



Annual Report  
2008

Sony Financial Holdings Inc.

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- "Lifeplanner" and "Lifeplanner Value" are registered trademarks of Sony Life Insurance Co., Ltd.
- "MONEYKit", "MONEYKit:ACTIVE" and "MONEYKit GLOBAL" are registered trademarks of Sony Bank Inc.
- "PostPet" is registered trademark of So-net Entertainment Corporation.
- "RiskGrade" is registered trademark of RiskMetrics Group.

# Financial Highlights

Sony Financial Holdings Group

(Millions of yen)

	2004	2005	2006	2007	2008
<b>Sony Financial Holdings (Consolidated)</b>					
For the years ended March 31					
Ordinary revenues	—	653,259	758,711	759,280	<b>822,153</b>
Ordinary profit	—	12,269	25,377	18,354	<b>44,500</b>
Net income	—	6,375	11,537	10,021	<b>24,255</b>
As of March 31					
Total assets	—	3,282,269	3,917,048	4,323,780	<b>4,977,450</b>
Net assets <sup>(2)</sup>	—	182,817	263,040	270,179	<b>261,627</b>
Consolidated capital adequacy ratio (Domestic criteria) <sup>(3)</sup>	—%	12.17%	9.99%	12.01%	<b>14.62%</b>
<b>Sony Life (Non-consolidated)</b>					
For the years ended March 31					
Ordinary revenues	580,972	604,093	696,426	689,591	<b>741,250</b>
Ordinary profit	30,478	17,070	24,359	14,895	<b>39,290</b>
Net income	13,932	10,102	9,616	7,494	<b>18,514</b>
As of March 31					
Total assets	2,375,828	2,617,266	3,103,241	3,445,970	<b>3,659,786</b>
Net assets <sup>(2)</sup>	132,478	141,142	217,833	216,568	<b>182,671</b>
<b>Sony Assurance</b>					
For the years ended March 31					
Ordinary revenues	31,066	38,159	45,703	51,020	<b>55,649</b>
Ordinary profit (loss)	(1,941)	(2,806)	(764)	2,044	<b>2,817</b>
Net income (loss)	(1,330)	(1,981)	(441)	1,598	<b>2,185</b>
As of March 31					
Total assets	40,121	46,685	56,103	67,468	<b>78,645</b>
Net assets <sup>(2)</sup>	14,061	12,086	11,709	13,320	<b>15,385</b>
<b>Sony Bank (Non-consolidated)</b>					
For the years ended March 31					
Ordinary revenues	7,406	11,353	17,225	19,470	<b>25,988</b>
Ordinary profit (loss)	(2,202)	(1,659)	2,228	1,354	<b>2,746</b>
Net income (loss)	(2,206)	(1,663)	3,258	1,023	<b>4,492</b>
As of March 31					
Total assets	489,432	618,459	754,768	806,848	<b>1,211,000</b>
Net assets <sup>(2)</sup>	27,111	35,318	34,715	36,878	<b>35,712</b>
Non-consolidated capital adequacy ratio (Domestic criteria) <sup>(4)</sup>	10.29%	11.97%	9.24%	11.49%	<b>9.15%</b>

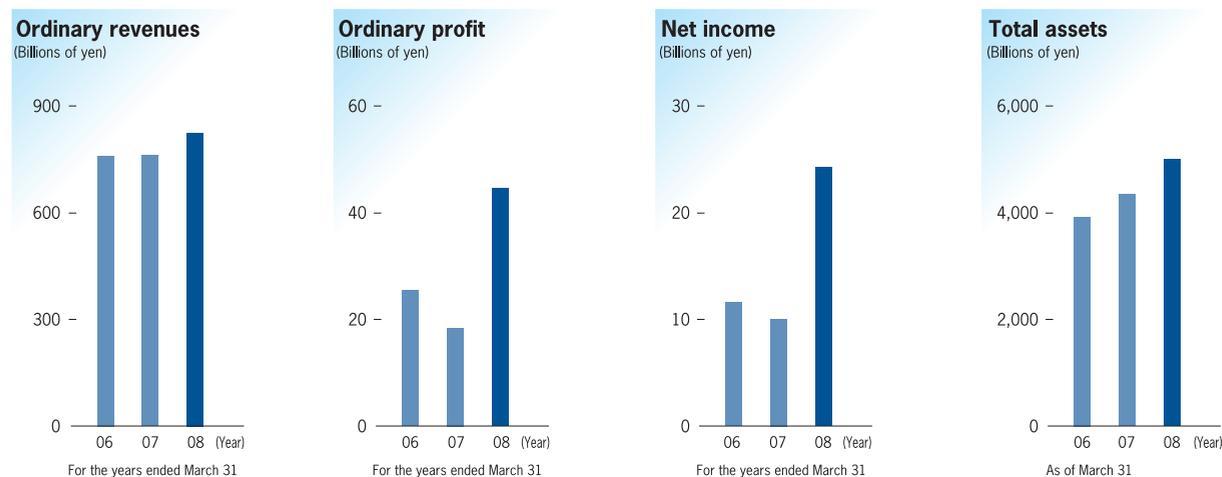
Notes: 1. All figures above are stated in millions of yen after discarding fractional amounts of less than ¥1 million.

2. From the fiscal year ended March 31, 2007, the "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (ASBJ Statement No. 5) and the "Implementation Guidance for the Accounting Standard for Presentation of Net Assets in the Balance Sheet" (ASBJ Implementation Official Notification No. 8) have been applied to the calculation of net assets and total assets.

3. Calculations of SFH's consolidated capital adequacy ratio for the fiscal years ended March 31, 2007 and 2008, are based on Article 52-25 of the Banking Law of Japan. The standards used to determine the capital adequacy ratio are based on Financial Services Agency ("FSA") Public Announcement No. 20 of 2006. SFH has employed Standard 2 (domestic criteria). Calculations for the fiscal year ended March 31, 2006, and prior fiscal years have been made in accordance with the previous standard, stipulated by Article 52-25 of the Banking Law, Ministry of Finance Public Announcement No. 62 of 1998. For all periods, insurance subsidiaries are excluded from calculation of the consolidated capital adequacy ratio.

4. Sony Bank's non-consolidated capital adequacy ratio (domestic criteria) for the fiscal years ended March 31, 2007 and 2008 were calculated based on the standard stipulated in the FSA public ministerial announcement No. 19 of 2006. Calculations for the fiscal year ended March 31, 2006, and prior fiscal years have been made in accordance with the standard stipulated in the former public ministerial announcement.

## ■ Sony Financial Holdings (Consolidated)

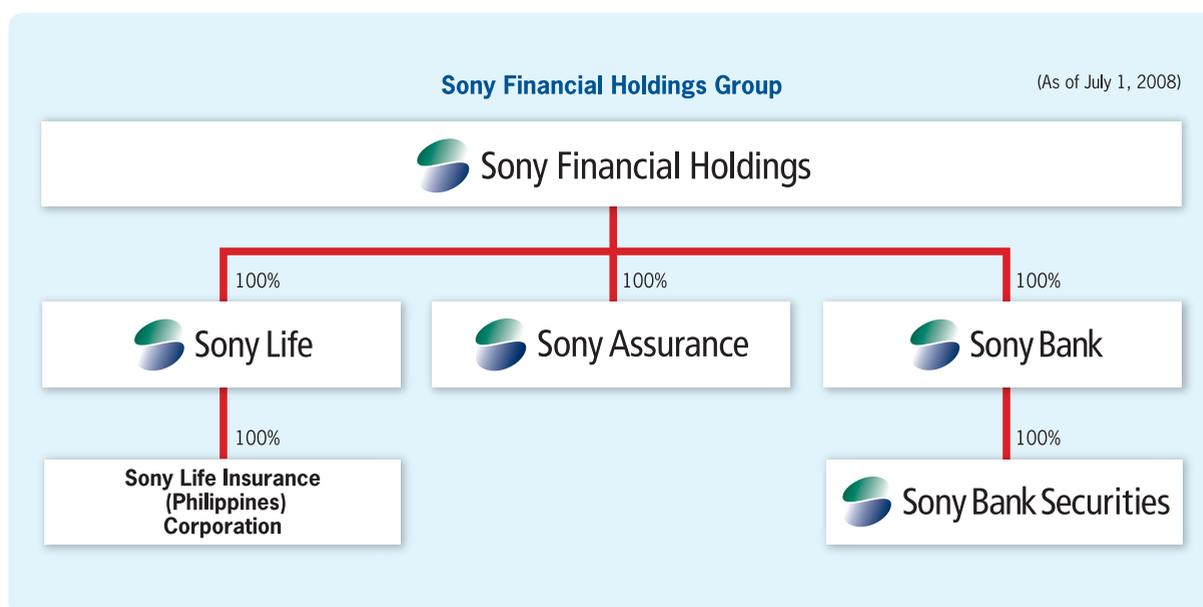


## About the Sony Financial Holdings Group

### 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.



#### 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, 2008)

### Sony Financial Holdings Inc.

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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	¥19,900 million
Total number of shares outstanding	2,175,000 shares
Major shareholder	Sony Corporation 60% (see the information on major shareholders on page 89)

### Sony Life Insurance Co., Ltd.

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Established	August 10, 1979
Head office	1-1, Minami Aoyama 1-chome, Minato-ku, Tokyo, Japan
Business	Life insurance business
Common stock	¥70,000 million
Total number of shares outstanding	70,000,000 shares
Share ownership	Sony Financial Holdings Inc. 100%

### Sony Assurance Inc.

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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 outstanding	400,000 shares
Share ownership	Sony Financial Holdings Inc. 100%

### Sony Bank Inc.

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Established	April 2, 2001
Head office	9-11, Akasaka 2-chome, Minato-ku, Tokyo, Japan
Business	Banking business
Common stock	¥28,000 million
Total number of shares outstanding	560,000 shares
Share ownership	Sony Financial Holdings Inc. 100%

### Sony Life Insurance (Philippines) Corporation

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

### Sony Bank Securities Inc.

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

# Sony Financial Holdings Group Strengths

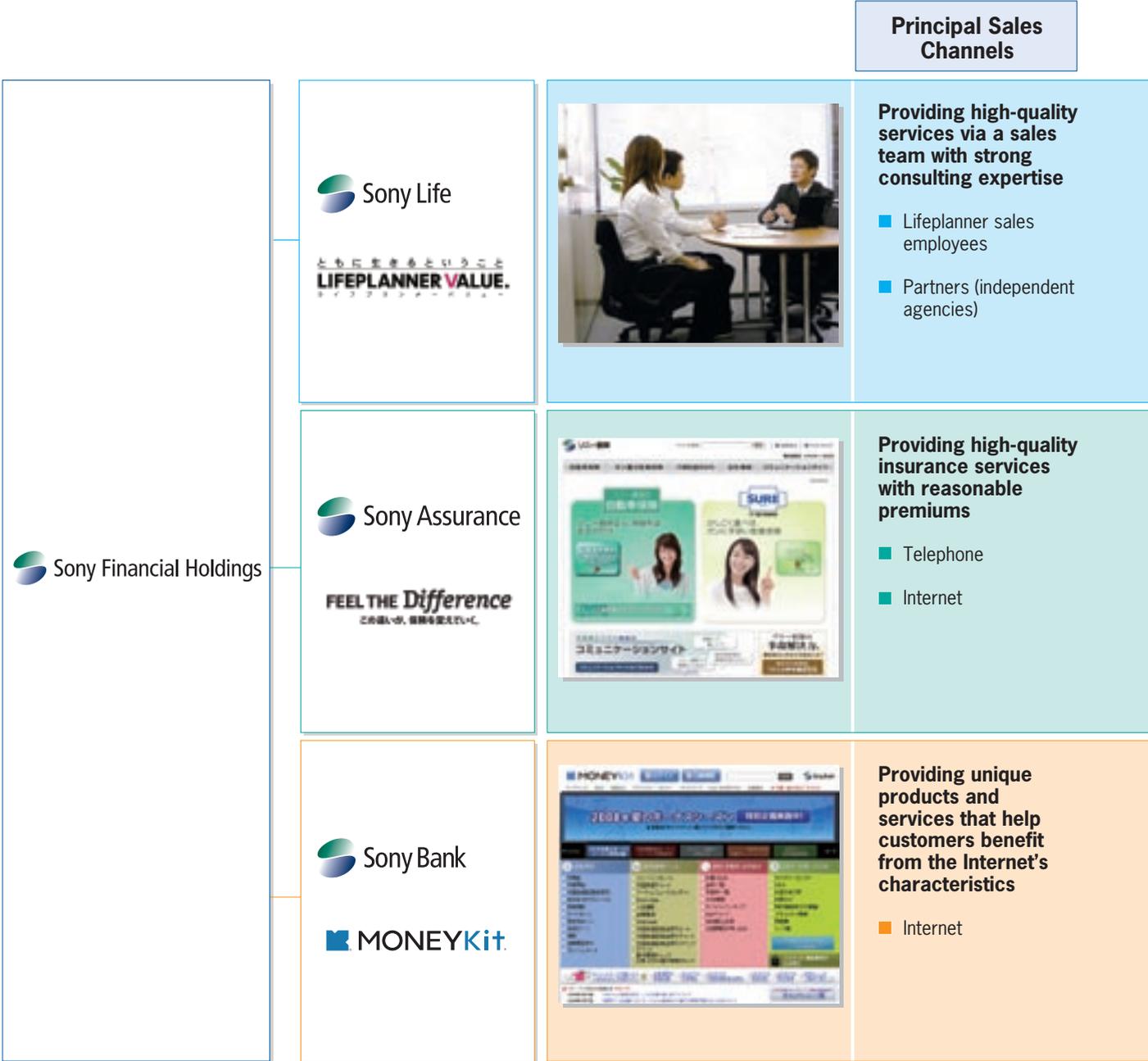
## A Business Model Specifically for Individual Customers

The Sony Financial Holdings Group uses uniquely differentiated sales channels to provide high-quality financial services consistently and from the customer's viewpoint.

While respecting the management independence of the companies under its umbrella, Sony Financial Holdings (SFH), a holding company which holds Sony Life, Sony Assurance and Sony Bank as its core companies, works to design and implement integrated and comprehensive groupwide financial business strategies, by developing integrated services and products that can be deployed across the SFH Group and promoting functional synergies.

Sony Financial Holdings

Sony Financial Holdings Group Strengths



## SFH Group Growth Strategies

Our group growth strategy is to promote the sustainable and stable expansion of each business, while ensuring the financial soundness of each group company. In addition to individual company growth, we work to enhance our synergistic effects in the provision of products and services as well as in the sharing or mutual use of sales channels and infrastructure to offer high-value-added products and services that traditional financial institutions have not been capable of providing in the past.

We also strive to raise corporate value by aggressively considering new business developments outside our existing sphere of operations.

Main Products	Strengths	Growth Strategies
<ul style="list-style-type: none"> <li>■ Death-protection insurance</li> <li>■ Medical insurance, other</li> </ul>	<ul style="list-style-type: none"> <li>■ Provision of insurance tailored to each customer's needs through consultations on customers' life planning</li> <li>■ Extensive after-sale follow-up services                             <ul style="list-style-type: none"> <li>▶ A low lapse and surrender rate and steadily increasing policy amount in force</li> <li>▶ Ongoing high levels of customer satisfaction</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>■ Focus on the highly profitable death protection field, in which consulting-based sales functions most effectively</li> <li>■ Concentrate on the medical and nursing care fields</li> <li>■ Actively develop products in the field of individual annuities, through a planning company established jointly with the AEGON Group</li> </ul>
<ul style="list-style-type: none"> <li>■ Automobile insurance (risk segmented)</li> <li>■ SURE medical and cancer insurance</li> </ul>	<ul style="list-style-type: none"> <li>■ Highly unique insurance products at more reasonable insurance premiums compared to other insurers</li> <li>■ Able to provide high-quality services while maintaining price competitiveness against other insurers                             <ul style="list-style-type: none"> <li>▶ Maintaining a firm leadership position, with a share of more than 30% of the direct automobile insurance market</li> <li>▶ Ongoing high levels of customer satisfaction</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>■ Maintain our leading position in the direct non-life insurance market, aiming to expand the overall direct non-life insurance market as well as Sony Assurance's market share</li> <li>■ Ensure high profitability by setting reasonable rates and appropriately controlling operating expenses</li> </ul>
<ul style="list-style-type: none"> <li>■ Deposits (yen, foreign currency)</li> <li>■ Mortgage loans</li> <li>■ Investment trusts, others</li> </ul>	<ul style="list-style-type: none"> <li>■ Low-cost structure as an Internet bank without physical branches</li> <li>■ Provision of a highly advantageous and convenient product lineup                             <ul style="list-style-type: none"> <li>▶ Stable expansion of deposits and loans</li> <li>▶ Ongoing high levels of customer satisfaction</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>■ Diversify our revenue sources and expand our operations by continuing to introduce new products and services with special features</li> <li>■ As an asset management bank for individuals, enhance offerings centered securities and foreign currency related products</li> </ul>



Teruhisa Tokunaka  
President,  
Representative Director  
(Right)

Hironichi Fujikata  
Executive Vice President,  
Representative Director  
(Left)

## FY2007 in Review

In FY2007, ended March 31, 2008, Sony Financial Holdings Inc. (SFH) began a new stage by listing its shares on the First Section of the Tokyo Stock Exchange on October 11, 2008.

The SFH Group, with its three subsidiaries—Sony Life, Sony Assurance and Sony Bank—provides high-quality financial services taking into consideration the viewpoint of individual customers. Our listing is the culmination of the support from our numerous customers for the products and services that each subsidiary has offered since its foundation. We continue to aim at being the financial group most trusted by its customers. At the same time, as a listed company we consider the enhancement of returns to shareholders as well as return on equity among our most important management tasks. To this end, we are working to strengthen our management base and enhance our corporate value.

Turning now to a review of the activities of each of our principal businesses during FY2007, we begin with Sony Life. This subsidiary conducts life insurance business, takes a consulting-based sales approach through its Lifeplanner sales employees and Partners (independent agencies) and offers protection tailored to each individual's life plan. In addition, Sony Life provides finely tuned after-sales follow-up services. With a commitment to contribute to customers' lives, Sony Life has adhered to its corporate slogan of Lifeplanner Value and endeavors to provide services that only it can deliver. In FY2007, new policy amount\* rose 10.9% from the previous fiscal year, to ¥3,802.5 billion, and

policy amount in force\* increased 4.1%, to ¥31,497.3 billion, both continuing the steady growth since the company's commencement of operations.

In line with the ongoing aging of Japanese society, demand for annuities is increasing. To meet this demand, in August 2007 Sony Life established AEGON Sony Life Planning Co., Ltd., as a 50–50 joint venture with the AEGON Group of the Netherlands. The new company is preparing the way for us to establish a life insurance company that will develop individual annuity products for sale at the counters of banks and other financial institutions, as well as through the Lifeplanner sales channel. The new entity will combine the AEGON Group's product development expertise in individual annuities and Sony Life's high-quality consulting-based sales to deliver more extensive life planning services to customers and strengthen support for them as they age. We are currently preparing to start operations in FY2008.

In December 2007, Sony Life obtained permission to handle banking agency business for Sony Bank. To this end, Sony Life's Lifeplanner sales employees, who have been introducing Sony Bank mortgage loans since December 2004, will conduct banking agency business on behalf of the bank from January 2008. In other words, they are now allowed to provide explanations of Sony Bank's mortgage loan products, as well as to deliver applications to customers. At Life Planning SQUARE, the life planning showroom that Sony Life operates in the Sony Building in Ginza, Tokyo, Sony Life has started to set up new Sony Bank accounts for customers in addition to the bank's mortgage loans.

\* New policy amount and policy amount in force indicate the total of individual life insurance and individual annuities.

Sony Life also conducted investigations into the status of claims and other payments from FY2001 to FY2005. Sony Life announced its results publicly, notified all customers to whom the company could have failed to make proper payment and paid restitution. To prevent such events in the future, Sony Life has established a claims payment management system and regards this as a top management priority. As part of its efforts, in August 2007 Sony Life commenced quarterly disclosure on its website of the status of insurance claim and benefit payments and the number of customer complaints. These efforts are an ongoing initiative to win back the trust of customers, as well as to prevent similar situation from occurring.

Another subsidiary, Sony Assurance, which handles non-life insurance, communicates with customers directly over the telephone and via the Internet and provides high-quality insurance services with reasonable premiums. To offer its customers valuable differences that only it can provide, Sony Assurance listens carefully to its customers' opinions to improve communications and develop beneficial services.

On November 1, 2007, Sony Assurance initiated a second round of revisions to expand the protection provided by SURE medical and cancer insurance. The company began offering this product in June 2002. These recent policy revisions include a new type of protection that deals with risks associated with extended life spans, by doubling the maximum number of days per hospitalization for illnesses other than cancer and injury to 120 days for policyholders aged 60 or older. In addition, the policy premiums are cut in half compared with those applied before the policyholders celebrate their 60th birthday. Other revisions include a bone marrow donor support rider for SURE policyholders and extension of coverage for illnesses other than cancer and injury to pay hospital costs even for outpatients. By expanding the protection of SURE policies, Sony Assurance has responded to customers' needs.

As for customer service, in October 2007 Sony Assurance added the "On the Day, Any Day, Response" service. This service exemplifies the company's commitment to making an initial response to accident reports and conveying its results to policyholders on the day the reports are received—even on holidays and weekends.\*\* By adding this commitment to existing services such as accepting accident reports 24 hours a day, 365 days a year and a commitment to automobile insurance policyholders to provide an initial response by an appointed staff member within three hours of receiving an accident report,\*\*\* Sony Assurance is determined to promptly ease the anxiety policyholders feel when they experience an accident.

In June 2007 Sony Assurance became the first Japanese non-life insurer to receive ISO 27001

certification for an information security management system. This certification represents an objective evaluation and verification of Sony Assurance's initiatives to appropriately establish and maintain operational and management systems for various information assets.

Operating under the slogan, Feel the Difference—a difference that will change insurance, Sony Assurance seeks to provide customers with valuable and distinctive products by offering a difference that could only come from Sony Assurance. Going forward, Sony Assurance will seek to provide products that meet various customer needs and services based on this deeply held commitment.

Sony Bank, which conducts the banking business, provides highly convenient quality financial products and services to individual customers over the Internet, with a focus on asset management. As of March 31, 2008, the balance of customer assets (the sum of deposits and investment trusts) increased dramatically and exceeded ¥1 trillion, rising 46.9% from one year earlier, to ¥1,247.3 billion. Particularly popular were yen time deposits that offered relatively high interest rates and these deposits surged 47.7%, compared with their level on March 31, 2007, to ¥892.6 billion as of March 31, 2008. Foreign currency deposits also increased rapidly, soaring 70.2% from the end of the previous fiscal year, to ¥251.7 billion, owing to the impact of yen appreciation and the bank's August 2007 introduction of a preferential system on foreign currency deposits. Mortgage loans increased 21.9% from the end of the previous fiscal year, to ¥338.8 billion.

As one of its major initiatives during FY2007, Sony Bank began in April 2007 to offer an insurance rider to cover the three major diseases on the bank's mortgage loan group credit life insurance, which is underwritten by Sony Life. The bank acted in response to broad-based customer demands.

In June 2007, Sony Bank established a wholly-owned Internet securities subsidiary, Sony Bank Securities Inc., to provide the bank's account holders with securities services, including equities from the standpoint of medium- to long-term asset management. Sony Bank Securities commenced operations in October 2007. At present, via Sony Bank's MONEYKit site customers can conveniently trade Japanese stocks, exchange traded funds (ETFs) and real estate investment trusts (REITs).

To accelerate the growth strategies by strengthening solidarity within the SFH Group, SFH acquired the shares of Sony Bank previously held by Sumitomo Mitsui Banking Corp., thus converting Sony Bank to a wholly-owned subsidiary.

Looking ahead, our growth strategies are to raise corporate value by providing high-quality financial services, backed by the ongoing business growth of each SFH Group company; strengthening ties among these

\*\* This response time is for accident reports received (and confirmed as having the information needed for an initial response) and completed by 8 p.m. for which Sony Assurance is eligible to negotiate an amicable settlement on accident compensation. (Accident reports received between 8 p.m. and midnight are handled the following day.)

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

companies; and developing new businesses. We consider FY2007 a year of initiating measures that should define the growth strategies of the SFH Group.

### FY2007 Consolidated Operating Results

As for the SFH Group's consolidated operating performance during FY2007, ordinary revenues and ordinary profit increased for all businesses: life insurance, non-life insurance and banking. Consolidated ordinary revenues rose 8.3% year on year, to ¥822.1 billion, while consolidated ordinary profit increased 142.5%, to ¥44.5 billion.

In the life insurance business, policy amount in force remained robust, boosting income from insurance premiums, while general account investment income also grew, resulting in a 7.5% increase in ordinary revenues compared with the preceding fiscal year, to ¥741.3 billion. Ordinary profit was up 162.5% from the previous fiscal year, to ¥39.0 billion, even though insurance claims and other payments rose because the provision for policy reserve did not expand, as it did in the previous fiscal year.

In the non-life insurance business, net premiums written increased in line with a steady rise in the number of policies, mainly automobile insurance policies, pushing up ordinary revenues 9.1% compared with the preceding fiscal year, to ¥55.6 billion. Ordinary profit was up 37.8% year on year, to ¥2.8 billion, even though net losses paid increased in line with an increased number of policies in force, because the net loss ratio remained stable.

In the banking business, higher business volume pushed customer assets above ¥1 trillion, and the balance of mortgage loans grew steadily, leading to higher interest income. Ordinary revenues expanded 33.4% year on year, to ¥25.9 billion, and ordinary profit increased 77.4% from the previous fiscal year, to ¥2.4 billion.

### SFH Group Growth Strategies

SFH respects the management independence of the companies under its umbrella, while it works to design and implement integrated and comprehensive group-wide financial business strategies by developing integrated services that can be deployed across the Group to generate functional synergies. With regard to the Group's growth strategies, as mentioned earlier we aim to promote the stable and sustainable growth of each business while ensuring the sound management of each company. In addition to individual company growth, we work to enhance our synergistic effects in the provision of products and services as well as in the sharing or mutual use of sales channels and infrastructure to offer high-value-added products and services that traditional financial institutions have not been capable of providing in the past. We also strive to raise corporate value by

aggressively considering new business developments outside our existing sphere of operations.

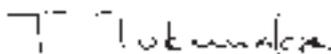
In the life insurance business, we have made establishing and strengthening a claims payment management system a top management priority. On the sales front, we aim to expand our market share in death protection, which is currently one of our major business domains and continue to ensure profits. In addition to death protection, we will continue to focus on the medical and nursing care fields. As for individual annuities, we will establish a product development structure and strengthen this business foundation. In the medium term, possibly through activities that include mergers and acquisitions we aim to expand our business domains by broadening our businesses in Japan, and we will consider the possibility of making a move into overseas markets.

In the non-life insurance business, we expect operating expenses to rise in the short term due to the system-related investments. However, by continuously conducting effective advertising activities and enhancing sales channels and productivity, we will maintain our growth and improve our profitability.

In the banking business, we view FY2008 as the first year of the second launch stage, from which we expect growth to accelerate, thereby expanding business and strengthening profitability. While maintaining our customer-first management philosophy, our medium-term strategies focus on enhancing products and services, improving asset-liability management and raising trustworthiness. We aim to accelerate our rate of growth, establish a firm presence as an asset management bank, raise operating efficiency another notch, and achieve strong customer satisfaction. Through these efforts, Sony Bank aims to establish itself as the clear leader in customer satisfaction.

The SFH Group will work to reinforce its management structure and expand its operations. We would like to thank all of our stakeholders for their ongoing support and look forward to their continued cooperation.

July 1, 2008



Teruhisa Tokunaka  
President, Representative Director



Hiromichi Fujikata  
Executive Vice President, Representative Director

## Basic Stance on Corporate Governance

The SFH Group's corporate vision and philosophy is its basis for setting management strategy and expediting decision-making initiatives. One goal of our corporate vision is to become one of Japan's most trusted financial services groups. Although group subsidiaries have different histories, scales of operation and business characteristics, SFH works to achieve this goal by making the most effective use of the operating characteristics of, and information available from, each subsidiary. In taking this approach, we place the utmost importance on the soundness and accuracy of our operations. To this end, we have designed a management structure to ensure groupwide compliance and risk management.

SFH's Board of Directors\* has eight members. Of these, two are SFH's representative directors, three are representative directors of subsidiaries within the group 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\* has five members, of whom three are outside statutory auditors. In line with the audit standards for statutory auditors and based on the audit policies and plans stipulated by the Board of Statutory Auditors, members are responsible for attending important meetings, including Board of Directors' meetings, and for examining the operations and financial condition of the Company as well as supervising the duties executed by directors.

We carefully monitor each subsidiary's management in a respectful manner and promote management's control with a view toward maximizing the group's corporate value.

\*As of July 1, 2008

## Corporate Governance Structure

### ■ Execution of Operations

The Board of Directors meets monthly, in principal, and is responsible for deliberating and determining important Company issues. The Board of Directors delegates to the Executive Committee the authority to deliberate and determine the execution of certain daily activities. The Executive Committee is composed of standing directors, SFH executives and SFH employees who are selected by resolution of the Board of Directors. This committee meets twice a month, in principal, and is attended by the standing statutory auditors. Non-executive directors may also attend these meetings.

### ■ Audits and Supervision (Audits by Statutory Auditors)

SFH has a Board of Statutory Auditors (five auditors, of whom three are outside auditors).

### (Internal Audits)

SFH has established an Audit Department, which is independent of the Company's operating divisions and is composed of dedicated internal audit personnel.

### (Accounting Audits)

The Company has appointed PricewaterhouseCoopers Aarata as its accounting auditor.

### ■ Determining Compensation

SFH has formulated Compensation Advisory Committee Regulations to clarify the policies, systems and the process for determining the compensation of the representative directors of SFH and the companies under SFH's umbrella: Sony Life Insurance Co., Ltd., Sony Assurance Inc. and Sony Bank Inc. (the "subsidiaries"). SFH has established the Compensation Advisory Committee to deliberate these matters. The committee consists of a small number of SFH directors, including an outside director. Whenever necessary, the committee receives advice from the SFH Board of Directors and comparable boards at its subsidiaries, and reports the results of its deliberations at each board meeting.

