Q1: Can you tell us about your forecast for the number of accidents for automobile insurance in FY2014?
A1: In April the number of accidents declined 5% from year-on-year at Mitsui Sumitomo Insurance and more than 5% at Aioi Nissay Dowa Insurance. However, the effects of the revisions to the non-fleet grade system have largely run their course and going forward we expect the year-on-year decreases in the number of accidents to gradually become smaller. As a point of reference, in FY2014 we expect a reduction in the automobile insurance earned-to-incurred loss ratio (including loss adjustment expenses) of 1.1 points year-on-year to 65.4% at Mitsui Sumitomo Insurance and 1.7 points to 64.6% at Aioi Nissay Dowa Insurance.

Q2: In the comparison of the FY2014 forecast for ordinary profit against the actual results for FY2013 shown on page 20, it is explained that the two domestic non-life insurance companies are expected to enjoy a 57.1 billion yen increase in underwriting income. Can you tell us about whether factors such as the heavy snowfalls in February and the additional provision for catastrophe reserves have been incorporated into these projections?
A2: We expect the two domestic non-life insurance companies to pay most of the claims associated with the heavy snowfalls in February during FY2014, and based on this assumption we are expecting to add about 30.0 billion yen to catastrophe reserves as the additional provision.

Q3: Similarly, the comparison of the forecast of the ordinary profit for FY2014 and FY2013 shows an 80.8 billion yen decrease in “investment profit and other ordinary profit” for the two domestic non-life insurance companies. Can you tell us the factors behind this?
A3: There are two primary factors behind the expected steep decrease in investment profits at the two domestic non-life insurance companies in FY2014. First, we expect a 24.0 billion yen decrease in net interest and dividends compared to the prior year. This is because the fund-related dividends were relatively large, and we expect these to decrease in FY2014. Another factor is the fact that we expect the gains on sale of securities to decrease 53.0 billion yen.

Q (follow up): So you are expecting a decrease in the gains on sales of securities in FY2014. What are your plans with respect to reducing strategic equity holdings?
A: We will explain our plans regarding the sale of strategic equity holdings under our new medium-term management plan at the information meeting we have scheduled for June
3. In terms of the general direction, our plans to continue selling off such holdings—as we have been doing up to now—remain unchanged. However, we do not decide a specific sale amount each year. Rather, we look at the timing and take a measured approach.

Q4: The total amount of outstanding claims for natural disasters in FY2013, such as the heavy snowfalls in February, is 90.5 billion yen, and it appears that most of this will be paid in FY2014. If these payments are not actually made as expected, or if the excessive amount that had been being set aside is gradually decreased, it is conceivable that the reversal of catastrophe reserves might not happen as projected. Can you tell us which we should expect under such circumstances: will profits decline or will you adjust the intended 30.0 billion yen special provision?

A4: If insurance claim payments do not go as expected, the accompanying reversal of catastrophe reserves should also shrink, allowing us to keep the balance at a certain level. Accordingly, under such circumstances, I think that we would adjust the amount of the special provision for catastrophe reserves so that profits would be unaffected. But our thinking is that we will make any final decision about the amount of the provision after generally considering our situation at the end of the fiscal year.

Q5: Turning to the overseas subsidiaries' business performance in FY2013, looking at just the three months of the fourth quarter it appears that the earnings of subsidiaries in Europe and the Americas have worsened. Could you please talk about the factors behind this?

A5: Europe is currently in a transition period in which we are transferring some of the English subsidiary's operations to the German subsidiary, and as a result there has been a temporary increase in business expenses and taxes. In the Americas, the main factor behind the downturn was the poor performance in South America.

Q6: You are forecasting a 4.0 billion yen increase in profits at overseas subsidiaries in FY2014. Are you basing this on the assumption of no increases, other than the disappearance of the transient losses incurred in FY2013?

