

## **Q&A (Summary) of Corporate Strategy Meeting for Fiscal 2018**

Date: May 31, 2018 (Thursday), 15:30–17:00 (JST)  
Respondents\*: Shigeru Ishii, President, Representative Director of Sony Financial Holdings Inc.  
Hiroaki Kiyomiya, Managing Director, Member of the Board of Sony Financial Holdings Inc.  
Tomoo Hagimoto, President, Representative Director of Sony Life Insurance Co., Ltd.  
Atsuo Niwa, President, Representative Director of Sony Assurance Inc.  
Yuichiro Sumimoto, President, Representative Director of Sony Bank Inc.

\* Respondents' positions are as of the date of the meeting.

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

### **[Q&A]**

#### **Q1: [SFH]**

**It seems to me that connecting Sony Life, Sony Assurance and Sony Bank via APIs and account aggregation and forging ties with other financial institutions would be effective. What are your thoughts in this regard?**

A: We believe that sharing the Sony Life information accumulated by Lifeplanner sales employees and Sony Bank information would enable us to realize further sophisticated services. However, cooperation that involves personal information requires customer permission, so at this point rather than sharing the information we currently hold we are thinking of building a new platform.

#### **Q2: [SFH]**

**In your medium-term plan, you have set the goal of consolidated adjusted ROE of more than 5%, which is your target for raising dividends. At what level do you aim to increase dividends, and around what level do you expect dividends to be in the final year of the plan?**

**Rather than raising dividends by ¥2.5, might you be expected to raise them by ¥5 depending on profit levels?**

A: Our basic thoughts are to raise dividends by ¥2.5 per fiscal year, but if consolidated adjusted ROE is significantly higher than 5%, we might consider raising dividends by more than ¥2.5.

#### **Q3: [SFH]**

**I understand that you have not set a target for the economic solvency ratio (ESR), and that you are considering this separately from dividends. Meanwhile, what are your thoughts on setting a Group ERM framework?**

A: Individual Group companies have set standards for profitability and soundness, as well as individual alarm points and risk limits. Their business plans call for operations that exceed these standards.

#### **Q4: [SFH]**

**European and US companies, as well as some Japanese companies, return profits to shareholders when ESR exceeds a certain standard. Do you not plan to use ESR in this way?**

A: We use ESR as an indicator of soundness based on economic value. It also serves as an alarm point when falling below a certain level. However, we are not currently considering using ESR in our policy for shareholder returns.

#### **Q5: [SFH]**

**Your ESR level was 227% as of March 31, 2018. Around what level do you expect in 2020?**

A: After adjusting our method of measuring insurance risk, ESR as of March 31, 2018 was 227%. However, our reviews indicate that at the lowest level of interest rates, in July 2016, ESR would be around 100%. Although at first glance the current level seems high, we consider this level to be appropriate. On the other hand, we are considering lowering interest rate sensitivity, but given that interest rates are at a rather low level, at present we do not believe it is best to work proactively to eliminate instability. If interest rates remain at the same levels as at present by 2020, we would expect ESR to also be similar.

**Q6: [SFH]**

**I understand what organic growth is. What are your thoughts on inorganic growth? I would also like to hear your thoughts on scale and interest.**

A: Overseas is an option, but first we want to increase the number of customers in the Japanese market. We will segment channels according to customer demand and provide services to match these needs. In addition, we aim to form alliances with other companies through corporate venture capital.

**Q7: [SFH]**

**Is it possible that you would form alliances with other Japanese companies in the same industry?**

A: We would not rule out this possibility, but no such thoughts immediately spring to mind.

**Q8: [SFH]**

**You have formulated the new medium-term plan with “a long-term perspective, 10 years or more from now”. What sort of discussions are you having with Sony Corporation looking 10 years into the future?**

A: The financial business is recurring and direct-to-customer business which Sony Corporation is focusing on. We aim to have close relationships with customers. In technology, we will cooperate with Sony Corporation’s R&D, as well as the subsidiary Sony Computer Science Laboratories, in data handling and utilization.

**Q9: [SFH]**

**Does the fact that SFH is not a wholly owned subsidiary of Sony Corporation create obstacles?**

A: Finance is a business that involves using capital. Being a listed company that can raise capital regardless of the situation at Sony Corporation is a major plus rather than an obstacle.

