

SUMMARY OF FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

May 20, 2020

Name of Listed Company: **MS&AD Insurance Group Holdings, Inc.**
 Stock Exchange Listing: Tokyo Stock Exchange and Nagoya Stock Exchange
 Securities Code Number: 8725
 URL: <https://www.ms-ad-hd.com>
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Scheduled date to hold the ordinary general meeting of shareholders: June 25, 2020
 Scheduled date to file the Securities Report: June 25, 2020
 Scheduled date to commence dividend payments: June 26, 2020
 Explanatory material for business results: Available
 IR Conference (for institutional investors and analysts): To be held

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

1. Consolidated Financial Highlights for the Year Ended March 31, 2020 (April 1, 2019 to March 31, 2020)

(1) Consolidated business performance

(Yen in millions)

	Ordinary income		Ordinary profit		Net income attributable to owners of the parent	
	Amount	%	Amount	%	Amount	%
Year ended March 31, 2020	5,168,361	(6.0) %	157,701	(45.8) %	143,030	(25.8) %
Year ended March 31, 2019	5,500,438	5.4 %	290,847	37.5 %	192,705	25.1 %

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

(Note) Comprehensive income For the year ended March 31, 2020: ¥ (157,288) million - %
 For the year ended March 31, 2019: ¥ (79,701) million - %

(Yen)

	Net income attributable to owners of the parent per share	Net income attributable to owners of the parent per share	Return on equity	Ordinary profit to total assets	Ordinary profit to ordinary income
	- Basic	- Diluted			
Year ended March 31, 2020	248.36	248.22	5.5 %	0.7 %	3.1 %
Year ended March 31, 2019	328.72	328.60	6.8 %	1.3 %	5.3 %

(Reference) Gains/(losses) on equity method investments For the year ended March 31, 2020: ¥ (30,878) million
 For the year ended March 31, 2019: ¥ 3,751 million

(2) Consolidated financial conditions

(Yen in millions)

	Total assets	Net assets	Ratio of net assets less non-controlling interests to total assets	Net assets less non-controlling interests per share (Yen)
March 31, 2020	23,196,455	2,494,038	10.6 %	4,308.37
March 31, 2019	23,132,539	2,778,047	11.9 %	4,712.11

(Reference) Net assets less non-controlling interests As of March 31, 2020: ¥ 2,451,670 million
 As of March 31, 2019: ¥ 2,750,519 million

(3) Consolidated cash flows

(Yen in millions)

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Ending balance of cash and cash equivalents
Year ended March 31, 2020	667,896	(330,363)	65,321	2,198,680
Year ended March 31, 2019	776,724	(252,417)	(33,337)	1,798,526

2. Dividends

	Dividends per share (Yen)					Total annual dividends (Yen in millions)	Dividend pay-out ratio (Consolidated)	Dividends on net assets (Consolidated)
	1st quarter	2nd quarter	3rd quarter	4th quarter	Annual total			
Year ended March 31, 2019	-	70.00	-	70.00	140.00	81,720	42.6 %	2.9 %
Year ended March 31, 2020	-	75.00	-	75.00	150.00	85,770	60.4 %	3.3 %
Year ending March 31, 2021 (Forecast)	-	75.00	-	75.00	150.00		65.7 %	

3. Consolidated Earnings Forecasts for the Year Ending March 31, 2021 (April 1, 2020 to March 31, 2021)

(Yen in millions)

	Ordinary profit		Net income attributable to owners of the parent		Net income attributable to owners of the parent per share (Yen)
	Amount	%	Amount	%	Amount
Year ending March 31, 2021	170,000	7.8 %	130,000	(9.1) %	228.45

Percent figures represent changes from the preceding year.

*** Notes**

(1) Changes in significant subsidiaries for the period (changes in specified subsidiaries resulting in changes in scope of consolidation): None

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

1. Changes in accounting policies due to revisions of accounting standards: Yes

2. Changes in accounting policies other than above: None

3. Changes in accounting estimates: None

4. Restatements: None

(Note) For details, please refer to “Changes in Accounting Policies” on page 14 of the Appendix.

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

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

As of March 31, 2020: 593,291,754 shares

As of March 31, 2019: 593,291,754 shares

2. Number of shares of treasury stock

As of March 31, 2020: 24,244,439 shares

As of March 31, 2019: 9,580,005 shares

3. Average number of shares of outstanding stock

For the year ended March 31, 2020: 575,887,317 shares

For the year ended March 31, 2019: 586,215,764 shares

*** This report is unaudited.**

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

Any earnings forecasts in this report have been made based on the information available to the Company as of the disclosure date of the report and certain assumptions, and therefore do not guarantee future performance. Actual results may differ substantially from these forecasts depending on various factors. For key assumptions of the earnings forecasts and other relevant information, please refer to “Consolidated Earnings Forecasts for the Year Ending March 31, 2021” on page 4 of the Appendix. The forecasts of consolidated ordinary income for the fiscal year and consolidated earnings for the second quarter (cumulative) are not disclosed due to difficulties in calculating reasonable forecast figures stemming from a high susceptibility to natural disasters and market conditions.

