

SUMMARY OF FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2016

November 18, 2016

Name of Listed Company: **MS&AD Insurance Group Holdings, Inc.**
 Stock Exchange Listing: Tokyo Stock Exchange and Nagoya Stock Exchange
 Securities Code Number: 8725
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Scheduled date to file the Quarterly Securities Report: November 18, 2016
 Scheduled date to commence dividend payments: December 6, 2016
 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, 2016 (April 1, 2016 to September 30, 2016)

(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, 2016	2,766,450	10.4 %	151,029	23.3 %	98,418	14.4 %
Six months ended September 30, 2015	2,506,455	2.7 %	122,461	(22.5) %	86,041	(21.5) %

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

(Note) Comprehensive income/(loss) For the six months ended September 30, 2016: ¥ (213,323) million - %
 For the six months ended September 30, 2015: ¥ (171,543) million (155.7) %

(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, 2016	163.60
Six months ended September 30, 2015	141.29	-

(2) Consolidated financial conditions (Yen in millions)

	Total assets	Net assets	Ratio of net assets less non-controlling interests to total assets
September 30, 2016	19,925,827	2,467,630	12.3 %
March 31, 2016	20,303,649	2,725,274	13.3 %

(Reference) Net assets less non-controlling interests As of September 30, 2016: ¥ 2,442,152 million
 As of March 31, 2016: ¥ 2,698,168 million

2. Dividends (Yen)

	Dividends per share				
	1st quarter	2nd quarter	3rd quarter	4th quarter	Annual total
Year ended March 31, 2016	-	35.00	-	55.00	90.00
Year ending March 31, 2017	-	50.00			
Year ending March 31, 2017 (Forecast)			-	50.00	100.00

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

3. Consolidated Earnings Forecasts for the Year Ending March 31, 2017 (April 1, 2016 to March 31, 2017)

(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, 2017	285,000	(2.3) %	183,000	0.8 %	304.49

Percent figures represent changes from the preceding year.

(Note) Revision of the latest announced earnings forecasts: None

*** Notes**

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

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

1. Changes in accounting policies due to revisions of accounting standards: 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, 2016:	633,291,754 shares
As of March 31, 2016:	633,291,754 shares

2. Number of shares of treasury stock

As of September 30, 2016:	32,864,387 shares
As of March 31, 2016:	29,618,854 shares

3. Average number of shares of outstanding stock

For the six months ended September 30, 2016:	601,572,392 shares
For the six months ended September 30, 2015:	608,932,041 shares

*** Disclosure regarding the execution of the interim audit process**

This report is outside the scope of the external auditor's interim audit process required by "Financial Instruments and Exchange Act" and the audit process for the interim consolidated financial statements under "Financial Instruments and Exchange Act" has been completed as of the disclosure date of the report.

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

(Earnings forecasts)

(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.

(Others)

The provisional accounting treatment of the business combination occurring in the year ended March 31, 2015 was finalized in the year ended March 31 2016, which is reflected in this report.

[Appendix]

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[Attachment]

Explanatory Material for Business Results for the Six Months Ended September 30, 2016

1. Qualitative Information on Business Results

(1) Explanation for Business Performance

During the six months ended September 30, 2016, the global economy was on a gradual recovery trend on the whole with a continuing recovery in the US and moderate recovery in Europe.

Japanese economy also moderately recovered with a steady trend in consumer spending supported by an improvement in employment situation while an improvement in corporate earnings paused.

However, an uncertainty for future developments increased with a political situation in the US, an issue of the UK leaving the EU and an economic slowdown shown in some emerging countries including China.

In this business environment, the business performance of the Group for the six months ended September 30, 2016 was as follows.

Underwriting income was ¥2,580.1 billion (of which net premiums written were ¥1,839.5 billion), investment income was ¥178.7 billion and other ordinary income was ¥7.5 billion, resulting in total ordinary income of ¥2,766.4 billion. Ordinary expenses amounted to ¥2,615.4 billion. This breaks down into underwriting expenses of ¥2,002.1 billion (of which net claims paid were ¥887.1 billion), investment expenses of ¥285.6 billion, operating expenses and general and administrative expenses of ¥320.2 billion and other ordinary expenses of ¥7.2 billion.

