

[Translation]

SUMMARY OF FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2015

November 18, 2015

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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 Representative: Yasuyoshi Karasawa, President
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Scheduled date to file the Quarterly Securities Report: November 20, 2015
 Scheduled date to commence dividend payments: December 4, 2015
 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, 2015 (April 1, 2015 to September 30, 2015)

(1) Consolidated business performance

(Yen in millions)

	Ordinary income		Ordinary profit/(loss)		Net income/(loss) attributable to owners of the parent	
Six months ended September 30, 2015	2,506,455	2.7 %	122,424	(22.6) %	86,003	(21.6) %
Six months ended September 30, 2014	2,440,924	17.8 %	158,078	(3.1) %	109,668	0.1 %

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

(Note) Comprehensive income/(loss) For the six months ended September 30, 2015: ¥ (171,582) million (155.7) %
 For the six months ended September 30, 2014: ¥ 308,160 million (1.7) %

(Yen)

	Net income/(loss) attributable to owners of the parent per share - Basic	Net income/(loss) attributable to owners of the parent per share - Diluted
Six months ended September 30, 2015	141.23	-
Six months ended September 30, 2014	177.55	-

(2) Consolidated financial conditions

(Yen in millions)

	Total assets	Net assets	Ratio of net assets less non-controlling interests to total assets
September 30, 2015	19,024,712	2,821,265	14.7 %
March 31, 2015	18,787,654	3,036,246	16.0 %

(Reference) Net assets less non-controlling interests As of September 30, 2015: ¥ 2,792,227 million
 As of March 31, 2015: ¥ 3,006,712 million

2. Dividends

(Yen)

	Dividends per share				
	1st quarter	2nd quarter	3rd quarter	4th quarter	Annual total
Year ended March 31, 2015	-	29.00	-	36.00	65.00
Year ending March 31, 2016	-	35.00			
Year ending March 31, 2016 (Forecast)			-	35.00	70.00

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

3. Consolidated Earnings Forecasts for the Year Ending March 31, 2016 (April 1, 2015 to March 31, 2016)

(Yen in millions)

	Ordinary profit		Net income/(loss) attributable to owners of the parent		Net income/(loss) attributable to owners of the parent per share (Yen)
Year ending March 31, 2016	245,000	(14.7) %	157,000	15.2 %	258.23

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: Yes
4. Restatements: None

(Note) The Company has changed the depreciation method of tangible fixed assets since the current consolidated interim period, and it meets the definition of “changes in accounting policies which are difficult to distinguish from changes in accounting estimates”. For details, please refer to “(1) 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, 2015: 633,291,754 shares

As of March 31, 2015: 633,291,754 shares

2. Number of shares of treasury stock

As of September 30, 2015: 26,282,540 shares

As of March 31, 2015: 21,101,354 shares

3. Average number of shares of outstanding stock

For the six months ended September 30, 2015: 608,932,041 shares

For the six months ended September 30, 2014: 617,660,202 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 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, 2015

1. Qualitative Information on Business Results

(1) Explanation for Business Performance

During the six months ended September 30, 2015, the global economy was on a gradual recovery trend on the whole with a continuing moderate recovery in the US and Europe while a slowdown was shown in some emerging countries.

Japanese economy also moderately recovered with an improvement in corporate earnings and capital expenditures.

In this business environment, the business performance of the Group for the six months ended September 30, 2015 was as follows.

Underwriting income was ¥2,323.4 billion (of which net premiums written were ¥1,620.0 billion), investment income was ¥174.4 billion and other ordinary income was ¥8.6 billion, resulting in total ordinary income of ¥2,506.4 billion. Ordinary expenses amounted to ¥2,384.0 billion. This breaks down into underwriting expenses of ¥1,840.7 billion (of which net claims paid were ¥776.6 billion), investment expenses of ¥250.5 billion, operating expenses and general and administrative expenses of ¥285.4 billion and other ordinary expenses of ¥7.3 billion.

As a result, the Company posted an ordinary profit of ¥122.4 billion, marking a decrease of ¥35.6 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 ¥86.0 billion was reported with a decrease of ¥23.6 billion year on year.

(2) Explanation for Financial Conditions

As of September 30, 2015, total assets stood at ¥19,024.7 billion with an increase of ¥237.0 billion from March 31, 2015, and net assets stood at ¥2,821.2 billion with a decrease of ¥214.9 billion from March 31, 2015 primarily due to a decrease in net unrealized gains on investments in securities.

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

The Company forecasts ordinary profit of ¥245.0 billion and net income attributable to owners of the parent of ¥157.0 billion on a consolidated basis for the year ending March 31, 2016. The forecast of ordinary profit has been revised from that announced on May 20, 2015, taking into account the consolidated business results for the six months ended September 30, 2015 and the future outlook.

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, 2016 are assumed to be ¥43.0 billion at Mitsui Sumitomo Insurance Co., Ltd. and ¥32.0 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, 2015.