[Appendix]

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[Attachment]

Explanatory Material for Business Results for the Year Ended March 31, 2020

1. Overview of Business Performance and Forecasts

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

During the 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 (*1) 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 “MSI 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.

Summaries of each business segment are given below.

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

Ordinary income for the current fiscal year totaled ¥1,784.4 billion yen, including underwriting income of ¥1,644.0 billion, investment income of ¥135.7 billion, and other ordinary income of ¥4.6 billion. At the same time, ordinary expenses amounted to ¥1,695.3 billion, including ¥1,419.6 billion in underwriting expenses, ¥33.0 billion in investment expenses, ¥229.3 billion in operating expenses and general and administrative expenses, and other ordinary expenses amounting to ¥13.2 billion.

As a result, ordinary profit for the current fiscal year was ¥89.1 billion, reflecting a year-on-year decrease of ¥137.3 billion. After adjustments to ordinary profit mainly for extraordinary income and losses and income taxes, net income for the current fiscal year was ¥94.0 billion, reflecting a year-on-year decrease of ¥77.0 billion.

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

Ordinary income for the current fiscal year totaled ¥1,414.4 billion yen, including underwriting income of ¥1,324.1 billion, investment income of ¥81.3 billion, and other ordinary income of ¥8.9 billion. At the same time, ordinary expenses amounted to ¥1,355.8 billion, including ¥1,133.7 billion in underwriting expenses, ¥20.7 billion in investment expenses, ¥198.9 billion in operating expenses and general and administrative expenses, and other ordinary expenses amounting to ¥2.3 billion.

As a result, ordinary profit for the current fiscal year was ¥58.6 billion, reflecting a year-on-year decrease of ¥2.7 billion. After adjustments to ordinary profit mainly for extraordinary income and losses and income taxes, net income for the current fiscal year was ¥44.7 billion, reflecting a year-on-year increase of ¥7.4 billion.

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

Ordinary income was ¥37.9 billion after recording underwriting income of ¥37.8 billion. Meanwhile, ordinary expenses came to ¥37.7 billion resulting from underwriting expenses of ¥27.7 billion and operating expenses and general and administrative expenses of ¥9.9 billion.

As a result, ordinary profit for the current fiscal year was ¥0.1 billion, reflecting a year-on-year decrease of ¥0.2 billion. Net income remained steady with the same level as the previous fiscal year at ¥0.1 billion, and net income after taking ownership interests into account (net income by segment) also remained steady at ¥0.1 billion.

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

Ordinary income for the current fiscal year totaled ¥604.2 billion yen, including insurance premiums and others of ¥535.8 billion, investment income of ¥65.6 billion, and other ordinary income of ¥2.6 billion. At the same time, ordinary expenses amounted to ¥585.5 billion, including ¥239.3 billion in insurance claims and others, ¥232.1 billion in provision for underwriting reserves and others, ¥13.9 billion in investment expenses, ¥82.4 billion in operating expenses, and other ordinary expenses amounting to ¥17.6 billion.

As a result, ordinary profit for the current fiscal year was ¥18.6 billion, reflecting a year-on-year decrease of ¥0.8 billion. After adjustments to ordinary profit mainly for extraordinary income and losses and income taxes, net income for the current fiscal year was ¥7.5 billion, reflecting a year-on-year decrease of ¥0.4 billion.

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

Ordinary income for the current fiscal year totaled ¥1,161.0 billion yen, including insurance premiums and others of ¥950.9 billion, investment income of ¥113.9 billion, and other ordinary income of ¥96.1 billion. At the same time, ordinary expenses amounted to ¥1,129.5 billion, including ¥696.1 billion in insurance claims and others, ¥373.8 billion in investment expenses, ¥50.3 billion in operating expenses, and other ordinary expenses amounting to ¥9.1 billion.

As a result, ordinary profit for the current fiscal year was ¥31.4 billion, reflecting a year-on-year decrease of ¥4.1 billion. After adjustments to ordinary profit mainly for extraordinary income and losses and income taxes, net income for the current fiscal year was ¥20.3 billion, reflecting a year-on-year decrease of ¥2.9 billion.

6) International Business (Overseas Insurance Subsidiaries)

In the overseas insurance subsidiaries segment, net premiums written reached ¥711.9 billion, reflecting a year-on-year decrease of ¥2.7 billion

Ordinary profit was ¥50.7 billion, reflecting a year-on-year increase of ¥28.1 billion. Net income after taking ownership interests into account (net income by segment) was ¥36.1 billion, an increase of ¥16.7 billion from the previous fiscal year.

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

Total assets as of the end of the current fiscal year totaled ¥23,196.4 billion, reflecting a year-on-year increase of ¥63.9 billion. Net assets, on the other hand, decreased ¥284.0 billion year-on-year to ¥2,494.0 billion, due primarily to a decrease in net unrealized gains/(losses) on investments in securities

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

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.

