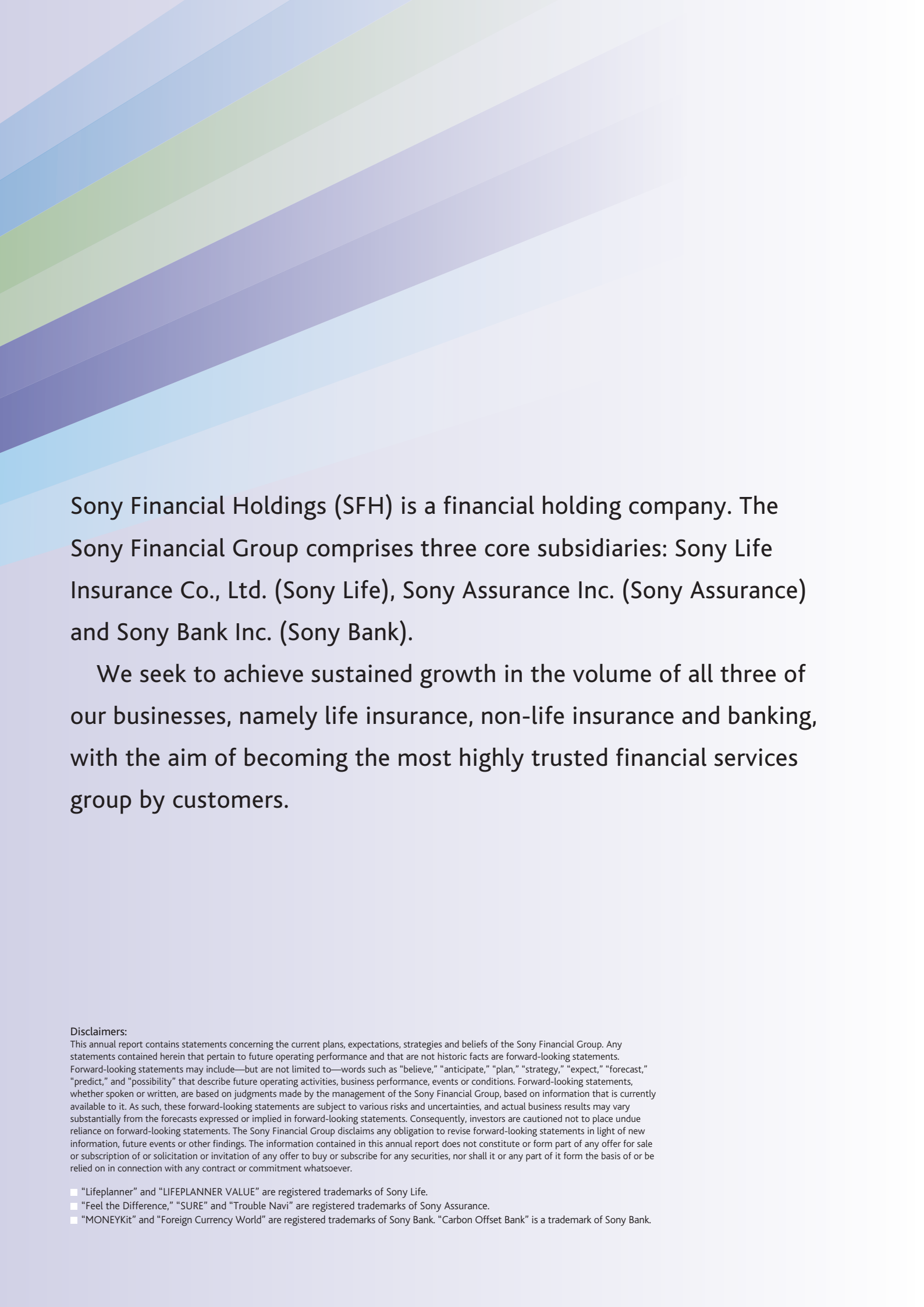


# 2013

## Annual Report

Sony Financial Holdings Inc.



Sony Financial Holdings (SFH) is a financial holding company. The Sony Financial Group comprises three core subsidiaries: Sony Life Insurance Co., Ltd. (Sony Life), Sony Assurance Inc. (Sony Assurance) and Sony Bank Inc. (Sony Bank).

We seek to achieve sustained growth in the volume of all three of our businesses, namely life insurance, non-life insurance and banking, with the aim of becoming the most highly trusted financial services group by customers.

**Disclaimers:**

This annual report contains statements concerning the current plans, expectations, strategies and beliefs of the Sony Financial 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,” and “possibility” that describe future operating activities, business performance, events or conditions. Forward-looking statements, whether spoken or written, are based on judgments made by the management of the Sony Financial 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 Sony Financial 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.

- “Lifeplanner” and “LIFEPLANNER VALUE” are registered trademarks of Sony Life.
- “Feel the Difference,” “SURE” and “Trouble Navi” are registered trademarks of Sony Assurance.
- “MONEYKit” and “Foreign Currency World” are registered trademarks of Sony Bank. “Carbon Offset Bank” is a trademark of Sony Bank.

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### Please visit SFH's website to view the Financial Data Book.

Beginning with the 2013 Annual Report, SFH has provided detailed financial data for each operating company and certain other information that was previously shown in the annual report in a separate publication called the Financial Data Book.

The Financial Data Book is available only on SFH's website.



[http://www.sonyfh.co.jp/web/en/financial\\_info\\_e/annualreport.html](http://www.sonyfh.co.jp/web/en/financial_info_e/annualreport.html)

## Message from the President



**Through steady expansion of  
our three core businesses,  
we aim to achieve sustainable growth  
for the Sony Financial Group.**

Let me begin by expressing my heartfelt gratitude for your continued support and interest in the Sony Financial Group.

In FY2012, the fiscal year ended March 31, 2013, the Japanese economy was impacted by sluggish exports due to the slowdown in some overseas economies, including the protracted European debt crisis, and the economic outlook remained unclear from the summer. With the change of Japanese administration in December 2012, however, there were heightened prospects of a proactive monetary easing policy. In the bond market long-term interest rates fell further, while in the stock market there were rising expectations for growth in corporate earnings, and the Nikkei Stock Average rose sharply. Meanwhile, in the foreign currency market the yen weakened. Consequently, consumer sentiment improved, and personal consumption held steady.

Under such conditions, all of the companies that comprise the core of the Sony Financial Group—Sony Life, Sony Assurance, and Sony Bank—maintained a high degree of financial soundness, responded to the diversifying needs of customers, and provided high-quality financial services through distinctive sales channels. As a result, business operations continued to expand steadily during FY2012 in all of our businesses, namely, life insurance, non-life insurance, and banking. Sony Life recorded a steady increase in market consistent embedded value (MCEV), despite the decline in ultralong-term interest rates, through stably acquiring new policies. This demonstrates that the foundation for earnings we have established is resistant to fluctuations in the financial market. In accordance with our policy of enhancing shareholder returns based on such a stable earnings foundation and high degree of financial soundness, we increased our dividend payment for the fiscal year ended March 31, 2013 by ¥5 from the previous fiscal year, to ¥25 per share.

The business environment in the insurance and banking industries going forward is expected to be severe and unstable due to the continued slowdown in the global economy, uncertainty regarding the economic recovery in Japan, and unsteady financial market developments worldwide. However, we will continue to provide high-quality services to further increase customer satisfaction and broaden our customer base. We will move forward with efforts to realize sustainable growth for the Sony Financial Group, work to enhance our corporate value, and contribute to the advancement of society as a whole.

July 2013



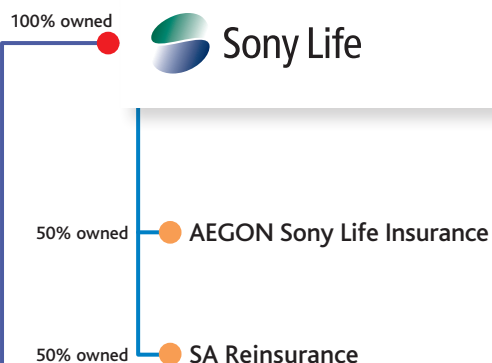
Katsumi Ihara  
President, Representative Director

# Strengths

## Sony Financial Group's Strengths

### Group Structure

### Life Insurance Business



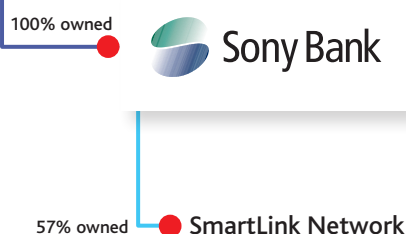
A consulting session led by a Lifeplanner sales employee

### Non-life Insurance Business



Sony Assurance official website

### Banking Business



Sony Bank's MONEYKit service site



● Consolidated subsidiaries  
● Equity-method affiliates  
(As of July 1, 2013)



The Sony Financial Group's core companies, **Sony Life**, **Sony Assurance** and **Sony Bank**, have each established business models based on their originality. This high degree of originality is one of the Group's key strengths, and constitutes the engine behind its growth.

## Sony Life

ともに生きるということ  
**LIFEPLANNER VALUE.**  
ライフプランナーバリュー

### Main Sales Channels

- Lifeplanner sales employees
- Partners (Independent agencies)



### Main Products

- ▷ Death-protection insurance
- ▷ Medical insurance, educational endowment insurance, living benefit insurance, nursing care insurance and others

### Strengths

- Business expansion with consulting sales approach and after-sales follow-up services based on life planning
- High profitability from its product portfolio centering on protection type of insurance products
- Financial soundness to meet future capital regulations

Please refer to page 22, "Life Insurance Business," for details.



## Sony Assurance

**FEEL THE Difference**

この違いが、保険を変えていく。

### Main Sales Channels

- Internet
- Telephone



### Main Products

- ▷ Automobile insurance (risk segmented)
- ▷ SURE medical and cancer insurance

### Strengths

- Profitability based on a low-cost structure and risk segmentation unique to a direct non-life insurance company
- Leading position in the expanding direct automobile insurance market
- High-quality accident response services and highly convenient web-based services

Please refer to page 28, "Non-life Insurance Business," for details.



## Sony Bank

**MONEYKit.**

### Main Sales Channels

- Internet



### Main Products

- ▷ Deposits (yen, foreign currencies)
- ▷ Mortgage loans
- ▷ Investment trusts, foreign-exchange margin trading, and others

### Strengths

- Steady business expansion backed by high customer satisfaction
- Low-cost business structure unique to an Internet bank
- A lineup of highly convenient, high-quality products leveraging the advantages of the Internet

Please refer to page 30, "Banking Business," for details.



# Highlights

## Sony Financial Group's Financial Highlights

### Sony Financial Holdings (Consolidated)

	(Millions of yen)					
For the years ended March 31	2008	2009	2010	2011	2012	2013
Ordinary revenues	¥ 822,153	¥ 860,323	¥ 978,991	¥1,002,201	¥1,078,070	¥1,259,041
Ordinary profit	44,500	34,253	84,373	76,860	74,625	79,252
Net income	24,255	30,722	48,126	41,716	32,812	45,064
Comprehensive income	—	—	71,066	31,963	60,376	96,225
As of March 31						
Total assets	4,977,450	5,313,677	6,001,088	6,597,140	7,241,414	8,096,164
Net assets	261,627	204,897	269,439	294,877	347,800	435,444
Consolidated capital adequacy ratio (Domestic criteria) <sup>(Note 2)</sup>	14.62%	13.32%	12.05%	10.96%	10.14%	9.88%
Consolidated solvency margin ratio <sup>(Note 3)</sup>	—	—	—	—	1,380.3%	1,520.6%

### Sony Life (Non-consolidated)

For the years ended March 31						
Ordinary revenues	¥ 741,250	¥ 765,910	¥ 881,798	¥ 900,091	¥ 967,400	¥1,142,274
Ordinary profit	39,290	32,409	80,099	73,176	69,436	74,659
Net income	18,514	33,783	46,138	40,220	31,426	42,444
As of March 31						
Total assets	3,659,786	3,810,929	4,286,540	4,723,332	5,222,846	5,952,750
Net assets	182,671	140,730	191,312	215,387	264,836	342,333
Non-consolidated solvency margin ratio <sup>(Note 4)</sup>	1,747.9%	2,060.5%	2,637.3%	2,900.1%	1,980.4%	2,281.8%

### Sony Assurance

For the years ended March 31						
Ordinary revenues	¥ 55,649	¥ 61,882	¥ 68,174	¥ 74,166	¥ 80,096	¥ 84,711
Ordinary profit	2,817	2,178	2,565	2,144	2,859	2,371
Net income (loss)	2,185	(1,556)	1,604	1,297	1,299	1,454
As of March 31						
Total assets	78,645	86,698	98,340	109,382	118,612	127,421
Net assets	15,385	13,678	15,482	16,772	18,009	19,934
Non-consolidated solvency margin ratio <sup>(Note 4)</sup>	1,073.9%	993.0%	1,018.5%	981.4%	557.8%	504.2%

### Sony Bank (Non-consolidated)

For the years ended March 31						
Ordinary revenues	¥ 25,988	¥ 33,361	¥ 30,500	¥ 29,521	¥ 30,075	¥ 31,351
Ordinary profit	2,746	414	2,930	3,377	4,033	4,282
Net income (loss)	4,492	(710)	1,646	2,054	2,340	879
As of March 31						
Total assets	1,211,000	1,411,956	1,612,186	1,761,830	1,890,503	2,005,081
Net assets	35,712	46,264	58,989	59,971	62,796	67,811
Non-consolidated capital adequacy ratio (Domestic criteria) <sup>(Note 5)</sup>	9.15%	13.37%	12.09%	10.84%	11.58%	11.98%

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

2. 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 Act of Japan.

Calculations do not include Sony Life, Sony Life Insurance (Philippines), Sony Assurance, AEGON Sony Life Insurance, or SA Reinsurance within the scope of consolidation until March 31, 2012. Calculations do not include Sony Life, Sony Assurance, AEGON Sony Life Insurance, or SA Reinsurance on March 31, 2013.

SFH applied FSA Notification No. 79 (2008) until March 31, 2012. SFH applied FSA Notification No. 56 (2012) as of March 31, 2013.

3. SFH has calculated the consolidated solvency margin ratio based on the stipulations of Article 210, Paragraph 11-3 and Paragraph 11-4 of the Ordinance of Enforcement of the Insurance Business Act of Japan, and the FSA Notification No. 23 (2011). Calculations include Sony Bank, Sony Bank Securities, and SmartLink Network within the scope of consolidation as of March 31, 2012. Calculations include Sony Bank and SmartLink Network within the scope of consolidation as of March 31, 2013.

4. Sony Life and Sony Assurance have applied the previous standards to the calculation of the non-consolidated solvency margin ratio until March 31, 2011, while applying the current standards from March 31, 2012.

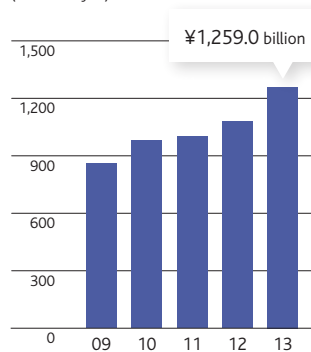
5. Sony Bank has calculated the non-consolidated capital adequacy ratio (domestic criteria) based on FSA Notification No. 19 (2006), which establishes standards based on Article 14-2 of the Banking Act of Japan for determining the capital adequacy of a bank in light of the assets held by the bank. From March 31, 2009 to March 31, 2012, the Bank applied FSA Notification No. 79 (2008). The Bank applied FSA Notification No. 56 (2012) as of March 31, 2013.



The Sony Financial Group has steadily expanded its business volume, while maintaining financial soundness. This high degree of financial soundness is crucial to earning and maintaining the trust of customers, and is also an essential foundation for future growth.

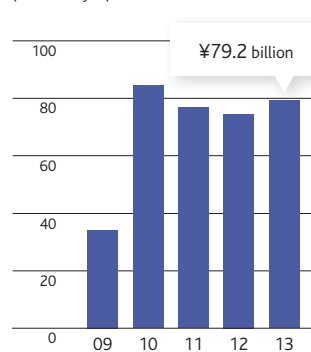
## Sony Financial Holdings (Consolidated)

Ordinary revenues  
(Billions of yen)



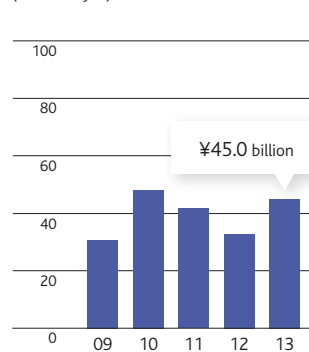
For the years ended March 31

Ordinary profit  
(Billions of yen)



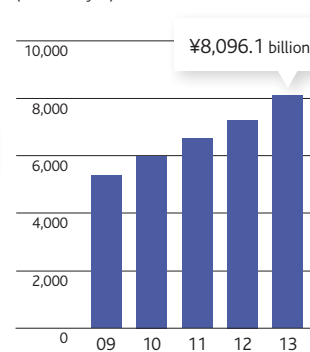
For the years ended March 31

Net income  
(Billions of yen)



For the years ended March 31

Total assets  
(Billions of yen)



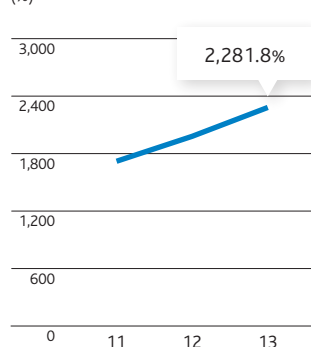
As of March 31

## Financial Soundness Indicators (As of March 31)

The Sony Financial Group strives to ensure a high degree of financial soundness, in order to earn and maintain the trust of customers as a financial institution.

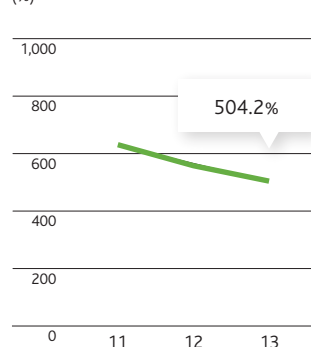
### Sony Life

Non-consolidated solvency margin ratio (%)



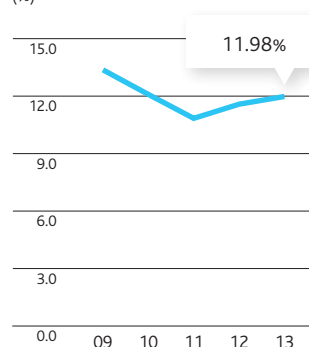
### Sony Assurance

Non-consolidated solvency margin ratio (%)



### Sony Bank

Non-consolidated capital adequacy ratio (Domestic criteria) (%)



\* In the above charts, Sony Life and Sony Assurance have calculated non-consolidated solvency margin ratios based on the current standards, which were applied from March 31, 2012.

## Credit Ratings (As of July 1, 2013)

	Rating			
Rating Agency	Rating and Investment Information (R&I)			
Sony Financial Holdings	● Issuer ratings			
	AA-			
Rating Agency	Rating and Investment Information (R&I)	Japan Credit Rating Agency (JCR)	Standard & Poor's (S&P)	Moody's Investors Service (Moody's)
Sony Life	● Insurance claims paying ability	● Ability to pay insurance claims	● Insurer financial strength rating	● Insurer financial strength rating
	AA	AA	A+	Aa3
Rating Agency	Japan Credit Rating Agency (JCR)	Standard & Poor's (S&P)		
Sony Bank	● Long-term senior debts rating	● Long-term counterparty credit rating	● Short-term counterparty credit rating	
	AA-	A	A-1	

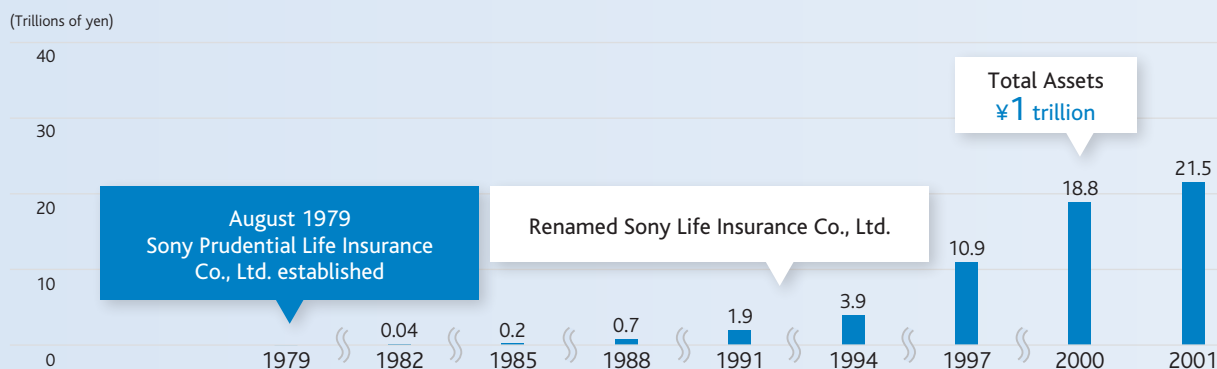
# Growth

## Sony Financial Group's Growth Trajectory

### Sony Life (Non-consolidated)

#### Policy amount in force\*

(As of March 31)



\* The total amount of individual life insurance and individual annuities

### Sony Assurance

#### Direct premiums written

(For the years ended March 31)

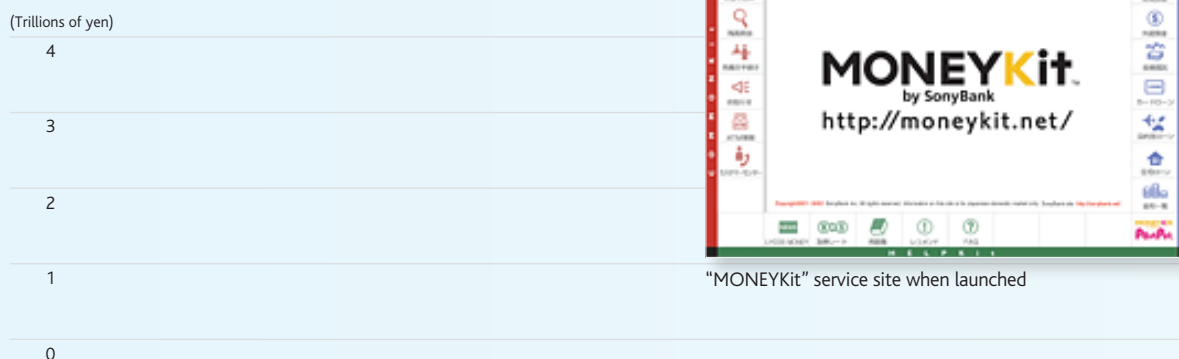


Corporate website when launched

### Sony Bank (Non-consolidated)

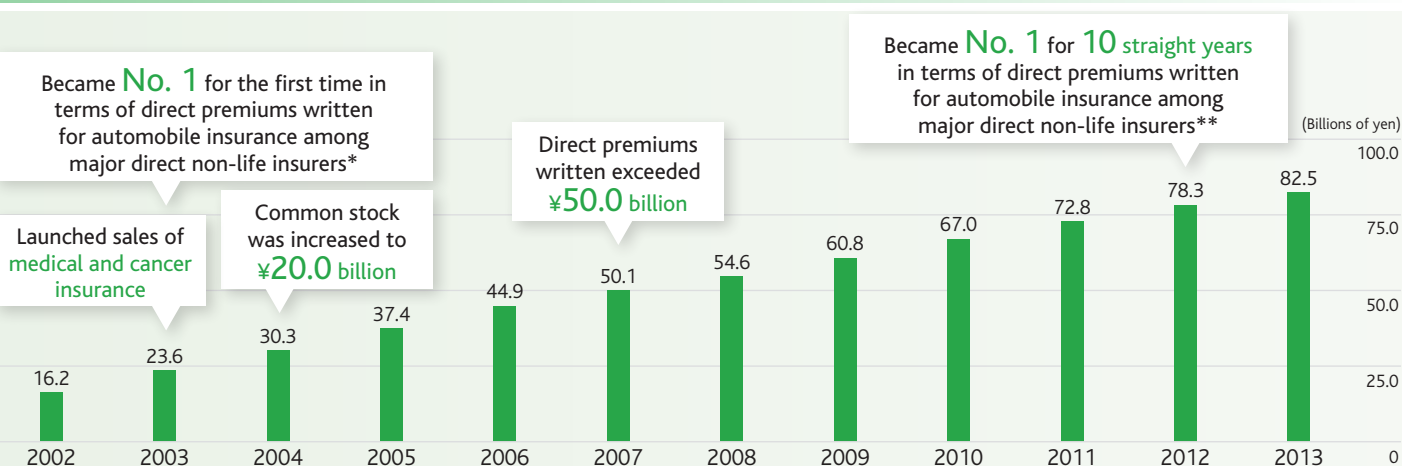
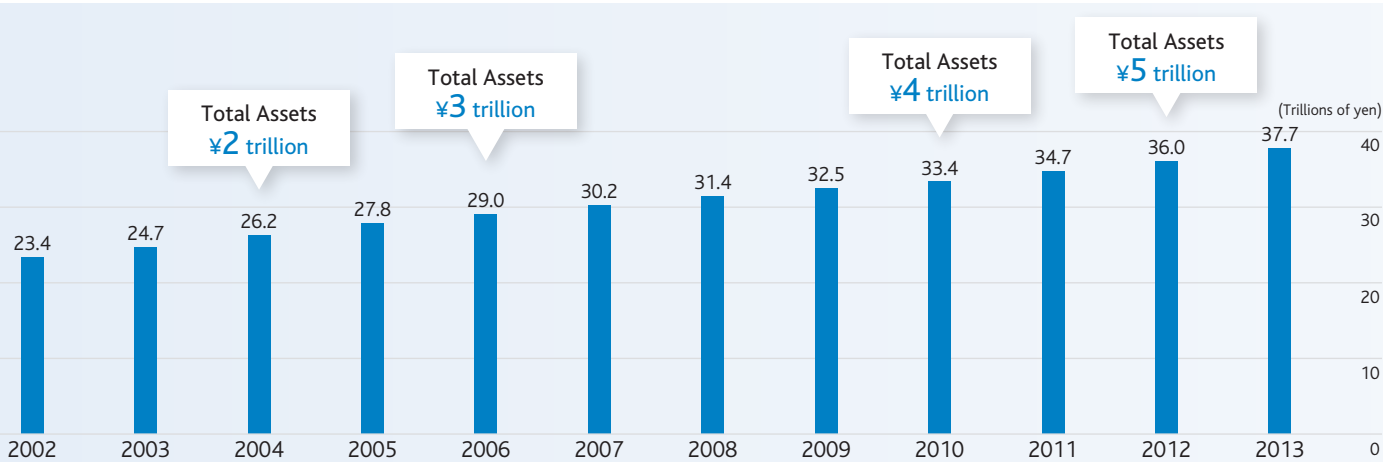
#### Retail Balance\*

(As of March 31)



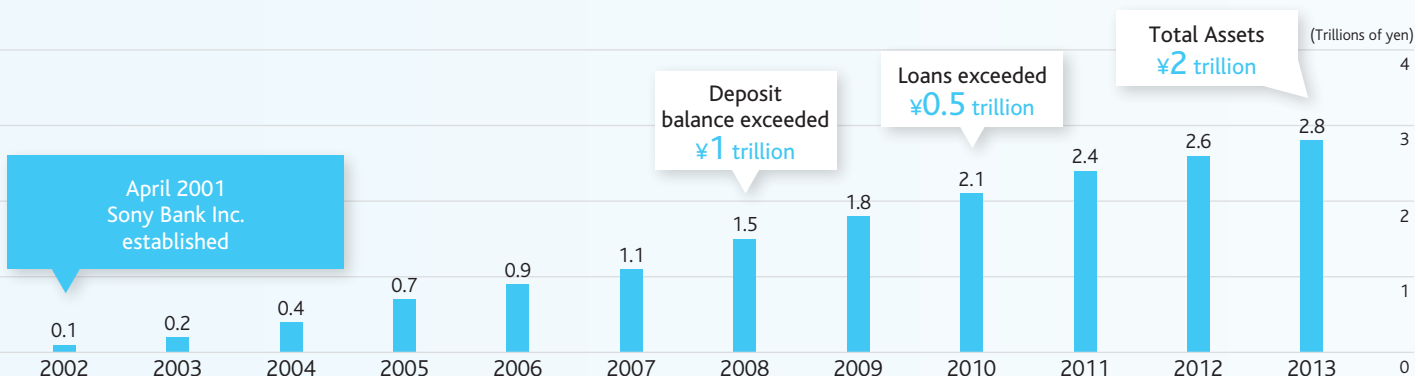
\* The total amount of deposits, investment trusts and personal loan balance

The Sony Financial Group's core companies **Sony Life**, **Sony Assurance** and **Sony Bank** have continued to deliver steady growth by leveraging their respective strengths.



\* Here, major direct non-life insurers refer to non-life insurers selling automobile insurance primarily via direct sales channels as of the end of FY2002.

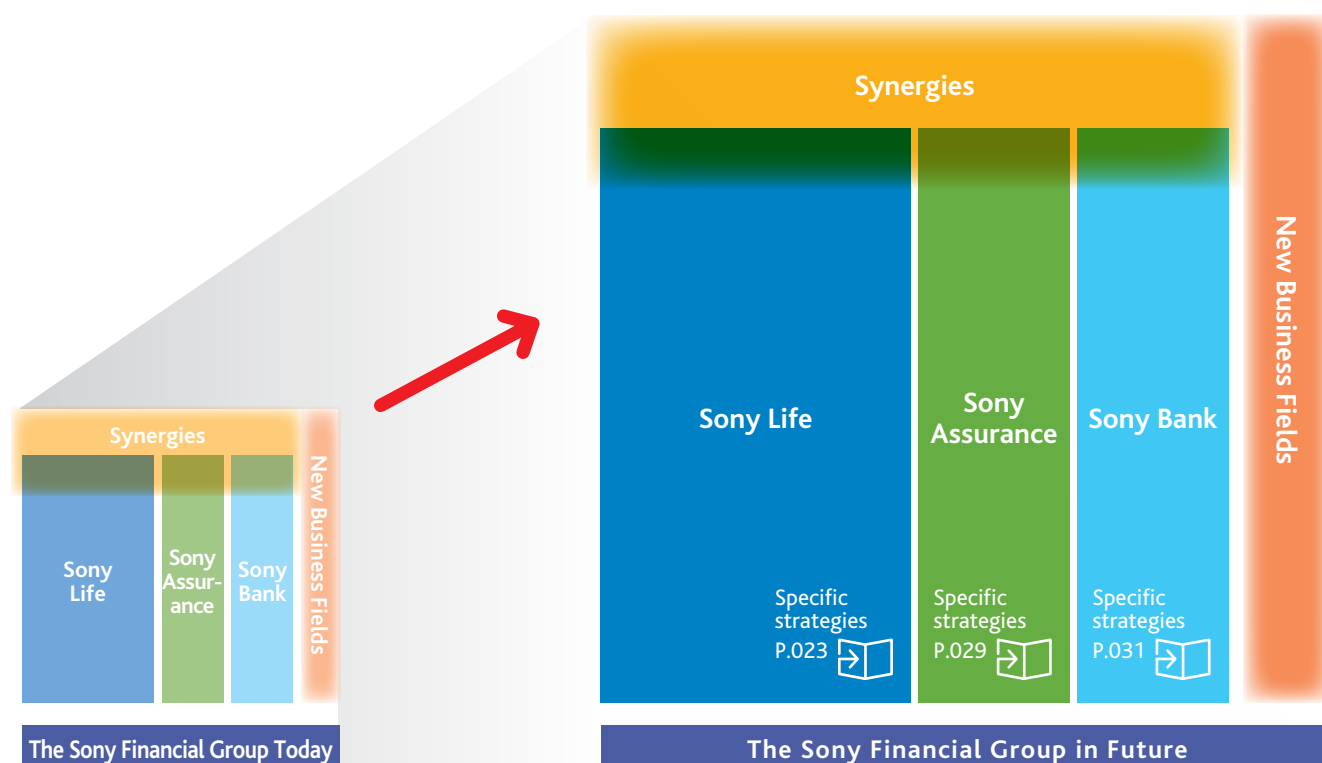
\*\* Here, major direct non-life insurers refer to non-life insurers selling automobile insurance primarily via direct sales channels as of the end of FY2011.



# Strategies

## Sony Financial Group's Growth Strategies

### Image of the Sony Financial Group's Future



### 1. Driving Growth in the Three Core Businesses

Sony Life, Sony Assurance and Sony Bank have set themselves apart by developing business models that differ from those of their existing competitors in their respective industries. As a result, the three companies have been providing customer-oriented and highly convenient financial products and services to individual customers. Looking ahead, the Sony Financial Group will continue to achieve sustained growth by strengthening the competitive advantages of each company, thereby further enhancing each company's presence in the respective markets.

### 2. Promoting Group-wide Synergies

As deregulation proceeds in the financial services industry, the Sony Financial Group believes that it will be able to enhance collaboration among Group companies on the sale of each company's financial products to individual customers. We have worked to promote collaboration within the Group by, for example, having Lifeplanner sales employees at Sony Life sell Sony Assurance's automobile insurance and Sony Bank's mortgage loans. By continuing to strengthen and expand collaboration among its businesses, the Group will work to develop new customer bases and raise the efficiency of business operations.

### 3. Expanding into New Business Fields

We intend to continuously enhance the range of products and services that satisfy the expectations of customers, centered on business fields that are closely tied to our existing three businesses, in an effort to steadily expand business volume. In fields it has yet to enter, the Sony Financial Group will actively consider moving into business fields that help realize its vision, as it strives to diversify earnings sources and expand earnings.

# Interview with the President

In this section, Katsumi Ihara, President and Representative Director of SFH, answers questions about strategies that will be crucial to enhancing the Sony Financial Group's corporate value going forward. The interview also takes a look at the Sony Financial Group's FY2012 business performance and FY2013 outlook.

## Business Performance and Outlook

**Q :** How did the Sony Financial Group perform in FY2012?

**A :** In FY2012, the fiscal year ended March 31, 2013, all of our business operations expanded, and we remained on a sustainable and stable growth track. The recovery of market conditions provided a boost, and we achieved increases in both revenues and profit compared to the previous fiscal year.



In FY2012, we achieved solid growth in our core insurance underwriting and deposit and loan operations throughout the year.

All of the core subsidiaries of the Sony Financial Group achieved growth in business volume. At Sony Life, policy amount in force increased 4.7% from the previous fiscal year-end to ¥37,779.0 billion. Sony Assurance recorded a 5.4% year-on-year increase in direct premiums written to ¥82.5

billion, while Sony Bank posted an 8.4% increase in the retail balance (the sum of customers' deposits, investment trusts and personal loan balance) to ¥2,841.2 billion.

As a result, consolidated ordinary revenues increased in all businesses, gaining 16.8% year on year to ¥1,259.0 billion. Consolidated ordinary profit rose 6.2% to ¥79.2 billion, primarily as a result of gains in the life insurance and banking businesses, offsetting a decline in the non-life insurance business. Consolidated net income jumped 37.3% to ¥45.0 billion, due in part to the impact in the previous fiscal year of a partial reversal of deferred tax assets related to a reduction in the corporate income tax rate. Accordingly, as all of our business operations expanded and were influenced by the recovery in market conditions, we achieved increases in both revenues and profit compared to the previous fiscal year.

**Q :** For FY2013 you are forecasting a change to a decline in revenues and profit. What are the factors behind that projection?

**A :** We had not anticipated such a gain in revenues and profit recorded in FY2012 attributable to the market recovery. We are also taking into account the impact on the life insurance business of the revision to the policy reserve discount rate. Excluding these factors, we expect our revenues and profit to grow in FY2013.

The Sony Financial Group expects the steady growth in business volume to continue during FY2013, but since we did not anticipate the gains recorded in FY2012 attributable to the market recovery, and considering that in the life insurance business we will increase our policy reserves in response to the revision of the policy reserve discount rate, we are forecasting declines in both revenues and profit for FY2013. Excluding these factors, we expect our revenues and profit to grow in FY2013.

## The Sony Financial Group's Medium-term Management Policy (FY2013–FY2015) and Business Strategies

**Q** : Please tell us about your medium-term management policy and business strategies.

**A** : Our medium-term management policy is to offer high-quality services to further enhance customer satisfaction and expand our customer base, and to support sustainable growth for the Sony Financial Group. Moreover, we will build a stable earnings foundation and a sound financial base resistant to changes in the business environment, and strengthen shareholder returns.

The Sony Financial Group's strength lies in the high quality of the services provided by the Group companies. Enhancing this quality and maintaining a high level of customer satisfaction are essential for our growth. Our medium-term management strategy is to return to this basic policy, and to establish "enhancing service quality" as the core business strategy for the Group companies. The business environment of the Sony Financial Group is constantly changing, for example, by price fluctuations in the financial markets, and by the revision to the policy reserve discount rate in the insurance business. We will continue to strengthen risk management and asset-liability management (ALM), and establish a stable earnings foundation resistant to such changes in the market environment. In addition, as a financial group engaged in life insurance, non-life insurance and banking businesses, we will strengthen shareholder returns on the basis of stable earnings growth and a robust financial soundness.

### Group Mid-Term Management Policy (FY2013–FY2015)

Outline of Group Mid-Term Management Policy	◆ By pursuing each Group company's core competencies in providing high-quality services, further enhance customer satisfaction and expand our customer base, thereby achieving sustainable growth for the Group
	◆ Establish a revenue base that is unshakable in the face of changing management environment
	◆ Enhance shareholder returns, underpinned by a stable revenue base and solid financial soundness

### Group Mid-term Management Business Strategy (FY2013–FY2015)

By working to provide high-quality services, achieve further increases in customer satisfaction and expand the customer base, thereby accelerating top-line growth

#### 1. The Main Approach to Three Core Existing Businesses



Sony Life	<ul style="list-style-type: none"><li>▶ Expand Lifeplanner channel while maintaining quality</li><li>▶ Accelerate growth in independent agent channel</li><li>▶ Enhance operating efficiency through business process re-engineering</li><li>▶ Risk management for stable growth in corporate value</li></ul>
Sony Assurance	<ul style="list-style-type: none"><li>▶ Take initiatives that prioritize profitability improvements by improving the loss ratio</li><li>▶ Aggressively develop business in categories other than automobile insurance</li><li>▶ Achieve further increase in service quality</li></ul>
Sony Bank	<ul style="list-style-type: none"><li>▶ Continue to expand the mortgage loan and foreign currency businesses</li><li>▶ Expand highly convenient settlement services</li></ul>

#### 2. New Business Development: Making specific preparations for entering the nursing care business



## Sony Life's Growth Strategies

**Q:** What measures are you taking for sustainable growth at Sony Life?

**A:** We are further strengthening sales channels, enhancing business process re-engineering, and seeking stable growth in corporate value.

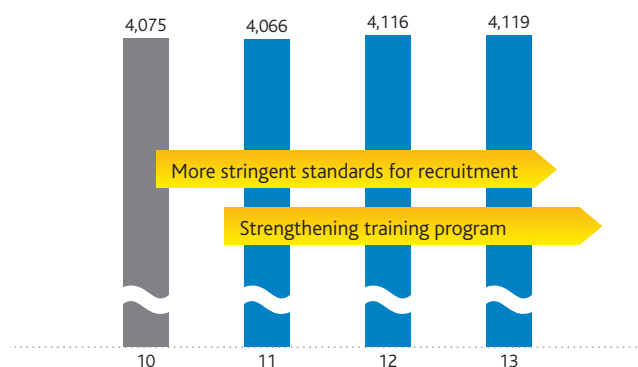
### • Strengthening recruitment and training of Lifeplanner sales employees

Sales through the Lifeplanner sales employees, Sony Life's core sales channel, are growing steadily, accounting for three-quarters of all new policies. As a result of introducing stricter recruitment standards and measures to develop the training framework, Sony Life has enhanced the productivity of sales activities by Lifeplanner sales employees. The number of Sony Life's Lifeplanner sales employees was 4,119 as of March 31, 2013, just a slight rise from a year earlier. Although the number of new recruits increased, more people retired or were transferred from Lifeplanner sales employees to office managers that recruit Lifeplanner sales employees. Transfer to office managers curbed the increase in the number of Lifeplanner sales employees, but we believe that this will contribute to future enhancement of the recruitment structure and expansion of the workforce. Going forward, we will continue to transfer high-performing Lifeplanner sales employees to office managers and strengthen our recruitment approach, which will lead to the expansion of our scale of Lifeplanner sales channel.

