FY2012 2Q Conference Call for Domestic Institutional Investors and Analysts
Q&A (Executive Summary)

Date: November 14, 2012, 17:00–18:00

Respondents: 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, 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]
The new business margin for the first half of FY2012 is lower than for FY2011. Why is this?
A1.
This was significantly affected by lower interest rates.

Q2. [Sony Life]
You indicate that lower interest rates were the main reason that the new business margin was lower in the first half of FY2012 than in FY2011. How much was this affected by changes in the product mix?
Also, how do you see trends in the new business margin going forward?
A2.
We have disclosed sensitivity to new business value as of March 31, 2012. You should assume that changes in the new business margin are almost entirely due to interest rate fluctuations.
Going forward as well, changes in the new business margin will be due to fluctuations in the market environment rather than to changes in the product mix.

Q3. [Sony Life]
The risk amount based on economic value was up ¥41.7 billion (up approximately 7.5%) on September 30, 2012, compared to the figure as of March 31, 2012. On an annualized basis this amounts to an increase of approximately 15%. What is the reason for this rise?
Also, what levels of MCEV and risk amount based on economic value does Sony Life consider appropriate?
A3.
The risk amount based on economic value was up mainly as a result of an increase in the policy amount in force and changes in the market environment.
Sony Life's basic stance is that the risk amount based on economic value should not exceed MCEV. Looking at current market conditions and trends in capital requirements, we consider current levels to be appropriate.

Q4. [Sony Life]
The new policy amount in the first half of FY2012 was down year on year. How would this comparison look if the impact of family income insurance were excluded?
A4.
Excluding the impact of family income insurance, new policy amount in the first half of FY2012 would have been up year on year.
Sales of family income insurance in the first half of FY2012 were down year on year. This reflects the fact that sales of family income insurance were up sharply in FY2010 and FY2011, following product revisions. Compared with the level of sales prior to product revisions, sales in the first half of FY2012 were actually up.

Q5. [Sony Life]
Do you expect sales of new policies to turn upward in 3Q of FY2012?
Also, to what extent are Lifeplanner sales employees rehired on a fixed-term contract basis after retirement contributing to sales of new policies?
A5.
New policies were up year on year in October 2012, so we are off to a steady start.
The contribution to new policy sales by Lifeplanner sales employees rehired on a fixed-term contract basis after retirement is extremely small, so their contribution to this figure is not high.

Q6. [Sony Life]
Would it be correct to assume that you plan to gradually increase the number of Lifeplanner sales employees going forward?
Also, are current figures in line with your initial plans?
A6.
We plan to maintain the current trend toward an increase in the number of Lifeplanner sales employees.
As we have explained before, the current figures reflect the fact that we have tightened the standards for hiring lifeplanner sales employees in many ways. The number of people recruited during the first half of FY2012 was up by double digits compared with the first half of the preceding fiscal year, showing that we are making steady progress in this area.
And yes, we are progressing essentially in line with our initial plans.

Q7. [Sony Life]
With regard to core profit, you say that recent performance is robust, but in the “supplementary data” section of Sony Life’s disclosure materials for the first half of FY2012 your forecast for FY2012 is to “decrease slightly.” Why is this?
A7.
In the second half of FY2012, we anticipate a provision of policy reserve for minimum guarantee for variable life insurance, so we are forecasting a slight decrease for the full fiscal year.

Q8. [Sony Life]
What was your provision of policy reserve for minimum guarantee for variable life insurance in the first half of FY2012?
A8.
¥4.0 billion.

Q9. [Sony Assurance]
Your loss ratio continues to worsen, and your catastrophe reserve balance is falling. Do you have any plans to increase your catastrophe reserve provision rate going forward?
A9.
We plan to improve the loss ratio mainly through a revision in premiums. We aim to restrict the decline in the catastrophe reserve, but we do not plan to raise the provision rate.

