

SUMMARY OF FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2017

November 17, 2017

Name of Listed Company: **MS&AD Insurance Group Holdings, Inc.**
 Stock Exchange Listing: Tokyo Stock Exchange and Nagoya Stock Exchange
 Securities Code Number: 8725
 URL: <http://www.ms-ad-hd.com>
 Representative: Yasuyoshi Karasawa, President & CEO
 Contact: Masaru Kenma, Manager, Consolidated Accounting Section, Accounting Department
 Telephone: 03-5117-0305

Scheduled date to file the Quarterly Securities Report: November 17, 2017
 Scheduled date to commence dividend payments: December 5, 2017
 Explanatory material for business results: Available
 IR Conference (for institutional investors and analysts): To be held

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

1. Consolidated Financial Highlights for the Six Months Ended September 30, 2017 (April 1, 2017 to September 30, 2017)

(1) Consolidated business performance (Yen in millions)

	Ordinary income		Ordinary profit		Net income attributable to owners of the parent	
	Amount	%	Amount	%	Amount	%
Six months ended September 30, 2017	2,889,833	4.5 %	131,559	(12.9) %	75,734	(23.0) %
Six months ended September 30, 2016	2,766,450	10.4 %	151,029	23.3 %	98,418	14.4 %

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

(Note) Comprehensive income For the six months ended September 30, 2017: ¥ 250,699 million - %
 For the six months ended September 30, 2016: ¥ (213,323) million - %

(Yen)

	Net income attributable to owners of the parent per share - Basic	Net income attributable to owners of the parent per share - Diluted
	Six months ended September 30, 2017	127.91
Six months ended September 30, 2016	163.60	163.59

(2) Consolidated financial conditions (Yen in millions)

	Total assets	Net assets	Ratio of net assets less non-controlling interests to total assets
September 30, 2017	22,244,541	2,941,444	13.1 %
March 31, 2017	21,234,300	2,734,432	12.8 %

(Reference) Net assets less non-controlling interests As of September 30, 2017: ¥ 2,916,906 million
 As of March 31, 2017: ¥ 2,708,978 million

2. Dividends (Yen)

	Dividends per share				
	1st quarter	2nd quarter	3rd quarter	4th quarter	Annual total
Year ended March 31, 2017	-	50.00	-	70.00	120.00
Year ending March 31, 2018	-	65.00	/		
Year ending March 31, 2018 (Forecast)	/		-	65.00	130.00

(Note) Revision of the latest announced dividends per share forecast: None

3. Consolidated Earnings Forecasts for the Year Ending March 31, 2018 (April 1, 2017 to March 31, 2018)

(Yen in millions)

	Ordinary profit		Net income attributable to owners of the parent		Net income attributable to owners of the parent per share (Yen)
	Amount	%	Amount	%	Amount
Year ending March 31, 2018	238,000	(32.5) %	145,000	(31.1) %	244.82

Percent figures represent changes from the preceding year.

(Note) Revision of the latest announced earnings forecasts: Yes

*** Notes**

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

Increase 0

Decrease 1 (Solo Absolute Bonds and Currency Fund)

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

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

2. Changes in accounting policies other than above: None

3. Changes in accounting estimates: None

4. Restatements: None

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

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

As of September 30, 2017: 593,291,754 shares

As of March 31, 2017: 633,291,754 shares

2. Number of shares of treasury stock

As of September 30, 2017: 871,275 shares

As of March 31, 2017: 40,884,055 shares

3. Average number of shares of outstanding stock

For the six months ended September 30, 2017: 592,085,038 shares

For the six months ended September 30, 2016: 601,572,392 shares

*** This report is unaudited.**

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

(1) Any earnings forecasts in this report have been made based on the information available to the Company as of the disclosure date of the report and certain assumptions, and therefore do not guarantee future performance. Actual results may differ substantially from these forecasts depending on various factors. For key assumptions of the earnings forecasts and other relevant information, please refer to “(3) Explanation for Future Forecast Information including Consolidated Earnings Forecasts” on page 2 of the Appendix. The forecast of consolidated ordinary income for the current fiscal year is not disclosed due to difficulties in calculating reasonable forecast figures stemming from a high susceptibility to natural disasters and market conditions.

(2) The Company made its interim consolidated financial statements for the first half of the fiscal year, as required for specified companies which operate the businesses defined in the Article 17-15 Paragraph 2 of the Cabinet Office Ordinance on Disclosure of Corporate Information, etc.

