Q1: Group consolidated net income for the nine months ended Dec. 31, 2015 totaled 170.6 billion yen, exceeding the full-year forecast of 157.0 billion yen. Can you explain the factors causing the drop in income in 4Q, for domestic non-life and domestic life insurance, respectively?

A1: First, we think there are three points regarding non-life insurance in 4Q. First, write-down of deferred tax assets with the lowering of the corporate tax rate is a factor in the decrease in income, with an impact primarily on our two domestic non-life insurance companies amounting to about 11.0 billion yen. Second, there is a potential for valuation impairment losses on securities in certain names of shares holding due to recent fall of share prices due to changes in market conditions. Third, there is a positive factor for income that incurred losses may fall below assumptions. The assumption for natural catastrophes was 75.0 billion yen, but as of the end of 3Q that figure was 65.0 billion yen, leaving us with an extra 10.0 billion yen. At this point in 4Q, we have not suffered major losses from natural catastrophes, and also the number of accident claims received in voluntary automobile insurance has continued its downward trend even going into January, and has fallen below the previous year.

Next, in domestic life insurance, income is expected to fall at MS&AD Aioi Life, due in part to a concentration of expenses in 4Q, and also to an added policy reserve burden with the acquisition of a major group policy in 4Q. At MSP Life, while income increased through 3Q thanks to fixed products with a rise in Australian dollar interest rates, and growing margins due to expanding balances, but there are several negative factors for income in 4Q which are falling down of interest rates and depreciation of Australian dollar against Japanese yen.

Nevertheless, I do not suppose income will fall significantly below the 17.0 billion yen forecast for the end of the period.

Q (follow-up): I understand that no upward revision to your income forecast is made and kept as unchanged due to several uncertainties, would that be correct?

A: In terms of the Group Core Profit, I anticipate that we can achieve our planned Group Core Profit with high possibility.
Q2: This question is about the 4Q earnings forecast for MSP Life. Since the end of December, Australian dollar interest rates have fallen about 40 basis points. Even considering the impact seen during a similar drop in interest rates in 4Q of the previous year, it seems income will exceed our plan. Do you expect to make a special addition to reserves in 4Q? Also, please tell us about the impact of change in interest and exchange rates on income at MSP Life, respectively.

A2: We currently have no plans to set aside additional reserves. While Australian dollar interest rates have risen from 2.32% at the beginning of the April 2015 to 2.88% at the end of December 2015, this was actually a factor in increasing income by 25.5 billion yen as the policy reserve burden fell and valuation losses occurred among securities held as assets. Regarding the exchange rate, the yen was up against the Australian dollar, moving from 92.06 yen at the beginning of the April 2015 to 87.92 yen at the end of December 2015, and this was a factor of the 12.6 billion yen drop in income. The net impact of fluctuations in interest and exchange rates was thus +12.9 billion yen. Note that the amount of impact on results may differ even if interest and exchange rates continue to move in a similar fashion because the balance of securities held as assets by objectives have changed from last fiscal year to the current fiscal year.

Q (follow-up): Income at MSP Life is being lifted by rising interest rates, so are we correct in understanding that the interest rate impact will be included in Group Core Profit, which is subject to shareholder returns?

A: That is correct. It is included in Group Core Profit.

Q3: Can you tell us why, in your International business, Asia is performing so strongly, with net income of 14.8 billion yen in 3Q, including the performance of the Asian life insurance business?

A3: While a decelerating economy in Asia has somewhat slowed growth in premiums, loss ratios have improved. We forecast income of about 16.0 billion yen at the end of the period because several major losses in 4Q would slow down income growth. Of that, Asian life insurance business generated income of 4.5 billion yen through the end of 3Q, so by the end of the period we expect a figure close to our projection for full-year (5.2 billion yen).

Q4: Regarding automobile insurance EI loss ratios, at ADI, the ratio at the end of 3Q improved by 4.7 points year-on-year, even better than in 2Q. Can you explain why?
A4: I think that primary causes are the effects of our efforts to optimize funding of reserves for outstanding claims. In addition, we have seen a reduction in large bodily injury liability losses, and a reduction in losses overseas due to the conversion of our Australian business to a local subsidiary, and the suspension of reinsurance underwriting from certain region.

Q5: As of end of 3Q, strategic equity holdings have been reduced by 132.0 billion yen, it is almost achieved the level planned. Can you tell us how you expect to deal with this in 4Q?
A5: We plan to continue moving ahead to reduce strategic equity holdings in 4Q, and while we will have to keep an eye on market conditions, will work to bring the reduction to in excess of 150.0 billion yen.

Q6: Can you tell us the recent income picture at Amlin, the acquisition of which was completed on February 1, 2016 and how you expect that acquisition will impact to Group performance in terms of your projections for next fiscal year?
A6: We are currently in the process of closing full-year (January-December) results for Amlin, and plan to announce those figures in early March, as always. While there are factors causing income to fall somewhat, due to the impact of a softening reinsurance market, we expect income to be about as planned. As we have explained before, plans for the following fiscal year and beyond will be described in our information meeting in May.

Q (follow-up): Can you tell us the impact on Amlin from the floods in England?
A: Our understanding is that they had only a minor impact on Amlin.

Q7: Will there be any changes in your investment policies as a result of the Bank of Japan’s negative interest rate policy? Has there been any recent movement, particularly for short-term funds of non-life companies?
A7: Both life and non-life will keep their traditional ALM-based policies unchanged. However, we will likely move in the direction of passing on putting funds into short-term securities with negative interest rates, instead managing those funds through cash and deposits for the time being, while continuing to invest in long-term securities with positive yield. While in life insurance we have increased the proportion of foreign bonds somewhat, hedge costs are increasing, and with the addition of exchange rate fluctuations, we will be proceeding with caution for the time being.

Q (follow-up): Are you able to deposit hundreds of billions of yen with the banks?
A: If putting that money in the bank will incur fees, we will take another look at how we handle the situation.

Q8: Can you tell us the time schedule you plan to introduce discount programs for advanced automobile safety technology such as automatic brakes?
A8: Our understanding is that the General Insurance Rating Organization of Japan is currently reviewing ASV discounts. We also think that, to move forward, we will need to have a platform in place to allow us to apply the appropriate discounts.

Q9: On February 14, the Nikkei reported the introduction of new tariff classes by model type for light motor vehicles. If this system is introduced and rates for the popular sports models go up, will this mean an increase in premium revenue for the insurance companies?
A9: We have no definitive information on the introduction of new tariff classes by model type for light motor vehicles. What the article said was that, same as passenger cars, each policy holder for light motor vehicles will be also offered a fair premium rate through the subdivision of risk. To my understanding, it had nothing with an increase in premiums and so on.

Q10: Regarding equity levels, under the current market situation such as share prices has fallen and the yen has strengthened. What is the impact on your ESR?
A10: Since January 29, 2016 when it was recognized the Bank of Japan would implement additional easing measures, through February 12, 2016 the Nikkei average fell by 14.6%, and exchange rates rose by 6.8% in favor of the yen. While this is only a simple calculation, the rate of change in ESR was below 5 points. The sensitivity to share price has fallen slightly due to the current balance between net assets value and risks.

Q11: During the previous briefing, you explained that the timing of a repurchase of your own shares would take into account your level of certainty regarding future earnings, as well as current PBR. Has that approach changed at this point?
A11: We have not changed our policy on shareholder return since the previous briefing, though we have been often asked whether we would change our policy on shareholder return following our acquisition of Amlin. Additionally we have recognized our big issue that our share price not only current but also from previous has been below the level we believe reasonable.

End