

[Translation]

SUMMARY OF FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2014

November 19, 2014

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
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Scheduled date to file the quarterly financial report: November 21, 2014
 Scheduled date to commence dividend payments: December 5, 2014
 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, 2014 (April 1, 2014 to September 30, 2014)

(1) Consolidated business performance (Yen in millions)

	Ordinary income		Ordinary profit/(loss)		Net income/(loss)	
Six months ended September 30, 2014	2,440,924	17.8 %	158,078	(3.1) %	109,668	0.1 %
Six months ended September 30, 2013	2,071,301	3.3 %	163,096	-	109,567	-

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

(Note) Comprehensive income/(loss) For the six months ended September 30, 2014: ¥ 308,160 million (1.7) %
 For the six months ended September 30, 2013: ¥ 313,638 million - %
 (Yen)

	Net income/(loss) per share - Basic	Net income/(loss) per share - Diluted
Six months ended September 30, 2014	177.55	-
Six months ended September 30, 2013	176.35	-

(2) Consolidated financial conditions (Yen in millions)

	Total assets	Net assets	Ratio of net assets less minority interests to total assets
September 30, 2014	17,683,270	2,563,280	14.3 %
March 31, 2014	16,878,148	2,285,832	13.4 %

(Reference) Net assets less minority interests As of September 30, 2014: ¥ 2,537,147 million
 As of March 31, 2014: ¥ 2,260,324 million

2. Dividends (Yen)

	Dividends per share				
	1st quarter	2nd quarter	3rd quarter	4th quarter	Annual total
Year ended March 31, 2014	-	28.00	-	28.00	56.00
Year ending March 31, 2015	-	29.00	/	/	/
Year ending March 31, 2015 (Forecast)	/	/	-	29.00	58.00

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

3. Consolidated Earnings Forecasts for the Year Ending March 31, 2015 (April 1, 2014 to March 31, 2015)

(Yen in millions)

	Ordinary profit		Net income		Net income per share (Yen)
Year ending March 31, 2015	230,000	20.9 %	120,000	28.4 %	194.55

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): 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: Yes

3. Changes in accounting estimates: None

4. Restatements: None

(Note) For details, please refer to “Changes in Accounting Policies and Accounting Estimates and Restatements” on page 2 of the Appendix.

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

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

As of September 30, 2014: 633,291,754 shares

As of March 31, 2014: 633,291,754 shares

2. Number of shares of treasury stock

As of September 30, 2014: 17,356,832 shares

As of March 31, 2014: 13,383,033 shares

3. Average number of shares of outstanding stock

For the six months ended September 30, 2014: 617,660,202 shares

For the six months ended September 30, 2013: 621,288,196 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 not been completed as of the disclosure date of the report.

*** Notes to the 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 non-consolidated financial highlights are not disclosed due to their immateriality as investment information.

(3) 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]

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[Attachment]

Explanatory Material for Business Results for the Six Months Ended September 30, 2014

1. Qualitative Information on Business Results

(1) Explanation for Business Performance

During the six months ended September 30, 2014, the Japanese economy saw slowdowns in consumer spending and capital expenditures due to a reversal from the rush of demand ahead of the consumption tax hike while an improvement was shown in corporate earnings.

In this business environment, the business performance of the Group for the six months ended September 30, 2014 was as follows.

Underwriting income was ¥2,124.9 billion (of which net premiums written were ¥1,485.5 billion), investment income was ¥308.3 billion and other ordinary income was ¥7.6 billion, resulting in total ordinary income of ¥2,440.9 billion. Ordinary expenses amounted to ¥2,282.8 billion. This breaks down into underwriting expenses of ¥1,983.4 billion (of which net claims paid were ¥827.4 billion), investment expenses of ¥13.7 billion, operating expenses and general and administrative expenses of ¥280.3 billion and other ordinary expenses of ¥5.2 billion.

