

**Management Vision of the Sony Financial Holdings Group for Fiscal Year 2011**  
**Q&A (Executive Summary)**

Date: September 9, 2011 (Friday), 10:00–11:30

Respondents: Katsumi Ihara, President and Representative Director of Sony Financial Holdings Inc.  
Hirotooshi Watanabe, Director of Sony Financial Holdings Inc.  
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Note: The original content has been revised appropriately and edited for ease of understanding.

**Q&A**

**Q1. [Sony Life]**

**Are Sony Life's mid-term targets (page 16 of the presentation material) based on the financial market environment as of March 31, 2011, or are you assuming more recent market conditions?**

**A1.**

Our assumptions are based on the market conditions as of March 31, 2011.

**Q2. [Sony Life]**

**To what extent are the effects of Sony Life's operational improvements (page 14 of the presentation material) incorporated into Sony Life's mid-term targets?**

**A2.**

We have incorporated effects such as a reduction in personnel expenses owing to the streamlining of operations and a reduction in administrative expenses as a result of the shift to paperless operations. Business operations are expanding, but we plan to control personnel expenses so that they do not rise more than the policy amount in force does.

Meanwhile, we plan to remain dedicated to providing policyholders with robust after-sales follow-up services, so we have not incorporated any particular revisions to our policy persistency rate.

**Q3. [Sony Life]**

**Would you please explain whether Sony Life's operational improvements (page 14 of the presentation material) will contribute to an increase in MCEV for FY2013?**

**A3.**

At this stage, we have not incorporated any specific figures.

**Q4. [Sony Life]**

**Please explain your senior market initiatives. It seems that selling insurance products to existing customers would be the quickest path. Please give a specific example of how much you will be able to boost results in this manner. For example, can you say that by selling additional insurance products to your existing customers in their 30s and 40s who contracted whole life insurance policies, you should be able to boost annualized premiums from insurance in force by around 10%? Alternatively, could you say that this increase will compensate for a decline in annualized premiums from insurance in force as the amount of death protection for existing customers decreases?**

**A4.**

Sony Life has focused on sale of death protection products to the heads of households in their 30s and 40s with children. The households with children are expected to become seniors, and this shift involves their concerns on specific risks associated with longer lives, such as nursing care. We expect to be able to sell them additional insurance products related to risks associated with longer lives, such as medical, nursing care, living benefit and individual annuity products. Naturally, we will conduct these operations to our existing customers in parallel with efforts to acquire new customers.

It is difficult to give a straightforward response to your question about how much we should be able to add to annualized premiums from insurance in force held by our existing customers, because each customer's situation is different. In principle, we will seek to cultivate existing customers by adding protection as needed by their stage in life.

**Q5. [Sony Life]**

**With regard to ALM, it appears that you have succeeded in holding down interest rate sensitivity through a parallel shift in the yield curve, but what degree of impact on EV do you forecast as a result of a flattening of yield curve, and how specifically do you plan to reduce the risk of the yield curve flattening?**

**A5.**

We will continue working to reduce interest rate sensitivity. (Additional explanation: Looking at the cash flow characteristics of liabilities, we have been focusing on investing in 30-year and 40-year Japanese government bonds (JGBs) to reduce yield curve risk too.)

**Q6. [Sony Life]**

**Looking at Sony Life's mid-term target for MCEV (page 16 of the presentation material), to what degree have your interest rate assumptions and changes in the product mix been incorporated into these figures?**

**A6.**

Our interest rate assumptions are as of March 31, 2011. With regard to the product mix, as Sony Life's fundamental approach is needs-based sales rather than focusing on specific products, our current product mix is the basis of our assumptions. Our target MCEV growth rate of 7.5–8.0% per year is calculated as the total of each year's new business value and expected existing business contribution discounted by risk-free rate, then divided by MCEV at the end of March 2010.

**Q7. [Sony Life]**

**I believe you have set up representative offices in China and Taiwan, and are considering overseas business expansion. What is your current state of development?**

**A7.**

We have explored a number of possibilities for expanding our business locally, but we cannot say anything at this stage. We will continue to explore opportunities for overseas expansion with a view to extend our business in greater Asia, not only in China and Taiwan.

**Q8. [Sony Life]**

**Please explain more specifically what you mean by the "corporate agents" you have described in regard to your efforts involving new agent models (page 12 of the presentation material). Also, will corporate agents be positioned separately from Lifeplanner sales employees? Prudential Life has reinforced its sales force by assigning Lifeplanner sales employees to its over-the-counter sales channel at banks. Do you plan to pursue a similar path?**

**A8.**

By entering into alliances with companies that have large customer bases—in industries such as real estate, rail transport and retail—our aim is for Sony Life to provide consulting in response to the risks their customers face.

