Q1: Despite expecting a 2.1% increase in automobile insurance premium income in FY2015, incurred loss across all lines other than from natural catastrophes is forecast to increase slightly by 2.4 billion yen. What is your forecast for underwriting profit in automobile insurance?
A1: Incurred losses (including loss adjustment expenses) in automobile insurance other than from natural catastrophes are expected to increase by around 2.6 billion yen in FY2015 at Mitsui Sumitomo Insurance (MSI) and by around 3 billion yen at Aioi Nissay Dowa Insurance (ADI). Meanwhile, because earned premiums will increase due to the effect of revisions in premiums made by FY2014, the EI loss ratio is expected to be less than the previous year, and improve by 1.2 points at MSI and 1.0 points at ADI.

Q (Follow-up): So, factors expected to increase incurred loss other than natural catastrophes in automobile insurance during FY2015 are a minor increase in repair costs and traffic volume, in addition to an increase in accidents caused by automobiles slipping in the snow because there were fewer such accidents in FY2014 than usual year. Is that correct?
A: Your understanding is correct.

Q2: In your forecast for FY2015, earned premiums in domestic non-life insurance are expected to increase by 78.1 billion yen. Could you explain the factors behind this forecast?
A2: The breakdown of the 78.1 billion yen increase in earned premiums forecast for FY2015 includes an increase in automobile insurance totaling 33 billion yen for both companies, a 30 billion yen increase in Other line at the two companies, and an 18 billion yen increase in fire insurance at the two companies.

Q (Follow-up): Adjustment of premium rate is a factor in the increase in earned premiums in fire insurance, and I understand this does not lead to an increase in incurred loss. Could you explain why there is little increase in incurred loss despite the forecast for an increase in earned premiums in Other line?
A: The incurred loss for Other line in FY2015 appears small compared to the increase in
earned premiums because there were transient factors that bolstered incurred loss in FY2014. Incurred losses in Other line increased by 17.6 billion yen year-on-year at MSI, 13.8 billion yen at ADI and over 30 billion yen in total for the two companies in FY2014. 17 billion yen of this increase was due to a specific incurred loss in liability insurance in a specific area. This liability policy is a scheme in which the eventual result is finalized after five years elapsed from the policy’s start, and a refund is to be paid if the result is good. Sales began in FY2009 and the first refund occurred when the policy results for FY2009 were finalized in FY2014. Based on this, similar good results are also anticipated for policies underwritten in other years. So we estimate future refunds for all years underwritten and set aside in IBNR. In other words, there was no major loss, and represents the impact of effectively setting aside five years of refunds at once. Therefore this is a one-time impact due to a special factor occurring in FY2014, since we believe the amount to be set aside from FY2015 onwards will not fluctuate significantly.

**Q3:** Mitsui Direct General seems to have a significant decrease in income in FY 2014. Could you explain what caused this and the outlook for next year?

**A3:** Mitsui Direct General incurred a loss in FY2014 primarily due to an increase in incurred loss because of a revision to outstanding claims for bodily injury claims in past years with regard to automobile insurance. Therefore, although profit fell temporarily in FY2014, please understand that this will not affect FY2015.

**Q4:** MSI Primary Life posted a 53 billion yen gain on sales of securities despite seeing a decrease in income in FY2014. Please explain this and describe the outlook for next year.

**A4:** The gain on sales of securities increased in FY2014 due to a gain on the sale of cross-held bonds due to the cancellation of policies as a result of preset targets being met. Additionally, the main reason that MSI Primary Life recorded a year-on-year decrease in income in FY2014 was an addition to the policy reserve associated with the fall in interest rates in Australian dollars for the core foreign currency-denominated products. The assets underlying this product are held as bonds for the policy reserve or for trading, but a certain amount of the bonds held for trading offset the increase in the policy reserve due to the valuation gain associated with the decline in Australian dollar interest rates. Furthermore, unrealized gains associated with the decline in Australian dollar interest rates have increased for bonds held for the policy reserve, and although unrealized gains have
increased by around 100 billion yen from the beginning of the year, this increase in unrealized gains is not recognized as accounting profits. Therefore, while in form there has been a decrease in income due to the increase in provision for the policy reserve, in fact financially, there is absolutely no problem.

Q (follow-up): Please explain whether gains on sales of bonds occurred due to cancellation in fourth quarter?
A: MSI Primary Life sold bonds during fourth quarter in association with cancellation of policies that hit the preset target. In addition that bonds were sold to adjust durations of portfolio, gains on sales occurred in the fourth quarter as well.

<Supplementary explanation>
On the conference call, there was a question as to why the “Other capital expenses” shown in the “Statement of Ordinary Profit, etc. (Core Profit)” within the “Earnings Notice” released by MSI Primary Life each quarter fell significantly from 81.6 billion yen at the end of the third quarter to 0.4 billion yen at the end of the fourth quarter. As indicated in the document mentioned, this item includes valuation adjustments for fixed product liabilities, and the main factor that led to this change was that while the Australian dollar exchange rate against the Japanese yen at the end of the third quarter was higher than that at the end of the previous fiscal year, at the end of the fourth quarter it returned to nearly the same level as the end of the previous fiscal year.

