

Message from the CEO

We will work Group-wide to contribute to the realization of a society in which people feel uniquely enriched through the creation of new value



Toshikide Endo

President & CEO, Representative Director

My name is Toshihide Endo. I was appointed President & CEO, Representative Director of Sony Financial Group Inc. (SFGI) on June 23, 2023.

I worked at the Ministry of Finance and the Financial Services Agency for many years, and served as Commissioner of the Financial Services Agency for two years from 2018 to 2020. In addition to the existing task of performing inspection and supervision for ensuring the soundness of financial institutions, I introduced dialogues to the process of financial administration in order to understand whether financial institutions have built sustainable business models. I myself had such dialogues with many financial institutions.

In 2020 I graduated into the corporate world and became a senior advisor to Sony Group Corporation (SGC). As senior advisor, I was not only able to discuss a variety of issues with the Sony Financial Group (SFG), but also gained valuable experience in interactions with the engineers and researchers of other business entities and the R&D Center in the Sony Group. I was able to learn the specifics about the Group's power of creativity and technology through discussions with such people, and felt the passion of the Sony Group creating one business after another for "getting closer to people."

SFG, which plays an important role in the Sony Group, is striving to give shape to "finance that stays close to people using the power of technology." SFG is committed to creating new value, aiming to build a society in which people feel uniquely enriched.

Positioning of Sony Financial Group (SFG)

SFG has initially developed through the life insurance business started approximately 40 years ago. Now, SFG has grown into a comprehensive financial group centered on life insurance, non-life insurance and banking, with operations extending to the nursing care business and venture investment.

Sony Life is the realization of the dream of one of Sony's founders, Akio Morita. Its forte is high-quality consulting and life-planning services provided by Lifeplanner sales specialists. Sony Assurance and Sony Bank have established a solid presence as pioneers in the direct and online markets of Internet finance.

Amid significant socioeconomic movements, our customers are also changing. In Japan, the total population has begun to decrease, but the elderly are increasing. The younger generation of digital natives are increasing their presence by taking action with a strong interest in environmental and social issues. Unless SFG also changes based on the changing attributes, approach and behavior of such customers, we will be unable to continue customer-oriented "finance that stays close to people."

Positioning and Progress of the Current Mid-Range Plan

I believe ambidexterity to exploit and explore is required to create an organization that accurately perceives socioeconomic changes and faces customers head-on. Also, I understand that the current Mid-Range Plan was devised to lay a sound foundation for the full implementation of this "ambidextrous management."

The former President & CEO, Mr. Masashi Oka, presented the 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." He established and promoted the Mid-Range Plan with the key principle being to "maximize corporate value through self-transformation."

During FY2022, which was the second year of the Mid-Range Plan, we encountered an environment undergoing dizzying changes, such as sudden fluctuations in financial and currency markets, repeated waves of COVID-19, and large-scale natural disasters. Amid these changes, SFG companies worked to steadily grow their revenue and profit bases, and increase corporate value through the implementation of the five strategic pillars and two additional priority measures of the Mid-Range Plan. The details are provided from page 10 below, but the main areas of progress in these measures are as follows.

Five Strategic Pillars

The first pillar is to thoroughly strengthen our core and unique competitive advantages.

Sony Life has grown the corporate area through Lifeplanner sales specialists becoming good consultants for small and medium enterprises. In individual insurance, the company introduced a new variable individual annuity insurance called SOVANI. This is a product that contributes to the government policy of expanding asset building by the people, and it has been well-received by customers as the sales figures show. Lifeplanner sales specialists have provided “total life planning” services using technology including a life plan analysis system, and offered detailed support to customers. As a result of deepening relationships of trust with customers, the new policy amount and annualized premiums from new policies reached the highest levels on record in FY2022, and productivity per Lifeplanner sales specialist increased significantly.

Sony Assurance was faced with a difficult environment in FY2022 such as the occurrence of major natural disasters and an increase in the number of accidents, but in FY2023 it will steadily implement various measures such as improvement of the appeal of products and strengthening of marketing, with a focus on auto insurance, to further increase its presence in the direct non-life insurance market.

Sony Bank has maintained the quality of mortgage loans amid intensifying competition surrounding interest rates, and has expanded the foreign currency business against the backdrop of a significantly weakened yen. In FY2023, the company aims to achieve further growth through strengthening the mortgage loan business and enhancing the appeal of foreign currency deposits by improving the product lineup and quality of operations.

Our second strategic pillar is to alter our profit structure to withstand low interest rates (Resilient response to changing market conditions).

