MS&AD Insurance Group Holdings, Inc.

Consolidated Solvency Margin Ratio as of September 30, 2016

The following table summarizes the consolidated solvency margin ratio as of September 30, 2016.

(Yen in millions)

	March 31, 2016	September 30, 2016
(A) Total amount of solvency margin	4,245,473	4,311,194
Total net assets	915,044	1,039,536
Reserve for price fluctuation	161,032	149,245
Contingency reserve	103,541	100,324
Catastrophe reserve	784,613	826,148
General bad debt reserve	663	499
Net unrealized gains/(losses) on investments in securities and net deferred gains/(losses) on hedges (Prior to tax effect deductions)	1,660,182	1,518,960
Net unrealized gains/(losses) on land	6,215	15,004
Total amount of unrecognized actuarial gains/(losses) and unrecognized past service costs (Prior to tax effect deductions)	(11,429)	(9,196)
Excess of policyholders' contract deposits (a)	312,389	313,450
Subordinated debts, etc. (b)	306,191	306,191
Amount excluded from the margin, out of (a) and (b)	-	-
Total margin relating to small amount and short term insurance provider	-	-
Deductions	178,107	165,548
Others	185,137	216,580
(B) Total amount of risks $\sqrt{\left(\sqrt{R_1^2+R_2^2}+R_3+R_4\right)^2+\left(R_5+R_6+R_7\right)^2}+R_8+R_9$	1,142,234	1,056,041
General insurance risk of non-life insurance contracts (R_1)	296,894	308,555
Insurance risk of life insurance contracts (R_2)	16,049	16,363
Insurance risk of third sector insurance contracts (R_3)	9,667	10,511
Insurance risk relating to small amount and short term insurance provider (R_4)	-	-
Assumed interest rate risk (R_5)	66,052	64,975
Minimum guarantee risk of life insurance contracts (R_6)	10,022	10,251
Asset management risk (R_7)	741,515	686,841
Business administration risk (R_8)	27,629	26,023
Catastrophe risk of non-life insurance contracts (R_9)	241,277	203,683
(C) Consolidated solvency margin ratio [(A)/{(B)×1/2}]×100	743.3%	816.4%

(Note) The consolidated solvency margin ratio is calculated pursuant to the provisions of Article 210.11.3 (the consolidated solvency margin) and Article 210.11.4 (the consolidated risk) of the Insurance Business Act Enforcement Regulations and Public Notice No. 23 issued by the Financial Services Agency in 2011.

(Reference: Consolidated Solvency Margin Ratio)

The Group mainly runs non-life insurance business and life insurance business.

While insurance company groups set aside reserves to provide for payments of insurance claims in case that an insured event occurs and maturity refunds of savings-type insurance, they are also required to maintain sufficient funds to pay out in an event outside the normal range of expectations such as a major catastrophe and a significant drop in the value of their assets.

The consolidated solvency margin ratio, or item (C) in the above table, which is calculated in accordance with the Insurance Business Act, is the ratio of “solvency margin of insurance company groups calculated based on their capital and other reserves”, or (A) the total amount of solvency margin, to “risks exceeding the normal range of estimates”, or (B) the total amount of risks.

While the scope of consolidation in calculating the consolidated solvency margin ratio follows the scope of consolidation in accounting, all subsidiaries which fall within the definition of subsidiary set forth in the Insurance Business Act (i.e. subsidiaries whose more than 50% share of voting rights is owned by the Group) are, in principle, included in the calculation process regardless of their importance.

The consolidated solvency margin ratio is one of the objective indicators used by the insurance regulatory authorities to supervise insurance companies and insurance holding companies. A consolidated solvency margin ratio of 200% or over indicates adequate ability to satisfy insurance claims and other payment requirements.