To the question about the channel working with Lifeplanner sales employees, at this stage we are thinking of them as different channels, but we will explore a variety of possibilities as we go forward.

**Q9. [Sony Life]**

**Over the medium term, will there be any change in the weight that Sony Life places on the independent agent channel versus the Lifeplanner channel (page 12 of the presentation material)?**

**A9.**

We anticipate robust growth for both the Lifeplanner channel and the independent agent channel, so we do not expect the ratio to change significantly.

**Q10. [Sony Life]**

**Regarding the increase in productivity, over the past 10 years I believe that policy amount in force for each of the channels, including independent agents, has more than doubled, but the percentage of new policies remains unchanged. Isn't the burden of maintaining and managing policies in force becoming fairly heavy? Do you expect to increase new policy acquisition through the introduction of more efficient sales support tools and more efficient in-force policy maintenance and support? I also have a question about the amount of time Lifeplanner sales employees spend in their activities: what percentage of their time is devoted to new policy acquisition versus after-sales follow-up services on existing policies?**

**A10.**

We recognize that the time spent on after-sales follow-up services increases as the policy amount in force grows. We are working on a variety of measures, including web use, for reducing the percentage of time that Lifeplanner sales employees spend on administrative tasks, such as handling paperwork directly with customers, so that they can devote more of their time to meeting customers' changing needs by providing after-sales follow-up services.

With regard to the percentage of time Lifeplanner sales employees dedicate to different activities, this depends on their number of years of experience and the number of policies for which they are responsible. As the number of years they spend in the position increases, most Lifeplanner sales employees spend more time providing after-sales follow-up services. On the other hand, Lifeplanner sales employees who have relatively less experience rather work on acquiring new policies.

**Q11. [Sony Life]**

**Regarding the hiring of sales office managers and increasingly stricter standards on the hiring of Lifeplanner sales employees (page 11 of the presentation material), would you say that the number of Lifeplanner candidates that sales office managers are able to find has decreased as a result of the more stringent recruiting standards? If that is the case, will the number of Lifeplanner sales employees actually increase?**

**A11.**

The basic framework for hiring Lifeplanner sales employees has not changed, so as the number of quality sales office managers increases we expect that they will meet a growing number of Lifeplanner candidates. They will then hire quality Lifeplanner sales employees, which will make the program stronger than ever.

**Q12. [Sony Bank]**

**Approximately how much of Sony Bank's target retail balance (page 29 of the presentation material) of approximately ¥3.5 trillion will be accounted for by mortgage loans?**

**A12.**

We estimate that they will account for more than ¥1 trillion. The current figure is approximately ¥0.7 trillion, and we plan to expand this figure aggressively.

**Q13. [Sony Bank]**

**I understand that Sony Bank's mortgage loans are high in quality, and that the non-performing loan ratio is low. Why is this?**

**A13.**

Sony Bank has been in operation for only 10 years, which is clearly much less than many other banks' vintage. Even so, after having broken down and analyzed our mortgage loan portfolio, we recognize that Sony Bank's non-performing loan ratio is low. We believe that this has partly to do with Sony Bank's sales channel. Customers tend to use the Internet to visit our site of their own accord, and so they tend to be independent and have high financial literacy, with a good understanding of what paying back a loan entails. We believe that this contributes to our high loan quality (low non-performing loan ratio). We also believe that Sony Bank's introduction of its own screening standards helps to keep down the non-performing loan ratio.

**Q14. [Sony Bank]**

**I have heard that in recent years there has been a shift from foreign currency deposits to foreign-exchange margin trading in line with an increase in customers' perceived benefits of foreign-exchange margin trading versus foreign currency deposits. At Sony Bank, how do you differentiate foreign currency deposits from foreign-exchange margin trading?**

**A14.**

At Sony Bank, we see a marked division between customers who conduct foreign-exchange margin trading and those who have foreign currency deposits. Sony Bank's customers tend to trade against the market trend and to hold foreign currency deposits for a relatively long period of time. This is for your reference that not all customers simply continue to accumulate foreign currency deposits, but in general they support and appreciate Sony Bank's services. We could say that many of our customers carefully monitor Sony Bank's rates on foreign currency transactions and they find the rates are fair.

