

Presentation Materials

Sony Life's Market Consistent Embedded Value as of March 31, 2008

**Sony Financial Holdings Inc.
November 28, 2008**

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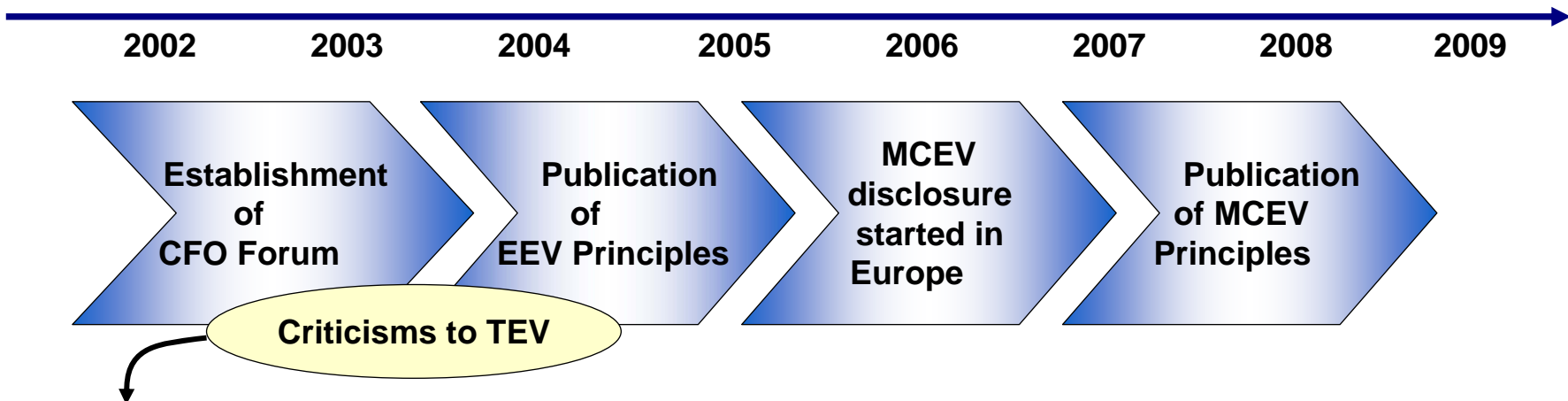
Highlight of MCEV

- In the past we disclosed Sony Life's Traditional Embedded Value (TEV) as one of the indices to evaluate the corporate value of life insurance business, but going forward, we will disclose Market Consistent Embedded Value (MCEV), instead of TEV.
- Sony Life's MCEV as of March 31, 2008 was recalculated in compliance with MCEV Principles*, published in June 2008, by the CFO Forum in Europe.
- The results of Sony Life's MCEV as of March 31, 2008, were ¥816.5 billion, down ¥17.2 billion compared with ¥833.8 billion of TEV as of March 31, 2008.