**Q10: [SFH]**

**I understand that Sony Corporation plans to introduce IFRS. Does SFH plan to implement IFRS?**

A: We are considering the introduction of IFRS.

**Q11: [Sony Life]**

**You are planning to introduce new medical insurance for the first time in 15 years. How does the insurance compare with previous products in terms of new business margin and new business value?**

A: No simple comparison with previous products is possible, as the scope of coverage is different, but we have set premiums low for the new medical insurance. Also, for types of insurance that have refunds, those refunds are incorporated into the premium, so the margin appears small.

**Q12: [Sony Life]**

**Are you thinking of changing the system of compensation for Lifeplanner sales employees? Also, how will you increase the number of Lifeplanner sales employees while vetting them strictly when recruiting?**

A: We will continue working to reflect contribution to customers into compensation for Lifeplanner sales employees. We do not have a recruiting target for the number of sales personnel. Rather, we focus on our recruiting activity level to secure personnel. In fiscal 2018, we hired some new graduates as Lifeplanner sales employees, although this was on a small scale.

**Q13: [Sony Life]**

**Looking 10 years into the future, transformations in the life insurance industry are likely to continue. What will Sony Life look like at that point?**

A: Looking ahead 10 years, we will further strengthen the Lifeplanner and independent agency channels. We will use the “Karte” customer database to record customer contact histories and other information. By enhancing relationships with customers and leveraging this strength, we expect to be providing Lifeplanner value 10 years into the future, as well.

**Q14: [Sony Life]**

**Do you have any plans for direct sales of life insurance?**

A: We provide individual customers with optimal coverage through face-to-face consulting-based sales. We are not considering direct sales.

**Q15: [Sony Life]**

**You have accumulated losses of around ¥30 billion from AEGON Sony Life. How is this business positioned within the PDCA cycle? Also, is it better for Lifeplanner sales employees to have an affiliated company?**

A: Growth in new policies and the policy amount in force have been sluggish at AEGON Sony Life, due in part to the impact of negative interest rates. Sony Life is also working with AEGON to achieve a swift turnaround. AEGON Sony Life offers products that Sony Life does not, such as products denominated in Australian dollars, and we believe these are regarded highly by Lifeplanner sales employees’ customers.

**Q16: [Sony Assurance]**

**Your FY20 medium-term target for adjusted profit is ¥11 billion, but direct premiums written are ¥120 billion. Taking this figure together with your 89% as the sum of the net expense and E.I. loss ratios, this target should have been a little higher. What are your thoughts on profit level?**

A: We are targeting a somewhat conservative profit figure for FY20 because the uncertainties are numerous: the future accident ratio, trends in premium levels, and the potential for higher upfront costs to expand types of business other than automobile insurance, to name a few.

**Q17: [Sony Assurance]**

**The sum of the two ratios is 89%; does this figure incorporate the impact of a consumption tax hike and amendments to the Civil Code?**

A: The sum of the two ratios for FY20 takes into account some variables, such as the future accident ratio and trends in premium levels. To your question, we will also consider the appropriateness of premium levels going forward and aim to meet our profitability target.

**Q18: [Sony Bank]**

**Sony Bank’s retail balance anticipates developments in personal loans and foreign currency deposits. What are your thoughts on this environment?**

A: In mortgage loans, we will increase our competitiveness in products with fixed interest rates that are subordinated to other companies. By also making improvements in areas outside interest rates, such as with group credit life insurance, we aim to be the company of choice for customers. We are also stepping

up marketing to real estate companies and real estate developers. We do not anticipate any major growth in loans on investment condominiums. Rather, we plan to maintain approximately the current level. With regard to foreign currency deposits, balances shift significantly in line with exchange rate fluctuations. However, we aim to increase the number of cards issued by highlighting the cost advantages and convenience of Sony Bank WALLET, so we expect the foreign currency deposit balance to be stable. We also intend to increase foreign currency use through our superiority in foreign exchange costs and through such mechanisms as Club S.

**Q19: [Sony Bank]**

**Does Sony Payment Services make use of your cooperative relationship with Sony Corporation, such as in PlayStation game settlements?**

A: In PlayStation game settlements, Sony Bank has an alliance with Sony Interactive Entertainment. We have started issuing Sony Bank WALLET cards with the PlayStation design, and some PlayStation users are making use of these cards.