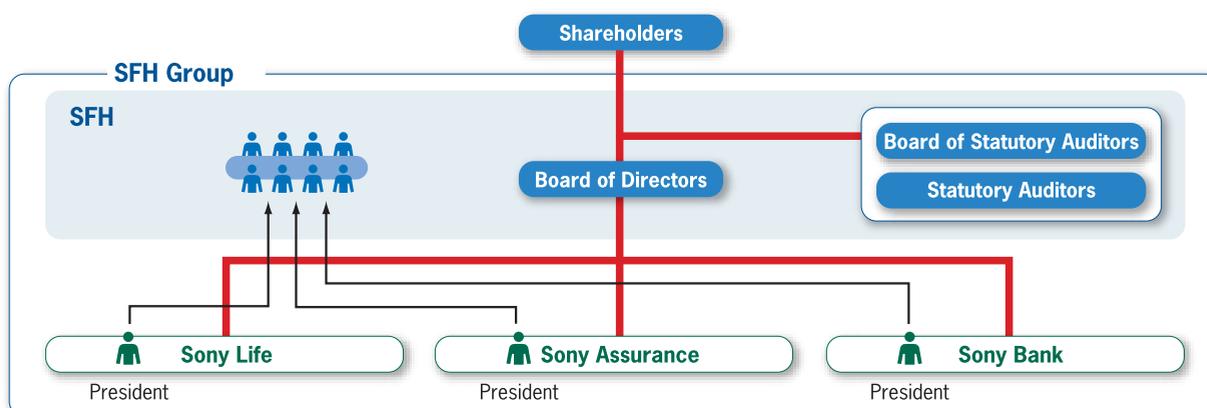
### Basic Policy on the Internal Control System

In accordance with the Company Law of Japan and the Enforcement Regulations of the Company Law of Japan, SFH's Board of Directors has implemented the Basic Policy on Establishing the Internal Control System (described below). In line with this policy, SFH has established and now operates an appropriate internal control system.

### ■ Basic Policy on Establishing an Internal Control System

1. System to ensure that the execution of duties by directors and employees are legally compliant and in accordance with the Articles of Incorporation
  - (1) The Board of Directors has established a code of conduct as a basic policy for compliance and made this code clear to SFH's executives, employees and subsidiaries.
  - (2) The Board of Directors has created a compliance manual that provides specific compliance guidelines, and a compliance program that defines specific plans.
  - (3) The Board of Directors has created a compliance supervisory department to promote its compliance program. The compliance supervisory department regularly reports to the Board of Directors on the progress of the compliance program.
  - (4) The Board of Directors has formulated the Basic Group Policy on Eradicating Anti-Social Influences. This policy describes the firm stance the group takes to counter anti-social influences and build the structure necessary to fulfill this policy.

## Corporate Governance Structure



- (5) The Board of Directors has established an internal hotline system and informed SFH executives, employees and subsidiaries about the system. This system allows employees or others who become aware of business policies, operations or other activities that contravene (or are in danger of contravening) laws and regulations to report directly to a hotline desk. The system prohibits any action from being taken against employees or others who provide such notification.
- (6) The Board of Directors has established an internal audit supervisory department, which is independent from other operating departments. This supervisory department liaises and cooperates with the statutory auditors and the accounting auditor; monitors and verifies, from an independent and an objective viewpoint, the implementation and operational status of the internal control system; and reports regularly to the Board of Directors on the status of internal audits.
- (7) The Board of Directors has formulated internal audit regulations, which define the basic policy regarding internal audits, and informed SFH's executives, employees and subsidiaries.
- 2. System for preserving and managing information related to the execution of duties by directors**  
SFH has established Record Archive Regulations to ensure that documents pertaining to the execution of duties by directors, such as at Board of Directors meeting and Executive Committee meetings. All records of approvals are appropriately preserved and managed in accordance with these laws and regulations.
- 3. Systems on regulations related to the management of danger of loss and other**
- (1) The Board of Directors has formulated the fundamental principles for risk management activities as basic policy for group risk management and informed SFH's executives, employees and subsidiaries.
- (2) The Board of Directors has established a risk management supervisory department to manage risks appropriately for SFH and its subsidiaries, in accordance with each entity's scale, characteristics and type of business. This department reports regularly to the Board of Directors on the status of risk management.
- (3) The Board of Directors evaluates its subsidiaries' capital adequacy to ensure that their levels of capitalization are sufficient in light of the risks directly facing the SFH Group and to implement appropriate capital allocations. If necessary, the Board of Directors takes measures designed to strengthen capital bases.
- (4) The Board of Directors formulated contingency plans to build a system that enables the SFH Group to respond rapidly to a crisis and take measures to minimize the impact of these risks. The Board of Directors makes these plans known to SFH's executives, employees and subsidiaries.
- 4. Systems to ensure the efficient execution of duties by directors**
- (1) The Board of Directors has formulated approval regulations, organizational and task-sharing regulations and other internal provisions and created an appropriate structure for the efficient execution of duties.
- (2) The Board of Directors has formulated business plan control regulations, which are employed to control non-consolidated and consolidated medium-term business plans and annual business plans.
- (3) The department in charge of business planning reports regularly to the Board of Directors regarding the progress of groupwide plans.
- 5. System to ensure the appropriateness of operations by SFH and the corporate group, including SFH's parent company and subsidiaries**
- (1) In addition to exercising shareholder rights, as a financial holding company SFH ensures the appropriateness of its subsidiaries' operations by exercising management control in accordance with the management control agreements made between SFH and its subsidiaries.
- (2) SFH deliberates and examines the appropriateness and compliance of groupwide transactions, alliances or new businesses by subsidiaries that have the potential to significantly impact the management of the group, before the commencement of those transactions. Such issues are resolved at or reported to the Board of Directors.
- (3) SFH's Audit Department takes responsibility for ensuring that its subsidiaries have appropriate internal control systems in place and monitors and verifies the results of internal and third-party audits of subsidiaries.
- (4) SFH and its subsidiaries submit management information about the group as needed to SFH's parent company and interact with the parent company's internal audit departments.
- 6. Items pertaining to employees who assist statutory auditors in their duties**  
If directors receive requests by statutory auditors for employees to be allocated to assist them in their duties, the directors assign such personnel without delay.
- 7. Independence from directors of employees assigned as mentioned directly above**  
Statutory auditors must agree to the appointment, removal and evaluations of employees assigned to assist them in their duties.
- 8. System for directors and employees to report to statutory auditors, and other reporting systems**
- (1) If directors or employees are requested to provide business reports to statutory auditors, they do so without delay.
- (2) If directors or employees receive notice via the internal hotline system, they report immediately to the statutory auditors.
- 9. Other systems to ensure the effectiveness of audits by statutory auditors**  
Representative directors endeavor to forge and deepen relationships with statutory auditors based on mutual understanding and trust and foster the environment that is necessary for audits by statutory auditors.
- Basic Policy on Eradicating Anti-Social Influences**  
SFH has formulated a Basic Group Policy on Eradicating Anti-Social Influences, described below, and has built the structures to take a firm stance on countering anti-social influences.
- **Basic Group Policy on Eradicating Anti-Social Influences**
1. The SFH Group is keenly aware of the importance of strictly avoiding any affiliation with anti-social influences, from the viewpoints of social responsibility, compliance and corporate defense. To this end, the SFH Group has implemented systems to strictly avoid anti-social influences.
2. The SFH Group strictly rejects undue claims by anti-social influences. Furthermore, the Group has put in place a system for taking a firm stance on an organizational basis to counter undue claims.
3. The SFH Group is strengthening its cooperation with police and outside specialist organizations, even during the peacetime, to ensure appropriate assistance and cooperation in the event it receives threats from anti-social influences.

## Basic Stance on Compliance

To ensure the ongoing health and appropriateness of business operations, SFH must encourage all the executives and employees to deepen their understanding of SFH's corporate philosophy and the laws and regulations that pertain to its businesses, foster compliance with these laws and regulations and manage its operations in a transparent and appropriate manner based on a strong sense of ethics. Including all these factors in its definition of "compliance," SFH considers compliance one of its most important management tasks. Accordingly, SFH has established systems to ensure that all executives and employees are fully aware of their duties and responsibilities under those laws and regulations.

As a financial holding company with insurance and banking subsidiaries, SFH is responsible for understanding the state of compliance of its group companies and advising these companies on compliance issues as it deems necessary. The first level of compliance-related responsibility lies with individual group companies, which are responsible for establishing systems to raise their level of compliance in line with their specific industry, type of operations and scale of business. SFH, on the other hand, has the role of maintaining an ongoing understanding of and promoting group companies' compliance from the viewpoint of group management.

## Compliance Systems at SFH and SFH Group Companies

### ■ SFH's Compliance Systems

SFH's Board of Directors has established a compliance manual\* and compliance program.\*\* SFH mounts ongoing efforts to ensure the conformance and the state of progress of compliance and takes the initiative in establishing compliance systems for itself and its group companies.

Under authority delegated by its Board of Directors, SFH's Executive Committee directs each department to plan and enforce necessary compliance-related measures.

\* Compliance manual  
This manual outlines SFH's compliance system, describes the group's corporate philosophy and indicates laws and regulations for conformance of which executives and employees should be aware. The manual also establishes measures for handling situations discovered to be in conflict with laws and regulations—non-compliant activities—and for confirming the compliance status.

\*\* Compliance program  
This program, conducted annually, in principal, defines a specific set of actions for confirming the state of compliance, as well as training and other related items.

SFH's Corporate Control Department takes overall control of compliance planning, proposal creation and promotion. This department also monitors the compliance status of group companies.

### ■ Compliance Systems at SFH Group Companies

Group companies are responsible for establishing effective compliance systems in line with their specific industry and type of operations.

### ■ Compliance Meetings

SFH holds regular Compliance Meetings with group companies to conduct prior consultation on compliance-related issues and exchange information regarding the state of compliance promotion and legal issues. The Corporate Control Department serves as the secretariat for these meetings, whose members include SFH and group company executives, general managers and other staff in charge of compliance, depending on items being discussed. The results of meeting deliberations are reported to the Board of Directors and at meetings of other bodies.

## Internal Hotline System

An internal hotline system is in place to enable executives and employees of SFH and the SFH Group companies, as well as temporary employees and the employees of business partners, to report business policies of the Sony Group, SFH and the SFH Group or operating or other activities that they are convinced contravene (or are in danger of contravening) laws and regulations or the internal regulations of the Sony Group, SFH or SFH Group companies. Informants may notify any of the hotline desks that have been established at each SFH Group company or the Compliance Hotline at Sony Corporation, which serves as the desk for the Sony Group, as appropriate. SFH is responsible for taking appropriate measures to protect informants and strictly managing and responding to any information they provide.

SFH communicates with Sony Corporation regarding appropriate responses to notifications received via the Compliance Hotline at Sony Corporation, as well as about notifications of issues having the potential to affect Sony Group companies other than those in the SFH Group.

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

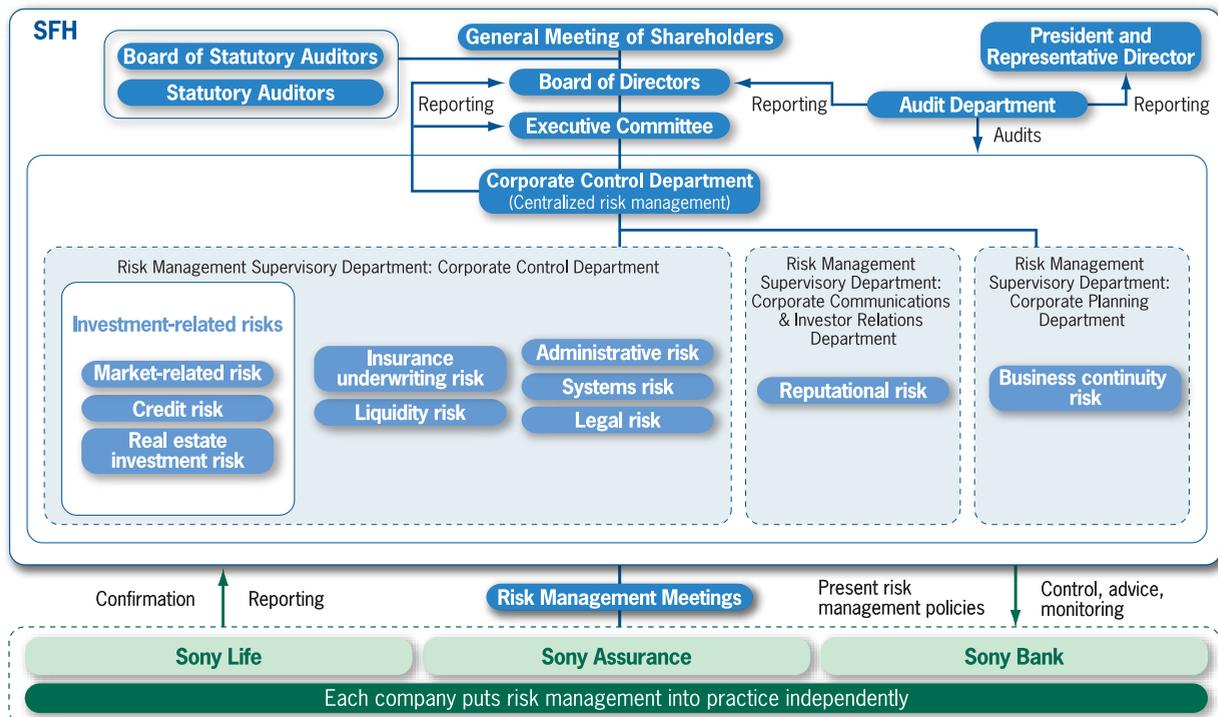
- As a financial holding company, we enhance the corporate value of the Group by aligning risk management with group-wide strategic objectives and management policies, while tailoring each operating subsidiary's risk management activities to the types of risk inherent in its specific business lines.
- 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.

### 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 FY2007 Sony Life reviewed its risk management policies and undertook an evaluation of risks related to new business activities that handle banking agency business. Sony Life has also established the claims payment management system as a top management priority, and continued its endeavors in this regard. Furthermore, when necessary Sony Life held 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 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.

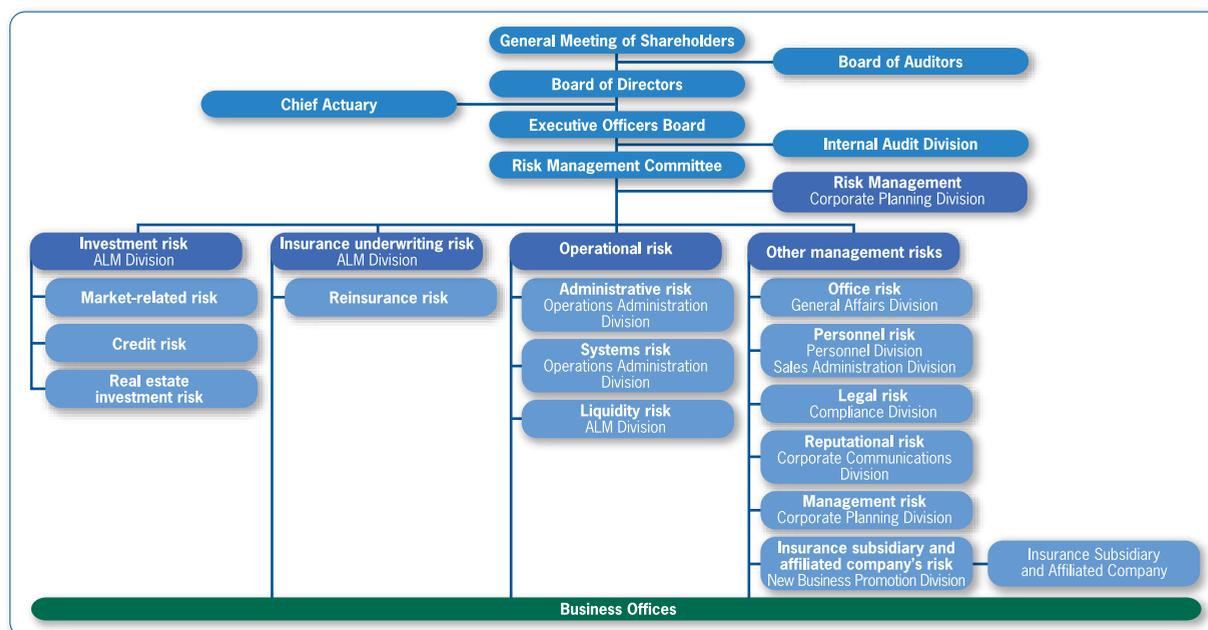
Sony Life also conducts stress tests and reports the results of those tests to its Executive Officers Board in order to evaluate the possible impact on its financial soundness of future unprofitability, and takes additional management and/or financial measures as necessary. As one aspect of its investment 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.

### ■ Accumulation of Policy Reserves Related to Third-Sector Insurance

Sony Life conducts a stress test and a liability adequacy test when accumulating policy reserves related to third-sector insurance.

- Stress Test and Liability Adequacy Test for Third-Sector Insurance**  
 Using various settings for each product, the stress test confirms risk coverage given the expected rate of accident occurrence and computes the contingency reserve on this basis. The contingency reserve is calculated for the amount of future benefits (10 years), based the difference between the amount calculated using the insured accident occurrence rate (hazard rate A) to cover risk that exceeds the normally expected scope and the insured accident incidence rate (hazard rate B), which covers the normally expected scope of risk.

The liability adequacy test, on the other hand, is used to verify whether other sources of income and profit are sufficient to cover the amount of future benefits in the event that the results of the stress test indicate insufficient coverage of the amount of future benefits (10 years) using hazard rate B. If there exists a fiscal year when the financial resources, including additional sources of income and profit, are insufficient to cover the benefit, that amount corresponding to that shortfall need be accumulated as policy reserves.

The methods for the stress test and liability test are stipulated by law, but the hazard rate and other factors used in these tests are based on Ministry of Finance Official Notification No. 231 (June 8, 1998). Liability adequacy test assumptions are based on Financial Supervisory Agency, Ministry of Finance Official Notification No. 22 (June 23, 2000).

- Stress Test and Liability Adequacy Test Results**

In preparation for uncertainty related to future worsening of the insured accident occurrence rate, Sony Life conducts the stress test and the liability adequacy test and ensures the appropriateness of its policy reserves related to third-sector insurance are sufficient according to these test results.

Stress test and liability adequacy test results as of March 31, 2008, are given below.

(As of March 31, 2008)	
Stress test (accumulated contingency reserve)	¥127 million
Liability adequacy test (accumulated premium reserve)	Not insufficient

Note: Policy reserves are segmented into accumulated premium reserve, prepaid insurance premiums and contingency reserves.

As part of its business, Sony Life manages personal information relating to its policyholders over long periods of time. In June 27, 2003, Sony Life became the company in Japan's life insurance industry to receive certification under information security management systems of the BS7799 Part 2 and ISMS standard for divisions conducting life insurance operations. BS7799 Part 2 was absorbed into the ISO certifications, and Japanese ISMS certification standards were revised to meet ISO standards. Therefore, in June 22, 2006 Sony Life converted its certifications to ISO/IEC 27001:2005 (JIS Q 27001:2006). Going forward, Sony Life will keep enhancing 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 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 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 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.

#### • Ensuring Appropriate Accumulation of Policy Reserves

To ensure the appropriate accumulation of policy reserves related to the third sector insurance, Sony Assurance conducts stress tests and liability

adequacy tests based on the official notifications of relevant authorities. Insurance actuaries verify these results. For the stress test, various settings for the expected rate of accident occurrence are used to confirm coverage of risk that exceeds the normally expected scope. In the event that policy reserves are insufficient when changing the rate of expected accident occurrence for the stress test, a contingency reserve is accumulated to prepare for the payment of claims. For policy categories which the stress test judges to have an insufficient policy reserve, a liability adequacy test is performed to verify the amount of shortfall based on by an analysis of future cash flows for all policy categories by taking into account operating and other expenses as well as changing the expected rate of accident occurrence to fall within the normally expected scope.

### ■ 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 leaks of corporate information and 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. In addition, in June 2007 Sony Assurance received company-wide JIS Q 27001:2006 (ISO/IEC 27001:2005) certification for security system management.

■ **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.

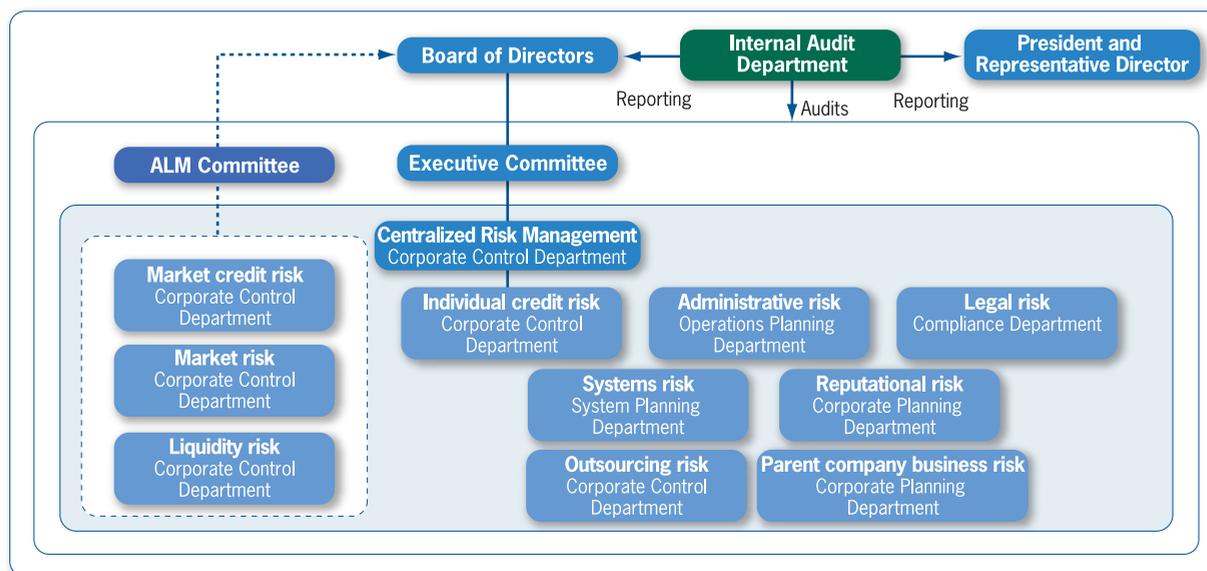
### Sony Bank's Risk Management System

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.
- **Parent Company\* Business Risk**  
Parent company business risk is the risk that the worsening of parent company operational performance could propagate outward and affect Sony Bank's performance, as well as the risk that control by the parent company could affect the independence of Sony Bank's management. For this reason, the bank maintains an arm's length relationship in terms of parent company management conditions and in transactions with the parent company group.
 

\* "Parent company" used in the context is Sony Bank's operational parent, Sony Corporation.

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 to 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.

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.

## Policies regarding Handling of Personal Information

### (Compliance)

1. SFH 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. SFH 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 SFH 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. SFH 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. SFH may record in writing or in voice the contents of transactions and inquiries.

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

4. SFH 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. SFH will endeavor to maintain entrusted Personal Information to be accurate and updated to the extent necessary for the purpose(s) of its use. SFH 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. SFH 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 SFH 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, SFH will not provide Personal Information to any third party, except for cases permitted under the related laws or regulations. SFH 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. SFH 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 SFH, 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. SFH 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

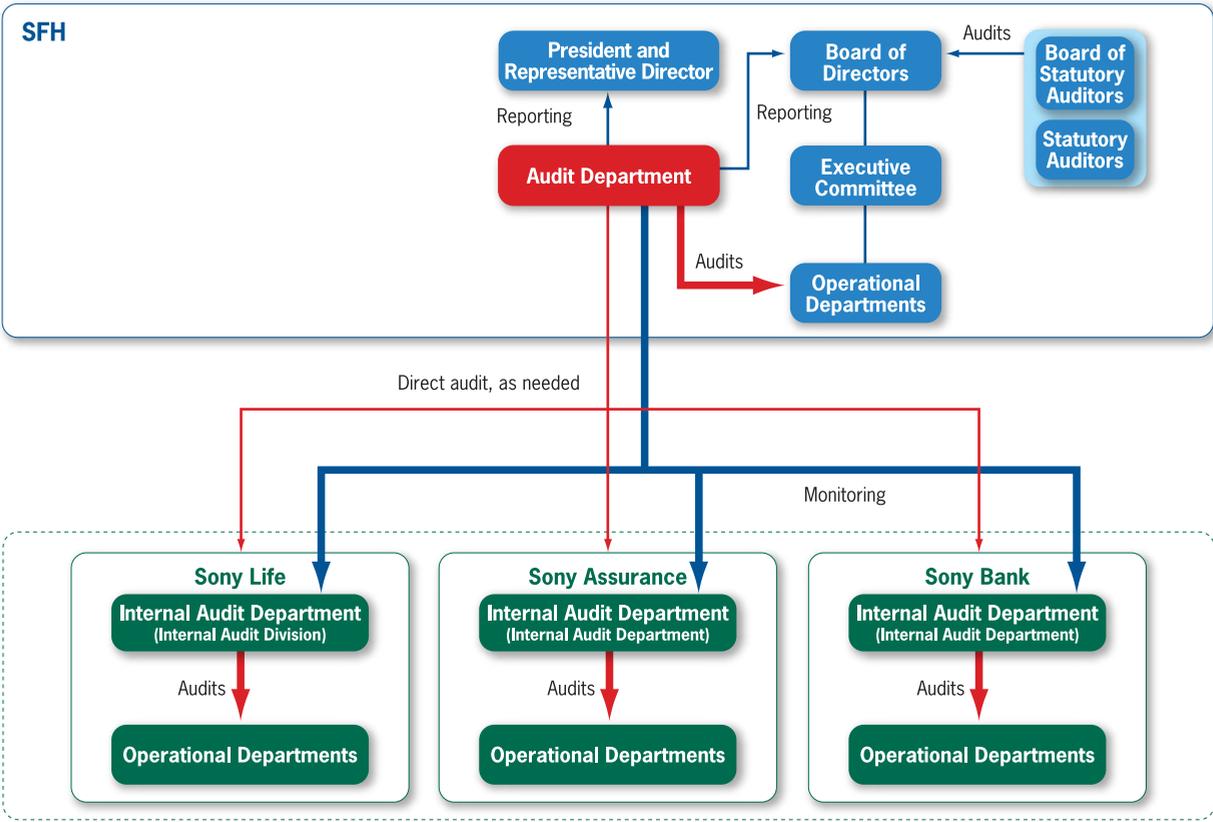
SFH performs internal audits through its Audit Department. Reporting directly to the president and representative director, this department operates outside the other lines of operational reporting and, from an independent and objective position, verifies the appropriateness and effectiveness of internal 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 Contributions and Environmental Activities

## Social Contribution Initiatives

The SFH Group recognizes that its participation in the financial services business comes with public obligations. Consequently, we contribute to society with a strong sense of ethics and responsibility and we conduct various activities to carry out our responsibilities as a member of society.

## Volunteer Activities

Sony Life has established the Social Contribution Department to strengthen support and share information on volunteer activities undertaken by its employees throughout Japan. Along the same lines, Sony Life has created the Volunteer Coordination Committee.

Sony Life has designated the anniversary of its founding as Volunteer Day, when all employees are encouraged to consider and implement local clean-ups and other activities that benefit their community.

To help its employees actively contribute to society, Sony Life has established a volunteer leave program and implemented a leave program for bone marrow donors. Sony Life also donates to the Eye Mate Fund, supports Special Olympics Nippon (Japan) and offers a life-planning course for students who are preparing to make their own way in society.

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

## Eye Mate Fund

Since FY1997, Sony Life has made financial donations to the Eye Mate Fund, established by The Eye Mate, Inc., which aims to help visually challenged people participate in society. Sony Life donates an amount each year that matches the total raised by its employees. In FY2007, Sony Life and its employees gave a total of ¥10.94 million to Eye Mate, bringing its cumulative donations for training guide dogs to more than ¥120 million.

## Sony Life Volunteers' Club

After the Kobe Earthquake in 1995, a Sony Life volunteer group established the Sony Life Volunteers' Club, which provides support to people in areas affected by earthquakes. The club also cooperates with local organizations to offer a support network for the elderly and physically impaired victims of earthquakes. Now, after



Sony Life Volunteers' Club's hot springs bus tour

## Support for Special Olympics Nippon (Japan)

Since FY1996, Sony Life has offered financial support to Special Olympics Nippon, an accredited nonprofit organization that helps people with intellectual disabilities by providing independence and opportunities to participate in the community through sports. Employees also volunteer to help conduct the events. Sony Life is increasing awareness and understanding of Special Olympics Nippon's activities through regional organizations and, among its other contributions, by supporting daily activities, charity concerts and movie screenings. By supporting Special Olympics Nippon, Sony Life will continue to facilitate the independence of people with intellectual disabilities and help them participate in their community.



Sony Life volunteer participants in the Special Olympics Nippon National Winter Games in Yamagata Prefecture

more than 10 years the club continues to support the victims by planning and inviting them to bus tours to visit hot springs and holding events to help them remain active in their communities. Using this experience, Sony Life has provided support for people injured in the Niigata-Chuetsu Earthquake.

Sony Life also holds events to support youth education, encourages bone marrow bank donor registrations and participates in other grass-roots community activities.



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

### Environmental Initiatives

The SFH Group considers preserving the earth's environment as one of the most important issues facing people worldwide. We therefore conduct environmentally conscious activities and implement appropriate initiatives.

#### Acquisition of ISO 14001 Certification

Sony Life, Sony Assurance and Sony Bank have acquired ISO 14001 certification, the international standard for environmental management systems. All three companies pursue energy-saving activities, such as working toward targets for the reduced consumption of energy and photocopier paper and promoting green procurement to raise the portion of eco-products used as office supplies.

### System for Using Green Power

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 to help protect the environment by reducing CO<sub>2</sub> emissions. At present, Sony Assurance and Sony Bank are also participating in this system, thereby helping to promote geothermal, wind-powered, solar, biomass, and other power generation that uses renewable energy resources.

#### Green Power Certification System

By trading the natural electric power (green power) generated from solar, wind, geothermal, biomass, and other natural energy sources as a form of certification, companies need not build their own power generating facilities. Even when distance to a green generation facility makes direct consumption of green power unfeasible, this system includes companies that consume green power indirectly. Consequently, this system helps companies contribute to the proliferation of natural electric power generation and to conserve energy and protect the environment as part of their voluntary measures. For more details on the green power certification system, please refer to the website of Japan Natural Energy Co., Ltd. (<http://natural-e.co.jp/english/>).



### Helping Customers Contribute to Reducing Greenhouse Gas Emissions

Sony Bank has created a system through which customers can contribute to reducing greenhouse gas emissions by purchasing emissions rights on behalf of its customers who invest a certain amount in its eco-funds for donation to the Japanese government. Since Sony Bank purchases emission rights by using a portion of its commissions on the sales and custodial fees for the eco-funds, customers can participate in environmental preservation activities as they manage their assets.

# 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

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- 1981 April** ■ Sony Prudential Life commences operations and introduces the Lifepanner system

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- 1986 October** ■ Sony Prudential Life launches sale of variable life insurance (whole-life protection)

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- 1987 July** ■ Sony Prudential Life reaches agreement with Prudential to terminate joint venture contract

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- September** ■ Sony Prudential Life changes corporate name to Sony Pruco Life Insurance Co., Ltd. (the present Sony Life)

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- 1989 October** ■ Sony Pruco Life establishes independent agency system

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- 1991 April** ■ Sony Pruco changes corporate name to Sony Life Insurance Co., Ltd.

