Sony Financial Holdings

2009

Annual Report

Growth and Value Creation

The Sony Financial Holdings Group (the SFH Group) works to differentiate itself from competitors in its three businesses, namely, life insurance, non-life insurance and banking by building a unique and distinctive business model.
The SFH Group also strives to provide customer-oriented and highly convenient financial products and services to individual customers.
In addition to sustainable growth in these three businesses, SFH Group aims at raising its corporate value by creating group-wide synergies and entering into new business domains.

Contents

Disclaimers:
This annual report contains statements concerning the current plans, expectations, strategies and beliefs of the SFH Group. Any statements contained herein that pertain to future operating performance and that are not historic facts are forward-looking statements. Forward-looking statements may include—but are not limited to—words such as “believe,” “anticipate,” “plan,” “strategy,” “expect,” “forecast,” “predict,” “possibility” that describe future operating activities, business performance, events or conditions. Forward-looking statements are based on judgments made by the management of the SFH Group, based on information that is currently available to it. As such, these forward-looking statements are subject to various risks and uncertainties, and actual business results may vary substantially from the forecasts expressed or implied in forward-looking statements. Consequently, investors are cautioned not to place undue reliance on forward-looking statements. The SFH Group disclaims any obligation to revise forward-looking statements in light of new information, future events or other findings. The information contained in this annual report does not constitute or form part of any offer for sale or subscription of or solicitation or invitation of any offer to buy or subscribe for any securities, nor shall it or any part of it form the basis of or be relied on in connection with any contract or commitment whatsoever.

Financial Highlights

(Millions of yen)

Sony Financial Holdings (Consolidated)

For the years ended March 31	2005	2006	2007	2008	2009
Ordinary revenues	653,259	758,711	759,280	822,153	860,323
Ordinary profit	12,269	25,377	18,354	44,500	34,253
Net income	6,375	11,537	10,021	24,255	30,722
As of March 31					
Total assets	3,282,269	3,917,048	4,323,780	4,977,450	5,313,677
Net assets	182,817	263,040	270,179	261,627	204,897
Consolidated capital adequacy ratio (Domestic criteria) (Note 3)	12.17%	9.99%	12.01%	14.62%	13.32%

Sony Life (Non-consolidated)

For the years ended March 31	2005	2006	2007	2008	2009
Ordinary revenues	604,093	696,426	689,591	741,250	765,910
Ordinary profit	17,070	24,359	14,895	39,290	32,409
Net income	10,102	9,616	7,494	18,514	33,783
As of March 31					
Total assets	2,617,266	3,103,241	3,445,970	3,659,786	3,810,929
Net assets	141,142	217,833	216,568	182,671	140,730

Sony Assurance

For the years ended March 31	2005	2006	2007	2008	2009
Ordinary revenues	38,159	45,703	51,020	55,649	61,882
Ordinary profit (loss)	(2,806)	(764)	2,044	2,817	2,178
Net income (loss)	(1,981)	(441)	1,598	2,185	(1,556)
As of March 31					
Total assets	46,685	56,103	67,468	78,645	86,698
Net assets	12,086	11,709	13,320	15,385	13,678

Sony Bank (Non-consolidated)

For the years ended March 31	2005	2006	2007	2008	2009
Ordinary revenues	11,353	17,225	19,470	25,988	33,361
Ordinary profit (loss)	(1,659)	2,228	1,354	2,746	414
Net income (loss)	(1,663)	3,258	1,023	4,492	(710)
As of March 31					
Total assets	618,459	754,768	806,848	1,211,000	1,411,956
Net assets	35,318	34,715	36,878	35,712	46,264
Non-consolidated capital adequacy ratio (Domestic criteria) (Note 4)	11.97%	9.24%	11.49%	9.15%	13.37%

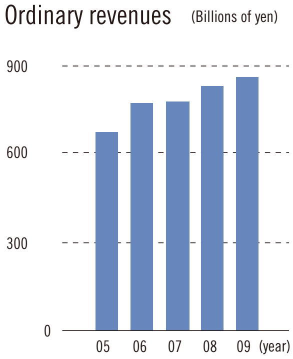
Notes: 1. All figures have been rounded down to the nearly ¥1 million.

2. Total assets and net assets have been calculated based on the "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (ASBJ Statement No. 5) and the "Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet" (ASBJ Guidance No. 8) since FY2006.

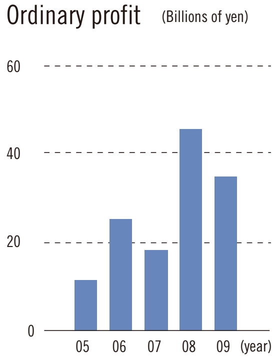
3. SFH has calculated the consolidated capital adequacy ratio (domestic criteria) based on formulas stipulated in the FSA Notification No. 20 (2006), which is based on Article 52-25 of the Banking Law, since FY2006. The Company applies Standard Two. The Company calculated the consolidated capital adequacy ratio based on formulas stipulated in the Ministry of Finance Announcement No. 62 (1998), which is based on Article 52-25 of the Banking Law, through FY2005. Calculations in all periods do not include insurance subsidiaries within the scope of consolidation. The Company has applied FSA Notification No. 79 (2008), which establishes exceptions to the standards based on Article 52-25 of the Banking Law for determining the capital adequacy of a bank holding company in light of the assets held by the bank holding company and its subsidiaries, since the end of March 2009.

4. Sony Bank has calculated its non-consolidated capital adequacy ratio (domestic criteria) based on the FSA Notification No. 19 (2006), which establishes standards based on Article 14-2 of the Banking Law for determining the capital adequacy of a bank in light of the assets held by the bank, since the end of March 2007. The Bank applied previous standards through FY2005. The Bank has applied FSA Notification No. 79 (2008), which establishes exceptions to the standards in FSA Notification No. 19 (2006), which establishes standards based on Article 14-2 of the Banking Law for determining the capital adequacy of a bank in light of the assets held by the bank, since the end of March 2009.

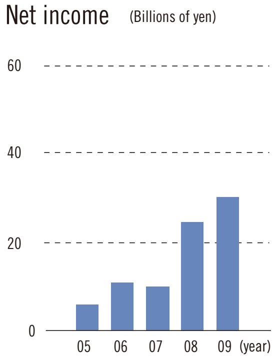
Sony Financial Holdings (Consolidated)



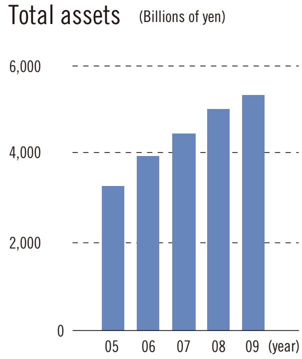
For the years ended March 31



For the years ended March 31



For the years ended March 31



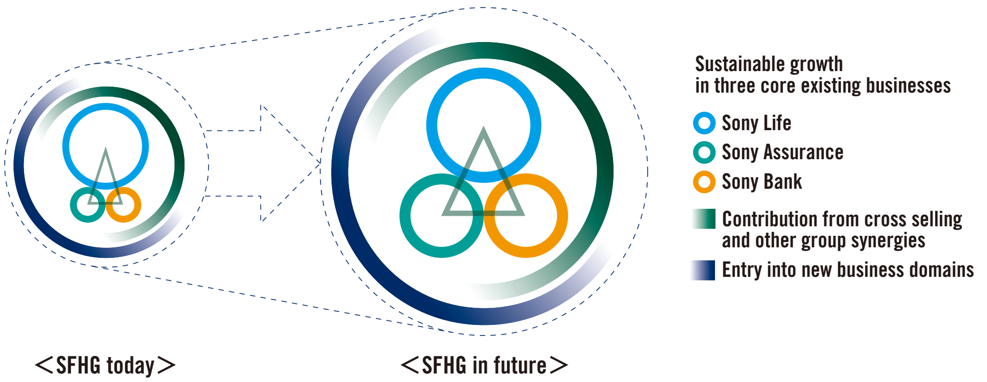
As of March 31

SFH Group Growth Strategies

Aspiring to Be the Financial Services Group Foremost in Customers' Minds and Trust

The SFH Group aims to be the financial services group customers think of first and trust most by integrating the many functions of financial service providers—everything from saving and asset building to borrowing and protection—and delivering high-valued-added products and quality services, all tailored to the specific needs of every one of our individual customers.

SFH Group Growth Strategies



Sony Financial Holdings Inc. (SFH) seeks to increase corporate value based on steady growth at our three main subsidiaries. We also work to enhance the corporate value of the SFH Group by generating synergies through cross selling and other means and by entering into new business domains.

Financial Soundness

In addition to pursuing steady growth, SFH Group works to ensure a high degree of financial soundness to acquire and maintain trust of our individual customers as a financial institution.

Financial Soundness Indicators (As of March 31, 2009)

Sony Life	Sony Assurance	Sony Bank
Solvency margin ratio : 2,060.5%	Solvency margin ratio : 993.0%	Capital adequacy ratio (Non-consolidated basis) : 13.37% (Domestic Criteria)

*See page 52, 56, 61 for the details.

Credit Ratings (As of July 1, 2009)

	Rating Agency	Rating	
SFH	Rating and Investment Information (R&I)	Issuer ratings	AA−
Sony Life	Rating and Investment Information (R&I)	Insurance claims paying ability	AA (Very high claim paying ability supported by excellent factors)
	Japan Credit Rating Agency (JCR)	Ability to pay insurance claims	AA (Very high capacity to honor the financial commitment on the obligation)
	Moody's Investors Service	Insurance financial strength rating	Aa3
	Standard & Poor's (S&P)	Insurer financial strength rating	A+ (Strong)
Sony Bank	Standard & Poor's (S&P)	Long-term counterparty credit rating	A−
		Short-term counterparty credit rating	A−2
	Japan Credit Rating Agency (JCR)	Long-term senior debts rating	AA−

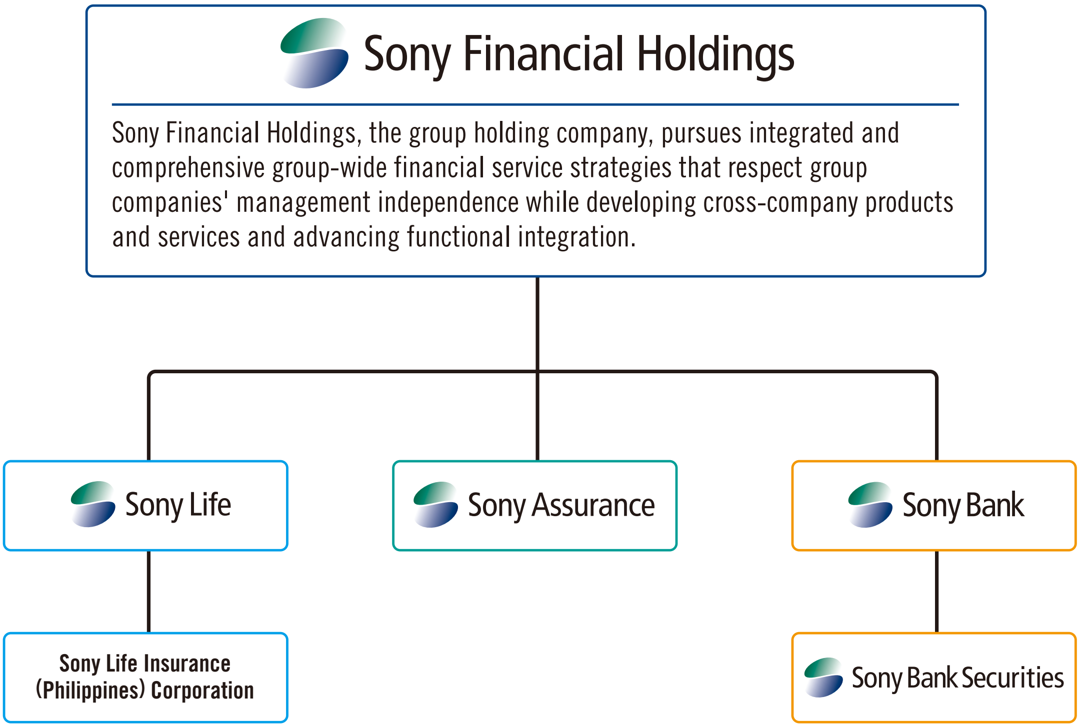
Strengths of Our Three Main Subsidiaries and Growth Strategies

The SFH Group growth strategies are based on sustainable and stable growth of our core group members, Sony Life Insurance Co., Ltd. (Sony Life), Sony Assurance Inc. (Sony Assurance), and Sony Bank Inc. (Sony Bank). Pursuing their own respective growth strategies, our three business segments seek to capitalize on their strengths and advantages, as well as accelerating the growth.

	Sony Life	Sony Assurance	Sony Bank
	LIFEPLANNER VALUE.	FEEL THE Difference	MONEYKit
Main Products	● Death-protection insurance ● Medical insurance, other	● Automobile insurance (risk segmented) ● SURE medical and cancer insurance	● Deposits (yen, foreign currency) ● Mortgage loans ● Investment trusts, foreign exchange margin transactions, other
Sales Channels	● Lifeplanner sales employees ● Partners (Independent agencies) Provide quality services through a highly capable sales force with consulting expertise	● Internet ● Telephone Provide quality services with reasonable premiums	● Internet Provide highly convenient and quality products and services that take advantage of the Internet
Strengths	● Design and sell life insurance tailored to individual customers through life planning consultation ● Extensive after-sales follow-up services	● Unique products at more reasonable premiums than other insurers ● Quality services that are price competitive with other insurers	● Low-cost structure as an Internet bank without branch offices ● More advantageous and convenient product lineup
Growth Strategies	■ Focus on death protection, for which consulting sales are the most effective ■ Actively develop individual annuity products	■ Expand share of direct insurance within the overall automobile insurance market ■ Ensure high profitability through reasonable pricing and appropriate cost control	■ Diversify revenue sources and expand business scope by continuing to introduce unique new products and services ■ Bolster offerings of securities and foreign currency products as an asset management bank for individuals

About the Sony Financial Holdings Group

The SFH Group is a financial services group comprising Sony Financial Holdings, subsidiaries Sony Life, Sony Assurance, Sony Bank, and other group companies.



Corporate Vision

The SFH Group aims to be the financial services group customers think of first and trust most by integrating the many functions of financial service providers—everything from saving and asset building to borrowing and protection—and delivering high-valued-added products and quality services, all tailored to the specific needs of every one of our individual customers.

Corporate Philosophy

Focus on the customer

We help our customers live rich and secure lives by opening our ears and hearts to their opinions and concerns to provide products and services that meet their satisfaction.

Contribute to society

We appreciate the public nature of financial services and seek to achieve our corporate vision and 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.

Pursue originality

We pursue creativity and innovation informed by original ideas and unfettered by convention.

Encourage a free and open-minded corporate culture

We recognize the importance of individual employee contributions in providing ideal financial services. We encourage a free and open-minded corporate culture to allow employees to fully display their individualities and abilities in their work.

Group Overview (As of July 6, 2009)

Sony Financial Holdings Inc.

Established	April 1, 2004
Head office	1-1, Minami Aoyama 1-chome, Minato-ku, Tokyo, Japan
Business	Management control of life insurance, non-life insurance, banking, and other subsidiaries based on the provisions of the Insurance Business Law and the Banking Law and other incidental operations
Common Stock	¥19,900 million
Shares outstanding	2,175,000 shares
Major shareholders	Sony Corporation 60% (see page 25 for further details)

Sony Life Insurance Co., Ltd.

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

Sony Assurance Inc.

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

Sony Bank Inc.

Established	April 2, 2001
Head office	3-26, Kanda-Nishikicho, Chiyoda-ku, Tokyo, Japan
Business	Banking
Common Stock	¥31,000 million
Shares outstanding	620,000 shares
Share ownership	Sony Financial Holdings Inc. 100%

Sony Life Insurance (Philippines) Corporation

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

Sony Bank Securities Inc.

Established	June 19, 2007
Head office	3-26, Kanda-Nishikicho, Chiyoda-ku, Tokyo, Japan
Business	Financial products and exchange business
Common Stock	¥1,500 million
Shares outstanding	30,000 shares
Share ownership	Sony Bank Inc. 100%

Management Message

FY2008, especially from the second half onward, was characterized by the global financial markets turmoil and a worldwide recession. In these conditions, the SFH Group strives to grow its value through expansion of each of its businesses, enhancing the group synergies and strengthening our management structure.

Q : Could you give us an overview of business environment and consolidated financial results in FY2008, the year ended March 31, 2009?

A : The financial market turmoil that started in the U.S. had a severe impact on the economies of other countries and snowballed into a worldwide recession. Affected by strong yen and a decline in stock market prices, Japan's economy remains in a serious state, with a growing trend of capital expenditure cutbacks and labor adjustment, and a slump in personal consumption.

The SFH Group's consolidated financial results were affected, because impairment losses on securities held mainly by Sony Life increased as a result of equity and corporate bond market declines. Sony Life's market consistent embedded value (MCEV, one of the benchmarks of life insurance companies' corporate value) fell sharply from ¥816.5 billion at the end of March 2008 to ¥400.9 billion at the end of March 2009. This reflects the fall of equity and corporate bond markets and the interest rate environment at the end of March 2009.

At the same time, the SFH Group steadily expanded business operations, posting an increase in ordinary revenue in all three business segments (life insurance, non-life insurance, and banking). We believe that our tireless management efforts have been supported by customers, as reflected in consistently high evaluations in third-party surveys of customer satisfaction and other measures.

SFH posted consolidated ordinary revenues of ¥860.3 billion, an increase of 4.6% year-on-year. Sony Life's premium income grew on the back of an increase in policy amount in force. Sony Assurance also recorded growth in net premiums written on a rise in the number of policies in force, with the number of automobile insurance policies exceeding a million at the end of December 2008. Sony Bank recorded an increase in the balance of customer assets (the sum of deposits and investment trusts) to ¥1,403.6 billion.

However, consolidated ordinary expenses also increased in all three segments, rising 6.2% in total to ¥826.0 billion. This is due to higher investment expenses at Sony Life, including impairment losses on securities; an increase in insurance payouts at Sony Assurance because of natural disasters, and a rise in interest expenses at Sony Bank. Consequently all three business segments recorded lower profits, with consolidated ordinary profits down 23.0% year-on-year, to ¥34.2 billion. SFH recorded extraordinary gain of ¥20.4 billion, due to a partial reversal of reserve for price fluctuations at Sony Life, and an extraordinary losses of ¥3.9 billion on disposal of fixed assets (software in progress) at Sony Assurance. Consequently, net income grew 26.7% year-on-year, to ¥30.7 billion.

To expand the scope of its business, SFH increased the capital of Sony Life by ¥10 billion in FY2008 as a provision for establishing a joint-venture which was planned to develop and sell individual annuities, as well as the capital of Sony Bank by ¥12 billion to ensure capital adequacy.

Third-party assessments in FY2008	
Sony Life	Shukan Economist Reliable life insurance ranking — 1st Shukan Economist, August 26, 2008
Sony Assurance	J.D. Power Asia Pacific Japan automobile insurance customer satisfaction survey — 1st J.D. Power Asia Pacific, announced July 29, 2008
Sony Bank	Nikkei financial institution ranking Customer satisfaction — 1st Nihon Keizai Shimbun, December 14, 2008

Q : Could you give us details about major initiatives in each of your business segments? Let's start with life insurance.

A : Sony Life adheres to its corporate slogan of LIFEPLANNER VALUE and endeavors to provide unique services developed with the customer's perspective in mind. Sony Life adopts a consulting-based sales approach through its Lifeplanner sales employees and Partners (independent agencies) to offer protection tailored to each individual's life plan. In addition, Sony Life provides finely tuned after-sales follow-up services to enhance customer confidence further.

In FY2008, we exceeded the previous fiscal year's performance in both new policy amount and policy amount in force through our commitment to the consulting-based sales approach and strengthening after-sales follow-up services. Improving the quality and quantity of sales channels such as Lifeplanner sales employees is essential to the growth of Sony Life; the number of registered Lifeplanner sales employees increased to 3,891 at the end of March 2009.

Hiromichi Fujikata
Executive Vice President, Representative Director

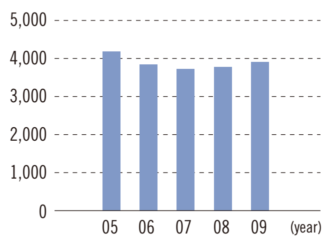
Teruhisa Tokunaka
President, Representative Director

Katsumi Ihara
Executive Vice President, Representative Director

In October 2008, we introduced level premium term life insurance with no surrender value (no dividends) and level premium term life insurance rider with no surrender value (no dividends). These life insurance products feature reasonable premiums because they do not have a surrender value.

To prepare to do business in overseas markets other than the Philippines, Sony Life opened a representative office in Beijing in China in October 2008, and Taiwan, ROC in July 2009 to research the financial and life insurance markets in Greater China (including Taiwan, Hong Kong and the People's Republic of China).

Number of Lifeplanner sales employees in Sony Life



	05	06	07	08	09
■	4,170	3,826	3,776	3,779	3,891

As of March 31

Q : Tell us about the non-life insurance business.

A : Sony Assurance employs the direct business model, communicating with customers directly over the telephone and via the Internet to provide quality insurance services with reasonable premiums. Operating under the slogan "Feel the Difference—a difference that will change insurance," Sony Assurance seeks to provide services based on its deeply held commitment to help customers feel its value and difference that could only come from Sony Assurance.

In FY2008, Sony Assurance continued with its TV commercial-intensive advertising as well as starting a new online advertising campaign. These resulted in a steady increase in the total number of automobile insurance and medical and cancer insurance policies in force to 1.15 million at the end of March 2009. The number of automobile insurance policies in force topped 1 million at the end of December 2008, nine years and three months after the company began selling automobile insurance.

Sony Assurance increased the discount offered to new automobile insurance customers who had insurance quotes and signed up online, and whose cover started on or after February 1, 2009. In January 2009, the company set up a new insurance selection page on the website and began selling pet insurance through alliance with Anicom Insurance Inc. as Sony Assurance's first "recommended insurance product."

In terms of service, Sony Assurance extended the free vehicle recovery towing distance for automobile policyholders in their first year to the same as that for those who have renewed their policies so that they could use their breakdown service menu with confidence. The company also launched the Car Life Discount Service*, which offers discounts for car rental and entry to leisure facilities as a new benefit for policyholders. As well, the company established a new claims service center for receiving accidents reports in Sapporo in July 2008 in addition to the Tokyo center, to strengthen its accident resolution capability.

* The Car Life Discount Service is provided by Sony Assurance business partners.

Q : And what about the banking business?

A : Sony Bank provides highly convenient quality financial products and services to individual customers over the Internet, with a focus on asset management. In FY2008, Sony Bank took maximum advantage of its unique strengths and the management base it has built since its business launch June 2001. It has focused on accelerating the business expansion by strengthening products and services, and improving reliability.

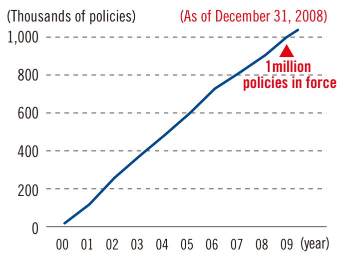
In May 2008, Sony Bank launched foreign exchange margin transactions as a foreign currency investment option, which has proved very popular with customers. In October 2008, Sony Bank strengthened its foreign currency service—one of its mainstay products—by introducing a credit card that makes available settlement in two currencies. Accordingly, the customers can debit cash from their foreign currency accounts at which they can also save foreign currency deposits.

For financial product intermediary services with Sony Bank Securities Inc., in October 2008, Sony Bank began a sweep service that automatically transfers funds for buying and selling stocks and other securities between bank and brokerage accounts to make it more convenient for customers. Sony Bank also strengthened investment trust services, including expanding its product range and reviewing the sales commission structure. Further, Sony Bank strengthened mortgage loan alliances to extend sales channels, signing up Seven Bank, Ltd. as a banking agent in FY2008.

To improve security, Sony Bank made it possible for account holders to set a daily transfer limit online to help prevent bank transfer fraud.

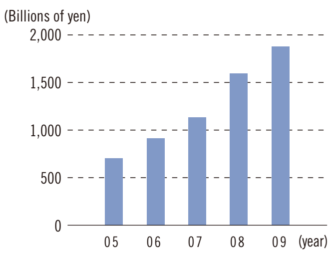
As a result, Sony Bank's retail balance (sum of customers' yen deposits, foreign currency deposits, investment trusts, and personal loan balance) recorded solid year-on-year, growth to ¥1,880.7 billion.

Number of automobile insurance policies at Sony Assurance



As of March 31

Retail balance at Sony Bank



702.7	914.5	1,133.6	1,594.4	1,880.7

As of March 31

Q : How does the SFH Group harness synergies?

A : In addition to expanding business operations for individual companies, we leverage each company's operational base for cross selling to enhance synergies through increased collaboration between group companies. Cross selling utilizing the consulting capabilities of Sony Life's Lifeplanner sales employees has been particularly successful. In FY2008, Lifeplanner sales employees sold about 6% of Sony Assurance's new acquisition of automobile insurance policies and about 30% of the balance of Sony Bank's mortgage loans executed.

Q : Financial markets have experienced unprecedented disruption since the second half of FY2008. Has the SFH Group been able to maintain its financial soundness?

A : Indicators of financial soundness include the solvency margin ratio in insurance, which shows insurance claim payment capability, and the capital adequacy ratio in banking. At the end of March 2009, Sony Life and Sony Assurance had solvency margin ratios of 2,060.5% and 993.0%, respectively—both figures near the top end of the range in the industry. Sony Bank's consolidated capital adequacy ratio (domestic criteria) stood at 13.25% at the end of March 2009 (or 11.08% based on the previous standard, without applying the exceptions* provided in Financial Services Agency Public Announcement No. 79 of 2008). These figures are far higher than the required soundness standard of 4% under the Banking Law of Japan for banks without overseas business operations.

Financial and capital markets have been in turmoil since the second half of FY2008 in the wake of the Lehman Brothers collapse. The SFH Group has been affected by market conditions as a whole but has no exposure to securities associated with subprime loans or Lehman Brothers. The SFH Group is confident that it is capable of sustaining a sound financial position represented by the solvency margin ratio and capital adequacy ratio despite challenging business conditions.

* Financial institutions are allowed to calculate their capital adequacy ratios without deducting net unrealized losses on other securities.

Q : Finally, please tell us about the SFH Group's growth strategy.

A : SFH Group companies differentiate themselves from competitors in each industry by building unique and distinctive business models, and to provide customer-oriented and highly convenient products and services to individual customers. Going forward, the SFH Group plans to sustain growth by strengthening the competitive edge of each of its subsidiaries and establishing a solid presence in each industry where they are active.

Through increased collaboration between group companies, we work to enhance synergies in the provision of products and services as well as in the sharing of each other's sales channels and infrastructure to offer high value-added products and services that other more-traditional financial institutions do not offer. We also strive to raise corporate value by aggressively exploring new business opportunities outside our existing domains of operations.

The SFH Group added a third representative director, Katsumi Ihara, to the management team as of June 23, 2009. Mr. Ihara joins us to help us further strengthen our management structure at a time of business expansion. We are fully committed to enhancing our management structure and expanding the operations of the SFH Group, and we are grateful to our stakeholders for their ongoing support and understanding.

July 1, 2009

Teruhisa Tokunaka
President, Representative Director

Hiromichi Fujikata
Executive Vice President, Representative Director

Katsumi Ihara
Executive Vice President, Representative Director

Corporate Governance & CSR Section

Corporate Governance
Social Contributions and Environmental Activities

Corporate Governance

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 the financial services group foremost in customers' minds and trust. Although group subsidiaries have different histories, scales of operation, and business characteristics, SFH as a group works to achieve this goal by making the most effective use of the operating characteristics of, and information available from, each subsidiary within the scope permitted by law. 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.

Note: SFH produces a Corporate Governance Report, available on SFH website at http://www.sonyfh.co.jp/index_en.html

Board of Directors, Auditors, and other Officers

(As of July 1, 2009)

■ Board of Directors

SFH's Board of Directors comprises nine members, responsible for making key business decisions and supervising business operations to ensure and expand the integrity of the SFH Group. SFH, as a pure holding company, allows its representative directors to hold the post of subsidiaries' directors and representative directors of the subsidiaries to be SFH's directors, aiming at integrating its management system and strengthening its corporate governance. Of these nine members, six are directors of subsidiaries within the group, one is a representative corporate executive officer of Sony Corporation, one is an outside director of Sony Corporation, and one is an outside director. The outside director is designated to enhance SFH's management transparency and objectivity.

The Articles of Incorporation of SFH stipulate that the maximum number of directors on the board is 12.

■ Compensation for SFH's Directors and Group Companies' Representative Directors

SFH has a Compensation Advisory Committee to decide on the policies and frameworks for compensation and present proposals for the compensation of SFH's directors and group companies' representative directors. This is designed to ensure transparency and objectivity of compensation decisions. The committee reports to the board of directors of SFH and SFH group companies in which SFH has a direct investment.

■ Audits and Supervision

(Statutory Audits)

The Board of Statutory Auditors has five members, of whom three are outside statutory auditors. The board receives reports on important audit matters, discusses them, and makes decisions under the rules of the Board of Statutory Auditors. 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 while maintaining close collaboration with independent auditors and internal Audit Department, e.g., receiving reports from them. As a rule, the standing statutory auditors of the SFH Group meet once quarterly to share information within the group.

(Internal Audits)

SFH performs internal audits through its Audit Department. SFH's Audit Department reports directly to the president and representative director of SFH and is independent of the company's operating divisions. The Audit Department examines the appropriateness and effectiveness of the company's internal control structures such as the governance processes, compliance, and risk management structure from an independent and objective standpoint. (see page 17 for details).

(Accounting Audits)

The names, accounting firm, and back-up team of the Certified Public Accountants (CPAs) who acted as the accounting auditors of SFH are as follows:

Accounting firm:	PricewaterhouseCoopers Aarata
CPAs	Keiichi Otsuka, Takuei Maruyama
Accounting audit team	Three CPAs, five others

■ Personal Relationships, Capital Relationships, Business Relationships and other Conflicts of Interest

There are no personal relationships between SFH's outside directors/auditors and SFH's other directors and auditors. Individual outside directors and auditors have no financial or other interest in SFH.

■ Exemption from Liability for Directors and Auditors

The Articles of Incorporation of SFH stipulate that the Board of Directors may exempt directors and auditors (including those who previously held these positions) from liability arising from negligence up to the statutory limit as provided in Article 426, Paragraph 1 of the Companies Act of Japan. The purpose of the exemption is to provide a setting in which directors and auditors can exercise their capabilities to the full and fulfill the roles expected of them in carrying out their duties.

Overview of Limited Liability Agreement

SFH has concluded an agreement with outside director under the provisions of Article 427, Paragraph 1 of the Companies Act of Japan and the Articles of Incorporation of SFH to limit liability as provided in Article 423, Paragraph 1 of the Companies Act of Japan. The maximum amount of liability as stipulated in the agreement is the minimum amount of liability provided in Article 425, Paragraph 1 of the Companies Act of Japan. Limited liability is only recognized when the duties carried out by the outside director that became the cause of liability, were performed in good faith and do not constitute severe negligence.

Requirements for Decision by General Meeting of Shareholders

The Articles of Incorporation of SFH stipulate that special resolutions by the General Meeting of Shareholders as provided in Article 309, Paragraph 2 of the Companies Act of Japan require the attendance of shareholders with a minimum of one third of voting rights, and a majority vote of at least two-thirds of the voting rights.

The Articles of Incorporation of SFH also stipulate that director appointments require the attendance of shareholders with a minimum of one third of voting rights, and a majority vote.

