**Q&A (Summary) on the Corporate Strategy Meeting of the Sony Financial Holdings Group for Fiscal Year 2009 (for Domestic Institutional Investors and Analysts)**

Date: June 4, 2009, 15: 00–16: 30

Respondents:

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| Teruhisa Tokunaka | President and Representative Director of Sony Financial Holdings Inc. |
| Hiromichi Fujikata | Executive Vice President and Representative Director of Sony Financial Holdings Inc. |
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**Q&A (Summary)**

**Some modifications and alterations have been made to the original content to ease understanding.**

**Life Insurance Business**

**Q1. Regarding the method of disclosing MCEV for Sony Life, I would like to ask you to provide follow-up information on sensitivity after standardizing them within the life insurance industry. Can we ask you to provide such information for MCEV as of March 31, 2009, by the time you announce MCEV as of March 31, 2010?**

A1. (Sony Life) We are aware that it is essential for us to promote your understanding of MCEV, and we are looking into ways of disclosing MCEV information in way that is more easily understandable to investors and analysts. The CFO Forum (a forum formed and attended by the Chief Financial Officers (CFOs) of major European life insurance companies) is working to create uniform standards for EV, and Sony Life's policy is to follow these standards. To the extent possible, we plan to disclose supplementary information until the standardization is complete. Also please note that in our recent announcement, we disclosed sensitivity information about adjusted net worth, a component of MCEV, as well as about overall MCEV.

**Q2. (In the process of calculating MCEV for Sony Life), in what cases would the time value of options and guarantees have an increasingly negative impact?**

A2. (Sony Life) In the current environment of low interest rates, as the forward rates on interest swap rates approach the assumed interest rate, volatility is high, which makes the impact on MCEV large.

**Q3. (When calculating MCEV for Sony Life), could you provide interest rate and other information that you use to determine duration on liabilities?**

**Q4. (Sony Life) To some degree, would it be possible to forecast Sony Life's recent MCEV in**

**comparison with the figure as of March 31, 2009, by considering the impact of changes in forward rates on interest swap rates in light of the sensitivity to increases in interest rates?**

A3,4. (Sony Life) Let me provide some additional information on liability cash flows, as many investors and analysts have requested such information. As Sony Life does not have a long history as a life insurance company, a closed block (situation in which no new policies are being sold) approach to calculate future revenues and expenses suggests that excessive cash inflows will continue for approximately the next 8–10 years, causing assets to increase. After increasing to its peak point, the asset balance will decrease for a period of around 60 years. Our current asset balance is ¥3.5 trillion. We expect assets to increase by about another ¥1 trillion, to ¥4.5 trillion, by the time our asset balance reaches its peak. Insurance policies completely zero out at the 100th year, but the asset balance is expected to be zero by around the 90th year. We believe it is possible to estimate interest rate sensitivity of MCEV by multiplying forecast asset balances at the end of each fiscal year with the corresponding forward rates on interest swap rates, discounting them back to the present value and adding up all the figures. You can calculate the difference between this total determined using current forward rates and the one calculated by using forward rates as of March 31, 2009, and estimate the interest rate sensitivity of MCEV in comparison with the change in forward rates.

**Q5. Sony Life's MCEV calculation showed a deficit in required capital (free surplus) as stipulated by EU Solvency II. Is your current capital sufficient to do such things as enter the Asian life insurance market and build a variable annuities business? How will this capital shortfall be reflected in your future capital policies, as indicated by the MCEV calculations?**

A5. (Sony Life) We consider the fact that our required capital from the standpoint of MCEV calculation (free surplus) is negative important in terms of risk management, but we also recognize that there is no capital sufficiency issue in terms of Japanese statutory accounting requirements.

From our perspective, EU Solvency II is not a standard that we need to respond to immediately. Rather, it indicates the calculation results of events that have a 0.5% probability of causing a negative impact continuously in the future. We believe that we have a relatively large amount of leeway in terms of time to resolve this situation. The CFO Forum is currently deliberating with regard to applying MCEV principles (European Insurance CFO Forum Market Consistent Embedded Value Principles©). Therefore, we do not believe it is necessary to respond immediately by taking the negative free surplus amount to be an absolute figure. To the question of launching a new business and entering overseas markets, currently we see neither of these as requiring large amounts of capital in the short term.

**Q6. Sony Life has indicated that it will review its products from a standpoint that includes future risk management. What considerations will you use to conduct this review?**

A6. (Sony Life) There are two major considerations to product development. The first is increasing new business value by raising profitability. The second is preventing variations in profitability. In general, interest rate fluctuations have a major impact on some savings-oriented products that have option values. Therefore, we consider it important to strike a balance on such products that are highly sensitive to interest rate fluctuations. Compared to savings-oriented products, protection-oriented products are relatively more profitable and less susceptible to price competition. In addition, as such products are highly compatible with Sony Life's Lifeplanner sales channel, we plan to enhance these offerings further.

**Q7. In its mid-term targets for MCEV, Sony Life indicated a growth rate of 7–8%. Is this figure calculated by discounting back to the present value or by setting assumed investment returns to the risk-free rate?**

A7. (Sony Life) We forecast a growth rate of 7–8% by taking economic assumptions that are neutral from March 31, 2009. This growth rate is obtained by assuming the same rate of increase in MCEV, mainly through the accumulation in new business value and the release of the expected existing business contributions. We set the interest swap rate as the risk-free rate. Under a projection using the Japanese government bond (JGB) yields as the risk-free rate, however, the value of new business would increase further, and a significant divergence would be caused by fluctuations in the market environment or changes in assumptions.