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- 1992 April** ■ Sony Life commences sales of comprehensive medical insurance

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- 1998 June** ■ Sony Insurance Planning Co., Ltd. (the present Sony Assurance) is established

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- August** ■ Sony Life establishes Sony Life Insurance (Philippines) Corporation in the Philippines

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- 1999 April** ■ Sony Life commences sales of whole-life comprehensive medical insurance

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- September** ■ Sony Insurance Planning changes corporate name to Sony Assurance Inc.  
 Sony Assurance begins writing automobile insurance policies via the Internet



Sony Assurance's transit advertisement at the commencement of its operations

- October** ■ Sony Assurance begins writing automobile insurance policies over the telephone

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- 2001 April** ■ Sony Bank Inc. is established  
 ■ Sony Assurance opens Claims Service Center

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- 2001 May** ■ Sony Life's Lifepanner sales employees commence sales of Sony Assurance's automobile insurance

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- 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



Sony Bank's MONEYKit interface at the time its operations started

- 2001 September** ■ Sony Bank starts handling foreign currency deposits



Sony Bank's advertisement on foreign currency deposits

<b>2002 March</b>	<ul style="list-style-type: none"> <li>■ Sony Bank starts offering mortgage loans</li> <li>■ Sony Life commences underwriting of group credit life insurance for mortgage loans extended by Sony Bank</li> </ul>	
<b>June</b>	<ul style="list-style-type: none"> <li>■ Sony Assurance begins offering medical and cancer insurance</li> <li>■ Sony Assurance opens Sapporo Customer Center</li> <li>■ Sony Bank begins offering special-purpose loans</li> </ul>	 <p style="text-align: center;">Sony Assurance's Customer Center</p>
<b>2004 April</b>	<ul style="list-style-type: none"> <li>■ Sony Financial Holdings Inc. is established</li> </ul> <p>Sony Life, Sony Assurance and Sony Bank become subsidiaries of Sony Financial Holdings</p>	
<b>June</b>	<ul style="list-style-type: none"> <li>■ Sony Bank commences sales of individual annuities offered by Sony Life</li> </ul>	
<b>October</b>	<ul style="list-style-type: none"> <li>■ Sony Assurance begins offering fire insurance to mortgage loan customers of Sony Bank</li> </ul>	
<b>December</b>	<ul style="list-style-type: none"> <li>■ Sony Life's Lifeplanner sales employees begin introducing Sony Bank's mortgage loans</li> </ul>	
<b>2005 July</b>	<ul style="list-style-type: none"> <li>■ Sony Life registers Lifeplanner Value trademark</li> </ul>	
<b>December</b>	<ul style="list-style-type: none"> <li>■ Sony Bank begins handling credit card settlements</li> <li>■ Sony Bank commences financial products intermediary service</li> </ul>	
<b>2006 April</b>	<ul style="list-style-type: none"> <li>■ Sony Assurance launches "Customers and Sony Assurance Communication Site"</li> </ul>	
<b>June</b>	<ul style="list-style-type: none"> <li>■ Sony Bank launches mobile banking service</li> </ul>	
<b>September</b>	<ul style="list-style-type: none"> <li>■ Sony Life opens Life Planning SQUARE showroom in the Sony Building in Ginza, Tokyo</li> <li>■ Sony Life ties up with Watami Co., Ltd. in the nursing care business</li> </ul>	 <p style="text-align: center;">Sony Life's Life Planning SQUARE</p>
<b>October</b>	<ul style="list-style-type: none"> <li>■ Sony Bank begins offering new card loans</li> <li>■ Sony Life completes construction of Sony City, the new headquarters of Sony Corporation</li> </ul>	
<b>2007 June</b>	<ul style="list-style-type: none"> <li>■ Sony Bank establishes a wholly-owned subsidiary, Sony Bank Securities Inc.</li> </ul>	
<b>August</b>	<ul style="list-style-type: none"> <li>■ Sony Life establishes AEGON Sony Life Planning Co., Ltd.</li> </ul>	
<b>October</b>	<ul style="list-style-type: none"> <li>■ Sony Bank Securities and Sony Bank to launch securities intermediary services</li> <li>■ Sony Financial Holdings is listed on the First Section of the Tokyo Stock Exchange</li> </ul>	
<b>December</b>	<ul style="list-style-type: none"> <li>■ Sony Life receives permission to handle banking agency business for Sony Bank</li> </ul>	
<b>2008 March</b>	<ul style="list-style-type: none"> <li>■ Sony Bank to become wholly-owned subsidiary of Sony Financial Holdings</li> </ul>	
<b>May</b>	<ul style="list-style-type: none"> <li>■ Sony Bank begins offering foreign exchange margin transactions</li> </ul>	



## April 2007

### Sony Bank Begins Offering Sony Life Mortgage Loan Group Credit Life Insurance Rider to Cover Three Major Diseases

Sony Bank began offering an insurance rider for protection against three major diseases. Sony Life is the life insurance underwriter on this mortgage loan group credit life insurance. Under the rider, insured parties who are diagnosed with cancer, myocardial infarctions or cerebral embolisms are entitled to receive claim payments equivalent to their outstanding mortgage loan balances.



## June 2007

### Sony Bank Establishes Sony Bank Securities

In June 2007, Sony Bank established Sony Bank Securities Inc. as its wholly-owned Internet securities subsidiary, and in October began offering securities intermediary services via this company. By establishing the systems to offer shares and other marketable securities as well as deposits, investment trusts and other asset management products via its MONEYKit site, Sony Bank aims to offer unique securities intermediary services. By raising the convenience of cash settlements between banking and securities transactions, as well as enhancing the lineup of products and services, Sony Bank will keep responding to more broad-based customer needs for asset management over the medium to long term.



SURE medical and cancer insurance product pamphlet.

## August 2007

### Sony Assurance Revises SURE Medical and Cancer Insurance Policies

Sony Assurance made the second revision of SURE medical and cancer insurance, for which the company commenced sales in June 2002. The revision became available as of November 1, 2007. In preparation for the revision Sony Assurance began canvassing for applications in August 2007. These policy revisions include a new type of protection that deals with risks associated with extended life spans, by doubling the maximum number of days per hospitalization for illnesses other than cancer and injury to 120 days\* for policyholders aged 60 or older. In addition, the policy premiums are half of those applied before the policyholders celebrated their 60th birthday. Other revisions include a bone marrow donor support rider for SURE policyholders and extension of coverage for illnesses other than cancer and injury to pay hospital costs even for patients undergoing same-day, in-out hospitalization.\* By expanding the protection of SURE policies, Sony Assurance has responded to customers' needs.

\* As in the past, in the event of hospitalization these policies pay an unlimited number of days of hospitalization claims for same-day, in-out hospitalization, regardless of age.



## August 2007

### Sony Life Establishes AEGON Sony Life Planning

Sony Life established AEGON Sony Life Planning Co., Ltd., as a 50–50 joint venture with the AEGON Group of the Netherlands. AEGON Sony Life Planning is preparing the way to establish a life insurance company that will develop individual annuity products for sale at the counters of banks and other financial institutions, as well as through the Lifeplanner sales channel. We are currently targeting to commence operations at the new company within FY2008.



SFH President and Representative Director Teruhisa Tokunaka rings the bell at the Tokyo Stock Exchange.

## October 2007

### SFH Lists Its Shares on the First Section of the Tokyo Stock Exchange

On October 11, 2007, SFH listed its shares on the First Section of the Tokyo Stock Exchange (TSE), with the securities code of 8729. Through this move, we continue to aim at being the financial group most trusted by its customers for the provision of better products and services. As a listed company, we will strive to meet shareholder expectations by strengthening our management base and enhancing our corporate value.

## October 2007

### Sony Assurance Launches On the Day, Any Day, Response Service

On October 1, 2007, Sony Assurance added the On the Day, Any Day, Response service to its accident services. This new service exemplifies the company's commitment to making an initial response to accident reports and conveying results to policyholders on the day the reports are received—even on holidays and weekends.\* By adding this commitment to existing services, such as accepting accident reports 24 hours a day, 365 days a year, and a commitment to automobile insurance policyholders to provide an initial response by an appointed staff member within three hours of receiving an accident report,\*\* Sony Assurance is determined to promptly ease the anxiety policyholders feel when they have an accident.

\* This response time is for accident reports received (and confirmed as having the information needed for an initial response) and completed by 8 p.m. for which Sony Assurance is eligible to negotiate an amicable settlement on accident compensation. (Accident reports received between 8 p.m. and midnight are handled the following day.)

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



## December 2007

### Sony Life to Conduct Banking Agency Business on Behalf of Sony Bank

Sony Life received permission from the relevant authorities to conduct banking agency business on behalf of Sony Bank. Sony Life's Lifeplanner sales employees have handled clerical work on Sony Bank's mortgage loans in the past. This opportunity enables them to also explain Sony Bank's mortgage loan products, as well as to deliver applications, from January 2008. At Life Planning SQUARE, the showroom Sony Life operates in the Sony Building in Ginza, Tokyo, and Sony Life began setting up new accounts at Sony Bank for customers in addition to handling Sony Bank's mortgage loans.



## March 2008

### Sony Bank Becomes a Wholly-Owned Subsidiary of SFH

In March 2008, SFH acquired from Sumitomo Mitsui Banking Corp. the remaining 12% of outstanding shares in Sony Bank, converting Sony Bank to a wholly-owned subsidiary. This move was designed to accelerate growth strategies by strengthening solidarity within the SFH Group.

### Sony Life Reports Results of Investigations into the Status of Claims and Other Payments

Sony Life conducted investigations into the status of claims and other payments from FY2001 to FY2005 and publicly reported its results. We offer our deeply felt apologies for the insufficient claims and other payments that came to light as a result of this investigation. To prevent such a situation from recurring, Sony Life has established a claims payment management system and regards this as a top management priority. As one aspect of this enhanced focus, Sony Life established a special project team to strengthen its management structure related to the payment of insurance and other claims. The team reports directly to Sony Life's president and representative director. The company is enhancing its provision to customers of information related to payments and developing large-scale systems to improve payment operations. As part of this effort to strengthen its management structure related to the payment of insurance and other claims, in August 2007 Sony Life commenced quarterly disclosure on its website on the status of insurance claims and benefit payments and the number of customer complaints.



### Management Message



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



Sony Life's mission is to work for customers' economic protection and stability by offering reasonable life insurance products and high-quality services. In pursuit of this mission, Sony Life works to provide protection optimally tailored to each customer, as well as detailed follow-up services, through consultations conducted by its Lifeplanner sales employees and Partners (independent agencies).

In FY2007, our new policy amount rose 10.9% from the previous fiscal year, to ¥3,802.5 billion. Policy amount in force\* has continued to grow since the start of the Company's operations, totaling ¥31,497.3 billion as of March 31, 2008, up 4.1% from a year earlier. The lapse and surrender rate\*\* (individual life insurance) remained low, at 6.27%. We are convinced that these favorable results reflect customers' satisfaction with our method of offering protection based on each customer's life plan, as well as our detailed follow-up services. For example, even after a policy is signed, we review customer protection on an ongoing basis as their lifestyles change. However, we refuse to be content with our current performance. We are pursuing even higher quality levels to keep meeting customers' expectations into the far-distant future.

On the other hand, the situation came to light that we had inadvertently underpaid or failed to pay certain claims and, in FY2007, we notified all customers potentially affected and made restitution. To prevent this situation from recurring, we have made the establishment of a claims payment management system a top priority. In addition to introducing preventative measures, we have

put ongoing customer follow-up procedures into place. To win back customers' trust, we will keep striving to raise our service levels.

In December 2007, we received permission to conduct banking agency business on behalf of Sony Bank. This opportunity enabled our Lifeplanner sales employees to explain Sony Bank's mortgage loan products, as well as to deliver applications, starting from January 2008. As a result, our Lifeplanner sales employees can respond better to specific customer questions on mortgage loans. We will continue working toward delivering comprehensive consulting services that match customers' life plans and providing services from a customer-oriented viewpoint.

Sony Life aims to accompany its customers through life's milestones, helping them reach their dreams. We chose Lifeplanner Value as our corporate slogan to express what we want to provide to customers. By ensuring that all employees pursue these values, we aim to earn and maintain the support and trust of our customers.

July 1, 2008

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

### Japanese Life Insurance Industry

The Japanese life insurance market is the second largest in the world, following that of the United States. However, as Japan's macroeconomic climate is characterized by a declining population, new policy amounts and policy amount in force for the Japanese life insurance market have continued to decline from their peaks in the 1990s.

By product, there is no change in that the death protection field accounts for the majority of the life insurance market. However, market demand in terms of the functions required for life insurance is shifting from protection if the unexpected occurs to protection that offers policyholders stability and safety as they pass through life's milestones. In this environment, the industry is experiencing growing demand for so-called third-sector products, such as medical and nursing care insurance, as well as individual annuities.

In FY2007, the industry was marked by various insurers' efforts to recover the trust of their policyholders by establishing systems to ensure the appropriateness of claims and other payments. Meanwhile, the life insurance market became more competitive, owing to the October 2007 privatization of Japan Post and the December 2007 lifting of the ban on sales of insurance products at bank counters. The overall investment environment also became more difficult, facing stock market declines in the second half of FY2007 triggered by such crises as the subprime loan issue in the United States. This situation caused declines in unrealized gains on marketable securities held as investment assets in the insurance industry.

### Sony Life's Characteristics

Sony Life's most salient feature is the provision of tailor-made life insurance through a consulting-based sales approach, which uses life planning as the basis. Products are delivered through the company's Lifeplanner sales employees and Partners (independent agencies), who have broad-ranging expertise and experience. Even after customers purchase policies, the company provides after-sale follow-up services, reviewing each policyholder's changing circumstances to ensure appropriate levels of protection. Customers' support of this finely tuned approach to providing services is one reason that Sony Life has expanded its policy amount in force every year since inception, despite the industry's overall downward trend.

Sony Life offers an extensive lineup to meet the diverse needs of its customers, with protection-oriented products, such as death protection insurance, accounting for approximately 80% of its in-force policies. Customer demand for protection-oriented products, however, is generally latent. Therefore, life planning or consultations that Lifeplanner sales employees and Partners perform, based on their risk analysis of each customer's progress along life's milestones, help customers uncover the necessity for death protection and other protection-oriented products. This approach is one reason that death protection products account for such a significant proportion of in-force policies.

To meet the strong demand for individual annuities, in August 2007 Sony Life, together with the AEGON Group of the Netherlands, established a preparation company, AEGON Sony Life Planning Co., Ltd. This new company is preparing the way for the establishment of a life insurance company that will develop individual annuity products for sale at the counters of banks and other financial institutions, as well as through the Lifeplanner sales channel. At present, the commencement of sales of these products is planned for FY2008.

## Sony Life's Major Initiatives in FY2007

### Sony Life Receives Permission to Conduct Banking Agency Business on Behalf of Sony Bank

In December 2007, Sony Life received permission from the relevant authorities to conduct banking agency business on behalf of Sony Bank. In addition to introducing Sony Bank's mortgage loans through its Lifeplanner sales channel, Sony Life's permission to conduct banking agency business allowed the company to provide the following services from January 2008:

- Lifeplanner sales employees may explain the details of Sony Bank's mortgage loans and deliver applications.
- At Life Planning SQUARE, the showroom Sony Life operates in the Sony Building in Ginza, Tokyo, Sony Life may handle Sony Bank's mortgage loans as well as set up new accounts at Sony Bank for customers.

### New Product: Sony Life Offers Whole-Life Cancer Insurance (08) (Non-Profit)

On April 2, 2008, Sony Life commenced sales of a new product, whole-life cancer insurance (08) (non-profit). This product provides wide-ranging protection over a long period; the policy covers costs associated with diagnosis through to post-hospitalization due to cancer, in addition to death. Furthermore, introducing a policy structure that features a low surrender payment enabled Sony Life to offer the new product at reasonably priced premiums.

#### Policy Features

##### ■ Coverage provides intensive cancer protection

The policy provides lifelong protection that covers hospitalization, surgical procedures and death caused by cancer. Furthermore, the number of days for which cancer hospitalization benefits are available are not limited, nor are the number of times that benefits on surgical procedures may be paid. As a result, policyholders are secure even in the event of long-term hospitalization.

##### ■ In-home medical care covered

The policy provides post-hospitalization care benefits for policyholders who are released into medical care from the hospital where they were treated for cancer.

##### ■ Patients select their own diagnosis benefit, as a multiple of either zero or 100 times the daily cancer hospitalization benefit

Policyholders can select a diagnosis benefit multiple of 100 or zero. By selecting 100, the policyholder receives a one-time cancer diagnosis benefit corresponding to 100 times the daily cancer hospitalization benefit. Selecting a diagnosis benefit multiple of zero means that the policyholder will not receive the protection of a cancer diagnosis benefit, but that policy premiums will be lower.

##### ■ Low surrender payment rider allows policyholders to pay lower premiums

In case the policyholder chooses to add a low surrender payment rider, no surrender payment is made if the policy is cancelled during the policy payment period but policy premiums are commensurately lower.

##### ■ Death benefit paid, even if death results from a factor other than cancer

## Television Commercials

### Lifepanner Value

The “Each and every memory” commercial traces the thoughts of a Lifepanner as he/she recalls each of the details his/her customer has shared during the long times that they have spent together. “Each and every memory of that family is an important asset to me,” runs the tagline. The commercial demonstrates the spirit with which Lifepanner sales employees protect their customers, the extensive time they spend together preparing for the future and the deep trust-based relationship they have built.



### Social Contributions

“Talking together about our dreams for the future” is a documentary commercial with the theme of the social contribution activities of Sony Life’s employees. The ties, dreams and emotions that emerge through social contribution activities open up whole new vistas for many employees who participated. (See pages 22–23 for more details).



## Establishment of a Preparation Company: AEGON Sony Life Planning Co., Ltd.

Sony Life established AEGON Sony Life Planning Co., Ltd., as a 50–50 joint venture with the AEGON Group. The new company is preparing to establish a life insurance company that will develop individual annuity products for sale at the counters of banks and other financial institutions, as well as through the Lifepanner sales channel. The start of sales is planned for FY2008.

- Name: AEGON Sony Life Planning Co., Ltd.
- Head Office: 9-11, Akasaka 2-chome, Minato-ku, Tokyo, Japan
- Established: August 29, 2007
- Common Stock: ¥2.0 billion
- Ownership: 50% Sony Life Insurance Co., Ltd., 50% AEGON International B.V.
- Business: Study, planning, market research, advertising and promotion of life insurance business

(As of July 1, 2008)

## Credit Rating

(As of July 1, 2008)

Rating Institution	Rating Information	
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
A.M. Best Company, Inc.	Financial strength rating	A+ (Superior)
Standard & Poor's Corp. (S&P)	Financial strength rating	A+ (Strong)

Note: The above ratings were assigned after Sony Life's official request for ratings. These ratings are based on the 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.

### Management Message



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



In FY2007, the number of policies in force, primarily for automobile insurance, grew steadily, and the total number of automobile insurance and medical and cancer insurance policies in force exceeded one million. Net premiums written rose 9.0% year on year, to ¥55.0 billion, and adding in investment income, ordinary revenues increased 9.1% from the previous fiscal year, to a record ¥55.6 billion. Although the efficiency of operating expense declined due to an increase of system-related expenses, the increase in ordinary revenues as well as a stable amount of claims paid resulted in higher ordinary profit, up 37.8% from the preceding fiscal year, to a record ¥2.8 billion. Net income grew 36.7%, to ¥2.1 billion. We also achieved a sufficient solvency margin ratio of 1,073.9% as of March 31, 2008.

These year-on-year increases in revenues and profits in FY2007 resulted in record levels of financial performance for the company.

Sony Assurance, under the slogan Feel the Difference, endeavors to continuously improve its services and deliver more value to customers. In FY2007, we revised our SURE medical and cancer insurance by reducing the premiums while expanding protection for policyholders after they reach their 60th birthday. We also added to our product lineup by offering policies related to longevity. Regarding our accident response service for automobile insurance, we added the "On the Day Safe 365" service to the services that we began offering in October 2006. Our dedication to creating value that customers can feel and our attitude of moving forward in step with our customers are expressed clearly on the Customers

and Sony Assurance Communication Site on our website. The Customers site introduces our initiatives toward creating differences that customers can intuitively know. As another step in this direction, in FY2007 we created the Customer Response Promotion Division to enhance our response to customer feedback and reflect their comments in product and service improvements.

FY2007 was also significant for us in that our holding company, Sony Financial Holdings, listed its shares on the First Section of the Tokyo Stock Exchange. We believe that this represents a major step toward enhancing our corporate value. Although we are convinced that the overall market for direct insurance will continue to expand, we will continue to augment our services and marketing, raise operational efficiency, strengthen our organizational base, and enhance our competitiveness in our drive to grow as the leading provider of direct insurance.

July 1, 2008

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

Shinichi Yamamoto  
President, Representative Director  
Sony Assurance, Inc.

## Industry Trends and Sony Assurance's Characteristics

### Japan's Non-Life Insurance Industry

Japan's non-life insurers have placed top priority on strengthening internal controls and various operational improvements to recover customers' trust and to prevent the recurrence of such issues as the inadvertent nonpayment of claims on insurance coverage additional to automobile insurance, inappropriate claims payments on medical insurance and other third-sector products and mistaken premiums on fire insurance.

In FY2007, the industry was affected by only a few natural disasters, but the environment surrounding the sales of fire insurance continued to be severe, owing to a decline in housing starts. In automobile insurance, premium income fell marketwide, in line with declines in the number of new vehicle sold, the 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. The outlook for the automobile insurance market is particularly severe as the number of vehicles owned is unlikely to increase significantly, partially influenced by sharply higher crude oil prices.

### Sony Assurance's Characteristics

Sony Assurance entered the non-life insurance market in October 1999 as a direct insurance provider. Since that time, the company has concentrated on maintaining direct relationships with each customer and continuously providing new value for them. Sony Assurance offers automobile insurance, which is risk-segmented to offer extensive coverage with reasonable premiums, and medical insurance featuring wide-ranging protection for reasonable premiums. Automobile insurance policies account for approximately 90% of Sony Assurance's policies in force. Furthermore, Sony Assurance has maintained a leading position among Japan's six direct insurance providers, with approximately a 30% share\* of the domestic direct insurance market.

As for customer service, Sony Assurance added the On the Day, Any Day, Response service to its existing commitment to its automobile insurance policyholders. This service is a guarantee to provide an initial response by an appointed staff member within three hours of receiving an accident report. The new service exemplifies the company's commitment to making a rapid initial response to accident reports and conveying the results to policyholders on the day the reports are received—even on holidays and weekends.\*\* Sony Assurance operates under the slogan, Feel the Difference—a difference that will change insurance. The company maintains high levels of customer satisfaction by enhancing service levels to provide customers with valuable products with a difference that could only come from Sony Assurance. This customer satisfaction has resulted in enhanced profitability, enabling the company to steadily increase its profits in FY2007, following the previous fiscal year when the company moved into the black.

\* The share is for direct premiums written on automobile insurance in FY2007.

\*\* This response time is for accident reports received (and confirmed as having the information needed for an initial response) and completed by 8 p.m. for which Sony Assurance is eligible to negotiate an amicable settlement on accident compensation. (Accident reports received between 8 p.m. and midnight are handled the following day.)

## Providing Valuable Differences to Customers

To provide customers with valuable differences that could only come from Sony Assurance, the company aims to facilitate better communications with customers by placing a high value on customer input and providing services that meet their needs.

### Developing Sony Assurance's Original Products

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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, the company offers a half-price policy structure for policyholders from age 60. Going forward, the company will continue developing products to provide value that could only come from Sony Assurance.

### Customer Centers

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Staff at customer centers respond to inquiries via telephone and e-mail, and are on hand to help with contract procedures and to help customers after they have signed contracts. Trained to facilitate smooth communications and ensure optimal solutions, each staff member at customer centers tries their best to provide quick and easy-to-understand answers to customers' questions.

### Customer Consultation Office

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Sony Assurance, to enhance the value of its products and services and ensure better value, stores all of its customer comments and requests in a common database, so each department can respond appropriately.

### Service Centers

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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 an accident report, a staff member is appointed to communicate directly with the customer and provide support until the issue is resolved.

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

### one-on-one club Support Desk

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To support customers' with automobile insurance, Sony Assurance provides *one-on-one* club service, which includes free roadside assistance,\* and assistance in times of trouble, such as mechanical failure or an accident.\*

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

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

## Sony Assurance's Initiatives in FY2007

### Revision of SURE Medical and Cancer Insurance Products



SURE medical and cancer insurance product pamphlet.

On November 1, 2007, Sony Assurance initiated a revision of its SURE medical and cancer insurance, one of its core products which the company began offering in June 2002. While maintaining the features of SURE medical and cancer insurance, these recent policy revisions, incorporated SURE Smart Fit, which includes a new type of protection that deals with risks associated with extended life spans, by doubling the maximum number of days per hospitalization for illnesses other than cancer and injury for policyholders 60 and older, compared with those applied before the policyholders celebrate their 60th birthday.\* Other revisions include a bone marrow donor support rider available for all SURE medical and cancer insurance policies, which reduces the economic burden for policyholders who are hospitalized as they can donate stem cells from bone marrow. Furthermore, the recent revision extended coverage for illnesses other than cancer and injury to pay hospital costs even for outpatients.\*

\* As in the past, in the event of hospitalization caused by cancer, these policies pay an unlimited number of days of hospitalization claims even for day case, regardless of age.

### On the Day, Any Day, Response Service Offering Begins



Website page introducing the On the Day, Any Day, Response service.

In addition to Sony Assurance's commitment to automobile insurance policyholders to provide an initial response by an appointed staff member within three hours of receiving an accident report,\* on October 1, 2007, the company introduced the On the Day, Any Day, Response accident response service. In this service Sony Assurance commits to make an initial response to accident reports and convey its results to policyholders on the day the reports are received—even on holidays and weekends.\*\* Through this service Sony Assurance seeks to promptly ease the anxiety policyholders feel when they experience an accident.

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

\*\* This response time is for accident reports received by telephone (and confirmed as having the information needed for an initial response) and completed by 8 p.m. for which Sony Assurance is eligible to negotiate an amicable settlement on accident compensation. (Accident reports received between 8 p.m. and midnight are handled the following day.)

### Companywide ISO 27001 Certification for Information Security Management



Certification mark, BSI mark.

Sony Assurance has always been keenly aware of the importance of strictly managing the various information assets that it handles, such as customers' personal information. Accordingly, the company has been aggressive in its efforts to create security management systems. On June 20, 2007, Sony Assurance became the first Japanese non-life insurer to receive ISO 27001 certification for an information security management system.\* This certification represents an objective evaluation and verification of Sony Assurance's initiatives to appropriately establish and maintain operational and management systems for its information assets.

\* Based on Sony Assurance's findings as of June 20, 2007. The search excludes insurers that do not disclose their receipt of certification.

### Expanded Website Contents on Accident Response Services



Website page introducing Sony Assurance's accident resolution capabilities.

On October 17, 2007, Sony Assurance introduced content on its website outlining the company's accident resolution capabilities. This addition provides security to Sony Assurance's policyholders as well as people who are considering the purchase of Sony Assurance's automobile insurance by explaining the status of its accident response services in a concrete and easy-to-understand manner as well as the quality of its accident response services. The content includes comments of employees who are in charge of providing Sony Assurance's accident response services, as well as input from 10,000 customers who have used these services. The content also explains the points that many people may be uncertain about concerning direct insurers' accident response services.

### Management Message



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



In FY2007, Sony Bank on a non-consolidated basis posted ordinary profit of ¥2.7 billion. Since moving into the black in FY2005, we have consistently made profits even on a quarterly basis.

The fundamental reason for our increase in profits is a higher retail balance (the balance of customer transactions). Since our commencement of operations in FY2001, we have concentrated on being an asset management bank for independent individuals. In FY2007, deposits reached ¥1 trillion. Viewed in more detail, strong performance on yen time deposits pushed the balance of yen deposits to ¥892.6 billion as of March 31, 2008, up ¥288.2 billion from the end of previous fiscal year. We attribute this performance to the trust we have earned with our customers, and believe we are benefiting from a broader-based customer understanding of our policies on providing products and services.

FY2007 also marked a major qualitative turning point in profitability. On an internal management basis, net interest income, a stable income driver, exceeded general and administrative expenses. In other words, despite major upheaval in the financial environment we succeeded in ensuring our profits and raising the profit level.

We believe these results demonstrate that Sony Bank's growth has now moved on from the foundation-building phase to a "second launch" phase. As the banking business largely depends on economies of scale, over the medium term we aim to enhance win-win relationships with our customers by accelerating our growth and raising our efficiency. Through these efforts, we will strive to

establish ourselves as the clear leader in customer satisfaction.

We consider FY2008 the first year of our second launch, and we plan to focus on enhancing products and services that will propel our medium-term growth. In May 2008, in response to customer demand we introduced foreign exchange margin transactions. Going forward, we plan to strengthen our lineup of securities management services via our subsidiary, Sony Bank Securities.

"Being fair" is Sony Bank's corporate philosophy, and we aim to conduct all our corporate activities in line with this philosophy. In FY2008, we switched to green electricity as the source of power we use at headquarters. Also, as a customer service initiative we started offering products on which we purchase emission rights on behalf of customers when they invest. As these examples show, we intend to conduct our environmental activities in a manner that is fair to the environment, as we contribute to society as a corporate citizen.

Sony Bank is making a new leap forward.

July 1, 2008

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

Shigeru Ishii  
President, Representative Director and CEO  
Sony Bank Inc.

## Industry Trends and Sony Bank's Characteristics

### The Japanese Banking Industry

In the Japanese banking industry, the September 2007 introduction of the Financial Products Exchange Law created a framework to protect users of a broad range of financial products. In addition, the lifting of the ban on banks offering securities intermediary business, as well as sales of insurance products at bank counters, opened the door to a host of additional service offerings. Furthermore, the privatization of postal services and the entry into the banking industry of retail companies, Internet-related firms and other companies from other industries has significantly reshaped the management environment. Banking institutions 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 must provide products and services of higher quality in order to compete.

Triggered by such crises as the U.S. subprime loan issue, the Japanese stock market was affected in the second half of 2007 by concerns over U.S. economic deceleration and a lack of transparency about the financial circumstances of leading European and U.S. financial institutions. Following a drop, the Japanese stock markets began moving into an adjustment phase. In the banking industry, certain banks suffered investment losses in relation to the subprime loan issue.

