

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 that today spans 49 countries and regions* to provide insurance products and services that meet diverse customer needs.

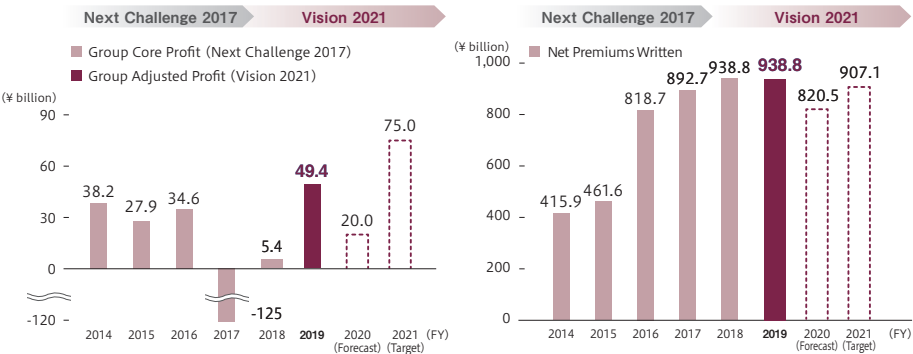
* Excluding the Cayman Islands, where SLI Cayman Limited (financial services business) is domiciled. (As of April 1, 2020)

Business Environment and Competitive Conditions

In addition to the increase in natural disasters and heightened competition in emerging markets, the business environment is seeing a number of other changes, including a move to tighter capital regulations and supervision, as well as a shift in business models brought on by the advancement of digitalization. Within such an environment, in 2016, the Group welcomed Amlin, which is developing a global insurance business focused on the Lloyd's insurance market in London, and First Capital Insurance Limited, the largest non-life insurance company in Singapore, joined the Group in 2017. With these moves and others, we have created a balanced portfolio spreading across Asia, Europe and the Americas, and solidified a leading position in the ASEAN region.



Group Numerical Management Targets



Initiatives Aimed at Creating Shared Value

Providing fire insurance to indigenous households

MSIG Malaysia partners with EPIC Homes, which is a social enterprise that provides a platform to improve the living environment of the marginalized indigenous people. The enterprise works to raise the living standards by Recruiting corporate and individual sponsors. To date, over 160 homes have been built through this scheme. MSIG Malaysia has developed a dedicated fire insurance specific to support this scheme and now the insurance is packaged as part of the funding scheme. As of the end of March 2020, 58 homes are covered by this insurance. Providing coverage to these homes allows Orang Asli to reside in their homes with peace of mind. At the same time, it contributes to the longevity and sustainability of these projects by protecting their sponsored funds. This makes it easier for sponsors to participate in this support scheme.

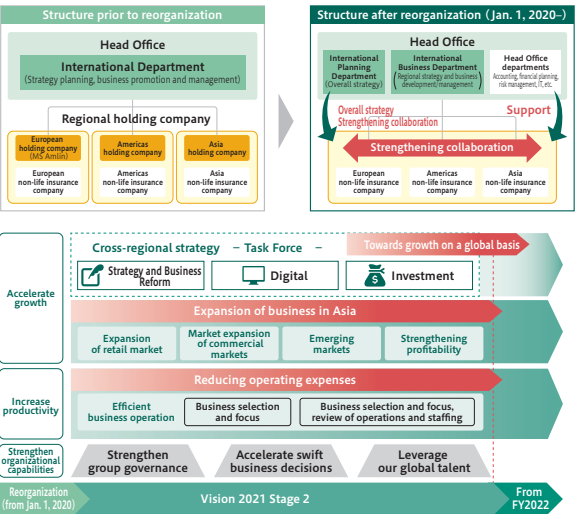


Overview of the International Business and Our Growth Strategy

International Non-Life Insurance

Mitsui Sumitomo Insurance introduced the Regional Holding company framework in April 2006, delegating certain authorities to regional holding companies in Asia, Europe, and the Americas. The business has developed according to the market characteristics of each region. However, with the aim of adapting to the rapid changes in the international business environment, the Company reorganized on January 1, 2020. The Regional Holding company framework was terminated and in general overseas subsidiaries under each Regional Holding company became direct subsidiaries of the MSI Head Office. The functions and authorities pertaining to the strategy planning at the regional holding companies were consolidated into the MSI Head Office.

While seeking to strengthen collaboration as a Group under the leadership of the Head Office, we strengthen governance and make the business operate more efficiently. We leverage our people with a wealth of experience and knowledge across regions, and examine new growth strategies that factor in environmental changes. As a result of the reorganization, we have achieved near-term cost reductions and an expansion in the Asian business. For the medium to long term, we will focus on developing and promoting cross-regional strategies that make the best use of the skills each Group company maintains as well as the strengths of the Group as a whole, which we believe will contribute to growth on a global basis.



Telematics, Mobility

Aioi Nissay Dowa Insurance is leveraging its strong partnership with the Toyota Group to develop telematics and mobility services in a five-point system that includes the Europe, the Americas, Asia, China and Japan.

Head Office Reinsurance

The Head Office at Aioi Nissay Dowa Insurance has engaged in the overseas inward reinsurance as a means of effectively utilizing capital. While managing Group-wide risks, we will advance business by engaging in profit-focused underwriting for business partners with which we can maintain medium- and long-term relationships in both outward and inward reinsurance.

International Life Insurance

We are focused on continually increasing profit by investing in life insurance companies in Asian countries where increasing populations are expected to contribute to economic growth, including Indonesia, India and Malaysia. In 2017, the MS&AD Insurance Group invested in Challenger Limited in Australia (annuity insurance business) and, in 2018, invested in ReAssure Jersey One Limited in the United Kingdom (closed book life insurance business) to secure stable profits and acquire business know-how.

		FY2011										FY2020 (Forecast)	
Net Premiums Written	Asia	142.8	173.1	215.7	237.1	257.7	240.6	268.1	296.1	298.8	285.2	285.2	285.2
	Europe	60.9	64.4	85.4	99.6	121.1	499.6	498.7	514.9	513.7	430.9	430.9	430.9
	(of which: MS Amlin)	-	-	-	-	-	391.1	430.2	448.0	449.1	367.3	367.3	367.3
	Americas	43.7	41.4	56.4	66.2	69.4	66.4	71.1	67.7	58.4	57.0	57.0	57.0
	Reinsurance Business	16.8	15.6	16.7	19.1	18.6	16.8	-	-	-	-	-	-
	Head Office Reinsurance Business	-	-	-	-	-	-	57.9	62.9	69.5	49.2	49.2	49.2
	International Business Total	262.2	287.8	369.0	415.9	461.6	818.7	892.7	938.8	938.8	820.5	820.5	820.5
	Asia	(89.6)	28.8	16.3	26.0	12.7	16.7	11.1	30.9	23.2	21.5	21.5	21.5
	Europe	(16.1)	(11.9)	1.8	5.7	(3.1)	2.2	(116.2)	(3.8)	9.4	(14.1)	(14.1)	(14.1)
	(of which: MS Amlin)	-	-	-	-	-	6.1	(109.3)	(1.9)	9.6	(12.0)	(12.0)	(12.0)
Net Income	Americas	0.1	(7.7)	(3.3)	(7.9)	8.1	0.8	4.7	1.1	0.6	2.6	2.6	2.6
	Reinsurance Business	(6.3)	5.1	8.5	11.0	10.7	12.4	-	-	-	-	-	-
	Head Office Reinsurance Business	-	-	-	-	-	-	(26.0)	(6.7)	9.1	4.4	4.4	4.4
	International Life Insurance Business	3.0	1.3	(1.2)	5.4	5.7	8.4	6.4	8.9	11.8	9.9	9.9	9.9
	International Business Total	(112.3)	13.5	18.0	38.2	27.9	34.6	(125.0)	5.4	49.4	20.0	20.0	20.0
	Asia	(89.6)	28.8	16.3	26.0	12.7	16.7	11.1	30.9	23.2	21.5	21.5	21.5

*International Business figures are aggregates of the results for overseas consolidated subsidiaries and equity-method affiliates, together with non-life insurance companies' overseas branches, overseas-based non-consolidated affiliates and the overseas inward reinsurance business of non-life insurance companies' headquarters, etc.
*Figures in the "Total" rows include head office adjustments and others and are not equal to the sum of figures for each segment and each region.
*Net income is on a Group Core Profit basis (Group Adjusted Profit basis since FY2018). The international life insurance business shows equity income.
*The Reinsurance business is included in figures for MS Amlin since FY2017 because it was integrated into MS Amlin together with MSI Lloyd's business in December 2016.
*Since FY2017, the international life insurance business has included Challenger and ReAssure in addition to the former Asian life insurance business.

Financial Services Business

In the Financial Services Business, the MS&AD Insurance Group offers various financial solutions and services that make use of its strengths. The 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 services group.

Business Environment

ART Business

Climate change is contributing to many places in the world seeing an increased frequency of disasters brought on by abnormal weather conditions, including rising temperatures, torrential rains and droughts. The report from the Task Force on Climate-Related Financial Disclosures (TCFD), which was launched at the request of the G20, has heightened interest in climate-related risks, with companies recognizing the risks and opportunities inherent in climate change as well as the importance of incorporating them into their respective corporate strategies.

Asset Management, Defined Contribution Pensions

There is growing demand for asset formation amid an environment characterized by low interest rates and increased longevity.

Moreover, the number of individuals and companies with defined contribution pension policies is increasing year by year. With the goal of increasing participation, the government revised the law to expand the age bracket of those able to participate and relax enrollment requirements in May 2020.

Venture Capital

Domestic investment in venture capital firms in Japan continues to rise, reaching ¥216.2 billion in 2019. The range of investment opportunities continues to expand, including in areas such as AI, robotics, FinTech and healthcare.

Outline of Products and Services

ART

Alternative risk transfer (ART) refers to techniques other than traditional insurance policies to transfer risks. ART entails the use of financial technologies and capital markets to provide risk solutions. ART products include derivatives and securitized risk products, with typical products including weather derivatives, insurance-linked securities* and earthquake derivatives. We are strengthening the client base and our product development capabilities while monitoring changes in the social environment and market conditions.

*Insurance-linked securities (ILS) is a generic term for securitized products that transfer risk covered by insurance, including natural disasters, to the capital markets.



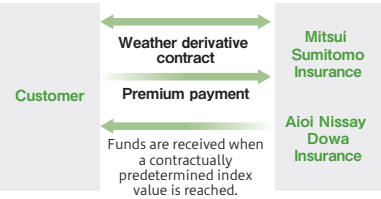
Provided by the Japan Meteorological Agency

Weather Derivatives

Against a backdrop of abnormal weather and shifts in the business environment of our customers, there has been a growing interest in weather risk solutions. Mitsui Sumitomo Insurance is expanding its product lineup and strengthening the ability of its sales personnel to offer solutions to meet the diverse needs of its customers. Through our U.S. subsidiary MSI Guaranteed Weather, we are working to provide weather risk solutions in overseas markets.

Strengthening the Insurance-Linked Securities Business

Mitsui Sumitomo Insurance is developing businesses such as investment advisory services for CAT (catastrophe) bond futures managed by Sumitomo Mitsui DS Asset Management and soliciting operations for funds managed by Leadenhall Capital Partners. We are focused on strengthening our insurance-linked securities business by improving our customer services and bolstering our product lineup.



Mitsui Sumitomo Insurance acquired 80% of the limited partnership equity in fund management company Leadenhall Capital Partners LLP (LCP), which specializes in insurance-linked securities. The Company thereafter reorganized LCP into a direct subsidiary. The Company will work to realize synergies while maintaining the independence of LCP and further strengthen the ILS business going forward.



Asset Management

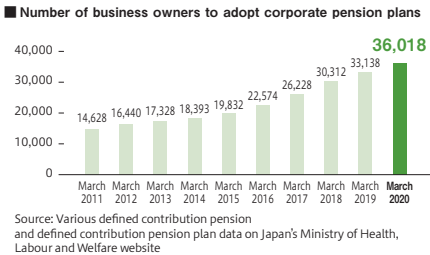
We work through jointly owned company Sumitomo Mitsui DS Asset Management in the investment advisory business, the investment trust management business and other kinds of business. With more than ¥14 trillion in assets under management, Sumitomo Mitsui DS Asset Management is one of Japan's largest asset management companies.

Defined Contribution Pension Business

In addition to providing services related to the introduction of corporate defined pension plans to small and medium-sized companies, we are working to increase participation in individual defined contribution pension plans (iDeCo), where demand has been increasing throughout society as the birthrate declines and the population ages.

Encouraging the Increased Use of Defined Contribution Pensions

With the goal of improving competitiveness, Mitsui Sumitomo Insurance is working to enhance services offered to its customers, including by adding investment products to corporate package plans and updating the defined contribution pension website in April 2020. We are also working to bolster our sales structure and improve our efforts to address corporate demand as the number of companies introducing such plans continues to expand.

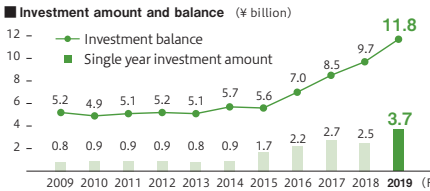


Venture Capital

Working through Mitsui Sumitomo Insurance Venture Capital, we make investments in promising venture businesses and put group resources to their best use to provide support for the growth and development of investee companies. In fiscal 2019, we invested a total of ¥3.7 billion, largely in domestic and overseas venture firms where strong growth moving forward appears likely.

Expanding Investment in and Providing Support to Innovative IT Venture Firms

With an eye toward innovation, uniqueness and foresight, we carefully select and invest in domestic and overseas start-ups operating in the fields of AI, healthcare and IT, where growth moving forward appears likely. Moreover, through the network of Mitsui Sumitomo Insurance we are actively promoting increased sales support for investees and business matching between investee companies.



[Major Operating Companies]

The Group's Financial Services Business is being developed principally by MSI, ADI and the following operating companies.

Sumitomo Mitsui DS Asset Management Company, Limited

With clients including institutional investors such as domestic and overseas pension funds and financial institutions, as well as individual investors, Sumitomo Mitsui DS Asset Management is providing high-quality asset management services utilizing an industry-leading investment research system and our global network to meet the diverse needs of our customers.

- Assets under management: investment advisory ¥6,668.8 billion investment trusts ¥8,011.3 billion (as of March 31, 2020)
- Date established: December 2002
- Number of employees: 1,074 (as of April 1, 2020)
- MS&AD Insurance Group shareholding: 15% (as of April 1, 2020) URL: <https://www.smd-am.co.jp/english/>
- Note: Sumitomo Mitsui Asset Management and Daiwa SB Investment merged to form Sumitomo Mitsui DS Asset Management in April 2019. The new company is an equity-method affiliate of the MS&AD Insurance Group.

Leadenhall Capital Partners LLP

Leadenhall Capital Partners, through a fund investment, provides opportunities that benefit strongly from diversification and have little correlation to traditional assets under management, such as stocks and corporate bonds. As of March 31, 2020, outstanding entrusted assets stood at approximately \$5.5 billion (roughly ¥600 billion). In terms of asset size, the company is the world's fifth largest investment company specializing in insurance-linked securities.

- Date established: April 2008
- Number of employees: 28 (as of Jan. 1, 2020)
- Group stake: 80% URL: <https://www.leadenhallcp.com>

MITSUI SUMITOMO INSURANCE Venture Capital Co., Ltd.

In addition to investing in domestic and overseas start-ups in different phases of development, mainly in the IT sector, MITSUI SUMITOMO Venture Capital continues to contribute to improved corporate value at investee companies by making the best use of MSI Group resources.

- Date established: December 1990
- Number of employees: 14 (as of April 1, 2020)
- MS&AD Insurance Group shareholding: 100% URL: <https://www.msivc.co.jp/> (Japanese language only)

MSI Guaranteed Weather, LLC

In cooperation with MSI, MSI Guaranteed Weather provides overseas weather risk solutions such as weather derivatives.

- Date established: April 2007
- Number of employees: 13 (as of April 1, 2020)
- MS&AD Insurance Group shareholding: 100% URL: <https://www.guaranteedweather.com>

MS&AD Loan Services Co., Ltd.

MS&AD Loan Services operates in administrative outsourcing services, credit guarantee services and personal loan services both inside and outside the Group.

- Date established: October 1976
- Number of employees: 59 (as of April 1, 2020)
- MS&AD Insurance Group shareholding: 100% URL: <https://www.ms-ad-ls.co.jp> (Japanese language only)

Risk-Related Services Business

The Risk-Related Services Business is responsible for important roles within the MS&AD Insurance Group's value creation processes. Risk-Related Services Business units provide diverse solutions globally in cooperation with Group units engaged in the insurance and financial services businesses, and thereby make an important contribution to realizing the Group's mission.

Business Environment

Continuing on from fiscal 2018, Japan has been hit by a substantial number of natural catastrophes, including Typhoons No. 15, Faxai, and 19, Hagibis. Large-scale natural catastrophes also have been seen overseas, including heat waves in Europe and wildfires in Australia. There also have been widespread reports of traffic accidents because of reckless driving and by elderly drivers. To add to this, the spread of COVID-19, which was revealed to the world by the Chinese government in January 2020, greatly affected civic life and corporate activity on a global scale. Within this environment, the Group provides a range of risk management support as companies and individuals face a variety of risks.

Outline of Services

Risk management

The risk management business includes services, including the "provision of risk research and simple diagnoses along with loss prevention advice," "consulting services related to formulating a business continuity plan and a crisis management plan of companies and other organizations" and "implementation of surveys and studies of the latest risk-related information and dissemination of that information via seminars and newsletters."



	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
Number of risk surveys conducted	1,009 Domestic 526 Overseas 483	1,092 Domestic 500 Overseas 592	1,031 Domestic 468 Overseas 563	1,189 Domestic 506 Overseas 683	1,140 Domestic 528 Overseas 612	1,312 Domestic 623 Overseas 689
Number of risk-related reports issued	75	68	84	72	78	85
Number of trainings/seminars arranged	3,873	4,199	3,997	4,720	4,903	4,809
Number of media appearances	232	306	377	386	347	385

Topics

Actively supporting the COVID-19 countermeasures of companies

The COVID-19 pandemic, which was first identified in China at the end of 2019, has had a severe impact on economic activity and people's lives in Japan, with many businesses shutting down and people refraining from going outside. Amid such an environment, MS&AD InterRisk Research & Consulting continues to provide risk solutions that meet the needs of our customers.

Providing advice on the prevention of infections and risk surveys

- Providing information on COVID-19 countermeasures through the distribution of magazines and seminar videos

Providing services and consultations

- Providing services related to infection countermeasures
 - Tools supporting the creation of infection-related BCP
 - COVID-19 consultation services
- Providing services in line with the spread of telecommuting
 - Yoruza online consultations
 - Online training for new employees
 - Simple diagnostics for human error when telecommuting
 - Services supporting health and productivity management while employees are working from home



Created by MS&AD InterRisk Research & Consulting

[Major Operating Companies]

MS&AD InterRisk Research & Consulting, Inc.

- Date established: January 1993
- Number of employees: 258 (as of April 1, 2020)
- MS&AD Insurance Group shareholding: 100%
- URL: <https://www.iric.co.jp/en/corporate/>

Nursing Care

The MS&AD Group launched its nursing care business in 1989. Providing high-quality nursing care services that can be used by the elderly with peace of mind, we own and operate high-quality nursing homes (two facilities as of the end of April 2020) and launched the first day service center in the insurance sector in 2000 (three facilities as of the end of April 2020).

[Major Operating Companies]

MITSUMI SUMITOMO INSURANCE Care Network Co., Ltd.

- MITSUMI SUMITOMO INSURANCE Care Network operates a fee-based retirement home business offering nursing services, a business that provides support for in-home nursing care (creating care plans) and a home care worker (home helper dispatch) business. 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: 106 (as of April 1, 2020)
 - MS&AD Insurance Group shareholding: 100%
 - URL: <http://www.msk-carenet.com> (Japanese language only)

Topics

We are committed to providing a safe and comfortable living environment, having completely renovated Youlife Yokohama, a fee-based nursing care home for the elderly, and introducing color schemes helpful to those with dementia.



Fureai Do-Life Services Co., Ltd.

- Fureai Do-Life Services operates elderly daycare centers. All centers employ physical therapists and other staff to implement functional training programs and other programs associated with preventive and rehabilitative 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: 57 (as of April 1, 2020)
 - MS&AD Insurance Group shareholding: 100%
 - URL: <http://www.fureai-do.co.jp> (Japanese language only)

Topics

Our day service center holds seasonal events throughout the year. Popular recreational events that allow our guests to move about and exercise their voices include our summer festival and athletic meets.



Assistance

We are developing a comprehensive assistance and call center business capable of responding to customer emergencies. We are accepting calls for help from all over Japan, including for automobiles (emergency roadside assistance) and housing (home support services), and cooperating with our partners to move our customers from anxiety to peace of mind. Our global business also assists in medical facility arrangements overseas as part of our support for our customers and their lives.

[Major Operating Companies]

ANSHIN DIAL Co., Ltd.

- Anshin Dial is a comprehensive assistance company operating two call centers, one in Tokorozawa and one in Naha, with an affiliate network of more than 5,000 companies nationwide. Anshin Dial provides its customers with services designed to alleviate their worries, including roadside assistance and support for fixing problems at home 24 hours a day, 365 days a year.
- Date established: November 1989
 - Number of employees: 1,080 (as of April 1, 2020)
 - MS&AD Insurance Group shareholding: 58.87%
 - URL: <https://www.anshin-dial.jp> (Japanese language only)

Topics

Beginning in October 2019, Anshin Dial began using the communications app LINE to allow MSI and Aioi Nissay Dowa Insurance policyholders to request roadside assistance. Use of GPS allows customers to confirm their location and arrange assistance more quickly.



Japan Assist International Co., Ltd.

- Japan Assist International is an assistance company offering support in several foreign languages. It provides many services both in Japan and overseas.
- Date established: December 1989
 - Number of employees: 326 (as of March 2020)
 - MS&AD Insurance Group shareholding: 100%
 - URL: <https://www.jaic.co.jp/> (Japanese language only)

Asset Management Strategy

Asset management at the MS&AD Insurance Group is undertaken with an emphasis on stability and liquidity to prepare for the payment of insurance claims and benefits, and with the objective of ensuring stable returns on investments using ALM* based on the characteristics of insurance liabilities. We are reducing highly weighted strategic equity holdings where risk appears substantial. In a low interest rate environment, the MS&AD Insurance Group aims to improve return on risk by dispersing investments in diverse and sophisticated investment assets.

*ALM: Asset Liability Management. See the "Glossary of Insurance Terminology" (P. 98) for details.

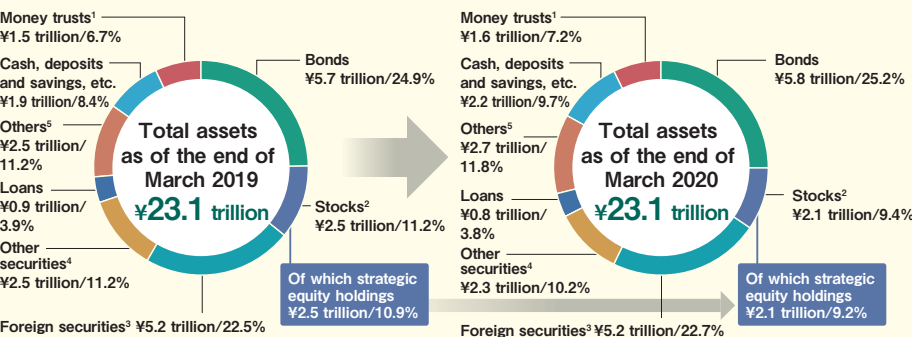
Asset Management Strategy within "Vision 2021"

We have made no change to our basic policy of ensuring financial soundness and stabilizing asset management earnings within the Group through a sustained reduction in strategic equity holdings and proper ALM. We are also focused on improving earnings by expanding risk-taking through global diversified investment, while also taking the operating environment into account. With the aim of achieving these goals, Group companies are enacting the measures listed to the right.

- Holding company initiatives**
 - Promoting the development and strengthening of asset management systems by putting to best use the Group's comprehensive strengths.
 - Promoting the increased sophistication and expansion of ESG investments and working to ensure the sharing of operational know-how within the Group.
 - Strengthening asset management governance.
 - Promoting compliance with regulations and enhanced asset management monitoring within the Group.
- Operating company initiatives**
 - Remaining focused on the safety and liquidity of asset holdings, and maintaining ALM based on each company's liability characteristics.
 - Reducing strategic equity holdings by ¥500 billion between fiscal 2017 and fiscal 2021.
 - Increasing diversification in return-expected assets*, including foreign securities

*Return-expected assets are those held mainly on the expectation of relatively high returns.

Asset allocation trends

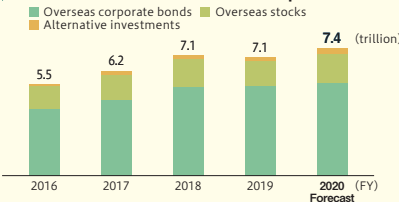


1. Mainly assets corresponding to the liabilities of the domestic life insurance companies
2. Mainly strategic equity holdings and shares held purely for investment purposes
3. Foreign securities held by domestic insurance companies and securities held by foreign insurance subsidiaries
4. Mainly special account assets of domestic life insurance companies
5. Mainly tangible fixed assets, intangible fixed assets and goodwill

Adapting to an Environment Characterized by Low Interest Rates

With the goal of maintaining and improving profitability, we are enacting proper forex and credit risk management, while simultaneously diversifying investment toward assets expected to show relatively higher returns, including overseas corporate bonds and alternative assets. We will also leverage the Group's comprehensive strengths to develop and strengthen our global asset management system.

Investment balance for return-expected assets



Initiatives to Strengthen ESG Investment

The Group is focused on strengthening its structure to expand ESG investments, while simultaneously developing asset management-based CSV activities.

Incorporation into the investment process

Building a process considering ESG factors

Improving dialogue

Incorporating ESG considerations into our dialogue with companies and subcontractors

Expanding impact investment*

Considering Group-based initiatives

Actual Examples of ESG Investments

FY2018	FY2019
Investment in Green Bonds Approx. ¥4.0 billion	Investment in Green Bonds ¥16.5 billion
Investments in Japanese ESG stock funds ¥5.5 billion	Investment and financing in solar, biomass and wind power generation ¥14.7 billion
Renewable energy-related investments ¥5.0 billion	
Investments in social bonds ¥1.0 billion	
Investments in Industrialize Africa Bond Approx. ¥2.6 billion	

Source: GSG National Advisory Board

Putting the Stewardship Code into Practice

In May 2014, Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance declared their acceptance of Japan's Stewardship Code and have since engaged in constructive dialogue about ESG with the companies in which they have invested, encouraging sustainable growth and improved corporate value at investees from a medium- to long-term perspective.

Number of companies in which we have invested and engaged in dialogue (July 2018–June 2019)

	MS	AD	Total (simple sum)
Number of companies engaged in dialogue	281	205	486

Examples of dialogue with investee companies

Example 1: Shareholder returns	Example 2: Medium-term management strategies
Dividends were low the previous year due to the priority being placed on the repayment of interest-bearing debt. However, a reply was received indicating the dividend would increase if financial conditions improved. As this year saw a significant improvement in earnings performance, the company announced a dividend increase, with the dividend payout ratio surpassing the company's standard.	We instigated dialogue with companies in industries expected to show slow growth in the domestic market over the medium term and exchanged views with management at these companies regarding strategies moving forward. We confirmed the implementation of domestic policies aimed at improving profit margins through the advancement of high-value-added products and overseas policies targeting the acceleration of new customer acquisitions by improving product and brand recognition.

Creating Shared Value (CSV Initiatives)

Special Feature

— Solving Social Issues through Business —



With the Sustainable Development Goals (SDGs) as our leading marks for putting our value creation story into practice, the MS&AD Insurance Group is further advancing efforts to create shared value (CSV initiatives) and working to realize a resilient and sustainable society.



Case 01

Despite the continuously growing threat of cyber risk that stems from the evolution of today's information society, research by the General Insurance Association of Japan indicates that one in four SMEs has not taken action against cyberattacks. The emergence of cyber risk, however, can have a major impact on business activities and can even imperil the continued existence of companies. During fiscal 2019, the MS&AD Insurance Group expanded the Groupwide Cyber Security Liaison Council to develop and provide products and services tailored to the actual situation of cyber risk among SMEs.

Deal with new risks

Providing cybersecurity countermeasures to SMEs

During fiscal 2019, we were entrusted with the Aichi Prefecture Cyber Security Support Team Demonstration Project organized by the Ministry of Economy, Trade and Industry and the Information-technology Promotion Association, Japan (IPA). This opportunity allowed us to encounter the actual situation of cyber risk among SMEs and the awareness of those involved, thereby serving as a valuable learning experience. Many SMEs believe that cyberattacks are limited to large companies and IT companies, and thus tend to feel that they are an unlikely target. After installing an inspection system, however, the demonstration project revealed that one SME was already in fact receiving cyberattacks. Despite its exposure to risk, this SME was neither knowledgeable of nor had made sufficient preparations for such. Therefore cybersecurity countermeasures for SMEs must include services that deepen the awareness and understanding of risk in advance of insurance products. Although the Group provides cyber risk diagnosis, targeted e-mail attack training and other services, we continuously seek out new collaborations with outside experts to evolve these into more effective services. Upon interviewing many start-ups in Silicon Valley in January 2020, I (Onizawa) fully recognized that the cybersecurity industry is making rapid advances, as well as the importance of always keeping an antenna out for advanced technologies and services. However, cyber risk is not just an issue of technology. In many cases, actual risk is caused by human error. What

was new for me was that influential start-ups, in addition to holding advanced technologies, combine these with technologies and software that convey cyber risk in an easy-to-understand manner to help those involved understand the situation. Unlike cybersecurity service companies, we have an ability to help our customers through insurance in the event of an "actual incident." Although I (Suzuki) was only recently appointed to this department, for this reason I intend to place importance on terminology that anyone can easily understand and thoroughly convey risk by developing services tailored to the needs and perspectives of customers. At the same time, I intend to focus on promoting cybersecurity that includes the provision of insurance products.

In 2020, today's information technology society has entered a new phase with the emergence of COVID-19. Cyber risk has grown beyond that of the past following the rapid introduction of telecommuting among companies, so we launched the Comprehensive Telecommuting Compensation Insurance in May, which allows SMEs to utilize telecommuting safely. We will continue to provide support so that SMEs can enjoy the maximum benefits of a society in which information technology is undergoing rapid evolution and can continue their business activities in a safe, secure manner.



At the Silicon Valley Start-Up Pitch



Aioi Nissay Dowa Insurance
Cyber Insurance Underwriting Section,
Casualty Underwriting
Department Deputy Manager

Yuki Suzuki

After joining the company in 2008, he was assigned to the Accounting Department and was later seconded to a Group company involved in Internet insurance. He has held his current position since April 2020.



Mitsui Sumitomo Insurance
Cyber Risk Security Team,
Casualty Underwriting
Department Deputy Manager

Kei Onizawa

After joining the company in 2011, he served in the Corporate Production Section of Hamamatsu Branch and was later placed in charge of underwriting liability insurance in the Casualty Underwriting Department. He has held his current position since April 2019.

Social issues

Despite growing cyber risk among SMEs, SMEs do not have sufficient knowledge and have not made sufficient preparations

Solutions

Convey knowledge and preparations for cyber risk in an easy-to-understand manner, and provide insurance in the event of a "cyber attack incident"

Impact on society

- Prevention of cyber risk and swift recovery from damage caused by cyberattacks
- Stabilization of corporate management by providing cyber insurance

Economic impact on the Group

- Development of new products and expansion of services in the cybersecurity field
- Growth in the insurance market associated with the development of an advanced information society

Related SDGs 9 : Industry, Innovation and Infrastructure



Against the backdrop of rapid innovation in today's mobility society, new driving technologies are being researched and developed. Aioi Nissay Dowa Insurance focuses on providing and developing telematics insurance products and services based on big data, both domestically and internationally, that address today's new mobility society. We launched the Telematics Mobility Service Project within the company to develop and provide new insurance products and services that leverage telematics technologies.

Create a safer mobility society

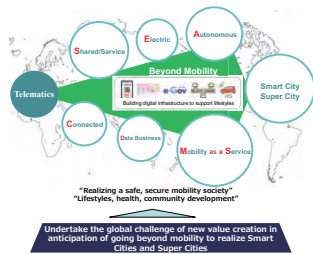
Deploying a telematics business in the United States

In 2016, we established Toyota Insurance Management Solutions USA, LLC (TIMS), which provides telematics automobile insurance services for Toyota-connected vehicles in the United States, in cooperation with Toyota Financial Services Corporation and Toyota Motor Corporation. TIMS analyzes mileage driven, driving hours, driving time, hash braking & acceleration and other telematics data from connected vehicles and provides the results to partner insurance companies. In 2019, we began collaborating with Progressive Casualty Company, one of the largest telematics insurance companies, and, together with Nationwide Mutual Insurance Company, launched BrightDrive, a usage-based telematics automobile insurance for Toyota-connected vehicles.

BrightDrive uses driving data collected from the connected vehicles to provide a discount based on how safely the customer drives. We feel this concept contributes to realizing a safe & secure mobility society because customers who practice safe driving help reduce traffic accidents. Moreover, this insurance provides high-quality repairs using Toyota Genuine Parts in an accident, which makes for a Win-Win-Win product for customers, Toyota (including Toyota dealers) and TIMS. Another major feature is that we have built a fully online insurance solicitation system for BrightDrive.

I am in charge of deploying and promoting telematics automobile insurance and services for Toyota vehicle owners, teaming up with local staff.

I think it will be necessary to accurately understand new risks and customer needs, and to ensure that autonomous vehicles, for example, are legally and socially acceptable. Moreover, it will be important to deepen our expertise through contributions to "safe, secure, comfortable mobility services" as one of the core elements of Smart Cities and Super Cities, apply this expertise, and develop and provide insurance products and services that can contribute to "lifestyles, health and community development." I also feel there will be even greater demands than before for providing appropriate risk coverage that utilizes objective data to more fully and accurately determine uncertain risks. I will challenge to develop new insurance products with an awareness of our company policy, which is to deploy globally as a front runner in the telematics and mobility service business by continuing to research ways of applying new technologies like telematics and leveraging the technologies we have acquired thus far.



Aioi Nissay Dowa Insurance
Telematics and Mobility Services Business
Development Department
(seconded to Aioi Nissay Dowa Insurance
Services USA Corp.) Deputy Manager

Keiichi Kato

After joining the company in 2010, he was involved in the response to the Great East Japan Earthquake at the Sendai Branch and was later seconded to Toyota Connected. He has held his current position since April 2019.



A sustainable regional economy with sufficient local employment and wealth reproduction in addition to being resilient to natural disasters is essential for resilient community development. Japan promotes policies for regional revitalization based on the "Act on Overcoming Population Decline and Vitalizing the Local Economy in Japan" under this concept. After participating in the NAGANO-KANTO Regional SDGs Consortium, held as a model project by the Kanto Bureau of Economy, Trade and Industry in 2018, Nagano Branch of Mitsui Sumitomo Insurance and InterRisk Research & Consulting have engaged in supporting the system.

Strive for resilient community development

Supporting Nagano Prefecture SDG-Promoting Companies Registration System

I was assigned to Nagano Branch in April 2018, at the time which I started to experience global trends like the flourishing of ESG investment, which demands long-term economic growth over short-term profits. Although this movement had yet to penetrate within SMEs, I felt that if excellent companies in Nagano study the SDGs and become vigorous leaders, the regional economy would be energized and regional revitalization would take off. At that time, I heard that the SDGs Consortium was going to be launched in Nagano, I offered my support because I certainly wanted to participate in and support this initiative. Although I initially joined as an observer, as a result of cooperating with many departments within the Group that held the same motivation as myself and actively proposing ideas at each meeting, I earned the trust of the Kanto Bureau of Economy, Trade and Industry and Nagano Prefectural Government to become a formal member.

Nagano Prefecture was considering a system to support companies tackling the SDGs and had been studying the registration requirements. Initially, the Prefecture primarily discussed business opportunities that contribute to the SDGs, but from an insurance company's standpoint, I was able to contribute to creating the requirements for the system by pressing the need to focus on the business risks in a society that demands the SDGs. And I was able to experience the joy of creating a regional revitalization model based on the SDGs as a result of the overlapping desires of the Japanese Government to create a model for revitalizing regional economies; as well as financial

institutions, commerce groups and the Prefecture helping to raise the competitiveness of companies in Nagano; and our Group undertaking CSV initiatives using the SDGs as leading marks. In 2019, along with four financial institutions in Nagano, we received the Minister of State for the Promotion of Overcoming Population Decline and Vitalizing Local Economy in Japan Award for this initiative as "Signature Initiative Examples" by Financial Institutions Contributing to Regional Revitalization."

As of May 31, 2020, approximately 380 companies in Nagano had registered as SDG-Promoting Companies. The initiative has led to increasing opportunities for registered companies to share information with each other and to generate new business opportunities. With our support, if the program provides opportunities to recognize the SDGs and this helps to launch new businesses among local companies, we will be able to contribute to regional revitalization and see a demand for insurance that can support their business. In this way, I feel that working closely together with local people and harvesting the business achievements together is exactly CSV (creating shared value).

Advancing these kinds of initiatives and active communication will get young, talented human resources from the region to find a job in the local areas. Moreover, regional revitalization requires local companies to be more competitive and regional economies to be energized. Along with this, we will seek our growth together.

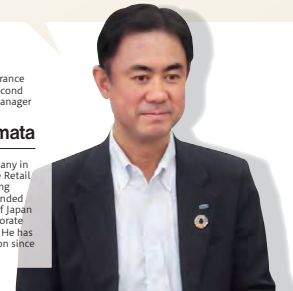


Nagano SDGs Market Development Project Report Meeting in February 2020

Mitsui Sumitomo Insurance
Nagano Branch and Second
Nagano Sub-Branch Manager

Shiro Katsumata

After joining the company in 1994, he worked in the Retail Sales and Sales Planning departments, was seconded to the Cabinet Office of Japan and served in the Corporate Planning Department. He has held his current position since April 2018.



Social issues

The need to address new risk associated with technological innovation related to mobility and communications is becoming increasingly in-demand

Solutions

Provide new insurance and services by utilizing and researching the latest information technologies and driving behavior data

Related SDGs **3** : Good health and well-being
11 : Sustainable cities and communities

Impact on society

- Contribution to a safe, secure mobility society by preventing and reducing traffic accidents and raising safe driving awareness among policy holders
- Reduction in the burden on customers through insurance premium discounts

Economic impact on the Group

- Reduction in claims payments because of fewer traffic accidents
- Identification of insurance needs corresponding to new technologies

Social issues

Falling birthrate and aging population, as well as the concentration of populations in urban areas, are accelerating the decline of regional economies

Solutions

Revitalize regional economies based on support for sustainable growth among local companies

Related SDGs **8** : Decent work and economic growth
11 : Sustainable cities and communities

Impact on society

- Realization of resilient community development via job creation and strengthened regional industries

Economic impact on the Group

- Expansion of opportunities to provide insurance through regional economic revitalization
- Expansion of the sales market by creating regional networks

Case04

As we approach an era in which average life spans could reach 100 years, in addition to prolonging healthy life expectancy, extending asset longevity (the duration asset holders can live without financial restrictions) is an important part of preparing for longevity risk. Mitsui Sumitomo Primary Life Insurance is actively working to increase annuity payments by enhancing the tontine system,* as well as to develop and provide tontine annuities that cover longevity risk, as a means of ensuring customers can live more fulfilling post-retirement lives.

*Based on a system that reduces benefits paid to the deceased and transfers the reduced amount to the annuities of the living, those who live longer receive a larger annuity during their lives.

Providing tontine annuities that cover longevity risk in anticipation of an era in which average life spans could reach 100 years

Although public pensions are raised as one method for supporting prolonged post-retirement lives in anticipation of an era in which average life spans could reach 100 years, I feel there are many cases where individuals will need to dispose of financial assets to make up for shortages in retirement funds that cannot be fully covered by public pensions. However, we cannot predict how long we will live. Therefore, many people face uncertainty (longevity risk), for example, questions over how much funding they should prepare and what pace of disposal will cause financial assets to run dry. Providing products and services that cover this kind of longevity risk is something I feel connects to putting the MS&AD Insurance Group's value creation story into practice. We worked to develop these products in the following two stages.

First, we developed an individual annuity insurance with a new structure that addresses longevity risk. Specifically, we developed a new type of individual annuity insurance that adopts a tontine system (tontine annuity) as a structure to effectively prepare retirement funds even at low interest rates.

Next, we captured the different ways in which people spend their post-retirement lives, their value systems and their diversifying needs by expanding this tontine annuity into "ASHITA NO YOROKOBI2," a comprehensive annuity product consisting of four courses.



Mitsui Sumitomo Primary Life Insurance
Product Group, Product and Marketing
Department General Manager

Masako Kimihara

After joining Mitsui Sumitomo Insurance (current name) in 1993, she was responsible for product development, etc., in various underwriting departments and spent two years in the Production Department. She has held her current position since April 2014.



Social issues

Demand to address longevity risk and lifestyle diversification coinciding with longer average life spans

Solutions

Support asset formation for an era in which average life spans could reach 100 years, and provide products and services corresponding to funding needs

Impact on society

- Securing financial assets and extension of asset longevity that helps provide a sense of post-retirement security
- More active seniors living fulfilling post-retirement lives

Economic impact on the Group

- Expansion of the sales market from providing products and services that capture diversifying needs
- Greater presence in OTC bank sales

Related SDGs **3** : Good health and well-being

Case05

Japan's society is aging at a pace unseen anywhere else in the world. Along with the continuous growth in the proportion of the total population over the age of 65, extending the healthy life expectancy associated with the increasing number of those over the age of 75 is also becoming an issue. The number of elderly persons with dementia has been growing steadily, and it is estimated that by 2025 nearly 7 million elderly persons, or roughly one in five, will have dementia. To realize a sustainable society within this environment, hopes are being placed on services that detect early signs of cognitive decline and provide measures to prevent functional decline at the stage before elderly persons develop dementia.

Implementing initiatives to detect dementia early on through open innovation

After being seconded to a medical organization in my sixth year at the company, I became involved in development, surveys and research into services related to healthcare and the elderly. Although I had already recognized healthcare and aging as social issues since that time, I now feel that considering these in combination with business environment change such as digitalization will be critical for the future.

As Japan's society ages, an increasing number of people are displaying mild cognitive impairment (MCI), an early stage of dementia. Despite active research into pharmaceuticals designed to treat and prevent dementia, however, a specific medicine has yet to emerge. Therefore, it is felt that one effective measure for preventing symptoms from worsening is to appropriately address the situation early on at the MCI stage. Thus, technologies are being developed to detect MCI early on and to prevent aggravation. Against this backdrop, supporting the practical use of those treatments that rely on voice, sight, smell and other senses, and that can be easily used by anyone, will connect to "identify and inform on risks" as part of the Group's value creation story. This is what I see as the role of the insurance industry.

Since fiscal 2018, the MS&AD Insurance Group has collaborated with the University of Tokyo Center of Innovation (COI), a hub for a "Self-Managing Healthy Society," to advance initiatives for realizing a "Sustainable, Healthy Longevity Society." In

September 2019, we initiated joint research with the University of Tokyo on developing services that provide dementia prevention measures and have already begun to detect signs of MCI using voice based on the technology developed by the University of Tokyo COI.

With the goal of developing an algorithm to identify cognitive levels based on voice, this joint research leverages the Group and our network of Group companies in working to collect and analyze the voice data, etc., of elderly persons that are essential for this research. In the future, we aim to commercialize the technology born through this project and put it to practical use in society.

Currently, I am taking the opportunity to gain a new perspective on aging societies from the stance of business, for example, by participating in the Society for Applied Gerontology-Japan. There is now a shift from extending healthy longevity and care to prevention, as well as innovations in the use of healthcare data, for example. But I intend to capture these changes as business opportunities and to become involved in industry, government and academia open innovation while at the same time providing products and services that support society.



Elderly Data Collection Facility
(Fureai Do-Life Services)



Mitsui Sumitomo Aioi Life Insurance
Product Development Group,
Product Department
Manager

Masanori Yamaguchi

After joining Mitsui Sumitomo Insurance (current name) in 1988, he worked for InterRisk Research & Consulting and the Underwriting Department at Mitsui Sumitomo Insurance. He has held his current position since April 2016.