With regard to the liquidity of funds, in preparation for the possibility that cash flow may worsen due to cash outflows used for the payment of claims, etc. or due to unstable market conditions, etc., the Group will ensure appropriate cash flow by maintaining sufficient liquidity and evaluating liquidity with consideration of cash-flow trends, taking into account both assets and liabilities.

(2) Consolidated Earnings Forecasts for the Year Ending March 31, 2021

For consolidated earnings for the next fiscal year, the Company forecasts ordinary profit of ¥170.0 billion and net income attributable to owners of the parent of ¥130.0 billion on the basis of the assumptions set forth below.

- Net premiums written are based on the Company's own forecasts in view of past trends in results.
- Incurred losses due to new natural disasters (domestic) are expected to be ¥35.0 billion for Mitsui Sumitomo Insurance Co. and ¥25.0 billion for Aioi Nissay Dowa Insurance Co. (total of net claims paid and provision of outstanding claims).
- We are assuming that no significant fluctuations in market interest rates, exchange rates, or stock market prices will take place from the end of March 2020.
- As for the impact of COVID-19, although the timing of the cessation of the spread of infection and the impact on the global economy are unclear, we are assuming the negative economic growth in 2020 (decline until June, then gradual recovery). (Real GDP outlook for 2020 is 3.9% lower than the previous year, and for 2021 is 2.3% higher than the previous year). We plan to conduct a review of the outlook as the impact of COVID-19 becomes more evident. In our business forecast for fiscal 2020, we expect an increase of approximately ¥20.0 billion in incurred losses, mainly in overseas markets, and a decrease of approximately ¥60.0 billion in net investment losses in Japan and overseas. The impact on net income is expected to be approximately ¥ (64.0) billion.

The Company's consolidated earnings forecasts have been made based on certain assumptions including those above mentioned but actual results may differ substantially from these forecasts depending on various factors.

2. Basic Stance for Adopting Accounting Standards

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

3. Consolidated Financial Statements and Main Notes

(1) Consolidated Balance Sheets

(Yen in millions)

	March 31, 2019	March 31, 2020
Assets		
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
Money trusts	1,544,406	1,666,494
Investments in securities	16,061,871	15,494,580
Loans	903,006	892,335
Tangible fixed assets:	463,356	488,331
Land	231,671	231,122
Buildings	188,947	185,178
Lease assets	2,032	24,722
Construction in progress	6,746	12,463
Other tangible fixed assets	33,959	34,843
Intangible fixed assets:	545,450	442,695
Software	64,664	108,892
Goodwill	203,423	138,584
Lease assets	206	346
Other intangible fixed assets	277,155	194,873
Other assets	1,454,825	1,535,400
Assets for retirement benefits	30,075	24,113
Deferred tax assets	59,317	219,385
Customers' liabilities under acceptances and guarantees	35,500	31,500
Bad debt reserve	(9,195)	(12,421)
Total assets	23,132,539	23,196,455
Liabilities		
Policy liabilities:	17,637,713	17,809,540
Outstanding claims	2,222,637	2,149,921
Underwriting reserves	15,415,076	15,659,619
Bonds issued	659,093	809,093
Other liabilities	1,490,882	1,672,264
Liabilities for pension and retirement benefits	176,550	179,686
Reserve for retirement benefits for officers	414	325
Accrued bonuses for employees	27,788	28,392
Reserve for losses on sales of shares of subsidiaries and associates	-	16,957
Reserve for reorganization by function	6,498	-
Reserves under the special laws:	173,248	137,400
Reserve for price fluctuation	173,248	137,400
Deferred tax liabilities	146,802	17,254
Acceptances and guarantees	35,500	31,500
Total liabilities	20,354,492	20,702,416

(Yen in millions)

	March 31, 2019	March 31, 2020
Net assets		
Shareholders' equity:		
Common stock	100,000	100,000
Capital surplus	553,168	553,163
Retained earnings	962,385	1,019,468
Treasury stock	(32,539)	(84,432)
Total shareholders' equity	<u>1,583,013</u>	<u>1,588,199</u>
Accumulated other comprehensive income:		
Net unrealized gains/(losses) on investments in securities	1,273,881	982,042
Net deferred gains/(losses) on hedges	25,168	30,916
Foreign currency translation adjustments	(135,992)	(140,106)
Accumulated actuarial gains/(losses) on retirement benefits	4,448	(9,381)
Total accumulated other comprehensive income	<u>1,167,505</u>	<u>863,470</u>
Stock acquisition rights	785	1,206
Non-controlling interests	26,743	41,161
Total net assets	<u>2,778,047</u>	<u>2,494,038</u>
Total liabilities and net assets	<u>23,132,539</u>	<u>23,196,455</u>

(2) Consolidated Statements of Income and Comprehensive Income
(Consolidated Statements of Income)

(Yen in millions)