[Appendix]

Contents

	Page
1. Qualitative Information on Business Results	
(1) Explanation for Business Performance	2
(2) Explanation for Financial Conditions	2
(3) Explanation for Future Forecast Information including Consolidated Earnings Forecasts ...	2
2. Consolidated Financial Statements and Main Notes	
(1) Consolidated Balance Sheets	3
(2) Consolidated Statements of Income and Comprehensive Income	4
(3) Consolidated Statements of Changes in Net Assets	6
(4) Notes to Consolidated Financial Statements	8
(Notes to Going Concern Assumptions)	8

[Attachment]

Explanatory Material for Business Results for the Six Months Ended September 30, 2017

1. Qualitative Information on Business Results

(1) Explanation for Business Performance

During the six months ended September 30, 2017, the global economy has been on a gradual recovery trend with a continuing recovery in the US and Europe. Asian economy also showed the bright sign for a recovery.

Japanese economy also moderately recovered with an improvement in corporate earnings and a turning the corner in consumer spending.

However, the non-life insurance industry in Japan was significantly affected by natural catastrophe losses attributable to the hurricanes in North America and the earthquakes in Mexico.

Under these conditions, the business performance of the Group for the six months ended September 30, 2017 was as follows.

Underwriting income was ¥2,450.7 billion (of which net premiums written were ¥1,861.5 billion), investment income was ¥429.9 billion and other ordinary income was ¥9.1 billion, resulting in total ordinary income of ¥2,889.8 billion. Ordinary expenses amounted to ¥2,758.2 billion. This breaks down into underwriting expenses of ¥2,415.1 billion (of which net claims paid were ¥886.6 billion), investment expenses of ¥15.5 billion, operating expenses and general and administrative expenses of ¥319.7 billion and other ordinary expenses of ¥7.8 billion.

As a result, the Company posted an ordinary profit of ¥131.5 billion, marking a decrease of ¥19.4 billion from the same period last year. After factoring in extraordinary income and losses, income taxes and other factors, net income attributable to owners of the parent of ¥75.7 billion was reported with a decrease of ¥22.6 billion year on year.

(2) Explanation for Financial Conditions

As of September 30, 2017, total assets stood at ¥22,244.5 billion with an increase of ¥1,010.2 billion from March 31, 2017. Investments in securities stood at ¥16,085.5 billion with an increase of ¥782.4 billion from March 31, 2017.

(3) Explanation for Future Forecast Information including Consolidated Earnings Forecasts

The Company forecasts ordinary profit of ¥238.0 billion and net income attributable to owners of the parent of ¥145.0 billion on a consolidated basis for the year ending March 31, 2018. These forecasts have been revised from those announced on May 19, 2017, taking into account the consolidated business results for the six months ended September 30, 2017 and the future outlook. For details of the revision, please refer to "Notice Regarding Revision of Consolidated Earnings Forecasts for the Year Ending March 31, 2018" announced today (November 17, 2017).

The primary assumptions of the forecasts are as follows.

- The forecast of net premiums written is based on the Company's own estimate taking into account the trends in the consolidated business results.
- Incurred losses (which are the sum total of net claims paid and movement in outstanding claims) caused by natural disasters in Japan for the year ending March 31, 2018 are assumed to be ¥41.0 billion at Mitsui Sumitomo Insurance Co., Ltd. and ¥26.0 billion at Aioi Nissay Dowa Insurance Co., Ltd.
- Market interest rates, currency exchange rates and stock prices are assumed to be at almost the same level as September 30, 2017.

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

2. Consolidated Financial Statements and Main Notes

(1) Consolidated Balance Sheets

(Yen in millions)