Social issues

A growing number of elderly persons with dementia as society ages

Solutions

Provide support to detect early signs of cognitive decline and prevent functional decline

Impact on society

- A greater number of elderly persons enjoying independent lifestyles
- Revitalization of regional society
- Lower future medical expenses and nursing care expenses

Economic impact on the Group

- Development of new insurance and services based on an industry, government and academia network
- Strengthened customer base because of regional revitalization

Related SDGs **3** : Good health and well-being



“Resilient and Sustainable Society” is based on natural capital (biodiversity). The European business community, in particular, has begun expressing a sense of crisis and taking concrete action in this area; for example, “biodiversity loss and ecosystem collapse” was ranked as one of the top global risks at the Davos World Economic Forum in 2020. Since 2010, the MS&AD Insurance Group has focused on land use, which is an important aspect of the connection between business activities and natural capital, and has worked on the joint development of a method to visualize the degree of biodiversity consideration in corporate green spaces. In 2013, this concept expanded into the “Association for Business Innovation in harmony with Nature and Community” Certification System,” and we continue to be involved in its operation.

Strive to improve the sustainability of natural capital

Implementing ABINC (Association for Business Innovation in harmony with Nature and Community*) certification system initiative

I have been engaged in research and consulting related to business and biodiversity since 2000. At that time, people would ask me, “what is biodiversity?” However, toward CBD COP10* in 2010, there was a growing interest in biodiversity in Japan. In 2008, the Japan Business Initiative for Biodiversity (JBIB), organized by voluntary companies, was established with the aim of internalizing biodiversity into corporate management. We are still involved in its management.

The government of France proposed the establishment of an ISO standard for biodiversity. However, it is necessary to provide easy-to-understand guidelines for biodiversity issues as compared to climate change, which can be evaluated solely by CO2. In 2011, the JBIB had already established guidelines and standards for corporate green spaces that take biodiversity into consideration. There were strong demands for certification using these standards, so we took part in the launch of the ABINC certification system following the establishment of the Association for Business Innovation in harmony with Nature and Community. In response to the excitement over ESG investment in the real estate field, the ABINC certification system is now recognized as a green building certification among global investors. Moreover, for the purpose of achieving the SDGs, we have also created the ABINC ADVANCE certification, which evaluates urban development projects that contribute to resolving issues through biodiversity. The first certified project is “HARUMI FLAG,” which utilizes the Olympic and Paralympic Village after the event.

Under the initiative from the business world, both JBIB and ABINC serve as movements that facilitate dialogue with academic experts, environmental NPOs and other stakeholders, and by which companies and society collaborate to create guidelines for solutions to social issues through business. Although the Group also engages in consulting regarding biodiversity and has received many such consultations from corporate customers, we feel that our track record in and network for these guideline creation will contribute to relationship building that supports sustainable business activities.

I imagine that many people were healed by the green radiance of nearby forests and ripples of water in nearby ponds and rivers during the period of self-quarantine this past spring. Currently, discussions of post-COVID-19 community development are showing growing interest in green infrastructure that brings out the attractiveness of nature and its multifaceted functions. We feel that companies creating guidelines in cooperation with society is expected to become much more important in the development of communities in the future where public-private partnerships are anticipated. We will continue to evolve what we have learned from the ABINC certification system into mechanisms for promoting green infrastructure and creating new businesses that are coexisting with local nature.

*The 10th meeting of the Conference of the Parties to the Convention on Biological Diversity held in Aichi Prefecture in 2010



Mitsui Sumitomo Insurance Surugadai Building and Surugadai New Annex Green Spaces which have received the ABINC Certification

MS&AD InterRisk Research & Consulting, Inc.
Fellow

Makoto Haraguchi

He has held his current position since December 1996. Advisor to JBIB (Japan Business Initiative for Biodiversity), Advisor of ABINC (Association for Business Innovation in harmony with Nature and Community). Vice Chairman.



The SDGs aim to realize a world in which no one is left behind from the development of society. One of the core issues in achieving SDGs is the concept of “financial inclusion,” which enables all people to access financial services. There are still many people throughout the world who are unable to have a bank account, but access to financial services would allow them to safely manage financial assets, start companies and easily expand their business. As an insurance product that is provided to the low-income group at low cost, microinsurance is expected to become more widespread because it mitigates the degree of loss for vulnerable individuals in the event of unexpected circumstances. Furthermore, microinsurance enables a person to be more financially independent.

Providing microinsurance to support self-employed micro-entrepreneurs (SEMEs) in the Philippines

B PI/MS Insurance Corporation is a joint venture between Mitsui Sumitomo Insurance and Bank of the Philippine Islands (BPI), one of the largest banks in the Philippines, with which we engage closely. In 2016, BPI Direct Banko (BanKo), a subsidiary of BPI, began providing small loans to self-employed micro-entrepreneurs. To broadly provide financial services to many people who would typically be unable to have access to bank services, BanKo launched 10 pilot branches in 2016 and expanded to 300 branches across the country in 2019.

In 2018, we proposed to BanKo to combine our microinsurance with their small loans upon receiving information about their branch network expansion and new loan product sales plan. We developed a product together with BanKo and launched loans bundled with the microinsurance product, “BanKo Secure Assist,” in November 2019. Although insurance claim amount is not large due to small premium of 75 pesos, the prompt receipt of the claim amount in the event of unexpected circumstances is very helpful for small-scale enterprises. This is because for those who run businesses as individuals, encountering personal accidents or damage to business property due to disasters can directly lead to interruption of their business’ operations and reduction of their earnings.

Upon launching this product, however, we faced many difficulties in securing product approval from the regulator and in organizing the internal process

flow. With repeated modifications aimed at simplifying and fast-tracking the process of insurance claim payment from a customer-focused perspective, we have implemented improvements to enable payment of claims within 10 days.

Although the Company has provided microinsurance for some time, we have expanded the distribution of this product by working with the bank to bundle microinsurance with loans, which makes it easy for the SEMEs to access. Roughly seven months after launching this service, as of May 31, 2020, we had already provided more than 45,000 policies, despite the impact of COVID-19.

Many SEMEs are engaged in business in the Philippines. According to a 2018 study by the Philippines Department of Trade and Industry, such enterprises account for a little under 90% of all commercial enterprises and employ a little under 30% of all workers in the country, thereby serving as a critical economic unit for the Philippines. Small loans and microinsurance support their businesses and contribute to the expansion of their business scale.

Supporting these businesses will help revitalize the economy of the Philippines, while instilling the use of financial services is expected to expand the insurance market.



Department members prepare “BanKo Secure Assist” forms for sending

Insurance claim payments

- Accidental Death and Permanent Disablement
- Hospital Cash Assistance
- Burial Cash Assistance
- Property Cash Assistance (Fire, Earthquake, Flood, Typhoon)

BPI/MS Insurance Corporation
BPI Retail Sales Manager

Karen R. Abila

She joined FGU Insurance, the predecessor of BPI/MS Insurance Corporation, in 1996 and was assigned to her current department in 2011. She has been involved in the microinsurance business since 2016.



Social issues

In urban development, consideration for biodiversity is insufficient and the blessings of nature are not felt

Solutions

Establish an evaluation method and certification system to visualize the degree of consideration to biodiversity (coexistence with nature)

Related SDGs **6** : Clean water and sanitation
11 : Sustainable cities and communities
15 : Life on land

Impact on society

- Expansion of green spaces that consider biodiversity, and reinforcement of multifaceted functions of nature
- Spreading awareness of coexistence with nature in society

Economic impact on the Group

- Expansion of the network between companies, governments, universities and NPOs engaged in improving the sustainability of natural capital
- Expansion of risk consulting opportunities regarding biodiversity and natural capital

Social issues

Insurance for SEMEs is insufficient, which makes them vulnerable to business interruptions due to accidents and disasters

Solutions

Provide microinsurance by partnering with banks that offers small loans

Related SDGs **1** : No poverty
2 : Zero hunger
9 : Industry, innovation and infrastructure

Impact on society

- Strengthening the management of SEMEs
- Revitalization of regional economies via the growth of SEMEs

Economic impact on the Group

- Expansion of microinsurance sales
- Expansion of the market via the economic growth of SEMEs



To instill the understanding that creating shared value with customers (CSV initiatives) is important to become a sustainable company into the awareness and business activities of each and every employee, the MS&AD Insurance Group has held the Group-wide “Sustainability Contest” since fiscal 2018. We selected awards for excellence from among the initiative cases that connect to the sustainability of society and the Group, as well as to CSV, through the tasks and business activities employees engage in every day. Moreover, we held presentations to select the winners as part of the contest. Although fewer entrants participated than last year, the quality of the initiatives was far higher. We will continue these efforts to firmly establish the concept of creating shared value with customers using the SDGs as our leading marks.

Entrant Status

309

Winners

2 groups

Applications

Overseas applications

Awards for excellence

7 groups

Compared to the previous year, more of the initiatives during the second year of the Sustainability Contest had a track record, and more of the initiatives showed a deeper understanding of the SDGs and looked at how to apply and reflect this understanding in the entrant's work in practice. I felt that all the entrants had made steady progress in tackling social issues through CSV initiatives in cooperation with various stakeholders. As these activities advance further, I anticipate that entries based on completely new ideas will emerge during the next fiscal year.



MS&AD Insurance Group Holdings Sustainability Section, Corporate Planning Department General Manager

Mika Yamanokawa

Selection criteria

Social impact

- The initiative exhibits new concepts or new approaches
- The initiative produces a large ripple effect in solving social issues

Communication

- The initiative is held in collaboration with stakeholders*
 - *Customers, shareholders, agents, business partners, employees, local communities/international society, environment

Group synergy

- The initiative is described in one's own words as a "Value Creation Story"
- The initiative contributes to greater value for the Group (not only economic value but also quality improvements, human assets development and other value)

Approach

- The initiative is proactively planned by the entrants
- The initiative considers opinions from various standpoints (including diversity and inclusion)

Expanding possibilities

- The initiative is expected to see future expansion
- The initiative will serve broadly as a model within the Group

I felt that each group truly thought deeply as they worked on their entry and that CSV initiatives have started to spread through the Group as a practical approach. The significance of companies is not just economic value (earnings capacity and operating profit). In addition, I feel that their goals lie in the degree to which they are needed by society and whether their activities improve society. The fact that the Group's employees around the world are actively engaged in CSV will greatly contribute to the expansion of the MS&AD Group's corporate value.



Outside Director

Mariko Bando

“Sustainability Contest 2019” winning efforts

Winner

Aioi Nissay Dowa Insurance

Launching “cmap.dev,” the World’s First Real-Time Damage Forecasting Website

The “cmap.dev” website was developed to forecast the number of buildings damaged by typhoons, heavy rains and earthquakes. Ascertaining damage status in real time allows for a swift response that offers appropriate support activities for victims and contributes to the recovery of local communities. (→ See P. 30 for related content)

● **Winner comment**

We feel that insurance companies are closely connected to the SDGs. In particular, claim service departments are directly linked to disasters through insurance claims payments. In this respect, cmap.dev emerged when we considered if there was something we could do. We hope that all Group employees have confidence in contributing to customers, society and communities through our business.

Winner

Mitsui Sumitomo Insurance

Providing Fire Insurance for Special Housing for Indigenous Peoples
~Promoting Initiatives that Leave No One Behind~

Partnered with EPIC Homes, a social enterprise and designed a dedicated fire insurance product specially created for the Orang Asli's homes built by EPIC Homes. This enables the corporate sponsors/partners of EPIC Homes to sponsor the insurance for uninsured homes, thereby contributing to the longevity and sustainability of these projects by protecting their sponsored funds, as well as giving the residents a peace of mind.

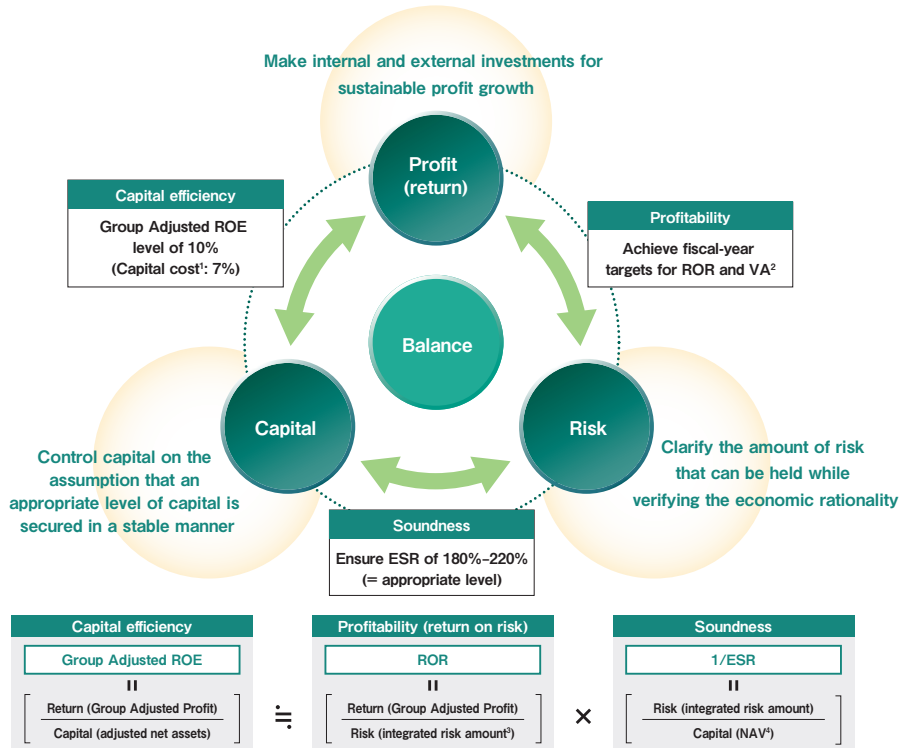
● **Winner comment**

Through our partnership with EPIC Homes, we have been able to develop a dedicated insurance product that enables us to provide fire insurance to the underserved. Contributing to solving social issues highly motivates our employees, and we look to continue playing our part in building a sustainable society.

Award for Excellence

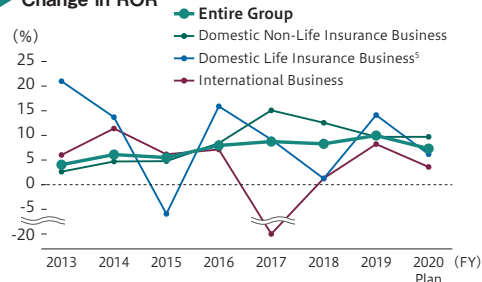
Initiative themes	Outline of the various initiatives
Mitsui Sumitomo Insurance Establishing the “Nagano Model” for SDG-Based Regional Revitalization	Nagano Prefecture encourages the growth of local SMEs engaged in the SDGs as a means of promoting regional economic revitalization initiatives. Providing the SDGs expertise and know-how held by the Group contributes to regional revitalization in Nagano Prefecture. (→ See P. 69 for details)
Mitsui Sumitomo Insurance Developing “Japanese Sake Manufacturer Insurance”	Developed a special insurance product for Japanese sake manufacturers that broadly covers quality degradation unique to Japanese sake and risks that exist at every stage, from raw material procurement to preparation, storage, shipment and logistics. In addition to protecting sake breweries from unexpected circumstances, this insurance contributes to reinforcement of the foundation and sustainable growth of regional industries.
Aioi Nissay Dowa Insurance Implementing Initiatives for Realizing an “Inclusive Multicultural Society” in Cooperation with Local Governments	Formed a Regional Comprehensive Partnership Agreement with Toyohashi City, which is home to many foreign residents. This partnership contributes to safe, secure community development that goes beyond culture and nationality by having Brazilian trainees and Filipino trainees at the Mikawa Branch hold “Traffic Safety Seminars” in Portuguese and Tagalog, respectively.
Mitsui Direct General Insurance Contributing to our Greater Corporate Value by Strengthening Customer Contact Points through a Fusion of “Digital” and “In Person”	Improved customer satisfaction and acquired a five-star HDI rating by incorporating greater smartphone operability (= smartphone first), better telephone service quality and customer service Internet tools, chatbots and other cutting-edge digital functions.
Mitsui Sumitomo Aioi Life Insurance Focusing on the Importance of “Pre-symptomatic” Awareness! Deploying a Joint Kanagawa Prefecture, Agent and MSI Aioi Life Awareness Campaign for Community Members	Launched an initiative to extend healthy life expectancies based on the desire to support “good health and longevity” in anticipation of an era in which average life spans could reach 100 years. This initiative actively promotes a “pre-symptomatic” awareness campaign among community members through a private-public partnership.
Mitsui Sumitomo Primary Life Insurance Providing Annuity Solutions Covering Longevity Risk Supplying and Consulting on Tontine Annuities	“Tontine annuities” create the social value of “realizing safe, secure post-retirement lives” through its “products,” as well as the “annuity preparation consulting” in the sales process. Following the industry's first lump-sum payment foreign currency denominated tontine annuity, this move contributed to Group profits by deploying a level premium payment version and an updated lump-sum payment version.
InterRisk Research & Consulting Exhibiting Group Synergy in the “Cyber Security Support Team (Aichi Prefecture)”	Promoted the “Demonstration Project for Building a Cyber Security Support System that Can Be Easily Accessed by SMEs” (also called the “Cyber Security Support Team”) organized by the Ministry of Economy, Trade and Industry and the Information-technology Promotion Association, Japan (IPA), in Aichi Prefecture. This project developed an insurance and risk service suited to SMEs to realize a higher level of cybersecurity among Japan's SMEs.

Group Management Based on ERM



Initiatives to Improve ROR

Change in ROR



Products, sales and initiatives management	Domestic non-life insurance	Strengthen risk, return management according to the characteristics of products
	MSI Aioi Life	Assessing new policies for ROR when products are developed and revised and a sales policy is formulated
	MSI Primary Life	Assessing the profitability of each product using ROR
Asset management strategy	Introducing new asset management methods based on risk assessment (investment profitability ROR)	
Retention/reinsurance policy	Designing reinsurance schemes based on risk and return indicators	

1. Capital cost: Estimate based on the Capital Asset Pricing Model (CAPM)
 2. Value Added (VA): An indication of how much value can be generated with respect to the risks assumed
 3. Integrated risk amount represents the maximum amount of losses that are likely to be encountered once in 200 years. It is marked to market value.
 4. Net asset value: Adjusted Net Assets + unrealized insurance liabilities + other equity liabilities, etc.
 5. For MSI Aioi Life, an increase in EEV is deemed return. In the calculation of the entire Group's ROR, Group Adjusted Profit (Group Core Profit before 2017) includes MSI Aioi Life.

ERM and Risk Management

CRO Message



To realize its Vision, the Group formulates management plans in accordance with the Group Risk Appetite Statement with the aim of ensuring soundness, improving profitability and enhancing capital efficiency based on the ERM cycle. Specifically, in line with the Group Risk Appetite Statement and other factors, we take risks based on the allocated capital amounts, while strengthening our risk control and underwriting through monitoring such as return on risk (ROR).

Factors in fiscal 2019 included a large amount of claims payments due to large-scale natural disasters, such as typhoons Faxais (No. 15) and Hagibis (No. 19), and the fluctuations in the financial markets caused by the start of the novel coronavirus (COVID-19) outbreak. In addition to securing the necessary capital based on risk criteria that use event probability of once in 200 years, the Group has in place a system for confirming financial soundness by conducting stress tests that assume a variety of events, such as large-scale natural

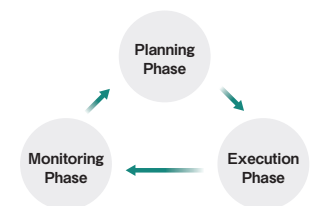
disasters. Under appropriate risk control by utilizing reinsurance and reducing strategic equity holdings, even in fiscal 2019 we were able to sustain stable business operations, while maintaining financial soundness at an appropriate level.

The insurance industry is required to contribute to the realization of a sustainable society. Its responsibilities include maintaining the functions of social infrastructure, such as contract applications and insurance claims payments in regard to the COVID-19 pandemic, working on the development and provision of products and services that contribute to disaster prevention and mitigation against natural disasters, which might be large in scale, while further enhancing risk management.

In the years to come, we will work to enhance the sophistication of our ERM based on the emergence of new risks, such as damage wrought by cyberattacks spreading or the possibility that COVID-19 infections cannot be brought under control and become rampant.

ERM Cycle

Planning Phase	1 Formulate strategies based on the Group Risk Appetite Statement and establish capital allocation amounts based on the level of assumable risk.
Execution Phase	2 Take risks within the risk limits based on the capital allocation amounts.
Monitoring Phase	3 Conduct regular monitoring of financial soundness, profitability and capital efficiency. 4 Based on the outcome of monitoring, examine and implement any necessary measures.



Control of Risk

The MS&AD Group has established the MS&AD Insurance Group Risk Management Basic Policy, which underpins the common risk management exercised throughout the Group. Specifically, the policy identifies the principal types of risk with an 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.

Please refer to the Group's official website for more risk management information.

Website Content	●Risk management (https://www.ms-ad-hd.com/en/group/value/risk_management/erm/risk.html) ●Risk Management Basic Policy ●Risk management structure ●Insurance business risks ●Risk management in the international business ●Crisis Management System (including the Business Continuity Management System)

Specifying Risks

The Group specifies material risks that affect management as follows in fiscal 2020.

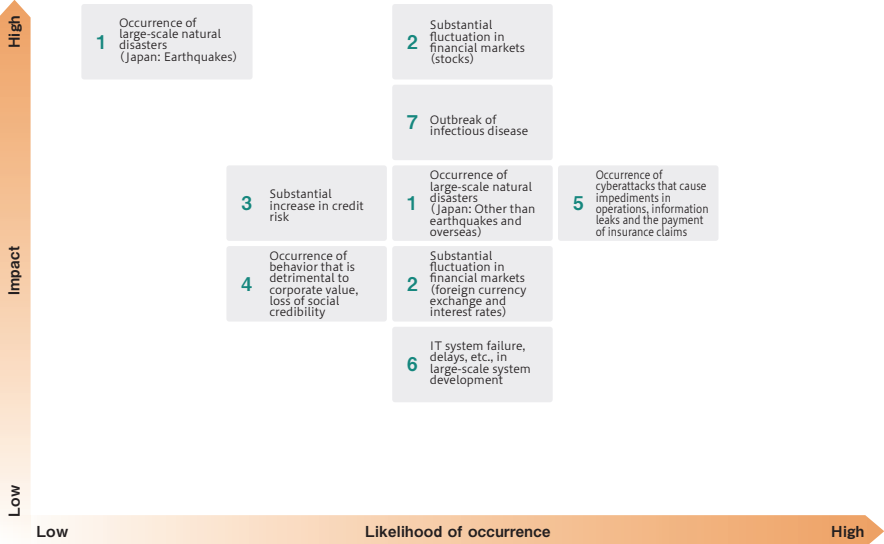
Group Material Risks

The Group identifies material risks to be controlled by management, formulates a Management Action Plan and regularly monitors the status with respect to individual risk.

► Group Material Risks

No.	FY2020 Material Risks
1	Occurrence of a large-scale natural catastrophe in Japan or overseas
2	Sharp fluctuations in financial markets in Japan or overseas
3	Increase in credit risk
4	Occurrence of behavior that is detrimental to the corporate value of the Group, loss of social credibility
5	Occurrence of cyberattacks that cause large-scale and serious impediments to operations, information leaks, and the payment of insurance claims
6	Frequent occurrence of IT system failures, the occurrence of critical IT system failures and large-scale IT system development plan-related progress delays, shortfalls, budget overruns and expected effects being unrealized
7	Pandemic of new influenza and other diseases

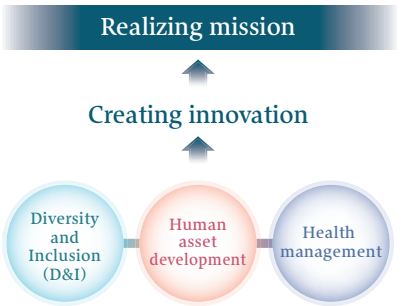
► Heat Map



Empowerment of Diverse Human Assets

In the MS&AD Insurance Group's medium-term management plan "Vision 2021," which started in fiscal 2018, we set out management platforms that enable employees to play active roles as a system to support our "Story of Value Creation." Human assets are the source of the Group's comprehensive strengths and competitiveness. We will feed through the active participation of diverse human assets to the sustainable growth of the Group. They will create innovations that lead to the resolution of social issues and the realization of our mission.

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



Diversity and Inclusion

To create an environment in which all employees are able to maximize their abilities and work with vitality, given their various backgrounds, individuality and sense of values, we are making even greater efforts toward diversity and inclusion (D&I) based on a framework that unites the Company and the Group's domestic insurance companies.

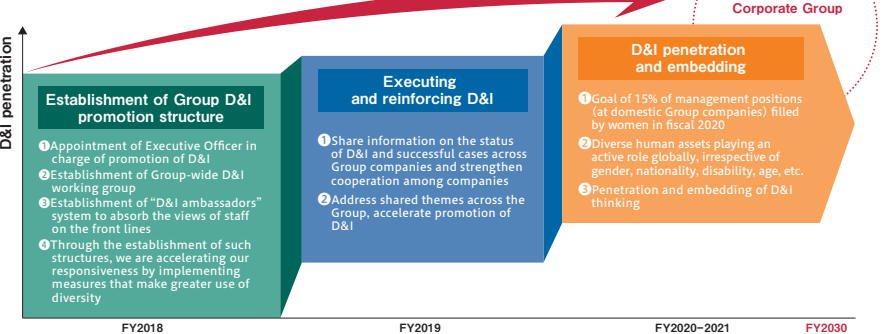
To ensure the diversity of decision-making layers, we will create a system to continuously bring female directors on board.

We established a framework to promote D&I within the Group in fiscal 2018, and we have been making organization-wide efforts to achieve this. These have been bearing fruit, little by little. Currently, our top priority is to see that a certain proportion of decision makers are women. First of all, it is important to clarify our goals. We have set a goal for 15% or higher of management positions (at domestic Group companies) to be filled by women in fiscal 2020, and we have set a goal of having the ratio of females on the Board of Directors, including auditors at the holding company, of 30% or higher by fiscal 2025. Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance also aim to increase the ratio to at least 10% by 2030. To achieve these goals, we must develop a system to continuously cultivate female director candidates. We have established the "Association of Female General Managers" with about 50 members from each Group company to provide joint training with female managers from other companies, which includes activities such as learning about overcoming unconscious bias. In addition, we have been appointing some members as non-executive directors to affiliated companies to enable them to gain experience in decision-making at the management level. Looking ahead, we intend to strengthen communication with young employees and utilize the values of the younger generation in management. Furthermore, we will take on the challenge of enabling each employee to have flexibility and a wide range of value perceptions through initiatives such as establishing structures for male employees to take childcare leave for a certain period.



Executive Officer
in charge of Diversity
and Inclusion
Naomi Motojima

► Road map



Women in management positions

Having established a goal for 15% of management positions (at domestic Group companies) to be filled by women in fiscal 2020, we have been conducting ongoing training and other activities that foster enhanced skills and a consciousness of career advancement so that women will be able to perform in management positions. As a result, there were 944 women in management (manager position and above) as of April 1, 2020, with a women-in-management ratio of 14.8%. This is increasing steadily every year. (See P. 51 for the trend since 2012)



Female directors

In May 2019, the Group's CEO joined "30% Club Japan," the Japanese chapter of the worldwide campaign to increase the representation of female board members. Believing that gender diversity is an urgent business issue that companies must address, and that diversity in decision-making is vital, the Group is making efforts to nurture female directors within it.



Strengthen Group-wide efforts to give full play to the power of diversity

The "Association of Female General Managers" provides opportunities for female managers to learn and interact. In the joint training with female managers from other companies, which is part of the curriculum, we learned about how important it is to recognize and control unconscious bias and how to apply it in our work. I continue to interact with the members of the group I was in at the training. We exchange advice about human asset development and organizational revitalization. The network of female managers is a reassuring ally, and I would like us to continue to support each other and help each other grow.

In October 2019, I became a non-executive director of an affiliated company, MS&AD Business Service Co., Ltd. Through participation in Board of Directors meetings and various committees, I have been learning about corporate management decision-making and Group collaboration. I was worried about taking on such a responsible position, but I realized that there are some things that I could only see from that standpoint. I believe that the efforts of our female managers will be expanded from point to point through the "Association of Female General Managers" and other initiatives, leading to the display of even more diverse abilities. I would like to apply these valuable experiences to take on further challenges and grow.

Mitsui Sumitomo Insurance
Tokyo Metropolitan
Area Administration
Department Manager

Ikuko Suzuki



Changing the mind-set of directors and management

MS&AD has conducted D&I training for Group directors so that they could deepen their understanding of unconscious bias. As an initiative to change the mind-set of those in management-level positions, management training and e-learning are implemented to foster an understanding of unconscious bias and to learn methods to proactively recognize and control one's own bias. Moreover, to raise the effectiveness of diversity at the management level, D&I factors have been incorporated into the directors' and managers' evaluation processes.

Employment of people with disabilities

In June 2018, we established a subsidiary, MS&AD ABILITYWORKS Co., Ltd., to promote the employment and active participation of people with disabilities. This company develops businesses that utilizes the many individual talents of employees who possess richly distinct characters and seeks to provide a workplace where employees will be satisfied. Group companies are also promoting the hiring of para-athletes (sports athletes with disabilities) and providing support for their activities as athletes.

► Number and ratio of domestic employees with disabilities in fiscal 2019*

Ratio of employees with disabilities	Number of employees with disabilities
2.43% ☒	727 ☒

*The five domestic Group insurance companies and the holding company (as of June 1, 2020).
A checkmark ☒ indicates that fiscal 2019 figures have been assured by KPMG AZSA Sustainability Co., Ltd.

Employment of the elderly

We have established a system for re-employing retired employees to make the most of their experience and skills and offer opportunities to fully engage their abilities. We can refine the system depending on business needs and the work content of the individual, and we employ people up to the age of 65.

For more details, please visit our official website.
https://www.ms-ad-hd.com/en/group/value/diversity_inclusion.html
"Diversity & Inclusion (D&I) Promotion Report" is published in Japanese.

Development of Professional Human Assets

Regarding the development of human assets that influence the overall strength and competitiveness of the Group, we provide opportunities for employees to acquire skills and overseas experience that are essential to the Group's growth strategy. In doing so, we aim to help each individual shift to higher-value-added work that meets the highest standards of professionalism.

Digital-savvy human assets

To nurture digitally aware human assets and enhance the skills that employees need to better utilize digital technology, we are developing an educational program as a foundation to promote digitalization, in collaboration with universities and other educational institutions. We have established an online training program, "MS&AD Digital College from Kyoto," jointly developed with the Kyoto University of Advanced Science, and a training program, "MS Digital Academy," developed in partnership with Toyo University's Faculty of Information Networking for Innovation and Design (INIAD). We are using the knowledge gained in the training to create business models and develop innovative products and services.

Data Scientists

Seeing an opportunity in every challenge in changing times

Data scientists discover actionable insights from data on social issues to provide solutions through data analysis. Generally, data scientists are required to master in technical skills, such as programming, math and statistics. In addition, we need to improve communication and presentation skills to better understand and collaborate with other people. Furthermore, I brush up my language skills to communicate with business partners and get broader access to information globally. There are many things to learn, and it surely is hard to put them into practice, however, the Data Solution Section has a place for knowledge sharing as lessons learned from everyone. This helps me to reorganize what I learned.

In recent years, the demand for data utilization has been growing in every business sector while new challenges are emerging. In response, data analysis is evolving day by day, therefore I assume what data scientists can contribute is expanding. Likewise, Aioi Nissay Dowa Insurance employs the data-driven approach and focuses on developing products and services using the data, such as telematics insurance. The Data Solution Section is innovative and challenging. This is why I am passionate about my job.

Aioi Nissay Dowa Insurance
Corporate Planning
Department
Data Solution Section

Momo Suzuki



MS&AD Garage Program

Resolving business issues using cutting-edge technologies from Silicon Valley

At Mitsui Sumitomo Primary Life, we are working to reform our business processes and strengthen our competitiveness by promoting digitalization. At the same time, we are promoting the creation of new business ideas utilizing digital technology through workshops centered on young employees. In August 2019, I participated in the "MS&AD Garage Program*" in Silicon Valley, which aims to bring in the latest technologies for problem-solving. Silicon Valley has gathered an abundance of entrepreneurs and venture capital for solving business problems with new technologies and business models, and MS&AD Ventures, as CVC, is active in this ecosystem. I have had the opportunity to meet with many people involved in start-ups. During my one-month stay in Silicon Valley, I was able to look at presentations by about 160 companies. I think I acquired the habit of thinking about the essence of issues from a different perspective than before. I believe access to wide-ranging IT technologies helped me develop the ability to select technologies in terms of how they can be utilized within the company and how the company should apply them now. The technologies brought back are being verified to realize our initiatives such as supporting the activities of our sales staff, improving customer service by using AI, and so on.

*The MS&AD Garage Program is a program under which employees of Group companies in Japan and overseas visit Silicon Valley, which is a base for many investors and venture companies, to support the discovery of advanced technologies and new services that can solve business problems (= "pain points") that cannot be solved in their own countries.

Mitsui Sumitomo Primary Life
Insurance Co., Ltd.
IT Promotion Department
Digitalization
Promotion Section

Hideto Matsumoto



Actuaries

We are strengthening the development of mathematical professionals with specialized skills for making full use of techniques such as probability and statistics in product development, risk management and other processes. We hold training camps in which participants receive direct guidance from employees with actuarial qualifications. With new graduate recruitment, we have also established specialist courses for actuaries. Students can participate in a four-day internship program where they can experience the work of actuaries for non-life insurance.

► Certified actuaries*

FY2016	FY2017	FY2018	FY2019
94	100	103	111

*As of April 1 of each subsequent year.

Global human assets

Possessing a network covering 50 countries and regions, the Group employees at its overseas bases number approximately 9,000 people. To train specialists equipped with an abundance of cosmopolitan sense and expertise, the Group has created systems to promote mutual exchanges between Japan and its various locations throughout the world.

Systems	Content
System for training overseas Secondment system	・ Training system for studying international business skills, languages, etc., at overseas subsidiaries, local insurance companies and universities ・ Secondment system to obtain an MBA Number of employees who participated in the system in fiscal 2019: 48
Global trainee system	Headquarters employees are given work experience at overseas bases, and employees of overseas bases can gain work experience in Japan for short periods. Number of employees who participated in the system in fiscal 2019: 85 headquarters employees and 46 overseas employees
Headquarters postings for overseas-based local employees	A system for temporarily posting overseas local employees to the headquarters in Japan. In fiscal 2019, there were eight such employees who engaged in business in Japan.



Overseas employees participating in a program in Japan.

Topics

We have a leave system that supports employees who study at universities or graduate schools at their own expense for self-development. We aim to foster an organizational culture in which each employee can feel motivated and satisfied in their work by drawing up a career vision and continuing to grow and play an active role through self-improvement and taking on new challenges.

Health Management

We aim to create a workplace that considers health and safety so that each and every employee can maintain and promote physical and mental health. We are also strengthening our efforts to prevent mental and physical disorders in our employees by establishing a speak-up system (Internal Reporting System) that allows employees to report and consult about violations of laws and regulations, internal regulations, and actions deemed inappropriate, which are difficult to resolve in the workplace or report to the department in charge. We are reinforcing structures to prevent harm to physical and mental health. We have established the speak-up system (whistleblower system) to receive reports and provide consultations for behavior that contravenes laws, our own internal regulations or might be regarded as inappropriate that is difficult to resolve at the workplace or is hard to report to the responsible business unit.

Work-Style Reform

Since fiscal 2016, we have been promoting work-style reform reducing working hours through initiatives such as “leaving work before 7 p.m. as a general rule,” “promoting the taking of vacation days” and “enhancing business efficiency,” and we are also endeavoring to improve productivity by executing management functions that work to raise the expertise of each and every employee and that utilize their diverse abilities. In addition, we have put in place various systems that enable employees to work healthily and energetically while achieving a balance between work and life and realizing their job satisfaction and growth. For example, we are working to create an environment in which employees can continue to work, and to expand support measures, such as a system that enables employees, who are to work in the same area without getting transferred, to work at another location for certain reasons, and a system that allows former employees to return to the Group after their retirement due to a life event. We will also encourage employees to take vacations and enrich their lifestyles during the created time.

Employee Satisfaction

Indicator		Fiscal 2018	Fiscal 2019	
		Score*	Target	Score*
Employee satisfaction (pride, job satisfaction)	Level of pride or job satisfaction	4.4 points	Same or higher level compared with the previous fiscal year	4.4 points
Employee satisfaction (working vigorously)	Level of feeling free and lively at workplaces regardless of gender, age, etc.	4.3 points	Same or higher level compared with the previous fiscal year	4.5 points

*All-employee average on a six-point scale

Topics

Amid the COVID-19 pandemic, many employees are working from home or working remotely using digital tools. We are also adopting a shift working system, which allows employees to change their working hours per day, as well as a paid leave system on an hourly basis. We will continue to promote flexible work styles that optimize the use of time and place.



Days of paid vacation used per employee/year*

FY2016	FY2017	FY2018	FY2019
15.7	16.0	15.6	15.7

*Average number of vacation days acquired by all employees with respect to “regular/carryover vacation days” and “special vacation days.”

Corporate Governance

Chairman’s Message



A decade has passed since the MS&AD Insurance Group took its first steps. A topic that we focused on when the Group first emerged was the Domestic Non-Life Insurance Business, which has now secured its foundation to become a pillar of revenue. Going forward, it will set the stage on which our future will be played out over the next decade. As symbolized by the crisis of the novel coronavirus pandemic (COVID-19) that confronts us today, we can anticipate that the future will hold even greater levels of uncertainty. Nonetheless, we will endeavor to elevate our corporate value by making Group governance even more robust and by attending to the expectations of our shareholders and all our other stakeholders.

From fiscal 2020, we will progress to Stage 2 of “Vision 2021,” the Group’s medium-term management plan. Together with continuing to press forward on the plan’s three key strategies, namely to “pursue the Group’s comprehensive strengths,” “promote digitalization” and “reform the portfolio,” one by one, we will find solutions to the issues that we face, whether it is responding to large-scale natural disasters, recovering profitability in our International Business or improving our expense ratio, and we will strive to achieve sustainable growth.

In formulating and executing our management strategy, actively incorporating external perspectives such as those provided by Outside Directors and shareholders is, we believe, critical to the perspective of governance. The MS&AD Insurance Group has always made its selection of Board of Directors’ members in consideration of the Board’s overall makeup so that it balances knowledge, experience, competence and

gender. From fiscal 2020, we have newly welcomed a female member from the United States, Rochelle Kopp. Ms. Kopp is knowledgeable in several areas, including management strategy, personnel management, organizational development and cross-cultural communication, and we expect that she will contribute to Company management.

In this way, we are heightening the Board of Directors’ diversity and bringing in external perspectives. I believe that this also leads to transparency in management and contributes to the Group’s sustainable growth and increased enterprise value.

The recent spread of COVID-19 has had an enormous impact on the lives of people and the global economy. In a post-COVID society, or in coexistence with COVID, I feel that relationships of trust with all our stakeholders will become even more important. For that reason, I hope to clarify a vision of the society we should be aiming for and endeavor to bring that vision to reality together with our stakeholders. In the MS&AD Insurance Group, we have set forth our vision for society in 2030, aspiring for a society that is resilient and sustainable. Setting our sights on bringing this to life, in addition to efforts to further instill our mission, vision and values (MVV), I would very much like to work together with all our stakeholders to find solutions to social issues through our story of value creation.

Chairman of the Board
Yasuyoshi Karasawa

Analysis and assessment of the Board of Directors' effectiveness

Discussion Content and Functions at the Board of Directors	
Points of improvement	- Advanced discussions on important "Vision 2021" themes (pursue the Group's comprehensive strengths; promote digitalization, diversity and inclusion) and the business strategies by domain (Domestic Non-Life Insurance Business, Domestic Life Insurance Business and the International Business). With the themes firmly grounded, moving forward on discussions with a focus on problem awareness. - Worked to convey and instill within and outside the Group the importance of our "Story of Value Creation" that embodies the Group's management philosophy, as well as efforts at "Creating Shared Value" (CSV), through means such as Sustainability Contests, messages from corporate officers, integrated reports, employee surveys, corporate advertising series and others. - Strengthened information dissemination on worksite improvement case studies, publicizing them internally or distributing posters or other means, to raise awareness of the "Speak-up System" and increase its effectiveness.
Points requiring further reinforcement moving forward	- Concerning the analysis and assessment of the Board of Directors' effectiveness, consider utilization of an external institution with a view to achieving greater Board of Directors' functionality. - To instill our management philosophy, including at overseas entities, initiatives are taken to deepen an understanding of the Group's Story of Value Creation and CSV efforts, as well as to further spread the Group's Mission, Vision and Values.
Board of Directors Management	
Points of improvement	- By having narrowed down agenda items, together with setting longer than conventional meeting times, topics of discussion are reduced while time for discussion granted to each item is increased. - We have begun paperless operations by making use of tablets. In addition, visibility of materials and data has been improved by devising presentation techniques.
Points requiring further reinforcement moving forward	Simplification of agenda item materials and efforts to achieve further technique improvements

Efforts aimed at improving the operation of the Board of Directors

Trends in the number of agenda items

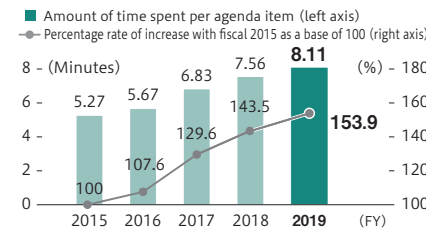
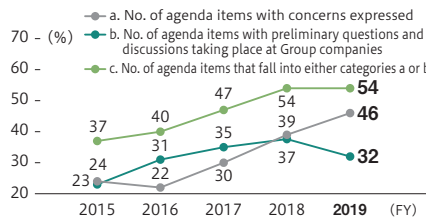
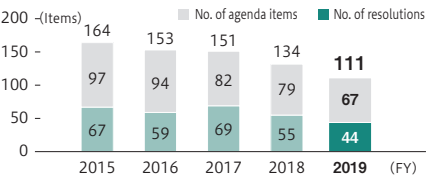
- Thanks to the January 2015 introduction of the so-called package deliberation system simplifying the explanation for some items up for discussion, the January 2016 expansion of items applicable to the package deliberation system and the April 2016 revision to item selection standards for the Board of Directors, there has been, with the exclusion of package deliberation items, a decline each year in the number of items discussed at Board of Directors meetings.
- Deliberation and reporting clarify essential matters and promote efforts to secure time

Trends in the number of agenda items where concerns were expressed and the number of agenda items with preliminary questions and discussions taking place at group companies

- The Company in 2014 began implementing measures allowing the questions and opinions of Outside Directors prior to the meeting as well as content from group management meetings and operating company management meetings to be aired at the Board of Directors' meetings.
- The ratio of agenda items where either concerns were expressed or preliminary questions were aired moved from 37% in fiscal 2015 to 54% in fiscal 2019, and with primarily Outside Directors it has become easier to convey items up for discussion.

Trends in the average amount of time spent per agenda item at regularly scheduled Board meetings

- The average amount of time spent per agenda item at regularly scheduled Board meetings has continued to increase with each passing year (excluding so-called package deliberation items).



A Remuneration Plan Targeting Strengthened Governance

Basic Policy

- Our aim is to enhance Group governance and medium- to long-term corporate value.
- The remuneration plan for Directors and Audit & Supervisory Board Members is now linked to the business performance of the Company to serve as an appropriate incentive for sustainable growth.
- A remuneration standard that would be competitive as a global company

The Process for Determining Remuneration

(Remuneration for Directors)

- Upon deliberation by the Remuneration Committee, which comprises a majority of Outside Directors so as to achieve transparency, a resolution is made at the Board of Directors and an amount that does not exceed that determined by the Shareholders' Meeting is decided upon.
- The Remuneration Committee advises the Board of Directors regarding the amount of directors' compensation and the policies and other matters pertaining to determining officers' remuneration.
- The Board of Directors will to the maximum extent possible adhere to the advice provided by the Remuneration Committee.

(Remuneration for Audit & Supervisory Board Members)

- Without exceeding the amount determined by resolution at Shareholders' Meetings, remuneration for Audit & Supervisory Board members is determined with consideration to the differences of being either full time or part time, their burden with regard to auditing tasks, and reference to details and levels of compensation made to directors, as well as consultations provided by Audit & Supervisory Board members.

Composition of Remuneration

- Remuneration is composed of fixed and performance-linked compensation. Outside Directors and Audit & Supervisory Board members receive only fixed compensation.
- The ratio of performance-linked remuneration is set at a 50%-to-30% level of overall remuneration, according to role. In addition, performance-linked remuneration consists of monetary remuneration and stock-based remuneration. The ratio of stock-based remuneration shall be 9%–25% of the total remuneration, depending on role.