**Q8. Given that Sony Life's MCEV has decreased, what are your strategies for surplus-oriented risk management from an ALM standpoint if lapses increase as a result of interest rate increases?**

A8. (Sony Life) Sony Life will have an excessive cash inflow for some time. For that reason, even if lapses do increase, to some degree we should be able to handle liquidity problems without having to take such actions as selling bonds. An increase in lapses could shorten the duration on liabilities, but given the current variance in durations we should see no major effects in the short term. Meanwhile, we intend to review our product details to avoid the future effects of interest rate risks.

**Non-Life Insurance Business**

**Q9. Right now, the major non-life insurers are studying the possibilities of entering the Internet-based direct insurance market. What do you consider to be the positive and negative aspects of this situation for Sony Assurance?**

A9. (Sony Assurance) At the present stage, we do not know exactly what the impact of the major non-life insurers entering the direct market might be, but we are looking into the situation without preconceptions. Important to business over the Internet is whether a company is able to acquire new policies through a pull type of approach. To achieve this, we believe products that have highly attractive and appealing pricing and characteristics are important.

In the case of the major non-life insurers, we believe their impact will depend largely on the level of products they introduce, given their existing agency relationships. Consequently, at this stage Sony Assurance is watching the developments calmly and without preconceptions, so that we can respond appropriately.

**Q10. Specifically, what new product categories is Sony Assurance considering?**

A10. (Sony Assurance) As the handout materials indicate, as early as 2002 we introduced SURE medical and cancer insurance to our lineup of products outside automobile insurance. The growth of this product has already contributed to our rise in profitability, as this type of insurance tends to deliver profits in a more stable manner, compared to automobile insurance. Next, we have already started selling overseas travel personal insurance over the Internet. We have also commenced Internet-based agency sales through tie-ups with other companies on such products as pet insurance, as well as a cancer treatment insurance policy, MEDCOM, through an alliance with SECOM General Insurance Co., Ltd.

Because sales of these new products are relatively small and niche, we aim to expand our customer base by offering such products with special characteristics, and to link these offerings with new automobile insurance contracts. We are also looking at other product possibilities, but none that are ready to be announced at this stage.

**Q11. During Sony Assurance's forecast business expansion, won't the earned/incurred loss ratio increase? Also, won't the company incur additional costs to set up a network of bases for loss adjustments, as well as infrastructure costs?**

A11. (Sony Assurance) Looking at our actual loss ratio, at present even though our premiums are around 15% lower than those of the major non-life insurers, on an accrual basis our loss ratio is lower. The major reasons are that our customers are limited to individual customers, and our policies are risk segmented by distance driven, which we believe are the reasons our policyholders have a lower-than-average loss ratio. Furthermore, we do not believe that this structure will break down easily, so we should retain this advantage of low loss ratios. However, we believe unit prices will fall over time as the number of policies increases, as is the case for large non-life insurers. But if our pricing is set appropriately, the decline in unit prices should not cause the loss ratio to increase significantly, because the accident ratio will fall in parallel with the drop in unit prices. As a result, we do not believe there are any factors that would cause the loss ratio to worsen suddenly.

With regard to loss adjustment expenses, compared to the major non-life insurers our personnel distributions to service depots are highly concentrated. Also, we handle some types of accident at a completely integrated service center, which gives us a degree of advantage in terms of our cost structure. However, because adjusting losses is personnel-intensive, the need for additional personnel grows as our number of policies in force increases. Accordingly, we are likely to feel cost pressure, owing to such factors as rising personnel expenses. Therefore, we consider improving operating efficiencies to be a major management issue that we must address over the medium to long term. Although we cannot discuss specific initiatives at this point, we will do later when the timing is appropriate.

**Banking Business**

**Q12. How has Sony Bank been able to increase its balance of mortgage loans? Also, it is hard to understand how the bank can raise its profitability simply by increasing its mortgage loans. What is your strategy?**

A12. (Sony Bank) Sony Bank's mortgage loans still account for a small share of the market. As the market challenger, we believe the bank can continue to acquire new customers. Even though housing market conditions are poor, our loan balance is steadily increasing, with refinancing accounting for more than half of this demand. We believe this situation indicates customer support of Sony Bank's product characteristics. In terms of sales channels, our real channel (the banking agency channel operated by Sony Life and Seven Bank) is functioning relatively steadily and is playing a major role in promoting an understanding of product characteristics. By enhancing the functionality of our real channel, we believe that we can gain a larger market share.

Next, in terms of profitability, the customers who take advantage of Sony Bank's mortgage loans tend to be a relatively higher class of customer, as is the case for Sony Assurance. Sony Bank has offered mortgage loans from the moment it commenced operations. Although our portfolio is growing more seasoned (meaning that more time has elapsed since contracts began), our default level is extremely low. As long as we continue to maintain a high-quality customer base, we should have no concerns from a profitability standpoint. In terms of our cost structure, we are not yet able to benefit from economies of scale, but by reviewing our operations we should be able to benefit from the cost advantages of being an Internet bank. By also reviewing our portfolio with an eye to profitability-enhancement measures, we should be able to ensure high levels of profitability.

**Q13. To maintain a highly profitable portfolio, what other options do you have than selling such products as investment trusts?**

A13. (Sony Bank) Specifically, we plan to expand our fee-based business. We believe that expanding the services offered by Sony Bank Securities, our subsidiary, will contribute to profits.