### Sony Bank's Characteristics

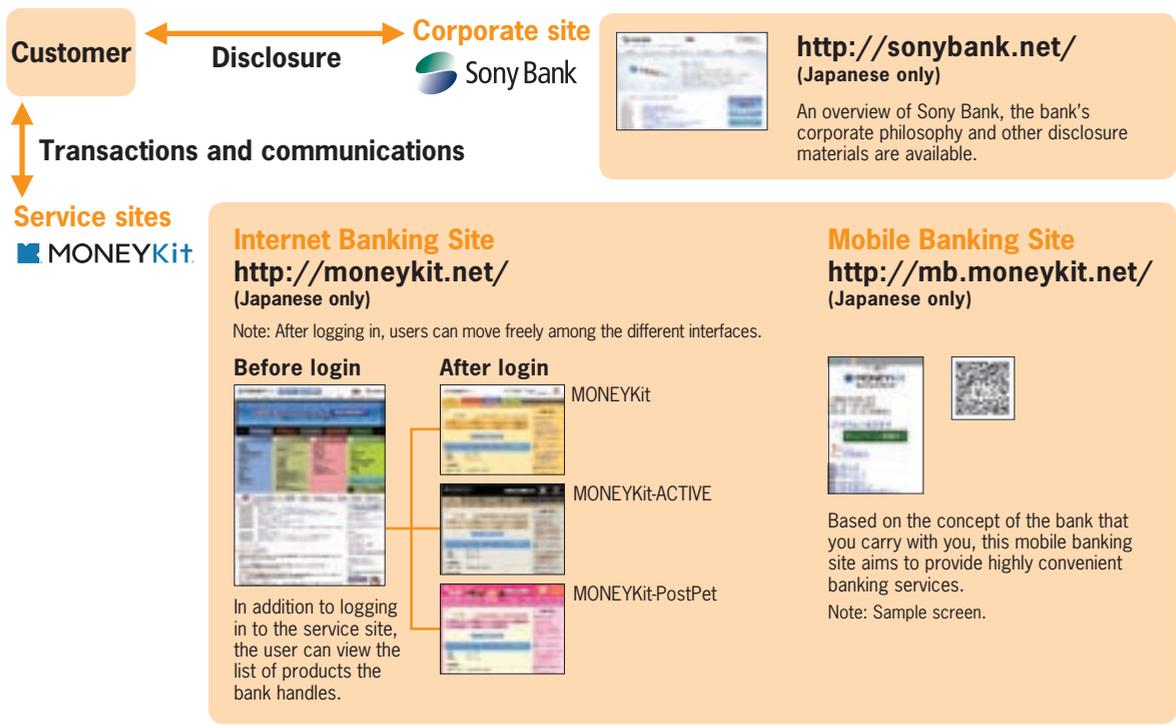
Sony Bank provides highly convenient, quality financial products and services to individual customers over the Internet, with a focus on customers' asset management. By differentiating itself from brick-and-mortar banks that offer full-fledged services and from other new entrants that focus on settlement services, Sony Bank has maintained a unique position by concentrating on providing retail asset management products such as yen deposits, foreign currency deposits and investment trusts, as well as mortgage loans and other loan products, via the Internet at reasonable rates 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 600,000 in March 2008 and average customer assets (deposits and investment trusts) per account exceeded ¥2.0 million as of March 31, 2008, indicating that customers were taking advantage of the characteristics of Internet banking to support their asset management needs.

In FY2007, Sony Bank demonstrated its competitive advantage. The bank introduced a number of initiatives, positioning the year as a period of building the foundations for growth. In April 2007, Sony Bank renewed the post-login screens on its service sites to increased usability, and in May 2007 the bank also commenced operations during the Japanese Golden Week holidays with the aim of providing even more convenient, high-quality financial services. In August 2007, the bank introduced a preferential system for foreign currency deposits, offering several preferential interest rates on foreign currency time deposits, reduced exchange fees and commissions on limit orders, depending on customer's balance of foreign currency deposits. In October 2007, Sony Bank Securities, Sony Bank's wholly-owned subsidiary, commenced operations. Offering intermediary services through Sony Bank Securities, Sony Bank began offering transactions, ranging from deposits to stocks, on its MONEYKit service website. In January 2008, Sony Life began conducting banking agency business on behalf of Sony Bank, starting with an offering of mortgage loans via Sony Life's Lifeplanner sales employees.

## Sony Bank's Products and Services

### Service Sites

As an Internet bank without any physical branches, Sony Bank conducts its operations through websites. These include a corporate site that disseminates information about the bank and service sites that customers use for their banking transactions.



### Main Products and Services

- Products**
- 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)
  - Foreign exchange margin transactions
  - MONEYKit GLOBAL (Cash card service settled in U.S. dollars)
  - Investment trusts (62 funds by 26 companies, as of July 1, 2008)
  - Card loans • Special-purpose loans (educational loans, new-vehicle loans, general-purpose loans)
  - Mortgage loans • Insurance • Securities intermediation • Credit card
- Services**
- Life Passbook (includes portfolio analysis and a life plan simulator)
  - Foreign exchange chart (shows exchange rates from yen into eight currencies and from U.S. dollars into seven currencies)
  - Market news and reports (continuously updated financial market information delivered in real time)
  - RiskGrade (indicator for determining risk of financial assets)
  - Stock Gear (tool for understanding stock market movements and to help pick stocks)

### Customer Center

Customer center staff members with specialized knowledge communicate with customers via telephone and e-mail, answering their questions.

### Affiliated ATMs

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

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

## Sony Bank's Major Initiatives in FY2007

In FY2007, Sony Bank demonstrated its competitive advantage. The bank introduced a number of initiatives, positioning FY2007 as a period of building the foundations for growth.

### ■ April 2007 Sony Bank Begins Offering Mortgage Loan with Sony Life's Group Credit Life Insurance Rider to Cover Three Major Diseases

Sony Bank began offering an insurance rider for protection against three major diseases on the bank's mortgage loan group credit life insurance, which is underwritten by Sony Life. Under the rider, insured people who are diagnosed with cancer, myocardial infarctions or cerebral embolisms are entitled to receive claim payments equivalent to their outstanding mortgage loan balances.

### ■ June 2007 Sony Bank Establishes Sony Bank Securities and Launches Securities Intermediary Services via Sony Bank Securities in October

In June 2007, Sony Bank established Sony Bank Securities Inc. as a wholly-owned specialized Internet securities subsidiary, and in October 2007 began offering securities intermediary services through this company. By adding securities offered through highly convenient Sony Bank Securities to Sony Bank's offerings and using MONEYKit, the "money toolbox," Sony Bank is working aggressively to meet broad-based customer needs for asset management.

### ■ August 2007 Introduction of Preferential System on Foreign Currency Deposits

The bank introduced a preferential system for foreign currency deposits. Depending on the three levels set based on the yen equivalent amount of a customer's foreign currency deposit balance at the end of each month, Sony Bank offers preferential interest rates on foreign currency time deposits for the second following month, reduced exchange fees and reduced commissions on limit orders.

### ■ January 2008 Elimination of All Fees for Accelerating Mortgage Loan Payments

From the standpoint of raising its level of service on mortgage loans, Sony Bank has eliminated all fees previously associated with changing the type of interest and accelerating mortgage loan payments.

### ■ March 2008 Sony Bank Begins Offering "Life Passbook," a New Money Management Tool

To bring financial products even closer to customers' daily lives, Sony Bank introduced Life Passbook, a money management support tool with five functions, including portfolio analysis and a life plan simulator.



Life Passbook Money Map

This analysis chart helps customers visualize balance information from the standpoint of profitability and risks

### Foreign Exchange Margin Transactions —Facilitating Trades That Are Closer to the Market—

To meet its customers' broad-ranging foreign currency investment needs, in May 2008 Sony Bank began handling foreign exchange margin transactions. This new service facilitates trades that are closer to market essentially 24 hours a day, 365 days a year. This service is featured as it forges a stronger link between margin money and deposits and allows smooth transfers even in foreign currencies. In addition, delivery (settlement on spot) is also available.



## Credit Rating

(As of July 1, 2008)

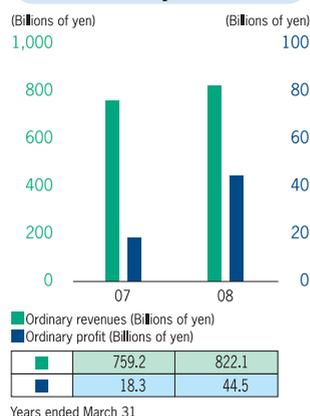
Rating Institution	Rating Information	
Standard & Poor's (S&P)	Long-term credit rating	A-
	Short-term credit rating	A-2

Note: The above ratings were assigned on Sony Bank's official request for ratings. These ratings are based on the rating agency's 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 FY2007

SFH

## Ordinary Revenues and Ordinary Profit



## Operating Results

SFH's consolidated ordinary revenues grew 8.3% during FY2007, to ¥822.1 billion, owing to better performances in all businesses: life insurance, non-life insurance and banking. In the life insurance business, the policy amount in force remained robust, boosting income from insurance premiums, while general account investment income also rose, resulting in a 7.5% increase in ordinary revenues, to ¥741.3 billion. In the non-life insurance business, net premiums written increased in line with a steady rise in the number of policies, mainly for automobile insurance, pushing up ordinary revenues 9.1%, to ¥55.6 billion. In the banking business, higher business volume boosted interest income, such as interest on loans. Ordinary revenues from the banking business consequently increased 33.4%, to ¥25.9 billion.

Consolidated ordinary expenses rose 5.0% compared with the previous fiscal year, to ¥777.6 billion, in line with higher expenses in all businesses. In the life insurance business, ordinary expenses grew 4.0%, to ¥702.2 billion, owing to higher insurance claims and other payments, despite the absence of an increase in FY2007 of the provision for policy reserve as was incurred in FY2006. In the non-life insurance business, net losses paid rose on an increase in the number of policies in force, helping ordinary expenses to grow 7.9%, to ¥52.8 billion. In the banking business, higher interest expenses and the increase in deposits pushed up ordinary expenses 30.1%, to ¥23.5 billion.

Consolidated ordinary profit increased 142.5% compared with the previous fiscal year, to ¥44.5 billion, reflecting stronger performance in all businesses, as described above. Specifically by business, in the life insurance business ordinary profit was up 162.5%, to ¥39.0 billion; in the non-life insurance business, ordinary profit rose 37.8%, to ¥2.8 billion; and in the banking business, ordinary profit soared 77.4%, to ¥2.4 billion.

SFH posted extraordinary losses of ¥3.8 billion, mainly owing to an increase in the provision for reserves for price fluctuations in the life insurance business.

Consolidated net income rose 142.0% compared with the previous fiscal year, to ¥24.2 billion, reflecting the increase in ordinary profit.

## Financial Condition

As of March 31, 2008, total assets amounted to ¥4,977.4 billion, up 15.1% from March 31, 2007. The principal reasons for this rise were increases to ¥2,930.4 billion in securities (up 10.6%), most of which were Japanese government bonds; ¥895.6 billion in monetary trusts (up 24.7%); ¥424.8 billion in call loans and bills bought (up 27.8%); and ¥455.7 billion in loans (up 19.5%).

Total liabilities amounted to ¥4,715.8 billion, up 16.3% from March 31, 2007. One of the largest components of liabilities, policy reserve and others, increased 9.4%, to ¥3,454.1 billion. Deposits came to ¥1,143.4 billion, up 52.0%.

Total net assets amounted to ¥261.6 billion, down 3.2% from March 31, 2007. Of this amount, net unrealized gains on other securities, net of taxes, were ¥74.9 billion on March 31, 2008, down ¥50.1 billion, owing to a market downturn.

The SFH Group has no subprime loan related investments.

## Cash Flows

Net cash provided by operating activities was ¥445.4 billion. Major factors included inflows from a net increase in deposits and higher insurance reserves that exceeded outflows from a net increase in call loans and bills bought.

Net cash used in investing activities was ¥605.2 billion. The primary reason was an increase in payments for purchases of securities that surpassed proceeds from sales and redemption of securities.

Net cash provided by financing activities was ¥22.3 billion. This amount represents ¥28.8 billion received from the issuance of common stock in line with the October 2007 listing of SFH's shares on the Tokyo Stock Exchange, minus ¥6.5 billion in cash dividends paid.

As a result of the above factors, cash and cash equivalents at March 31, 2008, were ¥136.1 billion, down ¥137.5 billion from March 31, 2007.

SFH's consolidated operating results are composed of the life insurance, non-life insurance and banking businesses. In this section, we review the operating performance in FY2007 in each business segment.

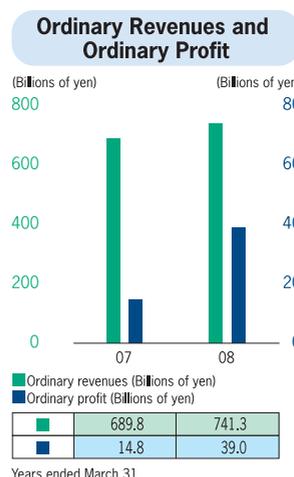
## Life Insurance Business

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 FY2007, ordinary revenues in the life insurance business increased 7.5%, compared with the previous fiscal year, to ¥741.3 billion, as the policy amount in force remained robust, boosting income from insurance premiums, and general account investment

income also rose. Ordinary profit jumped 162.5%, to ¥39.0 billion.

\* In August 2007, Sony Life established an affiliated company, AEGON Sony Life Planning Co., Ltd., but this company is not included as an affiliate accounted for under the equity method in FY2007.



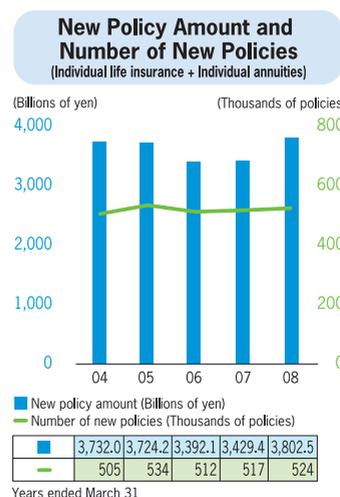
Below, we review the operating performance of Sony Life, excluding Sony Life Insurance (Philippines) Corporation. Sony Life accounts for the majority of the life insurance business in SFH's consolidated financial statements.

### ■ New Policy Amount

In FY2007, Sony Life's new policy amount—the total policy amount of new insurance policies sold—for individual life insurance and individual annuities increased 10.9% from the previous fiscal year, to ¥3,802.5 billion. The number of new policies for individual life insurance and individual annuities edged up 1.4%, to ¥524 thousand. Sales of family income insurance and variable life insurance were robust in FY2007.

Within the new policy amount, individual life insurance amounted to ¥3,744.6 billion, up 10.2% year on year, and individual annuities amounted to ¥57.9 billion, up 77.7%. Group life insurance amounted to ¥5.9 billion, down 23.3%.

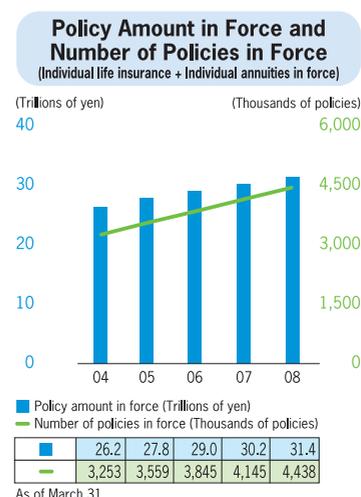
Annualized premiums for new policies for the total of individual life insurance and individual annuities in FY2007 decreased 3.2% year on year, to ¥63.4 billion. Of this amount, annualized premiums for medical protection and living benefit protection products amounted to ¥13.3 billion, down 7.7%.



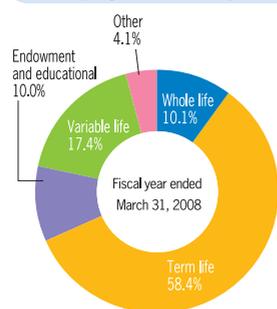
### ■ Policy Amount in Force

Policy amount in force is the total coverage that Sony Life's policies provide for policyholders. As of March 31, 2008, total policy amount in force for individual life insurance and individual annuities increased 4.1% from the end of the previous fiscal year, to ¥31,497.3 billion. The number of policies in force for individual life insurance and individual annuities grew 7.1% year on year, to 4,438 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 on a downward trend since 1996, Sony Life's policy amount in force—the total of individual life insurance and individual annuities—increased ¥1,252.8 billion for FY2007, continuing its steady growth for each of the 27 years since the company commenced operations.

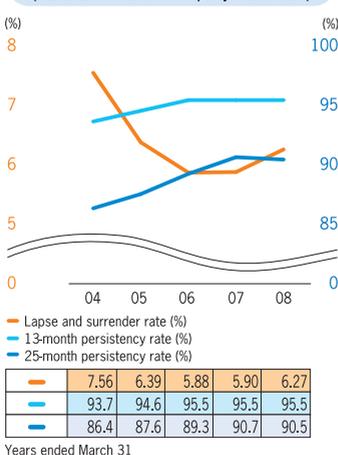
Policy amount of individual life insurance in force increased 4.0% from the end of the previous fiscal year, to ¥31,237.0 billion, and individual annuities in force rose 26.1%, to ¥260.2 billion. In addition, policy amount of group life insurance in force amounted to ¥937.2 billion, up 3.2%, and group annuities in force totaled to ¥73.3 billion, up 0.9%.



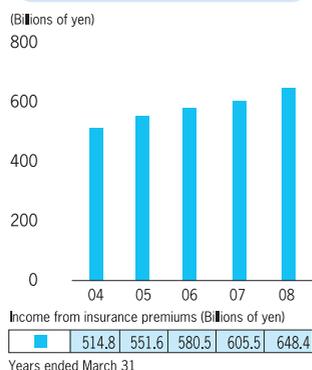
### New Policy Amount by Type of Product



### Lapse and Surrender Rate and Persistency Rates



### Income from Insurance Premiums



Annualized premiums from insurance in force for the total of individual life insurance and individual annuities as of March 31, 2008, increased 5.0% year on year, to ¥530.0 billion. Of this amount, annualized premiums for medical protection and living benefit protection products were ¥122.8 billion, up 4.6%.

### Sales of Products

In FY2007, on a policy amount basis, more than 80% of the new policy amount was death protection-type products. Of the total new policy amount, whole life insurance accounted for 10.1%, term life insurance for 58.4%, endowment and educational insurance for 10.0%, variable life insurance for 17.4%, and other for 4.1%. Of all products, sales of family income insurance and other limited-term insurance products, as well as variable life insurance for individuals, were robust in FY2007. These results owe mainly to Sony Life's advantages in providing reasonable protection at relatively low premiums.

### Lapse and Surrender Rate and Persistency Rates

In FY2007, Sony Life's lapse and surrender rate\* for individual life insurance, on a policy amount basis, rose 0.37 percentage point, but remained at the low level of 6.27%. 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 fell 0.2 percentage point, to 90.5%. We believe the low lapse and surrender rate and the high persistency rates are a result of policyholders' satisfaction with the way Lifeplanner sales employees and Partners (independent agencies) tailor products to each customer's life plan through careful consulting and after-sale follow-up services.

\* The lapse and surrender rate is expressed as a ratio of cancellations or lapses 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 FY2007 rose steadily to ¥646.9 billion, from ¥603.6 billion in the previous fiscal year. In FY2007, income from insurance premiums increased 7.1%, to ¥648.4 billion, owing to the increase in policy amount in force. On the other hand, insurance claims, benefits and annuities that Sony Life paid to policyholders in FY2007 amounted to ¥60.0 billion (¥59.0 billion in FY2006), ¥28.4 billion (¥25.7 billion in FY2006) and ¥6.3 billion (¥5.1 billion in FY2006), respectively. Insurance claims and other payments, including surrender payments, for FY2007 amounted to ¥241.1 billion, compared with ¥219.3 billion in the previous fiscal year. We believe that in FY2007, as in past years, Sony Life 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 a portfolio capable of ensuring stable mid- to long-term returns through the efficient investment of funds, taking into account 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 FY2007, Sony Life followed its strategy of responding flexibly to changes in the investment environment. In the first half of FY2007, when interest rates in Japan trended upward, Sony Life invested mainly in long-term Japanese government bonds. For its investments in convertible bonds, Sony Life concentrated on convertible bonds for which prices had declined due to the issuers' falling stock prices.

As of March 31, 2008, general account assets totaled ¥3,337.9 billion, up 6.9%, or ¥214.6 billion, from the end of the previous fiscal year. Within the general account, Japanese government and corporate bond investments totaled ¥1,722.8 billion (accounting for 51.6% of total general account assets), Japanese stocks ¥172.9 billion (5.2%), foreign government and corporate bonds ¥154.1 billion (4.6%), foreign stocks ¥24.5 billion (0.7%), other securities ¥12.0 billion (0.4%), monetary trusts ¥893.9 billion (26.8%), policyholder loans ¥108.6 billion (3.3%), real estate ¥82.8 billion (2.5%), and cash and call loans ¥82.1 billion (2.5%). Sony Life holds monetary trusts for accounting classification purposes. Of these, Japanese government and corporate bonds were ¥778.9 billion and Japanese stocks were ¥33.3 billion, as of March 31, 2008.

Convertible bonds as of March 31, 2008, amounted to ¥427.0 billion (of which, ¥139.4 billion were held as monetary trusts), accounting for 12.8% of total general account assets.

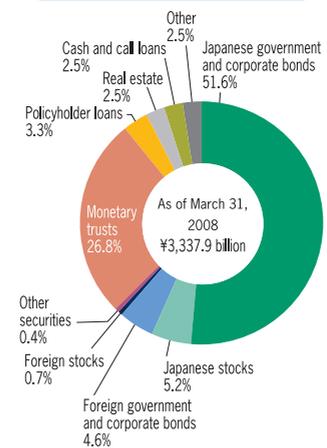
## ■ Unrealized Gains and Losses on Securities

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 46.)

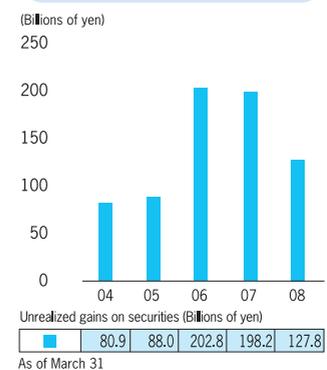
Unrealized gains on securities in the general account stood at ¥127.8 billion as of March 31, 2008, down 35.5% from the end of the previous fiscal year. Of this amount, unrealized gains on Japanese stocks were ¥50.8 billion (compared with ¥130.0 billion one year earlier) and ¥83.4 billion on Japanese bonds (versus ¥57.1 billion). Unrealized losses on foreign securities were ¥9.5 billion, whereas unrealized gains were ¥4.2 billion a year ago.

\* As of March 31, 2008, Sony Life assumed unrealized gains on Japanese stocks to be zero when the Nikkei Stock Average is ¥9,489 and the TOPIX index is 919 points.

### General Account Asset Composition



### Unrealized Gains on Securities



## Core Profit



## Core Profit

Core profit is an indicator of the profit-earning capacity of the primary insurance business over a one-year period. 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 FY2007, Sony Life's core profit decreased 3.3% year on year, to ¥23.5 billion, owing to an increase in operating expenses.

Note: Like most life insurers that are organized as joint stock corporations, Sony Life sells non-participating life insurance. Mutual corporations, in contrast, 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	2007	2008
Core profit [A]	24,366	23,571
Capital gains	22,571	29,963
Gains on monetary trusts	5,814	5,304
Gains on investments in trading securities	1,708	324
Gains on sales of securities	11,887	24,023
Gains from derivatives	3,061	—
Foreign exchange gains	99	310
Other capital gains	—	—
Capital losses	215	13,119
Losses on monetary trusts	—	—
Losses on investments in trading securities	—	—
Losses on sales of securities	148	1,563
Devaluation losses on securities	66	6,697
Losses from derivatives	—	4,858
Foreign exchange losses	—	—
Other capital losses	—	—
Net capital gains [B]	22,356	16,844
Core profit plus net capital gains [A]+[B]	46,722	40,416
Other one-time gains	1,849	1,662
Gain from reinsurance	—	—
Reversal of contingency reserve	—	—
Other	1,849	1,662
Other one-time losses	33,676	2,787
Losses from reinsurance	—	—
Provision for contingency reserves	2,488	2,776
Provision for reserve for specific problem loans	24	10
Provision for reserve for specific overseas receivable assets	—	—
Loans amortization	—	—
Other	31,162	—
Total other one-time losses [C]	(31,827)	(1,125)
Ordinary profit [A]+[B]+[C]	14,895	39,290

- Notes: 1. Core profit for the fiscal year ended March 31, 2008, included gains on monetary trusts resulting from income gains equal to ¥9,471 million. "Other" in other one-time losses consisted of a one-time ¥1,662 million provision for policy reserves, which were increased to maintain future financial soundness for some insurance policies.
2. Core profit for the fiscal year ended March 31, 2007, included gains on monetary trusts resulting from income gains equal to ¥6,355 million. "Other" in other one-time gains, consisted of a ¥1,849 million reversal of policy reserve with respect to reserves previously established for future liabilities for certain insurance policies. "Other" in other one-time losses consisted of a one-time provision of ¥31,162 million for policy reserve. This provision related to certain insurance policies for which Sony Life had identified a risk that policyholder premiums (calculated based on then-applicable assumed rates of return and assumed mortality rates) could be insufficient to cover future payments. This provision also relates to all future liabilities for payment under the relevant 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.” 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 some policies.

Sony Life’s negative spread in FY2007 was ¥26.7 billion, compared with ¥37.3 billion in the previous fiscal year. Going forward, Sony Life will strive to raise management efficiency and continue to maintain ample profits to cover its negative spread.

Formula for Calculating Negative Spread

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

- 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” is the assumed yield on the 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

## ■ 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, 2008, was ¥108.6 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

Category	As of March 31 (Millions of yen)	
	2007	2008
Bankrupt loans . . . . .	—	—
Non-accrual delinquent loans . . .	—	—
Past-due loans (three months or more). . . . .	—	—
Restructured loans . . . . .	—	—
Total . . . . .	—	—

### Loans by Borrower Category

Category	As of March 31 (Millions of yen)	
	2007	2008
Bankrupt and quasi-bankrupt loans . . . . .	—	—
Doubtful loans . . . . .	—	—
Sub-standard loans . . . . .	—	—
Normal loans . . . . .	98,601	110,662
Total . . . . .	98,601	110,662

## ■ 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 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, 2008, Sony Life had a high solvency margin ratio of 1,747.9%, down 104.1 percentage points from the end of the previous fiscal year.

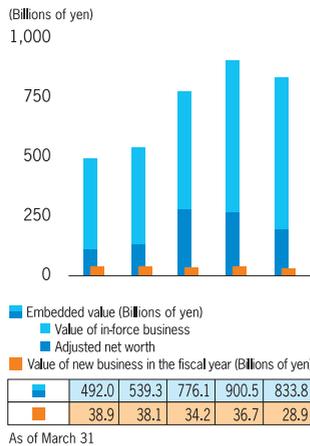
As of March 31		(Millions of yen)	
Item		2007	2008
Total solvency margin	[A]	625,097	<b>604,078</b>
Total capital		82,893	<b>94,407</b>
Reserve for price fluctuations		20,882	<b>24,099</b>
Contingency reserve		59,031	<b>61,807</b>
Reserve for possible loan losses		0	<b>0</b>
Net unrealized gains on other securities x 90% (100% in the event of an unrealized loss)		181,510	<b>116,735</b>
Net unrealized gains on real estate x 85% (100% in the event of an unrealized loss)		3,790	<b>5,172</b>
Excess of the amount equivalent to policy reserve under Zillmerized method		—	<b>287,332</b>
Subordinated debt		—	<b>—</b>
Deductible items		—	<b>—</b>
Other		276,989	<b>14,523</b>
Total risk $\sqrt{R1^2+(R2+R3+R7)^2}+R4$	[B]	67,501	<b>69,119</b>
Insurance risks R1		23,892	<b>17,989</b>
Assumed interest rate risks R2		10,798	<b>11,095</b>
Asset management risks R3		46,977	<b>45,376</b>
Business management risks R4		1,703	<b>1,750</b>
Minimum guarantee risks R7		3,530	<b>6,120</b>
Third-sector insurance risks R8		—	<b>6,926</b>
Solvency margin ratio { [A] / ([B] x 1/2) } x 100		1,852.0%	<b>1,747.9%</b>

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 the Ministry of Finance Official Notification No. 50. Any excess of the amount equivalent to policy reserve under Zillmer method is calculated as stipulated by Article 1-3 of Ministry of Finance Official Notification No. 50. As of March 31, 2007, excess of the amount equivalent to policy reserve under Zillmer method was included in "other."

2. From March 31, 2008, the third-sector insurance risks item is included in the calculation. (Figures for March 31, 2007, are based on the former standard.)

3. A standard method is used to calculate minimum guarantee risks.

## Embedded Value



## 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 at the end of each fiscal year 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 was as follows:

As of March 31	2004	2005	2006	2007	2008
EV	492.0	539.3	776.1	900.5	<b>833.8</b>
Value of in-force business	381.7	409.6	499.8	638.8	<b>638.9</b>
Adjusted net worth	110.2	129.7	276.3	261.7	<b>194.8</b>
Value of new business in the fiscal year	38.9	38.1	34.2	36.7	<b>28.9</b>

Note: Different calculation methods and assumptions are used for EV results as of March 31, 2004, 2005, 2006, 2007 and 2008.

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 and certain other bonds.

Under the accounting principles and practices generally accepted in Japan ("Japanese GAAP"), which applies 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, we believe 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.

### Breakdown of Adjusted Net Worth

As of March 31	2007	2008	Change
Adjusted net worth	261.7	<b>194.8</b>	(66.9)
Total net assets*	207.6	<b>136.9</b>	(70.7)
Reserve for price fluctuations	20.9	<b>24.1</b>	3.2
Contingency reserve	59.0	<b>61.8</b>	2.8
Reserve for possible loan losses	0	<b>0</b>	0
Net unrealized gains on land	6.8	<b>8.4</b>	1.6
Unfunded employees' retirement benefits liability	(1.9)	<b>(3.5)</b>	(1.6)
Deferred tax assets corresponding to preceding five items	(30.7)	<b>(32.9)</b>	(2.2)

\* Excluding net unrealized gain on bonds except for convertible and certain other bonds.

## Major Assumptions

The major assumptions employed in the calculation of EV at March 31, 2008 were as follows. Note that different major assumptions are used in calculating EV results as of March 31, 2004, 2005, 2006 and 2007.

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 (FY2005–FY2007)
Lapse and surrender rate	Based on Sony Life's experience over the three most recent fiscal years (FY2005–FY2007)
Operating expenses	Calculated using the cost for the maintenance and administration of policies and for payments of claims is based on Sony Life's experience during the most recent fiscal year (FY2007)
Effective tax rate	Based on the most recent effective tax rate (based on the rate for FY2007)
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: 1.28%), 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, 2008, 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.

The implied forward rates that were used are as follows.

FY	Investment Yield
2008	0.57%
2009	0.61%
2010	0.81%
2011	0.98%
2012	0.98%
2017	2.78%
2022	3.18%
2027	3.50%
2032	3.40%
2037	3.51%

## (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 and certain other bonds, Sony Life assumed that it would hold them to maturity.
- For convertible and certain other 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.

The weighted average investment yields on new investments and existing assets that were used are as follows

FY	Investment Yield
2008	1.92%
2009	1.88%
2010	1.89%
2011	1.91%
2012	1.88%
2017	2.90%
2022	3.24%
2027	3.66%
2032	3.63%
2037	3.77%

**Movement analysis of EV from March 31, 2007**

The change in EV from March 31, 2007 to March 31, 2008 is split into the following components.

Item	(Billions of yen)	
	Amount	
(1) EV as of March 31, 2007	900.5	
(2) Shareholder dividends	(6.5)	
(3) Release from the value of in-force business	38.1	
(4) EV of new policies for FY2007	28.9	
(5) Difference between assumptions and actual results for the year ended March 31, 2008	(113.2)	
(6) Difference from changes in the assumptions	(14.1)	
(7) EV as of March 31, 2008	833.8	

Note: Item (3) corresponds to unwinding of the amount of discount for one year made as of March 31, 2007 on the value of in-force business.