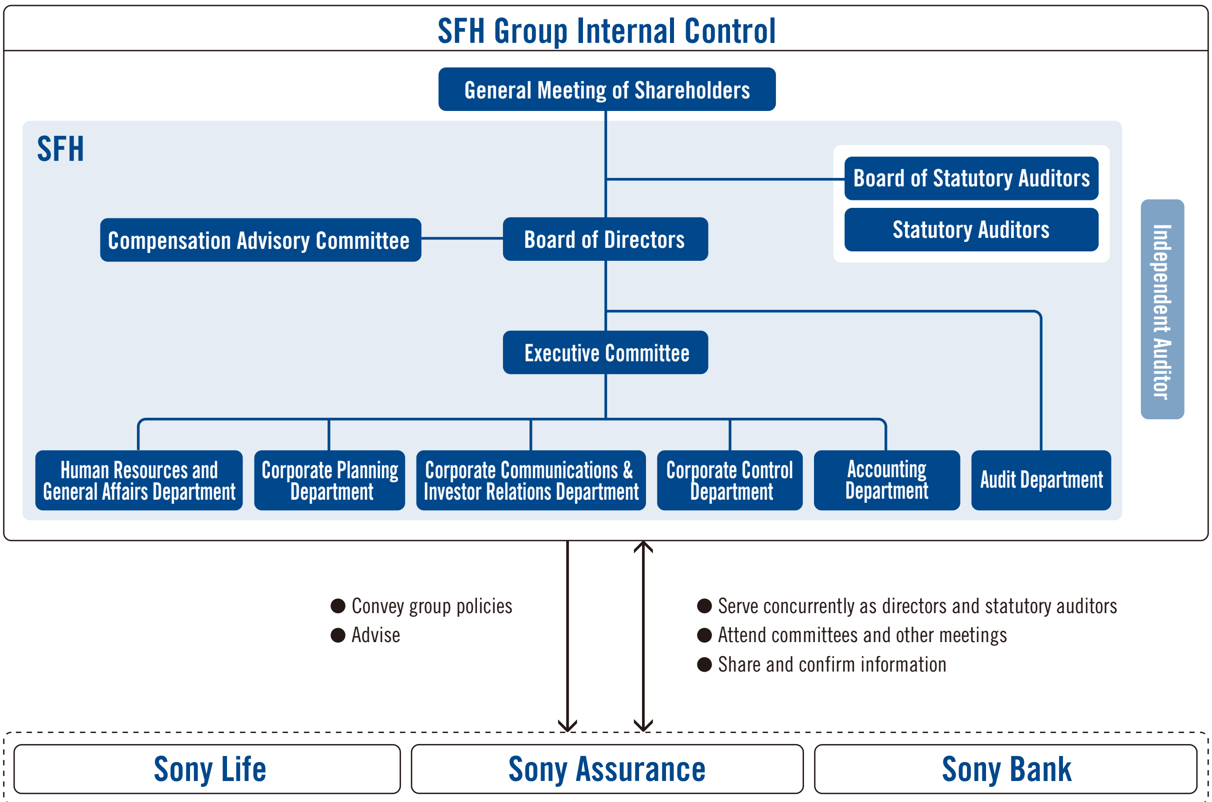
These rules aim to relax the quorum requirement to facilitate the running of General Meeting of Shareholders.

Internal Controls

SFH's Board of Directors has implemented a Basic Policy on Establishing an Internal Control System* in compliance with the Companies Act of Japan and the Ordinance for Enforcement of the Companies Act of Japan. In line with this policy, SFH has established and now operates an appropriate internal control system.

The Financial Instruments and Exchange Law of Japan introduced internal control and financial reporting requirements in FY2008. SFH is listed and therefore has set up an internal control system to gather the financial information that must be reported in the *"Yuka Shoken Hokokusho"* and other securities reports. SFH's president and representative director is charged with evaluating these controls and ensuring their effectiveness. His/her evaluation then is audited externally by a CPA or similarly qualified professional. SFH has filed a report for FY2008 stating that its internal controls are effective.

* Visit SFH website at http://www.sonyfh.co.jp/index_en.html for more about Basic Policy on Establishing an Internal Control System and Internal Control Report.



Conflicts of Interest Policy（Summary）

SFH has formulated a Management Policy Concerning Conflicts of Interest and established the structures required by the Banking Law of Japan, the Insurance Business Law of Japan, and the Financial Instruments and Exchange Law of Japan. The policy and structures are designed to ensure that customers' interests are not harmed by SFH Group companies.

■ Summary of Conflicts of Interest Policy

I. Basic Policy

The SFH Group* has established a structure under the provisions of the Banking Law of Japan, the Insurance Business Law of Japan, and the Financial Instruments and Exchange Law of Japan to ensure that customers' interests are not harmed when making transactions with SFH Group companies* in circumstances of potential conflict of interest between customers of SFH Group companies and Sony Group finance companies* or between customers of SFH Group companies and customers of Sony Group finance companies.

* Under this policy, "SFH Group companies" represents Sony Life, Sony Life Insurance (Philippines) Corporation, Sony Assurance, Sony Bank, and Sony Bank Securities; "SFH Group" represents SFH and SFH Group companies; and "Sony Group finance companies" represents SFH Group companies and Sony Finance International, Inc.

II. Transactions to be Managed

1. SFH has established a structure and take all necessary action to prevent customers' interests from being harmed by the transactions outlined below ("transactions to be managed").
   1) Transactions that put the SFH Group's interest first in circumstances where there is a conflict of interest between the SFH Group and customers
   2) Transactions that profit from customer information
   3) Transactions that profit from competing interests between customers
   4) Other transactions in which it is evident that the interests of customers may be harmed by SFH Group companies
2. For the purposes of the Management Policy Concerning Conflicts of Interest, "customers" whose interest should be protected are customers of the following businesses that SFH Group companies engage in.
   1) Sony Life Insurance Co., Ltd.
      Life insurance business, business of registered financial institutions, and other businesses that can be conducted by Sony Life under relevant laws.
   2) Sony Life Insurance (Philippines) Corporation
      Life insurance business and other business that can be conducted by Sony Life Insurance (Philippines) Corporation under relevant local laws.
   3) Sony Assurance Inc.
      Non-life insurance business and other business that can be conducted by Sony Assurance under relevant laws
   4) Sony Bank Inc.
      Banking business (including bank agency business by banking agents), business of registered financial institutions, and other business that can be conducted by Sony Bank under relevant laws.
   5) Sony Bank Securities Inc.
      Trading of financial instruments and other businesses that can be conducted by Sony Bank Securities under relevant laws.

III. Structure for Management of Conflicts of Interest

1. **Structure**
   SFH has established a structure to manage conflicts of interest in the SFH Group by making the director who is head of the Corporate Control Department responsible for oversight of managing conflicts of interest, and the Corporate Control Department the business unit responsible for the managing conflicts of interest.
2. **Action**
   The director responsible for oversight of managing conflicts of interest shall order SFH Group companies to take the actions outlined below when the director deems them necessary on the basis of reports from SFH Group companies, customer complaints, or other sources:
   1) Block the flow of information between divisions where a conflict of interest may arise
   2) Suspend the transaction concerned, or change the terms and conditions or method of the transaction
   3) Disclose the conflict of interest, or the potential for a conflict of interest, to customers
   4) Take any other action deemed necessary by the business unit responsible for the managing conflicts of interest
3. **Record-keeping**
   The division responsible for managing conflicts of interest shall maintain records as outlined below and retain them for five years.
   1) Records that specify transactions to be managed
   2) Records associated with actions taken to appropriately protect customers

Basic Policy on Eradicating Criminal Influences

SFH has formulated a Basic Group Policy on Eradicating Criminal Influences, described as the following. SFH and the SFH Group companies have built the structures to take a firm stance on countering criminal influences.

Basic Group Policy on Eradicating Criminal Influences

1. The SFH Group recognizes the importance of strictly avoiding any association with criminal elements from the perspectives of social responsibility, compliance, and corporate defense. It has therefore implemented frameworks to shut out criminal influences.
2. The SFH Group strictly rejects unfounded demands by criminal influences. Furthermore, the Group has put in place a framework for acting firmly, on an organizational basis, against those who make unfounded demands.
3. The SFH Group works closely with the police and external specialist entities, even during the peacetime, to ensure appropriate assistance and cooperation should it be threatened by criminal influences.

Compliance

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.

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.

* 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.

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.

Risk Management

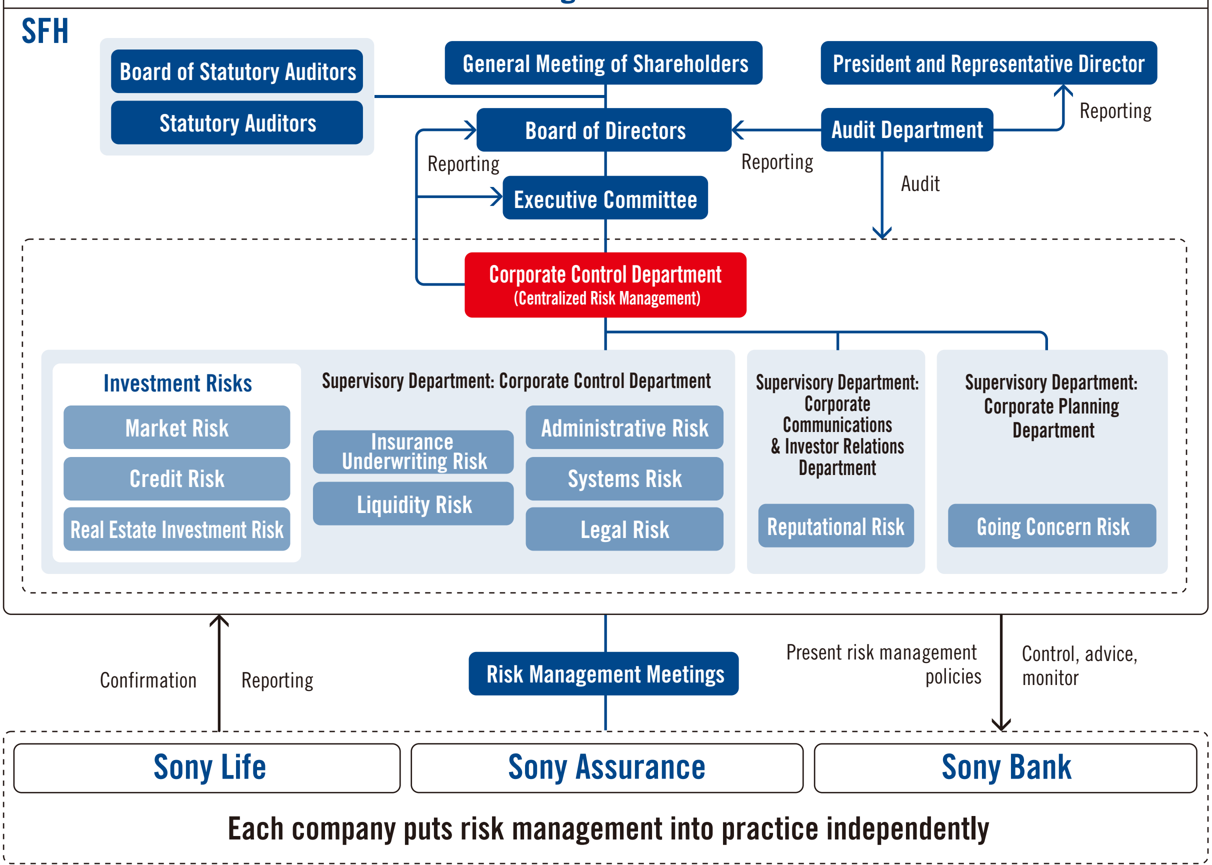
One of SFH's roles as a financial holding company is to further enhance and integrate group-wide risk management by centralizing the Group's management resources.

Basic Policy on Group Risk Management

- As a financial holding company, SFH enhances corporate value of the group by aligning risk management with group-wide strategic objectives and management policies, while tailoring operating subsidiaries' risk management to the types of risk inherent in their respective lines of business.
- SFH adopts all necessary supplemental measures to ensure effective risk management, after confirming each operating subsidiary independently and responsibly to establish its own risk management structure to achieve its own management objectives.
- SFH takes steps to eliminate excessive concentration of risk in specific areas, establish appropriate controls over intra-group transactions and control the ripple effect of risk within the group.

SFH's Board of Directors formulates fundamental principles for risk management and communicates them to directors and employees throughout the SFH Group. The Board also identifies the types of risks specific to subsidiaries scale, business content, and other attributes and establishes structures designed to manage them effectively. SFH's Executive Committee, appointed by the Board of Directors, executes routine tasks pertaining to group risk management; specifically, while subsidiaries each assess, monitor, and manage their risks on their own, the Corporate Control Department, responsible for SFH's risk management, controls their risks through monitoring and holding the Risk Management Meetings with subsidiaries' risk management divisions. The Corporate Control Department also reports its finding on the state of risk management regularly to SFH's Board of Directors and Executive Committee.

Risk Management Structure



Types of Risk Managed by SFH and Subsidiaries

- Market Risk
- Credit Risk
- Real Estate Investment Risk
- Liquidity Risk
- Insurance Underwriting Risk
- Administrative Risk
- Systems Risk
- Legal Risk
- Reputational Risk
- Going Concern Risk

Definitions

Each Group company establishes its own framework for managing risk as appropriate for its scale and the attributes and type of its business, and they optimize their frameworks for the types of risks they face according to internal definitions.

As the operating and business environment changes, their risk management departments review the risk types and definitions set forth below, amending them as appropriate for new conditions.

Market Risk

Risks associated with losses due to changes in the value of assets, including off-balance-sheet assets such as derivative instruments, as a result of unfavorable fluctuations in interest rates, the value of securities held, exchange rates, and other factors.

Credit Risk

Risks associated with losses due to declines in the value of assets, including off-balance-sheet assets such as derivative instruments, resulting from deteriorations in the financial position of the issuers of the debt obligations held, or of counterparties to derivatives and other contracts entered into.

Real Estate Investment Risk

Risks associated with losses due to declines in the market value of owned real estate or in the profitability of real estate holdings on account of unfavorable trends in rents or other factors.

Liquidity Risk, Including:

- Cash Flow Risk

  Risks associated with losses due to our inability to make cash payments because of an inability to maintain sufficient cash reserves, as well as risks associated with losses if SFH and group companies are forced to raise funds under unfavorable conditions in order to fulfill its cash-payment obligations.

- Market Liquidity Risk

  Risks associated with losses due to inability to conduct market transactions, in particular from an inability to change our market position at a given time, as well as risks associate with losses if we are forced to complete transactions under unfavorable market conditions, in each case due to market turmoil or other factors.

Insurance Underwriting Risk

Risks associated with losses due to significant differences between the assumptions SFH and group companies use to establish appropriate premium levels, including assumptions regarding the expected frequency and scale of insured events and future economic conditions.

Administrative Risk

Risks associated with losses due to errors, misconduct, malfunction, and other factors related to problems with our internal administrative processes.

Systems Risk

Risks associated with losses arising from IT-system malfunction or breakdown, improper use or leakage of confidential information stemming from IT system problems.

Legal Risk

Risks associated with losses due to violations of applicable laws, rules and regulations occurring during the course of doing 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;
- entry into various legal agreements, as well as the renewal, amendment, termination or rescission of agreements; and
- various legal and administrative proceedings.

Reputational Risk

Risks associated with losses 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.

Going Concern Risk

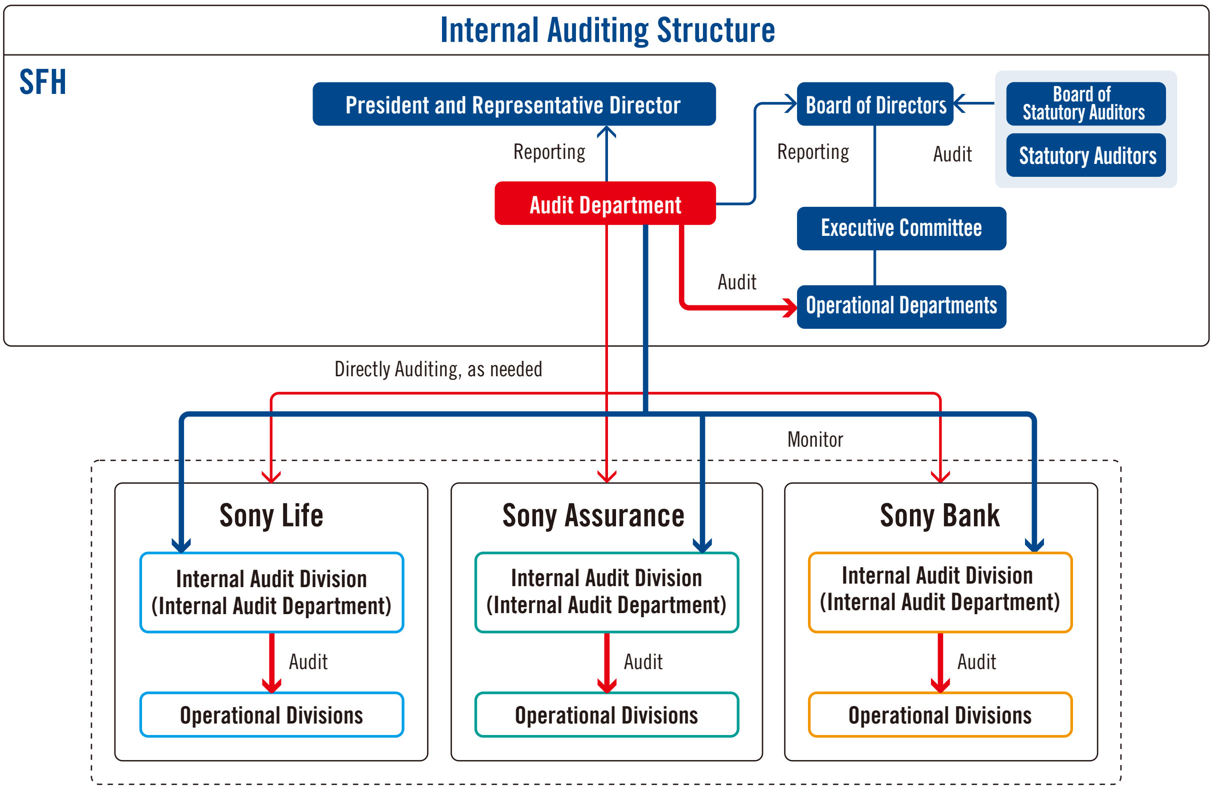
The risk that SFH and group companies will be unable to continue operations as the result of a deterioration in our financial position, liquidity problems, system failures, scandals, accidents, and other crises.

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 standpoint, conducts internal audits to check and evaluate the appropriateness of work processes and risk management.

SFH subsidiaries each have their own internal audit departments to perform internal audits designed to match their specific industry sector, the scale of their businesses, and the types of risk they face. SFH's Audit Department keeps abreast of subsidiaries' internal audits by monitoring their audit plans and audit reports and on the basis of information shared at SFH Group Internal Audit Meetings. When necessary, SFH' s Audit Department provides advice and proposals to its subsidiaries' internal audit departments. SFH' s Audit Department regularly reports the results of its monitoring activities to the president and representative director and the Board of Directors. Should SFH's president and representative director perceive it necessary, as a result of the monitoring, SFH's Audit Department may directly audit subsidiaries within the scope of governing laws and regulations.

The Audit Department also cooperates with SFH' s statutory auditors and external auditors, such as the independent auditor.



Privacy Policy

SFH has formulated a Privacy Policy* governing the handling of personal information. It sets out the company's policies on its use of personal information within the specific purposes and its acquisition of personal information to ensure compliance with applicable laws and regulations. SFH has also established and observes Rules on Information Security that set out specific security control protocols.

SFH monitors how SFH group companies' security control protocols are working. Specific group measures include the formulation of and revision of the Privacy Policy, setting up an organization to protect personal information and appointing persons responsible, preparing a set of rules and a manual covering the handling of personal information, and education and training programs on the handling of personal information and information security.

SFH and SFH Group companies strive to maintain entrusted personal information to be accurate and updated to the extent necessary for the purposes of its use, and to protect personal information through steps to prevent unauthorized access, leakage, falsification, loss, destruction, and other incidents.

* Visit SFH website at (http://www.sonyfh.co.jp/index_en.html) for more about Privacy Policy.

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 established a 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 Activity 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.

Sony Life employees volunteering for clean-up duties

Support for Special Olympics Nippon (Japan)

Since FY1996, Sony Life has been offering 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 and charity concerts. 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 employees volunteering at the Special Olympics Nippon National Winter Games Yamagata

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 FY2008, Sony Life and its employees donated a total of ¥11.79 million to Eye Mate, bringing its cumulative donations for training guide dogs to more than ¥130 million.

Sony Life employee's child conducting walking training experience with a guide dog

“Life Planning Course” Held Nationwide for Planning Lives to Achieve Dreams

To provide the insurance protection products that optimally match customers' lives, Sony Life's Lifeplanner sales employees map out a specific life plan with each customer. Sony Life refers to this process as “life planning”. Lifeplanner sales employees have offered “Life Planning Course” for students throughout Japan. Although high school students are the focus of our course, Lifeplanner sales employees also offer course for junior high school and university students. The simulation begins by creating a family. Lifeplanner sales employees help them to imagine childbirth, plans for education, buying a house and other future events in their goals and dreams. Next, the course takes on an economic focus, looking at the financial resources that are needed to achieve the simulated life plan. Lifeplanner sales employees offer advice, using Sony Life's proprietary software for simulations. Consulting from an economic perspective, we examine the income, expenses and savings that will be needed. This realistic approach gives students a better understanding of what is needed to achieve their goals and dreams.

Sony Bank's Participations in “Climate & Children Supporters” Program to Prevent Global Warming and Support Developing Countries

“Climate and Children Supporters” is a program that supports a global warming prevention project and children in developing countries through a donation to UNICEF. By participating in this program, Sony Bank has supported the areas frequently damaged by natural disasters caused by the changing climate, in addition to the global warming prevention activities through the purchase and redemption of emissions rights. Sony Bank has supported a water and sanitation project in the Republic of Mozambique by donating ¥2 million annually for three years to UNICEF, as well as by purchasing the emissions rights, enabling Sony Bank's customers to participate in environmental initiatives.

Life planning course held by Sony Life

©UNICEF/Mozambique

Sony Life Volunteers' Club

The Sony Life Volunteers' Club was established by a Sony Life volunteer group in 1995, after the Great Hanshin-Awaji Earthquake. Each member of the group participates in running the club with their donations. The club continues to support the elderly victims of the earthquake. Sony Life Volunteers' Club also supports a wide range of activities including hosting youth education events at care houses, operational support for the “Oita International Wheelchair Marathon”, a worldwide tournament of wheelchair marathon, and support for the “Relay For Life”.

Relay For Life

Relay for Life events raise cancer awareness and as well as funds for fighting the disease. Patients, survivors, and their families participate in day-long (usually 24-hour) relay races, held so far at over 5,000 locations in more than 20 countries. Japan's first one took place in Tsukuba, Ibaraki Prefecture, when participants walked the track of a Tsukuba University stadium for eight hours in 2006. The events are gaining traction in Japan and were held at seven locations in 2008, a year when over 700 Sony life employees and family members participated from the planning stage, walking in the 24-hour-long relays together with current cancer patients and their families as well as helping to organize and run the events.

Sony Life Volunteers' Club also supports to continue providing support for Relay for Life whenever and everywhere they are held as its way of contributing to building a society that does not fear cancer, and a society that helps patients live with it.

Sony Life employees participating in 24-hour team relay

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 and natural resource-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_2 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

[Green Power Certification]

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 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/).

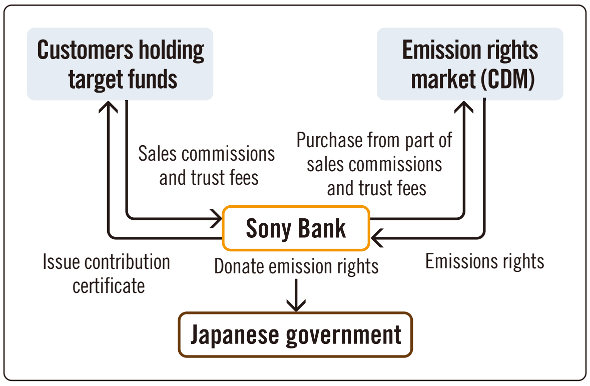
Donating to the "Solarbear Fund" - A program to install solar generation equipments at kindergartens -

In collaboration with the "Solarbear Fund", a non-profit organization engaged in global warming prevention activities, Sony Assurance has launched a program to install solar generation equipments at kindergartens by capitalizing on its method of calculating automobile insurance premiums based on the distance driven in a year. The program is linked to the calculation of actual distances driven when renewing policies. Policyholders whose actual distance driven is less than their forecasted amount are considered to be contributing to environmental conservation through this reduction in the estimated emission of carbon dioxide. Sony Assurance will further enhance its policyholders' contribution to environmental conservation by donating ¥1 per 100 kilometers of distance not driven to the "Solarbear Fund". Money raised through Sony Assurance's donations will be used by the "Solarbear Fund" to install solar generations equipments "Solarbear power generation equipments" at kindergartens and nursery schools across Japan.

The brothers Solar (left) and Bear (right) are the Solarbear Fund's characters. Designer Shinzi Katoh modeled them on polar bears who are gradually losing their habitat as the northern polar cap recedes due to global warming.

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.



Corporate Section

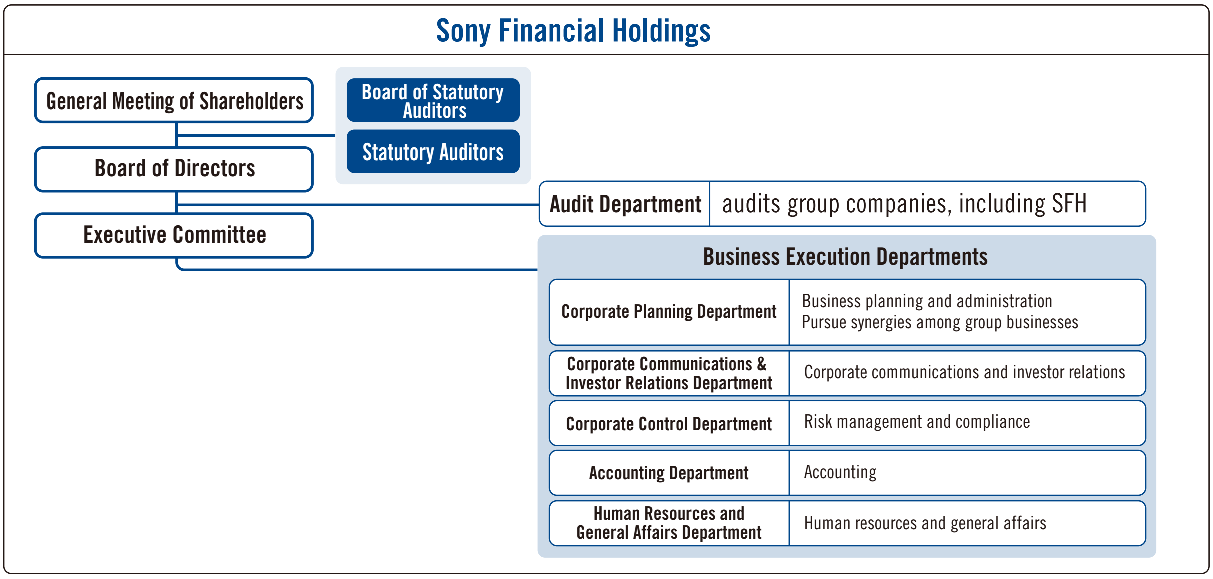
Corporate Section

Corporate Information

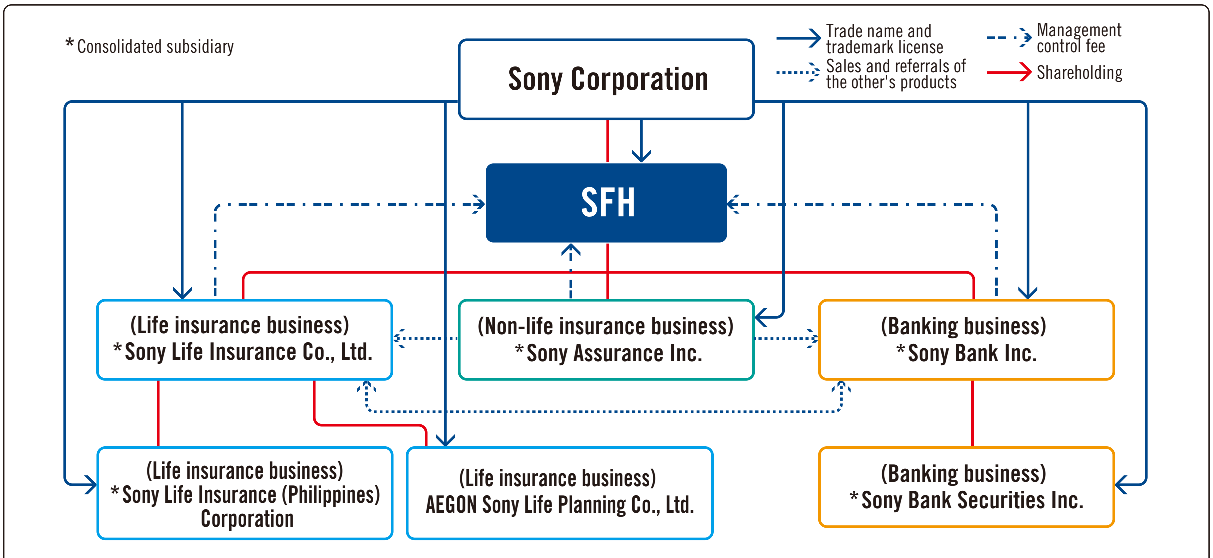
Business

Management of subsidiaries involved in life insurance, non-life insurance, banking, and other subsidiaries based on the provisions of the Insurance Business Law and the Banking Law and other incidental operations.

Organizational Chart (As of July 1, 2009)



Organizational Chart of Business Operations (As of March 31, 2009)



Note: AEGON Sony Life Planning, a 50-50 joint venture between Sony Life and AEGON Group of the Netherlands, has been included as an equity method affiliate in SFH's consolidated financial statements since FY2008.

Number of Employees (As of March 31, 2009)

SFH	Life Insurance Business	Non-Life Insurance Business	Banking Business	SFH Group
30	5,631	752	214	6,627

Note: SFH employees include those on loan from Sony, Sony Life, Sony Assurance, and Sony Bank.

Senior Management

Directors and Statutory Auditors (As of July 1, 2009)

Title	Name	Other Concurrent Responsibilities
President Representative Director	Teruhisa Tokunaka	Director of Sony Life Insurance Co., Ltd. Director of Sony Assurance Inc.
Executive Vice President Representative Director	Hiromichi Fujikata	Director of Sony Life Insurance Co., Ltd. Director of Sony Assurance Inc. Director of Sony Bank Inc.
Executive Vice President Representative Director	Katsumi Ihara	Director of Sony Life Insurance Co., Ltd. Director of Sony Assurance Inc. Director of Sony Bank Inc.
Director	Taro Okuda	President, Representative Director of Sony Life Insurance Co., Ltd.
Director	Shinichi Yamamoto	President, Representative Director of Sony Assurance Inc.
Director	Shigeru Ishii	President, Representative Director and CEO of Sony Bank Inc.
Director	Nobuyuki Oneda	Executive Deputy President, Representative Corporate Executive Officer, Chief Financial Officer, Director of Sony Corporation
Director	Yasushi Ikeda	Attorney and Partner, Miyake Imai & Ikeda
Director	Ryuji Yasuda	Outside Director 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	VP, 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.

Note: Yasushi Ikeda is an outside director.

Senior Management of the SFH Group Companies

Sony Life (As of July 1, 2009)

Title	Name	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	Teruhisa Tokunaka	President and Representative Director of Sony Financial Holdings Inc. Director of Sony Assurance Inc.
Director	Hiromichi Fujikata	Executive Vice President and Representative Director of Sony Financial Holdings Inc. Director of Sony Assurance Inc., Director of Sony Bank Inc.
Director	Katsumi Ihara	Executive Vice President and Representative Director of Sony Financial Holdings Inc. Director of Sony Assurance Inc., Director of Sony Bank 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, 2009)

Title	Name	Concurrent Responsibilities
President, Representative Director	Shinichi Yamamoto	Director of Sony Financial Holdings Inc.
Director	Norio Misaka	-
Director	Teruhisa Tokunaka	President and Representative Director of Sony Financial Holdings Inc. Director of Sony Life Insurance Co., Ltd.
Director	Hiromichi Fujikata	Executive Vice President and Representative Director of Sony Financial Holdings Inc. Director of Sony Life Insurance Co., Ltd., Director of Sony Bank Inc.
Director	Katsumi Ihara	Executive Vice President and Representative Director of Sony Financial Holdings Inc. Director of Sony Life Insurance Co., Ltd., Director of Sony Bank 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, 2009)

Title	Name	Concurrent Responsibilities
President, Representative Director and CEO	Shigeru Ishii	Director of Sony Financial Holdings Inc.
Director and CFO	Hidehiko Nakamura	-
Director and CIO	Masahiko Tokuyama	-
Director	Hiromichi Fujikata	Executive Vice President and Representative Director of Sony Financial Holdings Inc. Director of Sony Life Insurance Co., Ltd., Director of Sony Assurance Inc.
Director	Katsumi Ihara	Executive Vice President and Representative Director of Sony Financial Holdings Inc. Director of Sony Life Insurance Co., Ltd., Director of Sony Assurance Inc.
Director	Hiroki Totoki	Executive Vice President, Member of the Board of Directors 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	Planning Manager, International Tax Planning Section, Planning and Administration Department, Accounting Division of Sony Corporation
Statutory Auditor	Junichi Yoshikawa	Consolidation Accounting Manager, Consolidation Accounting Department, Accounting Division of Sony Corporation

* Tohru Nakajima is an outside director.

