

## **FY2017 Q3 Conference Call for Institutional Investors and Analysts**

### **Q&A Executive Summary**

Date: February 14, 2018, 15:30–16:05 (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 appropriately and edited for ease of understanding.

#### **Q1: [SFH]**

**What are your conditions for increasing the dividend next fiscal year (FY18)? Around what level of new business value will be necessary for you to consider a dividend increase?**

A: We are currently considering our business plan for next fiscal year (FY18), so will refrain from answering this question. We will provide an explanation at the time we announce our operating performance and dividend forecasts for next fiscal year (FY18).

#### **Q2: [SFH]**

**I understand you have made this decision to increase dividends by taking into account the operating environment, business growth and the increase in profit on the basis of economic value. Going forward, what sort of conditions will need to be satisfied in order to increase dividends?**

A: We consider growth in profit on the basis of economic value an important factor, so the steady accumulation of new business value will be a catalyst for a dividend increase. In addition, if we are able to confirm a steady increase in earnings over the medium to long term, we would consider a dividend increase.

#### **Q3: [Sony Life]**

**At ¥19.9 billion, new business value increased substantially in FY17.3Q (3M). In FY17.2Q, you commented that sales were favorable in the Lifepanner channel, but lackluster for the independent agency channel.**

**What is the current sales situation for these channels?**

A: Sales improved in both channels relative to FY17.2Q (3M). Of the two, the Lifepanner channel improved more. We will continue working to improve performance in both channels.

#### **Q4: [Sony Life]**

**You have announced a revision in premium rates in line with the April 2018 revisions to the Standard Mortality Tables. Do you expect to reach your annual FY17 forecast for new business value of ¥60 billion despite a reduction in premiums?**

A: New business value was ¥19.9 billion in FY17.3Q (3M). Assuming that interest rate levels and other environmental factors do not change, we expect to accumulate new business value of around the same level in

FY17.4Q (3M).

**Q5: [Sony Life]**

**What are your reasons for expecting an improvement in underwriting profit (core profit minus positive spread) in FY17.3Q (3M)?**

A: In FY17.3Q (3M), the provision of policy reserves for minimum guarantees for variable life insurance decreased, having a positive impact on gains/losses, due mainly to the impact of positive market conditions. Also, operating expenses typically tend to be focused on 2Q (3M), which drive quarter-on-quarter growth in gains in FY17.3Q (3M). For these reasons, underwriting profit improved in FY17.3Q (3M) relative to FY17.2Q (3M).

**Q6: [Sony Life]**

**In FY17.3Q (3M), annualized premiums from new policies were up, both quarter on quarter and year on year. I understand that the sales situation in the independent agency channel is still problematic, but given the recovery in the Lifeplanner channel, can you please explain specifically what changes in the sales situation you anticipate, by channel, after ending the short-term contests?**

A: We have already discontinued the short-term contests in the Lifeplanner channel that we ran through last fiscal year (FY16). Until FY16, the level of sales activity varied around the short-term contest. However, we have worked to level out the sales activities during FY17. These activities are gaining traction, sales activity is gradually increasing, and the sales situation is improving as a result.

The sales situation in the independent agency channel is affected by the competitive environment vis-à-vis other companies, and sales are taking time to recover. We are increasing our contact with independent agencies, as we need to step up sales activities to help them understand the benefits of Sony Life's products. We are not satisfied with the current sales level.

Regarding an improvement in the sales situation in FY17.3Q (3M), we have seen some contribution due to introduction of US dollar-denominated insurance, a new product we launched in October 2017.

**Q7: [Sony Life]**

**I understand that you are revising premium rates starting this month in line with revisions to the Standard Mortality Tables. What sort of impact do you expect this to have?**

A: This January we announced revisions on premium rates for some products, taking effect in February and April 2018. We did not see a major drop-off in sales in January due to the planned revision in premium rates, and we have steadily acquired new policies from February.

**Q8: [Sony Life]**

**How do you expect the rise in long-term US interest rates to affect your operating performance?**

A: At the moment, 10-year US interest rates are rising, but 30-year and other ultralong-term interest rates have not risen much, so at this point the increases are having no major impact. We do not believe our performance will be affected unless ultralong-term interest rates rise.

**Q9: [Sony Life]**

**Around what level is your mismatch in durations between liabilities on US dollar-denominated insurance and assets?**

A: With regard to investments related to US dollar-denominated insurance products, we tend to purchase more assets than insurance liabilities. We place foreign exchange hedges on the difference, so are not affected by foreign exchange fluctuations. The durations of our assets and liabilities related to US dollar-denominated insurance match, so gains/losses are essentially unaffected by interest rate fluctuations.

**Q10: [Sony Life]**

**Regarding the revision in premium rates accompanying revisions to the Standard Mortality Tables, why do you plan to leave rates on third-sector products unchanged?**

A: The impact of the Standard Mortality Table revisions on the third sector are small, and premium rates vary little, so we have left the rates unchanged. We have revised premium rates on products that are affected, such as term life insurance.

**Q11: [Sony Life]**

**The hedge-related losses (net losses after offsetting the positive effect of market recovery included in the provision of policy reserves for minimum guarantees) of variable life insurance was around ¥2 billion for FY17.1H (6M). What was this hedge-related results for FY17.3Q (3M)?**

A: The hedge-related gains were ¥1.5 billion for FY17.3Q (3M), so was essentially neutral for the cumulative nine months.

**Q12: [Sony Life]**

**I have a question about the loss related to hedges on the amount by which assets exceed liabilities on US dollar-denominated insurance. In FY17.1H (6M), that loss was ¥1.8 billion. What was the figure for FY17.3Q (3M)?**

A: The loss increased ¥0.6 billion in FY17.3Q (3M), making the cumulative nine-month figure ¥2.4 billion.

**Q13: [Sony Life]**

**I believe EV would be negatively affected if the volatility of interest rates and stocks were to increase substantially. What level of risk do you see in the current situation?**

**Also, are there any indices that bear special monitoring?**

A: Even current levels of volatility should not change EV to any great extent. The factor within changing market conditions that would have a major impact on EV is interest rate fluctuations.

EV is affected in particular by ultralong-term interest rates. Recently, these rates have not been moving significantly.