# FY2017 Q1 Conference Call for Institutional Investors and Analysists
# Q&A Executive Summary

Date: August 9, 2017, 15:15–15:45 (JST)

Respondents: Hiroaki Kiyomiya, Managing Director, Member of the Board, Sony Financial Holdings Inc.
Yuji Oosato, Executive Officer, Sony Life Insurance Co., Ltd.
Toru Hasegawa, Executive Officer, Sony Assurance Inc.
Sumio Mizoguchi, Senior Executive Officer, Sony Bank Inc.

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

**Q1: [Sony Life]**

**New business value in Q1 of FY2017 (three months) was ¥12.2 billion. What was the reason for the decrease from ¥14.1 billion in Q4 of FY2016 (three months)?**

A: The new business margin improved from Q4 of FY2016 (three months) to Q1 of FY2017 (three months), but a decrease in the volume of new policy sales caused new business value to decrease. The reasons for the drop in sales volume differed by sales channel. In the Lifeplanner sales employees' channel, we ran a short-term contest in June until last year, but we discontinued it to secure appropriate consulting-based sales. The discontinuation of this contest was behind the decrease in sales volume. In the independent agency channel, meanwhile, in October 2016 Sony Life took the lead in introducing increases in premium rates before other companies. As other companies raised their premium rates in April 2017, the level of premium rates returned to a neutral footing. However in sales activities, sometime has been required to again get independent agencies to recommend our products, so sales fell short of a recovery in Q1. As a result, the volume of new policy sales in both channels was weak in Q1 of FY2017 (three months).

**Q2: [Sony Life]**

**I have a question about the change in the product mix. In Q4 of FY2016 (three months), the percentage of endowments and annuities was 15% of the product mix. This figure rose to 27% in Q1 of FY2017 (three months). The percentage of protection-type products expanded throughout FY2016; the recent figures seem to indicate a pullback. What was the reason for the increased percentage of endowments and annuities?**

A: Sales of variable annuities were favorable, so their percentage increased. In Q1 of FY2017 (three months), the overall level of sales activity was down, and sales of protection-type products weakened. Consequently, the relative weight of savings-type products increased as a result.

**Q3: [Sony Life]**

**I have a question about the provision of policy reserves for minimum guarantees for variable life insurance and gains (losses) on hedge derivatives. In Q1 of FY2017 (three months), did some sort of misalignment on hedges occur against the changes in market factors?**

A: In Q4 of FY2016, we introduced measures to reduce the misalignment on hedges. In Q1 of FY2017, changes in market factors for the provision amount and hedge gains (losses) were aligned, and this misalignment did not occur.
**Additional Q: In sales of new policies, is the weak trend continuing on sales in July?**
A: Sales in both channels have not fully recovered yet, and we will try to increase the amount of sales activity.

**Q4: [Sony Life]**
**What is the likelihood of a dividend increase? If the level of new business value (of ¥14.1 billion) in Q4 of FY2016 (three months) continues and new business value in FY2017 (12 months) would reach to ¥60 billion, I had understood there was a possibility of a dividend increase. What is the current situation?**
A: We are targeting ¥60 billion for FY2017 (12 months), but the decrease in new business value in Q1 of FY2017 (three months) was caused by lower sales volume. We changed our dividend policy in April 2017 to focus on new business value and expected existing business contribution in the life insurance business as profit indicators. However, we will make a comprehensive decision about dividends rather than looking only at indicators based on economic value. We will consider increasing dividends when we are able to confirm the potential for profit growth over the medium to long term.

**Q5: [Sony Life]**
**Could you analyze the new business value of ¥12.2 billion in Q1 of FY2017, separating the volume and new business margin factors in comparison with your plans?**
A: The shortage in new policy sales volume was cause of the decrease in new business value. The new business margin is improving and is currently above 5% level. We will increase our level of sales activities in Q2 of FY2017, working to boost the level year on year.

**Q6: [Sony Life]**
**As reasons for Sony Life's decrease in new policy sales, how would you analyze the situation, dividing out the impact of a demand surge in Q4 of FY2016 and a lower level of sales activity in Q1 of FY2017?**
A: In March and April of 2017, sales to corporate customers of long-term level premium plan term life insurance increased, due to higher demand tends to be concentrated on Q4, which is the end of the fiscal year for many companies. There was no reflection of a demand surge from April 2017. A major reason of lower sales activity was the discontinuation of our short-term contest. We look Q1 of FY2017 as a transition period in which sales activities would be averaged over the year.

**Q7: [Sony Assurance]**
**What is Sony Assurance's forecast of changes in premium rates on automobile insurance? Given the decrease in the reference loss cost rates, it appears that the mega non-life insurance companies are considering a reduction in premium rates of around 3%. What are your thoughts on revising premium rates? Also, what was the amount of damage due to hail in the Kanto area in July?**
A: With regard to revisions in premium rates, there are reports that large non-life insurers will begin reducing their

premium rates on insurance sales by 2–3% beginning in January 2018. We are considering our response, but at the present we have not decided the specific range of revisions or the timing, so I am unable to comment at this stage. As this response will affect both earnings and price competitiveness, a number of factors need to be taken into consideration before we make a decision.

With regard to natural disaster damage in July—including hail damage and heavy rains in Kyushu area—had an impact of around ¥80 million, an amount we consider slight.