Sony Bank Securities (As of July 1, 2009)

Title	Name	Concurrent Responsibilities
President, Representative Director	Yasuhiro Sugiura	-
Director	Hideki Azumi	-
Director	Shoji Ohyama	-
Statutory Auditor	Masashi Yoshida	-

Stock Information

Information on Common Stock, Shares Outstanding

Historical Data on Common Stock and Total Number of Shares Outstanding

Date	Increase of Issued Shares	Total number of Shares Outstanding	Increase in Common Stock (millions of yen)	Common Stock (millions of yen)	Increase in Capital Surplus (millions of yen)	Capital Surplus (millions of yen)
April 1, 2004 (Note 2)	2,000,000	2,000,000	500	500	175,877	175,877
June 25, 2004 (Note 3)	100,000	2,100,000	5,000	5,500	5,000	180,877
October 10, 2007 (Note4)	75,000	2,175,000	14,400	19,900	14,400	195,277

Notes: 1. SFH is authorized to issue 8,000,000 shares of common stock. The shares outstanding listed above are all common stock with full voting rights and no restrictions, which is the standard share for SFH. SFH does not use a trading unit system.
2. Issued when the company was established.
3. Issued in a private placement of 100,000 shares (0.05 shares for each share) to shareholders for an issue price of ¥100,000 per share. The amount added to common stock was ¥50,000 per share.
4. Issued in a general book-building offering for an issue price of ¥400,000 per share and an underwriting price of ¥384,000 per share. The amount added to common stock was ¥192,000 per share and the total amount paid was ¥28.8 billion.

Major Shareholders (As of March 31, 2009)

Name	Number of Shares Held	Percentage of Ownership (%)
Sony Corporation	1,305,000	60.00
Goldman Sachs and Company Regular Account	64,587	2.96
Japan Trustee Services Bank, Ltd. (Trust Account)	54,623	2.51
Japan Trustee Services Bank, Ltd. (Trust Account 4G)	48,573	2.23
The Chase Manhattan Bank 385036	46,463	2.13
The Master Trust Bank of Japan, Ltd. (Trust Account)	44,357	2.03
State Street Bank and Trust Company 505103	31,013	1.42
State Street Bank and Trust Company 505223	26,020	1.19
The Chase Manhattan Bank NA London SL Omnibus Account	24,498	1.12
Mellon Bank NA Treaty Client Omnibus	15,210	0.69

Stock Exchange Listing (As of July 1, 2009)

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

Dividend Policy

Dividends

		FY2006	FY2007	FY2008
Dividend per Share	Year-end	¥3,095.24	¥3,000.00	¥3,000.00
	Annual	¥3,095.24	¥3,000.00	¥3,000.00
Annual Dividend Amount		¥6,500 million	¥6,525 million	¥6,525 million
Dividend Payout Ratio (Consolidated)		64.9%	26.4%	21.2%
Dividend on Net Assets (Consolidated)		2.4%	2.5%	2.8%

Basic Policy on Returning Profits to Shareholders

SFH places priority on returning profits to shareholders and raising return on equity. Our basic policy is to pay a stable dividend to shareholders while ensuring the high financial soundness needed to gain and maintain the confidence of customers of group companies as well as the internal reserves needed for future business development.

SFH pays dividends from surplus once yearly as a year-end dividend. The General Meeting of Shareholders is responsible for deciding on year-end dividends and the Board of Directors decides on interim dividends. SFH' s articles of incorporation allow for the payment of interim dividends. Based on a resolution at the General Meeting of Shareholders held on June 23, 2009, SFH paid an annual dividend of ¥3,000 per share in FY2008, for a total payment of ¥6,525 million, based on the foregoing basic policy. We plan to continue paying dividends once yearly based on a resolution by the General Meeting of Shareholders with the record date being the end of the fiscal year. We seek to return profits to shareholders while expanding our businesses and increasing profits by effectively using internal reserves to develop new businesses, starting with the establishment of an individual annuity company, and to invest in IT systems as our businesses expand.

Share Prices

(Yen)

	FY2007	FY2008	January 2009	February 2009	March 2009	April 2009	May 2009	June 2009
High	451,000	487,000	349,000	316,000	304,000	323,000	328,000	281,900
Low	375,000	205,200	262,200	245,300	215,500	259,400	266,800	226,000

Note: Data on share prices (high and low) is from the First Section of the Tokyo Stock Exchange.
On October 11, 2007, we became a listed company in the First Section of the Tokyo Stock Exchange.

History of the SFH Group

Sony Financial Holdings | Sony Life | Sony Assurance | Sony Bank

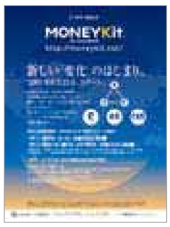
1979 August	"Sony Prudential Life Insurance Co., Ltd." (Sony Prudential Life) (now Sony Life) is established
1981 April	Sony Prudential Life commences operations with the launch of Lifeplanner system
1986 October	Sony Prudential Life launches sales of variable life insurance (whole-life protection)
1987 July	Sony Prudential Life agrees with Prudential to terminate joint venture
1987 September	Sony Prudential Life changes name to "Sony Pruco Life Insurance Co., Ltd." (Sony Pruco Life) (now Sony Life)
1989 October	Sony Pruco Life establishes independent agency system
1991 April	Sony Pruco Life changes name to "Sony Life Insurance Co., Ltd." (Sony Life)
1992 April	Sony Life launches sales of comprehensive medical insurance
1998 June	"Sony Insurance Planning Co., Ltd." (Sony Insurance Planning) (now Sony Assurance) is established
1998 August	Sony Life establishes "Sony Life Insurance (Philippines) Corporation" in the Philippines
1999 April	Sony Life launches sales of whole-life comprehensive medical insurance
1999 September	Sony Insurance Planning changes name to "Sony Assurance Inc." (Sony Assurance) Sony Assurance begins accepting automobile insurance applications over the Internet

Sony Assurance's transit ad at the time of its launch

1999 October	Sony Assurance begins accepting automobile insurance applications over the phone
2001 April	"Sony Bank Inc." (Sony Bank) is established Sony Assurance opens Claims Service Center
2001 May	Sony Life's Lifeplanner sales employees begin selling Sony Assurance automobile insurance
2001 June	Sony Bank commences operations (products comprise ordinary yen deposits, yen time deposits, investment trusts and card loans) Sony Bank launches the "MONEYKit" service site

Sony Bank's "MONEYKit" interface at the time of its launch

2001 September	Sony Bank starts handling foreign currency deposits



Sony Bank's ad for foreign currency deposits

2002 March	Sony Bank starts offering mortgage loans Sony Life begins underwriting group credit life insurance for Sony Bank's mortgage loans
2002 June	Sony Assurance launches sales of medical and cancer insurance Sony Assurance opens Sapporo Customer Center Sony Bank begins offering special-purpose loans

Sony Assurance's Customer Center

2004 April	"Sony Financial Holdings Inc." (Sony Financial Holdings) is established Sony Life, Sony Assurance, and Sony Bank become subsidiaries of Sony Financial Holdings
2004 June	Sony Bank launches sales of individual annuities offered by Sony Life
2004 October	Sony Assurance begins offering fire insurance to Sony Bank's mortgage loan customers
2004 December	Sony Life's Lifeplanner sales employees begin introducing Sony Bank's mortgage loans
2005 July	Sony Life registers "LIFEPLANNER VALUE" trademark
2005 December	Sony Bank begins handling credit cards and commences financial products intermediary services
2006 April	Sony Assurance launches "Customers and Sony Assurance Communication Site"
2006 June	Sony Bank launches mobile banking service
2006 September	Sony Life opens "Life Planning SQUARE" showroom in the Sony Building in Ginza, Tokyo Sony Life ties up with Watami Co., Ltd. in the nursing care business

Sony Life's "Life Planning SQUARE"

2006 October	Sony Bank begins offering new credit card loans Sony Life completes construction of Sony City, the new headquarters of Sony Corporation

Sony City

2007 June	Sony Bank establishes "Sony Bank Securities Inc." (Sony Bank Securities) as a wholly-owned subsidiary
2007 August	Sony Life establishes "AEGON Sony Life Planning Co., Ltd."
2007 October	Sony Bank launches financial products intermediary services through Sony Bank Securities Sony Financial Holdings is listed on the First Section of the Tokyo Stock Exchange
2007 December	Sony Life permitted to handle banking agency business for Sony Bank
2008 March	Sony Bank becomes a wholly-owned subsidiary of Sony Financial Holdings
2008 May	Sony Bank begins handling foreign exchange margin transactions
2008 August	Sony Bank ties up with Seven Bank, Ltd. in banking agency business
2008 October	Sony Life opens a representative office in Beijing
2009 January	Sony Assurance creates a new section called "Insurance Selection" that features recommended insurance products, and launches sales of pet insurance through alliance with Anicom Insurance, Inc., as the first product featured in this section

Sony Assurance:
Top page of the pet insurance website

2009 May	Sony Assurance launches sales of overseas travel accident insurance

Sony Assurance:
Top page of the overseas travel accident insurance website

2009 July	Sony Life opens a representative office in Taipei

Major Topics

Sony Financial Holdings | Sony Life | Sony Assurance | Sony Bank

May 2008

Sony Bank Begins Foreign Exchange Margin Transactions

Sony Bank began handling foreign exchange margin transactions in response to customers' diverse foreign currency investment needs. The foreign exchange margin transactions make it possible to trade foreign exchange closer to market rates than foreign currency deposits 24 hours a day, 365 days a year. We now offer closer alignment between margins and deposits, and allow customers to transfer funds in foreign currencies, as well as handling with spot delivery settlement.

July 2008

Sony Assurance Opens its Sapporo Claims Service Center for Receiving Accident Reports

In July 2008, Sony Assurance opened its second claims service center for receiving accident reports in Sapporo aiming at responding to the increased number of policies in force and at strengthening the measures against large-scale disaster occurrence risks.

September 2008

SFH Obtains AA- Issuer Rating

SFH obtained an AA- (outlook: stable) issuer rating from Rating and Investment Information, Inc. (R&I) as a growing group of companies, to establish a structure whereby SFH can expeditiously respond to its financing needs which arise in future.

October 2008

Sony Life Opens Representative Office in Beijing

Sony Life opened a representative office in Beijing, the Peoples' Republic of China, to research the Chinese financial and life insurance markets.

October 2008

Sony Life Commences Sales of New Products with No Surrender Value

Sony Life launched sales of "a level-premium term life insurance (no dividends) and a level-premium term life insurance rider (no dividends), both with no surrender value". The company can offer even more reasonable premiums by providing products with no surrender value.

October 2008

Sony Bank Starts Handling Credit Cards with Dual-Currency Settlement Function

In October 2008, Sony Bank started handling a "Sony Card" with dual-currency settlement function, which allows cardholders to pay in yen when in Japan and in U.S. dollars outside Japan. As U.S. dollar charges are debited from customers' U.S. dollar ordinary deposit accounts, customers will be able to save on foreign exchange costs.

Credit card capable of settling transactions in two currencies

March 2009

Sony Assurance Begins to Offer Car Life Discount Service

Sony Assurance began offering the "Car Life Discount Service" as an exclusive benefit to its policyholders, with discounted and complimentary services available in a range of automobile-related situations.

Policyholder benefits website

SFH Group Company Profiles

SFH Group Company Profiles

About Sony Life

Sony Life

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

Management Message

Sony Life was founded in August 1979 with the goal of providing customers with the full range of value that life insurance could offer. Since then, in line with its corporate mission “To work for customers' financial security and stability by offering optimal life insurance products and high-quality services”, Sony Life has pursued its original ideals for life insurance. We strive to continue providing value in a way in which only Sony Life can. As we move toward FY2009, which marks the 30th anniversary of our founding, the number of policies in force exceeded 4.7 million. The support and understanding of our customers has facilitated this expansion.

In FY2008, Sony Life's new policy amount* was up 1.9% from previous year to ¥3,873.7 billion. In addition, our policy amount in force* as of March 31, 2009, was ¥32,517.6 billion, up 3.2% from one year earlier. Our solvency margin ratio, which is one indicator of an insurance company's financial soundness, remained high, at 2,060.5%**.

Our corporate slogan, “LIFEPLANNER VALUE”, expresses our commitment to accompanying customers through each life stage and help them realize their dreams and live fulfilling lives. In the 30 years since our founding, we have come to believe in the ideal of standing by our customers. Through consulting services based on each customer's life plan, we seek to share with customers their dreams and wishes and their thoughts for their families, as well as their uncertainties and concerns for the future. We seek to provide optimal protection so that customers can continue to fulfill their families' dreams for the future, even if the unfortunate occurs.

Even after they have taken out life insurance, customers’ life plans and economic circumstances may change. Through finely tuned follow-up services, we help customers maintain appropriate protection so that their lives remain secure as they move toward their dreams.

Sony Life aims to be a trusted and indispensible presence to its customers. To achieve this goal, we will keep working to enhance our level of quality and to increase the number of people who experience our value offerings.

We promise our customers that, as we continue to grow, we will win the trust that they have placed in us by becoming the world quality leader in life insurance.

July 1, 2009

T. 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 solvency margin ratio is one administrative control indicator used to judge if an insurer has the “ability to pay” (solvency margin) insurance claims in sufficient response to a major disaster or other unforeseen event.

Industry Trends and the Sony Life Characteristics

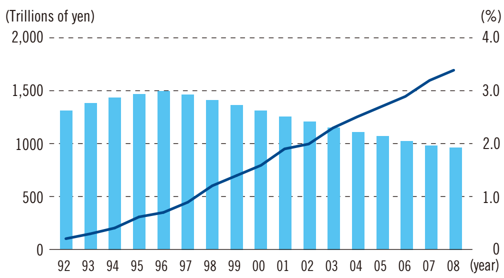
Japan's life insurance market is the second-largest in the world after that of the U.S. However, new policy amount and policy amount in force of the life insurance business as a whole have been on a downward trend since peaking in the 1990s amid a change in the macroenvironment; namely, that of population decline that we are now in. Life insurance can be broadly categorized by area of protection into death benefit (whole life insurance, term insurance, and endowment insurance), "third sector" insurance such as medical and long-term nursing care insurance, and individual annuities, including variable and fixed annuities. The death benefit category continues to account for a majority share of the life insurance market, but this business has been driving the decline of the overall market, because new policy amount in this category has been sluggish in the past few years. The third sector and individual annuities businesses grew sharply on the back of deregulation, but growth peaked in 2006. The individual annuity business in particular has recorded a sharp drop in sales that began in the second half of FY2008, when products lost their appeal due to the global financial crisis.

Sony Life differentiates itself from the competitors through its sales channels. Lifeplanner sales employees and Partners (independent agencies) armed with extensive knowledge and a wealth of experience use a consulting-sales approach to provide life insurance protection tailored to each customer's life plan. Even after customers sign up for life insurance, Sony Life focuses on after-sales follow-up services that include reconfiguring their protection to be more appropriate to new needs when their situations change. Customers appreciate this service with an individual touch, and as a result Sony Life has sustained growth of policy amount in force amid an overall contraction of the market (Figure 1), and we have steadily increased market share measured in new policy amount (Figure 2).

A breakdown of new Sony Life customers by age group shows a large majority in their 30s. This is a group that has experienced major life events—marriage and childbirth, for instance—and requires life insurance protection for the future. This pattern is also a feature of Sony Life. Although Sony Life offers a range of products to fulfill diverse customer requirements, death benefit and other similar protection products account for over 80% of policies in force. Death-benefit products account for a substantial share in policies in force as a result of customers' awareness of their need during the life-planning and consulting process, though the need is generally too latent to be recognized.

The Japanese population continues to decline. Sony Life is confident that it can continue to leverage its strengths and achieve growth in the medium term at a time when the second baby boomer generation has reached the target age range of Sony Life's mainstay customers. As well, Sony Life is seeking to expand business with older customers in their 50s and 60s and is exploring to expand business domains, such as by making a serious entry into the individual annuities business and expanding overseas. Sony Life established 50–50 joint venture AEGON Sony Life Planning Co., Ltd. in preparation for establishing and commencing operation of a new life insurance company that develops individual annuity products for over-the-counter sale at banks as well as through the Lifeplanner sales channel.

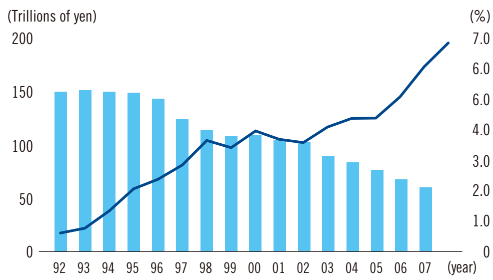
Figure 1: Policy amount in force★share



Policy amount in force — Sony Life's share

As of March 31

Figure 2：Net new policy amount★share



New policy amount — Sony Life's share

For the years ended March 31
Excludes increases or decreases in policy conversions

Source: Statics of Life Insurance Business in Japan and data officially disclosed by individual life insures.
★ All figures for individual life insurance

Life Planning Support Service for Optimum Protection

Before proposing life insurance plans, Sony Life asks customers about their current lifestyles and plans for the future. By making specific forecasts of what events await in a number of years' time and what each member of the family will be doing in the future, customers can identify their hopes and dreams and anticipate the kind and extent of protection they will need to assure their future vision for their families.

Life insurance needs to provide solid protection for lives that are long and constantly changing. The key to connecting the uncertain future with reliable protection is Sony Life's proprietary Life Planning Support Service (LiPSS) software.

To ensure that the life plans of customers and their families are fulfilled even in the event of unforeseen circumstances, we forecast their futures and estimate economic risks and the kind and extent of protection they'll need. With LiPSS, we deliver quality assurance to our customers.

Life Planning

■Life Planning maps out customers' hopes and dreams

We map out the future paths of our customers and all family members, and their hopes and dreams and foreseeable life events. We then anticipate the future to create a vision for the whole family, then formulate a Life Plan Chart that chronologically projects life events and incorporates the family's hopes and dreams for the future.

What the Life Plan Chart tells us

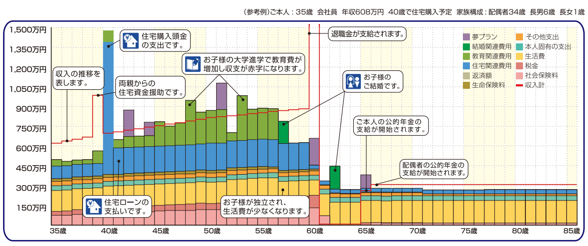
- We can ascertain how a family's life will change over the next few decades.
- We can map out how a customer's children progress from kindergarten through to university, and how old other family members will be at each milestone.
- If a policyholder has children, we can project when educational expenses will be high.
- We can use the chart to allow for living with and caring for elderly parents and to plan for the customer's own retirement.
- We can allow for the timing of major expenditures such as home purchase or renovation.
- We can allow for career plans—such as job changes or business launches—and for when a customer might put dreams into action.

Life Plan Simulation

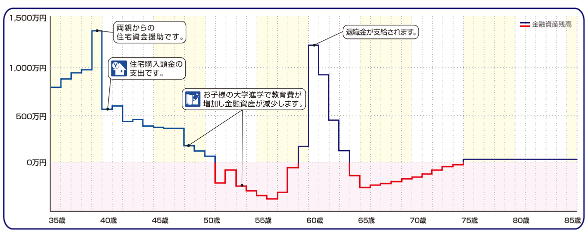
■Household income and expenditure simulation

How do household income and expenditures change assuming that policyholders follow their life plan? We compare forecast income and expenditures on an annual basis to examine the financial feasibility of life plans. By doing simulations of the balance between income and expenditures and prioritizing spending, we can plan for tuitions, manageable mortgage loan repayments, and even early mortgage repayments.

Income and expenditure graph (when living)



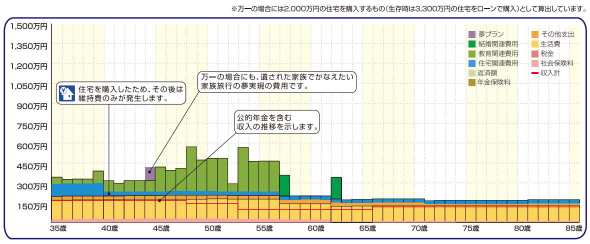
Financial asset balance graph



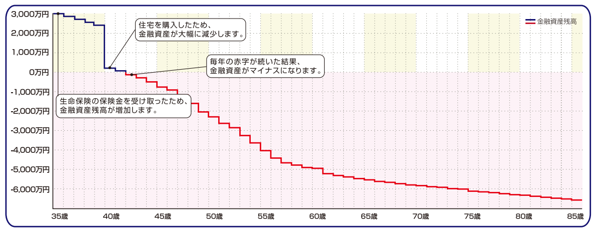
Household Income and Expenditure Simulation in the Case of Customers' Unexpected Death

We also estimate potential customers' family income and expenditures in the event of unexpected death. We examine whether families have sufficient total income (spouse income, survivor pensions, etc.) to realize their life plans.

Income and expenditure graph (in the case of unexpected death)



Financial asset balance graph



Protection Planning

■ Consulting-based sales based on life plan

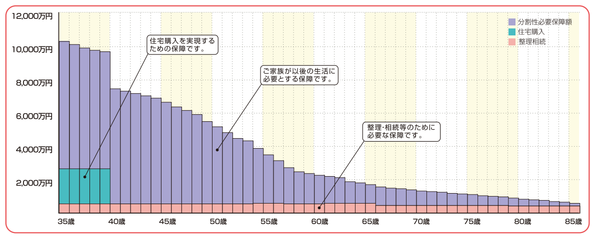
What does a family need so its members can maintain their lifestyle in the event that the breadwinner dies? How much money does a family need for its members to realize their life plan? Based on the customer's life plan and simulation results, Lifeplanner sales employees and Partners (independent agencies)—insurance professionals—analyze and discuss with them their insurance requirements from multiple perspectives using 11 key factors* to advise them.

*** Essential funds**

- Educational expenses
- Rent or mortgage loan
- Cost of long-term convalescence
- Funds for rebuilding your life
- Children's wedding expenses
- Post-retirement living expenses
- Family's living expenses in the event of customer's death
- Financial planning for inheritance
- Funds for home purchase
- Emergency savings
- Funds for settling one's affairs after death

Lifeplanner sales employees and Partners (independent agencies) identify future economic risks before presenting life protection plans tailored to each customer's situation.

Required protection graph



* We calculate the required protection from projected expenditures that exceed income in the simulation of the customer's unexpected death; i.e., the deficit that remains after deducting government benefits such as survivors' pension from forecasted expenses.
We build customers' life insurance plan on the basis of each customers' hopes, dreams, and what they want for their families.

Life Planning Showroom "Life Planning SQUARE"

Life Planning SQUARE, inside the Sony Building in Ginza, Tokyo, is a life planning showroom designed to help customers and prospects have fun learning about life planning.

Life Planning SQUARE provides content so visitors can relax and have fun while trying their hand at life planning themselves. Lifeplanner sales employees are also there to assist people interested in the real life planning experience. And a Sony Bank counter opened at Life Planning SQUARE, so customers can open Sony Bank accounts and sign up for mortgage loans there, too.

Note: Customers can not sign up for new life insurance policies or change existing coverage at Life Planning SQUARE.

Embedded Value

Sony Life discloses Embedded Value (EV) at the end of each fiscal year. EV is one measure of corporate value for life insurance companies, and it is widely used outside Japan, especially in Europe, as a tool in the comprehensive valuation of life insurance companies. Corporate earnings can generally be assessed based on financial statements and other documents, but, as supplementary information, Sony Life considers EV to be an important management benchmark.

Sony Life switched from using Traditional Embedded Value (TEV) to using Market Consistent Embedded Value (MCEV) in FY2008.

EV as supplement to financial statements

In general, we can expect that in income statements showing a company's periodic earnings, an increase in sales in a particular fiscal year is likely to be accompanied by an increase in profits. However, life insurers have a profit structure in which initial costs exceed annual premiums in the fiscal year in which an insurance policy is sold, and profits are made by recovering these costs during the period of insurance. Consequently, business management cannot be accurately assessed based solely on results data for a single fiscal year. Said differently, the income statement of a life insurance company will show an increase in costs and a decrease in profits during a fiscal year in which new policy sales are strong.

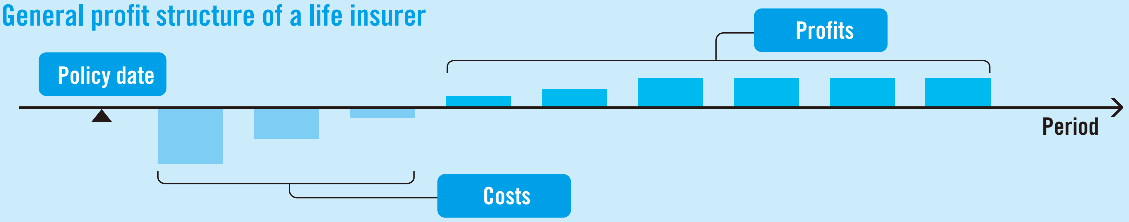
Accordingly, Sony Life discloses EV, which is used widely in Europe, as a management benchmark supplementing its financial statements.

Institutional investors also focus on EV as one indicator when making investment decisions on listed life insurance companies.

EV

- EV is one measure of corporate value for life insurers.
- Life insurers have a profit structure in which initial costs exceed annual premiums in the initial fiscal year of a new policy, and profits are made by recovering these costs during the period of insurance. Consequently, business management cannot be accurately assessed based solely on results data for a single fiscal year.
- Accordingly, EV is widely used overseas, especially in Europe, as a tool for comprehensively evaluating life insurers.

General profit structure of a life insurer



EV structure

MCEV = Adjusted net worth calculated from balance sheets + future value of in-force business (value of existing business)

Adjusted net worth calculated from balance sheets

(Results of business activities to date)
Total of the following amounts on the balance sheet date

Total of net assets section
+ Reserve for price fluctuations
+ Contingency reserve
+ Reserve for possible loan losses
+ Net gains on held-to-maturity securities
+ Net gains on land and buildings
+ Unfunded retirement benefit obligations
+ Intangible fixed assets
– Tax effect adjustments related to the foregoing seven items

future value of in-force business (value of existing business)

Future value of in-force business (value of existing business)
(Expected future profits from existing policies)
Calculate the total amount of future profits from policies in force on the balance sheet date: Profits in one year + profits in two years + profits in three years … profits in 50 years.

↓

However, this total is discounted to give a present value because these profits are not obtainable on the balance sheet date, nor are they guaranteed to be earned in the future. (Valuations reflect future assumptions about changes in interest rates and mortality rates.)

Sony Life concludes policies with new customers each year, but EV represents the future value of net assets and policies in force on a certain balance sheet date, and does not include the value of new policies it may write in the future.

Reasons for disclosing MCEV

EV was devised at a conference of major insurance companies in Europe, and listed life insurers and life insurance subsidiaries of non-life insurers in Japan have also disclosed EV in recent years. However, there are currently no uniform methods and rules for calculating and disclosing EV. Consequently, a conference of major insurance companies in Europe was convened to unify methods and rules. This conference established the MCEV Principles© in June 2008 and the use of EV is expected to be unified in the future based on these principles.

Sony Life, in light of these trends, will now calculate and disclose MCEV based on the MCEV Principles©, rather than the previous TEV.

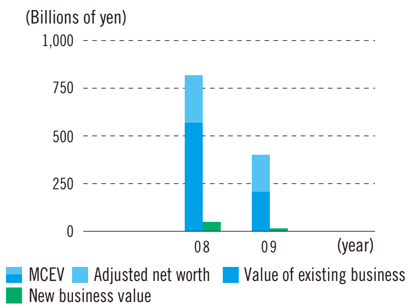
Sony Life's MCEV

Sony Life's MCEV (as of March 31, 2009)

(Billions of yen)

	March 31, 2008	March 31, 2009	Change
MCEV	816.5	400.9	(415.6)
Adjusted net worth	248.5	195.4	(53.1)
Value of existing business	568.0	205.4	(362.5)
New business value	48.2	15.4	(32.9)

MCEV



※As of March 31

Sony Life's MCEV as of March 31, 2009, was ¥400.9 billion, down ¥415.6 billion compared with its level on March 31, 2008, ¥816.5 billion. This is because the value of existing business (value of in-force business), representing future profits, fell sharply as a result of expecting lower returns on investment in the future than was expected on March 31, 2008, due to a decline in interest rates and other financial-market changes. In addition, adjusted net worth decreased due to a decline in fair market value of stocks and convertible bonds held affected by deteriorating stock market conditions.

EV is derived by discounting by a certain interest rate the future profits expected to be earned over the long term based on a company's policies in force on the balance sheet date. Interest rates are one assumption used in calculating EV, and we use interest rates on the balance sheet date. Interest rates on March 31, 2009, were down sharply from a year earlier, especially long-term rates in excess of 20 years, affected by turmoil in global financial markets precipitated by the subprime loan situation. This pushed EV down due to a lower estimate of future profits.

Insurance involves investment of assets comprising premiums received from customers over the long term. An impact on MCEV from interest rate changes is small as maturities of insurance policies are matched to those of invested assets, and the impact is bigger when both maturities are mismatched. As for Sony Life, duration of invested assets is shorter than remaining period of insurance policies. Accordingly EV increases as interest rates rise and decreases in the opposite case.

Sony Life is working to increase EV by expanding the number of new policies and improving its lapse and surrender rate and expense ratio. We are also pursuing measures to mitigate the decline in EV even in an unfavorable market condition that interest rates decrease. Specifically, in view of the long-term nature of the insurance policies of our customers, we plan to continue efforts started in FY2008 to extend the duration of our assets, including by investing in ultralong-term bonds.

The third-party actuary Milliman, Inc. drafted a report on how Sony Life's MCEV is calculated.

Further information about MCEV is available on our website at http://www.sonyfh.co.jp/en/news_e/article_e/090601_01.pdf

About Sony Assurance

Sony Assurance

http://www.sonysonpo.co.jp

(Japanese only)

Management Message

FY2008 saw strong growth in the number of new policies in force, primarily for automobile insurance, and net premiums written in all categories grew 11.1% to ¥61.1 billion. Ordinary revenues grew 11.2% to ¥61.8 billion. Despite an increase in ordinary revenues, ordinary profit declined 22.7% to ¥2.1 billion, because the loss ratio worsened due to natural disasters, and in FY2007 a change in the method for calculating underwriting reserves in some categories added ¥0.5 billion to profits. Sony Assurance posted a net loss of ¥1.5 billion, having recorded losses on disposal of fixed assets* under extraordinary losses. The company continued to maintain a high standard of financial soundness with the solvency margin ratio standing at 993.0% at the end of March 2009.

Brisk growth in the number of new automobile insurance policies took the number of policies in force over the one million mark. We gratefully regarded this as a proof that our customers appreciate our automobile insurance services..

Sony Assurance marks the 10th anniversary of its business launch in October 2009. During the past decade, we have been facing one of drastic changes in non-life insurance market conditions following a backdrop of deregulation. Competition intensified amid progressive liberalization of products and premiums, resulting in a spate of insurance company mergers and new players entering the market. Another feature of this period was major changes in sales channels as reflected in the rise of direct insurance companies like Sony Assurance. Direct insurance companies have accelerated their growth on the back of the increasing trend among consumers to shop around for the best deal, and we expect this business model to continue recording substantial growth.

Sony Assurance will continue to do business focused on our basic strategies of establishing a price advantage that harnesses the strengths of our business model and providing a superior standard of service. As well, we are strengthening our online application acceptance, services, and marketing in today's Internet age so that we can grow further as a leading direct insurance company.

July 1, 2009

Shinichi Yamamoto
President, Representative Director
Sony Assurance, Inc.

* For the purpose of enhancing system and operational efficiency, Sony Assurance began developing new systems in FY2006. However, in FY2008, Sony Assurance decided to suspend this development and to overhaul its development policy. Accordingly, some software assets that were previously recorded as intangible fixed assets (software in progress) and for which future use is uncertain were disposed of, resulting in losses on disposal of fixed assets.

Industry Trends and the Sony Assurance Characteristics

Japan's non-life insurance industry went though a major shake-up around 2000, and now, some years later, moves toward consolidation have resumed, with several leading non-life insurers announcing plans to integrate their businesses in the future. Accordingly more fierce competition is expected. Automobile insurance—Sony Assurance's mainstay product—forms the largest share in non-life insurance markets in Japan, accounting for about half of all non-life premiums. Growth of insurance premium revenue has been weak in recent years, however, because of the decline in new car sales, shift in demand to light motor vehicles, and downward premium rates based on good driving records at renewal of policies. Japan's automobile insurance market itself is unlikely to grow in the coming years, since we cannot expect a substantial increase in car ownership, due in part to the economic recession triggered by the global financial crisis.

