

FY08 3Q Conference Call for Domestic Institutional Investors and Analysts
Q&A (Summary)

Date: February 12, 2009 18:00-18:40

Respondents: 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.

Q&A (Executive Summary)

Q1) In mid-October you made an announcement regarding Sony Life's exposure in Japanese stocks (including corporate bonds) in which you stated that about half the exposure was hedged, but after that it appears that there has been a change in your exposure in Japanese stocks. Currently, what is your hedging ratio?

Also, regarding your presentation material, can we assume that Japanese stock exposure stated in the notes on page 11 excludes the hedged portion?

A1) (Sony Life) The notes in the presentation material indicate all the Japanese stocks held by Sony Life. Hedging of Japanese stocks has been reduced in proportion with reductions in its exposure.

Q2) Is Sony Life's hedge ratio still approximately half of its exposure in Japanese stocks?

A2) (Sony Life) Because the special quotation (SQ: closing date determined by special calculation index) date straddles the settlement of accounts, explanation using the book values may be difficult. But based on our internal management basis which includes those we sold, more than half of our exposure in equity assets is hedged since October 2008.

Q3) Regarding Sony Bank, despite changes in the floating rate JGB marked to market method, net unrealized losses on other securities, net of taxes, expanded its negative stated value. Trying to get at the cause of this, what kind of foreign bonds are you holding? Or, during the three months ended December 31, 2008, was there any exposure on which you almost recorded an impairment loss? Going forward, is there any on which you will record an impairment loss?

A3) (Sony Bank) The evaluation of Sony Bank's floating rate JGB's are based on reasonably estimated amounts starting in the quarter ended December 31, 2008. As a result, net unrealized losses on other securities, net of taxes, improved by approximately ¥3.6 billion. However, the decline in the value of other securities resulted in the expanded negative value. Most of the declined securities were Japanese corporate bonds, which Sony Bank started investing in since its commencement of operations. The recent worsening credit environment is the factor behind value depreciation. Regarding impairment loss, there were none in the third quarter. As for

expected impairment loss, as explained in the earnings forecast for the year ending in March 31, 2009, the ordinary profit (loss) forecast for our banking business was revised downward to ¥0.4 billion of ordinary loss, primarily due to expected impairment loss on securities of ¥1.9 billion. Expected impairment losses on securities are for TOPIX-linked investment funds. Since we do not expect the current stock market conditions to recover by March 31, 2009, we included the expected impairment losses from these funds in our full-year forecast.

- Q4) Are you going to disclose the amount of Sony Life's market consistent embedded value (MCEV)-based adjusted net assets as of December 31, 2008?
- A4) (Sony Life) Regarding Sony Life's embedded value (EV), as we switched from traditional embedded value (TEV) to MCEV, we believe disclosing data only on the asset side is misleading, therefore we don't disclose these figures.
- Q5) Regarding Sony Life's reclassification of debt securities to held-to-maturity securities, this change caused a ¥0.3 billion decline in net unrealized gains on other securities, net of taxes resulting in a decrease in net assets. Why did you decide to make changes that reduced your net assets?
- A5) (Sony Life) (Rather than saying we reduced net assets) Comparing the market value as of the date we reclassified to held-to-maturity securities, the market value as of December 31, 2008 rose, which resulted in a decrease in unrealized gains on other securities as of December 31, 2008.
- Q6) In Sony Corporation's earnings announcement based on U.S. GAAP, there was an explanation on the minimum guaranteed costs associated with the decline in the value of Sony Life's variable life insurance investment assets. Under Japanese GAAP, do you anticipate a need for additional provisions for policy reserves, according to the future income analysis, etc., which you conduct at fiscal year-end? Furthermore, how will the MCEV calculation be affected by the declining account value of separate accounts?
- A6) (Sony Life) Under Japanese GAAP, we also accumulate provisions for policy reserves for the minimum guarantee portion of variable life insurance, but that amount is smaller compared to those on U.S. GAAP. In addition, this amount has already been included in the third quarter financial results.
Regarding the effect to MCEV due to deterioration in separate account assets, the future costs for the minimum guarantee portion are reflected in MCEV. If the volatility increases, there might be some impact on MCEV, but at present we cannot provide you with a definitive answer.
- Q7) Regarding Sony Life's adjusted net assets to calculate EV, when you were using the TEV calculation your disclosure of adjusted net assets at the end of each quarter helped us to estimate your current EV. Now on MCEV-basis, is it difficult for you to disclose adjusted net assets each quarter?

