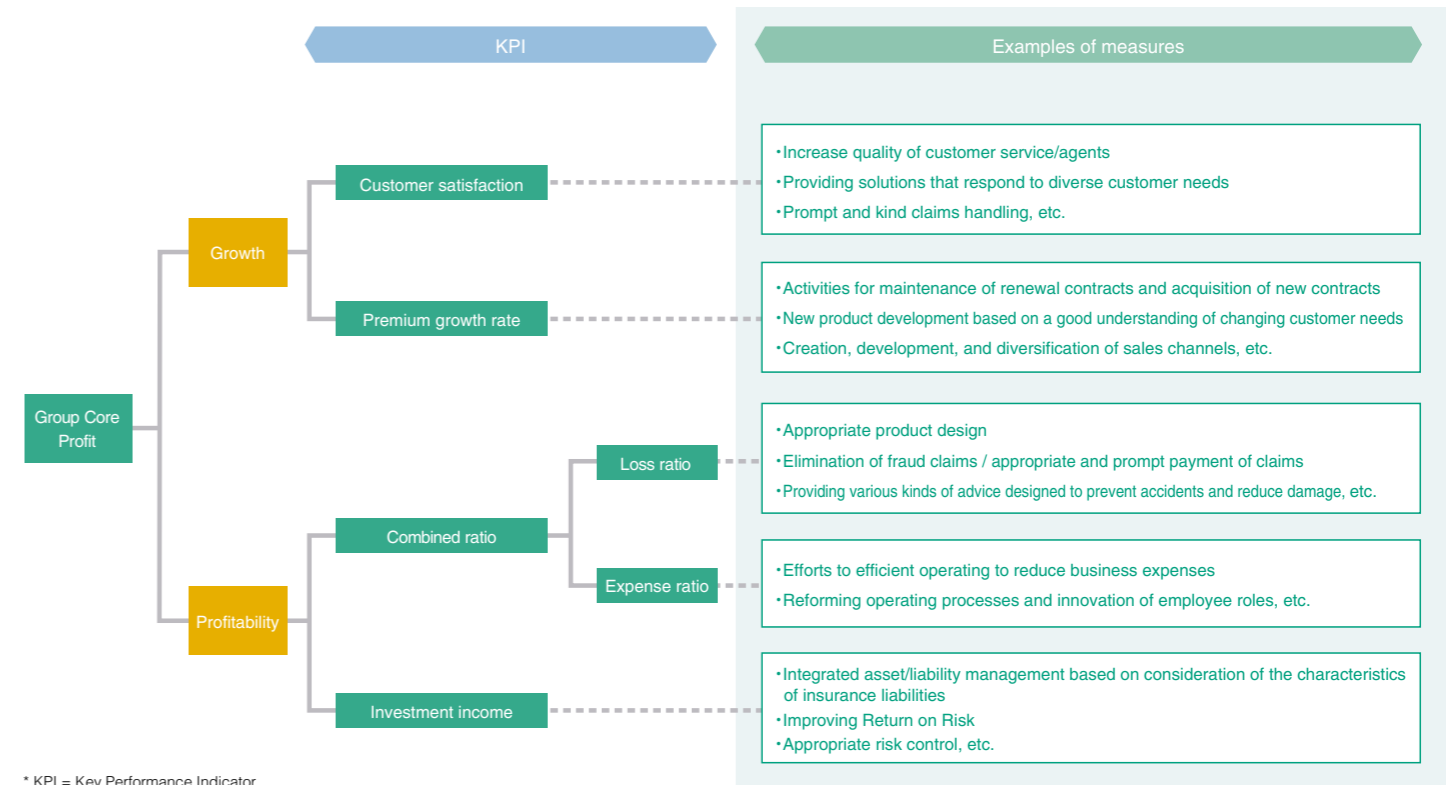


* Based on data prepared by the General Insurance Association of Japan

Tactics – Systems for Attaining Management Targets

To attain the Group Core Profit target, we are implementing various kinds of measures to elevate growth and profitability potentials.

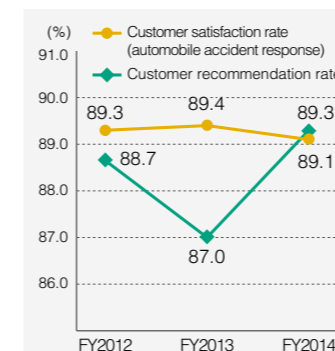
KPI* and Measures Designed to Promote the Group's Core Profit Target Attainment



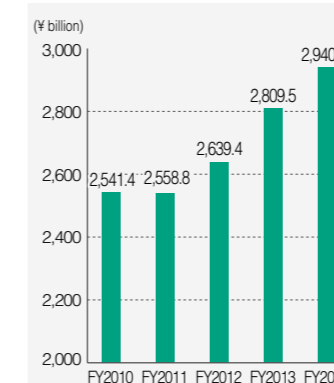
* KPI = Key Performance Indicator

Customer Satisfaction and Customer Recommendation Rates

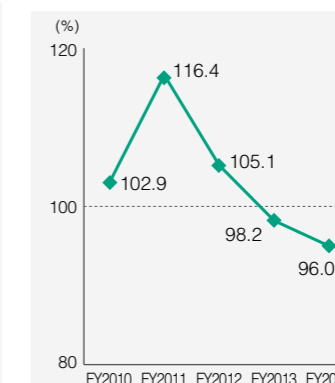
(Data for MSI and ADI only)



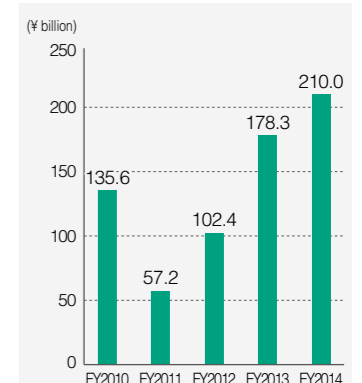
Net Premium Income



Combined Ratio



Investment Profit/Loss



Supporting the Resolution of Social Issues

Further details are posted on our

The risks surrounding society are becoming increasingly diverse and complex, and, to sustain stable lives and vigorous business activities, it is becoming increasingly important to recognize those risks in advance, make efforts to prevent the actualization of risks, and make provisions to deal with the potential challenges associated with unavoidable risks. The MS&AD Group provides products that respond to customers' diverse needs and services that facilitate the prevention and mitigation of accidents and disasters.

Support for Disaster Response Preparations

In March 2015, the Third UN World Conference on Disaster Risk Reduction (WCDRR) was held in Sendai, Miyagi Prefecture, to discuss international disaster response strategies. As a representative of the Japan Business Federation (Nippon Keidanren), MS&AD President Yasuyoshi Karasawa participated in a panel discussion focused on the theme – "Disaster countermeasures based on consideration of the disasters that Japan has experienced" – within a comprehensive forum event organized by the Japanese government's Cabinet Office in connection with WCDRR. In addition, having provided support for Miyagi Prefecture's preparation of the "Miyagi Corporate BCP* Drafting Guidelines (Miyagi Model)" based on lessons learned during the course of the Great East Japan Earthquake disaster, MS&AD cooperated with Miyagi Prefecture in jointly organizing an interactive event – "Physical Experience Corner of Corporate Disaster Prevention – Let's Experience the BCP (Miyagi Model)" – within a public forum, portion of the international conference.

Going forward, we believe that promoting the widespread application of such guidelines and the drafting of BCPs by a greater number of companies will play an important role in helping increase the resilient strength of Japan and its regions. Accordingly, MS&AD, Miyagi Prefecture, and four commerce and industry associations within that prefecture signed an agreement to cooperate going forward with respect to such guidelines and BCPs. MS&AD's initiatives in cooperation with government and private-sector entities in Miyagi Prefecture have been highly evaluated and, for this reason, the Association for Resilience Japan awarded the Company the "Excellence Award" within its Japan Resilience Awards 2015 program.

MSI concurrently was given the "Excellence Award" in recognition of its "Smartphone Disaster Navigation System."



Public forum



Panel discussion

* BCPs (Business Continuity Plans) are plans that specify preparation activities that companies are to undertake during ordinary times and emergency countermeasures to be implemented at times of disasters with the goal of sustaining core business operations or making it possible to quickly restore those operations and thereby minimize the damage resulting from natural disasters, terrorist attacks, and other emergency situations.

Providing Apps that Promote Security and Safety

MSI and ADI are providing two free smartphone applications – "SumaHo 'Driving Ability' Diagnosis" and "Support NAVI" – that help to prevent accidents and prepare for disasters.

These applications offer driving diagnosis functions that analyze and diagnose driving skill characteristics based on the vehicle "shaking" patterns and drive recorder functions that can record videos of driving habits and point out dangerous driving characteristics. Moreover, MSI's "SumaHo 'Driving Ability' Diagnosis" application offers such functions as those that provide audio warnings when drivers are approaching locations where numerous accidents have occurred and transmit driving safety points information based on the latest weather reports.

ADI's "Support NAVI" application has such functions as those that, when an accident has occurred, will arrange for a specialized telephone operator to request police or fire departments assistance on behalf of users and those that, when road assistance is required, will confirm the distance and approach of assistance providers.

In light of the general trend of increase in numbers of accidents in Southeast Asian countries accompanying the growing use of automobiles in those countries, MSI believes it important to promote safety countermeasures in those countries, and it is expanding the scope of its security and safety activities in Japan to encompass additional Asian countries and regions. In December 2014, MSI released the "My Safe Drive" application, which is compatible with eight different languages.

MSI is also offering the "Disaster NAVI" application, which uses GPS and cameras to provide guidance to evacuation locations and other important disaster-related locations designated by local governments throughout Japan. Based on real-time acquisition of disaster-related information disseminated by regional and local governments, the application provides support for users' security and safety during times of disasters.



SumaHo

Support NAVI

Responding to New Risks

Considering it to be its social mission to respond to newly emerging risks associated with changes in the social environment as well as to respond to new kinds of customer needs, the MS&AD Group is moving ahead with the development of new products. Regarding domestic non-life insurance business, we are focusing on fields emphasized by the Japanese government's growth strategy and developing new products designed to offer optimal coverage of the new kinds of risks and needs generated by the growth strategy.

Placing special emphasis on such health and life-extension fields as medical care, nursing care, and welfare, MSI launched such products during fiscal 2014 as "Comprehensive Coverage Plan for Medical Institutions," "Fire Insurance for Residents of Elderly Housing through New Contract Method," "Liability Insurance for Clinical Research, Including Regenerative Medical Treatment," and "Comprehensive Coverage Plan for Welfare and Nursing Care Business."

In addition, to respond to the diversification of management's risks, ADI began offering "Special Policy Clause for Employment Practices Liability Insurance" and three other new special policy clauses for directors and officers liability insurance (D&O insurance) from April 2014.

As a result of their proactive cooperative product development programs beginning from fiscal 2014, MSI and ADI cooperatively developed and simultaneously began sales of such products designed to support medium-sized and small enterprises' overseas business launches as "Overseas Crisis Management Expenses Insurance," and "Comprehensive Coverage Plan for Global Business," as well as "Employment Injuries Compensation Insurance," which is designed to support the creation of sound working environments.

Domestic Non-Life Insurance Business

MITSUI SUMITOMO INSURANCE CO., LTD. (MSI)



Company Overview (As of March 31, 2015)

President : Yasuyoshi Karasawa
(concurrently serving as president of MS&AD Holdings)

Date Established : October 1918

Number of Employees : 14,859

Head Office :
9, Kanda-Surugadai, 3-Chome, Chiyoda-ku,
Tokyo

Website : <http://www.ms-ins.com>

Credit Ratings (As of July 1, 2015)

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

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

Fiscal 2014 Business Operations

In accordance with the Next Challenge 2017 medium-term management plan launched from fiscal 2014, MSI promoted ERM (enterprise risk management) and worked to augment its growth, profitability, and soundness. In addition, by means of implementing reorganization by function among MSI, MS&AD Holdings, ADI, and MSI Aioi Life, MSI has improved efficiency and strengthened the governance system. As a result, net premiums written increased to ¥1,445.8 billion, up 4.4% from the previous year. In addition, the combined ratio decreased to 94.0%, below the Next Challenge 2017 target of 95% or lower, and underwriting profit grew ¥21.3 billion from the previous fiscal year's level, to ¥14.0 billion.

Regarding investment, the impact of the global low level of interest rates caused interest and dividend income to decrease ¥1.6 billion from the previous year's level, to ¥110.6 billion, but because gains on sales of securities rose ¥34.1 billion, to ¥90.1 billion, investment profit grew ¥33.1 billion, to ¥158.3 billion.

Moreover, during fiscal 2014, to strengthen its capabilities for coping with natural disaster risks and market risks, MSI made special provisions of ¥15.0 billion for the catastrophe reserve and of ¥38.0 billion for the reserve for price fluctuation and thereby further strengthened its management stability. As a result, ordinary profit was up ¥69.3 billion from the previous fiscal year, to ¥171.3 billion. After adjusting for extraordinary gains and losses as well as income taxes and other factors, net income amounted to ¥89.1 billion, up ¥31.0 billion from the previous year.

TOPICS

Revitalizing Regional Economies

MSI has developed its "Regional Revitalization Support Model" to develop and support small business owners and entrepreneurs with the aim of revitalizing the regional economies and began implementation of this model on a nationwide basis in November 2014.

This model was developed by the MSI Management Support Center and combines its "business matching," "entrepreneur development," "business successor development," and other know-how together for application at the regional level. Working with regional governments and others, we are working to offer seminars and individual assistance with the object of enabling small business owners and entrepreneurs to grow independently.

Measures to Promote Growth

With respect to products and services, MSI launched new products in insurance fields expected to grow going forward, such as "Liability Insurance for Clinical Research, Including Regenerative Medicine" and "Comprehensive Coverage Plan for Medical Institutions." Regarding sales systems, the company established new agents, expanded the scale of existing agents, and established direct-invested agents to build up its sales network. It also took measures to prepare to create new insurance markets, such as developing additional customers among medium-sized and small enterprises through business communities and among regenerative medical facilities. The company also strove to strengthen its claim handling services through measures to elevate the quality of those services.

In International business, MSI was able to achieve increases in both revenue and profit in markets centered on Asian markets, and it worked to promote the provision of services through a strategic alliance with a leading Europe-based insurance company and made other efforts to further expand its business operations. Aiming to establish a solid foundation for the growth of International business going forward, the company strove to foster the development of human resources capable of working globally. (For more-detailed information on International business strategies, please refer to the International Business section of this report on pages 28-31.)

Measures to Augment Profitability

MSI's April 2014 absorption-merger of MSI Claims Adjusting Co., Ltd., enabled the strengthening of claims handling capabilities and the promotion of operational efficiency with the goal of lowering the loss ratio and elevating profitability. By sustaining thorough cost reduction programs, the business expense ratio has been reduced to the 31%-32% range.

Aiming to create "strongest workplaces" through the innovation of employee roles, MSI implemented human assets development programs that place strong emphasis on the "responsibility to study" and the "responsibility to foster human assets development" and created schemes designed to increase productivity and efficiency.

Regarding investment, with the goal of augmenting profitability and dispersing risks, MSI made additional investments in foreign bonds and funds.

Tasks and Strategies Going Forward

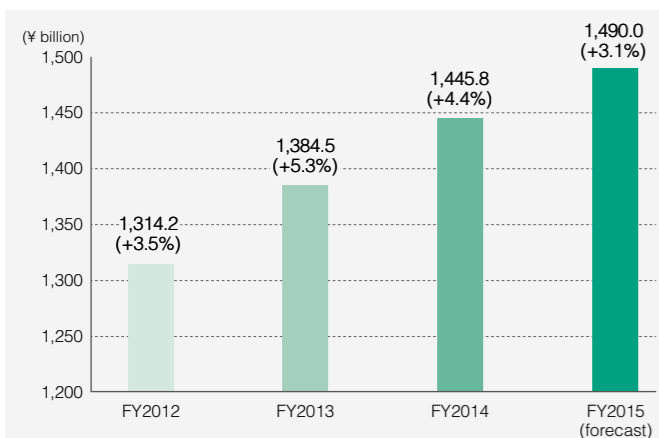
Going forward, because it is projected that the global economy will sustain gradual growth and the Japanese economy will maintain a recovery trend, the non-life insurance market is expected to show gradual expansion. On the other hand, while the number of accidents in automobile insurance has tended to decrease during the past four years, the impact of economic recovery accompanied with a rise in transportation volume and other factors along with the dissipation of the beneficial impact of premium rate system reforms is assumed to cause MSI's loss ratio to rise going forward. Amid these conditions, MSI believes it must work to augment its revenue and thereby expand its profitability while striving to maintain its combined ratio steadily at the levels of 95% or lower, a target that was attained in fiscal 2014. To do this, the company will continue promoting appropriate premium rate levels and also further reduce its business expenses so that it can maintain the industry's top level of premium growth rates while making progress in efforts to augment operational efficiency. In these ways, the company will be working to maintain and upgrade its growth capabilities going forward. Moreover, MSI will forcefully promote the implementation of its quality strategy and human resource strategy, which are designed to support the company's growth strategy.

Regarding the systems (internal control systems) required to ensure the appropriateness of operations, in accordance with its Corporate Governance Code, MSI will strive to build more-effective governance systems and further increase its enterprise value going forward.

Principal Management Indicators

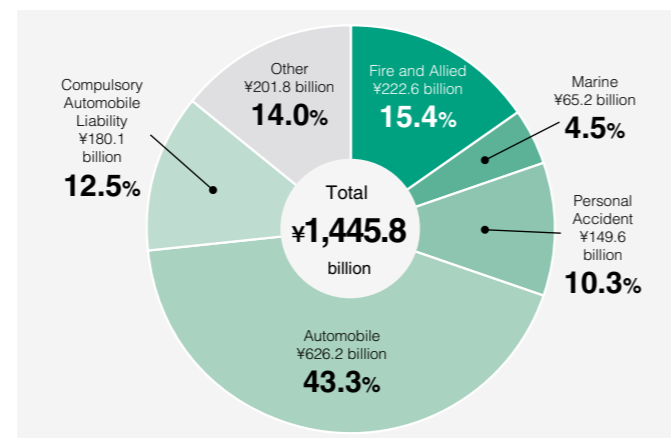
Net Premiums Written

In fiscal 2014, MSI achieved 4.4% year-on-year growth in net premiums written, the industry's top level of premium growth rate, increasing net premiums written to ¥1,445.8 billion.



Net Premiums Written by Product Line (FY2014)

Reflecting policy transfers and synergistic effects owing to reorganization by function, marine insurance surged 15.1% year on year, making MSI Japan's largest marine insurance company.



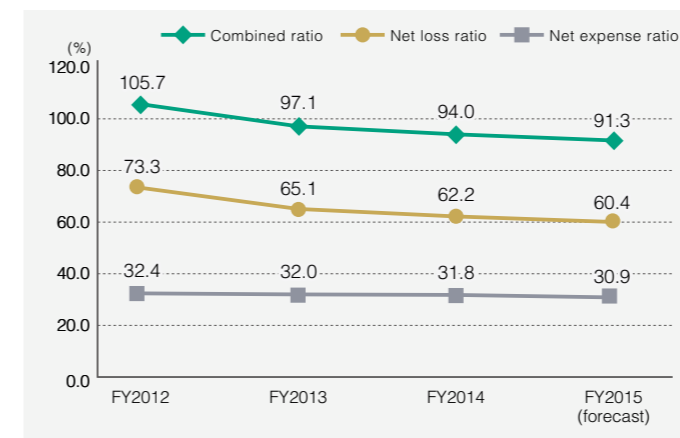
Principal Indicators (Non-Consolidated)						
(¥ million)						
Item	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015 (forecast)
Net premiums written	1,230,559	1,269,290	1,314,234	1,384,504	1,445,819	1,490,000
Growth rate of net premiums written	2.2%	3.1%	3.5%	5.3%	4.4%	3.1%
Net loss ratio	68.4%	84.8%	73.3%	65.1%	62.2%	60.4%
Net expenses ratio	33.9%	33.3%	32.4%	32.0%	31.8%	30.9%
Combined ratio	102.3%	118.1%	105.7%	97.1%	94.0%	91.3%
Underwriting profit/(loss)	(50,399)	(170,026)	(9,710)	(7,326)	14,000	38,000
Investment profit	83,937	36,574	82,517	125,167	158,346	106,400
Ordinary profit/(loss)	31,770	(130,177)	65,366	101,998	171,328	140,000
Net income/(loss)	22,881	(130,607)	42,657	58,047	89,114	97,000
Net assets	1,045,003	932,680	1,192,079	1,309,608	1,732,745	—
Total assets	5,799,005	5,646,816	5,901,413	6,098,017	6,790,021	—
Net unrealized gains/(losses) on investments in securities (before tax effects)	686,955	668,446	995,162	1,165,964	1,633,559	—
Solvency margin ratio (non-consolidated)	768.8%	486.8%	581.3%	600.3%	651.5%	—
Number of employees	14,919	14,858	14,478	14,188	14,859	—

Notes:

- Net premiums written, net loss ratio, net expenses ratio, and combined ratio figures are presented exclusive of Good Result Return premiums of propriety automobile insurance product "ModoRich," which contains a special clause related to premium adjustment and refund at maturity.
- Net loss ratio = (net claims paid + loss adjustment expenses) ÷ net premiums written × 100
- Net expenses ratio = (commissions and collection expenses + operating expenses and general and administrative expenses for underwriting) ÷ net premiums written × 100
- Combined ratio = net loss ratio + net expenses ratio
- Net unrealized gains/(losses) on investments in securities (before tax effects) represents the difference before tax effects between the fair value and the acquisition cost (including the amortized cost) of available-for-sale securities with practically determinable fair value.
- The ordinance governing calculation of the non-consolidated solvency margin ratio was revised from fiscal 2011 to make risk recognition more stringent. The non-consolidated solvency margin ratio figure for fiscal 2010 is calculated on a basis different from the non-consolidated solvency margin ratio calculation basis used in fiscal 2011 and subsequently.

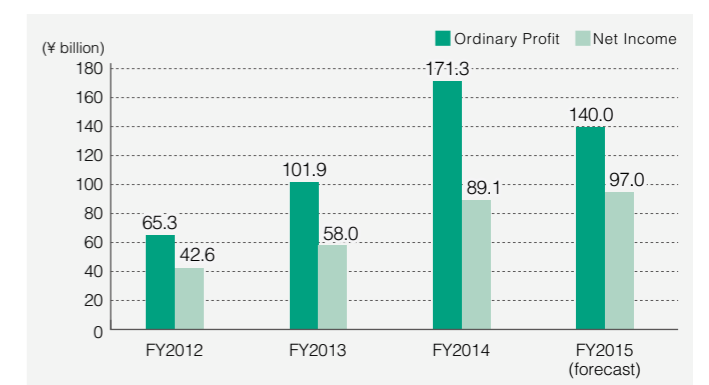
Combined Ratio

Owing to a steady decrease in the net loss ratio and the net expense ratio, MSI's combined ratio, which serves as an indicator of stable profitability, was reduced to below 95%.



Ordinary Profit / Net Income

Owing to measures to realize latent gains on securities investments based on consideration of the market environment, ordinary profit increased ¥69.3 billion from the previous year, to ¥171.3 billion. Reflecting special provisions made for the reserve for price fluctuation, the reversal of deferred tax assets accompanying a corporate tax rate reduction, and other factors, net income amounted to ¥89.1 billion, up ¥31.0 billion from the previous year.



Domestic Non-Life Insurance Business

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



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

Fiscal 2014 Business Operations

ADI has begun implementing "AD Next Challenge 2017," a medium-term management plan covering the four fiscal years from fiscal 2014 through fiscal 2017, and the first two years of the plan are positioned as a period for building a solid foundation for realizing sustained growth. During fiscal 2014, measures implemented in accordance with the reorganization by function strategy included those to reorganize operations and sales channels among MS&AD Holdings, MSI, and MSI Aioi Life; consolidate sales networks and bases among those companies; promote the sharing of those companies' bases, and transfer long-term policies in the third sector to MSI Aioi Life. In addition, measures were taken to promote ERM methods for the integrated management of risks, returns, and capital.

In fiscal 2014, ADI's net premiums written amounted to ¥1,160.8 billion, up 1.4% from the previous fiscal year. The combined ratio improved by 1.3 percentage points from the previous fiscal year, to 98.2%, and underwriting profit was ¥14.7 billion.

Investment profit decreased ¥1.4 billion from the previous year, to ¥51.5 billion, owing to a decline in interest and dividend income. As a result, ordinary profit totaled ¥68.9 billion and, after adjusting for extraordinary gains and losses as well as income taxes and other factors, net income amounted to ¥39.4 billion.

Company Overview (As of March 31, 2015)

President : Hisahito Suzuki
(concurrently serving as chairman of MS&AD Holdings)

Date Established : June 1918

Number of Employees : 12,973

Head Office :
1-28-1, Ebisu, Shibuya-ku, Tokyo

Website : <http://www.aioinissaydowa.co.jp>

Credit Ratings (As of July 1, 2015)

S&P Insurer Financial Strength Rating A+

Moody's Insurance Financial Strength Rating A1

A.M. Best Financial Strength Rating A+

R&I Issuer Rating AA-

JCR Long-Term Issuer Rating AA+

TOPICS

New "Connected Automobile Insurance" Employs Latest Telematics Technology

ADI's new "Connected Automobile Insurance," launched in April 2015, is being used in connection with "T-Connect," which is a telematics services installed in car navigation systems of Toyota Motor Corporation. Connecting our customers' vehicles to ADI, through "One-to-One" connections, customers can enjoy security and safety.

Automobile driving information, acquired from the T-Connect navigation system installed in customers' automobiles through smartphones and other devices, can be used to provide services, including calculating insurance premiums based on distance travelled and advice on safe driving. Also, through this system, drivers can connect with our Automobile Insurance Dedicated Accident Assistance Desk to receive support in times of accidents, breakdowns, or other difficulties.

Measures to Promote Growth

Through its U.K.-based subsidiary, ADI has acquired stock in a company with specialized know-how for the use of telematics technologies to calculate insurance premiums based on driving distance and driving behavior data. The U.K. telematics automobile insurance market is projected to expand rapidly, and ADI's moves to establish a full-fledged presence in that market are designed to promote growth strategies and expand profitability going forward.

Regarding sales system, ADI has expanded the number of its female salespeople and promoted finely tuned, community-based sales activities. Through efforts to strengthen customer contacts based on face-to-face meetings, the company is striving to improve agency quality and provide customers with greater value.

With respect to claims handling service, ADI is seeking to live up to customers' expectation by paying claims "quickly," "courteously," and "appropriately" by ensuring that operations are carried out in accordance with its "Full Support Declaration." In these ways, the company is working to expand the number of customers who are enthusiastic about its products and services.

In the area of product and service development, ADI has launched "Connected Automobile Insurance," an advanced and rational automobile insurance product that employs integrated telematics technologies.

Moreover, ADI has been developing various products and services that respond to diverse customer needs, including "TOUGH BIZ Business Operation Accident Compensation Insurance," which was developed in cooperation with MSI.

Measures to Augment Profitability

ADI's efforts to improve its automobile insurance loss ratio through efforts focused on both sales and claims handling service departments have greatly contributed to the enhancement of the company's profitability.

By promoting various measures to reform organization and operation and innovate employee roles and to rebuild a stronger sales base, ADI has been striving to renew its profit structure.

CSR and Human Assets Development Measures

With respect to CSR activities, ADI has finalized a contract to become an official partner of the Japanese Para-Sports Association. The company's approximately 8,800 employees and numerous agents along with their family members throughout Japan, are actively engaged in traffic safety programs, environmental protection programs, and other social contribution activities.

Positioning the promotion of diversity as an important management objective, ADI is striving to create workplaces in which all employees can work in lively and rewarding manners, and the company has proactively worked to accelerate the career development of its female employees through efforts to foster their development of skills and promote them to management positions. As a result, the company appointed its first female corporate officer and its first female sales branch manager on April 1, 2015.

Going forward, ADI will continue striving to foster the development of human assets that provide a solid foundation for the company's sustainable growth.

Tasks and Strategies Going Forward

While the effects of Japan's current economic recovery are expected to expand the country's non-life insurance market, the non-life insurance industry will continue facing a difficult-to-predict operating environment owing to such factors as the progressive trends of aging and declining birthrates and the sluggishness of growth in the number of registered automobiles.

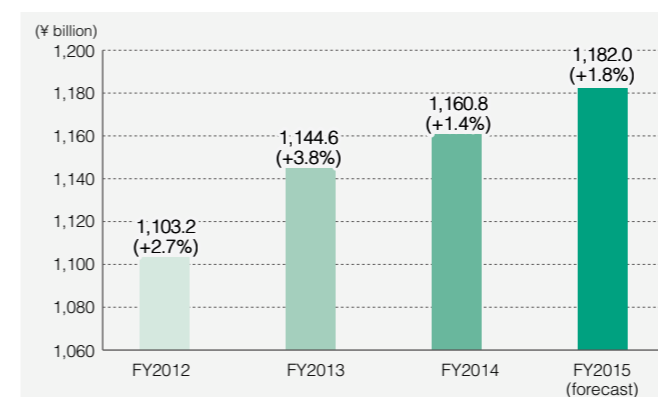
Fiscal 2015 is the second year of the period covered by the AD Next Challenge 2017 medium-term management plan, and ADI will steadily move ahead with the implementation of measures prescribed by that plan. By completing reorganization by function measures involving MS&AD Holdings, MSI, and MSI Aioi Life, ADI will simultaneously realize improvement in both growth and operational efficiency. At the same time, ADI is continuing to implement profit structure renovation measures and other measures designed to reduce business expenses. In addition, by promoting ERM, ADI is working to ensure its financial soundness and augment its profitability.

Regarding efforts to ensure the appropriateness of operations through the strengthening of internal control systems, in accordance with the Corporate Governance Code, the company is building a more-effective governance system and working to further increase its enterprise value going forward.

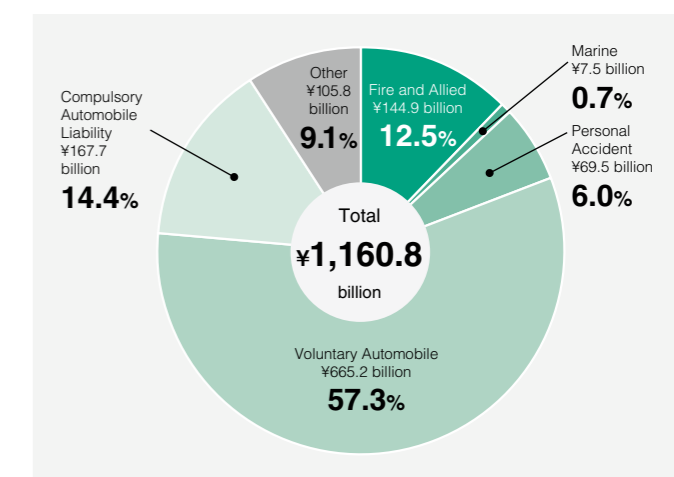
Principal Management Indicators

Net Premiums Written

In fiscal 2014, net premiums written grew to ¥1,160.8 billion, up 1.4% from the previous year.



Net Premiums Written by Product Line (FY2014)



Principal Indicators (Non-Consolidated)

(¥ million)

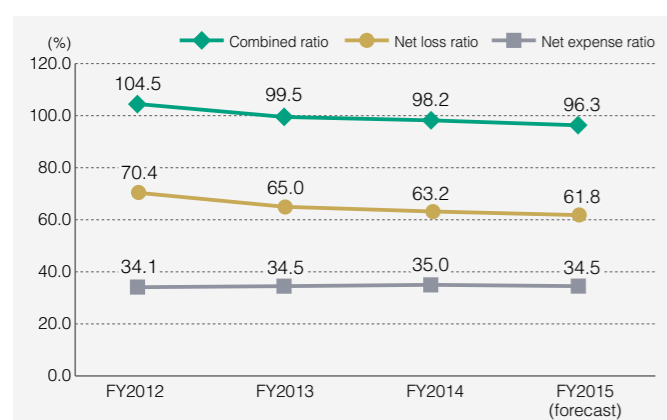
Item	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015 (forecast)
Net premiums written	1,097,341	1,074,631	1,103,234	1,144,629	1,160,867	1,182,000
Growth rate of net premiums written	(0.8)%	(2.1)%	2.7%	3.8%	1.4%	1.8%
Net loss ratio	68.2%	79.7%	70.4%	65.0%	63.2%	61.8%
Net expenses ratio	35.6%	35.1%	34.1%	34.5%	35.0%	34.5%
Combined ratio	103.8%	114.8%	104.5%	99.5%	98.2%	96.3%
Underwriting profit / (loss)	(33,369)	(20,008)	6,692	(28,815)	14,793	28,000
Investment profit	51,434	20,421	19,757	53,011	51,543	25,000
Ordinary profit	16,079	9,233	25,859	27,897	68,973	53,000
Net income / (loss)	(11,417)	(43,549)	18,862	13,107	39,480	32,000
Net assets	476,674	410,077	552,405	600,192	796,921	—
Total assets	3,364,309	3,141,142	3,236,851	3,257,180	3,470,706	—
Net unrealized gains / (losses) on investments in securities (before tax effects)	25,571	63,918	258,431	317,717	555,616	—
Solvency margin ratio (non-consolidated)	681.6%	442.6%	649.1%	754.0%	804.9%	—
Number of employees	13,340	12,980	12,784	12,812	12,973	—

Notes:
1. Net loss ratio= (net claims paid + loss adjustment expenses) ÷ net premiums written × 100
2. Net expenses ratio= (commissions and collection expenses + operating expenses and general and administrative expenses for underwriting) ÷ net premiums written × 100
3. Combined ratio= net loss ratio + net expenses ratio
4. Net unrealized gains/(losses) on investments in securities (before tax effects) represents the difference before tax effects between the fair value and the acquisition cost (including the amortized cost) of available-for-sale securities with practically determinable fair value.
5. The ordinance governing calculation of the non-consolidated solvency margin ratio was revised from fiscal 2011 to make risk recognition more stringent. The non-consolidated solvency margin ratio figure for fiscal 2010 is calculated on a basis different from the non-consolidated solvency margin ratio calculation basis used in fiscal 2011 and subsequently.
6. Fiscal 2010 figures are the simple aggregate of the results of Aioi and NDI for the April-September period, and the results of ADI for October to March.

Principal Management Indicators

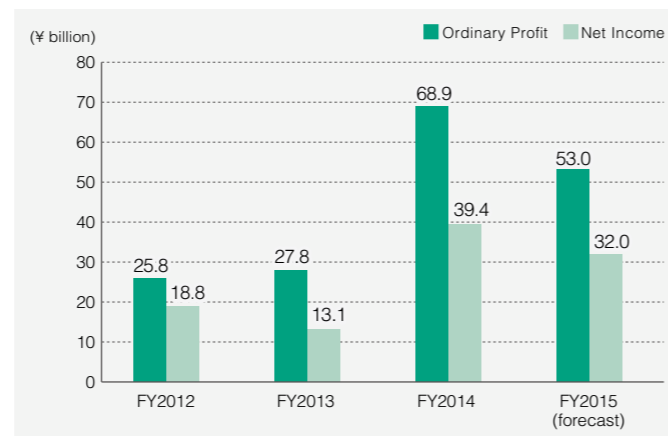
Combined Ratio

Owing to a contribution from automobile loss ratio improvement, ADI's net loss ratio decreased 1.8 points from the previous year. Despite a slight increase in the net expense ratio, the combined ratio improved by 1.3 percentage points, to 98.2%.



Ordinary Profit/Net Income

Owing to improvement in the profitability for automobile insurance and a decrease in natural disasters compared with the previous fiscal year, ADI improved its profitability during fiscal 2014.



Domestic Non-Life Insurance Business

MITSUI DIRECT GENERAL INSURANCE CO., LTD. (Mitsui Direct General)



Company Overview (As of March 31, 2015)

President : Ryuhei Funaki

Date Established : June 1999

Number of Employees : 572

Head Office :
1-5-3, Kouraku, Bunkyo-ku, TokyoWebsite : <http://www.mitsui-direct.co.jp>

Mitsui Direct General is a non-life insurance company that specializes in directly selling individual automobile, medical, and other insurance policies to customers via the Internet and phone calls.

Fiscal 2014 Business Operations and Tasks and Strategies Going Forward

Among direct sales-type non-life insurance companies, Mitsui Direct General was early in noting the potential of the Internet market and in moving ahead with the building of its own business model for that market. While the direct automobile insurance market is showing stable growth, competition among existing companies and newly entering direct sales companies is continuing to intensify, causing severe conditions in profitability.

Amid this operating environment, Mitsui Direct General had generated underwriting profit, ordinary profit, and net income in each year since fiscal 2010. In fiscal 2014, however, the company recorded a net loss of ¥4.3 billion (¥3.1 billion after equity interest adjustment), due to a 1.4 point decline from the previous year to ¥35.0 billion in net premium written and a 2.6 point rise from the previous year to 78.9% in the net loss ratio and other factors.

As Mitsui Direct General is a strategically important business of the MS&AD Group, in June 2015, the Group increased Mitsui Direct General's capital by approximately ¥5.0 billion with the goal of ensuring the company's competitive power, expanding its business, and improving its profitability.

Going forward, Mitsui Direct General will reevaluate its products and marketing strategies, work to improve its product quality with an eye to strengthening its brand power, and augment its communication with customers, aiming to quickly restore its profitability.

Principal Indicators (Non-Consolidated)

(¥ million)

Item	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015 (forecast)
Net premiums written	33,100	34,319	35,273	35,567	35,053	36,100
Growth rate of net premiums written	2.1%	3.7%	2.8%	0.8%	(1.4)%	3.0%
Net loss ratio	76.6%	77.4%	78.6%	76.3%	78.9%	—
Net expenses ratio	21.9%	21.4%	20.7%	20.7%	22.8%	—
Combined ratio	98.5%	98.8%	99.3%	97.0%	101.7%	—
Underwriting profit/ (loss)	117	243	325	140	(4,358)	—
Ordinary profit/(loss)	358	463	526	298	(4,236)	(300)
Net income/(loss)	334	505	462	232	(4,334)	—
Net assets	9,975	10,615	11,080	11,223	6,817	—
Total assets	44,203	45,150	45,596	46,584	46,408	—
Solvency margin ratio (non-consolidated)	640.0%	424.4%	429.4%	420.8%	255.9%	—
Number of employees	490	512	503	528	572	—

Notes:
1. Net loss ratio= (net claims paid + loss adjustment expenses) ÷ net premiums written × 100
2. Net expenses ratio= (commissions and collection expenses + operating expenses and general and administrative expenses for underwriting) ÷ net premiums written × 100
3. Combined ratio= net loss ratio + net expenses ratio
4. The ordinance governing calculation of the non-consolidated solvency margin ratio was revised from fiscal 2011 to make risk recognition more stringent. The non-consolidated solvency margin ratio figure for fiscal 2010 is calculated on a basis different from the non-consolidated solvency margin ratio calculation basis used in fiscal 2011 and subsequently.

TOPICS

Mitsui Direct General began its MUJICOLOGY Project in 2011 with the object of "aiming for an accident-free automotive society." The MUJICOLOGY Research Institute, which is a page on the company Website, is prepared under the direction of Mr. Katsuhiro Nishinari, professor of the University of Tokyo's Research Center for Advanced Science and Technology. Visitors to the site can find video lectures on Jamology, the science of traffic congestion, and related content. Also, in 2014, we marked our 15th anniversary and would like to provide substantially expanded services and work toward providing customers with security and satisfaction. With this in mind, we established the MUJICOLOGY Smile Fund, aiming to become a company more familiar to customers for the long term. Under the framework of the fund, our customers can vote for the groups that they wish to provide support for, and based on this, we make donations to the groups selected by customers.

Strategies by Business Domain

Domestic Life Insurance Business

Domestic life insurance business is one of the important growth businesses positioned to support a sustained increase in the MS&AD Insurance Group's enterprise value.

Against the backdrop of progress of aging society, needs are rising for the medical care- and nursing-related as well as the death benefit and other protection-type life insurance products offered by MSI Aioi Life as well as for the asset-building products designed to support retired lifestyles that are offered by MSI Primary Life. Both these companies are realizing growth and profitability levels that are among the highest in the industry.

Positioning

The two Group life insurance companies have different specialties and they are both growing smoothly. Among domestic life insurance companies and groups, including foreign-based groups, they rank 9th in terms of premiums income. They are No. 1 in terms of premiums income among the life insurance companies of non-life insurance groups.

① In the Top 10 of Domestic Life Insurance Groups

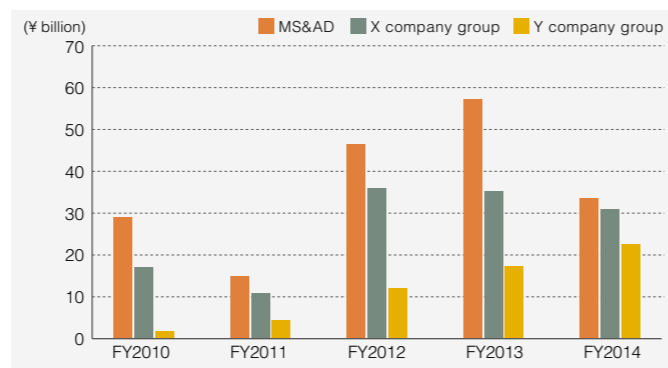
Ranking of Life Insurance Companies/Groups in Terms of Premiums and Others (FY2014)

Life Insurance Companies/Groups (Excluding Japan Post Insurance)		Premiums and Others (¥ billion)
1st	A company group	5,432.7
2nd	B company	5,337.1
3rd	C company	3,408.4
4th	D company group	2,630.4
5th	E company group	2,597.1
6th	F company group	1,958.0
7th	G company	1,747.6
8th	H company	1,531.6
9th	MS&AD (MSI Aioi Life + MSI Primary Life)	1,498.6
10th	I company	914.0

Source: Calculated by MS&AD Holdings based on each company's published financial results for the fiscal year ended March 31, 2015.

② High Level of Contribution to Group Profitability

Ordinary Profit of Life Insurance Companies of Non-Life Insurance Groups



Providing Products and Services in Accordance with the Changes in Social Environment including Aging

As a result of a progressive aging society and changes in the social environment, there is increasing demand for such products as those that provide security regarding nursing and medical care and those that enable autonomous asset building to supplement public pensions.

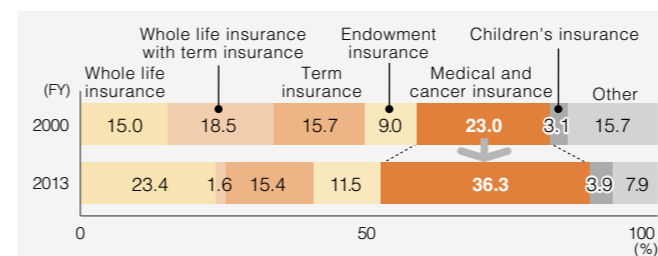
Providing Products that Meet Needs

By strategically managing two life insurance companies with different business models, the MS&AD Group is aiming to provide products that accurately address market needs going forward and to thereby sustain high rates of growth.

Responding to the Decline in Asset Management Yields by Diversifying the Investment Portfolios

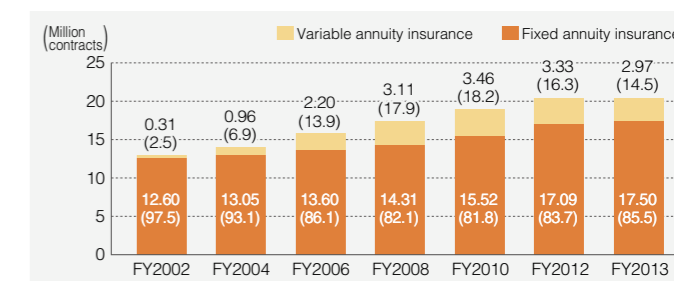
By diversifying investment portfolios and drafting and implementing flexible asset management policies, the Group is aiming to augment its profitability while also thoroughly implementing ALM-based management to seek stable asset management operations.

Emergence of a Third Sector of the Life Insurance Market – Trends in New Individual Insurance Policies



Source: Life Insurance Association of Japan, "Life Insurance Fact Book 2014"

Trends in Policies in Force by Type of Individual Annuity Insurance



Source: Life Insurance Association of Japan, "Life Insurance Fact Book 2014"
Note: Figures in parentheses represent percent shares.

Business Strategies – Leveraging Diversity

Customer needs stemming from the rapid aging society and changes in the social environment – including needs for third-sector products related to nursing and medical care, etc., and needs for asset-building products that enable people to autonomously supplement public pensions – can be responded to by two life insurance companies with different business models.

Recognition of Trends in the Operating Environment (Risks and Opportunities)

Business Environment and Risk Recognition

Maturation of Japan's Life Insurance Market

Compared with the markets of other countries, Japan's domestic life insurance market is already large as a share of GDP and the life insurance penetration rate is high. In light of the projected decrease in Japan's population going forward, the country's life insurance market as a whole is considered to have begun a maturation process.

Japan's progress of aging society and decrease in birthrates along with progress in medical care technologies and changes in lifestyles have been accompanied by a rise in the diversity of customer needs with respect to life insurance. There is an increasing need for the provision of finely differentiated products and services and for the use of more-diverse marketing channels.

Decline in Asset Management Yields amid the Protracted Low-Interest-Rate Environment

The global low level of interest rates and the Bank of Japan's sustained implementation of "Quantitative and Qualitative Monetary Easing" announced on April 2013 have reduced bond yields to a historically low level. For life insurance companies managing assets primarily through investments in Japanese government bonds and other bonds, the operating environment has become extremely harsh.

Growth Opportunities

Business Strategies Focused on Growing Fields

While the domestic life insurance market as a whole has become mature, there continues to be leeway for realizing high rates of growth in the market through measures to accurately address customer needs and to undertake balanced business development in both protection-type products and asset-building-type products.

	MSI Aioi Life & LIFE アンドライフ	MSI Primary Life 個人年金は、 未来への贈りもの。
Products	Protection-type products Death benefit as well as medical care- and nursing-related protection-type products and other protection-type products for which demand is expanding in the aging society (Term insurance, income guarantee insurance, medical insurance, etc.)	Asset-building-type products Amid the rapid aging society, needs are rising for asset-building type products designed to support retired lifestyles (Variable and fixed annuity insurance, variable and fixed whole life insurance)
Channels	Development of channels centered on cross-selling channels utilizing the agents of the Group's two core non-life insurance companies and also other diverse channels including financial institutions, professional life insurance agents and direct marketing staff	OTC sales at financial institutions (banks, securities companies, etc.)

Providing Support for Solving Social Issues

Bringing People Healthier Lives

In November 2006, MSI Aioi Life became the first company in the industry to offer a special clause that offers coverage for the actual costs of technical fees related to advanced medical treatment and transportation to medical institutions.

Since this policy was introduced, we have been active in providing information and conducting educational activities related to advanced medical treatment that advances on a daily basis. These activities have included holding seminars on a nationwide basis such as the "Seminar on How Particle Beam Cancer Therapy Aids in Cancer Treatment," and preparation and distribution of a pamphlet entitled, *Guidebook of Advanced Medical Care*, which clearly explains advanced medical care systems and treatments. We also offer a website, "Advanced Medical Care.net," that makes available information on advanced medical care. In addition, our website "Advanced Medical Navigator" searches for basic knowledge on advanced medical care and medical institutions offering them.

Moreover, we are implementing a joint project, the "Cerebral Stroke Project," with the Japan Stroke Association, and are holding related seminars and other educational activities for stroke prevention.

