



Sony Financial Holdings Inc.
Annual Report

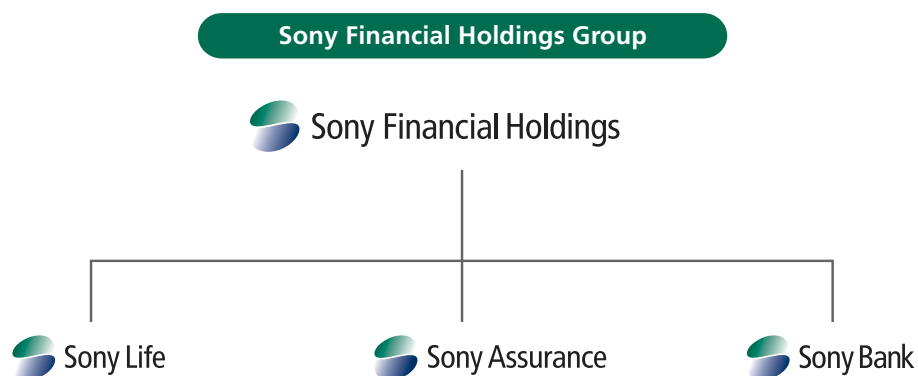
2005

For the year ended March 31, 2005

The Sony Financial Holdings Group (SFH Group) is a financial services group comprising the financial holding company Sony Financial Holdings Inc. (SFH), which is wholly owned by Sony Corporation, and three core subsidiaries—Sony Life Insurance Co., Ltd. (Sony Life), Sony Assurance Inc. (Sony Assurance) and Sony Bank Inc. (Sony Bank). By integrating the diverse functions that are inherent to such financial services as savings, investment, borrowing and protection, the SFH Group aims to earn high levels of trust from its customers by providing high-value-added products and quality services that meet their individual economic needs.

We create new financial services by generating ideas from the fundamentals.

On April 1, 2004, the Sony Financial Holdings Group was founded, becoming Japan's first financial group to offer both insurance and banking services under one umbrella.




The design of the symbol used in the corporate logo of each company in the SFH Group employs "Sony blue" and green to express credibility and a sense of speed.

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Message from Management

A photograph of three men in business suits standing in an office environment. The man on the left is wearing a dark blue suit and a patterned tie. The man in the center is wearing a dark suit and a yellow patterned tie. The man on the right is wearing a dark suit, a light-colored patterned tie, and glasses. They are all smiling and looking towards the camera.

We offer high-value-added products and quality services to our customers by integrating the functions offered by life insurance, non-life insurance and banking businesses.

Tamotsu Iba
Chairman, Director

Teruhisa Tokunaka
President, Representative Director

Kunitake Ando
Chairman, Representative Director
(Appointed June 27, 2005)

In April 2004, Sony Financial Holdings was founded as Japan's first financial holding company providing both insurance and banking services under one umbrella. While each subsidiary offers high-value-added products and quality services in its own right, as a group we transcend the boundaries of life insurance, non-life insurance and banking, integrate the diverse functions that are inherent to such financial services as savings, investment, borrowing and protection, and aim to become one of the most trusted financial services groups.

■ Background to Sony Financial Holdings' Establishment

April 2004 marked the founding of Sony Financial Holdings, a financial holding company that has Sony Life, Sony Assurance and Sony Bank under its umbrella. SFH is wholly owned by Sony Corporation and is Japan's first company to hold both insurance and banking businesses under one umbrella.

In Japan, the financial business environment is rapidly changing, due to such factors as a declining birthrate, an aging population and advances in information technology, and those factors are prompting diversification in customers' lifestyles and needs for financial services and products. We think it is necessary to respond quickly and appropriately to these

changes. Also, unlike other businesses in the Sony Group, growth in financial services businesses such as life insurance, non-life insurance and banking brings a concurrent increase in

Leading Up to Establishment

- **March 30, 2004** Sony Corporation received approval from the Financial Services Agency in Japan to establish a financial holding company as an insurance holding company under the Insurance Business Law of Japan and as a bank holding company under the Banking Law of Japan.
- **April 1, 2004** Sony Financial Holdings Inc. was established and began operations as Japan's first financial holding company to hold both insurance and banking businesses under one umbrella.

Corporate Vision and Philosophy of the SFH Group

Corporate Vision

The SFH Group aims to integrate the diverse functions that are inherent to such financial services as savings, investment, borrowing and protection; offer high-value-added products and quality services that meet individual customers' economic needs; and become one of the most trusted financial services groups.

Corporate Philosophy

Customer-Oriented

We consider each customer's input carefully and provide services to their satisfaction, helping them lead lives that are abundant and trouble-free.

Contributing to Society

We understand that financial services businesses have a certain public nature. As we pursue our vision, we contribute to society by maintaining high ethical standards and levels of responsibility. We also fulfill our other obligations as a member of society and good corporate citizen.

Pursuing Originality

We always generate ideas from the fundamentals, and pursue originality and innovation while remaining unfettered by convention.

Corporate Culture with a Spirit of Freedom and Open-Mindedness

Our ideal for the financial services business recognizes the importance of each employee's contribution. Our corporate culture features a spirit of freedom and open-mindedness and takes full advantage of individuality and ability.

Financial Highlights (Consolidated)

Year ended March 31 (Millions of yen, unless otherwise indicated)

	2005
Ordinary revenues	653,259
Ordinary profit	12,269
Net income	6,375
Net income per share (yen)	3,069.93
Common stock	5,500
Number of shares outstanding (shares)	2,100,000
Net assets	182,817
Total assets	3,282,269
Net assets per share (yen)	87,056.14
Consolidated capital adequacy ratio (%)	12.17

Note: SFH's consolidated capital adequacy ratio is subject to the capital adequacy guidelines established by the Financial Services Agency in Japan and which closely follow the risk-adjusted approach proposed by the Bank for International Settlements (BIS). The insurance subsidiaries are excluded from the calculation of SFH's consolidated capital adequacy ratio in accordance with the above guidelines.

the volume of assets deposited by customers. For these reasons, SFH was established to concentrate the specialized knowledge and operational resources needed to develop and offer high-value-added products and quality services. With SFH at its hub, the SFH Group transcends the boundaries of life insurance, non-life insurance and banking, integrates the diverse functions that are inherent to such financial services as savings, investment, borrowing and protection, and aims to become one of the most trusted financial services groups.

While maintaining the management independence of each subsidiary, the organizational structure of SFH—whose board includes the president of each of its three subsidiaries—is designed to plan and implement integrated and comprehensive groupwide financial business strategies.

■ Corporate Strategy that Enhances Customer Trust

When formulating groupwide strategies, SFH places its highest priority on protecting customer interests and ensuring the management soundness of each subsidiary. We carefully monitor each subsidiary's management in a respectful manner and promote management

control activities from the viewpoint of adding new group management control functions and encouraging creativity.

■ SFH Group Consolidated Performance in Fiscal 2004

Although the Japanese business environment remained severe, with only a slight ongoing recovery in the domestic economy and continued low interest rates, each subsidiary in the SFH Group steadily expanded its operations in fiscal 2004, ended March 31, 2005.

To offer higher quality services to customers, Sony Life promoted new sales process management to support the sales activities of Sony Life's highly trained life insurance professionals, Lifeplanners, and the thorough implementation of needs-based sales solutions. As a result, despite a decline in the total insurance in force in the life insurance industry in Japan, Sony Life's total for individual life insurance and individual annuities in force increased 6% year on year, to ¥27,823.4 billion as of March 31, 2005.

Based on its new corporate slogan, "Feel the difference—a difference that will change insurance," Sony Assurance endeavored to provide products and services that customers

recognize as clearly distinctive from other companies' offerings. In fiscal 2004, sales of Sony Assurance's mainstay automobile insurance and medical and cancer insurance policies grew steadily, and net premiums written increased 23% year on year, to ¥37.8 billion. Especially for automobile insurance, Sony Assurance ranked top for direct premiums written among direct-type non-insurance companies in Japan for the third consecutive fiscal year.

In fiscal 2004, Sony Bank developed its activities by focusing on the thorough enhancement of strategic products, furthering tie-ups with financial services companies within the Sony Group and preparing new revenue streams. In particular, Sony Bank extended its lineup of services involving such flagship products as foreign currency deposits and housing loans. As a result, as of March 31, 2005, the number of accounts at Sony Bank totaled 367 thousand, up 98 thousand during the year, and deposits continued to rise, to ¥546.7 billion. In June 2004, SFH took steps to enhance Sony Bank's financial condition by injecting ¥10.0 billion in equity, with the proceeds raised through an allotment of SFH shares to Sony Corporation.

We believe our subsidiaries' financial results during fiscal 2004 reflect customer confidence in the SFH Group. We will continue striving to reinforce our level of trust with customers and enhance corporate value through the ongoing and stable growth of the SFH Group.

■ Tie-ups within the SFH Group

Even before the inception of the SFH Group, Sony Life, Sony Assurance and Sony Bank had formed certain tie-ups and benefited from them. For instance, in May 2001 Sony Life started to sell Sony Assurance's automobile insurance products through its Lifeplanner sales channel, and in March 2002 Sony Life began underwriting group credit life insurance for housing loans extended by Sony Bank.

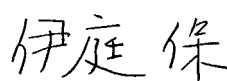
In fiscal 2004, the first full fiscal year for the SFH Group, SFH streamlined and enhanced the SFH Group's structure and reinforced tie-ups, mainly those involving subsidiaries' mutual

provision and delivery of products and services, to bring about greater group synergy. In June 2004, Sony Bank began selling Sony Life's individual annuity products, and in October 2004 Sony Bank began to offer Sony Assurance's fire insurance to customers taking out Sony Bank's housing loans. Furthermore, in December 2004 Sony Life's Lifeplanners started introducing Sony Bank's housing loans.

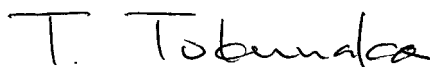
■ Future Growth of the SFH Group

SFH is preparing for its initial public offering with the goal of diversifying financing opportunities to promote the further growth of the SFH Group. On June 27, 2005, Kunitake Ando, a founding member of Sony Life who served as Director, President and Representative Corporate Executive Officer of Sony Corporation until June 22, 2005, will join our management team as Chairman and Representative Director of SFH. Under this new management team, we will continue to enhance the SFH Group's management fundamentals and expand its business. We thank all our stakeholders for your ongoing support and look forward to your cooperation in the years ahead.

June 6, 2005



Tamotsu Iba
Chairman, Director



Teruhisa Tokunaka
President, Representative Director

Aiming to become one of the most trusted and appealing integrated financial services groups

Life Insurance

Sony Life Insurance Co., Ltd.

Established: August 10, 1979
Head office: 1-1, Minami Aoyama
1-chome, Minato-ku,
Tokyo, Japan
Common stock: ¥65.0 billion
Employees: 5,528
URL: <http://www.sonylife.co.jp/>
(Japanese only)

Sony Life

Sony Financial Holdings Inc.

Established: April 1, 2004
Head office: 1-1, Minami Aoyama
1-chome, Minato-ku,
Tokyo, Japan
Common stock: ¥5.5 billion
Employees: 12
URL: <http://www.sonyfh.co.jp/english/>

Sony Assurance

Non-Life Insurance

Sony Assurance Inc.

Established: June 10, 1998
Head office: 37-1, Kamata 5-chome,
Ota-ku, Tokyo, Japan
Common stock: ¥20.0 billion
Employees: 480
URL: <http://www.sonysonpo.co.jp/>
(Japanese only)

Bank

Sony Bank

Sony Bank Inc.

Established: April 2, 2001
Head office: 9-11, Akasaka 2-chome,
Minato-ku, Tokyo, Japan
Common stock: ¥23.75 billion
Employees: 100
URL: <http://sonybank.net/>
(Japanese only)

(As of March 31, 2005)

By integrating the diverse functions that are inherent to such financial services as savings, investment, borrowing and protection, the SFH Group aims to earn high levels of trust from its customers by providing high-value-added products and quality services that meet their individual economic needs.



Shigeru Ishii

President,
Representative Director
Sony Bank Inc.

Teruhisa Tokunaka

President,
Representative Director
Sony Financial Holdings Inc.

Akiyoshi Kawashima

President,
Representative Director
Sony Life Insurance Co., Ltd.

Shinichi Yamamoto

President,
Representative Director
Sony Assurance Inc.

Three SFH Group subsidiaries—Sony Life, Sony Assurance and Sony Bank—offer financial services to customers, and each company is highly regarded for its consistent response to customer needs through new services that are unhindered by industry conventions. Sony Life provides consulting sales through its Lifeplanners and Partners, Sony Assurance conducts direct marketing by telephone and via the Internet, and Sony Bank is dedicated to offering Internet-based services.

While the three companies continually work to strengthen their own businesses, they also enhance group synergies by reinforcing mutual tie-ups in the areas of offering products and services, sharing and mutually cultivating sales channels and infrastructure, and planning and implementing brand strategies. The three companies also continue to offer attractive, high-value-added products and services that conventional financial institutions are not prepared to provide.

As the holding company of these three subsidiaries, SFH strives to build up intra-group services and integrate functions while maintaining each company's managerial independence. By putting these comprehensively integrated financial strategies into practice, we aim to enhance the corporate value of the SFH Group.

Sony Life Insurance Co., Ltd.

Through finely tuned consulting and after-sales follow-up, Sony Life provides protection to optimally match each customer's needs. Sony Life embraces a new style of providing life insurance.

Sony Life delivers life insurance products that are optimally tailored for each customer's life plan. This approach is based on Sony Life's basic mission, "to work for customers' economic protection and stability by offering reasonable life insurance products and high-quality services." Particularly nowadays, as personal values in lifestyles and family situations become more diverse, Sony Life believes careful consulting is an essential supporting element of people's varied lives. Taking each family's specific situation into consideration, Lifeplanners* (sales employees) and Partners (independent agencies) work with customers to structure individual life plans that turn their dreams into reality. They then calculate the amount needed to provide lifelong protection, and tailor an optimal life insurance plan for each customer. After a sale, Lifeplanners and Partners continuously review protection details along with changes in a policyholder's lifestyle, and continue to offer lifelong security by fulfilling after-sales commitments, such as promptly delivering hospitalization benefits or insurance benefits in the event that a policyholder faces a problem. For Lifeplanners and Partners, one of the most important missions is to deliver insurance benefits to policyholders when the unexpected occurs, thereby fulfilling the original purpose of the insurance. To achieve this mission, Lifeplanners and Partners continuously provide after-sales service that responds promptly to changes not only in policyholders' family situations but also in the social and economic environment.

* "Lifeplanner" is a registered trademark of Sony Life Insurance Co., Ltd.

