Below is a summary of the Q&A session from the IR conference call held on February 13, 2015.

**Q1:** In 3Q performance for domestic non-life insurance companies, both other underwriting profit and other ordinary profit improved year-on-year. Can you tell us what caused this improvement?

**A1:** The primary factor behind the increase in other underwriting profit was foreign exchange gains due to continued weakening of the yen. Note, however, that incurred losses have also increased as foreign currency-denominated outstanding claims have ballooned as a result of the weak yen, offsetting the profit increase to a certain extent. Other ordinary profit improved mainly due to absence of the partial provision set aside in the previous fiscal year for ceded claim receivable related to the flooding in Thailand.

**Q2:** Comparing underwriting profit for domestic non-life insurance companies on a quarterly basis, the trend seems to worsen somewhat in the latter half of each fiscal year, but in 3Q of the current year that doesn’t seem to have happened, even allowing for the impact of catastrophe reserves and natural disasters. How do you view the possible factors behind this? Also, regarding the occurrence of major losses, can you tell us how the year is progressing against your assumptions?

**A2:** Through 3Q, in automobile insurance the number of accidents has fallen below our assumptions, and major losses have also not been as numerous as expected. This is not due to any specific factors, rather, we think it is possible, for example, that the timing of this year’s snowfall or the occurrence of major losses just happened to shift into 4Q.

**Q3:** In your projection for net premiums written in the FY2014 full-year forecast, can you explain the factors behind the increase for lines other than automobile insurance that is expected to see the effect of rate revisions?

**A3:** In fire insurance, for example, while new home construction rose prior to the hike in the consumption tax rate in April of last year, insurance policies on properties that weren’t actually handed over until this fiscal year have contributed to the increase. In other insurance, we continue to steadily expand sales channels as we capture growing corporate and other needs. We are seizing on market needs this way as a means of increasing underwriting profit.

**Q4:** Regarding automobile insurance and the number of accidents, gasoline prices are falling in the near term, but can you tell us about recent conditions and your outlook?
A4: Our original assumption called for the number of accidents in 4Q to remain nearly flat year-on-year, but in fact, they rose slightly year-on-year due to the impact of snow damage in December, and have since fallen again in January. For the next fiscal year and beyond, we expect to see a gradual increase, basically in line with economic recovery. The near-term decline in gasoline prices is something I think we’d like to continue keeping an eye on, since we can’t use traffic census data, etc. to verify whether or not this has led to increased traffic volume.

Q5: Please tell us the amount by which you expect to increase your catastrophe reserves under your full-year projected results for FY2014.

A5: Under the full-year projected results for FY2014, we are assuming a net provision for catastrophe reserves totaling 16.7 billion yen for Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance combined.

Q6: You’ve explained that Asia has contributed to increased profits for your overseas insurance subsidiaries in 3Q. Can you tell us the factors behind this? Also, please tell us the amount of the exchange rate impact on the profits of your overseas insurance subsidiaries.

A6: For Asia, actual 3Q net income was 13.5 billion yen, a year-on-year increase of 5.8 billion yen. The breakdown includes 9.7 billion yen in non-life insurance profits, an increase of 1.3 billion yen, and in life insurance, a profit of 3.8 billion yen, an increase of 4.5 billion yen. An improvement in loss ratios in Taiwan and Malaysia was behind the rise in non-life insurance profits. For life insurance, the increase can be attributed to a rebound in the last fiscal year from the impact of worsening investment conditions, and an improvement in investment profit and expenditures. Additionally, the impact of foreign exchange rates on the profits of overseas insurance subsidiaries was approximately a year-on-year increase of 1.4 billion yen overall.

Q7: Comparing the financial results of your overseas insurance subsidiaries on a quarterly basis, it looks as though there has been a gradual slowdown both in net premiums written and net income. Can you explain why?