Domestic Life Insurance Business

MITSUI SUMITOMO AIOI LIFE INSURANCE CO., LTD. (MSI Aioi Life)



Company Overview (As of March 31, 2015)

President : Hitoshi Ichihara

Date Established : August 1996

Number of Employees : 2,544

Head Office :
27-2, Shinkawa 2-Chome, Chuo-ku, TokyoWebsite : <http://www.msa-life.co.jp>

Credit Ratings (As of July 1, 2015)

S&P Insurer Financial Strength Rating A+

R&I Insurance Claims Paying Ability Rating AA-

MSI Aioi Life is a life insurance company that offers protection-type life insurance products, while leveraging the Group's marketing network and customer base. The company is realizing a growth model that involves a combination of strategies to utilize unique marketing channels.

Fiscal 2014 Business Operations

As a part of the MS&AD Insurance Group's reorganization by function, the product supply function for third-sector long-term policies newly sold by the Group has been unified within MSI Aioi Life since April 2014. Regarding existing third-sector long-term policies issued by MSI and ADI, the maintenance, premium collection, payment of insurance claims and benefits, and other related processes have been gradually consigned to MSI Aioi Life since January 2015, and this consignment process has gotten off to a smooth start. Sales of MSI Aioi Life's products have continued to be robust, and cumulative sales of the "New Medical Insurance A (Ace)" product that was launched in December 2013 surpassed 300,000 policies in April 2015.

MSI Aioi Life is working to implement a "sales process reform" program entailing the fundamental reevaluation of sales processes. Following the fiscal 2013 introduction of cashless policy application processes enabling the delayed payment of initial premiums, the company moved ahead during fiscal 2014 with preparations for "Life Insurance Simple Mode" processes that enable paperless application completion processes using the screens of PCs, tablets, and other electronic devices owned by sales agencies, and the use of these processes has been initiated in fiscal 2015.

As a result of these efforts, the amount of new policies of individual insurance and individual annuity insurance for fiscal 2014 reached ¥2,481.1 billion. Policies in force at the end of fiscal 2014 were up 3.7% from the previous fiscal year, to ¥21,894.0 billion.

Tasks and Strategies Going Forward

Aiming to maintain industry-top-level product quality and realize a surge of growth, through the implementation of measures within the Next Challenge 2017 medium-term management plan that began in fiscal 2014, MSI Aioi Life is working to promote more-efficient life insurance business operations and the use of ERM. As it contributes to society through its business activities as one of the MS&AD Insurance Group's core life insurance companies, MSI Aioi Life will strive to accelerate its efforts to attain still greater levels of quality and realize increases in both business volume and profitability going forward.

Specifically, as MSI Aioi Life seeks to further strengthen its business foundation by building ERM systems and augmenting its profitability, it will strive to quickly develop and supply products that respond to diverse customer needs. Regarding quality, in addition to enhancing administrative indicators, the company is undertaking all of its business processes with an eye to meeting customer needs, and it is thereby endeavoring to realize top-quality products and services that enable it to earn customers' confidence and trust.

By unifying the product supply function for the Group's third-sector long-term policies and undertaking the entrusted business performance of maintenance, premium collection, payment of insurance claims and benefits, and other related processes for existing policies, we are working to elicit synergies and realize a surge of growth.

Principal Indicators (Non-Consolidated)

(¥ million)

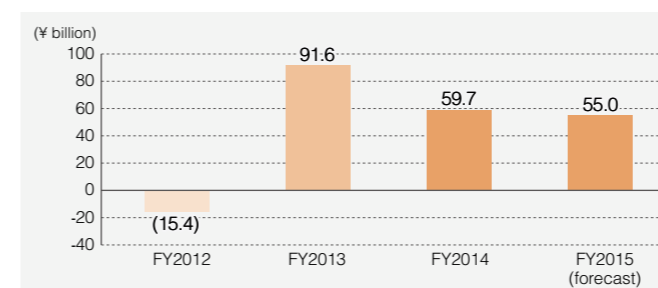
Item	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015 (forecast)
Amount of new policies	2,843,151	3,277,077	3,710,567	2,672,209	2,481,183	2,580,000
Amount of policies in force	16,432,938	18,062,498	20,074,621	21,105,046	21,894,031	22,590,000
Annualized premiums of policies in force	279,099	296,000	319,703	335,854	355,979	371,100
Ordinary profit / (loss)	(1,027)	1,816	7,459	17,462	15,937	10,700
Core Profit / (loss)	(230)	4,109	5,847	15,395	16,111	—
Net income/(loss)	(7,188)	(11,395)	458	6,681	4,406	2,500
Net assets	85,889	102,421	132,243	131,999	169,139	—
Total assets	1,789,798	2,136,662	2,436,264	2,636,052	3,009,263	—
Net unrealized gains/(losses) on investments in securities (before tax effects)	17,917	56,827	99,217	89,100	132,658	—
Embedded value (EEV, ¥ billion)	461.9	511.9	496.4	588.1	647.8	702.8
Solvency margin ratio	—	1,212.8%	1,309.8%	1,264.9%	1,429.9%	—
Former MSI Kirameki Life	2,127.0%	(1,276.8%)				
Former Aioi Life	1,954.1%	(1,465.2%)				
Number of employees	2,029	2,283	2,366	2,421	2,544	—

Notes:

- MSI Aioi Life was formed through the merger of MSI Kirameki Life and Aioi Life on October 1, 2011. Its results for fiscal 2011 include the first-half results of Aioi Life, and its results for fiscal 2010 are the simple aggregate for the two subsequently merged companies' full-year results.
- Amount of new policies, amount of policies in force, and annualized premiums of policies in force are the total of individual insurance and individual annuity insurance.
- Core Profit is an insurance business profitability indicator that is calculated by deducting capital gains/(losses) and non-recurring income and losses from ordinary profit.
- Net unrealized gains/(losses) on investments in securities (before tax effects) represents the difference before tax effects between the fair value and the acquisition cost (including the amortized cost) of available-for-sale securities with practically determinable fair value.
- The solvency margin ratio for fiscal 2010 is calculated on a basis different from the basis for fiscal 2011 and subsequent years. This is due to a partial revision in the standard for calculating the solvency margin gross amount and the total amount of risk (tightening of margin calculations, tightening and refining of risk measurements, etc.) in accordance with Cabinet Office Ordinance No. 23 of 2010 and Financial Services Agency Public Notice No. 48 of 2010. The fiscal 2010 solvency margin ratio figure in parentheses was calculated by applying the fiscal 2011 standard to data for fiscal 2010.

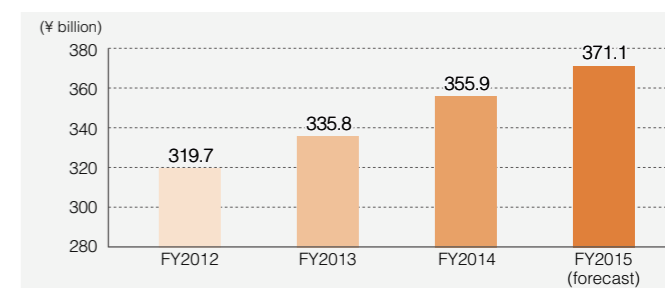
Principal Management Indicators

Increase in Embedded Value (EEV*)



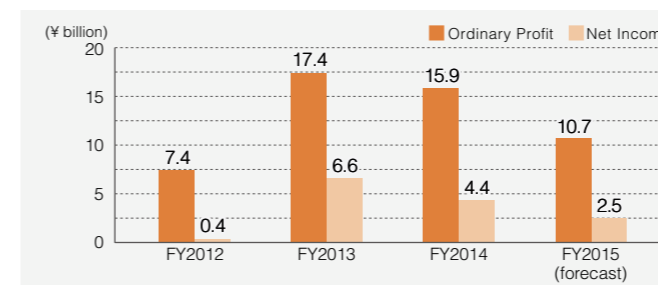
*Please refer to the explanation in the "Glossary of Insurance Terminology" at the end of this report.

Annualized Premiums of Policies in Force*

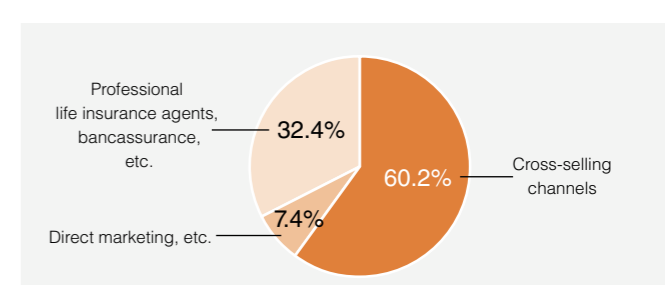


*Please refer to the explanation in the "Glossary of Insurance Terminology" at the end of this report.

Ordinary Profit / Net Income



Weight of Types of Sales Channels (FY2014)



TOPICS

Providing Vaccines for the Children of the World

Many children around the world die of infectious diseases that could be prevented with vaccines.

MSI Aioi Life, with the fervent wish to cherish and sustain "life" ever into the future, makes donations for purchasing vaccines to the Japan Committee Vaccines for the World's Children in proportion to the number of new contracts for its "&LIFE" brand policy series. In fiscal 2014, in proportion to new contracts for these policies, we donated funds that provided polio vaccines for 147,000 persons, thus bringing the total of persons vaccinated under this program to about 820,000.

Domestic Life Insurance Business

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



Company Overview (As of March 31, 2015)

President : Tetsuo Kitagawa

Date Established : September 2001

Number of Employees : 363

Head Office :
Yaesu First Financial Building, 3-7, Yaesu
1-Chome, Chuo-ku, TokyoWebsite : <http://www.ms-primary.com>

Credit Ratings (As of July 1, 2015)

S&P Insurer Financial Strength Rating A+

R&I Insurance Claims Paying Ability Rating AA-

Specializing in the provision of products via financial institutions, MSI Primary Life is a life insurance company that offers asset-building products centered on individual annuity insurance and whole life insurance.

Fiscal 2014 Business Operations

In accordance with the Next Challenge 2017 medium-term management plan covering the four fiscal years beginning with fiscal 2014, MSI Primary Life implemented various strategies designed to promote ERM and realize sustainable growth while also seeking to further strengthen its business base. Regarding sales, the company developed highly detailed sales activities tailored to the special characteristics of each sales agency and moved ahead with the building of a stable sales foundation. Regarding the education and training of sales staff, the company augmented and enhanced its training programs and proactively worked to support salespeople's efforts to improve their skills.

In the area of products, fixed whole life insurance products denominated in foreign currencies as "Shiawase, Zutto" continued to be highly popular among customers, and MSI Primary Life worked to broaden its product lineup with the addition of such products as a fixed individual annuity denominated in New Zealand dollars and the industry's first foreign currency-denominated variable whole life insurance policies.

Regarding operations, MSI Primary Life responded to growth in new policies and in policy maintenance processes by working to augment its administrative processing capabilities, and it also made special efforts to upgrade the quality of its services with respect to the special needs of seniors.

As a result of those measures, MSI Primary Life recorded a new record high level of sales for the second consecutive fiscal year. Its annual premiums income surpassed the ¥1 trillion mark for the first time, and it generated more than ¥10.0 billion in net income for the third consecutive fiscal year.

Tasks and Strategies Going Forward

As Japan enters a period of an advanced aging society, the demand for the lump-sum-payment-type individual annuity insurance and whole life insurance products offered by MSI Primary Life – as means of asset building to supplement public pensions and as strategic inheritance tools for smoothly passing assets on to the next generations – is projected to continue increasing going forward.

Benefitting from this environmental tailwind during fiscal 2015, MSI Primary Life will sustain its traditional emphasis on the "customers focused" and "customer oriented" concepts as it seeks to appropriately respond to increasingly diverse customer needs and realize sustainable growth.

By concurrently implementing the "strategies for strengthening current profit bases" and "strategies for realizing future business growth" within the medium-term management plan, MSI Primary Life is operating as one of the core life insurance companies of the MS&AD Insurance Group to make major contributions to the Group Core Profit going forward.

Principal Indicators (Non-Consolidated)

¥ million

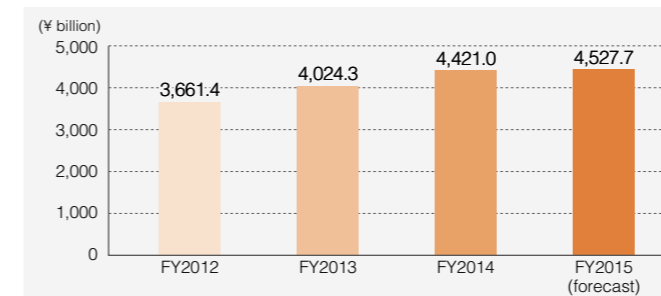
Item	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015 (forecast)
Premiums income	243,730	234,793	449,316	826,434	1,054,049	800,000
Amount of new policies	253,746	237,442	432,202	800,526	1,024,767	756,800
Amount of policies in force	3,083,041	3,122,538	3,661,454	4,024,393	4,421,089	4,527,700
Ordinary profit	30,162	13,025	38,969	39,887	17,761	19,400
Core Profit / (loss)	28,594	28,011	37,916	58,355	(33,406)	—
Core Profit + Capital gains	32,466	26,026	56,456	57,625	24,471	—
Net income	18,783	5,993	10,350	17,928	12,424	12,500
Net assets	54,290	60,549	71,284	89,205	109,847	—
Total assets	3,069,708	3,154,641	3,765,574	4,163,675	4,662,032	—
Net unrealized gains/(losses) on investments in securities (before tax effects)	154	526	1,082	1,070	15,401	—
Embedded value (EEV, ¥ billion)	91.0	83.7	161.2	234.8	310.2	—
Solvency margin ratio	1,026.4%	775.5%	884.0%	1,004.6%	879.7%	—
	(671.8%)					
Number of employees	444	351	342	344	363	—

Notes:

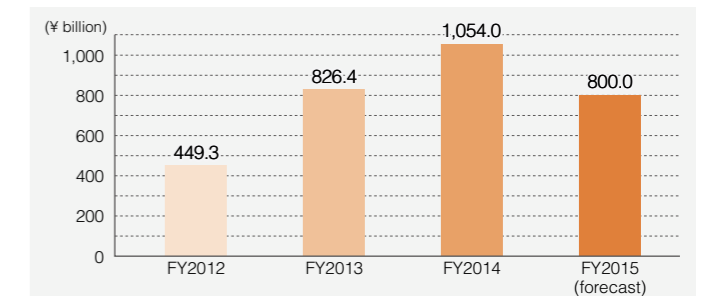
- The amount of new policies, amount of policies in force, are the totals of individual insurance and individual annuity insurance.
- Core profit is an insurance business profitability indicator that is calculated by deducting capital gains/(losses) and non-recurring income and losses from ordinary profit. In this business, the sum of core profit and capital gains (losses) provides a more appropriate indicator of actual profit for the period instead of core profit/(loss).
- Net unrealized gains/(losses) on investments in securities (before tax effects) represents the difference before tax effects between the fair value and the acquisition cost (including the amortized cost) of available-for-sale securities with practically determinable fair value.
- The solvency margin ratio for fiscal 2010 is calculated on a basis different from the basis for fiscal 2011 and subsequent years. This is due to a partial revision in the standard for calculating the solvency margin gross amount and the total amount of risk (tightening of margin calculations, tightening and refining of risk measurements, etc.) in accordance with Cabinet Office Ordinance No. 23 of 2010 and Financial Services Agency Public Notice No. 48 of 2010. The fiscal 2010 solvency margin ratio figure in parentheses was calculated by applying the fiscal 2011 standard to data for fiscal 2010.

Principal Management Indicators

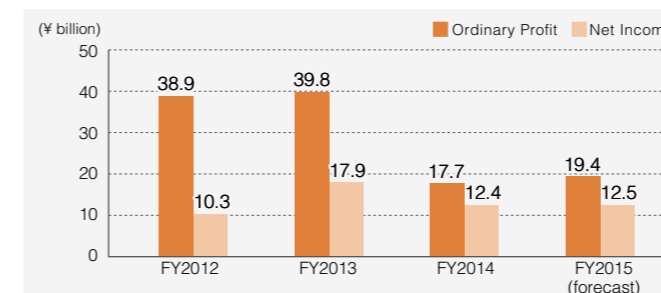
Policies in Force



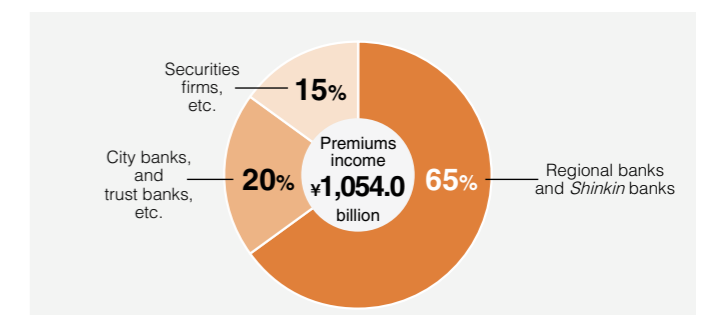
Premiums Income



Ordinary Profit / Net Income



Weight of Types of Sales Channels (FY2014)



TOPICS

Initiatives Taken with Our Senior Customers in Mind

MSI Primary Life has many policies for senior citizens. Accordingly, beginning in fiscal 2014, we formed a specialist team within the Customer Satisfaction (CS) Committee to give consideration to improve services to senior citizens and tailor them specifically to the needs of older persons. Specific instances have been the introduction of a designated claim agent system (special clause) for persons who may become unable to conduct pension procedures due to a decline in their ability to express their intentions. Other instances have included the release of a "Video on Procedures" aimed at assisting seniors in carrying out claims procedures smoothly, substantial relaxation of the requirements for submitting documents certifying their official seals, and other initiatives.

Strategies by Business Domain

International Business

Leveraging the expertise and trust it has accumulated during its history of more than 90 years of international operations, the MS&AD Insurance Group has established a global network in 42 countries and regions* to provide insurance products and services that meet diverse customer needs.

Accounting for approximately a quarter of Group Core Profit in fiscal 2014, international business is one of the MS&AD Group's growth businesses, and the Group is working to further expand it going forward.

* Excluding the Cayman Islands, where SLI Cayman Limited (financial services business) is located.

Characteristics of International Business

The MS&AD Insurance Group's international business operations encompass three businesses – International General Insurance Business (including Toyota Retail Business), Reinsurance Business, and Asian Life Insurance Business.

International General Insurance Business carries its own MSIG brand, and the Toyota Retail Business is being developed using the "Toyota Insurance" brand. In accordance with MS&AD's Groupwide policies and strategies, each of the three international businesses is seeking to realize its own sustainable growth and profitability expansion. The Group is aiming to be an exemplary corporate citizen in each country and region. Through such efforts as those to support public insurance policies in Asia and provide insurance technical assistance, the Group is contributing to economic growth in each country and region while also undertaking diverse activities to realize growth in its own business operations.

International General Insurance Business

Besides rigorously conforming with the laws, regulations, and business conventions of each country and region, the Group's international operations employ decision-making and administration processes that have deep local roots. For this purpose, regional holding companies have been established in Singapore, the United Kingdom, and the United States, and international operations are being expanded from this tripolar network of holding companies. In the rapidly growing Asia region, the Group has the MSIG brand in the region and a top-level business foundation.

Asia

- The Group's long history of business development has made people throughout the region highly familiar with the MSIG brand.
- Having established international presences before the surge of Japanese companies establishing international presences, the Group has been positioned to provide many Japanese enterprises with international services. Since acquiring the U.K.-based AVIVA Group's Asian non-life insurance business in 2004 and Taiwan-based Mingtai Insurance Co., Ltd., in 2005, the Group's local business has quickly and greatly expanded.
- The Group has a strong position in each ASEAN country, and it is the No.1 company in terms of gross premiums written in the ASEAN markets.
- Since fiscal 2015, Alan Wilson (CEO of the Group's Asian regional holding company) has been serving as the MSI's first non-Japanese corporate executive officer.

History of Principal Awards in Asia

- 2012** Thailand branch won the 1st Prize Prime Minister's Insurance Award for the first time among foreign based insurers in Thailand.
- 2011** MS&AD Group won the General Insurance of the Year in the Asia Insurance Industry Awards, as the non-life insurance company that had realized the most-noteworthy increase in the Asia region.
- 2010** Thailand branch and Thailand subsidiary both awarded the Excellent Insurance Company designation by Thailand's insurance authorities.
- 2009** MSI won the Corporate Social Responsibility Award in Asia Insurance Industry Awards as the insurance company that had realized the most-noteworthy increase in CSR activity in the Asia region.
- 2008** Taiwan-based MSIG Mingtai won the Ideal Brand Award 2008 based on a readers' survey conducted by a magazine focused on managers of Taiwan enterprises.
- 2007** Thailand branch was awarded the Excellent Insurance Company designation by Thailand's insurance authorities for the fourth consecutive year (2004 – 2007).
- 2005** MSI became the first Japan-based non-life insurance company to win the General Insurance of the Year in the Asia Insurance Industry Awards.

Alan Wilson – CEO of Asian Regional Holding Company

Managing non-life insurance business in the ASEAN region and Hong Kong

Serving as MSI's first non-Japanese corporate executive officer beginning from fiscal 2015

Source: Created by MS&AD based on FY2013 gross premiums written data published by non-life insurance associations and other organizations in each country and region
* Ranking among foreign-based insurance companies

Reinsurance Business

MS Frontier Reinsurance Limited performs a major role in reinsurance business and undertakes various risks centered on low-probability damage risks (natural disaster-related risks of property damage, etc.).

In addition to ROR, VA*, and other profitability indices to realize profitability through the selective choice of profitable reinsurance contracts, we employ quantitative models to manage total risk volumes for each individual region.

* ROR (Return on Risk = Group Core Profit ÷ risk amount), and VA (Value Added = Group Core Profit - risk amount × capital cost ratio) are risk-based indicators employed in the Group's ERM. ROR indicates how much profit can be obtained with respect to the risks assumed, while VA indicates how much value added can be generated with respect to the risks assumed.

Asian Life Insurance Business

We are investing in life insurance companies in countries that are projected to have growing life insurance markets going forward – such as Indonesia, India, and Malaysia – and are thereby aiming to expand our sustainable profits. In Malaysia, we have also begun undertaking "Takafu" business, which is expected to show great growth in the future.

* A method of handling insurance business in accordance with Islamic doctrine. Ordinary insurance involves the receipt of interest income from fund management activities, and it also is seen as having an element of gambling insofar as it provides for the payment of benefits with respect to accidents and diseases of which the incidence is unpredictable. For these reasons, ordinary insurance is considered to be not in accordance with Islamic sharia law. In view of this, in countries with many Muslims, there is a need to provide insurance products that are designed to accord with the requirements of sharia law, and "takafu" can be said to be a form of Islamic insurance.

Europe / Middle East

Americas

- Since 2000 in becoming the first Japan-based non-life insurance company to establish a Lloyd's syndicate, we have thereby engaged in our own underwriting operations throughout the world focused primarily on large-enterprise-related risks. We are currently ranked 26th in terms of underwriting premium volume (fiscal 2014 gross premiums written basis), and we are aiming to earn a ranking within the top 10.
- Going forward, we are seeking to expand our business in continental European countries centered on Germany and France, which have particularly large corporate insurance markets.
- We are undertaking market surveys in African countries and, to strengthen our systems for providing services to Japan-based customers in those markets, we are planning to establish an office in Johannesburg, South Africa. (Plans call for opening the office in September 2015.)

In 2000, we became the first Japan-based non-life insurance company to establish a Lloyd's syndicate.

In October 2014, we expanded our presence in the United States by establishing an office in Dallas, Texas.

Toyota Retail Business

- In Toyota Retail Business, we leverage our strong partnership with the Toyota Group to develop international retail insurance business. We sell automobile insurance, credit life insurance, and other products to customers centered on purchasers of Toyota vehicles overseas, thereby offering services in accordance with high-quality Japanese standards.
- Having been engaged in business in Germany and France since 2000, we currently are developing business in 16 countries and regions, including most European countries as well as China, Thailand, and Australia.

History of Business Development

The history of the Group's international business began with the establishment of a London office by Mitsui Marine & Fire in 1924. We subsequently initiated operations in Asia, the Americas, and other locations, and currently are developing business in 42 countries and regions around the world. Our international business were initially centered on Japan-based customers, but business with locally based customers has gradually expanded, and we have built a strong base of non-life insurance business centered on Asia. We have been engaged in international life insurance business since 2010 and are working to augment this business with the goal of expanding business scale and profitability over the medium-to-long term.

Developing Business in Numerous Countries/Regions	Expansion of Non-Life Insurance Business	Expansion of Life Insurance Business
Date of business initiation 1924 U.K. (Office) 1934 Thailand 1956 U.K. 1957 U.S./Hong Kong 1958 Singapore/Germany 1962 Malaysia 1966 Australia 1969 Indonesia 1970 New Zealand 1974 Brazil 1977 Philippines 1978 France 1997 Vietnam 1999 Taiwan 2000 Lloyd's 2001 China (Shanghai) 2003 India 2004 AVIVA Asia region business acquisition 2005 Mingtai acquisition/Cambodia 2010 Laos 2015 Myanmar/South Africa (Office)	Business initiations by means of capital investments in local markets beginning from 2000 2000 Became the first Japanese non-life insurance company to establish a Lloyd's syndicate 2000 Began Toyota Retail Business in Germany and France 2012 Established a company in Germany M&A-based Business Expansion 2004 Acquired the Asian non-life insurance business of U.K.-based AVIVA 2005 Acquired Taiwan-based Mingtai 2015 Acquired the U.K.-based Box Innovation Group	Expansion and diversification of Asian life insurance business beginning from 2010 2010 Investment in Hong Leong Assurance Berhad (Malaysia) 2011 Investment in Hong Leong MSIG Takaful Berhad (Malaysia) 2011 Investment in PT. Asuransi Jiwa Sinarmas MSIG (Indonesia) 2012 Investment in Max Life Insurance Company Limited (India)

Note: Except when otherwise noted, the business initiation date indicates the date of acquiring an insurance license.

Recognition of Trends in the Operating Environment

Business Environment and Risk Recognition

Global High Incidence of Large-Scale Natural Disasters

An examination of long-term data* indicates that climate changes owing to the impact of global warming and other factors have caused an increase in the incidence of hurricanes, flooding, and other large-scale natural disasters throughout the world. While there has been considerable damage in the past from large natural disasters in the Asia region, where the Group has a large share of its business operations, the preparation of data for estimating risks in the Asia region has lagged behind the preparation of such data for developed country regions, and it is becoming increasingly important to undertake risk management countermeasures and other measures with respect to large-scale natural disasters in the Asia region.

* According to the "sigma No.2 / 2015" report of the world's largest reinsurance company, Swiss Re, the incidence of huge damage from natural disasters in 2014 was approximately three times the level in 1970.

Underwriting Cycle

It is generally understood that the non-life insurance industry undergoes business cycles in which premium rates surge following the disbursement of huge insurance benefits and become lower after protracted periods of declining disbursement of insurance benefits. Because the incidence of large-scale natural disaster damage has been trending downward since fiscal 2013 and because of such factors as capital flows into insurance markets, there has been a softening (premium rate decline) of the U.S. and European markets and in reinsurance markets, and these trends are projected to continue creating harsh conditions for generating profits from business in the Americas and Europe and in the reinsurance market going forward.

Growth Opportunities

Strengthening Natural Disaster Risk Countermeasures

To prevent unexpected losses and profitability fluctuations to the greatest possible extent and build systems capable of generating stable levels of profitability, we are, even in international Business, working to enhance our ERM with particular emphasis on strengthening natural disaster risk control systems. (For more-detailed information, please see the ERM section on page 34.)

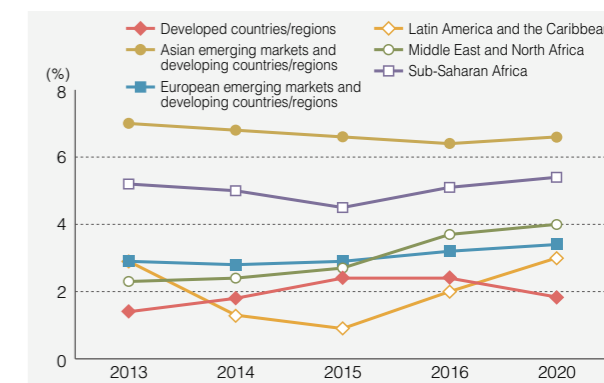
High Growth Potential in Asia

Asian countries and regions are projected to sustain economic growth, and local business in those countries and regions is expected to expand. Moreover, against the backdrop of improving economic conditions in Japan, it is expected that the number of Japanese companies seeking to establish business in Asia will increase. The MS&AD Group will continue focusing on the Asia region and work to develop not only non-life insurance business but also life insurance business in the region, with the goal of expanding its performance in step with the growth of Asian economies.

Consideration of Proactive Business Investment

We are moving ahead with measures designed to earn a top 3 ranking in ASEAN markets and a top 10 position in Lloyd's business, and, to realize these objectives, we intend to further increase the proactivity of our business investments going forward. With the fundamental policy of undertaking new business investments in fields that generate synergies associated with existing businesses, we plan to undertake investments based on due consideration of capital efficiency considerations.

Global Trends in Economic Growth Rates (Real GDP)



Source: 2015 IMF World Economic Outlook
Note: Figures for years after 2015 are forecasts

Business Strategies

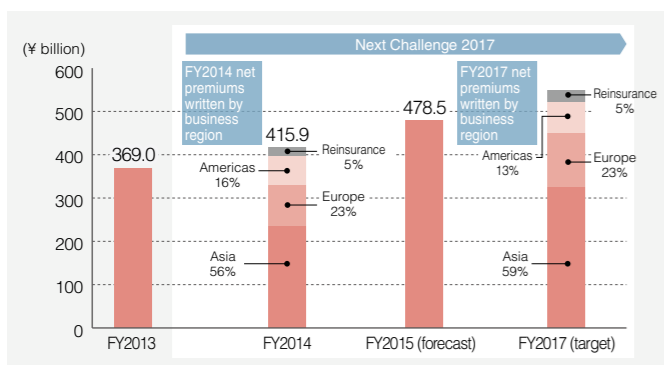
The MS&AD Group's international business is classified into three business fields. We are working to leverage the strengths of each business to develop diverse products and sales strategies, effectively address market growth, and expand profitability at rates exceeding market growth. As an additional Group's growth driver, we are proactively undertaking M&A transactions and other new business investments and seeking to arrange global alliances.

International General Insurance Business	Existing operations	ASEAN main markets	<ul style="list-style-type: none"> Utilize the No.1 business base in the region to expand business scale and further augment profitability Utilize partnerships with each country's leading bank groups and diverse sales channels, including agencies, brokers, etc.
		Huge markets (India, China, etc.)	<ul style="list-style-type: none"> Expand business scale and profitability in huge emerging markets Further promote measures to improve the profitability of automobile insurance business
New markets		<ul style="list-style-type: none"> Build up business bases with an eye to future market growth Strengthen insurance underwriting systems in Myanmar special economic zone 	
Europe		<ul style="list-style-type: none"> Expanding profits in three businesses (Lloyd's, U.K., and continental Europe) in Europe Build service systems aimed at Japan-based companies in Africa 	
North America		<ul style="list-style-type: none"> Secure stable underwriting profitability in business with Japan-based companies as well as in local business 	
Latin America		<ul style="list-style-type: none"> Utilize the alliance with Mapfre and other means to strengthen service systems Secure stable underwriting profitability in Brazil 	
	New investment	Toyota retail business	<ul style="list-style-type: none"> Stabilizing profits by expanding the scale of operations and improving operational efficiency Considering expanding automobile retail business into more countries and regions Develop number of countries and regions in which we operate the business
		<ul style="list-style-type: none"> M&A Strategy New business investments in growing regions/fields Global Alliance Strategy Make strategic alliances with global insurance companies that mutually utilize each other's strengths (products, regions, etc.) 	
International Reinsurance Business			<ul style="list-style-type: none"> Building a Reinsurance Business Portfolio Conducive to the Improvement of Risk on Return Natural disaster risks: promote diversification of regions and risk types General risks: Expand the customer base with due attention to profitability
Asian Life Insurance Business			<ul style="list-style-type: none"> Measures to Increase Growth Potential and Profitability Strengthen management administration and risk management frameworks with respect to investments Strengthen distributing channels, etc. Sustain Information Gathering, Analysis, and Evaluation with Respect to New Business Investments

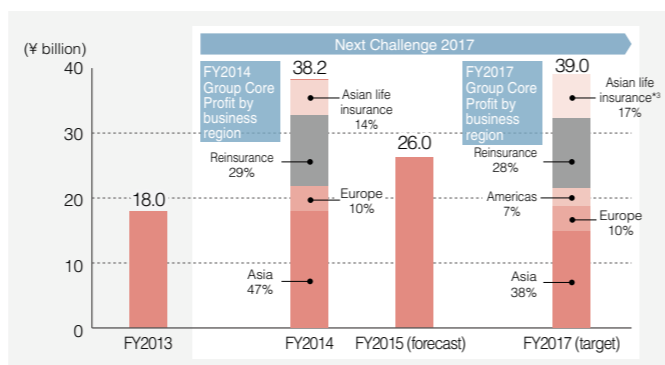


Principal Management Indicators (International Business)

Trends in net premiums written (non-life insurance)



Trends in Group Core Profit



		FY2010 (actual)	FY2011 (actual)	FY2012 (actual)	FY2013 (actual)	FY2014 (actual)	FY2015 (forecast)
Net premiums written (non-life insurance)	Asia	139.2	142.8	173.1	215.7	237.1	273.1
	Europe	65.2	60.9	64.4	85.4	99.6	121.3
	Americas	42.9	43.7	41.4	56.4	66.2	71.0
	Reinsurance	18.8	16.8	15.6	16.7	19.1	21.3
	International total ¹	264.3	262.2	287.8	369.0	415.9	478.5
Net income ²	Asia	8.6	(89.6)	28.8	16.3	26.0	17.4
	Europe	(12.5)	(16.1)	(11.9)	1.8	5.7	(1.8)
	Americas	2.1	0.1	(7.7)	(3.3)	(7.9)	3.7
	Reinsurance	6.5	(6.3)	5.1	8.5	11.0	7.3
	Asian life insurance ³	—	3.0	1.3	(1.2)	5.4	6.0
International total ¹	1.8	(112.3)	13.5	18.0	38.2	26.0	

Note: International business figures are aggregates of the results for overseas consolidated subsidiaries, non-life insurance companies' overseas branches, and overseas non-consolidated affiliates, etc. Figures for business in each region include figures for Toyota Retail Business.

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

² Group Core Profit basis

³ Including *Takaful* business

Fiscal 2014 Business Operations and Strategies for Operations Going Forward

International General Insurance Business by Region

Asia

Fiscal 2014 Business Operations

- Reflecting large increases of net premiums written in Malaysia, Taiwan, and other markets, net premiums written grew smoothly to ¥237.1 billion (including figures for Toyota Retail Business; same below), up 9.9% from the previous year.
- Net income greatly increased owing to factors including a decrease in incurred loss associated with the Thailand floods and exchange gains on the sale of securities. Net income (including figures for Toyota Retail Business; same below) surged ¥9.7 billion (59.4%) from the previous year, to ¥26.0 billion.

* Incurred loss for a given time period includes payments for claims during that period for incidents that occurred during that period together with provisions of reserves made for the purpose of funding future payments.

Business Strategies Going Forward

- Aiming to take advantage of high economic growth rates in the Asia region, we are working to achieve balanced business development by responding to the needs of Japan-based global companies as well as local business in each country and region.
- We are continuing to develop diverse sales channels, including agencies, brokers, automobile dealerships, and alliances with major banks, et al. Through such efforts as those to augment know-how sharing and communication among bases, we are building systems capable of realizing the provision of sophisticated services of consistently high quality.

TOPICS

Insurance Underwriting Permit Received in Myanmar

In May 2015, MSI acquired an insurance license in the Tirawa Special Economic Zone in Yangon from the Insurance Business Supervisory Board of the Ministry of Finance of Myanmar. Because of its population growth and rich natural resources, investment by foreign companies in Myanmar has become quite active, and further economic growth is expected. Since the establishment of the MSI Group's representative office in Yangon in 1995, it has provided insurance assistance to Japanese companies operating in Myanmar. Going forward, MSI will underwrite various types of insurance and offer risk management services, while providing strong support to its corporate customers.



Ceremony to celebrate the opening business in Myanmar

The Thai Branch of MSI Marks the 50th Anniversary of Its Founding

On November 2014, Thailand Branch of MSI organized its 50th anniversary ceremony to celebrate its 50 years of operation in Bangkok Thailand. MSI started its insurance business in Thailand in 1934, becoming the first ever Japanese-affiliated insurer to enter Asian market. In November 1964, Thailand Branch was established and expand our business along with the growth of Thai economy. At the time of the Thailand floods in 2011, the activities of the branch to contribute to recovery were highly evaluated, and the branch received the 1st Prize Prime Minister's Award in 2012. Looking ahead, the branch will work to contribute to the further development of the insurance market in Thailand, drawing on the insurance technical assistance has developed in Japan.



Marking 50 years of operations in Thailand

Europe and Middle East

Fiscal 2014 Business Operations

- Including figures for Lloyd's business and Toyota Retail Business, net premiums written grew to ¥14.1 billion by 16.6% from the previous fiscal year. Of this, gross premiums written in corporate insurance business focused on local companies in continental Europe, a business initiated in 2007, grew to surpass the level of approximately ¥20.0 billion.
- Reflecting strong performance in our Lloyd's business and other factors, net income amounted to ¥5.7 billion, up ¥3.8 billion from the previous fiscal year.

Americas

Fiscal 2014 Business Operations

- Total net premiums written in business in the Americas increased by ¥9.7 billion from the previous year.
- Owing to the incidence of large-sized claims and other factors, the net loss increased by ¥4.5 billion from the previous fiscal year, to a net loss of ¥7.9 billion.

Business Strategies Going Forward

- Regarding our Lloyd's business, which is a mainstay business within our business in Europe, and regarding business focused on local companies in continental Europe, we are emphasizing measures to realize steady growth in business scale while maintaining a high-quality portfolio.
- We are establishing an office in Johannesburg, South Africa, as well as undertaking studies of African insurance markets and working to strengthen our systems for providing Japan-based customers with services.

Business Strategies Going Forward

- In the United States, we are continuing to underwrite insurance for customers centered on Japan-based companies and seek supplementary underwriting business for local companies as a means of earning stable profits. Regarding worker's compensation insurance, which is the largest line of insurance underwritten in the United States, we are striving to earn profits by emphasizing loss prevention efforts (measures to prevent the incidence of accidents) and other damage prevention measures along with measures to reduce claim adjustment expenses.
- In Latin America, we are cooperating with a leading European insurance company, Spain-based Mapfre, and making use of that company's network to engage in underwriting business for Japan-based customers as a means of increasing our profitability.

Toyota Retail Business

Fiscal 2014 Business Operations

- Net premiums written expanded steadily, to ¥57.9 billion, and net income amounted to ¥1.4 billion.
- During fiscal 2014, we converted our business in Australia into a consolidated subsidiary and also established local subsidiaries in Russia and Kazakhstan to engage in insurance broker business. At the end of the fiscal year, we were expanding our business base in 16 countries and regions.
- In March 2015, we moved through a wholly owned ADI subsidiary, Aioi Nissay Dowa Insurance Company of Europe Limited, to acquire stock in Box Innovation Group Limited (BIG), which is developing telematics*1 automobile insurance MGA*2 business.

*1 A combination of 'telecommunication' and 'informatics,' telematics refers to information services provided by equipping automobiles and other mobile objects with communications systems. Telematics automobile insurance entails the compilation of driving data (including miles driven, drivers' use of accelerator and brake functions, etc.) and the calculation of insurance premium rates based on that data.

*2 MGA business refers to 'managing general agent' business, a kind of comprehensive agency business that encompasses almost all insurance company functions other than insurance underwriting. In addition to conventional agency functions, MGAs undertake a wide range of insurance-related functions – such as insurance product design, claims acceptance, claims investigation, and claims adjustment – that are ordinarily the responsibility of insurance companies. MGA business has become a standard business mode in Europe and the United States.

International Reinsurance Business

Fiscal 2014 Business Operations

- Owing to the acquisition of new contracts in the Asia region and other factors, net premiums written grew ¥2.4 billion (14.4%) from the previous year.
- Reflecting a large decrease in IBNR* reserve provisions, net income grew by a large margin, rising ¥2.5 billion from the previous year, to ¥11.0 billion.

* IBNR refers to 'incurred but not reported loss'. IBNR provision is a kind of reserve that insurance companies are required to fund.

Asian Life Insurance Business

Fiscal 2014 Business Operations

- Net income for Asian life insurance business as a whole grew by a large margin, rising ¥6.7 billion from the previous fiscal year, to ¥5.4 billion.
- Indonesia-based PT. Asuransi Jiwa Sinarmas MSIG is working to shift from single premium saving - type products to relatively profitable regular premium variable insurance products. Although this shift has been accompanied by a temporary dip in premium income, the enhancement of that company's product portfolio is proceeding steadily. The premium income of India-based Max Life Insurance Company Limited and Malaysia-based Hong Leong Assurance Berhad is growing smoothly.

Providing Support for Solving Social Issues

Educational Activities for Traffic Accident Prevention

The Thailand branch of MSI implements initiatives every year that help to prevent traffic accidents and contribute to the community. In fiscal 2014, we held a traffic safety image contest for high school and college students nationwide in Thailand. A total of 130 infographics were submitted on the theme of traffic safety from students in 30 high schools and colleges, and these were used in a campaign of the "Don't Drive Drunk Foundation."



A traffic safety poster for display in Thailand

Business Strategies Going Forward

- Against the backdrop of the Toyota Group's global business expansion, we are increasing the number of countries in which we operate and expanding our business scale while working to increase our operational efficiency, achieve sustainable growth in automobile insurance retail business including telematics automobile insurance business, and realize stable profitability.
- Through the acquisition of shares in BIG, we are establishing a full-scale presence in the U.K. telematics automobile insurance market. At the same time, we are seeking to employ telematics technology and know-how in European automobile insurance markets and anticipate that associated synergies will promote considerable expansion of Toyota Retail Business.

Business Strategies Going Forward

- In natural disaster risk reinsurance business, in light of the continued general trend of decline in premium rates, we are deemphasizing growth in the scale of this business while adopting a policy of greater selectiveness with respect to new business. Regarding fields other than natural disaster risk reinsurance, we are considering entering new areas that are projected to be growth markets and that have a relatively small correlation to our existing underwriting fields while also maintaining a policy of rigorous selectiveness in choosing only high-quality transactions and thereby seeking to realize stable business expansion.

Business Strategies Going Forward

- We are working to strengthen management administration and risk management capabilities at each of our investee companies. At the same time, we are moving ahead with measures to strengthen distribution channels, etc., with the goal of realizing business expansion and profitability stabilization.
- In cooperation with MSI Aioi Life and MSI Primary Life, we are proceeding with such technology transfer measures as those related to training programs and consulting sales methods, and we anticipate that these measures will promote still greater expansion in new policies and the elevation of profitability levels.
- Our efforts to augment product lineups and enhance sales methods are enabling us to respond to gradually increasing needs for protection-type products in each Asia region country, and we expect this approach to continue promoting the expansion and stabilization of profits going forward.

Strategies by Business Domain

Financial Services Business

In its financial services business, the MS&AD Insurance Group offers various finance-related solutions and services that make use of its special strengths. The MS&AD Insurance Group is developing and providing various new financial products and services to address increasingly diverse customer needs, leveraging the full range of its capabilities as an insurance and financial group.

Overview of Financial Services Business

The MS&AD Insurance Group offers the following kinds of finance-related products and services.

ART Business	Referring to risk transfer methods that are alternatives to traditional insurance transactions, ART (Alternative Risk Transfer) schemes use financial technologies and capital markets to provide risk solutions. ART products incorporate derivatives and securitized financial products, etc., and representative types of ART products include "weather derivative" and "earthquake derivative" products.
Defined Contribution Pension Business	We provide products compatible with defined contribution pension (401k) plans along with meticulous consulting services and a comprehensive range of other services related to the introduction of pension plans.
Retail Financial Services	As a financial institution handling "Flat 35" loans in cooperation with the Japan Housing Finance Agency, we provide long-term, fixed-rate mortgages.
Asset Management Business	We work through Sumitomo Mitsui Asset Management – established in cooperation with Mitsui Sumitomo Group financial institutions – to undertake investment advisory business, investment trust management business, and diverse other kinds of business. With more than ¥10 trillion of assets under management, Sumitomo Mitsui Asset Management is one of Japan's largest asset management companies.
Venture Capital Business	Working through MITSUI SUMITOMO INSURANCE Venture Capital, we undertake investments in promising venture businesses and also provide support for the growth and development of investee companies.

Fiscal 2014 Business Operations and Tasks and Strategies Going Forward

Fiscal 2014 Business Operations

We proactively worked to provide "Flat 35" loans in cooperation with the Japan Housing Finance Agency and market products compatible with defined contribution pension (401k) plans. In addition, we initiated investment advisory business related to the management of funds focused on investments in CAT bonds*.

*Please refer to the explanation of insurance terminology at the end of this brochure.

Business Strategies Going Forward

Noting that the revision of Japan's Defined Contribution Pension Act has expanded the market for defined contribution pension business, we are building new business models and otherwise seeking to expand this business going forward. In addition, by augmenting our ART products and undertaking global marketing operations, we are endeavoring to provide ART products to a wide range of customers. Aiming to further expand our asset management business, we are taking various initiatives in cooperation with Sumitomo Mitsui Asset Management and other investors in it.

Group Core Profit (¥ billion)

FY2010	FY2011	FY2012	FY2013	FY2014
1.8	0.4	1.7	4.1	4.3

Major Operating Companies

The Group's financial services business is being developed principally by MSI, ADI, and the following operating companies.

Sumitomo Mitsui Asset Management Company, Limited
 Date established: December 2002 Number of employees: 576 (As of April 1, 2015)
 Assets under management: ¥13,499.9 billion (As of March 31, 2015)
 MS&AD Insurance Group shareholding: 27.5%
 URL <http://www.smam-jp.com/english/index.html>

MITSUI SUMITOMO INSURANCE Venture Capital Co., Ltd.
 Date established: December 1990
 Number of employees: 10 (As of April 1, 2015)
 MS&AD Insurance Group shareholding: 100%
 URL http://www.msivc.co.jp/top_en.html

MS&AD Loan Services Co., Ltd.
 Scope of operations: Entrusted administration services for customers within and outside the Group, credit guarantee services, and loan services for individuals
 Date established: October 1976 Number of employees: 143 (As of April 1, 2015)
 MS&AD Insurance Group shareholding: 100%
 URL <http://www.ms-ad-ls.co.jp/site/index> (Japanese language only)

TOPICS

Offering Coverage Globally Making Use of Weather Derivatives for Dealing with Climate Change

MSI offers weather derivatives that can cover the loss of sales due to unseasonable weather, such as rainfall, overly hot or cool summers, extremely cold or warm winters, and other weather-related phenomenon. In recent years, for the solar power and other businesses, we have introduced package products that combine insurance and weather derivatives, thus supporting the further development of the renewable energy field. Also, in overseas markets, through subsidiaries, we have begun to offer products for hedging climate risk. The weather derivative business has come to be positively assessed globally, and MSI GuaranteedWeather, its U.S. subsidiary has received the "Best Dealer in Asia" award four times from the U.K. monthly magazine *Environmental Finance*.

Strategies by Business Domain

Risk-Related Services Business

Risk-related services business is responsible for important roles within the MS&AD Group's value creation processes, although it generates a relatively small share of profit of the Group.

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

Overview of Risk Related Services Business

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

Risk Management Business

Overview of Risk Management Business

The Group's risk management business is developing its operations based on a business model that emphasizes three concepts – "(1) early risk discovery, (2) risk magnitude and incidence frequency reduction, and (3) eventuated risk impact minimization." Insurance and other financial products are employed with respect of the third of those concepts, having the role of "alleviating economic impacts." The operational scope of risk management business units encompasses all three of the concepts. Working in close cooperation with insurance business units, the risk management business units provide customers with the following types of risk-related services.