### • Developing the independent agent channel

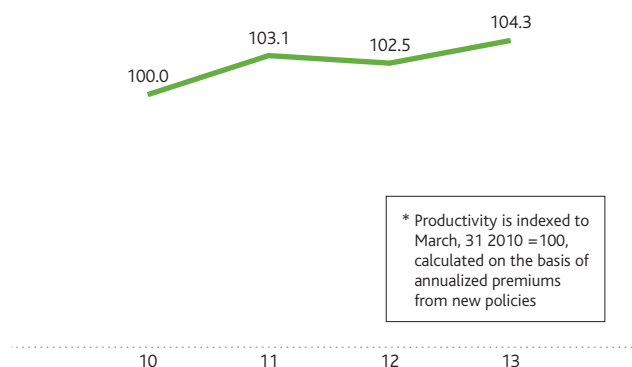
Insurance sales through Partners (independent agencies) account for one-fourth of all new policies at Sony Life, making this an important channel second only to Lifeplanner sales employees.

Number of Lifeplanner Sales Employees  
(Number)



As of March 31

Lifeplanner Productivity



For the years ended March 31

## Interview with the President

We have increased earnings in the Partner channel by strengthening ties with “walk-in” type agencies that expand a broad network of branch locations, as well as with agencies specializing in life insurance, known as life insurance professionals. Going forward, in addition to these measures, Sony Life will pursue further growth through a wide range of independent agencies, including local and corporate affiliated agencies, to accurately grasp diversifying customer needs.

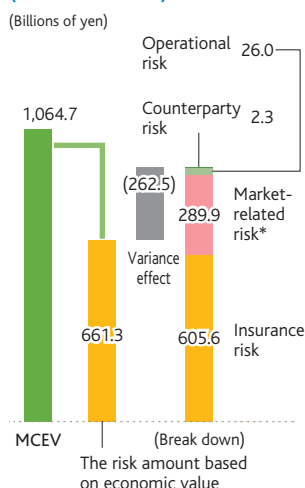
### • Business Process Re-engineering

Sony Life is pursuing business process re-engineering in an effort to establish a foundation that can provide a high-quality service broadly and effectively. In FY2012, we introduced 5,000 new tablet computers to renovate the sales support system, and to spread paperless application procedures for new policies. These efforts have raised the quality of the service provided to customers, and led to a vast improvement in office efficiency. For example, paperless application procedures for new policies has lowered the deficiency rate for policies by approximately 70% compared to paper forms, and the number of days to assess a policy has been halved. We believe that such improvements in office efficiency allow us to concentrate on other areas, such as sales activities, and the recruitment and training of Lifeplanner sales employees, thereby leading to greater productivity.



Carrying out an application procedure using a new tablet computer

### The Risk Amount Based on Economic Value (As of March 31)



\* Interest rate risk amounted to ¥234.2 billion, excluding the variance effect within market-related risk.

### • Stable Growth in Corporate Value and Risk Management

Sony Life's basic policy on risk preference is to ensure sufficient solvency on an economic value basis and to realize stable and sustainable growth in corporate value by increasing policies in force and actively underwriting insurance risk. In terms of asset management, Sony Life lessens the interest rate risk from insurance policy liabilities over the long term, and stabilizes its corporate value created by the insurance business by prioritizing investment in assets suited to the characteristics of insurance liabilities.

Sony Life's market consistent embedded value (MCEV) was ¥1,064.7 billion as of March 31, 2013, an increase of ¥23.2 billion from a year earlier. This stable rise in MCEV was mainly the result of a steady increase in policies in force, along with asset-liability management (ALM) measures to lessen the effects of lower market interest rates.

The amount of risk on an economic value basis relative to MCEV amounted to ¥661.3 billion (after tax) on March 31, 2013, which is a sufficiently low level relative to MCEV (equivalent to owned capital on an economic value basis). Insurance risk accounted for the majority of risk held, totaling ¥605.6 billion versus ¥289.9 billion in market-related risk. Insurance risk is inherent in the life insurance business as it increases corporate value, and so will increase along with the acquisition of new policies and growth in policies in force. In market-related risk, interest rate risk comprises the

majority at around ¥230.0 billion. We will continue our efforts to mitigate interest rate risk, so that fluctuations in financial markets due to interest rate changes and other factors do not impair our corporate value that has been enhanced through new policy acquisition and other means. Going forward, we will ensure sufficient solvency on an economic value basis, and realize stable and sustainable growth in corporate value.

**Q:** Could you tell us about Sony Life's asset management policy?

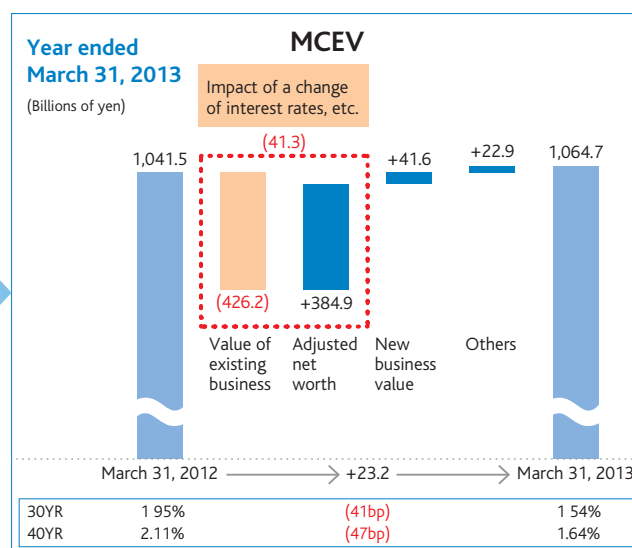
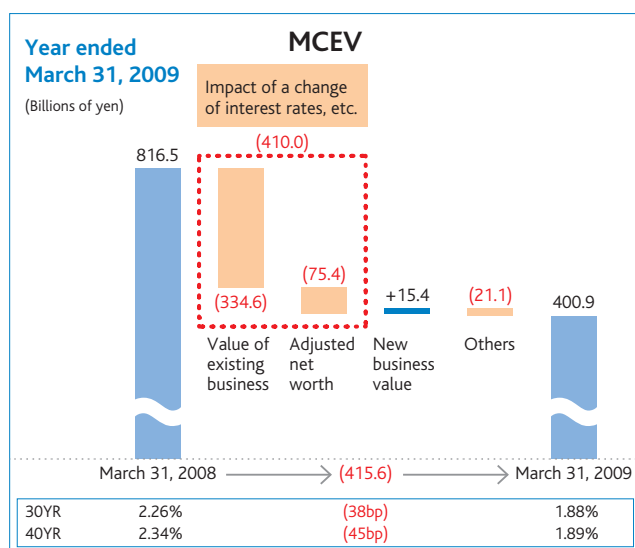
**A:** We have not changed our existing asset management policy even after the monetary easing, and will continue to apply the majority of our investment in new assets to ultralong-term Japanese government bonds (JGBs).

Sony Life's product portfolio is centered on death-protection products, so the duration of its liabilities is relatively long at around 30 years. Accordingly, Sony Life has favored investment in ultralong-term JGBs for its asset portfolio in order to extend the asset duration and reduce the interest rate risk. Further, by reducing the proportion of investment in risk assets such as stocks and convertible bonds, Sony Life has ensured more stable investment revenues and mitigated risk.

The recent monetary easing has lowered long-term interest rates and increased interest rate risk. However, compared to the level of MCEV, the equivalent to owned capital on an economic value basis, interest rate risk is being maintained at a sufficiently low level.

Going forward, in order to curb an interest rate risk that will especially increase with the acquisition of new policies, our asset management policy is to continue to invest in ultralong-term JGBs, while keeping a close watch on movements in the financial market.

#### Achievements of Sony Life's ALM Initiatives



## Interview with the President

**Q:** What do you expect to be the impact of any revision to insurance premium rates in line with the lowering of the policy reserve discount rate\* after April 2013?

**A:** We expect the impact on sales as a result of any revision of insurance premium rates to be limited.

The recent revision to our insurance premium rates was based on a variety of factors, including price competitiveness, profitability, and the nature of the types of insurance we offer. Accordingly, from April 2013 we raised insurance premium rates for certain savings-type products, while leaving unchanged the premiums for our mainstay products of term life insurance and family income insurance. (See page 23.)

Sony Life, on the basis of thorough consulting, draws on a wide range of products to design and sell a reasonable lineup of life insurance products that meets the need of customers. Our attentive follow-up consultations after any policy is concluded have also earned us high appraisal from customers. Consequently, we expect the impact on sales as a result of any revision to insurance premium rates to be limited. Due partly to the revision to the policy reserve discount rates, we are forecasting a slight decline in profit for FY2013, but expect to maintain profit growth from FY2014.

\* The policy reserve discount rate is the calculating rate insurance companies are required to use when accumulating policy reserves for future insurance payments. A lowering of the rate means that the amount of the policy reserves insurance companies must accumulate will increase. Since the source of funds for the policy reserves is primarily insurance premiums, the premium rate may be revised as necessary in line with the revision to the policy reserve discount rate. The policy reserve discount rate applied to policies from April 2013 is 1.0%, half a percentage point lower than the previous 1.5%.

## Growth Strategies and Ensuring Profitability at Sony Assurance

**Q :** Please describe the efforts for business growth and ensuring profitability at Sony Assurance.

**A :** We will make improving the loss ratio for automobile insurance a priority issue, and regain profitability. Furthermore, we will sustain growth by strengthening product features and maximizing customer satisfaction, and will secure a leading position in the direct insurance market.



Sony Assurance, which handles the non-life insurance business, recognizes that the profitability issues that have emerged as a result of a rise in the loss ratio for automobile insurance should be prioritized. We are implementing four measures to improve the loss ratio.

We will steadily improve the loss ratio and recover profitability through 1) a review of insurance premium rates to better reflect the frequency

of accidents, and 2) the introduction of a new industry-standard bonus-malus system (non-fleet driver rating system). Further, through 3) the normalization of unit insurance claim amounts through the utilization of affiliated repair shops and the strengthening of our damage appraisal structure, and 4) the revisions to insurance underwriting standards.

At the same time, we expect that in the short term the revisions to insurance premium rates will lower our cost competitiveness and slightly weaken our ability to acquire new policies. However, for longer term growth we will undertake a more sophisticated segmentation of risks in automobile insurance, and strengthen our product appeal through diversification of the product lineup. In addition, we will seek to maximize customer satisfaction by enhancing our accident response service, customer center consulting service, call support for website and smartphone users and smartphone services. We will also strengthen our policy acquisition capacity by conducting more effective marketing.

Sony Assurance has maintained the top share\* of the direct automobile insurance market for ten consecutive years. We will sustain our growth through the implementation of the measures described above, and secure a leading position in this market.

\* From the business performance announcements for FY2011 of non-life insurers selling automobile insurance primarily via direct channels.

### Initiatives for Improving the Loss Ratio for Automobile Insurance

#### 1. Review insurance premium levels

Introduced successively in November 2012 and April 2013

#### 2. Revise the bonus-malus system (non-fleet driver rating system) (From April 2013)

Gradually improve the loss ratio by revising discount rates for policies involving accidents

#### 3. Normalize unit insurance claim amounts

Encourage tie-ups with repair shops and reinforce the appraisal process to hold down costs on repairs and loaner vehicles

#### 4. Revise underwriting standards

## Profit Growth at Sony Bank

**Q:** Could you talk about profit growth at Sony Bank?

**A:** We are seeking stable business expansion centered on mortgage loans and foreign currency business, as well as profit growth through appropriate asset-liability management (ALM).



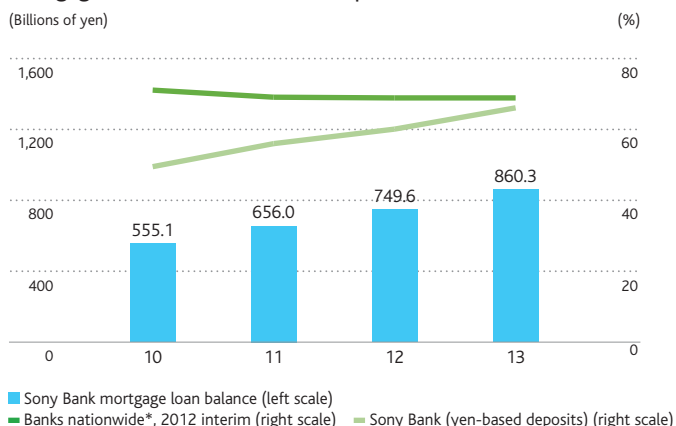
Sony Bank, the core company for the banking business, placed first in customer satisfaction in the annual Nikkei ranking of financial institutions for the sixth consecutive year, testifying to the strong support it has earned from customers. We will continue to steadily expand business operations by drawing on this high level of customer satisfaction.

Competition in Japan's banking industry has intensified during the prolonged period of low

interest rates. Under such conditions, to maintain profit growth going forward Sony Bank is strengthening the market appeal and selling capability for its two mainstay businesses of mortgage loans and foreign currency business, in order to maintain and raise its profitability. In mortgage loans, we are expanding cooperation with real estate agents and Lifeplanner sales employees at Sony Life to further increase mortgage loan executions and build up our loan balance. In foreign currency business, we will secure a large share of the foreign currency deposit market by strengthening the "save, build assets, and spend" facility of Sony Bank's "Foreign Currency World," where users can save foreign currency and spend it without converting into yen. In addition, Sony Bank will provide a unique style of settlement service to further broaden its customer base.

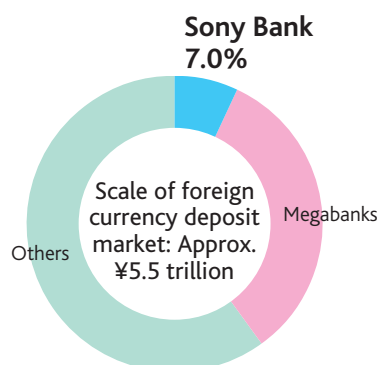
In terms of profitability, we will sustain growth in business operations by strengthening the strategic products described above, and through appropriate ALM we will secure a stable margin. We will expand our core base profit by focusing on net interest income, the principal profit source of any bank.

**Mortgage Loan Balance and Loan-deposit Ratio**



\* Source: Nationwide Bank Financial Statement Analysis, Japanese Bankers Association

**Share of Foreign Currency Deposits**



As of March 31, 2013

Source: Bank of Japan statistics (individual customer deposit balances)



## SFH's capital and dividend policies

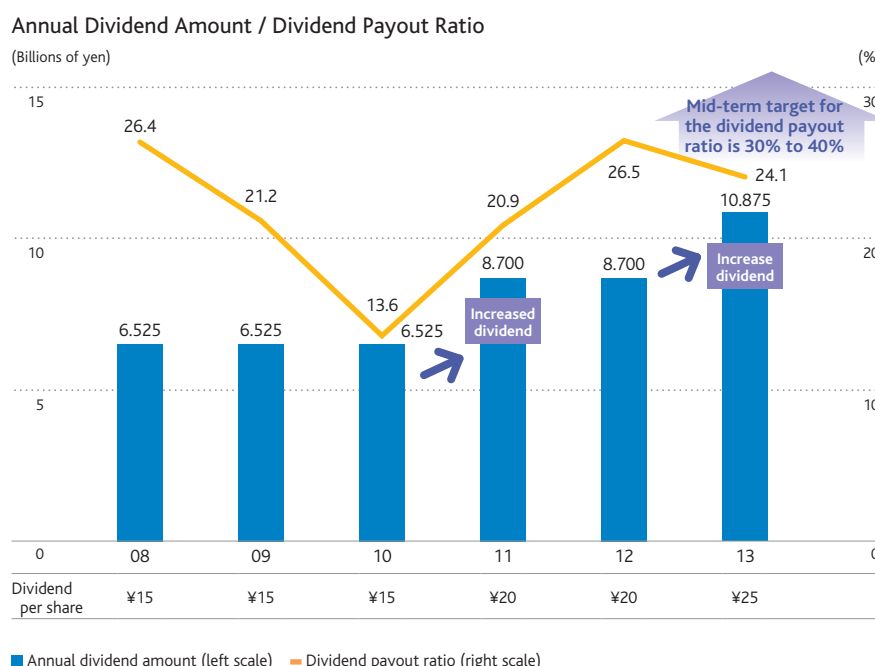
**Q** : SFH paid a dividend of ¥25 per share in FY2012 (up ¥5 from the previous fiscal year), and plans to maintain this level in FY2013. Could you please explain your dividend policies?

**A** : SFH aims for steady increases in dividends in line with earnings growth over the medium and long terms while securing sufficient internal reserves to ensure the financial soundness of the Group companies and invest in growing fields.

SFH aims for steady increases in dividends in line with earnings growth over the medium and long terms while securing sufficient internal reserves to ensure the financial soundness of the Group companies and invest in growing fields. Our medium-term target for the dividend payout ratio is 30% to 40% of consolidated net income. In FY2012, we increased our dividend by ¥5 to ¥25 per share, reflecting our strong profit growth.

For FY2013, at the start of this period we currently expect to maintain the current level of ¥25 per share. Management will determine the dividend amount by taking into account a comprehensive range of factors, including the capital adequacy of each Group company relative to risk, investment opportunities, business forecasts and legal and regulatory developments worldwide.

\* On August 12, 2013, SFH announced that it would increase the year-end dividend forecast for FY2013 to ¥30, up ¥5 from the previous forecast of ¥25.



\* SFH conducted a 200-for-1 stock split, with an effective date of April 1, 2011.

Dividends per share for the fiscal year ended March 31, 2008 were calculated assuming that this stock split was conducted on April 1, 2007.

# Review of Operations/At a Glance (As of July 1, 2013)

## Life Insurance Business

### Operating Company

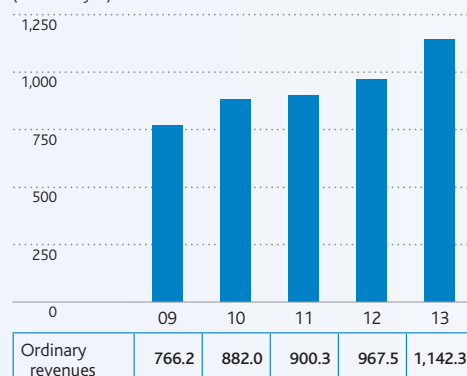
- Sony Life
- AEGON Sony Life Insurance
- SA Reinsurance

### Composition of Ordinary Revenues\*



### Ordinary Revenues

(Billions of yen)



For the years ended March 31

## Non-life Insurance Business

### Operating Company

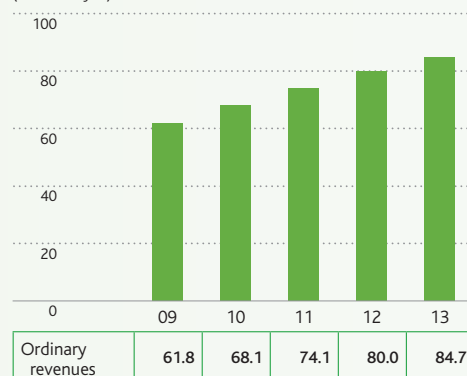
- Sony Assurance

### Composition of Ordinary Revenues\*



### Ordinary Revenues

(Billions of yen)



For the years ended March 31

## Banking Business

### Operating Company

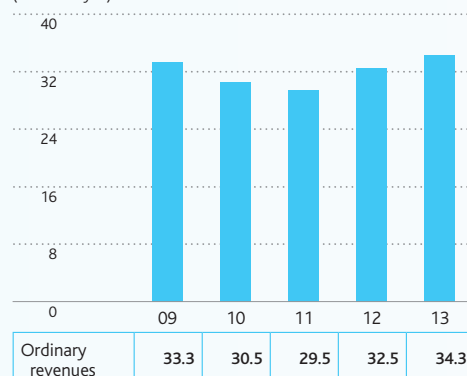
- Sony Bank
- SmartLink Network

### Composition of Ordinary Revenues\*



### Ordinary Revenues

(Billions of yen)



For the years ended March 31

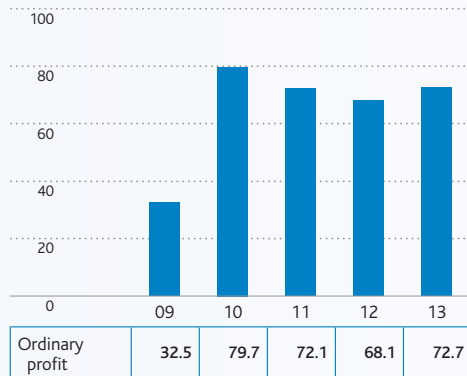
\* Proportion of SFH consolidated ordinary revenues

Please refer to page 22,  
"Life Insurance Business," for details.



### Ordinary Profit

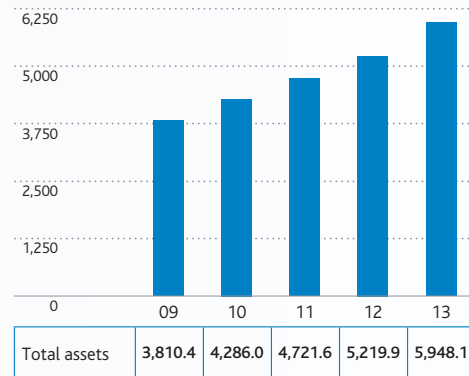
(Billions of yen)



For the years ended March 31

### Total Assets

(Billions of yen)



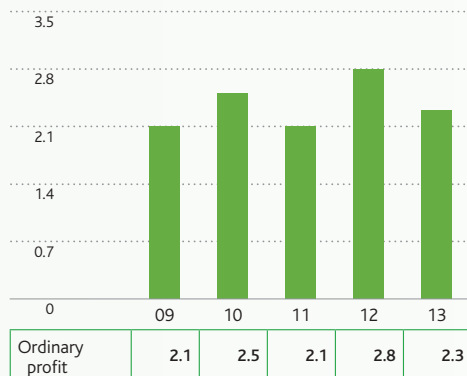
As of March 31

Please refer to page 28,  
"Non-life Insurance Business," for details.



### Ordinary Profit

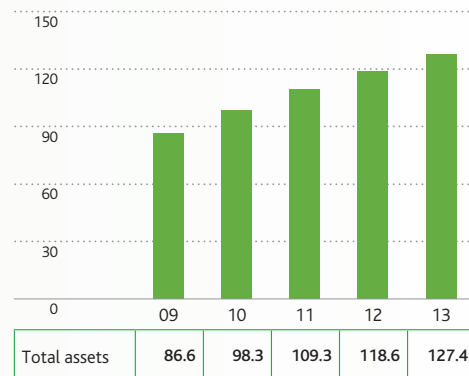
(Billions of yen)



For the years ended March 31

### Total Assets

(Billions of yen)



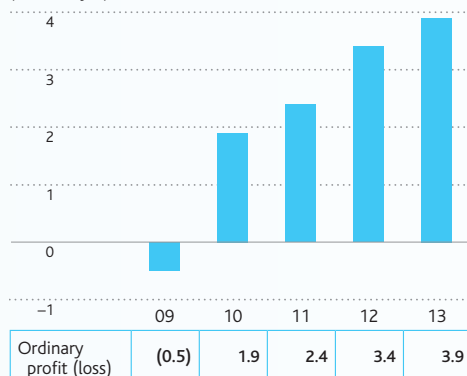
As of March 31

Please refer to page 30,  
"Banking Business," for details.



### Ordinary Profit (Loss)

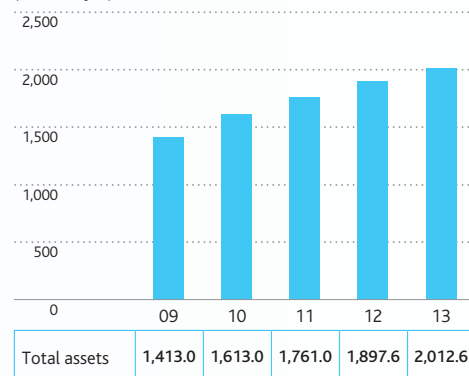
(Billions of yen)



For the years ended March 31

### Total Assets

(Billions of yen)



As of March 31

\* The figures for each business are before consolidation adjustments.

### Market Conditions

Japan's life insurance market is the second largest in the world, following the U.S.A. on a premium income basis. In fact, Japan represents about 20% of the global market for life insurance on this basis. Japan's life insurance market has been contracting since the late 1990s, but industry-wide policy amount in force for individual life insurance stood at ¥861 trillion as of March 31, 2013, and death protection accounted for over 80% of that total at ¥729 trillion.\* Japan therefore still has an enormous life insurance market rooted in persistently strong needs for life insurance among the public.

Meanwhile, looking at trends in sales of insurance products in Japan, with the country's population aging and its birthrate falling, there has been an ongoing shift in protection needs from death-protection products to individual annuities and "third sector insurance" such as medical and nursing care insurance. Moreover, on the sales front, sales channels have diversified as over-the-counter (OTC) sales of products at banks, online sales and other channels have expanded, while sales agencies have increased by opening more shops across the country. As a result of these shifts in protection needs and the diversification of sales channels, the market has become more and more competitive.

Furthermore, in April 2013, the discount rate used for calculating policy reserves was lowered for the first time in 12 years since April 2001, due to the impact of protracted low interest rates. As a result, life insurance companies have revised their insurance premium rates, leading to an increase particularly in premiums for savings-type products.

In FY2012, the Japanese economy saw government policies to end deflation since the December 2012 change in administration and the Bank of Japan's proactive monetary easing policy have a profound impact on financial markets. In the bond market, long-term interest rates have declined further. On the other hand, the stock market has seen a dramatic rally in the Nikkei Stock Average on rising expectations for corporate earnings growth. And the yen's depreciation and higher overseas

stock prices have pushed up Japan's stock prices further. Consequently, the improvement in consumer sentiment, among other trends, has led to firm consumer spending. Nevertheless, there is a risk that this expectation-led economic recovery could reverse course as an anticipated consumption tax hike takes effect and economic stimulus measures run their course. Accordingly, the outlook for the Japanese economy remains uncertain.

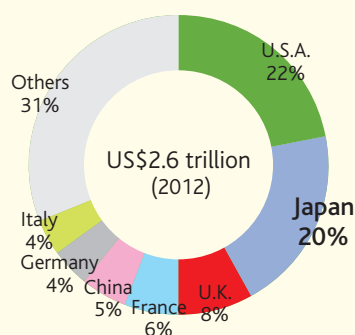
In this competitive environment and under these financial market conditions, Sony Life has increased sales of insurance products, primarily death-protection products, mainly by means of measures to strengthen consulting-based sales through Lifeplanner sales employees and its Partners (independent agencies). Sales of living benefit insurance, nursing care insurance and individual annuities have also increased sharply, reflecting how the aging population and low birthrate are causing changes in customer needs.

In terms of asset management, Sony Life continued to invest in ultralong-term Japanese government bonds (JGBs) in order to curtail rising interest rate risk associated with the continued acquisition of new policies. Sony Life has steadily increased its corporate value by increasing policies in force and actively underwriting insurance risk, while reducing the interest rate risk associated with insurance policy liabilities. Amid falling ultralong-term interest rates sharply reflecting the Bank of Japan's recent monetary easing policy announced in April 2013, Sony Life's amount of interest rate risk increased further. Nevertheless, Sony Life has maintained adequate payment capacity on an economic value basis. Looking ahead, the financial markets could see significant volatility in the bond, stock and foreign exchange markets as expectations for economic recovery collide with policymakers' monetary easing stance.

Sony Life remains focused on driving growth in its business volume by acquiring new policies, as it maintains a high degree of financial soundness while further raising its presence in Japan's life insurance market.

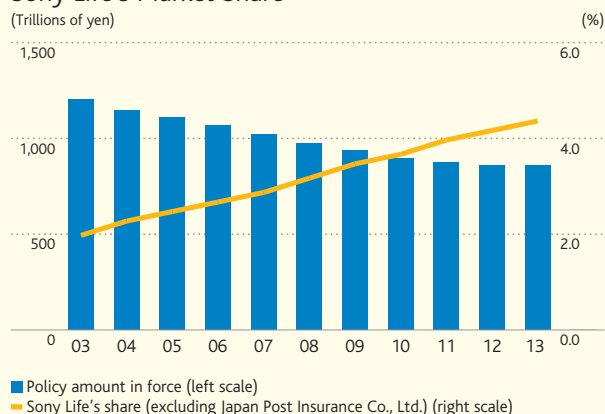
\* Source: "Summary of Life Insurance Business" on the website of the Life Insurance Association of Japan.

### Life Insurance Premium Volume



Source: Swiss Re. sigma No 3 / 2013, World insurance in 2012

### Industry-wide Policy Amount in Force\* and Sony Life's Market Share



As of March 31

\* The above graph refers to individual life insurance.

\* Source: "Summary of Life Insurance Business" on the website of the Life Insurance Association of Japan, and data officially disclosed by individual life insurers.

## Recent Initiatives

### ■ May 2012: Launch of the First Phase of the "Co-Creation Project"

#### October 2012: Launch of the Second Phase of the "Co-Creation Project"

In May 2012, Sony Life launched three services designed to achieve long-term consultation services based on life planning: the provision of follow-up information, the periodic confirmation and checkup of the protection requirements, and consultation in case of illness, nursing care, and other difficulties. The goal is to further enhance Sony Life's consultation services after policyholders have enrolled in policies and provide even higher quality and more effective consultation services than before. These new services were followed in October 2012 by the launch of a consultation service system called "C-SAAF" (Consulting-Sales and Follow-Up Support System). With this move, we revamped the sales support system by newly introducing tablet PCs, while drastically reducing the administrative workload for policy enrollment procedures mainly through the introduction of on-line paperless applications and new notification procedures using an automated underwriting screening engine. Sony Life has also introduced a new customer database system called "CSM" (Customer Satisfaction Management) that enables unified management of customer information. Through these advances, Sony Life is now able to provide detailed consulting follow-up services.

### ■ April 2013: Revision of Insurance Premium Rates

On April 2, 2013, Sony Life revised insurance premium rates on some products in line with the April 2013 reduction in the discount rate used for calculating policy reserves.

(1) Term life insurance and annuities: Insurance premiums were not revised.

Rates were not revised on Sony Life's mainstay "level premium plan term life insurance," "decreasing term life insurance," and "family income insurance" (including non-smoker preferred risk type, no surrender value type and term riders) products, as the impact of policy reserve discount rate revisions is small. Rate revisions were also not applied to level premium plan type of "semi-participating individual annuities" and "individual variable annuities."

(2) Medical insurance and cancer insurance (including term riders): Rates were revised for these products, but insurance premiums were maintained at near the current levels.

Premiums may increase or decrease in comparison with current levels in some cases, depending on such factors as policy type and policyholder age.

(3) Principal products for which assumed interest rates were revised:

Insurance Products	Assumed Interest Rates [Lump-Sum Payment] (%)		
	Before Revision (%)	After Revision (%)	Revision Amount (pt)
Interest rate-sensitive whole life insurance	2.00	1.60	(0.40)
Endowment insurance	2.00	1.70	(0.30)
Comprehensive medical insurance	2.35	1.70	(0.65)
Living benefit insurance (whole life type) 98, (term type) 98	2.00	1.70	(0.30)
Whole life cancer insurance (08)	2.35	1.70	(0.65)
Semi-participating whole life nursing-care insurance	1.65 [1.50]	1.60 [1.00]	(0.05) [(0.50)]
Semi-participating educational endowment insurance	1.85 [1.50]	1.60 [0.90]	(0.25) [(0.60)]

\* For interest rate-sensitive whole life insurance, revisions were applied for policies commencing on or after May 2, 2013.

\* Products other than semi-participating products are non-participating.

### ■ May 2013: Launch of U.S. Dollar Denominated Insurance

With interest rates having remained low for an extended period of time, in recent years attention has focused on products denominated in foreign currencies, which offer higher rates of interest than their Japanese yen counterparts. A growing number of people are choosing to divide their investments into assets denominated in Japanese yen and foreign currencies.

Considered one of the most creditworthy of all currencies, the U.S. dollar is a key currency that is widely used in transactions throughout the world. As the U.S. dollar offers superior liquidity and stability, investing some assets in this currency is an effective way of reducing risk and ensuring stable returns. Also, it is beneficial due to the relatively higher investment yield on U.S. dollar assets compared with their Japanese yen counterparts.

In May 2013, Sony Life launched U.S. dollar denominated whole life, endowment and specialty endowment insurance to meet the needs of customers seeking to hold future funds in foreign currencies.

## Business Strategies

### Further enhance marketing channels

- Expand cadre of quality Lifeplanner sales employees
- Accelerate expansion of independent agent channel to meet diverse needs

### Continuously pursue operational excellence

- Through Business Process Re-engineering, dramatically improve service quality and marketing and operational efficiencies
- Strengthen product lineups to contribute to customers' asset building by introducing U.S. dollar denominated insurance products, and enhance the product portfolio

### Achieve steady growth in corporate value

- Achieve steady growth in corporate value through the steady acquisition of new policies and by mitigating interest rate risk

### AEGON Sony Life Insurance: Over-the-counter (OTC) Sales of Individual Annuity Products at Banks

Sony Life began sales of individual variable annuity products in December 2009 through AEGON Sony Life Insurance, a 50–50 joint venture established with the AEGON Group (headquartered in the Netherlands), to meet annuity needs associated with Japan's aging population and low birthrate. AEGON Sony Life Insurance sells individual variable annuity products featuring guarantees on annuity resources and on total benefit amount received as well as special-account whole life annuities with guaranteed benefit amount through Sony Life's Lifeplanner channel and partner agencies such as 12 partners including banks.\*

Operating results in FY2012, the fourth year since the start of this business, increased sharply from the previous fiscal year, as shown below.

	2012	2013	Change
The number of new policies	2,498	7,357	294.5%
New policy amount (Millions of yen)	17,534	51,175	291.8%
The number of policies in force	3,669	10,232	278.9%
Policy amount in force (Millions of yen)	30,486	76,155	249.8%

\* As of July 1, 2013

## MCEV as of March 31, 2013

### 1. MCEV Results for Sony Life

Sony Life's MCEV as of March 31, 2013 increased by ¥23.2 billion due to the contribution of new business value and the successful execution of its ALM strategy as evidenced by the counterbalancing increases in market value of Japanese government bonds (JGBs) held for the purpose of ALM and decreases in the value of existing business primarily caused by the decline in interest rates. The breakdown is shown in the table below.

	2012	2013	Change
As of March 31			(Billions of yen)
MCEV	¥1,041.5	¥1,064.7	¥ 23.2
Adjusted net worth	409.2	770.8	361.7
Value of existing business	632.4	293.9	(338.5)
New business value	65.2	41.6	(23.6)

### 2. Adjusted net worth

The adjusted net worth as of March 31, 2013 increased by ¥361.7 billion, primarily because of a large increase in unrealized gains on held-to-maturity securities caused by the decline in interest rates. The breakdown is shown in the table below.

	2012	2013	Change
As of March 31			(Billions of yen)
Adjusted net worth	¥409.2	¥770.8	¥361.7
Total net assets	264.8	342.3	77.5
Reserve for price fluctuations	25.3	32.3	6.9
Contingency reserve	55.3	59.6	4.2
Reserve for possible loan losses	0.0	0.0	(0.0)
Unrealized gains or losses on held-to-maturity securities	155.9	551.7	395.9
Unrealized gains or losses on land and buildings	11.5	19.4	7.9
Unfunded pension liabilities	(4.9)	(5.0)	(0.1)
Intangible fixed assets	(24.3)	(26.1)	(1.8)
Tax effect equivalent of above seven items	(66.8)	(193.8)	(127.1)
Valuation gain or loss on subsidiaries and affiliated companies	(7.8)	(9.6)	(1.8)

	2012	2013	Change
As of March 31			(Billions of yen)
Adjusted net worth	¥409.2	¥770.8	¥361.7
Free surplus	382.9	418.5	35.7
Required capital	26.3	352.3	326.0



Sony Life set its required capital as the larger of the amount of capital required for a solvency margin ratio of 200% or the amount of capital to cover risks based on an internal model based on economic value. The large increase in required capital as of March 31, 2013 is due to an increase in the economic value of technical provisions that mainly resulted from the decline in interest rates. However, as a result of efforts to extend the asset duration to reduce interest rate risk, Sony Life has secured an adequate free surplus.

Sony Life defines the amount of capital required to cover risks based on the internal model as the total amount of technical provision and solvency risk capital on an economic value basis in excess of statutory policy reserves (excluding contingency reserves). The solvency risk capital on an economic value basis is calibrated at VaR (99.5%) over one year and based on the internal model, which is a similar but modified model based on the EU Solvency II (QIS5) standard method.

The solvency risk capital on an economic value basis as of the end of March 2013 was ¥661.3 billion (after tax). The effective tax rate used to adjust to the after-tax basis is 30.78%.

### 3. Value of existing business

The value of existing business decreased by ¥338.5 billion, due mainly to the decline in interest rates. The breakdown is shown below.

(Billions of yen)			
As of March 31	2012	2013	Change
Value of existing business	¥ 632.4	¥ 293.9	¥(338.5)
Present value of certainty-equivalent profit	907.7	633.2	(274.6)
Time value of options and guarantees	(84.5)	(111.2)	(26.7)
Frictional costs	(5.0)	(13.9)	(8.9)
Cost of non-hedgeable risks	(185.9)	(214.2)	(28.3)

### 4. New business value

New business value decreased by ¥23.6 billion because of lower profitability caused primarily by the decline in interest rates. The breakdown of the value of new business is shown below.

(Billions of yen)			
As of March 31	2012	2013	Change
Value of new business	¥ 65.2	¥ 41.6	¥(23.6)
Present value of certainty-equivalent profit	91.5	74.1	(17.5)
Time value of options and guarantees	(8.3)	(12.4)	(4.1)
Frictional costs	(0.2)	(0.2)	0.0
Cost of non-hedgeable risks	(17.8)	(19.9)	(2.1)

### 5. New business margin

The new business margin described below is the ratio of the value of new business to the present value of premium income. The present value of premium income is calculated applying the same assumptions as those for the calculation of new business value, and is based on the premium before the deduction of the reinsurance premium.

(Billions of yen)			
As of March 31	2012	2013	Change
Value of new business	¥ 65.2	¥ 41.6	(23.6)
Present value of premium income	1,013.7	1,187.5	173.8
Value of new business / Present value of premium income	6.4%	3.5%	(2.9pt)

## 6. Reconciliation analysis from MCEV at the end of the prior year

The table below shows the reconciliation analysis of MCEV as of March 31, 2013, from MCEV as of March 31, 2012. The format of the table is in line with the format prescribed by the MCEV Principles.

(Billions of yen)

	Free surplus	Required capital	Value of existing business	MCEV
Opening MCEV (MCEV as of March 31, 2012)	¥382.9	¥ 26.3	¥ 632.4	¥1,041.5
Opening adjustments	(11.7)	—	—	(11.7)
Adjusted opening MCEV	371.2	26.3	632.4	1,029.9
New business value	—	—	41.6	41.6
Expected existing business contribution (risk-free rate)	0.4	0.0	12.3	12.7
Expected existing business contribution (in excess of risk free rate)	0.7	0.1	5.8	6.6
Transfers from value of existing business and required capital to free surplus	(16.0)	1.0	15.0	—
Of which, on new business	(37.5)	—	37.5	—
Experience variances	62.9	(59.9)	2.1	5.1
Assumption changes	(21.8)	21.8	48.6	48.6
Other operating variance	8.9	(8.9)	4.1	4.1
Operating MCEV earnings	35.1	(45.9)	129.5	118.8
Economic variances	23.2	360.9	(458.5)	(74.4)
Other non-operating variance	(11.0)	11.0	(9.5)	(9.5)
Total MCEV earnings	47.3	326.0	(338.5)	34.8
Closing adjustments	—	—	—	—
Closing MCEV (MCEV as of March 31, 2013)	¥418.5	¥352.3	¥ 293.9	¥1,064.7

Notes: 1. Exported yield used to calculate the profit expected in excess of the risk-free rate was 0.310%.

2. Assumption changes indicate the impact of changes in assumptions, mainly on mortality and morbidity rates, lapse and surrender rates, and operating expense rates. The changes in mortality and morbidity rates increased the value of existing business.

3. Other operating variance represents the impact of improvements and corrections of the model used in calculating MCEV, including the change in the reference of inflation rate from Consumer Price Index (CPI)-indexed Japanese government bonds to inflation swaps as well as the improvement of the model to calculate the value of existing business.

4. As regards economic variances, overall MCEV decreased by ¥47.9 billion mainly as a result of the decline in Japanese government bond (JGB) yields and by ¥26.5 billion as a result of the increase in the expenses tied to the increase in inflation swap rates.

