May 29, 2008: MSIG Information Meeting

Questions and Answers

**Q1 (1):**
On Page 39 of the reference materials, there is a diagram showing tranches underwritten for CDOs. I would like to ask how much percentage the subordinated proportion is. An average for the underwritten tranches is fine as well.

**A1 (1):**
The subordinated proportion of underwritten tranches is around 20% on average.

**Q1 (2):**
I would like to ask a question about the track record of share buybacks mentioned on Page 42 of the reference materials. I recall that just after the merger there was a plan to reduce the number of company shares by 10% by 2010. It seems to me that you have to endeavor to achieve the target for the remaining period. What are your thoughts on this?

**A1 (2):**
As you say, we had a target at the time of “merger” to reduce the number of company shares by 10% of total shares outstanding by fiscal 2010. Regarding our future plans, it would be inappropriate for me to say anything that may affect our share price, but I would emphasize that we have a policy to distribute our shareholders returns equivalent to 40% of Group Core Profit. Considering already announced targets, we would like to continue to endeavor to come closer to the target, taking the circumstances into account at each time.

**Q2 (1):**
I would like to ask about the establishment of a dedicated office in the holding company. Does this mean that business planning and supervisory functions for overseas businesses have been transferred to the holding company, or do such roles remain at MSI, an operating company?

**A2 (1):**
On April 1 of this year, Mitsui Sumitomo Insurance Group shifted to a holding company structure. We have already established regional holding companies, as MSI subsidiaries, for each of our three overseas operations, in Europe, Asia and the Americas. Local units in each
country and region will pursue their operations under this framework. As to what will happen in the future, we obviously need to think about this. But in light of our view that this structure of three regional holding companies—all MSI subsidiaries—lends itself to creation of synergies, we are not making them directly owned subsidiaries of the holding company established on April 1. This is the business structure we will use for the moment.

Q2 (2):
With regard to possible areas of future investment, you have often mentioned life-insurance companies in Asia. This is also mentioned in the presentation materials, but it’s been a while since you last landed a specific deal in Asia. Are there any obstacles in this regard?

A2 (2):
I cannot go into great detail on this subject due to confidentiality, but we have multiple ongoing projects. As I mentioned earlier, we have also set up within the holding company a dedicated office with its own personnel for investment in new businesses. Therefore, I think we will be able to come up with new investment projects at a still faster pace.

Q3 (1):
In the section on a capitalization policy on Page 41 of the reference materials, you have calculated a total risk amount of ¥1,400 billion based on expected shortfall measured at the 99.5% probability level. After stress testing, you explained, this figure rises to ¥2,300 billion. But isn’t your method of evaluation a bit too conservative?

A3 (1):
It’s true that we are sometimes asked, “Isn’t it overdoing it a bit to apply stress testing after measuring VaR at the 99.5% probability level?” However, in non-life insurance it can be the case that a risk far beyond assumption comes up in mega disasters. Take, for example, the damage from the earthquake in Sichuan Province in China and the Myanmar cyclone. We do not happen to have direct premiums written in these disaster areas, and do not actually expect any large payouts. But, taking such a nature of non-life insurance business, we need to be very cautious in our calculations. I hope you will see that.

Q3 (2):
Looking at previously disclosed calculations of risk, I get the impression that risk evaluation methods are becoming more and more strict each year.
A3 (2):
It is a fact that risk evaluation methods at the Company have been growing stricter in recent years. One factor is that insurance companies are now expected to apply more rigorous approaches under the Solvency 2 (capital adequacy review for the European insurance industry) initiatives, and under the Financial Services Agency’s solvency regulations in Japan. Another factor is that, based on the damage caused by Hurricane Katrina in the US in 2004 and other considerations, ratings agencies have begun to wonder if the models used by the insurance industry for evaluation of disaster damage have not been too lax. And when measuring risk using models, I think it is appropriate to try certain levels of stress testing for situations where models are unable to deliver useful results.

Q3 (3):
Is the company considering selling out stockholdings and withdrawing from underwriting for high-risk natural disaster business, to concentrate management resources on businesses with high profitability?

A3 (3):
I think it is a shared trait of non-life insurance businesses in Japan that they have a high proportion of equity investment in their portfolios. As I explained, I think we are making steady progress toward our goal of selling ¥500 billion’s worth of stockholdings. It may not be new to you, but Japanese non-life insurance companies’ stockholdings include so-called “stockholdings for customer relation purposes”, and these are closely associated with their top lines. Sale of such shareholdings should not adversely impact amount in force, so I hope you understand why we are proceeding carefully, while carefully weighing up various factors. With regard to possible withdrawal from natural disaster and other high-risk underwriting, I would ask you to appreciate that underwriting such risk is the very raison d’etre of insurance companies. I believe underwriting, while using various technologies to avoid excessive risk-concentration in a particular area and to disperse risk through measures such as reinsurance is an insurance company’s mission.