A7) (Sony Life) As we switched to MCEV, which considers marked-to-market changes on the liabilities side, we believe disclosing adjusted net assets which is only on the asset side of the balance sheet may be misleading. Furthermore, we believe it is possible to estimate adjusted net assets from unrealized gains and other data we already disclosed.

Q8) In the event that Sony Life's account value drastically deteriorated, am I correct in my thinking that the composition of MCEV option costs would increase?

A8) (Sony Life) At present, I can't estimate precisely, but you are headed in the right direction.

Q9) The number of Sony Life's Lifeplanner sales employees as of December 31, 2008 was 3,812 people; please tell us the current status of your recruitment and what your estimated numbers of Lifeplanner sales employees are for the next fiscal year.

A9) (Sony Life) There is significant seasonal variation in the number of our Lifeplanner sales employees. One month after the figure you quoted, our sales force grew to more than 3,870 people, and although we do not increase the number of people drastically, there is a trend to continue steadily increasing its size. We expect the pace of increase in the number during the next fiscal year will follow the current trend. Our target is to amass 4,000 Lifeplanner sales employees in fiscal year 2010.

Q10) Looking at the current domestic employment environment, there seems to be mobility of human resources with sales experience in the financial and manufacturing industries, do you have a sense that you will be able to achieve the 4,000 Lifeplanner sales employees target ahead of schedule? Do you see an increase in the number of candidates you interview, or are there any other concrete changes you are aware of?

A10) (Sony Life) As a general rule of thumb, a weak economy is not the only factor to increased recruitment due to mobility of human resources, but it will also tend to make experienced people hesitant to switch jobs. As there is a great deal of prudence when it comes to switching jobs, I would say that overall the effect is neutral. We see no significant changes in our recent recruitment activities, and our target is unchanged from the original one.

Q11) Regarding Sony Life's MCEV, I would like to confirm the reason behind your decision not to disclose only adjusted net assets in an attempt to avoid misleading information. According to your disclosure of sensitivity analysis of interest rates, asset values change with fluctuations in the interest rate, as do liabilities. As you show the sensitivity analysis which has considered fluctuation of such bonds portfolio value, while unrealized gains on bonds are included in adjusted net assets under MCEV, am I correct to understand that disclosing only adjusted net assets is misleading since it is just one side of the balance sheets?

A11) (Sony Life) Yes, your understanding is correct.

- Q12) My impression is that Sony Life's core profit during the three months ended December 31, 2008 was smaller. Analyzing data to determine the cause of this, such as looking at interest and dividends income, am I correct in thinking that the reason for this is related to policy reserves for variable life insurance?
- A12) (Sony Life) First let me say that, basically, the cause is indicative of seasonal fluctuations in policies, asset management, dividends, etc., respectively. In addition, the minimum guarantee portion of variable life insurance has influenced provisions for policy reserves to increase under Japanese GAAP. These two reasons, more specifically the effects of seasonality and variable life insurance, can be thought of as the main factors in smaller core profit in the three months ended December 31, 2008.
- Q13) As interest rate volatility increases, MCEV is negatively affected, but at the CFO Forum in Europe there was apparently some discussion as to whether this might not be misleading, and it was suggested that flexible management might be the proper approach. At present, what do you see might happen? At SFH, how do you approach this, while heading into the fiscal year-end in March 2009?
- A13) (Sony Life) We are still discussing the latest turn of events internally and nothing has been decided yet. We will work out the details going forward.