

SUMMARY OF FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023

May 19, 2023

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>
 Representative: Noriyuki Hara, President & CEO
 Contact: Corporate Communications and Investor Relations Dept.
<https://www.ms-ad-hd.com/en/ir/contact.html>

Scheduled date to hold the ordinary general meeting of shareholders: June 26, 2023
 Scheduled date to file the Securities Report: June 26, 2023
 Scheduled date to commence dividend payments: June 27, 2023
 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, 2023 (April 1, 2022 to March 31, 2023)

(1) Consolidated business performance

(Yen in millions)

	Ordinary income		Ordinary profit		Net income attributable to owners of the parent	
Year ended March 31, 2023	5,251,271	2.3 %	231,113	(40.8) %	161,530	(38.5) %
Year ended March 31, 2022	5,132,042	4.9 %	390,499	27.4 %	262,799	82.0 %

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

(Note) Comprehensive income For the year ended March 31, 2023: ¥ (80,923) million - %
 For the year ended March 31, 2022: ¥ 310,470 million (58.8) %

(Yen)

	Net income attributable to owners of the parent per share - Basic	Net income attributable to owners of the parent per share - Diluted	Return on equity	Ordinary profit to total assets	Ordinary profit to ordinary income
Year ended March 31, 2023	299.80	299.70	5.2 %	0.9 %	4.4 %
Year ended March 31, 2022	474.52	474.32	8.3 %	1.6 %	7.6 %

(Reference) Gains/(losses) on equity method investments For the year ended March 31, 2023: ¥ 2,373 million
 For the year ended March 31, 2022: ¥ 16,711 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, 2023	25,000,433	3,056,273	12.0 %	5,633.94
March 31, 2022	25,033,846	3,302,749	13.0 %	5,955.21

(Reference) Net assets less non-controlling interests As of March 31, 2023: ¥ 3,010,042 million
 As of March 31, 2022: ¥ 3,258,887 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, 2023	194,153	480,953	(314,502)	2,646,431
Year ended March 31, 2022	236,708	(71,976)	58,545	2,256,216

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, 2022	-	82.50	-	97.50	180.00	99,088	37.9 %	3.1 %
Year ended March 31, 2023	-	100.00	-	100.00	200.00	107,140	66.7 %	3.5 %
Year ending March 31, 2024 (Forecast)	-	120.00	-	120.00	240.00		42.7 %	

3. Consolidated Earnings Forecasts for the Year Ending March 31, 2024 (April 1, 2023 to March 31, 2024)

(Yen in millions)

	Ordinary profit		Net income attributable to owners of the parent		Net income attributable to owners of the parent per share (Yen)
Year ending March 31, 2024	420,000	81.7 %	300,000	85.7 %	561.51

Percent figures represent changes from the preceding year.

*** Notes**

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

Increase 1 (Transverse Insurance Group, LLC)

Decrease 0

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

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

2. Changes in accounting policies other than above: None

3. Changes in accounting estimates: None

4. Restatements: None

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

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

As of March 31, 2023: 535,967,347 shares

As of March 31, 2022: 593,632,891 shares

2. Number of shares of treasury stock

As of March 31, 2023: 1,698,413 shares

As of March 31, 2022: 46,400,654 shares

3. Average number of shares of outstanding stock

For the year ended March 31, 2023: 538,791,026 shares

For the year ended March 31, 2022: 553,816,469 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 MS&AD Insurance Group Holdings, Inc. (“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, 2024” 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, 2023

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)

In fiscal 2022, although the global economy showed signs of recovery due to the relaxing of COVID-19 restrictions, the economic outlook remained uncertain due to the increased upward pressure on commodity prices and the impact of monetary policies by various countries aimed at curbing inflation arising from the rising costs of raw materials and other factors caused by the protracted Ukraine conflict.

The Medium-Term Management Plan (2022-2025), which started from this fiscal year, is aiming for “Growing Together with Society as a Risk Solution Platformer.” We have been working to become a “corporate group that supports a resilient and sustainable society” under the three basic strategies of “Value (value creation),” “Transformation (business transformation),” and “Synergy (Group synergy).”