As a result, the Company posted an ordinary profit of ¥158.0 billion, marking a decrease of ¥5.0 billion from the same period last year. After factoring in extraordinary income and losses, income taxes and other factors, net income of ¥109.6 billion was reported with an increase of ¥0.1 billion year on year.

(2) Explanation for Financial Conditions

As of September 30, 2014, total assets stood at ¥17,683.2 billion with an increase of ¥805.1 billion from March 31, 2014, and net assets stood at ¥2,563.2 billion with an increase of ¥277.4 billion from March 31, 2014 primarily due to an increase in net unrealized gains on investments in securities.

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

The Company forecasts ordinary profit of ¥230.0 billion and net income of ¥120.0 billion on a consolidated basis for the year ending March 31, 2015. These forecasts have been revised from those announced on May 20, 2014, taking into account the consolidated business results for the six months ended September 30, 2014 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, 2015” announced today (November 19, 2014).

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, 2015 are assumed to be ¥23.0 billion at Mitsui Sumitomo Insurance Co., Ltd. and ¥15.0 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, 2014.

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

Changes in Accounting Policies and Accounting Estimates and Restatements

(Changes in accounting policies)

As the Accounting Standard for Business Combination (ASBJ Statement No.21 issued on September 13, 2013, the “Business Combination Accounting Standard”), the Accounting Standard for Consolidated Financial Statements (ASBJ Statement No.22 on September 13, 2013, the “Consolidation Accounting Standard”) and the Accounting Standard for Business Divestitures (ASBJ Statement No.7 on September 13, 2013, the “Business Divestitures Accounting Standard”) etc. became applicable from the beginning of the year commencing on or after April 1, 2014, the Company has adopted these accounting standards (however, except for the provisions stated in the Paragraph 39 of the “Consolidation Accounting Standard”) since the current consolidated interim period, and has implemented a new accounting method where differences due to changes in the Company's ownership interests in subsidiaries continuously under control are accounted for as capital surplus and where acquisition-related costs are accounted for as expenses for the fiscal year when the costs incurred. Regarding business combinations occurring at or after the beginning of the current consolidated interim period, the Company has also implemented a new accounting method where the reviewed allocation of acquisition costs due to the finalization of the provisional accounting treatment are reflected in the interim consolidated financial statements for the accounting period in which the business combination occurs.

In accordance with the transitional accounting treatments prescribed in Paragraph 58-2 (3) of the “Business Combination Accounting Standard”, Paragraph 44-5 (3) of the “Consolidation Accounting Standard” and Paragraph 57-4 (3) of the “Business Divestitures Accounting Standard”, the cumulative effect up to the beginning of the current consolidated interim period by applying retroactively those new accounting standards to all the past years was added, or subtracted from, capital surplus and retained earnings.

The effects of those accounting standards on the beginning balance of the current consolidated interim period were a decrease in goodwill of ¥3,396 million and capital surplus of ¥7,403 million and an increase in retained earnings of ¥4,006 million. As a result, ordinary profit and income before income taxes and minority interests for the six months ended September 30, 2014 increased by ¥121 million each.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Yen in millions)