- 1 Provision of risk research and simple diagnoses along with loss prevention advice
- 2 Consulting services related to the formulating of a business continuity plan and a crisis management plans of companies and other organizations
- 3 Implementation of surveys and studies of the latest risk-related information and dissemination of that information via seminars and newsletters

The Group unit responsible for these operations is InterRisk Research Institute & Consulting, which is one of the major risk consulting companies in Japan. Utilizing its bases in Singapore, Thailand, China, and Bermuda, InterRisk Research Institute & Consulting is globally developing its risk solution services business.

Fiscal 2014 Business Operations

During the year, we provided consulting services involving the building of risk management systems for overseas operating companies, the provision of support for food-related terrorism countermeasures, and other activities while also continuing to arrange related seminars and provide diverse other kinds of risk-related services.

By participating in risk management-related activities of the Association for Resilience Japan—an organization created to help make Japan a "strong and resilient country" by emphasizing predisaster measures to prevent and mitigate disasters—as well as by engaging in such activities as those to develop the Victims Master Database Management System and support for introduction and utilization of nursing robots, we made contributions to the resolution of risk-related issues of Japan as a whole as well as the solution of various social problems.

Business Performance

	FY2013	FY2014
Number of risk surveys conducted	980 (Domestic 560 Overseas 420)	1,009 (Domestic 526 Overseas 483)
Number of risk-related reports issued	82	75
Number of training/seminars arranged	3,513	3,873
Number of media appearances	323	232
Group Core Profit	¥200 million	¥200 million

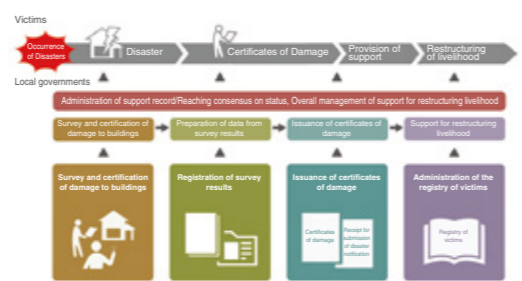
InterRisk Research Institute & Consulting's Global Network



TOPICS

Supporting Early Recovery from Disasters

At InterRisk Research Institute, in industrial and academic collaboration with Kyoto University, Niigata University, and others, it has developed a "System for Supporting Restructuring of the Livelihood of Disaster Victims," and this system was awarded a Good Design prize in fiscal 2014. This system provides comprehensive support to local governments to help disaster victims restructure their lives, including issuance of Disaster Victim Certificates, and thus contributes to the early recovery and return to independence of disaster victims.



System for Supporting Restructuring of the Livelihood of Disaster Victims

Business Strategies Going Forward

Inaugurated in 1993, the Group's risk management business has grown to build up its position as one of the major Japanese risk management companies, which has a strong record of providing high-quality risk solutions, and this business has also begun making contributions to the Group's profitability. Going forward, we will continue striving to foster the development of one of the world's top risk management brands by enhancing the following kinds of measures:

- 1 Responding to diverse customer needs and further elevating the quality of existing consulting services
- 2 Being a pioneer in the early discovery of newly emerging risks in such growth fields as medical therapy and nursing and new energy as well as in technological fields, developing appropriate solutions for those risks, and thereby fostering the creation of new risk consulting fields
- 3 Deepening collaboration with the Group's insurance operations—which are industry-leading operations in the ASEAN region – and thereby leveraging risk management know-how accumulated in Japan to provide risk solutions in overseas markets centered on the Asia region

Other Risk-Related Services Business

Nursing Care Business

The MS&AD Group inaugurated its nursing care business in 1989. Currently, two Group companies are supplying high-quality nursing care services that provide seniors with comfort and peace of mind. MITSUI SUMITOMO INSURANCE Care Network operates fee-based retirement homes (currently operating two such facilities as of March 31, 2015) while Fureai Do-Life Services moved in 2000 to become the first Japanese insurance industry unit to operate elderly daycare centers (operating four such facilities).

Assistance Business

Through ANSHIN DIAL, we are developing comprehensive assistance call center business related to automobiles (road assistance services) and homes (house support services).

By responding to requests for assistance from people throughout Japan, we are cooperating with our partners in this field to relieve customers' worries and concerns and provide peace of mind.

Major Operating Companies

InterRisk Research Institute & Consulting, Inc.

InterRisk Research Institute & Consulting is one of the major risk consulting companies in Japan. It provides companies and government entities with consulting, risk surveys, research and investigation, information provision, and other services related to diverse kinds of risks. With overseas bases in Singapore, Thailand, China, and Bermuda, the company is seeking to provide risk solutions throughout the world.

Date established: January 1993 Number of employees: 201 (As of April 1, 2015)
MS&AD Insurance Group shareholding: 100%
URL <http://www.irric.co.jp/index.html> (Japanese language only)

MITSUI SUMITOMO INSURANCE Care Network Co., Ltd.

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

Date established: October 1990 Number of employees: 376 (As of April 1, 2015)
MS&AD Insurance Group shareholding: 100%
URL <http://www.msk-carenet.com/docs/index.html> (Japanese language only)

ANSHIN DIAL Co., Ltd.

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

Date established: November 1989 Number of employees: 753 (As of April 1, 2015)
MS&AD Insurance Group shareholding: 56.15%
URL <http://www.anshin-dial.jp/> (Japanese language only)

Fureai Do-Life Services Co., Ltd.

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

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

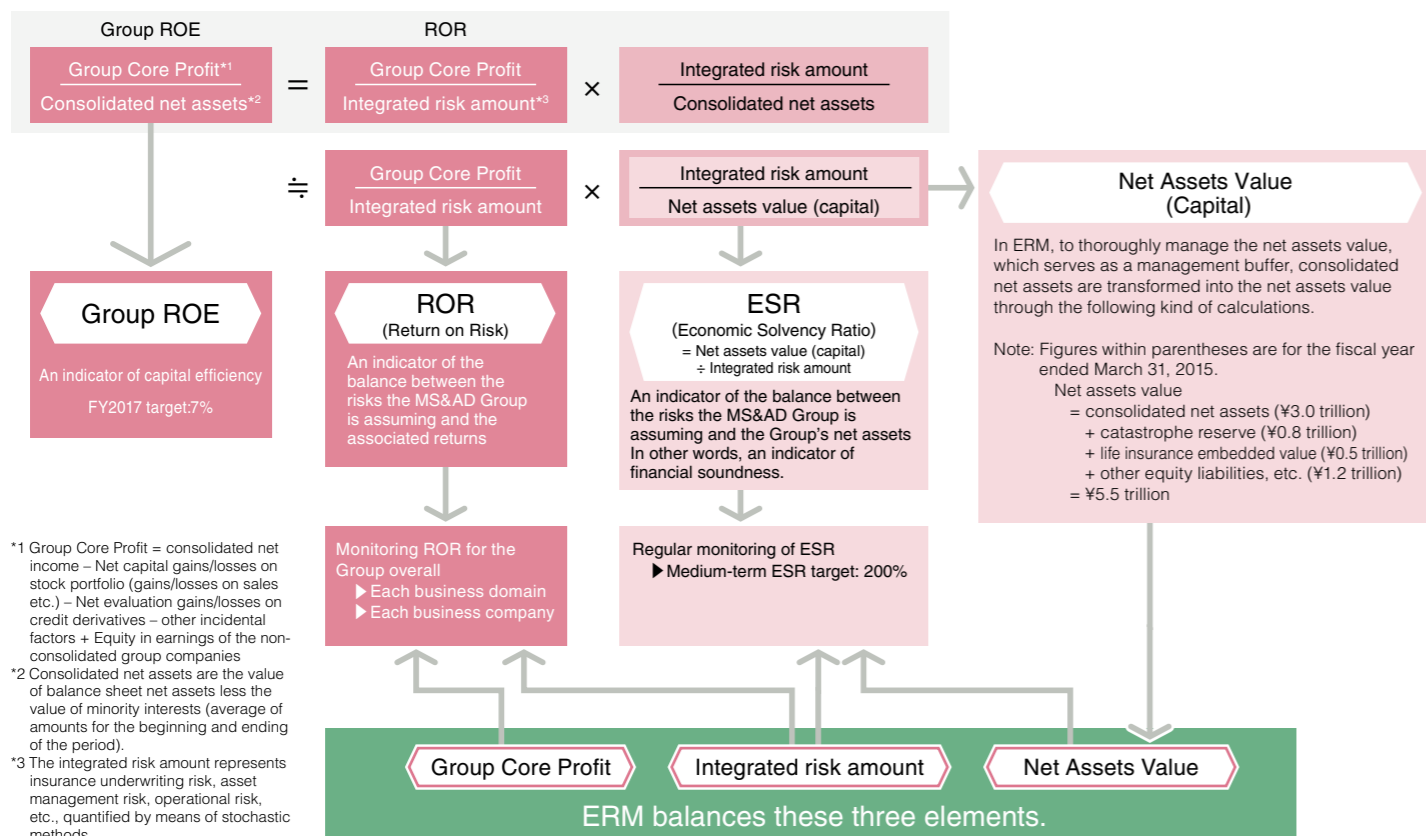
Date established: March 2000 Number of employees: 63 (As of April 1, 2015)
MS&AD Insurance Group shareholding: 100%
URL <http://www.fureai-do.co.jp/> (Japanese language only)

ERM

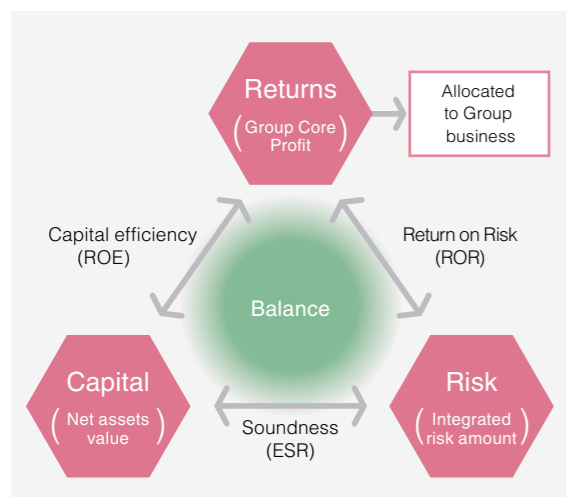
Enterprise Risk Management

Along with the completion of “Reorganization by Function,” promoting “ERM” is positioned as one of the two key drivers of the MS&AD Insurance Group’s Next Challenge 2017 medium-term management plan. We believe that the management administration described in the chart below is an important means of attaining the Next Challenge 2017 targets of building an AA-rated financial base and raising Group ROE to 7.0% by fiscal 2017, and ERM (Enterprise Risk Management) will play an important role in enabling us to clear those targets.

Group ROE Analysis



Roles and Functions of ERM



- In insurance company management, ERM is an important means of managing the balance among three management indicators – profit (returns), risk, and capital. (For more information on this concept, see the Overall Picture of ERM on page 33.)
- ERM requires the quantitative and qualitative evaluation and appropriate management of risk from a comprehensive perspective. (See the “Control of Integrated Risk Amount” section on page 34 for more-detailed information.)
- ERM requires measuring the net assets value (capital) and maintaining a balance between capital and risk. In particular, because fluctuations in financial security markets, etc., cause fluctuations in capital and risk, it is important to maintain soundness based on an understanding of those situations. (See the “Management of Net Assets Value (Capital)” section on page 34 for more-detailed information.)

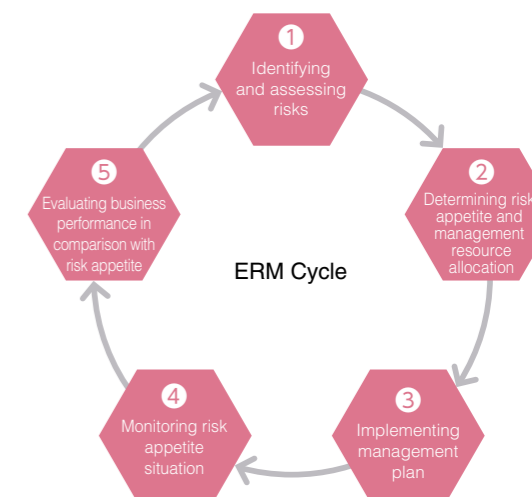
Overall Picture of ERM

ERM Cycle

ERM is implemented through a management PDCA (Plan, Do, Check, Action) cycle.

- Plan**
 - 1 By identifying and assessing risks, the Group quantitatively and qualitatively measures the risks it bears.
 - 2 By determining risk appetite and management resource allocation, a management plan is drafted. (See section ‘A.’ below.)
- Do**
 - 3 Business is implemented based on the management plan.
- Check**
 - 4 The actual risk appetite situation is monitored. In addition, 5 business performance is evaluated in comparison with risk appetite. (See section ‘B.’ below.)
- Action**

In cases when the **Check** process has discovered problems, response and remediation measures are drafted and then implemented in the **Do** process. ERM is implemented by repeating this cycle.



A. Management Plan Drafting Based on the Determination of Risk Appetite and Management Resource Allocation

Risk Appetite Policy

- To secure financial soundness, the risk amount is measured on a companywide basis.
- The target levels of soundness and capital efficiency are determined and standards for undertaking M&A transactions and other business investments are drafted.
- Risk appetite (risk selection and control policies for pursuing optimal balances) is determined.
- Capital is allocated to each business and investment, and risk limits (acceptable level) are set for each business and investment.
- Decisions are made regarding material risks to be monitored, the setting of monitoring indicators, etc.

Management Plan

- Drafting of business portfolio strategy
- Drafting of business domain strategies
- Drafting of business investment strategy
- Drafting of profit improvement measures
- Setting of numerical management targets

Plan Coordination
 Drafting management plan in accordance with the risk appetite policy.

B. Monitoring Risk Appetite Situation and Business Evaluation

Monitoring

- Management using risk-based indices (ROR, VA*, etc.)
- Elaboration of internal models related to risk measurement and utilization of internal models.
- Consideration and drafting of countermeasures and improvement measures as necessary

* VA (Value Added) = Group Core Profit – risk amount x capital cost ratio

Business Evaluation

- Based on ROR, businesses are evaluated in comparison with risk appetite.
- Evaluation criteria: Profit scale by business domain, profitability by business domain, capital efficiency by business domain, ROR by business domain, etc.

Control of Integrated Risk Amount

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

More-detailed information on the Group's risk management systems is posted on the Group's

Qualitative Management

The Group divides risks into four categories – insurance underwriting risk, asset management risk, liquidity risk, and operational risk—and confirms and evaluates the condition of the risk management and systems of the Group's domestic insurance companies.

In addition, to ensure that the Group's overall soundness is not impacted by such factors as intra-Group risk propagation, uneven risk distributions, and risk concentrations, the Group monitors such factors as the management of investment and financing concentration and the situation regarding transactions among Group companies.

Quantitative Management

With respect to insurance underwriting risk, asset management risk, and operational risk, each risk amount is measured using stochastic methods and regularly confirms that the level of assumed risks is commensurate with the Group's capital resources. In addition, monthly monitoring is implemented to confirm that the risks assumed by the Group's domestic insurance companies do not exceed the stipulated limits, and emphasis is placed on monitoring the risk trends of each company.

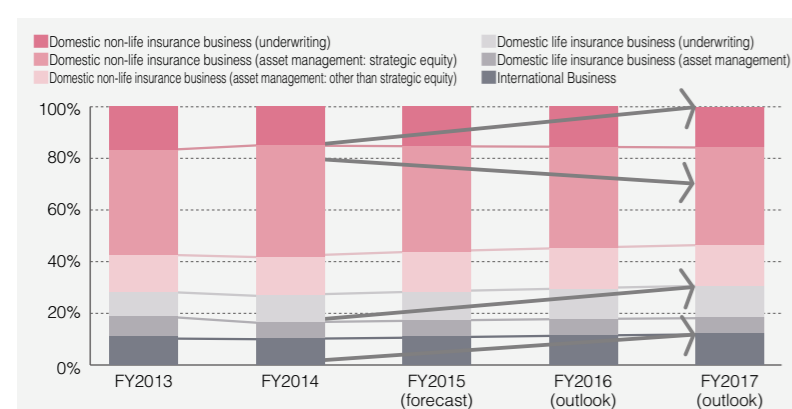
Furthermore, daily monitoring is implemented regarding the impact of market fluctuations on the Group, aiming for the early recognition of significant (or incipient) market plunges while also building systems for the flexible implementation of countermeasures.

With respect to the risk and capital situation, medium-term confirmations are implemented based on the management plan (budget plan), and confirmations (stress tests) are implemented regarding the impact that would be exerted in the case of large-scale natural disasters, financial market chaos, and other exceptional phenomena.

Changes in the Risk Portfolio

By means of risk control based on the risk appetite policy, we are aiming to build the following kinds of risk portfolios. Specifically, we are accelerating sales of strategic equity holdings while moving ahead with the expansion of insurance underwriting risk.

Risk Weight by Business Domain*



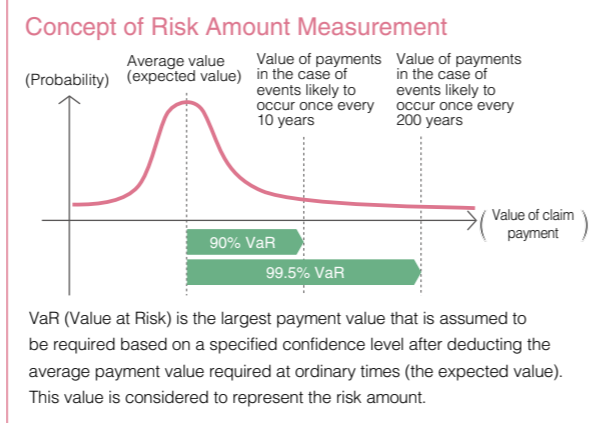
* The weight of each business domain risk in the case that the sum of the planned risk weights is 100%.

Reduction of Equity Risk

The Group's two core non-life insurance companies (MSI and ADI) have strategic holdings of the stock of transactional partners based on the premise that they will be long-term holdings for the purposes of obtaining stable fund management returns from dispersed investments and of comprehensively maintaining and strengthening transactional relations.

However, for the purpose of maintaining a solid financial position, there is a need to proceed with the shrinkage of risk assets concentrated in strategic stock holdings, and the Group plans to sell strategically held stocks with a total value of ¥300 billion during the period of the current medium-term management plan. The value of strategically held stocks was reduced by ¥91.0 billion during fiscal 2014, and the Group is making steady progress toward attaining its planned target.

Column



Column

Effect of Risk Dispersion

Because the likelihood that all the various types of risk assumed by the Group will happen simultaneously is low, the "integrated risk amount" figure representing the Group's overall risk amount is smaller than the simple sum of the risk amounts for each individual business. This is known as the risk dispersion effect.

By preventing imbalances in the risk amount of individual businesses, the risk dispersion effect is increased, which facilitates a rise in return on risk.

Management of Net Assets Value (Capital)

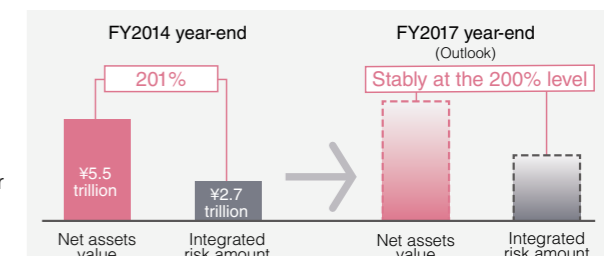
Capital Allocation System

With the goal of optimizing its resource and capital allocation from the perspective of return on risk, the Group has introduced a capital allocation system. First, the Group defines the procedures for considering capital allocation decisions, and each business company drafts budget plans and risk acquisition plans in line with the special characteristics of their business. Then, after confirming that the Group's overall risk portfolio based on each company's plans is in accordance with the Group's risk appetite policy, MS&AD Holdings determines the capital allocation for each business company.

Ensuring a Sound Capital Base

ESR* is an indicator of capital adequacy with respect to risk amount. Risk amounts are calculated based on the statistical quantification of risks of losses and price fluctuations associated with businesses and asset portfolios, and the integrated risk amount represents the total amount of risk assumed by the Group as a whole. By employing calculations based on a 99.5% confidence level of the largest predicted losses likely to occur once in 200 years and setting the Group's ESR target level at 200%, the Group is intending to prepare twice the amount of capital required to cover losses that statistically have a recurrence interval of 200 years. Even if such losses were to actually occur, the result would simply be that the amount of capital would be halved.

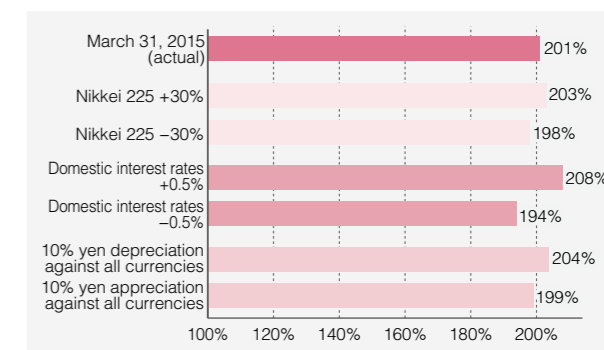
ESR* (99.5% confidence level)



* ESR (economic solvency ratio): Net assets value (capital) ÷ integrated risk amount

Assumed Nikkei 225 levels	FY2014 year-end (actual)	FY2017 year-end
	¥19,207	¥19,000 level

Impact of Market Fluctuations on ESR



Increasing Risk Management Sophistication

Efforts to Increase the Sophistication of Risk Amount Measurement Methods

Aiming to accurately assess and manage risk, the Group is moving ahead with efforts to increase the sophistication of its risk amount measurement methods. In fiscal 2014, the Group built a unified systems base for all Group units, including overseas bases, and thereby increased the sophistication of its risk amount measurement methods while also realizing the unification of data management processes for the Group as a whole.

Strengthening Natural Disaster Risk Management

As natural disaster risk is one of the most-important kinds of risk for the Group, we are undertaking the following three kinds of measures aimed at controlling such risks and augmenting capital efficiency.

- **Increasing the sophistication risk amount measurement methods**
Increasing the sophistication of measurement methods for important risks – such as major floods, heavy snowfalls, and tsunamis in Japan and major floods in Asia—that had not previously been modeled
- **Controlling insurance underwriting risk**
Revising fire and allied insurance products and premium rates and instituting domestic and overseas underwriting limits based on consideration of risk concentration situations
- **Employing reinsurance to shift risk**
Employing reinsurance to adjust risk amounts while also confirming the soundness of reinsurance companies and avoiding excessive concentration regarding transactions with specified reinsurance companies to reduce reinsurance credit risk

Specifying Material Risks

The Group has specified important risks that require management, and, to confirm the potential impact of those risks on Group management, we are regularly monitoring the situation with respect to each type of risk.

Group's Material Risks (FY2015)

1	Domestic incidence of large-scale natural disasters (earthquakes)
2	Domestic incidence of large-scale natural disasters (other than earthquakes)
3	Overseas incidence of large-scale natural disasters
4	Deterioration of the automobile insurance profitability and delay in improvement
5	Large drop in the domestic stock market
6	Substantial yen appreciation
7	Large fluctuations in yen interest rates
8	Increase in credit risk and bad debts
9	Frequent incidence of violations of laws and regulations – violations on the parts of employees and agents with respect to insurance sales and insurance payments
10	Mass leakage of personal information and confidential information and multiple incidences of fraud
11	Incidence of a new (virulent) influenza pandemic
12	Incidence of IT system failure and critical IT system failure

■ ERM

Compliance

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

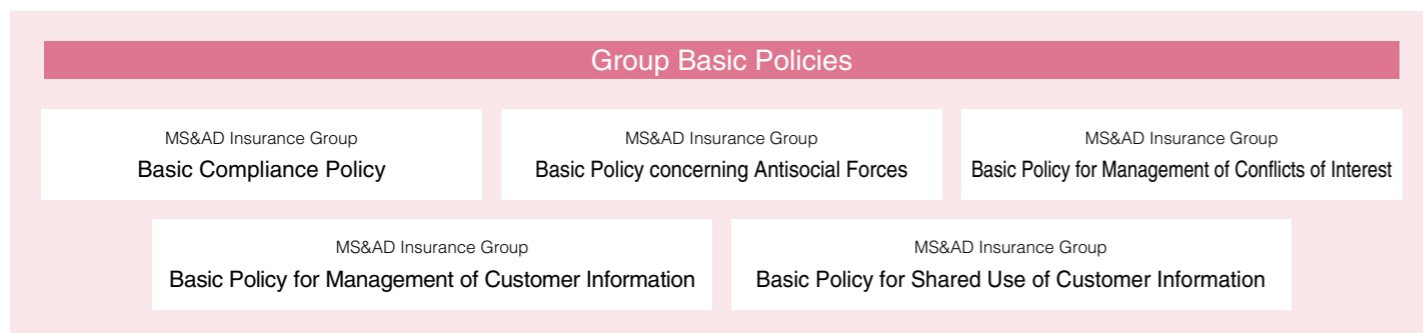
By ensuring that each Group officer and employee rigorously comply with laws and internal corporate regulations and rules and executes business activities in accordance with high ethical standards, the Group intends to appropriately respond to the trust of customers and other stakeholders while also carrying out the Group’s responsibilities to society.

We are also moving ahead with compliance-related initiatives to ensure that we take care to respect the cultures, customs, and histories of countries and regions where our Group’s overseas entities serve while also sharing the Group’s values and compliance philosophy.

Groupwide Basic Policy on Compliance

MS&AD Holdings has instituted the “MS&AD Insurance Group Basic Compliance Policy” shown below as a fundamental compliance standard shared by the entire Group.

Based on this policy, each Group company establishes internal regulations and rules, and prepares manuals and other materials to promote thorough compliance. The basic compliance policy is posted on the Group’s website.



Compliance-Related Systems and Organization

MS&AD Holdings

MS&AD Holdings has established a specialized unit and organization to comprehensively oversee Group compliance matters, and this unit and organization are promoting and managing compliance initiatives throughout the Group. (See the table below.)

Group Companies (Including Overseas Entities)

Based on the above Group basic compliance policy, the boards of directors and compliance departments of each Group company create organizations, internal regulations and rules, and systems tailored to each company’s actual situation in order to promote thorough and rigorous compliance.

Compliance Organization Created by the Company and Principal Responsibilities and Activities

Name	Principal Responsibilities and Activities
Risk and Compliance Committee*	<ul style="list-style-type: none"> Monitoring the compliance situation for the entire Group as well as related consultation and coordination Reporting on important matters to the Board of Directors
Compliance Department	<ul style="list-style-type: none"> Overseeing and managing compliance-related activities throughout the Group
International Supervisory Department	<ul style="list-style-type: none"> Overseeing and managing compliance-related activities at Group companies' International businesses

* The Risk and Compliance Committee is one of the Board of Directors' task-specific committees. (See P42)

Mechanisms to Ensure the Effectiveness of Rules and Systems

Compliance Program

As part of the Group’s compliance implementation plan, each Group company has a Compliance Program* that is approved by its Board of Directors and that promotes the implementation of concrete measures. Reports on the implementation and issues of the program are submitted regularly to the Compliance committees of each Group company and the Board of Directors.

* Some Group companies are promoting compliance activities under the name of “compliance action plans.”

Compliance Manuals

Each Group company has its own Compliance Manual that states its compliance-related policies and company rules, regulations, and applicable laws to be observed, with examples and interpretations, for the use of corporate officers and employees, as a means of promoting through awareness of fundamental compliance issues.

Monitoring

The Company’s Compliance Department and International Supervisory Department monitor the application of compliance-related rules and systems to ensure it is appropriate and reports to the Risk and Compliance Committee, the Board of Directors, and other meetings.

Internal Reporting System

To promote the early detection of compliance infractions and other compliance problems, the Group has established various internal reporting systems, such as the MS&AD Helpline, that enable employees of each Group company to make a report or have a consultation.

To ensure that the internal reporting systems are effective, a contact desk has also been established outside the Company. The identity of reporters is protected ensuring that they do not suffer any unfair treatment.

Specific Activities and Measures

Based on the systems described above, the Group is undertaking the following kinds of activities and measures.

Education and Training	<ul style="list-style-type: none"> Aiming to improve understanding of laws and regulations and internal rules and strengthen compliance awareness, based on the Compliance Program, training courses are regularly implemented for the employees and agents of the Company and other Group companies (insurance companies). For compliance officers at overseas entities, Group training courses are organized and education and guidance programs are implemented at each entity.
Activities of Domestic Group Insurance Companies to Promote Appropriate Insurance Solicitation Activities in Japan	<ul style="list-style-type: none"> To ensure that their agents undertake appropriate insurance sales activities, each domestic Group insurance company prepares manuals in accordance with their “Insurance Solicitation Management Policies” and “Insurance Solicitation Management Rules” that explain compliance-related issues related to appropriate solicitation activities, and these manuals are distributed to agencies. To ensure awareness and thorough compliance with respect to important solicitation-related compliance issues, education and guidance programs are implemented for agencies.

Strengthened Measures Regarding Customer Information Management

With respect to domestic Group insurance companies, the following incidents related to the management of customer information occurred and were publicly announced during the past year.

- Customer information within a personal computer owned by a former employee of an agent was temporarily accessible via the Internet. (Announced in April 2015)
- A CD-ROM containing encrypted customer information kept in domestic sales bases was lost. (Announced in May 2015)

It has not been confirmed whether any unauthorized use was made of leaked or lost customer information in connection with these cases. (As of July 2015)

Recognizing that proper information management is a top priority for a company engaged in business that entails the receipt of customers’ important information, the Company has endeavored to strengthen and increase the rigor of its information management posture. However, because the Company takes the recent incidents extremely seriously, it is supplementing its previous efforts with additional initiatives – including “Reevaluation of Agency Information Management Rules,” “Strengthening of Information Management Education for Agents and Employees,” and “Operational Process Revisions Including the Elimination of CD-ROM Usage” – to ensure that such incidents do not recur. At the same time, based on lessons learned from information leaks at other companies, the Company has prepared the following countermeasures;

- Strengthening of defense systems for countering cyber attacks from outside the Company, presenting of vigilance reminders to employees, implementing training in means of dealing with targeted email attacks, etc.
- Increasing the strictness of data access limits to prevent inappropriate access by insiders, increasing the rigor of customer data outputting restrictions, strengthening oversight processes, etc.

■ Corporate Culture and Human Assets Development

Human Assets Development

Further details are posted on our

The development of human assets* is an important issue for the growth of the MS&AD Insurance Group. Within the Next Challenge 2017 medium-term management plan, one of the four growth drivers of the Group's basic corporate strategy is "creating and instilling a corporate culture that encourages human resources to undertake new challenges as professionals." Human assets are the key to expand the Group's overall enterprise value.

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

Fostering the Development of Human Assets

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

* OJT: On-the-job training

Training the Next Generation of Leaders

Domestic Group insurance companies are implementing manager training programs designed to provide comprehensive support for human asset development by strengthening participants' "management power" and "workplace communication power." With the aim of nurturing the next generation of leaders who will have a sense and skills for management and for working in a global corporation, MSI and ADI implement training programs to help the next generation learn about management and prepare specific management proposals.

Developing Global Human Assets

To foster the development of international specialists equipped with an abundance of cosmopolitan sense and expertise in each field, MSI and ADI implement programs for seconding their employees to overseas subsidiaries and bases, overseas training programs that enable employees to study overseas business operations, international business skills, and languages, as well as programs that enable employees to obtain MBAs. In fiscal 2014, the Group sent 38 Japanese employees overseas on such programs.

Moreover, aiming to expand its staff of global human assets while also internationalizing head office departments and promoting greater international exchanges and mutual understanding, MSI has instituted the systems described below.

System	Content
Global Trainee System	Japanese employees are given work experience at overseas bases and local employees of overseas bases can gain work experience in Japan for short periods. In fiscal 2014, 26 Japanese employees and 46 overseas local employees participated in the system.
Headquarters postings for overseas local employees	A system for temporarily posting overseas local employees to the head office in Japan. There are always roughly eight such employees at the head office, where they work for periods ranging from six months to three years.

Employee Satisfaction

Each year, the Group implements an opinion poll asking all Group employees in the Group such questions as those about the degree of diffusion of the Group Mission, Vision, and Values; about whether the Group has a sense of unity; and about whether they feel strong senses of motivation and personal growth.

Conceptual Image of the Human Assets Development Structure



Program for overseas local employees brought to Japan by the Global Trainee System

KPI on CSR Approaches to "Employee Satisfaction"

Indicator	FY2013	FY2014	
		Score*	Goal
Employee satisfaction level	Score*	Score*	Goal
"Pride, Job satisfaction"	Level of pride or job satisfaction	4.3 points	4.3 points Same or higher level compared to previous fiscal year
"Working vigorously"	Level of feeling free and lively at workplaces regardless of sex and age	4.0 points	4.2 points Same or higher level compared to previous fiscal year

* All-employee average on a 6-point scale

Promotion of Diversity

To promote the Group management in order to cope with changes in the global environment, it is important to promote teamwork among individual employees with diverse skills and values. The Group believes that giving all ambitious employees the opportunity to grow and demonstrate their talents through their work will lead to the augmentation of its competitive strength.

Promoting the Career Development of Women

In July 2011, the Group announced its policy of promoting the career development of female employees. The Group's domestic insurance companies organized specialized teams to cooperatively set action targets, and various initiatives were implemented to promote female employees' career development, improve their work-life balances, and foster a workplace culture that would support the attainment of those objectives.

Besides establishing a training program for next-generation female leaders, MSI and ADI have developed personnel systems to allow transfers to different regions and apply for reemployment after voluntary retirements and have prepared various other systems that make work more convenient for female employees.

As a result, the share of women among managers of domestic Group insurance companies has risen to 4.6%, and ADI appointed its first female executive officer in April 2015.

Share of Management Positions Occupied by Women* (as of April 1 following the end of each fiscal year)

	FY2012	FY2013	FY2014
Share	3.0%	3.6%	4.6%
Number	245	296	377

* The number of women in positions of manager or higher at domestic insurance companies

Global Human Assets Utilization

The Group has a network covering 43 countries and regions throughout the world, employs approximately 8,000 people* at its overseas subsidiaries and affiliates, and has created systems to promote mutual exchanges between Japan and various locations throughout the world. Aiming to make the most of the abilities of employees with diverse backgrounds, personalities, and ideas so that it can augment its own capabilities for responding to dynamically changing markets and elevate its competitiveness, the Group is endeavoring to utilize human assets in a manner that surmounts national borders.

* At overseas consolidated subsidiaries and equity-method affiliates

Employment of People with Disabilities

Group companies continue to engage in hiring activities to expand and anchor places of employment for the disabled. They are also adapting workplaces into friendly environments and developing duties performed by people with disabilities. At the end of fiscal 2014, the share of people with disabilities among the workforces of domestic Group insurance companies in total was 2.09%, exceeding the minimum employment rate (2.00%) required by law.

Employment of the Elderly

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

Achievement of Work-Life Balance

As it values the diverse outlooks and values of its employees, the Group is enhancing its working environment and support measures so that employees can work energetically and experience job satisfaction and growth while striking a good balance between work and life.

Support for Employees Raising Children

To enable female employees to pursue their careers smoothly, it is essential to create an environment in which they can harmonize their work with child raising. To this end, the Group has introduced temporary leave and flextime systems as well as other diverse support systems.

Support for Nursing Care

We have established a support system that enables employees to continue working while caring for a family member. MSI, ADI, and MSI Aioi Life have introduced abbreviated work hour systems, temporary leave systems, and temporary retirement systems for employees who are nursing relatives. They also offer a system for rehiring employees who have retired for nursing reasons.

TOPICS

Assessments by Society

Our proactive initiatives (1) to promote diversity, (2) to enable women to realize their full potential, and (3) to provide support for achieving a balance between work on the onehand and childrearing and caring for seniors on the other, have received high marks.

- In fiscal 2013, ADI was selected by the Ministry of Economy, Trade and Industry as one of the best 100 companies in terms of diversity management, and following this, MSI was also selected in fiscal 2014.
- Also in fiscal 2014, MSI received an award in the "Family Friendly Company" category, which was presented in the Minister's Award for Equal Opportunity and Work-Life Balance sponsored by the Ministry of Health, Labour and Welfare.



Systemic and Environmental Enhancement Measures (Principal initiatives, excluding legally required measures)*

- Assignment of substitute employees to cover for employees taking child-care leave
- Organization of seminars and provision of guide books to help employees return to work following child-care leave
- Preparation of e-learning courses for employees to use at home during child-care leave
- Support for enrolling children in nurseries
- Preparation work-life balance-related booklets and e-learning courses for managers
- Creation of child-care facilities within companies
- Creation of special leave system for male employees following the birth of their children

* There is some variation among the characteristics of individual Group companies' systems

■ Corporate Culture and Human Assets Development

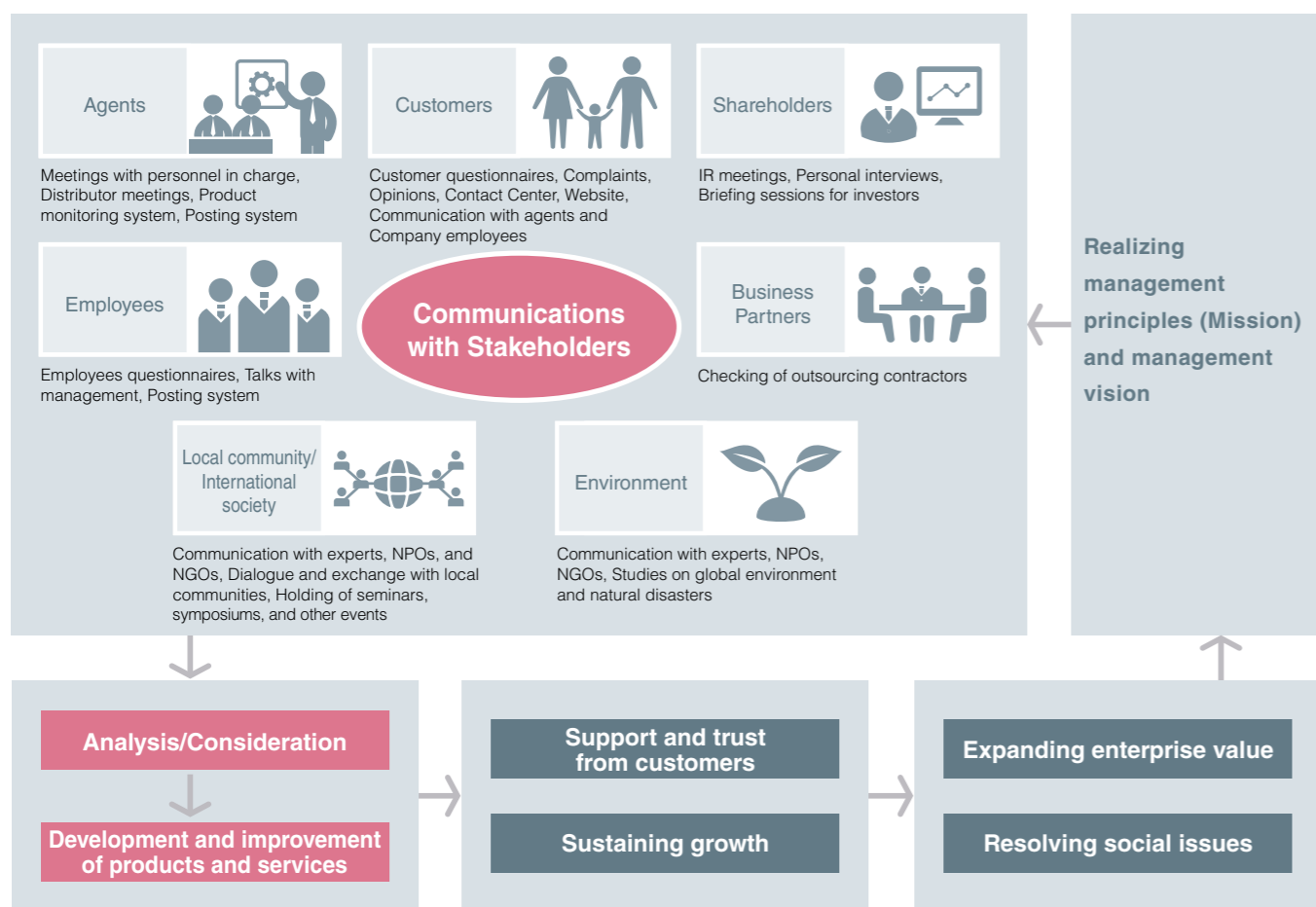
Quality Improvement Initiatives

Further details are posted on our

Listening attentively to the voices of its customers and other stakeholders, the MS&AD Insurance Group is concertedly working to elevate the quality of its products and services and operations as a means of earning additional trust and confidence from society and customers and realizing sustained growth.

Leveraging Stakeholders' Voices to Improve Quality

Given the inherent social contribution aspects of insurance and financial services business, we believe it is our role to provide optimal solutions for social anxieties and risks. Our aim is to deliver security and safety and facilitate people's efforts to lead active, healthy, and enriched lives, and we are seeking to accomplish this developing and improving products that respond to social issues and risks while always listening to the opinions of our customers and other stakeholders, and taking into account the various changing circumstances of our environment. (Please refer to page 21.)



Upgrading Customers' Ease of Understanding and Convenience

We are moving forward with efforts to provide insurance- and services-related information that is easy to understand even for seniors and people with disabilities.

To enable customers to more conveniently obtain insurance policies, we are developing insurance products that can be purchased via personal computers and smartphones, systems that enable people to complete contract procedures using the personal computers of agents, and schemes for perusing insurance policies and clauses on personal computers.

Easy-to-Understand Explanatory Materials

Noting that the pages and volume of materials explaining important insurance policy features has grown and listening to the voices of customers, MSI and ADI have since July 2014 undertaken "explanatory material streamlining" efforts, beginning with materials for fire insurance products. Besides simplifying, clarifying, and condensing the materials, we have also worked to present the materials in easier-to-understand formats, such as formats that explain processes in chronological order.

As part of its "customer satisfaction boosting campaign," MSI Aioi Life has made sustained efforts to make its contract-related materials easier to understand. As a result of these efforts, the company's benefit claims documents won the "information clarity award" in the life insurance and medical insurance division of the UCDA Award 2014 program of the Universal Communication Design Association.

Consideration for the Elderly

In addition to providing easy-to-understand explanatory materials, MSI and ADI are promoting appropriate insurance sales to the elderly by instituting the fundamental rules that salespeople must strive to "gain an accurate grasp of customer' intentions," "explain things in an easily understood and polite manner," and "arrange for customers' relatives and such to sit down together with customers to assist in decision making." Aiming to promote solicitation activities with still greater politeness and appropriateness, the companies have, since fiscal 2014, instituted detailed rules for conscientiously catering to customer needs when necessary through such methods as "arranging for customers to be served by multiple salespeople," "arranging for multiple meetings when requested," and "arranging for another salesperson to confirm and follow-up on transactions." Additional "making a memorable impression" rules for interacting with elderly customers include "speak in a steady voice, slowly, clearly, with clear enunciation," and "seek to present explanations while replacing foreign loan words and insurance jargon with ordinary words." Going forward, we will continue analyzing our customer feedback and sustain our efforts to consider additional improvement measures.

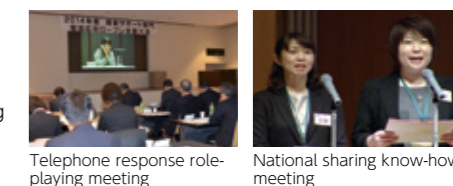
Improving the Quality of Insurance Payments

The Group's domestic non-life insurance companies have established "accident reception centers" that are open for receiving information on accidents in Japan 24 hours a day, 365 days a year.

On weekday nights and holidays, the centers will provide various kinds of initial support, such as contacting the other parties in automobile accidents on behalf of customers, and, in cases when customers have been injured and hospitalized, the centers offer such special services as visits to the hospital by specialized staff. Moreover, the post-accident response measures include staff members telephoning customers to provide detailed explanations of the progress of claims adjustment situations, aiming to put themselves in customers' shoes, alleviate their worries, and respond to whatever questions they may have.

Upgrading Customer Response Skills of Claims Handling Personnel

To provide customers with satisfying claims handling service, the Group works to upgrade the skills of all personnel involved. For example, operating companies organize nationwide telephone response role-playing meetings and nationwide meetings to announce and share improvement tips from each workplace.



Responding to Large-Scale Disasters (Affecting Wide Areas)

The Group has put in place a system for the prompt disbursement of all insurance payments in the event of a large-scale disaster, speedily setting up disaster response offices in the affected areas, and dispatching a large number of support staff to these offices with a view to helping affected customers return to their normal lives as early as possible. Based on its experience in the wake of the Great East Japan Earthquake, the Group has come to the conclusion that strengthening infrastructure creation efforts during normal times and advance training on how to respond during a disaster are essential for the development of an organization that is able to respond effectively at times of large disasters.

Response Following the Floods in Malaysia

In December 2014, there was major flooding in the east coast of peninsular Malaysia, centering on the districts of Kelantan, Terengganu, and Pahang, displacing over 130,000 people. Ordinarily, it takes time to confirm the extent of damage and complete the procedures necessary for insurance payments. However, MSI was able to make good use of the mobile phone short message service (SMS) to contact all its customers in the region immediately after disaster struck. It informed them of the procedures for claiming insurance payments and was able to speedily disburse said payments.

TOPICS

First Group Accident Insurance for Athletes Introduced in Taiwan

MSI's subsidiary in Taiwan, MSIG Mingtai Insurance, began to offer group accident insurance for athletes in fiscal 2014. This is the first insurance product of its type offered in Taiwan and includes coverage in the event of death, hospitalization, and periodic treatment as well as income compensation, and it was awarded the "Best Creative Product" prize among the "Faith, Hope & Love Awards of Insurance 2014" which is sponsored by *RMIM Inc.*, the leading insurance magazine in Taiwan. During 2014, all 417 of the Taiwanese athletes who participated in the Asian Games, held in Incheon, South Korea, were covered by this insurance.



Quality Improvement of the Contact Centers

The MS&AD Insurance Group implements various joint efforts toward further improving customer support services provided by the contact centers of the Group's domestic insurance companies. Also, the integration of Group companies' telephone system infrastructure has resulted in synergies such as the reduction of system maintenance costs.

Group Contact Center Strategy Meeting and Quality Improvement Committee

The Group's contact center representatives hold strategy meetings and education and training meetings on a regular basis. These comprise a joint effort to share information as well as rationalize and improve the quality of work at contact centers. In ratings by HDI (Help Desk Institute), the world's largest membership association for the service and support industry, MSI and ADI received three stars, which is the highest score for inquiry counters, and Mitsui Direct General received three stars for its support portal site.



Group Contact Center Telephone Support Contest

Aiming to improve the customer service quality and mutual training of customer service representatives, the Group holds the "MS&AD Group Contact Center Telephone Support Contest" every year. The contest provides an opportunity for exchange among contact centers, and creates a climate of friendly rivalry conducive to learning new things above and beyond the framework of each contact center's operating style. In fiscal 2014, from around 4,000 staff members at contact centers, 16 were chosen to participate in the contest and competed to show off their telephone support skills.



Telephone Support Contest

Improvement of Agent Work Quality

The Group strives to maintain and improve quality through ongoing dialog with agents. By supporting improvement of the work quality of agents, the Group aspires to deliver high-quality products and services to all its customers and grow together with its agents.

Support for Improvement of Agent Work Skills

At MSI, ADI, and MSI Aioi Life, the departments in charge of agent education offer training programs where agents can learn about compliance, products, office work/systems, sales skills, and other relevant topics. Case studies of agents who have made self-improvement efforts by revising their business procedures, conduct, or awareness based on customer feedback (complaints or appreciation) are also incorporated into agent workshop sessions. In fiscal 2014, MSI Primary Life introduced Audience Response Systems (ARS)*, a new technology that makes two-way communication between trainers and trainees possible, and was established in an effort to further improve the effectiveness of agent training.