<p>Value (Value creation)</p>	<p>Through the global implementation of “CSV × DX*¹,” the following initiatives were undertaken with the aim of providing value to all stakeholders and enhancing corporate value, as well as increasing the profitability of our business, products, and services and strengthening our earnings base.</p> <p>[Details of Initiatives]</p> <ul style="list-style-type: none"> • Development of products and services that come before and after coverage and protection, such as “Accident Risk AI Assessment*²,” and establishment of a sales structure • Implementation of measures to improve and expand profitability of the domestic non-life insurance business, including premium rate revisions for fire insurance, development of disaster prevention and mitigation services, and sales expansion of strategic products for casualty insurance
<p>Transformation (Business transformation)</p>	<p>The following initiatives were undertaken with the aim of transforming the business structure and adapting to changes in the business environment through the creation of new businesses and other measures, as well as transforming the business, product, and risk portfolios to build a stable earnings base.</p> <p>[Details of Initiatives]</p> <ul style="list-style-type: none"> • Business investment in the U.S. MGA*³ market in international operations and expansion of domestic life insurance business and new business areas • Using DX to establish new business sectors and developing more advanced risk consulting services with InterRisk Research & Consulting playing a central role • Reducing strategic equity holdings by 206.6 billion yen, exceeding the revised target (150 billion yen) for FY2022
<p>Synergy (Group synergy)</p>	<p>The following initiatives were undertaken with the aim of realizing further growth by strengthening collaboration by leveraging the diversity of the Group, improving productivity by deepening Group standardization, collaboration, and integration, and realizing synergies on a global basis.</p> <p>[Details of Initiatives]</p> <ul style="list-style-type: none"> • Implementation of the “One Platform Strategy” to improve quality and productivity in areas such as products, claims services, and administrative work for Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance • Sales promotion of the products of Mitsui Sumitomo Primary Life through the sales network of Mitsui Sumitomo Aioi Life, and the expansion of concurrent selling of life insurance and non-life insurance products • Global synergies including the sharing and mutual use of expertise and skills of Group companies in Japan and overseas through the TENKAI Project*⁴ and other initiatives

*1 CSV (Creating Shared Value) × DX (Digital Transformation)

An initiative to achieve sustainable growth and increase corporate value by improving productivity and competitiveness through a combination of CSV (Creating Shared Value with Society) and DX (Digital Transformation).

*2 Accident Risk AI Assessment

A service for local governments that uses AI to quantify the risk of traffic accidents for each location (road segment and intersection) and visualize it on a map.

*3 MGA (Managing General Agent)

An agent authorized by an insurance company to underwrite insurance and to certify and assess damage amount, in addition to insurance solicitation.

*4 TENKAI Project

An initiative where, to maximize the synergy of our Group, our know-how, technology, and services are deployed both domestically and internationally for accelerating our efforts to enhance our corporate value and sustainable growth.

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

Ordinary income was ¥5,251.2 billion, due to underwriting income of ¥4,482.4 billion, investment income of ¥745.7 billion and

other ordinary income of ¥23.1 billion. At the same time, ordinary expenses amounted to ¥5,020.1 billion, including ¥4,064.2 billion in underwriting expenses, ¥195.6 billion in investment expenses, ¥739.3 billion in operating expenses and general and administrative expenses, and other ordinary expenses amounting to ¥20.8 billion.

As a result, ordinary profit for the current fiscal year was ¥231.1 billion, reflecting a year-on-year decrease of ¥159.3 billion. After adjustments to ordinary profit mainly for extraordinary losses and corporate and residence tax, net income attributable to owners of the parent for the current fiscal year was ¥161.5 billion, reflecting a year-on-year decrease of ¥101.2 billion.

Operating results by segment were as follows:

1) Domestic Non-life Insurance Business (Mitsui Sumitomo Insurance Company, Limited)

Ordinary income for the current fiscal year totaled ¥1,956.3 billion, including underwriting income of ¥1,724.4 billion, investment income of ¥226.1 billion, and other ordinary income of ¥5.7 billion. At the same time, ordinary expenses amounted to ¥1,815.1 billion, including ¥1,519.9 billion in underwriting expenses, ¥52.0 billion in investment expenses, ¥236.7 billion in operating expenses and general and administrative expenses, and other ordinary expenses amounting to ¥6.3 billion.

As a result, ordinary profit for the current fiscal year was ¥141.2 billion, reflecting a year-on-year decrease of ¥43.0 billion. After adjustments to ordinary profit mainly for extraordinary losses and corporate and residence tax, net income for the current fiscal year was ¥107.8 billion, reflecting a year-on-year decrease of ¥37.8 billion.

2) Domestic Non-life Insurance Business (Aioi Nissay Dowa Insurance Company, Limited)

Ordinary income for the current fiscal year totaled ¥1,524.3 billion yen, including underwriting income of ¥1,414.4 billion, investment income of ¥100.4 billion, and other ordinary income of ¥9.3 billion. At the same time, ordinary expenses amounted to ¥1,457.6 billion, including ¥1,233.3 billion in underwriting expenses, ¥27.1 billion in investment expenses, ¥194.8 billion in operating expenses and general and administrative expenses, and other ordinary expenses amounting to ¥2.1 billion.

As a result, ordinary profit for the current fiscal year was ¥66.7 billion, reflecting a year-on-year decrease of ¥14.2 billion. After adjustments to ordinary profit mainly for extraordinary losses and corporate and residence tax, net income for the current fiscal year was ¥43.1 billion, reflecting a year-on-year decrease of ¥10.7 billion.

