Below is a summary of the Q & A session from the IR conference call held on November 19, 2013.

Q1: I would like to ask about the full-year forecast for Mitsui Sumitomo Insurance. You have stated that an upward revision will be made to net income in the earnings forecast for Mitsui Sumitomo Insurance, but according to Slide No. 19, incurred losses other than natural catastrophes are expected to increase from the level of the forecast at the start of the year. Could you explain the background behind this?

A1: The incurred losses other than natural catastrophes are forecast to increase by 27.0 billion yen from the amount forecast at the start of the year. When the CALI portion that does not affect underwriting profit is excluded, the increase is approximately 21.0 billion yen for the remaining lines. By product line, this reflects the impact of large losses occurring in the first half of the fiscal year in fire, marine and miscellaneous lines. In addition, incurred losses are basically forecast based on trends of the loss ratio in previous years, and since earned premiums of mainly fire and auto insurance have been increasing, the incurred loss is forecasted to increase associated with the premium increase.

Q2: I would like to ask about MSI Primary Life. Although MSI Primary Life has already recorded interim net income of 14.5 billion yen in the first half of the fiscal year, the forecast for the full year has been kept at 11 billion yen as forecast at the start of the year. What is the background behind the favorable performance in the first half and the reason for the subsequent decrease in income in the second half?

A2: I will begin by explaining the reason for the favorable performance in the first half by separating variable products and fixed products. The main reasons for the increase in income from variable products were an increase in assets due to the recovery in stock market, resulting in an increase in commissions obtained, due to the increase in the balance, and an increase in gains from cancellations, due to fees paid upon cancellation. For fixed products, contributing factors were an increase in cancellations of Australian dollar-denominated products due to the weakening of the yen against the
Australian dollar, resulting in gains on cancellations, and the solid performance of new products.
Reduced income in the second half is due to planning for the provision of contingency reserve and reserve for price fluctuation, with a combined total of 15 billion yen at the end of the fiscal year, with an eye to future changes in the market environment.

Q3: In the consolidated earnings forecast for the full year shown in Slide No. 16, could you explain why ordinary profit has not been revised despite the upward revision to the top lines? Furthermore, why is there less profit in the second half than in the first?

A3: An upward revision was made to the full-year forecast for the top lines to reflect a steady increase in net premium in the first half, but due to the structure of non-life insurance accounting, the increased portion is allocated to ordinary underwriting reserves and does not immediately lead to profit. Furthermore, past experience indicates that the incurred loss tends to be larger in the second half than in the first. In addition, the balance of reversals and provisions of the catastrophe reserves show a bias toward provision in the second half. As for the interest and dividends received, dividend income from stocks was also greater in the first half. Therefore, although we performed well in the first half, we see this as generally being on track with our initial targets and have not revised our profit forecast for the full year.

Q4: You have forecast the combined ratio for the full year to worsen relative to the combined ratio for the first half for both Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance. Is it correct to understand that your forecast is based on a trend of greater incurred losses in the second half?

A4: Your understanding is correct.

Q5: The sale of strategic equity holdings totaled 64.3 billion yen in the first half. I understand that you had plans at the start of the year to sell a combined total of around 100 billion yen for Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance over the full year. Will you increase the amount sold for the year in light of the current environment? Also, will there be any change in the gains on sales?

A5: The sale of strategic equity holdings has been going well, partly due to rising
share prices. In the second half, we will continue to focus on selling approximately 100 billion yen in shares this fiscal year with the aim of ensuring that we achieve our stated goal of selling strategic equity holdings totaling 300 billion yen over the three years from FY2011 to FY2013. With regard to gains on sales, we expect an increase from the target set at the start of the year due to the assumed share price level (NIKKEI 225) being revised to 14,000 yen.

Q (follow-up): Even with the expectation of this increase in gains on sales of stocks, does this mean you won’t amend the forecast for ordinary profit?
A: Your understanding is correct.

Q6: The number of automobile accidents appears to decrease further in the second quarter, continuing the trend of the first quarter. What is the forecast for the second half?
A6: The number of automobile accidents is steadily decreasing for both companies, and the combined total for the two companies had decreased by around 6% as of September 30 this year. However, this trend began from the second half of last fiscal year, and had almost completed an entire cycle by October. Because of this, the ratio of the decrease in the number of accidents in comparison to the previous year is expected to slow and taper off from the second half of this year.

Q7: I would like to ask about the one-time provision for the catastrophe reserve. The projected payments related to the floods in Thailand have been lowered from 75.8 billion yen to 55.4 billion yen for Mitsui Sumitomo Insurance, and have also been lowered slightly for Aioi Nissay Dowa Insurance. Does the reduction of approximately 20.0 billion yen in payment of claims for Thailand mean that the one-time provision for the catastrophe reserve will also be reduced by the same amount?
A7: The amount of payment of claims related to the floods in Thailand has a significant impact on the reversal of the catastrophe reserve. In the forecast for the full year, in regard to the catastrophe reserve for Mitsui Sumitomo Insurance, we have estimated a gross reversal of 24.3 billion yen for fire, based on a somewhat conservative view* of the reversal in relation to assumed payment of claims, but we are basically considering a one-time provision if there is a reversal exceeding this amount. (* The range of the
amount from this conservative view has not changed from the time of the forecast made at the start of the year.)

However, a final decision on the one-time provision will be made based on the actual condition of reversal at the end of the year.

The decrease in projected payment of the forecast at the start of the year mentioned in your question is mainly due to the decrease in incurred losses, and the reduction in incurred losses is having a positive effect on underwriting profit. On the other hand, in terms of profits and losses related to the catastrophe reserve, the projected payment has decreased accordingly, and gains on reversal have also decreased. Therefore, the burden of the catastrophe reserve has increased since the start of the year.

Q8: What is the anticipated pre-tax amount of the purchase difference for the full year?
A8: It is difficult to show the pre-tax amount, but I will inform you that the amount of the purchase difference after taxes is negative 4.7 billion yen. The breakdown of this is impairment losses accounting for approximately negative 2.0 billion yen and gain on sales of securities accounting for approximately negative 3.0 billion yen.

Q9: Looking at overseas business plans for this fiscal year, I think the level of net income for the second half is lower than the actual performance in the first half. What is the reason for this?
A9: We do not have any particular concerns in regard to major losses overseas. The level of income in overseas subsidiaries exceeded our targets in the first half. In preparing this review, we have forecast losses assumed at the start of the year to occur throughout the full year, thus the relatively lower level of income in the second half.

Q10: Please describe anything you can at present about the details of reorganization by function or your approach to the next mid-term management plan.
A10: On these matters, we are currently finalizing the details for an explanation at the Information Meeting to be held on December 3.

Q11: A clause regarding the exclusion of organized crime syndicates has been included in insurance policies since October, but what kind of impact will this
have? For example, will it cause a decline in your top lines or improve your loss ratio?

A11: The ability to terminate a policy is effective for excluding antisocial forces, and we believe we must adopt a cautious approach in providing relief for victims. We do not believe it will have any impact on either the top line or the loss ratio.

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