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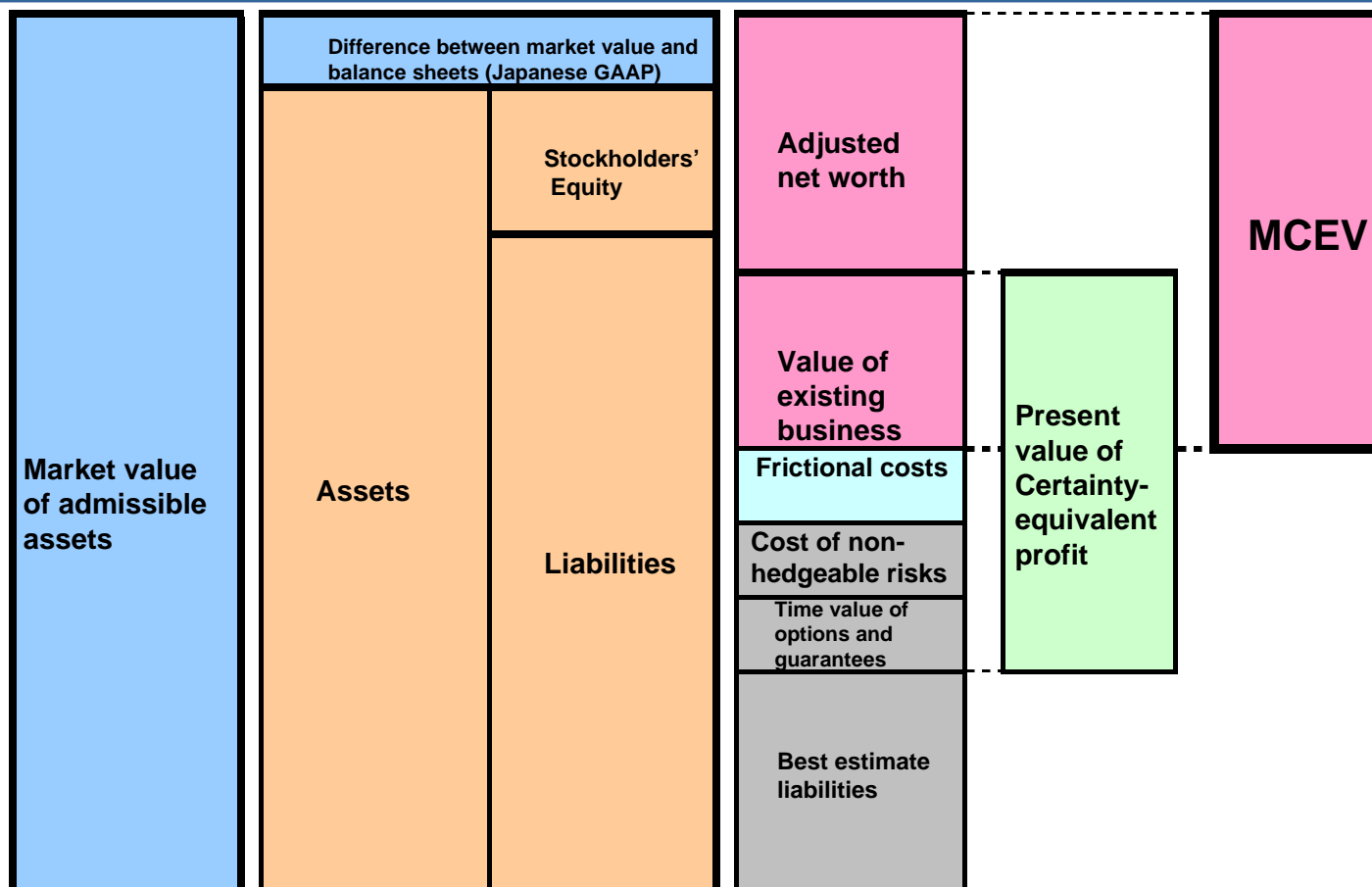
* Please see Slide 5 for the details including items that are not compliant with the MCEV Principles

Background of Disclosing MCEV



- Companies —primarily leading life insurance firms in Europe— have widely disclosed EEV, since the CFO Forum, comprised of CFOs from major insurance companies in Europe, published EEV Principles in May 2004. EEV Principles attempt to address criticisms to TEV, and facilitated the implementation of market consistent valuation methods, which led many leading insurance companies in Europe to disclose EEV based on market-consistent approaches.
- Many insurance companies in Europe disclose MCEV as part of their financial reports and use it as an internal management tools, so the CFO Forum published MCEV Principles in June 2008 in order to make EV information effective and appropriate for investors by streamlining MCEV disclosure standards for international use.

Relationships between Balance Sheets (Japanese GAAP) and MCEV



-The chart above is a conceptual relationships between MCEV and balance sheets (Japanese GAAP), and is not a conceptual chart of mark-to-market liabilities.

-MCEV consists of “adjusted net worth” and “value of existing business”. The “value of existing business” is calculated by deducting “time value of options and guarantees”, “frictional costs” and “cost of non-hedgeable risks” from the present value of “certainty-equivalent profit.” Adjusted net worth” is calculated by deducting “liabilities” on the balance sheets from “market value of admissible assets” and adding back contingency reserves and other reserves categorized in the liabilities in the balance sheets.

-“Difference between market value and balance sheets” indicates adjustments such as deducting intangible fixed assets from assets in the balance sheets and adding (subtracting) unrealized gains (losses) on real estate (buildings).

Compliance with the MCEV Principles



We have calculated Sony Life's MCEV in accordance with the calculation methodologies and assumptions in the MCEV Principles. Points of notice regarding MCEV Principles compliance are as follows.

