Guidance on the Value of Existing Business, a Component of Sony Life's Market Consistent Embedded Value (EV), as of September 30, 2011

November 14, 2011
Sony Financial Holdings Inc.

Sony Life has sought to reduce mismatch risk on sensitivity to interest rate from asset–liability management perspective as part of its efforts to manage risks on the basis of economic value. As ongoing its efforts, Sony Life strives for maintaining an asset-liability structure that has limited susceptibility to the influence of financial market factors, particularly interest rate fluctuations. As part of its 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 how much affected by interest rate fluctuations value of existing business would be every quarter.

Sony Life has been comprehensively managing interest rate risk residing in its assets and liabilities by investing mainly in ultralong-term JGBs in asset side to prepare for the future insurance claims and other payments in liability side. Thus, it is considered reasonable and proper to use JGB yields as risk-free-rate for calculation of liability side for the purpose of internal risk management. Accordingly, we announce the results of the proforma calculations of changes in value of existing business as of the end of March, 2011 by using the JGB yields and volatility as of the end of September 2011.

A decrease in the value of existing business (from the end of March to the end of September 2011): approximately ¥146.0 billion

－We calculate the sum of the present value of certainty-equivalent profit and the time value of options and guarantees which consists of components of value of existing business. We use the JGB yields and the implied volatilities on interest swaptions and foreign exchange rates as of the end of September 2011, to make the calculations on the above portions of policies in force based on the JGB yields as of the end of March, 2011.

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

For your reference, adjusted net worth, another remaining component of EV, increased approximately ¥139.0 billion from the end of March to the end of September 2011, owing mainly to increased net unrealized gains on ultralong-term bonds in line with a lowering of interest rates, centering on ultralong-term.

The above calculation does not take into account the following changes between the end of March and the end of September 2011:

- 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 JGB yields 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.