History

- 1979 August Sony Prudential Life Insurance Co., Ltd. established as a joint venture between Sony Corporation and the Prudential Insurance Company of America (Prudential)
- 1981 February Business license obtained from the Ministry of Finance in Japan
- April Commenced operations and introduced Lifeplanner system
 - Initial structure
 - Head office: 52 employees, reporting to the Chairman
 - Branches: Four offices (Shinjuku, Ueno, Omiya, Yokohama), 27 Lifeplanners
 - Products: Five main products, including whole life insurance, and five riders
- 1987 July Agreement reached with Prudential to terminate joint venture contract
- September Corporate name changed to Sony Pruco Life Insurance Co., Ltd.
- 1989 October Independent agency system established
- 1991 April Corporate name changed to Sony Life Insurance Co., Ltd.
- 1998 August Sony Life Insurance (Philippines) Corporation established
- 1999 December Total assets exceeded ¥1 trillion
- 2001 March Standard policy reserves achieved by an increase in capital of ¥50.0 billion, resulting in common stock of ¥65.0 billion
- May Sales of Sony Assurance's automobile insurance launched through Lifeplanner marketing channel
- 2002 March Commenced underwriting of group credit life insurance for housing loans extended by Sony Bank
- 2004 April Sony Corporation established Sony Financial Holdings Inc., and Sony Life became a 100% subsidiary of Sony Financial Holdings
- December Commenced introduction of Sony Bank's housing loans through Lifeplanner marketing channel

■ Products and Services that Prioritize Customer Security

Sony Life delivers tailor-made life insurance products that are optimized for each customer. To ensure security for its customers, Sony Life provides an extensive lineup of products and services that allows quality consulting and after-sales follow-up. Held in particularly high regard is its “quick claims service,” which streamlines claims payment procedures, enabling policyholders to receive benefits either on the day or two working days after claims are made. To protect customers from potential economic burdens in the event of illness or injury, in fiscal 2004 Sony Life began offering policyholders optional riders to provide exemptions from future premium payments and to provide lifestyle security. These riders have proven popular.

■ Reciprocal Studies

Embracing a spirit of mutual assistance in their quest to serve customers, Sony Life’s employees have taken the initiative by hosting independent training forums throughout the nation.

The Million Dollar Round Table (MDRT) is an international association of leading insurance and investment financial services professionals throughout the world. As of June 14, 2005, MDRT had 32,750 worldwide members, of whom 491 were Lifeplanners and Partners of Sony Life, making our membership one of the largest from Japan.

The Japan Association of Insurance and Financial Advisors (JAIFA) was established in 1962 to enhance the status of life insurance salespeople through the reciprocal education of its members. This association hosts a variety of initiatives as a forum for mutual training. Sony Life’s Lifeplanners, sales office managers, branch managers and Partners participate in JAIFA, and JAIFA regional chapters have been set up in regional areas to spearhead various activities.

■ Nurturing Financial Planners

To improve needs-based sales skills, many of Sony Life’s Lifeplanners and Partners pursue independent study as financial planners, who are professionally qualified to meet the financial needs of customers. Sony Life is one of the life insurance industry leaders in terms of the number of qualified financial planners. As of June 1, 2005, Sony Life had a total of 2,300 qualified Affiliated Financial Planners licensed by the Japan Association for Financial Planners and 149 Certified Financial Planners holding the international qualification conferred by the Certified Financial Planner Board of Standards, Inc., of the United States. In addition, Sony Life employees qualified as a 1st Grade or 2nd Grade Certified skilled worker of Financial Planning—qualifications given by the Japanese government as a proficiency certification system to certify levels of expertise according to the Human Resources Development Promotion Law—reached 119 and 1,653, respectively.

On-the-Day Claims Service

Pays insurance benefits of
up to ¥3 million on the day
of the claim

Benefits of less than ¥3 million are paid in full on the day of the claim. For total benefits of more than ¥3 million, the first ¥3 million is paid.

Quick Claims Service

Pays insurance benefits of
up to ¥5 million two business days
after the claim

Benefits of less than ¥5 million are paid in full two business days after the claim. For total benefits of more than ¥5 million, the first ¥5 million is paid.

Note: These service options may not be available on some policies.



Financial Highlights

Years ended March 31

(Millions of yen, unless otherwise indicated)

	2001	2002	2003	2004	2005
Consolidated basis					
Income from insurance premiums	434,622	505,950	491,606	514,859	551,642
Investment income	27,411	33,201	31,575	64,890	50,254
Ordinary revenues	462,905	539,805	524,195	581,129	604,288
Ordinary profit (loss)	(60,190)	19,821	18,417	30,270	17,148
Net income (loss)	(39,441)	11,966	11,199	13,743	10,168
Common stock	65,000	65,000	65,000	65,000	65,000
Number of shares outstanding (thousands of shares)	65,000	65,000	65,000	65,000	65,000
Net assets	90,043	85,020	94,712	131,848	140,467
Total assets	1,450,314	1,729,359	1,981,896	2,375,249	2,616,658
Assets in separate account	91,268	106,150	118,189	164,461	200,996
Securities	946,587	1,046,085	1,265,549	1,562,929	1,703,923
Loans	43,011	54,471	65,582	71,637	79,919
Policy reserve	1,314,616	1,600,136	1,831,115	2,095,591	2,395,099
Nonconsolidated basis					
Insurance in force	22,208,779	24,252,921	25,650,022	27,070,067	28,639,488
Individual life insurance in force	21,455,896	23,408,050	24,689,151	26,122,855	27,680,259
Group annuities in force	25,607	64,064	64,154	67,107	69,017
New insurance sales	4,430,322	3,939,732	3,542,249	3,748,640	3,731,597
New individual life insurance sales	4,368,191	3,893,199	3,518,350	3,713,390	3,699,791
Annualized premiums for new policies	—	—	—	—	63,851
Tertiary-sector products	—	—	—	—	16,179
Core profit	10,298	26,754	22,460	22,821	24,333
Solvency margin ratio (%)	1,905.9	1,493.5	1,354.2	1,453.3	1,317.1
Number of employees	5,655	5,721	5,569	5,538	5,528

Notes: 1. Insurance in force above is the total of individual life insurance in force, individual annuities in force and group life insurance in force. Individual annuities in force is the sum of annuity assets at the time annuity payments commence and policy reserves after annuity payments commence.

2. Group annuities in force equals the amount of policy reserves.

3. New insurance sales is the total of new policies for individual life insurance, individual annuities and group life insurance. New insurance sales for individual annuities equals the amount of annuity assets at the time annuity payments commence.

Review of Operations in Fiscal 2004

In fiscal 2004, the life insurance industry showed some signs of recovery, helped by higher sales of tertiary-sector products and variable individual annuities, but the industry's total insurance in force continued to decline. Despite this environment, Sony Life posted a 6% increase year on year in the total for individual life insurance and individual annuities in force, ending the fiscal year at ¥27,823.4 billion and continuing the steady growth that Sony Life has posted since its inception. Likewise, the total number of individual life insurance policies and individual annuity policies in force climbed 9% year on year, to 3,559,581 policies. Sony Life's lapse rate remained low, improving 1.10 percentage points during the year, to 6.32%. Sony Life believes that these favorable results underscored customers' appreciation of Sony Life's unique needs-based sales approach by Lifeplanners and Partners, as well as an increasing focus in companywide training on the importance of after-sales follow-up.

The amount of new policies remained largely unchanged compared with the previous year, but Sony Life posted a steady increase in the number of new policies. Our analysis suggests that these results reflect strong customer interest in medical protection products. In keeping with its desire to ensure economic security and protection, however, Sony Life will continue to concentrate on death protection products, which are core to its life insurance offerings.

■ Financial Stability

POINT
1

Sony Life maintained a high solvency margin ratio of 1,317.1%.

Solvency margin indicates a company's "ability to pay." Life insurance companies accumulate policy reserve against the future payment of insurance claims so they can respond sufficiently to ordinarily anticipated events. But unforeseen events sometimes occur as a result of changes in the environment, such as a major earthquake or a cataclysmic fall in the stock market. The solvency margin ratio is one administrative control indicator used to determine if an insurer has the ability to pay claims in response to such unpredictable events. As of March 31, 2005, Sony Life maintained an extremely high solvency margin ratio of 1,317.1%.

POINT
2

Sony Life has obtained high ratings from various rating agencies, including an A+ rating from Standard & Poor's.

Sony Life has obtained high ratings from several rating agencies for its insurance and finance capability and insurance claims payment capabilities, as outlined below.

(Rating request: As of June 2005)

A.M. Best Company, Inc.	Insurance company rating	A+	(Superior)
Rating and Investment Information, Inc.	Rating for insurance claim payment capabilities	AA	(Insurance claim payment capabilities extremely high, with outstanding elements)
Japan Credit Rating Agency, Ltd.	Rating for insurance claim payment capabilities	AA	(High probability for execution of obligations)
Standard & Poor's	Rating based on insurance and finance capability	A+	(Strong)

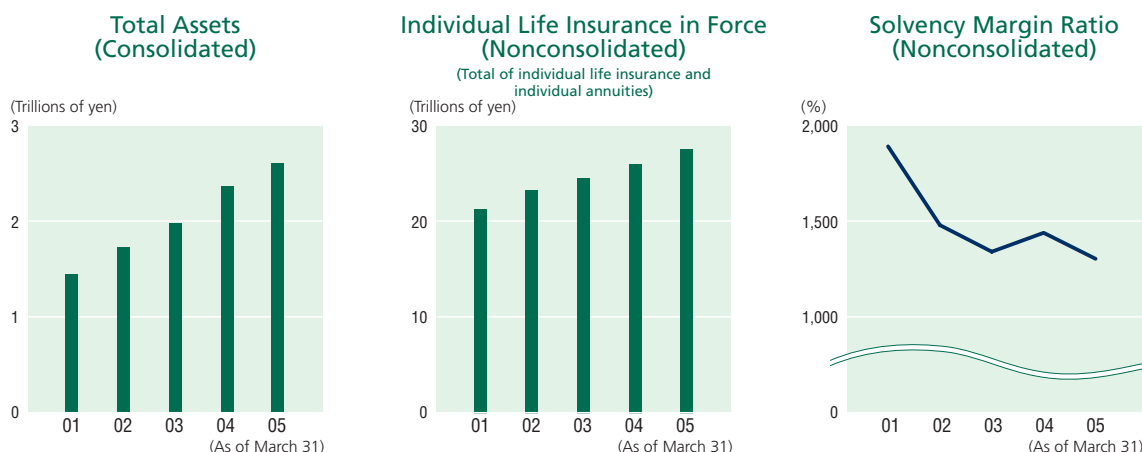
Note: The above ratings were assigned at Sony Life's request. They are not evaluations of insurance companies overall, nor are they a guarantee of claim payments in the future. These ratings are based on rating agencies' opinions given the numbers and information available at a specific point in time, and may be changed in the future. Please refer to the respective web site of each agency for more details.

POINT
3

Sony Life has no non-performing assets.

Because Sony Life does not engage in commercial lending, its loan balance is derived solely from policy loans, which are limited to the value of recoverable surrender cash. For this reason, the company has no risk-monitored loans (loans for which repayment circumstances are not ordinary). All figures listed as "Loans by Borrower Category under the Financial Reconstruction Law" are classified as normal loans.

■ Major Performance Indicators



Sony Assurance Inc.

Sony Assurance operates on the business model of a “direct insurance provider,” communicating with customers directly over the telephone or via the Internet. Through such direct communication, Sony Assurance provides rational and quality insurance services.

Sony Assurance entered the non-life insurance market in autumn 1999 with the business model of a “direct insurance provider.” Centering on two flagship products—automobile insurance and medical and cancer insurance—Sony Assurance contacts customers directly over the telephone or via the Internet.

One advantage of being a direct insurance provider is the ability to communicate directly with customers. These one-to-one relationships provide a clear understanding of customers’ opinions and needs, which Sony Assurance can reflect in its product and service offerings. Sony Assurance enhances the quality of its products and offers finely tuned services based on this input. Another major advantage is that Sony Assurance can provide products and services with inexpensive premiums because its operations are highly concentrated. By capitalizing on the merits of the direct business model, Sony Assurance has recorded a steady expansion in its business from the time of its establishment.

Sony Assurance operates under the slogan, “Feel the difference—a difference that will change insurance.” Sony Assurance sees continuous creativity in various business domains as a permanent challenge, and seeks to provide customers with valuable products that are distinctive—offering a difference that could only come from Sony Assurance.

History

- 1998 June Sony Insurance Planning Co., Ltd. established
- 1999 September Licensed by the Financial Reconstruction Commission to conduct non-life insurance business
Corporate name changed to Sony Assurance Inc.
Began writing automobile insurance policies via the Internet
October Began writing automobile insurance policies over the telephone
- 2000 January Led the industry by providing settlement and contact operations on weekends and holidays
June Led the industry by offering automobile insurance quotations via i-mode*-equipped mobile phones
July Began offering *Oritemo* coverage clause for automobile insurance
December Led the industry in introducing model of car as a risk-segmented category for automobile insurance
- 2001 April Claims Service Center established
- 2002 June Began offering medical and cancer insurance
Sapporo Customer Center opened
- 2003 June Capital expanded to ¥40.0 billion (common stock of ¥20.0 billion plus capital surplus of ¥20.0 billion)
October Launched Mobile Gateway web site for policyholders with mobile phones
- 2004 April Sony Corporation established Sony Financial Holdings Inc., and Sony Assurance became a 100% subsidiary of Sony Financial Holdings
July Opened Sony Assurance Community Site
November Introduced *Kurikoshi* discount on automobile insurance

* i-mode is a registered trademark of NTT DoCoMo, Inc.

■ Providing a Valuable “Difference” to Customers

Sony Assurance values customer input very highly. Sony Assurance aims to facilitate better direct communication with customers so it can reflect their express needs through valuable offerings with “the Sony Assurance difference.”

Sony Assurance Community Site

This site shares Sony Assurance’s solutions, customer experiences and customer comments in a question-and-answer format.



Web Site for Mobile Phone Access

Sony Assurance provides the Mobile Gateway web site, which is accessible via mobile phone, making it easier for customers to contact Sony Assurance whenever they need to, and to locate relevant information conveniently if an unforeseen incident occurs.

Customer Centers

Designed to facilitate smooth communication, this center is staffed by people who provide quick and easy-to-understand answers to customers’ questions, ensuring that Sony Assurance provides optimal customer solutions.



Service Centers

Sony Assurance’s service center staff communicate directly with customers, providing empathetic support and helping to resolve problems in the event of an untoward situation.

■ Continued High Regard for Sony Assurance Automobile Insurance

To more closely tailor its automobile insurance to individual customers, Sony Assurance takes into account each customer’s driving characteristics, with risk-segmented categories such as the distance driven each year, driving purpose, model of car, number of years since first registering car ownership, driver’s age and type of driver’s license. Because of Sony Assurance’s direct sales approach, which results in cost reductions through operational concentration and efficiency, Sony Assurance can pass savings on to its customers in the form of reasonable premiums.

Sony Assurance has designed an original add-on contract called the *Oritemo* coverage clause, which indemnifies people who are out with their insured cars against such things as personal injury or damage to personal belongings—even if they are not physically inside the vehicle at the time the problem occurs. Also, as distance driven each year is one risk-segmented category, Sony Assurance offers a unique system of providing refunds for drivers whose distance driven in a year falls below the distance stipulated in their insurance policies. This *Kurikoshi* discount, which is applied to the next year’s insurance premium, has proven popular with customers.

■ Popular Half-Price Clauses for Medical and Cancer Insurance Policyholders from Age 60

Sony Assurance’s medical and cancer insurance provides sufficient protection against cancer, which is often associated with high medical care costs and extensive treatment periods. To provide such insurance with low premiums, such features as death protection or premium returns upon policy cancellation are limited. Sony Assurance’s medical and cancer insurance has two types of protection period. Premiums on whole-life “SURE” policies remain fixed for life even as a policyholder ages, whereas the 10-year renewable version has low initial premiums that rise at the time of renewal. Whole-life SURE policies also come in two types—SURE Basic, which features inexpensive premiums and limited coverage, and SURE Wide, which provides much more extensive protection. Also, Sony Assurance led the industry in introducing half-price clauses for policyholders who have reached their 60th birthday. For a slight increase in monthly premiums, this clause halves policy premiums once a policyholder reaches 60 years of age. This option is widely popular with Sony Assurance’s policyholders, approximately 70%* of whom have opted for this additional coverage.