- ◆ The calculated value of MCEV is the value for Sony Life only, and not the consolidated value of Sony Financial Holdings Inc.
- ◆ With respect to Sony Life's subsidiary, Sony Life Insurance (Philippines) Corporation and its equity method affiliate, AEGON Sony Life Planning Co., Ltd., we have not evaluated their life insurance business but reflected their book values in the calculation of adjusted net worth. Values of subsidiary and affiliated companies were not changed in sensitivity tests.
- ◆ Any calculated values of MCEV are not presented separately by segment of subsidiary and affiliated company.
- ◆ We have calculated adjusted net worth based on Japanese GAAP, not on International Financial Reporting Standards (IFRS).
- ◆ We have not conducted movement analysis from the prior period, as we did not calculate MCEV on March 31, 2007.

Major Differences between TEV & MCEV (1)

	MCEV	TEV (Discount rate 6.0%)
Adjusted Net Worth	<ul style="list-style-type: none"> ✓ Total net assets section ✓ Reserve for price fluctuations ✓ Contingency reserve ✓ Reserve for possible loan losses ✓ Net unrealized gains/losses on land and buildings ✓ Unfunded pension liability (deducting item) ✓ Intangible fixed assets (deducting item) 	<ul style="list-style-type: none"> ✓ Total net assets section (Excluding net unrealized gains/losses on bonds) ✓ Reserve for price fluctuations ✓ Contingency reserve ✓ Reserve for possible loan losses ✓ Net unrealized gains/losses on land ✓ Unfunded pension liability (deducting item)
Value of Existing Business	<p>Present value of certainty-equivalent profit (Discount rate: Risk free rate)</p> <p>Time value of options and guarantees (deducting item) (The difference between the present value of certainty-equivalent profit and the present value of stochastic future profits)</p> <p>Frictional costs (deducting item) (The present value of investment cost and taxes on assets backing the required capital at each point of time in the future)</p> <p>Cost of non-hedgeable risks (deducting item) (Allowance for the uncertainty of non-economic assumptions, the cost of non-hedgeable economic risks as well as other risks that are not reflected on the other assumptions.)</p>	<p>Present value of future after-tax profits (Discount rate: Risk free rate + Risk premiums)</p> <p>Cost of capital (deducting item)</p> <p>Cost of minimum guarantee for existing variable life insurance (deducting item)</p>

Major Difference between TEV & MCEV (2)



	MCEV	TEV (Discount rate 6.0%)
Investment yield	<p>Deterministic method (Calculation of certainty equivalent) Japanese yen interest rate swap rate</p> <p>Stochastic method Market consistent yield based on economic assumptions</p>	<p><New money yield> Implied forward rate of Japanese government bonds</p> <p><Investment of existing assets></p> <ul style="list-style-type: none"> - Bonds are held to maturity except for CBs - Unrealized gains on CBs, etc. are reflected to adjusted net worth and the remaining amount is reinvested in Japanese government bonds - Amount of stocks and other assets at the valuation date is kept level to the extent it is within an internal threshold target
Discount rate	<p>Deterministic method (Calculation of certainty equivalent) Japanese yen interest rate swap rate</p> <p>Stochastic method Interest rate of each scenario</p>	<p>Risk free rate (10-year JGB yield) + Risk premium (4.5%)</p>
Time value of options and guarantees	Difference from the present value of certainty-equivalent profits calculated by conducting stochastic projections, using the stochastic economic assumptions scenarios.	Minimum guarantee for variable life insurance
Frictional costs (MCEV) / Cost of capital (TEV)	Frictional costs are the present value of investment costs and taxes on assets backing required capital. The required capital is the larger of , either, the amount required to maintain the assumed level of solvency margin ratio of 600%, or the amount of technical provision and solvency risk capital stipulated by QIS4 of the EU Solvency II held in excess of statutory policy reserves (excluding contingency reserves).	Cost of capital is the spread between the investment yield and the discount rate applied to the amounts of capital and surplus that will be required to maintain the assumed level of solvency margin ratio (600%).
Non-hedgeable risks	Calculated based on the method prescribed in QIS4 of the EU Solvency II framework with the cost of capital approach, the uncertainty of the risk-free rates beyond the 50 th year has been considered as an interest risk, in addition to life insurance underwriting risks and operational risks.	—

Results of MCEV

<As of March 31, 2008>

(Billions of yen)

Items	MCEV	TEV (Discount rate of 6.0%)	MCEV - TEV
Adjusted net worth	248.5	194.8	53.7
Value of existing business	568.0	638.9	-71.0
EV	816.5	833.8	-17.2
New business value	48.2	28.9	19.3

Results of MCEV (Adjusted Net Worth)



