

FY2018 Q4 Conference Call for Institutional Investors and Analysts

Q&A Executive Summary

Date and time: May 15, 2019, 4:45–5:30 p.m. (JST)

Respondents: Hiroaki Kiyomiya, Managing Director, Member of the Board, Sony Financial Holdings Inc.

Eigo Nasu, Executive Officer, Sony Life Insurance Co., Ltd.

Toru Hasegawa, Executive Officer, Sony Assurance Inc.

Sachio Hayashi, Executive Officer, Sony Bank Inc.

Note: The questions and answers have been paraphrased, edited, and sorted for easier understanding.

Q1: [Sony Life] What was the reason for the smaller increase in the number of Lifeplanner sales employees? Was it due to a decrease in new hires or an increase in resignations? Do you intend to revise the medium-term target of 5,700 Lifeplanners by March 31, 2021?

A: The smaller increase in the number of Lifeplanner sales employees was affected by the number of those employees newly hired, which was in turn attributable to our hiring policy of carefully selecting high-caliber talent. There was no notable year-on-year change in the rate of resignations. As for the medium-term targets, we plan to explain them at our corporate strategy meeting.

Q2: [Sony Life] Sumitomo Life began selling Sony Life's U.S. dollar denominated insurance in January 2019. How have the sales been so far? What results do you expect from that business for FY2019?

A: We would like to refrain from providing specific figures.

Q3: [Sony Life] What was the reason for the substantial increase in annualized premiums from new policies in Q4 (3M) of FY2018? Do you consider that the increase was a one-off and the sales growth seen in FY2018 will not be repeated in FY2019?

A: In Q4 (3M) of FY2018, two products saw a significant increase in sales: level premium plan term life insurance with accident coverage period that went on sale in January 2019; and variable life insurance (term type) whose premium rates were revised in January 2019. However, the sale of these products, both targeting corporations, is currently suspended. While some of the demand for these products can be expected to shift to other products targeting individuals, we also need to take into account a possible decline in sales of family income insurance, which recorded strong sales in FY2018 buoyed by the premium rate revision. In consequence, we forecast an around 10% year-on-year fall in new policy amount for FY2019.

Q4: [Sony Life] With respect to the corporate products whose sale is being suspended due to taxation changes, does your FY2019 forecast assume the resumption of the sale or the continued suspension?

A: Our forecast is based on the assumption that the sale will remain suspended.

Q5: [Sony Life] How much do you expect FY2019 ordinary profit to be impacted by the provision of policy reserves?

A: In FY2018, a greater number of customers cancelled existing policies when taking out new ones. For FY2019, we expect a decrease in surrenders to result in an around ¥4 billion increase in the provision of policy reserves.

Q6: [Sony Life] How much do you expect FY2019 ordinary profit to be impacted by policy reserve for minimum guarantees for variable life insurance and by gains or losses on hedges relating to variable life insurance?

A: We do not expect the impact of variable life insurance on ordinary profit to change markedly from that for FY2018.

Q7: [Sony Life] Why do you forecast a decline in consolidated adjusted ROE for FY2019?

A: Our assumptions are that the new policy amount will decrease by about 10% and interest rates will remain flat through the fiscal year. Based on these, we forecast that the new business value for FY2019 will fall to a little less than ¥80 billion from ¥91.3 billion in FY2018, which is expected to lower consolidated adjusted ROE.

Q8: [Sony Life] Why was the new business value strong at ¥23.1 billion for Q4 (3M) of FY2018 despite the decline in new business margin? Also, the new business value for FY2019 is forecast to be a little under ¥80 billion, which is less than the amount obtained by multiplying the new business value for Q4 (3M) of FY2018 by four. What is the rationale for this forecast?

A: The new business value for Q4 (3M) of FY2018 was strong because the increased sales volume driven by the robust new policy amount made up for the decrease in the new business margin. The reason why the new business value for FY2019 is forecast to be less than that for Q4 (3M) of FY2018 times four is that we expect a fall in new policy amount, primarily for corporate contracts and family income insurance, while factoring in the impact of the current interest rate decline.

Q9: [Sony Life] I understand that assumption changes contributed positively as a reconciliation to the increase in MCEV as of March 31, 2019, from a year earlier. Is it correct to assume that the higher surrender rate resulting from the rise in surrenders had a negative impact on MCEV?

A: While the higher surrender rate adversely affected MCEV, changes in the mortality and morbidity rates and other assumptions that are reviewed once a year made a significant positive contribution to MCEV.

Q10: [Sony Life] ESR rose to 235% as of March 31, 2019. Did the substantial fall in interest rates during Q4 (3M) of FY2018 lower the risk of further interest rate declines? How should we evaluate the risk amount as a whole?

A: Whereas the interest rate decrease lowered downside risk with regard to interest rates, surrender risk heightened. As a result, there was no major change in the risk amount as a whole.

Q11: [SFH] Regarding dividend payments to shareholders, has there been any change in the existing policy of considering a further dividend increase if consolidated adjusted ROE exceeds 7%? Given that consolidated adjusted ROE for FY2019 is forecast at around 6%, exceeding 7% does not seem to be achievable in the immediate future. Wouldn't it be an option to introduce another approach to your dividend policy in order to raise dividends?

A: Our dividend policy remains unchanged. Nonetheless, we are aware of the issue that, in the event of consolidated adjusted ROE declining due to the accumulation of capital, separate consideration needs to be given.

Q12: [SFH] As regards recent changes in your management team, what do you aim for by increasing the number of directors who concurrently serve as members of Sony Corporation's management team?

A: The aim is to reinforce the management structure so as to enhance our corporate value. We are committed to strengthening governance from the viewpoints of shareholders and other stakeholders.

Q13: [SFH] From the perspective of protecting minority shareholders, what do you think of the increase in the number of directors who concurrently serve as members of Sony Corporation's management team?

A: We believe that Sony Corporation and our minority shareholders share the common interest of enhancing the corporate value of Sony Financial Holdings.