Q&A (Summary) on the Corporate Strategy Meeting of the Sony Financial Group for Fiscal 2013

Date:	June 3, 2013, 15:30–17:00	
Respondents:	Katsumi Ihara	President , Representative Director of Sony Financial Holdings Inc. and Sony Life Insurance Co., Ltd..
	Hirotoshi Watanabe	Senior Managing Director, Member of the Board, Sony Financial Holdings, Inc.
	Mitsuhiro Koizumi	Director, Member of the Board, Sony Life Insurance Co., Ltd.
	Atsuo Niwa	President, Representative Director of Sony Assurance Inc.
	Shigeru Ishii	President, Representative Director of Sony Bank Inc.

Note: The original content has been revised and edited for ease of understanding.

[Q&A]

Q1. [Sony Life]

Page 17 of the presentation materials explains your launch of products denominated in U.S. dollars. Why have you not introduced such products to date? And how would you compare these with the U.S. dollar denominated products that Prudential Life offers? Also, to what extent have you included sales of U.S. dollar denominated products in your plans for FY2015?

A1.

We have considered U.S. dollar denominated products many times in the past, but because of the risk inherent in these products we first needed to have adequate time to prepare for building internal systems and sales structures in place. Another reason was that we were working on measures that we prioritized more highly than U.S. dollar denominated products, such as the Co-Creation Project. This is why we launched these products in May 2013.

To your second question, our U.S. dollar denominated products and those offered by Prudential Life have different product characteristics, so we cannot really compare them.

Rather than just selling products, Sony Life takes a consulting-based sales approach, and our U.S. dollar denominated products target new customer needs. Although we may see some tradeoff to these products from variable life and yen-denominated endowment insurance, we do not expect to see a major shift in the weighting of our product portfolio among whole life, term life and savings types of insurance products.

Q2. [Sony Life]

What is the overarching purpose of your launch of U.S. dollar denominated products? Are these protection-type or savings-type products? If they are savings-type products, wouldn’t Sony Life be competing with Sony Bank, which is also in the Sony Financial Group?

A2.

These are insurance products, so their underlying aim is protection. Although they do target customers with asset management needs involving foreign currency, Sony Life will be selling them as insurance products and it has a different customer base from the one Sony Bank has, so Sony Life shouldn’t be competing.

Q3. [Sony Life]

Page 19 of the presentation materials shows the risk amount based on economic value. Here, your insurance risk seems to be calculated conservatively. Your risk amount leaves a lower margin of safety on capital than other companies, but it seems to me that the settings on your internal model should allow you to lower the risk amount further. Rather than rigid adherence

to an internal model based on QIS5 standards, is this your way of sending out the message of how you compare with other companies in the industry?

A3.

The basic stance of our calculation method is to adhere to principle as fully as possible. We believe it is important to explain the rationality behind our thoughts and continue to disclose information.

Q4. [Sony Life]

In your most recently announced results, the chart showing your balance of securities by remaining period breaks down holdings with durations of less than 10 years, but your holdings of securities due after 10 years are lumped together. Could you provide some detail on this category?

A4.

Sony Life's portfolio in this category contains mainly 40-year bonds, but we also hold some 20-year and 30-year bonds to match our liability conditions. On average, the duration of bonds held is around 20 years. We will need to discuss this internally before disclosing details of our holdings of securities due after 10 years.

Q5. [Sony Life]

Page 12 of the presentation materials suggests that going forward, you plan to increase sales of the Partner (independent agencies) channel more rapidly than those of the Lifeplanner channel. Is this understanding correct?

A5.

The Partner (independent agencies) channel has a higher growth rate because its denominator is still small.

(Additional question: In the explanation of the number of Lifeplanner sales employees on page 13 of the presentation materials, your target as of the end of FY2015 is over 4,400. This is a substantially higher target than your rate of growth from FY2009 to FY2013. Are you expecting a sudden increase?)

Over the past several years, we have promoted a number of our outstanding Lifeplanner sales employees to positions as office managers. This is why our office manager numbers have increased while our number of Lifeplanner sales employees appears to have declined. From FY2013, this increased number of office managers will spearhead our efforts to recruit Lifeplanner sales employees, so we believe the number of new recruits will increase.

Q6. [Sony Assurance]

Looking at page 23 of the presentation materials, it appears that even though leading non-life insurers are entering the direct market, the direct insurance still accounts for a smaller share of the non-life insurance market in Japan than in other industrialized countries. What are your thoughts on why the growth in market share for direct insurance in Japan is not higher than it is in other industrialized countries?

A6.

We believe there are several reasons that direct insurance has taken off more slowly in Japan than in other industrialized countries. These include the facts that Japanese insurance premiums are lower, that internet shopping was slower to get off the ground, and that automobile dealership has an important role in selling automobile insurance in Japan. That being said, aggressive advertising by the leading non-life insurers is likely to raise awareness of direct insurance in Japan, which should lead to ongoing increases in its share of the overall market. On the other hand, we believe it is important to maintain profitability while remaining competitive with other direct insurers.

Q7. [Sony Assurance]
Are you planning to increase your insurance premiums if the consumption tax rate rises? Or is a delay in raising premiums a strategic way of taking market share from other direct insurers?
A7.
We are currently considering the question of premium increases with respect to a hike in the consumption tax rate. We will make this decision by taking overall account of factors such as the competitive landscape and profitability.

(Additional question: Page 25 of the presentation materials shows that your target rate of growth on direct premiums written is 5%, which is lower than your growth rate to date. Is this because your policy will be to focus on improving profitability?)
Exactly.

Q8. [SFH]
Page 39 of the presentation materials suggests that although you are targeting a growth rate of 7% in consolidated ordinary revenues between FY2013 and FY2015, your target growth rate for consolidated ordinary profit is more than 7%. Don't you think this is too high?
A8.
In our announcement on May 20, 2013, we forecast consolidated ordinary profit of ¥69 billion for FY2013. This figure takes into account a number of factors that have a negative impact of around ¥15 billion year on year, such as increased provision of policy reserves related to minimum guarantees for variable life insurance and revision of the discount rate used for calculating policy reserves. The revision in the discount rate accounts for around half of this negative amount, which is included in our assumptions for FY2013. Our forecast of ¥80 billion in ordinary profit for FY2015 takes into account a negative amount of around ¥10 billion, including impacts from the discount rate revision and a consumption tax rate hike. To summarize, this growth rate is not unnatural, as it takes into account external factors for each fiscal year.

Q9. [SFH]
Given that you have reduced your interest rate risk by increasing your holdings of 40-year Japanese government bonds, and that MCEV has not fallen even in the flattening of the yield curve, don't you now have more leeway for shareholder returns? Please explain what is required before you will increase shareholder returns.
A9.
We plan to consistently raise our shareholder returns. Over the past three years, we have steadily raised our dividend per share from ¥15 to ¥25. Rather than determining the dividend payout ratio mechanically on the basis of statutory income, we take into account a variety of factors, including changes in the management environment. We plan to continue increasing dividends steadily over the medium term.

Q10. [SFH]
Given the current business climate, many companies in the financial sector are increasing their dividends. What are your thoughts on dividend payout ratios and dividend levels? Also, don't you use MCEV as a reference when deciding dividends?
A10.
We take a host of factors into account when determining dividends. Based on our policy of steadily increasing dividends, we use MCEV and U.S. GAAP as a reference and aim to strengthen shareholder returns.