5. Other non-operating variance shows the effect of the increase in the consumption tax rate.

## 7. Sensitivity analysis

The impact of changing the underlying assumptions of MCEV is as follows:

### Sensitivities

(Billions of yen)

Assumption	Change in Assumption	MCEV	Change in Amount	Rate of Change
Base	No change	¥1,064.7	¥ —	—
Interest rates	100bp decrease	829.6	(235.1)	(22%)
	100bp increase	1,121.4	56.7	5%
	Swap rates	1,231.8	167.1	16%
Stock / Real estate market value	10% decrease	1,047.7	(16.9)	(2%)
Stock / Real estate implied volatility	25% increase	1,053.0	(11.6)	(1%)
Interest swaption implied volatility	25% increase	1,049.9	(14.8)	(1%)
Maintenance expenses	10% decrease	1,082.3	17.6	2%
Lapse and surrender rates	x 0.9	1,070.1	5.5	1%
Mortality rates	Death protection products x 0.95	1,104.7	40.0	4%
	Third-sector and annuity products x 0.95	1,059.8	(4.9)	(0%)
Morbidity rates	x 0.95	1,100.2	35.5	3%
Required capital	Regulatory minimum	1,074.2	9.5	1%

Changes in adjusted net worth within the amount of change in MCEV are shown in the table below. Of items not specified in this table, only the value of existing business has been changed while adjusted net worth remains the same.

(Billions of yen)

Interest rates	100bp decrease	¥ 867.6
	100bp increase	(691.8)
Stock / Real estate market value	10% decrease	(11.5)
Stock / Real estate implied volatility	25% increase	(0.4)

#### (Main Assumptions)

Sony Life has used Japanese government bond (JGB) yields as of the end of March 2013 as a risk-free rate for the certainty-equivalent projections. It is assumed that forward rates in the 41st year and beyond were equal to those in the 40th year. Sony Life has used Bloomberg's JGB yields as its data source. The JGB yields for key terms are as follows:

As of the end of March	2012	2013
Term		
1 year	0.11%	0.06%
5 year	0.32%	0.13%
10 year	0.99%	0.55%
20 year	1.76%	1.40%
30 year	1.95%	1.54%
40 year	2.11%	1.64%

Sony Life has not added liquidity premium on the risk free rate as there are no products which are considered to have reasonably predictable and illiquid cash flows and would therefore be appropriate to apply liquidity premium.

Assumptions including mortality and morbidity rates, lapse and surrender rates, and operating expense rates, were developed based on best estimates by product as of the end of March 2013. Best-estimate assumptions are developed to reflect past and current experiences as well as expected experiences in the future. Expected future changes in assumptions should be reflected only when they are supported by sufficient reasons. Except for a deteriorating trend in morbidity rates, no other expected future changes are assumed in the best-estimate assumptions applied.

#### (Report of Outside Specialist)

Sony Life requested Milliman, Inc., an external actuarial consulting firm with expert knowledge in the area of MCEV valuations, to review the methodology, assumptions and calculations. Sony Life has received an opinion from Milliman, Inc.

For further details, please refer to MCEV Results for Sony Life in the Financial Data Book.  
[http://www.sonyfh.co.jp/web/en/financial\\_info\\_e/annualreport.html](http://www.sonyfh.co.jp/web/en/financial_info_e/annualreport.html)

## Non-life Insurance Business

### Market Conditions

Automobile insurance accounts for the largest portion of Japan's non-life insurance industry and is positioned as Sony Assurance's core product category. It provides around half of the industry's insurance premium revenues. Japan's automobile insurance market is dominated by the major non-life insurers, and approximately 90% of insurance premium revenues are generated by policies sold mainly through their nationwide insurance agencies.

In FY2012, Japan's automobile insurance premium revenues increased over the previous fiscal year, mainly among major non-life insurers. This chiefly reflected continuous insurance premium rate increases implemented by non-life insurers to mitigate worsening loss ratios, as well as strong growth in new automobile sales underpinned by environmentally friendly cars subsidies and other positive factors. Nevertheless, automobile ownership is projected to gradually decline over the medium and long terms, primarily reflecting a contracting population and a shift in interest away from automobiles among young people in recent years. These and other factors have been shaping a challenging market environment.

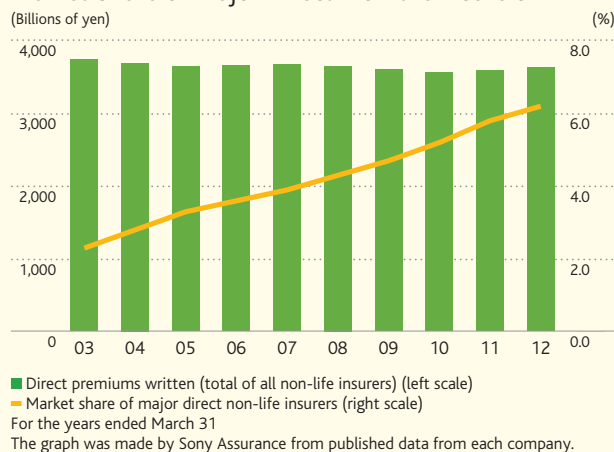
Turning to profitability in automobile insurance, despite continuous insurance premium rate increases, the loss ratio has remained stubbornly high mainly because of a higher incidence of car accidents along with the aging of society and the impact of natural disasters. These trends have continued to pressure the business environment. In response, non-life insurers have strengthened measures to rectify the loss ratio by introducing a new bonus-malus system (non-fleet driver rating system). However, non-life insurers are expected to continue taking steps to restore profitability, such as by raising insurance premium rates further.

In this environment, direct non-life insurance companies (direct insurers) as a whole, including Sony Assurance, have seen steady increases in insurance premium revenues as well as growth in their share of the automobile insurance market year after year. This growth has been driven by strong customer support for lower insurance premium structures compared with major non-life insurers, plus direct insurers' heightened brand power and recognition as a result of their vigorous advertising activities.

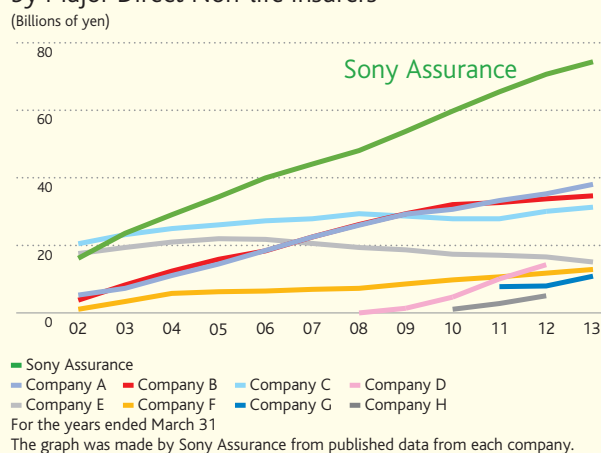
As direct insurers continue to expand, Sony Assurance has remained Japan's No. 1\* direct insurer in terms of direct premiums written. In FY2012, Sony Assurance continued to achieve steady growth in its business results.

Although the Japanese economy has recently shown some encouraging signs in terms of corporate business results, business sentiment, employment and income conditions remain severe. Therefore, given that direct insurers offer lower insurance premiums than major non-life insurers, steady increases in insurance premium revenues and market share are projected for direct insurers as a whole.

### Automobile Insurance Market and Market Share of Major Direct Non-life Insurers



### Direct Premiums Written (Automobile Insurance) by Major Direct Non-life Insurers



On the other hand, competition among direct insurers has been heating up. In response, while striving to refine its business model in step with the environment, Sony Assurance will implement measures to raise the value of products and services in the eyes of customers, as it endeavors to earn the trust and support of as many customers as possible.

\* From the business performance announcements for FY2011 of non-life insurers selling automobile insurance primarily via direct channels (based on Sony Assurance research).

## Recent Initiatives

- July 2012: Renewal of Sony Assurance Official Website and Launch of Smartphone Site
- September 2012: Renewal of Sony Assurance's Customer Communication Website
- October 2012: Commitment to Making an Initial Response by an Appointed Staff Member within an Hour after Receiving an Accident Report for Automobile Insurance Policyholders
- October 2012: Launch of First Initiatives by a Japanese Non-life Insurer to Provide Policyholders with Smartphone Applications

Sony Assurance has added two new functions to "Trouble Navi," a free smartphone app designed to instruct drivers on how to respond in the event of car accidents or other problems on the road. The two new functions are "Transmission Service of Current Location by GPS"\* and "Road Service Staff Locator Radar." The latter function allows policyholders to confirm the present location of approaching road service staff on a map when road service assistance is requested. These are the first smartphone functions\*\* to be offered in Japan by a non-life insurer.

## ■ November 2012 and April 2013: Sony Assurance Revises Automobile Insurance Policy Details

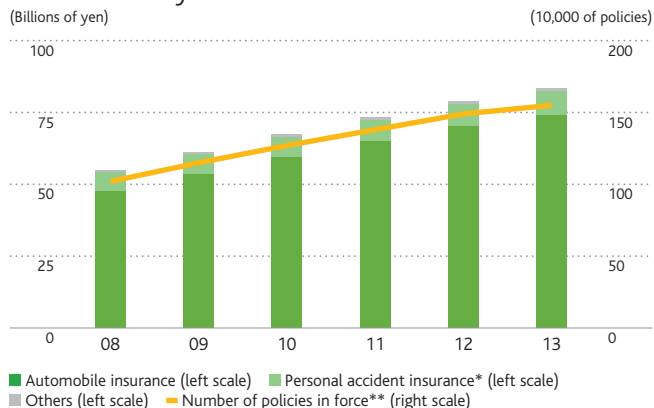
Sony Assurance has revised policy details and insurance premium rates for automobile insurance policies commencing on or after November 1, 2012. The policy revisions include the addition of discounts requested by customers (paperless insurance certificate discount, multi-policy discount at renewal, and discount on new contract from online user accounts) and riders (rider for rental car expense coverage in the event of an accident and rider for new vehicle replacement coverage), as well as reflecting customers' opinions. The policy revision also entailed combining and removing certain forms of coverage to make policies easier to understand. For automobile insurance policies commencing in or after April 2013, Sony Assurance also introduced a new bonus-malus system (non-fleet driver rating system)\*\*\*, and offered expanded Internet-based discounts and revised insurance premium rates.

\* "Transmission Service of Current Location by GPS" is a function that enables customers to easily and accurately convey their location to road service desk personnel using smartphone GPS functions. Even when customers find themselves in unfamiliar areas and cannot provide an address to describe their location, they are able to immediately request road service assistance directly from the app.

\*\* "First smartphone functions in Japan's non-life insurers" based on Sony Assurance research.

\*\*\* The bonus-malus system (new non-fleet rating system) will affect insurance premium rates for policies commencing on or after April 1, 2014, in principle.

## Net Premiums Written and the Number of Policies in Force at Sony Assurance



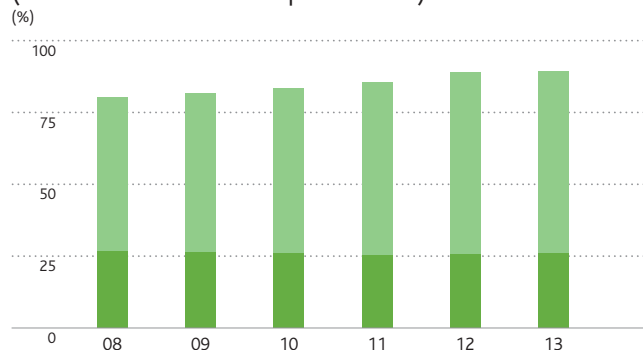
■ Automobile insurance (left scale) ■ Personal accident insurance\* (left scale)  
■ Others (left scale) — Number of policies in force\*\* (right scale)

For the years ended March 31

\* More than 90% of personal accident insurance is medical and cancer insurance.

\*\* The number of policies in force refers to the sum of automobile insurance and medical and cancer insurance, which together account for 99% of net premiums written.

## Combined Ratio at Sony Assurance (Net Loss Ratio + Net Expense Ratio)



■ Net expense ratio ■ Net loss ratio

For the years ended March 31

Note: Net loss ratio = (Net losses paid + Loss adjustment expenses) / Net premiums written

Net expense ratio = Total underwriting costs / Net premiums written

## Business Strategies

### Improve profitability

- Make improving the loss ratio a topmost priority and return profitability to an appropriate level

### Maintain growth

- While prioritizing profitability, continue to achieve stable growth to firmly maintain its leading position in the direct market

### Maximize customer satisfaction levels

- By making further improvements in service quality, earn customer trust and maintain their support of the brand

## Banking Business

### Market Conditions

The Japanese economy has seen a stable recovery in consumer spending, mainly due to improved consumer confidence reflecting rising stock prices since the December 2012 change in administration. On the other hand, as the government implements policies to end deflation, expectations have been running high for aggressive monetary easing policies targeting a 2% inflation rate based on consumer prices, causing a further decline in long-term interest rates and the yen's depreciation. Nevertheless, there is a risk that this expectation-led economic recovery could reverse course as an anticipated consumption tax rate hike takes effect and economic stimulus measures run their course. Therefore, Japan's prospects for a full-fledged economic recovery still remain uncertain.

Meanwhile, Japan's personal financial assets currently total approximately ¥1,500 trillion, more than half of which is comprised of cash and deposits, a high level even compared to that of other developed countries. Given the turmoil in the global financial market environment triggered by the European debt crisis, retail customers have avoided investing in risk assets. As a result, the share of cash and deposits in Japan's personal financial assets has reached record-high levels.

In Japan, customers' lifestyles and needs are diversifying as the aging of its society, coupled with a low birthrate, gathers pace. In this climate, financial institutions will need to swiftly and accurately address asset management needs with respect to personal financial assets. In recent years, Internet banks have achieved growth on the back of their cost competitiveness. However, the deposit balance of Internet banks still accounts for only 1.5% of Japan's personal financial assets market as of March 31, 2013, so there is ample room for

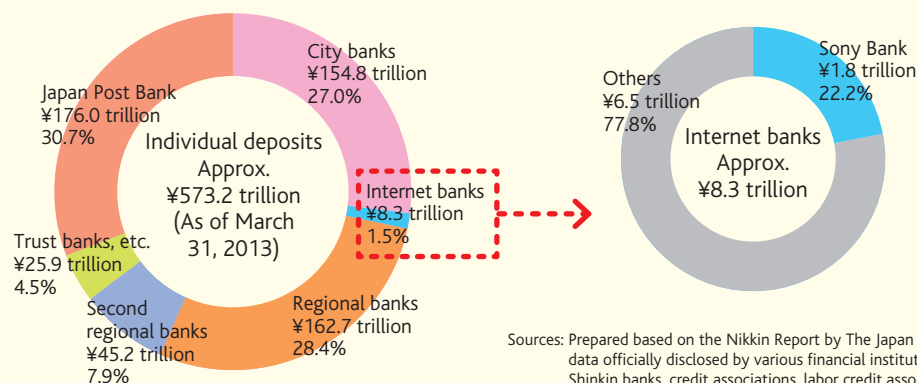
growth. Accordingly, Sony Bank has been working to expand business volume with an emphasis on mortgage loans and foreign currency business.

In mortgage loans, amid an unprecedented low interest rate environment, demand for housing funds has been increasing due to anticipation of higher interest rates associated with the effects of Abenomics policies and a rush in demand to prepare for a hike in the consumption tax rate. Moreover, competition among banks based on mortgage loan interest rates is intensifying. In this competitive landscape, Sony Bank is steadily growing its mortgage loan balance by enhancing highly convenient services and marketing activities.

In the foreign currency business, Sony Bank has steadily grown its transaction volume by offering reasonable rates and highly convenient services centered on foreign currency deposits and foreign-exchange margin trading. In the wake of the Lehman crisis, growth in Sony Bank's foreign currency business had slowed amid low interest rates worldwide and the strong yen against major currencies. However, foreign currency transactions by retail customers have returned to growth against the backdrop of the yen's depreciation since the end of 2012. Competition based on services among financial institutions will continue to intensify as they seek to capture demand for foreign currency transactions, which are expected to increase further going forward.

In this competitive environment, Sony Bank will continue to demonstrate its strength of providing high customer satisfaction by expanding business volume with an emphasis on mortgage loans and foreign currency business. Efforts will also be focused on growing the customer base by enhancing settlement functions.

Growth Potential in the Retail Financial Services Market



Sources: Prepared based on the Nikkin Report by The Japan Financial News Co., Ltd. and data officially disclosed by various financial institutions. Excludes data for Shinkin banks, credit associations, labor credit associations, agricultural cooperatives and certain other organizations.



## Recent Initiatives

■ July 2012: Sony Bank Enters into Tie-up with LIXIL Group Companies

■ January 2013: Sony Bank Enters into Tie-up with Tokyu Livable, Inc.

Sony Bank is entering into tie-ups with real estate companies to increase its mortgage loan balance. In July 2012, Sony Bank formed a business alliance with LIXIL Group companies, which conduct a wide array of housing-related businesses. Under the alliance, Sony Bank will offer mortgage loans for newly built or refurbished homes and condominiums in cooperation with LIXIL Group companies. Furthermore, in January 2013, Sony Bank entered into a partnership with Tokyu Livable, Inc. on mortgage loans and refurbishment loans.

■ August 2012: Sony Bank Strengthens Business Alliance with Monex Group, Inc. and Transfers All Sony Bank Securities' Shares to Monex Group

In August 2012, Sony Bank concluded a basic agreement with Monex Group, Inc. to strengthen its business alliance with Monex, Inc., a wholly owned subsidiary of Monex Group, to enhance financial products intermediary services. Sony Bank also transferred all shares of Sony Bank Securities Inc., a wholly owned subsidiary of Sony Bank, to Monex Group. In January 2013, Sony Bank launched new financial products intermediary services for Japanese and overseas stocks and foreign bonds (new issues only) with Monex, Inc. as the contracted broker.

■ October 2012: Sony Bank Begins Offering Offshore Renminbi, South African Rand and Swedish Krona for Foreign Currency Deposits

Sony Bank began offering three new currencies as part of its foreign currency deposit lineup: the offshore renminbi and South African rand, which are two currencies from emerging countries for which customers have shown strong trading needs, and the Swedish krona, a currency from a country with a stable economic growth rate in Northern Europe. As a result, Sony Bank's foreign currency deposits are now available in twelve currencies: the U.S. dollar, euro, U.K. pound, Australian dollar, New Zealand dollar, Canadian dollar, Swiss franc, Hong Kong dollar, Brazilian real, offshore renminbi, South African rand and Swedish krona. The addition of the three new currencies has enhanced and extended Sony Bank's foreign currency deposit lineup.

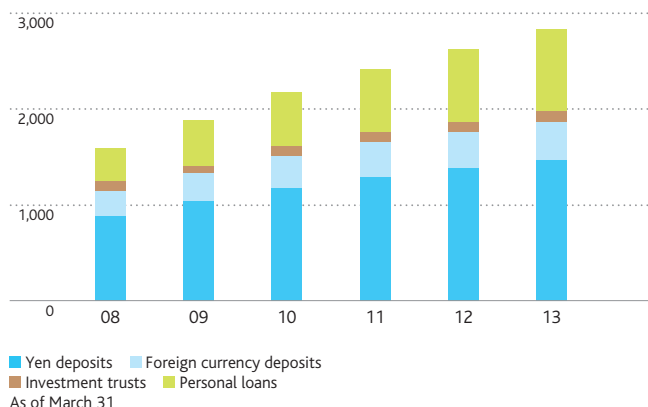
■ February 2013: Sony Bank Begins Accepting New Bank Account Applications Via its Smartphone Site

From February 2013, Sony Bank has enabled customers to complete procedures needed to open new bank accounts using their smartphones, in an effort to address the growing popularity of smartphones, as an Internet bank. Previously, these procedures could only be completed using PCs.

Furthermore, Sony Bank started making foreign-exchange margin trading available on its smartphone site in March 2013.

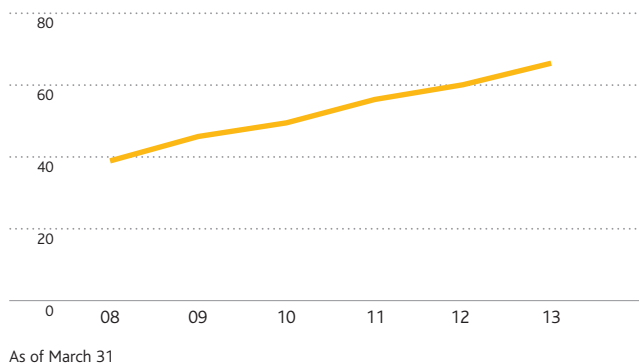
## Retail Balance at Sony Bank

(Billions of yen)



## Loan-deposit Ratio at Sony Bank (Yen-based deposits)

(%)



## Business Strategies

Increase business volume based on strong customer satisfaction

- Steadily increase business volume, backed by high levels of customer satisfaction

Strengthen strategic products

- Further enhance two major engines of business: the mortgage loans and foreign currency businesses
- Expand the customer base further by offering enhanced settlement functions with a Sony Bank flavor

Maintain profit-generating capacity

- Through appropriate execution of ALM, maintain a stable interest spread and continue to expand a core base of profits that is relatively impervious to the financial environment

# FY2012 Analysis of Operating Performance

## SFH (Consolidated)

### Operating Results

In FY2012, the fiscal year ended March 31, 2013, the Japanese economy initially saw increased public spending due to demand from the reconstruction effort following the Great East Japan Earthquake, as well as firm consumer spending. However, the outlook became uncertain from the summer of 2012 onward, due to slumping exports and the backdrop of signs of slowing overseas economies, most notably the protracted debt crisis in some European countries. In terms of financial market conditions, the yen initially remained strong against the world's major currencies in the forex market amidst the global economic slowdown, while long-term interest rates remained generally low, reflecting continued risk aversion on the part of investors.

However, from around mid-November 2012, Japan's consumer spending has shown solid growth, mainly due to improvement in consumer sentiment in response to rising stock prices and other factors. Meanwhile, rising expectations for aggressive monetary easing policies following Japan's change in administration led to a decline in long-term interest rates and the yen's depreciation. Nevertheless, considering the ongoing global economic slowdown, the possibility of a reversal of course in the Japanese economy's expectation-led recovery, and other factors, it seems the outlook for the Japanese economy will remain uncertain in the near term.

Under these conditions, the Sony Financial Group implemented a range of initiatives addressing diversifying customer needs, with the aim of becoming the most highly trusted financial services group by customers through the provision of high-quality services.

As a result, the Group posted consolidated ordinary revenues for FY2012 of ¥1,259.0 billion, up 16.8% from the previous fiscal year. This increase was due to ordinary revenue growth across all businesses, namely the life insurance, non-life insurance and banking businesses. Consolidated ordinary profit increased 6.2% year on year to ¥79.2 billion. This was mainly the result of increases in ordinary profit in the life insurance and banking businesses, despite a decline in ordinary profit in the non-life insurance business.

Looking at the main components of extraordinary gains and losses, the Group recorded ¥6.9 billion in provision for reserve for price fluctuations in the life insurance business as an extraordinary loss. This compares with ¥8.5 billion recorded in the previous fiscal year.

After adjusting ordinary profit by deducting extraordinary gains and losses, provision for reserve for policyholders' dividends, and income taxes, net income increased 37.3% year on year to ¥45.0 billion. In addition to the higher ordinary profit, this reflected the effects of the reversal of a portion of deferred tax assets associated with a reduction in the corporate tax rate in the previous fiscal year.

Segment performance was as follows:

#### Life Insurance Business

In the life insurance business, income from insurance premiums rose sharply in step with steady growth in policy amount in force. Another positive factor was an increase in gains on separate accounts, net following a recovery in market conditions. As a result, ordinary revenues rose 18.1% year on year to ¥1,142.3 billion.

Ordinary profit increased 6.7% year on year to ¥72.7 billion, mainly due to the reversal of policy reserves related to minimum guarantees on variable life insurance policies and a recovery from a negative to a positive spread at Sony Life. These positive factors were partly offset by the negative impact on profit stemming from the reversal of the reserve for outstanding claims related to the Great East Japan Earthquake that was recorded in the previous fiscal year.

#### Non-life Insurance Business

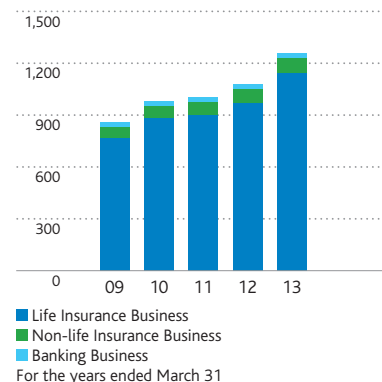
In the non-life insurance business, ordinary revenues increased 5.8% year on year to ¥84.7 billion, due to an increase in net premiums written atop growth in the number of policies in force centered on mainstay automobile insurance. Ordinary profit decreased 17.1% year on year, to ¥2.3 billion. This decrease mainly reflected an increase in the provision for the reserve for outstanding losses, although the net loss ratio remained mostly unchanged from the previous fiscal year in the automobile insurance business.

#### Banking Business

In the banking business, ordinary revenues increased 5.5% year on year to ¥34.3 billion. This increase was due to higher net fees and commissions following Sony Bank's consolidation of SmartLink Network as a 57%-owned subsidiary in July 2011, in addition to higher interest income on loans led by a growing balance of mortgage loans. Ordinary profit rose 14.2% year on year to ¥3.9 billion. The main reason for this increase was the aforementioned higher interest income related to mortgage loans.

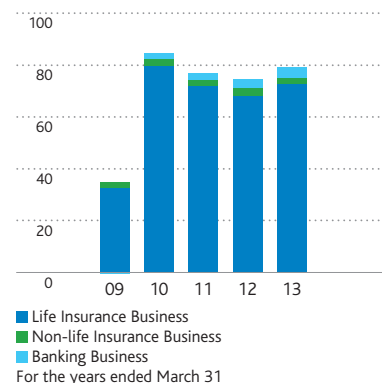
### Ordinary revenues

(Billions of yen)



### Ordinary profit

(Billions of yen)



### Financial Position

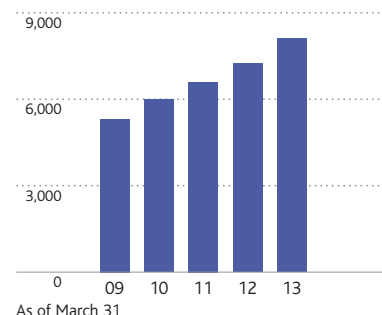
As of March 31, 2013, total assets amounted to ¥8,096.1 billion, up 11.8% from a year earlier. The major components of assets were securities (mostly Japanese government bonds (JGBs)) of ¥6,202.3 billion, up 12.1% from March 31, 2012; loans of ¥1,115.3 billion, up 14.4% from March 31, 2012; and monetary trusts of ¥324.3 billion, up 7.0% from March 31, 2012.

Total liabilities amounted to ¥7,660.7 billion, up 11.1% from a year earlier. The major components of liabilities were policy reserves and others of ¥5,601.0 billion, up 12.9% from March 31, 2012; and deposits of ¥1,857.3 billion, up 5.5% from March 31, 2012. In January 2013, SFH issued corporate bonds of ¥10.0 billion for the purpose of reinforcing Sony Bank's capital base. The bond issuance proceeds were used to grant a subordinated loan to Sony Bank.

Total net assets amounted to ¥435.4 billion at March 31, 2013, up 25.2% from a year earlier. In terms of the components of net assets, net unrealized gains on other securities, net of taxes, were ¥88.3 billion, up ¥51.3 billion from the end of the previous fiscal year. This increase mainly reflected rising bond prices accompanying lower interest rates.

### Total assets

(Billions of yen)



## Cash Flows

Net cash provided by operating activities in FY2012 amounted to ¥580.8 billion, an increase of ¥56.6 billion from FY2011. This increase was mainly due to increased income from insurance premiums in step with a higher policy amount in force in the life insurance business, which was partly offset by a net increase in loans due to an increase in mortgage loans in the banking business.

Net cash used in investing activities was ¥550.1 billion, up ¥37.9 billion from the previous fiscal year, mainly reflecting purchases of securities in the life insurance business. The increase was mainly due to a decline in proceeds from the sale and redemption of securities in the life insurance business.

Net cash used in financing activities was ¥5.0 billion, a change of ¥6.8 billion from net cash provided by financing activities in the previous fiscal year, mainly reflecting cash dividends paid.

As a result of the above factors, cash and cash equivalents as of March 31, 2013 stood at ¥201.4 billion, up ¥25.7 billion from a year earlier.

## Risk-monitored Loans

(Millions of yen)		
As of March 31	2012	2013
Category		
Bankrupt loans	¥ 174	¥ 150
Non-accrual delinquent loans	1,369	1,534
Past-due loans (3 months or more)	—	—
Restructured loans	2,068	2,220
Total	¥3,613	¥3,905

## Consolidated Solvency Margin Ratio

(Millions of yen)		
As of March 31	2012	2013
(A) Total consolidated solvency margin	¥835,119	¥996,999
Common stock, etc.	305,575	340,543
Reserve for price fluctuations	25,380	32,344
Contingency reserve	55,392	59,625
Catastrophe reserve	9,406	7,164
General reserve for possible loan losses	835	834
Net unrealized gains on other securities (before tax deductions) x 90% (100% if losses)	57,049	123,898
Net unrealized gains on real estate x 85% (100% if losses)	(173)	(2,012)
Unallotted portion of reserve for policyholders' dividends	700	464
Tax effect equivalent (after deducting amount excluded)	58,774	70,604
Subordinated debt and surplus components of premium reserve	331,970	371,470
Total solvency margin of small-amount short-term insurers	—	—
Deductible items	9,793	7,938
(B) Total consolidated risk	121,000	131,126
$\sqrt{[(R_1^2 + R_5^2) + R_8 + R_9]^2 + (R_2 + R_3 + R_7)^2} + R_4 + R_6$		
Insurance risk (R <sub>1</sub> )	20,852	21,871
Ordinary insurance risk (R <sub>5</sub> )	8,929	9,865
Major catastrophe risk (R <sub>6</sub> )	627	643
Third-sector insurance risk (R <sub>8</sub> )	7,510	8,307
Substantial insurance risk of small-amount short-term insurers (R <sub>9</sub> )	—	—
Assumed interest rate risk (R <sub>2</sub> )	28,567	29,122
Minimum guarantee risk (R <sub>7</sub> )	9,904	11,474
Asset management risk (R <sub>3</sub> )	73,294	80,671
Business management risk (R <sub>4</sub> )	4,599	4,987
Consolidated solvency margin ratio $[(A)/\{(B) \times (1/2)\}] \times 100$	1,380.3%	1,520.6%

Notes: 1. The figures are calculated based on the stipulations of Article 210, Paragraph 11-3 and Paragraph 11-4 of the Ordinance of Enforcement of the Insurance Business Act of Japan, and the FSA Notification No. 23 (2011).

2. Minimum guarantee risk is calculated based on the standardized approach.

SFH's consolidated operating results come from its **life insurance**, **non-life insurance**, and **banking** businesses. Segment-by-segment reviews of FY2012 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 Insurance and SA Reinsurance—both equity-method affiliates 50% owned by Sony Life.

\* Sony Life transferred all shares of Sony Life Insurance (Philippines) on December 6, 2012, and currently it has been excluded from the scope of the life insurance business.

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

### New Policy Amount

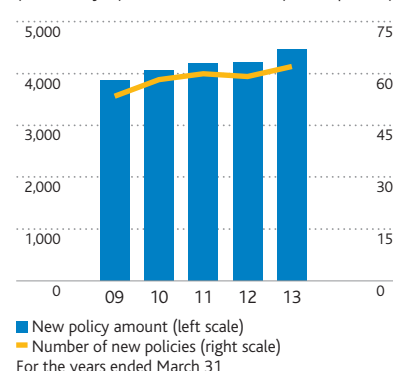
New policy amount is the total policy amount of new insurance policies.

For the years ended March 31	2012	2013	Change
(Billions of yen)			
New policy amount	¥4,203.3	¥4,454.6	6.0%
Individual life insurance	4,145.6	4,396.6	6.1%
Individual annuities	57.6	57.9	0.5%
Annualized premiums from new policies	70.8	73.2	3.4%
Medical protection, living benefit protection and other products	17.1	18.3	7.6%
The number of new policies (10,000 policies)	59.1	62.0	4.9%

#### Main Points

New policy amount increased atop significant growth in sales of living benefit insurance and whole life insurance. Annualized premiums from new policies increased due to significantly higher sales of living benefit insurance, whole life insurance and term life insurance.

New Policy Amount and Number of New Policies  
(Individual life insurance + Individual annuities)  
(Billions of yen) (10,000 policies)



### Policy Amount in Force

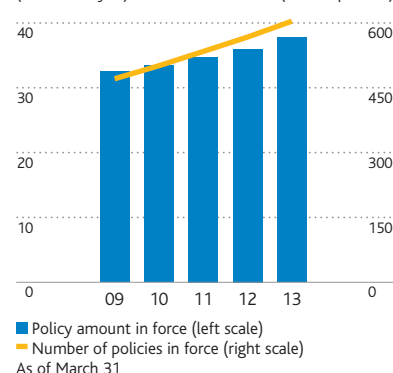
Policy amount in force refers to the total amount of coverage that Sony Life provides to individual policyholders.

As of March 31	2012	2013	Change
(Billions of yen)			
Policy amount in force	¥36,077.0	¥37,779.0	4.7%
Individual life insurance	35,707.3	37,366.3	4.6%
Individual annuities	369.7	412.7	11.6%
Annualized premiums from insurance in force	635.4	669.9	5.4%
Medical protection, living benefit protection and other products	148.9	158.6	6.5%
The number of policies in force (10,000 policies)	567	604	6.5%

#### Main Points

Policy amount in force increased due to the increase in new policies and a decline in the lapse and surrender rate. 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 has maintained steady growth for 32 years since the Company commenced operations.

Policy Amount in Force and Number of Policies in Force  
(Individual life insurance + Individual annuities)  
(Trillions of yen) (10,000 policies)



### Sales of Products (Percentage Composition)

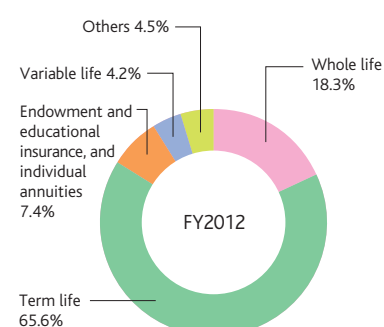
For the years ended March 31	2012	2013	Change
Whole life insurance	14.2%	18.3%	4.1pt
Term life insurance	70.1%	65.6%	(4.5pt)
Endowment and educational insurance, and individual annuities	8.3%	7.4%	(0.9pt)
Variable life insurance	3.7%	4.2%	0.5pt
Others	3.7%	4.5%	0.8pt

#### Main Points

Death-protection products\* accounted for around 90% of the new policy amount in FY2012 (policy amount basis).

\* The new policy amount for death-protection products represents the total new policy amount after deduction of the new policy amounts for endowment insurance and educational endowment insurance, individual annuities, and medical insurance.

New Policy Amount by Type of Product  
(Individual life insurance + Individual annuities; Policy amount basis)



## Lapse and Surrender Rate

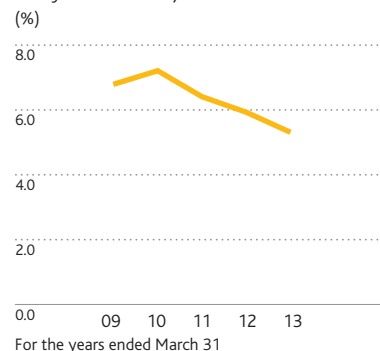
The lapse and surrender rate shows the ratio derived by dividing the amount of lapses and surrenders, not adjusted for policy amount decreases, increases, and reinstatements, by the policy amount in force at the beginning of the fiscal year.

For the years ended March 31	2012	2013	Change
Lapse and surrender rate	5.93%	5.31%	(0.62pt)

### Main Points

In FY2012, the lapse and surrender rate (policy amount basis) declined across all insurance products, centered on term life insurance.

Lapse and Surrender Rate  
(Individual life insurance + Individual annuities;  
Policy amount basis)  
(%)



## Income from Insurance Premiums and Insurance Claims and Other Payments

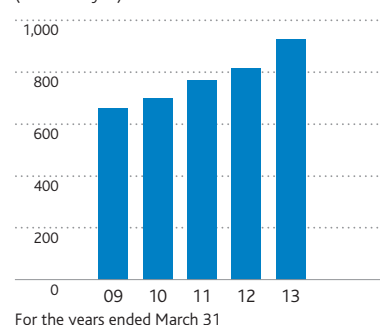
(Billions of yen)

For the years ended March 31	2012	2013	Change
Income from insurance premiums	¥816.1	¥925.8	13.5%
Insurance claims and other payments	287.4	293.9	2.3%
Insurance claims	68.9	71.0	3.0%
Annuity payments	42.2	46.8	10.9%
Insurance benefits	8.5	9.5	11.6%
Surrender payments	163.2	161.8	(0.9%)

### Main Points

In FY2012, income from insurance premiums received from policyholders increased significantly as a result of steady growth in policy amount in force.

Income from Insurance Premiums  
(Billions of yen)



## 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 income and sound assets. Sony Life invests in debt securities, primarily Japanese government bonds (JGBs) with long-term maturities, while controlling interest rate risk in its investment portfolio.

(Billions of yen)

As of March 31	2012		2013	
	Amount	Composition	Amount	Composition
Japanese government and corporate bonds	¥3,975.7	83.2%	¥4,561.0	84.4%
Japanese stocks	45.0	0.9%	31.1	0.6%
Foreign bonds	59.6	1.2%	62.0	1.1%
Foreign stocks and other securities	30.5	0.6%	25.4	0.5%
Monetary trusts	288.2	6.0%	306.1	5.7%
Policy loans	138.7	2.9%	145.0	2.7%
Real estate	72.9	1.5%	70.3	1.3%
Cash and deposits, call loans	64.8	1.4%	103.3	1.9%
Others	102.6	2.1%	97.7	1.8%
Total	¥4,778.5	100.0%	¥5,402.1	100.0%

### Main Points

In FY2012, Sony Life continued to invest in ultralong-term bonds with maturities of 20 years or more, leading to an increase in the percentage of Japanese government bonds (JGBs) in the investment portfolio. The ratio of JGBs stood at 90.1% as of March 31, 2013 in real terms, reflecting such bonds included in monetary trusts. Looking ahead, Sony Life will continue to properly control the interest rate risk associated with insurance liabilities by investing most of the new funds generated by income from insurance premiums and other sources in ultralong-term bonds.

## Unrealized Gains and Losses on Securities

Unrealized gains and losses on securities\* refer to the differences between the carrying amounts and fair values of securities. When the fair value of an asset is higher than its carrying amount, 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 is included in the total solvency margin (numerator) used in calculating the solvency margin ratio (see page 38).

\* Unrealized gains and losses on securities list the total of net unrealized gains or losses on held-to-maturity bonds and available-for-sale securities with fair values. The total of securities includes securities included in monetary trusts.

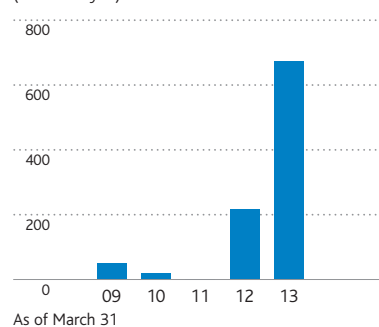
As of March 31	2012	2013	Change
Unrealized gains on securities in the general account	¥216.8	¥675.0	458.1
Unrealized gains on held-to-maturity securities	155.8	551.7	395.8
Net unrealized gains on available-for-sale securities	60.9	123.2	62.3
Of which, unrealized gains on Japanese government and corporate bonds	53.4	111.6	58.1
Of which, unrealized gains on Japanese stocks	5.8	6.2	0.3
Of which, unrealized gains on foreign securities	1.3	4.2	2.8

### Main Points

Unrealized gains on securities in the general account increased due to higher unrealized gains on Japanese government bonds (JGBs) in line with lower long-term interest rates.

Reference: As of March 31, 2013, unrealized gains on Japanese stocks would be zero at a Nikkei Stock Average of ¥8,270 and a TOPIX of 690 points.

Unrealized Gains on Securities  
(Billions of yen)



## 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, as well as to making and then investing 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.

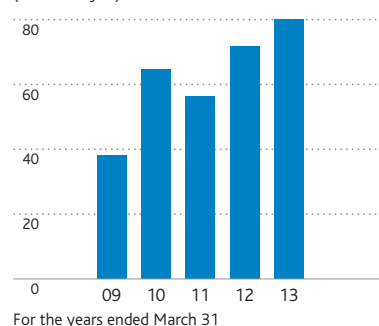
Note: Sony Life, similar to most life insurers organized as stock companies, primarily sells non-participating life insurance. This contrasts with life insurers organized as mutual companies, which typically offer participating policies for which premiums include an additional amount equal to the funds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

For the years ended March 31	2012	2013	Change
Core profit	¥71.6	¥80.0	11.7%

### Main Points

Core profit increased from FY2011, mainly due to a reversal of policy reserves related to minimum guarantees on variable life insurance policies and a recovery from a negative to a positive spread. These positive factors were partly offset by the negative impact on earnings in FY2012 of the reversal of the reserve for outstanding claims related to the Great East Japan Earthquake that was recorded in FY2011.