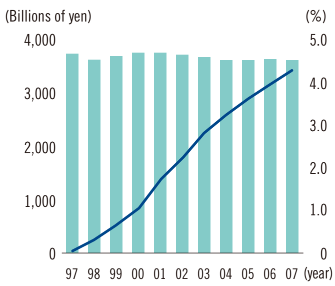
Since direct insurance companies, which allow customers to sign up for automobile insurance directly by phone or via the Internet, appeared in the second half of the 1990s, they have steadily increased insurance premiums. They have also enjoyed sustained market share growth, though leading non-life insurance companies, which sell automobile insurance through agencies around the country, account for over 90% of Japan's automobile insurance market (Figure 1).

We expect direct insurers to continue increasing their insurance premiums and their market share even in such unfavorable business conditions as more fierce market competition accelerated by the industry consolidation and shrinking overall insurance premiums. This is because their businesses are run more efficiently, giving them a tighter cost structure that means they can offer more attractive premiums than the non-direct non-life insurance majors. Consumers are also more and more aware that direct insurance companies provide consistent, quality service. These factors appeal to customers, who additionally have grown more price-conscious in the recent economic downturn.

Sony Assurance opened for business in October 1999. Since then, the company has met the challenge of valuing the direct relationship with each and every customer, and always providing new value for customers. Sony Assurance's automobile insurance offers excellent coverage at a reasonable premium by making a detailed breakdown of risk factors, such as distance driven per year. In terms of service, we always guarantee the level of service we provide, so that customers know what quality of accident response service they will receive. Customers appreciate our competitive pricing and customer-focused service structure and in FY2008 Sony Assurance ranked as Japan's top automobile's direct insurer with an around 30% share of Japan's direct insurance business (total of six major direct insurers) (Figure 2).

Sony Assurance has also enhanced its product lineup in areas other than automobile insurance. New offerings include our SURE Medical and Cancer Insurance products, also intended to offer a wide range of insurance plans at reasonable premiums, as well as pet insurance and overseas travel accident insurance products launched in 2009.

Figure 1: Automobile insurance market and market share of direct insurers



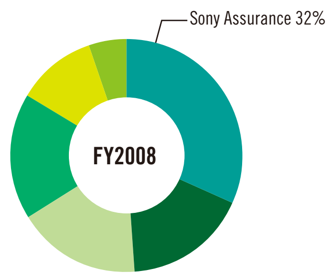
Total direct premiums written (domestic and foreign-owned insurers)

Market share of direct insurers

For the years ended March 31

Source: Based on data officially disclosed by individual non-life insurers

Figure 2: Share of automobile insurance direct premiums written of six major direct insurers



For the year ended March 31, 2009

Overview of Products and Services

Sony Assurance sells automobile insurance and SURE medical and cancer insurance. It started selling overseas travel accident insurance in May 2009 and launched agency sales of pet insurance in January 2009 and cancer treatment insurance in June 2009.

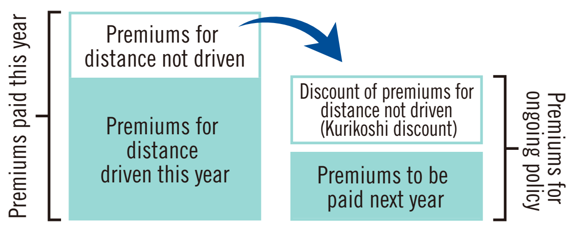
1. Development of original products and services

Sony Assurance, thanks to its focus on providing products that customers value, has created a variety of original products and services. We will continue our efforts to develop and offer the valued products and services that only Sony Assurance can deliver.

■ Automobile insurance popular from time of launch

Sony Assurance offers automobile insurance at reasonable premiums by using risk-segmented categories to account for each customer's driving characteristics—distance driven per year, reason for car use, car model, number of years since first registering car ownership, age, and type of driver' s license—and by reducing costs using direct sales to centralize operations and enhance efficiency. Sony Assurance also offers the original *Oritemo* Rider to provide indemnity coverage for policyholders who are injured or have personal belongings damaged after exiting their insured vehicles temporarily while out for a drive. Customers also like our unique *Kurikoshi* discount program. Distance driven per year is one of risk-segmented categories, and the program offers a premium discount in the following year for customers that fall short of the maximum distance written in their policies.

Automobile insurance product pamphlet



■ Sony Assurance accident response services

As part of its accident response services, Sony Assurance promises policyholders that they will be initially contacted by an appointed staff member within three hours of an accident report's arrival. We also offer the On the Day, Any Day, Response service. This allows policyholders to get same-day service (initial response as well as an explanation of results and subsequent procedures) when they make accident reports over the phone by 8:00 p.m. any day of the week, including Saturdays, Sundays and holidays. With these and other efforts, Sony Assurance works to quickly alleviate the concerns of policyholders involved in an accident.

■ Popular medical and cancer insurance plan offers half-price premiums from age 60

Sony Assurance's medical and cancer insurance offers robust protection for cancer, which often results in high medical costs and long treatment periods. We also offer the industry's first plans that reduce monthly premiums by half starting at age 60* —an attribute that has made them popular with customers for the way they reduce future premiums. We also seek to contribute to society through our non-life insurance business by automatically including a Bone Marrow Support Rider† in all policies.

* The SURE Smart Fit and SURE Wide plans offer half-priced premiums from age 60 and are available to customers under the age of 57.

† Bone marrow donors provide their own bone marrow and can receive one claims payment during the insurance period for surgery to extract bone marrow stem cells. (Policyholders are not eligible for claims payments until after one year from the insurance start date.)

SURE medical and cancer insurance product brochure

2. Website initiatives

Customers and the Sony Assurance Communication Site (Japanese only)

Sony Assurance has launched a website to convey its desire to walk together with policyholders by continuing to provide them with products and services that meet their needs through closer communication. The site is intended as a vehicle for customers to express their opinions, and all pages have links to a contribution section. Staff members will respond to posts in a timely manner.

Top page of the Customers and
Sony Assurance Communication Site

3. Sony Assurance service structure

Customer centers

Customer centers are designed to respond to phoned-in and emailed customer inquiries, to help guide customers through the policy process, and to provide follow-up services once policies are in place. To facilitate smooth communication and provide optimum solutions, every staff member is trained to answer callers' questions promptly and thoroughly.

Customer center

Customer consultation offices

To enhance the value of its products and services Sony Assurance databases customer opinions and requests so they can be shared by different internal departments. This allows staff members to weigh the options that will most benefit customers.

Service centers

Automobile insurance policyholders can call a toll-free number to report accidents 24 hours a day, 365 days a year. When an accident report is received, a staff member directly contacts the customer and provides responsible support until the issue is resolved.

For medical and fire insurance as well, staff members hold a variety of consultations with customers and provide meticulous support until claims are settled.

Breakdown assistance services desk

To help make car ownership more pleasant for its customers, Sony Assurance's automobile insurance includes free* breakdown assistance to help customers in the event of an accident or breakdown. The breakdown assistance services desk provides prompt, appropriate responses to customer calls to provide them with a greater sense of security.

* Charges may be levied in some circumstances depending on the services provided.

Emergency contact card

About Sony Bank

Sony Bank

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

Management Message

So stark was the contrast in financial market conditions between the first and second halves of FY2008 that they could have been two different worlds. The crisis was triggered by the collapse of Lehman Brothers in September 2008. Gone was the optimistic outlook that had prevailed until that point; world credit markets contracted, and the impact on the economy was substantial. Even Japan, with limited exposure to the subprime loan crisis, experienced an economic downturn and a flurry of corporate bankruptcies.

Sony Bank was no exception in being caught up in the financial market turmoil. The bank made a shift in focus of its strategy from building the foundations for future earnings to current profitability. Specifically, we offered competitive interest rates in the first half of FY2008 to attract deposits, and maintained reasonable prices based on market levels in the second half, as it had done in the past. Sony Bank recorded solid sales of loan products via banking agents, who are allowed to explain the features of each product.

Sony Bank continued to introduce new services. New services that started in or after 2008 are the private asset management tool named “LifePass-Book” (March 2008), foreign exchange margin transactions (May 2008), and credit cards whose payments can be made in two currencies (October 2008). In October 2008, Sony Bank also launched a sweep service that automatically transfers funds between Sony Bank yen ordinary deposit and Sony Bank Securities trading accounts to improve the convenience of asset management services. In response to many customer requests to increase the number of ATMs, Sony Bank signed up with LAWSON ATM Networks and E-net so that account holders could use LAWSON ATMs beginning in October 2008 and E-net ATMs beginning in November 2008.

To strengthen our financial position as a way of underpinning these business developments, we raised capital by a capital increase totaling ¥12 billion (¥6 billion each in April and November 2008) and a ¥2 billion subordinated loan in June 2008. In October 2008, Sony Bank received a long-term senior debts rating of AA– from Japan Credit Rating Agency, Ltd. (JCR).

Sony Bank anticipates ongoing instability of financial markets through FY2009. The substance and direction of Sony Bank's services are meeting customers' needs. We are seeking to diversify Sony Bank Securities' services, which are still somewhat limited, so that customers can take advantage of deregulation of banks and securities firms and enjoy greater trading convenience. In an area less visible to customers, we are also making further efficiency improvements by reviewing operations. Sony Bank is strengthening its financial position, which is the basis for the trust and confidence of our customers, so that it is capable of dealing with difficult market conditions.

July 1, 2009

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

Industry Trends and the Sony Bank Characteristics

When the Financial Instruments and Exchange Act went into force in September 2007, a user protection framework was put in place in Japan's banking industry across a broad spectrum of financial instruments. In June 2008, a partial revision of the Financial Instruments and Exchange Act was enacted, including more flexible firewall regulations between banks and securities firms. This has led to progressive deregulation that included enabling an extended scope of business operations.

FY2008 was characterized by global financial market turmoil from September 2008 onward, reigniting credit fears concerning financial institutions in Japan and overseas. Investor motivation waned and risk avoidance became more prominent as economic conditions deteriorated. In the banking industry, additional risk control measures were required amid the global economic slowdown and heightening financial crisis.

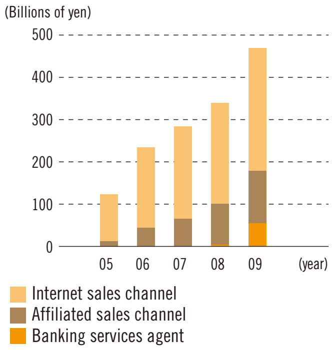
Sony Bank provides a range of convenient financial products and services centered on asset management via the Internet to individual customers. Sony Bank set itself apart from traditional, full-service banks with bricks-and-mortar branches as well from other newer banks that focus on handling settlements. We thus occupy a distinctive position and run a unique business by offering yen and foreign currency deposit, investment trust, foreign exchange margin transactions, and other asset management products as well as mortgages and other loan products—all online and at rates that are fair, reasonable, and close to market prices.

At the end of March 2009, customers had some 723 thousand accounts with Sony Bank, and customer assets (deposits and investment trusts) totaled ¥1,403.6 billion for a high level of average customer assets of around ¥2 million. These figures illustrate the degree of trust and popularity that Sony Bank has won from customers as an online bank for asset management purposes.

Sony Bank adopted a profit-oriented strategy in the financial market turmoil of the second half of FY2008, offering deposits at interest rates that guaranteed a reasonable spread. The balance of yen deposits at the end of March 2009 exceeded ¥1 trillion. Foreign currency deposits, for which Sony Bank offered distinctive services such as low foreign exchange charges and trading rates close to market rates, have grown into a business whose product features are widely recognized by our customers. This is reflected in our market share of over 5%, which makes Sony Bank a substantial presence in the banking industry.

Sony Bank has recorded steady growth of mortgage loan balances and market share in the mortgage business because customers continue to appreciate the convenience of applying and signing for the loan, making early repayments, and changing the type of interest rate online without having to visit a branch. We noticed in FY2008 an increase in loans signed via sales channels where personnel meet customers face-to-face, such as Sony Bank sales agents Sony Life's Lifeplanner sales employee and Seven Bank's staffed outlets (Figure 1).

Figure 1: Mortgage loan balance



122.8	234.3	278.0	338.8	468.3

As of March 31

Sony Bank Products and Services

Service Sites

Sony Bank is an Internet bank doing business solely through websites. These include a corporate site that makes information about the bank available, as well as service sites that customers use for their banking transactions.
http://moneykit.net/

MONEYKit service site

Asset Management Products

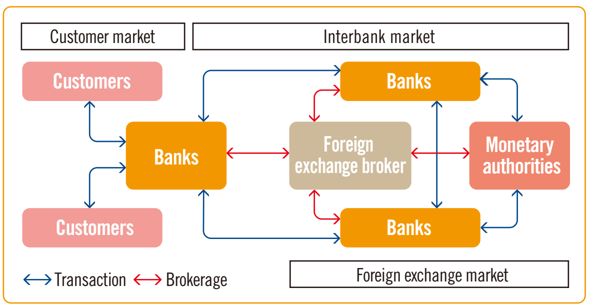
● **Yen deposits (ordinary deposits, time deposits, thrift saving deposits)**

New customers are asked to start doing business with Sony Bank by opening a yen-denominated ordinary deposit account through which they can then buy other Sony Bank products and services. Our yen-denominated time deposit accounts, with interest rates closely linked to market rates, let customers manage their assets in a way that fits well with their personal objectives and the timing of market interest rate changes, since they can set maturity terms and rollovers online at any time.

● **Foreign currency deposits (ordinary deposits, time deposits, time deposits with special terms)**

Foreign currency accounts are available in eight currencies—U.S. dollars, Euros, UK pounds, Australian dollars, New Zealand dollars, Canadian dollars, Swiss francs, and Hong Kong dollars.

The concept of foreign currency deposits is to bring retail customers closer to the market. By enabling them to trade foreign currency 24 hours a day, 365 days a year at rates linked to constantly updated forex market rates, we can offer interest and exchange rates that closely shadow market rates. Depending on the yen equivalent of a customer's foreign currency deposit balance at the end of the month, Sony Bank offers preferential interest rates on foreign currency time deposits second following month, reduced exchange charges, and reduced commissions on limit orders.



● **Foreign exchange margin trading**

Sony Bank customers can engage in forex margin trading in 12 pairs of currencies:

- With yen: U.S. dollars, euros, U.K. pounds, Australian dollars, New Zealand dollars, Canadian dollars, Swiss francs, Hong Kong dollars
- With U.S. dollars: Euros, UK pounds, Australian dollars, New Zealand dollars

This service allows customers to trade foreign currencies 24 hours a day, 365 days a year at rates even closer to market rates than our foreign currency deposits. We have made it possible to make smooth fund transfers in foreign currencies. Delivery (spot settlement) is also available.

● **Investment trusts (59 funds by 24 companies as of July 1, 2009)**

Sony Bank offers a range of quality funds that serve the needs of individual customer portfolios. We also provide a monthly installment plan for investing a fixed monthly amount in investment trusts by direct debit from customers' yen ordinary deposit accounts.

● **Financial product intermediary services**

Sony Bank offers a financial product intermediary service on commission from Sony Bank Securities (see p.44) and Monex Inc. We offer a comprehensive service via Sony Bank's service site MONEYKit, from opening a securities trading account with Sony Bank Securities to fund transfers, acting as a broker for buying and selling domestic equities, and providing statements of transactions. Sony Bank also offers services such as opening a Monex securities trading account and providing information about foreign bonds, newly listed stocks, and public offers and sales of stocks.

● **Insurance**

Sony Bank markets two Sony Life yen-based individual annuity products for long-term asset building, as well as Sony Assurance Fire Insurance for MONEYKit, available to Sony Bank mortgage holders only.

Loan Products and Credit Cards

● Mortgage Loans

Sony Bank's mortgage loans are extremely convenient. Customers can apply for a loan and sign up online with no need to visit a branch, and even change to a different interest rate plan or make early repayments anytime as many times as they wish online. Customers on a fixed interest rate plan (lasting 2, 3, 5, 7, 10, 15, and 20 years, or 20 plus years for the full term of the loan) can still switch to a variable rate or another fixed rate plan, as well as taking the option of a combined plan with part of the loan with a fixed rate and the rest with a variable rate. Customers can also add an insurance rider for protection against the three major diseases (cancer, heart attack, and stroke) to group credit life insurance. Eligible customers may also take advantage of the Mortgage Loan Interest Rate Plan, which offers a discounted rate from the Sony Bank Mortgage Loan base rate.

● Special-purpose loans and Card loans

Sony Bank offers three types of special-purpose loans—educational loans, new car loans, and general-purpose loans, and card loans in response to various kinds of funding needs.

● Credit cards

Sony Bank offers five credit cards that customers can apply for online via its service site. Credit cards whose payments can be made in two currencies (yen in Japan and U.S. dollars overseas) allow cardholders to spend U.S. dollars saved in foreign currency deposit accounts when shopping overseas.

Asset Management Support Tools

● Life Passbook : Life Passbook is a new private asset management tool with five main features:

- Money map—a visual portfolio analysis tool that assesses the risks and returns of customers' assets
- Calendar—Money information provided in calendar format
- Account information at a glance—provides service information of more than 110 financial institutions in table form
- Points manager—Manages 20 plus loyalty point programs and provides simulations of switching programs
- Life plan simulator—Provides advice on future planning based on family, lifestyle information such as income and expenditure, and financial asset information

● Risk Grade : An indicator of risk of a financial asset

● Foreign exchange chart : Exchange rate chart for eight currencies against the yen and seven currencies against the U.S. dollar

● Market news and reports : Sony Bank keeps customers up-to-date with the latest financial market information.

Money Map

Foreign exchange chart

Customer Center

At Sony Bank's Customer Center, communicators with specialist knowledge are available daily (including weekends and public holidays) to respond to customer inquiries about Sony Bank products and services by phone or email.

Affiliated ATMs

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

- ATMs operated by Sumitomo Mitsui Banking Corporation
- @BANK ATMs at the am/pm convenience store chain (except those in Kyushu)
- ATMs operated by the Bank of Tokyo-Mitsubishi UFJ, Ltd.
- ATMs operated nationwide by Japan Post Bank
- ATMs operated by Seven Bank
- ATMs operated by the LAWSON convenience store chain (stores displaying the LAWSON ATM logo)
- E-net ATMs at the FamilyMart convenience store chain and other shops with E-net brand logo.

About Sony Bank Securities

Sony Bank Securities

http://sonybank-sec.net/

(Japanese only)

Sony Bank Securities was founded in June 2007 as a wholly-owned subsidiary of Sony Bank to offer Sony Bank account holders equity and other securities trading services. Working with Sony Bank, Sony Bank Securities offers retail financial services at a fair price to support customers looking for solid returns with a long-term perspective.

Sony Bank Securities' website

Trading with MONEYKit

Using Sony Bank's MONEYKit banking service site, customers can open Sony Bank Securities trading accounts and carry out transactions such as transfer of funds between their Sony Bank yen ordinary deposit and Sony Bank Securities trading accounts, placing buy and sell orders for Japanese equities, and requesting statements of transaction from Sony Bank Securities. They can also use MONEYKit to compare financial products offered by Sony Bank, such as yen deposits, foreign currency deposits, and investment trusts, with products such as equities and exchange traded funds (ETFs). This offers customers a convenient, centralized asset management and investment facility that allows them to diversify their investment portfolios to fit their own investment goals and review their portfolios regularly.

Sweep service

The sweep service automatically transfers funds between Sony Bank yen ordinary deposit and securities trading accounts when trading securities to improve the convenience of asset management services. The purchase amount is automatically debited from customers' yen ordinary deposit accounts when they place a buy order, and the sale amount automatically credited to the same account on the delivery date. Thus there is no need for customers to transfer funds themselves.

Credits and debits in real time, free fund transfers

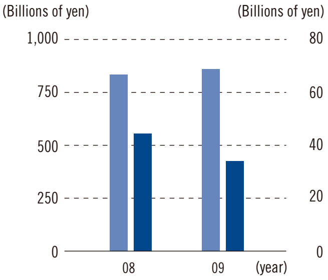
Even if customers do not set up the sweep service, they can still transfer funds back and forth between Sony Bank yen ordinary deposit and Sony Bank Securities trading accounts in real time without paying fees. They can credit their trading accounts in real time to buy equities and other financial products so that they don't miss out on investment opportunities. They can also debit their trading accounts in real time and transfer funds to their Sony Bank yen ordinary deposit accounts.

Financial Section

Financial Section

Analysis of Operating Performance for FY2008

Ordinary Revenues and Ordinary Profit



Ordinary revenues ■ Ordinary profit

	08	09
Ordinary revenues	822.1	860.3
Ordinary profit	44.5	34.2

For the years ended March 31

SFH

Operating results

In FY2008, SFH's consolidated ordinary revenues grew 4.6% compared with the previous fiscal year, to ¥860.3 billion, owing to increases in ordinary revenues from all the businesses: life insurance, non-life insurance and banking. In the life insurance business, ordinary revenues grew 3.4% year-on-year, to ¥766.2 billion, owing to higher income from insurance premiums associated with a steady increase in policy amount in force. In the non-life insurance business, ordinary revenues rose 11.2% year-on-year, to ¥61.8 billion, due to higher net premiums written, resulting from strong sales of automobile insurance policies. In the banking business, ordinary revenues grew 28.5% year-on-year, to ¥33.3 billion, as a higher balance of investment assets in line with the bank's business expansion led to an increase mainly in interest income.

Consolidated ordinary expenses increased 6.2% compared with the previous fiscal year, to ¥826.0 billion, owing to increases in ordinary expenses from all the businesses. In the life insurance business, ordinary expenses increased 4.5% year-on-year, to ¥733.7 billion, due to increased investment expenses associated with a significant decline in Japanese stock market prices. In the non-life insurance business, ordinary expenses grew 13.0% year-on-year, to ¥59.7 billion, owing mainly to an increase in the amount of claims paid, led by those resulting from natural disasters. In the banking business, higher interest expenses, increased general and administrative expenses—mostly system-related expenses—and amortization of goodwill pushed up ordinary expenses 44.0% year-on-year, to ¥33.9 billion.

As a result, consolidated ordinary profit decreased 23.0% compared with the previous fiscal year, to ¥34.2 billion. Broken down by business, ordinary profit from the life insurance business declined 16.7% year-on-year, to ¥32.5 billion. Ordinary profit from the non-life insurance business decreased 22.7% year-on-year, to ¥2.1 billion. In the banking business, an ordinary loss of ¥0.5 billion was recorded, compared to ¥2.4 billion in ordinary profit in the previous fiscal year.

Extraordinary gains of ¥20.4 billion and extraordinary losses of ¥3.9 billion were recorded. Extraordinary gains were primarily due to a partial reversal of the reserve for price fluctuations in the life insurance business. Extraordinary losses were due mainly to losses on disposal of fixed assets in the non-life insurance business.

After accounting for extraordinary gains and losses, reversal for reserve for policyholders' dividends, and income taxes, net income increased 26.7% compared with the previous fiscal year, to ¥30.7 billion.

Financial condition

As of March 31, 2009, total assets amounted to ¥5,313.6 billion, up 6.8% from March 31, 2008. As for major components of assets, securities, mostly Japanese government bonds, amounted to ¥3,703.0 billion, up 26.4% from March 31, 2008. Monetary trusts amounted to ¥608.8 billion, down 32.0% from March 31, 2008, and loans amounted to ¥597.5 billion, up 31.1% from March 31, 2008.

Total liabilities amounted to ¥5,108.7 billion as of March 31, 2009, up 8.3% from March 31, 2008. As for major components of liabilities, policy reserve and others amounted to ¥3,680.7 billion, up 6.6% from March 31, 2008, and deposits amounted to ¥1,325.3 billion, up 15.9% from March 31, 2008.

Total net assets amounted to ¥204.8 billion as of March 31, 2009, down 21.7% from March 31, 2008. Net unrealized losses on other securities, net of taxes, of ¥4.8 billion were recorded, down by ¥79.7 billion from March 31, 2008, owing to a decrease in the fair market value of securities held, associated with a significant decline in Japanese stock market prices.

Cash flows

Net cash provided by operating activities in FY2008 was ¥730.0 billion, up ¥284.5 billion from FY2007. The major factors were an increase in inflows due to a net decrease in call loans, although inflows from a net increase in deposits in the banking business decreased.

Net cash used in investing activities in FY2008 was ¥769.8 billion, up ¥164.5 billion from FY2007. The primary reasons were outflows due to payments for purchases of securities exceeding inflows from sales and redemption of securities, despite inflows owing to a net decrease in investment in monetary trusts.

Net cash used in financing activities in FY2008 was ¥4.5 billion, down ¥26.8 billion from FY2007. The decrease was due to an absence of inflows of ¥28.8 billion received from the issuance of common stock in FY2007, despite the proceeds from subordinated debts in the banking business, which aimed to strengthen the financial soundness in the banking business.

As a result of the above factors, cash and cash equivalents as of March 31, 2009, were ¥91.6 billion, down ¥44.5 billion from March 31, 2008.

Risk-monitored loans

As of March 31 (Millions of yen)

Category	2008	2009
Bankrupt loans	15	64
Non-accrual delinquent loans	227	674
Past due loans (three months or more)	—	—
Restructured loans	244	225
Total	487	964

SFH's consolidated operating results come from its life insurance, non-life insurance, and banking businesses. Segment-by-segment reviews of FY2008 operating performance are presented below.

Life insurance business

SFH's life insurance business consists of Sony Life, a wholly-owned subsidiary of SFH; Sony Life Insurance (Philippines), a wholly-owned subsidiary of Sony Life; and AEGON Sony Life Planning, a 50%-owned affiliate of Sony Life and accounted for under the equity method.

Ordinary revenues in the life insurance business grew 3.4% year-on-year to ¥766.2 billion in FY2008, driven by growth in income from insurance premiums on firm policy amount in force. Operating expenses rose 4.5% to ¥733.7 billion on an increase in investment expenses accompanying a sharp drop in the stock market. Ordinary profit fell 16.7% to ¥32.5 billion.

Sony Life accounts for nearly all of SFH's life insurance business. A discussion of its non-consolidated operating performance of Sony Life follows.

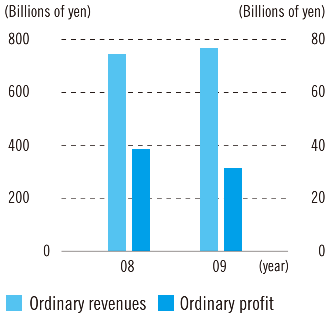
New policy amount

New policy amount—total policy amount of new insurance policies—for individual life insurance and individual annuities grew 1.9% year-on-year, to ¥3,873.3 billion in FY2008. The number of new policies rose 1.8% to 534 thousand. Sales of family income insurance were robust.

A breakdown of the new policy amount shows that individual life insurance was up 2.4% year-on-year at ¥3,834.6 billion, and individual annuities were down 32.5% at ¥39.1 billion. Additionally, group life insurance jumped 155.2% to ¥15.1 billion.

Annualized premiums from new policies for individual life insurance and individual annuities fell 2.8% to ¥61.6 billion. Within this, annualized premiums for medical

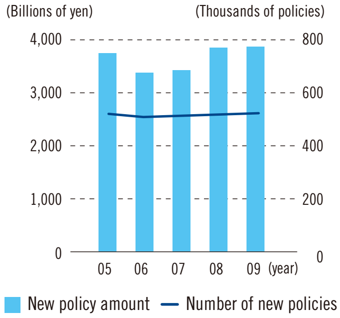
Ordinary Revenues and Ordinary Profit



	08	09
Ordinary revenues	741.3	766.2
Ordinary profit	39.0	32.5

For the years ended March 31

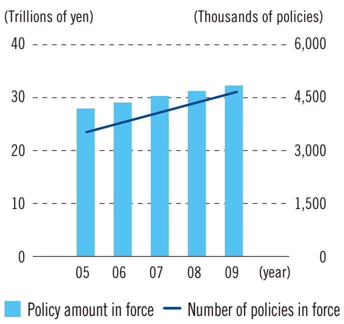
New Policy Amount and Number of New Policies (Individual life insurance + Individual annuities)



	05	06	07	08	09
New policy amount	3,724.2	3,392.1	3,429.4	3,802.5	3,873.7
Number of new policies	534	512	517	524	534

For the years ended March 31

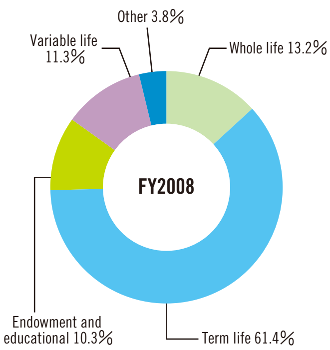
Policy Amount in Force and Number of Policies in Force
(Individual life insurance + Individual annuities in force)



Policy amount in force	27.8	29.0	30.2	31.4	32.5
Number of policies in force	3,559	3,845	4,145	4,438	4,708

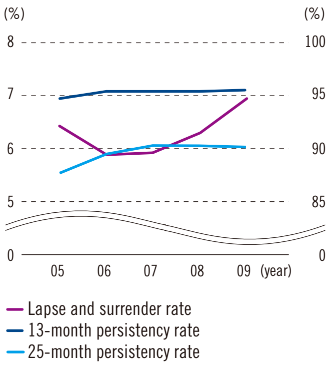
As of March 31

New Policy Amount by Type of Product
(Policy amount basis, FY08)



For the year ended March 31, 2009

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



Lapse and surrender rate	6.39	5.88	5.90	6.27	6.98
13-month persistency rate	94.6	95.5	95.5	95.5	95.2
25-month persistency rate	87.6	89.3	90.7	90.5	90.2

For the years ended March 31

protection and living benefit protection products edged up 0.6% to ¥13.4 billion. Annualized premiums from new policies decreased due primarily to a decline in those from variable life insurance policies, though new policy amount increased.

Policy amount in force

Policy amount in force refers to the total amount of coverage that Sony Life provides to individual policyholders. The total policy amount in force for individual life insurance and individual annuities rose 3.2% year-on-year to ¥32,517.6 billion as of March 31, 2009. The number of policies in force increased 6.1% to 4,708 thousand. We believe these figures reflect a high level of customer satisfaction with policy details and high acclaim for after-sale follow-up services. Although the overall policy amount in force in Japan's life insurance industry has been declining since 1996, Sony Life's policy amount in force for individual life insurance and individual annuities increased by ¥1,020.3 billion in FY2008, maintaining steady growth for a 28th year since commencing operations.

A breakdown of policy amount in force shows that individual life insurance was up 3.2% year-on-year at ¥32,229.1 billion, and individual annuities were up 10.9% at ¥288.5 billion. Additionally, group life insurance was up 8.8% at ¥1,019.4 billion, and group annuities were up 0.3% at ¥73.4 billion.

Annualized premiums from insurance in force for individual life insurance and individual annuities grew 3.4% year-on-year, to ¥547.8 billion. Within this, annualized premiums for medical protection and living benefit protection products rose 3.1% to ¥126.6 billion.

Sales of products

Death protection type of products accounted for about 80% of new policies (policy amount basis) in FY2008. Within this, whole life insurance accounted for 13.2%, term life insurance for 61.4%, endowment and educational insurance for 10.3%, variable life insurance for 11.3%, and other for 3.8%. Term insurance products sold especially well, notably family income insurance. We believe these strong results stem from our ability to provide reasonable life insurance protection at relatively low premiums.

Lapse and surrender rate and persistency rates

The lapse and surrender rate* (policy amount basis) for individual life insurance rose 0.71 percentage points year-on-year to 6.98% in FY2008, due mainly to an increase in surrenders for corporate term life insurance and individual variable life insurance. We think this reflects a worsening economic and investment environment.

Persistency rates for individual life insurance (policy amount basis) remained high, with the 13-month rate down 0.3 percentage points year-on-year at 95.2% and the 25-month rate down 0.3 percentages points at 90.2%. We believe this reflects customer satisfaction with the way Lifeplanner sales employees and Partners (independent agencies) provide products tailored to the specific needs of each customer based on courteous consultation as well as meticulous after-sale follow-up services.

* The lapse and surrender rate shows the ratio derived by dividing the amount of lapses and surrenders, adjusted for policy amount decreases, increases, and reinstatements, by the policy amount in force at the beginning of the fiscal year.

Income from insurance premiums and insurance claims and other payments

Insurance premiums received from policyholders totaled ¥660.6 billion in FY2008, up nicely from ¥646.9 billion in FY2007, as a result of growth in the policy amount in force. Income from insurance premiums also rose 2.1% to ¥662.0 billion on growth in the policy amount in force. At the same time, insurance claims paid to policyholders totaled ¥62.0 billion in FY2008, versus ¥60.0 billion in FY2007; insurance benefits were ¥32.8 billion, versus ¥28.4 billion; annuity payments were ¥7.1 billion, versus ¥6.3 billion; and surrender payments were ¥168.1 billion, versus ¥141.8 billion. Insurance claims and other payments rose 14.0% year-on-year, to ¥274.7 billion.