* This ratio is among policyholders under the age of 57, which is the maximum age at which the clause can be added. Participation rates are based on data as of March 31, 2005.

Financial Highlights

Years ended March 31

(Millions of yen, unless otherwise indicated)

	2001	2002	2003	2004	2005
Net premiums written	7,529	16,371	24,062	30,785	37,849
Underwriting profits	(8,786)	(6,025)	(4,386)	(2,129)	(3,048)
Ordinary revenues	7,600	16,488	24,299	31,066	38,159
Ordinary profit (loss)	(5,641)	(4,097)	(4,185)	(1,941)	(2,806)
Net income (loss)	(5,660)	(4,114)	(11,386)	(1,330)	(1,981)
Net loss ratio (%)	34.5	42.3	46.7	49.1	51.9
Net expense ratio (%)	123.2	59.0	47.8	40.4	34.6
Interest and dividends	70	114	186	215	274
Yield on investment assets (income yield) (%)	0.68	0.67	0.93	0.72	0.77
Yield on assets (actual yield) (%)	—	0.68	0.88	0.63	0.79
Common stock	10,000	15,000	15,000	20,000	20,000
Number of shares outstanding (shares)	200,000	300,000	300,000	400,000	400,000
Net assets	10,877	16,758	5,372	14,061	12,086
Total assets	18,999	31,626	25,873	40,121	46,685
Securities	9,805	18,009	17,346	27,747	32,932
Loans	—	—	—	—	—
Underwriting reserve	4,669	8,845	12,432	16,895	23,094
Stockholders' equity ratio (%)	57.3	53.0	20.8	35.0	25.9
Solvency margin ratio (%)	2,357.7	1,647.2	734.1	1,383.5	1,095.2
Number of employees	197	330	370	423	480

■ Review of Operations in Fiscal 2004

In fiscal 2004, Sony Assurance adopted “Feel the difference—a difference that will change insurance” as its new corporate slogan. Under this slogan, Sony Assurance launched a host of initiatives with the goal of providing customers with a level of service that clearly distinguishes it from other companies. For example, in November 2004 Sony Assurance led the industry by introducing a *Kurikoshi* discount on its automobile insurance. If annual driving distance—one risk-segmented category—falls below the distance assumed when the policy is first written, policyholders are offered a discount on their policy premiums the following year. Simultaneously, Sony Assurance instituted the *Koetemo Anshin* Service, which eliminates the need for policyholders to pay additional premiums or contact the insurer if they happen to exceed their originally assumed annual driving distance.

During the year, Sony Assurance saw a steady increase in the number of policyholders for both of its mainstay products—automobile and medical and cancer insurance—and net premiums written increased 23%, to ¥37,849 million. The number of policies in force—the sum of automobile insurance and medical and cancer insurance policies—exceeded 650,000 as of March 31, 2005. Owing to such factors as the frequent occurrence of natural disasters during the period, however, claims paid increased, resulting in an ordinary loss of ¥2,806 million. The combined ratio for the year improved 3.0 percentage points, to 86.5%, comprising a net expense ratio of 34.6% and a net loss ratio of 51.9%. As of March 31, 2005, Sony Assurance’s solvency margin ratio was 1,095.2%. As 200% is the general standard, Sony Assurance’s high solvency margin ratio indicates an abundant ability to pay claims.

Financial Stability

POINT
1

Sony Assurance maintained a solvency margin ratio of 1,095.2%, indicating a substantial ability to pay claims.

Non-life insurers set aside reserves to pay claims as a matter of course. It is essential for insurers to make doubly certain that their reserves are adequate to pay claims even when unforeseen events, such as a major disaster or substantial decline in asset values, occur. The solvency margin ratio indicates an insurer's ability to pay if faced with such unpredictable risks. An insurer is generally assumed to have adequate ability to respond to such conditions if the solvency margin ratio exceeds 200%. As of March 31, 2005, Sony Assurance had a solvency margin ratio of 1,095.2%, significantly exceeding the standard 200% and indicating a superior ability to pay claims.

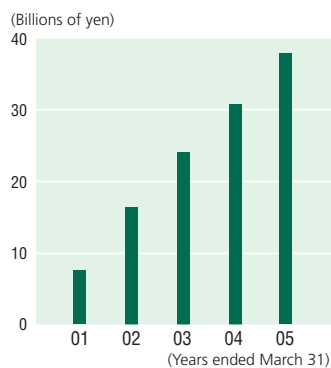
POINT
2

Sony Assurance has no non-performing assets.

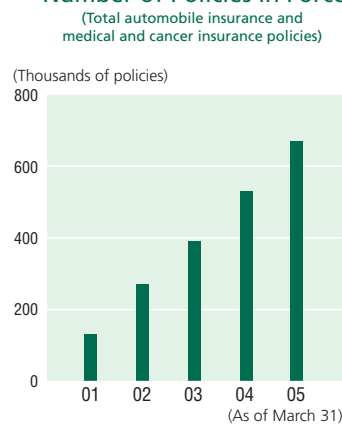
Sony Assurance has no risk-monitored loans (loans for which repayment circumstances are not ordinary). Furthermore, no loans are listed in the "Loans by Borrower Category under the Financial Reconstruction Law."

Major Performance Indicators

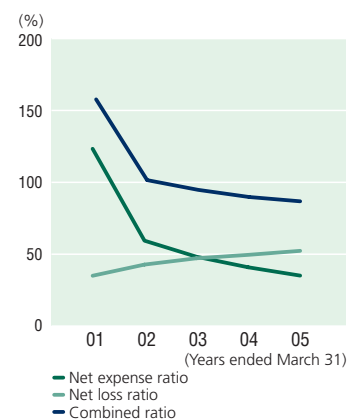
Net Premiums Written



Number of Policies in Force



Net Expense Ratio, Net Loss Ratio and Combined Ratio





Sony Bank Inc.

By capitalizing on its strength as an Internet bank that targets individual customers, Sony Bank offers highly convenient financial products and services.

In June 2001, Sony Bank commenced operations as an Internet bank for individuals. Sony Bank was established in the belief that Japan's financial institutions may have offered too few financial service alternatives for individuals and that the Internet could be used as a tool to provide highly convenient financial services.

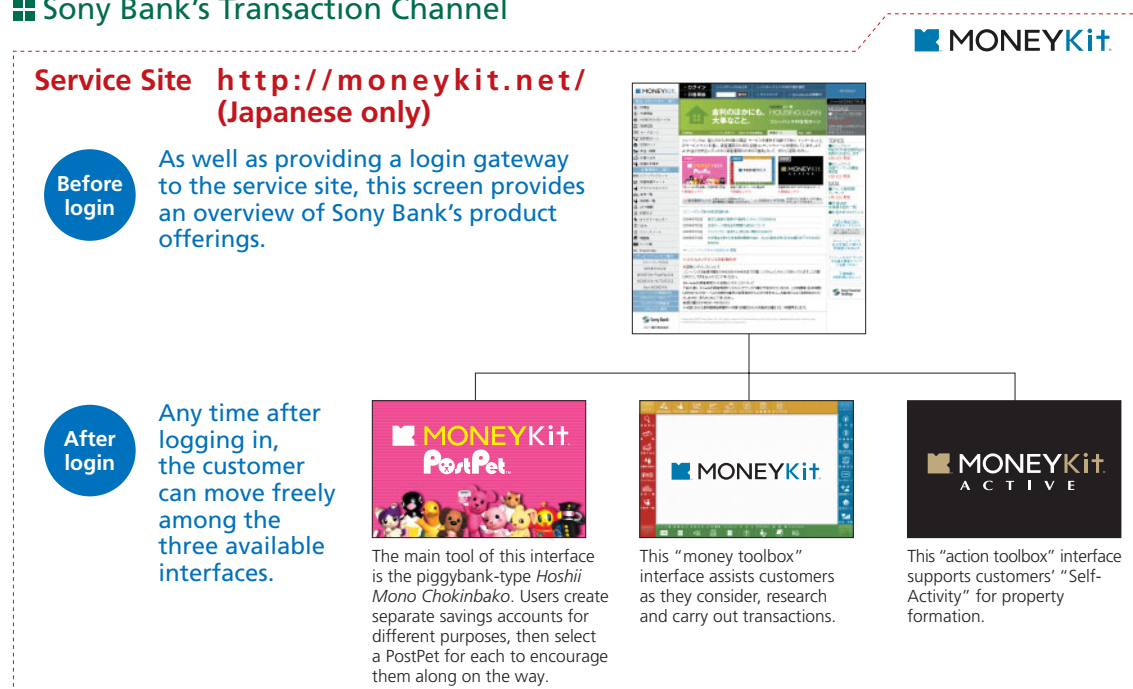
In the ensuing four years, Sony Bank has developed new products and services in a proactive, yet flexible manner based on its consistent policy of providing financial services—primarily for asset management—to independent individuals. Sony Bank's product and service lineups have expanded gradually, now including yen deposits, foreign currency deposits, investment trusts, personal loans extended through ATM cards, housing loans and special-purpose loans, as well as MONEYKit GLOBAL (cash card service settled in U.S. dollars) and annuities and insurance products. By taking advantage of the special characteristics of the Internet, Sony Bank offers unique services, such as the three interfaces provided to match the individual investment needs of each customer.

Customers have supported these initiatives, and the number of accounts at Sony Bank and balance on deposits have steadily increased each year. By continuously maximizing its use of information technology, Sony Bank aims to keep providing diverse high-end financial services and products that meet the needs of an expanding customer base.

History

- 2001 April Sony Bank Inc. established and registered
- June Obtained banking business operating license from the Prime Minister of Japan
- June Commenced operations and opened the MONEYKit service site
- Products comprised ordinary yen deposits, yen time deposits, investment trusts and personal loans extended through ATM cards
- September Began handling foreign currency deposits
- December Launched MONEYKit-PostPet service
- 2002 March Began offering housing loans
- June Began offering special-purpose loans
- 2003 July Launched MONEYKit GLOBAL service
- December Launched MONEYKit-ACTIVE service
- 2004 April Sony Corporation established Sony Financial Holdings Inc., and Sony Bank became a subsidiary of Sony Financial Holdings
- June Commenced sales of individual annuities offered by Sony Life Insurance Co., Ltd.
- Increased capital by ¥10.0 billion, raising common stock to ¥23.75 billion
- October Commenced sales of fire insurance offered by Sony Assurance Inc.

■ Sony Bank's Transaction Channel



■ Sony Bank's Products and Services

Sony Bank offers a variety of products and services.

- Yen deposits (ordinary deposits, time deposits)
- Foreign currency deposits (ordinary deposits, time deposits)
- MONEYKit GLOBAL
- Investment trusts
- Personal loans extended through ATM cards
- Special-purpose loans
- Housing loans
- Annuities and insurance

Sony Bank's foreign currency deposits, which allow transactions essentially 24 hours a day, 365 days a year, use interest and exchange rates that are closely linked with markets. Sony Bank offers these deposits in eight currencies—U.S. dollar, euro, sterling pound, Australian dollar, New Zealand dollar, Canadian dollar, Swiss franc and Hong Kong dollar. Account holders can trade funds using U.S. dollars instead of yen to trade directly into other currencies, enter into foreign exchange contracts on their foreign currency time deposits, place limit orders on foreign currency deposit transactions, create foreign currency time deposits with special agreements and perform various other transactions.

Sony Bank's housing loans allow customers to go through the entire process from application through to contract without ever setting foot in a bank branch. Using the Internet, customers can easily change the type of interest and make early payments. Sony Bank offers floating interest rates, as well as fixed interest rates on specific periods of two, three, five, seven, 10, 15, 20 or more than 20 years.

■ Affiliated ATMs (As of July 2005)

Customers can withdraw and deposit cash or transfer funds through automated teller machines (ATMs) operated by organizations affiliated with Sony Bank.

- All ATMs operated by Sumitomo Mitsui Banking Corporation
- "@BANK" ATMs at the am/pm convenience store chain (except those in Kyushu)
- ATMs operated by the Bank of Tokyo–Mitsubishi, Ltd. (except some ATMs located in hospitals and schools)
- Nationwide ATMs operated by Japan Post

Financial Highlights

Years ended March 31

(Millions of yen, unless otherwise indicated)

	2002	2003	2004	2005
Total income	1,043	4,012	7,406	11,353
Income (loss) before income taxes	(4,132)	(4,466)	(2,202)	(1,659)
Net income (loss)	(4,136)	(4,470)	(2,206)	(1,663)
Common stock	18,750	18,750	18,750	23,750
Number of shares outstanding (shares)	375,000	375,000	375,000	475,000
Net assets	33,198	29,201	27,111	35,318
Total assets	154,875	320,414	489,432	618,459
Deposits	106,472	248,721	378,850	546,717
Loans	634	22,464	63,023	126,385
Securities	111,963	211,573	333,421	321,600
Capital adequacy ratio (%)	36.62	18.95	10.29	11.97
Number of employees	60	72	78	100

Review of Operations in Fiscal 2004

Sony Bank continued to expand its product and service offerings in fiscal 2004. In June 2004, Sony Bank added the New Zealand dollar to its list of available currencies for foreign currency deposits, and in December 2004 it began offering limit orders on foreign currency deposit transactions as well as foreign currency time deposits with special agreements. Sony Bank also added 17 new funds to its investment trust offerings, bringing the total to 40. In November 2004, Sony Bank launched a new service for housing loans, involving special agreements with partially fixed interest rates. This service allows borrowers to partially set various fixed rates from time to time on their floating-rate loans. Sony Bank also added a function that enables customers to switch to floating interest rates or to other fixed rates of interest even during the period to which the initially fixed interest rate applies. This wealth of options has greatly enhanced the appeal of Sony Bank's housing loans.

As of March 31, 2005, deposited assets, the total of deposits and investment trusts, were ¥576.3 billion, up ¥181.0 billion compared with the previous year. Of this amount, yen deposits totaled ¥387.6 billion, an increase of ¥115.9 billion, and foreign currency deposits were ¥159.1 billion, growing ¥51.8 billion. Investment trusts amounted to ¥29.6 billion, ¥13.2 billion higher than a year earlier. Surging 50% during the year, foreign currency deposits accounted for 28% of total deposited assets. Sony Bank's number of accounts grew by 98 thousand during the year, to 367 thousand accounts, with average deposited assets per account of ¥1.56 million. Sony Bank's loan balance doubled, to ¥126.3 billion at fiscal year end, buoyed by a ¥62.3 billion increase in housing loans.

Also, in June 2004, Sony Bank strengthened its financial base through a capital infusion of ¥10.0 billion.

During the fiscal year ended March 31, 2005, total income was 1.5 times the previous year's level, at ¥11.3 billion, and gross operating profit was 1.4 times the level of the previous year, at ¥5.3 billion. General and administrative expenses increased 19%, to ¥6.9 billion. As a result, loss before income taxes improved ¥0.5 billion from the previous year, to ¥1.6 billion. Notably, in the fourth quarter of fiscal 2004, Sony Bank turned positive net income on a quarterly basis for the first time.

Financial Stability

POINT 1 Sony Bank had a capital adequacy ratio of 11.97% (domestic criteria).

The capital adequacy ratio is used to indicate a bank's financial stability. For banks that operate only in Japan, a 4% capital adequacy ratio is used as a minimum standard. Based on domestic criteria, Sony Bank's nonconsolidated capital adequacy ratio at March 31, 2005, stood at 11.97%, up 1.68 percentage points from a year earlier.