### Impact of Changing Assumptions (Sensitivities)

The impact of changing the underlying assumptions on EV at March 31, 2008 would be as follows:

		(Billions of yen)	
		Amount of Increase (Decrease)	EV Amount
Discount rate . . . . .	From 6.0% to 5.0% . . . . .	83.1	916.9
	From 6.0% to 7.0% . . . . .	(67.5)	766.3
Solvency margin ratio . . . . .	From 600% to 500% . . . . .	7.7	841.5
	From 600% to 700% . . . . .	(8.6)	825.2
Investment yield: +0.25%* . . . . .	On total investments . . . . .	59.1	892.8
	On new investments . . . . .	34.8	868.6
Investment yield: -0.25%* . . . . .	On total investments . . . . .	(61.2)	772.5
	On new investments . . . . .	(35.0)	798.7
Mortality and morbidity . . . . .	Assumption x 1.1 . . . . .	(65.3)	768.5
Lapse and surrender rate . . . . .	Assumption x 1.1 . . . . .	(16.1)	817.7
Operating expenses . . . . .	Assumption x 1.1 . . . . .	(6.5)	827.2

\* 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, 2008, 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, 2008 by ¥13.4 billion and reduced EV as of March 31, 2007 by ¥4.3 billion.

### Opinion of Outside Specialist

Sony Life has obtained an opinion letter from Milliman, Inc., an independent actuarial firm that possesses insurance actuarial expertise, as attached.

This opinion letter can be found on SFH's website, at [http://www.sonyfh.co.jp/index\\_en.html](http://www.sonyfh.co.jp/index_en.html).

### Disclaimer

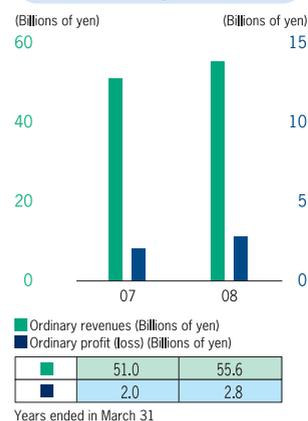
Statements made in this annual report contain calculations based on assumptions regarding future projections that are subject to risks and uncertainties. Actual future results might differ significantly from the assumptions used in the EV calculations. Therefore readers are advised to be cautious and 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.

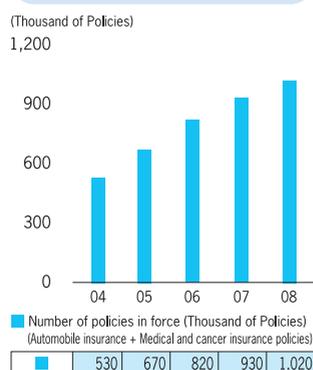
In FY2007, ordinary revenues from the non-life insurance business increased 9.1% year on year, to ¥55.6 billion, as a result of an increase in net premiums written associated with steady growth in the number of policies, primarily automobile insurance policies. Ordinary profit grew 37.8%, to ¥2.8 billion, owing to higher ordinary revenues and the stable net loss ratio, which remained in line with that of the previous year.

### Ordinary Revenues and Ordinary Profit



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)



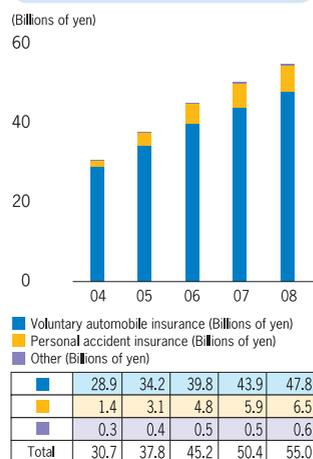
As of March 31

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

### ■ Policies in Force

In FY2007, the number of policyholders of Sony Assurance's mainstay automobile insurance and medical and cancer insurance continued to grow steadily. As a result, insurance policies in force—the sum of automobile insurance and medical and cancer insurance policies—as of March 31, 2008, increased 90 thousand from the end of the previous fiscal year to 1.02 million.

### Net Premiums Written



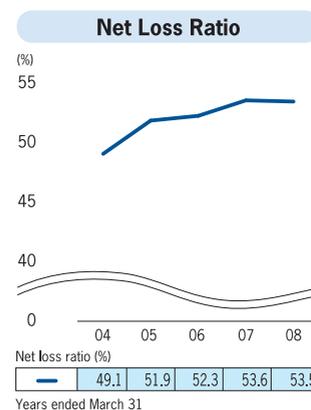
Years ended March 31

### ■ Net Premiums Written

Net premiums written at non-life insurance companies, which corresponds with sales in other industries, are the premiums received from policyholders (i.e., direct premiums written) plus or minus reinsurance premiums (adding direct reinsurance premiums received and subtracting direct reinsurance premiums paid). In FY2007, Sony Assurance's net premiums written increased 9.0% year on year, to ¥55.0 billion. By type of insurance, net premiums written for voluntary automobile insurance increased 8.9%, to ¥47.8 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 9.3%, to ¥6.5 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 increased 11.2%, to ¥0.6 billion.

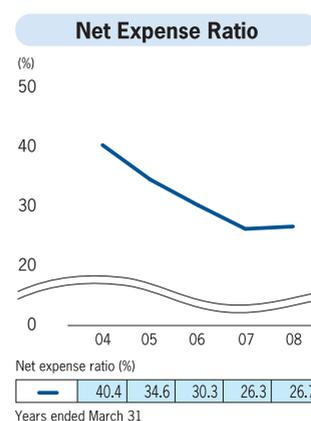
### ■ Net Loss Ratio

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 FY2007, Sony Assurance's net loss ratio improved 0.1 percentage point, to 53.5%, from 53.6% in FY2006. By type of insurance, the net loss ratio on voluntary automobile insurance improved 0.6 percentage point, from 58.2% to 57.6%, while for personal accident insurance, including medical and cancer insurance, the ratio rose 3.5 percentage points, from 17.5% to 21.0%.



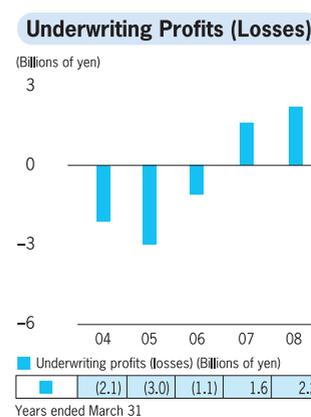
### ■ Net Expense Ratio

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 FY2007, Sony Assurance's net expense ratio rose 0.4 percentage point from the previous fiscal year to 26.7%, due to an increase of system-related expenses despite the improved efficiency of operations. The combined ratio—the sum of the net loss ratio and the net expense ratio—was up 0.4 percentage point from 79.9% to 80.3%.



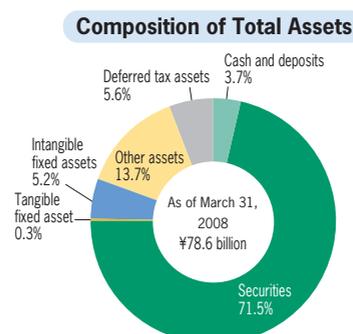
### ■ Underwriting Profits

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 FY2007, Sony Assurance's underwriting profits increased ¥0.6 billion compared with the previous fiscal year, to ¥2.2 billion, owing to an increase in net premiums written and the stable net loss ratio, which remained essentially unchanged. By type of insurance, underwriting profits on voluntary automobile insurance rose ¥0.4 billion, to ¥1.1 billion. For personal accident insurance, including medical and cancer insurance, underwriting profits increased ¥0.2 billion, to ¥0.9 billion.



## ■ Total Asset Composition and Investment Policy

As of March 31, 2008, Sony Assurance's total assets increased 16.6% from the end of the previous fiscal year, to ¥78.6 billion. Of total assets, cash and deposits amounted to ¥2.9 billion (accounting for 3.7% of the total); securities ¥56.2 billion (accounting for 71.5%); tangible fixed assets ¥0.2 billion (accounting for 0.3%); intangible fixed assets ¥4.0 billion (accounting for 5.2%); other assets ¥10.7 billion (accounting for 13.7%); and deferred tax assets ¥4.4 billion (accounting for 5.6%). 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.



## ■ 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, 2008, Sony Assurance maintained a sound solvency margin ratio of 1,073.9%.

As of March 31		(Millions of yen)	
Item		2007	2008
Total solvency margin	[A]	20,186	<b>23,977</b>
Capital or treasury amount (net assets, excluding the amount of expected outflow from the company and the amount of valuation and exchange differences and deferred assets)		13,222	<b>15,408</b>
Reserve for price fluctuations		25	<b>36</b>
Contingency reserve		—	<b>2</b>
Special catastrophe reserves		6,800	<b>8,553</b>
Reserve for possible loan losses		—	—
Net unrealized gains on other securities x 90% (100% in the event of an unrealized loss)		137	<b>(23)</b>
Net unrealized gains on real estate x 85% (100% in the event of an unrealized loss)		—	—
Refund reserve premium		—	—
Subordinated debt		—	—
Deductible items		—	—
Other		—	—
Total risk $\sqrt{(R1+R2)^2+(R3+R4)^2}+R5+R6$	[B]	3,998	<b>4,465</b>
Ordinary insurance risks	R1	3,408	<b>3,701</b>
Third-sector insurance risks	R2	—	<b>0</b>
Assumed interest rate risks	R3	—	<b>6</b>
Asset management risks	R4	231	<b>306</b>
Business management risks	R5	122	<b>138</b>
Major catastrophe risks	R6	458	<b>611</b>
Solvency margin ratio $\{[A]/([B] \times 1/2)\} \times 100$		1,009.7%	<b>1,073.9%</b>

Note: Calculations and figures included 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 Official Notification No. 50. The method of computing the solvency margin ratio was changed in accordance with revisions to the Insurance Business Law of Japan enforcement regulations made during the fiscal year ended March 31, 2008. Consequently, the basis of calculation differs for figures as of March 31, 2007, and March 31, 2008.

## ■ Non-Performing Assets

Sony Assurance's self-assessment of assets is outlined below. As stated, there were no loans.

### Risk-Monitored Loans

As of March 31	(Millions of yen)	
Category	2007	2008
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	2007	2008
Bankrupt and quasi-bankrupt loans	—	—
Doubtful loans	—	—
Sub-standard loans	—	—
Normal loans	—	—
Total	—	—

## Banking Business

Operations in the banking business include those of Sony Bank, a wholly-owned subsidiary of SFH, and Sony Bank Securities, a wholly-owned subsidiary of Sony Bank.

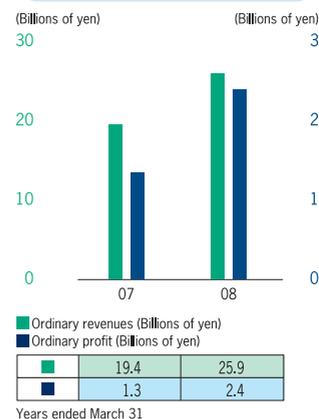
In FY2007, ordinary revenues from the banking business rose 33.4% year on year, to ¥25.9 billion, mainly due to higher interest income, which resulted from increased loans led by a rise in mortgage loans and greater investment income from higher deposits.

Owing to a rise in gross operating profit, ordinary profit soared 77.4%, to ¥2.4 billion.

\* SFH's ownership in Sony Bank was 88.0% through FY2006, but changed to 100% in March 2008.

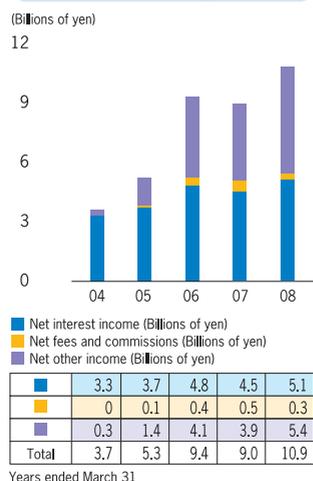
\*\* Sony Bank Securities was established in June 2007 and commenced operations in October 2007.

### Ordinary Revenues and Ordinary Profit



Below, we review the operating performance of Sony Bank, which accounts for the majority of the banking business in SFH's consolidated financial statements.

### Gross Operating Profit



### Gross Operating Profit

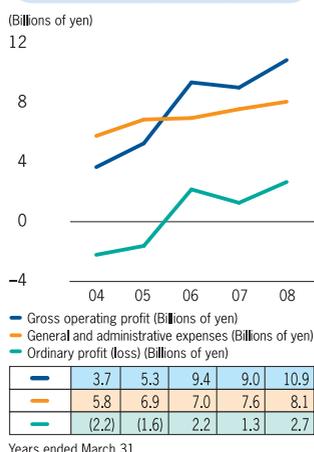
In FY2007, Sony Bank's gross operating profit increased 21.2% year on year, to ¥10.9 billion, owing to higher net interest income. The bank derives gross operating profit from net interest income, net fees and commissions and net other income.

Sony Bank uses the funds that its customers have deposited to invest in securities, provide mortgage loans and offer 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 FY2007, net interest income increased 11.3% year on year, to ¥5.1 billion, mainly as the result of a higher balance of invested assets led by the expansion of business.

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 ATM use and for remittances and transfers. In FY2007, net fees and commissions decreased 27.8% from the previous fiscal year to ¥0.3 billion, owing to higher fees and commissions paid mainly for the use of ATMs.

Net other income refers to services 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 (gains or losses on derivative products, including swaps held to hedge securities and other investments). In FY2007, net other income increased 39.8% year on year, to ¥5.4 billion, due to an improvement in profit and losses on market investments.

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



### ■General and Administrative Expenses

General and administrative expenses increased 6.3% from the previous fiscal year, to ¥8.1 billion, owing to greater personnel expenses associated with the expansion of business.

### ■Ordinary Profit

Due to higher gross operating profit, Sony Bank's non-consolidated ordinary profit jumped 102.8% year on year, to ¥2.7 billion. Net income increased substantially, from ¥1.0 billion to ¥4.4 billion because of the above-mentioned factors and corporate taxes associated with a deferred tax liability.

### ■Number of Accounts

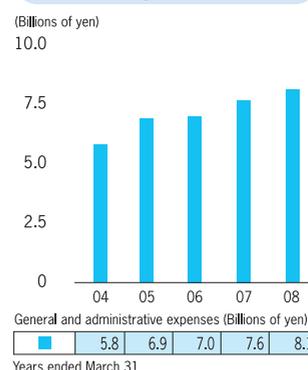
Throughout FY2007, Sony Bank endeavored to acquire new customers by expanding its product and service offerings and raising its brand awareness. As a result, the number of accounts increased steadily throughout the year, growing 24.2%, or 118 thousand, to 610 thousand as of March 31, 2008.

### ■Customer Assets (Total of Deposits and Investment Trusts)

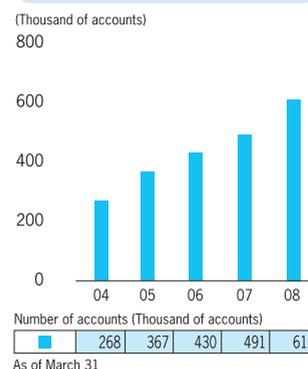
Customer assets (total of deposits and investment trusts) as of March 31, 2008, were ¥1,247.3 billion, up 46.9% from the end of the previous fiscal year. Of this figure, yen deposits accounted for 71.6% and amounted to ¥892.6 billion, foreign currency deposits accounted for 20.2% and came to ¥251.7 billion, resulting in total deposits constituting 91.7% of total customer assets at ¥1,144.3 billion. Investment trusts accounted for 8.3% of total customer assets, with a balance of ¥102.9 billion.

Of yen deposits, growing interest in Internet banking and time deposits and the effect of special interest rate offerings during the Japanese bonus period caused the pace of yen deposit increases to rise substantially. Consequently, the balance of yen deposits amounted to ¥892.6 billion as of March 31, 2008, up 47.7% from one year earlier. The balance of foreign currency deposits also rose significantly, owing to ongoing yen appreciation throughout the fiscal year, resulting in more foreign currency deposits, especially those in U.S. dollars, being purchased. As of March 31, 2008, foreign currency deposits were up 70.2%, to ¥251.7 billion, accounting for 22.0% of total deposits. Despite a worsening market environment that caused base values to decline, investment trusts increased 6.7% year on year, to ¥102.9 billion as of March 31, 2008.

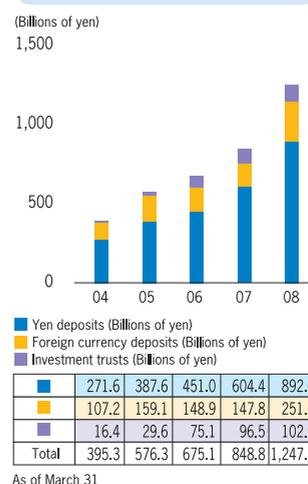
### General and Administrative Expenses



### Number of Accounts

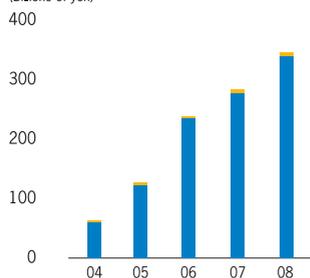


### Customer Assets



## Loans

(Billions of yen)



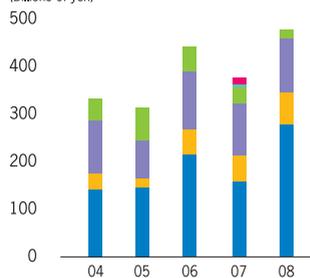
■ Mortgage loans (Billions of yen)  
■ Other (Billions of yen)

	04	05	06	07	08
Mortgage loans (Billions of yen)	60.4	122.7	234.3	278.0	338.8
Other (Billions of yen)	2.5	3.6	5.0	6.6	8.1
Total	63.0	126.3	239.4	284.7	347.0

As of March 31

## Securities (by Ratings)

(Billions of yen)



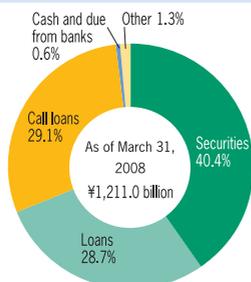
■ AAA ■ AA ■ A ■ BBB  
■ P-1 ■ P-2

	04	05	06	07	08
AAA	141.8	146.6	214.4	157.5	277.2
AA	31.7	17.0	53.6	54.8	69.1
A	112.4	81.5	121.0	110.1	113.3
BBB	47.2	69.3	53.3	32.7	18.2
P-1	—	—	—	7.9	—
P-2	—	—	—	12.9	—
Securities	333.4	314.5	442.5	376.2	478.0

As of March 31

Note: Graph figures exclude ¥7.7 billion in investment trusts that are not rated and ¥3.0 billion in shares of a subsidiary.

## Composition of Total Assets



## Loans

Loans as of March 31, 2008, were up 21.9% from the end of the previous fiscal year, to ¥347.0 billion. Of this figure, mortgage loans accounted for 97.6%. Besides mortgage loans, Sony Bank offers card loans and special-purpose loans.

As of March 31, 2008, the balance of mortgage loans was up 21.9% from the end of the previous fiscal year, to ¥338.8 billion. In FY2007, Sony Bank expanded its mortgage loan tie-ups and in January 2008 completely eliminated commissions on accelerated mortgage loan payments. In addition, Sony Life began handling banking agency business on behalf of Sony Bank, enabling Sony Life's Lifeplanner sales employees to explain Sony Bank's mortgage loan products, as well as to deliver applications to customers. Thus, Sony Bank has enhanced its services.

## Securities

Sony Bank's principal investments are in securities, and as of March 31, 2008, the balance of securities was ¥488.7 billion, up 28.2% from the end of the previous fiscal year. Of this amount, Japanese government bonds represented ¥171.1 billion, up ¥40.1 billion; corporate bonds were ¥152.1 billion, up ¥77.3 billion; and other securities amounted to ¥162.5 billion, up ¥8.0 billion. Securities rated AA or above accounted for 72.5% of the total.

Sony Bank's investment in Sony Bank Securities of ¥3.0 billion (¥1.5 billion in common stock and ¥1.5 billion in capital surplus) was recorded as stock.

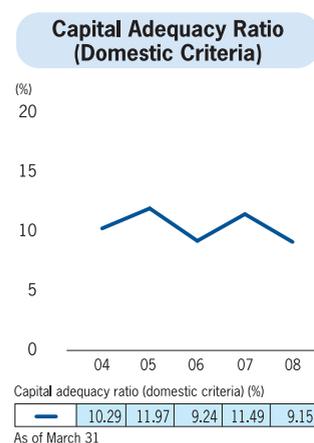
Note: Sony Bank classifies its securities according to the Basel II standardized approach, by referring to the ratings of five rating agencies: Moody's Investors Service, Inc.; Standard & Poor's; Rating and Investment Information, Inc.; Japan Credit Rating Agency, Ltd.; and Fitch Ratings, Ltd.

## Total Assets

Sony Bank's total assets as of March 31, 2008, increased 50.1% from the end of the previous fiscal year, to ¥1,211.0 billion. Of this figure, securities were ¥488.7 billion (accounting for 40.4% of the total), loans were ¥347.0 billion (28.7%), call loans were ¥352.5 billion (29.1%), cash and due from banks were ¥7.3 billion (0.6%), and other items were ¥15.2 billion (1.3%).

## ■ Capital Adequacy Ratio (Domestic Criteria)

The capital adequacy ratio indicates a bank's financial stability. As of March 31, 2008, Sony Bank's capital adequacy ratio (domestic criteria) was 9.15%. This level is significantly higher than the 4.0% capital adequacy ratio required under the Banking Law of Japan as a minimum standard for banks that operate only in Japan.



## Sony Bank's Capital Adequacy Ratio (Domestic Criteria)

As of March 31		(Millions of yen)	
Category		2007	2008
Tier I capital [A]	(Core capital)	37,342	<b>37,241</b>
	Common stock . . . . .	25,000	<b>25,000</b>
	Of which, noncumulative perpetual preferred stock . . . . .	—	—
	Capital surplus . . . . .	15,000	<b>15,000</b>
	Retained earnings . . . . .	—	—
	Other retained earnings . . . . .	1,804	<b>6,296</b>
	Unrealized losses on other securities . . . . .	4,462	<b>9,055</b>
Tier II capital [B]	(Supplementary capital)	152	<b>161</b>
	General reserve for possible loan losses . . . . .	152	<b>161</b>
Deductions [C]		—	—
Total capital [A+B-C] [D]		37,494	<b>37,402</b>
Risk-adjusted assets [E]		326,318	<b>408,710</b>
	On-balance items . . . . .	306,833	<b>386,395</b>
	Off-balance items . . . . .	1,120	<b>312</b>
	Result of dividing operational risk by 8% . . . . .	18,364	<b>22,002</b>
Capital adequacy ratio [D/E]		11.49%	<b>9.15%</b>

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

## ■ 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 industry standards and manages loans carefully. Consequently, non-performing assets are low in every category (see tables), enabling the bank to maintain a healthy composition of assets.

### Risk-Monitored Loans

As of March 31		(Millions of yen)	
Category		2007	2008
Bankrupt loans . . . . .		—	<b>15</b>
Non-accrual delinquent loans . . . . .		24	<b>227</b>
Past-due loans (three months or more). . . . .		—	—
Restructured loans . . . . .		252	<b>244</b>
Total . . . . .		277	<b>487</b>

### Problem Loans based on the Financial Reconstruction Law

As of March 31		(Millions of yen)	
Category		2007	2008
Bankrupt and quasi-bankrupt loans . . . . .		24	<b>152</b>
Doubtful loans . . . . .		0	<b>90</b>
Sub-standard loans . . . . .		252	<b>244</b>
Normal loans . . . . .		291,082	<b>350,854</b>
Total . . . . .		291,359	<b>351,342</b>

## Financial Data (Unaudited)

Sony Financial Holdings Inc. (SFH)

The Company's consolidated financial statements (consolidated balance sheets, consolidated statements of income, consolidated statements of changes in net assets and the consolidated statements of cash flows) have received a certificate of audit from PricewaterhouseCoopers Arata in accordance with Article 193-2 of the Financial Products Exchange Law or the Article 193-2-1 of the Securities and Exchange Law.

### Consolidated Balance Sheets

As of March 31,	(Millions of yen)	
	2007	2008
<b>Assets:</b>		
Cash and due from banks . . . . .	40,996	<b>60,058</b>
Call loans and bills bought . . . . .	332,459	<b>424,868</b>
Monetary trusts . . . . .	718,492	<b>895,672</b>
Securities . . . . .	2,649,768	<b>2,930,441</b>
Loans . . . . .	381,522	<b>455,763</b>
Tangible fixed assets . . . . .	88,574	<b>84,451</b>
Intangible fixed assets . . . . .	8,593	<b>16,412</b>
Due from agencies . . . . .	0	—
Due from reinsurers . . . . .	496	<b>256</b>
Foreign exchanges . . . . .	4,156	<b>1,683</b>
Other assets . . . . .	95,351	<b>101,229</b>
Deferred tax assets . . . . .	3,599	<b>6,937</b>
Reserve for possible loan losses . . . . .	(230)	<b>(327)</b>
<b>Total Assets</b> . . . . .	<b>4,323,780</b>	<b>4,977,450</b>
<b>Liabilities:</b>		
Policy reserve and others: . . . . .	3,157,636	<b>3,454,167</b>
Reserve for outstanding claims . . . . .	29,920	<b>31,653</b>
Policy reserve . . . . .	3,125,118	<b>3,418,006</b>
Reserve for policyholders' dividends . . . . .	2,597	<b>4,506</b>
Due to agencies . . . . .	1,415	<b>1,308</b>
Due to reinsurers . . . . .	934	<b>926</b>
Deposits . . . . .	752,366	<b>1,143,476</b>
Call money and bills sold . . . . .	10,000	<b>10,000</b>
Foreign exchanges . . . . .	0	<b>0</b>
Other liabilities . . . . .	75,367	<b>62,530</b>
Reserve for employees' bonuses . . . . .	1,906	<b>2,240</b>
Reserve for employees' retirement benefits . . . . .	11,212	<b>11,920</b>
Reserve for directors' retirement benefits . . . . .	241	<b>252</b>
Reserve for price fluctuations and others . . . . .	20,908	<b>24,136</b>
Deferred tax liabilities . . . . .	20,904	<b>4,156</b>
Deferred tax liabilities on land revaluation . . . . .	706	<b>706</b>
<b>Total Liabilities</b> . . . . .	<b>4,053,601</b>	<b>4,715,822</b>
<b>Net Assets:</b>		
Common stock . . . . .	5,500	<b>19,900</b>
Capital surplus . . . . .	180,877	<b>195,277</b>
Retained deficits . . . . .	(44,173)	<b>(26,417)</b>
Total shareholders' equity . . . . .	142,203	<b>188,759</b>
Net unrealized gains on other securities, net of taxes . . . . .	125,043	<b>74,902</b>
Net deferred losses on hedging instruments, net of taxes . . . . .	(408)	<b>(1,345)</b>
Land revaluation, net of taxes . . . . .	(1,475)	<b>(1,475)</b>
Foreign currency translation adjustments . . . . .	390	<b>786</b>
Total valuation and translation adjustments . . . . .	123,549	<b>72,868</b>
Minority interests . . . . .	4,425	—
<b>Total Net Assets</b> . . . . .	<b>270,179</b>	<b>261,627</b>
<b>Total Liabilities and Net Assets</b> . . . . .	<b>4,323,780</b>	<b>4,977,450</b>

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

## Consolidated Statements of Income

For the years ended March 31,

(Millions of yen)

	2007	2008
<b>Ordinary Revenues</b>	759,280	<b>822,153</b>
Ordinary Revenues from the Life Insurance Business:	688,854	<b>740,596</b>
Income from insurance premiums	605,051	<b>648,178</b>
Investment income	78,928	<b>87,542</b>
Other ordinary income	4,874	<b>4,875</b>
Ordinary Revenues from the Non-life Insurance Business:	50,988	<b>55,625</b>
Underwriting income	50,495	<b>55,036</b>
Investment income	464	<b>572</b>
Other ordinary income	27	<b>16</b>
Ordinary Revenues from the Banking Business:	19,437	<b>25,931</b>
Interest income	12,763	<b>17,162</b>
Fees and commissions	1,587	<b>1,753</b>
Other operating income	5,065	<b>7,001</b>
Other ordinary income	21	<b>15</b>
<b>Ordinary Expenses</b>	740,926	<b>777,653</b>
Ordinary Expenses from the Life Insurance Business:	674,822	<b>702,056</b>
Insurance claims and other payments	219,352	<b>241,114</b>
Provision for policy reserve and others	349,666	<b>286,271</b>
Investment expenses	8,231	<b>69,903</b>
Operating expenses	87,270	<b>94,189</b>
Other ordinary expenses	10,300	<b>10,578</b>
Ordinary Expenses from the Non-life Insurance Business:	48,610	<b>52,420</b>
Underwriting expenses	36,166	<b>38,634</b>
Investment losses	3	<b>5</b>
Operating, general and administrative expenses	12,392	<b>13,763</b>
Other ordinary expenses	48	<b>16</b>
Ordinary Expenses from the Banking Business:	17,493	<b>23,175</b>
Interest expenses	8,174	<b>12,045</b>
Fees and commissions	445	<b>1,049</b>
Other operating expenses	1,149	<b>1,524</b>
General and administrative expenses	7,665	<b>8,411</b>
Other ordinary expenses	58	<b>144</b>
<b>Ordinary Profit</b>	18,354	<b>44,500</b>
<b>Extraordinary Gains</b>	334	<b>2</b>
<b>Extraordinary Losses</b>	1,146	<b>3,820</b>
<b>Provision for Reserve for Policyholders' Dividends</b>	2,057	<b>3,159</b>
<b>Income Before Income Taxes</b>	15,485	<b>37,522</b>
<b>Income Taxes—Current</b>	20,270	<b>6,690</b>
—Deferred	(14,929)	<b>6,078</b>
<b>Minority Interests</b>	123	<b>497</b>
<b>Net Income</b>	10,021	<b>24,255</b>

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

## Consolidated Statements of Changes in Net Assets

For the year ended March 31,

(Millions of yen)

	2007				
	Shareholder's Equity				
	Common stock	Capital surplus	Retained deficits	Treasury stock	Total shareholder's equity
<b>Balance as of March 31, 2006</b> ..	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
<b>Balance as of March 31, 2007</b> ..	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		
<b>Balance as of March 31, 2006</b> ..	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
<b>Balance as of March 31, 2007</b> ..	125,043	(408)	(1,475)	390	123,549	4,425	270,179

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

For the year ended March 31,

(Millions of yen)