As a result, the Company posted an ordinary profit of ¥151.0 billion, marking an increase of ¥28.5 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 ¥98.4 billion was reported with an increase of ¥12.3 billion year on year.

(2) Explanation for Financial Conditions

As of September 30, 2016, total assets stood at ¥19,925.8 billion with a decrease of ¥377.8 billion from March 31, 2016, and net assets stood at ¥2,467.6 billion with a decrease of ¥257.6 billion from March 31, 2016 primarily due to a decrease in foreign currency translation adjustments.

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

The Company keeps the forecasts of ordinary profit of ¥285.0 billion and net income attributable to owners of the parent of ¥183.0 billion on a consolidated basis for the year ending March 31, 2017 unchanged from the forecasts announced on May 20, 2016.

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, 2017 are assumed to be ¥40.0 billion at Mitsui Sumitomo Insurance Co., Ltd. and ¥23.6 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, 2016.

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. Notes to Summary of Financial Statements

Not applicable.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Yen in millions)

	March 31, 2016	September 30, 2016
Assets		
Cash, deposits and savings	1,083,838	1,120,790
Call loans	31,175	15,000
Receivables under resale agreements	29,999	14,999
Receivables under securities borrowing transactions	275,350	232,716
Monetary claims bought	125,785	128,384
Money trusts	828,097	823,907
Investments in securities	14,670,914	14,453,771
Loans	883,106	859,929
Tangible fixed assets	477,799	465,444
Intangible fixed assets	522,081	417,466
Other assets	1,251,615	1,268,414
Assets for retirement benefits	32,815	32,065
Deferred tax assets	45,871	49,688
Customers' liabilities under acceptances and guarantees	55,500	51,500
Bad debt reserve	(10,300)	(8,251)
Total assets	20,303,649	19,925,827
Liabilities		
Policy liabilities:	15,283,850	15,460,032
Outstanding claims	1,967,518	1,891,196
Underwriting reserves	13,316,332	13,568,835
Bonds issued	349,841	339,006
Other liabilities	1,299,598	1,069,305
Liabilities for pension and retirement benefits	188,853	187,759
Reserve for retirement benefits for officers	796	713
Accrued bonuses for employees	33,589	24,471
Reserve for reorganization by function	-	19,074
Reserves under the special laws:	161,032	149,245
Reserve for price fluctuation	161,032	149,245
Deferred tax liabilities	205,312	157,087
Acceptances and guarantees	55,500	51,500
Total liabilities	17,578,374	17,458,197
Net assets		
Shareholders' equity:		
Common stock	100,000	100,000
Capital surplus	670,646	669,458
Retained earnings	628,562	693,778
Treasury stock	(80,065)	(90,077)
Total shareholders' equity	1,319,143	1,373,160
Accumulated other comprehensive income/(loss):		
Net unrealized gains/(losses) on investments in securities	1,324,886	1,215,284
Net deferred gains/(losses) on hedges	40,113	34,550
Foreign currency translation adjustments	22,369	(174,046)
Accumulated actuarial gains/(losses) on retirement benefits	(8,343)	(6,796)
Total accumulated other comprehensive income/(loss)	1,379,024	1,068,991
Stock acquisition rights	-	307
Non-controlling interests	27,106	25,171
Total net assets	2,725,274	2,467,630
Total liabilities and net assets	20,303,649	19,925,827