A6: The 4.0 billion yen increase in profits that we are forecasting for overseas subsidiaries in FY2014 breaks down as follows: a 4.0 billion yen increase in Asia, a 1.0 billion yen increase in Europe, a 1.8 billion yen increase in the Americas, and a 3.0 billion yen decrease in reinsurance. Turning to Asia, we expect to see a rebound in the life insurance business. On the other hand, the reinsurance performed well in FY2013 due to the small number of natural disasters, but our forecast for FY2014 is built on the expectation of a certain level of natural disasters.

Q7: The FY2014 earnings forecast incorporates, as extraordinary income, the transfer consideration
relating to the reorganization by function of 1.8 billion yen at Mitsui Sumitomo Insurance and 24.8 billion yen at Aioi Nissay Dowa Insurance. Is this a temporary factor that will only arise in FY2014 or is this something that will arise in FY2015 and beyond?

Could you please also talk about what kind of changes you foresee in running costs such as system expenses from FY2013 to FY2014.

A7: The transfer consideration relating to reorganization by function shown as extraordinary income on page 21 is something that will be recorded only in FY2014 and such figures will not be booked as extraordinary income in FY2015 and beyond.

The system expenses associated with the reorganization by function total 8.2 billion yen for the two companies, 4.1 billion yen at Mitsui Sumitomo Insurance and 4.0 billion yen at Aioi Nissay Dowa Insurance, and this was be taken ahead of time as a one-time extraordinary loss in FY2013, so there will be no depreciation in the future. We do not foresee any other major costs arising in FY2014 or beyond, including other categories.

Q8: You have announced a 10 billion yen stock repurchase program. This represents a return to shareholders of the profits from which fiscal year?

A8: The stock repurchase that we announced today will come from FY2013 profits. The group core profit for FY2013 was 94.8 billion yen. We intend to return a total of about 45.0 billion yen of this to shareholders—about 35.0 billion yen as dividends and 10.0 billion yen through this stock repurchase. Therefore, about half of our group core profit will be returned to shareholders.

Q (follow up): You are forecasting group core profit of 100.0 billion yen and a dividend of 58 yen per share in FY2014. Using this as a basis for calculation, the dividend alone represents a shareholder return of almost 40%. Can we expect another stock repurchase from profits again in FY2014 so that you can keep to the guideline of returning 50% of group core profit to shareholders?

A: Our policy on returning profits to shareholders says that we will aim to return 50% of group core profit to shareholders over the medium term. This being the case, we will not necessarily return 50% in a given year. It is also possible that, when FY2014 is actually over, profits could deviate from the forecast. So, we will decide specifically how profits will be returned to shareholders after FY2014 has ended and we have looked at profits and the business situation. Accordingly, at this stage we have not made any concrete decisions about a stock repurchase from our FY2014 profits.

Q9: You have indicated that you intend to revise premiums in October, 2014 and that Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance, will raise insurance premiums for automobile insurance by an average of about 1.9%. Could you please tell us how you believe
these revised premiums will affect profits?

A9: The revision in premiums that we are planning to implement in October has been factored into this earnings forecast. However, this does not necessarily mean that it will contribute to results for the entire year. It will have only a limited effect on underwriting income in FY2014. On the other hand, the full effect on earnings should be seen in FY2015. I am sorry but I can't comment on the specific impact on profits.

Q10: Can you tell us the amount of the provision for catastrophe reserves that has been incorporated into the forecast for FY2014?

A10: We are projecting a net addition of 12.6 billion yen to catastrophe reserves for Mitsui Sumitomo Insurance and a net reversal of 8.4 billion yen for Aioi Nissay Dowa Insurance.

Q11: You are forecasting a 26.0 billion yen decline in ordinary profits for the domestic life insurance subsidiaries in FY2014. Can you tell us the reasons for this?

A11: With regard to ordinary profit for the domestic life insurance subsidiaries in FY2014, we are projecting a 9.0 billion yen decline in profits at MSI Aioi Life Insurance and a 17.0 billion yen decline at MSI Primary Life. The biggest factor behind the decrease in profits at MSI Aioi Life is costs such as upgrades to system infrastructure and the relocation of corporate headquarters. At MSI Primary Life, the main cause is profits falling back after the fairly substantial increase in sales in FY2013.