	March 31, 2017	September 30, 2017
Assets		
Cash, deposits and savings	1,419,267	1,433,626
Call loans	15,000	15,000
Receivables under resale agreements	6,999	6,999
Receivables under securities borrowing transactions	285,455	281,527
Monetary claims bought	111,320	119,644
Money trusts	971,119	1,059,681
Investments in securities	15,303,103	16,085,550
Loans	886,316	903,054
Tangible fixed assets	464,955	457,720
Intangible fixed assets	417,156	411,327
Other assets	1,225,719	1,329,364
Assets for retirement benefits	32,452	31,713
Deferred tax assets	55,660	65,873
Customers' liabilities under acceptances and guarantees	50,530	53,530
Bad debt reserve	(10,756)	(10,071)
Total assets	21,234,300	22,244,541
Liabilities		
Policy liabilities:	16,156,153	16,966,010
Outstanding claims	1,982,354	2,120,610
Underwriting reserves	14,173,799	14,845,399
Bonds issued	456,191	428,191
Other liabilities	1,226,769	1,200,045
Liabilities for pension and retirement benefits	190,562	188,839
Reserve for retirement benefits for officers	640	575
Accrued bonuses for employees	28,396	23,831
Reserve for reorganization by function	22,097	19,407
Reserves under the special laws:	194,960	210,067
Reserve for price fluctuation	194,960	210,067
Deferred tax liabilities	173,566	212,598
Acceptances and guarantees	50,530	53,530
Total liabilities	18,499,867	19,303,096
Net assets		
Shareholders' equity:		
Common stock	100,000	100,000
Capital surplus	669,458	551,757
Retained earnings	775,877	810,142
Treasury stock	(120,050)	(2,564)
Total shareholders' equity	1,425,285	1,459,335
Accumulated other comprehensive income:		
Net unrealized gains/(losses) on investments in securities	1,360,859	1,529,963
Net deferred gains/(losses) on hedges	23,472	25,910
Foreign currency translation adjustments	(91,219)	(94,346)
Accumulated actuarial gains/(losses) on retirement benefits	(9,420)	(3,956)
Total accumulated other comprehensive income	1,283,692	1,457,571
Stock acquisition rights	307	566
Non-controlling interests	25,147	23,971
Total net assets	2,734,432	2,941,444
Total liabilities and net assets	21,234,300	22,244,541

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

(Yen in millions)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Ordinary income:	2,766,450	2,889,833
Underwriting income:	2,580,125	2,450,737
Net premiums written	1,839,546	1,861,532
Deposit premiums from policyholders	52,322	45,170
Investment income on deposit premiums from policyholders	24,244	21,872
Life insurance premiums	661,060	511,153
Investment income:	178,749	429,951
Interest and dividends income	131,228	142,210
Investment gains on money trusts	739	48,303
Investment gains on trading securities	28,786	16,620
Gains on sales of securities	41,144	59,327
Investment gains on separate accounts	-	123,064
Transfer of investment income on deposit premiums from policyholders	(24,244)	(21,872)
Other ordinary income	7,575	9,144
Ordinary expenses:	2,615,421	2,758,273
Underwriting expenses:	2,002,155	2,415,168
Net claims paid	887,173	886,659
Loss adjustment expenses	83,048	83,497
Commissions and collection expenses	349,593	350,062
Maturity refunds to policyholders	117,578	112,281
Life insurance claims	160,816	174,238
Provision for outstanding claims	36,593	139,364
Provision for underwriting reserves	337,983	666,302
Investment expenses:	285,679	15,524
Investment losses on money trusts	51,706	0
Losses on sales of securities	4,581	2,982
Impairment losses on securities	2,688	1,495
Investment losses on separate accounts	62,615	-
Operating expenses and general and administrative expenses	320,293	319,763
Other ordinary expenses:	7,292	7,817
Interest expense	4,285	5,091
Ordinary profit	<u>151,029</u>	<u>131,559</u>
Extraordinary income:	12,280	123
Gains on sales of fixed assets	493	123
Reversal of reserves under the special law:	11,786	-
Reversal of reserve for price fluctuation	11,786	-
Extraordinary losses:	28,243	18,458
Losses on sales of fixed assets	489	2,210
Impairment losses on fixed assets	2,029	1,134
Provision for reserves under the special laws:	-	15,107
Provision for reserve for price fluctuation	-	15,107
Losses on reduction of tangible fixed assets	-	6
Other extraordinary losses	25,725	-
Income before income taxes	<u>135,065</u>	<u>113,224</u>
Income taxes - current	36,641	73,140
Income taxes - deferred	(950)	(36,526)
Total income taxes	<u>35,690</u>	<u>36,614</u>
Net income	<u>99,374</u>	<u>76,609</u>
Net income attributable to non-controlling interests	956	875
Net income attributable to owners of the parent	<u>98,418</u>	<u>75,734</u>

(Consolidated Statements of Comprehensive Income)

(Yen in millions)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Net income	99,374	76,609
Other comprehensive income:		
Net unrealized gains/(losses) on investments in securities	(111,799)	167,447
Net deferred gains/(losses) on hedges	(5,563)	2,385
Foreign currency translation adjustments	(192,649)	(1,801)
Accumulated actuarial gains/(losses) on retirement benefits	1,549	5,462
Share of other comprehensive income of equity method investments	(4,234)	594
Total other comprehensive income	<u>(312,698)</u>	<u>174,089</u>
Total comprehensive income	<u>(213,323)</u>	<u>250,699</u>
Allocation:		
Comprehensive income attributable to owners of the parent	(211,612)	249,612
Comprehensive income attributable to non-controlling interests	(1,711)	1,086

