

**FY2009 1Q Conference Call for Domestic Institutional Investors and Analysts**

**Q&A (Summary)**

Date: August 11, 2009 16:30–17:20  
Respondents: Hiromichi Fujikata, Executive Vice President, Representative Director,  
Sony Financial Holdings Inc.  
Mitsuhiro Koizumi, Director, Sony Life Insurance Co., Ltd.  
Masayoshi Fukuya, Executive Officer, Sony Assurance Inc.  
Hidehiko Nakamura, Director, Chief Financial Officer, Sony Bank Inc.  
Investors/Analysts: Five

**Q1. Does your explanation that Sony Bank’s profits “improved on a core basis” indicate that they worsened in non-core areas?**

**A1. [Sony Bank]**

On an internal control basis, net other operating income was affected in various ways by fluctuations in the financial markets. For example, the valuation loss on credit default swaps increased. In addition, although this does not fall within the scope of fair value hedge accounting, net other operating income was down substantially year on year, affected by derivative transactions to hedge against interest rate risk on securities held. At the same time, although the valuation of these derivatives went negative, the price of the underlying securities increased, so the balance sheet item “net unrealized losses on other securities (net of taxes)” improved year on year.

**Q2. I guess that MCEV has improved nearly ¥100 billion from March 31, 2009. Can you provide any guidance on this?**

**A2. [Sony Life]**

At present, we are creating internal control systems that will allow us to calculate the value of existing business more accurately. We can now use the interest swap rates as of June 30, 2009, to make calculations on in-force business as of March 31, 2009 (Note: *not* in-force business as of June 30, 2009). This calculation shows an increase of approximately ¥80 billion in the value of existing business, compared with the calculation based on interest swap rates as of March 31. Please note, however, that this calculation does not take into account frictional costs and non-hedgeable costs. Rather, it merely indicates the change in the sum of the present value of certainty-equivalent profit and the time value of options and guarantees. (We consider adjusted net worth to have increased approximately ¥4 billion between March 31, 2009, and June 30, 2009. Although the unrealized gain on held-to-maturity securities decreased owing to higher interest rates, primarily ultralong-term interest rates, the unrealized gain on equity assets, such as CBs and stocks, increased in line with stronger stock prices. We plan to continue providing this sort of guidance on the value of existing business on a quarterly basis for the time being.)

**Q3. Owing to the effects of higher interest rates, I believe that frictional costs and non-hedgeable costs should work positive to value of MCEV in the same way as (the sum of the present value of certainty-equivalent profit and the time value of options and guarantees of) the value of existing business. Given this to be the case, are you saying that the value of existing business is up slightly more?**

**A3. [Sony Life]**

Generally, the direction appears to be positive to value of MCEV.

**Q4. I would like to hear about your MCEV disclosure plans. At the June 1, 2009, teleconference on MCEV disclosure, you mentioned that you were “considering disclosing MCEV figures on a quarterly or semi-annual basis.” What are your current thoughts? Will it be possible to disclose figures as of the second quarter of the current fiscal year?**

**A4. [Sony Life]**

Our goal is to share with investors and analysts the most appropriate reference information possible. We have created a structure that will enable us to determine how much MCEV is affected by changes in market conditions through applying the most recent market conditions to the value of existing business locked to in-force business as of March 31, 2009. However, at this stage we are unable to provide accurate updates of MCEV figures with respect to the in-force business at the end of each quarter. Consequently, at this point we cannot promise to disclose figures on a quarterly basis. For this reason, it will be difficult for us to provide MCEV figures at the end of the second quarter of this fiscal year, which is three months from now.

**Q5. Your EV of new policies has stalled at the relatively low level of around ¥15.4 billion. Please explain what revisions you are considering at present with respect to mainstay death protection products, from the perspective of profitability as well as from the perspective of shifting to policyholders some of the costs of hedging against long-term interest rate risk.**

**A5. [Sony Life]**

Interest swap rates and other interest rates have trended upward since March 31, 2009. If this situation continues, we believe the EV of new policies will be higher than the figures for FY2008. We will continue to consider product revisions not simply from the standpoint of MCEV, but on a holistic basis that takes into account the competitive environment vis-à-vis other insurers, as well as customers' needs.

**Q6. On the asset side, your bond duration was 14.7 years as of June 30, 2009. Please explain your plans for reducing the gap between this figure and the liability-side duration—either by the end of the current fiscal year or your medium- and long-term targets.**

**A6. [Sony Life]**

Our liability-side duration is about 30–40 years. To reduce the gap between this duration and the asset-side duration, we are steadily investing in ultralong-term bonds. This is part of our investment policy for mitigating the mismatch between assets and liabilities.

**Q7. Please explain the extent, in terms of amount, to which you were able to shift to investing in ultralong-term bonds from bonds with a short term to maturity during the first quarter of FY2009. If you are switching out for bonds at a point when the yield curve is steepening, would it be reasonable to assume that you will generate gains on the sale of bonds?**

**A7. [Sony Life]**

During the first quarter of FY2009, we purchased ultralong-term bonds worth ¥240 billion, but around half this amount was the switch from bonds with a short term to maturity. Whether or not we show gains on the sale of bonds depends on the level of interest rates at the time we switch out these bonds, as well as the timing of acquisitions, so I cannot answer your question.

**Q8. Comparing the first quarter of FY2009 with the fourth quarter of FY2008, please indicate whether you have seen any changes in trends on new policies and lapse and surrender rates on variable life insurance and term life insurance for small and medium-sized companies.**

**A8. [Sony Life]**

Variable life insurance and corporate term life insurance have both been affected by the market and economic environments. As a result, new policy amounts are down year on year, and surrender amounts are up. There has been no change in the trends on a year-on-year basis from the fourth quarter of FY2008 to the first quarter of FY2009. (However, the lapse and surrender rate worsened slightly less in the first quarter of FY2009 than in the third and fourth quarters of FY2008. On an annualized basis, performance was 6.69% for the first quarter of FY2009, 0.1 percentage point lower than the figure for FY2008, which was 6.79%. Furthermore, this rate was 0.65 percentage point lower than the annualized rate during the second half of FY2008, which was 7.34%.)

**Q9. Page 10 of the presentation materials indicates that core profit improved ¥7.2 billion year on year. Please explain the reason for this increase, as well as the details of your analysis on the three sources of profit.**

**A9. [Sony Life]**

One reason for the increase in core profit was an increase in income from insurance premiums, in line with the steady growth of policy amount in force. Another reason was higher interest income and dividends, resulting from a higher balance of ultralong-term bonds. I cannot answer your question about our three sources of profit, as it is our policy not to disclose the details of this analysis.