

FY2012 3Q Conference Call for Domestic Institutional Investors and Analysts

Q&A (Executive Summary)

Date: February 14, 2013, 16:00–17:00

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]

The new policy amount was up year on year during 3Q of FY2012 (three months), and the policy amount in force as of December 31, 2012, shows a firm increase from the figure as of September 30, 2012. Can you please explain some of the specific reasons behind this growth?

A1.

During 3Q of FY2012 (three months), the new policy amount was up 2.3% year on year. Family income insurance decreased, but living benefit insurance and whole life insurance contributed to the increase. Looking at the new policy amount for FY2012, year on year the amount was up in 1Q (three months), down in 2Q (three months) and up in 3Q (three months). Overall, the trend has been firm. The policy amount in force has benefited from the new policy amount accumulation, as well as from the fact that the lapse and surrender rate has fallen year on year.

Q2. [Sony Life]

During the first nine months of FY2012, the negative spread present in the same period of the preceding fiscal year was erased. A negative spread existed during the first half of FY2012, meaning that the negative spread disappeared during 3Q of FY2012 (three months). Do you expect to maintain a positive spread going forward?

A2.

The primary reason behind the erasure of the negative spread was the receipt of dividend income from a private equity fund during 3Q of FY2012 (three months). Even without that income, however, we recorded a positive spread during the quarter. Because the spread is affected by market factors, we cannot

say with certainty that the spread will be positive going forward. If current market conditions continue, we also anticipate a positive spread for 4Q of FY2012 (three months) and expect the trend toward a positive spread to continue next fiscal year, as well.

Q3. [Sony Life]

I would like to ask about your plans for recruiting Lifeplanner sales employees. Each year, the number of recruits tends to increase in 4Q (three months); what are your expectations for 4Q of FY2012 (three months)?

A3.

Each year, we tend to recruit a large number of Lifeplanner sales employees in January, and FY2012 is no exception.

Partly due to ongoing efforts to reinforce our hiring of Lifeplanner sales employees, already in the first nine months of FY2012 the number of new hires was up year on year. For FY2012 as a whole, we also expect the number of Lifeplanner sales employees hired to be up year on year.

Q4. [Sony Life]

Some life insurance companies have announced plans to lower their premiums on certain products from April 2013. Sony Life has not yet announced any product revisions. How do you expect this to affect your new policy acquisition trends in FY2013 and your medium-term pricing strategies?

A4.

Until the content of all the life insurers' product revisions are clear we cannot really say, but based on what has been announced so far it appears that certain life insurers are strategically reducing premiums or maintaining them at previous levels.

On the pricing front, the competitive environment is clearly changing. On the other hand, Sony Life's Lifeplanner sales employees operate firmly on the basis of consulting-based sales methods and a consulting-based follow-up and are evaluated highly by customers on non-price aspects of their activities, so we do not expect to be affected significantly.

Q5. [Sony Bank, Sony Life, SFH]

Please explain the reasons behind your sale of Sony Bank Securities Inc. and Sony Life Insurance (Philippines) Corporation.

A5.

Our objective in establishing Sony Bank Securities Inc. was to provide Sony Bank customers with services involving securities-related products. However, given the ongoing diversification and sophistication of services involving securities-related products, we felt that we could meet customers' needs more swiftly by strengthening our alliance with Monex, Inc.

Sony Life Insurance (Philippines) Corporation was started more than 10 years ago with the aim of expanding Sony Life's system of Lifeplanner sales employees in the Philippines. From the standpoint of cultivating Lifeplanner sales employees, including a number of MDRT members, this move was successful. However, as the scale of the company's business still has not increased to the extent that is needed for the stable management of a life insurance company. After considering future business plans from a variety of perspectives, we decided that it would be better to transfer this business.

(Additional question: Are you planning to restructure your business in other areas?)

We are always examining our areas of business carefully from numerous perspectives, but at the present we have nothing to say beyond what concerns these two companies.

Q6. [Sony Assurance]

Since revising your rates in November 2012, how has the competitive environment changed with respect to other direct insurers?

A6.

Because of high loss ratios, insurers have raised their premiums since the start of FY2012, but Sony Assurance's increases preceded those of other direct insurers, so on the pricing front competition with these insurers remains difficult. We expect competition to remain difficult because we plan to raise rates again on policies beginning in April 2013, but we are placing priority on improving profitability.

(Additional question: After raising premiums, what are your expectations for the year-on-year increase in the number of policies?)

The number of policies is up by approximately 80,000 (up 5%), compared with December 31, 2011. As the number of policies previously increased by nearly 10%, this represents a slower rate of increase but the number of policies is steadily increasing.

Q7. [Sony Assurance]

Are there any specific reasons for the rising unit cost of automobile insurance claims? For example, do they involve specific vehicle types, customer segments or repair garages?

A7.

As we have explained in the past, the reason for the rising unit cost of automobile insurance claims has to do with the high-cost items, such as residual disabilities on accidents involving people, rising costs of parts and repairs on accidents involving physical damage, and increases in indirect losses. These are not specific to any type of vehicle or limited to any certain customer segment.

Q8. [SFH]

On February 7, 2013, you revised upward your full-year FY2012 operating performance forecast, which anticipates an increase in net income.

SFH's target payout ratio is 30–40% of net income, but using this figure, the dividend forecast for FY2012 that you announced in November 2012 would fall below 30%. Do you plan to maintain your dividend forecast as is?

A8.

Our dividend forecast for FY2012 remains unchanged from our previous announcement. Our payout ratio targets 30–40% over the medium term; we do not link this ratio to short-term profits. As income increases over the medium to long term, we intend to increase our payout ratio successively and in stages.

Q9. [SFH]

Sony Life's MCEV is extremely high compared with the risk amount based on economic value. Does Sony Life consider this level to be appropriate? Don't you have some room for shareholder returns?

A9.

We recognize that Sony Life's MCEV is high compared with the risk amount based on economic value, but this is nothing more than an indicator of Sony Life's capital sufficiency. We will continue to consider shareholder returns based on an overall assessment of future investment opportunities, performance forecasts based on statutory accounting requirements, and regulatory trends related to soundness standards.

We recognize shareholder returns as an important management priority.

Q10. [SFH]

Your sale of Sony Life Insurance (Philippines) Corporation appears to be a withdrawal from overseas business. What is your overseas strategy going forward?

A10.

As we explained at our corporate strategy meeting, we are always looking at overseas developments. We make decisions on a case-by-case basis, looking at such factors as increasing the corporate value of the Sony Financial Group and leveraging the strengths of individual group companies.

The sale of Sony Life Insurance (Philippines) Corporation does not represent a change in our policy on overseas development.