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

(Yen in millions)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Ordinary income:	2,506,455	2,766,450
Underwriting income:	2,323,426	2,580,125
Net premiums written	1,620,056	1,839,546
Deposit premiums from policyholders	68,333	52,322
Investment income on deposit premiums from policyholders	23,672	24,244
Life insurance premiums	608,553	661,060
Investment income:	174,426	178,749
Interest and dividends income	131,726	131,228
Investment gains on money trusts	292	739
Investment gains on trading securities	-	28,786
Gains on sales of securities	53,896	41,144
Transfer of investment income on deposit premiums from policyholders	(23,672)	(24,244)
Other ordinary income	8,601	7,575
Ordinary expenses:	2,383,993	2,615,421
Underwriting expenses:	1,840,714	2,002,155
Net claims paid	776,677	887,173
Loss adjustment expenses	79,422	83,048
Commissions and collection expenses	333,381	349,593
Maturity refunds to policyholders	142,860	117,578
Life insurance claims	204,162	160,816
Provision for outstanding claims	63,472	36,593
Provision for underwriting reserves	237,014	337,983
Investment expenses:	250,526	285,679
Investment losses on money trusts	44,540	51,706
Losses on sales of securities	5,201	4,581
Impairment losses on securities	8,518	2,688
Investment losses on separate accounts	95,550	62,615
Operating expenses and general and administrative expenses	285,386	320,293
Other ordinary expenses:	7,365	7,292
Interest expense	3,508	4,285
Ordinary profit	122,461	151,029
Extraordinary income:	276	12,280
Gains on sales of fixed assets	276	493
Reversal of reserves under the special law:	-	11,786
Reversal of reserve for price fluctuation	-	11,786
Extraordinary losses:	5,670	28,243
Losses on sales of fixed assets	855	489
Impairment losses on fixed assets	1,177	2,029
Provision for reserves under the special laws:	3,637	-
Provision for reserve for price fluctuation	3,637	-
Other extraordinary losses	-	25,725
Income before income taxes	117,067	135,065
Income taxes - current	23,317	36,641
Income taxes - deferred	6,957	(950)
Total income taxes	30,274	35,690
Net income	86,792	99,374
Net income attributable to non-controlling interests	751	956
Net income attributable to owners of the parent	86,041	98,418

(Consolidated Statements of Comprehensive Income)

(Yen in millions)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Net income	86,792	99,374
Other comprehensive income/(loss):		
Net unrealized gains/(losses) on investments in securities	(249,110)	(111,799)
Net deferred gains/(losses) on hedges	316	(5,563)
Foreign currency translation adjustments	(3,711)	(192,649)
Accumulated actuarial gains/(losses) on retirement benefits	(1,017)	1,549
Share of other comprehensive income/(loss) of equity method investments	(4,812)	(4,234)
Total other comprehensive income/(loss)	<u>(258,336)</u>	<u>(312,698)</u>
Total comprehensive income/(loss)	<u>(171,543)</u>	<u>(213,323)</u>
Allocation:		
Comprehensive income/(loss) attributable to owners of the parent	(171,783)	(211,612)
Comprehensive income/(loss) attributable to non-controlling interests	240	(1,711)

(3) Consolidated Statements of Changes in Net Assets

For the six months ended September 30, 2015 (from April 1, 2015 to September 30, 2015)

(Yen in millions)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Beginning balance	100,000	675,327	490,329	(49,978)	1,215,678
Changes for the six months:					
Dividends paid			(22,038)		(22,038)
Net income attributable to owners of the parent			86,041		86,041
Repurchase of treasury stock				(20,059)	(20,059)
Disposal of treasury stock		0		1	2
Changes in equity resulted from increase in capital of consolidated subsidiaries		(566)			(566)
Changes in the parent's ownership interests in subsidiaries due to transactions with non-controlling interests					-
Net changes of items other than shareholders' equity					
Total changes for the six months	-	(565)	64,002	(20,058)	43,378
Ending balance	100,000	674,761	554,332	(70,036)	1,259,057

	Accumulated other comprehensive income/(loss)					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/(loss)			
Beginning balance	1,635,784	32,140	94,417	28,690	1,791,033	-	29,950	3,036,663
Changes for the six months:								
Dividends paid								(22,038)
Net income attributable to owners of the parent								86,041
Repurchase of treasury stock								(20,059)
Disposal of treasury stock								2
Changes in equity resulted from increase in capital of consolidated subsidiaries								(566)
Changes in the parent's ownership interests in subsidiaries due to transactions with non-controlling interests								-
Net changes of items other than shareholders' equity	(250,470)	316	(6,653)	(1,017)	(257,824)	-	(912)	(258,737)
Total changes for the six months	(250,470)	316	(6,653)	(1,017)	(257,824)	-	(912)	(215,358)
Ending balance	1,385,314	32,457	87,764	27,672	1,533,209	-	29,037	2,821,304

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
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/(loss)					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/(loss)			
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
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

(4) Notes to Consolidated Financial Statements

(Notes to Going Concern Assumptions)

Not applicable.