19th July 2022

Registrar of Companies
New Zealand Companies Office
Private Bag 92061
Victoria Street West
Auckland 1142

Dear Sirs/Madam,

RE: Mitsui Sumitomo Insurance Company Limited (283534)

We enclose herewith the Annual Financial Statements for the year ended 31 March 2022 for:

i) Mitsui Sumitomo Insurance Company Limited (New Zealand Branch); and
ii) Mitsui Sumitomo Insurance Company Limited (Head Office Japan) and its Consolidated Subsidiaries.

Our Head Office financial statements have been prepared in accordance with accounting principles generally accepted in Japan, and in filing with NZ Companies Office, the Directors wish to supply the following information:

1. The Directors wish to rely on an exemption notice provided by the Financial Markets Authority (FMA).
2. The exemption notice relied upon is the Financial Markets Conduct (Overseas Registered Banks and Licensed Insurers) Exemption Notice 2021 (the Exemption Notice 2021).
3. The Directors believe they can rely on the Exemption Notice because the Company meets the conditions of the exemption, namely:
    a) The group financial statements comply with the law and regulatory requirements of the home jurisdiction (Japan) relating to the preparation, content, audit, and public filing of those statements.
    b) The group financial statements comply with accounting principles generally accepted in Japan.
    c) The group financial statements are audited by an overseas approved auditor.
    d) The audit report has been prepared by the overseas approved auditor in respect of that audit.
    e) At all times accounting records are kept that enable the Company to ensure that—
        i) the group financial statements comply with accounting principles generally accepted in Japan; and
        ii) the New Zealand Branch financial statements comply with New Zealand generally accepted accounting practice (NZ GAAP).
    f) The financial statements of the New Zealand Branch have been audited by a qualified auditor.
    g) A copy of the auditor's report on the financial statements of the New Zealand Branch has accompanied the lodgement of the group financial statements.
    h) The group financial statements are accompanied by this written notification to the Registrar advising that the Company is relying on the Exemption Notice in respect of the accounting period to which these statements relate.
    i) The group financial statements are in English.

4. Section *Statement of Reasons* of the Exemption Notice confirms the Company can take advantage of the exemption.

Mitsui Sumitomo Insurance Co. Ltd
Level 21, QBE Centre, 125 Queen Street. PO Box 44, Auckland 1140, New Zealand
T: +64 9 980 3325 F: +64 9 980 3327
A Member of MS&AD INSURANCE GROUP

5. The Directors are seeking to take advantage of the exemption from compliance of overseas licensed insurers with the following provisions of the Financial Markets Conduct Act 2013 (the Act):
    - section 455(1)(c) (which requires an FMC reporting entity to keep accounting records that will enable it to ensure that its financial statements comply with generally accepted accounting practice); and
    - section 461 of the Act to the extent that that section requires the group financial statements that are prepared to comply with New Zealand generally accepted accounting practice (NZ GAAP).

6. These exemptions are contained in Clause 6 of the Exemption Notice.

Yours faithfully,

Nancy George
New Zealand Manager

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MITSUI SUMITOMO INSURANCE COMPANY LIMITED - NEW ZEALAND BRANCH

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

INDEX

The Board of Directors is pleased to present the financial statements of Mitsui Sumitomo Insurance Company Limited - New Zealand Branch, incorporating the auditor's report for the year ended 31 March 2022.

Information regarding the corporate governance policies, practices and processes of Mitsui Sumitomo Insurance Company Limited is available from https://www.ms-ad-hd.com/en/group/value/corporate.html

STATEMENT OF COMPREHENSIVE INCOME
For the year end 31 March 2022

	Notes	2022 $	2021 $
Gross earned premium	1	11,188,015	9,832,650
Reinsurance expense	2	(6,099,190)	(4,838,253)
Net premium revenue		**5,088,825**	**4,994,397**
Claims expense	4	(5,549,509)	(3,179,838)
Reinsurance and other recoveries	1	545,950	(2,567,627)
Net claims (expense)/benefit		**(5,003,559)**	**(5,747,465)**
Commissions	6	(305,025)	(259,883)
Reinsurance commission income	1	662,109	555,091
Net acquisition costs		**357,084**	**295,208**
Underwriting result		**442,350**	**(457,860)**
Operating expenses	3	**(1,458,153)**	**(1,426,512)**
Investment income	1	382,856	389,573
Sundry income	1	91	10,541
Net (loss)/profit before tax		**(632,856)**	**(1,484,258)**
Taxation expense	5	-	-
Net (loss)/profit for the year		**(632,856)**	**(1,484,258)**
Other comprehensive income for the year		-	-
Total comprehensive (loss)/income for the year		**(632,856)**	**(1,484,258)**

The above Statement of Comprehensive Income should be read in conjunction with the accompanying statement of accounting policies and notes.

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STATEMENT OF MOVEMENT IN HEAD OFFICE ACCOUNT
For the year ended 31 March 2022

	2022 $	2021 $
Opening head office balance	**62,702,046**	**64,186,304**
Net (loss)/profit for the year	(632,856)	(1,484,258)
Total comprehensive (loss)/income for the year	**(632,856)**	**(1,484,258)**
Closing head office balance	**62,069,190**	**62,702,046**

The above Statement of Movement in Head Office Account should be read in conjunction with the statement of accounting policies and accompanying notes.

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STATEMENT OF FINANCIAL POSITION
As at 31 March 2022

	Notes	31 March 2022 $	31 March 2021 $
Assets			
Cash and Cash Equivalents		74,550,805	70,121,474
Premium Receivables		2,864,345	2,937,736
Other Current Assets	6	1,811,945	1,423,092
Reinsurance Receivable		13,845,441	14,701,325
Reinsurance Recoveries	7	28,886,412	27,937,206
Property Plant and Equipment	8	31,491	40,250
Total assets		**121,990,439**	**117,161,083**
Liabilities			
Accounts Payable	9	917,423	880,506
Reinsurance Payable		727,091	557,406
Other Current Liabilities	10	525,584	474,178
Unearned Premium Reserve	11	4,709,619	3,806,732
Outstanding Claims Liability	12	47,913,724	44,108,311
Due to Related Parties	16	5,127,808	4,631,904
Total liabilities		**59,921,249**	**54,459,037**
Net assets		**62,069,190**	**62,702,046**
Head office account		**62,069,190**	**62,702,046**

The above Statement of Financial Position should be read in conjunction with the accompanying statement of accounting policies and notes.

For and on behalf of the Board of Directors

Tamaki Kawate

Director, Senior Executive Officer

Mitsui Sumitomo Insurance Company, Ltd.

Takuma Hayakawa

Director, Managing Executive Officer

Mitsui Sumitomo Insurance Company, Ltd.

Date 06/07/2022

Date 06/07/2022

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STATEMENT OF CASH FLOWS
For the year ended 31 March 2022

	Notes	2022 $	2021 $
Cash flows from operating activities			
Premiums received		12,164,293	9,562,763
Reinsurance and other recoveries received		452,628	(95,789)
Interest received		337,335	416,091
Claims paid		(1,744,096)	(1,210,807)
Reinsurance premiums paid		(6,109,420)	(4,772,581)
Net acquisition costs		310,337	391,270
Operating expenses paid		(981,746)	(382,813)
Net cash from/(used in) operating activities	18	**4,429,331**	**3,908,134**
Cash flows from investing activities			
Net cash from/(used in) investing activities		-	-
Net increase (decrease) in cash and cash equivalents		**4,429,331**	**3,908,134**
Cash and cash equivalents at the beginning of the financial year		70,121,474	66,213,340
Cash and cash equivalents at the end of the financial year		**74,550,805**	**70,121,474**

The above Statement of Cash Flows should be read in conjunction with the accompanying statement of accounting policies and notes.

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NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2022

Reporting Entity

The financial statements are for Mitsui Sumitomo Insurance Company Limited - New Zealand Branch ("the Branch"). The Branch's ultimate parent company is MS & AD Insurance Group Holdings, Inc. The Branch is a branch of Mitsui Sumitomo Insurance Company Limited ("the Company"), a company incorporated in Japan and an overseas company registered under the Companies Act 1993. The Branch provides insurance both directly to other entities and through reinsurance arrangements. The Branch's principal place of business is QBE Centre, 125 Queen Street, Auckland, New Zealand. These Branch financial statements should be read in conjunction with the full financial statements of the Company.

The Branch operates as a fire and general insurer and reinsurer within New Zealand.

Basis of Preparation

Statement of Compliance

The Branch is a profit oriented entity. The Company is classified as a Financial Market Conduct (FMC) Reporting Entity for the purpose of the FMC Act 2013. The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice in New Zealand (NZ GAAP) and in accordance with the requirements of the Companies Act 1993, the Financial Reporting Act 2013 and the Insurance (Prudential Supervision) Act 2010. They comply with the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards as applicable for Tier 1 for-profit entities under the External Reporting Board of New Zealand (XRB) accounting standards framework. They also comply with International Financial Reporting Standards (IFRS).

The financial statements of the Branch are for the year ended 31 March 2022. The financial statements were authorised for issue by the Directors on the 6th of July 2022.

Critical Judgements and Accounting Estimates

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Branch's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 22. These relate to the outstanding claims liability and reinsurance recoveries in Notes 12 and 7 respectively. The Branch makes estimates and assumptions in respect to certain key assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and expectations of future events that are believed to be reasonable under the circumstances.

Basis of Measurement

The financial statements have been prepared on the historical cost basis, as modified by certain exceptions noted in the financial statements, with the principal exception being the measurement of investments at fair value and the measurement of the outstanding claims liability and related reinsurance recoveries as set out below.

Presentation and Functional Currency

The Branch's functional currency is New Zealand dollars ($). These financial statements are presented in New Zealand dollars ($).

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Basis of Preparation (Continued)

Changes in Accounting Policies

The accounting policies have been consistently applied to all periods presented in these financial statements.

Significant Accounting Policies

Insurance Contracts

An insurance contract is defined as a contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain insured event adversely affects the policyholder. The insurance activities of the Branch all arise from general insurance contracts.

Premium Revenue

Direct premium comprises amounts charged to the policyholders and reinsurance premium comprises amounts charged to other insurers (inward reinsurance) net of fire service and earthquake levies collected on behalf of the Government. The earned portion of premiums received and receivable, including unclosed business, is recognised as revenue. Premium is earned from the date of attachment of risk, over the contract period based on the pattern of risks underwritten. Unearned premium is determined using the 365ths method.

Outward Reinsurance Expense

Premium ceded on reinsurance is recognised as an expense from the date of attachment of risk over the period of indemnity of the reinsurance contract in accordance with the expected pattern of the incidence of risk. A portion of outwards reinsurance premium is treated as deferred reinsurance premium and recognised over the period of reinsurance cover.

Reinsurance premium expense on catastrophe and single risk reinsurance is determined on a straight line basis over the financial year based upon a predetermined level of cover, which is periodically adjusted to reflect the actual level of cover.

Reinsurance Commission Income

Reinsurance commission income is earned on business ceded to reinsurers. Commission income is recognised as the service is performed.

Claims Expense

Claims expense represents payments made on claims and the movement in the outstanding claims liability as described below.

Investment Income

Interest income is recognised in the period in which it is earned. Investment income includes realised and unrealised gains or losses on financial assets which are reported on a combined basis as net fair value gains or losses on financial assets in the Statement of Comprehensive Income.

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Significant Accounting Policies (Continued)

Outstanding Claims Liability

The central estimate of outstanding claims liabilities is the best estimate of the present value of future projected claims payments and associated claim handling costs in respect of claims reported but not yet paid, claims incurred but not reported ("IBNR") and claims incurred but not enough reported ("IBNER").

Standard actuarial methods are applied to all BAU classes of business to assess the central estimate of outstanding claims liabilities. Features and trends of claims experience including claim frequencies, average claim sizes and individual claim estimates are analysed and assumptions about the future are selected. The earthquake outstanding claims liabilities were evaluated on a claim by claim basis, including information from expert loss adjustors and claim managers.

A risk margin is added to the central estimate in determining the outstanding claims liabilities. The risk margin is designed to increase the probability of the outstanding claims liabilities proving ultimately to be adequate.

Acquisition Costs

Acquisition costs incurred in obtaining and recording insurance contracts are deferred and recognised as assets where they can be reliably measured and where it is probable that they will give rise to revenue that will be recognised in profit or loss in subsequent reporting periods. Deferred acquisition costs are measured at the lower of cost and recoverable amount. Deferred acquisition costs are amortised in accordance with the expected pattern of incidence of risk under the insurance contract to which they relate.

Liability Adequacy Testing

The reserve for unearned premiums includes premiums received for risks that have not yet expired. The reserve is released over the term of the insurance contract and is recognised as premium income.

A liability adequacy test is performed at each balance date to assess whether there are any deficiencies in the unearned premium reserve due to expected future claims and claims costs. The amount of these expected future claims is estimated using the present value of future claims and expenses plus an additional risk margin to reflect the inherent uncertainty in those estimated cash flows. This is compared to the unearned premium reserve net of deferred acquisition costs. Any deficiency is recognised in profit or loss after first writing down any deferred acquisition costs. Any shortfall after having written down acquisition costs is then recognised in profit or loss with the corresponding amount recognised in the Statement of Financial Position as an unexpired risk liability.

The liability adequacy test is performed at the level of a portfolio of contracts that are subject to broadly similar risks and are managed together as a single portfolio. No deficiency was identified as at 31 March 2022 (2021: nil).

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Significant Accounting Policies (Continued)

Reinsurance Receivables and Recoveries

Reinsurance receivables, being amounts recoverable on paid claims, and reinsurance recoveries on outstanding claims liabilities are recognised in revenue. On initial recognition of reinsurance receivables an assessment of expected credit loss is performed, and amount provided for where required with the impairment charge recognised in the profit and loss. The expected credit losses are then assessed on an ongoing basis. Receivables from Insurance and reinsurance contracts are not required to be assessed for lifetime expected credit losses under NZ IFRS9, however amounts are provided for where credit risks are present.

Tax

Income tax expense comprises current and deferred tax and is recognised in profit or loss. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Goods and Services Tax

The Statement of Comprehensive Income has been prepared so that all components are stated exclusive of GST. All items in the Statement of Financial Position are stated exclusive of GST, with the exception of receivables and payables, which include GST invoiced.

Foreign Currency Transactions

Transactions in foreign currencies that are settled in the accounting period are translated at the settlement rate. Transactions in foreign currency that are not settled in the accounting period, resulting in monetary assets and liabilities denominated in foreign currencies at the balance date are translated to NZD at the foreign exchange rate ruling at that date. Foreign exchange differences arising on their translation are recognised in profit or loss.

Financial Assets

A financial asset is recognised in the Statement of Financial Position when the Branch becomes a party to the contractual provisions of the instrument. Initial recognition is at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset except for financial assets at fair value through profit or loss which exclude transaction costs. Assets that are subsequently measured at fair value through profit or loss are not subject to impairment considerations under the expected credit losses model.

All purchases and sales of financial assets that require delivery of the asset within the time frame established by regulation or market convention are recognised at trade date, being the date on which the Branch commits to buy or sell the asset. Financial assets are derecognised when the rights to receive future cash flows from the assets have expired, or have been transferred, and the Branch has transferred substantially all risk and rewards of ownership.
The Branch holds cash and cash equivalents which back general insurance liabilities.

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Significant Accounting Policies (Continued)

Cash and Cash Equivalents

Cash and cash equivalents comprises cash balances on call at bank and cash deposits with an original maturity of ninety days or less.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and impairment losses. Depreciation is charged to the profit or loss and is recognised on a straight-line basis over the useful life of the asset at the following rates:

Motor vehicles	21%

The carrying value of assets are assessed annually for indications of impairment.

Premium Receivables

Premium receivables are recognised in the Statement of Financial Position at their estimated realisable value after providing for non-payment of premiums in respect of those policies expected to lapse. The collectability of debtors is assessed and provision is made with regard to past experience or if events or circumstances indicate that the amount may not be recoverable.

Payables

These amounts represent liabilities for goods and services provided to the Branch prior to the end of the period, which are unpaid. Payables are measured at amortised cost.

Impairment

The carrying amounts of the Branch's assets are reviewed at each balance date to determine whether there is any objective evidence of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in profit or loss. The estimated recoverable amount of receivables is the present value of estimated future cash flows discounted at the original effective interest rate.

Estimated recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. Value in use is determined by estimating future cash flows from the use and ultimate disposal of the asset and discounting these to their present value using a pre-tax discount rate that reflects current market rates and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

The adoption of an expected credit loss model for impairment has had an immaterial impact on the provision for irrecoverable receivables.

Head Office Account

The Branch equity in the form of a Head Office Account represents funding provided by the Head office together with accumulated retained earnings, repayable at the discretion of the Branch which is the amount retained for the purpose of financial soundness. As a Branch there are no externally imposed capital restrictions to which the Branch must adhere. Refer to Note 19 Solvency.

Significant Accounting Policies (Continued)

New accounting standards and amendments issued

On 17 March 2021, the International Accounting Standards Board ("IASB") completed its discussions on the amendments to NZ IFRS 17 Insurance Contracts that were proposed for public consultation in June 2019. The IASB decided that the effective date of NZ IFRS 17 will be deferred to annual reporting periods beginning on or after 1 January 2023, an extension of 2 years to the original proposed effective date.

This standard will increase transparency and will give users more insight into an insurer's financial health. NZ IFRS 17 uses a single revenue recognition principle to reflect services provided. Insurers will need to account for business performance at a more granular level. The Branch intends to adopt the premium allocation approach (PAA) method, but do not plan to adopt this standard early.

The Branch completed a gap analysis and do not consider the impact of the new standard to be significant, although there will be changes to disclosures and presentation, as all the insurance contracts are either annual or less than a year.