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

Ordinary income was ¥36.0 billion after recording underwriting income of ¥36.0 billion. Meanwhile, ordinary expenses came to ¥36.6 billion resulting from underwriting expenses of ¥23.7 billion and operating expenses and general and administrative expenses of ¥12.7 billion.

As a result, ordinary loss for the current fiscal year was ¥0.5 billion, reflecting a year-on-year decrease of ¥1.3 billion. After adjustments to ordinary profit mainly for extraordinary losses and corporate and residence tax, net income for the current fiscal year was ¥0.8 billion, reflecting a year-on-year increase. As a result, net income after taking ownership interests into account (net income by segment) was ¥0.8 billion, reflecting a year-on-year increase of ¥0.1 billion.

4) Domestic Life Insurance Business (Mitsui Sumitomo Aioi Life Insurance Company, Limited)

Ordinary income for the current fiscal year totaled ¥565.3 billion yen, including income from premiums and other such sources of ¥489.0 billion, investment income of ¥72.2 billion, and other ordinary income of ¥3.9 billion.

At the same time, ordinary expenses amounted to ¥537.4 billion, including ¥270.1 billion in claims and other payments, ¥154.6 billion in policy reserves and other provisions, ¥17.4 billion in investment expenses, ¥74.5 billion in operating expenses, and other ordinary expenses amounting to ¥20.7 billion. As a result, ordinary profit for the current fiscal year was ¥27.8 billion, reflecting a year-on-year decrease of ¥11.1 billion. After adjustments to ordinary profit mainly for extraordinary losses and corporate and residence tax, net income for the current fiscal year was ¥12.7 billion, reflecting a year-on-year decrease of ¥8.3 billion.

5) Domestic Life Insurance Business (Mitsui Sumitomo Primary Life Insurance Company, Limited)

Ordinary income for the current fiscal year totaled ¥1,791.5 billion yen, including income from premiums and other such sources of ¥1,349.8 billion, investment income of ¥266.4 billion, and other ordinary income of ¥175.2 billion. At the same time, ordinary expenses amounted to ¥1,760.5 billion, including ¥1,641.4 billion in claims and other payments, ¥46.5 billion in investment expenses, ¥59.4 billion in operating expenses, and other ordinary expenses amounting to ¥13.0 billion.

As a result, ordinary profit for the current fiscal year was ¥31.0 billion, reflecting a year-on-year decrease of ¥56.7 billion. After adjustments to ordinary profit mainly for extraordinary losses and corporate and residence tax, net income for the current fiscal year was ¥19.7 billion, reflecting a year-on-year decrease of ¥33.2 billion.

6) International Business (Overseas insurance subsidiaries)

In the overseas insurance subsidiaries segment, net premiums written reached ¥934.1 billion, reflecting a year-on-year increase of ¥231.1 billion.

Ordinary profit was ¥9.0 billion, reflecting a year-on-year decrease of ¥30.5 billion. Net income after taking ownership interests into account (net loss by segment) was ¥15.7 billion, a decrease of ¥8.8 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 ¥25,000.4 billion, a year-to-year decrease of ¥33.4 billion. Net assets, on the other hand, decreased ¥246.4 billion year-on-year to ¥3,056.2 billion.

(Overview of Cash Flow 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 ¥42.5 billion over the previous fiscal year to ¥194.1 billion, due in part to an increase in paid claim amount. Net cash flows from investing activities increased by ¥552.9 billion over the previous fiscal year to ¥480.9 billion, due in part to an increase in income from sales and redemption of securities and a reduction of investment on money trust. In addition, cash flows provided by financial activities decreased by ¥373.0 billion over the previous fiscal year to ¥(314.5) billion, due in part to an decrease in income from redemption of corporate bonds and sales under repurchase agreement. As a result, cash and cash equivalents at the end of the fiscal year under review have increased by ¥390.2 billion from the end of the previous fiscal year to ¥2,646.4 billion.

For long-term investment funds, the Group utilizes its own funds and raises funds from outside sources through issuing corporate bonds and long-term borrowing from financial institutions.

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, 2024

For consolidated earnings for the next fiscal year, the Company forecasts ordinary profit of ¥420.0 billion and net income attributable to owners of the parent of ¥300.0 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 loss due to new natural disasters (domestic) is expected to be ¥49.0 billion for Mitsui Sumitomo Insurance Co., Ltd. and ¥39.5 billion for Aioi Nissay Dowa Insurance Co., Ltd. (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 2023.

The Company's consolidated earnings forecast is based on currently available information including the above and contains many elements of uncertainty. Actual results may differ significantly due to various factors in the business environment.

2. Basic Stance for Adopting Accounting Standards

The Company currently aims for the voluntary adoption of International Reporting Standards (IFRS) for its consolidated financial statements from FY 2025 in order to improve comparability between the Company and global peers.

Although preparations for the transition to IFRS have been progressed well, the Company had revised the schedule for the adoption, previously aimed from FY2024, for the purpose of ensuring a timely, accurate and suitable financial reporting by careful arrangements and contemplated analyses.