	Year ended March 31, 2019	Year ended March 31, 2020
Ordinary income:	5,500,438	5,168,361
Underwriting income:	4,918,626	4,640,584
Net premiums written	3,497,572	3,573,732
Deposit premiums from policyholders	80,235	75,553
Investment income on deposit premiums from policyholders	42,406	39,177
Life insurance premiums	1,286,864	943,721
Other underwriting income	11,547	8,400
Investment income:	561,169	511,529
Interest and dividends income	304,142	304,514
Investment gains on money trusts	75,461	64,627
Investment gains on trading securities	17,237	55,652
Gains on sales of securities	161,608	118,845
Gains on redemption of securities	371	4,387
Investment gains on separate accounts	43,162	-
Other investment income	1,593	2,679
Transfer of investment income on deposit premiums from policyholders	(42,406)	(39,177)
Other ordinary income:	20,642	16,247
Gains on equity method investments	3,751	-
Other ordinary income	16,890	16,247
Ordinary expenses:	5,209,590	5,010,660
Underwriting expenses:	4,406,840	3,749,818
Net claims paid	2,132,155	2,027,212
Loss adjustment expenses	175,703	177,354
Commissions and collection expenses	705,189	727,409
Maturity refunds to policyholders	232,073	220,697
Dividends to policyholders	149	103
Life insurance claims	395,989	376,620
Provision for outstanding claims	60,981	19,962
Provision for underwriting reserves	700,502	196,179
Other underwriting expenses	4,096	4,278
Investment expenses:	104,806	512,978
Investment losses on money trusts	171	47,310
Losses on sales of securities	17,389	18,021
Impairment losses on securities	9,089	39,685
Losses on redemption of securities	50	310
Losses on derivative transactions	9,331	18,547
Investment losses on separate accounts	-	57,457
Other investment expenses	68,775	331,646
Operating expenses and general and administrative expenses	680,910	694,618
Other ordinary expenses:	17,032	53,244
Interest expense	10,960	13,363
Provision for bad debts	696	4,456
Loss on bad debts	181	163
Losses on equity method investments	-	30,878
Other ordinary expenses	5,194	4,383
Ordinary profit	<u>290,847</u>	<u>157,701</u>

(Yen in millions)

	Year ended March 31, 2019	Year ended March 31, 2020
Extraordinary income:	17,069	51,426
Gains on sales of fixed assets	13,069	4,809
Reversal of reserves under the special laws:	-	35,848
Reversal of reserve for price fluctuation	-	35,848
Gains on step acquisitions	-	6,587
Gains on change in equity	-	2,804
Other extraordinary income	4,000	1,377
Extraordinary losses:	28,075	196,622
Losses on sales of fixed assets	2,695	2,973
Impairment losses on fixed assets	2,936	173,611
Provision for reserves under the special laws:	20,320	-
Provision for reserve for price fluctuation	20,320	-
Losses on reduction of tangible fixed assets	5	-
Provision for losses on sales of shares of subsidiaries and associates	-	16,957
Other extraordinary losses	2,116	3,080
Income before income taxes	279,842	12,505
Income taxes - current	88,614	34,420
Income taxes - deferred	(3,154)	(167,482)
Total income taxes	85,460	(133,061)
Net income	194,382	145,567
Net income attributable to non-controlling interests	1,676	2,536
Net income attributable to owners of the parent	192,705	143,030

(Consolidated Statements of Comprehensive Income)

(Yen in millions)

	Year ended March 31, 2019	Year ended March 31, 2020
Net income	194,382	145,567
Other comprehensive income:		
Net unrealized gains/(losses) on investments in securities	(198,656)	(298,942)
Net deferred gains/(losses) on hedges	4,493	6,101
Foreign currency translation adjustments	(61,093)	3,001
Accumulated actuarial gains/(losses) on retirement benefits	5,023	(13,737)
Share of other comprehensive income of equity method investments	(23,850)	721
Total other comprehensive income	<u>(274,084)</u>	<u>(302,855)</u>
Total comprehensive income	<u>(79,701)</u>	<u>(157,288)</u>
Allocation:		
Comprehensive income attributable to owners of the parent	(80,135)	(161,004)
Comprehensive income attributable to non-controlling interests	434	3,716

(3) Consolidated Statements of Changes in Net Assets
For the year ended March 31, 2019 (from April 1, 2018 to March 31, 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 effect of changing accounting policies					-
Beginning balance (adjusted)	100,000	554,320	849,044	(2,599)	1,500,765
Changes for the year:					
Dividends paid			(79,367)		(79,367)
Net income 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
Changes due to merger of consolidated subsidiaries with non-consolidated subsidiaries			1		1
Changes in the parent's ownership interests in subsidiaries due to 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					Stock acquisition rights	Non-controlling interests	Total net assets
	Net unrealized gains/(losses) on investments in securities	Net deferred gains/(losses) on hedges	Foreign currency translation adjustments	Accumulated actuarial gains/(losses) on retirement benefits	Total accumulated other comprehensive income			
Beginning balance	1,487,258	20,043	(66,274)	(679)	1,440,346	566	26,709	2,968,387
Cumulative effect of changing accounting policies					-			-
Beginning balance (adjusted)	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 attributable to owners of the parent								192,705
Repurchase of treasury stock								(30,029)
Disposal of treasury stock								94
Changes due to merger of consolidated subsidiaries with non-consolidated subsidiaries								1
Changes in the parent's ownership interests in subsidiaries due to 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

