

FY2012 1Q Conference Call for Domestic Institutional Investors and Analysts
Q&A (Executive Summary)

Date: August 13, 2012, 16:00–17:10
Respondents: Hirotooshi 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, Director, Member of the Board, Sony Assurance Inc.
Takayuki Suzuki, Director, Member of the Board, Sony Bank Inc.

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

Q&A

Q1. [Sony Life]

Core profit worsened year o year. Considering a negative spread and the positive impact of the reversal of reserve for insurance claims and other payments related to the Great East Japan Earthquake the first quarter of fiscal 2011.

I believe the worsening was due to an increase in the provision of policy reserves for minimum guarantees for variable life insurance. How much did this increase?

A1.

During the first quarter of fiscal 2012, the provision for policy reserves on minimum guarantees for variable life insurance was up ¥3.2 billion year on year.

Q2. [Sony Life]

The negative spread has decreased. When do you expect this to shift to a positive spread?

A2.

With the average assumed interest rate steadily falling, the negative spread is steadily decreasing.

I cannot say definitely when the negative spread will be eliminated, as this depends on market trends, but if current conditions continue, the negative spread should disappear within several years.

Q3. [Sony Life]

Some simplified methods were used to calculate MCEV as of June 30, 2012. Please explain the basis for those calculations.

Also, interest rates as of June 30 were down compared with March 31, 2012. What impact has this had on both frictional costs and cost of non-hedgeable risks?

A3.

The calculation reflects the increase in new policies between March 31 and June 30, 2012, and the figures are updated to take into account recent lapse and surrender rates and economic conditions, based on the policy amount in force as of June 30, 2012.

The effect of the lower interest rates was for non-hedgeable risks to increase.

Q4. [Sony Life]

Approximately what was the effect of the lower lapse and surrender rate on MCEV as of June 30, 2012?

A4.

This contributed to an increase of around ¥1.0 billion.

Q5. [Sony Life]

Why did the risk amount based on economic value increase from March 31 to June 30, 2012?

Also, how will changes in the market condition affect the risk amount based on economic value, and what is the scenario for sensitivity?

A5.

The main reason was an increase in the policy amount in force.

This risk will be affected by changes in the market conditions, but we are not disclosing sensitivity.

Q6. [Sony Life]

The percentage increase of the risk amount based on economic value from March 31 to June 30, 2012, appears to be higher than the rise in policy amount in force over the same period. What is the reason for this situation?

Also, what are your expectations for the rate of increase in the risk amount based on economic value going forward?

A6.

Increases in **the risk amount based on economic value** are affected by two factors: rises in the policy amount in force and higher interest rates.

Consequently, it is difficult to say with any degree of certainty whether **the risk amount based on economic value** will increase or decrease going forward.

Q7. [Sony Life]

Did the slight steepening of Japanese government bond yields have any impact on the increase in the risk amount based on economic value?

A7.

(Different from MCEV), please assume that the steepening itself was not a factor.

Q8. [Sony Life]

Your asset management policy continues to center on investing in ultralong-term bonds. Is there any possibility that your investment policy will change depending on the level of interest rates?

A8.

There are no changes in our investment policy. We maintain our policy of investing so as to reduce interest rate risk.

Q9. [Sony Life]

Living benefit insurance may be one reason for the increases in new policy amount and annualized premiums from new policies, but how much did this contribute? Also, did any other insurance products contribute?

A9.

Sony Life's sales policy is to sell insurance products based on customers' needs, so our percentages for individual insurance products are relatively scattered. Living benefit insurance makes up around 10% of our new policy amount.

As to contributions from other products, nursing care insurance continued to be strong.

(Additional question: What is the status of educational endowment insurance?)

Educational endowment insurance is essentially flat.

Q10. [Sony Life]

Page 13 of the presentation materials shows that the number of Lifeplanner sales employees was down as of June 30, 2012, compared with March 31, 2012. Is it safe to assume that the figure will be up for fiscal 2012 as a whole, or has there been some change in your recruiting situation?

A10.

We promote some Lifeplanner sales employees to sales office manager positions in April, so every year the number of Lifeplanner sales employees decreases in the first quarter.

Recruiting is proceeding apace, and the number of people retiring is approximately the same as for every year, so we expect the number of Lifeplanner sales employees to be up as of the end of fiscal 2012.

Q11. [Sony Life]

You indicate that the decrease in the number of Lifeplanner sales employees is because of their promotions to sales office manager positions. How many people did you promote, and what are their average ages?

Also, have the people who occupied those sales office manager positions in the past retired? Or have they returned to being Lifeplanner sales employees?

A11.

We appointed around 20 people to sales office manager positions in April 2012, and their average age was around 40.