Asset management

Sony Life's investment policy in its general account is to invest with an emphasis on balancing returns and market risk while seeking to ensure stable interest and dividend income and sound assets. We are working to extend the duration of our portfolio by investing in bonds, mainly Japanese government bonds, and shifting from bonds with short maturities to longer maturity ones.

We invested mainly in ultralong-term bonds with maturities of 10 years or more in FY2008. In response to market changes and issuance conditions, we reduced our holdings in equity-related assets, notably Japanese stocks and convertible bonds.

Assets in the general account totaled ¥3,535.7 billion as of March 31, 2009, up 5.9%, or ¥197.7 billion, from March 31, 2008. Within the general account, Japanese government and corporate bonds totaled ¥2,384.4 billion, accounting for 67.4% of the general account total; Japanese stocks ¥50.9 billion, accounting for 1.4%; foreign government and corporate bonds ¥93.7 billion, accounting for 2.7%; monetary trusts ¥607.6 billion, accounting for 17.2%; policyholder loans ¥120.4 billion, accounting for 3.4%; real estate ¥81.7 billion, accounting for 2.3%; and cash and call loans ¥58.0 billion, accounting for 1.6%.

Sony Life holds monetary trusts for accounting classification purposes, and these trusts also include convertible bonds and Japanese stocks. Adding the equity-related assets included in monetary trusts, our holdings in Japanese stocks totaled ¥61.3 billion, including ¥10.4 billion in monetary trusts, accounting for 1.7% of general account assets, down from 6.2% a year earlier. Our holdings in convertible bonds totaled ¥298.1 billion, including ¥96.8 billion in monetary trusts, accounting for 8.4% of general account assets, down from 12.8%.

Unrealized gains and losses on securities

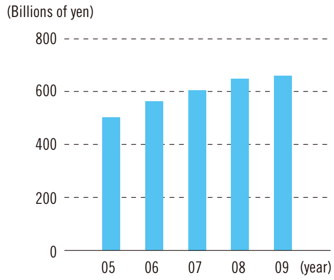
Unrealized gains and losses on securities* refer to the differences between the book values and fair values of securities. When the fair value of an asset is higher than its book value, the sale of the asset at fair value would result in a gain on the sale. Consequently, unrealized gains can function as a provision for various risks. A portion of unrealized gains and losses on securities and real estate are included in the total solvency margin (numerator) used in calculating the solvency margin ratio (see page 52).

Unrealized gains on securities in the general account totaled ¥50.9 billion as of March 31, 2009, down 60.2% from March 31, 2008. Of this, Japanese stocks had unrealized gains of ¥1.4 billion, versus ¥50.8 billion a year earlier; Japanese government and corporate bonds had unrealized gains of ¥53.8 billion, versus ¥83.4 billion; and foreign securities had unrealized losses of ¥3.8 billion, versus ¥9.5 billion. Further, convertible bonds had unrealized losses of ¥21.2 billion, versus unrealized gains of ¥9.2 billion a year earlier.

Reference: As of March 31, 2009, Sony Life assumed unrealized gains on stocks would be zero with the Nikkei Stock Average at ¥8,002 and TOPIX at 763.47 points.

* Unrealized gains and losses on securities list the total of net unrealized gains or losses on held-to-maturity bonds and other securities with fair values.

Income from Insurance Premiums

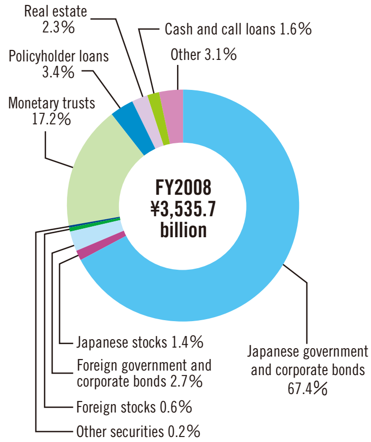


Income from insurance premiums

	05	06	07	08	09
Income from insurance premiums	551.6	580.5	605.5	648.4	662.0

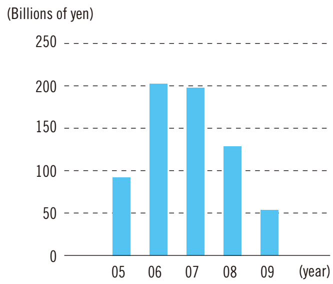
For the years ended March 31

General Account Asset Composition



As of March 31, 2009

Unrealized Gains on Securities



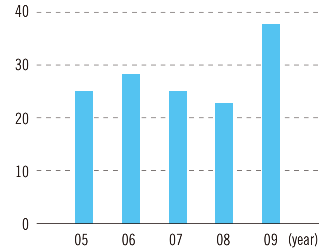
Unrealized gains on securities

	05	06	07	08	09
Unrealized gains on securities	88.0	202.8	198.2	127.8	50.9

As of March 31

Core Profit

(Billions of yen)



Core profit

	05	06	07	08	09
Core profit	24.3	28.5	24.3	23.5	38.0

For the years ended March 31

Core profit

Core profit is an indicator of the profit-earning capacity of the primary insurance business over a one-year period. Primary insurance business refers to the management of insurance premiums received from policyholders, along with investment income to pay insurance claims, benefits, and annuities, and to make policy reserve provisions for future payments. The addition to core profit of capital gains and losses, including gains and losses on the sale of securities, as well as one-time gains and losses, results in ordinary profit as listed in the statements of income.

Sony Life's core profit rose 61.2% to ¥38.0 billion in FY2008, buoyed by growth in premium income on an increase in policy amount in force and by growth in interest and dividend income from the purchase of ultralong-term bonds.

Note: Sony Life, similar to most life insurers organized as stock companies, primarily sells non-participating life insurance. This contrasts with life insurers organized as mutual companies, which typically offer participating policies for which premiums include an additional amount equal to the funds used for policyholder dividends. This additional amount is recorded as core profit and the funds used for policyholder dividends are included in core profits. Mutual companies consequently tend to show relatively higher core profits than stock companies of similar scale.

Breakdown of Ordinary Profit (Core Profit)

For the years ended March 31 (Millions of yen)

		2008	2009
Core profit	[A]	23,571	38,005
Capital gains		29,963	42,137
Gains on monetary trusts		5,304	—
Gains on investments in trading securities		324	1,084
Gains on sale of securities		24,023	32,115
Gains on financial derivatives		—	8,937
Gains on foreign exchange		310	—
Other capital gains		—	—
Capital losses		13,119	63,914
Losses on monetary trusts		—	12,842
Losses on investments in trading securities		—	—
Losses on sale of securities		1,563	16,157
Losses on valuation of securities		6,697	31,899
Losses on financial derivatives		4,858	—
Losses on foreign exchange		—	2,614
Other capital losses		—	399
Net capital gain (loss)	[B]	16,844	(21,776)
Core profit plus net capital gains	[A + B]	40,416	16,228
Other one-time gains		1,662	16,315
Reinsurance income		—	—
Reversal of contingency reserves		—	16,315
Other		1,662	—
Other one-time losses		2,787	134
Reinsurance premiums		—	—
Provisions for contingency reserves		2,776	—
Provisions for specific reserve for possible loan losses		10	134
Provisions for specific reserve for overseas loans		—	—
Loan amortization		—	—
Other extraordinary losses		—	—
Total other one-time gain (loss)	[C]	(1,125)	16,180
Ordinary profit	[A + B +C]	39,290	32,409

Notes: 1.Core profit in FY2008 includes ¥11,986 million in gains on monetary trusts related to income gains. Other capital losses comprise a ¥399 million impairment loss on an investment partnership.

2.Core profit in FY2007 includes ¥9,471 million in gains on monetary trusts related to income gains. Other one-time losses comprise ¥1,662 million in

Negative spread

Life insurers use a portion of the premiums received from policyholders to provide policy reserves for the payment of future claims. The policy reserves assume an annual return based on a fixed interest rate. This interest rate is known as the assumed interest rate. A negative spread occurs when the actual investment yield for some policies is lower than the assumed interest rate due to deterioration in the investment environment or other reasons.

Sony Life's negative spread decreased from ¥26.7 billion in FY2007 to ¥21.3 billion in FY2008 due to an increase in interest and dividend income. We are working to make our business more efficient to keep earnings at a level sufficient to withstand a continued negative spread. The investment yield for core profit was 1.90% in FY2008, up from 1.73% in FY2007; and the average assumed interest rate was 2.59%, down from 2.68%. The general account investment yield decreased from 2.17% in FY2007 to 1.11% in FY2008 as a result of impairment losses on securities held.

Formula for Calculating Negative Spread

(Investment yield for core profit[1] − Average assumed interest rate[2])

×

General account policy reserves[3]

=

Negative spread

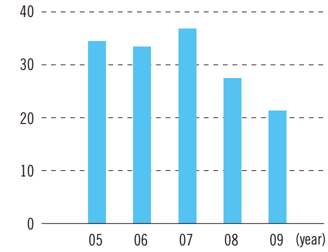
Notes: 1.Investment yield for core profit is the yield on general account policy reserves after subtracting provision for policyholder dividend reserve from general account investment returns included in core profit.
2.Average assumed interest rate is the assumed yield on general account policy reserves.
3.General account policy reserves are calculated based on the following formula for policy reserves in the general account, excluding contingency reserve: (Policy reserves at beginning of term + policy reserves at end of term − assumed interest) × 1/2

Ordinary profit and net income

Sony Life's ordinary revenues grew 3.3% year-on-year to ¥765.9 billion in FY2008, driven by growth in income from insurance premiums on firm policy amount in force. Despite firm income from insurance premiums on growth in policy amount in force, ordinary profit fell 17.5% to ¥32.4 billion as a result of higher investment expenses accompanying a sharp drop in the Japanese stock market. We reversed a portion of contingency reserves to respond to a decline in investment yields caused by worsening conditions in financial markets. Net income rose 82.5% to ¥33.7 billion due to the partial reversal of the reserve for price fluctuations.

Negative spread

(Billions of yen)

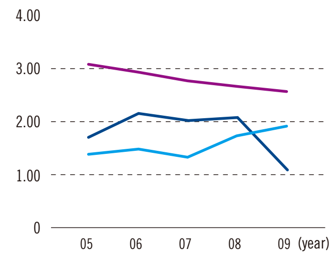


	05	06	07	08	09
Negative spread	34.5	33.1	37.3	26.7	21.3

For the years ended March 31

Assumed interest rate, investment yield for core profit, and investment yield (general account)

(%)

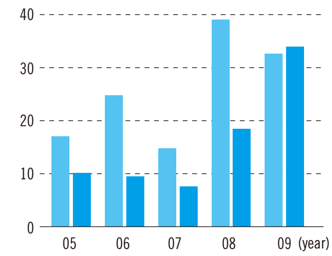


	05	06	07	08	09
Average assumed interest rate	3.08	2.92	2.77	2.68	2.59
Investment yield (general account)	1.70	2.22	2.02	2.17	1.11
Investment yield for core profit	1.38	1.45	1.31	1.73	1.90

For the years ended March 31

Ordinary profit and net income (Non-consolidated)

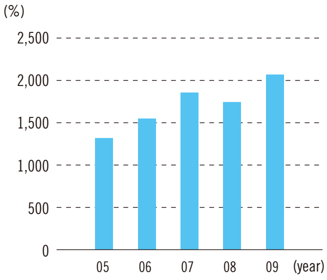
(Billions of yen)



	05	06	07	08	09
Ordinary profit	17.0	24.3	14.8	39.2	32.4
Net income	10.1	9.6	7.4	18.5	33.7

For the years ended March 31

Solvency margin ratio



■	1,317.1	1,547.0	1,852.0	1,747.9	2,060.5

As of March 31

Solvency margin

The solvency margin is an indicator of payment ability. Life insurers accumulate policy reserves to prepare for the payment of future claims, allowing them to adequately respond to risks within a normally anticipated range. However, unforeseen events can occur as a result of changes in the environment, including major disasters and substantial declines in the stock market. The solvency margin ratio is one measure used by regulatory authorities to determine whether an insurer has the ability to pay in response to the risk of such unpredictable events.

Sony Life still had a high solvency margin ratio of 2,060.5% as of March 31, 2009, up 312.6 percentage points from March 31, 2008. Although net unrealized gains on other securities decreased within the solvency margin due to the impact of falling share prices, the solvency margin ratio increased from a year earlier due to a sharp decline in asset management risks on a reduction in stocks, convertible bonds, and other equity-related assets and purchases of held-to-maturity ultralong-term bonds.

Solvency margin ratio

As of March 31 (Millions of yen)

		2008	2009
Total solvency margin	[A]	604,078	531,321
Capital		94,407	131,190
Reserve for price fluctuations		24,099	3,653
Contingency reserve		61,807	45,491
Reserve for possible loan losses		0	0
Net unrealized gains on other securities × 90% (100% if losses)		116,735	17,679
Net unrealized gains on real estate × 85% (100% if losses)		5,172	4,899
Excess policy reserves based on Zillmer method		287,332	302,226
Unallocated portion of policyholder dividend reserve		2,347	382
Future profits		787	—
Deferred tax assets		11,388	25,797
Subordinated debt		—	—
Deductible items		—	—
Total risk $\sqrt{(R_1+R_8)^2+(R_2+R_3+R_7)^2}+R_4$	[B]	69,119	51,571
Insurance risk	R_1	17,989	18,595
Third-sector insurance risk	R_8	6,926	7,008
Assumed interest rate risk	R_2	11,095	11,241
Asset management risk	R_3	45,376	24,689
Business management risk	R_4	1,750	1,375
Minimum guarantee risk	R_7	6,120	7,243
Solvency margin ratio $\frac{[A]}{([B]\times 1/2)} \times 100$		1,747.9%	2,060.5%

Notes: 1.The foregoing figures were calculated based on provisions in Articles 86 and 87 of the Insurance Business Law Enforcement Regulations and the Ministry of Finance Announcement No. 50 (1996). (Excess policy reserves based on Zillmer method were calculated based on Article 1-3-1 of the Ministry of Finance Announcement No. 50.)
2.Minimum guarantee risk was calculated based on the standardized approach.

Non-performing assets

Sony Life's asset assessment is shown below and we do not have any risk-monitored loans (loans for which repayment conditions are not ordinary). Moreover, all figures listed in the loans by borrower category are classified as normal loans.

Sony Life's loan balance was ¥120.4 billion as of March 31, 2009. As we do not engage in commercial lending, the entire loan balance consists of policyholder loans, which are limited to recoverable surrender payments.

*Life insurers earn interest income by lending a portion of their assets under asset management. Loans are categorized as either policyholder loans provided as a service to customers or commercial loans. The loan balance comprises the sum of these two categories.

Risk-Monitored Loans

As of March 31 (Millions of yen)

Category	2008	2009
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	2008	2009
Bankrupt and quasi-bankrupt loans	—	—
Doubtful loans	—	—
Sub-standard loans	—	—
Normal loans	110,662	122,600
Total	110,662	122,600

Non-life insurance business

SFH's non-life insurance business is conducted by wholly-owned subsidiary Sony Assurance.

The business's ordinary revenues rose 11.2% year-on-year to ¥61.8 billion in FY2008, driven by growth in net premiums written on strong acquisition of new automobile insurance policies. Operating expenses rose 13.0% to ¥59.7 billion, due partly to higher insurance claims paid for natural disasters. As a result, ordinary profit fell 22.7% to ¥2.1 billion.

A discussion of Sony Assurance's operating performance, which operates SFH's non-life insurance business, follows.

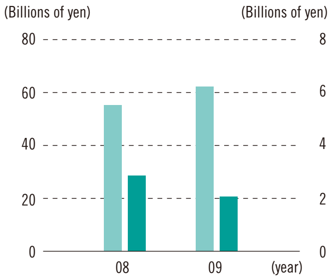
Policies in force

The number of policyholders of Sony Assurance's mainstay automobile insurance and medical and cancer insurance continued to grow steadily in FY2008. Number of policies in force—the sum of automobile insurance and medical and cancer insurance—rose by about 130 thousand year-on-year to over 1.15 million as of March 31, 2009. Automobile insurance policies in force reached 1 million as of December 31, 2008, marking nine years and three months since starting sales.

Net premiums written

Net premiums written correspond to sales at most non-life insurance companies and comprise the premiums received from policyholders (direct premiums written), plus or minus reinsurance premiums (adding direct reinsurance premiums received and subtracting direct reinsurance premiums paid). Sony Assurance's net premiums written rose 11.1% year-on-year to ¥61.1 billion in FY2008. Broken down by type of insurance, voluntary automobile insurance grew 12.1% to ¥53.6 billion, accounting for 87.7% of total net premiums written; personal accident insurance, consisting mainly of medical and cancer insurance, increased 6.6% to ¥6.9 billion, accounting for ¥11.3% of the total; non–voluntary-automobile, non-personal-accident insurance—i.e., fire, marine, and compulsory automobile liability insurance—was down 15.4% to ¥0.5 billion.

Ordinary Revenues and Ordinary Profit

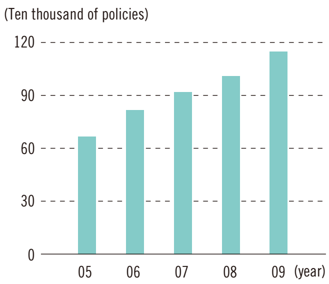


Ordinary revenues / Ordinary profit

Ordinary revenues	55.6	61.8
Ordinary profit	2.8	2.1

For the years ended March 31

Number of Policies in Force
(Automobile insurance + Medical and cancer insurance policies)

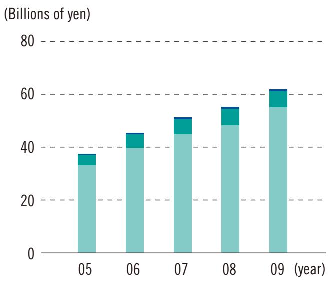


Number of policies in force (Automobile insurance + Medical and cancer insurance policies)

Number of policies in force	67	82	93	102	115

As of March 31

Net Premiums Written



Voluntary automobile insurance / Personal accident insurance / Other

Voluntary automobile insurance	34.2	39.8	43.9	47.8	53.6
Personal accident insurance	3.1	4.8	5.9	6.5	6.9
Other	0.4	0.5	0.5	0.6	0.5
Total	37.8	45.2	50.4	55.0	61.1

For the years ended March 31

Net loss ratio

The net loss ratio describes the ratio of the total amount of insurance-claim payments (net losses paid) and damage-survey expenses (loss adjustment expenses) to net premiums written. Sony Assurance's net loss ratio rose 1.5 percentage points, from 53.5% in FY2007 to 55.0% in FY2008, due to the impact of natural disasters and other factors. By type of insurance, net loss ratio on voluntary automobile insurance rose 1.2 percentage points, from 57.6% to 58.8%; and the ratio on personal accident insurance, including medical and cancer insurance, increased 1.4 percentage points, from 21.0% to 22.4%.

Net expense ratio

The net expense ratio is the ratio of the total cost for marketing and maintaining insurance to net premiums written. These expenses include company operating costs and new product development costs. Sony Assurance's net expense ratio was 26.7% in FY2008, on par with FY2007 thanks to efforts to enhance operating efficiency.

The combined ratio—the sum of the net loss ratio and the net expense ratio—rose 1.4 percentage points, from 80.3% in FY2007 to 81.7% in FY2008.

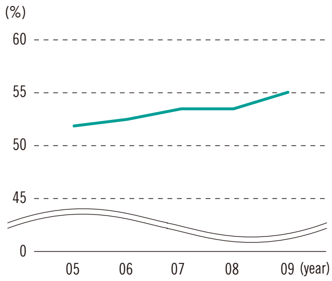
Underwriting profits

Underwriting profits indicate profits generated from underwriting insurance. Underwriting profits are calculated by subtracting from underwriting income (net premiums written, etc.), any underwriting expenses (net losses paid and loss adjustment expenses, etc.) and operating, general, and administrative expenses associated with underwriting, then adding or subtracting other income and expenses (corporate taxes associated with compulsory automobile liability insurance, etc.). Sony Assurance's underwriting profits fell 26.9% year-on-year to ¥1.6 billion in FY2008. Despite a rise in net premiums written, underwriting profits decreased due to a higher net loss ratio and the absence of a ¥0.5 billion boost in FY2007 resulting from a change in how underwriting reserves are calculated. By type of insurance, voluntary automobile insurance brought in underwriting profits of ¥1.0 billion, and personal accident insurance, including medical and cancer insurance, brought in profits of ¥0.3 billion.

Ordinary profits and net income (loss)

Sony Assurance's ordinary revenues grew 11.2% year-on-year to ¥61.8 billion in FY2008, driven by growth in net premiums written on robust sales of new automobile insurance policies. Despite an increase in premium income, ordinary profit fell 22.7% to ¥2.1 billion as a result of higher insurance claims paid for natural disasters. The company incurred a net loss of ¥1.5 billion in FY2008, versus net income of ¥2.1 billion in FY2007, due to recording losses on disposal of fixed assets under extraordinary losses. For the purpose of enhancing system and operational efficiency, Sony Assurance began developing new systems in FY2006. However, in FY2008, Sony Assurance decided to suspend this development and to overhaul its development policy. Accordingly, some software assets that were previously recorded as intangible fixed assets (software in progress) and for which future use is uncertain were disposed of, resulting in losses on disposal of fixed assets of ¥3.7 billion.

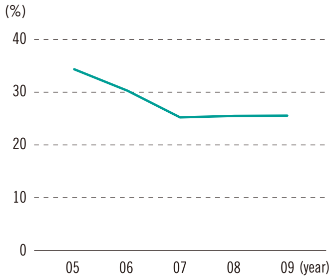
Net Loss Ratio



Net loss ratio	51.9	52.3	53.6	53.5	55.0

For the years ended March 31

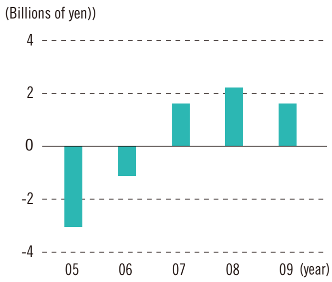
Net Expenses Ratio



Net expenses ratio	34.6	30.3	26.3	26.7	26.7

For the years ended March 31

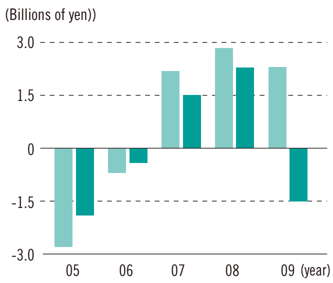
Underwriting Profits (Losses)



Underwriting profits (losses)	(3.0)	(1.1)	1.6	2.2	1.6

For the years ended March 31

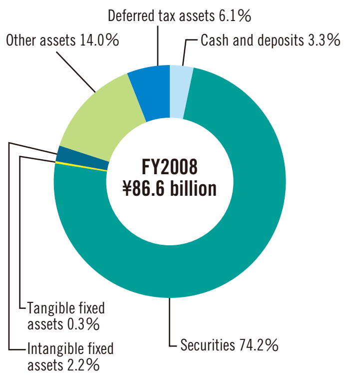
Ordinary Profits (Losses) and Net Income (Losses)



Ordinary profits (losses)	(2.8)	(0.7)	2.0	2.8	2.1
Net income (losses)	(1.9)	(0.4)	1.5	2.1	(1.5)

For the years ended March 31

Composition of Total Assets

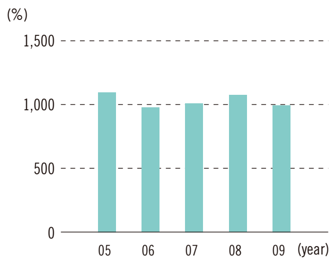


As of March 31, 2009

Total assets composition and investment policy

Sony Assurance's total assets grew 10.2% year-on-year to ¥86.6 billion as of March 31, 2009. Of total assets, cash and deposits totaled ¥2.8 billion, accounting for 3.3% of total assets; securities ¥64.3 billion, accounting for 74.2%; tangible fixed assets ¥0.2 billion, accounting for 0.3%; intangible fixed assets ¥1.8 billion, accounting for 2.2%; other assets ¥12.1 billion, accounting for 14.0%; and deferred tax assets ¥5.2 billion, accounting for 6.1%. Sony Assurance's basic investment policy is to invest in yen-denominated bonds in order to ensure stable investment returns over the medium to long term, taking into account the market environment and investment risks.

Solvency margin ratio



Solvency margin ratio

■	1,095.2	976.1	1,009.7	1,073.9	993.0

As of March 31

Solvency margin ratio

The solvency margin ratio is an important indicator of the ability of non-life insurers to pay claims. Sony Assurance's solvency margin ratio was 993.0% as of March 31, 2009, down 80.9 percentage points from March 31, 2008, but still at a sound level.

As of March 31 (Millions of yen)

		2008	2009
Total solvency margin	[A]	23,977	24,195
Capital or treasury		15,408	13,852
Reserve for price fluctuations		36	12
Contingency reserve		2	3
Catastrophe reserve		8,553	10,500
Reserve for possible loan losses		—	—
Net unrealized gains on other securities (before subtracting tax effects)		(23)	(173)
Net unrealized gains on real estate		—	—
Excess refund reserve		—	—
Subordinated debt		—	—
Deductible items		—	—
Other		—	—
Total risk $\sqrt{(R_1+R_2)^2+(R_3+R_4)^2}+R_5+R_6$	[B]	4,465	4,872
Ordinary insurance risk	R_1	3,701	4,097
Third-sector insurance risk	R_2	0	0
Assumed interest rate risk	R_3	6	8
Asset management risk	R_4	306	294
Business management risk	R_5	138	150
Major catastrophe risk	R_6	611	614
Solvency margin ratio $\frac{[A]}{([B]\times 1/2)}\times 100$		1,073.9%	993.0%

Note: The forgoing figures were calculated based on provisions in Articles 86 and 87 of the Insurance Business Law Enforcement Regulations and the Ministry of Finance Announcement No. 50 (1996). Capital or treasury is derived by subtracting expected outflows, net unrealized valuation and translation gains/losses, and deferred tax assets from total net assets.

Non-performing assets

Sony Assurance's self-assessment indicates its assets are sound, as shown below.

Risk-Monitored Loans

As of March 31 (Millions of yen)

Category	2008	2009
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	2008	2009
Bankrupt and quasi-bankrupt loans	—	—
Doubtful loans	—	—
Sub-standard loans	—	—
Normal loans	—	—
Total	—	—

Banking business

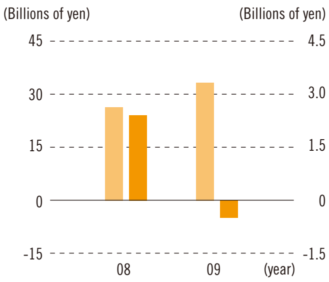
SFH's banking business comprises Sony Bank*, a wholly-owned subsidiary, and Sony Bank Securities, a wholly-owned subsidiary of Sony Bank.

Ordinary revenues in this business grew 28.5% year-on-year to ¥33.3 billion, as a growing balance of investment assets in line with the bank's business expansion mainly led to an increase in interest income. Ordinary expenses rose 44.0% to ¥33.9 billion as a result of higher interest expenses, an increase in general and administrative expenses, mainly system-related expenses, and amortization of goodwill. As a result, the business posted an ordinary loss of ¥0.5 billion in FY2008, versus ordinary profit of ¥2.4 billion in FY2007.

* SFH raised its stake in Sony Bank from 88.0% in FY2006 to 100% in March 2008.
** Sony Bank Securities was established in June 2007 and commenced operations in October 2007.

Sony Bank accounts for nearly all of SFH's banking business. A discussion of the operating performance of Sony Bank (non-consolidated) and Sony Bank Securities follows.

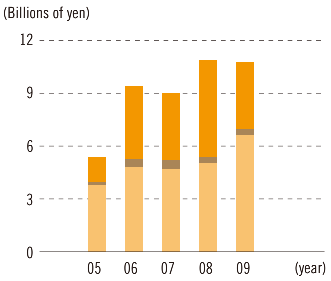
Ordinary Revenues and Ordinary Profit (Loss)



	08	09
Ordinary revenues	25.9	33.3
Ordinary profit (loss)	2.4	(0.5)

For the years ended March 31

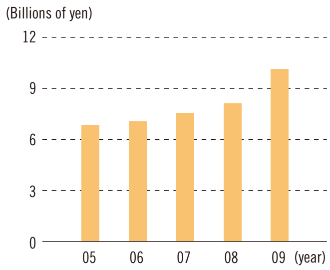
Gross Operating Profit



	05	06	07	08	09
Net interest income	3.7	4.8	4.5	5.1	6.6
Net fees and commissions	0.1	0.4	0.5	0.3	0.3
Net other operating income	1.4	4.1	3.9	5.4	3.9
Total	5.3	9.4	9.0	10.9	10.8

For the years ended March 31

General and Administrative Expenses



	05	06	07	08	09
General and administrative expenses	6.9	7.0	7.6	8.1	10.3

For the years ended March 31

Gross operating profit

Sony Bank's gross operating profit fell 0.8% year-on-year to ¥10.8 billion in FY2008, due mainly to a decline in net other operating income. The bank derives gross operating profit from net interest income, net fees and commissions, and net other operating income.

Sony Bank uses the deposits received from customers primarily to invest in securities and provide mortgage loans. Net interest income refers to the spread between funding costs, including interest paid on deposits, and the interest received on securities, loans, and other items. Net interest income jumped 30.2% year-on-year to ¥6.6 billion in FY2008, due partly to growth in interest and dividends on securities and interest on loans.

Net fees and commissions refers to the spread between the fees and commissions received from investment trust, foreign exchange, and other operations, and the fees and commissions paid for ATM usage, foreign exchange, and other operations. Net fees and commissions fell 21.3% year-on-year to ¥0.3 billion in FY2008, due mainly to lower brokerage fees and commissions received.

Net other operating income refers to income from operations not included in net interest income or net fees and commissions. These include gains and losses on foreign exchange transactions; gains and losses on the sale and purchase of bonds, including government bonds; and gains and losses on swaps and other financial derivatives held as hedges for securities and other investments. Despite an increase in income from foreign exchange transactions associated with investment into foreign currency deposits, net other operating income fell 28.3% year-on-year to ¥3.9 billion in FY2008 as a result of impairment losses on securities.

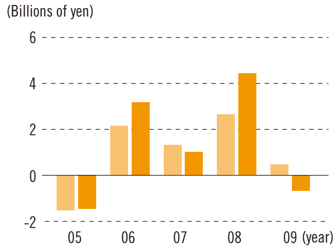
General and administrative expenses

General and administrative expenses rose 26.6% year-on-year to ¥10.3 billion, due mainly to higher system-related expenses.

Ordinary profit and net income (loss)

Sony Bank's ordinary revenues grew 28.4% year-on-year to ¥33.3 billion, buoyed mainly by higher interest income derived from a growing balance of investment assets in line with the bank's business expansion. Ordinary profit dropped 84.9% to ¥0.4 billion, due primarily to impairment losses on securities prompted by a worsening market environment. The bank had a net loss of ¥0.7 billion in FY2008, versus net income of ¥4.4 billion in FY2007, due to lower ordinary profit and higher income taxes (deferred).

Ordinary Profit (Loss) and Net Income (Loss)



Ordinary profit (loss) / Net income (loss)

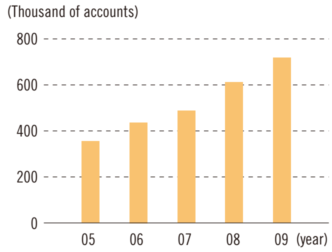
Ordinary profit (loss)	(1.6)	2.2	1.3	2.7	0.4
Net income (loss)	(1.6)	3.2	1.0	4.4	(0.7)

For the years ended March 31

Number of accounts

Sony Bank continued efforts to acquire new customers in FY2008 while working to expand its lineups of products and services and raise brand recognition. As a result, the number of customer accounts increased by 113 thousand year-on-year to 723 thousand as of March 31, 2009.

Number of Accounts



Number of accounts

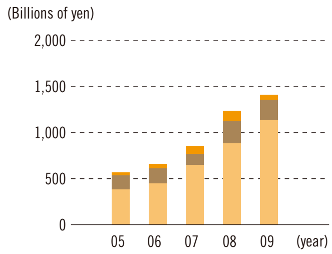
Number of accounts	367	430	491	610	723

As of March 31

Customer assets

Customer assets (total of deposits and investment trusts) rose 12.5% year-on-year to ¥1,403.6 billion as of March 31, 2009, due mainly to growth in yen deposits. Yen deposits were up 17.0% at ¥1,044.2 billion, accounting for 74.4% of customer assets; and foreign currency deposits were up 12.1% at ¥282.1 billion, accounting for 20.1%. As a result, total deposits grew 15.9% to ¥1,326.3 billion, accounting for 94.5% of customer assets. Additionally, investment trusts fell 24.9% to ¥77.2 billion, accounting for 5.5% of customer assets. Yen time deposits increased on a boost from offering special bonus interest rates during the summer of 2008. Foreign currency deposits achieved robust growth due to the yen's appreciation from autumn 2008. The balance of investment trusts decreased as nearly all funds lost significant value due to the global stock market decline.

