

# Message from the CEO

We will work Group-wide to create new value,  
aiming to build a society in which people feel  
uniquely enriched



*Masashi Oka*

President & CEO, Representative Director



I wish to start by expressing our deepest appreciation to all of our stakeholders for your continued support and interest.

I would also like to offer my sincere condolences to those victimized by Russia's military action in Ukraine, and my sympathies to all who have been affected by this disaster. I deeply hope the crisis is resolved as soon as possible and that peace will be restored to Ukraine and the world.

## Introduction

Sony Financial Group (SFG) consists mainly of life insurance, non-life insurance, and banking businesses. Our strengths include the ability to *stay close to people*, symbolized by the extensive customer contacts and relations of Sony Life's Lifeplanner sales specialists, and the *power of technology* to leverage the technological capabilities of Sony Assurance and Sony Bank – which lead the direct and online financial services markets – as well as those of the Sony Group.

By combining our ability to *stay close to people* and our *power of technology*, SFG helps each and every customer achieve their dreams and peace of mind over a lifetime.

## Progress of the Mid-Range Plan

Last year, SFG initiated a new Mid-Range Plan, the key principle of which is to “maximize corporate value through self-transformation.” To strengthen the management capabilities of the Group as a whole, and achieve profitable and sustainable growth, we have established five strategic pillars: strengthen core/unique competitive advantages; alter profit structure to withstand low interest rates; further evolve customer-centric management; strengthen competitive edge through technology; and maximize Group synergies. Along with these pillars, we have added two priorities – namely, the principles of advancing sustainability and thoroughly enhancing Group governance – and are pursuing them under the leadership of the holding company.

The Mid-Range Plan is generally progressing well, and business is steadily expanding. The main areas of progress are as follows.

To begin with, I will cover how we are working to strengthen our core/unique competitive advantages. To reinforce our business model based on Sony Life's Lifeplanner sales specialists, a core asset of SFG, we are working to expand their roster with increased productivity and quality in mind.

Last fiscal year, we faced a difficult environment that continued to be affected by the COVID-19 pandemic, but in general, we were able to steadily produce results in sales by leveraging the strengths of SFG.

Sony Life posted its highest new policy amount and annualized premiums from new policies on record, an achievement in which the results of corporate sales, designated as a focus area in the Mid-Range Plan, played a major role. Sony Assurance maintained its leading share in the direct market for its core business, automobile insurance, and saw continuing steady growth in direct premiums written due to increases in new contracts and policyholder retention rates. Sony Bank did just as well, steadily increasing its mainstay of mortgage loans, and growing to the level of leading regional banks in terms of mortgage loan balance.

Rather than blindly pursuing scale expansion, Sony Life, Sony Assurance, and Sony Bank have been growing by focusing on quality and maintaining high levels of customer satisfaction for years. In customer satisfaction surveys by external research organizations, the companies received high evaluations last fiscal year, as they have in the past. Going forward, we will focus on unlocking the full potential of our Lifeplanner sales specialists, a core asset of SFG, and further evolving customer-centric management through the full-scale introduction of NPS®\* as a valuable indicator for measuring customer loyalty.

\* NPS® (Net Promoter Score) is a registered trademark of Bain & Company, Inc., Satmetrix Systems, Inc., and Fred Reichheld

To further grow profit, it is important to alter our profit structure so it can withstand the effects of low interest rates. To that end, in our Mid-Range Plan we have set out initiatives to improve the product mix, reduce interest-rate risk and our expense ratio, and enhance asset management revenue.

We are optimizing product mix by lowering the ratio of whole-life insurance in new policies to steadily reduce interest risk, responding to corporate needs, and providing new variable products. We have set our expense ratio target both higher and earlier than the Mid-Range Plan originally set forth. As for asset management, we will expand investment asset classes and enhance the current management system to achieve a certain level of investment yield even if low interest rates continue.

In our efforts to strengthen our competitive edge through technology, there are cases where we have already shown achievement in this regard. Sony Life has begun to support Lifeplanner sales specialists with AI and a new consulting system. Sony Assurance is providing the GOOD DRIVE smartphone app, which measures driving characteristics based on driving data, while utilizing the Sony Group's deep learning technologies for marketing. Sony Bank has introduced a high-quality remote consulting system utilizing the Sony Group's technology.