Core Profit  
(Billions of yen)





## Reconciliation to Core Profit and Non-consolidated Ordinary Profit

(Millions of yen)

For the years ended March 31	2012	2013
Core profit (A)	¥71,685	¥80,045
Capital gains	7,556	2,420
Income from monetary trusts, net	—	—
Income from trading securities, net	—	—
Gains on sale of securities	7,556	2,420
Gains on derivatives, net	—	—
Foreign exchange gains, net	—	—
Other capital gains	—	—
Capital losses	5,774	3,351
Losses on monetary trusts, net	—	—
Losses on trading securities, net	—	—
Losses on sale of securities	2,607	1,587
Devaluation losses on securities	1,692	327
Losses on derivatives, net	—	226
Foreign exchange losses, net	1,376	1,176
Other capital losses	97	34
Net capital gains (losses) (B)	1,782	(931)
Core profit plus net capital gains (losses) (A) + (B)	73,468	79,114
Other one-time gains	—	—
Gains from reinsurance	—	—
Reversal of contingency reserve	—	—
Reversal of specific reserve for possible loan losses	—	—
Others	—	—
Other one-time losses	4,032	4,454
Losses from reinsurance	—	—
Provisions for contingency reserve	3,778	4,223
Provisions for specific reserve for possible loan losses	2	21
Provisions for reserve for loan losses from borrowers in specific foreign countries	—	—
Write-off of loans	—	—
Others	250	209
Net other one-time gains (losses) (C)	(4,032)	(4,454)
Ordinary profit (A) + (B) + (C)	¥69,436	¥74,659

Notes: 1. Core profit for the fiscal year ended March 31, 2013 (A) includes income gains of ¥5,259 million in income from monetary trusts; other capital losses include impairment losses of ¥34 million from investment partnership; "Others" of other one-time losses include provision of additional policy reserve of ¥209 million.  
 2. Core profit for the fiscal year ended March 31, 2012 (A) includes income gains of ¥5,278 million in income from monetary trusts; other capital losses include impairment losses of ¥97 million from investment partnership; "Others" of other one-time losses include provision of additional policy reserve of ¥250 million.

## Negative Spread

Life insurers use a portion of the premiums received from policyholders to accumulate 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 is lower than the average assumed interest rate due to deterioration in the investment environment or other reasons.

(Billions of yen)

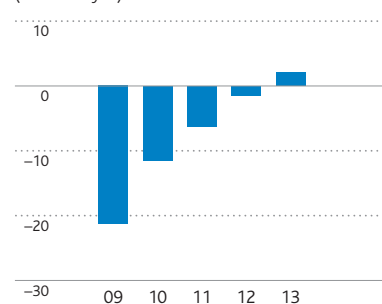
For the years ended March 31	2012	2013	Change
Negative spread (plus amount indicates positive spread)	¥(1.5)	¥2.1	—%
Average assumed interest rate	2.35%	2.27%	(0.08pt)
Investment yield (general account)	2.17%	2.12%	(0.05pt)
Investment yield for core profit	2.31%	2.31%	0.00pt

## Main Points

Negative spread turned into a positive spread thanks to a lower average assumed interest rate reflecting steady growth in new policies.

## Negative Spread

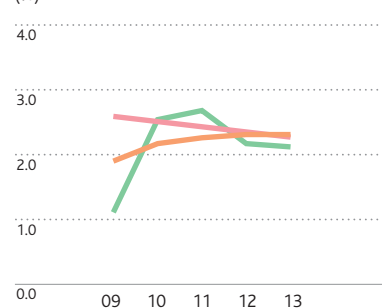
(Billions of yen)



For the years ended March 31

A positive amount for the negative spread indicates a positive spread.

## Average Assumed Interest Rate, Investment Yield for Core Profit, and Investment Yield (General Account) (%)



— Investment yield for core profit  
 — Average assumed interest rate  
 — Investment yield (general account)  
 For the years ended March 31

## Formula for Calculating Negative Spread

$$\left( \begin{array}{l} \text{Investment yield} \\ \text{for core profit}^{*1} \end{array} - \begin{array}{l} \text{Average assumed} \\ \text{interest rate}^{*2} \end{array} \right) \times \begin{array}{l} \text{General account} \\ \text{Policy reserves}^{*3} \end{array} = \text{Negative spread}$$

\*1 Investment yield for core profit is the yield on general account policy reserves after subtracting the provision for policyholder dividend reserve from the 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 period + policy reserves at end of period – assumed interest) x 1/2



## Ordinary Revenues, Ordinary Profit and Net Income

(Billions of yen)

For the years ended March 31	2012	2013	Change
Ordinary revenues	¥967.4	¥1,142.2	18.1%
Ordinary profit	69.4	74.6	7.5%
Net income	31.4	42.4	35.1%

### Main Points

#### Ordinary Revenues

Ordinary revenues increased year on year due mainly to higher income from insurance premiums on the back of steady growth in policy amount in force, and increased gains on separate accounts, net due to the market recovery toward the end of FY2012.

#### Ordinary Profit

Ordinary profit increased year on year, mainly due to a reversal of policy reserves related to minimum guarantees on variable life insurance policies and a recovery from a negative to a positive spread. These positive factors were partly offset by the negative impact on earnings in FY2012 of the reversal of the reserve for outstanding claims related to the Great East Japan Earthquake that was recorded in FY2011.

#### Net Income

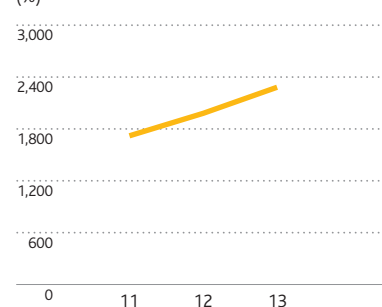
Net income increased year on year due in part to a reversal of a portion of deferred tax assets in FY2011 associated with the reduction in the corporate tax rate.

## Ordinary Profit and Net Income

(Billions of yen)



## Solvency Margin Ratio (Current standards)



As of March 31

\* The solvency margin ratios have been calculated based on current standards applied from March 31, 2012.

## Solvency Margin Ratio

The solvency margin ratio 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.

As of March 31	2012	2013	Change
Solvency margin ratio	1,980.4%	2,281.8%	301.4pt

### Main Points

Sony Life's solvency margin ratio was 2,281.8% as of March 31, 2013, up 301.4 points from March 31, 2012, remaining at a high level.

## Solvency Margin Ratio

(Millions of yen)

As of March 31	2012	2013
(A) Total solvency margin	¥722,175	¥872,502
Common stock, etc.	223,100	252,363
Reserve for price fluctuations	25,319	32,264
Contingency reserve	55,338	59,561
General reserve for possible loan losses	0	0
Net unrealized gains on other securities x 90% (100% if losses)	54,656	114,602
Net unrealized gains on real estate x 85% (100% if losses)	(173)	(2,012)
Unallotted portion of reserve for policyholders' dividends	700	464
Amount excluded from deferred tax assets	—	—
Deferred tax assets	58,774	70,604
Excess amount of policy reserves based on Zillmer method	350,404	372,561
Subordinated debt	—	—
The portion of the excess amount of policy reserves based on Zillmer method and subordinated debt that is not included in the margin	(45,945)	(27,907)
Deductible items	—	—
(B) Total risk	72,930	76,472
$\sqrt{(R_1+R_8)^2+(R_2+R_3+R_7)^2+R_4}$		
Insurance risk (R <sub>1</sub> )	20,850	21,871
Third-sector insurance risk (R <sub>8</sub> )	7,509	8,307
Assumed interest rate risk (R <sub>2</sub> )	28,509	29,054
Asset management risk (R <sub>3</sub> )	26,741	27,592
Minimum guarantee risk (R <sub>7</sub> )	9,904	11,474
Business management risk (R <sub>4</sub> )	1,870	1,966
(C) Solvency margin ratio	1,980.4%	2,281.8%
$[(A)/\{(B) \times (1/2)\}] \times 100$		

Notes: 1. The figures are calculated based on provisions in Articles 86 and 87 of the Ordinance for Enforcement of the Insurance Business Act of Japan and the Ministry of Finance Public Notice No. 50 of 1996.  
2. Minimum guarantee risk was calculated based on the standardized approach.

## Non-performing Assets

### Risk-monitored Loans

(Millions of yen)

As of March 31	2012	2013
Category		
Bankrupt loans	¥—	¥—
Non-accrual delinquent loans	—	—
Past-due loans (3 months or more)	—	—
Restructured loans	—	—
Total	¥—	¥—

### Loans by Borrower Category

(Millions of yen)

As of March 31	2012	2013
Category		
Bankrupt and quasi-bankrupt loans	¥ —	¥ —
Doubtful loans	—	—
Sub-standard loans	—	—
Normal loans	141,384	147,608
Total	¥141,384	¥147,608

#### Main Points

Sony Life's asset assessment is shown in the above table. Sony Life does 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 ¥145.1 billion as of March 31, 2013. Among this balance, policy loans were ¥145.0 billion, and commercial loans\* were ¥0.08 billion. Most of the loan balance consists of policy loans, which are limited to recoverable surrender values.

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

# Non-life Insurance Business

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

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

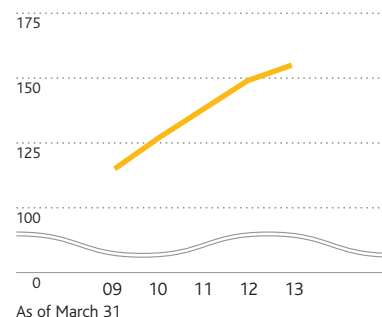
## Policies in Force

As of March 31	2012	2013	(10,000 policies) Change
Number of policies in force (Automobile insurance + Medical and cancer insurance)	149	155	4.0%

### Main Points

The number of policies in force steadily increased centered on automobile insurance.

Number of Policies in Force  
(Automobile insurance +  
Medical and cancer insurance)  
(10,000 policies)



## 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).

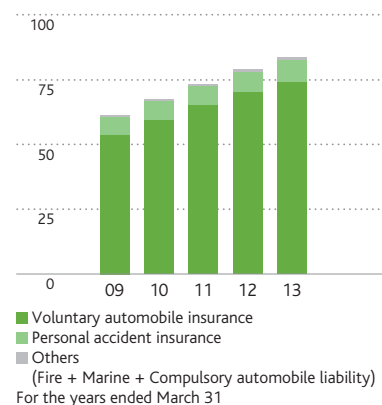
For the years ended March 31	2012	2013	(Billions of yen) Change
Net premiums written	¥79.1	¥83.5	5.6%
Voluntary automobile insurance	70.4	74.1	5.2%
Personal accident insurance*	7.6	8.1	6.7%
Others (Fire + Marine + Compulsory automobile liability)	1.0	1.3	23.3%

\* Including medical and cancer insurance

### Main Points

Net premiums written increased in line with steady growth in the number of policies in force centered on automobile insurance.

Net Premiums Written  
(Billions of yen)



## 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.

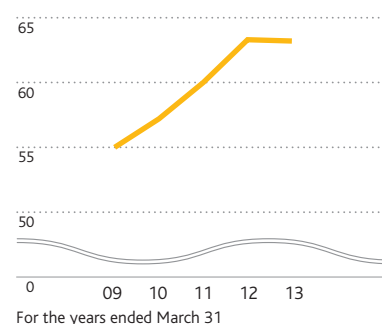
For the years ended March 31	2012	2013	Change
Net loss ratio	63.3%	63.2%	(0.1pt)
Net loss ratio for automobile insurance	66.8%	66.6%	(0.2pt)
Net loss ratio for personal accident insurance*	26.3%	27.0%	0.7pt

\* Including medical and cancer insurance

### Main Points

The net loss ratio remained largely unchanged from the previous fiscal year, as higher net premiums written mostly offset an increase in net losses paid from the previous fiscal year.

Net Loss Ratio  
(%)



## 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.

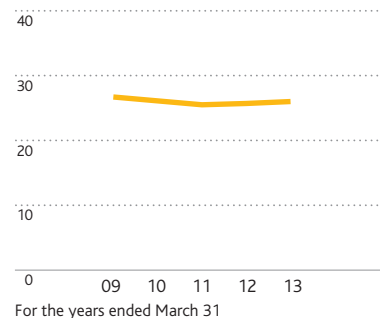
For the years ended March 31	2012	2013	Change
Net expense ratio	25.7%	26.0%	0.3pt
Combined ratio (Net loss ratio + net expense ratio)	89.0%	89.2%	0.2pt

### Main Points

The net expense ratio increased mainly due to higher system-related expenses and an increase in new policy acquisition costs.

## Net Expense Ratio

(%)



## Underwriting Profit

Underwriting profit indicates profit generated from underwriting insurance. Underwriting profit is 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.).

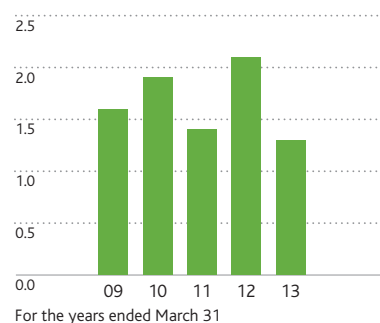
For the years ended March 31	2012	2013	Change
Underwriting profit	¥2.1	¥1.3	(33.7%)

### Main Points

Underwriting profit decreased, although net premiums written increased while the net loss ratio remained largely unchanged from the previous fiscal year. This decrease mainly reflected an increase in the provision for reserve for outstanding losses.

## Underwriting Profit

(Billions of yen)



## Ordinary Revenues, Ordinary Profit and Net Income

For the years ended March 31	2012	2013	Change
Ordinary revenues	¥80.0	¥84.7	5.8%
Ordinary profit	2.8	2.3	(17.1%)
Net income	1.2	1.4	11.9%

### Main Points

#### Ordinary Revenues

Ordinary revenues increased, as a result of higher net premiums written in step with growth in the number of policies in force centered on automobile insurance.

#### Ordinary Profit

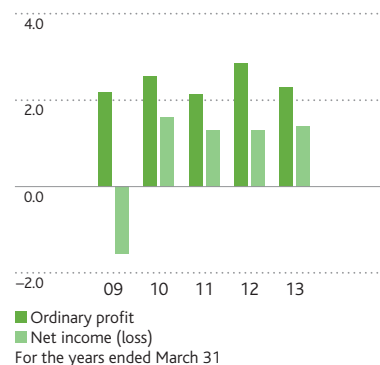
Ordinary profit decreased, although the net loss ratio remained largely unchanged from the previous fiscal year. This was mainly due to an increase in provision for reserve for outstanding losses.

#### Net Income

Net income increased, due in part to a reversal of a portion of deferred tax assets in FY2011 associated with the reduction in the corporate tax rate.

## Ordinary Profit and Net Income (Loss)

(Billions of yen)

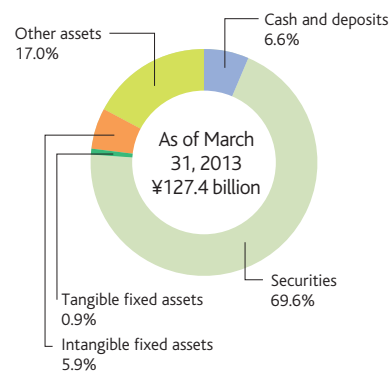


## Total Asset Composition and Investment Policy

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, asset management risks, and other factors.

As of March 31	2012	2013	Change
Total assets	¥118.6	¥127.4	7.4%
Cash and deposits	5.1	8.4	63.6%
Securities	84.4	88.6	5.0%
Tangible fixed assets	0.4	1.1	167.5%
Intangible fixed assets	6.8	7.5	10.4%
Other assets	21.7	21.6	(0.5%)

## Composition of Total Assets



## Non-consolidated Solvency Margin Ratio

The non-consolidated solvency margin ratio is an important indicator of the ability of non-life insurers to pay claims.

As of March 31	2012	2013	Change
Non-consolidated solvency margin ratio	557.8%	504.2%	(53.6pt)

### Main Points

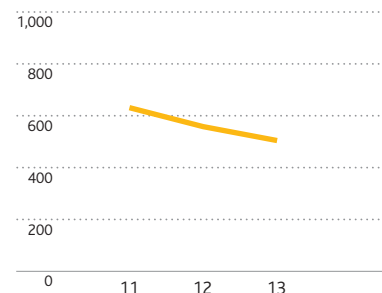
Non-consolidated solvency margin ratio was 504.2% as of March 31, 2013, down 53.6 points from March 31, 2012, remaining at a sound level.

As of March 31	2012	2013
(A) Total non-consolidated solvency margin	¥27,511	¥27,370
Capital or treasury	18,053	19,507
Reserve for price fluctuations	61	80
Contingency reserve	54	63
Catastrophe reserve	9,406	7,164
General reserve for possible loan losses	—	—
Net unrealized gains on other securities (before tax deductions)	(63)	554
Net unrealized gains on real estate	—	—
Excess refund reserve	—	—
Subordinated debt	—	—
The portion of the excess refund reserve and subordinated debt that is not included in the margin	—	—
Deductible items	—	—
Others	—	—
(B) Total non-consolidated risk $\sqrt{(R_1+R_2)^2+(R_3+R_4)^2+R_5+R_6}$	9,862	10,855
Ordinary insurance risk (R <sub>1</sub> )	8,929	9,865
Third-sector insurance risk (R <sub>2</sub> )	—	—
Assumed interest rate risk (R <sub>3</sub> )	58	67
Asset management risk (R <sub>4</sub> )	309	485
Business management risk (R <sub>5</sub> )	297	331
Major catastrophe risk (R <sub>6</sub> )	627	643
(C) Non-consolidated solvency margin ratio $[(A)/\{(B) \times (1/2)\}] \times 100$	557.8%	504.2%

Note: The foregoing figures were based on provisions in Articles 86 (non-consolidated solvency margin) and 87 (non-consolidated risk) of the Ordinance for Enforcement of the Insurance Business Law of Japan and the Ministry of Finance Public Notice No. 50 (1996).

## Non-consolidated Solvency Margin Ratio (Current standards)

(%)



As of March 31

The figures have been calculated based on current standards applied from March 31, 2012.

## Non-performing Assets

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

### Risk-monitored Loans

As of March 31	2012	2013
Category		
Bankrupt loans	¥—	¥—
Non-accrual delinquent loans	—	—
Past-due loans (3 months or more)	—	—
Restructured loans	—	—
Total	¥—	¥—

### Loans by Borrower Category

As of March 31	2012	2013
Category		
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 of SFH; Sony Bank Securities, a wholly owned subsidiary of Sony Bank; and SmartLink Network, a 57%-owned subsidiary of Sony Bank.

\* SmartLink Network has been included in the scope of consolidation from the second quarter of FY2011.

\* On August 1, 2012, Sony Bank transferred all shares of Sony Bank Securities, engaged in the financial products and exchange business, and Sony Bank Securities was excluded from the scope of consolidation.

### Ordinary Revenues, Ordinary Profit and Net Income (Consolidated Basis)

(Billions of yen)			
For the years ended March 31	2012	2013	Change
Consolidated ordinary revenues	¥32.5	¥34.3	5.5%
Consolidated ordinary profit	3.9	4.4	12.4%
Consolidated net income	1.7	3.2	87.6%

#### Main Points

##### Consolidated Ordinary Revenues

Sony Bank's consolidated ordinary revenues increased, due to higher net fees and commissions following Sony Bank's consolidation of SmartLink Network as a subsidiary, in addition to higher interest income received on loans due to an increase in the balance of mortgage loans.

##### Consolidated Ordinary Profit

Sony Bank's consolidated ordinary profit rose due mainly to higher income related to mortgage loans.

##### Consolidated Net Income

Sony Bank's consolidated net income increased due to the tax effect of reversing deferred tax assets on the transfer of all shares of Sony Bank Securities on August 1, 2012.

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

### Gross Operating Profit

Gross operating profit consists of net interest income, net fees and commissions, and net other operating income.

Net interest income refers to the spread between investment returns such as interest received on loans, securities, and other items, and funding costs, including interest paid on deposits. Sony Bank uses the deposits received from customers primarily to provide mortgage loans and invest in securities.

Net fees and commissions refer to the spread between the fees and commissions received from the securities trading of customers, domestic and foreign exchanges and other operations, and the fees and commissions paid for ATM usage, domestic and foreign exchanges and other operations.

Net other operating income refers to income from operations not included in net interest income or net fees and commissions. This includes gains and losses on foreign exchange trading; gains and losses on 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.

(Billions of yen)			
For the years ended March 31	2012	2013	Change
Gross operating profit	¥18.3	¥18.5	1.0%
Net interest income	16.1	18.1	12.5%
Net fees and commissions	0.1	0.1	(38.1%)
Net other operating income	2.0	0.2	(86.2%)

#### Main Points

##### Net Interest Income

Net interest income increased due to higher interest income received on loans in line with an increase in the balance of mortgage loans and a decrease in interest expenses.

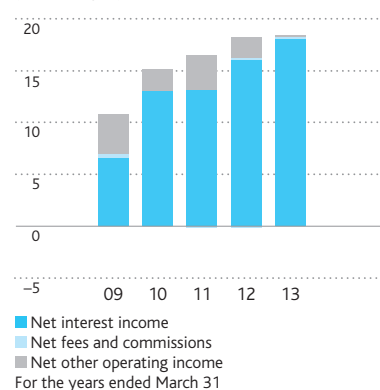
##### Net Fees and Commissions

Net fees and commissions decreased slightly due to the impact of waiving commissions on foreign-exchange margin trading, despite an increase in fees and commissions received in conjunction with mortgage loans.

##### Net Other Operating Income

Net other operating income decreased due to lower gains related to bond dealings.

Gross Operating Profit  
(Billions of yen)



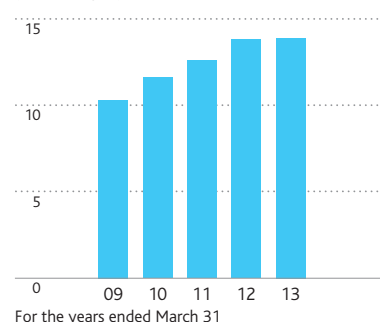
### General and Administrative Expenses

(Billions of yen)			
For the years ended March 31	2012	2013	Change
General and administrative expenses	¥13.8	¥13.9	1.1%

#### Main Points

General and administrative expenses remained mostly unchanged despite an increase in personnel expenses in step with business volume expansion.

General and Administrative Expenses  
(Billions of yen)



## Ordinary Revenues, Ordinary Revenues, Ordinary Profit and Net Income

For the years ended March 31	2012	2013	(Billions of yen) Change
Ordinary revenues	¥30.0	¥31.3	4.2%
Ordinary profit	4.0	4.2	6.2%
Net income	2.3	0.8	(62.4%)

### Main Points

#### Ordinary Revenues

Ordinary revenues increased as a result of higher interest income received on loans due to an increase in the balance of mortgage loans.

#### Ordinary Profit

Ordinary profit rose due mainly to higher income related to mortgage loans.

#### Net Income

Net income decreased due to recording an extraordinary loss of ¥2.7 billion on the transfer of all shares of Sony Bank Securities.

Ordinary Profit and Net Income (Loss)  
(Billions of yen)



## Number of Accounts

As of March 31	2012	2013	(10,000 accounts) Change
Number of accounts	89	92	3.3%

### Main Points

Sony Bank continued efforts to acquire new customers by upgrading and expanding its lineup of products and services and raising brand recognition. As a result, the number of customer accounts increased steadily.

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

As of March 31	2012	2013	(Billions of yen) Change
Customer Assets (Total of Deposits and Investment Trusts)	¥1,864.3	¥1,974.3	5.9%

As of March 31	2012	2013	Change
Deposit balance	¥1,762.2	¥1,857.4	5.4%
Yen deposits	1,390.5	1,467.2	5.5%
Foreign currency deposits	371.7	390.2	5.0%
Investment trust balance	102.0	116.9	14.6%

### Main Points

#### Yen Deposits

Yen deposits increased due to the positive effect of special campaigns associated with the summer 2012 bonus season and a shift from foreign currency deposits to yen deposits in step with the yen's depreciation.

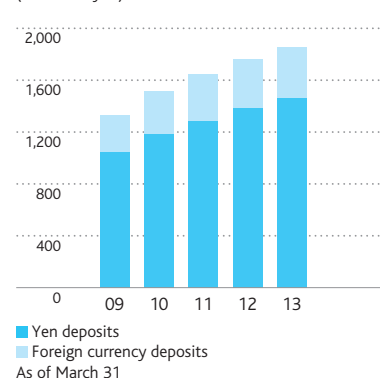
#### Foreign Currency Deposits

Foreign currency deposits increased due to the positive effects of translation into yen (+¥50.1 billion), despite a negative impact from the cancellation of foreign currency deposits due to the yen's depreciation.

#### Investment Trusts

The balance of investment trusts increased due to higher Net Asset Value (NAV) reflecting the rebound in financial markets.

Deposit Balance  
(Billions of yen)



## Loans

As of March 31	2012	2013	(Billions of yen) Change
Loans	¥835.5	¥970.2	16.1%
Mortgage loans	749.6	860.3	14.8%
Others	85.9	109.8	27.9%

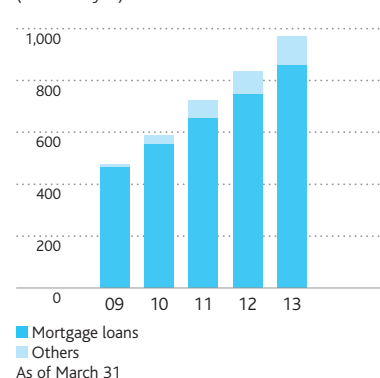
### Main Points

The balance of loans increased due to a steady increase in the balance of mortgage loans, in addition to a higher corporate loan balance centered on syndicated loans.

The mortgage loan business saw intensified competition in a low interest rate environment. However, Sony Bank's balance of mortgage loans increased steadily, reflecting moves by borrowers to take out mortgage loans in anticipation of rising interest rates and a consumption tax hike, in addition to enhanced tie-ups with real estate companies.

The "Others" balance includes corporate loans, card loans, and special-purpose loans. The corporate loan balance stood at ¥103.3 billion as of March 31, 2013.

Loans  
(Billions of yen)





## Securities

Sony Bank's securities investments consist of investments with interest rate risk, mainly Japanese government bonds (JGBs), and investments with credit risk, mainly investment-grade corporate bonds.

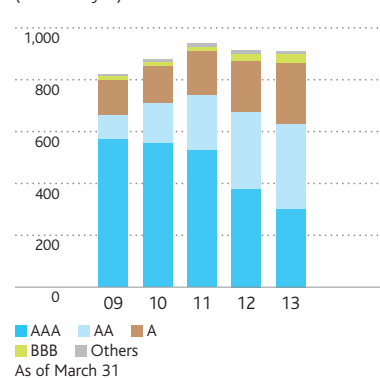
As of March 31	2012	2013	Change
Balance of securities	¥912.9	¥908.8	(0.4%)
Japanese government bonds	206.9	194.0	(6.3%)
Japanese municipal bonds	29.1	61.2	110.1%
Japanese corporate bonds	284.7	202.4	(28.9%)
Japanese stocks	7.0	2.0	(70.9%)
Foreign securities	376.4	442.0	17.4%
Other securities	8.5	7.0	(17.0%)

### Main Points

With respect to the ratings of the securities held by Sony Bank, securities rated AA or above accounted for 68.9% of the total. Sony Bank's investments in SmartLink Network of ¥2.0 billion are recorded as Japanese stocks.

\* 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.

Securities (by Ratings)  
(Billions of yen)



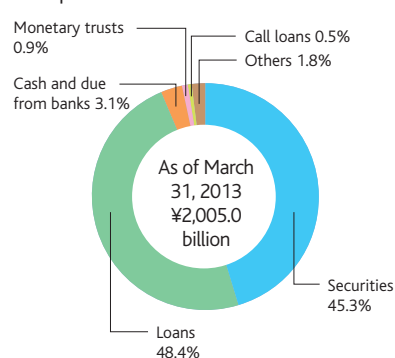
## Total Asset Composition

As of March 31	2012	2013	Change
Total assets	¥1,890.5	¥2,005.0	6.1%
Securities	912.9	908.8	(0.4%)
Loans	835.5	970.2	16.1%
Cash and due from banks	87.0	61.9	(28.9%)
Monetary trusts	13.2	18.1	37.3%
Call loans	10.0	10.0	0.0%

### Main Points

Sony Bank's total assets increased, tracking expansion in loan assets.

Composition of Total Assets



## Non-consolidated Capital Adequacy Ratio

The capital adequacy ratio is an important indicator of a bank's financial soundness.

As of March 31	2012	2013	Change
Non-consolidated capital adequacy ratio (Domestic criteria)	11.58%	11.98%	0.40pt
Tier I ratio (Domestic criteria)	9.63%	8.85%	(0.78pt)

### Main Points

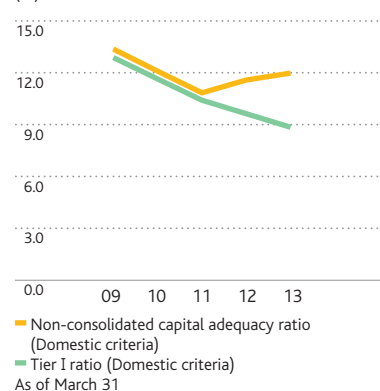
The non-consolidated capital adequacy ratio increased from the level at the previous fiscal year-end as a result of a ¥10.0 billion subordinated loan granted by SFH to Sony Bank in February 2013 for the purpose of reinforcing Sony Bank's capital base. Sony Bank continues to maintain a sound financial position.

### Sony Bank Non-consolidated Capital Adequacy Ratio (Domestic criteria)

As of March 31	2012	2013
Capital Common stock	¥ 31,000	¥ 31,000
Capital surplus	21,000	21,000
Retained earnings	11,627	12,506
Tier I (core) capital [A]	63,627	64,506
Preferred securities with step-up interest rate provision	—	—
General reserve for possible loan losses	835	834
Subordinated debt	12,000	22,000
Subordinated term debt and term preferred stock	12,000	22,000
Tier II (supplementary) capital [B]	12,835	22,834
Tier III (sub-supplementary) capital [C]	—	—
Capital subtotal [A + B + C] [D]	76,463	87,340
Deductions [E]	—	—
Total capital [D] - [E] [F]	76,463	87,340
Risk-adjusted assets Balance sheet items	622,548	690,590
Off-balance sheet items	6,254	5,398
Result of dividing operational risk equivalent amount by 8%	31,287	32,853
Total risk assets [G]	660,090	728,843
Capital adequacy ratio (Domestic criteria) [F] / [G]	11.58%	11.98%
Reference: Tier I ratio (Domestic criteria) [A] / [G]	9.63%	8.85%

Note: Sony Bank has calculated its non-consolidated capital adequacy ratio (domestic criteria) 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, since the end of March 2007. Furthermore, in the fiscal year ended March 31, 2012, the Bank applied FSA Notification No. 79 (2008), and in the fiscal year ended March 31, 2013, the Bank applied FSA Notification No. 56 (2012).

Non-consolidated Capital Adequacy Ratio and Tier I Ratio (Domestic criteria) (%)



As of March 31

## 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. In lending to corporate customers, Sony Bank sets maximum loan limits according to customer credit and adheres to standards that prevent excessive lending to particular borrowers. The sales division also works independently of the screening division, and the bank ensures that financing proceeds only following due diligence via relevant deliberative entities. In addition, Sony Bank has established a meticulous loan management and screening system.

### Risk-monitored Loans

(Millions of yen)		
As of March 31	2012	2013
Category		
Bankrupt loans	¥ 174	¥ 150
Non-accrual delinquent loans	1,369	1,534
Past-due loans (3 months or more)	—	—
Restructured loans	2,068	2,220
Total	¥3,613	¥3,905

### Problem Loans Based on the Financial Reconstruction Law

(Millions of yen)		
As of March 31	2012	2013
Category		
Bankrupt and quasi-bankrupt loans	¥ 849	¥ 714
Doubtful loans	828	1,094
Sub-standard loans	2,073	2,222
Normal loans	845,977	978,005
Total	¥849,728	¥982,036

#### Main Points

Sony Bank has consistently maintained low levels of non-performing loans.

## Aiming to Be the Most Highly Trusted Financial Services Group by Customers

### Our Vision

The Sony Financial Group seeks to become the most highly trusted financial services group by customers. To this end, the Sony Financial Group will combine many different financial functions (savings, investment, borrowing, and protection) to provide high-value-added financial products and high-quality services that meet every customer's financial needs.

### Our Corporate Philosophy

#### Put the Customer First

We will provide financial products and services that satisfy customers by embracing their individual views, to ensure that we help them lead prosperous lives with financial security.

#### Give Back to Society

We believe that a special commitment to the public good is demanded of a financial services company. Conscious of this, we will realize our vision by upholding the highest level of ethics and a strong sense of purpose, and thereby give back to society. In addition, we will fulfill our responsibilities as a good corporate citizen and member of society.

#### Strive for Originality

We will constantly strive to come up with fresh ideas from basic principles as we pursue creativity and innovation, instead of merely following customs and convention.

#### Foster an Open Corporate Culture

We believe that every employee's contribution is important to develop our ideal of a financial services company. We will thus foster an open corporate culture where employees can freely express their individuality and demonstrate their abilities to the fullest.

### Directors of SFH (As of July 1, 2013)



#### President, Representative Director

##### 1 Katsumi Ihara

President, Representative Director of Sony Life Insurance Co., Ltd.  
Director of Sony Assurance Inc.  
Director of Sony Bank Inc.

#### Senior Managing Director

##### 2 Hirotoishi Watanabe

Director of Sony Life Insurance Co., Ltd.  
Director of Sony Assurance Inc.  
Director of Sony Bank Inc.

#### Director

##### 3 Masamitsu Shimaoka

Representative Director of Sony Life Insurance Co., Ltd.

#### Director

##### 4 Shigeru Ishii

President, Representative Director of Sony Bank Inc.

#### Director

##### 5 Atsuo Niwa

President, Representative Director of Sony Assurance Inc.

#### Director

##### 6 Masaru Kato

Director, Representative Corporate Executive Officer, EVP and CFO<sup>(Note 2)</sup> of Sony Corporation

#### Director

##### 7 Takemi Nagasaka

SVP<sup>(Note 2)</sup>, Corporate Executive, Senior General Manager, Corporate Planning & Control Division of Sony Corporation

#### Director (Outside)

##### 8 Isao Yamamoto<sup>(Note 3)</sup>

President, Enterprising Investment, Inc.

#### Director (Outside)

##### 9 Shiro Kuniya<sup>(Note 3)</sup>

Managing Partner, Oh-Ebashi LPC & Partners

Notes: 1. Main concurrent positions are shown under the name of each individual.

2. EVP stands for Executive Vice President, CFO stands for Chief Financial Officer and SVP stands for Senior Vice President.

3. Mr. Isao Yamamoto and Mr. Shiro Kuniya are Independent Directors based on the rules of the Tokyo Stock Exchange.

## Statutory Auditors of SFH (As of July 1, 2013)



### Standing Statutory Auditor (Outside)

#### 1 Hiroshi Sano

Statutory Auditor of Sony Life Insurance Co., Ltd.  
Statutory Auditor of Sony Assurance Inc.  
Statutory Auditor of Sony Bank Inc.

### Statutory Auditor (Outside)

#### 2 Hirotoshi Korenaga

General Manager, Accounting  
Department 1, Corporate Planning  
& Control Division of Sony  
Corporation

### Statutory Auditor

#### 3 Mitsuhiro Koizumi

Standing Statutory Auditor of  
Sony Life Insurance Co., Ltd.

## Message from Outside Statutory Auditor



**Hiroshi Sano**  
Standing Statutory Auditor

### About the Sony Financial Group

The Sony Financial Group has three core subsidiaries engaged in the life insurance, non-life insurance and banking businesses. Each subsidiary has achieved sustained growth by building business models that differ from existing companies in their respective industries. Furthermore, the Group has striven to provide high-quality products and services to policyholders and depositors, while ensuring a high degree of financial soundness.

### Background to Appointment as Outside Statutory Auditor

Previously, I had conducted credit investigations of companies and checked the appropriateness of bank management decisions for many years as the general manager of the legal affairs department of a major bank. When SFH was spun off from Sony and established as a new company, I was appointed as a statutory auditor and have served as a standing outside statutory auditor to this day.

### Role of Outside Statutory Auditors

The outside statutory auditors' role is to audit the directors' execution of duties. This role encompasses both operational audits and accounting audits. When conducting audits, I utilize my experience and knowledge to confirm whether or not business execution is in compliance with laws, regulations and other rules as a matter of course. In addition, I check whether or not the directors' business execution could cause problems from the standpoint of protecting policyholders and depositors, while auditing the status of risk management, compliance and internal audit activities. I also confirm whether or not transactions between SFH and Sony, and its Group companies conform to the arm's length rule stipulated by the Insurance Business Act of Japan and the Banking Act of Japan.



## Profiles of Outside Directors and Statutory Auditors (As of July 1, 2013)

### Outside Directors

Name	Isao Yamamoto	Shiro Kuniya
Biography	1981 Entered Nomura Research Institute, Ltd. 1991 Head of Strategic Advisory Group, Nomura Research Institute, Ltd. 1996 Director, Investment Banking Division, Merrill Lynch Japan Securities Co., Ltd. 1999 Managing Director, Investment Banking Division, Merrill Lynch Japan Securities Co., Ltd. 2002 Co-head of Investment Banking Division, Managing Director, Merrill Lynch Japan Securities Co., Ltd. 2003 President & CEO, The Institute for Securities Investments & Governance 2006 Director, Japan CableCast Inc. 2006 Statutory Auditor, MASSTUNE, Inc. (current: MINKABU, Inc.) 2007 Director, MASSTUNE, Inc. (current: MINKABU, Inc.) (current position) 2009 President, Enterprising Investment, Inc. (current position) 2011 Director of SFH (current position) 2012 Director, BILCOM, Inc. (current position)	1982 Registered as attorney and joined Oh-Ebashi Law Offices (current: Oh-Ebashi LPC & Partners) 1997 Audit & Supervisory Board Member, Sunstar Inc. 2002 Managing Partner, Oh-Ebashi LPC & Partners (current position) 2006 Audit & Supervisory Board Member, Nidec Corporation 2012 Director, NEXON Co., Ltd. (current position) 2012 Director, Ebara Corporation (current position) 2013 Director of SFH (current position)
Reasons for Appointment	Mr. Yamamoto possesses many years of experience as a securities analyst and an advisor for corporate financial affairs and M&As, and has no conflict of special interest with SFH. Accordingly, SFH has determined that Mr. Yamamoto can properly fulfill the duties of an outside director and an independent director.	Mr. Kuniya has specialized knowledge and experiences as a lawyer, and has no conflict of special interest with SFH. Accordingly, SFH has determined that Mr. Kuniya can properly fulfill the duties of an outside director and independent director.

### Outside Statutory Auditors

Name	Hiroshi Sano	Hirotohi Korenaga
Biography	1969 Entered Mitsui Bank (current: Sumitomo Mitsui Banking Corporation) 2001 Senior Managing Director, The Sakura Servicing Co., Ltd. 2004 Standing Statutory Auditor of SFH (current position) 2004 Statutory Auditor, Sony Life Insurance Co., Ltd. (current position) 2005 Statutory Auditor, Sony Assurance Inc. (current position) 2010 Statutory Auditor, Sony Bank Inc. (current position)	1988 Entered Sony Corporation 2007 Deputy General Manager, Planning and Administration Department, Accounting Division, Sony Corporation 2008 Deputy General Manager, Consolidation Accounting Department, Accounting Division, Sony Corporation 2012 General Manager, Accounting Department 1, Accounting Division, Sony Corporation 2013 General Manager, Accounting Department 1, Corporate Planning & Control Division, Sony Corporation (current position) 2013 Statutory Auditor of SFH (current position)
Reasons for Appointment	Mr. Sano possesses strong insight into corporate audits along with abundant work experience in a broad range of fields. Accordingly, SFH has determined that Mr. Sano can fulfill the role of an outside statutory auditor by using his professional experience.	Mr. Korenaga has extensive knowledge about finance and accounting acquired over many years of working in accounting at Sony Corporation. Accordingly, SFH has determined that Mr. Korenaga can fulfill his role as an outside statutory auditor by using his professional experience.