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NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2022

1. Total Revenue

	2022 $	2021 $
Gross written premium	12,090,902	10,603,448
Change in unearned premium reserve	(902,887)	(770,798)
Gross earned premium	**11,188,015**	**9,832,650**
Reinsurance commission income	662,109	555,091
Reinsurance and other recoveries	545,950	(2,567,627)
Reinsurance income	**1,208,059**	**(2,012,536)**
Investment income	382,856	389,573
Gain on motor vehicle trade-in	-	10,435
Other income	91	106
Sundry income	**91**	**10,541**
Total revenue	**12,779,020**	**8,220,228**

(A) Premium revenue

	2022 $	2021 $
Direct	11,154,011	9,793,407
Reinsurance	34,004	39,243
Total Gross Earned Premium	**11,188,015**	**9,832,650**

(B) Investment income

	2022 $	2021 $
Cash and cash equivalents interest income	382,856	389,573
Total Investment Income	**382,856**	**389,573**

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2. Reinsurance Expenses

	2022 $	2021 $
Outward reinsurance premium expense	(6,326,591)	(5,192,537)
Change in unearned reinsurance premium provision	227,401	354,284
	(6,099,190)	**(4,838,253)**

3. Operating Expenses

	2022 $	2021 $
Management fee	913,391	807,888
Fees paid to auditors:		
Audit – Statutory financial statements	94,500	90,000
Tax and other services	6,300	6,150
Depreciation	8,759	1,460
Employee benefits	204,290	188,733
Other Expenses	230,913	332,281
Total operating expenses	**1,458,153**	**1,426,512**

4. Claims Expense

	2022 $	2021 $
Direct	5,549,509	3,179,838
	5,549,509	**3,179,838**

Current year claims relate to risks borne in the current financial year. Prior year claims relate to a reassessment of the risks borne in all previous financial years.

2022	**Current Year** $	**Prior Years** $	**Total** $
Gross claims incurred - undiscounted	6,471,660	(803,297)	5,668,364
Discount movement	(119,355)	500	(118,855)
Gross claims incurred - discounted	**6,352,305**	**(802,797)**	**5,549,509**
Reinsurance and other recoveries - undiscounted	(2,017,686)	1,430,466	(587,220)
Discount movement	41,409	(139)	41,270
Reinsurance and other recoveries - discounted	(1,976,277)	1,430,327	(545,950)
Net claims incurred	**4,376,029**	**627,530**	**5,003,559**

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NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2022

Claims Expense (Continued)

2021	Current Year $	Prior Years $	Total $
Gross claims incurred - undiscounted	1,035,422	2,143,926	3,179,348
Discount movement	(674)	1,164	490
Gross claims incurred - discounted	**1,034,748**	**2,145,090**	**3,179,838**
Reinsurance and other recoveries - undiscounted	(295,145)	2,862,805	2,567,660
Discount movement	179	(212)	(33)
Reinsurance and other recoveries - discounted	(294,966)	2,862,593	2,567,627
Net claims incurred	**739,782**	**5,007,683**	**5,747,465**

Included in reinsurance recoveries is a loss of $1,417,658 (2021: loss of $2,729,228) in relation to the impact of the movement in the Japan/New Zealand exchange rate on the retention under the Mitsui global catastrophe reinsurance programme, which is denominated in Japanese Yen.

Included in gross claims incurred for prior years is a decrease of $0.29m (increases of 2021: $2.7m) in risk margin related to Canterbury earthquake claims.
Details of the uncertainties that exist in measuring gross incurred claims and reinsurance recoveries arising from the Canterbury earthquakes are explained in Note 12.

5. Taxation Expense

	2022 $	2021 $
Reconciliation of effective tax rate		
Net (loss)/profit before tax	(632,856)	(1,484,258)
Income tax at Branch tax rate 28% (2021: 28%)	(177,200)	(415,592)
Recognition of previously unrecognised tax gains/(losses)	177,200	415,592
Total Income tax expense	-	-

6. Other Current Assets

	2022 $	2021 $
Accrued income	63,707	18,186
Deferred acquisition costs	175,236	124,569
Deferred reinsurance premium	1,438,507	1,211,106
Prepaid expenses	134,495	69,231
	1,811,945	**1,423,092**

(A) Deferred acquisition costs

	2022 $	2021 $
Deferred acquisition costs at 1 April	124,570	118,183
Acquisition costs	355,694	266,270
Amortisation charged to the profit or loss	(305,025)	(259,883)
Deferred acquisition costs at 31 March	**175,239**	**124,570**

(B) Deferred reinsurance premium

	2022 $	2021 $
Deferred reinsurance premium at 1 April	1,211,106	856,822
Reinsurance premium	6,326,591	5,192,537
Reinsurance premium charged to the profit or loss	(6,099,190)	(4,838,253)
Deferred reinsurance premium at 31 March	**1,438,507**	**1,211,106**

7. Reinsurance and other recoveries receivable

	2022 $	2021 $
Reinsurance recoveries arising from claims	28,886,412	27,937,206
Reinsurance and other recoveries receivable at 1 April	27,937,206	28,268,304
Recoveries on claims reassessed	(1,430,327)	(2,862,593)
Recoveries received	403,255	2,236,529
Recoveries on new claims	1,976,277	294,966
Reinsurance and other recoveries receivable at 31 March	**28,886,412**	**27,937,206**

Reinsurance is purchased to make the Branch's results more predictable by reducing the effect that individual large claims, and catastrophic events that lead to multiple claims, have on results. The majority of reinsurance is arranged using a combination of facultative or excess of loss treaty arrangements.

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NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2022

8. Property, Plant and Equipment

Cost	Motor Vehicle $
Balance at 31 March 2021	41,710
Additions	-
Disposals	-
Balance at 31 March 2022	**41,710**

Accumulated depreciation	
Balance at 31 March 2021	1,460
Charge for the year	8,759
Balance at 31 March 2022	**10,219**

Carrying amounts	
At 31 March 2021	40,250
At 31 March 2022	**31,491**

9. Accounts Payable

	2022 $	2021 $
Trade creditors and accruals	608,996	466,600
Government levies	176,335	254,890
Gst payable	132,092	159,016
	917,423	**880,506**

10. Other Current Liabilities

	2022 $	2021 $
Unearned reinsurance commission	230,632	226,712
Non-resident withholding tax	294,951	247,466
	525,583	**474,178**

(A) Unearned reinsurance commission

	2022 $	2021 $
Unearned reinsurance commission at 1 April	226,712	124,264
Reinsurance commission deferred	666,028	657,539
Reinsurance commission recognised in profit or loss	(662,109)	(555,091)
Unearned reinsurance commission at 31 March	**230,631**	**226,712**

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11. Unearned Premium Reserve

	2022 $	2021 $
Unearned premium liability at 1 April	3,806,732	3,035,934
Deferral of premium on contracts written at year end	4,709,619	3,806,732
Prior year premium earned	(3,806,732)	(3,035,934)
Unearned premium liability at 31 March	**4,709,619**	**3,806,732**

Liability adequacy test

A liability adequacy test ("LAT") was performed as at 31 March 2022 and 31 March 2021. Both tests identified a surplus, the calculations for which are disclosed below:

	2022 $	2021 $
Gross unearned premium	4,709,619	3,806,732
Deferred reinsurance premium	(1,438,507)	(1,211,106)
Deferred acquisition expenses – net of reinsurance	55,393	102,142
Premium available to meet expected claims cost	3,326,505	2,697,768
Net premium liability (including 75% probability of adequacy risk margin)	**2,664,646**	**2,260,708**
LAT result	Pass	Pass

The risk margin included in the Branch's expected future cash flows for future claims is 38% (2021: 37%). The risk margin takes into account uncertainty within the estimates of estimated premium liability for each type of risk insured and applying an allowance for diversification across the portfolio.

12. Outstanding Claims Liability

(A) Gross outstanding claims liability

	2022 $	2021 $
Central estimate of outstanding claims liabilities	43,455,770	39,978,295
Discount to present value	(101,391)	(751)
Risk margin	4,357,573	4,019,887
Claims handling expense	201,772	110,880
	47,913,724	**44,108,311**

There remains uncertainty surrounding the measurement of gross claims liabilities and the related reinsurance recoveries. The uncertainty arises from a number of factors including; complexities associated with foreign exchange and inflationary assumptions; uncertainty surrounding the outcome of future legal proceedings and uncertainty arising from the claimant's business decision regarding its insured assets. These uncertainties existed during the prior period and are likely to remain for the foreseeable future.

Outstanding Claims Liability (Continued)

(B) Claims development table

The following table shows the development of net undiscounted outstanding claims relative to the ultimate expected claims for the previous six most recent accident years.

Ultimate claims cost estimate	2016 & prior	2017	2018	2019	2020	2021	2022	Total
	$	$	$	$	$	$	$	$
At end of accident year	177,746,200	920,486	778,199	1,259,877	2,007,724	886,143	5,429,916	**189,028,545**
One year later	177,742,402	740,329	625,580	746,505	1,729,024	844,623		**182,428,463**
Two years later	177,691,032	670,449	609,515	743,716	1,571,904			**181,286,616**
Three years later	176,300,854	668,255	609,141	733,695				**178,311,945**
Four years later	176,299,572	672,031	609,141					**177,580,744**
Five years later	176,298,423	672,349						**176,970,772**
Six years later	176,298,423							**176,298,423**
Claims costs	**176,298,423**	**672,349**	**609,141**	**733,695**	**1,571,904**	**844,623**	**5,429,916**	**186,160,051**
Cumulative payments	138,117,437	672,349	609,140	733,694	1,551,073	814,899	205,687	142,704,279
Undiscounted central estimate	**38,180,986**	**-**	**1**	**1**	**20,831**	**29,724**	**5,224,229**	**43,455,772**
Discount	102	-	-	-	34	229	101,026	101,391
Discounted central estimate	**38,180,884**	**-**	**1**	**1**	**20,797**	**29,495**	**5,123,203**	**43,354,381**
Claims handling expense	2,653	-	-	-	793	1,124	197,202	201,772
Risk margin	3,506,586	-	-	-	3,388	4,805	842,792	4,357,571
Gross outstanding claims liability	**41,690,123**	**-**	**1**	**1**	**24,978**	**35,424**	**6,163,197**	**47,913,724**
Reinsurance recoveries on outstanding claims liability	(26,845,708)	-	-	-	(2,282)	(11,687)	(2,026,735)	(28,886,412)
Net outstanding claims liability	**14,844,415**	**-**	**1**	**1**	**22,696**	**23,737**	**4,136,462**	**19,027,312**

(C) Reconciliation of movement in outstanding claims

	2022	**2021**
	$	**$**
Outstanding claims liability at 1 April	44,108,311	42,139,280
Claims reassessed	(802,797)	2,145,090
Claims paid	(1,744,095)	(1,210,807)
New claims	6,352,305	1,034,748
Outstanding claims liability at 31 March	**47,913,724**	**44,108,311**

13. Deferred Tax

At 31 March 2022 the Branch has unused tax losses of $63,857,151 (2021: $63,224,295) for which no deferred tax asset is recognised.

14. Contingent Liabilities

The Branch has no contingent liabilities at balance date (2021: nil).

15. Commitments

The Branch has no commitments for expenditure at balance date (2021: nil).

16. Related Party Information

The Branch has a related party relationship with its parent entity, other group entities and its directors and executive officers. The Branch has had a number of transactions during the year with the Head Office of the Company. These transactions relate to the outward reinsurance of certain business written in New Zealand, including reinsurance premiums, reinsurance claims and reinsurance commission earned.

Transactions with Head Office:	**2022 $**	**2021 $**
Reinsurance premiums	918,130	792,086
Reinsurance recoveries	(228,579)	(28,182)
Reinsurance commission earned	(168,332)	(151,621)
Other expense paid/ recharged	(25,315)	(23,378)
	495,904	**588,905**

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Related Party Information (Continued)

The Branch is covered by the Mitsui global per risk reinsurance programme and regional catastrophe per risk programme. This global cover is purchased by the Head Office and the premium is not expensed to the Branch. The premium for the re regional cover is allocated to the Branch.

Outstanding balance with Head Office:	2022 $	2021 $
Due to related parties	5,127,808	4,631,904

Aioi Management New Zealand Ltd ("Aioi"), a related entity, provides motor vehicle claims handling services on behalf of the Branch.

Transactions with Aioi:	2022 $	2021 $
Management fees paid	33,250	32,600
Outstanding balance with Aioi:		
Other current assets	134,495	69,231

All the above related party outstanding balances are not secured and are repayable on demand. The balances are non-interest bearing.

Key Management Personnel ("KMP") are those persons who have authority and responsibility for planning, directing and controlling the activities of the Company. The remuneration for such KMP is set out in the table below:

	2022 $	2021 $
Short-term employee benefits	194,105	184,608

17. Credit Rating

Mitsui Sumitomo Insurance Company Limited has received an A+ (2021: A+) credit rating from Standard and Poor's. The credit rating is an indication of the ability to pay current and future claims.

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18. Reconciliation of the net (loss)/profit for the period to the net cash flows from operating activities

	2022 $	2021 $
Net (loss)/profit for the period	(632,856)	(1,484,258)
Adjustments for:		
Depreciation of property plant and equipment	8,759	1,460
Movement in premium receivables	73,391	(1,040,685)
Movement in tax receivable		-
Movement in reinsurance receivables	855,884	2,140,740
Movement in reinsurance recoveries	(949,206)	331,098
Movement in other current assets	(388,853)	(378,224)
Movement in accounts payable	36,917	484,467
Movement in reinsurance payable	169,685	384,084
Movement in other current liabilities	51,406	138,320
Movement in outstanding claims liability	3,805,413	1,969,031
Movement in unearned premium reserve	902,887	770,798
Movement in amounts due to related parties	495,904	591,304
Net cash flow from operating activities	**4,429,331**	**3,908,134**

19. Solvency

On 25 March 2013 the Branch was granted a full licence under the Insurance (Prudential Supervision) Act 2010 ('the Act"). As the Branch is a branch of an overseas insurer it is exempt under the Act from complying with the Solvency Standard for Non-life Insurance Business subject to the condition that the Company meets the equivalent Japanese non-Life solvency standard. The table below discloses the solvency margin for Mitsui Sumitomo Insurance Company Limited which includes the Branch, as disclosed in the MS and AD Insurance Group Holdings, Inc 2022 Annual Report and the 31 March 2022 supplement to the Earnings Report available from www.ms-ad-hd.com, as calculated under the Japanese regulations. The 2022 Annual Report states that a solvency margin ratio of 200% or higher indicates that an insurance company has sufficient capability to pay insurance claims and other obligations.

	2022 NZD in millions (unaudited)	2021 NZD in millions (unaudited)
Actual solvency capital [A]	42,188	45,133
Minimum solvency capital [B]	11,678	12,091
Solvency margin [A-B]	30,510	33,042
Solvency ratio [A/B*2]*100	722.5%	746.6%

The unaudited solvency ratio under the Reserve Bank of New Zealand method is 361% (2021:373%).

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20. Financial Risk Management

The Branch's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk. The Branch's overall risk management program is based on the defined risk appetite of the Branch and the requirements of the Insurance (Prudential Supervision) Act 2010. Further, the Branch seeks to optimise the risk/return profile of its assets and liabilities taking into account market fluctuations. The Branch invests in term deposits and it holds a call account. The Branch regularly monitors the performance and compliance of the investment portfolio. The Branch's exposure to credit risk, liquidity risk and market risk is detailed below:

(A) Credit risk

Credit risk is the risk of loss from a counterparty failing to meet their obligations. The Branch's credit risk arises predominantly from investment activities, reinsurance activities and dealings with intermediaries. The maximum exposure to credit risk is the fair value of individual financial assets. The Branch does not hold collateral.

Management limits credit risk by setting high requirements on the credit worthiness of debtors. The Branch has a credit risk procedure in place to manage the exposure to insurance contract related credit risk which is monitored on an ongoing basis. The credit terms for the settlement of premiums in New Zealand is 90 days.

The Branch has a concentration of credit risk with ANZ Bank New Zealand Limited and ASB Bank Limited of $44,472,585 and $30,078,220 respectively (2021: $40,043,272 and $30,078,202 respectively) representing all cash and cash equivalents held. The Branch's reinsurance recoveries are spread over a number of counterparties and relate predominantly to the Canterbury earthquakes. The largest concentration with a single reinsurer is for $9,638,739 (2021: $9,691,500).

The table below provides information regarding the credit risk exposure of the Branch by classifying assets according to Standard & Poor's credit ratings of the counterparties. AAA is the highest possible rating. These credit ratings are grouped in accordance with the specifications outlined by the Standard & Poor's Ratings Services.

	Credit rating				
	AA	A	A-	Not rated	Total
2022	$	$	$	$	$
Cash and cash equivalents	74,550,805	-	-	-	74,550,805
Premium receivables	-	-	-	2,864,345	2,864,345
Other current assets – accrued income	63,707	-	-	-	63,707
Reinsurance receivable	3,530,587	9,733,346	27,691	553,817	13,845,441
Reinsurance recoveries	7,359,280	20,315,016	57,720	1,154,396	28,886,412
Total	**85,504,379**	**30,048,362**	**85,411**	**4,572,558**	**120,210,710**

Financial Risk Management (Continued)

	Credit rating				
2021	**AA** $	**A** $	**BBB** $	**Not rated** $	**Total** $
Cash and cash equivalents	70,121,474	-	-	-	70,121,474
Premium receivables	-	-	-	2,937,736	2,937,736
Other current assets – accrued income	18,186	-	-	-	18,186
Reinsurance receivable	3,778,241	10,335,032	-	588,052	14,701,325
Reinsurance recoveries	7,179,593	19,640,167	-	1,117,446	27,937,206
Total	**81,097,494**	**29,975,199**	**-**	**4,643,234**	**115,715,927**

As at 31 March 2022 there are no assets that are past due or impaired (2021: nil).

(B) Liquidity risk

Liquidity risk is the risk that the Branch is unable to convert its financial assets into cash to pay for its financial obligations when they fall due. The Branch has processes in place to monitor and forecast its liquidity position. The Branch maintains sufficient funds at all times to meet the needs of the Branch's operations. In addition to treasury cash held for working capital requirements the Branch may hold additional liquid, term deposits to ensure there are sufficient funds available to meet obligations. All financial assets mature in 0-1 years.

The table below analyses the Branch's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual cash flows. Balances due within 12 months equal carrying balances, as the impact of discounting is not significant.

	Maturing in:				
2022	**0-1 Year** $	**1-2 Year** $	**2-4 Year** $	**On demand** $	**Total** $
Financial liabilities					
Reinsurance payable	727,091	-	-	-	727,091
Due to related parties	-	-	-	5,127,808	5,127,808
Trade creditors and accruals	608,996	-	-	-	608,996
Total	**1,336,087**	**-**	**-**	**5,127,808**	**6,463,895**

	Maturing in:				
2021	**0-1 Year** $	**1-2 Year** $	**2-4 Year** $	**On demand** $	**Total** $
Financial liabilities					
Reinsurance payable	557,406	-	-	-	557,406
Due to related parties	-	-	-	4,631,904	4,631,904
Trade creditors and accruals	466,600	-	-	-	466,600
Total	**1,024,006**	**-**	**-**	**4,631,904**	**5,655,910**

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Financial Risk Management (Continued)

(C) Market risk

Market risk is the risk that the fair value or future cash flows of the Branch's income will fluctuate because of changes in market factors. Market risk comprises three types of risk: currency risk (due to fluctuations in foreign exchange rates), interest rate risk (due to fluctuations in market interest rates) and price risk (due to fluctuations of market prices).