* A system that makes real-time tallies of audience responses to questions using dedicated response cards.

Agent Quality Certification System

MSI has established a systematic set of operations related to the solicitation of for agents to follow, and named it the "Fundamental Insurance Cycle." Attempting to raise the quality of operations, the company has also established an agent quality accreditation system based on knowledge related to insurance products and claims handling support. This system is called the Q mark, and serves as an index of quality related to the "Fundamental Insurance Cycle." Meanwhile, ADI is promoting what is called "Project Advance," a customer-oriented effort to reform business processes. With a view to improving the quality of agent and canvasser operations, the company has established quality standards that need to be met for each business process, and clearly defined the action guidelines to help achieve these standards.

Management Support for Agents

The number of agents has been increasing in size, creating the need for a higher level of managerial skills. In providing support to agents, therefore, greater specialization, objectivity, and medium- to long-term perspectives have become important. The Agent Management Support Offices (12 units nationwide) established as part of the MSI Marketing & Sales Promotion Department have a total of about 90 dedicated staff members who provide management support for agents. The company has established the "Professional Accreditation System for New Special Grade" for aspiring professional agents, and supports the continued growth of agents by organizing monthly meetings aimed at helping them get accredited.

ADI has established Professional Support Centers as part of its retail sales development department, and offers a variety of support and training to professional agents through its dedicated staff. The company is working to strengthen the management foundations of professional agents and improve the quality of their operations. It does this through individual support by providing solutions or improvement ideas for management, business operation, and system utilization issues, as well as through practical training related to insurance product and peripheral knowledge and sales techniques for solicitors.

In fiscal 2014, MSI, ADI, and MSI Aioi Life formulated a plan to help improve the effectiveness of education, guidance, and management for agents. It conducted a survey of the type of insurance contract entered into by customers who go via agents, and launched an initiative to shift to a more-appropriate system of solicitation. Taking into account compliance with the revised Insurance Business Act, which will come into effect starting in fiscal 2016, the Group has been working to further strengthen/improve the quality of solicitations.

Corporate Culture and Human Assets Development

Involvement with Society and the Local Community

Further details are posted on our

The MS&AD Insurance Group, in addition to bringing insurance to a larger number of people, works to spread awareness toward preventing accidents and disasters before they happen, as well as educating people on disaster preparedness and ways to mitigate disaster-related damage. It also has a large and diverse agent network both within and outside Japan that enables it to respond swiftly in the event of an accident. The Group makes good use of this network to engage in a variety of activities together with community members. If individual Group employee works toward being a good citizen, it will not only contribute to the personal growth of that employee, but also help the Group better understand the various concerns of the society in which we operate and what is expected of us.

The MS&AD OUR EARTH Project

The MS&AD Group has created its own environmental and social contribution management system, which it calls "The MS&AD OUR EARTH Project." Since April 2013, the Group has been using this system to promote environmental and social contribution by all Group companies in each of their offices. In addition to efforts toward the preservation of biodiversity and contribution to society, the entire Group is working to conserve energy and resources by cutting down on the usage of electricity, gasoline, and paper.

Efforts to Reduce the Burden on the Environment

The Group has been working to cut down on its usage of energy and paper resources, which are among the biggest burdens on the environment due to its business operations. It make efforts to moderate the spike in energy usage due to special factors such as the business relocation or system integration, but its main focus is on the reduction of the environmental burden from its day-to-day operations.

	FY2013	FY2014	FY2014-FY2013 comparison
Electricity (1,000 kWh)	163,505	159,793	-2.3%
Gasoline (kl)	7,825	7,467	-4.6%
Paper (t)	16,036	13,282	-17.2%
CO ₂ emissions (t-CO ₂)	100,085	110,157	10.1%*

* Increased as a result of the significant increase in the CO₂ emission factor of electricity following the suspension of nuclear power plant operations.

Working Together with Customers

The Group is working together with its customers to promote a recycling-oriented society and reduce the burden on the environment through such initiatives as digitizing the insurance contract procedures and documentation, and recommending the use of recycled parts for auto repairs following automobile accidents.

■ Eco-Insurance Policies and Web Policy Clauses

MSI and ADI are working to cut down on the usage of paper resources by introducing "eco-insurance certificates" and "web policy clauses," which allow policy holders to confirm their insurance contract details or view policy wordings on the company website as opposed to receiving paper-based insurance (or renewal) policies and policy (agreement) clauses. The companies also contribute to environmental preservation activities and Great East Japan Earthquake reconstruction support activities together with customers who also support these causes.

■ Resource conservation in automobile repair

MSI and ADI are working to educate customers and auto repair shops about the use of recycled parts. Taking customers' requirements and desires into careful consideration, the companies recommend resource-friendly repair methods. With a view to reducing the burden on the environment, they also actively promote efforts to repair rather than scrap malfunctioning auto parts with the help of their partner repair shops.

Efforts to Contribute to Society Both in Japan and Overseas

All domestic offices of the MS&AD Group actively engage in environmental preservation and social contribution activities based on local needs.



Working in the MS&AD Forest



Campaign to get abandoned bicycles removed from in front of stations



Working on the flower beds and lawns of the Yokohama zoo, ZOORASIA



Environmental education in Paliyan, Indonesia

TOPICS

Creating Jobs in Rural Area in India

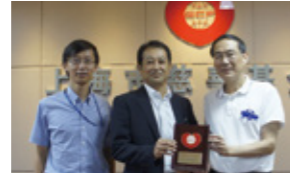
MSI's subsidiary in India, Cholamandalan MS General Insurance Company Limited, is working to create jobs for women in rural area where there are no non-agricultural employment opportunities by conducting its policies-issuing business in such area. This subsidiary has about 180 staff, and it is planning to expand these activities.



Women at work

The Group's Disaster Relief Efforts

In the wake of a large-scale disaster, prompt claims payments are important, of course, but the Group also works to support the reconstruction of affected areas in various ways. Group companies implement a "Disaster Donation Matching Gift Program." Under this program, companies double all disaster relief donations received from their employees. In fiscal 2014, a total of 20,306 Group employees donated toward seven disasters including the heavy rains in Hiroshima Prefecture during August, and after adding the Group's matching contribution, the total amount came out to be ¥35.74 million. Since the program's inception in October 2004, the Group has donated support funds worth over ¥500 million.



Response to the Yunnan Province Earthquake (China)

Donations during the FY2004-FY2014 period

Total number of disasters donated toward	72 (43 domestic, 29 overseas)	
Total number of employees who participated	153,884	
Total contribution from employees	¥270.72 million	Total ¥520.65 million
Total contribution from Group companies (matching gift)	¥249.92 million	

Tohoku Reconstruction Support

It has been over four years since the Great East Japan Earthquake, but the MS&AD Group has not forgotten those who are still in need of support, and continues to work on a variety of efforts to assist them.

The Fuyumizu Tambo Project

Under its Reconstruction Support Program, the Group has been cooperating with efforts in the town of Minamisanriku in Miyagi Prefecture to revive the biodiversity of tsunami-devastated paddy fields by flooding them with water in the winter time – this practice, called *fuyumizu tambo*, creates a rich habitat for diverse organisms to flourish in the paddies during the inactive period. Since 2011, a total of 470 Group employees and their families have participated as volunteers in activities ranging from the clearing of debris to planting and harvesting rice. As a result, the paddy fields have been restored to the point where their owners can use them to cultivate rice on their own.



Helping with a rice harvest

Organizing Group Company Markets—Exhibitions of Products from the Tohoku Region

As a support activity in which Group employees from all over the country can participate, each Group company holds up markets, where they exhibit and sell products from the areas that were affected by the Great East Japan Earthquake. They also sell these products to their employees through mail-order. Group companies have organized a total of 61 markets since 2011.



At a market

MS&AD Ramsar Supporters

Since fiscal 2010, the Group has been conducting what is called the "MS&AD Ramsar Supporters: Life-Connect-From the Waterfront" initiative, which is a waterside environmental preservation initiative centering around the Ramsar Convention registered wetlands. In fiscal 2014, a total of 1,600 employees participated in associated activities at 10 locations nationwide. The Group's biodiversity conservation activities and traveling lectures at schools were appreciated, and, in September 2014, it was accredited as a partner business of the Japan Committee for the United Nations Decade on Biodiversity.



Cutting reeds at Yatsuhigata



Traveling lecture on the biodiversity of wetlands (at a Chiyoda Ward Ochanomizu Elementary School)

MS&AD Unison Smile Club

Group employees donate ¥100 apiece monthly toward one or more initiatives that they support. The money goes to NPOs or social contribution programs. As of the end of March 2015, there were a total of about 17,000 participants from the entire Group.



"Gift Knitted Items to Children Around the World" Project



Inaugurating a dormitory for the Bannamon School (Thailand)

Promoting Sports

In addition to fostering some of the world's top athletes and supporting their activities, the Group also works to popularize and strengthen sports for people with disabilities, thereby promoting sports in Japan.

Women's Judo, Women's Athletics, and Triathlon

Some of the top athletes who act at the forefront inside and outside of Japan belong to the MSI's clubs for women's judo, women's field and track, and triathlon. In the past, the Group has produced a number of Olympic athletes and supported them in various competitive events, helping strengthen Japan's position in the world of sports. In addition to this, the Group also works to actively promote a sports culture in Japan, such as by holding judo classes and running classes for local residents.



Judoka Misato Nakamura



Athlete Yuki Hidaka



Triathlete Junpei Furuya



Joint practice session with the Brazilian Judo national team



Running class (Photo: AFLO SPORT)

Women's Football

Six players belonging to JEF United Ichihara Chiba Ladies who play in the women's football Nadeshiko League (Japanese women's football league) are employees of MS&AD Group companies and have been skillfully balancing work and sports.



Women's Football

Supporting Sports for People with Disabilities

The Group supports sports for people with disabilities, such as wheelchair basketball and judo for the visually impaired. In addition to encouraging the efforts of athletes with disabilities, the Group also promotes their employment toward their economic independence and social participation. Nine such athletes are employees at Group companies. In May 2014, ADI became an official partner of the Japanese Para-Sports Association.



Judo for people with visual impairment



International Wheelchair Basketball Tournament (Photo: Japan Wheelchair Basketball Federation)



The 2014 Japan Para Goalball Championships



Field and track events



Paratriathlon (Photo: AFLO SPORT)

Participation in Initiatives

Based on its social responsibilities and roles as a global financial institution seriously, the Group participates in a variety of domestic and international initiatives with a view to strengthening its efforts to ensure environmental and social sustainability as well as spreading these efforts to society at large.

The United Nations Global Compact

In June 2004, MSI expressed its support for the United Nations Global Compact (UNGC) as the first financial institution, and the MS&AD Insurance Group continues to honor that by respecting the 10 principles in areas such as human rights, labor, and the environment in conducting its business activities. The Group also participates in the management of the Global Compact Network Japan, the local chapter of the UNGC.



Principles for Responsible Investment (PRI)

In June 2015, the Group became a signatory to the Principles for Responsible Investment (PRI) Initiative, which seeks to incorporate environmental, social, and corporate governance (ESG) issues into the investment decision-making process. Going forward, it will work to promote constructive dialog based on the ESG perspective with companies in which it invests, and implement business investments taking ESG issues into account.

Signatory of:



Initiatives in which Group Companies Participate

- United Nations Environment Programme Finance Initiative—Principles for Sustainable Insurance (UNEP FI PSI) [MSI]
- Principles for Financial Action towards a Sustainable Society [MSI, ADI, MSI Aioi Life, InterRisk Research Institute & Consulting, Inc.]
- Carbon Disclosure Project (CDP) [MSI]
- Japan Business Initiative for Biodiversity (JBIB) [MSI]

Note: The signatory Group companies for each initiative are mentioned within square brackets.

■ Corporate Governance

Corporate Governance

MS&AD Holdings, aiming to promote the Group's sustainable growth and an increase in enterprise value, implements transparent, fair, swift, and decisive decision-making processes. In addition, believing it crucial to strengthen the corporate governance posture, MS&AD Holdings is emphasizing the measures for the "strengthening of Group governance," which is one of the four implementation drivers within the Next Challenge 2017 medium-term management plan.

For some time, MS&AD Holdings has appointed multiple outside directors, established internal committees within the Board of Directors (Nomination Committee and Remuneration Committee), and taken other measures designed to create highly transparent management systems. In fiscal 2015, we are working to further strengthen corporate governance through initiatives including those to establish a Governance Committee comprised mainly of outside directors and to increase the number of independent outside directors within the Board of Directors to a level corresponding to one-third of the total number of directors.

Principal Measures to Strengthen Corporate Governance

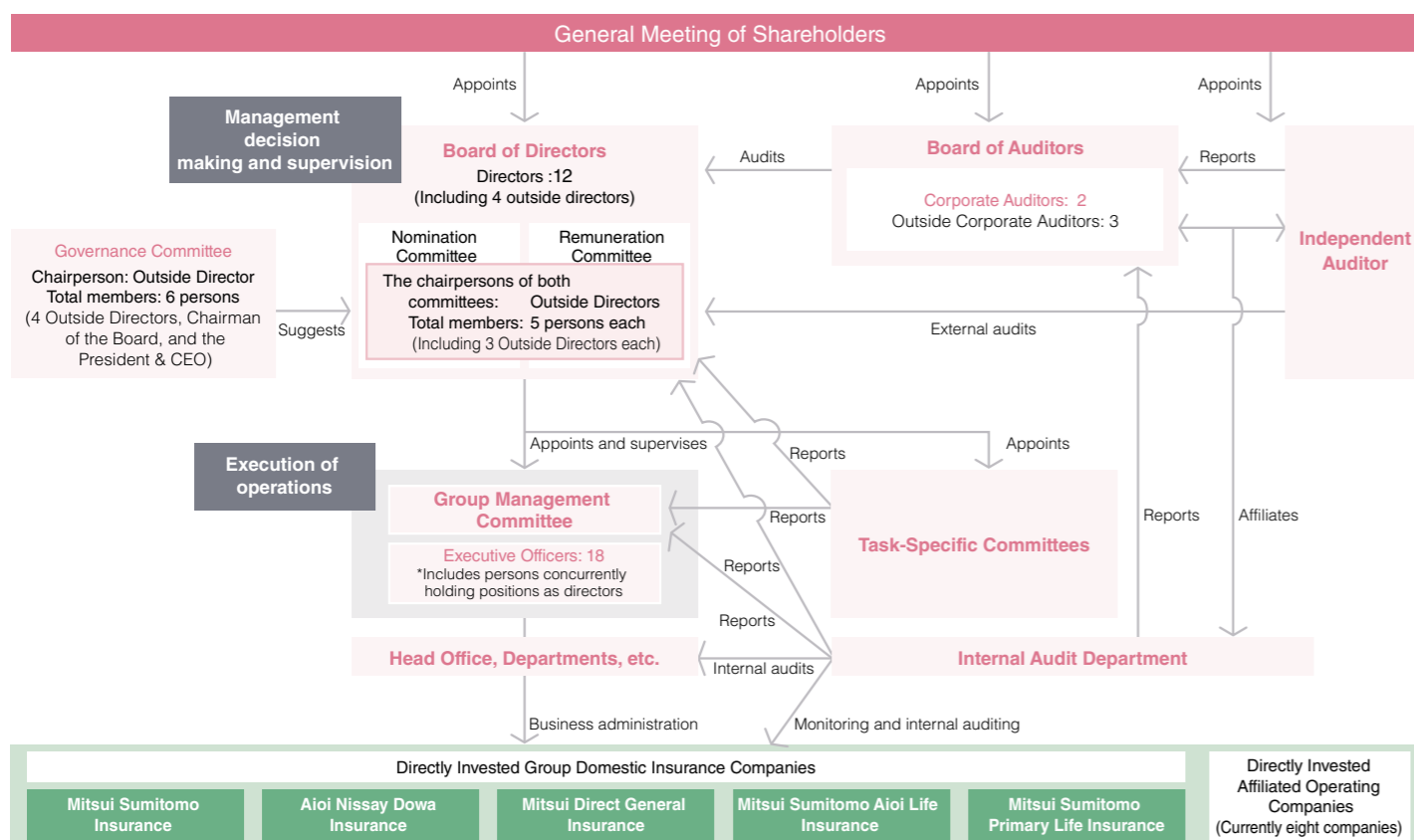
- Establishment and announcement of the "MS&AD Insurance Group Basic Policies on Corporate Governance" (posted on our website)
- Establishment of "Governance Committee" mainly composed of outside directors
- Elevate the ratio of independent outside directors to one-third
- Institute standards for the selection of director candidates and auditor candidates (including criteria for determining independence)
- Introduce stock option as stock-based compensation system for directors (excluding outside directors) and executive officers

Basic Policies on Corporate Governance

- 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 enterprise value.
- 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.

*The "MS&AD Insurance Group Corporate Philosophy (Mission), Corporate Vision, and Values" is on the last page of this brochure.

Management Structure of MS&AD Insurance Group Holdings, Inc.



Corporate Governance Stance

- As a company with a Board of Auditors, the Company will endeavor to improve governance by ensuring that independently appointed corporate auditors 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 swift execution.

Supervision System (Board of Directors)

Role of the Board of Directors

- 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.
- The Board of Directors allocates management resources according to risk appetite controlled with a balance of risk, return, and capital, and aims to increase enterprise value in the medium-to-long term by achieving sustainable growth and improvement in earnings and capital efficiency with a foundation of soundness.
- 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.
- 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.

Composition of the Board of Directors

- One-third of the Board of Directors which has twelve members (eleven men and one woman) are nominated as Outside Directors to incorporate perspectives independent from management, strengthen monitoring and oversight functions, and conduct highly transparent management.

Expected Roles of Outside Directors

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 enterprise 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* and/or major shareholders
- Realizing supervising from a standpoint independent of management by fulfilling accountability for stakeholders, including shareholders

*Collectively refers to the directors, corporate auditors, and executive officers of the Company and domestic insurance companies in the Group in which the Company has a direct investment.

Committees Comprised Mainly of Outside Directors / Providing Opportunities for Opinion Exchanges

Aiming to enable Outside Directors to engage freely in constructive discussions and opinion exchanges, we have formed the following committee and meetings.

- Governance Committee (meets about twice a year)
- Outside Directors Council
- Outside Directors and Outside Auditors Joint Council

Support Systems for Outside Directors and Outside Corporate Auditors

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

Support Systems for Directors and Corporate Auditors / Training Policy

The Company has the following systems in place as required for Directors and Corporate Auditors 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 Corporate Auditors (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 Corporate Auditors.
- (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.

Auditing

Corporate Auditors and Board of Auditors

1. Responsibilities of Corporate Auditors

As an independent entity entrusted with authority by the shareholders, the Corporate Auditors are responsible for ensuring the sound and sustainable growth of the Company, and establishing good corporate governance in response to the public trust by supervising the performance of duties of the Directors.

2. Authority and Roles of Corporate Auditors

Each Corporate Auditor 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 Board of Auditors.

3. Composition and Roles of the Board of Auditors

- The Board of Auditors comprises two full-time Corporate Auditors and three part-time Corporate Auditors (Outside Corporate Auditors), for a total of five members (all men). Candidates for Corporate Auditor are nominated by the Board of Directors with the approval of the Board of Auditors, based on the "Criteria for the Selection of Director Candidates and Corporate Auditor Candidates" (page 41).
- The Board of Auditors receives reports from Corporate Auditors 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.

Internal Auditing

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

Accounting Auditors

- The Company has appointed KPMG AZSA LLC as its independent audit corporation. Please note that there are no special conflicts of interest between this company and MS&AD Holdings.
- The Board of Directors and the Board of Auditors endeavor to take appropriate action to ensure adequate auditing by the Accounting Auditors.
- The Board of Auditors makes decisions regarding proposals submitted to the General Shareholders' Meeting on the appointment or dismissal of Accounting Auditors. It also has the right to consent to decisions regarding remuneration of the Accounting Auditors.
- The Board of Auditors prepares criteria for appropriately selecting and evaluating Accounting Auditor candidates. To promote appropriate accounting by the Accounting Auditors, measures are taken to confirm the independence, specialist capabilities, and other requisite characteristics of the Accounting Auditors.

Accounting Auditor Remuneration

Scope	FY2013		FY2014	
	Compensation for audit services	Compensation for non-audit services	Compensation for audit services	Compensation for non-audit services
The Company	40	16	46	10
Consolidated subsidiaries	312	42	335	9
Total	352	58	381	20

(¥ million)

*Regarding the content of non-audit services for which the Company paid compensation to the accounting auditor, in fiscal 2013, these included evaluation and advisory services concerning the risk management posture for systems integration projects, and, in fiscal 2014, these included expert guidance and advisory services towards the application of IFRS.

Nomination and Remuneration

For the purpose of maintaining high transparency, the Company has formed the Nomination Committee and Remuneration Committee as internal committees of the Board of Directors. Please note that these two committees comprise five members each, and the chairpersons and other members are appointed from among members of the Board of Directors. With respect to each of the two committees, a majority of the members and the chairperson have been appointed from among the Outside Directors.

Nomination Committee (Nomination Process)

- The Nomination Committee deliberates on major management personnel matters and provides advice on these matters to the Board of Directors. Such matters include the selection of candidates for the positions of Director, Corporate Auditor, and Executive Officer of the Company as well as the selection of Directors and Corporate Auditors for domestic insurance companies in which the Company has direct investments.
- With respect to the evaluation of candidates for Director and candidates for Executive Officer, evaluation items include performance evaluations (corporate performance and personal performance) and other items.
- The Board of Directors appoints candidates for Director as well as candidates for Corporate Auditor and Executive Officers based on advice from the Nomination Committee. The consent of the Board of Auditors must be obtained for candidates for Corporate Auditor.

Criteria for the Selection of Director Candidates and Corporate Auditor Candidates and Criteria for Determining the Independence of Outside Corporate Officers

1. Policies on the Board of Directors' Overall Balance of Expertise, Experience, Capabilities, Diversity, and Scale

- Four of the twelve Directors (eleven men and one woman) and three of the five Corporate Auditors (5 men) have been appointed from outside the Company to incorporate perspectives independent from management, strengthen monitoring and oversight functions, and conduct highly transparent management. Please note that there are no concerns that the interests of these Outside Directors and Outside Corporate Auditors of the various companies will be in conflict, in terms of human, capital, transactions, or other relationships, with the interests of shareholders in general. These Directors and Corporate Auditors are independent, and their names as independent outside officers have been filed with the Tokyo Stock Exchange Co., Ltd., and Nagoya Stock Exchange Co., Ltd.
 - Outside Directors and Corporate Auditors are contributing to the strengthening of oversight and auditing functions to the Board and to ensuring the transparency of management. In addition, by receiving advice from these Outside Directors and Corporate Auditors based on their knowledge and experience as professionals in the fields of law and accounting, the Company ensures that this system will enable proper decision making on important matters.
- ### 2. Criteria for the Selection of Director Candidates and Corporate Auditor Candidates and Criteria for Determining the Independence of Outside Corporate Officers
- Outside Director candidates must satisfy the eligibility requirements as defined in the Companies Act and the Insurance Business Act. In addition, with the goal of selecting candidates able to accurately and fairly supervise the overall management of insurance companies, candidates are selected based on consideration of specialized expertise such as that stemming from experience working as a finance-related government administration officer, general business company corporate officer, lawyer, and academic as well as specialized expertise regarding social, cultural, and consumer issues.
 - Director candidates other than Outside Director candidates must meet legal eligibility requirements. In addition, with the goal of selecting candidates able to accurately and fairly supervise the overall management of insurance companies, candidates are selected based on consideration of specialized expertise, such as that stemming from extensive experience working as a manager in an insurance company as well as on consideration of varied experience, highly specialized experience, and the ability to exercise leadership in accordance with the Company's corporate philosophy.
 - In addition, the Company has instituted the "Criteria for the Selection of Director Candidates and Corporate Auditor Candidates" below. The determination of "independence" when selecting Outside Director candidates is undertaken in accordance with the criteria described in section "1. (3) Independence" below.

Criteria for the Selection of Director Candidates and Corporate Auditor Candidates

1. Outside director candidates and outside corporate auditor candidates

Candidates must meet the following requirements:

- Must not be disqualified from serving as a director or corporate auditor pursuant to the Companies Act
- Must not be disqualified from serving as a director or corporate auditor of an insurance holding company pursuant to the Insurance Business Act
- Must have a sufficient level of social credibility
- An outside corporate auditor must satisfy the eligibility requirements for a corporate auditor 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. <ul style="list-style-type: none"> • 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: <ol style="list-style-type: none"> ① An executing person of the Company or a subsidiary of the Company ② A director or corporate auditor 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 executing person 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's consolidated direct premiums written excluding deposit premiums from policy holders for the most recent fiscal year), or an executing person thereof ⑤ Any of the Company's top 10 largest shareholders (or, if the shareholder is a corporation, an executing person thereof) ⑥ An executing person of 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 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 ⑨ An individual who was an executing person of the Company or subsidiaries of the Company in the past ⑩ A spouse or second-degree or closer relative of a person listed in items ① through ⑨ above
*Term limits	The total terms of office for newly elected outside directors and outside corporate auditors from April 1, 2015 onwards are as listed below. For outside directors, the expectation is 4 terms, 4 years, renewable for a maximum of 8 terms, 8 years. For outside corporate auditors, 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 corporate auditor other than outside corporate auditor

Candidates must meet the following requirements:

- Must not be disqualified from serving as a director or corporate auditor pursuant to the Companies Act
- Must not be disqualified from serving as a director or corporate auditor of an insurance holding company pursuant to the Insurance Business Act
- Must satisfy the eligibility requirements for a director or corporate auditor 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

Remuneration Committee

- This committee advises the Board of Directors regarding the remuneration of Directors and Executive Officers of the Company as well as the remuneration systems for management of domestic insurance companies in which the Company has direct investments.

Remuneration Determination Processes

1. Amount of Directors' Remuneration

(1) Determination Processes

Remuneration for each Director is set within overall limits approved by the Shareholders' Meeting. Consideration is given to the function of remuneration as an incentive for improvement in performance, long-term contribution to corporate profits and enterprise value, the level of compensation appropriate for competitiveness as a global corporation, and other factors. To ensure transparency, the Remuneration Committee, which is composed of a majority of Outside Directors, considers remuneration amounts, and the final decisions are made by the Board of Directors.

(2) Maximum Total Compensation

As a result of decisions made by the Shareholders' Meeting, maximum total annual compensation for Directors (excluding any salaries for work performed by Directors concurrently in employee positions) is set at ¥500 million (including a total allocation of ¥60 million for Outside Directors). With a separate framework, the remuneration of Directors (excluding Outside Directors) includes "stock acquisition rights as stock compensation-type stock options" with a maximum value of ¥60 million per year.

2. Amount of Corporate Auditors' Remuneration

(1) Determination Processes

Remuneration for Corporate Auditors is set within overall limits approved by the Shareholders' Meeting. Consideration is given to whether Corporate Auditors are full-time or part-time, their share of the auditing activities, and the content and level of remuneration of Directors. Decisions on remuneration levels are decided in discussions among the Corporate Auditors.

(2) Maximum Total Compensation

As a result of decisions made by the Shareholders' Meeting, maximum total compensation for Corporate Auditors is set at ¥110 million.

Performance-Based Remuneration and Stock Option System

- The Company has introduced performance-based remuneration (linked to corporate and personal performance) into its corporate officer remuneration system. Because this system elevates corporate officers' consciousness of performance increases, from fiscal 2014, the share of performance-based remuneration within total corporate officer remuneration has been increased from the previous level of approximately 20% to a new level of approximately 30%.
- In addition, from fiscal 2015, the Company has introduced stock options as stock-based compensation so that the Company's directors (excluding outside directors) share not only the benefit of a rising share price, but also share the risk of share price fluctuations with our shareholders. The system involves replacing a portion of performance-based monetary remuneration with stock options provided as stock-based compensation. Actual grants of these stock options as stock-based compensation are planned to commence from fiscal 2016.
- Plans also call for introducing stock options as stock-based compensation for the Company's executive officers and the directors (excluding outside directors), executive officers and associated directors of the Company's main subsidiaries (MSI and ADI). Specific grants of these stock options as stock-based compensation are planned to commence from fiscal 2016.

Directors' and Corporate Auditors' Remuneration

Category	Number	Total Remuneration
Directors (excluding Outside Directors)	12	251
Corporate Auditors (excluding Outside Corporate Auditors)	2	51
Outside Directors/Corporate Auditors	7	73

Note: The total remuneration figures are the portion of the Company. All remuneration is basic remuneration.

Name	Corporate Officer Posts	Company	Total consolidated remuneration, etc.
Yasuyoshi Karasawa	Director	The Company	104
	Director	MSI	
Toshiaki Egashira	Director	The Company	104
	Director	MSI	

Management Execution Systems (Group Management Structure / Internal Control Systems)

Group Management Committee

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

Task-Specific Committees

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

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

Internal Control Systems

The Company has instituted the "MS&AD Insurance Group Basic Policy Pertaining to System for Internal Controls," which provides systems required by the Companies Act and also emphasizes the importance of creating and maintaining a "System for Assuring the Reliability of Financial Reporting."

- The MS&AD Insurance Group Basic Policy Pertaining to System for Internal Controls is posted on the Company's

Group Management Structure

Role of the Company (the holding company)

- (1) To realize management strategies, increase the Group's management efficiency, and ensure the soundness of Group finances and appropriateness of Group operations, the Company concludes management agreements with its directly invested subsidiaries and undertakes the management administration of each company.

- The Company has concluded management agreements with its directly invested domestic insurance company subsidiaries (MSI, ADI, Mitsui Direct General, MSI Aioi Life, and MSI Primary Life) and provides those companies with advice and other assistance.
- Believing that directly and quickly obtaining business-related information from the Group's domestic insurance companies will contribute to the smoothness of Group management, the Company has established a system in which its own directors concurrently serve as directors of the Group's domestic insurance companies. In addition, directors of the Group's domestic insurance companies sometimes attend the Group Management Committee meetings, depending on the proceedings.
- In addition, the Company has concluded management agreements with its directly invested affiliated operating companies (InterRisk Research Institute & Consulting and seven other companies) and undertakes the management administration of each company.

- (2) The Company has established Groupwide basic policies – including the "Basic Policy Pertaining to System for Internal Controls," "Risk Management Basic Policy," "Basic Compliance Policy," "Internal Audit Basic Policy," "Risk Appetite Statement," and "Basic Information and Technology Governance Policy." In addition to requiring compliance with these policies by Group companies, important matters involving directly held companies require either the approval of or reporting to the Company in line with management supervision contracts.
- (3) The Company establishes Group business strategy, such as the Group's Medium-term Management Plan.
- (4) The Company provides guidance and supervision through the 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.

Role of Directly Held Companies

- (1) Directly held 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.
- (2) Directly held companies also appropriately supervise the management of their subsidiaries under management supervision contracts.

Reference Responses to 11 Principles of the Corporate Governance Code

1. Principle Items to Be Implemented (To Comply)

The response situations and disclosure scope regarding the following 10 principles are as follows:

Items Calling for Disclosure	Disclosure Content (Summary)
<p>Principle 1.4</p> <ul style="list-style-type: none"> Policy regarding holding Strategic Equity Holdings and standards with respect to the voting rights as to their cross-shareholdings 	<p><MS&AD Insurance Group Basic Policy for Strategic Equity Holdings></p> <ol style="list-style-type: none"> When investing in strategic equity holdings, the Company shall make careful judgments based on a comprehensive review of factors such as the financial condition, governance, share price, share liquidity, and trading conditions of the issuer. The Company shall manage appropriately investment efficiency and credit/market risk, etc. of shares held in order to maintain and improve the quality of the strategic equity holdings portfolio. <p><Criteria for Ensuring Appropriate Handling of the Exercise of Voting Rights Pertaining to Strategic Equity Holdings></p> <ol style="list-style-type: none"> Basic policy to the exercise of voting rights The exercise of voting rights is seen to be an important means of influencing the management and improving the enterprise value of investee companies, and decisions are not made uniformly based solely on formulaic short-term criteria, but rather in terms of enhancement of enterprise value in the medium-to-long term and improvement in shareholder returns, among others. The process for exercising voting rights When exercising voting rights, items such as those listed below are verified for each potential investment, with a focus on such aspects as whether the company in question is managed with an emphasis on growth of the company and the interests of shareholders, and whether the company is engaged in any antisocial behavior. Proposals are also judged based on the results of dialogue with the company concerned following a detailed examination of individual issues as required. <ul style="list-style-type: none"> Shareholder returns Retirement benefits for directors and corporate officers Expansion of authorized capital Takeover defense measures Business reorganization, etc.
<p>Principle 1.7</p> <ul style="list-style-type: none"> Procedures for related Party Transactions 	<p>With respect to transactions between the Company and a related party, to ensure that they do not harm the common interests of the Company and the Company's shareholders, such transactions as competition transaction by a director, transactions between a corporate officer and the Company, and other transactions with conflict-of-interest characteristics, such transactions will require prior deliberation and approval of a Board of Directors' meeting with the attendance of multiple outside directors, and in the case of similar transactions by executive officers will require a report to the Board of Directors.</p>
<p>Principle 3.1</p> <ul style="list-style-type: none"> Full Disclosure—disclose and proactively provide the information listed below <ol style="list-style-type: none"> Business principles, business strategies, etc.; Basic policy and guidelines on corporate governance; Policies and process for determining the remuneration; Policies and process for the selection of the senior management and the nomination of Directors and Corporate Auditors candidates; Explanations with respect to the individual selection and appointment. 	<p>i) See pages beginning from page 10 (the Corporate Philosophy is on page 3 and the last page)</p> <p>ii) See page 40</p> <p>iii) See page 42</p> <p>iv) See page 41</p> <p>v) See pages beginning from page 43</p>
<p>Supplementary Principle 4.1 ①</p> <ul style="list-style-type: none"> Scope and content of the matters delegated to the management 	<p>See page 40 "Role of the Board of Directors"</p>
<p>Principle 4.8</p> <ul style="list-style-type: none"> A road map if a company in its own judgement believes it needs to appoint at least one-third of directors as independent directors. 	<p>The Board of Directors comprises 12 members (11 men and 1 woman), and one-third of the Directors (four Directors) are nominated as Outside Directors.</p>
<p>Principle 4.9</p> <ul style="list-style-type: none"> Criteria of determining the independence of outside directors 	<p>See page 41</p>
<p>Supplementary Principle 4.11 ①</p> <ul style="list-style-type: none"> A view on the balance, diversity and Board size, and policies and procedures for nominating directors. 	<p>See page 41</p>
<p>Supplementary Principle 4.11 ②</p> <ul style="list-style-type: none"> A status for concurrent positions of outside corporate officers 	<p>See pages beginning from page 43 "Introduction to Directors" and "Introduction to Corporate Auditors."</p>
<p>Supplementary Principle 4.14 ②</p> <ul style="list-style-type: none"> A training policy for Directors and Corporate Auditors. 	<p>See page 40</p>
<p>Principle 5.1</p> <ul style="list-style-type: none"> Policies concerning the measures and organizational structures aimed at promoting constructive dialogue with shareholders. 	<p>See page 46</p>

2. Principle Items Not to Be Implemented (To Explain) and Reasons for Not Implementing

Items Calling for Disclosure	Situations
<p>Supplementary Principle 4.11 ③</p> <ul style="list-style-type: none"> A summary of the results from analysis and evaluation of the effectiveness of the Board as a whole. 	<p>Plans call for doing this going forward. Regarding the detailed system for analyzing and evaluating the Board of Directors' effectiveness as a whole, the Governance Committee is deliberating on this matter, and the Board of Directors will decide on the direction of initiatives.</p>

Introduction to Directors

(As of August 1, 2015)

Hisahito Suzuki

Representative Director
Chairman of the Board



(Sept. 15, 1950)

Years as a director: 5

Number of Company shares owned: 35,170

Important concurrent positions: Director & President
Aioi Nissay Dowa Insurance Co., Ltd.

- Apr. 1973 Entered The Dai-Tokyo Fire and Marine Insurance Co., Ltd. ("Dai-Tokyo")
- Apr. 2000 Executive Officer, General Manager of Merger Preparation Dept., Dai-Tokyo
- Apr. 2001 Executive Officer, General Manager of Corporate Planning Dept., Aioi Insurance Co., Ltd. ("Aioi")
- Apr. 2002 Managing Executive Officer, Aioi
- June 2002 Managing Director, Aioi
- May 2003 Senior Managing Executive Officer, Aioi Life Insurance Company, Limited ("Aioi Life")
- June 2003 Director & Vice President, Aioi Life
- Mar. 2004 Senior Managing Executive Officer, Aioi
- June 2004 Senior Managing Director, Aioi
- June 2008 Director, Senior Managing Executive Officer, Aioi
- Apr. 2010 Director & President, Aioi
Director, Executive Officer, the Company
- Oct. 2010 Director & President, Aioi Nissay Dowa Insurance Co., Ltd. ("ADI")(present)
- June 2014 Director, Chairman of the Board, the Company (present)

Yasuyoshi Karasawa

Representative Director
President & CEO



(Oct. 27, 1950)

Years as a director: 7

Number of Company shares owned: 24,600

Important concurrent positions: Director, President, and CEO,
Mitsui Sumitomo Insurance Co., Ltd.

- Apr. 1975 Entered The Sumitomo Marine and Fire Insurance Co., Ltd.
- Apr. 2004 Executive Officer, General Manager of Corporate Planning Dept., Mitsui Sumitomo Insurance Co., Ltd. ("MSI")
- June 2005 Director, Executive Officer, General Manager of Corporate Planning Dept., MSI
- Apr. 2006 Director, Managing Executive Officer, MSI
- Apr. 2008 Director, Senior Executive Officer, MSI
Director, the Company
- Apr. 2009 Director, Senior Executive Officer, the Company
- Apr. 2010 President & Chief Executive Officer, MSI (present)
Director, Executive Officer, the Company
- June 2014 Director, President & CEO, the Company (present)

Toshiaki Egashira

Representative Director
Executive Officer



(Nov. 30, 1948)

Years as a director: 7

Number of Company shares owned: 29,600

Important concurrent positions: Chairman of the board, Mitsui Sumitomo Insurance Co., Ltd.
Managing Director (Outside Director),
Mitsui Fudosan Co., Ltd.

- Apr. 1972 Entered Taisho Marine and Fire Insurance Co., Ltd.
- Oct. 2001 Executive Officer, General Manager of Fire & Casualty Underwriting Dept., Mitsui Sumitomo Insurance Co., Ltd. ("MSI")
- June 2002 Executive Officer, General Manager of Chugoku Div., MSI
- June 2003 Managing Executive Officer, General Manager of Chugoku Div., MSI
- Apr. 2004 Managing Executive Officer, General Manager of Kanagawa & Shizuoka Div., MSI
- Apr. 2006 Co-Chief Executive Officer, MSI
- June 2006 President & Director, Co-Chief Executive Officer, MSI
- Aug. 2006 President & Chief Executive Officer, MSI
- Sept. 2006 President & CEO, MSI
- Apr. 2008 President & Director, the Company
- Apr. 2009 President, Director & CEO, the Company
- Apr. 2010 Chairman of the Board, MSI (present)
- June 2014 Director, Executive Officer, the Company (present)

Mitsuhiro Tsuchiya

Representative Director
Executive Officer



(June 1, 1955)

Years as a director: 4

Number of Company shares owned: 12,990

Important concurrent positions: Director & Vice President Executive Officer,
Aioi Nissay Dowa Insurance Co., Ltd.

- Apr. 1980 Entered The Dai-Tokyo Fire and Marine Insurance Co., Ltd.
- Apr. 2009 Executive Officer, General Manager of Promotion Planning Dept., Aioi Insurance Co., Ltd.
- Apr. 2010 Executive Officer, the Company
- Oct. 2010 Executive Officer, General Manager of Promotion Planning Dept., Aioi Nissay Dowa Insurance Co., Ltd. ("ADI")
- Apr. 2011 Managing Executive Officer, General Manager of Promotion Planning Dept., ADI
- June 2011 Director, Managing Executive Officer, ADI
Director, Executive Officer, the Company (present)
- Apr. 2013 Director, Senior Managing Executive Officer, ADI
- Apr. 2014 Director, Vice President Executive Officer, ADI (present)

Susumu Fujimoto

Director
Vice President
Executive Officer

(Dec. 5, 1948)



Years as a director: 7

Number of Company shares owned: 30,000

Important concurrent positions: —

Apr.	1972	Entered the Ministry of Finance ("MOF")
June	1998	Director-General of Yokohama Customs, MOF
July	1999	Deputy Director-General of the Minister's Secretariat, MOF
July	2002	Executive Director, European Bank for Reconstruction and Development
Aug.	2005	Advisor, Mitsui Sumitomo Insurance Co., Ltd. ("MSI")
June	2007	Director, MSI
Apr.	2008	Director, Managing Executive Officer, MSI
		Director, the Company
Apr.	2009	Director, Senior Executive Officer, MSI
		Director, Senior Executive Officer, the Company
Apr.	2011	Senior Executive Officer, MSI
Apr.	2014	Vice President Executive Officer, MSI
		Director, Vice President Executive Officer, the Company (present)

Shiro Fujii

Director
Senior Executive Officer

(Sept. 29, 1956)



Years as a director: 1

Number of Company shares owned: 24,315

Important concurrent positions: —

Apr.	1979	Entered Taisho Marine and Fire Insurance Co., Ltd.
Apr.	2008	Executive Officer, General Manager of Corporate Planning Dept., Mitsui Sumitomo Insurance Co., Ltd. ("MSI")
Apr.	2009	Director, Executive Officer, General Manager of Corporate Planning Dept., MSI
Apr.	2010	Managing Executive Officer, General Manager of Claims Div., MSI
Apr.	2012	Managing Executive Officer, General Manager of Tokyo Div., MSI
Apr.	2014	Senior Executive Officer, the Company
June	2014	Director, Senior Executive Officer, the Company (present)

Independent Directors**Akira Watanabe**

Outside Director

(Feb. 16, 1947)



Years as a director: 5

Meeting attendance (FY2014): 12 of 14 Board of Directors' meetings

Reason for appointment: Utilize his knowledge and experience as a legal professional within the Company's management

Number of Company shares owned: 1,100

Important concurrent positions: Attorney-at-Law, Seiwa Meitetsu Law Office
Director of Japan Pile Corporation
Director of Dunlop Sports Co., Ltd. (Outside Director)
Director of Maeda Corporation (Outside Director)
Corporate Auditor of Fast Retailing Co., Ltd. (Outside Corporate Auditor)
Corporate Auditor of Kadokawa Dwango Corporation (Outside Corporate Auditor)

Apr.	1973	Admitted as Attorney-at-Law
		Attorney-at-Law, Ginza Law Office (currently, Abe, Ikubo & Katayama)
Apr.	1982	Attorney-at-Law, Akira Watanabe Law Office
Apr.	1989	Attorney-at-Law, Seiwa Kyodo Law Office (currently, Seiwa Meitetsu Law Office) (present)
Apr.	2010	Director, the Company (present)

Daiken Tsunoda

Outside Director

(Jan. 29, 1967)



Years as a director: 5

Meeting attendance (FY2014): 13 of 14 Board of Directors' meetings

Reason for appointment: Utilize his knowledge and experience as a legal professional within the Company's management

Number of Company shares owned: 0

Important concurrent positions: Attorney-at-Law, Nakamura, Tsunoda & Matsumoto

Apr.	1994	Admitted as Attorney-at-Law
		Attorney-at-Law, Mori Sogo (currently, Mori, Hamada & Matsumoto)
Mar.	2003	Attorney-at-Law, Nakamura & Tsunoda (currently, Nakamura, Tsunoda & Matsumoto) (present)
Apr.	2008	Corporate Auditor, the Company
Apr.	2010	Director, the Company (present)

Yasuzo Kanasugi

Director
Executive Officer

(May 29, 1956)



Years as a director: 1

Number of Company shares owned: 17,108

Important concurrent positions: Director and Senior Managing Executive Officer of Aioi Nissay Dowa Insurance Co., Ltd.

Apr.	1979	Entered The Dai-Tokyo Fire and Marine Insurance Co., Ltd.
Apr.	2008	Managing Officer, General Manager of Human Resource Planning Dept., Aioi Insurance Co., Ltd. ("Aioi")
Apr.	2009	Executive Officer, Aioi
Apr.	2011	Managing Executive Officer, Aioi Nissay Dowa Insurance Co., Ltd. ("ADI")
Apr.	2012	Executive Officer, the Company
June	2012	Director, Managing Executive Officer, ADI
Apr.	2013	Director, Senior Managing Executive Officer, ADI (present)
June	2014	Director, Executive Officer, the Company (present)

Junichi Ui

Director
Executive Officer

(May 20, 1952)



Years as a director: 1

Number of Company shares owned: 26,025

Important concurrent positions: Director, Vice President, and Executive Officer of Mitsui Sumitomo Insurance Co., Ltd.

Apr.	1975	Entered The Sumitomo Marine and Fire Insurance Co., Ltd.
Apr.	2006	Executive Officer, General Manager of Shikoku Div., Mitsui Sumitomo Insurance Co., Ltd. ("MSI")
Apr.	2008	Managing Executive Officer, General Manager of Kanto & Koshinetsu Div., MSI
Apr.	2010	Senior Executive Officer, General Manager of Tokyo Div. and General Manager of Financial & Governmental Institutions Business Promotion Div., MSI
Apr.	2012	Director, Senior Executive Officer, General Manager of Financial & Governmental Institutions Business Promotion Div., MSI
Apr.	2013	Director, Vice President Executive Officer, General Manager of Financial & Governmental Institutions Business Promotion Div., MSI
Apr.	2014	Director, Vice President Executive Officer, MSI (present)
		Executive Officer, the Company
June	2014	Director, Executive Officer, the Company (present)

Tadashi Ogawa

Outside Director

(Feb. 26, 1940)



Years as a director: 3

Meeting attendance (FY2014): 14 of 14 Board of Directors' meetings

Reason for appointment: Utilize his wide-ranging knowledge in relation to fiscal and monetary affairs and experience as a management of other companies

Number of Company shares owned: 5,000

Important concurrent positions: —

Apr.	1962	Entered the Ministry of Finance
May	1995	Commissioner, National Tax Agency
Jan.	1996	Administrative Vice Minister of Finance
June	2001	Director-Chairman of Japan Tobacco Inc.
June	2005	President, The Bank of Yokohama, Ltd.
June	2011	Director-Chairman of The Bank of Yokohama, Ltd.
June	2012	Director, the Company (present)
June	2013	Senior Advisor of The Bank of Yokohama, Ltd. (present)

Mari Matsunaga

Outside Director

(Nov. 13, 1954)



Years as a director: 3

Meeting attendance (FY2014): 14 of 14 Board of Directors' meetings

Reason for appointment: Utilize her wide-ranging knowledge of society, culture, consumption activities, etc., and experience within the Company's management

Number of Company shares owned: 0

Important concurrent positions: Director of Terumo Corporation (Outside Director)
Director of Rohto Pharmaceutical Co. (Outside Director)

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

Corporate Auditors

Hiroshi Miura

Corporate Auditor
(Full time)

(Sept. 21, 1956)



Years as a corporate auditor: Newly appointed

Number of Company shares owned: 16,400

- Apr. 1979 Entered Taisho Marine and Fire Insurance Co., Ltd.
- Apr. 2010 Executive Officer, General Manager of Investment Planning Dept., Mitsui Sumitomo Insurance Co., Ltd. ("MSI")
- Apr. 2013 Managing Executive Officer, General Manager of Financial Services Div., MSI
Executive Officer, the Company
- Apr. 2014 Director, Managing Executive Officer, General Manager of Financial Services Div., MSI
- June 2015 Corporate Auditor, the Company (present)

Jiro Yoshino

Corporate Auditor
(Full time)

(Aug. 24, 1954)



Years as a corporate auditor: 2

Number of Company shares owned: 8,290

- Apr. 1978 Entered The Dai-Tokyo Fire and Marine Insurance Co., Ltd.
- Apr. 2011 Executive Officer, General Manager of Chiba Div., Aioi Nissay Dowa Insurance Co., Ltd. ("ADI")
- Apr. 2012 Managing Executive Officer, General Manager of Regional Business Promotion Div., ADI
Executive Officer, the Company
- Apr. 2013 Managing Executive Officer, ADI
- June 2013 Corporate Auditor, the Company (present)

Hiroyuki Tezuka

Corporate Auditor

(May 8, 1961)



Years as a corporate auditor: 5

Meeting attendance (FY2014): 13 of 14 Board of Directors' meetings, 11 of 12 Board of Auditors' meetings

Reason for appointment: Utilize his knowledge and experience as a legal professional within the Company's auditing

Number of Company shares owned: 0

Important concurrent positions: Attorney-at-Law and Partner, Nishimura & Asahi
Corporate Auditor of Showa Denko K. K.
(Outside Corporate Auditor)

- Apr. 1986 Registered as Attorney-at-Law
Partner, Nishimura & Sanada (currently, Nishimura & Asahi) (present)
- June 2007 Corporate Auditor, Nissay Dowa General Insurance Co., Ltd.
- Apr. 2010 Corporate Auditor, the Company (present)

Independent Corporate Auditors

Sousuke Yasuda

Corporate Auditor

(Dec. 15, 1943)



Years as a corporate auditor: 7

Meeting attendance (FY2014): 14 of 14 Board of Directors' meetings, 12 of 12 Board of Auditors' meetings

Reason for appointment: Utilize his knowledge and experience as a Certified public accountant within the Company's auditing

Number of Company shares owned: 4,300

Important concurrent positions: Special Advisor of Gyosei & Co. and
Representative Partner of GYOSEI Certified
Public Tax & Accountants Co.