	2008				
	Shareholders' Equity				
	Common stock	Capital surplus	Retained deficits	Treasury stock	Total shareholders' equity
<b>Balance as of March 31, 2007</b> ..	5,500	180,877	(44,173)	—	142,203
Changes during the period:					
Issuance common stock .....	14,400	14,400	—	—	28,800
Dividends from surplus .....	—	—	(6,500)	—	(6,500)
Net income .....	—	—	24,255	—	24,255
Net changes of items other than shareholders' equity .....	—	—	—	—	—
Total changes during the period ...	14,400	14,400	17,755	—	46,555
<b>Balance as of March 31, 2008</b> ..	19,900	195,277	(26,417)	—	188,759

	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		
<b>Balance as of March 31, 2007</b> ..	125,043	(408)	(1,475)	390	123,549	4,425	270,179
Changes during the period:							
Issuance common stock .....	—	—	—	—	—	—	28,800
Dividends from surplus .....	—	—	—	—	—	—	(6,500)
Net income .....	—	—	—	—	—	—	24,255
Net changes of items other than shareholders' equity .....	(50,140)	(937)	—	396	(50,681)	(4,425)	(55,106)
Total changes during the period ...	(50,140)	(937)	—	396	(50,681)	(4,425)	(8,551)
<b>Balance as of March 31, 2008</b> ..	74,902	(1,345)	(1,475)	786	72,868	—	261,627

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)

	2007	2008
<b>I Cash flows from operating activities:</b>		
Income before income taxes . . . . .	15,485	<b>37,522</b>
Depreciation and amortization . . . . .	4,683	<b>5,512</b>
Impairment losses . . . . .	0	<b>125</b>
Increase in policy reserve and others . . . . .	359,544	<b>297,771</b>
Interest income and dividends . . . . .	(47,714)	<b>(65,973)</b>
(Gains) losses on securities . . . . .	(31,972)	<b>31,615</b>
Interest expenses . . . . .	8,182	<b>12,061</b>
Net (increase) decrease in loans . . . . .	(45,245)	<b>(62,352)</b>
Net increase (decrease) in deposits . . . . .	152,587	<b>390,559</b>
Net (increase) decrease in call loans and bills bought . . . . .	(82,885)	<b>(249,509)</b>
Net increase (decrease) in call money and bills sold . . . . .	(100,700)	<b>—</b>
Others, net . . . . .	(1,653)	<b>14,076</b>
Subtotal . . . . .	230,312	<b>411,410</b>
Interest and dividends received . . . . .	52,737	<b>64,653</b>
Interest paid . . . . .	(7,105)	<b>(9,947)</b>
Policyholders' dividends paid . . . . .	(1,048)	<b>(1,264)</b>
Income taxes paid . . . . .	(16,724)	<b>(19,398)</b>
Net cash provided by operating activities . . . . .	258,171	<b>445,452</b>
<b>II Cash flows from investing activities:</b>		
Investments in monetary trusts . . . . .	(127,015)	<b>(177,263)</b>
Proceeds from sale of monetary trusts . . . . .	61,700	<b>—</b>
Purchases of securities . . . . .	(659,994)	<b>(1,544,414)</b>
Proceeds from sale and redemption of securities . . . . .	661,927	<b>1,152,322</b>
Investments in loans . . . . .	(49,602)	<b>(44,140)</b>
Collections of loans . . . . .	40,002	<b>32,673</b>
Others, net . . . . .	(500)	<b>(6,364)</b>
Subtotal . . . . .	(73,482)	<b>(587,187)</b>
Purchases of tangible fixed assets . . . . .	(10,148)	<b>(4,981)</b>
Proceeds from sale of tangible fixed assets . . . . .	1	<b>0</b>
Purchases of intangible fixed assets . . . . .	(3,586)	<b>(6,361)</b>
Purchase of securities of a consolidated subsidiary . . . . .	—	<b>(6,750)</b>
Net cash used in investing activities . . . . .	(87,215)	<b>(605,280)</b>
<b>III Cash flows from financing activities:</b>		
Proceeds from issuance of stock . . . . .	—	<b>28,800</b>
Cash dividends paid . . . . .	(6,500)	<b>(6,500)</b>
Net cash provided by (used in) financing activities . . . . .	(6,500)	<b>22,300</b>
<b>IV Effect of exchange rate changes on cash and cash equivalents . . . . .</b>	41	<b>(45)</b>
<b>V Net increase (decrease) in cash and cash equivalents . . . . .</b>	164,496	<b>(137,573)</b>
<b>VI Cash and cash equivalents at beginning of the fiscal year . . . . .</b>	109,263	<b>273,760</b>
<b>VII Cash and cash equivalents at end of the fiscal year . . . . .</b>	273,760	<b>136,186</b>

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

## Notes to the Consolidated Financial Statements

For the year ended March 31, 2008

### 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, 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.

### 2. Principles of Consolidation

- (1) Scope of consolidation  
Number of consolidated subsidiaries: 5  
Consolidated subsidiaries: Sony Life Insurance Co., Ltd., Sony Life Insurance (Philippines) Corporation, Sony Assurance Inc., Sony Bank Inc., Sony Bank Securities Inc.  
As Sony Bank Securities Inc., which was newly established during FY2007, is included in the scope of consolidation.  
No subsidiaries are excluded from the scope of consolidation.
- (2) Application of the equity method  
Number of affiliated companies accounted for under the equity method: Not applicable  
Affiliated company not accounted for under the equity method:  
AEGON Sony Life Planning is excluded from the scope of equity method because its net income and retained earnings are so immaterial that excluding it from the scope of equity method does not hinder a rational judgement of SFH's financial position and results of operations.
- (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.
- (5) Amortization of goodwill  
Goodwill is amortized using the straight-line method over five years.

### 3. Summary of Significant Accounting Policies

- (1) Securities  
Securities 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. Investment in affiliates that are not accounted for by the equity method are stated at acquisition cost, calculated 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 SFH and its domestic subsidiaries (the "Companies") as "hedging instruments."
- (3) Tangible fixed assets  
All tangible fixed assets, including real estate for lease, are initially recorded at cost. Subsequent expenses related to asset improvements are capitalized or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Companies and the cost of the item can be measured reliably. All other repairs and maintenance charges are charged to income when incurred.  
Depreciation is generally computed by the straight-line method for buildings and by the declining-balance method for other property and equipment over the estimated useful lives of the assets, as follows:  

Buildings	4 to 45 years
Other property and equipment	2 to 20 years

  
In accordance with revisions to the Japanese corporation tax law, the depreciation method for tangible fixed assets has been changed. Starting from April 1, 2007, tangible fixed assets acquired on and after April 1, 2007 are depreciated fully to their memorandum values, or ¥1. This change has had only a minor impact on SFH's results of operations.  
In accordance with the revised Japanese corporation tax law, depreciation of the remaining book value of tangible fixed assets acquired on and before March 31, 2007 and depreciated up to the depreciable amount is computed using the straight-line method over a period of 5 years. This change has had only a minor impact on SFH's results of operations.
- (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  
Prior to the listing of SFH's shares on the Tokyo Stock Exchange, the consolidated tax provision, under which Sony Corporation is the parent company, was applied to SFH and its domestic subsidiaries wholly owned by Sony Corporation. As a listing of SFH's shares on the Tokyo Stock Exchange, SFH and its domestic subsidiaries ceased to be wholly-owned subsidiaries of Sony Corporation. As a result, starting from April 1, 2007, SFH and its domestic subsidiaries calculate their tax provision (benefit) based on the assumption that they are excluded from the consolidated tax system.
- (16) Scope of funds in the consolidated statements of cash flows  
Funds included within this scope include cash on hand, demand deposits and other funds that are easily convertible to cash, as well as short-term instruments that mature within three months and have a negligible risk of value fluctuation.

#### 4. Notes to the Consolidated Balance Sheets

- (1) The balance of loans includes ¥15 million in loans to debtors in bankruptcy (before deductions for reserve for possible loan losses) ¥227 million in "non-accrual delinquent loans" (before deductions for reserve for possible loan losses). Loans to debtors in bankruptcy include debtors that have been in arrears on principal or interest payments for a considerably long period of time or loans (before deductions for reserve for possible loan losses) on which principal or interest payments are considered unlikely to occur in the future for other reasons and on which interest income is not recognized. These loans with reasons defined under Article 96-1-3, i through iv of the Corporate Income Tax Law Enforcement Guidelines (Enforcement Order 97 of 1965), or 96-1-3 or Item 4 of the same guidelines. "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 ¥244 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 ¥10,926 million.
- (5) The balance sheet includes ¥321,789 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) Securities includes ¥1,000 million of shares in affiliated companies.
- (7) Changes in the reserve for policyholders’ dividends at SFH’s domestic life insurance subsidiary for the fiscal year ended March 31, 2008, are as follows:
- |   |                |
|---|----------------|
| Balance at beginning of the fiscal year:            | ¥2,597 million |
| Policyholders’ dividends during the fiscal year:    | ¥1,264 million |
| Increase in interest:                               | ¥ 13 million   |
| Provision for reserve for policyholders’ dividends: | ¥3,159 million |
| Balance at end of the fiscal year:                  | ¥4,506 million |
- (8) Securities with a book value of ¥10,306 million were pledged as collateral for ¥10,000 million of call money and bills sold at March 31, 2008. In addition to the assets described above, securities with a book value of ¥60,165 million were pledged as collateral for cash settlements, variation margins of futures markets and certain other purposes at March 31, 2008.
- (9) Net assets per share amounted to ¥120,288.66.
- (10) The following provides fair value information on securities as of March 31, 2008:

Trading securities		(Millions of yen)
Consolidated balance sheet amount	Net valuation gains recorded in income	
302,375	(55,462)	

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

	Consolidated balance sheet amount	Fair value	Net unrealized gains/losses	Unrealized gains/losses	
				Unrealized gains	Unrealized losses
Bonds	55,929	56,634	705	742	37
Japanese government and municipal bonds	50,932	51,555	622	659	36
Japanese corporate bonds	4,996	5,079	82	83	0
Others	807	841	33	33	—
Total	56,737	57,476	739	776	37

Other securities with fair values (Millions of yen)

	Acquisition cost	Consolidated balance sheet amount	Net unrealized gains/losses	Unrealized gains/losses	
				Unrealized gains	Unrealized losses
Bonds	1,987,538	2,041,742	54,203	68,298	14,094
Japanese government and municipal bonds	1,511,519	1,555,557	44,037	51,130	7,092
Japanese corporate bonds	476,018	486,184	10,166	17,168	7,001
Equity securities	126,286	171,906	45,620	49,364	3,744
Others	335,423	326,480	(8,943)	5,676	14,620
Total	2,449,248	2,540,128	90,880	123,339	32,459

Sale of bonds held to security disposed of during the fiscal year under review  
Nothing to report.

Other securities sold in the year ended March 31, 2008, are as follows:

(Millions of yen)		
Sales amount	Gains on sales	Losses on sales
672,761	24,826	2,765

Overview of securities without market value are as follows:

(Millions of yen)	
	Consolidated balance sheet amount
Shares of affiliated company	1,000
Other securities	30,199
Stocks	4
Others	30,195
Total	31,199

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

	(Millions of yen)			
	1 year or less	More than 1 year to 5 years	More than 5 years to 10 years	Over 10 years
Bonds	123,728	442,309	1,067,760	463,872
Japanese government and municipal bonds	38,797	138,283	992,668	436,739
Japanese corporate bonds	84,930	304,025	75,091	27,132
Others	48,958	149,190	88,047	47,250
Total	172,687	591,500	1,155,807	511,123

- (11) The fair value information on monetary trusts as of March 31, 2008, is as follows:

Monetary trusts for trading purposes		(Millions of yen)
Consolidated balance sheet amount	Net valuation losses recorded in income	
63,203	(2,831)	

Other monetary trusts (Millions of yen)

	Acquisition cost	Consolidated balance sheet amount	Net unrealized gains/losses	Unrealized gains	Unrealized losses
Other monetary trusts	804,405	832,469	28,063	31,990	3,926

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

- (12) Commitments to provide credit line contracts on overdrafts of the banking subsidiary 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, 2008 was ¥10,669 million and the amount of unused commitments whose original contract terms are within one year at March 31, 2008 was ¥10,669 million.
- (13) Expected future losses of the domestic life insurance subsidiary under the life insurance policyholder protection structure stipulated under Article 259 of the Insurance Business Law amounted to ¥6,920 million. Such losses are recognized as expenses during the fiscal year in which they are defined.
- (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, 2008, the net income per share was ¥11,357.53. There were no potential dilutive securities. The basis for this calculation is net income of ¥24,255 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, 2008, was 2,135,655.
- (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	75,000	—	2,175,000

- (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 29, 2007	Common stock	¥6,500 million	¥3,095.24	March 31, 2007	June 30, 2007

##### 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 Shareholders held on June 26, 2008	Common stock	Retained earnings	¥6,525 million	¥3,000.00	March 31, 2008	June 27, 2008

#### 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, 2008, is as follows:

	(Millions of yen)
Cash and due from banks	¥ 60,058
Call loans of domestic life insurance subsidiary	72,300
Securities of the non-life insurance subsidiary maturing within three months of the acquisition date	3,828
Cash and cash equivalents	¥136,186

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

# 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, five 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, Sony Bank and Sony Bank Securities.

For details on the operations of Sony Life, Sony Life Insurance (Philippines) Corporation, Sony Assurance, Sony Bank and Sony Bank Securities, please refer to pages 28 to 39 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, Sony Bank and Sony Bank Securities 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 or Sony Bank Securities, but no monetary transactions take place between the 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. Of SFH's common stock, 60% is owned by Sony Corporation, and the remaining 40% by other general shareholders.

### 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, 2008, the Company maintained a consolidated capital adequacy ratio of 14.62% (of which Tier I capital ratio constitutes 48.85%), 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 12–19 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 1.22% 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

Our investments in marketable securities include some securitized products. To recognize the risks that such products entail, we strive 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. Our 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

We employ standard methods for these calculations.

(c) Method of Accounting for Securitization Transactions

As its accounting method for these transactions, we follow 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

We 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, SFH 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 and Sony Bank Securities, the consolidated group 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 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

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	2007	2008
<b>Capital</b>		
Tier I capital (core capital) [A]	186,245	<b>207,970</b>
Of which, preferential equity issues with step-up interest rate conditions	—	—
Common stock . . . . .	5,500	<b>19,900</b>
Capital surplus . . . . .	180,877	<b>195,277</b>
Retained earnings . . . . .	(682)	<b>3,087</b>
Unrealized losses on other securities . . . . .	3,874	<b>7,788</b>
Minority interests in consolidated subsidiaries . . . . .	4,425	—
Goodwill equivalents . . . . .	—	<b>2,505</b>
Tier II capital (supplementary capital) [B]	152	<b>161</b>
General reserve for possible loan losses . . . . .	152	<b>161</b>
Sub-supplementary capital [C]	—	—
Capital subtotal [A+B+C] [D]	186,398	<b>208,131</b>
Deductions [E]	145,881	<b>145,881</b>
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	<b>145,881</b>
Total capital [D] – [E] [F]	40,516	<b>62,249</b>
<b>Risk-adjusted assets</b>		
Total risk assets [G]	337,505	<b>425,705</b>
Balance sheet items . . . . .	308,794	<b>389,532</b>
Off-balance-sheet items . . . . .	1,120	<b>312</b>
Result of dividing operational risk by 8% . . . . .	27,591	<b>35,861</b>
Consolidated total of required capital [G] x 4%	13,500	<b>17,028</b>
Consolidated capital adequacy ratio (domestic criteria) [F] / [G]	12.01%	<b>14.62%</b>
Reference: Tier I ratio (domestic criteria) [A] / [G]	55.18%	<b>48.85%</b>

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. 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)

	2007		2008	
	Risk Assets	Required Capital	Risk Assets	Required Capital
(a) Total credit risk assets and required capital . . . . .	309,914	12,396	<b>389,844</b>	<b>15,593</b>
(1) Exposure by portfolio to which standardized method applied . . . . .	309,889	12,395	<b>389,844</b>	<b>15,593</b>
(i) Sovereigns . . . . .	3,990	159	<b>5,697</b>	<b>227</b>
(ii) Financial institutions . . . . .	95,303	3,812	<b>142,217</b>	<b>5,688</b>
(iii) Corporations . . . . .	63,560	2,542	<b>71,745</b>	<b>2,869</b>
(iv) Small and medium-sized businesses, individuals . . . . .	79,492	3,179	<b>79,063</b>	<b>3,162</b>
(v) Collateralized mortgage loans . . . . .	61,945	2,477	<b>83,997</b>	<b>3,359</b>
(vi) Business involving real estate transactions . . . . .	—	—	—	—
(vii) Exposure to items past due by three months or more . . . . .	1	0	<b>39</b>	<b>1</b>
(viii) Others . . . . .	5,597	223	<b>7,083</b>	<b>283</b>
(2) Securitization risk exposure . . . . .	24	0	—	—
(b) Operational risk . . . . .	27,591	1,103	<b>35,861</b>	<b>1,434</b>
(c) Consolidated total of required capital (a + b) . . . . .	337,505	13,500	<b>425,705</b>	<b>17,028</b>

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):

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

6. Consolidated total of required capital = Denominator of the consolidated capital adequacy ratio x 4%

#### 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						Of which, Exposure to Items Past Due by Three Months or More	
			Of which, Loans		Of which, Marketable Securities			
	2007	2008	2007	2008	2007	2008	2007	2008
Sovereigns . . . . .	175,696	<b>297,415</b>	—	—	170,829	<b>295,404</b>	—	—
Financial institutions . . . . .	236,935	<b>479,031</b>	—	—	103,478	<b>86,604</b>	—	—
Corporations . . . . .	106,895	<b>104,283</b>	—	—	106,801	<b>103,769</b>	—	—
Small and medium-sized businesses, individuals . . . . .	107,736	<b>106,874</b>	107,725	<b>106,964</b>	—	—	0	<b>39</b>
Collateralized mortgage loans . . . . .	176,987	<b>239,991</b>	176,987	<b>239,991</b>	—	—	—	—
Business involving real estate transactions . . . . .	—	—	—	—	—	—	—	—
Others . . . . .	5,704	<b>7,653</b>	—	<b>109</b>	—	—	—	—
<b>Total . . . . .</b>	<b>809,955</b>	<b>1,235,250</b>	<b>284,712</b>	<b>347,065</b>	<b>381,109</b>	<b>485,777</b>	<b>0</b>	<b>39</b>

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 87 and 88) 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)

	2007			2008		
	Domestic	International	Total	Domestic	International	Total
Loans on deeds . . . . .	278,338	323	278,662	<b>339,088</b>	<b>478</b>	<b>339,566</b>
Overdrafts . . . . .	6,050	—	6,050	<b>7,498</b>	—	<b>7,498</b>
<b>Total . . . . .</b>	<b>284,389</b>	<b>323</b>	<b>284,712</b>	<b>346,586</b>	<b>478</b>	<b>347,065</b>

Year-End Balance of Marketable Securities by Type and Department

(As of March 31)

(Millions of yen)

	2007			2008		
	Domestic	International	Total	Domestic	International	Total
JGBs . . . . .	131,025	—	131,025	<b>171,157</b>	—	<b>171,157</b>
Short-term corporate bonds . . . . .	20,984	—	20,984	—	—	—
Corporate bonds . . . . .	74,720	—	74,720	<b>152,107</b>	—	<b>152,107</b>
Stocks . . . . .	—	—	—	<b>3,000</b>	—	<b>3,000</b>
Other securities . . . . .	7,031	147,473	154,504	<b>9,705</b>	<b>152,806</b>	<b>162,512</b>
Of which, foreign . . . . .	—	147,473	147,473	—	<b>152,806</b>	<b>152,806</b>
Of which, others . . . . .	7,031	—	7,031	<b>9,705</b>	—	<b>9,705</b>
<b>Total . . . . .</b>	<b>233,761</b>	<b>147,473</b>	<b>381,234</b>	<b>335,971</b>	<b>152,806</b>	<b>488,777</b>

(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	2007	128	152	—	128	152
	<b>2008</b>	<b>152</b>	<b>161</b>	—	<b>152</b>	<b>161</b>
Individual allowance for doubtful accounts	2007	33	9	15	17	9
	<b>2008</b>	<b>9</b>	<b>91</b>	—	<b>9</b>	<b>91</b>
<b>Total</b>	2007	161	162	15	145	162
	<b>2008</b>	<b>162</b>	<b>253</b>	—	<b>162</b>	<b>253</b>

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)

	2007	2008
Individuals	0	<b>0</b>

(d) Exposure by risk weight:  
(As of March 31)

(Millions of yen)

Risk Weight Defined by Directive	Exposure			
	2007		2008	
	Rated	Not Rated	Rated	Not Rated
0%	143,208	—	<b>241,336</b>	—
10%	30,196	—	<b>55,185</b>	—
20%	192,386	133	<b>434,110</b>	<b>713</b>
35%	—	176,987	—	<b>239,991</b>
50%	64,758	5,238	<b>45,558</b>	<b>4,248</b>
75%	—	102,496	—	<b>102,585</b>
100%	88,977	5,570	<b>96,834</b>	<b>14,686</b>
150%	—	0	—	<b>0</b>
350%	—	—	—	—
Capital exclusion	—	—	—	—
<b>Total</b>	<b>519,527</b>	<b>290,427</b>	<b>873,024</b>	<b>362,225</b>

Notes: 1. Ratings are only those provided by eligible rating institutions.

2. Exposure is separated by risk weight after the application of credit reduction methods.

## 5. Items Related to the Effect of Credit Risk Reduction Methods

Exposure to Items to which Effect of Credit Risk Reduction Methods Applied

(As of March 31)

(Millions of yen)

	Eligible Financial Asset Guarantees		Guarantees		Credit Derivatives	
	2007	2008	2007	2008	2007	2008
Exposure to which effect of credit risk reduction methods applied	—	—	5,238	<b>4,248</b>	—	<b>15,997</b>
(i) Sovereigns	—	—	—	—	—	—
(ii) Financial institutions	—	—	—	—	—	<b>8,760</b>
(iii) Corporations	—	—	—	—	—	<b>7,237</b>
(iv) Small and medium-sized businesses, individuals	—	—	5,238	<b>4,248</b>	—	—
(v) Collateralized mortgage loans	—	—	—	—	—	—
(vi) Business involving real estate transactions	—	—	—	—	—	—
(vii) Exposure to items past due by three months or more	—	—	—	—	—	—

## 6. Counterparties' Risk on Derivative Transactions and Transactions with Long Settlement Periods

(As of March 31)

(Millions of yen)

	2007		2008	
	Current Exposure Method	Current Exposure Method	Current Exposure Method	Current Exposure Method
Equivalent credit calculation method	4,172	4,172	600	600
Gross restructuring cost	—	—	—	—
	Equivalent credit amount before accounting for effect of credit risk reduction method using collateral		Equivalent credit amount after accounting for effect of credit risk reduction method using collateral	
	2007	2008	2007	2008
(1) Total derivative transactions	5,545	<b>1,557</b>	5,545	<b>1,557</b>
(i) Foreign exchange transactions	5,507	<b>1,715</b>	5,507	<b>1,715</b>
(ii) Interest rate transactions	2,000	<b>1,557</b>	2,000	<b>1,557</b>
(iii) Gold transactions	—	—	—	—
(iv) Stock transactions	—	—	—	—
(v) Precious metal (except gold) transactions	—	—	—	—
(vi) Other commodity transactions	—	—	—	—
(vii) Credit derivatives	—	—	—	—
Effective credit reduction from close-out netting contracts	1,962	<b>1,715</b>	1,962	<b>1,715</b>
(2) Transactions with long settlement terms	—	—	—	—
<b>Total</b>	<b>5,545</b>	<b>1,557</b>	<b>5,545</b>	<b>1,557</b>

Notes: 1. Gross restructuring cost is limited to items that do not fall below zero.

2. The amount of total gross restructuring cost and total gross add-ons less the equivalent credit amount before accounting for the effect of credit risk reduction method using collateral is expressed in the table above as the amount of effective credit reduction from close-out netting contracts.

3. The credit risk reduction method using collateral is not employed on derivative product transactions.

4. No credit derivative transactions exist that require the calculation of an equivalent credit amount.

## 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

	(Millions of yen)	
	2007	2008
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

Risk Weight Established by Directive	Exposure Balance		Required Capital	
	(As of March 31)		(Millions of yen)	
	2007	2008	2007	2008
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, SFH 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 and Sony Bank Securities, the consolidated group 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 SFH and Sony Bank employ the standard method for calculating credit risk, this item does not apply.

## 11. Interest Rate Risk in the Banking Account

	(Millions of yen)	
	Interest Rate Risk	
	2007	2008
Decrease in economic value resulting from interest rate shock	4,742	3,447
Japanese yen	4,077	3,056
U.S. dollars	516	185
Others	148	204
Outliers ratio	12.6%	9.2%

Notes: 1. The decrease in economic value resulting from interest rate shock is calculated according to the method shown on page 68 under "11. Interest Rate Risk in the Banking Account" in the qualitative disclosure items.

2. These figures are managed for Sony Bank on a non-consolidated basis.

## Risk-Monitored Loans

<b>Risk-Monitored Loans</b>		
As of March 31,	2007	2008
	(Millions of yen)	
Bankrupt loans . . . . .	—	<b>15</b>
Non-accrual delinquent loans . . . . .	24	<b>227</b>
Past due loans (three months or more) . . . . .	—	—
Restructured loans . . . . .	252	<b>244</b>
Total . . . . .	277	<b>487</b>

# Sony Life's Financial Data

## Condensed Financial Statements

### Non-consolidated Statements of Income

For the years ended March 31,

(Millions of yen)

	2004	2005	2006	2007	2008
Ordinary revenues . . . . .	580,972	604,093	696,426	689,591	<b>741,250</b>
Income from insurance premiums . . . . .	514,825	551,610	580,516	605,561	<b>648,406</b>
Insurance premiums . . . . .	512,700	550,304	579,267	603,611	<b>646,976</b>
Investment income . . . . .	64,767	50,089	108,438	78,722	<b>87,493</b>
Interest and dividends . . . . .	24,377	25,595	26,581	34,267	<b>47,913</b>
Income from monetary trusts, net . . . . .	7,951	7,170	19,558	12,169	<b>14,776</b>
Income from trading securities, net . . . . .	154	3,962	—	1,708	<b>324</b>
Gains on sale of securities . . . . .	2,343	3,339	6,546	11,887	<b>24,023</b>
Gains on redemption of securities . . . . .	3,991	2,393	5,342	542	<b>145</b>
Gains from derivatives, net . . . . .	2,245	—	825	3,061	<b>—</b>
Gains on separate accounts, net . . . . .	23,702	7,623	49,524	14,985	<b>—</b>
Other ordinary income . . . . .	1,379	2,392	7,471	5,307	<b>5,350</b>
Reversal of reserves for outstanding claims . . . . .	—	207	—	732	<b>277</b>
Ordinary expenses . . . . .	550,493	587,023	672,067	674,696	<b>701,959</b>
Insurance claims and other payments . . . . .	191,542	194,141	231,881	219,347	<b>241,106</b>
Insurance claims, annuity payments and insurance benefits . . . . .	81,481	88,008	114,497	89,911	<b>94,859</b>
Surrender payments . . . . .	105,227	101,649	113,637	125,262	<b>141,842</b>
Provision for policy reserve and others . . . . .	269,117	299,494	344,915	349,629	<b>286,215</b>
Provision for reserve for outstanding claims . . . . .	4,652	—	709	—	<b>—</b>
Provision for policy reserve . . . . .	264,464	299,494	344,204	349,624	<b>286,202</b>
Investment expenses . . . . .	3,605	5,116	4,561	8,184	<b>69,895</b>
Losses on trading securities, net . . . . .	—	—	647	—	<b>—</b>
Losses on sale of securities . . . . .	928	330	267	148	<b>1,563</b>
Devaluation losses on securities . . . . .	—	217	—	66	<b>6,697</b>
Losses on redemption of securities . . . . .	704	1,146	212	601	<b>21</b>
Losses from derivatives, net . . . . .	—	342	—	—	<b>4,858</b>
Losses on separate accounts, net . . . . .	—	—	—	—	<b>48,315</b>
Operating expenses . . . . .	78,254	79,729	82,040	87,328	<b>94,367</b>
Other ordinary expenses . . . . .	7,973	8,541	8,668	10,206	<b>10,375</b>
Ordinary profit . . . . .	30,478	17,070	24,359	14,895	<b>39,290</b>
Extraordinary gains (losses), net . . . . .	(6,330)	(515)	(7,520)	(801)	<b>(3,406)</b>
Provision for reserve for price fluctuations . . . . .	(6,264)	(441)	(7,442)	(773)	<b>(3,216)</b>
Provision for reserve for policyholders' dividends . . . . .	644	519	1,491	2,057	<b>3,159</b>
Income before income taxes . . . . .	23,504	16,035	15,347	12,036	<b>32,725</b>
Income taxes . . . . .	9,571	5,933	5,730	4,542	<b>14,210</b>
Net income . . . . .	13,932	10,102	9,616	7,494	<b>18,514</b>

## Non-consolidated Balance Sheets

As of March 31,					(Millions of yen)
	2004	2005	2006	2007	2008
<b>Assets:</b>					
Cash and deposits	66,381	51,611	31,433	28,502	22,999
Call loans	175,000	176,100	55,900	228,000	72,300
Monetary trusts	419,224	515,229	658,351	718,492	893,952
Securities	1,563,605	1,704,663	2,132,216	2,217,902	2,388,932
Loans	71,629	79,914	86,918	96,804	108,688
Property and equipment	46,444	50,763	75,739	—	—
Tangible fixed assets	—	—	—	87,883	83,651
Intangible fixed assets	—	—	—	5,263	8,095
Other assets	33,542	38,983	62,680	63,120	81,166
<b>Total assets</b>	<b>2,375,828</b>	<b>2,617,266</b>	<b>3,103,241</b>	<b>3,445,970</b>	<b>3,659,786</b>
<b>Liabilities:</b>					
Policy reserve and others:	2,114,262	2,413,501	2,759,264	3,109,169	3,397,003
Reserve for outstanding claims	17,913	17,705	18,415	17,683	17,405
Policy reserve	2,095,565	2,395,060	2,739,264	3,088,888	3,375,090
Reserve for price fluctuations	12,225	12,666	20,109	20,882	24,099
Other liabilities	105,928	44,138	68,642	77,739	51,149
Deferred tax liabilities	10,933	5,817	36,685	20,903	4,155
Deferred tax liabilities on land revaluation	—	—	706	706	706
<b>Total liabilities</b>	<b>2,243,350</b>	<b>2,476,124</b>	<b>2,885,408</b>	<b>3,229,401</b>	<b>3,477,115</b>
<b>Stockholder's Equity:</b>					
Common stock	65,000	65,000	65,000	—	—
Capital surplus	865	865	865	—	—
Retained earnings	15,814	19,417	22,533	—	—
Land revaluation	(768)	(768)	(1,475)	—	—
Net unrealized gains on other securities, net of taxes	51,567	56,629	130,909	—	—
<b>Total stockholder's equity</b>	<b>132,478</b>	<b>141,142</b>	<b>217,833</b>	<b>—</b>	<b>—</b>
<b>Total liabilities and stockholder's equity</b>	<b>2,375,828</b>	<b>2,617,266</b>	<b>3,103,241</b>	<b>—</b>	<b>—</b>
<b>Net Assets:</b>					
Common stock	—	—	—	65,000	65,000
Capital surplus	—	—	—	865	865
Retained earnings	—	—	—	23,528	35,542
<b>Total shareholder's equity</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>89,393</b>	<b>101,407</b>
Net unrealized gains on other securities, net of taxes	—	—	—	128,650	82,739
Land revaluation, net of taxes	—	—	—	(1,475)	(1,475)
<b>Total valuation and translation adjustments</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>127,175</b>	<b>81,263</b>
<b>Total net assets</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>216,568</b>	<b>182,671</b>
<b>Total liabilities and net assets</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>3,445,970</b>	<b>3,659,786</b>

## Non-consolidated Statements of Cash Flows

For the years ended March 31,					(Millions of yen)
	2004	2005	2006	2007	2008
Net cash provided by operating activities	252,012	292,485	282,009	327,479	334,751
Net cash used in investing activities	(266,488)	(299,655)	(415,887)	(151,810)	(489,454)
Net cash used in financing activities	(9,391)	(6,500)	(6,500)	(6,500)	(6,500)
<b>Cash and cash equivalents at end of year</b>	<b>241,381</b>	<b>227,711</b>	<b>87,333</b>	<b>256,502</b>	<b>95,299</b>

## Other Key Indicators

As of March 31, (Items marked with an asterisk (*) are for the years ended March 31.)					(Millions of yen)
	2004	2005	2006	2007	2008
Annualized premiums from new policies*	—	63,851	61,791	65,541	63,475
Medical protection, living benefit protection, etc*	—	16,179	14,543	14,479	13,358
Annualized premiums from insurance in force	—	450,874	474,296	504,691	530,011
Medical protection, living benefit protection, etc	—	102,821	109,432	117,466	122,854
Solvency margin ratio (%)	1,453.3	1,317.1	1,547.0	1,852.0	1,747.9
Number of sales employees	4,700	4,652	4,293	4,239	4,248
Lifeplanner sales employees	4,217	4,170	3,825	3,776	3,779

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.)