(i) Currency risk

Currency risk is the risk of cash flow uncertainty that may arise from a movement in foreign exchange rates to which the Branch may be exposed. The Branch is primarily exposed to currency risk through its catastrophe reinsurance programme. The threshold at which reinsurance recoveries can be claimed is expressed in Japanese Yen. A 10% strengthening of the Yen against the New Zealand dollar would no longer result in a movement in the threshold at 31 March 2022, as cumulative claims payments have now exceeded the reinsurance recovery threshold $1,539,229 (2021: $1,634,327).

Foreign exchange rate risk

		-10%	+10%
	Carrying amount	**Profit/Equity**	**Profit/Equity**
2022	**$**	**$**	**$**
Reinsurance receivable	13,845,441	(1,259,369)	1,259,369
Outstanding claims liability	47,913,724	(2,371,639)	2,370,397

Foreign exchange rate risk

		-10%	+10%
	Carrying amount	**Profit/Equity**	**Profit/Equity**
2021	**$**	**$**	**$**
Reinsurance receivable	14,701,325	(1,337,177)	1,337,177
Outstanding claims liability	44,108,311	(2,657,982)	2,641,048

(ii) Price risk

The Branch does not hold any securities that expose the Branch to price risk, or commodity price risk.

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Financial Risk Management (Continued)

(iii) Interest rate risk

The exposure to interest rate risk results from the holding of financial assets in the normal course of business. Fixed interest rate assets create exposure in respect of their fair value as interest rates move. Financial assets with floating interest rates create exposure in respect of uncertainty in cash flows as interest rates move due to re-pricing.

The following summarises the sensitivity of the Branch's interest bearing financial assets and financial liabilities to interest rate risks.

Cash flow sensitivity analysis for floating rate instruments

		Interest rate risk	
		-1%	+1%
2022	**Carrying amount $**	**Profit/Equity $**	**Profit/Equity $**
Financial assets			
Cash and cash equivalents	74,550,805	(745,508)	745,508

		Interest rate risk	
		-1%	+1%
2021	**Carrying amount $**	**Profit/Equity $**	**Profit/Equity $**
Financial assets			
Cash and cash equivalents	70,121,474	(701,215)	701,215

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Financial Risk Management (Continued)

Analysis of financial assets/liabilities

The analysis of financial assets and liabilities into their categories and classes is set out in the following table

2022	Total $	Fair value through profit and loss $	Financial liabilities at amortised cost $
Financial assets			
Cash and cash equivalents	74,550,805	-	74,550,805
Other current assets – accrued Income	63,707	-	63,707
Total	**74,614,512**	**-**	**74,614,512**

	Total $	Fair value through profit and loss $	Financial liabilities at amortised cost $
Financial liabilities			
Accounts payable - trade creditors and accruals	608,996	-	608,996
Reinsurance payable	727,091	-	727,091
Due to related parties	5,127,808	-	5,127,808
Total	**6,463,895**	**-**	**6,463,895**

2021	Total $	Fair value through profit and loss $	Financial liabilities at amortised cost $
Financial assets			
Cash and cash equivalents	70,121,474	-	70,121,474
Other current assets – accrued Income	18,186	-	18,186
Total	**70,139,660**	**-**	**70,139,660**

	Total $	Fair value through profit and loss $	Financial liabilities at amortised cost $
Financial liabilities			
Accounts payable - trade creditors and accruals	466,600	-	466,600
Reinsurance payable	557,406	-	557,406
Due to related parties	4,630,704	-	4,630,704
Total	**5,654,710**	**-**	**5,654,710**

Financial Risk Management (Continued)

Fair value of financial instruments

Fair values of financial assets carried at fair value are determined according to the following hierarchy:

Level 1 – Quoted market price
Financial instruments with quoted prices for identical instruments in active markets.

Level 2 – Valuation technique using observable inputs
Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.

Level 3 – Valuation technique with significant unobservable inputs
Financial instruments valued using valuation techniques where one or more significant inputs are unobservable.

As at 31 March 2022, the branch holds no financial assets at fair value through profit and loss (2021: nil).

The branch holds term deposits which are disclosed as cash and cash equivalents with original maturities of 90 days.

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21. Insurance Risk

The Branch has insurance contracts which transfer insurance risk from the policyholder to the Branch.

The insurance risk taken on by the Branch is the possibility that an insured event occurs, when that event will occur and the uncertainty surrounding the amount of any resulting claim. These risks are unpredictable. The Branch has estimated in these financial statements the likely amounts which are expected to be paid out both in respect of claims incurred and expected future claims. The Branch is therefore at risk that the carrying amounts of insurance liabilities and assets recognised in the financial statements will be exceeded by the amount of the actual claim. This could occur when there are more claims than expected or where a claim is of a greater severity than expected.

The Branch has an underwriting process in place with set approval limits. The process is reviewed regularly.

There are no special terms and conditions in any non-standard contracts that have a material impact on the financial statements.

The profit and loss is not sensitive to changes in the weighted average term to settlement, inflation rate, nor discount rate due to the short term nature of the business written.

(A) Concentration of insurance risk

The Branch's exposure is throughout the New Zealand market. Specific processes for monitoring identified concentrations are set out below:

Risk	Source of concentration	Risk management measures
Inclusion of multiple classes of insurance business in the one event	Response by a multitude of the Branch's policies to the one event, material damage and business interruption	Ensure appropriate levels of reinsurance are maintained at all times
A large property loss	Fire or collapse affecting one building or a group of adjacent buildings	Maximum acceptance limits, property risk grading, risk accumulation processes including survey data base.
An accumulation of risks arising from a natural peril	Insured property/stock concentrations in a centralised area	Accumulation risk modelling, reinsurance protection

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22. Actuarial Assumptions and Methods

(A) Incurred claim settlement patterns

The outstanding claims liability for non-Canterbury earthquake claims has been determined using either the incurred chain ladder or the Bornhuetter-Fergusson (incurred claims) methodology. It has been assumed that incurred claims patterns for each group of business will continue to follow observed historic patterns.

In respect of Canterbury earthquake claims, an individual claims assessment methodology was employed.

Overall, the average weighted term to settlement of claims (of all types, excluding Earthquake claims) is approximately 12 months (2021: 12 months).

(B) Inflation and discount rate

Insurance costs are subject to inflationary pressures over time. However, the period between the valuation date and the settlement of most claims is short, and the valuation implicitly allows for past levels of inflation to continue in the future. Therefore, the impact on BAU outstanding claims due to increases in claims costs as a result of inflation is limited.

In respect of Non-Canterbury earthquake claims, the short settlement period means the effect of discounting expected future payments is limited. These estimates have been discounted to allow for the time value of money at a rate of 2.1% per annum (2021:0.2%). Canterbury earthquake claims have not been discounted for the time value of money due to the uncertainties in settlement.

(C) Reinsurance

Outstanding claims estimates have been calculated on both a gross and net of reinsurance basis. The level of catastrophe reinsurance recoveries is affected by the threshold at which reinsurance recoveries can be claimed. This threshold is denominated in Japanese Yen, further details of which are in Note 20(c)(i).

(D) Expense allowance

The estimates of outstanding claims liabilities incorporate an allowance for both the future direct and indirect costs associated with those claims. Policy administration and claim handling expenses are based on an analysis of recent experience.

(E) Risk margin

The risk margin takes into account uncertainty within the estimates of outstanding claims for each type of risk insured and applying an allowance for diversification across the portfolio. The percentage risk margin adopted is 29.7% (2021: 33.1%). This is largely driven by the risk margin assumptions relating to the Canterbury earthquake claims.

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Actuarial Assumptions and Methods (Continued)

The non-earthquake risk margins for both outstanding claims and liability adequacy testing have been reviewed as part of the 2022 valuation and are based on stochastic modelling techniques. They have been determined allowing for diversification between groups of business and having regard to the inherent variation observed in claims development in each group of business. The earthquake risk margins are comprised of two components; a claim by claim assessment for events that are below the catastrophe retention, and an allowance for exchange rate movements associated with the February 2011 event. These exclude any allowance for diversification. The undiversified risk margins for each group of business are applied to the net central estimates and the results aggregated, allowing for diversification, in order to arrive at an overall net provision that is intended to provide a probability of sufficiency of 75% (2021: 75%).

(F) Impact of change in assumptions

The table below illustrates how changes in key non-EQ assumptions would impact on reported profit and net outstanding claims liabilities of the Branch.

Variable	Movement in variable	2022	2021
Discount rate %	+1%	(24,485)	(2,009)
	-1%	25,017	2,039
IBNR tail strengthening	+1% p.a. for 4 Quarters	92,814	75,376
Risk margin %	+1%	146,693	119,672
	-1%	(146,693)	(119,672)

(G) Actuarial information

John Smeed (Actuary, Finity) is the actuary who completed the Insurance Liability Valuation Report. He is a Fellow of the New Zealand Society of Actuaries. The actuarial calculations were completed in accordance with New Zealand Society of Actuaries Professional Standard No.4. The effective date of the actuary's report is 31 March 2022.

The actuary is satisfied as to the nature, sufficiency and accuracy of the data used to determine the outstanding claims liability, and there were no qualifications contained in the actuarial report. The key assumptions used in the compilation of the reserves as at 31 March 2022 are outlined in Note 22 (A) - (E) above.

The actuary has no financial interest in the Branch.

23. Events Occurring After Reporting Date

There are no matters past balance date that have significantly affected, or may significantly affect, the results of the Branch's operations for the year ended 31 March 2022 or the Branch's financial position as at 31 March 2022.

Independent Auditor's Report

To the shareholder of Mitsui Sumitomo Insurance Company Limited - New Zealand Branch

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of the New Zealand Branch of Mitsui Sumitomo Insurance Company Limited (the "Branch") which comprise:

- the statement of financial position as at 31 March 2022;
- the statements of comprehensive income, movement in head office account, and cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements of the Branch on pages 3 to 31:

i. present fairly in all material respects the Branch's financial position as at 31 March 2022 and its financial performance and cash flows for the year ended on that date; and

ii. comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)"). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Branch in accordance with Professional and Ethical Standard 1 International Code of Ethics for Assurance Practitioners (Including International Independence Standards) (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (the "IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

Our firm has also provided other professional services to the Branch in relation to taxation compliance services. Subject to certain restrictions, partners and employees of our firm may also deal with the Branch on normal terms within the ordinary course of trading activities of the business of the Branch. These matters have not impaired our independence as auditor of the Branch. The firm has no other relationship with, or interest in, the Branch.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the shareholder as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the financial statements as a whole and we do not express discrete opinions on separate elements of the financial statements.

The key audit matter	How the matter was addressed in our audit
Valuation of Outstanding Claims Liability - $47.9m	
Refer to Note 12 of the financial statements. The valuation of the gross outstanding claims liability involved a high level of judgement, specifically: — judgement is required by the Branch to consider the central estimate of the gross outstanding claims liability which is a significant estimate as the eventual outcomes of incurred but unsettled claims at the balance sheet date are inherently uncertain; — there is a lower level of information available and greater level of uncertainty inherent in assessing estimation of claims that have been incurred by the balance sheet date but have not yet been reported to the Branch; — claims estimation requires use of an actuarial modelling process which involves subjective actuarial methodologies, judgements and assumptions about future events and developments, both within and external to the Branch, and for which small changes can have significant implications to the quantification; — consideration of historical claims experience to determine current estimates, including the greater variability between the original estimation and the ultimate settlement of claims where there is a long time delay. Examples include claims arising from the Canterbury earthquakes of 2010 and 2011; and — outstanding claims liability includes statistically determined risk margins determined by the Appointed Actuary to make allowance for the inherent uncertainty in estimating ultimate claim settlements. The risk margins are included to achieve a specified Probability of Adequacy for the total outstanding claims reserves.	We involved our actuarial specialists and performed audit procedures, which included: — obtaining and reviewing the Insurance Liability Valuation Report ("ILVR") prepared by the Branch's Appointed Actuary; — assessing the competence, capabilities and objectivity of the Branch's Appointed Actuary; — consideration of the appropriateness of the valuation methodologies, for both earthquake and non-earthquake claims, in light of historical claims experience and specifically adverse or favourable reserving movements relating to prior period claims; — assessing and challenging the appropriateness of adopted risk margins through discussion with the Appointed Actuary, consideration of the Branch's historical claims experience, and industry knowledge; — for material individual outstanding claims, and a sample of the remaining population, obtaining and inspecting underlying claims files to assess the reasonableness of the value recorded in the financial statements versus the latest available information held on the claims file; — obtaining an external legal confirmation in respect of certain material outstanding claims liabilities; and — reconciling actuarial financial statement disclosures back to the ILVR prepared by the Appointed Actuary and the underlying accounting records.

The key audit matter	How the matter was addressed in our audit
Valuation of reinsurance recoveries on outstanding claims - $28.9m	
Refer to Note 7 of the financial statements. Reinsurance recoveries represent the Branch's estimate of reinsurers' share of the costs to settle all claims that have occurred up to and including 31 March 2022. These claims may either be known to the Branch (reported), or unknown (not yet reported). The Branch has reinsurance cover in the form of a regional Excess of Loss contract (treaty reinsurance) as well as facultative reinsurance on certain individual risks. The regional Excess of Loss contract is denominated in Yen, meaning that the Branch is subject to foreign exchange exposure. Reinsurance and other recoveries on outstanding claims is a function of outstanding claims liabilities and is therefore subject to the same valuation uncertainties as outstanding claims liabilities. Valuation of reinsurance and other recoveries on outstanding claims is significant to our audit due to its size and the high level of judgement applied by the Branch in determining the valuation of the outstanding claims liability on which the estimate of reinsurance recoveries is based.	Our audit procedures included: — Recalculating material reinsurance recoveries balances based on the underlying reinsurance agreements, Yen/NZD exchange rate movements during the period, and the valuation of outstanding claims as calculated by the Appointed Actuary; — Assessing the recoverability of reinsurance recoveries by considering credit worthiness, based on external sources of information such as Standard and Poor's credit ratings, payment history, review of any developments in credit ratings subsequent to balance date, and consideration of information for indicators of disputes; and — Reconciling actuarial financial statement disclosures back to the ILVR prepared by the Appointed Actuary and the underlying accounting records.

Use of this independent auditor's report

This independent auditor's report is made solely to the shareholder as a body. Our audit work has been undertaken so that we might state to the shareholder those matters we are required to state to them in the independent auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the shareholder as a body for our audit work, this independent auditor's report, or any of the opinions we have formed.

Responsibilities of the Directors for the financial statements

The Directors, on behalf of the Branch, are responsible for:

— the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards);

— implementing necessary internal control to enable the preparation of a set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and

— assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objective is:

— to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and

— to issue an independent auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of these financial statements is located at the External Reporting Board (XRB) website at:

http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-2/

This description forms part of our independent auditor's report.

The engagement partner on the audit resulting in this independent auditor's report is Jamie Munro.

For and on behalf of

KPMG

KPMG
Auckland

12 July 2022

30 June 2022

The Directors
Mitsui Sumitomo Insurance Company Limited
C/- Nancy George
Auckland
New Zealand

Dear Directors

Review of Actuarial Information contained in Financial Statements as at 31 March 2022

Mitsui Sumitomo Insurance Company Limited

Finity Consulting Pty Limited (Finity) has been asked by Mitsui Sumitomo Insurance Company Limited, New Zealand Branch (Mitsui NZ) to carry out a review of, and report on, actuarial information contained in the financial statements of Mitsui Sumitomo Insurance Company Limited (MSI) as at 31 March 2022, as required under sections 77 and 78 of the Insurance (Prudential Supervision) Act 2010.

This report has been prepared by John Smeed, an employee of Finity and the Appointed Actuary to Mitsui NZ. Finity has no relationship with Mitsui NZ or MSI apart from the Appointed Actuary roles in New Zealand and Australia.

Mitsui NZ has been granted exemption under Section 59 of the Insurance (Prudential Supervision) Act 2010, which applies to overseas insurers of approved jurisdictions. We have relied upon the work undertaken by members of MSI staff in Japan in the preparation and review of the actuarial information contained in MSI's financial statements. We have sought and been provided with appropriate assurances by MSI management that the actuarial information has been prepared and used in accordance with accepted principles and methods. No limitations were placed on us in performing our review, and all data and information requested was provided. In our opinion Mitsui has maintained a solvency margin in excess of the minimum required as at the balance date.

This review is being provided for the sole use of Mitsui NZ for the purpose stated above in order to comply with the requirements of section 77 and 78 of the Act. It is not intended, nor necessarily suitable, for any other purpose and should only be relied on for the purpose for which it is intended.

Yours sincerely

John Smeed
Appointed Actuary
Fellow of the New Zealand
Society of Actuaries

David Wild

Fellow of the New Zealand
Society of Actuaries

30 June 2022

The Directors
Mitsui Sumitomo Insurance Company Limited
C/- Nancy George
Auckland
New Zealand

Dear Directors

Review of Actuarial Information contained in Financial Statements as at 31 March 2022

Mitsui Sumitomo Insurance Company Limited - New Zealand Branch

Finity Consulting Pty Limited (Finity) has been asked by Mitsui Sumitomo Insurance Company Limited, New Zealand Branch (Mitsui NZ) to carry out a review of the 31 March 2022 actuarial information contained in the financial statements and provide an opinion as to its appropriateness. John Smeed is an employee of Finity and is the Appointed Actuary to Mitsui NZ. Finity has no relationship with Mitsui NZ apart from the Appointed Actuary role.

Mitsui NZ's policy is to seek and adopt the advice of the Appointed Actuary in respect of the actuarial information contained in its financial statements. We confirm that the financial statements as at 31 March 2022 have been prepared in accordance with this policy, and as such this satisfies the requirements of the Act.

Having carried out our actuarial review nothing has come to our attention that would lead us to believe that the actuarial information contained in the financial statements for Mitsui NZ as at 31 March 2022 is inappropriate or has been used inappropriately. No limitations were placed on us in performing our review and all data and information requested was provided. In our opinion Mitsui has maintained a solvency margin in excess of the minimum required as at the balance date.