Financial markets have deviated from the low interest conditions of the time of formulation of the Mid-Range Plan, and a sudden rise in interest rates was seen in FY2022. The creation of a profit structure capable of withstanding such an unstable market environment continues to be an important issue. Sony Life is seeking to revise its product strategy, diversify its asset management targets and methods, and improve its expense ratio based on changes in the market environment.

Our third strategic pillar is to further evolve customer-centric management.

SFG companies have always focused on high-quality products and services and committed to customer-focused operations. As a result, they have received top-class evaluations in a variety of customer satisfaction surveys by external organizations for many years. During the period covered by the current Mid-Range Plan, we are utilizing NPS®* as a useful indicator for customer loyalty, and sharing knowledge and experience on the best practices of SFG companies to improve the customer experience of the Group as a whole.

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

The fourth pillar is to strengthen our competitive edge through technology. In October 2022, Sony Life released the GLiP life plan analysis system utilizing the latest digital technology. Sony Assurance worked to improve customer service by utilizing the Sony Group's deep learning technology in areas such as marketing, pricing and call center operations. The GOOD DRIVE smartphone app utilizing AI to measure driving characteristics is provided free to all drivers. Sony Bank started providing remote consultation on mortgage loans and asset management through the “MADO” telepresence system utilizing the Sony Group's latest technology in Sony Store Ginza, following on from Osaka. We have provided consultation to numerous customers with realism that makes it seem like the staff member is present in person.

The fifth pillar is to maximize Group synergies. In order to further enhance “total life planning” for customers, Sony Life's Lifeplanner sales specialists are steadily increasing the sales of Sony Assurance's auto insurance and fire insurance and Sony Bank's mortgage loans in a way that appropriately meets the needs of customers. Furthermore, we are progressing as planned with the creation of a system for an intra-SFG data-sharing base to further accelerate Group synergies. In the medium to long term, we aim to create new value unique to the Sony Group's financial services business through collaboration with other businesses in the Sony Group.

Two Additional Priority Measures

The two additional priority measures in the current Mid-Range Plan, which are advancing sustainability and thoroughly enhancing Group governance, are as follows.

To advance sustainability, the Group is working as one on initiatives such as addressing climate change based on the Sony Group's "Road to Zero," a long-term environmental plan, as well as investment based on the ESG investment policy, promotion of diversity and improvement of accessibility. To fulfill our social responsibility as a Sony Group member, we will focus further on advancing sustainability in the future.

To thoroughly enhance Group governance, we are strengthening the roles and functions of SFGI, which oversees the financial group as its holding company, and continuing to promote the thorough implementation of a Group-wide compliance and risk management structure, enhancement of information security and IT governance, and strengthening of audit functions. We recognize that fostering a positive culture throughout SFG as a whole is essential for such governance to truly function, and are actively communicating within the organization with an awareness of customers. By doing so, we will establish unwavering trust from our customers.

Toward Further Growth and Evolution of the Sony Financial Group

In the fiscal year ending March 31, 2024, we will complete the current Mid-Range Plan, and proceed with the formulation of the next one, which will aim to realize SFG's vision in response to the dramatic changes of the times. Standing on the foundation of the stable profitability and high corporate value of SFG that have been built through the measures in the current Mid-Range Plan that I have explained, we will fully implement ambidexterity to exploit and explore.

The current environment surrounding the financial services business is unpredictable, with rapid changes in interest rates and foreign exchange rates, as well as financial instability in Europe and the United States. Taking a long-term view, moreover, we are facing irreversible structural changes, such as the progression of low birthrates and population aging, as well as the acceleration of digitalization. SFG has built steadfast relationships of trust with its customers, who will continue to inspire our flexible response to the various changes in our environment as we work to grow and evolve even further.

At its Corporate Strategy Meeting 2023, SGC announced that it had begun assessing the partial spin-off of SFGI, based on the premise of listing of its shares. This presents SFG with a tremendous opportunity to grow and evolve. We will seize this opportunity firmly, engage in intensive discussions, and build a platform to support SFG's future operations.

The Sony Group's corporate direction is "getting closer to people." I admire this corporate direction. It is simple and concise, and firmly encourages each Sony Group employee to move forward. On the other hand, each SFG company's daily operations really are about staying close to customers and helping them achieve their dreams and peace of mind. SFG is committed to pursuing and providing better financial services, aiming to build "a society in which people feel uniquely enriched."

I would like to express my sincere appreciation for your continuing support.