POINT 2 Sony Bank obtained an A- long-term credit rating from Standard & Poor's.

As of July 1, 2005, Sony Bank has received an "A-" long-term credit rating and a short-term credit rating of "A-2" from Standard & Poor's.

POINT 3 Sony Bank's Self-Assessment demonstrates financial health, as outlined below.

Risk-Monitored Loans

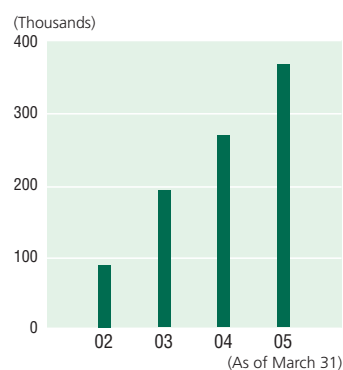
As of March 31	(Millions of yen)
	2005
Bankrupt loans	—
Non-accrual delinquent loans	0
Past due loans (three months or more)	—
Restructured loans	—
Total	0

Problem Loans based on the Financial Reconstruction Law

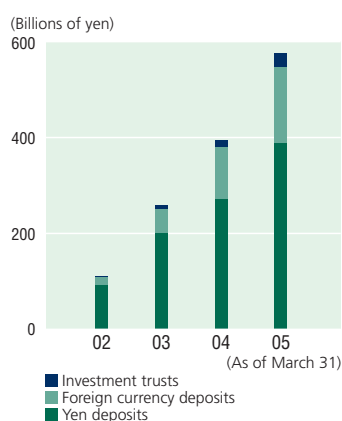
As of March 31	(Millions of yen)
	2005
Bankrupt and quasi-bankrupt loans	—
Doubtful loans	0
Sub-standard loans	—
Normal loans	133,152
Total	133,153

Major Performance Indicators

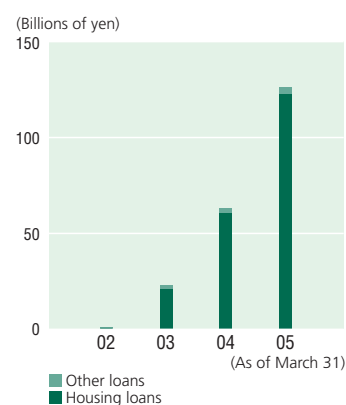
Number of Accounts



Deposited Assets



Loans



Corporate Governance

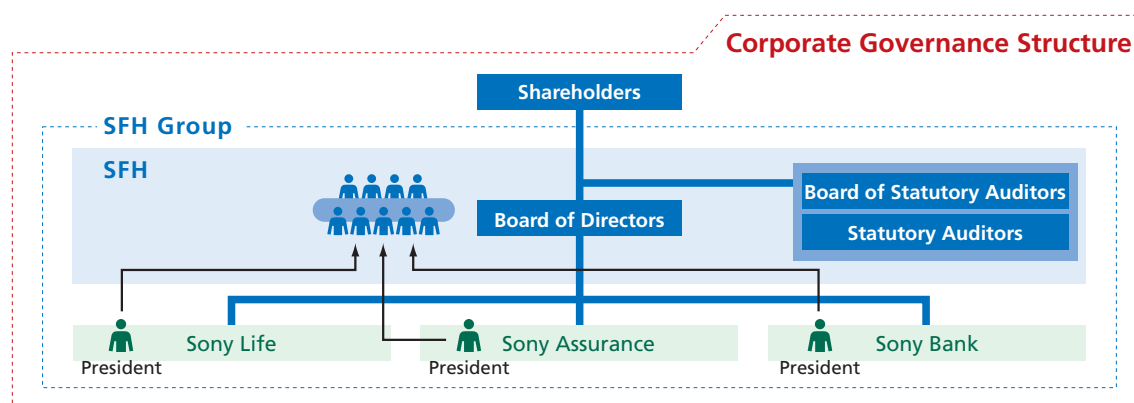
The SFH Group positions its corporate vision and philosophy, mentioned in the preceding pages, as the basic policy for setting management strategy and expediting management decision-making initiatives. One facet of our corporate vision is our goal to “become one of the most trusted financial services groups.” Although subsidiaries in the SFH Group each have different histories, scales of operations and business characteristics, SFH works to achieve this goal by making the most effective use of the operating characteristics and information available within the SFH Group, to the fullest extent permissible under the law. In taking this approach, we place utmost importance on the soundness and accuracy of our operations. To this end, we have designed a management structure to ensure groupwide compliance and risk management.

SFH’s Board of Directors* comprises eight directors who are also directors of subsidiaries within the SFH Group, plus one outside director. This structure is designed to ensure and expand the trustworthiness of the SFH Group.

The Board of Statutory Auditors* comprises four statutory auditors. Based on the audit policy and plans stipulated by the Board of Statutory Auditors, statutory auditors are responsible for attending important meetings, including Board of Directors meetings, and for examining operating and financial conditions and auditing the duties executed by directors.

We carefully monitor each subsidiary’s management in a respectful manner and promote management control activities by adding new group management control functions and encouraging creativity.

* As of July 1, 2005



Compliance

Compliance is an essential part of ensuring that a company fulfills its responsibilities to society. Given the characteristics of financial services, to which maintaining trust-based relationships with customers is integral, the SFH Group is further enhancing its compliance structure.

At SFH, the Board of Directors is assigned the duty of establishing our compliance program, creating a compliance manual and confirming the progress of such programs. As a result, the Board monitors and seeks to strengthen the Group’s compliance activities. The Corporate Control Department of SFH has overall control

of compliance activities, including checking the compliance of each division, conducting training, operating our internal hotline systems and ensuring adherence to relevant laws and statutes.

In addition, in its role as a financial holding company SFH provides subsidiaries with a variety of compliance-related information, ensures the operation of groupwide internal hotline systems and holds group compliance liaison conferences. We support subsidiaries in verifying and enhancing the compliance situation and raise groupwide compliance levels.

Risk Management

One of SFH's roles as a financial holding company is to concentrate management resources and strengthen groupwide risk management in an integrated manner. The SFH Group's policy on risk management is described below.

SFH's Policy on Group Risk Management

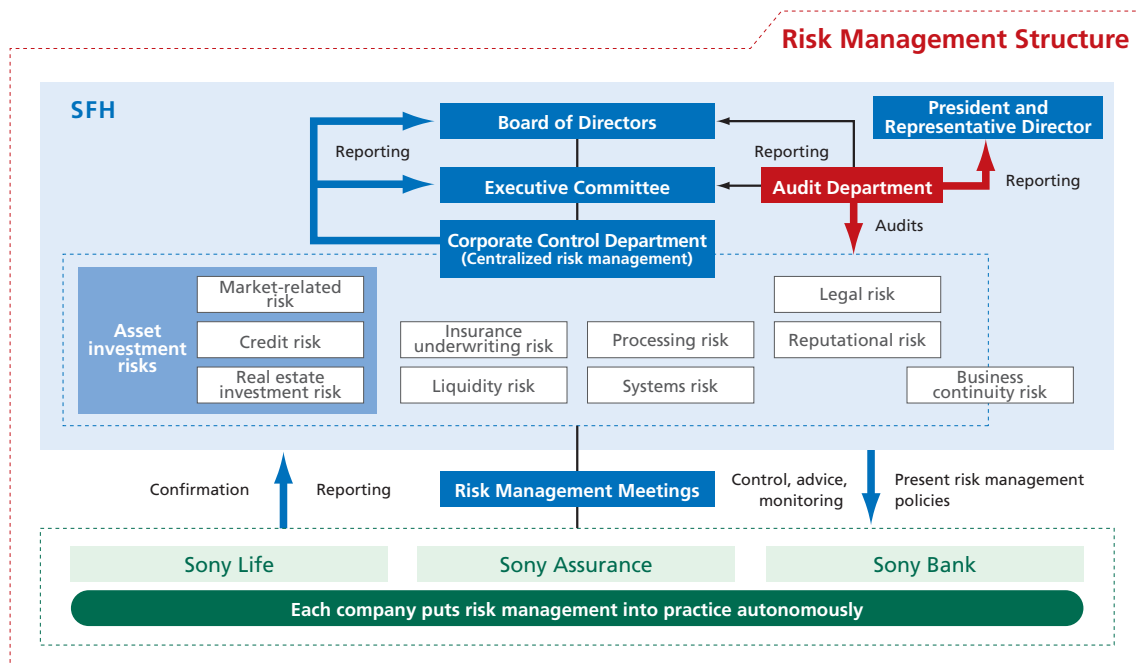
- 1 As a financial holding company, we enhance the corporate value of the SFH Group by basing our risk management structure on the SFH Group's management policy and strategic objectives as well as by performing risk management that responds to the various characteristics of each business and each risk category.
- 2 SFH confirms that the SFH Group's subsidiaries, as independent entities, are individually responsible for establishing risk management structures to achieve their own management targets and institutes any necessary countermeasures.
- 3 As a financial holding company, SFH eliminates any excessive concentration of risk in any specific area, provides appropriate control of intra-group transactions and manages risk propagation inside the SFH Group.

SFH's Board of Directors formulates the fundamental principles for risk management activities and transmits these requirements to directors and employees throughout SFH and its subsidiaries. The Board then recognizes the presence or types of risks that differ according to each subsidiary's scale, business and characteristics, and establishes structures to appropriately manage the various risks. SFH's Executive Committee, delegated by the Board of Directors, executes daily activities pertaining to group risk management. Specifically, while each subsidiary evaluates, monitors and manages each risk, the Corporate Control Department—which has overall control of SFH's risk management—coordinates with the risk management

departments of those subsidiaries. The department also submits periodic reports to SFH's Board of Directors and Executive Committee on the risk management conditions recognized through monitoring or holding Risk Management Meetings. The Audit Department, on the other hand, conducts internal audits to verify the appropriateness and effectiveness of the overall risk management structure.

The types of risk that SFH and its subsidiaries manage are indicated as below.

- Market-related risk
- Credit risk
- Real estate investment risk
- Liquidity risk
- Insurance underwriting risk
- Processing risk
- Systems risk
- Legal risk
- Reputational risk
- Business continuity risk



Privacy Policy

In the course of providing products and services, SFH's subsidiaries handle personal and private information about their customers. SFH exercises the utmost caution to ensure that this information is managed appropriately and only for the express purpose for which the customers have entrusted it to us. For its basic policy on

the handling of personal information, SFH adheres to the privacy policy established by Sony Corporation.

Note: In the SFH Group, subsidiaries handle personal and private information on their customers. SFH itself does not gather information from customers for the purpose of conducting business and is not a "business entity that handles personal information," as defined in Article 2.3 of the Personal Information Protection Act.

Excerpt from Sony Group Privacy Policy*

The primary objective of each Sony Group company (hereafter "Sony") is to provide great products and services focusing on customers' needs, through innovative ideas as well as sound business practices. Sony is committed to meeting the high expectations of its customers and to being the "most trustworthy partner for customers" in the broadband era of the 21st century.

Sony understands that customers entrust Sony with their Personal Information with the expectation that it will be used only for specific purposes. Sony respects the customers' expectations and places a high priority on properly protecting such Personal Information and limiting its use to such purposes.

We hereby declare that we do our best to protect Personal Information of our customers, keeping the following policies always in mind.

* This Privacy Policy is for Sony Corporation and its subsidiaries in Japan and Sony Ericsson Mobile Communications Japan, Inc.

Policies regarding Handling of Personal Information

(Compliance)

1. Sony will comply with the applicable laws, regulations, ministerial guidelines and this Privacy Policy in handling Personal Information (information which can identify a specific individual).

(Use within Specific Purpose(s))

2. Sony will specify the purpose(s) of use as much as possible and use Personal Information only within the scope Sony has notified or made public, except for cases in which Sony has obtained in advance consent from the individual who provides his/her Personal Information (hereafter "the individual") and for cases permitted under the related laws or regulations.

(Notification/Publication of Purpose(s) of Use etc.)

3. Sony will endeavor to clearly notify necessary information such as purpose(s) of use, names of user(s) as well as contact details and to obtain consent when asking for Personal Information. Sony may record in writing or in voice the contents of transactions and inquiries. Such information will be used only for purposes of responding adequately and swiftly to the requests from the individual.

(Personal Information of Minors)

4. Sony will make special consideration for the handling of minors' Personal Information, e.g. to notify clearly in advance to ask a child under fifteen (15) years old to provide Personal Information only upon guardian's consent.

(Security Control Measures)

5. Sony will endeavor to maintain entrusted Personal Information to be accurate and updated to the extent necessary for the purpose(s) of its use. Sony will take necessary and appropriate security control measures in line with existing technical standards to protect entrusted Personal Information from unauthorized access, modification, and leakage, etc.

(Supervision of Subcontractor(s))

6. Sony may subcontract the processing of entrusted Personal Information to a third party to the extent necessary to fulfill the purpose(s) of its use. Such third party will be selected after confirming sufficient level of information security, and Sony will exercise necessary and adequate supervision to the party by such means as making contracts.

(Providing to Third Parties)

7. Without the consent of the individual, Sony will not provide Personal Information to any third party other than joint-users clearly notified at the time of collection, except for cases permitted under the related laws or regulations. Sony will not provide Personal Information to any third party, based on the "Opt-Out System" (Article 23.2 of the Personal Information Protection Act), without acknowledgment by the individual.

(Request(s) for Review etc.)

8. Sony will, based on the provisions of the related laws or regulations, swiftly respond to request(s) from the individual such as to review, correct, stop receiving further product or service information from Sony, or to delete Personal Information of their own after confirming their identity. Please contact the appropriate customer center to which you have provided your Personal Information.

(Response to Complaint(s))

9. Sony will set up necessary internal organizations to address adequately and swiftly complaint(s) from individuals about its handling of Personal Information.