This review is being provided for the sole use of Mitsui NZ for the purpose stated above. It is not intended, nor necessarily suitable, for any other purpose and should only be relied on for the purpose for which it is intended.

Yours sincerely

John Smeed	David Wild
Appointed Actuary	
Fellow of the New Zealand Society of Actuaries	Fellow of the New Zealand Society of Actuaries

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Melbourne Level 3, 30 Collins Street, Melbourne, VIC 3000 T +61 3 8080 0900

Auckland Level 5, 79 Queen Street, Auckland, NZ 1010 T +64 9 306 7700

Finity Consulting Pty Limited | **ABN 89 111 470 270** **finity.com.au** | **finityconsulting.co.nz**

KPMG

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Financial Statements
For the years ended March 31, 2021 and March 31, 2022

(With Independent Auditor's Report Thereon)

Tamaki Kawate	Takuma Hayakawa
Director, Senior Executive Officer	Director, Managing Executive Officer
Mitsui Sumitomo Insurance Company, Ltd.	Mitsui Sumitomo Insurance Company, Ltd.

Independent Auditor's Report

To the Board of Directors of Mitsui Sumitomo Insurance Company, Limited:

Opinion

We have audited the accompanying financial statements of Mitsui Sumitomo Insurance Company, Limited ("the Company"), which comprise the balance sheets as of March 31, 2021 and 2022, the statements of income and changes in net assets for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2021 and 2022, and its financial performance for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Key Audit Matter

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the financial statements of the current period. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Reasonableness of the estimate of outstanding claims related to non-life insurance contracts	
The key audit matter	**How the matter was addressed in our audit**
In the balance sheet of the Company as of March 31, 2022, outstanding claims of ¥726,484 million were recognized. As described in Note 3, "Accounting estimates (Outstanding claims)", which refers to Note 7, "Accounting estimates (2) Outstanding claims," to the consolidated financial statements, outstanding claims represent the estimated amount of unpaid claims for losses that have incurred or are deemed to have incurred under insurance contracts. The Company recognizes outstanding claims for expected payments arising from reported losses as well as losses that are deemed to have incurred but not reported as of the end of each reporting period, based on its estimate of ultimate losses.	The primary procedures we performed to assess the reasonableness of the Company's estimate of the outstanding claims related to non-life insurance contracts are set forth below. **(1) Internal control assessment** We assessed the design and operating effectiveness of certain of the Company's internal controls relevant to recognizing the outstanding claims. In this assessment, we focused our testing on controls to assess the reasonableness of the selection of estimation methods and the calibration of data used for the estimate.

The result of the estimate of ultimate losses is dependent upon the selection of actuarial estimation methods and data used for the estimate. In selecting the estimation methods, the risk characteristics of insurance contracts, including the frequency of loss events and the length of time from the occurrence of an event to its settlement, are required to be considered. In addition, the historical data used for the estimate needs to be calibrated as appropriate in consideration of environmental changes that could affect future insurance claim payments and of losses larger in scale than those normally expected, among others. Therefore, the selection of estimation methods, and the consideration of whether calibration of data used for the estimate were necessary, as well as the selection of methods to apply calibration all required a high degree of professional judgment by management. Furthermore, uncertainty over the estimate of outstanding claims has been increasing as natural disasters have become more severe and frequent both within and outside Japan in recent years. We, therefore, determined that our assessment of the reasonableness of the estimate of outstanding claims related to non-life insurance contracts was of most significance in our audit of the financial statements of the current period, and accordingly, a key audit matter.	**(2) Assessment of the reasonableness of the estimated ultimate losses** The primary procedures we performed with the assistance of actuarial specialists within our firm to assess the reasonableness of the estimated ultimate losses included the following: ● We assessed the appropriateness of the actuarial estimation methods selected by management by inspecting relevant materials documenting the basis for selecting those methods, examining consistency with the risk characteristics of insurance contracts, comparing the methods with established actuarial practice, comparing the estimates in the prior years with actual results, and performing a trend analysis on the historical results; ● We assessed the reasonableness of management's judgment as to whether the data should be calibrated, as well as the selection of methods to apply calibrations, by inquiring of management about reasons for calibrating data used for the estimate, and examining the consistency with available information, including external information; ● We assessed the reasonableness of the estimated ultimate losses for significant insurance lines by evaluating the extent of the difference between management's estimate and our own estimate developed using alternative assumptions reflecting the characteristics of and the circumstances leading to loss events; and ● In particular, we assessed the reasonableness of the estimated ultimate losses from natural disasters, which they have underwritten, considering the nature and scale of disasters, the historical experiences up to the time of estimate, as well as a trend of actual claims from similar natural disasters that occurred in previous years.

KPMG

Other Information

The other information comprises the information included in the disclosure documents that contain or accompany the audited financial statements, but does not include the financial statements and our auditor's report thereon.

We do not perform any work on the other information as we determine such information does not exist.

Responsibilities of Management and Corporate Auditors and the Board of Corporate Auditors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate whether the presentation and disclosures in the financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with corporate auditors and the board of corporate auditors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Hiroyuki Yamada
Designated Engagement Partner
Certified Public Accountant

Fumito Hirose
Designated Engagement Partner
Certified Public Accountant

Kenichi Ishii

Kenichi Ishii
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Tokyo Office, Japan
June 24, 2022

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Balance Sheets

As of March 31, 2021 and March 31, 2022

		2021	2022
		(in ¥ million)	
Assets			
Assets			
Cash, deposits and savings:	¥	477,788	759,266
Cash on hand		16	8
Deposits in banks		477,772	759,257
Receivables under resale agreements		1,999	-
Monetary claims bought		5,927	4,368
Money trusts		4,787	474
Securities:		5,494,362	5,524,192
Government bonds		843,657	701,440
Municipal bonds		86,404	83,840
Corporate bonds		577,741	566,486
Stock		1,893,640	1,968,509
Foreign securities		2,014,773	2,106,705
Other securities		78,144	97,209
Loans:		423,367	410,660
Policy loans		5,065	4,188
General loans		418,302	406,472
Tangible fixed assets:		210,553	207,534
Land		76,725	75,891
Buildings		110,321	112,725
Construction in progress		5,633	2,257
Other tangible fixed assets		17,872	16,660

See accompanying notes to financial statements.

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Balance Sheets (Continued)

		2021	2022
		(in ¥ million)	
Intangible fixed assets:	¥	103,162	93,554
Software		57,219	80,586
Other intangible fixed assets		45,943	12,958
Other assets:		363,016	359,190
Premiums receivable		5,729	6,791
Due from agencies		122,016	121,635
Co-insurance accounts receivable		8,912	10,511
Reinsurance accounts receivable		58,195	46,558
Foreign reinsurance accounts receivable		64,980	50,230
Agency business accounts receivable		759	602
Other receivables		37,081	52,524
Accrued income		5,051	4,465
Guarantee deposits		10,757	10,386
Deposits with Japan Earthquake Reinsurance Co., Ltd.		4,525	2,944
Suspense payments		38,760	43,940
Initial margins of future markets		905	1,372
Derivative financial instruments		1,647	3,458
Cash collateral pledged under derivative transactions		3,224	3,767
Other assets		469	-
Customers' liabilities under acceptances and guarantees		19,864	16,822
Bad debt reserve		(6,714)	(1,736)
Total assets	¥	7,098,116	7,374,326

See accompanying notes to financial statements.

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Balance Sheets (Continued)

Liabilities and Net Assets		2021	2022
		(in ¥ million)	
Liabilities			
Policy liabilities:	¥	3,732,644	3,755,418
Outstanding claims		668,752	726,484
Underwriting reserves		3,063,891	3,028,933
Bonds issued		587,093	630,902
Other liabilities:		618,743	621,956
Co-insurance accounts payable		11,689	11,754
Reinsurance accounts payable		55,713	55,772
Foreign reinsurance accounts payable		35,598	26,097
Agency business accounts payable		571	520
Payable under securities lending transactions		139,551	161,831
Borrowings		198,381	198,381
Income taxes payable		3,873	5,300
Deposits received		58,320	59,283
Unearned income		21	14
Other payables		34,981	48,117
Suspense receipts		21,617	21,071
Derivative financial instruments		9,850	12,924
Cash collateral received under derivative transactions		43,319	16,063
Lease obligations		1,213	778
Asset retirement obligations		3,946	3,990
Other liabilities		95	53
Reserve for pension and retirement benefits		113,202	84,660
Reserve for retirement benefits for officers		234	171
Accrued bonuses for employees		10,359	9,806
Reserves under the special laws:		23,138	27,332
Reserve for price fluctuation		23,138	27,332
Deferred tax liabilities		67,609	138,075
Acceptances and guarantees		19,864	16,822
Total liabilities		5,172,889	5,285,144

See accompanying notes to financial statements.

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Balance Sheets (Continued)

		2021	2022
		(in ¥ million)	
Net Assets			
Shareholder's equity:			
Common stock	¥	139,595	139,595
Capital surplus:		93,107	93,107
Additional paid-in capital		93,107	93,107
Retained earnings:		618,376	704,391
Legal earned reserve		46,487	46,487
Other retained earnings:		571,889	657,904
Tax-exempted reserve for accelerated depreciation		15,126	16,197
Retained earnings brought forward		556,762	641,706
Total shareholder's equity		851,080	937,095
Valuation and translation adjustments:			
Net unrealized gains/(losses) on securities		1,052,131	1,134,070
Net deferred gains/(losses) on hedges		22,014	18,015
Total valuation and translation adjustments		1,074,146	1,152,086
Total net assets		1,925,226	2,089,181
Total liabilities and net assets	¥	7,098,116	7,374,326

See accompanying notes to financial statements.

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Statements of Income

For the years ended March 31, 2021 and March 31, 2022

		2021	2022
		(in ¥ million)	
Ordinary income:	¥	1,802,134	1,888,581
Underwriting income:		1,664,693	1,682,089
Net premiums written		1,559,567	1,579,325
Deposit premiums from policyholders		52,851	38,231
Investment income on deposit premiums from policyholders		28,033	26,543
Reversal of underwriting reserves		23,260	35,031
Foreign exchange gains		744	2,180
Other underwriting income		236	777
Investment income:		132,644	201,655
Interest and dividends income		98,834	127,237
Investment gains on money trusts		1,839	203
Gains on sales of securities		51,115	91,349
Gains on redemption of securities		404	206
Gains on derivative transactions		1,653	2,903
Foreign exchange gains		6,685	6,168
Other investment income		144	128
Transfer of investment income on deposit premiums from policyholders		(28,033)	(26,543)
Other ordinary income		4,797	4,836
Ordinary expenses:		1,670,530	1,704,347
Underwriting expenses:		1,420,935	1,419,566
Net claims paid		835,374	831,256
Loss adjustment expenses		96,995	100,710
Commissions and collection expenses		291,995	300,572
Maturity refunds to policyholders		160,980	128,375
Dividends to policyholders		61	50
Provision for outstanding claims		33,744	57,624
Other underwriting expenses		1,784	976

See accompanying notes to financial statements.

Statements of Income (Continued)

		2021	2022
		(in ¥ million)	
Investment expenses:	¥	6,463	40,404
Losses on sales of securities		1,355	599
Impairment losses on securities		904	30,708
Losses on redemption of securities		450	157
Other investment expenses		3,753	8,940
Operating expenses and general and administrative expenses		232,278	234,209
Other ordinary expenses:		10,852	10,166
Interest expense		9,900	9,740
Provision for bad debt reserve		132	3
Losses on bad debts		3	0
Other ordinary expenses		816	422
Ordinary profit		131,604	184,234
Extraordinary income:		6,572	13,777
Gains on sales of fixed assets		6,572	13,777
Extraordinary losses:		5,931	11,682
Losses on sales of fixed assets		1,569	1,958
Impairment losses on fixed assets		230	807
Provision for reserves under the special laws:		4,131	4,193
Provision for reserve for price fluctuation		4,131	4,193
Other extraordinary losses		-	4,721
Income before income taxes		132,245	186,329
Income taxes-current		2,339	278
Income taxes-deferred		37,690	40,306
Total income taxes		40,029	40,585
Net income	¥	92,215	145,744

See accompanying notes to financial statements.

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Statements of Changes in Net Assets

For the years ended March 31, 2021 and March 31, 2022

For the year ended March 31, 2021

(in ¥ million)

	Shareholder's equity					
		Capital surplus	Retained earnings			
				Other retained earnings		
	Common stock	Additional paid-in capital	Legal earned reserve	Tax-exempted reserve for accelerated depreciation	Retained earnings brought forward	Total Shareholder's equity
Beginning balance	¥ 139,595	93,107	46,487	15,561	636,626	931,378
Changes for the year:						
Provision for tax-exempted reserve for accelerated depreciation						-
Reversal of tax-exempted reserve for accelerated depreciation				(434)	434	-
Dividends paid					(172,514)	(172,514)
Net income					92,215	92,215
Net changes of items other than shareholder's equity						
Total changes for the year	-	-	-	(434)	(79,863)	(80,298)
Ending balance	¥ 139,595	93,107	46,487	15,126	556,762	851,080

	Valuation and translation adjustments		
	Net unrealized gains/(losses) on securities	Net deferred gains/(losses) on hedges	Total net assets
Beginning balance	¥ 683,030	25,613	1,640,022
Changes for the year:			
Provision for tax-exempted reserve for accelerated depreciation			-
Reversal of tax-exempted reserve for accelerated depreciation			-
Dividends paid			(172,514)
Net income			92,215
Net changes of items other than shareholder's equity	369,101	(3,598)	365,502
Total changes for the year	369,101	(3,598)	285,204
Ending balance	¥ 1,052,131	22,014	1,925,226

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Statements of Changes in Net Assets (Continued)

For the year ended March 31, 2022

(in ¥ million)

	Shareholder's equity					
		Capital surplus	Retained earnings			
				Other retained earnings		
	Common stock	Additional paid-in capital	Legal earned reserve	Tax-exempted reserve for accelerated depreciation	Retained earnings brought forward	Total Shareholder's equity
Beginning balance	¥ 139,595	93,107	46,487	15,126	556,762	851,080
Changes for the year:						
Provision for tax-exempted reserve for accelerated depreciation				2,014	(2,014)	-
Reversal of tax-exempted reserve for accelerated depreciation				(943)	943	-
Dividends paid					(59,729)	(59,729)
Net income					145,744	145,744
Net changes of items other than shareholder's equity						
Total changes for the year	-	-	-	1,071	84,943	86,014
Ending balance	¥ 139,595	93,107	46,487	16,197	641,706	937,095

	Valuation and translation adjustments		
	Net unrealized gains/(losses) on securities	Net deferred gains/(losses) on hedges	Total net assets
Beginning balance	¥ 1,052,131	22,014	1,925,226
Changes for the year:			
Provision for tax-exempted reserve for accelerated depreciation			-
Reversal of tax-exempted reserve for accelerated depreciation			-
Dividends paid			(59,729)
Net income			145,744
Net changes of items other than shareholder's equity	81,938	(3,998)	77,939
Total changes for the year	81,938	(3,998)	163,954
Ending balance	¥ 1,134,070	18,015	2,089,181

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Significant Items for Presenting Financial Statements

For the years ended March 31, 2021 and March 31, 2022

1. Basis of presentation

The accompanying non-consolidated financial statements have been translated from the non-consolidated financial statements of Mitsui Sumitomo Insurance Company, Limited (hereinafter referred to as "the Company") prepared in accordance with the provisions set forth in the Regulations on Corporate Accounting, the Enforcement Regulations of the Japanese Insurance Business Act and related rules, and regulations applicable to the non-life insurance industry in general, and in conformity with accounting principles and practices generally accepted in Japan, which may differ in certain respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

The accompanying non-consolidated financial statements are expressed in Japanese yen. As permitted by the regulations under the Regulations on Corporate Accounting, amounts are rounded down to the nearest million of Japanese yen, except for those stated otherwise. As a result, the total amounts in Japanese yen shown in the accompanying non-consolidated financial statements do not necessarily agree with the sums of the individual amounts.

2. Accounting policies

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

(i) Investments in subsidiaries and associates are valued at cost determined by the moving average method.

(ii) Available-for-sale securities (except for stocks and other securities without market prices) are valued at their market prices.
Net unrealized gains and losses are reported as a separate line item of net assets, and cost of sales is calculated by the moving average method.

(iii) Stocks and other securities without market prices that are classified as available-for-sale securities are valued at cost using the moving average method.

(iv) Money trusts specifically managed for the Company for trading purposes are valued at fair value. Money trusts specifically managed for the Company, other than those held for trading purposes or held to maturity, are valued on the same basis as available-for-sale securities.

(2) Valuation policies and methods of derivative financial instruments

Derivative financial instruments are valued at fair value.

(3) Depreciation methods of tangible fixed assets

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

(4) Depreciation methods of intangible fixed assets

Intangible fixed assets are amortized by the straight-line method. Capitalized software for internal use is amortized by the straight-line method over its estimated useful life (5 years).

(5) Translation of foreign currency assets and liabilities

Monetary items denominated in foreign currencies are translated into Japanese yen using the spot exchange rate at the end of the reporting period, and the exchange differences are treated as profit or loss.

(6) Accounting for reserves

(i) Bad debt reserve

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

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

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

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

(ii) Reserve for pension and retirement benefits

Reserve for pension and retirement benefits is established to provide for future retirement benefits based on the estimated retirement benefit obligations and plan assets at the year-end.

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

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

(b) Actuarial gains and losses

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

(iii) Reserve for retirement benefit for officers

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

(iv) Accrued bonuses for employees

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

(v) Reserve for price fluctuation

Reserve for price fluctuation is recognized under Article 115 of the Japanese Insurance Business Act to provide for possible losses arising from price fluctuation of investment assets such as equity securities.

(7) Hedge accounting

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

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

Gains and losses on equity forward contracts used for hedging risks of variability in the fair value of investments in equity securities are accounted for under the fair value hedge method.

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

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

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

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

(8) Other significant items for preparation of financial statements

(i) Accounting for insurance contracts

The Company accounts for insurance contracts related items including insurance premiums, outstanding claims and underwriting reserves in accordance with the Japanese Insurance Business Act and related rules.

(ii) Accounting for retirement benefits

The accounting treatment for unrecognized actuarial gains and losses related to retirement benefits in non-consolidated financial statements differs from that in consolidated financial statements.

