

**English Translation of FY2015 3Q Conference Call for Domestic Institutional Investors and Analysts**

**Q&A Executive Summary**

Date: February 12, 2016, 15:30–16:15 (JST)  
Respondents: Hiroaki Kiyomiya, Managing Director, Member of the Board,  
Sony Financial Holdings Inc.  
Yuji Oosato, Executive Officer, Sony Life Insurance Co., Ltd.  
Takayuki Ishii, Executive Officer, Sony Assurance Inc.  
Sumio Mizoguchi, Executive Officer, Sony Bank Inc.

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

**Q1: [Sony Life]**

**With current ultralong-term interest rates down sharply, what is your marketing policy for the underwriting of future new products, given that Sony Life's new business value has high interest rate sensitivity? Specifically, how will you revise your assumed interest rates as well as underwriting policy of third-sector insurance products, insurance products with long durations and savings-type products?**

A:

We are aware that our interest rate sensitivity is high compared with other companies, but that is because we provide long protection. Accordingly, rather than seeing high interest rate sensitivity as a problem, we consider it important to respond expeditiously when necessary. We review levels of new business value by product on a regular basis, and we will continue working to ensure profitability going forward. Furthermore, we will continue to sell third-sector products including medical insurance.

**Q2: [Sony Life]**

**Given the currently low interest rates, I assume the amount of interest rate sensitivity you have already announced, of 50bp, is higher than as of March 31, 2015. By around how much is that?**

A:

In the interest rate environment as of the end of January, 2016, assuming that yen interest rates fall in parallel by 10bp, we expect MCEV to be reduced by ¥35.0–40.0 billion.

**Q3: [Sony Life]**

**What would your new business value for Q3 of FY2015 (three months) be if calculated based on market environment assumptions as of the end of January, 2016?**

A:

The new business value would be ¥10.0 billion and the new business margin of around 3%.

The new business margin indicated in our disclosure materials (3.9%) for Q3 of FY2015 (three months) includes variable life insurance policies prior to the January 2016 revision of premium rates. Regarding the new business margin after the revision of premium rates, our pro forma calculation based on the new business margin for January 2016 alone anticipates a recovery to around 4% even in the market environment at the end of January. (Since new policies for January alone includes new policies in variable life insurance at the previous premium rates (January policies applied in December), the pro forma calculation is for new policies excluding this portion.)

**Q4: [Sony Life]**

**If the current interest rate environment continues, how do you expect new policy amount to be affected?**

A:

It depends on interest rate levels, but we regularly check the levels of new business value by product, and based on those results we make decisions as to whether to discontinue sales or revise premium rates appropriately. Therefore, some impact is possible. Margins tend to be high on Sony Life's core protection-type products, which will not be significantly affected by negative interest rates. Also, as our recruiting of Lifeplanner sales employees is favorable, we expect the sales volume to increase. Accordingly, we expect the impact on new policy amount to be limited.

**Q5: [Sony Life]**

**Is there any possibility that your investment policy will change going forward?**

A:

We typically make investments to match the characteristics of our insurance liabilities, and this policy will remain unchanged. There are currently concerns about the supply–demand relationship on Japanese government bonds (JGBs), and we have begun investing in Fiscal Investment and Loan Program (FILP) agency bonds, which are among those assets that match our liability characteristics. In this manner, we will continue to consider investments that match our liability characteristics, but we are not considering any changes other than these.

**Q6: [Sony Life]**

**Under US-GAAP, after interest rates fall to a certain extent companies unlock actuarial assumptions at their own discretion and increase their provisions for policy reserves significantly. Due to the Bank of Japan's (BOJ) announcement of negative interest rates, if interest rates fall further would there be a major provision for policy reserves due to such unlocking? (In FY2014, there was no increase in provisions due to such an unlocking, but in FY2015 will provisions on such reserves accumulated to**

**date become immediately apparent?)**

A:

The applications of revaluating policy reserves with actuarial assumptions differ by type of insurance. For traditional products to which FAS60 applies, actuarial assumptions are locked at the time new policies are acquired, so the impact of an interest rate decline would be affected only to new policies acquired in each fiscal year. On the other hand, for variable life insurance, interest rate-sensitive whole life insurance and other products to which FAS97 applies, every year actuarial assumptions are revaluated on all policies, including in-force policies and new policies. As a result, we would not expect this decline in interest rates to prompt a sudden change in earnings in a single fiscal year.

**Q7: [Sony Life]**

**To what extent does core profit include market-related profits, such as profits on private equity funds?**

A:

The positive spread amount of ¥11.7 billion included in core profit incorporates dividends on private equity funds, amounting to around ¥3–4 billion, in addition to income gains on bonds.

**(Additional: When considering your operating performance forecast for FY2016, how did you secure market-related profits included in core profit?)**

Dividend income from private equity funds that is included in the positive spread varies each year.

Dividends were favorable in FY2015, and we expect a slight downturn in FY2016.

Looking at bond income gains, due to the current decline in yields on ultralong-term bonds (1.5%→1.2%), we expect a decrease of around ¥1.0 billion per year in new-money investments. If interest income on policies in force is included, we believe the level will be flat.

**Q8: [Sony Bank]**

**Will your investment policy change going forward to take lower interest rates into account?**

A:

We revise deposit interest rates flexibly in response to market trends. Interest rates on mortgage loans from next month are undetermined, but we respond flexibly after taking into overall consideration such factors as market interest rates and the situation at competing companies. That is to say, even on the investment front—including mortgage loans—we will respond flexibly in accordance with our monthly ALM operations. Also, we will continue working to ensure a spread on our foreign currency business and the card loan business, which we recommenced in July 2015.

**Q9: [Sony Life, Sony Assurance, Sony Bank]**

**Is it technically possible to purchase JGBs with negative interest rates?**

A:

Sony Life: We typically purchase ultralong-term bonds. We will not purchase JGBs with negative interest rates.

Sony Bank: It is technically possible, but currently we are holding back on JGB purchases.

Sony Assurance: We will not buy JGBs with negative interest rates.