Guidance on the Value of Existing Business, a Portion of Sony Life's Market Consistent Embedded Value (MCEV), as of June 30, 2010

August 12, 2010
Sony Financial Holdings Inc.

Sony Life has sought to reduce mismatch risk from asset–liability duration gap as part of its efforts to manage risk on the basis of economic value. As of March 31, 2010, the company had created an asset-liability structure that was less susceptible than in the past to the influence of financial market factors, particularly interest rate fluctuations. As part of our efforts to proactively disclose information to our shareholders and investors in a timely and appropriate manner, we continue to announce Sony Life's proforma calculations of value of existing business every quarter in this fiscal year. This time, we announce the results of the proforma calculations of value of existing business as of March 31, 2010 by using the interest rates and volatility as of June 30, 2010.

－We calculate a change in the sum of the present value of certainty-equivalent profit and the time value of options and guarantees which consists of portions of value of existing business. We use the interest swap rates and the implied volatilities on interest swaptions and foreign exchange rates as of June 30, 2010, to make the calculations on policies in force as of March 31, 2010. This calculation shows a decrease of approximately ¥163.0 billion in the value of existing business, compared with the calculation based on market conditions as of March 31, 2010.

－The above calculation does not take into account the frictional costs and the cost of non-hedgeable risks, which are other remaining portions of the value of existing business.

For your reference, adjusted net worth, another remaining portion of MCEV, as of June 30, 2010 increased approximately ¥125.0 billion from March 31, 2010. Although a drop in stock prices resulted in a decrease in net unrealized gains on Japanese stocks held, the lowering of interest rates, centered on ultralong-term rates, caused net unrealized losses on ultralong-term bonds as of March 31, 2010 to reverse to net unrealized gains as of June 30, 2010.

The above calculation does not take into account the following changes between March 31 and June 30, 2010:

- Changes in policy amount in force (such as increases resulting from new policy acquisitions and decreases owing to lapse and surrender) nor changes in the product mix:
- Changes in assumptions behind the calculations with the exception of interest swap rates and the implied volatilities on interest swaptions and foreign exchange rates:
- Changes in the frictional costs and the cost of non-hedgeable risks.

Furthermore, the validity of this calculation has not been reviewed by outside specialists.