## Policies and Policy Amount in Force by Product

As of March 31,

(Policies, Millions of yen)

Category	2004		2005		2006		2007		2008	
	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:	2,734,111	24,662,320	2,962,469	26,098,319	3,153,386	27,206,759	3,348,853	28,186,554	<b>3,518,724</b>	<b>29,200,551</b>
Variable life insurance (whole life type)	237,476	1,643,713	293,793	1,945,301	324,850	2,153,449	375,485	2,401,057	<b>439,536</b>	<b>2,676,664</b>
Modified payment whole life insurance	22,467	249,128	21,470	235,603	20,687	223,442	19,850	210,663	<b>18,935</b>	<b>195,705</b>
Limited payment whole life insurance	439,231	3,904,987	421,314	3,723,988	406,440	3,568,366	392,351	3,421,896	<b>379,324</b>	<b>3,283,197</b>
Family insurance	1,639	15,556	1,596	15,081	1,555	14,670	1,504	14,179	<b>1,463</b>	<b>13,784</b>
Interest rate-sensitive whole life insurance	239,839	1,576,930	283,279	1,839,295	331,104	2,082,704	362,574	2,232,768	<b>383,156</b>	<b>2,321,783</b>
Whole life insurance (no selection type)	4,515	8,959	5,170	10,135	5,680	11,100	5,973	11,655	<b>6,043</b>	<b>11,800</b>
Living benefit insurance (whole life type)	172,921	571,277	175,420	573,296	180,039	583,565	186,678	599,740	<b>195,059</b>	<b>622,043</b>
Variable life insurance (term type)	692	18,064	917	26,521	1,021	29,859	1,190	37,194	<b>1,637</b>	<b>58,377</b>
Family income insurance	66,478	1,803,151	75,642	2,003,784	84,512	2,191,617	92,010	2,330,577	<b>100,082</b>	<b>2,502,030</b>
Living standard insurance	8,307	215,420	7,810	194,719	7,293	173,661	6,825	154,646	<b>6,280</b>	<b>135,298</b>
Level premium plan term life insurance	147,146	3,556,690	147,891	3,568,211	145,315	3,460,570	140,402	3,247,398	<b>134,679</b>	<b>3,025,559</b>
Decreasing term life insurance	41,611	1,092,092	46,213	1,148,290	49,709	1,174,038	52,119	1,160,784	<b>54,161</b>	<b>1,135,066</b>
Living benefit insurance (term type)	8,929	66,825	9,703	74,384	10,947	85,703	12,494	100,353	<b>15,121</b>	<b>125,898</b>
Level premium plan term life insurance (non-smoker preferred risk)	16,972	796,211	19,839	919,283	22,116	1,005,160	23,024	1,011,544	<b>23,926</b>	<b>1,025,575</b>
Decreasing term life insurance (non-smoker preferred risk)	16,510	610,159	20,132	709,554	23,686	795,007	26,760	859,392	<b>29,859</b>	<b>914,151</b>
Family income insurance (non-smoker preferred risk)	21,845	857,168	28,008	1,086,569	34,672	1,333,192	41,274	1,566,775	<b>48,287</b>	<b>1,817,702</b>
Increasing term life insurance	566	32,553	859	49,139	980	55,071	819	45,639	<b>634</b>	<b>35,216</b>
Long-term level premium plan term life insurance (with disability benefit)	—	—	—	—	2,141	100,452	5,897	272,353	<b>10,971</b>	<b>520,162</b>
Increasing term life insurance (reduced surrender value)	—	—	—	—	344	12,741	4,368	152,801	<b>4,343</b>	<b>151,776</b>
Income protection insurance to cover three major diseases	—	—	—	—	—	—	956	944	<b>1,834</b>	<b>1,772</b>
Semi-participating whole life nursing-care insurance	—	—	—	—	—	—	6,218	24,334	<b>14,807</b>	<b>59,970</b>
Cancer insurance	236,867	41,665	246,170	42,276	252,864	41,313	262,765	41,479	<b>263,880</b>	<b>40,421</b>
Comprehensive medical insurance	1,029,923	691,334	1,137,346	708,160	1,228,154	730,324	1,308,781	756,682	<b>1,367,047</b>	<b>772,695</b>
Long-term comprehensive medical insurance	20,093	7,953	19,814	7,804	19,194	7,548	18,453	7,260	<b>17,580</b>	<b>6,962</b>
Semi-participating living standard insurance (joint type)	84	2,532	83	2,006	83	2,034	83	1,916	<b>80</b>	<b>1,712</b>
Term riders and others <sup>(1)</sup>	317,151	6,899,943	341,448	7,214,910	358,749	7,371,162	377,745	7,522,513	<b>(399,102)</b>	<b>7,745,300</b>
Mixed insurance:	295,179	1,137,740	293,715	1,131,065	283,814	1,086,324	287,034	1,080,848	<b>300,383</b>	<b>1,111,545</b>
Variable life insurance (limited term type)	5,582	26,445	6,446	30,570	8,761	40,374	17,332	64,954	<b>34,579</b>	<b>111,047</b>
Endowment insurance (without dividend)	248,919	982,596	245,274	965,255	232,319	910,590	227,071	882,094	<b>222,620</b>	<b>864,458</b>
Semi-participating endowment insurance	40,678	128,699	41,995	135,239	42,734	135,358	42,631	133,798	<b>43,184</b>	<b>136,039</b>
Pure endowment insurance: <sup>(2)</sup>	204,091	322,794	279,320	450,875	378,325	615,719	474,051	770,716	<b>573,731</b>	<b>924,980</b>
Semi-participating educational endowment insurance	204,091	322,660	279,320	450,803	378,325	615,715	474,051	770,716	<b>573,731</b>	<b>924,980</b>
Living benefit rider	1,234	134	658	71	41	4	—	—	<b>—</b>	<b>—</b>
Total individual insurance products	3,233,381	26,122,855	3,535,504	27,680,259	3,815,525	28,908,802	4,109,938	30,038,118	<b>4,392,838</b>	<b>31,237,078</b>
Individual annuity products: <sup>(3)</sup>										
Semi-participating individual annuity	11,805	61,577	13,140	68,657	14,226	73,677	15,083	77,187	<b>16,253</b>	<b>82,670</b>
Variable individual annuity	7,445	40,995	9,594	52,823	13,305	72,013	17,471	93,934	<b>25,136</b>	<b>137,531</b>
Others <sup>(4)</sup>	968	17,210	1,343	21,743	2,446	30,044	3,383	35,251	<b>4,179</b>	<b>40,065</b>
Total individual annuity products	20,218	119,783	24,077	143,225	29,977	175,735	35,937	206,374	<b>45,568</b>	<b>260,268</b>
Group insurance products: <sup>(5)</sup>										
Group term life insurance	118,465	253,655	103,113	245,560	107,065	259,141	98,350	237,699	<b>101,028</b>	<b>237,813</b>
Group welfare term life insurance	116,151	103,281	151,701	88,649	156,414	92,360	127,639	92,699	<b>130,083</b>	<b>93,789</b>
Group credit life insurance	3,925,398	470,276	3,662,246	481,585	3,386,294	571,583	3,139,548	577,602	<b>2,930,154</b>	<b>605,492</b>
Annuity payment rider <sup>(3)</sup>	168	214	179	208	188	204	182	178	<b>169</b>	<b>144</b>
Total group insurance products	4,160,182	827,428	3,917,239	816,003	3,649,961	923,289	3,365,719	908,179	<b>3,161,434</b>	<b>937,241</b>
Group annuity products: <sup>(6)</sup>										
New-type corporate annuities	20,772	5,436	36,671	6,759	36,699	6,656	32,376	6,391	<b>39,209</b>	<b>6,225</b>
Defined contribution corporate annuities	345,414	61,670	347,560	62,257	358,552	64,744	355,665	66,242	<b>354,177</b>	<b>67,081</b>
Total group annuity products	366,186	67,107	384,231	69,017	395,251	71,400	388,041	72,633	<b>393,386</b>	<b>73,307</b>
Medical protection insurance (group-type) <sup>(6)(7)</sup>	—	—	253	0	126	0	126	0	<b>130</b>	<b>0</b>
Reinsurance recipients <sup>(5)</sup>	25,952	22,276	24,111	19,257	20,400	14,396	13,159	23,022	<b>—</b>	<b>—</b>

Notes: 1. This category includes, in addition to term riders, living benefit whole life policy riders and semi-participating lump sum nursing-care riders every five years.

2. Total number of policies in force for pure endowment insurance does not include number of policies listed under living benefit riders.

3. 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.

4. 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.

5. 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.

6. For group annuity products, total policy amounts in force are equal to the amount of policy reserve under the relevant policies.

7. 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	2004		2005		2006		2007		2008	
	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:	406,033	3,469,531	420,044	3,428,165	373,081	3,065,555	375,185	3,106,503	<b>360,931</b>	<b>3,409,641</b>
Variable life insurance (whole life type)	51,096	290,576	65,862	376,682	40,698	239,471	61,401	319,567	<b>77,834</b>	<b>414,304</b>
Modified payment whole life insurance	630	8,830	380	5,816	314	5,190	206	3,283	<b>136</b>	<b>1,919</b>
Limited payment whole life insurance	1	5	5	12	(1)	(238)	(6)	(65)	<b>2</b>	<b>7</b>
Family insurance	20	163	14	119	5	38	8	60	<b>9</b>	<b>59</b>
Interest rate-sensitive whole life insurance	60,751	390,461	57,431	370,107	62,927	357,793	49,188	286,385	<b>39,882</b>	<b>233,913</b>
Whole life insurance (no selection type)	1,270	2,493	1,206	2,333	1,075	2,062	920	1,851	<b>832</b>	<b>1,668</b>
Living benefit insurance (whole life type)	9,669	29,268	9,745	29,101	11,336	35,059	13,171	40,422	<b>15,206</b>	<b>47,874</b>
Variable life insurance (term type)	282	6,514	274	9,172	171	5,451	226	8,592	<b>533</b>	<b>24,018</b>
Family income insurance	11,858	345,564	13,132	377,024	13,061	375,198	12,366	351,713	<b>14,609</b>	<b>432,944</b>
Living standard insurance	1,157	33,496	93	2,674	—	—	—	—	<b>—</b>	<b>—</b>
Level premium plan term life insurance	20,162	432,865	17,464	380,010	12,981	257,373	9,570	152,738	<b>9,278</b>	<b>158,777</b>
Decreasing term life insurance	9,143	243,673	7,857	198,039	6,987	174,041	6,024	140,239	<b>6,217</b>	<b>140,035</b>
Living benefit insurance (term type)	1,495	11,839	1,675	14,483	2,115	18,030	2,528	22,189	<b>3,676</b>	<b>34,233</b>
Level premium plan term life insurance (non-smoker preferred risk)	4,507	194,990	3,786	173,808	3,313	144,940	2,241	78,897	<b>2,376</b>	<b>93,979</b>
Decreasing term life insurance (non-smoker preferred risk)	4,590	177,144	4,234	155,909	4,260	150,773	3,918	137,239	<b>4,251</b>	<b>143,453</b>
Family income insurance (non-smoker preferred risk)	5,558	231,815	6,789	285,020	7,401	314,593	7,608	321,091	<b>8,583</b>	<b>372,796</b>
Increasing term life insurance	452	25,488	326	18,473	214	10,381	—	—	<b>—</b>	<b>—</b>
Long-term level premium plan term life insurance (with disability benefit)	—	—	—	—	2,145	100,695	3,887	177,328	<b>5,467</b>	<b>263,328</b>
Increasing term life insurance (reduced surrender value)	—	—	—	—	344	12,741	4,053	141,092	<b>185</b>	<b>5,150</b>
Income protection insurance to cover three major diseases	—	—	—	—	—	—	959	947	<b>944</b>	<b>890</b>
Semi-participating whole life nursing-care insurance	—	—	—	—	—	—	6,250	24,486	<b>8,982</b>	<b>37,752</b>
Cancer insurance	23,265	3,650	24,442	3,992	24,875	3,683	24,221	3,513	<b>16,690</b>	<b>2,664</b>
Comprehensive medical insurance	195,757	93,554	203,853	85,744	177,972	81,034	165,810	81,086	<b>144,536</b>	<b>69,953</b>
Long-term comprehensive medical insurance	4,360	1,241	1,469	637	878	401	629	291	<b>699</b>	<b>300</b>
Semi-participating living standard insurance (joint type)	10	795	7	129	10	255	7	183	<b>4</b>	<b>87</b>
Term riders and others <sup>(1)(2)</sup>	43,431	945,097	43,323	938,873	35,736	776,584	39,020	813,366	<b>(43,502)</b>	<b>929,528</b>
Mixed insurance:	34,588	144,965	31,712	138,338	30,388	123,782	33,800	125,320	<b>45,198</b>	<b>166,828</b>
Variable life insurance (limited term type)	894	4,382	1,459	7,022	2,753	11,083	9,302	27,494	<b>18,308</b>	<b>52,699</b>
Endowment insurance (without dividend)	26,012	115,169	25,152	111,285	23,069	97,744	21,085	85,187	<b>22,232</b>	<b>97,738</b>
Semi-participating endowment insurance	7,682	25,413	5,101	20,031	4,566	14,954	3,413	12,638	<b>4,658</b>	<b>16,391</b>
Pure endowment insurance:	61,681	98,893	78,648	133,287	103,578	171,932	102,004	165,043	<b>108,157</b>	<b>168,210</b>
Semi-participating educational endowment insurance	61,681	98,893	78,648	133,287	103,578	171,932	102,004	165,043	<b>108,157</b>	<b>168,210</b>
Living benefit rider	—	—	—	—	—	—	—	—	<b>—</b>	<b>—</b>
Total individual insurance products	502,302	3,713,390	530,404	3,699,791	507,047	3,361,271	510,989	3,396,867	<b>514,286</b>	<b>3,744,680</b>
Individual annuity products: <sup>(3)</sup>										
Semi-participating individual annuity	1,807	10,032	1,927	10,530	1,734	9,408	1,555	7,534	<b>2,069</b>	<b>10,144</b>
Variable individual annuity	1,621	8,632	2,555	13,890	4,166	21,455	4,768	25,056	<b>8,412</b>	<b>47,763</b>
Others	—	—	—	—	—	—	—	—	<b>—</b>	<b>—</b>
Total individual annuity products	3,428	18,665	4,482	24,421	5,900	30,864	6,323	32,590	<b>10,481</b>	<b>57,908</b>
Group insurance products: <sup>(4)</sup>										
Group term life insurance	13,176	9,304	963	385	13,363	2,058	—	—	<b>—</b>	<b>—</b>
Group welfare term life insurance	8,886	7,280	37,857	6,999	7,300	7,032	14,492	7,757	<b>3,470</b>	<b>5,953</b>
Group credit life insurance	—	—	—	—	—	—	—	—	<b>—</b>	<b>—</b>
Annuity payment rider	—	—	—	—	—	—	—	—	<b>—</b>	<b>—</b>
Total group insurance products	22,062	16,584	38,820	7,384	20,663	9,090	14,492	7,757	<b>3,470</b>	<b>5,953</b>
Group annuity products: <sup>(5)</sup>										
New-type corporate annuities	—	—	—	—	805	15	196	44	<b>—</b>	<b>—</b>
Defined contribution corporate annuities	2,187	2,520	—	—	20,085	1,732	—	—	<b>—</b>	<b>—</b>
Total group annuity products	2,187	2,520	—	—	20,890	1,747	196	44	<b>—</b>	<b>—</b>
Medical protection insurance (group-type) <sup>(6)</sup>										
Reinsurance recipients	—	—	259	0	128	0	—	—	<b>—</b>	<b>—</b>
Reinsurance recipients	—	—	348	259	—	—	—	—	<b>—</b>	<b>—</b>

Notes: 1. This category includes, in addition to term riders, living benefit whole life policy riders and semi-participating lump sum nursing-care riders every five years.

2. The number of new policies for term riders and others is excluded from total individual insurance products.

3. The new policy amount for individual annuity insurance indicates pension resources at the time annuity payments begin.

4. 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.

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

6. 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	2004		2005		2006		2007		2008	
	Amount	% of total								
Cash, deposits and call loans . . . . .	232,112	10.5	214,266	8.9	71,598	2.5	237,496	7.6	<b>82,106</b>	<b>2.5</b>
Monetary trusts . . . . .	419,224	19.0	515,229	21.3	658,351	23.3	718,492	23.0	<b>893,952</b>	<b>26.8</b>
Securities . . . . .	1,409,077	63.7	1,517,858	62.8	1,870,288	66.3	1,917,154	61.4	<b>2,086,557</b>	<b>62.5</b>
Japanese										
government and corporate bonds . .	1,158,430	52.4	1,321,447	54.7	1,499,591	53.1	1,535,634	49.2	<b>1,722,804</b>	<b>51.6</b>
Japanese stocks . . .	38,761	1.8	53,248	2.2	250,718	8.9	244,379	7.8	<b>172,911</b>	<b>5.2</b>
Foreign securities . .	199,708	9.0	131,068	5.4	102,720	3.6	121,617	3.9	<b>178,795</b>	<b>5.4</b>
Foreign										
government and corporate bonds . . . . .	193,864	8.8	122,782	5.1	89,095	3.2	100,730	3.2	<b>154,195</b>	<b>4.6</b>
Foreign stocks . . .	5,844	0.3	8,285	0.3	13,624	0.5	20,887	0.7	<b>24,599</b>	<b>0.7</b>
Other securities . . .	12,176	0.6	12,093	0.5	17,257	0.6	15,522	0.5	<b>12,046</b>	<b>0.4</b>
Loans . . . . .	71,629	3.2	79,914	3.3	86,918	3.1	96,804	3.1	<b>108,688</b>	<b>3.3</b>
Policyholder loans . .	71,629	3.2	79,914	3.3	86,918	3.1	96,804	3.1	<b>108,688</b>	<b>3.3</b>
Commercial loans . .	—	—	—	—	—	—	—	—	—	—
Real estate . . . . .	46,282	2.1	50,602	2.1	75,579	2.7	87,025	2.8	<b>82,867</b>	<b>2.5</b>
Deferred tax assets . . .	—	—	—	—	—	—	—	—	—	—
Other . . . . .	33,146	1.5	38,541	1.6	59,866	2.1	66,392	2.1	<b>83,898</b>	<b>2.5</b>
Provision for possible loan losses . . . . .	(107)	(0.0)	(142)	(0.0)	(44)	(0.0)	(68)	(0.0)	<b>(74)</b>	<b>(0.0)</b>
<b>Total . . . . .</b>	<b>2,211,367</b>	<b>100.0</b>	<b>2,416,269</b>	<b>100.0</b>	<b>2,822,559</b>	<b>100.0</b>	<b>3,123,298</b>	<b>100.0</b>	<b>3,337,997</b>	<b>100.0</b>
Foreign currency-denominated assets . . . . .	41,972	1.9	46,240	1.9	46,973	1.7	51,486	1.6	<b>106,361</b>	<b>3.2</b>

## Increase (Decrease) of General Account Assets

For the years ended March 31,

(Millions of yen)

Category	2004	2005	2006	2007	2008
Cash, deposits and call loans . . . . .	(25,922)	(17,845)	(142,668)	165,897	<b>(155,389)</b>
Monetary trusts . . . . .	98,282	96,005	143,121	60,141	<b>175,459</b>
Securities . . . . .	253,567	108,780	352,430	46,866	<b>169,402</b>
Japanese government and corporate bonds . .	214,614	163,017	178,143	36,043	<b>187,169</b>
Japanese stocks . . . . .	23,945	14,486	197,470	(6,339)	<b>(71,468)</b>
Foreign securities . . . . .	11,297	(68,640)	(28,347)	18,897	<b>57,177</b>
Foreign government and corporate bonds . .	7,762	(71,081)	(33,686)	11,634	<b>53,465</b>
Foreign stocks . . . . .	3,534	2,441	5,339	7,263	<b>3,711</b>
Other securities . . . . .	3,709	(83)	5,164	(1,735)	<b>(3,475)</b>
Loans . . . . .	6,055	8,284	7,004	9,885	<b>11,884</b>
Policyholder loans . . . . .	6,055	8,284	7,004	9,885	<b>11,884</b>
Commercial loans . . . . .	—	—	—	—	—
Real Estate . . . . .	182	4,319	24,977	11,446	<b>(4,158)</b>
Deferred tax assets . . . . .	(2,330)	—	—	—	—
Other . . . . .	17,775	5,395	21,325	6,526	<b>17,506</b>
Provision for possible loan losses . . . . .	46	(35)	98	(24)	<b>(5)</b>
<b>Total . . . . .</b>	<b>347,659</b>	<b>204,902</b>	<b>406,289</b>	<b>300,739</b>	<b>214,699</b>
Foreign currency denominated assets . . . . .	25,091	4,268	733	4,512	<b>54,874</b>

### Investment Yield by Assets (General Account)

For the years ended March 31,						(%)
Category	2004	2005	2006	2007	2008	
Cash, deposits and call loans . . . . .	0.02	0.01	0.01	0.21	<b>0.47</b>	
Monetary trusts . . . . .	2.19	1.59	3.51	1.92	<b>1.93</b>	
Securities . . . . .	2.03	1.87	1.97	2.03	<b>2.43</b>	
Japanese government and corporate bonds . . . . .	1.75	1.31	1.19	1.18	<b>1.90</b>	
Japanese stocks . . . . .	7.59	17.57	11.05	9.49	<b>6.66</b>	
Foreign securities . . . . .	2.85	3.14	5.67	3.66	<b>4.33</b>	
Loans . . . . .	4.54	4.43	4.39	4.32	<b>4.25</b>	
Real Estate . . . . .	4.84	0.39	0.33	(1.10)	<b>5.09</b>	
Total general account assets . . . . .	1.92	1.70	2.22	2.02	<b>2.17</b>	

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	2004	2005	2006	2007	2008	
Yield on overseas investments . . . . .	2.85	3.13	5.67	3.66	<b>4.33</b>	

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)
	2004	2005	2006	2007	2008
Ordinary revenues . . . . .	31,066	38,159	45,703	51,020	<b>55,649</b>
Underwriting income . . . . .	30,793	37,862	45,298	50,495	<b>55,036</b>
Net premiums written . . . . .	30,785	37,849	45,278	50,467	<b>55,001</b>
Investment income . . . . .	212	275	349	464	<b>567</b>
Interest and dividends . . . . .	215	274	298	442	<b>578</b>
Other ordinary income . . . . .	60	21	55	60	<b>44</b>
Ordinary expenses . . . . .	33,007	40,966	46,467	48,975	<b>52,831</b>
Underwriting expenses . . . . .	21,097	28,606	33,477	36,465	<b>38,970</b>
Net losses paid . . . . .	13,101	17,463	21,124	24,151	<b>26,225</b>
Loss adjustment expenses . . . . .	2,022	2,191	2,535	2,894	<b>3,204</b>
Net commissions and brokerage fees . . . . .	625	784	780	865	<b>922</b>
Provision for reserve for outstanding losses . . . . .	881	1,967	2,345	2,235	<b>2,010</b>
Provision for underwriting reserve . . . . .	4,463	6,198	6,691	6,318	<b>6,607</b>
Investment expenses . . . . .	31	21	8	3	<b>5</b>
Operating, general and administrative expenses . . . . .	11,854	12,338	12,966	12,458	<b>13,838</b>
Other ordinary expenses . . . . .	24	0	15	48	<b>16</b>
Ordinary profit (loss) . . . . .	(1,941)	(2,806)	(764)	2,044	<b>2,817</b>
Extraordinary gains (losses), net . . . . .	3	(1)	(35)	(10)	<b>(413)</b>
Income (loss) before income taxes . . . . .	(1,937)	(2,807)	(799)	2,034	<b>2,403</b>
Income taxes . . . . .	(606)	(826)	(358)	435	<b>217</b>
Net income (loss) . . . . .	(1,330)	(1,981)	(441)	1,598	<b>2,185</b>

## Non-consolidated Balance Sheets

As of March 31,					(Millions of yen)
	2004	2005	2006	2007	2008
<b>Assets:</b>					
Cash and deposits . . . . .	4,512	4,036	1,470	1,977	<b>2,929</b>
Call loans . . . . .	—	—	—	1,400	<b>—</b>
Securities . . . . .	27,747	32,932	44,067	51,155	<b>56,237</b>
Tangible fixed assets . . . . .	—	—	—	165	<b>231</b>
Intangible fixed assets . . . . .	—	—	—	2,119	<b>4,075</b>
Other assets . . . . .	6,584	8,020	8,381	7,728	<b>10,736</b>
Deferred tax assets . . . . .	1,277	1,696	2,184	2,922	<b>4,434</b>
Total assets . . . . .	40,121	46,685	56,103	67,468	<b>78,645</b>
<b>Liabilities:</b>					
Policy reserves . . . . .	22,583	30,750	39,786	48,340	<b>56,958</b>
Reserves for outstanding losses . . . . .	5,688	7,655	10,001	12,236	<b>14,246</b>
Underwriting reserves . . . . .	16,895	23,094	29,785	36,104	<b>42,711</b>
Other liabilities . . . . .	3,475	3,847	4,606	5,807	<b>6,301</b>
Total liabilities . . . . .	26,059	34,598	44,393	54,147	<b>63,260</b>
<b>Stockholder's Equity:</b>					
Common stock . . . . .	20,000	20,000	20,000	—	<b>—</b>
Capital surplus . . . . .	20,000	20,000	20,000	—	<b>—</b>
Retained deficits . . . . .	(25,953)	(27,934)	(28,376)	—	<b>—</b>
Net unrealized gains (losses) on other securities, net of taxes . . . . .	15	21	86	—	<b>—</b>
Total stockholder's equity . . . . .	14,061	12,086	11,709	—	<b>—</b>
Total liabilities and stockholder's equity . . . . .	40,121	46,685	56,103	—	<b>—</b>
<b>Net Assets:</b>					
Common stock . . . . .	—	—	—	20,000	<b>20,000</b>
Capital surplus . . . . .	—	—	—	20,000	<b>20,000</b>
Retained deficits . . . . .	—	—	—	(26,777)	<b>(24,591)</b>
Total shareholder's equity . . . . .	—	—	—	13,222	<b>15,408</b>
Net unrealized gains on other securities, net of taxes . . . . .	—	—	—	97	<b>(23)</b>
Total valuation and translation adjustments . . . . .	—	—	—	97	<b>(23)</b>
Total net assets . . . . .	—	—	—	13,320	<b>15,385</b>
Total liabilities and net assets . . . . .	—	—	—	67,468	<b>78,645</b>

## Non-consolidated Statements of Cash Flows

For the years ended March 31,					(Millions of yen)
	2004	2005	2006	2007	2008
Net cash provided by operating activities . . . . .	2,733	5,081	8,784	9,242	<b>7,554</b>
Net cash provided by (used in) investing activities . . . . .	(10,350)	(5,557)	(11,350)	(6,030)	<b>(7,537)</b>
Net cash provided by financing activities . . . . .	10,000	—	—	—	<b>—</b>
Cash and cash equivalents at end of year . . . . .	6,569	6,094	3,528	6,740	<b>6,757</b>

## Other Key Indicators

As of March 31, (Items marked with an asterisk (*) are for the years ended March 31.)					
	2004	2005	2006	2007	2008
Underwriting profits (losses)* (millions of yen) . . . . .	(2,129)	(3,048)	(1,108)	1,610	<b>2,277</b>
Net loss ratio* (%) . . . . .	49.1	51.9	52.3	53.6	<b>53.5</b>
Net expense ratio* (%) . . . . .	40.4	34.6	30.3	26.3	<b>26.7</b>
Solvency margin ratio (%) . . . . .	1,383.5	1,095.2	976.1	1,009.7	<b>1,073.9</b>
Number of employees . . . . .	423	480	532	593	<b>651</b>

### Net premiums written by type of policy

For the years ended March 31,					(Millions of yen)
Type of policy	2004	2005	2006	2007	2008
Fire . . . . .	—	4	21	12	16
Marine . . . . .	32	22	38	43	52
Personal accident . . . . .	1,427	3,131	4,827	5,947	6,501
Voluntary automobile . . . . .	28,964	34,222	39,858	43,931	47,845
Compulsory automobile liability . . . . .	360	469	533	532	585
<b>Total . . . . .</b>	<b>30,785</b>	<b>37,849</b>	<b>45,278</b>	<b>50,467</b>	<b>55,001</b>

### Direct premiums written by type of policy

For the years ended March 31,					(Millions of yen)
Type of policy	2004	2005	2006	2007	2008
Fire . . . . .	—	102	279	174	273
Marine . . . . .	—	—	—	—	—
Personal accident . . . . .	1,284	2,989	4,681	5,812	6,315
Voluntary automobile . . . . .	29,105	34,372	40,039	44,126	48,053
Compulsory automobile liability . . . . .	—	—	—	—	—
<b>Total . . . . .</b>	<b>30,389</b>	<b>37,464</b>	<b>44,999</b>	<b>50,112</b>	<b>54,642</b>