Q5: Regarding the sale of strategic equity holdings in FY2014, what was the effective amount of repurchases, and what was the net sale amount excluding this amount? Also, please tell us the amount forecast to be sold in FY2015.
A5: The net sale amount of strategic equity holdings was 91 billion yen in FY2014. On top of this, a total of 63 billion yen was added to the price fluctuation reserve for the two companies combined in FY2014, and a corresponding gain on sales was recorded. This was associated with the repurchases. Regarding the forecast for sale in FY2015, it will be in line with the plan for the sale of strategic equity holdings stated in the Medium-term Management Plan, and at a pace of 300 billion yen over four years.

Q (Follow-up): Does this mean there was selling off in transactions to realize unrealized gains to provide for the addition to the price fluctuation reserve?
A: With regard to the realization of unrealized gains, please understand that repurchases were basically made for this purpose.
Q6: **Group Core Profit is forecast to be 200 billion yen while the numerical management target in the Medium-term Management Plan for FY2017 was only 160 billion yen. Can you tell us which businesses are forecast to surpass their Medium-term Management targets?**

A6: The Medium-term Management Plan will be revised moving toward FY2017, and targets set accordingly. The outlook provided for FY2017 this time is simply an extension of current conditions into the future. In contrast to the numerical targets set in the Medium-term Management Plan, Group Core Profit is expected to increase mainly in the domestic non-life insurance business, due to the impact of the top line being forecast to increase by 100 billion yen, along with progress in streamlining business expenses.

Q7: **With regard to group core profit, please explain why, despite overseas business substantially surpassing planned levels for FY2014, this has conversely been revised downward from the original targets in the forecast for FY2015.**

A7: The breakdown of the 20.1 billion yen year-on-year increase in group core profit for FY2014 includes 5.1 billion yen at the head offices and 15 billion yen at overseas subsidiaries. The main factor that led to an increase in income in FY2014 at the head offices was the impact of exchange rates on their branches' foreign-denominated deposits and reinsurance accounts receivable, but a decrease of 6 billion yen is actually expected in FY2015 because the impact of the weakening yen will go away. The breakdown of the 15 billion yen increase in income in overseas subsidiaries by region and reinsurance was +6.3 billion yen in Asia, +4.8 billion yen in Europe, +1.3 billion yen in the Americas and +2.5 billion yen in reinsurance. Of these, exchange rates had a positive impact in Europe during FY2014, but this will not be the case in FY2015. In addition to this effect, newly acquired BIG will post a loss of around 3 billion yen due to factors such as the initial cost including the cost of PMI and IT investments in its first year, for these reasons Group Core Profit is expected to decrease by around 5.5 billion yen in Europe in FY2015. Furthermore, reinsurance performed well in FY2014 because there were very few natural catastrophes, but a certain number of natural catastrophes are anticipated to occur in FY2015, and a loss of around 3.8 billion yen is forecast.

Q8: **Please explain why there is an asterisk in the Group ROE section for the FY2017 outlook. Is this because you initially set a target of 7% but withdrew it once?**

A8: We have not withdrawn our numerical target for a 7% Group ROE set in the Medium-term
Management Plan. We plan to revise the numerical targets for FY2017, the final year of the Medium-term Management Plan, after the announcement of this year's interim earnings, but at this point we are showing our top line and bottom line as a forecast. With regard to Group ROE, although total net assets, which is the denominator in calculating Group ROE, has expanded significantly due to the increase in unrealized gains associated with rising share prices, we will be conducting a careful overall examination, followed by a review of a variety of considerations involved in reaching the FY2017 target of 7%. Please understand this.

Q9: A target of 7% is set for FY2017 Group ROE in the Medium-term Management Plan. Please explain the specific steps being implemented to address this and the progress that has been made.
A9: As you are aware, unrealized gains on securities are increasing at an extremely rapid rate, a situation over which we do not necessarily have the level of control we would like. However, with regard to the portion in which capital efficiency is being improved by steadily implementing ERM management, which has been fully implemented since FY2014, processes are being followed smoothly, and we hope you will understand that this is being done to reach 7% by the final year of the medium-term management plan.

Q10: I believe total shareholder returns are around 40% of Group Core Profit in FY2014, including the repurchase of the company's own shares announced this time. If additional repurchase of the company's own shares are made during this fiscal year, will you continue the approach that these will be applied to returns for Group Core Profit for FY2104?
A10: If shareholder returns in relation to Group Core Profit for FY2014 are interpreted as the total of dividends for FY2014 and repurchase of the company's own shares made in FY2015, the combined total of the 39.9 billion yen in dividends and the 20 billion yen of repurchase of the company's own shares decided this time amounts to around 60 billion yen, signifying a total shareholder return of 38%. However, as has been mentioned in the past, please understand that the Company's policy on shareholder returns is simply to “provide shareholder returns of around 50% of Group Core Profit in the medium run”

Q11: With regard to shareholder returns in FY2015, the forecast 70 yen dividend per share is equivalent to nearly 30% of the forecast Group Core Profit of 151.0 billion
yen, but this is substantially lower than the target of 50% set in your policy on shareholder returns. Please explain whether we can expect increased dividends or additional share repurchases once the achievement of the Group Core Profit target is in sight later in the year.

A11: We have stated that our medium-term target is 50%, but we will provide returns according to Group Core Profit as promised, and we will naturally decide on returns based on estimated profits once they become more certain.

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