Q10. [Sony Assurance]
How is the rising unit cost of insurance claims affected by the type of collateral?
A10.
The impact of the rising unit cost of insurance claims for accidents involving people is essentially the same as for accidents involving property.
Looking at these separately, per-policy payouts for accidents involving people have stayed at a high level, whereas losses paid per policy are rising for accidents involving human injury. With regard to accidents involving property, the unit cost of insurance claims has increased both with regard to automobiles and other property since the beginning of the year. This is because repair costs and indirect losses have risen

Q11. [Sony Assurance]
I understand that the reason for the increase in the loss ratio stems from accidents involving people in past fiscal years, and an upward revision in the provision for payments for high residual disabilities. Your explanation is that same as last year's; do you expect the situation to change going forward?
A11.
Whereas our loss ratio increased in the past because of accidents involving third party liability, the current increase in the loss ratio stems from human injury.
It is difficult to accurately forecast future loss ratios, but for FY2012 we expect the loss ratio to remain high.

Q12. [Sony Assurance]
System-related expenses were up in the first half of FY2012. What is your forecast for these expenses in the second half?
A12.
In the first half of FY2012, we posted depreciation and amortization expenses stemming from the release of our new Web system. In the second half of FY2012, we expect system-related expenses to rise, as we are expanding systems related to security and business continuity planning.

Q13. [Sony Assurance]
You have revised downward your forecast for ordinary revenues in FY2012. From an underwriting perspective, do you expect to cut advertising expenses?
Also, are you considering such measures to hold down losses paid per policy involving automobiles and other property, as leading non-life insurers form tie-ups with repair shops?
A13.
Our forecast for ordinary revenues in FY2012 reflects the fact that competition for automobile insurance is growing more intense. As a result, our net premiums written were lower in the first half than we had initially expected, and we expect this trend to continue in the second half. Accordingly, we have revised our forecast downward. We have no plans to cut advertising expenses.
The competitive environment for direct non-life insurers is growing more stringent, with insurers increasing their advertising investments and selling policies at lower premiums. Against this backdrop, Sony Assurance is raising its premiums, so this is a difficult time for us on the sales front.
The main measures we are pursuing to hold down losses paid per policy include reinforcing our "Smile Studio" network, especially with high-grade repair shops. We are also strengthening and enhancing our appraisal process in an effort to normalize loss amounts.

Q14. [Sony Assurance]
I understand that competition is heating up among direct non-life insurers. Going forward, what are your plans to maintain profitability and revise premiums?
A14.
We see improving our loss ratio as our topmost priority. In November 2012, we have begun revising our products, and we intend to increase premiums by a few percent. Going forward, we will continue to monitor the situation and consider our options.
The leading non-life insurers are increasing their premiums every year, so we do not believe that Sony Assurance's competitiveness vis-a-vis these insurers will be affected. We are ahead of other direct non-life insurers in raising premiums, but looking at their earnings structures we expect them to also raise their own premiums in the future.

Q15. [SFH]
The dividend forecast of ¥25 per share that you have just announced is below a dividend payout ratio of 30%. Why have you forecast this amount, given the fact that you target a dividend payout ratio of 30–40% over the medium to long term?
A15.
In line with our medium-term dividend policy, we have made this decision by taking a comprehensive look at such factors as our full-year consolidated performance forecast for FY2012 and the current operating environment.

Q16. [SFH]
Will you disclose your dividend forecast after 2Q in upcoming fiscal years, as well?
A16.
We have nothing specific to say at this point about upcoming fiscal years. We will make these

decisions as the situation arises.

Q17. [SFH]
I understand that one reason your dividend forecast is uncertain is the impact of a reduction in discount rate used for calculating policy reserves. However, does the fact that you have made a dividend forecast indicate that you have assessed this impact?
Also, have there been any changes in your method for determining dividend forecasts for future fiscal years?
A17.
A reduction in discount rate used for calculating policy reserves is one of the reasons that our dividend forecast is uncertain. At present, we believe that this will have only a limited impact on our figures for FY2012.
Our dividend forecast for next fiscal year remains undecided at this stage.

Q18. [SFH]
In the event of a major fluctuation in interest rates going forward, will JGB price fluctuations affect your profits or losses on the basis of US GAAP?
A18.
There should be hardly any effect.