Progress of the Mid-Range Plan

The Mid-Range Plan that started in FY2021 with the key principle of “maximize corporate value through self-transformation” will reach its final year in FY2023. Through the promotion of measures in the Mid-Range Plan based on five strategic pillars and two priority measures, we will thoroughly refine the strengths of the Group and further proceed with initiatives that enhance the value provided to customers.

Overview of SFG Mid-Range Plan

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. In addition to thoroughly refining the strengths of the Group and further proceeding with initiatives that enhance the value provided to customers through the promotion of measures in the Mid-Range Plan, we will aim to realize sustainable growth both strengthening Group management capabilities and achieving profitability.

Key Principle	Maximize Corporate Value through Self-Transformation Strengthen Group Capabilities, Achieve Profitable & Sustainable Growth
Five Strategic Pillars for Realizing Key Principle	<ol style="list-style-type: none"> 1 Strengthen core/unique competitive advantages 2 Alter profit structure to withstand low interest rates (Resilient response to changing market conditions) 3 Further evolve customer-centric management 4 Strengthen competitive edge through technology 5 Maximize Group synergies
Additional Priority Measures	<ul style="list-style-type: none"> ◆ Advance sustainability ◆ Thoroughly enhance Group governance

1 Strengthen core/unique competitive advantages

At Sony Life, we significantly increased per-capita Lifeplanner productivity through further promotion of corporate sales, the utilization of a state-of-the-art life plan analysis system, and the strengthening of our product lineup to enable Lifeplanner sales specialists, who have extensive customer touchpoints and relations, to unlock their full potential. Going forward, we will strengthen our scientific approach utilizing big data and AI with the aim of further improving the value of customer offerings tailored to each and every customer.

Sony Assurance has continued to firmly maintain its leading share in the direct market for its core business, automobile insurance, through the promotion of initiatives such as the enhancement of direct marketing. Fire insurance policies have also steadily increased through measures including the expansion of sales channels such as the commencement of sales by Lifeplanner sales specialists.

Sony Bank has seen a steady increase in the balance of its core mortgage loan business, and gains on currency trading also performed well in the foreign currency business, which is its other pillar.

Unlock the full potential of Lifeplanner sales specialists



Strengthen corporate sales



Strengthen consulting capabilities through the introduction of Total Life Planning



Raise overall productivity of Lifeplanner sales specialists

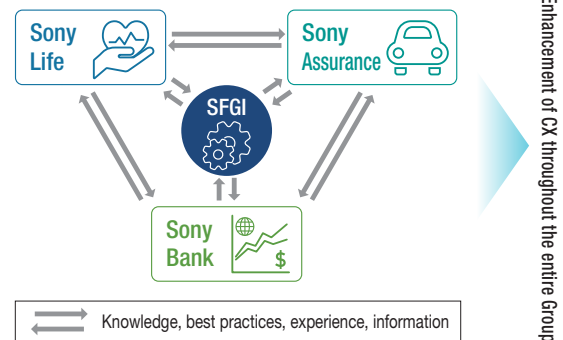
2 Alter profit structure to withstand low interest rates (Resilient response to changing market conditions)

In order to increase resilience to changes in the external environment surrounding the financial services business such as sudden fluctuations in interest rates and exchange rates, Sony Life is engaging in initiatives such as improvement of its product portfolio, reduction of business expenses and enhancement of asset management.

3 Further evolve customer-centric management

SFG companies have been highly rated in various customer satisfaction surveys, but we will continue to strive to transform the customer experience (CX) to bring customer satisfaction to an even higher standard. Specifically, we will use NPS®* throughout the entire Group as an indicator for measuring and analyzing improvements in customer satisfaction in detail to ascertain detailed satisfaction levels at each touchpoint and consider measures to take with the aim to “further evolve customer-centric management.”

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4 Strengthen competitive edge through technology

SFG is strengthening its competitiveness as the financial services business of the Sony Group through the utilization of technology.

In October 2022, Sony Life released GLiP (Goal based Life Planning Support Service), a digital tool for assisting the realization of Total Life Planning with a view to the era of the 100-year lifespan. Progress is being made in the provision of the GOOD DRIVE smartphone app enabling measurement of driving characteristics through the utilization of AI, etc., and enhancement of marketing centered on a customer data platform at Sony Assurance, and the introduction and utilization of telepresence for better remote consultation at Sony Bank.

In the future, we will seek to utilize data across the Group, aim to evolve our business models, and also strengthen technological collaboration with the Sony Group while also exploring cutting-edge technology.