**Q15. [Sony Bank]**

**What is the status of Sony Bank's new products?**

**A15.**

The response to our recent introduction of Brazilian real deposits has been good. We also anticipate a favorable response on our new Variable Select Mortgage Loan (which is generally well supported type of products in recent Japanese market).

**Q16. [Sony Bank, SFH]**

**Looking at the Group's mid-term management targets (page 31 of the presentation material), consolidated ordinary profit is expected to rise ¥17.0 billion from the FY2011 (forecast) figure of ¥59.0 billion to ¥76.0 billion in FY2013. Does this mean that the mid-term targets for Group companies break down as a ¥2.0 billion increase for Sony Assurance, ¥7.0 billion for Sony Bank and ¥8.0 billion for Sony Life?**

**Sony Bank's mid-term target for ordinary profit is ¥10.0 billion. Is that a "stretch" goal or is it realistic?**

**A16.**

The Group's mid-term management targets are a comparison between FY2011 (forecast) and FY2013 (target), whereas individual companies' mid-term targets are from FY2010 (actual) to FY2013 (target). In FY2010 (actual), Sony Life posted major capital gains. Please understand that this is also a factor behind the temporal increase of profit incurred in FY2010.

Sony Bank's mid-term targets are certainly challenging, but management believes that we can achieve them, taking into account current trends and the status of our new product introduction. The low interest rate environment will certainly make this difficult, but on the other hand this lowers funding costs. For these reasons, the FY2013 ordinary profit target of ¥10.0 billion is not simply pie in the sky; and it reasonably takes risk and opportunities into account.

**Q17. [SFH]**

**What are some of the topics the SFH Group is currently considering with regard to overseas expansion?**

**A17.**

We are considering overseas expansion as an ongoing theme. Recently, Sony Bank set up a representative office in Australia and has begun a feasibility study. We are looking at overseas expansion from the perspective of how we might leverage the SFH Group's current expertise and systems. We are pursuing the feasibility study with great interest as we seek to judge whether we could be successful given the strength of the SFH Group's capital, scale of operations and management resources.

**Q18. [SFH]**

**Could you describe any specific synergies within the SFH Group?**

**A18.**

As the Lifeplanner channel has a large-scale network, we are having success in selling mortgage loans and automobile insurance through this channel.

Although this is not evident from the presentation material, the three companies share some of their back office operations, which contribute to strong operating efficiencies for all three. We are looking at ways to take advantage of the companies' strengths in life insurance, non-life insurance and banking to offer some interesting services, but these are currently under internal study and discussion yet.

**Q19. [SFH]**

**Your medium-term policy on dividends (page 33 of the presentation material) indicates that you will "conduct an ongoing review on the dividend level, keeping in mind the direction toward increasingly stringent capital regulations." Does this mean that you cannot decide the dividend level until the next regulatory levels are clarified?**

**Don't you have the freedom to consider your own capital policies, which are based on profit levels according to US GAAP of your parent Sony Corporation's financial segment, separately from those which are based on Japanese GAAP (your current statutory accounting)?**

**A19.**

We have not set a specific target on dividend payout ratio in our dividend policy. The SFH Group considers its dividend from the perspective of financial soundness on an economic value basis and on increasing profits. However we can not ignore limits on our dividend payout from the standpoint of statutory accounting.

With regard to the timing of our dividend policy revisions, the trend in Japan is toward stricter capital regulations, but its concrete level is uncertain, so we cannot be more specific at this stage. However, we expect European Solvency II trends to become clearer in FY2012, and we may adjust our shareholder return policy after taking these into account.

**Q20. [SFH]**

**Speaking of shareholder returns, your profit scenario for FY2013 is to be approximately the same as FY2010. Won't you increase dividends? Also, as your capital situation is certainly not bad, couldn't you consider a flexible method of shareholder returns, such as acquiring your own shares, together with paying dividends?**

**A20.**

At present, our policy is to provide stable dividends, while maintaining a level of internal reserves sufficient to ensure financial soundness and enable future growth.

With regard to purchasing our own shares, at present we are not considering drawing down our capital in this way, as we anticipate that capital will be needed for future growth. Also, we recently underwent a stock split to increase the liquidity of our shares, so at this point we are not planning to reduce this liquidity by buying them back.

**Q21. [SFH]**

**Does SFH have any comments on the relationship with Sony?**

**A21.**

We have nothing in particular to say on this matter.

However, we believe that the SFH Group's financial business benefits greatly from its Sony brand association. We plan to continue taking advantage of this strength.