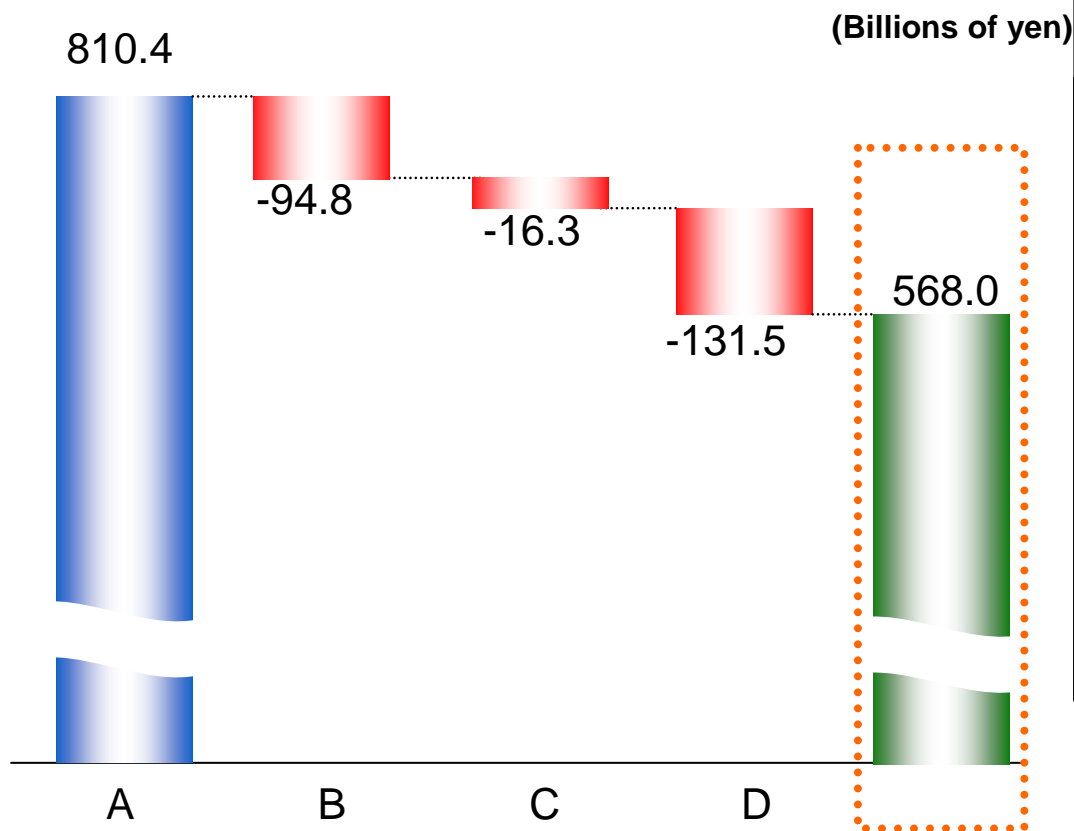
(Billions of yen)

Items	MCEV	TEV (Discount rate of 6.0%)	MCEV - TEV
Adjusted net worth	248.5	194.8	53.7
Required capital	0.0	0.0	0.0
Free surplus	248.5	194.8	53.7

Items	MCEV	TEV (Discount rate of 6.0%)	MCEV - TEV
Adjusted net worth	248.5	194.8	53.7
Total net assets section	182.7	136.9	45.7
Reserve for price fluctuations	24.1	24.1	—
Contingency reserve	61.8	61.8	—
Reserve for possible loan losses	0.0	0.0	—
Unrealized gains/losses on land and buildings	29.0	8.4	20.6
Unfunded pension liability	-3.5	-3.5	—
Intangible fixed assets	-8.1	—	-8.1
Tax effect equivalent of above six items	-37.4	-32.9	-4.5

Results of MCEV (Value of existing business)