Customer Assets



Yen deposits / Foreign currency deposits / Investment trusts

Yen deposits	387.6	451.0	604.4	892.6	1,044.2
Foreign currency deposits	159.1	148.9	147.8	251.7	282.1
Investment trusts	29.6	75.1	96.5	102.9	77.2
Total	576.3	675.1	848.8	1,247.3	1,403.6

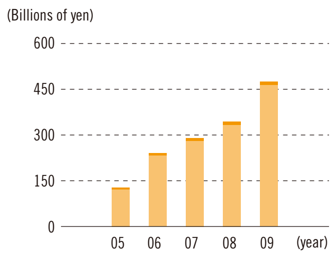
As of March 31

Loans

Loans rose 37.5% year-on-year to ¥477.0 billion as of March 31, 2009. Mortgage loans accounted for 98.2% of overall loans. In addition to mortgage loans, we provide credit card loans and special-purpose loans.

The balance of mortgage loans rose steadily in FY2008, buoyed by Sony Life providing banking agency services for Sony Bank, which it started in January 2008. As a result, the balance of mortgage loans was up 38.2% year-on-year to ¥468.3 billion as of March 31, 2009.

Loans

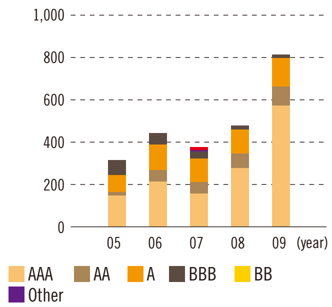


Mortgage loans / Other

Mortgage loans	122.7	234.3	278.0	338.8	468.3
Other	3.6	5.0	6.6	8.1	8.7
Total	126.3	239.4	284.7	347.0	477.0

As of March 31

Securities (by Ratings)



	05	06	07	08	09
AAA	146.6	214.4	157.5	277.2	572.6
AA	17.0	53.6	54.8	69.1	90.2
A	81.5	121.0	110.1	113.3	134.3
BBB	69.3	53.3	32.7	18.2	16.1
BB	—	—	—	—	0.9
Other	7.0	6.9	26.0	10.7	8.8
Total	321.6	449.5	381.2	488.7	823.1

As of March 31

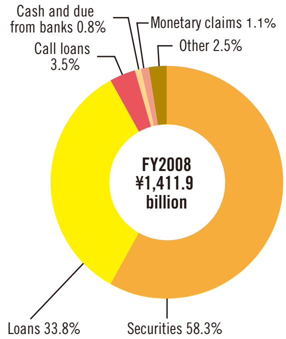
Securities

Sony Bank's securities investments* consist of investments with interest rate risk, mainly Japanese government bonds, and investments with credit risk, mainly investment grade corporate bonds. The balance of securities increased ¥334.3 billion year-on-year, or 68.4%, to ¥823.1 billion as of March 31, 2009, due to a shift in investments from call loans to securities. Japanese government bonds were up ¥171.1 billion at ¥288.3 billion; municipal bonds were up ¥5.3 billion at ¥5.3 billion; corporate bonds were up ¥152.1 billion at ¥303.3 billion; and other securities were up ¥60.6 billion at ¥223.1 billion. Additionally, securities rated AA or above accounted for 80.5% 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) is recorded as Japanese stocks.

Note: Sony Bank uses the Basel II standardized approach and classifies its securities, based on ratings by five rating agencies: Moody's Investors Service, Standard & Poor's, Rating and Investment Information, Japan Credit Rating Agency, and Fitch Ratings.

Composition of Total Assets

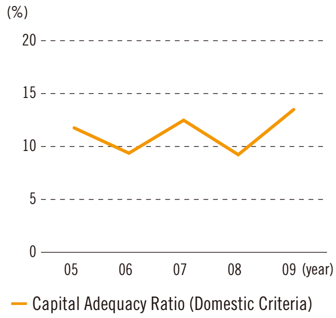


As of March 31, 2009

Total asset composition

Sony Bank's total assets grew 16.6% year-on-year to ¥1,411.9 billion as of March 31, 2009. For main items, securities totaled ¥823.1 billion, accounting for 58.3% of total assets; loans ¥477.0 billion, accounting for 33.8%; call loans ¥49.9 billion, accounting for 3.5%; and monetary claims bought ¥16.1 billion, accounting for 1.1%.

Capital Adequacy Ratio (Domestic Criteria)



	05	06	07	08	09
—	11.97	9.24	11.49	9.15	13.37

As of March 31

Capital adequacy ratio

The capital adequacy ratio* is an important measure of a bank's financial soundness. Sony Bank's non-consolidated capital adequacy ratio (domestic criteria) was 13.37% as of March 31, 2009, up 4.22 percentage points from 9.15% a year earlier. This ratio is well above the 4.0% required by the Banking Law as a minimum for banks that operate only in Japan. This indicates that Sony Bank maintains a sound financial position. There are two main reasons for this increase in the capital adequacy ratio: (1) a capital increase of ¥12.0 billion through a private placement of shares with SFH in FY2008; and (2) the exclusion of net unrealized gains on other securities, net of taxes, from the calculation of capital adequacy, based on changes in standards according to a Financial Services Agency notification.

Note: Calculated based on FSA Notification No. 19 (2006), which establishes standards based on Article 14-2 of the Banking Law for determining the capital adequacy of a bank in light of the assets held by the bank. Sony Bank has applied FSA Notification No. 79 (2008), which establishes exceptions to the standards based on Article 14-2 of the Banking Law for determining the capital adequacy of a bank in light of the assets held by the bank, since FY2009. Sony Bank applies domestic criteria.

Sony Bank non-consolidated capital adequacy ratio (domestic criteria)

As of March 31 (Millions of yen)

Category			2008	2009
■Capital				
Tier I (core) capital	[A]		37,241	57,586
		Preferred securities with step-up interest rate provision	—	—
		Common stock	25,000	31,000
		Capital surplus	15,000	21,000
		Retained earnings	6,296	5,586
		Net unrealized losses on other securities	9,055	—
Tier II (supplementary) capital	[B]		161	2,211
		General reserve for possible loan losses	161	211
		Subordinated debt	—	2,000
		Subordinated term debt and term preferred stock	—	2,000
Tier III (sub-supplementary) capital	[C]		—	—
Capital subtotal [A+B+C]	[D]		37,402	59,798
Deductions	[E]		—	—
Total capital [D]−[E]	[F]		37,402	59,798
■Risk-adjusted assets				
Risk-adjusted assets	[G]		408,710	447,052
		Balance sheet items	386,395	422,826
		Off-balance sheet items	312	1,395
		Result of dividing operational risk equivalent amount by 8%	22,002	22,830
Capital adequacy ratio (domestic criteria)	[F]/[G]		9.15%	13.37%
Reference: Tier I ratio (domestic criteria)	[A]/[G]		9.11%	12.88%

Note: Calculated based on FSA Notification No. 19 (2006), which establishes standards based on Article 14-2 of the Banking Law for determining the capital adequacy of a bank in light of the assets held by the bank. Sony Bank has applied FSA Notification No. 79 (2008), which establishes exceptions to the standards based on Article 14-2 of the Banking Law for determining the capital adequacy of a bank in light of the assets held by the bank, since FY2008. Sony Bank applies domestic criteria.

Non-performing assets

Sony Bank strives for small-loan diversification in its lending to individuals, screens potential borrowers based on prescribed credit screening standards, and manages loans after they have been granted. As a result of these efforts, non-performing loans remain low in all categories as shown below, and the bank maintains a sound asset structure.

Risk-Monitored Loans

As of March 31 (Millions of yen)

Category	2008	2009
Bankrupt loans	15	64
Non-accrual delinquent loans	227	674
Past-due loans (three months or more)	—	—
Restructured loans	244	225
Total	487	964

Problem Loans Based on the Financial Reconstruction Law

As of March 31 (Millions of yen)

Category	2008	2009
Bankrupt and quasi-bankrupt loans	152	154
Doubtful loans	90	584
Sub-standard loans	244	225
Normal loans	350,854	485,603
Total	351,342	486,568

Sony Bank Securities

Sony Bank Securities opened for business in October 2007 and had a total of 28 thousand accounts as of March 31, 2009, up from 11 thousand accounts a year earlier. Deposited assets totaled ¥10.2 billion as of March 31, 2009, up from ¥3.8 billion a year earlier.

SFH Consolidated Financial Statements

SFH's consolidated financial statements—consolidated balance sheets, consolidated statements of income, consolidated statements of changes in net assets, and consolidated statements of cash flows—were audited by PricewaterhouseCoopers Aarata in accordance with Article 193-2-1 of the Financial Instruments and Exchange Law.

Documents prepared based on Article 52-28-1 of the Banking Law were audited by PricewaterhouseCoopers Aarata based on Article 396-1 of the Company Law.

Consolidated Balance Sheets

(Millions of yen)

As of March 31,	2008	2009
Assets:		
Cash and due from banks	60,058	42,794
Call loans and bills bought	424,868	95,709
Commercial paper and other debt purchased	—	16,163
Monetary trusts	895,672	608,846
Securities	2,930,441	3,703,062
Loans	455,763	597,542
Tangible fixed assets	84,451	83,619
Land	—	33,076
Buildings	—	47,790
Leased assets	—	340
Construction in progress	—	1,179
Other tangible fixed assets	—	1,232
Intangible fixed assets	16,412	18,788
Software	—	16,710
Goodwill	—	2,004
Leased assets	—	0
Other intangible fixed assets	—	72
Due from agencies	—	1
Due from reinsurers	256	144
Foreign exchanges	1,683	6,355
Other assets	101,229	91,424
Deferred tax assets	6,937	49,889
Reserve for possible loan losses	(327)	(665)
Total Assets	4,977,450	5,313,677

(Millions of yen)

As of March 31,	2008	2009
Liabilities:		
Policy reserve and others	3,454,167	3,680,731
Reserve for outstanding claims	31,653	34,843
Policy reserve	3,418,006	3,643,348
Reserve for policyholders' dividends	4,506	2,539
Due to agencies	1,308	1,216
Due to reinsurers	926	1,042
Deposits	1,143,476	1,325,320
Call money and bills sold	10,000	10,000
Borrowed money	—	2,000
Foreign exchanges	0	8
Other liabilities	62,530	68,086
Reserve for employees' bonuses	2,240	2,251
Reserve for employees' retirement benefits	11,920	13,435
Reserve for directors' retirement benefits	252	310
Special reserve	24,136	3,667
Reserve for price fluctuations	24,136	3,666
Reserve for financial products transaction liabilities	0	1
Deferred tax liabilities	4,156	0
Deferred tax liabilities on land revaluation	706	706
Total Liabilities	4,715,822	5,108,779
Net Assets:		
Shareholders' equity		
Common stock	19,900	19,900
Capital surplus	195,277	195,277
Retained deficits	(26,417)	(2,251)
Total shareholders' equity	188,759	212,925
Valuation and translation adjustments		
Net unrealized gains (losses) on other securities, net of taxes	74,902	(4,853)
Net deferred losses on hedging instruments, net of taxes	(1,345)	(1,449)
Land revaluation, net of taxes	(1,475)	(1,475)
Foreign currency translation adjustments	786	(248)
Total valuation and translation adjustments	72,868	(8,028)
Total Net Assets	261,627	204,897
Total Liabilities and Net Assets	4,977,450	5,313,677

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Income

(Millions of yen)

For the years ended March 31,	2008	2009
Ordinary Revenues	822,153	860,323
Ordinary Revenues from the Life Insurance Business:	740,596	765,145
Income from insurance premiums	648,178	661,676
Insurance premiums	646,748	660,308
Ceded reinsurance commissions	1,430	1,368
Investment income	87,542	99,064
Interest income and dividends	48,227	56,056
Income from monetary trusts, net	14,776	—
Income from trading securities, net	324	1,084
Gains on sale of securities	24,068	32,145
Gains on redemption of securities	145	807
Gains on derivatives, net	—	8,937
Other investment income	0	33
Other ordinary income	4,875	4,404
Ordinary Revenues from the Non-life Insurance Business:	55,625	61,872
Underwriting income	55,036	61,137
Net premiums written	55,001	61,106
Interest and dividends on deposits of premiums	35	31
Investment income	572	718
Interest income and dividends	583	685
Gains on sale of securities	24	61
Gains on redemption of securities	—	3
Transfer to interest and dividends on deposits of premiums	(35)	(31)
Other ordinary income	16	16
Ordinary Revenues from the Banking Business:	25,931	33,306
Interest income	17,162	22,046
Interest income on loans	7,045	9,293
Interest income and dividends on securities	7,320	10,452
Interest income on call loans and bills bought	2,647	2,021
Interest income on deposits with banks	17	10
Interest income on interest rate swaps	26	10
Other interest income	104	258
Fees and commissions	1,753	2,106
Other operating income	7,001	9,035
Gains on foreign exchange transactions, net	—	7,938
Others	—	1,096
Other ordinary income	15	118

(Millions of yen)

For the years ended March 31,	2008	2009
Ordinary Expenses	777,653	826,070
Ordinary Expenses from the Life Insurance Business:	702,056	733,544
Insurance claims and other payments	241,114	274,793
Insurance claims	60,056	62,102
Annuity payments	6,350	7,111
Insurance benefits	28,457	32,898
Surrender payments	141,845	168,137
Other payments	2,054	2,172
Reinsurance premiums	2,350	2,371
Provision for policy reserve and others	286,271	219,075
Provision for reserve for outstanding claims	—	1,708
Provision for policy reserve	286,257	217,327
Interest portion of reserve for policyholders' dividends	13	39
Investment expenses	69,903	133,545
Interest expenses	15	42
Losses from monetary trusts, net	—	856
Losses on sale of securities	1,563	16,157
Devaluation losses on securities	6,697	31,899
Losses on redemption of securities	21	262
Losses on derivatives, net	4,858	—
Foreign exchange losses, net	7	2,382
Provision for reserve for possible loan losses	10	134
Depreciation of real estate for rent and others	3,149	2,932
Other investment expenses	5,263	6,664
Losses on separate accounts, net	48,315	72,212
Operating expenses	94,189	93,883
Other ordinary expenses	10,578	12,246
Ordinary Expenses from the Non-life Insurance Business:	52,420	59,257
Underwriting expenses	38,634	43,829
Net losses paid	26,225	29,952
Loss adjustment expenses	3,204	3,632
Net commission and brokerage fees	586	681
Provision for reserve for outstanding claims	2,010	1,482
Provision for underwriting reserve	6,607	8,079
Other underwriting expenses	—	0
Investment expenses	5	177
Losses on sale of securities	3	143
Devaluation losses on securities	—	29
Losses on redemption of securities	2	4
Operating, general and administrative expenses	13,763	15,242
Other ordinary expenses	16	7

Consolidated Statements of Income (Continued)

(Millions of yen)

For the years ended March 31,	2008	2009
Ordinary Expenses from the Banking Business:	23,175	33,268
Interest expenses	12,045	15,394
Interest expenses on deposits	11,379	14,501
Interest expenses on call money and bills sold	133	58
Interest on borrowed money	—	38
Interest expenses on interest rate swaps	532	796
Other interest expenses	0	0
Fees and commissions	1,049	1,225
Other operating expenses	1,524	5,107
General and administrative expenses	8,411	11,264
Other ordinary expenses	144	275
Ordinary Profit	44,500	34,253
Extraordinary Gains	2	20,471
Gains on disposal of fixed assets	0	1
Reversal of reserve for price fluctuations	—	20,470
Others	1	—
Extraordinary Losses	3,820	3,917
Losses on disposal of fixed assets	63	3,879
Impairment losses	125	20
Provision for reserve for price fluctuations	3,228	—
Others	402	16
Provision (Reversal) for Reserve for Policyholders' Dividends	3,159	(429)
Income Before Income Taxes	37,522	51,238
Income Taxes	—	20,516
- Current	6,690	14,915
- Deferred	6,078	5,600
Minority Interests	497	—
Net Income	24,255	30,722

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Changes in Net Assets

(Millions of yen)

For the years ended March 31,	2008	2009
Shareholder's Equity		
Common stock		
Balance at the end of the previous period	5,500	19,900
Changes during the period		
Issuance of common stock	14,400	—
Total changes during the period	14,400	—
Balance at the end of the current period	19,900	19,900
Capital surplus		
Balance at the end of the previous period	180,877	195,277
Changes during the period		
Issuance of common stock	14,400	—
Total changes during the period	14,400	—
Balance at the end of the current period	195,277	195,277
Retained deficits		
Balance at the end of the previous period	(44,173)	(26,417)
Changes during the period		
Dividends from surplus	(6,500)	(6,525)
Net income	24,255	30,722
Decrease resulting from change in scope of application of equity method	—	(31)
Total changes during the period	17,755	24,166
Balance at the end of the current period	(26,417)	(2,251)
Total shareholder's equity		
Balance at the end of the previous period	142,203	188,759
Changes during the period		
Issuance of common stock	28,800	—
Dividends from surplus	(6,500)	(6,525)
Net income	24,255	30,722
Decrease resulting from change in scope of application of equity method	—	(31)
Total changes during the period	46,555	24,166
Balance at the end of the current period	188,759	212,925

Consolidated Statements of Changes in Net Assets (Continued)

(Millions of yen)

For the years ended March 31,	2008	2009
Valuation and Translation Adjustments		
Net unrealized gains on other securities, net of taxes		
Balance at the end of the previous period	125,043	74,902
Changes during the period		
Net changes of items other than shareholder's equity	(50,140)	(79,756)
Total changes during the period	(50,140)	(79,756)
Balance at the end of the current period	74,902	(4,853)
Net deferred losses on hedging instruments, net of taxes		
Balance at the end of the previous period	(408)	(1,345)
Changes during the period		
Net changes of items other than shareholder's equity	(937)	(104)
Total changes during the period	(937)	(104)
Balance at the end of the current period	(1,345)	(1,449)
Land revaluation, net of taxes		
Balance at the end of the previous period	(1,475)	(1,475)
Changes during the period		
Total changes during the period	—	—
Balance at the end of the current period	(1,475)	(1,475)
Foreign currency transaction adjustments		
Balance at the end of the previous period	390	786
Changes during the period		
Net changes of items other than shareholder's equity	396	(1,035)
Total changes during the period	396	(1,035)
Balance at the end of the current period	786	(248)
Total valuation and translation adjustments		
Balance at the end of the previous period	123,549	72,868
Changes during the period		
Net changes of items other than shareholder's equity	(50,681)	(80,896)
Total changes during the period	(50,681)	(80,896)
Balance at the end of the current period	72,868	(8,028)
Minority Interests		
Balance at the end of the previous period	4,425	—
Changes during the period		
Net changes of items other than shareholder' s equity	(4,425)	—
Total changes during the period	(4,425)	—
Balance at the end of the current period	—	—

(Millions of yen)

For the years ended March 31,	2008	2009
Total Net Assets		
Balance at the end of the previous period	270,179	261,627
Changes during the period		
Issuance of common stock	28,800	—
Dividends from surplus	(6,500)	(6,525)
Net income	24,255	30,722
Decrease resulting from change in scope of application of equity method	—	(31)
Net changes of items other than shareholder's equity	(55,106)	(80,896)
Total changes during the period	(8,551)	(56,730)
Balance at the end of the current period	261,627	204,897

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

(Millions of yen)

For the years ended March 31,	2008	2009
Cash flows from operating activities:		
Income before income taxes	37,522	51,238
Depreciation of real estate for lease	3,149	2,932
Depreciation and amortization	2,363	3,243
Impairment losses	125	20
Amortization of goodwill	—	501
Increase in reserve for outstanding claims	1,733	3,190
Increase in policy reserve	292,865	225,407
Increase in interest portion of reserve for policyholders' dividends	13	39
Increase in reserve for policyholders' dividends	3,159	(429)
Increase (decrease) in reserve for possible loan losses	101	338
Increase (decrease) in reserve for employees' retirement benefits	(118)	1,936
Increase (decrease) in reserve for directors' retirement benefits	10	57
Increase (decrease) in reserve for price fluctuations	3,228	(20,470)
Increase in reserve for financial products transaction liabilities	—	0
Interest income and dividends	(65,973)	(78,789)
(Gains) losses on securities	31,615	87,400
Interest expenses	12,061	15,437
Exchange losses	8,902	8,416
Losses on disposal of tangible fixed assets	54	68
Equity in losses of affiliates	—	173
Net (increase) decrease in loans	(62,352)	(130,007)
Net increase (decrease) in deposits	390,559	182,175
Net (increase) decrease in call loans and bills bought	(249,509)	302,659
Net (increase) decrease in foreign exchanges (assets)	2,472	(4,671)
Net increase (decrease) in foreign exchanges (liabilities)	0	8
Others, net	(575)	22,823
Subtotal	411,410	673,703
Interest and dividends received	64,653	81,813
Interest paid	(9,947)	(14,567)
Policyholders' dividends paid	(1,264)	(1,577)
Income taxes paid	(19,398)	(9,334)
Net cash provided by operating activities	445,452	730,038

(Millions of yen)

For the years ended March 31,	2008	2009
Cash flows from investing activities:		
Investments in monetary trusts	(177,263)	(34,758)
Proceeds from sale of monetary trusts	—	316,794
Purchases of securities	(1,544,414)	(2,288,460)
Proceeds from sale and redemption of securities	1,152,322	1,285,092
Investments in loans	(44,140)	(47,351)
Collections of loans	32,673	13,683
Others, net	(6,364)	(2,655)
Total of net cash used in investment transactions	(587,187)	(757,656)
Total of net cash used in operating activities and investment transactions	(141,735)	(27,618)
Purchases of tangible fixed assets	(4,981)	(2,413)
Proceeds from sale of tangible fixed assets	0	1
Purchases of intangible fixed assets	(6,361)	(9,745)
Purchase of securities of a consolidated subsidiary	(6,750)	—
Net cash used in investing activities	(605,280)	(769,813)
Cash flows from financing activities:		
Increase in subordinated borrowings	—	2,000
Proceeds from issuance of stock	28,800	—
Cash dividends paid	(6,500)	(6,515)
Others	—	(76)
Net cash provided by (used in) financing activities	22,300	(4,591)
Effect of exchange rate changes on cash and cash equivalents	(45)	(184)
Net increase (decrease) in cash and cash equivalents	(137,573)	(44,551)
Cash and cash equivalents at beginning of the fiscal year	273,760	136,186
Cash and cash equivalents at end of the fiscal year	136,186	91,634

See accompanying notes to the consolidated financial statements.

Note: The above Consolidated Statements of Cash Flows have been prepared based on Article 210-10 of the Insurance Business Law Enforcement Regulations.

Notes to the Consolidated Financial Statements
For the year ended March 31, 2009

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.

(2) Application of the equity method

Number of consolidated subsidiaries and affiliates accounted for by the equity method : 1

Consolidated subsidiaries and affiliates accounted for by the equity method : AEGON Sony Life Planning Co., Ltd.

AEGON Sony Life Planning Co., Ltd. has been included in the scope of equity method from this fiscal year because its net income and retained deficits are not immaterial.

(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

A full portion of the assets and liabilities of the acquired subsidiaries is stated at fair value as of the date of acquisition of control.

(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. 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. 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 (excluding leased 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 tangible fixed assets over the estimated useful lives of the assets, as follows:

・Buildings 2 to 45 years
・Other tangible fixed assets 2 to 20 years

(4) Intangible fixed assets (excluding leased 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) Leased assets

All leased assets with respect to non-ownership-transfer finance leases are amortized by the straight-line method over the lease term, without any residual value.

(6) 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.

(7) 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.

(8) Reserve for employees' retirement benefits

The reserve for employees' retirement benefits is provided for the payment of retirement benefits to employees, in the amount deemed accrued at the fiscal year-end, based on the projected retirement benefit obligation 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.

(9) 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.

(10) Reserve for price fluctuations

Pursuant to requirements under the Insurance Business Law, the reserve for price fluctuations is provided for price fluctuations primarily related to stocks, bonds and foreign currency-denominated assets which are exposed to losses due to market price fluctuations. This reserve is only used to reduce deficits arising from price fluctuations on those assets.

(11) Translation of foreign currencies

Assets and liabilities denominated in foreign currencies are translated into Japanese yen at the foreign exchange rates in effect at 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.

(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. 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 FY1996 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 FY1996 is calculated using mortality and interest rates approved by the supervisor of insurance business in Japan.

(15) Cash and cash equivalents

Cash equivalents consist of highly liquid investments without significant market risks, such as demand deposits and short-term investments with an original maturity of three months or less.

(16) Changes in accounting policies, procedures and presentation rules

・**Reclassification of debt securities**

As the Practical Issue Task Force No.26 "Tentative Solution on Reclassification of Debt Securities" (December 5, 2008) is applicable from a date of its publication until March 31, 2010, a domestic life insurance subsidiary has adopted this practical solution. A part of its "Securities" was reclassified from "available-for-sale securities" to "held-to-maturity securities". The adoption of the practical solution resulted in an increase of ¥163 million in "Securities," a decrease of ¥59 million in "Deferred tax assets," and an increase of ¥104 million in "Net unrealized gains (losses) on other securities, net of taxes" as of March 31, 2009.

・**Lease transactions**

Finance leases that do not transfer ownership of the leased assets to the lessee used to be accounted for as operating leases. As the Accounting Standard Board of Japan ("ASBJ") Statement No.13 "Accounting Standard for Lease Transactions" (March 30, 2007) and ASBJ Guidance No.16 "Guidance for Accounting Standard for Lease Transactions"

(March 30, 2007) became effective for fiscal years beginning after April 1, 2008, SFH has applied them starting from the fiscal year ended March 31, 2009. The impact of this change to SFH's consolidated ordinary profit and net income before taxes is not material.

(17) Changes in presentation

・**Consolidated balance sheets**

In response to revision of the Insurance Business Law Enforcement Regulations (Ministry of Finance Ordinance No.5, 1996), the following changes in presentation were required from the fiscal year ended March 31, 2009.

(a) Tangible fixed assets include the subcategories of land, buildings, leased assets, construction in progress, and other tangible fixed assets. As of March 31, 2008, land totaled ¥32,996 million, buildings ¥50,068 million, construction in progress ¥84 million, and other tangible fixed assets ¥1,302 million, respectively.

(b) Intangible fixed assets include the subcategories of software, goodwill, lease assets, and other intangible fixed assets. As of March 31, 2008, software totaled ¥13,817 million, goodwill ¥2,505 million, and other intangible fixed assets ¥89 million, respectively.

・**Consolidated statements of income**

Other operating income includes the subcategory of “Gains on foreign exchange transactions, net” due to an increase in its significance. As of March 31, 2008, “Gains on foreign exchange transactions, net” included in other operating income totaled ¥5,773 million.

(18) Additional information

・**Evaluation of securities**

Floating-rate Japanese government bonds that are included in “securities” were previously evaluated based on their fair market values. As the Practical Issue Task Force No. 25 “Practical Solution on Measurement of Fair Value of Financial Assets” (October 28, 2008) was published, a domestic banking subsidiary examined its accounting treatment of the floating-rate Japanese government bonds it held and determined that the fair market values could not be deemed fair values. Therefore, SFH evaluated the floating-rate Japanese government bonds based on reasonably estimated amounts starting in the year ended March 31, 2009. This change resulted in an increase of ¥2,891 million in “Securities” a decrease of ¥240 million in “Deferred tax assets” and an increase of ¥2,650 million in “Net unrealized gains (losses) on other securities, net of taxes.” Reasonably estimated amounts were calculated as of March 31, 2009, using the Constant Maturity Treasury (“CMT”) model. The interest rate used in the CMT model as a primary parameter is the forward rate of Japanese government bonds. The discount rate used in the model is the rate of the yield curve of Japanese government bonds based on the consideration of a certain liquidity risk.

・**Reversal of contingency reserve**

Pursuant to provisions of the Insurance Business Law, a domestic life insurance subsidiary reversed its contingency reserve of ¥19,000 million to compensate for the loss incurred due to the negative spread for the year ended March 31, 2009.

・**Reversal of reserve for price fluctuations**

Pursuant to provisions of the Insurance Business Law, a domestic life insurance subsidiary reversed its reserve for price fluctuations of ¥21,207 million to compensate for the loss incurred due to trading or devaluation of the equity investment and the fluctuation of foreign exchange for the year ended March 31, 2009.

4. Notes to the Consolidated Balance Sheets

(1) The balance of loans includes ¥64 million in loans to debtors in bankruptcy (before deductions for reserve for possible loan losses) ¥674 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 ¥225 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, 2009 was ¥14,176 million.

(5) The balance sheet includes ¥275,160 million of assets and liabilities in equal amounts related to separate accounts as of March 31, 2009, as stipulated in Article 118 of the Insurance Business Law.

(6) Securities include shares in affiliated companies worth ¥2,795 million. These shares are all investments in jointly controlled companies.

(7) Changes in the reserve for policyholders' dividends at SFH's domestic life insurance subsidiary for the fiscal year ended March 31, 2009, are as follows:

Balance at beginning of the fiscal year:	¥4,506 million
Policyholders' dividends during the fiscal year:	¥1,577 million
Increase in interest:	¥39 million
Reversal for reserve for policyholders' dividends:	¥429 million
Balance at end of the fiscal year:	¥2,539 million

(8) Securities with a book value of ¥10,266 million were pledged as collateral for ¥10,000 million of call money and bills sold at March 31, 2009. In addition to the assets described above, securities with a book value of ¥92,602 million were pledged as collateral for cash settlements, variation margins of futures markets and certain other purposes at March 31, 2009.

(9) Net assets per share amounted to ¥94,205.75.

(10) The following provides fair value information on securities as of March 31, 2009:

Trading securities:

(Millions of yen)

Consolidated balance sheet amount	Valuation gains/losses charged to income
260,401	(73,616)

Held-to-maturity securities with fair values:

(Millions of yen)

	Consolidated balance sheet amount	Fair value	Net unrealized gains/losses		
				Unrealized gains	Unrealized losses
Bonds	1,423,075	1,450,943	27,867	30,004	2,137
Japanese government and municipal bonds	1,412,868	1,440,643	27,774	29,884	2,109
Japanese corporate bonds	10,206	10,299	92	120	27
Others	42,524	42,372	(151)	15	167
Total	1,465,599	1,493,315	27,715	30,020	2,304

Other securities with fair values:

(Millions of yen)

	Acquisition cost	Consolidated balance sheet amount	Net unrealized gains/losses		
				Unrealized gains	Unrealized losses
Bonds	1,602,956	1,618,569	15,613	37,022	21,408
Japanese government and municipal bonds	1,057,037	1,084,890	27,853	31,493	3,640
Japanese corporate bonds	545,918	533,679	(12,239)	5,528	17,767
Equity securities	46,072	47,970	1,897	4,115	2,217
Others	315,998	298,683	(17,315)	790	18,105
Total	1,965,026	1,965,222	196	41,928	41,732

Note: Impairment losses amounting to ¥34,402 million were recognized for "other securities" with market value for the year ended March 31, 2009. Impairment losses are principally recorded when their fair value as of the end of the fiscal year has declined by 30% or more from the book value.

Other securities sold during the period:

(Millions of yen)

Sales	Gains on sales	Losses on sales
¥861,922	32,456	18,024

Securities that are not marked to market:

(Millions of yen)

	Consolidated balance sheet amount
Investment in affiliates	2,795
Available-for-sale securities	25,206
Equity securities	4
Others	25,201
Total	28,002

Note: Impairment losses of ¥399 million were recorded for "other securities" that are not marked to market for the year ended March 31, 2009. Impairment losses are principally recorded when their fair value as of the end of the fiscal year has declined by 50% or more from the acquisition price.

Reclassification of debt securities:

As the Practical Issue Task Force No. 26 “Tentative Solution on Reclassification of Debt Securities” (December 5, 2008) is applicable from the date of its publication until March 31, 2010, a part of “securities” was reclassified from “other securities” to “held-to-maturity securities”. This reclassification is the result of recent drastic changes in the market environment that have severely affected the liquidity of these securities and made them difficult to sell at appropriate prices.