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

(1) Changes in Accounting Policies and Accounting Estimates and Restatements

(Changes in accounting policies which are difficult to distinguish from changes in accounting estimates)

The Company and its domestic consolidated subsidiaries have changed the depreciation method of tangible fixed assets from the declining-balance method to the straight-line method since the current consolidated interim period. Previously, depreciation of tangible fixed assets held by the Company and its domestic consolidated subsidiaries was computed using the declining-balance method, except for buildings (excluding fixtures) acquired on or after April 1, 1998, to which the straight-line method was applied.

The Group, aiming to become one of the top global insurance and financial groups, has been endeavoring to enhance the efficiency of its business management as a group and expand its international business since April 1, 2010, when the Group was established. The Group has also moved forward with the reorganization by function as planned in "Next Challenge 2017" medium-term management plan, and most of the individual reorganization plans had been put in practice by the end of the previous fiscal year.

With the reorganization by function taking place, the Group reviewed its accounting policies including those applied by overseas subsidiaries and determined that it is more appropriate to adopt the straight-line depreciation method for tangible fixed assets for the following reasons:

- (a) After the reorganization by function, it is expected that tangible fixed assets held by the Company and its domestic consolidated subsidiaries will be used stably over their useful lives. Therefore, by adopting the straight-line method, in which an equal amount of expenses is recognized over useful lives of tangible fixed assets, it is considered that the actual usage of tangible fixed assets will be more appropriately reflected in profit and loss for each reporting period.
- (b) By adopting the straight-line method, the Group will be able to unify accounting policies applied by domestic consolidated subsidiaries with those applied by overseas consolidated subsidiaries that have been using the straight-line method, and be able to provide more useful financial information.

As a result of the change, ordinary profit and income before income taxes for the six months ended September 30, 2015 increased by ¥2,631 million, compared with the previous accounting method.

(2) Additional Information

(Change in presentation)

The Company has made a change in presentation of net income and presentation of minority interests to non-controlling interests in accordance with Paragraph 39 of the Accounting Standard for Consolidated Financial Statements (ASBJ Statement No.22 issued on September 13, 2013). The new presentation is also applied to the financial statements for the six months ended September 30, 2014 and the year ended March 31, 2015.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Yen in millions)

	March 31, 2015	September 30, 2015
Assets		
Cash, deposits and savings	631,141	1,414,594
Call loans	200,336	136,409
Receivables under resale agreements	36,497	40,596
Receivables under securities borrowing transactions	326,525	278,524
Monetary claims bought	102,636	110,280
Money trusts	541,881	714,779
Investments in securities	14,444,996	13,825,372
Loans	775,816	755,704
Tangible fixed assets	477,477	473,345
Intangible fixed assets	182,882	176,702
Other assets	923,261	965,156
Assets for retirement benefits	54,762	53,961
Deferred tax assets	40,678	43,654
Customers' liabilities under acceptances and guarantees	59,500	46,500
Bad debt reserve	(10,741)	(10,868)
Total assets	18,787,654	19,024,712
Liabilities		
Policy liabilities:	13,839,481	14,130,052
Outstanding claims	1,491,004	1,547,712
Underwriting reserves	12,348,477	12,582,339
Bonds issued	226,188	226,190
Other liabilities	1,022,609	1,282,159
Liabilities for pension and retirement benefits	138,914	142,153
Reserve for retirement benefits for officers	953	875
Accrued bonuses for employees	23,961	20,206
Reserves under the special laws:	136,738	140,376
Reserve for price fluctuation	136,738	140,376
Deferred tax liabilities	303,060	214,932
Acceptances and guarantees	59,500	46,500
Total liabilities	15,751,408	16,203,447
Net assets		
Shareholders' equity:		
Common stock	100,000	100,000
Capital surplus	675,327	674,761
Retained earnings	490,329	554,294
Treasury stock	(49,978)	(70,036)
Total shareholders' equity	1,215,678	1,259,019
Accumulated other comprehensive income/(loss):		
Net unrealized gains/(losses) on investments in securities	1,635,784	1,385,314
Net deferred gains/(losses) on hedges	32,140	32,457
Foreign currency translation adjustments	94,417	87,762
Accumulated actuarial gains/(losses) on retirement benefits	28,690	27,672
Total accumulated other comprehensive income/(loss)	1,791,033	1,533,207
Non-controlling interests	29,533	29,037
Total net assets	3,036,246	2,821,265
Total liabilities and net assets	18,787,654	19,024,712

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

(Yen in millions)

