

Annual Report

2007

Sony Financial Holdings Inc.

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Financial Highlights

Sony Financial Holdings Group

(Millions of yen)

	2003	2004	2005	2006	2007
Sony Financial Holdings (Consolidated)					
For the years ended March 31					
Ordinary revenues	—	—	653,259	758,711	759,280
Ordinary profit	—	—	12,269	25,377	18,354
Net income	—	—	6,375	11,537	10,021
As of March 31					
Total assets	—	—	3,282,269	3,917,048	4,323,780
Net worth	—	—	182,817	263,040	265,753

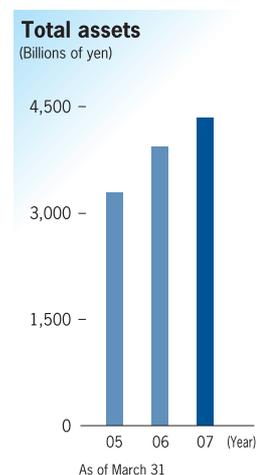
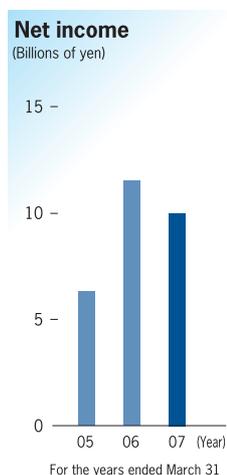
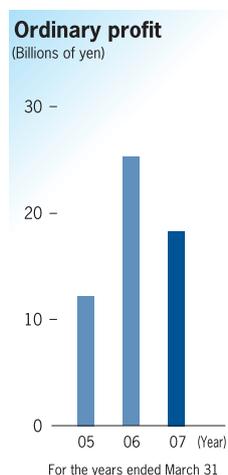
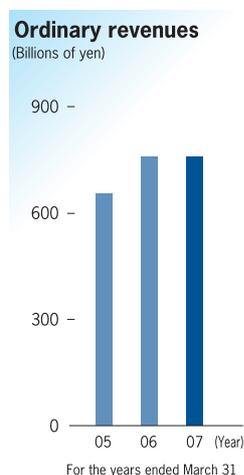
Sony Life (Non-consolidated)					
For the years ended March 31					
Ordinary revenues	524,089	580,972	604,093	696,426	689,591
Ordinary profit	18,557	30,478	17,070	24,359	14,895
Net income	11,269	13,932	10,102	9,616	7,494
As of March 31					
Total assets	1,981,897	2,375,828	2,617,266	3,103,241	3,445,970
Net worth	95,068	132,478	141,142	217,833	216,568

Sony Assurance					
For the years ended March 31					
Ordinary revenues	24,299	31,066	38,159	45,703	51,020
Ordinary profit (loss)	(4,185)	(1,941)	(2,806)	(764)	2,044
Net income (loss)	(11,386)	(1,330)	(1,981)	(441)	1,598
As of March 31					
Total assets	25,873	40,121	46,685	56,103	67,468
Net worth	5,372	14,061	12,086	11,709	13,320

Sony Bank					
For the years ended March 31					
Ordinary revenues	4,012	7,406	11,353	17,225	19,470
Ordinary profit (loss)	(4,466)	(2,202)	(1,659)	2,228	1,354
Net income (loss)	(4,470)	(2,206)	(1,663)	3,258	1,023
As of March 31					
Total assets	320,414	489,432	618,459	754,768	806,848
Net worth	29,201	27,111	35,318	34,715	36,878

Notes: 1. All figures above are stated in millions of yen after discarding fractional amounts of less than ¥1 million.
 2. "Net worth" as of March 31, 2007 is equal to "net assets" less "minority interests" as of that date. All other "net worth" figures are equal to "total stockholder's equity" at the relevant dates.

■ Sony Financial Holdings (Consolidated)

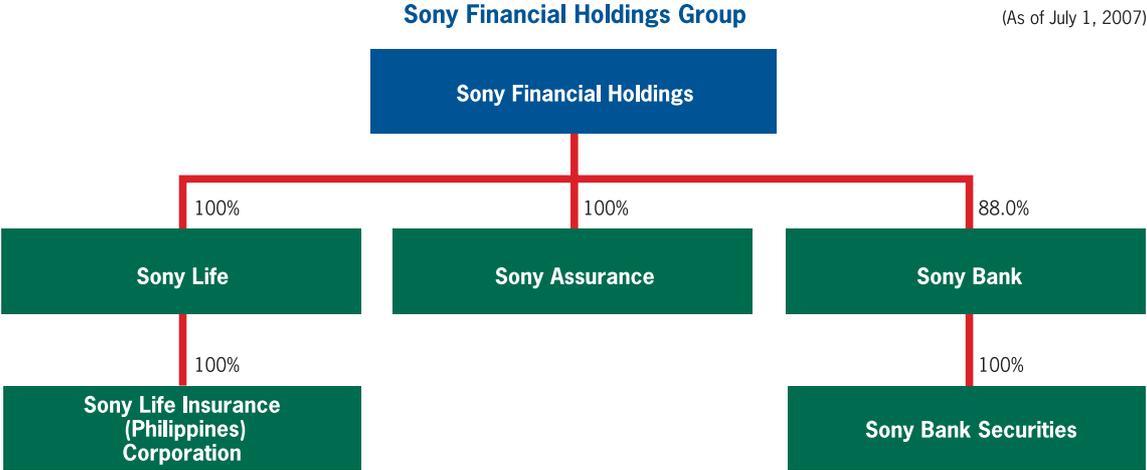


About the Sony Financial Holdings Group

We create new financial services by generating ideas from the fundamentals

Founded on April 1, 2004, the Sony Financial Holdings Group (SFH Group) became Japan's first financial group to offer life insurance, non-life insurance and banking services under one umbrella.

The SFH Group is a financial services group that consists of Sony Financial Holdings Inc. (SFH), Sony Life Insurance Co., Ltd. (Sony Life), Sony Assurance Inc. (Sony Assurance) and Sony Bank Inc. (Sony Bank), as well as other group companies.



* We are currently carrying out registration procedures for Sony Bank Securities, in line with applicable legal requirements, with the aim of commencing operations during the first half of FY2007.

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 Japan's 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 a 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.

Information on the Sony Financial Holdings Group Companies (As of July 1, 2007)

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
Total number of shares issued	2,100,000 shares
Share ownership	Sony Corporation 100%

Sony Life Insurance Co., Ltd.

Established	August 10, 1979
Head office	1-1, Minami Aoyama 1-chome, Minato-ku, Tokyo, Japan
Business	Life insurance business
Common stock	¥65,000 million
Total number of shares issued	65,000,000 shares
Share ownership	Sony Financial Holdings Inc. 100%

Sony Assurance Inc.

Established	June 10, 1998
Head office	37-1, Kamata 5-chome, Ota-ku, Tokyo, Japan
Business	Non-life insurance business
Common stock	¥20,000 million
Total number of shares issued	400,000 shares
Share ownership	Sony Financial Holdings Inc. 100%

Sony Bank Inc.

Established	April 2, 2001
Head office	9-11, Akasaka 2-chome, Minato-ku, Tokyo, Japan
Business	Banking business
Common stock	¥25,000 million
Total number of shares issued	500,000 shares
Share ownership	Sony Financial Holdings Inc. 88% Sumitomo Mitsui Banking Corporation 12%

Sony Life Insurance (Philippines) Corporation

Established	August 26, 1998
Head office	Makati City, Philippines
Business	Life insurance business
Common stock	937 million Philippine pesos
Total number of shares issued	9,370,000 shares
Share ownership	Sony Life Insurance Co., Ltd. 100%

Sony Bank Securities Inc.

Established	June 19, 2007
Head office	17-22, Akasaka 2-chome, Minato-ku, Tokyo, Japan
Business	Securities business
Common stock	¥1,500 million
Total number of shares issued	30,000 shares
Share ownership	Sony Bank Inc. 100%

* We are currently carrying out registration procedures for Sony Bank Securities, in line with applicable legal requirements, with the aim of commencing operations during the first half of FY2007.

Message from the Management



Teruhisa Tokunaka
President,
Representative Director
(Right)

Hiromichi Fujikata
Executive Vice President,
Representative Director
(Left)

FY2006 in Review

Established in April 2004, the year ended March 31, 2007 (FY2006) was the third fiscal year for the Sony Financial Holdings Group (SFH Group). The SFH Group aims to provide individual customers with high-value-added products and quality services, and our ultimate goal is to become one of Japan's most trusted financial services groups. In FY2006, Sony Life Insurance Co., Ltd. (Sony Life), Sony Assurance Inc. (Sony Assurance) and Sony Bank Inc. (Sony Bank)—subsidiaries of SFH—steadily continued to strengthen and expand their businesses. FY2006 was truly a year of laying the steppingstones for future growth strategies.

The SFH Group's life insurance business is handled by Sony Life. In June 2006, Taro Okuda was appointed president of Sony Life, where he continues to promote "Lifeplanner Value." Lifeplanner Value describes the value that only Sony Life can provide, through Lifeplanner sales employees and Partners (independent agencies) who offer protection products that are tailored to each individual's life plan by taking a consulting-based sales approach, and then providing finely tuned after-sales follow-up services as they guide customers along each of life's milestones.

In August 2006, to increase processing convenience for customers Sony Life became the first in the Japanese life insurance industry to introduce a new policy-writing

procedure that allows customers to post payment by bank transfers, in cashless settlements, beginning from the initial premium payment. In addition, in September 2006 Sony Life opened a showroom, called Life Planning SQUARE, within the Ginza Sony building in Tokyo to help more potential customers to enjoy and learn the importance of life planning.

The aging of Japanese society is placing a growing demand on the field of nursing care. In September 2006, Sony Life entered into a tie-up with Watami Co., Ltd., which is promoting the nursing care business. Through this alliance, Sony Life will develop life insurance products that reflect direct feedback from nursing care sites, and Sony Life's Lifeplanner sales employees will provide a variety of information concerning nursing care. Furthermore, in January 2007 Sony Life and AEGON N.V. of the Netherlands announced a basic agreement to begin preparations to establish a joint venture in Japan in the individual annuities business.

In the non-life insurance business, Sony Assurance, which operates on the business model of a direct insurance company communicating with customers directly over the telephone and via the Internet, continued to focus on offering reasonable, high-quality insurance services. To offer its customers "a difference that could only come from Sony Assurance," the company

listens carefully to its customers, and by improving communications with its customers seeks to provide services that support them. As an example of these initiatives, in April 2006 the company established the “Customers and Sony Assurance Communication Site” (<http://from.sonysonpo.co.jp/>) (Japanese only). The site shows the results of customer surveys conducted after the resolution of accidents (Customer Evaluations) and customer opinions (Our Customers' Voices). The site also outlines the company's progress toward its goal of zero customer dissatisfaction (Working toward Zero Dissatisfaction) and helpful information concerning insurance (Insurance Promenade). Furthermore, in order to promote the high-quality and prompt resolution of automobile accidents, in October 2006 Sony Assurance initiated a service commitment to all automobile insurance policyholders to provide an initial response by an appointed staff member within three hours* of receiving an accident report.

Sony Assurance operates under the slogan, “Feel the Difference—a difference that will change insurance.” The company seeks to provide customers with valuable products that are distinctive—offering a difference that could only come from Sony Assurance. Sony Assurance will seek to provide services to customers based on this deeply held commitment. In this manner, the company has continued to raise its level of customer service while appropriately controlling operating expenses. As a result, in FY2006 Sony Assurance recorded profits on a full-year basis for the first time since commencing operations in 1999. We believe that this move into the black by Japan's leading direct insurance provider speaks to strong customer support for the direct insurance business model.

In the banking business, Sony Bank provides highly convenient quality products and services to individual customers over the Internet, with a focus on retail asset management. Looking at products and services introduced in FY2006, in June 2006 the bank launched a mobile banking service on the concept of “the bank that you carry with you.” In this way, the bank seeks to provide an assortment of highly convenient services via mobile phone that are available essentially 24 hours a day, 365 days a year. To meet the financial needs of a broader customer base, in October 2006 Sony Bank reviewed the merchantability of its card loans and started offering new card loans in an alliance with GE Consumer Finance Co., Ltd.

In December 2006, Sony Bank began an ATM affiliation with Seven Bank, Ltd. that allows customers to access their Sony Bank accounts via Seven Bank ATMs at Seven-Eleven convenience stores and other locations throughout Japan—in principle 24 hours a day, 365 days a year and free of ATM fees.

In line with recent financial developments such as the Bank of Japan's ending of its zero interest rate policy and rising interest rates, Sony Bank raised its interest rates on ordinary yen deposits in July 2006 and again in February 2007. These increases indicate Sony Bank's ongoing commitment to offering rates that respond to market changes in a timely manner. Furthermore, in June 2007 Sony Bank established Internet-based Sony Bank Securities Inc.,** as its securities subsidiary. Through this new subsidiary, Sony Bank plans to provide its customers with full-fledged securities brokerage services that allow them to invest in securities with peace of mind.

FY2006 Consolidated Operating Results of the SFH Group

In FY2006, the SFH Group posted consolidated ordinary revenues of ¥759.2 billion, up 0.1% from the previous fiscal year. The non-life insurance and banking businesses delivered higher ordinary revenues, but ordinary revenues from the life insurance business decreased, primarily due to a decrease in gains on separate accounts compared with the previous fiscal year, when Japanese stock prices rose significantly.

Consolidated ordinary profit decreased 27.7% from the previous fiscal year, to ¥18.3 billion, for reasons including an increase in the policy reserve in the life insurance business. Although the decrease in ordinary profit was partially offset by a decline in extraordinary losses, net income dropped 13.1% year on year, to ¥10.0 billion. Thus, the impact of the Japanese stock market and the increased policy reserves caused a decrease in ordinary profits and net income compared with the previous term, but we consider our ongoing performance to be solid from an operational point of view.

In the life insurance business, results related to sales of insurance policies were solid. Sales of insurance products for corporate customers and nursing care protection products for individuals were robust, and new policy amount (the total of individual life insurance and individual annuities) grew 1.1% from the previous fiscal year, to ¥3,429.4 billion. Policy amount in force (the total

of individual life insurance and individual annuities) also grew steadily, rising 4.0% from the end of the previous fiscal year, to ¥30,244.4 billion. The lapse and surrender rate*** (individual life insurance) for the year remained low, at 5.90%. Embedded value as of March 31, 2007 amounted to ¥900.5 billion, a solid increase from ¥776.1 billion at the end of the previous fiscal year.

In the non-life insurance business, net premiums written showed a solid increase, centering on automobile insurance, Sony Assurance's mainstay product. In addition to this rise, substantial improvement in the net expense ratio contributed to turning the ordinary loss in the previous fiscal year into an ordinary profit of ¥2.0 billion, an improvement of ¥2.8 billion. Sony Assurance moved into the black with net income of ¥1.5 billion.

In the banking business, the balance of customer assets—the total of deposits and investment trusts—amounted to ¥848.8 billion on March 31, 2007, up 25.7% from the end of the previous fiscal year. The loan balance was ¥284.7 billion, up 18.9% year on year, also showing steady growth. As a result, the bank operated in the black for the second consecutive fiscal year.

Aiming for the SFH Group's Further Growth

While respecting the management independence of the companies under its umbrella, SFH works to design and implement integrated and comprehensive group-wide financial business strategies by developing integrated services that can be deployed across the SFH Group and promoting functional synergies. In addition to Sony Life, Sony Assurance and Sony Bank, we welcome new members to the Group—the new securities company and the joint venture to be established by Sony Life specializing in individual annuities—and commit to realizing our vision of integrating the diverse financial functions of our group companies. When formulating the SFH Group strategy, we aim to ensure the financial soundness of each company, placing a priority on protecting the interests of our customers and working to enhance the value of the SFH Group.

Alliances within the SFH Group progressed steadily during FY2006. For example, sales of Sony Assurance's automobile insurance through Sony Life's Lifeplanner sales employees generated stable results and the number of policies sold accounted for approximately 10% of Sony Assurance's new policies in the year. Sony Life's Lifeplanner sales employees were also successful in introducing Sony Bank's mortgage loans, accounting for approximately 15% of the balance of new Sony Bank mortgage loans during the year. We will explore ways to strengthen these business tie-ups. In FY2007, we will work to expand the business of SFH's subsidiaries further, and at the same time we will foster additional tie-ups within the SFH Group.

We apologize sincerely for instances that came to light during FY2006 involving insurance companies that operate under SFH inadvertently failing to pay certain claims, giving customers insufficient guidance for making requests for claim payments, and charging incorrect amounts for premium payments. We are implementing a variety of measures and putting forth every effort to prevent a recurrence.

In FY2007, the SFH Group will work further to reinforce its management structure and expand its operations. We would like to thank all of our stakeholders for your ongoing support and look forward to your continued cooperation.

June 29, 2007



Teruhisa Tokunaka
President, Representative Director



Hiromichi Fujikata
Executive Vice President, Representative Director

* This response time is in the event of an accident that is reported on a weekday, between 9 a.m. and 5 p.m. This response time excludes cases in which it is inappropriate to respond to the customer within this period, for instance the case when a customer designates the time for a response.

** We are currently carrying out registration procedures for Sony Bank Securities, in line with applicable legal requirements, with the aim of commencing operations during the first half of FY2007.

*** The lapse and surrender rate is expressed as a ratio of cancellations or lapses that is modified due to the reduction, increase and reinstatement of the total policy amount in force.

Corporate Governance

The SFH Group positions its corporate vision and philosophy 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 Japan’s 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 applicable laws and regulations. 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 group-wide compliance and risk management.

SFH’s Board of Directors* comprises eight directors. Of these, two are SFH’s representative directors, three

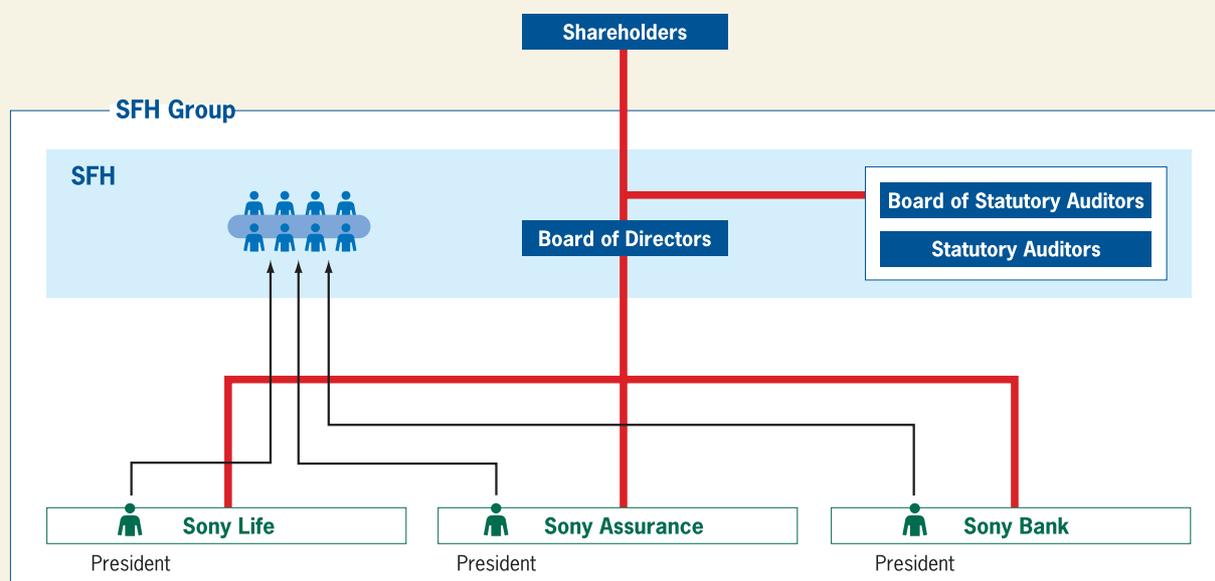
are representative directors of subsidiaries within the SFH Group, two are Corporate Executive Officers of Sony Corporation, and one is an outside director. This structure is designed to ensure and expand the trustworthiness of the SFH Group.

The Board of Statutory Auditors* comprises five statutory auditors, of which three are outside 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 operations and financial conditions of the Company and supervising 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, 2007

Corporate Governance Structure



Compliance

SFH Group Compliance Systems

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

Each of the companies in the SFH Group is strengthening its compliance systems and promoting compliance activities, in line with its particular type of business and scale of operations.

SFH supervises and manages the compliance activities of each company in the SFH Group, ensuring their appropriateness and playing a role in strengthening compliance systems throughout the SFH Group.

SFH Group Compliance Initiatives

At SFH, the Board of Directors is responsible for establishing a compliance program to enhance the compliance systems of each company in the SFH Group, and the Board has created and revises a compliance manual that outlines these activities. By confirming the progress of the compliance program, SFH's Board of Directors strengthens compliance systems. In addition, SFH monitors its group companies' compliance checking systems and compliance activities through each company's Board of Directors' and other meetings. SFH also holds SFH Group Compliance Meetings to confirm each group company's compliance systems and share information.

SFH's Corporate Control Department acts as a compliance division, taking overall control of compliance activities. In line with the compliance program, the department also performs compliance checks and conducts training to raise awareness of compliance and ensure adherence to applicable laws and statutes.

Hotline System

Each company in the SFH Group has its own internal hotline system. SFH acts as the SFH Group hotline and confirms the operational status of each company's hotline system.

Sony Corporation also maintains a hotline covering the entire Sony Group. This hotline works in tandem with the hotline systems of the SFH Group, responding to reported items as appropriate.

Risk Management

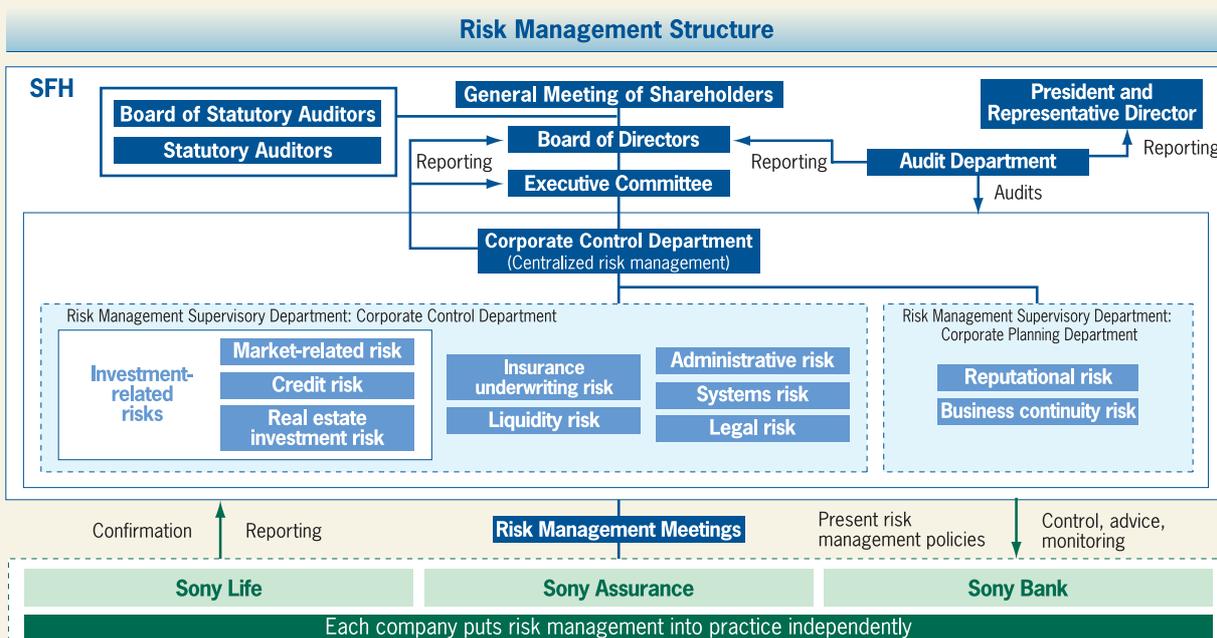
One of SFH's roles as a financial holding company is to concentrate management resources and strengthen group-wide risk management in an integrated manner. The SFH Group's basic policy on risk management is described below.

SFH's Basic Policy on Group Risk Management

- As a financial holding company, we enhance the corporate value of the Group by aligning risk management with group-wide strategic objectives and management policies, while tailoring each operating subsidiary's risk management activities to the types of risk inherent in its specific business lines.
- We adopt all necessary supplemental measures to ensure effective risk management, while confirming each operating subsidiary's responsibility for establishing risk management policies to achieve its own management objectives.
- As a financial holding company, SFH takes steps to eliminate excessive concentrations of risk in specific areas, establish appropriate controls over intra-group transactions and control the spread of risk within the 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 by 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 below.

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

The types and definitions of the risks that SFH and its subsidiaries manage are indicated below.

As outlined below, each Group company creates its own risk management system in line with its own scale, characteristics and type of business, optimizing its system for its own types and definitions of risk.

In accordance with changes in the operating environment and other factors, risk management departments review the risk types and definitions set forth below, adding to and changing this information as appropriate.

- **Market-related risk**, which we define as the risk of loss due to changes in the value of our assets, including off-balance-sheet assets such as derivative instruments, as a result of unfavorable fluctuations in interest rates, the value of securities, exchange rates and other factors.
- **Credit risk**, which we define as the risk of loss due to a decline in the value of our assets, including off-balance-sheet assets such as derivative instruments, as a result of deterioration in the financial position of the issuers of the debt obligations we hold or the counterparties to the derivatives and other contracts we have entered into.
- **Real estate investment risk**, which we define as the risk of loss due to a decline in the market value of our real estate or to a decline in the profitability of our real estate because of unfavorable changes in market rents or other factors.
- **Liquidity risk** includes:
 - **Cash flow risk**, which we define as the risk of loss due to our inability make cash payments when due because of an inability to maintain sufficient cash reserves, as well as the risk of loss if we are forced to raise funds under unfavorable conditions in order to obtain cash to meet our payment obligations.
 - **Market liquidity risk**, which we define as the risk of loss due to an inability to conduct market transactions, in particular from an inability to change our market position at a given time, as well as the risk of loss if we are forced to complete transactions under unfavorable market conditions, in each case due to market turmoil or other factors.
- **Insurance underwriting risk**, which we define as the risk of loss due to significant differences between the assumptions we use to establish appropriate premium levels, including assumptions regarding the expected frequency and scale of insured events and future economic conditions.
- **Administrative risk**, which we define as the risk of loss due to errors, misconduct, malfunctions and other factors related to problems with our internal administrative processes.
- **Systems risk**, which we define as the risk of loss arising from malfunctions, breakdowns, improper use or information leaks related to problems with our technology and other systems.
- **Legal risk**, which we define as the risk of loss due to violations of applicable laws, rules and regulations occurring during the course of our business operations, as well as the risk of loss due to litigation. In particular, we are exposed to legal risk with respect to:
 - the provision of services, including the introduction of new businesses, products and services;
 - our entry into various legal agreements, as well as the renewal, amendment, termination or rescission of such agreements; and
 - various legal and administrative proceedings.
- **Reputational risk**, which we define as the risk of loss resulting from harm to our reputation in the market and among customers as a result of unethical behavior, unfair business practices, improper disclosure or other factors.
- **Business continuity risk**, which we define as the risk of an inability to continue our business operations as the result of a deterioration in our financial condition, liquidity problems, system failures, scandals, accidents, natural disasters and other crises.

Risk management systems at SFH Group companies are as follows.

Sony Life's Risk Management System

Amid the rapid liberalization and internationalization of financial markets, the activities of life insurance companies are becoming increasingly diverse and complex. For such companies, the optimal management of various risks—such as investment risk, insurance underwriting risk, operational risk, and legal risk—becomes more and more important every year. The various transactions that life insurance companies undertake carry inherent risks that cannot be completely avoided. Moreover, simply minimizing such risks is insufficient. Instead, it is necessary to grasp the nature of each type of risk, implement suitable controls and make preparations to ensure appropriate returns that are commensurate to the related risks, while also responding flexibly to the evolution of risk management techniques.

Sony Life works continuously to enhance its risk management organization. In the fiscal year ended March 31, 2007, Sony Life revised its risk management policies and risk categories and implemented policies to strengthen its administrative processes relating to payments to policyholders, such as the disbursement of insurance claims. Sony Life has also undertaken an evaluation of risks related to new business activities at the retail locations that its customers visit.

Furthermore, Sony Life often holds meetings of its Risk Management Committee, which is composed of general managers of the several divisions responsible for the Company's risk management, to discuss various company-wide risk management issues.

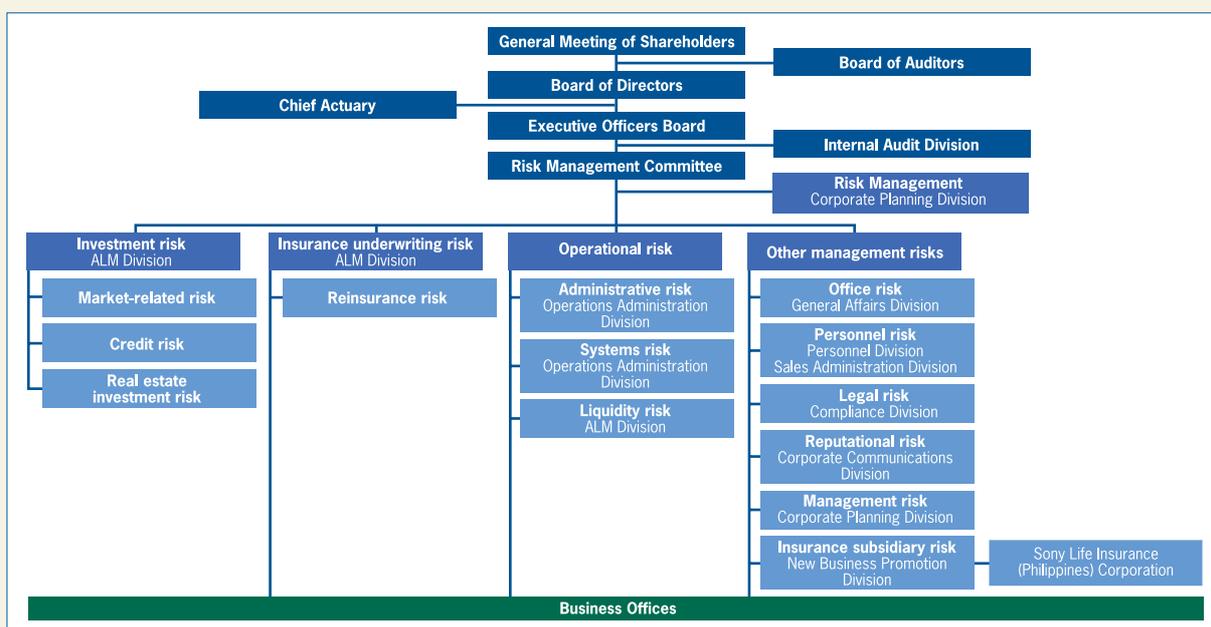
Sony Life also conducts stress tests and reports the results of those tests to its Executive Officers Board in order to evaluate the possible impact on its financial soundness of future unprofitability, and takes additional management and/or financial measures as necessary. As one aspect of its investment risk management activities, Sony Life conducts stress tests based on a worst-case scenario that exceeds normal market fluctuations, whereby interest rates, share prices and currency exchange rates all drop to historic lows. As one aspect of its insurance underwriting risk management activities, Sony Life performs stress tests during new product development that assume fluctuations in income and expenses.

In its Risk Management Manual, Sony Life sets forth its fundamental approach to risk management and the methods for applying its risk management policies, with full consideration of the specific characteristics of each type of risk.

Sony Life's Basic Risk Management Policy

By strengthening its risk management capabilities and executing optimal risk controls, Sony Life aims to ensure the soundness and appropriateness of its operations and to protect the interests of policyholders. In this way, Sony Life will improve its reputation as a trustworthy and credible life insurance company and thus fulfill its responsibility to society.

Risk Management Structure



Specific Risk Management Procedures

■ Investment risks

Investment risks can generally be divided into market-related risk, credit risk and real estate investment risk. With respect to investment risks, Sony Life manages its asset allocation in accordance with internal regulations established in light of the importance of managing balance between assets and liabilities comprehensively, the specific characteristics of its liabilities and the need to maintain appropriate levels of capital. Sony Life involves its front-office and middle-office personnel in its risk monitoring activities and revises its risk management policies and procedures in light of evolving risk management practices in the life insurance industry.