(iii) Accounting for consumption taxes

Consumption taxes received or paid are not included in income or expenses, except for those related to Loss adjustment expenses and Operating expenses and general and administrative expenses. Consumption taxes excluded from income and expenses are recorded at the net amount on the balance sheet. Non-deductible consumption taxes are recognized as expenses for the period, except for those related to the purchase of depreciable fixed assets that are not charged to expenses but deferred as Suspense payments and amortized over a period of 5 years on a straight-line basis.

(iv) Application of consolidated tax return filing system

The Company has applied the consolidated tax return filing system, with MS&AD Insurance Group Holdings, Inc. being a parent company for tax payment purposes.

3. Accounting estimates

(Outstanding claims)

In the financial statements of the Company as of March 31, 2021 and March 31, 2022, outstanding claims of ¥668,752 million and ¥726,484 million were recognized, respectively.

Further information for financial statement users to understand the details of accounting estimates is presented in "Consolidated Financial Statements - Significant Accounting Policies 7. Accounting estimates".

4. Change in presentation

(Application of "Accounting Standard for Disclosure of Accounting Estimates")

The Company has applied "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020) from the year ended March 31, 2021 and notes related to significant accounting estimates are included in the financial statements.

5. Change in accounting policy

(Application of "Accounting Standard for Fair Value Measurement" and Others)

The Company has applied "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019), "Revised Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021) and others since the beginning of the year ended March 31, 2022. In accordance with transitional measures set forth in Paragraph 19 of "Accounting Standards for Fair Value Measurement," Paragraph 44-2 of "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019) and Paragraph 27-2 of "Revised Implementation Guidance on Accounting Standard for Fair Value Measurement," the Company has applied new accounting policies prescribed by "Accounting Standard for Fair Value Measurement" and others prospectively from the date of application.

As a result, part of investment trusts classified as financial instruments for which the fair values were not practically determinable that were recorded on the balance sheets at cost have been changed to be recorded on the balance sheets at fair value.

Notes to Balance Sheets (Continued)

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

(in ¥ million)

March 31, 2021	March 31, 2022
335,529	288,556

(Note) The amounts in the above table are included in Government bonds, Stock and Foreign securities under Securities as of March 31, 2021 and March 31, 2022.

2. Among the loans in accordance with the Insurance Business Act, the amounts of bankrupt and quasi-bankrupt loans, doubtful loans, loans overdue for three months or more, and restructured loans are as follows:

(in ¥ million)

	March 31, 2021	March 31, 2022
Bankrupt and quasi-bankrupt loans	-	3
Doubtful loans	24	18
Loans overdue for three months or more	124	79
Restructured loans	310	263
Total	460	364

(Note) Bankrupt and quasi-bankrupt loans are claims to debtors that went bankrupt due to reasons such as the initiation of bankruptcy proceedings, the start of reorganization proceedings, and the submission of an application to start rehabilitation proceedings, as well as claims of a similar nature.

Doubtful loans are claims to debtors that are not yet bankrupt but whose financial conditions and business performance have deteriorated, and where it is highly probable that the principal and interest in line with the original contracts cannot be collected, excluding bankrupt and quasi-bankrupt loans.

Loans overdue for three months or more represent those for which the principal or interest has been past due for three months or more after the contractual due date, excluding bankrupt and quasi-bankrupt loans and doubtful loans.

Restructured loans represent those with certain agreements favorable to debtors, such as interest exemption or reduction, grace on interest or principal payments, or forgiveness of debts for the purpose of restructuring of or provision of support to the debtors in financial difficulties, excluding bankrupt and quasi-bankrupt loans, doubtful loans, and loans overdue for three months or more.

(Change in presentation)

Due to the enforcement on March 31, 2022 of the "Cabinet Office Ordinance for Partial Revision of the Enforcement Regulations of the Japanese Banking Act, etc." (Cabinet Office Ordinance No. 3, January 24, 2020), the classification of "risk-monitoring loans" based on the Insurance Business Act has been presented in accordance with the classification of loans based on the Act of Emergency Measures for the Revitalization of the Financial Functions.

Notes to Balance Sheets (Continued)

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

(in ¥ million)

	March 31, 2021	March 31, 2022
Accumulated depreciation	278,994	281,129
Accelerated depreciation	13,410	12,144

(Note) As permitted under Japanese tax legislation for the purpose of deferral in recognizing taxable income, the acquisition cost of certain qualifying properties is reduced to offset the taxable income that resulted from the sales of assets to be replaced by the acquired assets or receipts of governmental subsidies provided for the acquisition of the new assets. The total amounts deducted from the original acquisition cost of the qualifying properties held by the Company as of March 31, 2021 and March 31, 2022 were ¥13,410 million and ¥12,144 million, respectively.

4. The total amounts receivable from and payable to affiliates are as follows:

(in ¥ million)

	March 31, 2021	March 31, 2022
Total amounts receivable	42,851	50,001
Total amounts payable	13,301	6,245

5. Significant components of Deferred tax assets and liabilities are as follows:

(in ¥ million)

	March 31, 2021	March 31, 2022
Deferred tax assets:		
Securities	15,907	15,468
Land	5,594	5,708
Software	21,975	23,799
Outstanding claims	18,313	20,086
Underwriting reserves	173,766	182,438
Reserve for pension and retirement benefits	31,583	23,620
Reserve for price fluctuation	6,455	7,625
Tax loss carryforwards (Note)	78,619	31,036
Others	18,235	19,433
Total gross deferred tax assets	370,451	329,216
Valuation allowance for tax loss carryforwards (Note)	-	-
Valuation allowance for total amount of deductible temporary difference	(14,989)	(13,718)
Less: total valuation allowance	(14,989)	(13,718)
Total net deferred tax assets	355,461	315,498
Deferred tax liabilities:		
Net unrealized gains on securities	(407,135)	(438,842)
Others	(15,935)	(14,731)
Total gross deferred tax liabilities	(423,071)	(453,573)
Net deferred tax assets (liabilities)	(67,609)	(138,075)

(Note) Amounts of tax loss carryforwards and associated deferred tax assets by expiration date are as follows:

March 31, 2021

(in ¥ million)

	Within 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Over 5 years	Total
Tax loss carryforwards (*1)	-	-	-	-	-	78,619	78,619
Less valuation allowance	-	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	-	78,619	(*2) 78,619

March 31, 2022

(in ¥ million)

	Within 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Over 5 years	Total
Tax loss carryforwards (*1)	-	-	-	-	-	31,036	31,036
Less valuation allowance	-	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	-	31,036	(*2) 31,036

(*1) Tax loss carryforwards represents the amount multiplied by the statutory effective tax rate.

(*2) Tax loss carryforwards is of temporary nature pertaining to the reorganization of international business conducted during the year ended March 31, 2020.
The Company normally generates sufficient taxable income and therefore did not recognize a valuation allowance for the entire tax loss carryforwards based on the recoverability assessment with expected future taxable income.

6. Guarantees and similar arrangements for subsidiaries and associates

March 31, 2021

(Guarantees)

The Company provides a guarantee of ¥102,874 million to the insurance business operated by MS Amlin Corporate Member Limited, a subsidiary of the Company.

(Arrangements similar to guarantees)

The Company has credit support guarantee agreements with seven of its overseas subsidiaries. Under these agreements, the Company provides a guarantee on liabilities under insurance policies of these subsidiaries. The aggregate amount of Policy liabilities of these companies was ¥199,195 million as of March 31, 2021.

March 31, 2022

(Guarantees)

The Company provides a guarantee of ¥80,990 million to the insurance business operated by MS Amlin Corporate Member Limited, a subsidiary of the Company.

(Arrangements similar to guarantees)

The Company has credit support guarantee agreements with seven of its overseas subsidiaries. Under these agreements, the Company provides a guarantee on liabilities under insurance policies of these subsidiaries. The aggregate amount of Policy liabilities of these companies was ¥244,114 million as of March 31, 2022.

7. The carrying amounts of equity investments in affiliates are as follows:

(in ¥ million)

	March 31, 2021	March 31, 2022
Stock	1,364,412	1,387,939
Other investment	29,599	34,334

8. The amounts of assets pledged as collateral are as follows:

(in ¥ million)

	March 31, 2021	March 31, 2022
Securities	131,042	134,859

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

9. Details of Outstanding claims and Underwriting reserves are as follows:

(1) Details of Outstanding claims are as follows:

(in ¥ million)

	March 31, 2021	March 31, 2022
Gross outstanding claims (except for (b))	850,619	872,913
Reinsurance recoverable on unpaid losses	224,904	187,518
Net (a)	625,715	685,395
Outstanding claims related to earthquakes and compulsory automobile liability insurance (b)	43,037	41,088
Total (a) + (b)	668,752	726,484

Notes to Balance Sheets (Continued)

(2) Details of Underwriting reserves are as follows:

(in ¥ million)

	March 31, 2021	March 31, 2022
Gross ordinary underwriting reserves	1,345,258	1,338,805
Reinsurance recoverable on underwriting reserves	98,994	97,807
Net (a)	1,246,263	1,240,998
Gross refund reserves	947,532	876,396
Reinsurance recoverable on refund reserves	-	-
Net (b)	947,532	876,396
Other underwriting reserves (c)	870,095	911,538
Total (a) + (b) + (c)	3,063,891	3,028,933

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

	March 31, 2021	March 31, 2022
Net assets per share (in ¥)	1,370.85	1,487.59
Amounts deducted from net assets (in ¥ million)	-	-
Outstanding common stock (in thousands of shares)	1,404,402	1,404,402

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

The Company provides guarantees on transactions conducted by a limited partnership entity. The aggregate net present values of these transactions were ¥65,565 million and ¥64,113 million, respectively, in a negative liability position as of March 31, 2021 and March 31, 2022. These amounts were not included in Customers' liabilities under acceptances and guarantees or Acceptances and guarantees since there was no substantial exposure.

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

(in ¥ million)

March 31, 2021	March 31, 2022
12,670	11,988

13. The definition of subsidiaries, associates and affiliates appearing elsewhere in the balance sheets and notes thereto are pursuant to Article 2 of the Regulations on Corporate Accounting.

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED

Notes to Statements of Income

For the years ended March 31, 2021 and March 31, 2022

1. The aggregate amounts of income and expenses resulting from transactions with affiliates are as follows:

(in ¥ million)

	For the year ended March 31, 2021	For the year ended March 31, 2022
Income	58,208	89,424
Expenses	56,361	65,968

2.

(1) Details of Net premiums written are as follows:

(in ¥ million)

	For the year ended March 31, 2021	For the year ended March 31, 2022
Gross premiums written	1,948,087	1,976,142
Less reinsurance premiums ceded	388,520	396,817
Net	1,559,567	1,579,325

(2) Details of Net claims paid are as follows:

(in ¥ million)

	For the year ended March 31, 2021	For the year ended March 31, 2022
Gross claims paid	1,118,469	1,109,929
Less claim recoveries from reinsurance ceded	283,095	278,673
Net	835,374	831,256

(3) Details of Commissions and collection expenses are as follows:

(in ¥ million)

	For the year ended March 31, 2021	For the year ended March 31, 2022
Commissions and collection expenses paid	330,259	340,558
Less reinsurance commissions received	38,263	39,986
Net	291,995	300,572

(4) Details of Provision for/(reversal of) outstanding claims are as follows:

(in ¥ million)

	For the year ended March 31, 2021	For the year ended March 31, 2022
Gross provision for/(reversal of) outstanding claims (except for (b))	35,009	22,186
Less reinsurance recoverable on unpaid losses	(437)	(37,386)
Net (a)	35,446	59,572
Provision for/(reversal of) outstanding claims related to earthquakes and compulsory automobile liability insurance (b)	(1,702)	(1,948)
Total (a) + (b)	33,744	57,624

Notes to Statements of Income (Continued)

(5) Details of Provision for/ (reversal of) underwriting reserves are as follows:

(in ¥ million)

	For the year ended March 31, 2021	For the year ended March 31, 2022
Gross provision for/ (reversal of) ordinary underwriting reserves	35,188	(6,525)
Less reinsurance recoverable on underwriting reserves	5,288	(1,187)
Net (a)	29,900	(5,338)
Provision for/ (reversal of) refund reserves	(87,002)	(71,135)
Less reinsurance recoverable on refund Reserves	-	-
Net (b)	(87,002)	(71,135)
Provision for/ (reversal of) other underwriting reserves (c)	33,841	41,443
Total (a) + (b) + (c)	(23,260)	(35,031)

(6) Details of Interest and dividends income are as follows:

(in ¥ million)

	For the year ended March 31, 2021	For the year ended March 31, 2022
Interest on deposits and savings	459	294
Interest on receivables under resale agreements	0	0
Interest on monetary claims bought	164	118
Interest and dividends income on securities	89,207	118,164
Interest on loans	2,669	2,469
Rental income on properties	6,309	6,160
Other interest income	23	30
Total	98,834	127,237

3. The total valuation gains/(losses) included in Investment gains on money trusts are as follows:

(in ¥ million)

For the year ended March 31, 2021	For the year ended March 31, 2022
1,673	(925)

The total valuation gains/(losses) included in Gains on derivative transactions are as follows:

(in ¥ million)

For the year ended March 31, 2021	For the year ended March 31, 2022
(1,673)	20,982

Notes to Statements of Income (Continued)

4. The amounts of net income per share are as follows:

	For the year ended March 31, 2021	For the year ended March 31, 2022
Net income per share (in ¥)	65.66	103.77
Net income attributable to common stock (in ¥ million)	92,215	145,744
Average outstanding common stock during the year (in thousands of shares)	1,404,402	1,404,402

(Note) Since there was no potential dilution for the years ended March 31, 2021 and 2022, diluted net income per share is not presented.

5. Details of Other extraordinary losses are as follows:

For the year ended March 31, 2022

Other extraordinary losses represent special funding, etc. in relation to the outside career change support program.

6. Reconciliation of the statutory income tax rate to the effective income tax rate is as follows:

For the year ended March 31, 2021

The statutory income tax rate is 27.9% and the effective income tax rate after applying tax effect accounting is 30.3%. The difference mainly consists of tax-exempted dividend income and the effect of international business reorganization.

For the year ended March 31, 2022

The statutory income tax rate is 27.9% and the effective income tax rate after applying tax effect accounting is 21.8%. The difference mainly consists of tax-exempted dividend income and taxable income under the Japan controlled foreign company taxation.

Notes to Statements of Income (Continued)

7. Related party transactions are as follows:

For the year ended March 31, 2021

Category	Company name	Voting rights (%)	Relationship	Transactions	Transaction amounts (in ¥ millions)	Account	Ending balances (in ¥ millions)
Subsidiary	MS Amlin Corporate Member Limited	100%	Secondment of directors and guarantee of obligation	Guarantee of obligation (Note)	102,874	-	-

(Note) The Company guarantees obligations for the underwriting business of MS Amlin Corporate Member Limited.

For the year ended March 31, 2022

Category	Company name	Voting rights (%)	Relationship	Transactions	Transaction amounts (in ¥ millions)	Account	Ending balances (in ¥ millions)
Subsidiary	MS Amlin Corporate Member Limited	100%	Secondment of directors and guarantee of obligation	Guarantee of obligation (Note)	80,990	-	-

(Note) The Company guarantees obligations for the underwriting business of MS Amlin Corporate Member Limited.

8. The definition of a parent company, subsidiaries and affiliates appearing elsewhere in the statements of income and notes thereto are pursuant to Article 2 of the Regulations on Corporate Accounting.

KPMG

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED AND ITS CONSOLIDATED SUBSIDIARIES

Consolidated Financial Statements

For the years ended March 31, 2021 and March 31, 2022

(With Independent Auditor's Report Thereon)

Tamaki Kawate
Director, Senior Executive Officer
Mitsui Sumitomo Insurance Company, Ltd.

Takuma Hayakawa
Director, Managing Executive Officer
Mitsui Sumitomo Insurance Company, Ltd.

KPMG

Independent Auditor's Report

To the Board of Directors of Mitsui Sumitomo Insurance Company, Limited:

Opinion

We have audited the accompanying consolidated financial statements of Mitsui Sumitomo Insurance Company, Limited and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheets as of March 31, 2021 and 2022, the consolidated statements of income, comprehensive income, changes in net assets and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2021 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Reasonableness of the estimate of outstanding claims related to non-life insurance contracts	
The key audit matter	**How the matter was addressed in our audit**
In the consolidated balance sheet of Mitsui Sumitomo Insurance Company, Limited (hereinafter, "MSI") and its consolidated subsidiaries as of March 31, 2022, outstanding claims of ¥1,711,839 million were recognized. Of this amount, a substantial portion was attributable to the non-life insurance contracts under the domestic non-life insurance business operated by MSI, under the Lloyd's business operated by MS Amlin Underwriting Limited (hereinafter, "AUL"), and under the reinsurance business operated by MS Amlin AG (hereinafter, "AAG"). As described in Note 7, "Accounting estimates (2) Outstanding claims," to the consolidated financial	The primary procedures we performed to assess the reasonableness of the Group's estimate of the outstanding claims related to non-life insurance contracts are set forth below. We requested the component auditors of AUL and AAG to perform audit procedures for the outstanding claims of AUL and AAG and we evaluated the results of those procedures reported. **(1) Internal control assessment** We assessed the design and operating effectiveness of certain of the Group's internal controls relevant to recognizing the outstanding claims at MSI, AUL and AAG. In this assessment, we focused our testing on controls

statements, outstanding claims represent the estimated amount of unpaid claims for losses that have incurred or are deemed to have incurred under insurance contracts. The Group recognizes outstanding claims for expected payments arising from reported losses as well as losses that are deemed to have incurred but not reported as of the end of each reporting period, based on its estimate of ultimate losses. The result of the estimate of ultimate losses is dependent upon the selection of actuarial estimation methods and data used for the estimate. In selecting the estimation methods, the risk characteristics of insurance contracts, including the frequency of loss events and the length of time from the occurrence of an event to its settlement, are required to be considered. In addition, the historical data used for the estimate needs to be calibrated as appropriate in consideration of environmental changes that could affect future insurance claim payments and of losses larger in scale than those normally expected, among others. Therefore, the selection of estimation methods, and the consideration of whether calibration of data used for the estimate were necessary, as well as the selection of methods to apply calibration all required a high degree of professional judgment by management. Furthermore, uncertainty over the estimate of outstanding claims has been increasing, as natural disasters have become more severe and frequent both within and outside Japan in recent years, COVID-19 continues to spread globally, and prices have been rising. We, therefore, determined that our assessment of the reasonableness of the estimate of outstanding claims related to non-life insurance contracts was one of the most significant matters in our audit of the consolidated financial statements of the current period, and accordingly, a key audit matter.	to assess the reasonableness of the selection of estimation methods and the calibration of data used for the estimate. **(2) Assessment of the reasonableness of the estimated ultimate losses** The primary procedures we performed with the assistance of actuarial specialists within our firm and network firms to assess the reasonableness of the estimated ultimate losses included the following: ● We assessed the appropriateness of the actuarial estimation methods selected by management by inspecting relevant materials documenting the basis for selecting those methods, examining consistency with the risk characteristics of insurance contracts, comparing the methods with established actuarial practice, comparing the estimates in the prior years with actual results, and performing a trend analysis on the historical results; ● We assessed the reasonableness of management's judgment as to whether the data should be calibrated, as well as the selection of methods to apply calibrations, by inquiring of management about reasons for calibrating data used for the estimate, and examining the consistency with available information, including external information; ● For MSI, AUL, and AAG, we assessed the reasonableness of the estimated ultimate losses for significant insurance lines by evaluating the extent of the difference between management's estimate and our own estimate developed using alternative assumptions reflecting the characteristics of and the circumstances leading to loss events; ● For MSI, AUL, and AAG, in particular, we assessed the reasonableness of the estimated ultimate losses from natural disasters, which they have underwritten, considering the nature and scale of disasters, the historical experiences up to the time of estimate, as well as a trend of actual claims from similar natural disasters that occurred in previous years; and

	● For AUL and AAG, in particular, we assessed the reasonableness of the estimated ultimate losses due to COVID-19 considering the historical experiences up to the time of estimate, insurance contract terms and conditions, and legal judgments on their responsibility for claim payments.