	Fixed remuneration	Performance-linked remuneration	
		Monetary remuneration	Stock-based remuneration
Directors (excluding Outside Directors)	○	○	○
Outside Directors	○	—	—
Audit & Supervisory Board Members	○	—	—

Reference: In the case of the Chairman and Director/President and CEO (performance-linked remuneration portion is the standard amount): Fixed remuneration 50%; Performance-linked remuneration (monetary) 25%; Performance-linked remuneration (stock-based) 25%

Key performance indicators (KPIs)

Financial indicator (single year)	- Group Adjusted Profit - Consolidated Net Income - Group Adjusted ROE
Non-financial indicators (medium to long term)	Using SDGs as leading markers, our progress on the following CSV initiatives (key issues for sustainability) - Deal with new risks - Create a safer mobility society - Strive for resilient community development - Support "good health and longevity" - Contribute to climate change mitigation and adaptation - Strive to improve the sustainability of natural capital - Work toward the Realization of "Leaving No One Behind" Progress on the "key strategies" raised in Vision 2021, the Group's medium-term management plan - Pursue the Group's comprehensive strengths - Promote digitalization - Reform the portfolio

- The ratio of financial and non-financial indices is set at a standard of "50:50," and for a standard of 1.0, variation for financial indices is 0–3.0 and for non-financial indices, 0.5–1.5.
- Stock-based remuneration is paid through restricted stocks and, as a general rule, the restriction is released upon retirement of the officer.
- In the case that inappropriate behavior becomes evident during an officer's tenure, either the restricted stocks will be made available for free acquisition during the period of restriction or they will be returned after the period of restriction has been concluded.

(Financial Indicators (Fiscal 2019))

- Group Adjusted Profit was ¥233.1 billion compared with the planned ¥220.6 billion.
- Consolidated net income amounted to ¥143.0 billion, against the plan of ¥198.0 billion.
- Group Adjusted ROE was 8.0% compared with the plan of 7.1%.

(Non-Financial Indicators (Fiscal 2019))

- A five-stage assessment is performed for initiatives regarding each of the above seven key sustainability issues as well as the three key strategies.

▶ Total Amount of Remuneration (FY2019)

1. Total remuneration by category, total amount by type of remuneration and number of applicable corporate officers (¥ million)

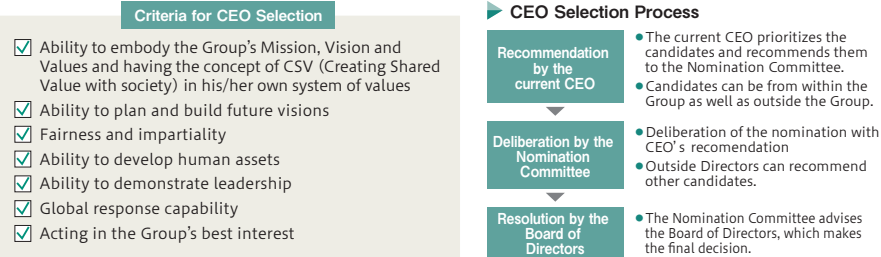
Corporate officer category	No. of corporate officers	Total Remuneration	Total Amount of Remuneration by Category	
			Fixed remuneration	Performance-linked remuneration
Directors (Excluding Outside Directors)	7	235	152	82
Audit & Supervisory Board Members (Excluding Outside Audit & Supervisory Board Members)	3	55	55	–
Outside Directors/Audit & Supervisory Board Members	7	96	96	–

2. Overall consolidated remuneration for persons with consolidated remuneration of ¥100 million or more (¥ million)

Name	Corporate officer category	Company category	Total Remuneration	Total Amount of Remuneration by Category	
				Fixed remuneration	Performance-linked remuneration
Hisahito Suzuki	Director	MS&AD	111	23	18
	Director	ADI		33	35
Yasuyoshi Karasawa	Director	MS&AD	131	28	24
	Director	MSI		38	39
Noriyuki Hara	Director	MS&AD	131	14	3
	Director	MSI		52	61
Yasuzo Kanasugi	Director	MS&AD	124	14	3
	Director	ADI		49	57

CEO Succession Plan

• A succession plan was formulated upon having defined one of the key management issues as the selection and dismissal of the CEO, as well as the fostering of successors, with the aim of achieving sustainable growth and enhancing the corporate value of the Group.



▶ Development Plan for CEO Candidates

• The CEO plays an important role and is able to mentor numerous candidates. The candidates (from within the Group) should have the following experience:

- Experience across departments (administration, operations, international, sales, claims services, systems and others)
- Management at a domestic company and/or an overseas subsidiary

▶ CEO Dismissal Process

• When an Outside Director deems it necessary to discuss dismissal, such as when the CEO is subject to the prohibitions stipulated in the Executive Officers Rules (violating obligations set forth in the Companies Act and other laws and regulations or company regulations, etc.) or when it is determined that it is difficult for the CEO to properly continue his/her duties due to health reasons or other reasons, the Outside Director shall deliberate on his/her own initiative with members of the Nomination Committee excluding the CEO. Based on the results of the deliberation, necessary procedures are carried out in accordance with the Companies Act and internal regulations.

- Directors who are not Outside Directors may request a meeting of the Board of Directors to be convened in accordance with the Rules of the Board of Directors and submit proposals for dismissal of Directors at the Shareholders Meeting.

Our Management Team

(As of June 25, 2020, except for the number of Company shares owned, which is as of the end of March 2020)

Directors



Yasuyoshi Karasawa
 Director
 Chairman of the Board

Number of Company shares owned

25,200

Important concurrent positions

Director, Chairman of the Board, MSI

Biography

April 1975 Entered Sumitomo Marine and Fire Insurance Co., Ltd.
 Has business experience in corporate planning, sales, corporate communications, financial planning, etc.
 Present position since June 2020



Yasuzo Kanasugi
 Representative Director
 Vice Chairman of the Board

Number of Company shares owned

31,408

Important concurrent positions

Director & President, ADI

Biography

April 1979 Entered Dai-Tokyo Fire and Marine Insurance Co., Ltd.
 Has business experience in human resources, sales, corporate planning, merger preparation, etc.
 Present position since June 2020



Noriyuki Hara
 Representative Director
 President & CEO

Number of Company shares owned

21,400

Important concurrent positions

Director, President & CEO, MSI

Biography

April 1978 Entered Taisho Marine and Fire Insurance Co., Ltd.
 Has business experience in market development, sales, product operations, corporate planning, etc.
 Present position since June 2020



Tetsuji Higuchi
 Representative Director
 Senior Executive Officer

Number of Company shares owned

12,400

Important concurrent positions

–

Biography

April 1984 Sumitomo Marine and Fire Insurance Co., Ltd.
 Has business experience in sales, product operations, human resources, corporate planning, etc.
 Present position since June 2020



Satoru Tamura
 Director
 Executive Officer

Number of Company shares owned

6,800

Important concurrent positions

Director, Senior Managing Executive Officer, ADI

Biography

April 1985 Entered Chiyoda Fire & Marine Insurance Co., Ltd.
 Has business experience in corporate planning, sales planning, sales, etc.
 Present position since June 2020



Masahito Fukuda
 Director
 Executive Officer

Number of Company shares owned

15,000

Important concurrent positions

Director, Senior Executive Officer, MSI

Biography

April 1981 Taisho Marine and Fire Insurance Co., Ltd.
 Has business experience in sales, human resources planning, compliance, corporate quality control, etc.
 Present position since June 2020



Hisahito Suzuki
 Director

Number of Company shares owned

37,970

Important concurrent positions

Director & Chairman, ADI

Biography

April 1973 Entered Dai-Tokyo Fire and Marine Insurance Co., Ltd.
 Has business experience in sales, corporate planning, merger preparation, life insurance business, etc.
 Present position since June 2020



Mariko Bando
 Outside Director

Meeting attendance

10 of 11 Board of Directors' meetings (90.9%)

Number of company shares owned

3,200

Reason for appointment

She previously served in such positions as Director General of the Gender Equality Bureau of the Cabinet Office and President of Showa Women's University. We elected her to reflect her broad knowledge and experience in public administration and education, as well as wide insight into the promotion of diversity in the management of the Company.

Important concurrent positions

Chancellor and Chairperson of the board, Showa Women's University Director (Outside Director), Mitsubishi Research Institute, Inc.

Jul. 1969	Entered the Prime Minister's Office
Oct. 1985	Counsellor of Cabinet Secretariat, Counsellor of Cabinet Secretariat
Jul. 1989	Director of Consumer Statistics Division, Statistics Bureau, Management and Coordination Agency
Jul. 1994	Director of Gender Equality Bureau, Cabinet Secretariat
Apr. 1995	Vice-Governor of Saitama Prefecture
Jun. 1998	Consul General of Japan in Brisbane, Australia
Jan. 2001	Director General of Gender Equality Bureau, Cabinet Office
Oct. 2003	Director, Incorporated Educational Institution, Showa Women's University
Apr. 2007	President, Showa Women's University
Apr. 2014	Chancellor, Incorporated Educational Institution, Showa Women's University (present)
Jul. 2016	Chairperson of the board, Showa Women's University (present)
Jul. 2017	Director, the Company (present)



Akira Arima
Outside Director

Meeting attendance

11 of 11 Board of Directors' meetings (100%)

Number of company shares owned
500

Reason for appointment

He has been a Director of Nippon Telegraph and Telephone Corporation and President Chief Executive Officer of NTT Communications Corporation. We elected him to reflect his broad knowledge and experience from the information and communication business in the management of the Company.

Important concurrent positions

—

Apr. 1973	Entered Nippon Telegraph and Telephone Public Corporation
Jun. 2002	Director and General Manager of Planning Dept., Nippon Telegraph and Telephone East Corporation
Apr. 2003	Director and General Manager of Corporate Planning Dept., Nippon Telegraph and Telephone East Corporation
Jun. 2005	Director, Nippon Telegraph and Telephone Corporation
Jun. 2007	Executive Vice President and Head of the Internet Business Division, NTT Communications Corporation
Jun. 2010	President, Chief Executive Officer, Representative Director, NTT Communications Corporation
Jun. 2015	Director and Advisor, NTT Communications Corporation
Jun. 2017	Advisor, NTT Communications Corporation (present)
Jun. 2018	Director, the Company (present)



Kazuhito Ikeo
Outside Director

Meeting attendance

11 of 11 Board of Directors' meetings (100%)

Number of company shares owned
2,100

Reason for appointment

He has experienced a number of posts, including university professor, member of the Financial Services Agency's Financial System Council and chairman of the Council of Experts Concerning the Corporate Governance Code and has broad knowledge and experience in the economic and fiscal fields as well as financial administration. We elected him to reflect his knowledge and experience in the management of the Company.

Important concurrent positions

Professor Emeritus, Keio University
Professor, Faculty of Economics, Ritssho University

Apr. 1984	Associate Professor, Faculty of Economics, Okayama University
Apr. 1986	Associate Professor, Faculty of Economics, Kyoto University
Apr. 1995	Professor, Faculty of Economics, Keio University
Apr. 2018	Professor, Faculty of Economics, Ritssho University (present)
Jun. 2018	Director, the Company (present)



Junichi Tobimatsu
Outside Director

Meeting attendance

11 of 11 Board of Directors' meetings (100%)

Number of company shares owned
0

Reason for appointment

He has a wealth of knowledge and experience concerning overall corporate legal affairs including of overseas companies as an attorney-at-law. We elected him to reflect his knowledge and experience in the management of the Company.

Important concurrent positions

Attorney-at-law, Tobimatsu Law
Outside Director of AI, Inc. (Audit Committee)
Outside Auditor of amana Inc.
Outside Auditor of CANDEAL Co., Ltd

Apr. 1998	Registered as Attorney-at-Law, Mori Sogo (currently, Mori Hamada & Matsumoto)
Jun. 2004	Registered as Attorney-at-law in New York.
Apr. 2010	Associate Professor, Graduate School of Law and Political Science, the University of Tokyo
Jul. 2016	Attorney-at-law, Tobimatsu Law (currently, GAIEN PARTNERS) (present)
Jun. 2018	Director, the Company (present)

Audit & Supervisory Board Members



Hidema Jinno
Audit & Supervisory Board Member (Full time)

Number of Company shares owned
10,532

Important concurrent positions

—

Apr. 1985	Entered The Sumitomo Marine and Fire Insurance Co., Ltd.
Apr. 2015	Executive Officer, General Manager of Corporate Risk Management Dept., the Company
Apr. 2019	Executive Officer, the Company
Jun. 2019	Audit & Supervisory Board Member, the Company (present)



Rochelle Kopp
Outside Director

Newly Appointed

Number of Company shares owned
0

Reason for appointment

Ms. Rochelle Kopp has a wealth of knowledge and experience in Japan and the United States as a management consultant, and has wide insight into cross-cultural communication. We propose to appoint her as Outside Director in order to draw on her knowledge and experience in the management of the Company.

Important concurrent positions

Managing Principal, Japan Intercultural Consulting
Professor of Faculty of Foreign Studies, The University of Kitakyushu

Jun. 1986	Business analyst, ZS Associates International, Inc.
Jun. 1987	Senior business analyst, ZS Associates International, Inc.
Aug. 1988	International Public Relations Specialist, The Yasuda Trust & Banking Co., Ltd. (currently, Mizuho Trust & Banking Co., Ltd.)
Oct. 1992	Consultant, IPC Group, Inc.
Jul. 1994	Managing Principal, Japan Intercultural Consulting (present)
Jan. 2015	Professor of Global Leadership Course, Business BreakThrough University
Apr. 2019	Professor of Faculty of Foreign Studies, The University of Kitakyushu (present)
Jun. 2020	Director, the Company (present)



Tomoko Kondo
Audit & Supervisory Board Member (Full time)

Number of Company shares owned
8,079

Important concurrent positions

—

Apr. 1983	Entered Chiyoda Fire & Marine Insurance Co., Ltd.
Apr. 2015	Executive Officer, Aioi Nissay Dowa Insurance Co., Ltd. ("ADI")
Apr. 2017	Advisor, ADI
Jun. 2017	Audit & Supervisory Board Member, the Company (present)



Kunio Chiyoda
Outside Audit & Supervisory Board Member

Meeting attendance

11 of 11 Board of Directors' meetings (100%)

11 of 11 Audit & Supervisory Board meetings (100%)

Number of company shares owned
3,000

Reason for appointment

As an accounting and auditing professional, he has served as a university professor and public-institution committee member, etc., and that extensive knowledge and experience will be reflected in the Company's audits.

Important concurrent positions

Outside Director of Terasaki Electric Co., Ltd. (Audit Committee)
Outside Director of Seiya Electric MFG. Co., Ltd. (Audit Committee)

May. 1971	Registered as Certified Public Accountant
Apr. 1976	Assistant Professor, College of Business Administration, Ritsumeikan University
Apr. 1984	Professor, College of Business Administration, Ritsumeikan University
Apr. 1999	Dean of College of Business Administration, Member of the Board, Ritsumeikan University
Apr. 2009	Professor, Graduate School of Accountancy, Kumamoto Gakuen University
Apr. 2012	Professor of Graduate School of Accountancy, Waseda University
Apr. 2013	Chairperson, Certified Public Accountants and Auditing Oversight Board
Jun. 2016	Audit & Supervisory Board Member, the Company (present)

Executive Officers

Chairman of the Board

Yasuyoshi Karasawa

Vice Chairman of the Board

Yasuzo Kanasugi

President & CEO

Noriyuki Hara

**Senior Executive Officer
Chief Financial Officer**

Tetsuji Higuchi

Corporate Planning Dept., Information Technology Planning Dept., Business Development Dept., Corporate Communications and Investor Relations Dept., International Supervisory Dept., International Life Insurance Business Dept., Data Management Dept., Internal Audit Dept., Capital Policy, Sustainability

**Senior Executive Officer
Chief Risk Officer**

Fumiaki Ohkawabata

Human Resources and General Administration Dept., Accounting Dept., Compliance Dept., Corporate Risk Management Dept., Internal Audit Dept.,



Kyoko Uemura
Outside Audit & Supervisory Board Member

Meeting attendance

11 of 11 Board of Directors' meetings (100%)

11 of 11 Audit & Supervisory Board meetings (100%)

Number of company shares owned
300

Reason for appointment

As a legal expert, she previously served as a judge and practices law as an attorney-at-law, etc., and that wealth of knowledge and experience will be reflected in the management of the Company.

Important concurrent positions

Attorney-at-Law, Miyama, Koganemaru & Associates
Outside Director of SoftBank Corp.

Apr. 1994	Assistant Judge, Osaka District Court
Apr. 2004	Judge, Numazu Branch, Shizuoka Family Court
Apr. 2005	Judge, Yokohama District Court
Apr. 2008	Admitted as Attorney-at-Law, LM Law Offices
Jun. 2017	Audit & Supervisory Board Member, the Company (present)
Oct. 2018	Attorney-at-Law, Miyama, Koganemaru & Associates (present)

Executive Officers

Shinichiro Funabiki

Assist Management
Chief Digitalization Officer

Masahiro Matsumoto

International Business

Satoru Tamura

Assist Management

Naomi Motojima

Diversity & Inclusion

Yusuke Shirai

General Manager of Corporate Planning Dept.

Masahito Fukuda

Sales

Hitoshi Goto

Financial Services Business

Takaoki Endo

Claims Services

Masashi Ippongi

Administration and Information Systems, Chief Information Officer
Chief Information Security Officer

Keisuke Niiro

Underwriting & Reinsurance

* Senior Executive Officer Tetsuji Higuchi is responsible for internal auditing of the departments that Senior Executive Officer Fumiaki Ohkawabata oversees.

For more information related to corporate governance, see the Group's official website.

●Corporate Governance (<https://www.ms-ad-hd.com/en/group/value/corporate.html>)

●Basic Policies on Corporate Governance ●Corporate Governance Stance ●Supervision System (Board of Directors) ●Support Systems for Outside Directors and Outside Audit & Supervisory Board Members ●Auditing ●Nomination and Remuneration ●Remuneration Committee ●Criteria for the Selection of Board Members and for the Independence of Outside Directors and Outside Audit & Supervisory Board Members ●Appointment of outside Directors and Outside Audit & Supervisory Board Members and Related Matters

Message from an Outside Director



Outside Director
(Independent Director)

Akira Arima

Q1. How would you evaluate the Company’s Board of Directors?

First, I believe the Board of Directors is well balanced, with Outside Directors accounting for five of the 12 members. Each of these outside directors comes from a different background, and I have been inspired by the high level of insight each brings to the position. For example, Mr. Ikeo comes from an academic background and expresses logical points of view. On the other hand, Ms. Bando has a great deal of experience in education and is strongly focused on the field of human assets development, whereas Mr. Tobimatsu is knowledgeable in business strategies and investment projects. My experience is focused on practical experience, and I tend to center my attention on details , but I try to offer broad-based opinions. I believe that our different experiences and interests allow us to have wide-ranging and fruitful discussions. Rochelle Kopp, a U.S. citizen, is replacing Ms. Matsunaga this year, and I hope that the enhanced diversity of our group will lead to an even wider range of discussion. On the operational front, I believe “the process from preparation for the Board meeting to the progress of the meeting are appropriate. Each board meeting covers several agenda items, so it is important for us as Outside Directors to understand each item well enough to discuss. To this end, each Outside Director is assigned coordination staff and allowed to spend plenty of time for a detailed

explanation of the agenda before the meeting. The atmosphere at the Board meetings is open and relaxed, and the Outside Directors can speak freely. While this reflects the Chairman’s method of conducting meetings, I believe there is a strong awareness of the need to improve the quality of management by incorporating external perspectives. For example, the Governance Committee, as well as the Remuneration Committee and the Nomination Committee, which are internal committees of the Board of Directors, are composed of Outside Directors except the Chairman, Vice-chairman and President & CEO. With this wealth of outside perspectives, objective discussions are the rule. The President & CEO was replaced this year, through discussions followed in line with the succession plan introduced last year. We revised an executive remuneration system last year, increasing the weighting of stock-based compensation and performance-linked remuneration, which we believe improved shareholders’ perspective in management. Overall, I believe the system of checks and balances is working well.

Q2. The Company has moved into Stage 2 of the medium-term management plan “Vision 2021.” What are your thoughts on the Company’s strategies?

The three key strategies in “Vision 2021” are “Pursue the Group’s comprehensive strengths,” “Promote

digitalization” and “Reform the portfolio.” Among these, I believe “Reform the portfolio” is vital in the formation of our new growth strategies. While the domestic non-life insurance market currently forms a stable source of earnings, it appears unlikely to stand as a driver of growth in the years ahead. For example, the domestic automobile insurance market is seeing advancements in new fields such as telematics and devices that record driving practices, however, with the advancement of autonomous driving and the aging of society there appears little likelihood of an overall expansion in the market for automobile insurance. Amid this environment, we understand how important it is to find new growth areas, invest in management resources and create a path for sustainable growth. Therefore, I think it important that we take on the expansion of our international business with a deep sense of urgency.

With regard to the “Promote digitalization” strategy, the three Stage 2 initiatives focused on digital transformation, innovation and globalization have been organized in an easy-to-understand manner, making it important that they be put into practice in a concrete fashion. The fostering of digital human resources is an important aspect of these efforts, and with companies around the world focused on securing the highest level of human resources in IT, it appears that competition for data scientists and others will become increasingly fierce. While it is also important to develop human assets within the Company, that alone appears insufficient to keep up with the ongoing changes the digital society is experiencing. I believe advancing our digital strategies requires us to acquire human assets with a wealth of skills, knowledge and experience in IT.

The “Pursue the Group’s comprehensive strengths” strategy focuses on a unique form of integration involving reorganization by function. I believe the MS&AD Group faces challenges as it seeks to leverage diversity and expand its top line while at the same time integrating operations in order to entrench cost efficiencies and generate synergies in the Group as a whole. As we move forward, I think it important that we take care not to put forward only half-hearted efforts to foster growth and improve efficiency.

Q3. What are your thoughts on the CSV management that MS&AD wants to achieve? Moreover, how would you evaluate the Company’s ESG initiatives?

To tell the truth, my impression is that there are many activities that are more akin to CSR than CSV. The original focus of CSV was as a competitive strategy. It means that society and companies both can prosper when companies provide products and services that are

most needed in the world while receiving profits in return. While it is important for companies as members of society to engage in efforts deemed meaningful from a social perspective, even if they do not translate immediately into profits, it is important to keep in mind that CSV is also a means toward building the earnings of the Group.

I also note that MS&AD is promoting a variety of initiatives in the environmental arena and taking a proactive stance in regard to advancing the participation of women in the workplace. The Sustainability Committee holds regular meetings at which discussions center on key topics such as sustainability and D&I.

In terms of governance, as I mentioned earlier, I believe the Board of Directors is well aware of the importance of making use of external perspectives in management. In addition to participating in the Board of Directors and Committee meetings, we hold theme-based meetings for Outside Directors a couple of times a year, with topics ranging from international business to telematics. The original idea was to advance an understanding of these topics, though we also actively exchange frank opinions on each of the themes at these meetings. Finally, to develop a better understanding of the work site, we conduct regular site-based meetings and inspections.

Q4. What are your hopes or expectations for MS&AD?

I believe meeting the expectations of investors requires us to make a clear address of our growth strategy, with the expansion of our international business being the most important topic. The service industry is unlike the manufacturing industry, in that differing social environments mean that it could be difficult to transplant service operations as they exist in Japan to a new location. That is to say, insurance systems and the expectations of people can differ from country to country. Although M&A activity with a company possessing an overseas operating structure might be a powerful tool in achieving our goals, I believe that when conducting M&A of this type, it is important to have the ability to properly evaluate the target company and conduct thorough due diligence.

The global economy has been profoundly affected by the spread of COVID-19 in 2020. Amid this pandemic, I believe there are many things an insurance company can do to address the new risks. Specifically, I think we should consider developing new insurance products especially for these new risks. Finally, as an insurance company supporting the creation of a sustainable society, I hope MS&AD can transform risks into opportunities, ride out these difficult times and seize opportunities for further growth.

Basic Knowledge about the Insurance Industry

We have prepared this section as 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 content of this section.

Non-Life Insurance Industry

Market Overview

About ¥8 Trillion

The Japanese non-life insurance industry's market scale in terms of net premiums written was ¥8,392.8 billion in fiscal 2018. (Total for 28 corporate members of the General Insurance Association of Japan)

Automobile-Related Insurance Accounts for Less than 60%

Together, voluntary automobile insurance (48.3%) and compulsory automobile liability (11.5%) account for less than 60% of the market.

Three Largest Non-Life Insurers Have Almost 90% Market Share Combined

In Japan, there were 53 companies engaged in the non-life insurance business as of July 2019, including 21 foreign non-life insurers. The three largest non-life insurance groups—the MS&AD Insurance Group, the Tokio Marine Group and the Sampo Group—have an 87% combined share 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 e.g., (the cost of treating injuries, etc.) caused by natural disasters and accidents.

Changing with the Times

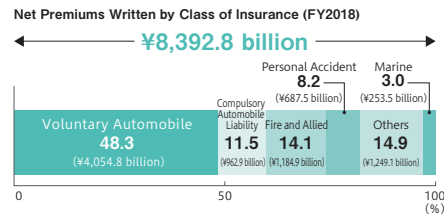
Until the 1960s, the non-life insurance market was centered on fire and marine insurance products. With the subsequent rise in the number of automobiles in use, such automobile-related products as Voluntary Automobile Insurance and Compulsory Automobile Liability Insurance have become the main products in the market. In recent years, "others" insurance, such as Liability Insurance, has been growing strongly.

Trend of Increase in Earthquake Insurance

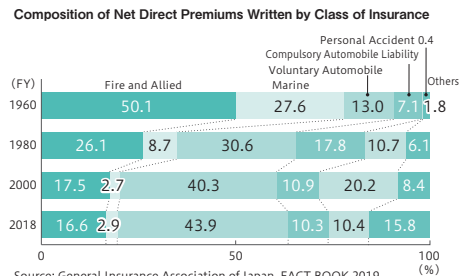
Residential earthquake insurance was developed in 1966, in response to the major earthquake that struck Niigata in Japan in 1964. The number of people obtaining residential earthquake insurance has been trending upward, and the penetration ratio of earthquake insurance in residential fire insurance policies has risen to 65.2% (at the end of FY2018).

Residential Earthquake Insurance Operated in Collaboration with Government

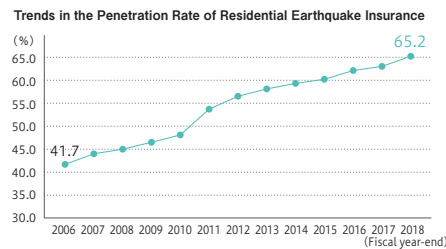
It is difficult to forecast the damage that will occur in the event of an earthquake, so fire insurance by itself does not cover building fires and damage caused by earthquakes. To provide coverage for earthquake damage, the government and insurance companies collaborate to operate residential earthquake insurance, and there are no variations among insurance companies with respect to coverage of compensation and insurance premiums.



Source: General Insurance Association of Japan, FACT BOOK 2019



Source: General Insurance Association of Japan, FACT BOOK 2019
Note: "Net direct premiums written" represents revenues from insurance policies directly provided by each customer.



Source: General Insurance Association of Japan, FACT BOOK 2019
Note: The penetration rate of residential earthquake insurance represents the share of fire and allied policies with earthquake coverage.

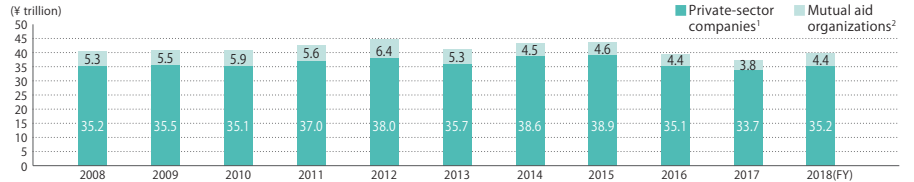
Life Insurance Industry

Market Scale

Approximately ¥39 Trillion

The scale of the Japanese life insurance industry's market in terms of life insurance premiums and others in total is approximately ¥39 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 MS&AD Holdings based on materials from the Life Insurance Association of Japan "Life Insurance Trends (2019 edition)" and Japan Cooperative Insurance Association Incorporated "COOPERATIVE INSURANCE IN JAPAN FACT BOOK 2019."

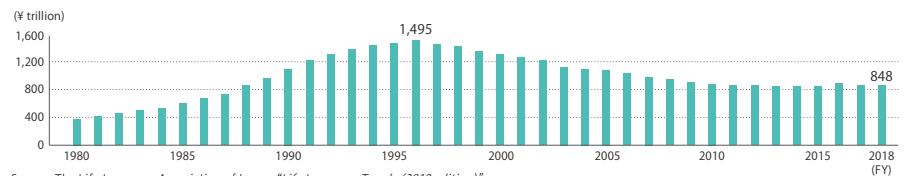
1. Private-sector companies: Each corporate member of the Life Insurance Association of Japan. Figures represent premiums and others.
2. Mutual aid organizations: Each organization member of the Japan Cooperative Insurance Association Incorporated. Figures represent premiums and other insurance income received (total for life insurance and annuity insurance).

Trends in Types of Insurance

Decline in Big-Ticket Death Benefit Needs

The amount of policies in force for individual insurance has been trending downward since peaking in fiscal 1996. Behind this trend is a decline in big-ticket death benefit needs and a shift to third-sector products (medical and cancer insurance) needs.

Trends in Policies in Force (Individual Insurance)

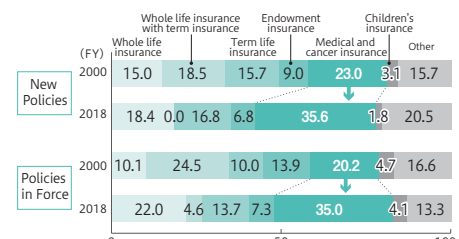


Source: The Life Insurance Association of Japan, "Life Insurance Trends (2019 edition)"
Note: Figures for 2007 and previous years exclude Japan Post Insurance and the former postal life insurance.

Third-Sector Products Become the Major Products

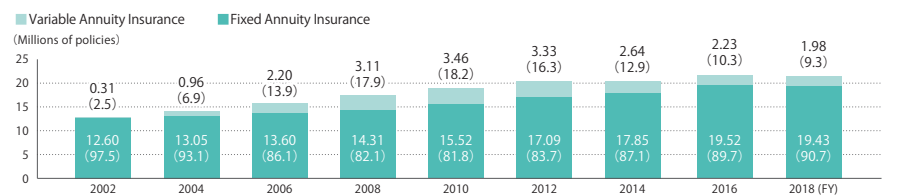
The share of medical and cancer insurance policies (third-sector products) among the total number of new policies written for individuals has risen—from 23.0% in FY2000 to 35.6% in FY2018—and become the major life insurance product. In particular, the advent of a full-blown aging society in Japan will be accompanied by a rise in needs for nursing care insurance. In recent years, each life insurance company has been launching new nursing care insurance products that supplement public nursing care insurance system, which is not able to completely cover the expenses entailed by nursing care. 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. Most recently, the number of policies written for "Tontine-type annuity" as insurance for longevity risk is also increasing. *See the "Glossary of Insurance Terminology" (P.102) for details.

Trends in Personal Life Insurance



Source: The Life Insurance Association of Japan, "Life Insurance Trends (2019 edition)"

Trends in Policies in Force for Individual Annuity Insurance by Type



Source: The Life Insurance Association of Japan, "Life Insurance Trends (2019 edition)"
Note: Figures in parentheses represent percent shares.

The Insurance Industry Trends and Changes in Japan

Environment of the Insurance Industry in Japan

Changes in the Macro Environment

As is the case with respect to other industries in Japan, the biggest change in the insurance industry's operating environment is the advent of aging and the population decline in Japanese society.

Natural Disasters

While natural disasters are a major risk factor in the insurance business, the existence of such disasters is also a factor that increases demand for insurance.

The Insurance Industry Following Financial Regulatory Liberalization

Regulatory Liberalization of the Non-Life Insurance Industry

The 1996 revision of the Insurance Business Act brought a shift away from the "convoy system" within the industry and toward liberalization offering a scope for new initiatives. In addition, in response to changes taking place in the insurance industry's operating environment (insurance product diversification, solicitation channel diversification and increasing agent size), the Insurance Business Act revision, which went into full effect in May 2016, included as its main points "the establishment of basic rules for insurance soliciting" and "the introduction of an obligation to put in place a system with respect to insurance solicitors (agents)."

Birth of the Three Mega Insurance Groups

Following the regulatory liberalization of 1996, a progression of mergers and business integrations among non-life insurance companies led to the emergence of the so-called three mega insurance groups – the MS&AD Insurance Group, the Tokio Marine Group and the Sampo Japan Nipponkoa Group (currently the Sampo Group).

Major Events Following Regulatory Liberalization

1996	April	Revision of the Insurance Business Act - Mutual entry into life and non-life insurance business - Reform of the rating organization system - Introduction of products and premium rates notification system, etc.
	October	Mutual entry into life and non-life insurance business by subsidiaries
1997	September	Approval of risk-subdivision-type automobile insurance
1998	July	Abolition of the obligation for members to use the premium rates calculated by the rating organization
2001	April	Ban on insurance sales by banks partially lifted
2007	September	Implementation of Financial Instruments and Exchange Act
	December	Insurance sales by banks fully liberalized
2010	April	Implementation of the Insurance Act
2014	May	Passing of law revising the Insurance Business Act
2016	May	Full implementation of Insurance Business Act revision (implementation of a comparison-recommendation rule and an obligation to grasp customer intentions)

The Insurance Industry Going Forward

Initiatives Regarding Overseas Insurance Markets

Accelerating Overseas Expansion

In light of the maturation of Japan's insurance market, major Japanese insurance companies have been working to expand their business base overseas.

Potential of Emerging Markets

Emerging regions such as Asia, Latin America, the Middle East and Africa have the potential for significant growth as overseas insurance markets. The insurance penetration rates (ratio of insurance premiums against GDP) of the United States and European countries are roughly as high as Japan's—about 6%-10%.

On the other hand, the insurance penetration rates of emerging markets are relatively low—in the 1%-4% range—so those markets can be considered to have growth potential.

Development of Principal Insurance Markets in 2018

Market/Country	Total Non-Life and Life Insurance				Breakdown				
	Total Insurance Premiums		Insurance Density ¹ (¥)	Insurance Penetration Rate ²	Non-Life Insurance Premiums		Life Insurance Premiums		
	Ranking	(¥ billion)			Percentage Change from the Previous Year	(¥ billion)	Percentage Change from the Previous Year	(¥ billion)	Percentage Change from the Previous Year
Developed markets		449,679.4	4.9%	411,257	7.8%	204,119.1	5.4%	245,560.3	4.5%
United States	1	161,704.7	5.0%	493,134	7.1%	96,402.0	5.1%	65,302.7	4.9%
Japan	3	48,493.3	3.8%	381,433	8.9%	11,709.9	0.8%	36,783.4	4.8%
United Kingdom	4	37,032.9	5.2%	495,555	10.6%	11,116.0	6.7%	25,916.9	4.5%
France	5	28,388.8	5.6%	403,553	8.9%	10,222.3	6.6%	18,166.5	5.0%
Germany	6	26,575.4	6.3%	320,025	6.0%	15,962.3	7.5%	10,613.1	4.5%
South Korea	7	19,701.6	(1.2)%	381,323	11.2%	8,908.7	3.0%	10,792.8	(4.4)%
Italy	8	18,738.5	6.9%	313,863	8.3%	4,944.9	7.3%	13,793.8	6.8%
Emerging markets		121,835.0	4.2%	18,598	3.2%	57,035.2	9.5%	64,799.9	(0.1)%
Emerging Asia Pacific		83,042.4	6.2%	21,460	3.8%	34,291.4	15.5%	48,751.0	0.5%
China	2	63,265.2	6.2%	44,680	4.2%	28,779.4	16.8%	34,485.8	(1.3)%
India	11	10,987.2	5.1%	8,144	3.7%	2,872.5	9.6%	8,114.5	3.6%
Emerging Europe and Central Asia		8,832.7	4.6%	18,048	1.7%	6,446.2	4.4%	2,386.5	5.0%
Russia	28	2,596.4	7.7%	18,048	1.5%	1,802.0	1.0%	794.6	27.0%
Turkey	39	1,150.2	(13.3)%	13,976	1.3%	994.3	(11.4)%	155.9	(23.6)%
Latin America and the Caribbean		17,885.5	(3.3)%	27,623	2.8%	10,122.3	1.3%	7,763.1	(8.7)%
Brazil	16	8,016.0	(12.6)%	37,967	3.9%	3,696.5	(7.9)%	4,319.6	(16.3)%
Mexico	25	3,009.2	6.5%	23,000	2.2%	1,673.4	6.3%	1,335.8	6.8%
Middle East and Africa		12,074.5	2.2%	6,933	2.2%	6,175.3	(0.9)%	5,899.1	5.6%
South Africa	19	5,312.0	5.5%	92,442	12.9%	1,077.8	4.8%	4,234.2	5.6%
Israel	32	2,053.8	7.1%	242,880	5.0%	945.4	6.6%	1,108.3	7.5%
United Arab Emirates	37	1,371.3	2.1%	143,615	2.9%	1,057.3	0.6%	314.1	7.5%
World		571,514.4	4.8%	75,054	6.1%	261,154.2	6.2%	310,360.3	3.5%

Source: Compiled by Swiss Re's economic research and consulting unit based on confirmed and provisional figures announced by each country's regulatory authorities and insurance industry associations (sigma No. 3/2019)
Note: Figures are real figures adjusted for inflation. 1. Insurance density = per capita insurance premiums 2. Insurance penetration rate = insurance premiums as a share of GDP. Figures were converted into Japanese yen at the average exchange rate for 2018 (US\$1=¥110.05).

Increasing Diversity of Insurance Companies and Sales Channels

There are increasingly diverse sales channels—such as direct sales channels, OTC sales by banks and customer-visit-based insurance shops—and some insurance companies are now specializing in sales via the Internet. Even in conventional sales channels, there is an increasing incidence of cross-selling (see the "Glossary of Insurance Terminology" [P. 98] for details and other new approaches.

Expanding the Breadth of Products and Services

"Longevity Risk"

Economic risks related to longevity, such as securing living expenses and spending on medical expenses, are increasing.

New Products and Services Related to Medical and Long-Term Nursing Care

The importance of people's self-help efforts is expected to continue increasing, and the associated role of private-sector insurance companies is becoming larger.

Japan's Insurance Market Viewed from a Global Perspective

Non-Life Insurance

The World's Fourth Largest Market Scale

According to the "sigma" newsletter of Swiss Re, the scale of the non-life insurance market in 147 countries and regions around the world was approximately ¥261 trillion in 2018. The largest market is that of the United States (approximately ¥96 trillion), and Japan's market is the fourth largest (approximately ¥11 trillion).

Japanese Market Smaller in a Share of GDP

Japan's insurance premiums as a share of GDP are only 2.14% (the 27th highest) compared to the global average of 2.78%.

Comparison of Non-Life Insurance Premium Income in Principal Countries (2018)

Country/Region	Direct Premiums Written			Per Capita Premiums		As a Share of GDP	
	(¥ billion)	Ranking	Share	(¥)	Ranking		Ranking
United States	96,402.0	1	36.9%	294,054	4	4.26%	7
China	28,779.4	2	11.0%	20,359	51	1.92%	34
Germany	15,962.3	3	6.1%	192,257	9	3.62%	9
Japan	11,709.9	4	4.5%	92,112	28	2.14%	27
United Kingdom	11,116.0	5	4.3%	106,859	22	2.29%	24
France	10,222.3	6	3.9%	142,625	15	3.14%	13
South Korea	8,908.7	7	3.4%	172,448	11	5.05%	3
Canada	8,125.3	8	3.1%	219,660	6	4.32%	5
Netherlands	7,550.0	9	2.9%	437,669	2	7.51%	2
Australia	5,390.6	10	2.1%	215,368	7	3.46%	10
Italy	4,944.9	11	1.9%	81,657	29	2.17%	26
Spain	4,395.9	12	1.7%	94,313	26	2.80%	17
Brazil	3,696.5	13	1.4%	17,498	56	1.80%	41
Switzerland	3,184.8	14	1.2%	371,859	3	4.10%	8
India	2,872.5	15	1.1%	2,091	81	0.97%	74
Taiwan	2,186.0	16	0.8%	92,552	27	3.40%	12
Belgium	2,040.3	17	0.8%	131,290	16	2.57%	19
Russia	1,802.0	18	0.7%	12,546	61	1.06%	72
Mexico	1,673.4	19	0.6%	12,766	60	1.24%	65
Austria	1,517.0	20	0.6%	171,348	12	3.02%	15
Other countries (regions)	28,674.2	—	11.0%	—	—	—	—
Total/Average	261,154.2	—	100.0%	34,336	—	2.78%	—

Source: Prepared based on data in "sigma No. 3/2019" of Swiss Re.
Note: 1. The "Total (average)" figures are totals of figures for 147 countries and regions within the scope of the survey in 2018.
2. Premium figures are direct premiums written by domestic- and foreign-based companies in each country and region (including cross-border transaction premiums), and the figures for each country and region do not include direct premiums written by foreign bases of domestic companies.

Life Insurance

Japanese Market Accounts for Approximately 11.9% of the Global Market

According to the "sigma No. 3/2019" newsletter of Swiss Re "International Life Insurance Statistics" of the Life Insurance Association of Japan, global life insurance premium income amounted to approximately US\$2,820 billion in 2018. The figure for Japan was approximately US\$334 billion, corresponding to 11.9% of the global figure.

Life Insurance Premiums Top 10 Countries (2018)

Country	Ranking	Premium Income (¥ billion)	Share (%)
United States	1	65,302.7	21.0
Japan	2	36,783.4	11.9
China	3	34,485.8	11.1
United Kingdom	4	25,916.9	8.4
France	5	18,166.5	5.9
Italy	6	13,793.8	4.4
Taiwan	7	11,229.9	3.6
South Korea	8	10,792.8	3.5
Germany	9	10,613.1	3.4
India	10	8,114.5	2.6

Source: Prepared based on data in "sigma No. 3/2019" of Swiss Re.
Note: Figures represent premiums directly written in each country irrespective of the geographical base of the underwriting company.

Glossary of Insurance Terminology

A

Alternative Risk Transfer (ART) Business

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.

Asset Liability Management (ALM)

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—the ALM business management methodology seeks to maximize profit, while managing in a way that pays comprehensive attention to the risk and return of both assets and liabilities.

Assumed Interest Rate

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

CAPM (Capital Asset Pricing Model)

An acronym for “Capital Asset Pricing Model,” which is used to calculate the rate of return expected by shareholders in the capital market. The correlation of the target company’s stock with the market is determined by the β value (more precisely, the slope estimated by the linear regression equation that explains the fluctuations in the stock prices of the target companies in terms of market price fluctuations). The estimated cost of capital is calculated by adding the risk-free interest rate to the individual equity risk premium, which is the β value multiplied by the equity market risk premium (market return - risk-free interest rate).

Catastrophe Reserves

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. For more details, see P. 103.

CAT Bond (Catastrophe Bond)

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.

Combined Ratio

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, insurance broker commissions, sales expense, collection expense, reinsurance commissions and ceded premium commissions. (Note that ceded premium commissions, which are commission incomes pertaining to ceded reinsurance and retrocession premiums, are deductions.)

Compulsory Automobile Liability Insurance (CALI)

In order to provide relief to victims of automobile accidents, this is compulsory insurance that all motor vehicles must be enrolled in under law. Motorized bicycles are also subject to this requirement. Compulsory automobile liability insurance provides compensation in cases where other persons are killed or injured in traffic accidents, etc. Insurance claims are paid for loss compensation of the other persons.

Core Profit (Fundamental Profit)

Ordinary profit after adjustments for capital profits/(losses) and extraordinary income and losses, which represent profits and losses not stemming from the principal business of life insurance companies; 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.”

Cross-Selling

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

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

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

EEV

See “Embedded Value” below.

Embedded Value (EV)

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. As 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. 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)

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 P. 76.

Equity Ratio

The proportion of equity divided by total assets. Owing to the application of accounting standards concerning financial products and the inclusion of unrealized gains on securities within the balance sheet figures, the equity ratio is also stated based on market value.

ESG

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 amount of insurance premium for 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 the expected operating expense ratio.

F

Foreign Currency–Denominated Life Insurance

Foreign currency–denominated life insurance calls for the use of a foreign currency (e.g., U.S. dollars, Euros, Australian dollars) to pay insurance premiums and the use of a 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 affected by foreign exchange rate fluctuations; so, there is a possibility that the yen-denominated benefits could 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 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.

Gross Written Premiums

Premiums written that were received from direct insurance contracts and reinsurance contracts during one fiscal year; they are the premiums written prior to the deduction of reinsurance premiums ceded via reinsurance contracts.

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 non-controlling interests (average of beginning and ending amounts of B/S)

Group Adjusted Profit

Group Adjusted Profit, which is a numerical management target within the Vision 2021 medium-term management plan, is calculated as follows.

Group Adjusted Profit = Consolidated net income + provision for catastrophe loss reserve and others – other incidental factors (amortization of goodwill and other intangible fixed assets, etc.) + equity in earnings of the non-consolidated group companies

Group Adjusted ROE

Group Adjusted ROE, which is a numerical management target within the Vision 2021 medium-term management plan, is calculated as follows.