• Market-related risk

Sony Life strives to maintain an investment portfolio that will provide stable medium- to long-term returns in light of the specific characteristics of its investment assets, including stability, liquidity, profitability and other factors. In addition, Sony Life establishes limits, as it deems necessary, as a means of controlling the magnitude of potential market-related losses.

• Credit risk

Sony Life exercises care in evaluating the credit quality of issuers when investing in debt obligations and strives to diversify its portfolio to avoid risks associated with concentrating its investments in the debt obligations of a small number of issuers or within particular industries. In addition, Sony Life strives to ensure the stability of its investments through self-assessment of the credit quality of its assets in accordance with internal regulations, establishing reserves and recording write-offs as appropriate.

• Real estate investment risk

In light of the low liquidity and large capital commitments that characterize real estate investments, Sony Life establishes objective standards to evaluate real estate investments and takes care to diversify its real estate investments in terms of timing and geographical location. In addition, in an effort to ensure the quality of its real estate investment portfolio, Sony Life manages each property individually and sells off properties that produce investment returns below minimum pre-determined levels or for which unrealized losses exceed pre-determined "alarm points."

■ Insurance underwriting risk

With regard to insurance underwriting risk, Sony Life conducts appropriate insurance portfolio management, such as establishing policy limits as necessary on each type of insurance in line with accumulated policy reserves and capital levels. In addition, for each product it sells, the company maintains underwriting standards, reinsurance standards and reinsurance company selection standards, as well as criteria for the improvement or elimination of these standards. These internal regulations are clearly established and periodically reviewed.

Concerning reinsurance risk, Sony Life's policies on insurance in force and reinsurance provide controls intended to ensure that, in cases where underwritten risks exceed limits on insurance in force, excess risk is adequately managed through the appropriate use of reinsurance.

■ Operational risk

Operational risk consists of administrative risk, systems risk and liquidity risk, each of which is described below.

• Administrative risk

Sony Life strives to continually improve its internal administrative processes to reduce risk by carefully analyzing the underlying causes of failures in administrative processes, undertaking evaluations of existing risk management procedures, and developing and communicating to its employees detailed internal regulations and providing manuals governing risk management procedures. Further, as part of its efforts to prevent the recurrence of past failures in administrative processes, Sony Life has implemented a self-assessment program for its internal departments and undertakes periodic audits of its administrative risk management activities. Sony Life has also developed internal regulations regarding the monitoring of third-party service providers as part of its efforts to control administrative risks relating to such providers.

• Systems risk

Sony Life separately manages the systems risk associated with its operation of existing information technology and other systems from those associated with the development of new information technology and other systems. Sony Life analyzes recent failures, threats and vulnerabilities affecting its existing systems infrastructure when determining its future systems needs. Sony Life also undertakes periodic testing of its systems to ensure appropriate risk management. With regard to systems risks relating to third-party service providers, Sony Life has developed internal regulations regarding the monitoring of third-party service providers. Sony Life has also developed a contingency plan to govern its response to potential disasters that may affect its ability to continue its operations.

• Liquidity risk

Sony Life aims to minimize its holding of low-liquidity assets and to adopt, and periodically review, internal regulations clarifying the methods for managing, reporting and settling cash payments in light of its immediate liquidity needs.

■ Other risks

Other risks include legal risks, such as the risk of loss resulting from Sony Life conducting its operations in a manner that violates applicable laws, rules or regulations, and the risk of loss resulting from Sony Life's inability to exercise certain rights as a result of it conducting its operations in an inappropriate manner, even without any violation of law. Other risks also include reputational risks, including the risk of loss resulting from negative media coverage, rumors, defamation and other forms of criticism. Sony Life strives to establish risk management policies relating to these and other risks in order to ensure its ability to conduct its operations in a sound and appropriate manner.

As part of its business, Sony Life manages personal information relating to its clients over long periods of time. In June 2003, Sony Life became the first domestic life insurance company in Japan to receive certification under the BS7799 Part 2 and ISMS standard for the information security management systems of divisions conducting life insurance operations. In October 2005, BS7799 Part 2 was absorbed into the ISO certifications, and in May 2006 ISMS standards were changed to JIS standards. Therefore, in June 2006 Sony Life converted its certifications to JIS Q 27001:2006 (ISO/IEC 27001:2005). Going forward, Sony Life will enhance its information security to strengthen protection of the personal information of its customers and its own information assets.

Sony Assurance's Risk Management System

In recent years, rapid changes in technology, the regulatory environment and the economy have led to rapid growth in the diversity and complexity of the risks that face non-life insurance companies like Sony Assurance, and the importance of developing appropriate risk management policies and procedures increases each year. Sony Assurance regards risk management

activities as one of management's top priorities. Sony Assurance undertakes efforts to strengthen its risk management procedures, including its ability to accurately identify potential risks and adopt appropriate preventative measures, as well as its ability to employ appropriate countermeasures with respect to risks that have actually materialized.

Sony Assurance's Basic Risk Management Policy

The company identifies the specific risks that it faces in its business and implements appropriate risk management procedures that address those risks, in an effort to ensure stable long-term profitability.

Risk Management Structure



Specific Risk Management Procedures

■ Insurance underwriting risk

Sony Assurance has established a set of internal regulations regarding the management of insurance underwriting risk as one part of its overall efforts to establish appropriate risk management procedures. These internal regulations establish standards tailored to the actual underwriting risks faced by Sony Assurance and procedures regarding the appropriate use of reinsurance. These regulations also include provisions relating to risk management procedures to be implemented with respect to insurance products that exhibit higher levels of underwriting risk than was anticipated at the time of development and sale. Such procedures include the establishment of, or changes to, retention limits, discontinuation of products, pricing changes and other changes to related underwriting risk guidelines. Sony Assurance also undertakes semi-annual audits of its underwriting practices. These audits include evaluations of loss ratios with respect to specific products and, in cases in which the loss ratios differ significantly from prior expectations, an analysis of the effect of such differences on its financial condition and results of operations.

• Reinsurance risk management

Sony Assurance's basic policies regarding policies in force reinsurance risk management are included within its policies governing the management of insurance underwriting risk. Sony Assurance's policies governing the management of insurance underwriting risk have been established, and are periodically revised, upon the confirmation of its chief actuary and its Centralized Risk Management Division, with adoption following the subsequent approval of its Executive Committee and its Board

of Directors. The reinsurance risk management activities of each department of Sony Assurance are subject to monitoring and approval by chief actuary and the Centralized Risk Management Division, as well as periodic reporting of those activities to Sony Assurance's Executive Committee. Request for significant changes to the existing reinsurance risk management practices by department heads requires the prior approval of Sony Assurance's Centralized Risk Management Division and its Executive Committee.

• Natural disaster risk

Sony Assurance faces the risk of significant financial loss related to natural disasters, such as earthquakes or storms, that affect a wide geographic area, resulting in the occurrence of a large number of insured events. In an effort to control its exposure to such risk, Sony Assurance engages in statistical analysis of the likelihood of such events and their estimated financial impact, obtaining reinsurance as appropriate in light of the results of its statistical analyses and its current level of special catastrophe reserve.

■ Investment risk

Investment risks can generally be divided into market-related risks and credit risk. As part of its overall risk management activities, Sony Assurance has established internal regulations governing risk management procedures related to the specific investment risks that it faces. These regulations have been formulated in light of the characteristics and corresponding risks of the assets in Sony Assurance's portfolio, and are designed to assist in the prompt and accurate measurement, analysis and control of investment risk across that portfolio.

Sony Assurance is also exposed to the risk of loss resulting from significant and unanticipated fluctuations in market conditions. As part of its efforts to control such risk, Sony Assurance engages in simulations that assume worst-case scenarios with respect to major market indicators, analyzing the potential financial and other effects of such market shifts. Sony Assurance strives to incorporate the results and lessons of these analyses into its everyday risk management practices.

■ Liquidity risk

Sony Assurance sets investment limits on specific assets classes, in light of liquidity, profitability and other characteristics, in an effort to ensure sufficient liquidity of its assets and efficient cash flow management.

■ Administrative risk

Sony Assurance has established internal regulations and manuals governing its administrative risk management activities. These regulations and manuals are tailored to the characteristics of its specific business activities and applicable laws and regulations. Sony Assurance periodically revises its regulations and manuals based on the results of its internal monitoring of administrative risk and administrative risk management activities, as well as in response to the results of internal inspections and audits, changes in the business and regulatory environment and other factors.

■ Systems risk

As part of its efforts to ensure the security of its information technology and other systems and prevent

improper disclosure including improper disclosure of customers' personal information, Sony Assurance has adopted a number of internal regulations and guidelines. These guidelines include the Information Security Policy, Basic Regulations Pertaining to the Safe Management of Personal Information Protection, Regulations Regarding the Protection of Customer Information, Regulations Governing the Use of Employee Information, Regulations Governing the Use of Employee Recruiting Information, an Information System Security Policy and Standards Governing the Use of Internal Information Systems. On May 27, 2005, Sony Assurance received certification under the BS7799 Part 2 ISMS standard for the information security management systems of its main office departments that conduct direct insurance sales, its headquarters divisions and for the planning and configuration of its internal systems. In October 2005, BS7799 Part 2 was absorbed into the ISO certifications, and in May 2006 ISMS standards were changed to JIS standards. In June 2007 Sony Assurance's certification was extended to the entire company under JIS Q 27001:2006 (ISO/IEC 27001:2005).

■ Accident, disaster, criminal and legal risk

Other risks that Sony Assurance is exposed to include the risk of loss resulting from accidents, disasters and criminal activity, including injury, the loss of life and the loss of the trust of its clients. In an effort to minimize its exposure to these risks, Sony Assurance has adopted internal contingency procedures and regulations governing its response to large-scale disasters.

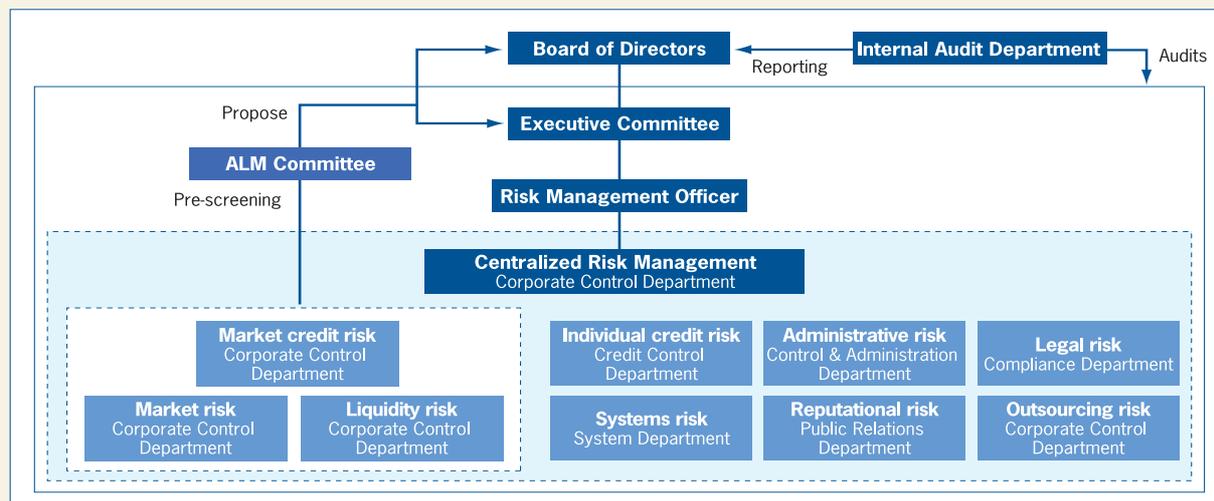
Sony Bank's Risk Management System

Positioning risk management as an important management issue, Sony Bank employs methods and systems that are designed to identify and manage a wide variety of risks from multiple angles.

Sony Bank's Basic Risk Management Policy

As part of its efforts to ensure the soundness and adequacy of its operations, Sony Bank seeks to increase profitability through sound risk-taking activities formulated on the basis of appropriate risk management procedures. In order to achieve this goal, Sony Bank believes it must ensure its ability to distribute resources and establish earnings targets in an appropriate manner. This requires that Sony Bank recognize and specify the risks that should be managed as part of its daily banking operations and quickly identify each type of risk it faces by engaging in comprehensive risk management activities under the guidance of its Board of Directors.

Risk Management Structure



Specific Risk Management Procedures

■ Market risks

With regard to market risk, in an effort to establish mutual supervision, Sony Bank has established separate front-, middle- and back-office divisions. In analyzing market risk, Sony Bank collectively analyzes its transactions with market participants, such as funding transactions, foreign exchange transactions, bond investments and derivatives contracts, as well as its deposit and lending transactions with retail customers on a daily basis to measure its exposure to transactional gains and losses and market risk. In measuring and managing its aggregate exposure to market-related risks, Sony Bank uses the value-at-risk, or VaR, method, which measures the maximum amount of losses that could occur within a given period. In addition, Sony Bank undertakes sensitivity analyses of its exposure to interest rate and exchange rate risks on a daily basis, and conducts stress tests on a monthly basis.

■ Credit risk

Sony Bank faces two types of credit risk: individual credit risk, which relates to loans to individual clients, and market credit risk, which relates to transactions with market participants.

• Individual credit risk

In extending loans to individuals, including mortgage loans, card loans and special purpose loans, Sony Bank conducts credit quality evaluations of the individual's cashflow characteristics and ability to repay the borrowed funds. In addition, in the case of mortgage loans the borrowed funds are collateralized by the underlying home, while in the case of card loans and special-purpose loans, the borrowed funds are guaranteed by third-party guarantors. These collateral and guarantee arrangements help Sony Bank to ensure the soundness of its loan assets and minimize its exposure to individual credit risk.

• Market credit risk

As a means of controlling its exposure to market credit risk, Sony Bank generally establishes limits on its holdings of certain classes of assets, credit limits and limits on the duration of its lending transactions, all of which are generally based on the external credit ratings of the issuers of the debt obligations it holds and its other counterparties. Sony Bank also maintains total capital levels based on the Basel II capital adequacy ratio requirements.

■ Liquidity risk

Sony Bank faces two types of liquidity risk: cash flow risk and market liquidity risk.

• Cash flow risk

Sony Bank manages its cash flow by classifying its payment obligations into separate categories based on the urgency of payment. Sony Bank monitors and manages its cash flow needs based on the status of each separate category.

• Market liquidity risk

Sony Bank strives to manage market liquidity by measuring the market liquidity of each of its products and, as appropriate, establishing and revising guidelines governing individual products.

■ Administrative risk

Sony Bank strives to identify and quantify various administrative risks through the analysis of internal data and through revisions to the flow of its business operations. Once specific administrative risks have been identified, in an effort to minimize the risk of loss from such risks, Sony Bank develops and introduces risk management procedures tailored to those risks. Sony Bank also strives to identify the individual administrative risks it faces in its day-to-day operations, promptly develop and apply effective countermeasures for those risks and conduct effective follow-up procedures.

■ Systems risk

Sony Bank is constantly working to improve its ability to identify, quantify and evaluate the systems risks that affect its business operations and transactions. Sony Bank strives to minimize its exposure to these types of risk by undertaking prompt and appropriate measures including revisions of its internal business processes and changes to its information technology and other systems.

■ Outsourcing risk

Outsourcing risk is the risk of loss resulting from an inability to rely on third-party service providers for contracted services due to problems with such parties' internal controls, information management practices or other factors. Sony Bank strives to minimize its exposure to this risk by identifying, quantifying and analyzing its exposure to specific risks and promptly adopting effective countermeasures.

■ Legal risk

Legal risk is the risk of loss due to such factors as illegal actions or contractual issues. Analysis of legal risks relating to contractual negotiations, business operations, transactions and products is jointly conducted by Sony Bank's compliance department and relevant department heads.

■ Reputational risk

Reputational risk describes the risk of loss due to damage to reputation in the marketplace or with clients of Sony Bank that could result from actions that contravene social mores, improper transactions or inappropriate information disclosure. Sony Bank strives to provide prompt and accurate disclosure in an effort to obtain and maintain the trust of its clients and the market.

Taking into account the impact on its customer transactions and social and economic activities that could result from a disaster that would force Sony Bank to suspend its business activities, the bank has prepared a contingency plan that takes into account the economic damage it could incur. Because Sony Bank must manage and maintain highly confidential information relating its clients, including through open network mediums such as the Internet, it places great importance on its information security procedures. In May 2002, Sony Bank obtained certification under the global standard for information management, known as BS7799-Part 2, and in August 2002 it obtained ISMS certification from the Japan Information Processing Development Corporation. In October 2005, BS7799 Part 2 was absorbed into the ISO certifications, and in May 2006 ISMS standards were changed to JIS standards. In April 2006, Sony Bank received an ISO 27001 certification and shifted to this international standard for information security management systems. Sony Bank strives to maintain and improve its information security procedures.

Privacy Policy

In the course of providing products and services, SFH's subsidiaries handle personal and private information relating to their customers. SFH exercises the utmost caution to ensure that this information is managed appropriately and only for the express purpose for which 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.

Excerpt from Sony Group Privacy Policy*

Each Sony Group company (hereinafter called "Sony") understands that customers entrust Sony with their Personal Information based on the trust that it will be used only for specific purposes. Sony respects the customers' trust and places a high management priority on properly protecting such Personal Information and limiting its use to such purposes.

Based on the above recognition, Sony has established the following policies regarding handling of Personal Information and will continuously endeavor to handle it appropriately.

*This Privacy Policy is for Sony Corporation and its subsidiaries in Japan.

Policies regarding Handling of Personal Information (Compliance)

1. Sony will comply with the applicable laws and regulations including "Act on the Protection of Personal Information," obligations under the applicable 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 use personal information only within the scope necessary for the achievement of the purpose(s) of use which has been specified in advance, 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.

(Obtaining Personal Information)

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.

(Personal Information of Customers Under Fifteen (15) Years Old)

4. Sony will make special consideration for the handling of Personal Information of customers under fifteen (15) years old, e.g., to notify clearly in advance to ask such a customer 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 and will implement corrective actions as needed to protect entrusted Personal Information from unauthorized access, leakage, modification, loss, destruction, etc.

(Supervision of Subcontractor(s))

6. Sony may subcontract the processing of entrusted Personal Information to a third party within the scope necessary for the achievement of the purpose(s) of 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, 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 Act on the Protection of Personal Information).

(Request(s) for Review, etc.)

8. Sony will, based on the provisions of the related laws or regulations, properly respond to comment(s) and request(s) from the individual regarding handling of Personal Information 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 under the guidance of each company to which you have provided your Personal Information.

(Continuous Improvement of Internal Systems)

9. Sony will continuously endeavor to improve internal compliance systems including appointing responsible officers for administration of Personal Information, updating this Privacy Policy through establishment of internal rules, education to directors, officers and employees, and appropriate internal audit to handle entrusted Personal Information properly.

Internal Audits

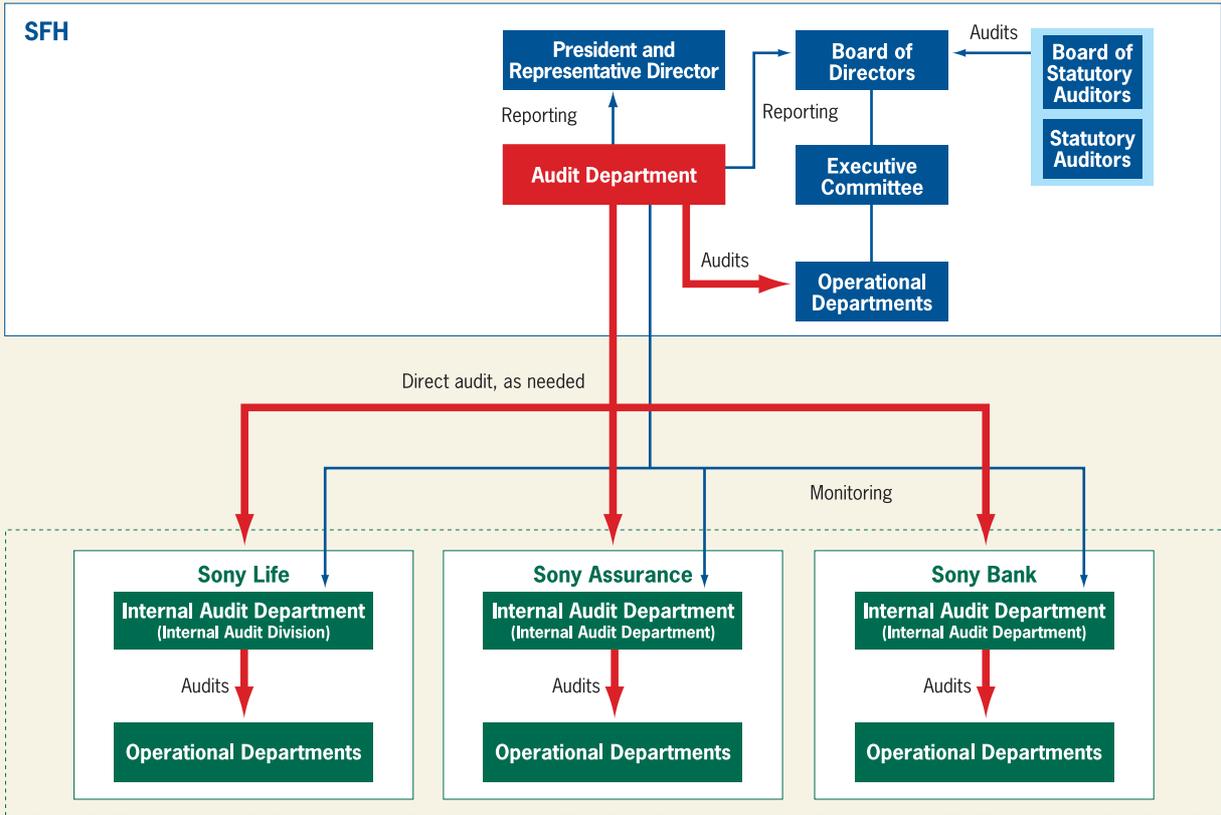
SFH performs internal audits through its Audit Department. Reporting directly to the president and representative director, this department operates outside the other lines of operational reporting and, from an independent and objective position, verifies the appropriateness and effectiveness of internal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

SFH's subsidiaries have their own internal audit departments, which perform activities designed to match their specific industry, scale of business and the types of risk

they face. SFH's Audit Department remains constantly aware of its subsidiaries' internal audit activities by monitoring their audit plans and audit reports, and SFH's Audit Department reports periodically to the president, representative director and Board of Directors of SFH. If necessary, SFH's Audit Department may conduct audit activities of subsidiaries directly.

The Audit Department also cooperates with SFH's statutory auditors, who conduct operational audits based on the audit standards for statutory auditors. The Audit Department also maintains reciprocal relationships with SFH's statutory auditors and the independent auditor, while performing audits independently.

Internal Auditing Structure



Social Contribution and Environmental Activities

The SFH Group participates in various social contribution and environmental activities, based on the principles and ideals set forth for these activities by Sony Corporation. As a member of the Sony Group, we will continue to play an active role in the progress of these social contributions and environmental activities.

Social Contribution Initiatives

The Sony Group contributes to society in each of the locations in which it operates throughout the world. Its policy is to participate in activities to keep pace with the changing times and meet the needs of the societies in which it operates. The Sony Group is also extending its system to support the volunteer activities of its employees, thereby encouraging community participation.

Volunteer Activities

Sony Life has established “Social Contribution Department” to strengthen support and share information on volunteer activities from various perspectives. The company has also created “Volunteer Coordination Committee” to explore activities in these areas.

Sony Life has designated the anniversary of its founding as “Volunteer Day,” when all employees are encouraged to consider and implement activities that benefit the community.

To help employees be active in social contribution activities, Sony Life has established a volunteer leave program and implemented a leave program for bone marrow donors. The company also cosponsors the “Sony Life Cup All Japan Ladies Tennis Tournament,” supports “Special Olympics Nippon (Japan)” and offers a “life-planning course” for high-school students.

Sony Life Volunteers' Club

At the time of the Kobe earthquake in 1995, a Sony Life volunteer group established the “Sony Life Volunteers' Club,” providing support to people in areas affected by earthquakes and cooperating with local organizations, including the provision of a support network for elderly and physically impaired victims of the earthquake. Now, more than 10 years on, the club continues to support the victims by planning and inviting them to bus tours to visit hot springs and holding Christmas parties to deepen mutual relations with these victims. Applying this experience, Sony Life provided support for people injured in the Niigata-Chuetsu earthquake, and in FY2006 Sony Life held the “Second Niigata Rapport Hot Spring Tour” to provide emotional support for the earthquake victims, particularly the elderly.



Sony Life Volunteers' Club: Hot Springs Bus Tour

Support for “Special Olympics Nippon (Japan)”

Since FY1996, Sony Life has offered financial support to “Special Olympics Nippon,” an authorized nonprofit organization that provides people with intellectual disabilities with independence and opportunities to participate in the community through sports. Employees also volunteer to run the events. Sony Life is helping to increase awareness and understanding of Special Olympics Nippon’s activities by establishing regional organizations, supporting charity concerts and movie screenings and through other initiatives. By supporting “Special Olympics Nippon,” Sony Life promotes the independence of people with intellectual disabilities and helps them participate in the community.

At the “Special Olympics Nippon” summer national games that took place in Kumamoto in November 2006, a total of 700 Sony Life volunteers provided on-site event support.



©Special Olympics Nippon
Special Olympics Nippon National Summer Games in Kumamoto

Sony Life employees are also proactive participants in a host of other activities that put them in close contact with local communities. These include holding events at care institutions to support youth education and supporting the operations of the Committee to Protect Children from the Harmful Effects of Drugs.



Sony Life Volunteers' Club: Helping wheelchair-bound participants get on and off the bus at the Hot Springs Bus Tour

Fundraising

Since FY1997, Sony Life has made financial donations to the Eye Mate Fund, established by The Eye Mate, Inc., with the aim of helping visually impaired people participate in society. The company donates an amount each year that matches the total raised by its employees. In FY2006, a total of ¥10.37 million was given to Eye Mate, bringing cumulative donations for training guide dogs to more than ¥110 million.

Sony Assurance participates in fundraising activities for the Japan Committee for UNICEF. The company also sends cancelled stamps to help organizations that provide medical care overseas.

Environmental Initiatives

Acquisition of ISO 14001 Certification

The Sony Group has acquired ISO 14001 certification, the international standard for environmental management systems, and all the Sony Group companies worldwide adhere to its Global Environmental Management System. Within the SFH Group, both Sony Life and Sony Assurance are ISO 14001 certified. These companies pursue energy-saving activities, such as working toward targets for the reduced consumption of energy and photocopier paper, and promote green procurement to raise the portion of eco-products used as office supplies.

System for Using Green Power

To reduce greenhouse gas emissions, the Sony Group takes advantage of reusable energy resources. Within the SFH Group, in April 2005 Sony Life became the first company in the Japanese life insurance industry to employ the Green Power Certification System. This system promotes the use of green power, such as wind-powered generation, to help protect the environment by reducing CO₂ emissions. This system enabled Sony Life to reduce its CO₂ emissions by 97.5 tonnes in FY2006. In FY2007, Sony Assurance also implemented the Green Power Certification System.



Green Power Certification, issued by Japan Natural Energy Company Ltd.

History of the Sony Financial Holdings Group

■ Sony Financial Holdings ■ Sony Life ■ Sony Assurance ■ Sony Bank

1979 August	■	Sony Prudential Life Insurance Co., Ltd., (the present Sony Life) is established
1981 April	■	Sony Prudential Life commences operations and introduces the Lifepanner system
1986 October	■	Sony Prudential Life launches sale of variable life insurance (whole-life protection)
1987 July	■	Sony Prudential Life reaches agreement with Prudential to terminate joint venture contract
September	■	Sony Prudential Life changes corporate name to Sony Pruco Life Insurance Co., Ltd. (the present Sony Life)
1989 October	■	Sony Pruco Life establishes independent agency system
1991 April	■	Sony Pruco changes corporate name to Sony Life Insurance Co., Ltd.
1992 April	■	Sony Life commences sales of comprehensive medical insurance
1998 June	■	Sony Insurance Planning Co., Ltd. (the present Sony Assurance) is established
August	■	Sony Life establishes Sony Life Insurance (Philippines) Corporation in the Philippines
1999 April	■	Sony Life commences sales of whole-life comprehensive medical insurance
September	■	Sony Insurance Planning changes corporate name to Sony Assurance Inc. Sony Assurance begins writing automobile insurance policies via the Internet
		 <p>Sony Assurance's transit advertisement at the commencement of its operations</p>
October	■	Sony Assurance begins writing automobile insurance policies over the telephone
2001 April	■	Sony Bank Inc. is established
	■	Sony Assurance opens Claims Service Center
2001 May	■ ■	Sony Life's Lifepanner sales employees commence sales of Sony Assurance's automobile insurance
2001 June	■	Sony Bank commences operations (products comprise ordinary yen deposits, yen time deposits, investment trusts and card loans) Sony Bank launches the MONEYKit service site
		 <p>Sony Bank's MONEYKit interface at the time its operations started</p>

2001 September ■ Sony Bank starts handling foreign currency deposits

Sony Bank's advertisement on foreign currency deposits



2002 March ■ Sony Bank starts offering mortgage loans

■ ■ Sony Life commences underwriting of group credit life insurance for mortgage loans extended by Sony Bank

June ■ Sony Assurance begins offering medical and cancer insurance

■ Sony Assurance opens Sapporo Customer Center

■ Sony Bank begins offering special-purpose loans

Sony Assurance's Customer Center



2004 April ■ Sony Financial Holdings Inc. is established
Sony Life, Sony Assurance and Sony Bank become subsidiaries of Sony Financial Holdings

June ■ ■ Sony Bank commences sales of individual annuities offered by Sony Life

October ■ ■ Sony Assurance begins offering fire insurance to mortgage loan customers of Sony Bank

December ■ ■ Sony Life's Lifeplanner sales employees begin introducing Sony Bank's mortgage loans

2005 July ■ Sony Life registers Lifeplanner Value trademark

LIFEPLANNER VALUE.
保険を超える価値をあなたに——ライフプランナーバリュー

December ■ Sony Bank begins handling credit card settlements
Sony Bank commences securities intermediary service

2006 April ■ Sony Assurance launches "Customers and Sony Assurance Communication Site"

June ■ Sony Bank launches mobile banking service

September ■ Sony Life opens Life Planning SQUARE showroom in the Sony Building in Ginza, Tokyo

■ Sony Life ties up with Watami Co., Ltd. in the nursing care business

October ■ Sony Bank begins offering new card loans

■ Sony Life completes construction of Sony City, the new headquarters of Sony Corporation

December ■ Sony Bank establishes an affiliation with Seven Bank Inc. for the use of Seven Bank's ATMs

2007 June ■ Sony Bank establishes a wholly owned subsidiary, Sony Bank Securities Inc.

* We are currently carrying out registration procedures for Sony Bank Securities, in line with applicable legal requirements, with the aim of commencing operations during the first half of FY2007.

FY2006 Topics



"Customers and Sony Assurance Communication Site"



Note: The screen shown here is a sample.



"Life Planning SQUARE"



Left: Miki Watanabe, President and CEO of Watami Co., Ltd.
Right: Taro Okuda, President of Sony Life

April 2006

Sony Assurance Launched "Customers and Sony Assurance Communication Site"

Through direct communications with its customers, Sony Assurance works to offer products and services that match customers' needs. In April 2006, the company created the "Customers and Sony Assurance Communication Site" to deliver its goal of working closely alongside its customers. This site provides such information as the results of customer surveys conducted following the resolution of accidents, as well as customer opinions. The site also outlines the company's progress toward its goal of zero customer dissatisfaction and helpful information concerning insurance.

June 2006

Sony Bank Launched Mobile Banking Service

In June 2006, Sony Bank commenced a mobile banking service. Through this service, customers can access certain services such as money transfers, balance inquiries and foreign currency deposit transactions, essentially 24 hours a day, 365 days a year. As a security tool, the mobile banking service also employs functions for suspending and reinstating cash card usage.

September 2006

Sony Life Opened "Life Planning SQUARE" Showroom in Ginza, Tokyo

When proposing insurance protection to customers, Sony Life conducts "life planning" analyses together with its customers to look at a family's future from a variety of perspectives. To help more potential customers recognize the importance of life planning with enjoyment, Sony Life opened the "Life Planning SQUARE" showroom in the Sony Building in Ginza, Tokyo. In addition to preparing content that helps showroom visitors feel comfortable with and enjoy life planning, the showroom also provides private booths so that customers who are interested can experience Sony Life's life planning.

