

**Summary of Q&A at FY2007 Teleconference for  
Domestic Institutional Investors and Analysts**

Time/date: May 16, 2008, 17:00–18:00

Respondents: Hiromichi Fujikata, Executive Vice President and Representative Director of SFH  
Masamitsu Shimaoka, Director of Sony Life  
Yuro Fujiyama, Director of Sony Assurance  
Hidehiko Nakamura, Director of Sony Bank

Q&A (Summary)

Q) Sony Life's negative spread decreased, and its core profit also fell slightly. Please provide more details about operating expenses, which had more of a negative impact on core profit. What is your forecast for FY2008?

A) (Sony Life) I take the question to be about why the core profit level did not change even though the negative spread decreased ¥10.0 billion. The reason is that operating expenses increased in line with rises in the new policy amount, thereby filling the gap. Also, the minimum guarantee cost on variable life insurance increased, owing to the worsening of the market environment.

Q) Can we assume that the remainder of operating expenses are minimum guarantee cost on variable life insurance?

A) (Sony Life) Another factor was an increase in insurance claim payments.

Q) Assuming that the ratio of insurance claim payments was within the range of your original expectations, it shouldn't have had a major impact, correct?

A) (Sony Life) Looking at insurance claim payments in terms of policy amount in force, the ratio increased slightly.

Q) Looking at the implied forward rate you are using, the comparing the assumptions you made for FY2007 with FY2006, the shape of the yield curve has changed—becoming lower in the upcoming several years and higher in later years. Please explain the impact of this change.

A) (SFH) With regard to EV yield, I will need to respond by making a comparison with the previous fiscal year, so please allow me to respond separately. Overall, from around FY2006 we have focused on long-term bonds. To calculate future yields, we use the actual rate for the period long-term bonds are held. Our yields assume that bonds that have reached maturity are reinvested immediately. Because of various factors such as these, it is difficult to answer just now. I will check the details and respond afterward.

**[Reference on EV Assumptions]**

● Investment Yield (New Investments)

The implied forward rates that were used are as follows:

FY2007	Yield	FY2006	Yield
2008	0.57%	2007	0.82%
2009	0.61%	2008	1.06%
2010	0.81%	2009	1.24%
2011	0.98%	2010	1.66%
2012	0.98%	2011	1.80%
2017	2.78%	2016	2.52%
2022	3.18%	2021	2.70%
2027	3.50%	2026	2.90%
2032	3.40%	2031	3.11%
2037	3.51%	2036	3.51%

● Investment Yield (Existing Assets)

The weighted average investment yields on new investments and existing assets that were used are as follows:

FY2007	Yield	FY2006	Yield
2008	0.57%	2007	0.82%
2009	0.61%	2008	1.06%
2010	0.81%	2009	1.24%
2011	0.98%	2010	1.66%
2012	0.98%	2011	1.80%
2017	2.78%	2016	2.52%
2022	3.18%	2021	2.70%
2027	3.50%	2026	2.90%
2032	3.40%	2031	3.11%
2037	3.51%	2036	3.51%

Q) The ¥82.7 billion decrease in the net unrealized gain, which was a factor behind the decrease in adjusted net worth from an EV standpoint, leaves a gap of approximately ¥36.0 billion from the ¥46.0 billion net unrealized gain from a financial accounting standpoint. From a financial

accounting standpoint, the bond offset portion can be calculated to be approximately ¥17.0 billion. Please explain the remaining amount of nearly ¥20.0 billion.

A) (Sony Life) For EV, the market value of stocks, convertible bonds and certain other bonds excluding standard bonds is reflected in EV. However, looking at changes in the overall market value from a financial accounting standpoint, when interest rates fall the resulting difference in the opposite direction for bonds (their rise in price), compresses the net unrealized gain. The assumption when calculating adjusted net worth for EV (the assets used when calculating the net unrealized gain) are essentially only equity assets, so the impact of the stock market is factored in, but the decrease in the net unrealized gain is larger than it would be for assets as a whole.

Q) Concerning the decrease in the value of new policies, will the impact of an increase in system-related expenses linger, or will the impact of these expenses go away after the investment in systems is complete?

A) (Sony Life) Differences are certainly apparent when you look at individual fiscal years, but we do not expect the figures to change much in the short term. Viewed over the medium term, however, we should see improvements as the result of higher efficiencies.

Q) Regarding EV, can we expect the value of new policies to increase in line with last fiscal year's rise? By "last fiscal year," do you mean we can increase in line with the rise in FY2007?

A) (SFH) In FY2008, we believe that the increase in the total of the release from the value of in-force business and the value of new policies will be in line with the FY2007 increase.

Q) Concerning EV, can we assume for the purposes of FY2008 forecasts that there will be no major change in the new policy amount product mix?