Group Adjusted ROE = Group Adjusted Profit ÷ average of beginning and ending amounts on B/S of adjusted net assets (consolidated net assets + catastrophe loss reserve and others – goodwill and other intangible fixed assets)

I

Income Guarantee Insurance

A type of insurance under which a 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 a pension can be claimed depends on the time of death of the policyholder. The minimum number of times a pension can be claimed is guaranteed. If the number of times the 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)

The portion of underwriting reserves corresponding to claims that have been incurred but had not been reported to the company at the end of the period. The 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

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 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.

L

Law of Large Numbers

If you roll a die (1 dice), a “one” might appear by chance, but if you continue to increase the number of times the die is rolled, the ratio of times that “one” appears will approach one time out of six. As in this case, when the number of trials is increased, the law of large numbers indicates that the results will approach a fixed value. When calculating the probability of accident occurrence, the probability can be forecast by analyzing large volumes of accident data rather than just looking at the accident percentages of a few cases.

Life Insurance Professional

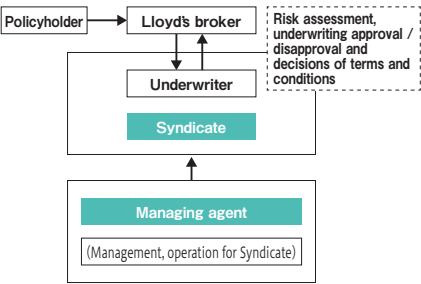
An agent specializing in life insurance or selling life insurance as its main business.

Lloyd’s (Insurance Market)

The generic name for an insurance market established in London in the 17th century, having more than a 300-year history. On a day-to-day basis, huge and complex risks are brought to Lloyd’s, where that risk is assessed, premiums decided and insurance underwritten by underwriters who have a high level of specialized expertise and who belong to individual syndicates (the risk underwriting bodies at Lloyd’s).

Lloyd’s is under the supervision of the British regulatory authorities, as well as the rigorous management and supervisory system of Lloyd’s itself, and it is not easy to become a Lloyd’s member (syndicate fund contributor) or establish a syndicate as many strict requirements must be satisfied.

As of the end of December 2019, Lloyd’s had 108 syndicates and 54 managing agents registered. The fiscal 2019 gross written premiums of the Lloyd’s market as a whole were approximately 37.5 billion British pounds.



Long-Term Care Insurance (Nursing Care Insurance)

A kind of insurance that can provide benefits for the purpose of providing long-term nursing care. In Japan, there exists 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 where 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

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

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

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 ❶ to ❹ listed to the right, 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.

- ❶ Direct claims paid

→ ❷ Reinsurance claims ceded

+ ❸ Reinsurance claims paid

→ ❹ Retrocession claims ceded

❺ 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 ❶ to ❹ listed to the right, and plainly shows the income earned from the non-life insurance business (excluding deposit premiums from policyholders).

- ❶ Direct premiums written

→ ❷ Reinsurance premiums ceded

+ ❸ Reinsurance premiums written

→ ❹ Retrocession premiums ceded

❺ Net premiums written

(Income statement item)

Non-Fleet Grade System (Automobile Insurance)

A system of insurance premium discounts and surcharges based on the accident history applied to non-fleet contracts. The term non-fleet contracts refers to contracts where the total number of contract automobiles owned and used by the policyholder (the number of contracts with other insurance companies included) is nine or less. (Cases where the number of automobiles is 10 or more are referred to as “fleet contracts.”) The grades are divided into 20 levels (Grade 1 to Grade 20), and the grade is maintained even if the insurance company changes. For more details, see P. 103.

O

Ordinary Outstanding Claims Reserve

A type of outstanding claims reserve set aside based on an estimation of future liability of individual claims that have occurred and been reported but not yet settled.

→ Incurred but Not Reported Loss (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 at the end of the fiscal year. 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/limiting 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.

Policy Reserve

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, and policyholder dividend reserves.

R

Reinsurance

Reinsurance is a form of insurance, that a insurance company purchase to share the risks of its insurance policies to another insurance company.

→ 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.

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.

Reserve for Price Fluctuation

In accordance with the Insurance Business Act revised in 1996, this reserve is provided to cover losses incurred from future decreases in prices of assets such as stocks and bonds for which the 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

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 might 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 greater than what can be ordinarily expected

Strategic Equity

Investments in stocks with the intention of holding the stock over a long period to maintain and strengthen general business relationships with the issuer, while also securing a stable stream of investment income and improving asset value over the long run.

T

Telematics

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 refers to automobile insurance with the premium rates calculated based on the collected data that relate to the driver's driving tendency such as miles driven and drivers' use of accelerator and brake functions.

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

The third "sector" of insurance, positioned somewhere between the first sector (life insurance) and second sector (non-life insurance), includes many different types of insurance, such as medical insurance, cancer insurance, nursing care insurance and accident insurance.

Three Surplus Factors (Life Insurance)

The "three surplus factors" refer to three margins: the "administrative expense margin," which is the difference between the planned administrative expense based on the planned expense ratio and the actual administrative expenses; the "risk margin (mortality margin)," which is the difference between the planned payment amounts from insurance, benefits, etc., based on the planned mortality rate and the actual payment amounts from insurance, benefits, etc.; and the "investment yield margin," which is the difference between the planned investment income based on the planned interest rate and the actual investment income. (If the investment yield margin is negative, it will be in a "negative spread" state.) The three surplus factors are a breakdown of "core profit," which is an indicator of the periodical profit and loss situation of a life insurance company.

Tontine-Type Annuity

Defined as "a plan whereby the guarantee of someone who has died is controlled and their share in an annuity devolved to the pension of someone living," the tontine-type annuity product offers the benefit of the longer people live, the more pension is received. Its name is derived from an insurance system devised by the Italian Lorenzo de Tonti.

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

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 Insurance

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](#)

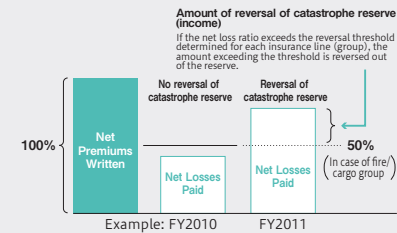
Accounting Line Item Terminology

Please refer to the Guide Book for the Understanding of Disclosure Materials of Non-Life Insurance Companies¹ (prepared by the General Insurance Association of Japan) and the Life Insurance Company Disclosure Notes Glossary² (prepared by the Life Insurance Association of Japan) for details of accounting line items and other pertinent information.

1. http://www.sonpo.or.jp/archive/publish/sonpo/pdf/0004/book_kantanguide.pdf (Japanese only)
2. http://www.seiho.or.jp/data/publication/tora/pdf/tora_yougo.pdf (Japanese only)

Catastrophe Reserves

- These are reserves that insurance companies set aside to prepare for major disasters (e.g., typhoons, earthquakes) for which the "law of large numbers" does not function.
- The funds are accumulated as reserves (expense posted) at a certain percentage of each fiscal year's net premiums written.
- If a fiscal year's loss ratio (ratio of net losses paid to net premiums written) exceeds a certain threshold, reserves are reversed and posted as income.
- This is one of the mechanisms used to mitigate the impact on an insurance company's fiscal year profit and to guarantee it has a suitable capacity to pay insurance claims.

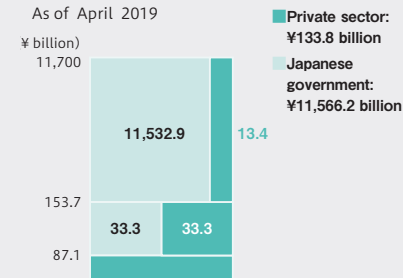


About Residential Earthquake Insurance

Based on Japan's Law Concerning Earthquake Insurance (the Earthquake Insurance Act), residential earthquake insurance is operated jointly by the government and non-life insurance companies. Reflecting the significant impact that earthquakes can have on society, residential earthquake insurance is a prerequisite for and incidental to fire insurance. Recognizing the substantial damage that is likely to occur in the event of a large-scale earthquake, residential earthquake insurance involves a government reinsurance underwriting mechanism in preparation for the payment of massive insurance amounts. For their part, non-life insurance companies forego the accumulation of profits in similar fashion to compulsory automobile liability insurance. Premiums are set aside as a reserve to cover insurance payments in the event of an earthquake in the future.

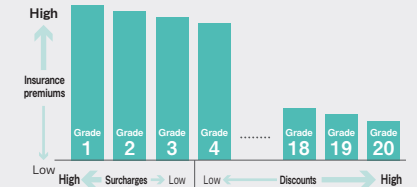
Government and Private-Sector Burdens

As of April 2019



Non-Fleet Grade System (Automobile Insurance)

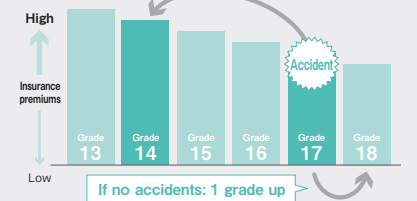
- This system applies discount percentages to grades defined from Grade 1 to Grade 20.



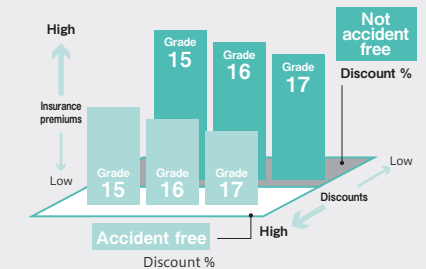
- When the contract is first concluded, the customer starts at Grade 6 (or Grade 7) and then rises by a one-grade increment if there are no accidents.
- If there is an accident, the grade drops by three-grade increments and, at renewal time, the grade, in principle, drops by three-grade increments per accident.*

*Depending on the accident type and the type of claim received, there are cases where the grade drops by only a one-grade increment and cases where the matter is not counted as an accident.

Principle 3 grades down for 1 accident



- Even at the same grade, discount percentages differ, depending on whether there have been accidents in the past. When "accidents exist," insurance premiums are set higher than when "no accidents exist."



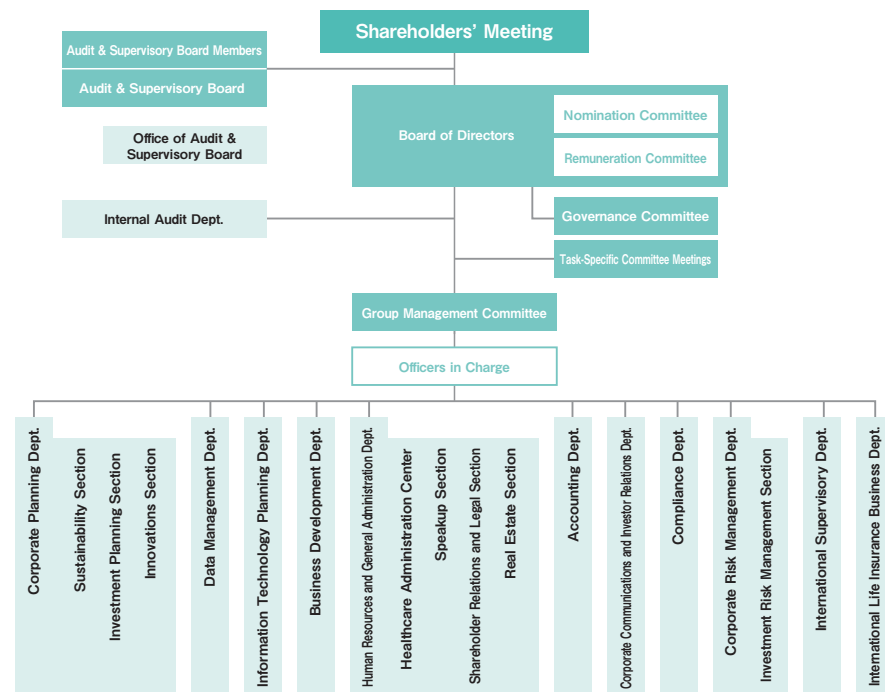
Corporate Profile

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	Noriyuki Hara, Representative Director, President & CEO
Paid-in Capital	¥100,000 million (As of March 31, 2020)
Number of Employees	409 (41,582 on a consolidated basis) (As of March 31, 2020)
Business Description	Our activities as an insurance holding company are as follows: 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)
Independent Auditor	KPMG AZSA LLC

MS&AD Insurance Group Holdings, Inc. Organizational Chart (As of April 1, 2020)



Stock and Shareholders (As of March 31, 2020)

1 Summary of Issued Shares

Class of Stock	Common stock	Total Number of Authorized Shares	900,000,000
Total Number of Issued Shares	593,291,754	Number of Shareholders	63,251

2 Shareholding Profile

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	176	54	1,509	892	60,620	63,251
Number of Shares Held (millions)	211.56	18.68	95.49	189.50	78.04	593.29
Percentage of Shares Issued	35.7%	3.1%	16.1%	31.9%	13.2%	100.0%

Breakdown by Number of Shares Held

Item	1-99	100-999	1,000-9,999	10,000-99,999	100,000 and Above	Total
Number of Shareholders	18,179	32,216	11,479	1,002	375	63,251
Percentage of All Shareholders	28.7%	50.9%	18.2%	1.6%	0.6%	100.0%

Breakdown by Region

Item	Hokkaido	Tohoku	Kanto	Chubu	Kinki	Chugoku	Shikoku	Kyushu	Overseas	Total
Number of Shares (millions)	1.03	2.82	309.99	66.46	17.28	1.99	2.09	2.11	189.49	593.29
Percentage of Shares Issued	0.2%	0.5%	52.2%	11.2%	2.9%	0.3%	0.4%	0.4%	31.9%	100.0%

3 Major Shareholders

Shareholder Name	Address	Number of Shares Held (thousands)	Percentage of Shares Issued (%)
Toyota Motor Corporation	1, Toyota-cho, Toyota City, Aichi Prefecture	52,610	9.25
The Master Trust Bank of Japan, Ltd. (Trust account)	2-11-3, Hamamatsu-cho, Minato-ku, Tokyo	45,857	8.06
NIPPON LIFE INSURANCE COMPANY	1-6-6, Marunouchi, Chiyoda-ku, Tokyo c/o Nippon Life Securities Operations Department	36,325	6.38
Japan Trustee Services Bank, Ltd. (Trust account)	1-8-11, Harumi, Chuo-ku, Tokyo	25,006	4.39
Japan Trustee Services Bank, Ltd. (Trust account 7)	1-8-11, Harumi, Chuo-ku, Tokyo	14,363	2.52
JP MORGAN CHASE BANK 380055 (Standing agent: Settlement & Clearing Services Dept. Mizuho Bank, Ltd.)	270 Park Avenue, New York, NY 10017, U.S.A. (2-15-1, Konan, Minato-ku, Tokyo)	10,620	1.87
Japan Trustee Services Bank, Ltd. (Trust account 5)	1-8-11, Harumi, Chuo-ku, Tokyo	10,504	1.85
GOVERNMENT OF NORWAY (Standing agent: Citibank, N.A., Tokyo Branch)	BANKPLASSEN 2, 0107 OSLO 1 OSLO 0107 NO (6-27-30, Shinjuku, Shinjuku-ku, Tokyo)	9,709	1.71
Japan Trustee Services Bank, Ltd. (Trust account 9)	1-8-11, Harumi, Chuo-ku, Tokyo	9,367	1.65
JP MORGAN CHASE BANK 385151 (Standing agent: Settlement & Clearing Services Dept. Mizuho Bank, Ltd.)	25 Bank Street, Canary Wharf, London, E14 5JP, UNITED KINGDOM (2-15-1 Konan, Minato-ku, Tokyo)	8,479	1.49
Total		222,845	39.16

Note: Number of shares held is rounded down; percentage of shares issued is shown as rounded to the nearest basis point.
The Company owns 24,244 thousand treasury shares, but these are omitted from the table above.

Group Business Schematic (As of March 31, 2020)

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.

Business Overview



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

4 Changes in Total Number of Issued Shares, Paid-in Capital and Capital Reserves

Date	Issued Shares		Paid-in Capital		Capital Reserves	
	Increase/Decrease	Balance	Increase/Decrease	Balance	Increase/Decrease	Balance
June 30, 2017	(40,000) thousand	593,291 thousand	—	¥100,000 million	—	¥729,255 million

Note: The decrease in the total number of issued shares was due to the retirement of treasury shares.

5 Basic Information

Fiscal Year	April 1 to March 31 of the following year
Annual Shareholders' Meeting	Within three months of the end of each fiscal year
Record Date	Ordinary General Meeting of Shareholders: March 31, every year Year-end dividends: March 31, every year Interim dividends: September 30, every year
Method of Public Notification	Electronic reporting can be found online at https://www.ms-ad-hd.com/ja/ir/notification.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.
Stock Exchange Listings	Tokyo Stock Exchange and Nagoya Stock Exchange (First Section)
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*
(Postal Address)	Sumitomo Mitsui Trust Bank, Limited, Stock Transfer Agency Dept. (2-8-4, Izumi, Suginami-ku, Tokyo 168-0063, Japan)
Telephone Inquiry	☎ 0120-782-031

* 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).

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	¥39,106 million	89.7	—
Mitsui Sumitomo Aioi Life Insurance Co., Ltd.	Chuo-ku, Tokyo	Aug. 8, 1996	Domestic Life Insurance	¥85,500 million	100.0	—
Mitsui Sumitomo Primary Life Insurance Co., Ltd.	Chuo-ku, Tokyo	Sept. 7, 2001	Domestic Life Insurance	¥41,060 million	100.0	—
MTSUI SUMITOMO INSURANCE Venture Capital Co., Ltd.	Chuo-ku, Tokyo	Dec. 6, 1990	Financial Services	¥1,000 million	—	100.0
MS&AD InterRisk Research Institute & Consulting, Inc.	Chiyoda-ku, Tokyo	Jan. 4, 1993	Risk-Related Services	¥330 million	100.0	—
MSIG Holdings (U.S.A.), Inc.	New York, U.S.A.	Oct. 21, 1988	International	US\$920,440 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
MSIG Specialty Insurance USA Inc.	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\$4,500 thousand	—	100.0
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
Aioi Nissay Dowa Europe Limited	London, U.K.	Nov. 8, 2017	International	UK£350,010 thousand	—	100.0
Aioi Nissay Dowa Insurance UK Limited	London, U.K.	Dec. 11, 2017	International	UK£60,100 thousand	—	100.0
MS Amlin Corporate Member Limited	London, U.K.	Sept. 19, 1994	International	UK£1,700 thousand	—	100.0
MS Amlin Underwriting Limited	London, U.K.	Nov. 29, 1988	International	UK£400 thousand	—	100.0
MSI Corporate Capital Limited	London, U.K.	Jan. 7, 2000	International	UK£5,200 thousand	—	100.0
Mitsui Sumitomo Insurance Company (Europe), Limited	London, U.K.	July 28, 1972	International	UK£80,700 thousand	—	100.0
Leadenhall Capital Partners LLP	London, U.K.	Apr. 30, 2008	Financial Services	US\$2,848 thousand	—	80.0
MS Amlin AG	Zurich, Switzerland	Aug. 19, 2010	International	CHF10,000 thousand	—	100.0
MSIG Insurance Europe AG	Cologne, 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

Name of Company	Location	Date of Incorporation	Principal Business	Paid-in Capital	Voting Rights of MS&AD Holdings (%)	Voting Rights of Subsidiaries (%)
MS Financial Reinsurance Limited	Hamilton, Bermuda	Nov. 21, 2011	Financial Services	¥46 million	—	100.0
MS Amlin Insurance SE	Brussels, Belgium	Jan. 4, 2016	International	€30,000 thousand	—	100.0
Aioi Nissay Dowa Insurance Company of Europe SE	Strassen, Luxembourg	Nov. 12, 2004	International	€41,875 thousand	—	100.0
MSIG Holdings (Asia) Pte. Ltd.	Singapore, Singapore	Sept. 23, 2004	International	S\$783,018 thousand	—	100.0
MSIG Insurance (Singapore) Pte. Ltd.	Singapore, Singapore	Sept. 23, 2004	International	S\$333,442 thousand	—	100.0
MS First Capital Insurance Limited	Singapore, Singapore	Dec. 9, 1950	International	S\$26,500 thousand	—	97.7
Aioi Nissay Dowa Insurance Company Australia Pty Ltd	Melbourne, Australia	Aug. 1, 2008	International	A\$87,800 thousand	—	100.0
MSIG Mingtai Insurance Co., Ltd.	Taipei, Taiwan	Sept. 22, 1961	International	NT\$2,535 million	—	100.0
Aioi Nissay Dowa Insurance (China) Company Limited	Tianjin, P.R.C.	Jan. 23, 2009	International	RMB625,000 thousand	—	100.0
Mitsui Sumitomo Insurance (China) Company Limited	Shanghai, P.R.C.	Sept. 6, 2007	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 Jiwa Sinarmas MSIG Tbk	Jakarta, Indonesia	July 17, 1984	International	IDR210,000 million	—	80.0
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	MYR1,511 million	—	65.4 [1.4]
MSIG Insurance (Lao) Co., Ltd.	Vientiane, Laos	Sept. 18, 2009	International	US\$2,000 thousand	—	51.0
46 other companies						

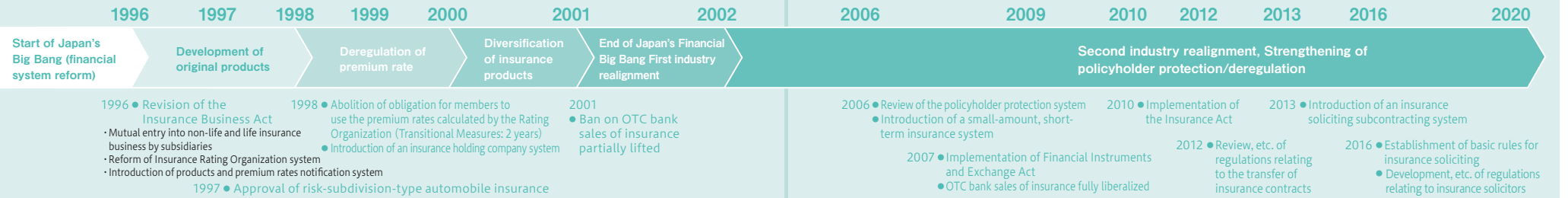
Notes: Figures in square brackets [] represent the percentage of voting rights belonging to closely allied entities or entities that are in agreement with MS&AD on voting issues.

2. EQUITY-METHOD AFFILIATES

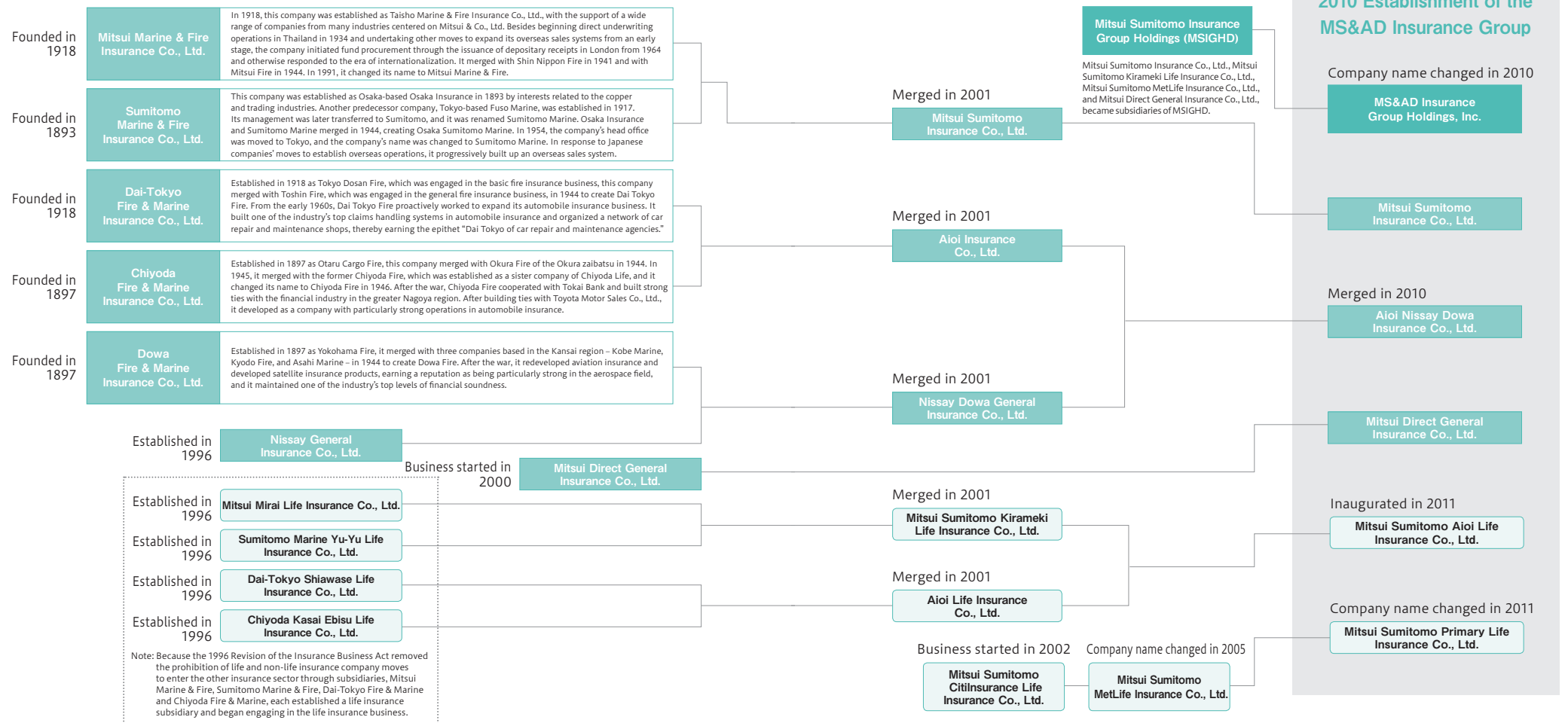
Name of Company	Location	Date of Incorporation	Principal Business	Paid-in Capital	Voting Rights of MS&AD Holdings (%)	Voting Rights of Subsidiaries (%)
au Insurance Company, Limited	Minato-ku, Tokyo	Feb. 23, 2010	Domestic Non-Life Insurance	¥3,150 million	—	49.0
Sumitomo Mitsui Asset Management Company, Limited	Minato-ku, Tokyo	July 15, 1985	Financial Services	¥2,000 million	—	15.0
ReAssure Group Plc	Shropshire, UK	Oct. 1, 2018	International	UK£100,000 thousand	25.0	—
Challenger Limited	Sydney, Australia	Sep. 13, 1985	International	A\$2,113 million	16.5	—
Cholamandalam MS General Insurance Company Limited	Chennai, India	Nov. 2, 2001	International	INR2,988 million	—	40.0
Max Life Insurance Company Limited	Chandigarh, India	July 11, 2000	International	INR19,188 million	—	25.5
Ceylinco Insurance PLC	Colombo, Sri Lanka	Feb. 11, 1987	International	LKR1,324 million	—	15.0
BPI/MS Insurance Corporation	Makati, Philippines	Oct. 1, 1965	International	PHP350,000 thousand	—	48.5
Hong Leong Assurance Berhad	Kuala Lumpur, Malaysia	Dec. 20, 1982	International	MYR200,000 thousand	—	30.0
four other companies						

History of the MS&AD Insurance Group in Japan

Major events in the insurance industry



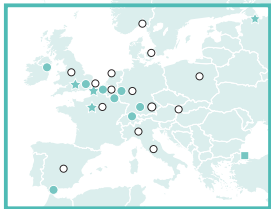
History of the MS&AD Insurance Group



Group Network and History of International Business

(As of July 1, 2020)

- Overseas branches and offices ☆Branches ★Offices
- Overseas subsidiaries and affiliates ●
- Branches and offices of overseas subsidiaries and affiliates ○
- Underwriting agents for the Head Office and others ... ■



Expansion of Non-Life Insurance Business

Business expansion through M&A

2004	Acquired the Asian non-life insurance business of U.K.-based AVIVA
2005	Acquired Taiwan-based Mingtai
2015	Acquired U.K.-based Box Innovation Group
2016	Acquired U.K.-based Amlin
2017	Acquired First Capital (Singapore)

Business initiations through capital investments in local markets

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
2015	Invested in Ceylinco Insurance (Sri Lanka)
2019	Invested in IKBZ Insurance (Myanmar)

Expansion of Life Insurance Business

Expansion and diversification of international life insurance business

2010	Investment in Hong Leong Assurance Berhad (Malaysia)
2011	Investment in Hong Leong MSIG Takafu Berhad (Malaysia)
2011	Investment in PT. Asuransi Jiwa Sinarmas MSIG (Indonesia)
2012	Investment in Max Life Insurance Company Limited (India)
2017	Investment in Challenger Limited (Australia)
2018	Investment in ReAssure (U.K.)

Net Premiums Written and Geographical Dispersion



Developing business in major countries/regions

1924	1934	1956	1957	1958	1962	1966	1969	1970		1974	1977	1978	1997	1999	2001	2003	2005	2010	2015
U.K. (Office)*	Thailand	U.K.	U.S./ Hong Kong	Singapore/ Germany	Malaysia	Australia	Indonesia	New Zealand		Brazil	Philippines	France	Vietnam	Taiwan	China (Shanghai)	India	Cambodia	Laos	Myanmar/ South Africa (Office)*

Items not marked with * indicate the year in which a direct insurance license was acquired.

Global Network (As of July 1, 2020)

☆:Overseas Branches ★:Overseas Offices ●:Major Overseas Subsidiaries and Affiliates
△:Major 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 First Capital Insurance Limited
	ADI	● Aioi Nissay Dowa Services Asia 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
	ADI	★ Bangkok Representative Office ● Aioi Bangkok Insurance Public Company Limited ● Bangkok Chayorath Company, Limited ● Bangkok Chayolife Company, Limited
MALAYSIA	MSI	● MSIG Insurance (Malaysia) Bhd. ● MSIG Berhad ● Hong Leong Assurance Berhad ● Hong Leong MSIG Takaful Berhad
PHILIPPINES	MSI	● BPI/MS Insurance Corporation
INDONESIA	MSI	● PT. Asuransi MSIG Indonesia ● PT. Asuransi Jiwa Sinarmas MSIG Tbk.
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 △ Shanghai Marketing Division ★ Beijing Representative Office
	ADI	★ China General Representative Office ★ Guangzhou Representative Office ● Aioi Nissay Dowa Insurance (China) Company Limited △ Zhejiang Branch ● Guang Ai Insurance Brokers Ltd.
HONG KONG	MSI	● MSIG Insurance (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 △ MSIG Insurance (Vietnam) Company Limited, Ho Chi Minh City Branch
INDIA	MSI	● Cholamandalam MS General Insurance Company Limited ● Cholamandalam MS Risk Services Limited ★ New Delhi Representative Office ● Max Life Insurance Company Limited △ Cholamandalam MS General Insurance Company Limited Regional Office, Bangalore △ Cholamandalam MS General Insurance Company Limited J & K Office, Gurugram
MYANMAR	MSI	★ Yangon Representative Office
CAMBODIA	MSI	● Asia Insurance (Cambodia) Plc.
LAO PEOPLE'S DEMOCRATIC REPUBLIC	MSI	● MSIG Insurance (Lao) Co., Ltd.
AUSTRALIA	MS&AD Holdings	● Challenger Limited
	MSI	☆ Oceania Branch ★ Oceania Branch Melbourne Office
	ADI	☆ Australian Branch ★ Sydney Representative Office ★ Melbourne Representative Office ● Aioi Nissay Dowa Insurance Company Australia Pty Ltd
NEW ZEALAND	MSI	★ Oceania Branch New Zealand Office
	ADI	☆ New Zealand Branch ● Aioi Nissay Dowa Management New Zealand Limited
SRI LANKA	MSI	● Ceylinco Insurance PLC

THE AMERICAS

U.S.A.	MSI	★ New York Representative Office ● MSIG Holdings (U.S.A.), 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 ● Seven Hills Insurance Agency, LLC ● MSIG Specialty Insurance USA Inc. ● MSI Guaranteed Weather, LLC ● Vortex Insurance Agency, LLC
	ADI	★ New York Representative Office ★ Honolulu Representative Office ● Aioi Nissay Dowa Insurance Services USA Corporation ● Advanced Connectivity, LLC ● Connected Analytic Services, LLC ● Toyota Insurance Management Solutions USA, LLC ● DTRIC Insurance Company, Limited ● DTRIC Insurance Underwriters, Limited ● DTRIC Management Company, Limited

GUAM (U.S.A.)	ADI	■ Takagi & Associates, Inc.
SAIPAN (U.S.A.)	ADI	■ Takagi & Associates, Inc. Saipan Branch
CANADA	MSI	★ Toronto Representative Office c/o Chubb Insurance Company of Canada ■ Chubb Insurance Company of Canada
BERMUDA	MSI	● SPAC Insurance (Bermuda) Limited ● MSI Guaranteed Weather Trading Limited ● MS Financial Reinsurance Limited
MEXICO	MSI	△ MSIG Holdings (Americas), Inc. Mexican Representative Office c/o Mapfre Tepeyac, S.A.
PANAMA	MSI	★ Panama Representative Office
BRAZIL	MSI	● Mitsui Sumitomo Seguros S/A. ● Mitsui Sumitomo Insurance Company Limited-Escritório de Representação no Brasil Ltda. ★ São Paulo Representative Office
COLOMBIA	MSI	★ Bogotá Representative Office
PERU	MSI	★ Lima Representative Office
ARGENTINA	MSI	★ Buenos Aires Representative Office

EUROPE, THE MIDDLE EAST AND AFRICA

UNITED KINGDOM	MS&AD Holdings	● ReAssure Group plc
	MSI	★ London Representative Office ● MS Amlin Corporate Services Limited ● MS Amlin Underwriting Limited ● MS Amlin Corporate Member Limited ● Mitsui Sumitomo Insurance Company (Europe), Limited △ Mitsui Sumitomo Insurance Company (Europe), Limited Derby Office ● MSIG Corporate Services (Europe) Limited ● Leadenhall Capital Partners LLP
	ADI	★ London Representative Office ● Aioi Nissay Dowa Europe Limited ● Aioi Nissay Dowa Insurance UK Limited ● Aioi Nissay Dowa Insurance Management Limited ● Box Innovation Group Limited ● Insure The Box Limited △ Insure The Box Limited UK Branch ● ITB Services Limited ● ITB Web Limited ● ITB Telematics Solutions LLP ● ITB Premium Finance Limited
	MSI	● MSIG Insurance Europe AG △ MSIG Insurance Europe AG Region Germany
GERMANY	ADI	△ Aioi Nissay Dowa Insurance Company of Europe SE German Branch △ Toyota Insurance Management SE German Branch ● Aioi Nissay Dowa Life Insurance of Europe AG

NETHERLANDS	MSI	△ MSIG Insurance Europe AG The Netherlands Branch
FRANCE	MSI	△ MSIG Insurance Europe AG France Branch
	ADI	★ Paris Representative Office △ Aioi Nissay Dowa Insurance Company of Europe SE French Branch △ Toyota Insurance Management SE French Branch
BELGIUM	MSI	● MS Amlin Insurance SE △ MSIG Insurance Europe AG Belgium Branch △ MSIG Corporate Services (Europe) Limited Belgium Branch
	ADI	★ Brussels Representative Office △ Aioi Nissay Dowa Insurance Company of Europe SE Belgian Branch △ Toyota Insurance Management SE Belgian Branch
LUXEMBOURG	ADI	● Aioi Nissay Dowa Insurance Company of Europe SE ● Toyota Insurance Management SE
SWITZERLAND	MSI	● MS Amlin AG
SPAIN	MSI	△ MSIG Insurance Europe AG Spain Branch
	ADI	△ Aioi Nissay Dowa Insurance Company of Europe SE Spanish Branch △ Toyota Insurance Management SE Spanish Branch
ITALY	MSI	△ MSIG Insurance Europe AG Italy Branch
	ADI	△ Aioi Nissay Dowa Insurance Company of Europe SE Italian Branch △ Toyota Insurance Management SE Italian Branch
SLOVAKIA	MSI	△ MSIG Insurance Europe AG Slovakia Branch
RUSSIA	MSI	★ Moscow Representative Office ★ St. Petersburg Representative Office
	ADI	★ Moscow Representative Office ● LLC Toyota Insurance Management Limited (Insurance Brokers) ● LLC Toyota Insurance Management Limited (Insurance Agency)
NORWAY	ADI	△ Aioi Nissay Dowa Insurance Company of Europe SE Norwegian Branch
UNITED ARAB EMIRATES	MSI	★ Dubai Representative Office ★ Abu Dhabi Representative Office
REPUBLIC OF SOUTH AFRICA	MSI	△ Mitsui Sumitomo Insurance Company (Europe), Limited Johannesburg Representative Office
	ADI	● Toyota Insurance Management South Africa Proprietary Limited
KAZAKHSTAN	ADI	● Toyota Insurance Management (Insurance Broker) LLP
DENMARK	ADI	△ Toyota Insurance Management SE Nordic Branch
POLAND	ADI	△ Toyota Insurance Management SE Polish Branch

Credit Ratings

Credit Ratings for Domestic Insurance Companies

This section contains information about credit ratings assigned to the following companies in the Group. (As of July 1, 2020)

Rating Agency	Rating Assigned	MS&AD Holdings	Mitsui Sumitomo Insurance Co., Ltd.	Aioi Nissay Dowa Insurance Co., Ltd.	Mitsui Sumitomo Aioi Life Insurance Co., Ltd.	Mitsui Sumitomo Primary Life Insurance Co., Ltd.
Standard & Poor's	Financial Strength Rating	—	A+ (Stable)	A+ (Stable)	—	A+ (Stable)
	Long-Term Issuer Credit Rating	—	A+ (Stable)	A+ (Stable)	—	A+ (Stable)
	Short-Term Issuer Credit Rating	—	A-1	A-1	—	—
Moody's	Insurance Financial Strength Rating	—	A1 (Stable)	A1 (Stable)	—	—
	Long-Term Issuer Rating	—	A1 (Stable)	—	—	—
Rating and Investment Information, Inc. (R&I)	Issuer Rating	—	AA (Stable)	AA (Stable)	—	—
	Insurance Claims Paying Ability	—	—	—	AA (Stable)	AA (Stable)
Japan Credit Rating Agency, Ltd. (JCR)	Ability to Pay Insurance Claims	—	—	AA+ (Stable)	—	—
	Long-Term Issuer Rating	AA (Stable)	AA+ (Stable)	AA+ (Stable)	—	—
	Short-Term Rating (Commercial Paper)	—	J-1+	J-1+	—	—
A.M. Best	Financial Strength Rating	—	A+ (Stable)	A+ (Stable)	—	—
	Issuer Credit Rating	—	aa (Stable)	aa (Stable)	—	—

Credit Ratings for Overseas Insurance Companies

The table below indicates information about credit ratings of overseas subsidiaries. (As of July 1, 2020)

Rating Agency	Overseas Subsidiaries	Credit Rating
Standard & Poor's	Mitsui Sumitomo Insurance Co. (Europe), Ltd. MSIG Insurance (Hong Kong) Ltd. MSIG Insurance (Singapore) Pte. Ltd. MSIG Insurance Europe AG	Financial Strength Rating A+ (Stable) ¹
	Aioi Nissay Dowa Insurance Company of Europe SE Aioi Nissay Dowa Insurance UK Ltd.	Financial Strength Rating A+ (Stable) ²
	Mitsui Sumitomo Insurance Company of America Mitsui Sumitomo Insurance USA, Inc.	Financial Strength Rating A+ (Stable)
	Mitsui Sumitomo Insurance (China) Co., Ltd. MSIG Mingtai Insurance Co., Ltd. MS Amlin AG Amlin Insurance SE	Financial Strength Rating A (Stable)
Moody's	Syndicate 2001 MS Amlin AG	Insurance Financial Strength Rating A1 (Stable)
A.M. Best	Mitsui Sumitomo Insurance Company of America Mitsui Sumitomo Insurance USA, Inc. MSIG Specialty Insurance USA Inc.	Financial Strength Rating A+ (Stable) Issuer Credit Rating aa (Stable)
	Syndicate 2001 MS Amlin AG	Financial Strength Rating A (Stable) Issuer Credit Rating a+ (Stable)
	DTRIC Insurance Company Ltd. DTRIC Insurance Underwriters, Ltd. Aioi Nissay Dowa Insurance (China) Co., Ltd.	Financial Strength Rating A- (Stable) Issuer Credit Rating a- (Stable)
	MS First Capital Insurance Limited	Financial Strength Rating A (Stable) Issuer Credit Rating a (Stable)

1. Applicable to the same ratings of Mitsui Sumitomo Insurance with the guarantee on insurance/reinsurance policies, issued by Mitsui Sumitomo Insurance (the issuer of the guarantee, the "Guarantor"). The obligations of the Guarantor under the guarantee rank pari passu with all other unsecured indebtedness of the Guarantor. The guarantee is unconditional and covers the subsidiaries' obligations of payment and not collection.
2. Applicable to the same rating of Aioi Nissay Dowa Insurance with the guarantee on insurance/reinsurance policies, issued by Aioi Nissay Dowa Insurance (the issuer of the guarantee, the "Guarantor"). The obligations of the Guarantor under the guarantee rank pari passu with all other unsecured indebtedness of the Guarantor. The guarantee is unconditional and covers the subsidiaries' obligations of payment and not collection.

Domestic Non-Life Insurance Business

Mitsui Sumitomo Insurance Co., Ltd. (MSI)

Responsible for the non-life insurance business, which is a core business of the MS&AD Insurance Group. Drawing on its wide range of partnerships centering mainly on the Mitsui and Sumitomo groups, MSI is leveraging the full range of its capabilities to develop and rollout global insurance and financial services that meet every conceivable need of customers around the world.

Company Overview

President: **Noriyuki Hara**
(concurrently serving as representative director, president and CEO of MS&AD Holdings)
Date Established: **October 1918**
Number of Employees: **14,371** (As of March 31, 2020)
Head Office: **9, Kanda-Surugadai 3-chome, Chiyoda-ku, Tokyo**
URL <https://www.ms-ins.com/english/>

Principal Indicators (Non-Consolidated)

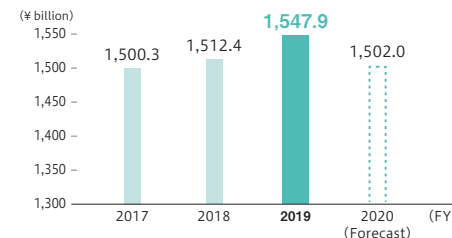
(¥ billion)

Item	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020 (Forecast)
Net premiums written	1,507.4	1,469.6	1,500.3	1,512.4	1,547.9	1,502.0
Growth rate of net premiums written	4.3%	(2.5%)	2.1%	0.8%	2.3%	(3.0%)
Net loss ratio	58.9%	61.2%	61.6%	66.2%	63.3%	61.2%
Net expense ratio	31.0%	31.2%	31.3%	31.5%	32.0%	34.5%
Combined ratio	89.9%	92.4%	92.9%	97.7%	95.3%	95.7%
Underwriting income	19.1	81.7	84.4	47.3	7.3	48.0
Investment income	152.8	139.4	182.5	185.9	93.9	75.0
Ordinary profit	167.8	215.5	262.5	226.4	89.1	114.0
Net income	113.9	164.5	198.2	171.1	94.0	76.0
Net assets	1,527.4	1,645.0	1,877.0	1,832.6	1,640.0	—
Total assets	6,786.5	6,777.0	7,098.2	6,977.1	6,686.0	—
Net unrealized gains/(losses) on investments in securities (before tax effects)	1,251.1	1,294.0	1,419.7	1,226.7	947.8	—
Solvency margin ratio (non-consolidated)	585.9%	657.9%	701.1%	723.2%	701.3%	—
Number of employees	14,691	14,650	14,572	14,577	14,371	—

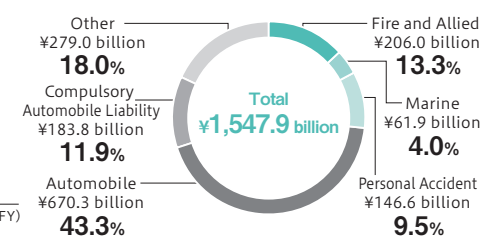
- Notes: 1. Net premiums written, net loss ratio, net expense ratio and combined ratio figures are presented exclusive of Good Result Return premiums of propriety automobile insurance product "ModoRich", which contains a special clause related to premium adjustment and refund at maturity.
2. Net loss ratio = (net claims paid + loss adjustment expenses) ÷ net premiums written × 100
3. Net expense ratio = (commissions and collection expenses + operating expenses and general and administrative expenses for underwriting) ÷ net premiums written × 100
4. Combined ratio = net loss ratio + net expense ratio
5. 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. It includes monetary claims bought, money trusts and others that are accounted for as investment in securities.