(Millions of yen)

Securities	Bonds linked to the Nikkei 225 stock index
Market value as of December 17, 2008:	41,266
Market value as of March 31, 2009:	41,262
Consolidated balance sheet amount as of March 31, 2009:	41,426
Net unrealized gains (losses) on other securities, net of taxes as of March 31, 2009:	(8,658)

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

(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	178,921	565,455	603,313	1,693,954
Japanese government and municipal bonds	69,732	195,995	555,740	1,676,290
Japanese corporate bonds	109,188	369,460	47,573	17,663
Others	75,150	203,977	25,851	43,622
Total	254,071	769,432	629,165	1,737,577

(11) The fair value information on monetary trusts as of March 31, 2009, is as follows:

Monetary trusts for trading purposes:

(Millions of yen)

Consolidated balance sheet amount	Valuation gains/losses charged to income
32,020	(4,413)

Other monetary trusts:

(Millions of yen)

	Acquisition cost	Consolidated balance sheet amount	Net unrealized gains/losses	Unrealized gains	Unrealized losses
Other monetary trusts	568,520	576,826	8,306	17,478	9,172

Note: 1. Amounts of jointly invested monetary trusts that are included in the table above for the years ended March 31, 2009 are ¥271 million.
2. Impairment losses amounting to ¥12,605 million were recognized for "Other monetary trusts" with market value for the year ended March 31, 2009. Impairment losses are accounted for principally if market value of each security decreases equal to or more than 30% of its book value at the end of the period.

(12) Derivative financial instruments

The Companies utilize various types of derivative financial instruments, including interest rate-related transactions (such as interest rate futures and interest rate swaps), currency-related transactions (such as currency swaps, foreign exchanges contracts and currency options), equity-related transactions (such as equity price index options, individual equity options and equity price index futures), bond-related transactions (such as futures and options), credit derivatives, etc.

The Companies use various derivative financial instruments primarily for hedging purposes to perform the integrated controls of assets and liabilities. Certain derivative transactions can be executed for trading purposes within a certain limit in accordance with the respective internal risk management policies set at a company level.

Those derivative transactions, as well as on-balance sheet assets, consist mainly of market risks, credit risks and market liquidity risks. Market risks are the risks of losses due to changes in the value of derivative transactions as a result of unfavorable market fluctuations in interest rates, securities prices, foreign exchange rates and other factors. Credit risks are the risks of losses due to a decline in the value of derivative transactions as a result of deterioration in the financial position of individual obligors, issuers of the debt obligations we hold, or counterparties to the derivatives and other contracts we have entered into. Market liquidity risks are the risks of losses 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 risks of losses if we are forced to complete transactions under unfavorable market conditions, in each case due to market turmoil or other factors.

SFH formulates fundamental principles for risk management activities at the holding company level and the respective operating subsidiaries establish risk management structures and carry out the risk management activities, based on the fundamental principles. The respective risk management departments of the Companies periodically evaluate, monitor and measure risks related to derivative financial instruments, and submit periodic report on those conditions to our Board of Directors and Executive Committee of SFH and each subsidiary. The Board of Directors and Executive Committee then approve the fundamental principles and appropriate limits applied to risk management activities. In addition, as a subcommittee of the Board of Directors and Executive Committee, SFH holds Risk Management Meeting, and other committees such as Investment Committee, Risk Management Committee, Assets Management Meeting and ALM Committee, etc., each subsidiary implements appropriate risk management frameworks. The risk management structure includes separate front, middle and back office divisions to deal with derivative transactions. Accordingly, inception and execution of derivative transactions and risks, positions and gains and losses related to derivative financial instruments are strictly monitored.

The following tables show a summary of the notional amounts and current market or fair values of derivative financial instruments held as of March 31, 2009. Notional amounts do not represent exposure to credit loss.

[i] Interest rate derivatives:

(Millions of yen)

	Notional amount		Fair value	Valuation gains/losses
	Total	Over 1 year		
Over-the-counter transactions:				
Interest rate swaps	169,864	151,640	(4,738)	(4,738)
Total	—	—	(4,738)	(4,738)

Note: 1. The above transactions are valuated at the market value, and the valuation gains (losses) are recorded in the consolidated statements of income. Derivative transactions which hedge accounting is applied are not included in the amounts above.
2. Market value of transactions listed on exchange is calculated mainly using the closing prices on the Tokyo International Financial Futures Exchange and others. Market value of over-the-counter transactions is calculated mainly using discounted present value and others.

[ii] Currency derivatives:

(Millions of yen)

	Notional amount		Fair value	Valuation gains /losses
	Total	Over 1 year		
Over-the-counter transactions:				
Currency swaps	1,791	—	(11)	(11)
Forward foreign exchanges:				
Sold	115,880	—	(1,053)	(1,053)
Bought	268,513	—	4,716	4,716
Foreign Exchange Margin Transactions:				
Sold	15,668	—	451	451
Bought	14,009	—	393	393
Currency options:				
Sold	404	—	(13)	(5)
Total	—	—	4,482	4,490

Note: 1. The above transactions are valuated at the market value, and the valuation gains (losses) are recorded in the consolidated statements of income. Derivative transactions which hedge accounting is applied are not included in the amounts above.
2. Market value is calculated mainly using discounted present value and others.
3. Figures include discounted forward forex contracts.

[iii] Credit derivatives transactions:

(Millions of yen)

	Notional amount		Fair value	Valuation gains /losses
	Total	Over 1 year		
Over-the-counter transactions:				
Credit default options				
Sold	981	981	(223)	(223)
Bought	10,837	9,837	1,135	1,135
Total	—	—	912	912

Note: 1. The above transactions are valuated at the market value, and the valuation gains (losses) are recorded in the consolidated statements of income.
2. Market value is calculated mainly using discounted present value.
3. "Bought" refers to underwriting involving credit risk, "Sold" refers to deliveries involving credit risk.

(13) Retirement benefit obligations and its supplemental information as of March 31, 2009 were as follows.

[i] Overview of retirement benefit plans

The domestic life insurance subsidiary provides a lump-sum retirement benefit plan to sales staff and a defined benefit corporate pension plan and defined contribution pension plan to internal office staff. The non-life insurance subsidiary provides a lump-sum retirement benefit plan and a defined contribution pension plan (introduced in May 2008). SFH and its banking subsidiary mainly provide a lump-sum retirement benefit plan.

[ii] Retirement benefit obligations

(Millions of yen)

Retirement benefit obligations	(23,504)
Plan assets	4,538
Unfunded retirement benefit obligations	(18,965)
Unrecognized net obligation at transition	2,486
Unrecognized net actuarial gain	5,065
Unrecognized prior service cost	(774)
Net retirement benefit obligations	(12,189)
Prepaid pension costs	1,246
Reserve for employees' retirement benefits	(13,435)

Note: SFH and certain consolidated subsidiaries calculate retirement benefit obligations based on the simplified method.

[iii] Retirement benefit costs

(Millions of yen)

Service cost	2,059
Interest cost	279
Expected return on plan assets	(141)
Amortization of net obligation at transition	414
Amortization of net actuarial gain	132
Amortization of prior service cost	(129)
Other	237
Retirement benefit expenses	2,852

Note: 1. SFH and certain consolidated subsidiaries include the retirement benefit expenses in the service costs based on the simplified method.
2. Other includes defined contribution pension plan payments.

[iv] Basis for calculating retirement benefit obligations

Method of allocating projected retirement benefits	Straight-line or point method
Discount rate	1.3%–1.4%
Expected return on plan assets	3.3%
Prior service cost amortization period	10 years
Net actuarial gain amortization period	7–10 years
Net obligation at transition amortization period	15 years

(14) 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, 2009 was ¥11,557 million and the amount of unused commitments whose original contract terms are within one year at March 31, 2009 was ¥11,557 million.

(15) Borrowed money includes subordinated borrowings of ¥2,000 million subject to a special contract that subordinates the fulfillment of this obligation to other obligations.

(16) 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 ¥7,482 million. Such losses are recognized as expenses during the fiscal year in which they are defined.

5. Notes to the Consolidated Statements of Income

Net income per share is calculated based on the weighted-average number of shares of common stock outstanding during the period. For the year ended March 31, 2009, net income per share was ¥14,125.14. There were no potential dilutive securities.

The basis for this calculation for the year ended March 31, 2009 is net income of ¥30,722 million, the entire amount of which is applicable to common stocks. The weighted-average number of shares outstanding for the year ended March 31, 2009 was 2,175,000 shares.

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

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

(Thousands of shares)

	Numbers of shares	Numbers of shares increased during the period	Numbers of shares decreased during the period	Number of shares as of March 31, 2009
Issued shares Common stock	2,175	—	—	2,175
Total	2,175	—	—	2,175
Treasury stock Common stock	—	—	—	—
Total	—	—	—	—

(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 Shareholders held on June 26, 2008	Common stock	¥6,525 million	¥3,000	March 31, 2008	June 27, 2008

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 23, 2009	Common stock	Retained earnings	¥6,525 million	¥3,000	March 31, 2009	June 24, 2009

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, 2009, is as follows:

	(Millions of yen)
Cash and due from banks	42,794
Call loans of domestic life insurance subsidiary	45,800
Securities of the non-life insurance subsidiary maturing within three months of the acquisition date	3,040
Cash and cash equivalents	91,634

(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 group of companies used in calculating Sony Financial Holdings' consolidated capital adequacy ratio (hereinafter, "Holding Company Group") is determined based on the "Standards based on Article 52-25 of the Banking Law of Japan for determining the capital adequacy of the bank holding company in light of the assets held by the bank holding company and its subsidiary (Financial Services Agency Public Announcement No. 20 published on March 27, 2006, hereinafter, "Consolidated Capital Adequacy Ratio Public Announcement")". This Holding Company Group includes Sony Bank and Sony Bank Securities as consolidated subsidiaries, but does not include in consolidation the three insurance subsidiaries of Sony Life Insurance, Sony Life Insurance (Philippines), and Sony Assurance. The three insurance subsidiaries are subject to capital deductions listed in Article 20, Paragraph 1, Item 2 (c) (insurance subsidiaries, etc.) of the Consolidated Capital Adequacy Ratio Public Announcement. However, the five companies of Sony Life Insurance, Sony Life Insurance (Philippines), Sony Assurance, Sony Bank, and Sony Bank Securities are included in consolidation based on regulations for purpose of consolidated financial statements.

For details on the operations of Sony Life Insurance, Sony Life Insurance (Philippines), Sony Assurance, Sony Bank, and Sony Bank Securities, please refer to pages 30 to 44 of this report.

We do not have any affiliated companies engaged in financial services subject to Article 21 of the Consolidated Capital Adequacy Ratio Public Announcement; companies subject to deductions listed in Article 20, Paragraph 1, Item 2 (a) and (b) of the Consolidated Capital Adequacy Ratio Public Announcement; or companies listed in Article 52-23, Paragraph 1, Item 10 the Banking Law of Japan that engage mainly in services listed in Item 10 (a) or companies listed in Item 11 that do not belong to the Holding Company Group.

As noted above, the Holding Company Group based on the Consolidated Capital Adequacy Ratio Public Announcement comprises Sony Financial Holdings, Sony Bank, and Sony Bank Securities. We do not have any particular restrictions related to the movement of funds and capital between Sony Financial Holdings and Sony Bank or Sony Bank Securities, but we do not have any fund transactions between the three companies. We also give sufficient attention to the soundness of subsidiary Sony Bank and work to maintain required capital.

(2) Overview of Capital Raising Methods

We raise all Tier Ⅰ capital through the issuance of common stock. Shareholders comprise Sony Corporation with a 60.0% equity stake and other shareholders with a 40.0% equity stake. We also raise Tier II capital through subordinated term debt.

(3) Overview of Method for Assessing the Holding Company Group's Capital Adequacy Based on the Consolidated Capital Adequacy Ratio Public Announcement

Our capital adequacy ratio was 13.32% (Tier Ⅰ ratio: 46.63%) at the end of March 2009, as calculated based on the Consolidated Capital Adequacy Ratio Public Announcement. This ratio is well above the domestic criteria of 4%, indicating that our business is sufficiently sound and secure. In calculating our consolidated capital adequacy ratio, we use the standard method to calculate credit risk and the basic method to calculate operational risk.

At Sony Bank, a core operating company of the Holding Company Group based on the Consolidated Capital Adequacy Ratio Public Announcement, in addition to management and assessment based on the capital adequacy ratio, we conduct management through capital allocation to ensure sufficient soundness while balancing risk and return. To perform this capital allocation, we prepared Risk Management Guidelines to serve as one method of risk management for the Sony Financial Holdings Group. We perform capital allocation by measuring various risks, including credit risk, market risk, and operational risk, using methods appropriate to risk characteristics, and then allocating capital within the scope of Sony Bank's business capacity (capital). We monitor Sony Bank's methods of capital allocation, levels of allocated capital, and levels of actual capital used of the allocated capital, based on the Risk Management Guidelines. Through these efforts, we seek from a comprehensive standpoint to ensure the adequacy of non-consolidated capital at Sony Bank and consolidated capital for the Holding Company Group.

To replenish capital in the future, we intend to increase capital through the profits earned by pursuing operations based on the business plans prepared each fiscal year by Sony Financial Holdings, and group companies including Sony

Bank. Additionally, in response to increased risk from expanding our operations, we intend to augment capital as needed through capital increases at Sony Financial Holdings and Sony Bank.

The consolidated risk assets of Sony Financial Holdings and Sony Bank, which belong to the Holding Company Group based on the Consolidated Capital Adequacy Ratio Public Announcement, are subject the various risks outlined below. This discussion focuses mainly on the risk assets of Sony Bank because risk assets account for a small percentage of the non-consolidated assets owned by Sony Financial Holdings, which is a bank holding company, and because Sony Financial Holdings, aside from owning stock in its subsidiaries, does not engage in marketable securities investments, loans, or financial derivative product transactions.

Sony Financial Holdings, as a bank holding company, conducts general monitoring of the risk management approach of Sony Bank as explained below, and pursues risk management for the overall Sony Financial Holdings Group by setting Risk Management Guidelines and holding risk management meetings. For information about the overall risk management approach of the Sony Financial Holdings Group, please refer to the Risk Management section on page 15 and 16 of this report.

(4) Credit Risk

(a) Overview of Risk Management Policies and Procedures

(i) Individual Credit Risk

Individual credit risk refers to the risk of incurring losses from a decrease or disappearance in the value of credit-related assets due to deterioration in the credit standing of individual debtors. At Sony Bank, the department responsible for individual credit risk prepares policies related to risk measurement, monitoring, and management. The Board of Directors prepares basic policies on individual credit risk management and an appropriate credit risk management structure based on a recognition of the existence and characteristics of individual credit risk as well the methods for measuring and managing this risk.

Individual credit risk involves the management of mortgage loans, special-purpose loans, card loans, and other customer transactions for which the management of individual credit risk is deemed necessary. These loans are screened by the responsible departments based on screening criteria administered by the individual credit risk department. The individual credit risk department also monitors the default status of granted loans on a daily basis and periodically reports on the results of this monitoring to the Board of Directors.

We also record reserve for possible loan losses as described below based on amortization and reserve criteria determined in advance. We divide normal loans and potential problem loans into specific categories and provide reserves based on a loan loss ratio derived from historical loan losses in each category in certain periods. For loans to borrowers at risk of bankruptcy, we subtract the amount we expect to recover through collateral disposal and guarantees, and based on the remaining balance, we provide reserves at an amount deemed necessary. For loans to effectively bankrupt borrowers, we subtract the amount we expect to recover through collateral disposal and guarantees, and provide reserves for the remaining balance. An asset assessment department conducts asset assessments for all loans based on asset self-assessment standards and with the cooperation of related departments, and we provide reserves based on the assessment results.

(ii) Market Credit Risk

Market credit risk refers to the risk of incurring losses from changes in the market value of securities due to changes in the credit standing of the issuer of owned securities, and the risk of incurring losses from the non-fulfillment of contracts due to changes in the financial standing of contract counterparties in market transactions. At Sony Bank, the department responsible for market credit risk prepares policies related to risk measurement, monitoring, and management. The Board of Directors prepares basic policies on market credit risk management and an appropriate credit risk management structure based on a recognition of the existence and characteristics of market credit risk as well the methods for measuring and managing this risk.

Market credit risk involves the management of risk arising from marketable securities transactions, yen and foreign currency monetary transactions, foreign exchange transactions, financial derivative product transactions, and other market transactions for which risk management is deemed necessary. We manage market credit risk by first establishing capital-at-risk ceiling and other credit limits based in principle on ratings by external rating institutions, various guidelines, and credit monitoring stages, and by then monitoring and reporting on compliance with established limits and guidelines, and reporting to management if limits are exceeded and considering necessary responses. We also periodically report on the status of risk management to the Board of Directors.

We classify owned marketable securities according to self-assessment standards and classification methods established by Sony Bank and manage any problem assets.

(b) Eligible Rating Agencies Used to Determine Risk Weights

Sony Financial Holdings and Sony Bank use the five eligible rating institutions listed below to determine risk weights. We do not use different eligible rating institutions for different types of exposure.

The five eligible rating agencies are Rating and Investment Information, Inc., Japan Credit Rating Agency, Ltd., Moody's Investors Service, Inc., Standard & Poor's Corp. and Fitch Ratings, Ltd.

(5) Overview of Risk Management Policies and Procedures for Credit Risk Mitigation

Sony Bank's loan exposure is limited to loans to individuals, comprising mortgage loans, special-purpose loans and card loans. We seek adequate small-loan diversification. We try to have all special-purpose loans and card loans guaranteed by surety companies. Home loans are all secured by real estate collateral, and we increase collection effectiveness by outsourcing collection activities to credit management and collection companies (servicers). We reappraise real estate collateral on an annual basis.

For some mortgage loans we accept guarantees by certain business partners in place of real estate collateral. Of these, only Sony Corporation is subject to the credit risk reduction methods in Basel II. These guarantees account for 0.78% of our total loan exposure, which is not an excessive concentration.

We use certain credit derivatives as a means of reducing credit risk on securities. In using credit derivatives, we establish transaction limits based on the rating of the protection provider, and employ restrictions to prevent bias toward certain providers. In using legally valid netting contracts in derivatives transactions, we conclude an International Swap Dealers Association (ISDA) master contracts and confirm legal validity.

(6) Overview of Risk Management Policies and Procedures Related to Counterparties Risks in Derivative Product Transactions and Long Settlement Transactions

Sony Bank uses derivative product transactions for the main purpose of appropriate market risk management. Derivative product transactions have the market risk of possibly incurring losses from market fluctuations and the credit risk of possibly incurring losses from the inability of transaction counterparties to meet payment obligations.

We respond to market risk by calculating daily transaction valuation gains/losses and the amount of market risk. Sony Bank uses maximum expected loss (Value at Risk) as a general measure of its overall market risk and establishes risk limits to keep the amount of risk within an appropriate range. We respond to credit risk by establishing and managing credit limits based on counterparty ratings and transaction periods. We set these limits within the range of our business capacity based on capital allocation. We do not calculate collateral coverage and reserves. Even if we would need to provide additional collateral to transaction counterparties due to deterioration in Sony Bank’ s creditworthiness, we have sufficient assets available and the impact would be limited.

We do not have any long settlement transactions.

(7) Securitization Exposure

(a) Overview of Risk Management Policies and Procedures

We strive to recognize and appropriately manage risk associated with securitized products based on an understanding of market trends, status of underlying assets, market valuations, and rating information provided by eligible rating institutions. We also manage risk by setting transaction limits according to ratings and time to maturity. We have no securitization exposure as of the end of March 2009.

(b) Method for Calculating Credit Risk Asset Amount of Securitization Exposure

Sony Financial Holdings and Sony Bank use the standard method.

(c) Method of Accounting for Securitization Transactions

We appropriately account for securitization transactions based on the Practical Guidelines for Accounting for Financial Instruments published by the Japanese Institute of Certified Public Accountants.

(d) Eligible Rating Agencies Used to Determine Risk Weights by Securitization Exposure Type

We employ the five eligible rating institutions listed below to determine risk weights of securitization exposure. We do not use different eligible rating institutions for different types of exposure.

The five eligible rating agencies are Rating and Investment Information, Inc., Japan Credit Rating Agency, Ltd., Moody's Investors Service, Inc., Standard & Poor's Corp. and Fitch Ratings, Ltd.

(8) Market Risk

Not applicable because, in accordance with Article 16 of the Consolidated Capital Adequacy Ratio Public Announcement, Sony Financial Holdings does not include a market risk equivalent amount in its calculation based on Article 14 of said notification.

(9) Operational Risk

(a) Overview of Risk Management Policies and Procedures

Sony Bank faces the following operational risks. Administrative risk is the risk of incurring tangible or intangible losses from mistakes, misconduct, or trouble related to problems with administrative processes. System risk is the risk of incurring losses from trouble, damage, improper use, or information leaks related to systems. Outsourcing risk is the risk of incurring losses from inappropriate management of operations and information by outsourcers and from difficulty in maintaining outsourcing contracts. Legal risk is the risk of incurring losses from legal violations or contractual issues. Reputational risk is the risk of incurring losses from erosion of the company' s reputation in the market and among customers due to acts contrary to social mores, unfair transactions, or inappropriate information disclosure. The various departments responsible for these operational risks prepare policies related to risk measurement, monitoring, and management. The Board of Directors prepares basic risk management policies and an appropriate risk management structure based on a recognition of the existence and characteristics of operational risks as well the methods for measuring and managing these risks.

Risk management departments monitor the risks for which they are responsible, report to management if serious risk materializes, and consider required responses. These departments also report periodically to the Board of Directors on the status of risk management.

(b) Method for Calculating Operational Risk Equivalent Amount

Sony Financial Holdings and Sony Bank use the basic method.

(10) Overview of Risk Management Policies and Procedures for Banking Account Investments and Equity Exposures

The consolidate groups of Sony Bank and Sony Bank Securities, the main banking entities of the Holding Company Group based on the Consolidated Capital Adequacy Ratio Public Announcement, do not have any investments or equity exposures.

(11) Banking Account Interest Rate Risk

(a) Overview of Risk Management Policies and Procedures

Interest rate risk is the risk of incurring losses from fluctuations in market interest rates. Sony Bank regularly assesses and measures this risk and prepares appropriate countermeasures.

Specifically, in addition to managing and assessing interest rate risk measured by Basel II, we periodically measure banking account interest rate risk (BPV) assuming certain interest rate shocks as well as value at risk. This information is reported to management and considered by the ALM committee. Through these and other actions, we seek to control risk to optimize assets and liabilities.

(b) Overview of Method for Calculating Banking Account Interest Rate Risk Used for Internal Control

Banking account interest rate risk is the amount of risk resulting from an interest rate shock for certain financial institution assets and liabilities affected by market interest rates (e.g., loans, deposits, and securities). For liquid deposits, we measure the amount of risk based on balance and maturity assumptions for core deposits, defined as those deposits that are not withdrawn and remain at the bank for a long period of time, from among demand deposits that do not have defined interest rate revision intervals and can be withdrawn by depositors at any time.

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

・**Measurement method**	GPS approach
・**Interest rate sensitive assets and liabilities**	Deposits, loans, foreign exchange, securities, fund transactions, and financial derivative products
・**Core deposits**	Target: Yen liquid deposits (ordinary deposits) Calculation method: Use the lowest of the (1) smallest balance during the past five years, (2) balance after subtracting the largest annual outflow during the past five years from the current balance, or (3) 50% of the current balance Maturity: Within five years (average two and a half years)
・**Repayment prior to maturity**	For mortgage loans, we calculate the rate of repayment prior to maturity based on historical results and add this to cash flow
・**Interest rate shock margin**	Use 99th or 1st percentile of interest rate fluctuations on products held for one year as measured during the previous five years
・**Risk measurement frequency**	Quarterly (based on the end of the preceding month)

Quantitative Disclosure

(1) Companies subject to deductions listed in Article 8, Paragraph 1, Item 2 (a) to (c), and in Article 20, Paragraph 1, Item 2 (a) to (c) of the Consolidated Capital Adequacy Ratio Public Announcement that are deficient in regulatory capital, and the amount of regulatory capital deficiency

Not applicable

(2) Capital composition

As of March 31 (Millions of yen)

Item			2008	2009
■Capital				
		Common stock	19,900	19,900
		Capital surplus	195,277	195,277
		Retained earnings	3,087	1,926
		Net unrealized losses on other securities	7,788	—
		Minority interests in consolidated subsidiaries	—	—
		Goodwill equivalents	2,505	2,004
Tier I (core) capital	[A]		207,970	215,098
Preferred securities with step-up interest rate conditions			—	—
		General reserve for possible loan losses	161	211
		Fund-raising procedures	—	2,000
		Subordinated debt	—	—
		Subordinated term debt and term preferred stock	—	2,000
Tier II (supplementary) capital	[B]		161	2,211
Tier III (sub-supplementary) capital	[C]		—	—
Capital subtotal [A+B+ C]	[D]		208,131	217,310
		Fund-raising procedures by financial subsidiaries, subsidiaries engaged in financial services, insurance subsidiaries, and affiliates engaged in financial services that are not included in consolidation	145,881	155,881
Deductions	[E]		145,881	155,881
Total capital [D]−[E]	[F]		62,249	61,428
■Risk-adjusted assets				
		Balance sheet items	389,532	422,781
		Off-balance-sheet items	312	1,395
		Result of dividing operational risk equivalent amount by 8%	35,861	37,154
Total risk assets	[G]		425,705	461,332
Consolidated capital requirement	[G] × 4%		17,028	18,453
Capital adequacy ratio (domestic criteria)	[F] / [G]		14.62%	13.32%
Reference: Tier I ratio (domestic criteria)	[A] / [G]		48.85%	46.63%

Notes: 1. Calculated based on the “Standards based on Article 52-25 of the Banking Law of Japan for determining the capital adequacy of the bank holding company in light of the assets held by the bank holding company and its subsidiary (Financial Services Agency Public Announcement No. 20 published on March 27, 2006)”. We apply Standard Two (domestic criteria).
2. Since FY2008, we have applied the “Special Provision of Standards based on Article 52-25 of the Banking Law of Japan for determining the capital adequacy of the bank holding company in light of the assets held by the bank holding company and its subsidiary (Financial Services Agency Public Announcement No. 79 published in 2008)”.
3. Goodwill equivalent amounts are listed in Article 17, Paragraph 1, Items 1 to 4 of the Consolidated Capital Adequacy Ratio Public Announcement.
4. Calculated without including insurance subsidiaries within the scope of consolidation.

(3) Capital adequacy

As of March 31 (Millions of yen)

	2008		2009	
	Risk assets	Required Capital	Risk assets	Required Capital
(a) Total credit risk assets and required capital	389,844	15,593	424,177	16,967
(1) Exposure by portfolio applying the standard method	389,844	15,593	424,177	16,967
(i) Sovereigns	5,697	227	8,861	354
(ii) Financial institutions	142,217	5,688	93,668	3,746
(iii) Corporations	71,745	2,869	77,609	3,104
(iv) Small and medium-sized businesses, individuals	79,063	3,162	114,396	4,575
(v) Collateralized mortgage loans	83,997	3,359	113,020	4,520
(vi) Real estate related businesses	—	—	—	—
(vii) Exposure to items past due by three months or more	39	1	159	6
(viii) Others	7,083	283	16,460	658
(2) Securitization risk exposure	—	—	—	—
(b) Operational risk	35,861	1,434	37,154	1,486
(c) Consolidated total of required capital (a+b)	425,705	17,028	461,332	18,453

Notes: 1. Required capital = risk assets × 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. "Sovereign" 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. We apply the basic method for operational risk.

Method of calculating operational risk (basic method):

$$\frac{\text{Gross profit (total of positive values during the previous three years)} \times 15\%}{\text{Number of years with positive gross profit during the previous three years}} \div 8\%$$

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

(4) Credit risk (excluding securitization exposure)

(a) Year-end credit risk exposure and breakdown by main categories

■ Year-end exposure by industries and counterparties

As of March 31 (Millions of yen)

	Year-end credit risk exposure						Exposure to items past due by three months or more	
			Loans		Marketable securities			
	2008	2009	2008	2009	2008	2009	2008	2009
Sovereigns	297,415	609,296	—	—	295,404	602,945	—	—
Financial institutions	479,031	202,332	—	—	86,604	112,104	—	—
Corporations	104,283	121,895	—	—	103,769	121,288	—	—
Small and medium-sized businesses, individuals	106,874	153,933	106,964	154,129	—	—	39	149
Collateralized mortgage loans	239,991	322,900	239,991	322,942	—	—	—	20
Real estate related businesses	—	—	—	—	—	—	—	—
Other	7,653	16,584	109	—	—	—	—	—
Total	1,235,250	1,426,943	347,065	477,072	485,777	836,338	39	170

Note: "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 or more months from the day following the contract payment date.

Year-end balance of loans by type and department

As of March 31 (Millions of yen)

	2008			2009		
	Domestic	International	Total	Domestic	International	Total
Loans on bills	—	—	—	—	—	—
Loans on deeds	339,088	478	339,566	468,420	555	468,975
Overdrafts	7,498	—	7,498	8,096	—	8,096
Discount bills	—	—	—	—	—	—
Total	346,586	478	347,065	476,517	555	477,072

Year-end balance of loans by maturity

As of March 31 (Millions of yen)

	2008			2009		
	Fixed interest rate	Variable interest rate	Total	Fixed interest rate	Variable interest rate	Total
Under one year	26	46	72	25	54	79
One to three years	300	349	650	439	402	842
Three to five years	892	849	1,741	1,273	1,164	2,437
Five to seven years	1,969	1,958	3,927	2,100	2,121	4,221
Over seven years	156,284	176,890	333,174	233,727	227,666	461,394
Unspecified period	—	7,498	7,498	—	8,096	8,096
Total	159,473	187,592	347,065	237,565	239,506	477,072

Year-end balance of securities by type and department

As of March 31 (Millions of yen)

	2008			2009		
	Domestic	International	Total	Domestic	International	Total
JGBs	171,157	—	171,157	288,348	—	288,348
Municipal bonds	—	—	—	5,305	—	5,305
Short-term corporate bonds	—	—	—	—	—	—
Corporate bonds	152,107	—	152,107	303,353	—	303,353
Stocks	—	—	—	—	—	—
Other securities	9,705	152,806	162,512	7,848	231,483	239,331
Foreign bonds	—	152,806	152,806	—	215,319	215,319
Foreign stocks	—	—	—	—	—	—
Other	9,705	—	9,705	7,848	16,163	24,011
Total	332,971	152,806	485,777	604,854	231,483	836,338

Year-end balance of securities by maturity

As of March 31, 2009 (Millions of yen)

	Under one year	One to three years	Three to five years	Five to seven years	Seven to ten years	Over ten years	Unspecified period	Total
JGBs	57,240	80,343	25,374	—	9,944	115,445	—	288,348
Municipal bonds	—	3,193	—	—	2,112	—	—	5,305
Corporate bonds	40,219	178,610	80,760	2,865	—	896	—	303,353
Stocks	—	—	—	—	—	—	—	—
Other securities	65,887	107,281	52,959	3,239	2,115	—	7,848	239,331
Foreign bonds	49,723	107,281	52,959	3,239	2,115	—	—	215,319
Other	16,163	—	—	—	—	—	7,848	24,011
Total	163,348	369,428	159,093	6,105	14,171	116,342	7,848	836,338

As of March 31, 2008 (Millions of yen)

	Under one year	One to three years	Three to five years	Five to seven years	Seven to ten years	Over ten years	Unspecified period	Total
JGBs	13,315	17,993	24,722	—	4,002	111,123	—	171,157
Municipal bonds	—	—	—	—	—	—	—	—
Corporate bonds	18,575	62,443	69,051	1,032	—	1,003	—	152,107
Stocks	—	—	—	—	—	—	—	—
Other securities	27,360	68,964	46,522	9,959	—	—	9,705	162,512
Foreign bonds	27,360	68,964	46,522	9,959	—	—	—	152,806
Other	—	—	—	—	—	—	9,705	9,705
Total	59,251	149,401	140,296	10,992	4,002	112,126	9,705	485,777

(b) Year-end balance and change during year of general and specific reserves for possible loan losses

For the years ended March 31 (Millions of yen)

		Beginning balance	Increase	Decrease		Ending balance
				Use for purpose	Other	
General reserve for possible loan losses	2008	152	161	—	152	161
	2009	161	211	—	161	211
Specific reserve for possible loan losses	2008	9	91	—	9	91
	2009	91	244	19	72	244
Total	2008	162	253	—	162	253
	2009	253	456	19	233	456

Note: Loan loss reserves target all individual accounts.

(c) Loan amortization by category

For the years ended March 31 (Millions of yen)

	2008	2009
Individuals	0	0

(d) Exposure by risk weight

As of March 31 (Millions of yen)

Risk weight based on notification	Exposure			
	2008		2009	
	Rated	Not rated	Rated	Not rated
0%	241,336	—	532,935	—
10%	55,185	—	64,110	—
20%	434,110	713	167,959	154
35%	—	239,991	—	322,900
50%	45,558	4,248	50,594	3,725
75%	—	102,585	—	150,058
100%	96,834	14,686	112,076	22,427
150%	—	0	—	—
350%	—	—	—	—
Capital deductions	—	—	—	—
Total	873,024	362,225	927,676	499,267

Notes: 1. Ratings are only provided by eligible rating agencies.
2. Exposure is separated by risk weight after applying credit risk mitigation methods.