- Apr. 1979 Registered as certified public accountant
- June 1980 Representative, Sousuke Yasuda Tax Accountant Office
- Feb. 1983 Representative of Tokyo Akasaka CPA Joint Office
- July 1993 Senior Partner, Tokyo Akasaka Audit Co.
- Oct. 1999 Director and Senior Partner, Tokyo Hokuto & Co. (currently, Gyosei & Co.)
- Sept. 2001 Supervising Officer, Japan Prime Realty Investment Corporation (present)
- June 2005 Auditor, Mitsui Sumitomo Insurance Company, Ltd.
- Jan. 2008 Group Representative Partner, Gyosei & Co.
- Apr. 2008 Corporate Auditor, the Company (present)
- Jan. 2009 Special Adviser, Gyosei & Co. (present)
Group Representative Partner, GYOSEI Certified Public Tax & Accountants Co. (present)

Kuniaki Nomura

Corporate Auditor

(June 13, 1945)



Years as a corporate auditor: 5

Meeting attendance (FY2014): 12 of 14 Board of Directors' meetings, 10 of 12 Board of Auditors' meetings

Reason for appointment: Utilize his knowledge and experience as a legal professional within the Company's auditing

Number of Company shares owned: 6,800

Important concurrent positions: Attorney-at-Law, Nomura Law Offices
Director of Sumitomo Mitsui Financial Group, Inc.
(Outside Director)
Corporate Auditor of Dai Nippon Printing Co., Ltd
(Outside Corporate Auditor)

- Apr. 1970 Registered as Attorney-at-Law
Attorney-at-Law, Yanagida Law Office (currently, Yanagida & Partners)
- June 2006 Corporate Auditor, Mitsui Sumitomo Insurance Co., Ltd.
- June 2009 Attorney-at-Law, Nomura Law Offices (present)
- Apr. 2010 Corporate Auditor, the Company (present)

Introduction to Executive Officers

Title	Name	Responsibilities
Representative Director Chairman of the Board	Hisahito Suzuki	—
Representative Director President & CEO	Yasuyoshi Karasawa	—
Representative Director Executive Officer	Toshiaki Egashira	—
Representative Director Executive Officer	Mitsuhiro Tsuchiya	Assist Management
Director Vice President Executive Officer	Susumu Fujimoto	Compliance Dept., Corporate Risk Management Dept., International Supervisory Dept., Internal Audit Dept. <Mainly responsible for Group domestic insurance companies> MSI Aioi Life, MSI Primary Life, Mitsui Direct General
Director Senior Executive Officer	Shiro Fujii	Corporate Planning Dept., Corporate Communications and Investor Relations Dept., Business Development Dept., Internal Audit Dept.*
Director Senior Executive Officer	Nampey Yanagawa	Human Resources and General Administration Dept., Accounting Dept.
Executive Officer	Masaaki Nishikata	Marketing and Sales
Director Executive Officer	Yasuzo Kanasugi	Assist Management
Director Executive Officer	Junichi Ui	Assist Management
Executive Officer	Tetsuya Yoshikawa	Administration and Information Systems
Executive Officer	Masahiro Matsumoto	International Business
Executive Officer	Mikito Hirano	Assist Management
Executive Officer	Teruhiko Ito	Financial Services Business
Executive Officer	Fumiaki Ohkawabata	Products
Executive Officer	Yoshinao Yoshihara	Claims Services
Executive Officer	Takaoki Endo	General Manager of Corporate Planning Dept.
Executive Officer	Hidema Jinno	General Manager of Corporate Risk Management Dept.

* Senior Executive Officer Shiro Fujii is responsible for internal auditing of the departments which Vice President Executive Officer Susumu Fujimoto oversees.

■ Corporate Governance

Dialogue with Shareholders and Investors

(Information Disclosure and IR Activities)

The MS&AD Insurance Group, led by the management, including top-level executives, proactively discloses information and conducts IR activities for the benefit of shareholders, investors, and analysts.

Efforts Based on the “Guidelines for Constructive Dialogue with Shareholders”

The Group engages in constructive dialogue with shareholders in an effort to achieve sustainable growth and increase enterprise value over the medium-to-long-term. It then incorporates the information obtained through these interactions into its business management for further value creation. Specifically, the Group makes efforts to create and perfect a system for information disclosure that shareholders and market participants can trust; it is also working to create a mechanism for the effective feedback of information obtained through constructive dialogue to top management executives and the Board of Directors (please see exhibit to the below).

Methods for the Feedback of Information Obtained through Dialogue to the Management and Efforts to Expand the Means of Conducting These Dialogues

- Reporting on IR activities to the Board of Directors and Group management-committee meetings (twice a year)
- Feedback on how the stock markets view the Company (market perception), quarterly reports regarding the Company's share prices
- Organizing regular meetings where the PR and IR divisions provide feedback to relevant corporate divisions
- Organizing meetings for investors where the top management of each business division explains the details of the business
- Organizing sessions for the exchange of opinions with investors aimed at promoting dialogue between management executives and investors

Activities Undertaken in fiscal 2014

The Group organized Information Meetings at which the president explained management strategies and performance, as well as sessions for the exchange of opinions between management executives and investors. It also organized face-to-face and online Company information sessions aimed at individual investors. A total of 236* instances of dialogue with shareholders, institutional investors, and analysts took place.

*These included individual visits, telephone conferences, and discussions at conferences.



Information Meeting (aimed at institutional investors and analysts)



Online Company information session (aimed at individual investors) allowing live participation using a computer

IR Activities Aimed at Foreign Investors

As foreign individual and corporate investors are on the rise, the Group has been strengthening information disclosure for the benefit of foreign investors and actively promoting dialogue with them. In fiscal 2014, in addition to participating five times in conferences organized by securities companies for foreign investors, the President himself visited and had face-to-face interactions with 19 foreign investor companies. Again, taking foreign investors who access its Website into consideration, the Group is working to provide more complete information in English.

Information Disclosure as the Basis for Dialogue

The Group's Website (English and Japanese) won the Daiwa Investor Relations

“Internet IR Excellence Award 2014”

The Group makes prompt and fair information disclosure in both English and Japanese.



Daiwa Investor Relations
“Internet IR Excellence Award 2014”



The MS&AD Integrated Report 2015

The *MS&AD Integrated Report 2015* (this report is available in both English and Japanese) is being issued for the first time as a new disclosure medium that also includes non-financial information and discusses the Group's capacity to create value in the medium and long term.

Other important information disclosed on the Company Website under the head of “Investor Relations”

- Timely disclosure information, Annual Securities Reports and Corporate Governance Reports
- Materials presented at announcements of earning results (including a summary of the Q&A session), streaming videos of presentations by the President
- Notices of general shareholder meetings

Compiled based on the International Integrated Reporting Council's “International Integrated Report (<IR>) Framework” released in December 2013



■ Corporate Overview

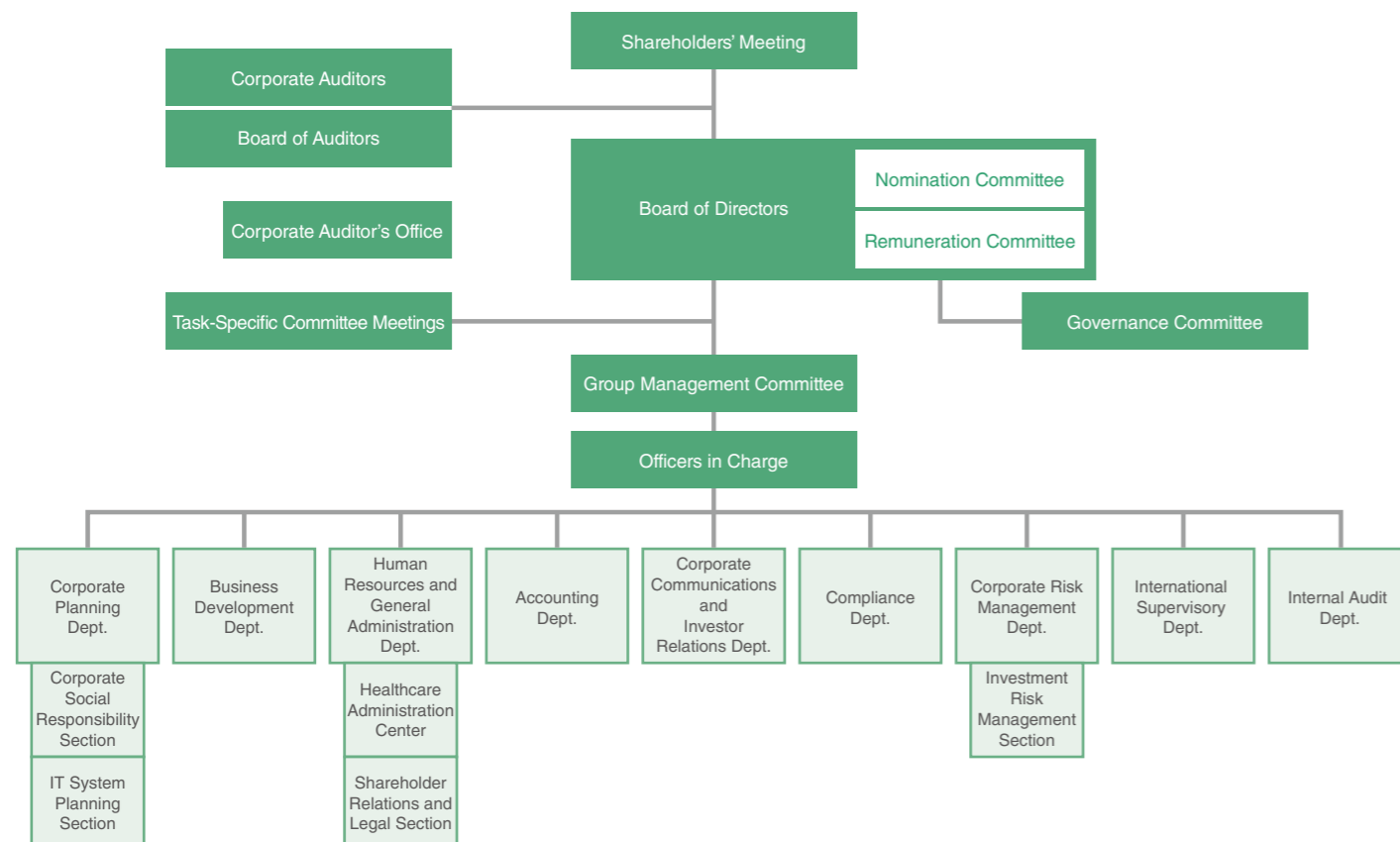
Corporate Profile

MS&AD Insurance Group Holdings is an insurance holding company. The Company controls the entire MS&AD Insurance Group, planning strategies and allocating management resources across the Group, as well as monitoring and overseeing Group companies. The Company has thus established a system for Group corporate governance.

The Company will be the force to maximize the total potential of the Group, forming the center of efforts to raise the level of management control, pursue Group synergies, accelerate decision making, and develop human assets through various business frameworks and personnel systems.

Corporate Name	MS&AD Insurance Group Holdings, Inc.
Date Established	April 1, 2008 (Name changed on April 1, 2010)
Headquarters	27-2, Shinkawa 2-chome, Chuo-ku, Tokyo, Japan
Representative	Representative Director, President & CEO Yasuyoshi Karasawa
Paid-in Capital	¥100,000,000,000
Number of Employees	309 (38,358 on a consolidated basis) *As of March 31, 2015
Business Description	Our activities as an insurance holding company are: 1. Management of non-life and life insurance companies and companies qualified to become subsidiaries under the Insurance Business Act. 2. Any business associated with the above.
Stock Listings	Tokyo Stock Exchange (First Section) Nagoya Stock Exchange (First Section)

Organizational Chart



Stock and Shareholders (As of March 31, 2015)

Summary of Issued Shares

1) Class of Stock	Common stock
2) Total Number of Authorized Shares	900,000,000
3) Total Number of Issued Shares	633,291,754
4) Number of Shareholders	65,342

Shareholding Profile

1) Breakdown by Sector

Item	Japanese Financial Institutions	Japanese Securities Companies	Other Japanese Companies	Foreign Companies and Individuals	Japanese Individuals and Others	Total
Number of Shareholders	171	54	1,625	643	62,849	65,342
Number of Shares Held (millions)	187.88	11.29	104.78	250.05	79.25	633.29
Percentage of Shares Issued	29.7%	1.8%	16.5%	39.5%	12.5%	100.0%

2) Breakdown by Number of Shares Held

Item	1-99	100-999	1,000-9,999	10,000-99,999	100,000 and Over	Total
Number of Shareholders	19,358	32,658	12,027	901	398	65,342
Percentage of All Shareholders	29.6%	50.0%	18.4%	1.4%	0.6%	100.0%

3) Breakdown by Region

Item	Hokkaido	Tohoku	Kanto	Chubu	Kinki	Chugoku	Shikoku	Kyushu	Overseas	Total
Number of Shares (millions)	2.13	2.94	280.77	69.01	21.37	2.50	3.08	2.35	249.11	633.29
Percentage of Shares Issued	0.3%	0.5%	44.3%	10.9%	3.4%	0.4%	0.5%	0.4%	39.3%	100.0%

Major Shareholders

Shareholder Name	Address	Number of Shares Held (in thousands)	Percentage to Shares Issued (%)
Toyota Motor Corporation	1, Toyota-cho, Toyota-city, Aichi Prefecture	52,610	8.31
NIPPON LIFE INSURANCE COMPANY	1-6-6, Marunouchi, Chiyoda-ku, Tokyo c/o Nippon Life Securities Operations Department	36,325	5.74
The Master Trust Bank of Japan, Ltd. (Trust account)	2-11-3, Hamamatsu-cho, Minato-ku, Tokyo	28,085	4.43
STATE STREET BANK AND TRUST COMPANY (Standing agent: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch)	One Lincoln Street, Boston MA 02111, U.S.A. (3-11-1, Nihonbashi, Chuo-ku, Tokyo)	22,107	3.49
Japan Trustee Services Bank, Ltd. (Trust account)	1-8-11, Harumi, Chuo-ku, Tokyo	21,744	3.43
CBNY - GOVERNMENT OF NORWAY (Standing agent: Citibank Japan Ltd.)	388 Greenwich Street, New York, NY 10013, U.S.A. (6-27-30, Shinjuku, Shinjuku-ku, Tokyo)	16,503	2.61
MELLON BANK, N.A. AS AGENT FOR ITS CLIENT MELLON OMNIBUS US PENSION (Standing agent: Corporate Financial Sales Div., Mizuho Corporate Bank, Ltd.)	One Boston Place, Boston, MA 02108, U.S.A. (4-16-13, Tsukishima, Chuo-ku, Tokyo)	10,692	1.69

Shareholder Name	Address	Number of Shares Held (in thousands)	Percentage to Shares Issued (%)
STATE STREET BANK AND TRUST COMPANY 505225 (Standing agent: Corporate Financial Sales Div., Mizuho Corporate Bank, Ltd.)	P.O. Box 351, Boston, Massachusetts 02101, U.S.A. (4-16-13, Tsukishima, Chuo-ku, Tokyo)	9,069	1.43
STATE STREET BANK WEST CLIENT - TREATY 505234 (Standing agent: Corporate Financial Sales Div., Mizuho Corporate Bank, Ltd.)	1776 Heritage Drive, North Quincy, MA 02171, U.S.A. (4-16-13, Tsukishima, Chuo-ku, Tokyo)	6,562	1.04
Japan Trustee Services Bank, Ltd. (Trust account 5)	1-8-11, Harumi, Chuo-ku, Tokyo	6,547	1.03
Total		210,249	33.20

Note: Apart from the shares shown above, the Company holds 21,101 thousand shares (3.33%) as treasury stock.

Changes in Total Number of Issued Shares, Paid-in Capital, Etc.

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

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

Basic Information

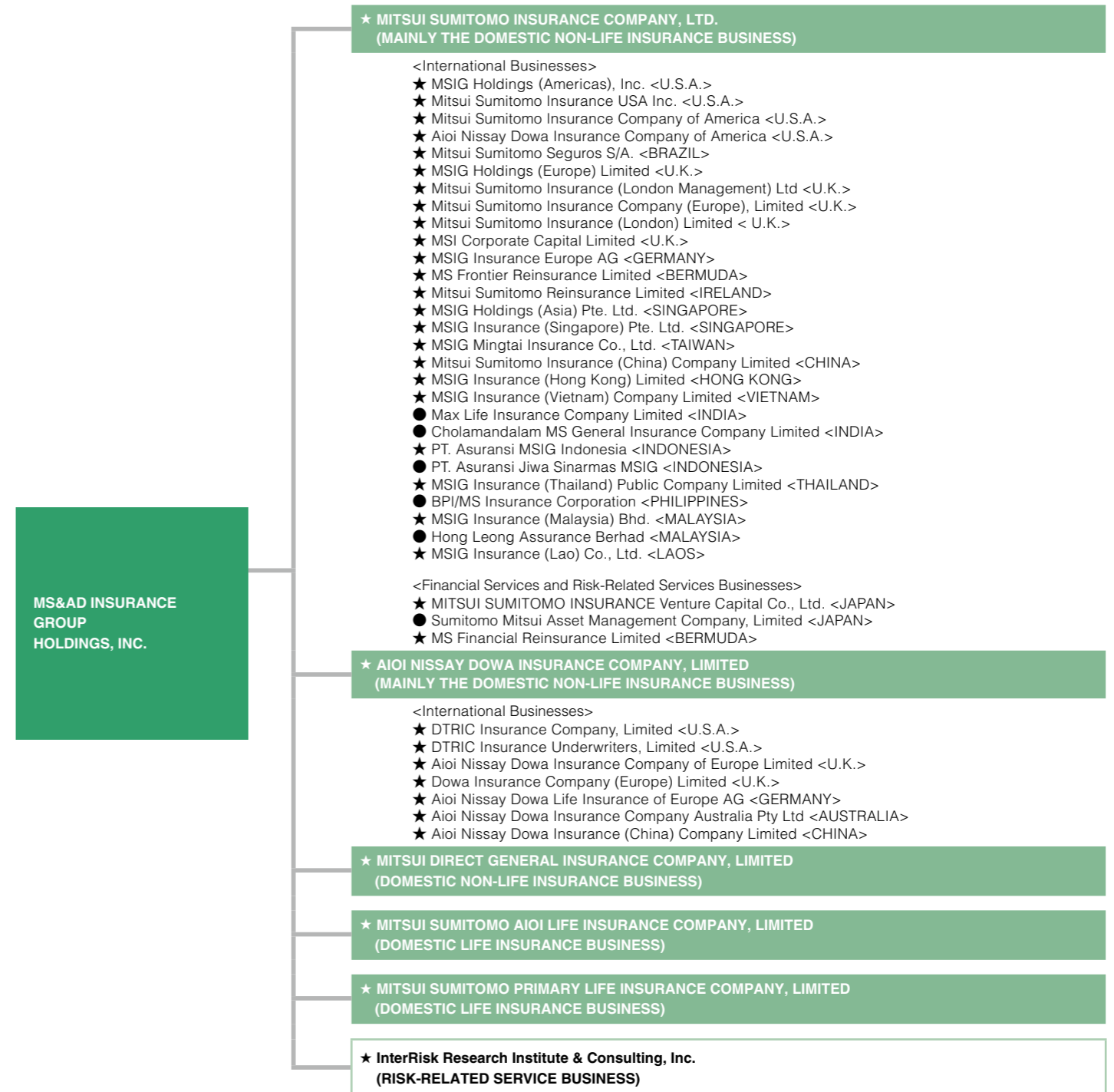
1) Fiscal Year	April 1 to March 31 of the following year
2) Annual Shareholders' Meeting	Within 3 months of the end of each fiscal year
3) Record Date	Ordinary General Meeting of Shareholders: March 31, every year Year-end dividends: March 31, every year Interim dividends: September 30, every year
4)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

Note: Following a share exchange effective April 1, 2010, the Company inherited the responsibility for a special account that was established on the same day for the shareholders of Aioi and NDI. As a result, the special account management institution for prior shareholders of these two companies will continue to be Mitsubishi UFJ Trust and Banking Corporation (1-4-5, Marunouchi, Chiyoda-ku, Tokyo).

Corporate Overview

Group Business Schematic (As of March 31, 2015)

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



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

Main Subsidiaries

1) CONSOLIDATED SUBSIDIARIES

Name of Company	Location	Date of Incorporation	Principal Business	Paid-in Capital	Voting Rights of MS&AD Holdings (%)	Voting Rights of Subsidiaries (%)
Mitsui Sumitomo Insurance Co., Ltd.	Chiyoda-ku, Tokyo	Oct. 21, 1918	Domestic non-life insurance	¥139,595 million	100.0%	–
Aioi Nissay Dowa Insurance Co., Ltd.	Shibuya-ku, Tokyo	June 30, 1918	Domestic non-life insurance	¥100,005 million	100.0%	–
Mitsui Direct General Insurance Co., Ltd.	Bunkyo-ku, Tokyo	June 3, 1999	Domestic non-life insurance	¥32,600 million	69.6%	–
au Insurance Company, Limited	Shibuya-ku, Tokyo	Feb. 23, 2010	Domestic non-life insurance	¥2,400 million	–	66.6%
Mitsui Sumitomo Aioi Life Insurance Co., Ltd.	Chuo-ku, Tokyo	Aug. 8, 1996	Domestic life insurance	¥35,500 million	100.0%	–
Mitsui Sumitomo Primary Life Insurance Co., Ltd.	Chuo-ku, Tokyo	Sept. 7, 2001	Domestic life insurance	¥41,060 million	100.0%	–
MITSUI SUMITOMO INSURANCE Venture Capital Co., Ltd.	Chuo-ku, Tokyo	Dec. 6, 1990	Financial services	¥1,000 million	–	100.0%
InterRisk Research Institute & Consulting, Inc.	Chiyoda-ku, Tokyo	Jan. 4, 1993	Risk-related services	¥330 million	50.0%	50.0%
MSIG Holdings(Americas), Inc.	New York, U.S.A.	Oct. 21, 1988	International	US\$4,126 thousand	–	100.0%
Mitsui Sumitomo Insurance USA Inc.	New York, U.S.A.	Jan. 28, 1988	International	US\$5,000 thousand	–	100.0%
Mitsui Sumitomo Insurance Company of America	New York, U.S.A.	Mar. 29, 2001	International	US\$5,000 thousand	–	100.0%
Aioi Nissay Dowa Insurance Company of America	New York, U.S.A.	Jan. 11, 1994	International	US\$5,000 thousand	–	100.0%
DTRIC Insurance Company, Limited	Honolulu, U.S.A.	Dec. 12, 1978	International	US\$2,500 thousand	–	74.8%
DTRIC Insurance Underwriters, Limited	Honolulu, U.S.A.	Feb. 2, 2007	International	US\$2,500 thousand	–	100.0%
Mitsui Sumitomo Seguros S/A.	São Paulo, Brazil	Dec. 15, 1965	International	BRL619,756 thousand	–	100.0%
MSIG Holdings (Europe) Limited	London, U.K.	Mar. 7, 2000	International	UK£185,843 thousand	–	100.0%
Mitsui Sumitomo Insurance (London Management) Ltd	London, U.K.	Jan. 6, 2000	International	UK£35,960 thousand	–	100.0%
Mitsui Sumitomo Insurance Company (Europe) , Limited	London, U.K.	July 28, 1972	International	UK£160,900 thousand	–	100.0%
Mitsui Sumitomo Insurance (London) Limited	London, U.K.	Oct. 6, 1975	International	UK£40,700 thousand	–	100.0%
MSI Corporate Capital Limited	London, U.K.	Jan. 7, 2000	International	UK£5,200 thousand	–	100.0%
Aioi Nissay Dowa Insurance Company of Europe Limited	London, U.K.	Nov. 12, 2004	International	UK£368,756 thousand	–	100.0%
Dowa Insurance Company (Europe) Limited	London, U.K.	Nov. 28, 1975	International	UK£10,000 thousand	–	100.0%
MSIG Insurance Europe AG	Koeln, Germany	Apr. 20, 2012	International	€84,000 thousand	–	100.0%
Aioi Nissay Dowa Life Insurance of Europe AG	Ismaning, Germany	Dec. 8, 2005	International	€5,000 thousand	–	100.0%
MS Frontier Reinsurance Limited	Hamilton, Bermuda	Sept. 9, 1997	International	US\$294,588 thousand	–	100.0%
MS Financial Reinsurance Limited	Hamilton, Bermuda	Nov. 21, 2011	Financial services	¥46 million	–	100.0%
Mitsui Sumitomo Reinsurance Limited	Dublin, Ireland	Feb. 11, 1999	International	€20,000 thousand	–	100.0%
MSIG Holdings(Asia)Pte. Ltd.	Singapore, Singapore	Sept. 23, 2004	International	S\$1,075 million	–	100.0%
MSIG Insurance(Singapore)Pte. Ltd.	Singapore, Singapore	Sept. 23, 2004	International	S\$333,442 thousand	–	100.0%
Aioi Nissay Dowa Insurance Company Australia Pty Ltd	Melbourne, Australia	Aug. 1, 2008	International	AUD75,800 thousand	–	100.0%
MSIG Mingtai Insurance Co.,Ltd.	Taipei, Taiwan	Sept. 22, 1961	International	NT\$2,535 million	–	100.0%
Mitsui Sumitomo Insurance (China) Company Limited	Shanghai, P.R.C.	Sept. 6, 2007	International	RMB500,000 thousand	–	100.0%
Aioi Nissay Dowa Insurance (China) Company Limited	Tianjin, P.R.C.	Jan. 23, 2009	International	RMB500,000 thousand	–	100.0%
MSIG Insurance (Hong Kong) Limited	Hong Kong, P.R.C.	Sept. 8, 2004	International	HK\$1,625 million	–	100.0%
MSIG Insurance (Vietnam) Company Limited	Hanoi, Vietnam	Feb. 2, 2009	International	VND300,000 million	–	100.0%
PT. Asuransi MSIG Indonesia	Jakarta, Indonesia	Dec. 17, 1975	International	IDR100,000 million	–	80.0%
MSIG Insurance (Thailand) Public Company Limited	Bangkok, Thailand	Apr. 14, 1983	International	THB142,666 thousand	–	86.4%
MSIG Insurance (Malaysia) Bhd.	Kuala Lumpur, Malaysia	Apr. 28, 1979	International	MYR333,142 thousand	–	65.4% [1.4] %
MSIG Insurance (Lao) Co., Ltd.	Vientiane, Laos	Sept. 18, 2009	International	US\$2,000 thousand	–	51.0%
MSC Corporation	Grand Cayman, Cayman Islands	Nov. 3, 2006	Financial services	US\$1,000	–	[100.0] %
23 other companies						

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

2) EQUITY-METHOD AFFILIATES

Name of Company	Location	Date of Incorporation	Principal Business	Paid-in Capital	Voting Rights of MS&AD Holdings (%)	Voting Rights of Subsidiaries (%)
Sumitomo Mitsui Asset Management Company, Limited	Minato-ku, Tokyo	July 15, 1985	Financial services	¥2,000 million	–	27.5%
Max Life Insurance Company Limited	New Delhi, India	July 11, 2000	International	INR19,188 million	–	26.0%
Cholamandalam MS General Insurance Company Limited	Chennai, India	Nov. 2, 2001	International	INR2,988 million	–	26.0%
PT. Asuransi Jiwa Sinarmas MSIG	Jakarta, Indonesia	July 17, 1984	International	IDR105,000 million	–	50.0%
BPI/MS Insurance Corporation	Makati, Philippines	Oct. 1, 1965	International	PHP350,000 thousand	–	48.5%
Hong Leong Assurance Berhad	Petaling Jaya, Malaysia	Dec. 20, 1982	International	MYR200,000 thousand	–	30.0%
Two other companies						

■ Corporate Overview

Global Network (As of July 1, 2015)

☆ Overseas Branches ★ Overseas Offices ● Overseas Subsidiaries and Affiliates

△ Branches or Offices of Overseas Subsidiaries and Affiliates ■ Underwriting Agents for the Head Office

ASIA AND OCEANIA

SINGAPORE	MS&AD Holdings	● Interisk Asia Pte. Ltd.
	MSI	● MSIG Holdings (Asia) Pte. Ltd. ● MSIG Insurance (Singapore) Pte. Ltd. ● MS Frontier Re Modeling Research Pte. Ltd.
THAILAND	MS&AD Holdings	● InterRisk Asia (Thailand) Co., Ltd.
	MSI	☆ Thailand Branch ● MSIG Insurance (Thailand) Public Company Limited ● MSI Holding (Thailand) Company Limited ● MSIG Service and Adjusting (Thailand) Company Limited ● Calm Sea Service Company Limited ● MBTS Broking Services Company Limited ● MBTS Life Insurance Broker Co., Ltd.
	ADI	★ Bangkok Representative Office ● Aioi Bangkok Insurance Public Company Limited ● Bangkok Chayorathn Company, Limited ● Bangkok Chayolife Company, Limited ● Kawasaki-Dowa Agency Ltd.
MALAYSIA	MSI	● MSIG Insurance(Malaysia)Bhd. ● MSIG Berhad ● Hong Leong Assurance Berhad ● Hong Leong MSIG Takaful Berhad △ MS Frontier Reinsurance Limited Labuan Branch △ MS Frontier Reinsurance Limited Kuala Lumpur Office
PHILIPPINES	MSI	● BPI / MS Insurance Corporation ● FLT Prime Insurance Corporation
INDONESIA	MSI	● PT. Asuransi MSIG Indonesia ● PT. Auto Management Services ● PT. Asuransi Jiwa Sinarmas MSIG
REPUBLIC OF KOREA	MSI	☆ Korea Branch
PEOPLE'S REPUBLIC OF CHINA	MS&AD Holdings	● InterRisk Consulting (Shanghai) Co.,Ltd.
	MSI	● Mitsui Sumitomo Insurance (China) Company Limited △ Guangdong Branch Shenzhen, Marketing Service Department △ Beijing Branch △ Jiangsu Branch, Suzhou Marketing Service Department ★ China General Representative Office ★ Dalian Representative Office ★ Chengdu Representative Office ★ Qingdao Representative Office
	ADI	★ Beijing Representative Office ★ Guangzhou Representative Office ● Aioi Nissay Dowa Insurance (China) Company Limited △ Zhejiang Branch △ Tianjin Branch ● Guangzhou Guang Ai Insurance Brokers Ltd.
HONG KONG	MSI	● MSIG Insurance (Hong Kong) Limited ● Mitsui Sumitomo Asset Management (Hong Kong) Limited
	ADI	★ Hong Kong Representative Office
MACAU	MSI	△ MSIG Insurance (Hong Kong) Limited Macau Branch

TAIWAN	MSI	● MSIG Mingtai Insurance Co., Ltd.
	ADI	★ Taipei Representative Office
VIETNAM	MSI	● MSIG Insurance (Vietnam) Company Limited
	ADI	★ Hanoi Representative Office
INDIA	MSI	● Cholamandalam MS General Insurance Company Limited ● Cholamandalam MS Risk Services Limited ★ New Delhi Representative Office ● Max Life Insurance Company Limited
MYANMAR	MSI	★ Yangon Representative Office
CAMBODIA	MSI	● Asia Insurance (Cambodia) Plc.
LAOS	MSI	● MSIG Insurance (Lao) Co.,Ltd.
AUSTRALIA	MSI	☆ Australia Branch ★ Australia Branch, Melbourne Office
	ADI	☆ Australian Branch ★ Sydney Representative Office ★ Melbourne Representative Office ● Aioi Nissay Dowa Insurance Company Australia Pty Ltd
NEW ZEALAND	MSI	☆ New Zealand Branch ★ New Zealand Representative Office
	ADI	☆ New Zealand Branch ● Aioi Nissay Dowa Management New Zealand Limited

THE AMERICAS

U.S.A.	MSI	<ul style="list-style-type: none"> ★ New York Representative Office ● MSIG Holdings (Americas) , Inc. ● Mitsui Sumitomo Insurance Company of America ● Mitsui Sumitomo Insurance USA Inc. ● Mitsui Sumitomo Marine Management (U.S.A.) , Inc. △ New York Office △ Warren Office △ Los Angeles Office △ Cincinnati Office △ Atlanta Office △ Chicago Office △ Detroit Office △ Dallas Office ● MSI Risk Management Services, Inc. ● Seven Hills Insurance Agency, LLC ● Aioi Nissay Dowa Insurance Company of America △ New York Branch △ Kentucky Branch △ Los Angeles Branch △ Detroit Branch △ Dallas Branch ● MSI GuaranteedWeather, LLC ● Vortex Insurance Agency, LLC ● Mitsui Sumitomo Asset Management (New York) Inc.
	ADI	<ul style="list-style-type: none"> ★ New York Representative Office ★ Chicago Representative Office ★ Kentucky Representative Office ★ Los Angeles Representative Office ★ Honolulu Representative Office ● DTRIC Insurance Company, Limited ● DTRIC Insurance Underwriters, Limited
GUAM (U.S.A.)	ADI	<ul style="list-style-type: none"> ■ Takagi & Associates, Inc.
NORTHERN MARIANAS (U.S.A.)	ADI	<ul style="list-style-type: none"> ■ Takagi & Associates, Inc. Saipan Branch
CANADA	MSI	<ul style="list-style-type: none"> ★ Toronto Representative Office c/o Chubb Insurance Company of Canada ■ Chubb Insurance Company of Canada
BERMUDA	MS&AD Holdings	<ul style="list-style-type: none"> ● Interisk Global Management (Bermuda) Limited
	MSI	<ul style="list-style-type: none"> ● MS Frontier Reinsurance Limited ● SPAC Insurance (Bermuda) Limited ● MSI GuaranteedWeather Trading Ltd. ● MS Financial Reinsurance Limited
CAYMAN	MSI	<ul style="list-style-type: none"> ● SLI Cayman Limited
MEXICO	MSI	<ul style="list-style-type: none"> △ MSIG Holdings (Americas) , Inc. Mexican Representative Office c/o Mapfre Tepeyac, S.A.
PANAMA	MSI	<ul style="list-style-type: none"> ★ Panama Representative Office
BRAZIL	MSI	<ul style="list-style-type: none"> ● Mitsui Sumitomo Seguros S/A. ● Mitsui Sumitomo Insurance Company Limited-Escritório de Representação no Brasil Ltda. ★ São Paulo Representative Office
COLOMBIA	MSI	<ul style="list-style-type: none"> ★ Bogotá Representative Office
PERU	MSI	<ul style="list-style-type: none"> ★ Lima Representative Office
ARGENTINA	MSI	<ul style="list-style-type: none"> ★ Buenos Aires Representative Office

EUROPE AND THE MIDDLE EAST

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

Performance Record

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Five-Year Summary (Unaudited)

[Download Data Sheet](#)

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

	Yen in millions					US\$ in millions
	FY2010	FY2011	FY2012	FY2013	FY2014	FY2014
Ordinary income:	¥ 3,404,942	¥ 3,764,986	¥ 4,315,787	¥ 4,362,754	¥ 4,689,658	\$ 39,080
Net premiums written	2,543,786	2,555,551	2,639,015	2,811,611	2,939,113	24,493
Ordinary profit/(loss)	21,005	(96,211)	150,300	190,259	287,061	2,392
Net income/(loss)	5,420	(169,469)	83,625	93,451	136,247	1,135
Comprehensive income/(loss)	(189,373)	(88,136)	543,938	322,865	807,972	6,733
Net assets	1,633,381	1,512,134	2,021,625	2,285,832	3,036,246	25,302
Total assets	11,445,003	14,537,204	15,914,663	16,878,148	18,787,654	156,564
	Yen					US\$
Net income/(loss) per share	¥ 8.68	¥ (272.49)	¥ 134.46	¥ 150.58	¥ 221.34	\$ 1.84
Net assets per share	2,597.19	2,400.48	3,215.33	3,646.22	4,911.40	40.93
Equity ratio	14.11%	10.27%	12.56%	13.39%	16.00%	–
Return on equity	0.37%	(10.91)%	4.79%	4.42%	5.18%	–
Price earnings ratio	218.06	–	15.36	15.70	15.23	–
	Yen in millions					US\$ in millions
Cash flows						
Cash flows from operating activities	¥ (59,339)	¥ (205,272)	¥118,751	¥489,950	¥628,184	\$5,235
Cash flows from investing activities	89,783	149,960	(165,248)	(549,136)	(410,671)	(3,422)
Cash flows from financing activities	19,893	65,442	33,590	(57,323)	(58,941)	(491)
Cash and cash equivalents at the end of year	687,267	711,710	716,221	625,084	805,455	6,712
Number of employees	36,538	36,929	36,643	37,055	38,358	–

Note: U.S. dollar amounts in this report have been translated from yen, for convenience only, at the rate of ¥120=US\$1. For details, see Note 1 of Significant Accounting Policies (p 63).

Management's Discussion and Analysis

1. OVERVIEW

This Management's Discussion and Analysis (MD&A) provides information on the nature of the businesses conducted by MS&AD Holdings and its affiliates (129 subsidiaries and 28 associates as of March 31, 2015), and the positioning of the principal affiliates within these businesses.

Please note that MS&AD as a specified listed company as stipulated in Japanese Cabinet Order 49-2 is regulated under this Order as regards securities transactions and other matters. As a result, investors should make decisions based on the Group's consolidated financial statements as provided for under the standards set forth in restrictions on insider trading.

(1) Description of Businesses

1) Domestic Non-Life Insurance Business

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

- Mitsui Sumitomo Insurance Company, Limited ("MSI")
- Aioi Nissay Dowa Insurance Company, Limited ("ADI")
- Mitsui Direct General Insurance Company, Limited ("Mitsui Direct General")

2) Domestic Life Insurance Business

MS&AD's domestic life insurance business is operated by the following two subsidiaries and others in Japan:

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

3) International Business

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

4) Financial Services Business / Risk-Related Services Business

a) Financial Services Business

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

b) Risk-Related Services Business

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

2. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

MS&AD Holdings' consolidated financial statements are prepared in accordance with accounting principles generally accepted in Japan (Japan GAAP). The preparation of these financial statements requires the management of MS&AD Holdings to select and apply accounting policies as well as to make a number of estimates for forecasts of assets and liabilities as well as revenues and expenses. The management base their estimates on historical experience and other assumptions that they believe are reasonable. Nevertheless, these estimates contain inherent uncertainties and, thus, actual results could differ.

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

1) Method for Determination of Fair Value

A portion of assets and liabilities is recorded on the balance sheets at fair values. Their fair values are determined based on market prices. For derivatives for which market prices are not available, reasonable estimates of fair value are made based on the present value of future cash flows, the price of the underlying assets, the contract period, and other components.

2) Impairment of Securities

Since securities held by the Group companies are subject to the risk of price fluctuations in securities markets, MS&AD carries out impairment accounting for securities based on reasonable criteria. If securities markets decline, an impairment loss could be incurred.

3) Impairment of Fixed Assets

When the profitability of fixed assets declines and investments in these assets are unlikely to be recovered, MS&AD carries out impairment accounting to reflect recoverable amounts under certain circumstances. The recoverable amount for an asset or asset group is the higher of the net sales value (the value computed by deducting expected disposal expenses from the fair value of an asset or asset group) and the value in use (the present value of expected future cash flows resulting from the continual usage and subsequent disposal of an asset or asset group). Accordingly, the amount of the impairment loss for fixed assets depends on estimated future cash flows based on the assumption and forecasts that MS&AD considers reasonable. Consequently, an additional impairment loss could be incurred in the event of a change in the usage of fixed assets or in the event of changes in real estate or leasing market prices.

4) Deferred Tax Assets

In determining recoverable deferred tax assets, future taxable income is estimated based on the assumptions and forecasts that MS&AD considers reasonable. Since the recoverable amount of deferred tax assets depends on estimates of future taxable income, the amount of deferred tax assets could fluctuate in the event of a subsequent change in estimates of future taxable income.

5) Allowance for Credit Losses

In preparation for losses on bad credit, MS&AD records estimated amounts deemed to be unrecoverable as an allowance for credit losses. Unrecoverable amounts and recorded allowances for credit losses could change from their initial estimates due to changes in the financial condition of the debtor.

6) Outstanding Claims

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

7) Underwriting Reserves

To meet future obligations in accordance with insurance contracts, MS&AD sets aside underwriting reserves. It could, therefore, become necessary to increase underwriting reserves in the event of unforeseen losses due to significant changes in the business environments and conditions.

8) Retirement Benefit Expenses and Retirement Benefit Obligations

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

3. SUMMARY OF BUSINESS RESULTS

During the fiscal year under review, the global economy was on a gradual recovery, and while a deceleration was seen in some emerging nations, the U.S. maintained its gradual recovery and moves toward recovery were also visible in Europe.

In Japan, meanwhile, individual consumption was weak due to the impact of the increased consumption tax rate, but the effects of the government's economic measures could also be seen in improvements in corporate earnings and in the employment situation.

In the non-life insurance industry, insurance premiums income continued to grow as a reflection of these economic trends, and with an improvement in the automobile insurance loss ratio etc., the profitability remained solid. In the life insurance industry, the number of policies in force increased in medical insurance policies along with a raise in medical expenses among other factors.

In such a business environment, and based on the "Next Challenge 2017" medium-term management plan that began in fiscal

2014, the Group has been working to enhance the enterprise value of the Group as a whole, with efforts focused primarily around sustainable growth, ensuring soundness, and improving profitability and capital efficiency. We have also moved forward with initiatives to reorganize our business and sales channels, the joint use of bases, the transfer of long-term policies in the third - sector to Mitsui Sumitomo Aioi Life Insurance Co., Ltd., reorganization of our international business, and the reorganization of headquarter functions and other reorganization by function. In addition, we have worked on making new investments in growth businesses and fields, reforming our revenue structure, extending a corporate culture in which people can take on challenges as professionals, and developing our human assets. As the holding company responsible for overseeing the business of our entire Group, we have endeavored to formulate a management strategy, strengthen its risk management and compliance readiness for the Group as a whole, and support our Group companies in advancing and managing their businesses. At the same time, we have continued to promote the use of Enterprise Risk Management (ERM).

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

Underwriting income was ¥3,871.1 billion, investment income was ¥803.4 billion and other ordinary income was ¥15.0 billion, resulting in total ordinary income of ¥4,689.6 billion. At the same time, total ordinary expenses amounted to ¥4,402.5 billion, including ¥3,760.2 billion in underwriting expenses, ¥53.9 billion in investment expenses, ¥577.9 billion in operating expenses and general and administrative expenses, and other ordinary expenses amounting to ¥10.4 billion.

As a result, the Company posted an ordinary profit of ¥287.0 billion, an increase of ¥96.8 billion over the previous fiscal year, due in part to a reduction in incurred losses (the total of net claims paid, life insurance claims paid, reversal of outstanding claims and provision for outstanding claims), an increase in gains on sales of securities, etc. After factoring in extraordinary income and losses, income taxes and other items, net income rose by ¥42.7 billion over the previous fiscal year to ¥136.2 billion, despite the downward impact on income caused by factors such as an additional provision for reserves for price fluctuation.

[Key Consolidated Financial Indicators]

	(Yen in millions)			
	FY2013	FY2014	Change	Change (%)
Net premiums written	¥2,811,611	¥2,939,113	¥127,501	4.5
Life insurance premiums	678,978	721,705	42,726	6.3
Ordinary profit	190,259	287,061	96,802	50.9
Net income	93,451	136,247	42,796	45.8

In the non-life insurance business, net premiums written rose ¥127.5 billion over the previous fiscal year, to ¥2,939.1 billion, due to increases at MSI and ADI as well as at overseas insurance subsidiaries.

In the life insurance business, life insurance premiums rose ¥42.7 billion year on year, to ¥721.7 billion, due to increases at MSAL and MSPL.

The Company posted an ordinary profit of ¥287.0 billion, an increase of ¥96.8 billion over the previous fiscal year, due in part to a reduction in incurred losses (the total of net claims paid, life insurance claims paid, reversal of outstanding claims and provision for outstanding claims), an increase in gains on sales of securities, etc. After factoring in extraordinary income and losses, income taxes and other items, net income rose by ¥42.7 billion over the previous fiscal year to ¥136.2 billion, despite the downward impact on income caused by factors such as an additional provision for reserves for price fluctuation.

Insurance premiums written and claims paid by line of insurance were as follows.

Direct Premiums Written (including Deposit Premiums from Policyholders)

Lines of Insurance	FY2013			FY2014		
	Amount	Share (%)	Change (%)	Amount	Share (%)	Change (%)
Fire and Allied	¥ 590,674	18.3	7.7	¥ 625,179	18.7	5.8
Marine	121,387	3.8	12.5	131,030	3.9	7.9
Personal Accident	347,562	10.8	(1.4)	341,241	10.2	(1.8)
Voluntary Automobile	1,378,126	42.8	3.8	1,421,126	42.4	3.1
Compulsory Automobile Liability	352,649	10.9	9.6	355,417	10.6	0.8
Other	432,409	13.4	10.5	476,209	14.2	10.1
Total	¥3,222,809	100.0	5.7	¥3,350,204	100.0	4.0
Deposit premiums from policyholders	151,449	4.7	(7.6)	138,799	4.1	(8.4)

Notes:

- The figures represent amounts after the elimination of internal transactions between segments.
- Direct premiums written (including deposit premiums from policyholders) are the premiums from policyholders minus the surrender benefits and other refunds to policyholders. (It includes deposit premiums from policyholders for savings-type insurance.)

Net Premiums Written

Lines of Insurance	FY2013			FY2014		
	Amount	Share (%)	Change (%)	Amount	Share (%)	Change (%)
Fire and Allied	¥ 398,163	14.2	12.5	¥ 425,881	14.5	7.0
Marine	97,054	3.5	11.2	103,389	3.5	6.5
Personal Accident	227,546	8.1	2.1	230,991	7.9	1.5
Voluntary Automobile	1,393,198	49.5	4.2	1,438,002	48.9	3.2
Compulsory Automobile Liability	338,245	12.0	8.9	348,356	11.8	3.0
Other	357,402	12.7	9.2	392,491	13.4	9.8
Total	¥2,811,611	100.0	6.5	¥2,939,113	100.0	4.5

Note: The figures represent amounts after the elimination of internal transactions between segments.