Value of existing business

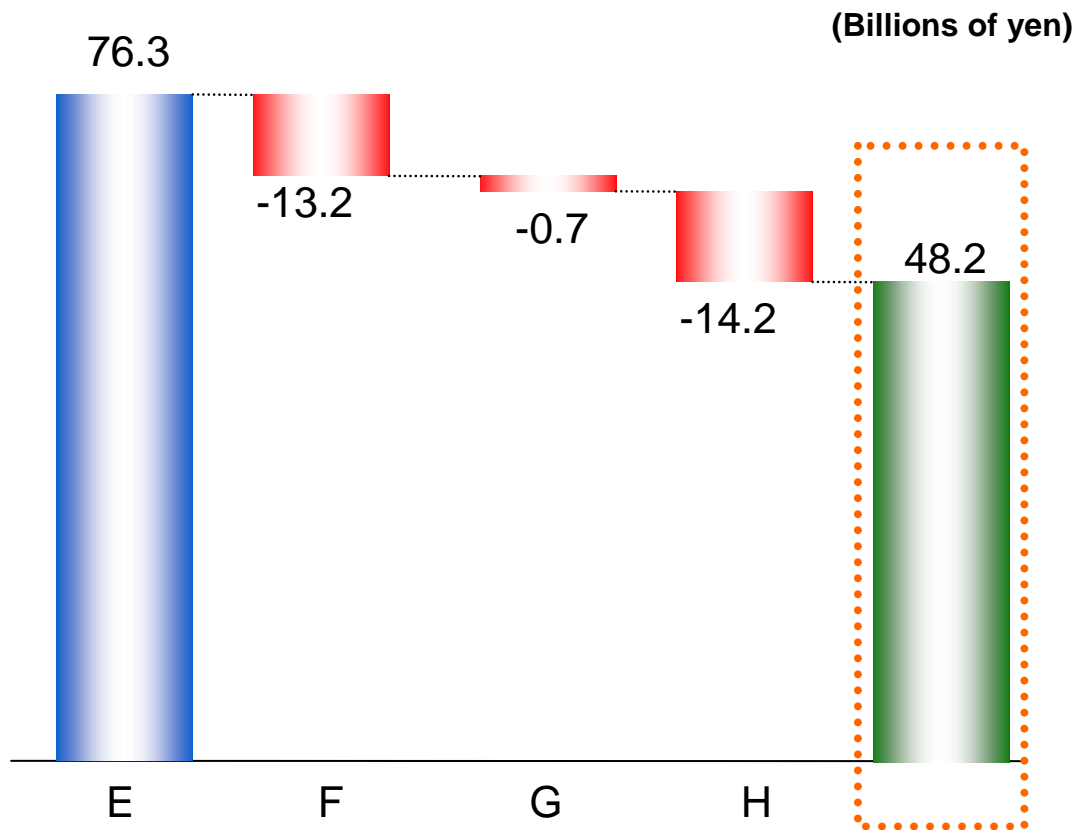


(Billions of yen)

Items	As of March 31, 2008
Value of existing business	568.0
A) Present value of certainty-equivalent profit	810.4
B) Time value of options and guarantees	-94.8
C) Frictional costs	-16.3
D) Cost of non-hedgeable risks	-131.5

Results of MCEV (New business value)

New business value



(Billions of yen)	
Items	As of March 31, 2008
New business value	48.2
E) Present value of certainty-equivalent profit	76.3
F) Time value of options and guarantees	-13.2
G) Frictional costs	-0.7
H) Cost of non-hedgeable risks	-14.2

