Below is a summary of the Q & A session from the IR conference call held on August 9, 2013.

Q1: I would like to ask about the situation regarding auto insurance at Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance respectively. Looking at Addendum 10 of the briefing materials, the EI loss ratio at Mitsui Sumitomo Insurance has dropped 3 points year-on-year. While the incurred loss for the first quarter of FY2012 was large, the loss ratio seems to have been dropping steadily since the second half of FY2012. On the other hand, looking at Addendum 13 of the materials, the EI loss ratio at Aioi Nissay Dowa Insurance has come down no more than 0.7 points year-on-year, and the rate at which the number of accidents is dropping seems to have slowed as well. What were the factors behind these changes, and given this situation, how are you viewing the outlook for the full year?

A1: With regards to Mitsui Sumitomo Insurance, outstanding claims are computed using the simplified method, so this represents not the losses actually accumulated between April and June, but a calculation of incurred loss based on the loss ratio for the previous fiscal year. As a result of ongoing premium rate revisions, the loss ratio has dropped steadily, and it is fair to say this is reflected in the first quarter results. Note that while they are not as precise as the interim and fiscal year-end numbers, the incurred loss figures used for internal management purposes, which are computed based on accident rates and so on for April through June, are largely in line with the assumptions made in the initial full-year forecasts.

In the case of Aioi Nissay Dowa Insurance outstanding claims are computed based on actual losses accumulated, and thus we believe they largely reflect actual conditions. Given that the EI loss ratio in the first quarter, excluding natural catastrophes, fell 0.7 points year-on-year, against initial full-year forecasts of a 2.4 point drop in the loss ratio, we believe this is in line with the initial assumptions.

Q2: Please describe the key factors behind the fluctuation in the EI loss ratio for insurance classes other than auto insurance such as fire and marine. Am I correct in understanding that this is largely due to major losses?

A2: In the case of Mitsui Sumitomo Insurance, the year-on-year rise in the loss ratio for fire insurance, excluding the impact of natural catastrophes, is related to the fact that under the simplified method, outstanding claims are computed based on past loss ratios. In
fiscal years 2011 and 2012, the loss ratio was higher due in part to a higher than normal level of snow damage; the incurred loss for the current fiscal year is affected by the fact that the calculation reflects losses in such years when the loss ratio was high. An additional factor is that with the impact of a lower yen, the yen equivalent for foreign currency-denominated outstanding claims has grown larger.

In marine insurance, on the other hand, large claims led to a 19.7 point rise in the loss ratio.

Q3: Net income for overseas subsidiaries noted in Addendum 1 of the materials shows a year-on-year increase from 6.8 billion yen to 9.4 billion yen. How much of the incurred losses due to natural catastrophes occurred in the last and current fiscal years are included in these figures?

A3: As shown in Addendum 7 of the materials, net income for overseas subsidiaries was 0.6 billion yen in Asia, 0.8 billion yen in Europe, a negative 0.2 billion yen for the Americas, and 1.4 billion yen for reinsurance. While reinsurance saw a particularly large increase, a lower incidence of natural catastrophes compared to the previous year was a factor in the increase in net income. Note that there were no particularly major losses that warranted being singled out by name.

Q4: Regarding factors behind the increase in the average payments per claim for auto insurance, do you still consider this a result of rising parts prices, as you have explained in the past? Do you think it might in part be due to the introduction of the new non-fleet grade system curbing the number of small accident claims?

A4: I think that with the revisions to the non-fleet grade system, customers have become more safety-conscious. This in turn has led to a drop in the number of accidents and fewer small claims, which may in part have had an impact on the rise in average payments per claim. At the same time, automobiles are equipped with more sophisticated electronic parts and labor charges for repairs have risen, and we think that together, these factors have led to an increase in average payments.

Q5: As of the end of the first quarter, Mitsui Sumitomo Insurance had paid claims for the floods in Thailand and reversed the reserve for outstanding claims of approximately 20.0 billion yen, with remaining balance of 55.7 billion yen. If payments continue at this pace, you should be able to pay out the entire amount as initially planned. If a reversal of catastrophe loss reserves is made to account for this, will this result in even higher income for the full year?