### Underwriting profits (losses)

For the years ended March 31,					(Millions of yen)
Category	2004	2005	2006	2007	2008
Underwriting income . . . . .	30,793	37,862	45,298	50,495	55,036
Underwriting expenses . . . . .	21,097	28,606	33,477	36,465	38,970
Operating, general and administrative expenses . . . . .	11,825	12,304	12,928	12,418	13,787
Other, net . . . . .	(0)	(0)	(0)	(0)	(1)
<b>Underwriting profits (losses) . . . . .</b>	<b>(2,129)</b>	<b>(3,048)</b>	<b>(1,108)</b>	<b>1,610</b>	<b>2,277</b>

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	2004	2005	2006	2007	2008
Fire . . . . .	—	(1)	8	36	10
Marine . . . . .	139	166	123	142	197
Personal accident . . . . .	(1,344)	(919)	(253)	724	931
Voluntary automobile . . . . .	(924)	(2,293)	(987)	707	1,138
Compulsory automobile liability . . . . .	—	—	—	—	—
<b>Total . . . . .</b>	<b>(2,129)</b>	<b>(3,048)</b>	<b>(1,108)</b>	<b>1,610</b>	<b>2,277</b>

### Net losses paid by type of policy

For the years ended March 31,					(Millions of yen)
Type of policy	2004	2005	2006	2007	2008
Fire . . . . .	—	—	0	0	<b>0</b>
Marine . . . . .	28	9	5	21	<b>25</b>
Personal accident . . . . .	186	427	724	928	<b>1,205</b>
Voluntary automobile . . . . .	12,770	16,801	20,073	22,802	<b>24,546</b>
Compulsory automobile liability . . . . .	115	224	321	399	<b>447</b>
<b>Total . . . . .</b>	<b>13,101</b>	<b>17,463</b>	<b>21,124</b>	<b>24,151</b>	<b>26,225</b>

### Direct losses paid by type of policy

For the years ended March 31,					(Millions of yen)
Type of policy	2004	2005	2006	2007	2008
Fire . . . . .	—	—	0	1	<b>1</b>
Marine . . . . .	—	—	—	—	<b>—</b>
Personal accident . . . . .	145	387	685	889	<b>1,165</b>
Voluntary automobile . . . . .	12,790	16,842	20,245	22,950	<b>24,543</b>
Compulsory automobile liability . . . . .	—	—	—	—	<b>—</b>
<b>Total . . . . .</b>	<b>12,935</b>	<b>17,229</b>	<b>20,931</b>	<b>23,841</b>	<b>25,710</b>

### Underwriting expenses and net expense ratio

For the years ended March 31,					(Millions of yen)
Category	2004	2005	2006	2007	2008
Underwriting expenses . . . . .	12,451	13,088	13,709	13,284	<b>14,709</b>
Operating, general and administrative expenses for underwriting . . . . .	11,825	12,304	12,928	12,418	<b>13,787</b>
Net commissions and brokerage fees . . . . .	625	784	780	865	<b>922</b>
<b>Net expense ratio (%) . . . . .</b>	<b>40.4</b>	<b>34.6</b>	<b>30.3</b>	<b>26.3</b>	<b>26.7</b>

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

For the years ended March 31,										(%)
Type of policy	2004			2005			2006			2008
	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)	
Marine . . . . .	87.3	/	/	43.5	/	/	13.6	(353.7)	(340.1)	
Personal accident . . . . .	17.1	/	/	15.8	/	/	17.1	30.3	47.4	
Voluntary automobile . . . . .	50.9	/	/	55.3	/	/	56.5	31.2	87.6	
Compulsory automobile liability . . . . .	32.2	/	/	47.8	/	/	60.2	—	60.2	
<b>Total . . . . .</b>	<b>49.1</b>	<b>40.4</b>	<b>89.6</b>	<b>51.9</b>	<b>34.6</b>	<b>86.5</b>	<b>52.3</b>	<b>30.3</b>	<b>82.5</b>	
Type of policy	2007			2008			2008			2008
	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 . . . . .	45.8	(55.9)	(10.1)	<b>63.1</b>	<b>(214.8)</b>	<b>(151.6)</b>	<b>63.1</b>	<b>(214.8)</b>	<b>(151.6)</b>	
Marine . . . . .	49.6	(390.4)	(340.8)	<b>47.9</b>	<b>(371.8)</b>	<b>(323.9)</b>	<b>47.9</b>	<b>(371.8)</b>	<b>(323.9)</b>	
Personal accident . . . . .	17.5	17.3	34.8	<b>21.0</b>	<b>19.6</b>	<b>40.6</b>	<b>21.0</b>	<b>19.6</b>	<b>40.6</b>	
Voluntary automobile . . . . .	58.2	28.3	86.5	<b>57.6</b>	<b>28.6</b>	<b>86.2</b>	<b>57.6</b>	<b>28.6</b>	<b>86.2</b>	
Compulsory automobile liability . . . . .	74.9	—	74.9	<b>76.5</b>	<b>—</b>	<b>76.5</b>	<b>76.5</b>	<b>—</b>	<b>76.5</b>	
<b>Total . . . . .</b>	<b>53.6</b>	<b>26.3</b>	<b>79.9</b>	<b>53.5</b>	<b>26.7</b>	<b>80.3</b>	<b>53.5</b>	<b>26.7</b>	<b>80.3</b>	

# Sony Bank's Financial Data

## Condensed Financial Statements

### Non-consolidated Statements of Income

For the years ended March 31,

(Millions of yen)

	2004	2005	2006	2007	2008
Ordinary revenues . . . . .	7,406	11,353	17,225	19,470	<b>25,988</b>
Interest income . . . . .	4,520	6,563	9,472	12,763	<b>17,152</b>
Interest on loans . . . . .	990	1,560	2,721	4,580	<b>7,045</b>
Interest and dividends on securities . . . . .	3,237	4,416	6,414	7,208	<b>7,320</b>
Fees and commissions . . . . .	524	817	1,686	1,619	<b>1,823</b>
Other operating income . . . . .	2,357	3,946	6,039	5,065	<b>7,001</b>
Income from foreign exchange transactions . . . . .	1,439	3,212	4,449	4,339	<b>5,773</b>
Gains on sale of bonds and others . . . . .	324	732	231	682	<b>734</b>
Gains from derivatives, net . . . . .	590	—	1,353	—	<b>492</b>
Other ordinary income . . . . .	4	25	26	21	<b>11</b>
Ordinary expenses . . . . .	9,608	13,013	14,997	18,116	<b>23,242</b>
Interest expenses . . . . .	1,136	2,855	4,672	8,174	<b>12,046</b>
Interest on deposits . . . . .	1,001	2,559	4,365	7,380	<b>11,380</b>
Fees and commissions . . . . .	521	677	1,215	1,067	<b>1,424</b>
Other operating expenses . . . . .	1,988	2,452	1,890	1,149	<b>1,524</b>
Losses on sale of bonds and others . . . . .	1,942	1,882	1,528	845	<b>1,319</b>
Losses from derivatives, net . . . . .	—	451	—	303	<b>—</b>
Other operating expenses . . . . .	45	117	361	—	<b>205</b>
General and administrative expenses . . . . .	5,823	6,905	7,091	7,665	<b>8,145</b>
Other ordinary expenses . . . . .	139	123	127	58	<b>100</b>
Provision for reserve for specific problem loans . . . . .	40	—	116	33	<b>90</b>
Amortization of loan . . . . .	—	0	—	0	<b>0</b>
Ordinary profit (loss) . . . . .	(2,202)	(1,659)	2,228	1,354	<b>2,746</b>
Extraordinary gains (losses), net . . . . .	—	—	—	—	<b>—</b>
Income (loss) before income taxes . . . . .	(2,202)	(1,659)	2,228	1,354	<b>2,746</b>
Income taxes . . . . .	3	3	(1,029)	330	<b>(1,745)</b>
Net income (loss) . . . . .	(2,206)	(1,663)	3,258	1,023	<b>4,492</b>

## Non-consolidated Balance Sheets

As of March 31,					(Millions of yen)
	2004	2005	2006	2007	2008
<b>Assets:</b>					
Cash and due from banks	14,139	19,773	26,186	7,977	7,346
Call loans and bills bought	40,966	127,696	20,174	103,059	352,568
Securities	333,421	321,600	449,549	381,234	488,777
Japanese government bonds	110,324	120,486	179,746	131,025	171,157
Short-term corporate bonds	—	—	—	20,984	—
Corporate bonds	33,591	21,978	58,411	74,720	152,107
Stocks	—	—	—	—	3,000
Other securities	189,504	179,135	211,391	154,504	162,512
Loans	63,023	126,385	239,467	284,712	347,065
Loans on deeds	60,903	123,317	235,002	278,662	339,566
Overdrafts	2,120	3,068	4,465	6,050	7,498
Other assets	37,883	23,005	18,359	29,232	12,808
Deferred tax assets	—	—	1,033	634	2,433
<b>Total assets</b>	<b>489,432</b>	<b>618,459</b>	<b>754,768</b>	<b>806,848</b>	<b>1,211,000</b>
<b>Liabilities:</b>					
Deposits	378,850	546,717	599,952	752,366	1,144,398
Ordinary deposits	103,943	190,327	221,622	235,997	216,677
Time deposits	167,678	197,217	229,147	368,034	675,445
Other deposits	107,228	159,172	149,182	148,334	252,276
Call money and bills sold	65,000	24,600	110,700	10,000	10,000
Other liabilities	18,180	11,621	9,400	7,604	20,889
Deferred tax liabilities	291	202	—	—	—
<b>Total liabilities</b>	<b>462,321</b>	<b>583,140</b>	<b>720,052</b>	<b>769,970</b>	<b>1,175,288</b>
<b>Stockholder's Equity:</b>					
Common stock	18,750	23,750	25,000	—	—
Capital surplus	18,750	13,750	15,000	—	—
Retained earnings (deficits)	(10,813)	(2,477)	781	—	—
Net unrealized gains (losses) on other securities, net of taxes	424	295	(6,065)	—	—
<b>Total stockholder's equity</b>	<b>27,111</b>	<b>35,318</b>	<b>34,715</b>	<b>—</b>	<b>—</b>
<b>Total liabilities and stockholder's equity</b>	<b>489,432</b>	<b>618,459</b>	<b>754,768</b>	<b>—</b>	<b>—</b>
<b>Net Assets:</b>					
Common stock	—	—	—	25,000	25,000
Capital surplus	—	—	—	15,000	15,000
Retained earnings	—	—	—	1,804	6,296
Total shareholder's equity	—	—	—	41,804	46,296
Net unrealized gains (losses) on other securities, net of taxes	—	—	—	(4,462)	(9,055)
Net deferred losses on hedging instruments, net of taxes	—	—	—	(464)	(1,529)
Total valuation and translation adjustments	—	—	—	(4,926)	(10,584)
<b>Total net assets</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>36,878</b>	<b>35,712</b>
<b>Total liabilities and net assets</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>806,848</b>	<b>1,211,000</b>

## Non-consolidated Statements of Cash Flows

For the years ended March 31,					(Millions of yen)
	2004	2005	2006	2007	2008
Net cash provided by (used in) operating activities	116,319	(23,493)	135,772	(78,756)	101,999
Net cash provided by (used in) investing activities	(110,450)	19,127	(141,859)	70,547	(102,630)
Net cash provided by financing activities	—	10,000	2,500	—	—
Cash and cash equivalents at end of year	14,139	19,773	16,186	7,977	7,346

## Other Key Indicators

As of March 31, (Items marked with an asterisk (*) are for the years ended March 31.)					
	2004	2005	2006	2007	2008
Gross operating profit* (millions of yen)	3,756	5,343	9,420	9,056	10,980
Net operating profit* (millions of yen)	(2,107)	(1,562)	2,245	1,366	2,826
Non-consolidated capital adequacy ratio (domestic criteria) (%)	10.29	11.97	9.24	11.49	9.15
Number of employees	78	100	120	152	1.65

Notes: 1. Net operating profit is calculated by subtracting provision for possible loan losses and general and administrative expenses from gross operating profit.  
2. Sony Bank's non-consolidated capital adequacy ratio (domestic criteria) for the fiscal years ended March 31, 2007 and 2008 were calculated based on the standard stipulated in the FSA public ministerial announcement No. 19 of 2006. Calculations for the fiscal year ended March 31, 2006, and prior fiscal years have been made in accordance with the standard stipulated in the former public ministerial announcement.

## Breakdown of gross operating profit

For the years ended March 31, (Millions of yen)

	2004	2005	2006	2007	2008
Net interest income . . . . .	3,383	3,708	4,800	4,588	<b>5,105</b>
Interest income . . . . .	4,520	6,563	9,472	12,763	<b>17,152</b>
Interest expenses . . . . .	1,136	2,855	4,672	8,174	<b>12,046</b>
Net fees and commissions . . . . .	3	140	471	551	<b>398</b>
Fees and commissions received . . . . .	524	817	1,686	1,619	<b>1,823</b>
Fees and commissions paid . . . . .	521	677	1,215	1,067	<b>1,424</b>
Net other operating income . . . . .	369	1,494	4,149	3,916	<b>5,476</b>
Other operating income . . . . .	2,357	3,946	6,039	5,065	<b>7,001</b>
Other operating expenses . . . . .	1,988	2,452	1,890	1,149	<b>1,524</b>
Gross operating profit . . . . .	3,756	5,343	9,420	9,056	<b>10,980</b>
Gross operating profit ratio* (%) . . . . .	0.96	0.92	1.38	1.19	<b>1.13</b>

\*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)

	2004			2005			2006		
	Average balance	Interest	Yield (%)	Average balance	Interest	Yield (%)	Average balance	Interest	Yield (%)
Investment account . . . . .	390,015	4,520	1.15	576,486	6,563	1.13	680,004	9,472	1.39
Loan . . . . .	49,265	990	2.01	82,692	1,560	1.88	170,342	2,721	1.59
Securities . . . . .	280,299	3,237	1.15	432,202	4,416	1.02	462,060	6,414	1.38
Call loans . . . . .	34,207	258	0.75	43,038	539	1.25	31,393	243	0.77
Monetary claims bought . . . . .	15,499	32	0.21	9,090	39	0.43	2,000	54	2.74
Financing account . . . . .	368,096	1,136	0.30	553,480	2,855	0.51	652,516	4,672	0.71
Deposits . . . . .	318,947	1,001	0.31	459,783	2,559	0.55	583,968	4,365	0.74
Call money . . . . .	49,147	14	0.03	65,383	7	0.01	25,986	1	0.00

	2007			2008		
	Average balance	Interest	Yield (%)	Average balance	Interest	Yield (%)
Investment account . . . . .	757,007	12,763	1.68	<b>963,579</b>	<b>17,152</b>	<b>1.78</b>
Loan . . . . .	252,760	4,580	1.81	<b>315,088</b>	<b>7,045</b>	<b>2.23</b>
Securities . . . . .	423,502	7,208	1.70	<b>417,805</b>	<b>7,320</b>	<b>1.75</b>
Call loans . . . . .	72,361	910	1.25	<b>222,742</b>	<b>2,647</b>	<b>1.18</b>
Monetary claims bought . . . . .	109	3	2.74	<b>448</b>	<b>36</b>	<b>8.23</b>
Financing account . . . . .	721,520	8,174	1.13	<b>923,439</b>	<b>12,046</b>	<b>1.30</b>
Deposits . . . . .	676,716	7,380	1.09	<b>900,015</b>	<b>11,380</b>	<b>1.26</b>
Call money . . . . .	28,813	59	0.20	<b>23,415</b>	<b>133</b>	<b>0.56</b>

(%)

	2004	2005	2006	2007	2008
Yield on investment . . . . .	1.15	1.13	1.39	1.68	<b>1.78</b>
Yield on financing . . . . .	0.30	0.51	0.71	1.13	<b>1.30</b>
Interest spread . . . . .	0.85	0.62	0.67	0.55	<b>0.47</b>

## Breakdown of general and administrative expenses

For the years ended March 31, (Millions of yen)

	2004	2005	2006	2007	2008
Personnel expenses . . . . .	822	958	1,195	1,376	<b>1,776</b>
Non-personnel expenses . . . . .	4,737	5,692	5,625	5,968	<b>6,004</b>
Depreciation and amortization . . . . .	1,544	1,553	1,590	1,049	<b>637</b>
Advertisement expenses . . . . .	703	894	538	777	<b>574</b>
Taxes and public dues . . . . .	263	253	270	320	<b>364</b>
Total . . . . .	5,823	6,905	7,091	7,665	<b>8,145</b>

### Balance of time deposits by remaining period

As of March 31,					(Millions of yen)
	2004	2005	2006	2007	2008
Less than 3 months . . . . .	92,060	134,953	159,856	196,893	<b>278,346</b>
3 months or more and less than 6 months . . . .	36,175	47,713	47,751	127,724	<b>191,077</b>
6 months or more and less than 1 year . . . . .	39,719	51,516	47,243	80,194	<b>300,241</b>
1 year or more and less than 2 years . . . . .	23,951	25,747	30,568	25,296	<b>28,842</b>
2 years or more and less than 3 years . . . . .	22,199	23,823	20,657	15,143	<b>16,324</b>
3 years or more . . . . .	84	86	15,831	19,917	<b>19,520</b>
<b>Total . . . . .</b>	<b>214,390</b>	<b>283,840</b>	<b>321,907</b>	<b>465,169</b>	<b>834,353</b>

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

### Balance of loans by remaining period

As of March 31,										(Millions of yen)
	2004			2005			2006			2008
	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 . . . . .	3	12	16	13	23	36	16	32	49	
More than 1 year and 3 years or less . . . . .	105	131	236	195	194	390	257	279	537	
More than 3 years and 5 years or less . . . . .	436	312	748	482	464	946	488	665	1,153	
More than 5 years and 7 years or less . . . . .	586	429	1,016	640	679	1,320	1,040	900	1,940	
More than 7 years . . . . .	28,780	30,104	58,885	41,509	79,113	120,623	75,091	156,229	231,320	
Unspecified term . . . . .	—	2,120	2,120	—	3,068	3,068	—	4,465	4,465	
<b>Total . . . . .</b>	<b>29,912</b>	<b>33,111</b>	<b>63,023</b>	<b>42,841</b>	<b>83,544</b>	<b>126,385</b>	<b>76,894</b>	<b>162,573</b>	<b>239,467</b>	
										(Millions of yen)
	2007			2008			2008			2008
	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 . . . . .	25	30	55	26	46	72	26	46	72	
More than 1 year and 3 years or less . . . . .	249	383	632	300	349	650	300	349	650	
More than 3 years and 5 years or less . . . . .	625	613	1,238	892	849	1,741	892	849	1,741	
More than 5 years and 7 years or less . . . . .	1,843	1,455	3,289	1,969	1,958	3,927	1,969	1,958	3,927	
More than 7 years . . . . .	98,499	174,945	273,445	156,284	176,890	333,174	156,284	176,890	333,174	
Unspecified term . . . . .	—	6,050	6,050	—	7,498	7,498	—	7,498	7,498	
<b>Total . . . . .</b>	<b>101,243</b>	<b>183,469</b>	<b>284,712</b>	<b>159,473</b>	<b>187,592</b>	<b>347,065</b>	<b>159,473</b>	<b>187,592</b>	<b>347,065</b>	

### Deposit-loan ratio and deposit-securities ratio

As of March 31 or for the years ended March 31,					(%)
	2004	2005	2006	2007	2008
Deposit-loan ratio					
At fiscal year-end . . . . .	16.63	23.11	39.91	37.84	<b>30.32</b>
Average . . . . .	15.44	17.98	26.16	37.35	<b>35.00</b>
Deposit-securities ratio					
At fiscal year-end . . . . .	88.00	58.82	74.93	50.67	<b>42.71</b>
Average . . . . .	87.88	94.00	79.12	62.58	<b>46.42</b>

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)

	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
<b>Total . . . . .</b>	<b>134,822</b>	<b>129,390</b>	<b>46,925</b>	<b>28,623</b>	<b>10,950</b>	<b>1,658</b>	<b>2,000</b>	<b>354,370</b>

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
<b>Total . . . . .</b>	<b>134,061</b>	<b>81,409</b>	<b>46,061</b>	<b>14,484</b>	<b>5,703</b>	<b>11,490</b>	<b>30,389</b>	<b>323,599</b>

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
<b>Total . . . . .</b>	<b>122,719</b>	<b>129,447</b>	<b>94,492</b>	<b>8,587</b>	<b>8,555</b>	<b>88,752</b>	<b>8,994</b>	<b>461,550</b>

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
<b>Total . . . . .</b>	<b>99,362</b>	<b>115,776</b>	<b>53,418</b>	<b>7,439</b>	<b>10,824</b>	<b>87,381</b>	<b>7,031</b>	<b>381,234</b>

As of March 31, (Millions of yen)

	2008							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 . . . .	<b>13,315</b>	<b>17,993</b>	<b>24,722</b>	—	<b>4,002</b>	<b>111,123</b>	—	<b>171,157</b>
Local government bonds . . . . .	—	—	—	—	—	—	—	—
Corporate bonds . . . . .	<b>18,575</b>	<b>62,443</b>	<b>69,051</b>	<b>1,032</b>	—	<b>1,003</b>	—	<b>152,107</b>
Stocks . . . . .	—	—	—	—	—	—	<b>3,000</b>	<b>3,000</b>
Other securities . . . . .	<b>27,360</b>	<b>68,964</b>	<b>46,522</b>	<b>9,959</b>	—	—	<b>9,705</b>	<b>162,512</b>
<b>Total . . . . .</b>	<b>59,251</b>	<b>149,401</b>	<b>140,296</b>	<b>10,992</b>	<b>4,002</b>	<b>112,126</b>	<b>12,705</b>	<b>488,777</b>

# Stock Information

Sony Financial Holdings Inc. (SFH)

## Information on Common Stock, Shares Outstanding

Historical Data on Common Stock and Total Number of Shares Outstanding

	Common Stock (millions of yen)	Total Number of Shares Outstanding
April 1, 2004	500	2,000,000 shares
June 25, 2004	5,500	2,100,000 shares
October 10, 2007	19,900	2,175,000 shares

## Information on Major Shareholders (As of March 31, 2008)

	Number of Shares Held	Percentage of Ownership
Sony Corporation	1,305,000 shares	60.00%
Japan Trustee Services Bank, Ltd. (Trust Account)	48,603	2.23
The Master Trust Bank of Japan, Ltd. (Trust Account)	48,341	2.22
State Street Bank and Trust Company 505103	42,666	1.96
The Chase Manhattan Bank 385036	38,509	1.77
BBH for VIP Contrafund Financials Sub	35,482	1.63
Morgan Stanley & Co. Inc	34,773	1.59
CBNY-Orbis SICAV	31,115	1.43
State Street Bank and Trust Company	30,759	1.41
Goldman Sachs and Company Regular Account	21,953	1.00
Total	1,637,201	75.27

## Stock Exchange Listing (As of March 31, 2008)

The First Section of the Tokyo Stock Exchange (Securities Code: 8729)

## Dividend Policy

Dividends

	FY2006	FY2007
Dividend per Share		
Year-end	¥3,095.24	¥3,000.00
Annual	¥3,095.24	¥3,000.00
Annual Dividend Amount	¥6,500 million	¥6,525 million
Dividend Payout Ratio (Consolidated)	64.9%	26.4%
Dividend on Net Assets (Consolidated)	2.4%	2.5%

SFH considers the steady increase in returns to its stockholders, as well as an increasing return on equity, among its most important management tasks.

SFH's basic policy on returning profits to its stockholders is to ensure stable dividends to stockholders while ensuring the high level of financial soundness that is necessary to maintain the trust of existing customers and attract new ones, as well as securing sufficient retained earnings for future business development.

In keeping with the basic policy outlined above, we paid an annual dividend of ¥3,000 per share for the fiscal year ended March 31, 2008.

## Share Price

	October 2007	November 2007	December 2007	January 2008	February 2008	March 2008
High	440,000	425,000	451,000	426,000	427,000	427,000
Low	403,000	384,000	412,000	375,000	396,000	395,000

Note: Data on share prices (high and low) is from the First Section of the Tokyo Stock Exchange.

# Corporate Information

Sony Financial Holdings Inc. (SFH)

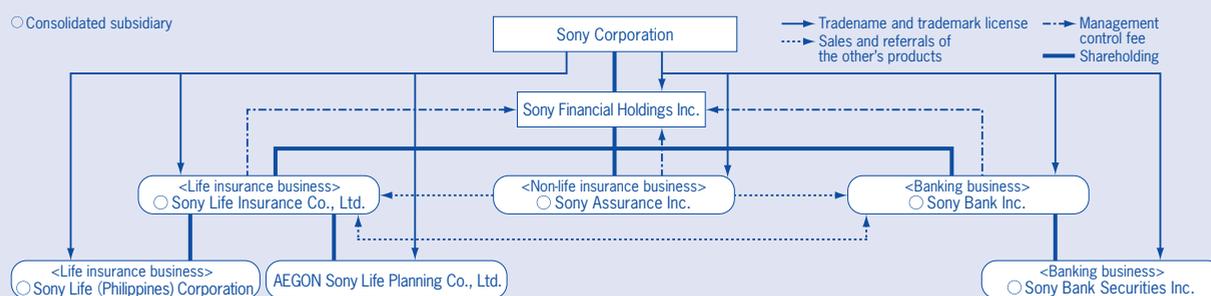
## Business (As of July 1, 2008)

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

## Organizational Chart (As of July 1, 2008)



## Organizational Chart of Business Operations (As of March 31, 2008)



Note: In August 2007, AEGON Sony Life Planning Co., Ltd. was established as an affiliate of Sony Life (a 50-50 joint venture by Sony Life Insurance Co., Ltd. and AEGON Group of the Netherlands). AEGON Sony Life Planning Co., Ltd. is not included as an equity-method affiliate in the scope of consolidation in the fiscal year ended March 31, 2008.

## Senior Management (As of July 1, 2008)

### Directors and Statutory Auditors

Title	Name	Other Concurrent Responsibilities
President, Representative Director	Teruhisa Tokunaka	Director of Sony Bank Inc.
Executive Vice President, Representative Director	Hikomichi 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 & CEO, Representative Director of Sony Bank Inc.
Director	Nobuyuki Oneda	Executive Vice President, Chief Financial Officer, and Corporate Executive Officer of Sony Corporation
Director	Yasushi Ikeda	
Director	Ryuji Yasuda	Director and Member of Audit Committee of Sony Corporation
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	So Sato	Standing Statutory Auditor of Sony Life Insurance Co., Ltd.
Statutory Auditor	Takatoshi Yajima	Standing Statutory Auditor of Sony Assurance Inc. Statutory Auditor of Sony Life Insurance Co., Ltd.

\*Yasushi Ikeda is an outside director.

## Number of Employees (As of March 31, 2008)

SFH	Life Insurance Business	Non-Life Insurance Business	Banking Business	SFH Group
20	5,412	651	170	6,253

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

# Senior Management of the SFH Group Companies

## Sony Life (As of July 1, 2008)

### Directors and Statutory Auditors

Title	Name	Other Concurrent Responsibilities
Chairman, Director	Kunitake Ando	Director of AEGON Sony Life Planning Co., Ltd.
President, Representative Director	Taro Okuda	Director of Sony Financial Holdings Inc.
Director	Masamitsu Shimaoka	
Director	Mitsuhiro Koizumi	
Director	Hiromichi 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	Takatoshi Yajima	Standing Statutory Auditor of Sony Assurance Inc. Statutory Auditor of Sony Financial Holdings Inc.

## Sony Assurance (As of July 1, 2008)

### Directors and Statutory Auditors

Title	Name	Other Concurrent Responsibilities
President, Representative Director	Shinichi Yamamoto	Director of Sony Financial Holdings Inc.
Director	Yuro Fujiyama	
Director	Hiromichi Fujikata	Executive Vice President and Representative Director of Sony Financial Holdings Inc. Director of Sony Life Insurance Co., Ltd.
Director	Masaaki Konoo	General Manager, Corporate Communications & Investor Relations Department of Sony Financial Holdings Inc.
Standing Statutory Auditor	Takatoshi Yajima	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, 2008)

### 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	Hidemichi Takenaka	Manager, Planning Section, Accounting Division of Sony Corporation
Statutory Auditor	Junichi Yoshikawa	Manager, Accounting Department of Sony Financial Holdings Inc.

\*Tohru Nakajima is an outside director.

## **Sony Financial Holdings (SFH)**

Head Office: 1-1, Minami Aoyama 1-chome, Minato-ku, Tokyo 107-0062, Japan

Tel: +81-(0)3-5785-1070

URL: [http://www.sonyfh.co.jp/index\\_en.html/](http://www.sonyfh.co.jp/index_en.html/)

Published in July 2008 by Corporate Communications & Investor Relations Department of SFH

# SFH's Website Information

SFH regularly updates its website in a proactive attempt to encourage understanding and disclose information about SFH and the SFH Group. Please visit website to look at a variety of information.

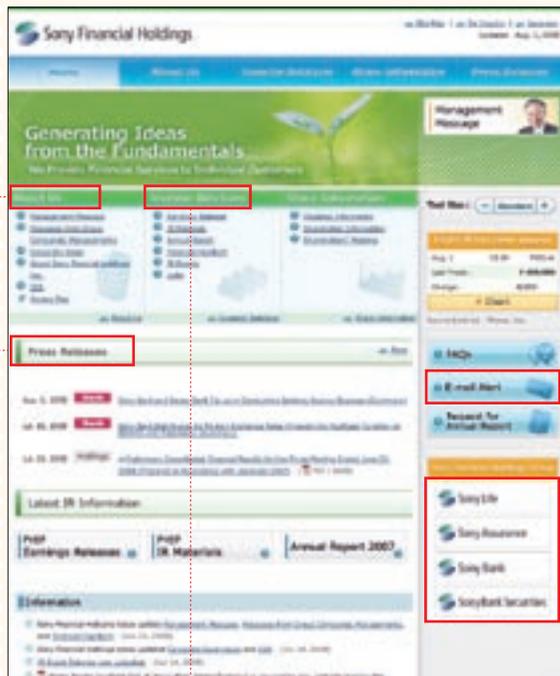
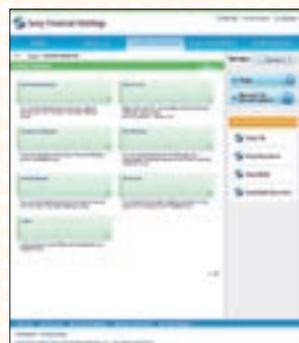
## [http://www.sonyfh.co.jp/index\\_en.html](http://www.sonyfh.co.jp/index_en.html)

### About Us

This section includes corporate information, messages from management, corporate governance, group information and corporate strategy.

### Press Releases

This section contains press releases announced by SFH Group companies.



### E-mail Alert

Our e-mail alert service ensures timely disclosure by alerting subscribers via e-mail about press releases and other breaking information.

### Links to Group Company Sites

These icons link to the top pages of SFH Group companies' websites, which are available only in Japanese. The sites provide overviews and detailed information about the products and services that each company provides.

### Investor Relations

This section is designed to conveniently provide investors, analysts and shareholders with a host of timely and appropriate information over the Internet. This section contains SFH Group earnings releases, stock prices, information on IR events, IR presentations and financial highlights.

### Sony Life Insurance

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



### Sony Assurance

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



### Sony Bank

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



### Sony Bank Securities

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