(Continuous Improvement of Internal System)

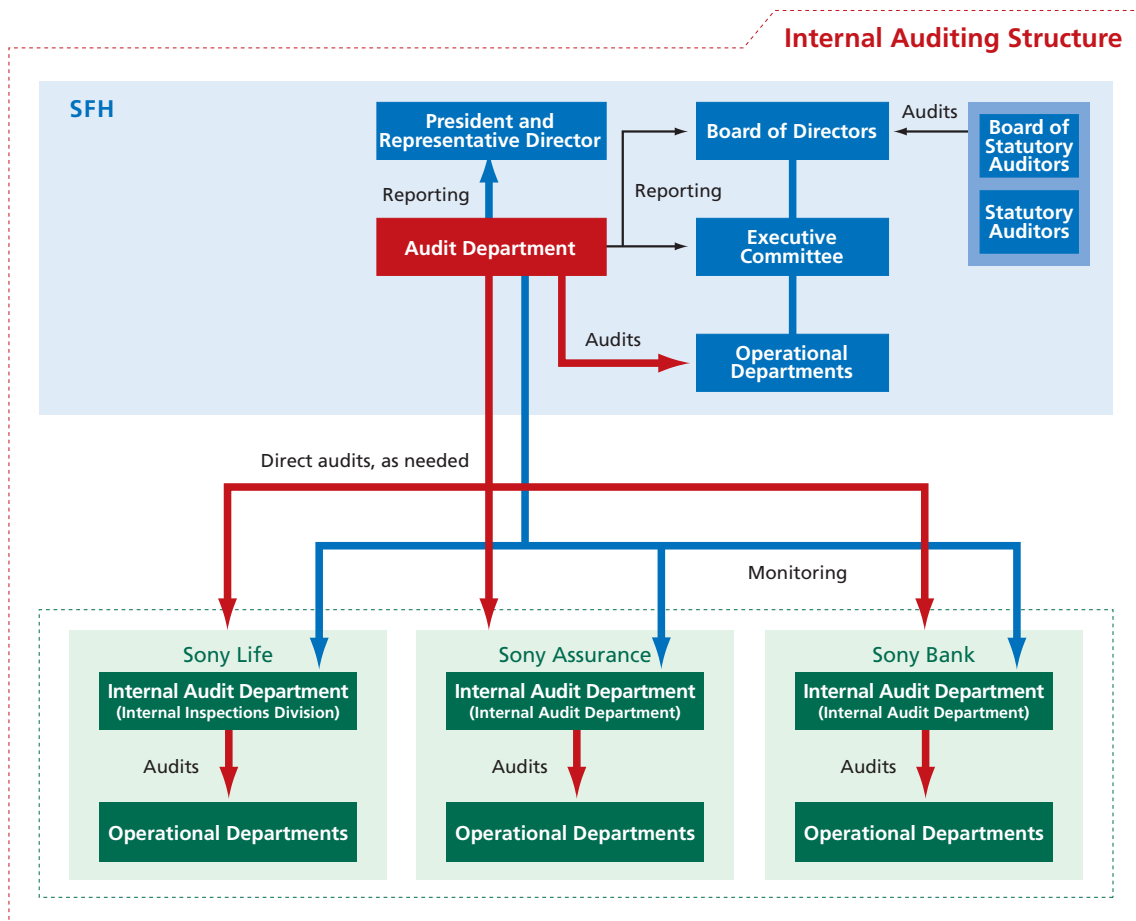
10. Sony will continuously endeavor to improve internal compliance systems including updating this Privacy Policy through establishment of internal rules, education to employees and appropriate internal audit to handle entrusted Personal Information properly.

Internal Auditing

SFH performs internal audits through its Audit Department. Reporting directly to the president and representative director, this department operates outside the other lines of operational reporting and, from an independent and objective position, verifies the appropriateness and effectiveness of SFH's internal controls, including governance processes, compliance and risk management. As its suggestions for improving management contribute to the sound and appropriate operations of SFH and its subsidiaries, this department endeavors to perform highly effective internal audit activities.

While subsidiaries also perform internal audit activities that are designed to match their specific industry, scale of business and the types of risk they entail, SFH's Audit Department conducts monitoring based on the results of audit reports provided by subsidiaries and, if necessary, may conduct audit activities of subsidiaries directly.

Statutory auditors, on the other hand, audit the execution of duties by directors by attending important meetings, including Board of Directors meetings, and evaluating business and financial conditions.



Corporate Data

Sony Financial Holdings Inc. (SFH)

Company Information

(As of July 1, 2005)

Company name:	Sony Financial Holdings Inc.
Established:	April 1, 2004
Head office:	1-1, Minami Aoyama 1-chome, Minato-ku, Tokyo, Japan
Business:	Management control of subsidiaries (life insurance companies, non-life insurance companies, banks and others) specified by the Insurance Business Law of Japan and the Banking Law of Japan and all duties incidental to that role.
Common stock:	¥5,500 million
Number of shares outstanding:	2,100,000 shares
Share ownership:	Sony Corporation 100%

Information on Common Stock, Shares and Shareholders

(As of March 31, 2005)

Historical Data on Common Stock and Number of Shares Outstanding

	Common stock (millions of yen)	Number of shares outstanding (shares)
April 1, 2004	500	2,000,000
June 25, 2004	5,500	2,100,000
March 31, 2005	5,500	2,100,000

Information on Ownership of Shares

	Number of shares held (shares)	Percentage ownership
Sony Corporation	2,100,000	100%

Senior Management

(As of July 1, 2005)

Directors and Statutory Auditors

Title	Name	Other concurrent responsibilities
Chairman, Representative Director	Kunitake Ando	Advisor to Sony Corporation, Chairman and Director of Sony Life Insurance Co., Ltd.
President, Representative Director	Teruhisa Tokunaka	Director of Sony Life Insurance Co., Ltd., Director of Sony Assurance Inc.
Executive Vice President, Representative Director	Hikomichi Fujikata	Director of Sony Life Insurance Co., Ltd., Director of Sony Assurance Inc.
Director	Shinji Sugiyama	Director of Sony Bank Inc.
Director	Tamotsu Iba	Advisor to Sony Corporation, Director of Sony Bank Inc.
Director	Katsumi Ihara	Executive Deputy President, Representative Corporate Executive Officer and a member of the Board of Sony Corporation
Director	Akiyoshi Kawashima	President and Representative Director of Sony Life Insurance Co., Ltd.
Director	Shinichi Yamamoto	President and Representative Director of Sony Assurance Inc.
Director	Shigeru Ishii	President and Representative Director of Sony Bank Inc.
Standing Statutory Auditor	Hiroshi Sano	Statutory Auditor of Sony Life Insurance Co., Ltd., Statutory Auditor of Sony Assurance Inc.
Statutory Auditor	Takemi Nagasaka	Senior General Manager, Accounting Department of Sony Corporation
Statutory Auditor	Hiroshi Ueda	Standing Statutory Auditor of Sony Bank Inc.
Statutory Auditor	Masamitsu Kaneda	Standing Statutory Auditor of Sony Assurance Inc.

Number of Senior Management and Employees

(As of March 31, 2005)

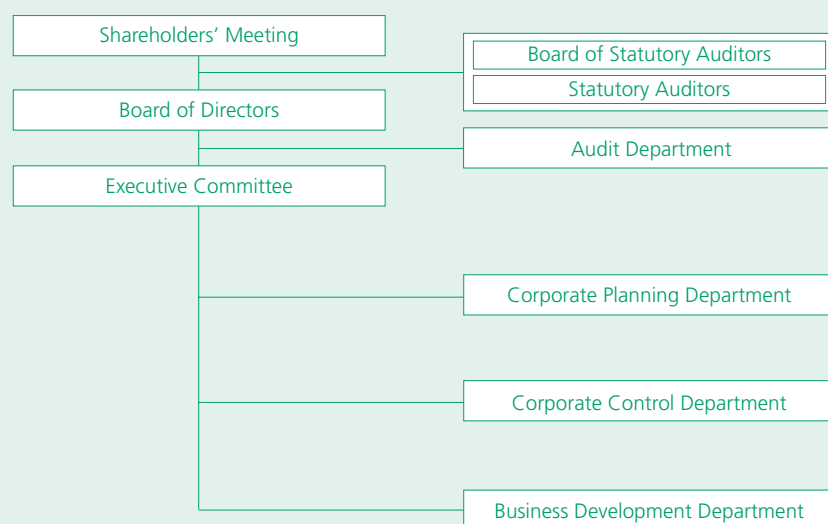
	Senior Management	Employees	Total
SFH	12	12	24
SFH and its subsidiaries	44	6,190	6,234

Notes: 1. Senior management includes directors and statutory auditors; executive officers of subsidiaries are counted as employees.

2. Employee figures exclude directors who are also employees, temporary workers, workers on short-term contracts and seconded employees.

Organizational Chart

(As of July 1, 2005)



Information on Subsidiaries

(As of March 31, 2005)

Company name	Head office	Established	Common stock (millions of yen)	Business	Ownership (%)			
					SFH	Sony Life	Sony Assurance	Sony Bank
Sony Life Insurance Co., Ltd.	Minami Aoyama, Minato-ku, Tokyo, Japan	August 10, 1979	65,000	Life insurance	100	—	—	—
Sony Life Insurance (Philippines) Corporation	Makati City, Philippines	August 26, 1998	937 million Philippine pesos	Life insurance	(100)	100	—	—
Sony Assurance Inc.	Kamata, Ota-ku, Tokyo, Japan	June 10, 1998	20,000	Non-life insurance	100	—	—	—
Sony Bank Inc.	Akasaka, Minato-ku, Tokyo, Japan	April 2, 2001	23,750	Banking	84.2	—	—	—

Note: Ownership figures in parentheses indicate indirect ownership.

Sony Life Insurance Co., Ltd.

Company Information

(As of July 1, 2005)

Company name:	Sony Life Insurance Co., Ltd.
Established:	August 10, 1979
Head office:	1-1, Minami Aoyama 1-chome, Minato-ku, Tokyo, Japan
Business:	Life insurance
Common stock:	¥65,000 million
Number of shares outstanding:	65,000,000 shares
Share ownership:	Sony Financial Holdings Inc. 100%

Senior Management

(As of July 1, 2005)

Directors and Statutory Auditors

Title	Name	Other concurrent responsibilities
Chairman, Director	Kunitake Ando	Advisor to Sony Corporation, Chairman and Representative Director of Sony Financial Holdings Inc.
President, Representative Director	Akiyoshi Kawashima	Director of Sony Financial Holdings Inc.
Executive Deputy President, Director	Akihiko Nakamura	
Executive Deputy President, Director	Taro Okuda	
Director	Masamitsu Shimaoka	
Director	Teruhisa Tokunaka	President and Representative Director of Sony Financial Holdings Inc., Director of Sony Assurance Inc.
Director	Hikomichi Fujikata	Executive Vice President and Representative Director of Sony Financial Holdings Inc., Director of Sony Assurance Inc.
Standing Statutory Auditor	Fumio Mitani	
Statutory Auditor	Yoshiaki Yamauchi	Director of Sony Corporation
Statutory Auditor	Hiroshi Sano	Standing Statutory Auditor of Sony Financial Holdings Inc., Statutory Auditor of Sony Assurance Inc.

Number of Senior Management and Employees

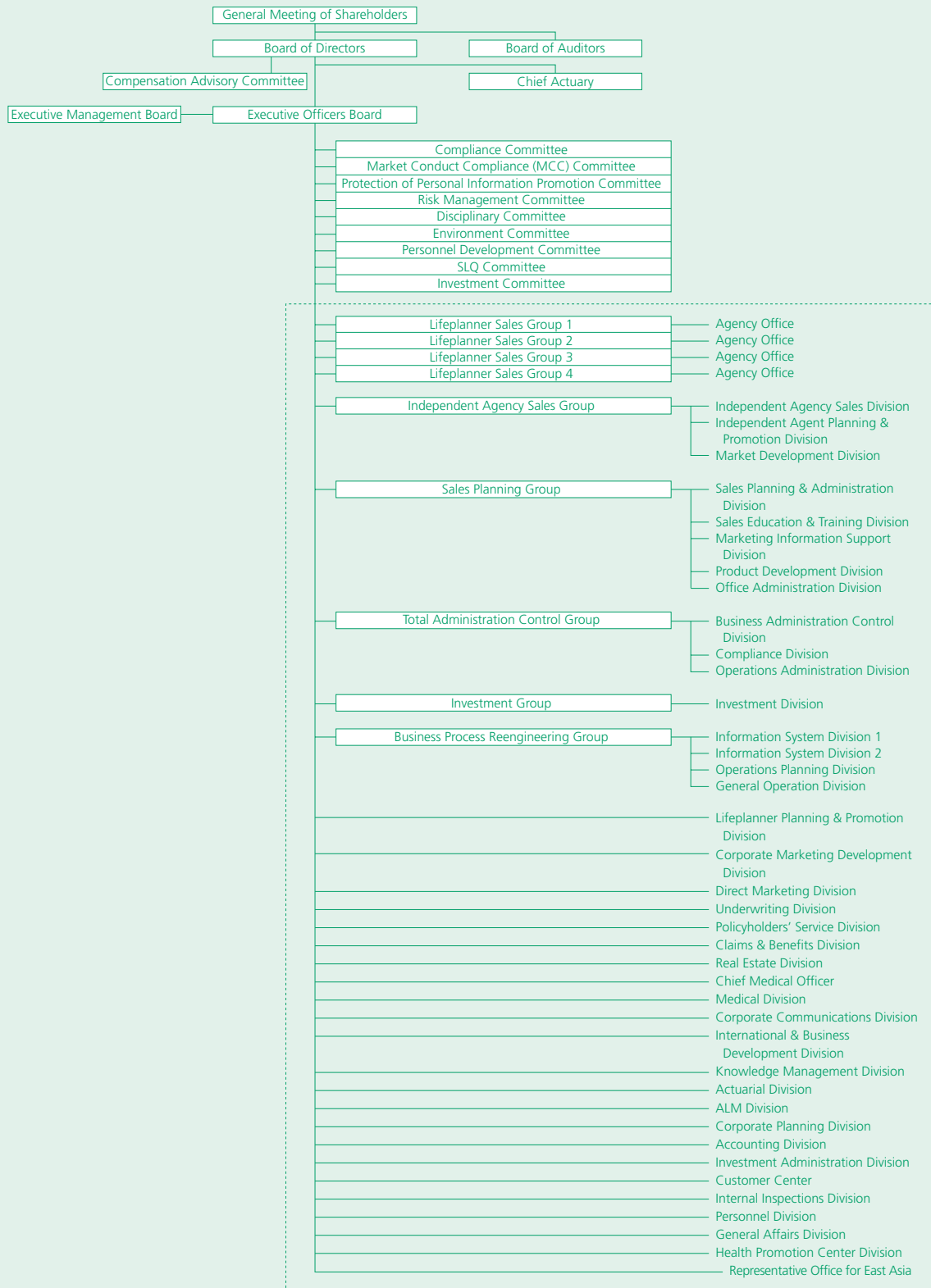
(As of March 31, 2005)

	Senior Management	Employees	Total
Sony Life	10	5,528	5,538
Sony Life and subsidiary	15	5,604	5,619

Notes: 1. Senior management includes directors and statutory auditors; executive officers of subsidiaries are counted as employees.
2. Employee figures exclude directors who are also employees, temporary workers, workers on short-term contracts and seconded employees.

Organizational Chart

(As of July 1, 2005)



Sony Assurance Inc.

