Impact of Asset Management Policy Changes and Other Factors on Sony Life's Market Consistent Embedded Value

March 15, 2010
Sony Financial Holdings Inc.

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Strengthen asset management and the financial base:

Gradually increase holdings of (ultra) long-term bonds, in principal for holding to maturity, to reduce the mismatch between assets and liabilities from an ALM standpoint.
(Sony Life's management vision)

Reduce the risk mismatch arising from the asset–liability duration gap

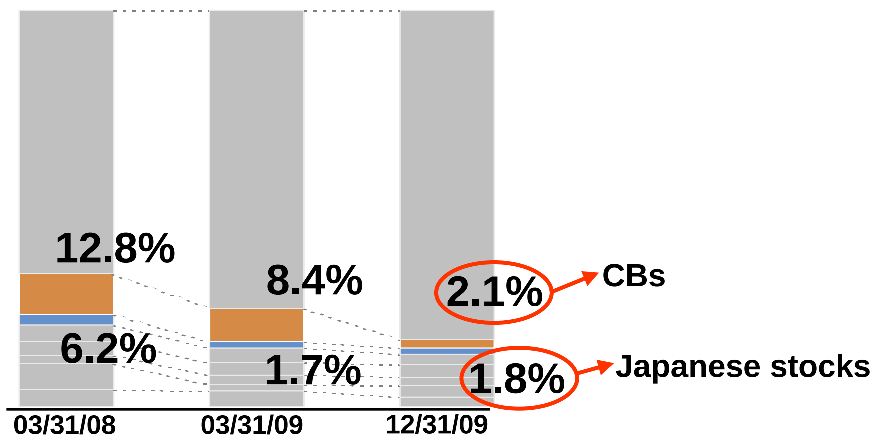
⇒ Ongoing accumulation of ultralong-term bonds since FY2008

Asset Durations

March 31, 2008:	8.7 years
March 31, 2009:	13.6 years
December 31, 2009:	<u>16.5 years</u>

Reduce risk assets (Japanese stocks and CBs)

Holdings of Japanese Stocks and CBs



Note: Amounts of individual items included in monetary trusts (JGBs, corporate bonds, CBs, Japanese stocks and other) have been broken down into their original investment categories.

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Changes to Interest Rate-Sensitive Whole Life Insurance and Semi-Participating Insurance

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From FY2010

Changes to asset management policy

(for interest rate-sensitive whole life insurance and semi-participating insurance)

⇒ From FY2010, Sony Life will invest in no stocks or other risk assets. Rather, the company will aim to achieve stable asset management by investing only in bonds.

Changes to dividend policy (for semi-participating insurance)

⇒ In accordance with the above change, Sony Life has revised its method of calculating dividends to policyholders to one based on interest income. This method is unaffected by fluctuations in asset market value.

Sony Life has decided to reflect the impact of these changes on its MCEV calculation as of March 31, 2010. The reason is that if a company's management policy changes, that company is expected to reflect those changes to calculate MCEV.

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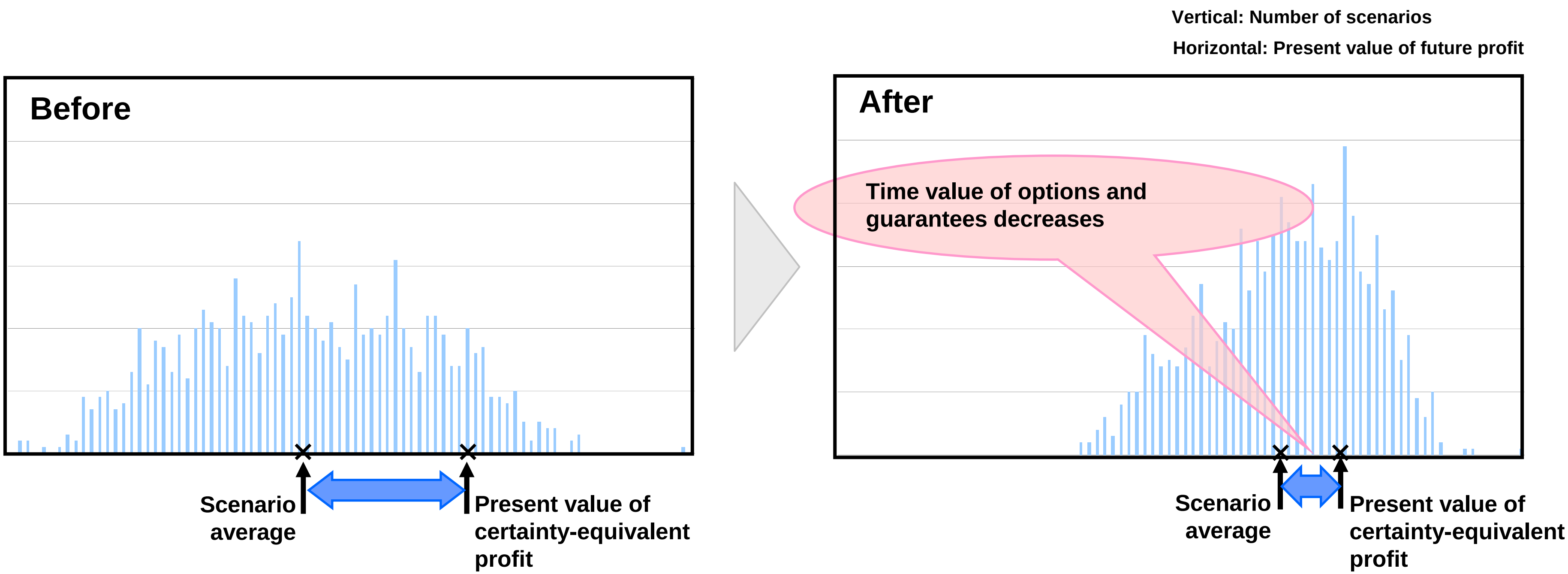
Changes to Interest Rate-Sensitive Whole Life Insurance and Semi-Participating Insurance