A) (Sony Life) It is difficult to forecast our product mix, but in general I would say that this is the case.

Q) I have a question about the future system investments by Sony Assurance and Sony Bank. Your operating performance forecast mentioned the impact on ordinary profit, but please tell us the overall amount of investment in systems and its P/L impact. Also, is the startup of the joint venture with AEGON factored into your forecasts for the life insurance business?

A) (SFH) I am sorry, but I cannot answer your question about the total amount of system investment or depreciation. We have not yet received official approval for the joint venture, so, although our preparations are proceeding apace, we have not factored this into our forecasts.

Q) I have a question about the increase in Sony Life's lapse and surrender rate. How is the

persistence rate on individual life insurance compared with the preceding fiscal year?

A) The 13-month persistence rate is essentially unchanged. The 25-month persistence rate was down 0.2 percentage point.

[Reference]

	FY2007	FY2006
13th month	95.5%	95.5%
25 <sup>th</sup> month	90.5%	90.7%

Looked at in terms of number of policies, the lapse and surrender rate has actually improved.

The lapse and surrender rate we have released is on a policy amount basis and reflects an upward trend in the price of individual policies. We will pay close attention to how this situation changes in the future.

Q) You have raised differential interest dividends on individual life insurance and dividends on group annuity insurance by 25 basis points. Was this because of positive investment results or to raise competitiveness?

A) (Sony Life) It reflects our investment results.

Q) Regarding the decrease in the value of new policies for EV and system-related expenses, could you please provide more specifics?

A) (Sony Life) Rather than system development, part of this amount is for increased investment in systems to strengthen internal controls in response to recent issues regarding insurance claim payments. This amount also includes the increase in operating expenses, such as increases in personnel expenses.

Q) In terms of calculation, may we assume that among system-related expenses the portion related to operation and maintenance is based on policies in force, and system development to acquire new policies are related to the new policy amount?

A) (Sony Life) This is correct, but ultimately the new policy amount has a greater impact on allocation. Overall, system expenses related to policy maintenance are allocated to policies in force, and the expenses related to acquiring new policies are allocated to new policies.

Q) Can we assume that this investment will related to future increases in the new policy amount?

A) (Sony Life) The majority of these system expenses will go toward strengthening internal controls and complying with the Financial Instruments and Exchange Law. There should be some positive effect on new policy acquisition.

Q) What are the net income forecasts for Sony Life, Sony Assurance and Sony Bank?

A) (SFH) In our Earnings Releases we disclose ordinary profit forecasts for each segment, but unfortunately we do not disclose net income. In terms of core profit, the trend is "upward."

Q) For Sony Assurance and Sony Bank, do you expect extraordinary losses and deferred income taxes to have a major impact on ordinary profit?

A) (Sony Assurance) These are factors, but we do not expect them to have a major impact.

(Sony Bank) Deferred tax assets had an impact on FY2007 results but we do not anticipate any major impacts in FY2008 and beyond.

Q) I have a question about Sony Life's policies on investing. Looking at changes in general account assets, investment in Japanese government bonds and corporate bonds continues to increase as it has in the past, but from the second half there was a marked tendency to invest in foreign securities. Please explain your plans for allocation in other assets in FY2008 and beyond.

A) (Sony Life) With regard to foreign securities, during the yen inflation period in the second half we bought foreign bonds without any foreign exchange hedge. We responded expeditiously in line with changes in the operating environment and as our number of investment options increased but in general our core policy of investing in Japanese government bonds and corporate bonds remains unchanged. Looking back at FY2007, we acquired quite an amount of 10-year bonds during the first half when interest rates were rising. In the second half, we purchased bonds of longer duration. In general, we are working to increase the overall duration of our holdings.

Q) Looking at the net unrealized gain on foreign securities, you appear to have a net loss. As yen inflation continued after you had purchased foreign bonds, has the unrealized loss expanded?

A) (Sony Life) Overall, foreign securities include structured and other bonds. These instruments are affected to some extent by changes in stock prices, but during the yen inflationary period of FY2007 exchange rate fluctuations were not factors behind unrealized losses.

Q) With regard to Sony Life's transfer to the reserve for price fluctuations, what was the reason for increasing this reserve in FY2007, and what are your assumptions for FY2008?

A) (SFH) We maintained a reserve at the upper limit during FY2007. As we mentioned earlier, we made a larger provision for the foreign bonds we acquired during the period of yen inflation than we do for domestic bonds. We anticipate no extraordinary factors in FY2008, so will maintain our current levels.

Q) Where did Sony Assurance's loss ratio on an E/I basis (earned basis) fall this year?

A) (Sony Assurance) In FY2007, the figure for automobile insurance was 64.3%.

End