3. Consolidated Financial Statements and Main Notes

(1) Consolidated Balance Sheets

(Yen in millions)

	March 31, 2022	March 31, 2023
Assets		
Cash, deposits and savings	2,357,036	2,771,981
Monetary claims bought	146,489	142,976
Money trusts	2,039,135	2,082,012
Investments in securities	16,959,321	16,149,338
Loans	985,242	959,497
Tangible fixed assets:	487,691	476,711
Land	227,757	220,903
Buildings	197,084	192,968
Lease assets	24,153	28,961
Construction in progress	3,895	1,707
Other tangible fixed assets	34,800	32,169
Intangible fixed assets:	443,159	496,124
Software	154,047	134,958
Goodwill	124,946	143,247
Lease assets	164	213
Other intangible fixed assets	163,999	217,704
Other assets	1,529,465	1,743,777
Assets for retirement benefits	30,265	36,372
Deferred tax assets	40,653	122,822
Customers' liabilities under acceptances and guarantees	23,000	27,524
Bad debt reserve	(7,614)	(8,706)
Total assets	25,033,846	25,000,433
Liabilities		
Policy liabilities:	18,608,139	18,869,599
Outstanding claims	2,467,600	2,682,482
Underwriting reserves	16,140,539	16,187,116
Bonds issued	782,902	714,743
Other liabilities	1,837,250	1,852,392
Liabilities for pension and retirement benefits	137,710	141,137
Reserve for retirement benefits for officers	176	133
Accrued bonuses for employees	30,006	28,444
Reserve for stock payments	-	1,009
Reserves under the special laws:	266,381	277,998
Reserve for price fluctuation	266,381	277,998
Deferred tax liabilities	45,528	31,177
Acceptances and guarantees	23,000	27,524
Total liabilities	21,731,096	21,944,159

(Yen in millions)

	March 31, 2022	March 31, 2023
Net assets		
Shareholders' equity:		
Common stock	100,534	100,808
Capital surplus	553,680	345,144
Retained earnings	1,251,280	1,305,928
Treasury stock	(159,850)	(6,662)
Total shareholders' equity	<u>1,745,644</u>	<u>1,745,220</u>
Accumulated other comprehensive income:		
Net unrealized gains/(losses) on investments in securities	1,565,167	1,216,563
Net deferred gains/(losses) on hedges	(998)	(21,996)
Foreign currency translation adjustments	(52,492)	79,704
Accumulated actuarial gains/(losses) on retirement benefits	1,566	(9,448)
Total accumulated other comprehensive income	<u>1,513,242</u>	<u>1,264,822</u>
Stock acquisition rights	762	558
Non-controlling interests	43,099	45,671
Total net assets	<u>3,302,749</u>	<u>3,056,273</u>
Total liabilities and net assets	<u>25,033,846</u>	<u>25,000,433</u>

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

(Yen in millions)

	Year ended March 31, 2022	Year ended March 31, 2023
Ordinary income:	5,132,042	5,251,271
Underwriting income:	4,239,589	4,482,431
Net premiums written	3,609,052	3,934,473
Deposit premiums from policyholders	52,185	41,359
Investment income on deposit premiums from policyholders	35,631	35,591
Life insurance premiums	520,037	453,578
Other underwriting income	22,682	17,428
Investment income:	858,664	745,712
Interest and dividends income	302,615	345,468
Investment gains on money trusts	170,905	191,350
Investment gains on trading securities	31,346	-
Gains on sales of securities	145,320	195,948
Gains on redemption of securities	5,526	2,355
Gains on derivative transactions	-	44,502
Investment gains on separate accounts	58,239	-
Other investment income	180,341	1,678
Transfer of investment income on deposit premiums from policyholders	(35,631)	(35,591)
Other ordinary income:	33,788	23,127
Gains on equity method investments	16,711	2,373
Other ordinary income	17,076	20,754
Ordinary expenses:	4,741,543	5,020,158
Underwriting expenses:	3,915,377	4,064,285
Net claims paid	1,946,975	2,241,198
Loss adjustment expenses	198,925	207,021
Commissions and collection expenses	725,349	781,162
Maturity refunds to policyholders	180,991	165,278
Dividends to policyholders	58	51
Life insurance claims	471,410	531,253
Provision for outstanding claims	127,190	125,486
Provision for underwriting reserves	259,922	1,262
Other underwriting expenses	4,554	11,571
Investment expenses:	108,908	195,669
Investment losses on money trusts	14,206	28,438
Investment losses on trading securities	-	19,631
Losses on sales of securities	17,708	65,613
Impairment losses on securities	36,254	23,208
Losses on redemption of securities	240	360
Losses on derivative transactions	28,062	-
Investment losses on separate accounts	-	32,700
Other investment expenses	12,435	25,716
Operating expenses and general and administrative expenses	696,390	739,317
Other ordinary expenses:	20,866	20,886
Interest expense	15,482	10,383
Provision for bad debts	-	1,315
Losses on bad debts	137	408
Other ordinary expenses	5,247	8,778
Ordinary profit	<u>390,499</u>	<u>231,113</u>