Changes to its asset management and dividend policies will enable Sony Life to minimize the fluctuation risk on its asset holdings and volatility in policyholder dividends. The consequent reduction in the time value of options and guarantees, which lower MCEV, will cause MCEV to rise and become more stable.

Change in the Time Value of Options and Guarantees



The charts above show distributions of the present value of future profit for 1,000 investment scenarios. Changing its asset management policy will enable Sony Life to reduce the degree of variation, resulting in higher and more stable MCEV.

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Changes to Assumptions in the Calculation for Third-Sector Products

➤ **As the result of a periodic review, certain revisions were made to the assumptions used in the calculation for third-sector products.**

Principal Revisions:

- Mortality rates for third-sector products

  ⇒ Switched to mortality rates based on detailed data for third-sector products. These rates are lower than those for first-sector products, which were used until FY2009.

- Mortality and morbidity rates for some third-sector products

  ⇒ Revised certain assumptions, including the negative impact on some products for which mortality and morbidity rates are confirmed to be worsening.

Decrease principally in the present value of certainty-equivalent profit, a component of MCEV

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Impact on MCEV

(Billions of yen)

Reflection in asset management policy and dividend policy	+228.9
Changes to assumptions in the calculation of third-sector products	(41.3)
Total	+187.6
Of which, new business value	+19.2

Note: The impact will be included in a table showing “Reconciliation analysis from MCEV at the end of the prior year” in MCEV disclosure materials as of March 31, 2010.

Circulation assumption:

The impact on MCEV has been calculated from the perspective of how much the reflection of changes in Sony Life’s asset management policy and dividend policy, as well as its changes to the assumptions in the calculation for third-sector products, might affect MCEV as of March 31, 2009, calculated based on policies in force and market conditions, including interest swap rates as of March 31, 2009. The validity of these calculations has not been verified by outside specialists.

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The table below shows Sony Life's MCEV as of March 31, 2009, as announced on June 1, 2009.

Sony Life's MCEV as of March 31, 2009

(Billions of yen)

	As of March 31, 2009	As of March 31, 2008	Change
MCEV	400.9	816.5	(415.6)
Adjusted net worth	195.4	248.5	(53.1)
Value of existing businesses	205.4	568.0	(362.5)
Present value of certainty-equivalent profit	673.1	810.4	(137.3)
Time value of options and guarantees	(228.7)	(94.8)	(134.0)
Frictional costs	(58.5)	(16.3)	(42.3)
Cost of non-hedgeable risks	(180.5)	(131.5)	(49.0)
Of which, new business value	15.4	48.2	(32.9)