For the year ended March 31, 2020 (from April 1, 2019 to March 31, 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 effect of changing accounting policies			(942)		(942)
Beginning balance (adjusted)	100,000	553,168	961,442	(32,539)	1,582,070
Changes for the year:					
Dividends paid			(83,951)		(83,951)
Net income 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
Changes due to merger of consolidated subsidiaries with non-consolidated subsidiaries					-
Changes in the parent's ownership interests in subsidiaries due to 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					Stock acquisition rights	Non-controlling interests	Total net assets
	Net unrealized gains/(losses) on investments in securities	Net deferred gains/(losses) on hedges	Foreign currency translation adjustments	Accumulated actuarial gains/(losses) on retirement benefits	Total accumulated other comprehensive income			
Beginning balance	1,273,881	25,168	(135,992)	4,448	1,167,505	785	26,743	2,778,047
Cumulative effect of changing accounting policies					-			(942)
Beginning balance (adjusted)	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 attributable to owners of the parent								143,030
Repurchase of treasury stock								(52,019)
Disposal of treasury stock								121
Changes due to merger of consolidated subsidiaries with non-consolidated subsidiaries								-
Changes in the parent's ownership interests in subsidiaries due to 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

(4) Consolidated Statements of Cash Flows

	(Yen in millions)	
	Year ended March 31, 2019	Year ended March 31, 2020
Cash flows from operating activities:		
Income before income taxes	279,842	12,505
Depreciation	59,483	65,613
Impairment losses on fixed assets	2,936	173,611
Amortization of goodwill	14,633	12,737
Increase/(decrease) in outstanding claims	68,042	(67,233)
Increase/(decrease) in underwriting reserves	691,707	186,053
Increase/(decrease) in bad debt reserve	(193)	3,145
Increase/(decrease) in reserve for retirement benefits for officers	(124)	(88)
Increase/(decrease) in accrued bonuses for employees	764	461
Increase/(decrease) in reserve for losses on sales of shares of subsidiaries and associates	-	13,143
Increase/(decrease) in reserve for reorganization by function	(9,842)	(6,498)
Increase/(decrease) in liabilities for pension and retirement benefits	(1,645)	(10,352)
Increase/(decrease) in reserve for price fluctuation	20,320	(35,848)
Interest and dividends income	(304,142)	(304,514)
Losses/(gains) on money trusts	(75,272)	(17,299)
Losses/(gains) on investments in securities	(152,687)	(120,868)
Losses/(gains) on derivative transactions	9,331	18,547
Investment losses/(gains) on separate accounts	(43,162)	57,457
Interest expense	10,960	13,363
Foreign exchange losses/(gains)	65,348	319,557
Losses/(gains) on disposal of tangible fixed assets	(10,582)	(2,319)
Losses/(gains) on equity method investments	(3,751)	30,878
Losses/(gains) on step acquisitions	-	(6,587)
Losses/(gains) on change in equity	-	(2,804)
Decrease/(increase) in other assets	(201,857)	(30,875)
Increase/(decrease) in other liabilities	85,128	76,050
Others, net	(481)	(22,530)
Subtotal	504,754	355,302
Interest and dividends received	402,460	401,686
Interest paid	(10,872)	(13,259)
Income taxes refunded/(paid)	(119,619)	(75,833)
Net cash provided by/(used in) operating activities (a)	776,724	667,896

(Yen in millions)

	Year ended March 31, 2019	Year ended March 31, 2020
Cash flows from investing activities:		
Net decrease/(increase) in deposits and savings	13,029	20,391
Purchase of monetary claims bought	(9,027)	(18,809)
Proceeds from sales and redemption of monetary claims bought	49,750	15,982
Purchase of money trusts	(636,742)	(232,980)
Proceeds from sales of money trusts	222,626	116,399
Purchase of securities	(3,929,183)	(4,537,656)
Proceeds from sales and redemption of securities	3,717,595	4,434,208
Investments in loans	(197,312)	(226,329)
Collection of loans	178,346	200,104
Net increase/(decrease) in payables under repurchase agreements	468,782	(55,816)
Net increase/(decrease) in cash collateral under securities borrowing and lending transactions	(47,807)	62,989
Others, net	10,293	11,452
Subtotal (b)	(159,649)	(210,064)
(a + b)	617,075	457,831
Acquisition of tangible fixed assets	(32,399)	(32,021)
Proceeds from sales of tangible fixed assets	16,418	7,439
Acquisition of intangible fixed assets	(75,584)	(78,519)
Acquisition of subsidiaries resulting in changes in scope of consolidation	-	(9,715)
Net payments for sale of subsidiaries resulting in changes in scope of consolidation	-	(6,327)
Others, net	(1,202)	(1,152)
Net cash provided by/(used in) investing activities	(252,417)	(330,363)
Cash flows from financing activities:		
Proceeds from borrowings	26,452	149,381
Repayments of borrowings	(45,386)	(167,648)
Issuance of bonds	99,527	149,427
Net increase/(decrease) in cash collateral under securities lending transactions	-	79,080
Proceeds from share issuance to non-controlling shareholders	501	-
Repurchase of treasury stock	(30,029)	(52,019)
Dividends paid to shareholders	(79,286)	(83,861)
Dividends paid to non-controlling interests	(915)	(1,233)
Purchase of shares of subsidiaries not resulting in changes in scope of consolidation	(2,359)	-
Others, net	(1,841)	(7,805)
Net cash provided by/(used in) financing activities	(33,337)	65,321
Effect of exchange rate changes on cash and cash equivalents	(15,949)	(2,701)
Net increase/(decrease) in cash and cash equivalents	475,019	400,153
Beginning balance of cash and cash equivalents	1,323,506	1,798,526
Ending balance of cash and cash equivalents	1,798,526	2,198,680