(Yen in millions)

	Year ended March 31, 2022	Year ended March 31, 2023
Extraordinary income:	14,990	34,615
Gains on sales of fixed assets	14,990	34,615
Extraordinary losses:	35,462	30,271
Losses on sales of fixed assets	6,296	10,216
Impairment losses on fixed assets	2,684	1,801
Provision for reserves under the special laws:	21,405	11,616
Provision for reserve for price fluctuation	21,405	11,616
Other extraordinary losses	5,076	6,637
Income before income taxes	370,027	235,456
Income taxes - current	72,024	35,737
Income taxes - deferred	32,054	34,704
Total income taxes	104,078	70,441
Net income	265,948	165,014
Net income attributable to non-controlling interests	3,149	3,484
Net income attributable to owners of the parent	262,799	161,530

(Consolidated Statements of Comprehensive Income)

(Yen in millions)

	Year ended March 31, 2022	Year ended March 31, 2023
Net income	265,948	165,014
Other comprehensive income:		
Net unrealized gains/(losses) on investments in securities	(62,428)	(347,106)
Net deferred gains/(losses) on hedges	(15,409)	(21,362)
Foreign currency translation adjustments	109,422	129,610
Accumulated actuarial gains/(losses) on retirement benefits	(2,261)	(11,042)
Share of other comprehensive income of equity method investments	15,199	3,962
Total other comprehensive income	44,521	(245,938)
Total comprehensive income	310,470	(80,923)
Allocation:		
Comprehensive income attributable to owners of the parent	304,979	(86,889)
Comprehensive income attributable to non-controlling interests	5,490	5,966

(3) Consolidated Statements of Changes in Net Assets
For the year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Yen in millions)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Beginning balance	100,276	553,428	1,078,850	(119,267)	1,613,287
Changes for the year:					
Issuance of new shares	258	258			516
Dividends paid			(90,369)		(90,369)
Net income attributable to owners of the parent			262,799		262,799
Repurchase of treasury stock				(40,847)	(40,847)
Disposal of treasury stock		(6)		264	258
Cancellation of treasury stock					-
Changes in equity resulting from increase in capital of consolidated subsidiaries					-
Changes in equity resulting from transactions with non-controlling shareholders					-
Net changes of items other than shareholders' equity					
Total changes for the year	258	252	172,430	(40,582)	132,357
Ending balance	100,534	553,680	1,251,280	(159,850)	1,745,644

	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	1,630,325	14,997	(178,080)	3,819	1,471,062	1,019	41,288	3,126,657
Changes for the year:								
Issuance of new shares								516
Dividends paid								(90,369)
Net income attributable to owners of the parent								262,799
Repurchase of treasury stock								(40,847)
Disposal of treasury stock								258
Cancellation of treasury stock								-
Changes in equity resulting from increase in capital of consolidated subsidiaries								-
Changes in equity resulting from transactions with non-controlling shareholders								-
Net changes of items other than shareholders' equity	(65,158)	(15,996)	125,588	(2,253)	42,180	(256)	1,810	43,734
Total changes for the year	(65,158)	(15,996)	125,588	(2,253)	42,180	(256)	1,810	176,092
Ending balance	1,565,167	(998)	(52,492)	1,566	1,513,242	762	43,099	3,302,749

For the year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Yen in millions)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Beginning balance	100,534	553,680	1,251,280	(159,850)	1,745,644
Changes for the year:					
Issuance of new shares	274	274			548
Dividends paid			(106,881)		(106,881)
Net income attributable to owners of the parent			161,530		161,530
Repurchase of treasury stock				(54,946)	(54,946)
Disposal of treasury stock		(7)		213	205
Cancellation of treasury stock		(207,920)		207,920	-
Changes in equity resulting from increase in capital of consolidated subsidiaries		(30)			(30)
Changes in equity resulting from transactions with non-controlling shareholders		(850)			(850)
Net changes of items other than shareholders' equity					
Total changes for the year	274	(208,535)	54,648	153,187	(424)
Ending balance	100,808	345,144	1,305,928	(6,662)	1,745,220

	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	1,565,167	(998)	(52,492)	1,566	1,513,242	762	43,099	3,302,749
Changes for the year:								
Issuance of new shares								548
Dividends paid								(106,881)
Net income attributable to owners of the parent								161,530
Repurchase of treasury stock								(54,946)
Disposal of treasury stock								205
Cancellation of treasury stock								-
Changes in equity resulting from increase in capital of consolidated subsidiaries								(30)
Changes in equity resulting from transactions with non-controlling shareholders								(850)
Net changes of items other than shareholders' equity	(348,603)	(20,997)	132,196	(11,015)	(248,419)	(203)	2,572	(246,051)
Total changes for the year	(348,603)	(20,997)	132,196	(11,015)	(248,419)	(203)	2,572	(246,476)
Ending balance	1,216,563	(21,996)	79,704	(9,448)	1,264,822	558	45,671	3,056,273