### Message from Outside Director



**Isao Yamamoto**

Outside Director  
President,  
Enterprising Investment, Inc.

#### Roles of Outside Directors

The outside directors' roles are to pursue management transparency, objectivity and efficiency by supervising and monitoring the executive directors' execution of duties from an independent perspective, while enhancing decision-making quality by the Board of Directors to promote SFH's sound growth and enhance its corporate value. Sony owns more than 50% of the outstanding shares of SFH which conducts multiple financial services businesses as a group. For this reason, I believe that it is particularly important to ensure legal compliance and fair trading with respect to transactions among Sony Financial Group companies and transactions with the Sony Group that may present conflicts of interest, as well as to give due consideration to the interests of minority shareholders. Leveraging my experience as a financial advisor, I raise questions and express my opinions at meetings of the Board of Directors and of the Executive Committee, and at other meetings.

#### SFH's Corporate Culture

SFH has an open culture in which people can exchange a diverse array of views in a constructive and frank manner. The presence of two outside directors, including me, and two outside statutory auditors, helps to ensure a healthy degree of tension within the board. In this culture, SFH's Board of Directors makes high-quality decisions while ensuring soundness, effectiveness, fairness and transparency, based on thorough discussions.

#### Closing Message

Given that SFH is a holding company, I strive to focus supervision and monitoring of SFH's Board of Directors on the creation of business synergies among subsidiaries and the development of new businesses. SFH must embrace the challenge of taking on business risk to raise corporate value, while conducting risk management in order to ensure sound operations as a financial group, including legal compliance. Mindful of these dual perspectives, I will continue working to enhance the supervisory and monitoring functions of SFH's Board of Directors, to improve its decision-making quality.

## Basic Stance on Corporate Governance

The Sony Financial Group positions its corporate vision and corporate philosophy as the basic policy guiding various activities—its polestar for formulating management strategies and making management decisions. The Sony Financial Group's corporate vision is to become the most highly trusted financial services group by customers. To achieve this objective, the Sony Financial Group makes effective use of the business characteristics, information and other features of its Group companies, based on an understanding of the differences in the history, size, business models and other attributes of each Group company. The goal is to conduct integrated management of the entire Group. Above all, this goal is premised on ensuring the soundness and appropriateness of business activities. Indeed, management sees this task as a top priority. Accordingly, the Sony Financial Group has built an organizational framework with emphasis on group-wide compliance and risk management.

### Establishing an Internal Control System

SFH's Board of Directors has stipulated a Basic Policy on Establishing an Internal Control System in compliance with the Companies Act of Japan to ensure the appropriateness of company business activities. In line with this policy, SFH has established and operates an appropriate internal control system.

SFH has also introduced an Internal Control and Financial Reporting System in accordance with the Financial Instruments and Exchange Act of Japan, with the aim of strengthening internal control governing financial reporting. As a listed company, SFH has put in place and operates the necessary organizational system and operational rules for disclosing proper financial information.

### Basic Policy on Establishing an Internal Control System

#### 1. System to ensure that the execution of duties by directors and employees is legally compliant and in accordance with the Articles of Incorporation

- i. The Board of Directors has established a code of conduct as a basic policy for compliance and made this code clear to SFH's executives, employees and subsidiaries.
- ii. The Board of Directors has created a compliance manual that provides specific compliance guidelines and a compliance program that defines specific plans.
- iii. The Board of Directors has created a compliance supervisory department to promote its compliance program. The compliance supervisory department regularly reports to the Board of Directors on the progress of the compliance program.
- iv. The Board of Directors has formulated the Basic Group Policy on Eradicating Anti-social Influences. This policy describes the firm stance the Group takes to counter anti-social influences and build the structure necessary to fulfill this policy.
- v. The Board of Directors has established an internal hotline system and has informed SFH's executives, employees and subsidiaries about the system. This system allows employees or others who become aware of business policies, operations or other activities that contravene (or are in danger of contravening) laws and regulations to report directly to a hotline desk. The system prohibits any action from being taken against employees or others who provide such notification.
- vi. The Board of Directors has established an internal audit supervisory department, which is independent from other operating departments. The internal audit supervisory department liaises and cooperates with the statutory auditors and the accounting auditor; monitors and verifies, from an independent and objective viewpoint, the implementation and operational status of the internal control system; and reports regularly to the Board of Directors the status of internal audits.
- vii. The Board of Directors has formulated internal audit regulations, which define the basic policy regarding internal audits, and informs SFH's executives and employees and subsidiaries of these.

#### 2. System for preserving and managing information related to the execution of duties by directors

SFH has established record-keeping regulations to ensure that documents pertaining to the execution of duties by directors, such as records of decisions at Board of Directors and Executive Committee meetings, are appropriately preserved and managed in accordance with these regulations and laws.

#### 3. Systems on regulations related to risk management

- i. The Board of Directors has formulated the fundamental principles for risk management activities as a basic policy for group risk management and informs SFH's executives, employees and subsidiaries of these.
- ii. The Board of Directors has established a risk management supervisory department to manage risks appropriately for SFH and its subsidiaries, in accordance with each entity's scale, characteristics and type of business. This department reports regularly to the Board of Directors on the status of risk management.
- iii. The Board of Directors evaluates the capital adequacy of subsidiaries to ensure that their levels of capitalization are sufficient in light of the risks the Sony Financial Group directly faces and to implement appropriate capital allocations. If necessary, the Board of Directors takes measures designed to strengthen capital bases.
- iv. The Board of Directors formulates contingency plans to build a system that enables the Sony Financial Group to respond rapidly to a crisis and take measures to minimize the impact of these risks. The Board of Directors makes these plans known to SFH's executives, employees and subsidiaries.



## 4. Systems to ensure the efficient execution of duties by directors

- i. The Board of Directors formulates approval regulations, organizational and task-sharing regulations and other internal provisions, and creates an appropriate structure for the efficient execution of duties.
- ii. The Board of Directors formulates business plan control regulations, which are employed to control non-consolidated and consolidated medium-term business plans and annual business plans.
- iii. The department in charge of business planning reports regularly to the Board of Directors regarding the progress of group-wide plans.

## 5. System to ensure the appropriateness of operations by SFH and the corporate group, including SFH's parent company and subsidiaries

- i. In addition to exercising shareholder rights as a financial holding company, SFH ensures the appropriateness of its subsidiaries' operations by exercising management control in accordance with the management control agreements made between SFH and its subsidiaries.
- ii. SFH deliberates and examines the appropriateness and compliance of group-wide transactions, alliances or new business by subsidiaries that have the potential to significantly impact the management of the Group before the commencement of those transactions. Such issues are resolved by or reported to the Board of Directors.
- iii. SFH's Audit Department takes responsibility for ensuring that subsidiaries have appropriate internal control systems in place and monitors and verifies the results of internal and third-party audits of subsidiaries.
- iv. SFH and its subsidiaries submit management information about the Group as needed to SFH's parent company and interact with the parent company's internal audit supervisory department.

## 6. Items pertaining to employees who are requested to assist statutory auditors in their duties

If directors receive requests from statutory auditors for employees to be allocated to assist them in their duties, the directors assign such personnel without delay.

## 7. Independence from directors of employees assigned as mentioned directly above

Statutory auditors must agree to the appointment, removal and evaluations of employees assigned to assist them in their duties.

## 8. System for directors and employees to report to statutory auditors, and other reporting system

- i. If directors or employees are requested to provide business reports to statutory auditors, they do so without delay.
- ii. If directors or employees receive notification via the internal hotline system, they report immediately to the statutory auditors.

## 9. Other systems to ensure the effectiveness of audits by statutory auditors

Representative directors endeavor to forge and deepen relationships with statutory auditors based on mutual understanding and trust by fostering an environment that is necessary for audits by statutory auditors.

## Management Systems

SFH has adopted the statutory auditor system. It appoints outside directors who work with statutory auditors to supervise management, thereby strengthening corporate governance.

SFH is a listed company with a listed parent company (Sony Corporation, hereafter Sony, which holds 60% of SFH's shares). For this reason, SFH has specified a Policy Concerning the Measures to Protect Minority Shareholders in Transactions with the Controlling Shareholder to protect the interests of minority shareholders.

\* SFH prepares and discloses a Corporate Governance Report and Information Pertaining to Controlling Shareholders in accordance with the regulations of the Tokyo Stock Exchange. These documents can be viewed at the Tokyo Stock Exchange's or SFH's website ([http://www.sonyfh.co.jp/web/index\\_en.html](http://www.sonyfh.co.jp/web/index_en.html)).

### Board of Directors (As of July 1, 2013)

SFH, as a pure holding company, has formed a Board of Directors not only to manage SFH but also to integrate its group management system and to strengthen its corporate governance.

SFH's Board of Directors is made up of nine members. In addition to two executive directors, there are three representative directors of SFH's subsidiaries who serve as non-executive directors of SFH and contribute to efficient business operations of the Group as a whole.

Furthermore, because SFH is a listed company with a publicly listed parent company, it has appointed two outside directors who are independent directors as required by the Tokyo Stock Exchange Group to protect ordinary shareholders.

Additionally, in order to receive general management advice concerning the Sony Financial Group, SFH has appointed directors from outside the Group. Two of these individuals serve concurrently as representative corporate executive officer and corporate executive, respectively, of Sony, the parent company.

SFH's Articles of Incorporation stipulate that there can be up to 12 directors.

Regarding the boards of directors of Group subsidiaries, three of SFH's executive directors and general managers serve concurrently as directors of subsidiaries with the aim of increasing the effectiveness of group strategy and ensuring the sound business management of each company.

### Statutory Audits, Internal Audits and Accounting Audits (As of July 1, 2013)

#### (Statutory Audits)

SFH's Board of Statutory Auditors has three members, of whom two are outside statutory auditors. Statutory auditors audit the execution of duties by directors based on the audit policy, audit plan, audit methodology and assignment of audit duties stipulated by the Board of Statutory Auditors.

Statutory auditors attend important meetings, including Board of Directors' meetings, review the details of reports received from directors, key personnel and other people, and examine SFH's operations and financial condition. At the same time, statutory auditors maintain close collaboration with outside directors, the director and employees in charge of internal audits to enhance the supervisory function with respect to corporate management.

SFH's Articles of Incorporation stipulate that there can be up to five statutory auditors.

### (Attendance of outside directors and outside statutory auditors in meetings of the Board of Directors and the Board of Statutory Auditors for the fiscal year ended March 31, 2013)

	Name	Board of Directors meeting	Board of Statutory Auditors meeting
Outside directors	Yasushi Ikeda	Attended 13 out of 14 meetings	—
	Isao Yamamoto	Attended all 14 meetings	—
Outside statutory auditors	Hiroshi Sano	Attended all 14 meetings	Attended all 12 meetings
	Takemi Nagasaka	Attended 13 out of 14 meetings	Attended 11 out of 12 meetings
	Hiroshi Ueda	Attended all 14 meetings	Attended all 12 meetings

#### (Internal Audits)

SFH performs internal audits through its Audit Department. The Audit Department reports directly to the director in charge of internal audits (the President and Representative Director of SFH) and is independent of SFH's operating divisions. It conducts internal audits from an independent and objective standpoint.

➡ Please see page 62 for further details.

#### (Accounting Audits)

The 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
Accounting audit team	Four CPAs, three others

### Compensation for SFH's Directors and Statutory Auditors

The policy for determining the compensation of executive directors and outside directors stipulated by resolution of the Board of Directors and the policy for determining the compensation of statutory auditors stipulated by resolution of the Board of Statutory Auditors are as follows. Directors with no executive duties, except outside directors, and non-executive statutory auditors are, in principle, paid no compensation.

The compensation of individual executive directors and outside directors is deliberated by the Compensation Advisory Committee and determined by resolution of the Board of Directors based on the committee's report. Meanwhile, the compensation of individual statutory auditors is determined through discussion by statutory auditors.

#### 1 Executive Directors

The main responsibility of executive directors is to continuously increase corporate value as corporate managers of SFH and the Sony Financial Group. Consequently, SFH's basic policy is to determine compensation for executive directors,

considering a balance between a fixed portion and a results-linked portion with a focus on securing talented human resources and ensuring that compensation serves as an effective incentive for improving business performance.

Compensation	Compensation consists of a fixed portion depending on the position, such as president and representative director, and a results-linked portion depending on the performance of SFH and the Sony Financial Group as a whole and individual responsibilities. The results-linked portion could range from 0% to 200% of the standard amount subject to achievement of management targets for SFH and the Sony Financial Group and discharge of responsibilities.
Level	A suitable level of compensation shall be paid in order to secure talented individuals. In determining the level, consideration is given to the results of third-party surveys of the compensation levels of corporate managers and other information.
Retirement benefits	SFH sets aside an amount equivalent to a defined portion of compensation for every year in office and pays the full amount upon retirement. A defined portion of the reserved amount is converted into shares of SFH and granted, with the aggregate number of shares converted at the market price and paid upon retirement.

## 2 Outside Directors

The main responsibility of outside directors is to enhance the transparency and objectivity of corporate management through the oversight and supervision of the performance of duties by executive directors. Consequently, SFH's basic policy is to determine compensation for outside directors as fixed compensation with a focus on securing talented human resources and ensuring that supervision and oversight function effectively.

Compensation	A fixed amount is paid according to the role.
Level	A suitable level of compensation shall be paid in order to secure talented individuals. In determining the level, consideration is given to the results of third-party surveys of the compensation levels of corporate managers and other information.
Retirement benefits	None

## 3 Statutory Auditors

The main responsibility of statutory auditors is to ensure the transparency and objectivity of corporate management by conducting operational and accounting audits. Consequently, SFH's basic policy is to determine compensation for statutory auditors as fixed compensation with a focus on securing talented individuals and ensuring that the audit function is working effectively.

Compensation	A fixed amount is paid according to the role.
Level	A suitable level of compensation shall be paid in order to secure talented individuals. In determining the level, consideration is given to the results of third-party surveys of the compensation levels of statutory auditors and other information.
Retirement benefits	A fixed amount is paid according to the role.

## • Compensation Advisory Committee

SFH has formulated the Compensation Advisory Committee Regulations to clarify the process for determining the compensation of directors of SFH and representative directors of subsidiaries, and established the Compensation Advisory Committee to deliberate these matters. Consisting of a small number of SFH directors, including an outside director who serves as the committee chair, the Compensation Advisory Committee receives advice from the Board of Directors of SFH and the boards of directors of subsidiaries as necessary, and reports the results of its deliberations to the respective boards of directors. The above policies are also deliberated by the Compensation Advisory Committee.

## • Compensation for SFH's directors and statutory auditors for the fiscal year ended March 31, 2013

Details of compensation for SFH's directors and statutory auditors for the fiscal year ended March 31, 2013 are as follows:

	Number of payees	Total amount of compensation for directors and statutory auditors (Millions of yen)		
			Total amount by compensation category	
			Basic compensation	Provision for reserve for retirement benefits
Directors (internal)	2	142	118	23
Directors (outside)	2	16	16	—
Statutory auditor (internal)	—	—	—	—
Statutory auditor (outside)	1	21	20	1
Total	5	180	154	25

Note: Compensation categories refer to basic compensation, stock options, bonuses and retirement benefits and others. To date, SFH has neither paid bonuses nor granted stock options as compensation for directors and auditors.

## Environment Relating to the Exercise of Voting Rights

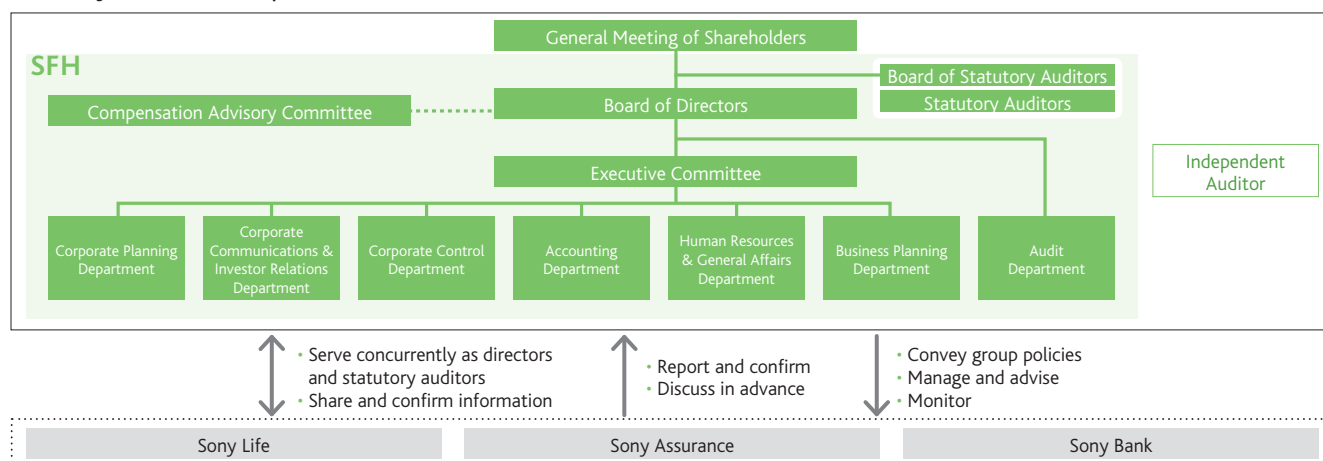
SFH does the following to make it easier for shareholders to exercise their voting rights.

- SFH sets the meeting date to avoid dates on which other companies' annual general meetings are concentrated.
- SFH posts the Notice of Convocation on its website.
- SFH provides a partial translation of the Notice of Convocation in English.
- SFH uses an electronic voting platform.
- SFH posts the results of the voting on its website.

## Internal Control

SFH has established a Basic Policy on Establishing an Internal Control System in compliance with the Companies Act of Japan. To ensure that business execution related to important matters approved by the Board of Directors is properly conducted, SFH has established and operates internal regulations (such as Board of Directors regulations, Executive Committee regulations, decision-making regulations, code of conduct, compliance manual, internal reporting regulations).

### The Sony Financial Group Internal Control



### Relationship with Parent Company, Sony Corporation

#### Capital and Personnel Relationships (As of July 1, 2013)

SFH is a financial holding company established as a corporate spin-off from Sony in April 2004. In October 2007, SFH's shares were listed on the First Section of the Tokyo Stock Exchange with the initial public offering conducted in Japan and overseas, after which Sony's shareholding became 60%. As a result of this capital relationship, SFH may be subject to the influence of Sony, irrespective of the intentions and interests of other shareholders with regard to all matters requiring shareholder approval. These matters include the appointment and dismissal of SFH directors and statutory auditors, mergers and other organizational restructuring, material asset and business transfers, amendments to the Articles of Incorporation, and the payment of dividends.

In order to receive general management advice concerning the Sony Financial Group and strengthen the audit system, SFH has appointed directors and statutory auditors from outside the Sony Financial Group. However, two of these SFH directors and one statutory auditor serve concurrently as representative corporate executive officer, corporate executive, or general manager of Sony. Moreover, one statutory auditor of Sony Assurance and one statutory auditor of Sony Bank serve concurrently as employees of Sony. Because the appointment of concurrent directors and statutory auditors is based on requests made by the Sony Financial Group, SFH believes that it is positioned to make independent management decisions.

From the standpoint of further enhancing independence from the parent company, SFH has appointed two outside directors who have no special relationship with the Sony Group, and have designated them as independent directors based on rules set forth by the Tokyo Stock Exchange.

#### Ensuring Independence in Business Activities

Because the Sony Financial Group's business operation has a tenuous connection with the Sony Group's business domains except for Financial Services\*, and because the Sony Financial Group operates its business primarily in accordance with the Insurance Business Act and the Banking Act of Japan, under the supervision of the Financial Services Agency of Japan, SFH believes that the Sony Financial Group has conducted its business while maintaining a high degree of independence from the Sony Group.

In addition, Sony, which has obtained approval from the Financial Services Agency to remain a major shareholder of SFH, recognizes and respects SFH's corporate philosophy.

Furthermore, SFH conforms to the arm's length rule stipulated by the Insurance Business Act and the Banking Act of Japan.

\* The Sony Financial Group is included in the Sony Group's Financial Services segment.

#### Using the "Sony" Trade Name and Trademark

The Sony Financial Group companies have entered into royalty agreements with Sony for the use of the "Sony" trade name and trademark for the purpose of raising each company's recognition and trustworthiness. However, these agreements can be rescinded by Sony under certain conditions such as Sony's share of voting rights in SFH falling below a majority, or SFH's percentage ownership of the voting rights of the Sony Financial Group companies dropping. Furthermore, the Sony Financial Group companies pay royalty fees to Sony based on these agreements. The monetary amount of these royalty fees has no material impact on the management base of the Sony Financial Group.

The Sony Financial Group believes that the use of the "Sony" trade name and trademark confers certain advantages, including stronger brand recognition, enhanced trustworthiness, and higher employee motivation and awareness.

#### Policy Concerning Measures to Protect Minority Shareholders in Transactions with Sony Corporation (Controlling Shareholder)

The Sony Financial Group's policy is to develop business while maintaining cooperative ties with the Sony Group. On the other hand, the Sony Financial Group believes that it has secured a degree of independence from the Sony Group, because it conducts independent business activities in line with its own management policies and strategies, and operates in different business fields than the Sony Group.

When entering into transactions with Sony (the controlling shareholder), the Sony Financial Group adequately confirms the necessity for such transactions, and ensures that the conditions of such transactions do not differ markedly from the terms of ordinary transactions with third parties.

## Compliance

### Basic Stance on Compliance

To ensure sound and proper business operations, SFH must encourage all executives and employees to deepen their understanding of SFH's corporate philosophy, internal regulations and relevant laws and regulations, enforce compliance with these laws and regulations, and manage its business operations transparently and properly based on a strong sense of ethics. SFH broadly defines compliance to include all of the foregoing factors. SFH thus considers compliance to be one of its top management priorities. Accordingly, SFH has systems in place to ensure that all executives and employees are fully aware of their duties and responsibilities under the laws and regulations.

As a financial holding company with insurance and banking subsidiaries, SFH is responsible for monitoring compliance of the Group companies and advising each of these companies on compliance issues as it deems necessary. Compliance-related responsibility primarily lies with individual Group companies, which are responsible for establishing systems to enhance the effectiveness of compliance according to their specific industry and scale of business operations. SFH's role is to constantly monitor and promote the Group companies' compliance from the viewpoint of group management.

### Compliance Systems at SFH and Sony Financial Group Companies

#### • SFH's Compliance Systems

SFH's Board of Directors has established a Compliance Manual\* and a Compliance Program.\*\* SFH strives to monitor conformance and progress of compliance at all times, while proactively putting compliance systems in place for itself and its Group companies.

SFH's Executive Committee has been entrusted by the Board of Directors to direct each department to plan and enforce necessary compliance-related measures.

SFH's Corporate Control Department is responsible for overall control of the planning, proposal and promotion of compliance-related measures. This department also monitors the compliance status of the Group companies.

\* Compliance Manual  
This manual outlines SFH's compliance system, as well as the Group's corporate philosophy, which executives and employees must be aware of, and laws and regulations, which they must obey. The manual also establishes measures for handling any breaches of laws and regulations, i.e., compliance breaches, and for confirming the compliance status.

\*\* Compliance Program  
Formulated annually, in principle, this program defines a specific action plan for confirming the compliance status, as well as training and other related items.

#### • Compliance Systems at SFH and Sony Financial Group Companies

SFH and the Group companies are responsible for establishing effective compliance systems according to their specific industry and scale of business operations.

#### • Compliance Meetings

SFH holds regular Compliance Meetings with the Group companies to conduct prior consultations on compliance-related issues and exchange information about the state of compliance promotion and legal issues. The Corporate Control Department serves as the secretariat for these meetings, whose members include SFH and the Group company executives, general managers and other staff in charge of compliance, depending on the agenda. The results of these discussions are reported to the Board of Directors and other important meetings.

### Internal Hotline System

An internal hotline system is in place to enable executives and employees of SFH and the Sony Financial Group companies, as well as temporary employees and the employees of business partners, to report matters of concern. These matters include business policies, operating activities or other behaviors of the Sony Group, SFH and the Sony Financial Group companies that they are convinced breach (or could breach) laws and regulations or the internal regulations of the Sony Group, SFH or the Sony Financial Group companies. Informants may choose and notify the appropriate hotline desk of those that have been established at SFH and each Sony Financial Group company, or the Compliance Hotline at Sony, which is the desk for the Sony Group. SFH implements appropriate measures to protect informants, while strictly managing and responding to any information they provide.

Moreover, SFH communicates with Sony regarding appropriate responses to notifications received via the Compliance Hotline at Sony. SFH also communicates with Sony about notifications of issues having the potential to affect Sony Group companies other than SFH.



### Conflicts of Interest Policy (Summary)

SFH has formulated a Management Policy Concerning Conflicts of Interest and established a structure under the provisions of the Banking Act, the Insurance Business Act, and

the Financial Instruments and Exchange Act of Japan. The overall goal is to ensure that customers' interests are not harmed by Sony Financial Group companies.

(As of July 1, 2013)

### Summary of Conflicts of Interest Policy

#### I. Basic Policy

The Sony Financial Group\* has established a structure under the provisions of the Banking Act, the Insurance Business Act, and the Financial Instruments and Exchange Act of Japan to ensure that customers' interests are not harmed when they make transactions with Sony Financial Group companies\* in the event of potential conflicts of interest between customers of Sony Financial Group companies and Sony Group finance companies\* or between customers of Sony Financial Group companies and customers of Sony Group finance companies.

\* Under this policy, "Sony Financial Group companies" represents Sony Life, Sony Assurance, Sony Bank, AEGON Sony Life Insurance and SA Reinsurance.

\* Under this policy, "Sony Financial Group" represents SFH and Sony Financial Group companies.

\* Under this policy, "Sony Group finance companies" represents Sony Financial Group companies, and other corporations and entities in which Sony Corporation controls the bodies that determine financial, sales, or business policies. Also included are other corporations and entities engaged in the financial services business over which Sony Corporation can exert a significant influence on the determination of financial, sales or business policies through investment; appointment of its directors, employees, or persons who previously held such posts as director or officer of equivalent position; provision of financing, credit guarantees or pledges of collateral; licensing technology; or sales or business transactions. However, "Sony Group finance companies" currently includes only "Sony Financial Group companies."

#### II. Transactions to Be Managed

1. SFH shall put a structure in place and take all other necessary actions to prevent customers' interests from being harmed by the following transactions ("transactions to be managed"):

- 1) Transactions that put the Sony Financial Group's interest first where there are competing interests between the Sony Financial Group and customers
- 2) Transactions that profit from customer information
- 3) Transactions that profit from competing interests between customers
- 4) Other transactions where the interests of customers are deemed to be harmed by Sony Financial Group companies

2. For the purposes of this policy, the "customers" whose interests should be protected shall be the customers of the following businesses of Sony Financial Group companies:

- 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 Assurance Inc.

Non-life insurance business and other businesses that can be conducted by Sony Assurance under relevant laws.

- 3) Sony Bank Inc.

Banking business (including bank agency business by banking agents), business of registered financial institutions, and other businesses that can be conducted by Sony Bank under relevant laws.

- 4) AEGON Sony Life Insurance Co., Ltd.

Life insurance business and other businesses that can be conducted by AEGON Sony Life Insurance under relevant laws.

- 5) SA Reinsurance Ltd.

Reinsurance business and other businesses that can be conducted by SA Reinsurance under relevant local laws.

#### III. Structure for Management of Conflicts of Interest

##### 1. Structure

SFH shall put a structure in place to manage conflicts of interest in the Sony Financial Group. Under this structure, the director serving as head of the Corporate Control Department shall be responsible for managing conflicts of interest, while the Corporate Control Department shall be the business unit responsible for managing conflicts of interest.

##### 2. Actions

The director responsible for managing conflicts of interest shall order Sony Financial Group companies to take the following actions when he or she deems them to be necessary based on reports from Sony Financial Group companies, customer complaints, or other sources:

- 1) Sever the flow of information between divisions that have potential conflicts of interest
- 2) Suspend the transaction concerned, or change the terms and conditions or method of the transaction
- 3) Disclose the fact or the possibilities for a conflict of interest, to customers
- 4) Take any other action deemed necessary by the business unit responsible for managing conflicts of interest

##### 3. Record-keeping

The division responsible for managing conflicts of interest shall maintain records of the following items and retain them for five years.

- 1) Records that specify transactions to be managed
- 2) Records associated with actions taken to properly protect customers



## Basic Policy on Eradicating Anti-social Influences

SFH has formulated a Basic Group Policy on Eradicating Anti-social Influences as follows. SFH and the Sony Financial Group companies have built the structures to take a firm stance on countering anti-social influences.

### • Structures for Eradicating Anti-social Influences

SFH has put in place the following structures for strictly avoiding any association with anti-social elements.

- SFH has established a department for dealing with anti-social influences and appointed a person responsible for preventing unfounded demands.
- SFH collects information on anti-social influences by cooperating with external specialists.

### Basic Group Policy on Eradicating Anti-social Influences

1. The Sony Financial Group recognizes the importance of strictly avoiding any association with anti-social elements from the perspectives of social responsibility, compliance, and corporate defense. It has therefore implemented frameworks to shut out anti-social influences.
2. The Sony Financial Group strictly rejects unfounded demands by anti-social 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 Sony Financial Group works closely with the police and external specialist entities, even during ordinary times, to ensure appropriate assistance and cooperation should it be threatened by anti-social influences.

## Privacy Policy

SFH has formulated a Privacy Policy\* governing the handling of personal information. It sets out SFH'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 Sony Financial Group companies' security control protocols are working. Specific group measures include the formulation 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 Sony Financial Group companies strive to maintain entrusted personal information so that it is accurate and up-to-date 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's website at ([http://www.sonyfh.co.jp/web/index\\_en.html](http://www.sonyfh.co.jp/web/index_en.html)) for more about our Privacy Policy.

### 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 Sony Financial Group's management resources. SFH's Basic Policy on Group Risk Management is as follows:

#### Basic Policy on Group Risk Management

- As a financial holding company, SFH enhances the 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.

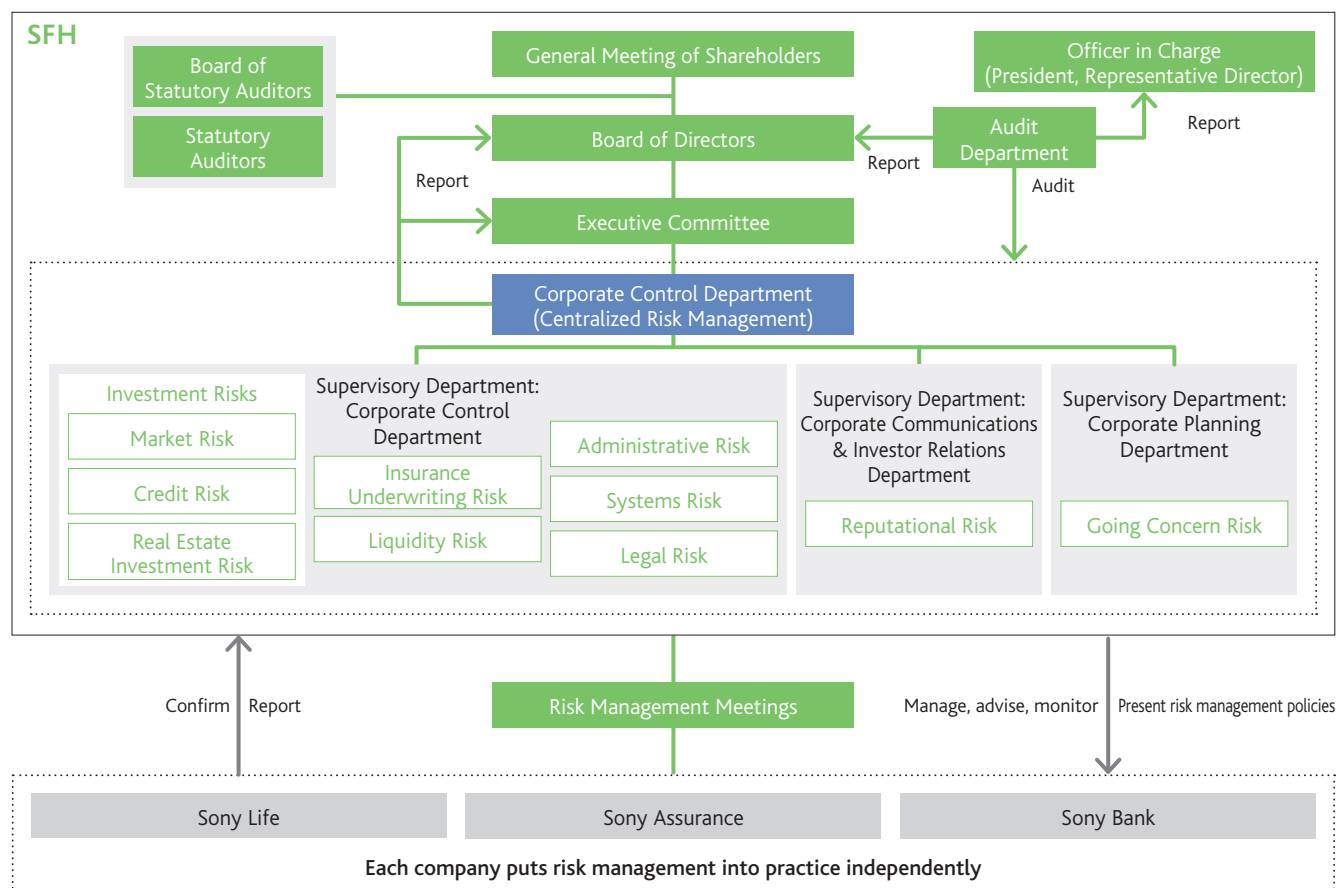
- SFH adopts all necessary supplemental measures to ensure effective risk management, after confirming each operating subsidiary has independently and responsibly established its own risk management structure to achieve its own management objectives.
- SFH takes steps to eliminate excessive concentration of risk in specific areas, establish appropriate controls over intra-group transactions and control the ripple effect of risk within the Group.

#### SFH and the Sony Financial Group Companies Risk Management Structure

SFH's Board of Directors formulates fundamental principles for risk management and communicates them to directors, employees, and throughout the Sony Financial Group. The Board also identifies the types of risks specific to the subsidiaries' scale, business, and other attributes and establishes structures designed to manage them effectively. SFH's Executive Committee, which is appointed by the Board of Directors,

executes routine tasks pertaining to group risk management. In more detail, subsidiaries each assess, monitor, and manage their risks on their own. At the same time, the Corporate Control Department, which is responsible for SFH's risk management, controls risks through monitoring and holding Risk Management Meetings with the subsidiaries' risk management divisions. The Corporate Control Department also reports its findings on the state of risk management regularly to SFH's Board of Directors and Executive Committee.

#### Risk Management Structure



## Types and Definitions of Risks

The types and definitions of risks that SFH and its subsidiaries must manage are shown in the following table:

Market Risk	Risks associated with losses due to changes in the value of assets and liabilities, including off-balance-sheet items 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 or loss in the value of assets, including off-balance-sheet items such as derivative instruments, resulting from deterioration in the financial position of retail and corporate customers, of 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 prices and rents, respectively.
Liquidity Risk	<p>Risks associated with losses are as follows:</p> <ul style="list-style-type: none"> <li>• Cash Flow Risk</li> </ul> <p>Risks associated with losses due to our inability to make cash payments because of failure to maintain sufficient cash reserves at settlement, as well as risks associated with losses if SFH and the Group companies are forced to raise funds under unfavorable conditions in order to fulfill cash payment obligations.</p> <ul style="list-style-type: none"> <li>• Market Liquidity Risk</li> </ul> <p>Risks associated with losses due to the Sony Financial Group's inability to conduct market transactions, in particular from an inability to unwind the Group's market position at a given time, as well as risks associated with losses if the Group is forced to complete transactions under unfavorable market conditions, in each case due to market turmoil or other factors.</p>
Insurance Underwriting Risk	Risks associated with losses due to significant differences between the assumptions SFH and the 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	<p>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:</p> <ul style="list-style-type: none"> <li>• the provision of services, including the introduction of new businesses, products and services;</li> <li>• entry into various legal agreements, as well as the renewal, amendment, termination or rescission of agreements; and</li> <li>• various legal and administrative proceedings.</li> </ul>
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 the Group companies will be unable to continue operations as a result of a deterioration in financial position, liquidity problems, system failures, scandals, accidents, and other crises.

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

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

## Contingency Management System

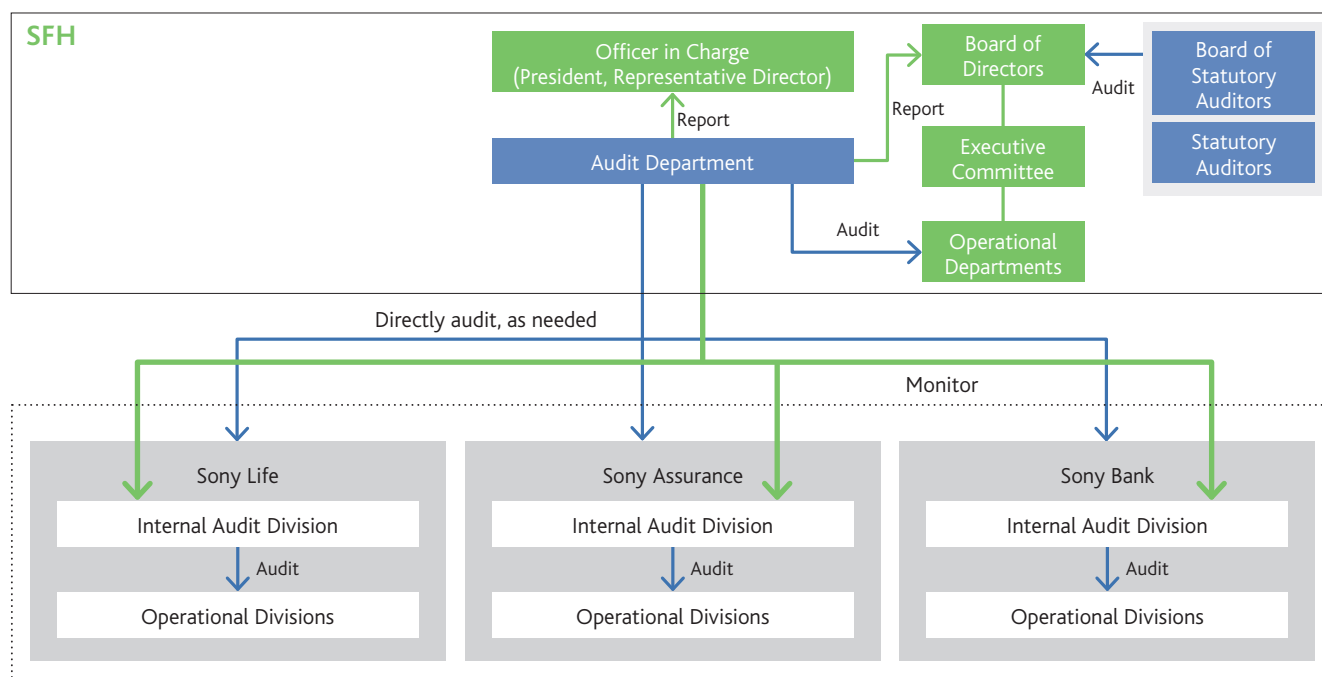
SFH has established a contingency plan as the Group's comprehensive policy for action to prepare for situations in which the execution of continuous business operations by SFH or Sony Financial Group companies is at risk due to accidents, disruptions or other factors. The Sony Financial Group companies have developed regulations, manuals and other guidelines reflecting their respective business volume and nature of business activities. SFH has a system in place where the Sony Financial Group companies shall report to SFH in cases where

they may be unable to continue ordinary business operations. In case SFH determined that the reported situation is difficult to address under the risk management system set forth in the fundamental principles for risk management, among other guidelines, SFH shall establish a contingency response headquarters led by the President and Representative Director of SFH and execute business continuity measures aimed at full restoration of all operations.

### Internal Audits

SFH performs internal audits through its Audit Department. Reporting directly to the director in charge of internal audits (the President and Representative Director of SFH), 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. Sony Financial Group companies each have their own internal audit divisions to perform internal audits designed to match their specific industry, the scale of their businesses, and the types of risk they face. SFH's Audit Department monitors the results of both internal and external audits of the Group companies with the aim of ensuring the soundness of management of operations. When necessary, SFH's Audit Department provides advice and proposals to the subsidiaries' internal audit divisions. SFH's Audit Department regularly reports the results of its monitoring activities to the director in charge and the Board of Directors. Should the director in charge perceive it as necessary, as a result of the monitoring, SFH's Audit Department may directly audit subsidiaries within the scope of governing laws and regulations. In addition, the Audit Department works closely with the statutory auditors, as well as external auditors such as accounting auditors, as necessary.