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Reference 2

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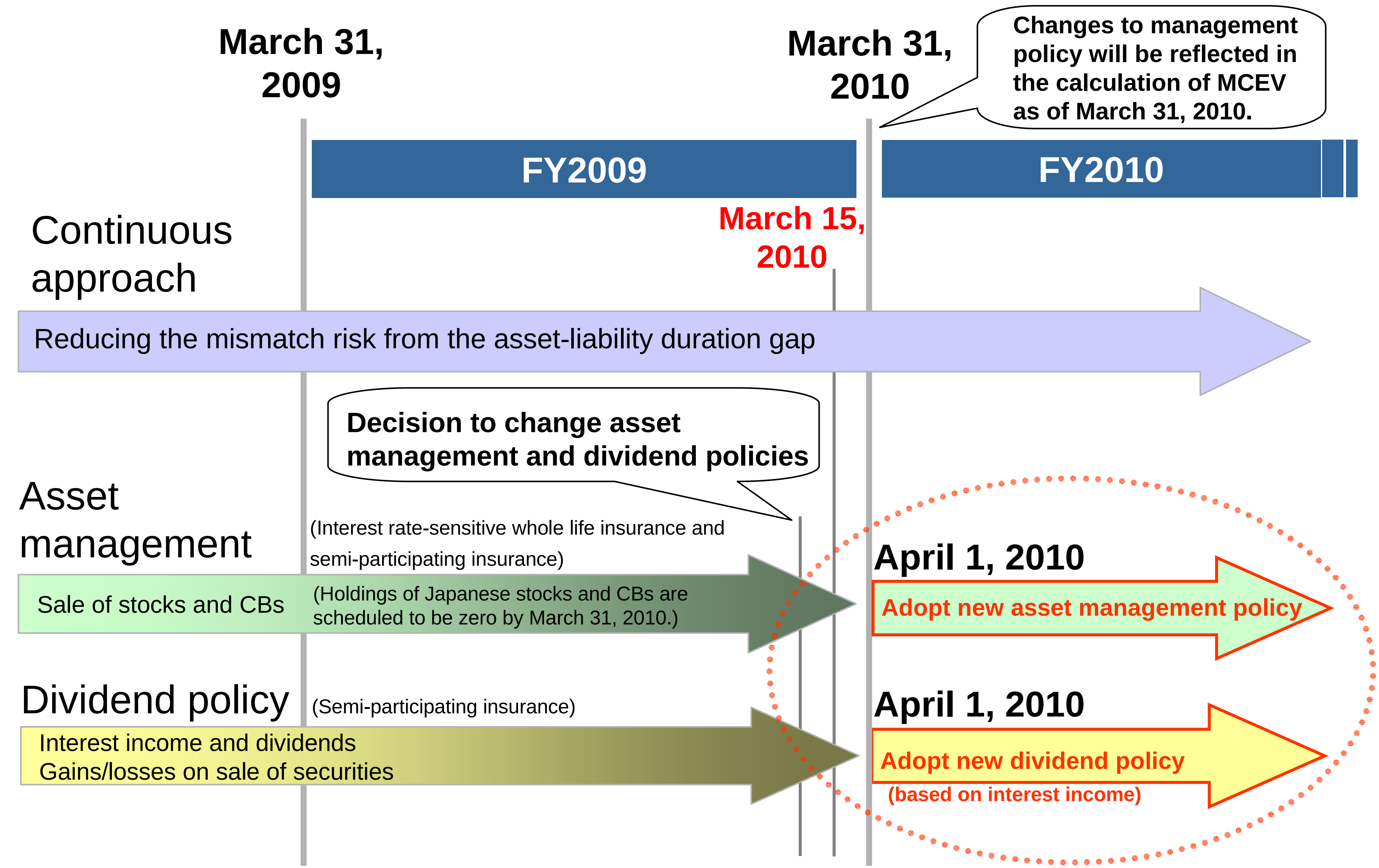

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Reference 3

Excerpt from European Insurance CFO Forum Market Consistent Embedded Value Principles (MCEV principles) ©

G7.2 Where management discretion exists, has passed through an appropriate approval process and would be applied in ways that impact the time value of financial options and guarantees, the impact of such management discretion may be anticipated in the allowance for financial options and guarantees but should allow for market and policyholders' reaction to such action. The management discretion should assume that the shareholders pay out all claims even if the assets of the company are exhausted. Management discretion is subject to any contractual guarantees and regulatory or legal constraints. The application of such discretion must consider the environment arising in the future projection which will likely be different from the current environment, but any changes from current decision rules (for example regarding flexible crediting rates or policyholder bonuses) must be supported by appropriate approvals.

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■Interest Rate-Sensitive Whole Life Insurance

This insurance provides a lifetime death protection guarantee. If policy investment return exceeds the assumed interest rate, the outperforming portion is added to the policyholder’s insurance benefit. The minimum insurance payment is guaranteed, regardless of operating performance.

■Semi-Participating Insurance

If the return on investment of policy reserve and others exceeds the assumed interest rate, the outperforming portion is paid as a policyholder dividend.

Sony Life’s Semi-Participating Insurance

- Semi-participating endowment insurance
- Semi-participating individual annuities
- Semi-participating educational endowment insurance
- Semi-participating living standard insurance (joint type)
- Semi-participating whole life nursing-care insurance

Note: The ratios of interest rate-sensitive whole life insurance and semi-participating insurance to total individual insurance and annuities were approximately 8% and 4%, respectively, based on the policy amount in force as of March 31, 2009.

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Contact: Corporate Communications & Investor Relations Department
Sony Financial Holdings Inc.
TEL：+81-3-5785-1074

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