Principal Management Indicators

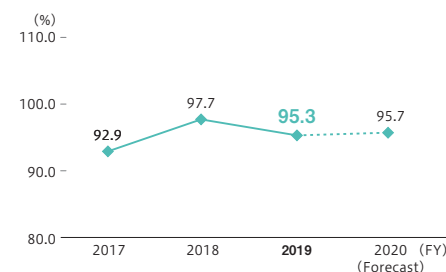
Net Premiums Written



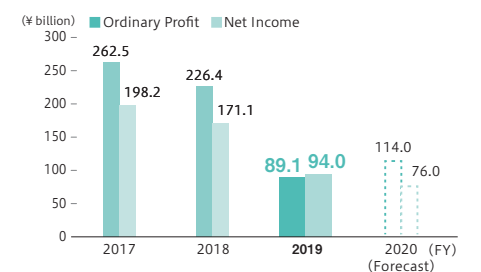
Composition by Class of Insurance (FY2019)



Combined Ratio



Ordinary Profit / Net Income



Domestic Non-Life Insurance Business

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

Responsible for the non-life insurance business, which is a core business of the MS&AD Insurance Group. Harnessing the networks of the Toyota and Nippon Life groups as well as the strength of its community-based retail market development capabilities, ADI is working diligently to further develop its business.

Company Overview

President: **Yasuzo Kanasugi** (concurrently serving as representative director, vice chairman and vice chairman of MS&AD Holdings)
Date Established: **June 1918**
Number of Employees: **13,775** (As of March 31, 2020)
Head Office: **28-1, Ebisu 1-chome, Shibuya-ku, Tokyo**
URL: <https://www.aioinissaydowa.co.jp>
(Japanese language only)

Principal Indicators (Non-Consolidated)

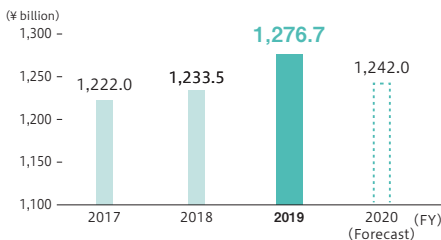
(¥ billion)

Item	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020 (Forecast)
Net premiums written	1,192.0	1,200.5	1,222.0	1,233.5	1,276.7	1,242.0
Growth rate of net premiums written	2.7%	0.7%	1.8%	0.9%	3.5%	(2.7%)
Net loss ratio	59.2%	59.1%	59.2%	67.8%	62.0%	62.6%
Net expense ratio	34.3%	33.5%	33.4%	33.8%	34.5%	35.7%
Combined ratio	93.5%	92.6%	92.6%	101.6%	96.5%	98.3%
Underwriting income	24.8	39.5	4.8	15.5	1.1	7.0
Investment income	34.9	32.2	(1.9)	43.0	55.3	16.0
Ordinary profit	61.7	75.1	5.6	61.3	58.6	26.0
Net income	31.0	50.3	15.6	37.3	44.7	23.0
Net assets	745.1	793.0	781.0	735.5	638.0	—
Total assets	3,418.5	3,498.2	3,486.6	3,410.9	3,420.7	—
Net unrealized gains/(losses) on investments in securities (before tax effects)	473.7	505.3	578.7	506.3	375.3	—
Solvency margin ratio (non-consolidated)	829.3%	851.6%	784.0%	688.2%	702.3%	—
Number of employees	13,260	13,052	13,287	13,657	13,775	—

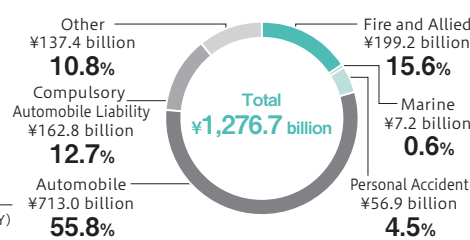
Notes: 1. Net loss ratio = (net claims paid + loss adjustment expenses) ÷ net premiums written × 100
2. Net expense ratio = (commissions and collection expenses + operating expenses and general and administrative expenses for underwriting) ÷ net premiums written × 100
3. Combined ratio = net loss ratio + net expense 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. It includes monetary claims bought, money trusts and others that are accounted for as investment in securities.

Principal Management Indicators

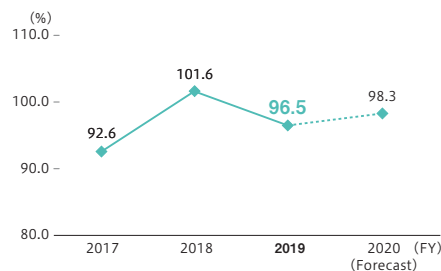
▶ Net Premiums Written



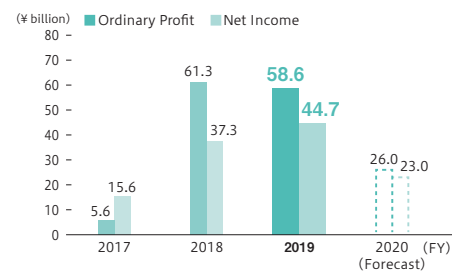
▶ Composition by Class of Insurance (FY2019)



▶ Combined Ratio



▶ Ordinary Profit / Net Income



Domestic Non-Life Insurance Business

Mitsui Direct General Insurance Co., Ltd. (Mitsui Direct General)

Mitsui Direct General is a non-life insurance company that engages in the direct sale of individual voluntary automobile insurance via the Internet and smartphones.

Company Overview

President: **Akio Miyamoto**
Date Established: **June 1999**
Number of Employees: **552** (As of March 31, 2020)
Head Office: **5-3, Kouraku 1-chome, Bunkyo-ku, Tokyo**
URL: <https://www.mitsui-direct.co.jp>
(Japanese language only)

Principal Indicators (Non-Consolidated)

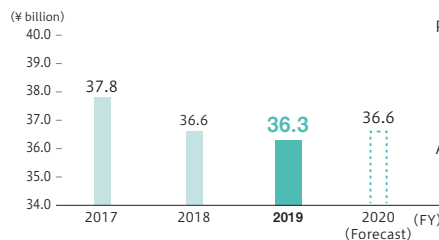
(¥ billion)

Item	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020 (Forecast)
Net premiums written	36.5	37.6	37.8	36.6	36.3	36.6
Growth rate of net premiums written	4.3%	3.0%	0.6%	(3.2%)	(0.8%)	0.6%
Net loss ratio	79.0%	75.9%	73.0%	76.2%	74.9%	75.7%
Net expense ratio	21.9%	22.0%	23.3%	25.3%	28.3%	29.4%
Combined ratio	100.9%	97.9%	96.3%	101.5%	103.2%	105.1%
Underwriting income	(5.45)	(1.00)	0.38	0.33	0.13	0.12
Ordinary profit	(5.37)	(0.95)	0.45	0.38	0.17	0.16
Net income	(5.42)	(1.00)	0.32	0.24	0.15	0.10
Net assets	6.4	13.3	13.6	13.9	14.0	—
Total assets	51.0	59.9	61.4	60.9	59.7	—
Solvency margin ratio (non-consolidated)	230.4%	431.4%	457.5%	497.6%	526.9%	—
Number of employees	554	572	571	545	552	—

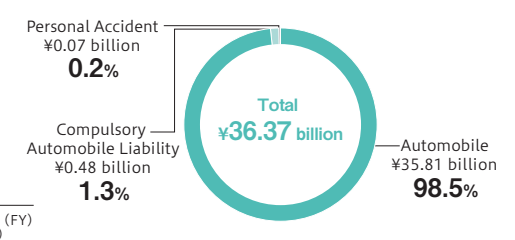
Notes: 1. Net loss ratio = (net claims paid + loss adjustment expenses) ÷ net premiums written × 100
2. Net expense ratio = (commissions and collection expenses + operating expenses and general and administrative expenses for underwriting) ÷ net premiums written × 100
3. Combined ratio = net loss ratio + net expense ratio

Principal Management Indicators

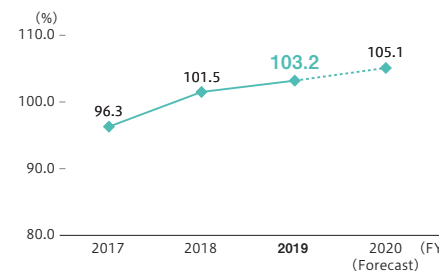
▶ Net Premiums Written



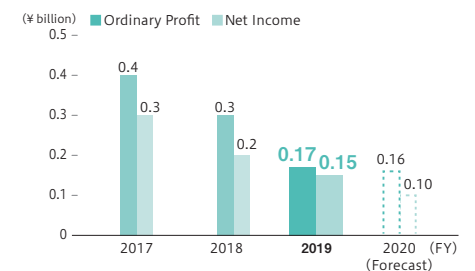
▶ Composition by Class of Insurance (FY2019)



▶ Combined Ratio



▶ Ordinary Profit / Net Income



Domestic Life Insurance Business

Mitsui Sumitomo Aioi Life Insurance Co., Ltd. (MSI Aioi Life)

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

Company Overview

President: Hitoshige Tanbo
Date Established: August 1996
Number of Employees: 2,588
(As of March 31, 2020)
Head Office: 27-2, Shinkawa 2-chome,
Chuo-ku, Tokyo
URL: <https://www.msa-life.co.jp>
(Japanese language only)

Principal Indicators (Non-Consolidated)

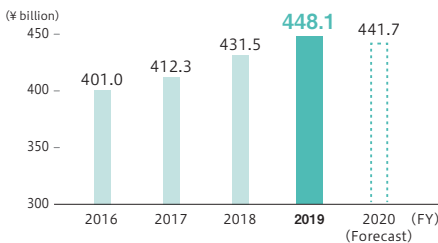
(¥ billion)

Item	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020 (Forecast)
Amount of new policies	2,423.3	2,377.1	2,639.5	3,114.5	2,068.4	1,615.1
Amount of policies in force	22,576.0	23,214.2	23,806.8	24,533.1	24,458.0	24,133.2
Annualized premiums of policies in force	375.7	401.0	412.3	431.5	448.1	441.7
Ordinary profit	18.6	16.1	16.9	19.5	18.6	19.8
Core profit	19.4	18.6	12.8	15.5	13.6	—
Risk differential gains/(losses)	51.5	55.8	59.9	62.7	62.6	—
Expenses differential gains/(losses)	(16.3)	(14.6)	(15.3)	(13.0)	(10.8)	—
Investment income differential gains/(losses)	2.0	(0.2)	(2.2)	(4.3)	(7.9)	—
Net income	6.0	4.5	5.2	7.9	7.5	8.0
Net assets	199.7	276.2	264.5	275.9	260.7	—
Total assets	3,229.0	3,619.1	3,869.7	4,229.6	4,510.4	—
Net unrealized gains/(losses) on investments in securities (before tax effects)	165.2	126.3	107.5	114.0	86.9	—
Embedded value (EEV)	595.8	794.2	835.5	819.4	890.2	912.0
Solvency margin ratio	1,598.4%	1,893.2%	1,726.7%	1,681.8%	1,549.3%	—
Number of employees	2,554	2,595	2,609	2,602	2,588	—

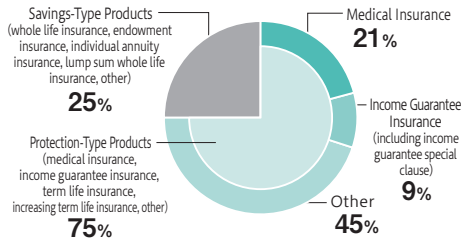
Notes: 1. Amount of new policies, amount of policies in force and annualized premiums of policies in force are the total of individual insurance and individual annuity insurance.
2. Core profit is an insurance business profitability indicator that is calculated by deducting capital gains/(losses) and non-recurring income and losses from ordinary profit.
3. 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. It includes monetary claims bought, money trusts and others that are accounted for as investment in securities.

Principal Management Indicators

► Annualized Premiums of Policies in Force

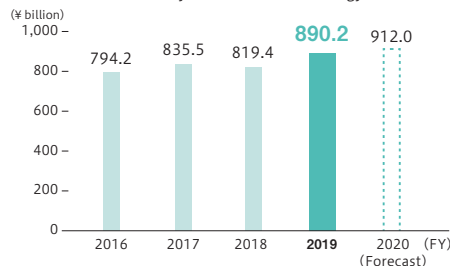


► Weight by Type of Product (FY2019)

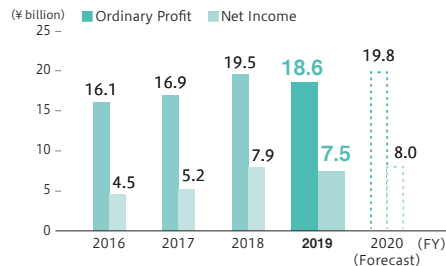


► Embedded Value (EEV)

(Refer to the "Glossary of Insurance Terminology" on P. 98)



► Ordinary Profit / Net Income



Domestic Life Insurance Business

Mitsui Sumitomo Primary Life Insurance Co., Ltd. (MSI Primary Life)

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

Company Overview

President: Yasuhiro Nagai
Date Established: September 2001
Number of Employees: 396
(As of March 31, 2020)
Head Office: Yaesu First Financial Building, 3-7,
Yaesu 1-chome, Chuo-ku, Tokyo
URL: <https://www.ms-primary.com>
(Japanese language only)

Principal Indicators (Non-Consolidated)

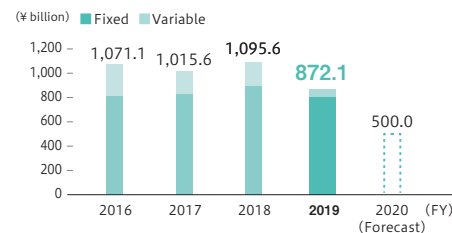
(¥ billion)

Item	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020 (Forecast)
Premiums income	1,299.4	1,071.1	1,015.6	1,095.6	872.1	500.0
Amount of new policies	1,262.6	1,032.2	1,015.6	1,118.2	882.7	528.5
Amount of policies in force	4,910.8	5,680.7	6,061.8	6,678.5	6,514.0	6,290.0
Ordinary profit	39.9	57.6	28.9	35.5	31.4	24.6
Core profit/(loss)	14.3	52.7	8.8	(12.3)	(27.9)	—
Core profit + Capital gains	41.9	58.9	30.0	44.2	27.6	—
Net income	17.8	20.7	29.2	23.3	20.3	15.0
Net assets	125.0	137.7	164.0	195.3	194.8	—
Total assets	5,191.2	5,838.0	6,201.7	6,885.3	6,814.9	—
Net unrealized gains/(losses) on investments in securities (before tax effects)	14.6	10.4	11.3	27.3	(7.4)	—
Embedded value (EEV)	333.8	375.3	416.2	436.1	348.4	—
Solvency margin ratio	985.5%	1,030.5%	992.9%	825.4%	746.0%	—
Number of employees	381	384	394	400	396	—

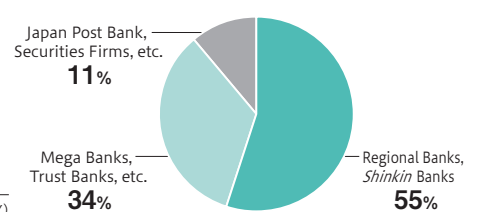
Notes: 1. The amount of new policies and amount of policies in force are the totals of individual insurance and individual annuity insurance.
2. Core profit is an insurance business profitability indicator that is calculated by deducting capital gains/(losses) and non-recurring income and losses from 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. As for MSI Primary Life, 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). Meanwhile, the method for disclosing the breakdown of ordinary profit was revised effective from FY2017. As a result of retroactive adjustments to FY2016 data, core profit (fundamental profit) for FY2016 has been revised.
3. Net unrealized gains/(losses) on investments in securities (before tax effects) represent 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. It includes monetary claims bought, money trusts and others that are accounted for as investment in securities.

Principal Management Indicators

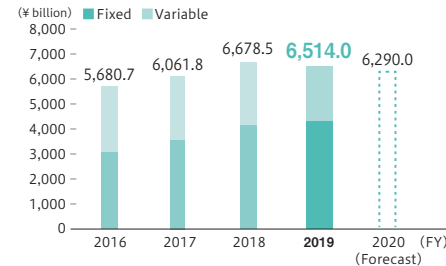
► Premiums Income



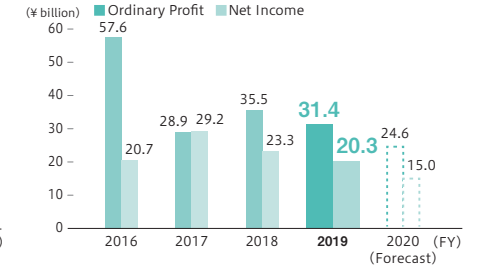
► Weight by Type of Sales Channel (FY2019)



► Amount of Policies in Force



► Ordinary Profit / Net Income



Centered on three operating companies—Lloyd's, Reinsurance and Continental Europe Primary Insurance—MS Amlin is a leading insurer that provides both insurance and reinsurance services around the world.

Principal Indicators

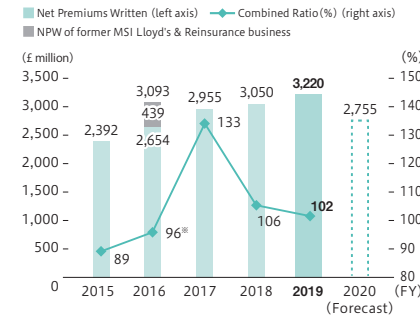
(£ million)

Item	FY2016	FY2017	FY2018	FY2019	FY2020 (Forecast)
Net premiums written	3,093	2,955	3,050	3,220	2,755
Growth rate of net premiums written	—	(4.5%)	3.2%	5.6%	(14.4%)
El claims ratio	64%	97%	71%	67%	—
El expense ratio	32%	36%	35%	34%	—
Combined ratio	96%	133%	106%	102%	—
Underwriting income/(loss)	107	(964)	(174)	(55)	—
Investment income	117	181	54	263	—
Net income	83	(759)	(94)	55	(105)

Notes: 1. On a local reporting basis. The accounting method where securities market fluctuations are reflected in the profit-loss statement has been adopted for investment profit.
The El expense ratio and combined ratio are calculated by taking into account foreign exchange gains/losses included in underwriting profit.
2. Figures for FY2016 include results of MSI's Lloyd's and Reinsurance subsidiaries that were consolidated into MS Amlin at the end of FY2016.
3. Figures for FY2020 are the sum of MS Amlin Underwriting Limited, MS Amlin AG, MS Amlin Insurance SE, and other services companies.

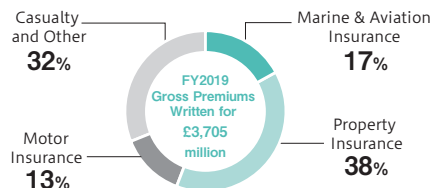
Principal Indicators

Net Premiums Written and Combined Ratio

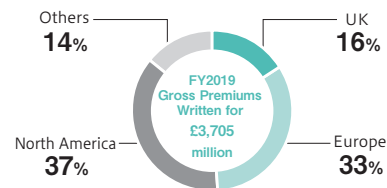


*After consolidation of MSI's Lloyd's and Reinsurance businesses into MS Amlin

Gross Premiums Written by Product Line



Gross Premiums Written by Geography



Overview of the Insurance Business of the Three MS Amlin Companies (As of March 31, 2020)

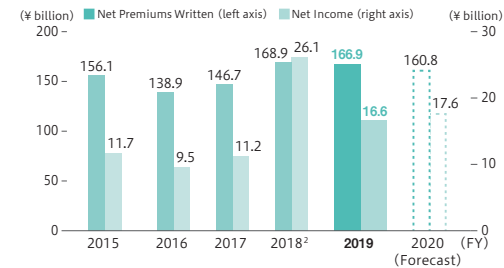
Company Name	MS Amlin Underwriting Limited	MS Amlin AG	MS Amlin Insurance SE
Headquarters	UK, London	Switzerland, Zurich	Belgium, Brussels
CEO	Tom Clementi	Chris Beazley	Ludovic Senecaut
Number of Employees*	Approx. 540	Approx. 160	Approx. 450
FY2019 Net Premiums Written (£ million)	1,549	1,144	520
Business Description	Lloyd's businesses	Reinsurance business in Switzerland, Bermuda, the United States, etc.	Continental Europe Primary Insurance business with a focus on Belgium, the Netherlands and France, etc.

* In addition to the aforementioned, the company has approximately 600 employees in service and other companies.

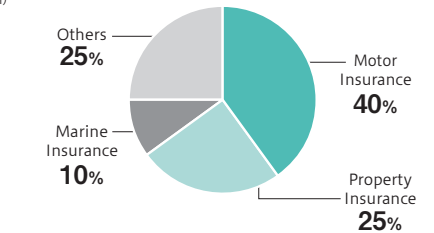
As the sole insurance group with underwriting operations in all 10 ASEAN countries in the Asian region, we are leveraging our solid business base to create further growth and expand locally rooted businesses.

Principal Indicators¹

Net Premiums Written and Net Income



Gross Written Premiums by Product Line (FY2019)

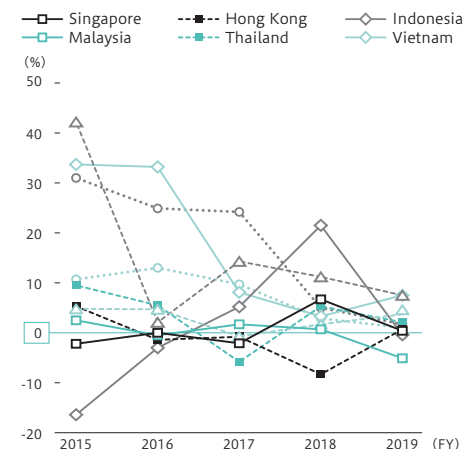


Conditions by Major Country and Region (FY2019)

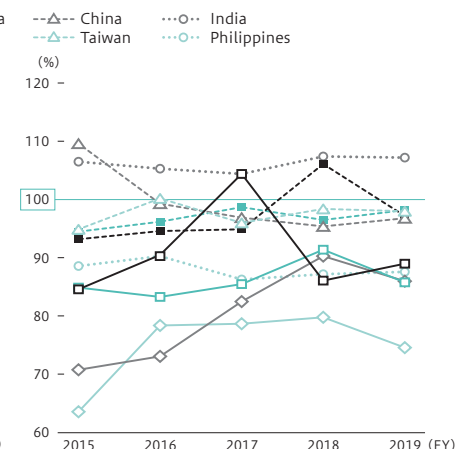
(¥ billion)

Country / Region	Net premiums written	Net income
Singapore	37.3	6.5
Malaysia	31.4	4.0
Hong Kong	12.6	0.9
Thailand	12.0	0.4
Indonesia	4.2	0.6

Country / Region	Net premiums written	Net income
Vietnam	1.5	0.5
China	36.8	2.0
Taiwan	30.7	1.5
India ³	52.8	0.9
Philippines ³	6.5	0.4

Trends in Premium Growth Rates (FY2015-FY2019)^{4,5}

Trends in Combined Ratios (FY2015-FY2019)



1. Figures are calculated and presented using data for subsidiaries and equity-method affiliates in Asia (excluding countries in Oceania). Figures for overseas offices are not included.
2. Data reflects consolidated figures for MS First Capital Limited of Singapore from FY2018.
3. Equity-method affiliates. Net premiums written are shown on a 100% basis, regardless of equity ownership. Net income is presented on an equity ownership basis.
4. The premium growth rate is the percentage increase in net premiums written (on a local currency basis) from the previous fiscal year.
5. Singapore's FY2018 premium growth rate has been calculated after taking into account a comparison with MS First Capital Limited's net premiums written in FY2017 following that company's inclusion in the scope of consolidation in FY2018.

Short Commentary: Group Financial Statements

Commentary 1: Balance Sheet (B/S)

On its consolidated balance sheet, the Group has total assets of ¥23.1 trillion, and the majority liabilities, ¥17.8 trillion, are policy liabilities—that is, reserves for paying future insurance claims. On the other hand, the largest asset item is investments in securities, which have a total market value of ¥15.4 trillion. Unrealized gains (after tax-effect deduction) in excess of the market value of investments in securities at acquisition costs are recorded in unrealized gains/losses on investments in securities (¥0.9 trillion). This means that policy liabilities, which account for the majority of the Group's balance sheet liabilities, are invested in securities. In addition, unrealized gains on investments in securities (after tax-effect accounting) accounted for approximately 40% of net assets (¥2.4 trillion) as of the end of FY2019.

(¥ billion)

(Main) assets		(Main) liabilities	
Cash, deposits and savings	1,846.2	Policy liabilities	17,809.5
Money trusts	1,666.4	Bonds issued	809.0
Investments in securities	15,494.5	Other liabilities	1,672.2
(of which: stocks)	2,180.4	Deferred tax liabilities	17.2
Loans	892.3	Total liabilities	20,702.4
Tangible fixed assets	488.3		
Intangible fixed assets	442.6	(Main) Net assets	
Other assets	1,535.4	Shareholders' equity	1,588.1
		Net unrealized gains/losses on investments in securities	982.0
		Total net assets	2,494.0
Total assets	23,196.4	Total liabilities and net assets	23,196.4

Commentary 2: Statements of Income (P/L)

① Main components of the statements of income

A summary of the Group's consolidated statements of income (P. 142) is provided below. It consists primarily of underwriting income and expenses and investment income and expenses.

FY2019

Income (+): underwriting income, ¥4,640.5 billion; investment income, ¥511.5 billion; other ordinary income, ¥16.2 billion
 Expenses (-): underwriting expenses, ¥3,749.8 billion (of which ¥196.1 billion is provision for underwriting reserves)
 Investment expenses, ¥512.9 billion; operating expenses and general and administrative expenses, ¥694.6 billion; other ordinary expenses, ¥53.2 billion
 Ordinary profit: ¥157.7 billion

FY2018

Income (+): underwriting income, ¥4,918.6 billion; investment income, ¥561.1 billion; other ordinary income, ¥20.6 billion
 Expenses (-): underwriting expenses, ¥4,406.8 billion (of which ¥700.5 billion is provision for underwriting reserves)
 Investment expenses, ¥104.8 billion; operating expenses and general and administrative expenses, ¥680.9 billion; other ordinary expenses, ¥17.0 billion
 Ordinary profit: ¥290.8 billion

② Underwriting profit for domestic non-life insurance companies and catastrophe reserves

Underwriting profit can be dramatically affected by events such as natural catastrophes. Non-life insurance companies are legally required to build up catastrophe reserves to mitigate that impact. When companies have to pay extremely large insurance claims, they can reverse the catastrophe reserves, which mitigates the impact to a certain degree. The following table indicates past underwriting profit, incurred losses related to natural catastrophes and changes in catastrophe reserves (net provision). (See P. 98 of the "Glossary of Insurance Terminology" for details on catastrophe reserves and P. 103 for underwriting profit.)

Impact of natural catastrophes on underwriting profit

(¥ billion)

	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
Underwriting profit/(loss)	(83.7)	(190.0)	(3.0)	(36.1)	28.7	43.9	121.3	89.3	62.8	8.4
Impact on underwriting profit -(A+B)	(65.9)	(172.0)	(13.2)	(93.3)	(58.5)	(149.7)	(132.9)	(159.0)	(160.8)	(172.3)
Incurred losses due to natural catastrophes (A)	65.9	311.5	55.1	96.3	27.2	68.1	51.0	114.3	240.7	139.0
Great East Japan Earthquake	62.7	(7.7)	1.3	—	—	—	—	—	—	—
2011 Thailand floods	—	264.3	0.6	(23.0)	(5.1)	—	—	—	—	—
2014 massive snowfalls	—	—	—	82.1	2.2	0.3	—	—	—	—
Large-scale natural catastrophes incl. 2017 hurricanes in North America	—	—	—	—	—	—	—	41.3	—	—
July heavy rain, Typhoon No. 21, No. 24 in 2018	—	—	—	—	—	—	—	—	183.7	—
Typhoon No.15, No.19 in 2019	—	—	—	—	—	—	—	—	—	93.0
Other natural catastrophes	3.2	54.9	53.2	37.1	30.1	67.7	51.0	73.0	56.9	46.0
Net provision for catastrophe reserves (B)	0	(139.5)	(41.9)	(3.0)	31.3	81.6	81.8	44.6	(79.8)	33.3

* Simple sum of MSI and ADI
 Example: The impact of loss of ¥311.5 billion from natural catastrophes for FY2011 was mitigated by the reversal of catastrophe reserves of ¥139.5 billion and resulted in an underwriting loss of ¥190.0 billion.

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Five-Year Summary (Unaudited)

	Yen in millions					US\$ in millions
	FY2015	FY2016	FY2017	FY2018	FY2019	FY2019
Ordinary income:	¥ 5,013,038	¥ 5,335,239	¥ 5,217,835	¥ 5,500,438	¥ 5,168,361	\$ 47,416
Net premiums written	3,078,732	3,407,389	3,440,976	3,497,572	3,573,732	32,787
Ordinary profit/(loss)	291,578	352,612	211,548	290,847	157,701	1,447
Net income/(loss) attributable to owners of the parent	181,516	210,447	154,057	192,705	143,030	1,312
Comprehensive income/(loss)	(233,116)	114,294	311,096	(79,701)	(157,288)	(1,443)
Net assets	2,725,274	2,734,432	2,968,387	2,778,047	2,494,038	22,881
Total assets	20,303,649	21,234,300	22,472,927	23,132,539	23,196,455	212,812

	Yen					US\$
Net income/(loss) attributable to owners of the parent per share - Basic	¥ 298.72	¥ 350.94	¥ 260.04	¥ 328.72	¥ 248.36	\$ 2.28
Net income/(loss) attributable to owners of the parent per share - Diluted	—	350.90	259.98	328.60	248.22	2.28
Net assets per share	4,469.58	4,572.82	4,964.64	4,712.11	4,308.37	39.53

Equity ratio	13.29%	12.76%	13.09%	11.89%	10.57%	—
Return on equity	6.36%	7.78%	5.45%	6.77%	5.50%	—
Price earnings ratio	10.50	10.09	12.90	10.25	12.18	—

	Yen in millions					US\$ in millions
Cash flows						
Cash flows from operating activities	¥ 1,291,017	¥ 1,086,948	¥ 822,640	¥ 776,724	¥ 667,896	\$ 6,127
Cash flows from investing activities	(1,217,980)	(614,899)	(963,105)	(252,417)	(330,363)	(3,031)
Cash flows from financing activities	199,075	(100,198)	42,329	(33,337)	65,321	599
Cash and cash equivalents at the end of year	1,056,407	1,415,903	1,323,506	1,798,526	2,198,680	20,171
Number of employees	40,617	40,641	41,295	41,467	41,582	—

Note: U.S. dollar amounts in this report have been translated from yen, for convenience only, at the rate of ¥109=US\$1. For details, see Note 1 of Significant Accounting Policies (p. 148).

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 (173 subsidiaries and 33 associates as of March 31, 2020), and the positioning of the principal affiliates within these businesses.

MS&AD is a specified listed company pursuant to the provisions stipulated in the Japanese Cabinet Order 49-2 and is regulated under this Order with respect to 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 minimal standards criteria of material facts set forth in restrictions on insider trading.

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 ("MSA Life")
Mitsui Sumitomo Primary Life Insurance Company, Limited ("MSP Life")

3) International Business

MS&AD's international business is operated by international divisions of domestic non-life insurance subsidiaries in Japan, and overseas subsidiaries, 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, Sumitomo Mitsui DS Asset Management Company, Limited, MITSUI SUMITOMO INSURANCE Venture Capital Co.,Ltd., Leadenhall Capital Partners LLP and others.

b) Risk-Related Services Business

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

2. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

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 MS&AD Holdings' management to select and apply accounting policies as well as to make a number of estimates regarding the impact on disclosure of assets and liabilities as well as revenues and expenses. The management bases their estimates on historical experience and other assumptions that they consider reasonable. Nevertheless, these estimates contain inherent uncertainties and thus could differ from actual results.

Significant accounting policies used in the preparation of MS&AD

Holdings' consolidated financial statements are presented in "SIGNIFICANT ACCOUNTING POLICIES" of the "Notes to Consolidated Financial Statements."

The management recognizes the following significant accounting policies and estimates could have significant impacts on the consolidated financial statements.

Details of the impact of the COVID-19 pandemic are outlined in the "9. Additional information" section of "SIGNIFICANT ACCOUNTING POLICIES" of the "Notes to Consolidated Financial Statements. While making certain accounting estimates based on a defined set of assumptions, it remains unclear when the spread of the pandemic will dissipate and what impact COVID-19 will have on the global economy. This in turn could have a significant impact of the Group's operating results and financial position in the next consolidated fiscal year.

1) Method for Determination of Fair Value

Certain assets and liabilities are recorded on the Company's balance sheet at their fair values. These fair values are determined based on market prices. For certain 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 factors.

2) Impairment of Securities

Since securities held by the Group companies are subject to the risk of price fluctuations in securities markets, MS&AD applies 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 recognizes impairment losses 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 debts, 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 debtors.

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 such factors as the results of legal judgments and 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 environment, operating conditions and other factors.

8) Retirement Benefit Expenses and Retirement Benefit Obligations

Retirement benefit expenses and retirement benefit obligations are calculated based on certain 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, 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 remained on a path of gradual recovery due to factors such as the strong U.S. economy. In addition, the Japanese economy also recovered gradually mainly in internal demand due to factors such as the improvement of employment and income conditions. However, the global and Japanese economies both drastically slowed down due to the impact of the novel coronavirus disease (COVID-19) that has been spreading globally since the beginning of this year.

The MS&AD Insurance Group ("the Group") is aiming to "become a world-leading insurance and financial services group" and "create resilient" systems that can swiftly respond to changes in the environment" based on the Medium-Term Management Plan "Vision 2021" that started from FY2018. For achieving these goals, the Group has been making efforts for the three key strategies of "Pursue Group's comprehensive strengths," "Promote digitalization," and "Reform portfolio."

Pursue Group's comprehensive strengths	We made efforts to realize higher efficiency and quality by promoting standardization and sharing such as standardizing automobile, fire, accident and casualty insurance products and administration, and reviewing the status of reinsurance on a Group basis to strengthen competitiveness by utilizing group synergies.
Promote digitalization	For the purpose of enhancing the value of customers' actual experiences and improving the business productivity of the Group, we promoted initiatives that link with the overall reform of business that utilizes digital technologies. In addition to developing and introducing "MS1 Brain," a new system that supports the provision of optimal products and services through agents at MSI, we also provided claims services that utilize telematics technology ^{*2} at ADI. Furthermore, we made investments in startups through a corporate venture capital (CVC) established in Silicon Valley, the US.
Reform portfolio	We made efforts to reform our business portfolio with diversified geography and businesses by focusing on strengthening and expanding the overseas business and domestic life insurance business in addition to expanding sales of casualty insurance in the domestic non-life insurance business, and also reformed our risk portfolio by reducing strategic equity holdings and strengthening risk management for natural catastrophe risks on a Group basis.

In the fiscal year under review, multiple natural disasters, such as typhoons, occurred, flexible responses were implemented in not only the claims services division, but other divisions as well, such as deploying more

personnel at call centers and disaster countermeasures offices. Furthermore, we made efforts to pay insurance claims promptly to customers by promoting the ability to make claims using the internet, verify the status of damages using drones (unmanned helicopters), investigate damages using video chat, and utilize various digital technologies such as the automation of claims service work utilizing RPA^{*3}.

Also, we set diversity and inclusion as the basis for our human resource strategy and arranged an environment where diversified human resources can continue to play active roles respecting different values regardless of nationality, gender, age, and experience.

*1 Resilient

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

*2 Telematics technology

A word made from combining telecommunication and informatics. A telecommunication system made from combining moving bodies such as automobiles that provides information services.

*3 RPA

An acronym for "Robotic Process Automation." A software-based robot that performs routine computer work in place of a human.

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

Ordinary income was ¥5,168.3 billion, due to underwriting income of ¥4,640.5 billion, investment income of ¥511.5 billion and other ordinary income of ¥16.2 billion. At the same time, ordinary expenses amounted to ¥5,010.6 billion, including ¥3,749.8 billion in underwriting expenses, ¥512.9 billion in investment expenses, ¥694.6 billion in operating expenses and general and administrative expenses, and other ordinary expenses amounting to ¥53.2 billion.

As a result, ordinary profit for the current fiscal year was ¥157.7 billion, reflecting a year-on-year decrease of ¥133.1 billion. After adjustments to ordinary profit mainly for extraordinary income and losses and income taxes, net income attributable to owners of the parent for the current fiscal year was ¥143.0 billion, reflecting a year-on-year decrease of ¥49.6 billion.

[Key Consolidated Financial Indicators]

(Yen in millions)				
	FY2018	FY2019	Change	Change (%)
Net premiums written	¥3,497,572	¥3,573,732	¥ 76,159	2.2
Life insurance premiums	1,286,864	943,721	(343,143)	(26.7)
Ordinary profit	290,847	157,701	(133,146)	(45.8)
Net income attributable to owners of the parent	192,705	143,030	(49,675)	(25.8)

Net premiums written increased by ¥76.1 billion over the previous fiscal year, to ¥3,573.7 billion. Despite a downturn in revenue in the international business owing mainly to the impact of foreign exchange rates, most notably a strong yen and weak pound, this increase largely reflected growth in automobile and fire insurance in the domestic non-life insurance business.

Life insurance premiums decreased by ¥343.1 billion over the previous fiscal year, to ¥943.7 billion owing to a decline in revenue at Mitsui Sumitomo Primary Life Insurance Co., Ltd.

Ordinary profit fell by ¥133.1 billion over the previous fiscal year to ¥157.7 billion. During the fiscal year under review, MS&AD Insurance Group posted a decrease in gains of sales of securities and an increase in impairment losses on securities. Other movements included provisions to underwriting reserves, most notably catastrophe reserves in preparation for future claims payments in the domestic non-life insurance business. Large insurance claims were also paid during the fiscal year under review due to

natural disasters such as Typhoon No. 19. Compared with the previous fiscal year, which experienced a succession of natural disasters including Typhoon No. 21, however, the Company incurred losses linked to natural catastrophes in Japan (the total of net claims paid and provision of outstanding claims) declined.

After adjustments to ordinary profit mainly for extraordinary income and losses as well as income, inhabitants' and other taxes, net income attributable to owners of the parent declined by ¥49.6 billion over the previous fiscal year, to ¥143.0 billion. In specific terms, an impairment loss for assets such as goodwill and other intangible fixed assets of ¥171.9 billion was recognized as an extraordinary loss in connection with the Lloyd's and Europe primary insurance businesses previously treated as one asset group for impairment tests under the umbrella of MS Amlin plc as a part of the reorganization of the international business of Mitsui Sumitomo Insurance Co., Ltd. (MSI). In the fiscal year under review, MS&AD Insurance Group also posted a reversal of reserve for price fluctuation as extraordinary income while reporting a decrease in income taxes.

Note: MS Amlin plc changed its trade name to MS Amlin Limited on December 3, 2019.

Taking into account the impact of COVID-19 on its operations, MS&AD Insurance Group recognized an increase in impairment losses on securities due to the decline in domestic and overseas stock markets as of the end of the fiscal year as a result of the pandemic and a one-time amortization of goodwill (loss on equity method investments) owing to a drop in the stock price of a listed affiliated company in the fiscal year under review.

(Yen in millions)						
Lines of Insurance	FY2018			FY2019		
	Amount	Share (%)	Change (%)	Amount	Share (%)	Change (%)
Fire and Allied	¥ 677,543	18.0	8.1	¥ 734,573	19.2	8.4
Marine	184,578	4.9	9.5	185,068	4.8	0.3
Personal Accident	321,651	8.6	0.3	311,984	8.2	(3.0)
Voluntary Automobile	1,550,037	41.2	0.3	1,570,344	41.0	1.3
Compulsory Automobile Liability	346,258	9.2	0.8	347,736	9.1	0.4
Other	681,779	18.1	6.0	677,583	17.7	(0.6)
Total	¥3,761,848	100.0	3.1	¥3,827,289	100.0	1.7
Deposit premiums from policyholders	80,235	2.1	(7.1)	75,553	2.0	(5.8)

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. (Includes deposit premiums from policyholders for savings-type insurance.)

Net Premiums Written

(Yen in millions)						
Lines of Insurance	FY2018			FY2019		
	Amount	Share (%)	Change (%)	Amount	Share (%)	Change (%)
Fire and Allied	¥ 558,427	16.0	0.9	¥ 589,897	16.5	5.6
Marine	152,333	4.3	7.0	147,814	4.1	(3.0)
Personal Accident	261,273	7.5	8.7	246,806	6.9	(5.5)
Voluntary Automobile	1,593,578	45.6	0.4	1,632,423	45.7	2.4
Compulsory Automobile Liability	337,844	9.6	(4.0)	347,214	9.7	2.8
Other	594,114	17.0	5.0	609,575	17.1	2.6
Total	¥3,497,572	100.0	1.6	¥3,573,732	100.0	2.2

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

Net Claims Paid

(Yen in millions)						
Lines of Insurance	FY2018			FY2019		
	Amount	Share (%)	Change (%)	Amount	Share (%)	Change (%)
Fire and Allied	¥ 526,294	24.7	39.1	¥ 405,830	20.0	(22.9)
Marine	83,445	3.9	1.4	81,804	4.1	(2.0)
Personal Accident	110,904	5.2	4.4	114,146	5.6	2.9
Voluntary Automobile	872,529	40.9	3.6	880,237	43.4	0.9
Compulsory Automobile Liability	247,757	11.6	(2.1)	233,215	11.5	(5.9)
Other	291,224	13.7	6.4	311,978	15.4	7.1
Total	¥2,132,155	100.0	10.2	¥2,027,212	100.0	(4.9)

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

Recognition, analysis, and reviewed contents for financial performance and operating results by segment are as follows.

Domestic Non-Life Insurance Business

MSI focused on expanding sales of the "GK" series, while ADI focused on sales of the "TOUGH" series. In addition, MSI and ADI jointly promoted the development of products and services that respond to changes in the customer environment, such as actively selling automobile insurance "Mimamoru Car Insurance (Dashcam Type)" that supports safe driving using the latest telematics technology and dashcams (drive recorders), and also starting the provision of road services utilizing social networking services (SNS) and premium smartphone payment services that support the progress of a cashless society. Furthermore, they used digital technology to promote digitalization by responding to new mobility businesses such as CASE^{*1} and MaaS^{*2}.

*1 CASE

It was coined from the initials "Connected" "Autonomous" "Shared & Services" and "Electric"

*2 MaaS

An abbreviation of "Mobility as a Service". A service that provides each user with the best means of transportation. The idea is to provide transportation as a total service through all means of transportation from private cars to trains, buses, taxis and bicycles.

1) Domestic Non-Life Insurance Business (MSI)

Net premiums written climbed by ¥38.3 billion over the previous fiscal year, to ¥1,547.9 billion, because of such factors as an increase in automobile insurance revenue.

Meanwhile, net claims paid were down by ¥22.3 billion over the previous fiscal year, to ¥888.6 billion, primarily because of a decrease in the payment of fire insurance claims. Based on the aforementioned, the net loss ratio was 63.3%, which was 3.0 percentage points lower than in the previous fiscal year. In addition, the net expense ratio came in at 32.0%, which was 0.4 of a percentage point higher than in the previous fiscal year owing mainly to the increase in commissions and collection expenses.

After taking into account movements in other items, including deposit premiums from policyholders, maturity refunds to policyholders, reversal of outstanding claims, and provision for underwriting reserves, underwriting profit fell by ¥39.9 billion, to ¥7.3 billion, due to the increase in provision for underwriting reserves.

Interest and dividends income declined by ¥11.9 billion over the previous fiscal year, to ¥101.9 billion, and gains on sales of securities contracted by ¥63.2 billion year on year, to ¥58.2 billion. Taking into account these and other factors, total investment income after deducting investment gains appropriated to such items as maturity refunds to policyholders of savings-type insurance fell by ¥ 71.1 billion, to ¥135.7 billion. Meanwhile, total investment expenses climbed by ¥20.4 billion over the previous fiscal year, to

¥33.0 billion, owing mainly to the upswing in impairment losses on securities.

As a result, ordinary profit decreased by ¥137.3 billion over the previous fiscal year, to ¥89.1 billion. In the fiscal year under review, MSI recorded losses on valuation of shares of subsidiaries and associates as an extraordinary loss in line with the reorganization of its overseas business. Despite the decrease in income taxes associated with the impairment loss and reversal of reserve for price fluctuation posted as extraordinary income, net income declined ¥77.0 billion over the previous fiscal year, to ¥94.0 billion.

2) Domestic Non-Life Insurance Business (ADI)

Net premiums written climbed by ¥43.1 billion over the previous fiscal year, to ¥1,276.7 billion, primarily because of the increase in automobile and fire insurance revenue.