	March 31, 2014	September 30, 2014
Assets		
Cash, deposits and savings	563,370	595,811
Call loans	78,649	128,246
Receivables under resale agreements	23,997	51,991
Receivables under securities borrowing transactions	228,706	245,465
Monetary claims bought	73,337	112,758
Money trusts	693,628	661,552
Investments in securities	12,710,203	13,449,331
Loans	807,300	781,074
Tangible fixed assets	484,272	477,014
Intangible fixed assets	179,609	166,959
Other assets	844,543	864,562
Assets for retirement benefits	49,123	48,122
Deferred tax assets	108,550	65,212
Customers' liabilities under acceptances and guarantees	53,500	53,500
Bad debt reserve	(20,643)	(18,333)
Total assets	16,878,148	17,683,270
Liabilities		
Policy liabilities:	13,111,219	13,538,347
Outstanding claims	1,467,103	1,426,546
Underwriting reserves	11,644,116	12,111,800
Bonds issued	226,185	226,187
Other liabilities	837,238	859,252
Liabilities for pension and retirement benefits	157,277	159,664
Reserve for retirement benefits for officers	1,121	1,037
Accrued bonuses for employees	21,313	17,415
Reserves under the special laws:	67,054	70,275
Reserve for price fluctuation	67,054	70,275
Deferred tax liabilities	117,404	194,309
Acceptances and guarantees	53,500	53,500
Total liabilities	14,592,316	15,119,990
Net assets		
Shareholders' equity:		
Common stock	100,000	100,000
Capital surplus	682,752	675,349
Retained earnings	385,295	481,612
Treasury stock	(29,903)	(39,927)
Total shareholders' equity	1,138,144	1,217,034
Accumulated other comprehensive income/(loss):		
Net unrealized gains/(losses) on investments in securities	1,053,222	1,256,731
Net deferred gains/(losses) on hedges	23,430	28,497
Foreign currency translation adjustments	35,261	24,522
Accumulated actuarial gains/(losses) on retirement benefits	10,266	10,361
Total accumulated other comprehensive income/(loss)	1,122,180	1,320,113
Minority interests	25,507	26,132
Total net assets	2,285,832	2,563,280
Total liabilities and net assets	16,878,148	17,683,270

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

(Yen in millions)

	Six months ended September 30, 2013	Six months ended September 30, 2014
Ordinary income:	2,071,301	2,440,924
Underwriting income:	1,734,811	2,124,986
Net premiums written	1,424,962	1,485,508
Deposit premiums from policyholders	77,593	73,856
Investment income on deposit premiums from policyholders	26,498	25,113
Life insurance premiums	182,751	496,895
Reversal of outstanding claims	19,628	34,232
Investment income:	331,447	308,316
Interest and dividends income	108,776	122,221
Investment gains on money trusts	4,720	42,688
Gains on sales of securities	40,455	21,216
Investment gains on separate accounts	197,828	145,451
Transfer of investment income on deposit premiums from policyholders	(26,498)	(25,113)
Other ordinary income	5,043	7,621
Ordinary expenses:	1,908,205	2,282,845
Underwriting expenses:	1,586,415	1,983,461
Net claims paid	821,554	827,436
Loss adjustment expenses	69,455	74,695
Commissions and collection expenses	274,063	299,443
Maturity refunds to policyholders	157,995	145,889
Life insurance claims	175,801	160,003
Provision for underwriting reserves	83,048	473,429
Investment expenses:	47,279	13,735
Investment losses on money trusts	36,094	388
Losses on sales of securities	2,062	4,498
Impairment losses on securities	3,986	3,995
Operating expenses and general and administrative expenses	259,922	280,379
Other ordinary expenses:	14,587	5,268
Interest expense	4,117	3,617
Ordinary profit/(loss)	163,096	158,078
Extraordinary income:	674	3,007
Gains on sales of fixed assets	674	3,007
Extraordinary losses:	5,268	6,186
Losses on sales of fixed assets	1,962	1,323
Impairment losses on fixed assets	471	1,642
Provision for reserves under the special law:	2,833	3,220
Provision for reserve for price fluctuation	2,833	3,220
Income/(loss) before income taxes and minority interests	158,501	154,898
Income taxes - current	14,110	13,320
Income taxes - deferred	33,410	30,704
Total income taxes	47,521	44,025
Income/(loss) before minority interests	110,980	110,873
Minority interests	1,412	1,205
Net income/(loss)	109,567	109,668

(Consolidated Statements of Comprehensive Income)

(Yen in millions)

	Six months ended September 30, 2013	Six months ended September 30, 2014
Income/(loss) before minority interests	110,980	110,873
Other comprehensive income/(loss):		
Net unrealized gains/(losses) on investments in securities	163,814	202,738
Net deferred gains/(losses) on hedges	(3,982)	5,066
Foreign currency translation adjustments	38,923	(11,397)
Accumulated actuarial gains/(losses) on retirement benefits	-	94
Share of other comprehensive income/(loss) of equity method investments	3,902	784
Total other comprehensive income/(loss)	<u>202,658</u>	<u>197,287</u>
Total comprehensive income/(loss)	<u>313,638</u>	<u>308,160</u>
Allocation:		
Comprehensive income/(loss) attributable to shareholders of the parent	310,267	307,601
Comprehensive income/(loss) attributable to minority interests	3,370	559