(5) Notes to Consolidated Financial Statements

(Notes to Going Concern Assumptions)

Not applicable.

(Changes in Accounting Policies)

From the fiscal year ended March 31, 2020, International Financial Reporting Standards (IFRS) 16 “Leases” has been adopted by overseas consolidated subsidiaries that adopt IFRS. In line with this adoption, lessees generally recognize all leases as right-of-use assets and lease liabilities on commencement date of the leases.

In adopting the accounting standard, in accordance with the transitional treatment, retained earnings have been adjusted for the cumulative effects of the adoption at the beginning of the fiscal year ended March 31, 2020.

As a result, the effects of this adjustment on ordinary profit and income before income taxes for the fiscal year ended March 31, 2020 are immaterial. Under tangible fixed assets, lease assets increased by ¥23,875million and other tangible fixed assets decreased by ¥653 million, under intangible fixed assets, lease assets increased by ¥7million, other liabilities increased by ¥ 24,172 million, and retained earnings decreased by ¥942 million at the beginning of the fiscal year ended March 31, 2020. In the consolidated statements of cash flows for the fiscal year ended March 31, 2020, cash flows from operating activities decreased by ¥4,334million and cash flows from investing activities increased by ¥4,334million.

(Notes to Segment Information)

1 Overview of reportable segments

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

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

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

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

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

The accounting methods for reportable segments are substantially the same as those mentioned in “Significant Accounting Policies” of the Securities Report filed on June 24, 2019. Net income by segment is the amount based on net income of each company (after taking ownership interests into consideration).

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

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

For the year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)

(Yen in millions)

	Domestic non-life insurance business			Domestic life insurance business	
	MSI	ADI	Mitsui Direct General	MSI Aioi Life	MSI Primary Life
Revenues: (Note 1)					
Revenues from transactions with external customers	1,478,168	1,200,387	36,724	362,572	921,072
Intersegment revenues or transfers	31,449	33,194	(61)	-	(12,285)
Total	1,509,617	1,233,581	36,663	362,572	908,786
Net income/(loss) by segment	171,102	37,307	223	7,968	23,305
Assets by segment	6,977,145	3,410,989	60,917	4,229,662	6,885,323
Other items:					
Depreciation	18,325	12,195	1,086	4,821	2,150
Amortization of goodwill	-	-	-	-	-
Interest and dividends income	113,912	56,150	55	44,921	88,316
Interest expense	7,734	398	-	-	6
Gains/(losses) on equity method investments	-	-	-	-	-
Extraordinary income:	2,982	701	-	0	-
Gains on sales of fixed assets	2,982	701	-	0	-
Extraordinary losses:	6,095	14,463	15	1,135	3,500
Impairment losses on fixed assets	639	1,569	-	-	-
Provision for reserve for price fluctuation	4,190	11,684	8	936	3,500
Income taxes	52,260	10,312	120	2,578	8,782
Equity method investments	168,468	-	-	-	-
Increase in tangible fixed assets and intangible fixed assets	52,170	38,641	3,032	8,783	5,972

(Yen in millions)

	International business	Others (Note 2)	Total	Adjustments (Notes 3,4 and 5)	Amount on the consolidated financial statements (Note 6)
	Overseas insurance subsidiaries				
Revenues: (Note 1)					
Revenues from transactions with external customers	775,544	12,460	4,786,929	(2,493)	4,784,436
Intersegment revenues or transfers	(57,678)	5,565	184	(184)	-
Total	717,866	18,026	4,787,114	(2,677)	4,784,436
Net income/(loss) by segment	19,385	8,641	267,935	(75,229)	192,705
Assets by segment	3,064,516	134,078	24,762,634	(1,630,094)	23,132,539
Other items:					
Depreciation	8,377	62	47,018	12,464	59,483
Amortization of goodwill	-	-	-	14,633	14,633
Interest and dividends income	18,451	1,956	323,764	(19,622)	304,142
Interest expense	1,136	-	9,275	1,685	10,960
Gains/(losses) on equity method investments	9,946	988	10,935	(7,183)	3,751
Extraordinary income:	9,385	-	13,069	4,000	17,069
Gains on sales of fixed assets	9,385	-	13,069	-	13,069
Extraordinary losses:	3,622	13	28,845	(770)	28,075
Impairment losses on fixed assets	1,442	-	3,652	(715)	2,936
Provision for reserve for price fluctuation	-	-	20,320	-	20,320
Income taxes	7,106	185	81,346	4,113	85,460
Equity method investments	106,785	-	275,253	(32,723)	242,530
Increase in tangible fixed assets and intangible fixed assets	6,103	550	115,253	(2,797)	112,456