	Six months ended September 30, 2014	Six months ended September 30, 2015
Ordinary income:	2,440,924	2,506,455
Underwriting income:	2,124,986	2,323,426
Net premiums written	1,485,508	1,620,056
Deposit premiums from policyholders	73,856	68,333
Investment income on deposit premiums from policyholders	25,113	23,672
Life insurance premiums	496,895	608,553
Reversal of outstanding claims	34,232	-
Investment income:	308,316	174,426
Interest and dividends income	122,221	131,726
Investment gains on money trusts	42,688	292
Gains on sales of securities	21,216	53,896
Investment gains on separate accounts	145,451	-
Transfer of investment income on deposit premiums from policyholders	(25,113)	(23,672)
Other ordinary income	7,621	8,601
Ordinary expenses:	2,282,845	2,384,030
Underwriting expenses:	1,983,461	1,840,714
Net claims paid	827,436	776,677
Loss adjustment expenses	74,695	79,422
Commissions and collection expenses	299,443	333,381
Maturity refunds to policyholders	145,889	142,860
Life insurance claims	160,003	204,162
Provision for outstanding claims	-	63,472
Provision for underwriting reserves	473,429	237,014
Investment expenses:	13,735	250,526
Investment losses on money trusts	388	44,540
Losses on sales of securities	4,498	5,201
Impairment losses on securities	3,995	8,518
Investment losses on separate accounts	-	95,550
Operating expenses and general and administrative expenses	280,379	285,424
Other ordinary expenses:	5,268	7,365
Interest expense	3,617	3,508
Ordinary profit/(loss)	<u>158,078</u>	<u>122,424</u>
Extraordinary income:	3,007	276
Gains on sales of fixed assets	3,007	276
Extraordinary losses:	6,186	5,670
Losses on sales of fixed assets	1,323	855
Impairment losses on fixed assets	1,642	1,177
Provision for reserves under the special laws:	3,220	3,637
Provision for reserve for price fluctuation	3,220	3,637
Income/(loss) before income taxes	<u>154,898</u>	<u>117,030</u>
Income taxes - current	13,320	23,317
Income taxes - deferred	30,704	6,957
Total income taxes	<u>44,025</u>	<u>30,274</u>
Net income/(loss)	<u>110,873</u>	<u>86,755</u>
Net income/(loss) attributable to non-controlling interests	<u>1,205</u>	<u>751</u>
Net income/(loss) attributable to owners of the parent	<u>109,668</u>	<u>86,003</u>

(Consolidated Statements of Comprehensive Income)

(Yen in millions)

	Six months ended September 30, 2014	Six months ended September 30, 2015
Net income/(loss)	110,873	86,755
Other comprehensive income/(loss):		
Net unrealized gains/(losses) on investments in securities	202,738	(249,110)
Net deferred gains/(losses) on hedges	5,066	316
Foreign currency translation adjustments	(11,397)	(3,713)
Accumulated actuarial gains/(losses) on retirement benefits	94	(1,017)
Share of other comprehensive income/(loss) of equity method investments	784	(4,812)
Total other comprehensive income/(loss)	<u>197,287</u>	<u>(258,337)</u>
Total comprehensive income/(loss)	<u>308,160</u>	<u>(171,582)</u>
Allocation:		
Comprehensive income/(loss) attributable to owners of the parent	307,601	(171,822)
Comprehensive income/(loss) attributable to non-controlling interests	559	240

(3) Consolidated Statements of Changes in Net Assets

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) attributable to owners of the parent			109,668		109,668
Repurchase of treasury stock				(10,025)	(10,025)
Disposal of treasury stock		0		1	1
Changes in equity resulted from increase in capital of consolidated subsidiaries					-
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)					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	1,053,222	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) attributable to owners of the parent							109,668
Repurchase of treasury stock							(10,025)
Disposal of treasury stock							1
Changes in equity resulted from increase in capital of consolidated subsidiaries							-
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

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
Cumulative effect of changing accounting policies					-
Beginning balance (adjusted)	100,000	675,327	490,329	(49,978)	1,215,678
Changes for the six months:					
Dividends paid			(22,038)		(22,038)
Net income/(loss) attributable to owners of the parent			86,003		86,003
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)
Net changes of items other than shareholders' equity					
Total changes for the six months	-	(565)	63,964	(20,058)	43,341
Ending balance	100,000	674,761	554,294	(70,036)	1,259,019

	Accumulated other comprehensive income/(loss)					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	29,533	3,036,246
Cumulative effect of changing accounting policies					-		-
Beginning balance (adjusted)	1,635,784	32,140	94,417	28,690	1,791,033	29,533	3,036,246
Changes for the six months:							
Dividends paid							(22,038)
Net income/(loss) attributable to owners of the parent							86,003
Repurchase of treasury stock							(20,059)
Disposal of treasury stock							2
Changes in equity resulted from increase in capital of consolidated subsidiaries							(566)
Net changes of items other than shareholders' equity	(250,470)	316	(6,655)	(1,017)	(257,826)	(495)	(258,322)
Total changes for the six months	(250,470)	316	(6,655)	(1,017)	(257,826)	(495)	(214,981)
Ending balance	1,385,314	32,457	87,762	27,672	1,533,207	29,037	2,821,265

(4) Notes to Consolidated Financial Statements

(Notes to Going Concern Assumptions)

Not applicable.