Net Claims Paid

Lines of Insurance	FY2013			FY2014		
	Amount	Share (%)	Change (%)	Amount	Share (%)	Change (%)
Fire and Allied	¥ 252,695	15.1	(20.0)	¥ 259,270	15.7	2.6
Marine	51,532	3.1	27.3	46,430	2.8	(9.9)
Personal Accident	115,636	6.9	1.9	114,136	6.9	(1.3)
Voluntary Automobile	805,460	48.2	(3.1)	786,916	47.7	(2.3)
Compulsory Automobile Liability	261,349	15.7	(1.3)	258,095	15.6	(1.2)
Other	183,667	11.0	4.9	185,698	11.3	1.1
Total	¥1,670,343	100.0	(4.0)	¥1,650,547	100.0	(1.2)

Note: The figures represent amounts after the elimination of internal transactions between segments.

Segment Information

1) Domestic Non-life Insurance Business (MSI)

Net premiums written, among items of underwriting income, rose ¥57.6 billion year on year, to ¥1,444.1 billion, because of increases in all lines of insurance including voluntary automobile insurance.

Meanwhile, net claims paid, among items of underwriting expenses, decreased ¥12.8 billion, to ¥810.8 billion, primarily due to a decrease in voluntary automobile insurance. The net loss ratio was 62.2%, 2.8 percentage points lower than in the previous fiscal year. In addition, although there were increases in commissions and collection expenses and operating expenses and general and administrative expenses for underwriting, as a result of the increases in net premiums written, the net expense ratio was 31.8%, 0.2 percentage point lower than in the previous fiscal year.

After taking account of other items, including deposit premiums from policyholders, maturity refunds to policyholders, reversal of outstanding claims and provision for underwriting reserves, underwriting profit rose ¥21.3 billion, to ¥14.0 billion.

2) Domestic Non-Life Insurance Business (ADI)

Net premiums written, among items of underwriting income, rose ¥16.2 billion, to ¥1,160.8 billion, primarily because of increases in voluntary automobile insurance and fire and allied insurance.

Meanwhile, net claims paid, among items of underwriting expenses, decreased ¥13.8 billion, to ¥677.9 billion, primarily due to a decrease in voluntary automobile insurance, partially offset by an increase in claims payments related to heavy snowfall disasters in the previous fiscal year. The net loss ratio was 63.2%, which was 1.8 percentage points below the previous fiscal year. In addition, because of increases in commissions and collection expenses and operating expenses and general and administrative expenses for underwriting, the net expense ratio was 35.0%, which was 0.5 percentage point higher than in the previous fiscal year.

After taking account of other items, including deposit premiums from policyholders, maturity refunds to policyholders, provision for outstanding claims and reversal of underwriting reserves, underwriting profit rose ¥43.6 billion, to ¥14.7 billion.

3) Domestic Non-Life Insurance Business (Mitsui Direct General)
Net premiums written, among items of underwriting income, decreased ¥0.5 billion, to ¥35.0 billion.

Meanwhile, net claims paid, among items of underwriting expenses, increased ¥0.3 billion, to ¥24.9 billion. The net loss ratio was 78.9%, 2.6 percentage points higher than in the previous fiscal year.

In addition, commissions and collection expenses and operating expenses and general and administrative expenses for underwriting rose, in total, ¥0.6 billion, to ¥7.9 billion. As a result, the net expense ratio was 22.8%, which was 2.1 percentage points higher than in the previous fiscal year.

Underwriting profit decreased ¥4.4 billion from the previous fiscal year and amounted to a loss of ¥4.3 billion. This was primarily due to an increase in net incurred claims (the total of net claims paid and movement in outstanding claims). Net income decreased ¥4.5 billion in comparison with the previous fiscal year and amounted to a loss of ¥4.3 billion.

As a result, the net loss, after taking ownership interests into account (net income and loss by segment) was ¥3.3 billion higher than in the previous fiscal year, and amounted to ¥3.1 billion.

4) Domestic Life Insurance Business (MSAL)
Insurance premiums and others rose ¥25.5 billion, to ¥443.1 billion, primarily because of an increase in individual insurance premiums.

Ordinary profit decreased ¥1.5 billion, to ¥15.9 billion, primarily because of an increase in operating expenses.

Taking account of the above, net income, after taking into account reversals of deferred tax assets accompanying changes in the corporate income tax rate and other factors, decreased ¥2.2 billion, to ¥4.4 billion.

5) Domestic Life Insurance Business (MSPL)
Insurance premiums and others rose ¥227.6 billion, to ¥1,054.0 billion, supported by continued favorable sales of fixed whole life insurance policies as well as steady performance of variable insurance policies.

Ordinary profit decreased ¥22.1 billion, to ¥17.7 billion, primarily due to an increase in provision for underwriting reserves in connection with fixed whole life policies.

Net income, even after taking account of reversals of deferred tax assets accompanying changes in the corporate income tax rate, declined ¥5.5 billion, to ¥12.4 billion, in part because of additional provision for reserve for price fluctuation in the previous fiscal year.

6) International Business (Overseas Insurance Subsidiaries)
Net premiums written rose ¥52.6 billion, to ¥293.2 billion, because of increases in all regions, including Asia (excluding Japan) and Europe. Ordinary profit rose ¥14.9 billion, to ¥44.8 billion, owing to increases in all regions, including Asia (excluding Japan) and Europe. Net income (segment income) rose ¥15.0 billion, to ¥35.0 billion.

4. CASH FLOW ANALYSIS

With regard to cash flows in the fiscal year under review, net cash flows provided by operating activities increased by ¥138.2 billion over the previous year to ¥628.1 billion due to an increase in premium income. Net cash flows used in investing activities decreased by ¥138.4 billion over the previous year to ¥410.6 billion, due in part to an increase in proceeds from sales of money trusts. Net cash flows used in financing activities were ¥58.9 billion, an increase of ¥1.6 billion from the previous fiscal year, mainly due to a decrease in revenues stemming from issuance of bonds. As a result, ending balance of cash and cash equivalents in the fiscal year under review stood at ¥805.4 billion with an increase of ¥180.3 billion from the previous fiscal year.

5. ISSUES TO BE ADDRESSED BY MS&AD

While the effects of this economic recovery are expected to lead to further market expansion in the insurance industry, Japan's continued low birth rate and aging society, along with a lack of growth in automobile ownership and other factors are forecast to result in a business environment of continued uncertainty.

Under these conditions, our Group will continue to move solidly ahead with the initiatives of Next Challenge 2017, our medium-term management plan, which will be entering its second year. In short, this will involve taking advantage of the diversity represented by the Group's distinctive three non-life and two life insurance companies, and completing execution of the reorganization by function designed to fully leverage the characteristics and strengths of each of those companies. This will enable us to simultaneously achieve growth and greater efficiency, while working to ensure fiscal soundness and enhanced profitability through the promotion of Enterprise Risk Management (ERM). In addition, by further strengthening our corporate governance infrastructure, we will work to respond to the expectations of all stakeholders and further enhance our enterprise value. Finally, through these initiatives, we will create a world-leading insurance and financial services group with a global business reach.

6. RISK ANALYSIS

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

(i) Asset management risk

The Group holds various assets under management, including securities, loans, real estate, and off-balance-sheet assets. There is a risk that a deterioration of economic or financial market conditions could cause changes in asset and liability values and thereby impact the Group's business results. The main kinds of such risks are as follows.

a. Stock price risk

The Group holds large amounts of stock for the purpose of maintaining relationships with business partners over the medium-to-long term, and there is a possibility of a reduction in the value of the Group's assets and recognition of impairment losses and losses on sales in the event of a decline in stock prices.

b. Interest rate risk

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

c. Foreign exchange rate risk

The Group holds assets and liabilities denominated in foreign currencies such as the U.S. dollar, and there is a possibility of changes in those assets and liabilities owing to the impact of foreign exchange rate movements.

d. Credit risk

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

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

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

(iii) Liquidity risk

If there is an increase of payments of insurance claims from a natural disaster, the Group's cash flows may deteriorate and force the Group to procure funds through transactions with extremely unfavorable terms. The Group could also be forced to conduct transactions at extremely unfavorable prices due to market disruptions. There is a risk that such situations could have a negative impact on the Group's business results.

(iv) Reinsurance risk

The Group utilizes reinsurance to diversify its liabilities assumed under insurance contracts and to stabilize earnings. Nevertheless, there is a risk that a worsening of conditions in the reinsurance markets could prevent the Group from securing adequate reinsurance protection and risk diversification, which would inhibit its insurance underwriting capabilities. Moreover, there is a risk of a negative impact on the Group's business results due to a sharp rise in reinsurance premiums or an inability to recover reinsurance claims in the event of the bankruptcy of reinsurance companies.

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

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

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

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

(vii) Risk associated with domestic life insurance business

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

(viii) Risk associated with international business

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

(ix) Risk of information leaks

The Group maintains large volumes of customer information, including personal information, and confidential information, such as management data at each of the Group companies including the Company. The Group has put an information management framework in place to strictly administer information. However, in the event of a significant leak of information, the Group could suffer a loss of the trust from customers and society, as well as be held liable to pay compensation for damages. In such an event, there is a risk of a negative impact on the Group's business results.

(x) Information systems risk

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

(xi) Business operation risk

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

(xii) Risk of business disruption

The Group has formulated a business continuity plan and prepared a crisis management framework to respond to the occurrence of natural disasters or unusual events such as an earthquake in the Tokyo metropolitan area and an outbreak of disease, such as novel influenza virus. This framework is intended to limit the duration of any disruption of business and enable business operations to be continued. Notwithstanding these crisis management measures, the Group's business continuity could be inhibited, or the impact of the above disruptions could be greater than anticipated. In such an event, there is a risk of a negative impact on the Group's business results.

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

The Group takes synergy effects from business integration into account when formulating numerical management targets. The Group will expand its customer base by improving the quality of service, share and standardize administrative tasks and systems, and take all manner of other measures in business integration. Furthermore, on September 27, 2013, the Company, MSI, ADI and MSAL finalized the "Agreement on Reorganization by Function" measures designed to promote the realization of objectives such as sustainable growth and the enhancement of corporate value. The Group is taking comprehensive risk management preparations to prevent business and information systems problems, insufficient responses to customers, and other potential problems associated with the implementation of "Reorganization by Function" measures; however, in the case that unforeseen confusion were to occur despite the preventative measures and impede the full realization of synergies from business integration, there is a risk of a negative impact on the Group's business results.

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

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

(xv) Reputation risk

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

7. SOLVENCY MARGIN RATIO

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

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

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

**MS&AD
Consolidated Solvency Margin Ratio**

(Yen in millions)		
	FY2013	FY2014
(A) Solvency margin total amount	¥3,661,639	¥4,508,072
(B) Risk amount	947,887	1,121,543
(C) Solvency margin ratio (A/(B × 1/2)) × 100	772.5%	803.9%

Note: The consolidated solvency margin ratio is calculated based on the provisions in Article 210-11, 3 and Article 210-11, 4 of the Ordinance for Enforcement of the Insurance Business Act and in the Financial Services Agency (FSA) Public Ministerial Announcement No. 23 of 2011.

Primarily due to an increase in the market value of shares held, MS&AD's consolidated solvency margin total amount increased by ¥846.4 billion versus the end of the previous fiscal year. As a result, the consolidated solvency margin ratio increased by 31.4 percentage points from the previous fiscal year-end, to 803.9%.

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

(Yen in millions)		
	FY2013	FY2014
(A) Solvency margin total amount	¥2,120,694	¥2,667,909
(B) Risk amount	706,497	818,935
(C) Solvency margin ratio (A/(B × 1/2)) × 100	600.3%	651.5%

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

Primarily due to an increase in the market value of shares held, MSI's non-consolidated solvency margin total amount increased by ¥547.2 billion versus the end of the previous fiscal year. As a result, the non-consolidated solvency margin ratio increased by 51.2 percentage points from the previous fiscal year-end, to 651.5%.

b. Consolidated Solvency Margin Ratio

(Yen in millions)		
	FY2013	FY2014
(A) Solvency margin total amount	¥2,029,893	¥2,593,146
(B) Risk amount	622,760	741,109
(C) Solvency margin ratio (A/(B × 1/2)) × 100	651.9%	699.8%

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

Primarily due to an increase in the market value of shares held, MSI's consolidated solvency margin total amount increased by ¥563.2 billion versus the end of the previous fiscal year. As a result, the consolidated solvency margin ratio increased by 47.9 percentage points from the previous fiscal year-end, to 699.8%.

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

(Yen in millions)		
	FY2013	FY2014
(A) Solvency margin total amount	¥1,027,044	¥1,285,586
(B) Risk amount	272,396	319,429
(C) Solvency margin ratio (A/(B × 1/2)) × 100	754.0%	804.9%

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

Primarily due to an increase in the market value of shares held, ADI's non-consolidated solvency margin total amount increased by ¥258.5 billion versus the end of the previous fiscal year. As a result, the nonconsolidated solvency margin ratio increased by 50.9 percentage points from the previous fiscal year-end, to 804.9%.

b. Consolidated Solvency Margin Ratio

(Yen in millions)		
	FY2013	FY2014
(A) Solvency margin total amount	¥1,024,788	¥1,268,863
(B) Risk amount	265,605	304,422
(C) Solvency margin ratio (A/(B × 1/2)) × 100	771.6%	833.6%

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

Primarily due to an increase in the market value of shares held, ADI's consolidated solvency margin total amount increased by ¥244.0 billion versus the end of the previous fiscal year. As a result, the consolidated solvency margin ratio increased by 62.0 percentage points from the previous fiscal year-end, to 833.6%.

**Mitsui Direct General
Non-Consolidated Solvency Margin Ratio**

(Yen in millions)		
	FY2013	FY2014
(A) Solvency margin total amount	¥12,460	¥8,023
(B) Risk amount	5,921	6,269
(C) Solvency margin ratio (A/(B × 1/2)) × 100	420.8%	255.9%

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

Primarily due to the loss reported for the fiscal year, the non-consolidated solvency margin total amount decreased ¥4.4 billion, and, as a result, the non-consolidated solvency margin ratio decreased 164.9 percentage points, to 255.9%.

**MSAL
Non-Consolidated Solvency Margin Ratio**

(Yen in millions)		
	FY2013	FY2014
(A) Solvency margin total amount	¥276,449	¥330,141
(B) Risk amount	43,710	46,175
(C) Solvency margin ratio (A/(B × 1/2)) × 100	1,264.9%	1,429.9%

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

Despite increases in the asset management risk and insurance risk of third sector insurance contracts, which caused the non-consolidated risk amount to rise ¥2.4 billion from the end of the previous fiscal year, the non-consolidated solvency margin total amount rose ¥53.6 billion. As a result, the non-consolidated solvency margin ratio increased 165.0 percentage points from the previous fiscal year-end, to 1,429.9%.

**MSPL
Non-Consolidated Solvency Margin Ratio**

(Yen in millions)		
	FY2013	FY2014
(A) Solvency margin total amount	¥347,258	¥323,085
(B) Risk amount	69,128	73,451
(C) Solvency margin ratio (A/(B × 1/2)) × 100	1,004.6%	879.7%

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

Primarily due to an increase in holdings of fixed-amount products, the assumed interest rate risk and asset management risk increased, resulting in a rise of ¥4.3 billion in the non-consolidated risk amount. As a consequence, the non-consolidated solvency margin ratio declined 124.9 percentage points compared with the previous fiscal year-end, to 879.7%.

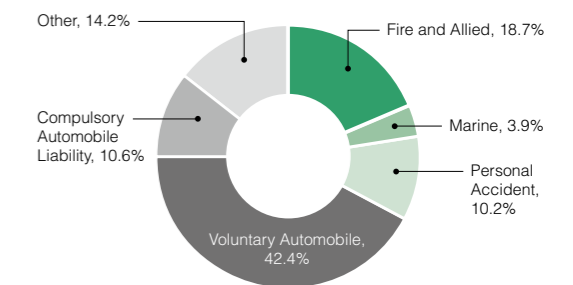
Premiums Written and Net Claims Paid—Non-Life Insurance (Unaudited)

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

Lines of Insurance	(Yen in millions)												(US\$ in millions)			
	FY2010			FY2011			FY2012			FY2013			FY2014			FY2014
	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount
Fire and Allied	¥ 487,365	57.4	16.9	¥ 513,458	5.4	17.4	¥ 548,666	6.9	18.0	¥ 590,674	7.7	18.3	¥ 625,179	5.8	18.7	\$ 5,210
Marine	102,993	12.2	3.6	105,393	2.3	3.5	107,893	2.4	3.5	121,387	12.5	3.8	131,030	7.9	3.9	1,092
Personal Accident	367,750	49.1	12.7	358,440	(2.5)	12.1	352,446	(1.7)	11.6	347,562	(1.4)	10.8	341,241	(1.8)	10.2	2,844
Voluntary Automobile	1,277,752	107.5	44.3	1,291,429	1.1	43.7	1,327,991	2.8	43.5	1,378,126	3.8	42.8	1,421,126	3.1	42.4	11,843
Compulsory Automobile Liability	278,695	115.6	9.7	307,038	10.2	10.4	321,641	4.8	10.6	352,649	9.6	10.9	355,417	0.8	10.6	2,962
Other	370,215	52.1	12.8	380,999	2.9	12.9	391,322	2.7	12.8	432,409	10.5	13.4	476,209	10.1	14.2	3,968
Total	¥2,884,772	76.2	100.0	¥2,956,759	2.5	100.0	¥3,049,962	3.2	100.0	¥3,222,809	5.7	100.0	¥3,350,204	4.0	100.0	\$27,918
Deposit premiums from policyholders	¥ 196,070	35.2	6.8	¥ 172,021	(12.3)	5.8	¥ 163,936	(4.7)	5.4	¥ 151,449	(7.6)	4.7	¥ 138,799	(8.4)	4.1	\$ 1,157

DIRECT PREMIUMS WRITTEN (FY2014)

Total ¥3,350.2 Billion

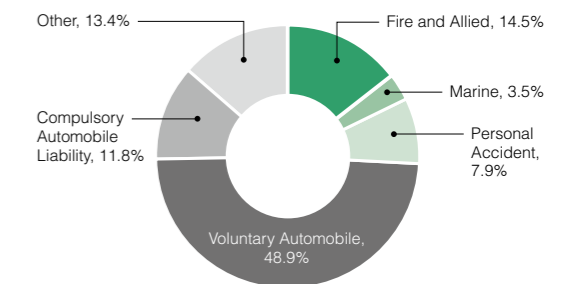


(b) Net Premiums Written

Lines of Insurance	(Yen in millions)												(US\$ in millions)			
	FY2010			FY2011			FY2012			FY2013			FY2014			FY2014
	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount
Fire and Allied	¥ 354,560	62.4	13.9	¥ 339,636	(4.2)	13.3	¥ 354,012	4.2	13.4	¥ 398,163	12.5	14.2	¥ 425,881	7.0	14.5	\$ 3,549
Marine	89,455	17.8	3.5	87,395	(2.3)	3.4	87,312	(0.1)	3.3	97,054	11.2	3.5	103,389	6.5	3.5	862
Personal Accident	212,790	57.5	8.4	219,520	3.2	8.6	222,865	1.5	8.4	227,546	2.1	8.1	230,991	1.5	7.9	1,925
Voluntary Automobile	1,291,900	111.5	50.8	1,299,499	0.6	50.9	1,337,106	2.9	50.7	1,393,198	4.2	49.5	1,438,002	3.2	48.9	11,983
Compulsory Automobile Liability	273,871	103.0	10.8	291,610	6.5	11.4	310,521	6.5	11.8	338,245	8.9	12.0	348,356	3.0	11.8	2,903
Other	321,208	46.7	12.6	317,890	(1.0)	12.4	327,197	2.9	12.4	357,402	9.2	12.7	392,491	9.8	13.4	3,271
Total	¥2,543,786	82.5	100.0	¥2,555,551	0.5	100.0	¥2,639,015	3.3	100.0	¥2,811,611	6.5	100.0	¥2,939,113	4.5	100.0	\$24,493

NET PREMIUMS WRITTEN (FY2014)

Total ¥2,939.1 Billion

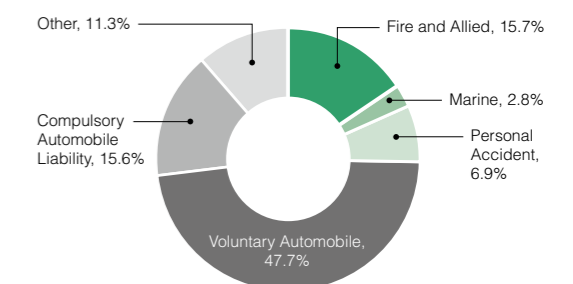


(c) Net Claims Paid

Lines of Insurance	(Yen in millions)												(US\$ in millions)			
	FY2010			FY2011			FY2012			FY2013			FY2014			FY2014
	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount
Fire and Allied	¥ 137,343	42.6	8.7	¥ 473,309	244.6	24.4	¥ 315,906	(33.3)	18.2	¥ 252,695	(20.0)	15.1	¥ 259,270	2.6	15.7	\$ 2,161
Marine	39,823	(1.5)	2.5	48,802	22.5	2.5	40,490	(17.0)	2.3	51,532	27.3	3.1	46,430	(9.9)	2.8	387
Personal Accident	112,581	46.1	7.1	113,345	0.7	5.8	113,462	0.1	6.5	115,636	1.9	6.9	114,136	(1.3)	6.9	951
Voluntary Automobile	837,013	111.4	52.8	848,161	1.3	43.7	831,073	(2.0)	47.7	805,460	(3.1)	48.2	786,916	(2.3)	47.7	6,558
Compulsory Automobile Liability	260,890	95.1	16.4	263,206	0.9	13.6	264,802	0.6	15.2	261,349	(1.3)	15.7	258,095	(1.2)	15.6	2,151
Other	198,475	15.9	12.5	194,546	(2.0)	10.0	175,049	(10.0)	10.1	183,667	4.9	11.0	185,698	1.1	11.3	1,547
Total	¥1,586,128	73.4	100.0	¥1,941,371	22.4	100.0	¥1,740,784	(10.3)	100.0	¥1,670,343	(4.0)	100.0	¥1,650,547	(1.2)	100.0	\$13,755

NET CLAIMS PAID (FY2014)

Total ¥1,650.5 Billion



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

(a) Policies in Force

	(Yen in millions)										(US\$ in millions)
	FY2010		FY2011		FY2012		FY2013		FY2014		FY2014
	Amount	Change (%)	Amount	Change (%)	Amount	Change (%)	Amount	Change (%)	Amount	Change (%)	Amount
Individual insurance	¥15,809,149	73.2	¥17,481,481	10.6	¥19,782,531	13.2	¥21,391,387	8.1	¥22,676,597	6.0	\$188,972
Individual annuities	623,789	97.8	3,703,555	493.7	3,953,545	6.7	3,738,051	(5.5)	3,638,524	(2.7)	30,321
Group insurance	4,872,946	80.5	4,996,365	2.5	5,165,629	3.4	5,124,978	(0.8)	5,301,496	3.4	44,179
Group annuities	459	—	477	4	429	(10.1)	399	(6.9)	330	(17.3)	3

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

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

(b) New Policies

	(Yen in millions)										(US\$ in millions)
	FY2010		FY2011		FY2012		FY2013		FY2014		FY2014
	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount
Individual insurance	¥2,757,564	¥3,170,726	¥3,933,771	¥3,235,603	¥3,307,082	¥27,559					
Individual annuities	85,587	343,793	208,998	237,132	198,867	1,657					
Group insurance	42,437	38,211	710,988	104,852	88,702	739					
Group annuities	—	0	—	—	—	—					

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

Investment Assets and Investments in Securities (Unaudited)

(a) Investment Assets

	FY2013		FY2014		FY2014
	(Yen in millions)		(Yen in millions)		(US\$ in millions)
	Amount	Share	Amount	Share	Amount
Deposits and savings	¥ 563,164	3.3%	¥ 630,985	3.4%	\$ 5,258
Call loans	78,649	0.5	200,336	1.1	1,669
Receivables under resale agreements	23,997	0.1	36,497	0.2	304
Receivables under securities borrowing transactions	228,706	1.4	326,525	1.7	2,721
Monetary claims bought	73,337	0.4	102,636	0.5	855
Money trusts	693,628	4.1	541,881	2.9	4,516
Investments in securities	12,710,203	75.3	14,444,996	76.9	120,375
Loans	807,300	4.8	775,816	4.1	6,465
Land and buildings	452,065	2.7	443,453	2.4	3,695
Total investment assets	¥15,631,051	92.6%	¥17,503,130	93.2%	\$145,859
Total assets	¥16,878,148	100.0%	¥18,787,654	100.0%	\$156,564

(b) Investments in Securities

	FY2013		FY2014		FY2014
	(Yen in millions)		(Yen in millions)		(US\$ in millions)
	Amount	Share	Amount	Share	Amount
Government bonds	¥ 3,359,731	26.4%	¥ 3,638,288	25.2%	\$ 30,319
Municipal bonds	252,857	2.0	270,605	1.9	2,255
Corporate bonds	1,600,180	12.6	1,581,178	10.9	13,176
Stock	2,561,397	20.1	3,184,894	22.1	26,541
Foreign securities	2,323,179	18.3	3,082,764	21.3	25,690
Other securities	2,612,855	20.6	2,687,264	18.6	22,394
Total	¥12,710,203	100.0%	¥14,444,996	100.0%	\$120,375

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

Consolidated Balance Sheets

Download Data Sheet MS&AD Insurance Group Holdings, Inc. and Its Consolidated Subsidiaries
As of March 31, 2014 and 2015

Assets	Yen in millions		US\$ in millions
	2014	2015	2015
Cash, deposits and savings	¥ 563,370	¥ 631,141	\$ 5,260
Call loans	78,649	200,336	1,669
Receivables under resale agreements	23,997	36,497	304
Receivables under securities borrowing transactions	228,706	326,525	2,721
Monetary claims bought	73,337	102,636	855
Money trusts	693,628	541,881	4,516
Investments in securities	12,710,203	14,444,996	120,375
Loans	807,300	775,816	6,465
Tangible fixed assets:			
Land	246,917	243,662	2,031
Buildings	205,148	199,791	1,665
Lease assets	1,386	3,393	28
Construction in progress	5,228	5,226	44
Other tangible fixed assets	25,591	25,404	212
Total tangible fixed assets	484,272	477,477	3,979
Intangible fixed assets:			
Software	82,769	67,412	562
Goodwill	89,116	85,114	709
Lease assets	80	52	0
Other intangible fixed assets	7,642	30,302	253
Total intangible fixed assets	179,609	182,882	1,524
Other assets	844,543	923,261	7,694
Assets for retirement benefits	49,123	54,762	456
Deferred tax assets	108,550	40,678	339
Customers' liabilities under acceptances and guarantees	53,500	59,500	496
Bad debt reserve	(20,643)	(10,741)	(90)
Total assets	¥16,878,148	¥18,787,654	\$156,564

See accompanying notes to consolidated financial statements.

Liabilities and Net Assets	Yen in millions		US\$ in millions
	2014	2015	2015
Liabilities			
Policy liabilities:			
Outstanding claims	¥ 1,467,103	¥ 1,491,004	\$ 12,425
Underwriting reserves	11,644,116	12,348,477	102,904
Total policy liabilities	13,111,219	13,839,481	115,329
Bonds issued	226,185	226,188	1,885
Other liabilities	837,238	1,022,609	8,522
Liabilities for pension and retirement benefits	157,277	138,914	1,158
Reserve for retirement benefits for officers	1,121	953	8
Accrued bonuses for employees	21,313	23,961	200
Reserves under the special laws:			
Reserve for price fluctuation	67,054	136,738	1,139
Total reserves under the special laws	67,054	136,738	1,139
Deferred tax liabilities	117,404	303,060	2,526
Acceptances and guarantees	53,500	59,500	496
Total liabilities	14,592,316	15,751,408	131,262
Net Assets			
Shareholders' equity:			
Common stock	100,000	100,000	833
Capital surplus	682,752	675,327	5,628
Retained earnings	385,295	490,329	4,086
Treasury stock	(29,903)	(49,978)	(416)
Total shareholders' equity	1,138,144	1,215,678	10,131
Accumulated other comprehensive income/(loss):			
Net unrealized gains/(losses) on investments in securities	1,053,222	1,635,784	13,632
Net deferred gains/(losses) on hedges	23,430	32,140	268
Foreign currency translation adjustments	35,261	94,417	787
Accumulated actuarial gains/(losses) on retirement benefits	10,266	28,690	239
Total accumulated other comprehensive income/(loss)	1,122,180	1,791,033	14,925
Minority interests	25,507	29,533	246
Total net assets	2,285,832	3,036,246	25,302
Total liabilities and net assets	¥16,878,148	¥18,787,654	\$156,564

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

Download Data Sheet MS&AD Insurance Group Holdings, Inc. and Its Consolidated Subsidiaries
For the fiscal years ended March 31, 2014 and 2015

	Yen in millions		US\$ in millions
	2014	2015	2015
Ordinary income and expenses			
Ordinary income:			
Underwriting income:			
Net premiums written	¥2,811,611	¥2,939,113	\$24,493
Deposit premiums from policyholders	151,449	138,799	1,157
Investment income on deposit premiums from policyholders	52,876	50,898	424
Life insurance premiums	678,978	721,705	6,014
Reversal of outstanding claims	–	1,375	11
Other underwriting income	12,057	19,285	161
Total underwriting income	3,706,972	3,871,177	32,260
Investment income:			
Interest and dividends income	224,123	253,616	2,113
Investment gains on money trusts	27,399	89,065	742
Gains on sales of securities	83,333	157,175	1,310
Gains on redemption of securities	1,900	1,840	15
Gains on derivative transactions	4,230	–	–
Investment gains on separate accounts	334,955	350,206	2,918
Other investment income	22,869	2,429	20
Transfer of investment income on deposit premiums from policyholders	(52,876)	(50,898)	(424)
Total investment income	645,937	803,435	6,695
Other ordinary income:			
Gains on equity method investments	–	1,302	11
Other ordinary income	9,844	13,742	115
Total other ordinary income	9,844	15,044	125
Total ordinary income	4,362,754	4,689,658	39,080
Ordinary expenses:			
Underwriting expenses:			
Net claims paid	1,670,343	1,650,547	13,755
Loss adjustment expenses	139,471	156,147	1,301
Commissions and collection expenses	557,142	600,326	5,003
Maturity refunds to policyholders	332,047	303,288	2,527
Dividends to policyholders	717	858	7
Life insurance claims	355,201	346,127	2,884
Provision for outstanding claims	37,965	–	–
Provision for underwriting reserves	467,076	697,300	5,811
Other underwriting expenses	4,773	5,621	47
Total underwriting expenses	3,564,739	3,760,218	31,335
Investment expenses:			
Investment losses on money trusts	7,732	109	1
Losses on sales of securities	5,533	6,507	54
Impairment losses on securities	3,259	5,164	43
Losses on redemption of securities	1,734	961	8
Losses on derivative transactions	–	6,342	53
Other investment expenses	8,107	34,853	290
Total investment expenses	26,368	53,940	450
Operating expenses and general and administrative expenses	548,740	577,998	4,817
Other ordinary expenses:			
Interest expense	8,248	7,052	59
Provision for bad debts	10,695	–	–
Losses on bad debts	37	40	0
Amortization of deferred assets under Article 113 of the Insurance Business Act	236	236	2
Losses on equity method investments	9,606	–	–
Other ordinary expenses	4,141	3,110	26
Total other ordinary expenses	32,967	10,439	87
Deferred expenses under Article 113 of the Insurance Business Act	(319)	–	–
Total ordinary expenses	4,172,495	4,402,596	36,688
Ordinary profit/(loss)	190,259	287,061	2,392
Extraordinary income and losses			
Extraordinary income:			
Gains on sales of fixed assets	4,821	9,021	75
Total extraordinary income	4,821	9,021	75
Extraordinary losses:			
Losses on sales of fixed assets	3,930	4,632	39
Impairment losses on fixed assets	947	1,944	16
Provision for reserves under the special laws:			
Provision for reserve for price fluctuation	33,101	69,684	581
Total provision for reserves under the special laws	33,101	69,684	581
Other extraordinary losses	8,260	–	–
Total extraordinary losses	46,239	76,260	636
Income/(loss) before income taxes and minority interests	148,840	219,822	1,832
Income taxes - current	29,640	28,836	240
Income taxes - deferred	23,581	53,132	443
Total income taxes	53,221	81,968	683
Income/(loss) before minority interests	95,619	137,853	1,149
Minority interests	2,168	1,606	13
Net income/(loss)	¥ 93,451	¥ 136,247	\$ 1,135

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

MS&AD Insurance Group Holdings, Inc. and Its Consolidated Subsidiaries
For the fiscal years ended March 31, 2014 and 2015

	Yen in millions		US\$ in millions
	2014	2015	2015
Income/(loss) before minority interests	¥ 95,619	¥137,853	\$1,149
Other comprehensive income/(loss):			
Net unrealized gains/(losses) on investments in securities	161,615	581,217	4,843
Net deferred gains/(losses) on hedges	(2,998)	8,709	73
Foreign currency translation adjustments	68,033	53,878	449
Actuarial gains/(losses) on retirement benefits	–	18,427	154
Share of other comprehensive income/(loss) of equity method investments	594	7,885	66
Total other comprehensive income/(loss)	227,245	670,118	5,584
Total comprehensive income/(loss)	¥322,865	¥807,972	\$6,733
Allocation:			
Comprehensive income/(loss) attributable to shareholders of the parent	¥318,228	¥805,117	\$6,709
Comprehensive income/(loss) attributable to minority interests	4,637	2,854	24

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

MS&AD Insurance Group Holdings, Inc. and Its Consolidated Subsidiaries
For the fiscal years ended March 31, 2014 and 2015

2014 (Yen in millions)

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

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

See accompanying notes to consolidated financial statements.

2015 (Yen in millions)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Beginning balance	¥100,000	¥682,752	¥385,295	¥(29,903)	¥1,138,144
Cumulative effect of changing accounting policies		(7,403)	4,006		(3,396)
Beginning balance (adjusted)	100,000	675,349	389,302	(29,903)	1,134,747
Changes for the year:					
Dividends paid			(35,219)		(35,219)
Net income/(loss)			136,247		136,247
Repurchase of treasury stock				(20,077)	(20,077)
Disposal of treasury stock		0		2	2
Changes in scope of consolidation					-
Changes in scope of application of equity method					-
Changes in equity resulted from transactions with minority shareholders		(21)			(21)
Net changes of items other than shareholders' equity					
Total changes for the year	-	(21)	101,027	(20,074)	80,931
Ending balance	¥100,000	¥675,327	¥490,329	¥(49,978)	¥1,215,678

	Accumulated other comprehensive income/(loss)					Minority interests	Total net assets
	Net unrealized gains/(losses) on investments in securities	Net deferred gains/(losses) on hedges	Foreign currency translation adjustments	Accumulated actuarial gains/(losses) on retirement benefits	Total accumulated other comprehensive income/(loss)		
Beginning balance	¥1,053,222	¥23,430	¥35,261	¥10,266	¥1,122,180	¥25,507	¥2,285,832
Cumulative effect of changing accounting policies					-		(3,396)
Beginning balance (adjusted)	1,053,222	23,430	35,261	10,266	1,122,180	25,507	2,282,435
Changes for the year:							
Dividends paid							(35,219)
Net income/(loss)							136,247
Repurchase of treasury stock							(20,077)
Disposal of treasury stock							2
Changes in scope of consolidation							-
Changes in scope of application of equity method							-
Changes in equity resulted from transactions with minority shareholders							(21)
Net changes of items other than shareholders' equity	582,562	8,709	59,156	18,423	668,853	4,025	672,879
Total changes for the year	582,562	8,709	59,156	18,423	668,853	4,025	753,810
Ending balance	¥1,635,784	¥32,140	¥94,417	¥28,690	¥1,791,033	¥29,533	¥3,036,246

See accompanying notes to consolidated financial statements.

2015

(US\$ in millions)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Beginning balance	\$833	\$5,690	\$3,211	\$(249)	\$ 9,485
Cumulative effect of changing accounting policies		(62)	33		(28)
Beginning balance (adjusted)	833	5,628	3,244	(249)	9,456
Changes for the year:					
Dividends paid			(293)		(293)
Net income/(loss)			1,135		1,135
Repurchase of treasury stock				(167)	(167)
Disposal of treasury stock		0		0	0
Changes in scope of consolidation					-
Changes in scope of application of equity method					-
Changes in equity resulted from transactions with minority shareholders		(0)			(0)
Net changes of items other than shareholders' equity					
Total changes for the year	-	(0)	842	(167)	674
Ending balance	\$833	\$5,628	\$4,086	\$(416)	\$10,131

	Accumulated other comprehensive income/(loss)					Minority interests	Total net assets
	Net unrealized gains/(losses) on investments in securities	Net deferred gains/(losses) on hedges	Foreign currency translation adjustments	Accumulated actuarial gains/(losses) on retirement benefits	Total accumulated other comprehensive income/(loss)		
Beginning balance	\$ 8,777	\$195	\$294	\$ 86	\$ 9,352	\$213	\$19,049
Cumulative effect of changing accounting policies					-		(28)
Beginning balance (adjusted)	8,777	195	294	86	9,352	213	19,020
Changes for the year:							
Dividends paid							(293)
Net income/(loss)							1,135
Repurchase of treasury stock							(167)
Disposal of treasury stock							0
Changes in scope of consolidation							-
Changes in scope of application of equity method							-
Changes in equity resulted from transactions with minority shareholders							(0)
Net changes of items other than shareholders' equity	4,855	73	493	154	5,574	34	5,607
Total changes for the year	4,855	73	493	154	5,574	34	6,282
Ending balance	\$13,632	\$268	\$787	\$239	\$14,925	\$246	\$25,302

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

MS&AD Insurance Group Holdings, Inc. and Its Consolidated Subsidiaries
For the fiscal years ended March 31, 2014 and 2015

	Yen in millions		US\$ in millions
	2014	2015	2015
I. Cash flows from operating activities:			
Income/(loss) before income taxes and minority interests	¥ 148,840	¥ 219,822	\$ 1,832
Adjustments for:			
Depreciation	45,841	47,635	397
Impairment losses on fixed assets	947	1,944	16
Amortization of goodwill	6,479	14,436	120
Increase/(decrease) in outstanding claims	36,067	(446)	(4)
Increase/(decrease) in underwriting reserves	461,591	690,272	5,752
Increase/(decrease) in bad debt reserve	10,567	(10,038)	(84)
Increase/(decrease) in reserve for retirement benefits for officers	(195)	(167)	(1)
Increase/(decrease) in accrued bonuses for employees	806	1,939	16
Increase/(decrease) in liabilities for pension and retirement benefits	762	(642)	(5)
Increase/(decrease) in reserve for price fluctuation	33,101	69,684	581
Interest and dividends income	(224,123)	(253,616)	(2,113)
Losses/(gains) on money trusts	(19,675)	(88,941)	(741)
Losses/(gains) on investments in securities	(74,705)	(146,381)	(1,220)
Losses/(gains) on derivative transactions	(4,230)	6,342	53
Investment losses/(gains) on separate accounts	(334,955)	(350,206)	(2,918)
Interest expense	8,248	7,052	59
Foreign exchange losses/(gains)	(20,953)	24,795	207
Losses/(gains) on disposal of tangible fixed assets	(926)	(4,281)	(36)
Losses/(gains) on equity method investments	9,606	(1,302)	(11)
Decrease/(increase) in other assets	84,768	(38,598)	(322)
Increase/(decrease) in other liabilities	12,163	72,236	602
Other, net	10,291	(3,013)	(25)
Subtotal	190,316	258,526	2,154
Interest and dividends received	364,735	406,187	3,385
Interest paid	(8,267)	(7,044)	(59)
Income taxes refunded/(paid)	(56,833)	(29,485)	(246)
Net cash provided by/(used in) operating activities (a)	489,950	628,184	5,235
II. Cash flows from investing activities:			
Net decrease/(increase) in deposits and savings	7,047	3,996	33
Purchase of monetary claims bought	(39,490)	(5,998)	(50)
Proceeds from sales and redemption of monetary claims bought	53,817	14,756	123
Purchase of money trusts	(353,145)	(215,680)	(1,797)
Proceeds from sales of money trusts	191,377	336,392	2,803
Purchase of securities	(2,774,410)	(2,959,364)	(24,661)
Proceeds from sales and redemption of securities	2,400,883	2,465,036	20,542
Investment in loans	(209,811)	(220,142)	(1,835)
Collection of loans	269,466	248,124	2,068
Net increase/(decrease) in cash collateral under securities borrowing and lending transactions	(249)	1,184	10
Other, net	(49,029)	(35,300)	(294)
Subtotal (b)	(503,545)	(366,994)	(3,058)
(a + b)	(13,594)	261,189	2,177
Acquisition of tangible fixed assets	(29,624)	(22,809)	(190)
Proceeds from sales of tangible fixed assets	9,634	13,599	113
Acquisition of intangible fixed assets	(24,944)	(15,702)	(131)
Acquisition of shares of subsidiaries resulting in changes in scope of consolidation	-	(17,271)	(144)
Other, net	(656)	(1,493)	(12)
Net cash provided by/(used in) investing activities	(549,136)	(410,671)	(3,422)
III. Cash flows from financing activities:			
Proceeds from borrowings	50,000	-	-
Redemption of bonds	(65,000)	-	-
Repurchase of treasury stock	(5,082)	(20,077)	(167)
Dividends paid to shareholders	(34,147)	(35,189)	(293)
Dividends paid to minority shareholders	(1,105)	(1,325)	(11)
Other, net	(1,988)	(2,349)	(20)
Net cash provided by/(used in) financing activities	(57,323)	(58,941)	(491)
IV. Effect of exchange rate changes on cash and cash equivalents	23,776	20,201	168
V. Net increase/(decrease) in cash and cash equivalents	(92,732)	178,771	1,490
VI. Cash and cash equivalents at beginning of year	716,221	625,084	5,209
VII. Increase in cash and cash equivalents due to inclusion in scope of consolidation	1,596	-	-
VIII. Net increase/(decrease) in cash and cash equivalents due to merger of consolidated subsidiaries	-	1,598	13
IX. Cash and cash equivalents at end of year	¥ 625,084	¥ 805,455	\$ 6,712

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

MS&AD Insurance Group Holdings, Inc. and its Consolidated Subsidiaries
As of and for the fiscal years ended March 31, 2014 and 2015

SIGNIFICANT ACCOUNTING POLICIES

1. Basis of presentation

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

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

Solely for the convenience of readers, the accompanying consolidated financial statements as of and for the year ended March 31, 2015 have been translated into U.S. dollars at the rate of ¥120=US\$1, the approximate exchange rate prevailing on the Tokyo foreign exchange market on the last business day of March 2015. Such translation should not be construed as presentations that the Japanese yen amounts have been, should have been, or could in the future be, converted into U.S. dollars at that or any other rate.

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

2. Scope of consolidation

(1) Number of consolidated subsidiaries

63 companies

Major consolidated subsidiaries are as follows:

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

Changes in scope of consolidation

Box Innovation Group Limited and other 9 companies have been included in the scope of consolidation since the year ended March 31, 2015 due to acquisition of shares by the Company.

(2) Unconsolidated subsidiaries

Major unconsolidated subsidiaries are as follows:

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

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

3. Application of equity method

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

8 companies

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

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

(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.

4. Fiscal year of consolidated subsidiaries

The fiscal year end of certain consolidated subsidiaries, including MSIG Holdings (Americas), Inc. and 54 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.

5. Accounting policies

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

(i) Trading securities are valued at their year-end market prices. Cost of sales is calculated using the moving average method.

(ii) Held-to-maturity securities are valued at amortized cost.

(iii) Investments in unconsolidated subsidiaries and 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, MSPL establishes subgroups of "individual insurance and individual annuities" that meet certain criteria for each currency and applies the investment policy and cash allocation policy reflecting their characteristics. In addition, MSPL periodically assesses whether the durations of the debt securities and money trusts earmarked for underwriting reserves fall within a certain range from those of the underwriting reserves in each subgroup.

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

Net unrealized gains and losses are reported as a separate line item of net assets. 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.

(viii) 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

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

(3) Depreciation methods of significant depreciable assets

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

Depreciation of tangible fixed assets held by foreign consolidated subsidiaries is mainly computed using the straight-line method.

(ii) Intangible fixed assets are amortized by the straight-line method. Capitalized software for internal use is amortized by the straight-line method 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 foreign 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 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 and past service costs

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

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

(6) Translation of foreign currency assets and liabilities

Foreign currency monetary assets and liabilities of the Company are translated into Japanese yen using the spot exchange rate prevailing at the year-end. The foreign exchange gains and losses resulting from the translation are recognized in earnings. Foreign currency assets and liabilities of consolidated foreign subsidiaries are translated into Japanese yen using the spot exchange rate prevailing at their respective year-ends, while shareholders' equity is translated at the historical rates. Income and expenses of consolidated foreign subsidiaries are translated into Japanese yen using the average exchange rate for the year. Differences arising from such translations are included in Foreign currency translation adjustments and Minority interests in Net Assets.

(7) Accounting for consumption taxes

Consumption taxes received or paid by the Company and its 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 the 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 bonds and other 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 the cash flows of loans, bonds and borrowings arising from fluctuations in interest rates are accounted for under the deferred hedge method or the exceptional method when they meet certain criteria.

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

Certain interest rate swap contracts used for the ALM (Asset and Liability Management) 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.

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

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

6. Goodwill

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

7. Changes in accounting policies

The Company has adopted the Accounting Standard for Business Combinations (ASBJ Statement No. 21 issued on September 13, 2013, the "Business Combination Accounting Standard"), the Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22 issued on September 13, 2013, the "Consolidation Accounting Standard") and the Accounting Standard for Business Divestitures (ASBJ Statement No. 7 issued on September 13, 2013, the "Business Divestitures Accounting Standard"), effective from the beginning of the year commencing on or after April 1, 2014 (excluding the provisions stated in Paragraph 39 of the Consolidation Accounting Standard). In accordance with the adoption of these accounting standards, the Company has changed accounting policies as follows:

- (a) Transactions that result in changes in the Company's ownership interests in subsidiaries under control are accounted for as equity transactions, and any difference between the change in the minority interests and the fair value of the consideration paid or received is recognized in Capital surplus.
- (b) Acquisition-related costs are expensed in the period incurred.
- (c) For a business combination occurring on or after April 1, 2014, provisional amounts as to the purchase price allocation are recognized on the acquisition date and will be adjusted retrospectively, if required, based on information available after the acquisition date.

In accordance with the transitional treatments set forth in Paragraph 58-2(3) of the Business Combination Accounting Standard, Paragraph 44-5(3) of the Consolidation Accounting Standard and Paragraph 57-4(3) of the Business Divestitures Accounting Standard, the cumulative effect up to the beginning of the current year by adopting the new accounting policies retrospectively to all the previous periods is added to, or subtracted from, Capital surplus and Retained earnings.

The effect of the changes on the beginning balance of the current year was a decrease in Goodwill of ¥3,396 million and Capital surplus of ¥7,403 million and an increase in Retained earnings of ¥4,006 million. Ordinary profit/(loss) and Income/(loss) before income taxes and minority interests increased by ¥242 million.

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

In preparing the consolidated statements of cash flows, cash and cash equivalents constitute cash on hand, readily available deposits and short-term highly liquid investments with original maturities not exceeding three months.