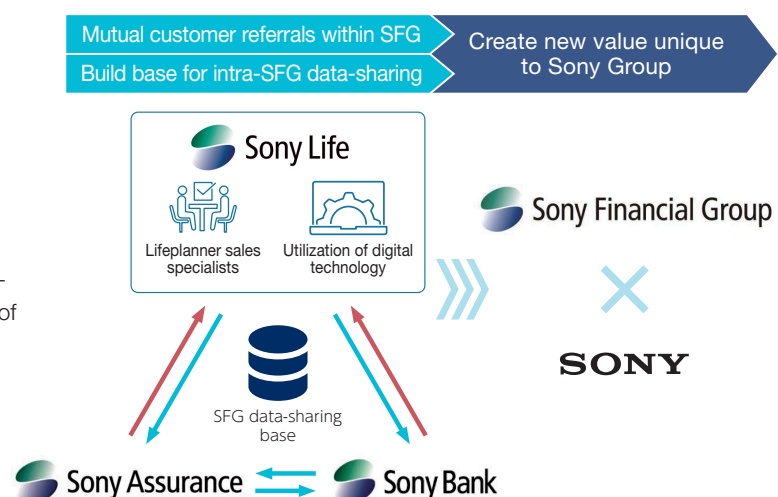


5 Maximize Group synergies

Customer referrals between SFG companies have produced certain results centering on Lifeplanner sales specialists, but we will further strengthen systems and structural aspects to further promote cross-selling in the future.

Our 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, is proceeding as planned with the aim of releasing it during the period covered by the current Mid-Range Plan.

In the future, we aim to create new value unique to the financial services business of the Sony Group through collaboration with other businesses in the Sony Group.



Priority Measures Advance sustainability

SFG aims to contribute to the development of a sustainable society through the ongoing creation of social value and economic value through business activities.

To achieve this, the Sustainability Committee was established under the Executive Committee in April 2022 to discuss issues and risks pertaining to the general promotion of sustainability in the Group such as responding to the issue of climate change, promoting ESG investment, and the creation of DE&I-conscious workplace environments. These activities involve coordination not only within SFG, but also with sustainability departments in the Sony Group, strengthening the ESG foundation of management supporting value creation, and leading to value creation through business.

Sustainability Committee Organization Chart



Priority Measures Thoroughly enhance Group governance

The roles and functions as a holding company are being strengthened to have greater involvement in the internal controls of Group companies in light of the unauthorized money transfer that occurred at an overseas subsidiary of Sony Life in 2021. We proceeded to create a stance for Group internal controls to effectively and substantially function, such as the introduction of a framework for ensuring the appropriateness of fund disbursement procedures and strengthening of internal audit functions. In addition, we will continue to work to ensure further compliance and foster risk culture from the standpoint of organizational climate.

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. Financial services revenue is steadily expanding despite being subject to the effects associated with market fluctuations. Operating income reached the budgeted figure despite increases in payments of COVID-19 benefits in FY2022.

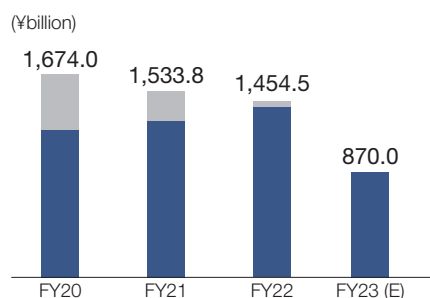
The management targets in the SFG Mid-Range Plan are set based on International Financial Reporting Standards (IFRS) applied to Sony Group Corporation, which is SFGI's parent company, and IFRS 17 (Insurance Contracts), the new accounting standard on insurance contracts, will apply from FY2023. If a review 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.

Mid-Range Plan Targets

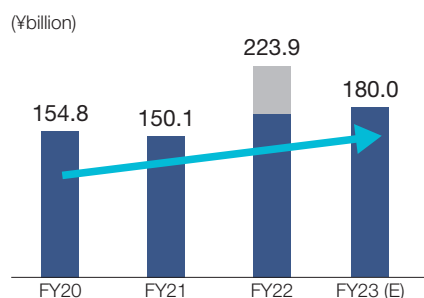
Operating Income (IFRS)^{*1} (FY2020 → FY2023)
Average annual growth rate +5% or higher

ROE (IFRS)^{*1} (From FY2023)
8% or higher

Financial Services Revenue (IFRS)^{*1·2·4}



Operating Income (IFRS)^{*1·3·4}



^{*1} IFRS 17 (insurance contracts) will be applied from FY2023.

^{*2} The gray portion of financial services revenue is special account investment gain/loss and FY2022 gain on sale of real estate

^{*3} The gray portion of operating income is the gain on sale of real estate and recovery of funds related to unauthorized withdrawal

^{*4} Figures are rounded to one decimal place.