Meanwhile, net claims paid were down by ¥45.9 billion over the previous fiscal year, to ¥724.6 billion, owing mainly to the drop in payments of fire insurance claims attributable to natural disasters. Based on the aforementioned, the net loss ratio was 62.0%, which was 5.8 percentage points lower than in the previous fiscal year. In addition, as a result of increases in commissions and collection expenses as well as operating expenses and general and administrative expenses for underwriting, the net expense ratio was 34.5%, 0.7 of a percentage point higher than in the previous fiscal year.

After taking into account other items, including deposit premiums from policyholders, maturity refunds to policyholders, reversal of outstanding claims, and provision for underwriting reserves, underwriting profit fell by ¥14.4 billion over the previous fiscal year, to ¥1.1 billion, primarily due to an increase in provision for catastrophe reserves.

Accounting for such factors as the increase in interest and dividends income by ¥3.2 billion over the previous fiscal year, to ¥59.3 billion, and the upswing in gains on sales of securities by ¥12.7 billion, to ¥35.1 billion, total investment income after deducting investment gains appropriated to such items as maturity refunds to policyholders of savings-type insurance grew by ¥19.0 billion, to ¥81.3 billion. Meanwhile, total investment expenses rose by ¥6.8 billion, to ¥20.7 billion, owing mainly to the increase in impairment losses on securities by ¥8.9 billion over the previous fiscal year.

As a result, ordinary profit decreased by ¥2.7 billion over the previous fiscal year, to ¥58.6 billion. Despite reporting an increase in extraordinary losses following the provision to reserve for price fluctuation, this was more than offset by a decrease in income taxes. Based on the aforementioned, net income increased by ¥7.4 billion, to ¥44.7 billion.

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

In order to strengthen its brand power, Mitsui Direct General launched advertisements using various media, including the airing of new commercials, and worked to expand ICT-based services by updating smartphone applications for customers.

Net premiums written decreased by ¥0.2 billion over the previous fiscal year, to ¥36.3 billion.

Meanwhile, net claims paid declined by ¥0.6 billion, to ¥24.4 billion. The net loss ratio was 74.9%, which was 1.3 percentage points lower than in the previous fiscal year.

In addition, commissions and collection expenses as well as underwriting-related operating expenses and general and administrative expenses rose by ¥1.0 billion, to ¥10.2 billion. The net expense ratio came to 28.3%, which was 3.0 percentage points higher than in the previous fiscal year.

Underwriting profit fell by ¥0.2 billion over the previous fiscal year, to ¥0.1 billion, mainly because of the increase in underwriting-related operating expenses and general and administrative expenses.

As a result, net income after taking ownership interests into account (net income by segments) came in at ¥0.1 billion, which was around the same level as the previous fiscal year.

4) Domestic Life Insurance Business (MSI Aioi Life)

MSI Aioi Life engaged in the provision of products and services that contribute to solving social problems and launched “&LIFE New Comprehensive Income Guarantee Wide” and “&LIFE Life Support Hoken” which respond to the “risk of losing one’s job” and expand the coverage of benefits for those who become unable to work or in need of nursing care due to illness or injury. We also supported corporate health management by introducing “Health management insurance premium rate” as a discount rate for corporations with excellent health management.

Insurance premium and others rose by ¥15.7 billion over the previous fiscal year, to ¥535.8 billion owing mainly to the upswing in individual insurance premiums.

Ordinary profit declined by ¥0.8 billion over the previous fiscal year, to ¥18.6 billion, primarily because of the increase in insurance claims and others.

Net income fell by ¥0.4 billion over the previous fiscal year, to ¥7.5 billion.

5) Domestic Life Insurance Business (MSI Primary Life)

MSI Primary Life continued to focus on the expansion of sales of special whole-life insurance “Yasashisa, Tsunagu”, which can be used for living gifts, and tontine pension insurance” “Ashita No, Yorokobi”, which provides for the risk of longevity. In addition, MSI Primary Life provided products and services that contribute to the realization of a “sustainable society”^{*(2)} by, for example, commencing the handling of “Social Contribution Clause” for the first time in the industry. It also expanded the product lineup by launching the “Ashita Mo Juitsu,” an equal-payment foreign currency-denominated tontine annuity insurance.

*1 Tontine Annuity Insurance

Annuity insurance, in which the longer a person lives, the more pension he or she can receive in his or her lifetime due to the “Mechanism to reduce compensation for those who die and to transfer the compensation to the living person’s pension.”

*2 Sustainable society

A vital society where people across multiple generations can live in a safe and secure manner, while solving issues related to the global environment, society, and human beings.

Insurance premium and others decreased by ¥178.8 billion over the previous fiscal year, to ¥950.9 billion. This was mainly attributable to the drop in insurance premiums for foreign currency-fixed annuities and variable annuity premiums.

Ordinary profit fell by ¥4.1 billion, to ¥31.4 billion, primarily due to the upswing in provision for fixed whole life insurance underwriting reserve liability associated with a drop in interest rates.

Net income decreased by ¥2.9 billion over the previous fiscal year, to ¥20.3 billion.

6) International Business (Overseas Insurance Subsidiaries)

In our Group, we developed a variety of products and sales strategies that take advantage of the strengths of each region and line of business, and, as the Group’s driver, continued to work on business investments that contribute to sustainable growth and strengthening governance. At MSI, the regional holding company structure* was abolished, and its overseas subsidiaries became, in principle, direct subsidiaries of MSI, while the functions and authority of the regional holding companies related to strategy formulation were consolidated at the head office. In addition, MSI strengthened its business foundation in the rapidly growing Asian region by raising the stake in PT. Asuransi Jiwa Sinarmas MSIG Tbk, a life insurance company in Indonesia, and newly investing in KBZ MS General Insurance Company Limited, a non-life insurance company in Myanmar.

In the U.S., ADI jointly with Nyanmar Mutual Insurance Company developed and launched a driving behavior reflecting type telematics car insurance “BrightDrive”.

*Regional holding company structure

A structure in which a certain level of authority is delegated to regional holding companies established in Asia, Europe, and the Americas, and businesses

are developed in accordance with the characteristics of each regional market.

Net premiums written declined by ¥2.7 billion over the previous fiscal year, to ¥711.9 billion owing to the impact of foreign exchange rates.

Excluding the impact of foreign exchange rates, revenue in fact increased in such regions as Europe including MS Amlin (MS Amlin plc (current MS Amlin Limited) and its subsidiaries).

Ordinary profit in this segment increased rapidly by ¥28.1 billion over the previous fiscal year, to ¥50.7 billion. This was mainly due to improvements in the underwriting balance and an increase investment profit and loss at MS Amlin. After taking ownership interests into account, net income (by segment) for the fiscal year under review grew by ¥16.7 billion, to ¥36.1 billion.

4. CASH FLOW ANALYSIS

With regard to cash flows in the fiscal year under review, net cash flows provided by operating activities decreased by ¥108.8 billion over the previous fiscal year to ¥667.8 billion, due in part to a reduction in life insurance premiums. Net cash flows from investing activities decreased by ¥77.9 billion over the previous fiscal year to ¥(330.3) billion, due in part to a decrease in income from sales under repurchase agreements, despite a decrease in expenditure due to an increase in money trusts. In addition, net cash flows provided by financial activities increased by ¥98.6 billion over the previous fiscal year to ¥65.3 billion, due in part to the increase in income from cash collateral under securities lending transactions and income from the issuance of corporate bonds. As a result, cash and cash equivalents at the end of the fiscal year have increased by ¥400.1 billion from the end of the previous fiscal year to ¥2,198.6 billion.

5. BUSINESS ENVIRONMENT AND ISSUES TO BE ADDRESSED FROM THE BUSINESS AND FINANCIAL PERSPECTIVES

In regard to the future of the global economy, including Japan, there are fears surrounding the global spread of COVID-19 and further downturn owing to limits on people’s movement and disruption to logistics networks caused by the impact of the disease. Taking into consideration these concerns, it is hoped that effective economic countermeasures will be implemented by national governments.

In the insurance industry, companies need to maintain their functions as a part of the social infrastructure, including contractual procedures and the payment of claims under the spread of COVID-19, while also focusing on areas such as the development and provision of products and services that contribute to the prevention and reduction of natural disasters, which are becoming increasingly frequent and large in scale, further enhancing risk management, and contributing to the realization of a sustainable society.

In facing this kind of national emergency, the Group invoked its business continuity plan (BCP), and is working as one to continue operations in order to ensure that the payment of insurance to customers is not delayed, with the highest priority placed on suppressing the spread of the pandemic both within and outside Group companies and ensuring the safety of customers and employees.

Carrying on from Stage 1, we are pushing forward three key strategies under Stage 2 (FY2020-FY2021) of the Medium-Term Management Plan “Vision 21,” which starts in fiscal 2020. In specific terms, we are working to “pursue the Group’s comprehensive strengths, “promote digitalization,” and “reform the portfolio.”

With the aim of achieving sustainable growth and enhancing corporate value, we are endeavoring to evolve the initiatives implemented in Stage 1. We will employ the Group’s resources to the maximum extent possible to realize “business of a substantial scale and quality, in a bid to be recognized as a world-leading insurance and financial services group.” At the same time, we will “build systems ahead of changes in social structures that can respond in a timely manner.”

In the domestic non-life insurance business, we will maintain and expand our dominance as a core business and one of the Group’s strengths. We will also generate further synergies while pursuing quality and productivity

improvements by demonstrating our collective power. Moreover, steps will be taken to reform the portfolio by expanding casualty and other insurance. Energies will also be directed toward maintaining and improving our market share and profitability in automobile insurance as well as fire insurance profitability.

In the domestic life insurance business, we will develop and provide products and services that meet customer needs through an accurate understanding of people’s prolonged and healthy life expectancies and other trends including changes in the social structure. In addition to further strengthening marketing capabilities through our sales bases as the largest non-life insurance group in Japan as well as our OTC channel, which holds the leading position in the industry, we will bolster customer-first business operations and offering management systems while improving quality and customer satisfaction.

With an eye to activities outside Japan, we will continue to position the international business as the Group’s growth driver. We will actively invest in management resources (capital, human, and other assets), strengthen existing businesses and carry out business investment (M&A and additional investment in existing businesses), an diversify the business portfolio along geographical and business lines.

Furthermore, in order to contribute to solving social issues and realizing a “resilient and sustainable society” by 2030, we will continue focusing on creating shared value (CSV) with society, using the sustainable development goals (SDGs) as our guide.

6. RISK ANALYSIS

The MS&AD Insurance Group specifies material risks that have the potential to significantly affect its financial position, operating results, and cash flows as follows.

(1) Group material risks

The Group identifies risks to be controlled by management, formulates a management action plan and regularly monitors the status with respect to individual risk.

a. Occurrence of a large-scale natural catastrophe in Japan or overseas

The monetary damage attributable to such natural disasters as typhoons and earthquakes can be massive. In addition, a variety of factors including climate change may lead to an upswing in the frequency and size of natural disasters on a global scale. These circumstances could in turn result in damages of a greater magnitude than anticipated. On top of a deterioration in its working capital owing to such factors as an increase in natural disaster insurance payments, the Group could be forced to procure funds under terms and conditions that are significantly less favorable than usual. While the Group prepares for insurance payments to cover damages caused by natural disasters through the use of reinsurance and provisions for catastrophe reserves, its operating results could be affected should insurance claims reach massive amounts.

b. Sharp fluctuations in financial markets in Japan or overseas

The Group holds various assets under management (including off-balance sheet assets) such as securities, loans, and real estate. Changes in the value of assets and liabilities due to a deterioration in the economic environment and financial markets may affect the Group’s operating result. The main risks in this instance are as follows.

(a) Risk of a downturn in stock prices

MS&AD Insurance Group holds a considerable volume of shares in order, for example, to maintain medium- to long-term relationships with business partners. In the event of a stock market decline, the Company may incur a downturn in the value of assets, and a loss on devaluation or sales.

(b) Risk of interest rate variability

The value of such assets as bonds and loans held, savings-type insurance and long-term third sector insurance products as well as insurance liabilities

to be paid in the future to life and other insurance policyholders may change due to variations in interest rates.

(c) Risk of foreign currency exchange rate variability
The Company holds assets and liabilities denominated in U.S. dollars and other foreign currencies. The value of these assets and liabilities may change due to variations in foreign currency exchange rates.

c. Substantial increase in credit risk

The value of assets held including shares, bonds, and loans, as well as credit, guarantee, and other insurance contracts sold may decline in value or the principal and interest become uncollectible should the issuers of stocks and bonds, or such parties as lenders experience a downturn in their creditworthiness, or file for bankruptcy, and in the event of a disruption in credit markets. While utilizing reinsurance in a bid to diversify the insurance liability assumed through insurance contracts and to stabilize earnings, the Group may not be able to collect on reinsurance proceeds should, for example, reinsurance companies file for bankruptcy. Based on the aforementioned, there is a risk that the Group's operating results may be affected by these factors.

d. Occurrence of behavior that is detrimental to the corporate value of the Group, loss of social credibility

Actions that lead to a loss of social credibility encompass violations of the law and regulations related to the Group's business, major labor-related issues (long working hours, harassment, etc.), inadequate data governance (the large-scale leakage and frequent misuse of personal and confidential information, etc.), and the lack of or inadequate customer-oriented approach (conduct risk).

There is a risk that the Group's operating results could be affected should it engage in such behavior.

e. Occurrence of cyberattacks that cause large-scale and serious impediments to operations, information leaks, and the payment of insurance

The Group is exposed to system risks that could lead to the shutdown, malfunction or improper use of its information systems or the leakage of information owing to unauthorized access or inadequate information systems as a result of a cyberattack. Although the Group is working to put in place a system risk management system, there remains the risk of a major information system shutdown, malfunction or misuse, as well as the leakage of information. In addition, the underwriting of insurance policies that cover cyber risk may result in the payment of insurance claims. Taking these factors into consideration, there is a risk that the Group's operating results may be affected.

f. Frequent occurrence of IT system failures, the occurrence of critical IT system failures and large-scale IT system development plan-related progress delays, shortfalls, budget overruns, and expected effects being unrealized

In the development of large-scale systems aimed at further improving business profitability, there is a risk that such factors as unforeseen accidents may cause progress delays in development work or development budget overruns. Although the Group is working to put in place a system risk management system, there remains the risk that the Group's operating results may be affected should certain incidents arise including progress delays in the development of large-scale systems or development budget overruns.

g. Pandemic of such diseases as a new strain of influenza (including the novel coronavirus)

There is a risk that the Group's operating results may be affected by the following events:

(a) While the Group has a system in place to prepare for such unforeseen accidents and situations as a pandemic of a new strain of influenza or other infectious disease that encompasses the formulation of a business continuity

plan (BCP) and the development of a crisis management system to ensure that any disruption in its business is limited to a minimum period and that the Group can its operations, there is a risk that the Group's business continuity could be impeded or impacted beyond expectations despite these crisis management measures.

(b) A slowdown in the economy due to a pandemic of a new strain of influenza or other infectious disease, or heightened anxiety regarding the same, could trigger significant volatility in domestic and international financial markets (see b. above) and a substantial increase in credit risk (see c. above).

(c) Premiums may decline due to a variety of factors including cutbacks in customer proposal activities for the purpose of proposing new policies and a decrease in business activity and the distribution volume of companies. In addition, the underwriting of insurance policies that cover risks related to infectious diseases such as new strains of influenza could result in the payment of insurance claims.

(2) Group emerging risks

Group emerging risks are defined as events that could affect the Group's business from a medium- to longer-term perspective and events that management should be aware of but are difficult to measure in terms of scale and timing. We regularly monitor Group emerging risks, certain examples of which are presented as follows.

a. Declining birthrate and aging population, advances in medical technology

b. Resource depletion

c. Climate change and environmental disaster

d. Trends in new technologies and mechanisms (including the spread of IoT, sharing economy) that significantly alter the economy and consumer behavior, major changes in business models owing to such factors as the rise of digital platforms

e. Newly established/revised domestic and overseas laws and systems

f. Major changes to domestic labor supply-demand

g. National governance/political turmoil, dysfunction, collapse, interstate conflict (including economic disputes), and Japanese security crisis

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 is as follows.

MS&AD
Consolidated Solvency Margin Ratio

(Yen in millions)			
	FY2018	FY2019	
(A) Solvency margin total amount	¥4,992,937	¥4,727,430	
(B) Risk amount	1,236,911	1,210,003	
(C) Solvency margin ratio (A/(B × 1/2)) × 100	807.3%	781.3%	

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.

The solvency margin ratio was 781.3%, down 26.0 percentage points over the previous fiscal year-end. This was mainly due to a drop in the solvency margin total amount of ¥265.5 billion as a result of the decline in the net unrealized gains/(losses) on investments in securities (before tax effects) associated with the fall in the market value of shares held.

MSI

a. Non-Consolidated Solvency Margin Ratio

(Yen in millions)			
	FY2018	FY2019	
(A) Solvency margin total amount	¥3,321,706	¥3,076,392	
(B) Risk amount	918,540	877,260	
(C) Solvency margin ratio (A/(B × 1/2)) × 100	723.2%	701.3%	

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

The solvency margin ratio was 701.3%, down 21.9 percentage points over the previous fiscal year-end. This was mainly due to a drop in the solvency margin total amount of ¥245.3 billion as a result of the decline in the net unrealized gains/(losses) on investments in securities (before tax effects) associated with the fall in the fair value of shares held.

b. Consolidated Solvency Margin Ratio

(Yen in millions)			
	FY2018	FY2019	
(A) Solvency margin total amount	¥2,743,601	¥2,716,180	
(B) Risk amount	769,193	737,738	
(C) Solvency margin ratio (A/(B × 1/2)) × 100	713.3%	736.3%	

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.

While consolidated net income had the effect of increasing shareholders' equity, the solvency margin total amount decreased by ¥27.4 billion over the previous fiscal year-end owing to the decline in the net unrealized gains/(losses) on investments in securities (before tax effects) associated with the fall in the fair value of shares held. However, the solvency margin ratio increased by 23.0 percentage points over the previous fiscal year-end, to 736.3%, largely reflecting the year-on-year drop in the total amount of risks of ¥31.4 billion on the back of a decrease in the equivalent amount of asset management risk.

ADI

a. Non-Consolidated Solvency Margin Ratio

(Yen in millions)			
	FY2018	FY2019	
(A) Solvency margin total amount	¥1,168,396	¥1,148,081	
(B) Risk amount	339,508	326,916	
(C) Solvency margin ratio (A/(B × 1/2)) × 100	688.2%	702.3%	

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

The solvency margin ratio increased by 14.1 percentage points over the previous fiscal year-end, to 702.3%, largely due to the issuance of domestic unsecured subordinated bonds.

b. Consolidated Solvency Margin Ratio

(Yen in millions)			
	FY2018	FY2019	
(A) Solvency margin total amount	¥1,184,723	¥1,154,579	
(B) Risk amount	330,268	317,927	
(C) Solvency margin ratio (A/(B × 1/2)) × 100	717.4%	726.3%	

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

The solvency margin ratio increased by 8.9 percentage points over the previous fiscal year-end, to 726.3%, largely due to the issuance of domestic unsecured subordinated bonds.

Mitsui Direct General

Non-Consolidated Solvency Margin Ratio

(Yen in millions)			
	FY2018	FY2019	
(A) Solvency margin total amount	¥15,222	¥15,305	
(B) Risk amount	6,117	5,809	
(C) Solvency margin ratio (A/(B × 1/2)) × 100	497.6%	526.9%	

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

The solvency margin ratio improved by 29.3 percentage points over the previous fiscal year-end, to 526.9%. Factors included a year-on-year decrease in the total amount of risks of ¥0.3 billion, which resulted mainly from a decrease in the equivalent amount of general insurance risk.

MSA Life

Non-Consolidated Solvency Margin Ratio

(Yen in millions)			
	FY2018	FY2019	
(A) Solvency margin total amount	¥505,779	¥492,307	
(B) Risk amount	60,145	63,551	
(C) Solvency margin ratio (A/(B × 1/2)) × 100	1,681.8%	1,549.3%	

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

The solvency margin ratio decreased by 132.5 percentage points over the previous fiscal year-end, to 1,549.3%. Factors included a year-on-year increase in the total amount of risks of ¥3.4 billion, which resulted mainly from an increase in the equivalent amount of third sector insurance risk.

MSP Life

Non-Consolidated Solvency Margin Ratio

(Yen in millions)			
	FY2018	FY2019	
(A) Solvency margin total amount	¥616,094	¥546,005	
(B) Risk amount	149,278	146,376	
(C) Solvency margin ratio (A/(B × 1/2)) × 100	825.4%	746.0%	

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

The solvency margin ratio decreased by 79.4 percentage points over the previous fiscal year-end, to 746.0%. Factors included a year-on-year decrease the solvency margin total amount of ¥70.0 billion, which resulted mainly from a decrease in the excess of continued Zillmerized reserve on the back of a downturn in interest rates.

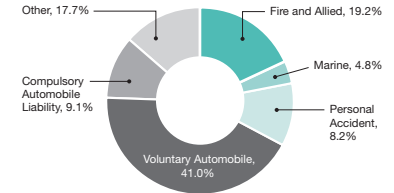
Premiums Written and Net Claims Paid – Non-Life Insurance (Unaudited)

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

lines of Insurance	(Yen in millions)												(US\$ in millions)			
	FY2015			FY2016			FY2017			FY2018			FY2019			FY2019
	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount
Fire and Allied	¥ 657,398	5.2	19.0	¥ 602,521	(8.3)	16.7	¥ 627,029	4.1	17.2	¥ 677,543	8.1	18.0	¥ 734,573	8.4	19.2	\$ 6,739
Marine	132,284	1.0	3.8	168,715	27.5	4.7	168,602	(0.1)	4.6	184,578	9.5	4.9	185,068	0.3	4.8	1,698
Personal Accident	319,937	(6.2)	9.2	321,055	0.3	8.9	320,764	(0.1)	8.8	321,651	0.3	8.6	311,984	(3.0)	8.2	2,862
Voluntary Automobile	1,475,596	3.8	42.5	1,524,096	3.3	42.1	1,546,108	1.4	42.4	1,550,037	0.3	41.2	1,570,344	1.3	41.0	14,407
Compulsory Automobile Liability	356,465	0.3	10.3	366,523	2.8	10.1	343,370	(6.3)	9.4	346,258	0.8	9.2	347,736	0.4	9.1	3,190
Other	527,502	10.8	15.2	632,874	20.0	17.5	643,233	1.6	17.6	681,779	6.0	18.1	677,583	(0.6)	17.7	6,216
Total	¥3,469,185	3.6	100.0	¥3,615,785	4.2	100.0	¥3,649,108	0.9	100.0	¥3,761,848	3.1	100.0	¥3,827,289	1.7	100.0	\$35,113
Deposit premiums from policyholders	¥ 116,225	(16.3)	3.4	¥ 98,546	(15.2)	2.7	¥ 86,371	(12.4)	2.4	¥ 80,235	(7.1)	2.1	¥ 75,553	(5.8)	2.0	\$ 693

DIRECT PREMIUMS WRITTEN (FY2019)

Total ¥3,827.2 Billion

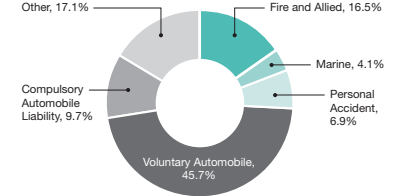


(b) Net Premiums Written

Lines of Insurance	(Yen in millions)															(US\$ in millions)
	FY2015			FY2016			FY2017			FY2018			FY2019			FY2019
	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount
Fire and Allied	¥ 471,476	10.7	15.3	¥ 540,715	14.7	15.9	¥ 553,183	2.3	16.1	¥ 558,427	0.9	16.0	¥ 589,897	5.6	16.5	\$ 5,412
Marine	106,108	2.6	3.4	145,697	37.3	4.3	142,339	(2.3)	4.1	152,333	7.0	4.3	147,814	(3.0)	4.1	1,356
Personal Accident	218,487	(5.4)	7.1	237,918	8.9	7.0	240,450	1.1	7.0	261,273	8.7	7.5	246,806	(5.5)	6.9	2,264
Voluntary Automobile	1,495,339	4.0	48.6	1,559,958	4.3	45.8	1,587,008	1.7	46.1	1,593,578	0.4	45.6	1,632,423	2.4	45.7	14,976
Compulsory Automobile Liability	357,639	2.7	11.6	356,088	(0.4)	10.4	352,063	(1.1)	10.2	337,844	(4.0)	9.6	347,214	2.8	9.7	3,185
Other	429,680	9.5	14.0	567,010	32.0	16.6	565,931	(0.2)	16.5	594,114	5.0	17.0	609,575	2.6	17.1	5,592
Total	¥3,078,732	4.8	100.0	¥3,407,389	10.7	100.0	¥3,440,976	1.0	100.0	¥3,497,572	1.6	100.0	¥3,573,732	2.2	100.0	\$32,787

NET PREMIUMS WRITTEN (FY2019)

Total ¥3,573.7 Billion

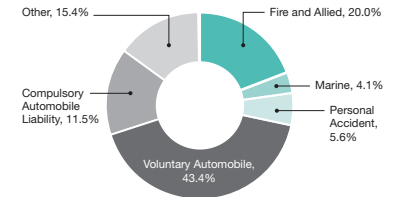


(c) Net Claims Paid

Lines of Insurance	(Yen in millions)												(US\$ in millions)			
	FY2015			FY2016			FY2017			FY2018			FY2019			
	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	Amount	Change (%)	Share (%)	
Fire and Allied	¥ 235,176	(9.3)	14.5	¥ 297,850	26.6	16.3	¥ 378,241	27.0	19.5	¥ 526,294	39.1	24.7	¥ 405,830	(22.9)	20.0	\$ 3,723
Marine	48,009	3.4	3.0	96,981	102.0	5.3	82,302	(15.1)	4.3	83,445	1.4	3.9	81,804	(2.0)	4.1	750
Personal Accident	109,376	(4.2)	6.7	107,937	(1.3)	5.9	106,233	(1.6)	5.5	110,904	4.4	5.2	114,146	2.9	5.6	1,047
Voluntary Automobile	776,606	(1.3)	47.7	798,736	2.8	43.6	841,807	5.4	43.5	872,529	3.6	40.9	880,237	0.9	43.4	8,076
Compulsory Automobile Liability	259,078	0.4	15.9	258,465	(0.2)	14.1	252,990	(2.1)	13.1	247,757	(2.1)	11.6	233,215	(5.9)	11.5	2,140
Other	199,092	7.2	12.2	271,905	36.6	14.8	273,589	0.6	14.1	291,224	6.4	13.7	311,978	7.1	15.4	2,862
Total	¥1,627,340	(1.4)	100.0	¥1,831,876	12.6	100.0	¥1,935,165	5.6	100.0	¥2,132,155	10.2	100.0	¥2,027,212	(4.9)	100.0	\$18,598

NET CLAIMS PAID (FY2019)

Total ¥2,027.2 Billion



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

(a) Policies in Force

	(Yen in millions)										(US\$ in millions)
	FY2015		FY2016		FY2017		FY2018		FY2019		FY2019
	Amount	Change (%)	Amount	Change (%)	Amount	Change (%)	Amount	Change (%)	Amount	Change (%)	Amount
Individual insurance	¥24,277,843	7.1	¥25,813,254	6.3	¥26,882,564	4.1	¥28,117,507	4.6	¥28,056,161	(0.2)	\$257,396
Individual annuities	3,208,994	(11.8)	3,081,777	(4.0)	2,986,168	(3.1)	3,094,163	3.6	2,915,890	(5.8)	26,751
Group insurance	6,518,709	23.0	7,074,353	8.5	7,859,834	11.1	8,554,605	8.8	8,888,416	3.9	81,545
Group annuities	351	(4.7)	325	(7.4)	302	(7.1)	305	1.0	294	(3.4)	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)
	FY2015		FY2016		FY2017		FY2018		FY2019
	Amount		Amount		Amount		Amount		Amount
Individual insurance	¥3,495,356		¥3,249,483		¥3,438,585		¥3,847,186		¥2,773,532
Individual annuities	190,634		159,925		216,635		385,662		177,730
Group insurance	1,005,973		61,074		144,570		92,813		96,406
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).

Investment Assets and Investments in Securities (Unaudited)

(a) Investment Assets

	FY2018		FY2019		FY2019
	(Yen in millions)		(Yen in millions)		(US\$ in millions)
	Amount	Share	Amount	Share	Amount
Deposits and savings	¥ 1,471,135	6.4%	¥1,837,978	7.9%	\$ 16,862
Receivables under resale agreements	472,377	2.1	407,722	1.8	3,741
Monetary claims bought	97,241	0.4	160,091	0.7	1,469
Money trusts	1,544,406	6.7	1,666,494	7.2	15,289
Investments in securities	16,061,871	69.4	15,494,580	66.8	142,152
Loans	903,006	3.9	892,335	3.8	8,187
Land and buildings	420,618	1.8	416,301	1.8	3,819
Total investment assets	¥20,970,656	90.7%	¥20,875,505	90.0%	\$191,518
Total assets	¥23,132,539	100.0%	¥23,196,455	100.0%	\$212,812

(b) Investments in Securities

	FY2018		FY2019		FY2019
	(Yen in millions)		(Yen in millions)		(US\$ in millions)
	Amount	Share	Amount	Share	Amount
Government bonds	¥ 3,807,212	23.7%	¥ 3,922,433	25.3%	\$ 35,986
Municipal bonds	314,035	2.0	312,237	2.0	2,865
Corporate bonds	1,643,168	10.2	1,599,490	10.3	14,674
Stock	2,594,315	16.2	2,180,458	14.1	20,004
Foreign securities	5,208,217	32.4	5,268,252	34.0	48,333
Other securities	2,494,921	15.5	2,211,707	14.3	20,291
Total	¥16,061,871	100.0%	¥15,494,580	100.0%	\$142,152

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

Consolidated Balance Sheets

MS&AD Insurance Group Holdings, Inc. and Its Consolidated Subsidiaries
As of March 31, 2019 and March 31, 2020

	Yen in millions		US\$ in millions
	2019	2020	2020
Assets			
Cash, deposits and savings	¥ 1,474,306	¥ 1,846,225	\$ 16,938
Receivables under resale agreements	472,377	407,722	3,741
Monetary claims bought	97,241	160,091	1,469
Money trusts	1,544,406	1,666,494	15,289
Securities	16,061,871	15,494,580	142,152
Loans	903,006	892,335	8,187
Tangible fixed assets:	463,356	488,331	4,480
Land	231,671	231,122	2,120
Buildings	188,947	185,178	1,699
Lease assets	2,032	24,722	227
Construction in progress	6,746	12,463	114
Other tangible fixed assets	33,959	34,843	320
Intangible fixed assets:	545,450	442,695	4,061
Software	64,664	108,892	999
Goodwill	203,423	138,584	1,271
Lease assets	206	346	3
Other intangible fixed assets	277,155	194,873	1,788
Other assets	1,454,825	1,535,400	14,086
Assets for retirement benefits	30,075	24,113	221
Deferred tax assets	59,317	219,385	2,013
Customers' liabilities under acceptances and guarantees	35,500	31,500	289
Bad debt reserve	(9,195)	(12,421)	(114)
Total assets	¥23,132,539	¥23,196,455	\$212,812

See accompanying notes to consolidated financial statements.

	Yen in millions		US\$ in millions
	2019	2020	2020
Liabilities and Net Assets			
Liabilities			
Policy liabilities:	¥17,637,713	¥17,809,540	\$163,390
Outstanding claims	2,222,637	2,149,921	19,724
Underwriting reserves	15,415,076	15,659,619	143,666
Bonds issued	659,093	809,093	7,423
Other liabilities	1,490,882	1,672,264	15,342
Liabilities for pension and retirement benefits	176,550	179,686	1,648
Reserve for retirement benefits for officers	414	325	3
Accrued bonuses for employees	27,788	28,392	260
Reserve for losses on sales of shares of associates	–	16,957	156
Reserve for reorganization by function	6,498	–	–
Reserves under the special laws:	173,248	137,400	1,261
Reserve for price fluctuation	173,248	137,400	1,261
Deferred tax liabilities	146,802	17,254	158
Acceptances and guarantees	35,500	31,500	289
Total liabilities	20,354,492	20,702,416	189,930
Net Assets			
Shareholders' equity:			
Common stock	100,000	100,000	917
Capital surplus	553,168	553,163	5,075
Retained earnings	962,385	1,019,468	9,353
Treasury stock	(32,539)	(84,432)	(775)
Total shareholders' equity	1,583,013	1,588,199	14,571
Accumulated other comprehensive income/(loss):			
Net unrealized gains/(losses) on securities	1,273,881	982,042	9,010
Net deferred gains/(losses) on hedges	25,168	30,916	284
Foreign currency translation adjustments	(135,992)	(140,106)	(1,285)
Accumulated actuarial gains/(losses) on retirement benefits	4,448	(9,381)	(86)
Total accumulated other comprehensive income/(loss)	1,167,505	863,470	7,922
Stock acquisition rights	785	1,206	11
Non-controlling interests	26,743	41,161	378
Total net assets	2,778,047	2,494,038	22,881
Total liabilities and net assets	¥23,132,539	23,196,455	\$212,812

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

MS&AD Insurance Group Holdings, Inc. and Its Consolidated Subsidiaries
For the years ended March 31, 2019 and March 31, 2020

	Yen in millions		US\$ in millions
	2019	2020	2020
Ordinary income and expenses			
Ordinary income:	¥5,500,438	¥5,168,361	\$47,416
Underwriting income:	4,918,626	4,640,584	42,574
Net premiums written	3,497,572	3,573,732	32,787
Deposit premiums from policyholders	80,235	75,553	693
Investment income on deposit premiums from policyholders	42,406	39,177	359
Life insurance premiums	1,286,864	943,721	8,658
Other underwriting income	11,547	8,400	77
Investment income:	561,169	511,529	4,693
Interest and dividends income	304,142	304,514	2,794
Investment gains on money trusts	75,461	64,627	593
Investment gains on trading securities	17,237	55,652	511
Gains on sales of securities	161,608	118,845	1,090
Gains on redemption of securities	371	4,387	40
Investment gains on separate accounts	43,162	-	-
Other investment income	1,593	2,679	25
Transfer of investment income on deposit premiums from policyholders	(42,406)	(39,177)	(359)
Other ordinary income:	20,642	16,247	149
Gains on equity method investments	3,751	-	-
Other ordinary income	16,890	16,247	149
Ordinary expenses:	5,209,590	5,010,660	45,969
Underwriting expenses:	4,406,840	3,749,818	34,402
Net claims paid	2,132,155	2,027,212	18,598
Loss adjustment expenses	175,703	177,354	1,627
Commissions and collection expenses	705,189	727,409	6,673
Maturity refunds to policyholders	232,073	220,697	2,025
Dividends to policyholders	149	103	1
Life insurance claims	395,989	376,620	3,455
Provision for outstanding claims	60,981	19,962	183
Provision for underwriting reserves	700,502	196,179	1,800
Other underwriting expenses	4,096	4,278	39
Investment expenses:	104,806	512,978	4,706
Investment losses on money trusts	171	47,310	434
Losses on sales of securities	17,389	18,021	165
Impairment losses on securities	9,089	39,685	364
Losses on redemption of securities	50	310	3
Losses on derivative transactions	9,331	18,547	170
Investment losses on separate accounts	-	57,457	527
Other investment expenses	68,775	331,646	3,043
Operating expenses and general and administrative expenses	680,910	694,618	6,373
Other ordinary expenses:	17,032	53,244	488
Interest expense	10,960	13,363	123
Provision for bad debt reserve	696	4,456	41
Losses on bad debts	181	163	1
Losses on equity method investments	-	30,878	283
Other ordinary expenses	5,194	4,383	40
Ordinary profit/(loss)	290,847	157,701	1,447
Extraordinary income and losses			
Extraordinary income:	17,069	51,426	472
Gains on sales of fixed assets	13,069	4,809	44
Reversal of reserves under the special laws:	-	35,848	329
Reversal of reserve for price fluctuation	-	35,848	329
Gains on step acquisitions	-	6,587	60
Gains on change in equity interests	-	2,804	26
Other extraordinary income	4,000	1,377	13
Extraordinary losses:	28,075	196,622	1,804
Losses on sales of fixed assets	2,695	2,973	27
Impairment losses on fixed assets	2,936	173,611	1,593
Provision for reserves under the special laws:	20,320	-	-
Provision for reserve for price fluctuation	20,320	-	-
Losses on accelerated depreciation of tangible fixed assets	5	-	-
Provision for reserve for losses on sales of shares of associates	-	16,957	156
Other extraordinary losses	2,116	3,080	28

	Yen in millions		US\$ in millions
	2019	2020	2020
Income/(loss) before income taxes	279,842	12,505	115
Income taxes - current	88,614	34,420	316
Income taxes - deferred	(3,154)	(167,482)	(1,537)
Total income taxes	85,460	(133,061)	(1,221)
Net income/(loss)	194,382	145,567	1,335
Net income/(loss) attributable to non-controlling interests	1,676	2,536	23
Net income/(loss) attributable to owners of the parent	¥ 192,705	¥ 143,030	\$ 1,312

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

MS&AD Insurance Group Holdings, Inc. and Its Consolidated Subsidiaries
For the years ended March 31, 2019 and March 31, 2020

	Yen in millions		US\$ in millions
	2019	2020	2020
Net income/(loss)	¥194,382	¥145,567	\$ 1,335
Other comprehensive income/(loss):			
Net unrealized gains/(losses) on securities	(198,656)	(298,942)	(2,743)
Net deferred gains/(losses) on hedges	4,493	6,101	56
Foreign currency translation adjustments	(61,093)	3,001	28
Actuarial gains/(losses) on retirement benefits	5,023	(13,737)	(126)
Share of other comprehensive income/(loss) of equity method investments	(23,850)	721	7
Total other comprehensive income/(loss)	(274,084)	(302,855)	(2,778)
Total comprehensive income/(loss)	¥ (79,701)	¥ (157,288)	\$ (1,443)
Allocation:			
Comprehensive income/(loss) attributable to owners of the parent	¥ (80,135)	¥ (161,004)	\$ (1,477)
Comprehensive income/(loss) attributable to non-controlling interests	434	3,716	34

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 years ended March 31, 2019 and 2020

2019

(Yen in millions)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Beginning balance	¥100,000	¥554,320	¥849,044	¥ (2,599)	¥1,500,765
Cumulative effects of changes in accounting policies					–
Beginning balance (Restated)	100,000	554,320	849,044	(2,599)	1,500,765
Changes for the year:					
Dividends paid			(79,367)		(79,367)
Net income/(loss) attributable to owners of the parent			192,705		192,705
Repurchase of treasury stock				(30,029)	(30,029)
Disposal of treasury stock		5		88	94
Increase due to merger of consolidated subsidiaries with non-consolidated subsidiaries			1		1
Changes in equity resulting from transactions with non-controlling interests		(1,157)			(1,157)
Other					–
Net changes of items other than shareholders' equity					
Total changes for the year	–	(1,151)	113,340	(29,940)	82,248
Ending balance	¥100,000	¥553,168	¥962,385	¥ (32,539)	¥1,583,013

	Accumulated other comprehensive income/(loss)					Stock acquisition rights	Non-controlling interests	Total net assets
	Net unrealized gains/(losses) on 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	¥1,487,258	¥20,043	¥ (66,274)	¥ (679)	¥1,440,346	¥566	¥26,709	¥2,968,387
Cumulative effects of changes in accounting policies					–			–
Beginning balance (Restated)	1,487,258	20,043	(66,274)	(679)	1,440,346	566	26,709	2,968,387
Changes for the year:								
Dividends paid								(79,367)
Net income/(loss) attributable to owners of the parent								192,705
Repurchase of treasury stock								(30,029)
Disposal of treasury stock								94
Increase due to merger of consolidated subsidiaries with non-consolidated subsidiaries								1
Changes in equity resulting from transactions with non-controlling interests								(1,157)
Other								–
Net changes of items other than shareholders' equity	(213,376)	5,125	(69,718)	5,127	(272,841)	218	33	(272,588)
Total changes for the year	(213,376)	5,125	(69,718)	5,127	(272,841)	218	33	(190,340)
Ending balance	¥1,273,881	¥25,168	¥ (135,992)	¥4,448	¥1,167,505	¥785	¥26,743	¥2,778,047

See accompanying notes to consolidated financial statements.

2020

(Yen in millions)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Beginning balance	¥100,000	¥553,168	¥962,385	¥ (32,539)	¥1,583,013
Cumulative effects of changes in accounting policies			(942)		(942)
Beginning balance (Restated)	100,000	553,168	961,442	(32,539)	1,582,070
Changes for the year:					
Dividends paid			(83,951)		(83,951)
Net income/(loss) attributable to owners of the parent			143,030		143,030
Repurchase of treasury stock				(52,019)	(52,019)
Disposal of treasury stock		(5)		127	121
Increase due to merger of consolidated subsidiaries with non-consolidated subsidiaries					–
Changes in equity resulting from transactions with non-controlling interests					–
Other			(1,052)		(1,052)
Net changes of items other than shareholders' equity					
Total changes for the year	–	(5)	58,026	(51,892)	6,128
Ending balance	¥100,000	¥553,163	¥1,019,468	¥ (84,432)	¥1,588,199

	Accumulated other comprehensive income/(loss)					Stock acquisition rights	Non-controlling interests	Total net assets
	Net unrealized gains/(losses) on 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	¥1,273,881	¥25,168	¥ (135,992)	¥4,448	¥1,167,505	¥785	¥26,743	¥2,778,047
Cumulative effects of changes in accounting policies					–			(942)
Beginning balance (Restated)	1,273,881	25,168	(135,992)	4,448	1,167,505	785	26,743	2,777,104
Changes for the year:								
Dividends paid								(83,951)
Net income/(loss) attributable to owners of the parent								143,030
Repurchase of treasury stock								(52,019)
Disposal of treasury stock								121
Increase due to merger of consolidated subsidiaries with non-consolidated subsidiaries								–
Changes in equity resulting from transactions with non-controlling interests								–
Other								(1,052)
Net changes of items other than shareholders' equity	(291,838)	5,747	(4,113)	(13,829)	(304,034)	421	14,418	(289,194)
Total changes for the year	(291,838)	5,747	(4,113)	(13,829)	(304,034)	421	14,418	(283,065)
Ending balance	¥982,042	¥30,916	¥ (140,106)	¥ (9,381)	¥863,470	¥1,206	¥41,161	¥2,494,038

See accompanying notes to consolidated financial statements.