### Internal Auditing Structure



## Stance on CSR

The Sony Financial Group believes that a special commitment to the public good is demanded of a financial services company, and seeks to achieve its corporate vision and thus give back to society by upholding the highest level of ethics and a strong sense of purpose. The Sony Financial Group believes that the pursuit of improvement in corporate value through sound business activities is fundamental to fulfilling its corporate social responsibilities.

Furthermore, in order to fulfill its responsibilities as a member of society, the Sony Financial Group actively participates in social contribution activities, and believes that the continuation of these activities will earn it even greater trust from local communities and customers. To this end, the Sony Financial Group is aware that it must treasure its relationships with customers, shareholders, employees, business partners, local communities and all other stakeholders, and make management decisions mindful of the interests of each Group company.

Based on these basic approaches, the Sony Financial Group has formulated the following "Basic CSR Policy," and every company in the Sony Financial Group conducts various CSR activities.

### Basic CSR Policy

The Sony Financial Group believes that a special commitment to the public good is demanded of a financial services company, and seeks to achieve its corporate vision and thus give back to society by upholding the highest level of ethics and a strong sense of purpose.

1. We recognize that a corporation's fundamental responsibility to society is contributing to economic growth through sound business activities, and we will fulfill this responsibility by providing high-value-added products and high-quality services.
2. We will treasure our relationships with customers, shareholders, employees, business partners, local communities and all other stakeholders in the Sony Financial Group, and we will make management decisions while considering the impact on each stakeholder group.
3. In carrying out business operations, we will strictly comply with laws, regulations, company rules, policies and other requirements.
4. We will respect the human rights of all and ensure sound employment and labor practices.
5. In all aspects of our business activities we will act in consideration of protecting the environment to help bring about a sustainable society.
6. We will disclose information in an appropriate and timely manner to maintain the trust and support of the Sony Financial Group's stakeholders.

## Promotional Framework

The promotional framework for CSR at the Sony Financial Group centers on SFH's Corporate Planning Department, which promotes and manages CSR and formulates policies for the Group. The division actively shares information with SFH's other relevant departments (Corporate Communications & Investor Relations Department, Corporate Control Department, Accounting Department, Human Resources & General Affairs Department, and Audit Department), and monitors the CSR activities of various Group companies, while promoting CSR management on a group-wide basis.

## Departmental CSR Responsibilities

Corporate Communications & Investor Relations Department	Promotes external communications on Group activities
Corporate Control Department	Monitors risk management and compliance activities related to overall business activities at Group companies
Accounting Department	Manages internal controls over financial information for the Group as a whole
Human Resources & General Affairs Department	Monitors general administrative activities at Group companies, including activities related to personnel systems and the environment
Audit Department	Monitors internal auditing of business activities at Group companies

For particularly important matters, a system is in place by which departments make reports or proposals as necessary to the Executive Committee and the Board of Directors. At Group companies, CSR initiatives are carried out independently through business activities.

## Activity Profiles

In giving back to society through its business activities, the Sony Financial Group acts with respect for the interests of all stakeholders—customers, shareholders and other investors, business partners, employees and local communities.



## Customers

Guided by our corporate vision and corporate philosophy, the Sony Financial Group is seeking to become the most highly trusted financial services group by customers.

### Utilizing Customer Feedback

Feedback received from each company's customers via questionnaires, customer centers and websites is compiled and analyzed at Group companies by divisions in charge of promoting customer satisfaction and raising quality, reported to management and used to make recommendations on operational improvements and product and service enhancements. As a result of this approach, the Sony Financial Group's three businesses—life insurance, non-life insurance and banking—have received high marks in customer satisfaction surveys conducted by outside institutions and the media.

### Promotional Divisions at Group Companies

Sony Life	Co-Creation Planning Division and VOC* Division
Sony Assurance	Customer Response Service Department
Sony Bank	Customer Support Unit

\* VOC=Voice of Customer

#### • Sony Life

As an initiative to reflect the voice of customers in management, Sony Life conducts customer awareness surveys (customer questionnaires) targeting policyholders once a year, along with questionnaires for Lifeplanner sales employees who come into daily contact with customers. In addition, Sony Life has a system in place to reflect the voice of customers (VOC) in management. It has also set up a website that allows employees to make improvement proposals at any time via the Company's intranet. Furthermore, Sony Life has established a VOC Committee to continuously improve operations by executing improvement measures, verifying the subsequent effects of these measures, and revising them as necessary to achieve further improvement.

#### • Sony Assurance

Sony Assurance systematically conducts activities designed to improve the quality of operations and enhance customer satisfaction by listening closely to the voice of customers. These activities leverage Sony Assurance's unique advantages as a direct insurance company that communicates directly with customers.

Specifically, Sony Assurance reports on its improvements made in response to feedback obtained via telephone, postings to the interactive sections of its website, post-service questionnaires or other forms of communication with customers. These reports are published in the "Koekiku Improvement Report"

section of the Customers and Sony Assurance Communication Site. In addition, the Customer Response Service Department centrally manages customer feedback, and compiles and analyzes such feedback monthly. The department reports this feedback to management on a quarterly basis. In particularly important cases, the department provides detailed reports on the causes of incidents and recommends countermeasures as necessary, in addition to providing the relevant departments with this feedback, while giving them instructions on improvements and verifying the status of those improvements.

Through these measures, Sony Assurance has successfully built a complaints-handling management system. On April 1, 2011, Sony Assurance became the first\* direct non-life insurance company to issue a declaration of conformity with ISO 10002, the international standard for complaint-handling management systems. In September 2012, Sony Assurance renewed its Customers and Sony Assurance Communication Site so as to enable the Company to field customer complaints directly from the website. Furthermore, the Company has established the Sony Assurance Quality Policy and has disclosed it on the Company's website to enhance customers' peace of mind. In regard to daily activities designed to improve the quality of operations directed at providing services to customers, Sony Assurance has obtained a third party opinion for 2013 from Mr. Junzo Nabeshima, who has served as the chair of the Association of Consumer Affairs Professionals (ACAP) and has held other important posts.

\* Based on a survey by Sony Assurance as of March 31, 2011. Direct non-life insurance companies refer to Japanese non-life insurance companies selling insurance products and providing services directly to customers without relying primarily on insurance agencies.

#### • Sony Bank

To listen earnestly to the voice of customers, and provide even better products and services, Sony Bank reviews responses to opinions and requests from customers and strives to make improvements. The status of specific customer responses and related details are made available on the "Voice of Customer" webpage of Sony Bank's website once every three months.

Through these and other efforts to address the needs of every customer, in FY2012, Sony Bank placed first for six consecutive years in the Nikkei newspaper's 9th financial institution customer satisfaction rankings.\*

\* Article in the January 20, 2013 issue of the Nikkei newspaper.



## Shareholders and Other Investors

The Sony Financial Group has built internal systems for the timely disclosure of corporate information, and under these systems, we provide timely and accurate information on the Company to shareholders and other investors. SFH has established the following IR Policy to provide ample opportunities for two-way communication between shareholders and SFH management, with the aim of maximizing shareholder value.

### IR Policy

#### • Purpose of IR Activities

SFH strives to provide various members of the investment community, including its shareholders and other investors, as well as securities analysts, with information related to the assessment of corporate value in a timely, accurate and fair manner. At the same time, SFH strives to provide feedback on the views of the markets to management in an effort to strengthen two-way communication. Furthermore, by enhancing disclosure of business strategies and financial position, SFH makes efforts to win the trust of the investment community and obtain a fair corporate valuation from stakeholders in the markets.

#### • Basic Approach to IR Activities

- (1) SFH will provide disclosure of straightforward information necessary to assessing its corporate value based on the principles of promptness, accuracy, fairness and consistency.
- (2) SFH will respond sincerely and actively to members of the investment community such as its shareholders and other investors, as well as securities analysts, in order to establish relationships of trust with stakeholders in the markets.
- (3) SFH will promote IR activities led by top management, based on a concerted effort by the entire Sony Financial Group.

#### • Method of Disclosure of IR Information

- SFH will provide timely disclosure based on the Securities Listing Regulations for marketable securities through the Timely Disclosure Network (TDnet) of the Tokyo Stock Exchange, and will promptly make such information available on the SFH corporate website. SFH shall, in principle, make the information published through the TDnet available on the SFH corporate website.
- SFH strives to provide fair disclosure worldwide by making a full range of information available on its corporate website, including information that is not subject to timely disclosure rules.

#### • Framework for Disclosure of IR Information

In order to promote timely disclosure, SFH has established the Rules and Regulations Related to Timely Disclosure, and set up a Disclosure Committee (DC)\*.

In the event that material information comes to light, SFH has a framework in place whereby SFH's directors and employees, as well as managers responsible for the material disclosure of information (hereinafter, the "Disclosure Managers") of its subsidiaries, promptly report on this information to the DC.

Furthermore, material corporate information that SFH must disclose is set forth in the Sony Financial Group Guidelines for Reporting Important Information. These guidelines are made known to SFH's directors and employees, as well as the Disclosure Managers of its subsidiaries.

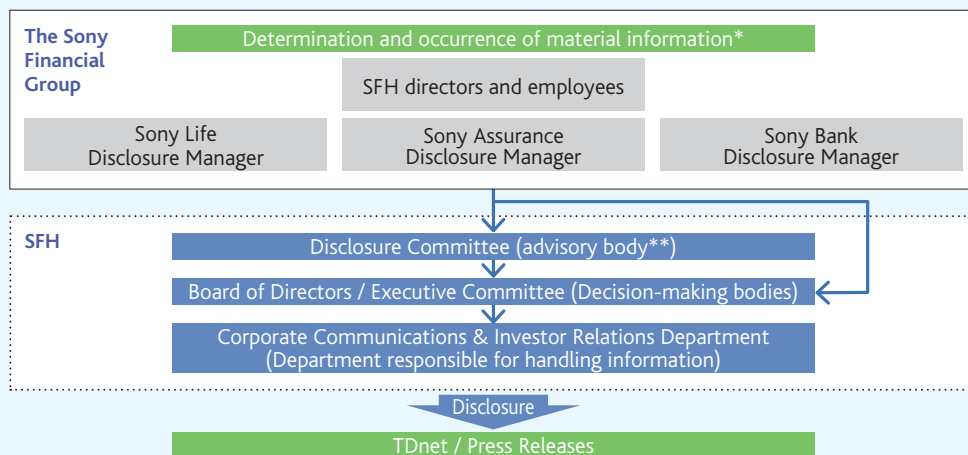
#### \* Roles of the Disclosure Committee

- (1) Assist the decision-making of the President and Representative Director regarding the design, implementation, evaluation and maintenance of the timely disclosure system
- (2) Promptly and comprehensively collect material corporate information of Group companies. Discuss the necessity of timely disclosure along with the accuracy, completeness, clarity and level of formality of the content of timely disclosure, as well as the fairness and urgency of the announcement. Provide necessary information when authorized personnel must make decisions on the disclosure of said information.

#### • Quiet Period for IR Activities

In order to ensure fair disclosure of information and prevent the leak of material information regarding the Sony Financial Group's business results prior to earnings announcements, SFH has established a quiet period for IR activities. SFH observes a quiet period for IR activities from the second Monday of the month following the end of every quarter until the earnings announcement. During this period, SFH shall not, in principle, hold individual meetings, presentations about the company and other such events, and shall refrain from answering inquiries regarding the settlement of accounts.

### <Framework for Disclosure of IR Information>



\* Defined as information that has "an extremely high likelihood of being deemed material by shareholders and other investors, as well as other parties, on a rational basis," when making an investment decision.

\*\*This advisory body assists the decision-making of the President and Representative Director. Comprised of members of the Executive Committee, including executive directors and general managers from each division (Secretariat/Corporate Communications & Investor Relations Department).



## Investor Relations (IR) Initiatives in FY2012

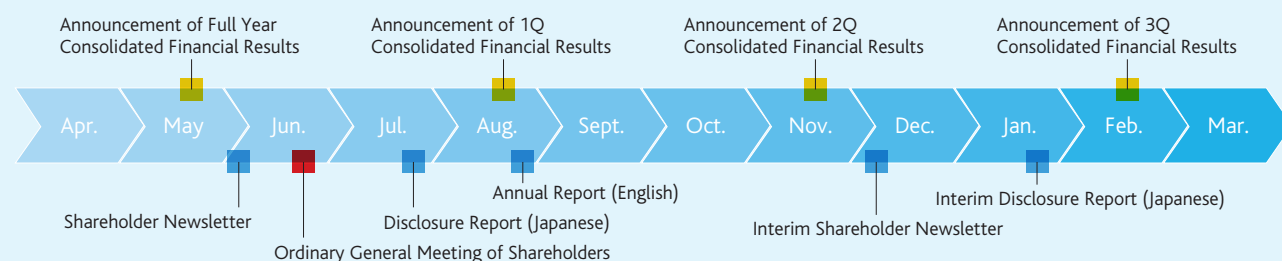
SFH strives to communicate broadly to shareholders and other investors in Japan and overseas to address various topics of interest. To this end, SFH conducted presentations and individual meetings in various formats, as detailed below:

Earnings briefings (teleconferences with domestic institutional investors and analysts)	4 times
Corporate Strategy Meeting	1 time
Individual meetings with institutional investors and analysts	Approx. 250
Overseas IR meetings (Europe, North America, Asia)	1 tour in each region (approx. 50 meetings in total)
Briefings for individual investors	5 times



At the IR Forum in August 2012

## Annual IR Schedule



## Business Partners

The Sony Financial Group promotes fair and equitable transactions with institutions that provide financial products and services and with suppliers and vendors of goods and services, along with insurance agencies, and maintains healthy relationships with all of its business partners to help society develop sustainably.

### Fair Trade

The Sony Financial Group has established a Management Policy Concerning Conflicts of Interest, a Basic Policy on Eradicating Anti-social Influences and a Policy Preventing Corruption. As stated in our code of conduct, we comply with all applicable laws and regulations and conduct business activities ethically and in good faith. We engage in fair trade practices with all business partners on this basis.

### Partners (Independent Agencies)

Sony Life's Partners (Sony Life refers to independent agencies as "Partners" not only because they are partners from a business standpoint but also because they are the lifelong partners of customers) constitute a critically important sales channel alongside Lifeplanner sales employees. Based on the desire to provide high-quality services closely tied to regional communities, the Company's approximately 2,000 Partners around the country as of July 1, 2013 sell policies tailored to customer

needs based on their sophisticated insurance knowledge and consulting capabilities as life insurance professionals, faithfully fulfilling their responsibilities as the partners of its customers.

### Partner (Independent Agency) Training Program

Sony Life provides various systematic training programs for Partners, which are collectively referred to as the Partner Training Program (PTP). To enable Partners to succeed as life insurance professionals, Sony Life provides training related to products, along with expertise on sales tailored to customer needs based on sales processes developed by the Company over the years.

Furthermore, Sony Life introduced the Professional Agent (PA) system in 2006 for the purpose of helping to nurture high-quality sales people. The PA certification is conferred to carefully chosen sales people who satisfy fixed performance and qualification requirements and possess the skills needed by life insurance sales professionals.



## Employees

The Sony Financial Group's corporate philosophy states our commitment to fostering an open corporate culture where employees can freely express their individuality and demonstrate their abilities to the fullest. We believe that in order to raise the value provided to all stakeholders, it is essential that all employees fully demonstrate their abilities. We therefore conduct initiatives to create pleasant and productive workplaces, such as implementing an Employee Opinion Survey (EOS).

### Work-life Balance

The Sony Financial Group companies conduct various initiatives to help employees balance their careers with their private lives. Initiatives have included introducing flex-time working hours and enhancing vacation and leave programs. Through these and other initiatives, Group companies have made it possible for employees to adopt flexible work styles.

From July 2007, Sony Life has been certified by the Director of the Tokyo Labour Bureau of the Ministry of Health, Labour, and Welfare, as a company meeting the requirements of the Act on Advancement of Measures to Support Raising Next-Generation Children. In August 2012, Sony Assurance became the first direct non-life insurance company to receive this certification. By continuing to help employees balance child raising responsibilities with work going forward, Group companies will remain focused on actively creating a working environment conducive to healthy childbirth and child raising.



Certification logo

### Sample Initiatives

Introduction of flex-time working hours and other systems	Established systems permitting flex-time working hours, as well as earlier or later start and finish times for work. Introduced a reduced working hour system for employees in childcare periods.
Childcare leave and nursing care leave, etc.	Amount of leave time provided exceeds legal requirements. Childcare leave are taken by some male employees every year.
Telecommuting System	Introduced in SFH and Sony Life.
Other Leave Systems	Introduced volunteer leave and commemorative leave.

### Human Resources Development

#### • New Employee Training

The goal of new employee training is to teach employees of Sony Life, Sony Assurance and Sony Bank the business operations of all the Group's companies, not just their own, as well as the basic behavioral skills expected of corporate employees.

Training programs conducted jointly at the Group level include business etiquette, Life-Planning Courses, explanations of each company's business operations and workplace tours. Training for employees in their second year is also conducted at the Group level.



At a new employees' training

#### • Self-Development Program (SDP)

The SDP supports the efforts of employees working independently to develop their skills by providing group training sessions and opportunities to take correspondence courses.

#### • Management Skill Development Program

This program is conducted jointly by Sony Financial Group companies as a part of efforts to improve the managerial capabilities of management-level employees.

#### • In-House Inter-Departmental Training Program

This program allows employees to obtain work experience in different departments for a certain period of time. The program is used to increase trainees' understanding of different operations, or to achieve career plan objectives.

#### • Recruitment and Training of Global Human Resources

The Sony Financial Group has commenced the recruitment and training of global human resources, eyeing overseas business expansion in the future. Besides recruiting non-Japanese individuals, the Group is conducting initiatives such as overseas training (language training in China, as well as actuary training and underwriting training).

#### • Management Workshop for Nurturing Future Global Business Leaders

#### • Language Training Program

In FY2012, two employees took part in study abroad programs.



## Local Communities

### 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 actively participates in running the club, which is funded by donations from employees.

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 wheelchair marathon tournament, and support for the "Relay For Life."\*



A "Relay For Life" event

\* "Relay For Life" is a charity event held in over 5,000 communities in 20 countries around the world. People battling cancer, their families and people who have lost loved ones to the disease run laps around a track for 24 hours to promote the eradication of cancer. Sony Life has participated in the Relay For Life since 2007 when it took part in a relay held in Ashiya City, Hyogo Prefecture. In FY2012, among relays held across Japan from Hokkaido in the north to Kyushu in the south, Sony Life participated in relays in 27 communities. Led by Lifeplanner sales employees at regional branches, over 1,800 people participated, including the families of employees and customers.

### Sony Life's Reconstruction Assistance Club

The "Reconstruction Assistance Club" was voluntarily established by Sony Life's employees immediately after the Great East Japan Earthquake. Based on the desire to provide energy and hope to those directly affected by the disaster, branches in the affected areas have taken the lead to actively conduct a broad range of volunteer activities. In 2012, one year after the earthquake, a total of about 500 employee volunteers gathered from various regions across Japan to conduct volunteer activities including a soup kitchen and personal visits at temporary housing in Koriyama City, Fukushima Prefecture. Thereafter, a wide array of thoughtful volunteer activities was held in Yamada Town, Iwate Prefecture; Kesenuma City, Miyagi Prefecture; and other locations. These activities included fairs, soup kitchens and giving out meals on New Year's Eve.

Looking ahead, all employees will continue working as one to come up with a variety of activities and to continuously implement them.



A volunteer activity of the Reconstruction Assistance Club

### "Life-Planning Courses" Offered at 470 Schools

Since FY2005, Sony Life has conducted "Life-Planning Courses," a hands-on learning program for school students nationwide. Courses are instructed by Lifeplanner sales employees. The program is designed to foster student appreciation of the importance of leading a well-planned life, and working hard toward goals, through life planning. As of March 31, 2013, "Life-Planning Courses" had been given at 470 schools (cumulative). In recognition of these courses, Sony Life received an Award for Excellence in the popularization type career education sector of the Third Career Education Awards\* announced by the Ministry of Economy, Trade and Industry in February 2013.



A "Life-Planning Course" held by Sony Life

\* The Career Education Awards were established by the Ministry of Economy, Trade and Industry in FY2010 as a commendation system to encourage and popularize educational support initiatives by companies and economic groups.

	FY2012		Cumulative total (FY2005-FY2012)	
	Number of schools	Number of participating students	Number of schools	Number of participating students
Life-Planning Courses	100	9,684	470 (cumulative)	43,349

### Support for "Special Olympics Nippon (Japan)"

Since FY1996, Sony Life has supported the public interest incorporated foundation Special Olympics Nippon to help people with intellectual disabilities gain autonomy and more broadly participate in society through sports, and contribute to the formation of a diversity-friendly society.

Besides support through volunteer activities, Sony Life has donated ¥5 million a year to Special Olympics Nippon.

In February 2012, at the Special Olympics Nippon National Winter Games Fukushima, about 900 athlete group members, including about 600 athletes, converged on Fukushima to demonstrate the skills and abilities they have honed through daily practice. Approximately 540 employees from Sony Life travelled from around the country to



A volunteer activity at the "Special Olympics Nippon (Japan)"



participate as volunteer staff. The volunteers played a variety of roles acting as team assistants, ushers, security staff, and event volunteers. The contingent from Sony Life was one of the largest of the many companies supporting the event.

Sony Life's employees also plan to participate as volunteer staff in the Special Olympics Nippon National Summer Games Fukuoka—The 6th National Summer Games in 2014. In this manner, Sony Life has continued to expand the circle of support every year.

#### Other Volunteer Activities

Sony Life has designated the anniversary of its founding (August 10) as "Volunteer Day," and has observed this day since FY2003. It is a day for all employees to consider and implement activities giving back to their communities and society. Volunteer activities include local cleanups and blood donation drives. In addition, the entire month of August is designated as "Volunteering Month." Employees around the country participate in community-based social contribution activities.

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



A local cleanup activity on Volunteer Day

#### Career University Establishment Project

Sony Life participates in a project sponsored by Career Cruise, an NPO whose objective is to provide college students with career education, give them opportunities to think about their futures, and support them in developing their careers. Sony Life plans to offer a career education class in FY2013.

#### Eye Mate Fund

Since FY1997, Sony Life has made financial donations every year to the "Eye Mate Fund," established by The Eye Mate, Inc. ("Eye Mate"), which aims to help visually-impaired people participate in society.



A drill for teaching guide dogs how to open and close doors

Sony Life makes a donation matching the total raised by employees in a given year. The funds are donated to Eye Mate for training guide dogs. In FY2012, Sony Life and its employees donated a total of ¥12.65 million to Eye Mate, bringing cumulative donations for training guide dogs to around ¥179.57 million.

Looking ahead, Sony Life will help as many visually-impaired people as possible participate in society through financial donations to Eye Mate.

#### Sony Financial Group's donations and grants for FY2012

Main Recipients of Donations and Other Assistance	Amount
NPO Sorabear Foundation	¥13,500,000
The Eye Mate, Inc.	¥12,650,000
Purchase of green power certificates in FY2012	¥ 6,265,000
Special Olympics Nippon Foundation	¥ 5,000,000
Sumitomo Mitsui Banking Corporation (contribution of emissions credits of 800 tons)	¥ 1,066,800
The Tokyo Philharmonic Orchestra Public Interest Incorporated Foundation	¥ 1,000,000
Others (incorporated associations, incorporated foundations, academic societies, etc.)	¥ 1,286,937
<b>Total</b>	<b>¥40,768,737</b>

## Environmental Protection Activities

The Sony Financial Group recognizes that protecting the global environment is a critical challenge facing humankind. The three major subsidiaries have each established environmental policies, and through everyday business activities, they carry out activities and initiatives that give due consideration to environmental protection.

### Group Company Activities

#### 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 reduced energy and photocopier paper usage, and promote green procurement to raise the percentage of eco-products used as office supplies.

\* ISO 14001 certification covers the head offices of Sony Life and Sony Assurance, along with Sony Bank's head office and the "Housing Loan Plaza." The Sony Financial Group conducts regular internal environmental audits of ISO 14001-certified offices, and the audit results are reported to top management.

#### Use of Green Power

In FY2005 Sony Life became the first in the Japanese life insurance industry to introduce a Green Power Certification System, which enables companies to use green power in their business activities to help protect the environment by reducing CO<sub>2</sub> emissions. In FY2007, Sony Assurance also introduced the same system.

From FY2008, Sony Bank has utilized the system to cover all of its power usage (excluding the



portion of power usage in outsourced operations) as a "carbon offset bank." Additionally, in FY2013, it plans to offset 100% of its CO<sub>2</sub> emissions through the use of credits certified under the Offset Credit (J-VER) Scheme\*, in place of green power certificates.

Additionally, the Sony Financial Group purchases green power certificates for biomass and other forms of green power generation. In FY2012, the entire Group purchased green power certificates equivalent to 1,770 MWh. In this way, each Group company contributes to encouraging the spread of power generation through natural sources such as solar and wind power, geothermal power, and biomass.

\* A system for certifying and issuing credits for reducing and absorbing greenhouse gas emissions in Japan, primarily designed to be used as carbon offsets. Based on accreditation standards established by the Ministry of the Environment, (J-VER) offset credits are validated and issued by the Offset Certification Committee. Credits used by Sony Bank are generated through increases in CO<sub>2</sub> absorption via forest management activities (Forest thinning promotion). Accordingly, Sony Bank's use of credits also supports activities to nurture forestlands.

## Initiatives to Reduce Power Consumption

SFH, Sony Life, Sony Assurance, and Sony Bank work on a daily basis to reduce power consumption. In the summer of 2011, during power shortages stemming from the impact of the Great East Japan Earthquake, and again in the summer of 2012, they also instituted extended "energy conservation" holidays.

## Activities with Customers

### Donating to the "Sorabear Foundation"

Teaming with Sorabear Foundation, a non-profit organization that conducts activities to help prevent global warming, Sony Assurance has carried out a program to install solar



A nursery school to which Sorabear power generator equipment was donated.

power generators at kindergartens since March 2009.

Sony Assurance donates one yen to the "Sorabear Foundation" for every 100 kilometers of total distance that was not driven by its policyholders compared to the forecast distance. The Sorabear Foundation uses the donations to provide "Sorabear Power Generation Equipment"—solar power generators—to kindergartens and nursery schools around the country. In FY2012, the program contributed two solar power generators to nursery schools in Saga and Miyagi Prefectures. To date, Sony Assurance has donated a total of 10 solar power generators through this program.

Moreover, Sony Life began offering policy guides and agreements on CD-ROM for policies that have policy dates of March 2, 2010 or later. Sony Life donates ¥10 for every policyholder who chooses to receive a CD-ROM instead of paper documents when they sign up for insurance, and donates the

proceeds to the "Sorabear Foundation." In FY2012, Sony Life used collected donations to donate one solar power generator to a nursing school in Kagawa Prefecture.

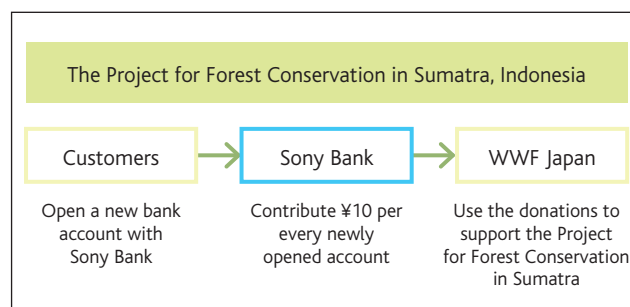
### Enabling Sony Bank Customers to Support the Project for Forest Conservation in Sumatra by Opening an Account

To protect the World Heritage forests on the island of Sumatra, Sony Bank supports reforestation, the Elephant Patrol program\*, and other conservation activities, as well as the activities of the World Wildlife Fund Japan (WWF Japan) to preserve the forests of Sumatra through its Project for Forest Conservation in Sumatra, Indonesia. Since September 2012, Sony Bank has donated 10 yen to the project each time a customer opens a new account with Sony Bank. Customers can thus help support the effort to preserve Sumatra's forests simply by establishing an account with Sony Bank.

\* Patrols are made by staff astride elephants, who work to uncover illegal activity and to keep wild animals away from areas where people live.



©WWF Indonesia  
The Elephant Patrol program



### Reducing CO<sub>2</sub> Emissions by Switching to Electronic Issuance of Documents

As an Internet bank, Sony Bank has long striven to minimize paper usage when providing documents such as transaction slips, passbooks and explanatory materials for products when doing business. Furthermore, Sony Bank has also requested customers to receive documents related to investment trust transactions in an electronic format rather than on paper. Through this measure, Sony Bank endeavors not only to reduce paper usage, but also to cut CO<sub>2</sub> emissions that would be released during mailing of paper-based materials.

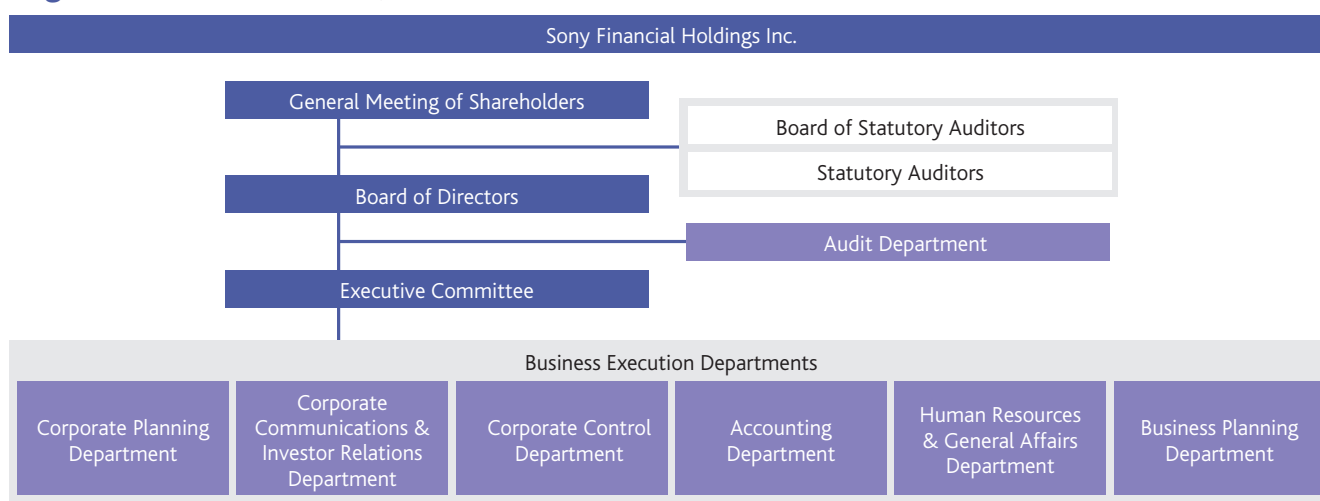
# Corporate Section/Corporate Data

## Corporate Information (As of March 31, 2013)

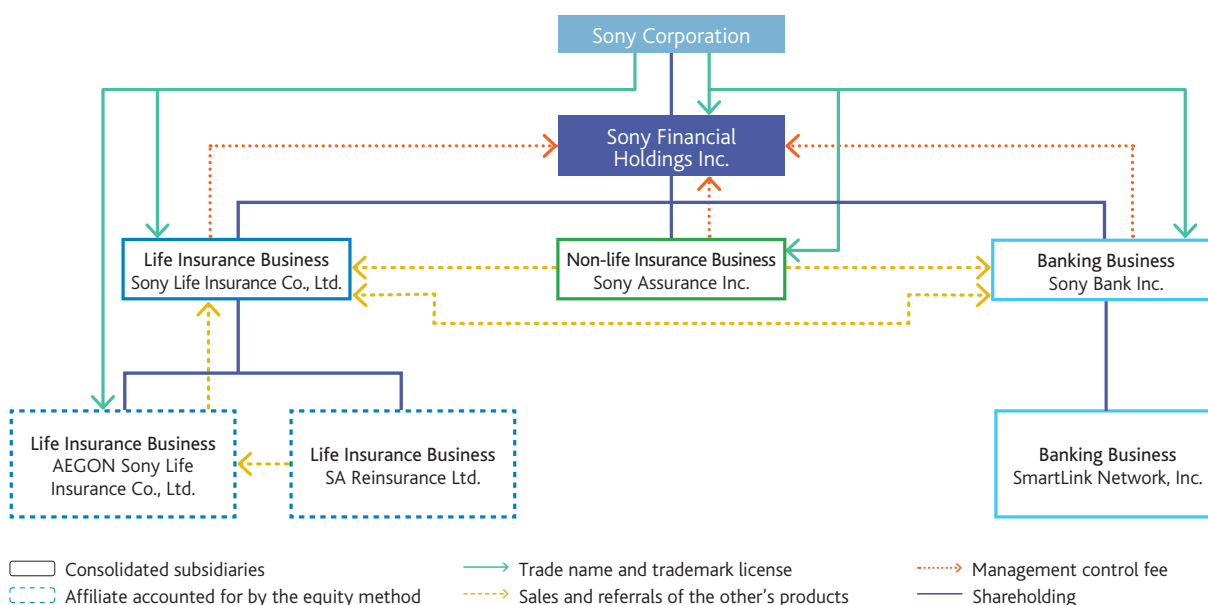
Name	Sony Financial Holdings Inc.
Established	April 1, 2004
Head office	1-1, Minami Aoyama 1-chome, Minato-ku, Tokyo, Japan
Business	Management control of subsidiaries (life insurance companies, non-life insurance companies, banks and others) specified by the Insurance Business Act of Japan and the Banking Act of Japan and all duties incidental to that role.
Number of employees	SFH: 48 (Consolidated: 7,841; Life insurance business: 6,293; Non-life insurance business: 1,078; Banking business: 438; Parent: 32)
Common stock	¥19,900 million

Note: The number of employees of SFH includes 13 belonging to the life insurance business, 1 belonging to the non-life insurance business, 2 belonging to the banking business, and 32 belonging to the parent.

## Organizational Chart (As of July 1, 2013)



## Organizational Chart of Business Operations (As of July 1, 2013)



Note: The information for each business is based on SFH's classification of segment information. SFH's main group companies are shown for each business.

## Company Profiles for Group Companies (As of July 1, 2013)

Life Insurance Business					
Name	Established	Head office	Business	Common stock	Share ownership
<b>Sony Life Insurance Co., Ltd.</b>	August 10, 1979	1-1, Minami Aoyama 1-chome, Minato-ku, Tokyo, Japan	Life insurance business	¥70,000 million	Sony Financial Holdings Inc. 100%

<b>AEGON Sony Life Insurance Co., Ltd.</b>	August 29, 2007	52-2, Jingumae 5-chome, Shibuya-ku, Tokyo, Japan	Life insurance business	¥10,000 million	Sony Life Insurance Co., Ltd. 50% AEGON International B.V. 50%
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<b>SA Reinsurance Ltd.</b>	October 29, 2009	British Bermuda	Reinsurance business	¥5,000 million	Sony Life Insurance Co., Ltd. 50% AEGON International B.V. 50%
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Non-life Insurance Business					
Name	Established	Head office	Business	Common stock	Share ownership
<b>Sony Assurance Inc.</b>	June 10, 1998	37-1, Kamata 5-chome, Ota-ku, Tokyo, Japan	Non-life insurance business	¥20,000 million	Sony Financial Holdings Inc. 100%

Banking Business					
Name	Established	Head office	Business	Common stock	Share ownership
<b>Sony Bank Inc.</b>	April 2, 2001	3-26, Kanda-Nishikicho, Chiyoda-ku, Tokyo, Japan	Banking business	¥31,000 million	Sony Financial Holdings Inc. 100%

<b>SmartLink Network, Inc.</b>	September 1, 2006	1-1, Minami Aoyama 1-chome, Minato-ku, Tokyo, Japan	Credit card settlement services	¥488 million	Sony Bank Inc. 57%, 4 other companies
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## Senior Management of Three Main Subsidiaries (As of July 1, 2013)

### Sony Life

Title	Name	Concurrent Positions at Main Sony Financial Group Companies
President, Representative Director	Katsumi Ihara	President, Representative Director of Sony Financial Holdings Inc. Director of Sony Assurance Inc. Director of Sony Bank Inc.
Representative Director	Masamitsu Shimaoka	Director of Sony Financial Holdings Inc.
Director	Yuichiro Sumimoto	–
Director	Hirotooshi Watanabe	Senior Managing Director of Sony Financial Holdings Inc. Director of Sony Assurance Inc. Director of Sony Bank Inc.
Standing Statutory Auditor	Mitsuhiro Koizumi	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 of Sony Bank Inc.
Statutory Auditor	Nobuhiko Fujii	Standing Statutory Auditor of Sony Assurance Inc.

### Sony Assurance

Title	Name	Concurrent Positions at Sony and Main Sony Financial Group Companies
President, Representative Director	Atsuo Niwa	Director of Sony Financial Holdings Inc.
Director	Takashi Sakuma	–
Director	Toshihiko Fukumoto	–
Director	Katsumi Ihara	President, Representative Director of Sony Financial Holdings Inc. President, Representative Director of Sony Life Insurance Co., Ltd. Director of Sony Bank Inc.
Director	Hirotooshi Watanabe	Senior Managing Director of Sony Financial Holdings Inc. Director of Sony Life Insurance Co., Ltd. Director of Sony Bank Inc.
Standing Statutory Auditor	Nobuhiko Fujii	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 of Sony Bank Inc.
Statutory Auditor	Takayuki Nakagawa	Manager, IFRS Promotion Department, Corporate Planning & Control Division of Sony Corporation

### Sony Bank

Title	Name	Concurrent Positions at Sony and Main Sony Financial Group Companies
President, Representative Director	Shigeru Ishii	Director of Sony Financial Holdings Inc.
Executive Vice President, Representative Director	Takayuki Suzuki	–
Director	Katsumi Ihara	President, Representative Director of Sony Financial Holdings Inc. President, Representative Director of Sony Life Insurance Co., Ltd. Director of Sony Assurance Inc.
Director	Hirotooshi Watanabe	Senior Managing Director of Sony Financial Holdings Inc. Director of Sony Life Insurance Co., Ltd. Director of Sony Assurance Inc.
Director	Toru Hasegawa	General Manager, Corporate Planning Department of Sony Financial Holdings Inc.
Director	Tohru Nakajima	–
Standing Statutory Auditor	Shinji Sugiyama	–
Statutory Auditor	Hidemichi Takenaka	Senior Manager, International Planning Section, Planning and Administration Department, Corporate Planning & Control Division of Sony Corporation
Statutory Auditor	Hiroshi Sano	Standing Statutory Auditor of Sony Financial Holdings Inc. Statutory Auditor of Sony Life Insurance Co., Ltd. Statutory Auditor of Sony Assurance Inc.

# Stock Information

## Information on Common Stock, Shares Outstanding

Date	Increase in Issued Shares	Total Number of Shares Issued	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 <sup>(Note 2)</sup>	2,000,000	2,000,000	500	500	175,877	175,877
June 25, 2004 <sup>(Note 3)</sup>	100,000	2,100,000	5,000	5,500	5,000	180,877
October 10, 2007 <sup>(Note 4)</sup>	75,000	2,175,000	14,400	19,900	14,400	195,277
March 31, 2011	—	2,175,000	—	19,900	—	195,277
April 1, 2011 <sup>(Note 5)</sup>	432,825,000	435,000,000	—	19,900	—	195,277

Notes: 1. The shares outstanding listed above are all common stock with full voting rights and no restrictions, which is the standard share for SFH.

2. Issued due to the company's establishment.

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.

5. Issued due to a 200-for-1 stock split, with an effective date of April 1, 2011. Furthermore, the share unit system was adopted, whereby 100 shares constitutes one unit.