Appropriateness of management's judgment as to whether there was any indication that goodwill may be impaired and an impairment loss should be recognized

The key audit matter	How the matter was addressed in our audit
In the consolidated balance sheet of the Group as of March 31, 2022, goodwill of ¥111,904 million was recognized. In addition, the amount representing goodwill of ¥36,514 million related to equity method associates was included in securities. As described in Note 7, "Accounting estimates, (1) Impairment losses on goodwill," to the consolidated financial statements, whenever there is an indication that the asset group including goodwill may be impaired, a test needs to be performed by comparing the sum of the undiscounted future cash flows that are expected to be generated from the related asset group with the carrying amount to determine whether an impairment loss should be recognized. If the recognition of an impairment loss is deemed necessary for the asset group, the carrying amount is reduced to the recoverable amount, and the resulting decrease in the carrying amount is recognized as an impairment loss. An indication of impairment was identified in the current period for AAG, an overseas consolidated subsidiary that operates the reinsurance business, as it had incurred a net loss before tax for two consecutive years. Accordingly, the Group performed an impairment test to determine whether an impairment loss should be recognized on the asset group that included the goodwill of AAG (consisting of tangible fixed assets of ¥1,028 million, goodwill of ¥3,769 million, and intangible fixed assets (excluding goodwill) of ¥41,635 million). Since the sum of the undiscounted future cash flows exceeded the carrying amount of the asset group, no impairment loss was recognized. The Group determines whether there is any indication of impairment by comprehensively	The primary procedures we performed to assess the appropriateness of management's judgment as to whether there was any indication that goodwill may be impaired and an impairment loss should be recognized included the following: **(1) Internal control assessment** We assessed the design and operating effectiveness of certain of the Group's internal controls relevant to the process of determining whether there is any indication that goodwill may be impaired and an impairment loss should be recognized. In this assessment, we focused our testing on controls to prevent and/or detect determinations that are not made on reasonable grounds as to whether there is any indication of impairment, as well as controls designed to prevent and/or detect the use of inappropriate assumptions in developing the business plans, which formed the basis for estimating undiscounted future cash flows. **(2) Assessment of the appropriateness of the judgment concerning whether there is any indication of impairment and an impairment loss should be recognized** The primary procedures we performed to assess the appropriateness of management's judgment concerning whether there is any indication of impairment, particularly with respect to the judgment as to whether the business environment of the business, to which goodwill has been allocated, has deteriorated, included the following: ● We inspected the materials of management meetings and inquired of management to understand the business environment for each business, and assessed the appropriateness of

considering, among others, whether the businesses that use an asset group including goodwill have reported a net loss for two consecutive years and/or their business environments have significantly deteriorated. Especially when a business has incurred a loss or underperformed compared to the business plan used as the basis for its valuation at the time of acquisition, significant management judgment is involved in determining whether such a decline in performance or failure to achieve that business plan is considered a significant deterioration of its business environment. In addition, the Group estimates the sum of the undiscounted future cash flows used to determine whether an impairment loss should be recognized based on the relevant business plans, which reflect management's expectation of the future prospects considering past actual results. The assumptions on premium income and the loss ratio underlying the business plans, in particular, involve a high degree of uncertainty as well as significant management judgment. We, therefore, determined that our assessment of the appropriateness of management's judgment as to whether there was any indication that goodwill may be impaired and an impairment loss should be recognized was one of the most significant matters in our audit of the consolidated financial statements of the current period, and accordingly, a key audit matter.	management's judgment as to whether there was any business whose results have deteriorated or failed to achieve its business plan; and ● For businesses with a significant amount of the asset group including goodwill, if they underperformed compared to the business plans used as the basis for their valuation at the time of acquisition, we analyzed the causes of variances, and assessed the appropriateness of management's judgment as to whether the failure to achieve those business plans was considered a significant deterioration of their business environment. In order to assess the appropriateness of management judgment as to whether an impairment loss should be recognized, we performed the following procedures, among others, particularly to assess the appropriateness of key assumptions adopted by management in developing the business plans, which formed the basis for estimating undiscounted future cash flows: ● We evaluated whether the assumptions on premium income and the loss ratio were appropriately developed considering past actual results, objective outlook of the economic environment, and the Group's management policies, by comparing them with available external information, inquiring of management, and inspecting the materials of relevant meetings; ● We assessed the reasonableness of the estimates of premium income and the loss ratio through comparison with past actual results; and ● We independently estimated undiscounted future cash flows, by reflecting a certain level of stress into the business plans considering our analysis of the achievement of the past business plans, and then assessed the effect of our own estimate on the determination as to whether an impairment loss should be recognized.

KPMG

Other Information

The other information comprises the information included in the disclosure documents that contain or accompany the audited consolidated financial statements, but does not include the consolidated financial statements and our auditor's report thereon.

We do not perform any work on the other information as we determine such information does not exist.

Responsibilities of Management and Corporate Auditors and the Board of Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with corporate auditors and the board of corporate auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Hiroyuki Yamada
Designated Engagement Partner
Certified Public Accountant

Fumito Hirose
Designated Engagement Partner
Certified Public Accountant

Kenichi Ishii

Kenichi Ishii
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Tokyo Office, Japan
June 24, 2022

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED
AND ITS CONSOLIDATED SUBSIDIARIES

Consolidated Balance Sheets

As of March 31, 2021 and March 31, 2022

		2021	2022
		(in ¥ million)	
Assets			
Assets			
Cash, deposits and savings	¥	906,910	1,239,807
Receivables under resale agreements		1,999	-
Monetary claims bought		74,747	65,494
Money trusts		4,878	576
Securities		5,653,060	5,812,547
Loans		404,410	391,893
Tangible fixed assets:		246,041	240,641
Land		86,082	86,335
Buildings		115,376	117,480
Lease assets		18,831	15,000
Construction in progress		5,638	2,275
Other tangible fixed assets		20,113	19,549
Intangible fixed assets:		320,389	324,357
Software		65,147	91,718
Goodwill		107,945	111,904
Other intangible fixed assets		147,296	120,734
Other assets		910,090	1,002,202
Deferred tax assets		22,762	28,579
Customers' liabilities under acceptances and guarantees		18,000	15,000
Bad debt reserve		(12,014)	(6,143)
Total assets	¥	8,551,276	9,114,956

See accompanying notes to consolidated financial statements.

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED
AND ITS CONSOLIDATED SUBSIDIARIES

Consolidated Balance Sheets (Continued)

Liabilities and Net Assets		2021	2022
		(in ¥ million)	
Liabilities			
Policy liabilities:	¥	5,022,124	5,228,369
Outstanding claims		1,553,595	1,711,839
Underwriting reserves		3,468,528	3,516,529
Bonds issued		587,093	630,902
Other liabilities		940,870	968,587
Liabilities for pension and retirement benefits		122,231	95,189
Reserve for retirement benefits for officers		234	171
Accrued bonuses for employees		17,890	20,043
Reserves under the special laws:		23,138	27,332
Reserve for price fluctuation		23,138	27,332
Deferred tax liabilities		90,563	161,182
Acceptances and guarantees		18,000	15,000
Total liabilities		6,822,145	7,146,777
Net Assets			
Shareholders' equity:			
Common stock		139,595	139,595
Capital surplus		85,008	85,008
Retained earnings		537,111	602,068
Total shareholders' equity		761,715	826,672
Accumulated other comprehensive income:			
Net unrealized gains/(losses) on securities		1,075,373	1,147,533
Net deferred gains/(losses) on hedges		11,290	5,473
Foreign currency translation adjustments		(161,403)	(55,237)
Accumulated actuarial gains/(losses) on retirement benefits		(3,089)	(3,858)
Total accumulated other comprehensive income		922,171	1,093,911
Non-controlling interests		45,244	47,596
Total net assets		1,729,131	1,968,179
Total liabilities and net assets	¥	8,551,276	9,114,956

See accompanying notes to consolidated financial statements.

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED
AND ITS CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Income

For the years ended March 31, 2021 and March 31, 2022

		2021	2022
		(in ¥ million)	
Ordinary income and expenses			
Ordinary income:	¥	2,501,627	2,567,323
Underwriting income:		2,299,556	2,299,850
Net premiums written		2,117,562	2,206,954
Deposit premiums from policyholders		52,851	38,231
Investment income on deposit premiums from policyholders		28,033	26,543
Life insurance premiums		11,517	25,118
Reversal of underwriting reserves		88,194	-
Other underwriting income		1,396	3,002
Investment income:		188,931	250,436
Interest and dividends income		106,703	121,553
Investment gains on money trusts		1,839	203
Investment gains on trading securities		35,606	31,331
Gains on sales of securities		60,482	101,841
Gains on redemption of securities		422	222
Other investment income		11,909	21,827
Transfer of investment income on deposit premiums from policyholders		(28,033)	(26,543)
Other ordinary income:		13,138	17,036
Gains on equity method investments		-	4,785
Other ordinary income		13,138	12,251
Ordinary expenses:		2,395,282	2,389,452
Underwriting expenses:		1,956,851	1,931,549
Net claims paid		1,170,855	1,195,969
Loss adjustment expenses		112,298	116,082
Commissions and collection expenses		404,788	393,652
Maturity refunds to policyholders		160,980	128,375
Dividends to policyholders		61	50
Life insurance claims		3,381	4,579
Provision for outstanding claims		102,176	78,674
Provision for underwriting reserves		-	12,491
Other underwriting expenses		2,309	1,674

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income (Continued)

		2021	2022
		(in ¥ million)	
Investment expenses:	¥	58,762	73,167
Losses on sales of securities		4,215	3,980
Impairment losses on securities		5,162	31,659
Losses on redemption of securities		487	194
Losses on derivative transactions		44,211	27,160
Other investment expenses		4,685	10,172
Operating expenses and general and administrative expenses		364,117	371,199
Other ordinary expenses:		15,551	13,535
Interest expense		11,831	12,845
Provision for bad debt reserve		1,047	-
Losses on bad debts		95	54
Losses on equity method investments		1,467	-
Other ordinary expenses		1,107	634
Ordinary profit		106,344	177,871
Extraordinary income and losses			
Extraordinary income:		7,269	14,064
Gains on sales of fixed assets		7,179	14,064
Gains on change in equity interests		89	-
Extraordinary losses:		9,834	12,451
Losses on sales of fixed assets		1,589	2,024
Impairment losses on fixed assets		230	1,156
Provision for reserves under the special laws:		4,131	4,193
Provision for reserve for price fluctuation		4,131	4,193
Losses on change in equity interests		450	-
Other extraordinary losses		3,432	5,076
Income before income taxes		103,779	179,484
Income taxes – current		13,808	12,383
Income taxes – deferred		32,863	39,007
Total income taxes		46,672	51,391
Net income		57,107	128,093
Net income attributable to non-controlling interests		3,353	3,407
Net income attributable to owners of the parent	¥	53,753	124,686

See accompanying notes to consolidated financial statements.

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED
AND ITS CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended March 31, 2021 and March 31, 2022

		2021	2022
		(in ¥ million)	
Net income	¥	57,107	128,093
Other comprehensive income:			
Net unrealized gains/(losses) on securities		380,576	72,216
Net deferred gains/(losses) on hedges		(3,432)	(5,230)
Foreign currency translation adjustments		(46,576)	103,250
Actuarial gains/(losses) on retirement benefits		10,803	(777)
Share of other comprehensive income/(loss) of equity method investments		7,309	5,117
Total other comprehensive income		348,681	174,577
Total comprehensive income	¥	405,788	302,670
Allocation:			
Comprehensive income attributable to owners of the parent	¥	403,814	296,426
Comprehensive income attributable to non-controlling interests		1,974	6,244

See accompanying notes to consolidated financial statements.

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED
AND ITS CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Changes in Net Assets

For the years ended March 31, 2021 and March 31, 2022

For the year ended March 31, 2021

(in ¥ million)

	Shareholders' equity			
	Common stock	Capital surplus	Retained earnings	Total shareholders' equity
Beginning balance	¥ 139,595	85,008	655,872	880,476
Changes for the year:				
Dividends paid			(172,514)	(172,514)
Net income attributable to owners of the parent			53,753	53,753
Net changes of items other than shareholders' equity				
Total changes for the year	-	-	(118,760)	(118,760)
Ending balance	¥ 139,595	85,008	537,111	761,715

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Net unrealized gains/(losses) on securities	Net deferred gains/(losses) on hedges	Foreign currency translation adjustments	Accumulated actuarial gains/(losses) on retirement benefits	Total accumulated other comprehensive income		
Beginning balance	¥ 689,218	14,448	(117,682)	(13,873)	572,110	45,295	1,497,882
Changes for the year:							
Dividends paid							(172,514)
Net income attributable to owners of the parent							53,753
Net changes of items other than shareholders' equity	386,154	(3,157)	(43,720)	10,784	350,060	(51)	350,009
Total changes for the year	386,154	(3,157)	(43,720)	10,784	350,060	(51)	231,248
Ending balance	¥1,075,373	11,290	(161,403)	(3,089)	922,171	45,244	1,729,131

See accompanying notes to consolidated financial statements.

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED
AND ITS CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Changes in Net Assets (Continued)

For the year ended March 31, 2022

(in ¥ million)

	Shareholders' equity			
	Common stock	Capital surplus	Retained earnings	Total shareholders' equity
Beginning balance	¥ 139,595	85,008	537,111	761,715
Changes for the year:				
Dividends paid			(59,729)	(59,729)
Net income attributable to owners of the parent			124,686	124,686
Net changes of items other than shareholders' equity				
Total changes for the year	-	-	64,956	64,956
Ending balance	¥ 139,595	85,008	602,068	826,672

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Net unrealized gains/(losses) on securities	Net deferred gains/(losses) on hedges	Foreign currency translation adjustments	Accumulated actuarial gains/(losses) on retirement benefits	Total accumulated other comprehensive income		
Beginning balance	¥1,075,373	11,290	(161,403)	(3,089)	922,171	45,244	1,729,131
Changes for the year:							
Dividends paid							(59,729)
Net income attributable to owners of the parent							124,686
Net changes of items other than shareholders' equity	72,160	(5,817)	106,165	(769)	171,739	2,352	174,091
Total changes for the year	72,160	(5,817)	106,165	(769)	171,739	2,352	239,048
Ending balance	¥1,147,533	5,473	(55,237)	(3,858)	1,093,911	47,596	1,968,179

See accompanying notes to consolidated financial statements.

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED
AND ITS CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended March 31, 2021 and March 31, 2022

		2021	2022
		(in ¥ million)	
I. Cash flows from operating activities:			
Income before income taxes	¥	103,779	179,484
Adjustments for:			
Depreciation		44,805	52,876
Impairment losses on fixed assets		230	1,156
Amortization of goodwill		10,081	10,675
Increase/(decrease) in outstanding claims		92,135	78,164
Increase/(decrease) in underwriting reserves		(88,566)	12,336
Increase/(decrease) in bad debt reserve		702	(6,393)
Increase/(decrease) in reserve for retirement benefits for officers		(82)	(62)
Increase/(decrease) in accrued bonuses for employees		(658)	1,376
Increase/(decrease) in liabilities for pension and retirement benefits		(6,819)	(29,309)
Increase/(decrease) in reserve for price fluctuation		4,131	4,193
Interest and dividends income		(106,703)	(121,553)
Losses/(gains) on securities		(86,646)	(97,559)
Losses/(gains) on derivative transactions		44,211	27,160
Interest expense		11,831	12,845
Foreign exchange losses/(gains)		(8,521)	(10,185)
Losses/(gains) on disposal of tangible fixed assets		(5,524)	(12,103)
Losses/(gains) on equity method investments		1,467	(4,785)
Losses/(gains) on change in equity interests		361	-
Decrease/(increase) in other assets		45,671	(30,113)
Increase/(decrease) in other liabilities		9,639	(18,881)
Other, net		(33,280)	(28,641)
Subtotal		32,245	20,680
Interest and dividends received		116,053	135,988
Interest paid		(11,793)	(12,944)
Income taxes refunded/(paid)		12,152	(15,052)
Net cash provided by/(used in) operating activities (a)		148,658	128,672

See accompanying notes to consolidated financial statements.