Company Information

(As of July 1, 2005)

Company name:	Sony Assurance Inc.
Established:	June 10, 1998
Head office:	37-1, Kamata 5-chome, Ota-ku, Tokyo, Japan
Business:	Non-life insurance
Common stock:	¥20,000 million
Number of shares outstanding:	400,000 shares
Share ownership:	Sony Financial Holdings Inc. 100%

Senior Management

(As of July 1, 2005)

Directors and Statutory Auditors

Title	Name	Other concurrent responsibilities
President, Representative Director	Shinichi Yamamoto	Director of Sony Financial Holdings Inc.
Director	Yuro Fujiyama	
Director	Teruhisa Tokunaka	President and Representative Director of Sony Financial Holdings Inc., Director of Sony Life Insurance Co., Ltd.
Director	Hikomichi Fujikata	Executive Vice President and Representative Director of Sony Financial Holdings Inc., Director of Sony Life Insurance Co., Ltd.
Standing Statutory Auditor	Masamitsu Kaneda	Statutory Auditor of Sony Financial Holdings Inc.
Statutory Auditor	Hiroshi Sano	Standing Statutory Auditor of Sony Financial Holdings Inc., Statutory Auditor of Sony Life Insurance Co., Ltd.
Statutory Auditor	Masaya Takahashi	Deputy General Manager, Accounting Department of Sony Corporation

Number of Senior Management and Employees

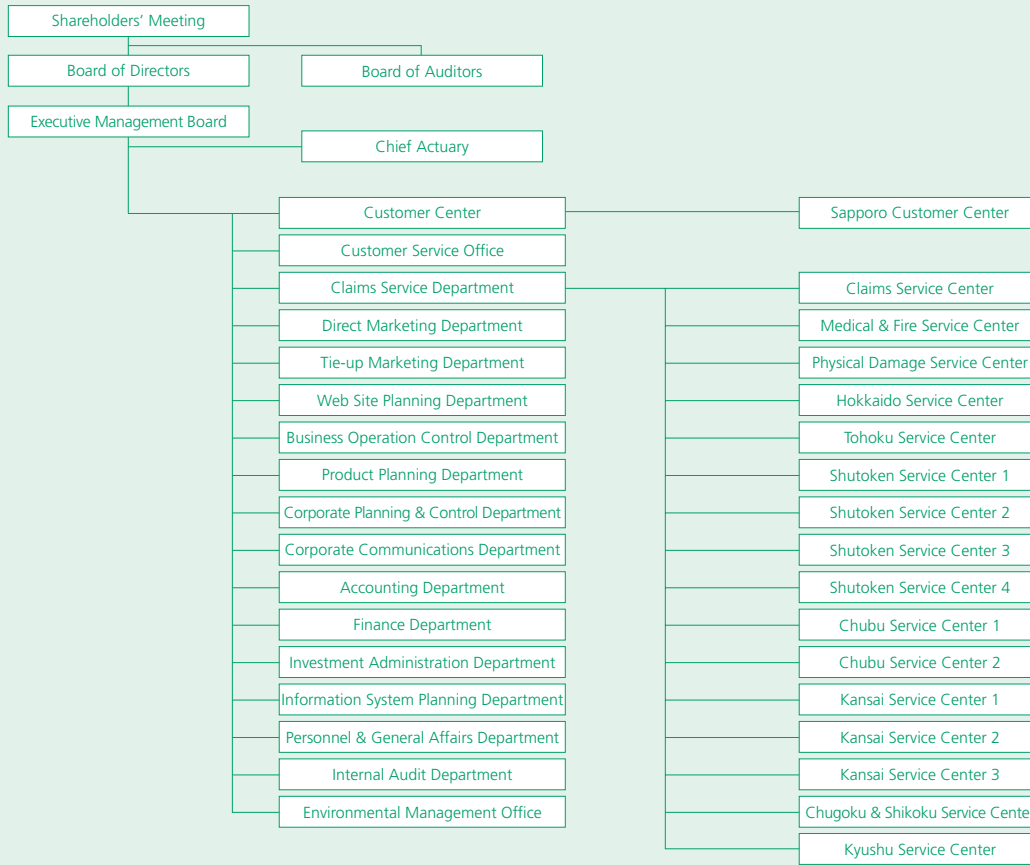
(As of March 31, 2005)

	Senior Management	Employees	Total
Sony Assurance	8	480	488

Note: Employees figure excludes directors who are also employees, temporary workers, workers on short-term contracts and seconded employees.

Organizational Chart

(As of July 1, 2005)



Sony Bank Inc.

Company Information

(As of July 1, 2005)

Company name:	Sony Bank Inc.		
Established:	April 2, 2001		
Head office:	9-11, Akasaka 2-chome, Minato-ku, Tokyo, Japan		
Business:	Banking		
Common stock:	¥23,750 million		
Number of shares outstanding:	475,000 shares		
Share ownership:	Sony Financial Holdings Inc.	84.2%	
	Sumitomo Mitsui Banking Corporation	12.6%	
	LabMorgan Investment Corporation (a unit of JPMorgan)	3.2%	

Senior Management

(As of July 1, 2005)

Directors and Statutory Auditors

Title	Name	Other concurrent responsibilities
President, Representative Director	Shigeru Ishii	Director of Sony Financial Holdings Inc.
Director	Hidehiko Nakamura	
Director	Masahiko Tokuyama	
Director	Tamotsu Iba	Advisor to Sony Corporation, Director of Sony Financial Holdings Inc.
Director	Hiroki Totoki	Senior Executive Vice President of Sony Communication Network Corporation
Director	Shinji Sugiyama	Director of Sony Financial Holdings Inc.
Director	Tetsuya Kawano	Representative in Japan and Director of J.P. Morgan Securities Asia Pte. Limited, Tokyo Branch
Director	Tohru Nakajima	Partner, Nagashima Ohno & Tsunematsu
Standing Statutory Auditor	Hiroshi Ueda	
Statutory Auditor	Fumio Kado	Deputy General Manager, Accounting Department of Sony Corporation
Statutory Auditor	Junichi Yoshikawa	Corporate Control Department of Sony Financial Holdings Inc.

Number of Senior Management and Employees

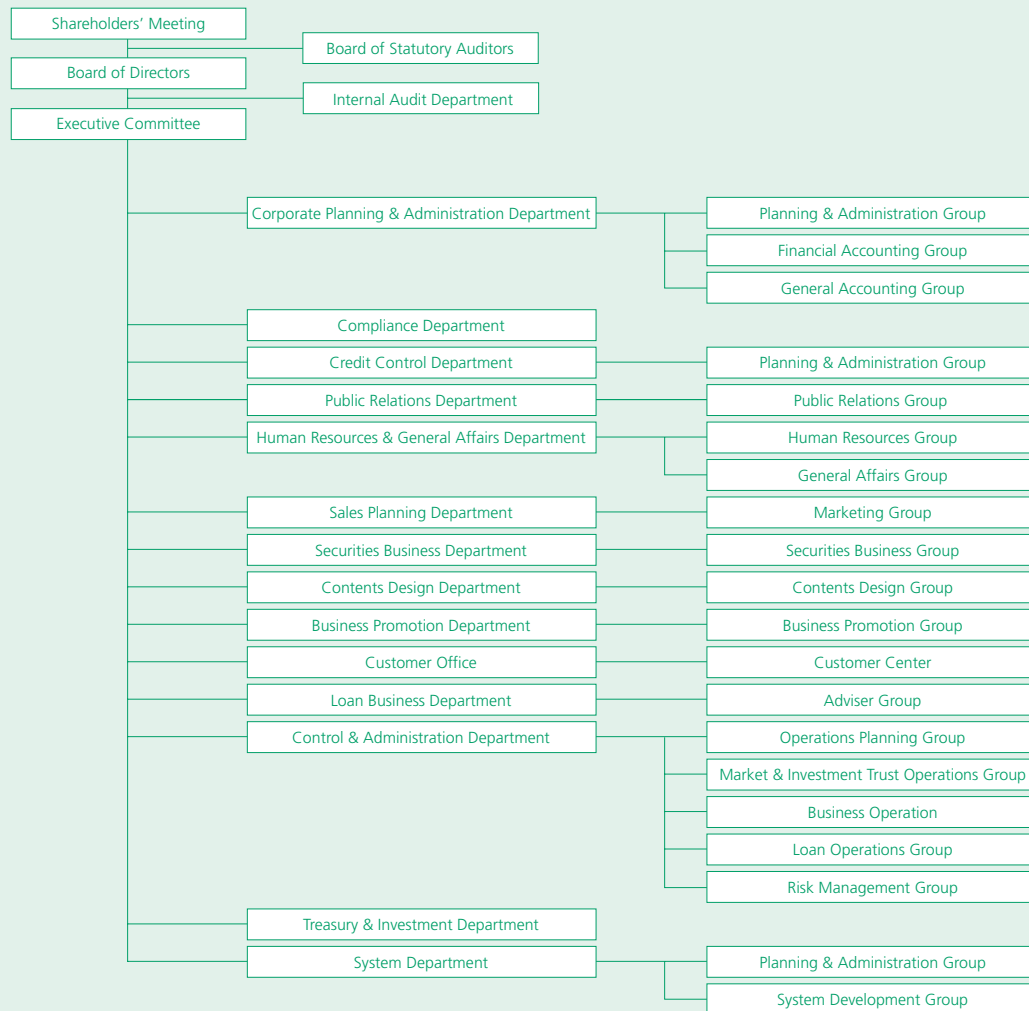
(As of March 31, 2005)

	Senior Management	Employees	Total
Sony Bank	9	100	109

Note: Employees figure excludes directors who are also employees, temporary workers, workers on short-term contracts and seconded employees.

Organizational Chart

(As of July 1, 2005)



Financial Data (Unaudited)

Sony Financial Holdings Inc. (SFH)

Consolidated Balance Sheet

As of March 31	(Millions of yen)
	2005
Assets:	
Cash and due from banks	75,811
Call loans and bills bought	303,796
Commercial paper and other debt purchased	1,998
Monetary trusts	515,229
Securities	2,058,456
Loans	206,305
Property and equipment	51,668
Due from agencies	5
Due from reinsurers	252
Foreign exchanges	4,659
Other assets	62,562
Deferred tax assets	1,710
Reserve for possible loan losses	(187)
Total assets	3,282,269
Liabilities:	
Policy reserve and others:	2,444,293
Reserve for outstanding claims	25,363
Policy reserve	2,418,194
Reserve for policyholders' dividends	735
Due to agencies	1,155
Due to reinsurers	781
Deposits	546,717
Call money and bills sold	24,600
Foreign exchanges	13
Other liabilities	45,543
Reserve for employees' bonuses	1,495
Reserve for employees' retirement benefits	10,492
Reserve for directors' retirement benefits	77
Reserve for price fluctuations	12,672
Deferred tax liabilities	6,029
Total liabilities	3,093,875
Minority interests:	
Minority interests	5,576
Stockholders' equity:	
Common stock:	5,500
Authorized—5,000,000 shares	
Issued —2,100,000 shares	
Capital surplus	180,877
Retained earnings	(59,232)
Land revaluation	(768)
Net unrealized gains on other securities, net of taxes	56,817
Foreign currency translation adjustments	(374)
Total stockholders' equity	182,817
Total liabilities, minority interests and stockholders' equity	3,282,269

See notes to the consolidated financial statements.

Consolidated Statement of Income

For the year ended March 31	(Millions of yen)
	2005
Ordinary revenues	653,259
Ordinary revenues from the life insurance business:	603,775
Income from insurance premiums	551,447
Insurance premiums	550,141
Ceded reinsurance commissions	1,306
Investment income	50,254
Interest and dividends	25,755
Income from monetary trusts, net	7,170
Income from trading securities, net	3,962
Gains on sale of securities	3,344
Gains on redemption of securities	2,393
Other investment income	4
Gains on separate accounts, net	7,623
Other ordinary income	2,072
Ordinary revenues from the non-life insurance business:	38,149
Underwriting income	37,862
Net premiums written	37,849
Interest and dividends on deposits of premiums	13
Investment income	275
Interest and dividends	274
Gains on sale of securities	14
Transfer to interest and dividends on deposits of premiums	(13)
Other ordinary income	10
Ordinary revenues from the banking business:	11,335
Interest income	6,563
Interest on loans	1,560
Interest and dividends on securities	4,416
Other interest income	587
Fees and commissions	799
Other operating income	3,946
Other ordinary income	25

(Continued)

For the year ended March 31	(Millions of yen)
	2005
Ordinary expenses	640,990
Ordinary expenses from the life insurance business:	587,052
Insurance claims and other payments	194,141
Insurance claims	62,136
Annuity payments	3,173
Insurance benefits	22,698
Surrender payments	101,649
Other payments and reinsurance premiums	4,482
Provision for policy reserve and others	299,508
Provision for policy reserve	299,508
Interest portion of reserve for policyholders' dividends	0
Investment expenses	5,115
Interest expenses	133
Losses on sale of securities	330
Devaluation losses on securities	217
Losses on redemption of securities	1,146
Losses from derivatives, net	342
Foreign exchange losses, net	58
Provision for reserve for possible loan losses	118
Depreciation of real estate for rent and others	558
Other investment expenses	2,209
Operating expenses	79,682
Other ordinary expenses	8,603
Ordinary expenses from the non-life insurance business:	40,666
Underwriting expenses	28,546
Net losses paid	17,463
Loss adjustment expenses	2,191
Net commission and brokerage fees	725
Provision for reserve for outstanding losses	1,967
Provision for underwriting reserve	6,198
Investment expenses	21
Losses on sale of securities	20
Losses on redemption of securities	1
Operating, general and administrative expenses	12,097
Other ordinary expenses	0
Ordinary expenses from the banking business:	13,272
Interest expenses	2,855
Interest on deposits	2,559
Other interest expenses	295
Fees and commissions	479
Other operating expenses	2,452
General and administrative expenses	6,902
Other ordinary expenses	582
Ordinary profit	12,269
Extraordinary gains	0
Gains on sale of property and equipment	0
Extraordinary losses	516
Losses on sale and disposal of property and equipment	74
Provision for reserve for price fluctuations	442
Provision for reserve for policyholders' dividends	519
Income before income taxes	11,233
Income taxes:	
Current	13,570
Deferred	(8,428)
Minority interests	284
Net income	6,375

See notes to the consolidated financial statements.

Consolidated Statement of Surplus

For the year ended March 31	(Millions of yen)
	2005
Capital Surplus:	
Balance at beginning of year	—
Additions:	180,877
Issuance of stocks	5,000
Establishment of SFH	175,877
Balance at end of year	180,877
Retained Earnings:	
Balance at beginning of year	—
Additions:	24,051
Net income	6,375
Adjustment of retained earnings for newly consolidated subsidiaries	17,675
Deductions:	83,283
Cash dividends paid	6,500
Adjustment of retained earnings for newly consolidated subsidiaries	76,783
Balance at end of year	(59,232)

See notes to the consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended March 31

(Millions of yen)

	2005
Cash flows from operating activities:	
Income before income taxes	11,233
Depreciation of real estate for rent and others	558
Depreciation and amortization	2,781
Amortization of goodwill	459
Increase in reserve for outstanding claims	1,762
Increase in policy reserve	305,707
Interest portion of reserve for policyholders' dividends	0
Provision for reserve for policyholders' dividends	519
Increase in reserve for possible loan losses	98
Increase in reserve for employees' retirement benefits	1,877
Increase in reserve for price fluctuations	442
Interest and dividends	(32,593)
Net (gains) losses on securities	(15,189)
Interest expenses	2,988
Net foreign exchange (gains) losses	(5,427)
Net (gains) losses on sale or disposal of property and equipment	71
Net (increase) decrease in loans	(63,361)
Net increase (decrease) in deposits	168,060
Net (increase) decrease in call loans and bills bought	(86,729)
Net increase (decrease) in call money and bills sold	(40,400)
Net (increase) decrease in foreign exchanges (assets)	1,488
Net increase (decrease) in foreign exchanges (liabilities)	7
Others, net	(3,879)
Subtotal	250,474
Interest and dividends received	41,612
Interest paid	(2,413)
Policyholders' dividends	(568)
Income taxes paid	(14,954)
Net cash provided by operating activities	274,150
Cash flows from investing activities:	
Investments in monetary trusts, net	(94,487)
Purchases of securities	(1,083,349)
Proceeds from sale and redemption of securities	906,646
Investments in loans	(37,146)
Collections of loans	28,653
Others, net	(1,151)
Subtotal	(280,835)
Purchases of property and equipment	(5,358)
Proceeds from sale of property and equipment	1
Net cash used in investing activities	(286,192)
Cash flows from financing activities:	
Proceeds from borrowings	15
Repayments of borrowings	(15)
Proceeds from issuance of stocks	10,000
Cash dividends paid	(6,500)
Net cash provided by financing activities	3,500
Effect of exchange rate changes on cash and cash equivalents	(2)
Net decrease in cash and cash equivalents	(8,544)
Cash and cash equivalents at beginning of year	262,513
Cash and cash equivalents at end of year	253,969

Notes: 1. The reconciliation of "Cash and cash equivalents" in the consolidated statement of cash flows to "Cash and due from banks" in the consolidated balance sheet is as follows:

Cash and due from banks:	¥ 75,811 million
Call loans of domestic life insurance subsidiary:	¥176,100 million
Securities of non-life insurance subsidiary:	¥ 32,932 million
Securities other than cash equivalents of non-life insurance subsidiary:	¥ (30,874) million
Cash and cash equivalents:	¥253,969 million

2. Cash flows from investing activities include cash flows from lending operations of the insurance business.

Notes to the Consolidated Financial Statements

For the year ended March 31, 2005

1. Basis of Presenting Consolidated Financial Statements

Sony Financial Holdings Inc. (the "Company") and its domestic subsidiaries maintain their accounting records and prepare their financial statements in Japanese yen in accordance with the provisions set forth in the Commercial Code of Japan, the Insurance Business Law of Japan and the Banking Law of Japan and in conformity with generally accepted accounting principles and practices in Japan, which are different in certain respects as compared to the application and disclosure requirements of generally accepted accounting principles and practices in the United States of America. The Company's overseas subsidiary maintains its accounting records and prepares its financial statements in conformity with generally accepted accounting principles and practices prevailing in its country of domicile.