2020

(US\$ in million)

	Shareholders'equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Totalshareholders' equity
Beginning balance	\$917	\$5,075	\$8,829	\$ (299)	\$14,523
Cumulative effects of changes in accounting policies			(9)		(9)
Beginning balance (Restated)	917	5,075	8,821	(299)	14,514
Changes for the year:					
Dividends paid			(770)		(770)
Net income/(loss) attributable to owners of the parent			1,312		1,312
Repurchase of treasury stock				(477)	(477)
Disposal of treasury stock		(0)		1	1
Increase due to merger of consolidated subsidiaries with non-consolidated subsidiaries					–
Changes in equity resulting from transactions with non-controlling interests					–
Other			(10)		(10)
Net changes of items other than shareholders' equity					
Total changes for the year	-	(0)	532	(476)	56
Ending balance	\$917	\$5,075	\$9,353	\$ (775)	\$14,571

	Accumulated other comprehensive income/(loss)					Stock acquisition rights	Non-controlling interests	Total net assets
	Net unrealized gains/(losses) on 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	\$11,687	\$231	\$ (1,248)	\$41	\$10,711	\$7	\$245	\$25,487
Cumulative effects of changes in accounting policies					–			(9)
Beginning balance (Restated)	11,687	231	(1,248)	41	10,711	7	245	25,478
Changes for the year:								
Dividends paid								(770)
Net income/(loss) attributable to owners of the parent								1,312
Repurchase of treasury stock								(477)
Disposal of treasury stock								1
Increase due to merger of consolidated subsidiaries with non-consolidated subsidiaries								–
Changes in equity resulting from transactions with non-controlling interests								–
Other								(10)
Net changes of items other than shareholders' equity	(2,677)	53	(38)	(127)	(2,789)	4	132	(2,653)
Total changes for the year	(2,677)	53	(38)	(127)	(2,789)	4	132	(2,597)
Ending balance	\$9,010	\$284	\$ (1,285)	\$ (86)	\$7,922	\$11	\$378	\$22,881

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

MS&AD Insurance Group Holdings, Inc. and Its Consolidated Subsidiaries

For the years ended March 31, 2019 and March 31, 2020

	Yen in millions		US\$ in millions
	2019	2020	2020
I. Cash flows from operating activities:			
Income/(loss) before income taxes	¥279,842	¥12,505	\$115
Adjustments for:			
Depreciation	59,483	65,613	602
Impairment losses on fixed assets	2,936	173,611	1,593
Amortization of goodwill	14,633	12,737	117
Increase/(decrease) in outstanding claims	68,042	(67,233)	(617)
Increase/(decrease) in underwriting reserves	691,707	186,053	1,707
Increase/(decrease) in bad debt reserve	(193)	3,145	29
Increase/(decrease) in reserve for retirement benefits for officers	(124)	(88)	(1)
Increase/(decrease) in accrued bonuses for employees	764	461	4
Increase/(decrease) in reserve for losses on sales of shares of associates	–	13,143	121
Increase/(decrease) in reserve for reorganization by function	(9,842)	(6,498)	(60)
Increase/(decrease) in liabilities for pension and retirement benefits	(1,645)	(10,352)	(95)
Increase/(decrease) in reserve for price fluctuation	20,320	(35,848)	(329)
Interest and dividends income	(304,142)	(304,514)	(2,794)
Losses/(gains) on money trusts	(75,272)	(17,299)	(159)
Losses/(gains) on securities	(152,687)	(120,868)	(1,109)
Losses/(gains) on derivative transactions	9,331	18,547	170
Investment losses/(gains) on separate accounts	(43,162)	57,457	527
Interest expense	10,960	13,363	123
Foreign exchange losses/(gains)	65,348	319,557	2,932
Losses/(gains) on disposal of tangible fixed assets	(10,582)	(2,319)	(21)
Losses/(gains) on equity method investments	(3,751)	30,878	283
Losses /(gains) on step acquisitions	–	(6,587)	(60)
Losses/(gains) on change in equity interests	–	(2,804)	(26)
Decrease/(increase) in other assets	(201,857)	(30,875)	(283)
Increase/(decrease) in other liabilities	85,128	76,050	698
Other, net	(481)	(22,530)	(207)
Subtotal	504,754	355,302	3,260
Interest and dividends received	402,460	401,686	3,685
Interest paid	(10,872)	(13,259)	(122)
Income taxes refunded/(paid)	(119,619)	(75,833)	(696)
Net cash provided by/(used in) operating activities (a)	776,724	667,896	6,127
II. Cash flows from investing activities:			
Net decrease/(increase) in deposits and savings	13,029	20,391	187
Purchase of monetary claims bought	(9,027)	(18,809)	(173)
Proceeds from sales and redemption of monetary claims bought	49,750	15,982	147
Purchase of money trusts	(636,742)	(232,980)	(2,137)
Proceeds from sales of money trusts	222,626	116,399	1,068
Purchase of securities	(3,929,183)	(4,537,656)	(41,630)
Proceeds from sales and redemption of securities	3,717,595	4,434,208	40,681
Investment in loans	(197,312)	(226,329)	(2,076)
Collection of loans	178,346	200,104	1,836
Net increase/(decrease) in payables under repurchase agreements	468,782	(55,816)	(512)
Net increase/(decrease) in cash collateral under securities borrowing and lending transactions	(47,807)	62,989	578
Other, net	10,293	11,452	105
Subtotal (b)	(159,649)	(210,064)	(1,927)
(a + b)	617,075	457,831	4,200
Acquisition of tangible fixed assets	(32,399)	(32,021)	(294)
Proceeds from sales of tangible fixed assets	16,418	7,439	68
Acquisition of intangible fixed assets	(75,584)	(78,519)	(720)
Acquisition of shares of subsidiaries resulting in changes in scope of consolidation	–	(9,715)	(89)
Payments for sales of shares of subsidiaries resulting in changes in scope of consolidation	–	(6,327)	(58)
Other, net	(1,202)	(1,152)	(11)
Net cash provided by/(used in) investing activities	(252,417)	(330,363)	(3,031)
III. Cash flows from financing activities:			
Proceeds from borrowings	26,452	149,381	1,370
Repayments of borrowings	(45,386)	(167,648)	(1,538)
Issuance of bonds	99,527	149,427	1,371
Net increase/(decrease) in cash collateral under securities lending transactions	–	79,080	726
Proceeds from stock issuance to non-controlling interests	501	–	–
Repurchase of treasury stock	(30,029)	(52,019)	(477)
Dividends paid to shareholders	(79,286)	(83,861)	(769)
Dividends paid to non-controlling interests	(915)	(1,233)	(11)
Purchase of shares of subsidiaries not resulting in changes in scope of consolidation	(2,359)	–	–
Other, net	(1,841)	(7,805)	(72)
Net cash provided by/(used in) financing activities	(33,337)	65,321	599
IV. Effect of exchange rate changes on cash and cash equivalents	(15,949)	(2,701)	(25)
V. Net increase/(decrease) in cash and cash equivalents	475,019	400,153	3,671
VI. Cash and cash equivalents at beginning of year	1,323,506	1,798,526	16,500
VII. Cash and cash equivalents at end of year	¥1,798,526	¥2,198,680	\$20,171

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 years ended March 31, 2019 and March 31, 2020

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 Rules of Corporate Accounting, 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 for 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 Rules of Corporate Accounting, amounts are rounded down to the nearest million of Japanese yen, except for those stated otherwise. As a result, the total amounts in Japanese yen shown in the accompanying consolidated financial statements 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, 2020 have been translated into US dollar at the rate of ¥109=US\$1, the approximate exchange rate on the Tokyo foreign exchange market on the last business day of March 2020. 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 US dollar 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 Rules of Corporate Accounting.

2. Scope of consolidation

(1) Number of consolidated subsidiaries

87 companies

Major consolidated subsidiaries are as follows:

Mitsui Sumitomo Insurance Company, Limited ("MSI")
Aioi Nissay Dowa Insurance Company, Limited ("ADI")
Mitsui Sumitomo Aioi Life Insurance Company, Limited ("MSAL")
Mitsui Sumitomo Primary Life Insurance Company, Limited ("MSPL")
MSIG Holdings (U.S.A.), Inc.
MS Amlin Corporate Member Limited
MS Amlin Underwriting Limited
MS Amlin AG
MS Amlin Insurance SE
MSIG Insurance (Malaysia) Bhd.

Changes in scope of consolidation

PT. Asuransi Jiwa Sinarmas MSIG Tbk and 2 other companies have been included in the scope of consolidation since the year ended March 31, 2020 as they have become the Company's subsidiaries due to the acquisition of shares.

au Insurance Company, Limited became an equity method affiliate due to the sale of shares, and RaetsAsia P&I Services Pte Ltd and 4 other companies ceased to be subsidiaries due to the completion of liquidation and other reasons. As a result, these companies have been excluded from the scope of consolidation during the year ended March 31, 2020.

(2) Unconsolidated subsidiaries

Major unconsolidated subsidiaries are as follows:

Anshin Dial Company, Limited
MS&AD Systems Company, Limited

Certain subsidiaries including the above subsidiaries are not consolidated, as they are not considered to have any impact on, 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

13 companies

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

Sumitomo Mitsui DS Asset Management Company, Limited
ReAssure Group Plc

Changes in scope of application of equity method

As ReAssure Group Plc and Challenger Limited became associates due to the acquisition of shares and au Insurance Company, Limited changed from subsidiary to associate due to the sale of shares, these companies have been included in the scope of application of the equity method during the year ended March 31, 2020.

As ReAssure Jersey One Limited and 1 other company ceased to be associates due to the sale of shares and PT. Asuransi Jiwa Sinarmas MSIG Tbk changed from associate to subsidiary due to the acquisition of shares, these companies have been excluded from the scope of application of the equity method during the year ended March 31, 2020.

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

(3) The Company holds 29.9% voting rights of Japan Earthquake Reinsurance Company, Limited ("Japan Earthquake Re") through MSI and ADI. However, Japan Earthquake Re is not included as an affiliate since the Company does not have the ability to exercise significant influence over the 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 80 overseas consolidated subsidiaries 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 its 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. For certain overseas consolidated subsidiaries, cost of sales is calculated using the first-in, first-out method.

(ii) Held-to-maturity securities are valued at amortized cost.

(iii) Investments in unconsolidated subsidiaries and associates that are not accounted for under the equity method are valued at cost determined by the moving average method.

- (iv) Debt securities and money trusts earmarked for underwriting reserves are valued at amortized cost determined by the moving average method in accordance with Industry Audit Committee Report No. 21 "Temporary Treatment of Accounting and Auditing Concerning Debt Securities Earmarked for Underwriting Reserve in the Insurance Industry" (issued by the Japanese Institute of Certified Public Accountants on November 16, 2000).
- A summary of the risk management policy for debt securities and money trusts earmarked for underwriting reserves is as follows:
- To effectively manage risks of variability in interest rates related to assets and liabilities, MSAL establishes subgroups of "individual insurance" that meet certain criteria for each type of insurance and investment policy, as well as applies the investment policy and cash allocation policy reflecting their characteristics. In addition, MSAL periodically assesses whether the durations of the debt securities earmarked for underwriting reserves fall within a certain range from those of the underwriting reserves in each subgroup.
- 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, as well as applies the investment policy and cash allocation policy reflecting their characteristics. In addition, MSPL periodically assesses whether the durations of the debt securities earmarked for underwriting reserves fall within a certain range from those of the underwriting reserves in each subgroup.
- (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 the remaining changes are reported as foreign exchange gains and losses in the consolidated financial statements 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 specifically managed for the Company and its domestic consolidated subsidiaries for trading purposes are valued at fair value.
- Money trusts specifically managed for the Company and its domestic consolidated subsidiaries, other than those held for trading purposes, held to maturity or earmarked for underwriting reserves, are valued on the same basis as available-for-sale securities.
- (2) Valuation policies and methods of derivative financial instruments
- Derivative financial instruments are valued at fair value.
- (3) Depreciation methods of significant depreciable assets
- (i) Depreciation of tangible fixed assets is computed using the straight-line method.
- (ii) Intangible fixed assets are amortized by the straight-line method. Capitalized software for internal use is amortized by the straight-line method over its estimated useful life.
- (4) Accounting policies for significant reserves
- (i) Bad debt reserve
- For domestic consolidated insurance subsidiaries, bad debt reserve is established under the internal standards for self-assessment of assets and the policy for write-off and provision.
- Bad debt reserve for loans to debtors who are legally deemed to be insolvent due to bankruptcy or special liquidation, or whose notes are under suspension at clearing houses, and loans to debtors who are deemed to be substantially insolvent is provided based on the outstanding balance remaining after deducting the resale value of collateral and the amount collectible through guarantees.
- Bad debt reserve for loans to debtors who are likely to become insolvent in the future is provided based on the outstanding balance remaining after deducting the resale value of collateral, the amount collectible through guarantees and the amount expected to be repaid by the debtors considering their overall ability to pay.
- For loans other than those described above, bad debt reserve is calculated by multiplying the outstanding balances by the historical bad debt ratios.
- Bad debt reserve for all loans and receivables is provided based on the assessment under the internal standards for self-assessment of assets. The assessment is performed by the departments responsible for the respective assets and the results are reviewed by 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 provision similar to those of the domestic consolidated insurance subsidiaries.
- For overseas consolidated subsidiaries, bad debt reserve is established based on the assessment of collectability of individual receivables.
- (ii) Reserve for retirement benefits for officers
- Reserve for retirement benefits that covers the cost of services rendered by officers and operating officers of MSI and MSAL up to the year ended March 31, 2005, the date on which the retirement benefit plans for officers were terminated, is established to provide for their future retirement benefits (including pension).
- (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 losses on sales of shares of associates
- Reserve for losses on sales of shares of associates is established to provide for possible losses to be incurred due to the changes in the market value of listed shares which will be received as a consideration for the sale of shares of associates based on the sales contract. The amount of reserve is determined as a difference between expected amount of consideration and the carrying amount at the current year end.
- (v) Reserve for price fluctuation
- For the domestic consolidated insurance subsidiaries, the reserve for price fluctuation is recognized under Article 115 of the Japanese Insurance Business Act to provide for possible losses arising from price fluctuation of investment assets such as equity securities.
- (5) Accounting for retirement benefits
- (i) Attribution method of retirement benefits over the service period
- In computing retirement benefit obligations, the estimated retirement benefits are attributed to the periods up to the current year using the plan's benefit formula.
- (ii) Accounting for actuarial gains and losses
- Actuarial gains and losses are amortized, commencing from the following year, using the straight-line method over a certain number of years (primarily 10 - 11 years) that do not exceed the expected average remaining service period of employees at the time of occurrence.
- (6) Translation of foreign currency assets and liabilities
- Foreign currency monetary assets and liabilities of the Company are translated into Japanese yen using the spot exchange rate prevailing at the year end. The foreign exchange gains and losses resulting from the translation are recognized in earnings. Foreign currency assets and liabilities of overseas consolidated subsidiaries are translated into Japanese yen using the spot exchange rate prevailing at their respective year ends, while shareholders' equity is translated at the historical rates. Income and expenses of overseas consolidated subsidiaries are translated into Japanese yen using the average exchange rate for the year. Differences arising from such translations are included in Foreign currency translation adjustments and Non-controlling interests in Net Assets.
- (7) Accounting for consumption taxes
- Consumption taxes received or paid by the Company and its major domestic consolidated subsidiaries are not included in income or expenses, except for those related 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 related to the purchase of depreciable fixed assets that are not charged to expenses but deferred as Other assets and amortized over a period of 5 years on a straight-line basis.

(8) Hedge accounting

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

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

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

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

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

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

6. Goodwill

Goodwill is amortized using the straight-line method over a period of 15 to 20 years. Insignificant amounts of goodwill are charged to expenses as incurred.

7. Change in accounting policy

From the year ended March 31, 2020, International Financial Reporting Standard ("IFRS") 16 "Leases" has been adopted by overseas consolidated subsidiaries that apply IFRS. As a result, lessees generally recognize right-of-use assets and lease liabilities for all leases at the lease commencement date.

In accordance with the transitional measures of IFRS 16, the Company has adjusted retained earnings for cumulative effects of the adoption at the beginning of the year ended March 31, 2020.

The effects of this adjustment on ordinary income and income before income taxes for the year ended March 31, 2020 were immaterial. The effects of the changes on the beginning balance of the year ended March 31, 2020 were an increase in lease assets of ¥23,875 million and a decrease in other tangible fixed assets of ¥653 million among tangible fixed assets, increases in lease assets of ¥7 million among intangible fixed assets, other liabilities of ¥24,172 million and a decrease in retained earnings of ¥942 million. As for the items of Consolidated Statements of Cash Flows, net cash used in operating activities decreased by ¥4,334 million and net cash used in financing activities increased by ¥4,334 million.

8. Cash and cash equivalents on the consolidated statements 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.

9. Additional information

(Consideration of the impact of COVID-19 pandemic in accounting estimates)

At present, it remains uncertain how long the COVID-19 pandemic will continue and how it will impact on the global economy. In this situation, accounting estimates, including the recoverability of deferred tax assets and the valuation of goodwill, incorporate certain assumptions with the scenario that the impact of COVID-19 pandemic will continue for a certain period of time during the year ending March 31, 2021.

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, 2019	March 31, 2020
Accumulated depreciation	374,923	399,393
Accelerated depreciation	14,002	13,610

Note: As permitted under Japanese tax legislation for the purpose of deferral in recognizing taxable income, the 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, 2019 and March 31, 2020 were ¥14,002 million and ¥13,610 million, respectively.

Accelerated depreciation deducted from the original acquisition cost due to receipts of governmental subsidies during the years ended March 31, 2019 and March 31, 2020 were ¥5 million and nil, respectively.

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

	Yen in millions	
	March 31, 2019	March 31, 2020
Securities (Domestic stocks)	24,276	30,138
Securities (Foreign securities)	242,644	293,110
Securities (Other securities)	13,578	17,212
Total	280,499	340,461

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, 2019	March 31, 2020
Loans to borrowers in bankruptcy	–	43
Overdue loans	204	177
Loans overdue for three months or more	345	299
Restructured loans	1,295	1,165
Total	1,845	1,685

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 that 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 are as follows:

	Yen in millions	
	March 31, 2019	March 31, 2020
Pledged assets:		
Cash, deposits and savings	28,918	3,638
Money trusts	2,283	2,241
Securities	806,098	846,152
Total	837,300	852,032

Note: The amounts in the above table primarily consist of collateral assets required for payables under repurchase agreements included in Other liabilities, for international operations and for Real Time Gross Settlement of the current account with the Bank of Japan.

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

	Yen in millions	
	March 31, 2019	March 31, 2020
	380,429	573,550

6. The amounts of assets received as collateral under loan agreements,etc.which the Company has the right to sell or repledge are as follows:

	Yen in millions	
	March 31, 2019	March 31, 2020
Securities	296,885	144,617

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

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

	Yen in millions	
	March 31, 2019	March 31, 2020
	2,298,979	2,024,281

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

MSI provides guarantees on transactions conducted by a limited partnership entity. Aggregate net present value of these transactions was ¥115,078 million and ¥112,259 million, respectively in a negative liability position as of March 31, 2019 and March 31, 2020. These amounts were not included in Customers' liabilities under acceptances and guarantees or Acceptances and guarantees since there was no substantial exposure.

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

	Yen in millions	
	March 31, 2019	March 31, 2020
	7,650	12,655

10. Information on financial instruments

(1) Qualitative information on financial instruments

(i) Policy on financial instruments

MS&AD Insurance Group ("the Group") applies Asset and Liability Management policies to maintain stability of investment returns, safety of assets and sufficient liquidity under an appropriate risk management framework to attain 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. To enhance efficiency of funds operations and strengthen financial capacity under such changing conditions, the Group undertakes to raise funds through the issuance of long-term or short-term corporate bonds or other financing methods as the needs arise.

(ii) Details of financial instruments and associated risks

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

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

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

Derivative transactions involve risks associated with fluctuations in fair value of derivative financial instruments, risks of non-performance 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. To mitigate credit risks arising from the non-performance of counterparties, most of the Group's derivative transactions are executed only with select counterparties of high credit quality and diversified among various counterparties. Furthermore, under Credit Support Annex ("CSA"), the Group obtains collateral from counterparties.

(iii) Risk management structure related to financial instruments

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

(a) Market risk management

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

(b) Credit risk management

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

(c) Liquidity risk management

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

(iv) Supplementary explanation of matters related 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, 2019 and March 31, 2020 together with their differences. The following tables exclude financial instruments in which the fair values are not practically determinable (see Note 2).

		Yen in millions		
March 31, 2019		Carrying amount	Fair value	Difference
(i)	Cash, deposits and savings	1,474,306	1,475,182	875
(ii)	Receivables under resale agreements	472,377	472,377	—
(iii)	Monetary claims bought	97,241	97,241	—
(iv)	Money trusts	1,544,406	1,544,406	—
(v)	Securities:			
	Trading securities	3,148,489	3,148,489	—
	Held-to-maturity securities	1,056,044	1,286,289	230,244
	Debt securities earmarked for underwriting reserves	2,363,311	2,525,355	162,044
	Investments in associates	3,170	4,013	842
	Available-for-sale securities	9,040,271	9,040,271	—
(vi)	Loans	903,006		
	Bad debt reserve ⁽¹⁾	(98)		
		902,907	925,994	23,086
Total assets		20,102,527	20,519,621	417,094
Bonds issued		659,093	676,879	17,785
Total liabilities		659,093	676,879	17,785
Derivative transactions ⁽²⁾ :				
	Hedge accounting not applied	17,426	17,426	—
	Hedge accounting applied	2,664	2,664	—
Total derivative transactions		20,090	20,090	—

⁽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.

		Yen in millions		
March 31, 2020		Carrying amount	Fair value	Difference
(i)	Cash, deposits and savings	1,846,225	1,846,892	666
(ii)	Receivables under resale agreements	407,722	407,722	—
(iii)	Monetary claims bought	160,091	160,091	—
(iv)	Money trusts	1,666,494	1,666,494	—
(v)	Securities:			
	Trading securities	2,889,688	2,889,688	—
	Held-to-maturity securities	1,099,432	1,315,739	216,307
	Debt securities earmarked for underwriting reserves	2,402,920	2,613,059	210,138
	Investments in associates	51,732	29,796	(21,935)
	Available-for-sale securities	8,560,362	8,560,362	—
(vi)	Loans	1,666,494	1,666,494	—
	Bad debt reserve ⁽¹⁾	(104)		
		892,231	923,010	30,778
Total assets		19,976,903	20,412,858	435,954
Bonds issued		809,093	802,081	(7,011)
Total liabilities		809,093	802,081	(7,011)
Derivative transactions ⁽²⁾ :				
	Hedge accounting not applied	26,945	26,945	—
	Hedge accounting applied	4,592	4,592	—
Total derivative transactions		31,538	31,538	—

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

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

(Note 1) Determination of fair value of financial instruments

Assets

(i) Cash, deposits and savings

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

(ii) Receivables under resale agreements

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

(iii) Monetary claims bought

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

(iv) Money trusts

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

(v) Securities

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

(vi) 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 that do not have contractual maturities, as the loan amount is limited to the surrender value, the carrying amount approximates the fair value, considering their estimated repayment periods and interest rates.

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

Liabilities

Bonds issued

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

Derivative transactions

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

(Note 2) The carrying amounts of financial instruments in which the fair values are not practically determinable, which are not included in "(v) Securities" above, are as follows:

	Yen in millions	
	March 31, 2019	March 31, 2020
Unlisted stocks and other assets invested in unconsolidated subsidiaries and associates	277,328	288,728
Other unlisted stocks	86,042	90,625
Unlisted investment trusts	51,633	72,750
Partnership investments comprising unlisted stocks	35,578	38,338
Total	450,583	490,442

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, 2019	Yen in millions			
	Within 1 year	Over 1 to 5 years	Over 5 to 10 years	Over 10 years
Cash, deposits and savings	1,447,793	23,351	–	0
Receivables under resale agreements	472,377	–	–	–
Monetary claims bought	86,590	–	–	9,995
Securities:				
Held-to-maturity securities:				
Government bonds	–	3,400	129,300	782,500
Corporate bonds	7,000	2,800	32,602	79,600
Foreign securities	–	–	–	–
Debt securities earmarked for underwriting reserves:				
Government bonds	–	–	–	617,300
Municipal bonds	–	400	–	6,600
Corporate bonds	2,400	10,072	1,750	102,200
Foreign securities	173	355,067	1,109,345	119,739
Available-for-sale securities with fixed maturities:				
Government bonds	60,140	622,969	336,675	902,909
Municipal bonds	20,579	48,302	116,673	92,098
Corporate bonds	197,407	703,009	367,255	89,355
Foreign securities	88,449	667,009	762,619	155,478
Loans ^(*)	87,324	311,125	326,777	108,822
Total	2,470,235	2,747,508	3,182,999	3,066,600

(*) The amounts in the above table do not include ¥295 million of loans in which repayments cannot be expected since the debtors are legally bankrupt, substantially bankrupt or likely to go bankrupt, and ¥68,950 million of loans without fixed maturities.

	Yen in millions			
March 31, 2020	Within 1 year	Over 1 to 5 years	Over 5 to 10 years	Over 10 years
Cash, deposits and savings	1,814,338	22,942	—	700
Receivables under resale agreements	407,722	—	—	—
Monetary claims bought	142,299	—	1,350	15,958
Securities:				
Held-to-maturity securities:				
Government bonds	—	28,100	121,400	805,300
Corporate bonds	2,300	23,502	9,600	81,300
Foreign securities	—	1,145	750	2,093
Debt securities earmarked for underwriting reserves:				
Government bonds	—	—	—	862,500
Municipal bonds	—	400	—	6,600
Corporate bonds	400	9,421	1,750	110,100
Foreign securities	6,182	493,344	792,960	74,099
Available-for-sale securities with fixed maturities:				
Government bonds	91,590	480,290	316,490	891,214
Municipal bonds	12,443	45,878	117,962	101,541
Corporate bonds	168,308	719,422	328,660	107,144
Foreign securities	134,510	738,015	663,334	242,649
Loans ^(*)	102,182	353,035	264,950	100,410
Total	2,882,278	2,915,498	2,619,209	3,401,612

(*) The amounts in the above table do not include ¥297 million of loans in which repayments cannot be expected since the debtors are legally bankrupt, substantially bankrupt or likely to go bankrupt, and ¥71,721 million of loans without fixed maturities.

(Note 4) Maturity analysis of bonds issued

	Yen in millions					
March 31, 2019	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 ^(*)	—	—	—	22,000	—	536,191
Total	—	—	—	22,000	—	536,191

	Yen in millions					
March 31, 2020	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 ^(*)	—	—	22,000	—	100,000	586,191
Total	—	—	22,000	—	100,000	586,191

(*) The amounts in the above table do not include ¥100,902 million of bond issued without fixed maturities.

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

	Yen in millions	
	March 31, 2019	March 31, 2020
Carrying amount	74,996	74,981
Fair value	135,321	138,674

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

12. Business combination

(1) Transaction under common control

(Transfer of third sector long-term contracts)

Based on the Agreement on Reorganization by Function concluded on September 27, 2013 between the Company and its consolidated subsidiaries, Mitsui Sumitomo Insurance Company, Limited ("MSI"), Aioi Nissay Dowa Insurance Company, Limited ("ADI") and Mitsui Sumitomo Aioi Life Insurance Company, Limited ("MSAL"), MSI and MSAL as well as ADI and MSAL concluded the Absorption-type Company Split Agreement on June 28, 2018 and completed the Simple Absorption-type Company Split on April 1, 2019. The purpose of the agreement is to transfer the long-term contracts of the third sector insurance market held by MSI and ADI to MSAL.

(i) Overview of the transaction

(a) Name and description of the subject business

Business related to the long-term contracts of the third sector insurance market held by MSI and ADI

(b) Date of business combination

April 1, 2019

(c) Legal form of business combination

Simple absorption-type company split where MSI and ADI are designated as the splitting companies and MSAL as the successor company

(d) Acquiring company name after the business combination

Mitsui Sumitomo Aioi Life Insurance Company, Limited

(e) Other items regarding overview of the transaction

By centralizing the product supply function in MSAL, the Group aims to realize efficient operations through further improvement of level of customer support and concentration of management resources, demonstrate the Group's comprehensive strength, and enhance customer satisfaction, its ability to grow and generate profits.

(ii) Overview of the accounting treatment applied

The Company applied "Accounting Standard for Business Combination" (ASBJ Statement No. 21, January 16, 2019) and "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10, January 16, 2019) for the treatment of transaction under common control.

(2) Business combination through acquisition

Mitsui Sumitomo Insurance Company, Limited ("MSI"), a consolidated subsidiary of the Company, acquired additional shares of PT. Asuransi Jiwa Sinarmas MSIG Tbk ("Sinarmas"), an equity method affiliate of the Company. As a result of this transaction, Sinarmas became a consolidated subsidiary.

(i) Overview of the transaction

(a) Name and description of business of the acquired company

Name: PT. Asuransi Jiwa Sinarmas MSIG Tbk
Description of business: Life insurance business

(b) Main reasons for business combination

Indonesia's life insurance market is expected to grow further in the future therefore the Company acknowledges Sinarmas as a strategic business base and intends to expand its business in cooperation with the Sinarmas Group, a strategic partner as well as a shareholder of Sinarmas.

(c) Date of business combination

July 8, 2019 (deemed acquisition date: July 1, 2019)

(d) Legal form of business combination	Acquisition of shares	
(e) Company name after the business combination	PT. Asuransi Jiwa Sinarmas MSIG Tbk	
(f) Ratio of acquired voting rights	Ratio of voting rights owned by MSI immediately before the acquisition: 50%	
	Ratio of voting rights acquired additionally by MSI on the date of business combination: 30%	
(g) Grounds for deciding on the acquiring company	Ratio of voting rights after the acquisition: 80%	
	As a result of the acquisition of additional shares, MSI has gained substantial control of the acquired company.	
(ii) Period of the acquired company's financial result included in the consolidated financial statements of the Company	The fiscal year end of the acquired company is December 31, which is different from that of the Company. The Company uses the financial statements as of the acquired company's latest fiscal year end for consolidation purposes since the intervening period does not exceed three months from its fiscal year end. Financial results from January 1, 2019 to June 30, 2019 were recorded as gains on equity method investments.	
(iii) Acquisition cost and consideration of the acquired company	Fair value on the date of business combination of shares held by MSI immediately before the business combination	
	6.3 trillion rupiah	
	Consideration (Cash) for shares additionally acquired by MSI	3.8 trillion rupiah
	Acquisition cost	10.1 trillion rupiah
(iv) Difference between acquisition cost and aggregate acquisition cost of transactions	Gains on step acquisitions ¥6,587 million	
(v) Amount of goodwill, reason for recognizing goodwill, amortization method and the period	(a) Amount of goodwill	
	3.2 trillion rupiah	
	(b) Reason for recognizing goodwill	
	The amount of investments under the Share Acquisition Agreement exceeded the net amount of assets acquired and liabilities assumed.	
(c) Amortization method and the period	Amortized on a straight-line basis over 15 years	
(vi) Amount of assets acquired and liabilities assumed, together with major components, on the date of the business combination	unit:trillion rupiah	
	Total assets	17.3
	(Securities	11.8)
	(Intangible fixed assets	2.1)
Total liabilities	8.7	
	(Policy liabilities	7.2)

(vii) Approximate impact on the consolidated statements of income and its calculation method, assuming that the business combination had been completed on the commencement date of the year

	(Yen in millions)
Life insurance premiums	2,922
Ordinary profit	210
Net income attributable to owners of the parent	(104)

(Calculation method for approximate impact)

These amounts of approximate impact on the Company's consolidated statements of income represent the difference between the life insurance premiums, ordinary profit and net income attributable to owners of the parent calculated assuming that the business combination had been completed on the commencement date of the year, and their corresponding amounts in the consolidated statements of income of the acquired company. The amortization of intangible fixed assets including goodwill is calculated assuming that intangible fixed assets were recognized at the time on the commencement date of the year.

These notes have not been audited.

(3) Transaction under common control
(Reorganization of international business)

On January 1, 2020, Mitsui Sumitomo Insurance Company, Limited ("MSI"), a consolidated subsidiary of the Company, reorganized its international business ("international business reorganization") and transformed to a structure whereby international subsidiaries are placed under MSI's direct management, along with the termination of the regional holding company framework.

(i) Overview of international business reorganization

MSI designates 15 overseas subsidiaries as directly owned subsidiaries by acquiring subsidiaries' shares held by the regional holding companies through in-kind dividends. MSI completed the acquisition of shares of 9 companies for the year ended March 31, 2020 and plans to acquire shares of remaining 6 companies in the following years, subject to approval by relevant authorities.

Major subsidiaries for which MSI completed the acquisition are as follows:

Name of company acquired	Description of business	Date of acquisition
MS Amlin Corporate Member Limited	Non-life insurance business	January 1, 2020
MS Amlin AG	Non-life insurance business	January 1, 2020
MS Amlin Insurance SE	Non-life insurance business	January 1, 2020
MSIG Insurance (Singapore) Pte. Ltd.	Non-life insurance business	February 28, 2020

(ii) Purpose of international business reorganization

The purpose of the reorganization is to establish a system to further utilize skills and networks each group company has across regions and to accelerate decision-making speed for speedy business operations so that the Company can build future growth base and robust governance system as called for in the Medium-term Business Plan "Vision 2021" in light of environmental changes and challenges surrounding the international business.

(iii) Overview of the accounting treatment applied

The Company applied "Accounting Standard for Business Combination" (ASBJ Statement No. 21, January 16, 2019) and "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10, January 16, 2019) for the treatment of transaction under common control.

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

	March 31, 2019	March 31, 2020
Net assets per share (in ¥)	4,712.11	4,308.37
Stock acquisition rights deducted from net assets (in ¥ million)	785	1,206
Non-controlling interests deducted from net assets (in ¥ million)	26,743	41,161
Outstanding common shares (in thousands)	583,711	569,047

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, 2019	For the year ended March 31, 2020
4,434	(56)

2. The amounts of foreign exchange losses included in other investment expenses are as follows:

Yen in millions	
For the year ended March 31, 2019	For the year ended March 31, 2020
63,767	320,697

3. Major components of business expenses are as follows:

Yen in millions	
For the year ended March 31, 2019	For the year ended March 31, 2020
Commission expenses	682,532
Salaries	305,078
	699,841
	306,163

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. Losses on equity method investments:

Losses on equity method investments includes ¥36,629 million of accelerated amortization of goodwill associated with Challenger Limited which was recorded in accordance with the provisions set forth in Paragraph 9 of "Practical Guidelines on Accounting Standards for Equity Method" (JICPA Accounting Practice Committee Statement No. 9) and Paragraph 32 of "Practical Guidelines on Accounting Standards for Capital Consolidation Procedures in Preparing Consolidated Financial Statements" (JICPA Accounting Practice Committee Statement No. 7).

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

For the year ended March 31, 2019

		Yen in millions	
		Impairment losses on fixed assets	
		Breakdown	
Use	Category	Description	
Investment properties	Buildings	5 properties, including a building for rent in Fukushima	62
Idle real estate and real estate for sale and others	Land,buildings and other tangible fixed assets	32 properties, including an office building in Niigata	1,431
—	Software, and other intangible fixed assets	Software and others related to telematics automobile insurance business operations in the UK	1,442

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 real estate and assets for sale are grouped on an individual basis.

As the investment properties, idle real estate and assets for sale in the above table were to be disposed in the near future, the carrying amounts of the assets were reduced to recoverable amounts, and the aggregate difference between them was recognized as impairment losses on fixed assets under Extraordinary losses.

The recoverable amounts of assets to be disposed represent their net sales value, which are determined based on the appraisal value provided by qualified appraisers or the assessment of inheritance tax using roadside land prices.

During the review of the Company’s business outlook based on current sales, an impairment test was conducted for software and other intangible fixed assets related to telematics automobile insurance business operations in the UK. As a result of the test, the aggregate difference between the carrying amounts of the assets and recoverable amounts was recognized as impairment losses on fixed assets under Extraordinary losses. The recoverable amounts are measured by value in use, determined by discounting the future cash flows at 9.3%.

For the year ended March 31, 2020

		Yen in millions	
		Impairment losses on fixed assets	
		Breakdown	
Use	Category	Description	
Investment properties	Buildings	2 properties, including a building for rent in Ibaraki	0
Idle real estate and real estate for sale and others	Land and buildings	16 properties, including an office building in Kagawa	598
Others	Software	Software related to the insurance business held by overseas consolidated subsidiaries	1,059
—	Goodwill, other intangible fixed assets, etc.	Lloyd's business conducted by MS Amlin plc through the affiliated company	159,233
—	Goodwill, other intangible fixed assets, etc.	European direct insurance business conducted by MS Amlin plc through the affiliated company	12,720

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 real estate and assets for sale are grouped on an individual basis.

As the investment properties, idle real estate and assets for sale in the above table were to be disposed in the near future or their demolition has been determined, the carrying amounts of the assets were reduced to recoverable amounts, and the aggregate difference between them was recognized as impairment losses on fixed assets under Extraordinary losses.

The recoverable amounts of assets to be disposed represent their net sales value or value in use. The net sales value is determined based on the appraisal value provided by qualified appraisers or the assessment of inheritance tax using roadside land prices while value in use is determined as zero.

For software related to the insurance business held by overseas consolidated subsidiaries, impairment loss is recognized for the portion where the effects of decrease in expense in future are no longer assured due to the revision of software development plans and other reasons.

Non-life insurance business conducted by MS Amlin plc through affiliated companies had been treated as one asset group, however along with the elimination of regional holding company and the transformation to a structure under MSI's direct management, the Lloyd's business, the European direct insurance business, and the reinsurance business were treated as individual asset groups.

As the Lloyd's business and the European direct insurance business were less profitable than expected when acquired, carrying amounts of goodwill and other intangible fixed assets were reduced to their recoverable amounts and the reduced amounts were recognized as impairment losses on fixed assets under Extraordinary losses. The recoverable amounts were measured at net sales value for buildings and lease assets, and measured at value in use of zero for other assets. The net asset value was determined based on the appraisal value provided by qualified appraisers.

MS Amlin plc changed its trade name to MS Amlin Limited as at December 3, 2019.

6. Details of Other extraordinary income are as follows:

For the year ended March 31, 2019

Other extraordinary income represents reversal of reserve for reorganization by function.

For the year ended March 31, 2020

Other extraordinary income represents reversal of reserve for reorganization by function.

7. Details of Other extraordinary losses are as follows:

For the year ended March 31, 2019

Other extraordinary losses represent additional retirement benefits due to the personnel reduction at MS Amlin plc and its subsidiaries.

For the year ended March 31, 2020

Other extraordinary losses represent expenses related to reorganization of international business.

8. Total income taxes:

MSI has decided to dispose of shares in MS Amlin plc after acquiring subsidiaries' shares held by MS Amlin plc (currently MS Amlin Limited) and MSIG Holdings(Asia) Pte. Ltd. through in-kind dividends, and a part of the acquisitions has been completed.

As a result, income taxes decreased by ¥166,737 million due to the decrease in taxable income and recognition of deferred tax assets for deductible temporary differences arising on investments in subsidiaries.

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

	For the year ended March 31, 2019	For the year ended March 31, 2020
Basic net income/(loss) attributable to owners of the parent per share (in ¥)	328.72	248.36
Diluted net income/(loss) attributable to owners of the parent per share (in ¥)	328.60	248.22

Note: The basis of calculation is as follows:

	For the year ended March 31, 2019	For the year ended March 31, 2020
Net income/(loss) attributable to owners of the parent (in ¥ million)	192,705	143,030
Average outstanding common stock during the year (in thousands of shares)	586,215	575,887
Increase in number of common stock used for calculation of diluted net income/(loss) attributable to owners of the parent (in thousands of shares)	212	313

NOTES TO CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

1. Reclassification adjustments and income tax effects of other comprehensive income/(loss)

	Yen in millions	
	2019	2020
Net unrealized gains/(losses) on securities:		
Gains/(losses) arising during the period	(127,313)	(358,657)
Reclassification adjustments	(137,167)	(63,100)
Before income tax effect adjustments	(264,481)	(421,757)
Income tax effects	65,824	122,815
Net unrealized gains/(losses) on securities	(198,656)	(298,942)
Net deferred gains/(losses) on hedges:		
Gains/(losses) arising during the period	10,784	18,271
Reclassification adjustments	(4,895)	(9,688)
Before income tax effect adjustments	5,888	8,582
Income tax effects	(1,395)	(2,481)
Net deferred gains/(losses) on hedges	4,493	6,101
Foreign currency translation adjustments:		
Gains/(losses) arising during the period	(61,093)	3,001
Actuarial gains/(losses) on retirement benefits:		
Gains/(losses) arising during the period	4,934	(17,792)
Reclassification adjustments	1,329	(1,389)
Before income tax effect adjustments	6,263	(19,182)
Income tax effects	(1,240)	5,444
Actuarial gains/(losses) on retirement benefits	5,023	(13,737)
Share of other comprehensive income/(loss) of equity method investments:		
Gains/(losses) arising during the period	(23,579)	(3,530)
Reclassification adjustments	(271)	4,252
Share of other comprehensive income/(loss) of equity method investments	(23,850)	721
Total other comprehensive income/(loss)	(274,084)	(302,855)

NOTES TO CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

For the year ended March 31, 2019

1. Type and number of issued stock and treasury stock

	in thousands of shares			
	Beginning balance	Increase	Decrease	Ending balance
Issued stock:				
Common stock	593,291	–	–	593,291
Total	593,291	–	–	593,291
Treasury stock:				
Common stock	880	8,728	29	9,580
Total	880	8,728	29	9,580

Notes:
1. The increase in the number of treasury common stock during the year was 8,728 thousand shares, as a result of open market repurchases of 8,714 thousand shares and repurchases of 14 thousand fractional shares.
2. The decrease in the number of treasury common stock during the year was 29 thousand shares, which is due to exercise of stock acquisition rights of 28 thousand shares and sales of 0 thousand fractional shares.

2. Stock acquisition rights

	Yen in millions
Category	Ending balance
Filer	785
Total	785

3. Dividends

(1) Dividends paid

Resolution	Type of shares	Aggregate amount of dividends (Yen in millions)	Dividends per share (in Yen)	Date of record	Effective date
General shareholders' meeting held on June 25, 2018	Common stock	38,506	65	March 31, 2018	June 26, 2018
Board meeting held on November 19, 2018	Common stock	40,860	70	September 30, 2018	December 5, 2018

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

(2) Dividends declared effective after March 31, 2019 for which the date of record is in the year ended March 31, 2019

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 24, 2019	Common stock	40,859	Retained earnings	70	March 31, 2019	June 25, 2019

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

For the year ended March 31, 2020

1. Type and number of issued stock and treasury stock

	in thousands of shares			
	Beginning balance	Increase	Decrease	Ending balance
Issued stock:				
Common stock	593,291	—	—	593,291
Total	593,291	—	—	593,291
Treasury stock:				
Common stock	9,580	14,701	37	24,244
Total	9,580	14,701	37	24,244

Notes:

1. The increase in the number of treasury common stock during the year was 14,701 thousand shares, as a result of open market repurchases of 14,688 thousand shares and repurchases of 13 thousand fractional shares.

2. The decrease in the number of treasury common stock during the year was 37 thousand shares, which is due to exercise of stock acquisition rights of 36 thousand shares and sales of 0 thousand fractional shares.