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED
AND ITS CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Cash Flows (Continued)

		2021	2022
		(in ¥ million)	
II. Cash flows from investing activities:			
Net decrease/(increase) in deposits and savings	¥	(2,911)	5,867
Purchase of monetary claims bought		(19,828)	-
Proceeds from sales and redemption of monetary claims bought		2,127	10,577
Purchase of money trusts		(33)	(301)
Proceeds from sales of money trusts		16	4,803
Purchase of securities		(2,864,668)	(2,569,212)
Proceeds from sales and redemption of securities		2,794,628	2,751,001
Investment in loans		(77,890)	(63,096)
Collection of loans		69,439	75,787
Net increase/(decrease) in payables under securities lending transactions		77,948	22,279
Other, net		1,885	(18,543)
Subtotal (b)		(19,288)	219,161
(a + b)		129,369	347,834
Acquisition of tangible fixed assets		(15,717)	(16,905)
Proceeds from sales of tangible fixed assets		9,434	18,349
Acquisition of intangible fixed assets		(28,928)	(26,280)
Acquisition of shares of subsidiaries resulting in changes in scope of consolidation		-	(9,952)
Other, net		(2,908)	(2,279)
Net cash provided by/(used in) investing activities		(57,409)	182,091
III. Cash flows from financing activities:			
Issuance of bonds		99,321	149,685
Redemption of bonds		(100,000)	(106,191)
Dividends paid to shareholders		(172,514)	(59,699)
Dividends paid to non-controlling interests		(2,034)	(3,880)
Other, net		(5,227)	(5,729)
Net cash provided by/(used in) financing activities		(180,455)	(25,815)
IV. Effect of exchange rate changes on cash and cash equivalents		(12,475)	34,588
V. Net increase/(decrease) in cash and cash equivalents		(101,681)	319,537
VI. Cash and cash equivalents at beginning of year		868,888	767,207
VII. Cash and cash equivalents at end of year	¥	767,207	1,086,744

See accompanying notes to consolidated financial statements.

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED
AND ITS CONSOLIDATED SUBSIDIARIES

Significant Accounting Policies

For the years ended March 31, 2021 and March 31, 2022

1. Basis of presentation

The accompanying consolidated financial statements have been translated from the consolidated financial statements of Mitsui Sumitomo Insurance Company, Limited ("the Company") prepared in accordance with the provisions set forth in the Regulations on Corporate Accounting, the Enforcement Regulations of the Japanese Insurance Business Act and related rules, and regulations applicable to the non-life insurance industry in general, and in conformity with accounting principles and practices generally accepted in Japan, which may differ in certain respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan. In preparing the accompanying consolidated financial statements, certain additional information has been provided for the consolidated financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan.

The accompanying consolidated financial statements are expressed in Japanese yen. As permitted by the regulations under the Regulations on Corporate Accounting, amounts are rounded down to the nearest million of Japanese yen, except for those stated otherwise. As a result, the total amounts in Japanese yen shown in the accompanying consolidated financial statements do not necessarily agree with the sums of the individual amounts.

The definition of subsidiaries and associates appearing in the accompanying consolidated financial statements and notes thereto are pursuant to Article 2 of the Regulations on Corporate Accounting.

2. Scope of consolidation

(1) Number of consolidated subsidiaries

59 companies

Major consolidated subsidiaries are as follows:

MSIG Holdings (U.S.A.), Inc.
MS Amlin Corporate Member Limited
MS Amlin Underwriting Limited
MS Amlin AG
MS Amlin Insurance SE
MSIG Insurance (Malaysia) Bhd.

Changes in scope of consolidation

International Transportation & Marine Office, LLC and four other companies have been included in the scope of consolidation since the year ended March 31, 2022 as they have become the Company's subsidiaries due to the acquisition of shares and other reasons.

Old Company 17 Ltd and two other companies ceased to be subsidiaries due to the sale of shares. As a result, these companies have been excluded from the scope of consolidation since the year ended March 31, 2022.

Significant Accounting Policies (Continued)

(2) Unconsolidated subsidiaries

Major unconsolidated subsidiary is as follows:

MSK Anshin Station Company, Limited

Certain subsidiaries including the above subsidiary are not consolidated, as they are not considered to have any impact on, in all material aspects, the consolidated financial conditions and business performance, in view of the size of their total assets, ordinary income, net income and retained earnings attributable to the Company.

3. Application of the equity method

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

9 companies

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

Sumitomo Mitsui DS Asset Management Company, Limited
Max Life Insurance Company Limited

Changes in scope of application of the equity method

As PT. Auto Management Services and one other company ceased to be associates due to the completion of liquidation and other reasons, these companies have been excluded from the scope of application of the equity method since the year ended March 31, 2022.

(2) Other associates, including unconsolidated subsidiaries and associates (e.g. MSK Anshin Station Company, Limited and Hong Leong MSIG Takaful Berhad), have been excluded from the scope of application of the equity method as their effects on the consolidated net income and retained earnings are not considered material, individually and in aggregate.

4. Fiscal year of consolidated subsidiaries

The fiscal year end of 58 overseas consolidated subsidiaries is December 31, which is different from that of the Company. The Company uses the financial statements as of their latest fiscal year end for consolidation purposes since the intervening period does not exceed three months from its fiscal year end.

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

5. Accounting policies

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

(i) Trading securities are valued at their year-end market prices. Cost of sales is calculated using the moving average method. For certain overseas consolidated subsidiaries, cost of sales is calculated using the first-in, first-out method.

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

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

(iv) Available-for-sale securities (except for stocks and other securities without market prices) are valued at their market prices.

Net unrealized gains and losses are reported as a separate line item of net assets and cost of sales is calculated by the moving average method.

(v) Stocks and other securities without market prices that are classified as available-for-sale securities are valued at cost using the moving average method.

(vi) Money trusts specifically managed for the Company for trading purposes are valued at fair value.

Money trusts specifically managed for the Company, other than money trusts those held for trading purposes or held to maturity, are valued on the same basis as available-for-sale securities.

(2) Valuation policies and methods of derivative financial instruments

Derivative financial instruments are valued at fair value.

(3) Depreciation methods of significant depreciable assets

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

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

(4) Accounting policies for significant reserves

(i) Bad debt reserve

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

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

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

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

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

For domestic consolidated subsidiaries, bad debt reserve is established under their internal standards for self-assessment of assets and policies for provision similar to those of the Company.

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

(ii) Reserve for retirement benefits for officers

Reserve for retirement benefits that covers the cost of services rendered by officers and operating officers of the Company up to the year ended March 31, 2005, the date on which the retirement benefits plans for officers were terminated, is established to provide for their future retirement benefits (including pension).

(iii) Accrued bonuses for employees

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

(iv) Reserve for price fluctuation

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

(5) Accounting for retirement benefits

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

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

(ii) Accounting for actuarial gains and losses

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

(6) Translation of foreign currency assets and liabilities

Foreign currency monetary assets and liabilities of the Company and its domestic consolidated subsidiaries are translated into Japanese yen using the spot exchange rate prevailing at the year end. The foreign exchange gains and losses resulting from the translation are recognized in earnings. Foreign currency assets and liabilities of overseas consolidated subsidiaries are translated into Japanese yen using the spot exchange rate prevailing at their respective year ends, while shareholders' equity is translated at the historical rates. Income and expenses of overseas consolidated subsidiaries are translated into Japanese yen using the average exchange rate for the year. Differences arising from such translations are included in Foreign currency translation adjustments and Non-controlling interests in Net Assets.

(7) Accounting for consumption taxes

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

Non-deductible consumption taxes are recognized as expenses for the period, except for those related to the purchase of depreciable fixed assets that are not charged to expenses but deferred as Other assets and amortized over a period of 5 years on a straight-line basis.

(8) Hedge accounting

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

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

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

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

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

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

(9) Accounting for insurance contracts

The Company accounts for insurance contracts related items including insurance premiums, outstanding claims and underwriting reserves in accordance with the Japanese Insurance Business Act and related rules. Overseas consolidated insurance subsidiaries apply either International Financial Reporting Standards (IFRS) or US generally accepted accounting principles for the items in accordance with Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries, etc. for Consolidated Financial Statements (ASBJ Practical Issues Task Force ("PITF") No. 18 revised on June 28, 2019).

(10) Application of consolidated tax return filing system

The Company and its domestic consolidated subsidiaries have applied the consolidated tax return filing system, with MS&AD Insurance Group Holdings, Inc. being a parent company for tax payment purposes.

6. Goodwill

Goodwill is amortized using the straight-line method over a period of 7 to 20 years. Insignificant amounts of goodwill are charged to expenses as incurred.

7. Accounting estimates

(1) Impairment losses on goodwill

(i) Amounts recorded in the consolidated financial statements as of March 31, 2021 and March 31, 2022

In the consolidated balance sheet of the Company as of March 31, 2021 and March 31, 2022, goodwill of ¥107,945 million and ¥111,904 million were recognized, respectively. In addition, goodwill of ¥38,843 million and ¥36,514 million related to equity method associates were included in securities therein, respectively.

(ii) Details of accounting estimates

(a) Measurement approach
For the asset group including goodwill whose invested amount is not recoverable due to decline of profitability, an impairment loss should be recognized by reflecting its recoverability under certain conditions. In accordance with "Accounting Standard for Impairment of Fixed Assets" (ASBJ Statement, August 9, 2002), if there is any indication of impairment such as consecutive net losses and/or deterioration of business environment, the Company and its consolidated subsidiaries (collectively "the Group") determine whether an impairment loss should be recognized by comparing the sum of the undiscounted future cash flows that are expected to be generated from the related asset group with the carrying amount. If the recognition of an impairment loss is deemed necessary, the carrying amount of the asset group is reduced to its recoverable amount and an impairment loss is recognized for the amount by which the asset group is reduced.

The Group estimates the sum of the undiscounted future cash flows based on the relevant business plans. The recoverable amount represents the present value of future cash flows expected to be derived from the continuing use of the asset and from its disposal thereafter and the amount of an impairment loss relies on the estimated future cash flows based on reasonable assumptions and projections.

An indication of impairment was identified in the current period for MS Amlin AG, an overseas consolidated subsidiary that operates the reinsurance business, as it had incurred a net loss before tax for two consecutive years. Accordingly, the Group performed an impairment test to determine whether an impairment loss should be recognized on the asset group that included the goodwill of MS Amlin AG (consisting of tangible fixed assets of ¥1,028 million, goodwill of ¥3,769 million, and intangible fixed assets (excluding goodwill) of ¥41,635 million). Since the sum of the undiscounted future cash flows exceeded the carrying amount of the asset group, no impairment loss was recognized.

(b) Effects on the consolidated financial statements for the next year
An impairment loss may be recognized if the profitability of a business declines and estimated future cash flows are significantly decreased as a result of changes in business environment.

(2) Outstanding claims

(i) Amounts recorded in the consolidated financial statements as of March 31, 2021 and March 31, 2022

In the consolidated balance sheet of the Company as of March 31, 2021 and March 31, 2022, outstanding claims of ¥1,553,595 million and ¥1,711,839 million were recognized, respectively. Of this amount, outstanding claims of non-life insurance business accounted for a substantial portion.

(ii) Details of accounting estimates

In accordance with the provisions set forth in Article 117 of the Japanese Insurance Business Act as well as Articles 72 and 73 of the Enforcement Regulations of the Japanese

Insurance Business Act, the Company recognizes outstanding claims which represent the estimated amount of unpaid claims for the losses that have incurred or deemed to have incurred under insurance contracts. Overseas consolidated subsidiaries apply similar methods for recording outstanding claims.

(a) Measurement approach
The Group individually recognized expected claims payments for reported claims based on the details of reported loss events, insurance contract terms and claim investigations.
For incurred but not reported claims, the Group recognized expected claims payments based on the estimated ultimate losses determined in consideration of the past experience of claims payments in the previous years.

(b) Effects on the consolidated financial statements for the next year
The amounts of insurance claim payments and outstanding claims may differ from their current estimates due to the development of claim investigations, outcome of litigations and changes in foreign exchange rates.

Specifically, uncertainty over the estimate of outstanding claims has been increasing, as natural disasters have become more severe and frequent both within and outside Japan in the recent years, COVID-19 continues to spread globally, and prices have been rising.

8. Change in accounting policy

(Application of "Accounting Standard for Fair Value Measurement" and Others)

The Group has applied "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019), "Revised Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021) and others since the beginning of the year ended March 31, 2022. In accordance with transitional measures set forth in Paragraph 19 of "Accounting Standards for Fair Value Measurement," Paragraph 44-2 of "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019) and Paragraph 27-2 of "Revised Implementation Guidance on Accounting Standard for Fair Value Measurement," the Group has applied new accounting policies prescribed by "Accounting Standard for Fair Value Measurement" and others prospectively from the date of application.

As a result, part of investment trusts classified as financial instruments for which the fair values were not practically determinable that were recorded on the consolidated balance sheets at cost have been changed to be recorded on the consolidated balance sheets at fair value.

Information on the breakdown of financial instruments by level of fair value is included in Note 8 "Information on financial instruments" of Notes to Consolidated Balance Sheets. However, in these notes, in accordance with transitional measures set forth in Article 5, Paragraph 2 of Supplementary Provision of "Cabinet Office Ordinance for Partial Revision of Regulation on Terminology, Forms, and Preparation Methods of Financial Statements" (Cabinet Office Ordinance No. 9, March 6, 2020), the details related to the year ended March 31, 2021 are not included in these notes.

Significant Accounting Policies (Continued)

9. Change in presentation

(Application of "Accounting Standard for Disclosure of Accounting Estimates")

The Company has applied "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020) from the year ended March 31, 2021 and notes related to significant accounting estimates are included in the consolidated financial statements.

10. Cash and cash equivalents on the consolidated statements of cash flows

In preparing the consolidated statements of cash flows, cash and cash equivalents constitute cash on hand, readily available deposits and short-term highly liquid investments with original maturities not exceeding three months.

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED
AND ITS CONSOLIDATED SUBSIDIARIES

Notes to Consolidated Balance Sheets

As of March 31, 2021 and March 31, 2022

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

(in ¥ million)

	March 31, 2021	March 31, 2022
Accumulated depreciation	314,265	320,215
Accelerated depreciation	13,410	12,144

(Note) As permitted under Japanese tax legislation for the purpose of deferral in recognizing taxable income, the acquisition cost of certain qualifying properties is reduced to offset the taxable income that resulted from the sales of assets to be replaced by the acquired assets or receipts of governmental subsidies provided for the acquisition of the new assets. The total amounts deducted from the original acquisition cost of the qualifying properties as of March 31, 2021 and March 31, 2022 were ¥13,410 million and ¥12,144 million, respectively.

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

(in ¥ million)

	March 31, 2021	March 31, 2022
Securities (Domestic stocks)	15,561	16,088
Securities (Foreign securities)	107,203	115,729
Securities (Other securities)	19,426	24,604
Total	142,191	156,422

Notes to Consolidated Balance Sheets (Continued)

3. Among the loans in accordance with the Insurance Business Act, the amounts of bankrupt and quasi-bankrupt loans, doubtful loans, loans overdue for three months or more, and restructured loans are as follows:

(in ¥ million)

	March 31, 2021	March 31, 2022
Bankrupt and quasi-bankrupt loans	-	3
Doubtful loans	24	18
Loans overdue for three months or more	124	79
Restructured loans	310	263
Total	460	364

(Note) Bankrupt and quasi-bankrupt loans are claims to debtors that went bankrupt due to reasons such as the initiation of bankruptcy proceedings, the start of reorganization proceedings, and the submission of an application to start rehabilitation proceedings, as well as claims of a similar nature.

Doubtful loans are claims to debtors that are is not yet bankrupt but whose financial conditions and business performance have deteriorated, and where it is highly probable that the principal and interest in line with the original contracts cannot be collected, excluding bankrupt and quasi-bankrupt loans.

Loans overdue for three months or more represent those for which the principal or interest has been past due for three months or more after the contractual due date, excluding bankrupt and quasi-bankrupt loans and doubtful loans.

Restructured loans represent those with certain agreements favorable to debtors, such as interest exemption or reduction, grace on interest or principal payments, or forgiveness of debts for the purpose of restructuring of or provision of support to the debtors in financial difficulties, excluding bankrupt and quasi-bankrupt loans, doubtful loans, and loans overdue for three months or more.

(Change in presentation)

Due to the enforcement on March 31, 2022 of the "Cabinet Office Ordinance for Partial Revision of the Enforcement Regulations of the Japanese Banking Act, etc." (Cabinet Office Ordinance No. 3, January 24, 2020), the classification of "risk-monitoring loans" based on the Insurance Business Act has been presented in accordance with the classification of loans based on the Act of Emergency Measures for the Revitalization of the Financial Functions.

4. The amounts of assets pledged as collateral are as follows:

(in ¥ million)

	March 31, 2021	March 31, 2022
Assets pledged as collateral:		
Cash, deposits and savings	3,480	18,746
Securities	394,757	437,160
Total	398,238	455,906

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

Notes to Consolidated Balance Sheets (Continued)

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

(in ¥ million)

March 31, 2021	March 31, 2022
335,529	288,556

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

The Company provides guarantees on transactions conducted by a limited partnership entity. Aggregate net present value of these transactions was ¥65,565 million and ¥64,113 million, respectively in a negative liability position as of March 31, 2021 and March 31, 2022. These amounts were not included in Customers' liabilities under acceptances and guarantees or Acceptances and guarantees since there was no substantial exposure.

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

(in ¥ million)

March 31, 2021	March 31, 2022
12,670	11,988

8. Information on financial instruments

(1) Qualitative information on financial instruments

(i) Policy on financial instruments

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

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

(ii) Details of financial instruments and associated risks

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

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

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

Derivative transactions involve risks associated with fluctuations in fair value of derivative financial instruments, risks of non-performance resulting from insolvency of counterparties and market liquidity risks. Derivative transactions utilized by the Group are also exposed to these risks. However, market risks associated with derivative transactions utilized for the purpose of hedging are mitigated, as changes in the fair value of hedged items and hedging instruments offset each other. To mitigate credit risks arising from the non-performance of counterparties, most of the Group's derivative transactions are executed only with select counterparties of high credit quality and diversified among various counterparties. Furthermore, under Credit Support Annex ("CSA"), the Group obtains collateral from counterparties.

(iii) Risk management structure related to financial instruments

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

(a) Market risk management

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

(b) Credit risk management

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

(c) Liquidity risk management

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

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

In determining fair value of financial instruments, certain assumptions and methods are used, thus the fair value may differ if alternative assumptions are applied.

Notes to Consolidated Balance Sheets (Continued)

(2) Fair value of financial instruments and breakdown by level of fair value

The carrying amounts on the consolidated balance sheets, the fair values, the differences between the carrying amounts and fair values, and each level of fair values of financial instruments are as follows.
Stocks and other securities without market prices and investments in partnerships etc. (as of March 31, 2021, financial instruments in which the fair values are not practically determinable) are not included in the following table (see Note 3 and Note 4).
The fair value of financial instruments is categorized within the following three levels based on the observability and significance of the inputs used to measure fair value.