## Stock Exchange Listing (As of July 1, 2013)

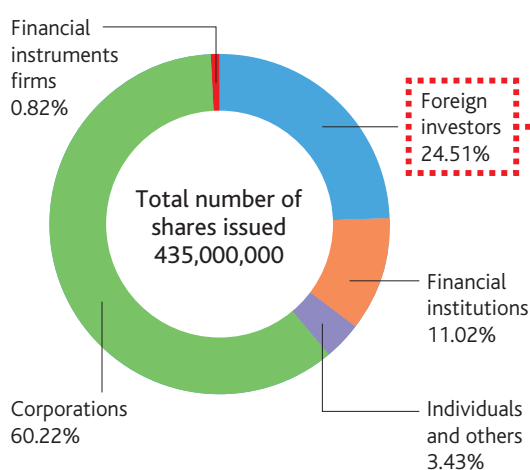
The First Section of the Tokyo Stock Exchange (Securities code: 8729)

## Major Shareholders (As of March 31, 2013)

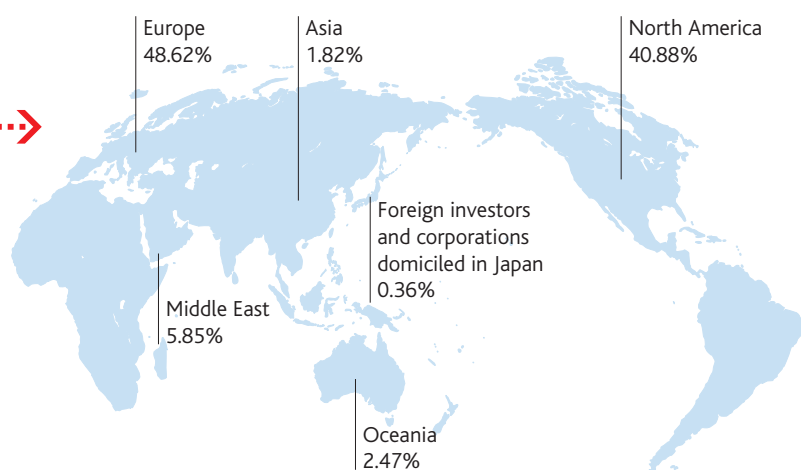
Name	Number of Shares Held	Percentage of Ownership (%)
Sony Corporation	261,000,000	60.00
The Chase Manhattan Bank, N. A. London Secs Lending Omnibus Account	21,163,740	4.86
The Master Trust Bank of Japan, Ltd. (Trust Account)	12,576,600	2.89
Japan Trustee Services Bank, Ltd. (Trust Account)	9,160,191	2.10
Japan Trustee Services Bank, Ltd. (Trust Account 9)	7,336,800	1.68
State Street Bank and Trust Company 505223	6,061,768	1.39
SAJAP	3,504,900	0.80
Trust & Custody Services Bank, Ltd. (Annuity Trust Account)	3,016,200	0.69
State Street Bank and Trust Company	2,898,234	0.66
Sony Financial Holdings Employees' Shareholding Association	2,569,413	0.59

## Distribution of Share Ownership (As of March 31, 2013)

By shareholder type



By geographic region (foreign investors)



## Dividend Policy (As of July 1, 2013)

### Dividends

For the years ended March 31		2011	2012	2013
Dividend per Share	Year-end	¥20	¥20	¥25
	Interim	—	—	—
	Annual	¥20	¥20	¥25
Annual Dividend Amount		¥8,700 million	¥8,700 million	¥10,875 million
Dividend Payout Ratio (Consolidated)		20.9%	26.5%	24.1%
Dividend on Net Assets (Consolidated)		3.1%	2.7%	2.8%

Note: SFH conducted a 200-for-1 stock split, with an effective date of April 1, 2011. Dividends per share for the fiscal year ended March 31, 2011 were calculated assuming that this stock split was conducted on April 1, 2010.

### Basic Policy on Returning Profits to Shareholders

SFH intends to meet the expectations of all shareholders by achieving steady earnings growth at the Group companies, improving capital efficiency and properly returning profits to shareholders.

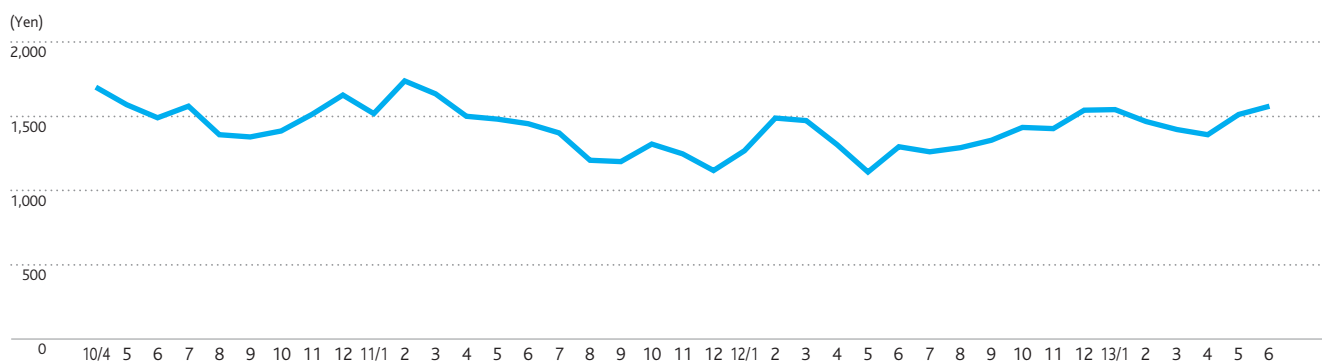
Our basic dividend policy is to maintain stable dividend payments while securing sufficient internal reserves to ensure the financial soundness of the Group companies and invest in growing fields. Based on this policy, SFH aims for steady increases in dividends in line with earnings growth over the medium and long terms. Our medium-term target for the dividend payout ratio is 30% to 40% of consolidated net income.

Management will determine specific dividend amounts for each fiscal year by taking into account a comprehensive range of factors, including the capital adequacy of each Group company relative to risk, investment opportunities, business forecasts and legal and regulatory developments worldwide.

SFH pays dividends once a year as a year-end dividend. The Articles of Incorporation of SFH stipulate that it may also issue an interim dividend. In regard to the decision-making entities for the payment of dividends, the General Meeting of Shareholders decides the year-end dividend, while the Board of Directors decides the interim dividend.

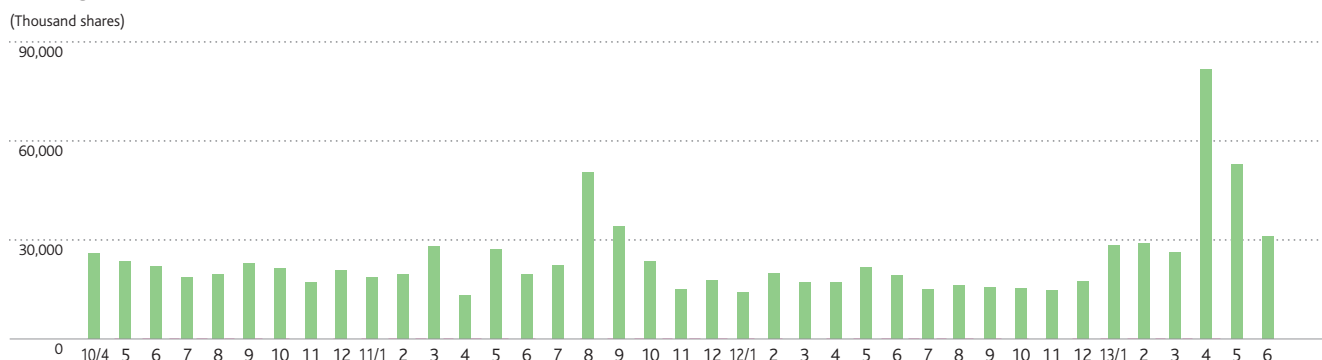
As regards the year-end dividend for the fiscal year ended March 31, 2013, taking into account a comprehensive range of factors, including operating results and the business environment, SFH declared a year-end dividend of ¥25 per share, up ¥5 from the previous fiscal year, representing an annual dividend amount of ¥10.8 billion. This dividend was approved by resolution of the Ordinary General Meeting of Shareholders held on June 25, 2013.

### Share Prices



Note: SFH conducted a 200-for-1 stock split, with an effective date of April 1, 2011. Share prices before the stock split have been retroactively adjusted.

### Trading Volume



Note: SFH conducted a 200-for-1 stock split, with an effective date of April 1, 2011. Trading volume before the stock split has been retroactively adjusted.

## History

1970s	1979	August	Life	"Sony Prudential Life Insurance Co., Ltd." (Sony Prudential Life, currently Sony Life) is established
	1981	April	Life	Sony Prudential Life commences operations with the launch of Lifeplanner system
1980s	1987	July	Life	Sony Prudential Life agrees with Prudential Financial, Inc. to terminate joint venture
	1991	April	Life	Sony Pruco Life Insurance Co., Ltd. (renamed from Sony Prudential Life in September 1987) changes name to "Sony Life Insurance Co., Ltd." (Sony Life)
1990s	1998	June	Non-life	"Sony Insurance Planning Co., Ltd." (Sony Insurance Planning, currently Sony Assurance) is established
	1998	August	Life	Sony Life establishes "Sony Life Insurance (Philippines) Corporation" as a wholly owned subsidiary in the Philippines
	1999	September	Non-life	Sony Insurance Planning changes its name to "Sony Assurance Inc." (Sony Assurance). Sony Assurance launches sales of automobile insurance (Sales commenced over the Internet in September and telephone in October)
	2001	April	Banking	"Sony Bank Inc." (Sony Bank) is established
2000s	2001	June	Banking	Sony Bank commences operations Sony Bank launches the "MONEYKit" service site
	2002	June	Non-life	Sony Assurance launches sales of medical and cancer insurance
	2004	April	SFH	"Sony Financial Holdings Inc." (SFH) is established as a financial holding company
	2007	June	Banking	Sony Bank establishes "Sony Bank Securities Inc." (Sony Bank Securities) as a wholly owned subsidiary
	2007	August	Life	Sony Life establishes "AEGON Sony Life Planning Co., Ltd." (AEGON Sony Life Planning, currently AEGON Sony Life Insurance)
	2007	October	SFH	SFH is listed on the First Section of the Tokyo Stock Exchange
	2008	October	Life	Sony Life opens a representative office in Beijing
	2009	July	Life	Sony Life opens a representative office in Taipei
	2009	August	Life	AEGON Sony Life Planning obtains life insurance business license from the Financial Services Agency of Japan and changes its name to "AEGON Sony Life Insurance Co., Ltd." (AEGON Sony Life Insurance)
	2009	October	Life	Sony Life establishes "SA Reinsurance Ltd." (SA Reinsurance) in British Bermuda as a reinsurance company specializing in variable annuities
	2010	June	Banking	Sony Bank opens its first over-the-counter branch called "Housing Loan Plaza"
2010s				 External view of "Housing Loan Plaza"
	2011	April	SFH	SFH conducts stock split and adopts share unit system
	2011	July	Banking	Sony Bank acquires a 57% equity interest in SmartLink Network, Inc.
	2011	August	Banking	Sony Bank opens a representative office in Sydney
	2012	August	Banking	Sony Bank transfers all Sony Bank Securities' shares to Monex Group, with the aim of enhancing financial products intermediary services by strengthening its business alliance with Monex Group
	2012	December	Life	Sony Life transfers the business of Sony Life Insurance (Philippines) Corporation, a wholly owned subsidiary of Sony Life, to Paramount Life & General Insurance Corporation

# Financial Section

## SFH Consolidated Financial Statements

- 078 Consolidated Balance Sheets
- 080 Consolidated Statements of Income and  
Consolidated Statements of Comprehensive Income
- 083 Consolidated Statements of Changes in Net Assets
- 085 Consolidated Statements of Cash Flows
- 086 Notes to the Consolidated Financial Statements  
(For the year ended March 31, 2013)

# SFH Consolidated Financial Statements

## Consolidated Balance Sheets

Sony Financial Holdings Inc.  
As of March 31, 2012 and 2013

	(Millions of yen)	
	2012	2013
<b>Assets</b>		
Cash and due from banks .....	¥ 118,877	¥ 104,142
Call loans and bills bought .....	66,300	107,088
Monetary trusts .....	303,058	324,305
Securities .....	5,531,585	6,202,333
Loans .....	975,032	1,115,330
Tangible fixed assets .....	75,169	73,217
Land .....	31,469	31,089
Buildings .....	41,906	39,696
Leased assets .....	208	302
Construction in progress .....	—	672
Other tangible fixed assets .....	1,585	1,456
Intangible fixed assets .....	36,636	38,232
Software .....	35,661	37,944
Goodwill .....	839	258
Other intangible fixed assets .....	135	29
Due from reinsurers .....	79	110
Foreign exchanges .....	8,936	7,954
Other assets .....	92,416	107,345
Deferred tax assets .....	34,171	17,980
Customers' liabilities for acceptances and guarantees .....	1,000	—
Reserve for possible loan losses .....	(1,848)	(1,877)
<b>Total Assets .....</b>	<b>¥7,241,414</b>	<b>¥8,096,164</b>

(Millions of yen)

	2012	2013
<b>Liabilities</b>		
Policy reserves and others	¥4,963,025	¥5,601,060
Reserve for outstanding claims	48,233	53,246
Policy reserves	4,910,669	5,543,540
Reserve for policyholders' dividends	4,122	4,273
Due to agencies	1,664	2,431
Due to reinsurers	647	600
Deposits	1,760,853	1,857,302
Call money and bills sold	10,000	10,000
Borrowed money	2,000	2,000
Foreign exchanges	35	87
Bonds payable	10,000	20,000
Other liabilities	93,563	106,365
Reserve for employees' bonuses	2,944	3,085
Reserve for employees' retirement benefits	21,547	24,216
Reserve for directors' retirement benefits	354	411
Special reserves	25,386	32,344
Reserve for price fluctuations	25,380	32,344
Reserve for financial products transaction liabilities	6	—
Deferred tax liabilities	—	275
Deferred tax liabilities on land revaluation	589	536
Acceptances and guarantees	1,000	—
<b>Total Liabilities</b>	<b>6,893,613</b>	<b>7,660,719</b>
<b>Net Assets</b>		
Shareholders' equity		
Common stock	19,900	19,900
Capital surplus	195,277	195,277
Retained earnings	98,677	135,160
<b>Total shareholders' equity</b>	<b>313,854</b>	<b>350,337</b>
Accumulated other comprehensive income		
Net unrealized gains on other securities, net of taxes	36,949	88,329
Net deferred losses on hedging instruments, net of taxes	(2,414)	(3,047)
Land revaluation, net of taxes	(1,395)	(1,513)
Foreign currency translation adjustments	(453)	—
<b>Total accumulated other comprehensive income</b>	<b>32,685</b>	<b>83,767</b>
Minority interests	1,260	1,339
<b>Total Net Assets</b>	<b>347,800</b>	<b>435,444</b>
<b>Total Liabilities and Net Assets</b>	<b>¥7,241,414</b>	<b>¥8,096,164</b>

See accompanying "Notes to the Consolidated Financial Statements."



# Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Sony Financial Holdings Inc.

For the years ended March 31, 2012 and 2013

## (1) Consolidated Statements of Income

	(Millions of yen)	
	2012	2013
Ordinary Revenues .....	¥1,078,070	¥1,259,041
Ordinary Revenues from the Life Insurance Business .....	965,555	1,140,184
Income from insurance premiums .....	815,382	925,075
Insurance premiums .....	813,930	923,672
Ceded reinsurance commissions .....	1,452	1,402
Investment income .....	133,670	199,549
Interest income and dividends .....	97,649	108,153
Income from monetary trusts, net .....	5,278	5,259
Gains on sale of securities .....	7,592	2,522
Other investment income .....	12	13
Gains on separate accounts, net .....	23,137	83,601
Other ordinary income .....	16,501	15,559
Ordinary Revenues from the Non-life Insurance Business .....	80,094	84,711
Underwriting income .....	79,172	83,615
Net premiums written .....	79,141	83,582
Interest and dividends on deposits of premiums .....	31	33
Investment income .....	873	1,021
Interest income and dividends .....	874	1,027
Gains on sale of securities .....	23	26
Gains on redemption of securities .....	6	—
Transfer to interest and dividends on deposits of premiums .....	(31)	(33)
Other ordinary income .....	48	74
Ordinary Revenues from the Banking Business .....	32,420	34,145
Interest income .....	24,871	25,954
Interest income on loans .....	13,270	13,877
Interest income and dividends on securities .....	11,540	12,007
Interest income on call loans and bills bought .....	13	13
Interest income on deposits with banks .....	45	55
Other interest income .....	1	0
Fees and commissions .....	4,752	5,260
Other operating income .....	2,740	2,815
Gains on foreign exchange transactions, net .....	1,764	1,874
Others .....	976	940
Other ordinary income .....	56	114

(Continued on next page)

(Millions of yen)

	2012	2013
Ordinary Expenses .....	¥1,003,444	¥1,179,789
Ordinary Expenses from the Life Insurance Business .....	898,925	1,069,007
Insurance claims and other payments .....	287,451	293,938
Insurance claims .....	69,002	71,065
Annuity payments .....	8,577	9,571
Insurance benefits .....	42,209	46,809
Surrender payments .....	163,274	161,873
Other payments .....	2,302	2,649
Reinsurance premiums .....	2,085	1,968
Provision for policy reserves and others .....	471,593	630,575
Provision for reserve for outstanding claims .....	—	607
Provision for policy reserves .....	471,576	629,955
Interest portion of reserve for policyholders' dividends .....	17	12
Investment expenses .....	14,167	11,450
Interest expenses .....	55	43
Losses on sale of securities .....	2,607	1,587
Devaluation losses on securities .....	1,692	327
Losses on derivatives, net .....	—	226
Foreign exchange losses, net .....	1,373	1,253
Provision for reserve for possible loan losses .....	2	21
Depreciation of real estate for rent and others .....	2,257	2,000
Other investment expenses .....	6,178	5,990
Operating expenses .....	105,324	108,849
Other ordinary expenses .....	20,388	24,192
Ordinary Expenses from the Non-life Insurance Business .....	76,674	81,704
Underwriting expenses .....	57,673	61,401
Net losses paid .....	45,032	47,153
Loss adjustment expenses .....	5,081	5,656
Net commission and brokerage fees .....	972	945
Provision for reserve for outstanding losses .....	3,287	4,407
Provision for underwriting reserves .....	3,298	3,238
Other underwriting expenses .....	0	0
Investment expenses .....	4	7
Losses on sale of securities .....	0	3
Losses on redemption of securities .....	4	3
Operating, general and administrative expenses .....	18,918	20,279
Other ordinary expenses .....	77	16

(Continued on next page)

## Consolidated Statements of Income (Continued)

	(Millions of yen)	
	2012	2013
Ordinary Expenses from the Banking Business	¥ 27,844	¥ 29,077
Interest expenses	8,798	7,811
Interest expenses on deposits	6,879	6,296
Interest expenses on call money and bills sold	10	10
Interest on borrowed money	95	86
Interest expenses on bonds	23	61
Interest expenses on interest rate swaps	1,784	1,355
Other interest expenses	4	0
Fees and commissions	1,416	1,546
Other operating expenses	735	2,568
General and administrative expenses	16,322	16,760
Other ordinary expenses	571	389
Ordinary Profit	74,625	79,252
Extraordinary Gains	99	—
Gains on disposal of fixed assets	0	—
Reversal of reserve for employees' retirement benefits	99	—
Extraordinary Losses	9,073	9,257
Losses on disposal of fixed assets	77	113
Impairment losses	274	962
Provision for special reserves	8,568	6,964
Provision for reserve for price fluctuations	8,568	6,964
Losses on sale of shares of subsidiaries and affiliates	—	1,216
Others	153	0
Provision for Reserve for Policyholders' Dividends	958	2,104
Income before Income Taxes	64,693	67,890
Income Taxes—Current	28,361	29,366
Income Taxes—Deferred	3,505	(6,620)
Total Income Taxes	31,867	22,746
Income before Minority Interests	32,825	45,143
Minority Interests in Income	13	78
Net Income	¥ 32,812	¥ 45,064

See accompanying "Notes to the Consolidated Financial Statements."

## (2) Consolidated Statements of Comprehensive Income

	(Millions of yen)	
	2012	2013
Income before Minority Interests	¥32,825	¥45,143
Other Comprehensive Income		
Net unrealized gains on other securities, net of taxes	28,422	51,381
Net deferred losses on hedging instruments, net of taxes	(855)	(633)
Land revaluation, net of taxes	103	(118)
Foreign currency translation adjustments	(122)	453
Share of other comprehensive income of affiliates accounted for using equity method	1	(1)
Total other comprehensive income	27,550	51,082
Comprehensive Income	¥60,376	¥96,225
(Details)		
Comprehensive income attributable to parent company	¥60,362	¥96,146
Comprehensive income attributable to minority interests	13	78

## Consolidated Statements of Changes in Net Assets

Sony Financial Holdings Inc.

For the years ended March 31, 2012 and 2013

	(Millions of yen)	
	2012	2013
Shareholders' Equity		
Common stock		
Balance at the beginning of the current period	¥ 19,900	¥ 19,900
Changes during the period		
Total changes during the period	—	—
Balance at the end of the current period	19,900	19,900
Capital surplus		
Balance at the beginning of the current period	195,277	195,277
Changes during the period		
Total changes during the period	—	—
Balance at the end of the current period	195,277	195,277
Retained earnings		
Balance at the beginning of the current period	74,565	98,677
Changes during the period		
Dividends from surplus	(8,700)	(8,700)
Net income	32,812	45,064
Reversal of land revaluation	—	118
Total changes during the period	24,112	36,482
Balance at the end of the current period	98,677	135,160
Total shareholders' equity		
Balance at the beginning of the current period	289,742	313,854
Changes during the period		
Dividends from surplus	(8,700)	(8,700)
Net income	32,812	45,064
Reversal of land revaluation	—	118
Total changes during the period	24,112	36,482
Balance at the end of the current period	313,854	350,337

(Continued on next page)

## Consolidated Statements of Changes in Net Assets (Continued)

	(Millions of yen)	
	2012	2013
Accumulated Other Comprehensive Income		
Net unrealized gains on other securities, net of taxes		
Balance at the beginning of the current period	¥ 8,525	¥ 36,949
Changes during the period		
Net changes of items other than shareholders' equity	28,424	51,380
Total changes during the period	28,424	51,380
Balance at the end of the current period	36,949	88,329
Net deferred losses on hedging instruments, net of taxes		
Balance at the beginning of the current period	(1,558)	(2,414)
Changes during the period		
Net changes of items other than shareholders' equity	(855)	(633)
Total changes during the period	(855)	(633)
Balance at the end of the current period	(2,414)	(3,047)
Land revaluation, net of taxes		
Balance at the beginning of the current period	(1,499)	(1,395)
Changes during the period		
Net changes of items other than shareholders' equity	103	(118)
Total changes during the period	103	(118)
Balance at the end of the current period	(1,395)	(1,513)
Foreign currency translation adjustments		
Balance at the beginning of the current period	(331)	(453)
Changes during the period		
Net changes of items other than shareholders' equity	(122)	453
Total changes during the period	(122)	453
Balance at the end of the current period	(453)	—
Total accumulated other comprehensive income		
Balance at the beginning of the current period	5,135	32,685
Changes during the period		
Net changes of items other than shareholders' equity	27,550	51,082
Total changes during the period	27,550	51,082
Balance at the end of the current period	32,685	83,767
Minority Interests		
Balance at the beginning of the current period	—	1,260
Changes during the period		
Net changes of items other than shareholders' equity	1,260	78
Total changes during the period	1,260	78
Balance at the end of the current period	1,260	1,339
Total Net Assets		
Balance at the beginning of the current period	294,877	347,800
Changes during the period		
Dividends from surplus	(8,700)	(8,700)
Net income	32,812	45,064
Reversal of land revaluation	—	118
Net changes of items other than shareholders' equity	28,811	51,161
Total changes during the period	52,923	87,643
Balance at the end of the current period	¥347,800	¥435,444

See accompanying "Notes to the Consolidated Financial Statements."

# Consolidated Statements of Cash Flows

Sony Financial Holdings Inc.

For the years ended March 31, 2012 and 2013

(Millions of yen)

	2012	2013
<b>Cash flows from operating activities</b>		
Income before income taxes	¥ 64,693	¥ 67,890
Depreciation of real estate for rent and others	2,257	2,000
Depreciation and amortization	6,032	7,784
Impairment losses	274	962
Amortization of goodwill	560	580
Increase (decrease) in reserve for outstanding claims	(930)	5,015
Increase in policy reserve	474,875	633,193
Increase in interest portion of reserve for policyholders' dividends	17	12
Increase in reserve for policyholders' dividends	958	2,104
Increase in reserve for possible loan losses	274	28
Increase in reserve for employees' retirement benefits	3,088	2,913
Increase (decrease) in reserve for directors' retirement benefits	(87)	57
Increase in reserve for price fluctuations	8,568	6,964
Increase in reserve for financial products transaction liabilities	1	0
Interest income and dividends	(123,395)	(135,136)
Gains on securities	(36,774)	(87,294)
Interest expenses	8,853	7,855
Exchange (gains) losses	5,355	(35,508)
Losses on disposal of tangible fixed assets	78	69
Equity in losses of affiliates	1,179	1,718
Net increase in loans	(113,103)	(134,664)
Net increase in deposits	111,022	96,408
Net (increase) decrease in foreign exchange (assets)	(503)	981
Net increase in foreign exchange (liabilities)	18	51
Others, net	28,269	27,437
<b>Subtotal</b>	<b>441,584</b>	<b>471,428</b>
Interest and dividends received	132,119	146,015
Interest paid	(9,192)	(8,330)
Policyholders' dividends paid	(1,692)	(1,966)
Income taxes paid	(38,554)	(26,264)
<b>Net cash provided by operating activities</b>	<b>524,264</b>	<b>580,882</b>
<b>Cash flows from investing activities</b>		
Investments in monetary trusts	(500)	(4,942)
Proceeds from sale of monetary trusts	6,000	5,300
Purchases of securities	(1,037,882)	(973,738)
Proceeds from sale and redemption of securities	563,557	462,518
Investments in loans	(48,888)	(47,927)
Collections of loans	23,333	21,144
Others	—	(53)
<b>Total of net cash used in investment transactions</b>	<b>(494,379)</b>	<b>(537,698)</b>
<b>Total of net cash provided by operating activities and investment transactions</b>	<b>29,884</b>	<b>43,184</b>
Purchases of tangible fixed assets	(955)	(1,599)
Proceeds from sale of tangible fixed assets	0	—
Purchases of intangible fixed assets	(14,880)	(11,869)
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	346	—
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	—	1,035
Purchase of securities of a subsidiary	—	(30)
Payments for transfer of business	(2,328)	—
Others	(1)	2
<b>Net cash used in investing activities</b>	<b>(512,198)</b>	<b>(550,159)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issuance of bonds	9,962	9,965
Cash dividends paid	(8,696)	(8,697)
Balance from securitization of lease receivables	550	(6,500)
Others	(33)	214
<b>Net cash provided by (used in) financing activities</b>	<b>1,782</b>	<b>(5,017)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(0)</b>	<b>47</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>13,848</b>	<b>25,752</b>
<b>Cash and cash equivalents at the beginning of the fiscal year</b>	<b>161,803</b>	<b>175,651</b>
<b>Cash and cash equivalents at the end of the fiscal year</b>	<b>¥ 175,651</b>	<b>¥ 201,404</b>

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 Ordinance for Enforcement of the Insurance Business Act of Japan.

# Notes to the Consolidated Financial Statements (For the year ended March 31, 2013)

## 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 Companies Act of Japan, the Insurance Business Act of Japan and the Banking Act 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.

## 2. Principles of Consolidation

### (1) Scope of consolidation

#### Number of consolidated subsidiaries: 4

Consolidated subsidiaries: Sony Life Insurance Co., Ltd., Sony Assurance Inc., Sony Bank Inc., and SmartLink Network, Inc. Sony Bank Inc., the banking subsidiary of SFH, transferred all the shares of Sony Bank Securities Inc. and Sony Life Insurance Co., Ltd., the life insurance subsidiary of SFH, transferred all the shares of Sony Life Insurance (Philippines) Corporation. As a result, they are excluded from the scope of consolidation from the year ended March 31, 2013.

#### Number of non-consolidated subsidiaries: 1

Non-consolidated subsidiary: LIPLA Co., Ltd.

LIPLA Co., Ltd. is excluded from the scope of consolidation for the year ended March 31, 2013 because it is so immaterial in light of the total assets, ordinary revenues, net income or loss, retained earnings, and accumulated other comprehensive income that its exclusion from the scope of consolidation does not hinder a rational judgment of the Sony Financial Group's financial position and results of operations.

### (2) Application of the equity method

#### Number of affiliates accounted for by the equity method: 2

Affiliates accounted for by the equity method: AEGON Sony Life Insurance Co., Ltd., and SA Reinsurance Ltd.

#### Number of non-consolidated subsidiaries and affiliates that are not accounted for by the equity method: 1

Non-consolidated subsidiaries and affiliates that are not accounted for by the equity method: LIPLA Co., Ltd.

LIPLA Co., Ltd., the non-consolidated subsidiary, is not accounted for by the equity method because it is so immaterial in light of the net income or loss, retained earnings, and accumulated other comprehensive income that its exclusion does not hinder a rational judgment of the Sony Financial Group's financial position and results of operations.

### (3) Fiscal year-end of consolidated subsidiaries

Fiscal year-end of all consolidated subsidiaries is March 31, the same date as the consolidated financial statements of SFH.

### (4) Amortization of goodwill

Goodwill is amortized using the straight-line method over 5 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 values are 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 taxes, included in net assets and acquisition costs calculated using the moving-average method. Available-for-sale securities whose fair values are deemed extremely difficult to determine are stated 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 consolidated 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 computed by the straight-line method over the estimated useful lives of the assets as follows:

- Buildings: 2 to 47 years
- Other tangible fixed assets: 2 to 20 years

(Changes in accounting policies which are difficult to distinguish from changes in accounting estimates)

SFH and domestic subsidiaries used to adopt the declining-balance method to depreciate certain tangible fixed assets. However, for the purpose of using uniform accounting policies with the parent company, SFH and domestic subsidiaries changed the depreciation method to the straight-line method prospectively effective from the year ended March 31, 2013. As a result, compared with the case based on the previous method, depreciation and depreciation of real estate for rent and others decreased by ¥422 million, and ordinary profit and income before income taxes increased by ¥422 million.

### (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 generally 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 provided as follows for losses from bad debts mainly in accordance with self-assessment guidelines and write-off and reserve guidelines. With respect to receivables such as loans to borrowers subject to bankruptcy, court-guided rehabilitation, or similar legal or formal proceedings (the "Bankrupt Borrowers"), loans to borrowers that are substantially in the same condition as the Bankrupt Borrowers (the "Substantially Bankrupt Borrowers") and money on deposits whose market value declined significantly, the Companies provide a reserve in the amount expected to be uncollectible after deducting amounts expected to be collectible from collateral, guarantees and other means. For loans to borrowers that are not yet bankrupt but are highly likely to be bankrupt in the future (the "potentially bankrupt borrowers"), the Companies provide a reserve in the amount deemed necessary by comprehensively considering the borrowers' solvency, of the remaining amount after deducting amounts expected to be collectible from collateral, guarantees and other means. For other loans, the Companies provide a reserve in the amount calculated by multiplying the loans by a historical loan loss ratio determined over certain periods. All loans are subject to asset assessment by the related operational departments in accordance with self-assessment guidelines, and the assessment results are reviewed by the departments responsible for asset inspection that are independent from the operational departments. The amount of reserve is provided based upon the above results.

### (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 obligations and the fair value of plan assets at the fiscal year-end. Unrecognized net obligation at transition is amortized using the straight-line method over 15 years. 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 or loss is amortized using the straight-line method over 7 to 17 years within the employees' average remaining service period, commencing from the fiscal year immediately following incurrence.

### (9) Reserve for directors' retirement benefits

The reserve for directors' and statutory auditors' retirement benefits is provided based on the internal regulations of the Companies 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 Article 115 of the Insurance Business Act of Japan, 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 losses 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 Statement 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 available-for-sale 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) 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 3 months or less.

### (14) Accounting for consumption taxes

The consumption taxes received and paid by the Companies, 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 Act 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.

### (15) Policy reserves

Pursuant to Article 116 of the Insurance Business Act of Japan, SFH's 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 reserve method, which assumes a constant or level amount of net insurance premiums over the term of the relevant policy when calculating the amount of the reserve required to fund all future policy claims. The net insurance premium is a portion of the premium covering insurance under-writing 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 of Japan 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.

## 4. Notes to the Consolidated Balance Sheet

- 1** The balance of loans includes ¥150 million in loans to bankrupt borrowers (before deductions for reserve for possible loan losses) and ¥1,534 million in non-accrual delinquent loans (before deductions for reserve for possible loan losses). Loans to bankrupt borrowers include loans 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 are with reasons defined under Article 96-1-3, i through v of the Order for Enforcement of the Corporation Tax Act (Enforcement Order 97 of 1965), or 96-1-4 of the same guidelines.  
Non-accrual delinquent loans are loans on which accrued interest income is not recognized, excluding loans to bankrupt borrowers and loans on which interest payments are deferred in order to support the borrowers' recovery from financial difficulties.
- 2** The balance of loans includes ¥2,220 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 waiver) in order to support the borrowers' recovery from financial difficulties, excluding loans to bankrupt borrowers, non-accrual delinquent loans and past due loans (3 months or more).
- 3** The total amount of loans to bankrupt borrowers, non-accrual delinquent loans, and restructured loans was ¥3,905 million (before deductions for reserve for possible loan losses).

4 On March 31, 2002, SFH's life insurance subsidiary revalued its land for operating purposes, as permitted by the Act on Revaluation of Land (Act 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 Order for Enforcement related to the Law (Cabinet Order No. 119, effective from March 31, 1998).

Difference between book value and fair value of land after revaluation as of the fiscal-year end .....	¥(261) million
Of the above, land classified as investment and rental property .....	¥(398) million

5 Accumulated depreciation of tangible fixed assets as of March 31, 2013 was ¥24,801 million.

6 The balance sheet includes ¥550,624 million of assets and liabilities in equal amounts related to separate accounts as of March 31, 2013, at SFH's life insurance subsidiary.

7 Securities include shares in non-consolidated subsidiaries and affiliates worth ¥7,938 million. Among this, investments in jointly controlled companies are ¥7,830 million.

8 Changes in the reserve for policyholders' dividends at SFH's life insurance subsidiary for the fiscal year ended March 31, 2013 are as follows:

Balance at the beginning of the fiscal year .....	¥4,122 million
Policyholders' dividends during the fiscal year .....	¥1,966 million
Increase in interest .....	¥12 million
Provision for reserve for policyholders' dividends .....	¥2,104 million
Balance at the end of the fiscal year .....	¥4,273 million

9 Securities with a book value of ¥10,543 million were pledged as collateral for ¥10,000 million of call money and bills sold at March 31, 2013. In addition to the assets described above, securities with a book value of ¥67,660 million were pledged as collateral for cash settlements, variation margins of futures markets and certain other purposes at March 31, 2013.

10 Net assets per share was ¥997.94.

## 11 Financial Instruments

### (1) Description of financial instruments

#### (i) Policy on financial instruments

The Sony Financial Group conducts its life insurance, non-life insurance and banking businesses in accordance with the provisions of the Insurance Business Act of Japan, the Banking Act of Japan and other relevant provisions. With regard to financial assets (except for assets in separate accounts as stipulated in Item 1, Article 118 of the Insurance Business Act of Japan in the life insurance business), to ensure steady investment income the Sony Financial Group holds various investment assets, including Japanese government and corporate bonds, foreign government and corporate bonds, Japanese stocks and loans. Deposits from individual customers in the banking business account for nearly all of SFH's financial liabilities. Although SFH holds financial assets as well as financial liabilities, which are subject to the risk of interest rate and exchange rate fluctuations, it strives to protect itself from the negative effects of these fluctuations by maintaining an appropriate balance between assets and liabilities by conducting asset-liability management (ALM) in each of its businesses. In addition, the life insurance business and banking business conduct derivatives transactions as one aspect of its ALM.

#### (ii) Financial instruments and related risk

Securities and loans constitute the majority of the Sony Financial Group's financial asset holdings. Most of its securities holdings are in Japanese government and corporate bonds. Other holdings include Japanese stocks, foreign securities and funds invested in investment associations. These holdings are intended either for holding to maturity or for available-for-sale, and they are subject to various risks, including interest rate risk, issuer credit risk, stock price fluctuation risk and exchange rate risk. Furthermore, the Sony Financial Group holds some of its financial assets in the shares of overseas unlisted companies, which have limited liquidity.

The majority of loans are policy loans in the life insurance business, and individual mortgage loans in the banking business. These loans carry the credit risk of default, as well as interest rate risk. However, policy loans are limited to the amount of surrender payments, and mortgage loans are backed by real estate. Consequently, loan-related risks are relatively low.

Financial liabilities, meanwhile, are mainly deposits from individual customers, which are subject to interest rate risk. As some of these deposits are denominated in foreign currencies, they are subject to exchange rate risk, as well as interest rate risk.

Derivatives transactions in the banking business are conducted primarily as one aspect of ALM. In this category, we apply hedge accounting. Interest rate swap transactions are used to hedge against the interest rate risk of fixed-rate loans. When hedges commence, the banking subsidiary ensures hedge effectiveness by confirming that the finance receivables to be hedged and the interest rate swaps (the hedging method used) are grouped to within 3 months of each other. Interest rate swaps and others are used as hedging instruments

to offset fluctuations in the fair value of fixed-rate bonds classified as available-for-sale securities. When the hedge is implemented, the banking subsidiary determines hedge effectiveness by confirming that the cash flows of the securities to be hedged match those of the hedging method (such as interest rate swaps).

Transactions involving financial instruments are subject to liquidity risk. Liquidity risk includes cash flow risk and market liquidity risk. Cash flow risk is the risk of our inability to make cash payments when due because of an inability to maintain sufficient cash reserves, as well as the risk of loss if we are forced to raise funds under unfavorable conditions in order to obtain cash to meet our payment obligations. Market liquidity risk is risk of loss due to an inability to conduct market transactions, in particular from an inability to change our market position at a given time, as well as the risk of loss if we are forced to complete transactions under unfavorable market conditions, in each case due to market turmoil or other factors.

### (iii) Risk management of financial instruments

SFH formulates fundamental principles for risk management and manages risks specific to its subsidiaries' scale, business content and other attributes. Our Risk Management Guidelines establish specific conditions for managing group risks, while each of the subsidiaries manages risks on its own. SFH's Corporate Control Department submits periodic reports to SFH's Board of Directors and Executive Committee on subsidiaries' risk management conditions recognized through monitoring or by holding Risk Management Meetings.

#### ① Credit risk

The Sony Financial Group uses the following methods to manage the credit risk of its principal subsidiaries:

- (a) SFH's life insurance subsidiary manages issuer credit risk on securities by specifying details such as risk management methods and procedures in regulations. The risk management division periodically reports this information to the Board of Directors and the Executive Committee.
- (b) SFH's non-life insurance subsidiary ascertains issuer credit risk and market values on securities in line with various regulations for asset management risk. The risk management division periodically reports such information to the Board of Directors and the Executive Committee.
- (c) In line with various regulations for managing credit risks, SFH's banking subsidiary manages risks involving lending to individual customers. For each loan, the subsidiary conducts credit screenings, manages credit information, determines collateral and handles problem assets. In this manner, the banking subsidiary operates a system to manage individual credit.

With regard to lending to corporate customers, for each loan, the banking subsidiary performs credit screenings, sets credit limits, manages credit information such as credit ratings by outside agencies, determines security and collateral and handles problem assets. In this manner, the banking subsidiary operates a system to manage risk. The subsidiary manages market credit risk, such as securities issuer credit risk and, on derivatives transactions, counterparty risk, by periodically determining credit and market value information.

The risk management division manages credit. The division periodically reports risk management conditions to management via Executive Committee and Board of Directors meetings. In addition, the internal audit division conducts regular audits.

#### ② Market risk

The Sony Financial Group uses the following methods to manage the market risk of its principal subsidiaries:

- (a) The life insurance subsidiary manages various market-related risks in the following manner:

- Interest rate risk

Interest rate risk is managed by specifying details such as risk management methods and procedures in regulations. Based on ALM policies that are determined through such methods as deliberation by the Executive Committee, the subsidiary determines and confirms actual risk conditions at Board of Directors meetings. The subsidiary's risk management division maintains an overall grasp on the interest rates and durations of financial instruments, and monitors risk through interest rate sensitivity analysis and other methods. The division periodically reports such information to the Board of Directors and the Executive Committee.

- Exchange rate risk

Exchange rate risk is managed by specifying details such as risk management methods and procedures in regulations. The risk management division reports this information regularly to the Board of Directors and the Executive Committee. The subsidiary has entered into forward foreign exchanges to hedge the exchange rate risk.

- Risk associated with equity securities

The subsidiary's risk management division periodically analyzes the amount of risk by the methods prescribed in the regulations. The risk management division reports this information regularly to the Board of Directors and the Executive Committee.

- Derivative transactions

Derivative transactions are managed by specifying details such as risk management methods and procedures in regulations. The risk management division reports this information regularly to the Board of Directors and the Executive Committee.

- (b) SFH's non-life insurance subsidiary manages various market-related risks in the following manner:

- Interest rate risk

Regulations on asset management risk specify the details such as risk management methods and procedures based on risk management policies determined by the Board of Directors. The risk management division monitors individual risks and reports regularly to the Board of Directors and the Executive Committee.