Meanwhile, Sony Financial Group Inc. (SFGI), the holding company, established a specialized organization called the Advanced Technology Lab last year. It collaborates with the Sony Group's R&D divisions and Sony Financial Ventures, which aims to find start-ups, in order to strengthen the acquisition of knowledge and technology both from within the Group and from external companies. In the fields of AI and machine learning, health care, and sensing, we seek new technologies and share financial knowledge with others over the longer term to create new value. Specifically, we are working on initiatives to train AI planners and exploring areas like healthcare services for the era of the 100-year lifespan.

As for our efforts to maximize Group synergies, we are working to offer total services that transcend the organizational borders between SFG companies. In FY2021, Sony Assurance and Sony Bank have again reported substantial year-on-year growth in sales through Lifeplanner sales specialists. Going forward, we plan to increase referrals from Sony Assurance and Sony Bank to Sony Life, and expand opportunities for Group-wide cross-selling. In the future, we will also work to create new customer experiences through the use of Sony Group assets.

## **Advance Sustainability and Thoroughly Enhance Group Governance**

We are focusing on the advancement of sustainability and thorough enhancement of Group governance to help develop a sustainable society and fulfill our social responsibility as a member of the Sony Group.

To advance sustainability, we are working on initiatives to reduce greenhouse gas (GHG) emissions in response to climate change, execute investment based on the ESG investment policy, improve accessibility, promote active participation by women, and support continued employment. To make sure we follow through on all these initiatives, we have committed to manage KPIs by setting clear quantitative targets, and to reflect the results in executive evaluation and remuneration.

Regarding Group governance, as CEO of the holding company overseeing the financial services group, I would like to once again sincerely apologize to our customers and all related parties for any concern resulting from the financial misconduct at a foreign subsidiary of Sony Life. We take this event seriously, and to follow through on Group action to prevent recurrence of similar issues we are enhancing the holding company's role and becoming more deeply involved in internal control of SFG companies.

Specifically, we introduced a new framework to continue checking the appropriateness of fund disbursement, which was the direct issue in the aforementioned incident. Furthermore, we strengthened the audit system of the holding company, which is the key defense function in management concerning internal control. In addition, we will work to ensure further compliance and foster risk awareness from the standpoint of organizational climate.

## Direction of Mid- to Long-term Growth Strategy of the Sony Financial Group

Under the current Mid-Range Plan, we have positioned Lifeplanner sales specialists as the platform for carrying Group strategy forward, and are deepening our relationship with family customers, offering total life planning for the era of the 100-year lifespan, and enhancing Group synergy to better respond to customer needs. In addition, we are working to continue expanding our customer base and touchpoints over the longer term.

Specifically, we would like to strengthen contact points and relationships with small and medium-sized firms, youth, seniors and loyal Sony Group customers by utilizing comprehensive DX to provide more value to our customers, leveraging Sony Group technologies, and improving inter-company collaboration, as well as by formulating alliance strategies that include non-financial domains.

We will continue to refine the unique value we provide to our customers as the Sony Group's financial services business, and maximize customer lifetime value.

## Conclusion

The surrounding environment is growing more uncertain due to factors such as the COVID-19 pandemic, the situation with Russia and Ukraine, and significant fluctuation of financial and foreign exchange markets caused by the rise in US interest rates. Now is the time to return to the SFG vision, “to be a financial group that helps each and every person achieve their dreams and peace of mind, by *staying close to people* and using the *power of technology* to build a society in which people feel uniquely enriched,” and the SFG values, consisting of Customer Focus, Originality, Dreams & Curiosity, Diversity, Integrity & Sincerity, and Sustainability, in order to contribute to the realization of a sustainable society. The businesses operated by SFG span a variety of activities and business models, but each shares the common characteristics of providing products and services with high added value that meet the needs of each and every customer and utilize the power of technology. We aim to build a society in which people feel uniquely enriched, working Group-wide to create values such as facilitating safety and peace of mind, contributing to society by supporting public health and longevity, and bringing more convenience to life.

