

Consolidated Financial Results for the First Half of Fiscal 2019
Conference Call for Institutional Investors and Analysts Q&A (Executive Summary)

Date: November 12, 2019 4:30-5:15pm

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 ease of understanding.

Q1: [Sony Life] Looking at reasons why new business value in FY19.2Q (3M) was only ¥14.8 billion, how much of a negative factor was the increase in sales of U.S. dollar-denominated single-premium whole life insurance? Also, how much do you expect this figure to recover in 2H as this negative factor grows less pronounced and you benefit from the relaunch of products for corporate customers?

A: Sales of U.S. dollar-denominated single-premium whole life insurance were up significantly ahead of a revision of premium rates (increase in premiums) in October 2019. We refrain from responding to questions about the profitability of individual products. In 2H, we expect new policy amount to be higher than in 1H due to the contribution of products for corporate customers. Accordingly, we expect new business value for the year to be between ¥65 billion and ¥70 billion.

Q2: [Sony Life] If you expect new business value for the year to be between ¥65 billion and ¥70 billion, would it be accurate to say you do not expect the relaunch of products for corporate customers to have a major positive impact on 2H sales? What percentage of sales do you see corporate contracts as being from October? Also, what are your assumptions for market conditions in 2H?

A: As we have just recommenced sales, it is difficult to assess the situation right now. That said, in October corporate contracts were returning toward the same percentage of new

policy amount as before we suspended sales of products for corporate customers (around 20%). We expect new business value to be higher in 2H than in 1H. We are assuming interest rates will remain unchanged from end-September levels.

Q3: [Sony Life, Sony Assurance, Sony Bank] Could you please provide a forecast of consolidated ordinary profit for the FY2019 full-year, taking 1H performance into account?

A: [Sony Life] The new policy amount in 1H was lower than we had initially expected, contributing to an increase in profit. However, given the situation in 2H with regard to new policies and changes in the levels of operating expenses and insurance claims paid, our full-year forecast remains unchanged.

[Sony Assurance] In 1H, we were affected by Typhoon No. 15 and other natural disasters, but performance was favorable otherwise, so we saw profits increase, and performance was better than we had initially expected. At the moment, in 2H we expect vehicle damage in relation to automobile insurance due to Typhoon No. 19, but as we have taken that and other negative factors into account, our full-year forecast remains unchanged.

[Sony Bank] Mortgage loans were particularly favorable in 1H, so profit rose thanks to interest on mortgage loans and net fees and commissions. In 2H, we expect the interest spread to narrow due to a U.S. interest rate cut, so our full-year forecast remains unchanged.

Q4: [Sony Life] In January 2020, the standard yield on yen-denominated single-premium whole life insurance was reduced to 0%. Will you respond by revising premium rates on this insurance? If so, how will that affect the product mix in 2H?

A: As we currently are not selling yen-denominated single-premium whole life insurance, there will be no effect.

Q5: [Sony Life] Why did 1H ordinary profit rise ¥10.9 billion year on year? Last fiscal year, you recorded a ¥4.0 billion impairment loss on ClearView's shares. The absence of this loss in the current fiscal year would have led to an increase in ordinary profit. What is the status of impairment losses?

A: We recorded an impairment loss of ¥2.9 billion on ClearView's shares in FY19.2Q. However, a decrease in the new policy amount was accompanied by a lower expenses to acquire new policies. This factor, plus expansion of the policy amount in force, led to higher profit.

Q6: [Sony Life] How are your asset and liability durations?

A: Yen-denominated bonds have a duration of 22 years; for bonds denominated in U.S. dollars, the duration is around 25 years. Although we will refrain from responding to the question about liability duration, we prioritize investments in assets that match the characteristics of our insurance liabilities, and we promote ALM to curtail interest rate risk.

Q7: [Sony Life] Could you please outline the gain on step acquisitions, goodwill and amortization methods in relation to the conversion of AEGON Sony Life and SA Reinsurance to subsidiaries? In the event of a merger, is Sony Life able to make use of AEGON Sony Life's loss carry forward?

A: The final amounts will be determined at the end-FY2019 account settlement, but the gain on step acquisitions is negligible. Goodwill is valued at around ¥6 billion, and we expect to use straight-line amortization over a 20-year period. We expect goodwill amortization to have only a slight impact on performance in the current and future fiscal years. As the question about loss carry forward assumes a merger, we will refrain from responding.

Q8: [SFH] The letter from the CEO Sony sent out in September refers to enhancing governance structure, increasing shareholder returns and supplement public disclosures. What sort of discussions have SFH and Sony Corporation had?

A: SFH's Board of Directors routinely considers shareholder returns. There are no major changes at present, but we will continue to consider the issue as we move toward the end of the fiscal year. With regard to disclosures, we aim to bolster corporate value by engaging properly in dialogue with investors. We plan to undertake various IR activities and further enhance disclosure.

Q9: [SFH] You have set achieving consolidated adjusted ROE of more than 7% as a condition for a dividend increase of more than ¥2.5. I believe that satisfying this condition will be difficult; will you take a broad view on this condition?

A: In dialogue with investors, we have been told our capital policies are unclear, so we will endeavor to clarify it. At present, returns have not been determined, but we will consider them carefully.