Reconciliation analysis from TEV

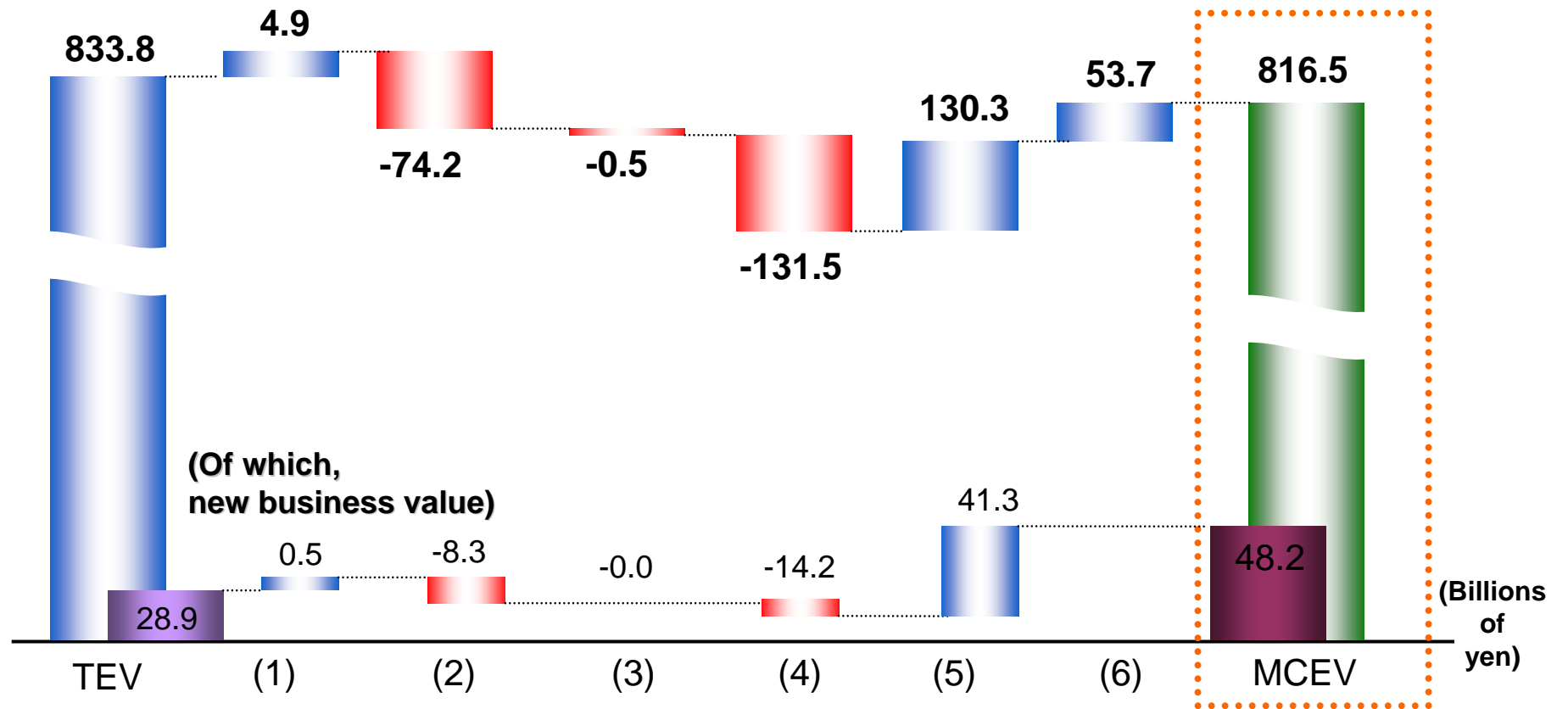


(Billions of yen)

		EV	New business value
TEV as of March 31, 2008		833.8	28.9
Amount of impact	(1) Model revisions	4.9	0.5
	(2) Time value of options and guarantees	-74.2	-8.3
	(3) Frictional costs	-0.5	-0.0
	(4) Cost of non-hedgeable risks	-131.5	-14.2
	(5) Impact of investment yield and discount rate	130.3	41.3
	(6) Adjusted net worth	53.7	—
MCEV as of March 31, 2008		816.5	48.2

Reconciliation analysis from TEV

< As of March 31, 2008 >



Sensitivity Analysis

(Billions of yen)

Assumption	Change in Assumption	MCEV	Change in Amount	Rate of Change
Base	No change	816.5	—	—
Interest rates	100bp decrease	526.9	- 289.6	-35%
	100bp increase	949.3	132.8	16%
Equity/property market value	10% decrease	786.4	-30.2	- 4%
	10% increase	847.0	30.5	4%
Equity/property Implied Volatility	25% increase	815.1	-1.4	- 0%
	25% decrease	819.1	2.5	0%
Interest swaption Implied volatility	25% increase	795.6	-20.9	-3%
Maintenance expenses	10% decrease	825.8	9.3	1%
Lapse and surrender rates	x 0.9	835.0	18.5	2%
Mortality rates	Death protection products x 0.95	852.3	35.7	4%
	Third-sector and annuity products x 0.95	815.0	-1.5	- 0%
Morbidity rates	x 0.95	839.1	22.6	3%
Required capital	Statutory required minimum level	831.5	15.0	2%

Sensitivity of new business value

(Billions of yen)