(4) Consolidated Statements of Cash Flows

	(Yen in millions)	
	Year ended March 31, 2022	Year ended March 31, 2023
Cash flows from operating activities:		
Income before income taxes	370,027	235,456
Depreciation	84,806	93,105
Impairment losses on fixed assets	2,684	1,801
Amortization of goodwill	12,305	13,888
Increase/(decrease) in outstanding claims	126,516	130,527
Increase/(decrease) in underwriting reserves	249,527	(4,722)
Increase/(decrease) in bad debt reserve	(6,426)	834
Increase/(decrease) in reserve for retirement benefits for officers	(64)	(42)
Increase/(decrease) in accrued bonuses for employees	960	(2,818)
Increase/(decrease) in reserve for stock payments	-	1,009
Decrease/(increase) in assets for pension and retirement benefits	-	(19,911)
Increase/(decrease) in liabilities for pension and retirement benefits	(26,016)	3,232
Increase/(decrease) in reserve for price fluctuation	21,405	11,616
Interest and dividends income	(302,615)	(345,468)
Losses/(gains) on money trusts	(156,698)	(162,912)
Losses/(gains) on investments in securities	(127,990)	(89,490)
Losses/(gains) on derivative transactions	28,062	(44,502)
Investment losses/(gains) on separate accounts	(58,239)	32,700
Interest expense	15,482	10,383
Foreign exchange losses/(gains)	(166,796)	(28,571)
Losses/(gains) on disposal of tangible fixed assets	(11,977)	(30,006)
Losses/(gains) on equity method investments	(16,711)	(2,373)
Decrease/(increase) in other assets	(39,250)	(119,068)
Increase/(decrease) in other liabilities	(11,216)	91,225
Others, net	(26,820)	54,428
Subtotal	(39,047)	(169,676)
Interest and dividends received	400,993	447,284
Interest paid	(15,768)	(10,449)
Income taxes refunded/(paid)	(109,469)	(73,004)
Net cash provided by/(used in) operating activities (a)	236,708	194,153

(Yen in millions)

	Year ended March 31, 2022	Year ended March 31, 2023
Cash flows from investing activities:		
Net decrease/(increase) in deposits and savings	6,289	(37,643)
Purchase of monetary claims bought	-	(4,812)
Proceeds from sales and redemption of monetary claims bought	10,577	12,135
Purchase of money trusts	(513,061)	(487,409)
Proceeds from sales of money trusts	292,136	512,110
Purchase of securities	(3,688,774)	(3,523,042)
Proceeds from sales and redemption of securities	3,915,082	4,184,931
Investments in loans	(196,039)	(211,739)
Collection of loans	195,900	234,847
Net increase/(decrease) in cash collateral under securities lending transactions	23,151	10,125
Others, net	(45,671)	(128,777)
Subtotal (b)	<u>(409)</u>	<u>560,726</u>
(a + b)	<u>236,298</u>	<u>754,879</u>
Acquisition of tangible fixed assets	(28,130)	(24,625)
Proceeds from sales of tangible fixed assets	20,594	48,588
Acquisition of intangible fixed assets	(53,020)	(57,007)
Acquisition of subsidiaries resulting in changes in scope of consolidation	(10,101)	(45,002)
Others, net	(908)	(1,725)
Net cash provided by/(used in) investing activities	<u>(71,976)</u>	<u>480,953</u>
Cash flows from financing activities:		
Repayments of borrowings	-	(98,381)
Issuance of bonds	149,684	-
Redemption of bonds	(176,191)	(72,000)
Net increase/(decrease) in payables under repurchase agreements	116,998	(22,519)
Net increase/(decrease) in cash collateral under securities lending transactions	110,259	53,229
Repurchase of treasury stock	(40,847)	(55,745)
Dividends paid to shareholders	(90,264)	(106,753)
Dividends paid to non-controlling interests	(3,708)	(2,284)
Purchase of shares of subsidiaries not resulting in changes in scope of consolidation	-	(2,471)
Others, net	(7,385)	(7,575)
Net cash provided by/(used in) financing activities	<u>58,545</u>	<u>(314,502)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>38,504</u>	<u>29,610</u>
Net increase/(decrease) in cash and cash equivalents	<u>261,781</u>	<u>390,215</u>
Beginning balance of cash and cash equivalents	<u>1,994,434</u>	<u>2,256,216</u>
Ending balance of cash and cash equivalents	<u>2,256,216</u>	<u>2,646,431</u>

(5) Notes to Consolidated Financial Statements

(Note on Going Concern)

Not applicable.