Note: In this facility, Sony Life does not write new life insurance policies nor change policy content.

September 2006

Sony Life Announced Alliance with Watami in Nursing Care Business

In September 2006, Sony Life and Watami Co., Ltd. ("Watami"), entered into an agreement to collaborate in the nursing care business with the aim of providing quality nursing care services to enable as many people as possible to maintain happy lives as they age. This alliance will make possible a broad range of nursing care services. Sony Life's development of life insurance products will benefit from input at the nursing care point of contact, and Lifeplanner sales employees will be able to offer a broad-range of information relating to nursing care. The companies will mutually communicate customers' needs for operation and development of nursing care facilities. In addition, Watami will provide preferential treatment to customers that Sony Life introduces, offering priority in entering facilities and discounts on lump-sum move-in payments for customers with whole-life residential contracts.

October 2006

Sony Bank Started New Card Loan Service

To meet the financial needs of a broader customer base, Sony Bank reviewed the merchantability of its original card loans and started offering new card loans in an alliance with GE Consumer Finance Co., Ltd. The loans are available with eight credit limit amounts and low interest rates that only an Internet bank can offer. Preferential interest rates are also provided, depending on card loan use.



Advertisement of Sony Bank's new card loans

October 2006

Sony Life Completed Construction of "Sony City," New Headquarters of Sony Corporation

The "Sony City" construction project undertaken by Sony Life and Sony Corporation was completed in Minato-ku, Tokyo. The building was constructed by Sony Life as part of its real estate investment activities and it serves as the new headquarters of Sony Corporation. Characterized by a simple glass-clad exterior that evokes a sense of openness, the building is expected to become a new landmark in the area around the East Exit of Shinagawa Station.



"Sony City" building

December 2006

Sony Bank Started ATM Affiliation with Seven Bank

Through an ATM affiliation with Seven Bank, Ltd. ("Seven Bank"), Sony Bank's cards may now be used at Seven Bank ATMs at Seven-Eleven convenience stores throughout Japan—essentially 24 hours a day, 365 days a year and without any user fees. This alliance is another example of Sony Bank's aim of offering its customers the accessible convenience of an Internet bank.



Seven Bank ATM

January 2007

Sony Life and AEGON of the Netherlands Announced Their Intentions to Establish Joint Venture in Individual Annuities Business

Sony Life reached a basic agreement to establish a life insurance subsidiary in Japan with AEGON N.V. of the Netherlands, which has extensive experience in the business of individual annuities. The new company will develop individual annuity products to be distributed through banks and other financial institutions, as well as through Sony Life's Lifeplanner channel.



About Sony Life

Management Message



URL <http://www.sonylife.co.jp/>
(Japanese only)



Before reporting our operating results, I would like to offer my deep-felt apologies for situations that came to light during the year in which we inadvertently underpaid or failed to pay certain claims, failed to provide sufficient guidance regarding the claims process, or overlooked certain other obligations, as I recognize that the payment of claims is one of the most fundamental operations of a life insurance company. We accept these events as grave errors, and we are placing the highest management priority on measures to prevent recurrence and redoubling our efforts to raise our level of service to customers.

Sony Life's basic mission is "to work for customers' economic protection and stability by offering reasonable life insurance products and high-quality services." In keeping with this mission, Sony Life's Lifeplanner sales employees and Partners (independent agencies) work to provide consultation and deliver optimal protection to each customer. As a result of these efforts, in FY2006 new policy amount* was up 1.1% from the previous fiscal year to ¥3,429.4 billion. Policy amount in force* has continued to grow since the start of the company's operations, amounting to ¥30,244.4 billion as of March 31, 2007, up 4.0% from one year earlier. The lapse and surrender rate** (individual life insurance) remained low, at 5.90%. We are convinced that these favorable results arose from the satisfaction of customers with our method of offering life insurance products that are optimally tailored for each customer's life plan and our detailed follow-up services.

However, we refuse to be content with our current circumstances and are constantly seeking ways to become the highest-quality company possible. To this end, we strive to enhance our follow-up services and ensure peace of mind for our customers as we accompany them through life's milestones. In the future as well, we will protect customers by delivering ongoing follow-up support and providing "Lifeplanner Value" in a way that only Sony Life can.

As a member of the SFH Group, Sony Life has endeavored to enhance group synergy and to provide higher-quality financial services. Going forward, Sony Life will keep striving to promote superior "comprehensive financial services" by strengthening tie-ups with the SFH Group companies and working to provide value-added products and services that meet the economic needs of our customers.

June 29, 2007

A handwritten signature in black ink, appearing to read "Taro Okuda".

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

* The new policy amount and policy amount in force are the total of individual life insurance and individual annuities.

** The lapse and surrender rate is expressed as a ratio of cancellations or lapses that is modified due to the reduction, increase and reinstatement of the total policy amount in force and divided by the total policy amount in force at the beginning of the fiscal year.

Industry Trends and Sony Life's Characteristics

The Japanese Life Insurance Industry

Japan's life insurance market is the second largest in the world, following that of the United States, and accounts for approximately 20% of worldwide premium income. Death protection type insurance products account for the majority of the Japanese life insurance market, but in a macroeconomic environment characterized by a declining birthrate and an aging population, new policy amounts and the total policy amount in force have continued to decline from their peaks in the 1990s.

Recent rises in stock prices have prompted a major recovery in indicators of the financial soundness of Japan's life insurers. In addition to improved stability of financial foundations, the industry has experienced growing demand for so-called third-sector products, such as medical protection and nursing care protection products, as well as individual annuity products. At the same time, we expect the Japanese life insurance industry to become increasingly competitive, affected by such factors as the April 2007 revision to the Standard Life Table and changes such as the privatization of Japan Post and the lifting of the ban on bank sales of insurance products, both planned in 2007.

Sony Life's Characteristics

Sony Life, which began operations in 1981, maintains its basic mission, "to work for customers' economic protection and stability by offering reasonable life insurance products and high-quality services." Sony Life's Lifeplanner sales employees and Partners (independent agencies) have broad-ranging expertise and experience that they provide to individual customers as high-quality consulting-type services. This approach has driven the company's steady growth from the time it commenced operations.

Sony Life offers an extensive lineup to meet the diverse needs of its customers. Protection-oriented products, such as death protection insurance, account for approximately 80% of its policy amount in force. The need for protection-oriented products, such as death protection insurance, is generally a latent need for most customers. Taking a consulting-based approach, Lifeplanner sales employees and Partners perform risk analysis along each of life's milestones for individual customers, helping them to understand the necessity for life planning and uncovering customers' need for death protection and other protection products. This approach is one reason that death protection products account for such an overwhelming proportion of Sony Life's policy amount in force.

The consulting that Lifeplanner sales employees and Partners provide goes beyond helping customers understand the content and necessity of policies when entering into insurance agreements. Even after entering into policies, after-sale follow-up services are provided, reviewing each customer's changing circumstances to ensure appropriate levels of protection. The support of its customers for this finely tuned approach to providing services is one reason that despite the Japanese life insurance industry's overall trend toward decreasing levels of policy amount in force, Sony Life has been able to generate new policies steadily and to increase consistently its policy amount in force from the time it commenced operations. Sony Life's low lapse and surrender rate points to the satisfaction that customers feel toward Sony Life's services.

Sony Life's Products and Services

Sony Life's Initiatives in FY2006

A first in the Japanese life insurance industry: protection commences before the initial premium is paid.

Generally, life insurance policy writing procedure is to commence coverage only after a potential customer has completed an application, provided evidence of health status, prepared funds in advance and paid the initial premium. By contrast, increasingly diverse and cashless settlement systems have been proliferating recently as a way to improve everyday convenience and safety for customers. In keeping with this trend, in August 2006 Sony Life introduced a new service to improve convenience to its customers at the time of commencing policies.

New Service for Policy Writing Procedures

- Coverage commences upon receipt of application and notification of health status.*
- The initial premium is later paid by bank transfer from the account the policyholder specifies.

*There are cases in which Sony Life is not able to initiate coverage at the time of policy application.

This service avoids the inconvenience to customers of having to prepare cash or a credit card for the initial premium payment and prevents delays in the commencement of coverage (uninsured period) during the period when preparing cash or a credit card.

- New Procedure (Example of additional coverage policy rider during initial commitment period)



Launch of New Nursing Care Protection Products

As society ages, customer concerns about nursing and medical care increase every year. To address such concerns, in November 2006 Sony Life introduced products to cover nursing care and three major diseases, extending its product lineup in response to a broad range of customer needs. In the future, Sony Life will continue to reinforce its participation in medical care and nursing care protection, as well as in death protection.

- Semi-participating whole-life nursing-care insurance
 - If the insured party meets two or more predefined conditions requiring nursing care in the public nursing care insurance period, both a lump-sum nursing care payment and nursing care annuities are provided, and nursing care annuities will continue to be provided as long as the conditions persist. In this way, nursing care annuities are paid as the insured passes along life's milestones.
 - At the time of writing the policy, the customer can select from among benefit types, with a death benefit amounting to five, seven or 10 times the amount of the basic nursing care annuity payment.
- Semi-participating lump-sum nursing care policy rider (special policy rider for semi-participating whole-life nursing-care insurance)
 - The special policy rider contains a rider specifying a lump-sum nursing care payment if the policyholder experiences two or more predefined conditions requiring nursing care in the public nursing care insurance system.
- Income protection insurance to cover three major diseases (non-participating)
 - If the insured party meets the predefined conditions of one of the three major diseases, a three-major-disease annuity is paid through the end of the policy period, as long as the insured party remains alive.

Television Commercials

Lifepanner Value

The third commercial in the series on Lifepanner Value, the “new sibling” commercial follows commercials focusing on “nursing care” and “independence” (produced in March 2006). This new commercial describes how Lifepanner sales employees guide customers along life’s paths.



Social Contributions

“Walking together” is a documentary commercial with the social contribution activities of Sony Life employees as its theme. The commercial’s message is, “The people who got the most out of the experience were those of us who helped.” Many volunteering employees offer their thoughts on these activities.



Business Developments in Southeast Asia

Sony Life Insurance (Philippines) Corporation

Sony Life Insurance (Philippines) Corporation was established in the Philippines in 1998 and commenced operations in November 1999. To reinforce its business foundation, the company’s capital was increased in December 2003, before it was transformed into a wholly owned subsidiary of Sony Life in March 2004.

Similar to the marketing channels used in Japan, Sony Life Insurance (Philippines) Corporation employs consulting-based marketing using Lifepanner sales employees. The company is steadily building up its marketing organization, particularly in the Manila metropolitan area. The company also responds continuously to diverse local needs as indicated by the start of its sales of dollar-denominated products and its efforts involving group life insurance for enterprise customers. Fulfilling its social responsibilities as a life insurance company, Sony Life Insurance (Philippines) Corporation places importance on compliance with all regulations and is upgrading its control systems to minimize business risk.

Credit Rating

(As of July 1, 2007)

Rating Institution	Rating Information	
A.M. Best Company, Inc.	Financial strength rating	A+ (Superior)
Rating and Investment Information, Inc. (R&I)	Insurance claims paying ability	AA (A very high capacity for payment of insurance claims)
Japan Credit Rating Agency, Ltd. (JCR)	Ability to pay insurance claims	AA (A very high capacity to honor the financial commitment on the obligation)
Moody’s Investors Service, Inc.	Insurance financial strength rating	Aa3
Standard & Poor’s (S&P)	Financial strength rating	A+ (Strong)

Note: The above ratings were assigned upon Sony Life’s official request for ratings. These ratings are based on rating agencies’ opinions, and are not a guarantee of claim payments in the future. These ratings are based on the numbers and information available at a specific point in time, and may be changed in the future. Please refer to the respective website of each agency for more details.

About Sony Assurance

Management Message



URL <http://www.sonysonpo.co.jp/>
(Japanese only)



In FY2006, the number of policies, primarily automobile insurance policies, grew steadily, resulting in an increase in net premiums written, which corresponds to sales in other industries, by 11.5% year on year to ¥50.4 billion. By controlling operating expenses, we succeeded in substantially improving the efficiency of operating expenses to premium income, while the amount of claims paid remained stable. As a result, we recorded an ordinary profit of ¥2.0 billion and net income of ¥1.5 billion in the year ended in March 2007. This was our first year to record profits on a full-year basis since operations commenced in 1999. We also sustained a sufficient solvency margin ratio, which was 1,009.7% as of March 31, 2007. As a result, in FY2006 we achieved the strongest financial performance since we commenced operations.

Sony Assurance operates under the slogan "Feel the Difference," and we endeavor to continuously upgrade our level of service, deliver value to customers, and "offer a difference that could only come from Sony Assurance." In FY2006, we launched "Customers and Sony Assurance Communication Site" on our website*. Through this site, we clearly express our attitude of moving forward in step with our customers. For example, we have established a weblog on this site to encourage timely communications with our customers and to create a sense of closeness to our customers. One of the most anxious times for our customers is after they have experienced an automobile accident. To address this concern, we declared to customers our commitment to make an initial

response by an appointed staff member within three hours** of receiving an accident report. We believe that such service-enhancing measures are one reason our customers have grown ever more supportive.

Regrettably, some instances of inadvertent underpayment and nonpayment of claims came to light. We addressed this situation head-on, thoroughly reviewing our management situation and all areas linked to this issue. To prevent a recurrence, we improved our structure for managing claims payments, including the enhancement of related systems, and strengthened internal management structure.

We believe the direct insurance market continued to expand in FY2006. As a leading company in the direct insurance market in Japan, we will continue to forge alliances in service offerings with other SFH Group companies. And by raising the Sony Assurance brand value, we aim to boost our corporate presence. I ask for your continued support in these activities.

June 29, 2007

A handwritten signature in black ink, appearing to read "Shinichi Yamamoto".

Shinichi Yamamoto
President, Representative Director
Sony Assurance Inc.

* Japanese only

** This response time is in the event of an accident that is reported on a weekday, between 9 a.m. and 5 p.m.

Industry Trends and Sony Assurance's Characteristics

The Japanese Automobile Insurance Industry

Although the number of cars in Japan is increasing, other trends have offset the effect of this increase and have resulted in a decline in unit prices of automobile insurance. These offsetting trends include a shift toward mini-vehicles and a trend in which insured parties with good driving records become eligible for preferential premium rates upon renewal of their policies. As a result, the overall Japanese automobile insurance market has declined slightly in each year since 2001.

The direct automobile insurance offered by Japan's six direct insurance providers, including Sony Assurance, offers more reasonable prices than insurance sold by conventional insurers who sell their products through agencies. And the market share of direct insurers is growing steadily although it currently accounts for less than 5% of the total automobile insurance market.

The increasing prevalence of broadband access, the complete lifting of bans on the sale of insurance at bank branches, the entry of postal insurance companies into the industry and a growing number of insurance sales stores are creating changes within the industry and diversifying sales channels. We expect these changes may result in increased competition among various sales channels.

Sony Assurance's Characteristics

Sony Assurance entered the non-life insurance market in October 1999 under the business model of a "direct insurance provider." Since that time, the company has concentrated on maintaining direct relationships with each of its customers and continuously taken on the challenge of providing new value. Sony Assurance offers automobile insurance, which is risk-segmented to offer extensive coverage with reasonable premiums, and medical and cancer insurance. The automobile insurance policies account for approximately 90% of the total number Sony Assurance's policies in force.

Furthermore, Sony Assurance has maintained a leading position among Japan's six direct insurance providers, with a 30% share of the direct insurance market.

Given the profit structure of the direct business model, the mechanism of efficiently recovering the initial cost of new policy acquisition through maintenance of existing policies is of vital importance. Sony Assurance operates under the slogan "Feel the Difference—a difference that will change insurance." The company seeks to provide customers with valuable products with a difference that could only come from Sony Assurance by enhancing service levels and sustaining high levels of customer satisfaction. We believe high levels of customer satisfaction will result in high policy persistency rates and more customers completing policy renewal procedures over the Internet, which should improve the expense ratio, resulting in increased profitability. Such improvement in the expense ratio and a stable amount of claims payments helped the company to achieve profitability in FY2006.

Sony Assurance's Products and Services

Sony Assurance's Initiatives in FY2006

"Customers and Sony Assurance Communication Site" (<http://from.sonysonpo.co.jp/>) (Japanese only)

Through direct communications with customers, Sony Assurance continuously strives to provide products and services that match their needs. To make abundantly clear its position as "an insurer that marches in tune with its customers," in April 2006 Sony Assurance established its "Customers and Sony Assurance Communication Site."

To elicit opinions from a large number of customers, each page of the communication site links to a page that allows the posting of comments. Staff members are available to respond to customers' comments and questions.



Top page of "Customers and Sony Assurance Communication Site"

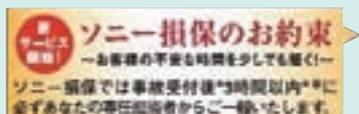


Website with page for staff to describe their thoughts on products and services

Principal Content of the "Customers and Sony Assurance Communication Site"

- Customer Evaluations**
 Satisfaction survey results from cooperating customers who have experienced Sony Assurance's accident resolution services
- Customers' Voices**
 Opinions and impressions of customers who have experienced Sony Assurance's accident resolution service
- Working toward Zero Dissatisfaction (staff weblog)**
 The content of Sony Assurance's various initiatives and progress toward the goal of eliminating customer dissatisfaction
- Insurance Promenade**
 A variety of insurance-related information that is not limited to Sony Assurance's products and services

Commitment to Customer Response by an Appointed Staff Member within Three Hours of Receiving an Accident Report (Sony Assurance Commitment No. 1)



Excerpt of advertisement describing Sony Assurance's commitment

In October 2006, Sony Assurance committed to all its automobile insurance customers that, in the event of an accident, within three hours of an accident report being received by Sony Assurance, the reporting customer would receive a first response from the staff member appointed to its resolution from beginning to end. By conspicuously publicizing in its advertisements, product pamphlets and on its website its commitment to providing a response by the appointed staff member within three hours of receiving an accident report, the company aims to remove anxiety that the accident resolution process is unclear and reduce uncertainty.* Furthermore, Sony Assurance discloses on its website its record of performance on this commitment.

* Sony Assurance accepts accident reports 24 hours a day, 365 days a year. However, this commitment is in the event of an accident reported on a weekday, between 9 a.m. and 5 p.m. This response time excludes cases in which it is inappropriate to respond to the customer within this period.



Website showing company performance on its commitment

Providing Valuable “Differences” to Customers

To ensure that we provide customers with valuable “differences that could only come from Sony Assurance,” the company places a high value on customer input. Sony Assurance aims to facilitate better communications with customers so it can provide services that meet their needs.

Developing Original Sony Assurance Products that Provide Value for Customers

Owing to its focus on providing products that customers value, Sony Assurance has created a number of original products. For automobile insurance, these include the *Kurikoshi* discount system and the *Oritemo* coverage policy rider. For medical and cancer insurance policies, the company offers a half-price policy rider for policyholders from age 60. Going forward, Sony Assurance will continue developing products to provide value that could only come from Sony Assurance.

■ 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 policy rider called the *Oritemo* coverage policy rider, 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 accident 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 Policy Riders for Medical and Cancer Insurance Policyholders from Age 60

Sony Assurance’s medical and cancer insurance provides valuable 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 surrender payments are not included. 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 selective coverage, and SURE Wide, which provides much more extensive protection. Also, Sony Assurance led the industry in introducing half-price policy riders for policyholders who have reached their 60th birthday. For a slight increase in monthly premiums, this policy rider halves policy premiums once a policyholder reaches 60 years of age.* This option is popular with Sony Assurance’s policyholders, approximately 70%** of whom have opted for this additional coverage.

* The half-price policy rider for policyholders from age 60 is a policy rider that can be added to SURE whole-life products.

** This ratio is among policyholders under the age of 57, which is the maximum age at which the policy rider can be added. Participation rates are based on data as of March 31, 2007.

Customer Centers

Staff at customer centers respond to inquiries from customers via telephone and e-mail, and are on hand to help with contract procedures and continue to help customers after they have signed contracts. Designed to facilitate smooth communications, customer centers are staffed by employees who provide quick and easy-to-understand answers to customers’ questions, ensuring that Sony Assurance provides optimal customer solutions. To enhance the value of its products and services and to ensure better value to customers, customer comments and requests that the customer center has received are stored together in a common database so that all employees can review their content and each department can consider appropriate measures.

Service Centers

For automobile insurance, service center staff members are on hand 24 hours a day, 365 days a year to respond to traffic accidents via toll-free telephone numbers. After receiving accident reports, a staff member is appointed to respond to an accident report from beginning to end from a customer perspective, communicating directly with that customer until the accident is resolved.

For medical and cancer insurance or fire insurance, a single staff member provides beginning-to-end support, carefully counseling and responding to various questions all the way through to claim payment.

“one-on-one club” Support Desk

To enhance the automobile experience for customers, Sony Assurance’s automobile insurance provides “one-on-one club” service, which includes free roadside assistance*, providing support and driving assistance in times of trouble, such as in the event of mechanical failure or an accident.

The “one-on-one club” support desk provides quick and appropriate responses to customers regarding breakdowns and accidents, providing a deep sense of security while on the road.

* Customers may be charged in certain cases, depending on the extent of the work required.

About Sony Bank

Management Message



URL <http://sonybank.net/>
(Japanese only)



In FY2006, we recorded profits for the second consecutive year. Business expanded steadily and the balance of investment assets increased, reflecting our fundamental profitability. However, our key results were influenced to some extent by the financial market environment. Although ordinary revenues increased 13.0% compared with the previous fiscal year, to ¥19,470 million, ordinary profit declined 39.2%, to ¥1,354 million.

In FY2006, Sony Bank worked to introduce new products and services. One of the goals of our recent product development efforts has been to help customers overcome geographical and time constraints. In terms of freedom from geographical constraints, in June 2006 we launched a mobile banking service, themed as “the bank that you carry with you.” We rolled out a steady series of mobile banking services, beginning with ordinary yen deposits, foreign currency deposits and usage of cash cards to improve security. We expanded our mobile banking service offerings gradually by adding yen time deposits in November 2006, and we launched the “Edy Charge” mobile banking services in March 2007. In addition, we entered into an ATM affiliation with Seven Bank, Ltd. in December 2006 to meet growing customer demand.

To deliver freedom from time constraints, in 2007 we operated during all three days of the Japanese New Year’s holiday. Until 2007, we typically took advantage of twice-yearly New Year’s and Golden Week holiday closures to perform large-scale system maintenance, on the premise that this downtime was essential to guaranteeing the security and efficiency of system upgrades. However, the experience and business results generated over six years have convinced us that we can operate

safely even during the New Year’s holiday. In addition to its front-end services, Sony Bank is improving its back-office operations as well.

Adjusting our own position in line with the easing of government financial regulations and rising interest rates, in FY2006 we raised the rate of interest we offer on ordinary yen deposits twice—in July 2006 and February 2007. From the beginning, we have set interest rates and allowed them to fluctuate flexibly in line with market rates. Assuming that interest rate levels continue to normalize, we expect Sony Bank’s approach to setting its interest rates to make its product offerings even more attractive to customers.

In FY2007, we plan to take on a host of new challenges, such as the establishment of a securities subsidiary, by heading toward our original goals. As a member of the SFH Group, we will continue working to offer comprehensive financial services. At the same time, we will also ensure the accuracy and enhance the efficiency of our core business operations. We consider offering new services and maintaining high quality the linchpins of our business.

June 29, 2007

A handwritten signature in black ink, appearing to read "Shigeru Ishii".

Shigeru Ishii
President, Representative Director
Sony Bank Inc.

Industry Trends and Sony Bank's Characteristics

The Japanese Banking Industry

To resolve the issue of non-performing loans, which centered on Japan's megabanks, a financial revival program was introduced in 2002 as a package of new measures and policies. Following this introduction, the Guideline for Financial Conglomerate Supervision was announced in June 2005 with the aim of reforming various financial systems. In June 2006, the Law of Sales of Financial Products was established, creating a framework to protect customers using a broad-ranging cross-section of financial products, withdrawing the ban on banks offering securities products and reviewing the system of sales of insurance by banks and other institutions. This liberalization has expanded the range of possibilities for the financial service domain itself.

Furthermore, in recent years the management environment has changed dramatically through the privatization of postal services, the management consolidation of major banks and the introduction of numerous plans by retail companies, Internet firms and overseas financial institutions to establish new banks. Banking institutions that have begun to experience improved operating performance have also begun reinforcing their offerings of financial products and services targeting individuals. As a result, Sony Bank faces an increasingly competitive environment in its main market of providing banking services targeting individuals, and consequently must provide products and services of higher quality in order to compete.

Sony Bank's Characteristics

Commencing operations in June 2001 with a corporate philosophy of "Be fair," Sony Bank provides individual customers with highly convenient financial products and services—focused on retail asset management—over the Internet. By differentiating itself from brick-and-mortar banks that offer full-fledged services and from other new entrants that focus on settlement services, Sony Bank has maintained a unique position by focusing on retail asset management products such as yen deposits, foreign currency deposits and investment trusts, as well as loans including mortgage loans, via the Internet at reasonable rates that are closely linked with market conditions. Demonstrating customers' high regard for this independent positioning and unique business development, the number of accounts at Sony Bank exceeded 500 thousand in May 2007. Average customer assets (deposits and investment trusts) per account were ¥1.72 million as of March 31, 2007, indicating that customers were taking advantage of the characteristics of Internet banking to support their asset management needs.

Sony Bank aims to provide unique products and services that help customers benefit from the Internet's characteristics. For instance, Sony Bank offers foreign currency deposits in eight foreign currencies: U.S. dollars, euros, U.K. pounds, Australian dollars, New Zealand dollars, Canadian dollars, Swiss francs and Hong Kong dollars. Sony Bank also allows customers to take advantage of shifts in market interest and exchange rates through transactions essentially 24 hours a day, 365 days a year. Mortgage loans can be taken out without ever setting foot inside a bank branch, from initial application through to final contract, and changes in the type of interest rate or acceleration of loan payments can be executed over the Internet, making Sony Bank's mortgage loans highly convenient to customers. Furthermore, the bank offers an extensive lineup of investment trusts to suit a range of customer portfolios. As of July 1, 2007, Sony Bank handled 51 funds offered by 19 companies.

As an Internet bank that does not need to maintain physical bank branches, Sony Bank can operate with a low cost structure and can provide products and services at interest rates and fee levels that customers find attractive.

Sony Bank's Products and Services

Sony Bank Transaction Channels

Service Sites

Sony Bank provides MONEYKit, a site that enables individuals to execute banking transactions over the Internet. MONEYKit, which allows customers to conduct asset planning and asset management designed around their future lifestyles, provides a “money toolbox” interface to assist customers as they consider, research and carry out transactions. This variety of tools allows customers to use MONEYKit to approach money from a host of viewpoints.

■ Internet Banking Site (<http://moneykit.net/>) (Japanese only)

This Internet banking site can be accessed via personal computer.

Prior to logging in, the service site provides information on available products and services, as well as articles and columns providing financial information from Sony Bank's web magazine, *from MONEYKit*. In this way, the site offers myriad information related to banking transactions.

After logging in, customers can move freely among the three available interfaces: MONEYKit, MONEYKit-ACTIVE and MONEYKit-PostPet. Each interface takes a different perspective toward money and employs designs and tool configurations based on its specific concept.

Before log-in



After log-in



MONEYKit uses colorful product and service categories and a money toolbox.



MONEYKit-ACTIVE has a simple and refined design.



With MONEYKit-PostPet, users create a piggybank-type *Hoshii Mono Chikinbako*, and then select a PostPet to encourage them in their savings.

■ Mobile Banking Site (<http://mb.moneykit.net/>) (Japanese only)

This mobile banking site, based on the concept of “The bank that you carry with you,” allows customers to use mobile telephones to make transfers, check account balances and set up yen time deposits and ordinary foreign currency deposits. For ordinary foreign currency deposits, the same eight foreign currencies are available as with Internet banking, and rates are updated in line with foreign exchange market fluctuations. Security tools are available to allow customers to perform such functions as discontinuing or re-establishing cash card access. This combination of a mobile phone, which can be used anywhere and anytime, with the access to Sony Bank's products and services available essentially 24 hours a day, 365 days a year, results in a highly convenient service offering.



Note: The screen shown here is a sample.

Affiliated ATMs

Customers can withdraw and deposit cash or transfer funds through ATMs operated by organizations affiliated with Sony Bank.

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

Telephone Banking

A telephone banking service (automatic voice instructions) allows customers to conduct a number of transactions, such as obtaining balance information, checking debits and credit details, making transfers, establishing and repaying card loans, and applying to open yen time deposits, essentially 24 hours a day.

Customer Center

Customer center staff with specialized knowledge communicate with customers via telephone and e-mail, answering questions and advising on customer products and services.

Sony Bank Products and Services

Products	Services
<ul style="list-style-type: none"> • Yen deposits (ordinary yen deposits, yen time deposits, thrift saving deposits) • Foreign currency deposits (ordinary foreign currency deposits, foreign currency time deposits, foreign currency time deposits with special terms) • MONEYKit GLOBAL (Cash card service settled in U.S. dollars) • Investment trusts • Card loans • Special-purpose loans (educational loans, new-vehicle loans, general-purpose loans) • Mortgage loans • Annuities and insurance • Securities intermediation • Credit cards 	<ul style="list-style-type: none"> • Advice engine (asset management advisory tool) • RiskGrade (indicator for determining risk of financial assets) • <i>from</i> MONEYKit (Web magazine containing informational articles, columns and interviews to expand the reader's financial knowledge)

Establishment of Sony Bank Securities

In June 2007, Sony Bank established Sony Bank Securities Inc. as a wholly owned Internet securities subsidiary specializing in securities intermediary services. Through the securities intermediation services provided by Sony Bank Securities, Sony Bank will enhance its product and information offerings and raise the convenience of securities investment transactions and fund settlements, thereby meeting the medium- to long-term asset management needs of its customers.



* We are currently carrying out registration procedures for Sony Bank Securities, in line with applicable legal requirements, with the aim of commencing operations during the first half of FY2007.

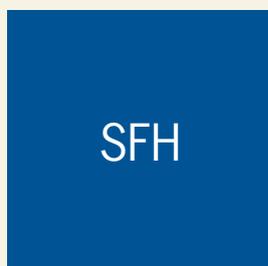
Credit Rating

(As of July 1, 2007)

Rating Institution	Rating Information	
	Standard & Poor's (S&P)	Long-term credit rating
Short-term credit rating		A-2

Note: The above ratings were assigned upon Sony Bank's official request for ratings. These ratings are based on rating agencies' opinions, based on the numbers and information available at a specific point in time, and may be changed in the future. Please refer to Standard & Poor's website for more details.

Analysis of Operating Performance for FY2006



Ordinary Revenues and Ordinary Profit



■ Operating Results

SFH's consolidated ordinary revenues increased 0.1% from the previous fiscal year, to ¥759.2 billion. This was the result of increases in ordinary revenues from the non-life insurance business and the banking business, which were partially offset by a decrease in ordinary revenues from the life insurance business. In the life insurance business, although income from insurance premiums increased, associated with solid growth of policy amount in force, gains on separate accounts decreased compared with the previous fiscal year, when Japanese stock prices rose significantly. As a result, ordinary revenues from the life insurance business decreased 1.0% to ¥689.8 billion. Ordinary revenues from the non-life insurance business increased 11.6% year on year, to ¥51.0 billion as a result of an increase in net premiums written associated with steady growth in the number of policies, primarily automobile insurance policies. Ordinary revenues from the banking business increased 13.0% from the previous fiscal year, to ¥19.4 billion, due mainly to an increase in interest income, resulting from an increase in the balance of investment assets associated with business expansion.

SFH's consolidated ordinary profit decreased 27.7% from the previous fiscal year, to ¥18.3 billion. Decreases in ordinary profit from the life insurance business and the banking business more than offset an improvement in ordinary profit in the non-life insurance business. Ordinary profit from the life insurance business decreased 38.9% year on year, to ¥14.8 billion, for reasons including an increase of policy reserve. In the non-life insurance business, an increase in ordinary revenues and a significant improvement in the net expense ratio resulting from appropriate control over operating expenses contributed to our turning an ordinary loss of ¥0.7 billion in the previous fiscal year into an ordinary profit of ¥2.0 billion, an improvement of ¥2.8 billion. The non-life insurance business achieved profitable results on a full-year basis for the first time since it commenced operations in 1999. Ordinary profit from the banking business decreased 20.6% year on year, to ¥1.3 billion, due to a slight decrease in gross operating profit and an increase in general and administrative expenses, such as advertising expenses.