(5) Credit risk mitigation

Exposures subject to credit risk mitigation

As of March 31 (Millions of yen)

	Eligible financial collateral		Guarantees		Credit derivatives	
	2008	2009	2008	2009	2008	2009
Exposures subject to credit risk mitigation	—	10,000	4,248	3,705	15,997	8,668
(i) Sovereigns	—	—	—	—	—	—
(ii) Financial institutions	—	10,000	—	—	8,760	4,112
(iii) Corporations	—	—	—	—	7,237	4,555
(iv) Small and medium-sized businesses, individuals	—	—	4,248	3,705	—	—
(v) Collateralized mortgage loans	—	—	—	—	—	—
(vi) Real estate related businesses	—	—	—	—	—	—
(vii) Exposure to items past due by three months or more	—	—	—	—	—	—

(6) Counterparties risk on derivative transactions and long settlement transactions

As of March 31 (Millions of yen)

	2008	2009
Method for calculating credit equivalent amounts	Current exposure method	Current exposure method
Gross restructuring costs	600	4,522

	Credit equivalent amount before credit risk mitigation from collateral		Credit equivalent amount after credit risk mitigation from collateral	
	2008	2009	2008	2009
(1) Derivative transactions	1,557	4,735	1,557	4,735
(i) Foreign exchange transactions	1,715	4,779	1,715	4,779
(ii) Interest rate transactions	1,557	3,155	1,557	3,155
(iii) Gold transactions	—	—	—	—
(iv) Stock transactions	—	—	—	—
(v) Precious metals (excluding gold) transactions	—	—	—	—
(vi) Other commodity transactions	—	—	—	—
(vii) Credit derivatives	—	51	—	51
Credit equivalent amount reduction from close out netting contracts	1,715	3,250	1,715	3,250
(2) Long settlement transactions	—	—	—	—
Total	1,557	4,735	1,557	4,735

Notes: 1. Gross restructuring costs are limited to items that do not fall below zero.
2. "Credit equivalent amount reduction from close out netting contracts" is derived by subtracting the "credit equivalent amount before credit risk mitigation from collateral" from total gross restructuring costs and total gross add-ons.
3. We do not use credit risk mitigation from collateral for derivative transactions.
4. Credit derivatives subject to credit equivalent amount calculation were purchased as protection for credit default swaps and have notional principal of ¥650 million.
5. Credit derivatives used to account for credit risk mitigation have notional principal of ¥10,187 million.

(7) Securitization exposure

(a) Securitization exposure as originator

Not applicable

(b) Securitization exposure as investor

1) Securitization exposure amount and breakdown by main underlying assets

Not applicable

2) Securitization exposure balances by risk weight and capital requirements

Not applicable

3) Credit risk assets calculated based on Article 15 of the Supplementary Provisions to the Consolidated Capital Adequacy Ratio Public Announcement (Interim measure for securitization exposure).
Not applicable

(8) Market risk

Not applicable because, in accordance with Article 16 of the Consolidated Capital Adequacy Ratio Public Announcement, Sony Financial Holdings does not include a market risk equivalent amount in its calculation based on Article 14 of said public announcement.

(9) Banking account investments and equity exposures

The consolidate groups of Sony Bank and Sony Bank Securities, the main banking entities of the Holding Company Group based on the Consolidated Capital Adequacy Ratio Public Announcement, do not have any investments or equity exposures.

(10) Exposures considered credit risk assets and subject to calculation

Not applicable because Sony Financial Holdings and Sony Bank use the standardized approach in calculating credit risk.

(11) Banking account interest rate risk

As of March 31 (Millions of yen)

	Interest rate risk	
	2008	2009
Decrease in economic value from an interest rate shock	3,447	9,699
Japanese yen	3,056	8,246
U.S. dollars	185	540
Others	204	911
Outlier ratio	9.2%	16.2%

Notes: 1. We measure the decrease in economic value from an interest rate shock based on the calculation method shown on page 87 under “11. Banking Account Interest Rate Risk” in the qualitative disclosure section.
2. We manage these figures on a non-consolidated basis for Sony Bank because interest rate risk at Sony Financial Holdings and Sony Bank Securities is negligible.

Sony Life's Financial Data

Condensed Financial Statements

Non-Consolidated Balance Sheets

(Millions of yen)

As of March 31,	2008	2009
Assets:		
Cash and deposits	22,999	25,174
Cash	19	15
Deposits	22,979	25,158
Call loans	72,300	45,800
Monetary trusts	893,952	607,625
Securities	2,388,932	2,819,638
(Japanese government bonds)	1,425,010	2,196,830
(Municipal bonds)	35,869	29,190
(Japanese corporate bonds)	371,852	270,253
(Japanese stocks)	198,233	70,620
(Foreign securities)	271,423	189,426
(Other securities)	86,542	63,317
Loans	108,688	120,462
Policy loans	108,688	120,462
Tangible fixed assets	83,651	82,793
Land	32,996	33,076
Buildings	49,787	47,498
Lease assets	—	337
Construction in progress	84	1,179
Other tangible fixed assets	783	701
Intangible fixed assets	8,095	12,187
Software	8,045	12,136
Lease assets	—	0
Other intangible assets	49	49
Due from agencies	—	1
Due from reinsurers	144	104
Other assets	81,096	61,911
Other receivable	40,402	29,096
Prepaid expenses	845	992
Accrued income	29,724	11,252
Money on deposits	5,336	3,969
Collateral pledged on forward transactions	2,183	13,583
Advance payments	1,288	1,336
Others	1,316	1,679
Deferred tax assets	—	35,439
Allowance for doubtful accounts	(74)	(208)
Total Assets	3,659,786	3,810,929

(Millions of yen)

As of March 31,	2008	2009
Liabilities:		
Policy reserves and others	3,397,003	3,614,027
Reserve for outstanding claims	17,405	19,111
Policy reserves	3,375,090	3,592,376
Reserve for policyholders' dividends	4,506	2,539
Due to agencies	1,308	1,216
Due to reinsurers	740	880
Other liabilities	37,704	36,891
Accrued income tax	3,925	9,530
Other payable	11,290	6,032
Accrued expenses	11,754	11,883
Unearned income	971	883
Deposits received	361	360
Deposits received for guarantee	5,803	6,252
Borrowed securities	1,812	—
Derivatives liabilities	63	—
Lease liabilities	—	388
Policy suspense and other suspense	1,721	1,560
Reserve for employees' retirement benefits	11,324	12,727
Reserve for directors' retirement benefits	71	95
Reserve for price fluctuations	24,099	3,653
Reserve for price fluctuations	24,099	3,653
Deferred tax liabilities	4,155	—
Deferred tax liabilities on land revaluation	706	706
Total Liabilities	3,477,115	3,670,198
Net assets:		
Common stock	65,000	70,000
Capital surplus	865	5,865
Capital reserve	865	5,865
Retained earnings	35,542	62,325
Earned reserve	7,078	8,478
Other retained earnings	28,464	53,847
Unappropriated retained earnings for the period	28,464	53,847
Total stockholder's equity	101,407	138,190
Net unrealized gains on other securities, net of taxes	82,739	4,015
Land revaluation, net of taxes	(1,475)	(1,475)
Total valuation and translation adjustments	81,263	2,539
Total Net Assets	182,671	140,730
Total Liabilities and Net Assets	3,659,786	3,810,929

Non-Consolidated Statements of Income

(Millions of yen)

For the years ended March 31,	2008	2009
Ordinary revenues	741,250	765,910
Income from insurance premiums	648,406	662,011
Insurance premiums	646,976	660,642
Ceded reinsurance commissions	1,430	1,368
Investment income	87,493	98,781
Interest income and dividends	47,913	55,803
Interest income from deposits	476	0
Interest income and devidends from securities	31,346	39,033
Interest income from loans	4,319	4,732
Rent revenue from real estate	11,609	11,632
Other interest income and dividends	161	404
Income from monetary trusts, net	14,776	—
Income from trading securities, net	324	1,084
Gains on sale of securities	24,023	32,115
Gains on redemption of securities	145	807
Gains on derivatives, net	—	8,937
Foreign exchange gains, net	310	—
Other investment income	0	32
Other ordinary income	5,350	5,117
Income for annuity riders	2,485	1,779
Income for differed payment of claims	1,605	2,351
Reversal of reserves for outstanding claims	277	—
Other ordinary income	982	987
Ordinary expenses	701,959	733,500
Insurance claims and other payments	241,106	274,778
Insurance claims	60,052	62,090
Annuity payments	6,350	7,111
Insurance benefits	28,457	32,898
Surrender payments	141,842	168,135
Refund to policyholders	2,054	2,172
Reinsurance premiums	2,349	2,370
Provision for policy reserves and others	286,215	219,031
Provision for reserves for outstanding claims	—	1,706
Provision for policy reserves	286,202	217,285
Interest on policyholders' dividend reserve	13	39
Investment expenses	69,895	133,777
Interest expenses	15	42
Losses on monetary trusts, net	—	856
Losses on sale of securities	1,563	16,157
Devaluation losses on securities	6,697	31,899
Losses on redemption of securities	21	262
Losses on derivatives, net	4,858	—
Foreign exchange losses, net	—	2,614
Provision for reserve for possible loan losses	10	134
Depreciation of real estate for rent and others	3,149	2,932
Other investment expenses	5,262	6,664
Losses on separate accounts, net	48,315	72,212
Operating expenses	94,367	93,928
Other ordinary expenses	10,375	11,983
Payments of deferred claims	1,286	1,898
Taxes other than income taxes	6,257	6,226
Depreciation	1,097	1,836
Provision for reserve for employees' retirement benefits	1,696	1,995
Provision for reserve for directors' retirement benefits	—	24
Others	37	2
Ordinary profit	39,290	32,409

(Millions of yen)

For the years ended March 31,	2008	2009
Extraordinary gains	0	20,446
Gains on sales of fixed assets	0	—
Reversal of reserve for price fluctuations	—	20,446
Reversal of reserve for price fluctuations	—	20,446
Extraordinary losses	3,406	97
Losses from disposal of fixed assets	63	60
Impairment losses	125	20
Provision for reserve for price fluctuations	3,216	—
Provision for reserve for price fluctuations	3,216	—
Other extraordinary losses	—	16
Provision (reversal) for reserve for policyholers' dividends	3,159	(429)
Income before income taxes	32,725	53,188
Income taxes -Current	4,897	14,087
Income taxes -Deferred	9,313	5,317
Income taxes -Total	14,210	19,404
Net income	18,514	33,783

Sony Assurance's Financial Data

Condensed Financial Statements

Non-Consolidated Balance Sheets

(Millions of yen)

As of March 31,	2008	2009
Assets:		
Cash and deposits	2,929	2,819
Cash	0	0
Deposits	2,929	2,819
Securities	56,237	64,309
Japanese government bonds	2,316	14,502
Japanese municipal bonds	35,794	31,870
Japanese corporate bonds	13,491	13,797
Foreign securities	807	1,097
Other securities	3,828	3,040
Tangible fixed assets	231	270
Buildings	201	220
Other tangible fixed assets	29	50
Intangible fixed assets	4,075	1,898
Software	1,013	744
Software in progress	3,024	1,134
Other intangible fixed assets	36	20
Other assets	10,736	12,139
Accrued premiums	963	1,018
Due from reinsurers	112	38
Due from foreign reinsures	—	1
Accounts receivable	7,278	8,384
Accrued income	138	149
Deposits	354	356
Deposits for earthquake insurance	19	22
Suspense payments	1,869	2,169
Deferred tax assets	4,434	5,260
Total assets	78,645	86,698

(Millions of yen)

As of March 31,	2008	2009
Liabilities:		
Policy reserves	56,958	66,520
Reserves for outstanding losses	14,246	15,729
Underwriting reserves	42,711	50,791
Other liabilities	5,284	5,411
Due to reinsurers	177	158
Due to foreign reinsurers	7	3
Income taxes payable	516	556
Deposits received	4	5
Accounts payable	2,115	1,847
Suspense receipt	2,462	2,839
Lease obligations	—	1
Reserve for employees' retirement benefits	412	462
Reserve for directors' retirement benefits	39	37
Reserve for employees' bonuses	529	575
Reserve for price fluctuations and others	36	12
Reserve for price fluctuations	36	12
Total Liabilities	63,260	73,020
Net Assets:		
Stockholder's equity		
Common stock	20,000	20,000
Capital surplus		
Capital reserve	20,000	20,000
Total capital surplus	20,000	20,000
Retained deficits		
Other retained deficits	(24,591)	(26,147)
Unappropriated retained deficits	(24,591)	(26,147)
Total retained deficits	(24,591)	(26,147)
Total stockholder's equity	15,408	13,852
Valuation and translation adjustments		
Net unrealized losses on other securities, net of taxes	(23)	(173)
Total valuation and translation adjustments	(23)	(173)
Total Net Assets	15,385	13,678
Total Liabilities and Net Assets	78,645	86,698

Non-Consolidated Statements of Income

(Millions of yen)

For the years ended March 31,	2008	2009
Ordinary revenues	55,649	61,882
Underwriting income	55,036	61,137
Net premiums written	55,001	61,106
Interest and dividends on deposits of premiums	35	31
Investment income	567	717
Interest income and dividends	578	684
Gains on sale of securities	24	61
Gains on redemption of securities	—	3
Transfer to interest and dividends on deposits of premiums	(35)	(31)
Other ordinary income	44	28
Ordinary expenses	52,831	59,704
Underwriting expenses	38,970	44,211
Net losses paid	26,225	29,952
Loss adjustment expenses	3,204	3,632
Net commissions and brokerage fees	922	1,063
Provision for reserve for outstanding losses	2,010	1,482
Provision for underwriting reserves	6,607	8,079
Other underwriting expenses	—	0
Investment expenses	5	177
Losses on sale of securities	3	143
Devaluation losses on securities	—	29
Losses on redemption of securities	2	4
Operating, general and administrative expenses	13,838	15,308
Other ordinary expenses	16	7
Ordinary profit	2,817	2,178
Extraordinary gains	—	23
Reversal of reserve for price fluctuations and others	—	23
Reversal of reserve for price fluctuations	—	23
Extraordinary losses	413	3,819
Losses on sale or disposal of fixed assets	0	3,819
Provision for reserve for price fluctuations and others	11	—
Provision for reserve for price fluctuations	11	—
Others	402	—
Income (loss) before income taxes	2,403	(1,617)
Income taxes –Current	1,674	765
Income taxes –Deferred	(1,457)	(826)
Total income taxes	—	(60)
Net income (loss)	2,185	(1,556)

Sony Bank's Financial Data

Condensed Financial Statements

Non-consolidated Balance Sheets

(Millions of yen)

As of March 31,	2008	2009
Assets:		
Cash and due from banks	7,346	11,705
Due from banks	7,346	11,705
Call loans	352,568	49,909
Commercial paper and other debt purchased	—	16,163
Securities	488,777	823,174
Japanese government bonds	171,157	288,348
Japanese municipal bonds	—	5,305
Japanese corporate bonds	152,107	303,353
Japanese stocks	3,000	3,000
Other securities	162,512	223,168
Loans	347,065	477,072
Loan on deeds	339,566	468,975
Overdrafts	7,498	8,096
Foreign exchanges	1,683	6,355
Due from foreign banks	1,683	6,355
Other assets	9,367	16,095
Domestic exchange settlement account debit	322	51
Prepaid expenses	14	35
Accrued income	2,592	3,140
Initial margins of future markets	3,267	2,831
Derivatives	1,286	8,099
Accounts receivable	1,131	933
Other	752	1,004
Tangible fixed assets	504	504
Buildings	56	53
Leased assets	—	1
Other tangible fixed assets	447	449
Intangible fixed assets	1,506	2,324
Software	1,503	2,321
Other intangible fixed assets	2	3
Deferred tax assets	2,433	9,106
Reserve for possible loan losses	(253)	(456)
Total Assets	1,211,000	1,411,956

Non-Consolidated Balance Sheets (Continued)

(Millions of yen)

As of March 31,	2008	2009
Liabilities:		
Deposits	1,144,398	1,326,360
Ordinary deposits	216,677	280,297
Time deposits	675,445	763,161
Other deposits	252,276	282,901
Call money	10,000	10,000
Borrowed money	—	2,000
Borrowed money	—	2,000
Foreign exchanges	0	8
Foreign bills payable	0	8
Other liabilities	20,311	26,773
Income taxes	63	84
Accrued expenses	5,350	6,788
Unearned revenue	1	1
Initial margins of future markets	—	7,328
Derivatives	7,290	9,392
Leased obligation	—	1
Others	7,605	3,176
Reserve for employees' bonuses	369	274
Reserve for employees' retirement benefits	157	213
Reserve for directors' retirement benefits	50	61
Total Liabilities	1,175,288	1,365,692
Net Assets:		
Common stock	25,000	31,000
Capital surplus	15,000	21,000
Capital reserve	15,000	21,000
Retained earnings	6,296	5,586
Other retained earnings	6,296	5,586
Unappropriated retained earnings	6,296	5,586
Total shareholders' equity	46,296	57,586
Net unrealized gains (losses) on other securities, net of taxes	(9,055)	(9,688)
Net deferred gains (losses) on hedging instruments, net of taxes	(1,529)	(1,633)
Total valuation and translation adjustments	(10,584)	(11,322)
Total Net Assets	35,712	46,264
Total Liabilities and Net Assets	1,211,000	1,411,956

Non-Consolidated Statements of Income

(Millions of yen)

For the years ended March 31,	2008	2009
Ordinary revenues	25,988	33,361
Interest income	17,152	22,044
Interest income on loans	7,045	9,293
Interest income and dividends on securities	7,320	10,452
Interest income on call loans and bills bought	2,647	2,021
Interest income on deposits with banks	7	7
Interest income on interest rate swaps	26	10
Other interest income	104	258
Fees and commissions	1,823	2,171
Fees and commissions on domestic and foreign exchanges	183	197
Other fees and commissions	1,639	1,973
Other operating income	7,001	9,035
Gains on foreign exchange transactions	5,773	7,938
Gains on sales of bonds	734	250
Gains on redemption of bonds	0	0
Income from derivatives other than for trading or hedging	492	846
Other ordinary income	11	111
Other	11	111
Ordinary expenses	23,242	32,947
Interest expenses	12,046	15,397
Interest expenses on deposits	11,380	14,503
Interest expenses on call money and bills sold	133	58
Interest on borrowed money	—	38
Interest expenses on interest rate swaps	532	796
Other interest expenses	0	0
Fees and commissions	1,424	1,857
Fees and commissions on domestic and foreign exchanges	69	76
Other fees and commissions	1,355	1,780
Other operating expenses	1,524	5,107
Loss on sales of bonds	1,319	2,634
Loss on redemption of bonds	—	2,473
Other	205	—
General and administrative expenses	8,145	10,309
Other ordinary expenses	100	274
Provision of allowance for loan losses	90	223
Written-off of loans	0	0
Other	8	51
Ordinary profit	2,746	414
Income before income taxes	2,746	414
Income taxes-Current	3	3
Income taxes-Deferred	(1,749)	1,121
Total income taxes	—	1,124
Net income (loss)	4,492	(710)

Glossary (in alphabetical order)

[A] **Assumed interest rate (life and non-life insurance)**
Insurance companies anticipate a certain return on invested assets in advance and discount insurance premiums by only this amount. This discount is called the assumed interest rate.

[B] **Bank sales of insurance products (life and non-life insurance, banking)**
A bank serves as an insurance agency to solicit insurance. There were previously restrictions on what products could be sold, but these restrictions were abolished on December 22, 2007, and banks can now sell a variety of insurance products.

Benefits (life insurance)
Money paid by an insurance company to a beneficiary in the event of hospitalization, surgery, or other action involving the insured.

[C] **Combined ratio (non-life insurance)**
Total of an insurance company's net loss ratio and net expense ratio. Indicates an insurance company's efficiency based on income and payments.

Contingency reserve (life and non-life insurance)
Reserve to prepare for abnormal payments in the future resulting from various factors, including insurance risk and assumed interest rate risk. Insurance companies list contingency reserves at every account closing as one component of policy reserves in the financial statements.

Core profit (life insurance)
Core profit is an indicator of profits in the primary insurance business over a one-year period. It is derived by subtracting from ordinary profit any profits earned from operations other than the primary insurance business, including profits from the sale of assets owned by the insurance company. Profit categories subtracted from ordinary profit include gains and losses on the sale of securities and one-time gains and losses.

Capital adequacy ratio (banking)
Indicator of whether a bank has enough capital, including common stock, in relation to credit risk assets (of total assets, those which could become non-performing).

If a bank is unable to recover a large amount of loans, it can draw on capital and write off these loans. A sharp decrease in capital creates difficulties for bank management.

Capital adequacy ratio regulations ensure that banks are soundly managed by keeping the capital adequacy ratio above a certain level. This ratio is therefore an important indicator.

Compulsory automobile liability insurance (non-life insurance)
Compulsory automobile liability insurance is legally required for all vehicles and provides protection for victims of traffic accidents resulting in injury or death. Compulsory automobile liability mutual aid is similar. With compulsory automobile liability insurance (mutual aid), indemnity payments per person per accident are capped at ¥30 million for death, ¥40 million for serious residual disability, and ¥1.2 million for injury. It should be noted that benefits are not paid for vehicle or property damage.

[D] **Direct premiums written (non-life insurance)**
Calculated by subtracting various refunds (excluding maturity refunds) from direct premium income (gross).

Direct premium income (non-life insurance)
Premiums received by insurance companies based on direct insurance policies.

[E] **Endowment insurance (life insurance)**
Endowment insurance entitles a beneficiary to receive death or serious injury benefits upon the death or serious injury of the insured within an insurance period specified when the policy is concluded, or to receive maturity benefits upon policy maturity.

Expense ratio (non-life insurance)
Ratio of expenses for soliciting, maintaining, and managing insurance to insurance premiums. Used as an indicator of business efficiency at insurance companies. Ratio is normally derived by adding operating, general, and administrative expenses related to insurance underwriting to net commissions and brokerage fees, and then dividing by net premiums written.

[F] **Financial products intermediary service (banking)**
Service in which a bank is entrusted by a securities company to open general securities accounts for customers, solicit trading orders for stocks, foreign bonds, and other securities, and pass applications to the partnering securities company.

[G] **Gross operating profit (banking)**
Gross operating profit is the total income from the four components of banking services income: net interest income, net fees and commissions, net trading income, and net other operating income. Equivalent to gross profit (sales minus purchases) and an indicator of the amount of profits a bank generates from its main services. Sony Bank does not currently generate net trading income.

General account (life insurance)
Account for managing financials assets not included in separate accounts. This account guarantees policyholders a certain assumed interest rate.

Group credit life insurance (life insurance)
Insurance provided to home loan borrowers and other debtors. Upon death of the insured, the creditor will be paid a death benefit equivalent to the loan balance at that time, thereby paying off the loan.

[I]

Individual annuities (life insurance)
Policyholders are eligible for receiving annuity payments, from funds accumulated by paid insurance premiums and starting at a certain age prescribed in the policy. There are a variety of types depending on the period for receiving the annuity, structure of the annuity, method for paying premiums, and death protection prior to receiving the annuity.

Insured (life and non-life insurance)
Person receiving insurance protection and compensation or person who has insurance coverage for their life, illness, or injury. This can be the same or different person from the policyholder.

Insurance Business Law (life and non-life insurance)
Insurance business has a public aspect and the Insurance Business Law, as noted in Article 1-1, is intended to protect policyholders and contribute to stable lives of Japanese citizens and to sound national economic development by ensuring sound and appropriate business practices and fair insurance solicitation by parties engaged in insurance business.

Insurance claim (life and non-life insurance)
Money paid by an insurance company to the insured upon the death or serious injury of the insured or policy maturity in the case of life insurance; upon damage caused by a compensation event according to the insurance policy in the case of non-life insurance; and upon hospitalization or surgery of the insured in the case of third-sector insurance.

Insurance premiums (life and non-life insurance)
Money paid by policyholders to an insurance company based on the insurance policy. Even after submitting an insurance policy application, no protection or compensation is provided unless premiums are paid.

[L]

Lapse (life insurance)
Life insurance policies require that premiums continue to be paid until a certain date, according to the payment method, to remain effective. If a policyholder stops paying premiums, the policy will lapse after a payment grace period (a lapsed policy no longer provides protection), and the policyholder will be not eligible to receive benefits.

Lapse and surrender rate (life insurance)
Lapse and surrender rate is the ratio of lapses and surrenders to policies in force. Annual Report documents show, in addition to lapses and surrenders, the ratio derived by dividing the amount of lapses and surrenders, adjusted for policy amount decreases, increases, and reinstatements, by the policy amount in force at the beginning of the fiscal year.

Losses on the disposal of fixed assets (life and non-life insurance, banking)
In the sale of assets other than securities, including real estate and movable assets, should the sale price be lower than the total of book value and transfer costs, the difference is recorded as a loss. This item also includes the retirement of assets other than securities through demolition or other means, losses caused by disaster or theft, and losses on the transfer of receivables, including loans to debtor countries.

Loss adjustment expense (non-life insurance)
Expense incurred by an insurance company in examining an insured event. These include personnel and non-personnel expenses.

Loss ratio (non-life insurance)
Ratio of insurance claims paid to premium income. Used in analyzing the business of an insurance company and in calculating insurance premium rates. Net loss ratio is the ratio derived by adding loss adjustment expense to net losses paid, then dividing by net premiums written.

[M]

Medical insurance (life and non-life insurance)
Medical insurance provides policyholders with hospitalization and surgical benefits in the event of hospitalization or surgery due to illness or injury.

[N]

Negative spread (life insurance)
A negative spread occurs when the investment of assets by an insurance company yields an actual return that is lower than the assumed interest rate.

Net fees and commissions (banking)
Fees and commissions charged for providing services. These include bank transfer fees and investment trust sales commissions.

Net interest income (banking)
Net interest income accounts for the largest percentage of the four income components of gross operating profit. Banks generally use the deposits received from individuals and the funds raised in interbank markets to provide loans to individuals and companies and to invest in securities. Net interest income is the difference between the total interest received from loans and other items (interest income) and the total interest paid for deposits and other items (interest expenses). Net interest income is affected by changes in interest rates (e.g., if deposit interest rates rise while loan interest rates stay the same, net interest income will decrease), and by deposit and loan balances.

Net other operating income (banking)
Net other operating income is derived from services other than the primary banking services income categories of net interest income, net fees and commissions, and net trading income. One example is buying and selling in dollars and other foreign currencies. In this case, after purchasing foreign currency at a certain price, any gain from subsequent sale at a price higher than the purchase price would be recorded in other operating income, and any loss from subsequent sale at a price lower than the purchase price would be recorded in other operating expenses.

Net premiums written (non-life insurance)
Premiums received directly from policyholders (direct premiums written), adjusting for reinsurance premiums (subtracting direct reinsurance premiums paid and adding direct reinsurance premiums received), and subtracting accumulated premiums.

Non-performing assets (life and non-life insurance, banking)
Non-performing assets are claims against parties in bankruptcy, claims against parties in effective bankruptcy due to poor business or other reasons, and claims against parties at risk of bankruptcy. Non-performing assets also include loans for which principal or interest payments are past due by three months or more, and loans for which repayment on initial terms is impossible and interest has been reduced or exempted and the repayment of principal has been extended.

[O]

Operating expenses (life and non-life insurance)
The practical expenses of insurance companies. Similar to the selling, general, and administrative expenses of general business corporations. Life insurance companies record the expenses required for soliciting new policies, maintaining policies in force, and paying claims and other items. Non-life insurance companies use the general categories of loss adjustment expenses; operating, general, and administrative expenses; and net commissions and brokerage fees.

[P]

Policy amount in force (life insurance)
Total amount of protection provided by life insurance companies to individual policyholders. This is different from the total amount of premiums paid by policyholders (premium income).

Policyholder loans (life insurance)
Loans provided up to a certain level of the surrender payment on life insurance policies.

In general, policyholders retain insurance protection and rights to receive dividends during the period of the policyholder loan.

However, policyholder loans may not be available depending on the type of insurance.

Policyholder (life and non-life insurance)
Person that concludes an insurance policy with an insurance company and has various rights (e.g., request of changes in the policy details) and obligations (e.g., payment of premiums) based on the policy.

Policy reserves (life and non-life insurance)
Reserves that insurance companies accumulate in advance, funded by premiums, investment income, and other sources, to prepare for future liabilities resulting from insurance policies, including payments of claims, annuities, and benefits. Policy reserves include ordinary policy reserves, catastrophe reserves, contingency reserves, refund reserves, and reserves for policyholders' dividends.

Policy reserves and others (life and non-life insurance)
Reserves recorded in the liabilities section of the balance sheets for which insurance companies are required in the Insurance Business Law to accumulate to prepare for the payment of future claims and other items to fulfill their obligations for paying claims and other actions based on insurance policies. Policy reserves and others include reserves for outstanding claims, policy reserves, and reserves for policyholders' dividends.

[R]

Reinsurance (life and non-life insurance)
Insurance agreement that insurance companies conclude with domestic and overseas reinsurance companies for some of the insurance they underwrite, mainly large policies, in order to diversify risks on insurance policy.

Reserve for price fluctuations (life and non-life insurance)
Reserve to prepare for losses caused by future declines in prices of assets owned by an insurance company that are subject to sharp price fluctuations, including stocks and bonds. This reserve is listed in the liabilities section of the balance sheets.

The reserve is provided at a certain percentage of assets based on Article 115-1 of the Insurance Business Law. When losses on stock trading and other transactions exceed profits, the difference is covered by the reserve.

Reserve for outstanding claims (life and non-life insurance)

Reserve for the estimated amount of insurance payments that are unconfirmed and insurance claims that are unpaid at the end of the fiscal year, from among payment obligations for insurance claims, surrender payments, and other benefits.

Riders (life and non-life insurance)

Riders can enlarge the scope of protection in the main policy by adding provisions to the main policy. Riders do not constitute a policy by themselves. Multiple riders can be added to the main policy. Riders are canceled when the main policy is canceled due to maturity, surrender, or other reason.

Risk segmented automobile insurance (non-life insurance)

Automobile insurance that segments the risk factors on which insurance premium calculations are based. The Insurance Business Law Enforcement Regulations recognized nine risk segment categories: age, sex, driving history, purpose of use, conditions of use, region, vehicle model, presence of safety equipment, and number of vehicles owned.

[S]

Solvency margin (life and non-life insurance)

The solvency margin indicates payment ability. Life insurance companies accumulate policy reserves to prepare for the payment of future claims, allowing them to adequately respond to risks within a normally anticipated range. However, unforeseen events can occur, including major disasters and substantial declines in the stock market. The solvency margin ratio is one measure used by regulatory authorities to determine whether an insurance company has the ability to pay in response to the risk of such unpredictable events. If this ratio falls below 200%, the Financial Services Agency will take steps to quickly restore financial soundness.

Separate accounts (life insurance)

Separate accounts are used with variable life insurance, variable annuities, and other insurance products to invest assets separately from the other financial assets owned by a company in order to pay investment returns directly to policyholders.

Surrender (life and non-life insurance)

Cancellation of an insurance policy for the future. Surrender cancels the policy and ceases insurance protection.

Surrender payments (life and non-life insurance)

Money refunded to the policyholder in the event that the insurance policy is surrendered or cancelled due to concealment or other reason. Surrender payment amounts vary depending on several factors, including the type of insurance, insurance period, and years elapsed. Normally, a shorter payment period would result in a smaller amount compared with total insurance premiums paid.

[T]

Term insurance (life insurance)

Term insurance entitles a beneficiary to receive benefits in the event of death or serious injury of the insured within an insurance period specified when the policy is concluded.

Third-sector insurance (life and non-life insurance)

Third-sector insurance refers to insurance positioned between life insurance (first sector) and non-life insurance (second sector). It encompasses a variety of types of insurance, including medical insurance, cancer insurance, nursing care insurance, and personal accident insurance. Regulatory easing allowed both life and non-life insurance companies to handle all third-sector insurance products from July 2001.

[U]

Underwriting profits (non-life insurance)

Underwriting profits are calculated by subtracting from underwriting income (e.g., net premiums written) any underwriting expenses (e.g., net losses paid and loss adjustment expenses) and operating, general, and administrative expenses associated with underwriting, then adding or subtracting other income and expenses (e.g., corporate taxes associated with compulsory automobile liability insurance).

[V]

Variable life insurance (life insurance)

Insurance product in which assets are invested mainly in stocks and bonds and claims and surrender payments increase or decrease depending on investment returns. The individual assumes the investment risk.

Variable individual annuity (life insurance)

Individual annuity product in which assets are invested mainly in stocks and bonds and annuity and surrender payments increase or decrease depending on investment returns. The individual assumes the investment risk.

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