The accompanying consolidated financial statements are prepared based on the consolidated financial statements of the Company and its subsidiaries (the "Companies") which were filed with the Financial Services Agency as required by the Insurance Business Law and the Banking Law. For the convenience of readers, the preparation is modified in certain respects from the original Japanese disclosed financial information.

2. Principles of Consolidation

- (1) Scope of consolidation
The number of consolidated subsidiaries: 4
Consolidated subsidiaries: Sony Life Insurance Co., Ltd.
Sony Life Insurance (Philippines) Corporation
Sony Assurance Inc.
Sony Bank Inc.
- (2) Application of the equity method
Not applicable
- (3) Fiscal year of consolidated subsidiaries
The financial statements of Sony Life Insurance (Philippines) Corporation are prepared with a fiscal year end of December 31. Appropriate adjustments are made for material transactions between December 31 and March 31, the date of the consolidated financial statements. All the other subsidiaries prepare their respective financial statements with a fiscal year end of March 31, the same as the date of the consolidated financial statements.
- (4) Valuation of assets and liabilities of consolidated subsidiaries
A portion of the assets and liabilities of consolidated subsidiaries are computed at fair value as of the respective dates when the subsidiaries were initially consolidated.
- (5) Amortization of goodwill
Goodwill is charged to income directly when incurred.
- (6) Appropriation of retained earnings
The consolidated statement of surplus is based on the appropriation of retained earnings approved at the shareholders' meeting during the consolidated fiscal year.

3. Summary of Significant Accounting Policies

- (1) Securities
Securities (including commercial paper and other debt purchased and monetary trusts) are stated in the following manner: Securities held for trading purposes ("trading securities") are stated at fair value. The cost of securities sold is determined by the moving-average method. Held-to-maturity securities are stated at amortized cost (straight-line method) using the moving-average method. Other securities designated as available-for-sale securities with fair value are stated at fair value at fiscal year end, and its cost of securities sold is determined by the moving-average method. Other securities designated as available-for-sale securities with no available fair value are stated at amortized cost (straight-line method) or at acquisition cost using the moving-average method. Net unrealized gains and losses on other securities above are reported, net of applicable income taxes, as a separate component of stockholders' equity.
- (2) Derivative financial instruments
Derivative financial instruments are stated at fair value.
- (3) Property and equipment
Primarily, depreciation is computed by the straight-line method for buildings and by the declining-balance method for other property and equipment.
- (4) Software for internal use
Capitalized software for internal use is amortized using the straight-line method over its estimated useful life of five years.
- (5) Deferred charges
Stock issuance costs are fully charged to income when incurred.
- (6) Reserve for possible loan losses
The reserve for possible loan losses is established in accordance with each company's Self-Assessment Guidelines and Write-offs and Reserve Guidelines. With respect to loans to borrowers subject to bankruptcy, court-guided rehabilitation or similar legal or formal proceedings, the Companies provide a specific reserve in the amount of the loan balance less amounts collectable from collateral, guarantees and by other means. For other loans, the Companies provide a general reserve by applying the historical loan loss ratio determined over a certain period. Each loan is subject to asset assessment by the operational departments in accordance with each company's Self-Assessment Guidelines, and the results of the assessment are reviewed by the internal audit departments, which are independent from the operational departments, before the reserve amount is finally determined.
- (7) Reserve for employees' bonuses
The reserve for employees' bonuses is provided for the payment of bonuses to employees, in the amount of estimated bonuses, which are attributable to the current fiscal year.
- (8) Reserve for employees' retirement benefits
The reserve for employees' retirement benefits is provided for the payment of retirement benefits to employees, in the amount deemed accrued at the fiscal year end, based on the projected retirement benefit obligation at the fiscal year end.
- (9) Reserve for directors' retirement benefits
The reserve for directors' and statutory auditors' retirement benefits of the domestic life insurance subsidiary is provided based on its internal regulations and calculated as the amount that would be payable if all eligible directors and statutory auditors were to resign at the fiscal year end.

- (10) Reserve for price fluctuations
Pursuant to requirements under the Insurance Business Law, the reserve for price fluctuations is provided for price fluctuations primarily related to stocks, bonds and foreign currency denominated assets which are exposed to losses due to market price fluctuations. This reserve may only be used to reduce deficits arising from price fluctuations on those assets.
- (11) Translation of foreign currencies
Assets and liabilities denominated in foreign currencies are translated into Japanese yen at the foreign exchange rates in effect at the fiscal year end.
- (12) Lease transactions
Finance leases that have not been deemed to transfer ownership of the leased property to the lessees are accounted for as operating lease transactions.
- (13) Hedge accounting
As for the hedge accounting method applied to hedging transactions for interest rate risk generated by financial assets and liabilities, the banking subsidiary applies deferred hedge accounting or fair value hedge accounting. Interest rate swaps are used as hedging instruments to offset fluctuations in interest rates on fixed-rate loans by identifying the hedged items via their grouping according to their maturity, in accordance with the "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in the Banking Industry" (Industry Audit Committee of Japanese Institute of Certified Public Accountants No. 24). Interest rate swaps and others are used as hedging instruments to offset fluctuations in the fair value of fixed-rate bonds, which are classified as other securities. Both of the above-mentioned hedging instruments are identified so that their significant terms are nearly identical to those of the hedged items. Accordingly, such hedges are considered as highly effective, resulting in a substitution for evaluating the effectiveness of the hedging transactions.
- (14) Accounting for consumption taxes
The consumption taxes received or paid by the Company and its domestic subsidiaries, excluding loss adjustment expenses and operating, general and administrative expenses of the non-life insurance subsidiary, are not included in income and expenses. Under the Consumption Tax Law of Japan, the consumption taxes paid on property and equipment, which is not deductible from the consumption taxes received, are deferred as "other assets" and amortized over a five-year period on a straight-line basis, while other non-deductible consumption taxes are charged as expenses in the period in which the consumption taxes are paid.
- (15) Policy reserve
Pursuant to Article 116 of the Insurance Business Law, the domestic life insurance subsidiary maintains a policy reserve for the fulfillment of future obligations under life insurance contracts, and the policy reserve is calculated in the following manner.
- Policies subject to the standard policy reserve apply the method stipulated by the Financial Services Agency (Ministry of Finance Directive 48, 1996).
 - Policies not subject to the standard policy reserve apply the net level premium method.
- (16) Application of consolidated tax provision
The consolidated tax provision, under which Sony Corporation is the parent company, is applied to the Company and its domestic subsidiaries wholly owned by Sony Corporation.
4. The balance of loans included the following "Risk-monitored loans" stipulated in the Banking Law.
- | | |
|------------------------------------|-------------|
| Bankrupt loans: | ¥— million |
| Non-accrual delinquent loans: | ¥ 0 million |
| Past due loans (3 months or more): | ¥— million |
| Restructured loans: | ¥— million |
- "Non-accrual delinquent loans" are loans on which accrued interest income is not recognized, excluding "Bankrupt loans" and loans on which interest payments are deferred in order to support the borrowers' recovery from financial difficulties.
5. The domestic life insurance subsidiary revalued its land for operating purposes, as permitted by the Land Revaluation Law (Law No.34, promulgated on March 31, 1998—the "Law"). The net revaluation losses are reported as "land revaluation" in stockholders' equity and the tax effect of this revaluation of land is accounted for in full in valuation reserve. The date of the revaluation was March 31, 2002, and the revaluation method stipulated by Article 3-3 of the Law was based on the land appraisal in conformity with Article 2-5 of the Law Enforcement Order related to the Law (Government Ordinance No. 119, effective from March 31, 1998). The difference between the fair value and the book value of land for operating purposes at the fiscal year end was ¥334 million.
6. Accumulated depreciation of property and equipment: ¥5,012 million.
7. The balance sheet included ¥200,996 million of assets and liabilities in equal amounts related to separate accounts, as stipulated in Article 118 of the Insurance Business Law.
8. Net assets per share: ¥87,056.14
The basis for this calculation is net assets of ¥182,817 million, of which the entire portion is applicable to common shares. The number of shares outstanding at fiscal year end was 2,100 thousand.
9. Net income per share: ¥3,069.93
The basis for this calculation is net income of ¥6,375 million, of which the entire portion is applicable to common shares. The weighted-average number of shares outstanding was 2,076 thousand.
10. The Company and its subsidiaries have office and computer equipment taken on lease contracts that are not included in property and equipment stated in the consolidated balance sheet.
11. The movement of the reserve for policyholders' dividends at the domestic life insurance subsidiary for the fiscal year is as follows:
- | | |
|---|--------------|
| Balance at beginning of year: | ¥783 million |
| Policyholders' dividends during the year: | ¥568 million |
| Increase in interest: | ¥ 0 million |
| Provision for reserve for policyholders' dividends: | ¥519 million |
| Balance at end of year: | ¥735 million |

12. The assets pledged as collateral consisted of the following.

Assets pledged as collateral:	
Securities:	¥39,417 million
Liabilities corresponding to the assets above:	
Call money and bills sold:	¥24,600 million

In addition to the assets presented above, the banking subsidiary pledged securities of ¥15,955 million as collateral for domestic exchange settlements and derivative transactions, initial margins for futures markets.

13. The fair value information on securities as of March 31, 2005, is as follows. In addition to "Securities" in the consolidated balance sheet, commercial paper and other debt purchased in "Commercial paper and other debt purchased" are included in the amounts of the following table.

Trading securities (Millions of yen)

Consolidated balance sheet amount	Valuation gains/losses charged to income
188,934	3,749

Held-to-maturity securities with fair value (Millions of yen)

	Consolidated balance sheet amount	Fair value	Net unrealized gains/losses	Unrealized gains	Unrealized losses
Bonds	25,585	26,037	451	465	13
Japanese government and municipal bonds	22,038	22,409	371	384	13
Japanese corporate bonds	3,547	3,627	80	80	0
Other	1,827	1,892	64	64	—
Total	27,413	27,929	516	529	13

Other securities with fair value (Millions of yen)

	Acquisition cost	Consolidated balance sheet amount	Net unrealized gains/losses	Unrealized gains	Unrealized losses
Bonds	1,418,336	1,467,374	49,038	50,374	1,335
Japanese government and municipal bonds	838,119	855,449	17,330	17,341	11
Japanese corporate bonds	580,216	611,925	31,708	33,032	1,324
Stocks	34,817	53,243	18,426	18,984	557
Other	305,535	313,457	7,922	9,014	1,092
Total	1,758,688	1,834,075	75,386	78,372	2,985

Other securities sold in the year ended March 31, 2005:

(Millions of yen)		
Sales amount	Gains on sales	Losses on sales
291,490	4,091	444

Other securities with no available fair value:

(Millions of yen)	
	Consolidated balance sheet amount
Stocks	5
Other	10,026
Total	10,031

The future redemption schedule of other securities with maturities and held-to-maturity securities is as follows:

(Millions of yen)				
	1 year or less	More than 1 year to 5 years	More than 5 years to 10 years	Over 10 years
Bonds	238,132	647,812	572,071	34,944
Japanese government and municipal bonds	104,899	310,208	450,971	11,408
Japanese corporate bonds	133,232	337,603	121,100	23,535
Other	49,278	170,746	48,985	6,414
Total	287,411	818,558	621,057	41,359

14. The fair value information on monetary trusts as of March 31, 2005, is as follows:

Monetary trusts for trading purposes (Millions of yen)

Consolidated balance sheet amount	Valuation gains/losses charged to income
123,010	(1,096)

Other monetary trusts (Millions of yen)

	Acquisition cost	Fair value	Net unrealized gains/losses	Unrealized gains	Unrealized losses
Other monetary trusts	379,546	392,218	12,672	13,592	920

Note: Jointly invested monetary trusts of ¥50 million are included in the above table.

15. All figures in the consolidated financial statements and notes are stated in millions of yen by discarding fractional amounts of less than ¥1 million.

Consolidated Capital Adequacy Ratio (domestic criteria)

The consolidated capital adequacy ratio is subject to the capital adequacy guidelines issued by the Financial Services Agency in Japan which closely follow the risk-adjusted approach proposed by the Bank for International Settlements (BIS).

The following table presents the consolidated capital adequacy ratio of Sony Financial Holdings Inc. under the guidelines.

As of March 31		(Millions of yen)
		2005
Tier I capital (Core capital)	[A]	181,326
	Common stock	5,500
	Capital surplus	180,877
	Retained earnings	(10,462)
	Minority interests	5,576
	Unrealized losses on other securities	164
Tier II capital (Supplementary capital)	[B]	44
	General reserve for possible loan losses	44
Deductions	[C]	145,881
Total capital	[A+B-C] [D]	35,489
Risk-adjusted assets	[E]	291,684
	On-balance item	291,194
	Off-balance item	490
Consolidated capital adequacy ratio	[D/E]	12.17%

Note: Pursuant to "Defining the Standards on the Consolidated Capital Adequacy Ratio under the Provision of Article 52-25 of the Banking Law (Ministry of Finance Directive 62, 1998)", insurance subsidiaries are excluded from calculation of the consolidated capital adequacy ratio.

Solvency Margin Ratio

The domestic insurance subsidiaries of Sony Financial Holdings Inc. are required to maintain an adequate solvency margin ratio by the Japanese regulatory authorities.

The following tables present the solvency margin ratio of Sony Life Insurance Co., Ltd. and Sony Assurance Inc.

Sony Life Insurance Co., Ltd.

As of March 31

(Millions of yen)

		2004	2005
Total solvency margin	[A]	370,746	416,666
Equity (less certain items) ^(Note)		74,411	78,013
Reserve for price fluctuations		12,225	12,666
Contingency reserve		17,700	34,451
Reserve for possible loan losses		0	0
Net unrealized gains/losses on other securities (before taxes) (× 90%, if gains; × 100%, if losses)		72,755	79,897
Net unrealized gains/losses on real estate (× 85%, if gains; × 100%, if losses)		(1,674)	(401)
Subordinated debt		—	—
Deductible items		—	—
Other		195,328	212,039
Total risk $\sqrt{R1^2 + (R2 + R3)^2} + R4$	[B]	51,022	63,269
Insurance risks	R1	28,806	44,855
Assumed interest risks	R2	10,404	10,494
Asset management risks	R3	30,019	31,622
Business management risks	R4	1,384	1,739
Solvency margin ratio $\{[A] / ([B] \times 1/2)\} \times 100 (\%)$		1,453.3 %	1,317.1 %

Note: Equity represents stockholders' equity on the balance sheets less estimated appropriation paid in cash, deferred assets, and net unrealized gains/losses on other securities.