Extraordinary losses improved by ¥6.7 billion to ¥0.8 billion due to a decrease in the amount of extraordinary losses as the result of a decrease in provision for reserve for price fluctuations.

Net income decreased 13.1% from the previous fiscal year to ¥10.0 billion, as the above-mentioned decrease in ordinary profit was partially offset by a decrease in extraordinary losses.

■ Financial Condition

Total assets as of March 31, 2007 increased 10.4% year on year, to ¥4,323.7 billion, mainly due to an increase in call loans and bills bought as well as an increase in investment assets, particularly monetary trusts.

Total liabilities increased 11.1% year on year, to ¥4,053.6 billion. One of the largest components of liabilities, policy reserve and others, increased 12.8% from the end of the previous fiscal year to ¥3,157.6 billion.

Total net assets amounted to ¥270.1 billion. Of this amount, net unrealized gains on other securities, net of taxes, decreased 0.5% year on year, to ¥125.0 billion.

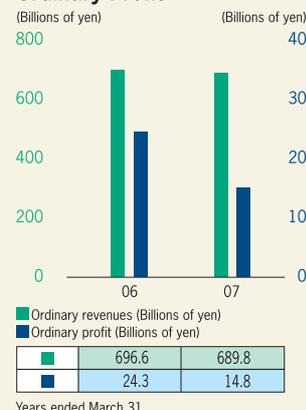
SFH's consolidated operating results are composed of the life insurance, non-life insurance and banking businesses. In this section, we review operating performance in the year ended March 31, 2007 (FY2006) in each business segment.

Life Insurance Business

Operations in the life insurance business include the businesses of Sony Life, a wholly owned subsidiary of SFH, and Sony Life's wholly owned subsidiary, Sony Life Insurance (Philippines) Corporation.

In FY2006, ordinary revenues in the life insurance business decreased 1.0%, to ¥689.8 billion, from ¥696.6 billion in FY2005. Although income from insurance premiums increased, associated with solid growth of policy amount in force, gains on separate accounts decreased compared to the previous fiscal year, when Japanese stock prices rose significantly. Ordinary profit decreased 38.9% year on year, to ¥14.8 billion, for reasons including an increase of the policy reserve.

Ordinary Revenues and Ordinary Profit



Below, we review the operating performance of Sony Life, excluding Sony Life Insurance (Philippines) Corporation. Sony Life accounts for the majority of the life insurance business in SFH's consolidated financial statements.

■New Policy Amount

In FY2006, Sony Life's new policy amount—the total policy amount of new insurance policies sold—for individual life insurance and individual annuities increased 1.1% from the previous fiscal year, to ¥3,429.4 billion. The number of new policies for individual life insurance and individual annuities increased 0.9% year on year to 517 thousand. Sales of new products, such as insurance products for corporate customers and nursing care protection products for individuals, were robust in FY2006.

Within the new policy amount, individual life insurance amounted to ¥3,396.8 billion, up 1.1% year on year, and individual annuities amounted to ¥32.5 billion, up 5.6% from the previous fiscal year. Group life insurance decreased 14.7% from the previous fiscal year, to ¥7.7 billion.

Annualized premiums from new policies for the total of individual life insurance and individual annuities in FY2006 increased 6.1% year on year, to ¥65.5 billion. Of this amount, annualized premiums for medical protection and living benefit protection products amounted to ¥14.4 billion, down 0.4% from the previous fiscal year. This decrease was due to a decrease in demand for medical insurance sold starting from July 2007, despite robust sales of nursing care protection products, which commenced in November 2006.

New Policy Amount and Number of New Policies



Policy Amount in Force and Number of Policies in Force



■Policy Amount in Force

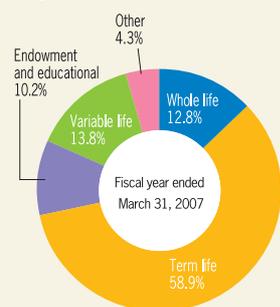
Policy amount in force is the total amount of coverage that Sony Life's policies provide for its policyholders. As of March 31, 2007, total policy amount in force for individual life insurance and individual annuities increased 4.0% from the end of the previous fiscal year, to ¥30,244.4 billion. The number of policies in force for individual life insurance and individual annuities grew 7.8% year on year, to 4,145 thousand. We believe these figures reflect a high level of satisfaction from policyholders, as well as high acclaim for Sony Life's after-sale follow-up services. Although policy amount in force for the total Japanese life insurance industry has been in a downward trend since 1996, Sony Life's policy amount in force—

the total of individual life insurance and individual annuities—increased ¥1,159.9 billion for FY2006, continuing its steady growth for each of the 26 years since the company commenced operations.

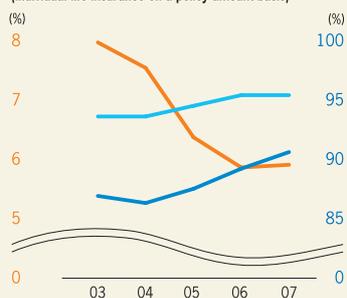
The amount of individual life insurance policies in force increased 3.9% from the end of the previous fiscal year, to ¥30,038.1 billion and individual annuities in force increased 17.4% year on year, to ¥206.3 billion. In addition, group life insurance in force amounted to ¥908.1 billion, down 1.6% year on year, and group annuities in force totaled to ¥72.6 billion, up 1.7%.

Annualized premiums from insurance in force for the total of individual life insurance and individual annuities for FY2006, increased 6.4% year on year, to ¥504.6 billion. Of this amount, annualized premiums for medical protection and living benefit protection products were ¥117.4 billion, up 7.3% from the previous fiscal year.

New Policy Amount by Type of Product
(Policy amount basis, FY06)



Lapse and Surrender Rate and Persistency Rates
(Individual life insurance on a policy amount basis)



	03	04	05	06	07
Lapse and surrender rate (%)	7.99	7.56	6.39	5.88	5.90
13-month persistency rate (%)	93.7	93.7	94.6	95.5	95.5
25-month persistency rate (%)	87.0	86.4	87.6	89.3	90.7

Years ended March 31

■ Sales of Products

In FY2006, on a policy amount basis, more than 80% of new policies were death-protection-type of products. Of the total new policy amount, whole life insurance accounted for 12.8%, term life insurance for 58.9%, endowment and educational insurance for 10.2%, variable life insurance for 13.8% and other for 4.3%. Of all products, sales of new products such as insurance products for corporate customers and nursing care protection products for individuals were robust in FY2006. Sales of variable insurance products were also favorable, owing mainly to Sony Life's advantages in providing reasonable protection at relatively low premiums and to the bullish Japanese stock market.

■ Lapse and Surrender Rate and Persistency Rates

In FY2006, Sony Life's lapse and surrender rate* for individual life insurance, on a policy amount basis, rose 0.02 percentage point but remained at the low level of 5.90%. Persistency rates for individual life insurance, on a policy amount basis, remained high. The 13-month persistency rate remained flat compared with the previous fiscal year at 95.5%, and the 25-month persistency rate rose 1.4 percentage points to 90.7%.

According to the policyholder opinion research conducted by Sony Life every year, policyholders are quite satisfied with the way the company's products are tailored to each customer's life plan through careful consulting services. We believe this satisfaction is the reason for the low lapse and surrender rate and the high persistency rates.

* The lapse and surrender rate is expressed as a ratio of cancellations or lapses that is modified due to the reduction, increase and reinstatement of the total policy amount in force.

■ Income from Insurance Premiums and Insurance Claims and Other Payments

Owing to growth in the policy amount in force, insurance premiums received from policyholders in FY2006 rose steadily to ¥603.6 billion, from ¥579.2 billion in the previous fiscal year. Income from insurance premiums in FY2006 increased 4.3%, from ¥580.5 billion in the previous fiscal year to ¥605.5 billion. On the other hand, insurance claims, benefits, and annuities that Sony Life paid to policyholders in FY2006 amounted to ¥59.0 billion (compared to ¥86.4 billion in FY2005), ¥25.7 billion (compared to ¥23.5 billion in FY2005), and ¥5.1 billion (compared to ¥4.4 billion in FY2005), respectively. Insurance claims and other payments,

including surrender payments, for FY2006 amounted to ¥219.3 billion compared to ¥231.8 billion in the previous fiscal year. The decrease in insurance claims and other payments was due in part to the fact that payments upon the maturity of outstanding policies in FY2005 were ¥28.0 billion higher than in FY2006, due to a greater number of maturities in FY2005. Sony Life believes that in FY2006, as in past years, it was able to continue to serve the needs of its policyholders.

■ Asset Management

Sony Life's fundamental investment policy for its general account assets is to build an investment portfolio capable of ensuring stable mid- to long-term returns through the efficient investment of funds, taking into account both expected returns and investment risks and responding flexibly to changes in financial conditions and the investment environment, while maintaining a sound asset base. We are also working to ensure stable revenue by taking a strict approach toward risk.

In FY2006, Sony Life followed its strategy of responding flexibly to changes in the investment environment. In the first half of FY2006, when interest rates in Japan exhibited an upward trend, Sony Life invested mainly in long-term Japanese government bonds. With respect to investments in convertible bonds, Sony Life concentrated its investments in convertible bonds whose prices had declined due to the issuer's falling stock price.

As of March 31, 2007, general account assets totaled ¥3,123.2 billion, up 10.7%, or ¥300.7 billion, from the end of the previous fiscal year. Within the general account, Japanese government and corporate bond investments totaled ¥1,535.6 billion (accounting for 49.2% of total general account assets), Japanese stocks ¥244.3 billion (7.8%), foreign government and corporate bonds ¥100.7 billion (3.2%), policyholder loans ¥96.8 billion (3.1%), monetary trusts ¥718.4 billion (23.0%), cash and call loans ¥237.4 billion (7.6%) and real estate ¥87.0 billion (2.8%). Sony Life holds monetary trusts for accounting classification purposes. Of these, Japanese government and corporate bonds were ¥540.7 billion and Japanese stocks were ¥54.3 billion as of March 31, 2007.

In addition, convertible bonds as of March 31, 2007, amounted to ¥432.0 billion (of which, ¥128.7 billion were held as monetary trusts), accounting for 13.8% of total general account assets.

■ Unrealized Gains and Losses on Securities

Unrealized gains and losses refer to the differences between the book values and fair values of assets. If fair value exceeds book value, a gain on sales of assets would be realized by liquidating them at market prices. For this reason, such unrealized gains act as a provision against various risks. Part of the unrealized gains and losses on securities and real estate is included in the total solvency margin—the numerator of the formula—for calculating the solvency margin ratio. (See page 42.)

Unrealized gains and losses on securities in the general account stood at ¥198.2 billion as of March 31, 2007, down 2.3% from the end of the previous fiscal year. Of this amount, unrealized gains and losses on Japanese stocks were ¥130.0 billion (compared to ¥150.4 billion one year earlier), on Japanese bonds ¥57.1 billion (compared to ¥41.4 billion one year earlier) and on foreign securities ¥4.2 billion (compared to ¥3.1 billion one year earlier).

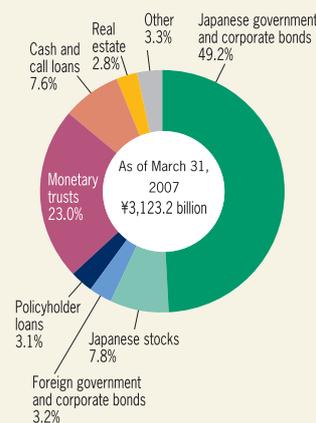
* As of March 31, 2007, Sony Life assumed unrealized gains on Japanese stocks to be zero when the Nikkei Stock Average is approximately ¥10,183 and the TOPIX index is 1,009 points.

Income from Insurance Premiums

(Billions of yen)



General Account Asset Composition



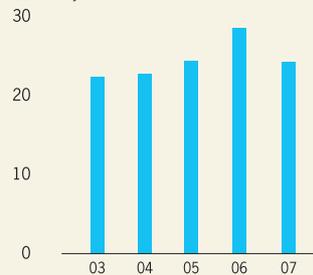
Unrealized Gains and Losses on Securities

(Billions of yen)



Core Profit

(Billions of yen)



Core profit (Billions of yen)

■	22.4	22.8	24.3	28.5	24.3
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Years ended March 31

Core Profit

Core profit is an indicator of the profit-earning capacity of the primary insurance business over a one-year period. The term "primary insurance business" refers to the management of insurance premiums received from policyholders, along with investment income to pay insurance claims, annuities and benefits and to make policy reserve provisions for future payments. Adding capital gains or losses, such as gains/losses on sales of securities, and one-time gains and losses to core profit produces ordinary profit, which appears on the statements of income.

In FY2006, Sony Life's core profit decreased 14.7% year on year, to ¥24.3 billion, owing to an increase in the negative spread and an increase in operating expenses.

Note: Like most life insurers that are organized as joint stock corporations, Sony Life sells life insurance that is non-participating. Mutual corporations, on the other hand, typically offer participating policies, and their insurance premiums include a portion of financial resources for policyholder dividends. These amounts are counted as core profits and losses, and the financial resources for policyholder dividends are included in core profits. For this reason, mutual corporations tend to show higher core profits than joint stock corporations that operate on the same scale.

Core Profit

Years ended March 31

(Millions of yen)

Item	2006	2007
Core profit	[A] 28,564	24,366
Capital gains	22,316	22,571
Gains on monetary trusts	14,884	5,814
Gains on investments in trading securities	—	1,708
Gains on sales of securities	6,546	11,887
Gains from derivatives	825	3,061
Foreign exchange gains	59	99
Other capital gains	—	—
Capital losses	914	215
Losses on monetary trusts	—	—
Losses on investments in trading securities	647	—
Losses on sales of securities	267	148
Devaluation losses on securities	—	66
Losses from derivatives	—	—
Foreign exchange losses	—	—
Other capital losses	—	—
Net capital gains	[B] 21,401	22,356
Core profit plus net capital gains	[A]+[B] 49,966	46,722
Other one-time gains	—	1,849
Gain from reinsurance	—	—
Reversal of contingency reserve	—	—
Other	—	1,849
Other one-time losses	25,606	33,676
Losses from reinsurance	—	—
Provision for contingency reserves	22,090	2,488
Provision for reserve for specific problem loans	5	24
Provision for reserve for specific overseas receivable assets	—	—
Loans amortization	—	—
Other	3,511	31,162
Total other one-time losses	[C] (25,606)	(31,827)
Ordinary profit	[A]+[B]+[C] 24,359	14,895

Notes: 1. Core profit for the fiscal year ended March 31, 2007, includes gains on monetary trusts resulting from income gains equal to ¥6,355 million. Other in other one-time gains for the fiscal year ended March 31, 2007, consists of a ¥1,849 million reversal of policy reserve with respect to reserves previously established for future liabilities with respect to certain insurance policies. Other in other one-time losses for the fiscal years ended March 31, 2007, consists of a one-time ¥31,162 million provision for policy reserve. This one-time provision for policy reserve relates to certain insurance policies for which Sony Life had identified a risk that policyholder premiums, as calculated based on then-applicable assumed rates of return and assumed mortality rates, could be insufficient to cover future payments. This one-time provision for policy reserve relates to all future liabilities for payment under the relevant policies.

2. Core profit for the fiscal year ended March 31, 2006, includes gains on monetary trusts resulting from income gains equal to ¥4,674 million. Other in other one-time losses for the fiscal year ended March 31, 2006, consists of a one-time ¥3,511 million provision for policy reserves increased for the purpose of maintaining future financial soundness for some insurance policies.

■ Negative Spread

Life insurance companies retain a portion of premiums received from policyholders as policy reserves in anticipation of future payments. These policy reserves are calculated under the assumption that they will yield a certain rate of interest every year. This interest rate is called the “assumed interest rate (for calculating policy reserves).” Negative spread arises when, owing to the deterioration of the investment environment or other factors, the actual investment yield falls below the assumed interest rate (for calculating policy reserves) for some policies.

Sony Life’s negative spread in FY2006 was ¥37.3 billion, up ¥4.2 billion compared to the previous fiscal year. However, Sony Life has adequate other income sources to cover its negative spread. (See the analysis of core profit on page 40).

Formula for Calculating Negative Spread

$$\left[\text{Investment yield for core profit}^{*1} - \text{Average assumed interest rate (for calculating policy reserve)}^{*2} \right] \times \text{Policy reserve in the general account}^{*3} = \text{Negative spread}$$

- Notes: 1. “Investment yield for core profit” is the investment income from the general account that is included in core profit, less the provision for policyholder dividend reserves, divided by policy reserve in the general account.
 2. The “average assumed interest rate (for calculating policy reserve)” is the average of the assumed interest rates used to calculate policy reserve in the general account.
 3. “Policy reserve in the general account” is policy reserve in the general account, excluding the contingency reserve, calculated as follows:
 (Policy reserves at beginning of term + Policy reserves at end of term – Expected interest*) x 1/2
 * “Expected interest” is the amount of interest calculated by discounting the amount using the assumed interest rate every year.

■ Non-Performing Assets

As the table below shows, Sony Life has no risk-monitored loans (loans for which repayment circumstances are not ordinary). Moreover, all figures listed in the loans by borrower category are classified as normal loans.

Sony Life’s loan balance as of March 31, 2007, was ¥96.8 billion. As Sony Life does not engage in commercial lending*, its loan balance is derived solely from policyholder loans, which are recoverable and limited to the value of surrender payments.

* Some life insurance companies engage in commercial lending as a part of their asset management for the purpose of generating interest income. Loans are categorized as policyholder loans, which are a form of customer service, and commercial loans. The balance of “loans” represents the sum of these categories.

Risk-Monitored Loans

As of March 31 Category	(Millions of yen)	
	2006	2007
Bankrupt loans	—	—
Non-accrual delinquent loans . . .	—	—
Past-due loans (three months or more)	—	—
Restructured loans	—	—
Total	—	—

Loans by Borrower Category

As of March 31 Category	(Millions of yen)	
	2006	2007
Bankrupt and quasi-bankrupt loans	—	—
Doubtful loans	—	—
Sub-standard loans	—	—
Normal loans	88,554	98,601
Total	88,554	98,601

■ Solvency Margin Ratio

The solvency margin ratio indicates an insurance company's "ability to pay." Life insurance companies accumulate policy reserves against the future payment of insurance claims so they can respond sufficiently to ordinarily anticipated events. However, unforeseen events sometimes occur as a result of changes in the environment, such as a major disaster or a cataclysmic fall in the stock market. The solvency margin ratio is one administrative control indicator used to judge if an insurer has the ability to pay in response to such unpredictable events.

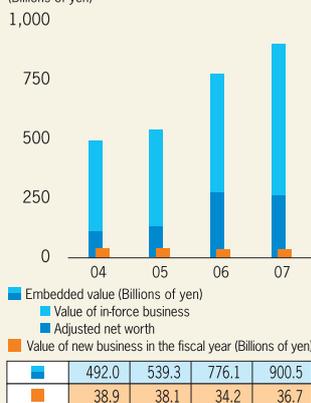
As of March 31, 2007, Sony Life had a high solvency margin ratio of 1,852.0%, up 305.0 percentage points from the end of the previous fiscal year.

As of March 31		(Millions of yen)	
Item		2006	2007
Total solvency margin	[A]	593,596	625,097
Net assets (less certain items)		80,423	82,893
Reserve for price fluctuations		20,109	20,882
Contingency reserve		56,542	59,031
Reserve for possible loan losses		0	0
Net unrealized gains/losses on other securities (before taxes) (x 90% if gains; x 100% if losses)		184,697	181,510
Net unrealized gains/losses on real estate (x 85% if gains; x 100% if losses)		3,220	3,790
Subordinated debt		—	—
Deductible items		—	—
Other		248,601	276,989
Total risk $\sqrt{R1^2+(R2+R3+R7)^2}+R4$	[B]	76,738	67,501
Insurance risks R1		40,200	23,892
Assumed interest rate risks R2		10,436	10,798
Asset management risks R3		49,868	46,977
Business management risks R4		2,062	1,703
Minimum guarantee risks R7		2,625	3,530
Solvency margin ratio { [A] / ([B] x 1/2) } x 100 (%)		1,547.0%	1,852.0%

- Notes: 1. Calculations employed in the chart above apply the methods provided for under Article 86 and 87 of the Insurance Business Law of Japan enforcement regulations, as stipulated in 1996 by Ministry of Finance Directive 50.
2. The method of computing the solvency margin ratio was partially changed in accordance with the revisions to the Insurance Business Law of Japan enforcement regulations made during the fiscal year ended in March 31, 2007. (The figures as of March 31, 2006 are based on the previous standard). In addition, net assets as of March 31, 2006 represents stockholder's equity on the balance sheets less the estimated appropriation of paid-in cash and net unrealized gains/losses on other securities, while net assets as of March 31, 2007, represents net assets on the balance sheets less the estimated appropriation of paid-in cash and total valuation and translation adjustments.
3. A standard method is used to calculate minimum guarantee risks.
4. The method of computing insurance risks was partially changed starting from the end of March 2007, in accordance with the change of the documents described in the Insurance Business Law of Japan Article 4-2, No. 4.

Embedded Value

(Billions of yen)



As of March 31

■ Embedded Value

Embedded value ("EV") is calculated as the sum of the value of in-force business and adjusted net worth. In Europe and Canada, EV is regarded as one of indices used for assessing the corporate value of a life insurance company. Sony Life discloses EV as one of the indices used to evaluate the corporate value of its life insurance business within the Sony Financial Holdings Group.

Sony Life's EV

The Embedded Value of Sony life as of March 31, 2007 was as follows:

As of March 31		(Billions of yen)			
Category		2004	2005	2006	2007
EV		492.0	539.3	776.1	900.5
Value of in-force business		381.7	409.6	499.8	638.8
Adjusted net worth		110.2	129.7	276.3	261.7
Value of new business in the fiscal year		38.9	38.1	34.2	36.7

Note: Different calculation methods and assumptions are used for EV results as of March 31, 2004, 2005, 2006 and 2007.

The value of in-force business is calculated as follows:

Value of in-force business = Present value of future after-tax profits on in-force business – Present value of cost of capital*.
 “Cost of capital” is the spread between the investment yield and the discount rate applied to the amounts of capital and surplus that will be required to maintain the assumed level of solvency margin ratio.

Adjusted net worth is calculated as follows:

Adjusted net worth = (a) Total net assets in the balance sheets* + (b) Reserve for price fluctuations + (c) Contingency reserve + (d) Reserve for possible loan losses + (e) Net unrealized gains on land – (f) Unfunded employees’ retirement benefits liability – (g) Deferred tax assets for (b), (c), (d), (e) and (f).

* “Total net assets in the balance sheets” excludes net unrealized gains on bonds except for convertible bonds.

Under the accounting principles and practices generally accepted in Japan (Japanese GAAP), which apply to life insurance companies in Japan like Sony Life, the balance sheets do not indicate the present value of future profits on in-force business, while EV indicates the present value of future profits on in-force business, together with the company’s adjusted net worth. For this reason, Sony Life believes EV serves as a supplement to the financial information provided under Japanese GAAP and is a helpful indicator used to evaluate corporate value. However, EV covers only existing in-force business as of the date of valuation, and does not include the potential value of future new business, which is also generally considered a constituent of the economic value of an insurance company.

Major Assumptions

The major assumptions employed in the calculation of EV at March 31, 2007 were as follows:

Item	Assumptions
Discount rate	6.0%
Investment yield on new investments	Investment yield on new investments is based on implied forward rates, assuming Sony Life makes all new investments only in Japanese government bonds.
Mortality and morbidity rates	Based on Sony Life’s experience over the three most recent fiscal years (FY2004–FY2006)
Lapse and surrender rate	Based on Sony Life’s experience over the three most recent fiscal years (FY2004–FY2006)
Operating expenses	Calculated using the cost for the maintenance and administration of policies and for payments of claims based on Sony Life’s experience during the most recent fiscal year (FY2006)
Effective tax rate	Based on the most recent effective tax rate (based on the rate for FY2006)
Solvency margin ratio	For the purpose of calculating the cost of capital, maintenance of a solvency margin ratio of 600% was assumed.

1. Discount rate

The discount rate assumption was set by adding Sony Life’s assumed risk premium (4.5%) to the risk-free rate (the yield on 10-year Japanese government bonds: 1.66%), as of the end of the fiscal year.

2. Investment yield

(1) Investment yield on new investments:

The investment yield on new investments assumption was calculated based on the implied forward rates computed from the yield curve of Japanese government bonds as of March 31, 2007, and assuming that Sony Life invests only in Japanese government bonds every year.

Sony Life sets the assumed investment yield on new investments using neutral assumptions set in light of the market environment at the end of each fiscal year. Neutral assumptions are made to avoid potential complications arising from the fact that the more Sony Life invests in assets with higher expected rates of return, the higher the calculated EV. Sony Life believes that assets with higher expected rates of return have higher risks and should be adjusted by discount rates when calculating EV.

(2) Investment yield on existing assets:

The investment yield on existing assets assumption was calculated separately for each asset, based on the following assumptions:

- For existing bonds other than convertible bonds, Sony Life assumed that it would hold them to maturity.
- For convertible bonds, Sony Life’s calculations assumed that it would conduct rebalancing as of the date of evaluation as follows:
 - After reflecting the unrealized gains from convertible bonds into its adjusted net worth, Sony Life immediately reinvests the remaining amount into Japanese government bonds.
- For stocks and other assets (policyholder loans, real estate, private equity funds, etc.), Sony Life assumed that it would maintain a balance at the end of the fiscal year within its own established internal limits for holdings of such assets.
 - Interest, dividends and proceeds from redemptions are calculated with the assumption that Sony Life would reinvest these proceeds into Japanese government bonds.

Movement analysis of EV from March 31, 2006

The change in EV from March 31, 2006 to March 31, 2007 is split into the following components.

		(Billions of yen)
Item		Amount
(1) EV as of March 31, 2006.		776.1
(2) Shareholder dividends		(6.5)
(3) Release from the value of in-force business		32.5
(4) EV of new policies for the year ended March 31, 2007.		36.7
(5) Difference between assumptions and actual results for the year ended March 31, 2007.		(19.6)
(6) Difference from changes in the assumptions		81.3
(7) EV as of March 31, 2007.		900.5

Note: Item (3) corresponds to unwinding of the amount of discount for one year made as of March 31, 2006 on the value of in-force business.

Impact of Changing Assumptions (Sensitivities)

The impact of changing the underlying assumptions on EV at March 31, 2007 would be as follows:

		Amount of Increase (Decrease)	EV Amount
Discount rate	From 6.0% to 5.0%	77.3	977.7
	From 6.0% to 7.0%	(63.0)	837.5
Solvency margin ratio	From 600% to 500%	7.5	908.0
	From 600% to 700%	(8.5)	892.0
Investment yield: +0.25%*	On total investments	54.6	955.1
	On new investments	36.3	936.8
Investment yield: -0.25%*	On total investments	(56.9)	843.5
	On new investments	(37.4)	863.1
Mortality and morbidity	Assumption x 1.1	(60.1)	840.4
Lapse and surrender rate	Assumption x 1.1	(16.3)	884.2
Operating expenses	Assumption x 1.1	(5.0)	895.5

* The impact of changes in investment yield assumptions is shown after taking into account the impact on policyholders' dividends.

Notes

Regulations require that certain reserves be set aside for payments to be made under variable life insurance and annuity contracts with minimum guaranteed benefits issued in FY2005 and thereafter. In calculating EV as of March 31, 2007, while setting aside the reserve for guaranteed minimum death benefits ("GMDB") based on Japanese GAAP, Sony Life evaluated the future cash flows on GMDB for all existing variable life insurance policies using the stochastic method. This evaluation reduced EV as of March 31, 2007 by ¥4.3 billion and reduced EV as of March 31, 2006 by ¥3.2 billion.

Opinion of Outside Specialist

Sony Life has obtained an opinion letter from Milliman, Inc., an independent actuarial firm that possesses insurance actuarial expertise. This opinion letter can be found on SFH's website, at http://www.sonyfh.co.jp/index_en.html.

Disclaimer

Statements made in this annual report contain calculations based on assumptions regarding future projections that are subject to risks and uncertainties. Actual future results might differ significantly from the assumptions used in the EV calculations. Therefore readers are advised to be cautious and not place undue reliance on these EV calculations in assessing the corporate value of Sony Life.

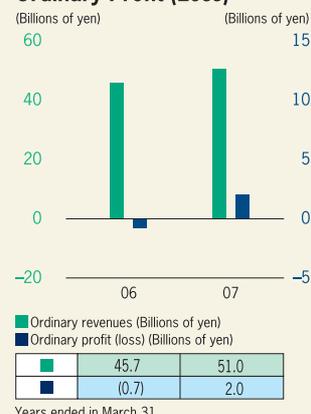
Non-life Insurance Business

The non-life insurance business is conducted by Sony Assurance, a wholly owned subsidiary of SFH.

In FY2006, ordinary revenues from the non-life insurance business increased 11.6% year on year, to ¥51.0 billion from ¥45.7 billion in the previous fiscal year, as a result of an increase in net premiums written associated with steady growth in the number of policies, primarily automobile insurance policies.

An increase in ordinary revenues and a significant improvement in net expense ratio resulting from appropriate control over operating expenses contributed to turning an ordinary loss of ¥0.7 billion in the previous fiscal year to an ordinary profit of ¥2.0 billion, an improvement of ¥2.8 billion. The non-life insurance business achieved profitable results on a full-year basis for the first time since it commenced operations in 1999.

Ordinary Revenues and Ordinary Profit (Loss)



Below, we review the operating performance of Sony Assurance, which conducts SFH's non-life insurance business.

Number of Policies in Force

(Automobile insurance + Medical and cancer insurance policies)

(Thousand of Policies)



As of March 31

Note: For numbers of policies in force, amounts of less than ten thousand have been truncated.

Number of Policies in Force

In FY2006, the number of policyholders of Sony Assurance's mainstay automobile insurance and medical and cancer insurance continued to grow steadily. As a result, the number of insurance policies in force—the sum of automobile insurance and medical and cancer insurance policies—as of March 31, 2007, increased by approximately 110 thousand policies from one year earlier, to approximately 930 thousand policies.

Net Premiums Written

Net premiums written at non-life insurance companies, which corresponds with sales in other industries, describes the premiums received from policyholders (direct premiums written) plus or minus reinsurance premiums (adding direct reinsurance premiums received and subtracting direct reinsurance premiums paid). In FY2006, Sony Assurance's net premiums written totaled ¥50.4 billion, up 11.5% from ¥45.2 billion in the previous fiscal year. By type of insurance, net premiums written for voluntary automobile insurance increased 10.2% year on year, to ¥43.9 billion, accounting for 87.0% of total net premiums written. Net premiums written for personal accident insurance, which comprises mainly medical and cancer insurance, grew 23.2% year on year to ¥5.9 billion, accounting for 11.8% of total net premiums written. For types of insurance other than voluntary automobile and personal accident insurance, such as fire insurance, marine insurance and compulsory automobile liability insurance, net premiums written decreased 0.7% from the previous fiscal year, to ¥0.5 billion.

Net Premiums Written

(Billions of yen)



Years ended March 31

■ Net Loss Ratio

The net loss ratio describes the ratio of the total amount of net losses paid and loss adjustment expenses, such as expenses incurred in surveying damages, to net premiums written. In FY2006, Sony Assurance's net loss ratio increased 1.3 percentage points, to 53.6%, up from 52.3% in FY2005. By type of insurance, the net loss ratio on voluntary automobile insurance rose 1.7 percentage points year on year, from 56.5% to 58.2%, while for personal accident insurance, including medical and cancer insurance, the ratio increased 0.4 percentage point year on year, from 17.1% to 17.5%.

Net Loss Ratio

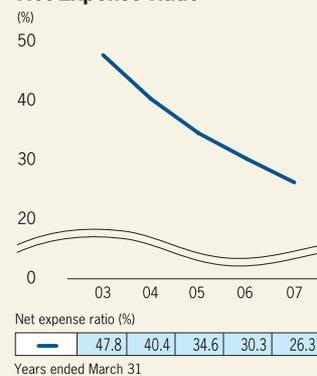


■ Net Expense Ratio

The net expense ratio is the ratio of the total of costs to market and perform ongoing maintenance to net premiums written. This ratio includes the company's business expense and development costs for new products. In FY2006, Sony Assurance's net expense ratio improved 4.0 percentage points from 30.3% in the previous fiscal year to 26.3%, due to improved efficiency of operations.