A7: On a foreign currency basis, the rate of increase in net premiums written through 3Q was 4.1% for Europe, 19% for Asia, 5.3% for reinsurance, and 10.2% for the Americas, slightly lower than plan. For the full 2014 fiscal year, we expect to see a slight move downward against plan on a foreign currency basis, but we think that on a yen basis, including the effect of a weaker yen, totals for the overseas insurance subsidiaries will be about at the levels originally forecast. Net income, meanwhile, is more or less progressing according to plan overall through 3Q, and in some regions is exceeding plan. For the full 2014 fiscal year, given a low level of major losses in
reinsurance, improvements in losses in Europe, and expected improvements in 4Q losses in Asia, we think that net income for FY2014 as a whole could exceed 28.0 billion yen.

Q8: Regarding results for MSI Primary Life, it was explained that a drop in Australian dollar interest rates led to an increase in the burden of policy reserves. Can you tell us, for example, the amount of impact on profit given a drop in the Australian dollar interest rate of 100 basis points? Also, please explain how this kind of decrease in profit due to a drop in Australian dollar interest rates is treated in calculating Group Core Profit.

A8: When Australian dollar interest rates fall, the provision for policy reserves expands, and unrealized gains on bonds held primarily for policy reserves increase as well. With contract cancellations that occur from time to time, the sale of the bonds results in the gains being realized, making it difficult to generalize about the impact on profit. That said, when we consider the gains generated by the sale of this kind of asset, I wouldn’t expect to see any major movement in income. Note also that net income of MSI Primary Life is reflected as is when calculating Group Core Profit (though the impact of lowered corporate tax rates is excluded).

Q9: The company has forecast consolidated net income of 120.0 billion yen for the full 2014 fiscal year. As of the end of 3Q, however, this stood at 206.6 billion yen. Can you tell us more about the situation and about your outlook for 4Q?

A9: In our projected financial results for FY2014, we have planned for an additional provision for catastrophe reserves of 30.0 billion yen for the two non-life insurance companies combined, as well as a 50.0 billion yen additional provision for price fluctuation reserves, also for the two non-life insurance companies combined. We expect that these together will have a total negative after tax impact of about 56.0 billion yen. Note also that compared to other quarters, 4Q sees greater incurred losses and higher expenses, and this forecast incorporates the trend toward lower income from previous years.

On the other hand, on the investment side, the 50.0 billion yen in gains on the sale of securities, earmarked for additional price fluctuation reserves, have mostly been realized as of the end of 3Q. In the near term moreover, interest and dividend income and gains on the sale of securities resulting from reductions in strategic equity holdings have exceeded plan. In addition, given plans to continue reducing strategic equity holdings and the expectation that impairment losses on securities will be smaller than originally assumed, we believe investment income could exceed plan by a considerable amount.

Underwriting profit in 4Q, meanwhile, could fluctuate significantly due to large-scale snow damage or large claims, but in automobile insurance, given that—according to figures in the
preliminary report for January—the number of accidents has fallen below the previous year’s levels, we could see improvements over our forecast should those conditions continue. At the same time, we are forecasting a negative impact on net income of about 27.0 billion yen due to the lowering of the corporate tax rate which was not incorporated in our projection for FY2014, but if the near-term improvement in income continues as I have just described, I believe we will get quite close to our projected net income of 120.0 billion yen, even with the impact of the lowered tax rate.

Q10: **Regarding the relationship between fluctuations in financial accounting profit versus Group Core Profit, should full-year consolidated net income exceed company forecasts, can we assume that Group Core Profit, the source of returns to shareholders, will also move upward? Also, can you explain how, in the event the corporate tax rate is lowered, that negative impact will affect Group Core Profit?**

A10: If financial accounting profits move upward, any increase in Group Core Profit will come from those fluctuation factors, primarily those items excluding net capital gains on strategic equity holdings, which are not subject to Group Core Profit. In addition, in the calculation of Group Core Profit, the negative impact resulting from a lowering of the corporate tax rate is seen as a temporary factor, and is excluded from the calculation.