My sincere appreciation for your continuing support.



# Progress of the Mid-Range Plan

SFG's Mid-Range Plan, started in FY2021, follows the key principle of “maximizing corporate value through self-transformation,” and establishes five strategic pillars aimed at realizing this objective. We aim to achieve profitable and sustainable growth by pursuing customer-centric management and courageously changing ourselves rather than conforming to past experiences of success.

## Overview of SFG Mid-Range Plan

SFG has always pursued a different business model than conventional financial institutions, and has provided products and services with high added value by meeting the needs of each and every customer.

SFG's unique strengths are the ability to stay close to people, the power of technology, a corporate culture that follows through on its commitments to customer focus, and originality. By refining these strengths, we will maximize the value provided to customers and also contribute to the growth of corporate value of the Sony Group as a whole.

### Key Principle

## Maximize Corporate Value through Self-Transformation

Strengthen Group Capabilities, Achieve Profitable & Sustainable Growth

### SFG's Five Strategic Pillars for Realizing Key Principle

- 1 Strengthen core/unique competitive advantages
- 2 Alter profit structure to withstand low interest rates
- 3 Further evolve customer-centric management
- 4 Strengthen competitive edge through technology
- 5 Maximize Group synergies

### Added as Priority Measures

Advance sustainability

Thoroughly enhance Group governance

### Unlocking the Full Potential of Our Core Asset: Lifepanner Sales Specialists

The strategic axis in the Mid-Range Plan is centered on unlocking the full potential of our Lifepanner sales specialists and further improving productivity.

While we have already achieved positive results, such as growth of our corporate business, we will work to improve the overall skills of Lifepanner sales specialists by making the methods of high performers standard practices. We will also strengthen scientific sales support utilizing data analytics and AI, and further improve the value of customer offerings tailored to each and every customer. Furthermore, we will improve and strengthen sales methods through full introduction of NPS® to make quantitative assessments of customer relations.

Raise overall quality of Lifepanner sales specialists



Develop optimized, data-driven solutions for customers



Evolve customer-focused business using NPS®



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## Strengthen Competitive Edge through Technology

### Achievements so Far

Technology is one of SFG's strengths, and one that will be further enhanced through becoming a wholly-owned subsidiary of Sony Group Corporation. To date, we have already begun to produce results, such as Sony Life supporting our Lifeplanner sales specialists with a new consulting system, and using AI to automatically create proposals and provide information; Sony Assurance offering a Safe Driving Cash Back Plan to refund portions of premiums to policyholders depending on personal safe-driving scores, while utilizing the Sony Group's deep learning technology for marketing; and Sony Bank creating a high-quality remote consulting system that lets customers feel a sense of sharing the same space.



### Strengthen Competitive Edge

In order to further accelerate enhancing our competitiveness through technology, we will continue to endeavor to acquire knowledge and technology from both within the Group and external companies, and also explore cutting-edge technology from a medium- to long-term perspective via the Advanced Technology Lab.

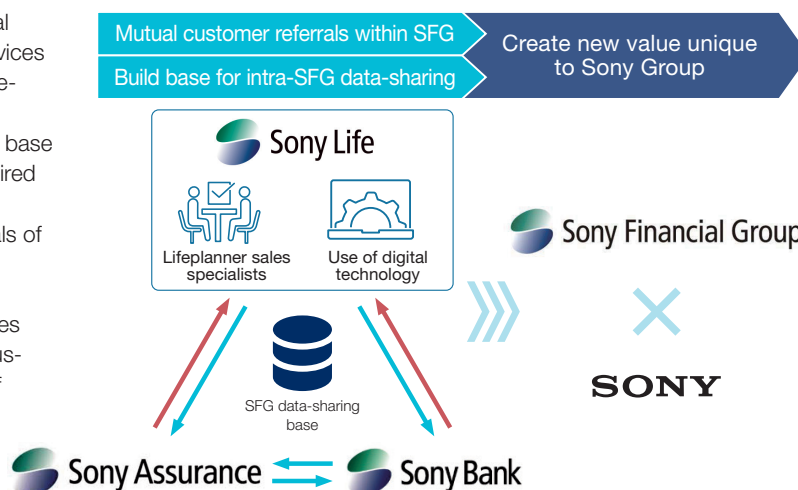


## Maximize Group Synergies: Utilize Data to Improve Value Provided to Customers

We strive to increase synergies as a financial group and will work to further offer total services that transcend the organizational borders between SFG companies.