The combined ratio—the sum of the net loss ratio and the net expense ratio—improved 2.6 percentage points, from 82.5% in FY2005 to 79.9% in FY2006.

Net Expense Ratio



■ Underwriting Profits

Underwriting profits describe the level of profits that a company generates by underwriting insurance. Underwriting profits are calculated by subtracting from underwriting income (net premiums written, etc.) the underwriting expenses (net losses paid, loss adjustment expenses, etc.) and the operating, general and administrative expenses associated with underwriting, as well as the net amounts of various other income and expenses (such as corporate taxes associated with compulsory automobile liability insurance). In FY2006, Sony Assurance's underwriting profits (losses) improved ¥2.7 billion compared to the previous fiscal year, to ¥1.6 billion, owing to an increase in net premiums written and improvements in its net expense ratio. By type of insurance, underwriting profits on voluntary automobile insurance improved ¥1.6 billion compared to the previous fiscal year, to ¥0.7 billion. For personal accident insurance, including medical and cancer insurance, underwriting profits improved ¥0.9 billion, to ¥0.7 billion.

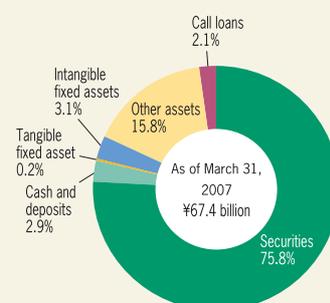
Underwriting Profits (Losses)



■ Total Asset Composition and Investment Policy

As of March 31, 2007, Sony Assurance's total assets increased 20.3% from the end of the previous fiscal year, to ¥67.4 billion. Of total assets, securities amounted to ¥51.1 billion (accounting for 75.8% of the total), cash and deposits ¥1.9 billion (accounting for 2.9%), call loans ¥1.4 billion (accounting for 2.1%), tangible fixed assets ¥0.1 billion (accounting for 0.2%), intangible fixed assets ¥2.1 billion (accounting for 3.1%) and other assets ¥10.6 billion (accounting for 15.8%). Sony Assurance's investment policy is to ensure stable investment returns over the medium to long term by investing primarily in yen-denominated bonds and taking into account the market environment and investment risks.

Composition of Total Assets



■ Solvency Margin Ratio

For non-life insurers, the solvency margin ratio is an important indicator of the ability to pay claims. As of March 31, 2007, Sony Assurance had a solvency margin ratio of 1,009.7%, indicating a substantial ability to pay claims.

As of March 31		(Millions of yen)	
Item		2006	2007
Total solvency margin [A]		16,952	20,186
Net assets (less certain items)		11,623	13,222
Reserve for price fluctuations		15	25
Special catastrophe reserves		5,192	6,800
Reserve for possible loan losses		—	—
Net unrealized gains/losses on other securities (before taxes)		121	137
Net unrealized gains/losses on real estate		—	—
Subordinated debt		—	—
Deductible items		—	—
Other		—	—
Total risk $\sqrt{R1^2+(R2+R3)^2+R4+R5}$ [B]		3,473	3,998
Ordinary insurance risks	R1	3,004	3,408
Assumed interest rate risks	R2	—	—
Asset management risks	R3	214	231
Business management risks	R4	107	122
Major catastrophe risks	R5	354	458
Solvency margin ratio $\{[A]/([B] \times 1/2)\} \times 100$ (%)		976.1%	1,009.7%

Notes: 1. Calculations employed in the chart above apply the methods provided for under articles 86 and 87 of the Insurance Business Law of Japan enforcement regulations, as stipulated in 1996 by Ministry of Finance Directive 50.

2. The method of computing the solvency margin ratio was partially changed in accordance with the revision to the Insurance Business Law of Japan enforcement regulations made during the fiscal year ended in March 31, 2007, but this change did not affect Sony Assurance's solvency margin ratio. In addition, net assets as of March 31, 2006, represents stockholders' equity on the balance sheets less the estimated appropriation of paid-in cash, deferred assets and net unrealized gains/losses on other securities, while net assets as of March 31, 2007, represents net assets on the balance sheets less the estimated appropriation of paid-in cash, deferred assets and total valuation and translation adjustments.

■ Non-Performing Assets

Sony Assurance's self-assessment of assets is outlined below.

Risk-Monitored Loans

As of March 31	(Millions of yen)	
Category	2006	2007
Bankrupt loans	—	—
Non-accrual delinquent loans	—	—
Past-due loans (three months or more)	—	—
Restructured loans	—	—
Total	—	—

Loans by Borrower Category

As of March 31	(Millions of yen)	
Category	2006	2007
Bankrupt and quasi-bankrupt loans	—	—
Doubtful loans	—	—
Sub-standard loans	—	—
Normal loans	—	—
Total	—	—

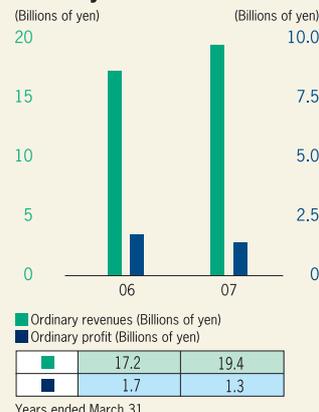
Banking Business

Operations in the banking business are conducted by Sony Bank, an 88.0%-owned subsidiary of SFH.

In FY2006, ordinary revenues increased 13.0%, to ¥19.4 billion, from ¥17.2 billion in FY2005, due to the expansion of its business, associated with a steady increase in customer assets—the total of deposits and investment trusts—and mortgage loans. Ordinary profit decreased 20.6% year on year, to ¥13.0 billion, due to a decrease in gross operating profit and an increase in general and administrative expenses.

* Ordinary profit in the banking business for FY2005 includes a one-time amortization of goodwill associated with the purchase of Sony Bank's shares and the acceptance of its capital increase. As a result, ordinary profit of SFH's banking business for FY2005 differs from the non-consolidated ordinary profit of Sony Bank for the same fiscal year.

Ordinary Revenues and Ordinary Profit



Below, we review the operating performance of Sony Bank, which constitutes SFH's banking business.

Gross Operating Profit



■ Gross Operating Profit

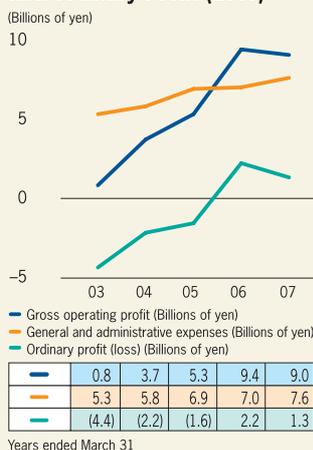
In FY2006, Sony Bank's gross operating profit decreased 3.9% year on year, from ¥9.4 billion in the previous fiscal year to ¥9.0 billion. The bank derives gross operating profit from net interest income, net fees and commissions, and net other income.

Sony Bank uses the funds that its customers have placed on deposit to invest in securities, provide mortgage loans and offer other loans to individuals. Net interest income refers to the spread between funding costs, such as interest paid on deposits, and interest received on securities, loans and other items. In FY2006, net interest income decreased 4.4% year on year, to ¥4.5 billion, mainly as the result of an increase in interest expenses.

Net fees and commissions refers to the spread between the fees and commissions received on securities-related business as well as on remittances and transfers and the fees and commissions paid for the use of ATMs and for remittances and transfers. In FY2006, net fees and commissions increased 17.0% from the previous fiscal year to ¥0.5 billion, resulting from an increase in securities-related commissions primarily associated with an increase in the outstanding amount of investment trusts.

Net other income refers to services that are not included in net interest income or net fees and commissions. These include gains and losses associated with foreign exchange transactions, sales of bonds and others, and derivatives (valuation gains or losses on derivative products including swaps that are held to hedge securities and others). In FY2006, net other income decreased 5.6% year on year, to ¥3.9 billion, primarily as the result of decreases in market investment profit and income from customers' foreign exchange transactions.

Gross Operating Profit, General and Administrative Expenses, and Ordinary Profit (Loss)



■ General and Administrative Expenses

General and administrative expenses increased 8.1% from the previous fiscal year, to ¥7.6 billion, owing to an increase in advertising expenses and personnel expenses associated with expansion of its business.

Due to a decrease in gross operating profit and an increase in general and administrative expenses, Sony Bank's non-consolidated ordinary profit decreased 39.2% year on year, to ¥1.3 billion. Net income decreased 68.6% from the previous fiscal year to ¥1.0 billion, because of the above-mentioned factors and corporate taxes associated with a deferred tax liability. Sony Bank has recorded positive net income for two consecutive years.

* The ordinary profit of SFH's banking business for FY2005 differs from the non-consolidated ordinary profit of Sony Bank for the same fiscal year because ordinary profit in SFH's banking business includes the one-time amortization of goodwill associated with the purchase of Sony Bank's shares and the acceptance of its capital increase.

■ Number of Accounts

Throughout FY2006, Sony Bank endeavored to acquire new customers by expanding its product and service offerings and raising its level of brand awareness. As a result, the number of accounts increased steadily throughout the year, growing 14.3%, or 61 thousand, to 491 thousand as of March 31, 2007.

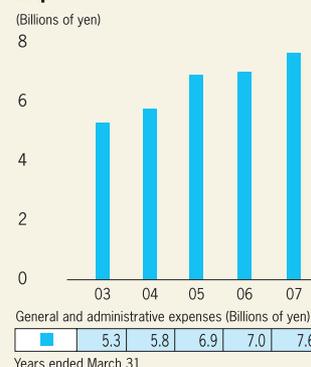
■ Customer Assets (Total of Deposits and Investment Trusts)

Customer assets (total of deposits and investment trusts) as of March 31, 2007, were ¥848.8 billion, up 25.7% from the end of the previous fiscal year. Of this figure, yen deposits accounted for 71.2% and amounted to ¥604.4 billion, foreign currency deposits accounted for 17.4% and came to ¥147.8 billion, resulting in total deposits constituting 88.6% of total customer assets and totaling ¥752.3 billion. Investment trusts accounted for 11.4% of total customer assets, with a balance of ¥96.5 billion.

Sony Bank worked to offer interest rates on its yen deposits that are close to market rates. In July 2006, Sony Bank raised its interest rate on ordinary yen deposits from 0.05% to 0.20%, swiftly responding to the end of the Bank of Japan's zero-rate policy. In February 2007, the bank raised this rate further, to 0.30%, in response to an additional interest rate hike by the Bank of Japan. Growing levels of customer interest in yen interest rates and various Sony Bank promotional campaigns, particularly with respect to yen time deposits, contributed substantially to the increase in the bank's yen deposits, which grew by a record ¥153.4 billion during the year, to ¥604.4 billion as of March 31, 2007, up 34.0% from one year earlier. The balance of foreign currency deposits, on the other hand, decreased 0.7% year on year to ¥147.8 billion, reflecting the depreciation of the yen over FY2006.

Sony Bank added three new funds to its investment trust offerings in May 2006, and implemented a half-price cash-back campaign on sales commissions for these new funds. As of March 31, 2007, investment trusts amounted to ¥96.5 billion, up 28.4% year on year.

General and Administrative Expenses



Number of Accounts

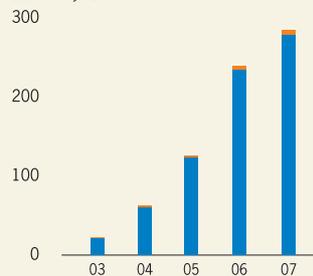


Customer Assets



Loans

(Billions of yen)



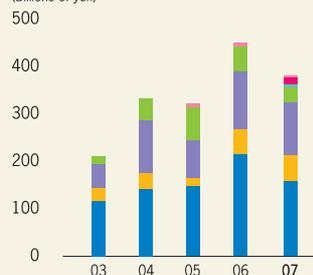
■ Mortgage loans (Billions of yen)
■ Other (Billions of yen)

■ Mortgage loans (Billions of yen)	20.6	60.4	122.7	234.3	278.0
■ Other (Billions of yen)	1.7	2.5	3.6	5.0	6.6
Total	22.4	63.0	126.3	239.4	284.7

As of March 31

Securities (by Ratings)

(Billions of yen)

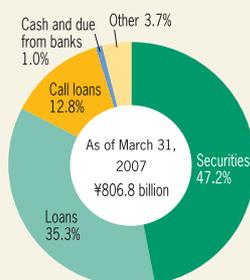


■ AAA ■ AA ■ A ■ BBB
■ P-1 ■ P-2 ■ Not rated (Billions of yen)

■ AAA	116.8	141.8	146.6	214.4	157.5
■ AA	27.3	31.7	17.0	53.6	54.8
■ A	48.8	112.4	81.5	121.0	110.1
■ BBB	18.5	47.2	69.3	53.3	32.7
■ P-1	—	—	—	—	7.9
■ P-2	—	—	—	—	12.9
■ Not rated	—	—	7.0	6.9	5.0
Securities	211.5	333.4	321.6	449.5	381.2

As of March 31

Composition of Total Assets



Loans

Loans as of March 31, 2007 were up 18.9% from the end of the previous fiscal year, to ¥284.7 billion. Of this figure, mortgage loans accounted for 97.7%. Besides mortgage loans, Sony Bank offers card loans and special-purpose loans.

As of March 31, 2007, the balance of mortgage loans was up 18.6% from the end of the previous fiscal year, to ¥278.0 billion. Sony Bank expanded its mortgage loan tie-ups during FY2006 and implemented a discounted interest rate system in February 2007.

Securities

Sony Bank's principal investments are in securities, and as of March 31, 2007, the balance of securities was ¥381.2 billion, down 15.2% from the end of the previous fiscal year. Of this amount, Japanese government bonds represented ¥131.0 billion, down ¥48.7 billion, short-term corporate bonds were ¥20.9 billion, up ¥20.9 billion, and corporate bonds were ¥74.7 billion, up ¥16.3 billion. Other securities, including corporate bonds issued outside of Japan, amounted to ¥154.5 billion, a decrease of ¥56.8 billion. Securities rated AAA and AA accounted for 55.7% of the total.

Note: Sony Bank classifies its securities according to the Basel II standardized approach, by referring to the ratings of five rating agencies: Moody's Investors Service, Inc.; Standard & Poor's; Rating and Investment Information, Inc.; Japan Credit Rating Agency, Ltd.; and Fitch Ratings, Ltd.

Total Assets

Sony Bank's total assets as of March 31, 2007 increased 6.9% from the end of the previous fiscal year, to ¥806.8 billion. Of this figure, securities were ¥381.2 billion, accounting for 47.2% of the total, loans were ¥284.7 billion, accounting for 35.3%, call loans were ¥103.0 billion, accounting for 12.8%, cash and due from banks were ¥7.9 billion, accounting for 1.0%, and other items were ¥29.8 billion, accounting for 3.7%.

■ Capital Adequacy Ratio (Domestic Criteria)

The capital adequacy ratio is used to indicate a bank's financial stability. As of March 31, 2007, Sony Bank's capital adequacy ratio (domestic criteria) was 11.49%. This level is significantly higher than the 4% capital adequacy ratio that is required under the Banking Law of Japan as a minimum standard for banks that operate only in Japan.

Capital Adequacy Ratio (Domestic Criteria)



Sony Bank's Capital Adequacy Ratio (Domestic Criteria)

As of March 31		(Millions of yen)	
Category		2006	2007
Tier I capital [A]	(Core capital)	34,715	37,342
	Common stock	25,000	25,000
	Of which, noncumulative perpetual preferred stock	—	—
	Capital surplus	15,000	15,000
	Retained earnings	781	—
	Other retained earnings	—	1,804
	Unrealized losses on other securities	6,065	4,462
Tier II capital [B]	(Supplementary capital)	128	152
	General reserve for possible loan losses	128	152
Deductions [C]		—	—
Total capital [A+B-C] [D]		34,844	37,494
Risk-adjusted assets [E]		376,903	326,318
	On-balance items	376,648	306,833
	Off-balance items	254	1,120
	Result of dividing operational risk by 8%	—	18,364
Capital adequacy ratio [D/E]		9.24%	11.49%

Note: The non-consolidated capital adequacy ratio (domestic criteria) as of March 31, 2007 was calculated based on the standard stipulated in the FSA public ministerial announcement No. 19 of 2006, while the capital adequacy ratio as of March 31, 2006, was calculated based on the standard stipulated in the former public ministerial announcement.

■ Non-Performing Assets

Sony Bank does not engage in commercial lending to corporate borrowers, and its lending to individual customers is dispersed among many borrowers. The bank conducts credit screening according to prescribed standards and manages loans carefully after they have been extended. To ensure a quality investment securities portfolio, the bank maintains prescribed investment control standards on marketable securities and investments, with 55.7% of its portfolio made up of investments graded AAA or AA, as the table of securities categorized by ratings on page 50 indicates.

Non-performing assets are low in every category, as shown in the tables below. The bank maintains a healthy composition of assets.

Risk-Monitored Loans

As of March 31	(Millions of yen)	
Category	2006	2007
Bankrupt loans	—	—
Non-accrual delinquent loans	115	24
Past-due loans (three months or more).	—	—
Restructured loans	166	252
Total	281	277

Problem Loans based on the Financial Reconstruction Law

As of March 31	(Millions of yen)	
Category	2006	2007
Bankrupt and quasi-bankrupt loans	89	24
Doubtful loans	25	0
Sub-standard loans	166	252
Normal loans	247,348	291,082
Total	247,630	291,359

Financial Data (Unaudited)

Sony Financial Holdings Inc. (SFH)

Consolidated Balance Sheets

As of March 31,

(Millions of yen)

	2006	2007
Assets:		
Cash and due from banks	61,304	40,996
Call loans and bills bought	76,074	332,459
Commercial paper and other debt purchased	2,000	—
Monetary trusts	658,351	718,492
Securities	2,625,081	2,649,768
Loans	326,392	381,522
Property and equipment	76,588	—
Tangible fixed assets	—	88,574
Intangible fixed assets	—	8,593
Due from agencies	0	0
Due from reinsurers	419	496
Foreign exchanges	5,748	4,156
Other assets	82,046	95,351
Deferred tax assets	3,247	3,599
Reserve for possible loan losses	(205)	(230)
Total Assets	3,917,048	4,323,780
Liabilities:		
Policy reserve and others:	2,799,129	3,157,636
Reserve for outstanding claims	28,418	29,920
Policy reserve	2,769,126	3,125,118
Reserve for policyholders' dividends	1,584	2,597
Due to agencies	1,415	1,415
Due to reinsurers	990	934
Deposits	599,952	752,366
Call money and bills sold	110,700	10,000
Foreign exchanges	5	0
Other liabilities	67,190	75,367
Reserve for employees' bonuses	1,735	1,906
Reserve for employees' retirement benefits	11,003	11,212
Reserve for directors' retirement benefits	202	241
Reserve for price fluctuations	20,124	20,908
Deferred tax liabilities	36,685	20,904
Deferred tax liabilities on land revaluation	706	706
Total Liabilities	3,649,842	4,053,601
Minority Interests:		
Minority interests	4,165	—
Stockholder's Equity:		
Common stock	5,500	—
Capital surplus	180,877	—
Retained deficits	(47,694)	—
Land revaluation	(1,475)	—
Net unrealized gains on other securities, net of taxes	125,720	—
Foreign currency translation adjustments	113	—
Total Stockholder's Equity	263,040	—
Total Liabilities, Minority Interests and Stockholder's Equity	3,917,048	—
Net Assets:		
Common stock	—	5,500
Capital surplus	—	180,877
Retained deficits	—	(44,173)
Total shareholder's equity	—	142,203
Net unrealized gains on other securities, net of taxes	—	125,043
Net deferred losses on hedging instruments, net of taxes	—	(408)
Land revaluation, net of taxes	—	(1,475)
Foreign currency translation adjustments	—	390
Total valuation and translation adjustments	—	123,549
Minority interests	—	4,425
Total Net Assets	—	270,179
Total Liabilities and Net Assets	—	4,323,780

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Income

For the years ended March 31,

(Millions of yen)

	2006	2007
Ordinary Revenues	758,711	759,280
Ordinary Revenues from the Life Insurance Business:	695,876	688,854
Income from insurance premiums	580,171	605,051
Investment income	108,613	78,928
Other ordinary income	7,091	4,874
Ordinary Revenues from the Non-life Insurance Business:	45,680	50,988
Underwriting income	45,298	50,495
Investment income	349	464
Other ordinary income	32	27
Ordinary Revenues from the Banking Business:	17,154	19,437
Interest income	9,472	12,763
Fees and commissions	1,635	1,587
Other operating income	6,039	5,065
Other ordinary income	7	21
Ordinary Expenses	733,333	740,926
Ordinary Expenses from the Life Insurance Business:	672,162	674,822
Insurance claims and other payments	231,885	219,352
Provision for policy reserve and others	344,939	349,666
Investment expenses	4,610	8,231
Operating expenses	81,982	87,270
Other ordinary expenses	8,744	10,300
Ordinary Expenses from the Non-life Insurance Business:	46,098	48,610
Underwriting expenses	33,170	36,166
Investment losses	8	3
Operating, general and administrative expenses	12,903	12,392
Other ordinary expenses	15	48
Ordinary Expenses from the Banking Business:	15,072	17,493
Interest expenses	4,672	8,174
Fees and commissions	771	445
Other operating expenses	1,890	1,149
General and administrative expenses	7,088	7,665
Other ordinary expenses	650	58
Ordinary Profit	25,377	18,354
Extraordinary Gains	—	334
Extraordinary Losses	7,555	1,146
Provision for Reserve for Policyholders' Dividends	1,491	2,057
Income Before Income Taxes	16,330	15,485
Income Taxes—Current	17,236	20,270
—Deferred	(12,871)	(14,929)
Minority Interests	(427)	(123)
Net Income	11,537	10,021

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Surplus

For the year ended March 31,

(Millions of yen)

2006

■ Capital surplus:	
Balance at beginning of the fiscal year	180,877
Balance at end of the fiscal year	180,877
■ Retained deficits:	
Balance at beginning of the fiscal year	(59,232)
Additions:	11,537
Net income	11,537
Balance at end of the fiscal year	(47,694)

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Changes in Net Assets

For the year ended March 31,

(Millions of yen)

	2007						
	Shareholder's Equity						
	Common stock	Capital surplus	Retained deficits	Total shareholder's equity			
Balance as of March 31, 2006 . .	5,500	180,877	(47,694)	138,682			
Changes during the period:							
Dividends from surplus	—	—	(6,500)	(6,500)			
Net income	—	—	10,021	10,021			
Net changes of items other than shareholder's equity	—	—	—	—			
Total changes during the period . . .	—	—	3,521	3,521			
Balance as of March 31, 2007 . .	5,500	180,877	(44,173)	142,203			
	Valuation and Translation Adjustments					Minority Interests	Total Net Assets
	Net unrealized gains on other securities, net of taxes	Net deferred losses on hedging instruments, net of taxes	Land revaluation, net of taxes	Foreign currency translation adjustments	Total valuation and translation adjustments		
Balance as of March 31, 2006 . .	125,720	—	(1,475)	113	124,358	4,165	267,206
Changes during the period:							
Dividends from surplus	—	—	—	—	—	—	(6,500)
Net income	—	—	—	—	—	—	10,021
Net changes of items other than shareholder's equity	(676)	(408)	—	276	(808)	259	(548)
Total changes during the period . . .	(676)	(408)	—	276	(808)	259	2,972
Balance as of March 31, 2007 . .	125,043	(408)	(1,475)	390	123,549	4,425	270,179

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Cash Flows

For the years ended March 31,

(Millions of yen)

	2006	2007
I Cash flows from operating activities:		
Income before income taxes	16,330	15,485
Depreciation and amortization	3,524	4,683
Impairment losses	5	0
Increase in policy reserve and others	355,467	359,544
Interest income and dividends	(36,549)	(47,714)
Interest expenses	4,681	8,182
Net increase in loans	(113,082)	(45,245)
Net increase in deposits	53,417	152,587
Net (increase) decrease in call loans and bills bought	107,522	(82,885)
Net increase (decrease) in call money and bills sold	86,100	(100,700)
Others, net	(72,511)	(33,626)
Subtotal	404,905	230,312
Interest and dividends received	41,374	52,737
Interest paid	(4,535)	(7,105)
Policyholders' dividends paid	(644)	(1,048)
Income taxes paid	(15,688)	(16,724)
Net cash provided by operating activities	425,411	258,171
II Cash flows from investing activities:		
Investments in monetary trusts	(116,304)	(127,015)
Proceeds from sale of monetary trusts	—	61,700
Purchases of securities	(1,184,665)	(659,994)
Proceeds from sale and redemption of securities	767,116	661,927
Investments in loans	(39,996)	(49,602)
Collections of loans	32,723	40,002
Others, net	—	(500)
Subtotal	(541,127)	(73,482)
Purchases of property and equipment	(25,845)	—
Purchases of tangible fixed assets	—	(10,148)
Proceeds from sale of tangible fixed assets	—	1
Purchases of intangible fixed assets	—	(3,586)
Purchase of securities of a consolidated subsidiary	(1,571)	—
Others, net	(1,652)	—
Net cash used in investing activities	(570,196)	(87,215)
III Cash flows from financing activities:		
Cash dividends paid	—	(6,500)
Net cash used in financing activities	—	(6,500)
IV Effect of exchange rate changes on cash and cash equivalents	79	41
V Net increase (decrease) in cash and cash equivalents	(144,706)	164,496
VI Cash and cash equivalents at beginning of the fiscal year	253,969	109,263
VII Cash and cash equivalents at end of the fiscal year	109,263	273,760

The accompanying notes are an integral part of these financial statements.

Notes to the Consolidated Financial Statements

For the year ended March 31, 2007

1. Basis of Presenting Consolidated Financial Statements

Sony Financial Holdings Inc. ("SFH") 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 Company Law of Japan or the former 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 differ in certain respects from the application and disclosure requirements of generally accepted accounting principles and practices under the International Financial Reporting Standards. SFH's overseas subsidiary, located in the Philippines, maintains its accounting records and prepares its financial statements in conformity with generally accepted accounting principles and practices prevailing in the Philippines.

The accompanying consolidated financial statements are compiled from the consolidated financial statements of SFH and its subsidiaries (the "Companies") which are to be filed with the Financial Services Agency as required by the Insurance Business Law and the Banking Law. For the convenience of readers, the preparation has been modified in certain respects from the original financial information disclosed in Japanese in order to present the information in a form that is more familiar to readers outside of Japan.

2. Principles of Consolidation

- (1) Scope of consolidation
Number of consolidated subsidiaries: 4
Consolidated subsidiaries:
Sony Life Insurance Co., Ltd.
Sony Life Insurance (Philippines) Corporation
Sony Assurance Inc.
Sony Bank Inc.
- (2) No subsidiaries are excluded from the scope of consolidation.
- (2) Application of the equity method
Not applicable because there are no affiliated companies.
- (3) Fiscal year-end 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 of SFH. All other subsidiaries prepare their respective financial statements as of March 31, the same date as the consolidated financial statements of SFH.
- (4) Valuation of assets and liabilities of consolidated subsidiaries
Certain assets and liabilities of consolidated subsidiaries are computed at fair value as of the respective dates when the subsidiaries were initially consolidated.

3. Summary of Significant Accounting Policies

- (1) Securities
Securities (including monetary trusts) are stated in the following manner:
Securities held for trading purposes ("trading securities") are stated at fair value with unrealized gains and losses charged to income. The cost of such 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 whose fair value is readily determinable are stated at fair value in the consolidated balance sheets based on market prices prevailing at each balance sheet date, with unrealized gains (losses), net of income taxes, included in net assets and acquisition costs calculated using the moving-average method. Other securities designated as available-for-sale securities whose fair value is not readily determinable are stated at amortized cost (straight-line method) or at acquisition cost based on the moving-average method.
- (2) Derivative financial instruments
Derivative financial instruments are stated at fair value, with changes in fair value included in income for the period in which they arise, except for derivatives that are designated by the Companies as "hedging instruments".
- (3) Tangible fixed assets
Depreciation is generally computed by the straight-line method for buildings and by the declining-balance method for other tangible fixed assets over the estimated useful lives of the assets, as follows:
Buildings 4 to 43 years
Other property and equipment 2 to 20 years
- (4) Intangible fixed assets
Intangible fixed assets are amortized using the straight-line method. Software for internal use is amortized using the straight-line method mainly over 5 years, its estimated useful life.
- (5) Reserve for possible loan losses
The reserve for possible loan losses is calculated by the Companies in accordance with self-assessment guidelines and write-off and reserve guidelines established at each subsidiary. 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 other means. For other loans, the Companies provide a general reserve by applying the historical loan loss ratio determined over certain periods. Each loan is subject to asset assessment by the operational department of the relevant company in accordance with its self-assessment guidelines, and the results of the assessment are reviewed by the respective internal audit departments, which are independent from the operational departments, before the amount of reserve is finalized.
- (6) Reserve for employees' bonuses
The reserve for employees' bonuses is provided for the estimated amount of bonuses the Companies are required to pay for services provided during the current fiscal year.
- (7) 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 and the fair value of plan assets at the fiscal year-end. Unrecognized prior service cost is amortized using the straight-line method over 10 years within the employees' average remaining service period at incurrence. Unrecognized net actuarial gain (loss) is amortized using the straight-line method over 7 to 10 years within the employees' average remaining service period, commencing from the fiscal year immediately following incurrence. Unrecognized net obligation at transition is amortized using the straight-line method over 15 years.

- (8) Reserve for directors' retirement benefits
The reserve for directors' and statutory auditors' retirement benefits is provided based on the internal regulations of SFH and its domestic subsidiaries and calculated at the amount that would be payable if all eligible directors and statutory auditors were to resign at the fiscal year-end.
- (9) 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.
- (10) Translation of foreign currencies
Assets and liabilities denominated in foreign currencies are translated into Japanese yen at the foreign exchange rates in effect at each balance sheet date, whereas components of net assets denominated in foreign currencies are translated at historical rates. The current year's profit and loss accounts are translated into yen using the average exchange rate for the fiscal year.
- (11) Leases transactions
Finance leases that do not transfer ownership of the leased property to the lessee are accounted for as operating leases.
- (12) Hedge accounting
SFH's banking subsidiary applies either deferred hedge accounting or fair value hedge accounting to account for transactions it enters into to hedge interest rate risks on financial assets and liabilities. SFH's banking subsidiary uses interest rate swaps to offset fluctuations in interest rates on fixed-rate loans by identifying the hedged items that are grouped based on their maturity, in accordance with "Accounting and Auditing Treatments on 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.
- (13) Accounting for consumption taxes
The consumption taxes received and paid by SFH and its domestic subsidiaries, excluding loss adjustment expenses and operating, general and administrative expenses of SFH's 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 are not deductible from the consumption taxes received; they are recorded as "other assets" and amortized on a straight-line basis over 5 years. Other non-deductible consumption taxes are charged to income as incurred.
- (14) Policy reserve
Pursuant to the Insurance Business Law, SFH's domestic life insurance subsidiary maintains a policy reserve for the fulfillment of future obligations under life insurance contracts. The policy reserve is established by the net level premium method, which assumes a constant or level amount of net insurance premiums over the term of the relevant policy in calculating the amount of the reserve required to fund all future policy benefits. The net insurance premium is a portion of the premium covering insurance underwriting risk, which is estimated based on factors such as mortality rates, investment yield, surrender rates and other factors. The net level premium reserve for individual insurance contracts underwritten from fiscal year 1996 is calculated using mortality and interest rates set by the Financial Services Agency as standard policy reserve. Additionally, the net level premium reserve for individual insurance contracts underwritten before fiscal year 1996 is calculated using mortality and interest rates approved by the supervisor of insurance business in Japan.
- (15) Application of consolidated tax provision
The consolidated tax provision, under which Sony Corporation is the parent company, is applied to SFH and its domestic subsidiaries wholly owned by Sony Corporation.