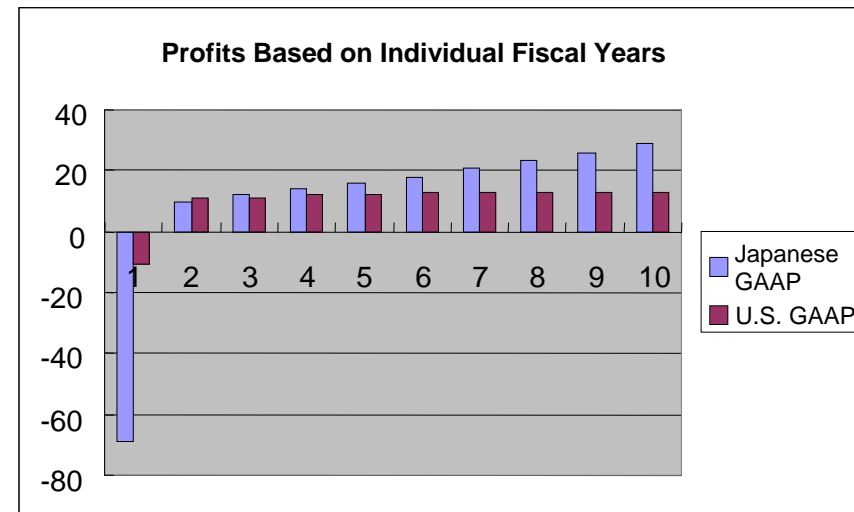
Assumption	Change in Assumption	MCEV	Change in Amount	Rate of Change
Base	No change	48.2	—	—
Interest rates	100bp decrease	21.1	-27.2	-56%
	100bp increase	58.7	10.5	22%
Equity/property market value	10% decrease	48.4	0.2	0%
	10% increase	48.0	-0.3	-1%
Equity/property Implied Volatility	25% increase	46.7	-1.5	-3%
	25% decrease	49.6	1.3	3%
Interest swaption Implied volatility	25% increase	46.1	-2.2	-4%
Maintenance expenses	10% decrease	49.3	1.1	2%
Lapse and surrender rates	x 0.9	51.0	2.8	6%
Mortality rates	Death protection products x 0.95	50.9	2.7	6%
	Third-sector and annuity products x 0.95	48.2	0.0	0%
Morbidity rates	x 0.95	50.8	2.6	5%
Required capital	Statutory required minimum level	48.9	0.6	1%

Appendix

EV(1) Restrictions from a Financial Accounting Standpoint

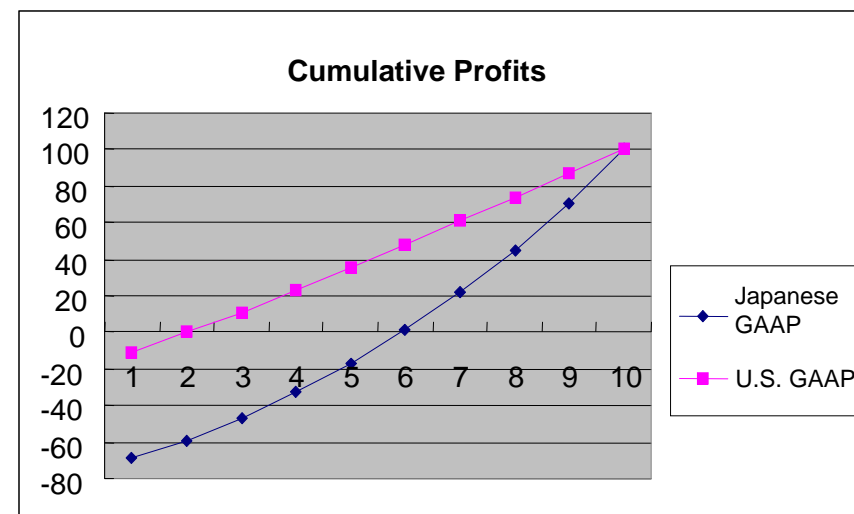
■ Japanese GAAP

- ◆ Statutory accounting principles set by regulatory bodies to govern insurers in Japan
- ◆ Places high importance on ensuring an insurer's financial soundness and solvency, from the standpoint of protecting policyholders
- ◆ Conservative policy reserve
- ◆ Policy acquisition costs are all charged to expenses of the fiscal year as incurred.