(Notes on 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 27, 2022. 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, 2022 (from April 1, 2021 to March 31, 2022)

(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	1,528,633	1,251,355	35,467	501,978	822,792
Intersegment revenues or transfers	50,692	39,989	(67)	-	(10,295)
Total	1,579,325	1,291,344	35,400	501,978	812,496
Net income/(loss) by segment	145,744	53,973	735	21,072	53,011
Assets by segment	7,374,326	3,745,150	62,933	4,883,740	7,053,307
Other items:					
Depreciation	35,752	19,361	1,771	10,130	4,447
Amortization of goodwill	-	-	-	-	-
Interest and dividends income	127,237	56,833	50	50,755	65,569
Interest expense	9,740	789	-	-	9
Impairment losses on securities	30,708	3,816	-	-	-
Gains/(losses) on equity method investments	-	-	-	-	-
Extraordinary income:	13,777	916	-	0	-
Gains on sales of fixed assets	13,777	916	-	0	-
Extraordinary losses:	11,682	9,452	7	1,294	14,031
Impairment losses on fixed assets	807	3,295	-	-	-
Provision for reserve for price fluctuation	4,193	1,900	7	1,272	14,031
Income taxes	40,585	18,454	(24)	7,715	20,747
Equity method investments	111,148	1,532	-	-	-
Increase in tangible fixed assets and intangible fixed assets	36,686	28,976	1,365	5,273	3,269

(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	825,551	5,195	4,970,974	(841,884)	4,129,089
Intersegment revenues or transfers	(90,504)	10,295	109	(109)	-
Total	735,046	15,491	4,971,084	(841,994)	4,129,089
Net income/(loss) by segment	24,575	13,550	312,664	(49,865)	262,799
Assets by segment	3,870,296	212,349	27,202,103	(2,168,256)	25,033,846
Other items:					
Depreciation	12,041	132	83,637	1,169	84,806
Amortization of goodwill	-	-	-	12,305	12,305
Interest and dividends income	23,874	10,668	334,988	(32,372)	302,615
Interest expense	3,427	-	13,967	1,514	15,482
Impairment losses on securities	951	-	35,476	777	36,254
Gains/(losses) on equity method investments	20,856	1,393	22,250	(5,538)	16,711
Extraordinary income:	149	-	14,843	147	14,990
Gains on sales of fixed assets	149	-	14,843	147	14,990
Extraordinary losses:	1,704	-	38,172	(2,710)	35,462
Impairment losses on fixed assets	348	-	4,451	(1,766)	2,684
Provision for reserve for price fluctuation	-	-	21,405	-	21,405
Income taxes	10,103	3,447	101,028	3,050	104,078
Equity method investments	135,055	-	247,736	9,473	257,209
Increase in tangible fixed assets and intangible fixed assets	7,695	244	83,510	34	83,544

(Notes)

- 1 “Revenues” represents net premiums written for non-life insurance business, premium income 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” represent the difference between “Life insurance premiums” in the Consolidated Statement of Income and premium income for life insurance business, ¥(836,753) million and the adjustments for ordinary income for other business, ¥(5,131) million.
- 4 “Adjustments” in “Net income/(loss) by segment” includes elimination of intersegment transactions of ¥(28,642) million, companywide expenses not allocated to respective reportable segments of ¥(13,589) million, reversals of adjustments to profit and loss due to North American winter storm in February 2021 which occurred during the period between the fiscal year end of overseas insurance subsidiaries and that of the Company of ¥(10,300) million, and adjustments to profit and loss due to application of the purchase method to domestic insurance subsidiaries and amortization of goodwill of ¥(17,933) 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 ¥(1,616,406) million, transfers due to offsetting reinsurance recoverables included in assets of overseas insurance subsidiaries and policy liabilities on the consolidated financial statements of ¥(705,443) million, companywide assets not allocated to respective reportable segments of ¥84,714 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 ¥68,878 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, 2023 (from April 1, 2022 to March 31, 2023)

(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	1,566,066	1,285,513	34,616	487,124	1,229,193
Intersegment revenues or transfers	63,765	50,044	(86)	-	(8,772)
Total	1,629,832	1,335,557	34,530	487,124	1,220,420
Net income/(loss) by segment	107,899	43,195	894	12,725	19,749
Assets by segment	7,000,023	3,733,689	62,674	5,009,178	6,823,733
Other items:					
Depreciation	37,597	21,684	1,883	10,166	4,850
Amortization of goodwill	-	-	-	-	-
Interest and dividends income	134,995	63,636	49	54,347	77,123
Interest expense	4,881	595	-	-	11
Impairment losses on securities	26,137	2,271	-	205	-
Gains/(losses) on equity method investments	-	-	-	-	-
Extraordinary income:	13,745	379	-	1	-
Gains on sales of fixed assets	13,745	379	-	1	-
Extraordinary losses:	13,548	11,299	7	1,330	4,153
Losses on sales of fixed assets	2,186	7,432	1	43	-
Impairment losses on fixed assets	466	1,955	-	-	-
Other extraordinary losses	6,637	-	-	-	-
Income taxes	33,522	12,641	(1,463)	5,273	7,117
Equity method investments	109,203	1,532	-	-	-
Increase in tangible fixed assets and intangible fixed assets	33,284	27,506	2,880	5,103	3,658