4. Notes to the Consolidated Balance Sheets

- (1) The balance of loans includes ¥24 million in "non-accrual delinquent loans" (before deductions for reserve for possible loan losses). "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.
- (2) The balance of loans includes ¥252 million in "restructured loans" (before deductions for reserve for possible loan losses). "Restructured loans" are loans on which terms and conditions have been amended in favor of the borrowers (e.g., reduction of the original interest rate, deferral of interest payments, extension of principal repayments or debt forgiveness) in order to support the borrowers' recovery from financial difficulties, excluding "bankrupt loans", "non-accrual delinquent loans" and "past due loans (three months or more)".
- (3) On March 31, 2002, SFH's domestic life insurance subsidiary revalued its land for operating purposes, as permitted by the Land Revaluation Law (Law No. 34, enacted March 31, 1998—the "Law"). The tax effect of the revaluation difference is accounted for differently, depending on whether there are gains or losses; when there is a loss, a valuation allowance is fully provided for the tax effect of the loss, and when there is a gain, the tax effect is recorded in "deferred tax liabilities on land revaluation". After excluding these amounts, the net revaluation difference is reported as "land revaluation" in net assets. 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).
- (4) Accumulated depreciation of tangible fixed assets as of March 31, 2007 was ¥7,807 million.
- (5) The balance sheet includes ¥322,672 million of assets and liabilities in equal amounts related to separate accounts as of March 31, 2007, as stipulated in Article 118 of the Insurance Business Law.
- (6) Net assets per share, calculated based on the number of shares of common stock outstanding as of March 31, 2007, was ¥126,549.38. The Accounting Standards Board of Japan ("ASBJ") revised "Guidance on Accounting Standard for Earnings per Share" (ASBJ Guidance No. 4, issued on September 25, 2002) on January 31, 2006, and the revised Guidance is applicable from the fiscal year ending on or after May 1, 2006, the implementation date of the Company Law of Japan. Effective April 1, 2006, SFH applied the revised Guidance and calculated net assets per share by including "net deferred gains (losses) on hedges". This accounting change decreased net assets per share by ¥194.50 compared with the former method.
- (7) SFH and its subsidiaries have office and computer equipment under lease contracts that are not included in tangible fixed assets stated in the consolidated balance sheets.
- (8) Changes in the reserve for policyholders' dividends at SFH's domestic life insurance subsidiary for the fiscal year ended March 31, 2007, are as follows:
- | | |
|---|----------------|
| Balance at beginning of the fiscal year: | ¥1,584 million |
| Policyholders' dividends during the fiscal year: | ¥1,048 million |
| Increase in interest: | ¥ 4 million |
| Provision for reserve for policyholders' dividends: | ¥2,057 million |
| Balance at end of the fiscal year: | ¥2,597 million |

- (9) Securities with a book value of ¥10,266 million were pledged as collateral for ¥10,000 million of call money and bills sold at March 31, 2007. In addition to the assets described above, securities with a book value of ¥56,182 million were pledged as collateral for cash settlements, variation margins of futures markets and certain other purposes at March 31, 2007.
- (10) The following provides fair value information on securities as of March 31, 2007:

Trading securities		(Millions of yen)
Consolidated balance sheet amount	Net valuation gains recorded in income	
305,960	5,879	

Held-to-maturity securities with fair values						(Millions of yen)
	Consolidated balance sheet amount	Fair value	Net unrealized gains/losses	Unrealized gains	Unrealized losses	
Bonds	34,021	34,025	4	131	127	
Japanese government and municipal bonds	30,779	30,780	0	119	118	
Japanese corporate bonds	3,241	3,245	3	11	8	
Others	909	942	33	34	0	
Total	34,930	34,968	37	165	127	

Other securities with fair values						(Millions of yen)
	Acquisition cost	Consolidated balance sheet amount	Net unrealized gains/losses	Unrealized gains	Unrealized losses	
Bonds	1,737,104	1,775,226	38,122	47,572	9,450	
Japanese government and municipal bonds	1,301,915	1,303,898	1,983	10,117	8,133	
Japanese corporate bonds	435,189	471,327	36,138	37,455	1,316	
Equity securities	134,354	244,374	110,019	111,464	1,444	
Others	252,951	263,739	10,787	11,641	853	
Total	2,124,410	2,283,341	158,930	170,679	11,748	

Other securities sold in the year ended March 31, 2007, are as follows:

(Millions of yen)		
Sales amount	Gains on sales	Losses on sales
207,419	12,685	669

Other securities with no available fair values are as follows:
(Millions of yen)

Consolidated balance sheet amount	
Stocks	5
Others	25,530
Total	25,535

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

	1 year or less	More than 1 year to 5 years	More than 5 years to 10 years	Over 10 years	(Millions of yen)
Bonds	101,519	629,992	959,196	118,100	
Japanese government and municipal bonds	59,159	351,204	861,312	88,637	
Japanese corporate bonds	42,360	278,787	97,883	29,463	
Others	33,615	177,655	37,404	25,363	
Total	135,135	807,647	996,601	143,464	

- (11) The fair value information on monetary trusts as of March 31, 2007, is as follows:

Monetary trusts for trading purposes		(Millions of yen)
Consolidated balance sheet amount	Net valuation losses recorded in income	
67,530	(3,593)	

Other monetary trusts						(Millions of yen)
	Acquisition cost	Consolidated balance sheet amount	Net unrealized gains/losses	Unrealized gains	Unrealized losses	
Other monetary trusts	616,917	650,962	34,045	36,095	2,050	

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

- (12) Commitments to provide credit line contracts on overdrafts and loans are agreements to lend to customers, up to a prescribed amount, as long as there is no violation of any condition established in the contracts. The amount of unused commitments at March 31, 2007 was ¥9,483 million and the amount of unused commitments whose original contract terms are within one year at March 31, 2007 was ¥9,483 million.

- (13) Statement No. 5, "Accounting Standards for Presentation of Net Assets on Balance Sheet" (December 9, 2005) of ASBJ and ASBJ Guidance No. 8 "Guidance on Accounting Standards for Presentation of Net Assets on Balance Sheet" (December 9, 2005) are applicable from the fiscal year ending on or after May 1, 2006, the implementation date of the Company Law of Japan. As a result of the issuance of these standards, the Enforcement Ordinance of the Banking Law and the Enforcement Ordinance of the Insurance Business Law were revised, and these revised laws are applicable to the Companies from the fiscal year beginning on and after April 1, 2006. Effective April 1, 2006, SFH adopted the guidance and changed certain terminology used in its consolidated balance sheet as follows.
- "stockholder's equity" was renamed "net assets" and divided into "shareholder's equity", "valuation and translation adjustments" and "minority interests". The amount corresponding to conventional "stockholder's equity" as of March 31, 2007 was ¥266,162 million.
 - "deferred hedge losses" and "deferred hedge gains", which were included in "other assets" and "other liabilities", were combined. The combined amount, net of corresponding taxes, is stated as "net deferred losses on hedging instruments, net of taxes". The deferred hedge losses as of March 31, 2006, which would be calculated based on the same manner as of March 31, 2007, were ¥251 million.
 - "minority interests" was reclassified under "net assets".
 - "property and equipment" was divided into "tangible fixed assets", "intangible fixed assets" and "other assets".
 - "software" was transferred from "other assets" to "intangible fixed assets".
- (14) All figures in the consolidated financial statements and notes are stated in millions of yen and fractional amounts of less than ¥1 million are discarded. As a result, the total shown in the consolidated financial statements and notes thereto do not necessarily agree with the sum of the individual account balances.

5. Notes to the Consolidated Statements of Income

- (1) Net income per share is calculated based on the weighted-average number of shares of common stock outstanding during the fiscal year. For the year ended March 31, 2007, the net income per share was ¥4,772.09. There were no potential dilutive securities. The basis for this calculation is net income of ¥10,021 million, of which the entire portion is applicable to common shares. The weighted-average number of shares outstanding for the fiscal year ended March 31, 2007, was 2,100,000.
- (2) All figures in the consolidated financial statements and notes are stated in millions of yen and fractional amounts of less than ¥1 million are discarded. As a result, the total shown in the consolidated financial statements and notes thereto do not necessarily agree with the sum of the individual account balances.

6. Notes to the Consolidated Statement of Changes in Net Assets

- (1) Types and numbers of shares issued are as follows:

	Numbers of shares as of March 31, 2006	Numbers of shares increased during the period	Numbers of shares decreased during the period	Numbers of shares as of March 31, 2007
Common stock	2,100,000	—	—	2,100,000

- (2) Information on dividends is as follows:

a. Dividends paid

Date of resolution	Type of shares	Aggregate amount of dividends	Cash dividends per share	Record date	Effective date
Ordinary General Meeting of Shareholder held on June 30, 2006	Common stock	¥6,500 million	¥3,095.24	March 31, 2006	June 30, 2006

b. Dividends to be paid in the next fiscal year

Date of resolution	Type of shares	Source of dividends	Aggregate amount of dividends	Cash dividends per share	Record date	Effective date
Ordinary General Meeting of Shareholder held on June 29, 2007	Common stock	Retained earnings	¥6,500 million	¥3,095.24	March 31, 2007	June 30, 2007

- (3) SFH discloses a consolidated statement of changes in net assets from the fiscal year ended March 31, 2007 in accordance with ASBJ Statement No. 6 "Accounting Standards for Statement of Changes in Net Assets" (December 27, 2005) and ASBJ Guidance No. 9 "Guidance on Accounting Standards for Statement of Changes in Net Assets" (December 27, 2005).

7. Notes to the Consolidated Statements of Cash Flows

- (1) The reconciliation of cash and cash equivalents in the statements of cash flows to cash and cash deposits as stated in the consolidated balance sheets as of March 31, 2007, is as follows:

	(Millions of yen)
Cash and due from banks	40,996
Call loans of domestic life insurance subsidiary and non-life insurance subsidiary	229,400
Securities of non-life insurance subsidiary	51,155
Securities other than cash equivalents of non-life insurance subsidiary	(47,792)
Cash and cash equivalents	273,760

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

- (3) Statement No. 5, "Accounting Standards for Presentation of Net Assets on Balance Sheet" (December 9, 2005) of ASBJ and ASBJ Guidance No. 8 "Guidance on Accounting Standards for Presentation of Net Assets on Balance Sheet" (December 9, 2005) are applicable from the fiscal year ending on or after May 1, 2006, the implementation date of the Company Law of Japan. As a result of the issuance of these standards, the Enforcement Ordinance of the Banking Law and the Enforcement Ordinance of the Insurance Business Law were revised, and these revised laws are applicable to the Companies from the fiscal years beginning on and after April 1, 2006. Effective April 1, 2006, SFH adopted the guidance and changed certain terminology used in its consolidated statement of cash flows.
- "purchases of property and equipment" and "proceeds from sale of property and equipment" were presented as "purchases of tangible fixed assets" and "proceeds from sale of tangible fixed assets".
 - In accordance with the change in presentation of consolidated balance sheet, software which had been included in "other assets" was included in "intangible fixed assets". Therefore, payments or proceeds from purchase or sale of software that had been included in "other" in "cash flows from operating activities" were included in "purchases of intangible fixed assets" and "proceeds from sale of intangible fixed assets".

Capital Adequacy Status

Qualitative Disclosure

1. Scope of Consolidation

The Company's consolidated capital adequacy ratio is the basis used to determine the capital adequacy reflected by bank holding company assets held in the bank holding company, as well as in the bank holding company's subsidiary, in accordance with Article 52-25 of the Banking Law of Japan. The standards used to determine the capital adequacy ratio are based on the March 27, 2006 Financial Services Agency Public Announcement No. 20 of 2006 (hereinafter, the "Consolidated Capital Adequacy Ratio Public Announcement"). The corporate group for which the consolidated capital adequacy ratio is calculated (hereinafter, the "Holding Company Group") excludes from its scope of consolidation the insurance subsidiaries Sony Life, Sony Life Insurance (Philippines) Corporation and Sony Assurance. Furthermore, in accordance with Item 2 (c), Paragraph 1, Article 20 of this Public Announcement (insurance subsidiaries, etc.), items pertaining to the three insurance subsidiaries are deducted from the Company's capital. However, four subsidiaries are included in the scope of consolidation as determined by regulations for purpose of consolidated financial statements: Sony Life, Sony Life Insurance (Philippines) Corporation, Sony Assurance and Sony Bank.

For details on the operations of Sony Life, Sony Life Insurance (Philippines) Corporation, Sony Assurance and Sony Bank, please refer to pages 24 to 35 of this report.

We have no affiliated companies which conduct financial business to which Article 21 of the Consolidated Capital Adequacy Ratio Public Announcement applies; we have no companies subject to deduction items under Item 2 (a) and (b), Paragraph 1, Article 20 of this Public Announcement; and we have no companies conduct business in accordance with (a) of Item 10, Paragraph 1, Article 52-23 of the Banking Law of Japan or in accordance with Item 11 which of this Paragraph that do not belong to the Holding Company Group.

As is described above, only SFH and Sony Bank are included in the Holding Company Group from the standpoint of the Consolidated Capital Adequacy Ratio Public Announcement. No particular restrictions are in place to limit the movement of assets or capital between SFH and Sony Bank, but no monetary transactions take place between the two companies. Furthermore, SFH considers the soundness of Sony Bank important and strives to ensure that Sony Bank retains an appropriate level of capital.

2. Overview of Fund-Raising Methods

All capital is funded through the issuance of common stock. This stock is held by Sony Corporation (share ownership ratio of 100.0%).

3. Overview of Method for Evaluating the Degree of Capital Adequacy of the Holding Company Group According to the Consolidated Capital Adequacy Ratio Public Announcement

As of March 31, 2007, the Company maintained a consolidated capital adequacy ratio of 12.01% (of which Tier I capital ratio constitutes 55.18%), calculated in accordance with the Consolidated Capital Adequacy Ratio Public Announcement. This level is substantially higher than the 4% Capital Adequacy Ratio required as a minimum standard for banks that operate only in Japan, and indicates sufficient management soundness and stability. In calculating this consolidated capital adequacy ratio, credit risk was calculated by using the standard method and operational risk by using the basic method.

In accordance with the Consolidated Capital Adequacy Ratio Public Announcement, to manage and evaluate the capital adequacy ratio of Sony Bank as the core operating company in the Holding Company Group and to ensure soundness while adopting an adequate balance between risk and return, Sony Bank allocates capital, employing the Risk Management Guidelines that serve as one risk management method for the SFH Group. To allocate capital, the amounts of various risks—including credit risk, market risk and operational risk—are measured in accordance with the characteristics of each risk type, and capital is allocated for each risk within the scope of Sony Bank's management strength (capital adequacy). In line with its Risk Management Guidelines, the Company monitors and conducts other checks on Sony Bank's method of allocating capital, level of capital allocation, amount of capital actually used as a portion of the capital allocated and others. This approach enables the Company to view and to ensure capital adequacy of the stand-alone capital of Sony Bank and the consolidated capital of the Holding Company Group from an overall perspective.

The Company will continue to prepare capital adequacy measures each fiscal year in line with its operating plans and to pursue these measures in tandem with those of each Group company, including Sony Bank. In addition to accumulating its income from operations into capital, the Company will increase its own capital, as well as that of Sony Bank as needed, or employ other measures to counter the increase in risk that accompanies an expanded scale of operations.

The consolidated risk assets of the Holding Company Group, which according to the Consolidated Capital Adequacy Ratio Public Announcement consist of the Company and Sony Bank, are subject to the various risks described below. As a bank holding company, the risk assets that SFH holds on its own constitute a small ratio. Furthermore, as SFH makes no investments in marketable securities, loans, financial derivatives or other products except for its holdings of shares in subsidiaries, the following discussion centers on the risk management of Sony Bank.

As a bank holding company, SFH monitors the overall risk management preparations described below for Sony Bank. Through the Risk Management Guidelines it has established and the risk management conferences it holds, as well as through other measures, the Company promotes risk management for the entire SFH Group. For information concerning the overall risk management preparations of the SFH Group, please refer to the Risk Management section on pages 9–15 of this report.

4. Credit Risk

(a) Overview of Risk Management Policies and Procedures

(1) Individual Credit Risk

Individual credit risk refers to the risk of loss resulting from the decline in or disappearance of the value of credit assets as a result of the worsening credit standing of individual creditors. The centralized risk management section at Sony Bank has the role of preparing measures pertaining to risk measurement, monitoring and management. The Bank's Board of Directors establishes basic policies on individual risk management and creates appropriate credit risk management systems based on its recognition of the existence, characteristics and methods of measuring and managing individual credit risk.

Managing individual credit risk requires the management of customer transactions, such as mortgages, special-purpose and card loans, and other transactions involving individual credit risk. The department in charge of individual credit risk establishes screening standards for such loans, and the department in charge conducts screening. After loans have been extended, the department in charge of individual credit risk monitors the default status of these loans on a daily basis, periodically reporting the results of its monitoring to the Board of Directors.

An allowance for doubtful accounts is prepared in line with amortization and reserve criteria, and is calculated as described below. Normal loans and potential problem loans are divided into specific categories, and reserves are set aside for each category based on the actual percentage of bad debt historically experienced in each category over a specific period of time. For loans to customers facing potential bankruptcy, an allowance is established by subtracting from the amount of exposure the estimated amount recoverable from disposal of collateral and the estimated recoverable guarantee amount. A reserve for all effectively bankrupt loans is established

by subtracting from the amount of exposure the estimated amount recoverable from disposal of collateral and the estimated recoverable guarantee amount. For all loans, certain sections perform asset assessments based on asset self-assessment standards and with the cooperation of related departments, and an allowance is created based on these self-assessment results.

(2) Market Credit Risk

Market credit risk describes the risk of loss resulting from changes in the market value of marketable securities as a consequence of deterioration in the credit condition of the issuer of owned marketable securities, as well as the risk that the financial conditions of contractual counterparties to market transactions will worsen and they will thereby become unable to fulfill their contractual obligations. Sections in charge of market credit risk at Sony Bank prepare measures pertaining to market credit risk measurement, monitoring and management. The Bank's Board of Directors establishes basic policies on market credit risk management and creates appropriate market credit risk management systems based on its recognition of the existence, characteristics and methods of measuring and managing market credit risk.

With regard to market credit risk, this is managed on market transactions, such as marketable securities transactions, yen and foreign currency monetary transactions, foreign exchange transactions, financial derivative product transactions (derivatives) and other transactions for which risk management is considered necessary. In terms of managing market credit risk, a capital-at-risk ceiling and other credit limits are established, based in principle on the ratings accorded by external rating institutions. Various other guidelines and credit monitoring stages are also established, and conformance with pre-established credit ceilings and guidelines is monitored and reported. In the event that credit ceilings and other credit limits are exceeded, this situation is reported to management and necessary countermeasures are considered. Also, risk management status is periodically reported to the Board of Directors.

Owned marketable securities are classified according to the self-assessment standards and classification standards established by Sony Bank, and problem assets are managed.

(b) Rating Institutions Eligible to Weight Risks

SFH and Sony Bank use the five rating institutions indicated below to determine risk weight. Rating institution eligibility is not selected depending on the type of exposure.

The rating institutions are Rating and Investment Information, Inc. (R&I), Japan Credit Rating Agency, Ltd. (JCR), Moody's Investors Service, Inc. (Moody's), Standard & Poor's Corp. (S&P) and Fitch Ratings, Ltd. (Fitch).

5. Overview of Risk Management Policies and Procedures for Reducing Credit Risk

Sony Bank's loan exposure is solely on loans to individuals, such as mortgage, special-purpose and card loans, so risk is adequately dispersed in small batches. Furthermore, guarantees from surety companies are acquired on all special-purpose and card loans. On mortgage loans, real estate serves as collateral, and the Bank outsources its problem asset collection activities to credit management and collection companies (servicers) to raise collection efficiency. Furthermore, the Bank reappraises the value of real estate used as collateral on an annual basis.

On mortgage loans, in some cases collateral provided by a business alliance partner is partial collateral in place of the real estate for which the mortgage loan has been secured. In such cases, Sony Corporation is the only party to which the Basel II credit risk reduction method is applied. Loan exposure using Sony Corporation's collateral amounts to only 1.84% of total loan exposure, which does not represent an undue concentration of exposure.

Certain credit derivatives are used as a method of reducing credit risk on marketable securities. For such credit derivative activities, transaction limits are set according to the rating of the party providing the protection, and limits are in place to prevent such protection from being skewed toward specific providers. On such derivative product transactions, legally valid netting contracts are used, based on the conclusion of ISDA master contracts, and the legal validity of such contracts is confirmed.

6. Overview of Risk Management Policies and Procedures Related to Risk Involving Counterparties in Derivative Product Transactions and Transactions with Long Settlement Periods

Sony Bank's primary objective for using derivative product transactions is to manage market risk appropriately. These derivative product transactions involve the market risk of potential loss due to market fluctuations and the credit risk of potential losses due to transaction counterparties becoming unable to meet payment obligations.

In response to market risk, the bank performs valuations of transaction gains or losses and calculates market risk amounts on a daily basis. Sony Bank uses maximum expected loss (value at risk) as an overarching measure of its total market risk amount. By establishing a ceiling for this risk amount, the Bank is able to manage risk appropriately within these risk parameters. In response to credit risk, the Bank sets credit limits based on transaction counterparties' ratings and transaction periods. These credit limits establish the scope of management strength, based on the allocation of capital. Calculations exclude collateral coverage and reserves. In the event that Sony Bank's creditworthiness should worsen, even in the event that transaction counterparties require the Bank to supply additional collateral, the impact on the Bank would be limited because the Bank holds sufficient assets to allay this situation.

The Bank does not engage in transactions with long settlement periods.

7. Securitization Exposure

(a) Overview of Risk Management Policies and Procedures

Sony Bank's investments in marketable securities include some securitized products. To recognize the risks that such products entail, the Bank strives to conduct appropriate risk management through such methods as obtaining information on market movements, the state of underlying assets, market valuations and ratings provided by eligible rating institutions. The Bank's risk management also includes the setting of transaction limits in line with ratings and the period remaining to maturity.

(b) Methods Used to Calculate Credit Risk Asset Amount of Securitization Exposure

SFH and Sony Bank employ standard methods for these calculations.

(c) Method of Accounting for Securitization Transactions

As its accounting method for these transactions, the Company follows the Practical Guidelines for Accounting for Financial Instruments established by the Japan Institute of Certified Public Accountants.

(d) Rating Institutions Eligible to Weight Risks by Type of Securitization Exposure

SFH and Sony Bank use the five rating institutions indicated below to determine risk weight. Eligible rating institutions are not selected according to investment type.

The rating institutions are Rating and Investment Information, Inc. (R&I), Japan Credit Rating Agency, Ltd. (JCR), Moody's Investors Service, Inc. (Moody's), Standard & Poor's Corp. (S&P) and Fitch Ratings, Ltd. (Fitch).

8. Market Risk

In accordance with Article 16 of the Consolidated Capital Adequacy Ratio Public Announcement, the Company includes in its calculation method according to Article 14 of this Public Announcement no market risk equivalent amount. Consequently, this topic is not applicable.

9. Operational risk**(a) Overview of Risk Management Policies and Procedures**

Sony Bank faces a number of operational risks. Administrative risk is the risk of loss due to errors, misconduct, malfunctions and other factors related to problems with our internal administrative processes. Systems risk is the risk of loss arising from malfunctions, breakdowns, improper use or information leaks related to problems with our information technology systems. Outsourcing risk is the risk of loss resulting from the difficulty of third-party service providers to continue providing contracted services or problems with such parties' operational management, information management practices or other factors. Legal risk is a risk of loss due to legal contraventions or contractual issues. Reputational risk is the risk of the Bank's reputation suffering damage or loss from activities that contravene social mores and issues arising in the marketplace or with customers stemming from inappropriate information disclosure. Departments responsible for managing these operational risks undertake the role of preparing measures pertaining to risk measurement, monitoring and management. The Bank's Board of Directors establishes basic policies and measures and creates appropriate risk management systems based on its recognition of the existence, characteristics and methods of measuring and managing of risk.

Departments responsible for managing these operational risks monitor the risk for which they are responsible. If a significant risk materializes, the department reports this situation to management, and together they consider necessary measures. Also, departments periodically report risk management conditions to the Board of Directors.

(b) Method Used to Calculate Operational Risk Equivalent Amount

SFH and Sony Bank use the basic method to calculate operational risk.

10. Overview of Risk Management Policies and Procedures Regarding Equity Exposure in the Banking Account

Sony Bank, the entity that conducts the banking business of the Holding Company Group as stipulated in the Consolidated Capital Adequacy Ratio Public Announcement, has no such exposure on shares and other equity investments and capital injections.

11. Interest Rate Risk in the Banking Account**(a) Overview of Risk Management Policies and Procedures**

Interest rate risk is the risk of loss arising from fluctuations in market interest rates. Sony Bank regularly evaluates and measures this risk and develops appropriate countermeasures.

Specifically, in addition to managing and evaluating the interest rate risk as measured by Basel II, the Bank periodically measures interest rate risk (basis point value) assuming a given interest rate shock and the maximum expected loss (value at risk) to the banking account. This information is reported to management and considered with the ALM committee, as the Bank strives to control risk through asset and liability optimization.

(b) Overview of Method for Calculating Interest Rate Risk Used by the Bank for Internal Control

Interest rate risk in the banking account is considered as the amount of risk that would arise from an interest rate shock through the impact of market interest rates on certain assets and liabilities (such as loans, deposits and marketable securities) held by financial institutions. Demand deposits generally have no clear interest rate revision interval and may be withdrawn by depositors at any time. The Bank defines "core deposits" as that part of demand deposits that have not been withdrawn for a long period of time, and applies assumptions as to the balance and maturities. The bank measures the interest rate risk on liquid deposits based on their actual balances and maturities and the bank's core deposit assumptions.

Sony Bank calculates the interest rate risk in its banking account for Basel II based on the definitions below.

- Measurement method
 - GPS calculation method
- Interest rate sensitive assets and liabilities
 - Deposits, loans, foreign exchange, marketable securities, monetary transactions, financial derivative products
- Core deposits
 - Target: Yen liquid deposits (ordinary deposits)
 - Calculation method: Use the lowest of (1) the smallest balance during the past five years, (2) the balance after subtracting the largest outflow during the past five years or (3) an amount equivalent to 50% of the current balance.
 - Term: Five years or less (average of 2.5 years)
- Repayment prior to maturity
 - For mortgage loans, calculate the rate of repayment prior to maturity based on past experience, and include the additional cash flow generated by this repayment.
- Interest rate shock margin
 - Using a five-year measurement period, take either the 99th percentile or the 1st percentile for interest rate fluctuations on products held for a one-year period.
- Risk measurement frequency
 - Quarterly (based on the end of the preceding month)

Quantitative Disclosure

Note: As this disclosure pertains to new capital adequacy ratio regulations applied from FY2006 onward, with some exceptions, calculations are not provided for FY2005.

1. Of companies covered under the exclusion items provided by Article 8, Paragraph 1, Item 2 (a) to (c) or by Article 20, Paragraph 1, Item 2 (a) to (c) of the Consolidated Capital Adequacy Ratio Public Announcement, names of companies that fall below legislatively required capital adequacy and the total amount by which they fail to meet the required capital adequacy.

Not applicable

2. Items Constituting Capital Adequacy

(As of March 31)

(Millions of yen)

Item	2006	2007
Capital		
Tier I capital (core capital) [A]	183,582	186,245
Of which, preferential equity issues with step-up interest rate conditions	—	—
Common stock	5,500	5,500
Capital surplus	180,877	180,877
Retained earnings	(1,619)	(682)
Unrealized losses on other securities	5,340	3,874
Minority interests in consolidated subsidiaries	4,165	4,425
Goodwill equivalents	—	—
Tier II capital (supplementary capital) [B]	128	152
General reserve for possible loan losses	128	152
Sub-supplementary capital [C]	—	—
Capital subtotal [A+B+C] [D]	183,710	186,398
Deductions [E]	145,881	145,881
Fund-raising procedures by financial subsidiaries, subsidiary companies conducting financial business and insurance subsidiaries that are not included in the scope of consolidation, and by affiliated companies conducting financial business	145,881	145,881
Total capital [D] – [E] [F]	37,829	40,516
Risk-adjusted assets		
Total risk assets [G]	378,798	337,505
Balance sheet items	378,543	308,794
Off-balance-sheet items	254	1,120
Result of dividing operational risk by 8%	—	27,591
Consolidated total of required capital [G] x 4%	15,151	13,500
Consolidated capital adequacy ratio (domestic criteria) [F] / [G]	9.99%	12.01%
Reference: Tier I ratio (domestic criteria) [A] / [G]	48.46%	55.18%

- Notes: 1. In accordance with Article 52-25 of the Banking Law, the bank holding company has determined the appropriateness of disclosure of assets held by it and its subsidiary for capital adequacy status, in accordance with the standard calculations (stipulated in March 27, 2006, Financial Services Agency Public Announcement No. 20). The Company has employed Standard 2 (domestic criteria).
2. Calculations as of March 31, 2006, have been made in accordance with the previous standard (stipulated in Establishment of Capital Adequacy Ratio Standards stipulated by Article 52-25 of the Banking Law, Ministry of Finance Public Announcement No. 62 of 1998).
3. The amount of equivalent goodwill is in accordance with Article 17, Paragraph 1, Items 1 through 4 of the Consolidated Capital Adequacy Ratio Public Announcement.

3. Items Related to Capital Adequacy Level

(As of March 31)

(Millions of yen)

	2006		2007	
	Risk Assets	Required Capital	Risk Assets	Required Capital
(a) Total credit risk assets and required capital	378,798	15,151	309,914	12,396
(1) Exposure by portfolio to which standardized method applied	378,798	15,151	309,889	12,395
(i) Sovereigns	4,114	164	3,990	159
(ii) Financial institutions	95,435	3,817	95,303	3,812
(iii) Corporations	107,832	4,313	63,560	2,542
(iv) Small and medium-sized businesses, individuals	91,629	3,665	79,492	3,179
(v) Collateralized mortgage loans	73,904	2,956	61,945	2,477
(vi) Business involving real estate transactions	—	—	—	—
(vii) Exposure to items past due by three months or more	—	—	1	0
(viii) Others	5,881	235	5,597	223
(2) Securitization risk exposure	—	—	24	0
(b) Operational risk	—	—	27,591	1,103

- Notes: 1. Required capital = risk assets x 4%.
2. "Exposure" consists of the credit equivalent amount of assets (excluding assets resulting from derivative product transactions), off-balance-sheet transactions and derivative product transactions.
3. "Sovereigns" refers to central governments, central banks, local public entities, Japanese government-affiliated institutions, overseas public sector bodies other than central banks, international development banks and international settlement banks.
4. "Exposure to items past due by three months or more" refers to exposure to debtors whose principal or interest payments are past due by three months or more from the day following the contract payment date.
5. SFH and Sony Bank employ the basic method for operational risk.

Method of calculating operational risk (basic method):

$$\frac{\text{Gross profit (total of positive values for the most recent three years)} \times 15\%}{\text{Number of years in the most recent three in which gross profit has been positive}} \div 8\%$$

4. Items Related to Credit Risk (Excluding Securitization Exposure)

(a) Fiscal year-end credit risk exposure and breakdown by principal categories:

Year-End Balance of Exposure by Industries or Counterparties

(As of March 31)

(Millions of yen)

	Credit Risk Exposure at Year-End						Exposure to Items Past Due by Three Months or More	
			Of which, Loans		Of which, Marketable Securities			
	2006	2007	2006	2007	2006	2007	2006	2007
Sovereigns	228,434	175,696	—	—	224,973	170,829	—	—
Financial institutions	173,241	236,935	—	—	129,075	103,478	—	—
Corporations	107,832	106,895	—	—	107,500	106,801	—	—
Small and medium-sized businesses, individuals	91,634	107,736	91,658	107,725	—	—	—	0
Collateralized mortgage loans	147,809	176,987	147,809	176,987	—	—	—	—
Business involving real estate transactions	—	—	—	—	—	—	—	—
Others	5,957	5,704	—	—	—	—	—	—
Total	754,910	809,955	239,467	284,712	461,550	381,109	—	0

Notes: 1. "Exposure to items past due by three months or more" refers to exposure to debtors whose principal or interest payments are past due by three months or more from the day following the contract payment date.
2. Please refer to the financial data (pages 83 and 84) for year-end exposure amounts of loans and marketable securities by remaining term. Note that securitization exposure balances in the financial data includes marketable securities balances. (Refer to quantitative disclosure item 7, Securitization Exposure, in the quantitative disclosure.)

