

**Q&A (Summary) on the Corporate Strategy Meeting of the
Sony Financial Holdings Group for Fiscal 2010**

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Note: The original content has been revised and edited for ease of understanding.

Q&A

Q1.

Certain major life insurers are considering the use of swaps to extend their asset durations without paying heed to the losses on the sales of securities when they switch out Japanese government bonds (JGBs). Will Sony Life continue its practice of extending asset durations by purchasing ultralong-term bonds?

A1. (Sony Life)

As a result of extending durations on the asset side, currently we are at a stage where interest rate risk is under control to some extent. Going forward, we will reference developments in QIS5 and Solvency II, but rather than continuing to extend asset side durations in the same way as we have done in the past, once we confirm that interest rate risk movements have fallen to within a certain band, we will consider asset-liability management (ALM) and risk management methods other than simply extending durations through underlying securities. In other words, we will take various risk management methods into consideration from an enterprise risk management (ERM) perspective. We will study the use of swaps in that context.

Q2.

If the sort of activity described above accelerates, the yield curve between JGB yields and interest swap rates could diverge, particularly at the ultralong-term end such as beyond 20 years. Sony Life conducts ALM matching through assets by investing in JGBs, but liabilities are valued by using interest swap rates. Therefore, if only interest swap rates drop, EV will decline, creating a non-economic situation. To what extent has Sony Life considered these problems with MCEV, and what sort of risk management are you considering?

A2. (Sony Life)

We need to take Japanese regulatory shifts into consideration when thinking about whether to use JGB yields or interest swap rates. We currently disclose MCEV, prepared according to the MCEV principles which require us to use interest swap rates. We would consider additionally announcing the proforma

MCEV using JGB yields if swap rates were to diverge sharply against JGB yields. With regard to our current use of interest swap rates, we will consider our future change of applicable rates, after taking into account regulatory shifts.

Q3.

What is the timeline on Sony Life's plan to move into Taiwan? If you move quickly, you could set up operation by hiring people from Prudential Taiwan, which operates the same sort of consulting-based sales channels as Sony Life operates in Japan. What do you think about that?

A3. (Sony Life)

For the past several years, bancassurance (providing insurance through a bank) has been mainstream in the Taiwanese life insurance market. In 2009, bancassurance accounted for around 60% of new policies, so in addition to the Lifeplanner sales channel we need to take into consideration the sale of insurance through banks. Our product strategy also needs to take into consideration the differences that exist between Taiwanese and international accounting standards. At the moment, it is also under study to determine whether to prioritize Taiwan or Mainland China.

Q4.

Sony Assurance's medium-term plans reveals a slowdown of annual top-line growth to around 8%. In addition, the earned/incurred loss ratio is forecast to rise to 68%. Does this mean that you have hardly incorporated increases in insurance premium rates in the revision of the Reference Loss Cost Rates (advisory pure risk premium rates) set out by Non-Life Insurance Rating Organization of Japan ? Or does this plan assume that the growth in the industry itself will level off?

A4. (Sony Assurance)

Medium-term plan targets are set through an accumulative process of best efforts expected by sales divisions in rather precise manner. To the question about factoring in rate changes, we plan to make changes that take this into consideration, while striking a balance between keeping our underwriting competitiveness and improving profitability. Competition is growing more stringent, and there is hardly any variation between the targets in our medium-term plan and actual results even after incorporation of rate changes, we do not expect to see any sudden spike in performance.

Q5.

Compared with fiscal 2009 figures, the rate of increase in the earned/incurred loss ratio moving toward fiscal 2012 appears fairly steep. Do you expect the earned/incurred loss ratio to shoot up suddenly from fiscal 2010, or do you forecast a more gradual rise?

A5. (Sony Assurance)

We expect a gradual increase.

Q6.

If your product development takes MCEV into account, you will end up creating products that hold little attraction for customers. Please share your thoughts on product development.

A6. (Sony Life)

From a management perspective, we cannot continue to sell products that work negatively on EV, but paying too much attention to EV would result in unattractive products and a loss of credibility with policyholders. Product development must strike a balance between the two.

Q7.

How will you generate Group synergies?

A7. (SFH)

At present, Sony Life's Lifeplanner sales employees provide banking agency services for Sony Bank, and great synergy effect has been shown up on its mortgage loans. Sony Life's Lifeplanner sales employees are also selling Sony Assurance's automobile insurance, and Sony Bank sells Sony Assurance's fire insurance to its mortgage loan customers. We are contemplating a number of other synergies on the marketing front, but some of these are problematic from a regulatory perspective.

In areas other than marketing, we are looking at ways to achieve synergy by raising efficiency at the use of call center and other administrative aspects of operations.

Q8.

What are your thoughts on account aggregation?

A8. (SFH)

This was something we looked into when SFH started out, but the sharing of information between businesses requires customer consent, and the joint use of systems also presents difficulties. For that reason, we are examining synergies individually for different fields. As IT technologies progress, additional possibilities may present themselves in the future.

Q9.

Although your individual businesses appear to be appropriately capitalized, your capitalization could seem excessive when viewed from an overall Group perspective. The measurement for corporate value varies between the life insurance business, which is based on EV, and the non-life and banking businesses, which are based on statutory accounting requirements. Still, it seems to me that you have come to the point where you need to consider function and value creation as a holding company when looking at the entire Group on the basis of economic value. What are your thoughts?

A9. (SFH)

To date, we have considered this possibility from many angles, trying to determine how to cleverly leverage ALM characteristics and find methods of using capital more efficiently on a Group basis. However, this activity is restricted in various ways, and we have not yet found a way to take advantage in this way. We will continue to explore opportunities.