Sony Assurance Inc.

As of March 31

(Millions of yen)

		2004	2005
Total solvency margin	[A]	16,615	15,845
Equity (less certain items) ^(Note)		14,046	12,065
Reserve for price fluctuations		5	6
Special catastrophe reserves		2,543	3,742
Reserve for possible loan losses		—	—
Net unrealized gains/losses on other securities (before taxes)		20	30
Net unrealized gains/losses on real estate		—	—
Subordinated debt		—	—
Deductible items		—	—
Other		—	—
Total risk $\sqrt{R1^2 + (R2 + R3)^2} + R4 + R5$	[B]	2,401	2,893
Ordinary insurance risks	R1	2,118	2,495
Assumed interest risks	R2	—	—
Asset management risks	R3	182	188
Business management risks	R4	75	89
Major catastrophe risks	R5	200	301
Solvency margin ratio $\{[A] / ([B] \times 1/2)\} \times 100 (\%)$		1,383.5 %	1,095.2 %

Note: Equity represents stockholders' equity on the balance sheets less estimated appropriation paid in cash, deferred assets, and net unrealized gains/losses on other securities.

(Reference)

Financial Data of Subsidiaries

Sony Life Insurance Co., Ltd. and Sony Life Insurance (Philippines) Corporation

Consolidated Balance Sheets

As of March 31	(Millions of yen)	
	2004	2005
Assets:		
Cash and deposits	66,388	51,620
Call loans	175,000	176,100
Monetary trusts	419,224	515,229
Securities	1,562,929	1,703,923
Loans	71,637	79,919
Property and equipment	46,476	50,793
Due from agencies	0	5
Due from reinsurers	960	184
Other assets	32,738	39,024
Reserve for possible loan losses	(107)	(142)
Total assets	2,375,249	2,616,658
Liabilities:		
Policy reserve and others:	2,114,288	2,413,543
Reserve for outstanding claims	17,913	17,708
Policy reserve	2,095,591	2,395,099
Reserve for policyholders' dividends	783	735
Due to agencies	1,038	1,155
Due to reinsurers	524	625
Other liabilities	95,967	32,090
Reserve for employees' retirement benefits	8,366	10,204
Reserve for directors' retirement benefits	46	77
Reserve for price fluctuations	12,225	12,666
Deferred tax liabilities	10,943	5,826
Total liabilities	2,243,400	2,476,191
Stockholders' equity:		
Common stock	65,000	65,000
Capital surplus	865	865
Retained earnings	15,512	19,181
Land revaluation	(768)	(768)
Net unrealized gains on other securities, net of taxes	51,577	56,564
Foreign currency translation adjustments	(337)	(374)
Total stockholders' equity	131,848	140,467
Total liabilities, minority interests and stockholders' equity	2,375,249	2,616,658

Consolidated Statements of Income

For the years ended March 31

(Millions of yen)

	2004	2005
Ordinary revenues	581,129	604,288
Income from insurance premiums	514,859	551,642
Investment income	64,890	50,254
Interest and dividends	24,488	25,755
Income from monetary trusts, net	7,951	7,170
Income from trading securities, net	154	3,962
Gains on sale of securities	2,353	3,344
Gains on redemption of securities	3,991	2,393
Gains from derivatives, net	2,245	—
Other investment income	1	4
Gains on separate accounts, net	23,702	7,623
Other ordinary income	1,379	2,390
Ordinary expenses	550,859	587,139
Insurance claims and other payments	191,542	194,141
Insurance claims	59,210	62,136
Annuity payments	2,435	3,173
Insurance benefits	19,836	22,698
Surrender payments	105,227	101,649
Other payments and reinsurance premiums	4,833	4,483
Provision for policy reserve and others	269,131	299,508
Provision for reserve for outstanding claims	4,652	—
Provision for policy reserve	264,478	299,508
Interest portion of reserve for policyholders' dividends	0	0
Investment expenses	3,606	5,115
Interest expenses	4	133
Losses on sale of securities	928	330
Devaluation losses on securities	—	217
Losses on redemption of securities	704	1,146
Losses from derivatives, net	—	342
Foreign exchange losses, net	21	58
Provision for reserve for possible loan losses	24	118
Depreciation of real estate for rent and others	612	558
Other investment expenses	1,309	2,209
Operating expenses	78,372	79,816
Other ordinary expenses	8,205	8,557
Ordinary profit	30,270	17,148
Extraordinary gains	4	0
Gains on sale of property and equipment	4	0
Extraordinary losses	6,332	515
Losses on sale and disposal of property and equipment	67	74
Provision for reserve for price fluctuations	6,264	441
Other extraordinary losses	1	—
Provision for reserve for policyholders' dividends	644	519
Income before income taxes	23,297	16,113
Income taxes:		
Current	14,966	13,934
Deferred	(5,394)	(7,989)
Minority interests	17	—
Net income	13,743	10,168

Consolidated Statements of Cash Flows

For the years ended March 31

(Millions of yen)

	2004	2005
Cash flows from operating activities:		
Income before income taxes	23,297	16,113
Depreciation of real estate for rent and others	612	558
Depreciation and amortization	695	717
Amortization of goodwill	171	—
Increase (decrease) in reserve for outstanding claims	4,652	(205)
Increase in policy reserve	264,478	299,508
Interest portion of reserve for policyholders' dividends	0	0
Provision for reserve for policyholders' dividends	644	519
Increase (decrease) in reserve for possible loan losses	(46)	118
Increase in reserve for employees' retirement benefits	1,645	1,838
Increase in reserve for directors' retirement benefits	46	31
Increase in reserve for price fluctuations	6,264	441
Interest and dividends	(24,488)	(25,755)
Net (gains) losses on securities	(30,814)	(15,286)
Interest expenses	4	133
Net foreign exchange (gains) losses	21	58
Net (gains) losses on sale or disposal of property and equipment	63	71
Net (increase) decrease in due from agencies	1	(5)
Net (increase) decrease in due from reinsurers	(229)	775
Net (increase) decrease in other assets (excluding those for investing and financing activities)	(18,281)	(1,119)
Net increase (decrease) in due to agencies	1,038	117
Net increase (decrease) in due to reinsurers	92	101
Net increase (decrease) in other liabilities (excluding those for investing and financing activities)	(2,051)	3,755
Others, net	(6,644)	(4,965)
Subtotal	221,176	277,522
Interest and dividends received	30,912	29,866
Interest paid	(4)	(133)
Policyholders' dividends	(569)	(568)
Others	961	888
Income taxes paid	(498)	(15,029)
Net cash provided by operating activities	251,976	292,545
Cash flows from investing activities:		
Investments in monetary trusts, net	(85,170)	(94,487)
Purchases of securities	(584,576)	(632,025)
Proceeds from sale and redemption of securities	409,713	441,467
Investments in loans	(29,578)	(37,146)
Collections of loans	24,424	28,653
Others, net	(557)	(1,151)
Subtotal	(265,745)	(294,689)
Purchases of property and equipment	(697)	(5,023)
Proceeds from sale of property and equipment	2	1
Net cash used in investing activities	(266,440)	(299,712)
Cash flows from financing activities:		
Proceeds from borrowings	—	15
Repayments of borrowings	—	(15)
Cash dividends paid	(9,391)	(6,500)
Net cash used in financing activities	(9,391)	(6,500)
Effect of exchange rate changes on cash and cash equivalents	(20)	(2)
Net decrease in cash and cash equivalents	(23,876)	(13,668)
Cash and cash equivalents at beginning of year	265,265	241,388
Cash and cash equivalents at end of year	241,388	227,720

Sony Assurance Inc.

Nonconsolidated Balance Sheets

As of March 31	(Millions of yen)	
	2004	2005
Assets:		
Cash and deposits	4,512	4,036
Securities	27,747	32,932
Property and equipment	96	95
Other assets	6,487	7,924
Deferred tax assets	1,277	1,696
Total assets	40,121	46,685
Liabilities:		
Policy reserves	22,583	30,750
Other liabilities	2,949	3,267
Reserve for employees' retirement benefits	185	225
Reserve for employees' bonuses	335	348
Reserve for price fluctuations	5	6
Total liabilities	26,059	34,598
Stockholders' equity:		
Common stock	20,000	20,000
Capital surplus	20,000	20,000
Retained earnings	(25,953)	(27,934)
Net unrealized gains on other securities, net of taxes	15	21
Total stockholders' equity	14,061	12,086
Total liabilities and stockholders' equity	40,121	46,685

(Reference)

Nonconsolidated Statements of Income

For the years ended March 31

(Millions of yen)

	2004	2005
Ordinary revenues	31,066	38,159
Underwriting income	30,793	37,862
Net premiums written	30,785	37,849
Interest and dividends on deposits of premiums	7	13
Investment income	212	275
Interest and dividends	215	274
Gains on sale of securities	4	14
Transfer to interest and dividends on deposits of premiums	(7)	(13)
Other ordinary income	60	21
Ordinary expenses	33,007	40,966
Underwriting expenses	21,097	28,606
Net losses paid	13,101	17,463
Loss adjustment expenses	2,022	2,191
Net commissions and brokerage fees	625	784
Provision for reserve for outstanding losses	881	1,967
Provision for underwriting reserve	4,463	6,198
Foreign exchange losses, net	3	—
Other underwriting expenses	—	0
Investment expenses	31	21
Losses on sale of securities	27	20
Losses on redemption of securities	4	1
Operating, general and administrative expenses	11,854	12,338
Other ordinary expenses	24	0
Ordinary loss	1,941	2,806
Extraordinary gains	5	—
Reversal of reserve for price fluctuations	5	—
Extraordinary losses	1	1
Losses on sale and disposal of property and equipment	1	—
Provision for reserve for price fluctuations	—	1
Loss before income taxes	1,937	2,807
Income taxes:		
Current	(60)	(402)
Deferred	(546)	(424)
Net loss	1,330	1,981

Nonconsolidated Statements of Cash Flows

For the years ended March 31

(Millions of yen)

	2004	2005
Cash flows from operating activities:		
Income (loss) before income taxes	(1,937)	(2,807)
Depreciation and amortization	420	499
Increase in reserve for outstanding losses	881	1,967
Increase in underwriting reserve	4,463	6,198
Increase (decrease) in reserve for possible loan losses	(1)	—
Increase in reserve for employees' retirement benefits	83	39
Increase in reserve for employees' bonuses	14	13
Increase (decrease) in reserves for price fluctuations	(5)	1
Interest and dividends	(215)	(274)
Net (gains) losses on securities	33	7
Net foreign exchange (gains) losses	3	—
Net (gains) losses on sale or disposal of property and equipment	1	—
Net (increase) decrease in other assets (excluding those for investing and financing activities)	(1,584)	(1,577)
Net increase (decrease) in other liabilities (excluding those for investing and financing activities)	168	311
Subtotal	2,326	4,380
Interest and dividends received	392	623
Income taxes received (paid)	14	77
Net cash provided by operating activities	2,733	5,081
Cash flows from investing activities:		
Purchases of securities	(21,098)	(16,823)
Proceeds from sale and redemption of securities	10,770	11,290
Subtotal	(10,327)	(5,533)
Purchases of property and equipment	(22)	(23)
Net cash used in investing activities	(10,350)	(5,557)
Cash flows from financing activities:		
Proceeds from issuance of stocks	10,000	—
Net cash provided by financing activities	10,000	—
Effect of exchange rate changes on cash and cash equivalents	—	—
Net increase (decrease) in cash and cash equivalents	2,382	(475)
Cash and cash equivalents at beginning of year	4,186	6,569
Cash and cash equivalents at end of year	6,569	6,094

(Reference)

Sony Bank Inc.

Nonconsolidated Balance Sheets

As of March 31	(Millions of yen)	
	2004	2005
Assets:		
Cash and due from banks	14,139	19,773
Call loans	40,966	127,696
Commercial paper and other debt purchased	20,949	1,998
Securities	333,421	321,600
Loans	63,023	126,385
Foreign exchanges	6,147	4,659
Other assets	10,245	15,648
Premises and equipment	602	741
Reserve for possible loan losses	(63)	(44)
Total assets	489,432	618,459
Liabilities:		
Deposits	378,850	546,717
Call money	65,000	—
Bills sold	—	24,600
Foreign exchanges	6	13
Other liabilities	18,033	11,403
Reserves for employees' bonuses	99	140
Reserves for employees' retirement benefits	39	62
Deferred tax liabilities	291	202
Total liabilities	462,321	583,140
Stockholders' equity:		
Common stock	18,750	23,750
Capital surplus	18,750	13,750
Retained earnings	(10,813)	(2,477)
Net unrealized gains on other securities, net of taxes	424	295
Total stockholders' equity	27,111	35,318
Total liabilities and stockholders' equity	489,432	618,459

Nonconsolidated Statements of Income

For the years ended March 31

(Millions of yen)

	2004	2005
Total income	7,406	11,353
Interest income	4,520	6,563
Interest on loans	990	1,560
Interest and dividends on securities	3,237	4,416
Other interest income	292	587
Fees and commissions	524	817
Other operating income	2,357	3,946
Other income	4	25
Total expenses	9,608	13,013
Interest expenses	1,136	2,855
Interest on deposits	1,001	2,559
Other interest expenses	135	295
Fees and commissions	521	677
Other operating expenses	1,988	2,452
General and administrative expenses	5,823	6,905
Other expenses	139	123
Loss before income taxes	2,202	1,659
Income taxes:		
Current	3	3
Net loss	2,206	1,663

Nonconsolidated Statements of Cash Flows

For the years ended March 31

(Millions of yen)

	2004	2005
Cash flows from operating activities:		
Income (loss) before income taxes	(2,202)	(1,659)
Depreciation and amortization	1,544	1,553
Impairment losses	45	66
Increase (decrease) in reserve for possible loan losses	40	(19)
Interest income	(4,520)	(6,563)
Interest expenses	1,136	2,855
Net (gains) losses on securities	1,192	89
Net foreign exchange (gains) losses	6,415	(5,485)
Net (increase) decrease in loans	(40,559)	(63,361)
Net increase (decrease) in deposits	129,873	168,060
Net (increase) decrease in call loans	(9,625)	(86,729)
Net increase (decrease) in call money	30,300	(40,400)
Net (increase) decrease in foreign exchanges (assets)	(349)	1,488
Net increase (decrease) in foreign exchanges (liabilities)	6	7
Interest received	6,317	11,122
Interest paid	(845)	(2,279)
Others, net	(2,447)	(2,233)
Subtotal	116,323	(23,489)
Income taxes paid	(3)	(3)
Net cash provided by (used in) operating activities	116,319	(23,493)
Cash flows from investing activities:		
Purchases of securities	(458,844)	(434,500)
Proceeds from sale of securities	46,931	132,877
Proceeds from redemption of securities	301,566	321,011
Purchases of premises and equipment	(104)	(260)
Net cash provided by (used in) investing activities	(110,450)	19,127
Cash flows from financing activities:		
Proceeds from issuance of stocks	—	10,000
Net cash provided by financing activities	—	10,000
Effect of exchange rate changes on cash and cash equivalents	—	—
Net increase in cash and cash equivalents	5,868	5,633
Cash and cash equivalents at beginning of year	8,270	14,139
Cash and cash equivalents at end of year	14,139	19,773

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Sony Financial Holdings

Sony Financial Holdings Group

 Sony Life  Sony Assurance  Sony Bank



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