Year-End Balance of Loans by Type and Department

(As of March 31)

(Millions of yen)

	2006			2007		
	Domestic	International	Total	Domestic	International	Total
Loans on deeds	234,741	261	235,002	278,338	323	278,662
Overdrafts	4,465	0	4,465	6,050	—	6,050
Total	239,206	261	239,467	284,389	323	284,712

Year-End Balance of Marketable Securities by Type and Department

(As of March 31)

(Millions of yen)

	2006			2007		
	Domestic	International	Total	Domestic	International	Total
JGBs	179,746	—	179,746	131,025	—	131,025
Short-term corporate bonds	—	—	—	20,984	—	20,984
Corporate bonds	58,411	—	58,411	74,720	—	74,720
Other securities	20,995	202,396	223,391	7,031	147,473	154,504
Of which, foreign	—	202,396	202,396	—	147,473	147,473
Of which, others	20,995	—	20,995	7,031	—	7,031
Total	259,153	202,396	461,550	233,761	147,473	381,234

(b) Year-end balance and change during year of general allowance for doubtful accounts, and individual allowance for doubtful accounts:

(For the years ended March 31)

(Millions of yen)

		Beginning Balance	Increase	Decrease		Ending Balance
				Used for Objective	Other	
General allowance for doubtful accounts	2006	44	128	—	44	128
	2007	128	152	—	128	152
Individual allowance for doubtful accounts	2006	—	33	—	—	33
	2007	33	9	15	17	9
Total	2006	44	161	—	44	161
	2007	161	162	15	145	162

Note: Allowances for doubtful accounts are all for individual accounts.

(c) Amortization of loan amounts by industry:

(For the years ended March 31)

(Millions of yen)

	2006	2007
Individuals	—	0

7. Securitization Exposure

(a) Securitization exposure in which the Holding Company Group is the originator
Not applicable.

(b) Securitization exposure in which the Holding Company Group is an investor

(1) Retained securitization exposure amount and breakdown by major underlying asset type

(As of March 31)		(Millions of yen)	
		2006	2007
Securitization Exposure			124
(i) Card loans			124
(ii) Mortgage loans			—
(iii) Automobile loans			—

(2) Balance of retained securitization exposure by risk weight and required capital amounts

(As of March 31)		Exposure Balance		Required Capital	
		2006	2007	2006	2007
Risk Weight Established by Directive					
20%			124		0
50%			—		—
100%			—		—
350%			—		—
Deductions			—		—
(i) Card loans			—		—
(ii) Collateralized Mortgage loans			—		—
(iii) Automobile loans			—		—

Note: Required capital = exposure x risk weight x 4%.

(3) Amount of credit risk assets calculated with application of Article 15 of the Supplementary Measure (Interim Measure for Securitization Exposure) to the Consolidated Capital Adequacy Ratio Public Announcement
Not applicable.

8. Items Related to Market Risk

In accordance with Article 16 of the Consolidated Capital Adequacy Ratio Public Announcement, the Company includes in its calculation method according to Article 14 of this Public Announcement no market risk equivalent amount. Consequently, this item is not applicable.

9. Items Related to Equity Exposure in the Banking Account

Sony Bank, the entity that conducts the banking business within the Holding Company Group as defined by the Consolidated Capital Adequacy Ratio Public Announcement, has no capital injection or stock exposure.

10. Exposure to which the Deemed Calculation of Credit Risk Assets is Applied

As the Company and Sony Bank employ the standard method for calculating credit risk, this item does not apply.

11. Interest Rate Risk in the Banking Account

(As of March 31)		(Millions of yen)	
		Interest Rate Risk	
		2006	2007
Decrease in economic value resulting from interest rate shock			4,742
Japanese yen			4,077
U.S. dollars			516
Others			148

Note: The decrease in economic value resulting from interest rate shock is calculated according to the method shown on page 62 under "11. Interest Rate Risk in the Banking Account" in the qualitative disclosure items.

Risk-Monitored Loans

Risk-Monitored Loans		
As of March 31,		(Millions of yen)
	2006	2007
Bankrupt loans	—	—
Non-accrual delinquent loans	115	24
Past due loans (three months or more)	—	—
Restructured loans	166	252
Total	281	277

Sony Life's Financial Data

Condensed Financial Statements

Consolidated Statements of Income

For the years ended March 31,

(Millions of yen)

	2003	2004	2005	2006	2007
Ordinary revenues	524,195	581,129	604,288	696,685	689,871
Income from insurance premiums	491,606	514,859	551,642	580,564	605,634
Investment income	31,575	64,890	50,254	108,613	78,928
Interest and dividends	23,827	24,488	25,755	26,778	34,508
Income from monetary trusts, net	891	7,951	7,170	19,558	12,169
Income from trading securities, net	—	154	3,962	—	1,708
Gains on sale of securities	2,289	2,353	3,344	6,583	11,952
Gains on redemption of securities	4,560	3,991	2,393	5,342	542
Gains from derivatives, net	3	2,245	—	825	3,061
Gains on separate accounts, net	—	23,702	7,623	49,524	14,985
Other ordinary income	1,013	1,379	2,390	7,507	5,308
Ordinary expenses	505,777	550,859	587,139	672,306	674,983
Insurance claims and other payments	170,906	191,542	194,141	231,885	219,352
Insurance claims, annuity payments and insurance benefits	61,496	81,481	88,008	114,499	89,913
Surrender payments	104,435	105,227	101,649	113,638	125,264
Provision for policy reserve and others	234,157	269,131	299,508	344,939	349,666
Provision for reserve for outstanding claims	3,177	4,652	—	708	—
Provision for policy reserve	230,979	264,478	299,508	344,228	349,662
Investment expenses	14,946	3,606	5,115	4,610	8,231
Losses on trading securities, net	149	—	—	647	—
Losses on sale of securities	465	928	330	276	148
Devaluation losses on securities	2,538	—	217	—	66
Losses on redemption of securities	797	704	1,146	212	601
Losses from derivatives, net	—	—	342	—	—
Losses on separate accounts, net	8,894	—	—	—	—
Operating expenses	77,995	78,372	79,816	82,170	87,478
Other ordinary expenses	7,772	8,205	8,557	8,700	10,254
Ordinary profit	18,417	30,270	17,148	24,379	14,888
Extraordinary gains (losses), net	(364)	(6,328)	(515)	(7,520)	(801)
Provision for reserve for price fluctuations	(327)	(6,264)	(441)	(7,442)	(773)
Provision for reserve for policyholders' dividends	583	644	519	1,491	2,057
Income before income taxes	17,469	23,297	16,113	15,367	12,029
Income taxes	6,340	9,572	5,945	5,730	4,544
Minority interests	70	17	—	—	—
Net income	11,199	13,743	10,168	9,636	7,485

Consolidated Balance Sheets

As of March 31,					(Millions of yen)
	2003	2004	2005	2006	2007
Assets:					
Cash and deposits	130,165	66,388	51,620	32,146	29,496
Call loans	135,100	175,000	176,100	55,900	228,000
Monetary trusts	320,941	419,224	515,229	658,351	718,492
Securities	1,265,549	1,562,929	1,703,923	2,131,464	2,217,377
Loans	65,582	71,637	79,919	86,924	96,809
Property and equipment	46,351	46,476	50,793	75,763	—
Tangible fixed assets	—	—	—	—	87,900
Intangible fixed assets	—	—	—	—	5,267
Other assets	15,875	33,591	39,072	62,765	63,201
Deferred tax assets	2,330	—	—	—	—
Total assets	1,981,896	2,375,249	2,616,658	3,103,315	3,446,546
Liabilities:					
Policy reserve and others	1,845,085	2,114,288	2,413,543	2,759,342	3,109,296
Reserve for outstanding claims	13,260	17,913	17,708	18,417	17,684
Policy reserve	1,831,115	2,095,591	2,395,099	2,739,340	3,089,014
Reserve for price fluctuations	5,960	12,225	12,666	20,109	20,882
Other liabilities	35,811	105,943	44,154	68,676	77,797
Deferred tax liabilities	—	10,943	5,826	36,685	20,904
Deferred tax liabilities on land revaluation	—	—	—	706	706
Total liabilities	1,886,857	2,243,400	2,476,191	2,885,520	3,229,588
Minority Interests:					
Minority interests	326	—	—	—	—
Stockholder's Equity:					
Common stock	65,000	65,000	65,000	65,000	—
Capital surplus	865	865	865	865	—
Retained earnings	11,161	15,512	19,181	22,317	—
Land revaluation	(768)	(768)	(768)	(1,475)	—
Net unrealized gains on other securities, net of taxes	18,697	51,577	56,564	130,974	—
Foreign currency translation adjustments	(242)	(337)	(374)	113	—
Total stockholder's equity	94,712	131,848	140,467	217,795	—
Total liabilities, minority interests and stockholder's equity	1,981,896	2,375,249	2,616,658	3,103,315	—
Net Assets:					
Common stock	—	—	—	—	65,000
Capital surplus	—	—	—	—	865
Retained earnings	—	—	—	—	23,302
Total shareholder's equity	—	—	—	—	89,167
Net unrealized gains on other securities, net of taxes	—	—	—	—	128,876
Land revaluation, net of taxes	—	—	—	—	(1,475)
Foreign currency translation adjustments	—	—	—	—	390
Total valuation and translation adjustments	—	—	—	—	127,790
Total net assets	—	—	—	—	216,958
Total liabilities and net assets	—	—	—	—	3,446,546

Consolidated Statements of Cash Flows

For the years ended March 31,					(Millions of yen)
	2003	2004	2005	2006	2007
Net cash provided by operating activities	270,613	251,976	292,545	282,158	327,641
Net cash used in investing activities	(309,944)	(266,440)	(299,712)	(415,411)	(151,733)
Net cash used in financing activities	—	(9,391)	(6,500)	(6,500)	(6,500)
Effect of exchange rate changes on cash and cash equivalents	(5)	(20)	(2)	79	41
Net increase (decrease) in cash and cash equivalents	(39,336)	(23,876)	(13,668)	(139,673)	169,449
Cash and cash equivalents at beginning of year	304,601	265,265	241,388	227,720	88,046
Cash and cash equivalents at end of year	265,265	241,388	227,720	88,046	257,496

Non-consolidated Statements of Income

For the years ended March 31,

(Millions of yen)

	2003	2004	2005	2006	2007
Ordinary revenues	524,089	580,972	604,093	696,426	689,591
Income from insurance premiums	491,582	514,825	551,610	580,516	605,561
Insurance premiums	489,548	512,700	550,304	579,267	603,611
Investment income	31,493	64,767	50,089	108,438	78,722
Interest and dividends	23,746	24,377	25,595	26,581	34,267
Income from monetary trusts, net	891	7,951	7,170	19,558	12,169
Income from trading securities, net	—	154	3,962	—	1,708
Gains on sale of securities	2,289	2,343	3,339	6,546	11,887
Gains on redemption of securities	4,560	3,991	2,393	5,342	542
Gains from derivatives, net	3	2,245	—	825	3,061
Gains on separate accounts, net	—	23,702	7,623	49,524	14,985
Other ordinary income	1,013	1,379	2,392	7,471	5,307
Reversal of reserves for outstanding claims	—	—	207	—	732
Ordinary expenses	505,531	550,493	587,023	672,067	674,696
Insurance claims and other payments	170,905	191,542	194,141	231,881	219,347
Insurance claims, annuity payments and insurance benefits	61,496	81,481	88,008	114,497	89,911
Surrender payments	104,435	105,227	101,649	113,637	125,262
Provision for policy reserve and others	234,148	269,117	299,494	344,915	349,629
Provision for reserve for outstanding claims	3,177	4,652	—	709	—
Provision for policy reserve	230,970	264,464	299,494	344,204	349,624
Investment expenses	14,933	3,605	5,116	4,561	8,184
Losses on trading securities, net	149	—	—	647	—
Losses on sale of securities	465	928	330	267	148
Devaluation losses on securities	2,538	—	217	—	66
Losses on redemption of securities	797	704	1,146	212	601
Losses from derivatives, net	—	—	342	—	—
Losses on separate accounts, net	8,894	—	—	—	—
Operating expenses	77,875	78,254	79,729	82,040	87,328
Other ordinary expenses	7,667	7,973	8,541	8,668	10,206
Ordinary profit	18,557	30,478	17,070	24,359	14,895
Extraordinary gains (losses), net	(364)	(6,330)	(515)	(7,520)	(801)
Provision for reserve for price fluctuations	(327)	(6,264)	(441)	(7,442)	(773)
Provision for reserve for policyholders' dividends	583	644	519	1,491	2,057
Income before income taxes	17,609	23,504	16,035	15,347	12,036
Income taxes	6,340	9,571	5,933	5,730	4,542
Net income	11,269	13,932	10,102	9,616	7,494

Non-consolidated Balance Sheets

As of March 31,					(Millions of yen)
	2003	2004	2005	2006	2007
Assets:					
Cash and deposits	130,149	66,381	51,611	31,433	28,502
Call loans	135,100	175,000	176,100	55,900	228,000
Monetary trusts	320,941	419,224	515,229	658,351	718,492
Securities	1,265,650	1,563,605	1,704,663	2,132,216	2,217,902
Loans	65,574	71,629	79,914	86,918	96,804
Property and equipment	46,289	46,444	50,763	75,739	—
Tangible fixed assets	—	—	—	—	87,883
Intangible fixed assets	—	—	—	—	5,263
Other assets	15,861	33,542	38,983	62,680	63,120
Deferred tax assets	2,330	—	—	—	—
Total assets	1,981,897	2,375,828	2,617,266	3,103,241	3,445,970
Liabilities:					
Policy reserve and others:	1,845,070	2,114,262	2,413,501	2,759,264	3,109,169
Reserve for outstanding claims	13,260	17,913	17,705	18,415	17,683
Policy reserve	1,831,100	2,095,565	2,395,060	2,739,264	3,088,888
Reserve for price fluctuations	5,960	12,225	12,666	20,109	20,882
Other liabilities	35,798	105,928	44,138	68,642	77,739
Deferred tax liabilities	—	10,933	5,817	36,685	20,903
Deferred tax liabilities on land revaluation	—	—	—	706	706
Total liabilities	1,886,829	2,243,350	2,476,124	2,885,408	3,229,401
Stockholder's Equity:					
Common stock	65,000	65,000	65,000	65,000	—
Capital surplus	865	865	865	865	—
Retained earnings	11,274	15,814	19,417	22,533	—
Land revaluation	(768)	(768)	(768)	(1,475)	—
Net unrealized gains on other securities, net of taxes	18,697	51,567	56,629	130,909	—
Total stockholder's equity	95,068	132,478	141,142	217,833	—
Total liabilities and stockholder's equity	1,981,897	2,375,828	2,617,266	3,103,241	—
Net Assets:					
Common stock	—	—	—	—	65,000
Capital surplus	—	—	—	—	865
Retained earnings	—	—	—	—	23,528
Total shareholder's equity	—	—	—	—	89,393
Net unrealized gains on other securities, net of taxes	—	—	—	—	128,650
Land revaluation, net of taxes	—	—	—	—	(1,475)
Total valuation and translation adjustments	—	—	—	—	127,175
Total net assets	—	—	—	—	216,568
Total liabilities and net assets	—	—	—	—	3,445,970

Other Key Indicators

As of March 31, (Items marked with an asterisk (*) are for the years ended March 31.)					(Millions of yen)
	2003	2004	2005	2006	2007
Annualized premiums from new policies*	—	—	63,851	61,791	65,541
Medical protection, living benefit protection, etc.*	—	—	16,179	14,543	14,479
Annualized premiums from insurance in force*	—	—	450,874	474,296	504,691
Medical protection, living benefit protection, etc.*	—	—	102,821	109,432	117,466
Solvency margin ratio (%)	1,354.2	1,453.3	1,317.1	1,547.0	1,852.0
Core profit*	22,460	22,821	24,333	28,564	24,366
Number of sales employees	4,752	4,700	4,652	4,293	4,239

Notes: 1. Annualized premiums for new policies and for policy amount in force are for individual life insurance and individual annuities. Annualized premiums refer to an amount that is calculated by multiplying individual premium amounts by a coefficient that differs depending on the premium payment methods, thereby converting the figure to a per-year premium. (For single-payment policies, premiums are divided by the coverage period.)

2. Medical protection and living benefit protection products include products with medical protection benefits (hospitalization benefit, surgical procedure benefit, etc.) and products with living benefit protection (benefits for specific illnesses, nursing care benefits, etc.)

3. The number of sales employees as of March 31, 2007, includes 3,776 Lifeplanner sales employees.

Policies and Policy Amount in Force by Product

As of March 31,

(Policies, Millions of yen)

Category	2003		2004		2005		2006		2007	
	Number of policies in force	Policy amount in force	Number of policies in force	Policy amount in force	Number of policies in force	Policy amount in force	Number of policies in force	Policy amount in force	Number of policies in force	Policy amount in force
Individual insurance products:										
Pure death-protection insurance: ⁽¹⁾	2,530,227	23,307,947	2,734,111	24,662,320	2,962,469	26,098,319	3,153,386	27,206,759	3,348,853	28,186,554
Variable life insurance (whole life type)	195,905	1,426,939	237,476	1,643,713	293,793	1,945,301	324,850	2,153,449	375,485	2,401,057
Modified payment whole life insurance	23,368	262,187	22,467	249,128	21,470	235,603	20,687	223,442	19,850	210,663
Limited payment whole life insurance	462,820	4,150,571	439,231	3,904,987	421,314	3,723,988	406,440	3,568,366	392,351	3,421,896
Family insurance	1,712	16,286	1,639	15,556	1,596	15,081	1,555	14,670	1,504	14,179
Interest rate-sensitive whole life insurance	192,213	1,287,100	239,839	1,576,930	283,279	1,839,295	331,104	2,082,704	362,574	2,232,768
Whole life insurance (no selection type)	3,689	7,379	4,515	8,959	5,170	10,135	5,680	11,100	5,973	11,655
Living benefit insurance (whole life type)	172,432	576,678	172,921	571,277	175,420	573,296	180,039	583,565	186,678	599,740
Variable life insurance (term type)	447	13,033	692	18,064	917	26,521	1,021	29,859	1,190	37,194
Family income insurance	58,568	1,626,792	66,478	1,803,151	75,642	2,003,784	84,512	2,191,617	92,010	2,330,577
Living standard insurance	7,720	205,262	8,307	215,420	7,810	194,719	7,293	173,661	6,825	154,646
Level premium plan term life insurance	145,499	3,551,083	147,146	3,556,690	147,891	3,568,211	145,315	3,460,570	140,402	3,247,398
Decreasing term life insurance	35,917	988,460	41,611	1,092,092	46,213	1,148,290	49,709	1,174,038	52,119	1,160,784
Living benefit insurance (term type)	8,300	61,728	8,929	66,825	9,703	74,384	10,947	85,703	12,494	100,353
Level premium plan term life insurance (non-smoker preferred risk)	13,267	645,287	16,972	796,211	19,839	919,283	22,116	1,005,160	23,024	1,011,544
Decreasing term life insurance (non-smoker preferred risk)	12,451	478,504	16,510	610,159	20,132	709,554	23,686	795,007	26,760	859,392
Family income insurance (non-smoker preferred risk)	16,820	670,776	21,845	857,168	28,008	1,086,569	34,672	1,333,192	41,274	1,566,775
Increasing term life insurance	123	7,768	566	32,553	859	49,139	980	55,071	819	45,639
Long-term level premium plan term life insurance (with disability benefit)	—	—	—	—	—	—	2,141	100,452	5,897	272,353
Increasing term life insurance (reduced surrender value)	—	—	—	—	—	—	344	12,741	4,368	152,801
Income protection insurance to cover three major diseases	—	—	—	—	—	—	—	—	956	944
Semi-participating whole life nursing-care insurance	—	—	—	—	—	—	—	—	6,218	24,334
Cancer insurance	234,842	43,650	236,867	41,665	246,170	42,276	252,864	41,313	262,765	41,479
Comprehensive medical insurance	926,686	666,860	1,029,923	691,334	1,137,346	708,160	1,228,154	730,324	1,308,781	756,682
Long-term comprehensive medical insurance	17,361	7,536	20,093	7,953	19,814	7,804	19,194	7,548	18,453	7,260
Semi-participating living standard insurance (joint type)	87	2,271	84	2,532	83	2,006	83	2,034	83	1,916
Term riders and others ⁽²⁾	294,039	6,611,785	317,151	6,899,943	341,448	7,214,910	358,749	7,371,162	377,745	7,522,513
Mixed insurance:	299,255	1,152,546	295,179	1,137,740	293,715	1,131,065	283,814	1,086,324	287,034	1,080,848
Variable life insurance (limited term type)	5,029	24,139	5,582	26,445	6,446	30,570	8,761	40,374	17,332	64,954
Endowment insurance (without dividend)	257,246	1,010,919	248,919	982,596	245,274	965,255	232,319	910,590	227,071	882,094
Semi-participating endowment insurance	36,980	117,488	40,678	128,699	41,995	135,239	42,734	135,358	42,631	133,798
Pure endowment insurance: ⁽³⁾	145,563	228,657	204,091	322,660	279,320	450,875	378,325	615,719	474,051	770,716
Semi-participating educational endowment insurance	145,563	228,439	204,091	322,660	279,320	450,803	378,325	615,715	474,051	770,716
Living benefit rider	1,977	217	1,234	134	658	71	41	4	—	—
Total individual insurance products	2,975,045	24,689,151	3,233,381	26,122,855	3,535,504	27,680,259	3,815,525	28,908,802	4,109,938	30,038,118
Individual annuity products: ⁽⁴⁾										
Semi-participating individual annuity	10,629	55,848	11,805	61,577	13,140	68,657	14,226	73,677	15,083	77,187
Variable individual annuity	6,331	34,887	7,445	40,995	9,594	52,823	13,305	72,013	17,471	93,934
Others ⁽⁵⁾	696	13,105	968	17,210	1,343	21,743	2,446	30,044	3,383	35,251
Total individual annuity products	17,656	103,841	20,218	119,783	24,077	143,225	29,977	175,735	35,937	206,374
Group insurance products: ⁽⁶⁾										
Group term life insurance	159,939	270,732	118,465	253,655	103,113	245,560	107,065	259,141	98,350	237,699
Group welfare term life insurance	176,701	124,192	116,151	103,281	151,701	88,649	156,414	92,360	127,639	92,699
Group credit life insurance	4,251,179	461,883	3,925,398	470,276	3,662,246	481,585	3,386,294	571,583	3,139,548	577,602
Annuity payment rider ⁽⁴⁾	158	220	168	214	179	208	188	204	182	178
Total group insurance products	4,587,977	857,029	4,160,182	827,428	3,917,239	816,003	3,649,961	923,289	3,365,719	908,179
Group annuity products: ⁽⁶⁾⁽⁷⁾										
New-type corporate annuities	21,840	5,667	20,772	5,436	36,671	6,759	36,699	6,656	32,376	6,391
Defined contribution corporate annuities	343,015	58,487	345,414	61,670	347,560	62,257	358,552	64,744	355,665	66,242
Total group annuity products	364,855	64,154	366,186	67,107	384,231	69,017	395,251	71,400	388,041	72,633
Medical protection insurance (group-type) ⁽⁶⁾⁽⁸⁾	—	—	—	—	253	0	126	0	126	0
Reinsurance recipients ⁽⁸⁾	25,817	23,475	25,952	22,276	24,111	19,257	20,400	14,396	13,159	23,022

- Notes: 1. Total number of policies in force for pure death-protection insurance products does not include number of policies listed under term riders and others.
2. Includes, in addition to term riders, living benefit whole life policy riders and semi-participating lump sum nursing-care riders.
3. Total number of policies in force for pure endowment insurance does not include number of policies listed under living benefit riders.
4. Total policy amount in force for individual annuity products and annuity payment riders is equal to the sum of (a) the funds to be held at the time annuity payments are to commence for policies for which annuity payments have not yet commenced and (b) the amount of policy reserve for policies for which payments have commenced.
5. Others under individual annuity products include semi-participating lump-sum nursing-care riders, semi-participating fixed individual annuity riders, and the amount of policy reserve for policies for which payments have commenced.
6. The number of policies for group insurance products, group annuity products, medical protection insurance (group-type) and reinsurance recipients reflect the total number of insured parties.
7. For group annuity products, total policy amounts in force are equal to the amount of policy reserve under the relevant policies.
8. The amount of medical protection insurance (group-type) is equal to the daily claims for hospitalization.

New Policies and New Policy Amount by Product

For the years ended March 31,

(Policies, Millions of yen)

Category	2003		2004		2005		2006		2007	
	Number of new policies	New policy amount	Number of new policies	New policy amount	Number of new policies	New policy amount	Number of new policies	New policy amount	Number of new policies	New policy amount
Individual insurance products:										
Pure death-protection insurance: ⁽¹⁾	334,745	3,308,502	406,033	3,469,531	420,044	3,428,165	373,081	3,065,555	375,185	3,106,503
Variable life insurance (whole life type)	45,213	277,990	51,096	290,576	65,862	376,682	40,698	239,471	61,401	319,567
Modified payment whole life insurance	970	11,619	630	8,830	380	5,816	314	5,190	206	3,283
Limited payment whole life insurance	4	65	1	5	5	12	(1)	(238)	(6)	(65)
Family insurance	22	135	20	163	14	119	5	38	8	60
Interest rate-sensitive whole life insurance	59,688	391,247	60,751	390,461	57,431	370,107	62,927	357,793	49,188	286,385
Whole life insurance (no selection type)	1,324	2,580	1,270	2,493	1,206	2,333	1,075	2,062	920	1,851
Living benefit insurance (whole life type)	9,220	27,806	9,669	29,268	9,745	29,101	11,336	35,059	13,171	40,422
Variable life insurance (term type)	455	13,181	282	6,514	274	9,172	171	5,451	226	8,592
Family income insurance	10,945	331,028	11,858	345,564	13,132	377,024	13,061	375,198	12,366	351,713
Living standard insurance	865	25,678	1,157	33,496	93	2,674	—	—	—	—
Level premium plan term life insurance	21,299	456,302	20,162	432,865	17,464	380,010	12,981	257,373	9,570	152,738
Decreasing term life insurance	8,445	234,559	9,143	243,673	7,857	198,039	6,987	174,041	6,024	140,239
Living benefit insurance (term type)	1,291	10,060	1,495	11,839	1,675	14,483	2,115	18,030	2,528	22,189
Level premium plan term life insurance (non-smoker preferred risk)	4,271	196,528	4,507	194,990	3,786	173,808	3,313	144,940	2,241	78,897
Decreasing term life insurance (non-smoker preferred risk)	3,972	157,890	4,590	177,144	4,234	155,909	4,260	150,773	3,918	137,239
Family income insurance (non-smoker preferred risk)	4,426	188,169	5,558	231,815	6,789	285,020	7,401	314,593	7,608	321,091
Increasing term life insurance	123	7,768	452	25,488	326	18,473	214	10,381	—	—
Long-term level premium plan term life insurance (with disability benefit)	—	—	—	—	—	—	2,145	100,695	3,887	177,328
Increasing term life insurance (reduced surrender value)	—	—	—	—	—	—	344	12,741	4,053	141,092
Income protection insurance to cover three major diseases	—	—	—	—	—	—	—	—	959	947
Semi-participating whole life nursing-care insurance	—	—	—	—	—	—	—	—	6,250	24,486
Cancer insurance	23,477	4,210	23,265	3,650	24,442	3,992	24,875	3,683	24,221	3,513
Comprehensive medical insurance	130,606	91,281	195,757	93,554	203,853	85,744	177,972	81,034	165,810	81,086
Long-term comprehensive medical insurance	8,121	2,255	4,360	1,241	1,469	637	878	401	629	291
Semi-participating living standard insurance (joint type)	8	288	10	795	7	129	10	255	7	183
Term riders and others ⁽²⁾	39,253	877,855	43,431	945,097	43,323	938,873	35,736	776,584	39,020	813,366
Mixed insurance:	34,440	139,989	34,588	144,965	31,712	138,338	30,388	123,782	33,800	125,320
Variable life insurance (limited term type)	1,186	5,656	894	4,382	1,459	7,022	2,753	11,083	9,302	27,494
Endowment insurance (without dividend)	25,342	107,376	26,012	115,169	25,152	111,285	23,069	97,744	21,085	85,187
Semi-participating endowment insurance	7,912	26,956	7,682	25,413	5,101	20,031	4,566	14,954	3,413	12,638
Pure endowment insurance:	45,446	69,858	61,681	98,893	78,648	133,287	103,578	171,932	102,004	165,043
Semi-participating educational endowment insurance	45,446	69,858	61,681	98,893	78,648	133,287	103,578	171,932	102,004	165,043
Living benefit rider	—	—	—	—	—	—	—	—	—	—
Total individual insurance products	414,631	3,518,350	502,302	3,713,390	530,404	3,699,791	507,047	3,361,271	510,989	3,396,867
Individual annuity products:										
Semi-participating individual annuity	1,580	8,912	1,807	10,032	1,927	10,530	1,734	9,408	1,555	7,534
Variable individual annuity	1,759	10,062	1,621	8,632	2,555	13,890	4,166	21,455	4,768	25,056
Others	—	—	—	—	—	—	—	—	—	—
Total individual annuity products	3,339	18,974	3,428	18,665	4,482	24,421	5,900	30,864	6,323	32,590
Group insurance products: ⁽³⁾										
Group term life insurance	30,740	1,820	13,176	9,304	963	385	13,363	2,058	—	—
Group welfare term life insurance	2,378	3,104	8,886	7,280	37,857	6,999	7,300	7,032	14,492	7,757
Group credit life insurance	—	—	—	—	—	—	—	—	—	—
Annuity payment rider	—	—	—	—	—	—	—	—	—	—
Total group insurance products	33,118	4,924	22,062	16,584	38,820	7,384	20,663	9,090	14,492	7,757
Group annuity products: ⁽³⁾⁽⁴⁾										
New-type corporate annuities	718	300	—	—	—	—	805	15	196	44
Defined contribution corporate annuities	—	—	2,187	2,520	—	—	20,085	1,732	—	—
Total group annuity products	718	300	2,187	2,520	—	—	20,890	1,748	196	44
Medical protection insurance (group-type) ⁽³⁾⁽⁵⁾	—	—	—	—	259	0	128	0	—	—
Reinsurance recipients ⁽³⁾	8,529	4,590	—	—	348	259	—	—	—	—

Notes: 1. Number of new policies for pure death-protection insurance products does not include number of policies listed under term riders and others.

2. Includes, in addition to term riders, living benefit whole life policy riders and semi-participating lump sum nursing-care riders.

3. The number of new policies for group insurance products, group annuity products, medical protection insurance (group-type) and reinsurance recipients reflect the total number of insured parties.

4. For group annuity products, new policy amounts are equal to the sum of the initial premium payments under the relevant policies.