- Price fluctuation risk

The equity securities exposed to price fluctuation risk are held for strategic investment for the purpose of enhancing the business partnerships. The subsidiary monitors the market environment and financial condition of business partners.

- (c) SFH's banking subsidiary manages various market-related risks in the following manner. The risk management division handles each of these risks and reports risk management conditions regularly to management via Executive Committee and Board of Directors meetings. In addition, the internal audit division conducts regular audits.

○ Interest rate and exchange rate risk

In accordance with market risk management regulations, the subsidiary manages the risk of changes in value and losses in income resulting from changes in the value of assets and liabilities (including off-balance-sheet items), owing to fluctuations in various market risk factors, such as interest rates, exchange rates and stock prices. Market risk management regulations specify details such as risk management methods and procedures. Based on ALM policies that are determined through such methods as deliberation by the Board of Directors, an ALM committee and a risk management committee meet—typically once each month—to understand and confirm actual conditions and deliberate future responses and risk conditions. On a daily basis, the risk management division maintains an overall understanding of interest and exchange rates on financial assets and liabilities, as well as their durations, conducts monitoring that includes value at risk (VaR) and interest rate sensitivity analysis, and ensures regulatory conformance. The subsidiary also uses ALM to conduct interest rate swaps, currency swaps, foreign exchange and other derivatives transactions to hedge against interest and exchange rate fluctuation risks.

○ Market price fluctuation risk

The subsidiary manages holdings of investment products, including securities, in accordance with market risk management regulations. Of these, the investment division, which primarily purchases securities externally, strives to reduce market price fluctuation risk by conducting pre-screening, setting investment limits and monitoring investments on an ongoing basis.

○ Derivatives transactions

Derivatives transactions are executed in accordance with regulations on market risk. The subsidiary also separates and conducts internal checks of individual departments' execution of transactions, evaluation of hedge effectiveness and operations management.

○ Quantitative information on market risk

The principal financial instruments affected by the major risk parameters of interest rate risk and exchange rate fluctuation risk are loans, securities, deposits in the banking business and derivatives transactions.

The impact of such risks on these financial assets and financial liabilities was calculated using the Variance-Covariance Method to determine gains or losses over a given period of 10 business days, assuming the fluctuation of interest and exchange rates within a rational forecast band determined over an observation period of 250 business days. We then employed quantitative analysis to manage interest rate and exchange rate fluctuation risks. The resulting risk amount with a 99% confidence interval was ¥564 million as of March 31, 2013.

This amount of impact is based on the assumption that risk parameters other than interest rates and exchange rates are fixed, and that a correlation exists between interest rates and exchange rates. However, no correlation with other risk parameters is assumed. Moreover, in the event that fluctuations exceed the rational forecast band for interest and exchange rates, the risk impact may exceed the amount calculated.

### ③ Liquidity risk

The Sony Financial Group uses the following methods to manage the liquidity risk of its principal subsidiaries.

- (a) At the life insurance subsidiary, in line with liquidity risk management regulations, the accounting division prepares and updates cash flow plans in a timely manner based on the reports from departments and manages cash flows, and the risk management division manages the liquidity risk. The accounting division and risk management division periodically or as needed report this information to the Board of Directors and the Executive Committee.
- (b) SFH's non-life insurance subsidiary establishes regulations related to liquidity risk. Its cash flow management division prepares and updates cash flow plans. The risk management division manages liquidity risk by monitoring the situations.
- (c) SFH's banking subsidiary manages cash flows by dividing the situation into phases, depending on the degree of pressure on cash flows. In addition to establishing reporting methods, the subsidiary establishes and revises guidelines as necessary. To manage market liquidity risk, the subsidiary works to understand market liquidity conditions that pertain to the types of products it handles. The subsidiary formulates and revises guidelines on a product by product basis, as necessary. The risk management division handles the liquidity management mentioned above, and the division reports risk management conditions regularly to management via Board of Directors and Executive Committee meetings. In addition, the internal audit division conducts regular audits.

### (iv) Supplementary explanation of the fair value of financial instruments

Market prices of financial instruments are considered to indicate their fair value, unless market prices are not available. In this case, rational methods are used to measure their fair values. Although these measurements use assumptions that are believed to be reasonable under the circumstances, the resulting values may differ if measured using different assumptions.

Derivative transaction contract amounts indicated in "(2) Fair value information on financial instruments" do not themselves indicate the volume of market risk related to derivatives transactions.

## (2) Fair value information on financial instruments

Below is fair value information on financial instruments as of March 31, 2013, excluding securities whose fair values are deemed extremely difficult to determine (see Note 2).

	(Millions of yen)		
	2013		
As of March 31	Consolidated balance sheet amount	Fair value	Difference
1 Cash and due from banks .....	¥ 104,142	¥ 104,142	¥ —
2 Call loans and bills bought .....	107,088	107,088	—
3 Monetary trusts			
Monetary trusts for trading .....	442	442	—
Other monetary trusts .....	323,862	323,862	—
4 Securities			
Trading securities .....	527,787	527,787	—
Held-to-maturity securities .....	3,956,120	4,514,661	558,540
Available-for-sale securities .....	1,686,076	1,686,076	—
5 Loans .....	1,115,330		
Reserve for possible loan losses*1 .....	(1,422)		
Loans (after deduction for reserve for possible loan losses) .....	1,113,908	1,214,326	100,418
<b>Total Financial Assets .....</b>	<b>¥7,819,427</b>	<b>¥8,478,386</b>	<b>¥658,958</b>
1 Deposits .....	¥1,857,302	¥1,858,948	¥ 1,646
2 Call money and bills sold .....	10,000	10,000	—
3 Bonds payable .....	20,000	20,112	112
<b>Total Financial Liabilities .....</b>	<b>¥1,887,302</b>	<b>¥1,889,060</b>	<b>¥ 1,758</b>
Derivative financial instruments*2			
Hedge accounting not applied .....	¥ [171]	¥ [171]	¥ —
Hedge accounting applied .....	[12,675]	[12,675]	—
<b>Total Derivative Financial Instruments .....</b>	<b>¥ [12,846]</b>	<b>¥ [12,846]</b>	<b>¥ —</b>

\*1. Excludes general and specific reserves for possible loan losses.

\*2. Figures are totals resulting from derivatives transactions, which are accounted for as other assets and liabilities on the consolidated balance sheets. If the total is a debt amount, the above figure is shown in [ ].

### (Note 1) Measurement of the fair value of financial instruments

#### Financial Assets

##### 1 Cash and due from banks and 2 Call loans and bills bought

The fair value is regarded as the carrying amount, as they are approximately equal.

##### 3 Monetary trusts

In individual monetary trusts mainly for investment purposes, the fair value of securities (bonds) is the market price on financial instrument exchanges or the price indicated by a financial institution. Please see "13. Fair value information on monetary trusts," which indicates fair values by purpose.

##### 4 Securities

The fair value of stocks is the market price on stock markets or financial instrument exchanges. The fair value of bonds and investment funds is the market price or the price indicated by a financial institution. Please see "12. Fair value information on securities," which indicates fair values by purpose.

##### 5 Loans

###### ① Loans in the banking business

The fair value of these loans is measured by estimating their future cash flows and then applying a prescribed discount rate. The discount rate is determined by adding to the Libor-based yield curve a risk premium corresponding to the rate used to determine the general reserve for possible loan losses.

###### ② Policy loans in the life insurance business

Policy loans are valued by discounting future cash flows to their present value.

#### Financial Liabilities

##### 1 Deposits

The fair value of deposits is measured according to type by estimating the deposits' future cash flows and then applying a prescribed discount rate. The discount rate is determined by adding to the Libor-based yield curve a premium corresponding to the banking subsidiary's cumulative default rate by rating.

##### 2 Call money and bills sold

The fair value is regarded as the carrying amount, as they are approximately equal.



### 3 Bonds payable

The fair value of bonds payable is the market price on bond and other markets.

### Derivative Transactions

Please see "14. Derivative financial instruments," which indicates measurement of fair value.

(Note 2) Securities whose fair values are deemed extremely difficult to determine are as follows. They are not included in "4. Securities" of Financial Assets in (Note 1) above.

	(Millions of yen)
	2013
	Consolidated balance sheet amount
As of March 31	
① Unlisted stocks in non-consolidated subsidiaries and affiliates* <sup>1</sup>	¥ 7,938
② Unlisted stocks other than 1 above* <sup>1</sup>	4
③ Investment in partnership* <sup>2</sup>	24,406
Total	¥32,349

\*1. As unlisted stocks have no market prices and their fair values are deemed extremely difficult to determine, they are not included in the scope of fair value disclosure.

\*2. As assets included in "investment in partnership" are stocks in unlisted companies and their fair values are deemed extremely difficult to determine, they are not included in the scope of fair value disclosure.

Note: Impairment losses on investment in partnership were recognized as ¥34 million for the year ended March 31, 2013. Impairment losses are principally recorded when the fair value as of the end of the fiscal year has declined by 50% or more from the acquisition cost.

(Note 3) Future redemption schedule of monetary claims and securities with maturities

	(Millions of yen)			
	2013			
	1 year or less	More than 1 year to 5 years	More than 5 years to 10 years	Over 10 years
As of March 31				
Cash and due from banks	¥104,142	¥ —	¥ —	¥ —
Call loans and bills bought	107,088	—	—	—
Securities				
Held-to-maturity securities	5,049	20,030	31,124	3,889,229
Bonds	4,749	20,030	30,924	3,834,229
Japanese government and municipal bonds	3,751	18,166	28,023	3,811,310
Japanese corporate bonds	998	1,864	2,901	22,919
Others	300	—	200	55,000
Available-for-sale securities	166,562	517,474	245,274	616,900
Bonds	70,607	208,846	204,206	616,900
Japanese government and municipal bonds	30,401	101,778	144,077	616,850
Japanese corporate bonds	40,206	107,068	60,129	50
Others	95,955	308,627	41,068	—
Loans*	16,717	78,536	53,945	820,807
Total	¥399,559	¥616,042	¥330,345	¥5,326,936

\* This figure excludes ¥145,019 million of loans such as policy loans that have no fixed redemption period.

(Note 4) Future return schedule of deposits and other liabilities with interest

	(Millions of yen)					
	2013					
	1 year or less	More than 1 year to 2 years	More than 2 years to 3 years	More than 3 years to 4 years	More than 4 years to 5 years	More than 5 years
As of March 31						
Deposits*	¥1,779,125	¥18,221	¥16,661	¥ 3,356	¥ 2,840	¥37,095
Call money and bills sold	10,000	—	—	—	—	—
Bonds payable	—	—	—	10,000	10,000	—
Total	¥1,789,125	¥18,221	¥16,661	¥13,356	¥12,840	¥37,095

\* Demand deposits are included in "1 year or less."



12 Fair value information on securities as of March 31, 2013:

(1) Trading-purpose securities

	(Millions of yen)
As of March 31	2013
Valuation gains charged to income .....	¥70,801

(2) Held-to-maturity securities

	(Millions of yen)		
	2013		
As of March 31	Consolidated balance sheet amount	Fair value	Difference
Fair values exceeding the consolidated balance sheet amount			
Bonds .....	¥3,912,282	¥4,461,903	¥549,621
Japanese government and municipal bonds .....	3,883,367	4,429,415	546,047
Japanese corporate bonds .....	28,914	32,488	3,574
Others .....	43,838	52,757	8,919
Subtotal .....	3,956,120	4,514,661	558,540
Total .....	¥3,956,120	¥4,514,661	¥558,540

Note: There were no held-to-maturity securities whose fair values do not exceed the consolidated balance sheet amounts.

(3) Available-for-sale securities

	(Millions of yen)		
	2013		
As of March 31	Consolidated balance sheet amount	Acquisition cost	Difference
Consolidated balance sheet amount exceeding the acquisition cost			
Bonds .....	¥1,136,292	¥1,054,243	¥ 82,048
Japanese government and municipal bonds .....	930,231	850,896	79,335
Japanese corporate bonds .....	206,060	203,347	2,713
Equity securities .....	18,394	11,591	6,803
Others .....	378,134	365,029	13,104
Subtotal .....	1,532,821	1,430,864	101,956
Consolidated balance sheet amount not exceeding the acquisition cost			
Bonds .....	56,874	57,392	(518)
Japanese government and municipal bonds .....	50,770	51,235	(464)
Japanese corporate bonds .....	6,103	6,157	(53)
Equity securities .....	3,850	3,898	(47)
Others .....	92,528	94,186	(1,657)
Subtotal .....	153,254	155,477	(2,223)
Total .....	¥1,686,076	¥1,586,342	¥ 99,733

Note: As unlisted stocks of ¥4 million in the consolidated balance sheet amount and an investment in partnership of ¥24,406 million in the consolidated balance sheet amount have no market prices and their fair values are deemed extremely difficult to determine, they are not included in the table above.

(4) Held-to-maturity securities sold during the period

There is no related information to be reported.

(5) Available-for-sale securities sold during the period

	(Millions of yen)		
	2013		
For the year ended March 31	Sales	Gains on sales	Losses on sales
Bonds .....	¥ 23,343	¥ 174	¥ 86
Japanese government and municipal bonds .....	22,954	168	82
Japanese corporate bonds .....	389	6	3
Equity securities .....	15,648	2,003	380
Others .....	63,243	1,165	1,228
Total .....	¥102,235	¥3,343	¥1,695

## (6) Impairment of available-for-sale securities

Available-for-sale securities with market value are considered impaired if the market value decreases materially below the acquisition cost and such decline is considered non-recoverable. The market value is recognized as the consolidated balance sheet amount and the write-down is accounted for as a devaluation loss for the fiscal year.

Impairment loss of ¥327 million was recognized for the year ended March 31, 2013.

"Material decline" is principally indicated when the market value declines by 30% or more below the acquisition cost.

### 13 Fair value information on monetary trusts as of March 31, 2013:

#### (1) Monetary trusts for trading

		(Millions of yen)	
		2013	
		Consolidated balance sheet amount	Valuation gains or losses charged to income
As of March 31			
Monetary trusts for trading		¥442	¥ —

#### (2) Monetary trusts for holding to maturity

There is no related information to be reported.

#### (3) Other monetary trusts (other than trading and holding to maturity)

		(Millions of yen)			
		2013			
		Consolidated balance sheet amount	Acquisition cost	Items whose consolidated balance sheet amount exceeds acquisition cost	Items whose consolidated balance sheet amount does not exceed acquisition cost
As of March 31					
Other monetary trusts		¥323,862	¥285,656	¥38,206	¥ —

Notes: 1. The amount of jointly invested monetary trusts that is included in the table above for the year ended March 31, 2013 is ¥50 million.

2. "Items whose consolidated balance sheet amount exceeds acquisition cost" and "Items whose consolidated balance sheet amount does not exceed acquisition cost" are the breakdown of the difference.

#### (4) Impairment of other monetary trusts

Securities with market values that are included in monetary trusts for purposes other than trading, holding to maturity or policy reserve matching are considered impaired if their market value decreases materially below the acquisition cost and such decline is considered non-recoverable. Their market value is recognized as the consolidated balance sheet amount and the write-down is accounted for as a devaluation loss for the fiscal year.

No impairment loss was recognized for the year ended March 31, 2013.

"Material decline" is principally indicated when the market value declines by 30% or more below the acquisition cost.

### 14 Derivative financial instruments:

#### (1) Derivatives to which hedge accounting is not applied

The following provides a summary of contractual or notional amounts, current market or fair values and valuation gains or losses as of March 31, 2013 and the method of calculating the fair values of derivatives, classified by transaction, to which hedge accounting is not applied.

Notional amounts do not indicate market risk involved in derivative transactions.

##### ① Interest rate derivatives

		(Millions of yen)			
		2013			
		Notional amount total	Notional amount over 1 year	Fair value	Valuation losses
As of March 31					
Over-the-counter transactions					
Interest rate swaps		¥20,000	¥ —	¥(119)	¥(119)
Total		¥ —	¥ —	¥(119)	¥(119)

Notes: 1. The above transactions are valued at market, and valuation losses are recorded in the consolidated statements of income.

2. Fair value of over-the-counter transactions is measured mainly using discounted present value.

## ② Currency derivatives

(Millions of yen)				
2013				
As of March 31	Notional amount total	Notional amount over 1 year	Fair value	Valuation gains (losses)
Over-the-counter transactions				
Forward foreign exchanges				
Sold .....	¥46,407	¥ —	¥ (55)	¥ (55)
Bought .....	91,703	—	(297)	(297)
Foreign exchange margin transactions				
Sold .....	47,646	—	(619)	(619)
Bought .....	10,587	—	916	916
Currency options				
Sold .....	1,036	—	(6)	7
Currency forward contracts				
Bought .....	7,599	—	10	10
Total .....	¥ —	¥ —	¥ (52)	¥ (37)

Notes: 1. The above transactions are valued at market, and the valuation gains or losses are recorded in the consolidated statements of income.  
2. Fair value is measured using such as the discounted present value and option pricing models.

## (2) Derivatives to which hedge accounting is applied

The following provides a summary of contractual or notional amounts and current market or fair values as of March 31, 2013 and the method of calculating the fair values of derivatives, classified by transaction, for each hedge accounting, to which hedge accounting is applied. Notional amounts do not indicate market risk involved in derivative transactions.

### ① Interest rate derivatives

			(Millions of yen)		
			2013		
As of March 31			Notional amount total	Notional amount over 1 year	Fair value
Hedge accounting	Hedging instrument	Hedged item			
Deferred hedge accounting	Interest rate swaps	Loans .....	¥ 79,195	¥ 74,491	¥ (2,811)
Fair value hedge accounting	Interest rate swaps	Available-for-sale securities (bonds) ..	378,446	332,030	(19,225)
Total .....			¥ —	¥ —	¥(22,036)

Notes: 1. SFH applies deferred hedge accounting and fair value hedge accounting 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 Statement No. 24).  
2. Fair value is measured using discounted present value.

### ② Currency derivatives

			(Millions of yen)		
			2013		
As of March 31			Notional amount total	Notional amount over 1 year	Fair value
Hedge accounting	Hedging instrument	Hedged item			
Fair value hedge accounting	Currency swaps	Available-for-sale securities (bonds) ..	¥45,300	¥3,500	¥9,361
Total .....			¥ —	¥ —	¥9,361

Notes: 1. SFH applies mainly fair value hedge accounting.  
2. Fair value is measured mainly using discounted present value.

**15** Information about retirement benefit obligations as of March 31, 2013:

**(1) Overview of retirement benefit plans**

The 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. SFH and its banking subsidiary mainly provide a lump-sum retirement benefit plan.

**(2) Retirement benefit obligations**

	(Millions of yen)
As of March 31	2013
Retirement benefit obligations	¥(36,369)
Plan assets	8,933
Unfunded retirement benefit obligations	(27,436)
Unrecognized net obligation at transition	828
Unrecognized net actuarial gain	4,491
Unrecognized prior service cost	(258)
Net retirement benefit obligations	(22,374)
Prepaid pension costs	1,841
Reserve for employees' retirement benefits	¥(24,216)

Note: SFH calculates retirement benefit obligations based on the simplified method.

**(3) Retirement benefit expenses**

	(Millions of yen)
For the year ended March 31	2013
Service cost	¥2,955
Interest cost	325
Expected return on plan assets	(409)
Amortization of net obligation at transition	414
Amortization of net actuarial gain	898
Amortization of prior service cost	(129)
Others	360
Retirement benefit expenses	¥4,416

Notes: 1. SFH includes the retirement benefit expenses in the service cost based on the simplified method.

2. Others include defined contribution pension plan payments.

**(4) Basis for calculating retirement benefit obligations**

	2013
For the year ended March 31	
Method of allocating projected retirement benefits	<b>Straight-line or point basis</b>
Discount rate	<b>0.6–1.9%</b>
Expected return on plan assets	<b>3.0–5.6%</b>
Prior service cost amortization period	<b>10 years</b>
Net actuarial gain amortization period	<b>7–17 years</b>
Net obligation at transition amortization period	<b>15 years</b>

**16** Asset retirement obligations:

Asset retirement obligations recorded on the consolidated balance sheets

**(1) Overview of asset retirement obligations**

The reserve for asset retirement obligations is provided for the estimated amount of asbestos removal cost associated with investment and rental property in accordance with Ordinance on Prevention of Health Impairment due to Asbestos.

**(2) Basis of measurement for asset retirement obligations**

The amount of asset retirement obligations is calculated by estimating the usable period to be 6 to 43 years from acquisition and then applying a 1.5 to 2.5% discount rate.

**(3) Changes in the balance of asset retirement obligations for the year ended March 31, 2013 were as follows:**

	(Millions of yen)
For the year ended March 31	<b>2013</b>
Balance at the beginning of the current period	<b>¥663</b>
Increase due to purchases of new assets	<b>35</b>
Changes resulting from the passage of time	<b>14</b>
Decrease due to execution of asset retirement obligations	<b>(0)</b>
Balance at the end of the current period	<b>¥713</b>

**17** Fair value information on investment and rental property:

SFH's life insurance subsidiary owns rental office buildings in Tokyo and other cities. Income related to investment and rental property amounted to ¥3,404 million for the year ended March 31, 2013. Its main revenues were accounted for in the life insurance business's "interest income and dividends," and its main expenses were accounted for in the life insurance business's "depreciation of real estate for rent and others" and "other investment expenses." Impairment losses amounted to ¥877 million for the year ended March 31, 2013.

Below is the consolidated balance sheet amount, net of changes, and the fair value. The fair value is measured by a licensed third-party real estate appraisal agent or at the expected sales price.

	(Millions of yen)
As of March 31	<b>2013</b>
Consolidated balance sheet amount	
Balance at the beginning of the current period	<b>¥65,460</b>
Changes during the period	<b>(4,360)</b>
Balance at the end of the current period	<b>61,099</b>
Fair value	<b>¥79,579</b>

Note: The consolidated balance sheet amount is the acquisition cost less accumulated depreciation and impairment losses.

- 18** Contracts of commitments to provide credit line and overdrafts of the life insurance subsidiary and the banking subsidiary 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, 2013 was ¥23,275 million, and the amount of unused commitments whose original contract terms are within 1 year at March 31, 2013 was ¥17,892 million.
- 19** Borrowed money includes subordinated borrowings of ¥2,000 million subject to a special contract that subordinates the fulfillment of this obligation to other obligations.
- 20** Expected future losses of the life insurance subsidiary under the life insurance policyholder protection structure stipulated under Article 259 of the Insurance Business Act of Japan amounted to ¥9,661 million. Such losses are recognized as expenses during the fiscal year in which they are contributed.

## 5. Notes to the Consolidated Statement of Income

- 1** 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, 2013, net income per share was ¥103.60. Diluted net income per share is not disclosed for the year ended March 31, 2013 as SFH had no potentially dilutive shares of common stock.

The basis for this calculation for the year ended March 31, 2013 is net income of ¥45,064 million, the entire amount of which is applicable to common stock. The weighted-average number of shares outstanding for the year ended March 31, 2013 was 435,000 thousand shares.

## 6. Notes to the Consolidated Statement of Comprehensive Income

Reclassification adjustments and income tax benefit (expense) on components of other comprehensive income for the year ended March 31, 2013 are as follows:

	(Millions of yen)
For the year ended March 31	2013
Net unrealized gains on other securities, net of taxes:	
Gains arising during the period	¥ 76,768
Reclassification adjustments	(2,002)
Pre-tax amount	74,765
Income tax expense	(23,383)
Net unrealized gains on other securities, net of taxes	51,381
Net deferred losses on hedging instruments, net of taxes:	
Losses arising during the period	(2,778)
Reclassification adjustments	1,795
Pre-tax amount	(983)
Income tax benefit	350
Net deferred losses on hedging instruments, net of taxes	(633)
Land revaluation, net of taxes:	
Losses arising during the period	(170)
Reclassification adjustments	—
Pre-tax amount	(170)
Income tax benefit	52
Land revaluation, net of taxes	(118)
Foreign currency translation adjustments:	
Gains arising during the period	109
Reclassification adjustments	344
Pre-tax amount	453
Income tax benefit (expense)	—
Foreign currency translation adjustments	453
Share of other comprehensive income of affiliates accounted for using equity method	
Losses arising during the period	(2)
Reclassification adjustments	0
Share of other comprehensive income of affiliates accounted for using equity method	(1)
Total other comprehensive income	¥ 51,082

## 7. Notes to the Consolidated Statement of Changes in Net Assets

1 Types and numbers of shares issued are as follows:

	(Thousands of shares)			
	2013			
For the year ended March 31	Number of shares as of April 1, 2012	Number of shares increased during the period	Number of shares decreased during the period	Number of shares as of March 31, 2013
Issued shares				
Common stock	435,000	—	—	435,000
Total	435,000	—	—	435,000
Treasury stock				
Common stock	—	—	—	—
Total	—	—	—	—

**2** Information on dividends is as follows:

(1) Dividends paid

Resolution	Type of shares	Aggregate amount of dividends	Cash dividends per share	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 22, 2012 .....	<b>Common stock</b>	<b>¥8,700 million</b>	<b>¥20</b>	<b>March 31, 2012</b>	<b>June 25, 2012</b>

(2) Dividends to be paid in the next fiscal year

Resolution	Type of shares	Aggregate amount of dividends	Source of dividends	Cash dividends per share	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 25, 2013 ...	<b>Common stock</b>	<b>¥10,875 million</b>	<b>Retained earnings</b>	<b>¥25</b>	<b>March 31, 2013</b>	<b>June 26, 2013</b>

## 8. Notes to the Consolidated Statement of Cash Flows

- 1** The reconciliation of cash and cash equivalents in the statement of cash flows to cash and due from banks as stated in the consolidated balance sheet as of March 31, 2013, is as follows:

	(Millions of yen)
As of March 31	<b>2013</b>
Cash and due from banks .....	<b>¥104,142</b>
Call loans of life insurance subsidiary .....	<b>97,088</b>
Securities of non-life insurance subsidiary maturing within 3 months of the acquisition date .....	<b>174</b>
Cash and cash equivalents .....	<b>¥201,404</b>

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





## Please visit SFH's website to view the Financial Data Book.

Beginning with the 2013 Annual Report, SFH has provided detailed financial data for each operating company and certain other information that was previously shown in the annual report in a separate publication called the Financial Data Book.

The Financial Data Book is available only on SFH's website.



[http://www.sonyfh.co.jp/web/en/financial\\_info\\_e/annualreport.html](http://www.sonyfh.co.jp/web/en/financial_info_e/annualreport.html)

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# Glossary (in Alphabetical Order)

## A

### ALM (Asset Liability Management) Life Non-life Banking

- A risk management method for ensuring stable delivery of assumed interest rates through a comprehensive grasp and management of the special characteristics of assets and liabilities. Because the majority of life insurance company liabilities consist of policy reserves accumulated based on assumed interest rates fixed at the time of policy enrollment, a company must take this special characteristic into consideration when using ALM.

### Annualized insurance premiums Life

- An indicator of the approximate annual premium income from existing policies, which is used as a performance indicator. Annualized insurance premiums are calculated by adjusting differences in the payment methods since insurance premiums can be paid monthly, annually, or in a lump sum, and by assuming that average payments will be made over the term of the policy.

### Assumed interest rate Life Non-life

- Insurance companies anticipate a certain return on invested assets in advance and discount insurance premiums only by this amount. This discount rate is called the assumed interest rate.

### Assumed mortality rate Life

- The mortality rate is the percentage of people who die in a single year for a given large population. The assumed mortality rate is the mortality rate used when calculating the amount of insurance premiums needed to cover future benefit payments, and represents a projection of the number of deaths by gender and age based on past statistics.

### Assumed rate of expense Life Non-life

- In operating their businesses, insurance companies forecast their expenses, then discount their insurance premiums by that amount. That discount rate is called the assumed rate of expense.

## B

### Benefits Life

- Money paid by an insurance company to a beneficiary in the event of hospitalization, surgery, or others involving the insured.

### Bonus-malus system (Non-fleet driver rating system) Non-life

- A system for applying discounted or additional premiums for non-fleet policyholders (owners/users of nine or fewer automobiles or motorcycles) based on their accident histories. Grades range from 1 to 20, but typically start at Grade 6. The higher the grade (larger numbers), the bigger the discount rate, and the smaller the number, the smaller the discount.

## C

### Capital adequacy ratio Banking

- An indicator of whether a bank has enough capital, including common stock, versus 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 in 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 to show financial soundness. For banks possessing business bases

overseas, the internationally standardized regulations to preserve financial soundness are a capital adequacy ratio of over 8%, and for banks not possessing business bases overseas, in Japan a capital adequacy ratio of 4% is required.

### Catastrophe reserve Non-life

- A type of policy reserve, under which, pursuant to the provisions of the Insurance Business Act of Japan, non-life insurance companies are required to accumulate each fiscal year as an amount calculated based on premium income to cover losses due to catastrophic events. In consideration of the special need for the non-life insurance business to cover a wide range of risks, the catastrophe reserve acts as a provision against the risk of large insurance claims resulting from earthquakes, typhoons, and other catastrophic events. It is structured to be accumulated over the course of multiple fiscal years, and reversed during the fiscal year in which a disaster occurs.

### Combined ratio Non-life

- The sum of an insurance company's net loss ratio and net expense ratio. Indicates an insurance company's profitability in the primary business operations.

### Compulsory automobile liability insurance Non-life

- 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. Benefits are not paid for vehicle or property damage.

### Contingency reserve Life Non-life

- 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 reserve at every account closing as one component of policy reserves in the financial statements.

### Core profit Life

- An indicator of profits (losses) 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.

## D

### Direct premiums written Non-life

- Premiums received from policyholders, calculated by subtracting direct surrender payments and other direct payments from direct premiums.

### Duration Life

- A sensitivity index indicating the extent to which the present value of future cash flow (interest income, repayment of principal, receipt of premiums, payment of insurance benefits, dividends, etc.) from eligible assets (managed assets) and liabilities (policy liabilities) will be affected by interest rate fluctuations. While a variety of types and methods for calculating duration exist, a method expressing the weighted average maturity of the cash flow in question is relatively widely used.

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## E

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### EV (Embedded Value) Life

- An indicator of the corporate value of a life insurance company. Sony Life discloses MCEV (Market Consistent Embedded Value) in conformity with the MCEV Principles. For details on MCEV, please see "MCEV Results for Sony Life" in the Financial Data Book.

### Educational endowment insurance Life

- An insurance policy designed to provide for the future educational expenses of children. An insurance benefit is paid out when the child reaches a prescribed age at the end of the policy period.

### Endowment insurance Life

- Endowment insurance entitles a beneficiary to receive death or serious disability benefits upon the death or serious disability of the insured within an insurance period specified when the policy is purchased, or to receive maturity benefits upon policy maturity.

### Expense ratio Non-life

- The ratio of expenses for soliciting, maintaining, and managing insurance to insurance premiums. Used as an indicator of business efficiency at insurance companies. The 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.

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## F

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### Family income insurance Life

- In the event the insured dies or becomes disabled, this insurance pays an annual or monthly benefit through policy maturation in the form of a family annuity or disability annuity.

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## G

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### General accounts Life

- Accounts for managing financial assets not included in separate accounts. This account guarantees policyholders a certain assumed interest rate, while the life insurance company bears the asset management risk.

### Gross operating profit Banking

- 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.

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## I

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### Individual annuities Life

- Policyholders are eligible for receiving annuity payments from funds accumulated by paid insurance premiums 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.

### Individual variable annuities Life

- 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 policyholder bears the asset management risk.

### Insurance Act of Japan Life Non-life

- Previously, rules concerning insurance policies were stipulated in the Insurance Chapter of the Commercial Code, which was enacted in 1899. In April 2010, the Insurance Act entered into force as a new law independent of the Commercial Code. Because no substantive amendments to rules concerning insurance policies in the Commercial Code had been made for over a century, the Insurance Act contains substantial changes from the standpoint of protecting policyholders and others. In addition, the Act has been written in language reflecting modern usage, among other revisions.

### Insurance Business Act of Japan Life Non-life

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

### Insurance claims Life Non-life

- Money paid by an insurance company to the insured upon the death or serious disability 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 Non-life

- 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.

### Insured Life Non-life

- A person who receives insurance protection and compensation or a person who has insurance coverage for his/her life, illness, or injury. This can be the same or different person from the policyholder.

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## L

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### Lapse and surrender rate Life

- Surrender refers to the cancellation of an insurance policy at some point in the future. Upon termination, the policy is surrendered, and from that point protection (or coverage, in the case of non-life insurance) is lost. On the other hand, a lapse is when a policyholder fails to pay premiums within the payment grace period, causing the policy to lapse, from which point the policy will no longer provide protection.

The lapse and surrender rate is the ratio of lapses and surrenders to policies in force at the beginning of the fiscal year. It is calculated by adding the total of lapses and surrenders for the year in question, and then dividing by the amount of policies in force at the beginning of the fiscal year.

### Living benefit insurance Life

- This insurance provides a lump-sum benefit payment when the insured is diagnosed with one of three major diseases (cancer, heart attack, or stroke).

### Loss adjustment expenses Non-life

- Expenses incurred by an insurance company in examining an insured event. These include personnel and non-personnel expenses.

### Loss ratio Non-life

- The ratio of insurance claims paid to premium income. Used in analyzing the business of an insurance company and in calculating insurance premium rates. The net loss ratio is the ratio derived by adding loss adjustment expenses to net losses paid, then dividing by net premiums written.

## M

### Medical insurance Life Non-life

- 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

- The amount by which the expected investment income from the assumed interest rate is not covered by the actual investment income.

### Net fees and commissions Banking

- Fees and commissions charged for providing services. These refer to income generated by providing services, such as bank transfer fees and investment trust sales commissions, less the costs associated with providing these services.

### 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 at the same levels, 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 a subsequent sale at a price higher than the purchase price would be recorded in other operating income, and any loss from a subsequent sale at a price lower than the purchase price would be recorded in other operating expenses.

### Net premiums written Non-life

- 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 deposits of premiums.

### Non-performing assets Life Non-life 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.

### Nursing care insurance Life

- Insurance that pays out lump-sum or annual payments to an insured party who has become eligible for prescribed nursing care. Sony Life has products that provide coverage for those certified as requiring Level 2 or higher nursing care under the public nursing care insurance system in Japan, or for insured parties under 65 who have been eligible for nursing care as predefined by Sony Life for a continuous 180 days.

## O

### Over-the-counter (OTC) sales of insurance products at banks Life Non-life 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 in December 2007, and banks can now sell a variety of insurance products.

## P

### Policy amount in force Life

- 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).

### Policy reserves Life (Underwriting reserves) Non-life

- 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 reserve, contingency reserve, refund reserve, and reserve for policyholders' dividends.

### Policy reserves and others Life (Underwriting reserves) Non-life

- Reserves recorded in the liabilities section of the balance sheets for which insurance companies are required in the Insurance Business Act of Japan 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 reserve for outstanding claims, policy reserves, and reserve for policyholders' dividends.

### Policy reserve discount rate Life

- The policy reserve discount rate is the calculating rate insurance companies are required to use when accumulating policy reserves for future insurance payments. A lowering of the rate means that the amount of the policy reserves insurance companies must accumulate will increase. Since the source of funds for the policy reserves is primarily insurance premiums, the premium rate may be revised as necessary in line with revision to the policy reserve discount rate. The policy reserve discount rate applied to policies from April 2013 is 1.0%, half a percentage point lower than the previous 1.5%.

### Policyholder Life Non-life

- A person who signs up for 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.

## Policyholder loans Life

- 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.

## Policyholders' dividend reserve Life

- A reserve accumulated to fund dividend payments to policyholders pursuant to the provisions of the Insurance Business Act of Japan.

## R

## Reinsurance Life Non-life

- The insurance agreement that insurance companies conclude with domestic and overseas reinsurance companies for some of the insurance policies they underwrite, mainly large ones, in order to diversify risks on insurance policies.

## Reserve for outstanding claims Life (Reserve for outstanding losses) Non-life

- Reserve for the estimated amount of unfixed insurance payments and unpaid insurance claims at the end of the fiscal year, among payment obligations for insurance claims, surrender value, and other benefits.

## Reserve for price fluctuations Life Non-life

- This reserve is set aside to prepare for losses caused by price fluctuations in stocks, bonds and other assets held by an insurance company.

## Riders Life Non-life

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

## Risk segmented automobile insurance Non-life

- Automobile insurance that segments the risk factors on which insurance premium calculations are based. The Insurance Business Act Enforcement Regulations of Japan recognize 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

## Separate accounts Life

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

## Solvency margin Life Non-life

- The solvency margin indicates payment ability. 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 stock prices. 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 of Japan will take steps to quickly restore financial soundness. New standards were applied beginning at the end of FY2011, with stricter solvency margin standards and stricter and more elaborate standards for measuring risk.

## Surrender payments Life Non-life

- Money refunded to the policyholder in the event that the insurance policy is surrendered or cancelled. Surrender payment amounts vary depending on several factors, including the type of insurance, insurance period, and years elapsed.

## T

## Term insurance Life

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

## Third-sector insurance Life Non-life

- 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 has allowed both life and non-life insurance companies to handle all third-sector insurance products from July 2001.

## U

## Underwriting profit Non-life

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

## V

## Variable life insurance Life

- 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 policyholder bears the asset management risk.

## W

## Whole life insurance Life

- Insurance that pays benefits in the event the insured dies or is disabled. Unlike term life insurance, protection continues for entire life.



## SFH's Website Information

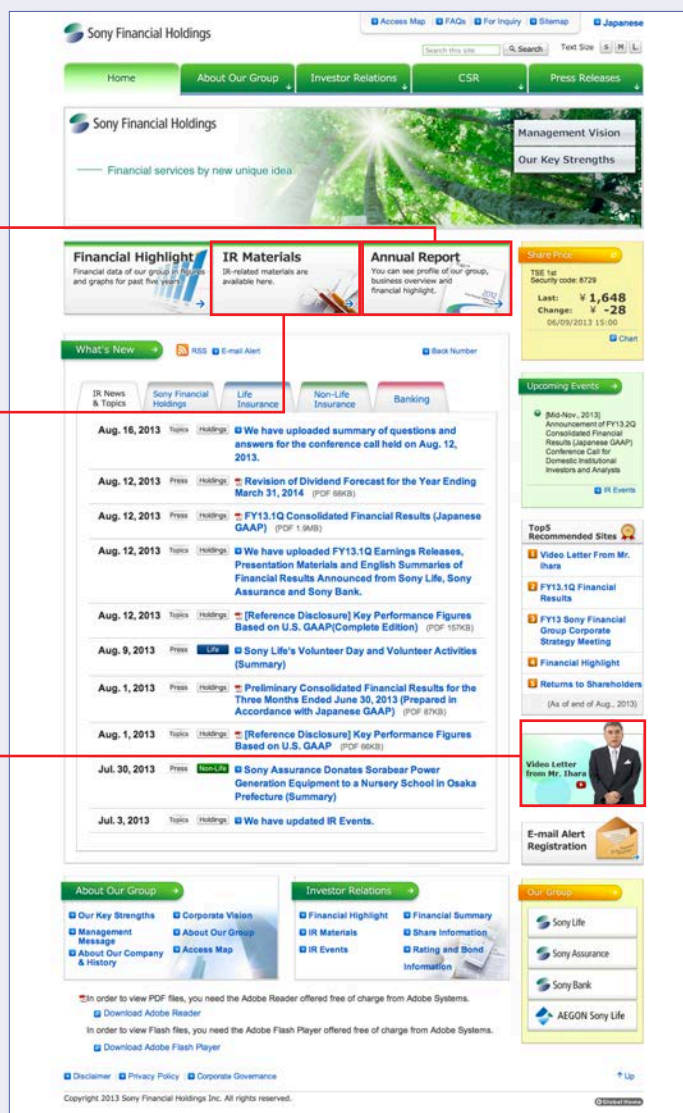
SFH actively uses its website to provide timely disclosure and promote a better understanding of the Sony Financial Group.

The SFH's website offers a variety of information, as detailed below.

Annual reports and financial data are available for viewing in PDF and HTML formats, respectively.

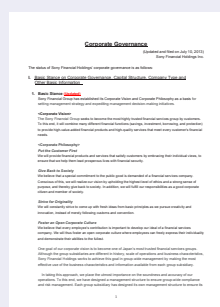
IR-related materials, such as earnings releases and financial results, and earnings announcement materials, are available for viewing or downloading.

On the video, Katsumi Ihara, President and Representative Director of SFH, talks about the origin of our businesses, strengths and future strategies.



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

The following report and Financial Data Book are available for download in PDF format from SFH's website:



### Corporate Governance Report

The report explains about SFH's corporate governance in detail.



### Financial Data Book

The Financial Data Book is available only on SFH's website.





