

FY08 2Q Conference Call for Domestic Institutional Investors and Analysts

Q&A (Executive Summary)

Date: November 17, 2008 17:30-18:10
Participants: Hiromichi Fujikata, Executive Vice President, Representative Director,
Sony Financial Holdings Inc.
Masamitsu Shimaoka, Director, Sony Life Insurance Co., Ltd..
Masayoshi Fukuya, Executive Officer, Sony Assurance Inc.
Hidehiko Nakamura, Director, Chief Financial Officer, Sony Bank Inc.

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Q1) This is regarding your hedging operations since October, as shown on slide 12 of the presentation material. How much is your notional principal? How much of a position have you hedged? Can you please discuss your hedge position? What kind of response and how maneuverable will you be in the event of a market recovery?

A1) (SFH) We don't disclose our hedge levels or volumes, but I can tell you that we are proactive in our use of hedges. As the situation changes from day to day, I prefer to avoid any misunderstandings created by discussing a particular situation at a particular point in time.

Q2) What do you think are appropriate capital adequacy and Tier 1 ratios for Sony Bank as an Internet bank? (I guess you take reputation into consideration, too.)

A2) (SFH) Various indices show that the international criteria as 8% and the domestic criteria as 4%; for the time being, we are thinking of maintaining a Tier 1 ratio above 8%. Ratios have not been decided for the distant future when the banking business has grown much larger.

Q3) With regard to the worsening investment climate, Sony Life's net assets recorded in the balance sheets decreased compared to March 31, 2008. I know you have a high solvency margin ratio, that you were not impacted much by the falling TOPIX, and that you have contingency reserves and reserves for price fluctuations. As the management of a listed financial institution, how do you think about the sudden drop in net assets?

(Personally, I know this problem is not limited to your company, I am simply concerned with how the financial authorities are going to respond to this problem.)

A3) (SFH) As you pointed out, we recognize that we must maintain net assets on the balance sheets (based on Japanese GAAP). I don't know about other companies, but we are aware that the level of adjusted net assets, which protects net assets on the balance sheets, is sufficient even in extreme situations. With regard to the current financial crisis, in the past investors frequently pointed out that we were over-capitalized, which in this case was probably a good thing.

Q4) In the event that this crisis drags on or becomes even worse, do you expect the approval of more flexible accounting standards?

A4) (SFH) It is difficult to give my personal opinion on this. Already there are actions from the views expressed by the Business Accounting Council regarding the method of valuing floating rate government bonds; if it becomes a problem for the entire industry, I think the regulatory authorities would judge from the viewpoint of the national economy.

Q5) Regarding Sony Life's annualized premiums from new policies, looking individually at the first and second quarters there appears to be a slowdown—why is this? The number of new policies is increasing, yet the new policy amount is nearly flat, and annualized premiums were trending slightly lower than the same period in the previous fiscal year. Furthermore, when looking at the trend over the past decade or so there seems to be a definite relationship between the income environment and new policy amounts. What do you think about this?

A5) (Sony Life) Regarding new policies, annualized premiums and policy amounts are affected by the product mix, therefore it is difficult to identify a single cause. Looking at individual life insurance and individual annuities, annualized premiums on individual life insurance actually were slightly higher than in the same period in the previous fiscal year. Conversely, variable annuities were down substantially compared with the same period of the previous fiscal year. Also, looking at the relationship between policy amounts and annualized premiums, Sony Life's mainstay family income insurance has relatively large policy amount while its premiums are relatively small, and the growth of the family income have caused the increase in the total annualized premiums to appear smaller.

Regarding the trend over the past decade or so, I believe that the primary causes were more internal than external. We have worked on reinforcing our sales force since around 2002, and that initiatives resulted in our recent stable sales performance. Although the outlook of economy will influence our business, , we

feel that we can maintain the current level of our performance for a while.

Q6) Regarding your upward revision of non-life insurance business full-year earnings forecast, you said that system-related expenses did not increase as had been expected. What kind of changes did you make to your system investment planning?

A6) (Sony Assurance) Regarding the upward revision, first of all, the favorable growth of underwriting income and a stable loss ratio were two major factors. As for the system-related expenses, we are currently reconstructing our system infrastructure, and although we initially had forecast its release for the fiscal year ending March 31, 2009, the upgrades are behind schedule. Therefore, forecast expenses related to system verification and operator training will not be recorded in the current fiscal year.

Q7) Regarding IT investment, should we view the cutover timing as being sometime in the first half of the next fiscal year?

A7) (Sony Assurance) Currently we are reviewing this, and are still looking closely into a specific release date. Once we have grasped a definitive forecast, we will announce the details, including the impact on earnings.

Q8) Regarding the price of convertible bonds (CBs), in the past you disclosed the sensitivity of CBs against TOPIX, which I had a feeling that such sensitivity didn't appear to be a very accurate relationship. The TOPIX dropped to 806 points as of October 24, 2008, from 1,087 points as of September 30, 2008, but the unrealized losses on CBs deteriorated only the level of ¥9.1 billion. Can I assume that there is little CB price fluctuation when the TOPIX drops below 1,000 points? Please give us your thoughts on this.

A8) (Sony Life) Regarding unrealized gains/losses on CBs and sensitivity of CBs, we feel that the current level reflects the cost of credit itself, and does not reflect the price of the equity option portion. These are almost all bond swaps. The overall average price levels are near ¥90. Sensitivity has already been deviated from equity, and considered to be composed of a significant amount of downward rigidity.

Q9) Regarding the method for saving policy reserves, I think there are several choices including a five- or 10-year Zillmer method, but do you also look at changes in your method of savings? Can you please give me any indication of how you think about this?

A9) (Sony Life) We think this is ultimately an industry-wide problem, and as far as Sony Life is concerned we have no plans at this stage to change our method of savings.