5. The amount of medical protection insurance (group-type) is equal to the daily claims for hospitalization.

General Account Assets

As of March 31,

(Millions of yen, %)

Category	2003		2004		2005		2006		2007	
	Amount	% of total								
Cash, deposits and call loans	258,034	13.8	232,112	10.5	214,266	8.9	71,598	2.5	237,496	7.6
Monetary trusts	320,941	17.2	419,224	19.0	515,229	21.3	658,351	23.3	718,492	23.0
Securities	1,155,509	62.0	1,409,077	63.7	1,517,858	62.8	1,870,288	66.3	1,917,154	61.4
Japanese government and corporate bonds	943,815	50.6	1,158,430	52.4	1,321,447	54.7	1,499,591	53.1	1,535,634	49.2
Equity securities	14,815	0.8	38,761	1.8	53,248	2.2	250,718	8.9	244,379	7.8
Foreign securities	188,411	10.1	199,708	9.0	131,068	5.4	102,720	3.6	121,617	3.9
Foreign government and corporate bonds	186,101	10.0	193,864	8.8	122,782	5.1	89,095	3.2	100,730	3.2
Foreign stocks	2,310	0.1	5,844	0.3	8,285	0.3	13,624	0.5	20,887	0.7
Other securities	8,467	0.5	12,176	0.6	12,093	0.5	17,257	0.6	15,522	0.5
Loans	65,574	3.5	71,629	3.2	79,914	3.3	86,918	3.1	96,804	3.1
Policyholder loans	65,574	3.5	71,629	3.2	79,914	3.3	86,918	3.1	96,804	3.1
Commercial loans	—	—	—	—	—	—	—	—	—	—
Real estate	46,100	2.5	46,282	2.1	50,602	2.1	75,579	2.7	87,025	2.8
Deferred tax assets	2,330	0.1	—	—	—	—	—	—	—	—
Other	15,370	0.8	33,146	1.5	38,541	1.6	59,866	2.1	66,392	2.1
Provision for possible loan losses	(153)	(0.0)	(107)	(0.0)	(142)	(0.0)	(44)	(0.0)	(68)	(0.0)
Total	1,863,707	100.0	2,211,367	100.0	2,416,269	100.0	2,822,559	100.0	3,123,298	100.0
Foreign currency-denominated assets	16,880	0.9	41,972	1.9	46,240	1.9	46,973	1.7	51,486	1.6

Increase (Decrease) of General Account Assets

For the years ended March 31,

(Millions of yen)

Category	2003	2004	2005	2006	2007
Cash, deposits and call loans	(43,006)	(25,922)	(17,845)	(142,668)	165,897
Monetary trusts	72,190	98,282	96,005	143,121	60,141
Securities	211,378	253,567	108,780	352,430	46,866
Japanese government and corporate bonds	166,892	214,614	163,017	178,143	36,043
Equity securities	2,919	23,945	14,486	197,470	(6,339)
Foreign securities	36,898	11,297	(68,640)	(28,347)	18,897
Foreign government and corporate bonds	36,479	7,762	(71,081)	(33,686)	11,634
Foreign stocks	418	3,534	2,441	5,339	7,263
Other securities	4,668	3,709	(83)	5,164	(1,735)
Loans	11,110	6,055	8,284	7,004	9,885
Policyholder loans	11,110	6,055	8,284	7,004	9,885
Commercial loans	(0)	—	—	—	—
Real Estate	5	182	4,319	24,977	11,446
Deferred tax assets	(5,210)	(2,330)	—	—	—
Other	(5,696)	17,775	5,395	21,325	6,526
Provision for possible loan losses	9	46	(35)	98	(24)
Total	240,780	347,659	204,902	406,289	300,739
Foreign currency-denominated assets	(7,499)	25,091	4,268	733	4,512

Investment Yield by Assets (General Account)

For the years ended March 31,						(%)
Category	2003	2004	2005	2006	2007	
Cash, deposits and call loans	0.03	0.02	0.01	0.01	0.21	
Monetary trusts	0.29	2.19	1.59	3.51	1.92	
Securities	1.97	2.03	1.87	1.97	2.03	
Japanese government and corporate bonds	1.68	1.75	1.31	1.19	1.18	
Equity securities	0.39	7.59	17.57	11.05	9.49	
Foreign securities	4.06	2.85	3.14	5.67	3.66	
Loans	4.66	4.54	4.43	4.39	4.32	
Real Estate	3.07	4.84	0.39	0.33	(1.10)	
Total general account assets	1.49	1.92	1.70	2.22	2.02	

Notes: 1. The denominator of yield calculations is the daily average balance on a book value basis. The numerator is the yield calculated by subtracting investment expenses from investment income in ordinary profit.
 2. The above yield calculations do not include valuation gains in accordance with Article 112 of the Insurance Business Law of Japan.
 3. Real estate in the year ended in March 31, 2007 includes one-time factors such as tax expenses in relation to acquisition of real estate, the new building completed in October 2006 (Sony City).

Yield on Overseas Investments (General Account)

For the years ended March 31,						(%)
Category	2003	2004	2005	2006	2007	
Yield on overseas investments	4.05	2.85	3.13	5.67	3.66	

Note: Overseas investment is the total of yen- and foreign currency-denominated assets.

Sony Assurance's Financial Data

Condensed Financial Statements

Non-consolidated Statements of Income

For the years ended March 31,

(Millions of yen)

	2003	2004	2005	2006	2007
Ordinary revenues	24,299	31,066	38,159	45,703	51,020
Underwriting income	24,064	30,793	37,862	45,298	50,495
Net premiums written	24,062	30,785	37,849	45,278	50,467
Investment income	186	212	275	349	464
Interest and dividends	186	215	274	298	442
Other ordinary income	48	60	21	55	60
Ordinary expenses	28,485	33,007	40,966	46,467	48,975
Underwriting expenses	17,361	21,097	28,606	33,477	36,465
Net losses paid	9,734	13,101	17,463	21,124	24,151
Loss adjustment expenses	1,503	2,022	2,191	2,535	2,894
Net commissions and brokerage fees	408	625	784	780	865
Provision for reserve for outstanding losses	2,127	881	1,967	2,345	2,235
Provision for underwriting reserve	3,587	4,463	6,198	6,691	6,318
Investment expenses	11	31	21	8	3
Operating, general and administrative expenses	11,111	11,854	12,338	12,966	12,458
Other ordinary expenses	1	24	0	15	48
Ordinary profit (loss)	(4,185)	(1,941)	(2,806)	(764)	2,044
Extraordinary gains (losses), net	(7,924)	3	(1)	(35)	(10)
Income (loss) before income taxes	(12,110)	(1,937)	(2,807)	(799)	2,034
Income taxes	(723)	(606)	(826)	(358)	435
Net income (loss)	(11,386)	(1,330)	(1,981)	(441)	1,598

Non-consolidated Balance Sheets

As of March 31,					(Millions of yen)
	2003	2004	2005	2006	2007
Assets:					
Cash and deposits	2,430	4,512	4,036	1,470	1,977
Call loans	—	—	—	—	1,400
Securities	17,346	27,747	32,932	44,067	51,155
Tangible fixed assets	—	—	—	—	165
Intangible fixed assets	—	—	—	—	2,119
Other assets	5,358	6,584	8,020	8,381	7,728
Deferred tax assets	738	1,277	1,696	2,184	2,922
Total assets	25,873	40,121	46,685	56,103	67,468
Liabilities:					
Policy reserves	17,239	22,583	30,750	39,786	48,340
Reserves for outstanding losses	4,806	5,688	7,655	10,001	12,236
Underwriting reserves	12,432	16,895	23,094	29,785	36,104
Other liabilities	3,260	3,475	3,847	4,606	5,807
Total liabilities	20,500	26,059	34,598	44,393	54,147
Stockholder's Equity:					
Common stock	15,000	20,000	20,000	20,000	—
Capital surplus	15,000	20,000	20,000	20,000	—
Retained deficits	(24,623)	(25,953)	(27,934)	(28,376)	—
Net unrealized gains (losses) on other securities, net of taxes	(3)	15	21	86	—
Total stockholder's equity	5,372	14,061	12,086	11,709	—
Total liabilities and stockholder's equity	25,873	40,121	46,685	56,103	—
Net Assets:					
Common stock	—	—	—	—	20,000
Capital surplus	—	—	—	—	20,000
Retained deficits	—	—	—	—	(26,777)
Total shareholder's equity	—	—	—	—	13,222
Net unrealized gains on other securities, net of taxes	—	—	—	—	97
Total valuation and translation adjustments	—	—	—	—	97
Total net assets	—	—	—	—	13,320
Total liabilities and net assets	—	—	—	—	67,468

Non-consolidated Statements of Cash Flows

For the years ended March 31,					(Millions of yen)
	2003	2004	2005	2006	2007
Net cash provided by operating activities	75	2,733	5,081	8,784	9,242
Net cash provided by (used in) investing activities	210	(10,350)	(5,557)	(11,350)	(6,030)
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	285	2,382	(475)	(2,565)	3,212
Cash and cash equivalents at beginning of year	3,901	4,186	6,569	6,094	3,528
Cash and cash equivalents at end of year	4,186	6,569	6,094	3,528	6,740

Other Key Indicators

As of March 31, (Items marked with an asterisk (*) are for the years ended March 31.)					
	2003	2004	2005	2006	2007
Net premiums written* (millions of yen)	24,062	30,785	37,849	45,278	50,467
Underwriting profits (losses)* (millions of yen)	(4,386)	(2,129)	(3,048)	(1,108)	1,610
Net loss ratio* (%)	46.7	49.1	51.9	52.3	53.6
Net expense ratio* (%)	47.8	40.4	34.6	30.3	26.3
Solvency margin ratio (%)	734.1	1,383.5	1,095.2	976.1	1,009.7
Number of employees	370	423	480	532	593

Net premiums written by type of policy

For the years ended March 31,					(Millions of yen)
Type of policy	2003	2004	2005	2006	2007
Fire	—	—	4	21	12
Marine	(5)	32	22	38	43
Personal accident	348	1,427	3,131	4,827	5,947
Voluntary automobile	23,459	28,964	34,222	39,858	43,931
Compulsory automobile liability	259	360	469	533	532
Total	24,062	30,785	37,849	45,278	50,467

Direct premiums written by type of policy

For the years ended March 31,					(Millions of yen)
Type of policy	2003	2004	2005	2006	2007
Fire	—	—	102	279	174
Marine	—	—	—	—	—
Personal accident	135	1,284	2,989	4,681	5,812
Voluntary automobile	23,561	29,105	34,372	40,039	44,126
Compulsory automobile liability	—	—	—	—	—
Total	23,697	30,389	37,464	44,999	50,112

Underwriting profits (losses)

For the years ended March 31,					(Millions of yen)
Category	2003	2004	2005	2006	2007
Underwriting income	24,064	30,793	37,862	45,298	50,495
Underwriting expenses	17,361	21,097	28,606	33,477	36,465
Operating, general and administrative expenses	11,089	11,825	12,304	12,928	12,418
Other, net	(0)	(0)	(0)	(0)	(0)
Underwriting profits (losses)	(4,386)	(2,129)	(3,048)	(1,108)	1,610

Note: Operating, general and administrative expenses are those underwriting expenses included in the statements of income as operating, general and administrative expenses.

Underwriting profits (losses) by type of policy

For the years ended March 31,					(Millions of yen)
Type of policy	2003	2004	2005	2006	2007
Fire	—	—	(1)	8	36
Marine	212	139	166	123	142
Personal accident	(905)	(1,344)	(919)	(253)	724
Voluntary automobile	(3,693)	(924)	(2,293)	(987)	707
Compulsory automobile liability	—	—	—	—	—
Total	(4,386)	(2,129)	(3,048)	(1,108)	1,610

Net losses paid by type of policy

For the years ended March 31,					(Millions of yen)
Type of policy	2003	2004	2005	2006	2007
Fire	—	—	—	0	0
Marine	33	28	9	5	21
Personal accident	48	186	427	724	928
Voluntary automobile	9,614	12,770	16,801	20,073	22,802
Compulsory automobile liability	38	115	224	321	399
Total	9,734	13,101	17,463	21,124	24,151

Direct losses paid by type of policy

For the years ended March 31,					(Millions of yen)
Type of policy	2003	2004	2005	2006	2007
Fire	—	—	—	0	1
Marine	—	—	—	—	—
Personal accident	13	145	387	685	889
Voluntary automobile	9,655	12,790	16,842	20,245	22,950
Compulsory automobile liability	—	—	—	—	—
Total	9,668	12,935	17,229	20,931	23,841

Underwriting expenses and net expense ratio

For the years ended March 31,					(Millions of yen)
Category	2003	2004	2005	2006	2007
Underwriting expenses	11,498	12,451	13,088	13,709	13,284
Operating, general and administrative expenses for underwriting	11,089	11,825	12,304	12,928	12,418
Net commissions and brokerage fees	408	625	784	780	865
Net expense ratio (%)	47.8	40.4	34.6	30.3	26.3

Net loss ratio, net expense ratio and combined ratio by type of policy

For the years ended March 31,										(%)
Type of policy	2003			2004			2005			2007
	Net loss ratio	Net expense ratio	Combined ratio	Net loss ratio	Net expense ratio	Combined ratio	Net loss ratio	Net expense ratio	Combined ratio	
Fire	—	/	/	—	/	/	—	/	/	
Marine	(643.7)	/	/	87.3	/	/	43.5	/	/	
Personal accident	26.0	/	/	17.1	/	/	15.8	/	/	
Voluntary automobile	47.2	/	/	50.9	/	/	55.3	/	/	
Compulsory automobile liability	14.8	/	/	32.2	/	/	47.8	/	/	
Total	46.7	47.8	94.5	49.1	40.4	89.6	51.9	34.6	86.5	
Type of policy	2006			2007						
	Net loss ratio	Net expense ratio	Combined ratio	Net loss ratio	Net expense ratio	Combined ratio	Net loss ratio	Net expense ratio	Combined ratio	
Fire	22.3	(160.8)	(138.6)	45.8	(55.9)	(10.1)				
Marine	13.6	(353.7)	(340.1)	49.6	(390.4)	(340.8)				
Personal accident	17.1	30.3	47.4	17.5	17.3	34.8				
Voluntary automobile	56.5	31.2	87.6	58.2	28.3	86.5				
Compulsory automobile liability	60.2	—	60.2	74.9	—	74.9				
Total	52.3	30.3	82.5	53.6	26.3	79.9				

Sony Bank's Financial Data

Condensed Financial Statements

Non-consolidated Statements of Income

For the years ended March 31,

(Millions of yen)

	2003	2004	2005	2006	2007
Ordinary revenues	4,012	7,406	11,353	17,225	19,470
Interest income	2,477	4,520	6,563	9,472	12,763
Interest on loans	185	990	1,560	2,721	4,580
Interest and dividends on securities	1,973	3,237	4,416	6,414	7,208
Fees and commissions	321	524	817	1,686	1,619
Other operating income	1,121	2,357	3,946	6,039	5,065
Income from foreign exchange transactions	320	1,439	3,212	4,449	4,339
Gains on sale of bonds and others	793	324	732	231	682
Gains from derivatives, net	—	590	—	1,353	—
Other ordinary income	92	4	25	26	21
Ordinary expenses	8,479	9,608	13,013	14,997	18,116
Interest expenses	637	1,136	2,855	4,672	8,174
Interest on deposits	633	1,001	2,559	4,365	7,380
Fees and commissions	298	521	677	1,215	1,067
Other operating expenses	2,105	1,988	2,452	1,890	1,149
Losses on sale of bonds and others	1,724	1,942	1,882	1,528	845
Losses from derivatives, net	380	—	451	—	303
General and administrative expenses	5,370	5,823	6,905	7,091	7,665
Other ordinary expenses	67	139	123	127	58
Ordinary profit (loss)	(4,466)	(2,202)	(1,659)	2,228	1,354
Extraordinary gains (losses), net	—	—	—	—	—
Income (loss) before income taxes	(4,466)	(2,202)	(1,659)	2,228	1,354
Income taxes	3	3	3	(1,029)	330
Net income (loss)	(4,470)	(2,206)	(1,663)	3,258	1,023

Non-consolidated Balance Sheets

As of March 31,					(Millions of yen)
	2003	2004	2005	2006	2007
Assets:					
Cash and due from banks	8,270	14,139	19,773	26,186	7,977
Call loans and bills bought	31,340	40,966	127,696	20,174	103,059
Securities	211,573	333,421	321,600	449,549	381,234
Japanese government bonds	70,010	110,324	120,486	179,746	131,025
Short-term corporate bonds	—	—	—	—	20,984
Corporate bonds	26,892	33,591	21,978	58,411	74,720
Other securities	114,670	189,504	179,135	211,391	154,504
Loans	22,464	63,023	126,385	239,467	284,712
Loans on deeds	20,967	60,903	123,317	235,002	278,662
Overdrafts	1,497	2,120	3,068	4,465	6,050
Other assets	46,767	37,883	23,005	18,359	29,232
Deferred tax assets	—	—	—	1,033	634
Total assets	320,414	489,432	618,459	754,768	806,848
Liabilities:					
Deposits	248,721	378,850	546,717	599,952	752,366
Ordinary deposits	80,206	103,943	190,327	221,622	235,997
Time deposits	119,897	167,678	197,217	229,147	368,034
Other deposits	48,616	107,228	159,172	149,182	148,334
Call money and bills sold	34,700	65,000	24,600	110,700	10,000
Other liabilities	7,568	18,180	11,621	9,400	7,604
Deferred tax liabilities	224	291	202	—	—
Total liabilities	291,213	462,321	583,140	720,052	769,970
Stockholder's Equity:					
Common stock	18,750	18,750	23,750	25,000	—
Capital surplus	18,750	18,750	13,750	15,000	—
Retained earnings (deficits)	(8,607)	(10,813)	(2,477)	781	—
Net unrealized gains (losses) on other securities, net of taxes	308	424	295	(6,065)	—
Total stockholder's equity	29,201	27,111	35,318	34,715	—
Total liabilities and stockholder's equity	320,414	489,432	618,459	754,768	—
Net Assets:					
Common stock	—	—	—	—	25,000
Capital surplus	—	—	—	—	15,000
Retained earnings	—	—	—	—	1,804
Total shareholder's equity	—	—	—	—	41,804
Net unrealized gains (losses) on other securities, net of taxes	—	—	—	—	(4,462)
Net deferred losses on hedging instruments, net of taxes	—	—	—	—	(464)
Total valuation and translation adjustments	—	—	—	—	(4,926)
Total net assets	—	—	—	—	36,878
Total liabilities and net assets	—	—	—	—	806,848

Non-consolidated Statements of Cash Flows

For the years ended March 31,					(Millions of yen)
	2003	2004	2005	2006	2007
Net cash provided by (used in) operating activities	116,134	116,319	(23,493)	135,772	(78,756)
Net cash provided by (used in) investing activities	(126,309)	(110,450)	19,127	(141,859)	70,547
Net cash provided by financing activities	—	—	10,000	2,500	—
Effect of exchange rate changes on cash and cash equivalents	—	—	—	—	—
Net increase (decrease) in cash and cash equivalents	(10,175)	5,868	5,633	(3,586)	(8,209)
Cash and cash equivalents at beginning of year	18,446	8,270	14,139	19,773	16,186
Cash and cash equivalents at end of year	8,270	14,139	19,773	16,186	7,977

Other Key Indicators

As of March 31, (Items marked with an asterisk (*) are for the years ended March 31.)					
	2003	2004	2005	2006	2007
Gross operating profit* (millions of yen)	879	3,756	5,343	9,420	9,056
Net operating profit* (millions of yen)	(4,514)	(2,107)	(1,562)	2,245	1,366
Capital adequacy ratio (domestic criteria) (%)	18.95	10.29	11.97	9.24	11.49
Number of employees	72	78	100	120	152

Notes: 1. Net operating profit is calculated by subtracting provision for possible loan losses and general and administrative expenses from gross operating profit.
2. Capital adequacy ratio as of March 31, 2007 was calculated based on the standard stipulated in the Financial Services Agency public announcement No. 19 of 2006, while capital adequacy ratio as of March 31, 2006 was calculated based on the standard stipulated in the former public announcement.

Breakdown of gross operating profit

For the years ended March 31,					(Millions of yen)
	2003	2004	2005	2006	2007
Net interest income	1,840	3,383	3,708	4,800	4,588
Interest income	2,477	4,520	6,563	9,472	12,763
Interest expenses	637	1,136	2,855	4,672	8,174
Net fees and commissions	22	3	140	471	551
Fees and commissions received	321	524	817	1,686	1,619
Fees and commissions paid	298	521	677	1,215	1,067
Net other operating income	(983)	369	1,494	4,149	3,916
Other operating income	1,121	2,357	3,946	6,039	5,065
Other operating expenses	2,105	1,988	2,452	1,890	1,149
Gross operating profit	879	3,756	5,343	9,420	9,056
Gross operating profit ratio* (%)	0.42	0.96	0.92	1.38	1.19

*Gross operating profit ratio = $\frac{\text{Gross operating profit}}{\text{Average balance of investment account}} \times 100$

Average balance, interest, yield, and interest spread of major investment and financing accounts

For the years ended March 31,										(Millions of yen)
	2003			2004			2005			
	Average balance	Interest	Yield (%)	Average balance	Interest	Yield (%)	Average balance	Interest	Yield (%)	
Investment account	208,717	2,477	1.18	390,015	4,520	1.15	576,486	6,563	1.13	
Loan	7,502	185	2.47	49,265	990	2.01	82,692	1,560	1.88	
Securities	158,077	1,973	1.24	280,299	3,237	1.15	432,202	4,416	1.02	
Call loans	23,043	279	1.21	34,207	258	0.75	43,038	539	1.25	
Monetary claims bought	12,480	38	0.30	15,499	32	0.21	9,090	39	0.43	
Financing account	193,904	637	0.32	368,096	1,136	0.30	553,480	2,855	0.51	
Deposits	178,436	633	0.35	318,947	1,001	0.31	459,783	2,559	0.55	
Call money	15,219	1	0.01	49,147	14	0.03	65,383	7	0.01	
										(Millions of yen)
	2006			2007						
	Average balance	Interest	Yield (%)	Average balance	Interest	Yield (%)	Average balance	Interest	Yield (%)	
Investment account	680,004	9,472	1.39	757,007	12,763	1.68				
Loan	170,342	2,721	1.59	252,760	4,580	1.81				
Securities	462,060	6,414	1.38	423,502	7,208	1.70				
Call loans	31,393	243	0.77	72,361	910	1.25				
Monetary claims bought	2,000	54	2.74	109	3	2.74				
Financing account	652,516	4,672	0.71	721,520	8,174	1.13				
Deposits	583,968	4,365	0.74	676,716	7,380	1.09				
Call money	25,986	1	0.00	28,813	59	0.20				
										(%)
	2003	2004	2005	2006	2007					
Yield on investment	1.18	1.15	1.13	1.39	1.68					
Yield on financing	0.32	0.30	0.51	0.71	1.13					
Interest spread	0.85	0.85	0.62	0.67	0.55					

Breakdown of general and administrative expenses

For the years ended March 31,					(Millions of yen)
	2003	2004	2005	2006	2007
Personnel expenses	752	825	962	1,199	1,382
Depreciation and amortization	1,543	1,544	1,553	1,590	1,049
Advertisement expenses	671	703	894	538	777
Other non-personnel expenses	2,255	2,488	3,243	3,494	4,137
Taxes and public dues	149	263	253	270	320
Total	5,370	5,823	6,905	7,091	7,665

Balance of time deposits by remaining period

As of March 31,					(Millions of yen)
	2003	2004	2005	2006	2007
Less than 3 months	46,146	92,060	134,953	159,856	196,893
3 months or more and less than 6 months	33,854	36,175	47,713	47,751	127,724
6 months or more and less than 1 year	30,465	39,719	51,516	47,243	80,194
1 year or more and less than 2 years	9,802	23,951	25,747	30,568	25,296
2 years or more and less than 3 years	20,872	22,199	23,823	20,657	15,143
3 years or more	138	84	86	15,831	19,917
Total	141,277	214,390	283,840	321,907	465,169

Note: The deposit balances indicated above exclude thrift savings deposits.

Balance of loans by remaining period

As of March 31,										(Millions of yen)
	2003			2004			2005			
	Fixed interest rate	Floating interest rate	Total	Fixed interest rate	Floating interest rate	Total	Fixed interest rate	Floating interest rate	Total	
1 year or less	0	3	4	3	12	16	13	23	36	
More than 1 year and 3 years or less	48	49	98	105	131	236	195	194	390	
More than 3 years and 5 years or less	181	178	359	436	312	748	482	464	946	
More than 5 years and 7 years or less	102	236	338	586	429	1,016	640	679	1,320	
More than 7 years	4,134	16,031	20,165	28,780	30,104	58,885	41,509	79,113	120,623	
Unspecified term	—	1,497	1,497	—	2,120	2,120	—	3,068	3,068	
Total	4,468	17,995	22,464	29,912	33,111	63,023	42,841	83,544	126,385	

	2006			2007		
	Fixed interest rate	Floating interest rate	Total	Fixed interest rate	Floating interest rate	Total
1 year or less	16	32	49	25	30	55
More than 1 year and 3 years or less	257	279	537	249	383	632
More than 3 years and 5 years or less	488	665	1,153	625	613	1,238
More than 5 years and 7 years or less	1,040	900	1,940	1,843	1,455	3,289
More than 7 years	75,091	156,229	231,320	98,499	174,945	273,445
Unspecified term	—	4,465	4,465	—	6,050	6,050
Total	76,894	162,573	239,467	101,243	183,469	284,712

Deposit-loan ratio and deposit-securities ratio

As of March 31 or for the years ended March 31,					(%)
	2003	2004	2005	2006	2007
Deposit-loan ratio					
At fiscal year-end	9.03	16.63	23.11	39.91	37.84
Average	4.20	15.44	17.98	26.16	37.35
Deposit-securities ratio					
At fiscal year-end	85.06	88.00	58.82	74.93	50.67
Average	88.59	87.88	94.00	79.12	62.58

Notes: 1. Deposit-loan ratio is calculated by the dividing loan balance at the fiscal year-end (or average during the fiscal year) by the deposit balance at the fiscal year end (or average during the fiscal year) and multiplying by 100.
2. Deposit-securities ratio is calculated by dividing the securities balance at the fiscal year-end (or average during the fiscal year) by the deposit balance at the fiscal year end (or average during the fiscal year) and multiplying by 100.

Balance of securities by category and remaining period

As of March 31, (Millions of yen)

	2007							Total
	1 year or less	More than 1 year and 3 years or less	More than 3 years and 5 years or less	More than 5 years and 7 years or less	More than 7 years and 10 years or less	More than 10 years	Unspecified term	
Japanese government bonds	7,725	19,417	9,616	590	8,246	85,428	—	131,025
Local government bonds	—	—	—	—	—	—	—	—
Short-term corporate bonds	20,984	—	—	—	—	—	—	20,984
Corporate bonds	26,173	30,983	14,048	2,402	—	1,112	—	74,720
Other securities	44,479	65,375	29,753	4,445	2,577	840	7,031	154,504
Total	99,362	115,776	53,418	7,439	10,824	87,381	7,031	381,234

As of March 31, (Millions of yen)

	2006							Total
	1 year or less	More than 1 year and 3 years or less	More than 3 years and 5 years or less	More than 5 years and 7 years or less	More than 7 years and 10 years or less	More than 10 years	Unspecified term	
Japanese government bonds	75,317	3,279	13,471	988	—	86,689	—	179,746
Local government bonds	—	—	—	—	—	—	—	—
Corporate bonds	3,430	33,635	15,148	4,922	—	1,274	—	58,411
Other securities	43,971	92,532	65,871	2,676	8,555	789	8,994	223,391
Total	122,719	129,447	94,492	8,587	8,555	88,752	8,994	461,550

As of March 31, (Millions of yen)

	2005							Total
	1 year or less	More than 1 year and 3 years or less	More than 3 years and 5 years or less	More than 5 years and 7 years or less	More than 7 years and 10 years or less	More than 10 years	Unspecified term	
Japanese government bonds	97,552	6,558	2,125	4,236	—	10,013	—	120,486
Local government bonds	—	—	—	—	—	—	—	—
Corporate bonds	2,554	6,877	5,440	3,173	2,456	1,476	—	21,978
Other securities	33,954	67,973	38,495	7,073	3,247	—	30,389	181,133
Total	134,061	81,409	46,061	14,484	5,703	11,490	30,389	323,599

As of March 31, (Millions of yen)

	2004							Total
	1 year or less	More than 1 year and 3 years or less	More than 3 years and 5 years or less	More than 5 years and 7 years or less	More than 7 years and 10 years or less	More than 10 years	Unspecified term	
Japanese government bonds	66,517	27,009	107	14,648	2,042	—	—	110,324
Local government bonds	—	—	—	—	—	—	—	—
Corporate bonds	6,916	9,701	2,631	5,059	7,623	1,658	—	33,591
Other securities	61,388	92,679	44,186	8,915	1,285	—	2,000	210,454
Total	134,822	129,390	46,925	28,623	10,950	1,658	2,000	354,370

As of March 31, (Millions of yen)

	2003							Total
	1 year or less	More than 1 year and 3 years or less	More than 3 years and 5 years or less	More than 5 years and 7 years or less	More than 7 years and 10 years or less	More than 10 years	Unspecified term	
Japanese government bonds	45,266	3,006	1,226	2,189	18,321	—	—	70,010
Local government bonds	—	—	—	—	—	—	—	—
Corporate bonds	5,403	2,831	2,545	2,363	11,917	1,831	—	26,892
Other securities	61,906	35,789	36,429	10,257	282	—	2,000	146,664
Total	112,576	41,627	40,201	14,810	30,521	1,831	2,000	243,567

Corporate Information

Sony Financial Holdings Inc. (SFH)

Information on Common Stock, Shares Outstanding and Shareholders (As of July 1, 2007)

Historical Data on Common Stock and Total Number of Shares Issued

	Common Stock (millions of yen)	Total Number of Shares Issued
April 1, 2004	500	2,000,000 shares
June 25, 2004	5,500	2,100,000 shares

Information on Ownership of Shares

	Number of Shares Held	Percentage of Ownership
Sony Corporation	2,100,000 shares	100%

Number of Employees (As of March 31, 2007)

SFH	Life Insurance Business	Non-Life Insurance Business	Banking Business	SFH Group
21	5,328	593	149	6,083

Note: SFH employees include personnel on loan from Sony Corporation, Sony Life Insurance Co., Ltd., Sony Assurance Inc., and Sony Bank Inc.

Organizational Chart (As of July 1, 2007)



Senior Management (As of July 1, 2007)

Directors and Statutory Auditors

Title	Name	Other Concurrent Responsibilities
President, Representative Director	Teruhisa Tokunaka	Director of Sony Bank Inc.
Executive Vice President, Representative Director	Hiromichi Fujikata	Director of Sony Life Insurance Co., Ltd. Director of Sony Assurance Inc.
Director	Taro Okuda	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.
Director	Ryoji Chubachi	Director, Representative Corporate Executive Officer, President and Electronics Chief Executive Officer of Sony Corporation
Director	Nobuyuki Oneda	Executive Vice President, Chief Financial Officer, and Corporate Executive Officer of Sony Corporation
Director*	Yasushi Ikeda	Partner, Miyake Imai & Ikeda
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 Division of Sony Corporation
Statutory Auditor	Hiroshi Ueda	Standing Statutory Auditor of Sony Bank Inc.
Statutory Auditor	Masahiro Kodama	Standing Statutory Auditor of Sony Assurance Inc. Statutory Auditor of Sony Life Insurance Co., Ltd.
Statutory Auditor	So Sato	Standing Statutory Auditor of Sony Life Insurance Co., Ltd.

*Yasushi Ikeda is an outside director.

Senior Management of the Group

Sony Life (As of July 1, 2007)

Directors and Statutory Auditors

Title	Name	Other Concurrent Responsibilities
Chairman, Director	Kunitake Ando	
President, Representative Director	Taro Okuda	Director of Sony Financial Holdings Inc.
Director	Masamitsu Shimaoka	
Director	Mitsuhiro Koizumi	
Director	Hirumichi Fujikata	Executive Vice President and Representative Director of Sony Financial Holdings Inc. Director of Sony Assurance Inc.
Standing Statutory Auditor	So Sato	Statutory Auditor of Sony Financial Holdings Inc.
Statutory Auditor	Hiroshi Sano	Standing Statutory Auditor of Sony Financial Holdings Inc. Statutory Auditor of Sony Assurance Inc.
Statutory Auditor	Masahiro Kodama	Standing Statutory Auditor of Sony Assurance Inc. Statutory Auditor of Sony Financial Holdings Inc.

Sony Assurance (As of July 1, 2007)

Directors and Statutory Auditors

Title	Name	Other Concurrent Responsibilities
President, Representative Director	Shinichi Yamamoto	Director of Sony Financial Holdings Inc.
Director	Yuro Fujiyama	
Director	Hirumichi Fujikata	Executive Vice President and Representative Director of Sony Financial Holdings Inc. Director of Sony Life Insurance Co., Ltd.
Director	Akinori Takahashi	General Manager, Corporate Control Department of Sony Financial Holdings Inc.
Standing Statutory Auditor	Masahiro Kodama	Statutory Auditor of Sony Financial Holdings Inc. Statutory Auditor of Sony Life Insurance Co., Ltd.
Statutory Auditor	Hiroshi Sano	Standing Statutory Auditor of Sony Financial Holdings Inc. Statutory Auditor of Sony Life Insurance Co., Ltd.
Statutory Auditor	Yoshiki Matsuyama	General Manager, Accounting Department, Accounting Division of Sony Corporation

Sony Bank (As of July 1, 2007)

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	Teruhisa Tokunaka	President and Representative Director of Sony Financial Holdings Inc.
Director	Hiroki Totoki	Executive Vice President and Director of So-net Entertainment Corporation
Director	Manabu Idei	General Manager, Corporate Planning Department of Sony Financial Holdings Inc.
Director	Tohru Nakajima	Partner, Nagashima Ohno & Tsunematsu
Standing Statutory Auditor	Hiroshi Ueda	Statutory Auditor of Sony Financial Holdings Inc.
Statutory Auditor	Fumio Kado	Deputy General Manager, Accounting Department, Accounting Division of Sony Corporation
Statutory Auditor	Junichi Yoshikawa	Accounting Department of Sony Financial Holdings Inc.

Sony Financial Holdings (SFH)

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