Level 1: Fair value measured using (unadjusted) quoted prices in active markets for identical assets or liabilities
Level 2: Fair value measured using directly or indirectly observable inputs other than Level 1 inputs
Level 3: Fair value measured using significant unobservable inputs

If multiple inputs are used with significant effects on the fair value measurement, the fair value is categorized within the lowest priority level of fair value measurement among the levels where those inputs belong.

(i) Financial assets and liabilities measured at fair value on the consolidated balance sheet

March 31, 2021

(in ¥ million)

	Carrying amount	Fair value	Difference
(a) Monetary claims bought	67,396	67,396	-
(b) Money trusts	4,878	4,878	-
(c) Securities:			
Trading securities	848,186	848,186	-
Available-for-sale securities	4,469,664	4,469,664	-
Total assets	5,390,125	5,390,125	-
Derivative transactions (*1):			
Hedge accounting not applied	12,244	12,244	-
Hedge accounting applied	(6,560)	(6,560)	-
Total derivative transactions	5,683	5,683	-

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

Notes to Consolidated Balance Sheets (Continued)

March 31, 2022

(in ¥ million)

	Carrying amount			
	Level 1	Level 2	Level 3	Total
(a) Monetary claims bought	-	48,331	4,368	52,699
(b) Money trusts	-	576	-	576
(c) Securities:				
Trading securities				
Domestic bonds	34,886	4,866	-	39,752
Domestic stocks	8,923	-	-	8,923
Foreign securities	418,245	345,549	100,330	864,125
Available-for-sale securities				
Domestic bonds	701,440	652,413	-	1,353,853
Domestic stocks	1,929,621	-	-	1,929,621
Foreign securities	410,230	741,010	176,453	1,327,693
Others	3,532	32,819	11,438	47,790
Derivative transactions (*1):				
Currency	122	13,064	-	13,186
Interest rate	74	21,196	-	21,271
Equity	-	1,391	-	1,391
Bond	4,185	-	-	4,185
Credit	-	848	-	848
Others	-	-	379	379
Total assets	3,511,262	1,862,067	292,969	5,666,300
Derivative transactions (*1):				
Currency	70	25,647	-	25,717
Interest rate	99	7,791	-	7,891
Equity	6,042	418	-	6,461
Bond	1,250	-	-	1,250
Credit	-	2,498	-	2,498
Others	-	-	696	696
Total liabilities	7,462	36,357	696	44,515

(*1) The carrying amounts of derivative transactions applying hedge accounting are ¥1,535 million as an asset and ¥8,730 million as a liability.

Notes to Consolidated Balance Sheets (Continued)

(ii) Financial assets and liabilities that are not measured at fair value on the consolidated balance sheet

Cash, deposits and savings, and receivables under resale agreements are not included in the following tables as they are mostly short term (within one year) and their fair values approximate their carrying amounts.

March 31, 2021

(in ¥ million)

	Carrying amount	Fair value	Difference
(a) Monetary claims bought	7,350	7,350	-
(c) Securities:			
Held-to-maturity securities	3,738	4,073	334
Investments in associates	35,427	102,082	66,654
(d) Loans	404,410		
Bad debt reserve (*1)	(2)		
	404,408	406,371	1,963
Total assets	450,925	519,877	68,952
Bonds issued	587,093	595,455	8,362
Total liabilities	587,093	595,455	8,362

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

March 31, 2022

(in ¥ million)

	Fair value				Carrying amount	Difference
	Level 1	Level 2	Level 3	Total		
(a) Monetary claims bought	-	12,794	-	12,794	12,794	-
(c) Securities:						
Held-to-maturity securities						
Foreign securities	-	3,852	-	3,852	3,875	(22)
Investments in associates	92,727	2,829	-	95,556	37,966	57,589
(d) Loans					391,893	
Bad debt reserve (*1)					(7)	
	-	-	392,305	392,305	391,885	419
Total assets	92,727	19,476	392,305	504,509	446,522	57,986
Bonds issued	-	530,891	101,319	632,210	630,902	1,307
Total liabilities	-	530,891	101,319	632,210	630,902	1,307

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

Notes to Consolidated Balance Sheets (Continued)

(Note 1)Determination of fair value of financial instruments

Assets

(a) Monetary claims bought

With regard to commercial papers ("CP"), the price quoted by counterparty financial institutions is deemed the fair value. With regard to certain CP, the carrying amounts approximate the fair value since they are scheduled to be settled within a short period. With regard to Monetary claims bought other than CP, the price quoted by counterparty financial institutions is deemed the fair value.
These are mainly categorized within Level 2.

(b) Money trusts

With regard to Money trusts, the price quoted by trustees is deemed the fair value. These are categorized within Level 2 based on the level of components of assets in trust.

(c) Securities

Those with unadjusted quoted prices available in active markets, mainly including listed stocks, government bonds, and listed investment trusts, are categorized within Level 1.
Those with published quoted prices in markets that are not active, mainly including municipal bonds and corporate bonds, are categorized within Level 2.
With regard to unlisted investment trusts, prices quoted by trust management companies are deemed the fair value. These are categorized within Level 2 or Level 3 mainly based on the level of components of assets in trust.

(d) Loans

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

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

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

These are categorized within Level 3.

Liabilities

Bonds issued

With regard to Bonds issued, the fair value is determined based on "Reference Statistical Prices for OTC Bond Transactions" published by the Japan Securities Dealers Association ("JSDA") or prices quoted by counterparty financial institutions. Those based on "Reference Statistical Prices for OTC Bond Transactions" published by JSDA are categorized within Level 2, and those based on prices quoted by counterparty financial institutions are categorized within Level 3.

Derivative transactions

With regard to market transactions, the fair value is determined based on the closing prices at exchanges. With regard to transactions other than market transactions, the fair value is determined based on prices quoted by counterparty financial institutions or prices calculated by the valuation model using inputs such as interest rates, exchange rates, and volatility.

The market transactions are mainly categorized within Level 1. The transactions other than market transactions using significant unobservable inputs are categorized within Level 3, and the other transactions are categorized within Level 2.

Notes to Consolidated Balance Sheets (Continued)

(Note 2) Financial assets and liabilities measured at fair value on the consolidated balance sheet and categorized within Level 3

The Level 3 fair value mostly comprises instruments with unadjusted prices obtained from third parties. Accordingly, notes such as quantitative information on significant unobservable inputs used to measure fair value are omitted.

(1) Reconciliation from beginning balance to ending balance, and net unrealized gains/losses recognized in profit or loss

March 31, 2022

(in ¥ million)

	Beginning balance	Recorded in profit or loss for the current fiscal year (*1)	Recorded in other comprehensive income (*2)	Changes due to purchases, issues, sales and settlements	Transfer from Level 3 fair value (*3)(*4)	Ending balance	Net unrealized gains/(losses) recorded in profit or loss on financial assets and liabilities held at the consolidated balance sheet date (*1)
Monetary claims bought	5,927	0	(113)	(1,445)	-	4,368	-
Securities:							
Trading securities	75,527	8,886	8,340	7,575	-	100,330	4,946
Available-for-sale securities	126,540	8,190	69,521	(15,360)	(1,000)	187,892	-
Total assets	207,994	17,077	77,749	(9,231)	(1,000)	292,590	4,946
Derivative transactions (*5)	(131)	506	-	(691)	-	(316)	183

(*1) Mainly included in "Investment income" and "Investment expenses" of the consolidated statement of income.
(*2) Included in "Other comprehensive income" of the consolidated statement of comprehensive income, as a component of "Net unrealized gains/(losses) on securities" or "Foreign currency translation adjustments".
(*3) Transfers between levels are made at the end of each quarter.
(*4) Transfer from Level 3 to Level 2 due to that observable inputs for foreign corporate bonds became available.
(*5) Derivative assets and liabilities included in Other assets and Other liabilities are presented on a net basis. Receivables and payables as well as gains and losses arising from derivative transactions are netted, and items that result in a net payable or a net loss in total is presented in parentheses.

(2) Descriptions of the valuation process of fair value

At the Group, departments that are independent from those responsible for transactions of financial instruments stipulate policies and procedures on the fair value measurement and measure fair value. With regard to the measured fair value, the appropriateness of the inputs and valuation techniques used to measure fair value are verified. When using quoted prices obtained from third parties as fair value, the appropriateness is verified by suitable methods such as reviewing the inputs and valuation techniques used and comparing with the fair value of similar financial instruments.

(Note 3) The carrying amounts of financial instruments as of March 31, 2021 in which the fair values are not practically determinable, which are not included in "(c) Securities" above, are as follows:

	(in ¥ million)
	March 31, 2021
Unlisted stocks and other assets invested in unconsolidated subsidiaries and associates	106,763
Other unlisted stocks	31,103
Unlisted investment trusts	86,084
Unlisted convertible bonds	39,608
Investments in partnerships comprising unlisted stocks	32,483
Total	296,043

The fair value of the financial instruments in the above table is not disclosed because their fair value is not practically determinable due to lack of marketability or difficulties in reasonably estimating future cash flows.

(Note 4) The carrying amounts of stocks and other securities without market prices and investments in partnerships etc. as of March 31, 2022, which are not included in "(c) Securities" in Fair value of financial instruments and breakdown by level of fair value above, are as follows:

	(in ¥ million)
	March 31, 2022
Stocks and other securities without market prices (*1)	157,420
Investments in partnerships etc. (*2)	41,522
Total	198,943

(*1) Stocks and other securities without market prices include unlisted stocks, etc., and are not subject to fair value disclosure in accordance with the Paragraph 5 of ASBJ Guidance No. 19 "Implementation Guidance on Disclosures about Fair Value of Financial Instruments."

(*2) Investments in partnerships etc. are not subject to fair value disclosure, in accordance with the Paragraph 24-16 of ASBJ Guidance No. 31 "Revised Implementation Guidance on Accounting Standard for Fair Value Measurement."

Notes to Consolidated Balance Sheets (Continued)

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

(in ¥ million)

	March 31, 2021	March 31, 2022
Carrying amount	41,385	40,075
Fair value	116,080	118,683

(Notes)

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

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

	March 31, 2021	March 31, 2022
Net assets per share (in ¥)	1,199.00	1,367.54
Non-controlling interests deducted from net assets (in ¥ million)	45,244	47,596
Outstanding common stock (in thousands of shares)	1,404,402	1,404,402

Notes to Consolidated Statements of Income

For the years ended March 31, 2021 and March 31, 2022

1. Life insurance premiums are presented at an amount of premium income less cash surrender value or withdrawals (hereinafter referred to as "surrender benefits") and ceding reinsurance premiums paid. The breakdown of life insurance premiums is as follows:

(in ¥ million)

	For the year ended March 31, 2021	For the year ended March 31, 2022
Premium income	37,656	38,758
Surrender benefits and ceding reinsurance premiums paid	(26,138)	(13,639)
Life insurance premiums	11,517	25,118

2. Major components of business expenses are as follows:

(in ¥ million)

	For the year ended March 31, 2021	For the year ended March 31, 2022
Commission expenses	391,910	405,522
Salaries	168,500	168,278

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

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

For the year ended March 31, 2021

(in ¥ million)

Use	Category	Description	Impairment losses on fixed assets	Breakdown	
Idle real estate and real estate for sale	Land and buildings	4 properties, including an office building in Yamaguchi	230	Land Buildings	113 117

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

Due to the disposal in the near future or other reasons, the carrying amounts of the assets were reduced to recoverable amounts, and the aggregate difference between them was recognized as impairment losses on fixed assets under Extraordinary losses.

The recoverable amounts of assets to be disposed represent their net sales value, which are determined based on the appraisal value provided by qualified appraisers.

Notes to Consolidated Statements of Income (Continued)

For the year ended March 31, 2022

(in ¥ million)

Use	Category	Description	Impairment losses on fixed assets	Breakdown	
Idle real estate and real estate for sale	Land and buildings	5 properties, including an office building in Ishikawa	1,156	Land Buildings	293 862

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

Due to the disposal in the near future or other reasons, the carrying amounts of the assets were reduced to recoverable amounts, and the aggregate difference between them was recognized as impairment losses on fixed assets under Extraordinary losses.

The recoverable amounts of assets to be disposed represent their net sales value, which are determined based on the appraisal value provided by qualified appraisers.

4. Details of Other extraordinary losses are as follows:

For the year ended March 31, 2021

Other extraordinary losses represent additional retirement benefits due to the personnel reduction at overseas consolidated subsidiaries.

For the year ended March 31, 2022

Other extraordinary losses include special funding, etc. of ¥4,721 million in relation to the outside career change support program of the Company and additional retirement benefits of ¥354 million due to the personnel reduction at overseas consolidated subsidiaries.

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

	For the year ended March 31, 2021	For the year ended March 31, 2022
Net income attributable to owners of the parent per share (in ¥)	38.27	88.78

(Notes)
1. Since there was no potential dilution for the years ended March 31, 2021 and 2022, diluted net income per share is not presented.
2. The basis of calculation is as follows:

	For the year ended March 31, 2021	For the year ended March 31, 2022
Net income attributable to owners of the parent (in ¥ million)	53,753	124,686
Average outstanding common stock during the year (in thousands of shares)	1,404,402	1,404,402

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED
AND ITS CONSOLIDATED SUBSIDIARIES

Notes to Consolidated Statements of Comprehensive Income

For the years ended March 31, 2021 and March 31, 2022

1. Reclassification adjustments and income tax effects of other comprehensive income

	For the year ended March 31, 2021	For the year ended March 31, 2022 (in ¥ million)
Net unrealized gains/(losses) on securities:		
Gains/(losses) arising during the period	580,011	168,973
Reclassification adjustments	(53,969)	(69,982)
Before income tax effect adjustments	526,042	98,990
Income tax effects	(145,465)	(26,773)
Net unrealized gains/(losses) on securities	380,576	72,216
Net deferred gains/(losses) on hedges:		
Gains/(losses) arising during the period	341	(1,557)
Reclassification adjustments	(5,215)	(5,219)
Before income tax effect adjustments	(4,873)	(6,777)
Income tax effects	1,441	1,547
Net deferred gains/(losses) on hedges	(3,432)	(5,230)
Foreign currency translation adjustments:		
Gains/(losses) arising during the period	(46,576)	103,250
Actuarial gains/(losses) on retirement benefits:		
Gains/(losses) arising during the period	13,162	(1,080)
Reclassification adjustments	2,078	(211)
Before income tax effect adjustments	15,241	(1,292)
Income tax effects	(4,437)	515
Actuarial gains/(losses) on retirement benefits	10,803	(777)
Share of other comprehensive income/(loss) of equity method investments:		
Gains/(losses) arising during the period	11,415	10,575
Reclassification adjustments	(4,106)	(5,457)
Share of other comprehensive income/(loss) of equity method investments	7,309	5,117
Total other comprehensive income	348,681	174,577

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED
AND ITS CONSOLIDATED SUBSIDIARIES

Notes to Consolidated Statements of Changes in Net Assets

For the years ended March 31, 2021 and March 31, 2022

For the year ended March 31, 2021

1. Type and number of issued stock and treasury stock

(in thousands of shares)

	Beginning balance	Increase	Decrease	Ending balance
Issued stock:				
Common stock	1,404,402	-	-	1,404,402
Total	1,404,402	-	-	1,404,402

(Note) Not applicable to treasury stock

2. Dividends

(1) Dividends paid

Resolution	Type of shares	Aggregate amount of dividends (in ¥ million)	Dividends per share (in ¥)	Date of record	Effective date
Board meeting held on May 18, 2020	Common stock	51,800	36.88	March 31, 2020	May 25, 2020
Board meeting held on May 18, 2020	Common stock	84,201	59.95	-	May 18, 2020
Board meeting held on November 18, 2020	Common stock	36,512	25.99	-	November 25, 2020

(2) Dividends declared effective after March 31, 2021 for which the date of record is in the year ended March 31, 2021

Resolution	Type of shares	Aggregate amount of dividends (in ¥ million)	Source of dividends	Dividends per share (in ¥)	Date of record	Effective date
Board meeting held on May 19, 2021	Common stock	35,568	Retained earnings	25.32	March 31, 2021	May 25, 2021

Notes to Consolidated Statements of Changes in Net Assets (Continued)

For the year ended March 31, 2022

1. Type and number of issued stock and treasury stock

(in thousands of shares)

	Beginning balance	Increase	Decrease	Ending balance
Issued stock:				
Common stock	1,404,402	-	-	1,404,402
Total	1,404,402	-	-	1,404,402

(Note) Not applicable to treasury stock

2. Dividends

(1) Dividends paid

Resolution	Type of shares	Aggregate amount of dividends (in ¥ million)	Dividends per share (in ¥)	Date of record	Effective date
Board meeting held on May 19, 2021	Common stock	35,568	25.32	March 31, 2021	May 25, 2021
Board meeting held on November 18, 2021	Common stock	24,131	17.18	-	November 25, 2021

Resolution	Type of shares	Type of asset distributed as dividends and carrying amount (in ¥ million)		Dividends per share (in ¥)	Date of record	Effective date
Board meeting held on December 24, 2021	Common stock	Common stock of MSK Marine Service Company, Limited	30	0.02	-	January 15, 2022

(2) Dividends declared effective after March 31, 2022 for which the date of record is in the year ended March 31, 2022

Resolution	Type of shares	Aggregate amount of dividends (in ¥ million)	Source of dividends	Dividends per share (in ¥)	Date of record	Effective date
Board meeting held on May 18, 2022	Common stock	71,086	Retained earnings	50.61	March 31, 2022	May 25, 2022

MITSUI SUMITOMO INSURANCE COMPANY, LIMITED
AND ITS CONSOLIDATED SUBSIDIARIES

Notes to Consolidated Statements of Cash Flows

For the years ended March 31, 2021 and March 31, 2022

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

(in ¥ million)

	For the year ended March 31, 2021	For the year ended March 31, 2022
Cash, deposits and savings	906,910	1,239,807
Receivables under resale agreements	1,999	-
Monetary claims bought	74,747	65,494
Securities	5,653,060	5,812,547
Time deposits with original maturities of more than three months	(172,613)	(183,647)
Monetary claims bought other than cash equivalents	(68,790)	(52,699)
Securities other than cash equivalents	(5,628,106)	(5,794,758)
Cash and cash equivalents	767,207	1,086,744

2. Cash flows from investing activities include those from investments made as part of the insurance business.