(Notes)

- 1 “Revenues” represents net premiums written for non-life insurance business, life insurance premiums for life insurance business, ordinary income for other business, and the sum total of net premiums written and life insurance premiums for “Amount on the consolidated financial statements”.
- 2 “Others”, which is business segments not included in reportable segments and other revenue generating business activities, represents domestic non-life insurance business operated by domestic non-life insurance subsidiaries other than reportable segment, financial services business and risk-related services business operated by group companies other than domestic insurance companies and business investments by the Company into companies other than group companies.
- 3 “Adjustments” in “Revenues from transactions with external customers” represents the sum total of ordinary income items other than net premiums written and life insurance premiums for other business.
- 4 “Adjustments” in “Net income/(loss) by segment” includes elimination of intersegment transactions of ¥(37,823) million, companywide expenses not allocated to respective reportable segments of ¥(11,873) million and adjustments to profit and loss due to application of the purchase method to domestic insurance subsidiaries and amortization of goodwill of ¥(25,532) million. Most of the companywide expenses are expenses associated with the Company's administrative departments that do not belong to any reportable segments.
- 5 “Adjustments” in “Assets by segment” includes elimination of intersegment transactions of ¥(1,479,740) million, transfers due to offsetting reinsurance recoverables included in assets of overseas insurance subsidiaries and policy liabilities on the consolidated financial statements of ¥(499,766) million, companywide assets not allocated to respective reportable segments of ¥35,307 million, adjustments to assets due to application of the purchase method to domestic insurance subsidiaries and unamortized balance of goodwill not allocated to respective reportable segments of ¥314,106 million. The companywide assets are the Company's assets that do not belong to any reportable segments.
- 6 “Net income/(loss) by segment” is reconciled with net income attributable to owners of the parent on the consolidated financial statements.

For the year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)

(Yen in millions)

	Domestic non-life insurance business			Domestic life insurance business	
	MSI	ADI	Mitsui Direct General	MSI Aioi Life	MSI Primary Life
Revenues: (Note 1)					
Revenues from transactions with external customers	1,516,001	1,248,416	36,432	376,903	557,764
Intersegment revenues or transfers	31,928	28,354	(57)	-	(11,571)
Total	1,547,930	1,276,770	36,374	376,903	546,193
Net income/(loss) by segment	94,079	44,784	142	7,500	20,310
Assets by segment	6,686,089	3,420,733	59,768	4,510,472	6,814,907
Other items:					
Depreciation	22,027	13,562	1,690	8,419	3,366
Amortization of goodwill	-	-	-	-	-
Interest and dividends income	101,912	59,396	50	48,920	87,232
Interest expense	9,353	617	-	-	15
Impairment losses on securities	20,878	11,023	-	-	2,256
Gains/(losses) on equity method investments	-	-	-	-	-
Extraordinary income:	61,429	168	-	0	-
Reversal of reserve for price fluctuation	56,996	-	-	-	-
Extraordinary losses:	189,539	18,420	31	939	3,500
Impairment losses on fixed assets	499	261	-	-	-
Provision for reserve for price fluctuation	-	16,714	7	926	3,500
Losses on valuation of shares of subsidiaries and associates	186,325	-	-	-	-
Provision for losses on sales of shares of subsidiaries and associates	-	-	-	-	-
Income taxes	(133,076)	(4,420)	(12)	1,580	7,650
Equity method investments	101,615	1,532	-	-	-
Increase in tangible fixed assets and intangible fixed assets	59,068	34,361	2,417	9,616	5,170

(Yen in millions)