■ US-GAAP

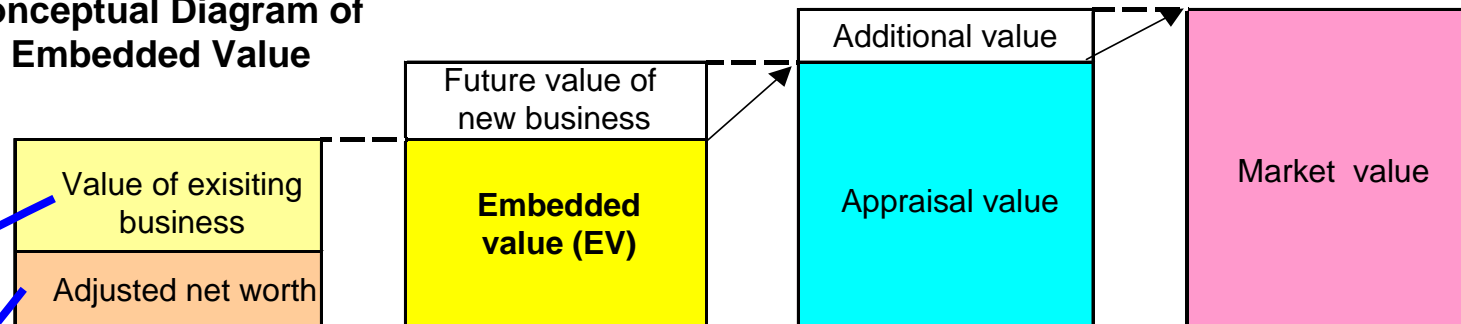
- ◆ Generally accepted accounting principle in U.S.
- ◆ Objective is to disclose insurer's operating performance and financial conditions to various stakeholders including investors
- ◆ Policy reserves based on more realistic assumptions
- ◆ Acquisition costs are capitalized and amortized.



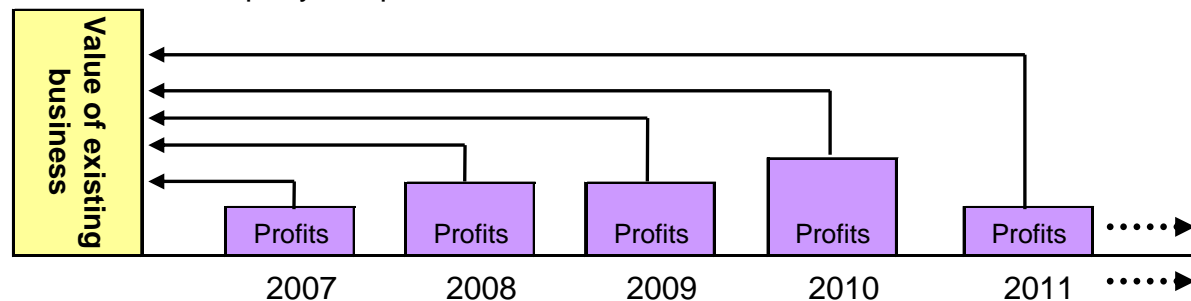
EV (2)

Embedded value (EV) is the sum of adjusted net worth as calculated from the balance sheets and the future value of existing business.

Conceptual Diagram of Embedded Value



The present value of expected future profits calculated using various kinds of assumptions which are based on the company's experience available as of the valuation date.



Adjusted net worth = Total net assets in the balance sheets + reserve for price fluctuations(#) + contingency reserves(#) + reserve for possible loan losses(#) + net unrealized gains/losses on land and buildings (#) – unfunded pension liability(#) – Intangible fixed assets(#)

(#) Calculated on after-tax basis

Standard Methodologies described in QIS4 of EU Solvency II

■ Market Risk

- ◆ For equity risk, using a shock of 32% fall in the value
- ◆ For currency risk, using a downward shock of 20%
- ◆ For interest rate risk, using the interest rate movements pre-defined by each maturity
 - Interest rate up (from 1.37 times to 1.94 times), Interest rate down (from -0.31 times to -0.51 times)
- ◆ Combined by using a correlation matrix above

■ Life Underwriting Risk

- ◆ For mortality risk, using a shock of a (permanent) 10% increase in mortality rates for each age.
- ◆ For longevity risk, using a shock of a (permanent) 25% decrease in mortality rates for each age.
- ◆ For lapse risk
 - Increase by 50% in the assumed rates of lapsation in all future years
 - Decrease by 50% in the assumed rates of lapsation in all future years
 - 30% of the sum of surrender as a mass lapse event
- ◆ For expense risk, using a shock of increase of 10% in future expenses compared to best estimate anticipations, and increase by 1% per annum of the expense inflation rate compared to anticipations
- ◆ For disability risk, using a shock of increase of 35% in disability rates for the next year, together with a (permanent) 25% increase (over best estimate) in disability rates at each age in following years.

} Maximum amount of these

■ Cost of Capital Approach (\sum Required Capital in all future years x Cost of capital rate x Discount rate)

- ◆ Required capital is an economic capital required to carry out obligations in line with a 99.5% confidence level over a one-year time as stipulated in QIS4.



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