A5: Reversal of the reserve for outstanding claims amounts to 20.3 billion yen, but claims paid
amount to 14.3 billion yen, lower in part due to the fact that the amount of losses was lower than originally predicted. As a result, the catastrophe loss reserve is not subject to a reversal in the full amount of the reserve for outstanding claims. In addition, while our goal is to pay the full amount of outstanding claims within the fiscal year, payments require an agreement with the customer, and it is still uncertain in some cases whether payments can be completed by the end of the fiscal year.

Q6: You noted that there were no major losses in the first quarter due to natural catastrophes, but in July and August, the media reported several incidents of heavy, localized rain as well as the cancellation of the Sumida River fireworks display. Please tell us about any claims for fire insurance or casualty insurance (such as event cancellation insurance) that have arisen as a result.

A6: In terms of natural catastrophes since July, while both Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance have seen losses arise, most have been in the range of several hundred million yen, with none on the scale of multiple billions of yen. I am not aware of any major losses that particularly warrant mention in the area of event cancellation insurance.

Q7: Consolidated net income is looking quite strong. Is this because of strong investment performance?

A7: One major factor behind the improvement in investment performance year-on-year is the smaller loss on devaluation of securities. Given that our initial plan did not anticipate any major losses in this area, these results are largely in line with the plan. On a non-consolidated basis, an increase in dividends from subsidiaries has been a key factor in the increase in net dividends, but otherwise, the numbers are generally in line with our assumptions. In addition, this fiscal year we plan to sell off about 100 billion yen in strategic share holdings, and as of the end of June have sold 29.5 billion yen, resulting in a gain on the sale of securities. We will continue to make steady progress toward achieving our goal for the sale of our strategic share holdings.

Q8: There seems to have been a significant increase in net dividends from foreign securities; how much of that includes the impact of foreign exchange?

A8: Key factors behind the increase in interest and dividend income at Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance include an increase in dividends from overseas subsidiaries, an increase in dividends from domestic stocks, and the gains from cancellation of foreign investment trusts. I do not have a numerical breakdown on hand on the impact of foreign exchange, but we do not believe it to be significant.
Q (follow-up): I believe dividends from subsidiaries are subject to elimination of consolidation adjustment; by about how much have dividends from subsidiaries increased?
A: The increase has primarily been in dividends from overseas subsidiaries of Mitsui Sumitomo Insurance, and amounts to 3.7 billion yen.

Q9: You seem to be making progress in selling off strategic share holdings; if that progress continues, will you end up selling off more shares than planned?
A9: Our first goal is to complete our current plan of selling of 300 billion yen in shares in the three years from FY2011, and at this point we anticipate no increase or other change in that plan.

Q10: This question is about the overseas business. On a local currency basis, what is the approximate growth rate for net premiums written in non-life insurance in Asia? Also, how do you view the current pace of progress when compared to the company’s original plan? Will there be any changes in the forecasts for 2Q and beyond?
A10: On a local currency basis, net premiums written in the Asia region have increased at a rate of 7%. Compared to the high targets set for the Asia region in the initial plan, progress in the Greater China is somewhat behind. Compared to our internal figures for 1Q, we are currently about 900 million yen behind plan in this region. At this point, I have nothing in particular to say about any changes in the forecasts.

Q11: Please tell us about group core profit, including a breakdown.
A11: Group core profit is 77.1 billion yen. The breakdown includes 57.1 billion yen from domestic non-life insurance business; 8.1 billion yen from domestic life insurance business; 10.9 billion yen from our overseas business; and 900 million yen from the financial services and risk-related businesses.

Q (follow-up): That’s a high rate of progress compared to your plan; are there any changes in the full-year plan?
A: While progress remains solid at this point, typhoon season is approaching, and we believe it is probably too early to make changes to the full-year plan.
Q12: Can you provide any updated information at this point regarding your reorganization by function?

A12: As we have said in the past, we continue to move ahead with a detailed review in line with our schedule which targets November.

Q13: It looks as though net income for the full 2013 fiscal year may be set to rise, and it would seem a good opportunity to add to your catastrophe loss reserves. Is it possible that you will ultimately decide not to revise your net income upward from the current plan, and instead use the surplus to increase your catastrophe loss reserves?

A13: In terms of natural catastrophes, typhoon season is just underway, so we cannot really decide one way or another until we see how that plays out. We will continue to consider the matter as circumstances warrant.

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