(3) Consolidated Statements of Changes in Net Assets

For the six months ended September 30, 2013 (from April 1, 2013 to September 30, 2013)

(Yen in millions)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Beginning balance	100,000	682,753	353,506	(24,823)	1,111,435
Cumulative effect of changing accounting policies			(30,261)		(30,261)
Beginning balance (adjusted)	100,000	682,753	323,245	(24,823)	1,081,174
Changes for the six months:					
Dividends paid			(16,790)		(16,790)
Net income/(loss)			109,567		109,567
Repurchase of treasury stock				(5,035)	(5,035)
Disposal of treasury stock		0		0	1
Changes in scope of consolidation			1,907		1,907
Changes in scope of application of equity method			862		862
Net changes of items other than shareholders' equity					
Total changes for the six months	-	0	95,547	(5,034)	90,513
Ending balance	100,000	682,752	418,792	(29,857)	1,171,687

	Accumulated other comprehensive income/(loss)					Minority 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	891,253	26,428	(29,539)	-	888,143	22,046	2,021,625
Cumulative effect of changing accounting policies					-		(30,261)
Beginning balance (adjusted)	891,253	26,428	(29,539)	-	888,143	22,046	1,991,364
Changes for the six months:							
Dividends paid							(16,790)
Net income/(loss)							109,567
Repurchase of treasury stock							(5,035)
Disposal of treasury stock							1
Changes in scope of consolidation							1,907
Changes in scope of application of equity method							862
Net changes of items other than shareholders' equity	163,850	(3,982)	39,818	-	199,686	2,267	201,954
Total changes for the six months	163,850	(3,982)	39,818	-	199,686	2,267	292,467
Ending balance	1,055,103	22,446	10,279	-	1,087,829	24,314	2,283,831

For the six months ended September 30, 2014 (from April 1, 2014 to September 30, 2014)

(Yen in millions)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Beginning balance	100,000	682,752	385,295	(29,903)	1,138,144
Cumulative effect of changing accounting policies		(7,403)	4,006		(3,396)
Beginning balance (adjusted)	100,000	675,349	389,302	(29,903)	1,134,747
Changes for the six months:					
Dividends paid			(17,357)		(17,357)
Net income/(loss)			109,668		109,668
Repurchase of treasury stock				(10,025)	(10,025)
Disposal of treasury stock		0		1	1
Changes in scope of consolidation					-
Changes in scope of application of equity method					-
Net changes of items other than shareholders' equity					
Total changes for the six months	-	0	92,310	(10,023)	82,287
Ending balance	100,000	675,349	481,612	(39,927)	1,217,034

	Accumulated other comprehensive income/(loss)					Minority 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	1,053,222	23,430	35,261	10,266	1,122,180	25,507	2,285,832
Cumulative effect of changing accounting policies					-		(3,396)
Beginning balance (adjusted)	1,053,222	23,430	35,261	10,266	1,122,180	25,507	2,282,435
Changes for the six months:							
Dividends paid							(17,357)
Net income/(loss)							109,668
Repurchase of treasury stock							(10,025)
Disposal of treasury stock							1
Changes in scope of consolidation							-
Changes in scope of application of equity method							-
Net changes of items other than shareholders' equity	203,509	5,066	(10,738)	94	197,932	624	198,557
Total changes for the six months	203,509	5,066	(10,738)	94	197,932	624	280,844
Ending balance	1,256,731	28,497	24,522	10,361	1,320,113	26,132	2,563,280

(4) Notes to Consolidated Financial Statements

(Notes to Going Concern Assumptions)

Not applicable.