NOTES TO CONSOLIDATED BALANCE SHEETS

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

	Yen in millions	
	March 31, 2014	March 31, 2015
Accumulated depreciation	333,078	341,484
Accelerated depreciation	15,133	14,659

Note: As permitted under Japanese tax legislation for the purpose of deferral in recognizing taxable income, acquisition cost of certain qualifying properties is reduced to offset the taxable income that resulted from the sales of assets to be replaced by the acquired assets or receipts of governmental subsidies provided for the acquisition of the new assets. The total amounts deducted from the original acquisition cost of the qualifying properties as of March 31, 2014 and 2015 were ¥15,133 million and ¥14,659 million, respectively.

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

	Yen in millions	
	March 31, 2014	March 31, 2015
Investments in securities (Domestic stocks)	16,694	16,442
Investments in securities (Foreign securities)	131,940	145,956
Investments in securities (Other securities)	7,479	9,214

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, 2014	March 31, 2015
Loans to borrowers in bankruptcy	70	3
Overdue loans	3,212	824
Loans overdue for three months or more	1,221	832
Restructured loans	4,636	1,913
Total	9,142	3,575

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

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

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

Restructured loans represent those 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, 2014	March 31, 2015
Pledged assets:		
Investments in securities	172,285	174,410
Cash, deposits and savings	5,519	7,895
Money trusts	2,110	2,464
Tangible fixed assets	285	—

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

	Yen in millions	
	March 31, 2014	March 31, 2015
Corresponding debt obligations:		
Borrowings	11	10

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

	Yen in millions	
	March 31, 2014	March 31, 2015
	286,329	405,277

6. The amounts of assets received as collateral under resale 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, 2014	March 31, 2015
Securities	46,417	53,718
Commercial papers	18,998	23,997

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

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

	Yen in millions	
	March 31, 2014	March 31, 2015
	2,559,002	2,620,349

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

	Yen in millions	
	March 31, 2014	March 31, 2015
	1,421	1,184

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

March 31, 2014

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

March 31, 2015

MSI provides guarantees on transactions conducted by a limited partnership entity. Aggregate net present value of these transactions was ¥271,594 million in a negative liability position as of March 31, 2015. This amount was not included in Customers' liabilities under acceptances and guarantees or Acceptances and guarantees since there was no substantial exposure.

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

	Yen in millions	
	March 31, 2014	March 31, 2015
	5,669	5,361

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

The Company and its consolidated subsidiaries ("the Group") apply Asset and Liability Management (ALM) 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, MSI and ADI undertake 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 and market liquidity 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, currency swaps, equity index options, equity forward contracts, foreign exchange forward contracts and currency options for the purpose of hedging market risks such as fluctuations in interest rates, stock prices and foreign exchange rates. In addition, the Group utilizes credit derivatives, weather derivatives and individual equity options 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".

In general, 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, and the Group utilizes legally enforceable master netting agreements with the counterparties.

(iii) Risk management structure relating to financial instruments

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

a. Market risk management

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

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 and ADI, 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. Funding liquidity risk management

The Group's treasury management oversees liquidity risk under ordinary or emergent funding conditions, and diversifies 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, 2014 and 2015 together with their differences. The following tables exclude financial instruments in which the fair values are not practically determinable (see Note 2).

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

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

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

March 31, 2015	Yen in millions		
	Carrying amount	Fair value	Difference
(i) Cash, deposits and savings	631,141	631,301	159
(ii) Call loans	200,336	200,336	—
(iii) Receivables under resale agreements	36,497	36,497	—
(iv) Receivables under securities borrowing transactions	326,525	326,525	—
(v) Monetary claims bought	102,636	102,636	—
(vi) Money trusts	541,881	541,881	—
(vii) Investments in securities:			
Trading securities	2,616,117	2,616,117	—
Held-to-maturity securities	910,370	1,014,645	104,275
Debt securities earmarked for underwriting reserves	932,316	1,031,924	99,608
Available-for-sale securities	9,647,674	9,647,674	—
(viii) Loans	775,816		
Bad debt reserve ^{(*)1}	(682)		
	775,134	789,199	14,065
Total assets	16,720,631	16,938,740	218,108
Bonds issued	226,188	242,544	16,356
Total liabilities	226,188	242,544	16,356
Derivative transactions ^{(*)2} :			
Hedge accounting not applied	6,841	6,841	—
Hedge accounting applied	29,803	29,803	—
Total derivative transactions	36,644	36,644	—

(*)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) Call loans

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

(iii) Receivables under resale agreements

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

(iv) Receivables under securities borrowing transactions

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

(v) Monetary claims bought

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

(vi) Money trusts

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

(vii) Investments in securities

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

(viii) 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, prices included in "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 is deemed as the fair value.

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 "(vii) Investments in securities" above, are as follows:

	Yen in millions	
	March 31, 2014	March 31, 2015
Unlisted stocks and other assets invested in unconsolidated subsidiaries and associates	156,114	171,612
Other unlisted stocks	115,928	105,770
Partnership investments comprised of unlisted stocks	62,152	61,136
Total	334,196	338,518

The fair value of the financial instruments in the above table is not disclosed because their fair value is not practically determinable due to lack of marketability and difficulties in reasonably estimating future cash flows.

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

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

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

March 31, 2015	Yen in millions			
	Within 1 year	Over 1 to 5 years	Over 5 to 10 years	Over 10 years
Cash, deposits and savings	621,562	9,298	123	0
Call loans	200,336	—	—	—
Receivables under resale agreements	36,497	—	—	—
Receivables under securities borrowing transactions	326,525	—	—	—
Monetary claims bought	65,474	—	—	34,624
Investments in securities:				
Held-to-maturity securities				
Government bonds	4,800	—	28,100	700,200
Corporate bonds	24,828	50,732	25,802	67,800
Debt securities earmarked for underwriting reserves				
Foreign securities	—	338	666,747	244,199
Available-for-sale securities with fixed maturities:				
Government bonds	135,528	684,037	942,685	905,644
Municipal bonds	25,535	38,998	65,900	114,000
Corporate bonds	180,242	580,195	450,280	136,952
Foreign securities	150,090	548,383	696,626	135,187
Loans ^(*)	103,102	282,541	175,179	149,851
Total	1,874,523	2,194,525	3,051,444	2,488,459

(*) The amounts in the above table do not include ¥959 million of loans in which repayments cannot be expected since the debtors are legally bankrupt, substantially bankrupt or likely to go bankrupt and ¥64,968 million of loans without fixed maturities.

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

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

March 31, 2015	Yen in millions					
	Within 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Over 5 years
Bonds issued	70,000	—	—	—	—	156,191
Long-term borrowings	0	0	50,000	50,000	0	5
Lease obligations	1,526	1,137	834	633	544	417
Total	71,527	1,138	50,835	50,634	545	156,614

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

	Yen in millions	
	March 31, 2014	March 31, 2015
Carrying amount	78,405	75,686
Fair value	116,192	120,381

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.

13. Business combination

(Business combination through acquisition)

Aioi Nissay Dowa Insurance Co., Ltd. ("ADI"), a subsidiary of the Company, acquired shares of Box Innovation Group Limited ("BIG") through Aioi Nissay Dowa Insurance Company of Europe Limited ("ADE"), a wholly-owned subsidiary of ADI.

(1) Overview of business combination

(i) Name and business description of acquired company

Name of acquired company: Box Innovation Group Limited
Description of business: Management of subsidiaries and related operations

(ii) Primary reasons for business combination

With purchase of BIG through ADE, ADI will make a full-scale entry into the UK telematics auto insurance market, expanding its retail business in Europe and acquiring new expertise. BIG is the holding company of Insure The Box Limited, which operates managing general agent business for telematics auto insurance in the UK.

(iii) Date of business combination

March 31, 2015

(iv) Legal form of business combination

Acquisition of shares

(v) Name of acquired company after the business combination

Box Innovation Group Limited

(vi) Percentage share of voting rights acquired

75.01%

(vii) Primary reasons for determination of controlling company

ADE is the controlling entity, as ADE acquired 75.01% of voting rights of BIG.

(2) Period of the acquired company's financial results included in the consolidated financial statements

The acquired company's financial results are not included in the consolidated statement of income for the year ended March 31, 2015, as the acquisition date is March 31, 2015.

(3) Acquisition cost and breakdown by class of consideration

	GBP in millions
Consideration for acquisition	Cash 105
Total acquisition cost	105

(4) Description and amount of major acquisition-related costs

Advisory fee ¥410 million
This amount is provisional as certain costs have not been fixed yet.

(5) Amount and source of goodwill and amortization method and period

(i) Amount of goodwill

GBP 60 million
The amount of goodwill is calculated provisionally, as the purchase price allocation has not been completed.

(ii) Source of goodwill

The investment amount (acquisition cost) under the share acquisition agreement exceeded the net amount of assets acquired and liabilities assumed.

(iii) Amortization method and period

The goodwill is to be amortized by the straight-line method over its useful life. The amortization period will be determined based on the result of the purchase price allocation.

(6) Amounts of assets acquired and liabilities assumed on acquisition date and their major components

	GBP in millions
Intangible assets	78
Other assets	25
Total assets	103
Total liabilities	43

The amount of intangible assets is calculated provisionally, as the purchase price allocation has not been completed.

(7) Purchase price allocation

The Company provisionally accounted for the business combination based on relevant information available as of March 31, 2015, because the purchase price allocation has not been completed as the acquisition date was the last date of the current year.

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

In accordance with the Act for Partial Revision of the Income Tax Act, etc. (Act No. 9 of 2015) promulgated on March 31, 2015, the corporate tax will be reduced from the year commencing on or after April 1, 2015.

As a result, the statutory income tax rate used to measure deferred tax assets and liabilities for temporary differences that are expected to reverse during the years commencing on or after April 1, 2015 will be reduced from the current tax rate of 30.7% to 28.8%.

The effect of the change in income tax rate was a decrease in Deferred tax assets of ¥2,010 million and Deferred tax liabilities of ¥19,197 million and an increase in Net unrealized gains/(losses) on investments in securities of ¥43,346 million and Income taxes - deferred of ¥27,837 million. As a result, Net income/(loss) decreased by ¥25,614 million.

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

	March 31, 2014	March 31, 2015
Net assets per share (in Yen)	3,646.22	4,911.40
Minority interests deducted from net assets (Yen in millions)	25,507	29,533
Outstanding common shares (in thousands of shares)	619,908	612,190

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

	Yen in millions	
	For the year ended March 31, 2014	For the year ended March 31, 2015
	1,949	3,459

2. Details of other investment expenses are as follows:

For the year ended March 31, 2015

Other investment expenses include foreign exchange losses of ¥25,779 million.

3. Major components of business expenses are as follows:

	Yen in millions	
	For the year ended March 31, 2014	For the year ended March 31, 2015
Commission expenses	567,180	616,460
Salaries	254,801	266,666

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

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

For the year ended March 31, 2014

Use	Category	Description	Yen in millions		
			Impairment losses on fixed assets		
				Breakdown	
Investment properties	Land and buildings	7 properties, including a building for rent in Kagawa	58	Land Buildings	42 15
Idle real estate and real estate for sale	Land and buildings	14 properties, including an office building in Chiba	582	Land Buildings	262 319
Others	Software	Software related to insurance business operations	307	—	—

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 assets in the above table were idle or to be disposed in the near future, ¥947 million of the aggregate difference between their carrying amounts in the above table and recoverable amounts was recognized as impairment losses on fixed assets under Extraordinary losses.

The recoverable amounts of these assets represent their net sales value, which are determined based on the appraisal value provided by qualified appraisers. When sale of an asset is expected to be difficult, its recoverable amount is determined to be zero.

For the year ended March 31, 2015

Use	Category	Description	Yen in millions		
			Impairment losses on fixed assets		
			Breakdown		
Investment properties	Land and buildings	9 properties, including a building for rent in Kanagawa	382	Land Buildings	266 116
Idle real estate and real estate for sale	Land and buildings	11 properties, including a company house in Chiba	1,561	Land Buildings	1,086 474

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 assets in the above table were to be disposed in the near future or the intended use of the assets was changed to leasing, ¥1,944 million of the aggregate difference between their carrying amounts in the above table and recoverable amounts was recognized as impairment losses on fixed assets under Extraordinary losses.

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

5. Details of Other extraordinary losses are as follows:

For the year ended March 31, 2014

Other extraordinary losses represent costs related to the reorganization by function that was agreed among the Company and insurance subsidiaries within the Group.

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

	For the year ended March 31, 2014	For the year ended March 31, 2015
Net income/(loss) per share (in Yen)	150.58	221.34
Net income/(loss) attributable to common stock (Yen in millions)	93,451	136,247
Average outstanding common stock during the year (in thousands of shares)	620,603	615,548

Notes:

1. Since there was no potential dilution for the year ended March 31, 2014, diluted net income/(loss) per share is not disclosed.
2. Since there was no potential dilution for the year ended March 31, 2015, diluted net income/(loss) per share is not disclosed.

NOTES TO CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

1. Reclassification adjustments and income tax effects of other comprehensive income/(loss)

	Yen in millions	
	2014	2015
Net unrealized gains/(losses) on investments in securities:		
Gains/(losses) arising during the period	321,269	897,979
Reclassification adjustments	(91,576)	(124,034)
Before income tax effect adjustments	229,692	773,945
Income tax effects	(68,076)	(192,728)
Net unrealized gains/(losses) on investments in securities	161,615	581,217
Net deferred gains/(losses) on hedges:		
Gains/(losses) arising during the period	742	16,489
Reclassification adjustments	(5,329)	(5,158)
Before income tax effect adjustments	(4,586)	11,330
Income tax effects	1,588	(2,620)
Net deferred gains/(losses) on hedges	(2,998)	8,709
Foreign currency translation adjustments:		
Gains/(losses) arising during the period	67,849	53,194
Reclassification adjustments	183	683
Foreign currency translation adjustments	68,033	53,878
Actuarial gains/(losses) on retirement benefits:		
Gains/(losses) arising during the period	—	25,392
Reclassification adjustments	—	16
Before income tax effect adjustments	—	25,409
Income tax effects	—	(6,981)
Actuarial gains/(losses) on retirement benefits	—	18,427
Share of other comprehensive income/(loss) of equity method investments:		
Gains/(losses) arising during the period	1,142	9,404
Reclassification adjustments	(547)	(1,518)
Share of other comprehensive income/(loss) of equity method investments	594	7,885
Total other comprehensive income/(loss)	227,245	670,118

NOTES TO CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

For the year ended March 31, 2014

1. Type and number of issued stock and treasury stock

	in thousands of shares			
	Beginning balance	Increase	Decrease	Ending balance
Issued stock:				
Common stock	633,291	—	—	633,291
Total	633,291	—	—	633,291
Treasury stock:				
Common stock	11,403	1,980	0	13,383
Total	11,403	1,980	0	13,383

(Notes)

1. The increase in the number of treasury common stock during the year was 1,980 thousand shares, as a result of open market repurchases of 1,947 thousand shares and repurchases of fractional stock of 32 thousand shares.

2. The decrease in the number of treasury common stock during the year was less than 1 thousand shares, as a result of sales of fractional stock.

2. Dividends

(1) Dividends paid

Resolution	Type of shares	Aggregate amount of dividends (Yen in millions)	Dividends per share		
			(in Yen)	Date of record	Effective date
General shareholders' meeting held on June 26, 2013	Common stock	16,790	27	March 31, 2013	June 27, 2013
Board meeting held on November 19, 2013	Common stock	17,357	28	September 30, 2013	December 10, 2013

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

(2) Dividends declared effective after March 31, 2014 for which the date of record is in the year ended March 31, 2014

Resolution	Type of shares	Aggregate amount of dividends (Yen in millions)	Source of dividends	Dividends per share		
				(in Yen)	Date of record	Effective date
General shareholders' meeting to be held on June 23, 2014	Common stock	17,357	Retained earnings	28	March 31, 2014	June 24, 2014

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

For the year ended March 31, 2015

1. Type and number of issued stock and treasury stock

	in thousands of shares			
	Beginning balance	Increase	Decrease	Ending balance
Issued stock:				
Common stock	633,291	—	—	633,291
Total	633,291	—	—	633,291
Treasury stock:				
Common stock	13,383	7,719	1	21,101
Total	13,383	7,719	1	21,101

(Notes)

1. The increase in the number of treasury common stock during the year was 7,719 thousand shares, as a result of open market repurchases of 7,689 thousand shares and repurchases of fractional stock of 29 thousand shares.

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

2. Dividends

(1) Dividends paid

Resolution	Type of shares	Aggregate amount of dividends (Yen in millions)	Dividends per share		
			(in Yen)	Date of record	Effective date
General shareholders' meeting held on June 23, 2014	Common stock	17,357	28	March 31, 2014	June 24, 2014
Board meeting held on November 19, 2014	Common stock	17,862	29	September 30, 2014	December 5, 2014

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

(2) Dividends declared effective after March 31, 2015 for which the date of record is in the year ended March 31, 2015

Resolution	Type of shares	Aggregate amount of dividends (Yen in millions)	Source of dividends	Dividends per share		
				(in Yen)	Date of record	Effective date
General shareholders' meeting to be held on June 22, 2015	Common stock	22,038	Retained earnings	36	March 31, 2015	June 23, 2015

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

NOTES TO CONSOLIDATED STATEMENTS OF CASH FLOWS

1. Reconciliation of balance sheet items to cash and cash equivalents

	Yen in millions	
	2014	2015
Cash, deposits and savings	563,370	631,141
Call loans	78,649	200,336
Receivables under resale agreements	23,997	36,497
Monetary claims bought	73,337	102,636
Money trusts	693,628	541,881
Investments in securities	12,710,203	14,444,996
Time deposits with original maturity of more than three months	(155,259)	(163,338)
Monetary claims bought other than cash equivalents	(46,260)	(37,163)
Money trusts other than cash equivalents	(693,628)	(541,881)
Investments in securities other than cash equivalents	(12,622,952)	(14,409,651)
Cash and cash equivalents	625,084	805,455

2. Major components of assets and liabilities of newly consolidated subsidiaries due to acquisition of shares

For the year ended March 31, 2015

Box Innovation Group Limited ("BIG") has been included in the scope of consolidation due to acquisition of shares by the Company. The components of assets and liabilities at the beginning of consolidation and the acquisition cost of BIG's shares and net consideration paid for acquisition of BIG are as follows:

	Yen in millions
Intangible assets	13,954
Other assets	4,527
Total assets	18,481
Other than goodwill	7,797
Goodwill	10,684
Liabilities	(7,795)
Minority interests	(2,670)
Acquisition cost of BIG's shares	18,699
Less: Cash and cash equivalents held at BIG	1,688
Net consideration paid for acquisition of BIG	17,011

The Company provisionally accounted for the business combination based on relevant information available as of March 31, 2015, because the purchase price allocation has not been completed as the acquisition date was the last date of the current year.

3. Cash flows from investing activities include those from investments made as part of the insurance business.

Independent Auditor's Report



Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of MS&AD Insurance Group Holdings, Inc. and its consolidated subsidiaries, which comprise the consolidated balance sheets as of March 31, 2014 and 2015, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of MS&AD Insurance Group Holdings, Inc. and its consolidated subsidiaries as of March 31, 2014 and 2015, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2015 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Significant Accounting Policies in the notes to the consolidated financial statements.

KPMG AZSA LLC

June 22, 2015
Tokyo, Japan

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

Summary of Business Results of Main Consolidated Subsidiaries

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

[Download Data Sheet](#)

Items	Yen in millions	
	March 31, 2014	March 31, 2015
(Assets)		
Cash, deposits and savings:	¥ 188,728	¥ 215,030
Cash on hand	174	124
Deposits in banks	188,554	214,906
Call loans	50,000	40,000
Receivables under resale agreements	23,997	36,497
Monetary claims bought	65,781	95,949
Money trusts	10,371	12,913
Investments in securities:	4,502,619	5,205,386
Government bonds	1,188,375	1,419,581
Municipal bonds	97,187	96,178
Corporate bonds	587,928	522,086
Domestic stocks	1,809,709	2,247,738
Foreign securities	803,384	896,805
Other securities	16,034	22,996
Loans:	538,224	498,639
Policy loans	9,834	8,953
General loans	528,389	489,686
Tangible fixed assets:	238,938	228,560
Land	87,736	85,729
Buildings	136,237	130,824
Construction in progress	2,528	1,327
Other tangible fixed assets	12,436	10,679
Intangible fixed assets:	40,101	49,661
Software	37,594	28,784
Other intangible fixed assets	2,507	20,877
Other assets:	406,584	362,144
Premiums receivable	4,032	4,145
Due from agencies	105,621	113,039
Co-insurance accounts receivable	9,161	6,405
Reinsurance accounts receivable	57,037	55,826
Foreign reinsurance accounts receivable	91,483	39,437
Agency business accounts receivable	213	237
Other receivables	28,363	27,724
Accrued income	6,180	6,230
Guarantee deposits	12,414	11,730
Deposits with the Japan Earthquake Reinsurance Company	9,932	10,584
Suspense payments	39,659	41,454
Variation margins of futures markets	0	-
Derivative financial instruments	41,154	44,147
Other assets	1,329	1,179
Customers' liabilities under acceptances and guarantees	49,094	52,214
Bad debt reserve	(16,423)	(6,977)
Total assets	¥6,098,017	¥6,790,021

Items	Yen in millions	
	March 31, 2014	March 31, 2015
(Liabilities)		
Policy liabilities:	¥3,945,530	¥3,955,703
Outstanding claims	652,310	640,913
Underwriting reserves	3,293,219	3,314,789
Bonds issued	176,185	176,188
Other liabilities:	344,318	407,453
Co-insurance accounts payable	11,925	10,561
Reinsurance accounts payable	54,777	59,080
Foreign reinsurance accounts payable	27,092	29,780
Agency business accounts payable	34	36
Borrowings	100,000	100,000
Income taxes payable	4,890	6,508
Deposits received	16,166	19,344
Unearned income	103	90
Other payables	25,853	46,583
Suspense receipts	23,096	21,527
Derivative financial instruments	9,119	2,405
Cash collateral received under derivative transactions	62,061	106,136
Lease obligations	1,706	1,185
Asset retirement obligations	4,634	3,710
Other liabilities	2,858	501
Reserve for pension and retirement benefits	139,895	137,329
Reserve for retirement benefits for officers	1,070	912
Accrued bonuses for employees	11,249	12,387
Reserves under the special laws:	19,731	60,519
Reserve for price fluctuation	19,731	60,519
Deferred tax liabilities	101,331	254,567
Acceptances and guarantees	49,094	52,214
Total liabilities	4,788,409	5,057,276
(Net assets)		
Common stock	139,595	139,595
Capital surplus:	93,107	93,107
Additional paid-in capital	93,107	93,107
Retained earnings:	240,357	294,673
Legal earned reserve	46,487	46,487
Other retained earnings:	193,869	248,185
Tax-exempted reserve for accelerated depreciation	15,385	15,406
Retained earnings brought forward	178,484	232,779
Total shareholders' equity	473,061	527,376
Net unrealized gains/(losses) on investments in securities	813,116	1,173,227
Net deferred gains/(losses) on hedges	23,430	32,140
Total valuation and translation adjustments	836,547	1,205,368
Total net assets	1,309,608	1,732,745
Total liabilities and net assets	¥6,098,017	¥6,790,021

MITSUI SUMITOMO INSURANCE CO., LTD. (NON-CONSOLIDATED)

Non-Consolidated Statements of Income

Items	Yen in millions	
	Year ended March 31, 2014	Year ended March 31, 2015
Ordinary income:	¥1,731,374	¥1,787,587
Underwriting income:	1,586,564	1,606,863
Net premiums written	1,386,533	1,444,176
Deposit premiums from policyholders	113,037	104,342
Investment income on deposit premiums from policyholders	41,343	39,981
Reversal of outstanding claims	–	11,397
Reversal of underwriting reserves	44,570	–
Foreign exchange gains	971	6,284
Other underwriting income	107	682
Investment income:	141,633	174,526
Interest and dividends income	112,260	110,618
Investment gains on money trusts	295	1,268
Gains on sales of securities	55,999	90,115
Gains on redemption of securities	1,778	1,658
Gains on derivative transactions	9,829	1,078
Foreign exchange gains	1,460	9,163
Other investment income	1,352	603
Transfer of investment income on deposit premiums from policyholders	(41,343)	(39,981)
Other ordinary income	3,176	6,197
Ordinary expenses:	1,629,375	1,616,259
Underwriting expenses:	1,388,165	1,386,306
Net claims paid	823,665	810,853
Loss adjustment expenses	77,425	88,020
Commissions and collection expenses	239,034	253,813
Maturity refunds to policyholders	238,511	210,769
Dividends to policyholders	594	796
Provision for outstanding claims	8,441	–
Provision for underwriting reserves	–	21,569
Other underwriting expenses	493	484
Investment expenses:	8,415	8,059
Losses on sales of securities	1,188	57
Impairment losses on securities	3,391	3,378
Losses on redemption of securities	714	250
Other investment expenses	3,120	4,373
Operating expenses and general and administrative expenses	214,537	215,765
Other ordinary expenses:	18,258	6,128
Interest expense	7,003	5,888
Provision for bad debts	11,018	–
Losses on bad debts	2	1
Other ordinary expenses	234	237
Ordinary profit	101,998	171,328
Extraordinary income:	4,162	10,323
Gains on sales of fixed assets	4,162	8,523
Other extraordinary income	–	1,800
Extraordinary losses:	21,615	44,051
Losses on sales of fixed assets	2,611	1,862
Impairment losses on fixed assets	240	1,400
Provision for reserves under the special laws:	14,580	40,788
Provision for reserve for price fluctuation	14,580	40,788
Other extraordinary losses	4,182	–
Income before income taxes	84,545	137,599
Income taxes – current	2,512	9,702
Income taxes – deferred	23,985	38,782
Total income taxes	26,497	48,485
Net income	¥ 58,047	¥ 89,114

Non-Consolidated Solvency Margin Ratio

Insurance companies running their business in Japan calculate the non-consolidated solvency margin ratio pursuant to the provisions of Articles 86 and 87 of the Insurance Business Act Enforcement Regulations and Public Notice No. 50 issued by the Ministry of Finance in 1996.

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

The non-consolidated solvency margin ratio, or item (C) in each of the tables below, which is calculated in accordance with the Insurance Business Act, is the ratio of "solvency margin of insurance companies calculated based on their capital and other reserves", or (A) the total amount of solvency margin, to "risks exceeding the normal range of estimates", or (B) the total amount of risks.

The non-consolidated solvency margin ratio is one of the objective indicators used by the insurance regulatory authorities to supervise insurance companies. A non-consolidated solvency margin ratio of 200% or over indicates adequate ability to satisfy insurance claims and other payment requirements.

	Yen in millions	
	March 31, 2014	March 31, 2015
(A) Total amount of solvency margin	¥2,120,694	¥2,667,909
Total net assets	456,862	493,977
Reserve for price fluctuation	19,731	60,519
Contingency reserve	175	284
Catastrophe reserve	410,755	442,547
General bad debt reserve	1,420	231
Net unrealized gains/(losses) on investments in securities (prior to tax effect deductions)	1,054,940	1,480,735
Net unrealized gains/(losses) on land	31,656	30,905
Excess of policyholders' contract deposits (a)	–	–
Subordinated debts, etc. (b)	106,191	106,191
Amount excluded from the margin, out of (a) and (b)	–	–
Deductions	43,155	38,129
Others	82,117	90,644
(B) Total amount of risks $\sqrt{(R_1+R_2)^2+(R_3+R_4)^2}+R_5+R_6$	706,497	818,935
General insurance risk (R ₁)	113,474	115,263
Insurance risk of third-sector insurance contracts (R ₂)	–	–
Assumed interest rate risk (R ₃)	19,248	18,400
Asset management risk (R ₄)	527,293	613,976
Business administration risk (R ₅)	15,849	18,113
Catastrophe risk (R ₆)	132,450	158,026
(C) Solvency margin ratio [(A) / {(B)×1/2}] × 100	600.3%	651.5%

AIOI NISSAY DOWA INSURANCE CO., LTD. (NON-CONSOLIDATED)

Non-Consolidated Balance Sheet

Items	Yen in millions	
	March 31, 2014	March 31, 2015
(Assets)		
Cash, deposits and savings:	¥ 81,958	¥ 103,797
Cash on hand	23	24
Deposits in banks	81,935	103,773
Call loans	21,000	29,000
Monetary claims bought	477	213
Money trusts	2,310	2,664
Investments in securities:	2,365,453	2,573,085
Government bonds	692,038	669,919
Municipal bonds	28,354	26,939
Corporate bonds	249,226	243,417
Domestic stocks	712,217	898,390
Foreign securities	644,154	691,077
Other securities	39,461	43,341
Loans:	220,015	226,229
Policy loans	4,632	4,244
General loans	215,383	221,984
Tangible fixed assets:	183,620	180,678
Land	83,882	82,848
Buildings	88,221	85,658
Lease assets	98	75
Construction in progress	2,325	3,253
Other tangible fixed assets	9,092	8,843
Intangible fixed assets:	33,390	28,968
Software	30,932	24,283
Other intangible fixed assets	2,457	4,684
Other assets:	222,050	272,452
Premiums receivable	3,403	2,951
Due from agencies	53,499	69,995
Due from foreign agencies	1,744	874
Co-insurance accounts receivable	4,853	3,472
Reinsurance accounts receivable	55,579	55,633
Foreign reinsurance accounts receivable	26,251	33,130
Agency business accounts receivable	–	107
Other receivables	24,415	48,507
Accrued income	9,498	8,770
Guarantee deposits	7,475	7,279
Deposits with the Japan Earthquake Reinsurance Company	6,931	7,376
Suspense payments	27,132	25,119
Derivative financial instruments	1,266	9,232
Prepaid pension expenses	43,472	45,088
Deferred tax assets	78,076	–
Customers' liabilities under acceptances and guarantees	7,500	10,500
Bad debt reserve	(2,146)	(1,970)
Total assets	¥3,257,180	¥3,470,706

Items	Yen in millions	
	March 31, 2014	March 31, 2015
(Liabilities)		
Policy liabilities:	¥2,420,418	¥2,389,245
Outstanding claims	510,416	511,118
Underwriting reserves	1,910,002	1,878,127
Bonds issued	50,000	50,000
Other liabilities:	153,051	163,817
Co-insurance accounts payable	3,799	3,635
Reinsurance accounts payable	54,260	54,839
Foreign reinsurance accounts payable	23,014	24,507
Agency business accounts payable	–	1,592
Borrowings	11	10
Income taxes payable	2,790	4,640
Deposits received	2,546	2,479
Unearned income	30	28
Other payables	22,325	25,588
Suspense receipts	20,850	19,155
Derivative financial instruments	15,276	20,344
Cash collateral received under derivative transactions	7,258	6,228
Lease obligations	328	218
Asset retirement obligations	558	548
Other liabilities	0	0
Reserve for pension and retirement benefits	13,775	17,197
Accrued bonuses for employees	5,962	6,241
Reserve for Reorganization by Function	3,040	754
Reserves under the special laws:	3,239	29,883
Reserve for price fluctuation	3,239	29,883
Deferred tax liabilities	–	6,144
Acceptances and guarantees	7,500	10,500
Total liabilities	2,656,987	2,673,785
(Net assets)		
Common stock	100,005	100,005
Capital surplus:	81,210	81,207
Additional paid-in capital	52,593	52,593
Other capital surplus	28,616	28,614
Retained earnings:	197,397	218,478
Legal earned reserve	45,657	47,411
Other retained earnings:	151,739	171,066
Retained earnings brought forward	151,739	171,066
Total shareholders' equity	378,612	399,691
Net unrealized gains/(losses) on investments in securities	221,580	397,230
Total valuation and translation adjustments	221,580	397,230
Total net assets	600,192	796,921
Total liabilities and net assets	¥3,257,180	¥3,470,706

AIOI NISSAY DOWA INSURANCE CO., LTD. (NON-CONSOLIDATED)

Non-Consolidated Statements of Income

Items	Yen in millions	
	Year ended March 31, 2014	Year ended March 31, 2015
Ordinary income:	¥1,317,805	¥1,323,230
Underwriting income:	1,245,805	1,252,369
Net premiums written	1,144,629	1,160,867
Deposit premiums from policyholders	38,412	34,457
Investment income on deposit premiums from policyholders	19,543	18,871
Reversal of underwriting reserves	39,299	31,874
Foreign exchange gains	1,643	1,740
Other underwriting income	2,277	4,556
Investment income:	68,951	65,767
Interest and dividends income	65,460	59,039
Investment gains on money trusts	0	0
Gains on sales of securities	22,610	25,135
Gains on redemption of securities	98	69
Foreign exchange gains	71	251
Other investment income	252	142
Transfer of investment income on deposit premiums from policyholders	(19,543)	(18,871)
Other ordinary income	3,048	5,093
Ordinary expenses:	1,289,907	1,254,257
Underwriting expenses:	1,081,170	1,044,957
Net claims paid	691,799	677,923
Loss adjustment expenses	52,052	56,048
Commissions and collection expenses	204,705	216,038
Maturity refunds to policyholders	93,535	92,519
Dividends to policyholders	123	61
Provision for outstanding claims	37,195	702
Other underwriting expenses	1,758	1,664
Investment expenses:	9,828	8,377
Losses on sales of securities	3,066	5,162
Impairment losses on securities	3,632	71
Losses on derivative transactions	1,526	2,104
Other investment expenses	1,603	1,038
Operating expenses and general and administrative expenses	197,823	198,042
Other ordinary expenses:	1,086	2,879
Interest expense	759	757
Losses on bad debts	2	18
Other ordinary expenses	324	2,103
Ordinary profit	27,897	68,973
Extraordinary income:	1,009	25,913
Gains on sales of fixed assets	1,009	313
Other extraordinary income	-	25,600
Extraordinary losses:	6,676	29,130
Losses on sales of fixed assets	920	871
Impairment losses on fixed assets	63	1,614
Provision for reserves under the special laws:	1,614	26,644
Provision for reserve for price fluctuation	1,614	26,644
Other extraordinary losses	4,077	-
Income before income taxes	22,230	65,755
Income taxes – current	2,057	4,271
Income taxes – deferred	7,065	22,003
Total income taxes	9,123	26,275
Net income	¥ 13,107	¥ 39,480

Non-Consolidated Solvency Margin Ratio

	Yen in millions	
	March 31, 2014	March 31, 2015
(A) Total amount of solvency margin	¥1,027,044	¥1,285,586
Total net assets	369,512	383,791
Reserve for price fluctuation	3,239	29,883
Contingency reserve	747	747
Catastrophe reserve	257,490	257,666
General bad debt reserve	418	387
Net unrealized gains/(losses) on investments in securities (prior to tax effect deductions)	287,683	501,764
Net unrealized gains/(losses) on land	2,038	5,273
Excess of policyholders' contract deposits (a)	-	-
Subordinated debts, etc. (b)	50,000	50,000
Amount excluded from the margin, out of (a) and (b)	-	-
Deductions	9,952	9,945
Others	65,866	66,017
(B) Total amount of risks $\sqrt{(R_1+R_2)^2+(R_3+R_4)^2}+R_5+R_6$	272,396	319,429
General insurance risk (R ₁)	101,281	98,452
Insurance risk of third-sector insurance contracts (R ₂)	-	-
Assumed interest rate risk (R ₃)	9,911	9,381
Asset management risk (R ₄)	179,721	227,288
Business administration risk (R ₅)	6,829	7,808
Catastrophe risk (R ₆)	50,581	55,290
(C) Solvency margin ratio $[(A) / \{(B) \times 1/2\}] \times 100$	754.0%	804.9%

MITSUI DIRECT GENERAL INSURANCE CO., LTD. (NON-CONSOLIDATED)**Non-Consolidated Balance Sheets**

Items	Yen in millions	
	March 31, 2014	March 31, 2015
(Assets)		
Cash, deposits and savings:	¥ 3,319	¥ 3,029
Deposits in banks	3,319	3,029
Investments in securities:	35,104	35,244
Government bonds	10,906	5,544
Municipal bonds	13,137	16,678
Corporate bonds	11,060	13,021
Tangible fixed assets:	212	146
Buildings	41	38
Other tangible fixed assets	170	107
Intangible fixed assets:	2,073	2,259
Software	2,071	2,258
Other intangible fixed assets	2	1
Other assets:	5,878	5,729
Premiums receivable	0	0
Reinsurance accounts receivable	-	1
Other receivables	3,421	3,359
Accrued income	43	47
Guarantee deposits	308	308
Suspense payments	2,103	2,010
Other assets	2	1
Bad debt reserve	(3)	(0)
Total assets	¥46,584	¥46,408
(Liabilities)		
Policy liabilities:	34,079	37,877
Outstanding claims	14,582	18,538
Underwriting reserves	19,497	19,338
Other liabilities:	988	1,373
Reinsurance accounts payable	1	0
Income taxes payable	99	107
Other payables	856	1,237
Suspense receipts	18	15
Asset retirement obligations	12	13
Accrued bonuses for employees	214	216
Reserves under the special laws:	34	41
Reserve for price fluctuation	34	41
Deferred tax liabilities	44	81
Total liabilities	35,360	39,590
(Net assets)		
Common stock	32,600	32,600
Capital surplus:	2,500	2,500
Additional paid-in capital	2,500	2,500
Retained earnings:	(24,054)	(28,389)
Other retained earnings:	(24,054)	(28,389)
Retained earnings brought forward	(24,054)	(28,389)
Total shareholders' equity	11,045	6,710
Net unrealized gains/(losses) on investments in securities	178	106
Total valuation and translation adjustments	178	106
Total net assets	11,223	6,817
Total liabilities and net assets	¥46,584	¥46,408

Non-Consolidated Statements of Income

Items	Yen in millions	
	Year ended March 31, 2014	Year ended March 31, 2015
Ordinary income:	¥35,791	¥35,363
Underwriting income:	35,628	35,230
Net premiums written	35,567	35,053
Investment income on deposit premiums from policyholders	16	18
Reversal of underwriting reserves	44	158
Other underwriting income	-	0
Investment income:	156	118
Interest and dividends income	149	136
Gains on sales of securities	22	0
Transfer of investment income on deposit premiums from policyholders	(16)	(18)
Other ordinary income	6	14
Ordinary expenses:	35,492	39,599
Underwriting expenses:	28,321	31,793
Net claims paid	24,672	24,984
Loss adjustment expenses	2,468	2,661
Commissions and collection expenses	190	190
Provision for outstanding claims	988	3,956
Other underwriting expenses	0	0
Investment expenses:	-	3
Losses on sales of securities	-	3
Operating expenses and general and administrative expenses	7,169	7,801
Other ordinary expenses:	2	1
Provision for bad debts	0	-
Other ordinary expenses	1	1
Ordinary profit/(loss)	298	(4,236)
Extraordinary income	-	-
Extraordinary losses:	17	8
Losses on sales of fixed assets	10	1
Impairment losses on fixed assets	0	-
Provision for reserves under the special laws:	6	7
Provision for reserve for price fluctuation	6	7
Income/(loss) before income taxes	281	(4,244)
Income taxes – current	13	17
Income taxes – deferred	34	72
Total income taxes	48	90
Net income/(loss)	¥ 232	¥ (4,334)

Non-Consolidated Solvency Margin Ratio

	Yen in millions	
	March 31, 2014	March 31, 2015
(A) Total amount of solvency margin	¥12,460	¥8,023
Total net assets	11,045	6,710
Reserve for price fluctuation	34	41
Contingency reserve	0	0
Catastrophe reserve	1,147	1,135
General bad debt reserve	1	0
Net unrealized gains/(losses) on investments in securities (prior to tax effect deductions)	231	135
Net unrealized gains/(losses) on land	-	-
Excess of policyholders' contract deposits (a)	-	-
Subordinated debts, etc. (b)	-	-
Amount excluded from the margin, out of (a) and (b)	-	-
Deductions	-	-
Others	-	-
(B) Total amount of risks $\sqrt{(R_1+R_2)^2+(R_3+R_4)^2}+R_5+R_6$	5,921	6,269
General insurance risk (R ₁)	5,378	5,719
Insurance risk of third-sector insurance contracts (R ₂)	-	-
Assumed interest rate risk (R ₃)	0	0
Asset management risk (R ₄)	735	735
Business administration risk (R ₅)	192	202
Catastrophe risk (R ₆)	300	300
(C) Solvency margin ratio [(A) / ((B) x 1/2)] x 100	420.8%	255.9%

MITSUI SUMITOMO AIOI LIFE INSURANCE CO., LTD. (NON-CONSOLIDATED)

Non-Consolidated Balance Sheets

Items	Yen in millions	
	March 31, 2014	March 31, 2015
(Assets)		
Cash, deposits and savings:	¥ 30,830	¥ 22,693
Cash on hand	0	0
Deposits in banks	30,830	22,693
Call loans	458	1,642
Receivables under securities borrowing transactions	228,706	326,525
Investments in securities:	2,285,544	2,548,787
Government bonds	1,336,675	1,483,742
Municipal bonds	112,322	115,568
Corporate bonds	746,067	758,835
Domestic stocks	1,021	1,633
Foreign securities	86,295	184,942
Other securities	3,161	4,064
Loans:	49,470	51,282
Policy loans	49,470	51,282
Tangible fixed assets:	1,882	5,509
Buildings	259	681
Lease assets	698	2,853
Other tangible fixed assets	924	1,974
Intangible fixed assets:	4,039	14,674
Software	3,758	3,507
Other intangible fixed assets	280	11,167
Due from agencies	225	211
Reinsurance accounts receivable	694	1,207
Other assets:	34,279	36,794
Other receivables	26,472	27,555
Prepaid expenses	556	1,761
Accrued income	6,091	6,666
Guarantee deposits	1,010	316
Derivative financial instruments	-	104
Suspense payments	123	364
Other assets	24	24
Bad debt reserve	(78)	(64)
Total assets	¥2,636,052	¥3,009,263

Items	Yen in millions	
	March 31, 2014	March 31, 2015
(Liabilities)		
Policy liabilities:	¥2,242,550	¥2,463,382
Outstanding claims	21,204	22,786
Underwriting reserves	2,214,832	2,433,517
Reserve for dividends to policyholders	6,514	7,077
Due to agencies	5,281	5,395
Reinsurance accounts payable	282	272
Other liabilities:	238,290	341,806
Payables under securities lending transactions	229,164	328,168
Income taxes payable	2,120	2,787
Other payables	146	114
Accrued expenses	4,720	5,729
Unearned income	0	0
Deposits received	80	81
Derivative financial instruments	54	636
Lease obligations	751	3,093
Asset retirement obligations	364	422
Suspense receipts	887	773
Reserve for pension and retirement benefits	1,609	1,874
Reserve for retirement benefits for officers	50	41
Reserves under the special laws:	3,912	4,527
Reserve for price fluctuation	3,912	4,527
Deferred tax liabilities	12,075	22,823
Total liabilities	2,504,052	2,840,124
(Net assets)		
Common stock	35,500	35,500
Capital surplus:	43,688	43,688
Additional paid-in capital	13,214	13,214
Other capital surplus	30,473	30,473
Retained earnings:	(8,908)	(4,501)
Other retained earnings:	(8,908)	(4,501)
Retained earnings brought forward	(8,908)	(4,501)
Total shareholders' equity	70,279	74,686
Net unrealized gains/(losses) on investments in securities	61,719	94,452
Total valuation and translation adjustments	61,719	94,452
Total net assets	131,999	169,139
Total liabilities and net assets	¥2,636,052	¥3,009,263

MITSUI SUMITOMO AIOI LIFE INSURANCE CO., LTD. (NON-CONSOLIDATED)

Non-Consolidated Statements of Income

Items	Yen in millions	
	Year ended March 31, 2014	Year ended March 31, 2015
Ordinary income:	¥461,125	¥487,594
Insurance premiums and others:	417,609	443,141
Insurance premiums	416,743	441,821
Reinsurance income	866	1,319
Investment income:	41,598	42,297
Interest and dividends income:	36,885	39,914
Interest on deposits	0	0
Interest and dividends on securities	35,119	38,079
Interest on loans	1,452	1,491
Other interest and dividends	313	343
Gains on sales of securities	4,690	2,351
Foreign exchange gains	—	16
Reversal of bad debts	22	13
Other ordinary income:	1,917	2,155
Receipts of annuities with special conditions	608	554
Receipts of deferred insurance claims	1,212	1,401
Other ordinary income	95	199
Ordinary expenses:	443,662	471,656
Insurance claims and others:	166,634	164,469
Insurance claims	43,837	36,241
Annuity payments	9,954	11,196
Benefits	12,574	13,689
Surrender benefits	96,715	98,608
Other refunds	2,157	3,274
Reinsurance premiums	1,395	1,458
Provision for underwriting reserves and others:	197,131	220,268
Provision for outstanding claims	1,780	1,582
Provision for underwriting reserves	195,350	218,685
Provision for interest portion of reserve for dividends to policyholders	0	0
Investment expenses:	1,100	676
Interest expense	306	288
Losses on sales of securities	756	206
Losses on derivative transactions	10	146
Foreign exchange losses	0	—
Other investment expenses	26	34
Operating expenses	71,075	75,819
Other ordinary expenses:	7,719	10,421
Payments of deferred insurance claims	875	1,109
Taxes	4,086	6,136
Depreciation	2,460	2,827
Provision for reserve for pension and retirement benefits	290	265
Other ordinary expenses	7	83
Ordinary profit	17,462	15,937
Extraordinary income:	3	3
Gains on sales of fixed assets	3	3
Extraordinary losses:	649	1,358
Losses on sales of fixed assets	34	743
Impairment losses on fixed assets	109	—
Provision for reserves under the special laws:	506	614
Provision for reserve for price fluctuation	506	614
Provision for reserve for dividends to policyholders	5,749	6,407
Income before income taxes	11,067	8,175
Income taxes – current	2,248	3,845
Income taxes – deferred	2,137	(76)
Total income taxes	4,385	3,768
Net income	¥ 6,681	¥ 4,406

Business Results

Amount of Policies in Force and New Policies

(1) Policies in force

	Yen in millions			
	March 31, 2014		March 31, 2015	
	Number of policies (in thousands)	Amount	Number of policies (in thousands)	Amount
Individual insurance	2,406	¥20,317,959	2,600	¥21,127,677
Individual annuities	187	787,086	186	766,354
Group insurance	—	5,124,978	—	5,301,496
Group annuities	—	399	—	330

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

(2) New policies

	Yen in millions							
	Year ended March 31, 2014				Year ended March 31, 2015			
	Number of policies (in thousands)	Amount	New policies	Net increase by conversion	Number of policies (in thousands)	Amount	New policies	Net increase by conversion
Individual insurance	289	¥2,592,193	2,592,193	¥—	338	¥2,444,852	2,444,852	¥—
Individual annuities	10	80,016	80,016	—	6	36,330	36,330	—
Group insurance	—	104,852	104,852	—	—	88,702	88,702	—
Group annuities	—	—	—	—	—	—	—	—

(Note) The amounts of individual annuities represent the funds to be held at the time annuity payments are to commence.

Annualized Premiums

(1) Policies in force

	Yen in millions	
	March 31, 2014	March 31, 2015
Individual insurance	¥291,663	¥312,358
Individual annuities	44,191	43,621
Total:	335,854	355,979
Medical coverage, living benefits, etc.	61,175	70,522

(2) New policies

	Yen in millions	
	Year ended March 31, 2014	Year ended March 31, 2015
Individual insurance	¥38,311	¥44,419
Individual annuities	4,077	2,035
Total:	42,389	46,454
Medical coverage, living benefits, etc.	10,910	14,470

(Notes) 1. An annualized premium is the annual total of premiums that is obtained by multiplying the amount of a single payment with the number of payments per year in accordance with the premium payment method. An annualized premium for a lump-sum payment policy is the premium divided by the number of years of coverage.
2. "Medical coverage, living benefits, etc." represents the portion of annualized premiums that corresponds to medical coverage benefits (for hospitalization, surgeries, etc.), living benefits (for specified diseases, nursing care, etc.) and premium waiver benefits (excluding those for disability, but including those for specified diseases, nursing care, etc.).