(3) Consolidated Statements of Changes in Net Assets

For the six months ended September 30, 2016 (from April 1, 2016 to September 30, 2016)

(Yen in millions)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Beginning balance	100,000	670,646	628,562	(80,065)	1,319,143
Changes for the six months:					
Dividends paid			(33,202)		(33,202)
Net income attributable to owners of the parent			98,418		98,418
Repurchase of treasury stock				(10,012)	(10,012)
Disposal of treasury stock		0		1	1
Cancellation of treasury stock					-
Changes in equity resulted from increase in capital of consolidated subsidiaries		(570)			(570)
Changes in the parent's ownership interests in subsidiaries due to transactions with non-controlling interests		(617)			(617)
Net changes of items other than shareholders' equity					
Total changes for the six months	-	(1,188)	65,216	(10,011)	54,017
Ending balance	100,000	669,458	693,778	(90,077)	1,373,160

	Accumulated other comprehensive income					Stock acquisition rights	Non-controlling interests	Total net assets
	Net unrealized gains/(losses) on investments in securities	Net deferred gains/(losses) on hedges	Foreign currency translation adjustments	Accumulated actuarial gains/(losses) on retirement benefits	Total accumulated other comprehensive income			
Beginning balance	1,324,886	40,113	22,369	(8,343)	1,379,024	-	27,106	2,725,274
Changes for the six months:								
Dividends paid								(33,202)
Net income attributable to owners of the parent								98,418
Repurchase of treasury stock								(10,012)
Disposal of treasury stock								1
Cancellation of treasury stock								-
Changes in equity resulted from increase in capital of consolidated subsidiaries								(570)
Changes in the parent's ownership interests in subsidiaries due to transactions with non-controlling interests								(617)
Net changes of items other than shareholders' equity	(109,601)	(5,563)	(196,415)	1,547	(310,033)	307	(1,935)	(311,661)
Total changes for the six months	(109,601)	(5,563)	(196,415)	1,547	(310,033)	307	(1,935)	(257,643)
Ending balance	1,215,284	34,550	(174,046)	(6,796)	1,068,991	307	25,171	2,467,630

For the six months ended September 30, 2017 (from April 1, 2017 to September 30, 2017)

(Yen in millions)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Beginning balance	100,000	669,458	775,877	(120,050)	1,425,285
Changes for the six months:					
Dividends paid			(41,468)		(41,468)
Net income attributable to owners of the parent			75,734		75,734
Repurchase of treasury stock				(34)	(34)
Disposal of treasury stock		(3)		64	61
Cancellation of treasury stock		(117,455)		117,455	-
Changes in equity resulted from increase in capital of consolidated subsidiaries					-
Changes in the parent's ownership interests in subsidiaries due to transactions with non-controlling interests		(242)			(242)
Net changes of items other than shareholders' equity					
Total changes for the six months	-	(117,701)	34,265	117,485	34,049
Ending balance	100,000	551,757	810,142	(2,564)	1,459,335

	Accumulated other comprehensive income					Stock acquisition rights	Non-controlling interests	Total net assets
	Net unrealized gains/(losses) on investments in securities	Net deferred gains/(losses) on hedges	Foreign currency translation adjustments	Accumulated actuarial gains/(losses) on retirement benefits	Total accumulated other comprehensive income			
Beginning balance	1,360,859	23,472	(91,219)	(9,420)	1,283,692	307	25,147	2,734,432
Changes for the six months:								
Dividends paid								(41,468)
Net income attributable to owners of the parent								75,734
Repurchase of treasury stock								(34)
Disposal of treasury stock								61
Cancellation of treasury stock								-
Changes in equity resulted from increase in capital of consolidated subsidiaries								-
Changes in the parent's ownership interests in subsidiaries due to transactions with non-controlling interests								(242)
Net changes of items other than shareholders' equity	169,104	2,437	(3,127)	5,464	173,878	258	(1,175)	172,961
Total changes for the six months	169,104	2,437	(3,127)	5,464	173,878	258	(1,175)	207,011
Ending balance	1,529,963	25,910	(94,346)	(3,956)	1,457,571	566	23,971	2,941,444

(4) Notes to Consolidated Financial Statements

(Notes to Going Concern Assumptions)

Not applicable.