2. Stock acquisition rights

Category	Breakdown	Yen in millions
		Ending balance
Filer	Stock acquisition rights as stock options	1,206
Total		1,206

3. Dividends

(1) Dividends paid

Resolution	Type of shares	Aggregate amount of dividends (Yen in millions)	Dividends per share		Date of record	Effective date
			(in Yen)			
General shareholders' meeting held on June 24, 2019	Common stock	40,859	70		March 31,2019	June 25,2019
Board meeting held on November 19, 2019	Common stock	43,092	75		September 30,2019	December 4,2019

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

(2) Dividends declared effective after March 31, 2020 for which the date of record is in the year ended March 31, 2020

Resolution	Type of shares	Aggregate amount of dividends (Yen in millions)	Dividends per share		Date of record	Effective date
			Source of dividends	(in Yen)		
General shareholders' meeting to be held on June 25, 2020	Common stock	42,678	Retained earnings	75	March 31,2020	June 26,2020

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

NOTES TO CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended March 31, 2019 and March 31, 2020

1. Reconciliation of balance sheet items to cash and cash equivalents

	Yen in millions	
	2019	2020
Cash, deposits and savings	1,474,306	1,846,225
Receivables under resale agreements	472,377	407,722
Monetary claims bought	97,241	160,091
Securities	16,061,871	15,494,580
Time deposits exceeding three months and deposits pledged as collateral	(226,746)	(202,120)
Monetary claims bought other than cash equivalents	(49,238)	(52,132)
Securities other than cash equivalents	(16,031,285)	(15,455,687)
Cash and cash equivalents	1,798,526	2,198,680

2. Major components of assets and liabilities of newly consolidated subsidiaries due to acquisition of shares

For the year ended March 31, 2020

Mitsui Sumitomo Insurance Company, Limited, a consolidated subsidiary of the Company, acquired additional shares of PT. Asuransi Jiwa Sinarmas MSIG Tbk ("Sinarmas"), an equity method affiliate of the Company. As a result of this transaction, Sinarmas became a consolidated subsidiary of the Company. The following summarizes the recognized amount of assets acquired and liabilities assumed, and the relationship between the acquisition cost of shares and the expenditure for the acquisition (net) at the acquisition date:

	Yen in millions
Securities	91,036
Intangible fixed assets	16,623
Other assets	25,657
	133,316
Goodwill	25,370
Policy liabilities	(55,916)
Other liabilities	(11,285)
Total liabilities	(67,201)
Foreign currency translation adjustments	(962)
Non-controlling interests	(13,222)
Investments accounted for using the equity method prior to the acquisition of shares	(41,725)
Gains on step acquisitions	(6,587)
Acquisition cost of Sinarmas' shares	28,987
Less: Cash and cash equivalents held at Sinarmas	19,272
Net consideration paid for acquisition of Sinarmas	9,715

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.:

Opinion

We have audited the accompanying consolidated financial statements of MS&AD Insurance Group Holdings, Inc. (“the Company”) and its consolidated subsidiaries (collectively referred to as “the Group”), which comprise the consolidated balance sheets as of March 31, 2019 and 2020, the consolidated statements of income, comprehensive income, changes in net assets and cash flows for the years then ended , and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2019 and 2020, and its consolidated financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Corporate auditors and the board of corporate auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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 misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors’ performance of their duties including the design, implementation and maintenance of the Group’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2020 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Significant Accounting Policies in the notes to the consolidated financial statements.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Hiroyuki Yamada
Designated Engagement Partner
Certified Public Accountant

Ikuo Hirakuri
Designated Engagement Partner
Certified Public Accountant

Fumito Hirose
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Tokyo Office, Japan
June 24, 2020

Summary of Business Results of Main Consolidated Subsidiaries

MITSUI SUMITOMO INSURANCE CO., LTD. (NON-CONSOLIDATED)

Non-Consolidated Balance Sheets

Items	Yen in millions	
	March 31, 2019	March 31, 2020
(Assets)		
Cash, deposits and savings:	¥ 451,820	¥ 489,791
Cash on hand	57	31
Deposits in banks	451,762	489,760
Receivables under resale agreements	6,999	—
Monetary claims bought	13,650	8,217
Money trusts	3,543	2,961
Investments in securities:	5,399,897	4,925,543
Government bonds	979,885	874,430
Municipal bonds	87,459	92,416
Corporate bonds	555,690	567,429
Domestic stocks	1,728,866	1,433,930
Foreign securities	2,003,496	1,894,855
Other securities	44,498	62,481
Loans:	396,292	400,609
Policy loans	6,515	6,000
General loans	389,776	394,609
Tangible fixed assets:	207,392	209,951
Land	78,087	77,417
Buildings	115,698	112,617
Construction in progress	335	2,208
Other tangible fixed assets	13,271	17,707
Intangible fixed assets:	73,972	98,478
Software	14,527	49,756
Other intangible fixed assets	59,445	48,722
Other assets:	393,734	419,666
Premiums receivable	4,311	7,604
Due from agencies	122,339	125,333
Co-insurance accounts receivable	12,721	9,435
Reinsurance accounts receivable	64,100	63,139
Foreign reinsurance accounts receivable	94,274	92,577
Agency business accounts receivable	607	805
Other receivables	35,260	56,711
Accrued income	5,632	4,917
Guarantee deposits	10,323	10,597
Deposits with the Japan Earthquake Reinsurance Company	4,138	4,365
Suspense payments	36,911	39,716
Initial margins for future transactions	701	711
Derivative financial instruments	1,347	2,241
Cash collateral pledged under derivative transactions	393	941
Other assets	670	565
Deferred tax assets	—	111,516
Customers' liabilities under acceptances and guarantees	33,123	25,987
Bad debt reserve	(3,282)	(6,635)
Total assets	¥6,977,145	¥6,686,089

Items	Yen in millions	
	March 31, 2019	March 31, 2020
(Liabilities)		
Policy liabilities:	¥3,798,043	¥3,715,273
Outstanding claims	644,153	629,241
Underwriting reserves	3,153,890	3,086,032
Bonds issued	487,093	587,093
Other liabilities:	502,358	566,927
Co-insurance accounts payable	11,656	12,977
Reinsurance accounts payable	63,195	62,131
Foreign reinsurance accounts payable	29,004	35,347
Agency business accounts payable	16	630
Payables under securities lending transactions	—	61,603
Borrowings	196,767	198,381
Income taxes payable	18,683	3,744
Deposits received	64,182	60,177
Unearned income	25	24
Other payables	46,990	45,225
Suspense receipts	23,220	21,088
Derivative financial instruments	1,787	2,770
Cash collateral received under derivative transactions	40,357	56,402
Lease obligations	1,294	1,297
Asset retirement obligations	3,881	3,913
Other liabilities	1,295	1,212
Reserve for pension and retirement benefits	134,438	120,827
Reserve for retirement benefits for officers	403	316
Accrued bonuses for employees	10,447	10,633
Reserve for reorganization by function	906	—
Reserves under the special laws:	76,003	19,007
Reserve for price fluctuation	76,003	19,007
Deferred tax liabilities	101,693	—
Acceptances and guarantees	33,123	25,987
Total liabilities	5,144,511	5,046,067
(Net assets)		
Common stock	139,595	139,595
Capital surplus:	93,107	93,107
Additional paid-in capital	93,107	93,107
Retained earnings:	685,439	698,675
Legal earned reserve	46,487	46,487
Other retained earnings:	638,951	652,187
Tax-exempted reserve for accelerated depreciation	15,837	15,561
Retained earnings brought forward	623,113	636,626
Total shareholders' equity	918,142	931,378
Net unrealized gains/(losses) on investments in securities	885,036	683,030
Net deferred gains/(losses) on hedges	29,454	25,613
Total valuation and translation adjustments	914,491	708,643
Total net assets	1,832,634	1,640,022
Total liabilities and net assets	¥6,977,145	¥6,686,089

MITSUI SUMITOMO INSURANCE CO., LTD. (NON-CONSOLIDATED)

Non-Consolidated Statements of Income

Items	Yen in millions	
	Year ended March 31, 2019	Year ended March 31, 2020
Ordinary income:	¥1,908,617	¥1,784,456
Underwriting income:	1,696,441	1,644,049
Net premiums written	1,509,617	1,547,930
Deposit premiums from policyholders	55,858	52,386
Investment income on deposit premiums from policyholders	32,235	30,105
Reversal of outstanding claims	–	13,585
Reversal of underwriting reserves	98,308	–
Foreign exchange gains	348	–
Other underwriting income	73	42
Investment income:	206,852	135,749
Interest and dividends income	113,912	101,912
Gains on sales of securities	121,459	58,254
Gains on redemption of securities	256	862
Gains on derivative transactions	2,343	3,419
Foreign exchange gains	625	–
Other investment income	491	1,405
Transfer of investment income on deposit premiums from policyholders	(32,235)	(30,105)
Other ordinary income	5,322	4,657
Ordinary expenses:	1,682,140	1,695,343
Underwriting expenses:	1,436,790	1,419,697
Net claims paid	910,965	888,652
Loss adjustment expenses	89,662	90,679
Commissions and collection expenses	265,429	278,348
Maturity refunds to policyholders	167,736	157,089
Dividends to policyholders	118	84
Provision for outstanding claims	2,442	–
Provision for underwriting reserves	–	3,337
Foreign exchange losses	–	985
Other underwriting expenses	436	520
Investment expenses:	12,622	33,085
Investment losses on money trusts	171	566
Losses on sales of securities	5,375	4,387
Impairment losses on securities	4,052	20,878
Losses on redemption of securities	44	162
Foreign exchange losses	–	4,313
Other investment expenses	2,978	2,776
Operating expenses and general and administrative expenses	223,294	229,308
Other ordinary expenses:	9,434	13,251
Interest expense	7,734	9,353
Provision for bad debts	172	3,427
Losses on bad debts	1	27
Other ordinary expenses	1,526	442
Ordinary profit	226,476	89,113
Extraordinary income:	2,982	61,429
Gains on sales of fixed assets	2,982	4,432
Reversal of reserves under the special laws:	–	56,996
Reversal of reserve for price fluctuation	–	56,996
Extraordinary losses:	6,095	189,539
Losses on sales of fixed assets	1,265	1,307
Impairment losses on fixed assets	639	499
Provision for reserves under the special laws:	4,190	–
Provision for reserve for price fluctuation	4,190	–
Losses on valuation of shares of subsidiaries and associates	–	186,325
Other extraordinary losses	–	1,407
Income/(loss) before income taxes	223,363	(38,997)
Income taxes – current	58,143	485
Income taxes – deferred	(5,882)	(133,562)
Total income taxes	52,260	(133,076)
Net income	¥ 171,102	¥ 94,079

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, 2019	March 31, 2020
(A) Total amount of solvency margin	¥3,321,706	¥3,076,392
Total net assets	856,325	879,578
Reserve for price fluctuation	76,003	19,007
Contingency reserve	60	–
Catastrophe reserve	527,790	550,227
General bad debt reserve	111	86
Net unrealized gains/(losses) on investments in securities and net deferred gains/(losses) on hedges (prior to tax effect deductions)	1,104,761	852,586
Net unrealized gains/(losses) on land	48,551	54,618
Excess of policyholders' contract deposits (a)	–	–
Subordinated debts, etc. (b)	487,093	487,093
Amount excluded from the margin, out of (a) and (b)	–	–
Deductions	6,642	3,642
Others	227,650	236,835
(B) Total amount of risks $\sqrt{(R_1+R_2)^2+(R_3+R_4)^2}+R_5+R_6$	918,540	877,260
General insurance risk (R_1)	131,847	136,088
Insurance risk of third sector insurance contracts (R_2)	–	–
Assumed interest rate risk (R_3)	14,611	13,475
Asset management risk (R_4)	757,347	700,269
Business administration risk (R_5)	20,376	19,617
Catastrophe risk (R_6)	115,025	131,040
(C) Solvency margin ratio [(A) / ((B) × 1/2)] × 100	723.2%	701.3%

AIOI NISSAY DOWA INSURANCE CO., LTD. (NON-CONSOLIDATED)

Non-Consolidated Balance Sheets

Items	Yen in millions	
	March 31, 2019	March 31, 2020
(Assets)		
Cash, deposits and savings:	¥ 181,470	¥ 174,108
Cash on hand	18	18
Deposits in banks	181,452	174,090
Money trusts	2,483	2,441
Investments in securities:	2,411,362	2,317,658
Government bonds	562,094	487,098
Municipal bonds	20,930	36,695
Corporate bonds	257,869	305,287
Domestic stocks	823,412	696,983
Foreign securities	677,156	715,866
Other securities	69,898	75,728
Loans:	201,022	218,147
Policy loans	2,590	2,258
General loans	198,431	215,889
Tangible fixed assets:	177,051	182,184
Land	74,275	74,281
Buildings	84,965	85,562
Lease assets	3	2
Construction in progress	6,368	10,048
Other tangible fixed assets	11,438	12,288
Intangible fixed assets:	42,914	55,884
Software	9,783	24,166
Other intangible fixed assets	33,131	31,718
Other assets:	354,507	381,021
Premiums receivable	2,412	2,222
Due from agencies	81,701	83,351
Due from foreign agencies	897	834
Co-insurance accounts receivable	5,747	5,635
Reinsurance accounts receivable	49,733	49,147
Foreign reinsurance accounts receivable	126,947	143,958
Agency business accounts receivable	71	325
Other receivables	43,036	43,965
Accrued income	7,014	6,353
Guarantee deposits	6,777	6,612
Deposits with the Japan Earthquake Reinsurance Company	2,499	2,591
Suspense payments	24,825	28,023
Derivative financial instruments	2,842	7,998
Prepaid pension expenses	20,501	19,427
Deferred tax assets	16,426	63,162
Customers' liabilities under acceptances and guarantees	4,500	7,500
Bad debt reserve	(1,251)	(804)
Total assets	¥3,410,989	¥3,420,733

Items	Yen in millions	
	March 31, 2019	March 31, 2020
(Liabilities)		
Policy liabilities:	¥2,426,782	¥2,366,879
Outstanding claims	591,844	564,436
Underwriting reserves	1,834,938	1,802,443
Bonds issued	22,000	72,000
Other liabilities:	171,219	265,188
Co-insurance accounts payable	3,433	3,721
Reinsurance accounts payable	52,448	49,778
Foreign reinsurance accounts payable	53,043	60,815
Agency business accounts payable	1,500	2,285
Payables under securities lending transactions	–	79,080
Income taxes payable	3,060	10,090
Deposits received	3,249	3,545
Unearned income	27	26
Other payables	32,064	33,642
Suspense receipts	19,507	17,678
Derivative financial instruments	2,034	3,629
Lease obligations	3	2
Asset retirement obligations	847	891
Other liabilities	0	0
Reserve for pension and retirement benefits	31,288	34,378
Accrued bonuses for employees	6,016	6,619
Reserve for reorganization by function	253	–
Reserves under the special laws:	13,373	30,088
Reserve for price fluctuation	13,373	30,088
Acceptances and guarantees	4,500	7,500
Total liabilities	2,675,433	2,782,654
(Net assets)		
Common stock	100,005	100,005
Capital surplus:	81,207	81,207
Additional paid-in capital	52,593	52,593
Other capital surplus	28,614	28,614
Retained earnings:	180,526	185,491
Legal earned reserve	47,411	47,411
Other retained earnings:	133,114	138,079
Retained earnings brought forward	133,114	138,079
Total shareholders' equity	361,739	366,703
Net unrealized gains/(losses) on investments in securities	373,815	271,374
Total valuation and translation adjustments	373,815	271,374
Total net assets	735,555	638,078
Total liabilities and net assets	¥3,410,989	¥3,420,733

AIOI NISSAY DOWA INSURANCE CO., LTD. (NON-CONSOLIDATED)

Non-Consolidated Statements of Income

Items	Yen in millions	
	Year ended March 31, 2019	Year ended March 31, 2020
Ordinary income:	¥1,425,517	¥1,414,439
Underwriting income:	1,354,477	1,324,161
Net premiums written	1,233,581	1,276,770
Deposit premiums from policyholders	24,377	23,167
Investment income on deposit premiums from policyholders	16,539	15,130
Reversal of outstanding claims	—	8,847
Reversal of underwriting reserves	75,120	—
Foreign exchange gains	242	—
Other underwriting income	4,616	244
Investment income:	62,276	81,322
Interest and dividends income	56,150	59,396
Investment gains on money trusts	2	2
Gains on sales of securities	22,397	35,125
Gains on redemption of securities	90	1,668
Foreign exchange gains	77	—
Other investment income	97	60
Transfer of investment income on deposit premiums from policyholders	(16,539)	(15,130)
Other ordinary income	8,763	8,956
Ordinary expenses:	1,364,135	1,355,823
Underwriting expenses:	1,159,840	1,133,794
Net claims paid	770,582	724,662
Loss adjustment expenses	66,390	66,686
Commissions and collection expenses	238,394	251,774
Maturity refunds to policyholders	64,336	63,608
Dividends to policyholders	30	18
Provision for outstanding claims	18,865	—
Provision for underwriting reserves	—	22,641
Foreign exchange losses	—	3,139
Other underwriting expenses	1,240	1,263
Investment expenses:	13,890	20,788
Losses on sales of securities	5,379	3,039
Impairment losses on securities	2,076	11,023
Losses on redemption of securities	—	0
Losses on derivative transactions	4,861	3,953
Foreign exchange losses	—	620
Other investment expenses	1,572	2,150
Operating expenses and general and administrative expenses	188,607	198,919
Other ordinary expenses:	1,796	2,321
Interest expense	398	617
Provision for bad debts	55	—
Losses on bad debts	0	1
Other ordinary expenses	1,342	1,702
Ordinary profit	61,382	58,615
Extraordinary income:	701	168
Gains on sales of fixed assets	701	168
Extraordinary losses:	14,463	18,420
Losses on sales of fixed assets	1,203	1,444
Impairment losses on fixed assets	1,569	261
Provision for reserves under the special laws:	11,684	16,714
Provision for reserve for price fluctuation	11,684	16,714
Losses on reduction of tangible fixed assets	5	—
Income before income taxes	47,620	40,363
Income taxes – current	9,584	13,559
Income taxes – deferred	728	(17,980)
Total income taxes	10,312	(4,420)
Net income	¥ 37,307	¥ 44,784

Non-Consolidated Solvency Margin Ratio

	Yen in millions	
	March 31, 2019	March 31, 2020
(A) Total amount of solvency margin	¥1,168,396	¥1,148,081
Total net assets	333,503	348,002
Reserve for price fluctuation	13,373	30,088
Contingency reserve	780	906
Catastrophe reserve	288,003	299,132
General bad debt reserve	231	123
Net unrealized gains/(losses) on investments in securities and net deferred gains/(losses) on hedges (prior to tax effect deductions)	456,845	338,684
Net unrealized gains/(losses) on land	23,420	27,385
Excess of policyholders' contract deposits (a)	—	—
Subordinated debts, etc. (b)	13,200	58,800
Amount excluded from the margin, out of (a) and (b)	—	—
Deductions	4,822	4,269
Others	43,859	49,228
(B) Total amount of risks $\sqrt{(R_1+R_2)^2+(R_3+R_4)^2}+R_5+R_6$	339,508	326,916
General insurance risk (R_1)	109,193	114,413
Insurance risk of third sector insurance contracts (R_2)	—	—
Assumed interest rate risk (R_3)	7,283	6,634
Asset management risk (R_4)	216,865	194,535
Business administration risk (R_5)	8,304	8,060
Catastrophe risk (R_6)	81,872	87,425
(C) Solvency margin ratio $[(A) / \{(B) \times 1/2\}] \times 100$	688.2%	702.3%

MITSUI DIRECT GENERAL INSURANCE CO., LTD. (NON-CONSOLIDATED)

Non-Consolidated Balance Sheets

Items	Yen in millions	
	March 31, 2019	March 31, 2020
(Assets)		
Cash, deposits and savings:	¥ 7,036	¥12,133
Deposits in banks	7,036	12,133
Investments in securities:	42,042	35,972
Government bonds	901	–
Municipal bonds	20,158	17,072
Corporate bonds	14,479	12,459
Other securities	6,503	6,441
Tangible fixed assets:	548	447
Buildings	46	40
Other tangible fixed assets	502	407
Intangible fixed assets:	5,076	5,880
Software	4,601	5,880
Other intangible fixed assets	475	0
Other assets:	6,216	5,339
Premiums receivable	0	0
Reinsurance accounts receivable	418	13
Other receivables	3,589	3,350
Accrued income	44	35
Income taxes receivable	–	40
Guarantee deposits	352	350
Suspense payments	1,811	1,547
Other assets	0	0
Bad debt reserve	(3)	(4)
Total assets	¥60,917	¥59,768
(Liabilities)		
Policy liabilities:	44,995	43,705
Outstanding claims	24,432	22,946
Underwriting reserves	20,563	20,759
Other liabilities:	1,398	1,405
Reinsurance accounts payable	2	1
Income taxes payable	157	95
Unearned income	–	49
Other payables	1,211	1,218
Suspense receipts	8	22
Asset retirement obligations	17	18
Reserve for pension and retirement benefits	163	219
Accrued bonuses for employees	280	288
Reserves under the special laws:	72	79
Reserve for price fluctuation	72	79
Deferred tax liabilities	84	50
Total liabilities	46,994	45,750
(Net assets)		
Common stock	39,106	39,106
Capital surplus:	9,006	9,006
Additional paid-in capital	9,006	9,006
Retained earnings:	(34,243)	(34,083)
Other retained earnings:	(34,243)	(34,083)
Retained earnings brought forward	(34,243)	(34,083)
Total shareholders' equity	13,868	14,028
Net unrealized gains/(losses) on investments in securities	54	(10)
Total valuation and translation adjustments	54	(10)
Total net assets	13,923	14,017
Total liabilities and net assets	¥60,917	¥59,768

Non-Consolidated Statements of Income

Items	Yen in millions	
	Year ended March 31, 2019	Year ended March 31, 2020
Ordinary income:	¥37,612	¥37,933
Underwriting income:	37,559	37,883
Net premiums written	36,663	36,374
Investment income on deposit premiums from policyholders	22	21
Reversal of outstanding claims	363	1,486
Reversal of underwriting reserves	510	–
Investment income:	32	28
Interest and dividends income	55	50
Transfer of investment income on deposit premiums from policyholders	(22)	(21)
Other ordinary income	19	21
Ordinary expenses:	37,227	37,755
Underwriting expenses:	28,235	27,793
Net claims paid	25,123	24,469
Loss adjustment expenses	2,811	2,789
Commissions and collection expenses	300	337
Provision for underwriting reserves	–	196
Investment expenses:	–	–
Operating expenses and general and administrative expenses	8,988	9,957
Other ordinary expenses:	2	4
Provision for bad debts	–	1
Other ordinary expenses	2	2
Ordinary profit	384	178
Extraordinary income	–	–
Extraordinary losses:	15	31
Losses on sales of fixed assets	6	24
Provision for reserves under the special laws:	8	7
Provision for reserve for price fluctuation	8	7
Income before taxes	369	146
Income taxes – current	131	(0)
Income taxes – deferred	(10)	(12)
Total income taxes	120	(12)
Net income	¥ 249	¥ 159

Non-Consolidated Solvency Margin Ratio

	Yen in millions	
	March 31, 2019	March 31, 2020
(A) Total amount of solvency margin	¥15,222	¥15,305
Total net assets	13,868	14,028
Reserve for price fluctuation	72	79
Contingency reserve	0	0
Catastrophe reserve	1,210	1,205
General bad debt reserve	3	2
Net unrealized gains/(losses) on investments in securities and net deferred gains/(losses) on hedges (prior to tax effect deductions)	68	(10)
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 $\sqrt{(R_1+R_2)^2+(R_3+R_4)^2}+R_5+R_6$	6,117	5,809
General insurance risk (R_1)	5,516	5,227
Insurance risk of third sector insurance contracts (R_2)	–	–
Assumed interest rate risk (R_3)	0	0
Asset management risk (R_4)	1,031	955
Business administration risk (R_5)	205	194
Catastrophe risk (R_6)	300	300
(C) Solvency margin ratio $[(A) / \{(B) \times 1/2\}] \times 100$	497.6%	526.9%

MITSUI SUMITOMO AIOI LIFE INSURANCE CO., LTD. (NON-CONSOLIDATED)

Non-Consolidated Balance Sheets

Items	Yen in millions	
	March 31, 2019	March 31, 2020
(Assets)		
Cash, deposits and savings:	¥ 73,027	¥ 196,400
Cash on hand	0	0
Deposits in banks	73,027	196,400
Receivables under resale agreements	465,377	407,722
Investments in securities:	3,548,477	3,757,612
Government bonds	2,213,343	2,529,779
Municipal bonds	183,243	163,827
Corporate bonds	883,523	857,138
Domestic stocks	770	682
Foreign securities	195,146	166,282
Other securities	72,449	39,900
Loans:	59,506	63,130
Policy loans	59,506	63,130
Tangible fixed assets:	3,347	4,345
Buildings	532	476
Lease assets	1,486	2,472
Other tangible fixed assets	1,328	1,396
Intangible fixed assets:	30,851	32,841
Software	8,067	22,321
Other intangible fixed assets	22,783	10,519
Due from agencies	186	1,996
Reinsurance accounts receivable	3,230	868
Other assets:	45,775	45,651
Other receivables	34,197	33,184
Prepaid expenses	1,182	2,551
Accrued income	6,940	7,103
Guarantee deposits	369	391
Derivative financial instruments	1,400	151
Suspense payments	1,551	494
Other assets	131	1,774
Bad debt reserve	(117)	(97)
Total assets	¥4,229,662	¥4,510,472

Items	Yen in millions	
	March 31, 2019	March 31, 2020
(Liabilities)		
Policy liabilities:	¥3,415,379	¥3,779,645
Outstanding claims	29,520	31,886
Underwriting reserves	3,376,079	3,737,682
Reserve for dividends to policyholders	9,780	10,077
Due to agencies	4,296	3,623
Reinsurance accounts payable	253	291
Other liabilities:	509,173	449,640
Payables under repurchase agreements	468,782	412,965
Payables under securities lending transactions	23,687	25,072
Income taxes payable	2,496	532
Other payables	389	777
Accrued expenses	8,376	7,480
Unearned income	0	0
Deposits received	184	110
Derivative financial instruments	11	–
Lease obligations	1,624	1,296
Asset retirement obligations	434	437
Suspense receipts	631	475
Other liabilities	2,554	491
Reserve for pension and retirement benefits	3,474	3,856
Reserve for retirement benefits for officers	10	9
Reserves under the special laws:	7,799	8,725
Reserve for price fluctuation	7,799	8,725
Deferred tax liabilities	13,359	3,891
Total liabilities	3,953,747	4,249,683
(Net assets)		
Common stock	85,500	85,500
Capital surplus:	93,688	93,688
Additional paid-in capital	63,214	63,214
Other capital surplus	30,473	30,473
Retained earnings:	14,645	19,000
Legal earned reserve	946	1,365
Other retained earnings:	13,698	17,635
Retained earnings brought forward	13,698	17,635
Total shareholders' equity	193,833	198,188
Net unrealized gains/(losses) on investments in securities	82,081	62,599
Total valuation and translation adjustments	82,081	62,599
Total net assets	275,915	260,788
Total liabilities and net assets	¥4,229,662	¥4,510,472

MITSUI SUMITOMO AIOI LIFE INSURANCE CO., LTD. (NON-CONSOLIDATED)

Non-Consolidated Statements of Income

Items	Yen in millions	
	Year ended March 31, 2019	Year ended March 31, 2020
Ordinary income:	¥579,934	¥604,202
Insurance premiums and others:	520,148	535,885
Insurance premiums	504,235	521,297
Reinsurance income	15,913	14,588
Investment income:	57,106	65,682
Interest and dividends income:	44,921	48,920
Interest on deposits	0	0
Interest and dividends on securities	43,138	47,078
Interest on loans	1,675	1,728
Other interest and dividends	106	113
Gains on sales of securities	12,184	15,396
Gains on redemption of securities	1	1,346
Reversal of bad debts	–	19
Other ordinary income:	2,679	2,633
Receipts of annuities with special conditions	779	1,251
Receipts of deferred insurance claims	1,436	1,250
Other ordinary income	462	131
Ordinary expenses:	560,410	585,542
Insurance claims and others:	223,798	239,304
Insurance claims	41,875	44,867
Annuity payments	18,339	19,046
Benefits	21,920	30,996
Surrender benefits	123,934	122,671
Other refunds	3,846	4,237
Reinsurance premiums	13,881	17,484
Provision for underwriting reserves and others:	233,692	232,193
Provision for outstanding claims	1,417	483
Provision for underwriting reserves	232,274	231,709
Provision for interest portion of reserve for dividends to policyholders	0	0
Investment expenses:	6,092	13,999
Losses on sales of securities	4,794	7,790
Losses on derivative transactions	1,235	1,241
Foreign exchange losses	8	2
Provision for bad debts	3	–
Other investment expenses	51	4,965
Operating expenses	83,244	82,423
Other ordinary expenses:	13,582	17,620
Payments of deferred insurance claims	1,453	1,280
Taxes	6,963	7,526
Depreciation	4,821	8,419
Provision for reserve for pension and retirement benefits	337	381
Other ordinary expenses	6	12
Ordinary profit	19,524	18,659
Extraordinary income:	0	0
Gains on sales of fixed assets	0	0
Extraordinary losses:	1,135	939
Losses on sales of fixed assets	198	13
Provision for reserves under the special laws:	936	926
Provision for reserve for price fluctuation	936	926
Provision for reserve for dividends to policyholders	7,842	8,638
Income before income taxes	10,547	9,081
Income taxes – current	3,634	2,962
Income taxes – deferred	(1,055)	(1,381)
Total income taxes	2,578	1,580
Net income	¥ 7,968	¥ 7,500

Business Results

Amount of Policies in Force and New Policies

(1) Policies in force

Yen in 100 millions			
March 31, 2019		March 31, 2020	
Number of policies (in thousands)	Amount	Number of policies (in thousands)	Amount
Individual insurance	3,219	¥238,475	3,726
Individual annuities	177	6,856	171
Group insurance	–	85,546	–
Group annuities	–	3	–
			2

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 100 millions							
Year ended March 31, 2019				Year ended March 31, 2020			
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	337	¥31,072	31,072	–	319	¥20,623	20,623
Individual annuities	1	73	73	–	1	60	60
Group insurance	–	928	928	–	–	964	964
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 100 millions		
March 31, 2019	March 31, 2020	
Individual insurance	¥3,897	¥4,075
Individual annuities	417	406
Total:	4,315	4,481
Medical coverage, living benefits, etc.	1,078	1,381

(2) New policies

Yen in 100 millions		
Year ended March 31, 2019	Year ended March 31, 2020	
Individual insurance	¥508	¥290
Individual annuities	3	2
Total:	511	293
Medical coverage, living benefits, etc.	177	192

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, 2019	Year ended March 31, 2020	Change
Fundamental revenues:	¥567,766	¥588,805	¥21,038
Insurance premiums and others	520,148	535,885	15,736
Fundamental expenses	552,193	575,198	23,005
Fundamental profit	15,573	13,607	(1,966)
Capital gains/(losses)	6,131	6,366	234
Non-recurring gains/(losses)	(2,180)	(1,313)	867
Ordinary profit	19,524	18,659	(864)
Extraordinary income	0	0	(0)
Extraordinary losses	1,135	939	(195)
Provision for reserve for dividends to policyholders	7,842	8,638	796
Income taxes	2,578	1,580	(997)
Net income	7,968	7,500	(468)

Non-Consolidated Solvency Margin Ratio

	Yen in millions	
	March 31, 2019	March 31, 2020
(A) Total amount of solvency margin	¥505,779	¥492,307
Total capital	192,668	193,323
Reserve for price fluctuation	7,799	8,725
Contingency reserve	35,067	38,888
General bad debt reserve	22	3
Net unrealized gains/(losses) on investments in securities and net deferred gains/(losses) on hedges (prior to tax effect deductions) × 90%	102,601	78,249
Net unrealized gains/(losses) on land × 85%	–	–
Excess of continued Zillmerized reserve (a)	162,392	168,067
Subordinated debts, etc. (b)	–	–
Amount excluded from the margin, out of (a) and (b)	–	–
Brought in capital	–	–
Deductions	–	–
Others	5,227	5,048
(B) Total amount of risks $\sqrt{(R_1+R_4)^2+(R_2+R_3+R_5)^2}+R_4$	60,145	63,551
Insurance risk (R_1)	18,220	18,352
Insurance risk of third sector insurance contracts (R_3)	12,950	16,532
Assumed interest rate risk (R_2)	3,136	3,210
Minimum guarantee risk (R_5)	–	–
Asset management risk (R_4)	46,405	47,841
Business administration risk (R_6)	1,614	1,718
(C) Solvency margin ratio $[(A) / \{(B) \times 1/2\}] \times 100$	1,681.8%	1,549.3%

MITSUI SUMITOMO PRIMARY LIFE INSURANCE CO., LTD. (NON-CONSOLIDATED)

Non-Consolidated Balance Sheets

Items	Yen in millions	
	March 31, 2019	March 31, 2020
(Assets)		
Cash, deposits and savings:	¥ 288,811	¥ 399,783
Deposits in banks	288,811	399,783
Monetary claims bought	42,999	100,995
Money trusts	1,538,286	1,660,997
Investments in securities:	4,683,396	4,342,621
Government bonds	14,666	14,566
Municipal bonds	2,243	2,225
Corporate bonds	86,177	64,909
Foreign securities	2,280,077	2,235,824
Other securities	2,300,230	2,025,095
Loans:	244,618	215,294
Policy loans	338	311
General loans	244,280	214,983
Tangible fixed assets:	938	1,046
Buildings	284	322
Lease assets	542	632
Other tangible fixed assets	110	90
Intangible fixed assets:	10,655	12,565
Software	10,449	12,398
Lease assets	206	167
Reinsurance accounts receivable	9,788	8,971
Other assets:	28,814	29,497
Other receivables	7,325	9,691
Prepaid expenses	1,062	1,310
Accrued income	19,651	17,618
Guarantee deposits	576	579
Derivative financial instruments	–	6
Suspense payments	198	290
Deferred tax assets	37,012	43,132
Total assets	¥6,885,323	¥6,814,907
(Liabilities)		
Policy liabilities:	6,555,593	6,463,416
Outstanding claims	20,679	19,394
Underwriting reserves	6,534,913	6,444,021
Due to agencies	4,040	3,581
Reinsurance accounts payable	3,936	4,997
Other liabilities:	50,443	68,587
Income taxes payable	2,187	1,396
Other payables	5,397	6,156
Accrued expenses	5,417	4,986
Deposits received	32,189	54,136
Derivative financial instruments	–	3
Lease obligations	818	881
Asset retirement obligations	174	177
Suspense receipts	4,258	849
Reserves under the special laws:	76,000	79,500
Reserve for price fluctuation	76,000	79,500
Total liabilities	6,690,014	6,620,083
(Net assets)		
Common stock	41,060	41,060
Capital surplus:	24,735	24,735
Additional paid-in capital	24,735	24,735
Retained earnings:	103,435	117,883
Legal earned reserve	4,554	5,726
Other retained earnings:	98,881	112,157
Retained earnings brought forward	98,881	112,157
Total shareholders' equity	169,230	183,678
Net unrealized gains/(losses) on investments in securities	19,669	(5,340)
Net deferred gains/(losses) on hedges	6,408	16,486
Total valuation and translation adjustments	26,077	11,145
Total net assets	195,308	194,823
Total liabilities and net assets	¥6,885,323	¥6,814,907

Non-Consolidated Statements of Income

Items	Yen in millions	
	Year ended March 31, 2019	Year ended March 31, 2020
Ordinary income:	¥1,342,809	¥1,161,038
Insurance premiums and others:	1,129,772	950,922
Insurance premiums	1,095,699	872,119
Reinsurance income	34,072	78,803
Investment income:	209,425	113,966
Interest and dividends income:	88,316	87,232
Interest on deposits	78	46
Interest and dividends on securities	79,490	78,900
Interest on loans	8,525	8,056
Other interest and dividends	222	228
Investment gains on money trusts	75,458	17,881
Gains on sales of securities	2,465	8,542
Gains on redemption of securities	22	310
Investment gains on separate accounts	43,162	–
Other ordinary income:	3,611	96,149
Receipts of annuities with special conditions	3,216	3,354
Reversal of outstanding claims	–	1,284
Reversal of underwriting reserves	–	90,891
Other ordinary income	395	618
Ordinary expenses:	1,307,221	1,129,577
Insurance claims and others:	539,542	696,196
Insurance claims	87,300	97,940
Annuity payments	89,168	87,549
Benefits	176,160	184,780
Surrender benefits	109,120	175,752
Other refunds	3,662	4,118
Reinsurance premiums	74,130	146,055
Provision for underwriting reserves and others:	638,877	–
Provision for outstanding claims	3,296	–
Provision for underwriting reserves	635,581	–
Investment expenses:	64,920	373,891
Interest expense	6	15
Losses on sales of securities	20	528
Impairment losses on securities	–	2,256
Losses on redemption of securities	3	15
Foreign exchange losses	64,837	313,543
Other investment expenses	53	74
Investment losses on separate accounts	–	57,457
Operating expenses	55,000	50,304
Other ordinary expenses:	8,880	9,184
Taxes	6,728	5,811
Depreciation	2,150	3,366
Other ordinary expenses	2	6
Ordinary profit	35,587	31,461
Extraordinary income:	–	–
Extraordinary losses:	3,500	3,500
Provision for reserves under the special laws:	3,500	3,500
Provision for reserve for price fluctuation	3,500	3,500
Income before income taxes	32,087	27,961
Income taxes – current	12,027	7,963
Income taxes – deferred	(3,245)	(312)
Total income taxes	8,782	7,650
Net income	¥ 23,305	¥ 20,310

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 100 millions				
March 31, 2019		March 31, 2020		
Number of policies (in thousands)	Amount	Number of policies (in thousands)	Amount	
Individual insurance	765	¥42,699	825	¥42,587
Individual annuities	379	24,085	386	22,553
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 100 millions							
	Year ended March 31, 2019				Year ended March 31, 2020			
	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	97	¥7,399	¥7,399	—	95	¥7,111	¥7,111	—
Individual annuities	62	3,783	3,783	—	26	1,716	1,716	—
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 100 millions		
March 31, 2019	March 31, 2020	
Individual insurance	¥3,110	¥3,318
Individual annuities	2,722	2,660
Total:	5,833	5,979
Medical coverage, living benefits, etc.	0	0

(2) New policies

Yen in 100 millions		
Year ended March 31, 2019	Year ended March 31, 2020	
Individual insurance	¥ 632	¥ 668
Individual annuities	634	310
Total:	1,266	979
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, 2019	Year ended March 31, 2020	Change
Fundamental revenues:	¥1,297,226	¥1,229,009	¥ (68,217)
Insurance premiums and others	1,129,772	950,922	(178,850)
Fundamental expenses	1,309,578	1,256,981	(52,597)
Fundamental profit/(loss)	(12,352)	(27,972)	(15,620)
Capital gains/(losses)	56,602	55,671	(931)
Non-recurring gains/(losses)	(8,662)	3,762	12,425
Ordinary profit	35,587	31,461	(4,126)
Extraordinary income	—	—	—
Extraordinary losses	3,500	3,500	—
Provision for reserve for dividends to policyholders	—	—	—
Income taxes	8,782	7,650	(1,131)
Net income	23,305	20,310	(2,994)

Non-Consolidated Solvency Margin Ratio

	Yen in millions	
	March 31, 2019	March 31, 2020
(A) Total amount of solvency margin	¥616,094	¥546,005
Total capital	165,034	179,481
Reserve for price fluctuation	76,000	79,500
Contingency reserve	84,260	80,497
General bad debt reserve	—	—
Net unrealized gains/(losses) on investments in securities and net deferred gains/(losses) on hedges (prior to tax effect deductions) x 90% (100% in case of negative value)	24,586	(7,417)
Net unrealized gains/(losses) on land x 85%	—	—
Excess of continued Zillmerized reserve (a)	229,718	172,286
Subordinated debts, etc. (b)	—	—
Amount excluded from the margin, out of (a) and (b)	—	—
Brought in capital	—	—
Deductions	—	—
Others	36,495	41,657
(B) Total amount of risks $\sqrt{(R_1+R_3)^2+(R_2+R_4+R_5)^2}+R_6$	149,278	146,376
Insurance risk (R ₁)	752	996
Insurance risk of third sector insurance contracts (R ₃)	3	2
Assumed interest rate risk (R ₂)	56,536	53,345
Minimum guarantee risk (R ₄)	2,303	1,656
Asset management risk (R ₅)	87,495	88,480
Business administration risk (R ₆)	2,941	2,889
(C) Solvency margin ratio [(A) / {(B) x 1/2}] x 100	825.4%	746.0%

In this report, 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.
MSG	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 Kiremeki Life	Mitsui Sumitomo Kiremeki Life Insurance Co., Ltd.
Aioi Life	Aioi Life Insurance Co., Ltd.
MS Amlin	MS Amlin plc
MS First Capital	MS First Capital Insurance Limited
ReAssure	ReAssure Group Plc
Challenger	Challenger Limited

ESG Evaluation

The MS&AD Insurance Group utilizes the assessments provided by global ESG evaluation organizations to improve its sustainability initiatives. As of July 2020, the MS&AD Insurance Group was included in the following ESG-related indices.

CDP's Climate A List 	Dow Jones Sustainability Indices (World / Asia Pacific) MEMBER OF Dow Jones Sustainability Indices In collaboration with 	FTSE Blossom Japan Index  FTSE Blossom Japan
FTSE4Good Index Series  FTSE4Good	MSCI Japan ESG Select Leaders Index* 2020 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX	MSCI Japan Empowering Women Index (WIN)* 2020 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)
S&P/JPX Carbon Efficient Index 	ISS ESG Corporate Rating Prime Corporate ESG Performance RATED BY ISS ESG Prime	STOXX Global ESG Leaders Index Member 2019/2020 

*The inclusion of MS&AD Insurance Group Holdings, Inc., in any MSCI Index and the use of MSCI logos, trademarks, service marks or index names herein do not constitute a sponsorship, endorsement or promotion of MS&AD Insurance Group Holdings, Inc., by MSCI or any of its affiliates. The MSCI Indexes are the exclusive property of MSCI. MSCI and the MSCI Index names and logos are trademarks or service marks of MSCI or its affiliates.

Participation in Initiatives

Participation in Global Initiatives and Working to Create Shared Value with Society

The UN Global Compact 	The United Nations Environment Programme - Finance Initiative (UNEP FI), the Principles for Sustainable Insurance 	Principles for Responsible Investment Signatory of: 
CDP 	Natural Capital Declaration 	Climate Change Initiative 
The Japan Business Initiative for Biodiversity (JBIB) 	• Paris Pledge for Action • Task Force on Climate-Related Financial Disclosure (TCFD) • Financial Principles towards the Formation of a Sustainable Society (21st Century Financial Principles)	

Third-Party Assurance

To improve the objectiveness and accuracy of the MS&AD Integrated Report 2020, the MS&AD Insurance Group has engaged KPMG AZSA Sustainability Co., Ltd., to perform third-party assurance on the following information included in this report.

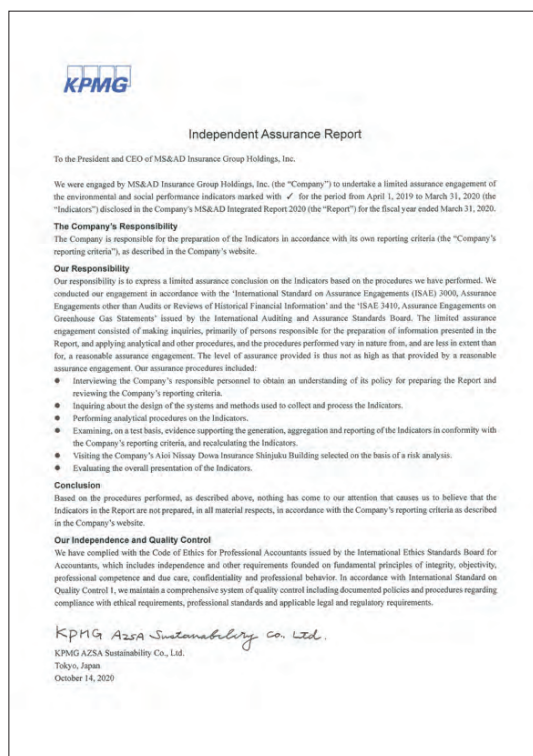
The third-party assurance process

STEP 1	STEP 2	STEP 3	STEP 4
Planning - Examination of the calculation method for the data subject to assurance and the company's outline of business - Formulation of assurance engagement plan based on risk assessment	Implementation of assurance procedures Implementation of a site visit and analysis of compiled data, etc.	Review of draft report - Confirmation that required corrections have been completed - Reviewing the draft report to determine whether the assured information is presented appropriately	Submitting the assurance report - Review by a reviewer not directly involved in the assurance engagement - Submission of the assurance report

Items subject to the assurance engagement

- CO₂ emissions (P. 51, P. 53)
- Total energy consumption (P. 41, P. 51)
- Number and ratio of female managers (P. 41, P. 51, P. 53)
- Number and ratio of global employees (P. 51, P. 53)
- Number and ratio of employees with disabilities (P. 80)

* Details regarding the method for calculating data can be found on our official website. www.ms-ad-hd.com/en/csr/data.html



On the Issuance of the MS&AD Integrated Report 2020

Since fiscal 2015, the MS&AD Insurance Group has published the Integrated Report to provide readers with a deeper understanding of the Group's commitment to medium- to long-term value creation. We believe the issuance of the Integrated Report offers the opportunity for constructive dialogue with many stakeholders, including customers, shareholders, investors and employees, regarding the Group's "story of value creation."

Under its medium-term management plan, the Group states its aim of realizing a "resilient and sustainable society" while promoting the creating shared value (CSV) initiatives where the SDGs serve as leading marks. In fiscal 2020, we are marking the 10th anniversary of the Group's establishment and, under a new CEO, making a variety of efforts toward the next growth stage. In the MS&AD Integrated Report 2020, we explain the key strategies and management foundation that are key to achieving sustainable growth and showcase the Group's initiatives that are designed to support social development in collaboration with a variety of stakeholders. We have also inserted our various efforts to deal with a society that has been greatly changed due to the impact of COVID-19.

With the goal of improving the objectivity and accuracy of the Integrated Report, we have engaged the

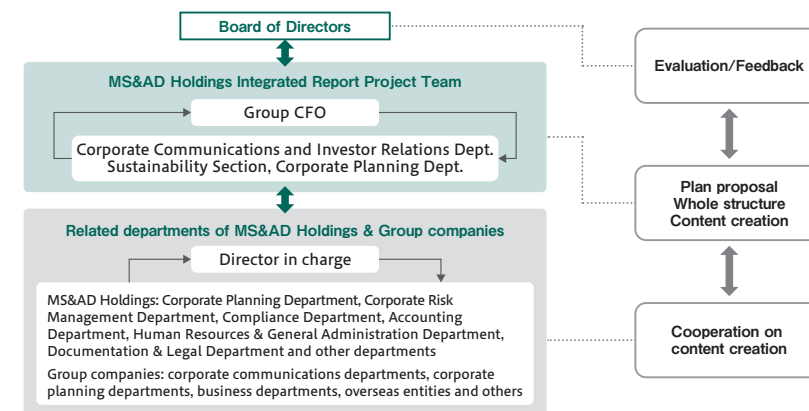
services of a third-party assurance firm to independently verify the key non-financial data indicated since fiscal 2017. For the results of the third-party verification included in the MS&AD Integrated Report 2020, please see page 196. Moreover, as a representative of the management team, the CEO has included a signed message at the beginning of the Report. As CFO, I am responsible for the editing process and, accordingly, reiterate the importance of ensuring that the assembly process for the Integrated Report is carried out responsibly and that the content in the report is indeed accurate.

With this year's Integrated Report, we hope to promote amicable feelings for the Group by creating an even greater understanding of it among stakeholders such as customers, shareholders, investors and employees. We continue to value dialogue with all our stakeholders, and with the aim of further improving disclosure and enhancing transparency we invite our stakeholders to share with us their frank opinions.

October 2020
Director, Senior Executive Officer, CFO

T. Higuchi
Tetsuji Higuchi

Responsibilities for MS&AD Integrated Report 2020 Preparation



Contact Information

(Securities code: 8725)

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<https://www.ms-ad-hd.com/en/ir/contact.html>

<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 MS&AD Insurance Group Holdings, Inc., at the present time. Investors are advised that actual results might 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.

www.ms-ad-hd.com



QR-Code for access to the
MS&AD Integrated Report 2020.