MITSUI SUMITOMO AIOI LIFE INSURANCE CO., LTD. (NON-CONSOLIDATED)

Non-Consolidated Business Performance

	Yen in millions		
	Year ended March 31, 2014	Year ended March 31, 2015	Change
Fundamental profit	¥ 15,395	¥ 16,111	¥ 715
Fundamental revenues:	456,439	485,214	28,775
Insurance premiums and others	417,609	443,141	25,531
Fundamental expenses	441,043	469,103	28,060
Capital gains/(losses)	3,923	2,015	(1,908)
Non-recurring gains/(losses)	(1,857)	(2,188)	(331)
Ordinary profit	17,462	15,937	(1,525)
Extraordinary income	3	3	(0)
Extraordinary losses	649	1,358	708
Provision for reserve for dividends to policyholders	5,749	6,407	658
Income taxes	4,385	3,768	(616)
Net income	6,681	4,406	(2,275)

Non-Consolidated Solvency Margin Ratio

	Yen in millions	
	March 31, 2014	March 31, 2015
(A) Total amount of solvency margin	¥276,449	¥330,141
Total capital	70,279	74,686
Reserve for price fluctuation	3,912	4,527
Contingency reserve	23,652	25,852
General bad debt reserve	12	9
Net unrealized gains/(losses) on investments in securities × 90%	80,190	119,392
Net unrealized gains/(losses) on land × 85%	–	–
Excess of continued Zillmerized reserve (a)	128,068	134,117
Subordinated debts, etc. (b)	–	–
Amount excluded from the margin, out of (a) and (b)	(29,945)	(28,747)
Brought in capital	–	–
Deductions	–	–
Others	277	304
(B) Total amount of risks $\sqrt{(R_1+R_6)^2+(R_2+R_3+R_7)^2}+R_4$	43,710	46,175
Insurance risk (R ₁)	14,298	14,832
Insurance risk of third-sector insurance contracts (R ₆)	6,082	7,572
Assumed interest rate risk (R ₂)	2,958	3,011
Minimum guarantee risk (R ₇)	–	–
Asset management risk (R ₃)	33,761	35,269
Business administration risk (R ₄)	1,713	1,820
(C) Solvency margin ratio [(A) / {(B) × 1/2}] × 100	1,264.9%	1,429.9%

MITSUI SUMITOMO PRIMARY LIFE INSURANCE CO., LTD. (NON-CONSOLIDATED)

Non-Consolidated Balance Sheets

Items	Yen in millions	
	March 31, 2014	March 31, 2015
(Assets)		
Cash, deposits and savings:	¥ 40,523	¥ 23,623
Deposits in banks	40,523	23,623
Call loans	7,191	129,694
Money trusts	680,806	526,168
Investments in securities:	3,350,422	3,852,767
Government bonds	131,735	59,500
Municipal bonds	1,856	11,965
Corporate bonds	-	38,078
Foreign securities	663,237	1,127,103
Other securities	2,553,593	2,616,120
Loans:	448	487
Policy loans	448	487
Tangible fixed assets:	945	839
Buildings	298	303
Lease assets	589	465
Other tangible fixed assets	57	70
Intangible fixed assets:	3,696	4,558
Software	3,616	4,505
Lease assets	80	52
Reinsurance accounts receivable	269	111
Other assets:	45,368	93,820
Other receivables	26,183	68,101
Prepaid expenses	22	163
Accrued income	7,229	11,435
Guarantee deposits	10,550	13,140
Derivative financial instruments	184	-
Suspense payments	1,197	980
Deferred tax assets	34,002	29,961
Total assets	¥4,163,675	¥4,662,032
(Liabilities)		
Policy liabilities:	3,993,094	4,463,755
Outstanding claims	10,819	9,968
Underwriting reserves	3,982,275	4,453,787
Due to agencies	7,075	6,914
Reinsurance accounts payable	2,552	2,973
Other liabilities:	31,610	36,774
Income taxes payable	1,711	714
Other payables	19,647	25,683
Accrued expenses	3,982	4,324
Deposits received	374	800
Cash collateral received under derivative transactions	185	40
Lease obligations	688	540
Asset retirement obligations	125	127
Suspense receipts	4,895	4,543
Reserves under the special laws:	40,136	41,766
Reserve for price fluctuation	40,136	41,766
Total liabilities	4,074,470	4,552,185
(Net assets)		
Common stock	41,060	41,060
Capital surplus:	24,735	24,735
Additional paid-in capital	24,735	24,735
Retained earnings:	22,669	33,094
Legal earned reserve	-	399
Other retained earnings:	22,669	32,694
Retained earnings brought forward	22,669	32,694
Total shareholders' equity	88,464	98,889
Net unrealized gains/(losses) on investments in securities	741	10,957
Total valuation and translation adjustments	741	10,957
Total net assets	89,205	109,847
Total liabilities and net assets	¥4,163,675	¥4,662,032

Non-Consolidated Statements of Income

Items	Yen in millions	
	Year ended March 31, 2014	Year ended March 31, 2015
Ordinary income:	¥1,218,073	¥1,572,927
Insurance premiums and others:	829,414	1,055,505
Insurance premiums	826,434	1,054,049
Reinsurance income	2,980	1,456
Investment income:	383,521	513,412
Interest and dividends income:	9,341	41,248
Interest on deposits	23	128
Interest and dividends on securities	9,079	40,816
Interest on loans	10	10
Other interest and dividends	228	293
Investment gains on money trusts	19,371	87,686
Gains on sales of securities	0	34,270
Foreign exchange gains	19,851	-
Investment gains on separate accounts	334,955	350,206
Other ordinary income:	5,137	4,009
Receipts of annuities with special conditions	3,009	3,042
Reversal of outstanding claims	2,123	851
Other ordinary income	5	115
Ordinary expenses:	1,178,186	1,555,165
Insurance claims and others:	762,403	967,903
Insurance claims	51,890	54,943
Annuity payments	53,094	61,262
Benefits	187,411	171,243
Surrender benefits	438,637	644,690
Other refunds	2,160	2,375
Reinsurance premiums	29,208	33,387
Provision for underwriting reserves and others:	349,307	471,512
Provision for underwriting reserves	349,307	471,512
Investment expenses:	1,056	35,300
Interest expense	0	0
Losses on derivative transactions	495	184
Foreign exchange losses	-	34,893
Other investment expenses	560	222
Operating expenses	58,927	70,829
Other ordinary expenses:	6,491	9,620
Taxes	5,302	8,401
Depreciation	1,173	1,217
Other ordinary expenses	15	2
Ordinary profit	39,887	17,761
Extraordinary income	-	-
Extraordinary losses:	16,664	1,642
Losses on sales of fixed assets	1	12
Impairment losses on fixed assets	270	-
Provision for reserves under the special laws:	16,392	1,630
Provision for reserve for price fluctuation	16,392	1,630
Income before income taxes	23,222	16,118
Income taxes – current	16,378	3,766
Income taxes – deferred	(11,084)	(72)
Total income taxes	5,293	3,694
Net income	¥ 17,928	¥ 12,424

MITSUI SUMITOMO PRIMARY LIFE INSURANCE CO., LTD. (NON-CONSOLIDATED)

Business Results

Amount of Policies in Force and New Policies

(1) Policies in force

	Yen in millions			
	March 31, 2014		March 31, 2015	
	Number of policies (in thousands)	Amount	Number of policies (in thousands)	Amount
Individual insurance	175	¥1,073,428	264	¥1,548,919
Individual annuities	365	2,950,965	339	2,872,170
Group insurance	—	—	—	—
Group annuities	—	—	—	—

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

(2) New policies

	Yen in millions							
	Year ended March 31, 2014				Year ended March 31, 2015			
	Number of policies (in thousands)	Amount	New policies	Net increase by conversion	Number of policies (in thousands)	Amount	New policies	Net increase by conversion
Individual insurance	119	¥643,410	¥643,410	¥-	157	¥862,230	¥862,230	¥-
Individual annuities	25	157,116	157,116	—	28	162,537	162,537	—
Group insurance	—	—	—	—	—	—	—	—
Group annuities	—	—	—	—	—	—	—	—

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

Annualized Premiums

(1) Policies in force

	Yen in millions	
	March 31, 2014	March 31, 2015
Individual insurance	¥ 70,148	¥101,442
Individual annuities	384,155	350,071
Total:	454,303	451,514
Medical coverage, living benefits, etc.	105	106

(2) New policies

	Yen in millions	
	Year ended March 31, 2014	Year ended March 31, 2015
Individual insurance	¥ 42,407	¥ 58,472
Individual annuities	119,544	115,001
Total:	161,952	173,473
Medical coverage, living benefits, etc.	—	—

(Notes) 1. An annualized premium is the annual total of premiums that is obtained by multiplying the amount of a single payment with the number of payments per year in accordance with the premium payment method. An annualized premium for a lump-sum payment policy is the premium divided by the number of years of coverage.

2. "Medical coverage, living benefits, etc." represents the portion of annualized premiums that corresponds to medical coverage benefits (for hospitalization, surgeries, etc.), living benefits (for specified diseases, nursing care, etc.) and premium waiver benefits (excluding those for disability, but including those for specified diseases, nursing care, etc.).

Non-Consolidated Business Performance

	Yen in millions		
	Year ended March 31, 2014	Year ended March 31, 2015	Change
Fundamental profit	¥ 58,355	¥ (33,406)	¥ (91,761)
Fundamental revenues:	1,218,308	1,479,972	261,664
Insurance premiums and others	829,414	1,055,505	226,091
Fundamental expenses	1,159,953	1,513,378	353,425
Capital gains/(losses)	(729)	57,877	58,607
Non-recurring gains/(losses)	(17,738)	(6,710)	11,028
Ordinary profit	39,887	17,761	(22,125)
Extraordinary income	—	—	—
Extraordinary losses	16,664	1,642	(15,022)
Provision for reserve for dividends to policyholders	—	—	—
Income taxes	5,293	3,694	(1,599)
Net income	17,928	12,424	(5,504)

Non-Consolidated Solvency Margin Ratio

	Yen in millions	
	March 31, 2014	March 31, 2015
(A) Total amount of solvency margin	¥347,258	¥323,085
Total capital	86,464	96,689
Reserve for price fluctuation	40,136	41,766
Contingency reserve	64,460	71,170
General bad debt reserve	—	—
Net unrealized gains/(losses) on investments in securities × 90%	963	13,861
Net unrealized gains/(losses) on land × 85%	—	—
Excess of continued Zillmerized reserve (a)	146,219	87,411
Subordinated debts, etc. (b)	—	—
Amount excluded from the margin, out of (a) and (b)	—	—
Brought in capital	—	—
Deductions	—	—
Others	9,013	12,186
(B) Total amount of risks $\sqrt{(R_1+R_6)^2+(R_2+R_3+R_7)^2}+R_4$	69,128	73,451
Insurance risk (R ₁)	62	36
Insurance risk of third-sector insurance contracts (R ₆)	13	10
Assumed interest rate risk (R ₂)	26,207	31,165
Minimum guarantee risk (R ₇)	11,581	6,259
Asset management risk (R ₃)	29,982	34,585
Business administration risk (R ₄)	1,356	1,441
(C) Solvency margin ratio [(A) / {(B) × 1/2}] × 100	1,004.6%	879.7%

Appendix

Compact Edition! Basic Knowledge about the Insurance Industry

• We have prepared this section as a reference material to help readers gain a better understanding of the insurance industry and the Company's business operations and business strategies. We are striving to provide accurate and fair information, but we cannot guarantee the contents of this section.

Non-Life Insurance Industry

Market Overview

Almost ¥8 Trillion

The Japanese non-life insurance industry's market scale in terms of net premiums written was ¥7,771.3 billion in fiscal 2013. (Total for 26 corporate members of the General Insurance Association of Japan)

Automobile-Related Insurance Accounts for More than 60%

Together, voluntary automobile insurance (48.4%) and compulsory automobile liability (12.8%) account for more than 60% of the market.

Three Mega Insurance Groups Have More than 90% of the Market

In 1996, there were 27 companies (excluding foreign-based companies) in Japan's non-life insurance market. Currently, the so-called "three mega insurance groups" – the MS&AD Insurance Group, Tokio Marine Group, and Sampo Japan Nipponkoa Group – have in excess of 90% of the market.

Types of Insurance and Related Trends

Covering Diverse Risks

We face diverse risks in our daily lives. Non-life insurance products can compensate for economic damages and human losses (the cost of treating injuries, etc.) caused by natural disasters and accidents.

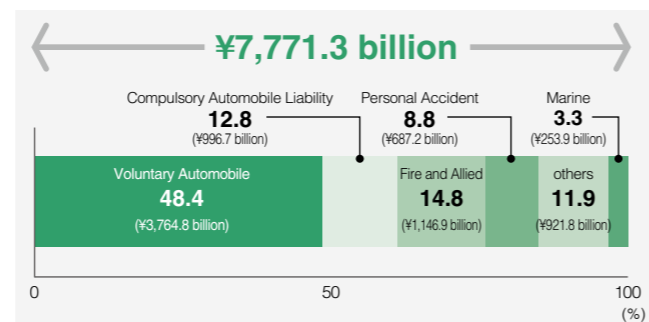
Changing with the Times

Until the 1960s, the non-life insurance market was centered on fire and marine insurance products. With the subsequent rise in the number of automobiles in use, such automobile-related products as voluntary automobile insurance and compulsory automobile liability products became the main products in the market.

Trend of Increase in Earthquake Insurance

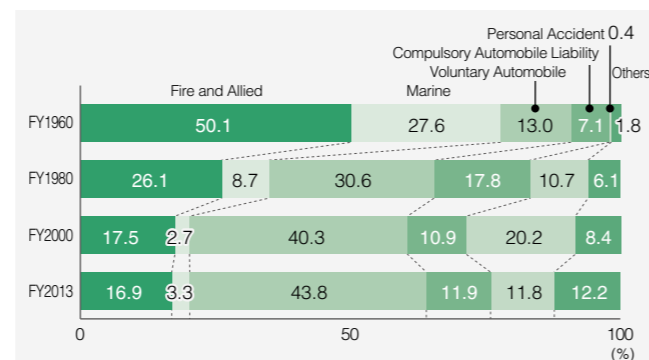
Residential earthquake insurance was developed in 1966, in response to the major earthquake that struck Niigata in Japan in 1964. The number of people obtaining residential earthquake insurance has been trending upward, and the penetration ratio of Earthquake Insurance in residential of fire insurance policies has risen to 58.1% (at the end of FY2013).

Net Premiums Written by Class of Insurance (FY2013)



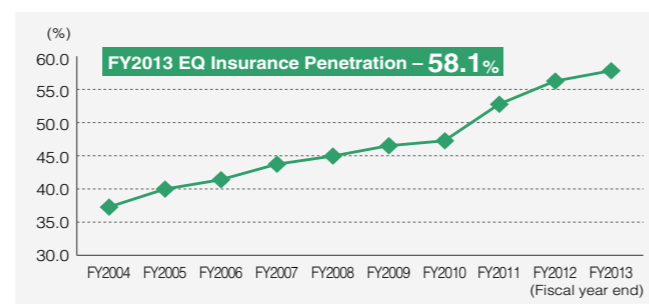
Source: General Insurance Association of Japan, FACT BOOK

Composition of Net Direct Premiums Written by Class of Insurance



Source: General Insurance Association of Japan, FACT BOOK
Note: "Net direct premiums written" represents revenues from insurance policies directly provided by each customer.

Trends in the Penetration of Residential Earthquake Insurance



Source: General Insurance Rating Organization of Japan materials
Note: The penetration of residential earthquake insurance represents the share of fire and allied policies with earthquake insurance buy backed

Life Insurance Industry

Market Scale

Approximately ¥40 Trillion

The scale of Japanese life insurance industry's market in terms of life insurance premiums and others in total is approximately ¥40 trillion, making it the world's second-largest market, after that of the United States.

Scale of Japan's Life Insurance Market (Trends in Life Insurance Premiums)



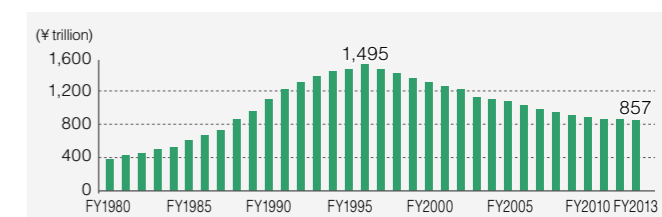
Sources: Prepared by the Company based on materials from the Life Insurance Association of Japan, the Japan Cooperative Insurance Association Incorporated, and Japan Post Holdings Co., Ltd., and based on materials in the Japan Institute of Life Insurance's "Fiscal 2012 National Survey on Life Insurance (preliminary)"
*1 Private-sector companies: Each corporate member of the Life Insurance Association of Japan. Figures represent premiums and others.
*2 Mutual aid organizations: Each organization member of the Japan Cooperative Insurance Association Incorporated. Figures represent premiums and other insurance income received (total for life insurance and annuity insurance).
*3 Former Japan Post: Premium income (postal life insurance) during the period through September 2007. The Japan Post Insurance offered from the October 2007 privatization is included in the private-sector companies' figures.

Trends in Types of Insurance

Trend of Decrease in the "First Sector"

"First-sector" life insurance products (whole life insurance and term insurance, endowment insurance, etc.) peaked in fiscal 1996 and gradually decreased thereafter.

Trends in Policies in Force (Individual Insurance)

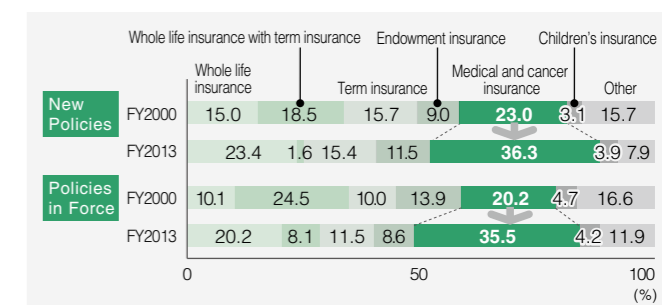


Source: The Life Insurance Association of Japan
Note: Figures for 2008 and previous years exclude Japan Post Insurance and the formerly offered postal life insurance.

Third-Sector Products Become the Major Products

The share of medical and cancer insurance policies (third-sector policies) among the total number of new policies written for individuals has risen – from 23.0% in FY 2000 to 36.3% in fiscal 2013 – and become the major life insurance product. In particular, the advent of a full-blown aging society in Japan will be accompanied by a rise in needs for nursing insurance. In recent years, each life insurance company has been launching new nursing insurance products which supplements the public nursing care insurance system, which is not able to completely cover the expenses entailed by nursing care.

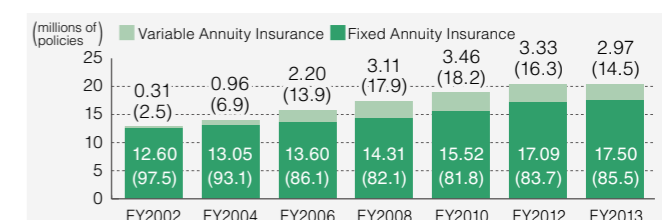
The Main Products of Life Insurance Market, Third Sector – Trends in Individual Insurance Premiums by Type



Source: The Life Insurance Association of Japan, "Life Insurance Trends (2014 edition)"

Sales of individual annuity insurance began in earnest following the October 2002 lifting of the ban on marketing such products via banks. Growth in individual annuity insurance policies in force is now robust.

Trends in Policies in Force Individual Annuity Insurance by Type



Source: The Life Insurance Association of Japan, "Life Insurance Fact Book (2014)"
Note: Figures in parentheses represent percent shares.

Glossary of Insurance Terminology

A

Alternative Risk Transfer (ART) Business

ART is a general term referring to the use of techniques other than traditional insurance policies to transfer risks, meaning to provide risk-bearing entities with coverage or protection. ART entails the use of financial technologies and capital markets to provide risk solutions. ART products include derivatives and securitized products, and the typical products include “weather derivatives” and “earthquake derivatives.”

Annualized Premiums

The insurance premium payment method differs depending on the insurance contract. An annualized premium is calculated by adjusting for these differences in payment methods and computing the yearly average paid in premiums. It indicates how much income an insurance company makes from insurance premiums in one year.

Annuity Certain

A type of annuity contract (or similar arrangement) that pays periodic income benefits for a stated period of time, regardless of whether the annuitant lives or dies. In the case that the beneficiary dies during the benefit payment period, the benefits corresponding to the remainder of the period are paid as a lump sum.

Asset Liability Management (ALM)

ALM is a general term for the comprehensive management of risks related to assets and liabilities. The value of most of the assets held by insurance companies and other financial institutions is affected by market prices (or market interest rates), in other words, they are at risk. A proper evaluation of risks and returns cannot focus on assets or liabilities alone – there is a need to comprehensively manage the risks and returns associated with both assets and liabilities, and that is what is meant by ALM.

Assistance Business

Assistance business refers to business providing support for responses to emergency situations. This includes the dispatching of towing and road services to customers involved in automobile accidents or breakdowns, and it also may encompass such assistance as introductions to hospitals in the case that customers are injured or ill overseas.

Assumed Interest Rate

Life insurance companies anticipate a certain level of profits from asset management and offer discounts on insurance premiums based on this. This discount rate is called the assumed interest rate.

C

Cancer Insurance

Cancer insurance policies provide hospitalization benefits and surgery benefits when beneficiaries are hospitalized or undergo surgery to treat cancer. There are products that provide “cancer outpatient benefits” to beneficiaries after they have been discharged from a hospital after having been hospitalized for a specified period of time, and there are products that provide “cancer hospital discharge benefits” or “cancer home care benefits” after they have been discharged from a hospital after having been hospitalized for a specified period of time.

Catastrophe Reserve

Most non-life insurance premium rates are set using the “law of large numbers,” but, in a given fiscal year, it is always possible that there will be a major typhoon or other large disaster causing damages on a scale that cannot be absorbed using premium income for that year alone. The catastrophe reserve is provided to prepare to respond to the temporary surge in claims associated with such disasters.

CAT Bond (Catastrophe Bond)

CAT bonds are securities sold by non-life insurance companies to investors to enable the insurance companies to avoid major losses owing to claims paid in connection with major disasters.

If there is no occurrence of a disaster on a scale surpassing previously stipulated criterion, then the CAT bonds’ interest and principal will be paid to the investors, but, in the case of such a disaster, the principal will be partially or entirely reduced.

Children's Insurance

Children’s insurance provides for payments in step with a child’s school entry and schooling progress along with payment on maturity. In principle, a parent is the policyholder and a child of the parent is the beneficiary. In the case that the policyholder dies, the subsequent premium payments are exempted. There are also forms of children’s insurance called scholarship annuities and lump-sum benefit type children’s insurance.

Combined Ratio

A combined ratio is an indicator that is the sum of the net loss ratio and the net expense ratio, and subtracting this ratio from 1 gives the underwriting balance ratio. Although the indicator is not adjusted to reflect outstanding claims and underwriting reserve, it reflects profitability for the fiscal period. Used only in the insurance industry, its concept is similar to that of the ratio of operating profit on sales of ordinary companies.

Commissions and Collection Expense

The total of agent commissions, reinsurance commissions, and ceded premium commissions. (Note that ceded premium commissions, which are commission incomes pertaining to ceded reinsurance and retrocession premiums, are deductions.)

Core Profit (Fundamental Profit)

Core profit is ordinary profit after adjustments for capital profits/(losses) and extraordinary income and losses, which represent profits and losses not stemming from the Company’s principal business operations; so, Core Profit is an indicator of the profitability of the Company’s principal business operations during a fiscal year. The concept of Core Profit is close to those of ordinary companies’ “operating income” and banks’ “business income.”

Corporate Governance Code

The Corporate Governance Code is corporate governance principles that the Tokyo Stock Exchange is requiring its listed companies to comply with. (For more details, please consult the Tokyo Stock Exchange website) [\[URL\] http://www.jpx.co.jp/english/equities/listing/cg/03.html](http://www.jpx.co.jp/english/equities/listing/cg/03.html)

Cross-Selling

Cross-selling refers to the concurrent selling of life insurance and non-life insurance products, such as in the case of a non-life insurance agent that sells life insurance products.

D

Direct Insurance

Direct insurance is a term used in contrast with reinsurance. When an insurance contract is reinsured, the original insurance that has been reinsured is called direct insurance.

It can also be used to refer to all the insurance contracts directly entered into with policyholders by the insurance company. [↔ Reinsurance](#)

Direct Premiums

The insurance premium received from policyholders by the insurance company as compensation for underwriting the insurance.

E

Earned-Incurred Loss Ratio (EI Loss Ratio)

After adjusting for provisions and reversals of loss reserves and ordinary policy liability reserves, the EI loss ratio is an indicator of the loss ratio on a current - period - occurrence basis.

It is calculated as follows. [↔ Net Loss Ratio](#)

- EI Loss Ratio = claims incurred ÷ premiums earned
- Claims incurred = period-end net claims paid + (period-end loss reserve – previous period end loss reserve)
- Premiums earned = previous period-end unearned premiums + net premiums written for the period – period - end unearned premiums

Embedded Value (EV)

EV refers to the current value of net assets plus the current value of future profit expected from policies in force (policies in force value). Under current statutory accounting practices, the recognition of costs is concentrated at the time of sales, while the related profits are recognized in subsequent years; so, using those accounting practices to accurately evaluate corporate performance is difficult in some ways. Since EV encompasses an evaluation of the current value of future profit expected from policies in force, it is a useful indicator that can be used to supplement statutory accounting practices for the purpose of evaluating companies’ performance and enterprise values.

While the Company has disclosed its EV for some time, since fiscal 2011, it has disclosed its EV calculated on the basis of the European Embedded Value principles (EEV principles*), and this type of EV is referred to as EEV. The Company has also recalculated its EV as of the end of fiscal 2010 based on the EEV principles and disclosed its EEV as of the end of fiscal 2010. (The Company’s calculations of EV prior to the end of fiscal 2010 were calculated based on traditional embedded value (TEV) principles.) In addition, the Company’s calculations of EEV employ a market-consistent approach to evaluating liability- and asset-related cash flows that is consistent with the financial products traded in markets.

* The EEV principles were instituted by a CFO Forum (comprised of the chief financial officers (CFOs of major European insurance companies), in May 2004 with the goal of promoting a consistent EV calculation and disclosure method and thereby promoting an increase in transparency.

Enterprise Risk Management (ERM)

ERM refers to a process for determining and evaluating the risks associated with the execution of business operations by an enterprise in an integrated, comprehensive, and strategic manner. It is an integrated risk management method used for maximizing enterprise value. For more details, see pages 33-34.

Equity Ratio

The equity ratio is indicating the proportion of equity divided by total assets. Owing the application of accounting standards concerning financial products and inclusion of unrealized gains on securities within balance sheet figures, the equity ratio is also stated based on market value.

ESG

ESG refers to the three concepts of environmental, social, and governance (ESG). In ESG investing, the investor does not focus exclusively on the profit that can be earned from an investment, but goes on to consider the impact of the investment on the environment as well as on shareholders, customers, employees, local communities, and other stakeholders. ESG investing essentially entails carrying out CSR when making investment decisions.

Expected Mortality

Based on past statistics, gender-wise and age-wise mortality (or the number of those alive) is predicted, and this information is used for calculating the required reserve amount for the future insurance payments. The mortality rate used in these calculations is called the expected mortality.

Expected Operating Expense Ratio

Life insurance companies anticipate all the expenses required for business operation such as concluding contracts, receiving premiums, maintaining and managing policies, and so on in advance. The sum of these expenses is divided by expected premium income to calculate expected operating expense ratio.

F

Fixed Annuity Guarantee

A term that signifies that the amount of pension received is guaranteed to be a fixed amount for the entire term of the insurance.

Foreign Currency-Denominated Life Insurance

Foreign currency-denominated life insurance calls for the use of foreign currency (U.S. dollars, Euros, Australian dollars, etc.) to pay insurance premiums and the use of foreign currency to pay insurance benefits and reimbursements upon policy cancellations. A portion of such life insurance products as whole life insurance, endowment insurance, and fixed/variable individual annuities are sold as foreign currency-denominated products. When the foreign-currency benefits from such products are converted into yen, they will be impacted by foreign exchange rate fluctuations; so, there is a possibility that the yen-denominated benefits may end up being lower than the yen-denominated value of the premiums paid. The impact of foreign exchange rate fluctuations is referred to as "foreign exchange risk (foreign exchange rate fluctuation risk)," and policyholders and beneficiaries of foreign currency-denominated policies are exposed to those risks.

Full-time Agents

Agents specializing in the sale of insurance. In the field of non-life insurance, in addition to specialized agents (professional agents), there are also automobile sales dealers, automobile repair shops, real estate agents, travel agents, and other sideline agents that sell insurance alongside their main line of business.

G

General Insurance Rating Organization of Japan

An insurance rating organization formed by the merger in July 2002 of the Property and Casualty Insurance Rating Organization of Japan (established 1948) and the Automobile Insurance Rating Organization of Japan (established 1964), which were established in accordance with the Act of Non-Life Insurance Rating Organizations.

It collects data from member insurance companies and calculates the Reference Loss Cost Rates for automobile insurance, fire insurance, personal accident insurance, and nursing care expense insurance, as well as Standard Rates for compulsory automobile liability insurance and earthquake insurance. It also handles loss adjustment work for compulsory automobile liability, collects insurance data, and conducts research and analysis.

Group Core Profit

Group Core Profit, which is a numerical management target within the Next Challenge 2017 medium-term management plan, is calculated as follows.

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

Group Return on Equity (Group ROE)

Group ROE, which is a numerical management target within the Next Challenge 2017 medium-term management plan, is calculated as follows.

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

I


Important Matters

These are matters that are essential for the policyholder to know in order to be able to make rational judgments when entering into an insurance contract. They include information necessary for understanding the details of insurance products (a summary of the contract) and information that the insurance company must caution or alert the policyholder about.

Income Guarantee Insurance

A type of insurance under which pension can be claimed after the policyholder's death for the full term of the insurance as decided at the time of entering the contract. The number of times pension can be claimed depends on the time of death of the policyholder. The minimum number of times pension can be claimed is guaranteed. If the number of times pension has been claimed before maturity is less than the guaranteed minimum, the remaining number of times can be claimed.

Incurred but Not Reported Loss (IBNR)

IBNR is the portion of underwriting reserves corresponding to claims that have occurred but had not been reported to the company at the end of the period. IBNR is estimated using statistical methods.  [Ordinary Outstanding Claims Reserve](#)

Individual Annuity Insurance

Annuity insurance is a financial product used to save premiums and thereby fund the payment of future annuities, and individual annuity insurance is an annuity insurance product provided by private-sector life insurance companies. The annuities are received after the beneficiary reaches an age specified in the policy contract. There are several kinds of individual annuity insurance products defined based on the annuity receipt period, such as whole life annuity with a guarantee period, annuity certain, fixed-term annuity with a guarantee period, and a husband-and-wife annuity.

Insurance Business Act

The Insurance Business Act is a law that was enacted to promote the protection of policyholders through ensuring sound and appropriate business operations of insurance companies and fair solicitation of insurance policies. The act lays down organizational and operational rules for insurance businesses, as well as defining the criteria for the administration and supervision of insurance companies, and determining the supervision standards and authorities of government units overseeing insurance business operations.

Insurance Claim (Benefit)

(In the case of non-life insurance) the sum of money paid by an insurance company to the insured person based on the amount of damage incurred as a result of an insured event. (In the case of life insurance) the sum of money decided beforehand in the insurance contract paid by the insurance company upon the maturity of the contract to the designated beneficiary, in the event of illness or death of the insured person.

Insurance Policy

This is a document handed over by the insurance company to the policyholder upon conclusion of the insurance contract. It certifies the conclusion of the contract and its details.

Insurance Premium

A sum of money received by an insurance company from an insurance policyholder as compensation for covering the risks faced by the insured.

Insurance Rate

It is a ratio used in the calculation of the insurance premium and is expressed as the insurance premium amount per unit insured amount. For example, in the case of a ¥1 insurance premium amount per ¥1,000 insurance amount, the insurance rate could be expressed as "1 per mille."

Insured Amount

In the case of non-life insurance, the insured amount to be paid by the insurance company in the event of an insured event occurring is decided based on the amount of the damage incurred, but an upper limit is set on this amount. This amount is the insured amount. It is fixed based on the contract entered into between the policyholder and the insurance company.

Investment Yield

Income-base investment yield is calculated using the following numerator and denominator.

Numerator = interest and dividend income as well as money trust income

Denominator = average balance of acquisition cost or amortized cost

J

Japanese Version of the Stewardship Code

This is a set of principles released by the Financial Services Agency directed at institutional investors who own shares in companies. (For details, please see the Financial Services Agency website.) [URL](http://www.fsa.go.jp/en/refer/councils/stewardship/) http://www.fsa.go.jp/en/refer/councils/stewardship/

L

Law of Large Numbers

The larger the number of times a die is rolled, the more the probability of getting a "one" approaches 1/6. In other words, when an autonomously occurring phenomenon is observed on a large scale, the probability of that phenomenon occurring approaches a specific value. This is called the law of large numbers. For individuals, accidents may be just accidental, but when the phenomenon of accidents is observed over large volumes, the rate at which they occur can be predicted overall. The rate of incidence of insured events, which is a fundamental numeric used in calculating insurance premiums, is nothing more than a statistical probability based on the law of large numbers.

Life Insurance Professional

An agent specializing in life insurance or selling life insurance as its main business.

Lloyd's*

A corporate body of autonomous insurance companies established in London in 1688.

* The Corporation of Lloyd's

Long - Term Care Insurance (Nursing Care Insurance)

Long - Term Care Insurance is a kind of insurance that can provide benefits for the purpose of providing long-term nursing care. In Japan, there exist both public long - term care insurance and private long - term care insurance products. Among the latter type of products, there are products that will provide a lump-sum benefit and/or annuities in cases the beneficiary requires nursing due to being bedridden or suffering dementia for a specified period of time. There are also products that will provide a lump - sum benefit and / or annuities based on the public long - term care insurance system's primary nursing care requirement authorization.

Loss Adjustment Expense

Loss adjustment expense refers to the personnel expenses and non-personnel expenses (including depreciation costs) as well as various taxes related to the loss adjustment and insurance claim payment operations.

M

Marine/Non-Marine Insurance

Marine insurance includes hull insurance, cargo insurance, and transit insurance. Non-marine insurance refers to insurance other than Marine insurance and includes categories such as fire insurance, automobile insurance, and personal accident insurance.

Maturity Refund

In savings-type insurance, if the contract has remained valid and continued to maturity, and insurance premium payments have been completed, the maturity refund is the money paid at maturity to the policyholder by the insurance company. The amount paid is predetermined at the time of entering the contract.

Medical Insurance

Medical insurance provides benefits to policyholders when they are hospitalized due to illness or injury or undergo specified types of surgical operations. Some medical insurance policies also provide death benefits on the decease of the beneficiary, but the amount of such benefits is generally small.

Motor Channel Agent

These are sideline agents that sell insurance as a side business but are mainly automobile repair shops, used car sales dealers, or automobile-related service providers, or motorbike shops. Automobile dealerships that also sell insurance are excluded from this category.

N

Net Claims Paid

Net claims paid is obtained by totaling (adding or subtracting as indicated) items ① to ④ listed to the below, and plainly shows the amount of insurance claims paid. The payment of insurance claims is the main expenditure involved in the non-life insurance business.


① Direct claims paid
-) ② Reinsurance claims ceded
+) ③ Reinsurance claims paid
-) ④ Retrocession claims ceded
⑤ Net claims paid
(Income statement item)

Net Expense Ratio

The net expense ratio is obtained by adding the commissions and collection expense to operating expenses and general administrative expenses incurred in the insurance underwriting business, and dividing this by net premiums written. It is an indicator of the operational efficiency of an insurance company. The net expense ratio can also be called simply "expense ratio."

Net Loss Ratio

The net loss ratio is obtained by adding net claims paid and loss adjustment expenses, and dividing this by net premiums written, and it indicates the company's insurance underwriting business performance. It can also be called "published loss ratio" or "loss ratio."

The net loss ratio is what is called a "written paid basis" indicator, as it can be calculated based simply on written premium and paid claims during the accounting period in question.  [Earned-Incurred Loss Ratio \(EI Loss Ratio\)](#)


Net Premiums Written

Net premiums written is obtained by totaling (adding or subtracting as indicated) items ① to ④ listed to the below, and plainly shows the income earned from the non-life insurance business.

① Direct premiums written
-) ② Reinsurance premiums ceded
+) ③ Reinsurance premiums written
-) ④ Retrocession premiums ceded
⑤ Net premiums written
(Income statement item)

O

Ordinary Outstanding Claims Reserve

Ordinary outstanding claims reserve is a type of outstanding claims reserve set aside based on an estimation of future liability of individual claims that have occurred and reported but not yet been settled.  [IBNR](#)

Ordinary Underwriting Reserves

The amount of unearned premiums (premium reserve) or the initial year balance, whichever is greater, is set aside as a liability reserve and called "ordinary underwriting reserve."

Unearned premiums (premium reserve): insurance premiums corresponding to the time period remaining on an insurance policy, collected beforehand.

Initial year balance: premiums received during the fiscal year less claims paid, reserves for outstanding claims, and other expenses incurred under those contracts

Outstanding Claims

When an accident has occurred prior to the balance sheet date and the related claim has not been paid, provisions are made to the outstanding claims to fund the claim payment.

P

Policies in Force

The outstanding amount of valid insurance policies owned by an insurance company. It is an indication of the grand total amount (of insurance, etc.) guaranteed to policyholders.

Policy Clauses

The policy clauses define the details of the insurance contract, including the policyholder's obligation to pay the insurance premium and duty of disclosure, as well as the payment amount and terms and conditions of payment by the insurance company. There are two kinds of policy clauses—common policy clauses, which are common to all insurance contracts of the same type, and special policy clauses (clauses containing special policy conditions), which are customized for individual contracts by adding to or changing/deleting some of the provisions in the common policy clauses.

Policyholder

The party applying to an insurance company for an insurance contract is called the policyholder. The policyholder is obliged to pay the insurance premium once the contract is concluded.

Policyholder Dividends


Regarding the deposit premium of saving-type insurance (or asset-building-type insurance with dividends), in the case that the insurance company generates investment income exceeding a stipulated interest rate, the company will pay policyholder dividends to beneficiaries along with benefits on the policy maturity refund.

Policy Reserve

This is the reserve set aside by the insurance company at the period-end closing of accounts so that it can fulfill its obligation to pay insurance claims based on insurance contracts. It includes outstanding claims and underwriting reserves.

R

Reinsurance

When an insurance company seeking to disperse risk which an insurance company underwrote the responsibility for insurance policies it has written to another insurance company, that is called reinsurance.  [Direct Insurance](#)

Reinsurance Premium

An insurance premium received from another insurance company via a reinsurance contract in return for underwriting a part of the risk.

Reinsurance Premium Ceded

An insurance premium paid to another insurance company via a reinsurance contract in return for covering a part of the risk of the original insurance contract, for purposes such as risk diversification.

Reserve for Price Fluctuation

In accordance with the new Insurance Business Act implemented in 1996, this reserve is provided to cover losses incurred from future decreases in prices of assets such as stocks and bonds whose value is likely to fluctuate.

Retrocession Premium

When a reinsurance company reinsures a certain portion of the accepted reinsurance risks to other reinsurers, a reinsurance company pays a retrocession premium to other reinsurers based on the retrocession contracts .

S

Solvency Margin Ratio


This is the solvency margin of an insurance company, including its capital and reserves, seen as a percentage of a risk amount greater than what can be ordinarily expected, which may include catastrophic disasters or a massive drop in the price of owned assets. It is an indicator of the soundness of the company's management.

Solvency margin ratio = solvency margin ÷ half of total risk amount

T

Term Insurance

A type of insurance, where the term of the insurance is fixed and the insurance benefits can be claimed only if the policyholder dies during the term. There are no maturity proceeds. This is ordinarily a fixed-amount insurance, where the insurance amount is fixed and remains unchanged throughout the term of insurance, but it could also be a decreasing term insurance, where the insurance premium is fixed and the insurance amount progressively decreases over the insurance term, and increasing term insurance, where the insurance amount increases over the duration of the insurance term.

 [Whole Life Insurance](#)

Third Sector

This is the third "sector" of insurance, positioned somewhere in between the first sector (life insurance) and second sector (non-life insurance), and includes many different types of insurance, such as medical insurance, cancer insurance, nursing care insurance, and accident insurance.

U

Underwriting Profit (Loss)

Claims payment and loss adjustment expenses, maturity refunds and other underwriting expenses, and operating expenses and other general administrative expenses required for insurance underwriting are subtracted from net premiums written and other underwriting profit, and this is then adjusted to reflect other income and expenditure (such as expenses associated with compulsory automobile liability insurance, etc., corresponding to corporate taxes) to calculate underwriting profit (loss).

As for non-life insurance companies, the principal revenue sources are underwriting income and investment income, and underwriting profit indicates the profitability level of underwriting operations.

Underwriting Reserves

This is the general term for reserve funds set aside by insurance companies based on the legal requirement, for use toward insurance claims payments and other insurance related obligations that could arise in the future. Underwriting reserves are broadly classified into five types.

(1) ordinary underwriting reserves, (2) catastrophe reserves, (3) contingency reserves, (4) refund reserves, and (5) policyholder dividend reserves

V

Variable Individual Annuities

This is a type of individual annuity where the insurance amount varies in the same manner as in a variable insurance, i.e., depending on the performance of the investment fund (the investment risk is borne by the individual policyholder).

Variable Insurance

This is an insurance product where the premium is invested in stocks, bonds, and other assets, and the insurance payment or payout upon cancellation varies depending on the performance of the investment. The investment risk (the risk fluctuation in pension or cancellation payout) is borne by the individual policyholder. When the policyholder dies, the beneficiary can claim the basic insurance + variable insurance. The basic insurance is a minimum amount guaranteed to the policyholder irrespective of the investment fund's performance. Even when the variable insurance is negative, the basic insurance can be claimed.

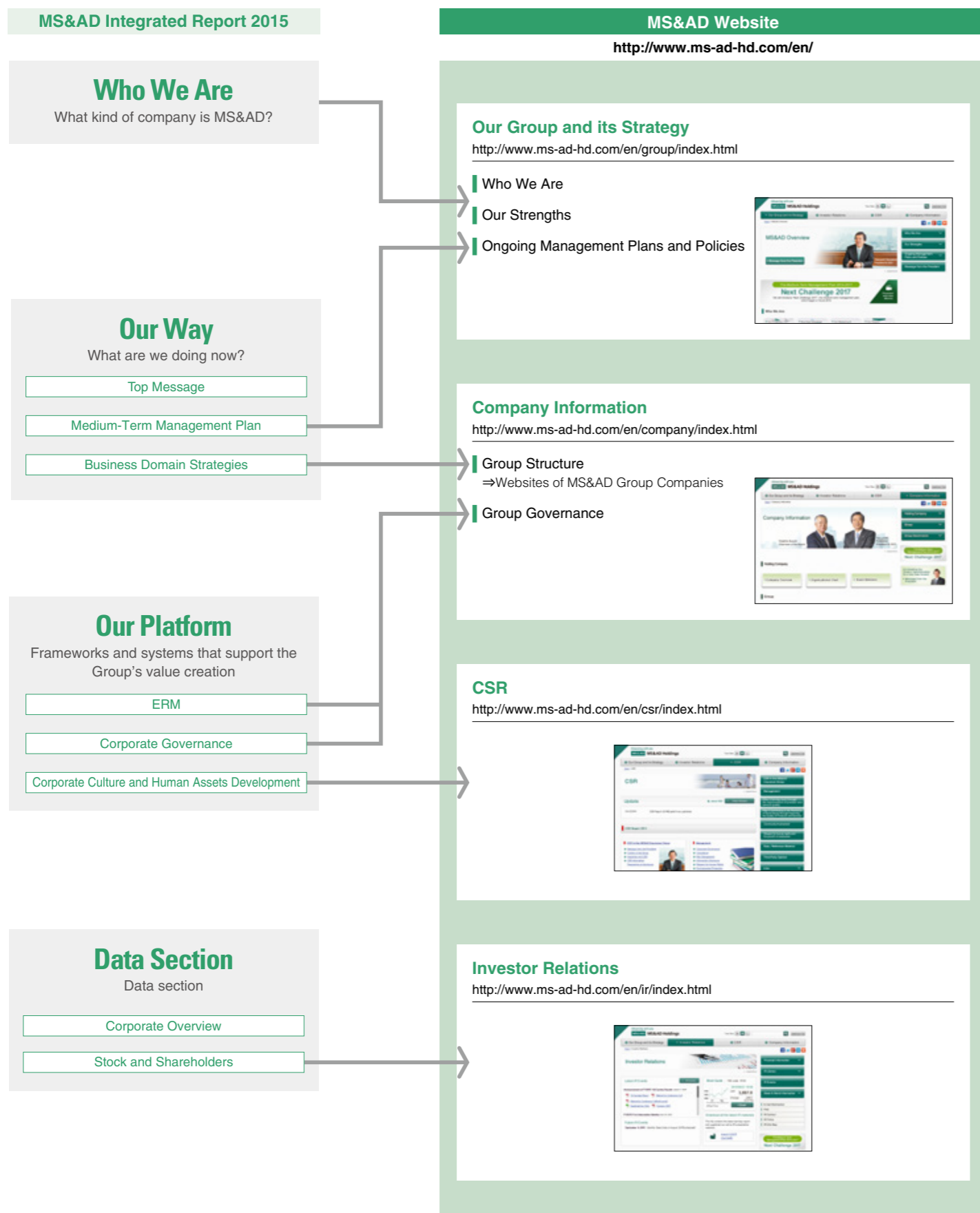
W

Whole Life Insurance

Of the types of insurance providing for the receipt of death benefits on death, this is a type that is not for a fixed period but continues for a lifetime and does not have benefits on maturity. [↔ Term Insurance](#)

MS&AD Disclosure Framework

For further detailed information on the MS&AD Insurance Group, please refer to the information on our Website.



Our Mission, Vision & Value

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

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

Our Values

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

Group Slogan



What do we mean by "Advancing with you"?

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

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

- **The challenge of corporate change**
The Group companies and each staff member will continue to pursue rapid and dynamic change in response to shifts in social and business trends.
- **The challenge of providing new insurance products**
Providing products and services in anticipation of new risks, the Group will consistently seek to provide maximum security to its customers.
- **The challenge of competing globally**
To develop the strength to compete in the highly competitive international arena, the Group will continue to grow, aspiring to become a world-leading insurance and financial group.

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

Corporate Profile

Corporate name	: MS&AD Insurance Group Holdings, Inc.
Date established	: April 1, 2008 (Name changed on April 1, 2010)
Paid-in capital	: ¥100,000,000,000
Headquarters	: 27-2, Shinkawa 2-chome, Chuo-ku, Tokyo, Japan
Number of employees	: 309 (38,358 on a consolidated basis) *As of March 31, 2015
Business description	: Management of non-life and life insurance companies and companies qualified to become subsidiaries under the Insurance Business Act., and any business associated with the above.
Stock listings	: Tokyo Stock Exchange, Nagoya Stock Exchange (First Section on both exchanges)

<Forward-looking statements>

These materials contain future plans, strategies, and earnings forecasts for MS&AD Insurance Group Holdings, Inc. and Group companies. They are based on information available to the Group at the present time. Investors are advised that actual results may differ substantially from our forecasts, for various reasons. Actual performance could be adversely affected by (1) economic trends surrounding our business, (2) fierce competition within the insurance sector, (3) exchange rate fluctuations, and (4) changes in tax and other regulatory systems.

This report was prepared pursuant to Article 271-25 of the Insurance Business Act and Article 210-10-2 of the Insurance Business Act Enforcement Regulations.