	International business	Others (Note 2)	Total	Adjustments (Notes 3,4 and 5)	Amount on the consolidated financial statements (Note 6)
	Overseas insurance subsidiaries				
Revenues: (Note 1)					
Revenues from transactions with external customers	780,875	11,808	4,528,202	(10,749)	4,517,453
Intersegment revenues or transfers	(59,909)	11,355	100	(100)	-
Total	720,966	23,164	4,528,302	(10,849)	4,517,453
Net income/(loss) by segment	36,151	5,599	208,569	(65,539)	143,030
Assets by segment	3,402,719	81,127	24,975,817	(1,779,361)	23,196,455
Other items:					
Depreciation	12,308	144	61,519	4,093	65,613
Amortization of goodwill	-	-	-	12,737	12,737
Interest and dividends income	23,538	1,331	322,381	(17,866)	304,514
Interest expense	1,667	-	11,654	1,708	13,363
Impairment losses on securities	1,668	0	35,826	3,858	39,685
Gains/(losses) on equity method investments	12,249	365	12,614	(43,493)	(30,878)
Extraordinary income:	77	-	61,675	(10,248)	51,426
Reversal of reserve for price fluctuation	-	-	56,996	(21,148)	35,848
Extraordinary losses:	4,270	-	216,701	(20,078)	196,622
Impairment losses on fixed assets	171	-	931	172,679	173,611
Provision for reserve for price fluctuation	-	-	21,148	(21,148)	-
Losses on valuation of shares of subsidiaries and associates	-	-	186,325	(186,325)	-
Provision for losses on sales of shares of subsidiaries and associates	-	-	-	16,957	16,957
Income taxes	7,835	203	(120,240)	(12,821)	(133,061)
Equity method investments	194,114	-	297,261	(5,912)	291,349
Increase in tangible fixed assets and intangible fixed assets	6,917	84	117,636	(3,946)	113,690

(Notes)

- 1 “Revenues” represents net premiums written for non-life insurance business, life insurance premiums for life insurance business, ordinary income for other business, and the sum total of net premiums written and life insurance premiums for “Amount on the consolidated financial statements”.
- 2 “Others”, which is business segments not included in reportable segments and other revenue generating business activities, represents domestic non-life insurance business operated by domestic insurance companies other than reportable segment, financial services business and risk-related services business operated by group companies other than domestic insurance companies and business investments by the Company into companies other than group companies.
- 3 “Adjustments” in “Revenues from transactions with external customers” represents the sum total of ordinary income items other than net premiums written and life insurance premiums for other business.
- 4 “Adjustments” in “Net income/(loss) by segment” includes elimination of intersegment transactions of ¥(12,941) million, companywide expenses not allocated to respective reportable segments of ¥(13,838) million, provision for losses on sales of shares of subsidiaries and associates of ¥(16,957) million, adjustments related to losses on valuation of shares of overseas insurance subsidiaries recorded at MSI of ¥186,325 million, impairment losses of ¥(172,679) million, tax effect on impairment losses of ¥15,063 million, and adjustments to profit and loss due to application of the purchase method to domestic insurance subsidiaries and amortization of goodwill of ¥(50,511) million. Most of the companywide expenses are expenses associated with the Company's administrative departments that do not belong to any reportable segments.
- 5 “Adjustments” in “Assets by segment” includes elimination of intersegment transactions of ¥(1,545,115) million, transfers due to offsetting reinsurance recoverables included in assets of overseas insurance subsidiaries and policy liabilities on the consolidated financial statements of ¥(468,106) million, companywide assets not allocated to respective reportable segments of ¥53,263 million, adjustments to assets due to application of the purchase method to domestic insurance subsidiaries and unamortized balance of goodwill not allocated to respective reportable segments of ¥180,597 million. The companywide assets are the Company's assets that do not belong to any reportable segments.
- 6 “Net income/(loss) by segment” is reconciled with net income attributable to owners of the parent on the consolidated financial statements.

(Notes to Per Share Information)

(Yen)

	Year ended March 31, 2019	Year ended March 31, 2020
Net assets less non-controlling interests per share	4,712.11	4,308.37
Net income attributable to owners of the parent per share - Basic	328.72	248.36
Net income attributable to owners of the parent per share - Diluted	328.60	248.22

(Notes)

1 The bases for calculation of "Net income attributable to owners of the parent per share - Basic" and "Net income attributable to owners of the parent per share - Diluted" are as follows.

	Year ended March 31, 2019	Year ended March 31, 2020
Net income attributable to owners of the parent per share - Basic		
Net income attributable to owners of the parent (Yen in millions)	192,705	143,030
Net income attributable to owners of the parent not attributable to common shareholders (Yen in millions)	-	-
Net income attributable to owners of the parent attributable to common stock (Yen in millions)	192,705	143,030
Average number of shares of outstanding stock (in thousands of shares)	586,215	575,887
Net income attributable to owners of the parent per share - Diluted		
Adjustment to net income attributable to owners of the parent (Yen in millions)	-	-
Increased number of shares of common stock (in thousands of shares)	212	313
Stock acquisition rights (in thousands of shares)	212	313
Outline of dilutive shares which were not included in the calculation of "Net income attributable to owners of the parent per share - Diluted" because they are antidilutive for the each period	-	-

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

	March 31, 2019	March 31, 2020
Total net assets (Yen in millions)	2,778,047	2,494,038
Amounts deduced from net assets: (Yen in millions)	27,528	42,368
Stock acquisition rights (Yen in millions)	785	1,206
Non-controlling interests (Yen in millions)	26,743	41,161
Net assets attributable to common stock (Yen in millions)	2,750,519	2,451,670
Number of shares of outstanding stock to calculate net assets less non-controlling interests per share (in thousands of shares)	583,711	569,047

(Notes to Significant Subsequent Events)

Not applicable.