(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	1,075,183	6,125	5,683,823	(1,295,771)	4,388,052
Intersegment revenues or transfers	(113,606)	8,772	116	(116)	-
Total	961,576	14,898	5,683,940	(1,295,888)	4,388,052
Net income/(loss) by segment	15,718	9,738	209,921	(48,391)	161,530
Assets by segment	4,642,140	209,255	27,480,695	(2,480,261)	25,000,433
Other items:					
Depreciation	13,088	116	89,389	3,715	93,105
Amortization of goodwill	-	-	-	13,888	13,888
Interest and dividends income	32,497	11,770	374,420	(28,952)	345,468
Interest expense	3,869	-	9,357	1,026	10,383
Impairment losses on securities	7,858	-	36,473	(13,264)	23,208
Gains/(losses) on equity method investments	7,297	838	8,136	(5,763)	2,373
Extraordinary income:	20,285	-	34,410	204	34,615
Gains on sales of fixed assets	20,285	-	34,410	204	34,615
Extraordinary losses:	445	-	30,784	(512)	30,271
Losses on sales of fixed assets	445	-	10,108	107	10,216
Impairment losses on fixed assets	-	-	2,422	(620)	1,801
Other extraordinary losses	-	-	6,637	-	6,637
Income taxes	9,282	3,746	70,121	319	70,441
Equity method investments	134,218	-	244,953	15,000	259,953
Increase in tangible fixed assets and intangible fixed assets	11,167	73	83,675	315	83,991

(Notes)

- 1 “Revenues” represents net premiums written for non-life insurance business, premium income 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” represent the difference between “Life insurance premiums” in the Consolidated Statement of Income and premium income for life insurance business, ¥(1,290,128) million and the adjustments for ordinary income for other business, ¥(5,642) million.
- 4 “Adjustments” in “Net income/(loss) by segment” includes elimination of intersegment transactions of ¥(26,480) million, companywide expenses not allocated to respective reportable segments of ¥(12,475) million, adjustments to impairment losses on equities of insurance subsidiaries recognized by MSI of ¥13,665 million, and adjustments to profit and loss due to application of the purchase method to domestic insurance subsidiaries and amortization of goodwill of ¥(23,101) 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 ¥(1,722,750) million, transfers due to offsetting reinsurance recoverables included in assets of overseas insurance subsidiaries and policy liabilities on the consolidated financial statements of ¥(923,937) million, companywide assets not allocated to respective reportable segments of ¥89,835 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 ¥76,590 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 on Per Share Information)

(Yen)

	Year ended March 31, 2022	Year ended March 31, 2023
Net assets less non-controlling interests per share	5,955.21	5,633.94
Net income attributable to owners of the parent per share - Basic	474.52	299.80
Net income attributable to owners of the parent per share - Diluted	474.32	299.70

(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, 2022	Year ended March 31, 2023
Net income attributable to owners of the parent per share - Basic		
Net income attributable to owners of the parent (Yen in millions)	262,799	161,530
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)	262,799	161,530
Average number of shares of outstanding stock (in thousands of shares)	553,816	538,791
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)	235	173
Stock acquisition rights (in thousands of shares)	235	173
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, 2022	March 31, 2023
Total net assets (Yen in millions)	3,302,749	3,056,273
Amounts deducted from net assets: (Yen in millions)	43,862	46,230
Stock acquisition rights (Yen in millions)	762	558
Non-controlling interests (Yen in millions)	43,099	45,671
Net assets attributable to common stock (Yen in millions)	3,258,887	3,010,042
Number of shares of outstanding stock to calculate net assets less non-controlling interests per share (in thousands of shares)	547,232	534,268

3 In calculating the amounts of "Net income attributable to owners of the parent per share – Basic" and "Net income attributable to owners of the parent per share – Diluted", the Company's shares held by trusts established under the share compensation plan are included in Treasury stock deducted in the calculation of "Average number of shares of outstanding stock".

The average number of such Treasury stock deducted for the year ended March 31, 2022 is 101 thousand, and that for the year ended March 31, 2023 is 1,265 thousand.

In calculating "Net assets less non-controlling interests per share", such Treasury stocks are included in Treasury stock deducted from the number of shares of outstanding stock. The number of such Treasury stock deducted for the year ended March 31, 2022 is 213 thousand, and that for the year ended March 31, 2023 is 1,430 thousand.

(Note on Significant Subsequent Events)

Not applicable.