We are undertaking an initiative to build a base for intra-SFG sharing of data, whether acquired in person by Lifeplanner sales specialists or electronically through online customer portals of Group companies, and aim to commence sharing and use of the platform in FY2023.

Furthermore, to further accelerate initiatives aimed at improving the value provided to customers, we will strengthen mutual referral of customers and cross-selling within the Group, while aiming to create new value unique to the Sony Group in future.



## Direction of Longer-term Growth Strategy

Under the current Mid-Range Plan, we are further deepening our relationship with family customers, offering total life planning for the era of the 100-year lifespan, and enhancing Group synergy to better respond to customer needs.

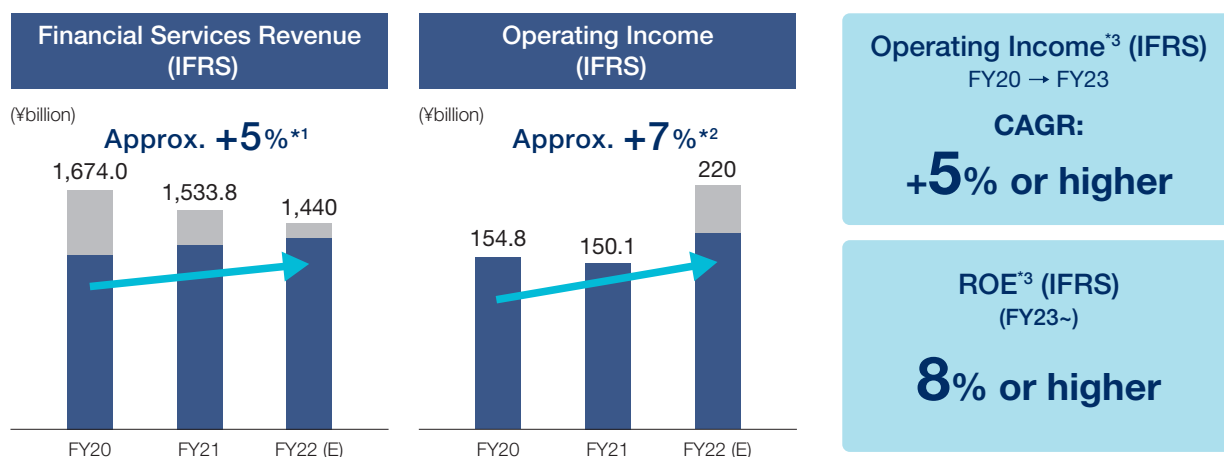
In the medium- to long-term, we will work to further enlarge our customer base while expanding and further exploiting touchpoints by utilizing comprehensive DX to provide more value to our customers, Sony Group technologies and improved inter-company collaboration, and by formulating alliance strategies that include non-financial domains.



## Financial Management Targets for Mid-Range Plan

We are making steady progress toward the numerical targets set in the Mid-Range Plan, with the aim of achieving those targets in FY2023. With the exception of temporary factors, financial services revenue and operating income are both expected to increase steadily in FY2022.

The management targets in the SFG Mid-Range Plan are set based on International Financial Reporting Standards (IFRS) applied to Sony Group Corporation, which is SFGI's parent company. SFG plans to adopt the new IFRS17 accounting standard regarding insurance contracts in FY2023. If a review of financial management targets is needed as a result of clearly ascertaining the impact of application of IFRS 17 (Insurance Contracts), we will announce that in a timely and appropriate manner.



\*1 CAGR excluding special account investment revenue and FY2022 gain on sale of real estate (gray)

\*2 CAGR excluding FY2022 gain on sale of real estate and recovery of funds related to unauthorized withdrawal (gray)

\*3 IFRS 17 (insurance contracts) will be applied in FY2023