You can assume that most sales office managers remain in that position. However, some were promoted to branch manager positions, and some returned to being Lifeplanner sales employees.

Q12. [Sony Life/Sony Bank]

The Japan Post Bank Privatization Committee appears likely to give permission for Japan Post Bank to enter the business of mortgage loans and Japan Post Insurance to enter the third sector. How do you expect these developments to affect the SFH Group's business?

A12.

It is difficult to judge based on the information that has been reported so far, but their target markets appear to be different, so we do not expect to be affected. Nevertheless, we will continue to monitor the situation.

Q13. [Sony Assurance]

Page 15 of the presentation materials indicates that the net loss ratio increased because of a rise in net losses paid. Was the increase in net losses paid due to a rise in losses paid per policy or to a higher number of accidents?

If losses paid per policy increased, what was the reason?

A13.

One unusual factor was a low loss ratio in the first quarter of fiscal 2011, just after the Great East Japan Earthquake. The loss ratio for the first quarter of fiscal 2012 was high, but rather than an increase in the number of accidents, this was due primarily to high losses paid per policy of accidents involving people which have increased since fiscal 2011 and still remain at a high level.

Q14. [Sony Assurance]

You indicate that losses paid per policy increased for accidents involving people, but this trend is not noticeable for other non-life insurers. Why has this situation persisted at Sony Assurance since the preceding fiscal year?

A14.

Some time is required to finalize the amount of net losses to be paid for accidents involving people. This figure reflects residual disabilities stemming from accidents that occurred in past fiscal years, when the accident rate was high. In many such cases, payout amounts are high, which causes losses paid per policy to increase.

I understand that previously the situation was the same for other non-life insurers; I believe that Sony Assurance is simply lagging behind the trend somewhat.

(Additional question: What is your forecast for the loss ratio going forward?)

We expect the loss ratio to remain high, but we have already introduced rate revisions and other measures, so the ratio should gradually decrease.

Q15. [Sony Assurance]

Please explain the thinking behind your posting of a reserve for outstanding losses.

Also, are you planning to raise insurance premiums in response to the fact that losses paid per policy are plateauing at a higher level?

A15.

The reserve for outstanding losses is recorded based on the calculation of actual losses paid per policy, with losses paid per policy, determined by type of policy when an accident occurs. Thereafter, these figures are adjusted on an ad-hoc basis as accident assessment progresses, and the reserve is provided or reversed as the situation warrants. We post an IBNR reserve to reflect recent loss development conditions for each quarter.

With regard to insurance premiums, we have already introduced rate revisions. These changes should begin being reflected in our income statements around the second half of fiscal 2012 and thereafter.

Q16. [Sony Assurance]

Your loss ratio on automobile insurance remains at a higher level. Does this cause some change in your underwriting policy?

Will you tighten assessment standards to ensure profitability even if this causes your top line to decrease, or will you keep your current underwriting policy in place so as to maintain your top line, as indicated in your medium-term plan?

A16.

At present, we are not changing our underwriting standards, though we cannot say definitively that this will be the situation in the future. We are considering an introduction of some measures to limit underwriting in a number of specific circumstances, but the results of these changes are likely to first become apparent in our income statements from the next fiscal year.

Q17. [Sony Bank]

Investment yields are down throughout the world, and interest rate competition on mortgage loans is growing more severe in Japan. With interest spreads expected to tighten going forward, what are your forecasts for yield on investment and yield on financing?

A17.

We control investment and financing on a comprehensive basis through ALM.

We will respond to the decrease in interest rates by financing appropriately and improving our earnings structure on foreign currency deposits, aimed at maintaining an interest spread of around 0.9%.

Q18. [Sony Bank]

I see that you are entering the mortgage loan business in Australia. Do you see some upside there?

A18.

Our representative office in Australia is continuing to survey the situation and consider business opportunities there. We see no particular upsides at present.

Q19. [SFH]

Dividends from SFH are one source of dividends for Sony Corporation. Do SFH and Sony Corporation discuss this situation between yourselves?

A19.

We do not discuss dividends with Sony Corporation. We are independently listed companies, and our dividend policies are determined separately.

Q20. [SFH]

When do you plan to disclose your dividend forecast for the fiscal 2012?

A20.

We are taking business conditions and other factors surrounding the SFH Group into overall consideration. We will disclose our dividend forecast promptly, as soon as it becomes possible to do so.

In this sense, the situation is not different from that we indicated at our corporate strategy meeting presentation in July 2012.

Q21. [SFH]

Standard & Poor's (S&P) has put Sony Life and Sony Bank on "credit watch" with a view to a possible downgrade. Will this affect your business?

A21.

We recognize that this decision is in line with S&P's internal policies.

Each of the companies in the SFH Group maintains a sound financial base, so I can say with some confidence that our business will not be affected.